

Any reasons to be cheerful?

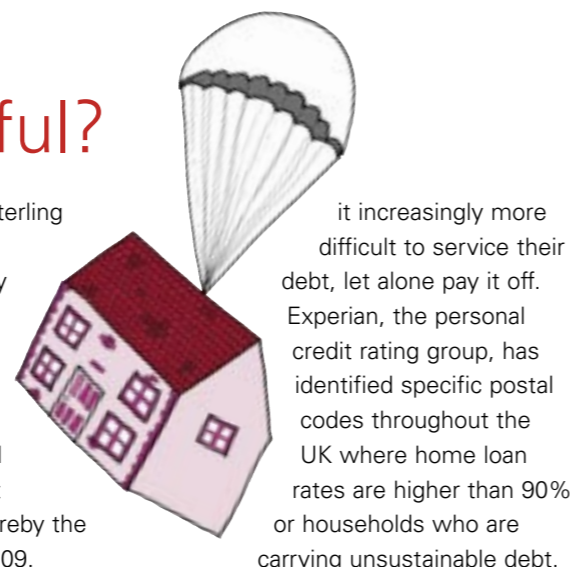
Writing this article in mid-April the general global gloominess in the financial markets has been matched by inclement, cold and even snowy weather in April. Welcome to spring! Since August last year there has been a pretty constant commentary of an increasingly pessimistic hue warning that the western world economies are moving into recession, depression or even (after the Bear Sterns crisis) Armageddon.

Although there is no doubt that things are bad and will undoubtedly worsen before they get better, the 2008 financial crisis needs to be put into perspective. Although more than £500 billion has been "written off" bank's balance sheets, this figure as a proportion of US and EU GDP is significantly smaller than the US Savings and Loans losses and a fraction of the losses sustained during the East Asian crisis in the late 1990's.

Closer to home what does this all mean for Great Britain? Growth estimates for 2008 and 2009 have been cut (and

will no doubt be cut further), sterling has depreciated in value which will favour exports (and thereby the balance of payments) and house prices might reduce in real value by between 10 – 15%. The concern is not so much how the current financial contagion will impact 2008 but how the real economy and thereby the individual will be affected in 2009.

Because the Bank of England has ample room to reduce interest rates should the pips truly begin to squeak, real loan and mortgage rates can and should fall; once the interbank lending rate reverts back to the norm. Unemployment is expected to slowly increase and will impact certain specific sectors but at this point in time it is not felt that the extent will be anywhere near as dramatic as the early 1990's. The most serious risk is for those recent homebuyers with low deposit, high borrowing ratios and how they will manage to cope, as well as those many households who have racked up unmanageable debt levels during the years of plenty and will find



As in all downturns or crises of this nature it is the holding of a sufficient cash cushion or the ability to stagger the paying off of loans or borrowings which is critical. In the case of school fee payments we at HTC have been receiving an increase in enquiries from the start of this year from both bursars and parents who see our service and facility as a way of maintaining or improving their respective cash flow.

Michael Swan is Managing Director at HTC which provides monthly fee payment facilities to over 15,000 parents.

Target 100

The recent launch of Target 100 has produced great interest amongst schools for a product that operates within an area that is traditionally difficult to stir the juices. Perhaps the recent Corporate Manslaughter Bill has focussed the minds of UK employers?

Target 100 is an initiative between HSBC Insurance Brokers and Business Safety Systems. It is a truly unique web-based health check and evaluation tool for Health and Safety in schools and colleges.

Health and Safety is an ever-changing subject and although the school was up to date last year, the goal posts are more than likely to have since changed such is the overwhelming amount of legislation in this arena.

One of the best features of Target 100 is that it automatically keeps users up to date with changes to Health and Safety law and prompts a re-check of procedures via the unique Target100 assessment tool. Target 100 is easy to use and provides a very accurate guide to how a school is performing against its Health and Safety legal responsibilities.

HSBC has negotiated with Business Safety Systems who have agreed to provide this facility exclusively to HSBC's school clients for £150 (including VAT) per school. The price includes use of a phone or email helpline for Health and Safety and system support.

For more information please complete and return the enquiry card or visit www.target100.com/hsbc for an online demonstration.

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The Leader

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The newsletter for schools

from HSBC Insurance Brokers and HTC



Editor's Comment

Editor
David Collard

I am delighted to be writing to you in issue 30 of The Leader with the decision from the Birkdale VAT case so fresh in peoples minds. I don't think that the Judge's decision or indeed accompanying remarks could have been any more clear and indisputable – no VAT should apply to charges made under the HSBC Fees Refund Scheme.

This decision not only clarifies the state of play in regard to the Fees Refund Scheme but might also impact in other areas where schools make charges for items not hitherto thought to be associated with the provision of education. I am sure that school accountants and advisors are busy scrutinising the Judge's comments.

The launch of a Dental option within our Pupils Personal Accident Scheme has proved very successful, with huge numbers of schools seeing the advantage of making costs savings and only having one item on the school fee bill each term.

Finally, don't forget to use the reply card or email option in order to have a chance of winning one of our three prizes this term.

Birkdale School v HMRC

Most independent schools will have by now been made aware of the decision made in the High Court to allow the appeal by Birkdale School.

Readers of The Leader will be aware of the background to the case, namely that following a routine inspection of the school in 2005, HMRC formed the view that the additional amount paid for participating in the Fees Refund Scheme gave rise to an independent supply of services separate and distinct from the supply of educational services made by the School, and that this second supply was subject to VAT.

Up to that point, the School had been proceeding on the basis that both the basic fees and the additional amount for participating in the Fees Refund Scheme were payments under the contract for education and gave rise to only a single supply of educational services by the School (which was exempt from VAT).

On appeal to the High Court (following an unsuccessful appeal by the School to the VAT Tribunal), it was held that:

a) the refund arrangements did take effect by way of variation of the contract for education; and

b) the supply arising for VAT purposes from this amended contract was a single, indivisible economic supply of educational services by the School which it would be artificial to split into a supply of educational services and a second separate supply of other services, (as HMRC had argued that it should).



The High Court considered the economic reality of the matter to be that a parent participating in the refund arrangements was provided by the School with two payment options for his child's education.

In short, the High Court upheld the School's analysis – that no VAT was payable in respect of the additional amount paid for participating in the Fees Refund.

To learn more about the case or to receive a quote for this type of insurance then please complete and return the enquiry card or email enquiries.schools@hsbc.com

Keep Your Head covered!

If you walk into the school head's office there is every probability that you will be confronted by many items that the school has insured – desk, posh chairs, carpet and curtains, IT equipment, china tea service (reserved for the use of the governors or visiting parents) even the sports trophy sitting proudly on display.

But what of one of the school board's very few appointed employees?

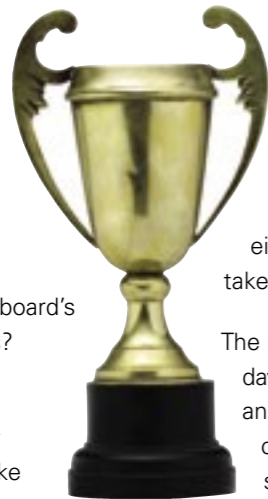
Well unless you have loans outstanding where your lender has specified that you must take out insurance on the head, it is unlikely that you will have any "key person" cover in place at all.

This is quite astonishing given the value that a good head brings to a school and the lengths governors must go to, to ensure that successful heads are recruited and then retained.

A quick glance at some of the functions that today's heads have to perform will highlight why it is so important to ensure the school secures and retains top quality people.

CEO of a major business in the community; visionary; guardian of the school's reputation; chief fundraiser; counsellor to parents, pupils, and teachers alike; and of course, an exceptional educator. There is little doubt that a good school relies on the services of a top quality head.

Moreover the sudden loss of a head, through death or ill health, can have serious financial implications for the school. At its most basic level it means that the school will in all likelihood incur expensive recruitment costs (for once aptly named head hunters), whilst employing either a temp or a deputy to take their place.



The disruption to the day to day running of the school, and frequently the need to completely re-evaluate the school's strategy, often leads to longer lasting and higher impact financial consequences.

These financial risks are generally insurable so why don't more schools secure protection contracts on the lives of their heads?

Experience shows that many are simply unaware of the need or possibility of the school effecting insurance on these keystaff in this way. Most schools provide life assurance cover so as to protect the families of the head but fail to realise that there are similar ways of mitigating the school's financial problems caused by the sudden loss of the head.

We also believe that schools think this type of cover is difficult to arrange. It is not. There are plenty of companies and advisers that can help ensure that the

levels of protection are appropriate to a school's needs.

"Aaah! But what about medicals? Our head hasn't got the time to travel for medical examinations....!" Well lots of policies are written without the need for a medical examination, and even where an examination is required it is often possible to arrange this at no cost to the school, at a time convenient to the head either at his/her home or at the school itself!

The final misunderstanding about key person cover, whether you are considering life assurance protection only (i.e. only pays out in the event the head dies) or "life and critical illness" cover (i.e. claims can be paid on diagnosis of any one of a list of critical illnesses, or alternatively in the event of death), is that it is very expensive.

In fact the cost of providing cover on the life of a head (in this case assumed to be a male, non smoker, aged 50 next birthday) will be about £2.20 per annum per £1000 sum assured for a 5 year renewable "life assurance only" contract.

By comparison it typically costs c. £3.50 per annum, (per £1000 sum assured), to insure the other, more readily replaceable "assets" identified in the head's office.

In these turbulent times it would seem that more and more schools should heed the warning and "keep your head covered".

to look at some alternatives when it comes to renewal.

At HSBC Insurance Brokers, we pride ourselves on not being tied to one insurer and can genuinely provide alternative insurer quotes to our clients when their long term undertakings expire. Some brokers will only provide terms from one insurer.

If you have not approached HSBC to provide you with a quotation or review

of current arrangements then why not give us a try? All reviews are carried out free of charge.

HSBC is currently broker to over 1,000 schools and colleges and is the professional insurance advisor to many independent school associations.

For further information, please complete and return the enquiry card or email to enquiries.schools@hsbc.com

Available now – Dental insurance for just £1 per term



For schools and colleges that protect pupils and staff via the HSBC Pupils Personal Accident Insurance Scheme there is now an option to include Dental insurance for just an additional £1 per pupil per term.

With effect from the autumn term 2008, schools will be able to combine the HSBC Personal Accident and Dental insurance schemes into one – thus alleviating the need for two separate items on the school fee bill. What is more, the additional premium for

the Dental cover is only £1 per pupil per term.

For example, if the school offers the HSBC Personal Accident scheme to pupils and is offering the £1million benefit, the termly premium is £4.95 with the school then retaining 20p per pupil per term in respect of administration. This school can now offer a unique combined Personal Accident and Dental insurance scheme for only £5.95 per pupil per term. The 20p administration allowance

means that the net premium is £5.75 per pupil per term.

The coverage provided under the Dental extension is for treatment up to £10,000 following an accident and there are no inner policy limits in respect of certain treatments. In addition, emergency dental treatment is also covered to the tune of £2,000.

For further information or an application or scheme upgrade form, please complete the enquiry form.

Results of HTC's Customer Satisfaction Survey

We very much appreciate that so many of you, over 36% of all recipients, took the time to complete our Customer Satisfaction Survey. Your feedback is very important and valuable to us and we assure you that any issues which have been raised will be addressed.

The first part of the survey asked questions specific to your school – what type of school are you, what is the size of your school, average fees etc. We use your answers to update our database and help us understand your school better.

The next section of the survey addressed HTC's service overall. We asked you to indicate our best and worst qualities, and let us know what to you is the most important aspect of our service. We were pleased to learn that over 61% of respondents rated our overall service as 'good', followed by 28% who think our service is 'excellent'. There is obviously still room for improvement and we will work hard on trying to better your experience with us.

Our worst quality as a service provider, according to 26% of the respondents, is 'innovation', followed by 'price' at 25% of responses. We have spent a lot of time reviewing our current products, procedures and systems and we are pleased to let you know that over the forthcoming months, we will be communicating to you details of our new and improved services.

We appreciate your feedback and honesty when answering specific questions relating to HTC On-Line. There are many schools (over 38%) which rated the system as 'good' in terms of ease of use. There are however many schools which don't find the system user friendly. Many of you will have used the system to transact with us – providing the new fee amounts for next term, adjusting parent's account details for example.

We are working on the improvements using the feedback provided and we hope to be able to launch the new and improved HTC On-Line before September 2008, concentrating on



the 'transactions' and 'reports' sections in particular.

Please contact us by telephone on 01372 746 006 or email htc@pcl.co.uk if you would like to arrange for one of our representatives to visit you and provide a short training session, which would improve your knowledge and ease of use of the online system or any other aspect of HTC's service.

All respondents were entered into a prize draw and we are pleased to announce that the winner is ... Mrs Sandra Critchlow from Worksop College who wins a £50 theatre voucher.

General insurance premiums

The UK insurance market rates show little sign of 'hardening' at present and the continuing 'soft' market presented by insurers is good news for policy holders, although these low premiums cannot be maintained for ever. It is as well therefore to take the opportunity