East Dean & Friston Parish Council

Date: 3rd May 2018

Title: Report Item 6 – Insurance

By: Cllr Kevin Godden (Lead Member for Finance)

Purpose: To report on quotations received for the renewal of the council's insurance policy (from 1st June 2018)

Introduction

1. The parish council has been insured with Zurich Municipal since June 2012. The current policy is due to expire on 31 May 2018. The council has agreed to test the market for this year's renewal by obtaining three comparative quotes.

2. There is a legal requirement to have insurance cover for certain risks including Employers Liability and Public Liability. There are other insurances where there is no legal requirement but may protect the Council against risk arising during the cover period relating to its assets and resources. Details of this additional cover is set out later in this report.

Purpose of the Report

3. The purpose of this report is to set out details of the insurance cover proposals received from the three quotes received, a comparison with the current cover and to approve the procurement of insurance cover for the 12 months commencing 1st June 2018.

Recommendations

4. Members are asked to:

   a) Approve the appointment of the Royal Sun Alliance group to provide our insurance cover for the 12 months commencing 1st June 2018 based upon their current proposal;

   b) Delegate to the Lead Member for Finance and the Chair of the Council to seek quotes, consider the value for money and where appropriate, procurement of the additional cover policies below:

      - Key person risk

- Cyber crime risk
- GPDR risk
- Business Interruption
- Increase personal cover risk to £50,000

c) Where a policy has not been procured, to verbally report back at the next meeting.

d) The total cost of all insurance cover not to exceed the budget allocated to insurances of £1,630 for this budget year.

Background

5. The Council has requested quotes from three insurance companies including the current provider Zurich Municipal. Details of the insurance providers are set out below:

   - Zurich Municipal;
   - Royal Sun Alliance; and
   - Aviva Insurance.

6. Their proposals are set out in Appendix A. The analysis and key features of the cover and premiums are set out in Appendix B and a summary of equipment covered under risk is included in Appendix C.

Proposals

7. The three proposals provide similar risk cover including:

   - Property
   - Equipment
   - Money
   - Public and Employer Liability
   - Libel and Slander
   - Fidelity Guarantee
   - Personal Accident
   - Legal Expenses
   - Business Interruption

8. There are a number of small differences between each proposal, with caps and limits on indemnities etc, and we have sought to focus on the key elements of the cover under these headings.

9. We have set out below a summary of each proposal, highlighted the overall cover and any key concerns.

Zurich Municipal

10. The same insurance provider as the current insurer. The limits on cover are similar to the current levels and appear to have been inflated. Details of the cover is shown in Appendix B.

Royal Sun Alliance

11. Similar levels of cover for the main risk areas and the current cover, however the following items are key changes:

- Money Cover covering non-negotiable money like cheques and credit card slips are not covered – although the council does not require this cover;
- Public Liability Cover is £15 million compared to the other quotes of £10 million;
- Personal Accident cover is the lowest at £20,000 capped pay-out compared to the current cover of £50,000 in total
- Officials Liability Cover is provided at £250,000 compared to £nil cover under the current arrangements, although £500,000 is offered by Aviva for this risk; and
- Limited business interruption cover is provided by the RSA (£2k loss income and £50k additional costs).

Aviva Insurance

12. The property damage risk is of a similar value to the current cover, however the equipment and other non-specific property assets (street furniture, sports and play equipment etc) is substantially high and may result in over insurance (see Appendix C for comparison).

13. All other risks are similar to the current provider, although Fidelity cover is £150,000 compared to £100,000 and personal accident cover is £100,000 compared to £20,000 with RSA and £50,000 with Zurich.

14. They also offer small levels of cover for fly tipping, clerk absence and claims preparation (for claims over £50k).

Additional Cover

15. The council's internal auditor has advised that it is worth considering two new types* of insurance cover, and we have also considered a number of other risks where cover should be considered, namely:

Table 1 – Additional Insurance Cover

Type of Cover	Explanation
Key Person*	Normally defined as being where a business insures itself against the monetary loss it would suffer if a key person (Parish Clerk) dies or is diagnosed with a specified critical illness during the length of the policy.
Cyber Crime*	Designed to protect businesses of all sizes from the impact of the theft of financial and personal data from internal and external threats (e.g. hackers).
GDPR	Cover for breaches of this regulation
Business Interruption	A form of insurance coverage that replaces business income lost or covers additional costs as a result of an event that interrupts the operations of the business, such as fire or a natural disaster.

*recommended by External Audit

Key Person

16. None of the quotes include Key Person cover. We recommend that, subject to cost, the council obtain cover for this risk and will cover the cost of a locum or any other monetary loss.

Cyber Crime

17. It may be noted that none of the companies currently provide cover on risks associated with Cyber Crime, although we are advised that these products are due to be launched in the near future.

GDPR Insurance

18. It remains unclear at this time if this risk can be covered by other insurance products including Officer Liability. Fines for non-compliance are 4% of turnover and therefore if this is the case our risk for non-compliance could be circa £2,800 per event. It is not specifically clear in the market that fines would be covered.

Business Interruption

19. RSA provide business interruption cover limited to £2k income loss and £50,000 additional costs. It may be noted that both RSA and Aviva provide Officials Liability Cover which may provide cover GDPR risk, but this will need to be clarified with our brokers. Given the nature of the council, we do not recommend this cover.

Discounts

20. It may be noted that two of the insurance companies have provided premiums for three-year cover.

21. We are advised that RSA would fix their annual premium for the next three years if the council entered into a three-year agreement with them, subject to the level of insurance claims made in Years 1 and 2.

22. We understand that Aviva Insurance would provide a 5% discount where the council enters into a three-year agreement, although at this stage it is unclear if this is every year.

Financial Implications

23. The current budgetary provision for insurances in 2018/19 is £1,630. The table below sets out the premiums quoted for the year. All quotes include Insurance Premium Tax at 12%. It excludes the £50 discount offered by Aviva.

All £	Current	Zurich	Sun Alliance	Aviva
Premium	1,551.04	1,732.78	1,048.11	994.09
Admin Fee		0	25.00	0
Budget 2018-19		-1630	-1,630	-1,630
Saving/(Cost)		102.78	- 556.89	- 635.91

24. It may be seen that the current providers costs have increased by circa £102.78 for the year whilst savings of circa £556.89 under the Sun Alliance proposal and a higher sum saved under the Aviva proposal.
25. There are a number of gaps in the recommended cover that may require additional resources covering; key personal cover, cyber crime and GPDR risk and quotes should be obtained for these separately.

Legal Implications

26. The council is legally obligated to have Employers Liability insurance cover. Other insurances are optional but recommended for the smooth running of the Administration. The requirement to procure insurance products is set out within Financial Regulations 14.1 dated June 2014.

Summary

27. A comparison of the quotes indicates that they are reasonably similar, although some level of cover is different to others.

28. Members will need to consider the need for the different types of insurance and the level of cover required. This will be reviewed again this financial year, ensuring that we are sufficiently insuring our assets and resources and that we have adequate

cover for the risks faced by the council in the future relating to changes in law, acquisitions, disposals and changes in risk profiles.

29. On balance the RSA quote appears to be the most economically advantageous price, providing similar cover to the current provider, although public liability cover is higher than the others, but the personal accident is lower than the current provider at £20,000 compared to £50,000 per annum.

30. In terms of additional cover set out in Table 1, we recommend that consideration is given to the new risks highlighted in this report, with two of them recommended by External Audit.

31. At this stage, although a changing insurance market, we would recommend that a review is undertaken in this financial year of our insurance requirements alongside new technological risks we are facing and a valuation review of the cost of replacing our key operating assets.