

# TOWERGATE INSURANCE BROKERS

## NEWSLETTER

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## BREXIT: UNCERTAINTY RAISES QUESTIONS OVER COVER

Following Prime Minister Theresa May's Brexit deal with the European Union, it seems that the prospect of a so-called 'no-deal' Brexit, with Britain crashing out of the European Union, is one that remains a distinct possibility.

Under the terms of the proposed deal, signed by EU leaders on 25 November, there will be a transition period for Brexit, which begins on 29 March 2019 and lasts until 31 December 2020 under which the UK will need to abide by all EU rules, but will lose membership of its institutions.

Furthermore, if no long-term trade deal has been agreed by the end of 2020 that avoids a hard border between Northern Ireland and the Republic of Ireland, and if there is no extension to the transition period, then a backstop consisting of 'a single customs territory between the (European) Union and the United Kingdom' will be triggered.

However, according to Westminster pundits May will struggle to have the deal approved by parliament when it votes on 11 December - raising the prospect that the UK will crash out of the EU with a 'no-deal'.

A 'no-deal' Brexit would disproportionately hit small businesses in the UK, according to the Federation of Small Businesses (FSB)<sup>1</sup>. The warning comes alongside new

research that reveals the consequences for small businesses if they are faced with any form of customs declarations post Brexit.

The FSB's research found that close to two thirds (59%) of small businesses that export goods to the EU Customs Union, felt that trade would be impacted if overall costs increased as a result of having to complete additional customs declarations. Over one in ten (11%) smaller firms said that they would stop exporting to the EU altogether.

As a UK business, it is natural to have a raft of concerns about the possible consequences of such a political event, not least of which are those involving your insurance arrangements. Specifically, legitimate questions remain unanswered as to what happens if a policy covers goods or services in the EU or is written by an EU insurer?

Helpfully, the EU has already released a statement on the key areas here in the event of a 'no-deal'.

According to the EU, insurers are at present continuing to issue renewals for insurance

policies that 1) run beyond the 30 March 2019 date set for the UK to be outside of the European Union and 2) that may be expected to operate in the EU or be with a European insurer-writing business in the UK<sup>2</sup>.

What is not known is whether those covers provided will still be legitimate after that date or whether we will be faced with a raft of policy cancellations on 29 March and an epidemic of 'uninsuredness' in the event of a 'no-deal'.

At present, until the detailed nature of our estrangement from the EU is laid out, there remains a degree of uncertainty as to what indeed will happen to insurance policies that cover goods or services in the EU or those written by an EU insurer.

However, our best advice at present is not to be unduly concerned over the implications of a 'no deal' for your insurance cover. We are constantly monitoring the position and will contact you if any changes to your current arrangements are required.

<sup>1</sup> Source: FSB Release, 1/8/2018

<sup>2</sup> Source: European Commission, 19/7/2018 'Brexit: European Commission publishes Communication on preparing for the UK's withdrawal from the EU'



# TOWERGATE INTERNATIONAL DESK HELP FOR CLIENTS

**At the Worldwide Broker Network (WBN) conference in Colombia, Towergate were appointed full members which is great news for our Clients as this now enables us to provide local service and covers for any international insurance or risk management requirements.**

WBN is the world's largest independent broker network with combined revenues exceeding \$5 bn and provides access to over 100 Independent Brokers across six continents.

In addition to conventional insurance for organisations, this service enables us to provide risk management capability and employee benefit services. In an increasingly global world, the requirements for these services can be used by multinational organisations who require a co-ordinated insurance programme or smaller

organisations with individual international insurance needs.

One of the major benefits of this integrated service, is that not only can they meet the legal and regulatory requirements of the territories they operate in, but also these organisations can stay true to their cultural philosophy and corporate values. This puts the company in control.

Tony O'Gara, (pictured), who represented Towergate at the WBN conference in Colombia in October, said "Our network provides access to the world's leading insurers, providing the confidence needed to manage international insurance and risk management requirements, in the knowledge that Towergate Insurance Brokers' Client focused service levels will be maintained by our partners across the globe".

If you have any questions about accessing this service, please contact your usual Towergate Advisor or email:

**international@towergate.com**



## UK CONSTRUCTION CONCERNS RAISED AGAIN FOLLOWING ITALIAN BRIDGE DISASTER

In the wake of the Grenfell tragedy last year, the construction industry is being asked questions following the substantial loss of life in Genoa where 43 people died when a bridge collapsed. This latest tragedy has resulted in attention being drawn to regional agencies and contractors and all those responsible for the upkeep and maintenance of roads, bridges and other public thoroughfares across the continent including here in the UK.

Despite the worries that UK infrastructure may also be in danger, Highways England, the government agency charged with operating, maintaining and improving England's motorways and major A roads, has sought to allay concerns. "We have detailed design standards and quality control processes to ensure bridges are designed and constructed to provide safe and comfortable journeys for road users," said Mike Wilson, Highways England's Chief Highways Engineer. "This is supported by a thorough and regular regime for inspecting all structures, including bridges, on England's motorways and major A roads and taking any necessary action to help ensure they stay safe."

However, "When the causes of the Genoa bridge collapse have been investigated and reported, we will carefully assess any lessons to be learnt and will bring in any required changes to standards and processes," Wilson added.

## INSURANCE RESPONSIBILITIES

**A 2017 guide<sup>4</sup> produced by The Institute of Highway Engineers outlines in detail the current risk landscape for those connected with the upkeep and maintenance of the UK's highways network. Key points we highlight are:**

**1.** A highway authority has an absolute duty to maintain the highway, which is a non-delegable duty. This means that even if a highway authority arranges for a contractor to do work on the highway which causes danger to users of the highway, the authority will be liable to a claimant for failure to maintain even though it has employed an apparently competent contractor to carry out the work.

**2.** In this situation a highway authority will seek a contribution or indemnity from the contractor. These claims are likely to be based in negligence but also for breach of contract where any indemnities in the contractual agreements will be an important consideration.

**3.** Highway claims are notoriously fact-sensitive and it is therefore important that detailed and accurate records are maintained in order to ensure efficient management of claims whilst protecting the authority from unjustified or fraudulent claims.

**4.** Records should be kept of all activities, particularly safety and other inspections.

<sup>4</sup> Source: Institute of Highway Engineers, 'Well managed highway liability risk' report, March 2017

# FLOOD RISK 'PROTECTION GAP' HIGHLIGHTED

2018 has undoubtedly been a freaky year for UK weather, with the summer set to be confirmed as the hottest ever recorded in England, with the mean temperature between June-August standing at 17.2C, beating the previous record high of 17C set back in the sultry summer of 1976.

Yet this summer itself followed a bitterly cold and protracted winter, with the so-called 'Beast from the East' (in effect a Siberian cold front) bringing snow and misery to much of the country well into March.

Unfortunately, as all too many businesses will be aware, the seasonal weather difficulties are not over as the autumn and winter seasons now bring with them an increased risk of flooding.

According to a recent insurtech start-up, however, there remains a protection gap

in the current market for flood insurance. The company has suggested that every year tens of thousands of business owners lose their livelihoods because they have been unable to take out an affordable policy that protects their business.

Such criticisms are legitimate, of course, but to suggest that a responsible business with a sound approach to flood risk management will not be able to secure insurance just because they are in a high-risk area is misleading.

What is important to bear in mind here is that while your commercial property

insurance can take care of any physical damage to your premises that you may experience as a result of a flood, it will not necessarily cover the financial consequences to your business operations.

As such, if you are concerned about flood risk and are concerned not only about possible physical damage but consequences such as lost income, we strongly recommend that you talk with Towergate, as we will be able to advise you on the appropriate cover for your business, including business interruption insurance.



**Our clients are at the heart of everything we do and we value the relationships we have, which is why we're continually striving to enhance the experience and service we provide.**

As a valued client, we will be inviting you to participate in a review of the experience we currently provide, which is being undertaken by an independent body, Investor in Customers.

You will be receiving an email from Investor in Customers which offers you the option to complete a web-based questionnaire.

We would be grateful if you can spare a few moments of your time to complete the questionnaire. Thank you in advance.

If you have any questions or concerns, please do not hesitate to speak to your usual contact at Towergate.



# DATA BREACH LEADING CONCERN FOR UK SMES

A recent survey conducted by market research company OnePoll, 'Supporting SMEs to Prosper,' an independent survey of 500 SME business leaders, found that data breaches were top of their list of fears.<sup>5</sup>

The survey results come as complaints to the Information Commissioner's Office (ICO) about potential data breaches more than doubled since stricter regulations came into force in May.

The ICO received 6,281 complaints between 25 May and 3 July this year, a 160% rise on the same period in 2017, according to figures from commercial law firm EMW.<sup>6</sup>

Under the General Data Protection Regulation, companies can be fined €20mn or 4% of their worldwide turnover for instances of data breach, significantly more than the maximum

penalty of £500,000 available under the old law.

Cyber insurance covers are available in the UK which cover data breach, but first and foremost we would encourage a robust approach to cyber risk management. Educating employees on how to protect sensitive data using security best-practices is crucial to safeguarding your business.

We recommend that you consult a network security specialist to give a thorough assessment on protecting your company, but here are some steps you can take right now:

1. Encourage employees to use strong passwords, and to refrain from using the same password for multiple logins and to change every 90 days
2. Always install the latest security updates
3. Encrypt sensitive data such as employee details
4. Update your anti-virus software and firewall as soon as a new version is released
5. Protect mail servers with security software that scans emails to reduce the likelihood of falling victim to infected attachments

<sup>5</sup> Source: Insurance Times, 24/7/2018

<sup>6</sup> Source: The Independent, 28/8/2018

## BIBA CALLS FOR TERRORISM COVER TO ADAPT TO BUSINESS NEEDS

The British Insurance Brokers' Association has reiterated the need for the UK terrorism insurance market to continue to strive to find cost effective solutions for business, following a pivotal vote for the market.



**BIBA**

with terrorism claims as "absolutely the right thing to do."

BIBA's executive director Graeme Trudgill described the vote this summer by UK motor insurers to mutualise the risks associated with

Motor Insurance Bureau (MIB) members voted to deal with all third-party motor claims where terrorists driving vehicles injure or kill people.

The not-for-profit body will become responsible for dealing with claims that occur on or after 1 January 2019, and will directly handle compensation for victims of vehicle-related terrorist events.

According to BIBA, however, further steps need to be taken, given the fact that many SMEs chose not to buy terrorism cover. As such, it said, insurance solutions and models need to adapt.

The trade body said that gaps in terrorism cover were highlighted in its 2018 manifesto and it has committed itself to helping the market find solutions.