

Report

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| Report to: | Risk and Audit Scrutiny Forum |
| Date of Meeting: | 26 November 2013 |
| Report by: | Executive Director (Finance and Corporate Resources) |

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| Subject: | 2012/2013 Year End Insured Risks Report |
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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 approve the following :-

- (1) that the Insured Risks report for year ended 31 March 2013 and claims trends be noted; and
- (2) that progress made in the management of insurance hotspots be 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 claims which carry a £500,000 excess. It is important that all losses are minimised in order to maintain current low levels of premiums and to protect insurance fund reserves.

4. Current Position – Insurance Contracts

- 4.1. The Council is currently insured for the main classes of insurance by AIG Insurance UK Limited (AIG), formerly known as Chartis Insurance UK Limited. The current contract with AIG is due to expire on 31 March 2014.
- 4.2. A tender exercise is currently underway, with a view to a new insurance contract being in place for 1 April 2014.

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 compare 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. Once storm damage claims have been extracted, the comparisons show a downward trend in the number and cost of claims over the last four years i.e. between 2008/2009 and 2011/2012.
- 5.3. In addition, to allow comparison of the position to date as at the year end for the last two years, Appendix Two compares the claim numbers and costs for incidents which occurred in 2011/2012 as at 31 March 2012 to incidents which occurred in 2012/2013, as at 31 March 2013. In effect, this compares the 2012/2013 position to the 2011/2012 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 2012/2013 is 1,356. This is a reduction of 208 (13 per cent) on the numbers reported last year for 2011/2012 and is the lowest number of claims intimated in the last five years.
- 6.2. Motor claims numbers have reduced by 108, public liability claims and property insurance claims are down by 91 and 15 respectively. Employer's liability claims increased by six.
- 6.3. The total cost of claims has reduced from £3.53million for 2011/2012 to £2.04m for 2012/2013. This reduction in costs is mostly down to no significant storm damage claims being intimated during 2012/2013. Four significant storm damage claims were intimated during 2011/2012 with a combined value of £1.4m.
- 6.4. The Forum is asked to note the positive position reported.

7. Management of Insurance Hotspots/Action Plan

- 7.1. During 2012, a review was undertaken by Gallagher Bassett to identify insurance hotspot areas for the Council and actions were agreed with Resource Risk Sponsors to mitigate the hotspots. The hotspots identified were based on claims data for the two year period 1 April 2010 to 31 March 2012.
- 7.2. Completion of the actions has been monitored and progress has been reported on a monthly basis to the Corporate Improvement Advisory Board.
- 7.3. In total, 50 mitigating actions were agreed with Resource Risk Sponsors. Progress with completion of these actions is shown in the table below.

Table three - Completion of insurance hotspot mitigating actions

| Resource | Number of actions agreed | Number of actions completed as at 30 June 2013 | Number of actions outstanding | Number of actions to be completed at a later date |
|--------------------------|---------------------------------|---|--------------------------------------|--|
| Community and Enterprise | 18 | 18 | 0 | 0 |
| Education | 14 | 14 | 0 | 0 |
| Housing and Technical | 15 | 9 | 0 | 6 |
| Social Work | 3 | 3 | 0 | 0 |
| | 50 | 44 | 0 | 6 |

7.4. Resources have advised that all actions that were due for completion by 31 July 2013 have been completed.

7.5. Actions that are to be completed at a later date will continue to be monitored on a monthly basis until completion.

7.6. The actions taken by Resources to mitigate insurance hotspots reflect the overall claims position reported for 2012/2013.

7.7. The next insurance hotspot identification exercise will be undertaken during 2014.

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

8. Employee Implications

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

9. Financial Implications

9.1. Claims received to date for incidents which occurred during 2012/2013 are estimated to cost £2.04m. 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.

9.2. All claims costs and estimates for 2012/2013 are within uninsured excess limits. Therefore, based on claims intimated to date for incidents which occurred during 2012/2013, it is forecast that the full cost of estimated claim settlements at £2.04m, will require to be met from the Council's self insurance fund.

9.3. The total cost of loss for 2012/2013 was £3.39m. This covers claims costs and premiums.

9.4. The figures noted above exclude costs associated with outstanding asbestos related disease claims. 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.

9.5. A fresh actuarial review has been undertaken this year. The review confirmed that the insurance fund is currently in a neutral position, which adequately reflects known and future pressures.

10. Other Implications

- 10.1. Failure to adequately manage insurance hotspots is likely to lead to increased claims numbers, self insurance costs and insurance premiums.
- 10.2. Resources are encouraged to implement spend to save initiatives where potential savings are likely to outweigh initial outlay costs. Resource Risk Sponsors are reminded that a bidding process is in place via Central Risk Management for risk management funding.
- 10.3. There are no implications for sustainability in terms of the information contained in this report.

11. Equality Impact Assessment and Consultation Arrangements

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

Paul Manning

Executive Director (Finance and Corporate Resources)

30 October 2013

Link(s) to Council Values and Objectives

- ♦ Values: Accountable Effective and Efficient

Previous References

- ♦ Risk and Audit Scrutiny Forum – 2011/2012 Year End Insured Risks Report, 13 November 2012

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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All claim types

Number of claims

| | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| Community and Enterprise | 1,167 | 1,018 | 987 | 934 | 674 |
| Education | 96 | 94 | 62 | 51 | 36 |
| Finance and Corporate | 4 | 1 | 5 | 1 | 1 |
| Housing and Technical | 752 | 836 | 793 | 771 | 573 |
| Social Work | 65 | 55 | 58 | 75 | 72 |
| Total | 2,084 | 2,004 | 1,905 | 1,832 | 1,356 |
| Reported at individual year end | 1,745 | 1,670 | 1,591 | 1,564 | |

Cost of claims

| | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|---------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Community and Enterprise | £856,631 | £1,080,099 | £933,690 | £1,055,137 | £1,071,657 |
| Education | £631,164 | £459,789 | £126,140 | £193,863 | £99,145 |
| Finance and Corporate | £32,689 | £0 | £12,503 | £0 | £0 |
| Housing and Technical | £700,246 | £859,942 | £973,816 | £2,068,241 | £764,604 |
| Social Work | £165,890 | £171,798 | £65,620 | £132,861 | £105,778 |
| Total | £2,386,620 | £2,571,628 | £2,111,768 | £3,450,102 | £2,041,184 |
| Reported at individual year end | £2,834,644 | £2,121,532 | £1,901,303 | £3,528,958 | |

Employer's liability claims

Number of claims

| | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|--------------------------|-----------|-----------|-----------|-----------|-----------|
| Community and Enterprise | 13 | 17 | 26 | 9 | 8 |
| Education | 8 | 3 | 4 | 4 | 2 |
| Finance and Corporate | 0 | 0 | 0 | 0 | 0 |
| Housing and Technical | 7 | 13 | 10 | 5 | 2 |
| Social Work | 7 | 6 | 6 | 5 | 3 |
| Total | 35 | 39 | 46 | 23 | 15 |

Cost of claims

| | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Community and Enterprise | £92,510 | £138,971 | £296,517 | £154,601 | £116,500 |
| Education | £44,834 | £14,372 | £36,916 | £15,000 | £25,500 |
| Finance and Corporate | £0 | £0 | £0 | £0 | £0 |
| Housing and Technical | £35,421 | £85,745 | £58,801 | £58,548 | £19,000 |
| Social Work | £94,345 | £102,592 | £33,119 | £66,500 | £20,500 |
| Total | £267,111 | £341,681 | £425,352 | £294,649 | £181,500 |

Public liability claims

Number of claims

| | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|--------------------------|-------------|-------------|-------------|-------------|------------|
| Community and Enterprise | 732 | 546 | 584 | 499 | 375 |
| Education | 29 | 41 | 17 | 20 | 11 |
| Finance and Corporate | 1 | 0 | 1 | 0 | 0 |
| Housing and Technical | 480 | 514 | 537 | 514 | 338 |
| Social Work | 8 | 10 | 6 | 6 | 8 |
| Total | 1250 | 1111 | 1145 | 1039 | 732 |

Cost of claims

| | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Community and Enterprise | £442,195 | £391,965 | £158,460 | £283,201 | £376,232 |
| Education | £66,448 | £218,134 | £45,688 | £26,030 | £24,565 |
| Finance and Corporate | £31,396 | £0 | £500 | £0 | £0 |
| Housing and Technical | £230,888 | £267,867 | £302,560 | £212,523 | £319,941 |
| Social Work | £11,229 | £45,473 | £16,001 | £430 | £1,635 |
| Total | £782,158 | £923,440 | £523,209 | £522,184 | £722,373 |

Motor claims

Number of claims

| | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|--------------------------|------------|------------|------------|------------|------------|
| Community and Enterprise | 373 | 381 | 300 | 369 | 245 |
| Education | 11 | 10 | 8 | 7 | 11 |
| Finance and Corporate | 2 | 1 | 2 | 1 | 1 |
| Housing and Technical | 213 | 267 | 194 | 190 | 173 |
| Social Work | 48 | 34 | 40 | 61 | 55 |
| Total | 647 | 693 | 544 | 628 | 485 |

Cost of claims

| | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|--------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Community and Enterprise | £258,265 | £392,006 | £224,111 | £430,338 | £409,627 |
| Education | £7,676 | £8,468 | £4,054 | £3,768 | £11,514 |
| Finance and Corporate | £596 | £0 | £0 | £0 | £0 |
| Housing and Technical | £135,087 | £97,875 | £115,689 | £135,958 | £202,430 |
| Social Work | £60,315 | £16,694 | £15,704 | £64,827 | £75,433 |
| Total | £461,939 | £515,043 | £359,558 | £634,892 | £699,003 |

Property claims

Number of claims

| | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|--------------------------|------------|------------|------------|------------|------------|
| Community and Enterprise | 49 | 74 | 77 | 57 | 46 |
| Education | 48 | 40 | 33 | 20 | 12 |
| Finance and Corporate | 1 | 0 | 2 | 0 | 0 |
| Housing and Technical | 52 | 42 | 52 | 62 | 60 |
| Social Work | 2 | 5 | 6 | 3 | 6 |
| Total | 152 | 161 | 170 | 142 | 124 |

Cost of claims

| | 08/09 | 09/10 | 10/11 | 11/12 | 12/13 |
|--------------------------|-----------------|-----------------|-----------------|-------------------|-----------------|
| Community and Enterprise | £63,661 | £157,157 | £254,602 | £186,997 | £169,299 |
| Education | £512,205 | £218,814 | £39,482 | £149,065 | £37,566 |
| Finance and Corporate | £697 | £0 | £12,003 | £0 | £0 |
| Housing and Technical | £298,850 | £408,455 | £496,766 | £1,661,211 | £223,233 |
| Social Work | £0 | £7,039 | £797 | £1,104 | £8,211 |
| Total | £875,412 | £791,464 | £803,649 | £1,998,377 | £438,309 |

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

| | 2011/2012 as at 31 March 2012 | 2012/2013 as at 31 March 2013 | Difference | Difference Percentage |
|--------------------------|-------------------------------------|-------------------------------------|--------------|--------------------------|
| Community and Enterprise | 812 | 674 | (138) | (-17%) |
| Education | 45 | 36 | (9) | (-20%) |
| Finance and Corporate | 1 | 1 | 0 | 0% |
| Housing and Technical | 644 | 573 | (71) | (-11%) |
| Social Work | 62 | 72 | 10 | 16% |
| Total | 1564 | 1356 | (208) | (-13%) |

Cost of claims

| | 2011/2012 as at 31 March 2012 | 2012/2013 as at 31 March 2013 | Difference | Difference Percentage |
|--------------------------|-------------------------------------|-------------------------------------|---------------------|--------------------------|
| Community and Enterprise | £975,493 | £1,071,657 | £96,164.17 | 10% |
| Education | £202,342 | £99,145 | (£103,197) | (-51%) |
| Finance and Corporate | £1,000 | £0 | (£1,000) | (-100%) |
| Housing and Technical | £2,281,546 | £764,604 | (£1,516,942) | (-66%) |
| Social Work | £68,577 | £105,778 | £37,201.33 | 54% |
| Total | £3,528,958 | £2,041,184 | (£1,487,774) | (-42%) |

Employer's liability claims

Number of claims

| | 2011/2012 as at 31 March 2012 | 2012/2013 as at 31 March 2013 | Difference | Difference Percentage |
|--------------------------|-------------------------------------|-------------------------------------|------------|--------------------------|
| Community and Enterprise | 2 | 8 | 6 | 300% |
| Education | 2 | 2 | 0 | 0% |
| Finance and Corporate | 0 | 0 | 0 | 0% |
| Housing and Technical | 4 | 2 | (2) | (-50%) |
| Social Work | 1 | 3 | 2 | 200% |
| Total | 9 | 15 | 6 | 67% |

Cost of claims

| | 2011/2012 as at 31 March 2012 | 2012/2013 as at 31 March 2013 | Difference | Difference Percentage |
|--------------------------|-------------------------------------|-------------------------------------|-------------------|--------------------------|
| Community and Enterprise | £21,000 | £116,500 | £95,500.00 | 455% |
| Education | £13,000 | £25,500 | £12,500.00 | 96% |
| Finance and Corporate | £0 | £0 | £0.00 | 0% |
| Housing and Technical | £61,001 | £19,000 | (£42,001) | (-69%) |
| Social Work | £15,000 | £20,500 | £5,500.00 | 37% |
| Total | £110,001 | £181,500 | £71,499.00 | 65% |

Public liability claims

Number of claims

| | 2011/2012 as at 31 March 2012 | 2012/2013 as at 31 March 2013 | Difference | Difference Percentage |
|--------------------------|-------------------------------------|-------------------------------------|-------------|--------------------------|
| Community and Enterprise | 407 | 375 | (-32) | (-8%) |
| Education | 16 | 11 | (-5) | (-31%) |
| Finance and Corporate | 0 | 0 | 0 | 0% |
| Housing and Technical | 399 | 338 | (-61) | (-15%) |
| Social Work | 1 | 8 | 7 | 700% |
| Total | 823 | 732 | (91) | (-11%) |

Cost of claims

| | 2011/2012 as at 31 March 2012 | 2012/2013 as at 31 March 2013 | Difference | Difference Percentage |
|--------------------------|-------------------------------------|-------------------------------------|------------------|--------------------------|
| Community and Enterprise | £390,158 | £376,232 | (-£13,926) | (-4%) |
| Education | £29,156 | £24,565 | (-£4,591) | (-16%) |
| Finance and Corporate | £0 | £0 | 0 | 0% |
| Housing and Technical | £344,629 | £319,941 | (-£24,688) | (-7%) |
| Social Work | £1 | £1,635 | £1,634 | 100% |
| Total | £763,945 | £722,373 | (£41,571) | (-5%) |

Motor claims

Number of claims

| | 2011/2012 as at 31 March 2012 | 2012/2013 as at 31 March 2013 | Difference | Difference Percentage |
|--------------------------|-------------------------------------|-------------------------------------|---------------|--------------------------|
| Community and Enterprise | 347 | 245 | (-102) | (-29%) |
| Education | 7 | 11 | 4 | 57% |
| Finance and Corporate | 1 | 1 | 0 | 0% |
| Housing and Technical | 181 | 173 | (-8) | (-4%) |
| Social Work | 57 | 55 | (-2) | (-4%) |
| Total | 593 | 485 | (-108) | (-18%) |

Cost of claims

| | 2011/2012 as at 31 March 2012 | 2012/2013 as at 31 March 2013 | Difference | Difference Percentage |
|--------------------------|-------------------------------------|-------------------------------------|----------------|--------------------------|
| Community and Enterprise | £397,818 | £409,627 | £11,809 | 3% |
| Education | £5,740 | £11,514 | £5,774 | 101% |
| Finance and Corporate | £1,000 | £0 | -£1,000 | (-100%) |
| Housing and Technical | £184,163 | £202,430 | £18,267 | 10% |
| Social Work | £53,076 | £75,433 | £22,357 | 42% |
| Total | £641,798 | £699,003 | £57,205 | 9% |

Property claims

Number of claims

| | 2011/2012 as at 31 March 2012 | 2012/2013 as at 31 March 2013 | Difference | Difference Percentage |
|--------------------------|-------------------------------------|-------------------------------------|-------------|--------------------------|
| Community and Enterprise | 56 | 46 | (10) | (-18%) |
| Education | 20 | 12 | (8) | (-40%) |
| Finance and Corporate | 0 | 0 | 0 | 0% |
| Housing and Technical | 60 | 60 | 0 | 0% |
| Social Work | 3 | 6 | 3 | 100% |
| Total | 139 | 124 | (15) | (-11%) |

Cost of claims

| | 2011/2012 as at 31 March 2012 | 2012/2013 as at 31 March 2013 | Difference | Difference Percentage |
|--------------------------|-------------------------------------|-------------------------------------|--------------------|--------------------------|
| Community and Enterprise | £166,517 | £169,299 | £2,781.71 | 2% |
| Education | £154,446 | £37,566 | (£116,880) | (-76%) |
| Finance and Corporate | £0 | £0 | £0.00 | 0% |
| Housing and Technical | £1,691,753 | £223,233 | (£1,468,520) | (-87%) |
| Social Work | £500 | £8,211 | £7,710.78 | 1542% |
| Total | £2,013,216 | £438,309 | -£1,574,907 | (-78%) |