

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	22 August 2023
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	Year End Insured Risks Report – 2022/2023
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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 2023 be noted; and
- (2) that proposed work to mitigate insurance hotspots, as detailed in section 9 of the report, 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 improving trend in claims numbers over the last 5 year period. Claims costs have fluctuated over the last 5 years. On average, over that period, the self-insured cost of claims per annum is £2.157 million, with 2022/2023 costs above average at £2.475 million. It should be noted, however, that last year's figures are impacted by a single event property claim loss for escape of water/burst pipes. The self-insured cost of this loss is £0.500 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 2021/2022 as at 31 March 2022 against incidents reported in 2022/2023, as at 31 March 2023. 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 2022/2023 is 879. This is an increase of 57 claims (seven per cent) on the numbers reported last year for 2021/2022.
- 5.2. The total self-insured estimated cost of claims for 2022/2023 is £2.475 million. At the same time last year estimated claims costs for 2022/2022 was £2.242 million. This is an increase of £0.233 million (10 per cent), which is a result of the estimated cost of property, motor and employer's liability claims increasing, with the position being offset by reduced estimated costs for public liability claims. Aside from the fluctuations across the different classes of cover, the main reason for the increase in costs last year is due to the escape of water/burst pipes claim, stemming from the severe cold weather in December 2022. Further details on this claim are included in section 8.
- 5.3. Based upon Appendix 2, sections 6 to 8 detail some of the key findings from the analysis of 2022/2023 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 2022/2023 and makes comparisons against the position reported for 2021/2022 as at 31 March 2022.
- 6.2. 440 claims have been received for 2022/2023, with an estimated value of £0.948 million.
- 6.3. The number of claims received for 2021/2022 was 362, and the estimated settlement value of these claims was £0.821 million. The 2022/2023 figures represent a 22 per cent increase in claims numbers and a 15 per cent increase in claims costs.
- 6.4. There has been an increase of 46 claims for Community and Enterprise Resources and 33 for Housing and Technical Resources. These increases are as a result of more

winter related property damage claims and water damage claims being received from members of the public.

- 6.5. The most significant reduction in estimated claims costs is in Community and Enterprise Resources, with a fall of £0.115 million. Social Work Resources has seen an increase of £0.093 million in estimated claim costs, Housing and Technical Resources an increase of £0.081 million, and Education Resources an increase of £0.054 million.
- 6.6. It is anticipated that overall value of outstanding claims will reduce as further claims are repudiated and closed off.
- 6.7. A further breakdown of public liability claims numbers and costs specifically for Roads and for other services within Community and Enterprise Resources is contained within Appendix 3.

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 2022/2023 and makes comparisons against the position reported for 2021/2022 as at 31 March 2022.
- 7.2. 395 claims have been received for 2022/2023, with an estimated value of £0.629 million.
- 7.3. At the same time last year, 391 motor claims had been received for incidents during 2021/2022, with an estimated settlement value of £0.591 million. This equates to a one per cent increase in numbers and a seven per cent increase in costs. The cost increase is at least in part, due to the rising costs of vehicle parts and repairs.
- 7.4. "At fault" incidents continue to be monitored. Table 1 compares the number and cost of "at fault" incidents for the last 5 years.

Table 1 – 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
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
2022/2023	1,863	200	£471,263	0.11	£2,356

- 7.5. The number of "at fault" incidents has worsened, with 11 more incidents during 2022/2023, when compared to the previous year. At the same time, however, vehicle numbers on the Council's fleet have increased by 29.
- 7.6. With 0.11 "at fault" incidents per vehicle for 2022/2023, this is above the average for the 4 previous years (0.10).
- 7.7. Following the roll out of a Challenging Driver Behaviour training programme for managers last year, it is hoped that the same course will be available for drivers later this year.

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 2022/2023 and makes comparisons against the status reported for 2021/2022 as at 31 March 2022.
- 8.2. 44 claims have been received for 2022/2023, with an estimated self insured value of £0.879 million.
- 8.3. The overall number of claims intimated for 2022/2023 has reduced by 25 from the previous year. This equates to a 36 per cent reduction and 44 is the lowest number of claims received in the last 5 years. The value of estimated claims intimated during 2022/2023 at £0.897 million is an increase of £0.068 million for 2021/2022.
- 8.4. The reason for the increase is due to the escape of water/burst pipes claim. Prior to Christmas last year, after a period of very cold weather followed by a sudden thaw, an exceptional number of burst pipes occurred in council properties. A large number of council houses suffered damage from the escape of water, with much lower numbers of education and general services properties affected.
- 8.5. The overall value of the escape of water/burst pipes claim for all affected properties is £2.500 million. In line with the current uninsured excess for escape of water on the council's property insurance policy, the first £0.500 million will require to be paid from the Self Insurance Fund, with the property Insurers picking up costs above that level.
- 8.6. The number of house fires resulting in insurance claims has reduced by 15, from 28 incidents in 2021/2022 to 13 in 2022/2023. Costs over this period have reduced by £0.212 million, from £0.542 million in 2021/2022 to £0.330 million in 2022/2023.
- 8.7. With exception to the escape of water/burst pipes claim, the property claims position for last year is a positive one.

9. Insurance hotspots

- 9.1. The following areas of work have been progressed over the last year to mitigate insurance hotspots.

Property

- ◆ A property insurer survey programme has been undertaken the Council's insurers. A report was subsequently prepared detailing a number of actions to address fire and security risks.
- ◆ Continued awareness raising and advice for tenants in respect of council house fires, via the Housing News and social media.
- ◆ Awareness raising for tenants on how to avoid burst pipes and the importance of tenants contents insurance.
- ◆ Ongoing work of Security Co-Ordinator, undertaking surveys and identification of measures to improve security of Council properties, vehicles and assets.

Motor

- ◆ Ongoing development 'Challenging Driver Behaviour' learn on line course for drivers.
- ◆ Continued fact-finding investigations into accidents.

Combined Liability

- ◆ Health and safety/training review has been undertaken by the council's claims handlers, Gallagher Bassett.

- ◆ Roads and Transportation Services have an ongoing trial of AI technology associated with managing the roads network.

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 2022/2023 have an estimated self-insured cost of £2.475 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 is currently only one claim that occurred during 2022/2023 with an estimated above the Council's uninsured excess limits. That is the escape of water/burst pipes claim. Therefore, based on claims intimated to date for incidents which occurred during 2022/2023, it is forecast that insurers will pay out an estimated £2 million for the escape of water/burst pipes claim. This is over and above the self-insured costs of £2.475 million.

11.3. During 2022/2023, a total of £1.857 million was paid out by the Council on all claims, irrespective of their incident date. For claims which occurred between 1 April 2022 and 31 March 2023, £0.179 million was paid out by the council. These costs include claims payments and other associated costs.

11.4. The total cost of loss for 2022/2023 was £4.546 million. This covers self insured claims costs, insurance premiums, and other costs for contracted insurance services. For 2021/2022 the total cost of loss was £4.396 million.

11.5. The balance in the insurance fund will require to be closely monitored to ensure adequate funds are available to meet known liabilities. This will be particularly important, given the increased level of self-insured risk taken for liability claims from 1 April 2022, with policy now carrying a £0.500 million 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)

4 August 2023

Link(s) to Council Values/Priorities/Outcomes

- ◆ Accountable, effective, efficient and transparent

Previous References

- ◆ Risk and Audit Scrutiny Committee – 2021/2022 Year End Insured Risks – 27 September 2022

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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Appendix 1

Full year claims numbers and values by Resource as at 31 March 2023.

All claim types

Number of claims	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Community and Enterprise	585	634	518	512	478
Education	41	32	22	37	18
Finance and Corporate	0	2	2	1	1
Housing and Technical	406	393	260	292	276
Social Work	81	67	85	100	106
Total	1,113	1,128	887	942	879
Reported at individual year end	1,031	996	768	822	

Cost of claims	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Community and Enterprise	£816,023	£1,227,903	£731,855	£1,067,519	£785,418
Education	£129,148	£70,674	£184,137	£149,416	£128,098
Finance and Corporate	£0	£50	£0	£8,000	£13,050
Housing and Technical	£644,645	£1,355,073	£725,745	£1,282,907	£1,335,302
Social Work	£318,808	£172,404	£354,470	£197,388	£213,121
Total	£1,908,625	£2,826,104	£1,996,206	£2,705,229	£2,474,988
Reported at individual year end	£2,113,302	£1,946,633	£2,009,739	£2,241,620	

Combined Liability

Number of claims	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Community and Enterprise	323	400	306	276	278
Education	24	17	11	23	9
Finance and Corporate	0	1	2	1	1
Housing and Technical	227	227	165	163	143
Social Work	15	11	12	7	9
Total	589	656	496	470	440

Cost of claims	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Community and Enterprise	£480,504	£898,664	£359,075	£349,002	£413,682
Education	£109,406	£66,966	£146,239	£144,114	£109,178
Finance and Corporate	£0	£50	£0	£8,000	£13,050
Housing and Technical	£138,385	£605,375	£370,930	£488,827	£318,637
Social Work	£99,268	£139,225	£295,258	£124,045	£93,652
Total	£827,563	£1,710,280	£1,171,502	£1,113,988	£948,199

Motor

Number of claims	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Community and Enterprise	225	202	189	213	186
Education	6	6	1	2	6
Finance and Corporate	0	1	0	0	0
Housing and Technical	138	121	56	94	112
Social Work	65	54	63	84	91
Total	434	384	309	393	395

Cost of claims	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Community and Enterprise	£311,081	£294,299	£310,231	£502,413	£340,086
Education	£7,364	£365	£1,163	£1,297	£3,237
Finance and Corporate	£0	£0	£0	£0	£0
Housing and Technical	£95,496	£188,106	£87,594	£135,689	£168,507
Social Work	£216,480	£33,179	£58,152	£65,965	£117,668
Total	£630,421	£515,948	£457,140	£705,363	£629,497

Property

Number of claims	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Community and Enterprise	37	32	23	23	14
Education	11	9	10	2	3
Finance and Corporate	0	0	0	0	0
Housing and Technical	41	45	39	35	21
Social Work	1	2	10	9	6
Total	90	88	82	69	44

Cost of claims	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023
Community and Enterprise	£24,438	£34,941	£62,548	£216,104	£31,650
Education	£12,379	£3,343	£36,734	£4,005	£15,683
Finance and Corporate	£0	£0	£0	£0	£0
Housing and Technical	£410,764	£561,592	£267,221	£658,391	£848,158
Social Work	£3,061	£0	£1,060	£7,378	£1,802
Total	£450,642	£599,876	£367,563	£885,878	£897,293

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	2021/2022 as at 31 March 2022	2022/2023 as at 31 March 2023	Difference	Difference Percentage
Community and Enterprise	466	478	12	3%
Education	22	18	-4	-18%
Finance and Corporate	0	1	1	100%
Housing and Technical	239	276	37	15%
Social Work	95	106	11	12%
Total	822	879	57	7%

Cost of claims	2021/2022 as at 31 March 2022	2022/2023 as at 31 March 2023	Difference	Difference Percentage
Community and Enterprise	£1,153,874	£785,418	£-368,456	-32%
Education	£60,329	£128,098	£67,769	112%
Finance and Corporate	£0	£13,050	£13,050	100%
Housing and Technical	£944,938	£1,335,302	£390,364	41%
Social Work	£82,480	£213,121	£130,641	158%
Total	£2,241,620	£2,474,988	£233,368	10%

Combined liability

Number of claims	2021/2022 as at 31 March 2022	2022/2023 as at 31 March 2023	Difference	Difference Percentage
Community and Enterprise	232	278	46	20%
Education	18	9	-9	-50%
Finance and Corporate	0	1	1	100%
Housing and Technical	110	143	33	30%
Social Work	2	9	7	350%
Total	362	440	78	22%

Cost of claims	2021/2022 as at 31 March 2022	2022/2023 as at 31 March 2023	Difference	Difference Percentage
Community and Enterprise	£528,971	£413,682	£-115,289	-22%
Education	£55,027	£109,178	£54,151	98%
Finance and Corporate	£0	£13,050	£13,050	-
Housing and Technical	£236,695	£318,637	£81,942	35%
Social Work	£545	£93,652	£93,107	-
Total	£821,238	£948,199	£126,961	15%

Motor

Number of claims	2021/2022 as at 31 March 2022	2022/2023 as at 31 March 2023	Difference	Difference Percentage
Community and Enterprise	211	186	-25	-12%
Education	2	6	4	200%
Finance and Corporate	0	0	0	0%
Housing and Technical	94	112	18	19%
Social Work	84	91	7	8%
Total	391	395	4	1%

Cost of claims	2021/2022 as at 31 March 2022	2022/2023 as at 31 March 2023	Difference	Difference Percentage
Community and Enterprise	£413,196	£340,086	-£73,110	-18%
Education	£1,297	£3,237	£1,940	150%
Finance and Corporate	£0	£0	£0	0%
Housing and Technical	£101,838	£168,507	£66,669	65%
Social Work	£74,557	£117,668	£43,111	58%
Total	£590,888	£629,497	£38,609	7%

Property

Number of claims	2021/2022 as at 31 March 2022	2022/2023 as at 31 March 2023	Difference	Difference Percentage
Community and Enterprise	23	14	-9	-39%
Education	2	3	1	50%
Finance and Corporate	0	0	0	0%
Housing and Technical	35	21	-14	-40%
Social Work	9	6	-3	-33%
Total	69	44	-25	-36%

Cost of claims	2021/2022 as at 31 March 2022	2022/2023 as at 31 March 2023	Difference	Difference Percentage
Community and Enterprise	£211,707	£31,650	-£180,057	-85%
Education	£4,005	£15,683	£11,678	74%
Finance and Corporate	£0	£0	£0	0%
Housing and Technical	£606,405	£848,158	£241,753	40%
Social Work	£7,378	£1,802	-£5,576	-76%
Total	£829,495	£897,293	£67,798	8%

Appendix 3

Public Liability – Community and Enterprise Resources Roads and other claims

Number of claims

	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	Total
Roads claims - injury	74	79	70	57	32	312
Community and Enterprise Resources other - injury	13	10	8	9	7	47
Roads claims – property damage	181	252	179	160	197	969
Community and Enterprise Resources other – property damage	47	49	38	45	36	215
Total	315	390	295	271	272	1,543

Cost of claims

	2018/2019	2019/2020	2020/2021	2021/2022	2022/2023	Total
Roads claims - injury	£106,411	£610,346	£236,999	£228,534	£209,733	£1,392,023
Community and Enterprise Resources other - injury	£39,275	£32,658	£15,759	£28,875	£41,117	£157,683
Roads claims – property damage	£19,835	£28,265	£55,553	£29,247	£74,454	£207,353
Community and Enterprise Resources other – property damage	£9,070	£11,827	£7,167	£4,277	£21,232	£53,573
Total	£174,590	£683,096	£315,478	£290,933	£346,536	£1,810,633

*note number and cost of these public liability claims are also contained in appendix One.