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DEPARTMENT OF HEALTH
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Your reference

Our reference

STF 7

EL(90) P/40
FPCL 34/90

To: General Managers/Administrators of:
Regional Health Authorities
District Health Authorities
Special Health Authorities
Family Practitioner Committees

Chief Executives of:
Central Blood Laboratories Authority
Dental Practice Board
NHS Training Authority
Prescription Pricing Authority

The Secretary of:
Public Health Laboratory Service Board

26 February 1990

Dear Sir or Madam

INSURANCE COVER FOR BUSINESS USE OF CROWN CARS

1. Authorities know that they are not permitted to take out commercial insurance for the business use of Crown Cars without having received approval from the Department. This letter advises authorities of the action required to obtain that approval.

2. In deciding whether to insure against the risk of losses or claims from third parties the underlying principle which health authorities should observe is that of cost-effectiveness - namely whether commercial insurance would be expected to offer better value for money taking one year with another. As a general rule public bodies do not insure because of the general presumption that the cost of paying premiums to an insurance company over a period of years is likely to exceed the cost of meeting any losses and handling claims. This presumption may however not always apply. Handling claims may be time consuming and require expert attention; and an insurance company may be better placed than a health authority to deal with claims economically and efficiently.

3. Analysis of the comparative national costs of self-insurance for Crown Cars and commercial insurance through a national call-off contract, based on the UK wide returns of the sample survey carried out in the Spring of 1989, did not suggest commercial insurance would be cost-effective. We have therefore agreed with the Treasury that the possibility and comparative cost of commercial instead of self insurance may be explored on a health authority basis. Those authorities who wish to do so may submit a case based on their own

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costs for self insurance and quotations from the commercial sector. The basic principle will remain that the most cost effective option must be adopted.

4. Submissions will require to show specified information in a particular format. Details of both will be provided in Financial Matters No.EL(90)P/39 dated February 1990.

5. Costs of commercial insurance should be based on quotations from at least three insurers to ensure the best value for money. Bain Clarkson, the Department's brokers for the existing call-off contract for private use insurance, will be able to advise authorities if required.

6. Approval to take up commercial quotations will depend solely on the success of an authority's submission and will apply only to the car fleet covered by the data. Approval granted to an RHA on the basis of a submission relating only to its own fleet will not apply to its constituent DHAs unless they too have presented a successful case. RDFs may however present a single case based on aggregated data for all the Crown Cars in the region and insurance quotations for the region as a whole; if the case is successful, the approval will apply to all the region's Crown Cars. Similarly, two or more district authorities within a region, with or without the regional HQ, may present a case based on aggregated self-insurance data and commercial insurance quotations for the combined authorities. Such cases, if successful, will permit all the authorities contributing data to the submission to insure for business use. RHAs should ensure that any proposed grouping of health authorities offers the best value for money for the region as a whole.

7. Authorities should however review their arrangements from time to time. In comparing the costs of commercial insurance with self-insurance they should take account of all the expected costs and benefits. The costs should include the administration costs to which each of the options would give rise, including the cost of dealing with claims.

8. Submissions from DHAs should be sent through their RHA to the Department (Mr M S Silverstone, Room 638 at the above address telephone 01-972 3025).

9. This letter may be cancelled on 1 April 1991.

Yours faithfully



C P KENDALL
Assistant Secretary