

FSB Legal Protection Insurance Members' Certificate

THIS IS A COPY OF THE POLICY ISSUED TO THE FEDERATION OF SMALL BUSINESSES ON 1st MARCH 2015 REPLACING ANY CERTIFICATES PREVIOUSLY ISSUED

This is a "claims made" insurance. It only covers Claims notified to the Policyholder during the Period of Insurance.

POLICY OF INSURANCE

WHEREAS the Policyholder has supplied certain information to the Insurer it is agreed this shall form the basis of this Contract and is deemed to be incorporated herein for the consideration of the premium specified in the Schedule.

NOW WE THE INSURER hereby agree to the extent and in the manner herein provided to indemnify the Insured at the request of the Policyholder Legal Expenses, Jury Service Allowance and Awards of Compensation as specified in this Policy and its Schedule in connection with the business activity of the Insured and in the case of an Insured who is a retired member of the Policyholder in connection only with their business activity that occurred prior to and which ceased after the commencement of retired membership. Unless expressly stated nothing in this insurance contract will create rights pursuant to the Contract (Rights of Third Parties) Act 1999.

DEFINITIONS

Policyholder

The National Federation of Self Employed and Small Businesses Limited trading as Federation of Small Businesses.

Insured

1. Collectively a full, joint, retired, manager or associate member of the Policyholder not expressly excluded by the Coverholder, including any company, firm, partnership or Social Enterprise (other than unincorporated associations) of which a full, joint or manager member is a director, partner, manager or trustee.

or

2. Collectively the Policyholder and any director, officer or employee of the Policyholder.

Coverholder

Abbey Legal Protection, a trading division of Abbey Protection Group Limited which administers this insurance on the Insurer's behalf.

Appointed Representative

A solicitor, barrister or other appropriately qualified person appointed by the Policyholder to act for the Insured in accordance with the terms of this Policy.

Consultancy Service

The telephone legal advice line provided by LHS Solicitors LLP (a subsidiary of Abbey Protection Group Limited). The telephone tax advice line provided by Abbey Tax Protection (a trading division of Abbey Tax & Consultancy Services Limited).

Claim

A claim under this Policy for Legal Expenses Awards of Compensation or Jury Service Allowance.

Any One Claim

All Claims or legal proceedings consequent upon the same original cause event or circumstance. In respect of a Claim under Section C Tax Protection, an HMRC Investigation into a Self Assessment Return, where an earlier year's Self Assessment Return is still subject to an open enquiry, shall be deemed Any One Claim.

Employee

Any person under a contract of service or apprenticeship with the Insured or undergoing training under any government approved training scheme under the Insured's control, excluding any temporary or agency worker supplied by the Insured to work for someone other than the Insured.

Injury

Physical bodily injury or death.

Insurer

Markel International Insurance Company Limited, The Markel Building, 49 Leadenhall Street, London, EC3A 2EA bound pursuant to a binding authority with the Coverholder. Unique market reference B6027APG2014001 (or renewal or replacement thereof).

The Insurer is liable only for the proportion of liability it has underwritten. The Insurer is not jointly liable for the proportion of liability underwritten by any other insurer. Nor is the Insurer otherwise responsible for any liability of any other insurer that may underwrite this contract.

Territorial Limits

The United Kingdom of Great Britain and Northern Ireland, the Isle of Man and the Channel Islands.

Period of Insurance

As specified in the Schedule and any subsequent period for which the Policyholder shall have paid and the Insurer shall have accepted the premium.

Legal Expenses

1. Fees

- a) Any fees, expenses and other disbursements reasonably incurred by the Appointed Representative with the Insurer's consent including costs and expenses of expert witnesses.

- b) Any costs incurred by other parties insofar as the Insured is held liable in court, tribunal or arbitration proceedings to pay such costs or becomes liable to pay such costs under a settlement made with another party with the Insurer's consent but excluding any costs which the Insured may be ordered to pay by a Court of Criminal Jurisdiction.

- c) Any fees, expenses and other disbursements reasonably incurred in the appeal to which the Insurer has consented or in resisting an appeal, subject to the Insurer's consent against the judgment of a relevant court, tribunal or arbitrator as the case may be but excluding any costs which the Insured may be ordered to pay by a Court of Criminal Jurisdiction.

2. Professional Expenses

Any fees, expenses or other disbursements reasonably incurred by the Appointed Representative including those incurred by the Insurer, but excluding any tax or VAT or additional tax or VAT, interest or penalties demanded, assessed or requested by the relevant authorities or other penalties imposed by a court of Criminal Jurisdiction.

Jury Service Allowance

Any loss of earnings which include the salary or wages of the Insured or any Employee of the Insured and any additional cost of replacement staff incurred by the Insured consequent upon attendance at any court as a juror by the Insured or any Employee of the Insured.

Awards of Compensation

Basic and Compensatory Awards and compensation for unlawful discrimination made against the Insured by an Employment Tribunal or settlement thereof subject to the Insurer's consent and any financial penalty the Insured is ordered to pay to the Secretary of State pursuant to section 12A of the Employment Tribunals Act 1996; but not including Additional Awards, Protective Awards, Interim Relief, arrears of pay or awards of damages under the Agency Workers Regulations 2010 or related to equal pay or equality of terms claims under the Equality Act 2010 or arising out of failure to comply with awards in respect of reinstatement or re-engagement. The Insurer will not pay any fine, award or damages incurred by deliberately avoiding a payment or liability under statutory requirements, save any financial penalty pursuant to section 12A of the Employment Tribunals Act 1996. The Insurer will not pay any redundancy payment or any monies due or properly payable arising under or from a contract of employment, service agreement or related document or from any related implied or incorporated terms of a contract of service.

Acts of Parliament

All Acts of Parliament referred to in this Policy shall include any subsequent amendments, re-enactments or regulations and equivalent legislation enforceable within the Territorial Limits.

Professional Duty

Duty owed by the Insured for which the Insured has or is required to have in force professional indemnity insurance or an equivalent insurance providing indemnity in the event of a negligent act error or omission.

Property

Land and/or buildings thereon including fixtures and fittings therein owned, occupied by the Insured or otherwise for which the Insured is legally responsible.

Inland Revenue Investigation

- a) Business Self-Assessment Full Enquiry

A Full Enquiry by HMRC into the Insured's Self Assessment Return following the issue of a Notice under:

- S9A or S12AC of the Taxes Management Act 1970; or
- Paragraph 24(1) Schedule 18 Finance Act 1998;

together with a request to examine all of the Insured's business books and records.

- b) Business Self-Assessment Aspect Enquiry

An Enquiry by HMRC which is restricted to one or more specific aspects of the Insured's Self-Assessment Return in respect of the business trading activities and following the issue of a Notice under S9A or S.12AC of the Taxes Management Act 1970 or Paragraph 24(1) Schedule 18 Finance Act 1998



Federation of Small Businesses

The UK's Leading Business Organisation

- c) Employer Compliance Pre-Dispute
Requests for information and/or documentation, under Schedule 36 Finance Act 2008, by HMRC after an Employer Compliance visit has taken place
- d) Employer Compliance Dispute
A dispute which takes place, following an expression of dissatisfaction with the Insured's PAYE and/or NIC affairs following an employer compliance visit by HMRC or following an expression of dissatisfaction with the Insured's P11D's or P9D's.

IR35 Review

A dispute which takes place when HMRC challenge the status of a contract for services and invokes the IR35 legislation following either

- The issue of a Notice under Paragraph 24(1) Schedule 18 Finance Act 1998; or
- An HMRC Employer Compliance Visit

VAT Pre-Dispute

Requests for information and/or documentation, under Schedule 36 Finance Act 2008, by HMRC after a VAT control visit has taken place and prior to a decision or assessment being issued.

VAT Dispute

A dispute arising following a VAT control visit where a written decision, assessment or statement of alleged arrears is received from HMRC into the Insured's Value Added Tax Return or following the receipt of a notice of VAT default surcharge, misdeclaration or late registration penalty.

HMRC Investigation

Inland Revenue Investigation, IR35 Review, VAT Pre-Dispute and VAT Dispute.

SECTIONS OF COVER

The Insurer will only indemnify the Insured for Claims where the dispute, legal proceedings or HMRC Investigations are or would be within the Territorial Limits and the Claim is notified during the Period of Insurance.

A1. CRIMINAL PROSECUTION COVER

The Insurer agrees to indemnify the Insured against Legal Expenses incurred:

- i. to defend a prosecution against the Insured in a Court of criminal jurisdiction
- ii. for representation of the Insured at an interview under caution
- iii. to appeal the service of an Improvement or Prohibition Notice issued to the Insured under the Health & Safety at Work Act 1974, the Consumer Protection Act 1987 or the Food Safety Act 1990,

provided that:

- a) the Insured has no previous convictions for the same or any similar offence other than road traffic offences (but see Exclusion a) below)
- b) the Appointed Representative certifies that legal aid has not been granted or that the Insured is ineligible for legal aid.

Exclusions to Section A1.

The Insurer shall not be liable to provide indemnity in respect of;

- a) any allegation of speeding or using a mobile phone while driving or nonendorsable road traffic offences except in the case of tachograph prosecutions, weight prosecutions and breach of Regulation 100 of the Construction and Use Regulations;
- b) any allegation of an offence under The Company Directors Disqualification Act 1986;
- c) any allegation relating to or arising from investigations by HMRC;
- d) any allegation relating to dishonesty or unlawful violence unless the Insured is subsequently acquitted after representation by an Appointed Representative;
- e) any arrest if the Insured is arrested without the opportunity to attend and does not attend as a volunteer at the police station.

A2. JURY SERVICE

The Insurer agrees to indemnify the Insured against Jury Service Allowance with such indemnity being limited to £100 per day and £1,000 in Any One Claim less a deduction of any amount recovered from the relevant Court.

B. EMPLOYMENT DISPUTES COVER

The Insurer agrees to indemnify the Insured against:

- i) Legal Expenses incurred by the Insured in defending legal proceedings including appeals following a dispute with an Employee, ex-Employee or prospective Employee in respect of their contract of employment with the Insured or a breach of employment related legislation, and
- ii) Awards of Compensation in connection with such legal proceedings.

It is a condition precedent to the Insurer's liability that the Insured has sought and followed all the advice from the Consultancy Service as to the procedure to be adopted and has received specific authorisation from the Consultancy Service:

- a) prior to carrying out any disciplinary procedure or action or suspension of an Employee;
- b) prior to instituting a dismissal process and prior to dismissal of an Employee (including conducting pre-termination negotiations);
- c) prior to instituting a redundancy programme and prior to making an Employee redundant;
- d) prior to notifying an Employee of their intended retirement date or retiring an Employee;
- e) upon notification, formally or informally, of a grievance from an Employee or ex-Employee;
- f) upon notification, formally or informally, of a complaint relating to discrimination victimisation or harassment because of age, disability, gender reassignment, marriage/civil partnership, pregnancy/maternity, race, religion or belief, sex or sexual orientation;
- g) upon receipt of an appeal brought by an Employee or ex-Employee against a decision taken as a result of a disciplinary or grievance procedure or retirement procedure or a decision to dismiss for whatever reason;
- h) prior to any adverse variation or proposed adverse alteration of the terms or conditions of employment (including altering the hours or time or place worked or demotion or deduction from or reduction in an employee's remuneration);
- i) immediately an Employee walks out or resigns with or without written notice.

C. TAX PROTECTION COVER

The Insurer agrees to indemnify the Insured against Legal Expenses incurred in respect of representation of the Insured:

- i) in an Inland Revenue Investigation including representation at a First Tier Tribunal and at an appeal against a decision following such a Tribunal provided there is a reasonable prospect of reducing the liabilities alleged by HMRC;
- ii) In an IR35 Review
 - a) Provided the Insured has a written contract for services and has implicitly adhered to the terms of the contract.
 - b) Including representation at a First Tier Tribunal and subsequent appeals against a decision following such a Tribunal provided there is a reasonable prospect of challenging HMRC.
- iii) In a VAT Pre-Dispute and VAT Dispute at:
 - a) The local review procedure ;
 - b) A First Tier Tribunal for the purpose of appealing against a VAT and/or penalty assessment issued by HMRC;
 - c) An appeal against a First Tier Tribunal decision.

Provided that

- the Insured is registered for VAT from the time the prescribed limits are exceeded in accordance with the provisions of Schedule One of the Value Added Tax Act 1994;
- there is a reasonable prospect of successfully challenging an assessment.

Exclusions to Section C

The Insurer shall not be liable to provide indemnity in respect of:

- a) A routine compliance visit conducted by HMRC, at the business premises, to review PAYE and VAT records where there is no statutory enquiry notice issued into a Self Assessment Return
- b) the defence of any criminal prosecution;
- c) an investigation arising out of a voluntary disclosure made to HMRC in respect of omitted tax, NIC or VAT liabilities which become due as a result of an Insured's deliberate act or following an HMRC Campaign where the Insured has made an incorrect return to HMRC;
- d) any Claims or proceedings which result solely from investigation of earlier Returns;
- e) taxes, fines, interest or any other duties or penalties imposed upon the Insured by HMRC or Tribunal;
- f) any Claim made where there has been a failure to notify chargeability to HMRC giving rise to a penalty position under S7 of the Taxes Management Act 1970 or Paragraph 2 Schedule 18 Finance Act 1998;
- g) any Claim made where Self Assessment Returns are submitted outside the statutory time limits and are in a penalty position under S93 of the Taxes Management Act 1970 or Paragraph 17 Schedule 18 Finance Act 1998;
- h) the preparation and/or correction of Self Assessment Returns, accounts, Income Tax Returns, P11Ds, P35s, VAT returns or any other statutory returns;
- i) an enquiry under Public Notice 160 or S60 of the VAT Act 1994 or matters handled HMRC Specialist Investigations, Civil Investigation of Fraud and Criminal Investigations Sections. Also HMRC enquiries under Code of Practice 8 and 9.;
- j) an enquiry arising into the validity of a claim for working Families Tax Credit and Child Tax Credits or a dispute concerning the payment of the Working Families Tax Credit by an employer, including enquiries into claims for and payment of Universal Credits;
- k) any dispute arising under the National Minimum Wage Act 1998;
- l) any Claim in respect of an HMRC enquiry solely into rental income declared as income from land and property.

D. PROPERTY DISPUTES COVER

The Insurer agrees to indemnify the Insured against Legal Expenses incurred in the pursuit of any dispute or legal proceedings for damages or other remedy for:

- i) negligence, nuisance or any wrongful act or omission to Property;
- ii) breach of a repairing covenant.

Exclusions to Section D

The Insurer shall not be liable to provide indemnity in respect of

- a) a dispute concerning Property which relates to mining or other subsidence or heave howsoever caused;
- b) a dispute arising from or relating to a tenancy or any other contract with the Insured except as in Section D ii);
- c) a dispute relating to rent, tax, planning or building regulations or decisions or compulsory purchase orders or any actual, planned or proposed works by or under the order of any government or public or local authority;
- d) Legal Expenses incurred in determining the ownership of Property
- e) a dispute relating to residential Property;
- f) any dispute arising from or related to seepage, pollution or contamination of any kind.

E. DATA PROTECTION COVER

The Insurer agrees to indemnify the Insured against Legal Expenses incurred in defending any dispute or legal proceedings brought against the Insured under the Data Protection Act 1998 including an appeal by the Insured against a refusal of an application for registration or alteration of registered particulars or an appeal against an Enforcement, Deregistration or Transfer Prohibition Notice.

F. PERSONAL INJURY COVER

The Insurer agrees to indemnify the Insured against Legal Expenses incurred in the pursuit of a dispute or legal proceedings for:

- i) damages for Injury to the Insured caused by the actual or alleged act or omission of a third party;

- ii) an injunction to prevent a person returning to the Insured's premises following an assault or other threatening behaviour towards the Insured or any Employee of the Insured.

G. STATUTORY LICENCE PROTECTION

The Insurer agrees to indemnify the Insured against Legal Expenses incurred for representing the Insured in legal action to suspend, revoke, impose an alteration of or refuse to renew a licence or certificate of registration issued under Statute or Statutory Instrument or by government or local authority to the Insured where such licence or certificate of registration is necessary to engage in the business activity of the Insured;

provided that:

- a) the Insured has sought the advice of the Consultancy Service as to the procedure to be adopted immediately upon receipt of any verbal or written warning from a person in authority which in any way directly or indirectly affects the Insured's licence or certificate of registration and the Insured has acted on such advice with due diligence.

Exclusions to Section G

The Insurer shall not be liable to provide indemnity in respect of:

- a) any dispute or legal proceedings arising out of a suspension, revocation alteration or refusal to renew a licence or certificate of registration which is imposed by Act of Parliament or national or local government regulation or order.

LIMITS OF INSURER'S LIABILITY

The maximum liability of the Insurer under this Policy in respect of an Insured is limited to the amounts specified below:

- A. in respect of Any One Claim - £50,000;
- B. in respect of all Claims notified during the Period of Insurance - £1,000,000.

GENERAL EXCLUSIONS

The Insurer shall not be liable to provide indemnity in respect of:

1. the defence of the Insured in civil legal proceedings arising from:
 - a) injury or disease including psychiatric injury and stress;
 - b) loss, destruction or damage of or to property;
 - c) alleged breach of any Professional Duty;
 - d) alleged breach of any duty owed as a director or officer of the Insured;
2. any dispute, legal proceedings or HMRC Investigation made, commenced or brought outside the Territorial Limits;
3. Legal Expenses incurred before Insurer's consent has been given;
4. Awards of Compensation where the Insurer's consent to incur Legal Expenses has not been granted or has been withdrawn
5. any Claim arising out of or relating to any cause, event or circumstance occurring prior to or existing before the Insured's current membership of the Policyholder and which the Insured knew or ought reasonably to have known may give rise to a dispute or legal proceedings by or against the Insured;
6. fines or other penalties imposed by a Court;
7. any dispute or legal proceedings in respect of which the Insured is, or but for the existence of this Policy would be, entitled to indemnity under any other insurance policy or legal aid certificate or representation order
8. any Claim arising out of the deliberate, conscious, intentional or negligent disregard by the Insured of the need to take all reasonable steps to avoid and prevent disputes or legal proceedings;
9. any dispute or legal proceedings made by or brought against the Insured arising from or relating to the terms, conditions, interpretation or performance of a contract other than as specified in Section D ii) and Section B;
10. any dispute with government or local authority departments concerning the imposition of non-domestic rates;
11. any Legal Expenses incurred in respect of or in connection with a judicial review or an action in the European Court of Justice;
12. any dispute relating to intellectual property, breach of confidentiality or passing off;
13. any dispute or legal proceedings arising out of allegations of libel or slander or malicious falsehood;
14. any dispute between the Policyholder and an Insured or between the Insured and the Coverholder or any Consultancy Service appointed by the Policyholder or any Appointed Representative;
15. any expense incurred by or on behalf of the Insured to comply with any statute, regulation, notice or order;
16. appeals arising out of legal proceedings or HMRC Investigations to which no Insurer's consent has been granted;
17. any expense, consequential loss, legal liability or any loss or damage to property directly or indirectly caused by or contributed to by:
 - a) ionising radiations or contamination by radioactivity from any nuclear fuel or from any waste from the combustion of nuclear fuel;
 - b) the radioactive, toxic, explosive or other hazardous properties of any explosive nuclear assembly or nuclear component thereof.

GENERAL CONDITIONS

1. Arbitration

Any dispute between the Insured and the Insurer shall be determined by arbitration. The arbitrator is to be a single arbitrator who shall be either a solicitor or barrister practicing in the Law of England and Wales. The place and the seat of the arbitration shall be England and Wales. The arbitration shall be governed by both the laws of England and Wales and the Arbitration Act 1996. The apportionment of the costs of the arbitration shall be determined by the arbitrator.

If the identity of the arbitrator to be appointed cannot be agreed the arbitrator to be appointed is one nominated by the President of either the Law Society or the Bar Council in England and Wales

2. Cancellation

This Policy may be cancelled by the Insurer giving ninety days' notice in writing to the Policyholder at the last known address and the premium hereon shall be adjusted on the basis of the Insurer receiving or retaining pro rata premium.

Cancellation under this General Condition shall not prejudice the rights of the Insured in respect of any Claim which has already been notified to the Policyholder during the Period of Insurance and in respect of which the Insured's consent to incur Legal Expenses has been given.

3. Due Observance

The due observance of and compliance with the terms, provisions, exclusions and conditions of this Policy insofar as they relate to anything to be done or complied with by the Insured shall be conditions precedent to any liability of the Insurer to make any payment under this policy.

4. Proper Law

The parties are free to choose the law applicable to this insurance contract. Unless specifically agreed to the contrary this insurance shall be subject to the Laws of England and Wales.

5. Data Protection

It is agreed by the Insured that any information provided to the Insurer regarding the Insured will be processed by the Insurer or the Coverholder in compliance with the provisions of the Data Protection Act 1998 for the purposes of providing insurance and handling Claims, if any, which may necessitate providing such information to third parties.

CONDITIONS FOR CLAIMS SETTLEMENT

1. Notification of Claims

It is a condition precedent to the Insurer's liability that the Policyholder be notified during the Period of Insurance immediately the Insured is aware of any cause, event or circumstance which has given or may give rise to a Claim, dispute or legal proceedings involving the Insured as soon as the same shall come to the Insured's attention. If the Insured fails to notify the Policyholder within a period of six months from the date the Insured became aware of any cause, event or circumstance which may give rise to a Claim, dispute or legal proceedings during the Period of Insurance any Claim or legal proceedings arising from that cause, event or circumstance will not be admitted.

Where such notification has been given, the Insurer agrees to treat any subsequent Claim in respect of the cause, event or circumstance notified as though the Claim had been notified during the Period of Insurance. The Policyholder will forward to the Insured a claim form which must be completed and sent to the address specified on the claim form no later than six months from the date of notification.

An investigation by the HMRC into the Insured's tax affairs shall be deemed to be notifiable to the Policyholder to comply with this condition at the time the Inspector of Taxes gives a written notification to the Insured or to the Insured's professional adviser to open an enquiry or review a Self Assessment Tax Return. A VAT assessment, written decision or notice of civil penalty shall be deemed to be notifiable to the Policyholder to comply with this condition at the date at which HMRC sends an assessment(s), written decision or notice of civil penalty to the Insured in respect of VAT. A PAYE assessment or written decision shall be deemed to be notifiable to the Policyholder to comply with this condition at the time HMRC sends an assessment or written decision to the Insured alleging that an additional PAYE liability exists.

2. Insurer's Consent

It is a condition precedent to the Insurer's liability that consent to incur Legal Expenses must firstly be obtained in writing. This consent will be given if the Insured can satisfy the Coverholder that:

- a) it is reasonable to incur Legal Expenses; and
- b) i) there are reasonable prospects of recovery of damages or other remedy;
or
ii) there are reasonable prospects of a successful defence or, in respect of Criminal Prosecution only, of significant mitigation of the Insured's sentence or fine.

The decision to grant consent or to withhold it will be based on consideration of the Appointed Representative's opinion and that of any advisers the Coverholder may deem it necessary to consult.

If during the course of a Claim the Insured ceases to satisfy the Coverholder in respect of a) or b) above, indemnity will be withdrawn in respect of Legal Expenses and Awards of Compensation.

The Coverholder reserves the right to limit its consent by time and/or financial amount of Legal Expenses and/or stage of proceedings to allow for a review of their continued consent.

The Coverholder at its discretion may require the Insured to obtain an opinion from Counsel at the Insured's expense as to the merits of the subject matter of the Claim. If such opinion indicates that there are reasonable prospects for the pursuit or defence of the dispute or legal proceedings the cost of the opinion will be paid by the Insurer within the Limits of Insurer's Liability.

If after consent has been granted it is shown that the particular Claim has not been brought within the terms and conditions of this Policy and its Schedule such consent shall be withdrawn and no indemnity shall be provided. The Insurer shall be entitled to recover any Legal Expenses or Awards of Compensation previously paid.

Notwithstanding any general consent granted the Insurer reserves the right to limit their liability to the payment of Legal Expenses incurred solely for the purpose of indemnifying the Insured. Legal Expenses incurred by the Appointed Representative for the routine presentation of the Insured's affairs or for matters which go beyond the immediate scope of the Claim shall be deemed by the Insurer to fall outside the indemnity to be provided under this Policy. Where in the course of a Claim the Insurer pays for an expert's report of commercial benefit to the Insured the Insurer shall have the right to recover from the Insured the cost of such expert report to the extent that the cost is not recovered elsewhere at the conclusion of the dispute or legal proceedings.

If the Insured elects to proceed with the pursuit or defence of a dispute or legal proceedings to which Insurer's consent has been refused through lack of reasonable prospects and if the Insured is successful in such pursuit or defence, the Insurer will pay Legal Expenses incurred after they had refused consent subject to the terms and conditions of this Policy.

IN ALL CASES THE INSURED WILL BE ADVISED OF THE GRANTING OR REFUSAL OF INSURER'S CONSENT

3. Conduct of Claim

a. Freedom to Choose Appointed Representative

Where recourse is necessary to a lawyer and there are enquiries or legal proceedings the Policyholder is free to choose an Appointed Representative to act in the name of and on behalf of the Insured in any enquiry or legal proceedings to which the Insurer has consented. The name and address of the Appointed Representative must be notified to the Coverholder on appointment. Any dispute arising from the Policyholder's choice may be deferred to Arbitration in accordance with General Condition 1.

In all other Claim situations the Coverholder will choose the Appointed Representative unless there is a conflict of interest between the Insured and the Coverholder when the Policyholder is free to choose an Appointed Representative to act in the name and on behalf of the Insured in any Claim to which the Insurer has consented.

In selecting the Appointed Representative the Policyholder shall have regard to the duty to minimise the cost of any Claim, dispute, legal proceedings or HMRC Investigations. In all cases the Appointed Representative shall be appointed in the name of and on behalf of the Insured.

b. Disclosure to the Appointed Representative

The Insured must give to the Appointed Representative all necessary help and information including a complete and truthful account of the facts of the case and all relevant documentary or other evidence in the Insured's possession. The Insured must provide, obtain or execute all documents as necessary and attend meetings or conferences as requested. Cover may be withdrawn if the Insured fails to co-operate at all or within a reasonable time with the Appointed Representative's, the Consultancy Service's or the Coverholder's requests.

c. Coverholder's Access to Information

The Coverholder is entitled to receive from the Insured and Appointed Representative any information, document or advice in connection with any Claim or the subject matter of any Claim even if privileged. On request the Insured will give to the Appointed Representative any instructions necessary to secure the required access.

d. Payment of Legal Expenses and Awards of Compensation

All bills for Legal Expenses which the Insured receives from the Appointed Representative should be forwarded to the Coverholder without delay. If the Coverholder so requires the Insured must ask the Appointed Representative to submit the bill of costs for taxation or certification by the appropriate Law Society or court.

The Insured is responsible for payment of all Legal Expenses and Awards of Compensation.

The Coverholder will settle these direct if requested by the Insured to do so. The payment of some Legal Expenses does not imply that all Legal Expenses will be paid. The Coverholder should be consulted if the Insured is in doubt.

The Insured must not, without the Insurer's written consent, enter into any agreement with the Appointed Representative as to the basis of calculation of Legal Expenses. The Insurer may withdraw consent previously given at any time.

e. Instruction of Counsel

If in the course of any dispute or legal proceedings the Appointed Representative wishes to instruct Counsel, a request must be made to the Coverholder for Insurer's consent to the proposed instruction which will not be unreasonably withheld.

f. Insurer's Right to Reach Settlement

If a Claim is in respect of a dispute where the amount or value in dispute is less than £1,000, the Coverholder on the Insurer's behalf may carry out its own investigation and may attempt to negotiate a settlement. Such settlement will be subject to the Insured's agreement which shall not be unreasonably withheld.

4. Offer of Settlement

It is a condition precedent to Insurer's liability that the Insured must inform the Coverholder in writing as soon as an offer to settle the subject matter of Claim is received or the Insured proposes to make an offer of settlement. In any settlement, the Insured must have regard to Legal Expenses and or Award of Compensation incurred or likely to be incurred and the recovery thereof. Under no circumstances must the Insured enter into any agreement to settle without the Coverholder's prior consent which will not be unreasonably withheld. If the Insured unreasonably rejects an offer of settlement which the Coverholder recommends acceptance of, or the Insured makes an offer of settlement the Coverholder does not agree with no further indemnity shall be provided.

The Insurer may at its absolute discretion decide to pay the Insured the amount of damages that the Insured is claiming or is being claimed against the Insured instead of indemnifying the Insured for Legal Expenses or Awards of Compensation. Where the Insurer exercises this discretion the Insurer will cease to be liable for any further Legal Expenses or Awards of Compensation. The Insurer may also require the Insured to make an offer to pay an Award of Compensation to an Employee or Ex-Employee or prospective Employee provided the Insurer agrees to pay that Award of Compensation. If the Insured fails to make that offer the Insurer will cease to be liable for any further Legal Expenses or Awards of Compensation.

5. Recovery of Costs

Whenever the Insured is awarded damages or agrees damages or any sum under the terms of any settlement Legal Expenses after taxation or agreement of the Appointed Representative's bill of costs shall first be settled out of damages or any sum or amount recovered by the Insured.

6. Appeal Procedure

If, following legal proceedings to which the Insurer has consented, the Insured wishes to appeal against the judgment or decision of a court or tribunal, the grounds for such appeal must be submitted to the Coverholder immediately or as soon as practicable so that the Insurer may consider whether to consent to such further action. If an appeal is lodged against a judgment or decision of a court or tribunal made in favour of the Insured following legal proceedings to which the Insurer has consented, the Insured must notify the Coverholder immediately in order that cover shall continue. The Coverholder will inform the Appointed Representative of the Insurer's decision. If the Insurer so requires it, the Insured must co-operate in an appeal against the judgment or decision of a court or tribunal.

7. Minimising Claims or Legal Proceedings

The Insured must take all reasonable precautions to avoid and prevent Claims, legal proceedings, disputes and HMRC Investigations.

The Insured must use every endeavour and take all reasonable measures to minimise the cost and effect of any Claim.

8. Fraudulent Claims

If the Insured makes any request for payment under this Policy knowing it to be fraudulent or false in any respect or ought reasonably in the circumstances to know it to be fraudulent or false or where there is collusion between any parties to the dispute, cover for that Claim shall cease and the Insurer shall be entitled to recover any Legal Expenses or Awards of Compensation and Jury allowance previously paid.

9. Insolvency or Liquidation of the Insured

If the Insured becomes insolvent or is placed in liquidation, receivership, administration or bankruptcy or enters into a voluntary arrangement or deed of arrangement or if any application is made to the Court or meeting convened for any such purpose the Insurer has the right to immediately cease to provide indemnity for Legal Expenses, Awards of Compensation and Jury Service Allowance notwithstanding any previous consent the Insurer may have granted.

10. Value Added Tax

If the Insured is registered for VAT, the Insurer will not pay the VAT element of any Legal Expenses.

COMMUNICATIONS

Initial notification of a Claim must be made in writing to the Policyholder by addressing it to:

Federation of Small Businesses

Sir Frank Whittle Way

Blackpool Business Park

Blackpool FY42FE

All notices and communications from the Insurer or their representatives to the Insured shall be deemed to have been duly sent if sent to the Insured's address as last declared to the Policyholder or, in relation to any matters arising out of any Claim, if sent to the Appointed Representative.

All notices and communications from the Insured or his Appointed Representative to the Insurer shall be deemed to have been duly sent if sent to the Coverholder.

COMPLAINTS

Should the Insured have any cause for enquiry or complaint in relation to this insurance, please write to the Coverholder (quoting your Membership number) addressed to:

The Customer Services Manager

Abbey Legal Protection

20 Fenchurch Street

London EC3M 3AZ

Tel: 0870 600 1480

Fax: 0870 600 1481

Email: claims@abbeylegal.com

The Coverholder is authorised and regulated by the Financial Conduct Authority. Firm Number: 308829.

In the event the Insured wishes to pursue matters further they may be able to refer the matter to The Financial Ombudsman Service.

The Financial Ombudsman Service

Exchange Tower

Harbour Exchange Square

London

E14 9SR

Helpline: 0800 023 4567

Switchboard: 020 7964 1000

Website: www.financial-ombudsman.org.uk

This procedure will not prejudice the Insured's right to take legal proceedings.

COMPENSATION ARRANGEMENTS

The Insurer is covered by the Financial Services Compensation Scheme (FSCS). The Insured may be entitled to compensation up to 90% of the claim in the unlikely event that the Insurer cannot meet its obligations. Further information about compensation arrangements is available from the FSCS

Administered by: Abbey Legal Protection, a trading division of Abbey Protection Group Limited, whose ultimate holding company is Markel Corporation.

