



**Hugh J Boswell**  
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# SME Insurance health check

Making sure you have the cover you need for your business insurance is one of the most essential aspects of protecting your business. If you source your cover through a broker, hopefully they will have taken the time to understand your business in order to provide suitable cover. If you procure the cover yourself, directly with an insurer, then mistakes are more likely to be made. Either way, the following provides an explanation of some of the most common errors we witness when reviewing insurance cover, and how to ensure your cover is adequate.

## **Business Description:**

It is crucial to ensure what you do is reflected thoroughly and correctly within your business description on your policy schedule and/or proposal form. **Failure to ensure your business description is true, accurate and all-encompassing could result in any future claim/loss being prejudiced or invalidate your insurance cover altogether.**

For example, the business description might state “web design company”. However, if that business was signing off campaigns and/or had customers outside the UK, they may not be covered if a loss occurred.

What does your business actually do?

## **Underinsurance:**

A recent study from Aviva showed that 1 in 5 SMEs are not confident that they have the right level of insurance. Underinsurance is one of the most costly issues a business can have when they suffer a loss. Failing to insure your assets for the true value can lead to the insurer applying ‘average’. Average allows the insurer to reduce the settlement by the proportionate amount of underinsurance. For example: a loss of £10,000 where the sum insured is £20,000 but the actual value of the asset is £40,000 would be settled at 50% - i.e. £5,000.

## Public Liability

This cover will protect your business if you injure a member of the public or if you cause damage to their property. Only a few years ago, £1m was perceived to be a sufficient level of cover. However, a change to the 'Ogden Rate', a calculation used by courts to quantify how much insurance companies should pay out to claimants who have suffered life-changing injuries, has meant this is no longer the case. Businesses that have regular contact with the general public, especially younger people, should consider a higher limit.

## Employers' Liability

**This cover** protects you against the cost of compensation claims arising from employee illness or injury, sustained as a result of their work for you. One common mistake businesses make when taking non-advice based insurance policies is misunderstanding what an 'employee' is defined as. If you have employees, contractors, casual staff, temporary staff, volunteers or even work experience people, you are required to purchase employers' liability insurance by law.

## Business Interruption

Business Interruption provides cover for the financial losses due to an interruption to a business caused by material damage to property. The most common area of underinsurance witnessed here is the indemnity period - how long it will take to return your business to the same financial position prior to the loss. The minimum term offered is 12 months, but experience has shown that period to be far from enough. Material availability, seasonal trends, issues when rebuilding (such as planning and site clearance) and time required to win back customers, are all factors that can, and do, prevent businesses recovering in under 12 months. We recommend at least a 24 month period to clients.

Do you have 12, 18, 24 or 36 months?

## What next?

Obtaining the right insurance cover is much easier if you work with a broker who takes the time to understand your business and its unique challenges.

If you have any concerns about your insurance cover, or you would simply welcome a second opinion we would be happy to have a chat.

For advice on what to do, please speak to a member of the Hugh J Boswell team on 01603 626155.