

| ISLE OF ANGLESEY COUNTY COUNCIL | | |
|---|--|---|
| Report to: | Governance and Audit Committee | |
| Date: | 08 February 2022 | |
| Subject: | Annual Insurance Report 2020-21 | |
| Head of Service: | Marc Jones, Director of Function (Resources) / Section 151 Officer 01248 752601 MarcJones@ynysmon.gov.uk | |
| Report Authors: | Marion Pryor Head of Audit and Risk 01248 752611 MarionPryor@ynysmon.gov.uk | Julie Jones Risk and Insurance Manager 01248 752609 JulieJones@ynysmon.gov.uk |
| Nature and Reason for Reporting: Audit committees are a key component of corporate governance and are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance. Consequently, the Governance and Audit Committee's terms of reference advocate its greater role in all aspects of assurance. This report provides the Committee with information about how the Council has managed its insurance activity over the last five years and its challenges going forwards. | | |

1. INTRODUCTION

- 1.1. This report details the underwriting arrangements and recent loss histories for the principal areas of insured risk.

2. RECOMMENDATION

- 2.1. That the Committee considers and comments on the report.



ANNUAL INSURANCE REPORT 2020-21

January 2022

Marion Pryor BA MA CMIIA CPFA, Head of Audit & Risk

Julie Jones, Risk & Insurance Manager



TABLE OF CONTENTS

| | |
|-----------------------------|---|
| INTRODUCTION | 1 |
| CLAIMS SUMMARY | 3 |
| CLAIM TRENDS | 4 |
| Employers Liability Claims | 4 |
| Public Liability Claims | 4 |
| Motor Claims | 4 |
| Property Claims | 5 |
| Pre-2016 Claims | 5 |
| FUTURE CHALLENGES | 6 |
| APPENDIX A - CLAIMS SUMMARY | 8 |

Cover Photograph: Rhosneigr during ex-hurricane Ophelia, October 2017

INTRODUCTION

The Council has a variety of insurance policies in place of which the main ones are **public and employers' liability**, **property** and **motor**.

The **public and employers' liability** policies indemnify the Council against costs and damages that it is liable to pay when members of the public, businesses and employees present claims for damage, injury and illness arising from the Council's negligence.

The **property** policies compensate the Council for damage to its buildings and contents following damage caused by certain perils.

Motor insurance combines an element of both in that it indemnifies the Council against damage or injury caused to a third party by its vehicles and compensates the Council for damage to its vehicles.

The Council uses a combination of **self-insurance** and **external insurance** to address the financial consequence of risk. In some cases the Council has arranged external insurance but self-insures a large proportion of the claims paid by opting for a large **excess**. To reduce the financial risk the Council has negotiated an aggregate stop (cap) on these policies and once this is reached the insurer meets the cost of any further claims.

Since 1 October 2017, the excess for the main policies are as follows:

| | |
|---|----------------|
| Public and Employers' Liability | £50,000 |
| Motor | £1,000 |
| Property - Schools | £25,000 |
| Property - General Buildings and Housing | £10,000 |
| Property - Smallholdings and Commercial | £250 |

The self-funding of losses is part of the Council's overall approach to managing risk. It provides a greater incentive to deal with risk more effectively given that any reduction in claims directly benefits the Council. It also reduces the premiums payable and the Council's liability for Insurance Premium Tax (currently levied at 12%¹). The external premiums paid in 2021/2022 were approximately £718.5k including £73k of Insurance Premium Tax. This represents an increase of approximately 8% since 2020/2021. Whilst a proportion of this relates to inflationary factors on the sums insured, there have also been rate increases, particularly in relation to property insurance. These rate increases are sector wide following losses faced by insurers globally as a result of weather related claims (e.g. flooding, storms etc.) and other large scale losses (e.g. fires in public buildings), and therefore should not be considered as specific to Anglesey.

To meet the self-insured element of any claims, the Council has established an Insurance Fund. The Council's appetite for risk and the need to maintain the stability of the Insurance Fund over the long term influences the level of self-insurance.

To meet this level of self-insurance, as at 31 March 2021, the Council's Insurance Fund consisted of £1.250m in an Earmarked Reserve and £290k in the Insurance Provision Account.

While it is important to ensure that the Insurance Fund holds sufficient resources to meet its liabilities, there is also an opportunity cost to maintain a greater balance than is needed. To ensure that the Fund is sufficient to meet the cost of its claims but is not over resourced, the Risk and Insurance Manager, in conjunction with the Director of Function (Resources) and Section 151 Officer, reviews the Fund every year.

¹ Insurance premium tax increased from 6% to 9.5% in November 2015, to 10% in October 2016 and on 1 June 2017, to 12%.

CLAIMS SUMMARY

This report provides a summary of claims under or against the Council's external and internal insurance arrangements for the period **1 April 2016 to 31 December 2021**, based on the date the incident occurred and not the date of the making or presentation of the claim, and for claims presented before 1 January 2022. The cost of the claims is the total cost to the Council and its insurer inclusive of damages and costs.

The summary of claims included in [Appendix A](#) of this report provides a breakdown per policy, per financial year for the Council as a whole of the number of claims that have:

- been paid,
- been settled without cost or payment being made, or
- where the claim has not yet been settled.

The summary also includes the amount paid in respect of those settled claims and the amount reserved against those claims not yet settled.

It should be emphasised that not all '*still open*' claims and that have a reserve against them will be paid or settled for the amount reserved against them. This is particularly true for liability claims; claims with large reserves often settle for much lower sums or are settled at no cost at all.

The number of claims might also increase over time, as claims are sometimes presented several years after the event. For example, a child injured in primary school has a period of three years after turning 18 years old to present their claim. Hence, both the number of claims and the amount reserved and paid will change over time.

CLAIM TRENDS

Employers Liability Claims

The number of claims for personal injury presented by employees remains low at two or three per year over the 5-year period. The majority of the claims presented are as a result of a specific accident at work. A reserve of approximately £75k applies to a claim where a former teacher has alleged work related stress.

Public Liability Claims

The number of public liability claims has continued to fall over the last five years. Historically, injury to road users and damage to vehicles on the highway make up a significant proportion of the claims received. Whilst there was a significant reduction of highway related claims during the first lockdown when footfall and traffic were very low, nationally the number of highway related claims has since recovered. This however is not the situation on Anglesey as the number of highway related claims did not initially fall significantly from the pre-pandemic levels and the number remains low with only 10 such claims having been made since April 2021. Although there have been very few claim made against any other service, there are a few claims with high reserves. These include claims relating to child protection issues, and a maritime related claim, which together have reserves totalling around £325k. Of the public liability claims paid, the most significant are damages and costs of almost £12k paid following a trip on the highway.

Motor Claims

The number of motor claims has fallen over the last two years and this can be attributed to there being less officers travelling during the pandemic. The cost of motor claims has however increased. This is a national trend brought about by the increased cost of parts, the increased sophistication of modern vehicles, and the increased cost of hire cars. This is evidenced as far back as 2017/2018 when four of

the Council's electric vehicles were written off at a cost of over £72k, due to a flooding incident.

Property Claims

The weather is the main driver for property damage claims. Storm Ophelia brought with it strong winds, with gusts of 70 to 80mph, in 2017 and resulted in over £85k of damage to the roof of Plas Arthur Leisure Centre. More recently, storm Arwen caused damage to agricultural buildings on a number of the Council's smallholdings. Fortunately, damage to the Council's properties due to fire and other perils are relatively uncommon. The last fire claim relates to a smallholding in February 2020, accounting for over £30k of the reserve against 2020/2021.

Pre-2016 Claims

It should be noted that [Appendix A](#) provides details of claims relating to the period 1st April 2016 to 31st December 2021. There are other claims that remain open that relate to periods before this date. Currently there are four public liability claims which fall into this category; one highway related, one school related, and two child protection related. The outstanding reserves for these four claims amount to approximately £215k and these highlight that some claims can take many years to resolve or even be made.

Overall, the trend is that the number of claims are low; however, claims are becoming more expensive.

FUTURE CHALLENGES

The pandemic has undoubtedly had a positive impact on claims numbers. However, new ways of working, including more people working from home could be opening up to an increase in stress and postural type claims or even a whole new world of claims that we have not seen previously. In addition, working practises have also changed and this may affect the Council's ability to defend claims moving forward. An example, being roads being inspected by a single officer driving, whereas previously best practice would be for two officers to undertake the inspection; one driving and the other looking for defects.

It is accepted that fraudulent activities increased during the pandemic and it is possible that individuals may continue with such activities in a post-pandemic society. It is therefore possible that there will be an increase in fictitious or exaggerated claims being submitted. Officers are therefore particularly vigilant of accidents that have allegedly happened during periods of lockdown when witnesses are scarce.

The Council owns and manages approximately 4,000 housing properties and garages across the Island. Despite having achieved Welsh Housing Quality Standard (WHQS)² since 2012, a small number of claims alleging housing disrepair are received annually. Whilst these are not insurance matters and therefore not reflected in the statistics presented in appendix A, Council resources are required to investigate, rectify any issues, and pay compensation and costs where required. This may prove challenging if the number of claims increase to levels experienced by some local authorities.

² The Welsh Housing Quality Standard (WHQS) is the Welsh Government standard of housing quality. The WHQS was first introduced in 2002 and aims to ensure that all dwellings are of good quality and suitable for the needs of existing and future residents. The Welsh Government set a target for all social landlords to improve their housing stock to meet the WHQS as soon as possible, but in any event by 2020. The Housing (Wales) Act 2014 reaffirmed this requirement.

Climate change has now been recognised as an emergency and we are aware of the impact that storms, flooding, coastal erosion, and heatwaves have had globally and locally in recent times. Such events are likely to occur more frequently and have a greater impact when they do occur. The impact on the individuals and communities that are affected by such events is tragic but there is also an impact on insurers in terms of the costs of settling the resulting claims.

Generally, the cost of claims are increasing due to the increasing cost of parts etc. The cost of repairs, both vehicles and buildings has risen significantly as supply chain issues brought about by Brexit and the pandemic has pushed the rate of inflation to levels not previously experienced this century. Technical advances in vehicles also means that more parts usually have to be replaced. For example, a bumper may now contain many sensors, which also need replacing following a minor collision. Similarly, the cost of construction materials has increased due to supply and demand issues and modern construction may be more combustible than traditional methods. Thus, in the event of a loss the costs are higher due to the increased cost of construction and the likelihood that more damage is caused. The cost of injury claims are also increasing. This is particularly true for larger claims where there is an on-going care element because as society lives longer and prognosis gets better, the cost of care increases.

All these factors will impact the amounts that insurers pay to settle the claims presented to them and will no doubt drive up the premiums charged by insurers. It is therefore likely that the premiums that the Council pays for insurance moving forward will continue to increase regardless of the low number of claims made and received. Ensuring that there are suitable processes and measures in place to manage its risks should minimise these premium increases. Managing risks well can also allow the Council to accept more risk by increasing excesses and deductibles, thus keeping a balance between the risks we insure and the cost of the premium.

APPENDIX A – CLAIMS SUMMARY

| Policy | Period | Number | | | Cost (£) | |
|----------------------|-----------|--------|--------------------|-------------|-------------|-----------------|
| | | Paid | Settled at No Cost | Not Settled | Amount Paid | Amount Reserved |
| Public Liability | 2016/2017 | 28 | 57 | 1 | 47,920 | 10,000 |
| | 2017/2018 | 24 | 35 | 1 | 33,387 | 11,719 |
| | 2018/2019 | 22 | 52 | 3 | 31,960 | 203,399 |
| | 2019/2020 | 10 | 40 | 3 | 7,921 | 27,510 |
| | 2020/2021 | 9 | 32 | 12 | 16,377 | 124,479 |
| | 2021/2022 | 1 | 4 | 17 | 1,670 | 212,403 |
| Employers' Liability | 2016/2017 | 1 | 2 | 0 | 8,883 | 0 |
| | 2017/2018 | 3 | 3 | 0 | 27,519 | 0 |
| | 2018/2019 | 0 | 0 | 2 | 0 | 87,000 |
| | 2019/2020 | 0 | 0 | 0 | 0 | 0 |
| | 2020/2021 | 0 | 0 | 1 | 0 | 5,000 |
| | 2021/2022 | 0 | 0 | 1 | 0 | 4,974 |
| Motor | 2016/2017 | 11 | 21 | 0 | 13,179 | 0 |
| | 2017/2018 | 17 | 6 | 0 | 97,903 | 0 |
| | 2018/2019 | 16 | 18 | 0 | 13,887 | 0 |
| | 2019/2020 | 15 | 6 | 1 | 29,332 | 11,046 |
| | 2020/2021 | 8 | 1 | 8 | 9,286 | 9,044 |
| | 2021/2022 | 0 | 1 | 14 | 0 | 31,262 |
| Property | 2016/2017 | 19 | 10 | 0 | 7,8632 | 0 |
| | 2017/2018 | 18 | 17 | 0 | 153,594 | 0 |
| | 2018/2019 | 9 | 5 | 0 | 17,500 | 0 |
| | 2019/2020 | 3 | 3 | 3 | 12,991 | 35,800 |
| | 2020/2021 | 1 | 0 | 1 | 10,000 | 720 |
| | 2021/2022 | 0 | 0 | 16 | 0 | 32,191 |
| Other | 2016/2017 | 0 | 1 | 0 | 0 | 0 |
| | 2017/2018 | 2 | 1 | 0 | 331 | 0 |
| | 2018/2019 | 2 | 0 | 0 | 743 | 0 |
| | 2019/2020 | 0 | 0 | 0 | 0 | 0 |
| | 2020/2021 | 0 | 1 | 0 | 0 | 0 |
| | 2021/2022 | 0 | 0 | 0 | 0 | 0 |
| Total | 2016/2017 | 59 | 91 | 1 | 148,615 | 10,000 |
| | 2017/2018 | 64 | 62 | 1 | 312,734 | 11,719 |
| | 2018/2019 | 49 | 75 | 5 | 64,091 | 290,399 |
| | 2019/2020 | 28 | 49 | 7 | 50,245 | 43,356 |
| | 2020/2021 | 18 | 34 | 22 | 35,664 | 139,243 |
| | 2021/2022 | 1 | 5 | 48 | 1,670 | 280,830 |