

Contingent liabilities – one year on

The Contingent Liability Central Capability (CLCC) has just published its [inaugural progress report](#). It summarises the CLCC's achievements and sets out a vision for the coming years.

The CLCC was established in UK Government Investments (UKGI) in partnership with the Government Actuary's Department (GAD) in 2021.

Managing risk

Government's contingent liabilities are complex and varied. It is vital that when government takes on risk, the risk is well understood and managed.

Estimating the likelihood of an event occurring, the timing and potential costs requires finance teams to undertake complex analysis on the outcome of uncertain future events.

Skills and expertise

The government is leading the way in seeking to drive efficient management of its balance sheet. The CLCC has a key role to fulfil in supporting these objectives.

It brings together a unique combination of skills and expertise of people who analyse and advise on the government's contingent liabilities including:

- actuaries seconded from GAD
- credit risk experts
- Civil Service policy and analytical professionals

Report results

The interim report includes some examples of how the CLCC has given advice on new and existing contingent liabilities which the government holds.

This includes using loss estimates provided by GAD to inform advice given to government departments.

An example is the work GAD carried out around the government's indemnity to nuclear operators for personal injury liabilities 10 to 30 years after an incident. The CLCC, using loss estimates provided by GAD, advised government departments on practical ways of dealing with these contingent liabilities. This included fair allocation of risk and reward between private sector insurers and the government.

Actuary Jacqui Draper led on the nuclear risk project. "We undertook extensive modelling of the 10 to 30 years personal injury indemnity before adapting our model to allow for a risk-sharing arrangement between industry and government."

Achievements

The report sets out the CLCC's first year achievements, the current landscape of contingent liabilities across government and its future work.

Siobhán Duffy, Director, Contingent Liability Central Capability said: "We are proud of what we have achieved in the first 12 months as a new unit within government. However, delivering our objectives will be a multi-year effort requiring further close collaboration with departments."