



The Irish Accounting & Tax Summit 2020

Session 5 The COVID-19 Insurance Implications



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Tax, Audit, Financial Reporting, Insolvency, Company Law, Regulation,
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ARACHAS

The Irish for Insurance



The Covid – 19 Presentation

Martin Adams ACII CFIRM

Financial Lines Manager

Content

- The state of the PI Market
- Will there be professional indemnity claims from Covid 19
- Risk management & How to handle a claim
- Cyber Security for accountants
- Employment Issues

Situation - 2008 to date

- Increase in notifications
- Increase in counter claims when fees are collected
- Size of claims increasing
- Multiple claims from investments



Professional Indemnity, Brexit and Pre Lockdown

- Number of insurers writing Irish PI reducing
- Lloyds
- PI Premiums



Covid – 19 Claims costs

- Lloyds estimate the cost of covid 19 claims to be £2,5bn - £3,5Bn
- Losses from event cover and cancellations
- Affect the profitability

Covid – 19 PI Issues

- Incorrect applications for payment subsidies
- Company closures
- Standard of work and supervision

Avoiding Losses: *Quality Management System*

Examples of exposure:

- Absent / incomplete documentation
- Absence of Terms of engagement
- Staff operation outside authority
- Absence of reports/ disclaimers
- Recruitment failures- references



Avoiding Losses: *Letters of Engagement*

Example of text to insert into an Engagement Letter for the compilation of the unaudited financial statements of a Limited Company:

Liability provisions:

“We will perform the engagement with reasonable skill and care. The total aggregate liability to the Company and the Board of Directors, as a body, of whatever nature, whether in contract, tort or otherwise, of [insert name of accountants] for any losses whatsoever and howsoever caused arising from or in any way connected with this engagement shall not exceed [insert amount]”

- Example of a liability cap only - one of a number of provisions relating to the accountants' liability & any limitations thereon.
- For example, the liability provisions will need to make it clear that the accountants are not seeking to exclude those liabilities (such as liability for their own fraud) which cannot be excluded by law.
- Members may also wish to consider guidance on this issue

Where do claims arise?

- Taxation
- Financial & Investment Services
- Management Consultancy
- Dishonesty
- Insolvency
- BES
- Mergers, Takeover & Due Diligence
- Audit



Avoiding Losses: *Claims*

- Concentrates the insured in respect of the claim against them
- Provides a starting point for investigation
- Permits a desk study of the incident



Avoiding Losses: *Handling Claims/Complaints*

- Fully Investigate the facts
- Evaluate the issues and evidence
- Do not solely rely on insured recollection of events
- Obtain a complete & Detailed account of Claimants case
- Collate all the information
- Identify and highlight differences of opinion



Avoiding Losses

Handling Claims/Complaints

- Set a specific long-term claims / complaints handling plan
- Identify in writing all the salient points of the incident
- Investigate as fully as possible immediately - Crystallise the issues
- Weigh up the strengths and weaknesses of both sides
- Try to evaluate from an independent point of view
- Consider your liability & quantum



Avoiding Losses

Handling Claims/Complaints

Contact your advisors, including Solicitors, Industry Experts & Broker immediately to obtain their contributions to the following:

- Further investigation & evidence required
- Steps to be adopted to bring settlement/ closure
- Adopt and develop ideas for settlement
- Continue the dialogue until everyone agrees the route to follow



Emerging Risks

- Cyber Risk
- Employment issues



Cyber Exposure

FT Headline 9/6/20

Hackers for Hire , hired to infiltrate web sites to steal

passwords

28,000 web sites affected

Rise in Hacking attacks on home workers



What is Cyber Risk?

The business risk associated with the use, ownership, operation, involvement of IT

Attacks can occur from:

- Rogue employees
- Negligent Employee
- Company outsiders
- Vendors
- Social networking



What does Cyber Liability cover

Insurance includes:

- Breach costs
- Cyber Business Interruption
- Privacy protection
- Hacker Damage
- Media Liability
- Ransomware
- Social Engineering



Cyber Insurance

Insurance includes:

- Cyber Extortion
- Computer Crime
- Phishing Scams
- Telephone Hacking
- Defamation
- Intellectual Property Right Infringement



Benefits of cyber insurance

- Reputational damage cover
- Credit risk monitoring
- Media / PR company guidance
- Forensic investigation and Rectification costs and audit following a breach



What to look out for...

Will cyber issues affect Directors and Officers?

- Possibly if reasonable precautions are not taken to protect data
- We may see an increase in Directors Liability exposure post GDPR

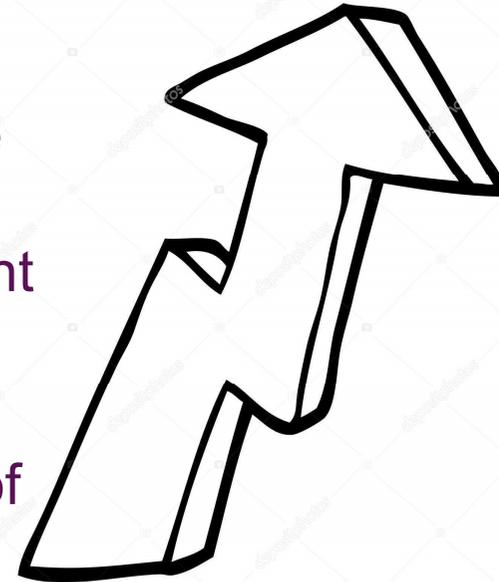


Employment Practice Liability



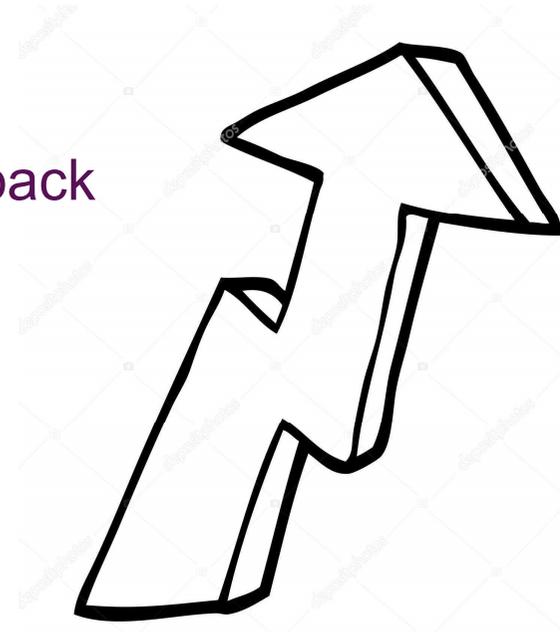
Employment Practice Liability

- 172% increase in employment practice claims
- 40% more likely to have an employment claim than a fire
- No cap in payouts for civil claims
- Labour Courts normally find in favour of employee & even if they don't you still have to pay costs
- Employees may pursue claims in parallel at the employment tribunal, Labour Court, H&S



Employment Practice Liability

- What if the employee refuses to go back to work post Covid-19
- What are employers duties



Thank you

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