

Report

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Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	26 January 2012
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Insurance Claims - 1 April 2011 to 30 September 2011
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1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ highlight insurance claims from 1 April 2011 to 30 September 2011

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 2011
- (2) note that a review of insurance claims for the period 1 April 2010 to 31 March 2012 will be undertaken to identify any areas where further targeted risk reduction work is required

3. Background

- 3.1. This report covers claims made under the four main classes of insurance which the Council has in place. These policies are employer's liability, public 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 four main classes of insurance for the period to 30 September 2011 was 647. This is fairly consistent with the number of claims received over the last five years.
- 4.2. The estimated value of claims received for the four main classes of insurance for the period to 30 September 2011 is £1,072,000. This is an increase of £361,000 on the value of claims intimated for the same period in 2010 and is the highest value of any first six month period over the last five years.
- 4.3. The value of claims in respect of public liability, motor and property claims have all seen a fairly significant increase in value from the previous year.
- 4.4. The Scottish Directors of Finance performance indicators show the vast majority of Scottish Local Authorities saw increases in public liability claims last year. This reflects the increasingly litigious nature of the society in times of austerity.
- 4.5. Nearly half of Scottish Local Authorities reported an increase in motor claims also.

- 4.6. South Lanarkshire Council suffered an out of the ordinary storm claim in May 2011, with a value of £185,000. This has slightly skewed the overall picture of this six monthly report.

5. Employer's Liability Claims

"One claim received for the first six months of 2011/2012, expected to cost £10,500"

- 5.1. The only claim intimated is in respect of a tripping incident.
- 5.2. The fact that only one claim has been intimated is positive and is in line with the numbers intimated during the first six months of previous years.
- 5.3. Employer's liability claims are often intimated some time after an incident has occurred. Full year figures will be reported to the RASF in the insurance annual report.

6. Public Liability Claims

"302 claims received for the first six months of 2011/2012, expected to cost £385,000"

- 6.1. The number of claims intimated for the first six months of 2011/2012 follows the downward trend seen in previous years.
- 6.2. However, the cost of claims for the first six months of 2011/2012 has increased by £101,000 from the previous year. The average value of claims for the four years prior to 2011/2012 was £270,000.
- 6.3. The reason for this increase is that more higher value claims have been intimated this year. The vast majority of these are injury claims.
- 6.4. Claim numbers have increased by 25 to 107 in Enterprise Resources, whereas numbers have reduced by 24 to 145 in Housing and Technical Resources. Claim numbers in other Resources have not changed significantly from last year.
- 6.5. Enterprise Resources total estimated cost of claims increased by £80,000 to £186,000, Community Resources costs have increased by £11,000 to £41,000 and Housing and Technical Resources costs increased by £10,000 to £138,000. Other Resources claims costs are in line with the previous year.
- 6.6. It should be noted that all costs detailed in respect of public liability claims are based on paid and estimated amounts. A number of these claims may actually be repudiated. Enterprise Resources have reported the repudiation rate on their claims for the last two years at 85 per cent and 82 per cent respectively.
- 6.7. Enterprise Resources issue regular hot spot reports to the Head of Roads and Transportation Services and Roads Area Managers. This allows managers to take pro-active measures to reduce the amount of claims that could potentially be received. During the six month period October 2010 to March 2011, a total of 43 hot spot areas were identified on the reports. For the period April 2011 to September 2011, this has reduced significantly to 23 hot spot areas.
- 6.8. When claim settlements are paid to claimants, 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. Since 1 April 2011, a total of £6,500 has been offset.

7. Motor Insurance Claims

“292 claims received for the first six months of 2011/2012, expected to cost £275,719”

- 7.1. The number of claims intimated for the first six months of 2011/2012 has increased by 40, and the costs have increased by £116,784 compared to the same period in 2010/11. The rise in claim costs equates to a 74 per cent increase.
- 7.2. The reason for the increase in costs this year is two fold. Firstly, there have been more significant vehicle damage claims. Only three claims were valued in excess of £5,000 last year. Eleven claims have been estimated in excess of £5,000 this year.
- 7.3. Secondly, there have been eight incidents during this period in which the third party has suffered injury. Eighteen separate injury claims have been received for these incidents and are estimated at a total cost of £92,206.
- 7.4. The most significant increase has occurred in Community Resources where numbers have gone up by 25 and the cost of claims has risen by £119,687. Community Resources should ensure that actions are taken in line with the Occupational Road Risk Policy for drivers who have at fault accidents.
- 7.5. Table One and Table Two below show a comparison between the first six months of 2010/2011 and 2011/2012 for the cost and number of motor claims for all Resources.

Table One – Comparison of number of motor claims

Resource	Number of claims received – 1/4/10-30/9/10	Number of claims received – 1/4/11-30/9/11	Difference	Percentage
Community	88	113	25	28.4%
Education	4	4	0	0%
Enterprise	45	51	6	13.3%
Finance and Corporate	0	0	0	0%
Housing and Technical	93	100	7	7.5%
Social Work	22	24	2	9.1%
Total	252	292	40	15.8%

Table Two – Comparison of estimated cost of motor claims

Resource	Cost of claims received – 1/4/10-30/9/10	Cost of claims received – 1/4/11-30/9/11	Difference	Percentage
Community	£46,823	£166,510	£119,687	255.6%
Education	£3,472	£2,626	-£846	-24.4%
Enterprise	£20,527	£28,276	£7,749	37.8%
Finance and Corporate	£0	£0	£0	0%
Housing and Technical	£75,600	£67,707	-£7,893	-10.4%
Social Work	£12,513	£10,600	-£1,913	-15.3%
Total	£158,935	£275,719	£116,784	73.5%

- 7.6. Despite this fairly negative picture, the vast majority of the increase in costs shown this year is attributed to only three claims. Community Resources have two major claims which are estimated at £33,000 and £19,500. Both claims are in respect of collisions with third party vehicles in which the driver and passengers have allegedly suffered injury. A Housing and Technical Resources claim has a reserve of £28,000. This again relates to a collision with a third party and involved alleged injury to the vehicle's occupants. All three of these incidents are as a result of Council driver error. Each injury claim will be reviewed on its own merits and responded to accordingly.
- 7.7. As well as the figures noted above, 605 minor damage incidents, which cost less than £250, were reported to Facilities, Fleet and Grounds Services. These incidents, which are not included in the figures contained within this report, have cost £32,616. This is a major rise from last year when 125 incidents were recorded costing £7000.
- 7.8. The size of the Council's fleet has increased by 25 per cent over the last year and this should be borne in mind when looking at the number and cost of incidents.
- 7.9. A target of a five per cent 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 Three – Comparison of at fault incidents

	Number of vehicles on fleet	Number of incidents	Cost of incidents	Ratio of number of incidents against vehicles	Average cost of claim per vehicle
2010/11	1236	124	£99,000	1: 9.9	£798
2011/12	1546	118	£218,226	1: 13.1	£1849

- 7.10. The reduction in the number of at fault accidents is well above the target, when looking at the number of incidents per vehicle. A 32 per cent reduction is evidenced at the half year stage. There are, however, significant concerns with the value of these claims, which have more than doubled from last year. The fact that a large number of injuries have been sustained by third parties is also cause for concern.
- 7.11. A review of the Occupational Road Risk Policy is currently being undertaken. Any significant changes will be reported to the Risk and Audit Scrutiny Forum in due course. In the meantime, all Resources have agreed to give written notification to

drivers of points allocated to them when involved in at fault accidents. This is a positive step in terms of monitoring driver performance and explaining the purpose behind the points system to drivers. On the back of this notification, support is being offered in the form of interviews, driver assessments and training.

8. Property Insurance Claims

“52 claims received for the first six months of 2011/2012, expected to cost £399,507”

- 8.1. Compared to the first six months of 2010/2011, claim numbers have reduced by 13. However, the estimated cost of claims has risen significantly from £252,149 last year to £399,507 this year, an increase of £147,358. This increase is solely down to storm damage to housing stock, estimated at £185,000.
- 8.2. A reduction in the number of claims has been seen in Community Resources (nine) and Education Resources (five). The other Resources numbers are broadly in line with those reported in previous years.
- 8.3. Housing and Technical Resources' claim costs have seen an increase of £226,873 on last year's estimated cost. The reason for this increase is the claim for the storm in May 2011 and the cost of fire claims has increased by £36,672 from last year. Combined, these two amounts account for nearly all of the claims cost increase in Housing and Technical Resources.
- 8.4. All other Resources have seen a decrease in their estimated cost of claims, with the largest reduction being seen by Community Resources.
- 8.5. Community Resources' estimated costs reduced by £69,904 compared to last year. In 2010/2011 there were a number of high value thefts of plant and machinery. The overall cost for thefts and break-ins in 2010/2011 was £68,934. This year, this figure has reduced significantly to £4610.
- 8.6. Storm damage is a difficult risk for the Council to mitigate against and the storm damage which occurred in May 2011 has marred an otherwise positive first six months, as far as property insurance claims are concerned.
- 8.7. Taking the May storm out of the equation, would leave a significantly improved picture, with costs for 2011/2012 coming in at only £215,000, the lowest level in the last five years. This can at least be partly credited to the work of the Property Security Working Group, with an ongoing success in mitigating against losses such as vandalism, wilful fire raising, break in and theft losses.
- 8.8. The severe storm weather experienced in early December 2011 and January 2012 does not feature within this report. Housing and Technical Resources are presently assessing the damage sustained. Any costs associated with the storms suffered to date will be reported to the Forum in the Annual 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.
- 9.2. Time will also be required by Resource personnel in respect of implementing the points system within the Occupational Road Risk Policy. Agreement has been reached with Resources to carry out this work.

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 2011/2012 exceed the uninsured excess limits. Therefore, the full estimated cost of claims of £1,072,000 will be met from the Council's self insurance fund.
- 10.2. The results of the recent 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 £2.1 million per annum.
- 10.3. One of the assumptions made by the actuary is that the actual cost of public liability claims will be 33 percent lower than the total estimated cost of outstanding claims. The reason for this is that some claims which currently have a reserve will be repudiated with no cost to the Council, and some claims will settle for an amount lower than the current reserve.
- 10.4. If this were the case for the figures for 1 April 2011 to 30 September 2011, then it is expected that the total cost of public liability claims would be approximately £258,000, that is £127,950 less than currently reserved.
- 10.5. If the Council were to experience a similar level of claims in the second half of 2011/2012 and the assumption made regarding outstanding PL claims reserves is accurate, then it is expected that the cost of claims will come in around the £2.1m forecast made by the actuary. The final costs will, however, depend on the extent of storm damage suffered in December 2011 and January 2012.

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 report on positive progress being made was presented to the Forum on 3 November 2011.
- 11.3. As it is now three years since the last review of claims data was carried out to identify hotspot areas, a review of the claims intimated during the period 1 April 2010 to 31 March 2012 will be undertaken. The Risk Control Consultant from the Council's claims handler, Gallagher Bassett, will commence this review in the next financial year. The report produced will identify the insurance hotspots for this period along with recommendations that the Council should consider implementing to reduce the impact of the hotspot areas identified. The Forum is asked to note that this review will be undertaken and that the results will be reported in due course.
- 11.4. There are no significant implications for sustainability in terms of the information contained in this report.

12. Equality Impact Assessment and Consultation Arrangements

- 12.1. There are no new equality issues.
- 12.2. Insured risks appear as a standing item on the agendas of Resource Risk Groups.

- 12.3. Consultation is taking place with Trade Unions as part of the review of the Occupational Road Risk arrangements.

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6 January 2012

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

- ◆ Value: Accountable, Effective and Efficient

Previous References

- ◆ Report to the RASF on 3 November 2011 – Management of insured risks update

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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