

Restaurant/Takeaway Business Combined Insurance

If you are in business, your main goal is to maximize your operating profit. However, more importantly you should protect your existing assets – accidents, both natural and manmade, happen all the time - that is why you need insurance; without it your livelihood is at risk. An unexpected loss could affect the operation of business, cause financial hardship and destroy years of hard work and by law, some types of insurance are compulsory. In some cases, you can only drawdown the loan when the Bank/Lender satisfied that the insurance is effective and in place.

Where you have invest in a business insurance and observe the terms and conditions of the policy, the risk of natural disaster and accident can be transfer to the insurer, so you can concentrate on running your business.

The terms and conditions for business insurance policy are complicated, it is best to leave it to the expert brokers who have the technical knowledge, market awareness, and expertise to plan the most suitable policy and insurer for you. Brokers can also help to explain the different terms, help in completing the proposal forms, deal with the insurer on your behalf regarding amendment, act as a liaison between the claimant and the insurer when claim arises.

Business policy premium is a fixed expense item and treated as cost of revenue in your financial accounts for tax reduction.

There are two main areas where you need to consider the insurance requirements of your business:

- I. Insurance that protect against loss or damage caused to your business's property or trade by adverse events. Specific areas of insurance in this group may include cover for
 - property – buildings and contents
 - Fixture & Fittings including machinery plant and equipment
 - Tenant improvement and decoration including shop fronts, signs and fixed glass
 - Stock
 - Money
 - Goods in Transit
 - Business Interruption
 - Other additional risks -eg. Subsidence, Specified Property, Frozen food, Loss of Licence etc

- II. Injury to your employees and members of the public could result in you being legally liable to pay damages if you or your employees have been negligent or found in breach of a statutory duty. Liability Insurance covers against the damage compensation and relevant fees as decided by court. The insured amount is usually great in order to cope with the huge compensation amount. Main areas include cover for:
 - Employers' Liability
By law, all employers must insure against their legal liability for injury, disease or death to employees sustained by them and arising from their employment. The standard insured amount is £10 million

 - Public Liability
Public liability insurance covers your legal liability to pay damages to members of the public for death, bodily injury or damage to their property which occurs as a result of your business activities. The standard insured amount is £2 million.

 - Product liability
If you make, repair or sell products, you could be held legally liable for damage or injury arising from defects in their design, process or manufacture even if you have not been negligent. The Consumer Protection Act 1987 makes it a criminal offence to supply unsafe consumer goods. The standard insured amount is £2 million

Information on all of these areas are detailed below:

Property

All freehold property owner should insured the property in own name. The leaseholder should inquire your landlord to ensure the property has been properly insured – as a result, Leaseholder should have 2 policies, a Building policy and a Trade policy, to cover the business risks.

The business premises should be insured for the full re-building cost (including professional fees and the cost of site clearance) and not for the market value. The rebuilding cost often differs significantly from market value which takes into account the cost of goodwill and the land. For sample, even the whole building has been burnt down in a fire; the land where the building stands on still exists and remains its value. The landlord should insured against any loss of rental income if the property being unsuitable to live or work after damage. If your building is own on mortgage, the interest of your lender will usually be noted in the policy.

Contents are usually covered against theft providing there has been forcible and violent entry to or exit from the premises. Damage to the building resulting from theft or attempted theft will also normally be covered. Theft by employees is usually not covered.

Fixture & Fittings including machinery plant and equipment

This includes all landlords' fixtures and fittings, equipment for your business operation and furniture, machinery includes stove, cooking equipment, fridge, freezer, cash register etc. – this also include any leased equipments. Separate insured amount for electronic business equipment is required.

Tenant Improvement and Decoration

This covers any additional equipment and improvement installed by the tenant, landlord's fixtures, interior design and decoration, shop front, signs and glass.

Glass – cover for the replacement of glass following malicious or accidental damage; glass of special size and engraving should be stated separately.

Stock

Stock insurance covers the cost of the stock in trade, it should not include profit margin but can adjust the cover amount according to seasonal demands. Insured amount for alcohol, tobacco and any other high value stock should be listed out separately.

Money

Money insurance is on an 'all risks' basis and covers cash, cheques, postage stamps and certain other negotiable documents.

Different limits will apply to money on the premises in and out of business hours, in safes, at the homes of directors or employees and in transit. There may be requirements in the policy relating to safe keys and the method of transit.

Personal assault cover may be included, which will provide compensation for you or your employees following injury during theft or attempted theft of money.

Goods in transit

This covers loss or damage to goods while being delivered or collect in any vehicle belonging to the insured. The sum insured for each vehicle or in any one event usually has a limit of £500 to £1000.

Business interruption

Even minor damage to your property could seriously disrupt your business leading to loss of income and extra expenses.

Business interruption insurance will compensate for the shortfall in gross profit together with paying any increased working costs and extra accountants' fees incurred. The insurers will ask for an estimate of your anticipated gross profit. The indemnity period can up to 12 months and the maximum cover be £250,000.

Other Additional Risk Insurance – can combine into the Business Insurance or insured independently

Subsidence – cover against loss of damage due to subsidence, landslide, and heave

Specified Property – cover against loss or damage for any high value property such as video and audio equipments, computers, mobile phones.

Frozen Food – cover against loss of frozen food in deep freeze units caused by breakdown or damage to the unit or failure of the electricity supply

Loss of Licence – cover against loss of income from selling excisable alcohol when licence is not being renewed or transferred

Book Debts – cover against loss of money arising from accidental damage or theft of books of account

How to buy these insurance?

Package or combined policies are available, which provide cover against many of the risks described in the previous section in a single policy document. These policies can be tailored to the requirements of your business.

Insurance documentation – When applying for insurance cover, you have to complete a proposal form giving information to enable the insurers to assess your risk. Details will include name, address and business of the proposer, previous losses, and details of the risk to be insured.

When completing the proposal form, it is important that all questions are fully answered and all relevant facts concerning the business are disclosed to the insurer. Failure to disclose all relevant facts fully, whether specifically asked or not, might entitle the insurer to declare the policy invalid or to pay the damages partially.

When your proposal is accepted, you will receive a policy document which sets out details of the contract including the scope of the cover, the exclusions and the conditions. With employers' liability insurance the law requires evidence of cover to be provided by a certificate of insurance in a prescribed form.

Some common warranties under a Restaurant/Takeaway combined policy includes:

1. Fire Prevention equipment should be present and maintained in kitchen
2. the extractor ducting and canopy should be cleaned at least once a week and be professionally cleaned by qualified person at least once every year- all cleaning record must be keep and maintained for inspection
3. frying range equipment must have temperature control, and be professional cleaned by qualified professional once every year
4. The frying equipment must be attended while using
5. The engine /compressor of the deep freeze cabinets should be in concealed units and must have in force a maintenance contract with a competent refrigeration engineer

Aspects of Cover

Generally it will cover against fire, storm, flood, lightning, explosion, riot, malicious damage, theft, earthquake, impact by aircraft, road and rail vehicles, escape of water. Accidental damage will cover damage of property caused by the insured accidentally.

Wear and tear, electrical or mechanical breakdown and gradual deterioration will not be covered as specifically stated in the policy document.

The premium quoted by the insurer will include Insurance Premium Tax (IPT). You are not able to set IPT paid by you against VAT on the goods and services you sell to others.

Important Notes

1. Understand the excess amount payable and the maximum payout limit as stated in the policy;
2. Business policy only covers the property relating to the business only, any private property should be insured separately;
3. Observe and fulfil the minimum security standard and requirement as stated in the policy.
4. When close for business, all cash register should be opened – otherwise the damage to cash register will not be covered.
5. Keep and maintain all accounting records, - provide supporting evidence for the insurer to assess the damage claim level.
6. The law requires that you exhibit a certificate of employers' liability insurance at each place of work. Failure to meet this requirement could constitute a criminal offence.
7. Install bars/grillers/shutters at doors and windows will reduce the risk of theft.
8. If additions and improvement have been make during the past year, the cover amount should be adjust accordingly to reflect the actual value of the property. If underinsured, the insurer may only pay out the claim at pro rata basis but not the full insured amount - which is a common misunderstanding that the insurer uses this as an excuse not to payout the full claim amount.
9. Waste should not be allowed to accumulate and should be removed at the end of each working day. Combustible waste should be collected in suitable containers disposed of by a reliable means. Proper precautions are required where hazardous processes or materials are used.