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| Report to: | Corporate Issues Scrutiny Committee | | |
| Date: | 13 th April 2010 | | |
| Report of: | Director of Corporate Resources | Report No: | |
| Contact Officer: | Sue Johnson Deputy Director of Corporate Resources | Tele No: | 01204 331504 |
| Report Title: | Claims | | |
| Confidential / Non Confidential: | <div style="border: 1px solid black; padding: 5px;"> <p>(Non-Confidential) This report does not contain information which warrants its consideration in the absence of the press or members of the public</p> </div> | | |
| Purpose: | <div style="border: 1px solid black; padding: 5px;"> <p>This report has been prepared in response to the Committee's request for information on claims made against the Council.</p> </div> | | |
| Recommendation | <div style="border: 1px solid black; padding: 5px;"> <p>Committee are asked to note the content of the report and identify any issues arising from the information supplied.</p> </div> | | |
| Decision: | <div style="border: 1px solid black; height: 30px; width: 100%;"></div> | | |
| Background Doc(s): | <div style="border: 1px solid black; height: 100px; width: 100%;"></div> | | |

1. Introduction

The Committee has requested a report detailing how efficiently claims against the Council are handled and whether value for money is achieved in this area. The Committee has also asked for information about how the Council performs against other local authorities in this area and whether any improvements to the process can be made.

2. Claims Handling Process

Constant checks are made on every claim received to protect against fraud and exaggeration. A balance has to be maintained between promptly settling claims where a liability is acknowledged to reduce costs, and maintaining a robust defence where liability is denied or in question.

It is important to note that whether there is a liability or not is governed by law and we have to establish whether we have a strong enough defence, based on legal principles, or whether we do have to settle.

3. Cost of claims against the Authority

There are many classes of claims, but for the purpose of this report, figures for the 4 major classes have been provided, namely:

- Public liability (which includes highways)
- Employers liability
- Motor
- Property - Education

Payments made during the last financial year and current year to date are shown below. It is important to note that this data represents when the payment was made and not when the incident occurred.

| Type of Claim | Number Paid | Amount Paid (£) |
|---------------------------------------|-------------|-----------------|
| Financial Year 2008/09 | | |
| Public Liability | 342 | 1,514,613 |
| Employers Liability | 29 | 361,801 |
| Motor | 134 | 297,737* |
| Education - Fire | 32 | 75,260 |
| | | |
| Financial Year 2009/10 to date | | |
| Public Liability | 339 | 981,412 |
| Employers Liability | 35 | 66,321 |
| Motor | 161 | 377,072* |
| Education - Fire | 25 | 74,799 |

*Paid by insurer

Members will be aware that there is a normal limitation period for submitting a claim of 3 years, but this is extended for incidents relating to children, disease and abuse claims.

The table below shows the number of claims notified in the last and current financial years which have yet to be resolved. Financial provision is made for these claims to ensure that should a payment be made there are sufficient resources available.

| Type of Claim (Open Files) | Number |
|---|--------|
| | |
| Notified in financial year 2008/09 | |
| Public Liability | 129 |
| Employers Liability | 25 |
| Motor | 71 |
| Education - Fire | 18 |
| | |
| Notified in financial year 2009/10 to date | |
| Public Liability | 421 |
| Employers Liability | 44 |
| Motor | 84 |
| Education - Fire | 11 |
| | |
| Total number of open files to date | |
| Public Liability | 1,203 |
| Employers Liability | 136 |
| Motor | 497 |
| Education - Fire | 68 |

The cost of settled claims comes from either the insurer or the insurance fund held by the authority.

All motor claims are paid by the insurer.

For Education Fire claims, the authority pays a deductible of £150,000 against each claim. In any one year, once the total deductible limit of £700,000 has been reached then the insurer pays.

For both public and employers liability claims the authority pays each claim up to the excess level which is currently £100,000. Over a 1 year period, should the total value of payments exceed £4m, the insurers then pay the costs thereafter.

The annual cost of insurance premiums over the last 2 years is shown below, together with charges for claims handling by the insurance companies, where applicable.

| Period of Cover | Insurance Premium (£) | Claims Handling Charge (£) |
|-------------------------|------------------------------|-----------------------------------|
| Liability Cover | | |
| 01/02/2009 – 31/01/2010 | 291,000 | 128,210 |
| 01/02/2010 – 31/01/2011 | 296,900 | 112,985 |
| | | |
| Motor | | |
| 01/02/2009 – 31/01/2010 | 410,294 | 23,100 |
| 01/02/2010 – 31/01/2011 | 482,380 | 25,440 |
| | | |
| Property | | |
| 01/12/2008 – 31/01/2010 | 525,825 | N/A |
| 01/02/2010 – 31/01/2011 | 475,101 | N/A |

4. Performance and Efficiency of the process

The performance of claims handling is monitored by a series of internal performance indicators, regular review by our insurers and claims handlers and the Council is also a member of the CIPFA benchmarking club. In addition regular reviews are carried out by internal audit.

The internal performance indicators are shown at Appendix 1 and give performance against target for the current financial year. To improve the efficiency of the claims handling process, the latter two indicators are new for 2009/10 hence there is no comparative data for the previous

financial year. Previously the average number of days taken to acknowledge both types of claims was monitored, but the new indicators were introduced to give a more rigorous assessment of performance.

The CIPFA benchmarking club compares the Council's performance against peer authorities within the North West. The survey covers all aspects of the process, including costs of insurance, numbers of claims paid and repudiated and the measures put in place to reduce risk such as regularity of driver training. The most recent report covers the period from 2003/04 to 2007/08 and shows a reducing trend of public liability claims which is mirrored for all other authorities taking part. Some other key comparators are shown below.

| Area for comparison | Bolton Average | Overall Average |
|--|-----------------------|------------------------|
| Total number public liability claims per 1000 population | 6.8 | 7.8 |
| Total cost public liability claims per 1000 population | £18.2k | £20.9k |
| Number of claims per km highway | 1.8 | 2.1 |
| Cost of claims per km highway | £4.7k | £5.8k |

5. Work undertaken to reduce the risk of claims

The council's Risk Manager works closely with the services, the Insurance Section and our insurance companies to identify areas where claims are occurring and the reasons for these. A number of measures have been put in place to mitigate risk, and some examples are shown below:

- All refuse collection vehicle drivers have undertaken a driver awareness course. This is being extended to all drivers within Environmental Services and then to all other departments, including Bolton at Home.
- Children's services have an annual risk management allocation to fund physical measures, which have included fencing projects and the provision of security systems.
- The council's claims handlers work with us to look at key risk areas and help us to identify solutions. Work in the past has included asbestos surveys, legionella surveys, motor fleet review and future work is to look at properties within parks and open spaces to reduce the risk of vandalism and theft.

6. Possible improvements to the claims handling process

The software that is used to handle claims is currently being updated and this will allow improved recording and improved efficiency of the process.

In addition, the law relating to insurance claims is currently under review. Anticipated changes may result in speedier claims decisions being made which will help to avoid cost penalties.

7. Conclusions

The processes for dealing with claims against the Authority seek to ensure that they are dealt with efficiently and protect the Authority against fraud and exaggeration.

8. Recommendations

Committee are asked to note the content of the report and identify any issues arising from the information supplied.

APPENDIX 1

Internal Performance Indicators

| Narrative | Q1 | Q2 | Q3 | Q4 | Actual 08/09 | Target Q3 | Target 09/10 |
|---|-----------|-----------|-----------|-----------|---------------------|------------------|---------------------|
| Percentage of liability claims repudiated | 52% | 41% | 89% | | 58% | 65% | 65% |
| Percentage of newly received liability claims processed within 10 days of receipt | 92% | 86% | 89% | | - | 80% | 80% |
| Percentage of newly received motor claims processed within 5 days of receipt | 91% | 78% | 85% | | - | 85% | 85% |