



## Insurance Renewal

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**Date of meeting** 9 June 2023

**Date of report** 17 May 2023

**Report by Director of Finance & Corporate Support**

### 1. Object of report

To update the Committee on the renewal of SPT's insurance policies and note the award of corresponding contracts.

### 2. Background to report

SPT is required to hold insurance by law to ensure compliance with contractual obligations and to mitigate risk. SPT has been supported by Marsh, its insurance brokers, through the renewal process. Further details on the renewal exercise are contained within section 3 below.

Members are reminded that the Partnership previously agreed the placing of insurance and acceptance of policies is delegated to officers to ensure that appropriate cover is in place at the appropriate time, with the result reported to Committee. Policy renewal date for all cover was 15 May 2023.

### 3. Overview of Insurances

#### **Property Damage, Business Interruption and Terrorism Insurance: £135m**

The property damage policy provides cover for SPT's main physical assets including all buildings, plant & machinery, tunnels and rolling stock and in addition provides a level of cover for business interruption.

The current policy is under Long Term Agreement (LTA) with QBE as lead, followed by Assic. Generali / AIG and was renewed under these terms. The renewal price was £405,988 which is an increase of £22,594 on the previous premium.

#### **Combined Liabilities: £25m (Employee Liability) and £20m (Public and Product Liability)**

The combined liabilities policy provides cover for Employee Liability and Public and Product Liability. The policy ensures that SPT has the required statutory insurance cover for employees, cover for the traveling public that utilise our services, and for third parties in general.

This policy was tendered through the CCS Dynamic Purchasing System (DPS), but unfortunately only one bid was received, which was non-compliant. In these circumstances and in accordance with Scottish Procurement Regulations, SPT is at liberty to seek provision

by means other than a formal tender and instructed Marsh to approach the market directly to secure placement. The policy was subsequently obtained from Liberty Mutual Insurance Europe SE. The policy was awarded under a two-year LTA. The renewal price was £173,600 which is an increase of £54,250 on the previous premium.

#### **Public / Product Liability 1<sup>st</sup> Excess Layer: £30m over £20m**

The public / product liability excess layer policy increases SPT's insurance cover for public / product liability by £30 million to a total of £50 million.

Marsh approached the market directly for this policy as it followed the terms of the combined liability policy, which was also due for renewal i.e. this policy could not be renewed until the Combined Liability policy was in place. Only one bid was received from Aspen (50%)/ RSA (50%) via RMP who are the incumbent provider. The renewal price was £44,800 which is a reduction of £5,600 on the previous premium.

#### **Public / Product Liability 2nd Excess Layer: £50m over £50m**

The public / product liability excess layer policy increases SPT's insurance cover for public / product liability by £50 million to a total of £100 million.

Marsh approached the market directly for this policy as it follows the terms of the combined liability policy, which was also due for renewal i.e. this policy could not be renewed until the Combined Liability policy was in place. Only one compliant bid was received from the incumbent provider AIG. The renewal price was £39,200, which is an increase of £1,960 on the previous premium.

#### **Public / Product Liability 3rd Excess Layer: £55m over £100m**

The public / product liability excess layer policy increases SPT's insurance cover for public / product liability by £55 million to a total of £155 million.

Marsh approached the market directly for this policy as it follows the terms of the combined liability policy, which was also due for renewal i.e. this policy could not be renewed until the Combined Liability policy was in place. Only one bid was received by the incumbent insurer who is QBE. The renewal price was £19,600 which is an increase of £1,680 on the previous year premium.

#### **Employers Liability Excess Layer: £25m over £25m**

The employers liability excess layer policy increases SPT's insurance cover for employers liability by £25 million to a total of £50 million.

Marsh approached the market directly for this policy as it follows the terms of the combined liability policy, which was also due for renewal i.e. this policy could not be renewed until the Combined Liability policy was in place. Only one compliant bid was received from the incumbent provider AIG. The renewal price was £4,116, which is consistent with the current premium.

#### **Directors & Officers Liability Indemnity: £5m**

The Directors and Officers policy provides personal cover to directors and officers of SPT should they be subject to claims from a third party that arise through the fulfilment of their duties.

The policy was tendered through the CCS DPS with only one compliant bid being received from the incumbent provider RSA. The renewal price was £22,400, which is an increase of £3,612 on the previous premium.

### **Professional Indemnity: £5m**

The professional indemnity insurance provides protection for liabilities arising through the alleged provision of inadequate advice or services to one of SPT's customers.

The policy was tendered through the CCS DPS with only one compliant bid being received from the incumbent provider QBE via RMP. The award was based on a 5-year LTA with a break option after year 3. The renewal price was £10,587, which is an increase of £2,520 on the previous premium.

### **Crime: £5m**

The crime policy covers SPT against wrongful acts committed by employees and fraudulent acts committed by any other person.

The policy was tendered through the CCS DPS with only one compliant bid being received from the incumbent provider QBE via RMP. The award was based on a 5-year LTA with a break option after year 3. The renewal price was £6,996, which is an increase of £122 on the previous premium.

### **Motor: Various Limits**

The Motor policy covers all SPT's fleet vehicles, and in addition provides cover for any buses that SPT have in storage and can also provide cover for SPT employees driving SPT buses if required (not for a fee paying service).

Marsh approached the current provider, QBE via RMP, for renewal terms under the current LTA, which the provider was unable to honour due to the adverse claims history and claims inflation. Marsh entered into negotiations with the incumbent and benchmarked their offer with their market data. Following review, award was made to the incumbent provider QBE via RMP. The renewal price was £23,367, which is an increase of £2,686 on the previous premium.

### **Personal Accident / Travel: Various Limits**

The Personal Accident / Travel policy primarily provides insurance cover for SPT's employees whilst they are traveling on SPT business.

The current policy is under LTA with AIG who agreed to the renewal under expiring terms. The renewal price was £2,472 which is an increase of £139 on the previous premium.

### **Computer: £1.3M**

The Computer policy covers primarily for loss, damage or breakdown to computer equipment. In addition, cover is provided for virus and hacking incidents, denial of service and increased expenditure incurred in specific situations.

The policy was tendered through the CCS DPS with only one bid being received, which unfortunately did not provide the scope of cover required and was deemed non-compliant. Marsh entered into negotiations with the incumbent insurer, RSA and secured placement. The renewal price was £3,087 which is an increase of £147 on the previous premium.

### **Engineering**

The engineering policy ensures that SPT's plant, machinery and equipment are inspected on a regular basis.

The policy was tendered through the CCS framework with only one compliant bid being received from the incumbent provider HSB via RMP. The award was based on a 5-year LTA with a break option after year 3. The renewal price was £21,277, which is an increase of £1,042 on the previous premium.

## Summary

The table below summarises the current policies costs compared to the previous year. On a global level SPT's insurance costs have increased by £81,232 to £777,489. The increased costs can be contained within the 2023/24 approved budget for insurance.

Class of Insurance	2022/23 (£)	2023/24 (£)	Variance (£)
Property Damage & Business Interruption (inc Terrorism)	383,394	405,988	-22,594
Combined Liability	119,350	173,600	-54,250
Professional Indemnity	8,067	10,587	-2,520
Fidelity Guarantee (Crime)	6,873	6,996	-122
Motor Fleet	20,681	23,367	-2,686
Personal Accident / Travel	2,333	2,472	-139
Computer	2,940	3,087	-147
Engineering Inspection	20,235	21,277	-1,042
Excess Public Liability, 1 <sup>st</sup> Layer	50,400	44,800	5,600
Excess Public Liability, 2 <sup>nd</sup> Layer (£50m over £50m)	41,160	39,200	1,960
Excess Public Liability, 3 <sup>rd</sup> Layer (£55m over £100m)	17,920	19,600	-1,680
Excess Employee Liability (£25m over £25m)	4,116	4,116	0
Directors & Officers	18,788	22,400	-3,612
<b>Total</b>	<b>696,257</b>	<b>777,489</b>	<b>-81,232</b>

## 4. Committee action

The committee is recommended to note the award of the insurance policies under delegated powers.

## 5. Consequences

Policy consequences	<i>None.</i>
Legal consequences	<i>SPT has a legal obligation to hold some of the insurance policies detailed in the report.</i>
Financial consequences	<i>The annual cost of insurance can be contained within the 2023/24 approved revenue budget.</i>
Personnel consequences	<i>None.</i>
Equalities consequences	<i>None.</i>
Risk consequences	<i>Having adequate insurance cover in place mitigates risk for SPT.</i>

Climate Change, Adaptation & Carbon consequences      *None.*

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