

## TRAFFORD COUNCIL

**Report to:** Accounts & Audit Committee  
**Date:** 31 October 2018  
**Report of:** Corporate Director of Finance and Systems

### Report Title

**Insurance Performance Report 2017/18**

### Summary

This report provides a summary of insurance performance for 2017/18.

The gross cost of the insurance activity for 2017/18 was £0.626m; comprising £0.562 of premium costs and £0.064m provision for liability claims.

The provision for outstanding liability claims was £2.958m as at 31 March 2018, compared to £3.439m as at 31 March 2017. During the year the level of insurance provision was reassessed downwards by an independent actuary which gave rise to an overall budget underspend of £0.481m.

There was an increase in claim numbers for 2017/18 with 431 new claims compared to 306 in 2016/17.

### Recommendations

That the report be noted.

Contact person for access to background papers and further information:

Name: Graeme Bentley  
Extension: 4336  
Background Papers: None

## 1. Introduction

1.1 This report updates the Committee on the Council's insurance activities for 2017/18 and our report focuses on:

**Section 2** Cost of Insurance

**Section 3** Claims

**Section 4** Achievements / Outlook

1.2 The Council's insurance programme covers a number of insurable risks including property, public and employer's liability. For a detailed summary of policies and providers please refer to **Annex 1**.

1.3 The Insurance Team exert financial control in managing and monitoring risk and in handling and defending claims made against the Council.

## 2. Cost of Insurance

	Budget £000	Actual £000	Variance £000
<b>Premiums</b>	568	562	(6)
<b>Provisions</b>	799	64	(735)
<b>Income</b>	(746)	(725)	21
<b>Contribution to/(from) reserves</b>	181	420	239
<b>Total</b>	<b>802</b>	<b>321</b>	<b>(481)</b>

2.1 The net cost of insurance activities in 2017/18 was £0.321m, a budget underspend of £0.481m and this was included in the P12 revenue budget outturn position. This underspend was caused primarily due to a net decrease in the provision required to be set aside for claims following an actuarial assessment by an independent actuary.

2.2 This independent assessment is reflective of the level of savings we were expecting as a result of the Ministry of Justice reforms, which came into effect in 2013. These reforms capped claimant's Solicitor fees, before the reforms the average fee to claimant solicitors was £9,115 since the reforms this has reduced to £3,867 and the result is a net decrease in provision for claims (£0.481m). This reduction reflects savings achieved on the assessed cost of claims relating to previous policy years and the savings have been transferred to the Budget Support Reserve.

2.3 Given this positive movement it is possible to review the level of insurance budget in the MTFP in future years with a prudent reduction of £0.050m to be made to the budget from 2019/20 onwards.

- 2.4 The Council maintains an Insurance Provision (to cover the cost of outstanding liability claims) and an Insurance Reserve (see below):

Provision	£000:	Insurance Reserve	£000:
<b>Balance as at 01/04/2017</b>	<b>(3,439)</b>	Balance as at 01/04/2017	<b>(2,139)</b>
<b>Less Claims Paid</b>	544	Contribution from revenue/provision*	<b>(424)</b>
<b>Reassessed Provision</b>	<b>(63)</b>	MMI Reimbursement	<b>(120)</b>
<b>Balance as at 31/03/2018</b>	<b>(2,958)</b>	Balance as at 31/03/2018	<b>(2,683)</b>

(\*) Includes other budgeted contributions

- Insurance Reserve: the reserve is maintained in the event of a catastrophe whereby the Council is required to cover the first £0.250m of any property loss. It is also used to balance any fluctuation in the overall provision level and additional costs associated with historic Municipal Mutual Insurance claims. The reserve is also utilised when we foresee that the insurance market is hardening and rates are increasing.

### 3. Claims

- 3.1 **Claims Activity.** In 2017/18 the Council received 431 new liability claims compared to 306 in 2016/17 an increase of 41%. Claims fall into one of four categories Highway Injury, Highway Property, Public Liability (Non-Highway) and Employer's Liability. The table below details the activity in 2017/18 for each category of claim and **Annex 2** charts the current claims volume and reserve position.

	HW Injury	HW Prop	PL	EL	Total
<b>Live Claims 01/04/2017</b>	119	141	41	12	313
<b>New Claims in 2017/18</b>	82	286	55	8	431
<b>Settled Claims in 2017/18</b>	86	127	30	4	247
<b>Live Claims 31/03/2018</b>	115	300	66	16	497
<b>Net Change</b>	<b>(4)</b>	159	25	4	184
<b>O/S Reserve £000</b>	1,038	339	1,300	121	2,798

- 3.2 The outstanding reserve will not be the total that is paid out for the current claims as the majority will be repudiated, see table in Section 3.7 for current repudiation rates.
- 3.3 The two noticeable figures are the number of Highway Property claims and the outstanding reserve for Public Liability claims. The increase in Highway Property claims is primarily down to the effect the adverse winter had on the highway network. We are working closely with Amey LG to handle these additional claims and the numbers have returned to expected levels during the summer months.
- 3.4 An additional capital investment made in 2017/18 of £2.000m and the extra in 2018/19 of £5.900m should also have a positive impact on claim numbers.

- 3.5 The outstanding reserve of £1.300m for Public Liability claims is mainly due to six **high value claims** having a total reserve of £0.928m. For three of these claims investigations are ongoing and for the other three we have denied liability and are awaiting a response from the claimant's solicitors, this includes a claim with a reserve of £0.500m. These claims range across a number of policy years and are managed by specialist claim handlers and solicitors and are closely monitored by the Insurance team.
- 3.6 This table shows claims numbers and repudiation rates over the last five policy years for Employer's and Public liability claims.

Policy Year	No of Claims	Open	Closed	Settled	Repudiated	Rep Rate
2013/2014	307	6	301	105	196	65%
2014/2015	308	13	295	68	227	77%
2015/2016	301	30	271	69	202	75%
2016/2017	284	84	200	32	168	84%
2017/2018	426	372	54	6	48	89%
<b>Total</b>	<b>1,626</b>	<b>505</b>	<b>1,121</b>	<b>280</b>	<b>841</b>	<b>75%</b>

- 3.7 **Annex 3** shows the total cost of claims across the last 5 policy years for each category of claim along with the current repudiation rate over the period. These charts detail claims paid within the appropriate policy year together with reserve levels held for claims which are outstanding. Years 2016/17 and 2017/18 are immature years; the reserve level required will decrease with time, as we successfully defend claims.
- 3.8 Particular attention is given to highway injury claims as they present the largest financial insurance risk to the Council. In 2017/18 we successfully defended three claims which alone produced a saving of £0.195m in potential costs. We continue to robustly defend claims made against us where we can and feel that this reflected in our current repudiation rate of 85% for highway injury claims.
- 3.9 The table below summarises the reasons highway claims were settled in 2017/18 when compared to 2016/17.

Reason for Settlement	2017/18	2016/17
<b>Defect not picked up in carriageway</b>	0	3
<b>Defect not picked up in footway</b>	3	5
<b>Failure to repair carriageway</b>	12	2
<b>Failure to repair footway</b>	2	0
<b>No inspection carriageway</b>	9	8
<b>No inspection footway</b>	3	8

- 3.10 We continually monitor the numbers, cost and causes of claims and have an open dialogue with Amey LG to address trends.

3.11 **The Highway Damage Claim Form.** Introduced in 2013, this form serves as a first defence against claims. From the outset, we seek full documentation in support of a claim and explain the claim procedure and legal duty we hold under the Highways Act 1980 in respect of maintaining the public highway. In 2017/18, 461 forms were sent out and 217 were returned. This represents a “drop-out” rate of 53% compared to a “drop-out” rate of 42% in 2016/17.

#### 4. **Achievements / Plan**

4.1 Our on-going objectives for the coming year are:

- **Insurance Tender 2018/19.** Our current 5 year long term agreement with Insurers ends on the 31<sup>st</sup> March 2019. As a result, we are now working closely with our Procurement colleagues, Brokers and all Council Directorate’s to prepare the Insurance Programme for a full OJEU tender.
- We will complete a full review of cover, including indemnity limits and deductible levels to ensure it remains aligned to the specific risk exposures of the Council and that we continue to be adequately protected.
- Rates are under pressure within the market, particularly in respect of liability risks where insurers have become less competitive as they continue to be exposed to Abuse and Deprivation of Liberty Safeguards (DoLS) claims.
- Global property insurance rates remain under pressure due to the earthquakes in the Far East, wildfires in the US and Australia and the impact of the fire at Grenfell, however, this area of the market remains competitive.
- By starting our Tender preparations early and working alongside our wider colleagues to showcase working practices and policies, we will present Trafford as a good risk, therefore, encouraging competition within the market.
- **Cyber Insurance.** This emerging area of insurance cover is expanding with new products and providers coming into the market place. We continue to assess the extent of our Cyber risks internally and alongside our wider colleagues within the North West Insurers Officers Group.
- The introduction of the new General Data Protection Rules brings with it compulsory notification of data breaches and increased fines and penalties. A specialised Cyber wording will provide a dedicated in-house response team, which includes forensic and legal notification assistance.
- We have established a Trafford working group to consider our approach to risk alongside available insurance cover. Indicative quotations for cover range from £20,000 to £30,000, dependent on the indemnity limits required. Given the limitations of the cover we have, Cyber Insurance will be included in the insurance tender process.
- **Property Data.** During the forthcoming year we will be carrying out property surveys on a number of our high value properties (over £20.000m) to ensure that cover held remains accurate and up-to-date.
- **Presentation to Committee – 6<sup>th</sup> December 2017.** We hope you found the presentation of interest, providing you with a detailed look at the insurance risks we face and the continued work we carry out with our Insurers.

## Trafford Council Current Insurance Programme

Limit of Indemnity	Sum Insured  BIMax Indemnity Period 36 months	£50m EL	£50m PL	Unlimited TP Injury  £20m TP Damage	Accidental bodily injury, death, disablement or the incurring of Medical Expenses	Various  Physical loss of money	£5m  Financial loss sustained as a result of a criminal act	£5m	Sum Insured  BIMax Indemnity Period 36 months
Policy	Property Damage / Business Interruption	Employers' Liability / Officials Indemnity	Public Liability	Motor	Personal Accident	Money	Crime / Fidelity Guarantee	Professional Negligence	Commercial Investment Strategy
Insurer	Zurich Municipal	Zurich Municipal	Zurich Municipal	Amlin	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Municipal	Zurich Commercial Via Marsh
Deductibles	£250,000	£275,000	£275,000	£1000	Nil	£250	£10,000	£100,000	£250
Stop Loss	Aggregate £1M	Aggregate £2M	Aggregate £2M						

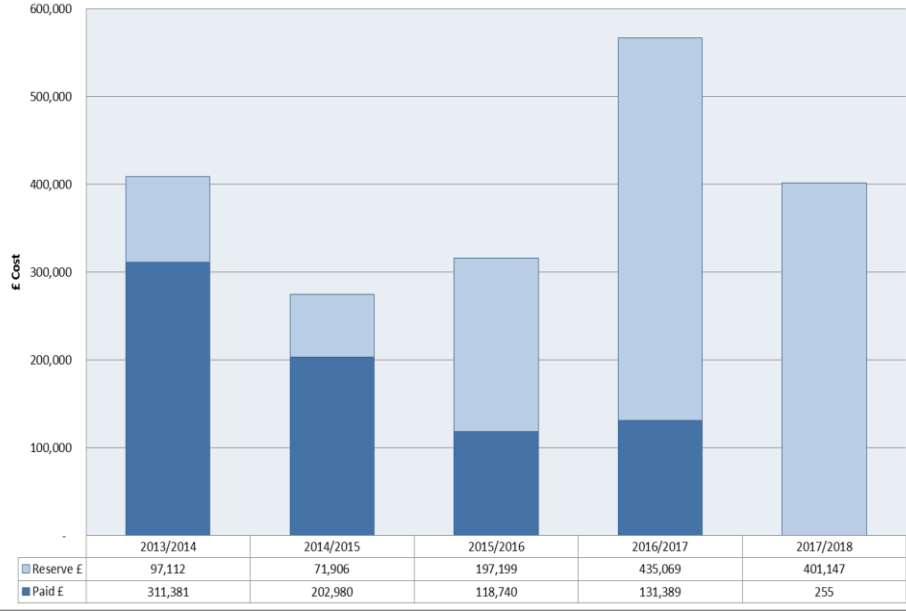
## Current Claims Volume and Reserve

Annex 2

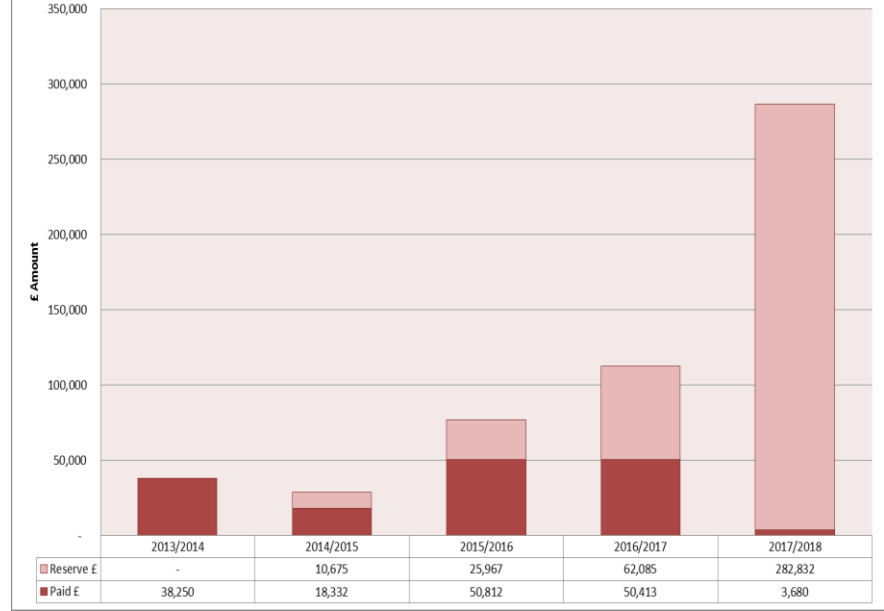


	Highway Injury	Highway Property	Public Liability	Employer's Liability
No of Live Claims as at 31/03/2018	115	300	66	16
O/S Reserve £000	1,038	339	1,300	121

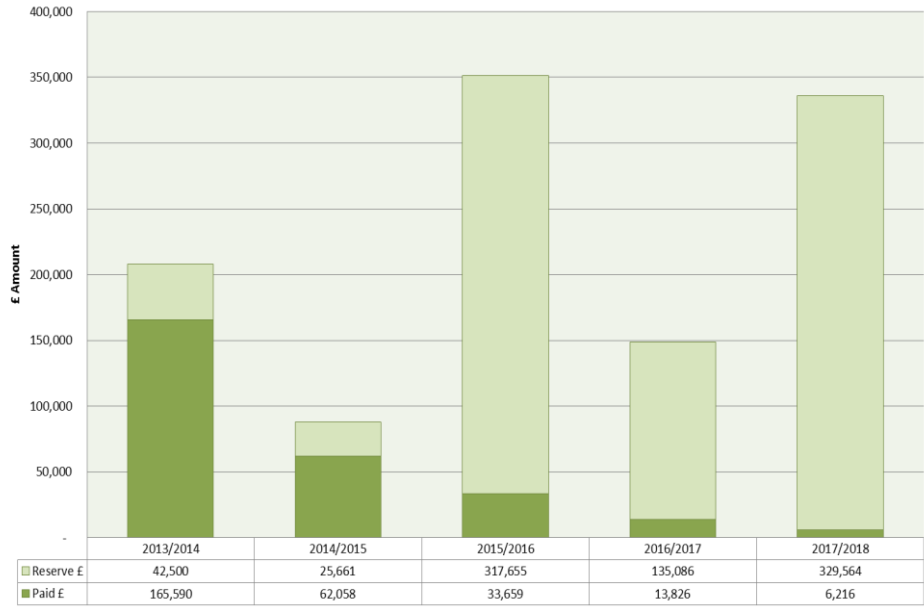
**Highway Injury**  
Current Repudiation Rate 85%



**Highway Property**  
Current Repudiation rate 70%



**Public Liability**  
Current Repudiation Rate 69%



**Employers's Liability**  
Current Repudiation Rate 50%

