



Committee and Date

Audit Committee

20 September 2011

10.00 am

Item No

5

Public

ANNUAL INSURANCE REPORT 2010/2011

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1. Summary

The Insurance Annual Report provides details of the claims history for the policy year 2010 – 2011 and compares this with the previous policy year. The information allows us to understand the claims profile and recognise any areas where further risk management could assist in reducing claims and also those areas where we have benefited from good risk management.

2. Recommendations

It is recommended that Members accept the position as set out in the report and **Appendix 1**, with or without comment.

Report

3. Risk Assessment and Opportunities Appraisal

3.1. Insurance is a means by which a transfer of some of the risks facing the Council takes place. By paying a premium to a third party (the insurers) we are able to spread the risk of being liable for a payment following a claims related incident. We do not transfer the whole risk because we opt to take a large deductible for our liability and property policies. This means that we pay for the first £100,000 of any claims for which we become liable. We also opt not to transfer our own damage motor risk by self insuring this type of damage.

4. Financial Implications

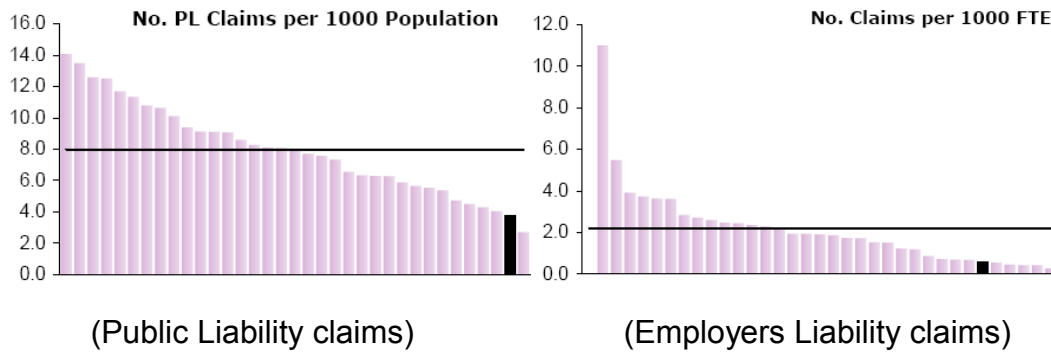
4.1. In order to be able to fund claims within the deductible level we hold an internal insurance fund. Service areas pay an amount into the fund which reflects an amount to cover the premium charged by the insurance company and an amount to cover payments which may have to be made within the policy deductible.

4.2. It is therefore important to ensure that claim payments are only made where we have a legal liability to do so as the majority of claim payments are made from the internal fund which is public money.

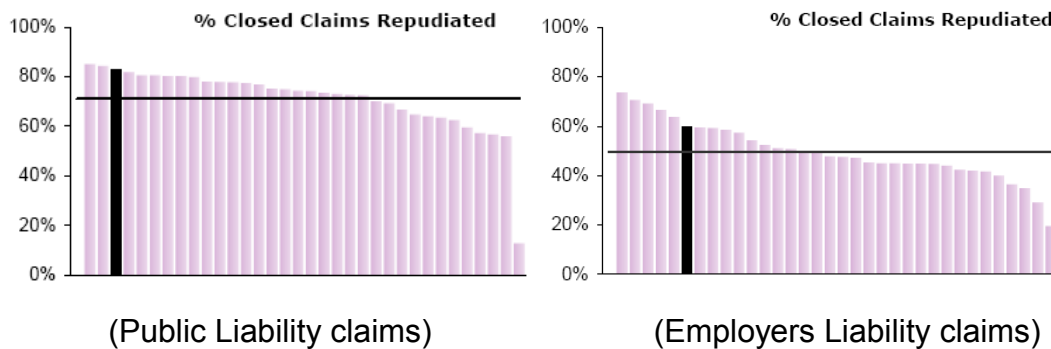
5. Background

- 5.1. The Insurance Annual Report 2010/2011 is attached at **Appendix A**. The report details in full the number and type of claims which were received during the last policy year and compares this with the previous year.
- 5.2. Overall the Council saw an increase in the total number of claims received during the year by 29 when compared to the previous policy year. The majority of the increase was due to the large number of burst pipe claims we received during the winter which resulted in an overall increase in our property claims of 62. Through negotiation with our insurers they agreed to deal with all the burst pipe claims as one claim thus attracting only one policy deductible. This meant that any claim payments over the £100,000 deductible will be paid by the insurers. This was extremely beneficial for the Council, but it will be interesting to see whether insurers will be prepared to deal with any future similar incidents in the same way.
- 5.3. The majority of claims received relate to public liability claims and in particular to Highway claims. It is therefore very pleasing to note that the number of public liability claims only increased by one compared to the previous year. Considering the hard winter which was experienced and the damage this causes to our roads, this shows the hard work undertaken by our Highways Technicians and the effectiveness of the management processes in place.
- 5.4. There has been a marked decrease in the number of motor claims received and in particular our own damage claims i.e. where no third party is involved. The reduction is in manoeuvring claims which shows the benefit of installing reversing sensors and cameras on our larger vehicles.
- 5.5. Whilst the number of claims received is somewhat out of our control, how we are able to deal with the claims that are received is very much in our control. In respect of liability claims we only have to make a payment where we are legally liable to do so. The claimant has to demonstrate that there has been some negligence on the part of the council and we have to demonstrate that we had done all that was reasonably practical to ensure no injury or damage occurred to a third party.
- 5.6. Our repudiation rate, i.e. the number of claims we do not have to pay, continues to be high which endorses the policies and procedures and risk management measures which are embedded in the Council. Through the excellent processes in place the amount we have saved from not having to pay out on claims amounts to £590,000 which is a huge saving, especially bearing in mind the current financial pressures being exerted on the Council. It is therefore important that, with all the changes currently taking place within the Council and the move to new ways of working, we do not lose the fundamental processes and procedures which are in place to protect the Council.

5.7. The insurance team take part in the CIPFA benchmarking exercise and this has shown that the number of Public and Employers Liability claims received by Shropshire Council is one of the lowest of all the comparative authorities



5.8. It is pleasing to note that the number of claims repudiated for Public and Employers Liability claims is above average.



5.9. As part of the insurance arrangements we are allocated a number of risk management days which are managed by the claims handlers Gallagher Bassett. We have undertaken several risk reviews this year, all with pleasing results. The reviews completed are as follows:

- Control of Legionella Review 96% scored
- Physical Assets Review 86% scored
- Highways Review 100% scored
- Fleet and Driver Review 93% scored

Each of the completed reviews produces a recommendation for improvement which the service areas can act upon.

5.10. This report confirms that Shropshire Council continues to ensure that it undertakes all its activities in a responsible and professional manner and that good risk management practices are in place and followed. Shropshire Council has again continued its excellent reputation within the insurance industry and members of the Audit Committee are asked to acknowledge the position as set out in this report and the accompanying report under **Appendix A**, with or without comment.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

- A. CIPFA 2010 Insurance Benchmarking Report
- B. Risk Reviews

C.

Cabinet Member (Portfolio Holder)

Cllr Martin Taylor-Smith, Brian Williams Chairman of Audit Committee

D.

Local Member

N/A

E.

Appendices

A Annual Insurance Report 2010/2011