SUM INSURED & LIMIT OF INDEMNITIES

CROMPTON BAILEY LTD
Insurance Brokers and Consultants

Adequacy of Insurance Values

It is the responsibility of the Insured to ensure that all sums Insured, and policy limits provided to us are adequate. Whilst we seek to assist in establishing and maintaining insured values and Indemnity limits, we cannot accept responsibility for the figures you provide and their Insurance accuracy.

It is strongly recommended that the appropriate Professional (e.g. Surveyor/Accountant etc) be consulted to ensure that the sums insured and limits under the policy are suitable. **'Up to date' professional valuations** and calculations would provide you with the reassurance your Sums Insured are adequate for Insurance purposes. It would also be an excellent starting point in the negotiation and settlement of any Claim.

- **The Buildings Sum Insured** should represent the full rebuilding cost including foundations, architects and surveyor's fees and the cost of removing any debris.

- **Tenants Improvements Sum Insured** should represent the replacement/rebuilding cost of any alterations that you make to the fabric of the building i.e. a new shop front, partitioning within a warehouse for an office, a mezzanine floor in a warehouse etc.

- **The Contents Sum Insured** should represent the cost of replacing all the contents as new, including floor coverings, telephony systems, alarm systems, computer trunking and network connections, heating and any special items that relate to your industry.

- **The Computer or Electronic Business Equipment Sum Insured** should represent the costs of replacing all the computer or Electronic Business Systems including software as new, including PC's, PC Screens, Printers, Network Switching Devices, and other Peripheral Devices.

- **The Stock sum insured** should represent the cost of replacing the stock, including the additional costs for Work In Progress but excluding any Profit Margin.

- **Stock in Transit Sum Insured** is represented by the sale price for goods sold or purchase price of goods purchased.

- **Business Interruption Indemnity Period** should be long enough for the company to return to its current and anticipated trading position following a loss. 12 months is rarely adequate for most Businesses.

- **Business Interruption Gross Profit Sum Insured** should be the gross profit that you would expect to earn by the end of the Indemnity Period. Assume that a potential loss occurs on the last day of the insurance. Therefore, on a 12-month Indemnity Period you would be looking at your anticipated gross profit for the year commencing 12 months from this renewal date. For a 24-month Indemnity Period you would be looking at your anticipated gross profit for the year commencing 2 years from this renewal date. Gross Profit for Insurance purposes is calculated differently to your accountant's figure. For insurance it is as follows: -

  (Turnover + Closing Stock) – (Opening Stock + Specified Working Expenses) = £
  Specified Working Expenses = Purchases + Carriage and Freight

  * **Insurable Gross Profit MUST include wages**

  LIABILITIES:

- **Employers Liability – Limit of Indemnity** should also be based on the worst possible scenario. However, this only applies to Employees and Labour Only Sub-Contractors. The minimum Limit of Indemnity that can be applies under The Employers Liability Act 1969 as amended is £5 Million but most Insurers grant £10 Million. Additional cover above this limit can be obtained.

- **Public Liability – Limit of Indemnity** should be based on the worst possible scenario. You need to consider what could possibly go wrong in your organisation, either in the premises or whilst working outside, that could affect members of the Public, not Employees or Labour Only Sub-Contractors. This usually relates to injury and then to how many people could be affected. Limits of Indemnity can be selected at £1M, £2M, £5M and £10M upwards. We would generally say that £1 Million & £2 Million could be inadequate and at least a £5 Million limit should be contemplated.

- **Products Liability – Limit of Indemnity (usually in the aggregate)** should be based on the worst possible scenario. You need to consider what could possibly go wrong and the risk your business faces when it sells, distributes, or manufacturers a defective of unsafe product. This can lead to Legal Responsibility for any Injuries to persons or damage to property caused by the Product. A business may be held liable for a defective or unsafe product even if they didn't manufacture it. Limits of Indemnity can be selected at £1M, £2M, £5M and £10M upwards. We would generally say that £1 Million & £2 Million could be inadequate and at least a £5 Million limit should be contemplated.