

Three ways to turn insurance from a cost into an income stream

Togethersure

April 2016

www.togethersure.co.uk

From the sector, in the sector

- Discussed with 100 local government leaders and officers
- Exhibited at Con and Lab local government conferences
- LGA, London Councils, SIGOMA, CCN, DCN, combined authorities
- CIPFA, ALARM
- On Crown Commercial Services framework contract

Togethersure

LAUNCH WITH CORE MEMBERS

Togethersure has been preparing its launch for several years. We believe the time is right to offer our alternative model of public service insurance to local authorities who face relentless financial pressures. Togethersure is a legally compliant way for councils to procure insurance. E50m has been reserved to provide insurance for a select group of successful and well-run councils, and our savings methodology is ready to be put into practice.

IMMEDIATE SAVINGS

Togethersure will work closely with Member councils, using their own professionals wherever this is possible to manage claims transparently on their own terms.

FORMALISE & RECRUIT NEW MEMBERS

Togethersure will agree with its launch Members the detailed plans for its next phase of growth. As well as improved claims management, using local

MUTUALISE

Togethersure will mutualise insurable risks while capping its Members' exposure by working with its re-insurance partner. This crucial variation to the old Municipal Mutual model will ensure that financial

Togethersure
It's time to take control

Togethersure believes local government pays too much for insurance – the Cabinet Office estimated £650m in 2012 - for a service it used to provide for itself. The severity of the financial pressures experienced by local government are now such that local authorities may welcome an alternative delivery model for insurance, introducing competition into the market, with a focus on cost-effective claims management using local government employees.

Togethersure is re-establishing a local government owned mutual to provide insurance to local authorities. We will:

- Ensure councils spend less on insurance, releasing funding for front line services or capital projects
- Retain council staff by paying council teams to handle more insurance claims
- Help councils secure new income streams from trading in other areas of the public sector

Contact us:

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It's time to take control

If you are interested in being part of the growing movement, come and speak to us at the Local Government Conference:

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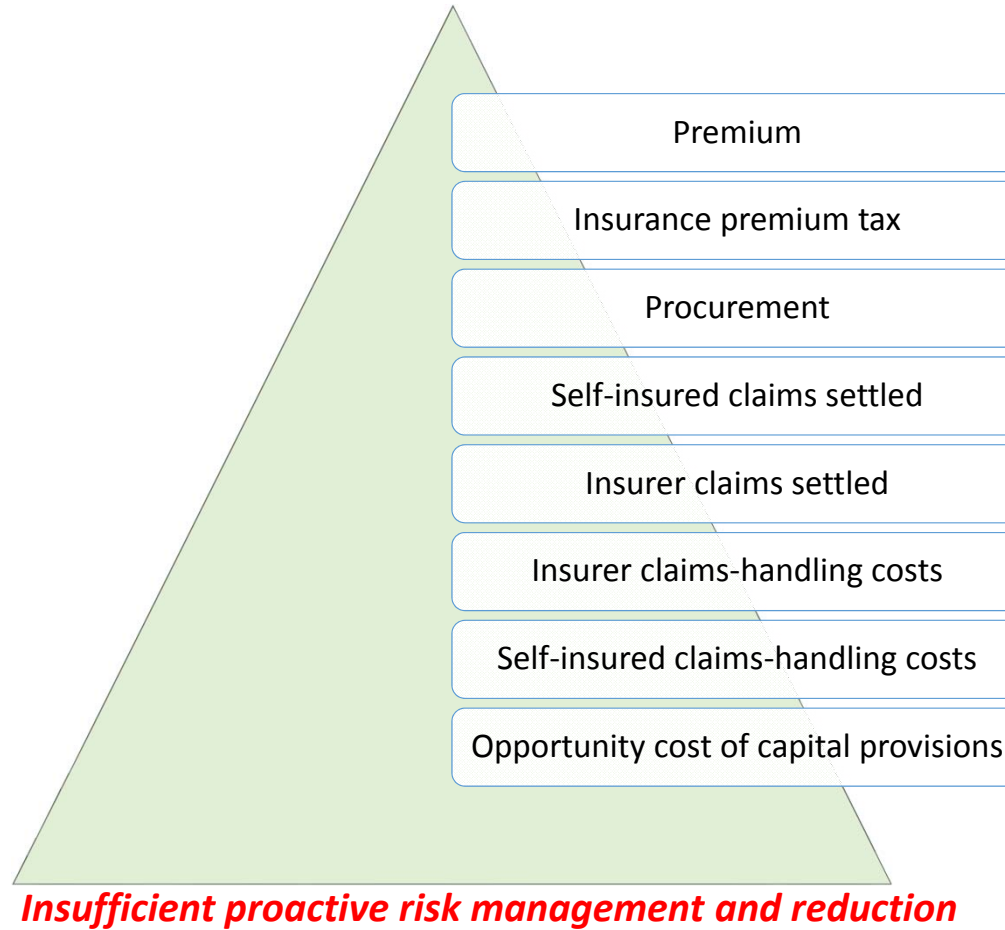
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Togethersure is a UK based company, paying UK tax and is regulated by the Financial Conduct Authority. FCA Number: 726131

Do we need to mention...?



The costs of risk



Raised to 10% in the Budget in March

HORRIBLE HISTORIES

- MMI
- The current market
- LAML, the Localism Act and the Supreme Court
- Other attempts at collaboration
- Barriers to DIY
- What a mutual is and isn't

Requirements for a new mutual

- Three key factors
 - Scale
 - Diversity of risks
 - Stability of each Member authority
- We have sourced the capital and insurance cover needed to equip the new mutual with resilience in its early years



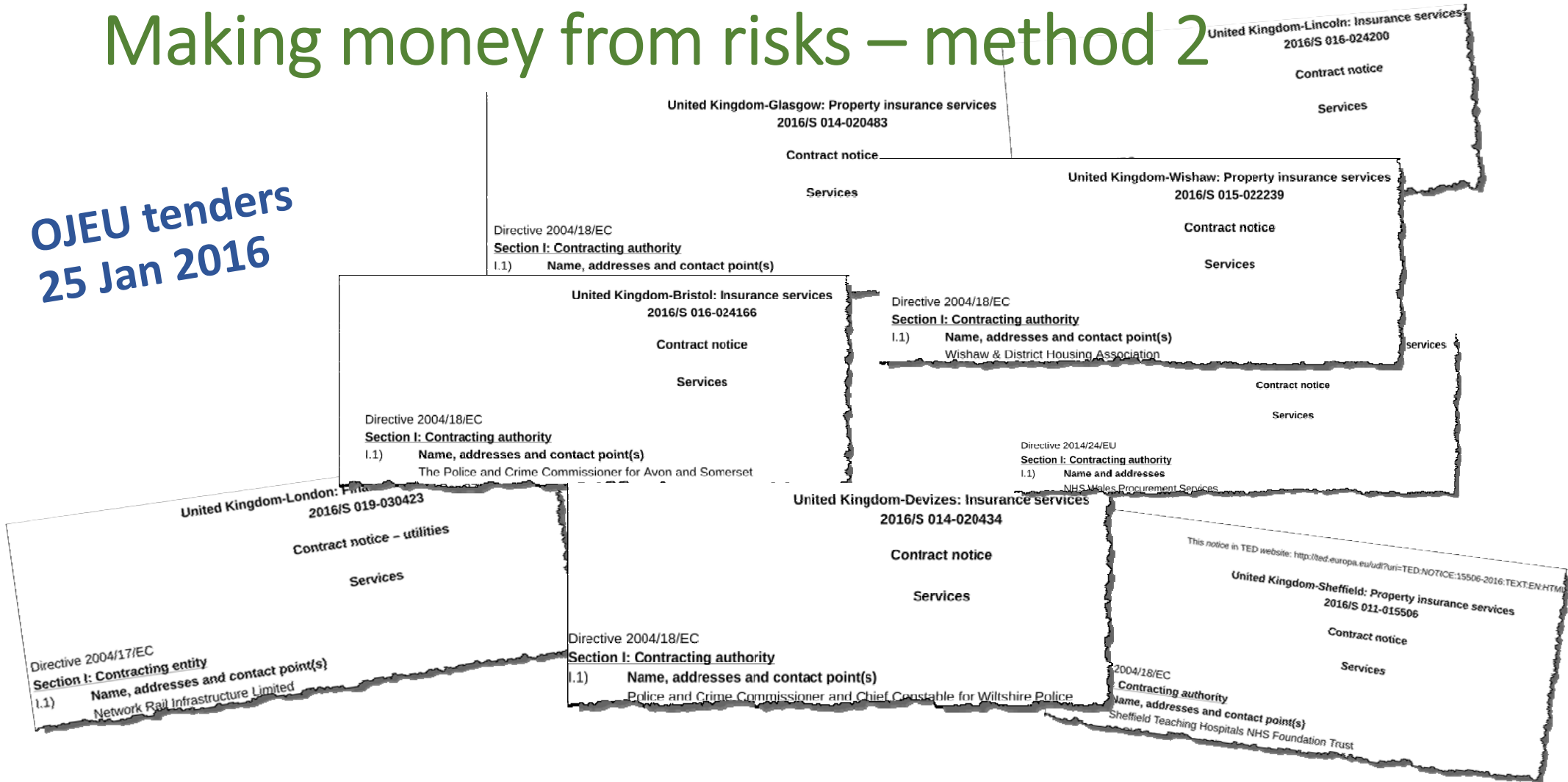
Making money from risks – method 1



- Every pound saved...
- Bring claims management in-house
- Build a shared service
- Shorten the value-chain
- Address the perceived moral hazard risk re property reinstatements etc.
- Inside the mutual, grow a surplus and extend the headroom beneath reinsurance layers
- Earn a return on the surplus
- Pay rebates from time to time

Making money from risks – method 2

OJEU tenders
25 Jan 2016



Making money from risks – method 3

County Council	2014-15 Insurance Reserve ('000s)	Page No.	2014-15 Insurance Provision ('000s)	Page
Buckinghamshire County Council	5,513	32	5,794	
Cambridgeshire County Council	2,539	58		
Cumbria County Council	7,052	11		
Derbyshire County Council	17,524	50		
Devon County Council	9,817	49		
Dorset County Council	6,351	49		
East Sussex County Council	8,747	59		
Essex County Council	10,283	41		
Gloucestershire County Council	26,608	48		
Hampshire County Council	6,218	59		
Hertfordshire County Council	8,437	79		
Kent County Council				
Lancashire County Council	17,200	29		
Leicestershire County Council	6,220	45		
Lincolnshire County Council	2,027	42		
Norfolk County Council	6,921	90		
North Yorkshire County Council	4,825	70	8,311	
Northamptonshire County Council	10,300	3	10,276	
Nottinghamshire County Council	4,516	110	8,117	
Oxfordshire County Council	3,560	67	5,877	
Somerset County Council	2,200	40	7,300	
Staffordshire County Council	5,850	11	5,700	
Suffolk County Council	10,600	17		
Surrey County Council	8,500	34	9,116	
Warwickshire County Council	8,207	17		
West Sussex County Council	6,703	23		
Worcestershire County Council				
TOTAL	206,715		185,308	

- About €2 trillion in European sovereign bonds have negative yields - that is a lot of investors who accept it is normal and reasonable for interest rates to be meaningfully negative
- Approximately €20 trillion in worldwide government bonds currently yield less than 1%
- These negative rates challenge the principle of compounding i.e. a € saved today will grow to be worth more than a € tomorrow. Einstein called compound interest the eighth wonder of the world and added "He who understands it, earns it....he who doesn't....pays it." But negative interest rates mean that money saved today would instead be worth less every day moving forward which is not what Einstein presumably had in his very significant mind when he said this.

<http://www.arlingclose.com/insights/item/view/a-recovery-or-a-calm-before-another-storm/>

1% = £1.8m
 5% = £9.3m
 Gain = £7.4m

“Can we aim for savings of 10%...”?

Yes.

