

ITEM No ...10.....

REPORT TO: SCRUTINY COMMITTEE – 26 JUNE 2019
REPORT ON: INSURANCE CLAIMS HANDLING AUDIT
REPORT BY: EXECUTIVE DIRECTOR OF CORPORATE SERVICES
REPORT NO: 232-2019

1.0 PURPOSE OF REPORT

To submit to Members of the Scrutiny Committee a report prepared by the Council's Insurer's, Zurich Municipal to provide an objective analysis of Dundee City Council's claims handling measured against current best practice. The review measured the quality of claims handling, and in financial terms captured any Improvement Opportunities.

2.0 RECOMMENDATIONS

Members are asked to note the report attached at Appendix A.

3.0 FINANCIAL IMPLICATIONS

None

4.0 MAIN TEXT

4.1 The Insurance Section of the Council, along with Council's Legal Department handle Employers Liability (EL) claims up to a delegated authority of £100,000 and Public Liability (PL) third party property damage claims up to £2,500. The EL/PL policy has a current deductible/excess of £200,000 and annual stop loss of £1,250,000. The stop loss is the maximum amount of loss in anyone year, anything above this will be met by the Insurer. The Council also handles Motor third party property damage claims up to their deductible/excess of £50,000 and an annual stop loss of £300,000. These policies has been in place since December 2015.

4.2 This technical claims file review was conducted by our Insurers to provide an independent analysis of Dundee City Council's claims handling measured against current best practice. In accordance with Zurich's Global Claims Policy, the review measured the quality of Claims handling, and in financial terms captured any Improvement Opportunities.

4.2.1 The following standard audit review ratings and corresponding narrative are used by Zurich Municipal to communicate consistently the outcome of technical claims file reviews exercise to organisations.

Effective: The control environment is considered to be appropriate and maintaining risks within acceptable parameters.

Needs Improvement: The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate some minor areas of weakness.

Needs Significant Improvement: The review raises questions regarding the control Environment and its ability to maintain risks within acceptable parameters. The number and severity of issues relative to the size and scope of the operation, entity, or process being audited indicate some significant areas of weakness.

Ineffective: The control environment is not considered to be appropriate, or the management of risks reviewed falls outside acceptable parameters. The number and severity of issues relative to the size and scope of the operation, entity, or process being reviewed indicate systemic, or individually serious weaknesses.

Having reviewed Dundee City Council's claims handling procedures an allocated Overall Quality score of **93.74%** was awarded, an improvement from the 2016 score of 90.55%, with a **Needs Improvement** rating, which is described by narrative in the above list.

An Action plan is already in place to address the minor issues highlighted by Zurichin their report below.

5.0 POLICY IMPLICATIONS

This report has been subject to an assessment of any impacts on Equality and Diversity, Fairness and Poverty, Environment and Corporate Risk. There are no major issues.

6.0 CONSULTATION

The Council Management Team were consulted on the content of this report.

7.0 BACKGROUND PAPERS

None

**GREGORY COLGAN
EXECUTIVE DIRECTOR OF CORPORATE SERVICES**

7 JUNE 2019



**DELEGATED CLAIMS
HANDLING REVIEW REPORT
DUNDEE CITY COUNCIL
TECHNICAL CLAIMS FILE
REVIEW
DR19002**



Delegated Claims Handling

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DATE FINAL REPORT AGREED: 29TH APRIL 2019

1. EXECUTIVE SUMMARY

OBJECTIVES & SCOPE

This technical claims file review has been completed to provide a consistent analysis of Dundee City Council's (Dundee CC) claims handling measured against current best practice.

To comply with the Global Claims Policy, all Business Units must align to the Global Claims QA Policy and must have a formal file review program, covering all Lines of Business. The review must measure the Quality of the claims handling to include the impact to the Customer, Technical decision making as well as Governance and Compliance. The review should identify hard leakage and provide financial focus by way of recording opportunity for improvement, to raise the performance bar.

The review was carried out at the offices of Dundee CC between 18th and 20th February 2019 by Lyndsey Boyles and Yvonne Laughlan of Zurich's Delegated Claims Handling team. The findings and action points within this report have been discussed and agreed with Derek Urquhart, Insurance and Risk Manager at Dundee CC.

Dundee CC handle Employers Liability (EL) claims up to a delegated authority of £100,000 and Public Liability (PL) third party property damage claims up to £2,500. The delegated authority has been in place since December 2010. The EL/PL policy has a current deductible of £200,000 and annual stop loss of £1,250,000. Dundee CC also handle Motor third party property damage claims up to their deductible of £50,000. This policy has also been in place since December 2010 with an annual stop loss of £300,000. All injury and credit hire cases are referred to Zurich Municipal in Glasgow for handling.

For the last full underwriting year (December 2017-18), 9 EL, 440 PL, and 160 Motor new claims notifications were received.

	Total
VOLUME OF FILES	40 – 29 CLOSED, 11 OPEN
STATISTICAL CONFIDENCE	INDICATIVE SAMPLE
PERIOD OF REVIEW	CLAIMS CLOSED IN THE LAST 3 MONTHS, HIGHER VALUE OPEN CLAIMS

AUDIT RATING

A **Needs Improvement** rating has been applied to the findings of this review. The controls are considered to be appropriate and maintain risks within reasonable parameters. The number and severity of issues relative to the size and scope of the operation, entity, or process being reviewed indicate **some areas of weakness**.

TOP ISSUES

Root Causes

Reserving - Reserves were not correctly reviewed and accurately updated or confirmed throughout the life of the claim

Reserving - The rationale for the initial reserve was not appropriately documented

Reserving – The initial reserve set was not accurate

Settlement - The file was not closed in a timely manner

File Management - Unrepresented claimant process not followed correctly

CONCLUSION

Dundee CC achieved a very good result following this technical file review, scoring highly in the majority of their claims handling phases, with an overall quality score of **93.74%**. A previous technical file review was conducted by the Delegated Claims Handling team in 2016 which saw Dundee CC achieve a quality score of **90.55%**. The scores achieved at this recent review cannot be directly comparable to the 2016 review due to the change in Teamthink question-set utilised, but the overall score shows a good improvement from the previous audit.

The following phases scored 100.00% - Fraud, Litigation Management, Negotiation and Vendor Management. The following phases scored above 90.00% - Coverage, Customer, Evaluation, File Management, Investigation and Settlement. The remaining lower scoring phases were – Recovery (88.24%), Notification and Assignment (86.67%) and Reserving (76.70%).

The overall quality of the claims handling found at Dundee CC was of a high standard and it was evident that a good customer service is being provided. There was no leakage identified on this review, and all claims were found to have been handled within the Scottish pre-action protocol timeframes. All litigation was handled timely by the Council's Legal department, and none of the litigation reviewed was avoidable.

All motor claims were set up timely on the claims system, however there were delays found in the set-up of PL and EL claims following intimation. Whilst there were delays in set up, all claims were set up and acknowledged within the three week timeframe as laid out by the protocol. All claims were allocated a reserve at the time of set up, which was an improvement found from the 2016 review and evidence of the action point being taken on board. Investigations were carried out promptly with the diary system being used in order to chase responses where required. There was a good summary of the liability decisions found on the EL claims and we have recommended that whilst the PL/Motor claims were a lot less complex in nature, the claims would benefit from a brief note summarising the position at key stages to demonstrate the handlers thought process. All necessary supporting documentation was sent following repudiations, and all injury cases were registered with the CRU with certificates attached to the majority of files. Payments were made timely on all claims following offer acceptance.

Following the 2016 review, it was agreed that reserve breakdown sheets would be used on all EL claims showing all applicable heads of claim – the PL and Motor claims did not warrant a breakdown

sheet given their low value, and that a comment on the system would suffice. The Insured advised that breakdown sheets would be used on all Motor claims where there were several heads of claim, but this was not evident. Upon this review, it was noted that reserve breakdown sheets were being used on all PL claims, however were not found on any EL as was previously agreed.

A recommendation was made to the Insured following the 2016 review in respect of attaching a fraud checklist to each claim. These checklists only appeared to be used on the PL claims and not EL or Motor. It is recommended that they are used on all claims going forward for consistency.

There were delays found on four cases when it came to pursuing recoveries, however there were no missed recovery opportunities identified.

On our last review, we recommended that direct claimants should be notified of their right to seek legal advice. The Insured confirmed that their template letters had been amended to include this guidance. This was found on some claims involving a direct claimant but not all.

The main area for improvement identified was reserving – there was at times a lack of rationale in respect of the initial reserves, and not all reserves were accurately updated throughout the life of the claim following receipt of additional information. Following our last review, the Insured adopted a philosophy which detailed the importance of accurate reserves and the importance of updating these as the claim progressed. It is evident that this philosophy is not always being adhered to.

There were closure delays found on six of the closed claims reviewed. The majority of these had payments made and should have been closed upon release of the settlement cheques.

Whilst the overall quality score achieved on this review should fall into the **Effective category**, it is considered that the issues observed were in areas which are fundamental to claims handling, therefore should be considered as **Needs Improvement**.

A recommended action plan has been agreed and will be reviewed in October 2019.

CUSTOMER CONDUCT

The customer phase scored **95.24%**. The main issue identified was in relation to the guidance regarding legal advice to direct claimants. Despite this, it was found that the level of communication with direct claimants was very informative, open and honest and managed their expectations. This is clearly indicative of a positive customer journey.

Overall, the service afforded to the customer by the insured was of a high standard and there were no complaints identified across the review sample.

Action Plan

1. Updating of the standard acknowledgement letters to include notification to members of the public their right to independent legal advice.
2. Reviewing all reserves throughout the life of the claim, especially following the receipt of additional information.
3. Introduce annual refresher training on all policies for team members to enable the Council to gauge the teams understanding and knowledge of policies.
4. Team manager to do quarterly formal review of a sample of files from each claims handler and link any findings/feedback into employees development/training file