

# Report

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Report to:	<b>Risk and Audit Scrutiny Forum</b>
Date of Meeting:	<b>31 January 2017</b>
Report by:	<b>Executive Director (Finance and Corporate Resources)</b>

Subject:	<b>Insurance claims from 1 April 2016 to 30 September 2016</b>
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## 1. Purpose of Report

1.1. The purpose of the report is to:-

- ◆ highlight the insurance claims experience from 1 April 2016 to 30 September 2016

## 2. Recommendation(s)

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

- (1) that the half year insurance statistics to 30 September 2016 are noted

## 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 employers' 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 2016 was 468, a reduction of 27 claims (five per cent) on the previous year.

4.2. The estimated value of claims received for the four main classes of insurance for the period to 30 September 2016 is £793,000. This is a reduction of £314,000 (28 per cent) on the value of claims intimated for the same period in 2015.

4.3. Table One provides a summary of the number and estimated values of claims for the first six months of 2015/2016 and 2016/2017.

**Table One - Summary of claims numbers and values**

Claim type	Six months April-September 2015		Six months April-September 2016		Difference between the six months April- September 2015 and 2016	
	Number of claims received	Estimated value of claims received	Number of claims received	Estimated value of claims received	Number of claims received	Estimated value of claims received
Employers' liability	4	£59,576	4	£32,921	0	-£26,655
Public liability	199	£370,173	191	£285,759	-8	-£84,414
Motor	237	£281,661	244	£333,175	7	£51,514
Property	55	£395,544	29	£141,374	-26	-£254,170
<b>Total</b>	<b>495</b>	<b>£1,106,954</b>	<b>468</b>	<b>£793,229</b>	<b>-27</b>	<b>-£313,725</b>

4.4. The Risk and Audit Scrutiny Forum (RASf) is asked to note the positive position in respect of insurance claims received for the period 1 April 2016 to 30 September 2016.

4.5. Further details of claims for each of the main classes of insurance are detailed in the following paragraphs.

## **5. Employers' Liability Claims**

5.1. Four employers' liability claims were intimated for incidents occurring during the first six months of 2016/2017. The estimated value of these claims is £32,921.

5.2. Employers' liability claims are often intimated some time after an incident has occurred. It is important, therefore, to view the full year claims comparison. Full year figures will be reported to the Forum in the Year End Insured Risks report.

5.3. Lessons learned on employers' liability claims is ongoing, through joint discussions with Gallagher Bassett, the Risk Management team and the Health, Safety and Wellbeing Manager. Resources are taking on board actions with a view to preventing future similar incidents and to mitigate future losses.

## **6. Asbestos Related Disease Claims**

6.1. Given that this report focuses on claims intimated and occurring in the current financial year, the claims mentioned in this section of the report do not feature within the figures contained in Table One.

6.2. There are currently 12 asbestos related employers' liability claims outstanding for employees who were employed at one of the Council's predecessor authorities.

6.3. When the last actuarial review of the Council's insurance fund was carried out in 2015, the Actuary advised that the HSE model for male mesothelioma claims is forecast to peak towards the end of this decade and that it is reasonable to assume a further 35 years beyond the peak for claims to return to zero.

6.4. The Actuary further advised the number of mesothelioma UK deaths in 2013 (2,538) was close to upper limit of the uncertainty range of the expected peak and that, if

claims numbers continue to increase, the projected peak may well be reviewed and could potentially move to a later date.

## **7. Public Liability Claims**

- 7.1. One hundred and ninety one claims have been received for the first six months of 2016/2017, with an estimated value of nearly £286,000.
- 7.2. Claim numbers are down by four per cent on the previous year and costs are down by 23 per cent.
- 7.3. The number of significant claims intimated has also reduced from the previous year, with only two claims valued in excess of £10,000 received, compared to eight claims received in 2015/2016.
- 7.4. Slips, trips and falls continue to account for the vast majority of the higher value public liability claims intimated.
- 7.5. 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. From 1 April 2016 to 30 September 2016, a total of £3,440 has been offset.

## **8. Motor Insurance Claims**

- 8.1. Two hundred and forty four claims have been received for the first six months of 2016/2017, with an estimated value of £333,175.
- 8.2. The number of claims intimated for the first six months of 2016/2017 has increased by seven and estimated costs have increased by £51,514 compared to the same period in 2015/2016.
- 8.3. There has been a spike in claims costs for the first six months of this year, which is partly down to an increase in third party fault incidents. Where possible, recovery of the Council's outlays for these claims will be pursued. It is, therefore, likely that the net cost of motor claims for this period will be lower than the figures reported above.
- 8.4. Claims statistics are to be further analysed to identify any specific issues or trends and improvement measures considered thereafter. This work is scheduled to be completed by 31 January 2017.
- 8.5. A target of a five per cent reduction in the number of at fault incidents per vehicle, when compared to the average for the previous three years, was set by the Driver Safety Group. Out of all motor incidents reported, the table below compares the number and cost of at fault incidents for the first six months of this year to those of the last three years.
- 8.6. There has been a 29 per cent reduction in the number of at fault incidents per vehicle, when compared to the average for the previous three years at the half year stage. This is an encouraging improvement at the half year point, however, the full year position will be reported in the 2016/2017 Year End Insured Risks report to the Forum. The average value of at fault incidents has, however, increased by £608 on the previous year.

**Table Two – Comparison of at fault incidents – first six months**

	<b>Number of vehicles on fleet</b>	<b>Number of incidents</b>	<b>Cost of incidents</b>	<b>Number of incidents per vehicle</b>	<b>Average cost of claim per incident</b>
<b>2013/14</b>	1,639	99	£163,290	0.060	£1,649
<b>2014/15</b>	1,691	108	£162,826	0.063	£1,508
<b>2015/16</b>	1,708	93	£143,166	0.054	£1,539
<b>2016/17</b>	1,774	75	£166,461	0.042	£2,219

8.7. As part of a wider review of the Council's Occupation Road Risk guidance, led by the Council's Health, Safety and Wellbeing Manager through the Driver Safety Group, consideration will be given to the existing points system for at fault incidents. Draft guidance is scheduled to be prepared by the end of the current financial year.

8.8. There have been no van thefts during the first six months of 2016/2017. Resources have provided reassurance that all reasonable measures are being taken to prevent future thefts of unmarked hired-in vans which have previously been targeted.

8.9. Insurance claims for van thefts are only met where adequate security arrangements are in place.

## **9. Property Insurance Claims**

9.1. Twenty nine property claims have been received for the first six months of 2016/2017, with an estimated value of £141,374.

9.2. Compared to the first six months of 2015/2016, the number of claims has reduced by 26 (47 per cent) and costs have reduced by £254,170 (64 per cent).

9.3. The significant improvement this year is, on the whole, due to fewer Council house fires. During the first six months of 2015/2016, 23 house fire claims were received with a value of £335,000. For the same period this year, 11 house fire claims have been received with a value of £92,000.

9.4. The following areas of work are progressing within the Council to raise awareness and mitigate against future house fire losses. This work is scheduled to be completed by the end of the current financial year:-

- ♦ provision of risk management funding to improve door entry systems in flatted properties
- ♦ a fire based tenants' contents insurance promotion
- ♦ an initiative with Scottish Fire and Rescue and Police Scotland for signage in stairwells of flatted properties, initially in the Hamilton and Larkhall areas. This follows the branding of previous Common Sense initiatives, and its focus is to keep stairwells clear and ensure that communal doors are kept locked to keep out unwanted visitors
- ♦ development of a Fire Safety Policy for Area Services, Housing and Technical Resources

## **10. Insurance Hotspots**

10.1. A review of liability, property and motor claims that occurred between 1 April 2014 and 31 March 2016 is underway to highlight any new claim trends or geographical areas of concern that require consideration of specific preventative measures. This

work is scheduled for completion by 31 March 2017. The outcome of the hotspots review will be reported to the Forum, as part of the year end insured risks report.

## **11. Employee Implications**

- 11.1. Time will be required by Risk Sponsors and members of Resource Risk Workgroups in the management of insured risks.

## **12. Financial Implications**

- 12.1. With an uninsured excess of £500,000 for storm damage property claims and £100,000 for all other significant insurance policies, no claims intimated and occurring during the first six months of 2016/2017 exceed the uninsured excess limits. Therefore, the full estimated cost of these claims at £793,229 will be met from the Council's self insurance fund.
- 12.2. Where the Council does not have insurance cover in place for asbestos claims, or cover is excluded within the Council's insurance policies, successful settlements will be met from the Council's insurance fund.
- 12.3. There has been no further movement in terms of further levies, in respect of Municipal Mutual Insurance (MMI), since the position noted in the year end insured risks report to the Forum on 8 November 2016. As detailed previously, a provision of £771,000 currently exists within the Council's Annual Accounts to meet the cost of any future levies.

## **13. Other Implications**

- 13.1. 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.
- 13.2. There are no implications for sustainability in terms of the information contained in this report.

## **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. Insured risks appear as a standing item on the agendas of Resource Risk Groups.
- 14.3. Copies of this report have been passed to the Resource Risk Sponsors.

**Paul Manning**

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

28 December 2016

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

- ◆ Value: Accountable, Effective and Efficient

**Previous References**

- ◆ Report to RASF – 8 November 2016 – 2015/2016 Year End Insured Risks Report

**List of Background Papers**

- ◆ System extracts

**Contact for Further Information**

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

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