

## INSURANCE: ANNUAL REPORT 2022 / 2023

### 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 of £50,000 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 Peterborough Ltd t/a Aragon Direct Services

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

##### The insurance tender

- The insurance tender exercise was undertaken to put in place all insurances for the next 3 to 5 years. This was split into 5 lots, to allow insurance companies who specialise in one particular area such as Motor, to bid for these individual areas and so achieve greater competition. A sixth lot was also included requesting a package discount, to allow the larger insurers to offer a saving against each individual lot for

having the whole package. This did generate considerable interest, with nine companies responding to the tender across all the lots.

- There was a concern that premiums would increase significantly, due to a number of factors impacting on the insurance market, such as the pandemic, steep inflation, material cost rises in excess of 20% impacting on property and motor insurance, increased reinsurance costs and a generally very hard market. It was anticipated that increases would be in the order of at least 20%.
- However, due to the Council's excellent claims record and the competition generated by the tender, the increase in PCC's premiums was around 7% and Peterborough Ltds less than 2%, which is seen as a real achievement in the current market.
- Once the tender responses were evaluated, the outcome was that all insurances with the exception of Terrorism were awarded to the incumbent insurer, Zurich Municipal, under the package discount lot.

### **Subsidence procedure**

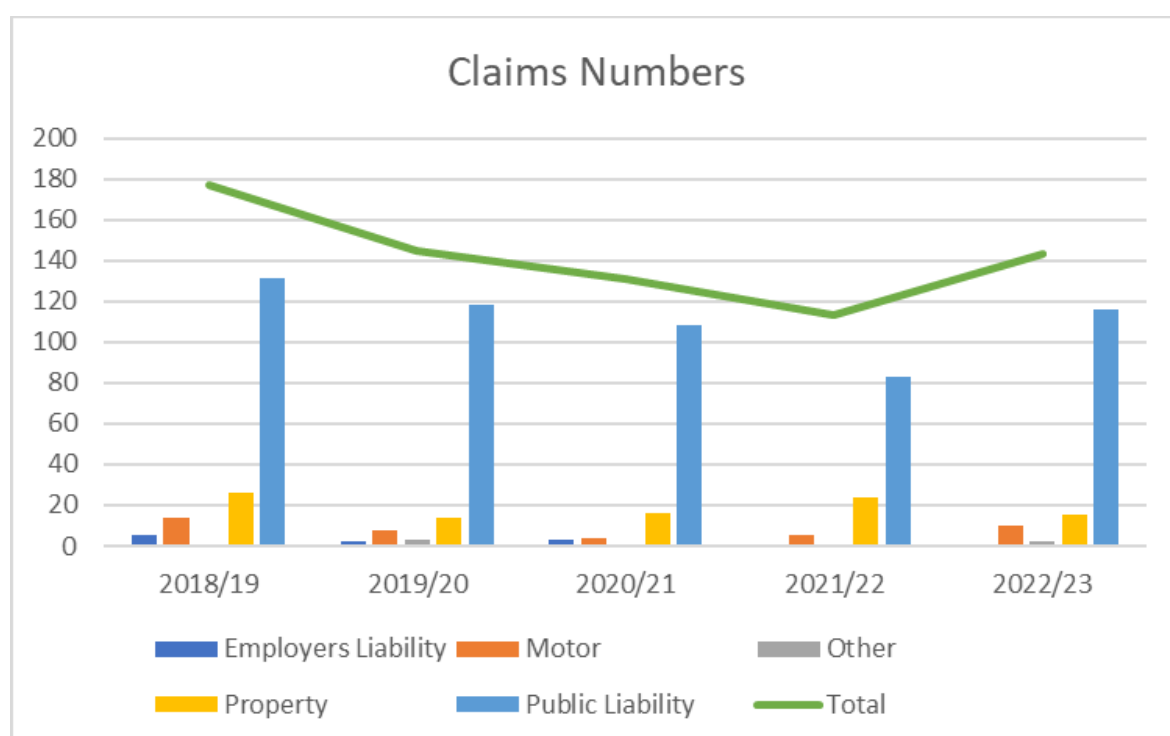
- The way subsidence claims are handled has been reviewed in light of the high-profile case of the Oak tree in Bretton and also the new requirements of the Environment Act 2021, which came into effect in 2022.
- Working with the Natural and Historic Environment Manager, the Insurance Team assisted in the creation of new working practices based on the CAVAT value of trees, to allow closer scrutiny of higher value trees involved in subsidence claims and ensuring a decision is made at Director level before works are carried out on the best specimens or groups of trees. The removal of medium value trees require sign off from the Head of Service and only the lowest value can be removed without any referral process, these being either poor specimens or the wrong tree species for their location.
- The new protocol has been signed off by Scrutiny Committee and is being fully implemented for all subsidence claims.

### 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)

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Employers Liability</b>	5	2	3	0	0
<b>Motor</b>	14	8	4	5	10
<b>Other</b>	1	3	0	1	2
<b>Property</b>	26	14	16	24	15
<b>Public Liability</b>	131	118	108	83	117
<b>Total</b>	<b>177</b>	<b>145</b>	<b>131</b>	<b>113</b>	<b>144</b>

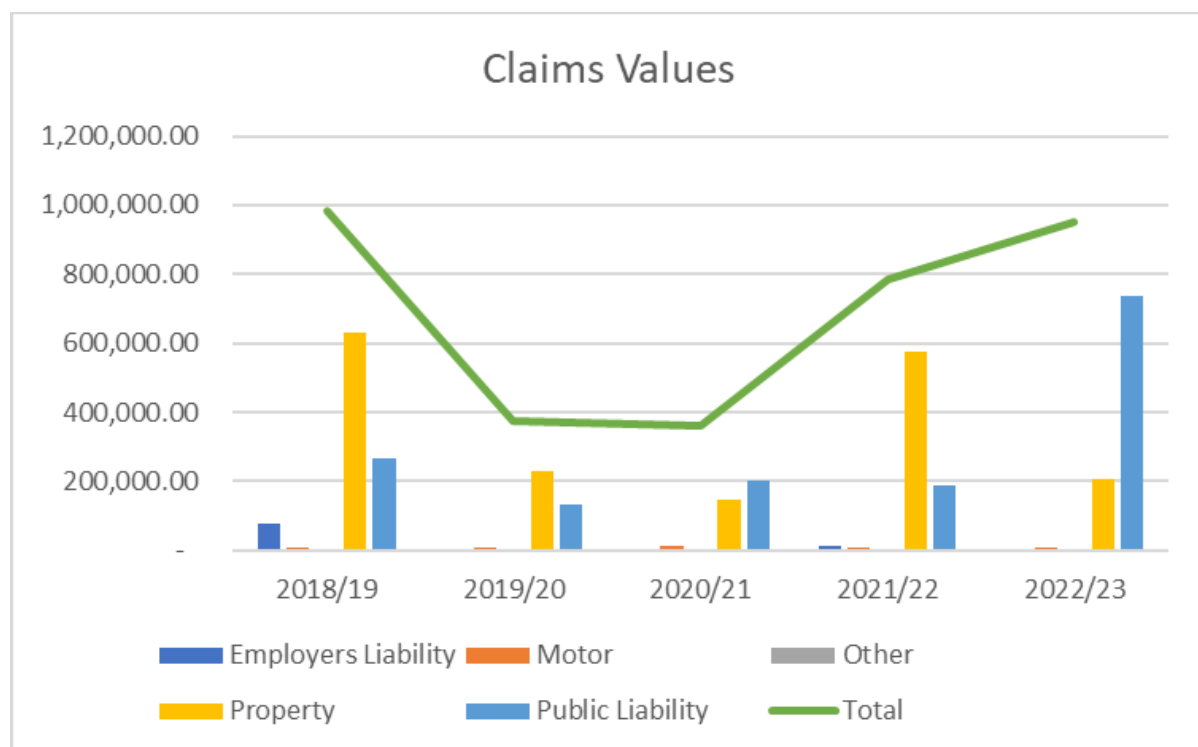


- **Low claim numbers.** Claim numbers generally are very low for an Authority of this size and have stabilised over the last few years.
- **Low Employers Liability claims.** Employers Liability claim numbers remain particularly low. The Council does not undertake many manual operations in-house and this will have had an effect, so too will the Covid pandemic period, when interactions and office working were at a minimum. Claims arising from services with Aragon are regularly reviewed and these also remain low.
- **Low motor claims.** Motor claim numbers remain low but have started to increase from the lowest point in 2020/21 caused by fewer journeys being undertaken during the Covid lockdowns. Of the 10 incidents in 2022/23, three were the fault of PCC drivers.

- **Property claims numbers increasing.** Water damage was the most prolific cause of damage in 2021/22, but there were fewer flooding events in 2022/23, the claims arising through an even spread of causes such as vandalism and break ins/thefts.
- **Very low Public Liability claims.** PL claims numbers have started to increase again, but not significantly. The two most frequent claims types are Highways and tree-related property damage. With the very hot, dry summer last year, it is anticipated that subsidence damage claims will continue to increase.

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

	2018/19	2019/20	2020/21	2021/22	2022/23
<b>Employers Liability</b>	76,102	0	0	12,500	0
<b>Motor</b>	8,534	9,979	14,301	9,748	6,912
<b>Other</b>	200	846	0	200	900
<b>Property</b>	630,060	230,224	146,345	574,777	207,085
<b>Public Liability</b>	267,623	131,964	200,030	189,172	737,863
<b>Total</b>	<b>982,519</b>	<b>373,013</b>	<b>360,676</b>	<b>786,397</b>	<b>952,760</b>

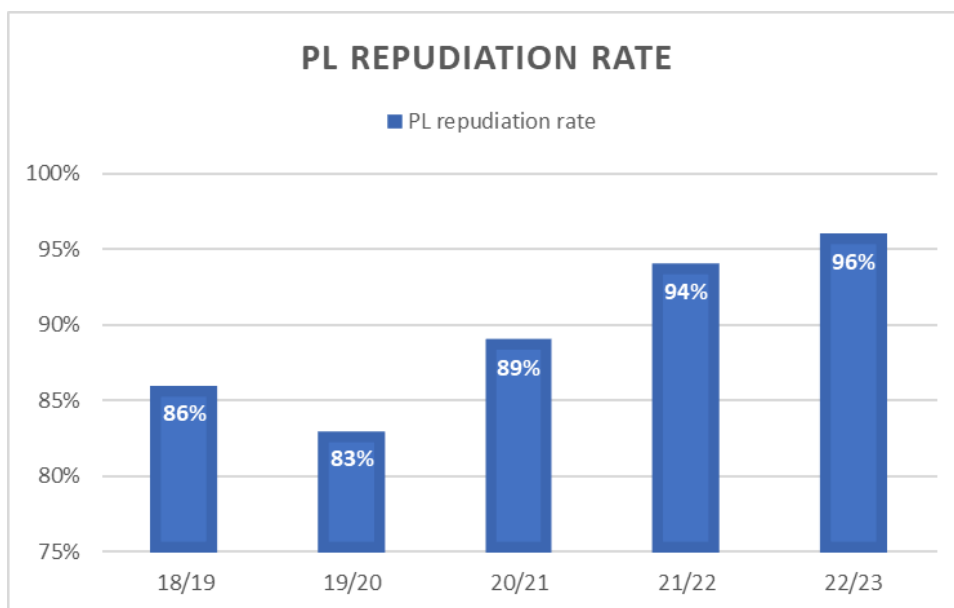


- **Employers Liability claim numbers have been very low** over the past 5 years and have in the main been successfully defended. There has only been one high-value, serious claims in this period.
- **The Motor claims values for 2021/21 and 2022/23 are not representative:** motor claims are handled by 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. However, as can be shown from the figures for 2018/19 to 2020/21, claim values are very low.

- **Property claim numbers and values are fluctuating.** A series of exceptionally heavy rainfall events have led to a number of large value flooding claims in 2021/22 and there were also 5 fire claims in that period. This has not repeated in 2022/23, however there has been a large value escape of water claim in a new build, where it is hoped a full recovery can be made from the developer. The 2022/23 figure should therefore reduce significantly.
- **Public Liability claim numbers and values are starting to increase:** the upturn in 2022/23 is mostly due to a high volume of subsidence claims following the hot, dry summer last year, but also includes one high value claim that we expect to close without payment.

### 3.1.3 PCC Public Liability repudiation rate

	18/19	19/20	20/21	21/22	22/23
<b>PL repudiation rate</b>	86%	83%	89%	94%	96%



- These repudiation rates are strong and continue to improve, demonstrating the Council's commitment to reducing risks to the lowest possible level and ensuring good practice is followed, so that claims do not have to be settled on most occasions.
- 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 catalogued 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.
- The Highways repudiation rates are 100% for 2022/23, 100% for 2021/22, 98% for 2020/21, 96% in 2019/18, and 98% in 2018/19. 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.

3.2 Aragon Direct claims

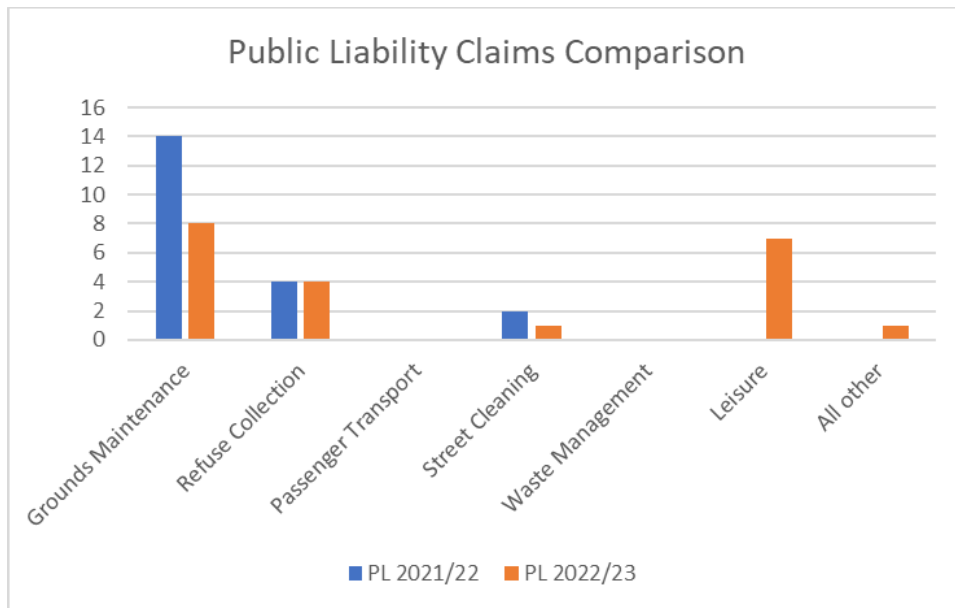
**Claims 2021/22**

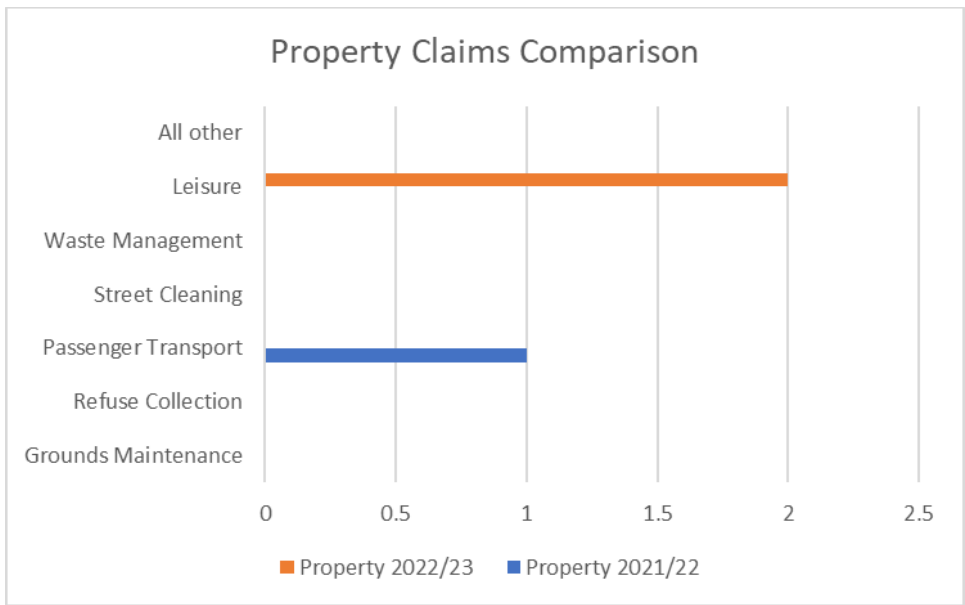
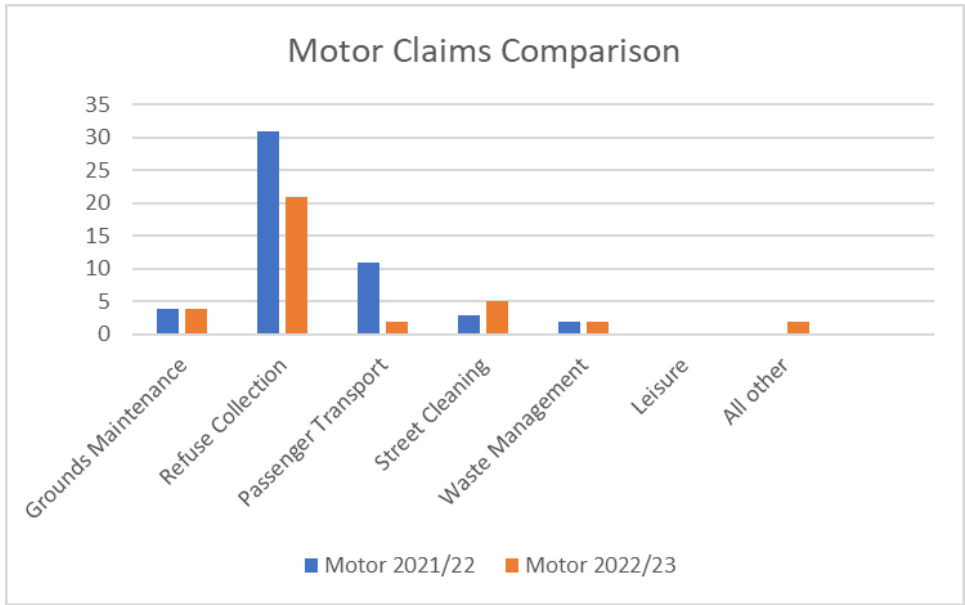
	Grounds Maintenance	Refuse Collection	Passenger Transport	Street Cleaning	Waste Management	Leisure	All Other
<b>Public Liability</b>	14	4	0	2	0	0	0
<b>Motor</b>	4	31	11	3	2	0	0
<b>Property</b>	0	0	1	0	0	0	0
<b>Employers Liability</b>	0	0	0	0	0	1	0

**Claims 2022/23**

	Grounds Maintenance	Refuse Collection	Passenger Transport	Street Cleaning	Waste Management	Leisure	All Other
<b>Public Liability</b>	8	4	0	1	0	7	1
<b>Motor</b>	4	21	2	5	2	0	2
<b>Property</b>	0	0	0	0	0	2	1
<b>Employers Liability</b>	0	0	0	0	0	0	0

Claim number comparisons:





**Public Liability**

- The Grounds Maintenance PL claims in the main involve windows being broken by stones flicked up by strimmers and mowers and all of these have been successfully defended due to the robust processes in place to guard against such incidents. Four claims have been paid, where operatives have damaged property directly with their work equipment.
- The Refuse Collection PL claims are all refuse operatives scraping bins against vehicles. 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.
- Now that Aragon have responsibility for Leisure, these claims are now included in their figures. The PL claims are mostly injuries at swimming pools and gyms, but also disability discrimination, which is a new head of claim.

## Motor

- The Grounds Maintenance motor claims were four fault and four non-fault incidents.
- The Refuse Collection claims were mostly fault accidents, with the majority being colliding with parked vehicles. All the refuse collection vehicles have external cameras fitted now, so that the footage can be reviewed for 'lessons learned' and also to establish if the vehicles did not in fact make contact with parked vehicles, as is sometimes alleged.
- The Passenger Transport motor claims were 3 fault and 3 non-fault.
- The Street Cleansing claims were mostly fault, however claim numbers are very low, given the high number of miles covered by the vehicles over the year.
- The Waste Management motor claims were both fault accidents, but again these numbers are very low.

## Property

- Very few property claims have been received, all three relate to thefts from culture and leisure facilities.

## Employers Liability

- No EL claims have been received for Aragon this year. Areas of good practice are discussed at 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:

	18/19	19/20	20/21	21/22	22/23
Highways	56	57	49	31	59
Trees - direct damage	15	26	24	22	15
Trees - subsidence	41	14	7	5	16
Estates	3	4	2	4	2
Parks/CRA Land	3	1	1	2	3
Schools	6	2	2	1	1
Street Lighting	3	2	1	1	0
All Other	4	10	20	17	15
<b>Total</b>	<b>131</b>	<b>116</b>	<b>106</b>	<b>83</b>	<b>111</b>

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. It also provides additional inspections of street trees between the cyclic inspections carried out by Aragon and so should both help to keep the public safe and prevent personal injury claims arising from whole tree failures and dropped branches.
- Dash Cameras for Highways vehicles to ensure driven inspections are captured and the footage used to defend claims for pot holes on carriageways. The Council lost a claim at Court as the Judge felt the Inspector must have missed the pot hole at the last inspection prior to the incident, resulting in a cost in excess of £16,000. This was an unusually expensive claim, however it does demonstrate the savings that can be achieved through our being able to prove the condition of the road at the time of inspections.
- 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 theoretically at least £140,000 per year. 2022 was a hot dry summer and subsidence claims are already coming in for this period, so it is very important we take all possible action to prevent subsidence where possible and have a means of defending claims where it is not.

- 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 cameras have been placed in Aragon vehicles so that accidents can be reviewed for 'lessons learned' exercises and also to check if contact were actually made with other vehicles, where this is alleged.
- The Fund is also used to obtain legal advice on issues concerned with insurance risk, for example a School raised an issue regarding minibus weights and drivers licences. The legal position was not clear, so a formal advice from specialist Solicitors was obtained and the advice was disseminated to all schools who insure minibuses with us, to ensure they are clear on the legal position.

## **5...FUTURE RISKS AND WORKSTREAMS**

- 5.1 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 Highways Inspection team has seen some turnover of staff in the last year, so training will be provided by the Insurance Team for all new Inspectors. A new subsidence protocol has been put in place following the issues with the Bretton Oak and this is being followed for all claims.
- 5.2 Further services are likely to return to either 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. For example, Property Services, Vivacity, IT and Procurement have all returned so far.
- 5.3 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 and we have also started to receive claims for discrimination.
- 5.4 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.

- 5.5 Broker tender – the Team is presently seeking broking services from September 2023, as the current contract will expire then. We are requesting quotes from the incumbent and two other brokerages, with input from the Procurement team.
- 5.6 Fraudulent claims – the cost of living crisis makes it more likely that fraudulent claims will be presented to the Council, as the ‘motive’ element of Cressey’s fraud triangle (motive – opportunity – rationalisation) increases through financial hardship. The Insurance Team will continue to monitor for red flags and work with Zurich’s fraud team where necessary.

## **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 years 2020/21 and 2021/22 and beyond.
- 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 12% fewer claims in 2018/19 and 23% fewer in 2019/20. However, it is reasonable to say that the pandemic accelerated this decline: in 2020/21 there were 30% fewer claims and in 2021/22, 47% fewer. 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 numbers have now started to increase again, there being 34% more claims in 2022/23 than in 2021/22 and the numbers are getting closer to pre-Covid levels.
- 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 from 4 to 7 between 19/20 and 20/21, but then decreased back to 4 in 2021/22 and decreased further to 3 in 2022/23. These numbers are very low when considering the very high number of streets visited by the refuse fleet. 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.
- 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 reduced to 2 in 21/22, as few trips went ahead that year and no claims were received for the 22/23 year. Providers of this insurance have now all introduced an exclusion for 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. This is also reducing the carbon footprint, as commuting journeys are reduced and correspondence is not printed or sent physically.