

INTERNATIONAL INSURANCE MEDIATION CONFERENCE

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CORPORATE & PROFESSIONAL LIABILITY INSURANCE

Challenging prospect for emerging markets!

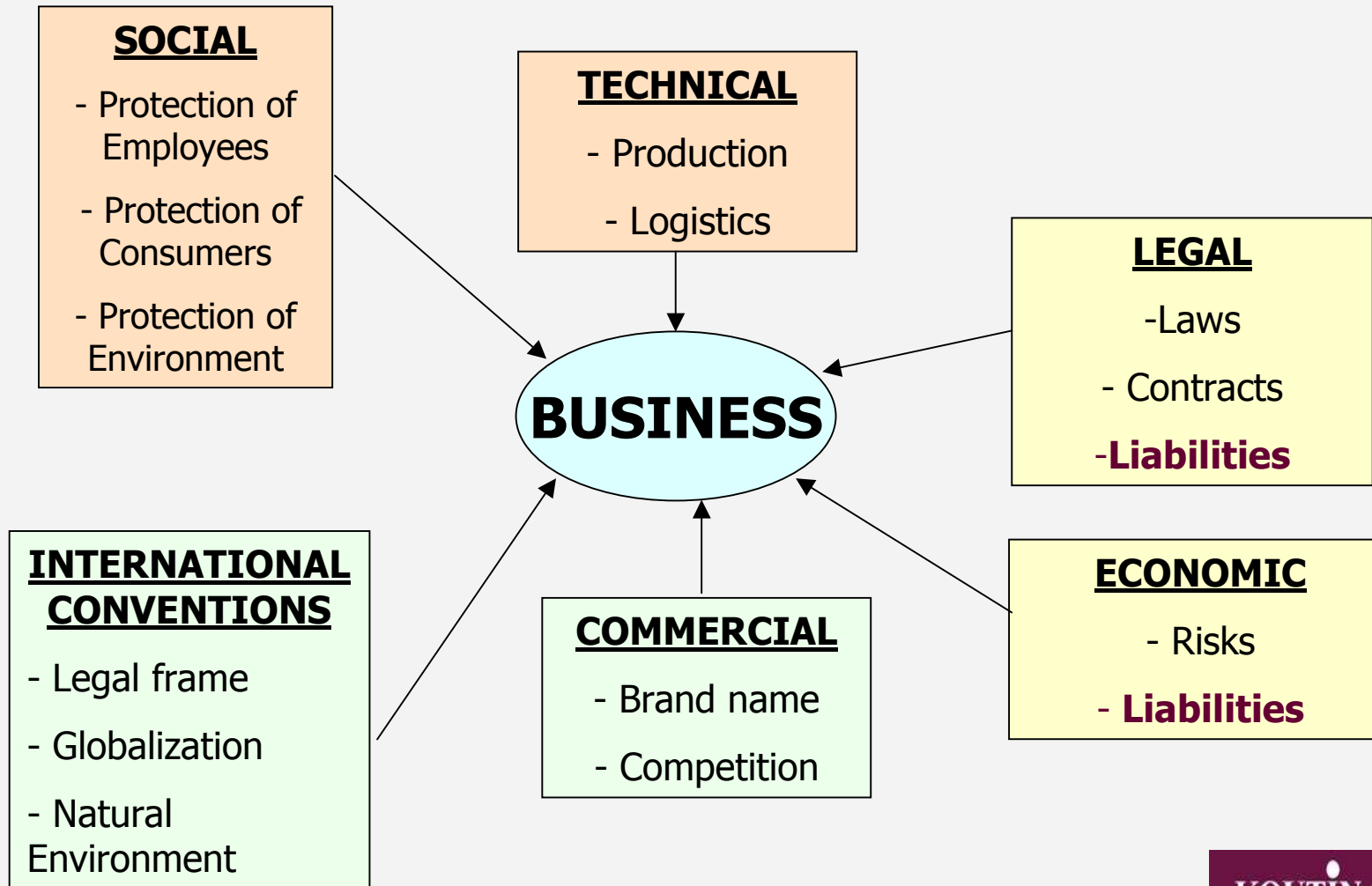
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CORPORATE & PROFESSIONAL LIABILITY

Main points of presentation

- **Business Environment & Legal Status**
- **Basic Features of Liability**
- **Corporate Liability (special cases)**
- **Professional Liability (Insurance Brokers)**
- **Challenges for the Insurance Market**

PARAMETERS AFFECTING BUSINESS



LIABILITY

PENAL

The one who intentionally or dolosively creates damages, is punished



NOT INSURABLE

CIVIL

The one who creates damages by negligence, error or omission, is obliged to indemnify



INSURABLE

- Laws / Legal system but also ... “Laws of the Market”!
- Civil Liability become more and more severe (strict)!

CIVIL LIABILITY

SUBJECTIVE

The person who suffered a damage, has to prove:

- The damaging cause / error
- The damage itself
- The respective link between the cause/error & the damage

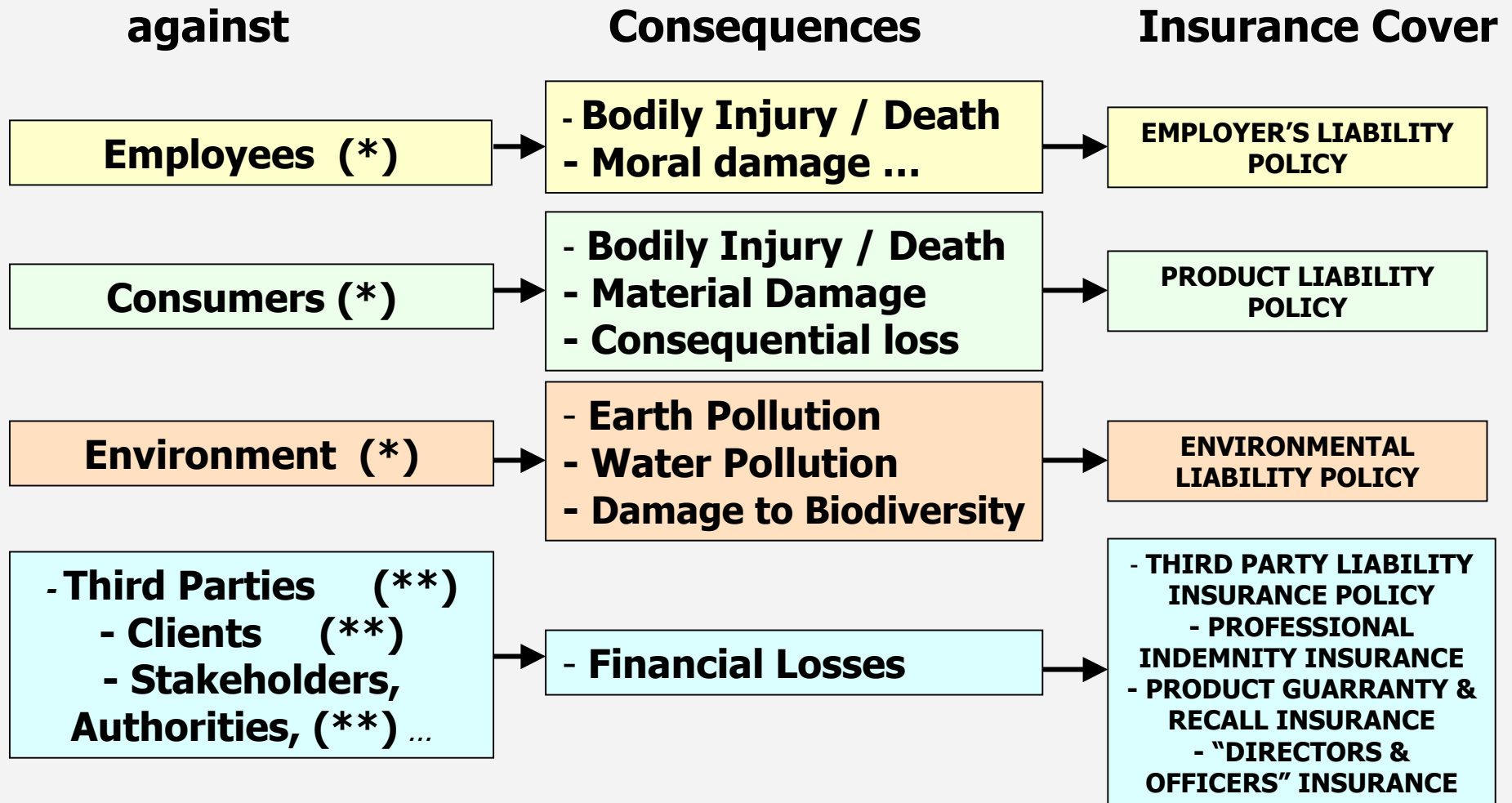
OBJECTIVE (STRICT)

To avoid consequences, the person "by default" considered liable, must prove the existence of "another" cause:

- Force Majeure (Act of God)
- Liability / Error committed by someone else, ...

In the current legal & socio-economic conditions within the European Union, most of liabilities are objective!

CORPORATE & PROFESSIONAL LIABILITY



(*) Liability is "Strict"

(**) Liability is "Subjective"

CORPORATE & PROFESSIONAL LIABILITY

Business Risks & Consequences

Deviation from legal provisions and principles that govern the rules – good practice in offering Products & Services lead to :

- Bodily injury/ death and/or accidents
- Damage Direct and/or consequential Financial Loss
- Failure of trust of the Consumers
- Threat of survival of the company or of the Service supplier
- Introduction of illegitimate competition practices
- Companies competitiveness decrease

LIABILITY INSURANCE is of significant importance!

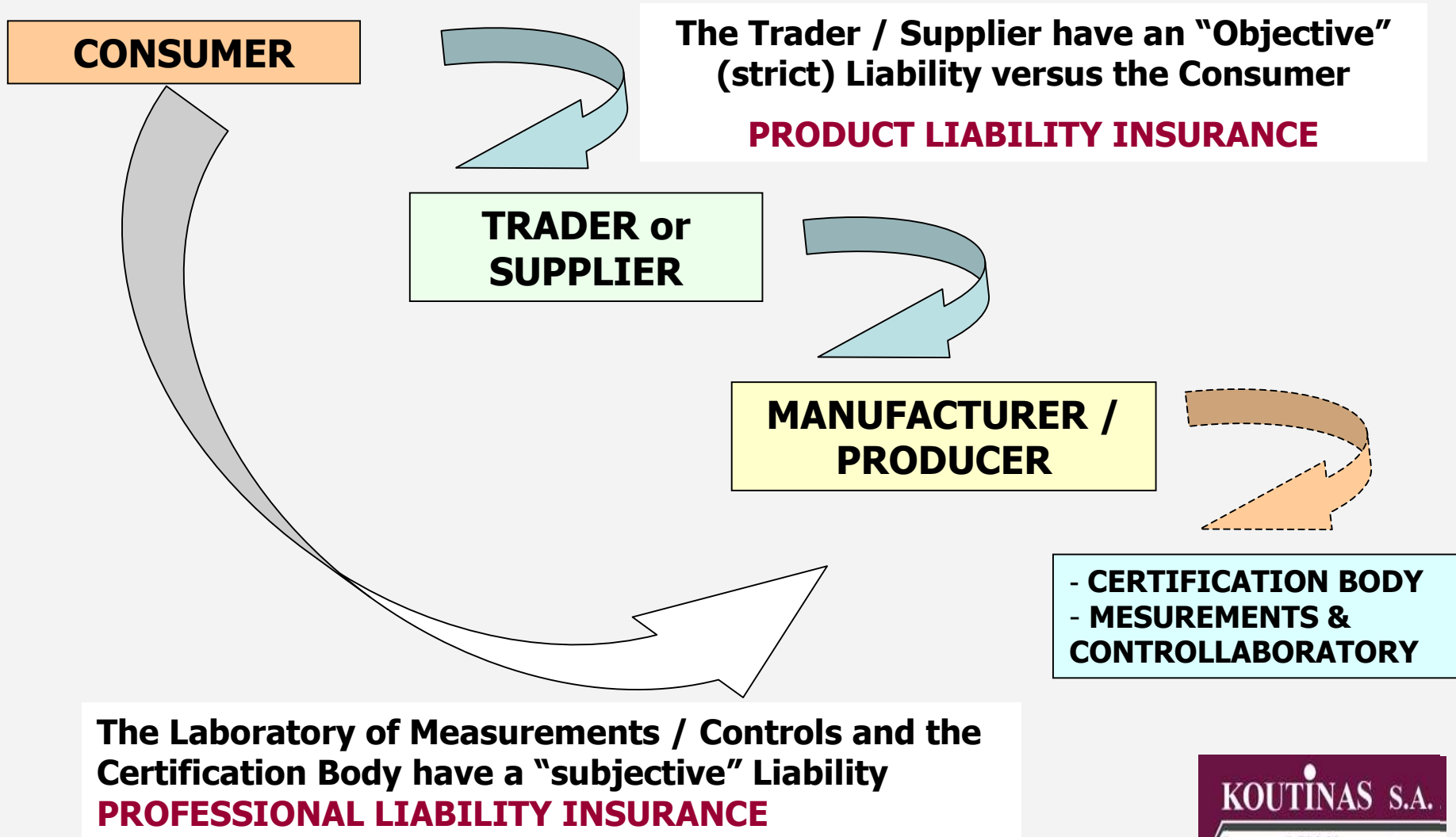
CORPORATE LIABILITY

Types Origin of Risks

- **Public/ Third Party Liability** (Human Errors in the frame of business activity)
- **Employer's Liability** (Labour Accidents)
- **Product Liability** (Failure in the Design-Manufacture, Errors in Users Manual or in the maintenance guidelines of a product)
- **Environmental Liability** (Human Errors in the frame of business activity)

CORPORATE LIABILITY

Case of Manufacturing & Trading



CORPORATE LIABILITY

Environmental Liability

Each and every Business activity that may causes damage to the environment will bear the cost for the proper preventive measures as well as the cost to limit the damage occurred and to establish the damaged environment at the prior situation.
(Directive 2004/35/EU "Polluter Pays Principle")

Basic characteristics

- **Covers a wide spectrum of business activities**
- **Defines environmental parameters regarding**
(Soil, Surface and sub-surface waters, Biodiversity)
- **Liability is severe (strict)**
- **Several entities can denounce/present claim to Authorities**
- **State Authorities will be obliged to react.**
- **Necessity / Obligation for adequate financial security**
(Insurance / Bank's Letter (?))

PROFESSIONAL LIABILITY INSURANCE

Main Professions concerned

- Architects & Consulting Engineers
- Lawyers – Law Firms
- Certified Auditors - Accountants
- Insurance Intermediaries
- Surveyors - Valuers - Real Estate Consultants
- Certification Firms & Laboratories
- Information Technology Consultants
- Security Service Companies
- Miscellaneous Consultants & Service Providers ...

PROFESSIONAL LIABILITY INSURANCE

Insurance Brokers/ Intermediaries

Reasons for a Claim against them

- - Failure to document
- - Misrepresentation
- - Inadequate coverage
- - Breach of duty / contract
- - Special relationships
- - **The "L" Syndrome:**
 - Lack of action
 - Lack of attention
 - Lack of communication
 - Lack of concern
 - Lack of consistency
 - Lack of control
 - Lack of knowledge

CORPORATE & PROFESSIONAL LIABILITY INSURANCE

Mature & emerging markets

- **Liability Insurance is a well established practice in most of the EU countries**
- **Practically in all SEE countries, the currently prevailing mentality and the lack of appropriate information, doesn't favorize the development of Liability Insurance**
- **EU & globalization of economies as well as social tendencies render the Liability Insurance as a necessity/ challenging prospect.**

LIABILITY INSURANCE

Why is it necessary

- Damaging conditions and human negligence (errors and/or omissions) cannot be completely eliminated
- The eventual damages and subsequent economic losses may be unbearable
- Every corporation-Business Entity in today's competitive globalised environment, needs appropriate legal & financial protection
- Liability Insurance is not just a contemporary need for doing business. It is a proof of reliability which incites business development!

**Very important the role of
Insurance & Reinsurance Brokers**