

# INSURANCE !

A GUIDE FOR STAFF AND MEMBERS.



'UNFORTUNATELY' IT DOESN'T COVER METEOR STRIKES,  
TIDAL WAVES, OR ANY FUTURE EVOLUTIONARY DEVELOPMENT'

FINANCIAL SERVICES , UTTLESFORD DISTRICT COUNCIL

Simon Alford , Accountant.

## 1. WHAT INSURANCE IS AND HOW IT WORKS.

"Insurance companies exploit the law of large numbers to reduce the overall burden of risks by "pooling" them. For instance, no one knows whether any individual forty-year-old will die in the next year. But insurance companies do know with relative certainty how many forty-year-olds in a large group will die within a year." Casson.

Insurance is about security in that it protects the Council against loss or damage to Council property and against legal liability for claims made by others. It reduces the cost of uncertainty e.g. budgets can be made more certain. Insurers also provide technical and specialist knowledge.

Insurance is also about co-operation and mutual assistance , e.g. the area of risk management.

Insurance is the pooling or sharing of risk. It only makes financial and economic sense to insure risks that the Council cannot afford to bear itself. Thus we continue to insure low-level Housing property , but like many Councils (some much larger it has to be said) we could probably cease doing so. Reduce our premiums and accept the risk , perhaps through an internal insurance fund.

We insure some quite small items on "All Risks" insurance , but again this is possibly a risk we could absorb ourselves.

Insurance does not usually cover for wear and tear.

Insurance contracts are subject to utmost good faith in that the Council is obliged to disclose any detail which may be of importance to the insurers whether or not it is requested.

Risk is thus shared with other premium payers. Claims are then made and paid if within the policy's conditions.

Some common terminology :-

All Risks - Term used to describe insurance against loss of or damage to property arising from any fortuitous cause except those that are specifically excluded.

Average - A clause in insurance policies whereby, in the event of under-insurance, the claim paid out by the insurer is restricted to the same proportion of the loss as the sum insured under the policy bears to the total value of the insured item.

Consequential Loss - Insurance of loss following direct damage e.g. loss of profits; loss of use insurance e.g. loss of Housing Rents.

Indemnity - A principle whereby the insurer seeks to place the insured in the same position after a loss as he occupied immediately before the loss (as far as possible).

Insurable Interest - For a contract of insurance to be valid the policyholder must have an interest in the insured item that is recognised at law whereby he benefits from its safety, well being or freedom from liability and would be prejudiced by its damage or the existence of liability. This is called the insurable interest and must

exist at the time the policy is taken out and at the time of the loss. This is a key principle , from time to time the Council is asked to insure things for which we have no insurable interest , we cannot.

Tort - in law, a wrongful act for which someone can be sued for damages in a civil court.

Wear and Tear - This is the amount deducted from claims payments to allow for any depreciation in the property insured which is caused by its usage.

## 2. WHAT WE ARE COVERED FOR.

Most of our policies are with Zurich Municipal , but also with Aon (ACE and AXA) and Lloyds. Premiums totalling something under £300,000. The descriptions of policies below are précis of the Policies available for inspection in Financial Services , the latter detail exclusions etc..

Material Damage to Property is one extensive category :-

Housing - £255m value , includes fire , but not resulting explosions (unless domestic gas or boilers) , not if caused by earthquakes or subterranean fire , includes lightning and aircraft , partly includes riot , includes earthquake or subterranean fire , partly includes storms or floods , includes water escapes from tanks and pipes , impact by any road vehicle or animal , subsidence or ground heave , accidental damage (with many exclusions) ...

General Properties (Council Offices , Depots etc.) - £20m as above.

Thaxted Guildhall - £2.3m as above.

Leasehold Flats - £10.5m as above.

Saffron Walden Museum - £3.3m as above.

Other categories of "property" are :-

Works in Progress - £0.9m relating to contracts of erection, alteration or addition in new or existing buildings. Cover is for Damage to the property.

Business Interruption - Additional Expenditure, this covers additional expenditure (except computers / data) incurred for the purpose of avoiding or diminishing the interruption.

Loss of Non-Negotiable Money – Crossed UDC cheques bearing the facsimile signature of an authorised officer, Pensions belonging to residents of Care Homes for the Elderly.

All Risks – mainly specialised, portable and expensive equipment , totalling £0.2m.

Theft – Contents of the General Properties, including the Guildhall , Thaxted and the Saffron Walden Museum (excluding exhibits).

Policies related to being an employer and public body :-

Public Liability – covers accidental injury, accidental damage , but it's also a rather complicated policy with multiple sections and exclusions.

Officials Indemnity – cover for negligent acts, accidental error or omission committed by employees performing their duties whilst on Council business. Excludes Professional Liability.

Employers Liability – covers injuries to any employee arising out of and in the course of employment in the business.

Libel and Slander – covers libel and slander made by any Member or Employee , excluding punitive or exemplary damages , and excluding claims brought in North American courts , and excluding falsehood.

Motor Vehicle Policies related to the Council's Transport Fleet, normal comprehensive cover.

Engineering Policies related to Boilers, Lifts and Machinery – covers damage to Plant and own surrounding Property.

Miscellaneous policies :-

Fidelity for four named officers dealing with Treasury Management matters.

Land Charges – covers financial loss arising from or in consequence of any act or omission of the Council or any employee, covers questions of fact and other questions in respect of Land Charges.

Computer equipment and data – covers damage to such property of the Council , but there are a number of exclusions and special definitions as you might expect.

Standalone policies :-

Inspection Contract – Zurich inspect certain of our Plant , e.g. pressure vessels , lifts , loaders , cranes , hoists , motors , pumps , fans , air conditioning , refrigeration , valves and switchboards.

Motor Car Credit Guarantee related to Car Leasing and Loans to Staff.

Via AON, Personal Accident Insurance for and cover for the Museum Exhibits.

Professional Indemnity (run off) for the Council's employed Architect.

### 3. CLAIMING ON A POLICY

Most of our claims concern Motor Vehicles and number around 25 a year. One or two Properties a year suffer from fire or flood. There may also be some Public Liability claims in a typical year.

Clearly in all the work we do we need to act carefully. It is often around the tort of negligence that claims are generated – a duty of care is owed , there is a breach of that duty , and damage follows as a consequence.

Any Claim against the Council needs to be in writing. Fires and Floods are evidenced by reports from Property Managers and tend to be straightforward.

Motor Vehicle claims start with an Accident Report to the responsible Manager , but only a few progress to being insurance claims. It can often be cheaper for other budgets to bear the cost of repair / replacement of minor items.

Council Vehicles could carry a note of the name of our insurance company , the policy number and a cheap disposable camera to record any accidental damage at the time it happens.

#### Bibliography

BIBA Jargon Buster <http://www.biba.org.uk/consumer/support/jargonbuster.html>