



# COVERNOTES

Issue 14 2008

## WHAT WE DO FOR YOU

Being part of a Professional Services Industry, we pride ourselves on being able to provide the most appropriate service to our clients.

As a professional insurance advisor, we take our duties very seriously and expect to give only the highest levels of independent professional advice in all our business dealings with you.

We aim to create long standing business relationships with our clients. These will be forged because we can demonstrate we have the appropriate range of skills, expertise and experience to advise you on the risks facing your business, in what is an increasingly regulated and litigious society.

To give best advice, we need a detailed knowledge of the available insurers and products suitable for your business. We also need to have wider advisory capabilities, which enable us to help you identify all your business risks, even those for which there may not be a viable or affordable insurance solution. So, for us to give you such independent, professional advice, we firstly need to fully understand:

- The industry you operate in and your business processes
- Your priorities and your company's future strategies and goals

Using this knowledge, we can identify the possible risks faced by your business - both physical and financial - and advise on possible

solutions, many of which will involve an insurance backed outcome.

Secondly, not only do we need to be experts in existing and 'known' risks facing your own industry, we must also be ever vigilant to the emergence of new ones, ensuring you are kept abreast of the latest developments, including any implications of legislative changes.

Having competent staff with good all round technical capabilities, who keep up to date with general developments in the insurance industry, is therefore fundamental to this process. As a professional intermediary, it is essential all our staff are trained and properly equipped to act with complete integrity and to provide the right service to our clients. We therefore make available to our staff appropriate opportunities to undertake continuous professional development and develop more sophisticated capabilities, with the aim of giving our clients the highest levels of independent, professional advice at all times.

Well, that is what we do for you. As part of keeping you abreast of new developments and other matters that may be of interest to you, we have produced this newsletter, which we hope you will find to be of interest and value.

We strive to be viewed as an extension of your own management team, providing you with an added value service so that you can continue to manage your business safe in the knowledge that the risks you face have been identified and then:

- Eliminated if possible
- Action taken to minimise their possible effect on your business

... We give only the highest levels of independent, professional advice...



# FLOOD WARNING

Hopefully, as you're reading this, the sun's hot rays are bouncing off your desk and a welcome breeze is drifting through the open window, bringing with it the sounds and smells of summer – think barbecues and freshly mown grass.

Sadly, we can't take a long hot summer for granted. Changing weather patterns are well documented, with most scientific opinion suggesting that the UK will see an increased frequency of extreme weather, including intense rainfall.

For many, the memories of the 2007 summer floods are still raw. Whilst there has been widespread praise for the service provided by insurers in what was an unprecedented situation, one of the key messages to emerge is the importance of keeping your property and business interruption sums insured up to date. No matter how good the service provided by your insurer, if your sums insured aren't adequate, the amount of your claim will be reduced in proportion to the degree of the underinsurance.

At best, this means that your business could face a bill for the shortfall. At worst, your business might not recover.

When arranging your business interruption cover, ensure it is declaration linked. On this basis, you need only provide an estimate of the annual gross profit/revenue (as applicable) it is expected will be earned during your financial year most nearly concurrent with the period of insurance. This annual estimate is then multiplied by the maximum indemnity period (if longer than 12 months) and the premium is calculated on this estimate. Cover is normally adjustable, meaning that the premium may be subject to an upward/downward adjustment at expiry once the actual figure is available. You undertake to supply the actual earned gross profit/revenue to enable the true premium to be calculated and the insurer agrees to pay claims in full up to 133.33 per cent of the estimated figure.

Contact us for help setting your sums insured at the right levels.



## The memories of the 2007 summer floods are still raw

# FOR AGES...

A recent study\* has revealed that ageism remains rife in the workplace, despite the introduction of age discrimination legislation in 2006 making it unlawful to discriminate against workers on the grounds of age. According to the survey, one in five retirees has experienced pressure from their employer to leave their job.

Companies that are forcing workers into early retirement could be leaving themselves dangerously exposed to legal action. The cost of a successful age discrimination claim can be significant and will be even higher when legal costs and reputational damage are taken into consideration.

To protect your company against such allegations, make sure that your company policy on age discrimination complies with current legislation. Ensure that managers and others who make decisions that affect both existing and potential employees, are aware of their responsibilities so that they can deal sensitively

with age-sensitive employment matters. Further, make all employees aware of the legislation and their rights under it.

Unfortunately, even with procedures in place, mistakes can still happen. Many discrimination claims arise from employers who have sound employment procedures and a history of good employee relations but just had a 'bad day at the office'. This is where insurance can help, with cover being available to protect your company against an array of Employment legislation claims, including Age Discrimination, Sexual and Racial Discrimination, Unfair Dismissal and the latest Discrimination Legislation regarding Religion or Sexual Orientation.

For more information on how to comply with the age discrimination regulations, go to the Department for Business, Enterprise & Regulatory Reform website.

To find out more about the insurance covers available, please contact us.

\* Source: AXA Insurance

## ...AND AGES

A 19-year-old woman who claimed that she was sacked for being too young has been awarded more than £16,000 in compensation after winning a ground-breaking case against her former employer. Leanne Wilkinson, then 18, claimed that she suffered age discrimination when she was dismissed from her job as an administrative assistant. She claimed the company had told her that she was too young for the post and that they needed an older person with more experience.



... The cost of a successful age discrimination claim can be significant...

# CREDIT WHERE IT'S DUE

If you answer yes to any of the following questions, we may be able to help you.

- Have any of your customers ever become insolvent?
- Have you ever experienced a bad debt?
- Do you regularly sell to new customers or markets?
- Do you need help assessing the financial status of your customers?
- Do you need to improve the cash flow of your business?
- Do you need to secure improved bank funding?
- Have you ever lost an order due to not offering open credit?
- Can you make better use of a bad debt reserve?

## HOW CAN WE HELP?

Trade credit insurance can literally save the life of a company, providing 80% - 100% cover against the non payment of commercial debts due to customer insolvency or various political risks. The company chooses whether to insure its export ledger, UK ledger, top accounts, selected markets/ buyers or any combination of these.

## BENEFITS

**Early Warning:** Insurers have their own sources of confidential buyer information, which can help in reducing exposure to high risk businesses or avoiding it completely. Policyholders therefore benefit from real-time analysis of their customers' financial status.

**Secure Expansion:** Trade credit insurance can help sales by identifying secure customers and providing protection where companies expand into new markets, encountering unfamiliar risks.

**Financial Access:** Trade debtors typically represent up to 35% of a company's total assets. Protecting the debtor book gives financiers additional security and often enables them to increase their valuation of a business for lending purposes.

**Credit Control:** Trade credit insurance policies generally form an integral part of a company's credit risk management procedures. The policy requirements help to reinforce the disciplines within the credit control function without dictating to it.

## TRADE CREDIT INSURANCE IN ACTION

### Example One

A glazing company was hit by a number of bad debts, which had a potentially catastrophic impact on their cash flow. Fortunately, they had credit insurance and were able to claim under it. The Finance Director noted that without credit insurance, the company would not have been able to replace its working capital as quickly as it did following a number of insolvency losses it suffered in 2006. Credit insurance allowed the company's funders to remain confident in its business plan.

### Example Two

Following a management buy out in the automotive sector, the client was asked to secure their sales ledger in order to set up a revised funding deal, due to funding pressures experienced during the current 'credit crunch'. The broker quickly sourced a tailored credit insurance policy, satisfying the bank's needs and securing the new venture further funding.

For more information about this insurance, please contact us.



**Myth:** The HSE has banned stepladders

**The reality:** Whilst people should be using the right equipment for the job and there are some common sense rules for using them safely, the HSE have not banned either stepladders or ladders. They acknowledge that they can be a good option for straightforward, short duration work, but you wouldn't want to be wobbling about on them doing complex tasks for long periods. (Source: Health and Safety Executive. Reproduced under the terms of the Click-Use Licence.)

# RECOVERY POSITION

Under the NHS Injury Cost Recovery scheme, the National Health Service can recover the costs of providing NHS hospital treatment and ambulance services to an injured person where that person has made a successful personal injury compensation claim against a third party in respect of injury suffered on or after 29 January 2007.

The charges are reviewed annually and increased by around 8 % in April this year. Outlined opposite are the amounts that the NHS can currently claim back in respect of injury that occurred on or after 1 April 2008.

Where compensation is paid under employer's liability, public/products liability or motor policies, the additional costs of the NHS charges must be met by the defendant and their insurer. Usually, the insurer picks up the costs involved and these are included within the claims experience as part of the final claim settlement. The increase in these charges therefore means additional claims expense for insurers, which they will need to take into account in their reviews of premium levels and may translate into increased premiums.



So, how much can the NHS recover?

- **£547** for out-patient treatment and non admissions
- **£672** daily charge for inpatient treatment
- **£40,179** maximum charge for in-patient treatment
- **£165** for each ambulance journey

... Increase in charges means additional expense for insurers...

# TRIALS AND ERRORS

Business, like life, doesn't always go to plan. No matter how well managed your company is, things can sometimes still go wrong. Even the most reputable company can find itself in a dispute with a client over a mistake. How can you protect the business you have worked so hard to build up?

Professional Indemnity insurance covers your business in the event that legal action is taken against you by a dissatisfied client, claiming to have suffered a loss as a result of advice you have given in a professional capacity.

A 'professional' is generally regarded as any person who offers specialist advice, design specification or other professional services and can include designers, consultants, advertising agents, translators and private investigators amongst others, as well as the more 'traditional' professions such as accountants, surveyors and solicitors.

## WHAT CAN GO WRONG?

<b>Funeral Director:</b> A funeral director forgot to remove the rings from a dead client who was subsequently cremated.	<b>£25,000</b>
<b>Safety Consultant:</b> A man was injured when he fell from scaffolding approved by the insured.	<b>£75,000</b>
<b>Landscape Architect:</b> The insured designed a pond on a golf course which was not water-tight; the client sued for the cost of lining.	<b>£30,000</b>
<b>Advertising Agent:</b> A commercial shown on television had used the wrong soundtrack.	<b>£100,000</b>
<b>Graphic Designer:</b> A text book drawing was adapted to use as a logo. A third party sued for breach of copyright.	<b>£35,000</b>
<b>Public Relations Consultant:</b> Advertising literature produced by the insured contained an error that was discovered after all the copies had been printed. This resulted in a claim for reprinting costs.	<b>£67,000</b>
<b>Interior Designer:</b> The insured designed the layout of office premises; the client alleged that this was not in accordance with his requirements.	<b>£25,000</b>

In today's increasingly litigious society, it pays to be protected. Contact us to find out more.

# SAFE CERTS

As an employer, you are legally obliged to keep copies of Employers Liability (EL) certificates for 40 years. This is intended to protect victims of industrial injury or disease whose condition may not develop until many years later and was introduced because some employees were held back from seeking compensation as they couldn't trace the insurance policy their employer held at the relevant time.

Inability to trace an insurance policy is a problem for the employer. If an employee cannot establish his right to indemnity under an insurance policy, the claim must be met from the company's own resources. Could your business withstand this?

Ensuring that EL Certificates are stored safely and are easily accessible is good business practice. Poor management can lead to:

- Increased costs associated with tracing insurer information
- A possible need to provide a buyer with indemnity at the time of sale if a complete record of all EL certificates is not available
- Reputational/ relationship damage caused by unnecessary delays in establishing the relevant insurer at a distressing time for those involved

More information about Employers Liability legislation can be found at [www.hse.gov.uk](http://www.hse.gov.uk)

Poor management can lead to increased costs and reputational damage...



**Myth:** Every possible risk needs a safety sign

**The reality:** Too many signs just guarantees no one will read any of them. Whilst safety signs are useful when there's a significant risk that can't be avoided or controlled in any other way, this doesn't mean you should add a sign for every possible risk, however trivial. Where there are serious risks in your workplace, don't just rely on signs - take practical steps to deal with them. If a sign is necessary, ensure it has the right symbol and is clearly visible. (Source: Health and Safety Executive. Reproduced under the terms of the Click-Use Licence.)

This newsletter contains a general overview of the UK 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.

Whilst we endeavour to provide accurate and up to date information, we cannot guarantee this and you should not rely on the information contained in this newsletter without seeking further more detailed advice to suit your particular needs.

You should not copy or reproduce the contents of this newsletter without including this disclaimer.

FP549

George Stubbs Insurance Services Ltd  
South Inch Business Centre  
Shore Road  
Perth  
PH2 8BW

Tel: 01738 441555  
Fax: 01738 625820

[info@gsinsurance.co.uk](mailto:info@gsinsurance.co.uk)

Authorised and regulated by the Financial Services Authority.  
6503/0708