

Zurich Claims Quarterly Journal

Autumn 2018



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Welcome

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“

Welcome to the Autumn Edition of Zurich's quarterly Claims Journal.

This edition sees focus on a broad range of topics reflecting the range of expertise across our claims function within the Zurich team to be able to meet and respond to our customers when losses occur.

Zurich and the insurance market are seeing many new exposures through the rise in technology such as the emergence of 'cryptocurrencies' and 'blockchain', witnessing the increases in crimes directly relating to this and the knock on effect this is having on the insurance industry. At this very early stage, it is key that we are not only working internally, but together with our customers, brokers and fellow insurance companies to discover and implement ways to tackle these increasing risks, while keeping our customers protected and well informed as the market changes.

We recognise that it is not only these emerging risks that are causing the direct change, but the demands and needs of our customers too. At Zurich, our objective is to build a customer connected claims function of the future. Throughout the journal you will read many highlights of how we are changing to accommodate our customers and brokers, building on existing strong foundations and creating a compelling customer proposition to embrace the changing landscape for claims and insurance.

I do hope you enjoy reading this edition.”

**Spencer Owen**

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“

I am delighted to see that the Autumn edition of our Claims Quarterly Journal continues to include a broad range of subjects, from Cryptocurrency to Latin America, which not only share our experience but also encourage our Customers and Brokers to challenge themselves.

The Zurich claims proposition is something my Claims Relationship Management team and I feel very passionately about as we collaborate closely with our Customers and Broker partners on a daily basis, providing insight at not just an individual claim level but across their entire portfolio.

For UK risks, legislative changes, fraud and rehabilitation are regular discussion topics which resonate with this edition of the journal. Customers are always keen to strike the right balance between managing their overall cost of risk but at the same time doing the right thing for their employees.

Our global programme Customers face a diverse range of challenges presented by territory-specific insurance regulation which our UK-based Global Claims Relationship Managers and teams of Senior Claims technicians help navigate and inform.

We supplement our regular claims stewardship meetings with a range of educational events such as Customer-specific or group mock trials, claims defensibility training and Large Loss Scenario planning - demonstrating that our claims proposition doesn't just start when a claim is notified, or end when it is paid or successfully defended.

I hope you enjoy this Autumn edition of the Claims Quarterly Journal.”

Cryptocurrency and Insurance

Opportunity or Threat?



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Cryptocurrency. The term creates images of wealth, anti-establishment rebellion, disruption and, if you believe the slightly inebriated man in the corner of a bar on a Friday night, 'it's the future'.



But what is it and how might this impact insurance?

In a nutshell, Cryptocurrency is a form of digital currency. Unlike traditional 'fiat currencies' which use a centralised banking system, Cryptocurrency uses a decentralised process of control through 'distributed ledger technology' also known as 'blockchain'. This technology first came to prominence in 2009, shortly after the financial crash and has continued to grow.

Despite the well-known fluctuation in prices since that time, the rise of Cryptocurrency continues. There are many potential insurable risks that will be created by the continued emergence of these currencies. The two most obvious are Crime (the theft of Cryptocurrency), and the risks associated with 'Initial Coin Offerings'. For the purpose of this article we will mainly focus on the former.

The security of blockchain is currently pretty solid, hackers and social engineers are therefore attacking the Crypto-Exchanges and wallets in the main. There has been a dramatic increase in 'Crypto Heists' in the last year. In the first three months of 2018, the total amount stolen worldwide stood at around \$700m, by the end of June this figure had risen to c. \$1.7bn. The largest of these is the "Coin-Check" hack in Japan in which half a billion dollars' worth of Cryptocurrency was stolen. It is therefore no coincidence that the demand for insurance cover has also risen dramatically.

So is the risk of Crypto Crime insurable?

Certain companies certainly think it is, with crypto-crime policies now being written by a number of carriers around the globe. Lloyds of London have recently issued guidance to managing agents, urging caution particularly with regard to money laundering and sanctions.

The obvious risk is the scale of the losses and the exponential growth in the number of heists. With this comes other questions, most notably, how does an insurer quantify a loss given the volatility of the Cryptocurrency market. Take for example, a situation where a company loses 100 bitcoin to theft via a hack. On the day of the hack, the price of bitcoin drops dramatically. Unlike traditional crime policies, which would usually specify a date for issues of exchange rate, the value of Cryptocurrency has the potential to change significantly over a few hours. Assessing quantum therefore has the potential to be extremely difficult. By virtue of the same issue, the amount of cover provided can change dramatically. Cover with a limit of \$1m may cover 1000 coins at the beginning of a policy term, but by the end may only cover 100, thus reducing cover for the Insured. The reverse may also be true, thus increasing the scale of an insurer's exposure.

The fluctuation may also result in a rise in fraudulent claims. Cryptocurrency is attractive to many due to the anonymity it provides to its users and lack of regulation. One may speculate that when the price of a certain Cryptocurrency begins to drop, an unscrupulous insured may seek to stage a hack in an effort to cash in on the Cryptocurrency with ease. Trying to adjust such a loss would be fraught with difficulties.

Can these risks be managed?

The obvious answer to reduce the risk would be to tailor the wording and to underwrite diligently. One of the key issues in assessing risk is the way in which the Cryptocurrency is stored. It can be held in either 'hot storage' or 'cold storage'. Hot storage refers to storage which is directly connected online, whereas cold storage is not. Clearly the risk of a hack where it is stored offline is completely diminished and therefore the risk is reduced. Some insurers have therefore sought to tailor cover to cold storage only.

Insurers are beginning to feel the impact of Cryptocurrency and criminal activity on their existing lines. Cyber-attacks involving malware known as 'ransomware' are on the rise. This works by restricting a user or company's access to files until a ransom is paid, and more often than not the demand is for Bitcoin. Extortion cover is often afforded under Cyber policies. This causes a number of difficulties for Insurers as not only is there an issue around quantifying the losses, when reimbursing customers in a fiat currency, but also the ethical and regulatory issues around indirectly contributing to criminal activity.

So what about the insurability of ICO's?

An ICO, similar to an IPO, is a way in which funds are raised to fund a new Cryptocurrency venture. The key difference is that this is an unregulated process and open to abuse. Despite such concerns however, the numbers involved are vast. In 2017, ICO's raised over \$5.6bn.

As it stands there is not an ICO insurance market per se, therefore it is likely that any action as a result of an ICO would be pushed toward traditional D&O insurance. This poses a number of problems, including questions around the definition of 'Securities'. There has been much debate on this point, including commentary from the SEC. The current view of the SEC is best observed when one considers their comments on a specific type of Cryptocurrency known as "ether". They stated that "current offers and sales of ether are not securities transactions". However, the debate and uncertainty continues.

The lack of regulation and uncertainty in such offerings must mean that Insurers will need to think twice before considering whether to provide insurance for such ventures. There is also a concern that insurance is often seen to legitimise ventures. A prospective purchaser is far more likely to be enticed into purchasing Cryptocurrency if they have a recognised insurer providing cover. Instead of a risk transfer process, insurance becomes a marketing tool.

In conclusion, there are a number of questions insurers must ask themselves before entering this market. Clearly there are moral hazard questions that are far from being answered. For an insurer to be seen to directly underwrite losses arising, and to provide credibility to, what remains at best a largely misunderstood business would require very careful consideration. The dangers of doing so are obvious, Cryptocurrency is unregulated, volatile, and often associated with money laundering and organised crime – not something within the usual appetite for insurers.

That is before one considers the technical considerations. Trying to write effective policies will be extremely difficult given the many unknowns, and for the aforementioned reasons, investigating claims, establishing coverage and analysing quantum will also prove a challenge.

We are still at a very early stage of the evolution of Cryptocurrency and it is too early to tell what impact this will have on global economics in the long term. However, if one assumes it is here to stay, then it goes without saying that there may be an opportunity for insurers one day, but this will likely depend on the actions of regulators. At the very least, in the short term it is becoming more apparent that the blockchain technology behind the likes of Bitcoin, Litecoin and the other 1000+ currencies out there is of great interest to Insurance companies to increase the speed and efficiency of their processes.

Even if an insurer currently has no appetite to write such risks, it is likely they can take the benefit of the technology behind Cryptocurrency to improve their business. It is therefore evident that the rise of Cryptocurrency may really be the future... one way or the other.

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The lack of regulation and uncertainty in such offerings must mean that Insurers will need to think twice before considering whether to provide insurance for such ventures.”

The risks of writing business in Latin America

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From our experience of handling claims in Latin America it appears that the powers of the local regulators and the sophistication of local law varies greatly throughout the region. As a result we have seen unforeseen consequences to the way in which our policies are intended to operate.”

Recently the London market has identified significant R/I exposures in Latin America and particularly Colombia. This is as a result of local regulators not adhering to policy terms and conditions that we would consider normal practice here in the London market. In other parts of South America the London market has experienced unintended consequences of words/phrases translated from English to Portuguese in Construction policy wordings, along with issues related to recognised English legal terms/concepts, which do not correlate in Latin American jurisdictions. The aim of this article is to highlight some of the risks associated with writing business in Latin America.

We have seen in the past that these local regulators and have issued wholly unreasonable findings against Insurers while ignoring entirely credible coverage including basic doctrines such as “claims made” resulting in multiple policies over a number of years being called into the proceedings.

For example, Fiscal Proceedings in Colombia are conducted by the Controlaria, a local authority which among other functions controls the use of public funds through the supervision of public entities and private parties which have access to public funds. The proceedings seek to identify any instances where public officials or private individuals exercising fiscal management of State Assets have caused damage to those assets. What is interesting about this set of proceedings is that pursuant to Colombian law where there is an insurance policy covering a defendant, the insurer

shall be joined to the proceedings as a third party and if found liable, it will be ordered to pay compensation directly to the State. These types of proceedings can pose major risks to both Reinsurers and Insurers as in the past Insurers have been faced with wholly unreasonable findings and awards against them whereby credible coverage arguments have been ignored entirely.

In Ecuador, contrary to what happens in Colombia, only the insured can bring the policy to the table, as per Ecuadorian law “The civil liability insurance is not an insurance in favour of third parties...” This means that neither the Controlaria nor the public prosecutor can use the D&O policy as a guarantee. If the insured decides not to declare the Policy in court, the Controlaria or the prosecutor must condemn him. If found guilty and once convicted, the insured can then notify the court about the existence of the Insurance policy.

From our experience of handling claims in Latin America it appears that the powers of the local regulators and the sophistication of local law varies greatly throughout the region. As a result we have seen unforeseen consequences to the way in which our policies are intended to operate.

Further to the above one important thing to be aware of when dealing with R/I claims in Latin America is the interpretation of general Insurance principles under that country's law and jurisdiction. For instance, in Colombia the law provides that a "follow the fortunes" principle is an inherent obligation for all Reinsurers subject to Colombian law. Article 1134 of the Commercial Code states as follows:

“
Under the reinsurance contract, the reinsurer has the same obligations that the insurer has contracted with the policyholder or insured and shares the same fortunes in the execution of the insurance contract, unless bad faith of the insurer is verified, in which case the reinsurance contract will have no effect.”

The responsibility of the reinsurer will not cease, in any case, prior to the lapsing of the limitation period of the actions arising from the insurance contract.

This situation is different in Brazil. In general, follow the fortunes clauses provide that reinsurers shall agree to indemnify insurers in the event that they settle a claim provided that (i) the claim so recognised by them falls within the risks covered by the insurance contract as a matter of law; and (ii) in settling the claim, the insurer has acted honestly and has taken all proper and business like steps in making settlement.

It can often be difficult to know how a court in Latin America may interpret and apply a follow the fortunes principle as the knowledge and experience of dealing with issues such as these can vary greatly throughout the continent. For example in Colombia there is no case law or precedent that forms a basis of how this principle may be applied.

There are further issues when English legal terms or drafting are used in Insurance contracts which are subject to Brazilian law, and there is no direct correlation with a Brazilian law concept and indeed many other Latin American jurisdictions.

One recurring issue relates to indirect/consequential loss exclusions. These are commonly found in Brazilian contracts, with the terms normally translated as “danos indiretos”, but again there is no case law similar to the English case of *Hadley v Baxendale*, explaining which losses are considered direct and indirect, so the precise scope of these exclusions is often uncertain.



Where the Reinsurance is of, and subject to the same terms and conditions as the underlying Policy and to follow the settlements of the Reinsured (subject commonly to the Co-operation or Control clause), and the insurance is in Spanish/Portuguese (and the Reinsurance is in English), that is where unintended consequences can arise.

Perhaps the most obvious is where the Reinsurance includes a Claims Co-operation or Control Clause, which requires the consent of the Reinsurers (or their representative) to any claims settlement made, which is expressed as a **Condition Precedent** to liability. The words in bold can be translated, but in effect mean nothing in the LATAM jurisdictions. This can have major consequences because Reinsurers may think that they have the protection of a condition precedent, but they don't.

As a matter of claims practice, this supports the concept of early liaison with the cedant to try to keep the local company and the international reinsurer on the same page, avoiding the challenge of a jurisdictional misunderstanding.

Following on from this, is the issue around the concept of "Without Prejudice", which is not recognised in Brazil and other LATAM Jurisdictions. This means that any conversations relating to a claim, conducted without having in place some form of confidentiality agreement, can be referenced in subsequent legal or arbitration proceedings.

It is also worth noting that in Argentina and many other Latin America jurisdictions the principle of "reservation of rights" is not a recognised legal concept.

In a similar way to the claims co-op condition precedents, the simple translation of the Defects Exclusions (e.g. LEG 2 & 3) can have unintended consequences. It is important to remember that the grammar in different languages doesn't always easily translate simply word for word, because the words and phrases on translation do not always make good sense. Understanding and appropriately applying the CAR/EAR defects clauses can be difficult enough in England – it becomes even worse when using the local languages.

It's also true to say that there are some words and phrases that just don't translate at all. The English version of a reinsurance Policy referred to "*persons taking part in Labour disturbances*" with particular coverage consequences, whereas there was no concept of **Labour disturbances** in the Portuguese wording. The closest translation put forward was **Riot** which had different Policy consequences (Larger sub limit).

It is also vital to recognise that the vast majority of Latin American legal systems, will mandate that their Law will apply to the contract of Insurance and that law usually stipulates that the local language version of the policy wording will prevail. As a consequence in a follow the settlements situation, Reinsurers will usually be fixed with the local wording interpretation.

It is important to understand these principles and how they are governed in Latin America as these types of interpretations can have serious ramifications for Reinsurers. Furthermore consideration should be given for "lost in translation" issues and appreciation that English law concepts may not have any founding in the local Latin American jurisdictions.





Change is not an option



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In the early to mid-1960's the banking sector was facing a turning point not entirely dissimilar to that which we as the insurance sector face today.

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Our objective is to build a customer connected Claims function of the future. Speed, flexibility and new technology will give us the edge we need to provide an integrated customer and employee experience that lets us focus on delivering our claims promise for you.

They had similar headlines back then to those which we read currently; they were creaking under the pressure of the cost of running banks, transaction and administration processes were slow and often manual, and operating practices were restrictive, mainly linked to business opening hours.

At the time, the Barclay's chairman Anthony Tuke, said the bank was an 'unwilling starter' in the field of mechanisation, but quietly he and Barclay's persevered, and on the 27th June 1967 something transformative happened; the first ATM was installed by Barclay's, in Enfield, North London.

The industry recognised that it needed to adapt to the demand for banking services due to the rapid development of a consumer society which meant that automation became critical to handle demands. Barclay's led the charge on modernising and transforming the way in which traditional banking services had been performed for many hundreds of years. The 'unwilling starter' soon had everyone playing catch up.

I believe that right now the insurance industry is at its own unique turning point; the end of the analogue era and the beginning of a digital, connected world, where in our market place modernisation will greatly enhance the customer's experience of doing business and help us to remain relevant as an industry.

Over the course of the last 18 months both Zurich and the London insurance market have been heavily invested in modernising and transforming our respective claims practices' in order to differentiate our offering from the competition, be that from other insurance companies, or overseas hubs such as Singapore and Dubai.

At a London market level I am pleased to be co-chairing the London Market Target Operating Model Claims initiative. This work has sought to understand from our customers some of the complexities and challenges they face when having a claim managed through the market place.

In response to this, in February 2018 the Single Claims Agreement Party arrangement was introduced¹. This collaborative, cross market initiative involves following insurers agreeing to delegate their claims handling authority to the lead insurer on losses under GBP 250,000 for indemnity, in both instances (lead or follow) irrespective of whether the carrier is a Lloyd's syndicate or company insurer. A technology solution will imminently be in place to provide the administrative support needed to maximise the efficiency gains offered through SCAP for both the customer and insurer.

Following the implementation of SCAP, the initiative has focused on a more strategic solution for claims which has been directed through the engagement with customers, brokers, carriers, and other market representatives including:

- how we interact with customers, brokers and third parties to make our market more accessible and easier to transact business with.
- how we improve the claims service and customer experience, enhancing the communication and visibility of the claim throughout its life cycle and
- how to ensure we have efficient and effective processes for managing claims that accelerate settlement to our customers.

Four work streams have been set up to capture the requirements and design principles for services and technology to be delivered. They are:

- customer access and flexible distribution,
- claims management and agreement,
- settlement and fund management, and
- data, MI and analytics.

At Zurich we equally recognise that the world in which we provide our claims products is rapidly changing, disruption is everywhere and few industries are changing as fast as insurance. Like most other parts of the insurance business, we are experiencing unprecedented change at a pace we haven't felt before.

This is because, our customers' expectations and demands are ever-changing and in the past our complexity has been frustrating for our customers to navigate.

As our UK CEO, Tulsi puts it,

“

The claims experience is the moment of truth for how we seamlessly execute”.

In that moment, we have a moral obligation to do the right thing and protect our customers – it's why they chose the Zurich brand promise.

Our objective is to build a customer connected Claims function of the future. Speed, flexibility and new technology will give us the edge we need to provide an integrated customer and employee experience that lets us focus on delivering our claims promise for you.

Through simplifying, streamlining and continuously improving everything we do, we are on a journey of building on the strong foundations already in place to create a compelling customer proposition; deliver simple and straightforward claims; provide technical expertise for those claims which require; operate as an agile organisation; embrace technology and tools and further develop our engaged workforce. The journey to transform Claims is our new reality.

In Davos earlier this year, Justin Trudeau declared that

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the pace of change has never been this fast, yet it will never be this slow again.”

Much like the banking industry in the 1970's, both Zurich and the London Market are well aware of this rapid change due to technology and our customers' demand. In response we are embracing modernisation and innovation, and adapting our skill sets to ensure that we are ready to embrace the changing landscape for claims.

¹ see the Claims Quarterly Journal – Focus Property and Energy, Winter 2017, for further detail on the SCAP arrangement.



When disaster strikes and a business suffers a catastrophic loss



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When disaster strikes and a business suffers a catastrophic loss, whatever the cause, the early days can be chaotic and confusing with customers looking to their Insurers to provide calm and clarity.



Some of the first anxieties surround the levels of policy cover in place – early meetings with all stakeholders seek to answer these questions:-

- 1) How long is this going to take – are my sums insured adequate?**
- 2) If this is going to take a long time – have I got enough Business Interruption cover?**

We must always remember what is at stake for our customers – their livelihood, the business they have taken years to build up, and often flowing on from that the staff and workers – who will pay their wages, and will my business survive this.

It is always a great relief when in those early days we in the Major Loss Team are able to give positive news – cover is in place, liability engages, and we can move on to the next stage of the claim – setting strategy – how can we get the business back up and running as quickly as possible to protect the business and mitigate the losses that the customer and Zurich might suffer.

And that's where things suddenly become difficult. As a result of their nature, major losses can include various aspects that lead to unforeseen issues – someone has been injured or killed, the property is in a dangerous condition, or a combination of both factors. The Fire Service are on site, with the police and the Health and Safety Executive are following not far behind, all looking for answers as to how and why things have happened.

Recent events such as the Bosley Mill explosion in 2015, where 5 lives were tragically lost, and more recently in Scotland at the Cameron House Hotel where two guests were killed, have brought these elements into clear focus. In the former, the HSE and Cheshire Police investigation still continues some 3 years later, and it took in excess of 6 months for the site to be released by the authorities. Similarly at Cameron House, the Insured has only just once again been given access to the site and control returned to them after over 7 months of exhaustive Police Scotland and HSE enquiries.

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In the post-Grenfell world in which we operate, it is essential that the authorities are allowed to carry out the work necessary to derive conclusions for the wider good of our communities.”

A further example has also recently occurred arising from the Glasgow School of Arts fire in June 2018. Zurich insure property in the surrounding area, which is contained within a safety driven “exclusion zone” set up by the local authorities Building Inspector. Again, we are unable to gain access while this is in place, and we have little or no control as to when access will be granted.

And what does this mean for us and our customers. Where we have no ability to assist the customer to move operations to another site, it simply means that the reinstatement project is going to take longer, with all the problems that this brings. It is no secret that business recovery is more difficult the longer that reinstatement takes, and from a policy cover perspective the clock is ticking from day one of the loss with the Maximum Indemnity Period (MIP) restricting the length of time for which we can provide assistance – what may have looked like a sufficient MIP at the beginning of the claim may not be looking so adequate after 6 months or more of enforced inactivity.

Of course, we must look at the wider context. In the post-Grenfell world in which we operate, it is essential that the authorities are allowed to carry out the work necessary to derive conclusions for the wider good of our communities. However, it also means that we as insurers, and our colleagues in the broker environment must also try and cater for this from a policy perspective in setting our sums insured and MIP, and further in our formation of recovery planning and post claim strategy setting.

Meanwhile, the Zurich Major Loss Team philosophy remains the same – prompt acceptance of liability, the formation of a top class team of experts to manage the claim, together with quick and substantial interim payments all assisting to reassure our customers that despite the difficulties they are facing we are there to support them when it matters.



Legislative developments in Scotland



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The Scottish Government has considered and introduced quite an array of legislation which impacts the insurance industry in the last 3-4 years. There is insufficient space to provide detailed analysis across the range of areas involved however, we have included high level details on a selection of topics and would be very happy to provide more detail on any of the areas mentioned in the following summary or indeed other areas, should that be of interest.

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Zurich actively engages at a local level direct with the Scottish Government and through the Forum of Scottish Claims Managers as well as at a national level with the ABI on Scottish matters.”

Civil Litigation (Expenses and Group Proceedings) (Scotland) Bill (Zurich responded)

This has now received royal assent and over the course of the next few years will introduce:

- **Qualified One-Way Cost Shifting (QOCS)** – Pursuers who do not succeed will not be liable for Defenders' Costs except in narrowly defined circumstances.
- **Damages Based Agreements** – Pursuers' Agents will be able to negotiate settlement of their own fees from their client's damages award.

Zurich appeared on behalf of the ABI to give evidence in front of the Scottish Justice Committee on this Bill and were successful in persuading the Scottish Government to agree that Claims Management Companies (CMCs) in Scotland should also be regulated by the FCA.

There is a concern that as changes proceed in England & Wales in relation to whiplash and small claims tracks, we may see a further influx of CMCs into Scotland where Claimant Costs are less restricted.

This could mean not only increased claims volumes but possibly increased levels of potentially fraudulent cases. Zurich will continue to monitor this area closely and where appropriate challenge any adverse behaviour and activity.

Damages (Investment Returns and Periodical Payments) (Scotland) Bill (Zurich responded)

On 15/06/18, the Scottish Government set out its proposals for the future setting of the discount rate in Scotland by publishing the **Damages (Investment Returns and Periodical Payments) (Scotland) Bill**. The Bill broadly mirrors the proposals for England and Wales but with some differences, such as the rate being assessed by the Government Actuary for every review and the rate being set by reference to a cautious notional investment portfolio. There is mention of 2 areas for “standard adjustment” which could each respectively lower the rate by 0.5% and require clarification. The Financial Memorandum published alongside the draft Bill indicates that it would currently result in a discount rate of 0%.

A call for evidence has been published with responses due by mid-September which Zurich will be responding to.

Medical Costs for Industrial Disease (Scotland) Bill (Zurich responded)

This Private Members Bill seeks to introduce a requirement that Defenders repay to the NHS costs incurred in the treatment of diseases for which that defender may be liable in relation to a civil action.

At a high level this seeks to bring the practice in this type of case into line with what happens in RTA and Casualty cases.

It is however, quite complex and whilst there is no attempt to make this retrospective, there appear to be genuine challenges in being able to clearly delineate on such things as exposure periods and co-morbid conditions.

It remains to be seen whether the Bill will generate sufficient support to move forward and indeed whether the entire concept is genuinely and practically cost-effective.

Other areas where Zurich have or are engaging in Scotland include:

- Rehabilitation of Offenders – how long should information be disclosable.
- Whiplash claims in Scotland – very recently announced with aims and remit not clear.
- Introduction of a Disease pre-Action protocol.



How can rehabilitation improve your employee benefit exposure and reduce the cost of claims



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Nearly 30 million working days are lost through illness caused, or made worse, by work. The cost to UK businesses is estimated at £11 billion per year. Effective techniques of improving risk management and rehabilitation can reduce this major cost to business owners.

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Evidence shows that 90% of people with common health conditions and injuries can be helped back to work following a few basic principles of good healthcare and workplace management.”

Analysis shows that uninsured losses are at least ten times the cost of insurance premiums paid. Uninsured costs can include lost time, sick pay, extra wages associated with overtime and temporary labour, production delays, investigation time, fines, loss of contracts and legal costs.

The longer employees are off work, the less likely they are to return. After six months there is a 50% likelihood of return, but this falls to 30% after twelve months.

Zurich's Rehabilitation Team is able to support you and minimise this disruption following a workplace accident by offering:

- Proactive rehabilitation and ways to return people to work comfortably and without undue delay.
- Best practice in absence management and how to reduce the number of days lost to a business.
- Techniques for controlling and containing costs.

Our expert in house team of health care professionals are capable of providing a wide range of solutions to assist with an individual's recovery. How an injured employee's recovery is managed can have a bearing on whether they make a claim at all. Experience shows us that initially following an injury an individual's focus is on getting better, reducing their pain, and improving their function, getting back to what they could do prior to the accident. As time passes this focus could shift and we see individuals developing a claim mind-set. This could happen for a variety of reasons:

- They start to incur costs related to their injury.
- Their company sick pay ends and they move to only receiving statutory sick pay, so they begin to lose income.
- Their recovery stagnates and they look to hold somebody responsible.
- During their absence they may feel that their employer is not concerned about their welfare, it is often a difficult balancing act as to what is the right level of contact.



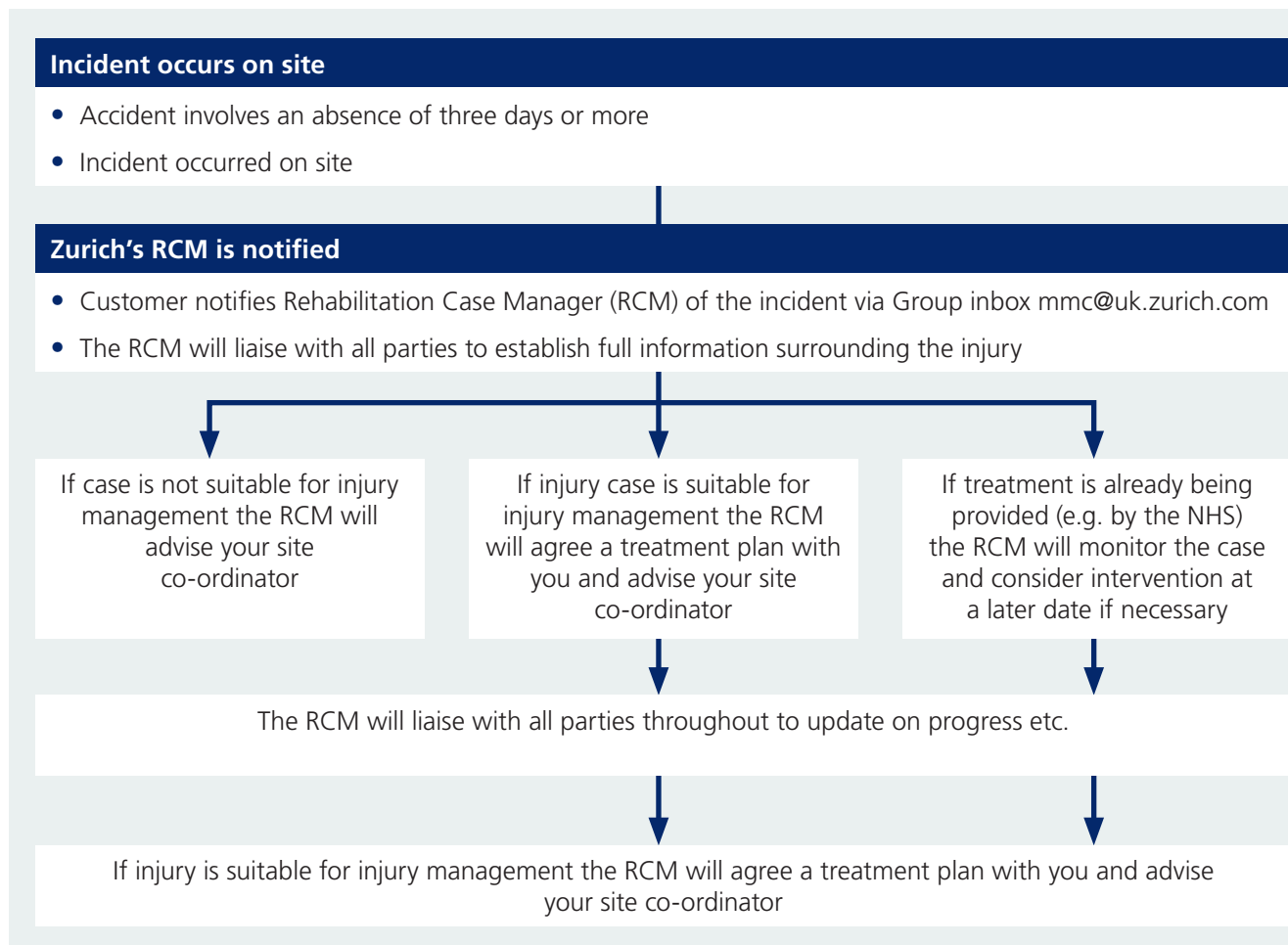
Providing the right level of rehabilitation and getting someone back to work as soon as possible after an accident helps to build physical and mental resilience. The Department for Work and Pensions have commissioned many reviews over the years of the link between health, work and wellbeing.

Evidence shows that 90% of people with common health conditions and injuries can be helped back to work following a few basic principles of good healthcare and workplace management.

For many people, returning to work can accommodate part of their recovery and the Zurich Rehabilitation Team can help to facilitate these discussions between yourself and your employees.



The process



The Rehabilitation Team at Zurich believe in providing a proactive approach to workplace injuries that combines the expert clinical skills and knowledge of the team with their understanding of the insurance and claims requirements. We look to work with you and your existing HR and Occupational Health teams to provide the best outcomes for your injured employees.



Case Study

Injury

53 year old refuse collector was removing bulky waste items and strained his upper back and shoulders.

Rehabilitation

His employer notified Zurich's Rehabilitation Team 1 week after the accident, as the employee was still in pain and he was struggling to maintain work activities.

Our medically trained Rehabilitation Case Manager contacted the employee via telephone and established a need for treatment, using the biopsychosocial model, a rehabilitation plan was agreed.

The goal of the treatment plan was to facilitate a reduction in subjective symptoms, improvement in functional limitation and regain full work participation.

The day following the telephone assessment the employee was seen by a physiotherapist, who provided a course of 5 treatment sessions and a structured home exercise programme.

The employee remained at work during the recovery process and with the integrated approach avoided becoming entrenched in his injury.

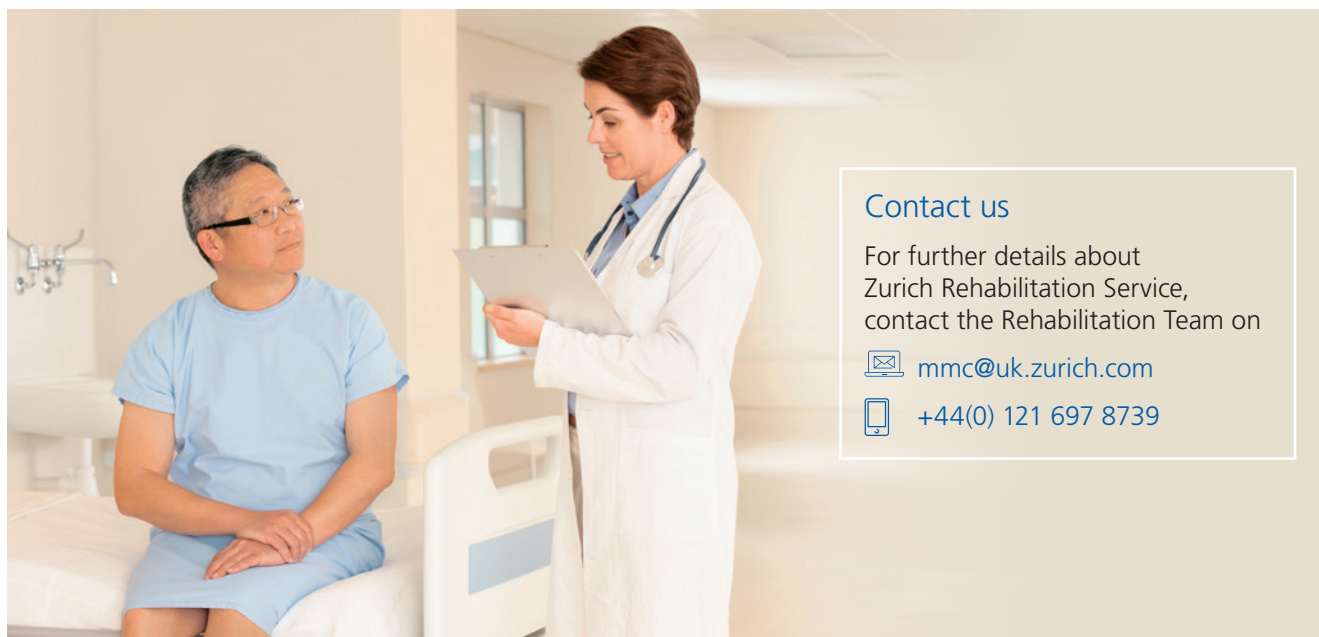
On discharge from physiotherapy the employee had made a 60-79% recovery and was expected to make a full recovery to pre-accident level of fitness, following the home exercise programme within 4 weeks.

No personal injury claim was made.

Treatment costs at closure £219.

The benefits


- An employee does **not** need to be absent from work to be referred to the Zurich Rehabilitation Service. They can be at work but still suffering from the effects of their injury.
- Early intervention and rehabilitation can identify and address obstacles to recovery and return to work.
- Access to medical expertise and treatment.
- Early intervention avoiding lengthy NHS waiting lists.
- Reduction in absence levels.
- Reduction in the average number of days lost.
- Reduction in insurance claims.



Contact us

For further details about Zurich Rehabilitation Service, contact the Rehabilitation Team on

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Prison time for fraudsters



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There is no better way of demonstrating our robust approach to fraud than to see perpetrators facing the tough arm of the law. These 2 recent examples show that both the Civil and Criminal pursuits of justice can result in fraudsters being sent to prison.

“

Our Zero Tolerance approach to fraud means that when we have good evidence of fraud being committed, we will pursue all available options to ensure justice is served.”

Prison sentence for man found in contempt of court following exaggerated claim

A Cambridgeshire man was sentenced to four months in prison after making a fictional loss of earnings claim worth thousands of pounds, following an alleged injury outside his home.

James Lee Mitchell (55) was sentenced on 24 July 2018 following a case brought by Zurich on behalf of our customer Circle Anglia Limited (now known as Clarion Housing Group). Mr Mitchell originally claimed for personal injury and loss of earnings of almost £16,000 after he tripped over an uneven paving slab outside the home he rented from Clarion Housing. He alleged that he had received a job offer which he was unable to accept due to his injuries, although further investigation revealed he had not worked for at least eight years prior to the accident due to a number of unconnected medical issues. The alleged job offer which formed the basis of the loss of earnings claim had come via a business connected to his brother.

Our panel solicitors, Weightmans, successfully secured a finding of fundamental dishonesty and a consequential order for costs, before then making an application to the High Court to bring proceedings for contempt against Mr Mitchell. At the committal hearing in June 2018 the firm established 21 counts of contempt of court against Mr Mitchell who was found to have entirely invented a loss of earnings claim.

At the hearing on 24 July 2018, Mrs Justice Cheema-Grubb observed that the making of false statements signed with a statement of truth was an extremely serious matter which caused great difficulty and threatened the course of justice, going on to say such behaviour must be identified and punished.

As part of our counter fraud strategy, we seek to publicise all such results as they demonstrate our commitment to taking a firm line. Our contribution to the press release stated:

“

It is such a shame that some people seek personal gain and profit by being dishonest. Perhaps Mr Mitchell believed that making an exaggerated claim against the housing association had no downside – but unfortunately for him he was wrong. It doesn't matter whether fraudulent activity is against an individual, a company, or the public sector – we will always fight fraud where we see it, and continue our efforts to discourage people from thinking they can make a quick buck by making something up.”

It's reassuring to see Judges taking such a hard view of people who decide to lie during the litigation process. We hope this may act as a deterrent to others who may be tempted.

Fraudster jailed for bogus boat 'theft' claim

In this case, a fraudster who made a bogus insurance claim for a 'stolen' speedboat was been sentenced to six months in prison – after he was caught on camera towing it away.

Kieran Andrew Kearny, of Ffordd y Blaenau, Treuddyn, in Wales, insured his boat with Zurich for £13,000 before reporting to police that it had been stolen. As the claim had suspicious characteristics, it was referred to our Claims Investigation Unit who carried out several enquiries into the background and circumstances. As part of this investigation, we contacted the police, who incredibly discovered the boat at the home of his former partner.

Mold Crown Court heard how Kearny, 33, claimed he had found the boat himself and moved it to his former partner's home but had not yet got around to telling police.

Kearney's story unravelled, however, after he was caught on number plate recognition cameras towing away the boat with his Ford Ranger! In addition to this, the investigation uncovered previous convictions that had not been disclosed to us when the policy was taken out.

Kearney was charged with two counts of fraud at Mold Crown Court. Judge Huw Rees jailed him for an additional six months consecutive to a 27 month prison sentence he is already serving for other crimes. His boat was seized by police under the Proceeds of Crime Act.

Our Zero Tolerance approach to fraud means that when we have good evidence of fraud being committed, we will pursue all available options to ensure justice is served. We owe it to all of our honest premium paying customers to take a tough line against those who are defrauding us. The examples above demonstrate that there are some very real and very tough penalties for those who decide to try and cheat the system.

How common is boat theft?

Leading yacht and motorboat insurer Navigators and General deals with dozens of claims every year from customers whose boats have been genuinely stolen. Over the last five years, the insurer has received 127 claims for stolen vessels, paying out an average of £10,700 in each case. Although the number of stolen vessels fell from 27 in 2016 to 17 last year, the insurer is urging owners to remain vigilant.

Top tips to prevent boat theft

- Never leave your keys in the ignition when not needed.
- Always lock your boat when not on-board.
- Don't make it easy for thieves to drive off with boats – consider using wheel clamps, chain your trailer to a post or remove one of the wheels.
- Buy heavy Locks for hatches and cabin doors.
- Invest in alarm systems.
- Painting dinghies in unusual colours or patterns can make them more easily recognisable and a less attractive target.
- List serial number including hull and engine numbers and take a photo of your boat to show the authorities, should the need arise.



Our customer proposition

Our Zurich UK Claims Commitment



Protecting your ability to compete

At Zurich, our claims service is a priority, that is why we continually strive to provide a market leading claims proposition that reflects our customers' changing requirements.

Working together for the best

The claims service is an integral part of the Zurich proposition and we are renowned for offering reliability, speed of service and expertise when a claim happens, to get you back on your feet and to stay in business.

That's why we make a commitment that our claims service will be:

- **personal** to each customer, working closely with you using our combined knowledge of your organisation, people and business
- **effortless**, as we know the easier it is to claim, the more content you will be
- **clear**, so you know exactly what you need to give us to progress your claim. Straightforward communications are vital to settling claims quickly and smoothly
- **collaborative**, working together, sharing a common goal to conclude the claim as quickly as reasonably possible and to keep you in business.

Our Claims Commitment ensures that you know where you stand every step of the way. It involves us working closely with you and supporting you all the way through a claim.

It's here in blue and white

Whatever the size of the claim, our Claims Commitment ensures that we will work closely with you and settle accepted claims (building upon our 99% claims paid record), as fast as possible whilst robustly defending you against unwarranted claimants.

In respect of the larger and more complex claims

When you claim:

- a **dedicated claims expert** will contact you as quickly as possible and within 24 hours
- if appropriate, we will appoint a dedicated **third-party expert** as quickly as possible and within 24 hours.

If it is clear what caused the incident, we will provide our **initial view** on policy liability within 48 hours.

If Zurich and your business agree the claim will potentially cost more than £250000, we will:

- arrange and hold a **conference call or meeting** within 5 days of the claim being notified. This call or meeting will include you and relevant stakeholders, such as your broker and any third-party experts. We will discuss and agree a claims strategy which includes the communication plan and our combined agreement on how best to resolve your claim.
- let you know the **additional documentation** and/expert evidence we need to assess your claim, no later than 7 days after you first notified us.
- give you an **initial view** about paying your claim within 72 hours of receiving all the information we need.
- **pay you an interim amount**, if required or requested, within 72 hours of us agreeing to pay the claim. We will always try to put you in the best financial position possible.
- **pay the final amount** within 72 hours of us receiving the documents we need, unless we've agreed and documented otherwise in release or settlement papers.

For all claims we will:

- **respond to all communication** from you and your broker promptly
- **give specific customers access** to our claims relationship team to assist you generally on all claims matters
- once coverage is confirmed, **pay the claim promptly** upon receipt of supporting documentation
- work with you to **produce the accurate claims** information and the data you need

When making a claim you also have access to:

- Our award winning fraud protection team
- In house claims inspectors to investigate EL claims on site
- In house pre and post loss rehabilitation team
- In house forensic motor engineering team.

Why choose Zurich?

Zurich is a leading multi-line insurer that serves customers in global and local markets. With over 55,000 employees, and a wide range of general insurance and life insurance products and services, we have the size, strength and scale to support you. We serve individuals, small businesses, and mid-sized and large companies, including multinational corporations, in more than 170 countries.

To find out more about our Claims Commitment, speak to your Zurich contact today.

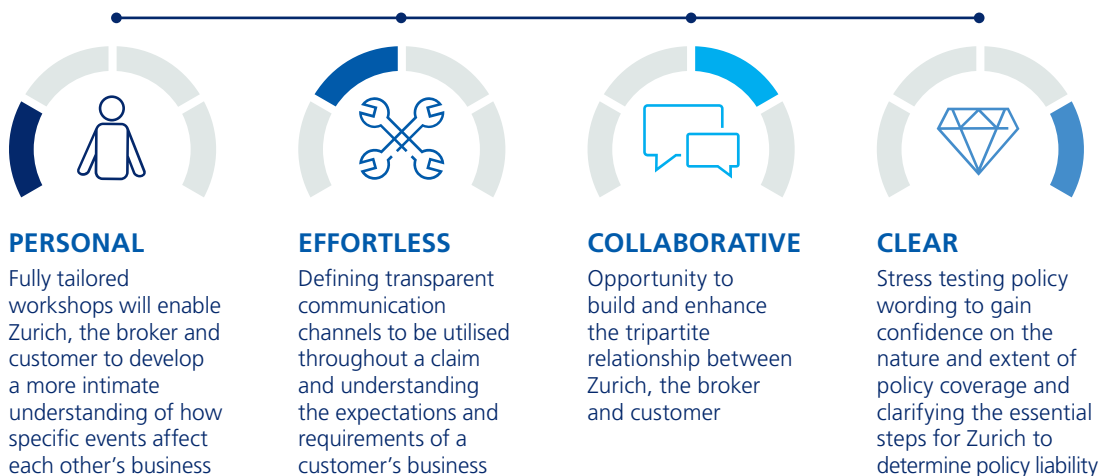


Large Loss Scenario Workshop

Large Loss Scenario Workshops help protect our customers' ability to compete.

Certainty is the number one priority for any customer responsible for insurance procurement. Certainty of the skills and expertise of individuals responsible for underwriting their risk and handling their claims. Certainty on the nature and extent of policy coverage and programme structure. Certainty of the roles and responsibilities of key decision makers throughout the duration of their partnership with an insurer. Certainty that Zurich will deliver on its commitment and protect their ability to compete.

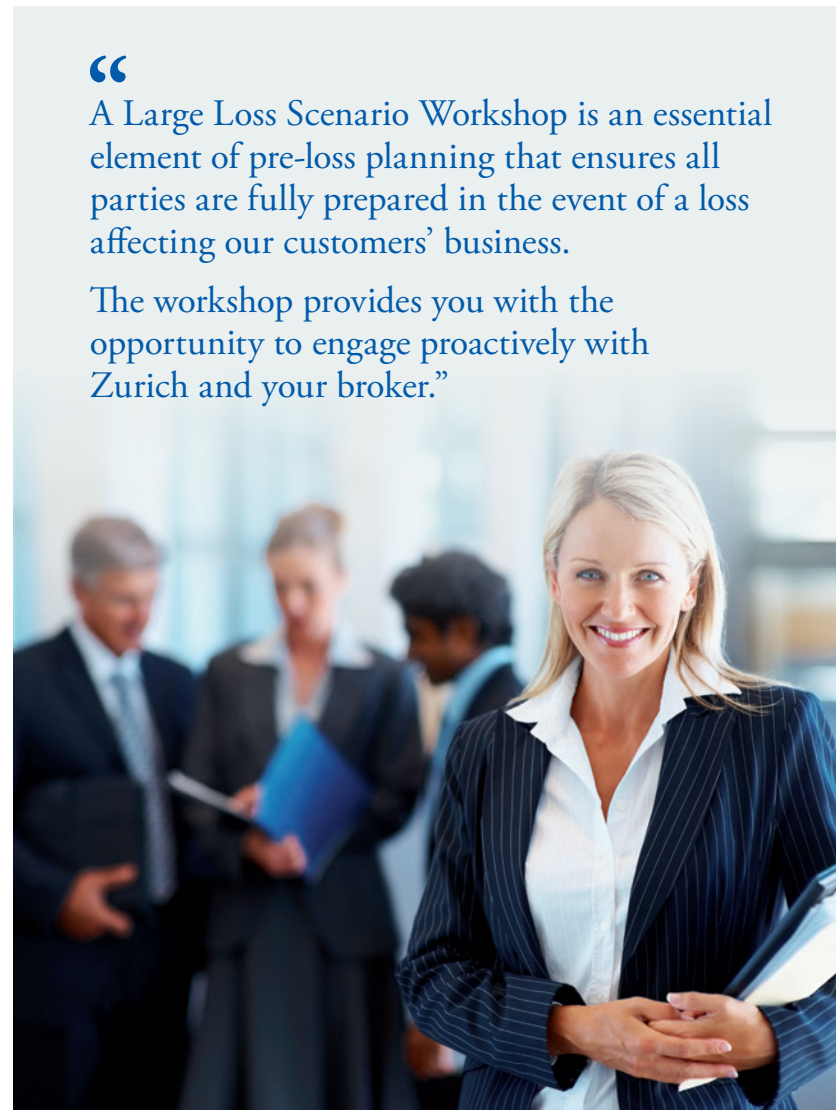
By using Case Studies that are bespoke to the challenges a customer may face; Zurich, the broker and the customer will jointly agree a defined set of workshop objectives in conjunction with other critical service providers such as loss adjusters and lawyers.



“

A Large Loss Scenario Workshop is an essential element of pre-loss planning that ensures all parties are fully prepared in the event of a loss affecting our customers' business.

The workshop provides you with the opportunity to engage proactively with Zurich and your broker.”



Protecting our customers' ability to compete

Our Claims Commitment

Zurich Insurance plc is authorised by the Central Bank of Ireland and authorised and subject to limited regulation by the Financial Conduct Authority. Details about the extent of our authorisation by the Financial Conduct Authority are available from us on request. Our FCA Firm Reference Number is 203093.