BRITISH TRANSPORT POLICE

Report to:	**Audit Committee**
Agenda item:	**9**
Date:	**20 March 2012**
Subject:	**Insurance Programme**
Sponsor:	**Deputy Chief Constable (presented by C/Supt Brogden)**
For:	**Information**

1. PURPOSE OF PAPER

1.1 To provide a summary of the British Transport Police Authority (BTPA) and Force risk financing programme.

2. BACKGROUND

2.1 BTPA and the Chief Constable hold joint insurance policies to protect against the financial consequences of a variety of risks. The Force and Authority's risk financing programme expired on 30 September and having run under Long Term Agreements (LTAs) for 5 years fell due for EU tender in 2011. This was undertaken in conjunction with our Insurance Brokers, JLT, and the procurement team were also been involved where necessary.

2.2 Significant matters that affected the outcome of the tender were the 2 fire claims from 2008 (totalling £1.2million), the Leeds water escape claim from August 2011(£75k) and the travel fraud claim form 2010 (paid in 2012 at £32k). A number of significant motor claims (over £25k each including 2 over £75k) had also occurred.

3. RISK FINANCING STRATEGY

3.1 The strategy and objectives of the tender exercise were to:

- Review policy coverage and ensure appropriate cover was in place from renewal taking account of changes to our risk profile

- Minimise the increase in budget requirement for both the insured and self insured elements of the programme where possible. An increase was expected to be required given the known and well publicised market rating increases for motor, and BTP/A's detrimental property claims experience
- Identify any aspects of cover that were capable of an increased level of self-insurance e.g. increased deductible
- Identify areas where cover could be rationalised or removed to realise financial efficiencies.

3.2 In June 2010 BTP became full members of SEERPIC (the South East & Eastern Regions Police Insurance Consortium) to enable it to add the financial benefits of consortium purchasing to the advantages of sharing non financial benefits and best practice that we had enjoyed as observer members. Our risk financing tender in 2011 therefore needed to align BTP with SEERPIC's LTA expiry dates in 2012 and 2013/15 to enable us to join the SEERPIC tenders at the next available opportunity; and with deductibles and policy coverage as far as possible where cost effective to do so to enable the financial benefits of full alignment to be realised.

3.3 As part of the tender exercise detailed analysis of premiums and claims was completed, as well as independent benchmarking with the SEERPIC Forces to establish the optimum balance between external insurance and self insured retentions going forwards.

4. PROGRAMME ANALYSIS

4.1 The results showed that BTP/A needed to take a larger self insured retention on third party motor risks to avoid simple pound swapping plus profit with Insurers, and options were included within the tender. Other classes were indicated as already having the optimal balance. The tender result indicated that the most cost effective solution was to increase the deductible on motor form £5k to £25k and this recommendation was agreed by SCT.

4.2 A critical review of all covers was undertaken including the Personal Accident policies for BTPA Members, police staff and officers with a view to removing cover completely given the lack of obligation to provide it and the need to reduce costs. We had already significantly reduced the cover at the 2010 renewal, restricting cover to assault only which resulted in a saving of approx. £25k. As the cost to keep assault cover was minimal, SCT agreed to retain it.

4.3 The Fidelity / Crime policy was also considered in detail. In 2010, Finance requested additional cover following the change in BTP's banking arrangements as it was considered that there was an increased risk associated with internet fraud i.e. hacking by third parties, and this resulted in the premium increasing by 400%. As part of the tender a review of the required cover was undertaken and quotes requested on both basis to see which was most cost effective. A Fidelity wording with additional third party cover was agreed as the way forward which resulted in a premium reduction.

4.4 Details of the current risk financing programme are shown at Appendix A. BTP/A insures with 2 specialist Public Sector insurers, Chartis (through Risk Management Partners) and Travelers Insurance Company.

4.5 BTP/A's cover and limits for Property, Fidelity, PA and Travel will be aligned with the SEERPIC standards for the 2012 tender where possible. This will result in increased indemnity limits for the PA cover and standard negotiated extensions that may be useful if not wholly necessary, such as wider cover for seized property and POCA money.

4.6 New risks, projects and activities are routinely analysed for risk financing implications and where necessary additional cover may be purchased. A risk based decision is made in determining whether to retain or finance risks with the originating department. Examples include specific contractual liabilities (retained) and the potential requirement for medical malpractice cover in respect of the Underground (to be purchased). Market developments are also routinely considered to determine alternative risk financing solutions and areas of restriction or additional coverage.

4.7 Work is ongoing by West Yorkshire Police on behalf of NPIA to build a National Police Insurance Framework which may be a suitable option for the Consortium to use in future risk financing tenders, and may be mandated at some juncture. BTP is leading the consultation for the SEERPIC Forces.

5. UNINSURED RISKS

5.1 There are a number of risks that are either uninsurable or are uninsured because a positive decision has been made not to insure, for financial, coverage or risk reasons. These are:

5.1.1 **Riot Damages Act** – damages under this Act are uninsurable. However, when we considered our position in light of the summer disturbances in 2011 we determined that it was highly unlikely that BTP would be considered a Police Area under the Act. Indeed the claims we received for the summer disturbances have been successfully passed to the MPS to settle.

5.1.2 **Motor Own Damage** – this is an uninsured risk and does not form part of the self insured programme, being managed entirely by Fleet Department. Split liability claims and non-fault claims are funded by Fleet Department. Corporate Risk Team until recently successfully undertook all uninsured loss recovery on behalf of Fleet but this has now been outsourced. 100% fault claims are funded by Areas.

5.1.3 **Exemplary / Punitive Damages** – Uninsurable with our current Insurers. Claims involving these elements of damages are funded from the claims budget. SEERPIC's insurers provide cover fro exemplary damages so it is likely this will be covered (subject to deductibles) in the 2013/15 tender.

5.1.4 **Gradual Pollution / clean up costs** – uninsured. No activities are undertaken that would require an extension of cover eg bulk fuel storage.

5.1.5 **Money** – BTP/A does not carry any significant cash floats of its own to make cover economic. Proceeds of Crime Act (POCA) money has been insured but cover was of no value since seized money could not be counted. 'Show' money was considered in 2010 but Crime Department concluded there was no significant risk. Cover may be provided automatically as part of the 2012 SEERPIC tender, for all or some of these risks.

5.1.6 **Engineering** – uninsured. Statutory inspections are included in maintenance contracts. Estates determined in 2006 that additional cover was not required.

5.1.7 **Airside Liability** – no longer insured. There is no airside activity at present.

6. RECOMMENDATIONS

6.1 That Members note the current risk financing arrangements and strategy used to determine types and levels of cover.