

## **WIRRAL COUNCIL**

### **FINANCE & BEST VALUE OVERVIEW AND SCRUTINY COMMITTEE**

**19 MARCH 2008**

#### **REPORT OF THE DIRECTOR OF FINANCE**

#### **CORPORATE RISK AND INSURANCE MANAGEMENT**

##### **1. EXECUTIVE SUMMARY**

1.1 This report provides information to Members on the objectives for corporate risk and insurance management in 2008/09, details recent progress made against the existing objectives for these services and the anticipated developments in the coming months.

##### **2. OBJECTIVES FOR 2008/09**

2.1 The principal areas of responsibility comprise:-

- (i) Procuring external insurance cover and claims handling.
- (ii) Managing the Insurance Fund.
- (iii) Handling internally insured claims.
- (iv) Managing the performance of outsourced claims handlers and legal providers.
- (v) Producing the insurance budget.
- (vi) Supporting Members and Chief Officers in improving the approach to managing risk and opportunity.
- (vii) Supporting departments in the identification, analysis and management of risk.

2.2 In relation to the functions indicated above there are a number of significant tasks which need to be addressed during 2008/09. The tasks themselves and the deadlines for their completion are as follows:-

Property insurance procurement exercise	June 2008
Negotiate renewal of Liability insurance	March 2009
Motor and Engineering insurance procurement	March 2009
Production of 2009/10 insurance budget	October 2008
Undertake audit of external liability claims handlers' performance	August 2008
Management of actuarial review of insured liabilities	June 2008
Review key departmental risks for 2009/10	February 2009
Support the Corporate Improvement Group in managing the corporate risk register	Ongoing
Embed a defined approach to managing risk in Council partnerships	Ongoing

### 3. **INSURANCE MANAGEMENT – PROGRESS**

- 3.1 Liability claim statistics as at the end of quarter 3 2007/08 (December 2007) have been compiled and show the account is performing as per expectations and budgets. Both Public and Employers liability claim numbers are now relatively static at around 480 and 39 respectively per annum. The Authority is able to put forward a successful defence in 80% of submitted Public Liability claims and those requiring settlement are being handled cost effectively. Whilst the courts are moving towards placing more responsibility on individuals for their own actions in Public Liability matters Employers Liability claims remain difficult to defend. The number of such claims submitted remains relatively low for an organisation of such size and diversity.
- 3.2 During the third quarter there were eleven Public Liability cases listed for trial. Of these three discontinued before trial with payments received towards legal costs; in four cases our defence was upheld by the court and we recovered costs and in the remaining four the court found for the claimant. Two of the successful cases have resulted in appeals and these will be defended in the high court / court of appeal.
- 3.3 In January 2008 an on site audit of the current claims handling contractors Zurich Municipal was undertaken. No significant problems have been identified by this open file review. Findings will be supplemented by an off site closed file review to be conducted during March 2008.
- 3.4 The significant data collection and provision requirements for the insurers in respect of the Liability, Motor, Computer and Engineering insurance renewals has been completed. Renewal terms are awaited but are expected to be within the long term agreements and therefore within the budget.
- 3.5 In preparation for the June 2008 property insurance renewal:-
- (i) The contracts have been advertised in OJEU.
  - (ii) The award criteria have been agreed. Whilst price will be the dominant factor, scope of cover, efficiency of claims handling and underwriting flexibility will also be taken into account.
  - (iii) A meeting was held with the current property insurers on 12 November 2007 to gain a better understanding of the information that will be required by the insurance market.
  - (iv) Further tender planning meetings were held with the risk and insurance consultants in December 2007 and February 2008.
  - (v) Information has been collated to enable insurers to provide quotations in respect of options to extend the property insurance to cover additional risks such as storm and flood together with business interruption and increased cost of working. Those options will be included in the tender report to the Cabinet for decision. In common with most authorities Wirral does not currently insure these risks. It is anticipated that any quotations provided will be on the basis of the Council meeting the first £1m of losses relating to any single event but officers will be seeking a range of alternative deductible structures.

(vi) The tender documents have been sent out to interested insurers.

3.6 Discussions have begun with the risk and insurance consultants Aon Limited over the provision of the 2008 liability funding study. The study will commence after the current financial year has closed and the outcome will be the subject of a report to the Cabinet.

3.7 Discussions have also begun with the current legal defence service providers Weightmans and BLM. The optional two year contract extension will be taken up, subject to agreement on the costs of handling cases in the run off years following expiry of the current contract term.

#### **4. CORPORATE RISK MANAGEMENT - PROGRESS**

4.1 A partnership risk management training session for the Local Area Agreement Development Group was delivered on 13 February 2008 in conjunction with the risk managers of Wirral Primary Care Trust, Merseyside Police and Merseyside Fire & Rescue Service.

4.2 On 1 February 2008 a major exercise took place to identify risks to the Woodchurch Building Schools for the Future Pathfinder project.

4.3. Departments have identified their key risks for 2008/09 and have included these in service plans which were reported to the Cabinet on 13 March 2008.

4.4 The Corporate Improvement Group has met to consider the key corporate risks in the light of the new corporate objectives and the 2008/09 Priorities for Improvement. An assessment of the corporate risks was the subject of report to the Cabinet on 13 March 2008.

#### **5. INSURANCE MANAGEMENT – ISSUES FOR NEXT PERIOD**

5.1 Liability claims statistics for quarter 4 and policy year end 2007/08 will be compiled. Triangulations and statistical data will also be required for the actuarial study.

5.2 The results of the liability funding study will be received, analysed and will be the subject of a report to the Cabinet.

5.3 Outcome of the property insurance tender to be decided. Following thorough evaluation a detailed report will be presented to the Cabinet for decision on possible increased cover as outlined previously.

5.4. Two high court appeals and one appeal court hearing are currently scheduled, together with a civil restraint hearing against a vexatious litigant, and numerous first hearing matters. One of the appeal cases relates to a matter of some importance to Highway Authorities and may set a welcome precedent should the higher court agree with the lower court findings.

5.5 Legal services contract extension to be agreed.

5.6 In view of the complex betterment and uninsured elements sustained the Rock Ferry High School fire, settlement negotiations have taken longer than expected to resolve. A series of finalisation meetings with the adjusters and insurers is to be scheduled to resolve this and the associated 2003/04 account year fire losses early in the new financial year.

## **6. RISK MANAGEMENT – ISSUES FOR NEXT PERIOD**

6.1 More detailed analysis of the current corporate risk register will be undertaken by the Corporate Improvement Group and the results reported to Chief Officers and Members.

6.2 Further assistance will be offered to each of the Local Area Agreement blocks in identifying and analysing the risks to their 2008/09 Priorities for Improvement.

6.3 An entry will be submitted to the 2008 ALARM awards in respect of the Department of Adult Social Services 'Load Management' training programme.

## **7. FINANCIAL IMPLICATIONS**

7.1 There are none arising directly from this report.

## **8. STAFFING IMPLICATIONS**

8.1 There are none arising directly from this report.

## **9. EQUAL OPPORTUNITIES IMPLICATIONS**

9.1. There are none arising directly from this report.

## **10. ENVIRONMENTAL IMPACT STATEMENT**

10.1. There are none arising directly from this report.

## **11. LOCAL MEMBER SUPPORT IMPLICATIONS**

11.1. There are none arising directly from this report.

## **12. BACKGROUND PAPERS**

12.1 Agendas and minutes of meetings with Aon Limited and the Figtree claims database.

12.2 Property insurance tender documents.

12.3 Liability claim statistics.

13. **PLANNING IMPLICATIONS**

13.1. There are none arising directly from this report.

14. **RECOMMENDATIONS**

14.1. That the report be noted.

14.2. That a further report be presented to the next meeting.

IAN COLEMAN  
DIRECTOR OF FINANCE

FNCE/55/08