

Report

Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	8 November 2016
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2015/2016 Year End Insured Risks Report
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ highlight trends, on an annual basis, for insurance claims against the Council.

2. Recommendation(s)

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

- (1) that the Insured Risks report for the year ended 31 March 2016 and claims trends are noted; and
- (2) that progress with implementing actions to mitigate insurance hotspots is noted

3. Background

- 3.1. The Council has in place insurance policies for employers' liability, public liability, motor, property and other miscellaneous risks.
- 3.2. The Council's employers' liability policy covers employee injury, disease and death, where the Council is deemed to be negligent.
- 3.3. The public liability policy covers the Council's legal liability to pay claims for death, injury and disease to third parties, as well as third party property damage, where the Council is found to be responsible for such losses.
- 3.4. Motor insurance provides comprehensive cover for all Council vehicles and injuries resulting from motor accidents.
- 3.5. The property insurance policy covers damage/loss to Council buildings and assets.
- 3.6. All the main policies carry an excess payable by the Council of £100,000 per claim, apart from property storm damage, flood and escape of water claims which carry a £500,000 excess. It is important that all losses are minimised in order to maintain current levels of premiums and to protect insurance fund reserves.

4. Overview and Analysis of Data

- 4.1. Claims which fall under the main policies are handled by the Council's Risk Management section and external claims handlers, Gallagher Bassett. The number and cost of these claims form the basis of this report and compares like years.
- 4.2. Claims will continue to be intimated beyond the financial year end, with numbers increasing by approximately 20 per cent on average. Up to date annual comparisons for the last five years are included at Appendix One. The comparisons show, on the whole, a positive downward trend in the number and cost of claims over the last four years, i.e. between 2011/2012 and 2014/2015.
- 4.3. In addition, to allow comparison of the position as at the year end for the last two years, Appendix Two compares the claim numbers and costs for incidents reported in 2014/2015 as at 31 March 2015 to incidents reported in 2015/2016, as at 31 March 2016. In effect, this compares the equivalent position and removes the impact of late claims notification for these years.

5. Insurance – Total Losses Reported as at 31 March Each Year

- 5.1. Based on the comparisons in Appendix Two, the overall number of claims received to date for incidents occurring during 2015/2016 is 1,257. This is an increase of 16 claims (one per cent) on the numbers reported last year for 2014/2015. The numbers are below the average for the last five years (1,373).
- 5.2. The total estimated cost of claims for 2015/2016 is £2.374million. At the same time last year, estimated claims costs for 2014/2015 was £2.345m. This is an increase of £29,000 (one per cent).
- 5.3. Whilst costs have increased for public liability and motor claims, this has been largely offset by an improved employers' liability and property claims experience.
- 5.4. The Risk and Audit Scrutiny Forum is asked to note the downward claims trend in claims since 2011/2012 and the broadly comparable position reported for the last two years.

6. Asbestos Related Disease Claims

- 6.1. There are currently 11 asbestos related employers' liability claims outstanding for employees who were employed at one of the Council's predecessor authorities.
- 6.2. Four new employers' liability claims were intimated during 2015/2016 in respect of asbestos exposure. Where insurers are known, the claims have been passed onto them to handle.

7. Municipal Mutual Insurance (MMI)

- 7.1. MMI provided insurance cover to three of SLC's predecessor authorities; Clydesdale District Council, Hamilton District Council and East Kilbride District Council, as well as providing cover for the former Strathclyde Regional Council (SRC).
- 7.2. MMI advised the scheme creditors in November 2012, that, to avoid an insolvent liquidation, the decision had been taken to trigger the Scheme of Arrangement. The Scheme of Arrangement allows MMI to recover (claw back) from scheme creditors a percentage of the total amount that they had paid in claims settlements. At this time, control of MMI passed on to the Scheme Administrator, Ernst and Young LLP (E&Y).

- 7.3. E&Y advised scheme creditors in April 2013 that an initial levy rate of 15 per cent was required. Payment of this levy was made by the Council in February 2014. The initial levy amount paid by SLC in respect of predecessor authorities was £94,435, with a further amount of £53,683 paid to Glasgow City Council in respect of SRC liabilities.
- 7.4. In March 2016, the Scheme Administrator advised scheme creditors that due to the continuing high level of new mesothelioma and child abuse claims being reported to MMI, the rate of levy required to be increased to 25 per cent.
- 7.5. The amounts payable in April 2016 by the Council for the increased levy were £62,997, in respect of SLC's predecessor authorities, and £38,313 payable to Glasgow City Council in respect of SRC liabilities.
- 7.6. Going forward, MMI will now only fund 75 per cent of any future claims settlements, with the Council being responsible for the remaining 25 per cent.
- 8. Risk Management Fund**
- 8.1. A central fund is held by Risk Management to assist Resources in funding for specific risk management initiatives. A bidding process is in place for the limited funds.
- 8.2. All bids are considered on their individual merits and should meet the following criteria; it is innovative, it contributes effectively to risk management, it impacts favourably on insurance claims or premiums, or it realises a spend to save benefit for the Council.
- 8.3. Examples of successful bids over the last 12 months, and the resultant positive effects of these measures are detailed in Table One below.

Table One– Successful Risk Management Fund Bids

Initiative Implemented	Details/Positive Effect
Installation of CCTV at Caldwellside Depot	<p>Approx £50,000 worth of Council assets had been stolen as a result of break ins at Caldwellside Depot, Lanark during 2014 and 2015, despite the building being alarmed.</p> <p>Following the installation of a remotely monitored CCTV system in March 2016, no further break ins/losses have been reported.</p>
Purchase and use of Mobile Elevated Work Platform (MEWP)	<p>The Purchase of a MEWP to facilitate the safe access/egress to high sided or large equipment and vehicles was recommended by Corporate Health and Safety as safer practice.</p> <p>This has resulted in the reduction/elimination of the use of ladders or Fork Lift Truck cage to carry out repair or maintenance tasks and comply with Working at Height regulations.</p>
Spittal Primary School - Upgrade to Security	<p>This school is being used as a decant facility until 2017, and had been targeted on several occasions for break-ins and vandalism. These incidents highlighted that there were shortcomings with the existing security system.</p> <p>Work was undertaken to ensure that all perimeter rooms and doors were protected, and this has led to a reduction in reports of incidents of vandalism and antisocial behaviour.</p>
Door Entry Systems	This initiative enabled door entry systems to be installed in hot spot low rise housing blocks where there is a potential for fires to

Initiative Implemented	Details/Positive Effect
	<p>occur in communal areas. The provision of the door entry systems provides a more secure environment.</p> <p>Damage caused to Council properties in these blocks by antisocial behaviour or fire usually outweighs the cost of installation, therefore, it was felt that this was a worthwhile spend to save initiative. Seven door entry systems have been installed to date, with a metal door installed at another hot spot location.</p>
Automatic Fire Detection – Almada Street HQ	<p>Property surveys undertaken by the Council's insurer highlighted that the fire detection within Almada Street did not cover the whole building and should be extended.</p> <p>Housing and Technical Resources identified that there was a risk from fire in unoccupied rising main electrical and plant room cupboards in Almada Street, and these were located adjacent to main fire exit points on all floors.</p> <p>Work has been completed, installing automatic fire detection in these areas. This will allow for earlier detection of fire, and will result in faster evacuation of the building, and quicker response by the Fire Service.</p>

- 8.4. Resources are encouraged to implement spend to save initiatives where potential savings are likely to outweigh initial outlay costs.

9. Insurance Hotspots/Insurance Programme Reviews

- 9.1. A review of all claims that were intimated to the Council for incidents that occurred during the period 1 April 2012 to 31 March 2014 was undertaken by the Risk Control Consultant from the Council's claims handlers, Gallagher Bassett. The review, which was concluded in April 2015, identified claims trends for this period and highlighted new emerging areas of risk.

- 9.2. Table Two below provides headline detail of the claim causes and potential problem areas that were identified as hotspots for each class of insurance for all Resources:

Table Two – Insurance Hotspots

	Education Resources	Social Work Resources	Housing and Technical Resources	Community and Enterprise Resources
Public Liability	<ul style="list-style-type: none"> • Slip, trips and falls • Violent incidents 	N/A	<ul style="list-style-type: none"> • Slip, trips and falls • Water ingress – flat roofs • Damage – operative/faulty workmanship • Damage to services by operatives • Removal of possessions from abandoned properties 	<ul style="list-style-type: none"> • Slips, trips and falls (footways; grounds land) • Defects on structures – bridges • Damage to utilities/underground services
Employers' Liability	<ul style="list-style-type: none"> • Slip, trips and falls 	<ul style="list-style-type: none"> • Slip, trips and falls 	<ul style="list-style-type: none"> • Incidents involving scaffolding 	<ul style="list-style-type: none"> • Slip, trips and falls (Facilities)

	<ul style="list-style-type: none"> • Loss or theft of pupils belongings 			
Motor	<ul style="list-style-type: none"> • Driver at fault incidents (minibuses) 	<ul style="list-style-type: none"> • Driver at fault incidents (Adult and Older People Services) 	<ul style="list-style-type: none"> • Driver at fault incidents (collisions with rear of third party vehicles) 	<ul style="list-style-type: none"> • Driver at fault incidents
Property	<ul style="list-style-type: none"> • Break-in and thefts 	<ul style="list-style-type: none"> • Theft or loss of mobile phones/sim cards 	<ul style="list-style-type: none"> • Whitlawburn – vandalism/fire/ break-in/theft • House fires <ul style="list-style-type: none"> - Wilful fire raising - Cooking - Cigarettes 	<ul style="list-style-type: none"> • Theft of plant and equipment
Other	<ul style="list-style-type: none"> • Pupils with complex medical needs 	N/A	N/A	N/A

9.3. A total of 63 actions to mitigate against these hotspot areas were agreed with Resource Risk Sponsors.

9.4. As at 31 March 2016, 53/54 actions had been completed on time (98 per cent), with one action completed after the agreed target date. A further nine actions have target dates in the future.

9.5. The Risk and Audit Scrutiny Forum is asked to note the progress made with implementing actions to mitigate insurance hotspots.

9.6. A fresh review of insurance hotspots will be undertaken during 2016/2017, looking at all claims intimated to the Council for incidents that occurred during the period 1 April 2014 to 31 March 2016.

9.7. The outcome of the review will be reported to the Risk and Audit Scrutiny Forum in due course.

10. Employee Implications

10.1. Time and effort will continue to be required by Resource personnel to implement initiatives to mitigate insurance hotspots.

11. Financial Implications

11.1. Claims received to date, for incidents which occurred during 2015/2016 are estimated to cost £2.374m. It is reasonable to expect this value to increase due to incidents that have taken place but for which claims have not yet been received.

11.2. All claims costs and estimates for 2015/2016 are currently within uninsured excess limits. Therefore, based on claims intimated to date for incidents which occurred during 2015/2016, it is forecast that the full estimated cost of claims at £2.374m will require to be met from the Council's self insurance fund.

- 11.3. During 2015/2016, a total of £2.501m was paid out by the Council on all claims, irrespective of the incident date. For claims which occurred between 1 April 2015 and 31 March 2016, £731,000 was paid out by the Council. These costs include claims payments and other associated costs.
- 11.4. The total cost of loss for 2015/2016 was £4.2m. This covers claims costs and premiums. For 2014/2015 the total cost of loss was £4.1m.
- 11.5. The figures noted above exclude costs associated with the 11 outstanding asbestos related disease claims mentioned in paragraph 6. Funds have been set aside in the Council's self insurance fund to meet any successful claims where insurance cover does not exist.
- 11.6. With regards to MMI, as detailed at paragraph 7, with the worst case scenario of a full 100 per cent levy, the Council's total amount liable for claw back, based on the claims payments and estimated outstanding claims amounts as at 31 March 2016, would be £1,064,162, less £251,165 for the 25 per cent levy already paid, leaving a balance of £812,997.
- 11.7. A provision of £761,000 is currently held within the Council's accounts for potential MMI liabilities.
- 11.8. The balance in the insurance fund will require to be monitored to ensure adequate funds are available to meet known liabilities. The next actuarial review of the insurance fund is scheduled to take place during 2017/2018.

12. Other Implications

- 12.1. Failure to adequately manage insurance hotspots is likely to lead to increased claims numbers, self insurance costs and insurance premiums.
- 12.2. There are no implications for sustainability in terms of the information contained in this report.

13. Equality Impact Assessment and Consultation Arrangements

- 13.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.
- 13.2. Copies of this report have been passed to the Resource Risk Sponsors.

Paul Manning

Executive Director (Finance and Corporate Resources)

12 October 2016

Link(s) to Council Values and Objectives

- ◆ Values: Accountable Effective and Efficient

Previous References

- ◆ Report to Risk and Audit Scrutiny Forum – 2014/15 Year End Insured Risks Report – 27 October 2015

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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Appendix One

Full year claims numbers and values by Resource as at 31 March 2016

All claim types

Number of claims

	11/12	12/13	13/14	14/15	15/16
Community and Enterprise	944	791	753	686	703
Education	55	49	37	42	38
Finance and Corporate	1	1	1	1	3
Housing and Technical	779	673	699	601	442
Social Work	75	87	96	105	71
Total	1,854	1,601	1,586	1,435	1,257
Reported at individual year end	1,564	1,356	1,449	1,241	1,257

Cost of claims

	11/12	12/13	13/14	14/15	15/16
Community and Enterprise	£1,901,923	£1,061,010	£1,232,642	£1,173,937	£1,010,354
Education	£208,299	£590,821	£106,564	£74,766	£122,992
Finance and Corporate	£0	£0	£0	£101	£1,993
Housing and Technical	£2,090,623	£826,459	£1,065,374	£1,138,313	£1,139,062
Social Work	£132,897	£127,844	£130,040	£183,695	£99,624
Total	£4,333,742	£2,606,134	£2,534,620	£2,570,812	£2,374,025
Reported at individual year end	£3,528,758	£2,041,185	£2,795,303	£2,344,876	£2,374,025

Public Liability Claims

Number of claims

Number of claims	11/12	12/13	13/14	14/15	15/16
Community and Enterprise	509	461	451	387	375
Education	24	16	8	14	11
Finance and Corporate	0	0	0	1	0
Housing and Technical	524	424	469	365	242
Social Work	6	12	7	8	3
Total	1,063	913	935	775	631

Cost of Claims

	11/12	12/13	13/14	14/15	15/16
Community and Enterprise	£894,409	£380,095	£804,503	£569,402	£499,649
Education	£108,318	£98,840	£38,931	£43,122	£43,218
Finance and Corporate	£0	£0	£0	£101	£0
Housing and Technical	£293,273	£519,373	£256,607	£212,105	£275,059
Social Work	£430	£10,377	£46,820	£12,721	£700
Total	£1,296,430	£1,008,685	£1,146,861	£837,451	£818,626

Motor

Number of claims

	11/12	12/13	13/14	14/15	15/16
Community and Enterprise	367	268	244	257	279
Education	7	11	13	9	18
Finance and Corporate	1	1	1	0	3
Housing and Technical	188	186	167	183	145
Social Work	61	64	71	86	64
Total	624	530	496	535	509

Cost of claims

	11/12	12/13	13/14	14/15	15/16
Community and Enterprise	£361,027	£375,945	£183,193	£405,963	£386,223
Education	£3,768	£2,340	£13,601	£2,344	£33,120
Finance and Corporate	£0	£0	£0	£0	£1,993
Housing and Technical	£123,572	£143,119	£94,121	£84,549	£190,294
Social Work	£92,577	£70,968	£37,847	£117,652	£75,590
Total	£580,944	£592,372	£328,762	£610,508	£687,220

Employers Liability Claims

Number of claims

	11/12	12/13	13/14	14/15	15/16
Community and Enterprise	11	15	13	17	11
Education	4	7	3	4	2
Finance and Corporate	0	0	0	0	0
Housing and Technical	5	3	1	9	2
Social Work	5	5	8	4	2
Total	25	30	25	34	17

Cost of Claims

	11/12	12/13	13/14	14/15	15/16
Community and Enterprise	£496,760	£179,085	£125,121	£147,543	£73,245
Education	£40,905	£456,567	£23,323	£26,159	£15,596
Finance and Corporate	£0	£0	£0	£0	£0
Housing and Technical	£36,317	£6,367	£4,709	£93,491	£50,242
Social Work	£38,786	£38,788	£44,883	£50,924	£10,552
Total	£612,768	£680,807	£198,036	£318,117	£149,635

Property

Number of claims

	11/12	12/13	13/14	14/15	15/16
Community and Enterprise	57	47	45	25	38
Education	20	15	13	15	7
Finance and Corporate	0	0	0	0	0
Housing and Technical	62	60	62	44	53
Social Work	3	6	10	7	2
Total	142	128	130	91	100

Cost of claims

	11/12	12/13	13/14	14/15	15/16
Community and Enterprise	£149,727	£125,885	£119,825	£51,029	£51,237
Education	£55,308	£33,074	£30,709	£3,141	£31,058
Finance and Corporate	£0	£0	£0	£0	£0
Housing and Technical	£1,637,461	£157,600	£709,937	£748,168	£623,467
Social Work	£1,104	£7,711	£490	£2,398	£12,782
Total	£1,843,600	£324,270	£860,961	£804,736	£718,544

Comparison of claims costs and numbers for claims occurring during the last two years as at their respective year ends

All claim types

Number of claims

	2014/2015 as at 31 March 2015	2015/16 as at 31 March 2016	Difference	Difference Percentage
Community and Enterprise	579	703	+124	+21.4%
Education	36	38	+2	+5.6%
Finance and Corporate	1	3	+2	+200.0%
Housing and Technical	523	442	-81	-15.5%
Social Work	102	71	-31	-30.4%
Total	1,241	1,257	16	+1.2%

Cost of claims

	2014/2015 as at 31 March 2015	2015/16 as at 31 March 2016	Difference	Difference Percentage
Community and Enterprise	£977,014	£1,010,354	+£33,340	+3.4%
Education	£43,583	£122,992	+£79,409	+182.2%
Finance and Corporate	£101	£1,993	+£1,892	+1873.3%
Housing and Technical	£1,204,620	£1,139,062	-£65,558	-5.4%
Social Work	£119,558	£99,624	-£19,934	-16.7%
Total	£2,344,876	£2,374,025	+£29,149	+1.2%

Public Liability Claims

Number of claims

	2014/2015 as at 31 March 2015	2015/16 as at 31 March 2016	Difference	Difference Percentage
Community and Enterprise	298	375	77	25.8%
Education	9	11	2	22.2%
Finance and Corporate	1	0	-1	-100%
Housing and Technical	297	242	-55	-18.5%
Social Work	8	3	-5	-62.5%
Total	613	631	18	2.9%

Cost of claims

	2014/2015 as at 31 March 2015	2015/16 as at 31 March 2016	Difference	Difference Percentage
Community and Enterprise	£472,211	£499,649	£27,438	5.8%
Education	£16,460	£43,218	£26,758	162.6%
Finance and Corporate	£101	£0	-£101	-100%
Housing and Technical	£259,340	£275,059	£15,719	6.1%
Social Work	£3,450	£700	-£2750	-79.7%
Total	£751,562	£818,626	£67,064	8.9%

Community and Enterprise	249	279	30	12%
Education	9	18	9	100%
Finance and Corporate	0	3	3	300%
Housing and Technical	179	145	-34	-19%
Social Work	86	64	-22	-22%
Total	523	509	-14	-3%

Cost of claims

	2014/2015 as at 31 March 2015	2015/16 as at 31 March 2016	Difference	Difference Percentage
Community and Enterprise	£328,948	£386,223	£57,275	17%
Education	£2,870	£33,120	£30,250	1054%
Finance and Corporate	£0	£1,993	£1,993	1993%
Housing and Technical	£136,931	£190,294	£53,363	39%
Social Work	£73,363	£75,590	£2,227	3%
Total	£542,112	£687,220	£145,108	27%

Employers Liability Claims

Number of claims

	2014/2015 as at 31 March 2015	2015/16 as at 31 March 2016	Difference	Difference Percentage
Community and Enterprise	10	11	1	10%
Education	3	2	-1	-33%
Finance and Corporate	0	0	0	0%
Housing and Technical	4	2	-2	-50%
Social Work	3	2	-1	-33%
Total	20	17	-3	-15%

Cost of claims

	2014/2015 as at 31 March 2015	2015/16 as at 31 March 2016	Difference	Difference Percentage
Community and Enterprise	£96,709	£73,245	-£23,464	-24%
Education	£18,361	£15,596	-£2,765	-15%
Finance and Corporate	£0	£0	£0	0%
Housing and Technical	£52,566	£50,242	-£2,324	-4%
Social Work	£39,245	£10,552	-£28,693	-73%
Total	£206,881	£149,635	-£57,246	-28%

Property

Claims Numbers

	2014/2015 as at 31 March 2015	2015/16 as at 31 March 2016	Difference	Difference Percentage
Community and Enterprise	22	38	16	72.7%
Education	15	7	-8	-53.3%
Finance and Corporate	0	0	0	0%
Housing and Technical	43	53	10	23.3%
Social Work	5	2	-3	60%
Total	85	100	15	17.6%

Property

Claims Costs

	2014/2015 as at 31 March 2015	2015/16 as at 31 March 2016	Difference	Difference Percentage
Community and Enterprise	£79,145	£51,237	-£27,908	-35.3%
Education	£5,891	£31,058	£25,167	427.2%
Finance and Corporate	£0	£0	£0	0%
Housing and Technical	£755,782	£623,467	-£132,315	-17.5%
Social Work	£3,500	£12,782	£9,282	265.2%
Total	£844,318	£718,544	-£125,774	-14.9%