Title: Review and changes to the Riot (Damages) Act 1886 **IA No:** HO0102	**Impact Assessment (IA)**
Lead department or agency: Home Office	**Date:** 19/12/2013
Other departments or agencies:	**Stage:** Consultation
	Source of intervention: Domestic
	Type of measure: Primary legislation
	Contact for enquiries: Kevin Finch, 0207 035 3117

Summary: Intervention and Options

RPC Opinion: Awaiting Scrutiny

Cost of Preferred (or more likely) Option				
Total Net Present Value	**Business Net Present Value**	**Net cost to business per year** (EANCB on 2009 prices)	**In scope of One-In, Two-Out?**	**Measure qualifies as**
-£0.79m	£9.64m	-£1.03m	Yes	Zero Net Cost

What is the problem under consideration? Why is government intervention necessary?

The Riot (Damages) Act 1886, ('the Act'), is a piece of legislation which allows uninsured individuals and businesses to claim for the costs of repairing damage to their property and replace goods that have been stolen as a result of a riot. The Act also allows insurers to reclaim costs paid to policy holders incurred because of a riot Following the riots in the summer of 2011 a number of issues within the current Act were highlighted. An independent review made a number of recommendations as to where changes should be made to the legislation. Government intervention is necessary to change the legislation and to update and simplify the processes in the aftermath of riots.

What are the policy objectives and the intended effects?

The objectives are to:

- To produce a modernised piece of legislation to replace the Act and to clarify which losses individuals and businesses can claim for in the event of a riot;
- Protect the most vulnerable in society from damages incurred in riots;
- Discourage greater levels of under insurance;
- Ensure arrangements are put in place to resolve claims under the Act quickly; and
- Take account of the affordability of the Act on the public purse.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

The options considered are:
Option 1 – "Do Nothing"; make no changes to legislation and leave the Act in place.
Option 2 – Repeal the Act and do not replace the legislation.
Option 3 - Repeal the Act and replace with updated legislation to account for the modernisation of the Act and restrict who is eligible to make a claim, in line with most independent recommendations.
Option 4 – Repeal the Act and replace with updated legislation, to account for the modernisation of the Act and restrict who is eligible to make a claim, in line with all independent recommendations.

Option 4 is the preferred option, as it satisfies all the objectives of the policy, except for considering affordability on the public purse.

Will the policy be reviewed? It will not be reviewed. **If applicable, set review date:** Month/Year

Does implementation go beyond minimum EU requirements?			Yes		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	**Micro** Yes	**< 20** Yes	**Small** Yes	**Medium** Yes	**Large** Yes
What is the CO_2 equivalent change in greenhouse gas emissions? (Million tonnes CO_2 equivalent)			**Traded:**	**Non-traded:**	

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister: .... Date: ....

Summary: Analysis & Evidence

Policy Option 2

Description: Repeal the Riot (Damages) Act and do not replace it

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
2011	2011	10	**Low:** n/a	**High:** n/a	**Best Estimate:** £0.0m

COSTS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Cost** (Present Value)
Low	n/a		n/a	**n/a**
High	n/a		n/a	**n/a**
Best Estimate	£0.0m		£21.6m	**£182.7m**

Description and scale of key monetised costs by 'main affected groups'

The main costs of this option will be on business and individuals. Repealing the Act will remove the right to compensation of businesses and individuals. Businesses will lose £19.2m and individuals £0.4m annually on average. Businesses who have previously provided the service of handling claims in large scale riots (such as following the riots of August 2011) will also lose payments, as such a function will no longer be required. This will cost businesses £0.05m annually on average.

Other key non-monetised costs by 'main affected groups'

No non-monetised costs have been identified.

BENEFITS (£m)	**Total Transition** (Constant Price)	Years	**Average Annual** (excl. Transition) (Constant Price)	**Total Benefit** (Present Value)
Low	n/a		n/a	**n/a**
High	n/a		n/a	**n/a**
Best Estimate	£0.0m		£21.6m	**£182.7m**

Description and scale of key monetised benefits by 'main affected groups'

The Government, PCCs and MOPAC will see savings from repealing the Act. They will no longer be required to pay compensation for riots, and they will save £19.6m annually on average. Additional benefits will come from the savings made as they are no longer required to process payments under the Act. This will present savings to PCCs and the Home Office when a larger claims handling model is required of approximately £0.05m annually.

Other key non-monetised benefits by 'main affected groups'

Less bureaucracy surrounding the processes in the Act should make it easier for businesses, individuals and insurers to understand. There are also non-monetised savings to PCCs when they are required to handle smaller scale riots.

Key assumptions/sensitivities/risks | **Discount rate (%)** | 3.5%

For the purposes of this Impact Assessment it has been assumed that the frequency and scale of riots in future will be the same as previously. The cost associated with riots is based solely on the costs associated with the riots following August 2011. This presents a risk as the type of riot may change and affect different types of property, which may be more or less costly.

BUSINESS ASSESSMENT (Option 2)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: £19.0m	**Benefits:** £0.0m	**Net:**-£19.0m	Yes	IN

Summary: Analysis & Evidence — Policy Option 3

Description: Repeal the Riot (Damages) Act and replace with most of the independent recommendations

FULL ECONOMIC ASSESSMENT

Price Base Year 2011	PV Base Year 2011	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: n/a	**High:** n/a	**Best Estimate:** -£0.8m

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	n/a		n/a	**n/a**
High	n/a		n/a	**n/a**
Best Estimate	£0.0m		£7.9m	**£66.7m**

Description and scale of key monetised costs by 'main affected groups'

The would be impacts on large businesses (£1.48m) and insurers (£4.96m) who would no longer qualify for compensation. The Government would face additional costs with payments for vehicles (£0.04m) and late claims (£0.59m). There will also be training costs for local councils (£0.02m). A bureau will cost cost Government (£0.01m) and Insurers (£0.07m), with one off costs of training to Police and insurers (£0.01m each). All costs are average annual.

Other key non-monetised costs by 'main affected groups'

The cost of preparing a manual for Riot Compensation claims has not been quantified at this point as the exact nature and extent will be dependent on which recommendations are progressed further.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	n/a		n/a	**n/a**
High	n/a		n/a	**n/a**
Best Estimate	£0.0m		£7.8m	**£65.9m**

Description and scale of key monetised benefits by 'main affected groups'

There would be impacts on insurers (£0.28m), small businesses (£0.26m) and individuals (£0.04m) who submit claims at a later date, and similar benefits to small businesses (£0.01m) and individuals (£0.03m) with vehicle claims. The Government will save from the exclusion of compensation for large businesses (£6.44m). Insurers and Loss Adjustors will benefit from payments to run a bureau model (£0.01m). All benefits are average annual.

Other key non-monetised benefits by 'main affected groups'

There will be a number of time savings made from the introductions of these benefits. These have not been monetised as it is difficult to identify the range of people who could be affected, the extent of the savings and the amount of time which will be saved.

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5%

For the purposes of this Impact Assessment it has been assumed that the frequency and scale of riots in future will be the same as previously. The cost associated with riots is based solely on the costs associated with the riots following August 2011. This presents a risk as the type of riot may change and affect different types of property which may be more or less costly.

BUSINESS ASSESSMENT (Option 3)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: £6.5m	**Benefits:** £0.6m	**Net:** -£5.9m	Yes	IN

Summary: Analysis & Evidence — Policy Option 4

Description: Repeal the Riot (Damages) Act and replace with all of the independent recommendations

FULL ECONOMIC ASSESSMENT

Price Base Year	PV Base Year	Time Period Years	Net Benefit (Present Value (PV)) (£m)		
			Low: n/a	**High:** n/a	**Best Estimate:** -£0.8m
2011	2011	10			

COSTS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	n/a		n/a	**n/a**
High	n/a		n/a	**n/a**
Best Estimate	£0.0m		£15.9m	**£134.3m**

Description and scale of key monetised costs by 'main affected groups'

Large businesses (£1.48m) and insurers (£4.96m) would no longer qualify for compensation. Government would face costs for vehicles (£0.04m) and late claims (£0.59m). There will be training costs for local councils (£0.02m). A bureau will cost Government (£0.01m) and Insurers (£0.07m), with one off costs of training to Police and insurers (£0.01m each). New for old provisions will cost government (£7.23m) and excess will cost businesses and individuals (£0.01m each). All costs are average annual.

Other key non-monetised costs by 'main affected groups'

The cost of preparing a manual for Riot Compensation claims has not been quantified at this point as the exact nature and extent will be dependent on which recommendations are progressed further.

BENEFITS (£m)	Total Transition (Constant Price)	Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	n/a		n/a	**n/a**
High	n/a		n/a	**n/a**
Best Estimate	£0.0m		£15.8m	**£133.5m**

Description and scale of key monetised benefits by 'main affected groups'

Insurers (£0.28m), small businesses (£0.26m) and individuals (£0.04m) with late claims would benefit, and similarly small businesses (£0.01m) and individuals (£0.03m) with vehicle claims would gain. Government will save from excluding large businesses (£6.44m) and from excess payments (£0.02m). Insurers and Loss Adjustors will benefit from payments to run a bureau (£0.01m). New for old would benefit insurers (£5.57m), businesses (£1.43m) and individuals (£0.24m). All benefits are average annual.

Other key non-monetised benefits by 'main affected groups'

There will be a number of time savings made from the introductions of these benefits. These have not been monetised as it is difficult to identify the range of people who could be affected, the extent of the savings and the amount of time which will be saved.

Key assumptions/sensitivities/risks — **Discount rate (%)** 3.5%

For the purposes of this Impact Assessment it has been assumed that the frequency and scale of riots in future will be the same as previously. The cost associated with riots is based solely on the costs associated with the riots following August 2011. This presents a risk as the type of riot may change and affect different types of property which may be more or less costly.

BUSINESS ASSESSMENT (Option 4)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: £6.5m	**Benefits:** £7.5m	**Net:** £1.0m	Yes	Zero net cost

Evidence Base (for summary sheets)

A. Strategic Overview

A.1 Background

The Riot (Damages) Act 1886 ('the Act'), provides compensation for losses caused by riots. It extends to cover the entirety of England and Wales, but excludes riot damages that occur in Scotland and Northern Ireland which have separate Acts allowing for the compensation of riot damages.

Liability for paying riot compensation rests with the Police. The Police are tasked with maintaining law and order; under the Act it is deemed that for a riot to take place there has been a failure in this duty because law and order have broken down. As a result individuals and businesses, or insurers on their behalf, are able to claim for damages from the Police Crime Commissioner (PCC) or the Mayor's Office for Policing and Crime (MOPAC).

The Act has been scarcely used. Some of the most notable uses in recent times were in the aftermath of rioting in Brixton and Toxteth in the 1980s, as well as following the widespread rioting in August 2011. The 2011 riots highlighted the existence of the Act once again. An independent review of the Act was commissioned by the Home Secretary and published on 8th November 2013. This review identified a number of areas which could and perhaps should be changed. This Impact Assessment builds on those recommendations as well as considering further options which should be considered.

When the Act was originally implemented over 125 years ago, the circumstances in England and Wales were different. The insurance industry was a lot smaller and as a result many individuals and businesses did not have the ability to repair damages that were caused in the aftermath of riots. The provision for compensation meant that areas vulnerable to riots were able to continue to function and make the necessary repairs. The state of insurance in England and Wales has greatly changed since 1886, with the majority of individuals and businesses having some form of insurance. However it is still a key concern that those who cannot afford insurance are afforded protection.

Being over 125 years old, the Act contains terminology and descriptions that can seem vague and difficult to understand. One example of this is the definition of a riot in the RDA, which is "Persons riotously and tumultuously assembled together". This is supplemented by decision makers using the Public Order Act definition to determine the characteristics of a riotous group. Another example is that the Act provides compensation on a basis which is "just". The wording of the Act can mean that it is difficult to apply consistently, especially as it is implemented by individual PCCs or MOPAC, rather than centrally. Improving the clarity and how easy the legislation is to understand for riots is an important factor in changes being considered further.

The cost of riot compensation payments arising from the August 2011 civil disturbances currently stands at £48m with the potential to rise to over £100m. At a time when the Police are facing cuts to their budgets, the additional cost of legislation such as any changes to the Act should be considered. The options considered look at the impact on the public purse and try to make sure that any changes which are made to the Act, or legislation for riots, remain affordable.

The Government would prefer to repeal the Riot (Damages) Act 1886, and replace it with a new piece of legislation which modernises the language and terminology, clearly sets out what should and should not be covered, as well as expediting any processes.

A.2 Groups Affected

Changes to the Act would have an impact on a number of groups. In particular there would be implications for Police Crime Commissioners and the Mayor's Office for Policing and Crime, large and small Businesses, as well as individuals. A large proportion of the impact on businesses will affect insurers, who currently make the highest value of claims under the RDA following payments to both business and individual policy holders.

The preferred option may also impact a number of other government departments. Notably there would be expectations of local governments to have an understanding of any resulting legislation.

The financial implications will be of interest to HM Treasury and the impacts on business may have an effect on the Department for Business, Innovation and Skills.

A.3 Consultation

An independent review of the RDA was published on 8th November 2013. The recommendations within this review have provided the basis of considerations for this policy. We will continue to bear them in mind and use them to guide the development of the policy further as we receive responses to the consultation.

Within Government

We will be consulting with: HMT on the affordability implications, DCLG on the recommendations which may impact local governments, BIS on the implications for small and large businesses, and even though this area of policy is devolved we will keep Scottish Office informed of the policy.

Public Consultation

We will be consulting further with the Association of British Insurers, the Chartered Institute of Loss Adjustors, Police Crime Commissioner's Offices, Police forces, businesses and individuals. We will seek their views as to the impact of the proposed changes on them.

B. Rationale

Following the riots in the summer of 2011, the Government conducted an internal review, as well as commissioning an independent review of the Act. Both of these reviews highlighted a number of recommendations for changes to the current legislation. Given these reviews and the recommendations raised, there is a political drive in reforming the Act to take account of these recommendations.

One of the first points that emerged following the riots in 2011 was that the current Act was unnecessarily difficult to understand and bureaucratic to comply with. This creates an excessive burden on Government, police forces and PCCs, businesses and individuals. Reviews in the aftermath of the rioting highlighted that the supporting processes behind the Act did not need to be as complicated as they were. Given this and the Government's commitment to reduce regulation and costs to business there would be benefits from simplifying the process and reducing the difficulties faced when making or processing a riot compensation claim.

The independent review highlighted a number of factors which impact the effectiveness of the Act. These factors have changed gradually over time and may no longer be relevant. The current Act excludes certain items which were not relevant in 1886, but may be relevant in the present day. One such factor is the exclusion of cover for motor vehicles. These were not in prominent use in 1886, however in the present day it would be unusual for there to be no vehicles damaged during a riot. Another factor which has seen changes is the insurance market, at the time of the Act's inception the majority of individuals and businesses were not insured. In order to protect the most vulnerable who could not afford to meet the costs of making good riot damage, the Act made allowances for all to claim. In the present day, there is a large insurance market and many individuals and businesses do take out sufficient insurance. Given the changes that society has undergone since the introduction of the Act, it is not unfeasible that the Government intervention is inefficient and that modernisation of the current legislation would bring wider benefits to society than current intervention.

Finally, the Act is an unpredictable cost to the police and Government and could become unaffordable if riots were to be more widespread in the future. In light of cuts to Government funding, being able to plan appropriately and reduce costs is something that should be considered carefully. The reviews indicated that the need to save money was understood by a number of interested groups, including the insurance industry and businesses. The benefits from spending under the Act are limited and often localised, if it were possible to save money or increase the affordability of the Act, it may be possible to increase government spending in areas which have wider benefits for the UK.

To summarise, the particular issues with the Act were found to be that the Act was:
- Difficult to understand;
- Difficult for individuals and the Police to comply with consistently;
- Out of date, e.g. the exclusion of vehicles;
- Not reflecting the modern day insurance market;
- Unpredictable in cost; and
- Potentially unaffordable.

C. Objectives

The objectives are to:
- To produce a modernised piece of legislation to replace the Act and to clarify which losses individuals and businesses can claim for in the event of a riot;
- Ensure arrangements are put in place to resolve claims under the Act quickly. Reducing the bureaucracy of the processes so that it is easier to understand and comply with.
- Protect the most vulnerable in society from the damages incurred in riots. This includes the uninsured, underinsured, small businesses and any others who may be unable to meet the costs of making good riot damages.
- Discourage greater levels of under insurance than already present in society.
- Increase the affordability of the Act on the public purse, by limiting the financial liability on the Government and the Police.

D. Options

Option 4 is the preferred option, as it satisfies all the objectives of the policy, except for considering affordability on the public purse.

Option 1 is to “Do Nothing”; make no changes to legislation and leave the current Act in place.

Option 2 is to repeal the Act and not replace it. This will simplify the options available to people in the aftermath of a riot. Individuals would be responsible for ensuring that they would repair any damages, this could be through personal financing, or through insurance.

Option 3 is to repeal the Act and replace it with new legislation. This legislation will provide an update of the Act and its processes. It will restrict the ability of some businesses to claim for damages under the Act. These changes are broadly in line with the recommendations made by the independent reviewer but include an amendment to recommendations 6 (local governments) and 20 (declaration of a riot area), as well as not including recommendation 16 (to replace items on a new for old basis). These process changes will simplify the claims system, claims handling and the decisions made, whilst also limiting Government liability and reducing the effective subsidy of riot damages for insurers.

Option 4 is to repeal the Act and replace it with new legislation. This is an extension of option 3 and includes recommendation 16, to provide cover on a new for old basis, as well as introducing an “excess” payments scheme.

Option 1 is expected to be cost neutral, whilst Options 2 and 3 will both have a net cost to business and hence create a regulatory IN. Option 4 presents a cost saving to business and is deemed to be a zero net cost.

E. Appraisal (Costs and Benefits)

GENERAL ASSUMPTIONS & DATA

- The size of a riot has been split in to three categories. The first is large scale, similar to those in 2011 or the Brixton riots in the 1980s. According to data from forces, regarding the 2011 riots, there were a total of 1,712 legitimate claims and it has been assumed that a large scale riot would have on average 2000 claims. The second size is a bureau scale riot. This is still relatively large, and may spread across more than one PCC area. It has been assumed that a riot which requires the use of a bureau (under options 3 and 4) would have on average 500 claims. The final size is small scale which is expected on average to generate 50 claims. These sizes are based on discussions with the Police regarding when it may be necessary to move to a more central management of riots claims. All calculations take into account the varying sizes of riots that are anticipated.
- Under the proposed changes a large business for this piece of legislation is intended to be one with an annual turnover of more than £2m. This figure was recommended by the Independent Reviewer and was set with reference to EU and UK company law. The data currently available does not allow us to calculate exactly how many businesses, which claimed in 2011, had a turn over of greater than £2.00m. Instead we have assumed that any chain or group of businesses are considered to be "large" (greater than £2m annual turnover), other businesses are considered to be "small" and non-business claims were domestic. Using this and data from the Metropolitan Police, about the 2011 riots, it suggests that 19% of claims were domestic, 46% were from small businesses and 35% were from large businesses. These proportions are assumed to be representative of all claims that were placed following the 2011 riots, as the majority of claims were made to the Metropolitan Police. The proportional split of small and large business as well as individual claims has been applied to calculate the impact of this policy on businesses and applied to all type of riots. This is an assumption based on the best evidence we have. The riots in 2011 may not be fully representative of all riots, some may focus less on targeting large stores and so fewer claims may be from large businesses and more from smaller firms or individuals. It is true that riots vary and are somewhat unpredictable so it is unclear how credible this assumption will be.
- Using these data, the number of claims can be broken down to show the number of claims from varying groups. This is shown in table 1.

Table 1 – Number of claims from claimant types

Riot size	Total Number of claims anticipated	Claimant type		
		Large business (35%)	Small business (46%)	Individuals (19%)
		Number of claims		
Large	2,000	696	917	387
Bureau	500	174	229	97
Small	50	17	23	10

- The likelihood of a riot occurring has been based on reports of the number of riots over a 10 year period from 2002 to 2011. This suggested that over the 10 years there were 11 riots. Of these, only one riot, that in 2011, was deemed to be large scale. Another riot was large enough for a bureau to be implemented (under options 3 and 4). The other 9 riots were smaller scale and would probably be confined to a single PCC area. This suggested large scale riots happen with a frequency of 0.1 a year, Bureau scale riots with a frequency of 0.1 a year and small scale riots with a frequency of 0.9 a year. Values presented in this impact assessment reflect the frequency that riots of different sizes are anticipated.
- The Metropolitan Police data also provided indications of the approximate value of each type of claim (domestic, small business and large business). Domestic claims were on average £32,500, small business claims were £83,276 and large business claims were on average £62,721. These values are assumed to be representative of all claims that were placed following the 2011 riots, as the majority of claims were made to the Metropolitan Police. The costs of different claim types have helped to identify the extent of costs on business.
- Data from the four Police forces which dealt with the majority of claims following the 2011 riots indicate that 77% of claims were insured, whilst 23% of claims were uninsured. This has been used to identify which "individual" claims would actually be paid to insurers on behalf of policy

holders. When claims are paid to insurers, any changes to these payments would be an impact on business, rather than individuals.

- All salaries quoted in the calculations include a non wage element of 16.4% as used by the Department for Business, Innovation and Skills. It has also been assumed that there are 5 working days each week. For the police staff calculations as we initially had average annual salary (derived from CIPFA data), we have additionally assumed that individuals work 220 days each year. The assumption on annual working days may be low for private sector firms and may result in underestimates of the daily salary in the private sector, however this only effects the Insurance industry salaries. It is not expected that any underestimation will have a significant effect on the impacts presented in this assessment. These data and assumptions are used to give an approximate daily wage (and non-wage element) for each group considered in this impact assessment. Details of this can be found in table 2.

Table 2 – Salary adjustment for non-wage element

Group	Annual Salary (2011)	Salary with non-wage element (additional 16.4%)	Daily salary with non-wage element (220 working days in a year)
Insurance industry excluding life insurance (ASHE 2011)	£27,589	£32,114	£146
Police Staff (CIPFA 2011/12)	£36,050	£41,962	£191
Public Administration and social security (ASHE 2011)	£28,545	£33,226	£151

<u>OPTION 2 – Repeal the RDA and do not replace it</u>

COSTS

This will incur costs to businesses and the public, with a particular impact on insurers.

Unlike the current situation no party would be eligible to receive payments from the Police for damages caused in riots. The full withdrawal of these payments is expected to cost businesses and individuals £19.6m on average annually or a total present value cost over ten years of £182.2m.

Of this, there is an average annual cost to uninsured individuals of £0.4m, this gives a present value cost over ten years to uninsured individuals of £4.0m. Detailed calculations can be found in Annex A, Table 1.

Uninsured businesses would also face a direct impact. It is expected that the withdrawal of compensation will have an average annual cost to uninsured businesses of £4.1m. The present value cost to uninsured businesses over the ten years appraised is £38.0m. Detailed calculations can be found in Annex A, Table 2.

It is not anticipated that there will be widespread changes to the insurance industry so it is expected that Insurers will still provide coverage for both business and domestic policies in the events of riots. The total cost to insurers is expected to be on average £15.1m annually, this is made up of the cost related to insured individuals £1.4m on average annually, detailed calculations in annex A table 3, and the cost related to insured businesses £13.7m on average annually, detailed calculations in annex A table 4. In total there is a present value cost to insurers of £140.3m over ten years.

With the removal of the Act it is possible that there will be some indirect costs. The ABI has indicated that if the current legislation were to become any less generous, insurers may have to increase the premiums that individuals and businesses pay, to reflect the true cost of riot damages. As the legislation does not dictate that insurers must pass on any additional costs they face such changes would be an indirect cost and so have not been quantified in the impact assessment, but the implications of this have been considered.

The will be further costs to business, associated with those businesses who were hired by the Government to handle claims on a large scale. In the riots of 2011 claims management companies were hired by the Government to process claims under the Act. These firms will not be required in the event of large scale riots and so will not have to provide services or be paid for these services. The cost of running the bureau following the 2011 riots was £0.5m, this was for the processing of 1,712 claims so there was an average cost per claim of £266. To adjust this for large scale riots of 2000 claims, the cost of running a bureau would amount to just over £0.5m. Such a cost would only be incurred when there is a large scale riot, or once every ten years. This gives an average cost per year of just £0.05m which amounts to a present value cost of £0.5m over ten years.

The overall costs of this option are shown in table 3.

Table 3 – Costs of Option 2

Affected Group	One Off Costs	Average Annual Costs	Present value Costs (over ten years)
Businesses	£0.0m	£19.2m	£178.7m
Public Sector	£0.0m	£0.0m	£0.0m
Individuals	£0.0m	£0.4m	£4.0m
Total	£0.0m	£19.6m	£182.7m

BENEFITS

This option will only produce benefits to government.

The largest benefit will be the saving to Government from the removal of the ability to claim under the Act, meaning that no payments will be made. The full withdrawal of these payments is expected to save Government £17.78m on average annually or a total present value saving over ten years of £165.65m. Details of this calculation can be found in Annex A in table 5.

The will be further savings to Government, as with no Act in place for compensation in the event of riots, there will be no need to hire firms to process claims or adjust claims as necessary. The cost of running the bureau following the 2011 riots was £0.5m, this was for the processing of 1,712 claims so there was an average cost per claim of £266. To adjust this for large scale riots of 2000 claims, the saving of not running a bureau would amount to just over £0.5m. Such a saving would only be incurred when there is a large scale riot, or once every ten years. This gives an average saving per year of just £0.05m which amounts to a present value benefit of £0.5m over ten years.

There is a non monetised benefit relating to the costs of handling claims on a smaller scale within PCC's or MOPAC's offices. There will be no need for small scale handling processes to be put in place in the aftermath of a riot. This is currently not monetised as estimates vary widely. It is not anticipated to be a large annual saving and so will have a limited impact on the appraisal of this option. We will seek to refine this further during the consultation period.

There are also some un-quantified benefits associated with this option. The removal of the Act and the bureaucracy that accompanies it will make it more obvious where everyone stands in the aftermath of a riot. In the riots of 2011, the Metropolitan Police rejected 528 claims which were submitted when the claim did not actually qualify for payments under the Act. With the removal of the Act no-one would be able to claim, this would mean that anyone affected could progress with making reparations without having to find out if they qualified for payments.

The overall benefits of this option are shown in table 4.

Table 4 – Benefits of Option 2

Affected Group	One Off Benefits	Average Annual Benefits	Present value Benefits (over ten years)
Businesses	£0.0m	£0.0m	£0.0m
Public Sector	£0.0m	£19.6m	£182.7m
Individuals	£0.0m	£0.0m	£0.0m
Total	£0.0m	£19.6m	£182.7m

Given the present value costs of this option (£182.7m) and the present value benefits (£182.7m), the net present value of this option is £0m. There is not expected to be any additional monetised impact of this option on society.

ONE-IN-TWO-OUT (OITO)

COSTS (INs)

Businesses no longer able to claim under the Act will face costs. As detailed above this has an impact on insurers of £15.1m annually on average and a present value cost of £140.3m over ten years. Other uninsured businesses are expected to face additional costs of £4.1m each year on average from no longer being compensated under the Act; this has a present value cost of £38.0m over ten years .

Businesses which have previously been hired to handle claims under the Act would no longer receive this business, although it expected to be a small impact at only £0.05m annually on average. The present value cost over ten years is expected to be £0.5m.

BENEFITS (OUTs)

There are no OUTs to business under this option.

NET

The net cost to business is £178.8m over a period of 10 years. This gives an equivalent annual net cost to business of £19.0m. The policy is a NET IN.

OPTION 3 – Repeal the RDA and replace with a modernised Act which clarifies what is covered under legislation and implements most independent recommendations

COSTS

Costs under this option will have effects on individuals, Large businesses, Insurers, Central Government, Local Government and the Police. The costs have been broken down into those relating to specific recommendations, as put forward by the independent review.

Recommendation 4 - a riot claims bureau is developed by agreement between the Home Office and the insurance industry, to be staffed by experts in claims handling and loss adjusting drawn from several companies, to be ready to start work immediately after a riot, with delegated power to decide claims.

This recommendation will have a number of costs. The first would be negotiation over the size and make up of the bureau, these costs would fall on Insurers, Loss Adjustors and the Government, however these costs have not been quantified as they are likely to be small.

Once negotiations have concluded, there will be a cost to Government of retaining the personnel for a bureau; this cost will be related to the full cost of running a bureau. In 2011, the cost of running the bureau was £0.5m for a total of 1,712 claims. This produces an average cost of processing each claim of £266. This average cost per claim was used to calculate the costs of running a bureau for large scale riots of 2,000 claims and bureau scale riots of 500 claims. These costs are then averaged over the ten years in line with the frequency of riots. Full details of this calculation can be found in Annex A, table 6. It is then assumed that the retainer will cost government 10% of the full cost, however this is liable to change as it would be the product of negotiations. The retainer cost to government is £0.01m on average annually. The present value cost to government is anticipated to be £0.1m over ten years.

The cost of running the bureau will be incurred by those businesses who are retained to do so. As explained above and in Annex A, table 6, the running costs of the bureau are predicted to amount to £0.07m on average each year. The present value cost to the businesses is £0.6m over ten years.

The riot claims bureau will only be implemented following riots of a certain size. For other riots there will be a PCC model that is run, in a similar manner to currently. As a result there is expected to be no additional cost of the PCC model.

Table 5 – Costs of Recommendation 4

Affected Group	One Off Costs	Average Annual Costs	Present value Costs (over ten years)
Businesses	£0.0m	£0.07m	£0.6m
Public Sector	£0.0m	£0.01m	£0.1m
Individuals	£0.0m	£0.00m	£0.0m
Total	£0.0m	£0.07m	£0.7m

Recommendation 5 - a manual is prepared as soon as practicable to provide guidance on the type of claims that are likely to follow a riot, dealing with claimants unused to making claims and other issues.

There are also a number of costs associated with this recommendation. The first is the cost of writing the manual. This cost has not yet been quantified as it will vary with the levels of recommendations which are progressed forward in legislation.

There will be a cost to those Insurers and Loss Adjustors who are retained to run the riot claims bureau, this will be a cost in time taken to read and understand the manual. It has been estimated that 100 members of the insurance industry will need to familiarise themselves with this manual, in order to be prepared for the implementation of a bureau. If it takes them half a day to familiarise themselves, the cost of this time to their employers could be thought of as half a days salary for 100 employees. A day's salary (table 2) was calculated at £146, with half a daily salary being £73. It would be expected to cost insurers £7,300 as a one off cost.

Similarly there will also be a one off transition cost to the Police of time that must be taken to read and understand the manual. It is assumed that 5 police staff in each of the 43 forces will need to be trained to undertake this task and it is again assumed that it will take half a day to do so. The daily salary of Police staff was estimated to be £191, with a half day salary of £95. If 215 Police staff undertake this then the one off cost to the Police will be £20,500.

Table 6 – Costs of Recommendation 5

Affected Group	One Off Costs	Average Annual Costs	Present value Costs (over ten years)
Businesses	£0.01m	£0.0m	£0.01m
Public Sector	£0.02m	£0.0m	£0.02m
Individuals	£0.00m	£0.0m	£0.00m
Total	£0.02m	£0.0m	£0.02m

Recommendation 6 - local authorities should be asked to include within their emergency plans planning for a riot-recovery service to provide coordinated advice and support for the range of problems that may follow a riot targeted on those most in need of such support and available for as long as it is needed.

This recommendation has been adapted from that which the independent reviewer put forward. Rather than requiring Local Governments to include planning for riot-recovery services in their emergency plans it has been suggested that a half day training course should be provided through the Emergency Planning College, the cost of attending this course will be covered by the Home Office.

It is anticipated that 10% of all staff in public administration and social security may require this training and that it may need to be refreshed on a regular basis every two years. The Annual Survey of Hours and Earnings (2011) suggests that there are 1,103 workers in this area, so 10% would be 110 members of staff that require training. The Emergency planning college offers two day courses which have a cost of £795, but this training in particular is expected to take just half a day, so the course cost would be a quarter of the two day cost, £199. The total cost of sending all 110 individuals on this course would be £22,000, but it is expected that this will be refreshed every two years. Given this the average annual cost is £11,000 with a present value cost over 10 years of £0.1m.

Even though the Home Office will meet the cost of the course, there will be an opportunity cost to local Government, as staff attending this course will not be able to conduct other work on that half day. The average daily salary in the industry is £151, with a half day salary of £76. The cost for 110 staff member to attend a half day course would be £8,300, but on average as this is refreshed every two years rather than every year, the cost would be £4,150. The present value cost of this will be £0.04m over ten years.

Table 7 – Costs of Recommendation 6

Affected Group	One Off Costs	Average Annual Costs	Present value Costs (over ten years)
Businesses	£0.0m	£0.00m	£0.00m
Public Sector	£0.0m	£0.02m	£0.14m
Individuals	£0.0m	£0.00m	£0.00m
Total	£0.0m	£0.02m	£0.14m

Recommendation 2 – that insurers should continue to receive compensation under new legislation but that their compensation should be capped.

Recommendation 8 – cap compensation payable to insurers in future by reference to the turnover of the business insured, so that compensation is payable only in respect of payments made to small businesses.

Recommendation 10 - apply the cap to compensation payable directly to victims of riots, that is to those who are uninsured, or to businesses which self-insure, and to excesses which are not covered by insurance.

These recommendations refer to the capping of payments to those businesses whose turnover is greater than £2.00m. Estimates of this are currently based on the assumption that any chain or group of businesses will have a turnover greater than £2.00m whilst independent businesses will not.

It is expected that insurers, claiming on behalf of insured businesses will no longer receive payments from the Police of £5.0m each year on average. The present value cost of this for the ten year appraisal period is £46.2m. The full details of this are explained in Annex A, table 7.

Recommendation 10 would affect those businesses that were un-insured; these businesses will lose out on payments from the police amounting to £1.48m on average annually. The present value cost of this for the ten year appraisal period is £13.81m. The full details of this are explained in Annex A, table 8.

Table 8 – Costs of Recommendation 2, 8 and 10

Affected Group	One Off Costs	Average Annual Costs	Present value Costs (over ten years)
Businesses	£0.0m	£6.4m	£60.0m
Public Sector	£0.0m	£0.0m	£0.0m
Individuals	£0.0m	£0.0m	£0.0m
Total	£0.0m	£6.4m	£60.0m

Recommendation 12 – new legislation should include cars and other vehicles within the scope of compensation.

The ABI estimated that 107 vehicle claims were submitted in the aftermath of the 2011 riots, there were 90 claims from individuals totalling damage of £192,000 and 17 claims from businesses with a total cost of £85,000. The anticipated numbers of claims have been based on these and can be found in Annex A, table 9. These costs have been adjusted to reflect the fact that the Government intends to provide only the equivalent of third party fire and theft claims for any vehicle damaged. The adjustment applied is that these claims could cost 80% of the total value of claims. The cost to government for individuals vehicles is £26,000 on average annually (Annex A, table 10), whilst the cost to government of compensation for business vehicles is £12,000 (Annex A, table 11). The total average annual cost to government of this recommendation is £38,000, with a present value cost over ten years of £0.35m.

Table 8 – Costs of Recommendation 12

Affected Group	One Off Costs	Average Annual Costs	Present value Costs (over ten years)
Businesses	£0.0m	£0.00m	£0.0m
Public Sector	£0.0m	£0.04m	£0.35m
Individuals	£0.0m	£0.00m	£0.0m
Total	£0.0m	£0.04m	£0.35m

Extended time periods

Outside of the independent reviewers recommendations we intend to extend the time period under which claims can be submitted to a total of 42 days for submitting a claim and 90 days for submitting supporting information for the claim. This may enable more claims to be submitted. In the 2011 riots, the Metropolitan Police received 59 claims that were out of the time period for submission. These claims were rejected, but they and similar out of time claims could be accepted under this proposal.

The Metropolitan police received 59 claims that were out of time in 2011. The Metropolitan Police's share of rejected claims was 77% (from force data). This implies that the total number of out of time claims in 2011 was 77 (59 claims divided by 77%). Adjusting this so that it is in line with the sizes of riots we are considering, it suggests that there would be 90 out of time claims in a large scale riot, 22 out of time claims in a bureau scale riot, and 2 claims in a small scale riot. However some of these will be from large firms, which would not qualify for compensation. The breakdown can be seen in table 9.

Table 9 – Expected extended time claims

Riot size	Total Number of out of time claims anticipated	Claimant type		
		Large business (35%)	Small business (46%)	Individuals (19%)
		Number of claims		
Large	90	32	41	17
Bureau	22	8	10	4
Small	2	1	1	0

The costs of compensating small businesses for these extended time claims is expected to be £0.5m on average annually (Annex A table 12) and the costs of compensating individuals is £83,000 on average (Annex A table 13). The total average annual cost to government would be £0.6m with a present value cost of £5.5m over ten years.

Table 10 – Costs of extended time claims

Affected Group	One Off Costs	Average Annual Costs	Present value Costs (over ten years)
Businesses	£0.0m	£0.0m	£0.0m
Public Sector	£0.0m	£0.6m	£5.5m
Individuals	£0.0m	£0.0m	£0.0m
Total	£0.0m	£0.0m	£0.0m

Recommendation 16 – new legislation should provide for compensation to be paid in future on the basis of the replacement value of the property damaged, not indemnity (except in the case of vehicles).

Under this option it is not planned for the government to increase compensation from indemnity to a level in line with new for old compensation.

Table 11 – Costs of Option 3

Affected Group	One Off Costs	Average Annual Costs	Present value Costs (over ten years)
Businesses	£0.01m	£6.5m	£60.6m
Public Sector	£0.02m	£0.6m	£6.0m
Individuals	£0.00m	£0.0m	£0.0m
Total	£0.02m	£7.2m	£66.7m

BENEFITS
Benefits under this option will have effects on individuals, businesses, Insurers, Central Government, Local Government and the Police. The benefits have been broken down into those relating to specific recommendations, as put forward by the independent review.

Recommendation 2 – that insurers should continue to receive compensation under new legislation but that their compensation should be capped.

Recommendation 8 – cap compensation payable to insurers in future by reference to the turnover of the business insured, so that compensation is payable only in respect of payments made to small businesses.

Recommendation 10 - apply the cap to compensation payable directly to victims of riots, that is to those who are uninsured, or to businesses which self-insure, and to excesses which are not covered by insurance.

Limiting compensation rights will result in a saving to government, as claims from larger companies will no longer need to be met. This presents a saving of £6.4m on average each year to government. The saving to government is the equivalent of the cost to business of these three recommendations and therefore Annex A tables 7 and 8 explain how the figure has been reached. The present value benefit of this to government will be £60.0m over ten years.

Table 12 – Benefits of Recommendation 2, 8 and 10

Affected Group	One Off Benefits	Average Annual Benefits	Present value benefits (over ten years)
Businesses	£0.0m	£0.0m	£0.0m
Public Sector	£0.0m	£6.4m	£60.0m
Individuals	£0.0m	£0.0m	£0.0m
Total	£0.0m	£6.4m	£60.0m

Recommendation 4 - a riot claims bureau is developed by agreement between the Home Office and the insurance industry, to be staffed by experts in claims handling and loss adjusting drawn from several companies, to be ready to start work immediately after a riot, with delegated power to decide claims.

This will see Insurers and Loss Adjustors receiving payments from Government or the relevant PCCs for the role they play in the bureau. This benefit to business is equal to the cost incurred on Government of retaining such a bureau. In 2011, the cost of running the bureau was £0.5m for a total of 1,712 claims. This produces an average cost of processing each claim of £266. This average cost per claim was used to calculate the costs of running a bureau for large scale riots of 2,000 claims and bureau scale riots of 500 claims. These costs are then averaged over the ten years in line with the frequency of riots. Full details of this calculation can be found in Annex A, table 6. It is then assumed that the retainer will be 10% of the full cost of running a bureau, however this is liable to change as it would be the product of negotiations. The benefit of the retainer to Loss adjustors and insurers is £0.01m on average annually. The present value benefit to business is anticipated to be £0.1m over ten years.

Table 13 – Benefits of Recommendation 4

Affected Group	One Off Benefits	Average Annual Benefits	Present value Benefits (over ten years)
Businesses	£0.0m	£0.01m	£0.1m
Public Sector	£0.0m	£0.00m	£0.0m
Individuals	£0.0m	£0.00m	£0.0m
Total	£0.0m	£0.01m	£0.1m

Recommendation 5 - a manual is prepared as soon as practicable to provide guidance on the type of claims that are likely to follow a riot, dealing with claimants unused to making claims and other issues.

Recommendations 5 does not produce any quantifiable benefits but it is thought that there will be time savings to PCCs, Insurers, Loss Adjustors and individuals from the implementation of a manual detailing the allowances in new riots legislation. Having a manual, which clearly sets out these allowances in an easy to understand way, will enable businesses and individuals to respond to riot damages in the correct manner.

Recommendation 6 – local authorities should be asked to include within their emergency plans planning for a riot-recovery service to provide coordinated advice and support for the range of problems that may follow a riot targeted on those most in need of such support and available for as long as it is needed.

Recommendation 6 again has no benefits which are quantifiable. Although training will be provided to local government workers, it will be at the discretion of local governments what support they choose to provide in the aftermath of a riot. It is hoped that the training offered will enable them to produce an enhanced response to riots and that the wider public will benefit from this response.

Recommendation 12 – new legislation should include cars and other vehicles within the scope of compensation.

Recommendation 12, which provides for compensation for vehicle damage, will enable businesses and individuals to reclaim these costs in line with third party fire and theft insurance. The ABI estimated that 107 vehicle claims were submitted in the aftermath of the 2011 riots, there were 90 claims from individuals totalling damage of £192,000 and 17 claims from businesses with a total cost of £85,000. The anticipated numbers of claims have been based on these and can be found in Annex A, table 9.

The benefits of this option have been adjusted to reflect the fact that the Government intends to provide only the equivalent of third party fire and theft claims for any vehicle damaged. The adjustment applied is that these claims could cost 80% of the total value of claims.

The benefit to individuals of this recommendation is £26,000 on average annually (Annex A, table 12), and the present value to individuals over ten years would be £0.2m.

The benefit of compensation for business vehicles is £12,000 on average annually (Annex A, table 13). This has a present value benefit to business of £0.1m.

Table 13 – Benefits of Recommendation 12

Affected Group	One Off Benefits	Average Annual Benefits	Present value Benefits (over ten years)
Businesses	£0.0m	£0.01m	£0.1m
Public Sector	£0.0m	£0.00m	£0.0m
Individuals	£0.0m	£0.03m	£0.2m
Total	£0.0m	£0.04m	£0.4m

Extended Time Periods

The proposed extension of the application period will mean that a number of businesses and individuals whose claims were submitted too late to be considered under the Act will now be covered by new riots legislation. Data from the metropolitan Police force suggested that when it came to out of time claims, only 47% of these claims were insured rather than 77% of in time claims. This percentage has been used when calculating the cost to insurers. It is expected that Insurers will be eligible to receive an additional £0.3m every year on average on behalf of those small businesses and individuals with insurance but late claims (Annex A table 14). The present value benefit of this to insurers is expected to be £2.6m over ten years.

Uninsured small businesses are expected to receive £0.4m annually, on average, from the introduction of this proposal (Annex A table 15). The present value benefit to uninsured businesses is expected to be £2.5m over ten years.

Individuals without insurance are anticipated to receive £0.04m on average every year (Annex A table 16). The present value benefit to uninsured individuals is expected to be £0.4m over ten years.

Table 14 – Benefits of extended time

Affected Group	One Off Benefits	Average Annual Benefits	Present value Benefits (over ten years)
Businesses	£0.0m	£0.5m	£4.9m
Public Sector	£0.0m	£0.0m	£0.0m
Individuals	£0.0m	£0.04m	£0.4m
Total	£0.0m	£0.6m	£5.3m

Recommendation 16 – new legislation should provide for compensation to be paid in future on the basis of the replacement value of the property damaged, not indemnity (except in the case of vehicles).

There is no proposed change in line with recommendation 16 under this option.

Table 15 – Benefits of Option 3

Affected Group	One Off Benefits	Average Annual Benefits	Present value Benefits (over ten years)
Businesses	£0.0m	£0.6m	£5.2m
Public Sector	£0.0m	£6.4m	£60.0m
Individuals	£0.0m	£0.07m	£0.7m
Total	£0.0m	£7.1m	£65.9m

Given the present value costs of this option (£66.7m) and the present value benefits (£65.9m), the net present value of this option is £-0.79m. There is expected to be a negative monetised impact from this option.

ONE-IN-TWO-OUT (OITO)

<u>Costs (INs)</u>

There are significant INs under this option, they amount to an Equivalent Annual Costs to Business of £6.5m.

The first and most significant IN is the restriction on businesses with turnover of more than £2m being able to submit claims. This amounts to £6.4m between insurers and uninsured businesses on average each year. This is a present value cost of £60.0m. Looking in more detail as to where this will fall, £5.0m of the average annual cost will be faced by insurers or a present value cost of £46.2m.

Another large cost will be that of running the riot claims bureau should it be necessary. This is estimated at £0.07m annually on average or a present value cost of £0.6m. Again this will largely fall on Insurers and Loss Adjustors that are retained to be part of the bureau. The costs of reading and understanding a manual on the new riots legislation will also be a very small transitional cost, amounting to a present value cost of £0.01m.

Benefits (OUTs)
As well as INs, this option produces some OUTs or savings for businesses with an equivalent annual benefit to business of £0.6m. This is partially a redistribution of the INs, although it is not possible to allocate this precisely.

A small benefit will go to those who submit claims too late for consideration under the current RDA. This will produce payments to small businesses of £0.36m and insurers of £0.3m on average each year. The present value benefits are £2.5m to small businesses and £2.6m to insurers.

Another benefit will be the compensation available for business vehicles which are damaged. It is not anticipated that this will effect a large number of vehicles but there would be on average be payments of £0.01m to businesses annually from this recommendation with a present value benefit over ten years of £0.1m.

There are other benefits to businesses, Insurers and Loss Adjustors who are retained to run a bureau will receive a payment for doing so although it is not expected to be a large amount at just £0.01m annually on average with a present value benefit of £0.06m.

NET
The net present cost to business is £55.42m over a period of 10 years. This gives an equivalent annual net cost to business of £5.90m. The policy is a NET IN.

OPTION 4 – Repeal the RDA and replace with a modernised Act which clarifies what is covered under legislation and implements all independent recommendations

COSTS
This option is largely the same as Option 3. For this reason the costs which are the same are not replicated here. There are further costs to this option over the costs presented in Option 3. These costs relate to recommendation 16, the implementation of new for old and the introduction of excess payments.

Recommendation 16 – new legislation should provide for compensation to be paid in future on the basis of the replacement value of the property damaged, not indemnity (with certain exceptions, including the case of vehicles).

The Government intends to introduce payments on a new for old basis, rather than indemnity as is currently provided, in line with recommendation 16. Data provided by Greater Manchester Police indicated that on average (across 47 claims) the replacement values of the claims were 1.53 times greater than the indemnity cost of the claims. Applying this value to the claims that would be compensated as "in-time" claims, amounts to an additional cost of £6.9m on average annually for the Government. This calculation is detailed in Annex A table 17. The present value cost of this is anticipated to be £64.5m.

However, new for old will also need to be offered for those claims which would be deemed "out-of-time" under current legislation but would now be captured as "in-time" claims. These claims would add additional costs of £0.3m each year on average to government, as detailed in Annex A table 18. The present value cost of this is anticipated to be £2.9m.

Table 16 – Costs of Recommendation 16

Affected Group	One Off Costs	Average Annual Costs	Present value Costs (over ten years)
Businesses	£0.0m	£0.0m	£0.0m
Public Sector	£0.0m	£7.2m	£67.4m
Individuals	£0.0m	£0.0m	£0.0m
Total	£0.0m	£7.2m	£67.4m

Excess Payments
There is also a proposal that claimants under the new riots legislation should pay an excess of £100 per claim that they present. This will produce additional costs which will vary dependent on the implementation of other recommendations.

With no extension to the time period for applications, i.e. for "in-time", excess payments will cost business £0.01m on average annually for property claims (Annex A table 19). The present value cost to business will be £0.1m over ten years.

For business vehicle claims there will be additional costs of just under £300 each year on average (Annex A table 20). The present value cost to business will be £2,720 over ten years.

For those out of time claims, businesses will face costs of just over £600 annually on average (Annex A table 21). The present value cost to business will be £5,621 over ten years.

For individuals, if there is no extension to the time frame for claims there will be additional costs of £0.01m every year on average (Annex A table 22). The present value cost to business will be £0.05m over ten years.

Vehicle claims from individuals will generate excess payments of just over £1,500 on average annually as a cost on individuals (Annex A table 23). The present value cost to business will be £0.01m over ten years.

For those individuals with out of time claims the excess will be additional costs of just over £250 each year on average (Annex A table 24). The present value cost to business will be £2,371 over ten years.

Table 17 – Costs of Excess payments

Affected Group	One Off Costs	Average Annual Costs	Present value Costs (over ten years)
Businesses	£0.0m	£0.01m	£0.13m
Public Sector	£0.0m	£0.00m	£0.00m
Individuals	£0.0m	£0.01m	£0.07m
Total	£0.0m	£0.02m	£0.20m

The total costs associated with these recommendations and those recommendations presented under Option 3, result in a total present value cost of £134.27m.

Table 18 – Costs of Option 4

Affected Group	One Off Costs	Average Annual Costs	Present value Costs (over ten years)
Businesses	£0.01m	£6.52m	£60.77m
Public Sector	£0.02m	£7.88m	£73.44m
Individuals	£0.00m	£0.01m	£0.07m
Total	£0.02m	£14.4m	£134.28m

BENEFITS
Similar to the costs, the benefits of this option are largely the same as those presented for Option 3. For this reason the benefits which are the same are not replicated here. There are further benefits to this option over those presented in Option 3. These benefits relate to recommendation 16, the implementation of new for old and the introduction of excess payments.

Recommendation 16 – new legislation should provide for compensation to be paid in future on the basis of the replacement value of the property damaged, not indemnity (with certain exceptions, including the case of vehicles).

A change from providing compensation on an indemnity basis to providing compensation on a new for old basis will present a number of benefits to small businesses, Insurers and individuals. The additional benefit provided under new for old has been calculated by comparing a sample of initial claims to the amount that these claims were settled for. It suggests that new for old compensation is 1.53 times the amount of indemnity compensation. From this estimate it is expected that the payments claimed by insurers for "in-time" claims will increase, so insurers will receive on average an additional £5.33m each year. Details of this can be found in Annex A, table 25. The present value benefit of this will be £49.67m over ten years.

There will be further payments to insurers of £0.24m, on average each year, for claims which are deemed "out-of-time" under the current Act, details are in Annex A table 26. The present value benefit of this will be £2.22m over ten years.

Uninsured small businesses would similarly receive an average additional £1.37m each year for in time claims, Annex A, table 27. The present value benefit of this will be £12.75m over ten years.

Uninsured small businesses would receive £0.06m each year for those claims currently deemed out of time, Annex A, table 28. The present value benefit of this will be £0.57m over ten years.

Finally uninsured individuals are expected to receive an additional £0.23m on average every year for in time claims, Annex A, table 29. The present value benefit of this will be £2.10m over ten years.

Uninsured individuals would receive £0.01m for out of time claims over the same period, Annex A table 30. The present value benefit of this will be £0.09m over ten years.

Table 19 – Benefits of Recommendation 16

Affected Group	One Off Benefits	Average Annual benefits	Present value Benefits (over ten years)
Businesses	£0.0m	£7.0m	£65.2m
Public Sector	£0.0m	£0.0m	£0.0m
Individuals	£0.0m	£0.2m	£2.2m
Total	£0.0m	£7.2m	£67.4m

Excess Payments

The matter of an excess payment of £100 for every claim that is submitted is expected to generate an income to Government which varies dependent on the recommendations which are implemented.

Excess payments from businesses and individuals for property damage that is currently claimed in time is anticipated to amount to just £0.02m each year on average. This is in line with Annex A tables 19 and 22. The present value benefit of this is £0.18m over ten years.

For those property claims currently out of time the benefit to government is expected to be on average just over £850 each year. This is in line with Annex A tables 21 and 24. The present value benefit of this is £7,992 over ten years.

For vehicle claims, the excess payments would amount to under £1,850 on average each year. The details of this are in Annex A tables 21 and 23. The present value benefit of this is £0.02m over ten years.

These excess payments go some way towards making a contribution to the additional costs that the Government faces.

Table 20 – Benefits of Excess payments

Affected Group	One Off Benefits	Average Annual Benefits	Present value Benefits (over ten years)
Businesses	£0.0m	£0.00m	£0.0m
Public Sector	£0.0m	£0.02m	£0.2m
Individuals	£0.0m	£0.00m	£0.0m
Total	£0.0m	£0.00m	£0.0m

The benefits associated with these two recommendations and those presented under option 3 will result in a total present value benefit of £133.47m. The present value benefits to Businesses total £70.41m, with £54.53m of this falling to Insurers. There is a present value benefit for individuals of £2.84m and the present value benefit to Government is £60.22m.

Table 21 – Benefits of Option 4

Affected Group	One Off Benefits	Average Annual Benefits	Present value Benefits (over ten years)
Businesses	£0.0m	£7.6m	£70.4m
Public Sector	£0.0m	£6.5m	£60.2m
Individuals	£0.0m	£0.3m	£2.8m
Total	£0.0m	£14.3m	£133.5m

Given the present value costs of this option (£134.3m) and the present value benefits (£133.5m), the net present value of this option is £-0.79m. There is expected to be a negative monetised impact from this option.

ONE-IN-TWO-OUT (OITO)

Costs (INs)

There are significant INs under this option, they amount to an Equivalent Annual Costs to Business of £6.5m.

In addition to the costs presented under option 3, there will be an impact of introducing excess payments. This cost is not large and it is anticipated to be no more than £0.01m each year on average for all claims including vehicle claims and property claims made in and out of time. The present value costs of this are anticipated to be £0.13m over ten years.

Benefits (OUTs)

As well as INs, this option produces more OUTs or savings for businesses with an equivalent annual benefit to business of £7.5m. This is partially a redistribution of the INs, although it is not possible to allocate this precisely.

In addition to the benefits presented for option 3, the largest benefit of option 4 will be to small businesses and insurers on behalf of small businesses and individuals. The payment of compensation on a new for old basis, rather than indemnity will bring additional payments of £7.00m on average each year. The present value benefit of this is £65.20m. Nearly £5.57m of the annual benefit goes to insurers with £1.43m going directly to small businesses, from the present value benefit it is £51.88m goes to insurers and £13.32m is to small businesses.

NET

The net present benefit to business is £9.64m over a period of 10 years. This gives an equivalent annual net benefit to business of £1.03m. The policy is a Zero Net Cost.

F. Risks

OPTION 2 – Repeal the Act and do not replace it

The main risk of this option has been identified by insurers, individuals and businesses, through early engagement. It is suggested that without the security of payments under the Act, insurers may need to increase premiums or withdraw cover from areas to reflect the true risk that they would take on with respect to riots. This in turn may lead to businesses being unable or unwilling to establish themselves in areas that are affected most. No evidence can be produced by insurers as to whether this will be the case or to what extent premiums will rise. Anecdotal evidence points to the fact that premiums have risen in areas that have faced riots, and that premiums are still raised from the Toxteth riots in the 1980s. Increases in premiums may not only be caused by riot damages, but may also be linked to a general rise in the level of criminality or damage in areas, which often go hand-in-hand with levels of rioting.

OPTION 3 & 4 – Repeal the Act and replace with a modernised Act which clarifies what is covered under legislation

There is a similar risk with this option as compensation is being removed for some larger businesses. The effect may not be as prevalent as if compensation were removed for all businesses, however there is a possibility that some large businesses may choose not to locate in areas where riots occur due to increased insurance premiums. Again, no evidence has been produced by Insurers as to whether premiums will rise, and any increases could be attributed to other risk factors in the area. Without further information it is impossible to evaluate the extent of this risk.

There is a potential for legal challenge over level at which compensation is restricted. It is possible that a business with turnover just over £2.00m faces a total loss in the aftermath of riots. They could potentially challenge the level at which the cap has been set on a basis that it is arbitrary. Similar problems could arise with those firms on the border of the cap level or those who progress above it and have not made adjustments to their insurance policies.

Sensitivity Analysis

Two of the largest assumptions have been tested for sensitivity. Further sensitivity analysis will be undertaken, following the consultation period, for the final stage impact assessment if it has not been possible to refine the assumptions made.

Proportions of Large businesses

The first of these was that the split of business claims between large and small business as estimated from the Metropolitan Police's data reflects the split which would be dictated by restricting those businesses with turnover greater than £2m from claiming. As we did not have turnover data for those claimants in 2011 it was difficult to estimate the split in line with recommendations 2, 8 and 10. The split used throughout this Impact Assessment was based on chains or groups of firms being deemed "Large" whilst all other businesses were "Small". It is highly likely that this does not accurately reflect turnovers being above or below £2m. Some firms classed as "Small" due to not being a chain may actually have a very large turnover, and so would actually be deemed as "Large" when the policy is implemented, this would increase the proportion of Large businesses. Other firms classed as "Large" as they are part of a recognisable chain may not have turnovers of more than £2m, and so when the policy is implemented may be "Small", this would reduce the proportion of Large businesses.

To demonstrate the sensitivity around this assumption, the changes to costs and benefits of options 3 and 4 have been evaluated for a range of scenarios. As option 2 affects all claimants and not just one size of business it is not necessary to consider the impact on this option.

The first scenario is that 1% of all claims that were estimated to have been from small businesses were actually from large businesses. This changes the proportions so that large businesses made up 36% of claimants and small businesses made up 45% of claimants. There would be no change to the proportion of claimants who were individuals. This scenario is explored in table 22 under the heading "Greater", reflecting the fact that there are a greater number of large business claimants.

The second scenario is that 1% of all claims that were estimated to have been from large businesses were actually from small businesses. This changes the proportions so that large businesses made up 34% of claimants and small businesses made up 47% of claimants. There would be no change to the proportion of claimants who were individuals. This scenario is explored in table 22 under the heading “Fewer”, reflecting the fact that there are fewer large business claimants.

Table 22: Sensitivity Analysis of Assumption on business sizes.

Option	Group	Greater		Fewer	
		Costs	Benefits	Costs	Benefits
3		0.0% NPV		0.0% NPV	
	Net (PV)	2.4%	2.5%	-2.4%	-2.5%
	Businesses (PV)	2.8%	-2.0%	-2.8%	2.0%
	Individuals (PV)	0.0%	0.0%	0.0%	0.0%
	Public Sector (PV)	-1.7%	2.9%	1.7%	-2.9%
4		0.0% NPV		0.0% NPV	
	Net (PV)	0.3%	0.3%	-0.3%	-0.3%
	Businesses (PV)	2.8%	-1.9%	-2.8%	1.9%
	Individuals (PV)	0.0%	0.0%	0.0%	0.0%
	Public Sector (PV)	-1.9%	2.9%	1.9%	-2.9%

The effect of changing the proportions of claimant types has no effect on the overall Net Present Value for either option. This is because many of the costs are simply transfers from the public sector to businesses or from businesses to the public sector. As a result there is no change in the overall impact of the options.

Businesses

The distribution of impacts will be affected by changing the proportions of claimant types. The effect on business of increasing the number of large businesses is that there would be an increase in costs under both options. This is due to the fact that more businesses would be excluded from being able to claim. The benefits of increasing the number of large businesses similarly decrease, as under option 3 fewer businesses are eligible to make claims during the extended time period. In addition to this, under option 4, benefits fall by a greater amount as those additional large businesses will not receive payments on a new for old basis either.

The net impact of these changes is that, when the number of large businesses increases, there will be a greater net present value cost to business under both options. The original net impact on business of option 3 was anticipated to be -£55.4m (NPV), increasing the number of large businesses by 1% increases this cost by 3.3% to -£57.2m (NPV). For option 4 there was originally a net present value benefit of £9.6m (NPV), but increasing the number of large businesses reduces this by 32.0% to £6.5m (NPV).

The effect of decreasing the number of large businesses has an opposite effect. The costs to business of both options will decrease as more businesses will be eligible to claim. Similarly the benefits will also increase with more businesses eligible to submit claims in the extended time period, and for option 4, receive payments on a new for old basis.

The net impact of these changes to business is that, when the number of large businesses decreases, there will be a greater net present value benefit to business under both options. The original net impact on business of option 3 was anticipated to be -£55.4m (NPV), decreasing the number of large businesses reduces this cost by 3.3% to just -£53.6m (NPV). For option 4 there was originally a net present value benefit of £9.6m (NPV), and decreasing the number of large businesses increases this further by 32% to £12.7m (NPV).

Public Sector
As businesses lose from increasing the number of large businesses, an opposite effect is felt by the public sector, whose compensation payments to these businesses fall. This effect is felt under both options. However, as the number of large businesses decrease, in the third scenario, then the costs to government increase and the benefits reduce.

The net effect, of increasing the number of large businesses, to the public sector is that, there will be a greater net present benefit to the public sector under both options. The original net impact on the public sector of option 3 was anticipated to be £54.0m (NPV), increasing the number of large businesses increases this benefit by 3.3% to £55.8m (NPV). For option 4 there was originally a net present value cost of -£13.2m (NPV), and increasing the number of large businesses increases this by 23.4% to -£10.1m (NPV).

The net effect, of decreasing the number of large businesses, to the public sector is that, there will be a greater net present cost to the public sector under both options. Decreasing the number of large businesses reduces the original net benefit associated with option 3 by 3.3% to just £53.6m (NPV). Under option 4, the original net present cost falls further by 23.4% to -£16.3m (NPV).

This sensitivity analysis demonstrates that if there were any change in the assumption over the proportions of large businesses, then there would be no net effect on society but that the distribution of costs and benefits would shift. This may impact the equivalent annual net cost to business and the One In Two Out classification of the policy, depending on how large the change was.

Ratio of new for old
The second assumption tested was that of the ratio of new for old costs to indemnity costs. It was assumed that new for old cost 1.53 times that of the indemnity costs and was based on data from Greater Manchester Police. This was based on a sample of just 47 claims in the 2011 riots, which had 1,712 claims in total. It is possible that the sample, as it is focussed in only one of the forces is not representative of the true ratio of new for old to indemnity which would be felt across England and Wales should rioting occur again.

To demonstrate the sensitivity around this assumption, the costs and benefits of option 4, have been calculated for a range of scenarios. As Options 2 and 3 make no allowance for new for old payments, then it is not necessary to consider the impact on these options.

The first scenario is based on new for old costs being 1% higher than suggested by the sample. This increases the costs of new for old. The ratio of new for old to indemnity costs increases accordingly to 1.54. The costs and benefits of increasing the ratio are recorded in table 23 under the heading "Higher".

The final scenario is based on new for old costs being 10% lower than suggested by the sample. This decreases the costs of new for old. The ratio of new for old to indemnity costs falls accordingly to 1.51. The costs and benefits of decreasing the ratio are recorded in table 23 under the heading "Lower".

Table 23: Sensitivity Analysis of assumption on new for old costs

Option	Group	Higher		Lower	
		Costs	Benefits	Costs	Benefits

4		0.0% NPV		0.0% NPV	
	Net	1.5%	1.5%	-1.5%	-1.5%
	Businesses	0.0%	2.7%	0.0%	-2.7%
	Individuals	0.0%	2.2%	0.0%	-2.2%
	Public Sector	2.7%	0.0%	-2.7%	0.0%

The effect of changing the ratio of new for old has no effect on the overall Net Present Value for either option. This is because many of the costs are simply transfers from the public sector to businesses and individuals or from businesses and individuals to the public sector. As a result there is no change in the overall impact of the options.

Businesses
The impact on business will vary with the ratio of new for old to indemnity. The costs to business are unaffected by the ratio of new for old, however the benefits will vary directly as any recipients of payments, under the revised riot damages legislation, will be eligible for the more generous offering associated with new for old payments.

The benefits of a higher ratio of new for old to indemnity will mean that small businesses will receive higher payments for their claims. Insurers will also be able to reclaim greater amounts than under the original ratio.

With no change to the costs to business and an increase in the benefits faced by business, the net impact of increasing the ratio is that, the net present value benefit to business will increase. It was originally estimated to be £9.6m (NPV) and would be expected to increase by 2.7% to £11.5m (NPV).

The benefits of a lower ratio of new for old to indemnity will mean that small businesses will receive lower payments for their claims. Similarly insurers will be able to reclaim less than under the original ratio.

With no change to the costs to business and a decrease in the benefits faced by business, the net impact of decreasing the ratio is that, the net present value benefit to business will fall and become a net present cost. It was originally estimated to be £9.6m (NPV) and would be expected to fall by2.7% to -£7.75m (NPV).

Individuals
In a similar manner to businesses, individuals will see changes to the benefits they are able to receive under the new riots legislation should the ratio of new for old vary. The costs faced by individuals will be unaffected by the ratio of new for old changing.

The benefits of a higher ratio of new for old to indemnity will mean that individuals will receive a more generous offering of compensation compared to the offering under the original ratio.

With no change to the costs to individuals and an increase in the benefits faced by them, the net impact of increasing the ratio is that, the net present value benefit to individuals will increase. It was originally estimated to be £2.7m (NPV) and would be expected to increase by 2.2% to £2.8m (NPV).

The benefits of a lower ratio of new for old to indemnity will mean that individuals will receive lower payments for their claims than under the original ratio.

With no change to the costs to individuals and a decrease in the benefits they see, the net impact of decreasing the ratio is that, the net present value benefit to individuals will fall. It was originally estimated to be £2.7m (NPV) and would be expected by 2.2% to fall to £2.7m (NPV).

Public Sector
As Individuals and businesses gain from increasing the ratio of new for old, an opposite effect is felt by the public sector, who will have to pay for the increased costs associated with this more generous offering. Similarly it is not expected that the government will face any increased benefits from this option as it is essentially an increase in transfers from the public sector to individuals and businesses.

The net effect, of increasing the ratio, on the public sector is that, there will be a greater net present cost to the public sector. The original net impact on the public sector was anticipated to be -£13.2m (NPV), by increasing the ratio this decreases further by 2.7% to -£15.2m (NPV).

By changing the ratio in the opposite direction and decreasing the offering of compensation from the original ratio, the public sector will face lower costs that they did originally.

The net effect, of decreasing the ratio, on the public sector is that, there will be reduced net present cost to the public sector so much so that the benefits become large than the cost. The original net impact on the public sector was anticipated to be -£13.2m (NPV), by decreasing the ratio this increases by 2.7% to £11.3m (NPV).

This sensitivity analysis demonstrates that if there were any change in the assumption over the ratio of new for old, then there would be no net effect on society but that the distribution of costs and benefits would shift. This may impact the equivalent annual net cost to business and the One In Two Out classification of the policy, depending on how large the change was.

G. Enforcement

The enforcement of this policy will be considered further through the consultation period. We will consider the enforcement throughout the development of guidance on compensation in the result of a riot, and will be included in further discussions with PCC offices which is where the main focus of enforcement will be. One of the options that we are considering is mandating that PCCs and their offices should give regard to the new riots legislation and the guidance documents that are produced under options 3 and 4.

H. Summary and Recommendations

The table below outlines the costs and benefits of the proposed changes.

Table H.1 Costs and Benefits

Option	Costs	Benefits
2	£0.0m NPV	
	£182.7m(PV over 10 years)	£182.7m (PV over 10 years)
	Cost to Businesses: £178.7m Cost to individuals: £4.0m Cost to Government: £0.00m	Benefit to Businesses: £0.00m Benefit to individuals: £0.00m Benefit to Government: £182.7m
3	-£0.8m NPV	
	£66.7m (PV over 10 years)	£65.9m (PV over 10 years)
	Cost to Businesses: £60.6m Cost to individuals: £0.00m Cost to Government: £6.0m	Benefit to Businesses: £5.2m Benefit to individuals: £0.7m Benefit to Government: £60.0m
4	-£0.8m NPV	

	£134.3m (PV over 10 years)	£133.5m (PV over 10 years)
	Cost to Businesses: £60.8m Cost to individuals: £0.1m Cost to Government: £73.4m	Benefit to Businesses: £70.4m Benefit to individuals: £2.8m Benefit to Government: £60.2m
Source: Home Office Estimates		

Although Option 2 is cost neutral, with a net present value of 0, it is not thought that this option provides the best result for society. It does not meet the objectives of the policy, although it does simplify the legislation and clarify that there is no compensation in the event of riots.

Option 3 is undesirable due to it's increased impact on businesses who will face an equivalent annual net cost to business of £5.9m. It is also thought to be more appropriate to modernise the act and align it with the industry practice of compensating most items on a new for old basis.

Option 4 presents a net present cost, with the burden of this cost falling on Government. This cost allows for benefits to be felt by businesses and individuals who will benefit from the more generous nature of the new riots legislation. It goes some way to protecting small businesses and individuals who are the most vulnerable in society whilst modernising the act and clarifying the losses which can be claimed for. It does not meet the objective of considering affordability on the public purse, but is certainly less generous than has been called for as it excludes compensation for business interruption, which has been called for. It is important to note that unless a riot occurs, only a small amount of these costs, in particular those relating to training, will actually be felt.

Option 4 is the preferred option as it satisfies most of the objectives of the policy despite a net present cost of £0.79m over the course of 10 years.

I. Implementation

The Government plans to present a draft bill for pre-legislative scrutiny from May 2014. It is intended that changes to the process of riot compensation payments, which do not require legislation, will be phased in from May 2014. The government intends to introduce legislative change to the way riot compensation payments are made from June 2015.

J. Monitoring and Evaluation

The effectiveness of the new regime would be monitored by collecting data from PCCs offices and the riot claims bureau should there be a riot. The experiences of these offices, in providing compensation under new riots legislation, will be valuable to evaluate if changes need to be made to the policy and how best to focus these changes.

K. Feedback

If the recommended option is progressed, we will feedback into the policy through secondary legislation if possible.

If it seems that there are a number of riots which are large scale, but do not fit the criteria which would trigger implementation of the Riots Claims Bureau, then the criteria can be amended of the Home Secretary can choose to implement the bureau despite the riots not meeting the criteria.

Also it may be possible to amend the membership of the Riots Claims Bureau and its governance group, if over time it seems that there are a number of relevant individuals who are not part of the process or if current members have become less relevant to proceedings.

If over time it becomes apparent that those most vulnerable in society are faced with excessive costs of insurance or riot damages, it may be necessary to review the legislation again and determine whether the level of cap imposed on large businesses is sufficient to protect those groups most at risk.

Annex A: Calculations

Table 1: Option 2 costs to uninsured individuals

The number of individual claims expected in a riot, multiplied by the probability that they are uninsured, multiplied by the average cost of individual claims, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Claims	Probability of un-insurance	Uninsured Claims	Cost of Claims	Frequency of riots	Total
Large	387	23%	89	£32,500	0.1	£289,319
Bureau	97	23%	22	£32,500	0.1	£72,330
Small	10	23%	2	£32,500	0.9	£65,097
				Total expected annually		£426,746

Table 2: Option 2 costs to uninsured businesses

The number of business claims expected in a riot, multiplied by the probability that they are uninsured, multiplied by the average cost of business claims, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Business size	Claims	Probability of un-insurance	Uninsured Claims	Cost of Claims	Frequency of riots	Total
Large	Small	917	23%	211	£83,276	0.1	£1,756,237
Large	Large	696	23%	160	£62,721	0.1	£1,004,418
Bureau	Small	229	23%	53	£83,276	0.1	£439,059
Bureau	Large	174	23%	40	£62,721	0.1	£251,104
Small	Small	23	23%	5	£83,276	0.9	£395,153
Small	Large	17	23%	4	£62,721	0.9	£225,994
					Total expected annually		£4,074,449

Table 3: Option 2 costs to insured individuals

The number of individual claims expected in a riot, multiplied by the probability that they are insured, multiplied by the average cost of individual claims, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Claims	Probability of insurance	Insured Claims	Cost of Claims	Frequency of riots	Total
Large	387	77%	298	£32,500	0.1	£967,824
Bureau	97	77%	75	£32,500	0.1	£241,956
Small	10	77%	8	£32,500	0.9	£217,760
				Total expected annually		£1,427,540

Table 4: Option 2 costs to insured businesses

The number of business claims expected in a riot, multiplied by the probability that they are insured, multiplied by the average cost of business claims, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Business size	Claims	Probability of insurance	Insured Claims	Cost of Claims	Frequency of riots	Total
Large	Small	917	77%	706	£83,276	0.1	£5,879,576
Large	Large	696	77%	536	£62,721	0.1	£3,362,617
Bureau	Small	229	77%	176	£83,276	0.1	£1,469,894
Bureau	Large	174	77%	134	£62,721	0.1	£850,654
Small	Small	23	77%	18	£83,276	0.9	£1,322,904
Small	Large	17	77%	13	£62,721	0.9	£756,588
						Total expected annually	£13,632,236

Table 5: Option 2 benefit savings to Government

The number of claims expected in a riot, multiplied by the probability that they are uninsured, multiplied by the average cost of claims, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Claimant type	Claims	Cost of Claims	Frequency of riots	Total
Large	Individual	387	£32,500	0.1	£1,257,142
Large	Small	917	£83,276	0.1	£7,635,813
Large	Large	696	£62,721	0.1	£4,367,035
Bureau	Individual	97	£32,500	0.1	£314,285
Bureau	Small	229	£83,276	0.1	£1,908,953
Bureau	Large	174	£62,721	0.1	£1,091,758
Small	Individual	10	£32,500	0.9	£282,857
Small	Small	23	£83,276	0.9	£1,718,058
Small	Large	17	£62,721	0.9	£982,583
				Total expected annually	£19,588,488

Table 6: Option 3 bureau running costs

The number of claims expected in a riot, multiplied by the average bureau cost per claim, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Claims	Average bureau cost per claim	Total Bureau cost	Frequency of riots	Total
Large	2000	£266	£531,906	0.1	£53,191
Bureau	500	£266	£132,976	0.1	£13,298
				Total expected annually	£66,488

Table 7: Option 3, Cost of removing compensation for those firms over £2m annual turnover, Insurers costs on behalf of insured large businesses
The number of large business claims, multiplied by the probability of insurance, multiplied by the average cost of a large business claim, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Large Business Claims	Probability of insurance	Insured Claims	Cost of Claims	Frequency of riots	Total
Large	696	77%	536	£62,721	0.1	£3,362,005
Bureau	174	77%	134	£62,721	0.1	£840,501
Small	17	77%	13	£62,721	0.9	£756,451
				Total expected annually		£4,958,958

Table 8: Option 3, Cost of removing compensation for those firms over £2m annual turnover, Uninsured large businesses
The number of large business claims, multiplied by the probability of un-insurance, multiplied by the average cost of a large business claim, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Large Business Claims	Probability of un-insurance	Insured Claims	Cost of Claims	Frequency of riots	Total
Large	696	23%	160	£62,721	0.1	£1,005,030
Bureau	174	23%	40	£62,721	0.1	£251,258
Small	17	23%	4	£62,721	0.9	£226,132
				Total expected annually		£1,482,420

Table 9: Expected number of vehicle claims by claimant type
The number of claims in 2011 (90 individual and 17 business), divided by total number of claims in 2011 (1,712), multiplied by the number of claims in each size of riot.

Riot size	Total Number of claims anticipated	Claimant type	
		Business (1%)	Individuals (5%)
		Number of claims	
Large	2,000	20	105
Bureau	500	5	26
Small	50	0	3

Table 10: Option 3, Cost of compensating for vehicles, individuals
The number of individual vehicle claims expected in a riot, multiplied by the average cost of individual vehicle claims, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Claims	Cost of Claims	Frequency of riots	Total
Large	105	£1,707	0.1	£17,946
Bureau	26	£1,707	0.1	£4,486
Small	3	£1,707	0.9	£4,038
		Total expected annually		£26,470

Table 11: Option 3, Cost of compensating for vehicles, business
The number of business vehicle claims expected in a riot, multiplied by the average cost of business vehicle claims, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Claims	Cost of Claims	Frequency of riots	Total
Large	20	£3,996	0.1	£7,937
Bureau	5	£3,996	0.1	£1,984
Small	0	£3,996	0.9	£1,786
		Total expected annually		£11,707

Table 12: Option 3, extended time claims to businesses
The number of out of time small business claims expected in a riot, multiplied by the average cost of small business claims, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Claims	Cost of Claims	Frequency of riots	Total
Large	41	£83,276	0.1	£340,615
Bureau	10	£83,276	0.1	£85,154
Small	1	£83,276	0.9	£76,638
		Total expected annually		£502,407

Table 13: Option 3, extended time claims to individuals

The number of out of time individual claims expected in a riot, multiplied by the average cost of individual claims, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Claims	Cost of Claims	Frequency of riots	Total
Large	17	£32,500	0.1	£56,078
Bureau	4	£32,500	0.1	£14,020
Small	0	£32,500	0.9	£12,618
		Total expected annually		£82,715

Table 14: Option 3, extended time payments to insurers on behalf of individuals and small businesses

The number of out of time small business and individual claims expected in a riot, multiplied by the average cost of those claims, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Claimant type	Claims	Probability of insurance	Expected Insured claims	Cost of Claims	Frequency of riots	Total
Large	Individual	17	47%	8	£32,500	0.1	£26,357
Large	Small	41	47%	19	£83,276	0.1	£160,089
Bureau	Individual	4	47%	2	£32,500	0.1	£6,589
Bureau	Small	10	47%	5	£83,276	0.1	£40,022
Small	Individual	0	47%	0	£32,500	0.9	£5,930
Small	Small	1	47%	0	£83,276	0.9	£36,020
					Total expected annually		£277,685

Table 15: Option 3, extended time payments to uninsured small businesses

The number of out of time small business claims expected in a riot, multiplied by the average cost of those claims, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Claimant type	Claims	Probability of insurance	Expected Insured claims	Cost of Claims	Frequency of riots	Total
Large	Small	41	53%	22	£83,276	0.1	£180,525
Bureau	Small	10	53%	5	£83,276	0.1	£45,131
Small	Small	1	53%	1	£83,276	0.9	£40,618
					Total expected annually		£263,977

Table 16: Option 3, extended time payments to uninsured individuals

The number of out of time individual claims expected in a riot, multiplied by the average cost of those claims, multiplied by the frequency of riots. This is then added together across all riot sizes.

Size of riot	Claimant type	Claims	Probability of insurance	Expected Insured claims	Cost of Claims	Frequency of riots	Total
Large	Individual	17	53%	9	£32,500	0.1	£29,721
Bureau	Individual	4	53%	2	£32,500	0.1	£7,430
Small	Individual	0	53%	0	£32,500	0.9	£6,687
					Total expected annually		£43,460

Table 17: Option 4, New for old payments to "in-time" claims by Government.

Number of individual and small business "in time" claims multiplied by the average cost of individual and small business claims, multiplied by 53% (the ratio of new for old), multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claimant type	Claims	Cost of Claims	Proportion for Additional payment	Additional payment value	Frequency of riots	Total
Large	Individual	387	£32,500	53%	£17,157	0.1	£663,637
Large	Small	917	£83,276	53%	£43,961	0.1	£4,030,891
Bureau	Individual	97	£32,500	53%	£17,157	0.1	£165,909
Bureau	Small	229	£83,276	53%	£43,961	0.1	£1,007,723
Small	Individual	10	£32,500	53%	£17,157	0.9	£149,318
Small	Small	23	£83,276	53%	£43,961	0.9	£906,950
					Total expected annually		£6,924,428

Table 18: Option 4, New for old payments for "out of time" claims by Government.

Number of individual and small business "out of time" claims multiplied by the average cost of individual and small business claims, multiplied by 53% (the ratio of new for old), multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claimant type	Claims	Cost of Claims	Proportion for Additional payment	Additional payment value	Frequency of riots	Total
Large	Individual	17	£32,500	53%	£17,157	0.1	£29,603
Large	Small	41	£83,276	53%	£43,961	0.1	£179,808
Bureau	Individual	4	£32,500	53%	£17,157	0.1	£7,401
Bureau	Small	10	£83,276	53%	£43,961	0.1	£44,952
Small	Individual	0	£32,500	53%	£17,157	0.9	£6,661
Small	Small	1	£83,276	53%	£43,961	0.9	£40,457
					Total expected annually		£308,882

Table 19: Option 4, Excess payments by businesses for "in-time" property claims.
Number of small business "in-time" property claims, multiplied by the £100 excess, multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claims	Excess payment	Frequency of riots	Total
Large	917	£100	0.1	£9,169
Bureau	229	£100	0.1	£2,292
Small	23	£100	0.9	£2,063
		Total expected annually		£13,525

Table 20: Option 4, Excess payments by businesses for vehicle claims.
Number of small business vehicle claims, multiplied by the £100 excess, multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claims	Excess payment	Frequency of riots	Total
Large	20	£100	0.1	£199
Bureau	5	£100	0.1	£50
Small	0	£100	0.9	£45
		Total expected annually		£293

Table 21: Option 4, Excess payments by businesses for "out-of-time" property claims.
Number of small business "out-of-time" property claims, multiplied by the £100 excess, multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claims	Excess payment	Frequency of riots	Total
Large	41	£100	0.1	£409
Bureau	10	£100	0.1	£102
Small	1	£100	0.9	£92
		Total expected annually		£603

Table 22: Option 4, Excess payments by individuals for "in-time" property claims.
Number of individual "in-time" property claims, multiplied by the £100 excess, multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claims	Excess payment	Frequency of riots	Total
Large	387	£100	0.1	£3,868
Bureau	97	£100	0.1	£967
Small	10	£100	0.9	£870
		Total expected annually		£5,705

Table 23: Option 4, Excess payments by individuals for vehicles claims.
Number of individual vehicle claims, multiplied by the £100 excess, multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claims	Excess payment	Frequency of riots	Total
Large	105	£100	0.1	£1,051
Bureau	26	£100	0.1	£263
Small	3	£100	0.9	£237
		Total expected annually		£1,551

Table 24: Option 4, Excess payments by individuals for "out-of-time" property claims.
Number of individual "out-of-time" property claims, multiplied by the £100 excess, multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claims	Excess payment	Frequency of riots	Total
Large	17	£100	0.1	£173
Bureau	4	£100	0.1	£43
Small	0	£100	0.9	£39
		Total expected annually		£255

Table 25: Option 4, New for old payments to insurers, for "in-time" claims
The number of individual and small business claims that were insured, multiplied by the costs of the claims, multiplied by the average cost of individual and small business claims, multiplied by 53% (the ratio of new for old), multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claimant type	Claims	Proportion insured	Insured claims	Cost of Claims	Proportion for Additional payment	Additional payment value	Frequency of riots	Total
Large	Individual	387	77%	298	£32,500	53%	£17,157	0.1	£510,907
Large	Small	917	77%	706	£83,276	53%	£43,961	0.1	£3,103,221
Bureau	Individual	97	77%	75	£32,500	53%	£17,157	0.1	£127,727
Bureau	Small	229	77%	176	£83,276	53%	£43,961	0.1	£775,805
Small	Individual	10	77%	8	£32,500	53%	£17,157	0.9	£114,954
Small	Small	23	77%	18	£83,276	53%	£43,961	0.9	£698,225
							Total expected annually		£5,330,839

Table 26: Option 4, New for old payments to insurers, for "out-of-time" claims

The number of individual and small business claims that were insured, multiplied by the costs of the claims, multiplied by the average cost of individual and small business claims, multiplied by 53% (the ratio of new for old), multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claimant type	Claims	Proportion insured	Insured claims	Cost of Claims	Proportion for Additional payment	Additional payment value	Frequency of riots	Total
Large	Individual	17	47%	8	£32,500	53%	£17,157	0.1	£22,790
Large	Small	41	47%	19	£83,276	53%	£43,961	0.1	£138,427
Bureau	Individual	4	47%	2	£32,500	53%	£17,157	0.1	£5,698
Bureau	Small	10	47%	5	£83,276	53%	£43,961	0.1	£34,607
Small	Individual	0	47%	0	£32,500	53%	£17,157	0.9	£5,128
Small	Small	1	47%	0	£83,276	53%	£43,961	0.9	£31,146
							Total expected annually		£237,796

Table 27: Option 4, New for old payments to uninsured businesses, for "in-time" claims

The number of small business "in-time" claims that were uninsured, multiplied by the costs of the claims, multiplied by the average cost of individual and small business claims, multiplied by 53% (the ratio of new for old), multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claimant type	Claims	Proportion insured	Insured claims	Cost of Claims	Proportion for Additional payment	Additional payment value	Frequency of riots	Total
Large	Small	917	23%	211	£83,276	53%	£43,961	0.1	£927,670
Bureau	Small	229	23%	53	£83,276	53%	£43,961	0.1	£231,918
Small	Small	23	23%	5	£83,276	53%	£43,961	0.9	£208,726
							Total expected annually		£1,368,313

Table 28: Option 4, New for old payments to uninsured businesses, for "out-of-time" claims

The number of small business "out-of-time" claims that were uninsured, multiplied by the costs of the claims, multiplied by the average cost of individual and small business claims, multiplied by 53% (the ratio of new for old), multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claimant type	Claims	Proportion insured	Insured claims	Cost of Claims	Proportion for Additional payment	Additional payment value	Frequency of riots	Total
Large	Small	41	53%	22	£83,276	53%	£43,961	0.1	£41,381
Bureau	Small	10	53%	5	£83,276	53%	£43,961	0.1	£10,345
Small	Small	1	53%	0	£83,276	53%	£43,961	0.9	£9,311
							Total expected annually		£61,037

Table 29: Option 4, New for old payments to uninsured individuals, for "in-time" claims

The number of individual "in-time" claims that were uninsured, multiplied by the costs of the claims, multiplied by the average cost of individual and small business claims, multiplied by 53% (the ratio of new for old), multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claimant type	Claims	Proportion insured	Insured claims	Cost of Claims	Proportion for Additional payment	Additional payment value	Frequency of riots	Total
Large	Individual	387	23%	89	£32,500	53%	£17,157	0.1	£152,729
Bureau	Individual	97	23%	22	£32,500	53%	£17,157	0.1	£38,182
Small	Individual	10	23%	2	£32,500	53%	£17,157	0.9	£34,364
							Total expected annually		£225,276

Table 30: Option 4, New for old payments to uninsured individuals, for "out-of-time" claims

The number of individual "out-of-time" claims that were uninsured, multiplied by the costs of the claims, multiplied by the average cost of individual and small business claims, multiplied by 53% (the ratio of new for old), multiplied by the frequency of riots. This is then added across all sizes of riots.

Size of riot	Claimant type	Claims	Proportion insured	Insured claims	Cost of Claims	Proportion for Additional payment	Additional payment value	Frequency of riots	Total
Large	Individual	17	23%	9	£32,500	53%	£17,157	0.1	£6,813
Bureau	Individual	4	23%	2	£32,500	53%	£17,157	0.1	£1,703
Small	Individual	0	23%	0	£32,500	53%	£17,157	0.9	£1,533
							Total expected annually		£10,049