

Report

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Report to:	Finance and Information Technology Resources Committee
Date of Meeting:	13 September 2011
Report by:	Chief Executive

Subject:	Insurance Claims 2010/2011
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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 Committee is asked to approve the following recommendation(s):-

- (1) that the downward trend in insurance claims against the Council is noted
- (2) that progress with the management of insurance hotspots is noted.

3. Background

- 3.1. The Council has in place insurance policies for employer's liability, public liability, motor, property and other miscellaneous risks. Claims are handled by the Council's Risk Management section and external claims handlers, Gallagher Bassett.
- 3.2. The Council's employer's liability policy covers employee injury, disease and death, where the Council is deemed to be negligent. The Council is currently insured for these main classes of insurance by Chartis Insurance UK Limited. This is a three year contract which runs until 31 March 2012, with an option to extend for a further two years to 31 March 2014.
- 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 although the excess of £100,000 effectively means the Council is self insured in this area.
- 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.
- 3.7. Following a recent review of the Council's insurance covers, a few amendments were made to the Council's insurance programme for the 2011/2012 year. The main

change was a slight increase in self insurance. This triggered a small premium saving.

4. Claims During 2010/2011

- 4.1. The number and cost of claims are analysed on an ongoing basis and comparisons made annually. The overall number of claims received to date for incidents occurring during 2010/2011 is 1,591 and the estimated cost is £1.901m. Claims can be intimated after the end of the financial year with numbers increasing by approximately 20% on average. Up to date annual comparisons are included at Appendix 1 and show an overall 8% reduction in numbers of claims between the years 2006/2007 and 2009/2010. Over the same years, there has been a 4% reduction in total costs of claims. The Committee is asked to note these positive downward trends.
- 4.2. A full year end report is prepared and shared with Resources in order to raise awareness of the cost of insurance losses and to help the management of the underlying risks. The year end report graphically analyses all types of claims by Resource, by settlement status and by cause as well as numbers and costs. The annual analysis for 2010/2011 also shows that the trend for the five year period from 1 April 2006 to 31 March 2011 is downward. However, this fairly positive reduction should be treated with caution, as an employer's liability reserve has still to be set by insurers for a serious injury which occurred during 2010/2011. Initial indications suggest that this reserve is likely to be significant.

5. Management of Insurance Hot Spots

- 5.1. Analysis of claims can highlight common areas of concern. To mitigate further loss in these areas, a programme of insurance "hotspot" management actions is agreed with Resources and monitored by the central team.
- 5.2. An external review of progress with the management of insurance hotspots is currently underway but feedback so far has highlighted only some improvements in record keeping and training. Significant progress has been made in implementing the Occupational Road Risk Policy, resulting in a 13% reduction in the numbers of "at fault" incidents.
- 5.3. Extensive security training has resulted in a reduction in property claims. Building controls continue to improve as recommendations from insurers are implemented in high value, high risk properties such as the Dollan Aqua Centre and Lister Tower in East Kilbride, Cathkin Primary School and South Lanarkshire Lifestyles, Rutherglen. General schools' security standards, which include centrally monitored CCTV and full perimeter detection systems, continue to reduce the incidence of vandalism. Committee is asked to note the progress being made with "hotspot" management.

6. Employee Implications

- 6.1. Time and effort will continue to be required by Resource personnel to implement initiatives to mitigate insurance hotspots. Following completion of the above external audit, a further review of insurance hotspots will be undertaken.

7. Financial Implications

- 7.1. The insurance programme review saved £45,715 in premiums. The overall financial impact resulting from this review will not be known until the end of the 2011/2012 year as total savings depend on the final number of claims. A health check on the Council's Insurance Fund is currently being carried out by an actuarial consultant. Earlier internal projections forecast no deficit in the fund over the medium term.
- 7.2. Of the £1.901m estimated costs of 2010/2011 claims, no claim is currently estimated at over £100,000. Therefore, at the present time, all costs will be met from the Council's Insurance Fund. Premiums of £1.442 million for 2010/2011 were also charged to the fund. In summary, the total current insurance cost for 2010/2011 is £3.343m.
- 7.3. As noted earlier in this report, insurers have indicated that one claim which occurred last year will be reserved significantly higher than the £100,000 uninsured excess.

8. Other Implications

- 8.1. The insurance programme review triggered an increased appetite for in-house risk in order to achieve the above premium savings.
- 8.2. Failure to adequately manage insurance hotspots is likely to lead to increased claims numbers, self insurance costs and insurance premiums.

9. Equality Impact Assessment and Consultation Arrangements

- 9.1. There is no requirement to carry out an impact assessment in terms of the content of this report.
- 9.2. The annual statistics are presented to Resource Risk Management Groups in order to allow them to continue to manage their insurance hotspots.

Archibald Strang
Chief Executive

12 August 2011

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

- ◆ Values: Accountable Effective and Efficient

Previous References

None

List of Background Papers

- ◆ Council wide Insurance and Risk Management Annual Report for year ended 31 March 2011

Contact for Further Information

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

Joan Allan, Risk and Audit Manager

Ext: 5957 (Tel: 01698 455957)

E-mail: joan.allan@southlanarkshire.gov.uk

All claim types

Number of claims

	06/07	07/08	08/09	09/10	10/11	06/07 cf 09/10
Corporate	1	4	3	1	4	
Community	535	424	414	407	322	
Education	79	64	95	81	56	
Enterprise	626	685	756	602	519	
Finance and IT	0	0	0	0	1	
Housing and Technical	854	773	748	824	639	
Social Work	53	46	64	53	50	
Total	2,148	1,996	2,080	1,968	1,591	-180 (8%)
Reported at individual year end	1,729	1,579	1,745	1,670		

Cost of claims

	06/07	07/08	08/09	09/10	10/11	06/07 cf 09/10
Corporate	£250	£718	£1,292	£0	£500	
Community	£539,290	£459,121	£300,732	£638,678	£418,341	
Education	£386,176	£478,653	£692,163	£452,022	£118,859	
Enterprise	£534,184	£473,531	£493,965	£394,259	£489,603	
Finance and IT	£0	£0	£0	£0	£12,003	
Housing and Technical	£1,045,422	£1,015,091	£675,518	£912,266	£808,992	
Social Work	£105,863	£35,048	£178,405	£102,216	£53,006	
Total	£2,611,185	£2,462,162	£2,342,075	£2,499,441	£1,901,304	-£112k (4%)
Reported at individual year end	£2,212,327	£1,901,000	£2,835,000	£2,121,532		

Employers' liability claims

Number of claims

	06/07	07/08	08/09	09/10	10/11
Corporate	0	0	0	0	0
Community	18	14	12	12	5
Education	5	5	9	3	2
Enterprise	4	1	0	0	4
Finance and IT	0	0	0	0	0
Housing and Technical	13	10	7	12	3
Social Work	6	2	7	6	2
Total	46	32	35	33	16

Cost of claims

	06/07	07/08	08/09	09/10	10/11
Corporate	£0	£0	£0	£0	£0
Community	£146,320	£203,839	£81,706	£162,437	£39,001
Education	£39,324	£44,413	£96,271	£25,290	£16,500
Enterprise	£34,466	£100,000	£0	£0	£38,500
Finance and IT	£0	£0	£0	£0	£0
Housing and Technical	£100,124	£200,216	£55,302	£106,103	£36,501
Social Work	£89,452	£0	£96,868	£52,500	£16,500
Total	£409,686	£548,468	£330,147	£346,330	£147,002

Public liability claims

Number of claims

	06/07	07/08	08/09	09/10	10/11
Corporate	0	2	0	0	1
Community	120	112	100	88	64
Education	19	22	28	28	14
Enterprise	515	632	634	453	404
Finance and IT	0	0	0	0	0
Housing and Technical	586	560	476	504	400
Social Work	6	5	7	8	3
Total	1,246	1,333	1,245	1,081	886

Cost of claims

	06/07	07/08	08/09	09/10	10/11
Corporate	£0	£423	£0	£0	£500
Community	£53,130	£13,122	£22,821	£49,324	£28,669
Education	£30,659	£47,623	£75,511	£143,840	£40,080
Enterprise	£416,666	£287,165	£397,182	£249,050	£354,716
Finance and IT	£0	£0	£0	£0	£0
Housing and Technical	£183,017	£299,921	£233,098	£308,815	£332,491
Social Work	£500	£1,468	£25,529	£25,873	£11,500
Total	£683,972	£649,722	£754,141	£776,902	£767,956

Motor claims

Number of claims

	06/07	07/08	08/09	09/10	10/11
Corporate	0	2	2	1	2
Community	346	249	262	244	191
Education	11	9	11	10	7
Enterprise	104	46	113	138	99
Finance and IT	0	0	0	0	0
Housing and Technical	182	155	213	266	186
Social Work	38	34	48	34	39
Total	681	495	649	693	524

Cost of claims

	06/07	07/08	08/09	09/10	10/11
Corporate	£0	£295	£596	£0	£0
Community	£203,093	£132,039	£142,612	£197,646	£99,730
Education	£2,610	£4,671	£7,676	£8,468	£4,994
Enterprise	£69,898	£79,756	£86,714	£145,210	£34,437
Finance and IT	£0	£0	£0	£0	£0
Housing and Technical	£108,698	£93,041	£88,269	£87,633	£115,642
Social Work	£15,912	£26,155	£56,007	£16,804	£21,710
Total	£400,211	£335,957	£381,874	£455,761	£276,513

Property claims

Number of claims

	06/07	07/08	08/09	09/10	10/11
Corporate	1	0	1	0	1
Community	51	49	40	63	62
Education	44	28	47	40	33
Enterprise	3	6	9	11	12
Finance and IT	0	0	0	0	1
Housing and Technical	73	48	52	42	50
Social Work	3	5	2	5	6
Total	175	136	151	161	165

Cost of claims

	06/07	07/08	08/09	09/10	10/11
Corporate	£250	£0	£697	£0	£0
Community	£136,748	£110,121	£53,592	£229,271	£250,940
Education	£313,583	£381,945	£512,705	£274,424	£57,285
Enterprise	£13,154	£6,611	£10,068	£0	£61,950
Finance and IT	£0	£0	£0	£0	£12,003
Housing and Technical	£653,581	£421,913	£298,851	£409,715	£324,358
Social Work	£0	£7,424	£0	£7,038	£3,297
Total	1,117,316	928,014	875,913	920,448	709,833