

REPORT FOR: Pension Board

Date of Meeting: 7 March 2016

Subject: Insurance Cover for the Board

Responsible Officer: Dawn Calvert, Director of Finance

Exempt: No

Wards affected: All

Enclosures: Pension Liability Insurance Policy Wording

Section 1 - Summary

Summary

This report advises the Board of the insurance cover arrangements recommended to cover them in their work in connection with the Pension Fund.

Recommendation

That the Board agrees that insurance cover for their work with a maximum liability level of £5m be put in place with Ace European Group Ltd at an annual premium of £4,000 + IPT (currently 10%).

Section 2 – Report

1. At its last meeting on 2 November 2016, inter alia, the Board were advised of advice received from Mr James Goudie QC as follows:

As regards insurance:-

(1) Given that a Pension Board is a creature of the 2013 Act and not a council committee, the council's indemnity insurance will not automatically cover the Pension Board's membership;

(2) There may nonetheless be circumstances in which the Pension Board's members would be potentially liable; and

(3) Therefore –

(i) The Council should extend its insurance, or

(ii) The Pension Board should procure its own insurance.

2. The Council's Insurance Manager has been consulted and has advised: *that Harrow's existing insurance arrangements do not cover the Pension Board's membership, as the Board is not a Council committee. Notwithstanding this it is difficult to foresee how a claim could arise against the Board's membership given that it provides a scrutiny function and has no direct decision making authority. This view is held by the Council's insurers and the other boroughs within the Insurance London Consortium, who were also asked to consider the position. It has, however, recently come to our attention that a firm of insurance brokers is currently looking to develop a new insurance product specifically for Pension Boards. As soon as further information is made available in this regard the position will be reviewed.*
3. The "brokers" to whom the Insurance Manager refers are Aon Hewitt who, on 20 September 2016 wrote to the administering authorities as follows:

As many of you will have seen in our recent newsletter we have been working with our colleagues in Aon Risk Solutions to develop an insurance product that will provide cover for members of Pension Boards.

Many people are questioning whether Local Pension Boards need to be covered; our risk colleagues suggest that, while the risk may be considered remote, in their view there is an exposure as current Liability Policies do not provide any cover for Local Pension Boards. It is for that reason that they have developed a policy specifically for Local Pension Boards with an insurance provider (Chubb/Ace) and a summary sheet is attached [not attached] with a bit more information. My colleagues can obtain a premium quote for you if it would be helpful (and I would then leave you to liaise directly with them as any quotations and formalising a contract must be done in line with compliance requirements). If you require more information in relation to the Aon developed solution, please

let me know and I can obtain a quotation/put you in touch with my colleagues at Aon Risk Solutions.

4. Arising from this advice the Board resolved that:
The Treasury and Pension Fund Manager seek quotes for £10m cover, with no excess, for a fee in the region of £20,000
5. Since the last meeting of the Board the arrangements for obtaining insurance cover have become more straightforward. In an email of 3 February 2017 Aon Hewitt advised that premiums are based on pension fund assets. They also asked the Council to confirm that there are currently no known claims or circumstances which may in the future give rise to a claim.
6. On the basis of a declared valuation of £770m, the confirmation as requested and that no excess/deductibles apply the Council has received quotations via Aon Hewitt from Ace European Group Ltd as follows:

Liability	Premium
£m	£
1.0	1,500 + IPT (10%)
5.0	4,000 + IPT (10%)
7.5	7,500 + IPT (10%)
10.0	10,000 +IPT (10%)

A copy of the policy wording is attached

7. The product available through Aon Hewitt is similar to Professional Indemnity insurance and the Council's Insurance Manager has advised that the maximum cover currently in place for any Member or officer of the Council is £5m. The Board are recommended to agree to a Limit of Indemnity at this level being accepted at an annual premium of £4,000 + IPT (currently 10%).

Financial Implications

8. Any costs arising from the purchase of an insurance policy to cover the Board would be met from the Pension Fund.

Risk Management Implications

9. The report refers to risks potentially being run by the Pension Board and its members and discusses ways of alleviating them.
10. Any risks to the Fund are included in the Risk Register.

Equalities implications

11. There are no direct equalities implications arising from this report.

Council Priorities

12. The performance of the Pension Fund has a direct impact on the financial health of the Pension Fund which directly affects the level of employer contribution which then, in turn, affects the resources available for the Council's priorities

Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Director of Finance
Date: 21 February 2017		
Name: Caroline Eccles	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 23 February 2017		

Section 4 - Contact Details

Contact: Ian Talbot, Treasury and Pension Fund Manager
0208 424 1450

Background Papers - None