SPRING 2014

COVERNOTES

DCJ Group
INSURANCE & RISK MANAGEMENT

WEATHERING THE STORM

The last winter saw the UK battered by hurricane force winds and deluged with biblical volumes of rain. The Prime Minister chaired COBRA meetings while the Met Office issued a 'Red Warning,' its highest level of alarm that meant lives were in danger.

The severe weather caused flooding across the West Country and the Thames Valley. Rail links to Devon and Cornwall were cut off and the Thames Flood Barrier was in constant use while places on the Somerset Levels were accessible only by boat.

> ...insured losses were already over £500 million and still rising while economic losses were close to clearing $1billion...

At the time of writing, according to accountants PwC insured losses were already over £500 million and still rising while economic losses were close to clearing $1billion.

The average insurance claim per affected household could have reached as high as £40,000, and although insured losses were still significantly below the £3 billion UK insurers paid out after floods in 2007, it could still prompt a rise in premiums.

Around 1 in 6 homes in England and Wales are at risk of flooding from a combination of river, coastal and surface water flooding. And that flood risk continues to worsen. 2012 for example was the wettest on record in England and Wales, and the Environment Agency predicts the number of properties at significant flood risk will rise by 350,000 in 2035. This could make the cost of flood insurance unaffordable for many at risk. Difficulties in getting affordable flood insurance could have implications on mortgages and the housing market.

However, from next year there will be a cap in the cost of property insurance for homes in flood prone regions. Under an agreement called Flood Re, between insurers and the government, a fund will be set up to provide payouts on properties insurers are unwilling to cover. This will see the industry paying the premiums for high-risk properties, plus a levy of £180 million a year.

The aim of Flood Re is to keep property premiums affordable for those at serious risk of flooding. Those in flood-prone areas will pay up to £540 a year in council tax Band G, falling to £210 for bands A and B, for the flood-insurance element of cover, but the industry claims other householders will not see a price rise.

However, properties occupied by SMEs are to be excluded from the Flood Re scheme despite the fact that, according to PwC, during the 2007 floods, 25% of insurance claims were made by businesses.

The Association of British Insurers says there is no evidence that there are the same systematic issues for SMEs in terms of being able to afford flood insurance as there are for households.

The ABI says that as one business will have vastly different requirements to another, depending on the value of stock held upon the premises amongst other things. The problem with providing an insurance solution to SME business is that the solution for all householders are a simple buildings and contents policy with similar limits - for SME clients, covers are more variable with many additions, such as loss of profits, engineering covers, loss of licence covers etc. and large variances in sums insured (for stock, contents, gross profit etc.) which would be very difficult for Flood Re to standardise a product to meet the variable needs of an SME business. They would have differing perceptions of what is an affordable premium.

It also notes that most SME business...

CONTINUED ON PAGE 2

CONTINUED FROM FRONT PAGE

is broker-led while home insurance tends to be sold direct. It also claims that including SMEs would see customers to have to cross subsidise commercial risks.

However, the British Insurance Brokers' Association has urged the Water Bill Scrutiny Committee, which is setting out the terms for Flood Re, to consider including SMEs.

BIBA says it is vital to help small businesses with a turnover of less than £1m and less than 10 staff and says its members have raised concerns about the accessibility and affordability of flood insurance for small businesses.

In the meantime SMEs could look to comprehensive protection packages, such as Commercial Combined Insurance. This is a suite of insurance covers, including property, which comes under one banner and gives businesses all round protection.

At the time of writing, the Water Bill is at the Committee stage in the House of Lords and as discussions continue the insurance industry is pressing for the protection of SMEs to be included in Flood Re.

There have been fears that leasehold properties would also be excluded from Flood Re however the ABI has confirmed that all properties regardless of whether leasehold or freehold will be covered, as long as they are insured by individuals rather than companies.

This does mean that buy-to-let investors who operate through the structure of a company may struggle to get flood cover for their properties.

Regardless of who offers Flood cover, all businesses need to ensure they have adequate safeguards in place for a flood event, from making appropriate disaster recovery plans, to ensuring adequacy of insurance cover (especially Business Interruption sums insured and indemnity limits). This will help to get the business up and running again as quickly as possible.

The insurance industry will be encouraging the government and local authorities to reduce building in low-lying areas and flood plains. It will also be encouraging the UK government to increase spending on flood defences, including dams and levees as well as looking at flood mitigation strategies in flood-prone areas.

Prevention is always better than cure, and the government has to improve flood defences and manage waterways to reduce the threat of flooding. However no action will ever stop flooding completely, so a good property insurance scheme that protects buildings from flood damage is just as important to protect homes and businesses.

For further information on SME Package or Commercial Combined Insurance please contact us.

RIDDOR UPDATE

RIDDOR is the acronym for the law that covers the requirement for reporting work-related accidents and industrial diseases to the authorities.

The RIDDOR regulations – which stand for Reporting of Injuries, Diseases and Dangerous Occurrences Regulations – cover the responsibilities of employers and other people in control of work premises, to report and keep records of:

- Work-related accidents which cause death;
- Work-related accidents which cause certain serious injuries (reportable injuries);
- Diagnosed cases of certain industrial diseases; and certain 'dangerous occurrences' (incidents with the potential to cause harm);
- Special requirements for gas incidents.

Changes were made to the regulations in October 2013, which aimed at simplifying the procedures for businesses.

Reporting certain incidents to the enforcing authorities, the Health & Safety Executive in England, Scotland and Wales, the HSENI in Northern Ireland, local authorities and the Office for Rail Regulation, is a legal requirement.

Accidents must be reported if they are work-related and cause death or injury. All deaths to workers and non-workers alike must be reported, with the exception of suicides.

The full list of specified injuries that need to be reported is extensive and ranges from fractures or the loss of sight to burns or unconsciousness.

In addition, reportable occupational diseases include dermatitis, carpal tunnel syndrome and any cancer caused by an occupation.

There are also 27 categories of dangerous occurrence that must be reported. These include incidents with lifting equipment, electrical faults and explosions or fires.

Incidents involving gas constitute a category of their own and any involved in the supply of gas or fitting of gas appliances must report any incident where someone has died or lost consciousness, or been taken to hospital for treatment with an injury arising in connection with the gas those responsible have distributed, filled, imported or supplied.

For a full list of the RIDDOR regulations or to report an incident go to www.hse.gov.uk/riddor.

Businesses in Northern Ireland will need to go to: http://www.hseni.gov.uk/contact-us/report-an-incident.htm.

REMOTE CONTROL

The internet has had a dramatic impact on many aspects of our lives. One of these is the ability to work from home. According to the Office of National Statistics one in 10 people now work from home, an increase of a third in the last decade.

Remote working can benefit both employees and employers. For the employer an entire team that works remotely can reduce overheads, such as renting office space, and enables the company to attract talent regardless of geography. On an adhoc basis, allowing employees to work from home can reduce lost business hours in the event of extreme weather or transport strikes.

For the employee it can help create a more healthy work life balance and reduce the stress of a lengthy commute.

However the flip side to this is that it can leave the employer wondering whether their staff are putting in sufficient hours and can leave the employee feeling isolated and unappreciated.

So how can managers achieve the balancing act of motivating staff without damaging trust or making remote workers feel ostracised from the team?

OUT OF SIGHT OUT OF MIND?

One of the biggest fears when managing a team of remote employees is that they aren't producing the same results as they would if you were in the same building. Unfortunately, this fear can lead to micro-managing of employees, which can lead to the direct results you are trying to avoid.

A more effective approach is for the employees to hold themselves accountable to their goals. By clearly setting objectives and providing a weekly status report to you, they will hold themselves accountable for their efficiency. No one wants to come to their manager and tell them they did a bad job.

TRUST ISSUES

One of the single most important factors to managing a mobile workforce successfully is trust. Show your team you trust them to do their job well by assigning certain tasks and responsibilities and regularly communicate with them to provide the right level of support. This will make them feel connected and included as well as motivated and engaged.

COMMUNICATION BREAKDOWN

While remote workers need a certain degree of autonomy it's not an excuse to go days or weeks without any contact with them. Those working from home can find it de-motivating if they do not receive regular feedback. This could mean vital skills are overlooked or under-developed, leading to resentment by the team member.

PART OF THE TEAM

Whilst working from home is clearly desirable for many, a lack of connection to the workforce can result in a feeling of isolation and that they're not part of a common cause. Web-conferencing software means that weekly or monthly team meetings can occur if face to face meetings are not logistically possible. Allowing staff to interact with one another will foster a sense of belonging and make the business feel real to the workers. If a business runs purely with remote workers, then it is essential to have something that makes the business a reality in the minds of its workers.

WHEN TWO WORLDS COLLIDE

In December 2011 David Johnson, a driver of an 18 tonne truck for logistics firm ELB Partners, was involved in a collision with a cyclist. Tragically the accident was fatal.

Unfortunately this is not an isolated incident. According to Transport for London 53 per cent of pedal cycle fatalities between 2008 and 2012 involved "direct conflict" with an HGV.

As a result such incidents attract a lot of media attention. However what often goes unreported is the impact that an accident can have on the driver, his colleagues and the firm as a whole.

In the case of David Johnson the aftermath is equally as tragic as the accident itself. Understandably distraught, David was unable to return to work. In April 2012, the previously healthy driver was diagnosed with bowel cancer and passed away the following September aged just 31 - less than a year after the fateful event.

Mark Norman, transport manager for ELB Partners', told haulage industry magazine Commercial Motors: "Clearly the stress he was going through played a massive part in this."

While providing emotional and financial support (not only did ELB Partners arrange a 12 week counselling course they continued to pay David for a further three months after the incident) the company also faced what ELB Partners MD Peter Eason believed was extremely one sided media attention.

In a letter to London Mayor Boris Johnson Mr Eason wrote: "The media were relentless. ELB Partners were written about in newspapers and on social websites. These reports were totally misleading, and this is often the trend."

As a result ELB Partners has introduced additional safety measures to its 30 HGVs include CCTV, side bars, warning stickers and top-specification blind spot mirrors. Audible warnings stating "caution truck turning left" are also being rolled out across the fleet.

"None of this is mandatory," Eason told Commercial Motors, "but I believe cameras should be."

However this could be about to change. Under new proposals, announced in February, lorries without cycle-safety mirrors and sideguards will be banned from operating in London. All heavy goods vehicles (HGVs) weighing more than 3.5 tonnes face a financial penalty on entering the capital if they do not comply with the rules.

Financial cost as well as an emotional one

At the time of Mr Johnson's death the crown prosecution service was assessing whether to bring charges for causing death by dangerous driving.

Comprehensive Motor Insurance (whether individual or for a fleet) would ensure a driver is covered against injury or death of third party persons with an unlimited limit of indemnity as well as the costs of defending an action under the Corporate Manslaughter and Corporate Homicide Act 2007. So ensure your fleet insurance is up to date.

Whilst having the proper motor insurance in place is vital (and compulsory), companies will need to ensure their drivers are properly trained and supported whilst engaging in company business. By encouraging higher standards of driving, this will reduce the number of accidents (so less injury to third parties and employees), also reducing monetary losses due to recovering employees not at work and vehicles off the road. As well as providing motor insurance, insurers may also offer motor fleet risk management/driver training so please get in touch with us for options or for further information on Comprehensive Motor Insurance.

While cyclists are unfortunately always going to come off worse in such a collision they are not immune to causing injury or damage themselves. If you have staff who cycle to work ensure they have insurance that covers them against public liability.

Commissioned by Transport for London (TFL) the Transport Research Laboratory (TRL) analysed killed or seriously injured (KSI) data over a five year period, from 2008 to 2012. The study revealed that had all exempted HGVs been fitted with equipment that is standard for 18 tonne trucks, between 3.20 and 6.85 fatalities and between 1.24 and 4.75 serious casualties could have been prevented during the five year period.

TWO SIDES TO THE STORY

While there has been a lot of campaigning from the cycling community to do more to protect cyclists it is not as though those in the freight and haulage have been ignoring the issue.

For example, it was announced in January that the Freight Transport Association had joined with the European Cyclists' Federation, the Mayor of London and others in signing a declaration calling on the European Parliament to support Commission proposals to review the lorry dimensions rules.

Discussions are currently taking place in the European Parliament on the revision of the EU Weights and Dimensions Directive 96/53. The revisions proposed to the Parliament by the Commission would allow new cab designs with improved sight lines and direct visibility, reducing blind spots.

The first vote on this issue was scheduled in the European Parliament on 11 February but there will be no final agreement until at least the end of 2014.

Sources:
http://www.commercialmotor.com/latest-news/our-driver-killed-a-cyclist
http://www.seemesaveme.com/resources/safer-lorry-scheme-the-way-forward_Jan_2014.pdf
http://www.fta.co.uk/media_and_campaigns/press_releases/2014/20140129_fta_joins_with_cyclists_pedestrians_and_london_mayor_to_support_better_designed_trucks.html

LOOKING TO EXPORT?

The UK economy looks to finally be on the road to recovery but exports remain disappointing despite a competitive pound. One of the reasons for this is concern amongst SMEs over venturing into the unknown.

How do they identify the right markets and bona fide customers abroad? How can they safely extract money from overseas trade? Will they be at the mercy of exchange rate fluctuations or foreign tax bills?

Help is at hand. We can go through some of the options for potential exporters from help with research on export markets, assessment of creditworthiness and protection of non-payment by trade credit insurers to FX hedging products provided by the banks.

An obvious starting point for any SME looking to export for the first time is UKTI. The government department helps promote foreign trade and has experts on hand that can help and advice on a number of factors facing exporters.

In addition a trade credit insurer will help companies with their sales effort. Trade credit insurance policyholders can apply for reports on the creditworthiness of individual customers or entire markets.

Based on these assessments insurers will advise exporters on what terms they can deal with overseas customers.

The least risky way of doing this is through a Confirmed Letter of Credit. This is a guarantee from an overseas bank that comes to a UK bank. It is an insurance policy for the UK exporter because if the foreign bank can't pay out because of economic or political factors the UK bank will.

Bills of Collection or Bills of Exchange are where banks effectively handle the documents between the parties and release the documents and the payment once certain conditions are met. Usually that means documents being sent overseas and the cash being repatriated to the UK.

In Open Account trading there is no bank involved it is just an agreement between the buyer and the seller about what time money will be released in the transaction.

In the event of non-payment by the buyer then the credit insurance is activated. The insurers have debt recovery services around the globe and if these fail to ensure payment the insurer will settle the claim.

A trade credit policy will also help potential exporters secure finance from lenders, as the lender will be able to see that transactions are securitised.

> Exporters concerns do not end with securing payment from overseas customers.

If you choose to deal in foreign currencies, you expose yourself to FX rates, which can be extremely volatile. Movements either way can have a significant impact on the profitability of a particular deal or the competitiveness of a product.

Banks can help with an FX strategy through forward contracts or a currency option. A forward contract offers the chance to fix the foreign exchange rate in advance. These provide certainty and protect businesses trading overseas when rates move against them – however the business will not profit if the rate moves in its favour.

A more flexible alternative is to consider a currency option. Here the business specifies the worst rate they would accept and the currency exchange is protected at that level. If the rates move against them, they can still deal at the protected rate, but if rates move in their favour, you can deal at the more advantageous spot rate. However, an upfront premium is usually payable for a currency option.

Insuring goods for delivery

To fulfil export orders will require shipping goods overseas to your new international customers and there is always a risk that they may be delayed, damaged or lost in transit.

Most people in the supply chain who facilitate the movement of goods operate under conditions limiting their liability in cases of loss, damage or delay. For instance in the UK a haulier's liability is usually limited to £1,300 per tonne - a standard limit imposed under the Road Haulage Association's 'RHA Conditions of Carriage'. This limit is inadequate to cover the value of many goods. In addition a haulier will have defences against liability in certain circumstances. Traders should therefore insure their goods against loss, damage or delay in transit.

It is therefore vital to ensure appropriate insurance is in place and that you don't assume another party has made the necessary arrangements, leaving you liable in the event of a claim.

A typical cargo insurance policy covers goods in transit via road, rail, sea or air. In its simplest form it provides cover against physical loss or damage and other risks.

An annual Marine Cargo policy is the most common and convenient way of protecting your goods. It will protect all your movements within the policy period and it is usually a relatively straight forward process arranging cover.

When considering an annual policy insurers will look at the following:

- The type of goods to be insured
- The annual value of goods in transit
- Limits of liability
- Geographical areas of trade
- Loss history

If you have any queries regarding credit or marine cargo insurance please contact us.

WOULD YOU PREFER YOUR STAFF TO BE MORE ANTI-SOCIAL MEDIA?

There was a time where employers could monitor the amount of time their staff was wasting by the number of phone calls they made to friends and the frequency of their tea breaks. However with the advent of the internet and social media, such as Facebook and Twitter, communicating with friends rather than contacting customers has never been easier.

> ...drop in workers' productivity could be costing British businesses as much as £14 billion...

Unfortunately limiting access to the internet or checking to see which programmes employees have open on their computer is not sufficient to ensure they aren't messaging friends or shopping online.

With 59% of those aged 15 and above owning smartphones, getting online has never been easier and some unscrupulous staff could be taking advantage.

So if your staff are closing down windows on their computer or hiding their phone when you walk by they could be spending more time on social networks than growing your business.

So how much time could they be spending online and what impact is this having on the working week?

- The proportion of all adults accessing the internet is at 84%, with 55% of those now accessing via a mobile phone.
- 53% of GB adults access social networking sites, 30% access via a Smartphone.
- In December 2013 the UK Facebook user base stood at over 31 million users – 31,456,000 to be precise which is roughly half the population.
- Twitter has 15m users in the UK.
- 57% of work interruptions involve either the use of social tools like email, social networks, and text messaging, or switching windows among disparate standalone tools and applications, as well as personal online activities such as Facebook and Internet searches.
- 24 hours a month are spent on social networking.
- Of the businesses surveyed in a study by Proskauer International Labor & Employment Group, 43% had dealt with employees' misuse of social websites.
- 10% of workers spend more time on the internet than they do working.
- 60% of people use social networking during the working day.
- Workers are interrupted every 10.5 minutes by tweets, instant messaging and Facebook messages.
- It takes 23 minutes for social media users to get back to the task they were working on.
- More than half of British employees admitted to updating their social media profiles while at work, while a third said they spent half an hour a day using the websites.
- Two million people – 6% of Britain's 34 million-strong workforce – admit spending more than an hour every day on social networks.
- The resulting drop in workers' productivity could be costing British businesses as much as £14 billion a year.
- 14% of workers admit to being less productive as a result of social media.
- 10% claim that using Facebook and Twitter at work boost productivity.

Sources:
http://www.pewinternet.org/2013/12/30/social-media-update-2013/
http://www.ipsos-mori.com/DownloadPublication/1630_IpsosMediaCT_Techtracker_Q4_2013.pdf
https://twitter.com/TonyW/status/375889809153462272
http://mashable.com/2012/11/02/social-media-work-productivity/
http://blog.unum.co.uk/news-and-views/social-media-in-the-workplace-the-good-the-bad-and-the-ugly/
http://www.telegraph.co.uk/technology/twitter/7924231/Twitter-and-Facebook-costing-economy-14bn-a-year.html

FP1617/04/14

D C J Group Insurance & Risk Management Ltd
Lutine House
Brimington Road North
Chesterfield, S41 9AP

Tel: 01246 456789
Fax: 01246 260611
info@dcj-insurance.co.uk

www.dcj-insurance.co.uk