

INSURANCE: ANNUAL REPORT 2021 / 2022

1...INTRODUCTION

- 1.1 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.
- 1.2 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

2...INSURANCE TEAM ACTIVITIES

- 2.1 The Insurance Team 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 and Aragon Direct Services
- 2.2 The key issues dealt with by the Insurance Team over the past year are as follows:
- The three yearly actuarial review of the Insurance Fund was undertaken. The Actuaries reviewed the last 10 years of claims data and the movement to and from Reserves, then gave their opinion upon the adequacy of the Fund. The outcome demonstrated the effectiveness and efficiency of the claims handling by the team, as the Actuaries declared a surplus.
 - Unusually heavy rainfall has led to a large number of flooding claims received, both from the public under the PL policy and in respect of PCC's own buildings under the Property policy. The PL claims have been successfully defended, but the 8 property claims have a value of £232,165.

- Since October 2020, there have been three large-scale fires at PCC properties, with a value of £381,573. The properties involved are: Beeches Primary School, Norwood Lane Travellers Site and Bretton Park Pavilion. Each will be reviewed at conclusion to establish what lessons can be learned to prevent it happening again.
- The way subsidence claims are handled has been reviewed in light of the high-profile case of the Oak tree in Bretton and also the new requirements of the Environment Act 2021, which comes into effect in 2022.

3...INSURANCE CLAIMS REVIEW

3.1 Analysis of claims history (by number of claims and value)

3.1.1 PCC Claim Numbers Received Over 5 Years (By Claim Type)

| | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 |
|---------------------|------------|------------|------------|------------|-----------|
| Employers Liability | 4 | 5 | 2 | 3 | 0 |
| Motor | 12 | 13 | 8 | 4 | 5 |
| Other | 3 | 1 | 5 | 0 | 0 |
| Property | 21 | 26 | 12 | 16 | 22 |
| Public Liability | 150 | 136 | 131 | 122 | 68 |
| Total | 190 | 181 | 158 | 145 | 95 |

- **Low claim numbers.** Claim numbers generally are very low for an Authority of this size and have stabilised over the last few years.
- **Low Employers Liability claims.** Employers Liability claim numbers remain particularly low. This is likely to be partially due to the outsourcing of the higher-risk manual operations 8 years ago and partially due to the strong commitment to Health and Safety and risk management across the Council. This will be monitored if services return in-house. Claims arising from services with Aragon are regularly reviewed and these also remain low.
- **Low motor claims.** Motor claims remain low and continue to reduce. Of the 4 claims in 2020/2021, only one was a fault incident. There is not considered to be any need for driver training at present, but this will be monitored and reviewed in future if the statistics deteriorate significantly.
- **Property claims numbers increasing.** Property claim numbers are fluctuating, hitting a low in 2019/20, but subsequently increasing. Water damage has become the most prolific cause of damage over the past year, following extremely heavy rainfall events.
- **Very low Public Liability claims.** PL claims numbers continue to fall year on year. For the past two years, this was considered to be a likely effect of Covid, but there is not

yet any sign of the numbers increasing again. The two most frequent claims types are Highways and tree-related property damage.

3.1.2 PCC Claims values over past 5 years, broken down by claim type

| | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 |
|---------------------|----------------|------------------|----------------|----------------|----------------|
| Employers Liability | 33,132.50 | 24,185 | - | 12,500 | - |
| Motor | 33,623 | 4,939 | 9,979 | 14,301 | 9,593 |
| Other | 308 | 200 | 110,642 | - | - |
| Property | 82,622 | 630,060 | 120,428 | 154,112 | 529,493 |
| Public Liability | 446,226 | 432,179 | 183,574 | 261,673 | 184,497 |
| Total | 595,911 | 1,091,563 | 424,623 | 442,586 | 723,583 |

- **Employers Liability claim numbers have been very low** over the past 5 years and have in the main been successfully defended. There have been no high-value, serious claims in this period.
- **The Motor claims values for 2020/21 and 2021/22 are not representative:** motor claims are handled by insurers rather than the Insurance Team and the values are only provided by insurers once the claims are completed. Therefore, the figures will not be accurate until the insurance year matures.
- **Property claim numbers and values are showing an upwards trend.** A series of exceptionally heavy rainfall events have led to a number of large value flooding claims and there have also been 5 fires in the past year, 3 of them high value. This all has an effect both on the internal Insurance Fund and also our external Property premium.
- **Public Liability claim numbers and values continue to show a downwards trend:** the average claim payment value for 2017/18 was £2974.84, whereas the average value for 2020/21 is £2144.86, which is significantly lower. No new claims streams have come in over the last year and the Council has not received any claims related expressly to Covid so far.

3.1.3 PCC Public Liability repudiation rate

| | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 |
|---------------------|-----------|-----------|-----------|-----------|-----------|
| PL repudiation rate | 77% | 88% | 86% | 93% | 94% |

- The Highways repudiation rates are 100% for 2021/22, 100% for 2020/21, 98% in 2019/18, 98% in 2018/19 and 100% in 2017/18. These are excellent rates, achieved through the Inspectors carrying out 100% of their allocated inspections each month, arranging repairs in accordance with the guidelines laid out in the Council's Network

Management Plan and providing reports to the Insurance Team within the pre-action protocol timescales to allow a defence to be made in each case.

- The majority of claims payments now being made relate to direct damage to walls and fences caused by trees / other vegetation 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. One and two metre wide clearance strips are being carried out to shelterbelts that run along the rear of housing estates where necessary and shrub beds are being cut back where they grow against fences, where possible.

3.2 Aragon Direct claims 2021/2022

| | Grounds Maintenance | Refuse Collection | Passenger Transport | Street Cleaning | Waste Management |
|---|----------------------------|--------------------------|----------------------------|------------------------|-------------------------|
| Public Liability | 14 (11) | 3 (6) | - (-) | 2 (-) | - (-) |
| Motor | 4 (6) | 31 (33) | 11 (2) | 3 (4) | 2 (2) |
| Property | - (1) | - (-) | 1 (-) | - (-) | - (-) |
| Employers Liability | - (-) | - (-) | - (-) | - (-) | - (-) |
| (Figures in brackets represent claims from 2020 / 2021) | | | | | |

- The Grounds Maintenance PL claims in the main involve windows being broken by stones flicked up by trimmers and mowers and all of these have been successfully defended due to the robust processes in place to guard against such incidents. The only two claims paid were where operatives have damaged property directly with their work equipment.
- The Refuse Collection PL claims are all either refuse operatives scraping bins against vehicles, or leaving oil stains when emptying bins. Only one of the latter have resulted in a claim payment. The numbers are low compared to the overall number of bins emptied, but the Insurance Team do recommend that operatives are reminded to take care, as such incidents should be avoidable.
- The Grounds Maintenance motor claims were two fault and two non-fault accidents.
- The Passenger Transport motor claims were 5 fault and 6 non-fault.
- The Refuse Collection motor claims were 26 fault and 5 non-fault. These figures will be discussed at the next Aragon meeting.
- The Waste Management motor claims were both fault accidents.
- It was anticipated that EL claims would come in, however none have as yet. Areas of good practice are discussed at Aragon meetings and we look to maintain this position.

4...RISK MITIGATION

4.1 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. A breakdown of the Public Liability insurance claims received by PCC is as set out below:

| | 2017/2018 | 2018/2019 | 2019/2020 | 2020/2021 | 2021/2022 |
|-----------------------|------------|------------|------------|------------|-----------|
| Highways | 81 | 59 | 57 | 50 | 28 |
| Trees - direct damage | 26 | 15 | 25 | 27 | 20 |
| Trees - subsidence | 17 | 41 | 12 | 6 | 3 |
| Estates | 8 | 3 | 4 | 2 | 2 |
| Parks/CRA Land | 4 | 5 | 1 | 3 | 2 |
| Schools | 3 | 6 | 2 | 2 | 1 |
| Street Lighting | 3 | 3 | 2 | 1 | 1 |
| All Other | 8 | 4 | 28 | 31 | 11 |
| TOTAL | 150 | 136 | 131 | 122 | 68 |

4.2 These figures show that the most claims are received in the areas of Highways and Trees/Subsidence and direct tree damage.

4.3 **The Insurance Risk Mitigation Fund** is used to promote actions or works that will reduce insurance risk and so for this year the Fund has concentrated mostly on Highways and Trees, as below:

- Arboricultural training for Highways Inspectors: the new CIHT Code of Practice (Well-Managed Highway Infrastructure) places higher duties upon Inspectors to identify problems with street trees. This Lantra training demonstrates the Inspectors meet the requirements of the Code, enabling PCC to defend claims.
- Subsidence risk tree felling and replanting schemes: claims data is used to map out subsidence risk 'hot spots' within the city and schemes of targeted felling are carried out to reduce this risk as far as possible. It is difficult to quantify the savings this generates as the outcome is less claims received, or creating the ability to defend claims that do arise, but the average cost of a subsidence claim in the last 3 years is £16,588. The IRMF funding of £25,000 per year will probably prevent at least 10 claims from arising, likely more, so the savings per year this funding generates is at least £140,000 per year.
- In keeping with PCC's agenda for climate risk control and tree canopy cover, replanting schemes are also then carried out to replace the trees removed, either with a more

appropriate species for the location, or in another location where it is too high risk to replant at the original location.

- Whilst low value individually, the number of claims arising from direct damage caused by trees and shrubs is now very high, with the potential to keep rising, so solutions to this are being investigated with the Head of Environmental Partnerships.
- Other areas of risk are also considered where there would be a benefit, for example CCTV in schools.

5... FUTURE RISKS AND WORKSTREAMS

- 5.1.1 It is anticipated that Trees / Subsidence and Highways claims will continue to form the bulk of the claims work carried out by the Team over the next 12 months. Joint working with these Departments to reduce these risks as far as is possible is already well established. The issues raised by the decision to fell the Bretton Oak are being discussed with all relevant Officers to establish whether any changes to the procedure in such cases is required.
- 5.2 The Council is tendering for all insurances for the period 2023/24 onwards and the preparation for this will take up much of the remainder of 2022. The preparation includes carrying out a review of the current insurance programme with the assistance of our brokers, to ensure it best reflects our ongoing and future needs; setting the lot structure to encourage the broadest range of bids from the insurance market; writing the tender document with support from our brokers, setting out in detail what makes PCC an attractive risk and providing claims experience reports to support this; managing the renewal process with assistance from our brokers and internal Procurement team; setting the evaluation criteria to ensure the tender outcome delivers the best insurance package to meet our needs and values.
- 5.3 Further services are either returning to PCC or to Aragon in the coming months, which will generate additional work both to ensure appropriate insurances are in place and in dealing with claims arising from these services going forward.
- 5.4 It was considered likely some time ago that the Whiplash Reform Programme would lead to Solicitors pursuing more unusual types of claim to offset their income loss when the small claims limit is raised, meaning only fixed costs can be recovered by them. The Reforms were delayed in part due to Covid-19, however they are back on the agenda and therefore we are maintaining a watching brief on this. Numbers of claims received from Solicitors for data breaches have increased, which may be the start of this.
- 5.5 The Government's RPA scheme has been extended to include LA maintained schools and therefore our schools will have this additional choice, further to their existing right to insure with any provider of their choosing. It is therefore possible we will lose some schools going forward. We have not lost any schools to date and have carried out additional work to remind the schools of the benefits of remaining with us, alongside the work we are doing to retain Academy schools.

5.6 It is possible the Council may receive Covid-related claims. We will liaise with market experts to establish what may be expected and how best to deal with any that arise. None have been forthcoming so far.

6... EFFECTS OF COVID-19 PANDEMIC ON INSURANCE

6.1 The lockdown commenced in the final month of 2019/20 and therefore there was no significant impact for that financial year. The impact in terms of claims numbers and costs of additional insurances have therefore been considered by analysis of the year 2020/21 and 2021/22.

6.2 Taking the Public Liability claims data of 2017/18 as a base, claim numbers were already declining prior to the pandemic: there were 9% fewer claims in 2018/19 and 13% fewer in 2019/20. However, it is reasonable to say that the pandemic accelerated this decline: in 2020/21 there were 19% fewer claims and in 2021/22 55% fewer. The claims year 2021/22 is not yet complete and further claims may come in, but this is still a significant difference. For 2020/21, the drop off in claims could be partly explained by the lockdowns, as there were fewer people using the highway network or accessing Council services, but this is not the case for 2021/22. Claims figures will continue to be monitored to see if this trend reverses.

6.3 You would expect the number of refuse vehicle motor claims to increase during the pandemic, as many more vehicles were parked on the streets when their owners were at home during lockdown, making it more difficult for the large vehicles to negotiate down narrow roads and indeed the figures increased by 43% from 19/20 to 20/21, but then decreased by 6% from 20/21 to 21/22. The new refuse vehicles all have external cameras, so it is now possible to check whether any damage to parked vehicles was in fact caused by the refuse vehicles. The numbers will be monitored when the claims year is complete.

6.4 The area most affected by the pandemic was school journey claims, which more than doubled from 8 in 17/18 to 18 in 19/20. These have now reduced to 2 in 21/22, as few trips went ahead that year. Providers of this insurance have now all excluded cancellations arising from pandemics.

6.5 There were no additional premium charges arising from the pandemic and claims numbers largely reduced, with the exception of school journeys, so overall the only major impact was to the way of working: the Insurance Team are now for the most part based remotely from the office. This has been made possible by the technology changes put in place by PCC and is working very well. Savings are being made, as nearly all correspondence is now sent via email rather than post.

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