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Covernotes

When businesses expand or move to new premises, the process usually involves a plethora of professionals & sub contractors, such as architects, surveyors, estate agents, builders, security companies, removal companies and refurbishers. However, at what stage do you talk to your insurance broker? Have you ever considered the advice and input they and your insurer can give you?

Working with your insurer from the early stages of decision making can bring many benefits to you. Insurers hold data on many features of risk and can give you valuable advice in the planning stages, which can reap benefits for you later on. Here are some of the areas where your insurer can provide you with help and advice:

- Consider the area you are moving to. Is it a high crime area? Your insurer will be able to advise you. This may impact on security, lighting, vandalism and employee safety.
- What about security? Do you need an alarm? All insurers are happy to give advice on the type and level of security you will need, from locks through to other physical methods of security. If an alarm is required, insurers will advise on signalling levels required and ensure that specifications meet the required standard.
- What is the potential for flood? If your building is next to a river, you may be able to make your own judgement about this. However, what about if you are on a flood plain? How do you know? How do insurers consider the risk? Insurers are now building sophisticated databases relating to flood exposure, and information from them at an early stage could save you heartache later on.
- Look at the construction of your premises. Is the building purpose built? Talk to your architects about composite panels - a panel used in building many industrial units. These panels are filled with a variety of materials, some of which are so flammable that a building can burn down in a matter of minutes. Insurers are seriously concerned about them, and even the fire brigade will not send crews into these buildings (unless life is at stake). Other composite panels are more robust in respect of being fire retardant, and insurers view them as a lesser risk. If you are purchasing a building which has composite

panels, seek early advice from your insurer to avoid making your new premises uninsurable or prohibitively expensive to cover.

- Look at the risk of fire. Should you be fitting sprinklers to your premises to minimise fire or smoke damage to your stock? They are significantly easier and cheaper to install whilst the building is being constructed rather than afterwards. Which type of fire extinguisher should you have in place.
- Look at your trade processes. If you are a warehouse keeper what sort of racking and storage should you be using? How far off the ground should your goods be?
- Talk to your insurers about liability. Are your factory processes well thought out? Are you placing hazardous processes next to each other? Could creating booths or separate workshops reduce or eliminate the risk? Where are you storing flammable materials?

Insurers seek to minimise risk at every opportunity. It is therefore in everyone's interest to plan thoroughly and take steps to avoid losses. A loss for your business causes significant disruption, even if fully insured. Insurers have a wide range of experts who, according to your situation, will be happy to give advice, survey your premises or work in detail to help you with your new acquisition/location.

Engaging with your insurer early, ensures you work through the information together to obtain the best possible outcome rather than the possibility of reduced or non-existent insurance cover. This may occur if your insurer is advised at the last minute of your difficult circumstances.

In future, make your broker the first person you call when considering a change to your business and enlist the help and experience of your insurer, which will reap benefits for your business.

Only in America!

- A 19-year-old man from Los Angeles won \$74,000 and medical expenses when his neighbour ran over his hand. He apparently didn't notice there was someone at the wheel of the car when he was trying to steal his neighbour's hub caps. He subsisted on a case of Pepsi he found, and a large bag of dry dog food. He sued the homeowner's insurers claiming the situation caused him undue mental anguish. The jury had agreed to the tune of \$500,000.
- A burglar, was leaving a house he had just finished robbing by way of the garage. He was not able to open the garage door since the automatic door opener was malfunctioning. He couldn't re-enter the house because the door connecting the house and garage had locked when he pulled it shut. The family was on vacation, and the burglar found himself locked in the garage for eight days.
- A Philadelphia restaurant was ordered to pay \$113,500 after a female customer slipped on a soft drink and broke her coccyx (tailbone). The beverage was on the floor because she had thrown it at her boyfriend 30 seconds earlier during an argument.



The changing face of Insurance and how it affects your business

Insurance plays a vital role in the modern economy. It provides support for other industries and individuals to help minimise the impact of unexpected and unwelcome future events. Research carried out by Munich Re concluded that natural catastrophes outpace man-made disasters. Economic losses from natural catastrophes in 2002 soared 57% above the previous year, as the worst European flooding in centuries led a long list of storm-related losses. Although man-made disasters such as airline crashes, oil spills and terrorist attacks continue to grab headlines, natural catastrophes still outpace such events in terms of economic loss and loss of life. The Insurance Industry has borne the brunt of such events and is still working hard to recoup some of their losses.

September 11, 2001

The tragic events in New York and Washington DC on September 11 changed many things, and not just for the insurance industry. While the immediate impact on UK insurers was limited, the longer-term effects on the market generally were profound. To put the scale of the insurance cost of September 11 in some context, the previous largest insured loss was Hurricane Andrew in 1992 which amounted to over \$20 billion.

Severe weather

During the Winter of 2000/01 Britain suffered severe floods with many people losing their homes some even lost their lives. Since this time, steps have been taken by both the insurance industry and the Government to reduce the degree of suffering felt by those who fall victim to flooding. The Government has published new planning guidance to restrict building on flood plains. This step has been welcomed by the insurance industry and the ABI who issued a paper in April 2002 "Flood and Coastal Defences: Investing in a sustainable future". This was distributed to MPs in flood-affected constituencies. Further, the industry has made a voluntary commitment to maintain cover in flood-affected areas for two years, pending government action. This two year period expired at the end of 2002. For areas which persistently flood, there is the danger that insurance could become unavailable or, unaffordable for many people. The insurance industry's answer is for the Government to spend more on flood defences.

Ambulance chasers

Britain is becoming increasingly litigious with a rising number of people making compensation claims for personal injuries in the workplace.

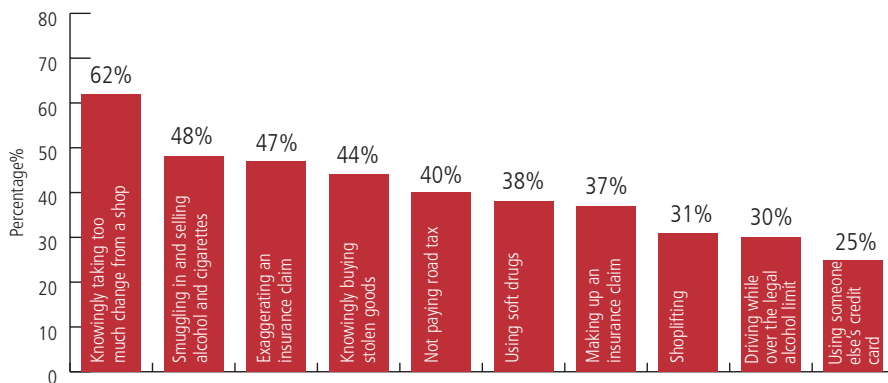
According to the Association of British Insurers (ABI), the insurance industry pays out £40 million a day in insurance claims. There have been a number of reports in the press concerning accident management companies who have been proven to falsify claims in order to meet their sales targets and commission goals. Unfortunately many people do not realise that the knock-on effect of making false claims is rising insurance premiums.

Fraud detection

The insurance industry is often viewed as a soft target for potential fraudsters, with millions of pounds being paid each year on suspect claims. The ABI conducted a survey of 2,000 people, nearly half of whom would not rule out making a dishonest insurance claim in the future. Making a fraudulent claim is often seen on a par with stealing towels from hotel rooms. Although the majority of claims are genuine, it's the honest policyholders who end up paying for fraudulent claims.

- The research revealed that 7% of people admit to having made a fraudulent insurance claim (approx. 3 million people in the UK).
- Nearly half (48%) would not rule out making a fraudulent insurance claim in the future

Percentage of adults who would not rule out acting dishonestly



There are 2 types of fraudster: the opportunist and the pre-meditated fraudster. Tackling insurance fraud remains a priority for insurers. The industry will continue to invest resources to ensure that it is best placed to reduce and expose all fraudulent claims-ranging from the opportunist to the well planned premeditated fraudster.

Quality and Regulation

Organisations within the financial services sectors are heavily regulated and monitored by several external companies to ensure that the needs of clients are being met. Rating agencies are one such type of organisation, they analyse the financial strength of an insurer in terms of their ability to pay claims under its insurance policies. Insurance companies are then given a rating by which they are judged in terms of whether business is placed with them.

We take every reasonable care to safeguard the interests of our clients. However, it is impossible to predict the future of an insurer. As a member of the Willis Commercial Network, we only work with leading insurers who carry excellent ratings. With the volumes of business we transact with these insurers, we are able to obtain very competitive premiums for you. Clients should not judge an insurer by the price they offer for their insurance policy but on the package as a whole.

As a member of the Willis Commercial Network we are committed to offering the best possible deals on the market for our clients by maintaining good working relationships with a number of leading insurers in the UK.

Driver Safety and Risk Management

This year marks the 20th anniversary of a significant milestone in road safety in Britain - the compulsory wearing of seatbelts. In January 1983 legislation was passed making it compulsory to wear front seat belts in all cars that had them fitted.

Historical background

- 1965: It became compulsory to fit seatbelts in the front of cars built in Europe.
- 1983: Front seatbelt wearing regulations for drivers and passengers (both adult and children) came into force.
- 1989: Wearing rear seatbelts became compulsory for children under 14.
- 1991: It became compulsory for adults to belt up in the back.

Top ten seatbelt facts:

1. 50,000 lives saved equates to 7 lives saved every day for the last 20 years.
2. In a crash at 30mph, if unrestrained, you will be thrown forward with a force up to 60 times your own bodyweight.
3. In 2001, wearing a seatbelt in the front saved an estimated 2,278 lives.
4. The latest surveys show over 90 per cent of adult front seat passengers and drivers wore seatbelts and 57 per cent of adult back seat passengers. Women (94%) are more conscientious than men (86%) at wearing a seatbelt.
5. In the back, over 90% of children wear seatbelts or child restraints. For the youngest children aged 0 to 4 years the wearing rate is 97%.
6. As many as 15 front seat occupants are killed annually by the impact of an unbelted rear seat passenger.
7. If the back seat wearing rate could match the front seat rate, 30 more adults could be saved each year.
8. The wearing rate for van drivers is currently 63% and for their passengers it is only 55%. If the wearing rate could match that for cars then 20 more lives could be saved annually.
9. It is an offence to not wear a seatbelt - this resulted in over 200,000 fixed penalties (£30), written cautions and court prosecutions in 2000.
10. Seatbelt wearing rates are higher in rural areas 93 per cent than in urban areas 89 per cent.



Driver Safety and Risk Management

cont...

Peak Performance Management

Peak Performance Management (PPM) have also compiled a league table of the Top Ten driving faults in the UK, based upon real life experience with hundreds of corporate clients over the last 13 years.

Top Ten driving faults

1. Low speed manoeuvring
2. Driving too close to the vehicle in front
3. Stopping too close to vehicle in front
4. Excessive speed
5. Tiredness while driving
6. Moving into other vehicles' blind spots
7. Braking reactively or too late
8. Lack of hazard awareness
9. Not allowing for different 'driver types'
10. Poor road positioning

The need for road safety policies are stark, given that there are three million company car drivers and a further five million drivers who carry out work-related journeys in their private cars. The proposed revisions to corporate manslaughter legislation have helped to drive this issue up the corporate agenda with more than six out of ten fleet managers aware of these potential revisions. Despite this, four out of ten fleets still have no formal safety policy and even where they exist, the nature of them varies considerably.

If you have any concerns on driver safety and motor fleet risk management please contact us.



Hit from all Angles!

Following in the footsteps of America, Britain has fast become a society of ambulance chasers, fuelling exaggerated personal injury claims and inflated compensation awards. The encouragement to sue and make a few thousand pounds comes from heightened media coverage both on the television and in the press. Cases have been reported of legal agents waiting outside school and factory gates, asking whether anyone has been involved in an accident. Your local high street may also be a focal point for accident management companies who approach you by asking if you have had an accident in the last three years.

Changes in employment law over the last few years means that employees have more rights to legal redress than ever before. Industrial tribunals are now seeing 87% more cases than five years ago and the average cost of fines for breach of Health and Safety regulations have increased by as much as 235% over this time period.

Employers can easily fall victim to claims that cost thousands of pounds to administer such as claims arising from employment disputes, legal defence tax investigations, VAT disputes and more. Commercial legal expenses cover can help to soften the blow. A typical commercial legal expenses package will cover employment disputes and compensation awards, prosecution defence, property protection, tax protection and data protection. Tax investigations are another area covered by this type of policy as a result of 'hit' squads targeting companies for VAT and Tax investigations. Paying for a full investigation audit can prove costly whereas taking out legal expenses insurance will help cover these costs.

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Case examples

• Tax protection - in-depth investigation

Following receipt of a policyholder's year-end company accounts, the Inland Revenue decided to carry out an in-depth investigation. The reasons given for this were the erratic business performance judged by gross profit and the general level of directors' remuneration. Legal expenses insurers appointed a panel accountant who could see immediately that the Inland Revenue's position had become very entrenched during the 3 years the investigation had been running. Following several meetings, the acting accountants were able to refute all the Revenue's arguments and eventually the case was settled on a minor technical adjustment. Legal expenses insurers paid the costs plus those of the self-employed company director, whose assistance had been instrumental in reducing costs, which totalled £12,721.

• Unfair dismissal

Following the failure of their accounts manager to transfer accounting information on to computer, there was a disciplinary hearing at which he was invited to resign after working one month's notice or have his employment terminated. When he refused to resign, the policyholder terminated his employment and paid him only what he was due up to the day he left their employment. The ex-employee alleged unfair dismissal and applied to the employment tribunal. Legal expense insurers appointed solicitors to act on the insureds behalf. After a full day's hearing, the claim for unfair dismissal was rejected. The employment tribunal did find that in fairness, the policyholder ought to have paid the ex-employee up until the end of the month. Therefore a compensation award was made.

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