



Committee and Date

Audit Committee

7 December 2012

10.00 am

Item No

5

Public

ANNUAL INSURANCE REPORT 2011/2012

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1. Summary

1.1. The Insurance Annual Report provides details of the claims history for the policy year 2011 – 2012 and compares this with previous policy years. 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

2.1. It is recommended that Members accept the position as set out in the report and **Appendix 1**.

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

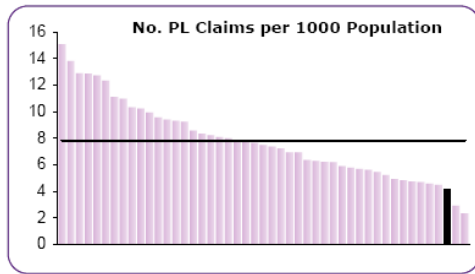
4.1. In order to be able to fund claims within the deductible level we hold an internal insurance fund. Service areas pay an amount into the fund which reflects an amount to cover the premium charged by the insurance company and an amount to cover payments which may have to be made within the policy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

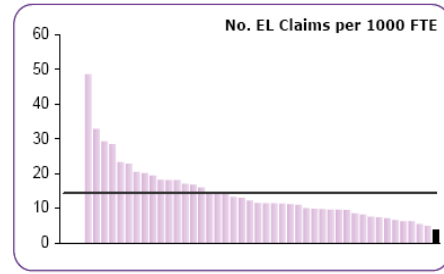
4.3. A review of the fund is carried out each year to ensure that there is sufficient money within the fund to discharge our potential liabilities.

5. Background

- 5.1. The Insurance Annual Report 2011/2012 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 previous years.
- 5.2. This policy year has seen a decrease of 242 in the total number of claims received. Part of this can be explained by the high number of property claims that were received the previous year as a result of burst pipes, but the number of public liability claims received has also reduced by 134 compared to the previous year.
- 5.3. As the majority of claims received relate to public liability claims and in particular to Highway claims, it is pleasing to note this reduction in claims and credit must be given to the Highways Technicians for continuing to have good risk management processes in place.
- 5.4. The number of Employers Liability claims has reduced back to a lower level after the marked increase the previous policy year. Shropshire Council has one of the lowest numbers of Employers Liability claims when benchmarked against other councils and this enforces the good risk management processes which are in place.
- 5.5. Although there has been a continued decrease in the number of Motor claims received, it is disappointing to note that there has not been any improvement in the number of claims received as a result of our own drivers manoeuvring or misjudgement.
- 5.6. In respect of liability claims we only have to make a payment on a claim where we are legally liable to do so. The claimant has to demonstrate that there has been an element of 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.
- 5.7. 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 Public Liability claims over the past three years amounts to £1,239,434 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.
- 5.8. 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 continues to be one of the lowest of all the comparative authorities. Indeed, the number of Employers Liability claims per 1,000 FTE is the lowest.

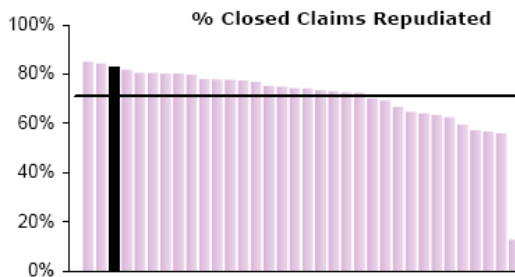


(Public Liability claims)

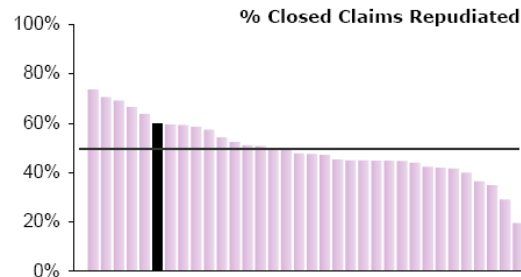


(Employers Liability claims)

5.9. It is pleasing to note that the number of claims repudiated for Public and Employers Liability claims is above average, with Public Liability claims repudiation rate being one of the highest.



(Public Liability claims)



(Employers Liability claims)

5.10. We are pleased to say that following an audit of the Insurance Team in April 2012, Internal Audit were able to give a 'Good' assurance which confirms that there is a sound system of control in place which is designed to address relevant risks, with controls being consistently applied. Audit did not feel the need to give any recommendations following the audit.

5.11. 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 accept the position as set out in this report and the accompanying report under **Appendix A**.

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

- A. CIPFA 2011 Insurance Benchmarking Report
- B. Insurance Annual Report

Cabinet Member (Portfolio Holder)

Cllr Martin Taylor-Smith

Local Member

N/A

Appendices

A - Annual Insurance Report 2011/2012