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**Report to:**            **Audit & Risk Committee**  
**Agenda item:**       **10**  
**Date:**                **31 May 2013**  
**Subject:**            **Insurance Programme**  
**Sponsor:**           **Deputy Chief Constable**  
**For:**                 **Information**

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**1.     PURPOSE OF PAPER**

1.1    To provide a summary of the British Transport Police Authority (BTPA) and Force insurance programme and outline actions to be taken regarding the 2013 renewal.

**2.     BACKGROUND**

2.1    The insurance programme jointly protects BTPA and the Chief Constable against the financial consequences of loss or damage to its assets and liabilities arising from business activities.

2.2    In June 2010 British Transport Police (BTP) became full members of the South East & Eastern Region Police Insurance Consortium (SEERPIC) to secure financial benefits of consortium purchasing. BTP undertook an insurance tender in 2011 with our Long Term Agreements (LTAs) being aligned with SEERPIC's LTA expiry dates in 2012 and 2013/15 to enable BTP to join the SEERPIC tenders.

2.3    At 2012 renewal (1 October) we participated in the SEERPIC Property (Material Damage; Business Interruption; Computer; Contract Works; Terrorism), Fidelity Guarantee and Personal Accident/Travel insurance tenders. This was undertaken in conjunction with our Insurance Brokers and the Cambridgeshire Police Authority Procurement Team who were the lead Force acting on behalf of SEERPIC.

2.4    The remaining insurances were renewed with the current insurers subject to LTAs expiring in 2013.



- 2.5 The LTAs were aligned with SEERPIC should we need to tender for Motor and Casualty classes in 2013.

Following a recent SEERPIC Board meeting it has been agreed that the Casualty (Employers' Liability; Public Liability; Professional Indemnity and Officials' Indemnity) will not be tendered and they will renew with a 2 year LTA extension option. As BTP are unable to join mid LTA it will be necessary to renew BTP's own policy under the same terms as SEERPIC to continue the alignment.

In relation to the Motor programme of insurance, increased terms would break the LTA and necessitate a tender. However, only 2 insurers have responded to SEERPIC's Invitation of Tender. When Motor was tendered in 2010 the existing insurer put forward terms that were significantly lower than the alternative insurer that has now responded to the Invitation to Tender. In view of SEERPIC's claims experience now being significantly worse it is not expected that this insurer would be able to put forward competitive terms. In addition the annual SEERPIC Benchmarking exercise has already shown that the current Motor rating is considerably below that applicable for other Police Forces. Initially it was intended to undertake a motor tender but following the recent SEERPIC Board meeting it was agreed to re-approach the insurer to ascertain what increase they would require and then make a decision whether to proceed with the tender. To date the insurer has put forward a 25% rating increase.

SEERPIC are currently in discussions to agree on the insurers' renewal offer of a 25% increase on the Motor programme of Insurance. Should the increase be accepted by the majority then SEERPIC would renew with a 2 year LTA extension option. As BTP are unable to join mid LTA it will be necessary to renew with our own insurers under our current terms.



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### 3. STRATEGIC OBJECTIVES

#### 3.1 Our strategy and objectives are to:

- Review policy coverage and ensure appropriate cover is in place taking account of changes to our risk profile
- Minimise the increase in budget requirement for both the insured and self insured elements of the insurance programme where possible
- Identify any aspects of cover that were capable of an increased level of self-insurance
- Identify areas where cover could be rationalised or removed to realise financial efficiencies.

### 4. INSURANCE PROGRAMME ANALYSIS

#### 4.1 **Property (Material Damage; Business Interruption; Computer; Contract Works; Terrorism)**

The 2012 SEERPIC tender resulted in these classes being placed in the SEERPIC arrangements subject to a 3 year LTA (with subsequent 1 plus 1 year options). The basis of cover was standard across all members which brought the following benefits:-

- Reduced self insured retention for Specified All Risks; Computers; Contract Works
- Increased inner limits for a number of cover extensions
- Removal of Conditions Precedent relating to fire and security requirements
- Increased limit for seized property

There was a premium saving of £66,000 (51% reduction compared to expiring premiums) which showed the benefits using consortia purchasing.

#### 4.2 **Personal Accident/Travel**

A Cover review had previously been undertaken to remove cover where there was no contractual obligation to provide it and to secure cost savings. This basis of cover was included in the SEERPIC tender but to ensure consistency all members now have the



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same basis of cover/benefits. This has meant the following enhancements:-

- Increased benefit for staff, officers from 3x earnings to 5x earnings
- Increased benefit for BTPA members, special constables and volunteers from £50,000 to £150,000
- Amendment to weekly disablement benefits and deferment periods

There was an increased premium from £7,145 to £14,799 but this does highlight that the previous premium was possibly incorrect as BTP still have the same insurer following inclusion in the SEERPIC arrangements together with cover enhancements.

A 3 year LTA (with subsequent 1 plus 1 year options) applies.

#### 4.3 **Fidelity Guarantee**

The 2012 SEERPIC tender resulted in cover being placed in the SEERPIC arrangements subject to a 3 year LTA (with subsequent 1 plus 1 year options). The basis of cover applying has significant cover improvements but these need to be considered in the context of BTP's self insured retention of £50,000 each claim. However, the indemnity limit applying is now "each loss" rather than "each loss and in the aggregate". There was a marginal increase in premium from £13,889 to £14,305.

#### 4.4 **Motor**

The basis of cover applying continues to protect against liability risks associated with vehicles being used on BTP business. Damage to own vehicles continue to be uninsured with repairs being dealt with by the Fleet Department and recoveries being made against third parties for BTP losses where a third party was at fault.

At 2011 renewal a detailed review of the self insurance retention was undertaken with it being decided that a higher self insured retention was beneficial in order to avoid simple pound swapping plus insurer profit. The self insured retention increased from £5k to £25k. This level of self insurance is less than other Forces where the normal deductible is £100k or £250k.



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SEERPIC will decide on their current insurers' renewal offer which would mean that the tender would not proceed. Consequently terms will be obtained from BTP's current Motor Insurers and in view of a favourable claims experience a rating reduction will be requested.

Should SEERPIC decide to tender then BTP would have to participate. This would mean that there would be a change from third party only cover to comprehensive subject to an increased self insured retention of £100k (from £25k). This basis has previously been determined by SEERPIC following a detailed analysis of premiums and claims, as well as independent benchmarking to establish the optimum balance between external insurance and self insured retentions. This is a significant change but being full SEERPIC members we are committed to this to ensure consistency and to follow the optimal basis established by past analysis/ benchmarking.

The results of a tender will not be available until late June consequently it is not possible to say what the financial position will be as result of transferring into the SEERPIC arrangements. Provided the rating increase following tender is no higher than the 25% being proposed then this would equate to a premium saving to BTP of £48,000. Whilst this is a sizeable premium saving it is necessary to factor in the self insured retention increasing from £25k to £100k and basis of cover changing from third party only to comprehensive. Based on our recent motor claims experience there have not been any claims where the third party amount exceeded £25k but any that do occur going forward would impact on the potential premium saving that would apply.

#### 4.5 **Casualty (Employers' Liability, Public Liability, Professional Indemnity and Officials' Indemnity)**

SEERPIC have decided to renew with their current insurer subject to the 2 year LTA extension option.

We are unable to join until the SEERPIC LTA expires consequently we will seek terms within our current insurer. In view of a favourable claims experience we will attempt to



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secure a rating reduction. This would mean that the 2 year LTA extension option will be taken which would then align us with SEERPIC when we would participate in the 2015 Casualty tender.

Currently Public Liability claims relating to London Underground are subject to an indemnity from Transport for London. From 01<sup>st</sup> October 2013 BTP will be extending their existing policy to include the London Underground area for Public Liability matters. Renewal terms have been requested but are not anticipated from Insurers until August 2013. Negotiations to hold the current rating will commence once the rates are released.

- 4.6 An uninsured exposure was identified in relation to legal costs that could arise from a need to seek a recovery from a third party for personal injuries sustained by an occupant of a Chief Officer's vehicle. The annual premium cost for this was £660.
- 4.7 A further uninsured exposure was identified in relation to the liability of the Trustees that administer the George Burrows Scheme for Police staff. Trustees could have a personal liability for errors or omissions in relation to their duties. Further enquiries are currently being made but it is likely that separate cover will be effected at a premium of £400.
- 4.8 The Property, Fidelity Guarantee and PA/Travel programme which were included in the SEERPIC tenders resulted in a 38% premium saving with significantly wider cover achieved.
- 4.9 Details of the current insurance programme are shown in Appendix A.
- 4.10 Details of the insurance premiums, fees and claims are shown in Appendix B and C. In relation to Appendix C it is necessary to comment that "Claims paid in Financial Year" relates to the payments made by BTP for each financial year however this expenditure can relate to historical claims as a claim has a shelf life of up to 12 years. Consequently any sizable payment relating to a past claim would distort year on year comparisons. In addition, changes in the civil procedure rules as outlined by the Ministry of Justice report released December 24<sup>th</sup> 2012 has prompted Solicitors and Insurers to push claims to



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conclusion in 2012/2013 to protect against the loss of their fixed costs next year, thus distorting year on year comparisons. Whilst 2011/12 compared to 2012/13 shows an increase the underlying situation is that the number of accepted claims has not shown any significant increase.

- 4.11 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. Market developments are also routinely considered to determine alternative risk financing solutions and areas of restriction or additional coverage. In addition, the level of self insurance is subject to annual reappraisal to ensure that the most cost effective basis is being adopted.

## 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 currently an uninsured risk and does not form part of the self insured programme. All uninsured loss recovery on behalf of Fleet is outsourced and managed entirely by Fleet.

5.1.3 **Punitive Damages** – this relates to liquidated damages or damages by way of a penalty or fine. Uninsurable with our current Insurers however cover has been extended to include exemplary or aggravated damages agreed as part of a claim from a third party.



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

5.1.5 **Airside Liability** – Should there be any airside activity then prior notification is needed so that appropriate cover can be considered.

## 6. **RECOMMENDATIONS**

6.1 That Members note the current risk financing arrangements and strategy used to determine types and levels of cover. Possible participation in SEERPIC tenders ensures that the insurance programme is cost effective by means of collaborative purchasing and providing a wide breath of insurance cover to protect assets and liabilities of BTPA/BTP.

## Appendix A - Insurance Programme

Class of Business	Detail	Insurer	Limit / Sum Insured	Deductible	Aggregate Deductible
Casualty	Employers' Liability	Travelers	£50m	£100k	£783k
	Public Liability		£50m	£100k	
	Professional Indemnity		£2m	£50k	
	Officials' Indemnity		£5m	£50k	
Motor	Third Party Liability	Chartis	PI Unlimited, TPPD £20m	£25k	£350k
Property	Material Damage (Buildings / Contents)	Chartis	Per schedule	£5k	n/a
	Loss of Rent		£5.5m	n/a	
	BI - Increased Cost of Working		£5m / 36 months	n/a	
	Computer - Material Damage	HSB Haughton	Per schedule	£1k	
	Computer - Reinstatement of Data		£500k	£1k	
	Contract Works		£1.5m	£1k	
	Terrorism		Lloyds and others	Per schedule	
Fidelity	Theft / Fraud by employees	Royal and Sun Alliance	£5m	£50k	n/a
	Third party computer fraud				
Personal Accident / Travel	Business Travel (internal and external business travel)	Chartis	Various	n/a	n/a
	PA - Officers		5x annual salary		
	PA - Staff		5x annual salary		
	PA - Specials		£150k		
	PA - Members		£150k		
	PA - Volunteers		£150k		

## Appendix B

### INSURANCE PREMIUMS

	2005/06	2010/11	2011/12	2012/13
Material Damage / Contract Works	£ 34,400	£ 50,947	£ 112,930	£ 34,991
Terrorism	£ 12,563	£ 18,066	£ 16,217	£ 28,150
Fidelity / Crime	£ 50,000	£ 17,722	£ 13,889	£ 14,305
Liability	£ 482,000	£ 233,210	£ 204,897	£ 204,623
PA/Travel	£ 1,152	£ 35,149	£ 7,145	£ 14,799
Motor	£ 229,950	£ 231,878	£ 152,000	£ 145,336
	£ 810,065	£ 586,973	£ 507,078	£ 442,204
Tax	£ 40,503	£ 29,349	£ 30,425	£ 26,532
<b>TOTAL (PREMIUMS)</b>	<b>£ 850,568</b>	<b>£ 616,322</b>	<b>£ 537,503</b>	<b>£ 468,736</b>

### FEES

Motor - Claims handling	n/a	n/a	£ 9,690	£ 7,950
Plus Tax	n/a	n/a	£ 1,938	£ 1,590
Broker Fees	£ 38,500	£ 6,000	£ 6,226	£ 8,138
Other fees - Actuarial/benchmarking	n/a	£ 4,583	£ 5,000	£ 5,000
Plus Tax	£ 6,738	£ 1,852	£ 2,245	£ 2,628
<b>TOTAL (PREMIUMS + FEES)</b>	<b>£ 895,806</b>	<b>£ 628,757</b>	<b>£ 562,602</b>	<b>£ 494,042</b>

### CLAIMS

EL claims budget		£ 30,000	£ 30,000	£ 30,000
PL claims budget		£ 101,499	£ 110,000	£ 80,000
MV claims budget	£ 400,000	£ 111,996	£ 100,000	£ 59,000
Property claims budget		£ 19,500	£ 10,000	£ 10,000
Claims Handling budget		£ 91,368	£ 95,000	£ 86,000
<b>TOTAL PREMIUMS + FEES + CLAIMS</b>	<b>£ 1,295,806</b>	<b>£ 983,120</b>	<b>£ 907,602</b>	<b>£ 759,042</b>

## Appendix C

	2004/05	2005/06	2006/07		2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
			31/3 - 30/9	Annual						
<b>INSURANCE PREMIUMS</b>										
Property	£ 35,873	£ 34,400	£ 27,930	£ 18,620	£ 23,300	£ 24,404	£ 31,215	£ 35,470	£ 80,908	£ 33,852
BI	£ 7,139		£ 7,164	£ 4,776	£ 4,740	£ 4,739	£ 4,749	£ 4,850	£ 27,072	
Contract Works	£ -	-	£ 208	£ -	£ 2,926	£ 8,360	£ 10,150	£ 10,450	£ 4,950	£ 1,139
Terrorism	£ 13,262	£ 12,563	£ 23,741	£ 15,827	£ 18,080	£ 19,636	£ 19,533	£ 18,066	£ 16,217	£ 28,150
FG	£ 50,000	£ 50,000	£ 3,562	£ 2,375	£ 2,375	£ 2,375	£ 2,375	£ 17,722	£ 13,889	£ 14,305
EL	£ 274,250	£ 305,000	£ 175,844	£ 117,229	£ 131,590	£ 138,433	£ 138,522	£ 150,531	£ 74,575	£ 74,575
PL	£ 95,000	£ 75,000	£ 73,946	£ 49,297	£ 56,742	£ 60,656	£ 59,423	£ 63,698	£ 112,813	£ 112,813
PI	£ -	£ 6,000	£ 13,829	£ 9,220	£ 9,220	£ 9,220	£ 4,750	£ 4,750	£ 1,164	£ 1,164
OI (D&O to 2006)		£ 6,000	£ 14,029	£ 9,354	£ 10,497	£ 11,049	£ 13,263	£ 14,231	£ 16,345	£ 16,071
Excess Liability	£ 175,000	£ 90,000	£ 18,750	£ 12,500	£ 12,500	£ 10,500	£ 10,500	-	-	-
PA/Travel	£ 1,152	£ 1,152	£ 11,632	£ 7,755	£ 20,501	£ 62,820	£ 58,662	£ 35,149	£ 7,145	£ 14,799
Motor	£ 157,925	£ 229,950	£ 246,003	£ 164,002	£ 197,836	£ 200,750	£ 224,672	£ 231,878	£ 152,000	£ 145,336
Plus Tax	£ 809,601	£ 810,065	£ 616,638	£ 410,955	£ 490,307	£ 552,942	£ 577,814	£ 586,795	£ 507,078	£ 442,204
	£ 40,480	£ 40,503	£ 30,832	£ 20,548	£ 24,515	£ 27,647	£ 28,891	£ 29,340	£ 30,425	£ 26,532
<b>TOTAL (PREMIUMS)</b>	<b>£ 850,081</b>	<b>£ 850,568</b>	<b>£ 647,470</b>	<b>£ 431,503</b>	<b>£ 514,822</b>	<b>£ 580,589</b>	<b>£ 606,705</b>	<b>£ 616,135</b>	<b>£ 537,502</b>	<b>£ 468,736</b>

## FEES

Motor Claims Handling	n/a	£ 9,690	£ 7,950							
Plus Tax	n/a	£ 1,938	£ 1,590							
Broker Fee	£ 36,500	£ 38,500	£ -	£ 7,250	£ 7,250	£ 7,250	£ 7,250	£ 6,000	£ 6,226	£ 8,138
Other Fees (Actuarial / Project etc)	£ -	£ -	£ -	£ 3,000	£ -	£ 4,000	£ 1,180	£ 4,583	£ 5,000	£ 5,000
Plus Tax	£ 6,388	£ 6,738	£ -	£ 1,794	£ 1,269	£ 1,969	£ 1,264	£ 1,852	£ 2,245	£ 2,628
<b>TOTAL (PREMIUMS + FEES)</b>	<b>£ 892,969</b>	<b>£ 895,806</b>	<b>£ 647,470</b>	<b>£ 443,547</b>	<b>£ 523,341</b>	<b>£ 593,808</b>	<b>£ 616,399</b>	<b>£ 628,571</b>	<b>£ 562,602</b>	<b>£ 494,042</b>

## CLAIMS PAID IN FINANCIAL YEAR

EL			£ 75,945	£ 67,495	£ 54	£ 8,477	£ 50,596	£ 40,513	£ 80,205
PL			£ 53,910	£ 73,242	£ 203,668	£ 120,476	£ 137,969	£ 117,853	£ 199,386
MV			£ 26,434	£ 42,024	£ 58,673	£ 74,381	£ 127,951	£ 65,893	£ 49,036
Property			£ 2,447	£ 17,941	£ 29,919	£ 5,083	£ 975	£ 11,273	£ 2,636
Other			£ 18	£ -	£ 2,269	£ -	£ -	£ 457	£ -
Claims Handling			£ 61,163	£ 65,938	£ 62,241	£ 105,855	£ 81,610	£ 75,361	£ 81,758

<b>TOTAL</b>	<b>£ 219,917</b>	<b>£ 266,640</b>	<b>£ 356,824</b>	<b>£ 314,272</b>	<b>£ 399,101</b>	<b>£ 311,351</b>	<b>£ 413,021</b>
<b>TOTAL COST OF RISK (PREMIUMS AND CLAIMS)</b>							
EL	£ 213,722	£ 199,085	£ 138,487	£ 146,999	£ 201,127	£ 115,088	£ 154,780
PL	£ 134,281	£ 162,201	£ 295,093	£ 208,412	£ 220,648	£ 248,175	£ 329,434
MV	£ 190,436	£ 239,860	£ 259,423	£ 299,053	£ 359,829	£ 217,893	£ 194,372
Property	£ 41,670	£ 66,987	£ 87,058	£ 70,730	£ 69,811	£ 140,420	£ 65,777
Other	£ 10,148	£ 22,876	£ 67,464	£ 61,037	£ 52,871	£ 21,491	£ 29,104
Claims Handling	£ 61,163	£ 65,938	£ 62,241	£ 105,855	£ 81,610	£ 75,361	£ 81,758
Insurance Tax	£ 20,548	£ 24,515	£ 27,647	£ 28,891	£ 29,340	£ 30,425	£ 26,532
<b>TOTAL</b>	<b>£ 671,968</b>	<b>£ 781,462</b>	<b>£ 937,413</b>	<b>£ 920,977</b>	<b>£ 1,015,236</b>	<b>£ 848,853</b>	<b>£ 881,757</b>