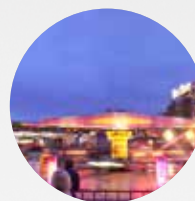


TOWERGATE INSURANCE BROKERS

NEWSLETTER

ISSUE 9 SPRING 2019



THE NEED FOR LEISURE
LIABILITY COVER



A SIGNIFICANT
RISE IN CYBER
ATTACKS



STOCKPILING
FOR BREXIT

INSURANCE INDUSTRY WORKS TO MINIMISE BREXIT DISRUPTION

There can be little doubt that Brexit, at least from a political standpoint, has been a saga of continuing uncertainty, with the process currently in stalemate. Yet the good news for business is that, as far as their risk management requirements are concerned, every effort is being made by insurers and brokers in the UK to ensure that any cover relating to EU-related risks will be unaffected, whatever the eventual outcome of the path set in motion nearly three years ago with the result of the referendum.

As we went to press, UK Prime Minister Theresa May's deal had effectively been rejected by the House of Commons three times, while a series of so-called 'indicative' votes designed to demonstrate the will of the House had also shown no clear majority for a series of options.

Indeed, France's President Emmanuel Macron said at the beginning of April that the UK and the EU were heading towards a no-deal Brexit and to avoid it the UK would have to come up with a "credible" plan supported by a parliamentary majority: "If the UK is not capable nearly three years after the referendum of proposing a solution which has majority support, it will have chosen de facto on its own to have left the EU without an agreement."

Insurance arrangements

Even if a 'no-deal' Brexit does occur, there has been a significant amount of work behind the scenes to ensure that European insurance arrangements for UK businesses can continue with the minimum of disruption. For example, the British Insurance Brokers' Association (BIBA) has reached an agreement with the Worldwide Broker Network (WBN) which will facilitate the introduction of BIBA member firms to one of their member firms in an EU state so that any insurance requirements relating to business conducted in the EU can be expediently arranged.

BIBA stressed that WBN has a member operating in each EU country, and all of their members have undergone a rigorous vetting process and importantly have international employees who are English speaking.

Meanwhile, in the wake of continuing political uncertainty, UK insurers and Lloyd's Syndicates have been planning for a number of Brexit eventualities for some time now, with many establishing subsidiaries in the EU to ensure that they can continue to offer European cover.

Contingency plans

As Jennette Newman, president at the Forum of Insurance Lawyers (FOIL) in London said, "London market insurers have made extensive contingency plans to allow them to continue to service their clients in Europe, regulators across the continent have given a lot of reassurance, and a number of member states have passed legislation to ensure that legacy claims can be paid."

Nonetheless, despite the best efforts of brokers, insurers and regulators alike to aid business with ongoing insurance cover, there are understandably still some grey areas, according to Christopher Croft, CEO of the London & International Insurance Brokers' Association (LIIBA):

"In the event of no deal, the ability to service existing contracts will be governed by local law in EU27. Whilst many countries are preparing or have passed emergency legislation to ensure that insurers can still provide services on such contracts; only Ireland and Belgium have adequately catered for intermediaries. There is a risk, therefore, the London brokers will be unable to assist clients on getting claims paid or in processing ongoing endorsements on contracts. And it is extremely unlikely, given the complexity of subscription contracts written in London, that clients will be able to do this for themselves."

"LIIBA has suggested to members that they continue to try and do the right thing by their client in these circumstances, as would be their natural inclination anyway, but if laws are enforced to the letter, they may not be able to do so. So brokers need to ensure their clients are aware that a no deal exit has the potential to be fairly disruptive."

Validity of cover

Despite such concerns, if you are a business that works or travels in the EU and you are anxious about the legitimacy of cover, the firm indications are that there is no need to be concerned. As Mr Croft says: "Nothing in the Brexit process will affect the validity of existing contracts. It is just that it may affect the legality of servicing those contracts."

As we report elsewhere in this newsletter, there are numerous reports of UK companies stockpiling in preparation for Brexit, with LIIBA agreeing that there is a risk of underinsurance if you don't declare your changed risk requirements to us. As Mr Croft stresses: "clients should discuss their plans with their broker and make sure they are covered".

As members of the largest independent international network, the **Worldwide Broker Network**, the **Towergate International** team gives you access to expert advice and quality of cover at competitive costs, sourced from a trusted panel of local brokers and the world's leading insurance companies.

PONTINS CEILING COLLAPSE

DEMONSTRATES THE NEED FOR LEISURE LIABILITY

A ceiling collapse at a Pontins resort which left 18 people injured has highlighted the crucial need for liability insurance for owners of holiday and caravan parks.

The crash happened at the entertainment centre of the Brean Sands resort near Weston-Super-Mare, Somerset, on the evening of 20 February.

A spokesman for Devon and Somerset Fire and Rescue Service said ducting fell from the roof - exposing dangerous live electrical wires.

The Fire Service said in a statement: "The incident involved the collapse of approximately 40m of structural ducting and ceiling sections, exposing live damaged electrics and making the scene unstable. Fire crews used eight

high-pressure airbags and small tools to establish that no persons were trapped beneath the collapse."

The scene was made safe after fire crews had left the scene, and at this stage it is not known what caused the collapse.

Public liability

Owners of holiday parks and related leisure facilities will no doubt be aware of the need for property insurance to cover their physical assets, but this latest incident sadly underlines the need for another key cover: public liability insurance.

Indeed, if you interact with the public on a daily basis or your business activities are performed in a public area, you will need public liability cover, which could entail protecting your business against a potential claim from a client, a customer or another member of the public who suffers personal injury or property damage.

Various levels of cover are available,

however due to a number of factors including claims inflation, rising legal costs, an increase in life expectancy and the working age, and a change to the 'Ogden' discount rate used to calculate payments, we now recommend a minimum limit of £5m for any one event. Higher limits are available and will often be advisable for larger sites or where there may be more hazardous activities, amongst other factors.

Package protection

It's worth noting that public liability insurance is rarely bought in isolation, as most businesses will also require other key forms of cover their material damage risk, business interruption exposure, legal expenses and employers' liability cover.

If you're unsure how much cover you need, tell one of our knowledgeable advisors about your business and they'll be able to advise further.



BUSINESSES RECEIVE BOOST AFTER COUNTER-TERRORISM BILL BECOMES LAW

The scope of protection for UK businesses in the wake of a terrorist attack is to be significantly widened following the passage of a key piece of legislation.

The change allows the UK's state-sponsored terrorism insurance scheme Pool Re, to provide businesses with 'non-damage' business interruption (BI) cover.

The Counter-Terrorism and Border Security Bill 2018 received Royal Assent after clearing all parliamentary stages in the House of Commons and House of Lords.

The act includes an amendment that makes Pool Re the first scheme in the world to extend cover to include 'non-damage' BI losses.

The expectation is that other providers of terrorism-related insurance in the UK market will now be able to explore the

possibility of providing cover for lost business in the aftermath of a terrorist incident, in addition to existing cover for physical damage.

Changes to the law had been sought following attacks on the Manchester Arena and London Bridge in 2017 which led to crippling BI losses for small businesses.

In the past, some companies were not covered because their insurance would not pay out unless premises had been damaged.

Pool Re CEO Julian Enoizi, said the reinsurer was collaborating with business federations, local authorities, brokers and

its member insurers to ensure they have conversations with their clients about the cover.

Commenting on the change, Economic Secretary to the Treasury John Glen said: "We will not allow terrorists to change our way of life. So when businesses raised their concerns about a gap in insurance cover following a terror attack, we worked with Pool Re to come up with a solution.

"We've changed the law to give businesses peace of mind, helping them to insure themselves against financial loss as a result of a terrorist attack, even if there is no physical damage to their property," he added.

NEW DATA REVEALS A **133% INCREASE** IN CYBER ATTACKS

Business email compromises accounted for 24% of the overall number of Cyber incidents reported in 2018, compared to just 13% in 2017, according to a new report published by respected Lloyd's of London insurer Beazley.

The findings are based on information gleaned from investigations into more than 3,300 data incidents in 2018.

According to the research, almost half (47%) of all incidents investigated by in 2018 were the result of a hack or malware. Of these, approximately half were from compromised emails.

These are social engineering attacks of which a cybercriminal uses compromised email credentials or spoofs a legitimate email address. They use it to try to trick an employee into making an electronic payment to a bank account controlled by the cybercriminal or, in some cases, to

transfer sensitive data.

Small-to-medium sized businesses, which the insurer suggested tend to spend less on information security, are at a higher risk of being hit by ransom ware than larger firms, it noted.

Commenting on the findings, Katherine Keefe, global head of Business Breach Response Services at Beazley, said: "The threat posed by cyber criminals continues to grow in complexity as they devise new techniques to breach IT security and trick unsuspecting employees into allowing them access to systems."

Research from the Federation of Small Businesses (FSB) shows that a staggering seven million cybercrimes are committed against smaller businesses in the UK every year – that's 19,000 a day. On average, a cybercrime incident costs a small business victim almost £3,000 in damages, and it

can take over two days for the business to be back up and running, according to the FSB.

According to the National Cyber Security Centre, there are some simple measures that all businesses can take to help mitigate cyber crime. These include:

- **Safeguarding your devices:** It is simple enough to make sure that there is some form of password protection (a complex PIN or password so it is not as easily guessed) on each of your company devices: smartphones, tablets, and computers.
- **Keeping up to date:** The latest software contains measures to help address the most recent threats—make sure this is constantly updated wherever necessary.

STOCKPILING FOR BREXIT BRINGS UNDERINSURANCE RISK

Uncertainty about what will happen in the aftermath of Brexit means some large firms as well as SME businesses are stocking extra resources.

The opaque situation (see lead story) is causing fears in supply chain management.

In one example, retailer Majestic Wine is reportedly stocking up an extra £8m worth of wine in its UK warehouses as a contingency against a no-deal Brexit. There have also been reports of increased demand for cold-storage space in food warehouses.

Several listed companies, ranging from Airbus and Rolls-Royce to the food group Nestlé and retailers such as Topps Tiles, have said they are building bigger buffers against disruption and are urging their suppliers to take similar steps.

Graeme Trudgill, executive director for the British Insurance Brokers' Association (BIBA), said: "It's really important that it's disclosed to their broker, so the broker can make the insurer aware, because obviously they're insured for a particular amount and if they go beyond that amount then there's a huge risk of underinsurance."

"If there's a claim and there's a massive amount of stock value compared to what they were insured for then there's clearly an issue for the claims award they're going to receive," he added.

"These days, we also have a 'just-in-time' ordering culture and we don't tend to necessarily have huge stockpiles in many different sectors and because that just-in-time system is under threat due to uncertainty, many firms are choosing to stock up on extra supplies of materials."

Mark Brannon, Commercial Director, Towergate Insurance Brokers commented, "Increased stock levels will not only require higher policy limits, but may also require the need for enhanced security or additional protection, such as alarms or possibly sprinklers."

Some insurers may not be willing to underwrite the higher value, which would cause significant issues in the event of a claim. There could also be knock-on effects to the business interruption section of the policy."



TOWERGATE INSURANCE BROKERS AWARDED INVESTOR IN CUSTOMERS SILVER 2019

In March we sent a survey to review the service we provide to our Clients via email. As a result we are delighted to report that we were awarded silver from Investor in Customers. Across Towergate Insurance Brokers and our colleagues in Towergate Health & Protection, we had 3,142 respondents; thank you. At £1 per participant and with support from the Ardonagh Community Trust (ACT), in appreciation of your time completing this survey, we will make a donation of £4000 to a cause of great importance to us and the insurance industry as a whole - Insurance

United Against Dementia (IUAD). IUAD is an Alzheimer's Society movement, which aims to raise £10 million across the insurance sector to fund vital research to take on the 21st century's biggest killer - dementia.



**Investor in
Customers®**
Silver 2019

In other exciting news, we are extremely proud to have been shortlisted for the commercial lines (SME & mid-corporate) broker of the year, at the British Insurance Awards 2019.

The winner will be revealed at the ceremony on 10th July.

Wish us luck!

