

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	27 September 2022
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Year End Insured Risks Report – 2021/2022
----------	--

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 Committee is asked to approve the following recommendation(s):-

- (1) that the Insured Risks Report for year ended 31 March 2022 be noted; and
- (2) that proposed work to mitigate insurance hotspots, as detailed in section 13, be noted.

3. Background

- 3.1. The Council has in place insurance policies for combined liability, motor, property and other miscellaneous risks.
 - 3.2. The combined liability policy covers both public liability (PL) and employer's liability (EL) claims. The PL section of the policy provides indemnity for 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. The EL section of the policy covers employee injury, disease, and death, where the council is deemed to be negligent. The self-insured excess for this policy was increased at renewal on 1 April 2022 from £0.250 million to £0.500 million to achieve a premium saving.
 - 3.3. Motor insurance provides comprehensive cover for all council vehicles and injuries resulting from motor incidents. The current self-insured excess for this policy is £0.150 million.
 - 3.4. The property insurance policy covers damage/loss to council buildings and assets. The current self-insured excess for this policy is £0.100 million for all claims, other than storm, flood and escape of water, where a £0.500 million excess applies.
- ## 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 for combined liability claims, and TopMark for motor claims. The number and cost of these claims form the basis of this report and includes comparisons with previous years.

- 4.2. Claims will continue to be intimated beyond the financial year end, with numbers increasing by approximately ten per cent due to those incidents that have taken place, but claims have not yet been reported to the Council. Up to date annual comparisons for the last 5 years are included at Appendix 1. The comparison shows an overall downward trend in claims numbers from 2017/2018 to 2021/2022. Claims costs have fluctuated over the last 5 years. On average, over that period, the self-insured cost of claims per annum is £2.056 million, with 2021/2022 costs above average at £2.242 million.
- 4.3. In addition, to allow comparison of the position as at the year end for the last 2 years, Appendix 2 compares the claim numbers and costs for incidents reported in 2020/2021 as at 31 March 2021 against incidents reported in 2021/2022, as at 31 March 2022. In effect, this compares the equivalent position and removes the impact of late claims notification for both years.

5. Insurance – total losses reported as at 31 March each year

- 5.1. Based on the comparisons in Appendix 2, the overall number of claims for all classes received to date for incidents occurring during 2021/2022 is 822. This is an increase of 54 claims (seven per cent) on the numbers reported last year for 2020/2021. It should, however, be noted that an extraordinary low number of claims were intimated during 2020/2021, as a result of reduced council operations in the early stages of the pandemic.
- 5.2. The number of claims received for 2021/2022 is still substantially below the average for the last 5 years (974). This reflects the reduction in council operations as recovery was made from the pandemic.
- 5.3. The total self-insured estimated cost of claims for 2021/2022 is £2.242 million. At the same time last year estimated claims costs for 2020/2021 was £2.010 million. This is an increase of £0.232 million (12 per cent), which is a result of the estimated cost of property and motor claims increasing, with the position being offset slightly by reduced estimated costs for combined liability claims.
- 5.4. Based upon Appendix 2, sections 6 to 10 details some of the key findings from the analysis of 2021/2022 claims.

6. Combined liability claims

- 6.1. The combined liability policy covers for both public liability (PL) and employer's liability (EL) claims. The PL section of the policy provides indemnity for 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. The EL section of the policy covers employee injury, disease, and death, where the council is deemed to be negligent. The following sections detail the current position for 2021/2022 and makes comparisons against the position reported for 2020/2021 as at 31 March 2021.
- 6.2. 362 claims have been received for 2021/2022, with an estimated value of £0.821 million.
- 6.3. The number of claims received for 2020/2021 was 388, and the estimated settlement value of these claims was £1.094 million. The 2021/2022 figures represent a seven per cent decrease in claims numbers and a 25 per cent decrease in claims costs.

- 6.4. The main area where a decrease in claim numbers has been seen is in Community and Enterprise Resources where 22 fewer claims have been received and Housing and Technical Resources saw a reduction of 10 claims. There has been an increase of 11 claims for Education Resources related incidents, which is to be expected as schools start to return to normal following lockdown.
- 6.5. The most significant reduction in estimated claims costs is in Community and Enterprise Resources, with a fall of £0.169 million. Housing and Technical Resources has seen a reduction of £0.066 million and Social Work Resources a reduction of £0.041 million in estimated claim costs.
- 6.6. Education Resources have seen an increase in estimated costs of £0.011 million, which reflects the increased claims intimated.
- 6.7. It is anticipated that overall value of outstanding claims will reduce as further claims are repudiated and closed off.

7. Motor claims

- 7.1. The council's motor insurance policy provides comprehensive cover for all council vehicles and injuries resulting from motor incidents. The following sections detail the current position for 2021/2022 and makes comparisons against the position reported for 2020/2021 as at 31 March 2022.
- 7.2. 391 claims have been received for 2021/2022, with an estimated value of £0.591 million.
- 7.3. At the same time last year, 303 motor claims had been received for incidents during 2020/2021, with an estimated settlement value of £0.525 million. This equates to a 29 per cent increase in numbers and a 12 per cent increase in costs, this reflects a return to normal service provision, following the pandemic.
- 7.4. "At fault" incidents continue to be monitored. Table One compares the number and cost of "at fault" incidents for the last five years.

Table One – Comparison of "at fault" incidents

	Number of vehicles on fleet	Number of incidents	Cost of incidents	Number of Accidents per vehicle	Average cost per incident
2017/2018	1,697	183	£341,220	0.11	£1,865
2018/2019	1,556	180	£347,275	0.12	£1,929
2019/2020	1,588	145	£367,909	0.09	£2,537
2020/2021	1,808	127	£328,250	0.07	£2,585
2021/2022	1,834	189	£432,672	0.10	£2,289

- 7.5. The number of "at fault" incidents has worsened, with 62 more incidents during 2021/2022, when compared to the previous year. This increase is at least in part due to driving operations returning to pre-pandemic levels.
- 7.6. Despite an increase from the previous year, with 0.10 "at fault" incidents per vehicle for 2021/2022, this is on a par with the average for the 4 previous years.

- 7.7. A Changing Driver Behaviour training programme for Managers has now been rolled out via a Management Bulletin. A further course aimed at council drivers will be developed once the content has been agreed.

8. Property claims

- 8.1. The property insurance policy covers damage/loss to council buildings and assets. This section of the report details the current claim position for 2021/2022 and makes comparisons against the status reported for 2020/2021 as at 31 March 2021.
- 8.2. 69 claims have been received for 2021/2022, with an estimated value of £0.830 million.
- 8.3. The overall number of claims intimated for 2021/2022 has reduced by 8 from the previous year. This equates to a 10 per cent reduction. However, the value of estimated claims intimated during 2021/2022 is £0.830 million compared to estimated losses of £0.391 million for 2020/2021. Therefore, claim costs have more than doubled. The reason for the increase value is twofold; a significant storm damage loss was intimated during 2021/2021 and there has been an increase in the estimated cost of house fires claims, despite the number of fires remaining broadly the same.
- 8.4. The main cause of property claims during 2020/2021 continues to be fires, with 31 claims reported with an estimated cost of £0.510 million. The next most common causes of claims were accidental damage, 13 claims reported with an estimate value of £0.004 million, (mainly due to damaged laptops); water ingress/flooding, eight claims reported with an estimated value of £0.020 million; and storm, 6 claims reported with an estimated value of £0.190 million (this includes storm damage at Lanark Lifestyles valued at £0.180 million)
- 8.5. Overall the number of house fires resulting in insurance claims has increased by one, from 30 incidents in 2020/2021 to 31 in 2021/2022. Costs over this period have increased by £0.283 million, from £0.228 million in 2020/2021 to £0.511 million in 2021/2022.

9. Insurance hotspots

- 9.1. Following the completion of a claims leakage analysis report by insurers, the areas of work noted below have been identified to mitigate insured losses.

Property

- ◆ A property insurer survey programme to be agreed and implemented.
- ◆ Continued awareness raising and advice for tenants in respect of council house fires, via the Housing News and social media.
- ◆ Work to address functionality and reliability of CCTV systems across South Lanarkshire.

Motor

- ◆ Following the development and launch of a 'Challenging Driver Behaviour' learn online course for managers this year, a review to undertaken on the uptake and steps taken to ensure that all managers with responsibilities for driving at work complete the course.
- ◆ Development and roll of the same 'Challenging Driver Behaviour' learn online course for all drivers.

- ◆ Following the update and roll out of motor insurance procedures this year, managers have been asked, through a more detailed post incident interview process, to establish the root cause of motor accidents and identification of support/corrective action, where required. Continued support and monitoring of this process via the Drivers Safety Group.
- ◆ Continued factfinding investigations into accidents, as per guidance which forms part of the Council's driving at work procedures.

Combined Liability

- ◆ Health and Safety/training review to be undertaken by the Council's claims handlers, Gallagher Bassett.
- ◆ Roads and Transportation Services to trial technology associated with road safety inspections and network condition surveys.

9.2. Progress with implementation and effectiveness of actions will be reported back to the Committee, via future insured risks reports.

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 2021/2022 have an estimated self-insured cost of £2.242 million. It is reasonable to expect this value to increase due to incidents that have taken place but claims have not yet been received.

11.2. There are currently no 2021/2022 claims that have estimated reserves which are likely to breach the Council's uninsured excess limits. Therefore, based on claims intimated to date for incidents which occurred during 2020/2021, it is forecast that the current estimated cost of claims of £2.242 million will require to be met fully from the council's self-insurance fund.

11.3. During 2021/2022, a total of £2.716 million was paid out by the Council on all claims, irrespective of their incident date. For claims which occurred between 1 April 2021 and 31 March 2021, £0.254 million was paid out by the Council. These costs include claims payments and other associated costs.

11.4. The total cost of loss for 2021/2022 was £4.396 million. This covers claims costs, insurance premiums, and other costs for contracted insurance services. For 2020/2021 the total cost of loss was £3.888 million.

11.5. The balance in the insurance fund is reducing year on year and will require to be closely monitored to ensure adequate funds are available to meet known liabilities. This will be particularly important, with the increased level of self-insured risk taken on for combined liability claims this year (£500,000 uninsured excess).

12. Climate Change, Sustainability and Environmental Implications

12.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

13. Other Implications

- 13.1. The cost of insurance claims and premiums is linked to the Council top risk 'Reduction in external funding and fees/income received by the Council, as well as increased financial pressures/demand for services; results in savings difficulties.
- 13.2. Failure to adequately manage insurance hotspots is likely to lead to increased claims numbers, self-insurance costs and insurance premiums. This risk is mitigated through the insurance hotspots review and associated action plans and other risk management initiatives implemented by Resources.

14. Equality Impact Assessment and Consultation Arrangements

- 14.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.
- 14.2. Consultation has taken place with Resource risk representatives.

Paul Manning

Executive Director (Finance and Corporate Resources)

13 September 2022

Links to Council Values/Priorities/Outcomes

- ◆ Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Risk and Audit Scrutiny Committee – 2020/2021 Year End Insured Risks – 15 September 2021

List of Background Papers

- ◆ None

Contact for Further Information

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

Craig Fergusson, Head of Finance (Transactions)

Ext: 4951 (Tel: 01698 454951)

E-mail: craig.fergusson@southlanarkshire.gov.uk

Appendix 1

Full year claims numbers and values by Resource as at 31 March 2022.

All claim types

Number of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	769	585	630	516	466
Education	35	40	32	23	22
Finance and Corporate	4	0	2	2	0
Housing and Technical	472	405	392	257	239
Social Work	70	81	67	84	95
Total	1,350	1,111	1,123	882	822
Reported at individual year end	1,252	1,032	996	768	

Cost of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	£1,209,090	£847,097	£803,951	£913,737	£1,153,874
Education	£121,382	£133,731	£72,108	£112,101	£60,329
Finance and Corporate	£5,298	£0	£50	£0	£0
Housing and Technical	£628,664	£592,225	£1,098,494	£615,628	£944,938
Social Work	£158,521	£339,100	£276,013	£110,770	£82,480
Total	£2,122,954	£1,912,153	£2,250,617	£1,752,236	£2,241,620
Reported at individual year end	£1,962,638	£2,113,302	£1,946,633	£2,009,739	

* Reported to CMT at the respective year ends and excludes claims intimated beyond 31 March

Combined Liability

Number of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	487	323	396	304	232
Education	21	23	17	12	18
Finance and Corporate	3	0	1	2	0
Housing and Technical	249	226	226	162	110
Social Work	12	15	11	11	2
Total	772	587	651	491	362

Cost of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	£812,807	£522,914	£497,100	£487,021	£528,971
Education	£105,365	£113,988	£68,400	£82,919	£55,027
Finance and Corporate	£5,298	£0	£50	£0	£0
Housing and Technical	£243,980	£140,465	£429,270	£266,743	£236,695
Social Work	£83,151	£119,825	£244,685	£51,558	£545
Total	£1,250,600	£897,192	£1,239,505	£888,241	£821,237

Motor

Number of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	239	225	202	189	211
Education	5	6	6	1	2
Finance and Corporate	1	0	1	0	0
Housing and Technical	167	138	121	56	94
Social Work	56	65	54	63	84
Total	468	434	384	309	391

Cost of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	£358,940	£299,014	£270,646	£344,168	£413,196
Education	£2,716	£7,364	£365	£1,163	£1,297
Finance and Corporate	£0	£0	£0	£0	£0
Housing and Technical	£164,201	£95,496	£189,901	£85,481	£101,838
Social Work	£73,189	£216,214	£31,328	£58,152	£74,557
Total	£599,046	£618,088	£492,240	£488,964	£590,888

Property

Number of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	43	37	32	23	23
Education	9	11	9	10	2
Finance and Corporate	0	0	0	0	0
Housing and Technical	56	41	45	39	35
Social Work	2	1	2	10	9
Total	110	90	88	82	69

Cost of claims	2017/2018	2018/2019	2019/2020	2020/2021	2021/2022
Community and Enterprise	£37,343	£25,169	£36,205	£82,548	£211,707
Education	£13,301	£12,379	£3,343	£28,019	£4,005
Finance and Corporate	£0	£0	£0	£0	£0
Housing and Technical	£220,483	£356,264	£479,323	£263,404	£606,405
Social Work	£2,181	£3,061	£0	£1,060	£7,378
Total	£273,308	£396,873	£518,871	£375,031	£829,495

Appendix 2

Comparison of claims costs and numbers for claims occurring during the last 2 years as at their respective year ends

All claim types

Number of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	461	466	5	1%
Education	17	22	5	29%
Finance and Corporate	1	0	-1	-100%
Housing and Technical	213	239	26	12%
Social Work	76	95	19	25%
Total	768	822	54	7%

Cost of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	£1,151,144	£1,153,874	£2,730	0%
Education	£83,529	£60,329	£-23,201	-28%
Finance and Corporate	£7,750	£0	£-7,750	-100%
Housing and Technical	£647,504	£944,938	£297,433	46%
Social Work	£119,812	£82,480	£-37,332	-31%
Total	£2,009,739	£2,241,620	£231,881	12%

Combined liability

Number of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	254	232	-22	-9%
Education	7	18	11	157%
Finance and Corporate	1	0	-1	-100%
Housing and Technical	120	110	-10	-8%
Social Work	6	2	-4	-67%
Total	388	362	-26	-7%

Cost of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	£698,876	£528,971	£-169,905	-24%
Education	£43,589	£55,027	£11,437	26%
Finance and Corporate	£7,750	£0	£-7,750	-100%
Housing and Technical	£302,250	£236,695	£-65,556	-22%
Social Work	£41,228	£545	£-40,683	135%
Total	£1,093,693	£821,237	£-272,455	-25%

Motor

Number of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	185	211	26	14%
Education	1	2	1	100%
Finance and Corporate	0	0	0	0%
Housing and Technical	54	94	40	74%
Social Work	63	84	21	33%
Total	303	391	88	29%

Cost of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	£369,557	£413,196	£43,639	12%
Education	£750	£1,297	£547	73%
Finance and Corporate	£0	£0	£0	0%
Housing and Technical	£80,481	£101,838	£21,357	27%
Social Work	£74,704	£74,557	-£147	0%
Total	£525,492	£590,888	£65,396	12%

Property

Number of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	22	23	1	5%
Education	9	2	-7	-78%
Finance and Corporate	0	0	0	0%
Housing and Technical	39	35	-4	-10%
Social Work	7	9	2	29%
Total	77	69	-8	-10%

Cost of claims	2020/2021 as at 31 March 2021	2021/2022 as at 31 March 2022	Difference	Difference Percentage
Community and Enterprise	£82,711	£211,707	£128,996	156%
Education	£39,190	£4,005	-£35,185	-90%
Finance and Corporate	£0	£0	£0	0%
Housing and Technical	£264,773	£606,405	£341,632	129%
Social Work	£3,880	£7,378	£3,498	0%
Total	£390,554	£829,495	£438,941	112%