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Bring stability to your insurance budget – fix prices for up to three years

The economy is changing. Pressure is building on interest rates, consumers are struggling to manage record levels of debt and the Bank of England is taking steps to slow down the economy. From a business perspective, competition is arriving from powerful emerging markets such as China, creating floods of cheap imports.

Uncertainty is a fact of life. Businesses juggle uncertainty day in, day out — customer requirements, availability of stock, competitor activity and running costs. However accurate budgeting and good financial planning can eliminate some unknown quantities allowing businesses to concentrate on other important issues.

The insurance world operates in a cycle of high and low pricing. Key issues affecting this cycle are competition, catastrophic weather events, financial returns of insurers, hunger for business and shareholder returns. Premiums change according to where the market is positioned, meaning that businesses may face unexpected price increases. This can lead to uncertainty, with businesses not necessarily knowing how much to budget for insurance from one year to the next.

For a long time the mortgage market has offered a range of fixed price products. The benefits are obvious — a fixed price means that you can budget effectively and be immune to interest rate rises. Fixing of rates has also materialised in the energy market over the past two or three years. Why not now apply that same philosophy to

insurance and fix the cost of your business insurance premiums for three years?*

Your business will be assessed and priced for a three year period. The premium arrived at will reflect current market conditions plus an allowance for where underwriters expect the market pricing to be over the next three years. Prices quoted are for the three year period although payments can be made either by monthly instalments or in three annual payments.

Insurance premium tax is paid at the prevailing rate in Year 1. As such, it will not be subject to any changes imposed through the Government budget process.

You still have the opportunity to review sums insured and estimates annually to ensure that your cover remains up to date. In addition, if you opt to renew your policy for a further 12 months (minimum), provided that your claims performance fits within certain parameters, you may be entitled to a premium rebate.

Fixing the price of your business insurance policy for three years will provide one measure of stability helping you to plan and budget for the future.

*some covers may not be eligible for the fixed rate policy, in which case we can arrange separate cover for these. Please contact us to find out more.



Covernotes

Smoke-free Environment



Already introduced in Wales and Northern Ireland in April 2007 and in Scotland in March 2006, on 1st July 2007 it became illegal to smoke in virtually all enclosed and substantially enclosed public places and workplaces in England. The new law applies not only to permanent structures but also to temporary ones such as tents and marquees.

Vehicles are legally required to be smoke-free at all times if they are used:

- to transport members of the public
- in the course of paid or voluntary work by more than one person regardless of whether they are in the vehicle at the same time

Vehicles that are used primarily for private purposes are not required to be smoke-free.

Employers, managers and those in charge of smoke-free premises and vehicles are legally obliged to prevent people from smoking and can be held responsible for the actions of employees, customers and other visitors to their premises. They must:

- ensure that no one smokes in smoke-free premises or vehicles
- remove any existing indoor smoking rooms or areas
- display no smoking signs in all smoke-free premises and vehicles
- take reasonable steps to ensure that staff, customers/members and visitors are aware that premises and vehicles must be smoke-free by law

Failure to comply with the new law is a criminal offence. In England, the penalty notice and maximum fine for each offence are:

- **Smoking in smoke-free premises or work vehicles:** a fixed penalty notice of £50 (reduced to £30 if paid in 15 days) imposed on the person

smoking or a maximum fine of £200 if prosecuted and convicted by a court.

- **Failure to display no-smoking signs:** a fixed penalty notice of £200 (reduced to £150 if paid in 15 days) imposed on whoever manages or occupies the smoke-free premises or vehicle or a maximum fine of £1000 if prosecuted and convicted by a court.
- **Failing to prevent smoking in a smoke-free place:** a maximum fine of £2500 imposed on whoever manages or controls the smoke-free premises or vehicle if prosecuted and convicted by a court. There is no fixed penalty notice for this offence.

Historically, many businesses have developed housekeeping policies to manage smoking on the premises. These policies should now be revised and businesses must have procedures in place to enforce the new smoke-free law, both on the premises and in business vehicles.

Whilst criminal fines are against public policy and so are not insurable, directors and officers liability insurance may provide some protection against the costs incurred to defend action arising from prosecution under the smoke-free law — even if the defence fails.

Please contact us for more information on directors and officers liability insurance.



Tiredness Can Kill – Take a Break

For many people, driving is the most hazardous part of their work activity. According to the Royal Society for the Prevention of Accidents (RoSPA), driving more than 25,000 miles a year for work carries as much risk of dying as mining or quarrying. Their research shows that between 800 and 1,000 fatal accidents a year on Britain's roads involve people driving as part of their work. More employees are killed while at work on the road than in all other workplace accidents put together. Despite these stark facts, some employers tend to focus on health and safety in the workplace and neglect road safety. However, health and safety law applies equally to on-the-road activities.

One of the main causes of work-related road accidents is driver fatigue. Tiredness reduces crucial driving skills such as reaction time, alertness, concentration and decision-making. Furthermore, fatigue related accidents tend to be more severe because the driver is less likely to take evasive action such as braking or swerving before impact.

According to RoSPA, those most at risk of falling asleep while driving are young male drivers, truck drivers, company car drivers and shift workers. The peak times for driver tiredness related accidents are the early hours of the morning and the middle of the afternoon. Long journeys on monotonous roads such as motorways also contribute.

As an Employer do you have a Safe Driving Policy?

As an employer, you have a legal duty to take all reasonable and practical steps to ensure the safety of your employees who drive as part of their job as well as those on the roads around them who may be affected by their driving. If you fail in that duty you could be prosecuted.

As part of your Safe Driving Policy, you should ensure that all staff, including senior managers and line managers, understand that your organisation expects everyone to drive safely for their own and others' benefit. Journey plans should be made and these should include enough time for rest-breaks and unexpected delays. Ensure that workers are not expected to drive too far in a day or spend too long on the road. Set in-house limits for unbroken driving hours - suggest that drivers do not drive for more than 2 hours without at least a 15 minute break.

Now may be the time to review your Safe Driving Policy to reduce the risks involved for employees who drive for work purposes. If you would like help with this, please contact us.

Insurance Implications of Owning a Listed Building

Pubs, hotels, shops and restaurants are just a few examples of the businesses that are being run from approximately 168,000 listed commercial buildings in the UK. Listed buildings are the most demanding heritage risks in terms of regulation and control regarding what can be done to them and how it is done.

Buildings are listed to preserve the historic character of the building and the older the building, the more likely it is to be listed. Most buildings built prior to 1840 are likely to be listed and buildings built later than 1840 may be listed if they are considered to be of outstanding quality and under threat.

The listing criteria include the importance of the building in terms of its intrinsic and historical interest and rarity, the particular features of the building and the building's setting and contribution to the local scene.

Details of listed buildings in England are held on a statutory list compiled by the Secretary of State and administered by English Heritage. There are three grades of listed building: Grade I, Grade II* and Grade II.

- Grade I buildings are those of exceptional interest
- Grade II* are particularly important buildings of more than special interest
- Grade II are of special interest, warranting every effort to preserve them

In Scotland, listed buildings are controlled by Historic Scotland and the listing categories are A, B & C. In Wales, they are controlled by CADW and the categories broadly follow those of English Heritage.

If a property owner proposes to alter, extend or demolish a listed building they will require listed building consent. Consent for repairs is normally only required if they affect the character of the building. If the owner proposes to change the use or alter the external appearance, they will need to obtain planning permission.

There are considerations that need to be taken into account if a listed building suffers a loss, say by fire or flood. Businesses that occupy listed buildings are often unaware of the legal constraints that can be enforced by

the local authority on the materials used for repairs and rebuild. These constraints can lead to higher repair costs and result in the claim taking longer to settle, which may in turn affect the income of your business.

With more than half of listed buildings under-insured it is important these constraints are considered when assessing the adequacy of the sum insured for insurance purposes. Please contact us for more details.



Fly-tipping

Fly-tipping can best be defined as the "illegal deposit of any waste onto land" i.e. waste dumped or tipped on to a site with no licence to accept such waste. Items that are dumped can range from normal household waste, larger domestic items, building waste to part or even whole cars!

The two main sources of tipping are businesses who dump waste to avoid charges levied by waste management companies and individuals which choose to dump waste rather than use local amenity sites.

The best method to cure fly-tipping is prevention. Typical measures to stop fly-tippers gaining access to your premises include:

- Lighting sites and installing CCTV surveillance
- Enclosing sites with fences and effective perimeter security
- Clearance of vegetation to increase site openness

- Gating any open paths or road entries
- Regular site inspections with record logs being retained

As a useful checklist, if fly-tipping does occur consider the following steps:

- Inspect the waste-visually only. Do not put yourself at risk
- Do not touch the waste as hidden items could be harmful
- Never disturb a site as there may be evidential material of use to the authorities
- Obtain advice on how to dispose of waste — contact your local Authority or Environmental Agency
- Contact the police and ask them to record the incident even if they choose not to follow it up
- Record details of what waste is removed and by whom
- Take photographs with a date facility

This article highlights a few of the measures that you can take to help protect your business against the cost and inconvenience of fly-tipping. Please contact us for more information.



Tales Of The Unprotected – Focus on Cargo

Why is cargo insurance awareness crucial to all businesses?

Last year, Securitas was unlucky enough to be the victim of the UK's biggest robbery to date. The £53 million stolen ensured that the crime made headline news across the globe. However the truth is that freight crime costs the UK economy many times this amount each and every year.

It is not surprising then that cargo protection has moved rapidly up the industry agenda. However failure to fully understand the issues relating to cargo insurance means that many companies are less protected than they think.

Who does what?

The first and most basic area of confusion when discussing cargo insurance relates to whose responsibility it is to arrange protection in the first place.

For example, many importers will rely on a CIF (cost, insurance and freight) package from their supplier. However goods insured in this way are not always protected for their entire journey.

To demonstrate, some CIF policies cover goods from their point of origin to the UK point of entry only i.e. goods are not insured for their subsequent UK inland transit.

As most freight crime incidents occur during this latter time period, when the products involved are often in their finished and most valuable state, losses can be significant.

Similarly, exporters may assume that their freight forwarder provides cover for goods shipped but the truth is that many don't at present.

Cover check

A huge number of firms that fall victim to freight crime also find themselves the victims of claim rejections due to a lack of understanding of their policy cover.

For example, a firm may believe that a 'goods in transit' policy will provide cover from the point that the goods start and end their journey. This is not necessarily the case. Some policies literally cover goods while in transit, i.e. they take no account of possible journey interruptions or any storage requirements pre and post transit. Should anything happen to the cargo in these circumstances the claim could be rejected.

Warehouses do get broken into; lorries do get hijacked from stop spots. Checking that policies cover these eventualities is essential.

Another common area where lack of insurance awareness can prove costly relates to assumptions about the extent of theft cover.

Most policies that cover storage restrict 'theft' cover to instances where forcible and/or violent entry/exit to the place of storage has occurred. However what happens when the freight theft has occurred as the result of insider involvement or deception? The answer in many instances is that the claim is classed as fraud rather than theft and is therefore rejected.

Industry estimates suggest that around ninety per cent of all freight crimes involve some form of insider collaboration. To ignore statistics such as these when developing a sound insurance package is perhaps a little unwise.

This article aims to highlight just a few common scenarios that frequently occur in the UK cargo industry, exposing importers/exporters to unnecessary financial loss. With just a little more awareness of how cargo insurance works and the different factors that influence its effectiveness, companies are in a much better position to protect themselves, their goods and their profit. Contact us for more information.



This newsletter contains a general overview of the UK SME insurance market based on our understanding as insurance brokers and risk consultants. It is not intended that it be used, and should not be used, to replace specific advice relating to individual situations. In particular, we do not offer either legal or accounting advice.

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