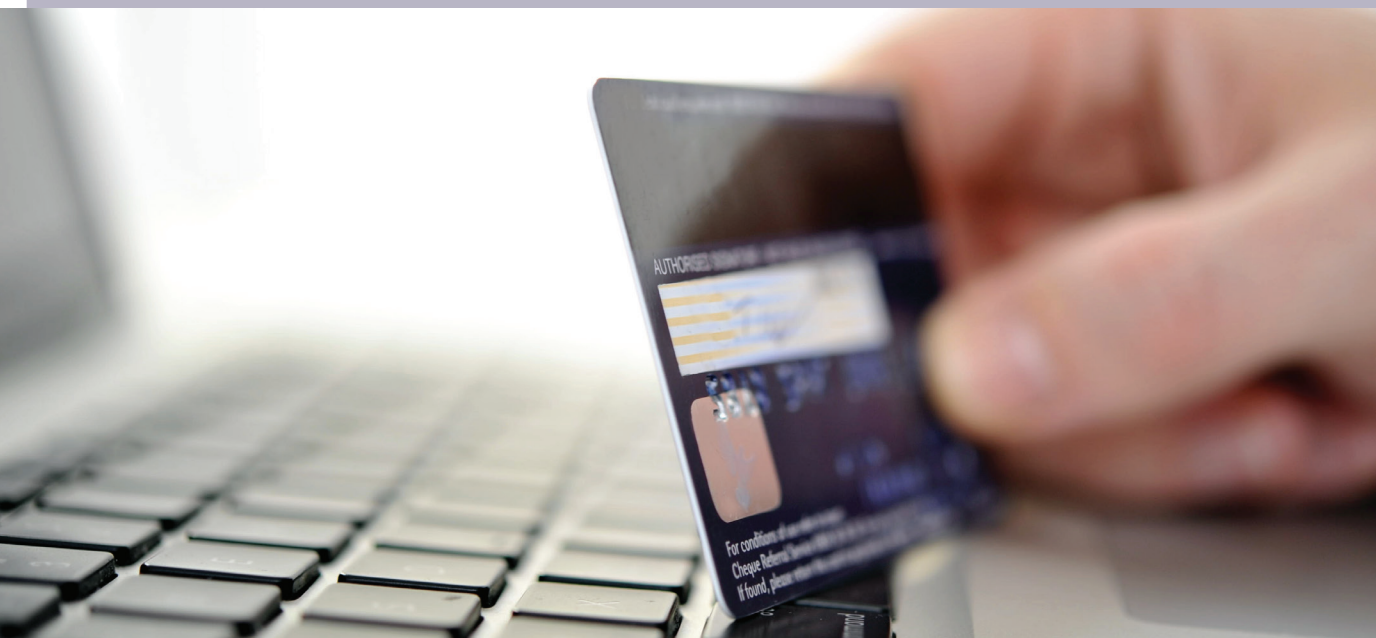


SPRING 2015

COVERNOTES



COVER YOURSELF AGAINST CRIME

According to PwC's Global Economic Crime Survey 2014, one in three small businesses reported an economic crime in the last 12 months. When larger corporate organisations were reviewed as a sector statistic, results suggested 6 out of 10 companies of this size had experienced a fraud in the last 12 months.

All companies are vulnerable to the threat of criminal acts, from the fraudulent behaviour of their own staff, to cybercrime involving the internet. Cybercrime continues to increase in volume, frequency and sophistication. Whereas it used to be an issue for firms that transacted business online, it is now an area of vulnerability for any firm that uses computers, sends emails, has a website and/or uses online banking.

Criminal gangs are increasingly using fake email addresses for scams that involve false invoices and dummy bank accounts. In essence, old frauds perpetrated in new ways.

Plus, there is still "the enemy within". Traditionally, losses have emanated from management, procurement, HR and finance teams. A drip loss perpetrated by a loyal and trusted staff member can run for years without detection, potentially costing the company many millions of pounds.

These losses will also cause untold damage to reputation, brand and business relationships. Of course, prevention is better than cure and a robust system of internal controls is key to minimising risk. However, should the worst happen,

a comprehensive crime policy can provide essential balance sheet protection.

...Plus there is still "the enemy within"...

A crime policy is an 'All Risks' cover that wraps round other protections. A fidelity guarantee policy will only protect a firm from the actions of its own employees. Cyber theft cover remains in its infancy and it is important that the terms and conditions are closely monitored. However, many companies are interested in elements of this

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cover such as damage to digital assets, business interruption from downtime and the like.

Crime cover can be purchased on a stand-alone basis. It will respond to a theft by anyone and can be extended to include cover for a company's clients, replacement of destroyed or damaged money, identity fraud, public relations consultancy costs and many other expenses caused by a crime loss.

Crime cover will also extend to include any expenses required in proving a loss

incurred by the client. This element of cover can often be sizeable as it can be a complex task to unwind any fraud – for instance, specialist forensic accountants are often engaged to assist in proving the required indemnity.

As economies around the world continue to face unprecedented, uncertain and complicated challenges one fact remains certain: when economies are depressed, fraud rises. Companies can protect themselves not only through robust working practices, but also with comprehensive crime cover.

Case Study - A Woman Scored

A long-standing and trusted Finance Director, who enjoyed complete autonomy in his role, had his actions uncovered by a whistle-blower - a jilted lover. The spurned woman informed the company's CEO who ordered bank sweeps of financial transfers. What it found was that, without dual controls, the FD was simply transferring money into his own accounts. He had used almost £4 million of the firm's money to fund a lavish lifestyle and his four wives.

Please contact us if you would like to discuss how Crime Cover can protect your business.

COULD A TERRORIST THREAT BE YOUR THREAT?



Recent terrorist attacks in Paris and Copenhagen have served up a stark reminder that the threat of terrorism remains all too real.

Europe has been on a severe threat level for some time now, meaning a terrorist attack is highly likely to occur. Previous attacks were devastating in terms of the number of lives lost, making the value of any commercial losses appear minimal.

The Boston Marathon bombings in April 2013, which killed three and injured more than 250 spectators, saw little property damage but the site was closed for several days to enable police investigations. During this time local businesses were forced to close, resulting in lost revenue. According to preliminary estimates, this bombing inflicted over \$333 million of damage to the local economy, primarily in lost wages, lost retail sales and general infrastructure damage. Total losses from the ten hardest-hit businesses were around \$2.3 million.

Small businesses may not think they are targets themselves, but how about higher risk locations close by, or even other commercial neighbours?

For businesses in close proximity to terrorist targets, and the companies they supply, any attack may result in a serious interruption of business.

Small businesses should consider these risks carefully. They may be less able to absorb the consequences of a terrorist attack nearby as they do not have the spread of risk and locations that larger firms generally have - and terrorism cover is automatically excluded from commercial business policies.

Thankfully terrorism cover can easily be added to your existing commercial insurance policy, providing protection for your property and contents, as well as that all-important business interruption cover. Cover can be straightforward to put into place in order to achieve peace of mind, and is available for risks in England,

Scotland or Wales.

The only exclusions applying to terrorism cover are;

- war and related risks; and
- damage to computer systems caused by virus, hacking or similar actions.

For risks in Northern Ireland, their Department of Justice operates The Northern Ireland Criminal Damage Compensation Scheme (NICDCS). It is important for businesses in Northern Ireland to get an insurance broker to check the restrictions under this scheme as cover will not be as wide as specifically arranged terrorism covers (for instance the Northern Ireland Scheme does not cover damage caused by persons acting alone or in pairs).

If you are not sure what effect a terrorism act could have on your business then please contact us so we can discuss your requirements.



THINK ROAD SAFETY

Every week around 20 people are killed and 220 seriously injured in crashes involving someone who was using the road for work.*

Under guidelines produced by the Health and Safety Executive, work related journeys should be covered by an employer's health and safety system.

So What Do Employers Need To Do?

- Pre-employment licence checks – Before employing someone it is important to carry out document checks to ensure there are no current motoring convictions leading to the potential invalidation of insurance for both employer and employee.
- Annual document checks - Employers owe the same duty of care under health and safety law to staff who drive their own vehicles for work as they do to employees who drive company owned, leased or hired vehicles. It is fairly simple for employers to introduce measures such as regular inspection of MOT and service certificates and to conduct regular checks of private vehicles used for work.
- Ensure employees are properly insured – It is an offence, under road traffic law, to cause or permit a person to drive a vehicle without insurance. It is therefore important to make regular checks with employees to ensure they have business use on their own private car policy.
- Driver training – Training and consultation plays a vital role in health and safety schemes for employees who drive for business. Training can help staff to conduct regular vehicle safety checks, help employees to understand the need for monitoring and limiting driver hours, and understand the need for safe driving practices.
- Vehicle maintenance – Employers need to have procedures in place to ensure all vehicles (irrespective of who owns them) used for work purposes conform to road traffic laws, are safe and properly maintained, and are fit for purpose.
- Record incidents – It is necessary to require staff who are involved in a work related crash, including damage-only incidents, to report this to their manager, even if the vehicle is privately owned. Employers should then investigate whether the condition of the vehicle contributed to the crash and what (if any) action is necessary to prevent repeat occurrences. It is also important to keep the company's insurers informed.

Employers may also be asked to demonstrate to their insurer how they are protecting their business. If you have carried out at least some of these steps this will give your insurer more confidence that you are mitigating your risks, and they may be more likely to offer more favourable terms to you. Such measures will also more than pay for themselves by reducing consequential accident costs, many of which, such as lost staff time, may be uninsured.

For more information on these checks please contact us.

Source: * ROSPA Driving for Work: Own Vehicles Report



DON'T BREAK THE CHAIN

Research from Zurich shows that four out of five businesses with a turnover of between £5m and £300m say their supply chain is either very important or critical to their operations. However only 17% of these businesses have continuity plans in place and check that their suppliers have made similar arrangements.

Should a business suffer supply chain disruptions they may be unable to deliver to their clients. Their reputation could take a major hit as a consequence, making it challenging for a business to grow in the future, or even to maintain current business volumes if customers go elsewhere.

Finding short term solutions to supply chain issues also comes at a cost which will have a negative impact on operating margins, as well as eating into management time and taking attention away from core activities.

In an attempt to get the supplies they need at the price they want, many businesses do not fully consider the risk aspect of the decisions they are making. They may squeeze supplier's margins to such an

extent that they have no incentive to help their customer should there then be a disruption.

Other businesses may hold very small levels of raw materials in a bid to cut costs (called Just in Time manufacturing). This however leaves them very vulnerable to any disruption in supplies.

If businesses want to improve their resilience to supply chain disruption they need to develop strong information and analysis frameworks as well as making sure they have the correct insurance cover in place.

When working with a broker and insurer, a comprehensive supply chain risk assessment will highlight where potential problems exist. An assessment will look at every critical supplier and customer, and examine each of the processes involved from sourcing raw materials, manufacturing components, assembly, finishing, and finally being able to deliver to the customer on time.

Some insurance policies may already

contain extensions in cover for these risks, but a smaller limit for unspecified customers or suppliers will usually apply. For a business with a larger proportion of their turnover relating to a single supplier or customer, cover should be arranged on a specified basis to adequately protect the business. Cover can even be arranged for overseas suppliers or customers, as long as full details are provided to insurers.

Your broker can make sure that your time and money is spent wisely, giving guidance to which suppliers or customers should be given more priority in the analysis. They can also give businesses guidance on how to reduce the risks that are identified in the analysis process in order to keep everything running more efficiently.

If you want to discuss Supply Chain Risk Management or want further information please contact us.



TRAVEL AND SECURITY – THE EMPLOYERS’ DUTY OF CARE

The increasingly international nature of business means that employees frequently need to travel abroad on business.

Businesses have a duty of care and a legal requirement to ensure that employees are properly prepared for travel and to support them during and after their trips.

Some of the risks faced by employees include:

- Terrorism
- Riots
- Road traffic accidents
- Street crime
- Kidnap
- Illness

As part of their duty of care to employees, employers must demonstrate that they are aware of these risks and that appropriate risk mitigation strategies are in place.

Some of these strategies may include:

- **Company travel policy –** A company travel policy should ensure the highest possible degree of safety and security for employees when travelling overseas, as well as ensuring that all business related travel to risk rated countries is subject to a formal risk assessment.
- **Prior to travel –** A risk assessment should identify where training or support is required for employees.
- **Incident response –** It is vital that the company travel policy outlines what employees should do in the event of an incident. This should include contact details for the provider nominated on the company travel insurance programme.

Whilst it is vital to ensure the safety of employees, businesses could also be well advised to obtain group personal accident and business travel insurance.

Cover can usually be arranged on a single policy, and can include the following benefits;

Personal Accident:

Accidental bodily injury, rehabilitation support, terrorism, loss of sight/hearing/speech, dental/optical emergency expenses, hi-jack/kidnap, hospitalisation benefit, medical expenses etc.

Business Travel:

Legal expenses, overseas medical expenses (including additional travel expenses), personal property and electronic business equipment, loss of money, cancellation expenses, political/disaster evacuation, personal liability, personal security assistance, repatriation.

Movement of the workforce around the globe can be essential for business growth. Your broker can help you meet your duty of care requirements, and make sure that you and your employees are protected wherever they may be.

For more information on Travel and Security please contact us.



KEEPING THE SHOW ON THE ROAD

When a major artist embarks on a tour, or the organisation of a music festival kicks off, it represents a major investment on the part of promoters, organisers and hosts. Contingency insurance has become vital to the events industry with spectacular shows sometimes featuring multi-million pound stage sets.

It is contingency insurance that protects these investments from a range of risks including:

- Adverse weather – Outdoor events are particularly vulnerable to the weather. Insurance cover can be secured by taking into account the usual weather conditions for the time of year and the type of event being run.
- Non-appearance - Covering death, accident, illness and travel delay – cover can be extended to include death or life threatening illness to family members.
- Cancellation – Should the worst happen, insurance can cover your costs in the eventuality that your event has to be cancelled.
- Communicable disease – Insurance can help cover you against outbreaks of diseases such as swine flu, ebola and the norovirus.
- Threat and act of terrorism – Insurance cover can range from “the day of event only” through to cancellation due to surrounding conditions should a major terrorism act take place in the run up to your event.
- Advertising indemnity – It is possible to secure indemnity cover for both the advertising agents and commercial producers.
- Over redemption – Such cover can protect budgets against a marketing promotion becoming too popular, or should an event be oversubscribed.

Working with a knowledgeable broker can ensure tailored coverage that will help keep the show on the road.

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