Finance Committee

Date: **4 July 2018**

Item: **Insurance Programme Renewal - Update**

This paper will be considered in public

1 Summary

1.1 This paper provides an update on the tendering process for TfL's insurance broker and outlines TfL's insurance programme renewal, which was completed in June 2018.

1.2 A paper is included on Part 2 of the agenda, which contains exempt supplemental information and documentation. The information is exempt by virtue of paragraph 3 of Schedule 12A of the Local Government Act 1972 in that it contains information relating to the business and financial affairs of TfL. Any discussion of that exempt information must take place after the press and public have been excluded from this meeting.

2 Recommendation

2.1 **The Committee is asked to note the paper and the supplementary information on Part 2 of the agenda.**

3 Background

3.1 TfL buys a number of compulsory and discretionary classes of insurance, in addition to self-insuring a number of risks where it is better value for money to do so. Our overarching strategy also considers contractual obligations and potential risks and claims that may arise during the financial year relative to the price, terms and scope of purchasing insurance coverage versus self-insuring.

3.2 Compulsory casualty insurances include:

(a) Employers' Liability insurance – the Employers' Liability (Compulsory Insurance Act) 1969 requires a minimum of £5m annual insurance cover in respect of the organisation's legal liability to employees in the event of death, injury or sickness arising out of negligence or breach of statutory duty;

(b) Motor Third Party insurance – required for our fleet vehicles, Dial-a-Ride, and London Transport Museum vehicles; and

(c) Public Liability insurance – a minimum level of cover of £155m is required as a condition of our operator's licence from the Office of Rail and Road (ORR) to cover claims from third parties for death, injury or damage to property caused by negligence.

3.3 Discretionary insurances include:

(a) Property;

(b) Construction;

(c) Crime;

(d) Directors' and Officers' Liability; and

(e) Pension Trustees' Liability.

3.4 London Transport Insurance (Guernsey) Limited (LTIG) is an insurance company domiciled in Guernsey and is a wholly-owned subsidiary of TfL. It was established in 1994 for the sole purpose of enabling the purchase of insurance in a more cost-effective manner than relying solely on commercial insurers.

3.5 LTIG provides the first level of insurance cover for our Property, Casualty and Construction insurance policies above the deductibles (excess) borne by the business, with commercial insurers providing insurance thereafter and also providing protection to cap LTIG's loss should the aggregate of its losses in any given year exceed a specified amount.

3.6 TfL's insurance is renewed annually and has a three year agreement in place with a set rating structure for our main policy programmes of Property, Casualty and Construction insurance beyond the initial level of cover provided by LTIG. The remaining insurances are negotiated and renewed annually.

4 Long Term Renewal

4.1 TfL's long term insurance programme expired in 2017 and, as agreed by the Committee in March 2017, it was rolled forward for one year (to June 2018) on the same terms.

4.2 In the autumn of 2017, TfL undertook a comprehensive general insurance broker tender exercise. As a result, Marsh was appointed as TfL's broker for a period of three years from January 2018.

4.3 The Marsh appointment was predicated on a strategic review and a structured remarketing of our insurance programme, with the aim of agreeing a new programme for three years from July 2018.

4.4 The remarketing exercise for the long term renewal started in February 2018 and the insurance market has proved to be keen to participate in TfL's insurance programme. A new programme has now been agreed. It will be in place from 1 July 2018 for three years on the main lines of cover: Property, Casualty and Construction, with the remaining insurances renewed annually. While the structure of the new programme is very similar to the existing cover and has no additional retention of risk by TfL, it has delivered a cost saving in comparison to the previous programme. Additional information is included in the paper on Part 2 of the agenda.

List of appendices to this report:

A paper containing exempt supplemental information is included on Part 2 of the agenda.

List of background papers:

None.

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