

P&RSB Action 65/21 – Insurance Value for Money (VFM)

Summary of insurance cover

The below table sets out a list of premiums, category excesses and levels of insurance cover, based on the twelve month insurance period commencing 1st October 2021.

<u>Policy</u>	<u>Cover</u>	<u>Premiums</u>	<u>Excess (per claim)</u>	<u>Level of cover</u>
Fidelity Guarantee	Covers direct financial losses as a result of dishonesty by employees	£35,000	£25,000	£5,000,000
Property	Covers buildings, contents computers, seized & found property and other items	£66,454	£5,000 mainly but a £500 deductible on certain items	Sum insured value for properties and varying levels when it comes to money and other items
Personal Accident & Travel	Cover whilst employees are travelling on business. Personal Accident element is financial protection to the Force.	£7,383	No excess but limits in place for maximum paid out by insurer on certain items	£15,000,000 (main limit) but numerous sub limits depending on what is being claimed
Motor	Third Party motor cover	£1,282,802	£550,000	£10,000,000
Liability	Includes Public Liability and Employers Liability	£362,500	£350,000	£35,000,000 for EL and PL
Marine	Cover in place for vessels, PWC's, trailers	£10,380	£500-£650 depending on vessel	Varies between vessels
UAS Liability (Drones)	Cover for drones and related activities	£22,279	Varies - mainly a % of the drone value	Varies between item
Medical Malpractice	Protects occupational nurses against claims	£2,700	£1,000	£5,000,000
Airside	Covers legal liability arising out of Aviation business operations	£10,125	£1,000	£100,000,000
Terrorism	Physical loss or damage caused by an act of terrorism or sabotage	£16,000	No monetary excess. Based on hours	£28,000,000 in respect of property
	Sub-total	£1,815,623		
	IPT @ 12%	£217,875		
	Total annual premium cost	£2,033,498		

Complexity of cover arrangements

As the table on the previous page demonstrates it is not straight forward to apply one excess or level of cover to an insurance category, as these fluctuate based on the type of claim involved and in some cases the specific assets related to the claim. Where such circumstances apply a note has been added to the table as otherwise the detail would be too lengthy to include within one table.

The liability policy is an example of the complexity of an insurance cover arrangement. All public liability (PL) claims will typically be subject to a £350,000 excess with a self-insurance arrangement effectively in place for costs beneath this threshold. However, an aggregated self-insured retention threshold also applies of £2.5m per annum, meaning that if total costs to the force exceed this value the insurer will then step in and pay any further remaining costs in the insurance period.

In addition, the insurer will pay a maximum value in any one insurance period for PL claims e.g. known as an indemnity ceiling. This is currently £35m. Whilst this is the maximum amount the insurer will pay out there are some specific 'sub-limits' which will also apply, with examples being those claims relating to specific professional activities or claims in respect of asbestos. It is our view that the sub-limits in place for all policies are proportionate and do not place undue risk on the PFCC, and represent good value in accordance with the current insurance market.

Summary of costs

To assess VFM it is important to understand all of the costs that feed into insurance arrangements for the force, in addition to the premiums shown on the previous page. These costs take into account the cost of third party claims as well as own-damage expenditure met by the force.

A summary of the total estimated insurance costs per annum, based on the current claims pattern continuing and indemnity ceilings not being breached, is shown in the table below.

<u>Type of cost</u>	<u>Basis</u>	<u>Value</u>
Premiums	Approximate annual value	£2,000,000
Insurance claims - PL	Based on approx. 60% element of annual budget of £1.3m	£780,000
Insurance claims - EL	Based on approx. 20% element of annual budget of £1.3m	£260,000
Insurance claims - Motor (third party only)*	Based on approx. 20% element of annual budget of £1.3m	£260,000
Own vehicle damage (no third party involved)	Estimated value based on snapshot of position as at February 2022	£200,000
Own vehicle damage (third party involved)*	Estimated value based on snapshot of position as at February 2022	£200,000
	Total annual cost	£3,700,000

* The above costs are gross. The force can typically recover an element of its motor claim costs relating to third parties and own vehicle damage where a third party is involved. Based on recent years this recovery value has averaged at approx. £200,000 per annum, meaning an estimated net value of costs per annum of £3.5m. However, the amounts recovered depend on the resources available within the Insurance team to undertake this work, which is not always possible due to conflicting work priorities meaning this value can fluctuate.

Appendix

Annual Insurance Update report (presented to P&RSB, 29th November 2021)



Insurance report
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