



COVERNOTES

Spring 2010

WHAT WILL STOP YOU TRADING?

Consider the circumstances that would stop you trading.... fire, flood, other damage to your premises or machinery, or even theft of raw materials?

Within your business you will be taking steps to minimise the risks, and will have purchased business interruption (BI) insurance, as protection against loss of revenue.

But what happens when areas outside your control interrupt your business, are you covered? The good news is that business interruption insurance can be extended to cover events outside your control. Here are some examples of common extensions:

SUPPLIERS

If production is held up due to lack of supplies the knock-on effect to your business can be significant. Where you have suppliers you rely on, it is worthwhile insuring against the supply of materials or goods being delayed or unavailable due to an insured loss or damage at the suppliers' premises. This can be insured by a 'suppliers extension'. The same principle can be applied to customers where damage at their premises prevents them accepting your goods.

In June 2007, a manufacturing business was affected when its specialist supplier based in South Yorkshire was flooded. It could not obtain the supplies and lost two days production. The business claimed under the 'suppliers extension' of its BI cover.

ACCESS

The cause of business interruption can be remote. If an adjacent building suffers damage which prevents you being able to access your premises and therefore stops work, this can be insured under a 'denial of access' extension. This will be particularly relevant if there is a limited route of access to your premises.

POLICE

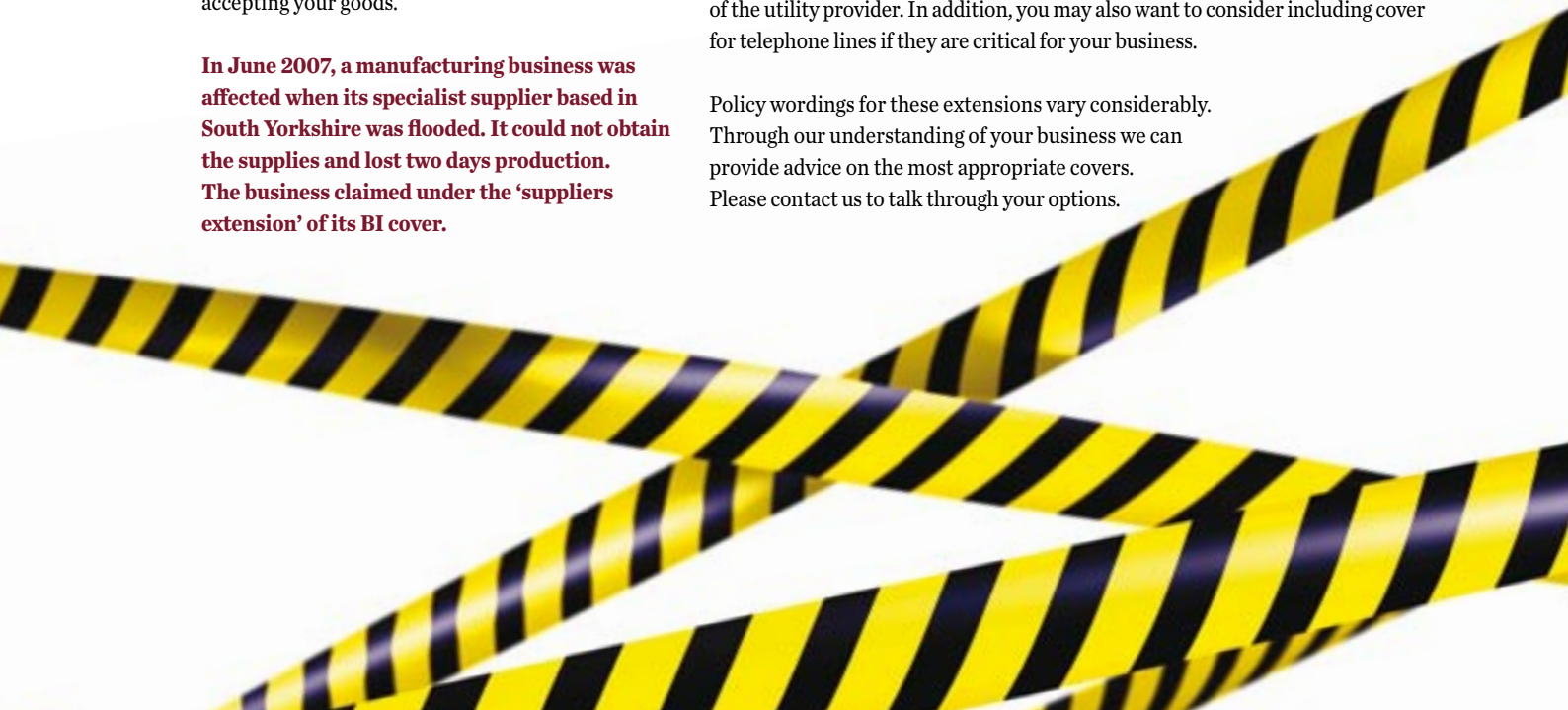
There may be another reason why you are denied access to your premises. An incident such as a bomb-scare nearby may result in the area being cordoned off without access being granted. Even though there hasn't been any insured damage at your or the adjacent building, you could still lose production. In these circumstances an 'action of police authority' extension is needed to provide the relevant cover.

Recently a Rugby Club was temporarily closed down when a suspicious package was found in land adjacent to its own. Had this happened on a match day the loss would have been serious. In this circumstance the 'denial of access' extension would not have provided cover as adjacent premises were not damaged. The extension that was needed was an 'action of police authority'.

PUBLIC UTILITIES

Loss of power at your premises is often the fault of a third party - for example a contractor severing a utility pipe outside your premises, cutting off your supply. A 'loss of utilities' extension may cover you if the supply fails to enter your site, but be aware some insurers will not extend cover beyond damage to the premises of the utility provider. In addition, you may also want to consider including cover for telephone lines if they are critical for your business.

Policy wordings for these extensions vary considerably. Through our understanding of your business we can provide advice on the most appropriate covers. Please contact us to talk through your options.



SUB-STANDARD SUB-CONTRACTORS

Times are tough for the 2.2 million people employed in the British Construction Industry. Along with increased financial pressures they also face working in one of the most dangerous and physically challenging industries.

Even with the strictest health and safety regimes, accidents can happen. Employers have a duty of care to ensure that both staff and public safety are priorities. They also have responsibilities to their shareholders and partners to financially protect them should the worst happen.

In the event of a third party claim against your business your public liability insurance should protect you financially. However what happens if your business was not responsible for the accident and your sub-contractors are at fault, who is liable then? If your sub-contractor's insurance policy is not up to required levels it could still be you. Furthermore in this event, your business's insurance policy may not cover the costs.

Building contractors need to be sure that their sub-contractor's liability insurances meet the requirements set under their own insurance policy or they may find themselves exposed. It is better to be safe than sorry. Here are a few checks to help you protect your business:

- Ask for confirmation of your sub-contractor's insurances. Take a copy of their 'To whom it may concern' insurance letter. The requirement to check sub-contractors insurance arrangements is a condition of main contractors' policies.
- Check the limit of indemnity is at least equal to that required for sub-contractors under your insurance policy and/or the specific contract
- Check the following are correct:
 - The sub-contractor's name including any associated or subsidiary companies
 - The activities defined in their business description include the work you are contracting them to complete for you
 - The insurance period is current and valid
 - The insurers name
- Encourage your regular contractors to seek insurance from an insurer with a good credit rating.

If the sub-contractor's policy has lapsed since the last contract you could be left unprotected so carry out these checks every time you engage the sub-contractor on a new contract. While this may seem onerous, in the event of a claim it could save your business. As a minimum you should ensure you complete these checks annually.

Finally, if a sub-contractor is not insured then they should not be employed until they are. The main contractor and the building contract requires insurance for sub-contractors to be in place. If it is not then the main contractors' insurance will become invalid.

IF YOU WOULD LIKE ADVICE OR GUIDANCE ON YOUR OWN OR YOUR SUB-CONTRACTOR'S POLICY, PLEASE CONTACT US.

TRAVEL CLAIMS

Every year a number of business travel insurance claims are rejected by insurers. Common reasons are:

FAILURE TO DISCLOSE PRE-EXISTING MEDICAL CONDITIONS

Travel insurance companies ask for details of pre-existing conditions at the time of buying or renewing a policy. It is imperative that any conditions are declared.

PARTY MEMBERS FALLING ILL

Many people are unaware that their travel insurance policy may not cover additional costs caused by a travelling companion falling ill. Insurance should be arranged to cover all colleagues who are travelling together so that everyone's costs are covered.

FAILURE TO TAKE REASONABLE CARE

Travel claims may be declined if the insurer believes the claimant failed to take reasonable care of their property, for example leaving a laptop on a table in an unlocked meeting room.

NO POLICE REPORT

Theft victims may see their claim turned down if they neglect to obtain a police report following a robbery or don't do so within the correct timescales, usually 24 hours.

NO PERMISSION FOR INSURED TREATMENT

Some insurers specify that you must contact a particular 24-hour assistance company prior to obtaining medical treatment abroad. Failure to do so could lead to the insurer declining your claim for those costs.

Should it become necessary to make a claim you will need to check your policy wording to find out exactly what to do next; there will be a claims procedure to follow and you may need to provide specific documentation for your claim. It is wise to read your policy documents before you leave and ensure you have your policy reference and the claims helpline number with your travel documents in your hand luggage.



HEALTH AND SAFETY

BLITZ ON ASBESTOS

The presence of asbestos in buildings is a serious issue. Due to its misuse or long term presence in the workplace, asbestos related cancer deaths stood at 4,000 in 2007 (the latest year with published data) and were expected to increase*.

Asbestos Inspectors are working in many regions calling on commercial premises and large residential blocks of flats to ensure that when dealing with asbestos, workers are following the Control of Asbestos Regulations 2006.

Recently several large fines have been imposed by the Health and Safety Executive (HSE) for asbestos related health and safety breaches:

- In 2009 the court awarded Trevor Martin Horsley £45,000 for general damages for respiratory disability. Trevor had contracted asbestosis as a result of exposure to asbestos during his employment with an insulation services company.
- A licensed asbestos contractor was fined £50,000 on March 5, 2009 following guilty pleas to breaching Regulation 15 of the Control of Asbestos at Work Regulations 2002 (now superseded by the 2006 Regulations). It failed to prevent the spread of asbestos and failed to adhere to its written work specification. HSE inspectors found work sites to be in a 'haphazard' state.

- In June 2008 a Borough Council was fined £20,000 with additional costs of £30,000 awarded to the HSE.

The onus is on the Dutyholder to **find** asbestos, **assess** it and **plan** for its removal or management.

ARE YOU THE DUTYHOLDER?

In many cases, the dutyholder is the person or organisation that has clear responsibility for the maintenance or repair of non-domestic premises through an explicit agreement such as a tenancy agreement or contract. Where there is no agreement, the duty is placed on whoever has control of the premises. This is often the owner.

If work is being carried out on your premises, there is an obligation to tell the contractor about the potential risk in the presence of asbestos. In some extreme instances removal is needed but in most cases demonstrable awareness is required and a 'road map' of locations and type of asbestos is sufficient.

As insurance brokers we can help you on matters beyond just policy covers and claims, such as arranging an efficient health and safety check for asbestos. Establishment of a programme to deal with it can be easily put in place.

* Source: Health and Safety Executive. Reproduced under the terms of the Click-Use License.



Danger
Asbestos

HAZARDOUS

Asbestos is present, in varying forms, in most buildings built before 2000. It was often used as a low hazard composite mineral in insulation products, for example ceiling tiles. It may also be hidden behind refurbishment features such as false ceilings and stud partition walls.

COST-BENEFIT ANALYSIS

Many employers operate group risk schemes for their directors and employees. Typically, these will be in the form of a 'group life scheme', which provides a lump sum benefit on death, a 'permanent health scheme', which enables the company to continue to pay a proportion of the employee's wages in the event of long-term absence due to illness and injury and a 'critical illness scheme' which provides a lump sum payment on the diagnosis of certain illnesses or conditions, for example a cancer.

In the current economic climate, with high unemployment and employers looking to cut costs, risk benefit schemes are a soft target. While it may seem a quick win, the cancellation or reduction of risk benefit schemes may prove a false economy with disaffected experienced employees seeking alternative employment when the job market improves.

In addition, with concern that State benefits are being eroded and harder to claim, these arrangements give peace of mind to employees and, as a result, are valued additions to the employee's package.

With the State retirement age potentially increasing to 66 from 2024, to 67 from 2034, and to 68 from 2044, personal pensions continue to provide flexible retirement options. Rather than cancelling your employee's benefits, first look at other ways to save money or gain more value from your group benefits scheme.

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As a first step, have your costing rates reviewed by professionals who understand the market and may be able to maintain the same cover levels at a lower cost. The cost of risk benefit schemes varies widely from provider to provider and from year to year. If your scheme has remained with the same insurance company for years, perhaps now is the time.



RESUSCITATING FIRST AID SKILLS

The Health and Safety Executive's (HSE) First Aid at Work Training guidance has changed. The Health and Safety (First-Aid) Regulations 1981 still 'require employers to provide suitable first-aid equipment, facilities and personnel to enable immediate assistance to be given to employees if they are injured or become ill at work'. However the training guidance has been refreshed:

SUMMARY OF CHANGES

- The First Aid at Work (FAW) course has been shortened to three days.
- A new qualification for Emergency First Aider in the Workplace (EFAW) now exists, this is a one day course.
- The HSE strongly recommends that FAW and EFAW students attend a three hour annual refresher course to prevent 'skills fade'.
- Both the First Aid at Work and Emergency First Aid in the Workplace Courses must be approved by the HSE and taught by HSE approved first aid training providers. Training for Appointed Persons may be taught by non-HSE approved training providers.

IS MY CURRENT FAW CERTIFICATE STILL VALID?

- Your current FAW Certificate is still valid up to the expiry date.
- Employers are required to carry out a risk assessment to decide on the numbers of first aiders required and the level of training needed.
- When assessing your business's specific needs, you need to consider:
 - workplace hazards and risks
 - the size of the organisation
 - the organisation's history of accidents
 - the nature and distribution of the workforce
 - the remoteness of the site from emergency medical services
 - the needs of travelling, remote and lone workers
 - employees working on shared or multi-occupied sites
 - annual leave and other absences of first aiders and appointed persons.

It is up to each employer to maintain their risk assessment.

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ISLAND INSURANCE

The Isle of Man and Channel Island bilateral healthcare agreements with the U.K., where U.K. residents received certain healthcare free of charge, have terminated.

The arrangement with the Channel Islands ceased on March 31, 2009, and the Isle of Man a year later. Anyone travelling to the Channel Islands, which include Guernsey, Jersey, Alderney, Sark and Herm, and Isle of Man will now be required to pay for medical treatment if they become ill or injured.

Visitors from the U.K. are advised to arrange for adequate travel insurance in advance.

CONTINUED INSOLVENCY FEARS

Insolvency of customers continues to be a major concern for small businesses, many of whom rely on timely payment for cash-flow and survival.

Worryingly, R3, the insolvency trade body, expect 28,000 corporate insolvencies this year in the U.K.. Although only a slight increase from 2009, it is still a 22.8 % cent jump on the figures for 2008 (22,792).

Unfortunately there is more bad news - if your customer goes into liquidation 76% of the time you will get nothing and if you do receive anything, the average amount is only 7.5p in the pound.

To learn more about credit insurance and how it could protect your business, please contact us.

Data supplied by R3, the insolvency trade body, 2010



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