

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Governance and Audit Committee
Date:	29 June 2023
Subject:	Annual Insurance Report
Head of Service:	Marc Jones, Head of Function (Resources) / Section 151 Officer MarcJones@anglesey.gov.wales
Report Authors:	Julie Jones Risk and Insurance Manager JulieJones@anglesey.gov.wales
<p>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 Committee's terms of reference advocate its greater role in all aspects of assurance.</p> <p>This report provides the Committee with information about how the Council manages its insurance and its challenges going forwards.</p>	

1. INTRODUCTION

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

2. RECOMMENDATION

- 2.1. That the Governance and Audit Committee notes the contents of the report.



ANNUAL INSURANCE REPORT 2022-2023

June 2023

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	5
Property Claims	5
Pre-2017 Claims	5
FUTURE CHALLENGES	6
APPENDIX A - CLAIMS SUMMARY	9

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 Council 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 proportion of the claims paid by opting for a large **excess**. On some policies, the financial uncertainty is reduced by an aggregate stop (cap); 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).

To meet the self-insured element of any claims, the Council has established an Insurance Fund. As at 31 March 2023, the Council's Insurance Fund consisted of £1.250m in an Earmarked Reserve and £380k in the Insurance Provision Account. While it is important to ensure that the Insurance Fund holds sufficient resources to meet its liabilities, there is an opportunity cost of maintaining 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.

Following a tender exercise in 2017, a five-year contract was awarded to Zurich Municipal. An uncompetitive market, having limited resources available to invite tenders, and an offer from the incumbent insurer to extend the agreement on terms likely to be significantly better than any terms that the market would provide at that time led to this agreement being extended for two years in 2022. Thus, the current agreement ends on 30 September 2024.

External premiums paid in 2022/23 were approximately £784k including £80.75k of Insurance Premium Tax. This represents an increase of approximately 9.1% since 2021/22. Whilst a proportion of this relates to inflationary factors on the sums insured, especially for property, there have also been rate increases. These rate increases are sector wide therefore not specific to Anglesey, and mainly relate to property and some premiums being linked to average weekly earnings.

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 2017 to 31 March 2023**, based on the date the incident occurred and not the date the claim was made or presented, and for claims presented before 1 April 2023. 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 an average of two per year over the six-year period. The majority of the claims presented are because of a specific accident at work. A reserve of over £140k applies to a claim where a former teacher has alleged work related stress, with legal costs of almost £28k already paid to solicitors appointed by our insurers to investigate the allegations made.

Public Liability Claims

The number of public liability claims has remained low over the last six years.

Historically, injury to road users and damage to vehicles on the highway make up a considerable proportion of the claims received. Whilst there was a significant reduction of highway related claims during the first lockdown when footfall and traffic was restricted, the claims level has recovered to pre pandemic levels during 2022/23. Of the 190 highways related claims settled over the six-year period, no damages or costs were paid in 158 cases, namely 83% of the settled highway related claims. Of the thirty-four highway related claims that have reserves against them, there are three 'trip, slip or fall' claims with high reserves that total £267k. Of the public liability claims paid, the most significant are damages and costs of almost £44k paid following a trip on the highway.

Although there have been very few claims made against any other service, there are seven claims with high reserves that total around £598k. These include claims relating to child protection issues, maritime activities, and allegations of contamination and defective premises.

Motor Claims

The number of motor claims has returned to pre-pandemic levels during 2022/23 and almost 60% of the 27 claims this year are attributable to errors by our drivers. The Fleet Section monitors collisions and speeding offences committed in Council vehicles and arranges driving assessments for repeat offenders.

The cost of motor claims continues to increase. This is a national trend brought about by the increased cost of parts, and the increased cost of hire cars. This is evidenced as far back as 2017/18 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 few and far between. The last fire claim relates to a smallholding in April 2022, accounting for over £46.5k of the reserve against 2022/23.

Pre-2017 Claims

It should be noted that [Appendix A](#) provides details of claims relating to the period 1st April 2017 to 31st March 2023. There are other claims that remain open that relate to periods before this date. Currently there are two public liability claims which fall into this category; one highway related and the other school related. The outstanding reserves for these two claims amount to approximately £77k 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 increasing but remain relatively low; however, claims are becoming more expensive.

FUTURE CHALLENGES

The pandemic had a positive impact on claims numbers. However, some of the working practises introduced during the pandemic, could lead to claims in the future or affect the Council's ability to defend claims. Examples could include, an employee working from home in an unsuitable environment presenting postural type claim. Another example may be a highway related claim where, because of the requirement to social distance, the road was inspected by a single officer driving as opposed to the best practice of two officers to undertake the inspection; one driving and the other looking for defects.

Fraudulent activities increased throughout the UK during the pandemic and such activity is also common during economic downturns. Given the current economic climate it is possible that there will be an increase in fictitious or exaggerated claims being presented. The Insurance Team, as well as the Council's insurer, are alert to this increased risk.

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 the disrepair elements 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.

We are all aware of the changing global climate and the resulting impact of storms, flooding, coastal erosion, and heatwaves globally and locally in recent times. As the planet continues to warm up 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 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 is increasing. Stubbornly high rates of inflation and a difficult labour market were witnessed in 2022/23; factors that have resulted in significantly higher repairs costs for both vehicles and buildings over the last 2 years. 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, and modern construction methods may increase the likelihood that more damage is caused. The cost of injury claims, particularly where there is an on-going care element, are also increasing. Labour supply in the care sector remains challenging and as society lives longer and prognoses improve due to advancing treatments, the cost of care increases.

All these factors will impact the amounts that insurers pay to settle the claims presented to them and are driving up the premiums charged by insurers. Another factor impacting premiums is the cost that insurers are having to pay for reinsurance. Reinsurance is insurance that an insurer buys from another insurer to insulate itself from the risk of a major claims event. For example, an insurer may offer to insure a building valued at £100m but may buy reinsurance to cover any loss over £50m, therefore limiting their exposure to the first £50m. The cost of reinsurance has increased significantly whilst at the same time the capacity of the reinsurance market has reduced. As a result, insurers are more selective of the risks that they are willing to insure making particular classes of business difficult to place. These include cyber insurance, some professional indemnity covers, and insurance for waste and recycling sites. Where insurers are willing to offer terms, they will often increase the premium, increase the excess, or limit the loss or indemnity limit.

It is therefore likely that the premiums that the Council pays for insurance moving forward will continue to increase regardless of the small number of claims made and received. Demonstrating to insurers that the Council has learnt lessons following any significant claim and that there are suitable processes and measures in place to manage risks are therefore key if premium increases are to be minimised and interest is to be generated when inviting insurers to tender in 2024. Managing risks well can also minimise the Council's self-insured losses and 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	2017/2018	25	37	0	68389	0
	2018/2019	23	54	2	91840	195001
	2019/2020	13	40	3	31961	40273
	2020/2021	11	43	2	38276	238089
	2021/2022	8	23	7	10848	169973
	2022/2023	3	18	42	2904	433998
Employers' Liability	2017/2018	2	3	0	24662	0
	2018/2019	1	0	1	391	169021
	2019/2020	0	0	0	0	0
	2020/2021	0	1	0	0	0
	2021/2022	0	1	2	0	17853
	2022/2023	0	0	1	0	9597
Motor	2017/2018	17	6	0	97903	0
	2018/2019	14	20	0	13887	0
	2019/2020	13	8	1	34532	11046
	2020/2021	13	4	0	16487	0
	2021/2022	13	3	2	13294	13839
	2022/2023	18	1	8	24538	13993
Property	2017/2018	18	16	0	153594	0
	2018/2019	9	5	0	17500	0
	2019/2020	5	4	0	51097	0
	2020/2021	1	0	1	10000	720
	2021/2022	14	7	4	37910	20596
	2022/2023	2	1	5	2925	53265
Other	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	1	0	0	3600	0
	2022/2023	1	0	0	1188	0
Total	2017/2018	64	63	0	344879	0
	2018/2019	49	79	3	124362	364022
	2019/2020	31	52	4	117590	51319
	2020/2021	25	49	3	64764	238809
	2021/2022	36	34	15	65653	222261
	2022/2023	24	20	56	31554	510854