

Social Crofting TOOLKITS



Finding the right insurance for Social Crofting

Author: Chris Smith, Marsh Commercial

Things to consider when looking for insurance

1. Covering damage to property

- For standard policies 80% of a structure to be constructed of non-combustible materials, otherwise a different excess may apply.
- Responsibility of the owner/tenant to keep buildings well maintained especially if regular third party visitors or companies on site then always a risk.
- Main issue under this section is underinsurance, review your values annually.
- NB. Some Insurers also looking for electrical testing every 5 years, others may be 10 years.

2. Machinery and Plant

- All sorts of equipment, machinery and tools are used in everyday crofting life. These items are all insurable for standard cover including theft, however it is the use of these items which is the risk.
- In social crofting terms your activity or diversification could be “high risk” specifically where it comes to an insurance risk. You must disclose your activities so an insurer is aware and can respond in the event of a claim.

Diversification/social risks could include things like

- allowing children to use tools during a farm visit.
- running a workshop to make soap/candles/wood carving.

NOTE: If an incident happened could you be liable/exposed

**ALL HEALTH & SAFETY PRECAUTIONS AND RISK ASSESSMENTS SHOULD BE COMPLETED
and stored onsite**

3. Business Interruption - Gross Revenue basis of cover applies.

- It is important to insure all revenue which is an income stream into the business.
- This will protect the croft and the income for a specified period if insured appropriately.

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4. Livestock

- Livestock can be insured to protect the future of your animals.
- Cover can range from theft, impact by vehicles to fatal injury.
- From a social crofting element, if you are using your animals as part of the business then again this needs to be disclosed to the insurance company. For example if allowing sheep grazing, wintering of livestock or running of a small livery.

5. Diversification Activities

- Insurance policies are becoming more and more flexible.
- Times are changing for the better and insurance companies have realised this.
- More than likely that they will cover your activity and if not your broker can find someone who can.
- Remember to disclose all activities to your insurer so you are properly covered for public liability.

Looking at Liabilities

There are five main elements relating to liabilities on an insurance policy –

- Public Liability
- Product Liability
- Employer's Liability
- Professional Indemnity Liability
- Environmental Liability

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Public Liability

- It is extremely important that the insurance company are aware of all activities being undertaken on the croft. The policy will be rated accordingly.
- The cover is to protect you/the business in the event that someone brings an action against you.
- If keeping sheep/lambs on common grazing again this needs to be disclosed.
- No restriction on public liability away from the croft premises, subject to the limit on the policy.
- Liability limits can be £1m, £2m, £5m or £10m, recommend as high as possible.

Products Liability

- Again as with the public liability, it is extremely important that the insurance company are aware of all activities being undertaken on the croft. The policy will be rated accordingly.
- The cover is to protect you/the business in case action is brought against you for products supplied.
- Liability limits can be £1m, £2m, £5m or £10m, recommend as high as possible.

Employer's Liability

- This cover is essential whether you have an employee or more likely in your situation where you have someone helping on the croft including friends, family, neighbours etc.
- This should include anyone helping with your social crofting activities.
- You should ensure that all necessary health and safety precautions are taken.
- If anybody who is self employed and does work for you, we would suggest always checking they have insurance in place.

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Professional Indemnity

- If you are supplying a service where you are giving advice, then this cover must be considered.
- It is to protect you if the advice or training you give results in a claim against you.
- Example could be risk management or teaching third parties to make a product.

Environmental Liability

- This cover will protect the business if for example contents of diesel from a diesel tank causing damage to third party property. This can be an extremely expensive experience, particularly when SEPA become involved. – Cover can be for £1m or £2m.

NOTE: NOT ALL DIVERSIFICATION ACTIVITIES RESULT IN A PREMIUM INCREASE, BUT THEY NEED TO BE DISCLOSED.

Additional Cover

- Renewable Energy cover for biomass, specified turbines, hydro schemes
- Agricultural Contracting – If you are doing work for third party businesses/crofters and being paid, an insurance company will need to know about this, but more importantly it will cover you in case something goes wrong.