

Facilities Management from A to Z



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I nsurance

Facility Managers are frequently responsible for insuring business premises and assets. A suitable insurance policy will ensure the business is covered for damage from a variety of causes. Policy details vary and must be checked carefully, however most standard contracts will insure the buildings and premises for a range of risks including fire and lightning, explosion, riot, malicious damage, storms, floods and damage caused by vehicles

If the building is leased, the landlord will advise who is responsible for insuring the premises. Normally this is the landlord. The tenant, however, is usually responsible for shop fronts. If the lease complies with the Code for Leasing Business Premises in England and Wales 2007, and the landlord insures the property, the insurance should be fair and reasonable, and represent value for money. The landlord must disclose details of any commission they receive and provide insurance details on request. A copy of the code can be downloaded from www.leasingbusinesspremises.co.uk

If the occupier is responsible for insuring the property, most opt for "all risk" insurance. This provides coverage against any other damage or loss specified in the policy, including accidental damage. Insurance policies do not cover wear and tear, electrical or mechanical breakdown or any gradual deterioration specified in the policy.

The insurer should be notified if the premises are left unoccupied for any length of time. Cover is likely to be reduced to fire only and may not include malicious damage caused by vandalism.

Business premises should be insured for the full rebuilding cost, known as reinstatement, rather than just the market value. Claims can only be made for the cost of what has been insured, regardless of the amount of damage.

Premises insurance only covers the physical building, separate insurance cover is required for stock, machinery and contents. These can be either replacement as new insurance or indemnity insurance.

Many business owners choose indemnity cover, which deducts the cost of any wear and tear when settling a claim. Contents are also covered against theft, providing there has been forcible and violent entry to, or exit from, the premises.

Some businesses also take out a business interruption policy that insures against loss of profit and higher overheads resulting, for example, from damaged machinery.

To decide on the appropriate level of cover it's a good idea to seek professional advice from a regulated insurance company or broker. Insurance brokers, advisers and other insurance intermediaries are regulated by the Financial Services Authority (FSA) and you should make sure that your adviser has FSA authorisation.

The Code for Leasing Business Premises can be downloaded from: www.leasingbusinesspremises.co.uk

*You can check that an insurance broker is regulated by the FSA on the FSA website:
www.fsa.gov.uk/Pages/register*