



## **Managing & Mitigating Risk in a Global Recession**

Our experience in the insurance market has revealed that there are several areas of business that are particularly susceptible to increased risk during a recession, around which management can effectively analyse and mitigate threats.

During difficult times companies may witness an increase in claims, many of which will be genuine. However it has been proven that the volume of fraudulent claims increases during such climates. Companies may experience more incidents of employer's liability claims, particularly in the run up to redundancies. Claims for sick leave also tend to rise, with staff working elsewhere during their absence. RTA claims also rise during a downturn due to an escalation in staged/contrived accidents.

Evidence suggests that early identification and investigation of fraudulent claims results in a significant return on investment. AIRMIC members may wish to test the systems and policies that their chosen insurers and OSP's have in place for the early identification and investigation of these cases of fraud to mitigate risk.

Members should also do their homework when appointing external investigation and surveillance services. Robertson & Co has been lobbying for licensing to raise the standard of investigations for over 10 years – yet there are still unethical individuals and companies offering sub-standard services. The reputational risk attached to such use could be very significant, particularly in regulated industries.

Workforce management is another issue that companies ignore at their peril. Increased levels of stress brought about by financial difficulty or the fear of redundancy can lead to uncharacteristic employee behaviour. It is important that risk and HR personnel work together to identify and minimise any threats.

There is a misconception that being on long term sick prevents being considered for redundancy, so a rise in sickness levels should be monitored. Another scam to watch out for is employees working for themselves or a colleague in company time –this can even be with the collusion of junior and middle management and involve the unauthorised use of company vehicles. Staff vehicle should also be monitored. Running a car can be a big expenditure during a recession and it can be tempting to avoid the cost of tax, insurance and maintenance. If an employee is in receipt of an allowance to use their own vehicle for business purposes, it could have significant risk implications.

If there is reasonable suspicion that abuse is taking place, a short period of ethical surveillance can have a dramatic curative and preventative effect.

A dent in disposable income often goes hand in hand with an increase of property related crime. AIRMIC members need to be prepared for a higher incidence of burglary and thefts of stock – especially easily concealed, high value items – as well as goods in transit.

The misuse or theft of intellectual property, commercially sensitive or personal data can be tempting to employees facing redundancy or feeling the pinch. Risk and HR Managers should be working together to ensure there are clear guidelines on what policies need to be in place during the run up to a redundancy announcement to remove access controls from those staff concerned.

We strongly recommend that companies review their current security, anti-fraud and corruption policies to ensure that they are up to date and fit for purpose.

Managing risk is always a fundamental component of any successful business and never more so than during current conditions. Understanding the potential threats to your business and how they might be mitigated is an essential part of recession planning.

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