

INSURANCE: ANNUAL REPORT 2023 / 2024

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; and
 - forecast likely future risks and the proactive work proposed

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
- 2.2 The key issues dealt with by the Insurance Team over the past year are as follows:
- 2.2.1 **The insurance renewal**
- We are currently in a very hard insurance market due to a number of factors including inflation, material cost rises in excess of 20% impacting on Motor and Property. In addition, a number of services have returned to the Council, including transactional services previously handled by Serco and our IT service. There was accordingly a concern that our premiums might increase significantly.

- Our Property claims have been rising both in numbers and value and it was therefore no surprise that our Property premium increased by 32%. However, this was offset by our very low claims experience over Casualty and we were therefore able to keep the overall premium increase to 24.7%, which is considered to be reasonable.
- Given global concerns over the issue of cyber-attacks, the Council is also looking to obtain a quote for this cover. As it may prove prohibitively expensive, we are also looking for alternative ways to manage this risk, including regular training for all staff.

2.2.2 Subsidence procedure

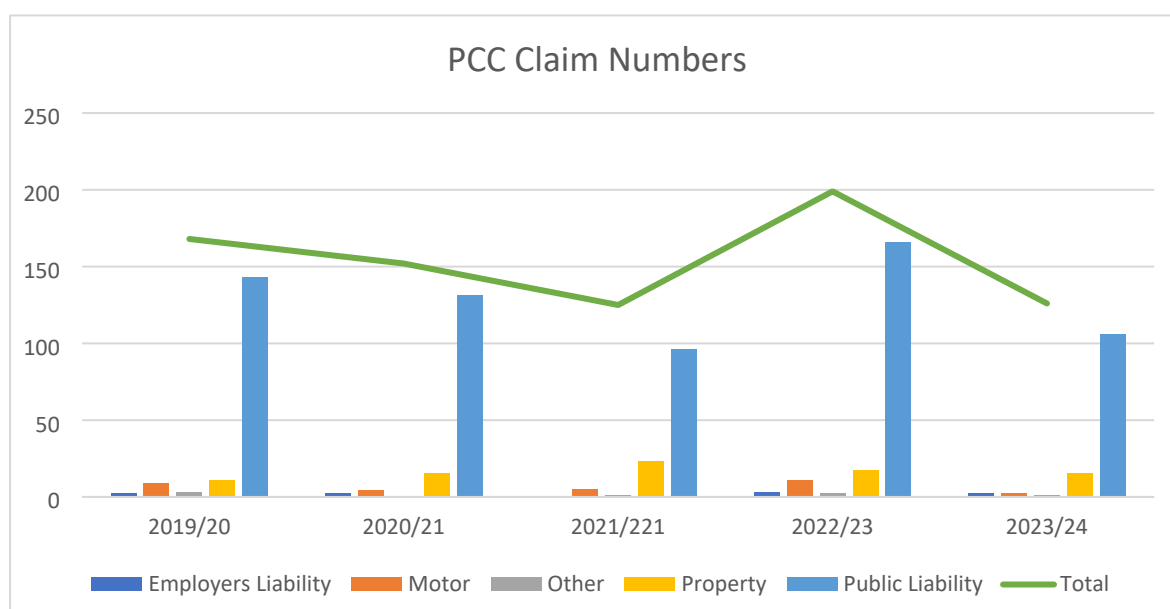
- The way subsidence claims are handled has been reviewed in light of the high-profile case of the Oak tree in Bretton and also the new requirements of the Environment Act 2021, which came into effect in 2022.
- Working with the Natural and Historic Environment Manager, the Insurance Team assisted in 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 now been in place for a year and is working well. There have been two sites where root barriers have been installed rather than removing high value trees and alternatives such as monolithing are being considered where conditions are not suitable for a root barrier. There are still occasions where only felling can meet the Council's legal duty to mitigate the damage being caused to property, but the new system gives clarity and ensures that alternatives are fully explored.

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)

	2019/20	2020/21	2021/22	2022/23	2023/24
Employers Liability	2	2	0	3	2
Motor	9	4	5	11	2
Other	3	0	1	2	1
Property	11	15	23	17	15
Public Liability	143	131	96	167	106
Total (Cases)	168	152	125	200	126

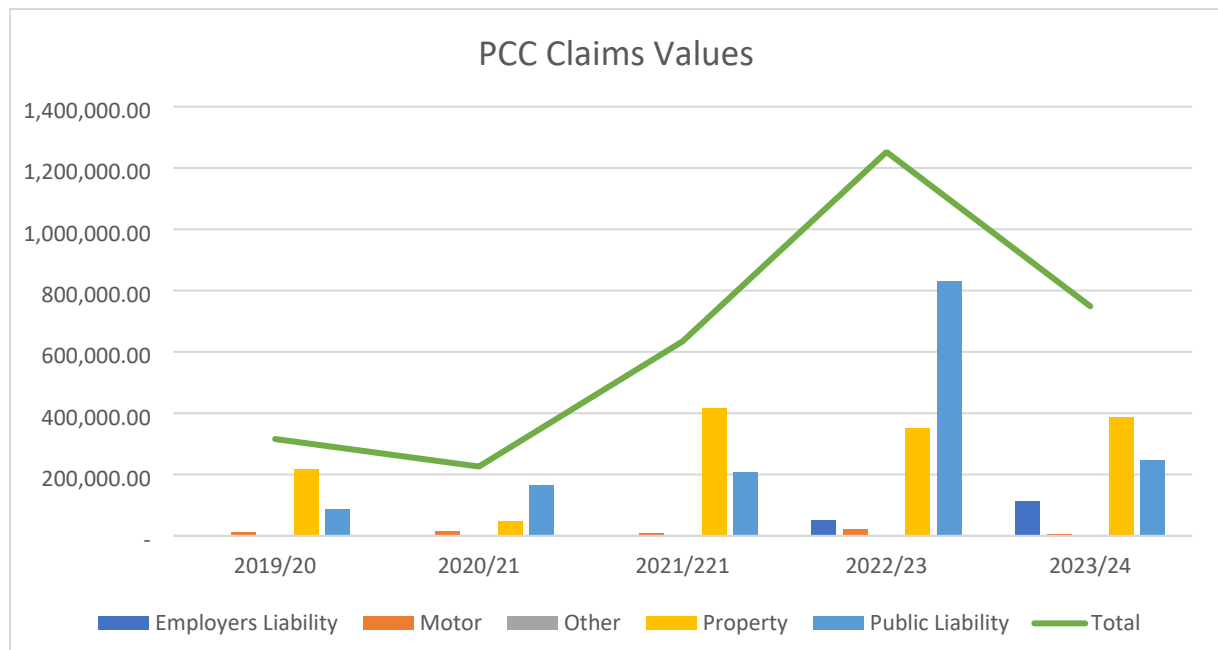


- **Low claim numbers.** Claim numbers generally are very low for an Authority of this size. Figures decreased over the Covid period and are now returning to pre-Covid levels.
- **Low Employers Liability claims.** Employers Liability claim numbers remain particularly low. The Council does not undertake many manual operations in-house and this will have had an effect on claims numbers, so too will the Covid pandemic period, when interactions and office working were at a minimum. However, we are now back to normal office working and numbers remain low.
- **Low motor claims.** Motor claim numbers remain low. The lowest point was in 2020/21, when fewer journeys were being undertaken during the Covid lockdowns and there was a small increase in 2022/23, however numbers reduced again in 2023/24. There were only two claims in 2023/24, one fault and one non-fault.

- **Property claims numbers increasing.** Claim numbers have reduced from the 2021/22 high, but still remain higher than pre-Covid figures.
- **Very low Public Liability claims.** PL claim numbers decreased over the Covid lockdown period and then spiked in 2022/23, but then reduced again in 2023/24. The two most frequent claims types remain Highways and tree-related property damage.

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

	2019/20	2020/21	2021/22	2022/23	2023/24
Employers Liability	0	0	0	51,000	110,988
Motor	9,979	14,301	9,748	20,065	6,100
Other	846	0	200	400	400
Property	218,127	46,345	416,418	350,374	386,315
Public Liability	86,842	165,320	208,239	830,319	244,871
Total (£)	315,793	225,966	634,604	1,252,158	748,673



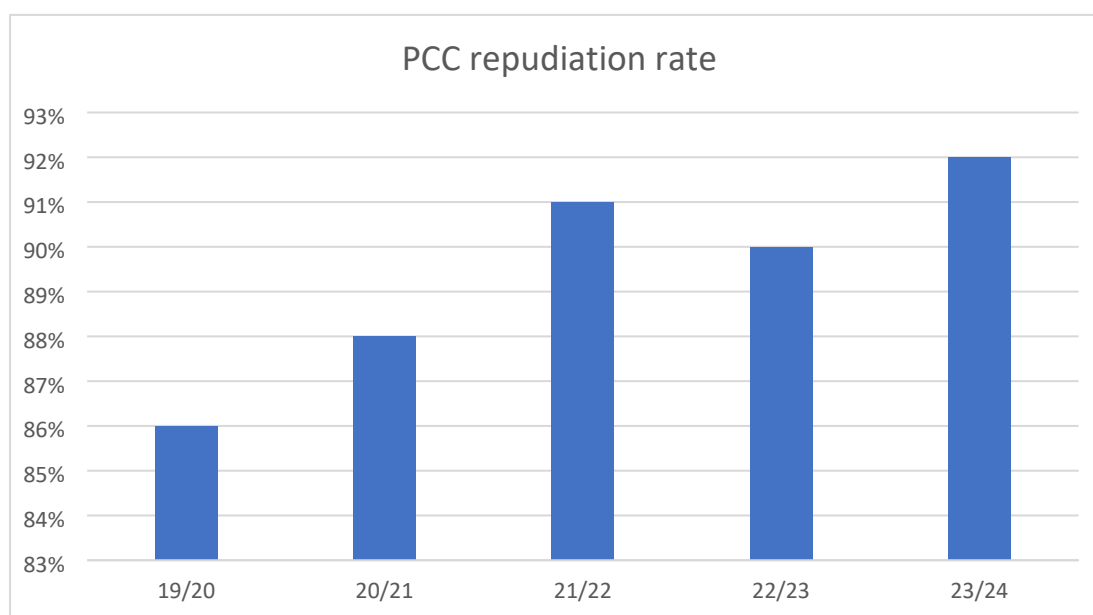
- **Employers Liability claim numbers and values have been very low** over the past 5 years and have in the main been successfully defended. Only one high value claim has been received in this period.
- **The Motor claims values for 2022/23 and 2023/24 are not representative:** motor claims are handled 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 2019/20 to 2021/22, claim values are very low.
- **Property claim numbers and values are increasing.** 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. There are then further high-value water damage claims in 2022/23 and 2023/24. These are being reviewed for lessons learned.

- **Public Liability claim numbers and values are increasing:** the upturn in 2022/23 is mostly due to a high volume of subsidence claims following the hot, dry summer. The figures for 2023/24 show a return to expected values, showing a small overall increase.

3.1.3 PCC Public Liability repudiation rate

	2019/20	2020/21	2021/22	2022/23	2023/24
PL repudiation rate (%)	86%	88%	91%	90%	92%



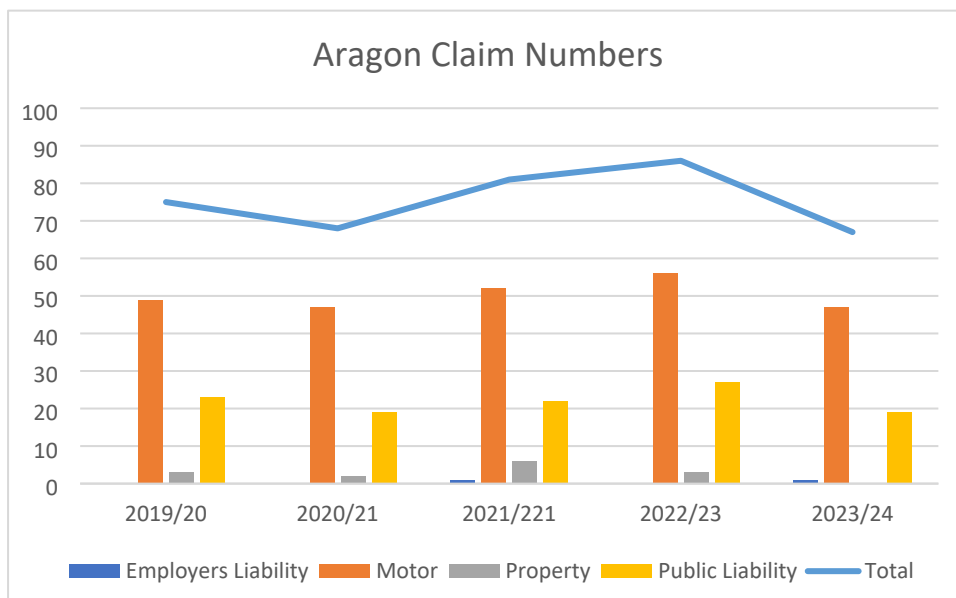
- These repudiation rates are strong and continue to improve, demonstrating the Council's commitment to reducing risks to the lowest possible level and ensuring good practice is followed, so that claims can be defended on most occasions.
- The majority of claims payments now being made relate to direct 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. 1m – 2m 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:
 - 2023/24: 99%
 - 2022/23: 100%
 - 2021/22: 100%
 - 2020/21: 98%
 - 2019/20: 97%.

- 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 almost every case.

3.2 Aragon Direct claims

3.2.1 Aragon Claim Numbers Received Over 5 Years (By Claim Type)

	2019/20	2020/21	2021/221	2022/23	2023/24
Employers Liability	0	0	1	0	1
Motor	49	47	52	56	47
Property	3	2	6	3	0
Public Liability	23	19	22	27	19
Total (Claims)	75	68	81	86	67



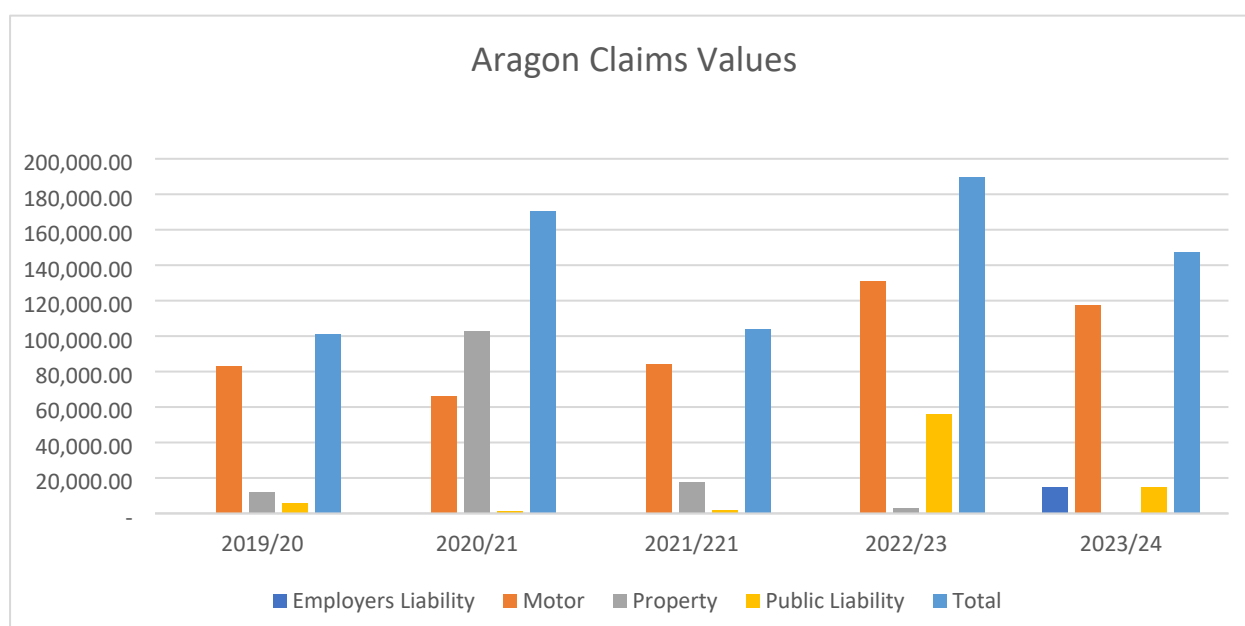
Aragon’s claim numbers are in the main very low with the exception of Motor. The majority of the claims are Refuse (59%) and this is entirely understandable, given the very high number of journeys undertaken and the size of the vehicles.

Aragon already have good policies and procedures in place around the motor fleet, but a piece of work is being undertaken with insurers to review and establish whether anything can be improved.

Employers Liability claims remain extremely low and are a testament to the seriousness with which Health & Safety is taken by Aragon.

3.2.2 Aragon Claims values over past 5 years, broken down by claim type

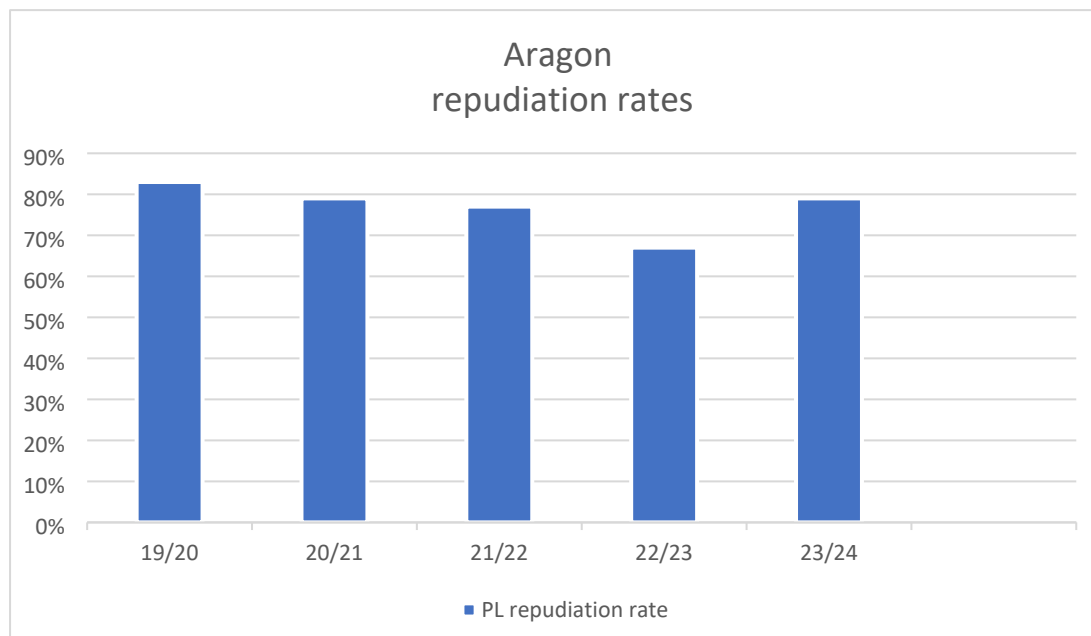
	2019/20	2020/21	2021/221	2022/23	2023/24
Employers Liability	-	-	-	-	15,000
Motor	83,057	66,061	84,092	130,880	117,327
Property	12,097	102,757	17,761	3,049	-
Public Liability	6,023	1,563	1,985	56,036	15,126
Total (£)	101,177	170,381	103,837	187,964	147,453



- The Public Liability claims are in the main (60%) damage to property occurring during strimming and mowing activities, either direct damage or through stones flicked up. The majority of these are successfully defended due to the robust processes in place to reduce this risk to the lowest possible level.
- Motor remains the most frequent and highest value claims line. The percentage of fault accidents over the 5 years averages out at 85.4%. Most claims are low value, but given the frequency of fault accidents, a review of the fleet is being carried out in conjunction with our insurers to identify areas to be worked on and reduce these figures going forward.
- The Property claims are infrequent and mostly low-value. The only exception is an arson attack on a building at Flag Fen in 2020. The rest relate to water-damaged contents, accidental damage and theft.
- Employers Liability claims remain extremely infrequent and low value.

3.2.3 Aragon Public Liability repudiation rate

	2019/20	2020/21	2021/22	2022/23	2023/24
PL repudiation rate (%)	83%	79%	77%	67%	79%



The repudiation rates dipped in 2022/23 and relate mostly to damage to property caused during grounds maintenance work such as mowing and injuries at leisure facilities. The rates then improve in 2023/24 and will be monitored going forward to see if there are any areas of concern.

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:

	2019/20	2020/21	2021/22	2022/23	2023/24
Highways	76	65	35	71	57
Trees - direct damage	25	29	20	21	17
Trees - subsidence	14	9	5	38	7
Estates	4	2	5	2	1
Parks/CRA Land	1	1	2	3	2
Schools	2	2	2	3	3
Street Lighting	2	1	1	0	1
Not PCC	9	6	7	17	8
All Other	10	16	19	11	10
Total (Claims)	143	131	96	166	106

- 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 Trees. We have in the past done a great deal of work with Highways to reduce this risk, including Lantra training for Inspectors and putting dash cameras in their vehicles to record driven inspections and the Highways risk is considered to be as low as we can achieve using this Fund, although further training will be considered in the coming year, as and when necessary.
- 4.4 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, leading to a large increase in 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.
- 4.5 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.
- 4.6 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.
- 4.7 Other areas of risk are also considered where there would be a benefit, for example Aragon's Motor premium has increased by 40% and the reason given by Zurich is the claims experience. Funds are therefore being used to undertake a review of the management of fleet risk by Zurich's specialist team, the outcome of which will be available later this year.

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 two years, 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 could return to PCC 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, Procurement and Transactional Services have all returned so far.

- 5.3 **New areas** in which claims are starting to arise more frequently include misuse of data and discrimination / injury to feelings. The Council has in place good systems in relation to the former, including compulsory training for all staff and numbers are low, but this area will be monitored going forward. Claim numbers for discrimination / injury to feelings are very low presently, but again this will be monitored, as such claims are not covered by our insurance, being neither a physical injury or property damage / loss. If claim numbers rise, we will look to put in place additional insurance to cover this.
- 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 **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. It should be noted that claims were removed from the National Fraud Initiative datasets in 2022.
- 5.6 **Claims software** – our contract for the insurance claims software is coming to an end in year, so we will carry out market testing to either find a new product, or renew with the existing, as it is meeting our needs.
- 5.7 This autumn we will be arranging the **three-yearly Actuarial review** of the Insurance Fund with our brokers, to ensure it remains adequate to meet our insurance liabilities.

Insurance Manager
July 2024