

WELCOME to Moffatt Saunders' Covernote

Nicholas Amey



Welcome to the first edition of our new newsletter "Covernote." Our intention is to give you useful and interesting information in each issue – not just a brochure in disguise, as so many corporate newsletters are today.

Obviously we will include information to help you get maximum value from your insurance. Also, we hope you will find it interesting in a broader business context too.

As you may already know, Moffatt & Co – the precursor of today's

business – was formed over 70 years ago in Tottenham, North London by my late father. Through both acquisition and organic growth Moffatt Saunders today is one of the UK's top 100 independent insurance brokers and one of the largest in our area.

Despite this growth we have never forgotten our origins as a family firm, and place substantial emphasis on delivering service that's excellent, relevant and always personal.

Covernote, which we will be issuing at regular intervals throughout the year, is part of that service. Please let me know your views on it and if there are any specific insurance issues you would like us to comment on in future issues.

Employers Liability insurance crisis IS THE DUST FINALLY SETTLING?

One of the most troubling issues to arise for many businesses in 2002 was that of dramatic rate increases for Employers Liability Insurance. Without this insurance, companies simply can't trade. As of an Act of Parliament in 1969 EL has been compulsory ... not that any serious business decision maker would ever choose to trade without it anyway. Over the last year or two many

companies – especially SMEs and new startups – have found it very difficult and in some cases impossible even to obtain EL cover in the first place. Those who have obtained it have been choked by the suddenly exorbitant cost.

What triggered the problem

Essentially, it's all a sign of the times. When most EL policies were under-

written – at least ten years ago or more – projections were calculated around the size of claims being made at the time. Reserves of funds to pay out claims were calculated on a similar basis.

However, the increase in the size of claims over that period has not increased as predictably as it had in comparable earlier periods. In fact in

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Moffatt Saunders Contact:

Moffatt Saunders

4 St. Mary's Courtyard, Church
Street, Ware, Herts. SG12 9EG

Tel: 01920 443001

Fax: 01920 443002

enquiries@moffattsauanders.co.uk

www.moffattsauanders.co.uk

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General Insurance
STANDARDS COUNCIL

Terrorism warning: cover no longer standard

Recent world tragedies have resulted in yet another significant, though largely unheralded change in insurance for UK businesses: terrorism cover is no longer included within standard commercial policies.

With fears of terrorism and resulting tension running high in the UK as we go to press, business decision makers – particularly those in vulnerable geographical or commercial areas – would be advised to check out their current cover and ensure it's in line with the recent changes.

Prior to terrorism taking on the grotesque proportions it has in the last few years, the standard "heads of cover" within a commercial policy would include £100,000 of terrorism cover as a matter of

course. This did not, however, extend to cover the extremes of terrorism we unfortunately are obliged to consider now – chemical and biological warfare, nuclear explosions and the like.

As of January 1st, 2003, the main insurers have withdrawn any terrorism cover at all under any commercial policy – not even the £100,000 worth of cover that was standard in previous policies. This applies equally to policies renewable or inceptioned from January 1st.

Separate policies available

Fortunately it is still possible to obtain terrorism cover for commercial purposes, but under the new ruling this has to be sought and obtained as a separate policy.

Within Pool Re, the UK's sole terrorism reinsurer, its own recent changes to what amounts to an "all risks" terrorism policy mean that commercial insurers can offer broader-reaching cover than perhaps was possible before – even to cover for nuclear disasters. In earlier days, terrorism reinsurance and consequent insurance cover was focused primarily on property damage by fire and (non-nuclear) explosion.

With what we are told is a real risk of terrorists setting off nuclear explosions in any of the key western nations, Pool Re's "all risks" approach is comforting, especially to the major UK insurers who now offer discrete terrorism policies to commercial clients in the UK.

Employers Liability insurance crisis IS THE DUST FINALLY SETTLING?

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the last ten years we have seen not so much growth, as an explosion of claims, greatly encouraged by the generally buoyant "compensation culture" that has washed across from its North American origins.

This effect has been exacerbated greatly by a raft of tragic disasters including 9/11, flooding, rail disasters, F&M disease and more, the ricochet effect of which has impacted hard on insurance generally. Stress claims have moved from being rarities, to being commonplace. And there have been other issues too, all combining to haemorrhage what insurers previously could count on to use for EL payouts.

Why such a sudden and dramatic increase?

With reserves of funds used to pay claims being depleted at a rate much faster than planned for,

drastic action had to be taken by insurance companies in order to build those reserves back up. And to round it all off, reinsurers were facing similar difficulties and would no longer reinsure at old prices. The only way to compensate was for insurers to put premiums up – way up.



Added to all the other issues, commercial competitiveness has a great deal to answer for here. Over the same period during which claims were growing exponentially, numerous new market entrants in the insurance industry obliged all concerned to focus more on competitiveness than perhaps was healthy. Quality of insurance products being relatively consistent, insurers in a tight marketplace have little choice other than to compete on price.

The net result which led to last year's bombshells, was a holding down of rate increases. Sooner or later the submerged buoy was bound to bounce up to the surface and, in the early part of 2002, it did. In effect EL insurance had been quite substantially underpriced for some years; last year, it rectified this problem, albeit with a very unpleasant effect on many businesses.

Rates due to stabilize this year

Although that point by no means can be considered good news, there is an upside. With the dramatic increases of 2002 having resulted in such a huge jump, EL insurance is now stabilizing. Ever-present competition among insurers also discourages anything other than absolutely vital price increases.

2002 may have been a watershed year for businesses seeking or renewing Employers Liability Insurance, but if they survived that, they have an easier time to look forward to. EL "got real" in 2002 and with luck will keep up with market realities from now on.





ASBESTOS

New legislation could hit property values

The problem of asbestos has been around for some years and in general, we tend to feel that it is being safely and responsibly handled. However recent legislation has brought asbestos handling under very much tighter control than before.

Failure to comply with the new rulings could affect the value of business premises, whether by devaluing your property when you sell or by involving you in unforeseen costs when you take on new premises.

Not much time to do it

The Control of Asbestos at Work Regulations [2002] require you to take reasonable steps to locate asbestos-containing materials, keep records of where those materials are and monitor them, plus create and carry out a management plan to

prove that you've got all your asbestos under control.

The Health & Safety Commission expect compliance with these new regulations by the early part of next year, and the consequences of failing to do so will be dire. Criminal prosecution, six-figure compensation costs and withdrawal of insurance are just three of the sticks being shaken.

For those reasons, conducting an early asbestos survey seems like a very prudent idea for any property constructed between 1950 and 1999, when asbestos was commonly used. And for businesses due to relocate over the next few months, it's an issue worth placing high on the shopping list of points to consider in any new premises.

Pollution surveys more important than ever



Commercial property values may also fall victim to new EU directives coming our way, that will result in pollution risk insurance becoming

compulsory. Businesses operating from commercial premises will need to ensure that the properties are squeaky-clean in all aspects of pollution control in order firstly to obtain such insurance, secondly to avoid paying excessively high premiums for it and thirdly - when being bought or sold - to command the right market value. In most cases this makes the prospect of carrying out a proper pollution survey desirable not only from a social/environmental point of view, but also from that of commercial interests.

Dangers of driving

While the innocent-looking motor car may not look like one of the most serious hazards of the workplace, statistics show that it is. Out of approximately 3,500 deaths on UK roads each year, 1,000 are business drivers. This makes driving a car more dangerous than working on a building site or in a coal mine. Figures show that business drivers are anything up to 50% more likely to have accidents than others. Now the Government has taken these statistics on board as an occupational health and safety issue and set up the Work-related Road Safety Task Group, which will aim to cut these road casualties by 40% over the next 10 years. For a variety of reasons, successful danger reduction may one day be rewarded in more favourable motor insurance terms.

Health & Safety Update

Bullying

If you thought bullying was only an issue in your child's school playground, think again. Not only does bullying occur in the workplace, too, but also its effects can easily fall within your duty as an employer under the Health & Safety at Work Act to ensure the health, safety and welfare of your employees. Bullying insurance, although not commonplace, does exist. And when you consider that bullying can result in constructive dismissal or even harassment issues should there be sex, disability and/or racial implications, taking out bullying insurance, for some types of business at least, begins to seem like a good idea.

profile:

Mike Cullen



In 1984 Mike joined Hibernian as Head of Underwriting, and commuted between Hertfordshire and Ireland. When Hibernian was sold to NIG, Mike moved into the brokerage side and became a Director of Moffatt Saunders, running the Personal Lines division.

To meet the increasing demand for insurance for high value houses, in September 2000 Mike spearheaded MS's new Private Clients division. Since then the division has more than doubled in size, and MS is now one of just 80 Brokers in the whole of the UK and Northern Ireland who are authorised to transact business with the 3 major specialists in this class.

Mike Cullen, 55, has worked in the insurance industry nearly all his life, starting with Cornhill and subsequently Minster (now called Groupama) in the City of London. Later he became Manager of their Fire and Accident Branch, based in Barnet.

Mike is married with two children and two grandchildren. His hobbies include cricket, horticulture and collecting Art Deco artifacts.

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MOTOR INSURANCE

Vehicle details go Europe-wide

Because of EU changes brought into effect earlier this year, it is now the responsibility of all UK fleet operators and motor trade businesses to lodge details of the vehicles they

own or use on an everyday basis with the Motor Insurance Database. The database, run by UK insurers to manage the required information on behalf of the industry, was established to combat both the growing problem of uninsured motorists and to facilitate the handling cross border claims between member states of the EU. The new laws are a result of the Fourth EU Motor Directive which came into effect on January 20th, 2003.

Private insurance bulletin



After a period of premium increases, motor insurance is calming down and if anything the increases are showing signs of going into reverse. Similarly, household insurance is increasing only slightly, so things

look stable for the moment - unless we get a prolonged spell of severe weather. Fingers crossed...

With summer holidays coming up travel insurance is essential - but take time to read the small print. The Policy limits for individual items and particularly valuable items, can be very low with consequently low pay outs. Instead, consider adding such items to your Household All Risks schedule which will provide the cover all year round. Also, keep all flight tickets, baggage tags, etc. - if you have a loss while travelling you'll need them to substantiate your claim.

Under-insurance on houses and contents is still a very common false economy. In the event of loss you'll get far less than the true value or worse, you won't get paid anything at all if Insurers think you have deliberately under-insured.

In the next Moffatt Saunders Covernote...

- Risk Management – how it helps keep premiums down
- Forewarned is forearmed: business disaster planning
- Updates on Health & Safety, Motor and Private insurance
- Readers' feedback
- Moffatt Saunders profile: John Wright

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Moffatt Saunders
4 St. Mary's Courtyard, Church Street,
Ware, Herts. SG12 9EG



Tel: 01920 443001
Fax: 01920 443002
enquiries@moffattsanders.co.uk
www.moffattsanders.co.uk

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