

# 4 simple steps to choosing Public Liability limits

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## At a glance

- Public and Products Liability (PL) insurance is an important part of doing business, with minimum levels commonly required
- However, minimum Limits of Indemnity are not necessarily enough for customers' actual needs, especially following recent changes to the law
- Our four steps can help to ensure you are correctly advising customers when sourcing PL insurance



Public and Products Liability (PL) insurance is a core cover for today's businesses, safeguarding their solvency, profitability and brand.

We explain the benefits of prompting all customers to review their PL limit of indemnity, and offer guidance on choosing a suitable level of cover.

## Rising costs prompt need for review

PL insurance protects against property damage and/or personal injury caused to third parties by the nature of business activities.

Claims values have seen significant increases in recent years, causing many customers to consider the need for higher limits of indemnity to remain adequately insured.

## Change in personal injury discount rate

This is especially true for claims involving personal injury, where a recent change in the law has dramatically affected potential settlement values (see [case study example](#) in right hand column).

"The recent [change in the personal injury discount rate](#) means that customers can now realistically anticipate losses in excess of £10m on a single severe injury claim," explains Alan Roxburgh, Public and Products Liability manager at Zurich. "Going back five or 10 years that would have been pretty much unthinkable.

"As incidents can involve multiple claimants, this development highlights the need to think carefully about maximum exposures and the limits of indemnity you hold."

Brokers and their customers should consider the following key points when determining an appropriate level of cover:

### 1. Minimum requirements

PL insurance has become an important part of doing business, and an increasing number of contracts require parties to hold minimum levels of cover.

This is especially true when dealing with public sector bodies, which typically require £10m be held by anyone working for, on behalf of, or in partnership with them.

Industry bodies may also stipulate minimum insurance requirements for their members, particularly those associated with the building trade.

Customers should therefore review their obligations and ensure they are meeting minimum requirements.

However, minimum levels requested by other parties have very little bearing on an organisation's actual needs.

When asked to source PL cover, brokers will look to assist and guide their customers in assessing their level of exposure, and in evaluating the Limit they need.

The following additional factors therefore should always be considered when purchasing PL

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## Case study – from £6.8m to £10.7m

In this real Zurich claim, a cyclist hit a pole due to the alleged negligence of our insured. They sustained a brain injury requiring long-term care.

• Claim reserve before 27 February 2017 (+2.5% rate) – **£6.8m**

• Claim reserve after 27 February 2017 (-0.75% rate) – **£10.7m**

The change in personal injury discount rate caused the likely future care costs settlement to increase by £3m alone. Overall claim reserve increased by £3.9m in response to the change.

Read more Zurich case studies [here](#).

insurance.

## 2. Nature of activities

Customers need to think carefully about the possible scenarios where their activities could cause damage or injury.

Higher risk activities, working around valuable assets and the provision of critical components are all likely to result in higher claims frequencies and values.

Certain industries and territories are also known to be more litigious or generally award higher damages. For example, the United States and Canada present notably higher exposures, and some PL policies may include limitations on claims from those jurisdictions.

Each customer will have their own unique circumstances, resulting in very different claims scenarios and maximum potential losses. It is therefore important to take time to understand their particular needs if appropriate cover is to be recommended.

## 3. End use

Thinking should not be limited solely to customers' immediate dealings, but also the end use of their product or service.

For example, the potential liabilities of a metal bolt manufacturer are significantly higher if their bolts are ultimately used within a safety critical part of an automobile engine.

## 4. Common policy terms

Many PL policies include some common policy terms to be aware of.

In particular, while public liability is written on an 'any one occurrence' basis, products liability is typically offered as an 'aggregate' limit of indemnity. This means that the limit of indemnity applies across all claims during the policy term, not each claim in isolation.

Customers with product-led businesses will therefore need to consider higher limits of indemnity in order to adequately manage their product-related risks. They should also be advised to consider [product recall cover](#).

Other common limitations may relate to exports to the United States and Canada, or products for use in aircraft and activities involving radiation.

Brokers should always check a policy's compatibility with each customer's activities and discuss any issues with insurers to ensure policies are suitable.

"At Zurich we strive to offer cover that fully meets our customers' needs," says Alan. "We have a variety of PL solutions available, many tailored to specific trades, and take a flexible approach to underwriting."

## Options for increasing limits

Brokers should cover the above points with customers to ensure they are offering suitable advice for their needs.

Should higher limits be needed, brokers can approach the primary insurer to request an increase. However, not all policies will be able to accommodate this, and an insurer might not have the appetite or capacity.

Often, a simpler and more economical option is to [source an excess of loss policy](#).

"Package policies tend to offer a maximum of £10m in PL cover, but that does not mean it is necessarily the maximum a customer will need," explains Alan. "If I were running virtually any business, £10m would be my absolute minimum, as just one claim can now exceed that limit."

"Excess of loss policies are a good way of ensuring that the customer has the necessary limit their business needs, after consideration of all these factors, and they provide an economical way of significantly increasing limits of indemnity accordingly."

## How we can help

Zurich is a market leader in [Public and Products Liability](#) and handles more bodily injury claims than any other insurer in the UK.

In addition to insurance, our [expert Risk Engineering team](#) can help your customers prevent incidents occurring and advise on processes to reduce the size of claims when they do happen.

For more information on anything discussed in the article, or to discuss options for increasing limits of indemnity, please [speak with your local Zurich contact](#).

