



COVERNOTES

Spring 2012

2012 - A JUBILANT OLYMPIC YEAR

2012 is set to be a memorable year, with the Queen celebrating her Diamond Jubilee and London hosting the Olympics and Paralympics; the British public is due for a landmark year of national pride.

The glow doesn't stop with the public, British businesses are getting involved with at least 3603 Olympic contracts allocated to U.K. companies (www.london2012.com). So with the contracts dished out and tickets allocated to businesses and corporations, how can your business harness some of the Olympics' sunshine?

With us Brits not needing much of an excuse for a party many companies are opting to entertain their clients, prospects and staff with Jubilee and Olympic themed events. If you host a business event it is important to ensure it is as professional as possible. Whether the event is as simple as a summer tea party for clients or as complicated as a concert, it is worth considering the implications if things don't quite go to plan due to matters outside of your control:

- The unpredictable British weather may affect guest attendance, reducing the impact of the event.
- Security risks and terrorism threats are heightened this year and are the main threat to the Games' success. In response the U.K. has planned the biggest peacetime security operation with a budget of £553m. Though it has put in place additional security measures to protect transport networks, terrorism scares may still impact guest and entertainers' arrival.
- Guest speakers or entertainers may let you down, requiring a last minute replacement.

- Non-availability of a venue or failure of key facilities such as toilets or safety equipment may mean that your event has to be cancelled.

The good news is that should the worst happen at your event insurance is available to protect your business. Three key areas of event insurance cover to consider are:

Event Cancellation Insurance

If your event is cancelled due to something beyond your control, you will be covered for irrecoverable expenses to a pre-agreed limit. This can also be extended to include cancellation due to terrorism related events.

Event Property Damage Insurance

This covers you for any loss of or damage to your property (or property you are responsible for) at your event or travelling to and from it. Loss of or damage to the venue's buildings, fixtures, fittings and machinery can also be included.

Event Legal Liabilities Insurance

This provides cover if you have to pay compensation to a third party following accidental bodily injury or damage to their property for incidents happening during your event. Cover can also include injuries from food poisoning caused by food or drink served as hospitality by you. Insurance can be placed for your legal liability for injury to your own and casual staff.

Further Extensions

Extensions to your insurance policy are available to cover for;

- Adverse weather conditions for any part of the event in the open or in a marquee
- Non appearance of key people such as guest speakers or entertainers
- Enforced reduced attendance covering loss of profits due to an insured cause
- Travel
- Money and door receipts

In addition, if you are organising a small local community street party, insurance to cover up to £5million of public liability is often very inexpensive, giving you added reassurance.

To organise insurance for your event, please contact us.

REDUCE RISK - SUPPORT GROWTH

In today's economic climate even well-known companies can fail; the size and prestige of your client offers no guarantee of its creditworthiness. If one or more of your clients suddenly fail then that bad debt will directly impact your company's bottom line.

Few companies can avoid bad debts completely. Most debts are likely to form a substantial and ever-increasing part of your balance sheet. Further analysis of this may reveal hidden dangers such as over-exposure in certain markets or to a particular risk. This could result in a massive hit to your company's profitability and even more critically its cash flow. Whether it is to safeguard against bad debts, or to enhance internal procedures, a sound credit strategy is essential.

Trade credit insurance is now widely available and not just for the larger businesses either. It's designed to protect against the risk of non-payment of trade debt to your business. Every company is different and your own business will have a unique risk profile. It's important therefore that you select which parts of your customer base you want to protect. This could include:

- Your total ledger
- Separate U.K. or export ledgers
- Major income accounts
- Selected markets or buyers

Many companies seek growth in new markets overseas, but export sales can represent a challenge to your business, with political unrest, civil disturbance and exchange difficulties adding to the risk of company failure and payment default. So how can you balance the growth potential offered by new markets and mitigate the credit risk they represent?

Trade credit insurance assists the sales effort by identifying secure customers and by providing protection as you expand into new markets and encounter unfamiliar risks. This will enable you to tender swiftly and confidently – making your offering more competitive.

The insurance market for trade credit has recently undergone a period of expansion with new underwriters and increased capacity reflecting a greater risk appetite. These factors combined with more flexibility on policy structures and wordings create the ideal environment to reconsider credit insurance. To learn more, please contact us.

Trade credit could benefit your business if;

- You've suffered a bad debt or a customer insolvency
- You'd like to protect your cash flow
- A lot of your business comes from a small number of key customers
- You want to know more about the financial status of your customers
- You're looking to diversify into new markets, new territories or trade with new customers
- You risk losing orders because you don't currently offer open credit terms to your customers
- You could benefit from accessing better finance terms and increased working capital



DO YOU FEEL THE SAME AS OUR SURVEY RESPONDENTS?

55.2% of respondents felt that employment practices claims (harassment, age and sex discrimination) posed a significant risk to their business

63.2% were concerned about anti corruption legislation (including the bribery act)

To understand how we can help protect against these risks, please call us.

* 2011 Directors' Liability Survey – Willis and Allen & Overly, a risk survey of 100 individuals, comprising directors, in-house lawyers and risk and compliance professionals

TOTAL RECALL

Fear over potential damage to companies' reputations may be leading to more responsive and more clearly communicated product recalls.

In January Mini recalled some 29,868 cars in the U.K. after a fire risk was found in some models' water pumps. In what appears to be a proactive recall, managed well by its team, the brand remains intact, in stark contrast to Toyota's experience in 2010. The failure of Toyota to quickly and decisively recall the potentially faulty Prius model may have damaged its brand.

Companies now appear to be moving faster as fear grows over the potential damage of traditional media and fast-moving unrestricted social media. Once locally contained complaints now spread widely with customers sharing similar issues building a head of steam very quickly.

Delaying a recall can have disastrous consequences for consumers, the brand and company. You need to feel confident you can recall as soon as necessary and handle any negative publicity that is caused. No matter what your business' quality or reputation, once a customer's confidence is breached, it can lose its reputation quickly.

Any organisation that sells, manufactures or distributes a product must be prepared for a product recall. Companies can minimise the impact of such an event through the establishment of a product recall procedure, as part of their risk management procedures. In addition, insurance is available to help mitigate costs and give you the confidence to recall should you need to. Covers available include expenses, staff costs, transportation and personal costs, storage costs, disposal/product destruction and communications including media costs. In addition, some insurers offer access to a crisis management consultant to help prepare for product recall and limit reputational damage. For further information please contact us.

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LASHING OUT AT FALSE WHIPLASH

Despite a fall in the number of road accidents, personal injury claims continue to rise, pushing up the cost of motor insurance for all.

The Transport Select Committee noted that there has been a 70% rise in motor insurance injury claims in the past six years, despite a 23% drop in number of casualties actually caused by road accidents. Whiplash, in turn, accounted for 70% of all these injury claims – roughly 554,000 whiplash claims in 2010-2011 alone.

Victims of whiplash genuinely suffer but there are concerns that some claims may be exaggerated and fraudulent. Whiplash is notoriously difficult to test; currently GPs may have to rely on the patient's own reports when diagnosing the condition. With lack of hard evidence it may be more costly to challenge in court than pay compensation, so insurers often settle the case.

In a report responding to The Transport Select Committee's March 2011 Report on the rising cost of insurance, it was suggested that the Government should impose a higher threshold at which compensation for whiplash is paid, with calls to legislate if this move is ineffective in reducing the costs.

There were 554,000 whiplash claims in 2010-2011 alone.



It also calls on insurers to consider their relationships with third party claims experts who may encourage those involved in an accident to claim for compensation, suggesting some may be 'railroaded' by cold callers into legal action. An average referral fee paid by a lawyer to an insurer for a standard small personal injury case such as whiplash is around £500, rising substantially for more severe (and hence more expensive) cases.

So there could be light at the end of the tunnel for all fleet managers desperately trying to reduce their claims frequency but seeing an increase in claims costs year on year. Will we see moves away from the culture that equates any minor shunt to thousands of pounds in compensation?

PLANT AND FARM THEFT IS ON THE INCREASE...

Tractors, quad bikes, power tools, oil, JCBs, loaders, forklifts - both countryside and city, building sites and farms, have a vast array of items of value to attract a rising wave of criminals. Current estimates place the value of plant theft alone at £1million each week*.

Historically manufacturers have not fitted security devices to construction equipment (plant). It is common to find a £60,000 excavator, without any form of reliable security, being left overnight on an open contract site! Equally, a significant amount of driven plant is not road registered and often manufacturer markings are either difficult to find or easy to remove. This means that, not only is it easy to steal high value items of driven plant, the lack of proper identification mean Police have little chance of accurately identifying rightful ownership should they suspect an item has been stolen.

Many of these items will be insured so it's not necessarily the cost of the stolen property that is damaging. Quite often it's the uninsured cost of downtime and idle crews, along with the affect of increased insurance premiums, that could have a serious affect on the profitability of some U.K. businesses.

24 hours after a theft has taken place most stolen plant is in a container ready to be taken outside the country.

There are a few simple measures that could make the lives of would-be criminals more difficult;

- Mark all equipment, vehicles and machinery with an identification number or unique mark. Easily removable parts on equipment should also be marked.
- Where possible and practical, disable the equipment by removing the distributor cap, rotor arm or battery or consider the use of immobilisers.
- Improve your chances of having stolen vehicles recovered by use of measures such as Construction Equipment Security and Registration (CESAR) devices. CESAR is a covert and overt identification and registration system.
- Ensure that gates are secured with robust padlocks or chains.
- Consider the installation of CCTV cameras to deter thieves and provide copies of any filmed theft to the relevant police authorities.
- Secure equipment with heavy chains and good quality locks. Either chain or lock items of equipment together; or to trees or other stationary objects.
- Put lockable caps on fuel outlets to prevent theft.
- Advertise deterrents - put up warning signs to let potential thieves and trespassers know that there are watch dogs, alarms on the premises and identification marks have been made on all equipment.
- Where possible, make use of sensor operated lighting on outbuildings or storage sheds.
- Join a community based watch scheme to ensure vital information is shared.

The insurance options available for contractors include cover for own plant, hired in plant, tools and equipment, contract works, business premises and revenue protection covers. Many insurers of contractor's plant offer generous premium and excess discounts to new and existing customers with a good claims history which itself has been generated by a voluntary and proactive approach to management of their theft risk. Risks presented to insurers are normally each underwritten on their own merits giving consideration to the positive risk protection highlighted. To learn more about insurance for contractors or farmers, please contact us.

www.cesarscheme.org

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Source: Home Office Construction & Agriculture and Plant Security Guidance Document 50/07

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