



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

Annual Insurance Report 2020-2021

Prepared by: John Pearsall and Sarah Cook

Issued by: Sarah Cook (Insurance Manager)

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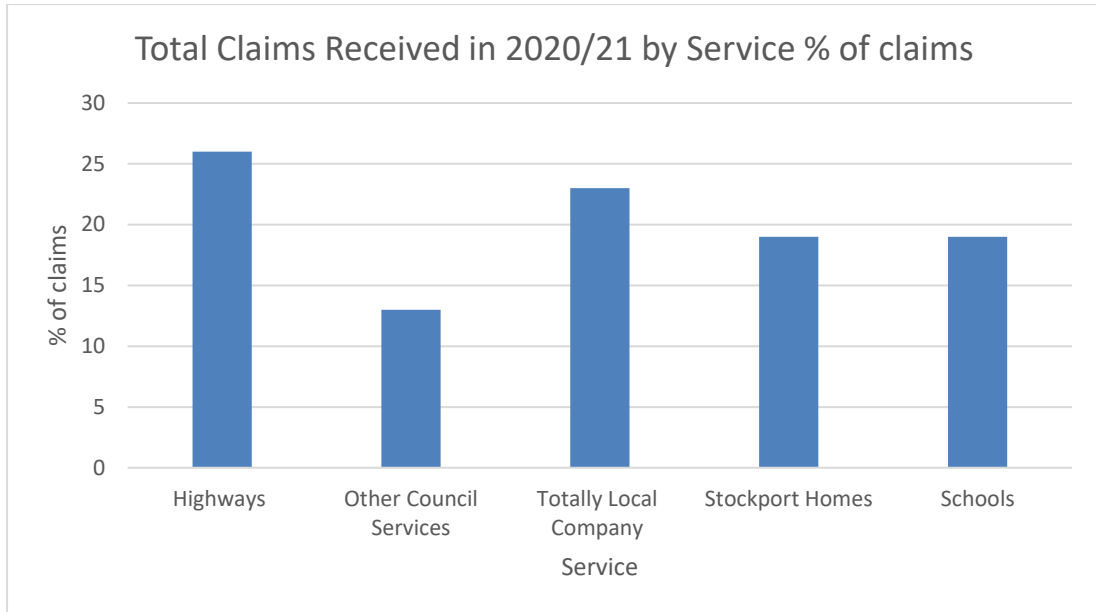
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1 Introduction

- 1.1 This report highlights the claims' aspect of the Council's insurance activities for 2020/21 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 2020 to March 2021. 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.
- 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 which are becoming more prevalent due to climate change.
- 1.4 During the period, the service has been continuing to conduct a review of external solicitor/barrister fees. We continue to use a fixed fee basis for claims valued below £0.025M, with some exceptions such as flood claims. We mainly use two external solicitors firm for new instructions so we get the best service and value based on the claim speciality. It is difficult to quantify savings due to the long tail nature of liability claims.

2 All Claims Received in 2020/21

- 2.1 During 2020/21 the Council received 381 new insurance claims overall. This is the lowest total recorded in many years. This compares to 430 in 2019/20, 511 in 2018/19, 480 in 2017/18, 465 in 2016/17 and 491 in 2015/16.
- 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.
- 2.3 **Chart 1: Total Claims Received in 2020/21 by Service**



- 2.4 The number of new claims received overall has reduced in the last year, standing at 381 in 2020/21 compared with 430 in 2019/20, an 11% 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. However COVID19 will also have impacted claim numbers and trends such as highways due to a reduction in use. We continue to monitor claim types and trends as we emerge from the pandemic.

Table 1: Total Number of Claims Received 2017 to 2021

Claims	2017/18 Financial Year	2018/19 Financial Year	2019/20 Financial Year	2020/21 Financial Year
Total new claims received in that year	478 (current total value £2.08M)	513 (current total value £2.92M)	430 (current total value £1.76M)	381 (current total value £3.41M)
Of these claims, numbers now closed (either settled or repudiated).	463 (current total value £0.93M)	487 (current total value £0.49M)	395 (current total value £0.70M)	234 (current total value £0.22M)

- 2.5 High value claims are those which carry a reserve of £0.05M and above. As at the 31st March 2021 the Council has 50 outstanding high value claims with an estimated total value of £6.77M and this is reflected within the current insurance reserve, albeit that a proportion of these costs will be insured. Of these, four are classified as potential rather than actual claims and account for £0.40M of the total.

It is important to note that the current trend is for less claims being received but the ones we do incur are more complex to handle and generally higher value.

- 2.6 From April 2020 to March 2021 the Council went to trial on three separate occasions and won every case. This resulted in the avoidance of compensation and net costs of £0.13M. In addition, we had one discontinue the day before trial, saving £0.02M.

2.7 We carry out robust fraud checks on claimants and use systems to check their claims history. In-house counter fraud checks and joint working between internal and external claims handlers on insurance claims identified seven high risk (red) claims and eight medium risk (amber) claims. Of these claims all fifteen have been repudiated to date. The value of reserves placed on the claims we have successfully defended to date is £0.38M (red claims) and £0.13M (amber claims) so totalling £0.51M. This year, a significant proportion of the savings relate to one red risk claim where a successful discontinuance delivered considerable savings. However, £0.04M of the total reserves were non-recoverable as it related to payments to our external solicitors who helped us to secure the outcome.

The service continues to treat potential fraudulent claims very seriously and uses a range of key fraud indicators to highlight and consequently investigate any concerns. We are now working more closely with other local authorities to share best practice regarding fraud detection and prevention. Plus we continue to build strong links with neighbouring authorities to identify cross border fraud concerns

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 2017 to 2021

Highways Claims	2017/18 Financial Year	2018/19 Financial Year	2019/20 Financial Year	2020/21 Financial Year
New claims received in period	179	200	153	98
Outstanding reserve	£0.21M	£0.06M	£0.42M	£0.52M
Payments made	£0.19M	£0.16M	£0.04M	£0.02M
Total current value of these new claims	£0.40M	£0.22M	£0.46M	£0.54M
Percentage of claims ongoing	2%	2%	5%	35%
Percentage of claims repudiated to date where a liability decision has been made	82%	80%	82%	85%

3.2 The table above illustrates the number of new highways PL claims received over the past four years. Numbers fell from 200 to 98 over the last two financial years, representing a reduction of over 50%.

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 (85% in 2020/21). 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.

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. We

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 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.
- 3.6 In terms of overall trend the current repudiation rate is positive and stands at 85%. 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

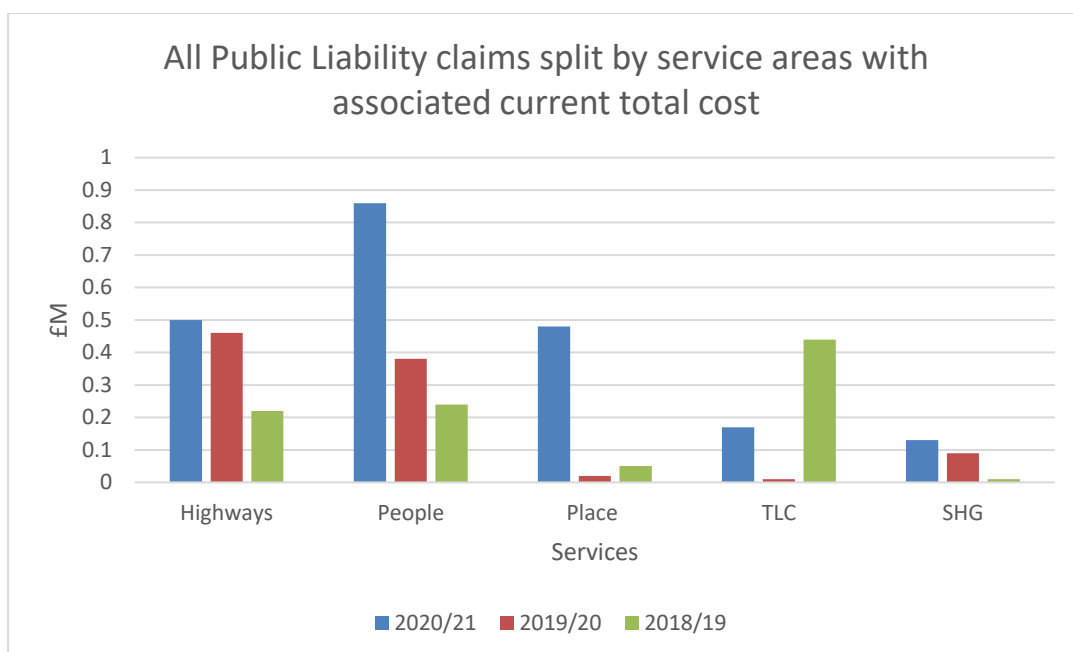
- 4.1 Other public liability claims across all other services are not as common as highway claims but can be a significant cost to the Council. Examples of these types of claims are incidents in adult and children’s social care, parks and schools.
- 4.2 A table and chart highlighting public liability claims received during the last four financial years along with their current value

Table 4: All Other PL Claims Received and Costs 2017 to 2021

Non-Highways PL Claims	2017/18 Financial Year	2018/19 Financial Year	2019/20 Financial Year	2020/21 Financial Year
Total claims received in period	94	74	77	80
Outstanding Estimate	£0.60M	£0.26M	£0.40M	£1.59M
Payments	£0.24M	£0.48M	£0.10M	£0.05M
Total Claim	£0.84M	£0.74M	£0.50M	£1.64M

Chart 2 below focuses on all 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 2017 to 2021



- 4.3 As a significant number of claims in 2020/21 are still ongoing, the current total claim costs may 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. We handle the majority of PL claims in house which gives greater control over costs and outcomes.
- 4.4 The value of Highways claims has fallen but the value of claims for other areas of Stockport MBC has increased in 2020/21. As per point 4.3, as these claims mature, the total cost will change but it is interesting to note that the value of Highways claims in 2020/21 has reduced in comparison to previous years.

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 2017 to 2021

Employers Liability Claims	2017/18 Financial Year	2018/19 Financial Year	2019/20 Financial Year	2020/21 Financial Year
Total claims received SMBC, schools, SHL and TLC along with total current cost	13 (£0.28M)	16 (£1.48M)	13 (£0.11M)	8 (£0.26M)

Average current cost of these claims	£0.02M	£0.92M	£0.008M	£0.003M
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- 5.2 The number of claims received continues to decline. However, the pandemic may be having an impact on Employers Liability claims due to the number of employees predominantly undertaking more homebased working. This links into our partnership work with our Health and Safety team who have also noticed a decline in accident reporting since working from home has been in place. We assume the chance of an incident occurring is less likely as employees have more control over their surroundings so risks are minimised.
- 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 or are managed by 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 own fault incidents. Any third party damage is paid in full by the insurers.
- 6.2 In 2017/18 we received 119 claims, 105 claims in 2018/19, 126 claims in 2019/20 and 89 claims in 2020/21. The number of claims were increasing aligning with vehicle numbers but due to the pandemic and less vehicles being on the road, the number of claims has fallen in the 2020/21 financial period.

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 other 54 external insurance policies procured. The majority of insurance policies are with either Zurich Municipal or QBE Insurance and the insurance service either deals with them directly or via our 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 2020/21 the Balance of Risk scheme received 5 new claims with a current total value of £0.004M. Claims numbers and values can fluctuate as the majority are weather related.
- 7.4 In 2020/21 the Sickness Insurance Scheme generated premiums of £1M and paid out £0.52M which resulted in a £0.48M underspend. This reduction was due to the pandemic and temporary 'closure' of schools. The surplus funds were used to top up

the depleted reserve plus money was redistributed to schools as the scheme is not for profit. The new online claim system is now embedded and provides invaluable links to our Human Resources team so sickness absence is being proactively managed.

- 7.5 From 1st April 2020, the Department for Education DfE made available to all Local Authority Maintained Schools their Risk Protection Arrangement (RPA) for academy schools. This offering is in direct competition to the Stockport MBC insurance buyback service. The team is working with schools and the RPA to ensure transparency regarding pricing and coverage to enable schools to make informed business decisions regarding their options.
- 7.6 The COVID19 pandemic created a huge increase in the number of school travel claims being submitted due to trips being unable to take place or rescheduled. In 2020/21, the team received 59 claims from schools with a current total value of £0.40M. More claims are still be submitted due to further cancellations and issues with travel. This will inevitably impact on future premium costs in this area.

8 Initiatives, Proactive Work and the Wider Picture

- 8.1 Annual renewal costs in November 2020 saw an increase in our liability premium due to market conditions. Although this is disappointing we are aware that other Local Authorities received much higher increases and we understand that this is reflective of the overall risk profile that the Council has worked hard to deliver and maintain. We are due to tender all our policies in November 2022.
- 8.2 An integral part of our preventative and detective measures and controls specified in Stockport MBC's insurance anti-fraud statement, is the risk based methodology for screening insurance claims 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 £0.51M (see section 2.7).
- 8.5 We continue to closely monitor high value liability claims. 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 an annual fund audit with the support of Finance colleagues, brokers and an external actuary. The latest report provides assurance that the insurance fund has adequate levels of reserves to cover current 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 such as managing tree related claims. Our in house claims handlers strive to challenge unnecessary costs to gain the best financial outcome for claim settlements.
- 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 continues to develop a positive relationship with the Health and Safety team and attends 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 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, it 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. Both are becoming increasingly commercial which brings a new dimension for the insurance of their risks.
- 8.11 The changing nature of the Council and its role in the community also presents additional emerging risks. For example the creation of the Mayoral Development Corporation and the changing property profile. In addition, the transfer of leisure services to Stockport Council's Community Interest Company will create a new additional risk to insure and claims handle.
- 8.12 The COVID19 pandemic has had a significant impact on the service in terms of claim numbers, types and queries received. The team have worked relentlessly to ensure cover is in place for tasks being performed in responsive to the pandemic which were previously outside the scope of a typical local authority's role such as the provision and distribution of PPE equipment.
- 8.13 The team has taken the lead on the creation of a sub group for the North West Insurance Officers Group for In House Claims Handling. The group is made up of a number of North West authorities who either handle their own liability claims in house or would like to. The aim of the group is to share best practice and ideas to help with the successful handling of their claims. The team are keen to develop their in house claims handling resource as they feel that this is the most cost effective way of handling claims while maintaining control of outcomes.
- 8.14 The insurance market traditionally experiences hard and soft market cycles on a relatively consistent basis (generally every 8-10 years). In the UK we have enjoyed a soft market cycle however our brokers have informed us that not since the mid 1980's have we seen such a sustained period of hard market pressure. The hard market is affecting particular insurance classes more than others, in particular property insurance, cyber risks and products such as Professional Indemnity and Directors and Officers Liability policies. Many of these policies are rated on the financial security of policyholders and therefore the hard market has been severely amplified by the impact and uncertainty which Brexit and the Covid 19 Pandemic has caused.
- 8.15 Insurance market cycles are market-wide fluctuations that vary. A soft market is where there will be increased competition and lower insurance premiums. There is normally broader coverage and a relaxed underwriting criteria, which is better for policyholders. With a hard market, you'll tend to see higher insurance premiums,

more difficult underwriting and less competition, which makes it more positive for insurance carriers.

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, when compared to the previous year. This is clearly evident in the last financial year. As already stated this could be 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.
- 9.1 The events of the Covid 19 pandemic, subsequent lockdown, regional lockdown and fears of 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.
- 9.2 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, the Regional Adoption Agency, new ambitious capital projects) means that our risk profile will continue to evolve in its complexity. In addition, as the investment in highways capital (HIP) comes to end, we are keen to see how the post HIP model will operate to ensure impact of the funding isn't lost.
- 9.3 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.
- The ongoing effects of the Covid19 pandemic.
 - The hard insurance market condition following the Grenfell disaster, which has now been accelerated by Brexit and the Covid19 pandemic.
 - The approaching insurance tender in November 2022.
 - More complex and high value claims such as those related to flood damage.
 - Leisure services transferring to an in house risk.