

PLYMOUTH CITY COUNCIL

Subject: Insurance Claims Handling Audit
Committee: Audit Committee
Date: 15 March 2018
Cabinet Member: Councillor Darcy
CMT Member: Andrew Hardingham (Interim Joint Strategic Director Transformation and Change)
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Ref: CRM/MJH
Key Decision: No
Part: I

Purpose of the report:

This report provides a summary of an external audit review undertaken by Gallagher Bassett on behalf of the Council's insurance provider, in relation to in-house insurance liability claims handling carried out by the Corporate Risk and Insurance Team.

The Corporate Plan 2016 - 19:

The work of the Corporate Risk and Insurance Team assists the Council in maintaining high standards of public accountability and probity in the use of public funds. The Team also has a role in promoting risk reduction controls.

Corporate Plan:-

- Pioneering Plymouth – by ensuring that resources are used wisely and that services delivered meet or exceed customer expectations;
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Implications for Medium Term Financial Plan and Resource Implications: Including finance, human, IT and land

The accuracy and effectiveness of claims processing is paramount for controlling insurance costs and meeting customer expectations. In addition, the ability to gain a deeper insight into risk exposure helps to determine optimal insurance reserves.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

Detecting and avoiding unnecessary claim payments helps to reduce risk exposure to fraud and control losses.

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Not required.

Recommendations and Reasons for recommended action:

The Audit Committee is recommended to:

Note and endorse the current position with regard to the claims audit report.

Alternative options considered and rejected:

Not Applicable.

Published work / information:

None.

Background papers:

Gallagher Bassett Audit Report.

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

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Originating SMT Member: Andrew Hardingham, Interim Joint Strategic Director Transformation and Change													
Has the Cabinet Member(s) agreed the contents of the report? Yes													

1.0 Introduction

- 1.1** Gallagher Bassett are Third Party Administrators who were instructed by the Council's liability insurers, QBE, to conduct a due diligence and file handling audit of Public Liability and Employer's Liability claims handled in-house by the Corporate Risk and Insurance Team.
- 1.2** The audit took place on 1 December 2017 and consisted of a review of 21 claims which were selected at random by Gallagher Bassett.

2.0 Background

- 2.1** The Council has a self-insured retention (SIR) level of £250,000 which means all claims that fall within this amount are paid from Council funds and not by our insurance provider.
- 2.2** The in-house insurance team currently handle all Employers Liability and Public Liability claims up to a value of £100,000. Our Insurers are notified of any claims that are reserved in excess of £100,000 or that meet the Insurer's reporting requirements.

3.0 Claims Audit

- 3.1** A copy of the audit report is attached. It consists of a summary of findings for different areas of the claims handling process plus an action plan of corrective actions for any areas for improvement.
- 3.2** The overall assessment was rated at 98.7% and measured as 'Exemplary' which is the highest measurement level attainable.
- 3.3** Previous years audit results are provided below for information:-

Year	Total Claims Received	Result
2016	271	97.4% Exemplary
2015	360	90.7% Satisfactory
2014	614	91.4% Satisfactory

4.0 Insurance Fraud Detection and Prevention

- 4.1** One area that has been developed is closer working with colleagues in the Corporate Fraud Team in order to curb the growth of fraudulent claims and the rise in premium costs that may result from them.
- 4.2** In the claim filing phase we discourage fraudulent practices by making the claimant aware of the consequences of submitting a false statement (which in particular could be liable to prosecution) and/or an incomplete statement. To this end, a statement of truth is included in the claim form which refers to the appropriate law that addresses the filing of fraudulent or incomplete claims.

- 4.3** The statement also advises claimants that cases may be randomly selected for a home or accident site meeting with the Council's Compliance Officer from Corporate Fraud in order to confirm details and/or request further information.
- 4.4** The Council is now a registered member of the Claims and Underwriting Exchange (CUE) which is a database established by the insurance industry in 1994 to help fight insurance fraud. It works by enabling insurers to access details of incidents and claims on an industry-wide basis which makes it harder to successfully commit claims fraud or misrepresent claims history. Ultimately, this helps to keep down the cost of insurance for honest policyholders.

5.0 Summary and Recommendation

- 5.1** The Council's philosophy is that 'all claims will be dealt with in a firm but fair and equitable manner'. Ensuring that claims are handled efficiently and that payment is made for valid claims helps to protect the self-insurance fund and protects the Council's reputation.
- 5.2** The Audit Committee is recommended to note the contents of the claims audit and endorse the work of the Corporate Risk and Insurance Team.