



OXFORD
MUTUAL
LIMITED



Annual Report 2018/19

Visit our website for further details: <https://finance.admin.ox.ac.uk/insurance>

Front Cover Photograph Acknowledgements:

Land Rover, Mobile Malaria Project. Walvis Bay, Namibia

Ezra Byrne

Beast sculpture, Lynn Chadwick, Ashmolean Museum

Insurance Office

Trent 1000, Rolls Royce engine

Insurance Office

Fallen Tree

Wytham Team

Oxford Skyline

Insurance Office

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Chairman's Introduction

I am delighted to present the annual report for Oxford Mutual Limited (the "Company" or "OML") for the financial year 2018/19 (the "Report").

The Report explains the aims and objectives of OML, as well as providing details of the insurance programme structure. In addition a summary of the risk profiling exercise is provided which demonstrates how the Company ensures it operates an integrated risk management and insurance strategy. Through this mechanism OML is able to improve risk governance by aligning the insurance programme with the University's current and emerging risks.

Robust management of claims is a key factor in the Company's success. Within the report you will find details of the claims experience which demonstrate the overall improvement in claims costs since OML's inception. This reduction in claims can also be attributed to the strong risk management strategy in place and the successful risk management activity that has been initiated by the Company over the years.

This year OML has carried out its triennial actuarial review in order to assess its financial performance. The review concluded that the Company holds robust reserves, due to successful risk management activity and sound underwriting results.

OML continues to provide a focal point for risk management and the risk management initiatives and projects undertaken during the year are detailed in the report. Further funding has been allocated for 2019/20 to enable OML to support risk management activity throughout the organisation.

David Holmes
Chairman

About Oxford Mutual Ltd

The Company is the vehicle through which the University's insurance programme is arranged and managed.

Aims

OML arranges protection for its members' needs and provides cover that is both stable and consistent.

OML enables the University to:

- ❖ reduce fluctuations in insurance premiums;
- ❖ manage its claims more efficiently and effectively;
- ❖ gradually build up a 'fighting fund' to provide additional flexibility during a 'hard' insurance market cycle; and
- ❖ deliver long term stability of cover and pricing with the benefits of return premiums if experience is favourable.

OML provides the University with:

- ❖ a greater understanding and ownership of its risks;
- ❖ expertise and advice specific to its members' needs;
- ❖ the potential to offer participation beyond University departments; and
- ❖ a vehicle for effective risk management.

OML manages the following insurance policies:

- ❖ property;
- ❖ motor;
- ❖ liabilities; and
- ❖ travel

The Company is funded by contributions from its members and provides discretionary cover for the first £100,000 of each and every claim occurring within the property, motor and liability policies, subject to an overall aggregate limit.

Oxford Mutual Ltd Board

The Board meets regularly to discuss all activities relating to insurance and risk management concerning the University and the Company. OML also has a direct reporting line to the University's General Purposes Committee.

The Board consists of the following Directors:

David Holmes, Chair and former Registrar of the University of Oxford

Paul Goffin, University of Oxford Director of Estates Services

Tim del Nevo, former University of Oxford Land Agent

Sean Anderson, University of Oxford Group Treasurer

Carolyn Puddicombe, University of Oxford Director of Asset & Space Management (resigned 8 August 2018)

David Bryan, University of Oxford Secretary to the Medical Sciences Division (resigned 11 January 2019)

Lyndie Hayes, University of Oxford Head of Insurance (appointed 15 October 2018)

Ewan McKendrick, former Registrar of the University of Oxford (appointed November 2019)

The Board is assisted by:

Graham Waite, University of Oxford Risk and Insurance Manager (Research)

Stuart Hutchings, Aon (Broker and Adviser)

Gary Tideswell, University of Oxford Director of Occupational Health and Safety

Sophie Pryor, University of Oxford Company Secretary

Kathryn Marshall, University of Oxford Company Accountant

Robert Bough, Solicitor, University of Oxford Legal Services Office

Sally Vine, Head of Assurance and Risk Management, University of Oxford (resigned 31 December 2019)

Support in the operating of the Company is also provided by:

Jack Frowde, University of Oxford Insurance Officer

Anna Wright, University of Oxford Insurance Assistant

Jason Gurney, University of Oxford Assistant Accountant

Financial Results

Extract from Audited Accounts

Policy Year	2018/19 £k	2017/18 £k
Net Income (note 1)	1,025	918
Claims (note 2)	373	(541)
Overheads (note 3)	(326)	(326)
Surplus/(Deficit) (note 4)	1,072	51

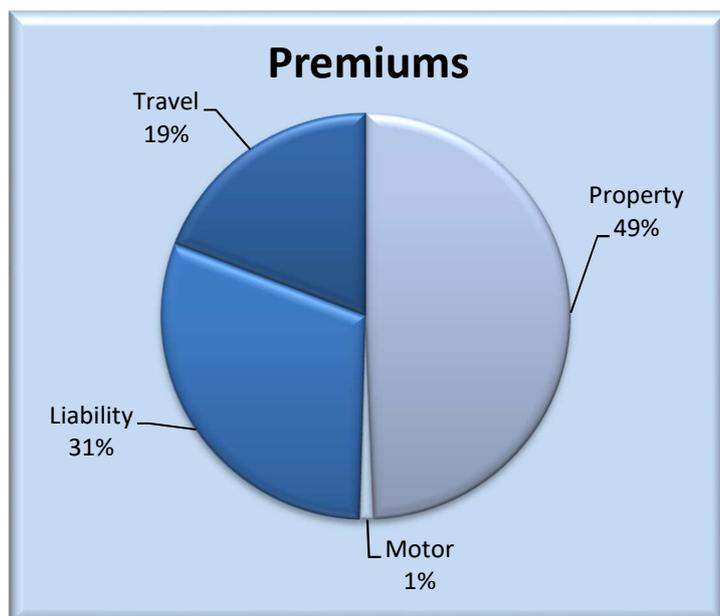
(1) Includes University contribution (less premiums paid), investment income, risk management bonus

(2) Includes claims paid, claims outstanding and an adjustment for claims incurred but not yet reported

(3) Includes management and professional fees

(4) Balance of income less claims and overheads

External Premiums Paid 2018/19: £1,259,734



Key Performance Indicators

KPIs have been set to enable the Company to measure its performance against its objectives.

	Objective Area	Measurement Base	Target	Result
1	Mutual profitability	Net incurred claims to net contributions	<70%	-53%
2	Stable contributions	Movement year on year	Max of +/- 10%	Nil
3	Operating expenses	Ratio of operating expenses to gross contributions	<35%	32%
4	Risk management support	Volume of risk protection grants to net contributions	>5%	4%

The above KPIs reflect the position as at 31 July 2019. The unusual Mutual profitability is due to an exceptional release of £375k from the Incurred But Not Reported (IBNR) provision at the year-end following the actuarial review. The size of the release resulted in claims costs reflected in the income statement at the year-end being negative.

Actuarial Review

OML carries out an actuarial review every 3 years in order to obtain:

- an updated estimate of Incurred But Not Reported (IBNR) claims for inclusion within the accounts; this is a provision for those claims which have occurred, but which have not yet been reported to OML (including during the period of Legal Limitation)
- projected claims figures for future years

This enables OML to assess the adequacy of the level of reserves, and the contribution to be obtained from its Members.

The actuarial review was carried out by Aon for year ending 31 July 2019 and showed continued positive results in terms of reserves. Claims development since 2016 has been benign with a lower than expected emergence of claims across all classes apart from property.

Due to the strong financial results arising from good underwriting performance and successful risk management activity, OML now holds a surplus in reserve over and above the 'risk gap' and the OML Board will be giving consideration to the future application of these funds.

Claims

Claims management is a key area of importance in the successful operation of OML. OML has procedures in place to handle, manage and report on claims in an effective and efficient manner.

Cover is provided on a discretionary basis whereby members do not have a contractual right to indemnification but a right to have a claim properly considered by the Board. In addition claims are subject to an excess at member level in order to encourage accountability and risk management awareness at that level.

Significant claims are considered in detail by the Board and thought is always given to lessons that can be learnt from these.

Any areas of claim increases and hot spots are closely monitored and addressed through OML's risk management programme. OML also monitors new and emerging trends across the Higher Education ("HE") sector and within the insurance industry generally to ensure such risks are incorporated within the risk management programme.

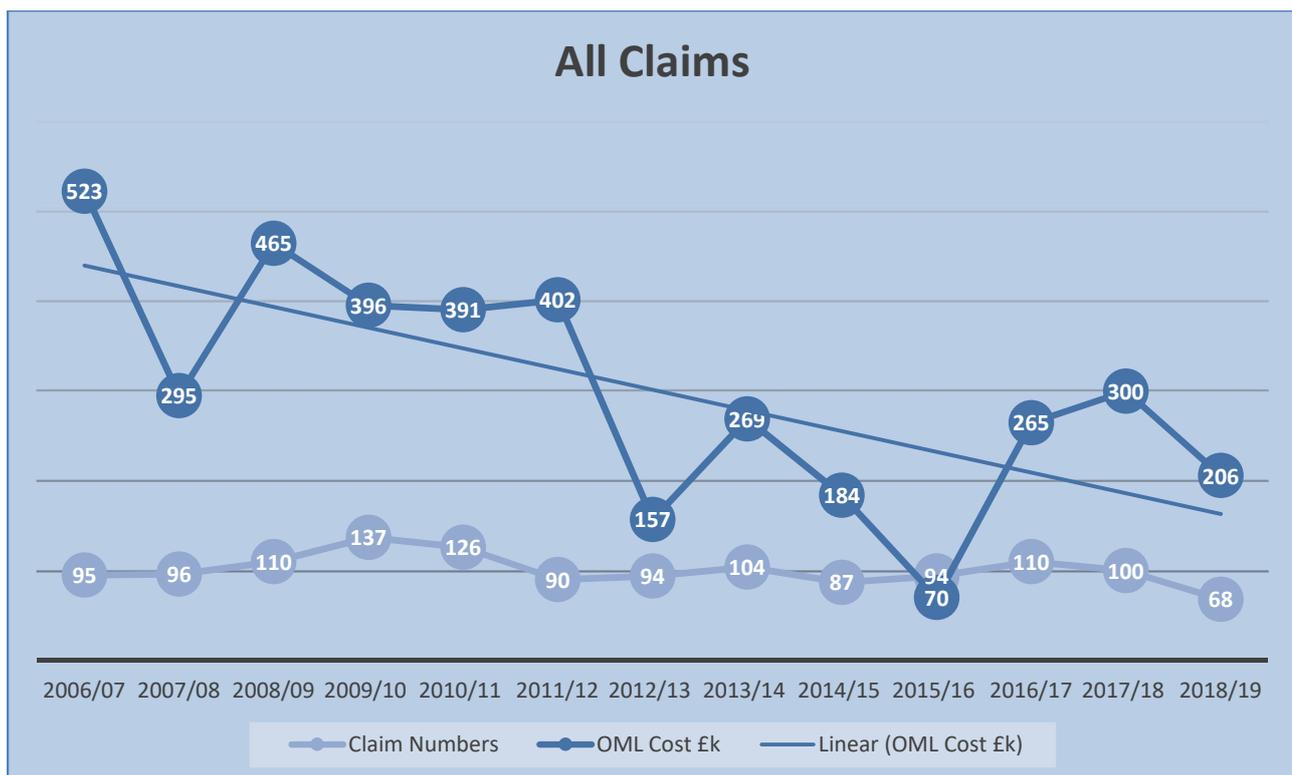
Claims Statistics

Cost and Number of all claims incurred

The following table shows the cost and number of property, liability and motor claims processed since 1st August 2014. The total claim costs are subdivided between cost to the department by way of a claim excess, cost to OML, and cost to the Insurer.

Policy Year	Claim Numbers	Department Cost £k	OML Cost £k	Insurer Cost £k	Total Claim Cost £k
2014/15	87	32	184	0	216
2015/16	94	27	70	0	97
2016/17	110	39	265	124	428
2017/18	100	41	300	161	501
2018/19	68	39	206	0	245

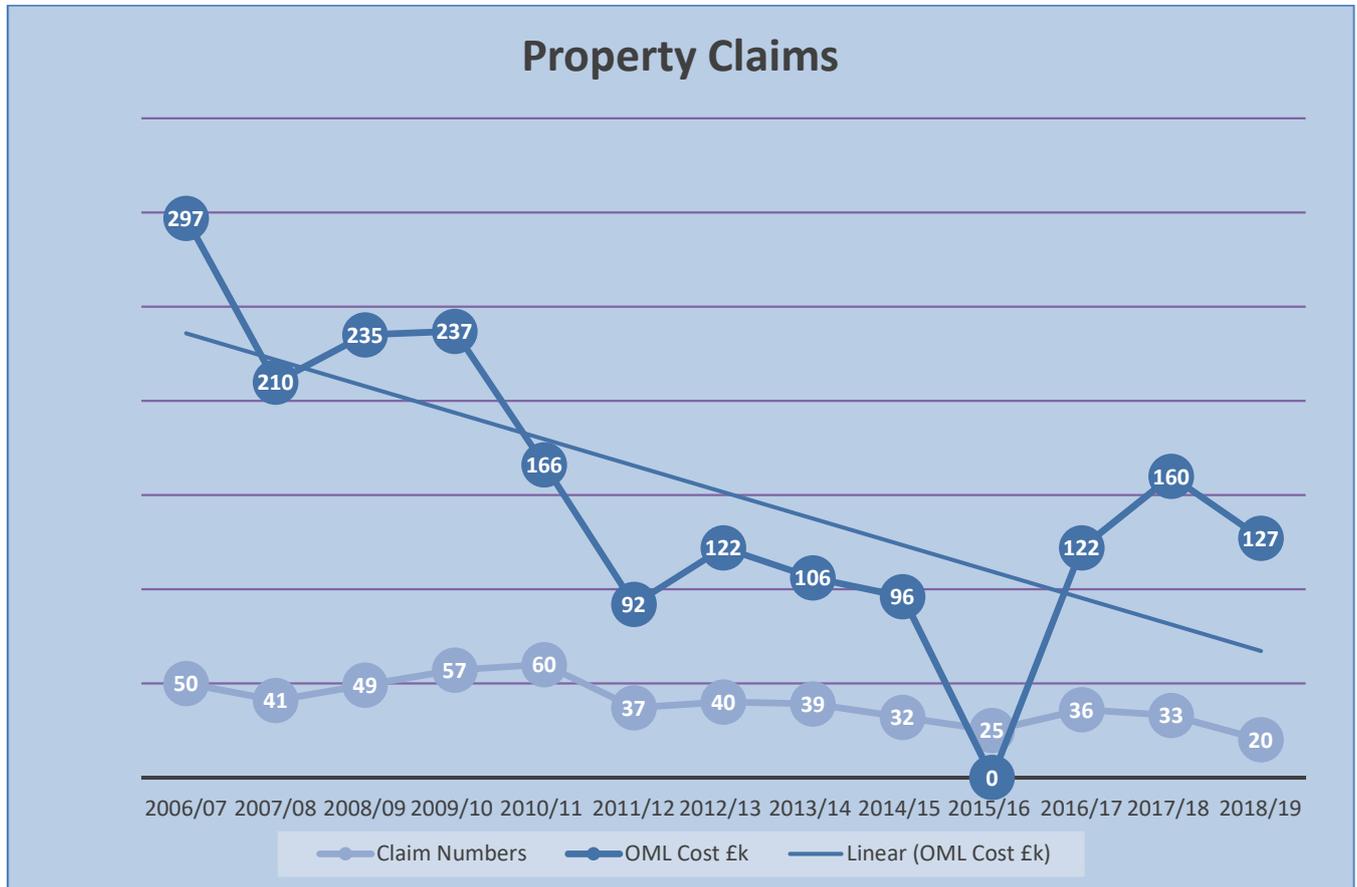
The chart below shows the development of claim numbers and costs specifically to OML since its inception in 2006



There is a clear and continuing reduction in claims incidence and their value which reflects a downward trend in the overall claims experience. OML has in place a claims rebate arrangement whereby a return of premium is given by its main insurance provider in the event that claims fall below a certain level during the year. A payment of £43.5k was rebated to OML for 2018/19 and this has been allocated towards risk management initiatives.

Claims Statistics

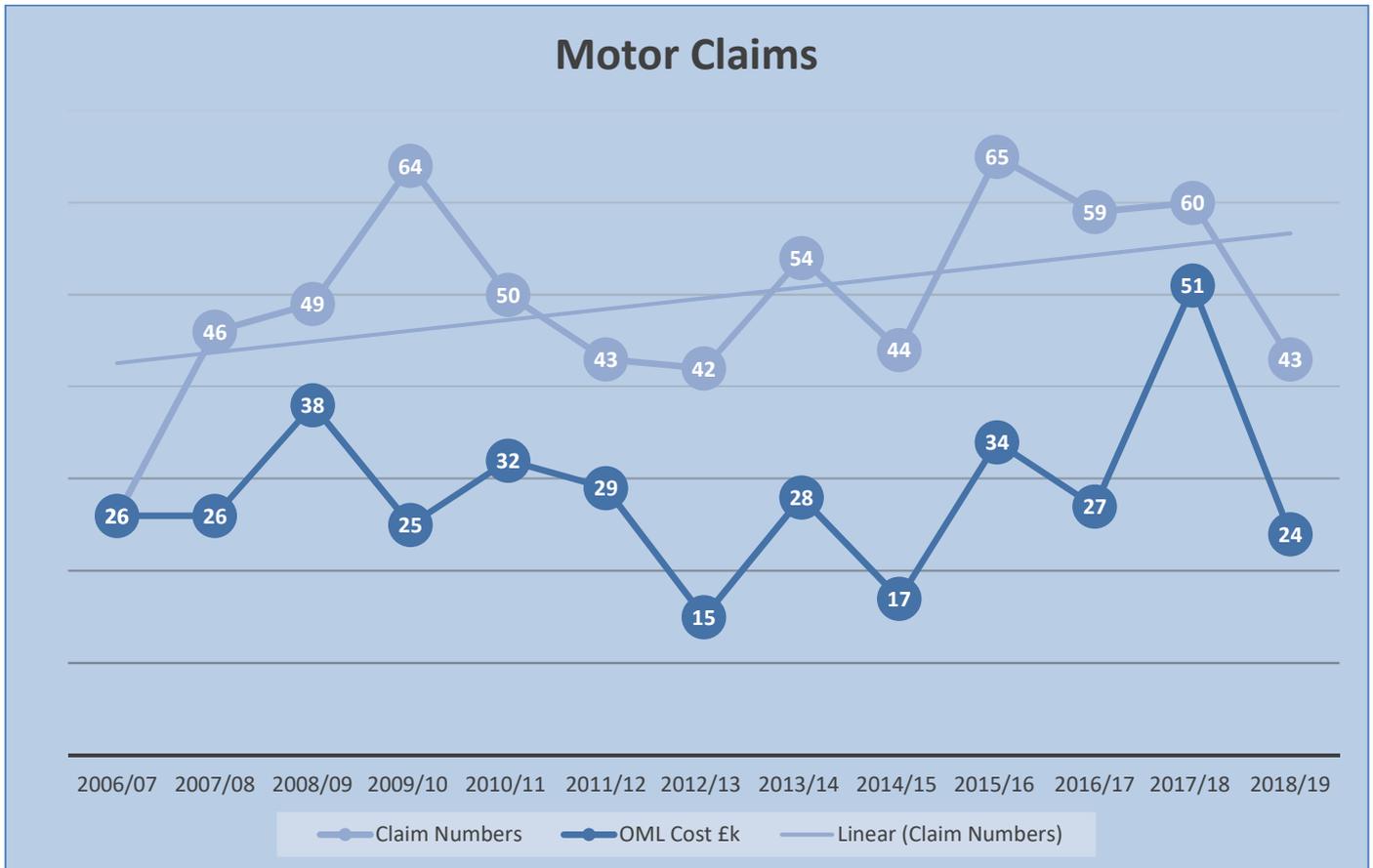
Cost and Number of Property Claims incurred by OML



Property claims were on a steady downward trend to a point of no claims costs to OML in 2015/16. Claims have since increased but not to the level of claims seen in the early years of the mutual operation. Risk management activities and claims management continue to keep the cost of claims contained at an acceptable level.

Claims Statistics

Cost and Number of Motor Claims incurred by OML



Motor claims remained at a high level for a number of years, although numbers and costs have decreased in 2018/19. OML wishes to see its risk management activity on motor risks continuing to ensure this encouraging development is maintained.

An occupational road risk review has been carried out which identified areas where this risk exposure can be improved, and further details of this can be found later in this report.

Claims Statistics

Cost and Number of Liability Claims incurred by OML



Statistics show a decrease in the cost of liability claims over recent years. Any trends in this area are closely monitored and analysed where possible to ensure lessons are learnt through OML’s risk management programme.

Insurance Renewal 2019/2020

The insurance renewal process for OML covers the main classes of insurance including property, motor, liabilities and travel.

The main classes of insurance are covered by an insurance programme arranged under a 3 year Long Term Agreement (LTA) which was extended in 2018/19 for a further two year period, with a 5% reduction in premium rate. Therefore the renewal of these policies for 2019/20 followed the terms of this agreement, resulting in only minimal inflation increases in premium.

The remaining policies were market tested in 2018/19, therefore the process taken at this renewal was to only approach existing insurers for renewal terms. The majority of these policies were renewed on existing terms. However due to changing insurance market conditions renewal of the Professional Indemnity excess layers insurance and the Pension Trustees insurance policy was more challenging and resulted in premium increase and new restrictions on cover.

Benchmarking

Benchmarking shows the University's insurance costs, including claims, are significantly lower than the sector average. This continues to support the University decision to use OML and the continued focus on risk management

Insurance Programme

The following graph depicts the current insurance programme, detailing the existing excess and aggregate stop loss arrangements. OML regularly considers the levels of self-insurance in order to ensure the most cost effective programme is in place for the University as a whole. In addition to this a regular actuarial valuation of the Company reserves is carried out to ensure adequate funding is in place to manage the self-insured retention.

Through regular benchmarking, OML is able to satisfy itself that it continues to receive very competitive rates and, through self-insurance, is able to contain its overall insurance costs well below those of the rest of the sector, whilst maintaining an appropriate level of cover.

Sector benchmarking supports the competitive positioning that OML has achieved.

OML Insurance Programme 2018/2019



Insurance Risk Summary

OML carries out a full risk profiling exercise to identify and present how risks are most suitably insured or alternatively managed through appropriate risk management. This regular exercise helps to ensure an integrated risk management and insurance strategy and improves risk governance by aligning the insurance programme with the University's current and future risks. The following is a summary of the insurance related risks and how they are currently managed.

Insurance Risk Summary

Property / Assets	Business Continuity	Operational	Employees	Students	Information Services	Other
Buildings, Machinery & Contents	Loss of Specialised Equipment	Third Party Liabilities	Employers' Liability	Failure to Educate	Damage to Systems	Data Protection
Loss of Specialised Equipment	Business Interruption – loss of revenue	Clinical Trials	Stress	Complaints	Loss of Data	Commodity Pricing Volatility
Financial Crime	Increased cost of working	Directors & Officers Liability	Asbestos	Special contingency	Breakdown	Political Risk
Terrorism & Activists	Terrorism & Activists	Professional Indemnity	Special contingency	Travel exposures	Cyber liability	Insurance Efficacy
Goods in Transit	Breakdown	Motor vehicle/road liabilities	Travel exposures	Asbestos	Cyber Attack	Facilities Management
Breakdown	Collections	Small craft operation	Terrorism & Activists	Terrorism & Activists	Data Confiscation	
Collections	Infectious Disease	Statutory Inspection of Plant	Employee Benefits	Offsite Duty of Care		
Embedded Space	Failure of Utilities	Pension Fund Trustee Liability	Employment Practices	Motor Duty of Care		
Treasury	Embedded Space	Liability for infringement of patents / copyright	Offsite Duty of Care	Health & Safety Management		
Contractor Failure	Asbestos	Contingent Medical Malpractice	Absence			
Intellectual Property	Denial of Access	Libel, Slander and Defamation	Motor Duty of Care			
Latent Defects	Murder, Suicide	US Limits of Indemnity	Health & Safety Management			
Construction of New Builds	Pure Research	Environmental Impairment	Gap in Employers Liability history			
Failure of Risk Control Issues	Conferences/ Events	Corporate Manslaughter/ Homicide				
Asbestos	Contractor Failure	Currency Fluctuation				
	Crisis Management	Credit				
	Advanced Business Interruption	Pension Liability				
	Insolvency of Key Suppliers	Contractual				
	Multiple Losses	Security Standards				
	Pandemic	Contractual Penalties				
	Business Continuity Management	Estates management maintenance and lease				
	Damage to IT Systems	Spin Off Companies				
	Keyman					

Insured
Partially Insured

Insurable
Risk Managed

Risk Management

OML has identified the importance of risk management in ensuring the Company's success and provides a formal structure for the management of risk. OML actively encourages and supports the management of risk throughout the University.

OML's proactive risk management programme is well regarded by the Insurance Market and has had a direct impact on the University in terms of market pricing and the flexibility on insurance terms given. Both the principal Insurer and broker have confirmed their reliance on this programme.

A £15k per annum risk management bursary has been negotiated with the main Insurer Zurich Municipal to fund risk management projects.

Claims Management

Claims management is a key area of risk management on which OML focuses. Through improved reporting, risk 'hot spots' are identified and addressed with the relevant departments. Claim trends are reported to the OML Board enabling them to ensure risk management activity is tailored towards the areas where claims are high. Large or specialist claims are discussed individually at Board level thereby enabling claims to be dealt with appropriately and to identify lessons to be learnt in the future to prevent reoccurrence.

Risk Management Funding

OML provides a risk management fund which offers financial assistance to its members for risk reduction initiatives. The Board assesses the practicalities, costs and benefits of bids received.

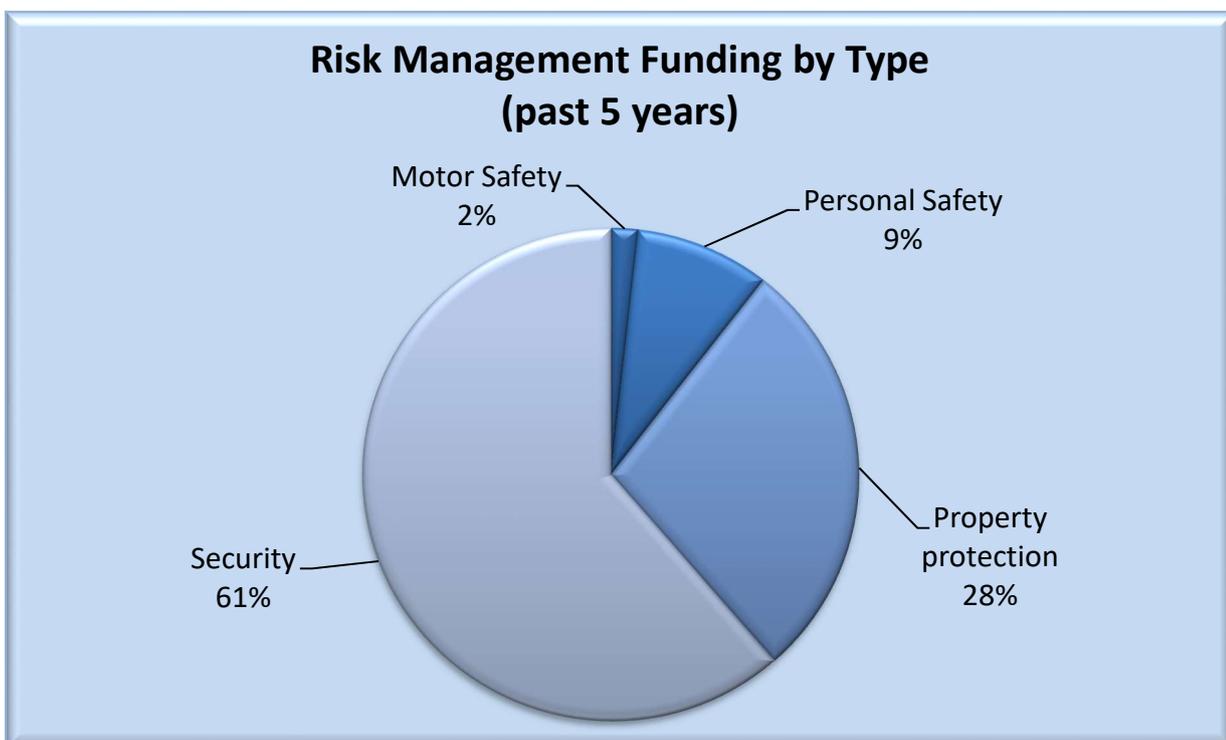
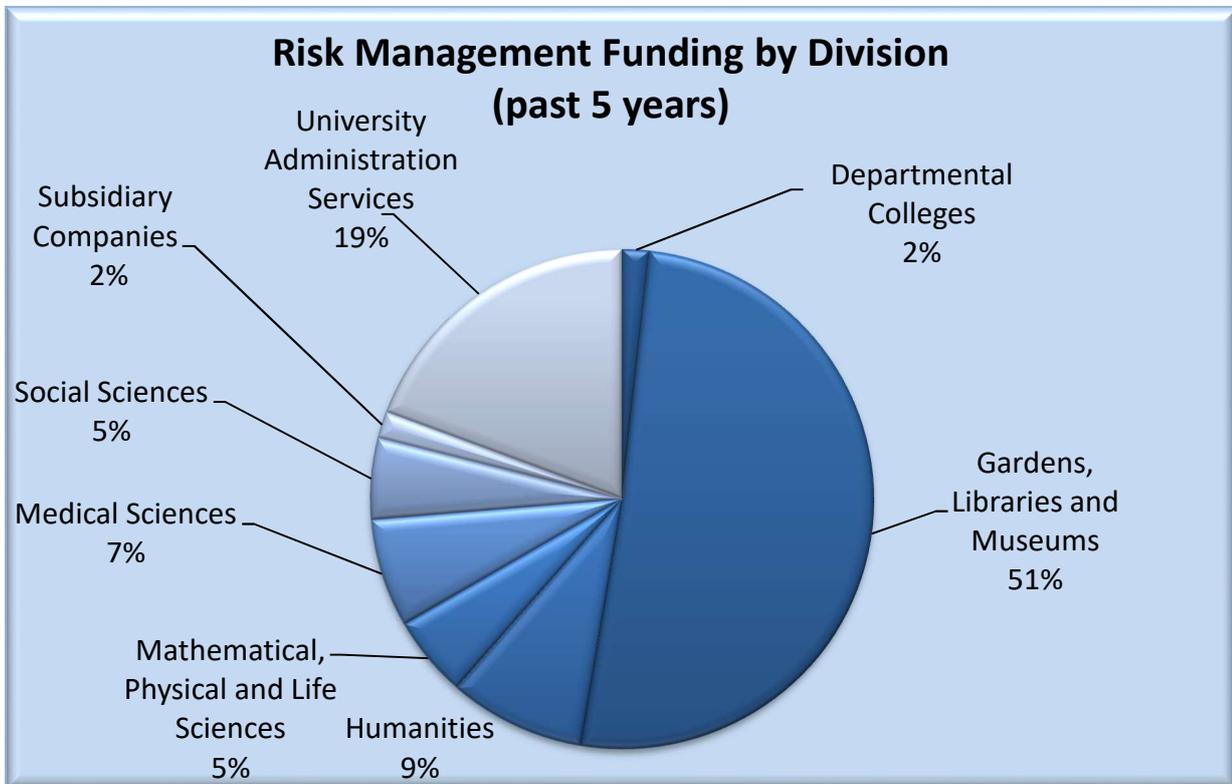
Looking at the past five years of the fund, OML has supported 57 risk management initiatives from departments across the University to a value of £192k.

Initiatives supported include:

• CCTV	• Fencing	• Fieldwork safety training
• Security lighting	• Safes	• Driver training
• Intruder alarms	• Radios	• Access control
• Thermographic cameras	• Freezer alarms	• Business continuity planning support

Through communication with departments, the risk management funding raises general awareness of risk management and how this impacts on the University's insurance arrangements, as well as having a positive effect on the way departments consider risk.

The following charts show how the funds have been allocated:



Risk Management Projects

Risks requiring attention are identified and prioritised through the ongoing risk profiling exercise and projects are taken forward to review and improve risks.

OML sets aside funding to contribute towards proactive risk management projects.

Occupational Road Risks

Following analysis of claims received, OML identified the need to review occupational road risk across the University. An exercise was therefore undertaken, in conjunction with the Safety Office, to review the management and operation of owned fleet vehicles, hire vehicles and grey fleet (i.e. staff owned vehicles used on University business). In addition a review was carried out on the use by staff of University-owned and privately-owned bicycles across departments, considering aspects of safety and management.

Key recommendations covered the following areas:

- i) Work Related Road Safety Policy
- ii) Management responsibilities
- iii) Proactive system of monitoring grey fleet
- iv) Incident investigation
- v) Internal auditing
- vi) Fleet administrator and driver training

The recommendations have been reported to the Health and Safety Management Subcommittee and an action plan prepared for the implementation of the recommendations.

The review also looked at the arrangement of the Sports Federation Transport Scheme, where University clubs and societies hire minibuses to travel to events and fixtures. This as an area where OML incurs a large number of minor claims.

Key recommendations covered the following areas:

- i) A review of the driver training standard to consider providing more extensive training
- ii) Raising awareness of distraction which can be the cause of many incidents
- iii) Review of the incident investigation process
- iv) Consider the purchase and fitting of dashboard cameras

As a result of the review, the Sports Federation are looking to transition to an accredited driver training scheme, over two or possibly three stages. The intention is to tailor a training scheme with a specialist provider which will provide both practical and on-line assessment. Financial support is being provided by OML and the University Safety Office and the position will be reviewed at the end of the academic year.

Capital Projects

OML, and its Insurer, feel that it is important that the University gives appropriate consideration to the reduction of risk and the inclusion of appropriate property protection measures within its new and refurbished buildings. Ultimately OML and its Insurers are indemnifying financial losses as a result of a property related incident such as a fire and both have a vested interest in ensuring that the University's buildings are properly protected and the risk is reduced.

The University's Insurer advises on specific ways in which property should be protected and measures that should be implemented to reduce the risk of loss, for example flood protection methods or the specification for sprinkler systems to ensure they are designed to appropriate standards. University Security Services offer advice on how better to protect buildings from security breaches. These measures not only protect property, but provide protection for the people within the premises and for the equipment, contents, research data and teaching material. They also help to reduce the risk of business interruption losses, research and funding losses and reputational damage, and provide comfort to insurers that the University manages risk well.

In order to ensure that these property protection measures are appropriately considered and incorporated into project designs the Company works closely with Estates Services Project Teams at an early stage of the building development process with continuing communication throughout the lifetime of the project.

Insurance Survey Programme

In 2018/19 the Insurance Office completed a 3 year survey programme with the Insurer, Zurich Municipal. This programme involves site surveys of the University's high value buildings. The purpose of the survey is to assess the property risk the premises represent and to identify any improvements that may be required.

Of the surveys carried out a number of important improvements were identified, examples are:

- Compartmentation – fire stopping requirements
- General housekeeping
- Waste storage arrangements
- Storage close to lighting and/or sprinkler heads
- Weekly testing regimes for sprinkler and misting systems

OML ensures that all mandatory improvements are carried out, and information gained from the surveys is used to proactively reduce risk.

A new 3 year programme of surveys has commenced, which includes revisiting some of the properties previously surveyed. The first year of surveys has been completed with very positive outcomes. In addition the University is instigating a parallel programme of surveys to expand the coverage of the Insurer programme.

Strategic Risk Management

The University has a Risk Management Policy (the “Policy”) that sets out the University’s objectives and strategy for risk management, and the arrangements it has adopted to enable it to manage its risks. The Policy acknowledges that risks will vary widely across the University, and that divisions, departments, faculties and other units need to retain the flexibility to manage risk in a manner appropriate to each unit. The University’s risk management approach therefore allows risk management registers, templates and techniques to be adapted to suit the needs of different parts of the University, within a coherent framework and in accordance with the Policy.

The University’s Strategic Risk Register captures the key risks to achieving the objectives in the University’s Strategic Plan, and is a summary of the key risks facing the University as a whole. In drawing together this register, consideration is given to the risk registers from the major committees of Council, other committees with a particular risk focus (such as the Health and Safety Subcommittee and the Security Subcommittee), the academic divisions (which incorporate risks from the departments and faculties), the major services, including IT and Estates Services, the subsidiary companies, and OML. The Strategic Risk Register therefore combines the top-down, strategic identification of risk, driven by the Strategic Plan, with the consideration of bottom-up, local risks from across the University.

The University adopted a new Strategic Plan for 2018-2023 in October 2018. Subsequently, the Strategic Risk Register has been updated to reflect more closely the themes in the Strategic Plan. The academic divisions, the major Committees of Council and key services have also adopted the new format in refreshing their risk registers during 2018/19. The University is focusing on mitigating the strategic risks as well as continuous improvement in consistency of risk management in departments. The appointment of Director of Assurance and Head of Risk, Compliance and Assurance will see renewed focus on risk management during 2020.

Health and Safety

Over the last year the University has continued delivering on the actions arising out of the Health and Safety Strategic Plan 2018-2023. This year’s work has included the development of new and refreshed policies relating to fire safety, lasers, use of drones and manual handling, progressing the introduction of an online accident and incident reporting system (full implementation due by July 2020), improvements to the training programme delivery and development of new websites for the Safety Office and Occupational Health Service (both going live late 2019).

During the last year the University has initiated a major review of health and safety. The Group leading the review is chaired by the Pro-Vice Chancellor for Research, Professor Patrick Grant and is currently focussed on two work streams. The first is a programme analysing the safety culture/climate at the University. Working in partnership with the HSE Human Factors Group based at the HSE Laboratories in Buxton, the programme will consist of a safety climate survey of all staff and some students followed

by further workshops and safety system analysis. The other work stream is a thorough review of health and safety governance, leadership, management and professional support. To date this activity has examined issues of competency and health and safety management systems. The Review Group is planning to report to Council by September 2020.

Contacts

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