

Act now to beat rises in premiums

There may be growing uncertainty in the insurance market, but there are still tempting deals to be found for businesses looking to renew their policies writes **Richard Salt**, Managing Director of Derby-based insurance brokers and risk managers Bell & Co.

The insurance industry has always been cyclical in nature and we currently stand at a turning point in the market with premiums expected to rise in the next year to 18 months.

Seven years ago premiums rose as a result of various factors including the collapse of Independent Insurance Company, the knock-on effects of 9/11 and ongoing concerns of a growing claim culture in the UK, but since then prices have fallen steadily.

Disappointingly, despite insurers' protestations to the contrary the cost of premiums have fallen so far that they have become unsustainable and some correction in the market is only to be expected.

Unlike in the early part of the decade, prices are not being driven upwards by any single event or catastrophe – the 'soft' market is starting to come to an end thanks to more subtle pressures.

The increasing cost of settling claims due to inflation in the construction industry and the high cost of advanced materials used in modern vehicles mean that existing rates – which are at their lowest for a decade – cannot be maintained indefinitely.

Last summer's floods across the UK are also having an impact on the market, as are general environmental concerns and the current credit crunch.

Further uncertainty has entered the market with the Government's likely decision to back down on/delay plans for reforming the claims process. Whilst the insurance industry as a whole recognises the need for change, the Government's indecision only adds to the anxiety in the market.

Finally, the continuing introduction of new health and safety legislation may ultimately

lead to increasing insurance costs for many businesses.

Fortunately it is in this area that, by planning ahead, businesses can reduce the impact of insurance market changes and make considerable savings in a hardening market.

Since launching our own in-house consultancy, Bell & Co Safety Solutions, we have helped businesses to match their health and safety systems to their insurance requirements.

In 2007 a hot topic was the quiet introduction of a scheme allowing the NHS to recover the costs of treating people who have successfully claimed personal injury compensation.

Insurers estimated that they could pay out an additional £200 to £250 million to the NHS every year – costs that could lead to premium rises of between five and eight per cent.

Whilst this remains a concern, 2008 looks set to bring a new raft of other legislation that could have an equally important effect on the insurance industry. Of particular note is the introduction of the Corporate Manslaughter Act, which will make it easier to prosecute companies following fatal accidents.

For example, firms that employ staff who use their own cars for business could be liable for prosecution if those vehicles are not properly insured or maintained and are then involved in a fatal accident.

Businesses could also face fines running into thousands of pounds if they fail to comply with new environmental legislation. From April 2008, businesses will not be able to construct, sell or lease a commercial building over 500m² without providing an Energy Performance Certificate to the prospective buyer or tenant.



Richard Salt

Non-compliance will result in a failure to complete the conveyancing process and possible legal action by Trading Standards.

Despite these threats faced by businesses in the year ahead, the situation is not all doom and gloom and businesses can avoid unnecessary risks by taking a structured approach to their health and safety planning and by seeking advice on the latest legislation. In doing so they will not only reduce the risk of prosecution and hefty fines, but also save money on their insurance.

What's more, by acting now before premiums start to rise across the board, they can find there are still some good deals available.

Richard Salt is Managing Director of Derby-based insurance brokers and risk managers Bell & Co. The company, which has offices in Marlborough House, Charnwood Street launched an in-house consultancy, Bell & Co Safety Solutions specifically to help businesses to match their health and safety systems to their insurance requirements.

Further information is available by contacting Richard Salt on 01332 372111.