

How Good Is Your Insurance Policy?

Whether you are purchasing an insurance policy for the first time or considering changing to a new insurer, you need to consider the following:

Material Facts

<p>Business Description</p>	<p>You need to ensure you declare all your activities which can include the following:</p> <ol style="list-style-type: none"> 1. Before and after school clubs and holiday care 2. Days out to zoos, farms, libraries, shops etc 3. Lessons from Third Party providers e.g. swimming, dancing and PE type activities 4. Children's parties within the nursery premises 5. Open days/fundraising events including bouncy castle hire, face painting, firework displays, sale of books and goods within the nursery (i.e. book clubs etc) 6. Sale of products including nursery goods, nappies, milk etc and birthday cards 7. Attendance at local carnivals, walks and processions 8. Hire of rooms for training activities to local authorities including councils, Early Years representatives etc 9. Any other activities not mentioned above.
<p>Convictions or Bankruptcies</p>	<p>It is vital that if any of the following apply to you these are disclosed:</p> <ol style="list-style-type: none"> 1. been convicted or charged (but not yet tried) with a criminal offence (other than a motoring offence) 2. received an official caution for a criminal offence within the last 3 years (other than a motoring offence) 3. ever been declared bankrupt and/or been a director of a Company which has gone into liquidation, administration or receivership 4. ever knowingly failed to conform to legislation pertaining to Health and Safety at work activities.
<p>Previous Insurer History</p>	<p>You must declare if any previous insurer has ever:</p> <ol style="list-style-type: none"> 1. declined a proposal 2. not invited a renewal 3. cancelled or refused to renew a policy 4. imposed special conditions or requested extra precautions to be taken by you.
<p>Claims or Incident</p>	<p>Insurers need to know details of all past incidents and they will advise whether they require a 3 or 5 years history. It is important you also declare any incident even if it has not resulted in a claim.</p>

Sums Insured

All insurance policies are 'subject to average' and the consequence of under insurance can be devastating. An example of this is if your sum insured is half what it should be, any subsequent claim settlement will be reduced by half.

If it has been a while since your cover was last reviewed, don't leave it any longer! Check your sums insured now to ensure that they accurately reflect your business as it trades today.....you never know what is round the corner!

Buildings	<p>The sum insured should reflect the rebuild figure and must not be mistaken with market value. The final figure needs to include:</p> <ol style="list-style-type: none"> 1. Outbuildings 2. Fixed signs 3. Walls, gates and fences 4. Car parks, play areas and pathways 5. Costs to clear a site in the case of demolition 6. Professional fees including Architect and Surveyors 7. VAT (as nurseries are not VAT registered)
Contents	<p>The total Content sum insured must be adequate to replace all of your contents on a new for old basis. Remember to include carpets, curtains, furniture, toys, stock, and office equipment and don't forget what is behind cupboards particularly in the kitchen!</p>
Loss of Revenue	<p>This section of your insurance policy is designed to protect all the hard work invested in building your business to what it is today. If your nursery is closed for even a short period of time, parents may have no alternative but to place their child in another nursery. When considering the amount of cover needed it is important to keep in mind any potential growth in the business together with any intended increase in fees over the coming year.</p> <p>As a basic guide to calculating your sum insured you can use the following formula:</p> <p style="text-align: center;">Number of Registered Children x Cost per Child x Number of Weeks the Nursery is Open x Percentage of Expected Capacity for the Forthcoming Year e.g. 80 places x £120 x 51 x 80% Full = £391,680</p>
Indemnity Period	<p>This calculation will give you an idea on your prospective annual income for the coming year, you then need to give consideration to the Indemnity Period. The Indemnity Period is the length of time your insurers will continue to pay a loss of income claim following an insured event. The insurance standard limit is twelve months which in our experience is unlikely to be long enough for nursery businesses. For example, a fire or severe water damage loss could result in your business being closed for, say nine months. During this time it is likely that some or all of the children that attended your nursery will have been placed in alternative care.</p> <p>Could you replace these children in the remaining three months covered by a twelve month Indemnity Period? If not, then you need to consider extending the Indemnity Period to eighteen months. Larger nurseries should even consider twenty four or thirty six months.</p>

Cover Options

Subsidence	Is Subsidence included as standard for both Buildings and Contents?
Accidental Damage	Is Accidental Damage included as standard for both Buildings and Contents?
Theft	Are you only covered for Theft if there is physical evidence of a forced entry?
Buildings	<ol style="list-style-type: none"> If you personally own the building then your interest as an individual must be noted. If the nursery pays rent to you as an individual owner then cover for any loss of rent subsequent to a claim can be included. Remember to advise your insurer if your building is any of the following: <ul style="list-style-type: none"> Grade I or II Listed Not built of brick or stone with a tiled/slate roof modular or Lilliput building Has a flat roof however minor Is used for any other purpose than the nursery such as residential, shared premises (church hall) etc
Tenants Improvements	If you do not own the building but are responsible under the terms of your lease for redecorations and improvements to the building, then these should be added to your policy. This is known as Tenants Improvements cover.
Contents	<ol style="list-style-type: none"> Contents cover is generally only provided on the premises. If you have any items such as laptops that are taken off site, remember to ask for cover to be extended. Only business contents are generally covered. So if your residential accommodation is on the same site, then you will need to check if this is included or a separate Household Contents policy is required.
Fixed Play Equipment	<ol style="list-style-type: none"> What cover is provided? Is any specific event excluded such as storm or malicious damage? Do you have any artificial surfaces and if so, are they included?
Outbuildings or sheds	<ol style="list-style-type: none"> Does the insurer need you to declare you have any outbuildings or sheds? Do they need to know the amount of contents stored within these structures?
Loss of Revenue	<ol style="list-style-type: none"> Not all insurance policies provide Loss of Income cover automatically so check that you have cover in place. Even if cover is provided for your main nursery, is Loss of Revenue covered for any additional sites including clubs for before and after school or holiday care?
Public Liability	Does your local authority insist on a specific limit of indemnity?
Professional Indemnity	<ol style="list-style-type: none"> Not all policies provide Professional Indemnity cover automatically. In addition to checking this is included you need to understand what limit is applied. Insurers can offer two types of cover in respect of Liability insurance. These are “Claims Occurred” or “Claims Made”. The majority provide cover on a Claims Occurred basis. This means they will consider a claim as long as a policy was in force when the incident occurred even if this was many years ago. However, a Claims Made wording responds to claims notified to you when the policy is current. The key is Claims Made wordings will not automatically protect you for past liabilities. This

	reinforces the need to disclose all incidents when you are discussing the renewal with your current provider or seeking alternative quotations.
Directors & Officers Liability	This is not always provided as standard. In addition to checking if this is included you need to understand what limit applies.
Fidelity Guarantee	This is not always provided as standard. In addition to checking if this is included you need to understand what limit applies.
Engineering Breakdown	This is not always provided as standard. In addition to checking if this is included you need to understand what limit applies.
Excesses	Excesses vary with insurers and these are not usually optional.

Warranties and Restrictions

Every insurance policy is different and it is important you study a quotation, policy wording and renewal notice to review the warranties and restrictions being imposed. Common examples are:

Alarms	<ol style="list-style-type: none"> 1. Does the insurer require you to have a certain type of alarm system? 2. Do they insist the alarm is maintained? 3. What happens if the alarm becomes inoperative?
Physical Protections	Does the policy have a minimum security warranty requiring you to have certain types of locks on your windows and doors?
Flat Roof Inspections	If you have a flat roof, does the insurer require you to complete regular inspections or maintenance?
Fire Extinguishers	Do insurers specify that fire extinguishers at the premises need to be maintained?
Cleaning Requirements	Do insurers specify how frequently you should clean and maintain frying and cooking equipment including filters and ducting?
Money	<ol style="list-style-type: none"> 1. Does the Insurer specify how many employees need to accompany cash to the bank? 2. Does the insurer require you to remove the safe keys from the premises when the nursery is closed?

To summarise, insurance is not worth the paper it is written unless it is right. Please take the trouble to understand what you are purchasing and seek advice as to what you need to disclose to the insurers, how to calculate your sums insured and what insurers expect from you.

If you require any further clarification please ring any of the dot2dot team on 01204 570390.



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