

**REPORT OF THE SERVICE DIRECTOR FINANCE, PROCUREMENT &
IMPROVEMENT**

NOTTINGHAMSHIRE COUNTY COUNCIL – RISK & INSURANCE

Purpose of the Report

1. The purpose of this report is to inform members about the County Council's insurance arrangements and give them the opportunity to comment.

Information and Advice

2. Section 11 of the Council's Financial Regulations cover Risk and Insurance. The regulations state the Section 151 Officer is responsible for arranging necessary insurance covers and reviewing the adequacy of covers. On a day to day basis this is delegated to the Risk and Insurance Manager and her team.
3. The County Council's Risk and Insurance Team provides an Insurance Service to Council departments and schools. The team form part of the Finance and Procurement Division and is comprised of 7 members of staff.
4. The team are mainly technical staff who either have skills and experience of managing the insurance and risk management needs of a large complex organisation or are experienced at handling liability claims.
5. The main functions carried out by the team are:
 - Procurement of insurance cover for the Authority. The cost of the external insurance premiums is in the region of £1.8m per year.
 - Handling insurance claims for and against the Authority. The value of claims paid in 2016-17 was £7.6m with over 730 claims received.
 - Managing the Authority's Insurance Funds (£29.3m as at 31 March 2017).
 - Providing insurance and risk management advice to departments and schools.

Total Cost of Risk

6. When considering the cost of the Council's insurance arrangements we look at the "Total Cost of Risk". This is effectively the value of the external premiums and the cost of funding claims that fall below the excess. The second figure is assessed by an independent actuary.

7. The total cost of risk for 2017-18 is estimated to be £6.2m, made up of £1.8m in premiums and £4.4m in self-funded claims.
8. Active risk management coupled with a commitment to Health and Safety is proven to reduce the number of claims and subsequently the cost. This, in conjunction with effective claims handling, is the most effective way of reducing the cost of insurance.
9. The total cost of the Council's insurance arrangements is recharged to Departments and Schools. To encourage risk management the charges are weighted towards the costs of claims.

External Insurance Arrangements

10. The Council's cost of external insurance is currently around £1.8m per year.
11. The cost of the external premiums have come down considerably. Looking back to 2011-12 the cost was closer to £3m. The reasons why the premiums have come down is in part due to the reduction in services delivered direct by the County Council but, in the main, is due to improvements made in the structure of the Council's insurance policies, work to improve the risk and improved marketing of the risk to the insurance market. Since 2011-12 the quality of the insurance cover has also been improved.
12. Like most large local authorities the County Council takes high excesses on its insurance policies. This is the most cost effective way of insuring risk, as buying external insurance for attritional or predictable losses is generally considered to be a costly pound swapping exercise. The Council's total exposure to the cost of claims is capped by an arrangement known as a stop loss. The excess on the Council's major policies range from £50,000 to £260,000.
13. The appropriate level of excess is determined during the tender process where the Council's risk appetite is considered against the total estimated cost of risk at different levels of excess. Claims falling within the excess are funded from the Council's Insurance Funds.
14. The Council's external insurances are put out to tender, with the next one being due for the 1 May 2019 renewal. The contracts are usually let on a 3-5 year arrangement. There is a very restricted market for Public Authority insurances with only two companies who generally quote for liability risks of County Council's. These companies are RMP and the Council's current insurers Zurich Municipal. The insurance market is currently very nervous about highways and social care risks and most insurance companies are not prepared to quote for organisations that carry out these functions. There is a slightly wider market for the property and motor insurances, but again it is only a very small number of companies that will usually quote.
15. Early in 2018-19 a report will be brought to committee to seek members' approval to the proposed tender process.
16. The Authority's insurance brokers are Griffiths and Armour. They support with the procurement of insurances, renewal negotiations and advice.
17. A summary of the current external insurance policies is included as Appendix A.

Cost of Claims

18. Claims which fall below the Council's external policy excesses are funded from the Insurance Funds.
19. The estimated cost of claims arising in 2017-18 is in the region of £4.4m. This figure is assessed by independent actuary. It includes all types of claims including fire losses, motor accidents and liability claims.
20. In general claimants have 3 years from the date of their accident to bring their claim however, in the case of minors, abuse victims and those who have developed diseases as a result of exposure to harmful environments, the claims can be made much later. The £4.4m is the estimated value of these claims that have arisen in 2017-18, not the value that will be paid in the year.
21. Public liability claims are the largest element of claim costs with an estimated value for the claims arising in 2017-18 of £2.8m. Highways claims account for £1.7m of the anticipated cost of the claims arising in 2017-18
22. As well as highway claims, liability claims also include accidents involving school children, claims from employees who have suffered accidents during their employment and claims of physical and sexual abuse.

Claims Handling

23. The main types of claim received by the County Council are:
 - Public Liability claims, including slips, trips and falls, vehicle damage arising from the highway network and claims relating to historical child abuse.
 - Employers Liability claims i.e. claims from employees who have suffered an injury at work.
 - Motor i.e. road traffic accidents involving the Council's fleet of vehicles.
 - Property – physical damage to the Council's property portfolio including Fire and Flood claims.
24. An analysis of claims received in the last 3 years is shown in Appendix B.
25. The majority of the Council's claims are handled in house by the Risk and Insurance Team. High value claims (in excess of £125,000) or technically complex claims such as abuse or asbestos related claims are either handled by the Council's own insurers or by external legal firms.
26. Most claims are dealt with pre-litigation however, on a small number where Court Proceedings are issued, these litigated claims are handled by external solicitors. Each year a small number of claims proceed to a final Court hearing where the Council has an excellent success rate.
27. For the majority of liability claims the Council has a good defence and the claims are successfully repudiated. This is particularly the case on highways claims where we repudiate around 80% of cases. Claims can be defended where the Council can show that we have taken reasonable measures to ensure that problems, such as potholes, are found and dealt with in a timely manner. This defence is based on Section 58 of the Highways Act 1980. This

success has been built on the strong working relationship that the Risk and Insurance Team had with the Highways Section of the Council and has continued with the new arrangements with VIA EM.

28. The Council retains the statutory responsibility for highway maintenance, and at present the Council has also retained the liability for claims arising from the highways despite the network being managed by VIA EM. There is the option for this arrangement to be renegotiated and discussions around this will be starting shortly with VIA EM.
29. Unfortunately the insurance industry is plagued with fraudulent claims. The Association of British Insurers estimate that in 2017 there were 130,000 cases of detected fraudulent claims totalling over £1.3bn. In the case of claims received by the Council fraud can include fabricated accidents and/or exaggeration of injuries or damage. All liability claims are screened for indications of fraud and any that are flagged are kept under close scrutiny. Obtaining prosecutions for fraudulent liability claims is rare but the Team have had successes with suspected fraudulent claims discontinuing.

Risk Management and Insurance Advice

30. The team provides Insurance and Risk Management advice to all areas of the Council and Local Authority Schools. The advice includes input on major projects such as the contracts for the various Alternative Service Delivery Models.
31. In terms of Risk Management, the Risk and Insurance team works very closely with the Health and Safety team and are currently working on interesting joint projects to improve the awareness of slip and trip hazards within schools as well as an Authority wide project aiming to improve the management of occupational road risk.
32. The Risk and Insurance team manages a small budget which it can use to match fund initiatives designed to improve insurable risks. In the past the budget was used to help improve security fencing at many schools and in more recent times has been used for projects such as the installation of flood defences at the Garibaldi School (the school suffered 3 significant flooding incidents) and the part funding of reversing cameras in fleet vehicles.

RECOMMENDATION/S

33. It is recommended that:
 - Members consider the report and comment upon the insurance arrangements.
 - Agree whether the committee would like an annual update report, or a more frequent update.

Nigel Stevenson
Service Director – Finance, Procurement & Improvement

For any enquiries about this report please contact:
Anne Hunt – Risk & Insurance Manager

Constitutional Comments (KK 3/10/2017)

34. The proposals in this report are within the remit of the Finance & Major Contracts Management Committee.

Financial Comments (KRP 20/09/2017)

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

Background Papers and Published Documents

36. 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