

 Regulatory Policy Committee	Opinion	
Impact Assessment (IA)	Review and changes to the Riot (Damages) Act 1886	
Lead Department/Agency	Home Office	
Stage	Consultation	
IA Number	HO0102	
Origin	Domestic	
Expected date of implementation (and SNR number)	May 2014	
Date submitted to RPC	23/01/2014	
RPC Opinion date and reference	20/02/2014	RPC14-HO-2008
Overall Assessment	AMBER	
<p>RPC comments</p> <p>The IA is fit for purpose. The IA includes a range of options for updating the Riot (Damages) Act. It identifies a range of costs and benefits for each of these options. However, the IA states that there has been no assessment of the likely size of some of the costs associated with the removal of the Act, on the basis that they are indirect. While indirect costs are not in scope of one-in, two-out, the IA should assess them adequately in order to provide a complete picture of the likely effects of the proposal.</p>		
<p>Background (extracts from IA)</p> <p>What is the problem under consideration? Why is government intervention necessary?</p> <p><i>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.</i></p> <p>What are the policy objectives and the intended effects?</p> <p><i>The objectives are to:</i></p> <ul style="list-style-type: none"> •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. 		
<p>Identification of costs and benefits, and the impacts on business, civil society organisations, the public sector and individuals, and reflection of these in the choice of options</p>		

The proposal would repeal the Riot (Damages) Act 1886, with options including not replacing the legislation or replacing it with new legislation implementing some or all of the recommendations of the independent review of the Act. The IA presents a number of different options for what could be included in the new legislation.

The existing Act provides compensation for losses caused by riots. However, increasingly individuals and businesses are insured, unlike when the Act was implemented, and other elements of property, such as motor vehicles, need to be accounted for. The proposal would affect businesses through changing rules on eligibility for claims, with a view to encouraging larger businesses to have appropriate insurance in place, and updating the grounds for claims, such as covering vehicles or amending excess payment requirements. The preferred option, to implement all the recommendations of the independent review of the Act, would extend the payment of compensation to items which are not covered by the existing legislation. As such, while insurance companies will no longer be able to claim government compensation when customers are larger businesses, they will now be able to claim compensation for damage to motor vehicles which will result in new legislation that is beneficial to business.

Indirect impacts. The IA says it is possible that there will be indirect costs of increased insurance premiums, as a result of the legislation becoming “*less generous*”. This would represent a pass through of costs from insurance companies to customers, and so is correctly identified as an indirect impact. The IA should assess these costs and provide information on the likely scale and impact, so that consultees and decision makers are aware of the full impact of this policy. Such costs would not affect the one-in, two-out assessment, but are important elements in analysing the potential impact of the different options.

Comments on the robustness of the Small & Micro Business Assessment (SaMBA)

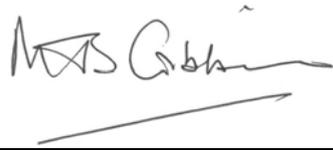
The proposals regulate business and are intended to come into force after 1 April 2014. Therefore the SaMBA is applicable.

The IA does not include a specific section covering the SaMBA, as it should. However, the preferred option includes a number of elements that are intended to mitigate the impacts of the proposal on small and micro-businesses, such as only restricting larger businesses’ right to claim compensation. As such, the approach taken within the IA appears to be consistent with the requirements of a SaMBA. The IA should be amended to make this explicit prior to publication.

Comments on the robustness of the OITO assessment.

The IA says that the preferred option is a regulatory proposal that is in scope of OITO and would have a net benefit to business (an ‘IN’ with Zero Net Cost). Based on the evidence presented, this is consistent with the current Better Regulation Framework Manual (paragraph 1.9.12) and provides a reasonable assessment of the likely direction of impacts. The evidence supporting the assessment will need to be strengthened for validation at final stage.

Signed

A handwritten signature in black ink, appearing to read "Michael Gibbons". The signature is written in a cursive style with a long horizontal stroke at the end. Below the signature is a long, thin horizontal line.

Michael Gibbons, Chairman