

## MARSH INSIGHTS:

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

### FAVOURABLE CONDITIONS PREVAIL FOR INSURANCE BUYERS WITH ATTRACTIVE RISK PROFILES

Marsh's *Europe, Middle East, and Africa Insurance Market Report 2014*, which analyses market trends across major lines of insurance, shows that capacity in the EMEA insurance market is at an all-time high and is unlikely to change in the short term. For 1 January renewals, fierce competition among insurers for organisations with attractive risks and good loss histories led to an increased use of alternative capital and smaller reinsurance orders for the traditional insurance marketplace.

#### The UK position

In the UK, rates for property and general liability were stable overall, although insurers are increasingly differentiating good and poor risks.

Motor is the most difficult class of insurance at present, and this market typically experienced a 10% increase in rates.

The directors and officers liability marketplace has shown increasing signs of stabilisation over the last 12 months, and despite premium savings still being broadly achievable, the average size and frequency of such reductions has most definitely moderated.

#### What to expect

A greater emphasis is now being placed on rigorous underwriting and risk selection, with insurers demonstrating a diminished appetite for poor risks and/or risks with adverse claims histories. Underwriters are now requesting a greater range and depth of information from buyers to reduce their risk exposures, which places an even greater importance on the need for detailed and comprehensive risk management to secure favourable rates at renewal.

The Marsh team is here to support you. Working with you, our claims and risk management specialists can help you put effective risk management plans and control actions in place. Our placement teams will use that information to profile your risk positively with the insurance market, with the aim of generating competition and favourable pricing.



#### In this edition:

- The latest data on insurance rates.
- New health and safety law poster.
- Sickness absence — a new government service.
- “Cash for cars” — risk and insurance issues.
- Reprieve for motor insurance certificates.

## NEW HEALTH AND SAFETY LAW POSTER

Employers have a legal duty under the Health and Safety Information for Employees Regulations (HSIER) to display the approved poster in a prominent position in each workplace or to provide each worker with a copy of the approved leaflet that outlines health and safety law.

The poster was amended in 2009, with the board of the Health and Safety executive granting a five-year transition period, to reduce the burden on businesses of this change. The previous (1999 edition) poster or leaflet must be replaced with the 2009 poster or leaflet no later than 5 April 2014. You can purchase the new poster, as well as download leaflets and pocket cards, at: <http://www.hse.gov.uk/pubns/books/lawposter.htm>.



## SICKNESS ABSENCE: NEW SUPPORT SERVICE ON ITS WAY

The UK Government states that nearly a million employees a year reach the four-week sickness absence point, with employers facing an annual bill of around GBP9 billion for sick pay and associated costs. It has developed a [workplace wellbeing tool](#) to help employers calculate the costs of poor employee health to their organisation and create a business case for taking action.

The Government is setting up the [Health and Work Service](#) which is due to begin in late 2014 and will provide occupational health advice and support for employees, employers, and GPs in England and Wales. (The Health and Work Service in Scotland will be delivered by the Scottish Government on behalf of the UK Government.) The intention is to help individuals with a health condition to stay in or return to work.

There are two elements to the service:

**Assessment:** Once the employee has reached, or is expected to reach, four weeks of sickness absence, they will normally be referred by their GP for an assessment by an occupational health professional, who will look at all the issues preventing the employee from returning to work.

**Advice:** Employers, employees, and GPs will be able to access advice via a phone line and website.

Following an assessment, the service will provide a Return to Work Plan that will contain specific advice and recommendations about actions to assist with and make an employee's return to work faster. The Return to Work Plan will usually be provided to the employee, the employer, and the GP.

Where an employer is in receipt of a Return to Work Plan, a GP no longer needs to issue a fit note. An employer will continue to be responsible for decisions about fitness for work and will be able to accept the Return to Work Plan as evidence for this purpose.

## MOTOR FLEET “CASH FOR CARS” — RISK AND INSURANCE ISSUES

In recent years, many employers have moved away from providing company cars, in favour of “cash for cars” allowances. A number of problems regarding control of the vehicles arise from such a decision. An employer still has a health and safety liability, if a vehicle used on its business is not fit for road use, and also by “permitting” a vehicle to be used in a public place there is also a potential Road Traffic Act exposure.

Many employers are now realising that:

- They have lost control over who can drive the vehicles.
- There is no guarantee that the correct business use insurance has been arranged.
- Individual insurance proposals may incorporate errors and non-disclosures.
- Servicing intervals may be missed or non-approved garages used.
- MOTs may be out of date, particularly where expensive maintenance/repair work is required.
- A non-approved insurer may have been used, increasing the risk of insolvency.
- “No claims” proof will be required for employees to get an introductory discount on their own insurance.
- Employees/partners cannot borrow other vehicles without arranging additional business use cover.
- Tyre wear and replacement may be neglected.

Some risk management control may be maintained or reintroduced by employing an external fleet management company to manage the fleet, e.g. checking licences, MOT, insurance, and service records in respect of employee vehicles driven on the employer’s business.

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### Contact us

The above is general guidance. Your usual Marsh contact will be pleased to discuss and advise on your specific circumstances.

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### Insurance options to consider

1. Take all vehicles back into the company fleet insurance policy, i.e. regain control over insurance, servicing, repair, and who can drive.
2. Set up a “grey fleet” policy where the employer insures vehicles it does not own, but where its interest arises from the use of the vehicle on its business. This will provide business use cover, typically based on layers of business mileage per vehicle. Blanket certificates allow for temporary additions and substitutions, and the employer dictates who can drive on its business, as well as controlling the policy cover, extensions, and policy excess. Protection such as corporate manslaughter defence costs can be included and the employer can monitor claims and uninsured loss recoveries.

Some policies may carry a higher excess where there is no “identifiable” third party involved in the claim, to discourage employees from making claims for damage which may have occurred when not on business use.

3. A staff discount can be agreed with one or more insurers as an employee benefit. Take-up rates, however, are usually low unless the employer can enforce the use of the nominated insurer.



## REPRIEVE FOR MOTOR INSURANCE CERTIFICATES

The UK Government recently carried out a consultation on amending the Road Traffic Act 1988 (RTA) to remove the need for insurers to issue motor insurance certificates and instead make the record on the Motor Insurance Database (MID) the evidence of insurance. The majority of respondents, including those from the insurance industry, were opposed to this change for a variety of reasons:

- Many policyholders rely on the certificate to provide them with important information on policy terms and conditions in a standard format.
- Operators of fleets often need certificates as evidence of cover to pass to third parties.
- Not all policyholders have access to the internet.
- A certificate would still be required if travelling abroad.

Consequently, the RTA will retain the requirement for insurers to issue a certificate. However, it has been agreed to remove the necessity of returning the certificate as proof of cancellation; the MID will instead be the record.

The existing legislation will also be amended to remove the proviso that the policy has no effect until a certificate is delivered to the policyholder, as this is rarely recognised by insurers or the police, who rely on other checks to ascertain if insurance is in force.

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