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Business slip-ups

Risk can come from the most unexpected circumstances

Recent news has filled with lurid tales of the murder of Alexander Litvinenko by a radioactive substance. It sounds like the stuff of James Bond. With the intrigue of spies, contaminated restaurants and planes and a police hunt over continents. Is there anything insurance can offer in such a strange set of circumstances?

Fortunately, there is. Let's quantify the outcomes – and the available covers. The original crime scenes were a Sushi Restaurant and Hotel. Their closure meant owners lost significant trade in the busy pre-Christmas period. What's more, the scare of radiation poisoning may impact on profits for some time. Fortunately, most Hotel Insurance policies provide cover for loss of profit if a murder or suicide takes place on the premises. They also cover the risk of inadvertent food poisoning. Specialist covers on restaurants are also likely to provide similar cover. It may take time to sort out all issues but there is a strong likelihood that loss of trade will be covered in this instance.

Cover can be provided for a whole range of other risks beyond the usual fire, storm flooding etc. For instance, if a local or health authority closes premises due to vermin, pests, sanitation defects or an outbreak of an infectious disease or legionella. Protection can also be given against loss of business due to oil pollution on local beaches or damage to a major attraction in the area such as a stadium or exhibition centre that impacts on custom.

Values of business can plummet if a licence or franchise is lost. This may be nothing to do with the

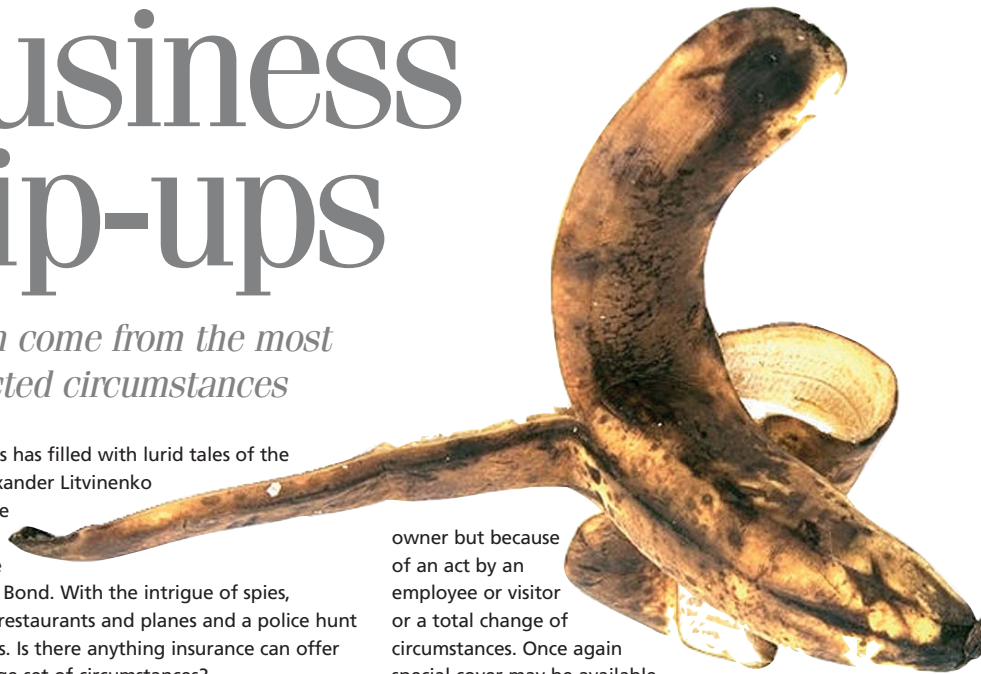
owner but because of an act by an employee or visitor or a total change of circumstances. Once again special cover may be available.

Anyone organising a show, investing in a sales promotion or running an advertising campaign featuring a high profile individual, are always running a risk. If that person is involved in a scandal, 'no-shows' an event or even dies this could scupper the whole campaign leading to big losses. Special cover is available for these risks.

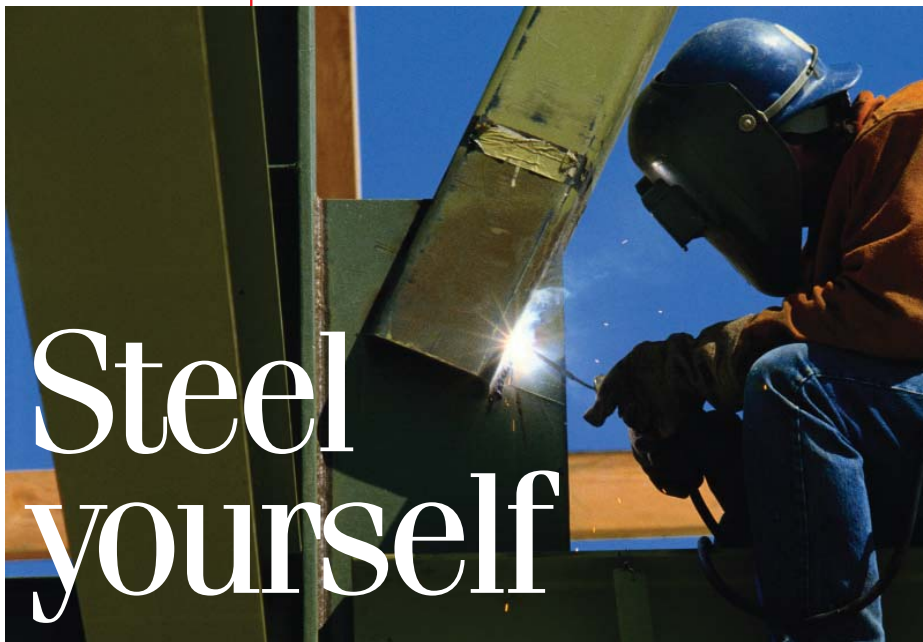
Insurance is even available if a sales promotion is run and far more people use it than expected causing the promotion to go well over budget.

Finally, there's the British weather; even though it is totally unpredictable cover is regularly given for test matches, pop concerts and even local fireworks events and fetes in the event of these being badly affected.

Probably the most heavily insured people in the UK are the royal family. Often millions of pounds are invested in events such as royal weddings, jubilees and major ceremonial events. If they are cancelled, many – especially those in the souvenir industry – can incur large losses. But you don't have to be born into royalty to think ahead – that's why it really is worth thinking what unexpected events could lead your business to slip up. Then we can help you protect your business.



For further information on any of the articles please contact:



Steel yourself

High steel prices impact on rebuilding costs of many buildings

What has the construction of the new Wembley Stadium and the 2012 Olympics got to do with your buildings insurance premiums? In a word: steel. A key reason why both are going over budget is the recent volatility of steel prices caused mainly by increasing demand from emerging economies. And,

whatever your business, it could spell bad news for your organisation too.

Steel costs, which have traditionally lagged behind inflation, are now leaping ahead, having increased by at least 50% in the last 3 years and still growing. Everyone who is responsible for insuring a

building should consider the implications of such a high increase.

The sum insured for buildings for insurance purposes are normally set at the original cost or at a subsequent valuation by a chartered surveyor. Your insurer then uses a broad index of rebuilding costs increasing this figure annually. This takes no account of the individual construction of premises. If your building has an above average amount of steel in it, there is a chance, in the current climate, of your being underinsured. A similar position may apply if the building has a great deal of steelworks incorporated such as gantries, mezzanine floors etc.

Unlike Wembley and The Olympics, there is no fairy grandmother waiting to bail you out if the worst happens, so a little thought now could stop a financial disaster later.

If you would like any advice or help on rebuilding valuations give us a ring.



Protecting your employees – and your business

When an employee is injured at work or has a motor accident on company business, the caring employer is faced with a dilemma. The employer will often feel a moral obligation to help financially – but worry that if they do, they may set a precedent. They may also have the additional costs of expensive temporary staff, and then there's the potential financial impact if an employee decides to sue. It's a minefield, but how do you do the right thing for everybody?

The solution is relatively simple. It costs comparatively little to take out a group accident cover covering all employees if they are injured at work or travelling on company business. The business would receive up to the full salary for the time the employee is off work. This income can be used to hire a replacement or pay the employee for up to two years. A good employer can continue to look after an injured employee whatever the circumstances and the employee is less likely to resort to legal action. In short, everyone wins.

If you are interested in protecting your staff, ask us to obtain a quotation for you.



That sinking feeling!

Flooding could be devastating for your business

A feature of our winters now seems to be heavy rain rather than extreme temperatures. Persistent rain can often lead to flooding and can be devastating for businesses. The media tends to concentrate on household flooding but flooding of business premises can be just as costly – especially as a number of modern business parks are built on flood plains. Disasters attract far less political and public sympathy and indeed whilst insurers feel they have a duty currently to offer flood insurance to all households they are likely to be selective in providing cover on commercial property and there are a number of locations in the UK where cover is difficult to obtain or is highly priced. Maps of high-risk areas are available on the Environment Agency website www.environment-agency.gov.uk/subjects/flood and businesses can subscribe to a flood alert system by calling 0845 0988 11 88. However, even if your premises are not in a flood prone area, it can still be hit by flooding caused by a sudden downpour which the drains cannot cope with.

It would be foolish for those at risk not to have a business continuity plan. This should cover all the normal items regarding contacts, employee evacuation, shutdown procedures, dealing with hazardous materials, protection and security of assets, salvage procedures and details of specialist drying contractors. Alternative working options should also be investigated in case of a prolonged shutdown.

There are a number of ways a business can minimise the impact of flood in advance. Some of these cost nothing and others are expensive and will depend upon the degree of risk of flooding occurring.

We are aware of all the potential flooding locations in our area and have access to UK maps re potential

flood locations. We can also provide you with more detailed advice if you wish. If the worst happens and a flood occurs we will be available immediately to help in dealing with the aftermath and any claim.

Good practices

- Consider the height at which goods are stored; the higher the goods the less chance of damage
- Look carefully at equipment stored at or below ground level. Certainly electrical equipment should be kept at as high as level as possible, perhaps on platforms
- Identify a suitable site for evacuation of vehicles to higher ground
- Install back flow valves on all toilets and drains
- Raise electrical sockets above potential flood levels
- Store stock on pallets or shelving
- Raise cabling, or position in suspended ceilings above ground level
- Purchase an emergency power generator
- Look at the range of permanent or semi permanent flood protection products available.

If the worse happens and a flood occurs then you need to consider the following:

- Ensure it is safe to enter your property. There may be structural damage
- Be very careful of downed power lines. These could make the building an electrocution chamber
- Do not enter the building until you are sure all mains electrical supplies are disconnected and gas is turned off
- Be careful of slippery surfaces and get the drinking water tested as it could be contaminated
- Watch out for debris as it could be polluted by sewage
- During clean up, wash your hands thoroughly and often
- Keep staff and public away until all health and safety checks have been cleared.

'Black economy' employees



An illegal workforce could leave your company in the red

Over 500,000 legal immigrants have arrived in the UK from Eastern Europe since their countries acceded to the EU in 2004, but it is estimated that many more are in the black economy. Even the most careful employer can

unknowingly employ an illegal and some might wonder what the position would be if one was injured whilst working.

As with most situations, the law seems to side with the illegal. A case *Hewison v Meridian Shipping* held that even though Hewison had obtained his employment by serious deception, he was still entitled to recover damages for the injury he

received. He may well however be barred from recovering loss of earnings or loss of earnings may be calculated on what he might have received in his home country. This case is likely to be the precedent for other such incidents in the UK. An illegal may be reluctant to put a claim forward bearing in mind he would have to disclose his situation that could lead eventually to deportation but some may see any awards as sufficient recompense for such a result.

Insurers may however look carefully at the position of the employer. If there was any evidence that the employer had an idea or turned a blind eye that the employee had illegally entered the country, they would be likely to refuse to handle the claim. They could not condone an illegal act. In this eventuality, the employer would be left picking up the bill and this could end in financial ruin.

It is therefore very important that employers who operate in industries where immigrants tend to look for work are especially vigilant. A failure to do so could spell disaster.

'Subject to average'

What does this really mean?

To most, the word 'average' is derived from a French word, which is defined as 'the result of adding several amounts together then dividing the total by the number of amounts producing an average'.

Insurers, in their passion for jargon, use an Arabic derivation of average, which applied to the fair sharing of losses at sea between the owner of the vessel and its cargo. Now nearly every policy covering assets owned by businesses is said to be 'subject to average'. This term may be shown on the risk register or statement of fact we supply to you. It is important that businesses understand what it means.

Insurers generally charge a rate per cent on the cost of replacing or rebuilding the asset and this produces the premium they charge.



The correct information is only known by the business, and insurers are reliant upon this amount from you. Some businesses may declare lower amounts to reduce premiums, some only provide figures which they feel is the maximum loss they could have or others use book values which are far less than replacement costs. There can often be external

influences on prices such as exchange rates and rising raw material costs. The average condition is the insurers' way of paying out fairly for any loss or damage.

Expressed simply, if a business has a sum insured of say 60% of the replacement cost at the time of any damage, only 60% of any claim will be paid. Their view is that as 60% of the risk has been covered, the balance is self-insured.

There are many variations of this rule and we are able to offer solutions to reduce or eliminate the impact of many of these for you. However, the starting point of any discussion needs to be realistic appreciation of the replacement cost of what is to be insured.

