

INSURANCE

Confidence

Feeling anxious?
Brokers won't leave you
stranded



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THE BENEFITS OF PROFESSIONAL ADVICE WHEN BUYING INSURANCE

Before the internet and call centres revolutionised buying insurance - and supermarkets made it another item to add to the shopping list - there was really one place for the customer to go: an insurance broker.

Now, by creating standard processes for dealing with the average householder, driver or traveller directly, insurance companies and online comparison sites are able to strip out costs so the customer can choose from a myriad of prices that suit their pocket.

But what if you live in a flood risk area, own a sports car, enjoy an above average income or have had a brush with the law? For you, obtaining the right insurance is not as simple as going online. And this is one area where a broker comes in: brokers offer professional advice to both businesses and private individuals to help them obtain the cover they need.

How do they do this? With a clear understanding of how insurance companies across the whole market price their policies – and the types of risks they'll take on - the broker can consider the customer's level of risk and find the right company to cover it. A good broker will explain what's covered under the policy and what's not, take care of the paperwork and negotiate on price to get the best deal.

The broker's ability to negotiate comes into play equally when a person makes a claim. Brokers will manage the claims process, help to get genuine claims paid promptly and, according to figures from the British Insurers' Brokers' Association, could gain an uplift of up to 20 per cent in claims settlement payments.

Despite the high profile of major insurance brands, insurance brokers are still responsible for arranging two-thirds of all general insurance in the UK. And with the Chartered Insurance Institute supporting many brokers in their drive towards ever greater levels of professionalism and ethical standards, the public can be assured they are getting advice of the highest quality.

While some predicted technology would herald the death of the insurance broker we can safely say, to paraphrase Mark Twain, that such a death has been greatly exaggerated.

Dr Alexander Scott, CEO, Chartered Insurance Institute (CII)

The CII - The world's largest professional body for insurance and financial services.



CII

Insurers welcome terrorism compensation scheme

Insurance companies welcomed the government's announcement earlier this month that it would compensate victims of terrorism abroad. The new Terrorism Compensation Scheme was announced in parliament on 18 January as part of the Crime and Security Bill. The scheme applies with immediate effect to victims who are not covered for incidents that occur where the attack takes place. It will also offer some compensation to victims of terrorist attacks since 2002.

The announcement addresses a discrepancy in the treatment of British victims of terrorism in the UK compared with those who are injured abroad. While increasing numbers of travel insurance policies include terrorism cover, it is still not standard.

Graeme Trudgill, Technical and Corporate Affairs Executive,

at the British Insurance Brokers' Association (BIBA) said: "Many travel insurers, over the last four years, have agreed to include terrorism cover in their travel policy wordings. However, we estimate that about a third of policies still do not have any terrorism protection at all. We urge insurers to include this cover as soon as possible because travellers will rely on their insurer helping them if they are caught in a terrorism incident abroad."

Peter Staddon, BIBA Head of Technical Services, added: "An important message to consumers is that this scheme is not a replacement for travel insurance, it is merely after the event compensation. They should also be aware that the level of terrorism cover offered does vary from provider to provider so they should speak to an insurance broker for advice."

Instant art

One of the biggest obstacles for the budding art collector can be the thought of having to arrange appropriate insurance cover every time you buy a new work. This can be a particular problem if you want to acquire a piece in the evening and cannot contact your broker until the following day. Art insurance specialists, Axa Art, last year launched a new product, ArtNow, aimed at tackling this problem and encouraging aspiring collectors. It offers automatic cover for a collection the minute a new work of art is purchased, so long as it comes within the agreed limit, which is set at £50,000 bands.

Kevin Andrews, Director of Brownhills Insurance Group, who offer ArtNow, says that most standard home policies simply do not provide adequate cover for even the smallest art collection.

ArtNow offers a number of attractive features apart from damage or theft cover, such as emergency evacuation and storage, and compensation for loss of value due to repair. "Often if you've lived with a piece of art for a long time you will want it repaired, but some of its value will be lost because of the repair," Andrews says. "This policy will cover the difference in value before and after the repair." Clients don't have to provide a list of their artworks to their broker, though they are required to maintain an inventory of their collection, and to keep an eye on how the market to know how the value of their collection changes.



Flood waters continue to rise

Reports at the end of last year confirmed the ongoing trend towards an increase in weather-related catastrophes. Munich Re reported that despite the absence of a major natural catastrophe, and a relatively quiet hurricane season, the number of severe natural catastrophes was high, at 850 compared with the average of 770 a year over the last decade.

Since 1950 the number of major weather-related natural catastrophes occurring worldwide has tripled. Munich Re board member, Torsten Jeworrek, says, "Climate change probably already accounts for a significant share. We look closely at a multitude of risks and how best to handle them. Risks that change in the course of time are especially hazardous. Climate change is just such a risk of change."

Recent events in the UK support this projection. The floods that hit Cumbria in November last year were caused by an unprecedented rainfall of 314mm (12.4 inches) in one day. The Association of British Insurers announced on 22 January that the damage bill for the flood had reached £200m. 60 per cent of this relates to business damage. In total, insurers have handled 36,000 flood and storm damage claims, and temporary accommodation has had to be arranged for 470 customers



whose businesses or homes have been uninhabitable.

In the wake of such events, insurers are playing an increasing role in the regeneration of affected areas. The Association of British Insurers (ABI) has calculated that an additional 50 per cent of homes in eastern England will be at risk from flooding by 2040, but the cost of damage could be reduced by 40 per cent with the right defences.

The British Insurance Broker's Institute (BIBA) is lobbying hard for resilient repairs, whereby insurance companies pay out a little more following flood damage to ensure that the same damage and disruption is unlikely to happen again. This could include moving electricity points and boilers above the flood lines, one-way water valves, air brick covers, flood skirts and silicon sealants around door

and window frames.

Graeme Trudgill, Technical Corporate affairs Director at BIBA, explains: "Insurance is based on indemnity, so insurers don't seek to make a profit from compensation but return things to how they were. We are saying that there may be some situations when you should break this rule."

For the moment, the insurance industry has agreed to continue offering flood insurance, but on the condition that the government put more flood prevention measures in place. The government has responded with the Flood and Water Management Bill, going through parliament at the moment. But, as Trudgill says, in the face of an increasing and unpredictable risk, "can you continue covering something that is a probability rather than a possibility?"

Tread carefully

The uncertain job market has led to many people taking extended travel breaks. To make the most of such a trip it's vital that you travel with peace of mind. InsuranceGo reported this year that British backpackers make a total of £6m worth of claims every year. 22 per cent of these came from travellers to Thailand alone, making it by far the most common destination from which claims were made. Second on the list was Australia, with 7.5 per cent of claims, followed by India, the USA and Brazil. Travel insurance will cover medical treatment costs and lost or stolen possessions. For thrill-seekers, policies can cover you against a variety of potentially dangerous activities, such as bungee jumping and white water rafting. Before you travel, check to ensure that you are covered for any activities you are planning.

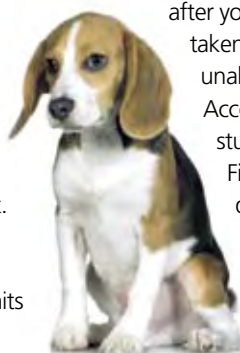


PROTECT YOUR FURRY FRIENDS

Advances in veterinary medicine are really good news for pet owners, who can now expect improved diagnosis and treatment for their pets. But these advances can mean higher vet bills. Paying these bills when your pet is unexpectedly taken ill or injured can be difficult at the best of times, but is even more of a struggle at a time when household finances

are more stretched than ever. Taking out the right pet insurance brings essential peace of mind that your pet will be able to get the right treatment when it needs it.

There are lots of different pet insurance policies available: cover limits and excesses vary, and



some will offer added extras such as covering the cost of looking after your pet should you be taken ill and temporarily unable to care for it. According to a recent study by Sainsbury's Finance, pedigree dogs are particularly at risk of illness and injury. Owners are recommended to insure them from

when they are puppies, as an illness contracted in infancy could be seen by insurers as a pre-existing condition.

With the average emergency visit to the vet now topping £300, according to Tesco Insurance, not taking out pet insurance can be a false economy.

Kate Carr, Assistant Director, Markets & Regulation, Association of British Insurers

Find a broker with BIBA: www.biba.org.uk, 0870 950 1790



Lyonsdown media group
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Are you a non-standard risk?

RICHARD BLAUSTEN ASKS HOW COMMON IT IS FOR PEOPLE TO BE TREATED AS NON-STANDARD INSURANCE RISKS.

You probably think insurance is a pretty standard matter – you’re just an average person with average insurance requirements. Actually you’d be surprised how often this isn’t the case. It might just be that in your average activities and circumstances there’s something which makes you a non-standard or special risk, for which you need tailored cover.

Obviously, you would know that if you have a vintage or modified car it’s a non-standard risk, but you would be wrong to believe that using your 4x4 for off-road driving was regarded by insurers as a standard activity.

As Gerry Bucke of broker Adrian Flux explains: “You might think that your van can be covered by an ordinary commercial vehicle policy including for pleasure purposes. But if you use it for going fishing a great number of days, you need a special policy.”

One in four adults has a criminal conviction, excluding motoring offences, which for insurers makes them a non-standard risk. There’s no getting away from this because insurers are worried about “moral hazard”, e.g. the greater likelihood of fraudulent claims.

Insurers will ask on the proposal form whether

and mostly through specialist brokers, to whom they often delegate authority to assess and approve the risk. But there can be a price to pay, sometimes 20 – 50 per cent more than for standard risks.

Lauren Stovell of Orbis Insurance Services explains: “Insurance companies need sufficient premiums to cover losses and if we were to insist on one rate for everybody, they would simply not take the risks – and approximately 400,000 people wouldn’t get insurance.”

However, Steve Chelton of national broker Swinton is more optimistic about pricing: “Quite often if we present a risk to a specialist insurer we might get a better rate than with covering it under a standard policy. They are more comfortable with the risk so there is a lesser rate.”

Indeed, there are times when one should be actively considering oneself as a non-standard risk. For instance, mature drivers are safer and drive fewer miles, so they should get cheaper policies.

But sometimes even non-standard cover can be very difficult to get. If you are being treated or have recently been treated for cancer, getting adequate travel insurance can be a monumental task. As Krish Shastri of InsureCancer observes: “Cancer is a very complex subject and most insurers don’t understand it.”

You would be wrong to believe that using your 4x4 for off-road driving was regarded by insurers as a standard activity

you have ever had a criminal conviction and judge you accordingly, which broker Chris Jordan of Bureau Insurance Services feels is unfair. “When we assess a risk we instead ask whether the client has got a conviction which is not spent under the Rehabilitation of Offenders Act. We have an investment banker client who was convicted of possession of cannabis in his youth, but despite a blameless life afterwards this is still an insurance problem for him.”

Insurers will provide cover for non-standard risks

People need to talk through their non-standard policies with their broker because there may be quite demanding conditions or warranties, warns David Partington of Towergate. “With holiday homes and let properties there are requirements which policyholders are not always aware of. Yes, there is a period during which the property can be unoccupied but you are still meant to visit it. Yes, the water should be turned off, but you need to drain down the water system.” So know your non-standard policy, whatever it’s for.



NON-STANDARD RISK EXAMPLES

Motor: working in the licensing trade; market trader; actor.

Household: houses which have suffered flood/water damage. There are some 5 million people living in 2 million properties deemed to be in flood risk areas.



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Put a freeze on winter claims

NICK HOLLANDS, DIRECTOR OF COVERSURE INSURANCE SERVICES, OFFERS ADVICE ON COPING WITH FREEZING CONDITIONS.

If you are properly insured, you should be covered for the damage resulting from freezing conditions and if you have used a broker to place your insurance you will be able to get some professional advice if the worst does happen. Nevertheless, it is extremely important to be prepared for severe freezing weather before it strikes – after all – prevention is better than cure.

SOME USEFUL TIPS TO HELP YOU MAKE A PLAN:

- Ensure you have an emergency supply kit which includes non-perishable food, water, torches, battery powered/wind up radio, spare batteries and clothes
- Keep insurance documents and numbers safe and easy to find in a plastic folder
- Keep mobile phones fully charged
- Ensure you have sufficient supplies of salt, sand and snow shovels to clear paths and small roads, and make sure that they are close at hand
- Make sure an adequate disaster recovery plan is in place. Ensure everyone knows what to do in case of an emergency and how everyone will stay in contact. In particular make sure that elderly relatives have your contact details
- Prepare your home or business. Ensure the premise has adequate insulation, loft insulation is recommended to be 270mm (10.5") in thickness and in good condition
- Check all pipes and tanks that may be liable to freezing are fully lagged, even allow taps to drip a little to ensure the water is moving through the pipes
- Check the heating system is in good working order. If you are away from the building leave the heating on a low setting in case there is a sudden drop in temperature
- Ensure your vehicle is fully fuelled, washer fluid is topped up with the appropriate winter mixture and is generally in good working order – just in case you need to get away



Getting the best deal

RICHARD BLAUSTEN
REPORTS ON WHY IT
MAKES SENSE TO DO YOUR
PERSONAL INSURANCES BY
TALKING TO A BROKER

If you want to be really economical about your personal insurances then call a direct insurance company or go onto its website. Or if you want to do the shopping around yourself, try a comparison website. However, the safest option will always be to have a personal conversation with an insurance broker.

It is never a wrong decision to make personal contact with a broker. The Financial Services Authority forces them to know your requirements and to demonstrate they have met them with the most appropriate product.

Consider that cheap bike you thought was covered in your household policy. A broker like Phil Coffey of Butterworth Spengler will tell you that because you use it for commuting you need further cover, e.g. roadside recovery. Yes, he will charge you a policy fee of, say, 10 per cent, but he will still get you a competitive price because the insurer will know he has done a thorough job of checking the risk.

If you use your bike a lot for commuting, it can't only be covered under household policy

Mike Keating of insurer AXA comments: "It is amazing the number of motorists who say on the screen they only do 6,000 miles a year and the car is permanently garaged. So the broker validating the risk means we should be able to give him a better rate for his client." People's circumstances don't

remain static. Brokers can talk to insurers about the policy changes needed and get these effected; that's not quite the case with stripped down screen-based products.

It's always a matter of the consumer being clear about what is covered. As Richard Coleman of insurer Zurich points out: "Unless the client knows exactly what is being purchased there will be trouble. Thus a good quality advising broker will ensure his client is fully aware of the insurance implications of how he uses his car; for instance if he uses it abroad a lot. Otherwise if there is a crash it could be very costly for him."

Understanding whether the policy fits your requirements is much more likely if you have had a thorough chat with your broker. Says Janice Deakin of Aviva: "You may go on the screen to get a cheap household policy but you may not appreciate you won't be covered if you are out of the country for a very long time. This is where the massive value of the broker comes in – he will point this out."

James Pickering of broker JLT, which has its own online service, says there has been confusion with pet insurance about pre-existing conditions and preventive treatment not being covered. It gets consumers to make conscious choices by them setting the level of vet fees and period of time per

condition to be covered, with cover for the lifetime of the condition being available.

Ultimately, when you have an insurance claim you want it settled, and insurers know that. Barry Smith, president of Chartered Insurance Institute and Fortis boss, says: "We are not there to see how we can avoid paying claims. We are there to provide risk protection for our customers."

However, as Howard Lickens of broker Clear points out: "Sometimes the facts need to be explained to the insurance company by the broker – perfectly sound claims could fail because of poor presentation."

BROKER FACTS: 36 per cent of all personal lines business is done through brokers; this rises to 50 per cent when comparison websites, affinity arrangements and retail schemes are included.

70 per cent of insurance products sold on comparison sites are from brokers.

87 per cent of brokers belonging to BIBA, the main broker body, regularly negotiate a 20 per cent uplift on the settlement amount offered on claims. 94 per cent overturn a claim rejection occasionally or often.



Insuring Cyber Risk

DESPITE ADVANCED, END-TO-END ENCRYPTION, CORPORATE COMPUTER SYSTEMS WILL NEVER BE TOTALLY SECURE, WRITES ROSS GOW.

Unauthorised remote access to corporate systems and embedded malware in computers and PDAs are the greatest cyber risks today, according to insurance executives polled in a recent review of "Emerging Risks" by insurance broker Gallagher London. But you don't have to be a FTSE 250 company to be the target of hackers or the victim of insidious viruses. Indeed, nearly 90 per cent of all companies experienced some form of computer security incident last year, according to government figures.

Gallagher London's, Ray Barlow, observes that, "We put locks on our doors and install alarm systems in our homes, but still the majority of us purchase home insurance, nonetheless. The same should be true in a business context as there is no 100 per cent electronic defence for systems or data - despite sophisticated protections. You may have firewalls, virus protection, anti-spam systems, and prudent procedures to protect passwords and prevent employees from downloading dangerous material. But these measures are not foolproof."

Rik Ferguson, Senior Security Adviser at Trend Micro, believes that existing signature-based information security controls are not effective against sophisticated cyber threats and exploits, which are evolving at a phenomenal rate. "The key technologies to protect personal information in the corporate environment of today are end-to-end email encryption, ensuring that only the sender and recipient of a mail can view the contents, file and folder level encryption of data in storage to guard against loss and theft."

Barlow concludes: "Hackers are a persistent bunch and if security is compromised, that's when cyber insurance kicks in. The most obvious need is to pay for cleaning up after a worm or a hacker attack. But companies may also suffer resulting Business Interruption and can also be held liable for allowing copyrighted material or private information about clients to fall into the wrong hands. The prudent administrator is well-advised to take a belt and braces approach to mitigate the threat of cyber risk."



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No funny business

IT'S MORE DIFFICULT THAN EVER FOR SMES TO UNDERSTAND WHAT INSURANCE COVER THEY NEED. USING A SPECIALIST ADVISER WILL HELP YOU AVOID UNNECESSARY RISK, WRITES MARTIN FRIEL.

provides insurance cover for company directors, says: "Comparison sites and the like sell on price – they will not tell you what cover you need to buy which means businesses might be missing out on essential cover."

"It's a question of knowing what is available to you as a company director. An SME might not be fully aware of what their exposures are but a broker will. Does your average business consider cover such as public liability or Directors' & Officers'? The average punter wouldn't even know what that is."

But it's not just knowing which types of cover to secure that makes a broker stand out in this field.

Paul Williams, a regional MD of broking firm Towergate, explains: "One of the things we focus on is claims – we give customers guidance and help throughout the claims process. To stop a client going direct, a broker needs to offer such or risk management and risk prevention," he says.

"When a broker does a proper review of a business, the overall price a business pays for their insurance will come down as they will only be paying for cover they really need. It's about making a saving by presenting a risk to the insurer in the right way," he adds.

So what about the web? Can't SMEs still get a great deal online? Well yes they can but only the most straightforward businesses will be able to get a deal and be adequately covered. As Stuart Reid, CEO of broking firm Bluefin points out: "The web works well for household and motor insurance but SMEs can be a very complicated businesses.

"Any business of any size requires that personal touch which only a broker can provide. We ensure the client gets the cover required and we are flexible enough to have the appetite for most business risks."

If you are determined to use the internet for your business insurance, some brokers can offer the best of both worlds. Bollington Insurance Brokers has developed an online trading platform available direct to small businesses.

"Bollington actively encourages clients to phone for advice and help," explains the company's chairman, Paul Moors. "For example, if someone doesn't understand a height warranty, they can

THE BASICS

BIBA advises businesses to:

- Have plans to replace machines, equipment and stock
- Consider what would happen if your computer or telephone system were down for three days
- Organise how you would cope in the first hour following a disaster
- Consider the effects upon your business if a major supplier or customer suffered a disaster
- Plan for continued operation of the business if 50 per cent of staff were off sick
- Discuss Business Continuity Planning with your insurance broker

phone in and it is explained in layman's terms. We will also phone the client a few weeks after the cover has been put in place. This is to double check that the client understands the cover and has all the documentation they need," he adds.

It's tough for SMEs at the moment but this is arguably the worst time to look for a saving on insurance. Buying insurance online for a business can be very risky so take the advice to 'cut out the middle man' with a pinch of salt. Brokers aren't here simply to add cost: if they were, they'd have become extinct a long time ago. Brokers are flexible, knowledgeable and know their market well and you might even find you could pay less for your insurance through a broker.

There is no shortage of gimmicky characters popping up these days telling you that the best way to buy your insurance is over the web. It's quick, simple and low cost – perfect for these belt-tightening times. But do the same principles apply to businesses, particular small to medium-sized enterprises (SMEs)?

This is a sector that requires specialist insurance advice and that simply cannot be secured over the internet. As Gary Green, business development director at Angel Underwriting, a company that

SMEs need more protection



Small and vulnerable

RECENT RESEARCH SHOWS THAT SMALL BUSINESSES AREN'T FULLY PREPARED FOR MAJOR INCIDENTS.

The British Insurance Brokers' Association (BIBA) is calling on the Government to do more to ensure that small businesses survive a major incident such as a fire, flood, act of terrorism, or a pandemic such as swine flu, particularly during the current economic downturn.

Independent research commissioned by BIBA and carried out by Populus last year revealed that 45 per cent of businesses have no, or at very best, rough plans to deal with the effects of flood or

storm damage. This is despite the £3 billion of flood claims from 2007 and that 80 per cent of businesses affected by a major incident close down within 18 months.

The research has revealed that the number of small businesses who claim it would take more than six months for their business to recover has nearly trebled. BIBA believes that small businesses must have adequate plans in place to cover business resilience and is concerned businesses are putting themselves at risk.

Steve Foulsham, BIBA Technical Services Manager, said: "There have been slight improvements since our previous research in 2006 but we still have concerns that businesses are still not adequately protected."

The research also reveals that only 15 per cent of the directors interviewed were aware of BS25999 in relation to Business Continuity Management – this is the British standard to help minimise work disruptions.

KEY FINDINGS

- Businesses are most likely to plan for the loss of physical equipment; loss of IT, premises, telecommunications and plant are the risks most likely to be covered by Business Continuity Plans (BCPs).
- BCPs are least likely to address negative publicity and the loss of overdraft and loan facilities.
- Only 37 per cent of businesses have credit insurance protection in terms of their suppliers and / or customers.
- The number of businesses saying a disaster or serious disruption on their premises would "significantly impact" their company within an hour has increased slightly, from 19 per cent in 2006 to 24 per cent in 2009. However, the number saying the impact would occur after an hour but within the day has decreased by a corresponding number – from 31 per cent to 27 per cent.
- Businesses are now more pessimistic about their ability to operate without their office than in 2006. The number saying that if a disaster left their office unable to operate they could recover in less than a week has dropped from 39 per cent in 2006 to 28 per cent in 2009.
- There has been a slight rise in the number of businesses with comprehensive business interruption cover; from 84 per cent in 2006, to 88 per cent in 2009.
- 43 per cent of businesses have no protection against denial of access to their business premises. This is available as an extension to Business Interruption insurance.

Research from Populus

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Insuring a spotless reputation

ROSS GOW EXPLAINS WHY LARGE BRANDS ARE LOOKING AT HOW BEST TO PROTECT THEIR MOST VALUABLE ASSET.

BLOG STANDARD

Digital defamation - where false accusations online give a negative image or damage a reputation - is fast becoming an issue in the blogosphere, in content feeds and on social media sites. Robert Paydon, partner in charge of Reputation management at law firm Fasken Martineau LLP, says, "Social networking sites provide a platform from which damaging defamatory or private information can be published to a potentially wide audience at the stroke of a computer key. The law of defamation and privacy applies to materials published on social networking sites as much as it does to 'traditional' publications. The belief held by some aficionados of blogging that they can remain anonymous is misplaced. The English courts are now well used to granting assistance to litigants to identify those who have published unlawful material about them, allowing legal action to be taken. Some insurance companies now offer media liability insurance policies designed to cover online libel claims. However, the insurer is likely to undertake an audit review of the blogger's previous work and may insist upon certain standards and qualifications - i.e. procedures to screen inflammatory/offensive content, procedures to take down content after complaint. Consequently, users of social networking sites should avoid personal opinions or negative comments that are not 100 per cent factual and refrain from making any statements that may harm a person's image or reputation.

Although this underpins the commonly-held belief that you can insure anything that has an 'insurable interest', insuring a reputation is not the only activity managers should observe. Prudent practitioners should invest in appropriate management controls and processes to ensure that a reputation isn't put at risk in the first place.

Ross Gow is founder of ACUITY Reputation, a Mayfair-based consultancy.

No lesser a commentator than Shakespeare noted, "The purest treasure mortal times afford is spotless reputation." In today's world, where brand equity and trust increasingly displace physical assets in the production of economic value, competition for reputation is a significant driving force for business.

Johnson & Johnson's Christmas recall of Tylenol arthritis pain tablets is the latest in a series of bruised reputations caused by product recall - joining Unilever's 10 million cans of Slim-Fast, Procter & Gamble's Vicks Sinex nasal spray, Maclaren's child-unfriendly buggies and Nokia's charger exchange programme.

And morally questionable behaviour by celebrities can also cause severe levels of negative association for brands. Before his car 'accident', the sentiment about Tiger Woods within social media and traditional media was 85 per cent positive. After news of the first affair came out, this dropped to 41 per cent while negative sentiment rose from 20 per cent to 54 per cent.

Accenture, AT&T, Gillette, EA Sports, Nike, and Tag Heuer are sponsors that understood how the formula worked. But immediately following Woods' admission of moral turpitude, contingency insurers noticed enquiries from Madison Avenue and Soho agencies, for Death & Disgrace (D&D) insurance; after all, if the formerly infallible Tiger isn't safe from opprobrium, who is? But pricing a billion dollar man is complex and underwriting capacity is not easy to come by, even in the specialist market of Lloyd's of London.

D&D claims are subjective - the definition

of "a disgraceful act" could fairly be argued to differ between the behaviour of a rock star and an international chess player, for instance. The technical policy wording is complex and the premiums are likely to remain steep.

The more intimately business seeks to address consumers through traditional relationship marketing, or the more powerful corporations seek to become through globalisation, the greater the scrutiny and responsibility required of them. Reputation is the single most valuable asset of most businesses today - albeit an intangible one. Hard-earned reputations can be surprisingly fragile in the globalised, technologically interconnected 21st century. Reputation risk insurance should be a key ingredient in any risk manager's or svengali's

If the formerly infallible Tiger isn't safe from opprobrium, who is?

toolkit - it's not cheap, but the trust and confidence that underpin brands - both corporate and personal - can be irrevocably damaged by a momentary lapse of judgment or an inadvertent remark.

A US brokerage firm specialising in insurance products for the entertainment, arts, and advertising communities, will introduce "Reputation Risk Insurance" in early 2010. According to the press release, the insurance will "compensate policy holders for lost sales, crisis management fees, lost advertising campaign expenses, and pre-committed and incurred endorsement fees."

Turbulent times for travellers

MICHAEL WARD CONSIDERS THE FRAGILE STATE OF THE AIRLINE INDUSTRY, AND ASKS WHAT IS BEING DONE TO PROTECT CONSUMERS.

The state of the travel industry is at

its most delicate in living memory. Nowhere is this more visible than in the airline industry which has seen a spate of massive losses resulting in mergers, collapses or state rescue programmes. Not surprisingly, many consumers are asking if they're properly protected. Last year the International Air Transport Association (IATA) estimated that total airline losses would be £6.8bn in 2009. Over 60 airlines have collapsed since the start of the recession, and alarmingly, experts are predicting a further 40 will go before stability returns to the industry.

Borrowing substantial sums of money from financial markets has become virtually impossible. In July last year, the Bank of England reported that loans to private non-financial corporations were down 2.9 per cent year on year. Governments, for so long the final port of call for airlines in financial trouble, have also run out of money following the bailing out of numerous failed industries. Collectively, the G6's debt is 100 per cent of their GDP.

For every person who does not fly, that is one less hotel room being occupied, one less restaurant meal eaten, one less seat on the boat trip excursion. The impact on local businesses that are reliant

on incoming tourist and business trade is immense. As Rohit Talwar, the acclaimed futurist, stated at a recent international travel conference, "globally we are heading into a decade of volatility with economic uncertainty for all."

CONSUMER PROTECTION

So what protections are available that will encourage people to keep travelling amid such uncertainty. The Civil Aviation Authority (CAA) runs the Air Travel Organisers' Licensing (ATOL) scheme, which is effective when a flight ticket plus another component part of their trip are purchased within the same booking. Consumers can check whether their arrangements are protected on their travel tickets (see www.caa.co.uk for more details).

But millions of us fall outside the ATOL scheme. This includes flight only bookings, where other modes of transport are used (ferry, car, coach, etc), self-assembled trips (independently booked components on the internet), trips within the UK, hotel-only bookings, business trips and day trips.

The popularity of social networking sites such as Trip Advisor demonstrates the growing trend of individuals wanting to build-up their travel itinerary themselves. It is estimated that over 50 per cent of trips booked in the UK fall outside of the ATOL.

TRAVEL INSURANCE: WHAT ARE THE OPTIONS?

Retail travel insurance policies

Retail travel insurance policies are extending their cover to include scheduled airline failure or end supplier failure (extended to meet all pre-booked component parts of the end supplier), it is estimated that around 60 per cent of policies now include such cover so check your policy.

Dedicated financial protection travel policies

Direct-sell specialist consumer protection policies like www.protectmyholiday.com are becoming common, which allow a traveller to protect themselves against an airline or other end suppliers' collapse.

Distributors guarantees

Some ticket distributors are offering a re-booking service to their customers when issuing air tickets, sometimes it is included in the price, other times for a small fee.

Credit Card Cover

Consumer Protection Act (CPA) means that the Credit Card Companies take responsibility on purchases made through them. Where the CPA fails some travellers is that purchases must be in excess of £100, which means a huge volume of bookings fall outside of this threshold as budget airlines gain popularity and charge small amounts for the ticket but increasing costs for the credit card use. Cover is also limited to the lost monies and not the increased return ticket costs which is usually included in insurance cover.

So what options are available to such travellers who wish to financially protect their holiday? Listed in the box are some of the solutions offered by insurance companies. The most important thing is that travellers understand what is protected and make an informed decision as to whether they require additional cover.

Michael Ward is Sales and Marketing Manager at the Financial Failure specialists International Passenger Protection (IPP).



Finding real value

DESPITE RISING COSTS, INSURERS AND BROKERS ARE FINDING WAYS TO KEEP HIGH NET WORTH PREMIUMS SUSTAINABLE, WRITES JONATHAN SWIFT.

In October 2009 Simon Douglas, director of AA Insurance, remarked that home insurance offered “remarkable value for money” despite a 10 per cent rise in the cost of buildings cover over the past year.

This is certainly true at the top end of the household market according to those insurers who are specialists in high net worth (HNW) homes. They are warning customers that they may have had too much of a good thing for too long.

As Simon Mobey, head of personal lines at Chubb explains, the services which often come as standard with HNW policies - such as appraisals and dedicated claims handlers - come at a cost.

However the HNW market remains competitive, a fact which Maria Nagle, head of HNW at Aviva, claims enhances the value of brokers in sourcing the best cover: “A broker will ensure an individual’s needs are met as they will be able to talk specifically to an underwriter or relationship manager with whom they have a close relationship.”

David Sweeney, director of personal and commercial insurances at Sterling, comments: “If the specific HNW home product with all it entails is to continue as it is then it needs to be sold at prices that make it economical for insurers.”

Austyn Tusler, head of art and private clients at Hiscox UK, adds his firm is looking to introduce “a modest rate increase in 2010” commenting, “rates in the sector have been in decline for about six years now... We need to act now to maintain a reputation for comprehensive products and quality service.”

So what will the consequences be if rises are not forthcoming? Barry O’Neil, the managing director of Home & Legacy, believes some insurers will look to introduce stricter interpretations of policy wordings.

“Those clients who have a poor claims history are likely to experience more severe underwriting terms being applied,” says O’Neil and suggests that with more risk management policyholders can avoid further claims.

Among the “more onerous” terms that could be applied to HNW policies, according to Sweeney of Sterling, is the need for customers to take extra precautions such as turning the water off in their second homes.”

Whilst the major players featured here are all in agreement that they will do their utmost to make sure service and coverage are not threatened, HNW extras which are priced separately may cost more.

As Mobey explains, “We don’t believe the add ons we provide will be under threat but we do expect that the cost of providing certain ones such as annual travel and legal expenses could increase, as these sectors have been hit with rising claims costs. This is a result of the recession, rising employment disputes for legal expense providers and increased cancellation and travel delay claims for the annual travel providers.”

Speaking as an intermediary, O’Neil of Home and Legacy comments, “Rate increases need to be balanced with customer expectation. Although clients may find their renewal premium has increased with their existing insurer, there are still competitive alternative prices available and HNW clients are more likely to look for those better deals in the future.”

Mobey says Chubb took its “corrective action” in 2007, but warns customers looking to renew or change HNW provider that they should not necessarily chose the insurer who offers the lowest price: “The key to success is setting pricing that reflects the true cost of paying claims for a HNW client. It is dangerous [for an insurer] to offer a price just to win an account.”

A tangled web?

COMPARISON WEBSITES ARE IMPROVING, BUT CUSTOMERS SHOULD STILL BE WARY OF THE INFORMATION THEY ARE GIVEN, WRITES MIKE POWELL.

before quotations are given, this is an easily missed question. There will be customers who either do not read the question or simply do not understand what is asked of them.

This can cause problems for customers. For example, if the site automatically defaults to a voluntary £500 excess, and the customer chooses an insurance provider whose compulsory excesses are not clearly stated, they could find themselves having to pay an excess of £600 or more when they need to claim. This practice does not treat customers fairly and is one of the reasons why many in the insurance industry and consumer bodies have called for the Financial Services Authority (FSA) to regulate comparison websites.

GETTING BETTER

A review of the general insurance comparison website market has been conducted by the FSA. One of their key findings and recommendations was to provide consumers with information about policy cover. This message has been taken on board. In its review of car insurance comparison market, Defaqto noted that almost two thirds of sites now provide consumers with a cover comparison tool.

Allowing customers to compare cover features from different car insurance providers, shows that sites are not just providing the cheapest quotation as the sole basis of comparison. There are, however, issues with the information that is provided. For example, if a courtesy car is required, some sites simply state that the consumer should check with insurance provider to confirm if cover is given. The information about policy excesses is not always clear. Although many sites have become better at stating policy excesses, there are still some sites where the consumer is told to "refer to insurer" to confirm the excess applicable.

Some websites automatically default to a selected voluntary excess

In general, comparison websites provide a very useful service to consumers. The ability to obtain multiple quotations from one source has made the purchase of insurance easier for the consumer. But consumers should not always assume that the information stated is completely accurate. Always check with the insurance provider about the level of cover and excesses that are applicable before you buy.

Mike Powell is Principal Consultant, General Insurance at financial services research company Defaqto.

The comparison website market has existed for just over ten years but in that decade the market has changed with such pace that it has become a truly online phenomenon. Some sites have become household names and are as instantly recognisable as the major insurance providers who appear on these sites.

HOME AND MOTOR

Some of the major players in this market, Comparethemarket, Confused, Gocompare and Moneysupermarket are advertising heavily to consumers and it is easy to see why. The premium income generated for both motor and home insurance is vast. Figures from the Association of British Insurers (ABI) showed that in 2008, the size of the domestic home and motor insurance premium income was nearly £14 billion.

Comparison websites have massive potential to tap into these markets, as consumers use these sites as a way of obtaining multiple quotations for their home and motor insurance needs. Admiral Group estimated that in 2008, comparison

websites accounted for around 40 per cent of all new car insurance sales, and, according to Datamonitor, four per cent of all new home insurance sales.

The influence that these sites have with consumers would indicate that they provide a comprehensive service. This may not always be true. Defaqto has reviewed and rated car insurance comparison websites since October 2007, and found that there have been a number of problems.

Some of the main problem areas found include sites automatically defaulting to a higher voluntary excess and the cover information that is provided to consumers.

HIGH VOLUNTARY EXCESS

A number of comparison websites automatically default to a selected voluntary excess before the consumer actually chooses the level required. Quotations provided are based on the higher voluntary excesses and can be significantly cheaper.

Although most sites allow the voluntary excess to be changed to a level that is more acceptable

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