



Institute  
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# **UK Government's Contingent Liabilities and Insurance schemes**

Owen Dimbylow  
Jonathan Day  
Gina Mosquera

**IFoA GIRO Conference 2024**

# Agenda

1. The Government's Contingent Liability Central Capability (CLCC) – *Owen Dimbylow*
2. Findings from CLCC's report on government's portfolio of Contingent Liability risk – *Jonathan Day*
3. Insurance actuaries working in Government – *Gina Mosquera*

# Contingent Liability Central Capability (CLCC)

The Contingent Liability Central Capability (CLCC) was established within UK Government Investments (UKGI) in April 2021, in partnership with the Government Actuary's Department (GAD). It is an analytical and advisory body that strengthens contingent liability expertise within Government.

## Governments universe of Contingent Liabilities

Definition: *Based on Managing Public Money - Commitments to use public funds if uncertain future events occur*



**Guarantees** - When the government agrees to pay the debts of a third party if they default



**Indemnities** - When the government agrees to cover costs if a certain event occurs



**Legal Cases** - When a lawsuit is likely to be brought directly against the government



**Purchaser Protections** - Where the government agrees to provide warranties or indemnities relating to asset sales

# Role of the CLCC

Strategic objectives:

1. Review and report on existing contingent liabilities
2. Provide advice and analysis on new contingent liability proposals
3. Promote best practice across government

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# CLCC's Report Objectives:



1 Identify the scale of contingent liability risk held by government



2 Categorise the risk by identifying beneficiaries and concentrations to better understand the overall composition of the portfolio



3 Determine whether government charges adequately for the risk it takes on



4 Consider how to improve value for money across the portfolio

# CLCC's Report Objectives:



This work demonstrates government's commitment to fiscal discipline, transparency and efficiency. We will work with HM Treasury and departments to integrate the management of contingent liabilities and the risks they pose into wider fiscal management.

**Siobhán Duffy**

Director, Contingent Liability Central Capability





# CLCC's 2023 Report Headline Figures

	Total Expected Cost
On-Budget	£491bn
Off-Budget	£23bn
Total	£514bn

*Read "On the Balance Sheet": Insurance liabilities, Provisions and Financial Guarantees*

*Read "Off the Balance Sheet": "Accounting Contingent Liabilities" and Remote Contingent Liabilities*

# CLCC's Report Headline Figures

	Government Responsibilities	Government as Insurer	Government as Guarantor	Total
On-Budget	£465bn	£8bn	£18bn	<b>£491bn</b>
Off-Budget	£15bn	£6bn	£2bn	<b>£23bn</b>
Total	<b>£480bn</b>	<b>£14bn</b>	<b>£20bn</b>	<b>£514bn</b>

# Government Responsibilities

*Future contingent or uncertain expenditure that the government is legally or contractually committed to incurring because of its past public sector related activities.*

	Government Responsibilities	Government as Insurer	Government as Guarantor
On-Budget	£465bn	£8bn	£18bn
Off-Budget	£15bn	£6bn	£2bn

***Largest On-budget Liability*** : Nuclear Decommission Commitments | £263bn

Many of these liabilities are insurance like:

- **NHS Clinical Negligence Legal cases** | £128bn
- **Risk Protection Arrangement** – *An alternative to insurance cover for academy and other qualifying schools*

# Government as Insurer

*Insurance or indemnities provided to the private sector*

	Government Responsibilities	Government as Insurer	Government as Guarantor
On-Budget	£465bn	£8bn	£18bn
Off-Budget	£15bn	£6bn	£2bn



# Trade Credit Reinsurance Scheme

# Government as Guarantor

*Financial guarantees provided to the private sector, MDBs and foreign sovereigns.*

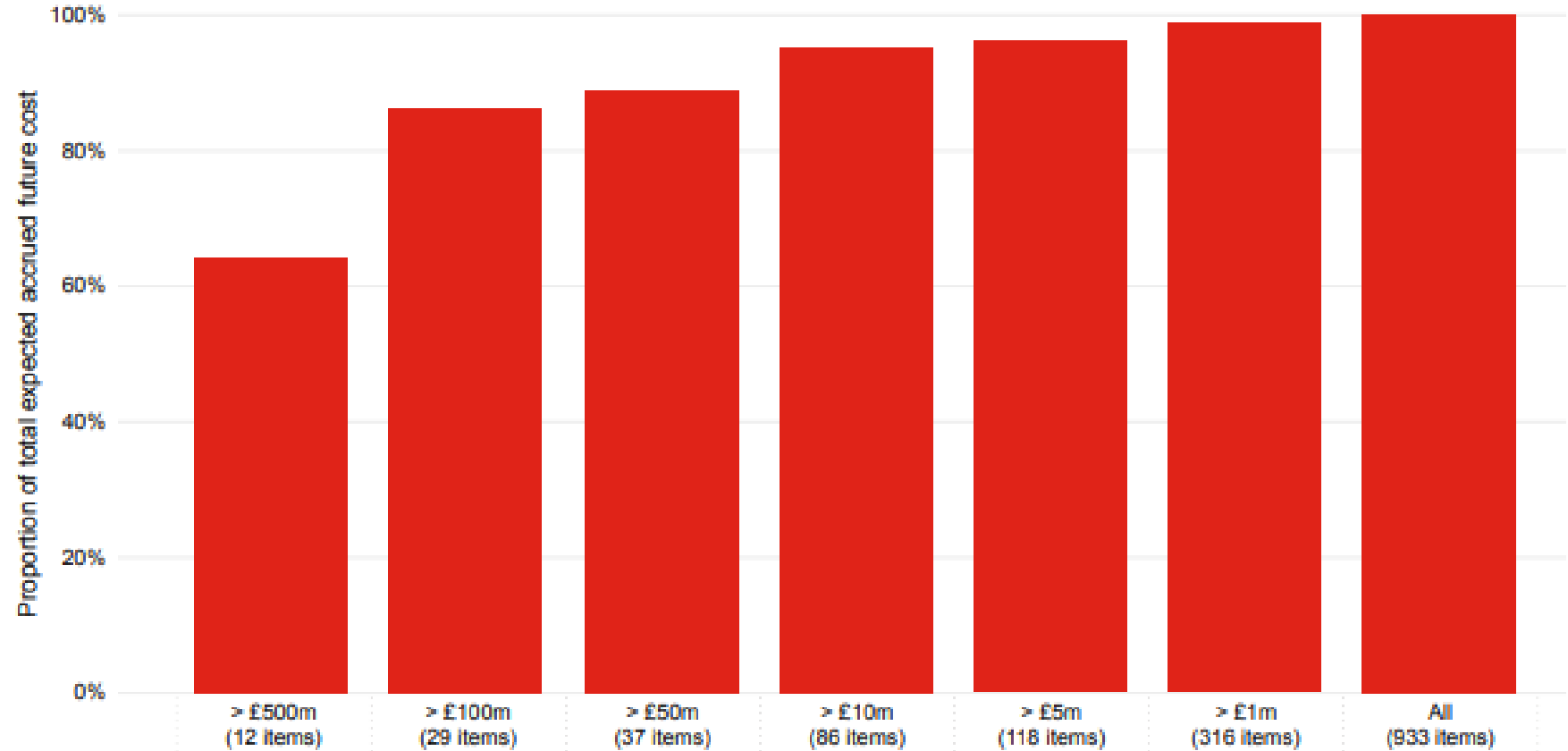
	Government Responsibilities	Government as Insurer	Government as Guarantor
On-Budget	£465bn	£8bn	£18bn
Off-Budget	£15bn	£6bn	£2bn

- COVID-19 Support Schemes
- Housing Guarantee Schemes
- International Development and Foreign Sovereign Guarantees

# Off-Budget | Distribution by Size

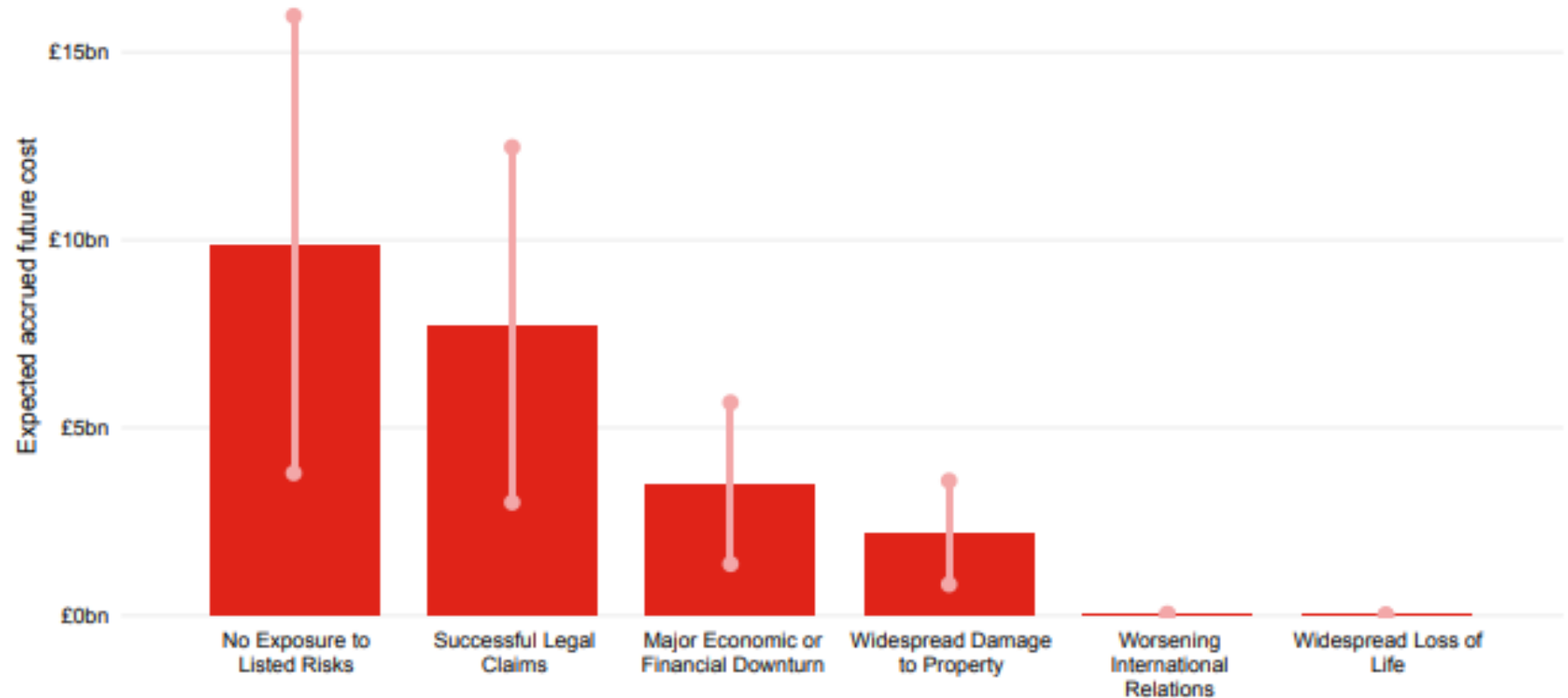
Off-Budget: **£23bn**  
4.5% of the total £514bn

Over 60% of the £23bn  
Off-Budget liability is  
from 12 items



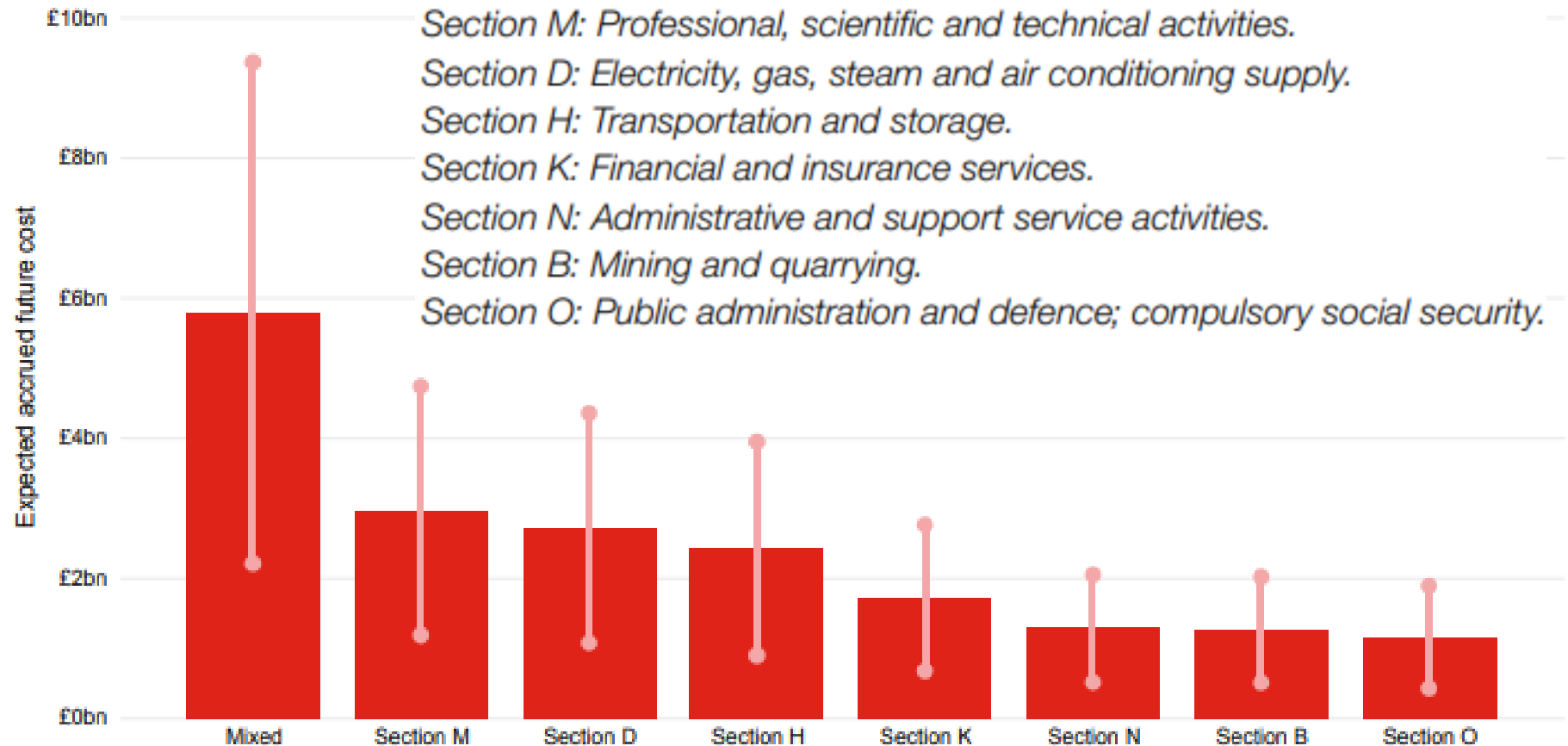
# Off-Budget | Concentration by Trigger Event

*“Successful legal claims”  
and “economic downturn”  
are the most common  
triggers*



# Off-Budget | Concentration by Sector

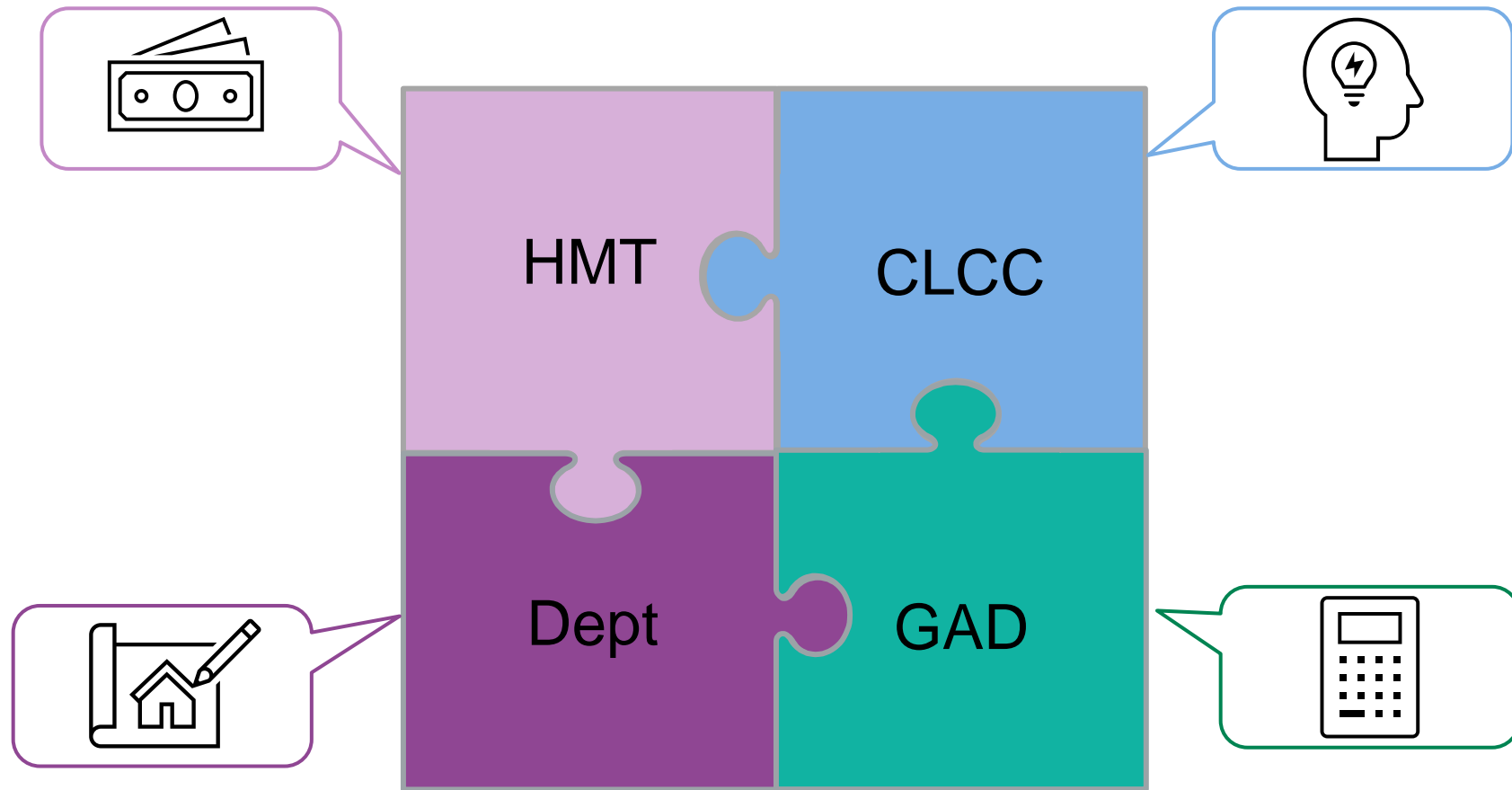
No concentration to an individual sector



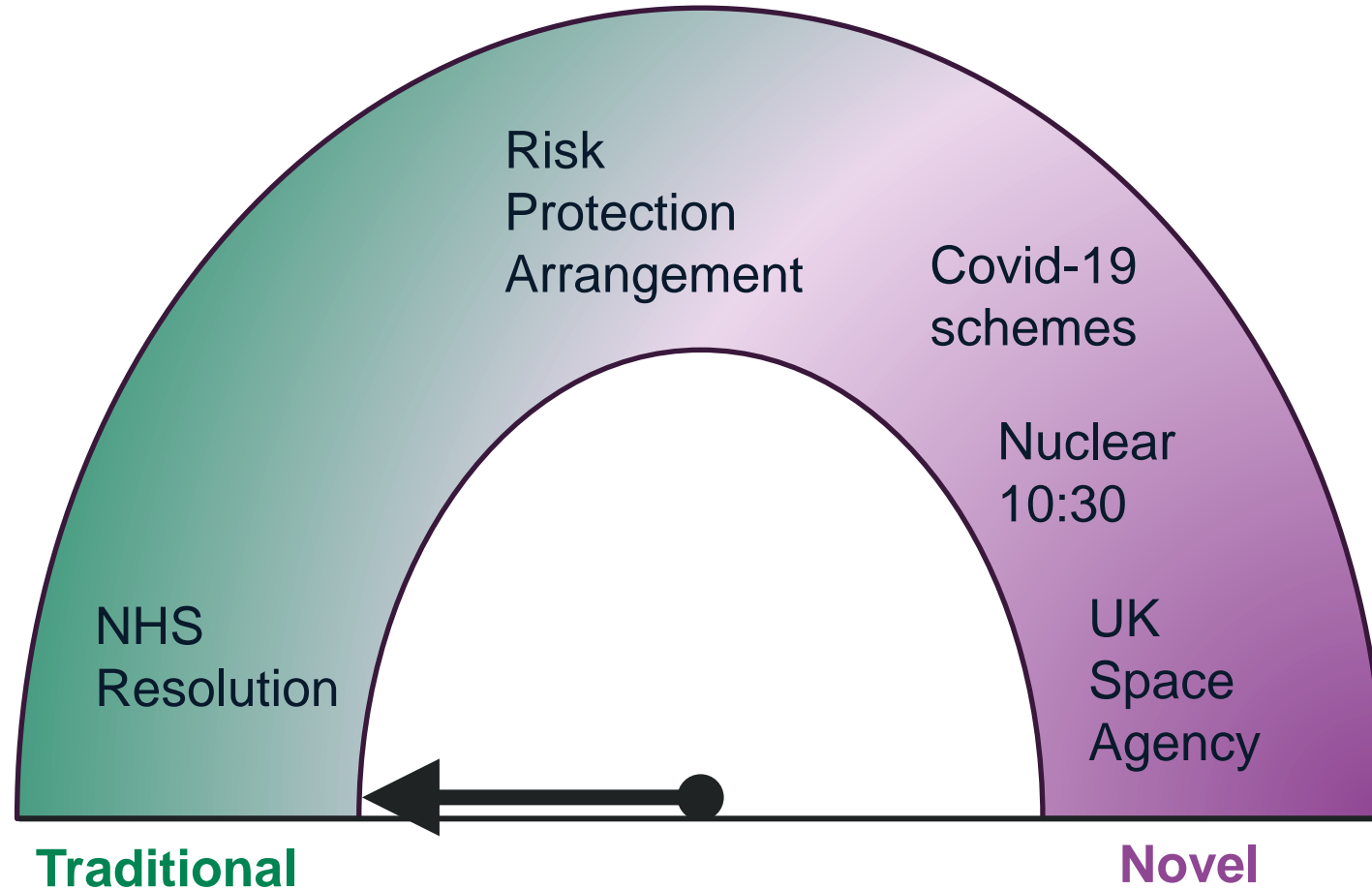


# What next for the Contingent Liability Central Capability (CLCC)?

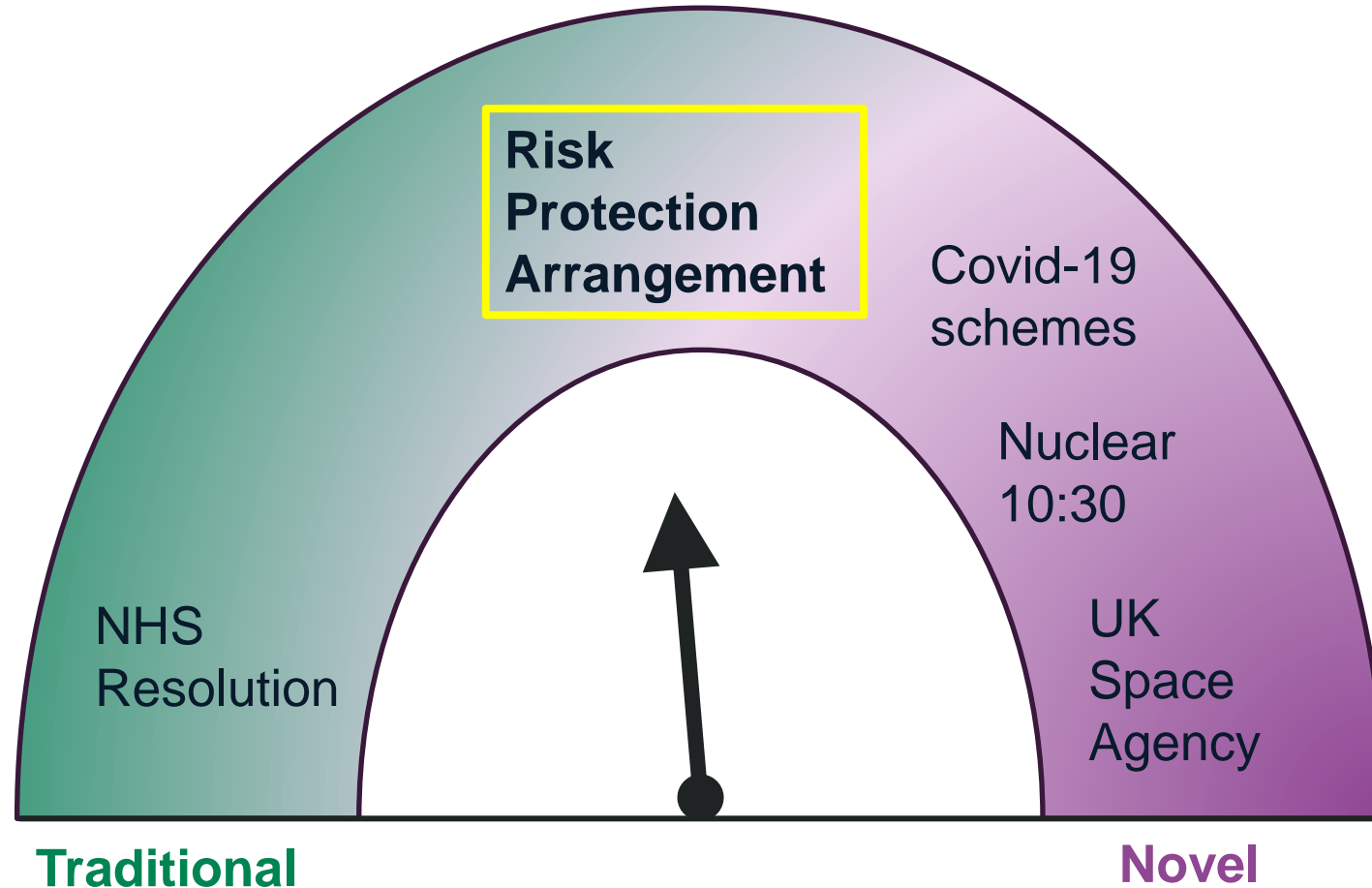
# Understanding risk in Government



# A typical week in GAD



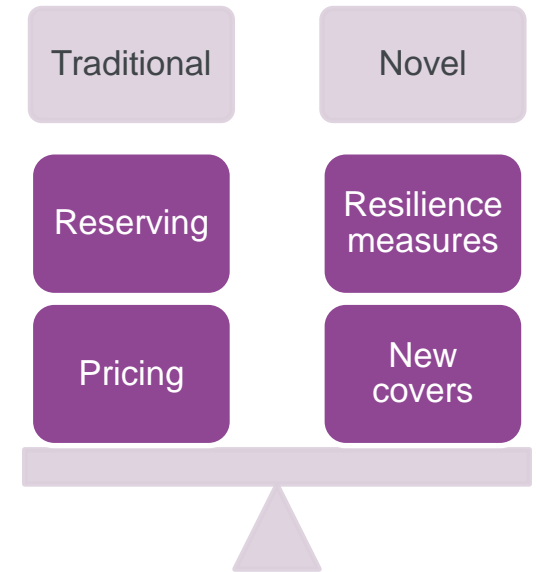
# A typical week in GAD



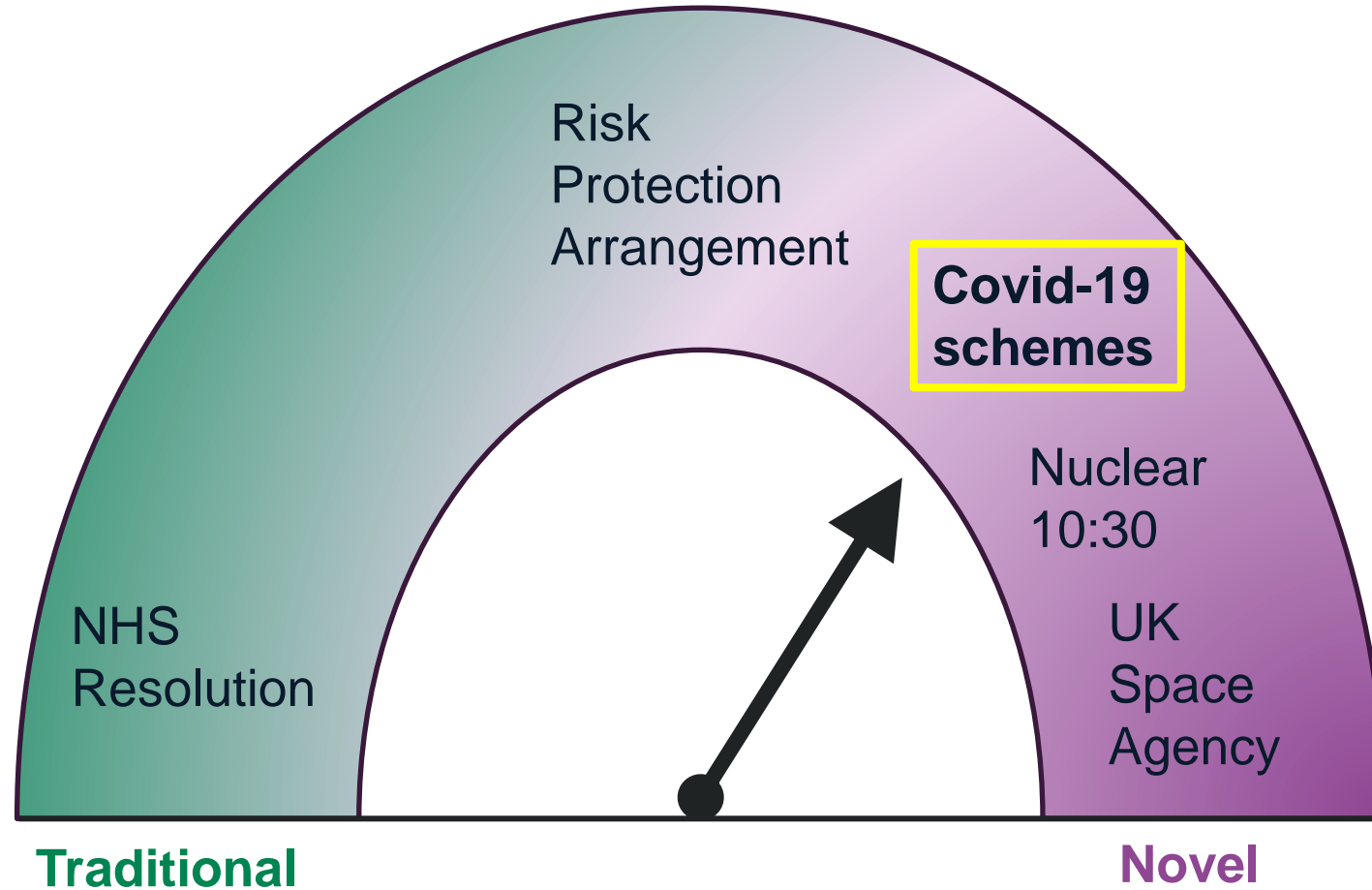
# Helping schools manage their risks



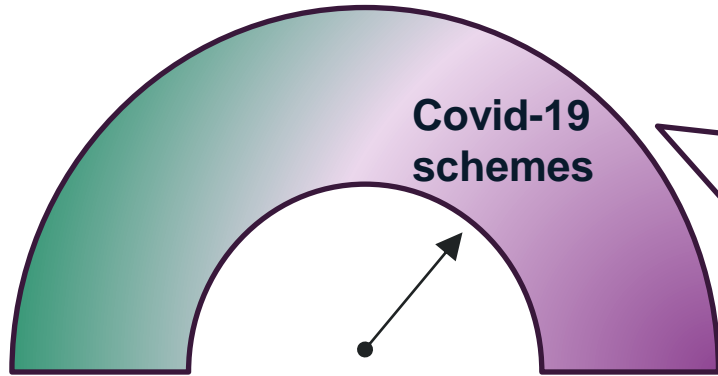
- Long term partnership
- Mix of traditional and novel



# A typical week in GAD



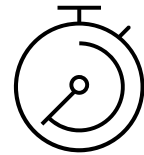
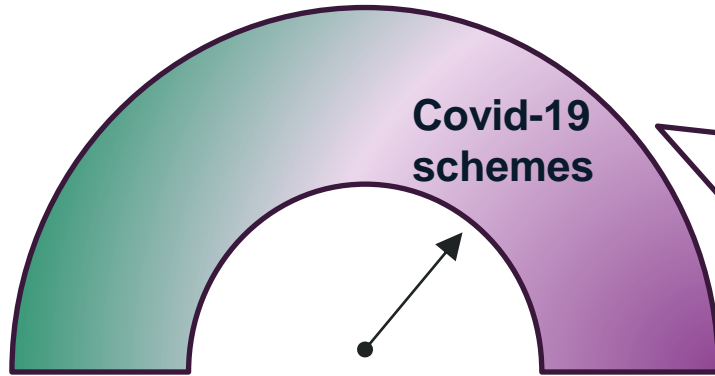
# Keep calm and carry on filming



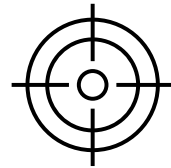
This production was made possible by the support of HM Treasury & DCMS' Film and TV Production Restart Scheme.



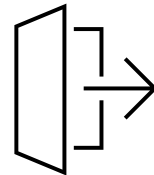
# Keep calm and carry on filming



- At pace



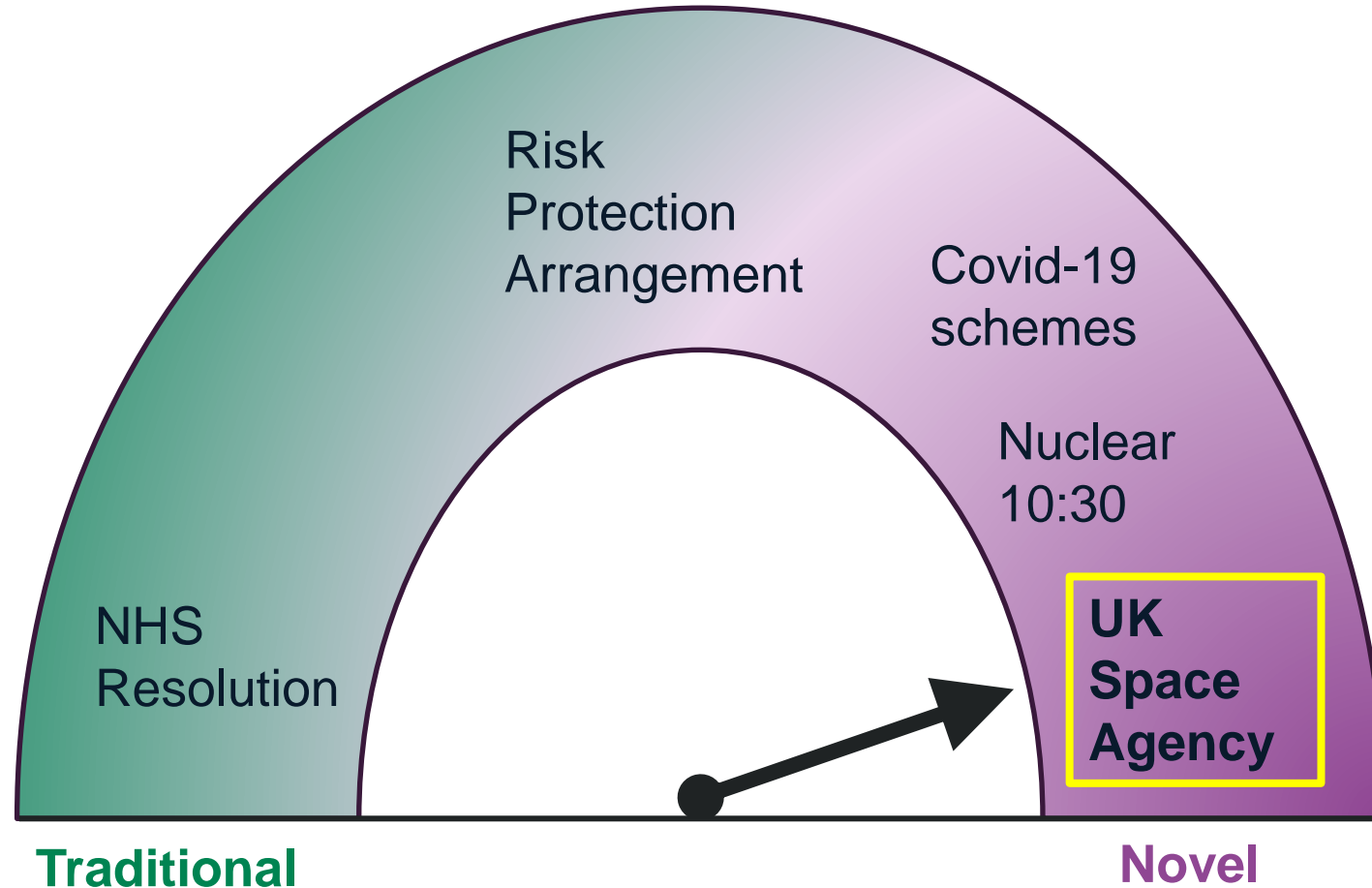
- Targeted support



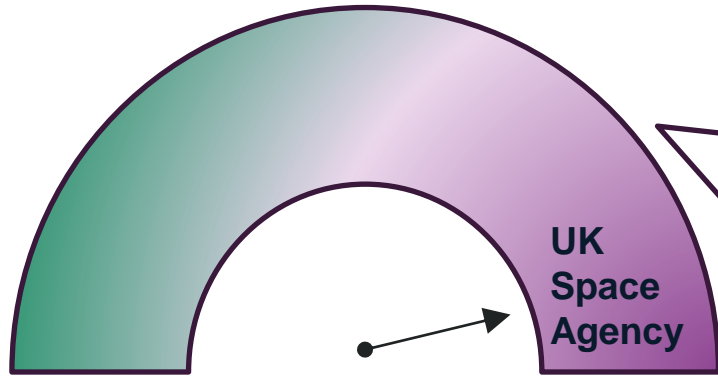
- Clear exit strategy



# A typical week in GAD



# Space launch from the UK?



Press release

## Shetland spaceport boosts UK's plans for launch

UK strengthens position as European small satellite launch destination of choice

From: [UK Space Agency](#)  
Published: 22 October 2020



Credit: Lockheed Martin

## LIFTOFF! Spaceport in CORNWALL 'where tourists will blast into orbit' is a step closer after space bosses sign launch agreement

Harry Pettit, Senior Digital Technology and Science Reporter  
18 Jun 2020, 14:57 | Updated: 18 Jun 2020, 15:40

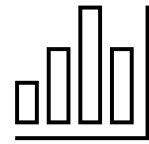
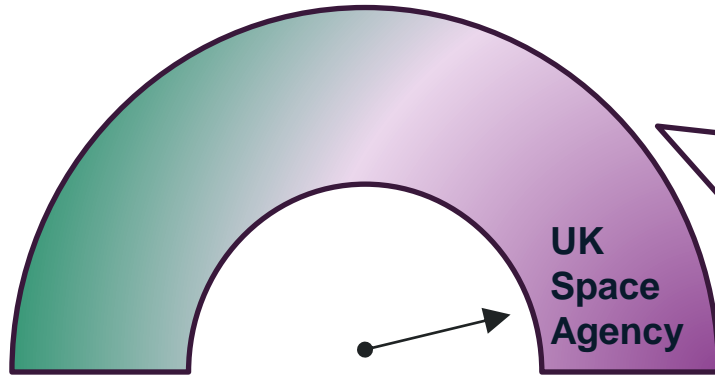
7 Comments

A CORNISH spaceport looks set for liftoff after officials signed an agreement allowing US companies to launch into space from UK soil.

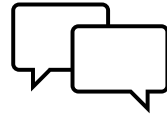
The deal between the British and American governments brings plans for a Cornish spaceport at Newquay Airport a step closer.



# Space launch from the UK?



- Very little data



- Actuarial mindset is key for communication of results

# Wrap up



# Questions

# Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.