



**STOCKPORT**  
METROPOLITAN BOROUGH COUNCIL

# Annual Insurance Report 2022-2023

**Prepared by:** John Pearsall, Head of Internal Audit, Risk and Insurance Services

Sarah Cook (Insurance Manager)

**Issued by:** John Pearsall

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

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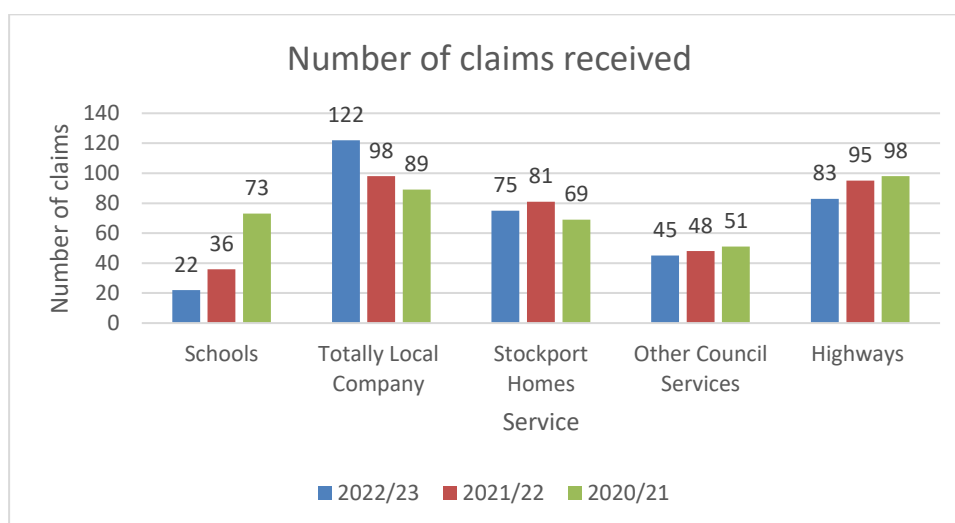
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## 1 Introduction

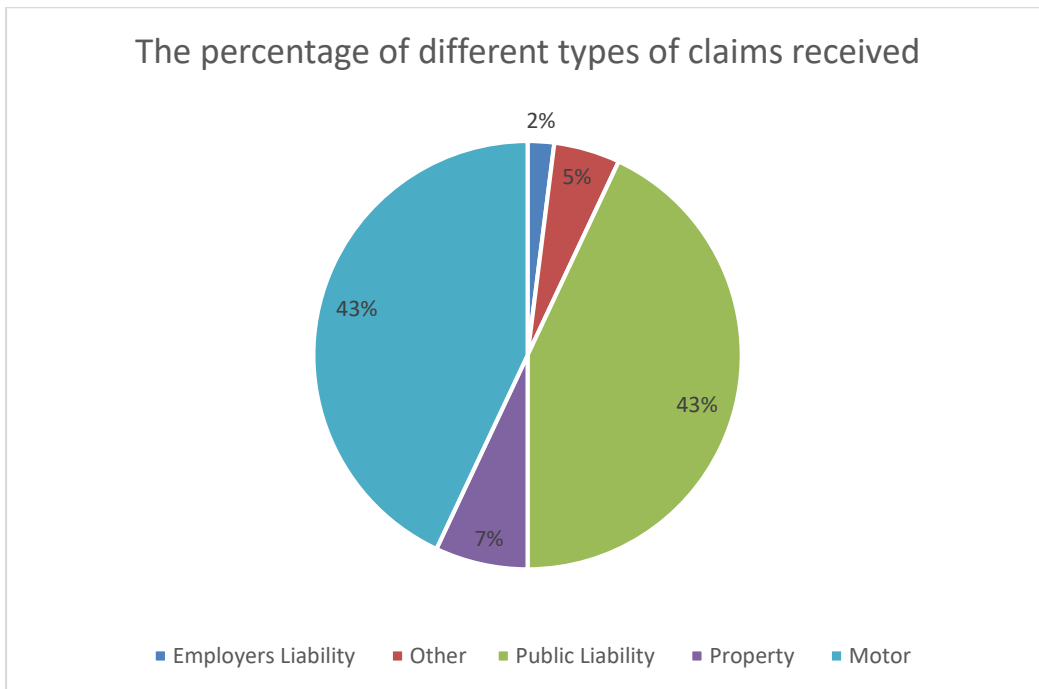
- 1.1 This report highlights the claims' aspect of the Council's insurance activities for 2022/23. The purpose is to update both members and other stakeholders on the performance in respect of the key risk areas of insurance and to provide an update on the proactive work and initiatives undertaken over the past financial year, April 2022 to March 2023.
- 1.2 The main factor impacting on claims is the ongoing proactive risk management processes now embedded across the insurance portfolio (predominantly highways, parks, schools, Totally Local Company (TLC) and Stockport Homes (SHG)). This is supplemented by broader ongoing work throughout the Council including bespoke training.
- 1.3 During the period, the structure of the team has been reviewed and redesigned to incorporate an in-house solicitor. The main aim being to manage litigated claims in house thus increasing overall control combined with reducing costs of procuring external legal services. Furthermore, and as part of the review, the in-house liability claims handling authority has been increased to £250K from £100K, subject to some exceptions. Again, this enables greater control in house with benefits including financial savings and more efficient processing.

## 2 All Claims Received in 2022/23

- 2.1 During 2022/23 the Council received 347 new insurance claims overall. This is the lowest total recorded in many years. This compares to 358 in 2021/22, 380 in 2020/21, 430 in 2019/20 and 511 in 2018/19. This is attributable in the main to the proactive risk management work undertaken by the service in conjunction with service areas improving and embedding processes and controls further.
- 2.2 The types of policies procured to protect against these claims range from those covering large risks such as property and motor, public and employers' liability to more specialist policies such as cover for arts and regalia and engineering.
- 2.3 **Chart 1: Total Claims Received in 2022/23, 2021/22 and 2020/21 by Service.**  
**(Note:- Highways includes motor claims)**



2.4 **Chart 2: The Percentage of Different Types of Claims Received in 2022/23.**



2.5 **Chart 1** provides a comparative overview of claims by service area for the last three financial years. **Chart 2** further highlights the type of claims received by percentage breakdown in 2022/23 only. The type of claim is often dependent on the service being provided.

2.6 From April 2022 to March 2023 the Council progressed/defended no liability claims to a court hearing. Of the three claims with scheduled court dates, the service managed to successfully negotiate settlement on two cases and one claim discontinued three weeks before trial (at the request of the claimant). Although it may be legally necessary for the service to proceed to trial, it is more proportionate (saving significant amount of time and resources) if claims can be settled and/or disposed of prior to a Final Hearing.

2.7 The service continues to conduct 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 five high risk (red) claims and one medium risk (amber) claim. Of these claims all six have been repudiated to date. The value of reserves placed on the claims successfully defended to date is £0.072M (red claims) and £0.019M (amber claims). In total, £0.091M.

2.8 The service continues to robustly process potential fraudulent claims and uses a range of key fraud indicators to highlight and consequently investigate any concerns. The service is now leading on a Northwest Insurance Officers sub-group project for in house claims handling. The objective being to work closely with other local authorities to share best practice regarding fraud detection and prevention.

### 3 Public Liability – Highways Claims

3.1 Highway public liability (PL) claims (personal injury and damage) represent the largest current overall liability risk to the Council in terms of claim numbers. This is not unique to Stockport. The number of highways claims received during the last four financial years is detailed below along with repudiation rates and average claim costs.

3.2 **Table 1: Highways Claims Received, Costs and Repudiation Rates 2019 to 2023**

Highways Claims	2019/20 Financial Year	2020/21 Financial Year	2021/22 Financial Year	2022/23 Financial Year
New claims received in period	153	78	84	81
Percentage of claims repudiated to date where a liability decision has been made	80%	88%	80%	99%*
Average claim payment of those paid to date	£275	£145	£390	£5*

3.3 The table above illustrates the number of new highways PL claims received over the past four years. Numbers have fallen from 153 to 81 over the period, representing a reduction of 47%. **\*The 2022/23 financial period is an immature period of development because most claims are still being investigated so liability is unknown. As claims move into mature stages of development, the figures will become more representative of the final financial outcome.**

3.4 The overall percentage of highways claims repudiated (where claims are successfully defended) is being maintained at a consistently high level which is 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 and those in Insurance Services.

3.5 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 service works 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 effective and efficient results.

3.6 In terms of overall trend, the current repudiation rates are positive. The 2023 repudiation rate of 99% is not truly indicative as some claims will still be in the initial stages of development. However, to put the current repudiation rates into context these compare with 48% reported in 2012/13. This demonstrates the year-on-year improvements in this key area of claims management control.

### 4 Other Claims information

4.1 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. Most insurance policies are insured with Zurich Municipal ZM. The service deals with ZM directly but additionally procures the services of an insurance broker, Gallaghers, to assist with other policies not insured by ZM.

- 4.2 The other major classes of business are property and motor covers. Conversely, examples of the small type of claims that we deal with are travel and engineering claims.
- 4.3 The service continues to closely monitor high value liability claims. Regular feedback and advice is provided to services to minimise future risk and costs. In addition, monthly meetings are held with the Head of Internal Audit, Risk and Insurance Services to discuss progress on all claims with a value over £0.05M.
- 4.4 The team leads on a subgroup for the Northwest Insurance Officers Group for In House Claims Handling. The group is made up of several Northwest authorities who either manage 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.
- 4.5 During the last financial period, and as a result of a detailed analysis of costs paid to external solicitors historically, a new post was created for an in-house solicitor to work on the team to manage future litigated liability claims. The main objective to the change in the delivery model is to reduce spend (and reliance) on external solicitor costs. The cost savings will be calculated and monitored annually against previous year external costs. This data will be used to inform future model deliveries for the service structure. Further benefits include the more effective preparation of bundles for trial, attendance at court cases on behalf of the Council and support for barristers at court proceedings. The Council has further enhanced its robust approach to broader claims handling processes which saves time and financial spend. This also involved a restructure of the team which supported staff development and better ways of working.
- 4.6 Although we have an inhouse solicitor, outsourcing to external legal providers still takes place on a case-by-case basis. External solicitors often have areas of specialism which we can utilise where appropriate for complex and high value claims. We have a close working relationship with our external legal providers which brings a consistent approach to claims handling. We have access to a Greater Manchester legal framework to procure services to ensure high quality and costs effective support.

## **5 Initiatives, Proactive Work and the Wider Picture**

- 5.1 Following a tender exercise in November 2023 we entered a new 3 + 2-year agreement with insurers. Most policies remained with the same insurers, but the liability policy moved from QBE to Zurich Municipal. Based on advice from our external actuary, we moved from having a £50K (housing and general properties) and a £100K excess (school buildings) to £250,000 for housing, general and school. This decision was made following careful financial analysis of past and predicted future claims and yielded an immediate premium saving.
- 5.2 The tender resulted in an increase in property premium and new imposed terms and limits. This is reflective of the current market conditions (for example taking into account the recent RAAC risk – Reinforced Autoclaved Aerated Concrete) and risk appetite and other Local Authorities are in a similar position. We are working closely with our underwriter to ensure our compliance with terms. A change to the Directors and Officers policies to another insurer resulted in an immediate premium savings

and enhanced cover. This was achieved with the support of our external brokers who tested the market on our behalf. In addition, liability premium reduced, the proactive risk management work by the team will have played a significant role in this achievement.

- 5.3 Every year the team undertakes an annual fund audit with the support of Finance colleagues, broker and external actuary. The latest report provides assurance that the insurance fund has adequate levels of reserves to cover current and future claims.
- 5.4 Our external solicitors have provided various training courses to the team. The most recent training session was to assist Health and Safety in relation to investigating potential claims. 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.
- 5.5 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.
- 5.6 The service provides insurance cover for participating schools, Totally Local Company, Stockport Homes Group and Life Leisure. Maintained schools now have the option to participate in the Government backed Risk Protection Arrangement Scheme. In addition, we have a growing number of schools expressing an interest in converting to academy status, which means they can no longer purchase insurance cover from the Council due to a lack of insurable interest. This is an emerging risk to the service which we are managing by continuing to provide a highly effective service provision. We are working with our external underwriter on an insurance solution we could offer to academies in the future.
- 5.7 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 significant property redevelopment such as Stockroom and Stockport Interchange project. Emerging claim risks for Local Authorities include Japanese Knotweed, Deprivation of Liberty, and Human Rights claims. In addition, there is significant exposure in relation to Ash Dieback disease in trees. To limit the financial spend, the insurance service recommended a risk-based approach to its management.

## **6 Conclusions and Recommendations**

- 6.1 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 overall picture. This is due to a range of factors including the pro-active risk management work detailed above, championed by the service and the buy in from all Council services and partners to enable the strengthening of controls to mitigate future risk. Positive outcomes such as increased repudiation rates and lower average claim costs 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 our partners.
- 6.2 The Council and its partners continue to change and evolve. For example, the way in which the Council provides services in the future (new ambitious capital projects and

social care delivery models) means that the risk profile will continue to evolve in its complexity. In addition, as the investment in highways capital (HIP) matures, the service will continue to adapt to any potential changes in future funding for this key risk area.

6.3 Current and emerging macro risks are also being monitored by analysing claim trends and using proactive engagement with services. It is more important than ever that the insurance service maintains its current high standard of quality service to all its stakeholders.

- The hard insurance market condition.
- Complex and historic claims.
- The transfer of maintained schools to academies.
- Significant property development within Stockport.

#### 6.4 **CONCLUSIONS AND RECOMMENDATIONS**

**The Scrutiny Committee is recommended to: -**

- (i) Note the content of the Annual Insurance Report 2022/23.**