anderson smith insurance brokers

IMPORTANT ADVICE TO CLIENTS – PLEASE READ

Fair Presentation of Risk: Your Ongoing Duty of Disclosure

Under the terms of The Insurance Act (2015) you have a duty to disclose all information, facts and circumstances which are, or ought to be, known to you and which are material to the risks to be insured. Failure to disclose these may invalidate the insurance cover and could result in part or all of any claim made being declined by the insurer.

The duty of fair presentation of risk is an ongoing duty upon you throughout the policy term and not just at inception. Examples of changes could include new business activities, new processes, premises security, new buildings or equipment, RIDDOR events, CCJs and company director disqualifications. These examples are provided for illustration only and are not exhaustive.

If you are in any doubt whether a fact should be notified to insurers, please ask us.

Adequacy of Sums Insured

Contracts of insurance require that the sums insured **must** represent the full value of the property. Deliberate and significant under-insurance will, in the most extreme cases, allow an insurer to void the policy completely.

Condition of Average – Many insurance policies contain a policy clause known as ‘’Average’’ which will reduce any claim payment by the same proportion as an incorrect sum insured bears to the true value. Thus, a building insured for 50% of its true rebuilding cost will have any claim payment restricted to 50% of the repair cost.

Buildings, Plant and Machinery are usually insured on the basis of the cost of reinstatement, in other words replacement at current new values. Stock In is insured at the original purchase cost and Goods Out at the purchase price plus added value (excluding profit margin). Factors such as replacement equipment delivery times and exchange rate fluctuations need to be factored into the calculation of values to be insured. Other factors such as VAT require thought as a repair and a replacement may have different VAT treatment.

Anderson Smith is not qualified to advise on sums insured but can recommend valuers qualified to provide valuations appropriate to the property in question. Please get in touch if you require assistance with valuations.

Business Interruption Insurance

In the same way as businesses seek insurance protection for their property and liabilities, so the need to protect their income stream is essential. Business Interruption cover seeks (as far as policy cover is possible) to address the adverse financial impact following insured loss or damage to the insured property of the business.

Generally, the cover is usually arranged on a Gross Profit basis or a Revenue basis depending on which is most appropriate for the type of business.

As a rough guide, a Gross Profit basis is calculated by using the annual turnover and deducting the purchase of stock, consumables and certain variable expenses. This leaves the fixed business costs, (including wages) plus the pre-tax profit to be included in the sum insured.

A Revenue basis uses the turnover of the business as the sum insured and tends to be used mainly for service based enterprises.

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Wageroll and Turnover Financial Estimates

Most premiums for liability insurance covers are calculated using the estimate of the turnover and wageroll for the coming period of insurance. It is part of the duty of fair presentation that these figures are calculated as accurately as possible and reviewed at each renewal date.

The turnover will usually be split into categories of business activity income to paint a financial picture of the business structure. The wageroll will usually be split between different categories of employee activity and information on how the split of wages is allocated depends on the business activities of the firm. Labour-only sub-contractors and self-employed persons are usually regarded as direct employees for the purpose of the Employer's Liability Act and in almost all cases should be declared in the same way as direct wages. Payments to bona-fide subcontractors may also be declared, where it is relevant, in trades such as contracting. This is probably best discussed with us to obtain advice on how and why this should be the case. Finally, directors of limited companies are usually regarded as employees and payments to them should be declared but identified separately.

Declarations and Adjustable premiums

Some liability and motor fleet insurance policies are based on an estimated wageroll, turnover or number of vehicles depending on the type of policy. At the end of a defined period set out in your policy you will be asked to provide a declaration of the actual figure for the preceding period and a recalculation of the premium will take place using these figures. An additional or return premium may arise from this adjustment.

''Minimum and Deposit'' premiums

Some insurers will quote premiums on a ''minimum and deposit'' basis. In such circumstance, this is the minimum premium payable and no return premium would be due in the event of cancellation. In addition, some insurers will charge a percentage of the full premium up front as a minimum and deposit premium, with the right to recover the balance due at the end of the year.

Warranties and conditions

Cover is subject to all of the terms, conditions and warranties detailed in your insurance policies. Please read these very carefully as failure to comply may result in all or part of claim not being met by insurers, even if the failure is not connected or related to the loss. Policy documentation should be retained for the timescale within which the wording would permit a claim to be notified to the insurer and such claim be finally settled.

Claims notification

Insurers must be provided with immediate notification of any claim or potential claim. In the instance of malicious damage or theft, immediate notice must be given to the police and a note of the crime number secured. Full details of the loss will need to be provided to insurers within the timescales detailed in the policy. Failure to notify could prejudice your position and at worst, invalidate your claim.

Our Terms of Business and Privacy Statement

We conduct our insurance broking business with our clients in the United Kingdom on general terms that are set out in our Terms of Business and Privacy Statement. This document (included within the documentation provided by us) refers to our services, our remuneration, your responsibilities and what to do if you have a complaint amongst other matters. Please take time to read over and should you have any queries in this respect, please contact us.

<u>If you are unsure of anything in this document or relating to your insurance policy, please get in touch.</u>