

Report

Report to:	Risk and Audit Scrutiny Committee
Date of Meeting:	15 September 2021
Report by:	Executive Director (Finance and Corporate Resources)

Subject:	2020/2021 Year End Insured Risks Report
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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 2021 is noted; and
- (2) that ongoing work to identify and mitigate insurance hotspots is noted.

3. Background

3.1. The Council has in place insurance policies for employers' liability, public liability, motor, property and other miscellaneous risks.

3.2. The public liability (PL) 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. The current self-insured excess for this policy is £0.250m.

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 £0.150m.

3.4. The Council's employer's liability (EL) policy covers employee injury, disease and death, where the council is deemed to be negligent. The current self-insured excess for this policy is £0.250million.

3.5. The property insurance policy covers damage/loss to Council buildings and assets. The current self-insured excess for this policy is £0.100m.

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 EL and PL 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 10 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 overall downward trend in claims numbers, with 2020/2021 being the lowest number of claims received during the last five years. Claims costs have fluctuated over the last 5 years. On average, over that period, the self-insured cost of claims per annum is £1.947m, with 2020/2021 costs slightly above average at £2.010m.
- 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 2019/2020 as at 31 March 2020 against incidents reported in 2020/2021, as at 31 March 2021. 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 2020/2021 is 768. This is a reduction of 228 claims (22.9 per cent) on the numbers reported last year for 2019/2020.
- 5.2. The number of claims received for 2020/2021 is substantially below the average for the last five years (1,010). This reflects the reduction in Council operations in the early part of last year when the first lockdown came into effect as a result of the pandemic.
- 5.3. The total self-insured estimated cost of claims for 2020/2021 is £2.010m. At the same time last year estimated claims costs for 2019/2020 was £1.947m. This is an increase of £0.063m (3.2 per cent), which is a result of the estimated cost of public liability claims increasing, with the position being offset slightly by reduced estimated costs for property and motor claims.
- 5.4. Based upon Appendix 2, sections 6 to 10 details some of the key findings from the analysis of 2020/2021 claims.

6. Public liability claims

- 6.1. 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. The following sections detail the current position for 2020/2021 and makes comparisons against the position reported for 2019/2020 as at 31 March 2020.
- 6.2. 373 claims have been received for 2020/2021, with an estimated value of £0.902m.
- 6.3. The number of claims received for 2019/2020 was 518, and the estimated settlement value of these claims was £0.662m. The 2020/2021 figures represent a 28 per cent decrease in claims numbers but a 36 per cent increase in claims costs.
- 6.4. The main area where a decrease in claim numbers has been seen is in Community and Enterprise Resources where 82 fewer claims have been received, and Housing and Technical Resources saw a reduction of 55 claims.
- 6.5. Whilst there has been a large reduction in claim numbers, the main area where increased claims costs have been seen is in Community and Enterprise Resources where an additional £0.262m estimated claim costs has been seen.

- 6.6. The main reason for the increase in Community and Enterprise Resources is that there has been a rise in injury claims.
- 6.7. It is anticipated that overall value of outstanding claims will reduce as further claims are repudiated and closed off.

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 2020/2021 and makes comparisons against the position reported for 2019/2020 as at 31 March 2020.
- 7.2. 303 claims have been received for 2020/2021, with an estimated value of £0.525m.
- 7.3. At the same time last year, 381 motor claims had been received for incidents during 2019/2020, with an estimated settlement value of £0.568m. This equates to a 20 per cent reduction in numbers and an 8 per cent reduction in costs.
- 7.4. The Driver Safety Group set a target of a five per cent reduction in the number of "at fault" incidents per vehicle, when compared to the average for the three previous years. Table Two compares the number and cost of "at fault" incidents for the last five years.

Table Two – 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
2016/2017	1,644	182	£324,152	0.11	£1,781
2017/2018	1,697	183	£341,220	0.11	£1,865
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

- 7.5. The number of "at fault" incidents has improved on the previous year, with 18 fewer, when compared to the previous year. With 127 "at fault" incidents having occurred during 2020/2021, this is the lowest level reported over the last five years. This reduction is at least in part due to fewer driving operations taking place as a result of the pandemic.
- 7.6. The number of "at fault" incidents per vehicle for 2020/2021 has reduced from 0.09 to 0.07. This is a 36 per cent reduction compared to the average for the previous three years, at 0.11 incidents per vehicle. The target of a 5 per cent improvement has, therefore, been exceeded. The average value of at fault incidents has increased by £48 on the previous year.
- 7.7. Updated driving at work guidance and other measures to enhance current occupational road risk arrangements were issued last year and a Changing Driver Behaviour training programme has now been developed by Employee Development. This will be rolled out to Council drivers in due course.

8. Employer's liability claims

- 8.1. The Council's employer's liability policy covers employee injury, disease and death, where the Council is deemed to be negligent. The following sections detail the current position for 2020/2021 and makes comparisons against the position reported for 2019/2020 as at 31 March 2020.
- 8.2. 15 claims have been received for 2020/2021, with an estimated value of £0.192m.
- 8.3. At the same time last year, the same number of claims, 18, had been received for 2019/2020 with an estimated value of £0.189m. A reduction in numbers has been seen, with a slight rise in estimated costs.

9. Property claims

- 9.1. The property insurance policy covers damage/loss to council buildings and assets. The following sections detail the current position for 2020/2021 and makes comparisons against the position reported for 2019/2020 as at 31 March 2020.
- 9.2. 77 claims have been received for 2020/2021, with an estimated value of £0.391m.
- 9.3. The overall number of claims intimated for 2020/2021 has reduced by 2 from the previous year. This equates to a three per cent reduction. The value of claims intimated during 2019/2020 was £0.527m, which represents an overall 26 per cent decrease.
- 9.4. The main cause of property claims during 2020/2021 continues to be fires, with 30 claims reported.
- 9.5. Overall the number of house fires resulting in insurance claims has decreased by 5, from 35 incidents in 2019/2020 to 30 in 2020/2021.

10. Insurance hotspots

- 10.1. The Council's insurers have been approached and asked to carry out an analysis of our claims experience for the last five years for PL, EL, motor and property claims, with a view to identifying areas where a number of similar types of claim or high value claims were originating, through claims leakage reports.
- 10.2. These reviews will be completed over the course of the coming months with action plans agreed with Resources to mitigate against hotspot areas.

11. Employee Implications

- 11.1. Time and effort will continue to be required by Resource personnel to implement initiatives to mitigate insurance hotspots.

12. Financial Implications

- 12.1. Claims received to date, for incidents which occurred during 2020/2021 have an estimated self-insured cost of £2.010m. It is reasonable to expect this value to increase due to incidents that have taken place but claims have not yet been received.
- 12.2. There are currently no 2020/2021 claims that have estimated reserves which are likely to breach the Council's uninsured excess limits. Therefore, based on claims intimated to date for incidents which occurred during 2020/2021, it is forecast that the current estimated cost of claims of £2.010m will require to be met fully from the Council's self-insurance fund.

- 12.3. During 2020/2021, a total of £1.152m was paid out by the Council on all claims, irrespective of their incident date. For claims which occurred between 1 April 2020 and 31 March 2021, £0.111m was paid out by the Council. These costs include claims payments and other associated costs.
- 12.4. The total cost of loss for 2020/2021 was £3.888m. This covers claims costs, insurance premiums, and other costs for contracted insurance services. For 2019/2020 the total cost of loss was £3.494m.
- 12.5. As at 31 March 2021, the balance in the insurance fund was £2.304m with current contributions from Resources at £2.672m per annum.
- 12.6. The balance in the insurance fund is reducing year on year and will require to be closely monitored to ensure adequate funds are available to meet known liabilities.
- 12.7. The next Actuarial Review of the Council's insurance fund is due to be undertaken as at 31 March 2021. The outcome of this review will be reported to the Committee in due course.

13. Climate Change, Sustainability and Environmental Implications

- 13.1. There are no implications for climate change, sustainability or the environment in terms of the information contained in this report.

14. Other Implications

- 14.1. 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'.
- 14.2. 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.

15. Equality Impact Assessment and Consultation Arrangements

- 15.1. There is no requirement to carry out an impact assessment in terms of the proposals contained within this report.
- 15.2. Consultation has taken place with Resource risk representatives.

Paul Manning

Executive Director (Finance and Corporate Resources)

16 August 2021

Link(s) to Council Values/Ambitions/Objectives

- ◆ Values: Accountable, Effective, Efficient and Transparent

Previous References

- ◆ Report to RASC – 2019/2020 Year End Insured Risks - 31 September 2020

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 2021.

All claim types

Number of claims	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Community and Enterprise	524	768	580	627	461
Education	36	35	40	31	17
Finance and Corporate	5	4	0	2	1
Housing and Technical	479	470	404	377	213
Social Work	84	70	80	64	76
Total	1,128	1,347	1,104	1,101	768
Reported at individual year end*	1,001	1,252	1,031	996	768

Cost of claims	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Community and Enterprise	£964,123	£1,181,923	£790,695	£698,510	£1,151,144
Education	£205,389	£129,666	£127,984	£88,746	£83,529
Finance and Corporate	£445	£5,023	£0	£50	£7,750
Housing and Technical	£481,688	£629,127	£599,561	£1,020,709	£647,504
Social Work	£151,934	£159,244	£249,074	£189,444	£119,812
Total	£1,803,580	£2,104,983	£1,767,315	£1,997,459	£2,009,739
Reported at individual year end*	£1,662,027	£1,962,638	£2,113,302	£1,946,633	£2,009,739

* Reported to CMT at the respective year ends and excludes claims intimated beyond 31 March

Public Liability

Number of claims	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Community and Enterprise	260	471	311	384	249
Education	10	14	13	12	3
Finance and Corporate	0	1	0	1	1
Housing and Technical	241	245	221	204	118
Social Work	4	6	6	4	2
Total	515	737	551	605	373

Cost of claims	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Community and Enterprise	£429,665	£304,353	£158,245	£308,395	£644,083
Education	£14,469	£28,054	£19,029	£38,308	£432
Finance and Corporate	£0	£1,428	£0	£50	£7,750
Housing and Technical	£161,245	£216,756	£137,986	£193,422	£249,250
Social Work	£386	£4,085	£165	£104,847	£135
Total	£605,765	£554,676	£315,426	£645,023	£901,650

Motor

Number of claims	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Community and Enterprise	226	239	225	202	185
Education	9	5	6	6	1
Finance and Corporate	4	1	0	1	0
Housing and Technical	193	167	138	121	54
Social Work	73	56	65	54	63
Total	505	468	434	384	303

Cost of claims	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Community and Enterprise	£234,755	£382,565	£306,095	£270,993	£369,557
Education	£9,046	£2,716	£7,364	£365	£750
Finance and Corporate	£445	£0	£0	£0	£0
Housing and Technical	£142,553	£168,919	£96,745	£195,551	£80,481
Social Work	£94,952	£85,140	£208,668	£32,755	£74,704
Total	£481,752	£639,339	£618,872	£499,664	£525,492

Employer's Liability

Number of claims	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Community and Enterprise	10	15	7	9	5
Education	7	7	10	4	4
Finance and Corporate	0	2	0	0	0
Housing and Technical	4	2	3	7	2
Social Work	5	6	8	4	4
Total	26	32	28	24	15

Cost of claims	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Community and Enterprise	£286,380	£457,662	£301,607	£65,516	£54,793
Education	£128,063	£85,597	£89,213	£35,585	£43,157
Finance and Corporate	£0	£3,595	£0	£0	0
Housing and Technical	£42,027	£26,545	£0	£151,833	£53,000
Social Work	£48,282	£67,838	£37,180	£51,592	£41,093
Total	£504,752	£641,237	£428,000	£304,526	£192,043

Property

Number of claims	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Community and Enterprise	28	43	37	32	22
Education	10	9	11	9	9
Finance and Corporate	1	0	0	0	0
Housing and Technical	41	56	42	45	39
Social Work	2	2	1	2	7
Total	82	110	91	88	77

Cost of claims	2016/2017	2017/2018	2018/2019	2019/2020	2020/2021
Community and Enterprise	£13,322	£37,343	£24,748	£53,605	£82,711
Education	£53,812	£13,300	£12,378	£14,488	£39,190
Finance and Corporate	£0	£0	£0	£0	£0
Housing and Technical	£135,863	£216,907	£364,830	£479,903	£264,773
Social Work	£8,314	£2,181	£3,061	£250	£3,880
Total	£211,311	£269,731	£405,017	£548,246	£390,554

Appendix 2

Comparison of claims costs and numbers for claims occurring during the last two years as at their respective year ends

All claim types

Number of claims	2019/2020 as at 31 March 2020	2020/2021 as at 31 March 2021	Difference	Difference Percentage
Community and Enterprise	562	461	-101	-18%
Education	30	17	-13	-43%
Finance and Corporate	2	1	-1	-50%
Housing and Technical	344	213	-131	-38%
Social Work	58	76	18	31%
Total	996	768	-228	-23%

Cost of claims	2019/2020 as at 31 March 2020	2020/2021 as at 31 March 2021	Difference	Difference Percentage
Community and Enterprise	£807,528	£1,151,144	£343,616	43%
Education	£98,264	£83,529	£14,735	-15%
Finance and Corporate	£50	£7,750	£7,700	15400%
Housing and Technical	£955,160	£647,504	£307,656	-32%
Social Work	£85,641	£119,812	£34,171	40%
Total	£1,946,643.00	£2,009,739.31	£63,096.31	3%

Public liability

Number of claims	2019/2020 as at 31 March 2020	2020/2021 as at 31 March 2021	Difference	Difference Percentage
Community and Enterprise	331	249	-82	-25%
Education	12	3	-9	-75%
Finance and Corporate	1	1	0	0%
Housing and Technical	173	118	-55	-32%
Social Work	1	2	1	100%
Total	518	373	-145	-28%

Cost of claims	2019/2020 as at 31 March 2020	2020/2021 as at 31 March 2021	Difference	Difference Percentage
Community and Enterprise	£382,170	£644,083	£261,913	69%
Education	£50,375	£432	£49,943	-99%
Finance and Corporate	£50	£7,750	£7,700	15400%
Housing and Technical	£229,517	£249,250	£19,733	9%
Social Work	£0	£135	£135	135%
Total	£662,112	£901,650	£239,538	36%

Employer's liability

Number of claims	2019/2020 as at 31 March 2020	2020/2021 as at 31 March 2021	Difference	Difference Percentage
Community and Enterprise	6	5	-1	-17%
Education	3	4	1	33%
Finance and Corporate	0	0	0	0%
Housing and Technical	6	2	-4	-67%
Social Work	3	4	1	33%
Total	18	15	-3	-17%

Cost of claims	2019/2020 as at 31 March 2020	2020/2021 as at 31 March 2021	Difference	Difference Percentage
Community and Enterprise	£58,225	£54,793	-£3,432	-6%
Education	£28,455	£43,157	£14,702	52%
Finance and Corporate	£0	£0	£0	0%
Housing and Technical	£75,116	£53,000	-£22,116	-29%
Social Work	£27,094	£41,093	£13,999	52%
Total	£188,890	£192,043	£3,153	2%

Motor

Number of claims	2019/2020 as at 31 March 2020	2020/2021 as at 31 March 2021	Difference	Difference Percentage
Community and Enterprise	200	185	-15	-8%
Education	6	1	-5	-83%
Finance and Corporate	1	0	-1	-100%
Housing and Technical	121	54	-67	-55%
Social Work	53	63	10	19%
Total	381	303	-78	-20%

Cost of claims	2019/2020 as at 31 March 2020	2020/2021 as at 31 March 2021	Difference	Difference Percentage
Community and Enterprise	£319,570	£369,557	£49,987	16%
Education	£4,895	£750	-£4,145	-85%
Finance and Corporate	£0	£0	£0	0%
Housing and Technical	£185,443	£80,481	-£104,962	-57%
Social Work	£58,547	£74,704	£16,157	28%
Total	£568,455	£525,492	-£42,963	-8%

Property

Number of claims	2019/2020 as at 31 March 2020	2020/2021 as at 31 March 2021	Difference	Difference Percentage
Community and Enterprise	25	22	-3	-12%
Education	9	9	0	0%
Finance and Corporate	0	0	0	0%
Housing and Technical	44	39	-5	-11%
Social Work	1	7	6	600%
Total	79	77	-2	-3%

Cost of claims	2019/2020 as at 31 March 2020	2020/2021 as at 31 March 2021	Difference	Difference Percentage
Community and Enterprise	£47,563	£82,711	£35,148	74%
Education	£14,539	£39,190	£24,651	170%
Finance and Corporate	£0	£0	£0	0%
Housing and Technical	£465,084	£264,773	-£200,311	-43%
Social Work	£0	£3,880	£3,880	0%
Total	£527,186	£390,554	-£136,632	-26%