

# The new Local Government Mutual and highways claims

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# How we got here

- 1993 MMI collapse, current market commences
- 2009 High Court LAML
- 2011 Localism Act
- 2011 Supreme Court
- 2015 Public Contract Regulations codification re 'Teckal' companies
- Since 2008
  - Reductions in local government funding
  - Changes in outsourcing market
  - Commercialisation: trading, income-generation and public partnering
- 2017 Grenfell
- 1993 – 2019 insurance market developments
- 2019 – LGM opens for business

# Local government feedback



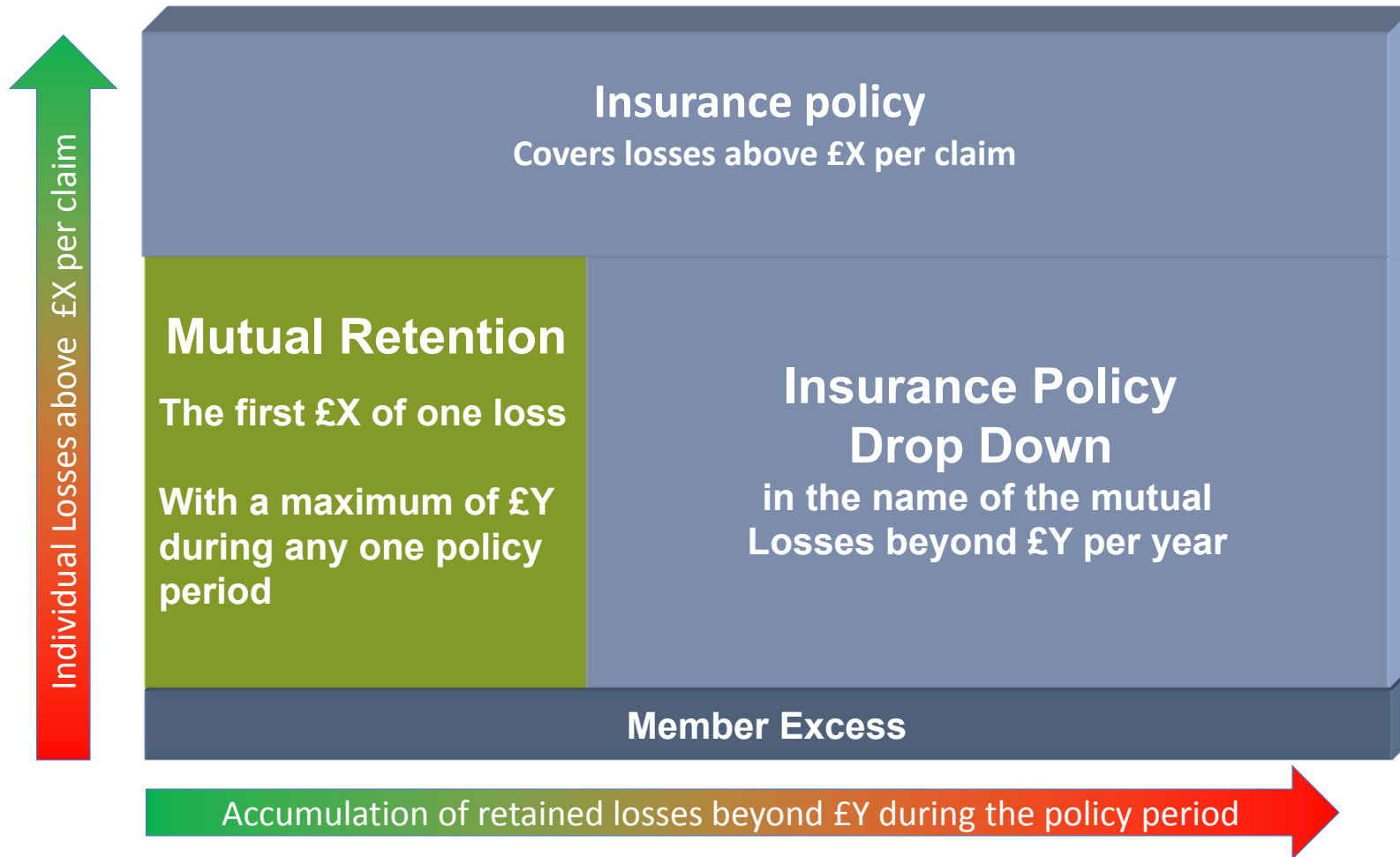
- Councils collectively spend hundreds of millions of pounds on insurance and claims
- Joint procurement initiatives save money, but have often been found impractical
- Lack of competition with high deductibles
- Lack of transparency over pricing
- Low numbers of insurance claims
- One-sided transaction where councils do not see enough of the benefit from improving risk management

# What is LGM?



- Established to deliver more affordable risk protection and retain surpluses
- LGA backed, FCA authorised, hybrid-discretionary mutual that can reduce the total cost of risk:
  - Blends insurance and pooled self-insurance
  - Uses collaborative purchasing power to engage with market
- Controlled by and operated for the benefit of its member councils
- No profit motive, no risk of cash calls on members

# Tried and tested structure



# Incentivising better risk management

- Trading surpluses belong to members, not shareholders
- Improved risk management reduces the need for and costs of risk transfer
- Medical expertise applied to bodily injury claims
- Power of cross-authority collaboration...

# The power of collaboration

- How is risk management currently handled by the industry?
- The impact of silos on knowledge-sharing
- The overlay of the supplier market onto existing silos
- Methodical, collaborative work on reducing losses will inevitably facilitate more investment in strengthened highways risk management

# Defending claims

The good old days...	Now
Legal aid	Data-informed, entrepreneurial solicitors who have amassed expertise (MASS)
Speculative claims	<i>A sledgehammer replaced by a group of scalpels</i>
General maintenance	Materials
Fitness for purpose	Construction
	Design
	Signage
	Lines of sight
	Data on hotspots and the environmental conditions that affect them
	Claims triaged by prospects of success (and potential value)



# The benefits of collaboration in defending claims



- Highways Risk Management Committee
  - Focus on sharpening members' defensive capabilities
  - Using data analytics to triage vulnerable risk locations
  - Invest to strengthen these locations
  - Develop robust evidential standards for litigants to overcome
  - Use our forensic medicine capability to mitigate the cost of claims
  - Expert witness programme
  - Cover wording set by members

# Outsourcing



- Fragmentation of knowledge and capability across sectors overlaid onto the existing inefficient silos
- In some authorities, insufficient client-side capability retained
- Liabilities not always clearly delineated and occasionally a matter for dispute
- Your experiences?

Q&A

