

# **WEST DUNBARTONSHIRE COUNCIL**

## **Report by Executive Director of Corporate Services**

### **Corporate and Efficient Governance Committee – 25 February 2009**

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#### **Subject: Insurance Claims Handling Contract**

#### **1. Purpose**

- 1.1** This Report provides information to the Committee on the Council's current Insurance Claims Handling Contract and the possible introduction of a Customer Service Standard, including a Service Level Agreement.

#### **2. Background**

- 2.1** The meeting of the Corporate and Efficient Governance Committee on 29 October 2008 agreed that a detailed Customer Service Standard, including Service Level Agreement with clear targets and deadlines for dealing with correspondence, claims handling etc. should be contained with the terms and conditions of the Council's Insurance Contracts.
- 2.2** At the meeting of the Corporate and Efficient Governance Committee on 17 December 2008, the issue regarding the development of a Service Level Agreement with the Council's Insurers was raised.
- 2.3** The Council currently places a number of Insurance Contracts covering matters such as its motor fleet, property, liability, officials' indemnity and miscellaneous risks. This also includes Claims Handling Services.
- 2.4** In accordance with normal procedures, Tenders for the Council's insurance business is invited from Companies who underwrite insurance business for local authorities. The Council is bound in terms of the European Procurement Regulations in respect of the letting of its insurance portfolio.
- 2.5** The Contracts are written on a year to year basis and the Council is bound to agree to renew the policies for up to an aggregate period of three years provided that the Insurance Company offers renewal on broadly similar terms. The Long Term Agreement allows for a two year negotiated extension.

- 2.6** The Council tendered its main Insurance Contracts with effect from 1 August 2007. Following finalisation of the Tender Evaluation process by application of the agreed award criteria and weightings, the Council entered into a formal Contract for Claims Handling Services with an external provider. This is on the basis of a three year Long Term Agreement which will expire on 31 July 2010 with the option for a two year negotiated extension with effect from this date. Alternatively, the Contract will be re-tendered at that time.

### **3. Main Issues**

- 3.1** There is no Service Level Agreement contained within the current Contract for Claims Management Services between the Council and its Claims Handling Agents. Given the terms and conditions of the Contract, the incorporation of a Customer Service Standard, including Service Level Agreement cannot be applied retrospectively in this instance.
- 3.2** In terms of existing arrangements, a designated team responsible for providing claims management services for the Council in respect of all classes of the insurance business has been appointed. It is considered that the benefits in adopting this 'one-stop-shop' approach are that claims are dealt with by a designated team who are able to deliver a cohesive claims handling service. The need to put forward a reasoned explanation for repudiation or, as appropriate, agree a fair and cost effective settlement within a reasonable timescale is accepted. The sensitivity of circumstances pertaining to some insurance claims is also appreciated.
- 3.3** In accordance with normal procedures, once formal intimation of a claim has been made to the Council, the initial claims process is undertaken within 5 working days. This involves the vetting of all claims, inputting of data onto the Council's Insurance and Claims Management database, claim notification to the Council's Claims Handling Agents as well as the relevant department(s) within the Council with a view to obtaining full Departmental Reports, in particular detailed comments in relation to specific allegations made by a claimant is requested. A letter of acknowledgement is also sent to the claimant at this time.
- 3.4** The Council's Insurance and Claims Management System is set up to activate a series of action triggers (1 calendar month) where information is outstanding i.e. Departmental Reports, supplementary information etc. On receipt of this documentation, it is passed to the Claims Handling Agents with a view to progressing matters and to assist with the decision making process. Again, this process is usually undertaken within 5 working days.
- 3.5** It should be noted that work is prioritised and distributed on a daily basis and individual cases are continually monitored and reviewed.

- 3.6** The current Claims Handling Agents own internal arrangements stipulate that the workload is reviewed and distributed on a daily basis. Similarly, a weekly review is carried out and, if necessary, the allocation of additional resources will be considered. Once a new claim has been passed to them, the claim will be acknowledged within a 6 working day period. When all information relevant to a particular claim has been provided, the decision making process is normally completed within 28 calendar days (approx. 20 working days). Correspondence in relation to litigated cases, MSP's/Elected Members etc. is prioritised and, normally the turnaround period for response is 24 hours.
- 3.7** In general terms, the above procedures will apply in relation to a typical straight-forward claim. However, it is appreciated that there may well be some claims which are more complex in nature than other claims thus requiring further investigation, communications between the parties involved etc.
- 3.8** If difficulties are encountered in respect of specific claims and, in particular with regard to the timescales involved and, in some cases matters not being resolved to the satisfaction of those parties involved, the Council, in conjunction with its Claims Handling Agents work together to address such matters with a view to improving service delivery.
- 3.9** There can of course be a number of reasons why a claim would not be brought to a satisfactory conclusion within a reasonable timescale such as the complexity of individual cases, individual departments, section or teams not having a full compliment of staff, inter-departmental and external communication issues between all or some of the parties involved etc. The need for comprehensive and detailed information together with requisite documentation to be provided by claimants timeously is also of paramount importance.

#### **4. Personnel Issues**

- 4.1** There are no personnel issues as this is considered to be a service delivery related issue.

#### **5. Financial Implications**

- 5.1** There are no financial implications as this is considered to be a service delivery related issue.

#### **6. Risk Analysis**

- 6.1** There is the risk that if the Council insists that the Claims Handling Agents develops Service Level Agreements acceptable to the Council then there may be financial costs to the authority associated with the implementation of such an Agreement.

## **7 Conclusions**

- 7.1** The Council's Contract for Claims Management Services which is subject to a Long Term Agreement has been renewed with effect of 1 August 2008. The existing Claims Handling Agents has remained on cover.
- 7.2** The Council is seeking voluntary co-operation from its Claims Handling Agents to work with the authority to address any claims handling issues with a view to improving service delivery.
- 7.3** When the Contact is due to be re-tendered, arrangements will be made for the inclusion of a Customer Service Standard, including Service Level Agreement to be incorporated within the Tender Specification.

## **8. Recommendations**

- 8.1** The Committee is asked to:-

- (1)** note the arrangements with regard to the existing Contract for Claims Handling in terms of the existing Long Term Agreement;
- (2)** note that voluntary co-operation is being sought from the existing Claims Handling Agents to work with the Council to address any claims handling issues and improve service delivery;
- (3)** arrangements will be made for the inclusion of a Customer Service Standard, including Service Level Agreement to be incorporated within the Tender Specification.

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**Background Papers:** Report by the Executive Director of Corporate Services to the Corporate and Efficient Governance Committee on 29 October 2008.

**Wards Affected:** All Wards