

Report

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Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	5 February 2013
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Insurance Claims from 1 April to 30 September 2012
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ highlight the insurance claims experience from 1 April to 30 September 2012

2. Recommendation(s)

2.1. The Risk and Audit Scrutiny Forum (RASf) is asked to approve the following recommendation(s):-

- (1) note the half year insurance statistics to 30 September 2012

3. Background

- 3.1. This report covers claims made under the three main classes of insurance which the Council has in place. These policies are combined liability, motor and property.
- 3.2. Claims which fall under the main policies of insurance are handled by the Council's Risk Management Section and external claims handlers, Gallagher Bassett.

4. Total Losses

- 4.1. The overall number of claims received for the three main classes of insurance for the period to 30 September 2012 was 585. This is down by 62 on the previous year.
- 4.2. Liability claims numbers continue to fall and motor claims numbers are down significantly on the previous year. Property claims numbers are on par with previous years.
- 4.3. The estimated value of claims received for the three main classes of insurance for the period to 30 September 2012 is £894,500. This is a reduction of £176,593 on the value of claims intimated for the same period in 2011.
- 4.4. The most significant change in values is in respect of property claims, where costs have reduced by £231,019.
- 4.5. Table One below provides a summary of number and estimated values of claims for the first six months of 2011/2012 and 2012/2013.

Table One - Summary of claims numbers and values

Claim type	Six months April-September 2011		Six months April-September 2012	
	Number of claims received	Estimated value of claims received	Number of claims received	Estimated value of claims received
Liability	303	£395,851	280	£359,847
Property	52	£399,507	60	£168,488
Motor	292	£275,735	245	£366,165
Total	647	£1,071,093	585	£894,500

5. Liability Claims

- 5.1. Two hundred and eighty claims have been received for the first six months of 2012/2013, with an estimated value of £359,847.
- 5.2. The number of claims intimated for the first six months of 2012/2013 follows the downward trend seen in previous years.
- 5.3. The cost of claims for the first six months of 2012/2013 has reduced by £36,004 from the previous year.
- 5.4. The most significant claims intimated for the first six months of the year relate to alleged slips, trips and falls by members of the public. Slips, trips and falls were highlighted as one of the Council's insurance hotspot areas in a recent report undertaken by the Council's claims handler, Gallagher Bassett and actions have been agreed to mitigate this risk.
- 5.5. When claim settlements are paid on public liability claims, a system is in place to check whether the claimant has any outstanding debts owed to the Council. If the claimant does have outstanding debt, this is offset against the insurance settlement. From 1 April to 30 September 2012, a total of £9,877 has been offset.

6. Asbestos Related Disease Employers' Liability Claims

- 6.1. The Council continues to receive liability claims from employees who allege that they were exposed to asbestos during their employment with a predecessor authority.
- 6.2. One claim has been received during the first six months of 2012/2013 in respect of an asbestos exposure to an employee of a predecessor authority. This claim has also been intimated to a number of the employee's other former employers.
- 6.3. Where the Council does not have insurance cover in place for this type of claim, successful claims settlements will be met from the Council's Insurance Fund. Funds have previously been reserved within the Insurance Fund to meet these potential liabilities.

7. Motor Insurance Claims

- 7.1. Two hundred and forty five claims have been received for the first six months of 2012/2013, with an estimated value of £366,165.
- 7.2. The number of claims intimated for the first six months of 2012/2013 has reduced by 47. Costs, however, have increased by £90,430 compared to the same period in 2011/2012. The rise in claim costs equates to a 33% increase.

- 7.3. The reason for the increase in costs is that more significant damage to Council vehicles has occurred this year, resulting in higher costs against fewer incidents. Compared to the corresponding period last year, the estimated cost of repair for damage to the Council's own motor fleet was £102,000 in 2011/2012 and £209,000 in 2012/2013, an increase of £107,000.
- 7.4. As well as the figures noted above, minor damage incidents which cost less than £250, are reported to Facilities, Fleet and Grounds Services. These incidents, which are not included in the figures contained within this report, have cost £25,016 for the first six months of 2012/2013. This is down by £7,600 on the previous year.
- 7.5. The size of the Council's motor fleet has increased by 8% over the last year and this should be borne in mind when looking at the number and cost of incidents.
- 7.6. A target of a 5% reduction in the number of at fault incidents was set by the Driver Safety Group. The table below compares the number and cost of at fault incidents for the first six months of this year to last year.

Table Two – Comparison of at fault incidents

	Number of vehicles on fleet	Number of incidents	Cost of incidents	Number of incidents per vehicle	Average cost of claim per vehicle
2011/12	1,546	118	£218,226	0.076	£1,849
2012/13	1,665	112	£198,243	0.067	£1,770

- 7.7. The reduction in the number of at fault incidents is well above the target, when looking at the number of incidents per vehicle. A 12% reduction is evidenced at the half year stage. The average value of at fault incidents is also down £79 on the previous year.
- 8. Property Insurance Claims**
- 8.1. 60 claims have been received for the first six months of 2012/2013, with an estimated value of £168,488.
- 8.2. Compared to the first six months of 2011/2012, the number of claims has increased by 8. However, the total cost of claims has reduced by £231,019.
- 8.3. Claims numbers for each Resource are in line with the numbers intimated last year.
- 8.4. The most significant reduction in claims costs is in Housing and Technical Resources. Costs for 2012/2013 are estimated at £54,000, compared to £379,000 for the previous year. The reason for this fall is that a significant claim was intimated for storm damage during May 2011. This storm damage was initially estimated at £185,000 and was recently settled at £145,000. To date, no storm events have taken place during 2012/2013.
- 8.5. Housing and Technical Resources have also seen a reduction in the number and cost of Council house fires. 9 significant house fire claims were intimated during the first six months of 2011/2012. This year only 3 significant fire claims have been intimated.
- 8.6. The overall reduction in estimated claims costs for the first six months of 2012/2013 is positive. This should, however, be viewed with caution as the usual period for claims resulting from bad weather historically occurs in the second half of the year.

Any claims as a result of any storms will be reported to the Forum in the Annual Insurance and Risk Management Report.

9. Employee Implications

- 9.1. Time will be required by Risk Sponsors and members of Resource Risk workgroups in the management of insured risks.

10. Financial Implications

- 10.1. With an uninsured excess of £500,000 for storm damage property claims and £100,000 for all other significant insurance policies, no claims intimated during the first six months of 2012/2013 exceed the uninsured excess limits. Therefore, the full estimated cost of claims of £894,500 will be met from the Council's self insurance fund.
- 10.2. The results of the last actuarial interim review of the Council's self insurance fund (SIF) indicated that the medium term contribution rate, that is the estimated cost of claims that would be funded by the SIF, had remained unchanged from previous actuarial reviews at £2.1million per annum.
- 10.3. If the Council was to experience a similar level of claims in the second half of 2012/2013, then it is expected that the cost of claims will be under £2m and within the forecast made by the actuary.
- 10.4. Municipal Mutual Insurance Ltd (MMI) who provided insurance cover to the Council's predecessor District Councils and Strathclyde Regional Council has recently advised that it intends to trigger its Scheme of Arrangement as it is now technically insolvent.
- 10.5. The Scheme of Arrangement was agreed by MMI's creditors following the Company ceasing to write business in 1992. At present, a decision has still to be made on the levy of clawback that will be imposed on Scheme Creditors. If MMI was to impose a levy of 100%, the Council would be liable to refund the cost of claims settled by MMI at £1.01million. This amount has been reserved within the Council's self insurance fund and a provision has been made within the Council's Annual Accounts.
- 10.6. Funds have been allocated within the Self Insurance Fund to meet the cost of any asbestos related disease claims for employees of predecessor authorities where no insurance cover is in place.

11. Other Implications

- 11.1. It is necessary that the Council takes steps to protect the current funds and to restrain any future insurance premium increases by aiming to reduce the number and cost of claims intimated against the Council.
- 11.2. Work has been progressing within Resources to implement actions to reduce the effect of insurance hotspots that had been previously identified. An update on the management of insurance hotspots will be reported to the RASF in the annual insurance report.
- 11.3. There are no implications for sustainability in terms of the information contained in this report.

12. Equality Impact Assessment and Consultation Arrangements

- 12.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.

- 12.2. Insured risks appear as a standing item on the agendas of Resource Risk Groups.
- 12.3. Consultation on the claims detailed within this report has taken place with Resource risk sponsors.

Paul Manning
Executive Director (Finance and Corporate Resources)

9 January 2013

Link(s) to Council Values/Objectives

- ◆ Efficient and effective use of resources

Previous References

- ◆ Report to RASF on 13 November 2012 - 2011/12 Year End Insured Risks Report

List of Background Papers

- ◆ None

Contact for Further Information

If you would like to inspect the background papers or want further information, please contact:-

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