



## **Public and Products Liability Excess of Loss Insurance**

Seasoned professionals who regularly place excess of loss insurance will be familiar with the premiums, terms and insurers in this marketplace. Others may occasionally seek a top up, hoping that the cover and premium is about right, whilst for the remainder, this may be the first time you have been requested to place a larger limit and are left wondering why the existing insurer cannot help. At Vision, we aim to assist all authorised intermediaries regardless of their insurer connections.

### **What is Excess of Loss?**

All businesses require appropriate levels of Public and Products Liability cover even if it is not a strict legal requirement. Firms need to protect their assets against legal claims made against them for injury or damage caused to the public or their property whilst carrying out their business. Most customers will not carry out business with you if you do not have Public Liability cover.

However, dependent upon what you do and who you are insured with, many Insurers will provide a primary limit of indemnity of between £2M and £5M although there are occasions where this can be limited to £1M. Excess of Loss insurers are able to top up limits when the primary is unable or unwilling to increase their limit or where the additional premium for the increase is considered disproportionately expensive. Vision Excess of Loss insurances are flexible and can dovetail with most primary situations.

### **Why does your Client need Excess of Loss?**

With restrictions being made on the maximum Indemnity limit by the primary Insurer, this means that your client's capacity for meeting a large claim in today's litigious society could be severely compromised, especially when legal costs are taken into account. With awards increasing at an alarming rate, many insurance intermediaries regularly provide their clients with £5M to £10M limit options as standard practice.

It is important to be aware that many Local Authorities and larger businesses normally require much higher indemnity limits if you wish to do business with them.

### **Is it easy to purchase higher limits?**

You can try your existing agencies to obtain an excess of loss Public and Products liability quotation. However, many insurance companies which used to offer quotations no longer provide an excess of loss product. This may be because they consider Liability Insurance in isolation as too hazardous, a distraction to their core business or simply that they do not have the skill and expertise amongst their staff to offer such a product. In specialist markets you may well find that the minimum premiums surprise you and these can sometimes exceed the primary premiums. This is not difficult to understand, because primary insurers receive a much larger flow of business

whereas Excess of Loss insurers receive fewer risks and must purchase much more reinsurance to protect the larger limits requested.

### **How is it rated?**

We have heard many stories about the complex art of excess of loss underwriting. Allegedly, it comes either from a voice in the back of your mind or is based on so much per million regardless of business size – not true I'm afraid!

In reality, we need to understand the risk involved in a similar way as the primary insurer and experience is our major rating guide. We look to see where the large risk exposures are and a number of measures come into play, some qualitative and others quantitative (in a traditional rate charging way).

Before we calculate the excess of loss premium we also take a view on the Primary Underwriters premiums and terms.

The chance of a catastrophic loss may appear very unlikely but unfortunately they do occur and it takes many individual premiums to make up a £10M claim. One of our capacity providers tells the story of the plumber who was responsible for causing a fire in a stately home, resulting in little change from £30M and an electrician is being sued for £15M of damage to a superstore for allegedly being responsible for the fire that took place. These were not big businesses involved in offshore or similarly hazardous work. These losses occurred to firms in the SME sector.

### **So where do you go to purchase it?**

Well, you may have a great relationship with a current market and if this works for you, then fine ....however we would always welcome you to try Vision first.

When you approach experts such as Vision, you know they have been specialising in this type of business for many years. Vision hold underwriting facilities with leading Lloyd's Syndicates and has a bespoke system which back ups our experienced staff, resulting in a superior service being offered.

Vision Underwriting is developing products with new technology and the Internet in mind. By registering with Vision Online through our website, you can submit enquiries electronically, receiving a VIP service.



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