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# Crash for Cash



Ten years ago, you would have been forgiven for thinking that the expression 'Crash for cash' was referring to stunt driving or stock car racing. However, the phrase has recently taken on an altogether different and alarming meaning.

'Crash for cash' is the term commonly used to describe a developing and dangerous motor insurance scam, masterminded by criminal gangs targeting honest motorists and putting innocent lives at risk. Organised fraudsters have found a way of turning what appear to be genuine motor accidents into a means of securing significant payouts from insurers. By conning innocent motorists into crashing into the rear of their vehicles, these fraudsters have created a lucrative business, the proceeds of which are frequently used to fund other serious types of crime.

Increasingly concerned by the problem of insurance fraud, insurers launched the Insurance Fraud Bureau (IFB) in 2006 to clamp down on organised cross-industry insurance fraud.

According to their research:

- there have been over 22,000 induced/staged accidents in the last 6 years.
- the number of gangs operating these scams has risen from 4 in 2003 to over 40 in November 2006, with around 3 new gangs surfacing every month.
- each gang is capable of staging up to 100 crashes before they either disperse or are detected.
- each successful scam can result in claims totalling £30,000.
- organised crime costs insurers up to £200 million a year.
- left unchecked, the IFB estimate that up to 22,000 induced accidents will occur before the end of 2008.

- this is a nationwide problem, with gangs being very active in London and the South East, the West Midlands, Lancashire and Yorkshire.

The gangs target vehicles they believe to be insured – commercial vehicles in particular are becoming a more regular target. The classic scenario is a deliberate and unexpected 'slam' on the brakes at a roundabout or junction, causing the unsuspecting motorist to crash into the rear of the gang member's vehicle.

The claim will then be presented to the innocent motorist's insurer for (inflated) damage, hire costs, recovery charges (when the vehicle is often driven from the scene) and exaggerated personal injuries suffered by members of the gang. They may also try to claim for personal injury for people who weren't even in the car.

### How to protect your employees from being victims of a crash for cash scam

Firstly, ensure that all employees are aware of the scam.

If an employee feels that somebody is following them or driving erratically in front of them, particularly on the approach to a junction or a roundabout, drive defensively, giving the vehicle as wide a berth as possible.

### What you should do if any of your employees believe that they have been involved in a staged or induced accident

- Stay calm and call 999.
- Check for serious injuries to any passenger in either vehicle.

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# COVERNOTES

## Crash for Cash – continued

- Get the names and addresses of any witnesses. Many witnesses will move on as they may be reluctant to get involved so act quickly before they leave the scene. However, be aware of people who are overly keen to offer themselves as witnesses – they may be linked to the scam.
- Be vigilant and without putting personal safety at risk, record as much detail as possible at the scene. Take detailed notes and if possible, take photographs of the accident scene from every angle, the vehicles, the damage and the people involved, including whether or not they appear to be injured.
- Get full details of everyone in the vehicles involved in the accident and make a note of the number of passengers in the other party's vehicle and their approximate ages.

### What to do if any of your employees believe they have been targeted in a staged or induced accident

Highlight any concerns to your motor insurer as soon as possible as this gives them the best opportunity to investigate the claim and prevent fraudulent payment.

Contact the IFB. They run a free and confidential phone service that members of the public are encouraged to call if they have any information on staged motor accidents or other types of insurance fraud. The number is 0800 328 2550.

# Why You Need to Reveal All

Utmost good faith is one of the fundamental duties under a contract of insurance. It requires those applying for insurance cover to disclose all material facts about the risk being proposed to the insurer. It also requires insurers to deal openly and honestly with policyholders.

A material fact is one that would influence an insurer's decision as to whether or not to provide cover and on what terms and conditions. Examples may include accurate construction details of the premises; whether it is fully occupied and information about any other occupants; the business processes; any previous losses; any convictions of directors or principals etc.

Even after the contract of insurance has come into force, there is a continuing duty of disclosure: if there is any alteration to the risk, such as new premises, there is a duty to disclose this straight away.

This duty of disclosure might even be expressly incorporated within your contract e.g. your personal accident policy might include a condition requiring you to notify your insurer of any change of occupation or sports activities.

Non disclosure of a material fact, whether innocent or deliberate, gives the insurer the right to avoid the contract from its inception.

The duty to disclose all material facts also applies on renewal. As a check when renewing your policy, make sure you have remembered to inform your insurer of all material facts and any changes in your circumstances or other risk information since last renewal.

If you are in any doubt as to whether or not certain information relating to your insurance risk is material, it is sensible to disclose it. After all, any increased terms cost less than repudiated claims. Always review your information with us.

**Gross Profit** sums insured should include wages for a period and probably don't want to lose your workforce if possible. Please contact us to discuss the definition of gross profit under your business interruption insurance policy.

## Six Million Given More Holidays



Around 6 million workers in the UK will benefit from more holidays as a result of legislative changes that came into force on October 1st 2007\*. The new regulations affect companies that have previously included the UK's eight Bank Holidays as part of their employees' annual leave and help to bring the UK more in line with European holiday levels.

The DTI believes that giving employees a more realistic break from work to spend more time with their family and friends will aid their health and stress levels and also benefit employers by way of improved productivity and reduced absenteeism.

The changes, brought in under the Working Time (Amendment) Regulations 2007, are being introduced in two stages:

From 1 October 2007, the minimum annual holiday entitlement for people working five days a week increased to 24 days and it rises again to 28 days on 1 April 2009. The increases are pro rata for part time workers.

It is for employers to agree with their employees whether or not this additional leave is actually taken on a Bank Holiday.

More information about the changes under the Working Time Regulations can be found on the Department for Business, Enterprise and Regulatory Reform website ([www.berr.gov.uk](http://www.berr.gov.uk)).

\*source DTI

### Changes to 0870 Calls

Changes to 0870 Calls – Ofcom has ruled that from January 2008, there will be no revenue share on 0870 prefix numbers. Mobile phone and landline operators will be required to charge the same, or less, for 0870 calls as national rate calls to geographic numbers (i.e. 01 or 02). You can find out more by going to: [www.nomore0870.co.uk](http://www.nomore0870.co.uk).

Remember: policy warranties must be strictly complied with - there are no exceptions.

# More Than a Storm in a Teacup

Our Spring 2007 edition (issue 10) recommended "Preparing for a flood makes good business sense".



Little did we realise that large parts of the UK would suffer such severe flooding in June and July, as well as the random summer flash floods that occurred in a number of isolated locations.

Insurers have been counting the cost of weather related claims for most of 2007. According to figures released by the Association of British Insurers (ABI), the summer 2007 floods have cost insurers an estimated £3 billion\*. Added to this, the windstorm "Kyrill" caused damage estimated

at £350 million in the UK alone\* when it cut its swathe of destruction across Britain and Northern Europe in January this year.

The weather theme continued in our Summer 2007 edition (issue 11) when our headline recommended "Bringing stability to your insurance budget – fix prices for up to three years."



We wrote "Rising interest rates and catastrophic weather events all threaten current insurance premium levels."

The cost of these storm claims can only increase the already growing pressure on insurance premium levels.

Climate change must be taken seriously. Businesses and home owners should assess their exposure to the increasing risk of future flood and storm damage and those in particularly 'at risk' areas need to review their vulnerability.

Insurers have been lobbying the Government to improve flood defences and relief measures and this can only intensify. Hopefully now, more initiatives are likely to be introduced.

As insurers come to the close of their financial year, they will no doubt be reviewing the cost of this year's claims and how this impacts on their profitability. The range of terms and insurance premium prices on offer in 2008 are unlikely to be less than in previous years, making those fixed price deals look more attractive by the day.

Please contact us to discuss your individual circumstances.

\*source: ABI

**Reinstatement Policies** reinstate or replace damaged property without deduction for wear and tear. Sums insured must reflect the full reinstatement value. If they are inadequate, your claim will not be paid in full. Contact us to ensure that your sums insured are at the right levels.



## The Financial Consequences

As well as the much publicised summer flood damage that many businesses suffered, there were also huge financial losses as a consequence of the flooding. A number of businesses suffered no actual damage but were hit by indirect financial losses.

For example, many pubs and restaurants in Gloucestershire were undamaged but had to close due to the prolonged disruption of the mains water supply caused by the flooding at the Mythe water treatment works.

Further, companies that relied on suppliers who were flood damaged were also affected: a South Yorkshire firm dependent on essential components from its supplier whose premises were flooded, could only continue production by incurring additional expenditure as they needed to source an alternative supplier quickly.

Similarly, another manufacturer lost income because flooding at his customer's premises meant that they could not take delivery of his products.

No business interruption policy will cover a blanket reduction in income merely because of the negative impact on the local economy. However, extensions are available to cover lost income as a result of certain specified incidents.

Our exclusive commercial insurance product offers cover to deal with the eventualities outlined above up to agreed limits. Contact us to check that your existing policy and its limits are adequate for your needs.

Consider employment practices liability insurance as it covers employment dispute costs.

# Move Your Home Insurance Upmarket



## Improve Your Household Cover

An increasing number of people are becoming more affluent: their possessions are becoming more expensive and the collective value of their property is constantly rising. People are spending more, accumulating more, taking more risks and ultimately have more to lose in the event of a fire, flood or other catastrophic event in their home. As such, it is vital that their household insurance cover reflects their dynamic lifestyle.

Many insurers have recently launched enhanced policies targeted specifically at individuals and their families with this profile. These policies provide a wider level of protection, which is absolutely critical in keeping up with people's changing lifestyles. Mobile phones, laptops and personal digital assistants (PDAs) are just some of the typical items used by many in their day to day lives and the loss of these possessions can easily run to several thousand pounds. Leisure pursuits are also becoming more varied and expensive, whilst international travel to far off and exotic places is increasingly common place.

## Complete Cover

A standard household insurance policy will generally insist that every item in the home worth more than £1,500 be specifically listed. This is not the case under these

enhanced policies. Standard policies aren't much better in the garden or in outbuildings where, for example, cover might only be provided for up to £500 for items stolen or lost. Again, an enhanced policy might provide cover for up to £10,000 in outbuildings.

And it's not just whilst in the home that the affluent are at risk. Many more people are spending time away from home or abroad and taking expensive possessions with them. World wide cover for their possessions comes as standard under these new contracts. Some go as far as to offer access to security consultants, who can provide advice on issues such as personal travel security, identity fraud and identity theft.

## All Risks

Ultimately, a good quality policy will provide "All Risks" cover, which protects the policyholder's home and outbuildings against most risks. Only a few exceptions apply, providing peace of mind to householders without having to trawl through all the fine print.

## Adequate Cover

As people start to acquire high value jewellery or works of art, they need tailor made policies that go beyond the cover provided by standard household policies.

Affluence often comes later in life, at a time when many people are inheriting money and valuable possessions. They have often moved into larger houses and there may well be several vehicles in the household. If this is the profile of you and your family, contact us to discuss the right type of household, motor and family travel policies for you.

# The Forces of Nature

It's not just flood, fire and theft that insurance can provide cover for – insurers handle a wide range of claims, some of them more unusual than others. To highlight the diversity of the claims made by their policyholders, Norwich Union has compiled a list of the top ten most bizarre animal related claims received in 2006.

1. "I parked in a country lane beside a hedge. When I returned to the vehicle, two horses had chewed my car."
2. "A deer dived through my closed kitchen window" (the deer survived).
3. "My young granddaughter accidentally fed my false teeth to the dog who promptly chewed them to shreds before I could retrieve them."
4. "I was taking my hamster to the vet only to realise that when I arrived there, it had chewed through my handbag and escaped."
5. "A deer head butted the windscreen of my car, after being enticed by the yellow tax disc."
6. "My sandal was chewed by a fox at a friend's barbecue"
7. "Three bulls escaped from the farm next door and ended up fighting in our garden, destroying the garden fence and the trellis in the process."
8. "A swarm of bees flew down my chimney causing clouds of soot to fly all over the living room."
9. "A sheep jumped into me on the farm, causing my glasses to break."
10. "We think that Big Bird must have flown into our patio door causing it to smash!"

\*Source: Aviva News Release January 2007



This newsletter contains a general overview of the UK 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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