



*Robinson Buckley
Insurance Brokers
Limited*

B U S I N E S S
I N S U R A N C E
G U I D E

*Advice on what you need to protect
your new business venture*

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Robinson Buckley Insurance Brokers was formed in 1977 as a specialist insurance advisor to the business market. We now manage a large portfolio of clients in a wide range of business sectors.

We are an independent brokerage and not restricted to any individual company's products. We work with a broad market to find the best product and tailor a package to suit each client's requirements. Established clients of Robinson Buckley know that it is not just a case of finding the best premium, but having peace of mind that we are there to advise and support them should their cover requirements change, or in the unfortunate event of making a claim.

We have compiled this Business Insurance Guide and hope it will assist you in making your choice of insurance cover.

INTRODUCTION

Protecting your new business is an absolute necessity and in one or two areas a statutory obligation. Choosing the right policies, extent of cover and ensuring you have complied with legislation is not just prudent — it is essential, *but where to start? This is often the problem.* This guide is aimed at giving you the basic facts needed to point you in the right direction and make the correct decisions.

Before setting up a business most people's exposure to the world of insurance has been limited to the family car, their home and possibly a holiday cover. The spectrum of corporate insurances is much wider than that of personal, being generally more bespoke and tailored to the business sector in which you are involved. Appropriate choices therefore need to be made to protect your assets, profits and various liabilities.

With most new businesses, overheads are or can be a problem and keeping these to a minimum, including insurance costs, is a priority. Care in cover selection in the early days will therefore be essential as you must comply with statutory requirements and protect your business from the greatest risks. With this in mind we have set out the covers under the following headings.

STATUTORY COVERS: Those required by law.

ESSENTIAL COVERS: Although not legal requirements these are the insurances without which, you will find it difficult to trade or without which you put your business at serious risk.

OTHER AVAILABLE COVERS: As a business develops and grows, other insurances will be prudent and decisions may be taken to widen cover in certain areas to perhaps protect staff more fully or plug gaps left in earlier days due to cost restraints. In many cases the type of business will dictate which insurances are essential and there may be covers listed under this category that will be vital.

STATUTORY COVERS

There are currently only two insurances required by law in the UK and one non-insurance contract provided by the Insurance Industry.

- Road Traffic Act Cover
- Employers' Liability
- Statutory Inspection

1 ROAD TRAFFIC ACT COVER

Most people are aware of the necessity for Road Traffic Act Cover, without which it is illegal to take a motor vehicle onto the public highway. Little or no further comment is necessary here other than to state that it applies to all classes of commercial vehicles as well as private cars. Most individuals and businesses by choice take a wider form of cover, i.e. comprehensive, third party fire and theft or third party only.

2 EMPLOYERS' LIABILITY

The Employers' Liability (Compulsory Insurance) Act 1969 made it compulsory for businesses to provide Liability cover for work related accidents/illness to staff. This was updated in 1998. The Act states that a minimum indemnity limit of £5,000,000 any one event must be held, although the insurance industry generally grants a standard limit of £10,000,000. There are one or two exceptions to the Act, i.e. husband and wife partnerships or where cover would not apply due to the existence of only one legal identity. Generally however this insurance *must* be purchased.

3 STATUTORY INSPECTION

Although not an insurance cover, statutory inspection of lifting plant and pressure vessels is usually arranged through the insurance market. This commonly covers such items as lifts, forklift trucks and air receivers. An alternative to an insurance company contract would be the manufacturer's or service company's contract and the cost of the inspection via either route is very similar.

ESSENTIAL COVERS

These can vary depending upon the nature of the business and there may be covers listed under the heading 'Other Available Covers' which could fall into this category. Generally however the following should be considered.

- Public/Products Liability
- Property Protection
- Business Interruption
- Professional Indemnity
- Money

4 PUBLIC/PRODUCTS LIABILITY

Public Liability is an absolute essential for any business and in many sectors it can be impossible to trade without it. It protects a company from claims made against it from any third party (other than an employee) be it an individual or corporate concern, following damage to property or personal injury. A Products Liability cover is an extension to Public Liability and covers claims emanating from products produced or supplied. Without this protection a business is in a very vulnerable position, especially with the current litigation culture and one claim for a serious personal injury or damage to property could destroy a new venture. Indemnity limits generally start at £1,000,000 although £2,000,000 is becoming the accepted benchmark. Limits of £5,000,000 are common and often advisable depending upon trade.

5 PROPERTY PROTECTION

This is possibly the simplest insurance and one that people most readily accept as necessary. It insures the company assets from physical loss or damage and can include; buildings, business furniture, computers, machinery, plant, stock and theoretically any other tangible asset owned or held by the business. Cover usually applies to the business premises but can be extended as necessary for property on a UK or worldwide basis. It can also cover property in transit and this is known as *Goods in Transit* or *Marine Transit Insurance*. Property is usually insured for the new replacement value, regardless of its age and this must be reflected in the values insured.

6 BUSINESS INTERRUPTION

This is a regularly overlooked insurance but arguably one of the most important. It is a quoted statistic that 70% of businesses fail to recover following a serious fire. This insurance provides the means for businesses to recover from a serious loss, be it fire or any other insured event, by making money available to assist with emergency additional expenditure and reimbursement of lost profits. For office based service companies or businesses with few assets, a limited cover for necessary additional expenses can be sufficient but generally an insurance based upon estimated loss of profit is advisable. Whichever option is chosen, a written disaster recovery plan should be prepared as this will greatly assist, especially in the critical first weeks following a loss. It is also reflected in Business Interruption Insurance premiums.

continued overleaf

7 PROFESSIONAL INDEMNITY

Although listed as an essential cover, it is usually either a 'must have' or is unnecessary. This is entirely dependent upon the nature of the business. Cover will be necessary where a business supplies advice, design or specification for a fee and is normally associated with consultants, designers, engineers, surveyors, etc. The insurance provided is a Legal Liability indemnity to protect the business from claims as a result of poor or incorrect information, design or advice. Typical indemnity limits are similar to Public and Products Liability covers. The necessity for the cover arises from a standard exclusion in Public and Products Liability contracts.

8 MONEY

With our now virtually cashless society, money cover, although categorised as an essential, can in many cases be deemed unnecessary. The relatively innocuous status of the risk is reflected by insurers providing money extensions on certain insurance covers free of charge. It should however not be overlooked if a significant exposure exists.

OTHER AVAILABLE COVERS

These should not be regarded as 'luxury' covers as in some circumstances they can be essential, dependent upon the nature and activities of the business. The full list of available insurances is exhaustive and far too long to cover in a brief introductory guide. The advice of your insurance broker or adviser should be sought to ascertain what should be considered. Below however are a few of the most frequently required.

- Directors & Officers
- Personal Accident
- Travel
- Legal Expenses
- Credit

9 DIRECTORS & OFFICERS

This insurance should, it could be argued, be in the 'essential' bracket and it is not included only on the grounds that in the very early days, the exposure can be low and minimum premiums prohibitive. The cover is a Legal Liability indemnity similar to a Public Liability or Professional Indemnity contract but protects the individual directors and officers of the company. The Government now have a policy of making company directors more accountable for their actions and it is increasingly difficult to seek protection behind a limited liability company status. More and more often, directors are being sued personally for decisions and actions taken on behalf of the business. A failure to protect yourself in these circumstances does not just put the business at risk but your personal wealth too.

10 PERSONAL ACCIDENT

Many businesses obtain this cover to provide an accident benefit for staff or to help cover the cost of a temporary replacement during the injured persons convalescence. Whilst an employee, who has suffered an accident at work, can claim against the Employers' Liability Insurance this will only be successful if negligence can be proven against the employer and often settlement takes many years to finalise. Personal Accident Insurance gives an immediate benefit and covers accidents, regardless of the negligence of the employer, and can also be extended to apply on a 24-hour basis, thereby ensuring non-work related incidents are insured.

Benefits can either be as a multiple of salary, or a set amount and are payable for death or permanent disablement with a weekly sum to reimburse wages for temporary disablement.

11 TRAVEL

If business travel is a necessity then this insurance also becomes so. The cover is very similar to a standard holiday insurance but more tailored to individual needs. A blanket basis of cover is generally granted based upon an estimated travel pattern.

12 LEGAL EXPENSES

This cover affords protection against prosecution and the ability to pursue certain legal matters. Appropriate cover is chosen, dependent upon perceived exposure and is available for; employment disputes, property associated matters, contract disputes, prosecution defence, tax enquiries, statutory licence disputes and debt recovery.

13 CREDIT

New businesses rarely extend significant credit to customers, but as the business grows, it can become necessary. Bad debt is a major contributory factor to failing businesses and insurance cover can be purchased to provide protection.

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The advice we provide is free and ultimately we hope we can work with you and act for your business as it develops and grows. Please feel free to contact our office by telephone or email if we can be of assistance.