



BUSINESS SERVICES AND IMPORTANT  
INFORMATION FOR OUR CUSTOMERS

# Welcome to BHIB Insurance Brokers

We are one of the most capable and forward thinking independent insurance brokers in the UK.

Whatever your line of business, you can rely on our team of highly qualified professionals to protect your company and private interest at all times. From reviewing your risk and insurance cover to handling your claim, we'll be there to give you our personal support and expert guidance.

This document is full of important information relating to our business services and insurance business in general. It provides you with the information we feel you would want to know, in support of a quotation, a conceptual report, a renewal offer or just a general enquiry.

**We hope you will take the time to read it and retain a copy for reference alongside your policy documentation and our reports.**



Ashwin Mistry OBE ACII, Chairman

*"It is a very sad thing that nowadays there is so little useless information."*

**-Oscar Wilde**

*"Knowledge is of two kinds. We know a subject ourselves, or we know where we can find information on it."*

**-Samuel Johnson**

## Connect with us

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# AN INTRODUCTION TO BHIB

## Reliability

Not all insurance brokers are the same. We are an independent broker with considerable sector experience and a unique and progressive approach to supporting your business. We're committed to raising levels of service and professional standards within our industry, acting with total integrity at all times.

We pride ourselves on being able to deliver a bespoke insurance solution and we are always ready to talk through your exact needs. Our business model enables us to offer you personal service combined with "big broker" benefits, including access to exclusive insurance products and services. We ensure that all our brokers gain professional qualifications, and we aim to provide you with the best advice – plus we have empowered every single one of them to make decisions on our behalf, so you're never left waiting for answers.

Not only that, we can offer you help, advice and information on a wealth of relevant issues including health and safety, disaster recovery and business continuity.

BHIB Insurance Brokers also provide risk management services (health & safety, disaster recovery and business continuity) which are not regulated by the Financial Conduct Authority. Any protection provided by the Financial Ombudsman Service or the Financial Services Compensation Scheme does not apply to any of these specific business activities and we will inform you of this before undertaking the business activity.

## Our Chartered Status

For insurance brokers, this is the gold standard and the benchmark of professional excellence and integrity.

When you use a broker with Chartered status you are dealing with proven professionals. The CII is empowered by the Privy Council to award Chartered status only in deserving cases.

It confirms that we have satisfied rigorous qualification criteria by retaining highly-qualified staff who subscribe to the membership conditions of the CII.

It also involves a commitment to continuing professional development and adherence to an industry standard Code of Ethics. You can view the [Code here](#).

Only the UK's premier insurance broking firms qualify for Chartered status. If you wish to know more about how using a Chartered firm can ensure you get the best possible advice, service, and support, please do not hesitate to contact us.

## The Brokerability Group

In addition to being one of the largest independent Insurance Brokers in the United Kingdom, BHIB Insurance Brokers are also the founder members of the Brokerability Group, who place nearly half a billion pounds premium into the UK insurance market every year.

This allows us to have greater depth of relationship with insurers, in terms of enhancing our powers of negotiation on your behalf, and demonstrating the strength of collaboration when it comes to assisting with claims settlement and providing insurance solutions for your business, whilst maintaining the thorough and professional level of service that you would expect from an independent Insurance Broker.

# TERMS OF BUSINESS AGREEMENT

BHIB Limited TOBA V10 October 2020

## Introduction

This document supersedes all Terms of Business previously issued by us. It sets out the terms upon which we agree to act for our clients and contains details of our regulatory and statutory responsibilities. It also sets out some of your responsibilities. Please read it carefully. This Terms of Business Agreement comes into force on the day you receive it from us and will remain in force until you are provided with revised terms.

Please contact us immediately if there is anything in these Terms of Business which you do not understand or with which you disagree.

## About Us

BHIB Insurance Brokers is a trading name of BHIB Limited ("BHIB"), an insurance intermediary. Our registered address is: AGM House, 3 Barton Close, Grove Park, Enderby, Leicester LE19 1SJ.

E-mail: [enquiries@bhibinsurance.co.uk](mailto:enquiries@bhibinsurance.co.uk). BHIB Limited is registered in England and Wales, number 829660 and is a wholly owned subsidiary of Brokerbilty Holdings Limited.

## Regulation

We are authorised and regulated by the Financial Conduct Authority (FCA), number 116675 and registered in England and Wales, number 829660. Our permitted business is introducing, advising, arranging, dealing as agent and assisting in the administration and performance of general insurance contracts and credit broking. This can be verified by contacting the FCA, 12 Endeavour Square, London E20 1JN, telephone number 0800 111 6768, website [www.fca.org.uk](http://www.fca.org.uk). We abide by the FCA Rules and Guidance for General Insurance. We hold and maintain Professional Indemnity insurance, as required by the FCA.

We are also members of the British Insurance Brokers Association (BIBA) and the Chartered Insurance Institute (CII)

## Our Service

As an insurance intermediary, acting on your behalf, we provide both advised and non-advised services. We will ask questions to enable us to assess reasonably your insurance requirements, this may include checking information that we already hold about you and your existing insurance arrangements with us and other parties.

Our on-line services are non-advised and we will provide you with information only. We will not provide you with any advice or specific recommendations and we will only deal with a single insurer when providing online services.

Where you contact us directly (e.g. telephone, face to face meeting, email etc.), our services will be advised and we will provide you with advice and guidance, after assessing what you want and need and recommend a suitable policy based on our experience of dealing with similar risks. Where we provide you with advice this is done on all types of general insurance products and BHIB are not tied to any one insurance company.

We are, however, tied to a single insurance provider when our offering is by way of provision of a scheme for particular sectors or classes of business.

Generally, we provide a fair and personal analysis of the market, however, for certain products we may only deal with a single insurer or select from a limited number of insurers as advised to you. The names of the insurers are available on written request. We will discuss your insurance requirements with you, including the scope of cover required, limits to be sought and pricing. Alternatively,

if you confirm it in writing to us, we can place your risk without providing any advice. We will also provide advice on your payment options (if available) and, if premium finance is available for your insurances and is required, we can arrange this with your insurer or a specialist provider, as agreed with you.

Upon receipt of your instructions, whether written or verbal, we will endeavour to satisfy your requirements in your best interests. However, we will not in any circumstances act as an insurer nor will we guarantee or otherwise warrant the solvency of any insurer. A liability for premium, whether in full or pro rata, may arise under policies where a participating insurer becomes insolvent. We regularly monitor the financial standing of insurers available to us and we will discuss with you any concerns that may arise.

During the course of the placement of your insurance we will keep you informed about the progress of our negotiations and will identify any inability to fulfil your requirements. We will take all reasonable steps to confirm your insurance requirements before the intended date of inception, renewal or extension of cover (whichever is appropriate). Where services are provided on an advised basis, we will provide you with all relevant information about the insurance cover we recommend, including the basis on which the product and the provider have been selected, enabling you to make an informed decision about whether or not to proceed. We do not act for every insurance company and therefore cannot guarantee that the cost of your insurance cover will be the cheapest in the market or that the policy wordings will provide the widest cover. However, we endeavour to provide cover commensurate with your risks and requirements. We will advise you if the product recommended is not regulated by the FCA.

When you contact us directly, our services (telephone, face to face meeting, email etc.) will extend to advising you and making a

recommendation on your risk exposure and insurance needs, arranging cover as instructed, dealing with mid-term alterations, claims assistance in relation to insurance policies we have arranged and renewal advice and processing and premium finance. We act on your behalf in selecting an appropriate policy, and associated premium finance, to meet your needs and in assisting you with claims matters. We may either act on your behalf, or on behalf of the insurer, in arranging your cover. Please let us know if you would like confirmation of the situation for any policies arranged for you.

### Methods of Communication

We will normally communicate with you by post, telephone, email and, where available, facsimile, or direct messaging via a website portal in addition to any meetings we may have with you. Please let us know if you would prefer not to receive communications by any particular medium.

Where we have provided services online on a non-advised basis, any communication between us after inception of a policy purchased online will primarily be by email or telephone and will then be considered as advised.

Please note we record all telephone calls to and from our office landlines to help with training, monitoring and compliance purposes. For further information, please do not hesitate to contact us.

### Conflicts of Interest

Subject to regulatory and legal requirements, BHIB will endeavour to find a suitable insurance solution to meet your requirements and will act in the best interests of its clients, and treat all customers fairly, as required by the FCA. As independent insurance brokers, we generally act as the agent of our client, we will advise you where this may not be the case.

BHIB is not tied to any particular insurer or group of insurers, and dependant on the

insurance cover required and indemnity limits sought by a client, BHIB may consider a specific product from a single insurer and/or place business through an insurance scheme with a particular insurer, or purchase products from a selection of relevant insurers.

An insurance scheme for a particular product, or a range of products, may be made available to BHIB through chosen markets with particular insurers. Alternatively this may be through BIG (Brokerability Insurance Gateway Limited), which is an Appointed Representative of Brokerability Limited, and which is also part of the same group of companies as BHIB, namely part of Brokerability Holdings Limited. BHIB is also a member of the Brokerability group of companies.

Occasions can arise where we or one of our associated group companies, clients or product providers will have a potential conflict of interest with business being transacted for you. If this happens and we become aware of the existence of a potential conflict of interest, we will write to you and obtain your consent before we carry out your instructions.

### Treating Customers Fairly

BHIB Insurance Brokers is committed to a policy of Treating Customers Fairly and places the interests of the customer at the heart of the firm's business strategy. Our commitments to you are:

- To treat you as an individual and listen to you;
- To act at all times with integrity;
- To have competent staff to provide guidance and assistance in helping you select the appropriate insurance product;
- To give you correct and clear information to enable you to make informed choices;
- To address your concerns in a sympathetic and understanding

manner.

If you have any feedback, whether good or bad, let us know as we value your views to help us shape the future of our company.

### Terms Relating to Disclosure (Providing Information to your Insurer)

Your insurance is based upon the information provided to the insurance company.

Such information may be provided directly online or to us as your appointed general insurance broker. For Consumers (individuals buying insurance wholly or mainly for purposes unrelated to their trade, business or profession) this means that you must take reasonable care to answer all questions fully and accurately. Once cover has been arranged, you must immediately notify us of any changes to the information that has been provided to your insurers.

All other clients must present the risk (i.e. the subject matter of the proposed insurance) fairly. This means that you must disclose to insurers, before the setting up or renewal of your insurance policy is concluded, anything that might influence the judgement of an insurer in fixing the premium, setting the terms or determining whether they would take the risk. If you are uncertain whether anything is material, you should disclose it. Failure to provide accurate and up to date information may invalidate your insurance cover and mean that a claim may not be paid.

In order to identify what must be disclosed, you are obliged to carry out a reasonable search before presenting the risk to insurers. This includes (but is not limited to) consulting with all senior managers. A senior manager is anyone who plays a significant role in the making of decisions about how your activities are to be managed or organised, regardless of whether or not that individual is a member of your board or is formally in a management role. You must also consult with anyone who has particular knowledge about the risk to be insured.

If you deliberately or recklessly (i.e. without

care) fail to comply with your obligations to present the risk fairly, insurers may avoid the policy. This means they can retain all premiums and treat the policy as if it never existed and refuse to make any claims payments. You could also be obliged to repay any claims payments that had already been made. If you fail to present the risk fairly, but your failure was neither deliberate nor reckless, the insurers response will depend upon what would have happened if you had complied with your obligations:

- a) if insurers would not have provided the policy, they may treat the policy as if it never existed, refuse to make any claims payments and demand the return of any claims payments already made. However, insurers would have to return any premium payments already made;
- b) if insurers would have provided the policy but on different terms, the policy will remain in force but will be treated as if those different terms applied from the start of the policy. This could result in a claim not being met in part or in full;
- c) if insurers would have provided the policy but charged a higher premium, insurers may reduce any payment in proportion to the difference between the premium charged and the premium that would have been charged if you had fairly presented the risk. This could result in a significant reduction to the amount of any payment under the policy.

All statements and facts disclosed on proposal forms, statement of facts, claim forms and other documents should be full, true and accurate and must be given after undertaking a reasonable search, including consulting with your senior management. Where forms are completed on your behalf you must check them for accuracy and completeness before signing them. You must always read the declaration and make sure you understand it before you sign.

## Quotations

Unless stated otherwise in our documentation all quotations provided for new insurances are valid only for a period of 30 days from the date of issue. You should be aware that quotations may change or be withdrawn if the information given to us or your insurers in proposal forms or declarations differs from that provided at the time the quotation was issued.

## Changes to Your Cover

We will normally deal with any requests to increase or amend cover on the day your instructions are received, or the next working day if a weekend or public holiday. Sometimes changes cannot be processed without obtaining additional information. If additional information is required we will contact you as quickly as possible. We will confirm any requested changes to your policy, once agreed by insurers, in writing. Any acceptance of your instructions to us to increase or amend cover will not be deemed confirmation that any increase or amendment to cover has been effected until confirmed by Insurers. We will also advise you of any extra premiums you must pay or premiums we must return to you.

## Receipt of Instruction

We do not consider instructions to arrange cover or change cover which are sent to us by post, electronic mail, or facsimile, or left on voicemail. Any insurance cover requested to be put in place upon your instructions shall not be valid or effective until such cover is confirmed by us to you either verbally or in writing.

We do not accept responsibility for instructions which do not reach us at all due to failures in the postal, electronic or telecommunications systems. Where a facility is provided by BHIB for clients to renew a policy online via an internet based portal then upon satisfactory renewal of such policy

online, relevant insurance documents will be issued by way of confirmation of insurance cover.

### Transferred Business

If we take over the servicing of insurance policies which were originally arranged through another insurance broker or intermediary or directly with an insurer, we do not accept liability for any claim arising out of the advice given by that broker, intermediary or insurer, nor for any errors, omissions or gaps in your current insurance protection.

We would ask you to contact us without delay should any aspect of a policy which has been transferred to us cause you concern or if you need an immediate review. Otherwise we will endeavour to review all transferred policies as they fall due for renewal.

### Data Protection and Confidentiality

We are the Data Controller for the data you provide to us. We need to use your data in order to arrange your insurance and associated products when you are obliged to provide information without which we will be unable to provide a service to you. We may also use data for marketing purposes (please let us know if you would prefer not to receive marketing information from us).

You have a right to request access to any personal data held by us by writing to our Compliance Officer. You can request copies of the data we hold, have it corrected, sent to a third party or deleted (subject to our need to hold data for legal reasons).

We process all data in the UK but where we need to disclose data to parties outside the European Economic Area (EEA) we will take reasonable steps to ensure the privacy of your data. In order to protect our legal position, we will retain your data for a minimum of 7 years. We have a Data Protection regime in place to oversee the effective and secure processing of your data.

We agree to keep all information provided by you to us confidential, save that you authorise us to:

- a) pass your data to other organisations, such as insurers, auditors, external consultants, credit providers, banks, financial transaction processors, crime and fraud prevention agencies and databases and regulators.
- b) share such information with our own insurers and professional advisors on terms that preserve confidentiality or where we are required by law or by order of the court to disclose such confidential information.

However, we will not be bound to keep any information confidential where it is or becomes in the public domain, it was already known to us or becomes known to us independently of you, or if you authorise us to disclose such information.

If you wish to complain about how we have handled your data, you can contact us and we will investigate the matter. If you are not satisfied with our response or believe we are processing your data incorrectly you can complain to the Information Commissioner's Office Wycliffe House, Water Lane, Wilmslow, Cheshire SK9 5AF Tel: 0303 123 1113

### Access to Premises

By prior arrangement, access to your premises must be allowed, when required for underwriting or claims purposes.

### Credit Referencing and Personal Credit Checks

In order to be able to offer premium finance and more favourable terms, certain insurers may, from time to time, carry out credit checks using external credit agencies. Such checks will appear on your credit file regardless of whether or not your application for cover proceeds. If you require clarification on this matter or would prefer such checks to not be carried out, please contact us

immediately.

When you ask us to obtain quotations for personal insurance products, you should be aware that some of the insurers we approach will carry out personal credit checks as part of the underwriting process. This means they will review information held by a credit agency. Whilst a record of the search will be added to your credit history, we are advised that this will not have any detrimental effect on your credit rating or history.

To comply with Consumer Credit legislation, providers of personal credit are required to carry out affordability assessments before making advances of credit. This means that whenever we are asked to arrange personal premium finance, we will pass your name, address and date of birth to the finance provider, to enable it to carry out an assessment. In assessing your application, the provider may search information held by a credit reference agency. Please note the credit reference agency will add details of the search and your application to their records.

### Documentation

We will issue documentation in a timely manner confirming the basis of the cover including commencement date, period of cover, certificates, policy documents, a statement of demands and needs and payment details. You should ensure that the cover meets your requirements and that documentation is kept safe and secure. Any changes will be explained and if you are a Consumer, you have the right to request a new policy document at renewal.

We recommend that you keep policy documents for as long as a claim is possible under the policy. If your policy included Employers' Liability insurance it is prudent to keep a copy of all Employers' Liability Certificates issued indefinitely.

### Awareness of Policy Terms

It is your responsibility to read all of your policy documents to satisfy yourself that the

cover meets your requirements. Specific attention is brought to relevant conditions, exclusions and limitations that may be included in your policy documents. Should you have any queries, or concerns, please contact us immediately.

### Settlement Terms and Methods of Payment

We will be responsible for issuing invoices and/or arranging finance for all new, renewal or mid-term alterations within appropriate timescales and will make it clear when payment is due. You will be responsible for prompt payment of premiums due to enable us to make payments to insurers in accordance with the agreed terms of business. We normally accept payment by cheque, debit or credit card, or by BACS transfer. We reserve the right to apply a charge of £10 should your bank refuse to honour a cheque provided by you. Where any part of a Premium or Insurance Premium Tax is outstanding, we may withhold any Policy documents, Certificates, No Claims Discounts proof or other documentation pending full payment of such outstanding Premium and Insurance Premium Tax. We will ensure that you have full details of your insurance cover and any documents you are required to have by law. Please note that, should you choose to pay using a third party premium finance provider, any default on your part may incur additional charges. Should the finance provider cancel the arrangement, following default, they may then invoice us for the outstanding premium. In these circumstances, we may cancel your policy, retain the return premium from the insurer and pursue you directly for any outstanding balance.

We have no obligation to fund any premiums on your behalf and cannot be held responsible for any loss which you may suffer as a result of a policy being cancelled or otherwise prejudiced due to late payment of a premium where the delay is attributable to you.

## Handling Client Money and/or Insurer Money

Client money is money of any currency that we receive and hold in the course of carrying on insurance distribution activities on your behalf (e.g. premiums, claim settlements and refunds). We hold client money in a Client Bank Account under a Statutory Trust. For the purpose of some transactions, client money may pass through other authorised intermediaries before the insurer receives it. In order to complete an insurance transaction for you, your money may be passed to a third party outside the UK. Differences in the legal and regulatory regime outside the UK mean that your money may not be treated in the same way as it is in the UK in the event of a third party failing. You may ask us not to transfer your money outside the UK. Any interest earned on client money will be retained by BHIB Insurance Brokers and will not be paid to customers. Where we collect and hold money as an agent of the insurer we may also hold that money in the same Client Bank Account.

## Our Remuneration

Our remuneration for the services we provide to you will either be in the form of commission from the insurers and premium finance providers with whom we place business (being a percentage of your payment), specific fees, payable by you, or a combination of the two. Any fees, and the reason for them, will be notified to you in advance and are non-refundable in the event of cancellation. We reserve the right to retain commission if you cancel or adjust a policy. We may also earn income from insurers based on the overall performance of our account with them and not directly related to your insurances and may additionally receive payment in return for the transfer of work involved in the administration of certain policies on behalf of insurers. If you would like details of any commission, remuneration or payment that we receive for arranging the insurance, finance and any additional general

insurance related activities, please contact us.

## Cancellation Rights

Your insurance contract may include a cancellation clause and you may have the right to cancel your policy. If you decide to cancel your insurance contract within any stipulated timeframe and you have not made a claim on the policy, you may be entitled to receive a refund of any premium paid, less any reasonable costs incurred by the insurer in providing the cover and/or by BHIB in arranging the cover. The terms of your policy may allow insurers to retain the premium in full or to charge short period premiums in the event of cancellation before the policy expires. Please check your policy documentation for further information or ask for clarification. Please note our commission and, where appropriate, fees are earned in full from the date insurance cover commences and will not be refundable in the event of cancellation, avoidance or early termination of a policy.

Please contact us if you wish to cancel any policy that we have arranged for you. Customers acting personally and outside their trade or profession (Consumers) will usually have a legal right to cancel policies for any reason, subject to no claims having occurred, and within 14 days of receiving the full terms & conditions. You will always be advised where this right applies. A charge may apply for the period of cover provided. Cancellation under this right must be in writing, prior to expiry of the cancellation period.

## Claims

If you need to make a claim, please contact us immediately. If you are unsure whether or not to make a claim, please contact us for advice. Failure to adhere to the notification requirements of insurers, as set out in their policy document, may entitle insurers to refuse settlement of the claim, in whole or in part. Except where otherwise agreed, we will provide claims handling services during the policy period. These services can be continued

beyond our appointment as your broker, subject to a separate fee to be agreed at the time. Our service can include notification of the claim direct to insurers in accordance with the relevant policy claims procedure.

In certain circumstances late notification may result in a claim being rejected.

If the claim involves damage to your property, please do not:

- Dispose of damaged items
- Authorise repair work (except in an emergency or to prevent further damage)

until your insurers or we advise that you can.

If your claim involves damage to third party property or injury to persons please pass copies of all correspondence, including solicitors letters, to us immediately and unanswered. Any attempts to negotiate or respond to the incident, without prior reference to your insurers or us, may prejudice your cover.

## Complaints

We intend to provide you with excellent customer service and are committed to ensuring that all our customers receive fair treatment. If we fall short of your expectations please contact our Compliance Officer, either in writing to our office address or by telephone to 0116 281 9100, who will take details of your complaint. If we cannot resolve your complaint by close of business on the third working day after receipt, we will acknowledge your complaint, in writing, within 5 business days, and will advise you of when you may expect to receive a response. Your complaint will be dealt with by a senior and independent member of our senior management team who will ensure that the investigation will be fair and unbiased. If your complaint does not relate to a product or service that we have provided, or which should more appropriately be referred to another organisation, we will advise you of this fact, in writing, within 5 business days of

receipt of your complaint and, where possible, provide details of to whom your complaint should be redirected. We will provide you with a full written response to your complaint within 4 weeks of receiving it, unless your complaint is sufficiently complicated to warrant longer investigation. If the written response cannot be given to you within 4 weeks, we will inform you, in writing of the reasons why and when you can expect to receive our final response. If you are a Consumer or a Commercial Client with a turnover of less than £6.5 million and fewer than 50 staff and are dissatisfied with our final response to your complaint, or if the investigation is not concluded within eight weeks, you have the right to refer the matter to the Financial Ombudsman Service (FOS) whose jurisdiction extends to cover general insurance distribution and consumer credit activities. They may be contacted at The Financial Ombudsman Service, Exchange Tower, Harbour Exchange Square London E14 9SR, telephone number 0800 023 4567, e-mail: [complaint.info@financial-ombudsman.org.uk](mailto:complaint.info@financial-ombudsman.org.uk).

If you are a consumer and your complaint relates to insurance purchased from us via electronic means (e.g. on-line or via email or mobile 'phone) then you are also able to use the EC On-line Dispute Resolution (ODR) platform at <http://ec.europa.eu/consumers/odr/> who will notify FOS on your behalf.

## Termination of Authority

You may terminate our authority to act on your behalf with 14 days written notice or as otherwise agreed. Notice of this termination must be given in writing and will take effect from the date of receipt. Termination is without prejudice to any transactions already initiated unless otherwise agreed in writing. You will be liable to pay for any transactions or adjustments effective prior to termination and we will be entitled to retain any and all fees or brokerage payable in relation to policies placed by us prior to the date of

termination.

### Financial Services Compensation Scheme

We are covered by the Financial Services Compensation Scheme (FSCS). You may be entitled to compensation from the FSCS should you incur a loss and if we cannot meet our obligations. This depends on the type of insurance transacted and the circumstances of the claim. Further details about the compensation scheme arrangements are available from the Financial Services Compensation Scheme (FSCS), 10<sup>th</sup> Floor, Beaufort House, 15 St Botolph Street, London EC3A 7QU, Telephone Number: 0800 678 1100 or 020 7741 4100 (Monday to Friday 08.30 to 18.00 excluding public holidays) and website [www.fscs.org.uk](http://www.fscs.org.uk)

### Third Party Rights

Unless otherwise agreed between us in writing, no term of this Agreement is enforceable under the Contracts (Rights of Third Parties) Act 1999. All activities undertaken by us as outlined in this Agreement are provided by us for your exclusive use and all data, recommendations, proposals, reports and other services are for your sole use. You agree not to permit access by any third party to this information without our express written permission.

### Limitation of Liability

In the event of any breach of these terms and or in the event of any representation, statement or act or omission including negligence arising under or in connection with all contracts between us then the following provisions set out our entire financial liability (including any liability for the acts or omissions of our employees, agents and sub-contractors) to you. Nothing in these terms excludes or limits our liability for death or personal injury caused by our negligence, or for any fraud, fraudulent misrepresentation or breach of any regulatory obligation on the part

of BHIB Insurance Brokers.

We do not accept any responsibility or liability to you under any circumstances for:

- a) any special, indirect or consequential loss or damage or any loss of profit, income, anticipated savings, production or accruals arising in any circumstances whatsoever, whether in contract, tort, negligence, for breach of statutory duty or otherwise, and howsoever caused, including any loss that is not reasonably foreseeable as a consequence of any act or omission on our part; or
- b) any loss following declinature of a claim, or reduction of any claim indemnity payment or avoidance of your policy by an insurer which results from:
  - (i) your failure to provide complete and/or accurate information which we or your insurer have requested from you in quoting for any risk we place on your behalf; or
  - (ii) your breach of any terms, conditions or warranties within your policy of insurance; and/or
  - (iii) your failure to comply with any of the claims conditions in your policy of insurance.

Our total aggregate liability to you in respect of any one claim, whether in contract or in tort, in negligence, for breach of statutory duty or otherwise in respect of any claim or series of claims for any loss or damage, costs, other charges or any contractual or statutory interest howsoever caused arising out of or in connection with the services we provide shall not exceed £10,000,000 (Ten Million Pounds Sterling).

If a higher limit of indemnity is required by you in the course of your dealings with us then please contact us and provide details of the increase in the limitation of liability that is required and the reasons for us to consider such increase. We will review the information provided and if an increase in our liability to you is agreed we will confirm such agreement

to you in writing. We reserve the right to charge an additional fee or additional quotation for any additional increase in our liability to you.

Our liability to you shall also be limited to such sum as it would be just and equitable to require us to pay having regard to the extent of our responsibility and the responsibilities of any other parties, including but not limited to any sub-broker or placing broker. You agree that our liability shall not be increased by your inability to recover from any other person or party, or your decision not to recover from any other person or party.

### Governing Law

This Agreement, which sets out our terms of business with you, will be governed by English Law.

**YOU ARE DEEMED TO HAVE ACCEPTED THESE TERMS OF BUSINESS AND GIVE YOUR CONSENT FOR US TO OPERATE IN THE WAYS DESCRIBED, UNLESS YOU ADVISE US OTHERWISE WITHIN 7 DAYS OF RECEIPT.**

# ESTABLISHING YOUR DEMANDS AND NEEDS

Our understanding of your insurance requirements, or demands and needs, is based on the instructions and material information you provide to us during our discussions and reviews. In some cases a 'factfind', questionnaire, or proposal form may be required in order to record information which we use in preparation of a presentation of risk for insurance quotation and renewal purposes.

It may be necessary to extend our enquiries to include other people within your business, including directors, in order to ascertain information relevant to your risk. We recommend that you consult with your senior management team, directors and other senior staff as may be required, when compiling information which is destined for presentation to insurers.

If there is any material information you feel you have not disclosed, or are unsure about disclosing, please advise us immediately. The consequences of failing in your duty to disclose may invalidate any policies we arrange on your behalf. Please refer to the section entitled Duty of Disclosure and Fair Presentation of Risk - The Insurance Act 2015.

In assessing your demands and needs, we have taken account of any existing insurances covering the same subject matter and additional risks which have been made accessible to us, for quotation or evaluation.

## Uninsured Risks / Range of Insurance Policies

We will endeavour to evaluate and advise on all classes of insurance relevant to your needs, and to remind you of risks which are uninsured or that could be insured, in addition to your existing portfolio of policies.

# TRANSPARENCY OF OUR SERVICES

The following information relates to the insurance we may arrange for you.

## The capacity in which we are acting

In sourcing and placing your insurance we act as your agent.

## How we made our selection

When selecting insurance policies on your behalf, we have used various methods of analysis that are summarised below. The method used for each individual policy will be confirmed to you in our quotation/renewal correspondence.

- **Method 1 - Fair Analysis:**

*We have carried out a 'fair analysis' of the market in order to identify a suitable product. This means that we have compared products from a sufficiently large range of insurers in terms of cover, price, quality of service etc.*

- **Method 2 - Limited Selection:**

*Our search for a product to meet your requirements has involved a limited number of insurers that we believe provide suitable policies for your requirements. A list of insurers approached will be provided.*

- **Method 3 – Single Insurer:**

*Based upon our extensive knowledge of similar products that are available, the cover we have provided was chosen from a single insurer, as we believe that this policy suits your requirements.*

In some situations, in order to access the insurance product that most suits your needs, we may use another insurance intermediary to help place the business. We will tell you whenever this course of action has been taken.

## Selection and solvency of Insurers

The selection of insurers is based upon our knowledge and experience of the market, the products available and their appetite for the sector in which you trade. We regularly monitor publicly available information relevant to the financial strength and stability of the insurers we recommend, utilising the services available to us from Companies House and global financial analysts such as Standard & Poors and A M Best.

We will not place your business with unrated insurers, and whilst every effort is made to ensure insurers are financially sound, we cannot guarantee their solvency.

# DUTY OF DISCLOSURE & FAIR PRESENTATION OF RISK– THE INSURANCE ACT 2015

**As a result of the Insurance Act 2015 (the “Act”), significant changes have been made to the law in relation to commercial insurance. The Act has a significant impact on the operation of your insurance policy, including your disclosure obligations towards insurers, warranties and fraud. The Act also impacts upon the remedies insurers may adopt in the event of your obligations not being complied with.**

**The purpose of this note is to highlight some of the key changes introduced by the Act and to explain the steps you need to take to comply with it.**

**The Act introduces some new obligations, which are coupled with strict remedies for insurers. We therefore recommend that you read this guide carefully. If you have any queries in relation to the content of this guide, please contact your usual advisor who will be happy to explain your obligations.**

[What policies are caught by the act and from when does it apply?](#)

The Act applies to all non-consumer insurance policies. The Act also applies to policies commencing before 12 August 2016 but whose terms are varied after that date. However, it is important to note that many insurers have adopted the new regime in advance of 12 August 2016. We will advise you where an insurer intends to do so.

## [Duty of Fair Presentation](#)

The Act imposes an obligation on all policyholders to “make a fair presentation of the risk” prior to the policy commencing. A fair presentation is one that discloses, in a manner that is reasonably clear and accessible, every material circumstance which is known or ought to be known by the

policyholder’s senior management, or those responsible for arranging insurance, following a reasonable search.

We explore below the meaning of the key components of this obligation:

**Material circumstance** - this is anything which would influence the judgement of a prudent insurer in determining whether to take the risk and, if so, on what terms. There is no specific Limitation on what constitutes a material circumstance, but it would typically include any factors pertaining to the risk to be insured including prior claims, your financial history, convictions of key personnel and your business activities. You are not obliged to disclose something that reduces the risk to be insured.

**Known or ought to be known** - you are obliged to disclose material circumstances that you actually know but also those that you ought to know. This means that if the information is readily available to you but you fail to disclose it owing to either a lack of enquiry or by “turning a blind eye”, you will have breached your duty to fairly present the risk. Equally, any relevant knowledge we have as your broker must also be presented to insurers. We must therefore make you aware that all information you provide to us must form part of the presentation of the risk, if relevant. This includes any information you provide to us in a social or informal setting.

**Senior management** - your knowledge, for the purposes of the Act, includes (but is not limited to) that of all senior management. Senior management includes anyone who has a key role in making decisions on behalf of the business, even if they do not sit on the board or if they do not officially have a management role.

**“Reasonable search”** - you are obliged to undertake a reasonable search. What is reasonable will depend upon the nature of your business and the policy you are purchasing. We will provide you with guidance and support as to what might be reasonable. When considering the extent of your search, you should take into account the nature of the insurance you wish to purchase and consider who within your organisation is best placed to provide relevant information.

**“Reasonably clear and accessible”** - all information must be provided to insurers in a reasonably clear and accessible manner. This means that information must be provided in an unambiguous way. The new rules also prevent policyholders from concealing key facts amongst large volumes of less relevant or immaterial information.

#### What does this mean in practice?

The amount of information to be provided will depend upon the nature of the risk and the insurance you are purchasing. We will guide you through that process, although you should take the time to carefully identify who within your business is best placed to identify any information that may be relevant to insurers when considering the particular risk and type of policy.

#### What happens if you do not fairly present the risk?

If you fail to comply with your obligations, insurers have differing remedies depending upon the nature of the breach and what would have happened had you fairly presented the risk.

If you deliberately or recklessly fail to present the risk fairly (e.g. you deliberately withhold key information or fail to take any care when presenting the information), insurers are entitled to avoid the policy and retain all premiums. In other words, insurers can treat the policy as if it never existed, which would result in no claims being paid. You could also be required to repay any claims payments that have already been made.

If your failure to present the risk fairly was neither deliberate nor reckless (e.g. it was a simple oversight on your part), insurers may still avoid the policy if they can demonstrate that the policy would not have been provided if you had represented the risk fairly. In this scenario, insurers would be required to repay the policy premium to you, although they would be required to make no payment in respect of claims and you would be required to repay any claims payments already made.

If insurers are able to demonstrate that they would have provided the policy but on different terms, the policy would be treated as if those terms had applied from the beginning. Those additional terms could be, for example, increased excesses or additional exclusions. Those additional terms may result in no payment being made in respect of any particular claim (e.g. if insurers would have excluded that particular activity or imposed additional conditions which you did not comply with).

If insurers would have provided the policy but charged an increased premium, the amount insurers will pay will be reduced by proportion to the difference between the premium actually paid and the premium that would have been charged had the risk been fairly presented. By way of example, if a fair presentation would have resulted in the premium doubling, any claims payment under the policy will be halved. This is an extremely draconian policy remedy and therefore it is essential that you present the risk fairly. This remedy applies regardless of whether there is any connection between the shortcoming in the presentation of the risk and the subject matter of the claim.

#### Warranties

A warranty in an insurance contract is a promise by the policyholder to the insurer to do (or not do) something or a promise to maintain a certain state of affairs. Under the old regime, insurers can refuse to pay a claim if the policyholder breaches a warranty, even if the breach is unconnected with the loss or if

the breach is remedied before the loss occurs. Insurers routinely use a 'basis of contract' clause to convert all presentations and information given by policyholders to insurers into warranties. This enables insurers to refuse to pay claims if any aspect of the presentation of a risk is inaccurate.

From August 2016, the position will be fairer for policyholders. Firstly, insurers will no longer be able to rely on basis of contract clauses to convert all representations into warranties. Furthermore, in the event of a breach of warranty, insurers will only be allowed to refuse to pay a claim where the loss arose during a period of non-compliance. In other words, if you breach a warranty (e.g. by failing to set a fire alarm), cover will be re-instated as soon as you re-establish compliance. Cover is simply suspended during periods of non-compliance. Finally, if the warranty is designed to reduce the risk of a certain type of loss or a loss at a certain place or time and the policyholder can demonstrate that the breach could not have increased the risk of that loss occurring, insurers must still pay the claim.

## Fraud

Historically, in the event of a fraudulent claim being made against the policy, all cover under the policy ceased and insurers were entitled to retain the premium. The policyholder would also have to repay any claims payments already made. However, under the new regime, insurers will be entitled to terminate the policy from the date of a fraudulent claim or act, but must still cover claims arising from incidents occurring before the fraudulent act.

# SCOPE OF INSURANCE SERVICES

Detailed below is a comprehensive list of the services we will provide to you.

We assign a dedicated account broker and claims handler to each customer. Where appropriate, we will also assign a dedicated account executive, who will be responsible for the overall management of your insurance business, and who will additionally arrange meetings and site visits with you, where necessary.

Detail of all our broking, claims and servicing teams and contacts are available on our website

## Account Management

- Midterm review
- Performance/ service review
- Additional meetings as required
- Internal communication of clients issues
- Negotiation with insurers outside renewal
- Analysis of insurance market
- Broking/ negotiation (exc. renewal)
- Access to specialist brokers/markets
- Pre renewal/ strategy meeting
- Renewal meeting– review terms/ options
- Preparation of market submission
- Renewal broking and negotiation
- Analysis of terms & options
- Presentation of terms & options
- Provision of 'To Whom it may concern' Letters
- 24 hour specialist advice and support
- Liaison with insurers

- Proactive advice re market conditions & legislative changes
- Management of issues/ outstanding matters
- Review and distribute certificates
- Preparation and provision of summaries of cover
- Provision of data supporting allocation
- Response to policy queries
- Risk management strategic advice
- Provision of risk alerts/ bulletins
- General seminars/ training
- Information on insurer security
- MID administration
- Negotiation of instalment repayment facilities
- Issue and management of policy documents

## Risk management

- Risk surveys & reports
- Attendance at insurer surveys
- Management of risk improvements

## Claims management

- In-house claims handling from reporting to settlement
- Management of claims experience
- Access to on-line Claims Tracking System
- Liaison with insurers appointed representatives
- Claims negotiation
- Fleet claims management
- Out of hours access to Claims Manager
- Handling of all claims up to £50,000 and all motor and liability claims with no additional charge. As regards claims over £50,000 (excluding motor and liability claims), a handling fee will be charged at 1.5% of negotiated settlement. (Note that Loss Recovery Insurance is available to cover handling fee on claims over £50,000)
- Recovery of uninsured losses
- Claims administration and support
- Negotiation of contentious claims
- Liaison with adjusters/ assessors

# IMPORTANT NOTES & INSURANCE TERMINOLOGY

***This list is not exhaustive but is designed to provide you with guidance and advice with regards to a number of typical words, phrases and terms.***

***Terminology peculiar to insurance can be difficult to understand, particularly since certain words are given completely different meanings to those attaching to them during everyday usage. Please discuss any questions relating to any insurance related terminology with us.***

***Certain duties relating to the running of your insurance arrangements are imposed by law and others are created by the Insurance Contract. The following pages explain certain procedures involved in complying with such requirements and also provide some background information which should enhance your understanding of them.***

## Average

Policies covering assets, other than motor vehicles, are invariably subject to the Condition of Average. When an item is stated to be "subject to average" the sums insured must represent the full value of the insured property according to the basis of settlement in the policy, and if sums insured are less than the full value of property actually at risk, insurers are entitled to reduce any loss settlement proportionately.

In determining the value at risk (your sum insured) you must know the valuation basis,

which would normally be reinstatement (new for old) or indemnity (involving deductions for depreciation) for proper for property losses. These are explained under a separate heading. Various types of average can apply but the most common are: -

The 100% conditions shown above, which normally apply to items valued on an indemnity basis - such as stock and materials in trade.

The 85% condition of average, which normally apply to items on a reinstatement basis (such as buildings and machinery). The 85% condition of average is intended to provide a 15% margin for error in those sums insured which are affected by inflation forecasting. Deductions for the application of average will not be made unless the sum insured is below 85% of the true value at risk.

All claims settlements, whether large or small, would be reduced in proportion if the sum insured falls short of full value. Insurers will not, of course, pay more than the full sum insured in any event.

Policies may be available on an 'Average Free' basis. We will tell you if this option is available and/or what must be done in order to have the Average clause deleted or modified. For example, if you obtain a professional valuation of a building or other property, and agree to adopt the suggested value as your Sum Insured, insurers may agree to delete the Average clause, for a suitable period of time.

### Example of average

True Value at risk	£1,000,000
Sum Insured	£600,000
Amount Of Claim	£200,000
Settlement figure would be	£120,000

The Formula an insurer uses to determine the settlement value is as follows: -

**Sum Insured (£600,000)**

-----

**Value at Risk (£1,000,000)**

**= 60% x the amount of the loss (£200,000) = settlement (£120,000)**

## Business Description

A full description of your business activities and/or occupation must be accurately and fully described on all policies. If the description of the business is incorrect, insurers could turn down, or reduce a claim on the basis that the underwriters were not fully aware as the extent of the business or its operations. Similarly, if you have multiple locations involving different operations, a descriptive schedule for each will be required.

## Business Interruption – Application of Average

The same principle applies in that the Insurers will seek to reduce a claims settlement where under-insurance has occurred. Average would not apply to specific increased cost of working risks but would apply to covers such as gross profit / payroll, revenue, rentals.

The mechanics of applying average can in practice be complex with this type of insurance since the measurement of the loss is usually also complex more often than not involving your accountants. However, stated simply, the loss is reduced in proportion to the under-insurance as for the 100% condition of average in property insurance.

## Certificates of Insurance

Certificates of Motor Insurance and/or Employers Liability Insurance are provided by your insurers. If you cannot locate a current certificate then please contact us immediately. We are able to issue temporary Cover Notes for Motor Insurance purposes, if required.

Note that that if a vehicle is sold or otherwise deleted, we no longer need the certificate returning for cancellation, however you must notify us immediately in order that we may notify your insurers and, where applicable, update the Motor Insurance Database.

A copy or copies of the certificate of Employers Liability must be displayed at all places where you employ persons covered by the policy.

The Employers Liability (Compulsory Insurance) (Amendment) Regulations 2008 permits the display of this certificate in an electronic form, provided persons covered by this policy have reasonable access to it.

It would be our recommendation that a copy of each previously issued Employers Liability Certificate of Insurance be retained in a safe place both for your employees' reference, and for your own reference. Where possible we also suggest making an electronic copy and storing this away from your premises.

## Change of Risk or Circumstances

It is vital that you should advise us of any departure from your "normal" form of business (i.e., that which has already been conveyed to your Insurers). For example, acquisitions, changes in occupation or location, new products, new overseas activities, changes in trade processes, sub-letting of part of the premises, etc.

In order to ensure proper protection, please consult with us if you are in any doubt as to whether an Insurer should or should not be told of certain changes.

## Claims Made Basis

An Insurance policy underwritten on a claims made basis will only cover claims reported or notified during the period of Insurance. e.g. A professional negligence claim against a Surveyor for a house survey done in 2006 but only just reported in 2016 as the defect manifested itself, would claim on his current policy of insurance (i.e. 2016) as this was the time when he was notified of the claim and hence when the claim was made.

## Claims Occuring Basis

This is the normal basis of cover for most policies, an insurance policy underwritten on a claims occurring basis will cover incidents or claims that actually occur or emanate during the period of insurance, e.g. An Employers Liability accident in 2006 which was notified in 2016 would fall to be dealt with by the Employers Liability insurer, in the year the incident happened (2006).

To ensure cover, it is therefore necessary to maintain cover continuously and if changes of Insurers occur during the years, details of the policies should be retained to deal with historical claims for Industrial illnesses etc. which often manifest themselves years after actual employment has ceased.

## Conditions

As far as commercial operation is concerned, typically one or more of the following Conditions will be present:

- Burning & Welding Condition
- Composite Panels Condition
- Electrical Inspections – Fixed Wiring
- Flammable Liquids Condition
- Fork Lift Truck Battery Charging Condition
- Hot Works Condition
- Intruder Alarm Condition
- Minimum Standards of Security
- Personal Protective Equipment Condition
- Portable Heater Condition
- Removal of Waste Condition
- Sprinkler Installations
- Stillage/Racking/Storage Condition
- Storage Height Condition
- Unattended Processes
- Waste Storage Condition

The wording of these conditions varies considerably amongst insurers. It is therefore imperative that you read and fully understand what is required in order to comply with each condition, and the implications of not doing so. It is especially important to review these conditions, if you are switching from one insurer/policy type to another, as they are unlikely to be exactly the same.

We will work with you and your insurers to specifically tailor conditions to suit the practical requirements and physical aspects of your business.

## Conditions Precedent to Liability

Similar in some respects to a warranty, Conditions Precedent are also matters which you must comply with, as failure to comply could give insurers the opportunity to decline to deal with a claim if they so choose, but to do so they must be able to show that the breach of the condition precedent related to the loss forming the basis of the claim.

Conditions Precedent may appear within policies grouped under one overall single heading of Conditions so it is essential that you read and understand these and make sure that all conditions are followed for your own protection and peace of mind.

## Deductible

The portion of any insured loss borne by the policyholder. The amount or percentage will be specified in the policy. Normally application of a deductible reduces the limit of indemnity by the amount specified.

## Excess

The specified sum which the policyholder must bear, before the insurers pay their liability. In the event of a claim, the relevant excess is paid by the policyholder and the balance up to the policy limit is paid by the insurers, subject to the application of average if applicable.

## Exclusions, Exceptions, Extensions, Clauses, Endorsements

All Insurance policies have standard conditions, plus a number of exclusions (sometimes called exceptions), extensions (often called clauses) and endorsements (which can be a mixture of both extensions and restrictions to cover). We will point out any significant features, terms and conditions which you should be aware of, but must insist that you read any and all insurance documents fully and carefully, letting us know immediately if there are any exclusions, extensions or endorsements which require further explanation or clarification.

## Franchise

Similar to the Excess / Deductible as a Franchise which excludes losses completely up to a stated amount but provides full cover for losses above that figure. For example, if we consider the effect of a franchise of £500 on two losses:

On a £400 claim nothing would be paid as it is below the franchise

On a £600 claim, the whole £600 would be payable as the amount was over the franchise

Franchises usually take the form of a time franchise, for example, an engineering breakdown insurance policy may contain a 12 hour franchise period, which means that breakdowns that are fixed within the first 12 hours are not covered, however a loss which cannot be fixed until 24 hours after the breakdown, would be covered in full.

## Gradually Operating Cause

Insurance policies are normally designed to cover specific identifiable eventualities or specific events such as Fire, Storm, and Malicious Damage etc. They are not designed to cover gradually operating causes such as dry rot, vermin, rusting etc. There are exceptions to this such as subsidence cover but essentially for insurance cover to operate there has to be a clearly identifiable event which causes the loss for cover to operate.

Even where a policy is described as “All Risks” losses of a gradually operating nature will not be covered.

## Indemnity Period - Business Interruption Insurance

The indemnity period is the period commencing from the date of damage and ending not later than the maximum Indemnity Period stated in your policy during which the business is affected by the damage.

The maximum Indemnity Period is the time taken to regain pre-damage turnover levels (which is to be estimated by you). Time factors to be considered in this regard include:

- Site Clearance
- Obtaining architects plans/drawings
- Obtaining local authority permits/planning permissions
- Obtaining Building tenders
- Construction/repairs period
- Availability of machinery/equipment
- Running in of new machines
- Commencement of production
- Re-entry into markets
- Finding new and regaining lost customers

It is our firm belief that the majority of commercial businesses would encounter difficulties in achieving all of this, whilst returning to the position they enjoyed prior to the incident which affected their business, in under 12 months. Our recommendations to you will be based upon a realistic evaluation of the above factors.

## Loss Adjuster

In the event of a significant claim, rather than using one of their own claims staff to deal with the claim on their behalf, insurers may well use the services of an independent loss adjuster. Whilst the Insurer will pay the Loss Adjuster’s fee, which is normally an agreed percentage of the value of the claim, Adjusters are independent and are, generally speaking, fair to both parties concerned.

Principally their job is to investigate the circumstances of the claim and to agree settlement in accordance with the cover provided by the policy. Loss Adjusters will also make recommendations to try and avoid a reoccurrence of the claim.

## Loss Assessor

Whereas Loss Adjusters are appointed by Insurance companies, Loss Assessors may be appointed by the policyholder who has sustained a claim which, normally due to its size, but sometimes due to its complexity, requires someone to act for them in their negotiation with Loss Adjusters. Where liability for a claim may be disputed or repudiated, Loss Assessors will have access to specialist facilities which may be used to prove their clients claim.

## Policy Wording

A specimen copy of any policy we recommend is available upon request. A full copy of any policy you have purchased from us is available upon request. A full copy of the original policy wording, complete with the policy schedule will be passed to you, soon after it has been received and checked for accuracy.

It is absolutely essential that you read all policy documents, in conjunction with the policy schedule, which may contain endorsements and additional conditions. You must advise us immediately in writing of any aspects which are not clear or where it does not meet with your requirements.

## Pollution

Unless special arrangements are made, cover under a public liability policy for pollution will normally only apply in respect of losses resulting from sudden and accidental acts which are identifiable and unforeseeable. Losses resulting from seepage or other gradually operating causes would be excluded.

## Reasonable Care

A policyholder has a common law duty of care to act in both a reasonable and responsible manner and not to expose their Insurers to unnecessary risks and hence claims. This is a general condition in all contracts of insurance but it is difficult to be precise about.

Examples of reasonable care, or a lack of it, which could lead to an insurer avoiding a claim are:

- Leaving your keys in the ignition of a car whilst it is unattended.
- Leaving a laptop on the seat of a car in full view whilst unattended.
- Non-compliance with statutory or legal requirements.
- Non-compliance with a warranty or condition as stated in the policy.
- Non-compliance with Health & Safety requirements, risk assessments, provision of PPE etc.

## Standard Exclusions

All insurance policies contain exclusions and the following list contains some of the standard exclusions typically found in insurance policies, and which in some instances are matters which the Insurance market is not willing to cover.

- Loss or damage resulting from:
- Bankruptcy or Insolvency
- Changes in Water Table Levels
- Financial Guarantees
- Gradual wear & tear or deterioration
- Losses from unattended vehicles
- Nuclear Fuel, Radioactive Materials or Waste or Explosive Nuclear Assemblies
- Pollution or Contamination, unless caused by an Insured Peril
- Punitive, Exemplary or Aggravated Damages
- Pure date-related problems
- Riot in Northern Ireland
- Seepage
- Sonic Booms
- Terrorism
- War, Civil War, Revolution and the like

If any of the above or any of the exclusions in your policy give cause for concern then please speak to your usual contact at our office.

## Subrogation/Contractual Liability

With regard to claims, Insurers are entitled to take over any rights which you may have against other parties with regard to making recoveries to minimise their loss. These rights of recourse are known as Subrogation Rights.

If you have entered into any agreements that exclude or modify your rights to recover damages from another party in relation to any loss, damage or destruction, please refer to us for advice. You may prejudice your rights with regards to a claim, if you make any agreement with another party, which prevents the insurer from recovering the loss. Examples of such agreements are the "hold harmless" clauses which can sometime be found in contracts. You may require your legal adviser's assistance in this respect.

## Sums Insured / Declared Values / Limits of Indemnity

It is your responsibility at all times to ensure that your sums insured, declared values (where required) and the limits of indemnity under your policies, reflect the values at risk and provide sufficient values for your complete protection. If you are in any doubt you should seek professional valuations and also ensure that you put in place a process to ensure a regular update is undertaken. **Please also refer to the headings Average and Valuation Basis/Basis of Settlement** contained in this section.

For **Buildings** a professional valuation is particularly advisable, and would need include debris and site clearance costs, professional fees incurred to effect reinstatement or repair and also any other costs relating to compliance with current building regulations. Note that for these reasons, these valuations do not usually bear any relation to the market value of a building.

Your VAT status must also be considered. If you are not registered for VAT or are not classified as either exempt, or partially exempt you may need to add an amount equal to the prevailing VAT rate, to your sums insured.

For **Machinery and Plant** we would recommend that you establish a plant register which is kept up to date with acquisitions and disposals and also obtain a regular professional valuation. Do not reduce the value of Machinery and Plant in line with accounting depreciation methods.

We are not professional valuers and any discussion entered into with us regarding sums insured are based purely on opinions, and are offered only as a guide, or for discussion purposes.

For **Business Interruption** policies there are several options, the most common being based upon an estimate of your Insurance Gross Profit. Importantly, please note that this is not the same as the Gross Profit calculated by your accountant, for your business. Rather than attempt to show a complex calculation here we welcome the opportunity to talk to our customers individually, in some detail, in order to help evaluate the correct estimate/sum insured for your business.

For **Liability Insurance** policies, the setting of the limits of indemnity relies on several features, including the number of employees you have and where they work, your exposures in terms of work carried out away from your own premises, the type and volume of products supplied or manufactured and where in the world they might end up.

The minimum requirement for Employers Liability in the UK, where Employers Liability Insurance is required by law, is a limit of indemnity of £5,000,000. UK Insurers usually provide a standard limit of £10,000,000.

There is no minimum legal requirement as regards Public or Products Liability however you may be contractually obliged to purchase a certain minimum level by your customers/principals.

## Valuation Basis / Basis of Settlement

There are four basic types of valuation basis for property insurance. These are described as follows:

### Indemnity

Most Insurance Policies are Contracts of Indemnity and this means that the intention of the policy is to put you in the same position after a loss, as you were in immediately prior to the occurrence giving rise to the loss, i.e. had no loss occurred, and to enable you to continue trading with the minimum interruption.

Insurers may achieve this by settling a claim by a payment to you, or at their discretion, by arranging for repairs or replacement of lost or damaged items on your behalf. In the case of replacing damaged machinery or plant, a deduction will be made in order to represent the age/depreciation involved.

### Reinstatement

Sometimes known as the "New for Old" Basis. Settlement would be based on the cost to replace new without depreciation being taken into account. Where damage rather than loss occurs settlement would be for the cost of restoring the damage with new parts, materials, again without any deductions for depreciation.

### Agreed Value

This is not broadly available as a settlement basis but can apply, for example, to such items as antiques, and occasionally - particularly in Marine Cargo Policies - finished goods may be insured on a "cost plus" basis.

### **First Loss**

Used to restrict cover financially to a pre-determined limit e.g. Theft insurance where the value at risk is say £1,000,000 but the maximum probable loss is only projected at £50,000. Insurers on certain classes of business, will allow a reduction in the rate of premium.

Typical applications of the above valuations bases are given below:-

### **Buildings**

Would normally be insured on a reinstatement basis with the sum insured allowing for inflation during the insurance year and during the rebuilding period.

Methods to achieve the inflation forecasting without undue penalty in premium terms exists. These are:-

#### (a) Indexation

Whereby the sum insured is automatically increased annually by a percentage derived from indices relevant to the type of property.

#### (b) Day One

The sum insured is declared as at the first day of the insurance year. An inflation band is then chosen to hopefully embody the effects of inflation forecasting. The premium for these inflation bands are much lower in percentage terms than the actual bands themselves. 100% average conditions would apply to the declared value since there should be no guess-work involved in arriving at these figures.

#### (c) Local Authorities Clause

This usually accompanies reinstatement conditions on buildings and provides indemnity in respect of additional expenditure which you could incur by having to comply with the requirements of statutory authorities.

For example, following a fire you might be ordered by the Local Authority to:-

- Install an automatic sprinkler
- Install a fire escape
- Rebuild to a higher standard of fire resistant construction etc.

### **Machinery, Plant and All Other Contents**

Applies to all contents other than stock and materials in trade and work in progress.

Reinstatement conditions would normally apply and the same factors as for buildings should be taken into account i.e., the rebuilding period is important since such property would not be installed until such time as the building work had been completed. You would not necessarily be able to rely on the availability of suitable alternative property nearby.

### **Stock and Materials in Trade and Work in Progress**

Indemnity would be the normal method of insuring these items, providing the cost of raw materials plus the cost of overheads expended up to the time of the loss.

Sometimes, particularly within Marine Cargo policies, settlement can be on a "cost plus fixed percentage" basis which would in addition to the above provide for your profit margin.

Contract price may be available to insure this type of item which would then allow settlement based on a predetermined figure.

## Warranty

Warranties are attached to policies detailing specific provisions which must be strictly complied with at all times so as not to prejudice your protection.

The effect of any breach of warranty is to make a policy voidable irrespective of whether the warranty is material to the loss, and it is therefore essential that warranties are fully complied with. Where specific warranties apply, your attention is drawn to their existence but reference should be made to the policy for the exact wording.

If you are unable to comply with a warranty please contact us immediately. We will raise the matter with your insurers and seek a revised approach.

Please refer to the section entitled Duty of Disclosure and Fair Presentation of Risk - The Insurance Act 2015 which goes on to explain changes to the way in which warranties will be applied, post enactment, on 12th August 2016.

# FUTURE PROOFING

Insurance continually moves with the times, to keep pace with a changing environment and the rapid advances in technology which affect all our lives. BHIB Insurance Brokers are committed to investment in the people, systems and resources necessary to carry on our business and ensure the continuity of great service and professionalism on your behalf, well into the foreseeable future.

Whilst we can't anticipate challenges to business risk too far into the future, we can already talk to you about developments we know are set to affect business planning and risk:

- Big Data
- Cyber Crime
- Data Breach
- Driverless Cars
- Drones
- Environmental Liability
- Geospatial analytics
- Reputation Protection
- Telematics
- The Internet of Things

# HOW TO CONTACT US

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If you have any questions or queries relating to the content, please get in touch with your usual BHIB contact.

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