



Insurance Renewal

Committee Strategy & Programmes

Date of meeting 21 May 2021

Date of report 4 May 2021

Report by Assistant Chief Executive

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

SPT is required to hold insurance by law to ensure compliance with contractual obligations and to mitigate risk. This has been a challenging year for the renewal of SPT insurance's programme with issues across all risk areas, primarily due to the ongoing public health pandemic and cross sector wide legal challenges to the insurance markets response to the interpretation of public health and business disruption clauses.

Due to the current market conditions, the sourcing of SPT's policies has been carried out with the support of Marsh's (SPT's insurance broker) broking facility with direct contact with insurers. Despite the difficulties in the market and the tendering arrangements, all policies have now been renewed and are detailed in the next section.

Members are reminded that the Partnership has previously agreed that 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 is 15 May 2021.

3. Overview of Insurances

It has been necessary for Marsh to approach the market directly through their broking function to secure the policies detailed below.

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.

SPT tendered this policy in the first instance through a suitable insurance framework. However, only one bid for 50% of the cover required was received. Members are advised that it is quite normal to have full cover made up of a number of layers, but importantly 100% of cover is required.

Following the failed tender, Marsh, on instruction from SPT, approached the market directly to ascertain if 100% cover could be obtained from one provider, but was unsuccessful. The next strategy was to secure the 50% cover previously offered and build upon it with other

insurers following the terms of the lead insurer. Cover has now been secured with QBE UK Ltd (50%), Generali (25%), AIG (25%) at an overall annual cost of £356,645.91. This is an increase of £76,582.72 on the current premium costs and reflects the state of the market. The new policy has been taken out as a three-year long-term agreement to provide a degree of stability, and thus the total estimated costs over the three years is £1,069,937.73.

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 third parties in general.

Renewal arrangements are with the incumbent provider, Travelers Insurance Co under a Long-Term Agreement (LTA). The renewal price is £96,985.91 which is a saving of £31,347.01 on the current premium costs. The saving is predominantly due to the reduction in projected patronage and therefore the reduced level of risk in relation to public liability.

Public / Product Liability 1st 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, but only one bid was received from Chubb via RMP who are the incumbent provider. The renewal price is £33,600 which is a reduction of £5,600 on the current year 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, but only one valid bid for 100% cover was received from AIG who are the incumbent provider. The renewal price is £39,200, consistent with the current 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, but only one bid was received from QBE who are the incumbent provider. The renewal price is £16,240 which is a reduction of £1,680 on the current 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 £25 million.

Marsh approached the market directly, but only one bid was received from AIG who are the incumbent provider. The renewal price was £3,920, 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.

Marsh approached the market directly, but only one bid was received from Royal Sun Alliance who are the incumbent provider. The renewal price is £17,080.00, which is an increase of £8,982.40 on the current year 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 PI policy is under an LTA with the option to extend for a further two years. The incumbent provider QBE via RMP opted not to extend the LTA and put forward an increased bid, albeit a minor increase. Due to evidence from the market to support the increased premium the increased bid was accepted. The renewal price was £8,044.96 which is an increase of £272.16.

Crime: £5m

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

The Crime policy is under an LTA with the option to extend for a further two years. The incumbent provider QBE via RMP opted not to extend the LTA and put forward an increased bid, albeit a minor increase. Due to evidence from the market to support the increased premium the increased bid was accepted. The renewal price is £6,605.76, which is an increase of £224.00

Motor: Various Limits

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

Marsh approached the current provider for renewal terms and benchmarked their offer with their market data. Following review award was made to the incumbent provider QBE via RMP. The renewal price was £20,200.32, which is a reduction of £1,639.68 on the current year 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.

Two quotes were received from the market with the cheapest being from AIG the incumbent provider. The renewal price was £2,117.92, which is a reduction of £126.56. The new policy has been taken out as a three-year long-term agreement, with the option to extend for a further two years. The total estimated costs over the five years is £10,589.60.

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 increase expenditure incurred in specific situations.

Three quotes were received from the market and all for the same value. The incumbent provider RSA's policy wording provided the greatest level of cover. The renewal price is £2,800.00, which is a reduction of £341.39.

Cyber: Various Limits

The Cyber policy covers for losses relating to damage to, or loss of information from, IT systems and networks. This includes cyber incident response, cyber-crime, system damage and business interruption, network security / privacy liability, media liability, intellectual property rights infringement and court attendance costs.

Two quotes were received from the market with the cheapest being from CFC Underwriting the incumbent provider. The renewal price is £11,847.40 which is an increase of £2,692.63.

Engineering

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

The current policy is under LTA with HSB via RMP and was renewed under these terms. The renewal price is £18,251.45 which is an increase of £135.12.

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 £48,154.39 to £633,539.63. The increased costs can be contained within the 2021/22 approved budget for insurance.

Policy	Provider	2020/21	2021/22	Variance (£)
		Cost incl IPT (£)	Cost incl IPT (£)	
Property Damage and Business Interruption	QBE UK Ltd, Generali, AIG	280,063.19	356,645.91	-76,582.72
Combined Liability	Travelers Insurance Co	128,332.92	96,985.91	31,347.01
Professional Indemnity	QBE via RMP	7,772.80	8,044.96	-272.16
Crime (Fidelity Guarantee)	QBE via RMP	6,381.76	6,605.76	-224.00
Motor	QBE via RMP	21,840.00	20,200.32	1,639.68
PA & Travel	American International Group	2,244.48	2,117.92	126.56
Computer	Royal & Sun Alliance	3,141.39	2,800.00	341.39
Engineering	HSB	18,116.33	18,251.45	-135.12
Excess Public/Products Liability, 1 st	Chubb via RMP	39,200.00	33,600.00	5,600.00
Excess Public/Products Liability, 2 nd	American International Group	39,200.00	39,200.00	0.00
Excess Public/Products Liability, 3 rd	QBE UK Ltd	17,920.00	16,240.00	1,680.00
Excess Employers Liability	American International Group	3,920.00	3,920.00	0.00
Directors & Officers	Royal & Sun Alliance	8,097.60	17,080.00	-8,982.40
Cyber Liability Premium	CFC Underwriting	9,154.77	11,847.40	-2,692.63
	Total	585,385.24	633,539.63	-48,154.39

4. Conclusions

The total annual cost of the insurance policy renewals is £633,539.63, an increase of £48,154.39 compared to the previous year.

5. Committee action

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

6. 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 £633,539.63 can be contained within the 2021/22 approved revenue budget for insurance.</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>

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