

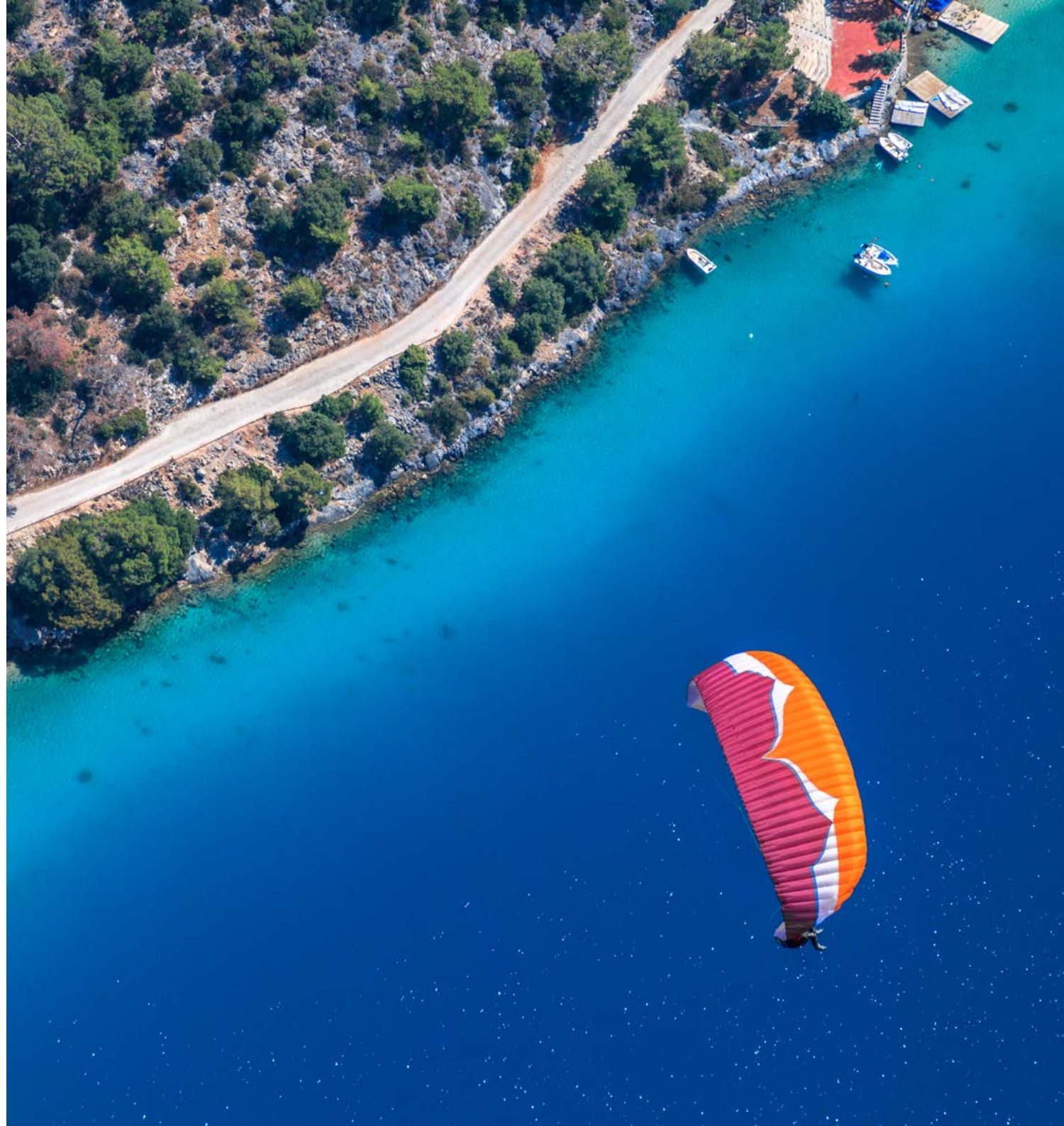


# Covernotes

Explaining issues that affect your insurance

## In this issue

- Insurance Fraud does not pay
- Bullying: Workplace Trials and Tribunals
- Business Travel policies offer many benefits
- Inflation impacts on Property Insurance
- Cover your event eventualities
- Is it Covered?







## Insurance Fraud Does Not Pay

Insurance fraudsters beware! The insurance industry is fighting back on insurance fraud, to prevent negative impacts on the insurance premiums of the “honest majority”<sup>1</sup>.

Insurance fraud takes different forms. One is lying to an insurer when first taking out a policy, or deliberately concealing facts that would otherwise lead the insurer to charge a higher premium or not offer cover for the risk.

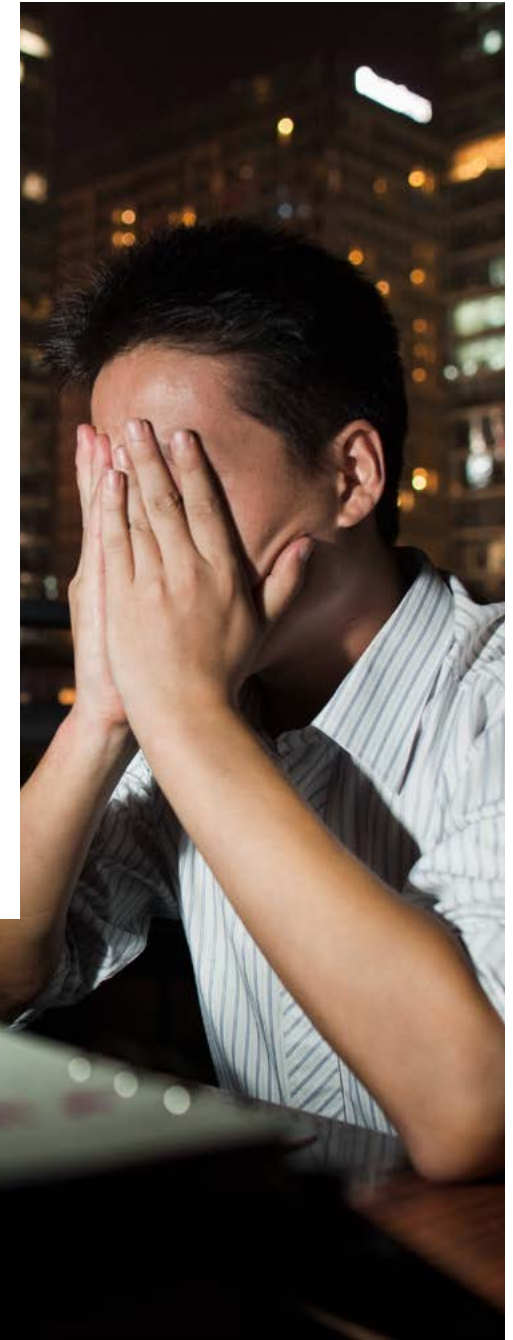
Another relates to fabricating or augmenting claims. This could be by deliberately manufacturing a claim scenario, or by telling lies about losses incurred. Crash for cash is one example. Here, drivers deliberately cause a crash, so as to then make an inflated insurance claim.

Other examples of fraud include bogus whiplash claims, or deliberately causing damage that leads to a household claim. It could equally be alleging you have lost a designer watch you never actually owned. Targeting an insurance payout through deliberate arson, is another very serious fraud.

The mission to crack down on insurance fraud is spearheaded by two entities. The first is the Insurance Fraud Bureau (IFB), a not-for-profit organisation founded by the Association of British Insurers (ABI) to lead the industry’s response to fraud and which operates the fraud reporting hotline, Cheatline. The second is the Insurance Fraud Enforcement Department, a specialist police unit funded by the ABI and Lloyd’s of London.

Another major and robust tool in the armoury, however, is the Insurance Fraud Register. Launched in 2013, this industry-wide database of known insurance fraudsters is available to over 300 insurer members and already covers 80% of the general insurance market by market share<sup>2</sup>.

Using advanced software, these authorities have many opportunities to detect, disrupt and prosecute anyone fabricating an insurance claim or lying to insurers. In 2020 unauthorised financial fraud losses across payment cards, remote banking and cheques totalled £783.8 million in 2020, a decrease of five per cent compared to 2019. Banks and card companies prevented £1.6 billion in unauthorised fraud in 2020. This represents incidents that were detected and prevented by firms and is equivalent to £6.73 in every £10 of attempted fraud being stopped. In addition to this, UK Finance members reported 149,946 incidents of Authorised Push Payment (APP) scams in 2020 with gross losses of £479 million<sup>3</sup>.



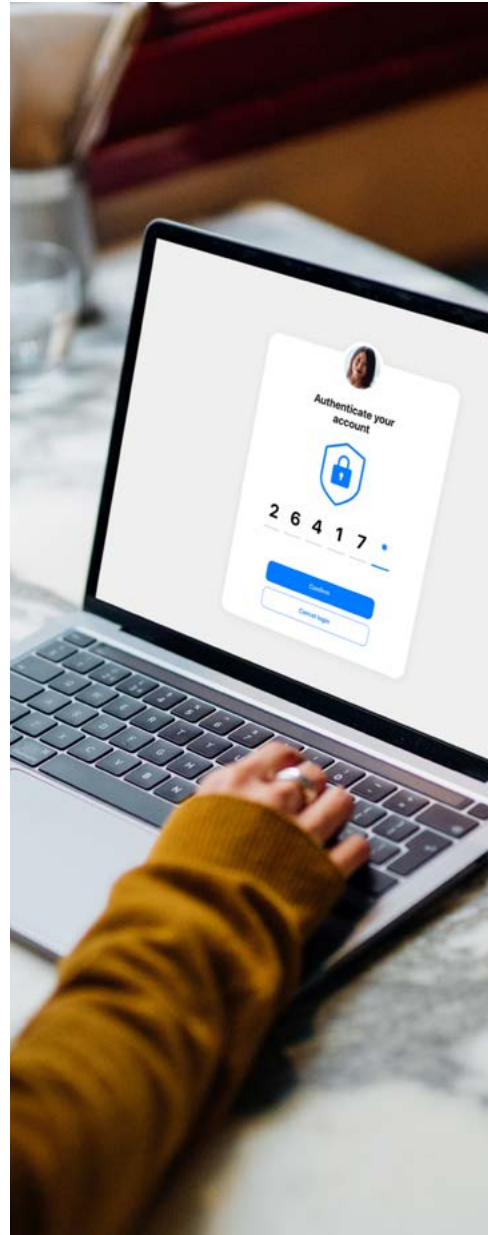
<sup>1</sup> <https://insurancefraudbureau.org/cheatline/>  
<sup>2</sup> <https://www.theifr.org.uk/en/about/>  
<sup>3</sup> <https://www.cityoflondon.police.uk/news/city-of-london/news/2022/april/the-name-of-the-game-man-sentenced-after-using-two-names-to-claim-twice-for-the-same-car-accident/>

## Detection in practice

One recently detected insurance fraud case involved the defrauding of two different insurers. Following a traffic collision, the claimant made personal injury claims under both their former name and a new surname adopted through deed poll, claiming as both the car's driver and a supposed passenger<sup>4</sup>.

Having received a payment, the fraudulent claimant then failed to declare either their criminal record or true claims history when taking out another car insurance policy with another insurer. They claimed for damage to their £290,000 Lamborghini Aventador in a car park and received nearly £45,000 for repairs and £5000 for car hire. Five months later, they submitted a similar claim for damage suffered in a car park, which triggered an investigation that uncovered the criminal record and multiple claims made under two different names.

Information shared between the two insurers red-flagged fraud against both. IFED officers suggested the insurers had been defrauded to the tune of £60,000 and a court sentenced the claimant to 22 months in prison, suspended for 18 months and 200 hours of unpaid work, as well as ordering a compensation payment of £58,000 to the affected insurers.



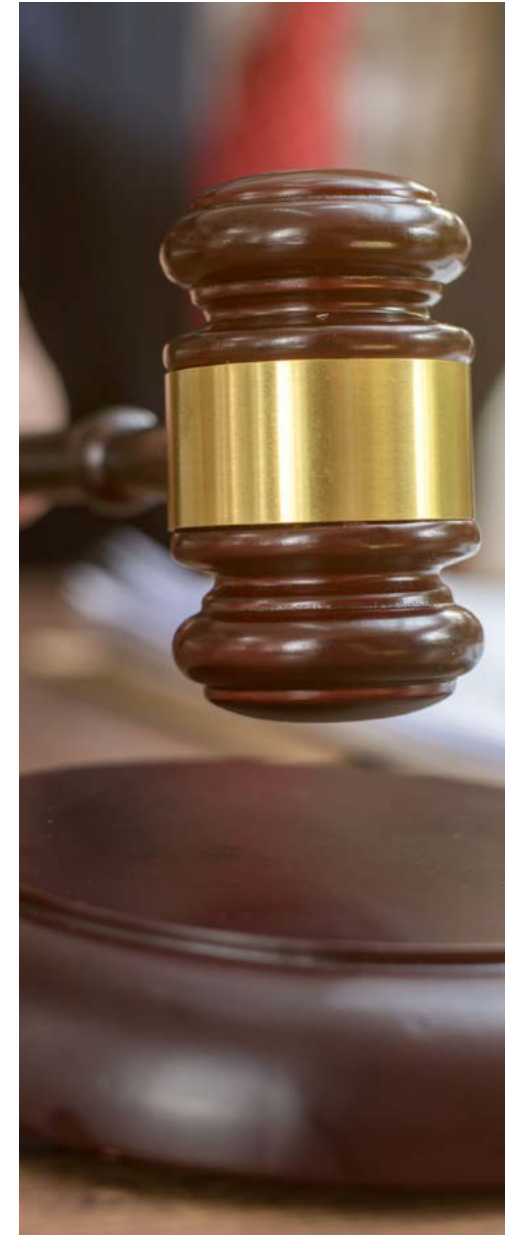
## The penalties

Committing insurance fraud is simply not worth the risk. You could be prosecuted and acquire a criminal record.

Defrauding an insurer, in any way, will make it difficult to find future insurance cover and, if you are a business owner, this may leave you unable to trade. Access to other financial products and credit could also become problematic.

Should an insurer believe you deliberately withheld information and key facts at the policy inception stage, they can deny any later claim. If your inaccurate presentation of the facts relates to the policy's sum insured, they could only pay a proportionate percentage of the claim, in line with the degree to which you were underinsured. This can leave you with a financial shortfall.

Given all of the ramifications of being found guilty of insurance fraud, it is a crime that really does not pay. The chances of getting away with it are slim, so ensure you provide honest assessments when claiming and make sure you give your broker all the facts the law expects you to disclose when first taking out cover.



<sup>4</sup> <https://www.cityoflondon.police.uk/news/city-of-london/news/2022/april/the-name-of-the-game-man-sentenced-after-using-two-names-to-claim-twice-for-the-same-car-accident/>



# Bullying: Workplace Trials and Tribunals

The Health and Safety at Work Act (1974) and the Equality Act expects all employers to exercise a duty of care for their employees. This must include preventing and stopping bullying in the workplace which has come more into focus in recent times.

Bullying can take different forms and can be open to interpretation, so an employer must be able to demonstrate empathy, fairness to all parties. In 2022 18.7% of NHS workers, say they have been bullied or harassed by colleagues in the last year<sup>5</sup>. Regardless of how it is occurring, it is unacceptable and must be addressed.

ACAS defines bullying as offensive, intimidating, malicious or insulting behaviour [or] an abuse or misuse of power, that undermines, humiliates, or causes physical or emotional harm to someone<sup>6</sup>.

Examples of bullying include spreading rumours about a co-worker; setting an employee up to fail; creating scapegoats; ignoring, excluding or isolating an individual and blocking career progression. It is often a subtle process.

It is not a defence to relate incidents to a particular management style. This will not avoid a potential tribunal case nor is lacking the confidence and skills to deal with an

issue, bullying in the workplace should be a zero tolerance position for all.

If not handled correctly, directors and managers could face either the bullied or the bully at a tribunal. A bullied individual could claim constructive dismissal, believing they had no option but to resign.

Tribunals involve significant costs, making legal expenses insurance cover very valuable. However, a company director or officer could also be accused of being negligent in their duties, by failing to protect staff from bullying, and then find themselves defending a case seeking to make them personally liable.

This is just one reason to purchase management liability (Directors & Officers) insurance. This protects directors' finances, by providing legal representation, and even crisis PR, if necessary. It offers access to tools that pro-actively assist

in reducing the likelihood of claims, but can also offer cover for defence costs, depending on the charges brought against the individual.

Employee disputes are just one area that such insurance can cover. When you think of the plethora of duties company directors must fulfil and the fact there are over 90 UK regulators, not including local authorities, it makes sense for company directors to reflect on the risks they face.

Covering so many potential pitfalls, management liability insurance is something to seriously consider, if you run a business. After examining the benefits with your broker, you should clearly appreciate its value.



<sup>5</sup> <https://www.nhsemployers.org/articles/tackling-bullying-nhs-infographic>  
<sup>6</sup> <https://www.acas.org.uk/handling-a-bullying-harassment-discrimination-complaint>

# Business Travel Policies Offer Numerous Benefits



Business travel may now be back on the agenda for many companies, as the travel sector begins to recover from the impacts of Covid-19. You yourself may be once again packing your suitcase and checking out overseas opportunities.

Regardless of whether you are an independent consultant travelling overseas on business, or a large organisation sending staff to far-flung places to transact business, it can be worthwhile making Personal Accident and Travel Insurance your travel buddy.

This type of cover looks after a business's people – including you, if you are a business traveller. It fulfils legal obligations with regard to duty of care - just as important overseas as on home soil – and steps in should any serious work-related injuries occur, wherever the 'workplace' may be.

However, it also allows anyone heading abroad on business to know they have packed the best possible travel emergency cover and can access superb medical treatment and support services, should the worst occur.

This includes specialist emergency medical repatriation, when necessary, and care in overseas hospitals. It allows family and

friends to be kept informed of their loved one's situation and even, under the terms of some policies, travel to visit them.

Similarly, it can come to the insured's aid, when they find themselves in a fix, having lost money, baggage, tickets, or had to cancel or cut short their plans, due to unforeseen circumstances and local situations. Flight rebooking assistance can be provided and emergency cash can be transferred, if required.

It can facilitate easier travel, by providing services such as hotel check-in support and interpretation assistance and some policies will also offer a concierge service, booking tickets for corporate entertainment and sourcing gifts for those all-important clients whose culture may expect you to arrive armed with an appropriate present.

Most importantly, there is a preventative element to this cover, with pre-departure security advice and training in key areas, including staying healthy, avoiding kidnap,

observing local customs and avoiding becoming a victim of crime. Whilst in-location the cover provides regular updates and alerts with regard to health, weather and political situations.

Should you operate in, or travel to, very sensitive areas of the world, optional upgrades may be available, to provide crisis support, should anyone find themselves in a particularly dangerous situation, such as kidnap or blackmail, and require specialist security assistance.

If you are a director who travels, there is another good reason to consider such cover, as some policies can be extended to include leisure travel for your partner, children and domestic staff for up to 60 consecutive days. With internal UK trips also being covered by some policies, it can be great value for money.

With none of us knowing what lies ahead when we travel, it pays to be armed with quality insurance protection, to safeguard health and wellbeing and comply with

the legal duties associated with running a business. This type of business travel insurance policy certainly ticks the right boxes.







## Calculate Inflation's Impacts on Your Property Insurance

Inflation is a word re-entering daily conversation, after many years' absence. Everything is going up in price - food, petrol and diesel, labour and more. But how does this impact on insurance?

With certain types of insurance, such as motor insurance and property insurance, inflation directly affects the prices of the components required to 'fix' the insured vehicle or property, following a crash or damage scenario. However, whilst inflation has an impact on vehicle repair costs, later reflected in premiums, it is particularly problematic within property claims.

Property insurance relies on the insured correctly assessing their 'sum insured' – the property's value (rebuild cost). The components influencing this have all soared in cost. Raw materials have rocketed in price, due to global supply issues, shortages caused by Covid-19, shipping problems, and even lockdown DIY mania.

Brexit has reduced the number of workers in the construction and transport sectors, pushing up labour

costs, now also influenced by the minimum wage increase of April 2022. Labourers are now less willing to work longer hours, further squeezing the labour supply chain<sup>7</sup>.

The cost of some property repairs is also influenced by the requirement to incorporate more expensive 'green' materials and solutions, to help meet environmental targets.

Many homeowners unfortunately set their property's sum insured when first taking out home insurance, but then never review it, simply allowing their policy to roll over. In times of low inflation, that may not be such an issue, but when inflation is soaring, so too are property rebuild costs.

Although this may, at face value, only appear to be an issue if a property suffered a total loss, perhaps due to a fire or explosion, that is not so. Being 'underinsured', by setting too low a sum insured, affects anyone who is insuring a home or commercial property.

Insurers can view underinsurance in two ways – as either a fraudulent attempt to reduce premiums, or as a genuine

mistake. Either way, the insured loses out significantly. An insurer can either void the policy completely, if they find the property underinsured, or will apply 'average' to the claim. Here, they look at the percentage of underinsurance and use it to calculate a much-reduced pay out.

For instance, if a property has a rebuild cost of £600,000, but is only insured for £500,000, it is only insured for 83.3% of its value. If you suffered damage amounting to £50,000, and the insurer agrees to pay anything, you would most likely only receive a payment of £41,650 (83.3%), less the policy excess.

When calculating your sum insured, it is not just the property's rebuild value you need to consider but all the other costs – architects and surveyors' fees, potential site clearance costs, building materials, labour, planning charges and more. Commissioning a Royal Institution of Chartered Surveyors' (RICS) valuation can assist with your setting of the sum insured, but do remember to then add VAT unless your business is VAT registered. Getting the sums wrong could be disastrous.

<sup>7</sup> <https://www.axaconnect.co.uk/siteassets/broker-documents/commercial-lines/product-support-documents/guide-to-property-claims-inflation.pdf> (page5)



## Cover All Event Eventualities This Summer!

Summer 2022 could be the first in a while in which you are staging an event, erecting marquees or staging, or welcoming enthusiastic festival goers. If that's the case, quickly dust off your health and safety manuals and refresh yourself on all you need to consider, to keep the public, staff and volunteers safe and avoid financial loss.

From marshalling to marquee safety, and from traffic management to trip hazards, you need to be on the ball. This starts by having a plan – working out what your event risk management needs, according to the scale of the event, its duration and its timing.

Considering the worst-case scenario is key. Any event organiser has a duty of care to everyone involved, from set shifters to musicians, and from children playing on hired in equipment like bouncy castles, to those tucking in to local fayre from food stalls. Check that volunteers driving your mini-buses are actually covered. Know that your food exhibitors practice allergen control.

The starting point relates to legalities. Do you need special licences, what insurances must you legally hold and which other covers could protect you, should the heavens open, an accident or emergency occur or a contractual dispute break out? Talking of contracts, make sure any third parties involved have valid and sufficient public liability insurance, as well as the right qualifications to provide the services offered. Let a solicitor examine contracts,

to ensure there is no shifting of liability on to your shoulders, if something goes wrong.

Asking 'what if?' will get the right medical back-up and organisational systems in place, ensure fire prevention measures are robust and help you think of everything, right down to cash handling and crowd control.

If you have to work with animals and children, consider specific risks attached to each, from wild animal 'escape', to background checks on volunteers and staff. Meanwhile, ensure training in all aspects of health and safety is tip-top.

Electrical and gas equipment carries an inherent risk, as do potentially unstable structures, particularly if susceptible to bad weather or changing ground conditions. Some aspects of your entertainment could be 'hazardous', from climbing wall experiences to fireworks. Check all activities are covered by your public liability insurance cover. If not, enquire about stand-alone policies.

Covid-19 has added another layer of event risk, so consider everything from sanitary and toilet services, to clean air supply and social distancing at pinch points. Remember, Covid-19 has not gone away. Duty of care means controlling its risks.

Then, there are the financial risks associated with running an event possibly decimated by bad weather, nearby terror attacks or withdrawal of your top act. All can potentially be covered by insurance policies, whether that is through a pluvius, cancellation or terrorism policy.

Getting advice from an expert broker pays dividends. We can spot risk loopholes and provide advice that is just the ticket. Work with us and you should find it is your activities and acts, rather than your accidents and mistakes, that are the headline makers.





# Is It Covered and Who Is At Fault? It Depends!

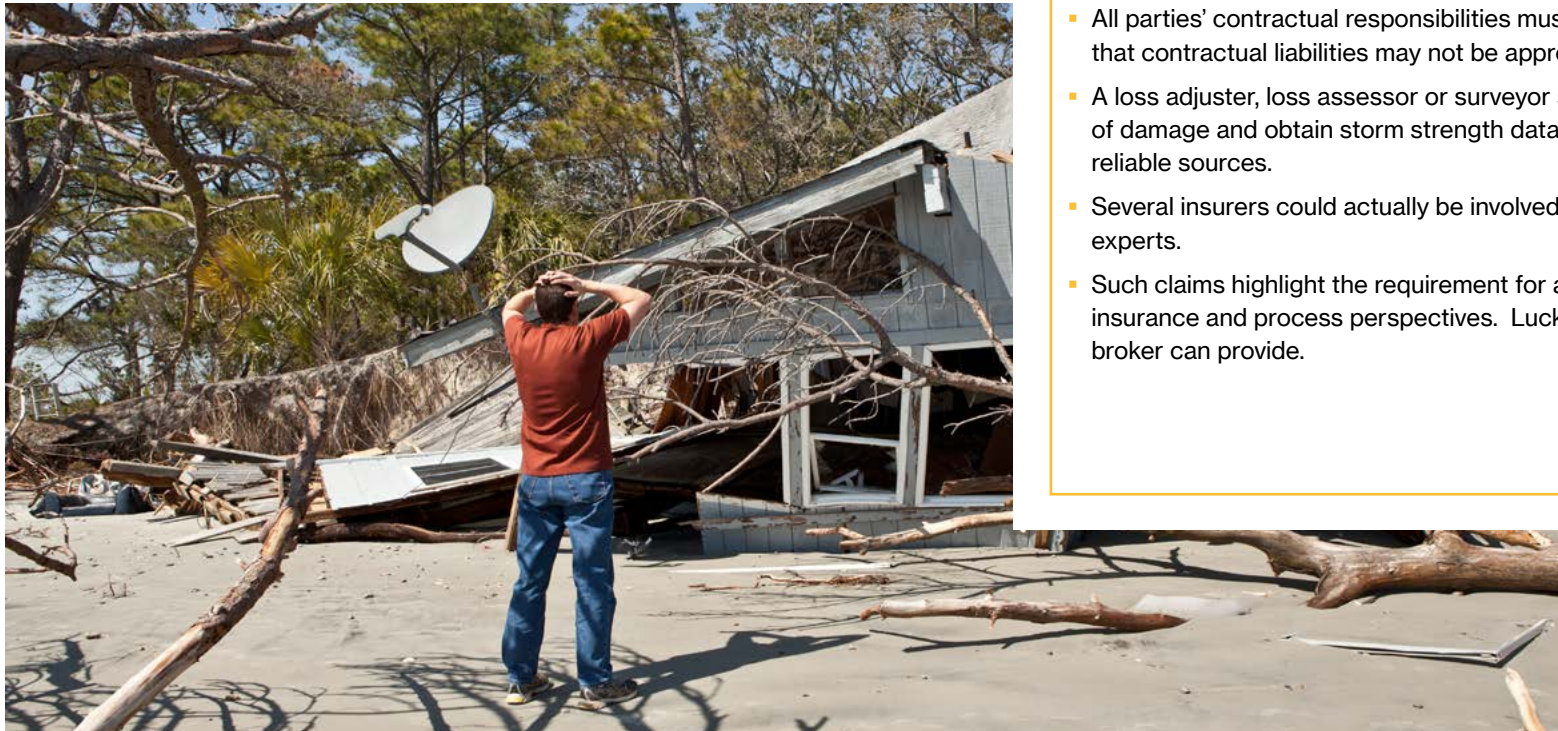
Within construction, contractual agreements and the division of work between contractors can make it difficult to know whose insurance is covering what – one reason why working closely with a broker is important. Here's one scenario demonstrating the complications.

## Scenario

- The main contractor asks a sub-contractor to install roofing at client premises
- The sub-contractor asks a manufacturer to design and build the roofing
- The main contractor supplies tiles for the sub-contractor to install
- A storm damages the roofing at the client's premises.

## Who is liable?

- **NOT the client's Property Damage/Business Interruption Insurer** - the policy definition of 'storm' was not met. They suggest the tiles were unfit for purpose.
- **NOT the roofing manufacturer's liability and Professional Indemnity (PI) insurers** – they say their design was faultless and blame an installation issue, or materials not meeting their design specification.
- **NOT the main contractor's liability or PI insurers** - the contractual terms make the sub-contractor responsible for design and installation.
- **NOT the sub-contractor's PI Insurers** – they say installation was faultless and it was not their design.
- Who is ultimately liable is down to the investigation but all insurers, whose policy terms potentially make them liable, should be informed of the incident. Care must be taken. Not notifying the insurer could later result in an insurer denying liability, due to late notification, if the claim eventually falls on your client's shoulders.
- All parties' contractual responsibilities must be checked for legal liabilities. Be mindful that contractual liabilities may not be appropriately covered in insurers' wordings.
- A loss adjuster, loss assessor or surveyor should also determine the actual cause of damage and obtain storm strength data, applicable to the specific locality, from reliable sources.
- Several insurers could actually be involved, along with solicitors and even forensic experts.
- Such claims highlight the requirement for a cross-discipline approach covering legal, insurance and process perspectives. Luckily, this is something an experienced broker can provide.







Tony McDonagh & Co Ltd  
Avoca House  
The Pavilion Business Centre  
6 Kinetic Crescent  
Enfield  
Middlesex  
EN3 7FJ

Tel: 01992 703000

[www.mcdonaghs.co.uk](http://www.mcdonaghs.co.uk)  
[insurance@mcdonaghs.co.uk](mailto:insurance@mcdonaghs.co.uk)

Authorised and regulated by the Financial Conduct Authority

NLIG Ltd T/A North London Insurance Group  
Avoca House  
The Pavilion Business Centre  
6 Kinetic Crescent  
Enfield  
Middlesex  
EN3 7FJ

Tel: 01992 703300

[insurance@nlig.co.uk](mailto:insurance@nlig.co.uk)



Willis Limited is a Lloyd's broker and is authorised and regulated by the Financial Conduct Authority, Jersey Financial Services Commission, Guernsey Financial Services Commission and Dubai Financial Services Authority. The registered office is 51 Lime Street, London, EC3M 7DQ and Willis Limited is registered in England and Wales under company number 181116.

The information given in this publication is believed to be accurate at the date of publication shown at the top of this document. This information may have subsequently changed or have been superseded and should not be relied upon to be accurate or suitable after this date.

This publication 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. Some of the information in this publication may be compiled from third party sources we consider to be reliable, however we do not guarantee and are not responsible for the accuracy of such. The views expressed are not necessarily those of Willis Towers Watson. Copyright Willis Limited 2022. All rights reserved.