

Report

Report to:	Risk and Audit Scrutiny Forum
Date of Meeting:	18 February 2014
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Insurance Claims from 1 April 2013 to 30 September 2013
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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 2013 to 30 September 2013

2. Recommendation(s)

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

- (1) note the half year insurance statistics to 30 September 2013.

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 2013 was 592. This is in line with the previous year, with a slight increase of nine claims 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 2013 is £869,300. This is a reduction of £7,700 on the value of claims intimated for the same period in 2012.
- 4.3. Table One below provides a summary of number and estimated values of claims for the first six months of 2012/2013 and 2013/2014.

Table One - Summary of claims numbers and values

Claim type	Six months April-September 2012		Six months April-September 2013	
	Number of claims received	Estimated value of claims received	Number of claims received	Estimated value of claims received
Employers' liability	0	£0	4	£35,000
Public liability	278	£342,347	292	£335,270
Property	60	£168,488	66	£236,383
Motor	245	£366,165	230	£262,647
Total	583	£877,000	592	£869,300

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

5. Employer's Liability Claims

- 5.1. Four employer's liability claims were intimated for incidents occurring during the first six months of 2013/2014. The estimated value of the claims is £35,000. Two claims involved vehicle operations, whilst the other two were slip, trips and falls.
- 5.2. Employer's 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 annual report.
- 5.3. Measures are now in place to review lessons learned on liability claims, through joint discussions with Gallagher Bassett, the Central Risk Management Team and the Health and Safety Manager. Actions are being implemented to address any identified improvement areas and lessons learned are being shared amongst all Resources, to ensure a consistent approach is implemented across the Council.
- 5.4. A briefing session on Employer's Liability claims has taken place with senior managers within Community and Enterprise Resources. The briefing was delivered by Simpson and Marwick Solicitors, and looked at the legislation and regulations which determine whether the Council is legally liable to pay compensation for injuries sustained whilst at work. The aim of the session was to look at where improvements could be made from an accident prevention perspective, as well as measures that could be taken by the Council to present a robust defence or contributory negligence argument on claims that are intimated.
- 5.5. The Scottish Directors of Finance Performance Indicators for 2012/2013 shows that South Lanarkshire Council had the ninth lowest level of employer's liability claims per full time equivalent employees (FTE) in the country with one claim for every 826 FTE.

6. Asbestos Related Disease Employer's Liability Claims

- 6.1. The Council has in the past received employer's liability claims from employees who allege that they were exposed to asbestos during their employment with a predecessor authority.
- 6.2. No new claims have been intimated for the first six months of 2013/2014 in respect of asbestos exposure.

- 6.3. Where the Council does not have insurance cover in place for this type of claim, successful claims settlements will be met from the Council's Insurance Fund. Funds have previously been reserved within the Insurance Fund to meet these potential liabilities.

7. Public Liability Claims

- 7.1. Two hundred and ninety two claims have been received for the first six months of 2013/2014, with an estimated value of £335,270.
- 7.2. The number of claims intimated for the first six months of 2013/2014, has increased by 14, but numbers remains under 300 for the second consecutive year.
- 7.3. The cost of claims for the first six months of 2012/2013 has reduced by £7,000 from the previous year.
- 7.4. As reported in previous years, the most expensive liability claims tend to relate to injuries as a result of slips, trips and falls on alleged defective surfaces.
- 7.5. Specific work has been undertaken within Housing and Technical Resources to mitigate against the risk of slips, trips and falls on land within the housing account. Housing Inspectors have received formal training on footpath inspections which covered types of defects and their degree of deficiency. The standards used are in line with those used by the Council's Roads Inspectors. Housing and Technical Resources have started to categorise defects in footways, utilising the same categories used within Roads and Transportation Services, in order to prioritise repairs and have also implemented a procedure to ensure that once a defect has been identified, the appropriate remedial action is carried out.
- 7.6. 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 2013 to 30 September 2013, a total of £5,126 has been offset.

8. Motor Insurance Claims

- 8.1. Two hundred and thirty claims have been received for the first six months of 2013/2014, with an estimated value of £262,647.
- 8.2. The number of claims intimated for the first six months of 2013/2014 has reduced by 15 and costs are down by £104,000 compared to the same period in 2012/2013.
- 8.3. A significant element of the cost reduction is in respect of injury claims. The estimated cost of motor injury claims for 2013/2014 is £24,589, compared to £63,500 for 2012/2013.
- 8.4. As well as the figures noted above, minor damage incidents which cost less than £250, are reported to Facilities, Fleet and Grounds Services. These incidents, which are not included in the figures contained within this report, have cost £26,000 for the first six months of 2013/2014. This is up by £1,000 on the previous year.
- 8.5. The size of the Council's motor fleet has increased by nine per cent over the last year and this should be borne in mind when looking at the number and cost of incidents.

- 8.6. 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 the same period last year.

Table Four – Comparison of at fault incidents

	Number of vehicles on fleet	Number of incidents	Cost of incidents	Number of incidents per vehicle	Average cost of claim per incident
2012/2013	1,665	112	£198,243	0.067	£1,770
2013/2014	1,823	99	£163,290	0.054	£1,649

- 8.7. The reduction in the number of at fault incidents is well above the target, when looking at the number of incidents per vehicle. A 19 per cent reduction is evidenced at the half year stage. The average value of at fault incidents is also down £121 on the previous year.
- 8.8. The continued implementation by all Resources of the Council's Managing Occupational Road Risk policy and the associated criteria for further driver assessments and driver training is having a positive effect on the reduction in the number of at fault incidents involving Council drivers.
- 8.9. In an attempt to reduce the number of reversing incidents suffered by drivers within Housing and Technical Resources, new vans that are being leased are being fitted with reversing sensors. Further analysis will be undertaken to ascertain if this is having a positive effect on the number of reversing incidents.
- 9. Property Insurance Claims**
- 9.1. Sixty six claims have been received for the first six months of 2013/2014, with an estimated value of £236,383.
- 9.2. Compared to the first six months of 2012/2013, the number of claims has increased by six and costs have increased by £67,895.
- 9.3. Claims numbers for each Resource are in line with the numbers intimated last year.
- 9.4. Three house fire claims were submitted during the first six months of 2013/2014, with a combined value of £70,000. The same number of house fire claims were submitted the previous year, with a total value of £28,000. The extent of damage for the claims intimated this year has been more extensive.
- 9.5. Measures implemented by Housing and Technical Resources to reduce the number of fires in council houses and in communal areas includes a "Common Sense" initiative in conjunction with the Scottish Fire and Rescue Service that highlights the risk of fire in communal areas resulting from discarded rubbish and furniture. Housing Officers discuss with tenants at the tenancy sign up their fire safety obligations and an Estate Monitoring pilot has been undertaken within East Kilbride with various key parties to monitor issues including hotspots for fly tipping fires to ensure a joined up approach to address this problem. The pilot is now being rolled out to all housing areas.
- 9.6. This is a risk area that will benefit from ongoing initiatives to raise awareness amongst tenants of the dangers of fire.

- 9.7. A new emerging trend is the theft of plant, with four claims intimated during the first six months of 2013/2014. The four claims have a combined estimated value of £46,000.
- 9.8. The Council's Security Manager is actively working with Resources to improve security at a number of identified properties, which have been targeted by criminals.
- 9.9. The implementation of security arrangements in new primary schools continues to positively mitigate against the risk of break-in, theft and vandalism. The total cost of claims as a result of criminality for the first six months of 2013/2014 amounted to £16,141. This is a 62 per cent reduction on costs from the previous year.
- 9.10. The Council's property insurance underwriter attended a pre arranged visit in September to discuss the property risk management arrangements that are in place. Following a presentation by the Finance Adviser (Risk Management) and the Security Manager, the underwriter was given a demonstration of the new perimeter intruder detection systems that are in place at higher risk properties and are monitored at the CCTV control room. The underwriters also visited Murray Primary school in East Kilbride, to review security and fire prevention technology. The underwriter provided very positive feedback on all of the arrangements that are in place.

10. Insurance Hotspots

- 10.1. A review of insurance hotspots will be undertaken during 2014/2015, including a full analysis of claims data for the two year period from 1 April 2012 to 31 March 2014. Actions will be agreed with Resources to mitigate identified hotspots

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 during the first six months of 2013/2014 exceed the uninsured excess limits. Therefore, the full estimated cost of claims of £869,300 will be met from the Council's self insurance fund.
- 12.2. The results of the last 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 £2.1million per annum.
- 12.3. If the Council was to experience a similar level of claims in the second half of 2013/2014, then it is expected that the cost of claims will be under £2m and within the forecast made by the actuary.
- 12.4. Municipal Mutual Insurance Limited (MMI) who provided insurance cover to the Council's predecessor District Councils and Strathclyde Regional Council have triggered their Scheme of Arrangement as they are now technically insolvent.
- 12.5. The Scheme of Arrangement was agreed by MMI's creditors following the Company ceasing to write business in 1992. Scheme creditors were advised on 2 April 2013 that the initial levy of claw back had been set at 15 per cent. The levy notice was

issued with effect of 1 January 2014. A statement detailing the value of the levy is currently awaited. Once received, the Council will have 45 days to make payment.

- 12.6. A provision currently exists within the Council's Annual Accounts to meet the cost of the 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. Work has been progressing within Resources to implement actions to reduce the effect of insurance hotspots that had been previously identified. An update on the management of insurance hotspots will be reported to the RASF in the annual insurance report.

- 13.3. 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. Consultation on the claims detailed within this report has taken place with Resource Risk Sponsors.

Paul Manning

Executive Director (Finance and Corporate Resources)

22 January 2014

Link(s) to Council Values/Objectives

- ◆ Value: Accountable, Effective and Efficient

Previous References

- ◆ Report to RASF on 26 November 2013 - 2012/2013 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:-

Jackie Taylor, Head of Finance

Ext: 5637 (Tel: 01698 455637)

E-mail: Jackie.taylor@southlanarkshire.gov.uk