

Agenda Item	15
Report No	RES/13/26

The Highland Council

Committee: Corporate Resources

Date: 19 March 2026

Report Title: Insurance Arrangements

Report By: Assistant Chief Executive - Corporate

1. Purpose/Executive Summary

1.1 This report provides an overview of the Council's insurance arrangements including the approach to the provision of commercial insurance and self-insured risks. Details are provided of the numbers and types of claims received from April 2024 to December 2025, together with settlement and refutation data. Finally, information is provided of additional activities planned for 2026/27.

2. Recommendations

2.1 Members are asked to:

- i. Scrutinise and consider this report;
- ii. Agree the future activities as set out at Section 9;
- iii. Note that annual reports on Insurance will be presented to this Committee.

3. Implications

3.1 Resource – details of the staffing resources and financial cost of claims are set out in this report.

3.2 Legal – there are a number of legal requirements relating to the insurance process which are also set out in the report.

3.3 Risk – insurance is one of the means of addressing risks to the Council.

3.4 Health and Safety (risks arising from changes to plant, equipment, process, or people) – compliance with health and safety procedures is critical to providing a robust defence against insurance claims.

3.5 Gaelic – there are no implications arising from this report.

4. Impacts

4.1 In Highland, all policies, strategies or service changes are subject to an integrated screening for impact for Equalities, Poverty and Human Rights, Children's Rights and Wellbeing, Climate Change, Islands and Mainland Rural Communities, and

Data Protection. Where identified as required, a full impact assessment will be undertaken.

- 4.2 Considering impacts is a core part of the decision-making process and needs to inform the decision-making process. When taking any decision, Members must give due regard to the findings of any assessment.
- 4.3 This is an update report and therefore an impact assessment is not required.

5. Insurance arrangements

- 5.1 Insurance forms part of the Legal and Corporate Governance Service within the Corporate Cluster reporting to the Strategic Lead (Audit & Risk). This change was made in July 2024 when it transferred from Corporate Finance. Resource investment within the Cluster has supported the establishment of a revised staffing structure from 0.8fte to 2fte to support insurance related activities. The Insurance Team now comprises 2fte - an Insurance and Risk Manager based in Council HQ and an Administrative Assistant based in Charles Kennedy Buildings, Fort William. The structure addresses previous concerns that there may be a single point of failure and ensures continuity of service provision.
- 5.2 The Council’s insurance arrangements comprise of a mix of commercially purchased insurance and the administration of an internal Insurance Fund. The Insurance Fund is in place and requires to be at sufficient level to cover all risks for which there is no commercial cover and for claims up to the excess levels (see section 8). It should be noted that High Life Highland are included within the Council’s insurance arrangements and are recharged accordingly.
- 5.3 The commercially purchased insurance is procured through the Commercial and Procurement Shared Service. The present provider is Zurich Municipal and the premiums payable by the Council are reviewed annually. By agreement the current contract has been extended for the year 2026/27, and work will commence shortly on the preparation of a new tender to allow a new contract to be in place from April 2027.

Insurance policies with the following excesses/ limitations are currently in place:

Policy type	Details	Excess/ limitation
Property (non-domestic)	Council buildings and contents	£1 million excess Limited to perils of fire, lightning, explosion and aircraft
Liability	Public liability	£1 million excess
	Employers liability	£1 million excess
	Officials indemnity	£1 million excess
	Libel and slander	£1 million excess
	Professional negligence	£1 million excess
Motor	Owned and hired vehicles	£1 million excess Third party cover only
Miscellaneous	Fidelity guarantee	£1 million excess
	Personal accident (staff)	n/a
	Computer equipment	£1 million excess
	Business Travel	£1 million excess
	Marine (ferries, harbour and marine facilities)	£1 million excess
	Aviation (airstrips)	£1 million excess

- 5.4 In 24/25, as a condition of the annual renewal, Zurich requested the Council to agree that Zurich to assume a lead role in the claims handling process. This arrangement also enabled the Council to review the service delivery model and structure which had been in place for a number of years. It has been agreed that claims handling will revert to the Council during 26/27 and positively reflects the completion of the review and implementation of a new structure as discussed earlier in this report. This will allow the pothole related insurance claims to be dealt with by the Roads Area Offices as was previously the case, with all other claims dealt with by the Insurance team.
- 5.5 Each year Zurich will undertake a number of visits to different Council properties with the purpose of identifying any major loss potentials, provide risk engineering assessments and offer risk improvement advice to mitigate any potential property losses. The outcomes from the visits are documented in a formal report which may include risk improvement actions. These actions are categorised as critical, important or advisory. Property staff are responsible for addressing these actions and monthly progress monitoring meetings are held with Zurich. The Insurance and Risk Manager also attends these meetings.
- 5.6 The cost of insurance consisting of the insurance premiums and claims paid are funded through a combination of recharges to Service budgets and drawdown from the Insurance Fund. In recent years as both the Council's commercial insurer and the insurance market more generally becoming more risk averse, the cost of the Council's annual insurance premium has significantly increased. In 2019/20, the first year of the current contract, the premiums were £668k, compared to £1.5 million paid in 2025/26.

6. Background

- 6.1 An insurance claim may be made to the Council where a member of the public or an employee considers that the Council has failed in its duty of care and so is liable for the "harm" that occurred. Examples include damage to vehicles and property caused by Council drivers, damage to private vehicles caused by potholes, slips and trips on roads/ pavements, and accidents/ incidents in the workplace. All claims are investigated and only where it is proven that the Council has been negligent, a payment will be agreed.
- There are prescribed legal timescales in which claims should be submitted, normally three years from the date of the incident. The exceptions to this rule are for incidents involving minors who have three years from the date of turning 18 years old, and historic childhood abuse claims where the law was changed to remove all timescales.
- 6.2 The investigation of claims is necessary to establish if there has been any negligence on the part of the Council which then contributed to the incident/ harm. This will include establishing what policies and procedures were in place and complied with, what training and safe systems of work including risk assessments were in place for staff, whether complaints were addressed as necessary, and whether prescribed inspection regimes were complied with.
- 6.3 Insurance claims can be made by a variety of different parties: the individual, solicitor acting on their behalf or their insurance company. Where solicitors are involved and a settlement is made this often includes the agreement to pay the claimant's legal costs as well. Therefore, timely decision making on such claims can assist in reducing the overall cost and amount paid.

6.4 Individuals may also decide to instigate court proceedings against the Council. This may be where their insurance claim was previously legitimately refuted, but they are aggrieved with this decision, or no prior claim has been made. The Simple Procedure is used for sums of £5,000 or less whereas higher value claims may be subject to actions raised in the High Court.

7. Insurance claims data

7.1 An analysis of the insurance claims received by Zurich from April 2024 to December 2025 was undertaken and further information is provided in **Appendix 1**. This shows by quarter the number of claims received and their status including details of those which were refuted (refused).

The largest number of insurance claims received are public liability claims, and in accordance with other Councils, the majority of these are pothole claims for damage to vehicles or falls on roads/ pavements resulting in personal injury. Whilst these are high volume, they are relatively low cost claims unless a significant injury has occurred. In considering the number of pothole claims, it should be noted that the Council's adopted road network of 6,787km is the eighth largest in the United Kingdom. The Council also publishes [further information](#) relating to roads maintenance and compensation claims on its website.

It is intended to provide annual updates reports to Committee which include claims data thereby allowing performance data to be built up over time and scrutinised accordingly.

8. Insurance Fund

8.1 In 2006/07, the Council agreed to establish an Insurance Fund. The purpose of the Fund was to reduce the cost of the annual premium being paid to the commercial insurer by allowing the Council to select higher levels of voluntary excesses and/ or self-insuring for other types of risk. The Fund is in place and needs to be of sufficient value to meet the costs of both claims below the agreed insurance excesses and those claims where no commercial insurance is in place.

Since the Fund was established, the Council has periodically reviewed its use of the Fund resulting in increased levels of voluntary excess and areas of self-insurance e.g. storm, flood, burst pipes and malicious damage to properties.

In 2016, the commercial insurance cover for the Council's domestic properties was removed and since then they have been entirely covered by the Insurance Fund. This decision was based on the fact that there were very few such claims, and these received were typically below the policy excess of £50k. This has changed in recent years. There have been a number of high value claims arising from significant flood or fire damage to houses. Very few Council properties are detached and where structural damage occurs this often affects more than one property. In 2024/25, notification was received of 5 fires and 2 floods. One of the fires affected 3 properties.

For 2025/26 to date there have also been 5 fire incidents notified, affecting 8 properties. Such incidents are usually complex to resolve as they normally require structural surveys in order to establish the damage before a tender can be prepared. As a result, these often continue over more than one financial year before the final costs are known and settled. Whilst there is an annual recharge to the Housing Revenue Account, in recent years this has been lower than the costs being borne by the Fund. It is intended that this will be addressed within the HRA Financial Strategy

to ensure that this includes sufficient provision for insurance costs. For context, as at 31/03/25 the number of properties were recorded as 15,250.

The cost of motor claims has increased significantly, partly from the increased cost of parts, but primarily due to hire car charges being more expensive. There are two reasons for this, hire periods can be longer due to longer lead in times for replacement parts and the agreement with the insurance industry that capped hire costs having expired. These costs are reflected both within the claims made by third parties within our motor insurance policy and the cost of repairs of our own fleet vehicles and equipment.

As a result of the above, there has been increased claim costs being met by the Fund in recent years.

- 8.2 The opening balance of the Fund on 01/04/24 was £5.3 million, and this was increased by £2 million from reserves as agreed by Council on 29/02/24. The charges to the Fund totalled £4.3 million leaving a balance of closing balance of just over £3 million on 31/03/25. The main charge to the Fund of £2.7 million was in respect of property related costs arising from HRA repairs and storm related damage. Any relevant insurance related repairs are normally collated by individual services and then sent to the Insurance team who will code these to the relevant insurance control account which is cleared out at year-end and the totals recharged to the Fund.

9. Future activities in 2026/27

- 9.1 There are a number of key tasks and activities to be undertaken in the next financial year. This includes the following:
- As detailed in section 5.3 above, there is a need to undertake the necessary work to issue a new tender for the Council's commercial insurance. Prior to the tender being produced consultation will be undertaken with Services in order to inform what insurance cover is required. The approach to the new tender will also be informed by claims data and benchmarking with other Councils.
 - A financial strategy for the Insurance Fund is also required in order to ensure that it is financially sustainable and so not reliant upon top-ups from reserves, and has sufficient funds to meet current and future claim estimates. The process for administering and the accounting of insurance costs, including recharges to the Fund will also be reviewed.
 - Another key activity will be the reinstatement of the internal claims handling of insurance claims from Zurich. New policies and procedures will also be introduced at this time and communicated to relevant officers and the general public.

Designation: Assistant Chief Executive - Corporate

Date: 24 February 2026

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Background Papers: none

Appendices: Appendix 1 – Analysis of 2024/25 and 2025/26 claims

Table 1 - Analysis of 2024/25 (Quarters 1 – 4) and 2025/26 (Quarters 1 – 3) insurance claims

Period	Number of claims received	Claim type *1			Settled claims*2			Claims in progress		Claims refuted*2	
		PL	MO	EL	Number	Total paid £	Average per claim £	Number	Estimated reserve *3	Number	% refuted
2024/25 Qtr 4	147	131	15	1	101	274,788	2,721	31	359,379	37	36.6%
2024/25 Qtr 3	113	93	16	4	111	230,891	2,080	29	154,806	12	10.8%
2024/25 Qtr 2	82	69	9	4	16	67,743	4,234	15	316,052	2	12.5%
2024/25 Qtr 1	125	106	17	2	4	41,587	10,397	23	419,946	0	0
Totals	467	399	57	11	232	£615,009	£4,858	98	£1,250,183	51	22.0%
2025/26 Qtr 3	62	42	20	0	132	228,707	1,732	50	88,998	60	45.5%
2025/26 Qtr 2	73	54	32	1	158	264,456	1,674	44	264,456	49	31.0%
2025/26 Qtr 1	51	73	20	6	118	187,550	1,589	43	280,716	45	38.1%
Totals	186	169	72	7	408	£680,713	£1,665	137	£513,781	154	37.7%

Notes:

*1 Claim types –Public Liability (PL), Motor (MO) and Employer’s Liability (EL).

*2 The claims settled and refuted information relates to the period in which the decision was made which may be different to the quarter when the claim was submitted.

*3 This is the estimate recorded by Zurich. The actual amount either paid or refuted can be different.