

Peterborough City Council

Insurance Services Annual Report

2017 / 2018

Introduction

This report documents the Council's approach to managing the insurance requirements for the Council and is presented to Audit Committee in order to discharge its responsibility in "overseeing risk management and corporate governance arrangements" as outlined in its Terms of Reference.

This report seeks to:

- provide an update on insurance activities within Peterborough City Council over the past financial year;
- look at claims received over the past financial year;
- provide a comparison with claims received in previous years and identify trends and the reasons for them;
- set out the proactive risk mitigation work being carried out by the Insurance Team
- forecast likely future risks and the work proposed for the next financial year and beyond

Claims Reviews

Analysis of the Council's claims are reflected below.

Table 1: Claims received over 5 Years (Broken Down By Claim Type: Numbers)					
	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Employers Liability	6	3	5	3	2
Motor	14	15	18	19	12
Other	3	6	3	6	2
Property	43	29	35	27	22
Public Liability	168	134	116	156	147
Total	234	187	177	211	185

Claim numbers were already low in 2013/2014 and have reduced further across each area. Reasons for this are difficult to pinpoint precisely but are likely to include:

- The effects of the Claims Portal. The Portal was introduced in 2010 for Motor claims and extended in 2013 to include Employers Liability (EL) and Public Liability (PL) claims with a value between £1000 and £25,000. Solicitors' costs are fixed in the Portal, which discourages Solicitors from taking anything but straightforward cases with good prospects of success.
- A very efficient Highways service. The Highways Inspectors are currently achieving 100% of their inspections, which means both that the repairs on the network are up to date leading to less claims and also that we have a valid defence to claims submitted.
- Risk management initiatives carried out by the Insurance Team have had an effect on claim numbers. For example, an initiative to provide funding to schools for fencing and CCTV has reduced the numbers of property damage claims. There were 7 school claims in 2017/2018, compared to 44 in 2010/2011, which is an 84% reduction.

Table 2: Claims received over 5 Years (Broken Down By Claim Type: Value in £)					
	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Employers Liability	24,349.58	-	-	15,000.00	20,000.00
Motor	13,396.06	33,700.83	38,449.55	37,844.17	1,390.49
Other	862.95	2,801.99	420.00	625.11	-
Property	99,917.61	53,369.80	80,176.14	46,068.77	66,913.01
Public Liability	177,178.45	177,993.54	128,273.43	401,319.57	435,285.34
Total	315,704.65	267,866.16	247,319.12	500,857.62	523,588.84

- EL claim numbers have been very low over the past 5 years and have in the main been successfully defended. The figures for 2016/2017 and 2017/2018 are outstanding and so will change by completion.
- The Motor figure for 2017/2018 is not representative. Motor claims are handled by insurers rather than the Insurance Team and so the values are only provided by insurers once the claims are completed.
- The 2016/2017 and 2017/2018 figures for PL are not representative. Full reserves are maintained on all claims, even those that have been repudiated, until the claims are closed. There are 25 open claims in 2016/2017 and 51 in 2017/2018. The claims figures will reduce once these claims are closed.

Table 3: Repudiation Rate (%age)					
	2013/2014	2014/2015	2015/2016	2016/2017	2017/2018
Public Liability	88%	88%	94%	92%	92%
Highways	94%	95%	100%	99%	100%

- The Highways repudiation rates are excellent rates based on the proactive works undertaken within the Highways section.
- The majority of claims payments now being made relate to direct damage to walls and fences caused by trees and tree-related subsidence to property. Work is being done to reduce this risk: the entirety of the Council's tree stock has been listed and is regularly inspected and maintained.

Insurance Team Work

The Insurance Team now form part of the wider Audit, Insurance and Investigations Team and provide the following main services:

- Assess the insurance needs of Peterborough City Council and put in place an insurance programme that best reflects these needs, through a mixture of external insurance and use of the Insurance Fund
- Handle all insurance claims pursued against Peterborough City Council up to the insurance deductible and liaise with insurers concerning all claims over the deductible
- Evaluate insurance claims to identify both individual areas of risk mitigation and general risk trends, then implement strategies to reduce these
- Provide insurance services to other bodies, such as schools including academies, Vivacity and the Cambridgeshire and Peterborough Combined Authority

The key issues dealt with by the Insurance Team over the past year are as follows:

- A procurement exercise was undertaken to place the external insurances for the next 3 to 5 years from 1 April 2018. This exercise drew considerable interest from the market place and has resulted in savings of approximately £100k per year from 2018/2019, against the 2017/2018 figures. The greatest savings were made to the Property insurances.
- The insurance programme was reviewed to ensure that all risks were still being appropriately covered by either external insurance or internal funding. Given the Central Government terrorism risk rating of level 4 (severe) and the new Council office building due to complete in July / August 2018, it was felt that Terrorism insurance should be placed back in the portfolio of external insurances. This was approved and was put in place from 1 April 2018.
- A restructure of the team was carried out, reducing personnel from 2.5 FTE to 2.0 FTE, making savings on staffing costs whilst maintaining service levels. This was made possible by new technologies allowing more flexible and efficient working practices, together with the reduction in claims being received. This reduction has been a result of both services being outsourced and risk reduction initiatives leading to fewer claims.
- An external audit of the Insurance Team's claims handling was carried out by Zurich Insurance. A score of 95.47% was achieved, with the areas assessed of Evaluation, Anti-Fraud, Negotiation, Litigation Management and Recoveries all scoring 100%. The Auditors commented on the service *'The overall quality of the claims handling found at Peterborough CC was of a very high standard with evidence of a good customer service being provided. The new claims were set up and acknowledged promptly, and the investigations were proactive on the majority of cases reviewed. All relevant documentation was sought during such investigations and the correct liability decisions were made on all files. Full supporting documentation was provided in respect of any repudiations.'*

The Insurance Fund

Peterborough City Council utilises a mix of external insurance and internal funding of risk to ensure best value – for example Insurance Premium Tax on external insurance is currently 12% and so there is an instant saving on any risks that are at an acceptable level to be carried by the Council internally.

It is important that the Insurance Fund maintains sufficient balances to meet the Council's liabilities, but also that it is not over-funded, when budgets elsewhere are so stretched. For this reason, an Actuarial review of the Insurance Fund is undertaken every three years to ensure the level is as accurate as possible.

The latest review has been carried out this year. The review looks at claims data, 'incurred but not reported' likely levels, the level of funding necessary to account for the self-insured risks, emerging risks and any other factors that might impact upon the Insurance Fund.

The Actuary's report, having reviewed all the above areas, believes that claims levels have dropped significantly and the risks borne by the Insurance Fund have also decreased and so has identified a potential surplus of £1.5m.

Risk Mitigation

The Insurance Team do not only handle insurance claims made against the Council, this data is also analysed to identify the greatest risks and claims trends. Actions are then taken to reduce these risks.

The two main risks faced by Peterborough City Council presently are Highways and tree-related subsidence. The following actions have been taken in connection with these:

- The long dry spell over the summer may lead to a rise in tree-induced subsidence claims against the Council. The Insurance Team have been working with the Natural and Historic Environment Manager to reduce the Council's liabilities for such claims, through targeted tree works in higher-risk areas, better recording of tree stock and inspections, a review of the Tree Management Strategy to take into account subsidence risk and meetings with/seminars for the Tree Team, to aid their understanding of the insurance position.
- The new Well-Managed Highway Infrastructure Code of Practice is due to come into effect from October 2018. The Insurance Team have been working with Highways to prepare for this, including arranging a mock trial for the Highways Inspectors run under the new rules to help them understand this and meetings to discuss the changes necessary with both the Inspectors and the Management Team. Amendments have been made to the Highways records to demonstrate compliance with the new Code.

Working with schools

Schools are not obliged to arrange their insurance through the Local Authority and so for the past 20 years the Insurance Team have been offering the bespoke 'Choice' service, which allows schools to choose from a range of insurances they may need, including specialist schemes for school journeys, Governors and legal expenses, as well as the usual buildings, contents, liabilities and motor covers.

The schools can choose the level of excess they are comfortable with and receive claims handling, insurance advice and risk management support from the Insurance Team. For example, if there is a claim at a school and the investigation shows that risk assessments are either not in place or are not sufficient, this can demonstrate a potential problem with risk management at the school which could lead to future claims, so the Insurance Team will work with the school and on occasion involve the Council's Health & Safety Team to improve the risk assessments, put in place policies to support risk improvement and provide match funding for risk improvement initiatives.

Many schools are now converting to Academy status and so can no longer remain as part of the Council's schools policy. The Insurance Team have therefore been working with our insurers to make an offering to schools on a standalone basis that can rival the Risk Protection Agreement, which allows the school to remain with a commercial insurer and also retain the services of the Insurance Team. Six Academies have remained so far and the scheme will be offered to all future schools when they are looking to convert.

Conclusions / Going Forward

Local authorities need to carefully plan and manage its business. Insurance arrangements and proactive action in place look to mitigate as much as practical the cost to the authority. Steps taken by the Insurance Team has been able to reduce the current cost of insurance (based on current levels).

In addition to the general ongoing work identified earlier, the Insurance Team will be working on the following areas over the next year:

- From February 2019, the Local Authority Trading Company (LATCo) will bring Council services back in-house, including grounds maintenance, bin collections, parks and open spaces, tree services, street cleansing and property maintenance. The Insurance Team will work with the current provider, Amey, to ensure a smooth transfer of the insurance arrangements and will handle claims going forward from that point.
- The Insurance Team is working with Procurement to tender for broker services from November 2018. This will include general broking advice, assistance with the insurance tender every 3 to 5 years and the Actuarial review of the Insurance Fund every 3 years.
- The Insurance Team have been working with insurers to provide a suitable alternative to the RPA for Academy schools when they have to leave the Council's blanket policy and this will be offered to all converting schools going forward.
- Claims handling assistance has been offered to other Local Authorities and this will continue for as long as resources allow.
- Further work will be undertaken with the Natural & Historic Environment Manager to reduce tree-related risks.