

**INTEGRATED INSURANCE WITH THE LONDON BOROUGH OF SUTTON -  
ANNUAL REPORT FOR 2015**

<u>Report of the:</u>	Director of Finance and Resources
<u>Contact:</u>	Doug Earle
<u>Urgent Decision?</u>	No
<u>If yes, reason urgent decision required:</u>	N/A
<u>Annexes/Appendices</u> (attached):	Annual Insurance Claims Review produced by London Borough of Sutton
<u>Other available papers</u> (not attached):	None Stated

**REPORT SUMMARY**

**This report provides an annual update on the Council's insurance cover arrangements which are provided by the London Borough of Sutton.**

**RECOMMENDATION (S)**

*Notes*

- (1) The Committee note the annual report prepared by the London Borough of Sutton in respect of the new insurance arrangements and continued action taken to improve the handling of claims;**
- (2) The Committee agree that the Head of Corporate Risk progress discussions with the London Borough of Sutton for a longer term arrangement to achieve potential savings and economies of scale with a view to extending the current Collaboration Agreement.**

**1 Implications for the Council's Key Priorities, Service Plans and Sustainable Community Strategy**

- 1.1 The managing of resources is a key priority and it also covers Council's core value of value for money.

**2 Background**

- 2.1 Strategy and Resources Committee gave approval to the transfer of insurance cover to the London Borough of Sutton on the 26 June 2012 due to Zurich Municipal breaking the long term agreement with a proposed 32% increase in premiums.

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- 2.2 London Borough of Sutton has dedicated teams who provide administrative and technical support. The partnership arrangement has now been in place for over 3 years. There are regular reviews of performance and they offer a bespoke, direct, claims service which is also focused on the needs of the residents and which is more robust and resilient. They provide:-
- Integrated insurance services
  - Proactive claims handling service
  - A single point of contact
  - Provision of training and support to services to mitigate risk
  - Provision of specialist advice and guidance
- 2.3 The London Borough of Sutton has also provided a run off service by handling all claims prior to 1 July 2012. There are currently 19 mature open claims with an outstanding estimate of in the region of £475,000. These relate to complex public liability claims.
- 2.4 From April 2014, the London Borough of Sutton also provides insurance arrangements for Surrey Heath Borough Council and is actively seeking to work with other Boroughs.

### **3 Annual Review of Insurance**

- 3.1 The London Borough of Sutton has provided an Annual Claims Report which is attached as an Annexe to this report.
- 3.2 The arrangement continues to work well. The Insurance Team provide a single point of contact for Council staff and claimants. A key philosophy to London Borough of Sutton's claims handling is to make early decisions on liability which reduces legal costs. They have recently reduced the time to investigate all EL claims to 30 days and PL claims to 40 days in line with the on line portal introduced from the Jackson Reforms.
- 3.3 The fire at Ewell Court House in December 2013 has resulted in a substantial insurance claim currently reserved at over £2 million. The reinstatement is moving into the final stages, with finishing touches being agreed. Watts (the project managers) have confirmed the project is on target for completion and works should be finished by 30 October 2015. The opening ceremony has been scheduled for 12 November 2015, to re-launch the venue.

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3.4 Key improvements and key performance indicators:

<b>Year</b>	<b>The level of self-funding (EEBC) requirements/outstanding reserve (£)</b>
1 July 2012	416,000.00
31 March 2013	301,561.97
31 March 2014	167,289.90
31 March 2015	146,819.32

- At the end of September 2015 , there were 106 open claims
- 100% compliance to the relevant Pre-Action Protocols this financial year
- All requests for technical advice are dealt with quickly

3.5 London Borough of Sutton have provided a range of risk management work to enable the Council to improve the Council's ability to defend claims and ensure the correct inspection processes and records are in place.

3.6 Although progress has been made there remains some ongoing areas of concern;

**Tree Related Claims**

3.7 The Council has made some progress in this section, which has proved a difficult area in the past with a need to balance the increased risk of claims against the amenity value of a large number of trees in the Borough. A number of meetings have been held with the officers and the Insurance Team to improve communication and the timeliness of information, although it remains a concern that no inspections were completed during 2013. The weather has ensured that tree claims have been kept to a minimum this year but with a harsh winter approaching we are preparing for the potential influx of new claims.

3.8 There are currently 20 open tree claims, 15 are for alleged subsidence. The outstanding estimate for these claims is over £400,000.

**Strimmer Claims**

3.9 High volumes of strimmer claims continue to be received by the LBS who have been robustly defending them where reasonable measures have been taken. A total of 22 claims have been received since April 2015 to date, with one claim having a payment made. A total of 75 claims were received between April 2013 and March 2015.

**General/Underwriting**

3.10 The Team also provide a range of advice and assistance, responding to FOI's, queries on cover and administer the Engineering/Risk Improvement Reports provided by ZM.

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#### **Looking Forward**

- 3.11 The London Borough of Sutton are planning a significant review of all insurance arrangements in 2016 looking at all options including excess levels, catastrophic cover and self-funding. They have stated that should EEBC indicated their longer term commitment to the current arrangements they could be included within the review taking into account the financial challenges most Council 's are facing as premiums increase due to the claims culture.

#### **4 Financial and Manpower Implications**

- 4.1 The London Borough of Sutton annually reviews the service charge, which remained at £363,885 per annum from 2012/13 to 2014/15.
- 4.2 For 2015/16 the charge rose to £373,948, however, most of the increase was due to the decision to have a separate commercial buildings insurance policy. These costs are recoverable from commercial tenants; the net charge was actually a saving of over £10,000.
- 4.3 The service charge pays for insurance claims, insurance management and claims handling/administration.
- 4.4 The London Borough of Sutton provides self-insurance. However, the high level 'catastrophic' insurance covers are through Zurich Municipal. During 2014, these premiums were retendered as part of a Consortium of other London Boroughs. This resulted in no overall change to the Council's premiums. However the rates are locked for two years and the effect of the large loss as a result of the fire at Ewell Court House will not be reflected. The new deal in the funding arrangements has brought EEBC's excess in line with LBS's with the latter taking a larger portion of the risk internally. The Council continue to maintain an Insurance Reserve to cover outstanding claims and the MMI Scheme of Arrangement (the run off of liabilities from Municipal Mutual).
- 4.5 ***Chief Finance Officer's comments:*** No further comment

#### **5 Legal Implications (including implications for matters relating to equality)**

- 5.1 A collaboration agreement is in place between the Boroughs
- 5.2 ***Monitoring Officer's comments:*** No further comment

#### **6 Sustainability Policy and Community Safety Implications**

- 6.1 Delivery of a robust insurance service assists in enabling the continued provision of all Council services.

#### **7 Partnerships**

- 7.1 The insurance partnership is with London Borough of Sutton, a geographic neighbour with whom the Council already works in partnership in the management of Nonsuch Park.

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**8 Risk Assessment**

- 8.1 The London Borough of Sutton has experienced staff dedicated to the insurance function using robust processes, tried and tested, and ensuring that events are risk assessed and mitigating actions taken as necessary.
- 8.2 There is a risk that the Council cannot successfully defend tree claims and cost of cover increases.

**9 Conclusion and Recommendations**

- 9.1 The transfer to LBS has enabled the council to stabilise insurance costs and minimise our risks. The claims handling service has improved and claimants also receive more timely information with fully explanations on liability.
- 9.2 The risk management work has provided a range of improvements in inspection processes and documentation to capture information in order to defend claims and on-going support is provided to service areas.
- 9.3 A saving of over £10,000 was achieved in 2015/16.
- 9.4 Further work is required to ensure tree related claims can be defended and limit the financial impact of such claims.

**WARD(S) AFFECTED: N/A**