

Health & Safety – Driving Down Insurance Costs

When the insurance market is in constant upheaval, corporations with a good risk record are in danger of being treated in exactly the same way as the worst. Nowhere is this truer than with employer's liability cover. Even when a business' health and safety standards are better than average, it cannot automatically rely on the insurance industry to recognise best practice in the shape of lower premiums, as illustrated by the following case.



Don't sign up unless your company's health and safety performance has been considered as a factor in reducing Employer's Liability Insurance costs.

Based in Widnes, Sorex has been a leading manufacturer in its market sector for over half a century.

Joseph Floyd, the company's risk management consultant since its early days, states: "The insurance market must provide a programme that is both transparent and coherent with the policyholder, broker and underwriter working together to eliminate loss. The broker must be innovative and technically competent with the resources to provide a bespoke service to the client."

Floyd is in no doubt however that the insurance market has deviated from best practice when saying:

"Over recent years some players in the market have not shared information with policyholders that would have made their programmes more intelligible thus enabling them to make better informed decisions."

Sorex has been a member of the British Safety Council for nearly 25 years and in 2004 the organisation achieved a four-star rating in the Five Star Health and Safety Management System Audit. The audit rating scheme benchmarks



Carl Edwards, a director with Griffiths & Armour Insurance Brokers.

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an organisation’s management performance quantitatively, producing a numerical score for each of the 60 elements. The report works from a zero base and builds on the organisation’s success in each element. It highlights successes – and opportunities – and provides a safety plan for continuous improvement towards best practice.

“None of this seemed to be reflected in the type and cost of insurance cover we were obtaining through our existing broker,” Says Joseph Floyd. “Matters came to a head when, just over a year ago, the Sorex board had completely lost confidence in the broker role in the market. Thus we decided to conduct a formal tender review with stringent guidelines. The British Safety Council referred Griffiths & Armour to us.”

The Liverpool-based broker was in fact joint architect with the British Safety Council of the exclusive arrangement with Royal & Sun Alliance, centring on the Five Star Audit – organisations achieving a two-star to five-star rating qualify for a 10 to 25 per cent discount on their employer’s liability premiums. Four stars, as Sorex had achieved, should result in a 20 per cent saving.

“The insurance review included a full audit of Sorex’s risk management and health and safety procedures and of its claims record with insurers,” says Carl Edwards, a director with Griffiths & Armour Insurance Brokers.

“In partnership with Sorex, and in the wake of a recent acquisition, we designed from scratch a new

programme that was better fit for purpose. We were able to clear up misunderstandings concerning the nature of the business that, despite the representations made by Sorex to their broker at the time, had not registered with underwriters. Furthermore, our claims audit significantly updated the claims status to the benefit of Sorex.

“We were also able to provide total transparency as to insurers’ pricing and rating mechanisms. We also provided a written claims management guide and fleet accident management at no extra cost.”

In placing the primary liabilities programme with Royal & Sun Alliance, Sorex was able to achieve an actual premium reduction of not 20 but 22 per cent. The financial saving for Sorex for the total programme was significantly higher.

“The saving was a bonus, however what won it for Griffiths & Armour was the service all-round. They listened and responded to our requirements,” says Joseph Floyd. “We can now go forward making informed decisions. I will be disappointed if between us we fail to further reduce loss and make further significant cost savings.”

“We just feel that an organisation that has worked hard to achieve a four-star audit rating and a strong safety record, should benefit from it,” says Carl Edwards. “We have now become the insurance broker for Sorex.”

As part of the arrangement, Sorex is now being funded by the Royal & Sun Alliance to undertake its next Five Star Audit.