



In crisis?



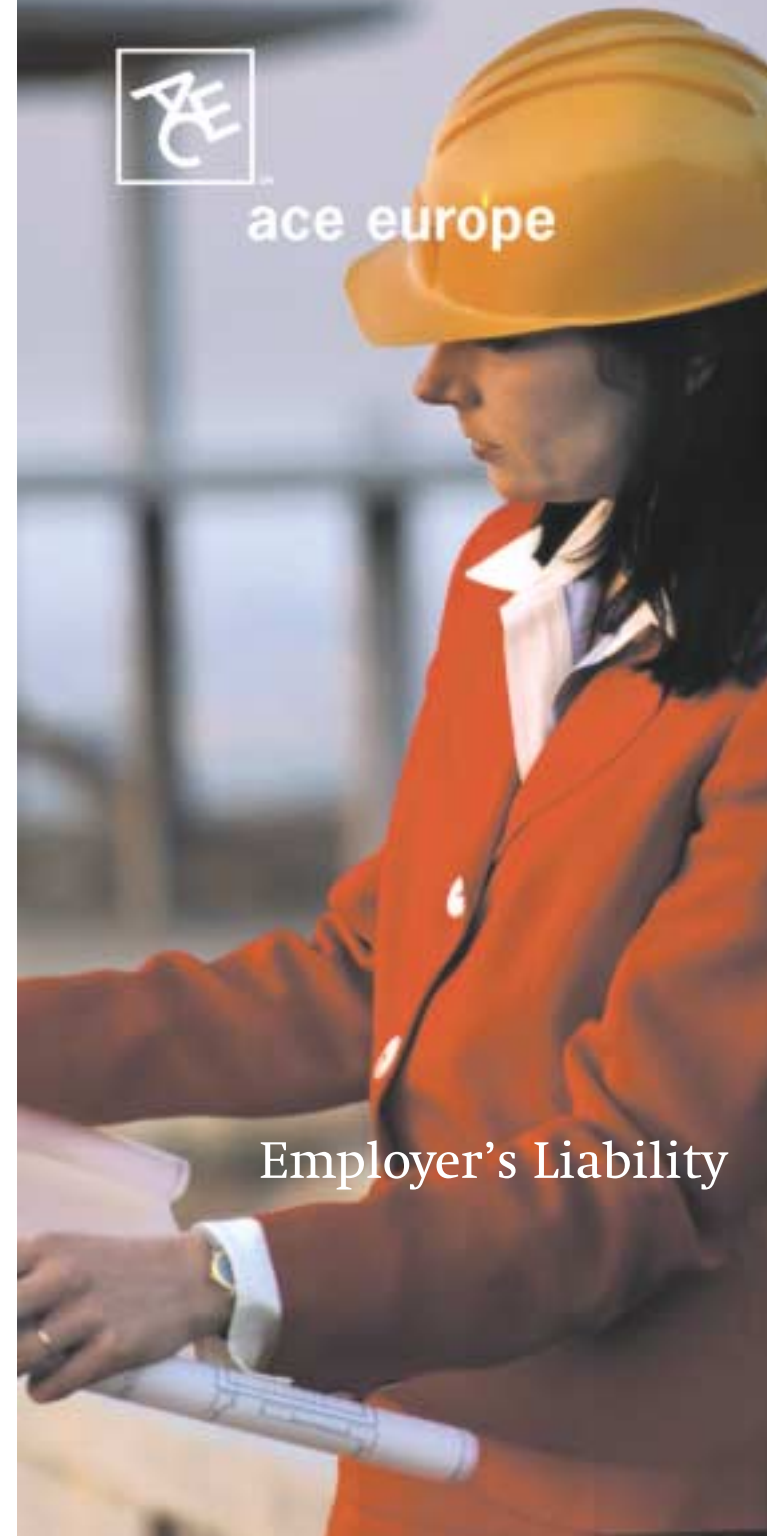
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Employer's Liability



**You will have seen the headlines in the media and you will have experienced increased premium terms. Yes there is a problem with Employer's Liability insurance but we don't believe it is insurmountable.**

*What is the problem?*

All major employer's liability insurers have experienced poor results from their portfolios in recent years. There are a number of reasons for this:

- **The costs of compensation:** liability insurance is the principal method of providing compensation for damages for accidents and occupational disease. Changes to personal injury law have caused the cost of claims to rapidly increase. Some of these legislative changes have applied retrospectively which means that insurers have to increase claim reserves on old policies. This inevitably requires liability insurance premiums to rise to fund the extra compensation.
- **The unknown factor:** premiums have to be set to pay claims for occupational diseases which current work practices may cause, but which may not manifest themselves until many years later (asbestos-related diseases exemplify this pattern). Employer's Liability (EL) insurers cannot know which diseases medical science will in future link to present working practices. It is therefore difficult to forecast accurately the number

of claims, nor do insurers know at what level the courts will value such claims.

- **Low investment returns:** another contributing factor has been the reduction in investment income insurers have been able to earn on the reserves they set aside to pay for future claims.
- **The general insurance market:** like many products and services the general insurance market is highly competitive and subject to market cycles. The market has recently experienced a period of increasing premiums following a sustained period of depressed pricing and increasing underwriting losses.

It is essential, given these influences on the liability market, that we are able to offer our clients insurance protection at fair and adequate premiums and to establish a more stable market.

*What can we do about it?*

The key to obtaining a fair price for employer's liability insurance is for the underwriter to understand the risks involved in the business to be insured and the attitude of its management towards its health and safety responsibilities. We believe that those businesses that take their health and safety responsibilities seriously and take the necessary actions should be recognised and differentiated favourably against those that do not. In requiring a health and safety questionnaire to be completed we have obtained some basic

knowledge. But, in order to fully understand the business we are insuring, we are introducing site visits to improve our understanding of the individual risks.

The purpose of the visit will be to ascertain not only that documents and procedures are in place to meet regulatory requirements and provide claims defence, but also to seek evidence that the procedures are active, that responsibilities are understood and that good health and safety practice is woven into the culture of your organisation.

Qualified occupational health and safety professionals will carry out the assessment visits. They will interview members of your company who are responsible for the organisation and implementation of Health and Safety Management practices. They will wish to review relevant documentation and observe health and safety management practices in action. Prior to any visit you will receive a letter providing details of the documentation that will be required for review during the visit.

It is important to note that this is not a full health and safety audit and is intended to aid our underwriting process. It will enable us to have a greater understanding of your business which will in turn benefit you by ensuring you receive the recognition you deserve for adopting good occupational safety and health management practice and you can be sure we will offer the best renewal terms we can.