

SURREY COUNTY COUNCIL

AUDIT & GOVERNANCE COMMITTEE

DATE: 18<sup>TH</sup> MARCH 2013



LEAD OFFICERS: MARK BORLAND, HIGHWAYS GROUP MANAGER

SUBJECT: IMPROVING GREENS CLAIMS (DCP) MANAGEMENT

1. This briefing note provides an update to the Audit & Governance Committee concerns regarding how Surrey Highways recovers costs for damage to council property.
2. Surrey Highways has two specific cost liabilities in regards to insurance loss:
  - a) **Red Claims** – claimants can claim against the Council for damage for personal injury or vehicle damage as a result of a highway defect (e.g. pothole);
  - b) **Green Claims** – highway can be damaged as a result of vehicle collisions and we have the right to recover cost of repair from 3rd party's insurance; however, where funds cannot be recovered council is currently liable for repair cost, also known as Damage to Council Property (DCP).
3. The majority of the highway related Red Claims are repudiated and since 2010 Surrey County Council has seen an overall reduction in losses in Red Claims.
4. However, there has not been the same improvement in recovery of Green Claims. A project team was therefore developed to recommend practical steps to improve recovery. After review the project team identified 3 key issues preventing success:
  - **Information Ownership** – Majority of damage to council property is caused as result of road accident or collision (A&E). May Gurney are responsible for attending and resolving A&Es, with SCC responsible for pursuing 3<sup>rd</sup> parties costs. However, the information required for successful claim was not always captured by May Gurney when they attended original incident and thus prevented successful claim
  - **Skill Set** – SCC insurance recovery was managed by in-house customer service team, however, the skill set was not always appropriate for dealing with trained commercial insurance departments.
  - **Time Delay** – Resolving insurance claims was taking approximately 6-9 months, during which time, the original damage would remain on network. The delay was then increased when funds could not be recovered, as SCC would then need to find an alternative in-house funding solution.
5. Poor information and skills set was thus leading to low recovery rates, with under 50% recovered from insurance companies, while length of delay in resolving was impacting resident and member satisfaction.

6. Following project finding, SCC therefore undertook review with May Gurney to accept increased risk within contract and improve overall resource management. Following negotiations, May Gurney have agreed to implement the steps below from 1<sup>st</sup> April 2013:
- **New Accountability** – Responsibility for Green Claims will transfer to May Gurney. This will make one organisation responsible for both attending A&Es to re-open road to traffic and then subsequently repairing any damage, thus incentivising on-site crew to retrieve all required information for insurance recovery.
  - **Immediate repair all damage** – As part of new ownership, May Gurney (at their expense) will repair all damage to council property within 20 working days. They will then separately pursue 3rd party for cost recovery, with any non-recovered cost at their full expense.
  - **New Claims Management Team** – To deliver service above, May Gurney will appoint new dedicated claims team who will have skills to manage insurance companies risks and focus on achieving 100% of claims recovery.
  - **Non A&E Damage** – A proportion of damage is also caused by “hit & runs”, where a car user strikes council property and leaves the scene with no contact details. As there is little evidence of guilty party, successful recovery from insurance company is reduced. However, following review May Gurney have accepted risk on this recovery, with the only exception being where damage of individual item exceeds £8,000, in this cases Surrey will retain cost liability.
  - **Co-ordination** – May Gurney Claims Management team will be the lead contact point for emergency services, insurance companies and SCC supply chain, e.g. when an accident involves damage to street lights, traffic lights and carriageway May Gurney will take lead, even if it is not them that undertake repair.
7. The new process will ensure that from 2013/14, approximately 90% of damage to council property is repaired within 20 days at no cost to the council. The only increased cost to the council is funding new May Gurney Claims Manager.
8. May Gurney will assume full responsibility for Green Claims, it is anticipated that recovery from insurance companies will meet all May Gurney costs, with primary benefit for MG through removing ongoing disputes with SCC and the overall impact on customer satisfaction.
9. The new May Gurney Claims Management team and A&E process will therefore result in an overall improved service to the highway network. An annual report will be produced in June 2014, confirming the success or otherwise of new service.