**Management Committees – Insurance Options**

Fife Council purchases property insurance policies that cover damage to properties owned and occupied by the Council and properties that are leased to tenants. MC2 Management Committees who enter into a property lease will be subject to certain terms and the commercial policy is designed to cater for the Council’s commercial tenants’ needs e.g. wider cover, low or no excess and policy clauses that meet the requirements of the usual FRI lease terms.

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| **Property** **Insurance**  |
| **Material Damage to buildings and contents owned by the Council** |
| **Significant Features, Benefits and Limitations of Policy** | **Block Policy** | **Commercial Policy - 0021** | **Commercial Policy - 0041** |
| Insured Perils  | fire, storm | fire, storm, flood, escape of water, impact | fire, lightning, explosion, aircraft, riot and civil commotion, malicious persons, storm, flood, escape of water, impact own vehicle, theft, breakage of fixed glass, escape of oil, aerial breakage, subsidence, ground heave and landslip, accidental damage |
| Policy Excess | £250,000 | £250 for storm, flood, escape of water. Nil excess all other perils. | £250 for malicious persons, storm, flood, escape of water, impact own vehicle, theft, Accidental damage. Nil excess all other perils. |
| Excess Payable by | Council Insurance Fund | Tenant | Tenant |
| Contents Cover | Yes, Council owned contents only | No – Tenant must arrange own | No – Tenant must arrange own |
| Loss of Rental Cover | No | Yes | Yes |
| Tenants Subrogation Waiver Clause | No | Yes | Yes |
| Other Interests Clause | Yes | Yes | Yes |
| Premium Payments | Recharged internally to Hall Cost Centre | Recharged to Tenant | Recharged to Tenant |
| Premium Rates (2016/17) | Approx. 39 pence per £1,000 insured  | Approx. £1.05 per £1,000 insured – quotation should always be obtained advance of advising tenant | Rate not available, but a quote can be provided for specific buildings on request |
| Suitable for | FC managed/occupied properties MC1 without a lease | MC2 with a lease or with a view to negotiating lease | MC2 with a lease or with a view to negotiating lease |

**Loss of Rental Cover**

After the occurrence of a fire or other insured loss in a property which is leased or rented, considerable time can elapse before the property is again ready for occupation and because of this the tenant or the owner will sustain a further loss.

If the tenant is not absolved by the terms of the lease from paying rent in the event of their non-occupancy of the property due to an insured peril, they will have to meet the cost of paying rent on the damaged property as well as any other property in temporary use.

If on the other hand there is an abatement of rent, the Council will suffer a loss until the building is re-occupied. The commercial insurance policies cover the loss of rental payments/income in either case for up to a period of 2 years.

**Tenants Subrogation Waiver**

In insurance contracts it is common for the insurers to have the right of subrogation. This allows the insurance company to take proceedings to recover claim payments from a negligent third party, including a tenant.

The commercial policies contain waiver clause that following insured damage to any buildings covered by the policy the insurer agrees to waive any rights, remedies or relief to recover any claim settlement which they may become entitled by subrogation against any tenant of such buildings provided that:

a) the damage did not result from a criminal, fraudulent or malicious act of the tenant

b) **the tenant contributes to the cost of insuring the building** against the peril which was the cause of the loss

**Other Interests**

Both the block and commercial policies contain a blanket admission of interest clause, applicable where the Policyholder (Fife Council) so intends. This would apply in respect of interests such as lessees, shared owners, freeholder, and mortgagee. The nature of such an interest must be disclosed to the insurers in the event of a loss.

**Liability Insurances**

Public liability insurance provides indemnity to the policyholder against legal costs and expenses incurred in connection with a claim. The indemnity only applies to death, injury, loss or damage happening **in connection with the policyholder’s business.**

Employer's liability insurance protects the policyholder against its legal liability to pay compensation to any of its **employees** who may sustain bodily injury or contract a disease **in the course of and arising out of their employment**. The policy does not provide any protection in respect of damage to employee's property.

The Employers' Liability (Compulsory Insurance) Act 1969 requires employers to effect insurance against their liability to employees, although the provisions of the Act do not apply to local authorities and certain other bodies, Fife Council does arrange this cover. An employer to whom the Act applies is required by Section 4 to exhibit a certificate of insurance in a prescribed form at the place(s) of business.

The Council’s liability insurance does not extend to cover the business of other individuals, groups or organisations. Management Committees who are an entity in their own right, i.e. a constituted group; must have their own public liability insurance arrangements. A Management Committee that employs staff, must have Employers Liability insurance. It is normal for property lease conditions to contain a requirement for the Tenant to have liability insurance and Fife Council normally requires Tenants to arrange PL cover that has a minimum limit of indemnity of £2.5m.

It may be possible for MC1 Management Committees (Advisory Groups) who are operating in Council staff managed centres **and who only carry out Council business under Council staff direction**, to be covered by the Council’s liability insurance as “volunteers”. The number of volunteers engaged by CLD would have to be declared to Risk Management annually on our request.

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| **Liability Insurance**  |
| **Significant Features, Benefits and Limitations of Policy** | **Council’s Policy** | **Management Committees’ Policy** |
| Insurer | QBE  | Zurich Municipal |
| Public Liability CoverThird Party damage and injury or death including legal fees | £50,000,000 limit of indemnity | £5,000,000 limit of indemnity |
| Employer Liability Cover Employee injury, disease or death including legal fees | £50,000,000 limit of indemnity  | £10,000,000 limit of indemnity |
| Policy Excess | £100,000 | Nil  |
| Excess Payable by | Council Insurance Fund | No excess payable |
| Persons Indemnified | Council Members, Employees and Volunteers who are engaged in Council business and under the control of the Council | Management Committee Members, Employees and Volunteers who are engaged in Management Committee business and under the control of the Management Committee  |
| Premium Payments |  | Recharged internally to Hall Cost Centre by Risk Management. |
| Premium Rates | n/a | Public Liability - £131Employer Liability - £44All Risks – rate varies according to the value of the insured items. |
| Suitable for MC | Advisory Groups who are not separately constituted and who are acting as Council volunteers only | MC1 who operate in properties that are directly managed by FC staff and who carry out their own business.MC2 with a lease or with a view to negotiating lease |