

UPDATE SPRING 2016

PROPERTY TERRORISM COVER: £5 MILLION TO BE REBATED TO MEMBERS

Fundamental to a mutual organisation - and a clear distinction from commercial providers - is the fact that it and its assets belong entirely to its Members. Members of UMAL's former sister operation UMSR (U M Association (Special Risks) Ltd) will be seeing the benefits of this in cold hard cash over the next few years, as £5 million of reserve funds are returned in the form of subsidies on their contributions.

Presenting the scheme to Members at UMAL's Spring Conference, Director and CEO Susan Wilkinson said: "We appreciate that these are difficult times for higher education, so we are very glad to be able to do something to help our Members."

UMSR (initially called U M Association (Terrorism) Limited) was created in 1993 to provide property and business interruption (PDBI) terrorism cover to Member Universities, and later FE colleges, a class of cover that had become very expensive to source on the open market – especially for those locations in London and other major cities. Start-up funding was provided by UMAL which had been created the year before. At launch UMSR had twenty-nine Members, which had grown to 120 by 2013. The two mutuals 'unified' in 2013, with this class of cover transferring as a specific class within UMAL.

The concept is straightforward. Any institution that was a Member of UMSR between 2006 and 2012 and still buys this cover from UMAL, qualifies for the rebate scheme. Their fund 'pot' available to individual institutions is their proportion of the aggregated surplus, based on their contributions over the same period.

The pot will be returned as a 25% subsidy, or discount, against their annual terrorism cover contributions for the next five years (i.e. until 2020-21) – or until the pot is exhausted. For simplicity, the 25% figure is calculated against their 2015 terrorism class contribution. Of course it follows that they have to remain Members of UMAL to benefit.

UMAL is even prepared to consider Universities that have stopped sourcing their terrorism cover from them since 2013, and want to re-join to take advantage of the scheme. However returning institutions will have to buy all their covers from UMAL, not just PDBI terrorism.

This is not the end of the story. The £5 million for the scheme is being taken from UMSR's General Reserve of £19.7 million; depending on claims, it is expected that this will also be earmarked for return in future years.

"Mutuality pays" says Susan Wilkinson, "you've just got to stick with it. In addition to the annual refund of profits, the two mutuals have been able to reduce the cost of cover year on year."

This chart on the right tracks those changes and further evidences the huge potential of the mutual model.

UMSR

2008 - 2009

RATE REDUCTION - 15%

2009 - 2010

RATE REDUCTION - 10%

2010 - 2011

RATE REDUCTION - 5%

Returns of surplus / profit
2008 - 2013

£2,450,000

UMAL TERRORISM COVER

2014 - 2015

RATE REDUCTION - 10%

2015 - 2016

RATE REDUCTION - 10%

Returns of surplus / profit
2014 - 2016

£880,000



THE UNIVERSITIES' MUTUAL

The Tailored Solution for Insurance Services

WHY OVER 150 HE AND FE INSTITUTIONS ARE MEMBERS OF UMAL

U M Association Ltd (UMAL) is a mutual association owned by Higher and Further Education Institutions and related organisations.

It was formed in 1992 by a handful of forward thinking Universities to provide an alternative to traditional commercial insurance; it has proven to be a sound and successful model of self insurance for the sector. By self-managing the pool created to self-fund a significant layer of claims across all classes, the Members gained significant control of the cover provided, underwriting and claims data, costs and pricing. UMAL places insurance against large losses into the traditional insurance and reinsurance market, using over 25 insurers and reinsurers – all of which support the concept.

UMAL has been able to sustain its competitive pricing for all Members and retention is extremely high year on year. All reserves are held on behalf of Members and for their benefit. There is no exposure to an additional call of funds, indeed the constitution does not allow for such; the mutual's capacity to pay claims is based on its reserves (cash) and insurance. Reserves are considerably in excess of exposure.

Contracting Authorities can join UMAL without going out to competitive tender via OJEU, or a framework agreement, under the EU's Teckal Exemption.

Operating solely in the best interests of its Members, it is designed to be both a time and cost efficient facility where all funds are utilised for the benefit of Members, accumulated profits are either returned to Members or retained as Members' funds.

UMAL Covers Include

- Property, Business Interruption Including Terrorism
- General Liabilities including PI, Medical Malpractice and Clinical Trials
- Travel
- Group Personal Accident

NO INSURANCE PREMIUM TAX

The Standard Rate for Insurance Premium Tax increased from 6% to 10% on 16 March 2015, while a higher rate is applicable at 20% for travel insurance and some product warranties. Due to its mutual structure, cover provided by UMAL to its Members does not attract Insurance Premium Tax.

£22M RETURNED TO MEMBERS

At present UMAL guarantees to return a minimum of 5% of the annual Contribution, irrespective of claims, to Members annually on renewal. For 2015-2016 this will be 15% for all general classes and 5% for PDBI terrorism in addition to the UMSR announced subsidy. UMAL has returned over £22m of surplus profit to date. No commercial provider has such a track record. This has been achieved whilst handling over £206m in claims, and consistently and continuously reducing pricing to Members.

