

## MARSH INSIGHTS:

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

### HOW MUCH IS AN UNHEALTHY WORKFORCE COSTING YOUR BUSINESS?

Sick leave and working while unwell costs companies, on average, 7.78% of their yearly wage bill, according to the 2014 [Britain's Healthiest Company](#) report, the biggest study of employee health and wellbeing in the UK. Using Office of National Statistics (ONS) figures, this translates into an estimated total cost of lost productivity to the UK economy of more than GBP58 billion per year<sup>1</sup>.

The report, released in a [Sunday Telegraph supplement](#), issues a stark warning of a dormant health timebomb, with nearly two thirds (62%) of respondents having at least two bad lifestyle habits that put them at serious risk of future ill health. The findings highlight the strong link between these lifestyle risk factors, employees' health, and their absence from work, leaving employers ultimately left to pick up the bill as unhealthy staff take more time off sick and under-perform at work.

Britain's Healthiest Company initiative, run by PruHealth with Vitality, and our sister company Mercer, surveyed more than 25,000 employees from 82 companies across a diverse range of industries and sizes. Commenting on the findings, Chris Bailey, Head of Corporate Consulting for Employee Health and Benefits at Mercer Marsh Benefits said: "The health trends we now see in the UK are fundamentally different from those in place when both the NHS and traditional employer benefit programmes were designed. These programmes can typically be an employer's highest people cost – after pensions – and shifting the focus from solely treating the ill, to preventing ill health in the first place can result in far better value for money. We're now seeing an upswing in the numbers of companies looking to implement programmes that engage employees on their health, allowing the employer to play an active part in helping employees to make the right choices."

Companies that would value a better understanding of how to manage their corporate health risks and would like to know more about the findings from the study can request a [free insights session](#) delivered by a Mercer consultant.

<sup>1</sup>Based on the latest ONS figure which shows that the [average weekly wages in the UK are GBP474 \(GBP24,648 a year\)](#) and for the period Feb-Apr 2014 show that [30.54 million people in the UK are in work](#).



#### In this edition:

- Managing the workforce health risk.
- Calculating the right level of insurance cover.
- Business interruption support and advice.
- The insurance implications of driverless cars.
- Public offering of securities.
- News in brief: whiplash claims, older workers.

## NEW SUPPORT MATERIAL TO HELP YOU DETERMINE THE RIGHT LEVEL OF INSURANCE COVER

Insuring for the right amount is critical to ensure you have the protection you need if an incident occurs. To help you, we have produced two new Adviser documents:

1. *Is Your Property Underinsured?* highlights our findings that 60% of companies that don't regularly review the insurable value of their assets are significantly underinsured. It sets out how underinsurance can result in a reduced claims payment, explains common errors, and outlines points to consider when setting your sums insured.

Marsh can provide a range of property valuation services to help you procure the right level of insurance for your business, and we can advise on alternative insurance cover options to provide property insurance protection.


2. *How Much Liability Insurance is Enough?* uses a legal case to highlight the substantial payments that can be awarded following a life-changing injury, whether on the road, in the workplace, or elsewhere, and the need to review the amount of liability insurance purchased. It explores what could happen if a claim exceeds the amount of insurance cover you have purchased, and gives a list of points to consider when deciding what limit of liability cover to purchase.

Marsh can provide – on an anonymised basis – benchmarking data highlighting the limits purchased by others with a similar risk profile. We can also obtain premium quotations for increased limits of indemnity. Additional cover can be purchased at any time, not just at your annual renewal date.

## BUSINESS INTERRUPTION CENTRE OF EXCELLENCE

Business interruption (BI) is another area where we understand you may need advice and information. BI is not just a consequence of property damage — it can be anything that interrupts a business. Fire, machinery breakdown, terrorism, product recall, natural catastrophes, and cyber-attacks all have one thing in common — the threat of business interruption.

Marsh has created a **BI Centre of Excellence (BICoE)** with a focus on education and best practice, innovative product development, and robust claims and risk-mitigation support. Our goal is to help clients feel more comfortable with their BI risk, improve their understanding of the exposures, and provide a clear guide to risk-transfer solutions available.



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**GLOBAL RISKS, GLOBAL NETWORK**

Companies do not operate in isolation; they are part of a complex network with multiple stakeholders. Whether the trigger is damage or non-damage at a business' own locations or at a customer or supplier location, new and "disruptive" business practices demand new solutions. Marsh is using its international network of experts to develop new BI solutions, built on the diverse expertise of our global property insurance teams, Marsh Risk Consulting, Marsh Global Analytics and our service-delivery colleagues.

The BICoE network comprises a council of senior thought leaders drawn from across Marsh. Regional and country BI leaders have developed cross-disciplinary teams conversant with local geographical and market practices, who are connected to BICoE colleagues globally.

**THE ADVISER OF CHOICE**

As we work to establish and maintain our position as the adviser of choice in relation to BI risk, the enormity of the project becomes clear. The BICoE is leveraging our global colleague network to support clients in multiple projects across clearly defined work streams.

**TRAINING**

We recognise the importance of ensuring our colleagues and clients have the opportunity to enhance their own knowledge of BI risks through having access to sector-specific expertise. Our in-country teams are able to deliver training programmes which can be specifically designed to address local market needs.

How can a decision be made on risk transfer if the extent of exposures is unknown? How would you know if insurance is value for money if risks have not been quantified? We need to understand each business as well as understand the solutions.

SOLUTIONS...DEFINED, DESIGNED, AND DELIVERED.

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## DRIVERLESS CARS – WHAT ARE THE INSURANCE IMPLICATIONS?

The UK Government recently announced new measures that will allow [driverless cars on UK roads](#) by 2015 (albeit on a trial basis).

The Association of British Insurers (ABI) figures show that human error accounts for around 90% of road accidents, and thus the positive impact of autonomous vehicles in terms of both safety and insurance claims costs is likely to be substantial.

Insurers are already supportive of technology that is proven to reduce the number and severity of accidents, such as autonomous emergency braking (AEB) which automatically applies the brakes if the driver does not respond in time. The ABI states that this technology has been proven to lower the rate of collisions that result in personal injury claims by around 20%.

Nevertheless, driverless cars pose significant challenges for the insurance market. With fewer requirements to drive on a regular basis will individuals forget their skills, fail to monitor the road, or fail to react if the car technology fails? In the event of an accident, will liability rest with the driver, the manufacturer of the car, or the driverless technology manufacturer?

Marsh will be watching developments in this area and will issue updates as appropriate.

## PUBLIC OFFERING OF SECURITIES: LIABILITIES AND INSURANCE

The past year has witnessed a resurgence of initial public offerings (IPOs) and rights issues on the London Stock Exchange at a volume not seen since before the financial crisis.

However, offering securities to the public (whether by IPO, rights issue, or bond offering) can create significant new exposures for a company and its directors. Such exposures stem from a variety of different areas, including the disclosures that must be made in the prospectus accompanying the offering.

When undertaking any type of offering, companies and individual directors and officers will face additional liabilities. They should therefore carefully review their existing insurance arrangements and consider the options available to them when deciding on the appropriate insurance cover to put in place for a transaction. This might involve tailoring an existing directors and officers liability (D&O) insurance policy to cover the transaction or purchasing a tailor-made public offering of securities insurance (POSI) policy to sit alongside it. Companies should ensure that they provide their advisers with all of the necessary information required to tailor the appropriate insurance programme to the transaction.

Our new [Boardroom Briefing](#) discusses issues around public offering of securities and Marsh's new POSI insurance product. Please contact us if you would like more information.

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## NEWS IN BRIEF

### FURTHER MEASURES TO TACKLE FRAUDULENT WHIPLASH CLAIMS

Justice Secretary [Chris Grayling has announced](#) that fees for whiplash medical reports will be cut in the latest stage of the government's plan to tackle insurance fraud and the growing "compensation culture".

The change is part of a number of new measures to drive out dishonest whiplash claims, with the aim of bringing down the amount being paid out unnecessarily by insurance companies on fraudulent claims and enabling them to pass on savings to policyholders. From October medical professionals will only be able to charge GBP180 for an initial whiplash report, reflecting the time taken to carry out assessments and write them up. Currently, prices of up to GBP700 are charged, leading – the Government says – to concerns that they are being used to generate profit.

## NEWS IN BRIEF CONTINUED

### THE SAFETY OF OLDER WORKERS

As the state pension age rises, there will be more people working into their late sixties and seventies.

A [recent study](#) undertaken by Brunel University and funded by the Institution of Occupational Safety and Health concluded that employees in their sixties have fewer accidents and injuries than younger workers, can cope with work pressures, and add value with their experience and knowledge. However there was evidence that, when accidents did happen, the health of older workers was more seriously affected.

There is a note of caution. The researchers say: “We believe that choice is behind the positive results of this research but, as the pension age increases, people will have less choice over whether they want to continue working, or have the option of reducing their hours of work, and this might affect not only their safety in the workplace but also their wellbeing.”



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### Contact Marsh

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