

DID YOU KNOW?

Damage caused by the 2013-14 winter floods cost the UK economy an estimated £14 billion according to The Aldersgate Group, a UK alliance of sustainability leaders in business, politics and society. With the rising frequency of such extreme weather events, does your business have adequate storm cover to protect itself against the inevitable?



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UK Businesses Still Lack Adequate Storm Cover Despite Recent Floods

The winter of 2013-14 battered the United Kingdom with fierce storms, leading to some of the worst flooding in decades. Nearly 3,200 businesses were flooded—resulting in costly damages to both property and goods as well as widespread disruption to businesses, according to a December report from the Federation of Small Businesses (FSB).

Today, businesses still remain woefully underinsured for storms—almost one-third of UK businesses have no cover for business interruption or other damage caused by flooding, according to the FSB report. The problem is worse in the East Midlands where nearly two-thirds of firms are unaware whether they even have storm cover, according to industry research. SMEs are not faring any better—60 per cent have absolutely no plan to deal with future extreme weather events, despite the FSB report's findings

that 66 per cent of SMEs were affected by flooding, drought or snow in the past three years.

Getting caught without cover could be disastrous—the Association of British Insurers estimates that flooding between 23 December 2013 and 28 February 2014 generated about £1.1 billion in storm claims.

Flooding clearly carries the threat of debilitating financial losses. Assess your storm cover to determine whether your business has adequate protection against the next damaging storm. Storms are inevitable—losses are not.



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New Accounting Standards Regime

The Financial Reporting Council's new suite of financial reporting standards (FRS) now apply to UK companies that are preparing their accounts for periods starting on or after 1 January 2015.

The new regime is a complete overhaul of the previous system, replacing it with four new standards in an effort to consolidate and simplify UK standards as well as harmonise them with international standards. Industry experts are hailing this as the most significant change to UK accounting in the last 10 years—the new standards are not just a shift in policy, they usher in a whole new framework.

Failing to comply with the standards could result in misplaced funds, fines, prosecutions, and a general drain on profits and productivity.

(Continued on next page)

Tackling the United Kingdom's Runaway Compensation Culture

UK drivers are facing the biggest premium hike in almost four years according to Financial Times, and industry experts are blaming the United Kingdom's runaway 'compensation culture'. Compensation culture is a negative term used to describe a litigious society in which most claims for compensation are thought to be frivolous, fraudulent and unwarranted.

Critics of the compensation culture cite rising numbers and severity of simple whiplash claims and other fabricated injuries in the workplace as evidence that the United Kingdom's compensation culture is out of control, and neglecting to rein it in could hinder UK businesses' precarious recovery. For example, a November 2014 survey found that 10 per cent of UK consumers have made fraudulent or exaggerated whiplash claims or know someone who has. Even worse, data from the Association of British Insurers revealed that for every £1 paid to settle 'slip and trip' liability claims—another commonly exaggerated claim—an additional 93p is paid out in legal fees. This, together with a legal system encouraging people to make fraudulent or exaggerated claims via 'no-win-no-fees' lawsuits, shoulders many UK businesses with disproportionate legal costs.

But high legal costs are not the only hazard of falling victim to the compensation culture. As a business owner, defending liability claims invites the possibility of huge fines, reputational damage, restricted future business opportunities, higher insurance costs, prosecutions, a public declaration of guilt, and a more protracted procurement process since such processes require disclosing health and safety performance.

Opinion on compensation culture is divided—some believe it is merely a manufactured crisis. However, the strategies for protecting businesses from compensation culture—whether real or not—are beneficial for every organisation. Strategies such as creating effective management systems, undertaking constant risk assessments, and charting audit trails can help prevent future claims. And, of course, ensuring your business has robust insurance with no gaps in cover is vital.

The government is lending its support to businesses fighting compensation culture by implementing a new medical reporting panel, Med Co, which goes live on 6 April 2015. After that date, claimant lawyers will no longer be able to source medical reports from individuals or organisations with which they have a financial link. Med Co will provide unbiased medical reports for whiplash claims and other soft tissue injury claims arising from road traffic accidents. Find more information here: www.medco.org.uk.

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(Continued from previous page)

The four standards are listed below:

1. **FRS 100 Application of Financial Reporting Requirements** explains which standards apply to which companies.
2. **FRS 101 Reduced Disclosure Framework** allows subsidiaries and parent companies to use IFRS with reduced disclosures.
3. **FRS 102 The Financial Reporting Standard** outlines the new UK accounting standards, replacing current FRSs.
4. **FRS 103 Insurance Contracts** consolidates accounting and reporting requirements for companies with insurance contracts in the United Kingdom and Ireland that are applying FRS 102.

While companies are not legally obligated to adopt the new regime until the end of 2015, there are benefits to making the transition early, such as maintaining clean records to avoid misplacing funds, conducting business with updated financial instruments, and managing foreign business more effectively with the new foreign currency translations. For more detailed information on the new standards, click here: www.frc.org.uk/Our-Work/Codes-Standards/Corporate-reporting/The-future-of-UK-GAAP.aspx.