

# COVERNOTES

Summer 2012



## THAT SINKING FEELING

**The long dry winter and spring led the Environment Agency to class many areas of the U.K. as 'in drought'. While all the hose pipe bans have now been lifted, what has this dry period left behind?**

These conditions have placed those involved in subsidence claims on alert for a potential increase in claims this summer. Subsidence 'surges' are notoriously difficult to predict but with some past surges preceded by a dry winter, for instance 1975/76, 1988/89 and 1990/91, the indications point to a potential rise in claims later in 2012.

The majority of subsidence claims are caused by shrinkage of the clay subsoil below the foundations of properties, normally caused by trees or other vegetation removing moisture from the clay causing it to shrink. As a consequence, most claims occur in late summer or early autumn when the trees are seeking additional moisture and extend their roots further and deeper. Clay subsoil covers many areas of the U.K. but is particularly prevalent in the South East (London Clay, Weald Clay & Gault Clay) and the Midlands/East Anglia (Lias Clays, Oxford Clay). As a consequence, weather conditions in these areas are a major factor in driving overall claim numbers.

### So will it be a big summer for subsidence?

The wettest April for 100 years has undoubtedly dampened fears. The rainfall has had a significant impact on the upper layers of soil, but the soil remains dry at depth so a reasonably prolonged period of warm and dry weather late in the summer could still have a serious impact.

If you think your property might be at risk, check with us that your current policy includes subsidence cover as this is not usually given on standard business policies. It is often provided with a minimum excess of £1,000 which, although a significant cost for the policyholder, is small compared to the cost of remedial work such as underpinning. This can be both expensive and intrusive to your business.

Good general maintenance of properties and any surrounding trees can assist. Some trees are thirstier and grow larger than others. Those such as Willow should not be planted within 40 metres of your property\*. As trees have been identified as a considerable contributory factor, tree management has become a much more efficient solution in many subsidence cases and if included within any business maintenance plans could avoid subsidence in the first place.

Minor cracks, less than 5mm, can be due to other factors, but large cracks (into which a 10 pence piece can be slotted) are often the first signs of subsidence. If larger cracks appear then you should contact us immediately.

The main focus of the subsidence industry is preparation. According to Crawford & Company, the subsidence industry has shrunk since the last 'Surge' in 2003 due to steadily declining claim numbers. They are preparing themselves for a significant increase in workload to support claims and limit damage.

The spring and summer rains may have provided some respite, but a dry late summer may result in an influx of subsidence claims and you should be aware of the signs, possible precautions and ensuring your cover is correct.

\* Source ABI website ([www.abi.co.uk](http://www.abi.co.uk))

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# STRESS IN THE WORKPLACE

**Stress in the workplace is a serious issue for employers. You need to be aware of the human, business and possible legal impact of your employees suffering from stress.**

Employers have a general duty under the Health and Safety at Work Act 1974 to provide a safe working environment and more specifically, under Regulation 3 of the Management of Health and Safety at Work Regulations 1999, employers are required to assess the risks to the health and safety of employees to which they are exposed while they are at work. This includes an assessment of the risk of occupational stress.

We all need an amount of pressure to keep us motivated. However, it becomes a problem when the level of pressure experienced is difficult to manage, i.e., when pressure becomes stress. Being over-stressed can display as physical and emotional symptoms and in extreme cases can lead to excessive smoking, drinking and the use of drugs.

Individuals all cope with pressure in different ways and the point at which pressure becomes stress is unique to every individual. It is important to consider this when assessing the stresses within the workplace and the individuals which are exposed to these stresses.

As well as stress affecting an individual's personal life it can also affect workplace performance. Studies have shown that sufferers are more likely to have accidents caused by mistakes or errors of judgement. This can endanger not only the individual but also other people. It may affect their performance and individuals become less effective, less motivated and more likely to have time off. This may well be reflected in absence statistics. Stress can also damage workplace relationships as irritability and depression can place greater pressures on colleague relationships. This can sometimes magnify existing problems and create a poor working atmosphere for others.

Advice on how to manage workplace stress can be obtained from the Health and Safety Executive. The HSE's Stress Management Standards cover the six primary causes of stress. The HSE has also developed a simple tool which can form a useful part of the stress risk assessment process, but you need to remember that you still need to interpret the results and take action. The Indicator Tool can be downloaded from the HSE website [www.hse.gov.uk/stress](http://www.hse.gov.uk/stress).

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# MOTOR FLEET CLAIMS TIPS

**Businesses need to continually review their costs. Reducing fleet motor claims may help to keep insurance premiums in check and save money on excesses. Tips you may wish to consider that could help reduce claims frequency and/or costs include:**

- Adopt a procedure detailing 'What to do in the event of a claim'. Ensure that all drivers are adequately trained.
- Keep an accident pack in vehicles including the procedure, claim form, notepad and pen.
- In the event of an accident, ask drivers to take photos of all parties' vehicle damage, vehicle locations post incident, details of road markings and any signage using their smart phones.
- Information is key. Ensure as much information is collated as possible at the scene of the incident. Include full incident location and circumstances, all parties details (including name, address, telephone, registration) and in the event of a theft, details of any security applied to the vehicle.
- Record details of all the passengers in the vehicles involved in the accident as this is a rich area for fraud, with non-existent passengers having been known to claim for whiplash!
- Fit vehicles with trackers - an expense but this could protect you from potential fraudulent claims, assist in the event of stolen vehicles and reduce your fuel costs.
- Apply load coverings to open container units.

Don't forget to let us know as soon as an accident or claim occurs so we can help to reduce its impact on your business.



# HOW LONG WOULD IT TAKE YOUR BUSINESS TO GET UP TO FULL SPEED?



**Every year thousands of U.K. businesses are hit by incidents that interrupt their every-day running. Flood, fire or denial of access to your premises may impact your business for only a day, a month or in extreme cases may prevent you being able to deliver your full services for years, so how can you prepare for these risks?**

A recent survey by the British Insurance Brokers' Association (BIBA) and the Cabinet Office has looked into the benefits that business continuity plans can bring. The majority (96 percent) of respondents 'with sufficient information on business continuity' felt that having a business continuity plan in place would keep businesses trading or reduce the costs they would incur when they would have otherwise likely failed, or it seemed to reduce the cost of the disruption significantly.

Should the worst happen, plans can only go so far in limiting the impact, so having business interruption insurance in place should be considered.

As well as covering you for losses due to 'standard' perils such as fire, storm, flood etc, business interruption insurance can also be obtained for damage to utilities (electricity, gas, water and telecoms), damage at a customers'/suppliers' premises, or even closure of the premises by local authorities due to notifiable diseases in the area.

It is crucial that when arranging your insurance you make an accurate assessment of how long it will take to get your business up and running again. Some businesses with more specialist equipment may find that major items can take 12-18 months to replace. If this is the case, you need to be sure that your indemnity period covers the full duration and your estimates for gross profit or revenue are calculated accurately.

Having a complete business continuity plan together with full financial records for your business should ensure that insurers will be better placed to assist you in bringing your business back up to speed following any losses you may have. In addition 83 percent of the insurers asked\*, said that they would provide a discount or improved insurance terms to a business interruption policy if a business continuity plan was in place.

For any queries you have on business continuity plans or business interruption insurance then please contact us.

\*The survey was conducted among BIBA members and insurer partners. The research is based on 83 responses.

How long will it take to get your business up and running? Consider:

- Thinking and decision time
- Planning consents and enquiries
- Rebuilding or building time
- Lead time for replacement machinery and plant
- Retraining staff
- Commissioning plant and systems
- Regaining pre-loss trading levels and loss of market
- Seasonality of your business

# CYBER CRIME

**Global, instant, boundless, unprecedented - these are words that are commonly used to describe the opportunities of the cyber world. They could also be used to describe the risks that arise alongside those opportunities. Cyber risks are faced not just by e-commerce companies - those doing transactions over the internet; any company reliant on computer networks, digital information or the internet faces these exposures. This means just about every size of business in the world today.**

Cyber crime regularly hits the headlines. This May Britain's Serious Organised Crime Agency announced that co-ordinated raids in Australia, Europe, the U.K. and U.S. had shut down dozens of sites selling credit card details. The activity was the culmination of two years of work. Credit card details or bank account numbers were being sold for as little as £2. The Scottish government also recently appointed a minister with the responsibility for tackling the growing threat posed by cyber criminals. Cyber crime is estimated to cost Scottish businesses £5bn a year, with a Government report estimating the cost to the U.K. economy overall is £27bn a year.

The threat level is serious and growing but what can small business do to tackle the risk of cyber exposures, including hackers, privacy invasion, viruses and network disruptions?

- Educate your employees. Develop guidelines for staff on internet security and threats.
- Ensure all passwords are complex and at least eight digits. These should be changed regularly. All mobile devices should be password protected.
- Regularly assess your security risks. The cyber world is continually evolving as are the risks.
- Keep your virus/malware software up-to-date and ensure regular scans by your software are scheduled and completed.
- Back-up your systems regularly on remote devices. Should your data be attacked, ensure you can get access to your client records easily and be up and running quickly.
- Be proactive and develop a security and recovery plan.

In many cases, traditional insurance policies - property, commercial, general liability and many errors and omissions (E&O) policies - may not respond to losses involving information systems. Specialist cyber liability insurance cover is now also available to help protect your business against cyber damage. In the case of data breaches this may include costs for forensic investigation, notification, credit monitoring, some public relations activity and crisis management fees to limit reputational damage, as well as some regulatory and defence costs and liabilities. When considering this type of insurance cover, the more pro-active you are in protecting your business (and proving this to insurers), the easier it will be to obtain the most competitive quotations and range of covers. For more information on cyber liability insurance please contact us.

## FEE FOR INTERVENTION (FFI)

The Health and Safety Executive (HSE) has proposed to introduce a fee for the 'intervention cost recovery scheme' with effect from 1 October 2012, subject to Parliamentary approval of the proposed Health and Safety (Fees) Regulations 2012.

In the event of this passing the HSE will be able to recover its costs for carrying out its regulatory functions from those found to be in material breach of health and safety law. A material breach is, when in the opinion of the HSE inspector, there has been a contravention of health and safety law that is serious enough to require them to notify the person in material breach of that opinion in writing.

The businesses and organisations that break health and safety laws may have to pay for the HSE's time in putting matters right, investigating and taking enforcement action. Without FFI, this is paid for from the public purse. The proposed Fee for Intervention hourly rate for 2012/13 is £124.

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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