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**Budget and Performance Committee report "Picking up the Pieces"**

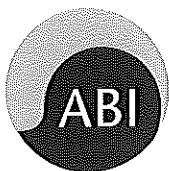
Thank you for your letter of 29 October enclosing the London Assembly report *Picking up the Pieces* on how businesses were helped to recover from the August 2011 riots.

The ABI and the insurance industry were disappointed with the report, which fails to properly recognise the vital role that the insurance industry has played since the riots, and misunderstands both our written and oral evidence.

The report quoted that 'four months after the incident, one in three businesses still had not received a penny in settlement of their insurance claims'. This does not explain that many businesses, including small and medium enterprises, chose to undertake repair and rebuilding work themselves, only sending an invoice to their insurer once that work has completed. In addition, unfortunately many businesses did not purchase Business Interruption insurance so, again, they would not have received interim payments for loss of profits from their insurers. Your use of this statistic is therefore hugely misleading.

The industry responded quickly to help its customers to recover, paying out millions of pounds in the weeks immediately following the riots to repair their property and compensate them for their loss of business. This is not mentioned in the report and, therefore, our conclusion is that it is not a balanced report. In addition, the report appears to continue to conflate problems arising from claims under the Riot Damages Act and commercial insurance claims.

The report focuses entirely on those businesses whose claims had not been settled or where payments had not been made by insurers, inferring that insurers were dragging their heels with these claims. Nothing could be further from the truth. Insurers deal with billions of pounds of property damage claims each year, and know that the most cost effective way of handling claims is to do so quickly and efficiently. For example, insurers often do this by arranging for businesses to carry on in alternative premises if their building is too badly damaged for them to continue to operate from there. The report fails to recognise this and that the vast majority of claims have been handled well.



The insurance industry is vital to both the UK and the London economy. The continued availability of property insurance in London is vital for both the resilience and growth of small businesses in such areas. We believe that, by focusing the report unfairly on criticism of the insurance industry, the report has missed an opportunity to focus all parties on what truly matters: how the process and framework for compensating those small businesses affected by riots can be improved.

Notwithstanding the above, the ABI is willing to play a role in supporting some of the recommendations, for which we have provided some feedback below. We will be available to discuss this further at the meeting on 4 December.

**Recommendation 1:** Following major incidents in the future, local authorities (with the help of the GLA for London-wide incidents) should coordinate communications relating to compensation arrangements by liaising closely with the Government, the Mayor, the ABI, and other relevant relief funding organisations.

- **ABI Comment:** We support this recommendation. The ABI has already worked with the Cabinet Office on their guidance for responders on major events and this has been used successfully following major floods. Cabinet Office should be involved in any new guidance (see link below).

<http://www.cabinetoffice.gov.uk/content/national-recovery-guidance-infrastructure-issues-dealing-insurance-issues>

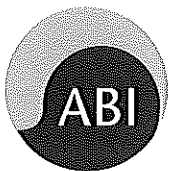
**Recommendation 2:** In producing guidance for people affected by riots, the ABI should liaise with the Home Office and the Local Government Association. This guidance should be made available on the ABI's website as soon as possible, and updated as required; for instance, following amendments to the Riot (Damages) Act. In the event of rioting in the future, the information should be tailored to reflect the particular circumstances of the incident, and refer to any additional sources of funding that were available before being disseminated by the relevant local authorities.

- **ABI Comment:** We support this recommendation. The ABI offered to do this when we gave evidence to the Committee. We can produce a similar document as was produced for flood victims (see link below). The ABI also issued advice to affected customers immediately after the riots and has worked closely with the Home Office since then. We have also met with representatives of the Police Authorities on numerous occasions since the riots.

<http://www.abi.org.uk/Information/Consumers/General/Floods/Flooding.aspx>

**Recommendation 3:** The ABI should work with its members to speed up payments following major incidents; in the first instance, the ABI should provide expectations for payment timescales for different potential claim types.

- **ABI Comment:** We do not accept that payments can be made any faster from insurers to their customers. Delays in riot compensation were for claims being made under the Riot (Damages) Act 1886, which needs to be reformed to speed up payments. Insurance practice is to make payments to customers and then to recover their cost from the relevant Police Authorities, so that customers are not out of pocket.



- However, we can include timescales in the above document, as we did with the flooding document. Much will depend on any changes to the Riot (Damages) Act 1886.

**Recommendation 4:** The ABI should work with its members to ensure that, when insurance policies are sold to small businesses, sufficient information is provided on exactly how to go about making a claim and the level of supporting documentation that will be required.

- **ABI Comment:** We partially support this recommendation. The Committee does not mention the role of insurance brokers who work on behalf of their clients, rather than insurers. Insurance brokers play a key role in both advising their clients about their insurance requirements and helping them when they make a claim.. The kind of documentation referred to by the Committee is already readily available from insurers and brokers, so it should be straightforward to compile this information.

**Recommendation 5:** To help customers assess the relative performance of insurers, the ABI should publish a breakdown of average payment times by provider, both for the disturbances in August 2011 and following major incidents in the future.

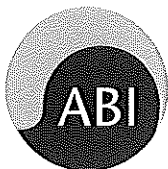
- **ABI Comment:** We do not support this recommendation. The response of insurers depends upon the nature and type of claims they face which, in turn, depends on the market which the insurer or broker wishes to specialise in. For example, there would be little value in comparing an insurance claim for a smashed shop front with a multi-million pound arson claim.
- Insurance brokers act on behalf of their clients and can provide advice on insurance coverage and the service provided by insurers.

**Recommendation 6:** Following a major incident, local authorities should take the lead in engaging with loss adjusters, and other private sector agencies involved in the recovery, to help them tailor their services and coordinate their activities to meet the needs of the community.

- **ABI Comment:** We partially support this recommendation. The ABI has worked with the Cabinet Office and others to produce guidance and promote cooperation after major events. The ABI has also worked closely with Local Authorities in areas affected by flooding in the past and this approach could be adopted in riot affected areas. Any procedures should be formalised in the Cabinet Office guidance (see link above).

**Recommendation 7:** In conducting its review of the Riot (Damages) Act the Home Office should consider the findings of this report. More specifically:

- The reform should ensure that the State continues to compensate victims who suffer damage as a result of rioting.
- Changes to the Act should make it much clearer what constitutes a riot under law so that victims can understand more easily whether they qualify for compensation.
- The definition of a riot under the Act should be changed with the aim of ensuring that it allows for cases of damage caused by riots and damage caused by non-riotous events to be differentiated in a manner that the general public would deem fair.
- Changes to the Act should leave no ambiguity as to what losses are covered.



- The review should be carried out alongside a review of how claims made under the Act are administered, with the aim of speeding up settlement times and making the process as simple as possible for claimants.
  - The Government should look at how the insurance industry can help with or take over the administration of claims under the Act.
  - A plan should be put in place by the Government, with the assistance of the ABI, to communicate how changes to the Act will affect insurance requirements.
- **ABI Comment:** We support this recommendation, which is in line with the ABI's position on the RDA.

**Recommendation 8:** The ABI and the GLA should work together and examine the issue of non-insurance and under-insurance among traders and small businesses with a view to determining the scale of the problem, identifying its causes and how they might be addressed.

**ABI Comment:** We support this recommendation, which we suggested to the committee. We have already begun working with BIBA and CILA on this and the GLA could be brought into these discussions.

I look forward to discussing this further when we meet on the 4<sup>th</sup> December.

**Nick Starling**  
**Director of General Insurance**