

WINTER 2014/2015

# COVER2COVER

**Abaco**  
Insurance Brokers



## HOW DOES THE EBOLA THREAT AFFECT BUSINESS CONTINUITY PLANNING?

**Over the past few months the number of deaths from Ebola has been growing. The spread to Nigeria, with its large population and strong links to Europe, has highlighted the potential for the illness to spread further.**

Since August, when the scale of the outbreak first became clear, business continuity firms have been urging their clients with any operations in West Africa to activate their business continuity plans.

Companies need to look at the current Ebola outbreak and consider what risks it poses to both their business and employees. Protocols need to be in place.

They should also take this opportunity to review their overall approach to

pandemics. Companies that created pandemic strategies for the SARS scare in 2003 could use these as the basis for an Ebola strategy.

Ebola is a viral illness of which the initial symptoms can include a sudden fever, intense weakness, muscle pain and a sore throat. Subsequent stages are vomiting, diarrhoea and - in some cases - both internal and external bleeding.

Companies should monitor the developments of the outbreak via appropriate websites, such as the World Health Organisation.

### **Which Companies Could Be Affected?**

All companies who have business relationships in West Africa and whose

employees travel into the region need to be sure they are educating staff about symptoms and monitoring the health of any employees deemed to be at risk.

An employer has a responsibility for the health and safety of employees and visitors to a place of business. It is important to ensure staff take all reasonable precautions against infection. This is especially important from an insurance perspective as not taking reasonable precautions can invalidate policies such as business interruption, employers' and public liability, directors and officers' insurance and travel.

Companies need to review their travel, hygiene and medical screening policies and unless it is business-critical, they should consider halting all travel to affected countries.

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They also need to have a plan for getting any employees out of affected countries they are visiting if borders are closed or transport halted. For example, some airlines stopped flying to Liberia in August.

Companies should review the continuity requirements of any vital processes that must be maintained for normal operation such as call centres, manufacturing sites and a vulnerable central office location. Risk managers need to ensure that any needed technology, infrastructure or other requirements are addressed in advance. They should consider their potential

technology requirements as a result of outbreaks. It is recommended they ensure resources are available to support an alternative work strategy for critical functions as a bare minimum. Teleconferencing capabilities should also be reviewed as an alternative to travel.

Even if a company considers it is not at direct risk, it should remember to also consider any important suppliers that are essential for the performance of their business. They need to consider how a supplier may be affected by Ebola and therefore what the knock on effect to them would be. It would also be sensible

to prequalify alternative suppliers in case primary suppliers are affected and cannot supply as planned. Companies may find they need to increase stock levels and stockpile essential resources and supplies.

Ebola presents companies with various challenges. It's important they are fully informed and have plans in place to protect their business and employees.

**For further information on the development of Ebola visit [www.who.int](http://www.who.int)**



## CLAIMS FOCUS ON FRAUD

**September saw a business owner jailed for six years for burning down his showroom in a bid to fraudulently claim more than £2m from his insurer. The business owner was found guilty of insurance fraud and arson by a jury at Norwich Crown Court after he falsely claimed on his insurance policy following the fire.**

The Association of British Insurers (ABI) estimates that fraud adds, on average, an extra £50 to the annual insurance bill for every UK policyholder. In 2013, insurers uncovered 119,000 dishonest claims worth nearly £1.3bn across all insurance products. The ABI estimates that an additional £2.1bn a year remains undetected.

Insurers invest at least £200m every year to identify fraud. In addition to improving their own anti-fraud systems, they fund industry initiatives such as:

### **The Insurance Fraud Bureau**

(<http://www.insurancefraudbureau.org>) – a not for profit body focused on the detection and prevention of organised fraud launched in July 2006. Since its launch there have been numerous arrests and tens of millions of pounds of savings for insurers and their customers as a result of its actions.

### **The Insurance Fraud Enforcement Department**

(<https://www.cityoflondon.police.uk/advice-and-support/fraud-and-economic-crime/ifed/Pages/default.aspx>) – a specialist police unit dedicated to prosecuting insurance fraudsters was launched, for England and Wales, in January 2012. In the first six months of operation, it received 318 referrals from 43 different insurers to investigate.

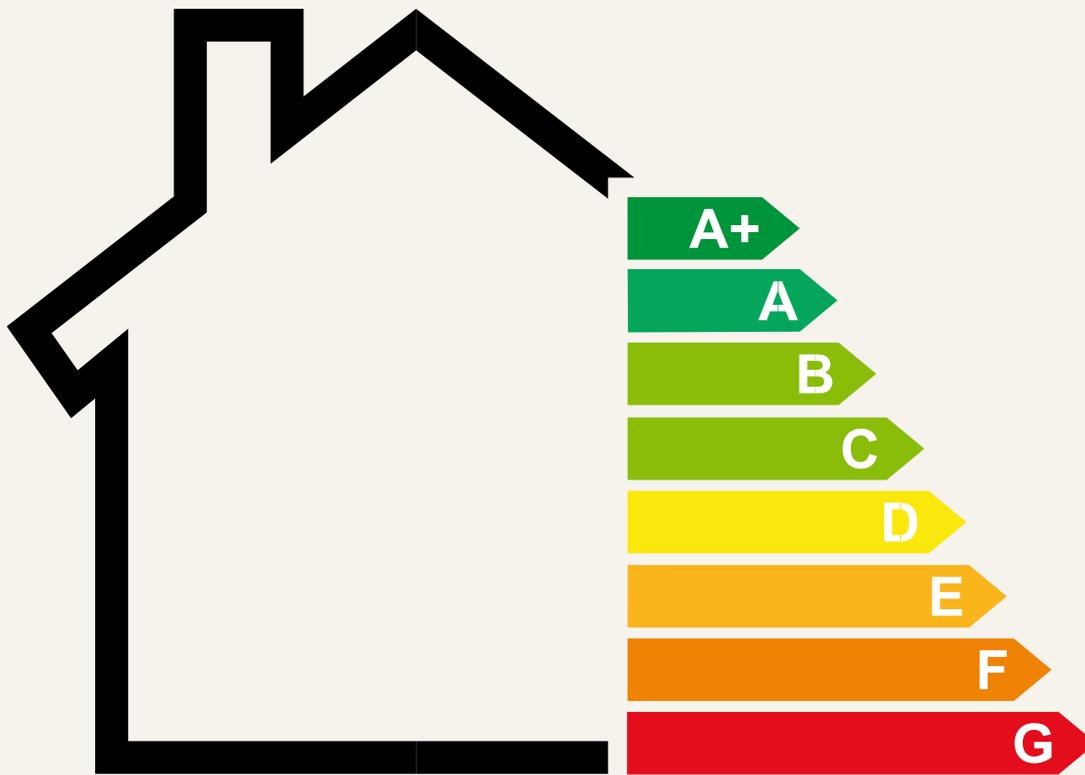
### **The Insurance Fraud Register**

(<http://www.theifr.org.uk/en/>) – an insurance industry database of known fraudsters launched in September 2012.

According to the ABI's report on Insurance Fraud: "Reducing and deterring fraud remains a priority for the insurance industry. It is an on-going battle as the fraudsters continually look for new ways to de-fraud insurers and honest customers. The industry makes no apologies for its zero tolerance approach to weeding out the cheats. Honest customers expect nothing less."

#### **Sources:**

<http://m.postonline.co.uk/post/news/2363534/fraudster-who-tried-to-scam-allianz-over-showroom-fire-jailed>  
<https://www.abi.org.uk/Insurance-and-savings/Topics-and-issues/Fraud>  
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## LEGAL ISSUES FOR LANDLORDS

Research conducted by AXA Business Insurance in September shows that landlords are struggling to keep up with existing laws and are not prepared for a new raft of regulation.

**This summer has seen many new proposals in Parliament aimed at regulating the UK's landlords.**

The AXA survey highlights that the number one wish of tenants is for better energy efficiency in their rental property. Old heating systems, inefficient boilers and a lack of insulation are a huge concern both because of the safety hazard of outdated systems and the burden of high energy bills on tenants.

The government is currently proposing two energy measures aimed at landlords:

1) A ban on letting properties in the lowest energy efficiency categories - F and G. If your property falls into this category, it's likely you'll need to make improvements before the regulation comes into force in April 2016.

2) An obligation on landlords to make energy efficiency improvements requested by tenants. This measure is likely to come in by 2018 and will mean if a tenant asks for things like better insulation or double-glazing, you'll need to comply. In this case, you'll be able to obtain funding under the Green Deal Finance Plan, which will then be paid back in instalments on electricity bills.

**The Household Safety (Carbon Monoxide) Bill** would require landlords to have a working carbon monoxide detector in all their properties. The bill is heavily backed by the government and gas safety groups who point to the high numbers of people hospitalised or killed each year by carbon monoxide fumes.

**The Immigration Act 2014** makes it a legal obligation for landlords to check the immigration status of their tenants. If a tenant is found to be in the country illegally, their landlord will receive a fine of up to £3,000 for failing to carry out the right checks. The compulsory checks will be piloted in the West Midlands in December 2014 and are likely to be rolled out across the rest of the UK in 2015. To comply landlords need to obtain evidence of each new tenant's citizenship such as their passport or residence permit. Landlords need to take copies and keep them for at least 12 months after the tenancy has ended.



# WHY BUSINESSES NEED D&O INSURANCE

**In the UK directors and officers' insurance (D&O) is frequently held by larger companies but it has yet to become standard cover within the SME market.**

It is a common misconception that legal expenses or professional indemnity insurance provide all the cover needed for these smaller companies. A recent Datamonitor survey found that only 23.3% of respondents had D&O cover, down from 26.7% the previous year.

Risk management can be lacking in smaller firms as they can rarely afford the same risk management systems and resources as seen in larger corporations. This can make them more vulnerable to errors.

Even if someone has been involved in running a limited liability company for years without a problem, their personal assets could still be at risk. Any director, officer or employee carrying out supervisory functions can face unlimited personal liability for actions they take on behalf of the company.

New legislation such as the UK Bribery Act 2010 puts additional responsibilities on directors to ensure their companies are not involved in bribery, holding them personally liable if they have in any way consented to the offence.

Claims against directors and officers are rising. Companies of all sizes are increasingly seen as targets for criticism, including mischievous allegations. Clients, employees and creditors are far more likely to take action nowadays against a company and its directors than in the past.

Regulators are taking a tougher stance across the globe and the risk of investigations and fines is increasing.

Legal expenses cover is not sufficient and should not be seen as an alternative to D&O, as limits are generally lower and provide for defence costs only rather than any damages awarded.

## What does D&O cover?

**A D&O policy will typically cover:**

- Claims from shareholders against the management
- Employment tribunal costs (where the claim is brought against individuals)
- Health and Safety Executive enquiry costs
- Legal and defence costs
- Damages arising from employment practices and discrimination (where the individual director is found guilty)

**Three notable exclusions that are not usually covered within a D&O policy are:**

- Fraud – although defence costs would be covered until such a time as fraud is proven
- Pension fund liability, which can often be covered separately
- Criminal fines and penalties

**For more information on D&O 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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