

## Business Insurance from Boyd & Co Ltd

### A HARD DAY'S FIGHT?



Whispers of a hardening market have been reaching the collective ears of the insurance industry for the past few months, and the signs are that those whispers are starting to make themselves felt.

As everything from terrorism, to global warming to the credit crunch is starting to have its affect, the UK's leading insurers are starting to increase premiums with the trickle down now reaching thousands of households and businesses across the UK.

This article examines in some depth the reasons behind these increases, how it may affect your business, and how with a quick response now, we can help you protect your business from future hikes.

### Property

The summer floods were a timely reminder of the continued concerns surrounding climate change, and have contributed significantly to the increase in property premiums. This, combined with the ongoing battle for government funded flood defences, proves a worrying time for insurers:

- Historically insurers have anticipated major geographical or climatically significant events such as the 1987 hurricane or 2005 Carlisle floods, occurring once in a hundred years. In the past 20 years, six of these events have occurred and property premiums will continue to feel the affect of this. A conservative estimate of the overall cost of these events is £7.5bn. Insurers expect the impact of climate change to continue, and therefore a cautious approach to future costs is reflected in premium increases.
- An unbalanced relationship between supply and demand of world commodities has seen property claims inflation increase by 5% in the last year. Insurers anticipate a continued growth in this inflation, driven by demand from China and India.
- Local authority legislation covering new building design and planning permission, has increased the cost of replacement and repair as environmental and energy efficiency considerations have to be factored in.
- Insurers have recognised the increased frequency of loss related to modern methods of construction which typically use lighter weight and less resilient materials than historical methods.

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## Liability

Mortality and life expectancy rates are currently in flux, creating uncertainty about future care costs particularly in personal accident and fatal accident cases. Insurers expect future care costs to continue to rise in 2008 and beyond.

- An increasing number of stories have appeared in the press about goods manufactured abroad not meeting safety standards. This has contributed to a 32% increase in the reporting of dangerous products
- Legislation which came into force from January 2007 has seen NHS recoveries reach £505 per outpatient visit, and £620 per day as an inpatient

Newer forms of liability claims are continually emerging and insurers are now reserving for:

- Stress - an estimated 12.8m working days were lost due to stress in 2004/05
- Environmental smoke - despite the smoking ban, insurers expect related claims to continue
- Electro Magnetic Fields (EMF) - the uncertain outcome of studies investigating the impact of EMF's is encouraging insurers to prepare reserves



## Motor

The average claims cost has increased by 7% per annum and looks set to rise further. With more motorists on our roads, the UK's leading insurers feel the following factors are amongst the key reasons why rates need to go up:

- Overall claims inflation has increased by 5% per year whilst rates have reduced in real terms by 20% in the last four years
- Repair costs to vehicles is increasing on average 3% year on year due to increasingly sophisticated vehicle technology
- Bodily injury now represents 45% of each claim compared to 25% in 1999, amounting to costlier claims
- Increased frequency and cost of losses in excess of £100,000
- The Courts Act 2003 (effective April 2005) has led to increased costs of claims where periodical payments are awarded in place of lump sums
- Accident frequency exceeded 30% for the first time in Motor Fleet

Taken together, these factors mean the time to act to protect your business is now.

# Ghost from the **past**

When you sell a company, the new owner would normally take on all liabilities past or present, and you can walk away knowing that - provided the solicitors have done their job well - there should be no future issues which cost you money.

However, if you are a sole trader, partnership, sell the business but not the company, or just close down, then you or your company could still face claims from past activities. For example, a product you supplied some time ago may have caused injury, some work you did may go wrong or some advice you have given may turn out to be incorrect, causing financial loss.

Consequently, it may be unwise to cancel all insurance cover immediately, and special cover may be required to protect you against these potential long term liabilities.

A similar position applies if you have closed down a division, stopped producing a certain line or changed the nature of your business.

In this situation there is a risk that your current business activities are covered, but your insurer is not aware of past activities. If a liability claim arises from defunct activities, then your current insurer could well refuse to handle it. The issue is simple to resolve - it's just a matter of telling your insurer up front of any past activities.

If you feel that any of the above applies to you and you want to check out your position, please feel free to contact us.



# NetGains

## E business is growing in importance, but so too are the risks

The scale of the recent loss of child benefit data is a catastrophe on a scale far beyond what the majority of businesses would have to contend with, but nonetheless it does highlight the need to review data security for thousands of businesses.

With increasing numbers of companies holding client data, more and more businesses are waking up to the fact that they need to tighten measures to protect data from accidental loss, malicious actions or theft.



If the worst was to happen, and data got into third party hands with the customer suffering financial loss, there is a strong presumption of negligence and consequently possible grounds for compensation.

And this is merely the tip of the iceberg when it comes to a business' cyber-liabilities. It is estimated that there are around 170m websites worldwide, containing approximately 17bn pages, which are accessed by over 1bn people annually.

The sheer scale of electronic use exposes businesses to thoughtless or malicious acts on an unimaginable scale.

Employees may maliciously or inadvertently breach copyright, data protection, trademark or plagiarism legislation, creating a whole array of potentially litigious situations.

Email presents a further threat: a company which uses email is in effect a publisher and its employees are therefore authors.

A publisher would never release a story until it has been thoroughly checked - least they were laid open to claims of libel, defamation and other such actions.

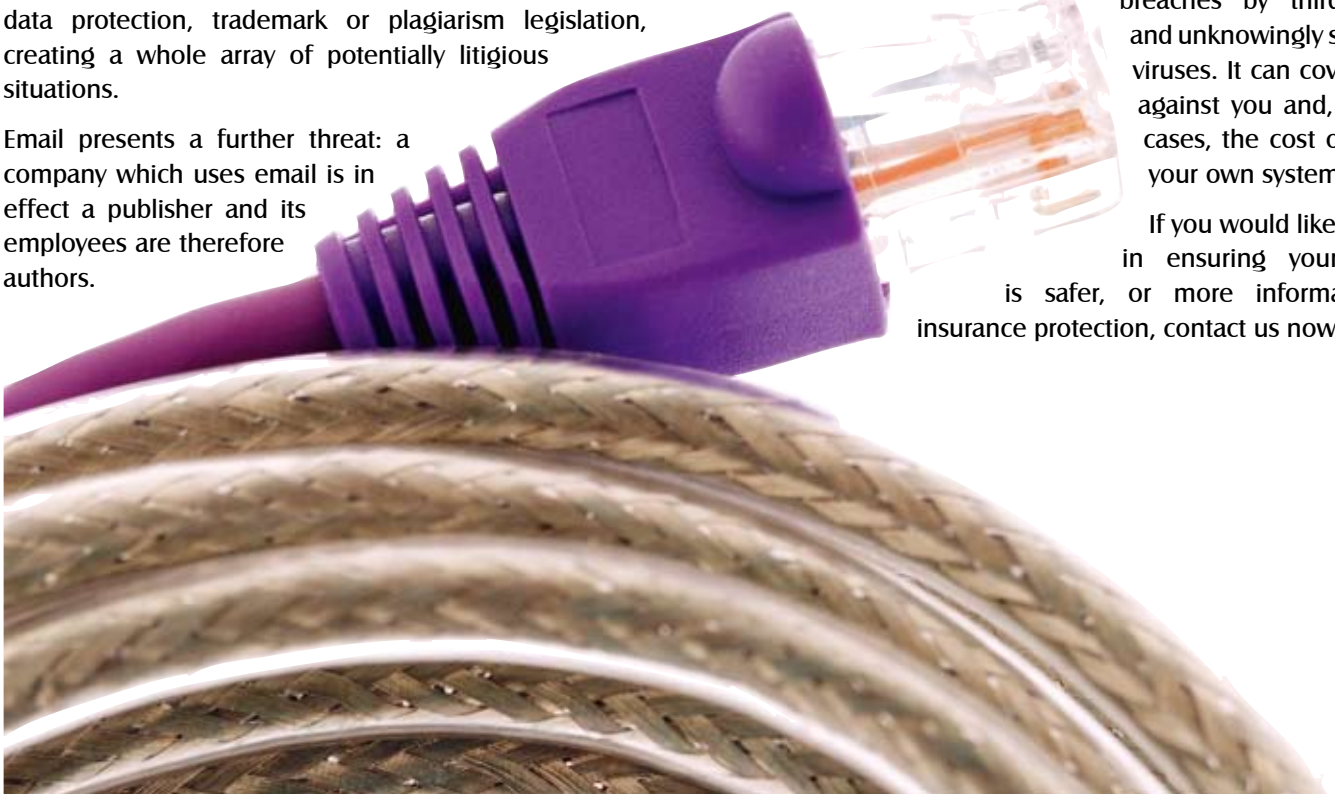
High-tech crime is estimated to account for more than one third of financial crime in the UK, and more than 77% of bigger businesses report virus attacks.

A company's first priority should be to ensure that security is in place to reduce the chances of a viral attack, and rules are enforced with regards to passwords and email use.

However, rules can be ignored and security breached and to protect you further, insurance is available as a safety net.

Insurance can protect you against accidental breach of copyright, defamation and libel as well as network breaches by third parties and unknowingly spreading viruses. It can cover claims against you and, in some cases, the cost of putting your own system right.

If you would like any help in ensuring your system is safer, or more information on insurance protection, contact us now.



# Constructive Thinking



**The Health and Safety Executive's Construction (Design and Management) Regulations 2007 (CDM) came into force in April 2007. At first glance, many businesses will assume that it only impacts on the construction industry and can therefore be safely ignored. The reality however is very different, and its impact could potentially be felt by every business.**

The legislations' aim is to promote a coordinated approach to health and safety in the construction sector and counteract the 25% increase in death rates the sector has experienced in the past year.

In essence, these regulations seek to define the responsibilities of all parties involved in a project. Typically this may be the principal client, the designer, the planning supervisor responsible for all health and safety matters, the principal contractor, auxiliary contractors and self-employed tradesmen.

The CDM regulations generally apply to construction work that lasts for more than 30 days, or will involve more than 500 person days of work. CDM also applies to non-notifiable work which involves five people or more on site at any one time.

CDM places the obligation on the client to ensure that, as far as reasonably possible, sufficient resources, have been, or will be, allocated to enable the project to be carried out safely. More specifically the client should:

- Select and appoint a competent planning supervisor and principal contractor who will allocate adequate resources for health and safety
- Be satisfied that designers and contractors are competent, and will allocate adequate resources when making arrangements for them to work on the project
- Provide the planning supervisor with information relevant to health and safety on the project
- Ensure construction work does not start until the principal contractor has prepared a satisfactory health and safety plan
- Ensure the health and safety file is available for inspection after the project is completed

After being appointed by the client, the principal contractor should develop the health and safety plan and keep it

up to date. It is likely that your architect will make sure that you conform to all health and safety requirements, but it is essential that you involve your insurance broker at an early stage so that all insurance implications can be considered.

## Better Safe Than Sorry

If you are carrying out major building works on your premises, extending your current office or having new premises built, you should involve your insurance broker at an early stage.

They can consider the insurance considerations which may arise and help ensure that the principal contractor is appropriately insured. Some of the issues are:

- Under the contract terms what are you responsible for insuring? For extensions it is very likely you will need to insure the works
- Is the work likely to affect the security of the premises or any fire protection?
- Does the construction, or construction process, impact on your overall insurance risk?
- What increases in sums insured is required to reflect the increased building value, extra equipment and stock, if any?
- Is cover required for the movement of equipment or stock?
- Are profits likely to increase and should your loss of profits policy be altered to reflect this?
- Is there any change in your business activities?
- Are you purchasing any expensive new equipment that may need cover whilst being imported, delivered or installed?