

## Insurance Market 2011

The period of favourable conditions we have experienced in recent years may not continue throughout 2011. At the moment motor premiums are rising rapidly and others could follow. Although competition amongst insurers remains fierce, we expect a period of volatility and a market change to one where all rates could increase as a result of a major catastrophe or big insurer merger. The insurance industry cannot absorb the former and the latter would reduce competition.

The role of an insurance broker becomes far more important in a volatile market. We have

excellent relationships with a wide range of insurers and are able to negotiate from a position of strength.

The potential hardening of the insurance market means that management of risk becomes even more important. Our expertise in this area is one of the best in the market and is available to all our clients. This can assist in improving any adverse impact of overall premium rises.

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## Credit Insurance... a 'no-brainer'?

If your business sets aside reserves for bad debt our advice is to take credit insurance

Barnett & Barnett cannot manage how our client's customers conduct their business, nor can we prevent them from becoming insolvent, but we can stop them from taking you with them. Companies trade more competitively with confidence and peace of mind, knowing that their business is protected by Credit Insurance arranged by Barnett & Barnett.

If like most companies you set aside reserves to offset the risk of bad debt, it may be worth considering credit insurance to eliminate the risk altogether. Other benefits of the cover include:

### Increased Revenue

Your ability to offer better credit terms to your customers by removing the risk to your assets gives you greater opportunity to increase sales, revenue and profit.

### Competitive Advantage

Credit Insurance lets you offer more competitive terms, safe in the knowledge that, whatever happens your sale will be protected.

### Continuation of Cash flow

Your policy will provide cover in the event of payment default, therefore ensuring minimal disruption to your cash flow.

### Higher Credit Ratings

Your suppliers will feel more secure in offering credit terms knowing your business is protected against bad debts.

### Easier Access to Finance

If you need to obtain trade finance to fund your contracts, by simply assigning your policy claim payments to your financiers/bankers, you'll give them the assurance that their investment is secure.

### Early Warning

Gain access to a network of credit information which can alert you to high risk companies, before you expose your company to unnecessary risk.

### Release Capital

Reduce your bad debts reserve and release this capital for more profitable purposes.

If you think that credit insurance might be the solution for your business, please contact your usual Barnett & Barnett representative.

If you are not an existing Barnett & Barnett client, please contact our New Business team on 020 8568 2021, who will be happy to assess your Credit Insurance requirements as part of a comprehensive insurance review.



# Insurer Risk Surveys at your premises

At some point, your insurance company might ask to come to your premises to do a "survey". The surveyor acts as the eyes of your insurer and will report back with details of what they have seen, making recommendations as to how your risks may, or should, be improved. The insurance company will then communicate what needs to be done back to you through your broker, and monitor improvements through to completion.

## Types of survey

1. Liability (or casualty) surveys will mainly look at health & safety issues affected by your business operation.
2. Property surveys concentrate on fire and security issues.
3. Business Interruption surveys look at how you might deal with a disaster affecting your business and how you might recover from it to trade successfully again.

Some surveys incorporate all three at once. If carried out separately, the surveyor may be a specialist in that particular field.

## The Surveyor

The surveyor will usually be employed by the insurance company directly. They will be highly experienced and are likely to be well qualified in their area of expertise. For example, many liability surveyors are qualified at least to the standards required by the Health and Safety Executive enforcement officers/inspectors (and some are ex inspectors).



## The Visit

Surveyors will likely want to see paperwork such as your health and safety policy, risk assessments and training records for a liability survey, an alarm specification and any security contracts for a property survey and a copy of your business continuity (disaster recovery)

plan for a business interruption survey. They will want to walk around the premises, partly to familiarise themselves with what is going on and partly to identify any areas which may require attention. They may also want to take pictures.

## What happens next?

A surveyors report will do one or both of the following:

1. Make requirements with timescales. These are 'must do' (often legal) requirements, non-compliance may result in a reduction or removal of cover by your insurer.
2. Make recommendations. These are designed to comply with best practice but are not usually followed up.

They may also do nothing if housekeeping and compliance standards are good.

## How should I prepare for a visit?

Make sure you are available at the agreed time, have somewhere for the surveyor to sit and ask their questions in reasonable comfort.

Have your paperwork ready and take a few minutes to familiarise yourself with it before the surveyor arrives. Generally speaking these documents are supposed to be working documents, so brushing off a thick layer of dust from your health and safety policy in front of the surveyor may not give the best impression!

Be polite and try and make sure that someone with the power to make things happen is present. This shows that you regard the meeting, your business and your relationship with your insurer with the importance they deserve.

Base your answers on fact. Also, be prepared to highlight the good points of your business, particularly if they relate to the topic being discussed.

Don't be afraid to ask questions or seek advice. Most of the surveyors are more than happy to give you the benefit of their experience

in dealing with an issue. Remember, they probably see these issues every day.

Before they go, be sure to get them to commit as to exactly what they will be putting in their report in terms of requirements and recommendations to avoid confusion later. In many cases, you may be able to deal with a requirement on the spot and avoid it's inclusion in the report.

Below is a list of common issues that can be easily rectified before a surveyor visits and should form part of general housekeeping. If you require further guidance please contact our Risk Manager, Simon Cutmore on 020 8568 2021.

## Common issues to address before a visit

- Wooden pallets stored up against external buildings
- Build up of rubbish
- Slip & trip hazards (snow & ice included)
- Combustibles left in forklift charging areas
- Unsatisfactory segregation of people and mobile machinery
- Incomplete risk assessments or health and safety policies
- Loose Propane/LPG/Gas bottles left around the premises
- Portable LPG/paraffin/diesel heaters operating
- Safety guards missing from machinery such as drills/grinding wheels
- Blocked fire escapes or fire doors wedged open
- Unidentified oils & chemicals left around
- General mess and lack of housekeeping
- Racks not marked up with safe working limits
- No kickboards on mezzanine floors and open access gates

## Chronic Under Insurance!

Allianz Insurance PLC warns that just 55% of UK businesses are confident they are properly covered by insurance should the worst happen. According to new research record numbers of businesses could find themselves underinsured in 2011; with potentially significant consequences should they need to make a claim. The research identified that many UK companies may be unknowingly underinsured; with 34% of business decision makers unsure if their insurance would cover everything should they need to make a claim. Comparatively, 11% admit they are either knowingly underinsured or 'don't care' if they don't have enough insurance.

## Employers' Liability Tracing Office

The Employers' Liability Tracing Office (ELTO) is an independent body comprising members who are Employers' Liability (EL) insurers. ELTO is proactively addressing the insurance industry's obligations to help those who have suffered injury or disease in the workplace to identify the relevant insurer quickly and efficiently. At the heart of this process is a centralised database - the Employers' Liability Database (ELD) - which will contain all new and renewed EL insurance policies, old EL policies that have new claims made against them and all successful traces from the current Tracing Service.

Starting from 1 April 2011, ELTO member insurers will begin to contribute information to the ELD. Insured businesses will

be required to provide full details of all subsidiary companies at renewal. Barnett & Barnett have always taken great care to obtain this information from our clients as standard.

From April 2012 businesses will also be required to provide their Employer Reference Number and by this time all insurers will be obliged to contribute to the database.

Similar to the Motor Insurance Database, the insurance industry will form a centralised database of EL information. This will give claimants and their representatives quick and easy access to a database of EL policies through an online facility.

## Financial Services

## So when are you going to retire?



A series of pension announcements have been made as part of the consultation process for the Finance Bill 2011.

Central to these proposals is removing the effective requirement to annuitise by age 75.

This had already been announced earlier in the year, with an interim measure taken to increase the maximum annuity purchase age from age 75 to 77. The consultation paper published confirms the details of these new rules.

Legislation will be introduced in the Finance Bill 2011 to remove the current rules that create an obligation for members of registered pension schemes to secure an income, usually by purchasing an annuity with their pension fund, by the time they reach their 75th birthday.

These new rules will come into force on 6th April 2011, assuming a smooth introduction through Parliament.

To support this removal of the age 75 rule, a series of other changes are being made to pensions in respect of tax treatment and the rules applying to income drawdown (unsecured pension) arrangements.

One of the most radical changes to income drawdown rules is the removal of the income limit on withdrawals each year, as long as a minimum lifetime pension income of £20,000 per annum has been secured.

The tax rate on death benefits from an unsecured pension will become 55% for deaths on or after 6th April 2011. For those in unsecured pension and under 75 years old, the tax rate on lump sum death benefits

is currently 35%.

There will also no longer be a minimum income limit for unsecured pension from age 75. Currently, when using an Alternatively Secured Pension (ASP) from age 75, the minimum income level is 55% of an amount calculated by the Government Actuaries Department (GAD). The maximum limit of 90% is also being effectively removed.

There are several issues to consider, even at this early stage.

Unlimited access to pension funds in an unsecured pension once a minimum income level of £20,000 has been secured sounds great in practice, but it will be a taxable income. With the highest rate of income tax currently at 50%, this is likely to restrict the annual amount that people in this fortunate position will be willing to extract from their pension funds.

The flexibility to defer annuity purchase past age 75 (and now past age 77) is a welcome move, although for the overwhelming majority of people in retirement, the cost of deferring annuity purchase past age 75 will be excessive. This is due to mortality drag; the negative impact of delaying annuity purchase.

If you require any guidance or further clarification please contact your usual Barnett & Barnett representative.



## Staff qualifications



At Barnett & Barnett we are firmly committed to offering only the highest standards in quality professional services. Our staff possess a real desire to differentiate themselves from the competition by making sure that this commitment is delivered.

However, desire alone will not get the results our clients expect from us. This takes a great deal of technical knowledge and experience that can only come from structured training and development.

All Barnett & Barnett staff are trained to a minimum Chartered Insurance Institute (CII) foundation standard with the majority studying for, or qualified to, Diploma (Dip CII) or Associate (ACII) standard. These professional qualifications take huge amounts of personal effort and years of study and examination to attain.

We hope you will join us in congratulating four members of staff have done exceptionally well to achieve their latest qualifications during this last quarter. Well done to:

- **Richard Bevins, ACII**
- **Darren Ward, ACII**
- **Adam Brennan, Dip CII**
- **David Widdick, Dip CII**

## Risk Management Training 2011

We are pleased to announce the courses in our 2011, Client Risk Management Training programme. The courses are offered free of charge to our clients and contacts and will be half day sessions.

Courses:

1. **Introduction to Fleet Risk Management, April 12th**
2. **Directors Duties, July 12th**
3. **Introduction to Health and Safety at work, October 11th**

Formal invitations will be sent two months prior to each course. If you have any questions or would like to register your interest in attending, please contact Sandra Read on 020 8568 2021 or email [sandra.read@barnett-and-barnett.co.uk](mailto:sandra.read@barnett-and-barnett.co.uk).

## Barnett & Barnett enter UK's top 25

Barnett & Barnett are pleased to announce our recent entry into the top 25 UK insurance brokers following an acquisition made towards the end of 2010.

Barnett & Barnett almost doubled in size after forming a partnership with Bromley based commercial and personal lines broker NBJ UK Limited.

NBJ, are a provider of quality Commercial and Private Client solutions and share many of our own values and ambitions.

More integration news will follow shortly.



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