

To: POLICY & RESOURCES (FINANCE & CUSTOMER SERVICES) SUB COMMITTEE		Subject: FINANCE AND CUSTOMER SERVICES STRUCTURE REVIEW, RISK & INSURANCE SECTION
From: HEAD OF REVENUE SERVICES		
Date: 3 March 2008	Ref: BC/LA	

## 1. Introduction

- 1.1 The purpose of this report is to seek approval for the establishment of a Senior Risk and Insurance Assistant post, graded NLC7. This is in order to deliver the Finance and Customer Services, Risk and Insurance Section; Improvement Action RS3 "increase the level of claims handling in-house" included in the overall Service Plan for 2008/09.
- 1.2 This will result in quicker processing times for claims handling, giving improved customer service. With greater control of all claims handling, this provides the Council with total ownership of the claims process. The employment of an internal liability claims specialist is self-financing from the cancellation of the existing claims management contract, generating savings of £18,500.

## 2. Background

- 2.1 A previous committee report entitled 'Structure Review: Risk & Insurance Section, Finance Department (26 October 2004) was approved relating to the activities of the Risk & Insurance Section and included a key recommendation from a Best Value Service review that the Council should process in-house **non-injury liability claims below £500**.
- 2.2 A restructure of the Section was implemented in April 2005 as a result. This saw an improvement of 53% in the processing time taken to settle claims (from 50.3 weeks to 23.8 weeks per claim) in 2005/06.
- 2.3 Building on the success of the increased level of in-house claims handling, further improvements in 2006/07 to processing times were secured (23.8 weeks to 11.5 weeks per claim) representing an overall reduction of 77% since 2002/03.
- 2.4 In July 2007 the Risk & Insurance Section took on additional responsibility for claims handling in-house in the current year for **all non-injury liability claims** with a view to further improving processing times. This was managed with the existing level of resources due to improved and streamlined processes and the introduction of new technology. The fee to external handlers reduced from £78,000 to £45,000, resulting in ongoing savings of £33,000 in the current financial year.

### 3. Considerations

- 3.1 Historically, handling of the Council's claims has been subject to a periodic tender exercise and is currently administered by Marsh Limited (claims handlers). With the introduction of in-house claims handling in 2005, the involvement of Marsh Limited has gradually reduced and the level of savings to the Council increased.
- 3.2 The administration of Personal Injury liability claims is currently outsourced to RECLAIM, a division of Marsh Ltd. This is included in the annual fee of £45,000 (2.2 above refers) to administer all Personal Injury Liability claims on behalf of the Council.
- 3.3 Previously based in Glasgow, RECLAIM moved their business to Norwich in July 2007. The service provided is for "desk-top" claims handling with little scope for local investigation or negotiations. This provides a less than adequate performance and the full administration of liability claims in-house by the Council has been considered as detailed in section 4. This proposal has the full support of our liability insurers, St Paul Travelers.
- 3.4 The table below shows the progress to date implementing in-house claims handling and the proposal for complete in-house claims handling. Overall to date the cost of external claims handling has reduced from £122K in 2003/04 to £45K in 2007/08. This has been managed in-house with existing resources and improved practices.

Date	NLC: level of claims handling	NLC: % of total claims	External Claims Handler: level of claims handling	External: % of total claims	£Cost of outsourcing claims handling
Pre April 2005	Administrative function on outsourced claims	0%	<ul style="list-style-type: none"> <li>All Public and Employers Liability claims</li> </ul>	100%	£122,922 (2003/04) £126,803 (2004/05) £104,000 (2005/06)
From April 2005	<ul style="list-style-type: none"> <li>Public Liability <b>Non-Injury</b> claims up to <b>£500</b></li> </ul>	60%	<ul style="list-style-type: none"> <li>Public Liability <b>non-injury</b> claims <b>above £500</b></li> <li>All Public Liability <b>personal injury</b> claims</li> <li>All Employers Liability claims</li> </ul>	40%	£78,000
From July 2007	<ul style="list-style-type: none"> <li>All public liability <b>non-injury</b> claims</li> </ul>	70%	<ul style="list-style-type: none"> <li>all public liability personal injury</li> <li>All Employers Liability claims</li> </ul>	30%	£45,000
Proposed for 2008	<ul style="list-style-type: none"> <li>All Public and Employers Liability claims</li> </ul>	100%	<ul style="list-style-type: none"> <li>Involvement on a run-off basis handling pre-existing claims to provide continuity of service</li> </ul>	0%	£0

#### **4. Proposals**

- 4.1 In order to deliver all claims in-house, it is necessary to increase the existing structure with a further NLC7 as detailed in the structure chart at Appendix 1. The post holder will handle all public and employer's liability injury cases, negotiating with solicitors and third parties, carrying out investigations and handling claims through to conclusion.
- 4.2 This will result in further improving processing times for claims handling, giving improved customer service and total ownership of the process to the Council.
- 4.3 The detailed remit of the post has been subject to the Job Evaluation Team and the grade of NLC7 is comparable to the salaries for similar posts in the market. The cost would be £26,500 including on-costs at NLC7.
- 4.4 To cancel the current claims handling contract, there is a 90-day notice period. Thereafter the Council will continue its relationship with RECLAIM on a "run-off" basis until the existing case load is finalised.
- 4.5 The Council will benefit from the new arrangements in terms of increased control of the claims process and improved efficiency, as well as enhanced customer service to both internal and external customers.

#### **5. Corporate Considerations**


- 5.1 The proposals in the report have been the subject of consultation with the Chief Executive, Head of Human Resources, and the appropriate Trade Union representatives prior to submission to Committee.

#### **6 Efficiency Savings Outcome**

- 6.1 The implementation of this proposal will result in an initial year saving of £11,000 with an annualised saving of £15,000.
- 6.2 The proposal will provide a basis to reduce the average processing time for claims handling.

#### **7 Recommendation**

- 7.1 The Policy & Resources Committee is asked to approve:
  - (i) The proposals outlined in Section 4
  - (ii) The creation of one NLC7 Senior Risk & Insurance Assistant
  - (iii) Remit this report to P&R (Human Resources) Sub Committee.



**Head of Revenue Services**

Members wishing further information please contact Mr Brian Cook, Head of Revenue Services,  
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FINANCE AND CUSTOMER SERVICES STRUCTURE REVIEW

RISK & INSURANCE SECTION

APPENDIX 1

