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# Chocolate meltdown

THE NEWS that Cadbury had to recall millions of chocolate bars was a real blow to a company, which prides itself on quality. In spite of all its checks, small traces of salmonella entered their process chain. They had no alternative but to recall all the bars suspected of contamination. This cost them many millions of pounds and did great damage to their excellent quality brand. The frequency of recall of goods is growing and it seems most editions of papers carry product recall notices. This is not because quality standards have fallen but because safety standards, consumer demands and controls have increased.

If a business becomes aware or suspects its product has a defect that could cause harm, it has no choice but to recall it at great cost. No insurer would protect a business if the goods were knowingly left in the market and then caused injury or damage. Directors may personally be held responsible if they allow unsafe products to remain in the market and businesses face possible prosecution or fines from regulators.

The defect may have been caused because of a faulty component, raw materials not up to specification or an ingredient that is contaminated before delivery. In these cases the supplier,

manufacturer or importer may be liable for all the recall costs, and be open to claims for damages for loss of reputation. This can be a frightening prospect for already squeezed suppliers.

These issues have insurance implications. Cover may be available against the cost of recall and this should be considered seriously by businesses in the retail consumer chain and be investigated by others involved in the supply of volume goods where recall costs could be high. The number of insurers prepared to provide cover is low and the cost is rising but sensible businesses with our help should weigh up the cost against the risk and then make a business decision.

If you are in the supplier chain in any sector and are concerned if you provide a faulty component, product or ingredient, there is a possibility that your product liability policy could offer some protection. This is a complicated issue and if you are concerned do not hesitate to contact us. We can look in to the situation and make recommendations as to what cover applies, what is available and whether the limits you have are adequate for your potential exposure.

Insurance can play an important role in ensuring that a sour taste does not remain too long so do not hesitate to contact us if you have any concerns.

For further information on any of the articles please contact:

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# Better safe than sunk



*Plant safety – easier than you think?*

**FOR** the average SME, the number of rules and regulations governing the checking of lifting, pressure or processing machinery can feel daunting. It's natural to want to skip the odd check. But it's also very dangerous – as one skipped check could sink your whole business. Look at the possible consequences – once an accident occurs:

- Fines.
- Prosecution of directors – even corporate manslaughter charges.
- Your insurer has to meet employees' claims with no chance of defence.
- Prohibitive rises in the cost of insurance – or no insurance at all.
- Invalidation of your existing cover – leaving you to meet any claim or cost of damage yourself.

Any way you look at it, you're out at sea.

## So do I have to spend all my time checking?

It's not quite that bad. Statutory requirements as to the frequency of checks has given way to a less stringent, risk-based approach. So the period between inspections can be longer for infrequently-used equipment. For larger businesses with a plant register, a plant manager and strong control systems, this may be useful, but for most, a more prescriptive approach means less chance of error. The panel alongside indicates which plant and equipment needs checking and the recommended frequency. Unfortunately, the law is constantly changing, which can mean even the most diligent small business could still fall short.

## A safer alternative

Outside independent examination lets you get on with business without the trouble of making endless checks yourself. Since the industrial revolution, insurers have always been major players in the inspection and checking of plant and equipment. Today, three or four major specialist companies carry out most of the work. They offer national coverage and all the advantages of economies of scale. As your broker, with knowledge of your needs and existing insurances, we're perfectly placed to arrange this service. We'll obtain tenders on your behalf, make supplier recommendations, and arrange it so that all inspections dovetail precisely with your existing insurance programme. For more information, just contact us.

## STATUTORY INSPECTIONS: FREQUENCY

### Lifting equipment

*Inspections are required by statute within the specified period unless a written scheme of examination states otherwise*

Escalators: every six months

Builders hoists: every six months

Cranes and lifting machinery: every 12 months

Excavators: every 12 months

Forklift trucks: every 12 months

Goods lifts and hoists: every 12 months

Passenger lifts: every 6 months

Lifting accessories: every six months

Lorry loader cranes: every 12 months

Motor vehicle lifting tables: every 6 months

### Pressure systems

*Inspections required by statute; frequencies are recommended and can be varied by usage or risk assessment*

Air pressure plant: every 26 months

Hot water boilers (100°C and over): every 14 months

Refrigeration and air conditioning: every 26 months

Steam boilers and ovens: every 14 months

Steam pressure vessels: every 26 months

Other pressure systems: every 26 months

### Power presses and process machinery

*Inspections required by statute*

Power presses and press brakes: every 6 months

Power presses with fixed guards or enclosed tools: every 12 months

### Local Exhaust ventilation

*Inspections required by statute*

Dust extraction: every 14 months

Fume and vapour extraction: every 14 months

Shot blast units: every 6 months

# Is computer security keeping you up at night?



**NO ONE** would ever leave their business for the night without locking up and making sure the premises are secure. Yet this, in digital terms, is what computer users fail to do on a daily basis.

The important and commercially sensitive information kept on computers just keeps growing, employee identity theft is becoming an epidemic and organised crime is becoming ever more sophisticated, so security often lags behind. This can leave companies open to blackmail from hackers or internet pirates using botnets, a network of computers programmed to work in concert to overload a target computer's capability. There's also the threat from revenge by ex-employees – this may come via IT-based viral attack, or people walking off with laptops containing sensitive information.

## How lax are your staff?

Do your employees leave their computers on at night or leave their password on a Post-It note stuck to the computer?

Security vulnerabilities from outsourced operations can also be a risk – especially if these are based abroad. That's why businesses mustn't just insist on high level of security from business partners, but check and monitor these regularly as well.

Linked systems also cause problems as one lax area of security threatens all those in the chain; wireless access is also a major risk.

## So what can you do?

One decision that can help you establish an adequate security level is to work to a standard such as BS7799. This revolves round 10 steps:

- 1 Security policy:** Sets out the high level principles a business has in protecting data – creating a document used to educate employees.
- 2 Organisation Security:** Deals with the nuts and bolts of how information security management is organised.
- 3 Asset classification and control:** Ensures information and information-processing

equipment are managed and accounted for as valuable assets.

- 4 Personnel security:** Covers any personnel issues such as training responsibilities, vetting procedures and how staff should respond to security issues.
- 5 Physical and environmental security:** Looks at physical aspects of security including protection of equipment and information from physical harm.
- 6 Access control:** control of access to information and systems on the basis of business and security need.
- 7 Communications and operations management:** Examines correct management and secure operation of information-processing facilities during day-to-day activities.
- 8 System Development and Maintenance:** to ensure security and the maintenance of information integrity.
- 9 Business Continuity Management:** ensures the maintenance of essential business activities during adverse conditions. From major disasters to minor local issues.
- 10 Compliance:** Concerns business compliance with relative national and international law, professional standards and any processes mandated by the information security management system.

While we can arrange insurance against most computer crime, this is a good supplement – not a substitute – for adequate protection measures!

*Don't catch a cold – ten steps to computer security*

# What's in a name?



**IN COMMON** with most business sectors, the insurance industry has shown dramatic change over the last 10 years. This has been so rapid that it is sometimes difficult to know which insurer is owned by whom and what has happened to the household names which were well known in the last century. Below

is a list of the current major insurers operating in the UK with details of their parent company, where they are based, who was taken over by them and an approximate current value.

All these insurers are very substantial companies who offer a very high degree of security. The other major provider of business

insurance is Lloyds. This trades under many names but if part of the Lloyds 'club', a similar high level of security applies. As a broker we will always try and recommend insurers who are approved by rating agencies and, in their view, sound. If there are doubts we will advise you of the position.

NAME	PARENT COMPANY	COUNTRY OF PARENT	INSURERS ACQUIRED	APPROX MARKET VALUE
Norwich Union (NU)	Aviva	UK	Commercial Union General Accident Norwich Union	£18bn
Royal & Sun Alliance	Royal & Sun Alliance	UK	Royal, Sun Alliance	£4bn
AXA (UK)	AXA	France	Provincial, Guardian	£35bn
Zurich	Zurich	Switzerland	Zurich, Eagle Star	£14bn
Allianz Cornhill (soon to be just Allianz)	Allianz	Germany	Cornhill	£35bn
NIG	Royal Bank of Scotland	UK	NIG, Avon, Direct Line Churchill, Privilege UK Insurance	£54bn

## A cloud on the horizon

*Premiums may yet go up*

**THE LAST COUPLE** of years has been good for employers, with sharp premium increases largely replaced by falling prices – and even the cost of Employers Liability Insurance stabilising, thanks to increased competition between insurers. Paradoxically however, this good news is leading to the rise of a new dark cloud on the horizon...

### Costly government initiatives

The Government has had a series of initiatives ready to come into effect for some time. But these were stalled when premiums started to rise – as the combined burden would have broken many small businesses. But now premiums are falling, the initiatives are back:



**The Courts Act 2003** (in force April 2005) lets judges insist insurers pay periodic payments to claimants rather than one-off sums. So insurers are left with a life-long financial commitment. But how long is a lifetime? The huge uncertainty created will force up the claim costs and making writing business less attractive.

**The NHS Cost Recovery Scheme** was delayed because of the Employers Liability crisis – but no longer. From 2007, the NHS can

recover the costs of treating workplace related injuries from an employer. In its present cash-strapped position, the NHS is likely to make full use of its new powers.

Then there's the growth in work related diseases and conditions and the increased awareness by employees of their rights. These factors, coupled with a steady increase in awards will be yet another driver behind an inevitable rise in premiums.

### What can I as an employer do?

Put health and safety high on the agenda – a well run business will pay less premiums in the long run that a poorly run one. And remember, if you are concerned about any aspect, we're here to help.



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