

Risk Management and Insurance Update

SUMMARY

- 1.1 This report provides an update on the continuing development of the Council's Risk Management framework and its Insurance function.
- 1.2 Insurance and risk management are intrinsically linked. Risk management was initially developed as a way to mitigate increasing insurance costs. Modern practice recognises insurance is the most common way for transferring potentially unknown financial impacts of certain risks from the council to the insurer for a known fixed premium. Therefore a strong risk management program is mutually beneficial. The insurer minimises the payments it's required to make on insured risks and the council minimises the problems the difficulties that go with both insured and non-insured risks that it faces.
- 1.3 The report has been produced by officers to enable members to review the key improvements in both risk management and the insurance function and to assess the level of assurance that the Committee can provide to both the Cabinet and Council

RECOMMENDATIONS

- 2.1 To note the actions and the progress being made to enhance the Council's Insurance And Risk Management programmes.
- 2.2 To advise Cabinet and Council that further work is required to properly embed a robust risk culture.

REASONS FOR RECOMMENDATIONS

- 3.1 The Audit and Accounts Committee is responsible for providing assurance to the Council on the effectiveness of the governance arrangements, risk management framework and internal control environment.

SUPPORTING INFORMATION

Background

- 4.1 A work plan was developed for the Insurance and Risk Management team from 1 January 2016. This was based on 3 key objectives:
1. Establish a greater presence within the authority
 2. Review all insurance & risk management processes and data within the section correcting and improving where needed.
 3. Begin preparation for rolling out a continued system of continuing improvement

It is intended this report will highlight how we are working to meet those objectives and to demonstrate the transition from improving process to developing and rolling out best practice

Risk Management

- 4.2 The Council's Risk Management Strategy and the Risk Management Handbook have been reviewed and updated. These 2 documents are the subject of a separate report on this Committee Agenda.
- 4.3 The Council's Strategic Risk Register was reported to the November 2016 meeting of this Committee. The risks have been added to the Council's performance management system (DORIS) and will be reviewed on a quarterly basis. Directorate risks are assessed as part of the annual business planning cycle. Greater emphasis is being placed on the quality of the risk registers. To this end the Head of Governance & Assurance and the Insurance & Risk Manager are reviewing individual registers and advising on content. Both of these officers are also overseeing the work being carried out to provide assurance to senior management and Committee that the risks are being properly reviewed and monitored in line with the guidance in the Risk Management Handbook.

Insurance

- 4.4 The claims process is under continual review. The additional staffing resource has meant the insurance team has developed closer links with departments on claims. This has led to information to defend claims being secured more quickly than previously. It has also meant that the information provided to the insurer is of the required quality. This contributes to a higher repudiation rates and improved claim costs by way of reducing legal fees.

- 4.5 Being able to successfully manage claims means we are able to identify and review trends developing within departments. For example, the Insurance and Risk team identified that the authority was receiving a number of Employers Liability claims relating to Manual Handling incidents from the refuse department. The insurance team notify the Health and Safety team of these issues, which enables Health and Safety officers to assess the need for further or targeted manual handling training in those areas.
- 4.6 Because we are using claims data more than we have previously, the team has rolled out a data cleansing exercise to provide more accurate information for future analysis and reporting. The process of reviewing and checking, completing and correcting years of records is a slow one and has to be done around the live claims.
- 4.7 Highway claims make up the majority of the Council's insurance claims. A new risk based code was released in October 2016 which is to be implemented in October 2018. The implementation of the new Code will be co-ordinated by the highways department. However, as the new Code directly affects the work of the insurance section, officers from the insurance section are advising on how it may affect the way the Council handles highways claims. Therefore, the Insurance and Risk team is working closely with officers in Highways, external solicitors and their counterparts at other local authorities. The new code will introduce a lot more variables (i.e. surrounding environment) rather than just take into account the defect and the location as is currently the case. Because it is risk based it also brings in the element of subjectivity. Insurance experts are forecasting successful claims against Councils could increase by a significant amount. This will likely have a negative financial impact as both claims experience and premium prices will be affected.
- 4.8 Committee has been made aware in previous update reports that the Insurance and Risk team have been leading on some key data integrity exercises. The most significantly piece of work to date has been around the valuations placed on council properties for insurance purposes. The issue was the absence of a concise property list together with a lack of accurate insurance valuations. The Insurance & Risk Section established an internal working group with officers from Property Maintenance, Estates and Derby Homes to create an accurate list of properties and to coordinate and arrange for an exercise to be carried out to provide accurate insurance valuations in time for the 2017/18 insurance renewal. An external firm of surveyors, Gleeds, was employed to undertake the valuations and this work has now been completed. This exercise has also seen the Council receive £22,857.68 back in credit from Zurich Municipal as a consequence of the overall review of our property insurances.
- 4.9 The Council has gone out to tender for a new school mini bus insurance provider. The appointment of a new insurer has resulted in a saving for each school covered by the policy.
- 4.10 The Council decided not to take the option to extend the broker contract but instead to go out to the market. The Council has appointed a new broker, Arthur J Gallagher's from 1 April 2017.

Insurance statistics 2016/17

- 4.11 A successful claim against the Council could be described as a risk that has manifested itself. It could also be thought of as mistake by the Council. By reviewing historical insurance data, we can identify issues and then put in place the necessary actions to minimize the risks and mistakes from re-occurring.
- 4.12 The analysis of insurance data can also highlight issues where inadequate departmental responses within the claims process have resulted in increased delays and costs.
- 4.13 A break down by individual category of insurance cover is provided in Appendix 2.

Future development of the risk management framework and Insurance function

- 4.14 The most significant piece of work for the insurance team over the next couple of years is to prepare for the main insurance tender. In the short term that means finding and removing any oddities in our existing insurance arrangements and fully understanding why we have the covers and limits we have. In the longer term it will mean considering what insurances we hold and whether they accurately reflect the risks we actually face. It will also mean working to improve our risk profiles and claims experiences.

OTHER OPTIONS CONSIDERED

- 5.1 N/A

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	N/A N/A N/A N/A N/A N/A
For more information contact: Background papers: List of appendices:	Richard Boneham, Head of Governance and Assurance, 01332 643280 richard.boneham@derby.gov.uk None Appendix 1 – Implications Appendix 2 – Insurance statistics 2016/17

IMPLICATIONS

Financial and Value for Money

- 1.1 None directly arising.

Legal

- 2.1 None directly arising

Personnel

- 3.1 None directly arising

IT

- 4.1 None directly arising

Equalities Impact

- 5.1 None directly arising

Health and Safety

- 6.1 None directly arising

Environmental Sustainability

- 7.1 None directly arising

Property and Asset Management

- 8.1 None directly arising

Risk Management

- 9.1 A robust risk culture needs to exist within the Council, supported by a risk management framework that is embedded into all processes.

Corporate objectives and priorities for change

- 10.1 Risk management is fundamental in supporting the successful delivery of corporate objectives by underpinning all aspects of the Council's governance arrangements.

Insurance Statistics 2016/17

Public Liability

Public Liability relate to claims where people are alleging injury, loss or damage as a result of alleged council negligence.

The estimated claims cost is an approximation of the amount of money required to compensate for their loss. So it will include invoices / estimates of property damage, legal fees etc. Injury costs are calculated by referencing the JC guidelines for the assessment of damages.

CLAIMS CREATED		
Month	Number of claims	Estimated Claim Cost
Apr-16	8	£8,608.00
May-16	11	£257,432.48
Jun-16	15	£49,098.86
Jul-16	15	£66,075.90
Aug-16	12	£31,707.00
Sep-16	15	£97,557.87
Oct-16	12	£80,277.00
Nov-16	17	£79,844.15
Dec-16	8	£78,706.51

The below shows the claims closed in the 2016/17 year to date. In simplest terms those repudiated were claims where managed to successfully argue our position; settled shows claims where we could not. Although the below will refer to different claims than those in the open table it does show the difference between money claimed and money settled and highlight the value of a robust claims handling process.

CLAIMS CLOSED			
Month	Repudiated	Settled	Payments made
Apr-16	13	3	£14,534.34
May-16	24	7	£40,239.51
Jun-16	10	4	£70,299.50
Jul-16	12	8	£68,323.65
Aug-16	26	2	£14,525.18
Sep-16	12	6	£34,615.25
Oct-16	9	2	£62,591.00

Nov-16	12	4	£26,438.06
Dec-16	9	3	£14,807.00

Employers Liability

Employers liability relates to claims where employees are alleging injury, as a result of alleged council negligence whilst in the course of their duties.

The estimated claims cost is an approximation of the amount of money required to compensate for their loss. So it will include medical fees, legal fees etc. Injury costs are calculated by referencing the JC guidelines for the assessment of damages.

CLAIMS CREATED		
Month	Number of claims	Estimated Claim Cost
Apr-16	2	£25,246.00
May-16	2	£45,288.00
Jun-16	1	£11,527.00
Jul-16	1	£16,982.00
Aug-16	2	£17,174.00
Sep-16	2	£23,615.00
Oct-16	4	£44,382.00
Nov-16	6	£54,265.00
Dec-16	0	0

The below shows the claims closed in the 2016/17 year to date. In simplest terms those repudiated were claims where managed to successfully argue our position; settled shows claims where we could not. Although the below will refer to different claims than those in the open table it does show the difference between money claimed and money settled and highlight the value of a roust claims handling process.

It is worth noting the nature of our duty makes defending EL Claims more difficult than a PL claim

CLAIMS CLOSED			
Month	Repudiated	Settled	Payments made
Apr-16	3	1	£,5627.80
May-16	2	0	0
Jun-16	0	0	0
Jul-16	0	2	£21,115.00
Aug-16	0	2	£14,073.90
Sep-16	1	3	£39,822.21
Oct-16	2	1	£15,249.65
Nov-16	3	1	£30,750.00
Dec-16	1	1	£8,516.14

Motor:

CLAIMS CREATED		
Month	Number of claims	Estimated Claim Cost
Apr-16	2	£2,070.00
May-16	2	£3,723.39
Jun-16	9	£4,773.00
Jul-16	5	£3,574.00
Aug-16	6	£6,229.47
Sep-16	8	£8,937.45
Oct-16	8	£6,682.85
Nov-16	9	£10,448.86
Dec-16	5	£11,522.63

CLAIMSCLOSED			
Month	Costs recovered or repudiated	Settled	Payments made
Apr-16	0	3	£1,300.47
May-16	2	2	£277.58
Jun-16	4	3	£6,579.90
Jul-16	3	0	0
Aug-16	4	1	£810.61
Sep-16	1	2	£1,969.44
Oct-16	1	1	£483.51
Nov-16	2	5	£45,885.92
Dec-16	3	4	£8,092.75

Property:

This differs from the above classes of insurance as the estimated cost relates to recovering money rather than paying it out.

CLAIMS CREATED		
Month	Number of claims	Estimated Claim Cost
Apr-16	0	0.00
May-16	1	£1,000.00
Jun-16	1	£210.00
Jul-16	4	£10,111.40
Aug-16	2	£5,569.50
Sep-16	1	£335.00
Oct-16	1	£830.00
Nov-16	1	£8,835.00
Dec-16	3	£6,325.00

The below shows the claims closed in the 2016/17 year to date. In simplest terms those settled shows claims where we recovered our losses. Not pursued are those that we did not, that may be because the damage fell under an insurance exclusion. Sometimes (although rarely) it may be that the departments cannot or chooses not to supply the information required and the claim cannot be pursued and is subsequently closed.

CLAIMSCLOSED			
Month	Not pursued	Settled / recovered	Payments made
Apr-16	0	2	£7,148.95
May-16	0	2	£4,741.66
Jun-16	0	0	0
Jul-16	0	0	0
Aug-16	1	0	0
Sep-16	0	0	0
Oct-16	0	3	£2,199.00
Nov-16	0	0	0
Dec-16	0	2	£22,029.34