



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

Annual Insurance Report 2019-2020

Prepared by: John Pearsall and Sarah Cook

Issued by: John Pearsall (Head of Internal Audit, Risk and Insurance)

Distribution: Corporate, Resource Management and Governance
Scrutiny Committee
Corporate Leadership Team (CLT)

Contents

Section

Page

1	Introduction	3
2	All Claims Received in 2019/20	3
3	Public Liability - Highways Claims	5
4	Public Liability – All Other Claims	7
5	Employers Liability Claims	8
6	Motor Vehicle (Fleet) Claims	9
7	Other claims and internal schemes	10
8	Initiatives, Proactive Work and the Wider Picture	10
9	Conclusion	12

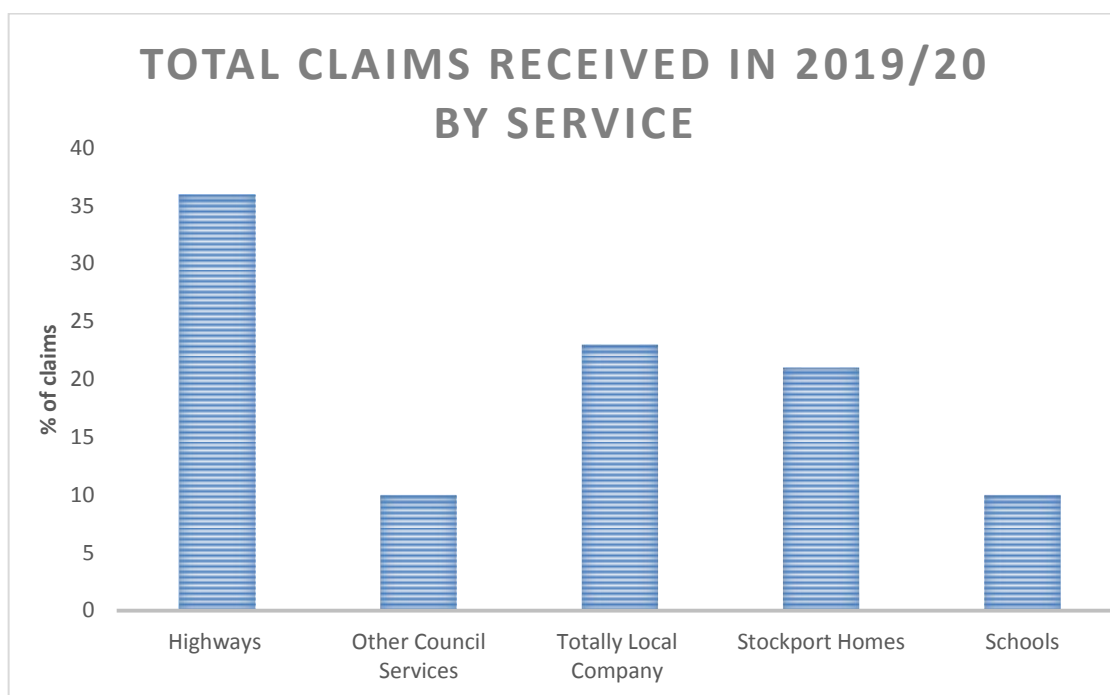
1 Introduction

- 1.1 This report highlights the claims' aspect of the Council's insurance activities for 2019/20 and the purpose is to update stakeholders on the performance in respect of the major classes of insurance and to provide an update on the proactive work and initiatives undertaken over the past financial year. A year on year comparison with the previous four financial years has been made primarily due to the long lead in time and nature of insurance claims.
- 1.2 ***The period covered in this report is April 2019 to March 2020. During the latter part of this period the service (like all council services) was affected by the Covid 19 pandemic. It is too soon to draw any real conclusions on the effects on insurance claims although section 8 highlights known emerging risks in this area. A reduction in highways claims arising from initial lockdown in March 2020 was experienced.***
- 1.3 The main factor impacting on claims is the ongoing proactive risk management processes now embedded across the insurance portfolio (predominantly highways, parks, schools, TLC and Stockport Homes). This is supplemented by broader ongoing work throughout the Council including bespoke training such as support regarding the management of tree related claims from our solicitors.
- 1.4 In addition, all personal injury claims falling within the scope of the pre-action protocols must be processed using the Claims Portal. It must be used by all solicitors for claims with a value below £0.025M with some exceptions. Using the Portal provides users with a number of benefits including fixed fees, reduced claim costs, greater transparency and clearer communication.
- 1.5 During the period, the service has been continuing to conduct a review of external solicitor/barrister fees. We have moved to a fixed fee basis for claims valued below £0.025M, with some exceptions. We now also use a second external solicitors firm for new instructions so we get the best service and value based on the claim speciality. We are currently reviewing the savings this has achieved but due to the long tail nature of liability claims, this will take time to confirm the actual value.

2 All Claims Received in 2019/20

- 2.1 During 2019/20 the Council received 430 new insurance claims overall. This is the lowest total recorded in many years. This compares to 513 in 2018/19, 479 in 2017/18, 465 in 2016/17, 491 in 2015/16, 628 in 2014/15 and 962 in 2013/14.
- 2.2 The types of policies procured to protect against these claims range from those covering large risks such as property and motor to more specialist policies such as cover for arts & regalia and engineering. Chart 1 below highlights that a large proportion of the total claims received in 2019/20 were highway related public liability claims (36%) (40% previous year). The remaining percentages of claims relate to other areas of the Council at 10% (12%), Totally Local Company (TLC) at 23% (21%), Stockport Homes Group SHG at 21% (16%) and schools with 10% (11%) of the total.

2.3 **Chart 1: Total Claims Received in 2019/20**



2.4 The number of new claims received overall has reduced in the last year, standing at 430 in 2019/20 compared with 513 in 2018/19, which is a 17% year on year decrease. This is attributable in the main to the proactive risk management work undertaken by the insurance team in conjunction with service areas improving and embedding processes and controls further. Table 1 below highlights total claim numbers over the past four years along with those claims now closed within each year.

Table 1: Total Number of Claims Received 2016 to 2020

Claims	2016/17 Financial Year	2017/18 Financial Year	2018/19 Financial Year	2019/20 Financial Year
Total new claims received in that year	465 (current total value £2.45M)	479 (current total value £2.02M)	513 (current total value £3.17M)	430 (current total value £2.74M)
Of these claims, numbers now closed (either settled or repudiated).	450 (current total value £1.45M)	453 (current total value £0.84M)	468 (current total value £0.44M)	276 (current total value £0.74M)

2.5 High value claims are those which carry a reserve of £0.05M and above. As at the 31st March 2020 the Council has 36 outstanding high value claims with an estimated value of £6.44M and this is reflected within the current insurance reserve, albeit that a proportion of these costs will be insured. Of these, five are classified as potential rather than actual claims and account for £0.72M of the total. In the previous year the Council had 31 outstanding high value/potential claims with a total value of £7.56M.

2.6 From April 2019 to March 2020 the Council went to trial on four separate occasions and won every case. This resulted in the avoidance of compensation and net costs of £0.07M. In the previous year the Council went to trial on a further four separate

occasions. In two of these cases, the claimants discontinued on the day of trial and we won two further cases at trial. This resulted in the avoidance of compensation and net costs of £0.67M. This amount included one significant high value claim so the savings on this occasion were much higher than would normally be expected.

- 2.7 We carry out robust fraud checks on claimants and use systems to check their claims history. In addition, we work closely with internal audit colleagues in relation to any potential fraudulent claims.

Robust in-house counter fraud checks and joint working with external claims handlers on insurance claims identified nine high risk (red) claims and seven medium risk (amber) claims. Of these claims eleven have been repudiated. We had insufficient evidence to substantiate our concerns for four claims so as we had breached our duty, we had to concede liability. The last claim is still under investigation. The value of reserves placed on the claims we are able to defend for the high risk claims totalled £0.06M and for the medium risk claims £0.11M. This provides for a combined confirmed overall saving of £0.17M for the eleven claims we were able to successfully defend.

3 Public Liability – Highways Claims

- 3.1 Despite significant improvements, highway public liability PL claims (personal injury and damage) still represent the largest current overall risk to the Council in terms of numbers received. This is not unique to Stockport. The number of highways claims received during the last four financial years is detailed below along with the current total cost of these claims. The total cost is measured by adding the current outstanding reserve plus any interim payments made.

Table 2: Highways Claims Received, Costs and Repudiation Rates 2016 to 2020

Highways Claims	2016/17 Financial Year	2017/18 Financial Year	2018/19 Financial Year	2019/20 Financial Year
New claims received in period	173	179	200	153
Outstanding reserve	£0.05M	£0.15M	£0.16M	£1.13M
Payments made	£0.22M	£0.11M	£0.14M	£0.02M
Total current value of these new claims	£0.27M	£0.26M	£0.30M	£1.15M
Percentage of claims ongoing	2%	2%	5%	42%
Percentage of claims repudiated to date where a liability decision has been made	81%	82%	80%	82%

- 3.2 The table above illustrates the number of new highways PL claims received over the past four years. Numbers have fallen from 200 to 153 or a 31% reduction year on year. The total current value of new claims (19/20) includes claims still open with a reserve but repudiated (£0.497M). The current repudiation rate of 82% is consistent with the previous three years. However this figure will inevitably change as 42% of claims are still ongoing.

3.3 The overall percentage of highways claims repudiated (where claims are successfully defended) is being maintained at a consistently high level which is really positive. This consistently high level of repudiation is attributable to the positive outcomes of the Highways Investment Plan, better inspection processes, improved quality of repairs and proactive risk management and partnership working between Place colleagues, TLC and those in Insurance Services, the in house claims handlers and Risk Services.

3.4 The ability to defend an insurance claim is based on the effectiveness of the highway inspection regime and the subsequent repair of any defects that are identified. The table below shows the reasons why received claims have been concluded over the last four financial years because either the Council did not have a suitable defence or the Council was able to successfully defend a claim brought. We now work alongside the Highways team and TLC to mitigate the reasons Stockport MBC has had to accept liability for a claim. It is evident that this approach is delivering results.

3.5 **Table 3: Breakdown of Highways Claims Repudiated and Liability Accepted 2016 to 2020**

Category	2016/17	2017/18	2018/19	2019/20
Liability not established yet	0	0	1	11
Repudiated claims				
Adequate system of inspection	75	106	118	75
Defect below intervention level	24	8	17	20
Other repudiated claims	41	33	25	22
Sub Total	140	147	160	117
Unable to defend claims				
Inadequate system of inspection	9	9	6	9
Inadequate repair	2	5	6	6
Lengthy delay in known defect	13	9	19	4
Other unable to defend claims	9	9	8	6
Sub Total	33	32	39	25
Repudiation percentage	81%	82%	80%	82%

3.6 The number of repudiated claims has increased in percentage terms during the last financial year. Furthermore the number of claims that we are unable to defend has continued to decrease from 39 to 25. This, in the main, is due to a substantial decrease in the number of defects that are not repaired within the timescales outlined in the Highways Policies. This is the result of a number of positive and proactive measures instrumented by Insurance Services including:-

- Regular meetings with TLC and the Highways team. At these we discuss claims where we have accepted liability, current and future claim prevention measures plus other topical issues.

- On an annual basis our Risk Consultant at Gallagher Bassett (external claims handlers) produces a highways claim report to review highway claim numbers, values and repudiation rates. This is used to review trends and suggest best practice.
- Highways training to inspectors on the new risk based approach and new defect categories have now been completed.
- Supplementary training from solicitors/insurers delivered to improve claim defensibility.

3.7 In terms of overall trend the current repudiation rate is positive and stands at 82%. To put this into context this compares with 48% reported in 2012/13. This demonstrates the year on year improvements in this key area of claims management control. From a benchmarking perspective Stockport now has one of the highest repudiation rates in the Greater Manchester area.

4 Public Liability – All Other Claims

4.1 Other public liability claims across all other services in the Council are not as common as highway claims but can be a significant cost to the Council. Examples of these types of claims are incidents in adult and children’s social care, parks, libraries and schools.

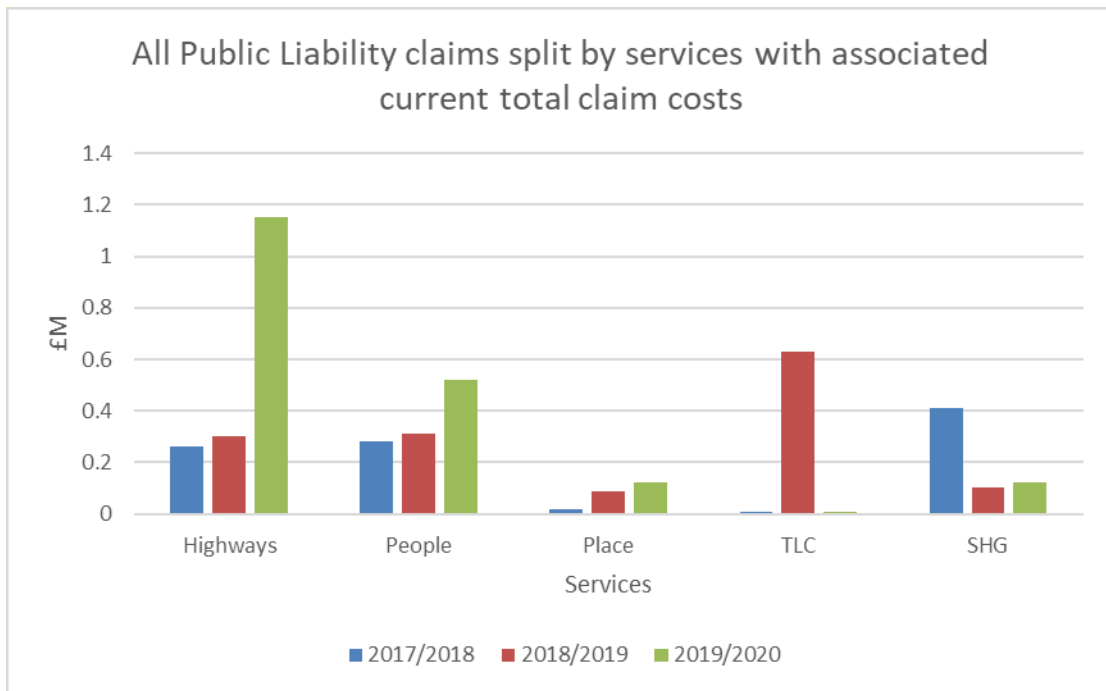
4.2 A table and chart highlighting public liability claims received during the last four financial years along with their current value

Table 4: All Other PL Claims Received, Costs and Repudiation Rates 2016 to 2020

Non-Highways PL Claims	2016/17 Financial Year	2017/18 Financial Year	2018/19 Financial Year	2019/20 Financial Year
Total new claims received in period	77	93	71	76
Outstanding Estimate	£0.48M	£0.19M	£0.47M	£0.75M
Payments	£0.45M	£0.16M	£0.44M	£0.02M
Total Claim	£0.93M	£0.35M	£0.91M	£0.77M

Chart 2 below focuses on the same public liability claims received during the last four financial years split by departments/services. This demonstrates the areas which are generating the highest claim costs. We have included highways PL claims to illustrate the comparison between the value of these claims with other non-highway PL claims.

Chart 2: Public Liability Claims by Service and Cost 2016 to 2020



4.3 Repudiation rates for these types of claims are not as high as highways claims because claims are spread out amongst various service areas which have varying systems in place to defend claims.

As a significant number of claims in 2019-2020 are still ongoing, the current total claim costs will be higher. As repudiated claims close, the reserve currently held on these claims will be removed. It is important that we maintain reserves on open claims even when liability is denied to ensure we have sufficient funds to pay current and future claims.

Since June 2017 two internal claims handlers have been in post replacing the previous sole handler, therefore the number of liability claims being handled in house has increased. The previous focus was on highways claims but with further capacity, more non-highways PL claims are being handled in-house. This means the service has greater control over the liability decisions and direct involvement in the outcome of the claim, thus balancing liability against overall costs.

4.4 The insurance team is aware that as highways claim number have reduced, this may prompt claims in other areas such as parks. However our internal claims handlers have developed effective channels of communication with different service areas so they can investigate all claims thoroughly. If liability for a claim is accepted, then feedback is sought on the reasons why so measures can be put in place to prevent the incident recurring in the future. In addition, we are currently working closely with highways to bring formal inspections to parks, cemeteries and public rights of way. Once implemented, our claim defensibility will be more robust as we will have a formal system to rely on, whilst also helping to increase visitor's safety to these locations.

5 Employers Liability Claims

5.1 Employers' Liability claims represent a smaller amount of claims received but tend to be more complex and sensitive in nature. The table below represents the number of

claims received during the last four financial years affecting the Council, schools, TLC and SHG. It also includes the total current cost of these claims which includes payments made and outstanding reserves.

Table 4: Employers Liability Claims Received and Costs 2016 to 2020

Employers Liability Claims	2016/17 Financial Year	2017/18 Financial Year	2018/19 Financial Year	2019/20 Financial Year
New claims received in period for Stockport MBC including schools	21 (current total value £0.69M)	10 (£0.31M)	9 (£0.10M)	8 (£0.10M)
For SHL and TLC	5 (£0.02M)	3 (£0.003M)	7 (£1.24M)	5 (£0.04M)
Total New claims received SMBC, schools, SHL and TLC	26 (£0.71M)	13 (£0.32M)	16 (£1.34M)	13 (£0.14M)
Average current cost of these claims	£0.027M	£0.02M	£0.83M	£0.01M

5.2 The number of Stockport Council and schools claims received in 2019/20 (8 in total) continues to decline slightly compared to the previous year (9) but significantly from 2016/17 (21 in total). However it should be noted that Employers Liability EL claims can fluctuate. This may be for a number of reasons:

- Solicitors working in the area supporting these types of claims.
- The number of historic EL claims.
- The type of claim as some can be particularly challenging and unique.

5.3 Claims are received across the entire range of services within the Council and can range from slips and trips to more complex claims such as assaults. Due to the personal nature of these claims, the internal claims handlers will meet with a named contact (usually a head of service or equivalent) to determine liability.

6 Motor Vehicle (Fleet) Claims

6.1. Fleet vehicles predominantly belong to TLC and SHG and are insured on a comprehensive policy. For damage to fleet vehicles there is a deductible (excess) of £5,000 (TLC) and £2,000 (SHG), with the full cost of this excess being met by the relevant service department. This makes them more accountable for low value own fault incidents. Any third party damage is paid in full by the insurers.

6.2 In 2016/17 we received 80 claims. This compares to 119 claims in 2017/18, 105 claims in 2018/19 and 126 claims in 2019/20. The number of claims are increasing but this aligns with vehicle numbers. The majority of the fleet vehicles insured belong

to SHG and TLC so the onus is on them to record, monitor and pro-actively reduce claims numbers and values.

7 Other Claims and Internal Schemes

- 7.1 As well as the key claim types mentioned above, the insurance service receives and handles claims in relation to the majority of the 54 external insurance policies procured. This number has risen in the last couple of years due to the changing risk environment of SMBC and its subsidiary. The majority of insurance policies are with either Zurich Municipal or QBE Insurance and the service either deals with them directly or via the insurance brokers, Gallaghers.
- 7.2 The insurance team also has responsibility for the management of two internal schemes which are provided to schools. The Sickness Insurance Scheme and the Balance of Risk Scheme. The claims' handling for both of these schemes is managed within the team; team members will pay claims in accordance with policy terms and conditions as well as mitigate any losses.
- 7.3 In 2019/20 the Balance of Risk scheme received 19 new claims with a current total value of £0.032M. This compares to the previous year of 19 new claims with a current total value of £0.465M. Claims numbers and values can fluctuate as the majority are weather related. The majority of schools buy this cover as they value the support that this additional policy provides.
- 7.4 In 2019/20 the Sickness Insurance Scheme generated premiums of £1.02M and paid out £1.05M which resulted in a £0.03M overspend. In 2019/20 a new online claim system was introduced which includes a link to our Human Resources team so the sickness absence is being proactively managed. The scheme also now has a CAP which prevents a school claiming more than three times their premium during any policy period.
- 7.5 In 2019/20, the Department for Education DfE consulted on a proposal to offer their Risk Protection Arrangement RPA for academy schools to Local Authority Maintained schools LAMS. This proposal was accepted so available from 1st April 2020 for all LAMS to buy, this offering is in direct competition to Stockport MBC insurance buybacks.

8 Initiatives, Proactive Work and the Wider Picture

- 8.1 Annual renewal costs in November 2019 were broadly similar to the premium charges secured during the tender, the previous year with additional modest savings experienced. This is a positive achievement and is reflective of the overall risk profile that the Council has worked hard to deliver. It must however be noted that, like all insurance premiums, the annual cost can fluctuate depending upon claims made in the previous year and the sums being insured.
- 8.2 A risk based approach to managing highways claims in line with the introduction of the new Highways Code of Practice - Well Managed Highway Infrastructure is now in place and well embedded. Training and support from risk, legal and insurance external partners continues to ensure the approach is embedded within the relevant teams.

- 8.3 Following a review the service now applies a 10% reduction for wear and tear for vehicle damage claims that we cannot repudiate. This is considered industry standard for claims of this nature and has delivered savings in its first year of introduction.
- 8.4 An integral part of the revised preventative and detective measures and controls specified in Stockport MBC's insurance anti-fraud statement, is the risk based methodology for screening insurance claims that has been developed to help identify those claims in need of possible further investigation. This involves a range of key checks that are applied to all new claims received. Consequently a more commercial approach is now applied to claims received to reduce costs per claim. This is helping to deliver real cashable savings to the fund of £0.170M (see section 2.7).
- 8.5 We continue to closely monitor high value liability claims. As at the 31st March 2020, there were 36 claims open with individual reserves in excess of £0.05M. Regular feedback is given to services to minimise future risk and costs. We have quarterly meetings with our insurers and solicitors to discuss these claims so that we have a full understanding of their current position and the best way to claims handle.
- 8.6 Every year the team undertakes the annual fund audit with the support of Finance colleagues, brokers and an external actuary. The latest report that the insurance fund has adequate levels of reserves to cover claims and future claims.
- 8.7 We continue to have strong relationships with our acting solicitors. Our solicitors have provided various training courses to the team including on the new Highways Code of Practice and mock trials, which helps to continually improve working practices. In addition, we have reviewed our fee structure for our external solicitor spend and have come to a fix fee agreement which we anticipate will produce a significant saving.
- 8.8 An established incentive fund is in place which aims to further reduce the number of claims received by TLC and SHG by offering a financial incentive for reducing claim numbers.
- 8.9 The insurance team has developed a positive relationship with the Health and Safety team and now attend the quarterly Corporate and CSS H&S meetings. The service analyses near misses and incidents reported to evaluate if there is any correlation to the type of employer's liability claims we receive. This pro-active work helps to identify any areas where we may need to work with service areas to ensure they have the right working practices in place. It also means we receive prompt notification of any potential claims.
- 8.10 Officers have recently delivered three presentations at the national ALARM conference, CIPFA Regional Event and North West Insurers on "The Impact of Commercialism in the Public Sector" in conjunction with our insurers and solicitors.
- 8.11 The service provides insurance cover for participating schools, Totally Local Company and Stockport Homes Group. All three groups present ongoing and emerging risk challenges. Schools now have the option to participate in the Government backed Risk Protection Arrangement Scheme. Depending upon future take-up of this scheme could impact on the level of cover and services provided by Stockport Insurance Services to schools. Both TLC and SHG continue to evolve their respective businesses which impacts on the overall risk environment and in turn

the levels of cover required to mitigate these new risks. The former in providing additional services to other councils and the latter in delivering services through a charity model and building works directly.

- 8.12 The changing nature of the Council and its role in the community also presents additional emerging risks. For example the generation of the Mayoral Development Corporation and the changing property profile, for example the major redevelopment of Merseyway.

9 Conclusion

- 9.1 Despite many headwinds and a challenging risk environment over the last four financial years, the number of claims received and paid out continues to represent a positive picture. This is clearly evident in the last financial year. As already stated this has been due to a range of factors including the pro-active risk management work championed by the insurance team and the buy in from all council services to enable the strengthening of controls to mitigate future risk. Positive results are continuing to flow from the proactive work with services. However, the service is not complacent and is continuing to strive to improve the overall risk profile by continuing dialogue and suggested improvements to all of our partners.
- 9.2 The events of the Covid 19 pandemic, subsequent lockdown, regional lockdown and fears of second and future spikes presents unique and sometimes unknown emerging and future risks to the council and its partners. We will continue to work proactively with all services to engage and support changes to controls in order to improve the risk environment further in the future.
- 9.3 Furthermore the council and its partners continue to change and evolve for example the way in which the council provide services in the future (integrated health and social care - medical malpractice, Regional Adoption Agency services, new ambitious capital projects) means that our risk profile will continue to evolve in its complexity. In addition, the ongoing investment in highways capital (HIP) and subsequent revenue funding for highways will be monitored by the insurance team, in terms of the effects on claim numbers moving forward.
- 9.4 Current and emerging macro risks are also being monitored and therefore it is more important than ever that the insurance service maintains its current high standard of quality service to all of its stakeholders.
- Nationally, historical abuse and disease claims received continue to increase. These are generally very complex and can be time consuming to handle and manage.
 - The ongoing effects of the Covid19 pandemic.
 - Brexit related risks.
 - The declining insurance market condition following the Grenfell disaster, which has now been accelerated by the Covid19 pandemic.