



The need for Pension Board liability insurance

Local Pension Boards are established under the Public Services Pensions Act 2013 and have been established in order to assist the Administering Authority of a Local Government Pension Scheme to:

- Comply with:
 - The LGPS Regulations 2015
 - Any other legislation relating to the governance and administration of the Scheme
 - Any requirements imposed by the Pensions Regulator
- Ensure effective and efficient governance and administration

However, according to the legal opinion obtained by the LGA from James Goudie QC, the Pension Board itself is not a council committee and therefore there is uncertainty as to whether members of the board are officials who fall within the scope of the councils own indemnity provisions.



[For more information](#)

Insurance of Local Pension Boards

Since the implementation of the Public Service Pensions Act 2013, Aon clients have queried the extent of insurance cover for members of the Pension Boards, and Aon have been in discussion with different insurers to ascertain whether current Officials Indemnity or liability policies can be extended to include such insurance. Many policies contain exclusions relating specifically to claims arising out of a breach of fiduciary duty, responsibility or obligation in connection with any employee benefit or pension plan, and there is some reluctance to extend the scope of cover.

Furthermore any claim under an Officials Indemnity policy is subject to the applicable deductible, but the Authority may be unable to indemnify the individual, leaving the board member personally liable for costs within the deductible. Deductibles for Administering Authorities typically range from £50,000 to £250,000.

To fulfil requirements for certainty of insurance cover, Aon have developed in conjunction with a leading insurer a pension liability policy specifically designed to provide protection to Local Pensions Boards and the personal liability of individual Pension Board members in the event of claims or investigations against them.


What is covered?	Extent of protection
<p>Loss – Insurers will pay for loss suffered as a result of claims made during the policy period for wrongful acts, such as breach of trust, breach of duty, breach of statutory provision, maladministration, neglect, administrative error or wrongful omission, misstatement, misleading statement or any other act committed or allegedly committed by an Insured in connection with their role as members of a Pension Board.</p> <p>Investigation expenses – investigations instituted during the policy period.</p> <p>Mitigation expenses – Expenses incurred in taking action to prevent, limit or mitigate exposure to an actual or potential claim.</p>	<p>Damages – i.e. judgements settlements and awards for which members are legally liable.</p> <p>Defence costs – legal costs and expenses incurred in defending claims brought against them.</p> <p>Investigation expenses – legal costs and expenses incurred in relation to an investigation connected with the Pension Scheme.</p>

Extensions of cover include:	
<ul style="list-style-type: none"> • Public Relations Expenses (sub limited)* • Civil Fines and Penalties to the extent permitted in law • Emergency Costs (sub limited)* • Extradition Proceedings Costs 	<ul style="list-style-type: none"> • Loss of Documents (sub limited)* • Prosecution Costs (sub limited)* • Third party provider pursuit costs

The policy is issued on a “claims made” basis meaning that only claims notified during the policy period are covered.

*Sub limits may vary based on the overall limit purchased. Sub limits form part of and are not in addition to the Limit of Liability.

Limit, deductible and cost	Key underwriting information
<p>Cost of cover is dependent on a number of factors including:</p> <ul style="list-style-type: none"> • Limit of Indemnity required (Limits up to 10m are available) • Size of the Pension Scheme assets • Number of members of the Pension Scheme • No deductible is payable by any individual insured 	<p>Quotations can be provided based on:</p> <ul style="list-style-type: none"> • Latest Pension Scheme accounts • Terms of reference for the Pension Board • Details of the members of the Pension Board • Details of training schedule for board members either undertaken or proposed • Subject to no known claims or circumstance

 For full details of policy wording terms and conditions please contact your usual representative or Deborah Ball deborah.ball@aon.co.uk

About Aon

Aon plc (NYSE:AON) is a leading global provider of risk management, insurance brokerage and reinsurance brokerage, and human resources solutions and outsourcing services. Through its more than 72,000 colleagues worldwide, Aon unites to empower results for clients in over 120 countries via innovative risk and people solutions. For further information on our capabilities and to learn how we empower results for clients, please visit <http://aon.mediaroom.com/>

Aon UK Limited is authorised and regulated by the Financial Conduct Authority. Aon UK Limited Registered Office: The Aon Centre, The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AN. Registered No. 210725. VAT Registration No. 480 8401 48. Some links on this website may redirect you to third party sites. Aon is not responsible for this content. Telephone calls are recorded and may be monitored. © 2016 Aon Plc FP number: FPNAT223