



INSURANCE & RISK MANAGEMENT

COVERNOTES

Spring 2011



2010 was a turbulent year, ending on a low of social unrest. Strikes and protests dominated the headlines, with student fee protests causing chaos and major disruption to a number of businesses and services. Given the prevailing economic issues further incidents cannot be ruled out in 2011.

The Millbank disturbance, in particular, affected the operation of local businesses for several weeks. The police authorities and fire brigade closed down the whole Millbank site to enable them to carry out forensic examinations. Access was denied to tenants and the public long after the event.

Standard business interruption insurance may not cover your business for an event like this. To be protected against the follow-on effects from a riot, your policies must include 'riot' within 'all risks' cover or as a specified/defined peril. One occupier of the Millbank site had successfully made provisions to move its work to another location, but the disruption still had a major effect. Insurers are in negotiation but the reserve on the loss of business and additional costs may exceed £250,000.

The occupier's business continuity plans helped to minimise disruption to its business, unfortunately not all of its fellow tenants at the Conservative Party Headquarters were prepared for the riotous action against their political neighbours. It's important that any plan should recognise who occupies neighbouring buildings.

Another example of damage caused by locality to another site is the Buncefield disaster. It is doubtful whether the occupiers of the trading estate near Buncefield fully appreciated the devastating effects a fire in its storage tanks would have on their own livelihood. After five years the liabilities and compensation arrangements are only now being completed. Some businesses ceased trading.

In a busy operation an adequate disaster recovery or business continuity plan is often low down the agenda. However, research from the Chartered Management Institute (CMI)* shows that 79% of managers who had activated their business continuity plans in the previous 12 months agreed that it effectively reduced the impact of disruption. This once again emphasises the importance of planning.

A leading insurer** has outlined seven Essential Steps in Business Continuity Planning to help you start yours:

- Select a team to work it through
- Analyse threats and look at practical measures to reduce risk
- Plan how to cope with the immediacy of any incident
- Prepare support documents, contact lists and action lists for example
- Plan for the recovery
- Pay attention to computer and data risks
- See if it works and keep it alive!

As your broker we can help with the risk management of your business as well as finding the most appropriate insurance cover should the worst happen. For more information, please contact us.

* CMI survey, Disruption & Resilience, The 2010 Business Continuity Management Survey, March 2010
** Aviva 2010

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ANTI-SOCIAL MEDIA

Social networking is not only the communication of choice for the younger generation but it is also high on many companies' plans. To keep pace with developments in business communication many organisations are using, or planning to use, social media tools including, but not limited to, LinkedIn, the Facebook® Platform, YouTube and Twitter.

The benefits of using social media to reach customers have been widely documented, but what about the risks? Businesses that embrace it need to be aware of some of the new threats from criminals misusing the sites that may leave their businesses vulnerable to data theft, downtime, financial losses and reputation damage.

One of the biggest risks comes from inadvertently downloading **viruses, spyware and malware**. These hidden codes can damage your computer, its network and also extract confidential data. Be prepared for an attack by ensuring your anti-virus and anti-malware software is up-to-date and run daily.

Identity theft is not just a personal risk, it can also affect businesses. An employee's online profile may contain details of their place of work and telephone numbers. Some sites allow third-parties to access users' profiles and if misused could potentially lead hackers to your secure data or even allow them to hijack your brand and misrepresent your business. Employees need to be cautious about the information they disclose online.

Your employees should also be careful with comments they make, or photos they post online as these may be directly attributable to your company and could **damage your business's reputation**. In addition, a staff member may deliberately discredit your company online; an unhappy employee's reactionary online post may travel far on the internet. Your HR policy should be clear on the behaviour you expect from employees; sharing the risks and your expectations with them.



The threat to your business's reputation may also come from an external source. Social media is often used to 'rant' about poor service. You need to be vigilant and monitor websites and trends to ensure you respond to negative comments in a timely and positive manner.

When using social media it is possible that you may accidentally infringe someone else's copyright or trademark by posting their words or images without permission or correct sourcing. The same care needs to be taken when publishing material online as you would with print material.

Some companies may be tempted to turn off social media altogether but developing a social media policy can go a long way to help to mitigate the risks – especially as many employees will have access to popular social networking tools via their mobile phones. Laying out how you expect employees to use social media can help to frame your new tools and remind employees how their online behaviour may reflect on the organisation.

In the event that your system is hacked or damaged by viruses, a cyber liability insurance policy may help to get your business back on its feet and compensate any customers that have been affected. In addition, compensation for multimedia claims, damage to third parties caused as a result of libel, slander, copyright infringement and invasion of privacy are amongst the perils that can also be covered by insurance. For more information on cover available to you, please contact us.

THE EARLY BIRD - KEEPS THEIR VEHICLE

The Continuous Insurance Enforcement (CIE) Scheme aims to reduce uninsured drivers on our roads by a massive 40%. These drivers cost us on average an extra £30 per year on our car insurance.

The CIE compares insurance and ownership records. Starting early this year, if a vehicle is not recorded on the Motor Insurers Database (MID) or declared as off the road (SORN) a letter will be sent to the owner asking them to contact their insurer to update the MID, advise the DVLA of a change of owner, declare the vehicle SORN or buy insurance.

Failure to comply could result in a £100 fixed penalty, leading to seizure of the vehicle and a court prosecution with a maximum fine of £1,000.

It is all the more important now to renew your vehicle insurance in advance of your renewal date.





CAN YOU AFFORD THE COST?

- EMPLOYMENT, REGULATORY AND THIRD PARTY CLAIMS

Your business is ten times more likely to face a claim from one of your existing or former employees than have a fire. A shocking statistic but not surprising when you consider the current difficult economic climate and the vast array of employment legislation businesses face.

Through 2009/10 employment claims jumped 60% reaching 236,000. This sobering statistic is costing U.K. businesses, even those with the best of defences, claims that regularly exceed £10,000. These sizeable awards are often made by tribunals, with average awards for disability discrimination claims topping £50,000. Adding to a business's financial cost is the lengthy process of dealing with a claim and the potential reputation damage among employees and customers.

The increase in claims is of such concern that the Government's 'enterprise czar' Lord Young has reportedly suggested they introduce charges for employment tribunals. The aim would be to protect businesses by reducing the number of illegitimate or repeat claims made by employees.

Beyond employment, the law has tightened in areas such as health and safety (including corporate manslaughter) and tax. In addition the anti-bribery laws have been extended to punish businesses and directors who have not prevented bribery within their organisations. It's easy to predict we will see a greater number of U.K. businesses, and their owners, being investigated and prosecuted for suspected wrongdoing.

Every decision you make may expose your business and you personally to expensive legal action from employees, investors, shareholders and other third parties who are ever more aware of their rights. Insurance policies are now available that can help to protect management, providing:

- Cover for the legal costs of claims and awards (not fines or penalties) made against your business and/or you
- Access to a free employers' helpline operated by one of the U.K.'s leading solicitors
- No limit on the number of claims in any one year

Insurance cover is available to private limited companies, charities, clubs and associations. Please speak with us to find out about insurance protection for you.

Information contributed by AXA Insurance

YOU CAN RELAX KNOWING YOU'RE COVERED!

Sometimes choosing insurance online can be confusing. Rather than guessing which policy is right for you from a comparison website, using our expertise we can recommend the most suitable insurer and policy for you. You can relax knowing we have cross checked your policy, before you see it, helping make sure you don't fall foul of any insurer non-standard requirements and exclusions.



EQUALITY ACT 2010



The majority of the Equality Act 2010 (the 'Act') came into force on October 1, 2010. The Act simplifies, strengthens and replaces previous U.K. discrimination legislation (such as the Sex Discrimination Act 1975 and the Disability Discrimination Act 1995).

The Act covers discrimination on the grounds of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation. These are now called 'protected characteristics'. The basic framework of protection against direct and indirect discrimination, harassment and victimisation in the workplace is also covered. Some key changes from previous legislation include:

- There is improved protection from discrimination for people who are perceived to have, or are associated with someone who has, a protected characteristic. This may affect employees who are also 'carers'.
- Employees may now make an harassment complaint even if they are not the direct victim. They need to demonstrate that they find the harassment offensive.
- The Act limits the circumstances where an employer can ask health-related questions before it has offered an applicant a job. There are a few limited exceptions to this rule, for example to assess whether an employee is able to carry out a function that is essential to the job, to monitor diversity and to decide whether any reasonable adjustments are required for the selection process.
- The Act makes it unlawful for an employer to prevent or restrict its employees from discussing their pay if the purpose of the discussion is to establish the existence of discrimination. Pay secrecy clauses in a contract of employment are also unenforceable.

For further information on all the legislation changes and how they may affect your business visit www.equalities.gov.uk or speak with us.

BUSINESS OR PLEASURE?

When booking your next business trip and arranging your business travel insurance here are some things you may wish to consider:

Solo or party traveller?

Some 'off the shelf' policies may apply the sums insured/limits per event or trip, particularly the cancellation/curtailment benefit. You should ensure that the sums insured/limits apply per person, per trip.

Can't bear to be apart?

If your partner is coming along for some well deserved R&R, check that your policy covers family members and leisure trips or arrange separate travel insurance.

Key trip or jolly?

If it is imperative that the business trip is successfully completed without being deferred or severely disrupted by a traveller falling ill then you should ensure that cover extends to include the cost of sending out a replacement colleague.

A quick round before dinner?

Taking your golf clubs just in case a luscious green course tempts you? Check your policy to ensure that you are covered for loss of or damage to your sporting or personal equipment and any hired equipment.

Hold or cabin?

Do you take your laptop on the plane or check it in as luggage? Be sure that your business policy does not exclude property carried in the hold.

For more information on business travel insurance, please contact us.



This newsletter offers a general overview of its subject matter. It does not necessarily address every aspect of its subject or every product available in the market. It is not intended to be, and should not be, used to replace specific advice relating to individual situations and we do not offer, and this should not be seen as, legal, accounting or tax advice. If you intend to take any action or make any decision on the basis of the content of this publication you should first seek specific advice from an appropriate professional.

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