

CORPORATES NOT READY FOR PRACTICAL ELEMENTS OF INSURANCE ACT 2015, SURVEY REVEALS

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News

Corporate policyholders are not prepared for some of the practical elements that will need to be implemented before the introduction of the Insurance Act in just over 9 months' time, a survey of the Association of Insurance and Risk Managers (Airmic) members has revealed.

The results, which were showcased at an event hosted by Herbert Smith Freehills on Monday night (2 Nov 2015), revealed a massive 61% of respondents had not yet mapped out what a 'reasonable search' would look like for their organisation. This is a major new element of the Act, which asks corporates to carry out a search for information before they take out and renew any business insurance and disclose the information to insurers in a "reasonably clear and accessible" manner.

The event brought together leading figures from across the industry to explore how corporates can minimise the risk of disputes under the new Insurance Act, due to be implemented in August 2016.

Other key findings from the survey of Airmic members, who are all corporate policyholders, included:

- Only 53% of respondents believed they were prepared for the introduction of the Act;
- Only 34% of respondents thought the Insurance Act would lead to fewer disputes between insurers and policyholders

- Although a large majority (over 85%) said that they believed that the 'proportionate remedies' introduced by the Act should be good news for policyholders, over 50% had concerns that some insurers would challenge claims in light of the new remedies. This means that if corporates don't comply with their duty of fair presentation, insurers will have a new range of 'proportionate remedies', which could include reducing corporates' claim payments significantly.
- Only 39% of respondents said that they had mapped out what a 'reasonable search' would look like for their organisation and 50% said that they felt changes to the form of their underwriting presentations to insurers were needed to comply with the new Act.

There were panellists at the event from Airmic, Aviva, Beazley, JLT, Lloyds Banking Group and Marsh.

Paul Lewis, Herbert Smith Freehills' Head of the London Insurance Disputes Practice, commented:

"We were keen for our event to explore how those in the market can work together to avoid disputes and not simply to identify the practical difficulties that may emerge when the Act comes into force. I think that getting key people from across the industry in a room together did just that. It was clear that a great deal of effort is being made to prepare for the Act coming into force but there was also recognition that there was much more to do."

John Hurrell, CEO of Airmic said: "We were pleased to support the Herbert Smith Freehills seminar which was timely and of real value for members who are coming to terms with the full implications of the Act. As our survey illustrates, many of our members are looking for guidance on how to discharge their responsibilities outlined in the Act. As was discussed in the seminar, it is important for policyholders to take control of the full disclosure process and to involve 'senior management', including the board, in the process."

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