

4 July 2022**Agenda Item:****REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE &
IMPROVEMENT AND SECTION 151 OFFICER****RISK AND INSURANCE UPDATE****Purpose of the Report**

1. To provide the Cabinet Member for Finance with an update on the insurance claims experience and on some significant areas of work and development within the Risk and Insurance team.

Information**Claims Experience**

2. **Appendix 1** presents a table that provides a comparison of the claims experience for both Employers and Public Liability risks for the last five financial years and current year. The table provides a year-by-year comparison of the:
 - number of claims made
 - number of those claims litigated (defence has proceeded to formal court proceedings)
 - number of those claims settled (liability has been accepted)
 - amounts paid out on those settled claims
 - number of those claims that remain open (still to be resolved)
3. **Appendix 2** presents a graph to illustrate the number of highways claims open at the end of each quarter and the value of claims that have been successfully repudiated during the same period.
4. Some key points and context to note about the claims experience are:
 - Claim numbers for Employers Liability have been in steady decline and this has been accelerated by the onset of the Covid 19 pandemic in 2020/21. Numbers have not yet resumed to pre-pandemic levels and with the transfer of Local Authority Maintained Schools to the Department of Education's Risk Protection Arrangement Scheme the number of employees covered by the Council's insurance arrangements has reduced significantly and therefore this trend is anticipated to continue.

- Public Liability claim numbers remain consistently high with 2021/22 seeing the second highest number of claims made since 2019/20. Most of these claims are related to the authority's highways risk.
- Repudiation rates for highways related claims continue to improve year on year with the current rates for 2021/22 resting at 94%. This means that for 94% of all claims that have been investigated and finalised the Council has been able to demonstrate that it had a reasonable system of inspection and repair in place at the time of the incident.

Insurance Tender

5. The team has worked closely with the Council's appointed Brokers, Arthur J. Gallaghers (AJG) to successfully re-procure the Council's insurance programme. The main aim of the procurement exercise was to obtain the broadest level of cover at the most economically advantageous terms available.
6. The tender was considered successful due to the:
 - good overall participation and response from the insurance market
 - insurers were prepared to provide bids including and excluding educational risk
 - competitive alternative options were received
 - alternative levels of self-insurance were received
7. To encourage competitive bidding from the insurance market the insurance programme was split into 10 separate Lots for each class of business, including and excluding educational risk. Insurers were informed that the Council would only be awarding either Lots 1 or 2, 4 or 5, 6 or 7, 9 or 10 depending on the outcome of the consultation with Local Authority Maintained Schools on the Risk Protection Arrangement (RPA) scheme. Subsequently the outcome of the consultation determined that the schools would be required to transfer to the RPA and therefore Lots 1, 4, 6 and 9 were not evaluated or awarded.
8. Each Lot was evaluated in accordance with the appropriate and bespoke award criteria that had been designed to ensure the insurers demonstrated within their bids how they would be able to deliver the required level of cover and service for that class of business. The confirmed award of each Lot is detailed in **Appendix 3**.
9. The contracts for each Lot have been awarded from the 1 May 2022 on an initial term of three years, with two subsequent opportunities to extend for a further period of twelve months each, for a maximum term of five years. The procurement of this contract ensures that the Council continues to maintain best value for its insurance programme.
10. Outside of the main tender exercise the team worked closely with AJG to successfully procure the Council's standalone insurances for Terrorism, Drone Liability, and the additional Excess Liability Layer. These insurances were procured outside of the main tender either because bids cannot be obtained via the main tender process, or it was deemed more advantageous to procure them outside of the tender so as not to impede the bidding on the main tender due to the specialist requirements of the policy.

Transition of Local Maintained Schools to the Risk Protection Arrangement Scheme (RPA)

11. After an extensive period of engagement, schools were asked in January 2022 to make an informed decision on whether they wished to stay within the Council's insurance arrangements or to join the RPA post April 2022. The engagement was timed to provide a definitive outcome in time for the evaluation of the Council's insurance tender. The outcome of the engagement determined that all Local Maintained Schools would be required to transfer to the RPA as of the 1 April 2022.
12. Since then, the team have successfully supported schools through this transitional period by arranging online induction sessions with the RPA for school business managers, headteachers and governors and have provided proactive support to enable and ensure their enrolment into the RPA. All 173 schools were successfully enrolled into the RPA for the 1 April 2022.

Other Options Considered

13. No other options were applicable for this update.

Reason for Recommendation

14. To provide the Finance Cabinet Member with the opportunity to comment on key information relating to the activities of the Risk and Insurance team.

Statutory and Policy Implications

15. This report has been compiled after consideration of implications in respect of crime and disorder, data protection and information governance, finance, human resources, human rights, the NHS Constitution (public health services), the public sector equality duty, safeguarding of children and adults at risk, service users, smarter working, sustainability, and the environment and where such implications are material they are described below. Appropriate consultation has been undertaken and advice sought on these issues as required.

Financial Implications

16. A primary aim of the insurance arrangements is to provide a reasonable level of protection against significant and unforeseen liabilities, in the most cost-effective way. A further aim is to ensure claims management processes are robust to protect the Council from unnecessary expenditure.

RECOMMENDATION

- 1) It is recommended that the contents of the report be noted.

Nigel Stevenson

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For any enquiries about this report please contact:

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Constitutional Comments (KK 16/06/2022)

17. The proposal in this report falls within the remit of the Cabinet Member for Finance under FIN.2 of the terms of reference.

Financial Comments (SES 14/06/2022)

18. There are no specific financial implications arising directly from this report.

19. A primary aim of the insurance arrangements is to provide a reasonable level of protection against significant and unforeseen liabilities, in the most cost-effective way. A further aim is to ensure claims management processes are robust to protect the Council from unnecessary expenditure.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

- None

Electoral Division(s) and Member(s) Affected

- All

Appendix 1 - Employers and Public Liability

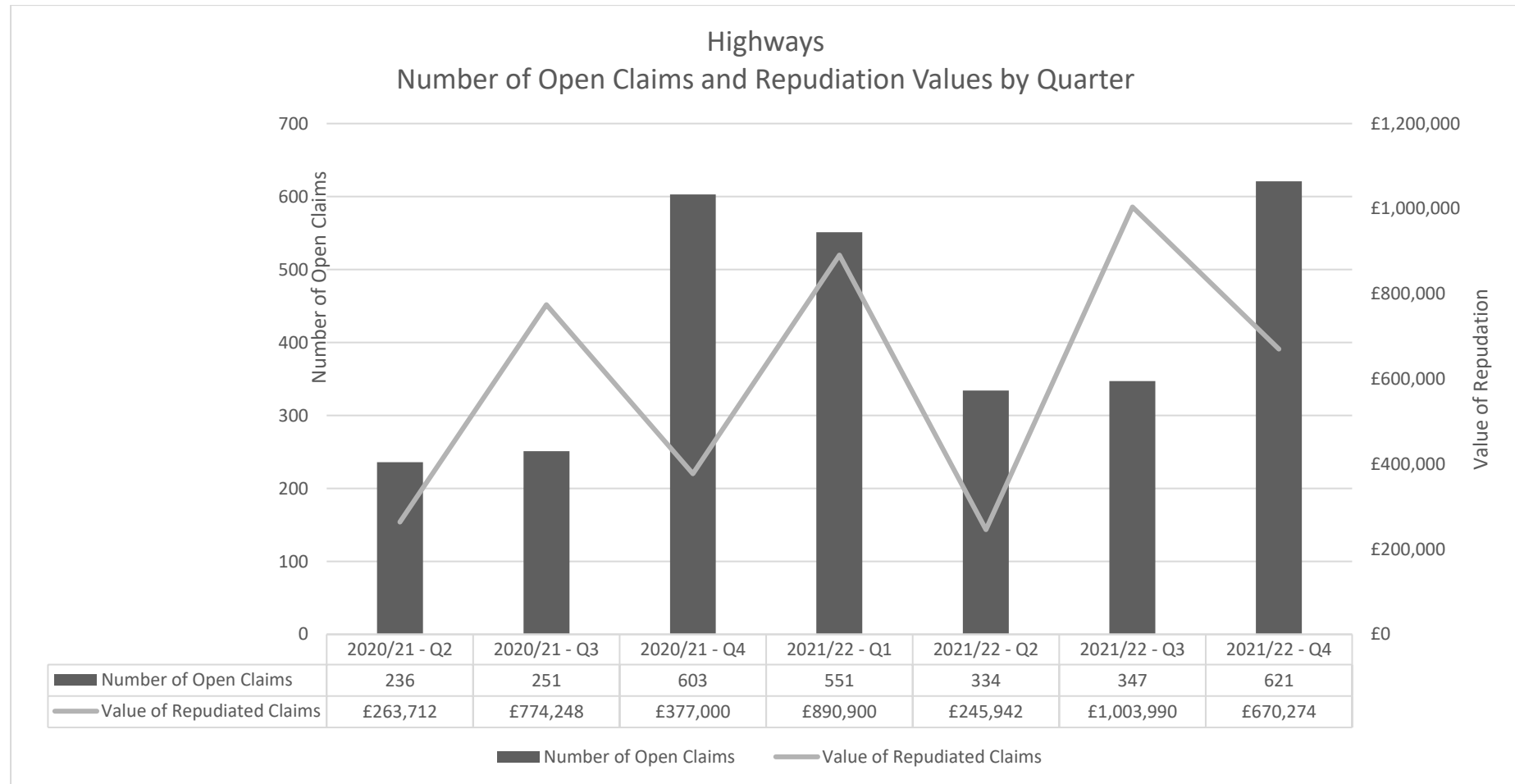
The following table is a year-by-year comparison for the key types of policy cover of the number of claims made, the number of litigated claims, the number of those claims settled, and the amounts paid out on those settled claims for each Financial Year (i.e. the financial year in which the incident occurred) within the last five years.

	Financial Year					
	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
Employers Liability						
Total claims made per year	19	19	13	6	6	0
Number of litigated claims	2	3	2	1	0	0
Number of claims settled	6	6	2	0	0	0
Amount paid out on settled claims	£84,341	£91,832	£25,132	£0	£0	£0
Number of claims outstanding	1	2	2	3	6	0
Public Liability						
Total claims made per year	754	576	961	790	881	70
Number of litigated claims	12	11	9	4	2	0
Number of claims settled	340	146	159	53	16	1
Amount paid out on settled claims	£847,637	£429,401	£183,626	£64,062	£53,581	£1,757
Number of claims outstanding	3	15	19	22	495	68

* Claims data as at the 8 June 2022.

Appendix 2 - Highways Liability Claims

The following graph demonstrates the number of highways claims open at the end of each quarter and the value of claims that have been successfully repudiated during the same period.



Appendix 3

Lot	Class of Business	Awarded
1	Property	Not Awarded
2	Property – Excluding Educational Risk	Zurich Municipal
3	Computer	Risk Management Partners
4	Combined Liability	Not Awarded
5	Combined Liability – Excluding Educational Risk	Maven Public Sector
6	Motor Fleet	Not Awarded
7	Motor Fleet – Excluding Educational Risk	Zurich Municipal
8	Crime	Maven Public Sector
9	Personal Accident / Travel	Not Awarded
10	Personal Accident / Travel– Excluding Educational Risk	Risk Management Partners