



STOCKPORT
METROPOLITAN BOROUGH COUNCIL

Annual Insurance Report 2023-2024

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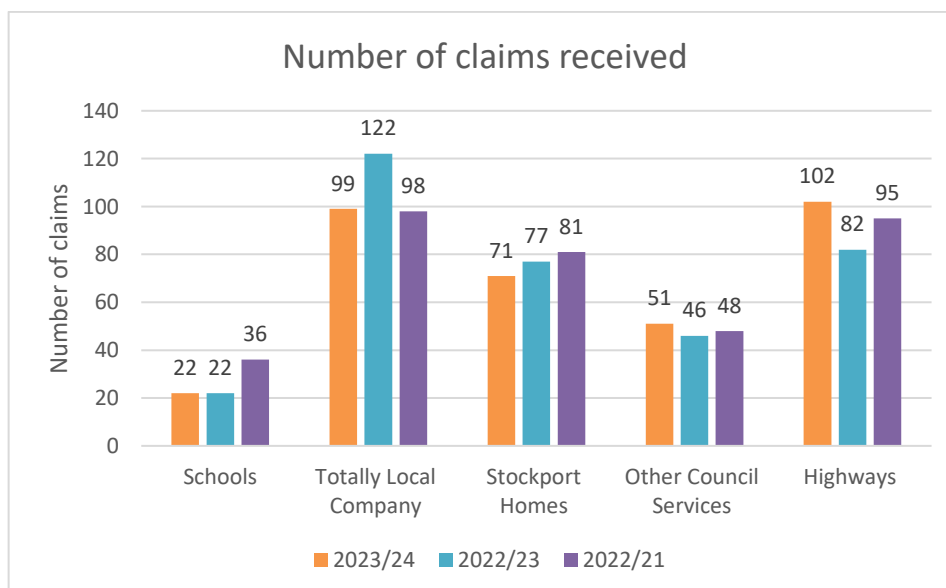
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1 Introduction

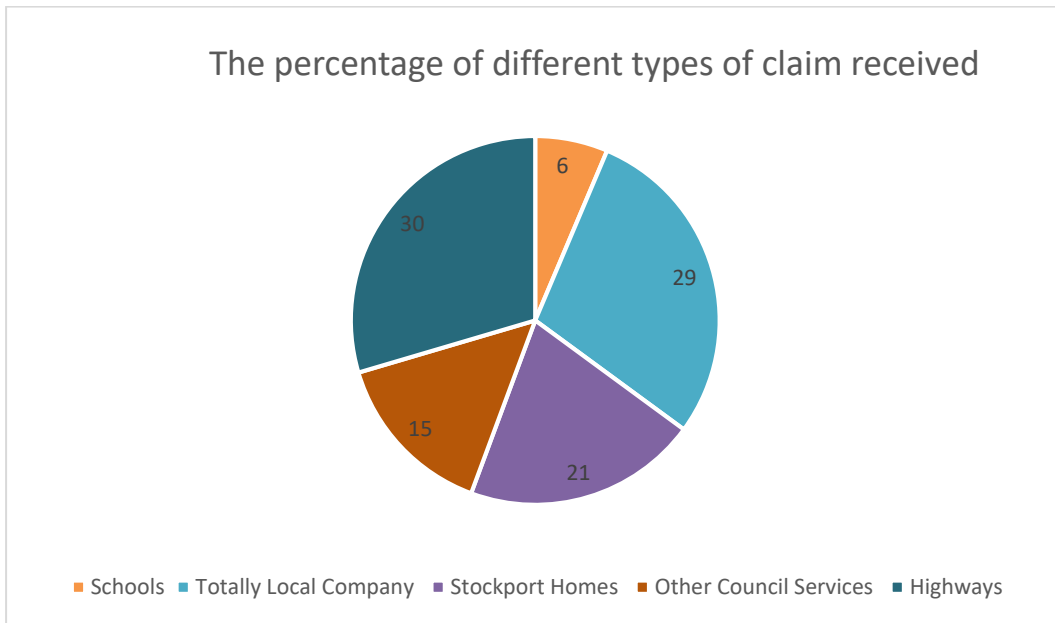
- 1.1 This report highlights the claims' aspect of the Council's insurance activities for 2023/24. The purpose is to update both members and other stakeholders on the performance in respect of the key risk areas of insurance and to provide an update on the proactive work and initiatives undertaken over the past financial year, April 2023 to March 2024.
- 1.2 The main factor impacting on claims is the ongoing proactive risk management processes now embedded across the insurance portfolio predominantly highways but recently in focus are cemeteries, Stockport Active and children's services. This is supplemented by broader ongoing work throughout the Council including bespoke training.
- 1.3 The new structure which includes an in-house solicitor is fully embedded and working effectively. It means we have more scope to handle litigated claims in house therefore reducing external spend on solicitors. This brings more control and greater insight into claims management. The internal advice provided on legal matters relating to potential claims and future risks has been invaluable.

2 All Claims Received in 2023/24

- 2.1 During 2023/24 the Council received 345 new insurance claims overall. This compares to 349 in 2023/24, 358 in 2021/22, 380 in 2020/21 and 430 in 2019/20. The last two years demonstrates a stabilisation in numbers being received. Unfortunately, claim numbers can't continue to reduce year on year, there will be a minimum low point.
- 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 2023/24, 2023/22 and 2022/21 by Service.**
(Note:- Highways includes some motor claims)



2.4 **Chart 2: The Percentage of Different Types of Claims Received in 2023/24.**



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 2023/24 only. The type of claim is often dependent on the service being provided.

2.6 From April 2023 to March 2024 the Council progressed five liability claims to a court hearing. Of the five claims, four were won at trial and one claim discontinued before the court date. This resulted in the avoidance of compensation and net costs of £0.068M. This demonstrates that our litigation strategy works effectively. These court successes also publicise the robust nature of the Council's attitude towards defending claims.

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 three high risk (red) claims and one medium risk (amber) claim. Of these claims all four have been repudiated to date. £0.140m (red claims) and £0.010 (amber claims) so overall £0.150m. To assist with defending one of the claims we incurred £0.004m (£3,769) in external solicitors' fees seeking professional advice regarding the potentially fraudulent activity.

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 three financial years is detailed below along with repudiation rates and average claim costs.

3.2 **Table 1: Highways Claims Received, Costs and Repudiation Rates 2021 to 2024**

Highways Claims	2021/22 Financial Year	2022/23 Financial Year	2023/24 Financial Year
New claims received in period	94	82	102
Percentage of claims repudiated to date where a liability decision has been made	78%	95%	94%
Average claim payment of those paid to date	£2,297	£717	£622

3.3 The table above illustrates the number of new highways PL claims received over the past three years. Numbers have fluctuated over this period. The 2023/24 financial period is still in an immature period of development. The figures will become more representative of the final financial outcome as time progresses.

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 is attributable to the ongoing positive impact of the Highways Investment Plan and better inspection processes.

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 excellent. The 2024 repudiation rate of 94% may not be truly indicative of the final rate 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 58 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 In 2022/23 we recruited an in-house solicitor to the team to work with the already established internal claims handling function to increase the handling of litigated claims in house. The main objective of this new post was to reduce spend (and reliance) on external solicitor costs. An initial analysis of our external solicitor spend over the last four financial years is summarised here:

2020/21 - £126,110
 2021/22 - £269,936
 2022/23 - £118,841
 2023/24 - £99,595

In addition to the reduction in spend, other benefits have been realised which include support for court preparation, legal advice to service areas and our subsidiary companies plus case law training.

- 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 2022, we are now in our second year of a 3 + 2-year Long Term Agreement with our respective insurers. Most of our policies are with Zurich Municipal which helps to negotiate preferable terms.
- 5.2 At the November 2023 renewal, we saw an increase in motor fleet premiums, this was due to an increase in claim costs and numbers. However, premiums were also impacted by general insurance market conditions. A shortage of vehicle parts, the increasing technical nature of vehicles plus the cost of electric vehicle repairs, has heavily influenced claim costs across the UK.
- 5.3 Our property portfolio has been impacted as insurers become more reluctant to insure unoccupied and/or high-risk properties. As a result, the Council has had to accept more stringent policy terms or seek alternative cover from the market. The team are working with our insurers on an ongoing basis for solutions to help mitigate this risk going forwards.

- 5.4 Every year the team undertakes an annual fund audit with the support of Finance colleagues, our broker, and an external actuary. The level of reserves held in the insurance fund continues to decrease primarily due to the hard work of the Insurance Team in helping to develop the vision of a proactive modern forward looking risk prevention service. This includes more integrated partnership working with key services and partners (both internal and external) and a greater focus on the management and handling of more complex claims in house. This is delivering more cost-effective outcomes of all claims and is reducing our reliance on external solicitors to help drive down external costs.

The latest report positively recommends a total fund size as at 31 March 2024 of £5.527m. This compares with a recommended fund size of £6.929m as at 31st March 2023. This is primarily attributed to a reduction in the number of outstanding claims on Public Liability and Employers Liability following an open claims review and closure of claims.

An additional financial benefit to the ongoing effective management of the Insurance Fund is the contribution from reserves to support ongoing savings requirements as part of the broader Medium Term Financial Plan (MTFP). An illustration of this is outlined below.

Insurance Fund Savings In Recent Years

Financial Year	£000
2020/21	50
2021/22	30
2022/23	0
2023/24	137
2024/25	100

Savings of £0.317m have been taken from the insurance fund over the last five years.

- 5.5 Our external solicitors have provided various training courses to the team. The most recent training session was to Childrens Services regarding legislation and case law. 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.
- 5.6 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.
- 5.7 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.
- 5.8 The changing nature of the Council and its role in the community also presents additional emerging risks. For example, significant property redevelopment such as

Stockroom and the Interchange. Emerging claim risks for Local Authorities include climate change effects, e-bikes/scooter storage plus electrical vehicle charging.

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) has now come to an end, 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 2023/24.**