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## Could you be driving without insurance?



**Millions of drivers are under threat as UK insurers are considering the removal of the 'Driving Other Cars' (DOC) cover from private motor car policies.**

The DOC extension gives policyholders third party liability cover when driving a vehicle with the owners' permission which does not belong to them. It is currently a feature of most private motor car policies and can be very useful in an emergency. It is seen as a major benefit to policyholders when test driving a car they are proposing to buy privately, or when driving someone else's car, which may be insured on a named driver basis.

Over the coming months, this extension will be phased out, with some private motor car policyholders losing this cover to begin with by the end of the year.

Norwich Union is leading the way with other insurers keeping a close watch on industry developments.

Norwich Union is planning to withdraw this benefit gradually, as policies approach renewal, commencing from the end of 2005, claiming that this extension is being abused by consumers and stands in the way of a Government clamp down on uninsured drivers. There is not generally any restriction or control over the type of car that can be driven under this extension and there have been instances of policyholders using this cover as an alternative to arranging insurance on a second, more powerful vehicle. In one extreme example, a motorist arranged insurance for a Ford Fiesta and used the DOC extension to drive a Lamborghini.

Motorists may be unaware of the changes to their policy and may be unwittingly driving uninsured. Contact us if you would like to know more.

## Property Damage

**Do you know what causes the most amount of damage to properties?**

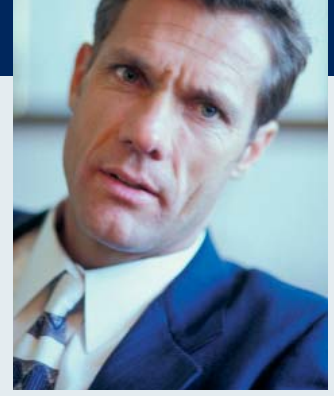
An independent study was commissioned by a leading insurer into property owners perception of risk and what are the key causes of property damage. Over 500 property companies of varying size and location were asked which of the following causes accounted for the greatest insured loss to UK properties. Have a look at the list and see if you can guess which

of these causes accounts for the greatest insurance loss to properties in the UK.

- Subsidence
- Accidental damage
- Flood
- Escape of water
- Storm
- Fire
- Malicious damage

**Go to inside left page to see if you got them in the right order.**

# Covernotes



## A Director has prestige, respect... and numerous responsibilities!

The position of Director or Officer in any company is one of prestige and respect. However, with this prestige come numerous drawbacks. Anyone who operates in a supervisory capacity has legal responsibilities. The legal definition of a Director is "An officer of a company appointed by or under the provision of the articles of association". Listed below are just a few areas of law which they may be held liable under;

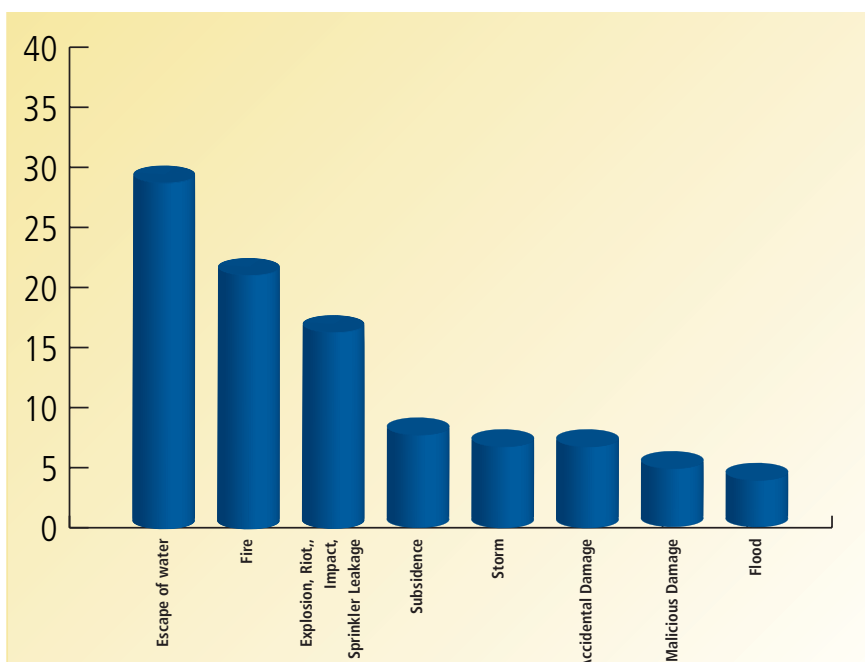
- The Companies Act, has over 257 provisions that, which if breached can warrant civil or criminal proceedings. Further, this Act is currently under review with the intention of increasing corporate accountability.
- Data Protection Act 1998
- Insolvency Act 2000
- Employment Relations Act 1999
- Environmental Protection Act 1990
- Health & Safety at Work Act 1974

Directors and Officers insurance provides the legal costs involved in defending a claim. The claims examples highlight the potential exposures your company can face, an idea of the costs incurred, as well as signifying the importance of Directors and Officers Insurance.

- 1 A driver fell asleep whilst driving for the family-run haulage company. Two motorists were killed. The court held that the operations manager should have ensured that his driver adhered to relevant driving regulations. He had also failed to keep his co-director informed of these regulations.
- 2 A managing director and several senior technical managers faced criminal prosecutions for alleged breaches of health and safety legislation, which resulted in the accidental killing of a number of employees. Since each defendant sought independent legal representation, defence costs exceeded several hundred thousand pounds.
- 3 The estate of a deceased employee claimed that a director of the company which employed her was responsible for arranging her death-in-service life insurance cover and had negligently failed to do so. His defence cost: £16,000.
- 4 A general manager found it amusing to send pornographic emails to the human resources manager. She took offence and complained under the Sex Discrimination Act. Defence costs: £8,500

Contact us if you have any questions relating to this type of insurance cover.

## Causes of Property Damage



As the graph shows, escape of water is responsible for the highest proportion of claims costs. This covers leaks from water pipes, tanks and pipework that forms part of a sprinkler system. Fire and flood may result in higher individual claims costs but the frequency is relatively low. Businesses need to be aware of the risk of flooding, especially those which are located in low lying regions and river flood plains.

A business that manages its risks can benefit from greater efficiency and profitability. Putting a business protection plan in place will help to prevent or minimise the impact of an incident - whether it's minor vandalism or fire.

We can help you to identify and manage a wide variety of risks. Contact us for further information.

# Don't be fooled, pay cheap, pay twice!

In August and September 2005, the US Gulf coast felt the devastating effects of both Hurricane Katrina and Hurricane Rita, when driving winds and rains hit the states of Louisiana, Mississippi, Alabama and Texas, causing total destruction to residents homes, businesses and lives.

The UK has not been immune from such weather phenomena. The tornado in Birmingham wreaked havoc across the city, uprooting trees and damaging more than a hundred homes. The picturesque village of Boscastle suffered from the devastating floods of 16 August 2004 which saw 77mm of rain fall in just two hours. Over a year later, residents and businesses are slowly starting to recover. The Boscastle flooding claimed 58 properties and 4 businesses. One business owner's story is one that can prove to be a 'wake up call' for all business owners. In this case, the owner is still trying to get his business up and running, and is facing problems getting his claims paid by the insurance company.

Insurance is there to give you peace of mind in the event of a financial loss. Incidents such as the Boscastle flooding have highlighted the importance of insurance, and as a member of the Willis Commercial Network, we are able to work with Willis (a leading global insurance

broker), who monitors closely the security of insurance and reinsurance markets worldwide using public information including that produced by recognised rating agencies. As your Broker, we seek to ensure that your risks are placed with secure and solvent insurers, which will meet valid claims as and when they fall due. We do not guarantee the financial strength or solvency of any insurer utilised.

It is all too easy to select purely on price, especially if your business has been hit with dramatic premium rises during the past three or so years. The financial security of an insurer is critical, if anything goes wrong and you need to make a claim. Some companies are based offshore or outside the jurisdiction of the regulatory body of the Financial Services Authority (FSA) who are responsible for regulating the selling and administration of general insurance. We are regulated by the FSA and we ensure that we place business in the UK only with authorised and regulated insurers.

When selecting an insurer we examine the following:-

- What claims service will the insurer provide?
- How well equipped are they to handle your business?

- Do they know how best to react in a claims situation?
- Can they offer you suitable policy terms and conditions?

A less known but equally important factor is whether the insurer intends to write your trade or class of cover for the long term, as there are some trades which perform well historically and others which perform poorly. In addition, as the insurance industry consolidates there are fewer insurers in the market to underwrite your business risk. You may believe that putting your business insurance 'out to market' each year will ensure that you receive the lowest possible premiums, instead you may be building a reputation amongst underwriters for being disloyal and so over time your business become less attractive.

In short, as your Broker, we consider many factors in selecting your business insurer, your premium should be competitive but be aware, the cheapest is not necessarily the best. Our advice is not always based on the cheapest quotation, it is always based on the most appropriate cover and insurer for your business. We will take all of the above facts into account when making our recommendations to you in respect of your insurance requirements.

## New Noise at Work regulations



### Do you know that the current Noise at Work Regulations will soon be replaced?

The new Control of Noise at Work Regulations 2005 are expected to come into force on **6th April 2006**, with a two year transitional period for the music and entertainment industry until 6th April 2008.

In practice, changes to the Noise at Work regulations will include: -

- Reduction in the first and second action levels by 5dB(A)
- A new exposure limit value of 87dB(A) at the ear
- Noise exposure risk should be eliminated at source, or reduced to a minimum

The Regulations cover not only the obviously noisy industrial environments, but virtually all workplaces with few exceptions. They will apply to bar and security staff in night clubs, those behind the scenes at ten-pin bowling centres, and even telephonists and telesales workers who are exposed to noise (including speech) through headphones.

As an employer, you have a legal duty under the Noise Regulations to reduce the risk of damage to your employees' hearing, and as such you should be taking account of, and preparing for, the future changes. If you would like to know more about the regulations, visit the Health and Safety Executive website on <http://www.hse.gov.uk> or contact us for Health and Safety advice.

# Loss of a key employee — what would happen to your business?



**Group personal accident is one of the most under-valued forms of business insurance.**

Most businesses insure tangible assets such as buildings and contents as well as their legal liabilities, but group personal accident is often overlooked. Business Interruption Insurance protects lost revenue following a property loss, but what about reduced production or sales if an employee is absent due to injury, or even dies?

Personal accident provides a form of 'human business interruption', which becomes invaluable in financially supporting a company through such times.

If an employee is injured and cannot work, it can aid staff retention and provide an extra incentive for new staff in addition to salary benefits. Cover can include a range of weekly benefits and a lump sum payment, depending on a company's needs. Group personal accident will provide repayment of lost wages due to an accident (whether at work or not).

**A typical policy may cover:**

- loss of wages
- loss of limb, loss of sight, loss of hearing (both ears)
- loss of hearing (one ear)
- loss of internal organ
- loss of speech
- temporary total disablement
- temporary partial disablement

**Extensions**

- First aid expenses
- Bereavement benefit
- Hospitalisation benefit

**Scenario**

A company loses its production manager due to a serious road accident. The manager is no longer able to work, which puts tremendous financial strain on the firm and the manager's family.

With the claims payments, the company is able to fund a large and successful recruitment campaign for the manager's replacement, whilst also supporting the manager and his family financially, through a difficult period.

Contact us to find out more.

## Contract Certainty

The Financial Services Authority has set a challenge to the UK General Insurance Industry to achieve contract certainty by the end of 2006. It relates to the customer being fully aware of the terms and conditions of their policy cover.

For those who purchase insurance in the UK, the details of the policy (contract) should be known before inception. However, the FSA is concerned over the more complex insurance markets and risks, and so they want to see an improvement in procedure - for everyone. Not only does it relate to ensuring that you the client, receive in advance of your policy inception, full details of the terms and conditions of the contract, but it is likely to include, laid down timescales which the industry must meet in issuing policies to clients.

In order to achieve this, there will need to be close collaboration between you, the client, and us as your broker with your insurer, as we all have a part to play in achieving these new industry standards. You can make a positive impact by ensuring that you provide your insurance details on time and contact us early regarding your insurance requirements. We also need you to actively and promptly confirm that you are happy with the recommended insurance renewal.

This gives you certainty, especially important in the event of a claim arising soon after inception. If you would like to know more, please contact us.

## UK Accident Reports: True extracts from UK Insurance Claim Forms

- The car in front hit the pedestrian but he got up so I hit him again.
- To avoid hitting the bumper of the car in front I struck the pedestrian.
- The guy was all over the road. I had to swerve a number of times before hit him.
- Fireman were called out in the early hours yesterday to deal with a small fire in a bed. The three occupants were treated for minor burns !!!

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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