

COVERNOTES

Issue 15 Winter 2008/09

HIGHWAY ROBBERY

The economic climate has been difficult for many businesses this year. The uncertainty, along with rising fuel and living costs, is being blamed for a rise in fleet car fraud. Insurers are warning that instances of fuel fraud and insurance fronting are on the increase.

Fronting: This is on the rise in commercial motor insurance. It involves company owners or directors insuring drivers not connected with company business on its fleet policies to save money. Typically, this may be their children who have not earned their own 'no claims' discount, or spouses with a high claims history.

This type of misrepresentation constitutes insurance fraud and can invalidate the company's motor insurance, leaving the business to pay for any damage to its vehicle. Furthermore, if the driver is involved in an accident involving another party, whilst the insurer is legally obliged

to meet any third party liability costs under Road Traffic legislation, they can look to recover these payments from the policyholder.

Fuel Fraud: The cost of fuel is also leading to an increase in company vehicle drivers attempting to defraud their employers by submitting false fuel expenses.

A common type of fuel fraud is via pay-and-reclaim systems, when receipts are collected to reimburse drivers' fuel costs. Less honest employees might be tempted to submit their personal fuel receipts alongside their business ones.

Despite many companies giving employees fuel cards and using fleet management software to track usage, systems are open to abuse. There is evidence that some unscrupulous drivers have been partially filling up their company car and then filling up a second car at the same pump, the fuel card shows them as one purchase.

How to protect your business from fleet fraud:

- To avoid any insurance cover problems, fleet managers should be aware of who owns and drives all vehicles insured under the company fleet policy.
- Fleet managers should review company policy regarding who can drive company vehicles for social, domestic and pleasure use, including the age of drivers, and ensure adequate controls are in place including regular checks of driver licences.
- Audit fuel records regularly, comparing claimed mileage, odometer readings, cost and expected use by employees.
- Ensure that the company policy regarding the proper use of fleet vehicles and expense claims is circulated regularly and that all employees are familiar with it.



Fronting constitutes insurance fraud and can invalidate a company's motor insurance.

BUILT-UP ENERGY



EPCs...
a step
towards
combating
climate
change.

Did you know that buildings are responsible for almost half of the UK's energy consumption and carbon emissions? How we light, heat and use them all contribute to this. To tackle this, Energy Performance Regulations are being introduced in the UK. By making energy performance a decision-making factor for tenants, buyers and financiers, the regulations aim to encourage property owners, landlords and property developers to improve the energy efficiency of their buildings.

The requirements relating to the introduction of Energy Performance Certificates (EPCs), Display Energy Certificates (DECs) and air-conditioning system inspections are shown in the tables opposite.

EPCs grade energy performance on a scale similar to the system used for grading domestic appliances. Their purpose is to record how energy efficient a building is. They are valid for 10 years and can be assigned to the new owner when a building is sold.

In England, Wales and Northern Ireland, EPCs and DECs must be produced by energy assessors who are members of a recognised accreditation scheme. The Scottish Government has entered into protocols with a number of organisations and professional bodies to deliver services in relation to EPCs.

If you would like assistance appointing an energy assessor to undertake your building inspections and provide EPCs, please contact us.

ROLL-OUT SCHEDULE

ENGLAND AND WALES

EPCs: Energy Performance Certificates (EPCs) required for all commercial buildings over 50m² and dwellings when they are newly constructed, sold or rented

DECs: Display Energy Certificates (DECs) required for all public buildings over 1,000m².

Air-Conditioning System Inspections: First inspection of all existing air-conditioning systems over 250 kW must have taken place by January 4, 2009. First inspection of all remaining air-conditioning systems over 12 kW must have occurred by January 4, 2011

For more information, go to www.communities.gov.uk/planningandbuilding

SCOTLAND

EPCs: EPCs required for all newly constructed buildings. For marketed sales of dwellings, an EPC must be provided with the Home Pack. From January 4, 2009 EPCs will be required for the sale of all other buildings and for the rental of buildings. EPCs for public buildings must be on display by January 4, 2009

Air-Conditioning System Inspections: Inspections of air-conditioning systems over 250kW are being introduced from January 4, 2009. Inspections of all remaining air-conditioning systems over 12kW required from January 4, 2011.

Further information can be found at www.sbsa.gov.uk/epc.htm

NORTHERN IRELAND

EPCs: EPCs required for the sale of existing dwellings and for all newly constructed buildings. From December 30, 2008, EPCs will be required for the sale of commercial buildings and for commercial premises and residential buildings being offered for rental.

DECs: DECs must be displayed in all public buildings over 1000m² that are frequently visited by the public from December 30, 2008

Air-Conditioning System Inspections: Any air-conditioning system newly installed after December 30, 2008 must be inspected within 5 years of installation. First inspection of existing air-conditioning systems over 250kW must have taken place by January 4, 2010. All remaining air-conditioning systems over 12 kW must have occurred by January 4, 2011

To find out more, go to www.epb.dfpni.gov.uk

THE ROAD TO BETTER DRIVING



A new qualification for coach, bus and lorry drivers - The Driver Certificate of Professional Competence (Driver CPC) - is being introduced.

The introduction of Driver CPCs began with the Bus and Coach sector with a new testing process for professional drivers entering the industry from September 10, 2008. Those who drove professionally before this date are not required to take this part of the qualification as they are deemed to hold a Driver CPC. However, to maintain the qualification, they must complete 35 hours of periodic training by 2013 - and every

five years thereafter - if they want to continue driving professionally.

The introduction of the Driver CPC for lorries and heavy goods vehicles will take place in September 2009.

The Driver CPC is designed to improve the driving knowledge and skills in the professional sector, thereby improving road safety. It also aims to bring cost savings through improved driving techniques to increase fuel efficiency and reduce vehicle wear and tear.

Go to www.transportoffice.gov.uk/cpc for more information on the qualification.

MONEY OR NOTHING



It is a sad fact that the credit crunch and general economic downturn have increased the risk of company insolvencies and receivership. While credit insurance can help to reduce the financial impact if your customers default, being aware of which of your customers may be at risk can help to reduce your exposure, regardless of whether or not you are covered by credit insurance. Early warning signs include:

- 'On time' payers starting to slip behind
- Outstanding payments taking 45 days or longer
- Requests from customers to extend their terms of credit
- Customers switching from their long-standing suppliers or using a wider range of new suppliers
- A client's over-dependency on a small number of large customers
- An increase in a customer disputing contracts (delaying tactics)
- Businesses who are extending or increasing their borrowings
- Customers that suddenly abandon new projects, premises extensions or new machinery orders with weak or vague explanations

If you would like further information on the solutions available to protect your company from credit risk, please contact us.



Fix your rates: Many have benefited from fixing their mortgage rates or utility bills - ask us what is available for your insurances.

SAFETY FIRST

Every year in the UK, accidents happen in the workplace whilst using work equipment. Many are serious, some are fatal. By identifying and assessing the potential risks in your work environment, you are part way to preventing accidents caused by work equipment. When carrying out your risk assessment, issues to consider include:



- All the work that has to be done with the equipment during normal use and also its set-up, maintenance, repair and breakdown
- Who will use the equipment? This may include inexperienced workers, new starters, workers with language difficulties or those who have other difficulties - for example, impaired mobility or illiteracy
- Whether guards or safety devices are poorly designed, an inconvenience to use or are easily defeated (this could encourage workers to risk injury)
- The type of power supply - for example, electrical, hydraulic, or pneumatic. Each type has different risks and ways to control them

Following Health and Safety rules may reduce the frequency and cost of injuries in the workplace. This may lead to fewer Public Liability (PL) and Employers Liability (EL) claims which will help contain your premiums. For further information on workplace and work equipment safety, go to www.hse.gov.uk.

(Source: Health and Safety Executive. Reproduced under the terms of the Click-Use License.)

: CASH FOR CRASH GANG JAILED

: In Issue 12 of *Covernotes*, we reported on the growth of Cash for Crash claims. The first Crown Court prosecution backed by the Insurance Fraud Bureau has been successful. This August, a 13 strong gang was jailed for a total of 10 years for defrauding insurance companies in staged accidents.

PROPERTY OWNERS' COVER

If you operate in the property sector, your premises represent a substantial investment. As such, you need to be confident that you are getting the right insurance protection for them. Why not speak to us to find out more about the comprehensive property owners' insurance we can organise for you?

We have access to a new market-leading offering that aims to provide a consistently high standard of cover for all clients operating in the property sector and reflects a broad understanding of the risks faced by property owners. It includes, as standard, a number of cover features designed to afford you greater protection than that typically provided under insurers' standard wordings. As such, this product is not widely available.

To demonstrate the difference, many insurers' standard offerings include a number of negative conditions and warranties. For example, it is not unusual for insurers to apply a security condition to the effect that they will not pay a claim unless the intruder alarm is maintained and in operation at the time of the loss. Many of the negative conditions have been removed from this product. Further, unlike many policies which include automatic cover restrictions in respect of unoccupied properties, it does not have any unoccupancy conditions or restrictions for vacant premises in its wording.

High standard of cover for clients in the Property Investor sector.

In addition, a number of extensions to which insurers typically apply monetary limits have been included with no inner limits, for example, the trace and access extension. This extension covers the cost of finding the source of a burst pipe and repairing the damage. If the pipe is underground, excavation may be necessary. If the pipe is within the walls or casing of the building, the plumber may need to smash through to reach the damaged pipe. Several attempts may have to be made to find the source of the leak and these costs can mount up.

If your properties are insured under this product you are provided with automatic cover for a property if, in the event of a claim, it transpires that you have inadvertently forgotten to add that particular property to the policy or failed to insure it against all of the risks covered under its wording. All that we ask is that you add the property to your policy as soon as you become aware of the omission.

As well as arranging comprehensive insurance for your property, we can also supply documentation to support the recovery of premiums from tenants.

Ensuring that your property is well protected is a fundamental part of prudent asset management. To get the right protection for your premises, please speak to us.

This newsletter contains a general overview of the U.K. insurance market based on our understanding as insurance brokers and risk consultants. It is not intended that it be used, and should not be used, to replace specific advice relating to individual situations. In particular, we do not offer either legal or accounting advice.

Whilst we endeavour to provide accurate and up to date information, we cannot guarantee this and you should not rely on the information contained in this newsletter without seeking further more detailed advice to suit your particular needs.

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MY DOG'S BARKING MAD

It seems that businesses are specialising in ever-stranger niches. According to business insurer Hiscox, there has been a steady rise in the number of weird and wonderful businesses looking for insurance to cover their very specific operations.



Even the quirkiest of professions have a serious side to them, and need to have the appropriate professional indemnity insurance (PI) to ensure they are covered for compensation claims. It is all too easy to imagine a customer suing their dog psychologist if their pooch continues to eat their slippers, or somebody taking their feng shui consultant to court if they're not happy with their home's energies.

Whether yours is a more traditional business or something a bit more unusual, contact us to find out more about insurance solutions for your business.

Those that fall into the 'you won't find many of those in the Yellow Pages' category include:

- Badger consultants
- Dog psychologists
- Feng Shui consultants
- Saddle consultants



Staff Honesty Insurance: Remember to retain copies of staff references. You may be required to produce two references in the event of a claim.

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