Covernotes

ASPEY LAWRENCE
BUSINESS INSURANCE SPECIALISTS

Are you ready for a cyber-attack?

Cyber threat is one of the most significant risks facing UK businesses and is on the increase. Government figures in 2015 revealed 81% of large businesses and 60% of small businesses had suffered a cyber security breach.

Cyber claims statistics from 2013 - 2016 show cyber extortion and ransomware to be the fastest growing cybercrimes.

Ransomware

From 2013-16 encryption ransomware claims accounted for 16% of known claims and a further 4% related to other cyber extortions.

"For the first nine months of 2016 we had a lot of notifications from businesses that were victims of ransomware type attacks, and nearly all them had extortion elements to them as well," says Kathy Avery, Financial Lines Major Loss Adjuster. "A lot of quite small businesses have been affected."

One example involved an online gardening business. The owners discovered ransomware had infiltrated their computer and was encrypting files, making it impossible to contact customers and access invoices. They believed they had no choice but to pay the ransom in order to unlock their files.

Such ransom demands are often small, usually paid in Bitcoin, but can be lucrative given the high frequency of attacks. Malicious hackers are thought to have generated around $325m in revenue over the past three years by using ransomware software known as CryptoWall, according to research by the Cyber Threat Alliance.

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The Internet of things

The Internet of things, refers to the huge number of everyday devices with the ability to gather data through built-in sensors and transmit over the Internet. For example Smart TVs, CCTV cameras, digital video recorders, smart thermostats, webcams and home routers to name just a few. A threat currently worrying experts is a large scale DDOS (Distributed Denial of Service) attack on such devices resulting in widespread disruption. Such attacks are on the increase, up 138% year on year, according to Akamai's latest State of the Internet/Security Report.

Latest statistics show cyber extortion and ransomware to be the fastest growing cybercrimes.

For those affected by ransomware or Denial of Service attacks, business interruption costs are highest during peak trading periods. In one particular case, although the ransom demand was only £262, the business interruption claim for the company concerned was in seven figures, as their website was taken down over a weekend.

Whilst cyber-attack, and more specifically ransomware, is on the increase, many businesses, of all sizes, still do not fully understand the risks involved or the need to have robust cyber security in place. They also currently tend to over-estimate the extent to which their existing insurance provides cover.

The solution

From a severity perspective, business interruption and data breach will continue to be significant drivers of loss now and into the future. If your business holds sensitive customer details, relies heavily on IT systems and websites, and/or processes payment card information, the threat of cyber attack is very real.

As your insurance broker, we can help protect your vulnerability to cyber threat by arranging cover against a wide range of risks, including business interruption, theft of intellectual property, loss of income, damage management or recovery / repair to corrupted or lost files, reputational damage and more.

We work with a panel of insurers who provide Cyber coverage and we will work with you to identify which cover suits your needs best.

Sources:
UK Cyber Security: The role of insurance in Managing and Mitigating the risk. March 2015 HM Government
AIG Claims Intelligence Series: Behind the numbers: Key drivers of cyber insurance claims
https://www.iclg.co.uk/practice-areas/product-liability/product-liability-2016/horizon-scanning-the-future-of-product-liability-risks
Hiscox Cyber Readiness report 2017
Insurance Age Cyber Article 27.4.16

Managing small fleet risk

The Health and Safety Executive estimates one-third of all road accidents involve an at-work driver, which means it's never been more important to ensure your vehicles are safe and your drivers are safety-conscious; options to help you manage your small fleet risks include:

Telematics

Simple smartphone apps are available for small fleets telling you where your vehicles are at any time of day and monitoring driver behaviour. The cost is minimal, but the benefits can be huge, as telematics, along with dash cams, can help determine what has happened at the time of an accident and help protect against fraudulent claims.

Distraction

EU data reveals that distraction is a contributory factor in up to 30% of collisions. A survey by road safety charity, Brake, found that 55% of the 25 to 34 year old drivers questioned had sent or read a text message on their mobile whilst driving during 2016.

New legislation (March 1, 2017) means such drivers will now get an automatic 6 points, instead of 3 on their licence and an increased fine of £200. New drivers could find they have their licence revoked if caught within 2-years of passing their test.

A driver distraction policy can help to reduce risks, specifying your company's conditions, which may include banning or limiting hands-free mobile phone use, not smoking or eating whilst driving, and stopping to change satnav settings.

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Driver excesses, training and checklists

Driver excesses can encourage drivers to improve their behaviour, whereby they must pay an increasing amount every time they are involved in a collision. Online driver training courses can improve driver awareness, and training is particularly beneficial if an employee is driving an unfamiliar vehicle. You may also find it useful to provide checklists that drivers must sign every time they use a vehicle, recording signs of damage and creating an audit trail that encourages everyone to keep the vehicle in good condition.

Smartphone apps are available to enable drivers to record and submit a claims incident whilst at the scene of an accident.

Logbooks, mobile apps & debriefs

Accident logbooks list your business' insurance details and tell drivers what to record at the scene of a collision. In fact there are mobile apps available which enable drivers to record and submit a claims incident whilst at the scene of an accident, with step by step instructions to ensure events are recorded accurately and backed up by photos. Other measures you can take include post-collision debriefs and regular fleet inspections.

How we can help

We are committed to helping our fleet customers minimise their exposure to risk and can help tailor a risk management policy to suit your company utilising some or all of the above suggestions. As required, we can arrange bespoke insurance tailored to your specific needs so please contact us today.

Sources:
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http://www.fleetnews.co.uk/fleet-management/risk-management/cut-road-risk-with-clear-driver-distraction-policy

Insurance premiums on the increase...

On Monday 27th February 2017, Lord Chancellor and Secretary of State of Justice, Liz Truss, announced that those affected by medical negligence, car crashes and other incidents will receive more money following changes to the way lump sum pay-outs are calculated. This has triggered predictions by insurance experts that premiums could rise dramatically.

The measure relates to a calculation called the Discount Rate, which has remained unchanged since 2001. When victims of life-changing injuries are awarded large sum compensation pay-outs, the actual amount they receive is adjusted according to the interest they can expect to earn if they invested it. In finalising the amount, courts apply the Discount Rate, which was set at 2.5%.

From 20th March 2017, the new Discount Rate has been set at minus 0.75%, which means claimants will now receive larger lump sums, putting pressure on insurers to increase premiums. It is estimated that an average comprehensive motor insurance policy will increase by £50-£75, with increases of up to £1,000 for younger drivers and a rise of up to £300 for drivers over 65.

Insurance premiums for drivers set to rise as the Government revises the injury pay-out scheme.

Top-level representatives from the insurance industry are currently calling for Chancellor Phillip Hammond to make a swift change in the law to stop the change hitting motorists, business and taxpayers before the change becomes reality. As we await reform of the law in this respect, we look at other factors affecting premiums.

- **Global economics**

  The uncertainty over Brexit has already reduced the strength of the pound, affecting the cost of motor parts manufactured outside the UK. This, in turn, increases the cost of vehicle repair, affecting the premiums needed to cover future motor claims costs.

- **Insurance premium tax**

  Over recent years, the Government has introduced a number of successive increases in insurance premium tax (IPT), directly impacting the amount all customers pay for insurance.

- **Cost of running a business**

  Fluctuations in the exchange rate, reduced returns on investments, increased energy costs and regulatory restrictions all affect running costs, resulting in increased premiums for policies such as Public/Products Liability, property, Motor and Employers' liability.

- **Underwriting profit and loss**

  Products such as Employers Liability and Public Liability generally run at an underwriting loss, with insurers relying on investment income to generate profits. With falling global interest rates and the Bank of England base rate at an all time low of 0.25%, insurers are under pressure to make an underwriting profit, resulting in increased premiums.

How to manage premium change

Despite the external factors affecting premiums, insurers always look at customers on an individual basis to ascertain risk level. As your broker, we will help manage your exposure to risk and source quotations via our panel of insurers to find the optimum product, helping to keep your premiums as competitive as possible.

Source:
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Landlords!
Are you ready for the new energy rules?

The new energy performance regulations have been finalised by the Department for Business, Energy & Industrial Strategy and come into force in England and Wales in 2018, which means landlords should be acting now to ensure they are compliant.

Under the new regulations, landlords will need to meet Minimum Energy Efficiency Standards (MEES), which require a building to have at least an 'E' rating Energy Performance Certificate (EPC). This is based on CO2 emissions for commercial property and fuel costs for domestic property. General awareness of the new MEES is estimated to be low, with up to half of all landlords still needing to assess the risk profile of their property portfolio. In the case of landlords with a large portfolio of properties, it is a dangerous strategy to wait until 2018 to carry out a property review.
The changes mean it will be unlawful to rent out a commercial or residential property that does not comply with the new regulations and there will be a financial penalty of up to £4,000 to pay. Failure to comply could also potentially affect the value of the property and damage your reputation.

Up to half of all landlords still need to assess the risk profile of their property portfolio.

The first step to take is to assess the current EPC rating for each property in your portfolio. This may pose more of a problem for landlords with smaller portfolios, as they won't have consultants or maintenance teams in place to advise and assist. Such customers will require advice on whether their properties comply and how to instigate the necessary changes and obtain a new EPC. A property with an 'F' or 'G' rating could cause problems.

We can work with you to ensure you have the right property cover for your property portfolio and importantly ensure that you are not under-insuring your risks.

Sources:
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https://www.gov.uk/government/organisations/department-of-energy-climate-change

Export market opens up for SMEs

The UK is a major global exporter and importer, but despite global demand, latest HMRC statistics reveal that for the last two years exports have remained flat whilst imports have grown steadily. This offers great opportunities for SMEs looking to enter the export market, but it makes sense to tread carefully, as we explain.

The good news is there is a huge demand for British made products worldwide. Recent research by the Department for International Trade (DIT) found that products branded 'Made in Britain' or marked with the British flag are 64% more likely to be selected by buyers in eight of the key export markets worldwide.

As your insurance broker, we can access expertise that will supplement our own advice to help you understand the risks associated with exporting and how best to manage them. They can include areas such as credit, quality, transportation and logistics, language and exchange rates, along with legal and political risks. It is not just about selling your product.

There is huge demand for British made products worldwide.

Illustrating the need for adequate insurance, a company manufacturing baby milk powder initially relied on insurance provided by their shipping company. Their first shipment of milk powder to China revealed their packaging was not adequately protected against tropical temperatures, and much of the product was damaged.

Unfortunately, they found the damage was not covered by the shipping company's insurance policy, as the fault lay with the design of the packaging. They are now reassessing the level and quality of their insurance cover, as well as quality

control for their packaging, highlighting the need to stay in control of your insurance requirements and not rely on others.

Not getting paid is another danger, as a number of exporters found when a Madeira-based trading house defaulted and disappeared, leaving large amounts owing to many UK suppliers. In some cases, the trading house had been paid by European buyers but had not passed on the money to the UK exporters. It may seem a good idea to export goods on credit terms rather than ask for cash, and use a trading house if you have little knowledge of overseas buyers, but it is essential to have credit insurance in place. Without it, one of the UK exporters would not have received payment for £250,000 of supplied computer peripherals.

As these examples show, it is essential to research your market, plan ahead and have appropriate insurance cover, especially given the uncertainty over Brexit, a devalued pound and fluctuating exchange rate.

The import / export market insurance is a specialised field and we use many resources to ensure you receive the right advice and cover for your needs. We can advise on how to transfer, reduce or remove risks, drawing on specialist insurers to provide cover that appropriately protects your interests. We would also suggest looking at www.great.gov.uk, which offers a huge pool of resources, as part of the Government's new export campaign, 'Exporting is Great'.

Source:
https://qbeeurope.com/news-and-events/reports/enabling-exporting/
(Full report by QBE Business Insurance available to download.)

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