

<b>London Borough of Hammersmith &amp; Fulham</b>  <b>LEADER'S URGENCY REPORT</b>  <b>DECEMBER 2017</b>		 hammersmith & fulham
<b>LIABILITY INSURANCE LIMIT OF INDEMNITY</b>		
<b>Report of the Leader – Councillor Stephen Cowan</b>		
<b>Open Report</b>		
<b>Classification - For Decision</b>		
<b>Key Decision: Yes</b>		
<b>Other services consulted: Finance, Housing, Legal, Commercial, Risk Management</b>		
<b>Wards Affected: All</b>		
<b>Accountable Director:</b> David Hughes, Director of Audit, Fraud, Risk and Insurance		
<b>Report Author:</b> Neil Walker, Assistant Head of Insurance		<b>Contact Details:</b> Tel: 07739 316319 E-mail: <a href="mailto:neil.walker@rbkc.gov.uk">neil.walker@rbkc.gov.uk</a>
<b><u>Reasons for Urgency:</u></b>  <b>It is recommended that the London Borough of Hammersmith &amp; Fulham considers increasing its Liability Insurance Limit of Indemnity from £50m to £175m with immediate effect following a review of cover in light of the recent fire at Grenfell Tower.</b>  <b><u>Date by which decision is required: Friday 29<sup>th</sup> December 2017</u></b>		

AUTHORISED BY:  
 The Deputy Leader (in the Leader's absence) has signed this report.  
 DATE: 15 December 2017.

## **1. EXECUTIVE SUMMARY**

- 1.1. The Council holds £50m liability insurance cover for any one event. During the last insurance tender, the Council's brokers, JLT Specialty Ltd, advised this was an appropriate limit of indemnity and annual CIPFA benchmarking exercises have confirmed £50m exceeds or is line with other local authorities, including the other London Boroughs who participated in the tender exercise in 2016/17. However, the Grenfell Tower fire has prompted a review of cover and it is appropriate for the Council, with individual buildings in its high rise housing stock in some cases exceeding the number of units in Grenfell Tower, to lead practice in this area.

## **2. RECOMMENDATIONS**

- 2.1. To approve that the Council takes a prudent approach and increases its liability limit of indemnity from £50m to £175m and increases its cover with immediate effect, rather than wait until the policy is due for renewal on 1<sup>st</sup> April 2018.
- 2.2. To approve the delegation of authority to the Strategic Finance Director, in consultation with the Cabinet Member for Finance, to approve an additional insurance premium cost of up to £100,000 for an immediate 12-month period
- 2.3. To approve the delegation of authority to the Strategic Finance Director, in consultation with the Cabinet Member for Finance, to approve a further extension of the additional premium on best value terms for the period beyond the immediate 12-month period up until 01 April 2019. From 01 April 2019, the additional liability insurance premium will form part of the renewal of all of the council's insurance policies, which will be subject to Cabinet approval at the appropriate time.

## **3. REASONS FOR DECISION**

- 3.1. The London Borough of Hammersmith & Fulham has 71 high rise (6 storeys or more) blocks within its housing stock (see Appendix 1 – List of 6 storeys blocks 051017). In the event of a major incident similar to the Grenfell Tower fire, the Council's current liability insurance cover may not be sufficient to cover all of the liability losses which could arise, causing significant financial repercussions for several years on its reserves and revenue budgets.

## **4. PROPOSAL AND ISSUES**

- 4.1.1 The Council's Public Liability cover includes indemnity in respect of all sums which the London Borough of Hammersmith & Fulham may become legally liable to pay as damages and claimants costs and expenses for:
- 4.1.2 Accidental bodily injury, illness or disease to any other person (other than employees whilst in the course of their duties) including death.
- 4.1.3 Accidental loss of or damage to third party property.

4.1.4 Additional costs and expenses in: defending claims; representation at any coroners' inquest or fatal inquiry or court of summary jurisdiction in respect of any occurrence.

4.2. The scale of the Grenfell Tower fire was unprecedented and had not been modelled for or anticipated by the insurance market. Currently, there is no means to accurately predict what it may ultimately cost (and it will be several years before the true figure is known). However, there is a strong possibility the total liability loss will exceed £50m and possibly even £100m.

## **5. OPTIONS AND ANALYSIS OF OPTIONS**

5.1.1 The Council's brokers have approached the insurance market and sourced the following quotes on its behalf:

5.1.2. Limit of Indemnity	Additional Premium (including Insurance Premium Tax)
£75m	£28,000
£100m	£49,000
£175m	£95,200

5.2. To take a prudent approach, £175m is the most suitable option because the initial indications arising from the Grenfell Tower fire indicate that neither £75m nor £100m may be sufficient cover in the event of a similar major incident occurring. The London Borough of Hammersmith & Fulham, as advised in 3.1, has a number of tower blocks and £175m is the recommended figure.

5.3. The Council's Shared Service partners are also both minded to increase their liability levels, and increased levels of indemnity are now being considered across the wider local authority market.

## **6. CONSULTATION**

6.1. The Council's brokers, JLT Specialty Ltd, have been consulted, as part of the process of them sourcing quotations on the Council's behalf.

## **7. EQUALITY IMPLICATIONS**

7.1. Not applicable.

## **8. LEGAL IMPLICATIONS**

8.1. No legal implications.

8.2. Implications verified/completed by: Tazafar Asghar, Barrister (Dual Capacity), 020 7641 2694.

## **9. FINANCIAL IMPLICATIONS**

- 9.1. The proposed premium increase would be made on a pro rata basis for the remainder of the 2017/18 policy year and then the full additional sum of approximately £95,200 would be due on an annual basis, at the point of renewal.
- 9.2. It is anticipated that the majority of this premium increase will be funded by the Council's Housing Revenue Account (HRA), due to the identified additional risk arising from the Council's high rise housing stock. Any residual amount would be accommodated within the overall insurance premium budget in the General Fund.
- 9.3. Implications verified/completed by: Hitesh Jolapara, Strategic Finance Director, 020 8753 2501 and Kathleen Corbett, Director for Finance & Resources, 020 8753 3031.

## **10. IMPLICATIONS FOR BUSINESS**

- 10.1. No business implications.
- 10.2. Implications verified/completed by: Michael Hainge, Commercial Director, 020 8753 6992.

## **11. COMMERCIAL IMPLICATIONS**

- 11.1. No commercial implications.
- 11.2. Implications verified/completed by: Michael Hainge, Commercial Director, 020 8753 6992.

## **12. RISK MANAGEMENT IMPLICATIONS**

- 12.1. No risk management implications.
- 12.2. Implications verified/completed by: Michael Sloniowski, Principal Consultant (Risk Management), 020 8753 2587

## **13. BACKGROUND PAPERS USED IN PREPARING THIS REPORT**

- 13.1. None

## **LIST OF APPENDICES**

Appendix 1 - List of 6 storeys blocks 051017