

APPENDIX 7

South Derbyshire District Council



2014 Renewal Report

Claims Performance

(All data taken from Business Objects Report of 11 September 2014)

The claims report details the performance over the last 5 years, it can be summarised as follows;

Property – Housing Properties

Total claims costs, including the deductible applicable at the time of claim are in the table below;

Policy Year	No of Open Claims	No of Closed Claims	Total Number	Total Outstanding	Total Paid	Total Cost
2009/10	0	0	0	£0.00	£0.00	£0.00
2010/11	0	5	5	£0.00	£45,014.97	£45,014.97
2011/12	0	4	4	£0.00	£14,780.93	£14,780.93
2012/13	0	0	0	£0.00	£0.00	£0.00
2013/14	1	0	1	£2,095.00	£0.00	£2,095
Total	1	9	10	£2,095	£59,795.90	£61,890.90

This is against a Housing Property premium over 5 years of;

Policy Year	Sum Insured	Premium	Loss Ratio
2009/10	283,754,696	£34,693.27	0.00%
2010/11	283,754,696	£55,557.75	81.02%
2011/12	249,792,771	£48,908.18	30.22%
2012/13	292,267,336	£57,224.48	0.00
2013/14	301,034,356	£58,943.79	3.55%
		£254,517.47	

The average loss ratio over the last 5 years stands at 30%. This is a very good claims experience and as a result rates have remained unchanged since 2010.

Property – General Properties

For the purposes, of this report, items 2 & 3 (eg General Properties and Public Conveniences and property in parks) of the schedule have been counted together. Total claims costs, including the deductible applicable at the time of claim are in the table below;

Policy Year	No of Open Claims	No of Closed Claims	Total Number	Total Outstanding	Total Paid	Total Cost
2009/10	0	3	3	£0.00	£0.00	£0.00
2010/11	0	5	5	£0.00	£1,436.00	£1,436.00
2011/12	0	2	2	£0.00	£3,050.00	£3,050.00
2012/13	0	0	0	£0.00	£0.00	£0.00
2013/14	0	0	0	£0.00	£0.00	£0.00
Total	0	10	10	£0.00	£4,486.00	£4,486.00

This is against a General Property premium over 5 years of;

Policy Year	Sum Insured	Premium	Loss Ratio
2009/10	30,861,000	£16,828.06	0.00%
2010/11	31,933,554	£10,539.63	13.62%
2011/12	23,929,949	£7,957.53	38.33%
2012/13	24,677,845	£7,756.50	0.00%
2013/14	24,755,216	£8,231.75	0.00%
		£51,313.47	

The 5 year loss ratio stands at 8.74%, which is again an excellent claims experience, especially given the small deductible that the Council carries.

Public Liability

As the Council does not carry a deductible on the Public Liability policy all claims are met in full by Zurich Municipal. Total claims costs are in the table below;

Policy Year	No of Open Claims	No of Closed Claims	Total Number	Total Outstanding	Total Paid	Total Cost
2009/10	2	23	25	£9,986.00	£117,330.70	£127,316.70
2010/11	2	19	21	£14,110.00	£15,592.82	£29,702.82
2011/12	6	14	20	£48,430.00	£6,605.88	£55,035.88
2012/13	6	14	20	£19,680.00	£6,256.18	£25,936.18
2013/14	16	3	19	£31,471.00	£0.00	£31,471.00
Total	32	73	105	£123,677.00	£145,785.58	£269,462.58

This is against Public Liability premium over 5 years of;

Policy Year	Premium	Loss Ratio
2009/10	£114,798.57	110.90%
2010/11	£79,465.09	37.38%
2011/12	£79,465.05	69.26%
2012/13	£79,465.05	32.64%
2013/14	£80,339.16	39.17%
Total	£433,532.90	

The volume of claims has remained consistent over the five year period and the average claim cost per year is £53,892. It must be remembered that there is still time for the last three policy years and in particular 2013/14 to significantly deteriorate further as the claims experience develops. The 5 year loss ratio is currently 62.16% and ideally this should be in the region of 50%.

If we look at the departmental split of claims we can see some obvious patterns;

Volume of Claims

	2009/10	2010/11	2011/12	2012/13	2013/14	Totals
Cemeteries & Crematoria	1	0	0	1	1	3
Education	0	1	0	0	0	1
Galleries / Museums	1	0	0	0	0	1
Grounds Maintenance	1	1	0	0	0	2
Highways	9	4	5	9	5	32
Housing (incl. Maintenance)	7	5	5	4	4	25
Other	0	5	3	3	1	12
Parks & Open Spaces	1	2	1	1	3	8
Prop/Car Parks/Tourism	3	1	5	0	2	11
Recreation & Leisure	0	0	0	0	1	1
Refuse Collection	2	2	1	2	2	9
Totals	25	21	20	20	19	105

Cost of Claims

	2009/10	2010/11	2011/12	2012/13	2013/14
Cemeteries & Crematoria	£1,398.00	£0.00	£0.00	£0.00	£500.00
Education	£0.00	£0.00	£0.00	£0.00	£0.00
Galleries / Museums	£0.00	£0.00	£0.00	£0.00	£0.00
Grounds Maintenance	£0.00	£0.00	£0.00	£0.00	£0.00
Highways	£376.27	£1,632.00	£28,281.52	£3,980.00	£10,916.00
Housing (incl. Maintenance)	£111,890.43	£11,860.84	£5,650.00	£7,100.00	£5,007.00
Other	£0.00	£15,084.80	£12,804.36	£5,712.00	£0.00
Parks & Open Spaces	£8,986.00	£269.83	£0.00	£9,144.18	£9,464.00
Prop/Car Parks/Tourism	£4,666.00	£0.00	£8,300.00	£0.00	£829.00
Recreation & Leisure	£0.00	£0.00	£0.00	£0.00	£3,700.00
Refuse Collection	£0.00	£855.35	£0.00	£0.00	£1,055.00
Totals	£127,316.70	£29,702.82	£55,035.88	£25,936.18	£31,471.00

A cause for concern is the number of claims emanating from “Highway” and “Parks & Open Spaces”. It is assumed that where claims are listed as “Highways” this refers to public footpaths which are the responsibility of South Derbyshire District Council.

On closer examination of the data contained within the Business Object Report on which this report is based, it is apparent that there is no consistency with how claims are coded. For Example your reference CAJ TR 3P 772 is listed as a Housing department claim, yet the accident description is “window damaged by stone”, which would suggest a Grounds Maintenance claim.

In view of these anomalies it is difficult to spot trends within the claims experience. On looking purely at claim descriptions it is noted that there have been several subsidence claims allegedly caused by tree roots within the district. Given the fact that the Council is

due to go to tender in 2015 it may be worth considering the undertaking of a Tree Liability Report, which Zurich can provide for the Council and for which you can utilise the Risk Management fund.

Whilst good risk management is something that Zurich actively encourages, it is possible that resources have been allocated elsewhere as a result of pressures on budgets. Unfortunately Health and Safety personnel, processes and training are not protected from spending cuts and areas such as planned maintenance and inspection regimes of public facilities such as highways, footpaths, parks and open spaces tend to deteriorate under financial pressures. Reduced spending on risk management and safety monitoring systems however, can be a false economy and will lead to increased claims and a difficulty in providing the evidence to defend them.

Claims inflation has been steadily increasing for many years across all lines of business due to rising costs of property repairs, labour, materials, at a rate greater than inflation. In addition the rising cost of care, increasing legal costs and the growing use of Periodic Payment Orders (PPOs) are also influencing the cost of claims. The continued influx of Claims Management Companies is also having a negative impact on loss ratios.

Employers Liability

The Council does not carry a deductible on Employers Liability; therefore all claims are paid in full by Zurich.

Policy Year	No of Open Claims	No of Closed Claims	Total Number	Total Outstanding	Total Paid	Total Cost
2009/10	0	3	3	£0.00	£0.00	£0.00
2010/11	0	1	1	£0.00	£16,404.00	£16,404.00
2011/12	1	1	2	£5,795.00	£6,125.00	£11,920.00
2012/13	1	0	1	£9,325.00	£0.00	£9,325.00
2013/14	2	0	2	£17,277.00	£0.00	£17,277.00
Total	4	5	9	£32,397.00	£22,529.00	£54,926.00

This is against Employers Liability premiums over 5 years of;

Policy Year	Premium	Loss Ratio
2009/10	£34,455.23	0.00%
2010/11	£28,623.24	57.31%
2011/12	£26,684.18	44.67%
2012/13	£26,648.20	34.99%
2013/14	£26,977.73	64.04%
Total	£143,424.58	

With an average loss ratio for the last five years of 40.20% Employers Liability claims are not at this point giving cause for concern. This must be caveated with the fact that Casualty insurance, and in particular Employers Liability is long tail business in that it is not unusual to receive claims for such things as noise induced hearing loss and mesothelioma 20-30 years after the employee has left the organisation. For this reason, it is not possible to cross subsidise the Public Liability from the Employers Liability, it is also for this reason that as your insurer, Zurich Insurance Company Ltd need to ensure enough premium is collected to safeguard potential future claims.

Given the low frequency of Employers Liability claims and the fact that they all seem to emanate from different service areas, it is difficult to spot any trends that may assist in identifying Risk Management needs but you may be able to identify areas of concern from your internal reporting procedures for near misses.

Motor

The Council currently has deductibles of £500 for Theft and £250 for Accidental Damage, Fire & Theft on its motor policy. There is no deductible in respect of third party damage and therefore all third party claims are paid in full by Zurich.

Policy Year	No of Open Claims	No of Closed Claims	Total Number	Total Outstanding	Total Paid	Total Cost
2009/10	1	18	19	£6,318.00	£29,751.83	£36,069.83
2010/11	0	20	20	£0.00	£23,530.83	£23,530.83
2011/12	3	15	18	£11,699.00	£44,637.94	£56,336.94
2012/13	1	26	27	£3,107.00	£42,153.27	£45,260.27
2013/14	8	7	15	£6,375.00	£18,167.44	£24,542.44
Total	13	106	119	£27,499.00	£179,232.11	£206,731.11

This is against Motor Vehicle premiums over 5 years of;

Policy Year	Premium	Loss Ratio
2009/10	£61,409.16	58.74%
2010/11	£52,079.90	45.18%
2011/12	£47,903.31	117.61%
2012/13	£59,158.20	76.51%
2013/14	£60,773.58	40.38%
Total	£226,624.15	

In November 2013 Zurich Risk Services undertook a Motor Report for the Council and it was felt by the author of that report that many of the systems and practices the Council's had in place to manage its motor fleet and occupational road risks did not meet Zurich's expectations, a few generally met the expectations but none exceeded them.

The report outlined several recommendations and action points, including some whose implementation was considered urgent.

The contents of that Motor Report were not shared with the underwriters as the aim of the exercise was to aid and support the Council in its approach to managing the risks of running the motor fleet and improving the claims experience rather than as a tool to elicit higher premiums.

It would at first glance appear that the report has had some impact on the claims experience in that both the volume and cost of claims has reduced in the year 2013/14. It must be remembered however that the policy year is not yet fully developed and that the five year loss ratio still stands at 91.22%, which is a cause for concern.

It is hoped that the picture will be further improved by the time the Council goes to tender in 2015 and that you will be able to use the improving claims experience as a selling point to demonstrate how the Council has used risk management to address a worrying claims pattern.