The interview
Deborah Ritchie speaks to Geoff Trickey about risk types

News & analysis
A round-up of the latest industry news and views

2022 National Insurance Awards
Winners' Review

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May-June 2022

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PFAS *Enhanced regulatory focus on this group of chemicals is among the major factors driving change in environmental risk*

Digitalisation and liability *Questions regarding the applicability of product liability law to software are now rightly being addressed*

Podcast highlights *Cyber exposures and underwriting in transport and logistics, with sector experts at Tokio Marine HCC*

The heat is on

War, pandemic and supply chain risks dial up the pressure

View: "At a time when truth and honesty are under assault in our society and the world at large, risk managers need to make sure these behaviours are explicitly reinforced through the work they do and the way they do it"

Comment

Supply chain risk is not new, but persistent issues in recent years look set to culminate in permanent changes to global trade – altering supply chain risk management approaches in the process.

Rarely before considered outside trade or risk management circles, supply chain risks have been thrust into the spotlight in recent years following a series of events which made (and continue to make) national headlines for all the wrong reasons: after chip shortages that began in 2020 led to the shutdown of automotive production lines, affecting high-tech and electronics companies to this day; after the Ever Given ran aground in 2021, leading to bottlenecks the ramifications of which are still being felt; and after Brexit and Covid-related delays led to protracted supply shortages of household basics we had for so long taken for granted.

Now, war in Ukraine, and China's ongoing zero Covid policy are among the most recent sources of continued supply headaches, leading to further, costly delays and rerouting in goods logistics.

With logjams and dwell times up significantly in Chinese ports, and the North Sea affected by the war in Ukraine, analysts at ING Bank don't expect global schedule reliability to improve in the near future. Sanctions and other bans on Russia are further fuelling what may be a lasting reorganisation of supply chains, with ramifications the world over, as pressures sit at historically high levels.

As a result of the war in Ukraine, ING foresees permanent shifts in trade flows, as market players that previously purchased commodities and goods from Russia look for alternatives. "That said, other countries may step in and benefit from discounts. On balance, this should lead to longer sailing routes in shipping. There is already some re-routing underway for grains and energy products, for example. India, the second-biggest wheat producer after China, but not a major exporter, has stepped up its exports," the bank notes. "World food prices surged by 29.8% in April compared to the year before, according to the United Nations Food Price Index, making it lucrative for Indian producers – who usually sell to the government at higher guaranteed prices than overseas market prices – to export. And food inflation is continuing its ascent."

ING anticipates that trade flows from Russia to Western countries that have sanctioned Russia to be ceased permanently, with some Asian, African and Southern American countries compensating for the loss of Western exports.

There is no doubt that supply chain and logistics issues have created a very tough and uncertain international trade environment, with rerouting, diversification in suppliers and/or regions, stockpiling and inventory building increasingly commonplace.

According to the Logistics Managers' Index Report from March, changes in inventories in the eurozone were up by 95% in the fourth quarter compared with the previous quarter; while in the US, warehousing use increased by 32%.

ING notes that importers are considering buffer stocks, multi-sourcing and nearer sourcing among the ways in which they might improve supply chain reliability, but that labour shortages further complicate matters for them, making it vital to plan further ahead than ever before.

This mirrors changes that are already underway in supply chain risk mitigation in the semiconductor industry – decisions that could have enormous economic significance both for the companies that need chips, and the economy as a whole. Writing for the World Economic Forum's Global Agenda, analysts at McKinsey note that many of the companies whose products use chips are reconsidering their long-term procurement strategies, including shifting from a JIT ordering model, to one in which they order semiconductors far in advance.

Deborah Ritchie

COVER STORY

The heat is on

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News, views & regulars

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Subscriptions
To subscribe please complete the registration form online, by going to www.cirmagazine.com and clicking on a story (form will pop up).

CIR Magazine is published by:

Perspective Publishing
6th Floor
3 London Wall Buildings
London, EC2M 5PD
UK

Tel: +44 (0)20 7562 2400

ISSN 1479-862X
cirmagazine.com

The events industry returns

Alex Whitaker, divisional director of the Hyperion Contingency and Entertainment division of QuestGates, explains how the contingency market responded to the total shutdown of physical events amid the pandemic

Unlike in previous pandemics, the Covid-19 pandemic led to a total global shutdown – taking the events industry with it. Despite having cat modelled for that scenario, I don't think anyone ever really thought it would happen, as previous pandemics had been quite isolated geographically.

After the outbreak, there was no timeline for when events might return, so all sectors of the events industry were thrown into paralysis. Insurers and brokers were unable to bind new risks and millions of freelance creatives and artists were unable to commit to live performances, as organised mass gatherings were always going to be the last element of society to reopen.

The future looked bleak in the summer of 2020, and any events that went ahead did so in the knowledge that Covid-19 as a cause of loss would not be covered on their new policies. This put enormous new strain on those events staged behind closed doors to ensure that essential crew and talent didn't contract the virus, in addition to the vast testing costs.

As a result, the pandemic drew a great deal of attention to the contingency market. We saw a surge of claims from around the world from late January 2020 – we had a year's worth of claims come in over the course of about six weeks. When the claims began to come in, we said 'if we can get through this, we can get through anything', and all agreed that we would never see anything like this in insurance again.

Whilst this word is used a lot to describe what's happened in the past two years, it was genuinely 'unprecedented'. We handled claims for postponement or cancellation of huge events including the Tokyo Olympics, singer Billie Eilish, British Summer Time in Hyde Park, Royal Ascot, the Miami International Tennis Open, plus art fairs, film productions and business conferences.

Types of cover

After the outbreak of Foot and Mouth in the UK in 2001, communicable disease cover became better known. But it may surprise you how few outdoor events such as festivals buy communicable disease cover. Most commonly, policyholders will either seek to insure their gross revenue, that being income from all sources.

With standard contingency policies, extensions are available for adverse weather, artist illness , terrorism and increasingly – cyber risk. Ticketing agents and event promoters are increasingly aware of the risk of ticketing systems being hacked, or revenue stolen, and are looking at cyber insurance. We recently brought a cyber adjustor on board who has set up a 24 hour-response service to support our clients in this regard.

Covid-related claims have slowed in the past few months, of course. We are still working on some of the larger conference and exhibition claims. These kinds of businesses tend to buy three-year policies so claims in 2021 and 2022 are likely from reduced attendance from delegates unable to travel due to onerous quarantines or border restrictions as a result of Covid.

'Festival Re'

The contingency market responded incredibly well to the pandemic and policyholders with communicable disease coverage had their claims settled quickly, but not so the government's 'Festival Re'.

The government likely felt that it had to do 'something', but its policy hasn't responded as we believe it was not fit for purpose. It didn't offer the breadth of coverage that the events industry needs. For example, organisers could only cover their costs and not gross revenue, and coverage didn't extend to sudden changes of legislation as seen in Scotland over Christmas when crowd sizes were suddenly capped to control the Omicron variant.

Summer festivals double down

With no Covid-related restrictions in place in the UK, we predict a busy summer, mostly from weather-related and artist illness claims – the latter as bands are putting on more events than usual to make up for loss of income arising from lockdowns, and singers' voices can only take so much.

It is true that the major events promoters are doubling down this year. Instead of one leg of Wireless, they're doing three. Creamfields is now running two events. And Reading Festival has two main stages instead of the one. And they'll all be likely to sell out.

Glastonbury, which is already sold out, has around 20 different stages, each run by different promoters and with a three-month build for the site. A quarter of a million people will go through the gates in Pilton over that weekend.

The organisers of the Cheltenham Festival, which had record attendance this year, are now considering holding a fifth day to manage the 'new normal' demand.

It's going to be a big summer for hospitality and events. As a society, we have realised just how much we have missed them. How sustainable this is over the long term, no one knows.

Inspiration for resilience professionals

The Sustainable Business Handbook: A Guide to Becoming More Innovative, Resilient and Successful

By David Grayson, Chris Coulter and Mark Lee
Kogan Page, 2022
koganpage.com

ESG is no longer an issue to which organisations can merely play lip service. Countless books and column inches have been dedicated to making the case for sustainable approaches. Businesses and the public are engaged, and the topic has gathered momentum.

Kogan Page's latest book on the topic doesn't attempt to sell sustainabilty; instead it undertakes to shift the conversation from the 'why' of business sustainability to the 'how'. This practical guide gets straight down to how businesses can become more resilient and successful in the long-term by becoming more sustainable.

Based around twenty top tips, the book is peppered with a series of profiles and case studies of organisations successfully embracing sustainability, and turning it into a source of innovation, new business and societal good.

Author David Grayson CBE is emeritus professor of Corporate Responsibility at Cranfield School of Management, based in London. He is the chair of the Institute of Business Ethics and has worked with responsible business coalitions across the world. Chris Coulter is CEO of GlobeScan, an insights and strategy firm that helps organisations build the trust they need to create value for themselves and society, based in Toronto. He is the chair of Canadian Business for Social Responsibility. And co-author Mark Lee is the director of the Sustainability Institute by ERM, which launched in 2020 to define, accelerate and scale sustainability performance by developing actionable insight for business. He is based in California.

"Climate change, the loss of nature and rising inequality represent the biggest crises facing business today, while sustainability and purpose have become mainstream levers of performance"

The three authors bring their collective experience to bear in this comprehensive and practical guide that will be particularly useful to companies starting out in sustainability.

In his praise for Kogan Page's latest book, Alan Jope, CEO of Unilever, notes: "Climate change, the loss of nature and rising inequality represent the biggest crises facing business today, while sustainability and purpose have become mainstream levers of performance. That is why addressing them effectively have become key determinants of business success. And yet few companies know where to start. How do you put principles into practice. This comprehensive, step-by-step guide has the answers, skillfully navigating business through the big questions of our time."

News briefing

A round-up of the latest industry news

A review carried out by the Financial Conduct Authority found that challenger banks were falling short of the watchdog's risk assessment expectations, with some failing to adequately check their customers' income and occupation. In some cases, challenger banks were found to have no financial crime risk assessments in place at all.

Separately, the FCA finalised its review of the rules requiring listed companies to report information and to disclose against targets on the specific representation of women and ethnic minorities on boards and among executive management.

The Industry and Regulators Committee wrote to the economic secretary to the Treasury, John Glen, to outline concerns about a lack of proportionality in the regulation of the London Market by the FCA and the Prudential Regulation Authority, which was described as "overly demanding and burdensome".

The Office for Product Safety and Standards launched a new product safety alerts, reports and recalls portal to help businesses and consumer groups identify unsafe products. The new service helps users to search for previously recalled or reported products; filter pages by product category, risk level, measure type, date and type of alert; and subscribe to updates.

Fines totalling almost half a billion pounds were handed out to UK companies during 2021, according to data published by law firm, BLM. These included fines from the Serious Fraud Office, the FCA and the Information Commissioner's Office.

The Chartered Insurance Institute offered to help insurance professionals address stress, after 65% identified heavy workloads and regulation as the greatest cause of work-related pressure.

Financial data belonging to some 42.2 million people in the UK was found to have been compromised last year, up a staggering 1,777% from 2.2 million in 2019-20. Law firm RPC said the huge spike likely reflected an increase in the amount of data compromised, due in part to ransomware attacks. The number of such attacks reported to the ICO increased 100% from 326 in 2020 to 654 in 2021, according to analysis of data by the law firm.

The pandemic was found to have spurred a behavioural reset in digital transformation, with the biggest investments made in machine learning (60%), artificial intelligence (50%) and document-centric process automation (50%).

The Department for Transport and the Centre for Connected and Autonomous Vehicles published the findings of cognitive testing research into whether the revised Highway Code wording relating to automated vehicles is clearly understood by drivers.

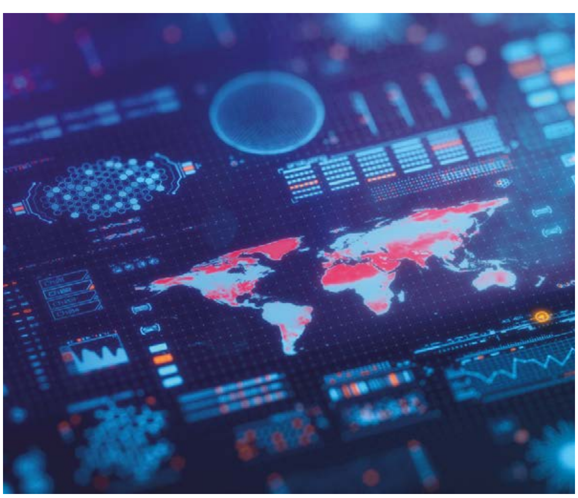
For the full story behind all these headlines, visit **cirmagazine.com**

Global commercial insurance prices increased by 11% in the first quarter of the year, according to the *Global Insurance Market Index* published by Marsh, continuing a trend of moderating rate increases that began in Q1 2021.

Long Covid claims are beginning to emerge in certain life insurance morbidity product claims, particularly disability income in the US, with more widespread claims likely to follow. This was among the findings of a Sector Comment published by Moody's Investors Service.

Half of UK senior decision makers are prioritising growth in their organisation while one in five are prioritising the reduction of carbon emissions, according to the BSI's annual *Net-Zero Barometer Report*. Separate research suggested that a large number of insurance brokers don't have the resource or knowledge to tackle the climate crisis by setting carbon reduction targets. And some have no interest in it at all.

UN Secretary-General António Guterres launched the High-Level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities to provide scrutiny of corporate and non-state net-zero target standards and reporting.



Optimism in UK financial services has fallen at the quickest pace since September 2019, according to the latest CBI/PwC *Financial Services Survey*. Operational resilience emerged as a key theme amongst respondents, with 92% at least citing resilience as the key priority for future business strategy and transformation plans.

Business resilience professionals predict 'peak risk' in the coming months, with geopolitical, war and economic risks dominating thinking. This was among the findings of Beazley's annual *Risk and Resilience* research of firms in the UK, the US, Canada and Singapore – undertaken prior to the invasion of Ukraine.

Clyde & Co and BLM agreed to merge, following a vote in favour by partners at both firms. Scheduled to go live in July 2022, the new entity will be known as Clyde & Co, and will have a global revenue of over £700m a year, 5,000 staff and offices in 60 cities.

The risk management community anticipates that travel and working patterns could stabilise by the end of this year, according to an International SOS poll. Working practices and expectations have changed radically as a result of the pandemic, as WFH has become entrenched, and nine to five in the office, five days a week, has fallen out of favour.

News briefing

A round-up of the latest general insurance news

Flood Re announced the details of a scheme designed to help ensure that homes are better protected against flooding. The Build Back Better programme aims to make homes more resilient to incidents, and supports measures to help reduce losses by adapting features within homes which could minimise the impact should a flood reoccur.

The British Insurance Brokers' Association teamed up with MI Commercial Risks to launch an extension to its flood scheme that protects SMEs against the financial impact of a flood. The product is only available to BIBA members.

Keoghs fraud rings and intelligence teams joined forces with LV=, Axa and 1st CENTRAL to identify a complex network of organised fraud involving deliberately induced vehicle accidents, with the operation saving over £1.2m to date, and five recent litigated cases alone saving around £1m.

Axa issued an update in relation to undoing its commercial ties with Russia and increasing the support it offers to Ukraine. "Since the start of Russia's invasion of Ukraine, Axa has fully enforced all international sanctions," it stated. "We have also stopped underwriting new insurance business (and stopped all renewals) with respect to Russian owned assets located in Russia."

Insurance companies in the UK have posted record numbers of job vacancies for claims specialists as they gear up for an anticipated surge in Covid litigation following the landmark High Court decision in favour of business interruption insurance policyholders.

The Association of British Insurers said ethnicity was not a factor in pricing following a report from Citizens Advice which said people of colour pay hundreds of pounds more each year for motor cover. In 2021, the charity assessed car insurance costs for 18,000 people, and found that, on average, people of colour paid £250 a year more than white people.

Members have endorsed HM Treasury's five-yearly review of Pool Re, the government-backed terrorism reinsurer. Members voted unanimously in favour of the review.

Leakbot, which provides a patented water security system and was previously owned by HomeServe, was acquired by Spinnaker Acquisitions, renamed Ondo InsurTech and listed on the London Stock Exchange.

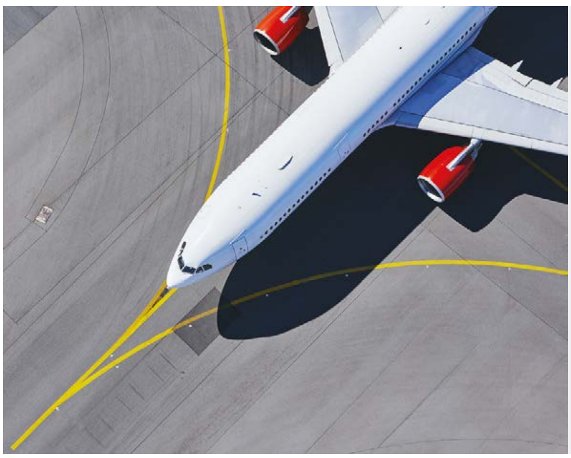
Online used car marketplace Heycar announced a partnership with insurtech Wrisk to launch an embedded car insurance offering. Heycar motor insurance will provide an embedded link into a monthly rolling subscription insurance, powered by Wrisk, rather than redirect customers to comparison sites, or to brokers providing temporary cover.

RVU, which owns Confused.com, Money.co.uk and Uswitch, agreed to acquire temporary motor insurance provider Tempcover. The deal is for an undisclosed sum and is subject to regulatory approval. Tempcover was established in 2006 and has a team of 51 employees.

KGM Underwriting Services announced its intention to acquire MGA Eridge Underwriting Agency, which provides higher rated motor cover. The deal is expected to complete at the end of May, and broadens KGM's footprint in the motor market. It anticipates gross written premium of £175m in 2022.

For the full story behind all these headlines, visit insurancetoday.co.uk

Motor insurer Sabre Insurance Group reported a profit before tax of £37.2m for the year ended 31st December 2021. This was down from £49.1m the previous year. Gross written premium was £169.3m, down from £173.2m in 2020 while the combined operating ratio for 2021 was 79.4%. This was up from 75.3% the previous year.



AbbeyAutoline, a partner of Prestige Insurance Holdings, acquired brokerage BMG Insurance, expanding its footprint in Northern Ireland. BMG specialises in commercial motor and haulage clients, and has offices in Portadown and Newtonbutler.

Blink Parametric, a CPP Group insurtech, agreed a partnership with Lloyd's re/insurance broker MNK Re. To begin with, the deal will include the rollout of Blink's flight disruption solution with plans to offer additional solutions in areas such as diverse weather, energy and climate.

Lloyd's reported a profit of £2.3bn for 2021, compared with a £0.9bn loss record a year earlier. In 2021 it posted a combined ratio of 93.5%, an improvement on the 110.3% recorded in 2020. Premium rates increased by 10.9%, continuing a consistent upward trend that now stretches over 16 quarters.

Aston Lark acquired Braddons, a specialist corporate broker established in 1994 with a particular focus on the construction and real estate sectors. It has since diversified its client base to include recruitment, energy, transportation, life sciences, clinical negligence, fintech and financial institutions.

Blink Parametric announced a separate partnership with global insurtech Baoba. Baoba is a B2B marketplace for travel sector organisations looking to add solutions for customers from providers such as travel insurers, travel agents and airlines.

Travel insurance and assistance service provider Allianz Partners agreed a deal with customer benefits and loyalty specialist Collinson. The agreement provides Allyz members with access to airport lounges worldwide during flight delays. Allyz is the new digital platform from Allianz Partners that offers travellers access to safety, security, health and travel services from a range of partners.

Loss adjuster QuestGates acquired Amedeo Adjusting. Founded in 2003, the company provides property and liability loss adjusting services from offices in Glasgow, London, Manchester and Birmingham. It also provides catastrophe services in the Bahamas and Jamaica.

QuestGates warned separately that rising prices could lead to a surge in diesel and heating oil theft and an increase in environmental pollution damage from associated spills when criminals take fuel out of storage tanks.

Loss adjuster Woodgate and Clark acquired specialist media and entertainment claims company Spotlite Claims, for an undisclosed sum.
The deal will see Spotlite employees transfer to Woodgate and Clark and the acquired company will retain its brand.

Mindfulness and risk

In an era of great change, how might organisations make the most of a rare opportunity to enhance human capital? Deborah Ritchie speaks to Geoff Trickey about the increasing value of risk awareness

With the easing of restrictions and the transition from the emergency phase of the pandemic, organisations are beginning to settle into their 'new normal'.

Following over two years of disruption, many organisations will look different – whether because footprints have grown or contracted, business models have changed, IT capabilities have improved, or staff roles expanded.

In this context, Geoff Trickey, consultant psychologist at the Psychological Consultancy, believes that organisations have a golden opportunity to enhance human capital by better understanding attitudes towards risk. This is supported by the worrying economic and geopolitical backdrop, where human resilience continues to be tested – making the case for the importance of risk-aware teams.

We often hear that the disruption caused by the pandemic was unprecedented. But what of the opportunity?

One way or the other, disruption is inherently galvanising. Depending on risk disposition, it will put people on the alert either defensively (will we weather the storm?) or offensively (will new possibilities get us ahead of the game?). Survivors, having found a way of managing the turbulence, would be expected to be much more open to new ideas. The more creative, commercial and entrepreneurial professions; those who always need to track markets closely, are likely to

Geoff Trickey

'turn up the dial' on their ingenuity and embrace the challenge. Forced to do things differently for the past two years, even employers in the more traditional and formal sectors may now be more interested in exploring other ways of doing things.

The initial excitement will inevitably calm down. In some ways, it already has. You will remember the calls towards the beginning of the pandemic to turn what had become a very quiet Canary Wharf into one huge residential estate. That all seems like a world away today, as London's Docklands are now experiencing increased footfall. Whilst this is an isolated example of what's happened, it does make you think about the possibilities and opportunities arising from two years of uncertainty. Businesses will have to 'recalibrate' as they continue to monitor events and to consider their options as things settle down.

How differently has the pandemic impacted individuals across the Risk Type spectrum?

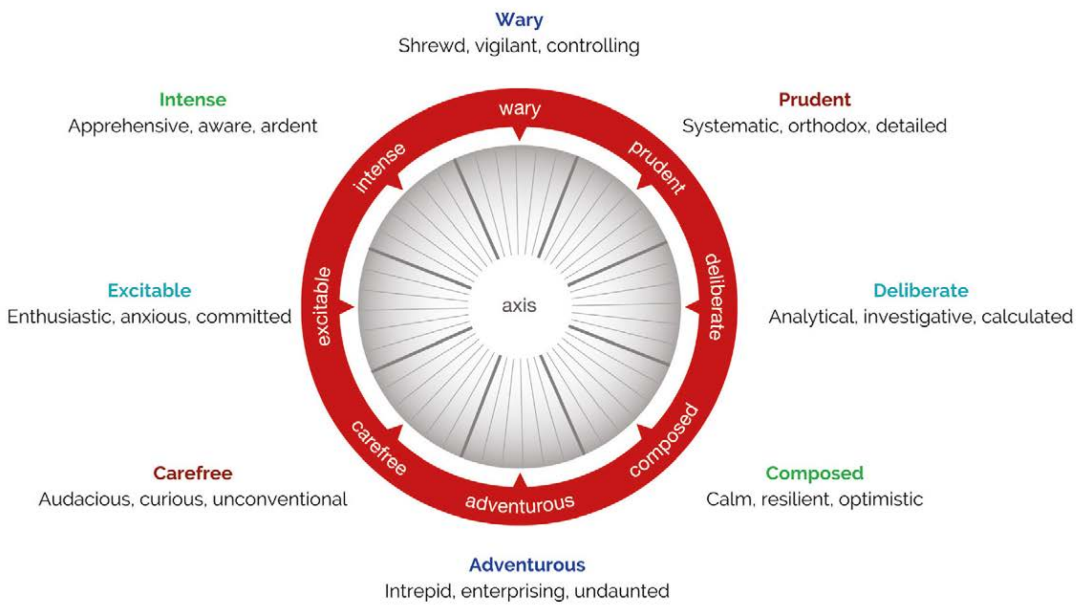
The Risk Type Compass is a peer reviewed psychometric questionnaire aligned with the two independent neurological systems that are involved in decision making. These measures of Emotion and Cognition provide the axes for a 360-degree spectrum of risk dispositions segmented for interpretation purposes into eight risk types.

From the work we carried out with organisations and individuals throughout the pandemic, we found that in the initial phase, enthusiasm – over excitement even – for a change to working practices was reported among the more creative individuals. In terms of propensity for risk taking, we call this group the Adventurous group. They don't enjoy routine and can be quite intrepid. They see the opportunity in change – in things 'being up in the air'.

In terms of their disposition towards risk, many will relish it, and some will spend their lives seeking for more of it! The Wary group, at the polar opposite, are risk averse both cognitively and emotionally; at their most extreme – they exemplify orderliness and planning turbo-charged by passionate feelings.

The Composed risk group, will have weathered everything in a calm, considered unemotional way. Having been the least perturbed by disruptive events, they stay calm, not easily flustered and never panicked.

Those crossing the line into Deliberate territory, also tend to be emotionally unreactive but combined this with being highly methodical. The Intense group will have been the most anxious and disturbed by the prolonged uncertainty.



Prudent types would be looking forward to getting back to work; hoping things will soon get back to normal. And they will have a much more definitive idea of what that looks like. The Carefree group, who tend to welcome disruption and change, are the most likely to have been motivated – even inspired by it!

The influence of these characteristics will not be limited to decision making in a work context. For the extreme Prudent Risk Types, perfectionistic tendencies impact everything, including holiday arrangements. They manage risk by preparing meticulously – which can take up a lot of time! The last thing they want is to look incompetent, so they look for what might go wrong, and fix it. Then they will look for something else that might go wrong, and fix that, too. It's easy, also, to see the positive side of this in any number of professions.

There will be a few individuals for whom anxieties reached almost clinical levels of intensity. These people have been really struggling, many only just hanging on. Some may not return to 'normal life' for a long time after the pandemic – if at all in some cases.

How can an understanding of Risk Types be applied in practice?
When I started working in the business field, I wanted to take what I had learned within academic psychology and see where it can have utility in the business sphere. Among other things, psychology teaches us just how extraordinarily different we all are, and that generalisations about 'people' airbrush out the most important of distinctions.

Self-awareness in terms of Risk Type is valuable in any business environment – not just in risk management itself. At board level, individuals need to understand what their own personal biases are, better still, for the board as a whole to be sufficiently conscious of balance and the inter-personal dynamics of the group, to process decisions that are as risk-aware as possible.

In the 'big picture' context it seems the world is facing something of a decision-making crisis. The continuous acceleration of technical development is highly disruptive. It means that information about the past, needed to as a foundation for the identification and quantification of future risk, is increasingly sparse and has wide margins of error. It is likely that we will need to give more thought to the way in which we organise the context for decision-making; the arrangements and the balance of participants involved – who should be 'in the room where it happens'? Cognitive diversity has been recognised in 'red teaming' and 'devil's advocate' style approaches to decision making, and awareness of the implications of Risk Type balance and dynamics can also make a significant difference in enabling the process.

As David Koenig, president and CEO of the DCRO Institute, states; 'a lack of clarity regarding individual risk preferences among board members can create surprising conflict in the boardroom, challenge consensus, and potentially slow an organisation's progress toward new opportunities that maintain a competitive advantage'.

Understanding Risk Type is the start of this journey – both personally and in the way that teams are built and can be developed. Broadly, this is about the critical nature of decision making, uncertainty, and ultimately, about organisational survival.

Interview by Deborah Ritchie, Editor, CIR

The heat is on

The war in Ukraine, and ongoing supply chain risks elsewhere are clouding the global trade and economic outlook, stoking inflationary pressures in the UK and elsewhere in the world. Deborah Ritchie examines the toll this is taking on businesses and insurers

Following a stronger than expected global recovery from Covid-19, the Bank of England shrugged off inflationary fears for much of last year. Since the beginning of 2022, however, the central bank's tone has changed dramatically, with governor Andrew Bailey this month conceding that he is unable to stop inflation hitting 10 per cent by autumn.

Speaking to the House of Commons Treasury Committee on 16th May, Bailey warned that the impact on food prices was of particular concern – borne out of external supply shocks, and, most notably in recent months, Ukraine's inability to export grains.

"It is well-established practice to accommodate supply shocks where they are expected to be transient but then to not accommodate the so-called second-round effects of those shocks," Bailey told the Committee. "I would also say that a sequence of shocks like this, which have really come one after another with no gaps between them, is almost unprecedented."

After a series of consecutive rate rises since the beginning of the year, the UK's base rate now sits at one per cent, as the Bank attempts to tame inflation back to its target of two per cent.

"Our central case is that inflation comes back to target – in fact, it goes below target in the third year – but there are risks. We put the balance of risks on the upside. The risks there are – unfortunately, quite a number – both domestic and non-domestic," Bailey said.

On non-domestic risks, he warned of yet more supply chain disruption in China, and a further energy price shock that might result from the cutting off of gas and distillate supplies from both Ukraine and Russia. But it was the potential impact on food that Bailey flagged as a particularly major worry.

The BoE governor conveyed a recent conversation with the

Ukrainian Finance Minister, in which Serhiy Marchenko said that while Ukraine does have food in store, it cannot get it out at the moment; and that, while he was optimistic about crop planting, they currently have no way of shipping grain products and derivatives out of the country. And the situation is getting worse.

"That is a major worry, and not just for this country, but for the developing world as well," Bailey explained. "Sorry for being apocalyptic for a moment, but that is a major concern."

Cost-of-living crisis

ONS data from 12th May paint an equally bleak picture, with soaring prices now the main concern for more than a quarter of UK businesses.

Commenting on the figures, senior investment and markets analyst at Hargreaves Lansdown, Susannah Streeter, said the commodity chaos unleashed by the invasion of Ukraine is spreading.

"These latest snapshots of the UK economy are like stills from a slow motion disaster movie we've already read the reviews on. We've been primed to expect a recession and that looks [like] just where we are heading right now, with costs continuing to mount for businesses following the deterioration in output in March, with overall GDP falling 0.1 per cent.

"Consumer spending is already taking a hit even before the worst effects of the mounting cost-of-living crisis take hold. Retail sales fell 1.4 per cent month-on-month with shoppers clearly being more conscious about their budgets, in the weeks before the energy price hikes in April landed. Motor vehicle sales have slumped as a combination of supply chain issues causing a lack of availability and caution returns over making big ticket purchases."

Other readings from April appear to back up the grim warnings of a looming recession, Streeter warned. "Last week's S&P Global/CIPS PMI data showed that activity has slowed to the slowest pace so far this year and longer term growth expectations have slumped.

"It's likely that many businesses will respond by battening down the hatches and delaying non-essential expenditure, but other more cash-rich companies may accelerate digital transformation plans to try and find efficiencies across operations."

"[Food] is a major worry, and not just for this country, but for the developing world as well. Sorry for being apocalyptic for a moment, but that is a major concern"

CBI: "Get firms investing now"

As calls for an emergency budget grow, CBI director-general Tony Danker has called on the government to take steps to get firms investing now and through the year.

"There's a lot of debate right now about whether the economy needs a boost, an emergency budget, or action on the cost of living. At the CBI we think it's vital that the government moves on two fronts right away," Danker said.

"The first is to help people facing real hardship now; it's the moral underpinning of our economy and society. Secondly; start stimulating business investment now – we will need to ensure that there is economic growth in the pipeline to avoid any downturn in our economy that could worsen or prolong the cost-of-living crisis.

To stimulate investment now, the CBI has called on the government to consider:

- Cashflow support for firms: Extend and re-expand eligibility for the Recovery Loan Scheme, ensure continued flexibility with Time to Pay which recognises increasing cost pressures and re-issue unspent local authority grants
- Back green growth: Commit to the deployment of at least two more Carbon Capture clusters by 2030, and set out the Contracts for Difference model for hydrogen.
- Set out a roadmap for infrastructure: Publish a roadmap for the Integrated Rail Plan to speed up the delivery of the key planned investments in the rail network.
- Get money already announced flowing: Across Innovation Accelerators, Advanced Research Innovation Agency, and Help to Grow now that R&D allocations have been released.
- Unlock investment in digital: Build business confidence and willingness to invest by publishing the long-awaited Digital Strategy.

Energy hikes

As rising energy prices and rising inflation add to the cost of doing business, some firms are also struggling with labour shortages.

The CBI's director for people and skills, Matthew Percival, says urgent government action is needed.

"Firms are struggling under the weight of persistent labour shortages, rising energy prices and soaring inflation, which is adding to the cost of doing business. Workers are also struggling, with inflation already 1.2 per cent higher than pay and rising," he said. "Urgent action is needed to help alleviate the pressure facing businesses and communities across the UK."

"Putting pounds into the pockets of people facing hardship and stimulating business investment are two actions the government can take now that will help us to emerge from this crisis."

Global pressure

The pro-inflationary impact of the war in Ukraine is filtering through elsewhere, with double digit inflation hitting Hungary, and a sharp rise in food prices pushing up inflation in Poland. According to ING Bank, CPI increased to 12.4 per cent there in April on the back of soaring food prices, suggesting mounting second-round effects and broad-based inflationary pressure.

Ukraine is not the only driver, of course, with ongoing Covid-19 lockdowns in China exacerbating global supply chain pressures and intensifying inflation concerns at a global level. As the latest Economics Dashboard from Fitch Ratings notes, the plunge in Shanghai freight traffic volume in April and early May, and the inability of port staff to load and unload ships at their usual pace, led to significant backlog build up at the Port of Shanghai.

"Sustained inflation would put a greater strain on property casualty insurers, which are expected to face significant increases in claims costs"

Impact on insurers

The impact of persistent and prolonged high inflation is potentially damaging for insurance demand.

Moody's Investors Service has warned that, if accompanied by rapid rate rise and market volatility, insurers' reported equity, earnings and economic capital would indeed fall. Its latest report for the EMEA markets says that the impact of inflation on insurers depends on its strength and duration, as well as on the size and speed of any interest rate increases designed to offset it. Because of inflation, Moody's expects P/C insurers to face higher claims costs. In this case, they will be able to counter them with premium rate rises, leading to only a mild erosion of underwriting profit. In the downside scenario, sustained inflation, it believes, would put a greater strain on P/C carriers, which are expected to face more significant increases in claims costs – which they may struggle to absorb through price increases, leading to a more meaningful erosion of the sector's combined ratio.

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Environmental risks evolve

In the year to January 2022, companies reported a more significant drop in resilience to environmental risks than to any other risk. Nicholas Pearson examines the drivers behind this development

There is no doubt that environmental risk is on the corporate radar, but the start of 2022 has seen it move onto centre stage. While in 2021, a creditable 40 per cent of UK and US business leaders felt very prepared to anticipate and respond to environmental risk, in 2022 that proportion fell to 34 per cent, according to Beazley's 2022 *Risk and Resilience* research.

We see three factors driving this change. One: a rise in merger and acquisition activity. Two: an enhanced regulatory focus – particularly on a group of chemicals known as PFAS (per- or poly-fluorinated alkyl substances). And three: environmental loss associated with extreme weather events.

Rise in M&A activity

M&A activity rose an unprecedented 24 per cent in 2021, with 62,000 deals announced globally and disclosed deal values reaching all-time highs of US$5.1 trillion, according to PwC's *Global M&A Industry Trends: 2022 Outlook*.

Deal-making was fuelled by intense demand for technology, and for digital and data-driven assets, but many deals also involved acquisition of land and property for logistics centres, potentially exposing acquirers to historic or poorly understood environmental liabilities.

"PFAS have widespread applications in everything from water and stain-resistant treatments for textiles, to cosmetics, non-stick cookware, food, food packaging and, notably, the foam used in fire-fighting"

Enhanced regulatory focus

The second key factor driving enhanced environmental risk awareness is the growing burden of environmental regulation as part of the global focus on all matters ESG – environmental, social and governance – including an increasing regulatory focus on PFAS.

PFAS are a group of more than 4,700 chemicals called 'per- and polyfluoroalkyl substances'. These substances are also known as 'forever chemicals' because they are persistent organic pollutants that have been found to accumulate in soil, drinking water, livestock and, ultimately, the human body.

PFAS have widespread applications in everything from water and stain-resistant treatments for textiles, to cosmetics, non-stick cookware, food, food packaging and, notably, the foam used in fire-fighting. This means their presence in the natural and human environment has been increasing – whether through every-day usage of products that contain them, industrial accidents or deliberate dumping of industrial waste, or seepage from landfill sites.

Whatever the cause, fears are rising about the growing impact these chemicals could have on public health.

Sector rankings for environmental risk, January 2022

Sectors ranking environmental risk top	US	UK
Average	24%	19%
Healthcare and life sciences	38%	17%
Manufacturing	26%	30%
Retail, wholesale, food and beverage	18%	16%
Real estate and construction	14%	28%
Hospitality, entertainment and leisure (including gaming)	22%	12%
Financial institutions and professional services	18%	18%
Energy and utilities (including mining)	28%	20%
Public sector and education	26%	16%
Tech, media and telecoms	8%	14%
Marine and warehousing	44%	20%

In terms of cost, the sectors that report the most potential cost increases are manufacturing (US$64 billion), food, beverage and agriculture (US$17 billion), and power generation (US$11 billion), according to CDP data.

Growing health concerns

While high levels of PFAS are thought to affect growth, the learning and behaviours of infants and older children, research is still ongoing. There is evidence to suggest that large amounts of PFAS in the blood stream may lower a woman's chance of getting pregnant and could be associated with enhanced risk of pre-eclampsia. They interfere with the body's natural hormones, increase cholesterol levels and can affect the immune system.

There are also strong concerns regarding PFAS' propensity to increase the risk of kidney or testicular cancer and to cause ulcerative colitis and thyroid disease.

While there is always an argument over health effects, the body of evidence is growing and regulators are taking action.

Biden ups the ante

2021 and the election of Joe Biden to the US Presidency marked something of a landmark for US businesses in terms of environmental responsibilities, particularly around PFAS.

Under the Biden-Harris Administration, the Environmental Protection Agency has restored scientific integrity and accelerated the pace of research and actions needed to tackle what it terms "the PFAS crisis" to "protect American communities".

Among other initiatives, the EPA is requiring enhanced monitoring of PFAS levels in drinking water, exploring enhanced clean-up requirements and considering introducing new monitoring and reporting standards on PFAS' use.

More broadly, in 2022, a global framework for nature-related disclosures (through the Taskforce on Nature-related Financial Disclosures – TNFD) is to be trialled and in the EU, the proposed Directive on Corporate Sustainability Due Diligence is expected to be adopted, which will require companies with significant turnover to understand whether value chain activities are having an adverse impact on biodiversity, causing environmental harms or human rights abuses.

Costs are rising

Against this backdrop, it is little surprise that companies face steeply rising costs related to environmental exposures in their supply chain.

According to CDP, a charity that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impact, companies face up to US$120 billion in costs from environmental risks in their supply chains by 2026.

Business leaders react

Against this backdrop it is little surprise that business leaders' concerns regarding environmental risk are shifting.

In 2022, just over a fifth of business leaders in the US and UK ranked environmental concerns, including environmental loss; biodiversity damage; pollution or harm caused by or to the business, their top risk. US business leaders were notably more concerned than their UK counterparts, with 24 per cent ranking the risk top vs 19 per cent in the UK.

According to Beazley data from 22nd January, the sectors most concerned by environmental risk are healthcare and life sciences, marine and warehousing and manufacturing.

Insurers must respond with care

The volume of regulations concerning environmental protection, coupled with the speed and frequency of regulatory change, means companies are forced to continuously adapt their activities to new circumstances and thresholds to avoid penalty.

Enhanced oversight of evolving legal and regulatory developments on a national and (where appropriate) international level is clearly essential, but leaders will also need to review what insurance protections they have in place, as most general liability covers will have broad pollution exclusions.

Environmental impairment liability coverage can cover firms for both their own operations on property they own or those of previous occupiers of that property, as well as covering contractors for operations on third party sites.

It can also cover third-party costs for contamination of neighbouring property, and potentially loss of business for those on neighbouring property.

Coverage triggers could include a variety of claims including clean-up costs, natural resource damage, legal defence, business interruption, bodily injury, property damage and legal defence.

"The volume of regulations, coupled with the speed and frequency of regulatory change, means companies are forced to continuously adapt their activities to new circumstances and thresholds"

Good risk management is essential

Unsurprisingly, many carriers are growing increasingly cautious around environmental risk. Extensive due diligence on prospective clients' property and/or construction projects has become the norm, particularly regarding the risk of PFAS contamination before it is possible to decide how or whether to include PFAS contamination risk and at what price as part of broader environmental cover.

The ability to get one's arms around the myriad of potential regulation around emerging issues, new regulation and meeting net zero goals whilst also running a business during economic uncertainty means that having bespoke insurance coverage to address the potential for a financial loss is critical.

Nicholas Pearson is underwriter, Environmental Specialty Risks at Beazley

Geopolitical risk set to stall insurance market recovery

Airmic's *Harsh Market Report* shows that the pace of hardening has slowed since 2021, with signs of green shoots. But conditions could yet deteriorate as events in Ukraine unfold, says head of research at Airmic, Hoe Yeong Loke

Can you expand on where 'green shoots' are emerging?
Airmic's latest survey results on insurance market conditions have suggested that there are signs of 'green shoots', where the pace of the hardening is slowing – with the notable exception of premium rates for cyber, which have skyrocketed. A tenth of our respondents experienced rate increases of more than 400% in their latest cyber renewals. This said, the situation has been disrupted by yet another potential 'once in a generation' event – the Russian invasion of Ukraine. This is anticipated to stall the recovery and, we believe, create a negative ripple effect across some but not all classes of business.

In terms of the areas where market conditions may yet deteriorate, how might insurers best respond; and how can risk and insurance professionals protect themselves against these emerging developments?
Climate change is expected to cause a seismic growth in economic losses, and global insurance premiums will reach record levels. The insurance model is changing and is now more geared towards understanding risk and managing it better. The insurance industry urgently needs to rise to these challenges. It needs to shift its focus from protection to prevention.

"Climate change is expected to cause a seismic growth in economic losses, and global insurance premiums will reach record levels"

New technologies, such as artificial intelligence and machine learning, are key to reducing costs and creating value for all parties. We're seeing some increasingly innovative and exciting developments in this area as insurers either adopt and nurture insurtech solutions, or develop solutions of their own.

Risk and insurance professionals should improve communications and send additional data for the insurer to consider – beyond just what is required. Having their own unique data relating to the risks involved would put them in a stronger position. They should continuously demonstrate that they are listening and improving their risk profile.

Once again this scenario has raised what role Pool Re and government can play in connected systemic risk. Airmic has long supported the concept of Pool Re extending its scope as a 'Resilience Re', providing an integrated bridge between the insurance industry and government as insurer of last resort.

On digital transformation

Amid the pandemic, many organisations adjusted at short notice and very effectively to remote working, thus accelerating the longer-term trend towards digital transformation. But the legacy systems of the London Market are a millstone around its neck. The market needs to make much bolder strides towards the digital and talent transformation that is required for its post-pandemic future.

Greater investment and understanding of technology among the market's decision makers are critical to improving the market's infrastructure. However, we are witnessing exciting developments in the imaginative use of data fuelled by AI and we are optimistic that the industry offers amazing career opportunities for the talent it needs to attract and retain. The remote working desires of this community of workers will be key and the industry and those it serves must be conscious that the location and style of working is now a competitive consideration.

How might emerging issues in Ukraine impact coverage in key lines of cover?
The overall impact of the war on insurers and reinsurers is still emerging but currently it remains a balance sheet rather than a reserves event.

Much of the discussion of the impact of the Ukraine crisis on coverage initially focused on the industry's exposure to aviation risks and leased jets grounded in Russia. However, trade credit, political risks, trade credit and marine hull, are impacted – with cyber covers being one of the mainstream covers in the spotlight.

Attention turned to war exclusions pre- and post-invasion, and scrutiny of these in partnerships with brokers is critical.

As regards cyber, the focus has been on the potential impact of state actors. Coverage and pricing in the short term will suffer, as many insurers and reinsurers seek to hedge their risks. But as greater clarity emerges in the longer term, and as buyers get better at evaluating these risks, with the support of third-party advisors and insurers, we anticipate insurers and reinsurers will strengthen their propositions.

Airmic's Harsh Market report is accessible in full at: https://www.airmic.com/technical/library/harsh-market-future-london-market

In the fast lane

Following the publication of the Law Commissions' automated vehicles report, Calum McPhail outlines the key considerations as our mobility infrastructure and the insurance market evolve to prepare for this new era of transportation

The recent joint report on automated vehicles produced by The Law Commission and Scottish Law Commission extends to 278 pages, with a further 37 pages of appendices. Despite its length, however, it does provide a welcome insight into the many complexities that need to be understood and addressed as the UK readies itself for the inevitable influx of partially and ultimately fully self-driving vehicles over the next few years.

Thankfully, as with so many technological developments these days, most of us do not need to understand how this ever-developing technology will ultimately enable cars, vans and trucks to drive without the need for a driver (or user in charge). There are, however, a multitude of things that need to be considered as our mobility infrastructure – and in particular the insurance market – evolves to prepare for this new era of transportation.

The joint report considers just about every conceivable aspect from when a vehicle should be considered capable of driving itself safely, through the introduction of new 'legal actors', to responsible marketing and legal duties as well as criminal and civil liability.

As with virtually all new technologies being introduced today, whether that be the latest generation smartphone, watch, TV or app, perhaps amongst the most sought after but also the most valuable 'product' is the data generated by and through this new technology.

It should perhaps go without saying that the security of data and in particular personal data has to carry the utmost priority and indeed the report does address issues of 'wrongful interference', such as system hacking affecting an automated vehicle and its systems and then covers various specific data considerations in some detail.

The Law Commissions' report is very clear in highlighting the critical need for those controlling AV data to disclose that data to insurers where it is necessary to decide claims fairly and accurately, and to that end it recommends the introduction of a statutory duty of disclosure to that effect. It seems difficult to imagine how an insurer can provide a fair and reasoned assessment of accident circumstances and hence a fair and reasonable outcome for their customer, if there is no access to vital data connected with an incident.

Assuming that this disclosure of

data will be mandated, the interesting questions will then be in relation to the data itself:

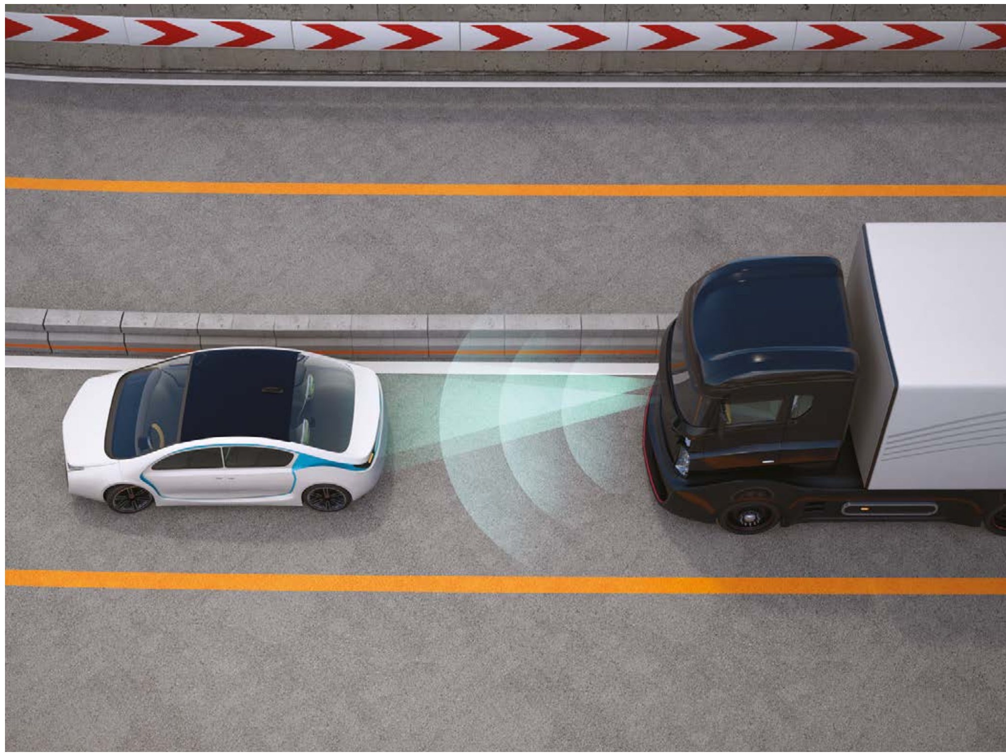
- What data will be shared?
- When will it be shared?
- Where will it be stored?
- How will it be used?
- How long will it be kept?

The data will be critical in understanding what has happened in an accident involving an AV, to help support the fair and accurate resolution of associated claims, but also from the view of safety for all road users, especially those 'vulnerable' road users identified through the new Highway Code hierarchical system. It will be essential that appropriate data is shared to enable any identified safety related improvements to be made, whether that be to AVs themselves or potentially the wider infrastructure that will be required.

Section 13.42 of the report confirms that there are currently no international standards for collision detection systems, but it seems clear that if all manufacturers will be duty bound to share AV data then it will have to be in a common format and compliant to standards relating to calibrated accuracy of the data and ease and consistency of interpretation – if not, then any analysis will become virtually impossible and the data therefore meaningless.

As with any potential road accident dispute, the ultimate recourse is by way of litigation through the court processes. Therefore, any data released will presumably have to be capable of being used as evidence and consequently in a format and to a standard that validates the very accuracy of the data itself and presents it in a consistent and understandable form.

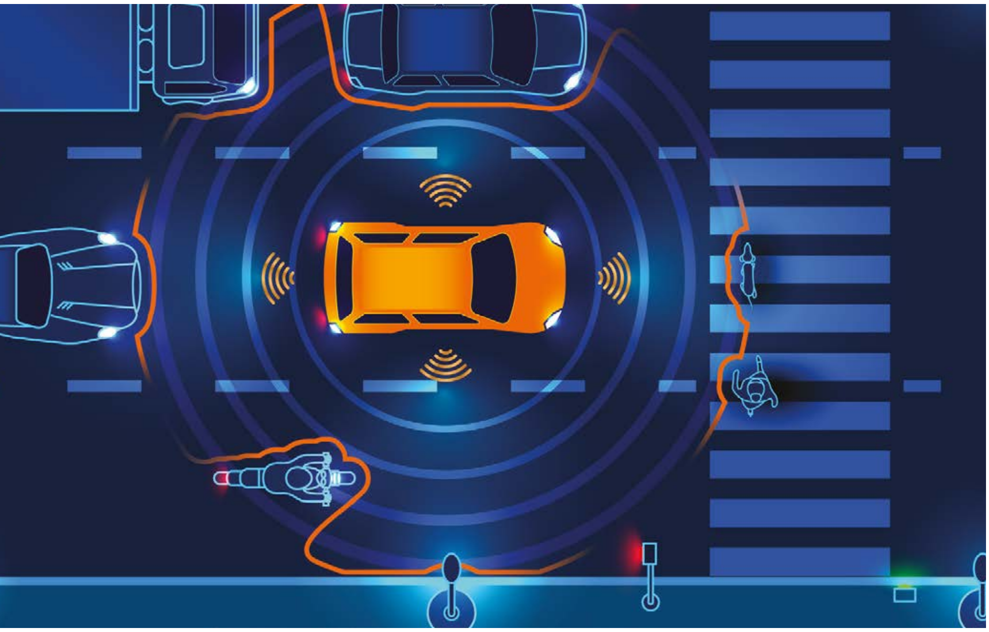
The nature of the data itself will undoubtedly be the subject of much ongoing debate and we can anticipate arguments from all sides that any given data set may be too broad or too narrow and that suggested retention periods will also be too short or too long. Insurers and vehicle users themselves will want to understand what has happened but the vehicle owners/users may be wary of too much of 'their' data being shared.



"Mercedes-Benz appears to have been the first manufacturer to recently announce that it will accept legal responsibility for collisions that occur in its vehicles fitted with the Level 3 ALKS, when the collision has been directly caused by a fault with its technology"

Vehicle manufacturers will want to discourage and avoid potential products liability 'fishing expeditions' from insurers attempting to clarify whether a system malfunction might have caused an accident, but there will need to be a balance struck so that insurers are comfortable that they will not have to pick up the cost of every AV accident because they cannot access sufficient data to pursue a manufacturer for product defect. All parties need to recognise that collaboration on this will be essential if a workable AV expansion strategy is to be pursued.

Until very recently, there has been what might only be described as 'radio silence' from vehicle manufacturers in relation to any public recognition of the need to share data and, more particularly, the need to recognise and take responsibility for any situations where an AV vehicle system defect or malfunction may be the cause of an accident. Mercedes-Benz appears to have been the first manufacturer to



"The report confirms that there are currently no international standards for collision detection systems, but it seems clear that if all manufacturers will be duty bound to share AV data then it will have to be in a common format and compliant to standards relating to calibrated accuracy of the data and ease and consistency of interpretation"

recently announce that it will accept legal responsibility for collisions that occur in its vehicles fitted with the Level 3 Automated Lane Keeping System, or ALKS, when the collision has been directly caused by a fault with its technology. A positive step but certainly highlighting the need for the appropriate data to be shared.

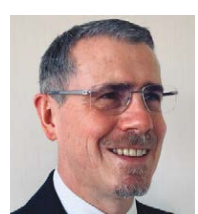
The data will need to validate certain basic components including location; whether in AV mode; speed; direction and detected collision information – will there be a place for dash-cam or other camera footage? Whatever the views at this stage, the Code of Practice on AV data will be vitally important and fundamental in shaping the future model for accident claims involving AVs. Furthermore, any protocols for data sharing will need to provide for that data sharing to happen at the earliest opportunity so that insurers and consumers are not left in limbo waiting for essential data to be delivered to enable liability assessments to be made.

Retention periods for holding the data have also attracted opposing views both from a privacy perspective but also the very real and practical challenges and expense of storing such massive volumes of data. The three years plus three months proposal should be seen as a sensible and pragmatic compromise.

As far as data retention is concerned, it then raises the question of where the data should be stored and who should control access to it. It seems sensible that there be a central repository from which the relevant parties can access the data and this also raises the possibility of building in protocols to encourage early data-sharing and streamline the evidential process and the claims process itself. As previously noted, there will also need to be some fairly stringent security protocols and procedures in place so that all parties can take a suitable degree of comfort that the data, whoever 'owns' it, will be safe and secure.

As if this were not complicated enough, the UK cannot stand in isolation in considering these challenges. As we emerge from the concerns and travel restrictions of Covid-19, many of us will once again want to drive to and across continental Europe, whether for holiday or business and similarly many like-minded folk in our European neighbours will want to drive to and throughout the UK. As we move into an era of driverless cars, how will all the data sharing and control challenges and considerations we've looked at be accommodated across international borders and multiple jurisdictions?

Overall, the challenges are many and complex with strong vested interests on all sides, but what is clear is that there is an opportunity to develop a workable and future-proofed AV data model which can help propel the UK to the forefront of the AV market. At every turn, the opportunities require a very pragmatic and collaborative approach from government, manufacturers and insurers. We can only hope that constructive discussions are already under way.



Calum McPhail is a consultant at Keoghs

A changing liability landscape

As our lives and work become increasingly digital, significant issues regarding the applicability of product liability law to software are being addressed. Daniel West takes a look at the pertinent developments

In the 21st Century, our lives are becoming more digital as we increasingly rely on connected devices, like mobile phones, automated vehicles and smart fridges, ie., products that use, and are often reliant on, software that can change over time – whether by a software update, artificial intelligence or machine learning.

Historically, the law has been slow to afford the same protections to software as it does to tangible products. As readers of *CIR* may be aware, the UK's Office for Product Safety and Standards recently sought the public's views on possible changes to UK product safety post-Brexit, including addressing new technologies; and, similarly, the European Commission's plans to remove obstacles to consumers bringing claims in respect of digital products.

Against this background, the Court of Justice of the European Union ruled that at least for the purpose of the Commercial Agents Directive (86/653/EEC), software can constitute goods (even if not supplied on a physical medium) – indicating the first shift towards a more modern approach to new technologies.

Software is not a tangible good or physical 'thing'. It might be supplied on a physical thing (such as a disc or pre-installed on a computer) but increasingly frequently it's downloaded; and product liability law developed before downloading was common. For instance, the law of contract has traditionally only afforded consumers with protection where software is supplied on a physical medium. Or, in the case of bespoke software, the creation itself might be considered a service which must be performed with reasonable care and skill. But this left a lacuna in the law for off-the-peg software that had not been supplied on a physical medium.

The issue was recognised in the Consumer Rights Act, which was introduced in October 2015, affording consumers new protections when purchasing "digital content" (defined as "data produced and supplied in a digital form") – which would include software.

Such protections mirror those previously afforded only to tangible goods – namely that the digital content must be of satisfactory quality, fit for purposes and as described. Curiously, the CRA does not seek to achieve this by extending or clarifying the definition of "goods" to include digital content, but instead gives "digital content" its own section – thereby tacitly acknowledging that "digital content" is something separate and distinct from goods.

Despite the introduction of the CRA, issues remain around the applicability of product liability law to software, including:

1. It remains unclear whether the definitions of "product" in the Consumer Protection Act 1987 and General Product Safety Regulations 2005 are intended to include software.
2. In a society where most people accept that software will contain bugs, it may be difficult to determine what level of safety is to be expected.
3. Currently, the safety of a product is determined at the point it is released to the market, but if a product can change throughout its lifecycle, then it's possible it could become unsafe later.
4. If a producer can update a product to make it safer then questions arise as to whether there is any obligation on it to do so, particularly if consumer expectations of safety change throughout a product's lifecycle.
5. If a product can change throughout its lifecycle then it is not clear when limitation should start to run in the context of a product that becomes unsafe; and the CRA appears to suggest that regardless of when a flaw is introduced, the limitation period will still run from the date the product was originally supplied – creating a possibility a flaw could be introduced into a product close to or after the six-year limitation period in contract, leaving the consumer without a claim.

Ongoing OPSS and EU reviews

The government created the OPSS in 2018 to deliver and improve consumer protection in the UK. In March 2021, the OPSS issued a call for evidence with a view to reforming the product safety framework, to ensure that it is fit for the future.

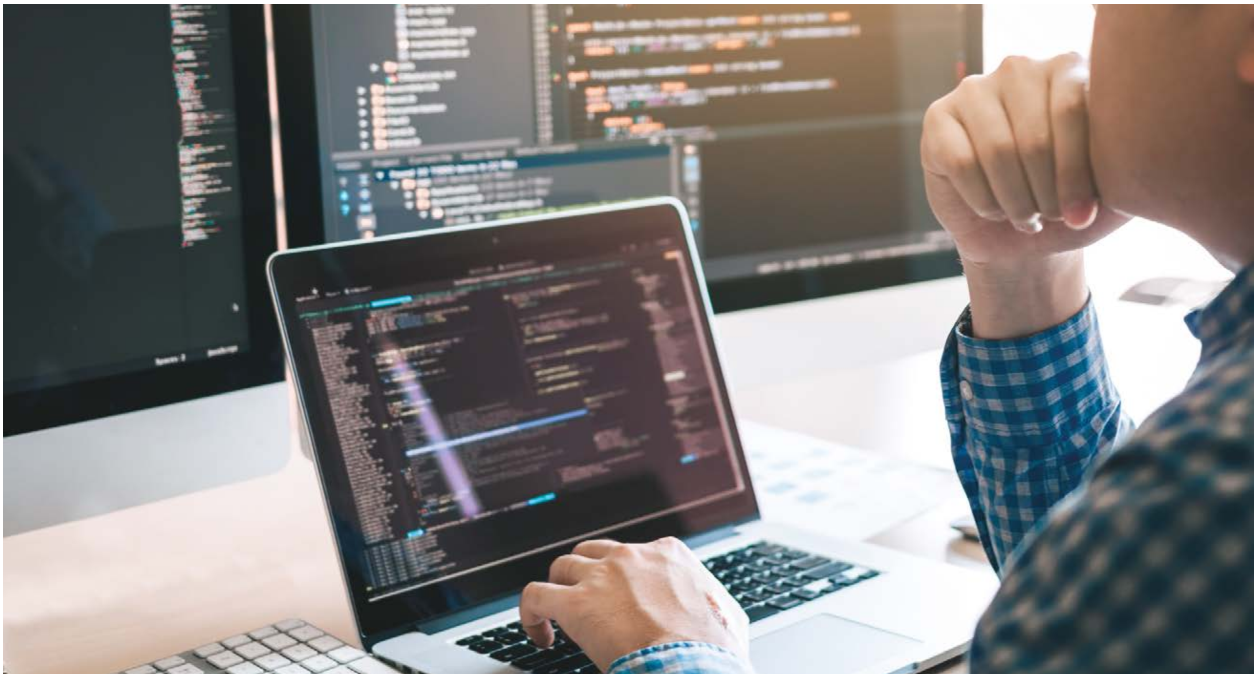
The call for evidence recognised that the "growth of internet-connected devices blurs the boundary between product and service, and between an individual product and a connected one", that "a growing number of products can now communicate with each other and us, learn and evolve in a way that was not envisioned when product regulations were drafted" and that "the interface of software and hardware blurs the boundaries of producer responsibility".

The response to the consultation, published in November 2021, acknowledged that "the current framework was designed for traditional products" and that clarity was needed with regard to "whether the definition of 'product' includes software, the requirements for software updates, and where liability lies". In this respect, the OPSS says it's working with the government "to understand the impact of AI on product safety and liability".

Whilst the UK has of course now left the EU and can set its own product liability rules, it is also worth noting what is happening at an EU level (particularly as the current framework is largely inherited from the UK's time as an EU member).

In 2018 the European Commission published a review of the Product Liability Directive, upon which the domestic Consumer Protection Act is based, and concluded that it remained an "adequate tool" but had criticisms regarding its applicability to interconnected, digital, autonomous and intelligent products – particularly where products can be changed or adapted throughout their lifecycle.

Consequently, the EC will revise



the PLD and recently closed its own public consultation. The amendments being considered include extending the PLD to cover software and digital content and defects resulting from changes made to a product after it has been released to the market.

The Software Incubator Ltd v Computer Associates (UK) Ltd

In the case of *The Software Incubator Ltd v Computer Associates (UK) Ltd*, the court was required to consider the Commercial Agents (Council Directive) Regulations 1993, which implemented the Commercial Agents Directive (86/653/EEC) in the UK. The purpose of this Directive and the subsequent 1993 Regulations is to provide protections for commercial agents selling 'goods'. The court was asked to determine whether software was goods.

The High Court found in 2016 that software was goods for the purposes of the 1993 Regulations. As such, the matter was appealed and in 2018 the Court of Appeal said that software was not goods. Despite acknowledging that the distinction between tangible and intangible goods "seems artificial in the modern age", the court said it could not ignore the judicial authorities maintaining the distinction. (The court acknowledged that the introduction of the CRA had proved the point by drawing a clear distinction between tangible, moveable items and digital content.)

The matter was appealed again to the Supreme Court which referred the issue to the CJEU. As a result, in September 2021 the CJEU confirmed that for the purposes of the specific Directive, software can constitute goods. The CJEU came to this conclusion because its own body of case law established that goods meant "products which can be valued in money and which are capable, as such, of forming the subject of commercial transactions". It followed that software fell within this definition. The final word of the Supreme Court is awaited.

There remain significant issues regarding the applicability of product liability law to software, particularly where it's downloaded and connected, or intelligent products that can change throughout their lifecycle. As a result, both the UK (via the OPSS) and the EU are carrying out separate reviews into how the current product liability regime can be made fit for purpose in the 21st century.

The CJEU's recent decision that software can (at least in some circumstances) constitute goods matches the shift at both domestic and EU level towards a more modern and dynamic approach to consumer protection.

Daniel West is a partner and head of product liability at Horwich Farrelly

CIR
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CIR Resilience Series:

Business Continuity in an Age of Disruption

AGENDA

09:00 – 09:30: Registration and refreshments

09:30 – 09:35: **Welcome address**
Deborah Ritchie, Group Editor, CIR Magazine

09:35 – 09:40: **Chair's opening remarks**
James Crask, Chair, International Organisation for Standardisation Committee

09:40 - 10:10: **Operational Resilience: Views from the Financial Sector**
Paul Williams, Former Head of Division for Operational Risk and Resilience, Bank of England

10:10 – 10:55: **Panel session: Redefining Resilience: How the Pandemic Has Reshaped Business Continuity Approaches**

Panel chair: Dr Chris Needham-Bennett, Managing Director, Needhams 1834

Panellists:

- **Warren Owens,** Head of Business Continuity, Network Rail
- **Maria Santacaterina,** Author, Adaptive Resillience
- **Geoff Trickey,** Consultant Psychologist, Psychological Consultancy
- **Dr Gianluca Pescaroli,** Lecturer in Business Continuity and Organisational Resilience, Director of the MSc in Risk, Disaster and Resilience Institute for Risk and Disaster Reduction, University College London

10:55 – 11:15: Coffee break

11:15 – 11:45: **In conversation with...**

Robin Smith, Head of Cyber and Information Security, Aston Martin

11:45 – 12:15: **An Independent Review of the Civil Contingencies Act and its Supporting Arrangements**

Kathy Settle, Deputy Leader, Independent Review of the CCA (on behalf of the National Preparedness Commission)

12:15 – 13:00: Lunch break

13:00 – 13:45 **Emerging Cyber Security Risk Trends, Challenges and Predictions through 2025**
Simon Newman, Head of Cyber and Business Services, Police Crime Prevention Initiatives
Mark Hendry, Director, Data Protection and Cyber Security, DWF LLP
Julia Graham, CEO, Airmic

- Emerging digital risks: deepfakes, AI, ML and potential new 'sleeping giants'
- New approaches to security in the remote working/hybrid environments
- New laws and regulation on the horizon

13:45 – 14:30: **Fireside Chat:** The Journey to the Future of Work
Magnus Falk, CIO Advisor, Zoom

14:30 -14:45 Coffee break

14:45 – 15:30: **Panel session: ESG: A new Era: Optimising ESG Strategy by Identifying Synergies**

Panel chair: Vanessa Podmore, Global Supply Chain Expert and NED, British Footwear Association

Panellists:

- Sue Millar, Partner, Stephenson Harwood LLP
- Glenn Ellis, ESG Ambassador, Airmic
- Dr Gianluca Pescaroli
- Dr Joerg Ruetschi, COO, Cosaic and Founding Partner, impactvise
- Kane Benham, Consulting Specialist, UK&I, CCH Tagetik

15:30 – 16:15: **Discussion: Building & Maintaining Supply Chain Resilience in Challenging Times**
Steve Cameron, Managing Director, Cameron Maritime Resources
Shelton Newsham, Information Security and Governance Advisor

- Supply chain disruption and trends
- Linking SCM with ESG
- Logistics in an on-demand world

16:15 – 16:30: Chair's closing remarks

16:30 – 17:30: Networking drinks

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The transportation industry faces a dizzying array of risks, with cyber among the most costly. CIR's latest podcast with sector experts at Tokio Marine HCC examined how the sector is coping when it comes to managing the risks

Cyber risk in transit

Cyber risk in transit

The transportation industry faces a dizzying array of risks, with cyber among the most costly. CIR's latest podcast with sector experts at Tokio Marine HCC examined how the sector is coping when it comes to managing these risks

Digitalisation, complex operational technology, increased connectivity, and slow adoption of standards and regulation make the transportation and logistics industries particularly vulnerable to cyber risk, with potentially significant ramifications for often vital infrastructure. How have the main exposures evolved?
Arnaud Lapillonne: Whilst the logistics industry has been slow to adopt digitalisation, the robotisation of warehouses, last mile optimisation and predictive maintenance for connected equipment have recently begun to drive speedy digital transformation. The downside to this progress is that digitalisation has exposed a series of inadequacies that make the industry extremely vulnerable to cyber attack. Whether in maritime, rail, trucking or logistics providers, all sectors are affected.

What are the main exposures?
Glyn Thoms: There are variations in exposure, depending on whether the business is airfreight, logistics, airlines, road, rail and so on. Data protection issues will be much greater for companies with direct customer-facing business, such as a commercial airline – much more so than would, say, a freight transportation company. But whether we're talking about land, sea, air or the transportation of people or goods, there is a time criticality to everything in this industry. Aviation operates on particularly tight timeframes, therefore network interruptions represent an especially critical exposure.

Importantly, most of the subsets of the transportation sector are considered part of vital global infrastructure, therefore the potential implications of a cyber attack are enormous, and often enduring – the recent Suez Canal blockage being just one recent high-profile example.

What are the most commonly underestimated exposures?
Xavier Marguinaud: A combination of legacy OT systems and the increased use of connected endpoints via IoT are key concerns, as security products are mainly focused on traditional IT rather than OT. The dangerous combination of new, poorly secured IoT devices and old, poorly updated OT systems presents numerous opportunities for hackers. Additionally, as a result of digitalisation, the logistics industry is starting to generate a huge amount of structured and unstructured data, which are usually strategic. Finally, the presence of multiple stakeholders and third party vendors in the logistics supply chain emphasise vulnerability. Cloud only increases exposure.

Isaac Guasch: In general terms, a supply chain attack is a combination of at least two attacks. The first attack is on the supplier side; the second on the final target to gain access to its assets. The target can be the final customer or another supplier. These are complex to handle and to mitigate. The mere fact that at least two organisational entities are affected complicates the handling of an incident, forensic analysis and overall management of the incident.

Turning to underwriting, what key elements would be taken into consideration when assessing the risk management maturity of an organisation in this industry?
XM: We expect organisations to have complete transparency and visibility to manage risks in their environment. The first step should be a comprehensive risk assessment. This should include an audit of the network, applications and security protocols. Companies need to categorise and list the number of devices within the network; detect particular risks associated and understand how sensitive the data they produce is. Secondly, they should identify vulnerabilities affecting them. With regards to IoT end point data collection, we expect organisations to conduct vulnerability scans and pen test the potential threats and existing breaches. Thirdly, network segmentation and Zero Trust are key to a secured network layer.

How do you determine the appropriate level of coverage?
GT: Insuring a cyber-physical asset is more straightforward because the value is easier to calculate. Intangible assets like data and systems are more challenging. To answer that question, we would consider scenario analysis to analyse the potential severity, and maximum probable loss. There is much more external loss data available today to help understand what comparable exposure looks like. Peer benchmarking also offers a good data point for a lot of our clients. I would also consider the company's risk appetite, as we all have to accept

that companies don't have unlimited budgets.

What are the most valuable risk management procedures that can be put in place?

GT: The management of critical OT and legacy systems is vital, due to the high reliance on them within the transportation sector, which typically demands high resilience and high availability. Managing immediate operational exposure, and at the same time developing longer term plans to continue improving that availability and resilience are key here. Secondly, identifying and managing reliance on a third party supply chain can have a huge impact on the ability of a transportation company to continue undertaking its business. A lot of our clients focus on identifying who the key providers are, and how the potential risk they present could be managed – whether that's contractually or through any other means. Finally, managing regulatory risk is of course essential.

Can you illustrate what can go wrong when the appropriate measures are found to be lacking?

IG: One of the biggest supply chain incidents we have seen recently in the transportation industry took place in March 2021. SITA Company is one of the largest aviation IT companies and provides IT and telecoms services to around 2,500 customers, has a presence at more than 1,000 airports, and claims to serve around 90 per cent of international destinations. The attack they suffered was a data security incident involving passenger data being stored on one SITA passenger service system server. These systems are used by airline companies for passenger processing purposes such as boarding as well as for passenger flow management in airports. As a consequence, multiple airlines were affected simultaneously, and customer data was exposed. Although SITA did not confirm the volume of the data leak, according to the official site, one billion passengers per year use SITA boarding services.

In a separate incident, a global phishing campaign was targeted at the Covid-19 vaccine cold chain. In this case, the phishing e-mails contained malicious XTML attachments that opened locally, prompting recipients to enter their credentials to view the file. An assessment carried out by IBM suggested that the purpose of this campaign may have been to harvest credentials to gain future, unauthorised access. From there, the adversary could gain insight into internal communications, as well as the process methods and plans to distribute Covid-19 vaccines.

AL: Cyber attacks used to occur every few years in the logistics sector; now there may be two major attacks every month. The May 2021 shutdown of the Colonial pipeline could cost some US$50 million. Other attacks may receive little press attention, but often involve high levels of disruption. Better technology can help, and well trained staff should be the first line of defence.

What are the most relevant incident response considerations?

GT: This varies. A data breach for an airline requires something very different to a system failure leading to a ship being stranded at sea, for example. But having a plan and testing it is critical. Initial response could be critical to managing the longer term impact and implications of a cyber event, so having the right response providers – relative to the sector and type of incident – in place, with contracts, is vital.

XM: In every segment of the transport and logistics industry, attack numbers are rising, as increasingly connected networks make tempting targets. Some networks are made even more vulnerable because remote access is poorly secured, leaving OT equipment vulnerable to hacking. In traditional transport companies, the equipment is not often modernised to be compatible with strict security protocols.

What's on the horizon in the sector?

XM: The transport industry really suffers from a lack of regulations and standards, although this is changing with the arrival of the European NIS Directive, and new standards from the International Maritime Organisation. Those regulations attempt to enforce minimum standards to protect companies' most sensitive data and operations, in particular customer records and shipping information.

Glyn Thoms
Head of FINEX GB Cyber & TMT
WTW

Isaac Guasch
Cyber Security Specialist
Tokio Marine HCC

Arnaud Lapillonne
Cyber Senior Underwriter - Continental Europe
Tokio Marine HCC

Xavier Marguinaud
Head of Cyber
Tokio Marine HCC


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NATIONAL INSURANCE AWARDS 2022

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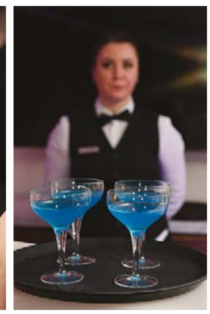









NATIONAL INSURANCE AWARDS 2022

NIA22 winners

Commercial Lines Broker of the Year
Winner: Ascend Broking

Commercial Lines Broker Claims Team of the Year
Winner: Addingstone Insurance Solutions

Commercial Lines Insurer of the Year
Winner: Direct Line Business Insurance

Commercial Lines Insurer Claims Team of the Year
Winner: NPA Insurance

Commercial Lines Specialist Broker of the Year
Winner: Caring Profession Division, Towergate Insurance

Personal Lines Broker of the Year
Winner: Paymentshield

Travel Insurance Award
Winner: Columbus Direct

Claims Initiative of the Year
Winner: Copart UK & AXA Guidewire

Schemes Broker of the Year
Winner: Stanmore Insurance Brokers

Cyber Product of the Year
Winner: Chubb

InsurTech Award
Winner: Horwich Farrelly

Pet Insurance Award
Winner: Petsure

Loss Adjusting Award
Winner: QuestGates - Hyperion Adjusters Division

Insurance Recruiter of the Year
Winner: Boxtree Recruitment Limited

InsurTech Award - Motor/Fleet
Winner: VisionTrack

InsurTech Award - Networks
Winner: CDL

Communications Team of the Year
Winner: battleface and LOTUS

Innovative Product Award
Winner: Chubb

Innovative Product Award - Technology
Winner: My Portal, InsureTec.com
Highly Commended: Honcho Markets

Initiative of the Year
Winner: WTW

ESG Award
Winner: The Texel Group

Growth Company of the Year
Winner: Jensten Group

Insurance Law Award
Winner: Mishcon de Reya

Digital Insurance Award
Winner: Superscript

Inclusion and Diversity Award
Winner: Browne Jacobson

Inclusion and Diversity Award

The award-winning team at Browne Jacobson, pictured with head of the Climate and Resilience Hub at WTW Rowan Douglas CBE; and awards host Zoe Lyons

NATIONAL INSURANCE AWARDS 2022 WINNER

Inclusion and Diversity Award

Winner Browne Jacobson

The judges: In this highly competitive and topical category, our judges were impressed by Browne Jacobson's genuine ethos, and its real achievements in creating equitable opportunities for all.

The entry: Browne Jacobson are trusted legal advisers to the insurance sector, specialising in resolving casualty and specialty claims, corporate transactions and regulation. The firm is committed to addressing social mobility, diversity and inclusion in the insurance legal profession.

Its work experience programme, FAIRE, and focused outreach work sit seamlessly alongside extensive use of virtual technology and forensic data analysis – resulting in its recent Top Five Leading Employer ranking by the Social Mobility Foundation.

The firm's refreshing and unconventional approach to equity, diversity and inclusion has genuinely broken barriers by removing limitations and creating opportunities.

Some of the key measures introduced by the firm have included:

- Launching FAIRE (Fairer Access into Real Experience) – a unique programme where 50 per cent of internships are ring-fenced exclusively for candidates from lower socio-economic backgrounds, guaranteeing a minimum of 40 paid placements.

- Auditing the recruitment process to identify where applicants from low socio-economic backgrounds fall down and implementing impactful changes and support programmes to create a fairer playing field.

- Employing a dedicated equity, diversity and inclusion specialist associate into the insurance practice.

The winner: Commenting on the win, Jonathan Newbold, head of Browne Jacobson's Financial Services and Insurance Group, said: "Browne Jacobson are delighted to receive the Inclusion and Diversity Award at the National Insurance Awards 2022.

"This award is a recognition of the incredible work everyone at Browne Jacobson has undertaken in actively changing the narrative and creating solutions to attract a diverse pool of talented candidates to the insurance legal space.

"The strength of the shortlist this year highlights some of the fantastic initiatives that are helping to make the UK insurance industry more diverse and inclusive. By placing the spotlight on initiatives such as FAIRE we hope to inspire others to do more in making their organisations and the sector more diverse and inclusive."

brownejacobson.com

brownejacobson LLP

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Claims expertise protecting business every step of the way.

To talk to someone on our team call 01727 858687

NPA INSURANCE

peach pi
A brand of NPAI

Commercial Lines Insurer Claims Team of the Year

Alex Buchanan, general counsel, NPA Insurance; pictured with Gill White, chief customer officer at the Chartered Insurance Institute; and awards host Zoe Lyons

Winner NPA Insurance

The judges: Our judges were impressed by NPA Insurance's commitment to customer service excellence, as it demonstrated clearly how it developed flexible solutions to support clients during the pandemic.

The entry: NPA Insurance has been protecting community pharmacy since 1899 and is a wholly owned subsidiary of National Pharmacy Association. The NPA Insurance claims team comprises five legally qualified lawyers and a legal administrator. It manages around 500 claims a year across professional indemnity, public liability and employers' liability. Direct access to legal expertise from first point of contact provides policyholders with informed advice on any issue, from civil and criminal claims to contractual and regulatory concerns, aiming to offer prompt decisions throughout the process. Agile, and with the flexibility to provide bespoke claims solutions, NPAI's qualified lawyers have the autonomy to make quick and informed decisions. The intimate size of the team fosters open and regular communications. Timely discussion is initiated to debate and establish stances on emerging jeopardies – critical over the course of the last year when dealing with previously unknown risks such as those brought about by the pandemic.

NATIONAL INSURANCE AWARDS 2022

WINNER

Commercial Lines Insurer Claims Team of the Year

The winner: Commenting on the win, Lisa Banks, chief operating officer at NPA Insurance, said: "The whole team at NPA Insurance is delighted to have won this award in recognition of our efforts to provide members and customers with the high level of personalised claims support they deserve. Our holistic legal and claims led approach to risk management, which differentiates us from other claims teams, is delivered by legally qualified lawyers with over one hundred years' specialist pharmacy and clinical negligence experience. This accolade is a reflection on the way our business embraces the philosophy of putting claims as a product at the heart of its customer service proposition.

"Winning this award is testament to the team's ability to respond dynamically and empathetically to the rapidly evolving operating environment pharmacists have found themselves in. In addition to offering protection against the familiar risks faced during 'business as usual', the team adapted quickly to the pandemic, factoring in additional support and emergency responses to ensure our customers could remain open for business. The last two years have been particularly challenging for the NPAI claims team, presenting unforeseen perils that tested everybody's attitude to risk.

"Our award winning claims provision is now also available to the wider health, wellbeing and lifestyle sector through our niche commercial insurance brand Peach Pi."

npa.co.uk/insurance

NPA Insurance

NATIONAL INSURANCE AWARDS 2022

Pet Insurance Award

Andrew Simpson, pet product manager, Petsure; pictured with Mark Evans, publishing director, CIR Magazine and Insurance Today, and awards host Zoe Lyons

Winner Petsure

The judges: This is a great new product in a niche and sensitive market, and it gets some great feedback from customers.

The entry: Petsure is a new pet insurance provider developed by parent company Staysure, which was formed in 2004 to provide cover for individuals with medical conditions. Similarly, Petsure offers insurance for pets with pre-existing medical conditions – a traditionally difficult area in which to find cover.

The Petsure product offers cover for vet fee limits up to £15,000, and does not impose any restrictions or compulsory excesses/ co-payments on the pet due to its medical conditions or age.

An online MyPetsure account area and a customer help centre features a growing amount of help and information for pet owners, with a new claims portal in development.

Free, 24/7 access to FirstVet, a video veterinary advice service with UK vets comes as standard for all Petsure customers. A partnership with charity Blue Cross further provides dedicated help and support for customers facing the loss of a pet. Further, the Petsure Blog provides useful hints and tips to pet owners.

NATIONAL INSURANCE AWARDS 2022
WINNER

Pet Insurance Award

The winner: Commenting on the win, Andrew Simpson, pet product manager at Petsure, said: "Petsure is delighted to have won the Pet Insurance Award at the 2022 National Insurance Awards. As newcomers to the industry (having only launched in July 2021), it's a huge achievement to have our first award under our collar, before we've even turned one.

Pets should be treated fairly and we're fighting for more inclusive insurance through our lifetime pet policies. As disrupters to the market, we're proud to say that we've already offered pre-existing conditions cover for hundreds of pets. We remain one of the first providers able to do this and will continue to put our pet customers first, even if they're older or have existing illnesses.

"And we're not stopping there. As we reach our first birthday in July, we'll be inviting customers to renew their policies with us via a streamlined digital approach. Looking to the future, we're focusing on enhancing our digital journey, including a more sophisticated system for assessing pre-existing conditions. This will help us to offer tailored cover for even more pets, many of whom have been turned away by other providers. After all, we don't see underdogs."

petsure.com

Petsure

Industry views

The pandemic, global warming and now the war in Ukraine have forced organisations to rethink how they keep up with the speed of new risks emerging, the profile of risks changing, and how risk management practices must adapt as a result. Gone are the days when a board reviewed its principal risks on an annual basis. Managing risk today must be a dynamic and continuous process – as well as on every board meeting agenda. It cannot be written up as part of a glossy annual report, then put away for the rest of the year.

We're all familiar with geopolitical risks but tensions between states that impact the normal and peaceful course of international relations has typically been in the distance. Three months after Russia invaded Ukraine, we're facing the most severe geopolitical threat since World War Two and an escalation and unpredictability in the turn of events which has, and will continue to, touch us all.

As the frequency of global turbulence increases, the approach and the techniques used to manage risk are changing. Organisations should step up their use of scenario analysis to understand the emergence and the consequences of risks. They can then use the outputs to inform ambiguities and identify any connectivity between risks, and as the basis for designing controls – including response plans and rehearsals for when things go wrong.

The economic damage from the conflict in Ukraine will contribute to a significant slowdown in global growth in 2022, and will exacerbate inflation. The longer and deeper the crisis, the greater the risk that the impact on the insurance industry will shift from a balance sheet event to one with a negative impact on reserves. This year the industry had started to show some green shoots of recovery following more than two years of higher premium rates and restrictions in cover, but this scenario will see a continuation of tough times for some customers who had hoped for some easing in the negative pressure on their insurance covers.

Julia Graham is CEO of Airmic

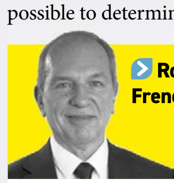
In association with airmic

The war in Ukraine has had a significant impact on the global insurance market, and the French market will be no exception. From a French perspective, the main effects will be losses sustained owing to their operations in the Russian market, and exposure to direct claims arising from losses in Ukraine.

According to a recent publication by the French insurance journal, *L'Argus de l'Assurance*, approximately 160 French commercial companies operate in Ukraine that are exposed to material and economic damages arising from the war. Most of these companies would be insured by French insurers under standard property policies. The question then arises as to whether losses caused by the outbreak of war are covered by a standard property loss insurance contract. Typically, such losses would be excluded from cover under the war exclusion included in the policy or by legal statute.

In view of the rising tensions between Ukraine and Russia over the past few years, many French companies operating in Ukraine have taken out political risk and political violence policies to protect tangible and intangible assets located in this geopolitically unstable country. The political risk policy corresponds to "all events or decisions of a political or administrative nature, whether national or international, that could lead to economic, commercial or financial losses for the company, whether importing or exporting, or investing abroad". War, terrorism and riot are political risks. This policy generally covers losses caused by economic sanctions. The political violence policy is triggered by property damage caused by an attack. The only war exclusion under these two policies is related to a war involving two of the five permanent members of the UN Security Council. Nevertheless, it is sometimes difficult to make a distinction between these two policies because they both cover war risks and are complementary.

Other direct claims arising out of the war may result from cyber risks. There is an insurance gap relating to cyber risks because insurers typically exclude acts of cyber warfare. This exclusion is, however, open to interpretation as it is not always possible to determine what constitutes cyber warfare.



Robert Byrd is a partner at French law firm Byrd & Associates

In association with GLOBAL INSURANCE LAW CONNECT

What's your view? Email the editor at deborah.ritchie@cirmagazine.com

Like most children I was taught at an early age that lying is a bad thing. I should always tell the truth. As they grow up, children also learn that truth is a social construct. Some lies are acceptable when they spare another's feelings, and not every truth, view, or opinion merits being shared. What my parents really meant is that I should be honest with them when they asked me a question about something I had done.

Many arguments are not about empirical truth. The same facts can lead to different interpretations, some more defensible than others. The search for truth should be a search for common understanding.

Hannah Arendt wrote that the great success of Stalinism among intellectuals was replacing the debate about the merits of a position or argument with a challenge about motive. The truth or otherwise of a point of view is then not disputed but dismissed and ignored based on the perceived intent of the person making the argument. This deflection is a common political trick – in the UK, for example, it was used to create a gulf of misunderstanding about the consequences of leaving the EU between Brexiteers and Remainers. Each group dismissed the ideas of the other because of their allegiance.

Political scandals about lies are nothing new. I'm looking forward to seeing *Gaslit*, based on the podcast *Slow Burn*, which tells the story of Watergate. When actor Dan Stevens (who plays a White House lawyer) appeared on *The One Show* recently he summarised the plotline as having "a criminal for a leader who is wrapped in a messy war, embroiled in a stupid scandal, and surrounded by ambitious idiots" before drawing a comparison with Boris Johnson's Partygate.

Christopher Hitchens' excellent book on Bill Clinton *No One Left to Lie To,* first published in 1999, argues with typical panache that Clinton was a serial liar surrounded by sycophantic yes-men. The Monica Lewinsky affair was simply the lie that caught public attention, leading to impeachment by the House but acquittal by the Senate.

People often understand the cover up, the lie, better than they understand the original offence.

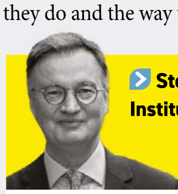
So why does this matter? Because the behaviour of those in authority shapes the behaviour and culture of others. This in itself becomes a risk, as effective enterprise risk management requires honest, fact-based argument about things that are often unknown. If being truthful and honest matters less, the risk of ethical fading in an organisation's culture becomes higher.

Ethical fading happens when our innate psychological tendencies cause us to engage in self-deception. It manifests, for example, in euphemism, maybe not of the deceptive scale of calling an invasion a 'special military operation', but along exactly the same principles – intended to make it easier to ignore the reality of an action.

Ethical fading is often a slippery slope – think Shakespeare's "primrose path of dalliance" – where each step seems small enough to be OK with, and the numbing effect of repetition, as in Trump's 'Big Lie'.

Risk managers are an essential part of building and strengthening organisational culture. Effective risk management requires honesty, clear assessment, listening, challenging, seeking other and different perspectives, accountability and accepting the limitations of our own experience.

At a time when truth and honesty are under assault in our society and the world at large, risk managers need to make sure these behaviours are explicitly reinforced through the work they do and the way they do it.



Stephen Sidebottom is chairman of the Institute of Risk Management

In association with irm

Pandemic drops out of top three financial risks

The UK financial sector's view of current key risks has shifted, according to a new Bank of England survey, with cyber, geopolitical and inflation-related concerns topping the list. We look at the highlights of the BoE's latest poll

The view of current risks has shifted, according to the Bank of England's latest systemic risk survey of market participants which asked how confident they are in the UK financial system and what risks they think the system is facing.

Cyber attack risk and geopolitical risk remain among the top three most cited risks, as they have been since the H1 2017 survey.

However, pandemic risk is no longer a top three risk among survey participants, with most firms now citing inflation risk in its place. The percentage of participants listing UK political risk as a key risk fell to its lowest level since the EU referendum with 26 per cent of respondents flagging this.

The largest change since the H2 2021 survey was also around inflation risk, becoming one of the top five risk concerns for the first time since the survey began in 2008. It was mentioned as a key risk by 33 per cent of respondents in H2 2021. This has now risen to 63 per cent.

Climate risk is increasingly viewed as a key risk to the UK financial system. In the recent survey, climate risk was referenced by 24 per cent of respondents and captured concerns around physical, transitional and environmental risks. However, no respondents cited this as a number one source of risk.

The BoE's survey ran between 24th January and 14th February, concluding before the Russian invasion of Ukraine.

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Working along the lines of the NIST Framework, we focus on reducing the risk of disastrous events and mitigating the impact of these events when they do happen.

Our services span:

- Advisory (BC and Cybersecurity)
- Managed Services (Endpoint Detection and Response – ED&R, Virtual CISO)
- Solutions (ED&R, Threat Correlated Vuln Management, Identity, Insider Threat)
- Infrastructure Services (DRaaS, BaaS and Workplace Recovery)

We focus on delivering high quality services and those with a high ROI.

BUSINESS CONTINUITY LOGISTICS

CMAC Business Continuity Transport
The Globe Centre, St James Square,
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Contact: Ashley Seed

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bctenquiries@cmacgroup.co.uk
www.businesscontinuitytransport.com
Twitter: https://twitter.com/CMACgroupUK
Linkedin: https://www.linkedin.com/company/10540515/

CMAC Business Continuity Transport makes moving your people safely, simple. We believe that everyone should be moved safely, whether it is in an emergency or as a planned exercise. We want everyone to feel secure in the knowledge that if they can no longer work at their usual location, they will be safely moved, just by making one phone call to our 24/7/365 call centre. We were established in 2007 and have become the UK's leading dedicated provider of business continuity transport.

RISK MANAGEMENT SOFTWARE SOLUTIONS

Origami Risk
150 Minories, London
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Tel: 01617 917740

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Origami Risk provides integrated SaaS risk, insurance, and safety solutions to private and public entities, brokers and risk consultants, insurers, TPAs, and more.

Delivered from a single platform that is fast, secure, and completely scalable, Origami Risk's RMIS, GRC, EHS, Policy Administration, Claims Administration, and Healthcare Risk Management solutions incorporate easy-to-use analytics and digital-engagement tools — including portals, dashboards, and reports.

Highly configurable, the multi-tenant Origami Risk platform allows for seamless integrations with third-party enterprise software systems and the tailoring of solutions that meet client-specific requirements and workflows without the need for costly, time-consuming custom development.

All of Origami Risk's solutions are supported by an experienced service team that possesses a balance of industry-specific knowledge and technological expertise.

RISK MANAGEMENT SOFTWARE SOLUTIONS

PROTECHT
Redefining Risk

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Twitter: twitter.com/Protecht_Risk

YouTube: www.youtube.com/user/ProtechtPtyLtd

Protecht is a pioneer of the risk sector. We supercharge organisations through deep understanding, monitoring and management of risk.

Protecht.ERM is an integrated enterprise wide risk management software solution, supported with training and advisory services, for any size organisation across the world.

Dynamically manage all your risks in a single platform: Risks, Compliance, Health and Safety, Internal Audit, Incidents, KRIs, BCP, and more.

- Move away from time consuming processes like excel and email.
- Have the flexibility to configure your breach and obligation registers and workflows to suit your organisation needs
- Engage your organisation in a way and time that suits them through the Protecht.ERM mobile app.
- Link important risks across your organisation and highlight systemic issues through central libraries
- Communicate effectively and professionally to risk committees, boards and business stakeholders using customisable visual reports
- All your Risk Information in Real Time, in One Place

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riskHive
Software Solutions

riskHive Software Solutions Ltd
Dilkush, Farlers End, Bristol, North Somerset, UK BS48 4PG

Contact: Ian Baker or Rebecca Cope-Lewis

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Linkedin: www.linkedin.com/company/riskhive
Twitter: @riskhive
YouTube: www.youtube.com/channel/UCGDHhXKtohhLbmIM37gzF7w

riskHive's IRM platform is a 'no-compromise' solution to the challenges of implementing agile Integrated Risk Management with apps that will start working NOW, not in 2 years' time

With the mature and award-winning ERM v6 application at its core, you can very rapidly specify and design any number of integrated applications, workflows, functions and dashboards.

More can be added very quickly as your regulatory risk process evolves or changes in response to new requirements.

We know that developing a capability means going on a journey which is different for every company and 'one size' does not fit all.

That's why our flexible solution is the only one which is trusted by some of the worlds' biggest and most significant organizations to be hyper-configurable to meet your needs; whatever they are now and in the future.

Please get in touch to free yourself from the costs and constraints of regular GRC.