

DIRECTORS & OFFICERS INSURANCE

PROTECTION FOR DIRECTORS

Any individual that operates as a Director or Officer in an organisation has legal responsibilities. It is not only large companies that need to be aware of the risks. Directors of SMEs and other organisations can also be subject to legal action against them.

In recent months, there has been increasing pressure on Directors of SMEs as a result of investigations from government bodies, including The Health and Safety Executive, Department of Trade & Industry and the Serious Fraud office. In 2004, the HSE prosecuted nearly 1,000 companies and disqualified nearly 1,500 directors.

Directors and Officers (D&O) insurance protects Directors and Officers against claims arising from their actions and decisions taken on behalf of the company. Although claims are not a regular occurrence, the scale of them means you should seriously consider purchasing D&O insurance.

A common misconception is that working for a limited company means the Director's liabilities are limited. In fact this is not the case, so Directors and Officers are exposing themselves to potential investigations and criminal prosecutions, just for carrying out their everyday duties.

Reasons for D&O Cover

There are a number of reasons for taking out D&O insurance, including:

- Even though a company is limited, a Directors liability isn't
- D&O premiums have fallen and it can cost a relatively small amount for a substantial level of cover
- Legal costs, damages and costs of investigations can be covered
- Directors can be disqualified for up to 15 years or more
- A company may be prohibited from indemnifying its Directors and Officers

Protection and peace of mind

Directors and Officers are increasingly finding themselves accused of corporate malpractice and their personal assets are at risk if taken to court. Even if you are not found guilty in an investigation, you may still incur costs.

In short, D&O cover provides protection and peace of mind. D&O insurance protects Directors and Officers, covering legal costs and civil damages for claims made on the basis of any wrongful act committed (or allegedly committed) by them.

Let us advise you

If you decide to take out D&O cover, it is wise to consult your insurance broker who can advise you on the most appropriate policy.

Many 'off-the-shelf' policies only cover around 60% of the potential risks. Whilst this may suit you in theory, in the event that you need to claim you may find that this is not the case.

We can advise you on different forms of D&O cover and provide you with the most appropriate cover at a competitive price.

9 Questions to ask yourself

Before considering D&O insurance, you may wish to evaluate the likelihood and potential damage resulting in a claim.

For example:

1. Who will be sued?
2. Why might they be sued?
3. Who will sue them?
4. What are the risks?
5. How likely is a lawsuit?
6. How much can they cost?
7. What is the possibility that the company is sued rather than its directors?
8. Does existing insurance cover these types of claim?
9. How does D&O cover protect you?



Commercial

INSURANCE SERVICES

insight

Issue 4

Zurich Private Clients



High Net Worth Protection

Your home and possessions are valuable to you and you need to be sure they are protected. You may also own works of art, jewellery and antiques, which should be fully insured to an accurate level.

To support this, we have teamed up with Zurich Private Clients, to provide a bespoke policy for individuals with high value homes and possessions. This product provides access to a wide range of covers under one convenient portfolio policy, including:

- Buildings insurance
- Contents insurance – ‘all risks’ cover
- Lifestyle insurance – in case of identity fraud or personal accident
- Cover for valuables such as jewellery, fine art, antiques and family heirlooms
- Motor insurance
- 24-hour Breakdown assistance
- Agreed value policy for yachts
- Second/holiday home insurance
- Complimentary travel insurance on a yearly basis for any destination or duration

A key benefit of this policy is the extensive risk management service. This optional service will provide you with information on protecting

your assets, security and fire threats.

A valuation of your assets can also be included in this service. We advise that you regularly review this valuation as your assets increase. We also recommend you take photos of your valuable possessions to keep a record that may prove useful in the event of a claim.

A first-class claims service

In addition, the Zurich Private Clients policy provides a 24-hour claims service, widely regarded as one of the best available. During the claims process, we can liaise with the insurer on your behalf, helping you in what can be a difficult time.

Furthermore, Zurich Private Clients does not require you to use specified suppliers in the case of a claim, which gives you the peace of mind that comes with freedom of choice.

To find out how this new development can benefit you, call us now.

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BUSINESS INTERRUPTION: UNDERSTANDING THE

Risks

In recent months, there have been a number of high profile disasters reported in the media, including Buncefield Oil Depot explosion in December and terrorist attacks in London in July. A normal reaction is to assume that events like these won't happen to you.

In reality, while you may not be involved in an event like these, the fact is that disaster can strike when you least expect it. A fire in your office, a burst water main or a utility failure can all have significant negative effects on your business. Disasters such as these may not hit the newspapers but can still devastate your business.

Business interruption insurance is designed to cover against such eventualities. It protects your business from a reduction in gross profit due to interruption to the business. In some instances, it also pays any increased costs of working and accountants' fees.

This type of insurance can be bought as a single policy, or as separate covers, including:

- Goods in transit
- Loss of profits
- Damage to a customer's or supplier's premises
- Service interruptions
- Denial of access
- Increased cost of working

The specific cover available is dependent on which policy you choose, but in our experience a 'one size fits all' approach does not work. Rather than buying a packaged product directly from the insurer, we advise you spend time with your broker to discuss the potential issues that may affect you. By doing this your broker can tailor the policy to suit your needs.

It is also important to understand the extent of cover. A basic business interruption policy will only pay out when there is actual physical damage to the insured's premises. If you cannot get into your building due to damage to the neighbouring building, standard business

interruption may not pay out. This is why you should consider additional covers such as denial of access.

Another important aspect is the indemnity period following disaster. This relates to the time period for which your policy will cover specified risks. Most policies offer a 12-month indemnity period, which may not be long enough. This is because it can take an unexpectedly long time to reinstate business after a fire or flood, for example:

- You may need alternative premises
- Special materials or machinery may take time to replace
- You may lose trade to a competitor whilst your business is held up

The cost of trading during this period can also increase. To cover this, increased cost of working insurance provides you with additional funds to continue trading following loss or damage. This can include cover for the costs of renting additional premises while your existing premises are repaired, hiring replacement machinery and paying for additional travelling costs.

The aim of this insurance is to maintain your production following the incident, which would otherwise drop to nothing if trading stopped. This is particularly important because if your links with suppliers and customers are broken, they can be very hard to rebuild, putting the future of your business at risk.

Another aspect to consider is the level of cover. Many businesses find when they have to make a business interruption claim that they are underinsured, due to lack of future projections on gross profit being taken into account.

In addition, your assets can increase with

the growth of your business and the types and level of risks can increase too. Even a single incident may be enough to close a business if the insurance cover is not right. We will be happy to conduct a regular policy review to ensure your cover changes with your business.

As always, the best defence is preparation and a disaster recovery plan is essential. If you have such a plan in place, you should have a good idea of how to get the business back on track if the inevitable happens.

When reviewing this plan think about the 'what if' situations beyond the control of your business, as well as considering suppliers and customers – a disaster can have an effect on them too.

We can help you put the appropriate level of protection in place for your business. In addition, we can guide you on how to put together a realistic disaster recovery plan. For more information on how we can help, call us now to set up a meeting.



NICEIC Electrical certification: Part P

Whether you do electrical work, or plan to have work carried out on your premises, you need to know about Part P. You may be aware of the electrical safety standard BS 7671:2001, but since 1st January 2005, another safety requirement has been put in place.

The new requirement, known as Part P, was launched to highlight electrical safety for both electrical contractors and DIY enthusiasts undertaking electrical work in 'dwellings' including homes, shops and public houses. It has been introduced to help reduce the reported 1,000 electrical accidents that occur in the workplace every year. In addition, faulty electrics in the home cause 12,500 house fires, 750 serious injuries and 10 fatalities.

The actual wording for Part P of the building regulations states:

"Fixed electrical installations in dwellings shall be suitably designed, installed, inspected and tested so as to provide reasonable protection against their being the source of a fire or cause of injury to persons".

Implications if you carry out electrical work

Part P also has serious implications on anyone contemplating DIY electrics. Now for work involving a kitchen, bathroom or garden and for some light installations, the Local Authority Building Control Office must be notified, unless the work is minor*. If you do not notify them you are now committing a criminal offence and can be fined up to £5,000.

This regulation has affected everyone who carries out electrical installations. In the past, the safety standard BS 7671 was adhered to on a voluntary basis, but the introduction of Part P now makes this a legal requirement.

An Electrical Installation Certificate is now required

By law, all electrical installation work carried out in dwellings must be accompanied by a Building Regulation Certificate and BS 7671 Certificate within 30 days of completion. This is a safety declaration that states the completed work complies with the safety standard.

* Minor work only applies to installations such as new lighting points or accessories where there is no new circuit being added.

Registration or notification

There are two ways in which to get this certificate to the client ordering the work. Firstly, by registering with the government backed Domestic Installer Scheme run by the National Inspection Council for Electrical Installation Contracting (NICEIC). The NICEIC is a charity launched 150 years ago to promote electrical safety. The domestic installer scheme allows the registered individual to self-certify their work based on their own competence.

Under Part P, you are not obliged to register with the NICEIC competent person's scheme. You can opt to notify your work to the local authority building control office and pay a fee for a registered person to test your work.

The NICEIC will then produce the certificates for you and send to the client at a small cost. The local authority building control office can also guide you on this process when you advise them your work is going ahead.

If you carry out only a small number of electrical installations, this is a viable option. But if your work involves installing domestic appliances or circuits, this can be a time-consuming and costly method of working.

Implications if you are having electrical work done

Firstly, the Electrical Installation Certificates are important, as not having them can breach Health & Safety requirements for business and may cause problems if you choose to sell your property.

Secondly, it makes choosing a fully qualified electrician even more important. Electricians can register with the NICEIC as an Approved Contractor, following assessments that are conducted annually. At present there are around 19,000 approved contractors on the NICEIC role.

When using an NICEIC approved contractor you can be sure that:

- Work is carried out to the latest national safety standard
- Safety requirements such as BS7671 and Part P are adhered to
- Electrical safety will be assessed before work starts
- Work is tested upon completion to ensure it complies with the safety standards
- You will receive a certificate proving standards have been met.

For further information on this area visit www.niceic.org.uk/partp/partpindex.html and www.onlineplanningoffices.co.uk