

MARSH INSIGHTS:

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

THE BUDGET 2014: GREATER PENSIONS CHOICE FOR MEMBERS AND MORE TO THINK ABOUT FOR PENSIONS SCHEME TRUSTEES AND SPONSORING EMPLOYERS

During his budget speech on 19 March 2014, the Chancellor surprised us all by announcing some radical changes to pensions, giving members more flexibility to access their pension pots as cash and avoiding the need to buy an annuity. In this article, we explore what it really means for pension scheme trustees and sponsoring employers.

What are the changes?

- For defined contribution (DC) members, the intention is that, rather than having to secure a pension by purchasing an annuity, all future retirees from April 2015 will have full choice over how they use their retirement savings. As an interim measure, between 27 March 2014 and April 2015, there is an increase in the amounts that can be trivially commuted, and the drawdown limits are increased.
- There will be a requirement for individuals retiring from DC schemes to be offered free and impartial face-to-face guidance about their retirement choices.
- The changes to the DC environment have the potential to impact on defined benefit (DB) schemes, making a transfer from a DB scheme to a DC scheme at the point of retirement potentially more attractive to take advantage of the new flexibility. The Government will consult on whether to ban transfers from both public and private sector DB schemes.
- Minimum retirement age to increase.
- The taxation of pension benefits on death to be reviewed.



In this edition:

- Pensions changes.
- Directors' remuneration reforms.
- Controlling work related stress.
- Fire risk from e-cigarettes.
- Data protection — the cyber exposure.

PENSION CHANGES (CONTINUED FROM PAGE 1.)

What does it mean for employers?

The proposals represent a significant shift in pension policy, and will have a long-lasting impact on the pensions market. The more immediate issues for employers to consider will include:

- Communicating the changes to employees, and, in particular, considering the impact on employees who were planning to retire in the next year – employees may look to defer retirement until the new relaxed rules come in.
- Reviewing their investment default to ensure that they are suitable for the new flexible rules (current defaults tend to target the purchase of an annuity).
- Providing employees with support to help them understand the new flexible rules and the impact on their investment strategy.

How can Mercer Marsh Benefits help?

Mercer Marsh Benefits (provided by our sister company Mercer) can support trustees and employers in all aspects of communication, individual advice, and investment advice. We also provide strategic advice to companies to support their overall reward objectives and planning. Please contact your usual Marsh representative if you would like to be introduced to a Mercer Marsh Benefits consultant. You can also visit the [Mercer Marsh Benefits website](#) for details of the full range of services and solutions.



DIRECTORS' REMUNERATION REFORMS

On 1 October 2013, Chapter 4A of the Companies Act 2006 came into force. This provides comprehensive reforms on directors' compensation packages, replacing previous existing requirements. As a result of the new law, companies will face greater scrutiny into the amounts they pay their executives.

Marsh has produced a new [client adviser document](#), which discusses reforms to the law on directors' remuneration, and examines how the personal assets of directors could be at stake if they fail to act in accordance with the new law. It also discusses:

- Which companies are affected.
- New reporting requirements.
- Recovery of unauthorised payments.
- Protecting the personal liability of directors.

Our specialist financial and professional lines team will be pleased to discuss the insurance situation with you.

HOW MANY WORKING DAYS DOES YOUR BUSINESS LOSE THROUGH WORK-RELATED STRESS?

According to the European Agency for Safety and Health at Work (EU-OSHA), work-related stress is the second most frequently reported work-related health problem in Europe — after musculoskeletal disorders. It states that 50%–60% of all lost working days can be attributed to work-related stress, and that, typically, stress-related absences are longer than those arising from other causes. This surely provides a strong business case for employers to manage the risk, especially as EU-OSHA contends that the benefits to the business outweigh the costs of implementing solutions to address stress at work.

Facts and figures*

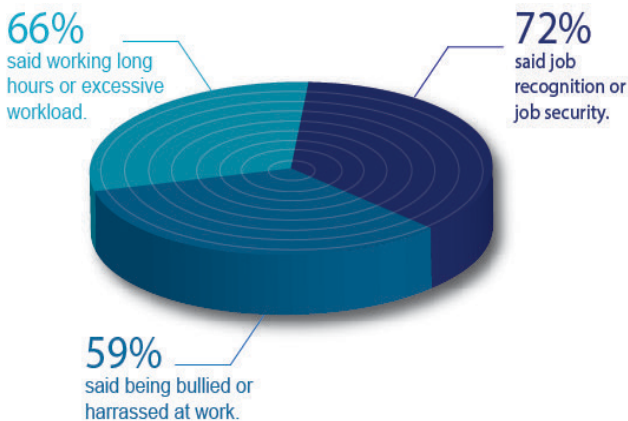
9.8
million

The number of estimated working days lost in 2009/10 due to work related stress in the UK.

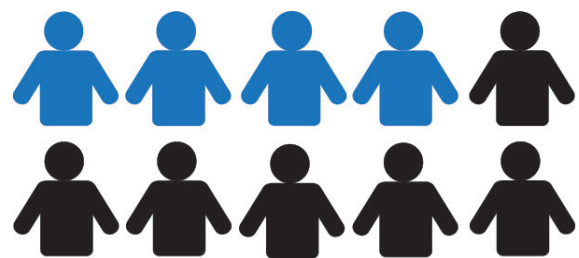


The average number of days workers were absent due to work-related stress.

In a recent European poll, the most common causes of work-related stress were:



In the same poll, four in ten workers said stress is not handled well in their workplace.



* Source: EU-OSHA, 2014.

Campaign

EU-OSHA has launched a two-year campaign — The Healthy Workplaces — aimed at reducing the number of workers suffering from work-related stress. You can find out more on its dedicated [Healthy Workplaces website](#) and guidance on managing stress is available on the [Health and Safety Executive's dedicated webpages](#).

CONCERNS GROW REGARDING THE FIRE RISK POSED BY E-CIGARETTES

The charity [Action on Smoking and Health](#) estimates that 1.3 million people are currently using e-cigarettes in the UK. It is, therefore, likely that many businesses will have employees who use e-cigarettes. While research and debate continues on the health and nuisance issues, many fire services are now warning of the fire risk associated with e-cigarettes. It is therefore important that employers develop and communicate a policy regarding their use in the workplace.

What are e-cigarettes?

E-cigarettes are battery-powered devices, designed to replicate smoking behaviour without the use of tobacco. They turn nicotine, flavour, and other chemicals into a vapour that is inhaled by the user. Typically e-cigarettes use a rechargeable battery to power the vaporiser, and these batteries require recharging on a regular basis.

What is the fire risk?

A number of incidents have been reported nationally whereby the battery has either overheated or exploded during the charging process. For example, [Derbyshire Fire and Rescue Service](#) says "E-cigarettes are known to contain lithium ion batteries; this type of battery is known to have caused fires in the past due to 'thermal run away', which can be caused by overcharging, physical damage, or a defect within the battery during manufacture. A further point of note is that some e-cigarettes may not have a plug. They charge by connecting the battery to a USB hub and then to a laptop; it is therefore essential that the manufacturer's instructions, in relation to charging times, are followed."

What stance should employers consider?

We suggest you amend any existing no-smoking policy to include details of your approach to e-cigarettes, such as expressly banning the use (including recharging) of e-cigarettes in the workplace, in company vehicles, and at any client locations where your employees are working.

Employees who work from home should be instructed not to re-charge the battery of an e-cigarette via a USB hub connected into a company laptop.

If you do not currently have a no-smoking policy then you should consider introducing one and including in it details of your approach in respect of e-cigarettes.

As with any such policy, you must clearly communicate and explain it to your employees, including the consequences of failing to comply with it.

If you already provide a designated external smoking area for conventional smokers, then also consider providing a separate area for employees to use e-cigarettes.



LARGE DATA PROTECTION FINE HIGHLIGHTS CYBER EXPOSURE

The British Pregnancy Advice Service (BPAS) has been fined £200,000 after a malicious hacker obtained personal data of thousands of individuals from its website.

The Information Commissioner's Office (ICO) established that BPAS didn't realise its website was storing the names, address, date of birth, and telephone number of those people who asked for a return telephone call. The personal data wasn't stored securely and a vulnerability in the website's code allowed the hacker to access the system and locate the information.

David Smith, Deputy Commissioner and Director of Data Protection at the ICO, said:

"Data protection is critical and getting it right requires vigilance. The British Pregnancy Advice Service didn't realise their website was storing this information, didn't realise how long it was being retained for, and didn't realise the website wasn't being kept sufficiently secure. But ignorance is no excuse."

Cyber liability insurance can provide protection for liability claims arising from the unauthorised disclosure of personal or confidential information and also for the expenses incurred in defending regulatory actions following the unauthorised disclosure of personal information. Please contact us if you would like more information.

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