

## Members' Library Service Request Form

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Originator	Karen McLeod / Sharon Saunders
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Document Title	Insurance/Broker Fee Renewals - 1 July 2019

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Additional information:

Authorised By	Sharon Saunders
Designation	Head of Communities & Partnerships
Date	03/07/19

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**REPORT TO:** Members' Library Service

**DATE:**

**BY:** Head of Communities & Partnerships

**SUBJECT:** Insurance/Broker Fee Renewals – 1 July 2019

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## 1 PURPOSE

1.1 The purpose of this report is to make Members aware of the decision for renewal of the Council's insurances for the following policies. The renewal period for the policies remains as 1<sup>st</sup> July 2019 to 30<sup>th</sup> June 2020:

- Property (Material Damage) and Business Interruption
- Travel & Personal Accident
- Contractors All Risks (CAR)
- Broker Fee

## 2 RECOMMENDATIONS

2.1 Members are asked to note the decision of the Head of Communities & Partnerships to approve the renewal for each policy on the following terms:

All insurance premiums are subject to Insurance Premium Tax (IPT) of 12%.

### Premiums for 2019/20

Type of Insurance	Insurer	Annual Premium (incl IPT)	Annual premium (excl IPT)	Excess per event	Annual aggregate
Property & Business Interruption	AIG Europe via RMP	£243,569.38	£217,472.66	£250,000	£750,000
Travel	AIG Europe via RMP	£8,836.80	£7,890.00	NONE	NONE
CAR	HSB via RMP	£9,230.75	£8,241.74	£5,000	NONE
Broker Fee	Marsh Ltd	£2,000.00	£2,000	N/A	N/A
Fidelity Insurance*	AIG Europe via RMP	£14,750.40	£13,170.00	£10,000	£5,000,000

\*Premium is not shown in the attached Broker report as a result of terms being delayed. A revised report will be issued and submitted in due course

- 2.2 The following table shows the premiums paid for 2018/19 (incl IPT) and relative change in Premium costs for 2019/20. There has been no change to providers in any type of insurance:

Type of Insurance	Annual Premium 2019/20 (incl IPT)	Annual Premium 2018/19 (incl IPT)	Change in Premium
Property & Business Interruption	£243,569.38	£232,951.76	INCREASE OF £10,617.62
Travel	£8,836.80	£6,360.48	INCREASE OF £2,476.32
CAR	£9,230.75	£461.25*	*Deposit only premium paid for 18/19
Broker Fees	£2,000.00	£2,000.00	UNCHANGED
Fidelity Insurance	£14750.40	£13,823.00	£927.40

- 2.3 The **Property/Material Damage and Business Interruption** premium is divided as follows:

Property Material Damage is provided to cover damage caused by Flood/Fire/Storm: £197,809.86 (excluding IPT)

Business Interruption cover is provided for increased cost of working following an insured occurrence: £19,662.81 (excluding IPT)

- 2.4 Premiums have increased owing to addition of new housing stock/refurbishments and general increase to reinstatement values and business interruption costs for all property insured. The premium rate charged by the insurer has remained the same since last year. There have been no significant claims in the past renewal year, in particular, there has been no fire damage claims to any of our properties.

- 2.5 **Travel Insurance & Personal Accident:** There has been an increase in the number of travellers for both UK and foreign travel trips since the previous year resulting in a higher premium. In addition, cover for participants of Duke of Edinburgh Scheme trips has been added to the policy. There has been an increase in claims paid in the last twelve months, mainly for school trips. Our five year loss ratio is 389% mainly as a result of one high value claim. Our three year loss ratio is 55% which has resulted in the rates remaining the same. Claims are paid by the insurer and have no impact on the insurance fund.

- 2.6 **Contractors All Risk Insurance (CAR):** this brings together two elements of cover that are needed for works carried out to existing structures. The policy covers damage to buildings and property and liability for third party claims during the works. This aims to safeguard both the contractor and Council against financial loss should a claim be made. This policy relates to refurbishment and extensions to existing properties. It also covers ongoing upgrades such as central heating and roofing works which are carried out by contractors. The goal of using a CAR insurance policy is to ensure that all parties are covered on a project, regardless of the type of damage to the property or who caused the damage.

- 2.7 Alternative quotations have been provided for different contract periods, however, no current contract exceeds 14 months (60 weeks). It is recommended that the maximum Contract Period of 60 weeks in respect of any single contract is selected.

- 2.8 The premium will be adjusted at the end of each period of insurance to reflect the declared turnover subject to a 75% minimum premium retention. The premium is based on the projected turnover of GBP £18,000,000 of contracts between 1<sup>st</sup> July 2019 and 20<sup>th</sup> June 2020 for which the Council is required to arrange insurance. Adjustments to the premium are made throughout the year as and when new works commence or framework agreements put in place. This

ensures that the Council is only paying for cover required depending on the contract amounts/term. Difficulties in the past with notification of new contracts to Insurance & Risk have now been resolved. No claims have been declared.

- 2.10 **Broker Services:** in addition to the above premiums, an annual fee of £2,000 is payable to Marsh UK limited for Broker services. The Council is provided with assistance in relation to complex insurance issues. The fee charged has remained the same as the 2018/19 fee.
- 2.11 **Fidelity Insurance:** Premium increase due to wage roll increase.
- 2.12 The total of the premiums/fees payable for renewals due 1<sup>st</sup> July 2019 is £278, 387.33 inclusive of IPT.

### **3 BACKGROUND**

East Lothian Council currently has in place a number of insurance policies for major perils. Policies are tendered every three to five years and are renewed annually. The Council self fund's almost all property or liability losses with insurance cover only for critical losses. The bulk of the losses are met from the Council's insurance fund, the cost of which shall be apportioned to departments by exposure (value of assets, number of employees, budget etc) and weighted according to claims experience (number X value). All insurance premiums, consultancy fees, administration costs, statutory inspections, negotiation and payment of claims and payment of legal expenses are paid from the fund.

### **4 POLICY IMPLICATIONS**

External Insurance is designed to protect the financial well-being of the Council in the case of unexpected loss, whilst achieving an appropriate balance between the cost of premiums and the risk the Council takes on under an insurance policy. Good risk management can help reduce reliance on external insurance so that cover is only required for major or catastrophic events. Insurance & Claims within Protective Services will hold regular meetings with Risk Management and Health & Safety Officers and will provide management information throughout East Lothian Council to identify the highest risks and costs of claims.

The Insurance Act 2015 Act came into force in August 2016, it has significantly impacted disclosure obligations when taking out or renewing any business insurance. Under the new Act, if the Council does not comply with its duties, insurers will have a new range of "proportionate remedies", which could include reducing claim payments significantly if it would have entered the contract on different terms such as a higher premium. If the breach was deliberate or reckless, the insurer can avoid the contract and keep the premiums paid by the insured. The Council will have to disclose information known by senior management and by the individuals responsible for arranging the Council's insurance to its insurers in a "reasonably clear and accessible" manner.

The Council will have to carry out a reasonable search for information, which could include making enquiries of people outside our organisation, such as external consultants.

## 5 INTEGRATED IMPACT ASSESSMENT

The subject of this report does not affect the wellbeing of the community or have a significant impact on equality, the environment or economy

## 6 RESOURCE IMPLICATIONS

6.1 Financial – As stated in the report. Cost of insurance premiums is already budgeted with an inflationary increase being applied each year for future premiums. Tenders will be sought in 2020 for the insurance covers within this document to ensure best value.

6.2 Personnel – No change to existing personnel.

6.3 Other – None known at this time.

## 7 BACKGROUND PAPERS

### 7.1 Marsh Broker Renewal Report

<b>AUTHORS' NAME, DESIGNATION &amp; CONTACT INFO</b>	Karen McLeod, Insurance & Risk Officer, Protective Services Tel. 01620 827876 Email: <a href="mailto:kmcleod2@eastlothian.gov.uk">kmcleod2@eastlothian.gov.uk</a>
<b>DATE</b>	30 June 2019

# EAST LOTHIAN COUNCIL – UPDATED



## **2019 RENEWAL REPORT (JULY POLICIES)**

JUNE 2019

## CONTENTS

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A Placement Authorisation Form has been appended to this report to facilitate the provision to us of your renewal instructions.

### **IMPORTANT INFORMATION**

As previously advised, please remember that as an insured, you must act at all times with utmost good faith towards your insurers and Marsh and you must disclose to the insurer all information, facts or circumstances which are, or ought to be known to you and which are material to the risk. If you have any doubt whether information is a material circumstance, please call us to discuss.

# EXECUTIVE SUMMARY

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Our aim is to provide you with the insurance protection that you require; delivered by a team who are committed to delivering excellent service to you.

The purpose of this report is to detail the results of our renewal negotiations which are based on the information provided by you, together with the claims experience secured from insurers. In designing your insurance programme we have utilised our knowledge of your business which we have established since our appointment and verified with you during our pre-renewal discussion.

In respect of Contractors All Risks Renewal is invited within the terms of the LTA and the premium is based on the estimated total contract value provided of £18,314,983 and the current maximum contract period of 14 months.

Alternative quotations have been put forward for maximum contract periods of 15 and 18 months.

For the remaining policies, we are pleased to confirm that existing Long Term Agreements have been honoured with any increases in premiums therefore resulting from increased exposures and/or allowed index linking.



Your Renewal Objectives	Outcome
<b>Programme Design:</b>	
No alterations were required to the current insurance programme structure.	Renewal terms obtained from current insurers.
Alternative programme structure options to be secured for Contract Works.	
<b>Cover and Marketing Requirements:</b>	
Contract Works to be renewed with existing insurer with the contract term specified by you.	Renewal terms obtained from current insurers
Fidelity Guarantee to be renewed with existing insurer, pending confirmation as how you wish to proceed with regard the outstanding claim	Renewal terms obtained from current insurers
PA/Travel to be renewed with the respective current insurer with the cover basis remaining unaltered.	Renewal terms obtained from current insurers
Property cover to be renewed with the respective current insurer with the cover basis remaining unaltered	Renewal terms obtained from current insurers
<b>Marsh Service and Remuneration:</b>	
Marsh service provision to remain unaltered.	Marsh Service to remain on existing basis.
Remuneration of Marsh is to continue to be by way of an agreed fee.	Fee as agreed in Letter of Engagement
Remuneration of Marsh is to continue to be by way of a fee in accordance with the current fee agreement.	Covers placed under the CCS Insurance Services Framework incur a management surcharge of 0.75% which is paid annually to the CCS by insurers by insurers from premiums charged.

# FINANCIAL SUMMARY

## Premium Summary – GBP

Policy	2018		2019 Recommendations		Comments
Policy Name	Insurer	Renewal Premium excl. tax	Insurer	Premium excl. tax	
Contract Works	HSB via RMP	4,369.91	HSB via RMP	<input type="checkbox"/> Maximum contract period 14 months 8,241.74	
Fidelity Guarantee	QBE via RMP	12,342.00	QBE via RMP	13,170.00	
PA/Travel	AIG via RMP	5,679.00	AIG via RMP	7,890.00	
Property	AIG via RMP	207,992.64	AIG via RMP	217,472.66	
<b>Total</b>		<b>231,383.55</b>		<b>246,774.40</b>	

### Important Notes:

- UK Insurance Premium Tax (IPT) @ 12% applies to all classes of insurance.

### Premium Payment

Our terms of trade are that all premiums and fees are due for payment upon receipt of our invoice.

# RENEWAL PROPOSITION

## Contract Works

### Current

Insurer(s)	HSB via RMP
Policy Number	G7S145772
Renewal Date	1 <sup>st</sup> July 2019
2018 Renewal Premium – GBP (excl. tax)	4,369.91

### Recommended

Insurer(s)	HSB via RMP
Policy Number	0006421297
2019 Renewal Premium – (excl. tax)	<input type="checkbox"/> Maximum contract period 14 months 8,241.74

## Key Estimates / Sums Insured

Item	2019 –GBP
Description of contracts	
Contract works undertaken by you for building refurbishment alteration additional maintenance and repair work where it is the responsibility of the Council to provide insurance	
Contract Works including	5,000,000
Maintenance Cover	
Completed houses pending sale	
Professional fees	
European Union and local authorities legislation	
Estimated contract turnover	18,314,893
Contract Limits	
Maximum contract price	5,000,000

Item	2019 –GBP
Maximum contract period	14 months
<b>Excess</b>	
Each occurrence	5,000

## Renewal Terms

Renewal is invited within the terms of the LTA and the premium is based on the estimated total contract value provided of £18,314,983 and the current maximum contract period of 14 months.

## Conditions

### Endorsement number

CIA-0001  
CST-0012  
MAN-0001  
MAN-0002

### Endorsement title

Condition - Fire joint code of practice (annual projects)  
Condition - Timber framed structures  
Definition - Terms or Framework Agreements  
Extension - Concealed Damage

## Onerous Clauses and Claims Notification Requirements

Claims notification:-

It is a condition precedent of your policy that as soon as you know about any incident or circumstance that may result in a claim that you tell the person who arranged your policy (or us), providing full details, as soon after the incident or circumstance as possible and within 14 days if as a result of riot, civil commotion, strike, locked-out workers or people taking part in labour disturbances.

As soon as you know about any incident or circumstance that may result in a claim you must also:

- take all reasonable steps and precautions to prevent further damage to insured property, or other loss covered by your policy;
- immediately tell the police about any damage to insured property relating to crime and get a crime reference number;
- keep any damaged insured property and other evidence and allow us to inspect it; and
- give us details of any other insurances you may have which may cover damage to insured property or other loss insured by this policy.

In addition, for any incident or circumstance that may result in a claim you must:

- immediately send us every letter, writ, summons or other document you receive in connection with the claim;
- co-operate with us fully and provide all the information we need to investigate your claim;
- tell us if lost or stolen insured property is recovered or if you recover money from a third party (you may need to give the insured property or money to us); and
- not admit responsibility or liability, or agree to pay any money on our behalf without our written permission.

**Renewal Recommended with HSB via RMP – Premium**

**Maximum contract period 14 months GBP 8,241.74**

Marsh have utilised Risk Management Partners to place this policy, as we can only access the recommended market via this route. Alternative options may be available, however generally these are via insurers who are not approved by Marsh. Information regarding the options available can be discussed.

The policy wording that will be used by HSB will be their CIA-SCH/1.0 wording and a copy of this is attached for reference. The policy number going forward will be 0006421297.

Below is a summary of the differences between the policies which you will see does not affect the cover provided.

<b>Feature</b>	<b>Old policy</b>	<b>New policy</b>
Limits, extra cover limits and endorsements	Shown within the policy document	Now shown within the policy schedule
Period of cover	Midday to midday	Midnight to midnight
Condition precedent	Not included	Now included to identify important conditions
'Claims notification and requirements'	Special condition	Renamed 'Reporting a claim' and now a condition precedent
'Hiring conditions' when hiring out insured plant	Special condition	Now a condition precedent
'Fraud' and 'Misrepresentation' conditions	Included in general conditions	Conditions deleted and replaced with 'Fair presentation'
'Observance'	Included in general conditions	Removed from general conditions
'Date recognition losses'	Included in general exclusions	Removed from general exclusions
Cover for the insured property left unattended overnight or at weekends	Conditional upon immobilisation and/or being secured within a locked building or compound	Condition removed

## Fidelity Guarantee

### Current

Insurer(s)	QBE via RMP
Policy Number	037805/01/2016/0073
Renewal Date	1 <sup>st</sup> July 2019
2018 Renewal Premium – GBP (excl. tax)	12,342.00

### Recommended

Insurer(s)	QBE via RMP
Policy Number	To Follow
2019 Renewal Premium – GBP (excl. tax)	13,170.00

There is a slight increase from the expiring premium to reflect the increase in wagheroll..

### Onerous Clauses and Claims Notification Requirements

It is a condition precedent to the liability of the **insurer** that the **insured** shall at all times comply with the following conditions.

6.1.1 The statutory accounts are independently audited and any recommendations implemented within an agreed timeframe.

6.1.2 Stock is independently checked, (at least once every six months) by an **employee** not responsible for daily stock handling or ordering.

6.1.3 The verification and authentication of all invoices are undertaken by separate **employees** and full supporting documentation is provided.

6.1.4 Part-time and temporary **employees** and students gaining work experience with the **insured** are under the direct control and supervision of the **insured**.

6.1.5 Cheque requisition/payment instructions and payment authorisation are segregated functions undertaken by separate people.

6.1.6 There is independent verification of supporting documentation before cheque or payment instructions are authorised.

6.1.7 Two authorised **employee** signatures are required on all cheque and payment instructions exceeding GBP5,000 in value.

**6.1.8** Cash in hand and petty cash shall be checked independently of the **employee** responsible at least monthly.

6.1.9 Independent monthly reconciliations are performed on all bank accounts and debtors accounts by persons not responsible for the day to facilitation of such accounts.

6.1.10 Update and amendment access to the **insured's** computer system is controlled by passwords and the system enforces password changes at least once every two months.

6.1.11 The **insured** shall obtain written and/or verbal references covering the whole of the preceding two years of employment in confirmation of honesty of all **employees** with responsibility for **money** and/or property engaged on or after the first inception date of the policy. Such references shall be obtained independently of the **employee** and retained on the **employee's** personnel file.

6.1.12 The written authorisation of two officers is required on all purchase contracts for goods or services and is supported by full supporting documentation.

6.1.13 Authorising and amendment to funds transfer instructions is subject to a full segregation procedure so that no one **employee** is responsible for the funds transfer transaction from commencement to completion.

6.1.14 Dual control is exercised by **employees** to verify and authenticate all transactions involving welfare or benefits, Housing Benefits or Council Tax payments

The **insurer** shall only be entitled to rely on any condition precedent(s) referred to above in respect of any **loss** where such **loss** or any part of such **loss** arises out of, is based upon or attributable to any failure by the **insured** to comply with such condition precedent(s).



## PA/Travel

### Current

Insurer(s)	AIG via RMP
Policy Number	0010607299
Renewal Date	1 <sup>st</sup> July 2019
2018 Renewal Premium – GBP (excl. tax)	5,679.00

### Recommended

Insurer(s)	AIG via RMP
Policy Number	0010607299
2019 Renewal Premium –GBP (excl. tax)	7,890.00

## Key Estimates / Sums Insured

Terms are based on:-

Insured Person	Operative Time	1. Death	2. Loss of sight in one eye or loss of one limb	3a. Loss of sight in both eyes or loss of two or more limbs, or loss of sight in one eye and loss of one limb	3b. Loss of speech	3c (i). Loss of hearing in both ears	3c (ii). Loss of hearing in one ear	4a. Permanent Total Disablement	4b. Permanent Partial Disablement	5. Temporary Total Disablement
Chief Operating Officers of the Insured	OP2 - All Occupational Related Covers	5 x annual salary	5 x annual salary	5 x annual salary	5 x annual salary	5 x annual salary	25% of 3c(i)	5 x annual salary	Yes	
Elected Members of the Insured	NSOT02 - Non-employees	GBP 150,000	GBP 150,000	GBP 150,000	GBP 150,000	GBP 150,000	25% of 3c(i)	GBP 150,000	Yes	£250 pw Deferment period 1 week. Max 104 weeks

Insured Person	Operative Time	1. Death	2. Loss of sight in one eye or loss of one limb	3a. Loss of sight in both eyes or loss of two or more limbs, or loss of sight in one eye and loss of one limb	3b. Loss of speech	3c (i). Loss of hearing in both ears	3c (ii). Loss of hearing in one ear	4a. Permanent Total Disablement	4b. Permanent Partial Disablement	5. Temporary Total Disablement
Directors, Elected Members and Employees of the Insured and their accompanying Spouse/ Partner and/or Children	OT1 - Business Travel	GBP 25,000	GBP 25,000	GBP 25,000	GBP 25,000	GBP 25,000	25% of 3c(ii)	GBP 25,000	Yes	Nil
Any Organiser, Participant or Member travelling with the agreement of the Insured on an Educational Trip	NSOT22 - Travel - education establishments	GBP 25,000	GBP 25,000	GBP 25,000	GBP 25,000	GBP 25,000	25% of 3c(i)	GBP 25,000	Yes	Nil
Participants and Assessors travelling on behalf of the Duke of Edinburgh Award Scheme	OT1 – Business Travel	GBP 25,000	GBP 25,000	GBP 25,000	GBP 25,000	GBP 25,000	25% of 3c(i)	GBP 25,000	Yes	Nil

## Long Term Agreement

To 2020

## Renewal Terms

Terms are provided on the expiring rating and the increase in premium is as a result of the inclusion of the new category of insured persons (Duke of Edinburgh trips).

A snapshot of the claims experience is outlined below for your attention. The high value medical claim in the 2014 year drives a five year loss ratio of 389%. However, given that the 3 year ratio is sitting at 55% LTA rates have been honoured.

**Policy Number** 0010607299  
**Name Insured** EAST LOTHIAN COUNCIL  
**Renewal Date:** 01/07/2019  
**Print Date:** 22/05/2019



Policy Year	Total No. Claims	Amount Paid(£)	Claims Outstanding(£)	Total(£)
01/07/2018 - 30/06/2019	2	£2,749.00	£0.00	£2,749.00
31/07/2017 - 30/06/2018	6	£5,104.54	£0.00	£5,104.54
01/07/2016 - 30/07/2017	6	£3,135.02	£0.00	£3,135.02
01/07/2015 - 30/06/2016	6	£3,207.43	£0.00	£3,207.43
01/07/2014 - 30/06/2015	4	£157,048.36	£0.00	£157,048.36

### Details of Claims over £1,000

Policy Year	Description of claim	Amount Paid (£)	Outstanding(£)	Total(£)
01/07/2018	CANCELLATION	£1,924.00	£0.00	£1,924.00
31/07/2017	MISSED DEPARTURE	£3,601.75	£0.00	£3,601.75
01/07/2016	APC MEDICAL EXP - Bite-Spider	£1,066.55	£0.00	£1,066.55
01/07/2016	APC MEDICAL EXP - Pain-Lower Extremi	£1,372.11	£0.00	£1,372.11
01/07/2015	APC MEDICAL EXP - Trauma-Lower Extre	£2,105.02	£0.00	£2,105.02
01/07/2014	MEDICAL EXP	£156,551.36	£0.00	£156,551.36

Terms are provided on the basis that :-

- The Insured does not own, lease or operate any aircraft
- There is no offshore exposure
- There is no use of helicopters or non-standard aircraft
- You do not intend to travel to Afghanistan, Chechnya, Iraq, North Korea, or Somalia.

In the event that the Council is involved in any of the above activities please provide full details to allow us to discuss with underwriters.

Please note that AIG's name has changed to allow trading post-Brexit and documents will be issued showing American International Group UK Ltd. For sake of ease, however, we have shown this is AIG within this document.

## Subjectivities

None

## Onerous Clauses and Claims Notification Requirements

Claims to be reported without delay to insurers via helpline.

**Renewal Recommended with AIG via RMP – Premium GBP7,890.00**

Marsh have utilised Risk Management Partners to place this policy, as we can only access the recommended market via this route. Alternative options may be available, however generally these are via insurers who are not approved by Marsh. Information regarding the options available can be discussed.

The policy wording that will be used by AIG will be their Lifeline Plus wording. The policy wording remains unaltered as 0010607299.

## Property (excluding Terrorism) Policy

### Current

Insurer(s)	AIG via RMP
Policy Number	42702610
Renewal Date	1 <sup>st</sup> July 2019
2018 Renewal Premium – GBP (excl. tax)	207,992.64

### Recommended

Insurer(s)	AIG via RMP
Policy Number	42702610
2019 Renewal Premium – GBP (excl. tax)	217,472.66

## Key Estimates / Sums Insured

### Material Damage

Item Description	2018 Sum Insured GBP	Insured Perils GBP	Deductible GBP	Aggregate GBP
Operational Housing Properties – Buildings	593,989,293 (516,512,429)	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000
Operational Housing Properties – contents of care homes, refuges and young person's accommodation	2,274,393 (1,977,733)	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000
Operational General Properties – buildings and contents	203,210,831 (176,705,070)	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000
Operational Industrial Properties	40,776,610 (35,457,922)	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000

Item Description	2018 Sum Insured GBP	Insured Perils GBP	Deductible GBP	Aggregate GBP
Non Operational Industrial Properties	202,839,424 (176,382,108)	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000
Operational Residential Care buildings and contents	44,915,395 (39,056,865)	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000
Non Operational General Properties = buildings and contents	164,526,685 (143,066,683)	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000
Operational Education Properties	301,585,238 (262,248,033)	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000
Non Operational Education Properties	8,158,681 (7,094,505)	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000
The Savio Building	2,461,427 (2,140,371)	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000
Operational other	1,447,653 (1,258,829)	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000
PPP operational	2,461,427 (2,140,371)	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000
St Josephs School Debris Removal only	472,500	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000
Modular Units/Contents	1,832,562 (1,593,532)	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	250,000	750,000

*Inner Limits as outlined in Schedule*

A GBP 750,000 aggregate is to apply to (Material Damage / Business Interruption only) with respect to all property reducing to non-ranking deductible once the aggregate is breached. A non-ranking deductible is to apply each and every occurrence

**Business Interruption**

Description	Sum Insured GBP	Insured Perils Applicable	Deductible
Revenue for museums, halls and libraries	488,014	1, 2, 3, 4, 5, 6, 10, 11, 12	24 Months
Rent Receivable	2,831,644	1, 2, 3, 4, 5, 6, 10, 11, 12	24 Months
Increased Cost of Working - general	23,167,757 any one occurrence and in the aggregate	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	24 Months
Increased Cost of Working – education	30,666,302 any one occurrence and in the aggregate	1, 2, 3, 4, 5, 6, 10, 11, 12, 13	24 Months

**Money**

Money		
(a)	Negotiable Money,	
(1)	in the Premises outside business hours or not Attended	
	(i) not contained in a locked safe or strongroom	£500
	(ii) in a locked safe of strongroom as detailed below	
	Address Safe/Strongroom	
	Musselburgh Racetrack Phoenix Keyles Combination	£80,000
	(iii) in any other locked safe or strongroom	£10,000
(2)	in the homes of the Insured or any director, partner or authorised employee	Nil
(3)	in the Premises during Business Hours and Attended	£80,000
(4)	whilst in transit	£80,000
(5)	uncrossed cheques in transit by standard post	
	(a) any one cheque	£1,000
	(b) any one Period of Insurance	£10,000
(6)	in a bank's night safe until such time as the bank accepts responsibility for such money	£80,000
(b)	Non-negotiable Money	£500,000
(1)	crossed cheques in transit by standard post	
	(a) any one cheque	£25,000
	(b) any one Period of Insurance	£250,000
(c)	safes or strongrooms which usually contain Money caused by theft or attempt theft	) Cost of repair ) or
(d)	bags or other containers used for the carrying of Money	) replacement
(e)	clothing and personal effects of the Insured or any director, partner or employee of the insured	£500
Negotiable Money carryings proviso		Range
(a)	1 able bodied adult	up to £2,500
(b)	2 able bodied adults	between £2,501 and £8,000
(c)	3 able bodied adults	between £8,001 and £12,500
(d)	by a security company which conforms to BS7872	over £12,500



Money & Robbery – Personal Accident Benefits		
Benefits		Amount
(a)	death	£10,000
(b)	total and irrecoverable loss of sight in one or both eyes	£10,000
(c)	loss by physical severance or permanent and total loss of use of one or both hands or feet	£10,000
(d)	permanent total disablement from usual occupation	£10,000
(e)	temporary total disablement from usual occupation for a maximum of 104 weeks not necessarily consecutive	£100 per week
Motor Vehicles Own Premises Only		NOT COVERED
Professional Fees		£500,000
Temporary Removal		
part (a) cleaning, renovation or repair		£25,000
part (b) deeds and other documents		£25,000
Theft - Damage to buildings		£25,000
Trace and Access - Buildings		£10,000
Upgrade to Green		25% of the total cost of reinstatement or £300,000 whichever is the less

## Long Term Agreement

To 2020

## Renewal Terms

Terms are provided on the expiring rating and the premium increase reflects the increase in sums insured.

**The current policy schedule includes an item in respect of the Savio Building with a declared value of £2,360,579. “Full” cover applies on this one building which is part of the former St Joseph’s School complex, rather than the demolition costs only basis which applies to the remainder of the location.**

**Renewal terms have been provided including the Savio Building – if this is no longer required please let me know. Please note that cover under the BI section is based on the expiring limits.**

The offered quote may be withdrawn and/or re-offered if there is an adverse change in

- Reinsurance terms, conditions and rating
- Claims experience

## Conditions

Terms are subject to the following conditions:-

- Satisfactory AIG survey(s) of the premises and subsequent compliance with any identified risk improvements within the stipulated timeframes
- Confirmed 5 years claims experience and no additional claims not yet reported
- Year Agreement - 3 + 2 Year Guarantee Rate

## Note

Insurers have advised that the following nature of projects should ideally be presented to AIG for review/input at the earliest possible stage before commencement of work:-

- New construction exceeding 1,000 m2,
- Roof replacements exceeding 2,000 m2,
- Sprinkler installations impacting more than 20 sprinklers
- Hazardous equipment installations (e.g. equipment with flammable or explosive environments, etc)

## Onerous Clauses and Claims Notification Requirements

Property

- Unoccupied Properties

Money

- Escort Warranty

Claims to be reported without delay in line with arrangements with Gallagher Bassett.

**Renewal Recommended with AIG via RMP– Premium GBP 217,472.66**

Marsh have utilised Risk Management Partners to place this policy, as we can only access the recommended market via this route. Alternative options may be available, however generally these are via insurers who are not approved by Marsh. Information regarding the options available can be discussed.

The policy wording that will be used by AIG will be their PA – MDBI001V8 wording with policy number 42702610 being unchanged. The only change to the V7 version of the wording previously applying relates to change of name from AIG Europe Ltd to American International Group UK Limited.

# MARSH SERVICE / REMUNERATION

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Our goal is to provide a level of service to you that assures your satisfaction. In our pre-renewal pack issued to you on 13<sup>th</sup> February 2019 we provided a copy of our 'Terms of Engagement' which details the basis on which we provide our services to you, together with a copy of our 'Duty of Disclosure and Fair Presentation' and our 'Important Information for Marsh Clients' documents, which set out a number of your obligations.

In Appendix 1, we have provided you with a Letter of Engagement which documents the services that you will receive from us together with the basis on which we will be remunerated. We believe that the Schedule of Services details the services previously discussed and agreed with you and it is on this basis that our remuneration requirements have been based. This document should be read in conjunction with our 'Terms of Engagement' referenced above.

As part of our commitment to transparency, we require your written renewal / placement instructions. To assist you, we have provided you with a Placement Authorisation Form in the appendices, which summarises our recommended renewal premiums and re-confirms our remuneration, which you may wish to utilise for the provision of your instructions. Alternatively, you can email us with your instructions.

We propose that we will continue to be remunerated by way of a fee. For the forthcoming period our fee will be GBP £2000.00.

In addition, Marsh receives 'UK Brokerage' on all UK based risk placements, which is retained by Marsh; the rate applicable for each policy is detailed within the Placement Authorisation Form.

# APPENDIX 1: LETTER OF ENGAGEMENT / SCHEDULE OF SERVICES

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29<sup>th</sup> May 2019

Karen McLeod  
Insurance & Claims Officer  
East Lothian Council  
John Muir House  
Haddington  
East Lothian  
EH41 3HA

Dear Karen

## **Engagement with Marsh Ltd**

This letter (the “Letter of Engagement”), together with the terms of engagement provided to you in the pre-renewal pack sent to you on 13<sup>th</sup> February 2019 (the “Terms of Engagement”) represent the agreement between us and you (the “Engagement”), under which we agree to supply the Services set out below. In the event of any difference between the Terms of Engagement and this Letter of Engagement, the relevant part of this Letter of Engagement shall take precedence.

### **1. Services**

We will provide you with the services set out in the attached Schedule of Services (the “Services”). Additional services may be available subject to the negotiation of separate payment (the “Additional Services”). The provision of Additional Services will be subject to the Terms of Engagement. Please speak to your usual Marsh contact for details of such Additional Services.

### **2. How we are paid by you**

2.1 You agree to pay us a fee for the Services. The fee shall be GBP 2000.00 and shall apply to the following period:

From: 01<sup>st</sup> July 2019  
To: 30<sup>th</sup> June 2020

2.2 In addition to the above fee, we are paid UK Brokerage from the insurer(s). UK Brokerage is set at 3.5% of the relevant premium. Any arrangements we have with you for the rebating of commission or brokerage will not apply to UK Brokerage.

2.3 Where a risk is placed under certain facilities where Marsh has developed and negotiated enhanced benefits for clients, we are paid a commission which is in addition to UK Brokerage. If this applies to any risks we place on your behalf this will be disclosed to you prior to the binding of the placement. Any arrangements we have with you for the rebating of commission or brokerage will not apply to this commission.

2.4 The placement of your insurance may involve the use of a Placement Plus facility under which services are provided to insurers by Marsh Portfolio Solutions, a specialist business unit within Marsh. These services include creating systems and processes to allow insurers to be more efficient when communicating their appetites for our clients' risks; providing technical support during facility development together with the ongoing maintenance of the facility, and the provision of analytical reports and management information in relation to the performance of the facilities.

By providing these services Marsh is better placed to drive insurer competition and create additional value for our clients. The fees we earn for these services are not specific to individual clients' policies.

2.5 We will review our payment arrangements annually and agree with you, in advance of any renewal of your insurance policies, the amount or basis on which we will be paid for the following year.

### **3. Period and Termination**

3.1 Our engagement shall commence on 01<sup>st</sup> July 2019 and shall continue thereafter unless terminated in accordance with the Terms of Engagement.

3.2 Our obligations and the obligations of our affiliates (as defined in the Terms of Engagement) to provide the Services to you will cease upon the effective date of termination, unless otherwise agreed in writing.

#### **4. Authorisation**

We shall be authorised to represent and assist you in all discussions and transactions with insurers relating to the Services, provided that we shall not place any insurance on your behalf unless so authorised by you in writing.

#### **5. Limit of our Liability**

We would specifically draw your attention to clause 7 of the Terms of Engagement (“Limit of our Liability”) which states that our liability in respect of this Engagement shall be capped at the amount specified in clause 7.1 of those Terms of Engagement.

#### **6. Data Privacy**

- 6.1 We are data controller of any personal data (as defined in clause 8 of the attached Terms of Engagement) you provide to us or which is processed in connection with the Services. When you provide such personal data to us, you will also be acting as data controller and we both warrant that we will comply with the provisions of the applicable UK, EU and any other data protection laws including General Data Protection Regulation (Regulation EU 2016/679) and any other applicable data protection laws, applicable to the Services.
- 6.2 To provide the Services, we will collect and use personal data about individuals such as name and contact details and we may also process special categories of personal data (e.g. about health) and information relating to criminal convictions and offences for the purposes of arranging insurance cover, handling claims and for crime prevention. Providing the Services may involve the disclosure of any personal data you provide to us to third parties such as insurers, reinsurers, loss adjusters, sub-contractors, our affiliates and to certain regulatory bodies.
- 6.3 In some circumstances, we (and other insurance market participants) may need to collect and use special categories of personal data (e.g. health information) and/or information relating to criminal convictions and offences. Generally, we are able to do this because it is necessary for the insurance activities that we undertake or for fraud prevention purposes.
- 6.4 Where you are providing us with personal data about an individual, you agree to notify them of our use of their personal data and, if requested by us, obtain their consent to our uses of their special categories of personal data such as health information and information relating to criminal convictions and offences (e.g. by requiring the individual to sign a consent form).
- 6.5 For more information about our use of the personal data you provide us with, we draw your attention to the data protection clause 8 of the attached Terms of Engagement and the Marsh Privacy Notice available at <https://www.marsh.com/uk/privacy-notice.html>.

Please sign the attached Placement Authorisation Form and return it to us to confirm your acceptance of the terms of the Engagement. Once we have commenced work forming part of the Services we shall be deemed to have your implied acceptance of the terms of this Engagement.

Yours sincerely

Geraint Jones  
**(Client Executive)**

Signed for and on behalf of Signature.....

Name

Position: .....

Date.....



## Schedule of Services

The Services detailed below apply in respect of the following policies:

Policy Schedule	
<b>Renewal Date 1<sup>st</sup> July 2019</b>	
Contract Works	Fidelity Guarantee
Personal Accident/Travel	Property
<b>Renewal date 1<sup>st</sup> October 2019</b>	
Casualty	Professional Indemnity
Officials Indemnity	Motor
Engineering Inspection	Engineering Insurance

## Renewal Process

### Define

Review and discuss your insurance programme design.

Provide you with a renewal questionnaire and any specialist proposal forms to enable you to review and update your risk data.

Review your claims history.

Agree with you a renewal strategy.

### Design

Prepare and submit presentations to insurers.

Review premium payment terms and discuss premium finance options.

Facilitate meetings with insurers where this is considered beneficial to you.

Obtain quotations from agreed insurers and compare cover, terms and pricing.

Provide you with a document detailing the outcome of our renewal negotiations.

Agree with you our remuneration.

### **Deliver**

Place policies with insurers as instructed by you and confirm to you that policies have been placed.

Issue statutory certificates and cover notes.

Issue invoices, collect premiums and pay insurers.

Provide you with a policy digest / register and information on how to report claims.

Check and issue policy documentation.

Provide ongoing advice on the extent of policy coverage.

Action mid-term amendments and policy declarations.

Provide general information on insurance market developments and other risk and insurance issues.

Meetings as agreed / documented with you.

### **Claims Services**

Provide you with insurer contact details for the notification of claims and reportable incidents.

Access to a 24 hour helpline number for initial advice and support from our claims consultants, in the event of a major property / business interruption incident.

Initial technical advice and support on major, complex and contentious claims.



Chartered

Registered in England and Wales Number: 1507274, Registered Office: 1 Tower Place West, Tower Place, London EC3R 5BU.  
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DES Non ET2 Renewal Report Template v2.7 April 2019



# PLACEMENT AUTHORISATION FORM

<b>Client Name:</b>	East Lothian Council	
<b>Client Address:</b>	John Muir House, Haddington, EH41 3HA	
<b>Renewal Date:</b>	1 <sup>st</sup> July 2019	Please proceed and place on our behalf the policies as detailed below. We confirm our receipt and acceptance of Marsh's Terms of Engagement.

Policy	Insurer / Market	Cover basis	Premium payable before UK tax (GBP)	Commission Rate	UK brokerage rate applicable
1	Contractors All Risks	HSB via RMP	As per report dated June 2019 <input type="checkbox"/> Maximum contract period 14 months GBP 8,241.74	Nil	3.5%
2	Fidelity Guarantee	QBE via RMP	As per report dated June 2019	GBP 13,170.00	3.5%
3	PA/Travel	AIG via RMP	As per report dated June 2019	GBP 7,890.00	3.5%
4	Property	AIG via RMP	As per report dated June 2019	GBP 217,472.66	2.5%

**Marsh Remuneration**

GBP 2,000.00

**Note:** UK Brokerage applies where indicated in the right hand column in addition to the standard Marsh Remuneration.

**Premium Payment**

All premiums are due for payment upon receipt of invoice.

**Comments / Additional Instructions**

<b>Signed:</b>		<b>Dated:</b>	
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