

Rhondda Cynon Taf Council

Audit Committee – 5th November

Overview of the Council's Insurance function



Areas to cover

- The role of Audit Committee
- Why do we have an Insurance Service / Function?
- Overview of the Insurance Function
- How claims are processed and how data is used
- An example - Highways

The role of Audit Committee

- Terms of reference – *‘To review, scrutinise and issue reports and recommendations on the appropriateness of the Authority’s risk management, internal control and corporate governance arrangements...’*
- Responsibilities of Audit Committee include gaining an understanding in respect of what arrangements are in place to manage risks
 - **i.e. the arrangements in place to mitigate risk (e.g. Insurance).**

Why do we have an Insurance Service / Function?

To help the Council manage risk

- When deciding how to manage risks, the Council's risk management arrangements identify the following risk mitigation strategies available:

STEP 4	EVALUATE RISKS
	DECIDE HOW TO MANAGE THE RISKS
	TREAT / TOLERATE / TERMINATE TRANSFER

- Controlling risk involves a process of reducing the impact and / or likelihood of the risk occurring.
- The Insurance Service enables the management of risk in two ways.....TREAT (by reducing future likelihood & current impact) & TRANSFER (by reducing the impact)

Overview of the Insurance Function – Main Types of Policies

Types of Policies / types of cover that we have.....and why:

- Casualty Policy , namely
Employer and Public liability
 - To protect the LA against claims made for injuries sustained by employees or Members of the public
- Fidelity Guarantee
 - Technically the only policy we are legally obliged to take out! This policy covers the LA against embezzlement by senior officers
- Motor
 - To protect the LA against RTA claims arising from driving in the performance of our duties
- Property
 - To protect the full property portfolio against specified perils

Overview of the Insurance Function – is it effective?

- Trend of our premiums over the past 10 years show a general theme of reduced annual premiums paid or alternatively, premiums held at existing rates, whilst in a hard insurance market .
- Our brokers consider the Council is effective in the management of its insurable risks and this is reflected in our claims experience and the terms obtained from insurers.
- Good track record of successfully defending liability claims due to using insurance data to inform service areas (TREAT risks). In addition, good controls in place, such as Highways inspections, to enable us to defend claims.

How claims are processed:

- The Insurance team handle most PL , MV and Property claims internally.
- It is important to note that all claims handling is governed in the first instance by established civil law and therefore all claims must be handled within the relevant **legal framework** and **established case law**.
- Examples of various Acts which govern our actions are the Highways Act 1980 , The Occupiers Liability Acts 1957 & 84 and the Road Traffic Act 1988.
- Upon receipt each claim is risk assessed, looking for indications of potential fraud, and an estimate allocated to give an indication of its value for the purpose of reserves.
- Specialist claims handlers used when required.

How claims are processed (cntd):

- Good relationships and communication channels with key service areas have been established and maintained over the years.
- Once a report is received , decision on liability made quickly based on case law.
- Feedback is given to service areas, as losses will trigger remedial action to prevent a reoccurrence.
- Claims handling process is audited by RCT's Internal Audit department, Wales Audit Office and our Insurers. This is done to ensure that we adhere to agreed procedures within the law.

How we use our data

- Example – Highways
- How do we use claim data to TREAT the potential risk of future claims?
 - Regular liaison meetings with Highways Colleagues where we share information.
- Do we have any hotspots?
 - No. Data currently indicates no claim hotspots, however on the occasion that one is identified, data is shared with the department concerned.
 - Remedial action is taken to rectify the problem as quickly as possible.
- We've worked since RCT's inception to use claim information to inform service areas of issues arising – Highways for example.

An example - Highways

- There is a trend of reducing levels of claims – key contributory factors:
 - Close and regular liaison meetings between the Insurance Service and Council Services
 - Introducing evidence based systems (e.g. inspections) which can be defended in court (where required)
 - On-going investment in the highway infrastructure:
 - § Since 2011/12 £38M with a further £23.5M in next 3 years
 - § Performance Indicator information for the ‘% of roads in overall poor condition’ demonstrating long trend of improvement:
 - ¶ A roads: 2010/11 = 16.2% and 2017/18 = 5.2%
 - ¶ B roads: 2010/11 = 15.2% and 2017/18 = 6.23%
 - § Raising awareness of on-going investment with the Council’s and Courts
- Even in times of austerity, local authorities are not allowed to use the argument of reduced funding in Highways cases as specific case law forbids it (Wilkinson)

DISCUSSION POINT FOR AUDIT COMMITTEE

- Is there further information required by Audit Committee as part of informing understanding of the control environment in place?
- Any further questions...