

Commercial Insurance Profile

January 2018

The Alarming Extent of Underinsurance

Up to **80%** of UK commercial properties are underinsured



40% of businesses have inadequate business interruption cover



Source: The Royal Institution of Chartered Surveyors

Provided by:

Mackay Corporate Insurance Brokers

01292 611 028

... ..



Make 'Avoiding Underinsurance' Your New Year's Resolution

Underinsurance continues to be a widespread and persistent problem throughout the United Kingdom. In fact, an estimated 40 per cent of businesses and 80 per cent of commercial properties are underinsured. This occurs when a business has insufficient cover to meet its needs, whether that means its assets are valued and insured at less than their true value, its limit of indemnity is too low or its maximum indemnity period is too short.

Even though underinsurance is a common enough situation to find yourself in, there are steps that you can take to ensure that you begin 2018 with your best foot forward. This involves scrutinising your business and updating all of your insurance policies with any changes that your organisation may have made in 2017, which could include new buildings, acquired stock, and fluctuation in the value of machinery, equipment and vehicles.

After you've taken a critical overview of your business, here are some additional pieces of guidance to help ensure that you are not underinsured:

Property policies:

- Provide the cost of rebuilding the property (including the costs of demolition, materials and professional fees) to your broker rather than the market value or the amount you purchased it for.
- Increase the total amount that you have insured in order to accurately reflect new machinery and renovations.
- Remember to include the value of replacing the contents—including machinery and equipment—in your policy.

Business interruption policies:

- Review your business interruption (BI) policy at least annually to ensure that all your information is up to date.
- Calculate an appropriate indemnity period that allows your organisation enough time to recover.
- Consider that potential future trends may have a noticeable impact on your BI insurance and include the value of that possibility in your policy.

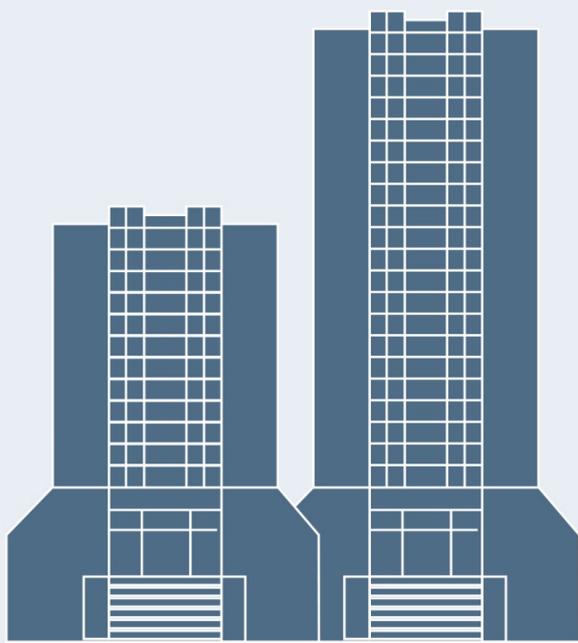
For more information about how you can protect your organisation from underinsurance, contact the insurance professionals at Mackay Corporate Insurance Brokers today.

Directors and Officers Liability Will Keep Growing in 2018

In 2017, **36%** of UK companies experienced a claim and/or investigation involving a director of their company, up from **21%** in 2016.

In 2016, the Financial Conduct Authority investigated **152 individual directors**, up from a mere **62 in 2015**.

Source: Allen & Overy



The Legislative and Regulatory Risks Threatening Your D&Os

Over the past several years, UK legislation and regulations have greatly expanded the potential number of risks that directors and officers (D&Os) may have to handle. To protect your D&Os, guard against these five legislative and regulatory risks in 2018:

1. **Companies Act 2006**—This outlines the duties and responsibilities of directors and officers. Most often, legal action is brought when directors and officers act outside their powers and do not promote the success of the company.
2. **Employment Law**—Employees can file claims for unfair dismissal along with harassment and discrimination, with the latter having an uncapped fine limit.
3. **Modern Slavery Act**—Organisations with a global turnover of at least £36 million are required to submit an annual statement that outlines the steps taken to ensure modern slavery is not taking place within their business and supply chains, which must be approved by the board and signed by a director.
4. **Criminal Finances Act**—Directors of organisations that fail to prevent staff from facilitating tax evasion could be found liable for an employee's actions.
5. **General Data Protection Regulation (GDPR)** —Organisations that don't comply with the GDPR could face fines up to €20 million or 4 per cent of the organisation's worldwide annual turnover, whichever one is higher. Directors who fail to prioritise GDPR compliance could be held personally liable.

#MeToo: Preventing Workplace Harassment and EPL Claims

By now, you most likely have seen the hashtag '#MeToo' used on social media to denounce sexual assault and harassment. The movement began in the wake of sexual misconduct allegations against US film producer and executive Harvey Weinstein.

This movement highlights the importance of professional ethics and employment practices liability (EPL) for employers as well as directors and officers. EPL is essential for your organisation, as it provides legal defence costs when employers are sued for discrimination and harassment. To ensure that your organisation does not have to rely solely on EPL, you should take steps to prevent such conduct, which could include the following:

- Provide training for all employees—from directors and officers all the way down to your interns—on appropriate behaviour at work, which should include what is considered discrimination and harassment. In addition, explain how employees can raise an issue if they experience discrimination, harassment or a sexual assault.
- Develop an equal opportunities policy along with an anti-harassment and bullying policy, and review them annually.

The content of this Profile is of general interest and is not intended to apply to specific circumstances. It does not purport to be a comprehensive analysis of all matters relevant to its subject matter. The content should not, therefore, be regarded as constituting legal advice and not be relied upon as such. In relation to any particular problem which they may have, readers are advised to seek specific advice. Further, the law may have changed since first publication and the reader is cautioned accordingly.