

Dear Mr Eden

## **EMPLOYERS' LIABILITY COMPULSORY INSURANCE FOR ARBORICULTURAL AND FORESTRY OPERATIONS**

Thank you for your letter of 29 August to the Deputy Prime Minister.

I have been asked to reply as the Department for Work and Pensions has policy responsibility for on Employers' Liability Compulsory Insurance (ELCI).

The Department has been leading on a review of the operation of ELCI and has been working in close partnership with other concerned Government Departments including HM Treasury, the Department of Trade and Industry and the Department for Constitutional Affairs.

The Office of Fair Trading (OFT) has also undertaken a fact-finding study into the UK Liability Insurance market covering public, product, professional and employers' liability insurance. And has examined why premiums have recently increased and the way in which this market is working. There has been close contact between the two, evidence and analysis is being shared between them.

The first stage report of the DWP's review was published on 3 June. OFT also announced the results of their fact-finding study into the UK Liability Insurance market on the same day.

The Government is well aware that over the past year many businesses have been hit hard by significant price increases in the Employers' Liability insurance market and we are committed to playing our part in helping business in this area.

There are, however, no quick or easy solutions and the Department's interim report sets out the key findings of the review on the case for the reform of the Employers' Liability Insurance system and the steps we are now planning to take.

Over the past months we have worked closely with Trade Associations, the Confederation of British Industry, the Trades Union Congress and the Insurance Industry to improve the outlook for responsible businesses in a difficult insurance market and a number of initiatives are already being developed to assist business.

The Government will assist in supporting and further developing these initiatives. In particular, Government will be working with interested parties to help develop the basis for more risk-related premiums.

Government is also committed to working with stakeholders to improve the operation of the market and the outcomes of the system. The report identifies four significant areas for further action:

*working* with stakeholders to maximise the benefits for EL of current initiatives within the legal system. In parallel, discussing with stakeholders the options for alternative dispute resolution arrangements.

*engaging* with business, industry and other stakeholders to further evaluate the evidence for separating long-term occupational disease risks from accident risks - more evidence would be needed to assess whether a radical separation is justified.

*making* rehabilitation play a more central role in the UK workers' compensation system, to improve outcomes for employees and to let compensation reflect this.

*reforming* the arrangements for enforcement of EL, to tackle the unfairness of competition trading illegally without insurance cover and to better protect employees.

There have been recent developments in two of the above areas. Work on renewals has resulted in a public commitment by insurers and brokers on 5 August to give companies at least 21 notice of renewal terms. And with regard to better relating risk to premiums the Association of British Insurers announced on 8 September an initiative called *Making the Market Work*, under which trade associations or other similar bodies can submit details of their health and safety schemes to an ABI Joint Standing Committee for assessment against best practice features that insurers expect to see in place.

Our considerations will be informed by the findings of OFT's fact-finding study on the liability insurance market. The particular issue of competition in the liability insurance market is a matter for OFT. Given the ongoing concerns of the business community about the costs of employers' liability insurance, the Government will closely monitor developments in the market, looking at any new information about the workings of the market for employers' liability insurance that becomes available.

We will take the views that the Association has expressed into account in the second stage of the review.

We will report in Autumn on the progress that has been made and any further steps we intend to take.

The Department's interim report is available on the DWP web site at <http://www.dwp.gov.uk> (follow the hyperlink to Publications).

A summary of the key findings of the OFT's fact-finding study is available on the OFT web site at <http://www.of.gov.uk> (follow the hyperlink to Publications).

Yours sincerely

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