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MINISTRY OF DEFENCE  
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3rd March 1982

Dear Michael,

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You will recall that you wrote to me on 20<sup>th</sup> January about the Rayner Scrutiny carried out into the functions of the Claims Commission. You indicated that the Prime Minister had expressed an interest in this study and I am writing to let you know the outcome.

The proposals for contracting out to commercial insurance MOD claims work in the areas of motor accidents and employer's liability in the UK stem from a detailed comparison which followed on from the original Rayner Scrutiny Report of 1980. This involved tendering action with four leading firms of brokers. When the tenders were compared with the costs to the Exchequer of operating the Claims Commission as it is now, there were shown to be clear financial and administrative advantages in entering the commercial field. The most advantageous option, involving the transfer to full insurance of the two areas of work using two separate firms of brokers to handle our business, will throw up a total anticipated saving to the Exchequer, over a ten-year period, of some £11.4M, of which some £5.7M would fall to the Ministry of Defence. These savings include a reduction of 79 non-industrial staff posts over a three-year period.

With these worthwhile savings in mind, MOD Ministers have decided to implement the proposals from 1st April. This decision will have some impact upon the long-standing principle that the Crown does not (save in very exceptional circumstances) insure its risks; and because of this question of principle involved we have taken steps to inform the Public Accounts Committee of what is involved. Mr Geoffrey Pattie has also written to Sir Derek Rayner, letting him know how the study originally conducted under his sponsorship, has turned out. The Treasury have raised no objection to the scheme.

Useful savings in public expenditure will be achieved by the implementation of these proposals and our Ministers do not rule out their extension into other fields when we have had some experience of the working of the new arrangements in the claims area. It is possible also that other Ministries

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may wish to participate in the arrangements we are making, at a later point. Our officials are, therefore, making sure that other Departments are kept informed.

It is proposed to announce the arrangements by means of a PQ on Friday 5th March, followed by a Press briefing. Copies of this letter go to Terry Mathews (Chief Secretary's Office), Nicholas McInnes (Department of Trade), Miss J Sullivan (Private Secretary to Sir Derek Rayner) and to David Wright (Cabinet Office).

*Yours sincerely*

*Nick Evans*

(N H R EVANS)



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COMMISSIONER