

29 April 2019

Agenda Item: 5

## **REPORT OF SERVICE DIRECTOR FOR FINANCE, INFRASTRUCTURE & IMPROVEMENT**

### **RISK & INSURANCE UPDATE**

#### **Purpose of the Report**

1. To provide members with an update on some significant areas of work and development in the Risk & Insurance Team. To determine the most appropriate frequency and content for future update reports.

#### **Information**

2. Previous reports to this Committee regarding activities and developments in the Risk & Insurance Team have been concerned with the following:
  - October 2017 – outlined the general insurance arrangements for the Council, and the main functions and activities of the Risk & Insurance Team
  - April 2018 - two separate reports were considered, covering proposals for the renewal of insurance cover and information relating to Freedom of Information requests dealt with by the team and recent claims experience.
3. This update provides the latest information on claims experience, along with additional information concerning recent developments in the Team.

#### **Claim trends**

4. **Appendix 1** presents two graphs showing a quarter-by-quarter analysis for the current and previous two financial years of:
  - The number of claims received by the County Council
  - The number of claims that remained open (still to be resolved)
  - The number of liability claims where the defence has proceeded to the point of formal court proceedings (litigation)
  - The value of payments made on claims.
5. Some key points and context to note about the trends are the following:

- Overall, the number of claims received and the number of claims that remained open at the end of each quarter are both fairly consistent with the two previous years. The fact that the number of claims remaining open is tracking reasonably closely the number of claims received indicates that claims are being pro-actively managed.
- The spike in the number of claims received during the final quarter of 2017/18 and the first quarter of 2018/19 was due to the number of Public Liability (PL) claims in this period, relating to highway claims. The harsh winter of 2017/18 led to the County Council's highways service, provided by Via East Midlands, repairing 115,000 potholes during 2018 – double the number compared with the same period the previous year. The County Council has already increased investment in highway repairs by £20m during 2018-2022 – the largest single increase in highways spending ever seen in Nottinghamshire, as part of an overall total of £142m investment in the county's roads over the same period. The County Council is also investing £1.75m to purchase new equipment which uses an innovative spray injection and chip patching system to enable more repairs to be completed, so that we complete the right repair at the right time.
- The significant increase in the value of claims paid in the third quarter of the current year is due to the settlement of one high-value claim in that period, relating to a public liability highway claim. The County Council was required to pay the first £250,000 of this claim, the balance being met by insurers. The values in the graph include fees paid by the Council to its own and the claimants' solicitors.
- Aside from highway claims, the number of historic abuse claims continues to be a priority area for the Team, and for the Council. However, significantly reduced numbers of claims have been received in relation to Employer Liability (EL), Property and Motor. This largely reflects the shrinking size of the Council and in particular the conversion of schools to academies.

### **Audit of the claims handling process by Zurich Municipal**

6. Since 1 May 2015, the County Council has placed its liability insurances with Zurich Municipal (ZM). Due to the level of excess (currently £750,000), the majority of the claims are funded by the Council.
7. The Council has chosen to handle the most claims in-house. Despite the level of excess, ZM will only permit this if the Council can demonstrate that it has a robust claims handling process in place. The in-house arrangements have been subject to a recent review by ZM, and a very successful assessment was achieved:
  - The verbal feedback from the auditors was that the claim handling function was "exemplary", with an official rating of "Effective". Files were reviewed and scored across three key measures, with the following outcome

Measure	File Score
Timeliness	99.61%
Process	98.82%
Outcome	89.60%
<b>Total</b>	<b>96.56%</b>

- Reassuringly, the auditors did not find any examples of "leakage". Leakage is a term used to describe incurring unnecessary costs or unnecessarily high settlements on claims.

8. The main area for improvement was around the estimates held on open claims. It has been possible to introduce some quick wins to deal with the issues identified, which were primarily around lowering the standard figures being used for third party cost reserves.

### **Development of an on-line claim form**

9. The Risk & Insurance Team recently instigated a process review meeting to identify how the initial stages of dealing with highways claims could be improved and streamlined. The aim was to improve the service to the claimant and to make sure that the team's resources are being used effectively.
10. The review identified that, in many cases, highway claims cannot be progressed as claimants have not provided adequate information. This is particularly the case in relation to the location of the defect which gave rise to an incident. The solution has been to work with the Customer Service Centre to design a suite of online forms which self-represented claimants can use to submit their claims.
11. The move to the electronic form allows more bespoke questions to be asked and the mandatory fields should help to ensure that better quality information is provided on a consistent basis.
12. The use of electronic forms progresses the team's commitment to paperless working and serves as a contribution towards the County Council's Plan commitment to move more of its services to be accessible online. The development of the form was a collaborative approach with the Customer Service Centre, VIA EM and the Highways Client team. The commitment and co-operation from these colleagues is acknowledged in the success of the project.

### **Other Options Considered**

13. No other options were applicable for this update.

### **Reason/s for Recommendation/s**

14. To provide Members with the opportunity to comment on key information relating to the activities of the Risk & Insurance Team, and to determine the content and frequency of future updates.

### **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**

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.

### **Implications for Service Users**

Recent developments in the claim procedure aim to improve accessibility for service users and to design out delays in the process by clarifying core information requirements.

## **RECOMMENDATIONS**

- 1) Members determine whether there are any actions or further information they would like to see arising from the matters raised in this report.
- 2) Members agree to receive further updates on a six-monthly basis, and consider whether there is specific information they would like to see covered in future reports.

### **Nigel Stevenson**

**Service Director for Finance, Infrastructure and Improvement**

### **For any enquiries about this report please contact:**

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### **Constitutional Comments (EP 11/04/2019)**

16. The Finance and Major Contracts Management Committee is the appropriate body to consider the content of the report. If the Committee resolves that any actions are required it must be satisfied that such actions are within the Committee's terms of reference.

### **Financial Comments (RWK 11/04/2019)**

17. There are no specific financial implications arising directly from the report.

### **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