

Business interruption advice for leisure and cultural trusts

The missing link?

At this time of year, with weather warnings ranging from yellow to amber sweeping across much of the United Kingdom, Endsleigh would like to take this opportunity to remind leisure and cultural trusts about an important aspect of business interruption policies. An aspect that could be important when protecting your bottom line in the event of an interruption claim.

Relationship between leisure and cultural trusts and local authorities

Most leisure and cultural trusts which exist today, were formed after their local authority devolved the provision of leisure activities in to specialist organisations. The majority of these leisure and cultural trusts operate on land or in premises owned by their local authority, under a variety of different contracts.

What is the material damage proviso?

This is a condition within the business interruption section of a commercial insurance policy that exists so that the insurer can attempt to minimise the period during which the affected business will be interrupted. A material damage proviso is a standard feature of a business interruption policy wording.

The proviso is a requirement that a policy is maintained for material damage that protects your interest in the property in question. In the event of a claim, liability to pay for the damage must then be accepted under the terms of that policy, but not for an excess. The purpose of this proviso is to ensure that in the event of damage, funds are available to repair or replace damaged assets, thus minimising the time it takes for a business to resume full trading. In turn this should then to help mitigate the size of the business interruption claim.

Potential exposures for leisure and cultural trusts

As a result of this condition, a potential exposure exists for leisure and cultural trusts where the local authority property insurance policy contains exclusions or restrictions on cover which the leisure and cultural trust is unaware of. These restrictions could be introduced by insurers or requested by the local authority, but not necessarily communicated to the occupiers of the premises – the leisure and cultural trust.

An example:

- Leisure and cultural trust in a geographical location that has been subject to flooding.
- Insurers for the local authority have restricted or even excluded cover for flood losses.
- A flood incident occurs: The flood has caused damage to the building but not to any property owned by the leisure and cultural trust.
- Due to the flood damage the leisure and cultural centre needs to close for one month.
- The leisure and cultural trusts loses revenue and makes a claim.
- The insurer for the leisure and cultural trust would seek to apply the wording of the material damage proviso.
- As there is a flood exclusion under the local authority's policy, and no damage to the trust's own property, this would potentially leave the leisure and cultural trust with an uninsured loss.

What can leisure and cultural trusts do?

Our recommendation would be for the leisure and cultural trust to better understand the terms, restrictions and cover exclusions which apply to the local authorities property policy. If through this process a gap is identified the first step would be negotiate with the local authority to close the gap. If this is not successful please give Endsleigh a call.

Endsleigh – a tailored solution

Endsleigh has over 30 years of experience within the voluntary and leisure and cultural sectors. We are a leading broker in the leisure and cultural sector and arrange the insurance for over 30 leisure and cultural trusts.

Our long term relationship with Sporta has allowed us to build up a wealth of knowledge and this has helped us to advise and guide many leisure and cultural trust's on a range of insurance matters.

Simon Davis and **Michael Cashmore** are sector experts and would be delighted to hear from you if you have any questions about the content of the document, or, any other general insurance questions including cover for cyber liability.

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