

# Report

Report to:	<b>Risk and Audit Scrutiny Forum</b>
Date of Meeting:	<b>13 November 2012</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>2011/2012 Year End Insured Risks Report</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ Highlight trends in insurance claims made against the Council

## 2. Recommendation(s)

2.1. The Forum is asked to note the following :-

- (1) that the Insurance risks report for the year to 31 March 2012 and claims trends are noted
- (2) that progress with the management of 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. Claims are handled by the Council's Risk Management section and external claims handlers, Gallagher Bassett.
- 3.2. The Council is currently insured for these main classes of insurance by Chartis Insurance UK Limited. This is a three year contract which initially ran until 31 March 2012. An option was taken last year to extend the contract for a further two years to 31 March 2014.
- 3.3. The Council's employers' liability policy covers employee injury, disease and death where the Council is deemed to be negligent.
- 3.4. 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.
- 3.5. Motor insurance provides comprehensive cover for all Council vehicles and injuries resulting from motor accidents.
- 3.6. The property insurance policy covers damage/loss to Council buildings and assets.
- 3.7. All the main policies carry an excess payable by the Council of £100,000 per claim, apart from property storm damage claims which carry a £500,000 excess. It is important that all losses are minimised in order to secure low levels of premiums and to protect insurance fund reserves.

#### **4. Current insurance cover**

- 4.1. The Council's current main insurance provider, Chartis has recently indicated its intention to move away from the Local Authority market. This may impact on the arrangements to be put in place for insurance cover from April 2013 to 31 March 2014.
- 4.2. It is usual at this time in the year, to consider the terms offered for the provision of insurance cover for the following year ie 2013/2014. Work is underway to identify the most appropriate and cost effective insurance cover based on the Council's portfolio and taking account of claims history. Recommendations will be made to the Finance and Corporate Resources Committee in due course.

#### **5. Overview and analysis of Data**

- 5.1. 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.
- 5.2. 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 are included at Appendix One and show an overall eight percent reduction in numbers of claims between the years 2007/2008 and 2010/2011. Over the same years, there has been a seven per cent reduction in total costs of claims. The Forum is asked to note this trend against the emerging position relative to future claims intimations and an ongoing employers' liability case which only has the Council's uninsured excess included in the 2010/2011 figures at this time.
- 5.3. In addition, to allow comparison of the position to date as at 31 March 2012, Appendix Two compares the claim numbers and costs for incidents reported in 2010/2011 as at 31 March 2011 to incidents reported in 2011/2012. In effect, this compares the 2011/2012 position to the 2010/11 equivalent position and removes the impact of late claims notification.

#### **6. Insurance – total losses reported as at 31 March each year**

- 6.1. Based on the comparisons in Appendix Two, the overall number of claims received to date for incidents occurring during 2011/2012 is 1,564. This is a reduction of 27 on the numbers reported last year for 2010/2011, and is the lowest number of claims intimated in the last five years.
- 6.2. The main reason for this fall is that public liability claims are down by 63 and 26 fewer property insurance claims have been intimated. However, this was offset by an increase of 69 motor insurance claims, although it should be noted that the Council's fleet size increased by four per cent between 2010 and 2011.
- 6.3. The total cost of claims has increased from £1.90 million for 2010/2011 to £3.53m for 2011/12. The increase of £1.63m is essentially down to four storm claims for damage to Council properties which have a combined value of £1.4m. The value of motor claims has also increased by £365,000.
- 6.4. Storm damage of the nature experienced during 2011/2012 is difficult to mitigate against, and was experienced by the vast majority of other Scottish local authorities. The storm claims have skewed what would otherwise have been a fairly positive overall picture. The overall cost of claims for 2011/2012 excluding the storm claims would have been £2.1m, which is on a par with the average cost of claims for the last four years.

## **7. Management of insurance hotspots/Action Plan**

- 7.1. A review of the Council's claims experience for the period 1 April 2010 to 31 March 2012 has recently been completed by Gallagher Bassett. The purpose of the review was to compare an up to date claims experience against previously identified insurance hotspots and to identify any new hotspot areas. Resources will identify any mitigating actions to form the basis of an action plan.
- 7.2. Liability claims for slips, trips and falls have been highlighted within this report and actions to address this hotspot area will be considered in consultation with Resource Risk Sponsors and Corporate Health and Safety.
- 7.3. The outcomes of the actions taken in respect of hotspot areas will be included as part of future reports to the Forum.
- 7.4. The Council has recently launched an initiative in respect of Council house fires, a long standing insurance hotspot. The initiative will be funded by Royal Sun Alliance (RSA) Insurance, which provides contents insurance cover for South Lanarkshire Council tenants. The aim of the initiative is to work in partnership with Strathclyde Fire and Rescue (SFR) to raise awareness of fire safety and to advise measures to reduce the risk of injury/death and property damage.
- 7.5. A review of the Occupational Road Risk Policy has been undertaken and the drivers' handbook has now been updated and reissued. As part of the review, systems have been adapted to ensure that detailed reports are provided to Resources on points allocated to drivers who have "at fault" incidents. Resources now take responsibility for issuing letters to drivers to advise that points have been allocated and take corrective action as necessary.
- 7.6. Training in respect of Occupational Road Risk is also being progressed, with a Light Vehicles 'Learn on Line' module now available. The development of a CPC training programme for LGV and PCV drivers is nearing completion.
- 7.7. Consideration will also be given to reducing the cost of minor damage motor incidents as part of the hotspots review.
- 7.8. The Property Security Group continues to work to progress property risk management. Key areas of progress are detailed below:-
  - CCTV Remote Monitoring - Remote monitoring by CCTV began in June 2012 and is being rolled out to the highest risk properties. Ultimately a total of 16 schools will be protected by this system.
  - Metal Theft – this is a new emerging hotspot area. With the value of scrap metal at an all time high, the theft of these metals, particularly lead, is widespread across the central belt. The Council has suffered a number of thefts at both operational and vacant properties. Preventative measures currently being put into place includes roof mounted perimeter intruder detection systems and replacing stolen metal with alternative replacements to lead. A national Policing strategy for metal theft is soon to be launched and the Council will ensure participation through the Security Working Group.
  - New Schools - the success of integrated security infrastructures at new schools continues with incidents of crime reduced by 83% and the cost of crime by 95%. Whilst some old schools remain as insurance hotspots, security measures are put into place to mitigate against further attacks and this is taken into consideration when designing the new school.

- 7.9. The Forum is asked to note the progress being made in managing the Council's insurance hotspots.

## **8. Insurance Section performance**

- 8.1. An internal audit of the insurance claims process was completed in August 2011. The audit concluded that the Council has procedures in place to effectively administer public liability claims. The following three improvement actions have been implemented since the audit was undertaken:-

- Claims procedures reviewed and updated
- Additional fraud checks built in at claim registration stage
- Guidance issued to staff detailing the importance of providing accurate and detailed reports in a timeous manner

- 8.2. The section also has a suite of local performance measures used to monitor progress on a regular basis.

## **9. Employee Implications**

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

## **10. Financial Implications**

- 10.1. The claims received to date for incidents which occurred during 2011/2012 are estimated to cost £3.53m. It is reasonable to expect this value to increase due to incidents that have taken place for which claims have not yet been received.
- 10.2. With the exception of the storm damage claim for 3 January 2012, estimated at £850,000, all claims costs and estimates for 2011/2012 are within uninsured excess limits.
- 10.3. The property insurance policy carries a £1.1m aggregate. This essentially restricts the Council's maximum exposure for property claims in any one given year.
- 10.4. The property aggregate for 2011/2012 has been breached due to the extent of storm damage claims. The total cost of property claims for 2011/2012 was £2.01m, with £1.4m relating to storm damage.
- 10.5. Therefore, it is forecast that, out of the total estimated claims cost of £3.53m, £2.65m will require to be met from the Council's self insurance fund, with insurers picking up the remaining £0.88m. It should be noted that the actual split of costs will be dependent on final claim settlements, which are likely to fluctuate from initial estimates.
- 10.6. The total cost of loss for 2011/2012 was £4.94m. This covers claims costs and premiums.
- 10.7. The figures noted above exclude costs associated with asbestos related disease claims. Due to the complexities of these types of claim, it is not possible at this time to put an accurate estimate on current outstanding asbestos related claims. However, following guidance received in an actuarial review in 2009, funds were set aside in the Council's self insurance fund to meet any successful claims where insurance cover does not exist.

## **11. Other Implications**

- 11.1. Failure to adequately manage insurance hotspots is likely to lead to increased claims numbers, self insurance costs and insurance premiums.
- 11.2. Resources are encouraged to implement spend to save initiatives where potential savings are likely to outweigh initial outlay costs. Resources can bid for risk management funding to support these initiatives.
- 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 content of this report.
- 12.2. Consultation on the detail of this report was carried out with the appropriate Resource Risk Sponsor.

**Paul Manning**

**Executive Director (Finance and Corporate Resources)**

11 October 2012

## **Link(s) to Council Values/Improvement Themes/Objectives**

- ◆ Values: Accountable Effective and Efficient

## **Previous References**

- ◆ Risk and Audit Scrutiny Forum (26 January 2012) - Insurance Claims 1 April to 30 September 2011

## **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 2012

### All claim types

#### Number of claims

	07/08	08/09	09/10	10/11	11/12	2007/08 compared to 2010/11
Community and Enterprise	1,154	1,166	1,017	978	812	
Education	68	98	87	63	45	
Finance and Corporate	4	4	1	5	1	
Housing and Technical	778	751	834	777	644	
Social Work	46	65	55	58	62	
<b>Total</b>	<b>2,050</b>	<b>2,084</b>	<b>1,994</b>	<b>1,881</b>	<b>1,564</b>	<b>-169 (8%)</b>
Reported at individual year end	1,579	1,745	1,670	1,591		

#### Cost of claims

	07/08	08/09	09/10	10/11	11/12	2007/08 compared to 10/11
Community and Enterprise	£906,223	£864,145	£987,332	£1,055,196	£975,493	
Education	£466,148	£667,647	£434,282	£156,728	£202,342	
Finance and Corporate	£718	£32,689	£0	£12,503	£1,000	
Housing and Technical	£1,007,536	£715,965	£854,475	£943,807	£2,281,546	
Social Work	£34,618	£185,890	£160,298	£56,547	£68,577	
<b>Total</b>	<b>£2,415,243</b>	<b>£2,466,336</b>	<b>£2,436,387</b>	<b>£2,224,781</b>	<b>£3,528,958</b>	<b>-£190,463 (7%)</b>
Reported at individual year end	£1,900,507	£2,834,644	£2,121,532	£1,901,303		

### Employers' liability claims

#### Number of claims

	07/08	08/09	09/10	10/11	11/12
Community and Enterprise	15	11	17	23	2
Education	5	10	5	5	2
Finance and Corporate	0	0	0	0	0
Housing and Technical	10	7	12	11	4
Social Work	2	7	6	4	1
<b>Total</b>	<b>32</b>	<b>35</b>	<b>40</b>	<b>43</b>	<b>9</b>

## Cost of claims

	07/08	08/09	09/10	10/11	11/12
Community and Enterprise	£238,508	£73,104	£218,806	£312,617	£21,000
Education	£33,913	£73,689	£25,290	£30,046	£13,000
Finance and Corporate	£0	£0	£0	£0	£0
Housing and Technical	£205,202	£35,421	£100,304	£90,001	£61,001
Social Work	£0	£94,345	£91,092	£35,247	£15,000
<b>Total</b>	<b>£477,623</b>	<b>£276,559</b>	<b>£435,492</b>	<b>£467,911</b>	<b>£110,001</b>

## Public liability claims

### Number of claims

	07/08	08/09	09/10	10/11	11/12
Community and Enterprise	748	733	545	581	407
Education	25	29	32	17	16
Finance and Corporate	2	1	0	1	0
Housing and Technical	565	478	513	519	399
Social Work	5	8	10	8	1
<b>Total</b>	<b>1345</b>	<b>1249</b>	<b>1100</b>	<b>1126</b>	<b>823</b>

## Cost of claims

	07/08	08/09	09/10	10/11	11/12
Community and Enterprise	£327,012	£472,497	£204,617	£225,073	£390,158
Education	£45,618	£74,077	£154,715	£78,522	£29,156
Finance and Corporate	£423	£31,396	£0	£500	£0
Housing and Technical	£290,805	£245,328	£246,090	£326,141	£344,629
Social Work	£1,469	£31,229	£45,473	£1,181	£1
<b>Total</b>	<b>£665,327</b>	<b>£854,527</b>	<b>£650,895</b>	<b>£631,417</b>	<b>£763,944</b>

## Motor claims

### Number of claims

	07/08	08/09	09/10	10/11	11/12
Community and Enterprise	336	373	381	297	347
Education	9	11	10	8	7
Finance and Corporate	2	2	1	2	1
Housing and Technical	155	214	267	195	181
Social Work	34	48	34	40	57
<b>Total</b>	<b>536</b>	<b>648</b>	<b>693</b>	<b>542</b>	<b>593</b>

## Cost of claims

	07/08	08/09	09/10	10/11	11/12
Community and Enterprise	£223,972	£254,883	£381,794	£191,429	£397,818
Education	£4,671	£7,676	£8,468	£4,054	£5,740
Finance and Corporate	£295	£596	£0	£0	£1,000
Housing and Technical	£89,616	£136,366	£98,366	£124,209	£184,163
Social Work	£25,725	£60,315	£16,694	£16,823	£53,076
<b>Total</b>	<b>£344,279</b>	<b>£459,836</b>	<b>£505,322</b>	<b>£336,515</b>	<b>£641,797</b>

## Property claims

### Number of claims

	07/08	08/09	09/10	10/11	11/12
Community and Enterprise	55	49	74	77	56
Education	29	48	40	33	20
Finance and Corporate	0	1	0	2	0
Housing and Technical	48	52	42	52	60
Social Work	5	2	5	6	3
<b>Total</b>	<b>137</b>	<b>152</b>	<b>161</b>	<b>170</b>	<b>139</b>

## Cost of claims

	07/08	08/09	09/10	10/11	11/12
Community and Enterprise	£116,732	£63,661	£182,114	£326,077	£166,517
Education	£381,945	£512,205	£245,808	£44,106	£154,446
Finance and Corporate	£0	£697	£0	£12,003	£0
Housing and Technical	£421,913	£298,850	£409,715	£403,456	£1,691,753
Social Work	£7,424	£0	£7,039	£3,297	£500
<b>Total</b>	<b>£928,014</b>	<b>£875,413</b>	<b>£844,676</b>	<b>£788,939</b>	<b>£2,013,216</b>



## Appendix Two

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

### All claim types

#### Number of claims

	2010/2011 as at 31 March 2011	2011/2012 as at 31 March 2012	Difference	Difference Percentage
Community and Enterprise	841	812	(29)	(3%)
Education	56	45	(11)	(20%)
Finance and Corporate	5	1	(4)	(80%)
Housing and Technical	639	644	5	1%
Social Work	50	62	12	24%
<b>Total</b>	<b>1591</b>	<b>1564</b>	<b>(27)</b>	<b>(2%)</b>

#### Cost of claims

	2010/2011 as at 31 March 2011	2011/2012 as at 31 March 2012	Difference	Difference Percentage
Community and Enterprise	£907,943	£975,493	£67,550	7%
Education	£118,859	£202,342	£83,483	70%
Finance and Corporate	£12,503	£1,000	(£11,503)	(92%)
Housing and Technical	£808,992	£2,281,546	£1,472,554	182%
Social Work	£53,006	£68,577	£15,571	29%
<b>Total</b>	<b>£1,901,303</b>	<b>£3,528,958</b>	<b>£1,627,655</b>	<b>86%</b>

### Employers' liability claims

#### Number of claims

	2010/2011 as at 31 March 2011	2011/2012 as at 31 March 2012	Difference	Difference Percentage
Community and Enterprise	9	2	(7)	(78%)
Education	2	2	0	0%
Finance and Corporate	0	0	0	0%
Housing and Technical	3	4	1	33%
Social Work	2	1	(1)	(50%)
<b>Total</b>	<b>16</b>	<b>9</b>	<b>(7)</b>	<b>(44%)</b>

#### Cost of claims

	2010/2011 as at 31 March 2011	2011/2012 as at 31 March 2012	Difference	Difference Percentage
Community and Enterprise	£77,501	£21,000	(£56,501)	(73%)
Education	£16,500	£13,000	(£3,500)	(21%)
Finance and Corporate	£0	£0	£0	0%
Housing and Technical	£36,501	£61,001	£24,500	67%
Social Work	£16,500	£15,000	(£1,500)	(9%)
<b>Total</b>	<b>£147,002</b>	<b>£110,001</b>	<b>(£37,001)</b>	<b>(25%)</b>

## Public liability claims

### Number of claims

	2010/2011 as at 31 March 2011	2011/2012 as at 31 March 2012	Difference	Difference Percentage
Community and Enterprise	468	407	(61)	(13%)
Education	14	16	2	14%
Finance and Corporate	1	0	(1)	(100%)
Housing and Technical	400	399	(1)	0%
Social Work	3	1	(2)	(67%)
<b>Total</b>	<b>886</b>	<b>823</b>	<b>(63)</b>	<b>(7%)</b>

### Cost of claims

	2010/2011 as at 31 March 2011	2011/2012 as at 31 March 2012	Difference	Difference Percentage
Community and Enterprise	£383,385	£390,158	£6,773	2%
Education	£40,080	£29,156	(£10,924)	(27%)
Finance and Corporate	£500	£0	(£500)	(100%)
Housing and Technical	£332,491	£344,629	£12,138	4%
Social Work	£11,500	£1	(£11,499)	(100%)
<b>Total</b>	<b>£767,957</b>	<b>£763,944</b>	<b>(£4,012)</b>	<b>(1%)</b>

## Motor claims

### Number of claims

	2010/2011 as at 31 March 2011	2011/2012 as at 31 March 2012	Difference	Difference Percentage
Community and Enterprise	290	347	57	20%
Education	7	7	0	0%
Finance and Corporate	2	1	(1)	(50%)
Housing and Technical	186	181	(5)	(3%)
Social Work	39	57	18	46%
<b>Total</b>	<b>524</b>	<b>593</b>	<b>69</b>	<b>13%</b>

### Cost of claims

	2010/2011 as at 31 March 2011	2011/2012 as at 31 March 2012	Difference	Difference Percentage
Community and Enterprise	£134,167	£397,818	£263,651	197%
Education	£4,994	£5,740	£746	15%
Finance and Corporate	£0	£1,000	£1,000	100%
Housing and Technical	£115,642	£184,163	£68,521	59%
Social Work	£21,710	£53,076	£31,366	144%
<b>Total</b>	<b>£276,513</b>	<b>£641,798</b>	<b>£365,284</b>	<b>132%</b>

## Property claims

### Number of claims

	2010/2011 as at 31 March 2011	2011/2012 as at 31 March 2012	Difference	Difference Percentage
Community and Enterprise	74	56	(18)	(24%)
Education	33	20	(13)	(39%)
Finance and Corporate	2	0	(2)	(100%)
Housing and Technical	50	60	10	20%
Social Work	6	3	-3	(50%)
<b>Total</b>	<b>165</b>	<b>139</b>	<b>(26)</b>	<b>(16%)</b>

## Cost of claims

	2010/2011 as at 31 March 2011	2011/2012 as at 31 March 2012	Difference	Difference Percentage
Community and Enterprise	£312,890	£166,517	(£146,373)	(47%)
Education	£57,285	£154,446	£97,161	170%
Finance and Corporate	£12,003	£0	(£12,003)	(100%)
Housing and Technical	£324,358	£1,691,753	£1,367,395	422%
Social Work	£3,297	£500	(£2,797)	(85%)
<b>Total</b>	<b>£709,833</b>	<b>£2,013,216</b>	<b>£1,303,383</b>	<b>184%</b>