

MARSH INSIGHTS:

OUTLOOK: PERSPECTIVES ON TOPICAL RISK AND INSURANCE ISSUES FOR UK CORPORATES

TRADE CREDIT INSURANCE CLAIMS EXPECTED TO RISE IN 2014.

As the UK economy improves, many UK-based companies are looking for growth by exporting to new markets. Trading in new markets and territories can be the route to expansion, but it can also mean doing business with markets and customers that businesses have no previous experience of. Therefore, it is critical to mitigate the risk of late or non-payment and the resultant squeeze on cash flow.

Trade credit insurance can provide protection by paying a percentage of the debt (usually up to 90%), up to a trade credit limit.

Our latest *EMEA Trade Credit Quarterly Briefing* highlights that trade credit insurance claims are expected to rise in Europe, the Middle East, and Africa (EMEA) throughout the remainder of 2014, as more firms across the region experience cash flow restrictions as a result of over-stretching themselves as they seek to capitalise on economic growth.

Several countries experienced increased claim levels in first quarter of this year, following a continuous decline in the last three quarters of 2013. Marsh expects this trend in claims to peak within the next 12-18 months.

Our report highlights that premium rates are still highly competitive in those geographies and sectors where insurers are vying for good-quality, well managed risks, with more than 50% of Marsh's clients experiencing reductions in the first quarter of this year.

Please contact us if you would like a copy of the report, our associated paper on managing trading risks through the economic recovery, or an introduction to one of our trade credit insurance specialists.



In this edition:

- Trade credit claims.
- Action on insurance fraud.
- The top cyber risk concerns.
- Managing the risks in social media.
- In brief: Responding to global risks, work-related driving.

ACTIONS ON INSURANCE FRAUD

Fraudulent claims typically increase the cost of insurance. The value of fraudulent insurance claims uncovered by insurers rose to a record GBP1.3 billion in 2013, up 18% on the previous year according to figures published by the Association of British Insurers, which states this figure is more than double the cost the UK's shoplifting bill.

Motor insurance claims were the most expensive and common type of fraud. Calls from the public reporting suspected insurance frauds into the Insurance Fraud Bureau's Cheatline rose by 32% to 6060 in 2013 over the previous year. (The Insurance Fraud Bureau (IFB) was created in 2006 to specifically tackle organised cross-industry motor insurance scams.)

On 7 June, Justice Secretary Chris Grayling announced "a [major new government crackdown on insurance fraud](#)".

The measures announced include:

- Requiring courts to reject compensation applications where the claimant has been dishonest – to stop people from making bogus claims or grossly exaggerating the extent of their injuries.
- Plans to ban lawyers from encouraging people to make claims by offering cash or other inducements.
- Reducing dubious whiplash claims by improving medical assessments, ensuring they are only conducted by independent accredited professionals, and setting fixed fees for medical reports.
- Introducing new rules to restrict the practice of settling whiplash claims without confirmation of the claimant's injury.

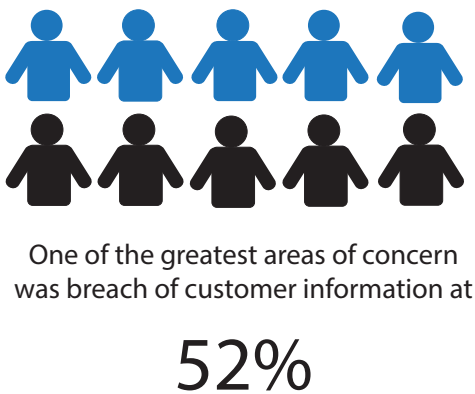
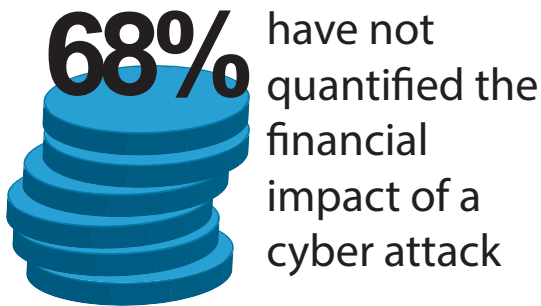
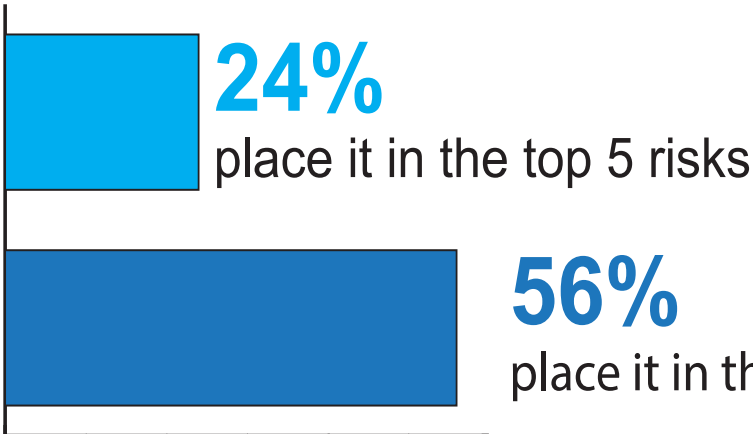
The government states this will "reduce the amount being paid out unnecessarily by insurance companies on fraudulent claims and enable them to pass on savings to honest customers".

Marsh encourages and can help clients to set up procedures that ensure prompt notification to insurers of all new claims and incidents. This enables insurers to investigate promptly and take action to reduce costs - including measures aimed at detecting potentially fraudulent claims by third parties.



CYBER RISK — BREACH OF CUSTOMER INFORMATION IS THE GREATEST CONCERN

According to Marsh's UK and Ireland 2014 Cyber Risk Survey, cyber risk now features prominently on corporate risk registers, with results from respondents showing:



Your Marsh Client Executive can provide you with access to a cyber risk self-assessment tool to help you understand your level of exposure.

SOCIAL MEDIA – THE BENEFITS AND THE RISKS

Social media is increasingly popular, particularly in a business context. If harnessed effectively, it can enhance the ability to communicate products and services, to engage with customers and business contacts, and to access information and resources. Social networking allows users to communicate with each other by creating profiles, “posting” comments and opinions, connecting or forming “links” with others on the site, joining different “networks” and adding “friends”. It can also be used to debate, share opinions and experiences by posting or commenting in public spaces.

The benefits of social media activity inevitably do not come without risks. Be aware of the following:

- **Control over information** – the speed at which information can be circulated, and the proliferation of that information, is something over which employers will have little control. Information published on social media sites is not always easily removable, particularly when the information emanates from a third party.
- **Disciplinary action** – whether or not there is a firm-wide social media policy, it is at least advisable that employees know the standards of behaviour that are expected of them. If a policy is put in place, it should address the various types of activity that will be considered inappropriate and also the disciplinary action that will be taken for any breaches of the policy.
- **Defamation** – the risk of defamation needs to be acknowledged and addressed in a social media policy.
- **Confidentiality** – you must consider confidentiality issues at every step and always ensure colleagues are required to log out of social media sites.
- **Privacy settings** – employees should be instructed to review a site’s privacy settings to enable them to control, and put restrictions on, who is able to access their information. However, you should be aware that by adopting privacy settings this does not necessarily mean that the information posted on social media sites will be fully protected.



FRAUDS AND SCAMS

Unfortunately it has not gone unnoticed by cybercriminals that we live in an interconnected world where information is readily shared and easily accessible. Social media provides access to data which can provide an opportunity to tailor “spear-phishing” emails to target your business or individual colleagues.

Spear-phishing emails can be constructed to look like they have originated from a trusted source. They can be addressed to employees personally and can be closely related to the business. Spam messages are also a source of what is called “social engineering”. The phrase “social engineering” is broadly defined as an attempt to gain access to information, primarily through manipulation and misrepresentation.

Risk management points to communicate to employees include:

- Understand how to spot visual clues as to whether an e-mail is legitimate, for example by hovering over links to spot fake URLs.
- Do not reveal passwords or other sensitive information to any individual directly, through email or by phone.
- Do not respond to any message/email received from a social networking site that asks for confidential information.
- Do not even provide what might seem to be banal information.
- Do not click on any links in unsolicited email communications.
- Communicate and expect all colleagues to comply with your organisation’s social media policy.

NEWS IN BRIEF

RESPONDING TO GLOBAL RISKS: A PRACTICAL GUIDE FOR BUSINESS LEADERS

Marsh has collaborated with the Institute of Directors (IoD), AIRMIC, PWC, and Zurich on the [Responding to Global Risks report](#) – an IoD guide for company directors to outline the practical lessons for organisations from the World Economic Forum’s (WEF) *Global Risks 2014* report.

Responding To Global Risks offers practical and valuable guidance to board-level directors of small, medium-sized, and large enterprises from all industry sectors in the UK on how they might manage and mitigate the impacts outlined in the WEF Global Risks 2014 report.

ACTION NEEDED ON WORK RELATED DRIVING

The Royal Society for the Prevention of Accidents (RoSPA) has published a strategic review of the [management of occupational road risk \(driving for work\)](#).

It finds that since 2006, almost 30% of road deaths and just over 22% of serious casualties occurred in accidents involving at least one at-work driver or rider.

“This review further emphasises the need for the awareness of Management of Occupational Road Risk (MORR) to be raised and given the priority it deserves. RoSPA will lead a MORR stakeholder forum in the autumn to help develop an action plan. We will also be developing guidance for employers to help them evaluate the measures they have to manage their occupational road risks.”

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