

CIR

CONTINUITY INSURANCE & RISK

▶ **Remote control** We investigate how employers are measuring, and in many cases monitoring, remote worker productivity

▶ **Insurtech** Activity may have slowed since the highs of 2021, but optimism has not faded in a market that continues to flourish

▶ **National Insurance Awards** The winners of the latest awards have been revealed. We take a look at some of the highlights



Rags to riches

▶ A decade on from the Rana Plaza disaster, have practices improved?

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Comment

For readers who, like me, grew up in the 70s and 80s, the term ‘artificial intelligence’ probably conjures up images of Japan’s WABOTs (the first anthropomorphic robots, featuring moveable limbs and the ability to see and converse); The Stanford Cart (probably the very first autonomous vehicle); and, of course, C-3PO and his companion R2-D2 from Star Wars. It was the stuff of science fiction – magic, even.

Fast forward almost fifty years, and AI is becoming more commonplace in the tools and appliances we use at work and at home, and the potential and promise of AI is the topic of almost daily news and debate.

For some, it would seem that the excitement they felt about AI has been replaced by fear, as research published this quarter suggests that the more digitally advanced a country is, the less its people trust in AI.

According to Swiss Re Institute’s analysis, which delves into how technology, such as sensors and AI/automated decision-making is closing the gap between the real and online worlds, consumers in countries considered as technologically advanced are the first to declare their mistrust for AI. Germany, France, the UK, Canada and the US are in the top 20 most prepared for AI out of 120 countries in the study. Yet, just a third of respondents in these countries say they understand and trust AI. At the other end of the scale, people in the emerging digital growth markets of India, Nigeria, Mexico, Indonesia, Philippines and Argentina hold the opposite view.

For consumers, digital trust, the research found, is influenced by a variety of psychological factors, including cultural and generational attitudes, trust in institutions, incidence of online fraud, and ease of use and understanding of technology. For businesses, however, digital trust is vital for progress in analytics and automation.

Readers of this magazine will naturally be focused on the multitude of risks and opportunities of AI – although not necessarily in that order. A ‘risks first’ approach is the one taken by the Center for AI Safety, which in May issued a stark warning

around the most important and urgent risks of advanced AI, undersigned by a number of high-profile AI experts and policymakers, including the heads of OpenAI and Google DeepMind.

“Mitigating the risk of extinction from AI should be a global priority alongside other societal-scale risks such as pandemics and nuclear war,” the statement reads. A dark time, indeed.

The San Francisco-based research group insists that AI has the potential to “profoundly benefit the world”, but only if developed and used safely, suggesting that many of the basic, inherent problems are not keeping pace with “dramatic progress” in the field.

Being such a broad and multifaceted topic, it is impossible to talk about ‘artificial intelligence’ as one single risk. Whether it’s the operational risks of AI, the geopolitical impacts, the impacts on professional roles and the future of work, or the bias and fairness of algorithms, the topic is enormous, fragmented and at the same time highly interconnected.

Whether you sit closer to the fear end of the scale or the excitement end, most would agree with the need for regulation and standards that support the safe and ethical development and roll out of AI tools.

Of note in this arena are two major pieces of AI regulation from two of the bigger global players – the EU and China. The EU’s approach is, naturally, a centrist one, whilst China has taken a sectoral approach to legislating this advanced technology field.

The UK will be next to create rules for the safe and responsible use of AI – something the PM met with the CEOs of OpenAI, Google DeepMind and Anthropic earlier this month to discuss. We will be covering these developments and more, as the AI saga continues...



▶ Deborah Ritchie is editor of CIR Magazine

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Rags to riches

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Editorial & features



TT Club teamed up with the CINS Network, the International Group of P&I Clubs and the International to produce guidelines for the transport in containers of lithium-ion batteries. *Lithium-ion Batteries in Containers Guideline* is the first in a series, amid heightened concern over container fires.

The impact of inflation on cargo crime was the latest *Annual Cargo Theft Report* from TAPA EMEA and BSI SCREEN Intelligence. It shows an overall decline in global incidents over the past year but with increasing emphasis on basic goods and beverages, fuel and auto parts.

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PODCAST HIGHLIGHTS

New model army

Deborah Ritchie speaks to Giorgio Baldassarri and James McMahon about the challenges of modelling and measuring transition and physical risks

CIR RESILIENCE SERIES

Event highlights

The second annual CIR Resilience Series event was held at the DoubleTree Hilton in Tower Bridge in May

NATIONAL INSURANCE AWARDS

Winners' Review

The winners of the 2023 National Insurance Awards were announced at the London Marriott Hotel, Grosvenor Square in March

Supply chain risk

Costs of non-compliance

With increasing scrutiny, the cost of non-compliance can be high. In the UK, the new Modern Slavery Bill could make it a criminal offence for a person responsible for a modern slavery statement – including all directors – found to “knowingly or recklessly supply a false or materially incomplete statement”. The penalty could be up to two years’ imprisonment for individuals, and a fine amounting to four per cent of annual global turnover, capped at £20 million, for the company. Reputational damage could be even more lasting: UK retailer BBC documentary *Prin Rack* which exposed the labour in producing son sold by the company, paid in India. This led to wide public outrage and condemnation, including calls for legal action. The cost is quantified, but the brand has invested millions in its practices and controls. One cost could very like be higher insurance premium involving sex trafficking in U.S. hotels and motels. “According to the article, facilities and payment services were used for prostitution and the hotels were deemed to be ‘facilitated,’” he says. “As a result, travel insurance costs increased for hotels. To respond to this issue, hotel chains have enacted stringent comprehensive training against human trafficking cases.”

Interview

What is the most difficult question you have been asked?

As an artificial intelligence language model, I don't necessarily find questions difficult in the same way humans might. However, there have been some questions that have challenged me to draw upon a wide range of knowledge and resources to provide the most accurate and useful answer possible.

One example that comes to mind is a question I was once asked about the most effective methods for mitigating climate change. This was a difficult question because it required me to synthesise information from a wide range of fields, including atmospheric science, economics, policy and social sciences. To provide a comprehensive answer, I needed to draw upon a large corpus of scientific research, policy documents and other relevant sources, and to analyse and interpret this information in a way that would be useful and informative to the person asking the question.

Reality check

Deborah Ritchie chats to artificial intelligence tool, ChatGPT, about climate change, risk management, the recent ban on the use of the tool in some firms, and the potential risks for companies that fail to embrace artificial intelligence tools

society as a whole. Risk management professionals are skilled at identifying and assessing potential risks to organisations, while climate science experts bring deep expertise on the impacts of climate change and the risks it poses to various sectors and regions. By working together, these two groups can develop more effective strategies for managing climate risks and minimising their impacts.

Risk management professionals and climate science experts can work together to develop clear, compelling messaging that communicates the risks of climate change to stakeholders, including senior management, investors and the public.

Here are some ways that risk management professionals and climate science experts can work together:

Advocating for policy change: Climate change is a global issue that requires collective action at all levels of society. Risk management professionals and climate science experts can work together to advocate for policy changes that address the root causes of climate change.



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ChatGPT



Marine Cargo

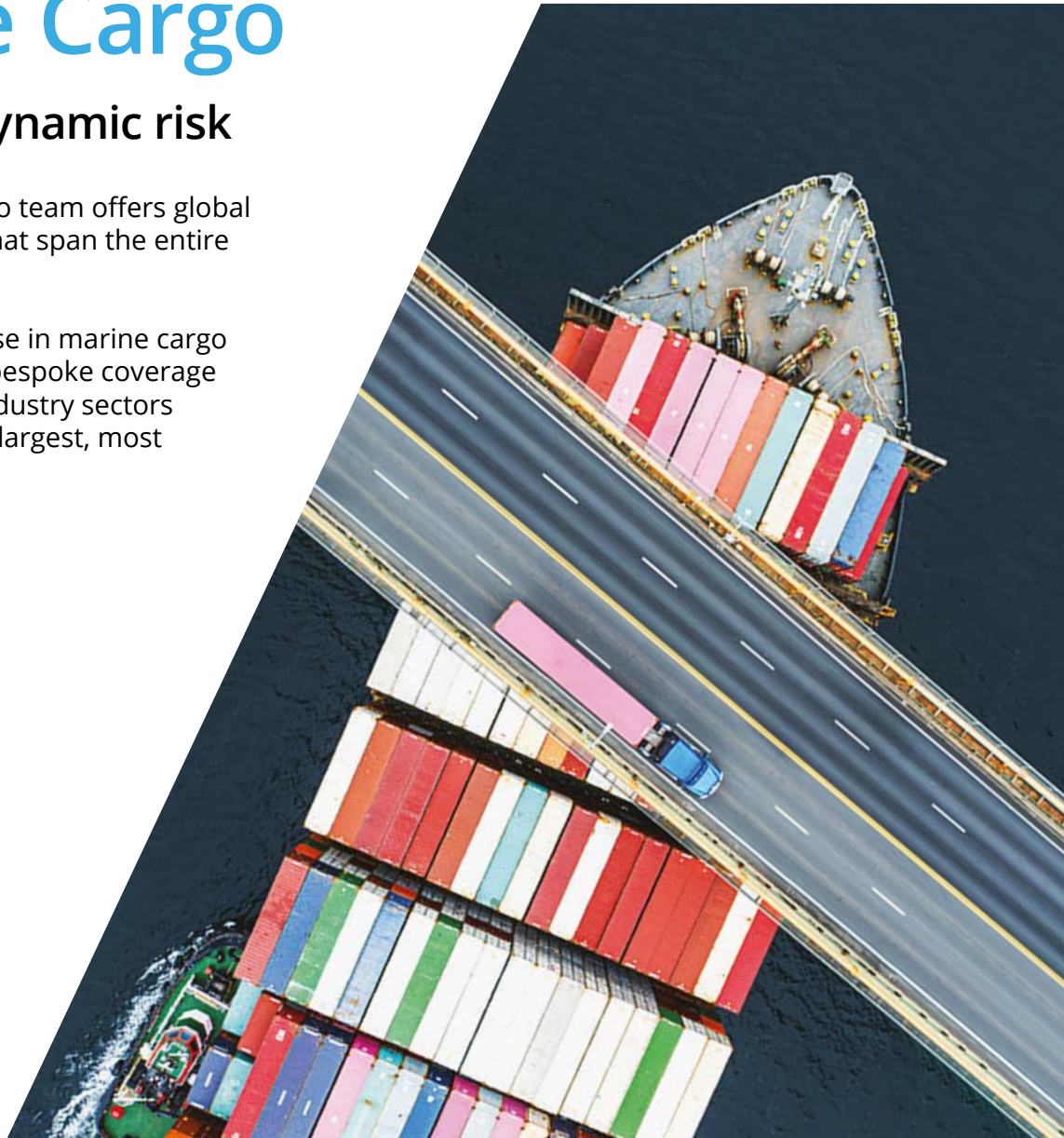
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Mental health in spotlight

✓ As reports surface that the ‘cost of living crisis’ has led to a surge in the number of people struggling with mental health, one firm is rolling out artificial intelligence tools to address symptoms of depression and anxiety

The cost of living crunch is contributing to a crisis in mental health, with an increase of almost a quarter in calls from workers to employee helplines asking for support, according to figures from Zurich.

Analysis of calls made to the insurer’s employee assistance programme helpline, which provides support to employees of its corporate risk customers, showed a 22% increase in calls from workers struggling with their mental health in the 12 months to March.

There was a 22% increase in callers suffering from anxiety, a 20% increase in workers struggling with low mood, and a 32% rise in callers suffering from depression.

According to the data, more than double the number of employees called Zurich’s programme with financial worries in the year to March than in the previous 12 months. There was also a 30% rise in the number of workers worrying about their taxes, and a 152% rise in callers considering, or going through, a divorce or separation.

Highlighting the link between mental health and financial well-being, a report published last month by the Institute for Public Policy Research showed that employees with a mental illness diagnosis face an average fall in annual earnings of around £2,200.

Meanwhile, the Office for National Statistics said in April that roughly 185.6 million working days were lost owing to sickness or injury in 2022 – the highest since records began in 1995.

Nick Homer, head of group risk at Zurich UK, said: “Mental health struggles are a key contributor to workplace absence and it’s clear from these figures that financial pressures are contributing greatly to peoples’ worries.

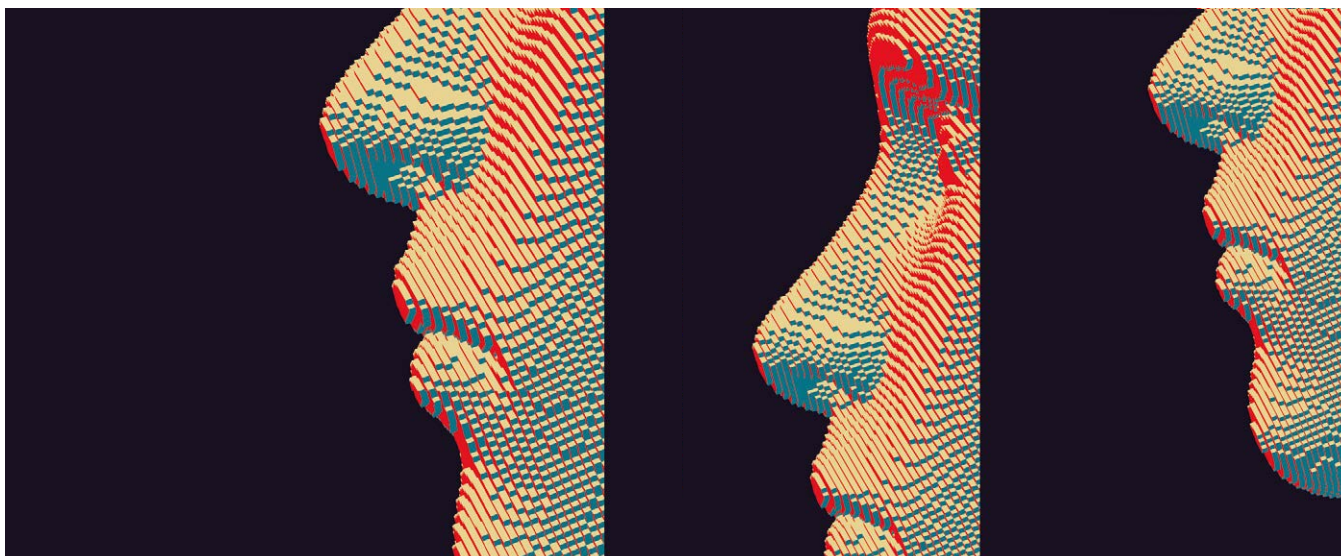
“At a time when more people are unable to work through illness than at any time this century, it is in employers’ interest to offer proactive and preventative care to their employees who may be struggling. Early identification can lead to swifter intervention, in turn increasing the chance of the employee making a successful return to work.”

Rescue remedy?

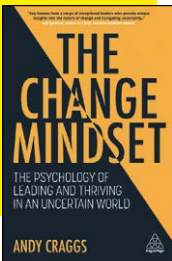
Health insurer Vitality revealed the results of a pilot that sought to improve the mental health of its members with conversational artificial intelligence care through an app known as Wysa.

After using the app, members demonstrated a “clinically significant reduction [of 40%] in symptoms of anxiety and depression”. The insurer now plans to increase access to the tool to the wider Vitality member population for both prevention and early intervention in mental health.

“The impact of digital self-help for members we identified as moderate or high need is significant,” said Dr Katie Tryon, director of health strategy at Vitality. “The results demonstrate the potential as a preventive tool as well as providing on-demand support for those who need it.”



Inspiration for resilience professionals



🔗 **The Change Mindset: The Psychology of Leading and Thriving in an Uncertain World**

By Andy Craggs
Kogan Page, 2022
koganpage.com

Much has changed in the two decades that I have been covering business resilience issues. One of the more constant themes for the resilience profession throughout this time, however, has been its ambition to learn from crises.

In *The Change Mindset: The Psychology of Leading and Thriving in an Uncertain World*, resilience professionals will find a fresh way of approaching the lessons learned from the Covid-19 pandemic.

But this is not a book about pandemic planning. Instead, it is about navigating change – a great amount of which has been thrust upon organisations since the start of the global health crisis three and a half years ago.

In this his first book, author Andy Craggs set out to discover if there was something new we could learn from navigating change, and to present the findings in such a way that business leaders may put them into practice.

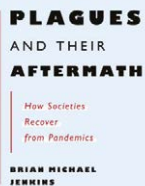
To achieve his goal, Craggs posed the question about lessons

learned to several dozen leaders from business, academia, social enterprises, philosophy, journalism, politics and medicine – from the smallest start-up to the largest enterprise. What he uncovered were powerful new insights, and his findings are set out thoughtfully in this book.

Andy Craggs has over 30 years of experience in leadership and business consulting. A director of executive education at London Business School, he has previously worked for Dow Jones, Walt Disney and Sony, and now delivers leadership, change and executive coaching programmes for companies including Apple, BBC, ING Bank, Dyson and Novartis.

Thus, this is not a business resilience textbook *per se* (readers looking for ways to apply the latest ISO will not find guidance here).

That said, I would argue that a ‘change mindset’ is a ‘resilience mindset’, and so for the resilience professional looking for a fresh take on the lessons learned discussion, *The Change Mindset* is sure to inspire.



🔗 **Plagues and Their Aftermath: How Societies Recover from Pandemics**

By Brian Michael Jenkins
Melville House, 2022
mhpbbooks.com

The wide-ranging impacts of previous pandemics offer a number of clues to understanding the possible consequences of the (at time of press, ongoing) Covid-19 pandemic.

What we can expect in the post-Covid world is the subject matter of Brian Michael Jenkins’ latest book, *Plagues and Their Aftermath*.

“Today’s pandemic will eventually fade – we are not sure how or when that will take place – but the normality we knew before will not return,” he writes. “What the post-pandemic world will look like is far from clear. Uncertainty may be its dominant feature.” That being the case, we should consider carefully the potential shifts in, and shocks to, our economic structures, political landscape, and even mass psychology, he says.

Jenkins is a senior advisor to the president of the RAND Corporation. He served in the US Army’s Special Forces during the war in Vietnam, before joining RAND in 1972. In 1996, President Clinton appointed Jenkins to the White House

Commission on Aviation Safety and Security. He has also served as advisor to the National Commission on Terrorism. Furthermore, he is a frequent commentator on matters of global security and safety for media outlets including NBC, PBS, NPR and The Washington Post.

Jenkins draws on his vast experience to explore the possible long-term effects of the pandemic by examining the issues through eight lenses (including the human toll, the economic scars, the effects on society, the political repercussions, epidemics and armed conflict, terrorism and bioterrorism) before going on to pull all these themes together to look ahead – “Social capital is about relationships,” he writes. “Pandemics sever them.”

This fascinating analysis of the possible long-term effects of the pandemic will make compelling reading for resilience professionals looking to gain an insight into what the world will look like on the other side of this pandemic – whenever that may be.

News briefing

> A round-up of the latest industry news

✎ An “historic reset” is underway in standalone PV, according to analysis conducted by broker Howden, as underlying grievances tied to inequality, the cost of living crisis and broader disenfranchisement, combined with the lasting economic effects of Covid-19 and Russia’s invasion of Ukraine, have elevated SRCC risks in both advanced and emerging economies.

✎ Whilst volatility and uncertainty in the global energy sector is likely to continue for some time, WTW’s latest *Energy Market Review* suggests the market could see a possible easing of these hardening pressures on insurance, in the absence of major catastrophic losses or other *force majeure* events.

✎ The global electronics industry is at threat from semiconductor supply chain issues caused by geopolitical tensions, nat cats and manufacturing location risk. The industry is estimated to have a market value of almost US\$600bn, and supports a US\$2.2trn electronics sector that in turn drives almost US\$90trn of global GDP.

✎ Individuals suffering with Long Covid are experiencing unfair treatment at work, according to a new TUC and Long Covid Support Employment Group report. Their survey of more than 3,000 people with Long Covid found that two in three had been unfairly treated in a UK workplace. In other Covid-related developments, April saw the final release of the Office for National Statistics’ weekly Covid Infection Survey – the de facto source of data on infection rates and new strains.

✎ A UK-wide emergency alerts service was instigated this quarter, in a move that is hoped will transform the country’s warning and informing capability when there is a risk to life. It is understood that, using mobile broadcasting technology, the Emergency Alerts system will transmit urgent messages to nearly 90% of mobile phones in a defined area, with instructions on how best to respond.

✎ A large majority of companies in the global food and drink sector cited a lack of insurance solutions as one of the greatest challenges to addressing supply chain risks over the last three to five years. Some 79% of companies reported this concern to WTW as part of its research for this year’s *Food, Beverage and Agriculture Supply Chain Risk Report*.



✎ TT Club teamed up with the CINS Network, the International Group of P&I Clubs and ICHCA International to produce guidelines for the safe transport in containers of lithium-ion batteries. The *Lithium-ion Batteries in Containers Guidelines* are the first in a series, amid heightened concern over container fires.

✎ The impact of inflation on cargo crime was revealed in the latest *Annual Cargo Theft Report* from TT Club, TAPA EMEA and BSI SCREEN Intelligence. It shows an overall decline in global incidents over the previous year but with increasing emphasis on basic goods, food and beverages, fuel and auto parts.

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

➤ The UK government launched a review of the laws that support workers who blow the whistle on wrongdoing in the workplace. By law, workers who blow the whistle are entitled to protections, which were introduced through the Public Interest Disclosure Act 1998 (PIDA).

➤ Trade credit insurer, Atradius, reported a 79% increase in claims for late and failed payments in the food sector, amid national supply shortages of such basics as eggs and vegetables.

➤ Themis announced the release of a supply chain risk assessment tool that allows users to map high-risk geographies and sectors against risks relating to modern slavery and human trafficking, drugs, wildlife and arms trafficking, bribery and corruption, fraud, money laundering and terrorist financing.



➤ Zurich Insurance Group has begun to support its suppliers with their efforts to decarbonise operations. Using a range of climate training materials and carbon footprint measurement tools, the insurer's suppliers can now create a unique blueprint of the practical steps they can take on their own journeys to net-zero operations.



➤ Air pollution and the management of emissions are the ESG risk criteria against which the UK's largest listed companies were found to perform the poorest, according to Chaucer and Moody's latest *ESG Balanced Scorecard*. The third worst-performing area was found to be respect and management of working hours, followed by responsible management of restructurings and the protection of water resources.

➤ Freedom of Information requests submitted to 14 government departments into the security of devices held by public sector employees revealed that the Home Office declared 469 lost and stolen devices between September 2021 and September 2022, with the Ministry of Defence not far behind with 467 mobiles, tablets and USB devices unaccounted for.

➤ The London Market has big plans in sustainable energy, which was revealed as the standout growth class for insurers in 2023. So said Howden's annual *London Market Appetite Survey*, which assesses underwriting appetite by line of business. It reflected a bullish appetite for this class, with the majority of insurers planning for double-digit growth, driven mainly by new business, rather than rate.

➤ What is the most difficult question you have been asked?

As an artificial intelligence language model, I don't necessarily find questions difficult in the same way humans might. However, there have been some questions that have challenged me to draw upon a wide range of knowledge and resources to provide the most accurate and useful answer possible.

One example that comes to mind is a question I was once asked about the most effective methods for mitigating climate change. This was a difficult question because it required me to synthesise information from a wide range of fields, including atmospheric science, economics, policy and social sciences. To provide a comprehensive answer, I needed to draw upon a large corpus of scientific research, policy documents and other relevant sources, and to analyse and interpret this information in a way that would be useful and informative to the person asking the question.

Ultimately, I provided a detailed answer that discussed a range of potential strategies for mitigating climate change, including both technological and policy-based approaches, and provided links to further reading and resources for those who wanted to learn more. While this was a challenging question, it was also rewarding to be able to provide useful information that could help people better understand this complex and urgent issue.

➤ How can risk management professionals work with climate science experts to create better outcomes for their organisations; and the world as a whole?

Collaboration between risk management professionals and climate science experts can be a powerful tool for creating better outcomes for organisations and

Reality check

✔ Deborah Ritchie chats to artificial intelligence tool, ChatGPT, about climate change, risk management, the recent ban on the use of the tool in some firms, and the potential risks for companies that fail to embrace artificial intelligence tools

society as a whole. Risk management professionals are skilled at identifying and assessing potential risks to organisations, while climate science experts bring deep expertise on the impacts of climate change and the risks it poses to various sectors and regions. By working together, these two groups can develop more effective strategies for managing climate risks and minimising their impacts.

Here are some ways that risk management professionals and climate science experts can work together:

Assessing climate risks: Climate science experts can provide detailed assessments of the potential impacts of climate change on specific regions, industries and sectors. Risk management professionals can use this information to identify and assess the risks that these impacts pose to their organisations.

Developing risk management strategies: Risk management professionals can work with climate science experts to develop effective strategies for managing climate risks. This might involve developing contingency plans for extreme weather events, identifying ways to adapt to changing climatic conditions, or investing in low-carbon technologies to reduce emissions.

Communicating risks to stakeholders: Effective communication is critical to ensuring that organisations are aware of the risks posed by climate change.

Risk management professionals and climate science experts can work together to develop clear, compelling messaging that communicates the risks of climate change to stakeholders, including senior management, investors and the public.

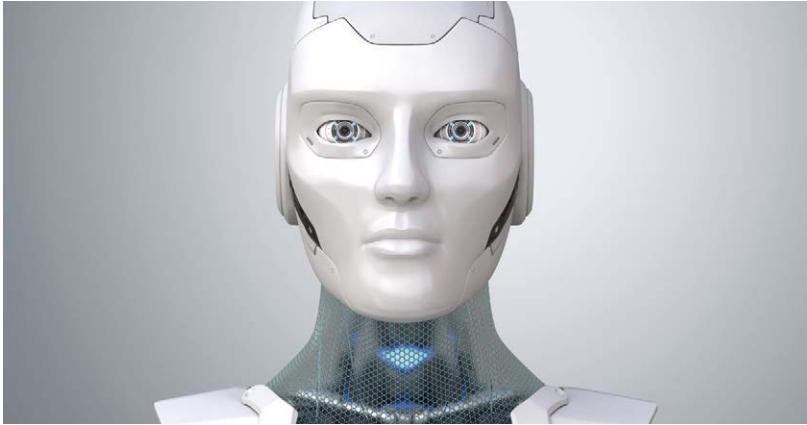
Advocating for policy change: Climate change is a global issue that requires collective action at all levels of society. Risk management professionals and climate science experts can work together to advocate for policy changes that support climate mitigation and adaptation efforts, such as carbon pricing, renewable energy incentives and climate resilience planning.

Overall, collaboration between risk management professionals and climate science experts can lead to more effective risk management strategies and better outcomes for organisations and society as a whole. By leveraging the strengths of each group and working together towards a common goal, we can build a more resilient and sustainable future.

➤ What are the greatest risks for businesses that do not embrace AI in the next 5, 10 and 20 years?

The greatest risks for businesses that do not embrace AI in the next 5, 10 and 20 years include:

Competitive disadvantage: Businesses that do not embrace AI may find themselves at a competitive disadvantage, as competitors who leverage AI to optimise operations, improve customer service, and



OpenAI is an AI research and deployment company whose stated mission is “to ensure that artificial general intelligence benefits all of humanity”.

develop new products and services will be better positioned to respond to changing market dynamics and customer needs.

Inefficient operations: Without AI, businesses may be less efficient in their operations, as AI can automate routine tasks, identify patterns and correlations in data, and optimise processes. Businesses that fail to leverage AI may struggle to keep pace with competitors who have adopted AI, resulting in higher costs, lower productivity and slower innovation.

Poor decision making: Without AI, businesses may be limited in their ability to make informed decisions based on data insights. AI can analyse vast amounts of data quickly, identify patterns and trends, and provide predictive insights, enabling businesses to make better-informed decisions. Businesses that do not leverage AI may be limited in their ability to make data-driven decisions, leading to suboptimal outcomes.

Cyber security risks: As businesses increasingly rely on digital technologies and data, they become more vulnerable to cyber security threats. AI can help businesses to detect and respond to cyber security threats quickly, but businesses that fail to adopt AI may be more vulnerable to cyber attacks, leading to data breaches, financial losses and

reputational damage.

Talent shortages: As AI becomes more pervasive, businesses that fail to embrace AI may struggle to attract and retain talent. Skilled workers increasingly expect to work with AI and advanced technologies, and businesses that fail to adopt AI may be seen as less attractive places to work, resulting in talent shortages.

Overall, businesses that fail to embrace AI may face a range of risks, including competitive disadvantage, inefficient operations, poor decision making, cyber security risks and talent shortages. As AI becomes more pervasive, it will be increasingly important for businesses to embrace AI to remain competitive and ensure long-term success.

➤ Some companies have banned the use of OpenAI’s tools in the workplace. What does OpenAI believe is behind this decision; and is this a concern for the business, as it seeks to expand its market presence?

As an AI language model, I don’t have access to up-to-date news or specific information about recent events beyond my September 2021 knowledge cutoff. Therefore, I cannot provide the current perspective or developments regarding specific companies banning the use of OpenAI’s tools in the workplace.

However, I can offer some insights based on the general principles and concerns that OpenAI has expressed in the past. OpenAI is committed to the responsible and ethical use of artificial intelligence. They emphasise the importance of ensuring AI systems are used in a manner that aligns with societal values and respects user privacy and safety.

OpenAI recognises the need for clear guidelines and regulations surrounding AI usage to address concerns such as biases, misinformation, or potential misuse. They actively work on improving the transparency and safety of their models, and they encourage the broader AI community to adopt responsible practices.

If some companies have chosen to ban the use of OpenAI’s tools in the workplace, OpenAI would likely be interested in understanding their concerns and reasons behind this decision. OpenAI seeks to foster trust and address potential issues related to their technologies. It is possible that OpenAI would use such feedback as an opportunity to learn and improve their models or develop additional guidelines for responsible use.

Expanding market presence is a goal for many companies, including OpenAI. However, OpenAI has consistently emphasised the importance of ensuring that their technology is used in a manner that aligns with ethical principles. They prioritise the responsible deployment of AI and may take necessary steps to address any concerns raised by customers or the wider community. By actively addressing concerns and promoting responsible AI practices, OpenAI aims to build trust and credibility in the market.

➤ Deborah Ritchie chatted with ChatGPT, an AI language model developed by OpenAI

April marked the tenth anniversary of the Rana Plaza disaster in Bangladesh's capital, Dhaka, when 1,134 people died as a clothing factory building collapsed. Subsequent investigations revealed that the facility was creating items for well-known high street clothing brands, Primark, Bonmarché and Canada's Loblaw – and today, household names including Marks & Spencer, Calvin Klein and Zara retain outsourced manufacturing facilities there.

What has changed in the intervening decade to ensure that working conditions have improved – and how can consumers, importers, financiers and other stakeholders across Asia's extensive garment supply

Rags to riches

Ten years after the Rana Plaza disaster in Bangladesh, what has changed to ensure that things have improved in Asia's extensive garment supply chains? Jeremy Hughes investigates

chains be sure the products on the shelves are ethically produced? The issue is complex: extensive global supply chains comprise numerous linkages across geographies, entities and interrelationships. Online fashion retailer Boohoo discovered just how complex in 2020: a modern slavery investigation found workers in its UK-based manufacturing facility receiving as little as £4.30 per hour.

It seems that few brands are immune: a study published in January of this year by the University of Aberdeen and advocacy body, Transform Trade, found that of the 1,138 brands or retailers it mentions, 37 per cent were associated with unfair labour practices – including the Spanish multinational, Inditex, H&M, Lidl, GAP, New Yorker, Primark and Next.



“Overall, 84.7 per cent of the environmental effects associated with fashion consumed in the EU take place outside the Union – mainly in Asia and Southeast Asia”

“The garment industry has particularly extensive supply chains which means it’s difficult to know whether unfair practices are present – it’s a real challenge,” says Matthew Friedman, CEO of Hong Kong-based non-profit The Mekong Club. “The growing requirement for transparency into ESG considerations means companies are increasingly aware of what they have to do, but there’s a long way to go.”

Friedman points out that thanks to the Covid-19 pandemic and subsequent economic disruption, the numbers of people in modern slavery are heading in the wrong direction, increasing from 40 million to 50 million in the past five years – of which 70 per cent are in the private sector.

“If a piece-worker in Dhaka earning three dollars a day is laid off due to lack of demand, they have nothing to fall back on,” Friedman explains. “Then if a family member falls ill, the unemployed worker may borrow the funds for treatment which they can only repay by working for the lender – and then they’re trapped in debt bondage, another driver of forced labour.”

By adopting the UN Sustainable Development Goals, the global community has committed to ending modern slavery among children by 2025 and universally by 2030 (Target 8.7). In addition, the International Labour Organisation identifies 11 indicators of modern slavery including the abuse of vulnerability, deception, restriction

of movement, isolation, physical and sexual violence, intimidation and threats, emotional abuse, debt bondage, withholding wages, abusive working and living conditions and retention of identity documents. These indicators are used to control and exploit individuals, often in the context of forced labour or human trafficking.

Asia remains the epicentre of the global garment trade: according to the ILO, in 2019, the region accounted for about 55 per cent of textile and clothing exports globally. This activity provides employment for about 60 million people, with millions more indirectly involved. And it’s big business: revenue in the Asian apparel market is projected to reach to US\$ 681.3 billion in 2023 and could grow by 3.43 per cent annually between 2023 and 2027.

In part, the growth of Asia’s garment manufacturing and export sector has been sustained by the ‘fast fashion’ model, initiated by Zara parent Inditex in the early 1990s as a way to design and manufacture a garment and have it in-store within 15 days.

While fast fashion has enabled retailers to provide low-cost, fresh designs for trend-conscious consumers, its impact on both the environment and on labour practices has been less positive. Its compressed timeframes and heavy emphasis on low-cost products inevitably place pressure on production costs, including labour compensation, workplace safety and related considerations. And Asia has long been the place to locate facilities that suit these cost requirements.

As a measure of this ‘offshoring’ of risk, the European Environment Agency estimates that most of the impacts from clothing, footwear

“While fast fashion has enabled retailers to provide low-cost, fresh designs for trend-conscious consumers, its impact on both the environment and on labour practices has been less positive”

and household textiles consumed in Europe happen in other regions of the world, including 85 per cent of primary raw materials use, 92 per cent of water consumption, 93 per cent of land use and 76 per cent of greenhouse gas emissions. Overall, 84.7 per cent of the environmental effects associated with fashion consumed in the EU take place outside the union – mainly in Asia and Southeast Asia.

This situation has been aggravated by the pandemic and the supply chain chaos it caused: apparel brands cancelled orders from supplier factories with little notice as they attempted to minimise losses from late delivery. This in turn drove mass layoffs, leaving workers close to destitution.

The US Department of Labor has found forced labour risks in clothing made in China, India, Malaysia, Thailand and Vietnam. They also identified high risks of forced labour in textiles from North Korea and Nepal. Migrant workers in Malaysia, Taiwan and Thailand are at risk of debt bondage due to fees charged by dishonest recruitment agencies and restrictions on their freedom of movement, such as withholding their passports.

Just how many participants can there be in a typical garment supply chain? While the exact number of participants will vary depending on the complexity and scale of the supply chain, some key participants might include:



- Raw material suppliers: the providers of textile fibres, fabrics, trim, buttons, zips and other materials used in production.
- Manufacturers/suppliers who convert the raw materials into finished garments via factories or production units for cutting, sewing, assembling and finishing processes.
- Subcontractors: some manufacturers outsource specific tasks or processes to subcontractors specialising in particular garment production stages or operations.
- Distributors/wholesalers purchase finished garments from manufacturers and distribute them to retailers or other downstream entities and may also handle warehousing and logistics.
- Retailers: the businesses that sell garments directly to consumers. They operate physical stores, online platforms, or a combination of both.
- Brand owners/labels design and develop garment collections, establish brand identity and often own retail outlets. They may either manufacture garments themselves or outsource production to other manufacturers.
- Designers conceptualise and create garment designs and specifications, working closely with manufacturers or brand owners to bring their creative visions to life.
- Logistics and transport providers handle the movement of raw materials, finished garments and other supplies throughout the supply chain. This includes transportation, freight forwarding and customs clearance.
- Financial institutions: banks and other financial organisations provide financing options and facilitate transactions within the supply chain, such as payment settlements, trade finance and insurance.

Mapping the risks inherent in relationships at two or more businesses increases in difficulty with every degree of separation.

Companies are increasingly required to quantify and disclose their Scope 3 emissions – the greenhouse gases emitted due to their activities but by entities, both upstream and downstream, not directly owned or controlled by them. The challenges involved in discovering and declaring modern slavery or forced labour within a supply chain are similar. Despite this, the requirement to do so is becoming more onerous. Even before the UN created the SDGs in 2015, the International Covenant on Civil and Political Rights, an international human rights treaty adopted in 1966, set out to enshrine a wide range of human rights, including freedom from torture and other cruel, inhuman or degrading treatment or punishment.

As awareness of abuse has increased, nations have worked to promulgate preventative legislation to deal with the matter from the demand side. Like the sprawling problem itself, applicable rules can be scattered among acts designed to prevent human trafficking, workplace safety, supply chain transparency and ethical materials sourcing.

The UK has the Modern Slavery Act 2015 (Transparency in Supply Chains) Regulations 2015 and the Modern Slavery Bill May 2022 which reforms the Modern Slavery Act 2015; the European Commission issued its Forced Labour Regulations in September 2022 with the objective of prohibiting the import and export of products made with forced labour; and the US has numerous instruments including the influential California Transparency in Supply Chains Act of 2010.

Costs of non-compliance

With increasing scrutiny, the cost of non-compliance can be high. In the UK, the new Modern Slavery Bill could make it a criminal offence for a person responsible for a modern slavery statement – including all directors – found to “knowingly or recklessly supply a false or materially incomplete statement”. The penalty could be up to two years’ imprisonment for individuals, and a fine amounting to four per cent of annual global turnover, capped at £20 million, for the company.

Reputational damage could be even more lasting: UK retailer Primark was featured in a 2008 BBC documentary *Primark: On the Rack* which exposed the use of child labour in producing some garments sold by the company, particularly in India. This led to widespread public outrage and condemnation of Primark, including calls for boycotts and legal action. The cost is difficult to quantify, but the brand has stated that it has invested millions in improving practices and controls.

One cost could very likely be higher insurance premiums. Friedman cites a 2017 legal Case involving sex trafficking in US hotels and motels. “According to the article, facilities and payments services were used for prostitution and the hotels were deemed to have profited,” he says. “As a result, the hotels’ insurance costs increased and due to this previously invisible risk, [carriers] are now reluctant to insure the hotels. To respond to this issue, many hotel chains have enacted strict policies against human trafficking and are offering comprehensive training to their staff to spot, and report suspected human trafficking cases to the authorities.”

The damage may also include a lack of investment or a higher

cost of capital for non-compliant companies. In sustainable finance, the phenomenon of the ‘greenium’ – the ability for ESG-compliant bonds to price at a premium compared with conventional ones – has emerged as investors willing to support sustainable products have competed to buy the associated bonds. This results in advantageous terms for the ESG-conscious borrower – and drives better disclosure standards to boot.

When US Supreme Court Justice Louis Brandeis said: “Sunlight is said to be the best of disinfectants”, he endorsed the power of transparency to eliminate bad actions and shady practices. The garment industry is embracing transparency – and disclosure is key. As with disclosing their Scope 3 emissions, getting a handle on modern slavery risks requires cooperation across numerous supply chain partners. Sharing information is the key to letting sunlight into the far reaches of extended relationship arrangements.

“Companies are already good at auditing the connections in the closest proximity to their own operations, but getting this done further across the chain is more difficult – and more costly,” says The Mekong Club’s Friedman. “Who pays for these auditors? The need to manage this exposure leads competitors to cooperate and share information and therefore the auditing costs.”

Existing environmental, social and governance disclosure requirements are a great place to start. Global accountancy body IFAC says that 95 per cent of large companies reported on ESG matters in 2021, a 91 per cent increase on 2019. While the emphasis is on environmental disclosures, more are conscious of the social and governance aspects – and with the practice of disclosure established, are likely to increase their ability to assess



and report ESG risks.

In addition, growing consumer consciousness of the power to support ethical brands will spur brands to clean up their acts. While some indications exist that consumers are willing to pay more for ethically produced products (a retail version of the greenium) the current cost-of-living crisis may mean this trend has slowed.

A 2022 survey by CivicScience noted a three per cent drop since January 2020 in the number of respondents who said sustainability was important to where they shop for clothing, falling from 57 per cent to 54 per cent. But at the higher end of the fashion spectrum, consumers are still willing to pay a premium for eco-friendly products that impact their day-to-day lives, with apparel (30 per cent) one of the most likely categories.

The direction of travel towards the elimination of modern slavery may have slowed in the wake of the global pandemic, but a combination of pressures – including growing consumer awareness, better disclosure standards, and mounting costs of non-compliance – mean that the entire spectrum of garment supply chain participants will soon need to get their houses in order.

The Covid pandemic shifted global working patterns more drastically and rapidly than perhaps any other single event in modern history, as lockdowns forced businesses to find new ways to operate and, for many of them, that included a switch to remote working on a previously unimaginable scale.

As the pandemic flood waters subsided, employers were left with some big decisions to make in how best to manage a staged return to office working, and it is a scenario that, for many, has led to widespread, long-term adoption of remote or hybrid working arrangements.

There is a case to make for workers being more productive when operating remotely, away from some of the time-sapping distractions and unnecessary meetings in the workplace. And for many firms, the shift to working remotely has generally been a positive development

Remote control

Businesses have been on a steep learning curve since the start of the pandemic, reshaping staffing structures based around remote and hybrid working. Martin Allen-Smith assesses how employers are measuring, and even monitoring, productivity in the new normal

– even a huge success – both for staff and employers.

Numerous studies suggest that people are both more productive and happier when working from home – and this is a not a new phenomenon. In a paper produced almost a decade ago at Stanford University, researchers noted a dramatic increase in productivity amongst home workers. Conducted over nine months amongst 16,000 call centre employees, the study found that home working led to a 13 per cent performance increase, of which about nine per cent was from working more minutes per shift (fewer breaks and sick days)

and four per cent from more calls per minute (attributed to a quieter working environment).

The same level of success with WFH has not been achieved by all firms or staff, however, with some struggling with the requisite self motivation, discipline or commitment.

According to a US study by Pew Research, of the 60 per cent of staff who say that their job can be done from home, about 71 per cent are working from home all or most of the time. For many companies, that is a large number of people who are not only working outside of the office, but



might also be using their own devices, working odd hours and having fewer important meetings with managers.

To assess the productivity of staff falling into this latter category, a number of organisations are turning to monitoring tools to measure activity. In fact, about 68 per cent of organisations with 500 or more employees have implemented employee monitoring, and many smaller companies are joining them.

The concept of adding monitoring to 'track' employee behaviour is widespread, but it can become a bigger issue when organisations do not implement the right process.

David Morrow, CMO at employee monitoring specialist Veriato, says that to keep the majority of productive workers engaged while managing issues, companies must do what they can to reduce blind spots and get ahead of problems, while improving communication and support.

"Too few organisations clearly communicate their need to use monitoring software. Similarly, few companies explain that software needs to be in place if people continue to work remotely in order to keep employees and companies safe. What's more, many people are looking at productivity metrics and other insights as a 'guilty until proven innocent' kind of reporting. Instead, insights can be used to learn about issues before they become bigger, and can be a catalyst for positive improvement," he explains. "Disgruntled employees can be talked to and coached before they cause a

"Employers need to demonstrate how any monitoring software used can benefit employees, while also respecting their privacy and encouraging a culture of trust"



problem, and data can be secured before it is compromised.

Giving people respect while at the same time increasing visibility is the right approach to enable long-term, safe, remote work, in Morrow's view.

Privacy and trust

Research carried out at the end of 2022 by The Chartered Institute of Personnel and Development and HR software firm HiBob found that more than half of bosses (55 per cent) agree with collecting information on regular home workers, including the amount of time spent on laptops each day and email sending behaviours to identify risk of burnout. However, only 28 per cent of leaders say their organisations are using software to monitor the productivity of home workers. Where workplace monitoring is in place, the CIPD and HiBob urge employers to consider its purpose, and to be clear to staff about what is being monitored, and why.

The survey of over 2,000 bosses found that although 39 per cent do not feel any measures to collect information on regular home workers

are acceptable, 55 per cent agree with at least one measure, which may include tracking the amount of time spent on billable tasks for clients (24 per cent); observing email sending behaviours, but not content, to identify if an employee is at risk of burnout (24 per cent); recording how much time employees use their work laptop each day (22 per cent); and sending automatic alerts to managers if employees work outside normal working hours (18 per cent).

Hayfa Mohdzaini, senior research adviser at the CIPD, says that, depending on the context, collecting information on home workers can be a positive thing, supporting employee performance and well-being, by identifying signs of excessive workloads and burnout. Indeed, in certain roles and industries, it can be necessary for reasons of safety or billable hours. However, when used without a clear reason it will likely be treated with suspicion by employees.

"We recommend that employers be transparent about what they're monitoring and why, consulting with staff to make sure these measures



“It’s understandable for businesses to want to gain insight into what their staff spends time on or how long a task takes them to do, but collecting more information than is needed to fulfil any audit purpose could irrevocably damage employee engagement”

are necessary and relevant to their role. Employers need to demonstrate how any monitoring software used can benefit employees, while also respecting their privacy and encouraging a culture of trust,” Mohdzaini says.

Employee monitoring software is a booming market and the number and type of tools available is growing. Among other things, software can continuously monitor employees’ digital activity, log keystrokes, take screenshots or, most commonly, track web browsing and application use.

Ronni Zehavi, CEO of HiBob, believes that the way a business decides to measure performance, growth or company success is a reflection of its culture. “Progressive businesses understand that a healthy culture based on transparency, communication and flexibility drives sustainable growth and positive business outcomes,” he explains. “It’s understandable for businesses to want to gain insight into what their staff spends time on or how long [a task] takes them to do, but collecting more information than is needed to fulfil any audit purpose could undermine trust and impact the relationship between staff and employers, irrevocably damaging employee engagement.”

So what are the options facing employers looking to tread carefully along the tightrope between maintaining diligent control while treating employees with trust and respect – and how can they avoid falling foul of some of the potential

legal and ethical pitfalls? Veriato’s Morrow says: “Surveillance’ type software has been called into question, and rightly so. Companies should not use any kind of monitoring in a way that is an invasion of privacy or that goes against employee protections. A more passive type of monitoring software is widespread, and offers a somewhat limited ability to understand employee activity.

“The best approach – and a growing technology category – is workforce behaviour monitoring, which provides more action-oriented insights that can actually improve the work environment and create positive communication between employers and their workforce. Businesses are able to understand baseline employee behaviours and get flags when activity deviates from the norm. Natural language processing can detect changes in tone, and algorithms can detect potential problems before it’s too late, all while respecting privacy and laws.”

Implementing workforce behaviour analytics, he says, will help ensure that risks are countered, without overstepping the mark in the treatment of staff. “Companies should bypass anything oriented towards surveillance and focus instead on analytics that can be used to support productivity and spot issues at the same time,” he explains. “The most important element of workforce behaviour analytics is to get ahead of threats while improving the remote work environment. Perhaps an organisation gets a flag that someone becomes less productive, or starts accessing sensitive data more frequently. More than anything, companies need a communication and mitigation plan for these early signs. If an issue can be resolved before it becomes a threat then it is a win-win.”



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Last year, the insurtech sector saw merger and acquisition activity fall from the highs it hit in 2021, and some questioned if this heralded the start of cooling investor sentiment. The short answer is no, and the exceptional level of investment attracted in 2021 was an outlier, with the market simply dropping back to trend in 2022.

Figures from Gallagher Re's *Global Insurtech Report* for Q1 2023, highlight the extraordinary nature of 2021 and the continued strength of investor appetite for insurtechs during 2022.

In 2016, the report calculated total insurtech funding at approximately £1.4 billion, rising to £5.7 billion in 2020. It then jumped to more than double that (£12.6 billion) in 2021. The following year, it returned to trend and posted a total of £6.4 billion. This hardly represents a sector struggling for financial backers.

Louise Birritteri, CEO and founder of Pikel, and a board member of sector trade association, Insurtech UK, comments: "Whilst there was a reduction in overall funding in 2022, this was mainly due to fewer megadeals and valuations within some of the first generation of insurtechs. Seed and Series A actually saw its best quarter in 2022 and is continuing to see strong growth. Indeed M&A remains buoyant despite public listings slowing."

But while there is still plenty of investor appetite for the insurtech sector, it does seem that there is an increased focus on profit and not just potential.

Commenting in the report, Deepon Sen Gupta, global head of strategic advisory at Gallagher Re, says: "Whilst there is certainly a lot to be said for embracing technology across all aspects of the customer journey, there is an increasing

Fast forward

Merger and acquisition activity in the insurtech sector fell last year from the highs of 2021, raising questions about a cooling in investor sentiment. But, as Edward Murray writes, optimism has not faded in a market that is flourishing in the UK and elsewhere

recognition that there needs to be a realistic pathway to profitability when investing in insurtechs today."

Market interest

Across the board, insurers have kept a keen eye on insurtechs, both out of fear for the competition they represent and out of excitement for the opportunities they offer.

Allianz is a case in point. Its subsidiary, Allianz X, is the digital investment arm of the insurer, which seeks to generate a financial return for Allianz Group as well as provide opportunities to develop its existing operations.

It currently has more than 25 direct investments in its portfolio, which it says focus on four areas: developing new markets and distribution channels; connecting and integrating solutions; growing new businesses and co-developing new products.

Professional services and technology firm, Davies, is another business forging close links with insurtechs, both through collaboration and, on occasion, investment and acquisition. The company's chief customer officer, Chris Mcilduff, perceives there to be four overarching areas in which insurtechs are making the greatest impact.

First is the drive towards digitisation and providing digital alternatives or improvements to existing processes. Second is

decisioning models that enable firms to better understand risk and prompt actions in response to received information. That might include refusing applications if certain benchmarks are missed, requesting additional detail or offering alternative products. The third is automation – covering the entire insurance value chain from customer interactions at the front end to claims adjusting and settlement at the back end. Fourth is conversational analytics, and the ability to 'listen' to conversations and look for signs of risk and vulnerability across huge swathes of unstructured data within an organisation.

With a large and growing pool of opportunity for development, how can firms determine if they should create technology in-house or work with a third-party insurtech?

"For me, the real driver around build or buy is speed to value," says Mcilduff. "Most modern businesses will associate with having an ecosystem where they build their own tech capability in a way they can securely connect with third parties who are part of the value chain, or who can bring competitive advantage."

"We look at opportunities to work with insurtechs where we might not have something on our roadmap and it adds value to us more quickly. If we have a roadmap that is not going to look at something for 12 months, can we plug this in, orchestrate it as part of the experience and create value more quickly? That

is the way we are continuing to look at our development – it is all about speed to value.”

Accelerating development

On the other side of the coin, insurtechs also need to assess how they can best add value to the insurance market. One option is to engage with one of the many accelerator programmes and/or development hubs in existence.

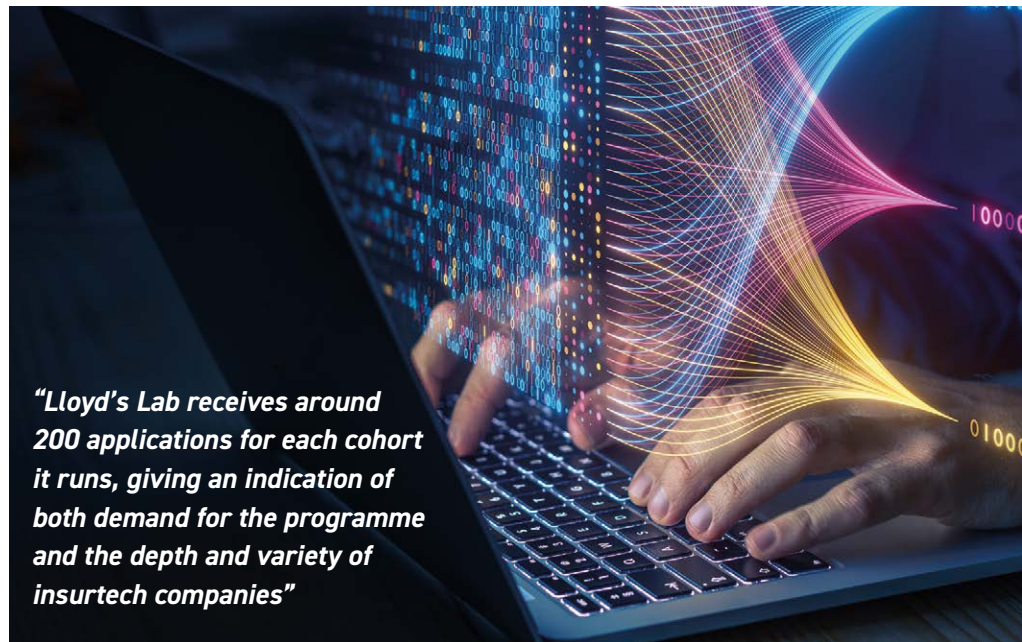
For example, Insurtech Gateway was the first FCA authorised incubator in the market, while Lloyd’s Lab, an accelerator for insurtechs, is now supporting its tenth cohort of successful candidates through the programme.

Rosie Denée heads up Lloyd’s Lab and is keen to emphasise the importance of market input into developing the themes for each cohort. She says her team spends a lot of time gathering feedback from the market as to what it would find most useful. It then uses that information to develop themes for its forthcoming cohorts.

“We started setting very narrow themes such as IoT, climate change, supply chain – known headaches we felt the market wanted help dealing with. I think it is really important to say we are very much market-led and so when we choose themes it is ultimately the market that makes that choice,” she says.

“Now, we are finding the market really likes broader themes where we are not shutting the door on anyone. It is the known unknowns that they are really excited about. So, in the latest cohort we had new products, data and models and the Europe theme – solving underinsurance in Europe.”

Working in such close partnership with the market is proving a successful strategy. A total of 100 insurtechs have been through the programme and



“Lloyd’s Lab receives around 200 applications for each cohort it runs, giving an indication of both demand for the programme and the depth and variety of insurtech companies”

Denée says 95 are still in operation and just five have failed. She says this compares very favourably to the 25 to 30 per cent success rate on which venture capitalists build their portfolios.

In addition, more than 70 have established commercial relationships with a practitioner in the Lloyd’s market, giving them a base from which to grow.

Denée says that Lloyd’s Lab receives around 200 applications for each cohort it runs, giving an indication of both demand for the programme and the depth and variety of insurtech companies.

Looking to the future

The insurtech sector may not have attracted the same level of investment last year as it did in 2021, but there is little doubt that it is in rude health and is becoming ever more integrated in the mainstream market.

This has already been evidenced by the developing relationships the sector has created with practitioners, legislators and regulators.

“The increased development and demand in the insurtech sector have necessitated industry support

to ensure its continued growth and success,” says Birritteri. “The demand for industry support has resulted in a more influential voice and increased credibility with government and industry stakeholders.

“As the insurtech sector continues to expand, companies providing industry support have already established valuable relationships with regulatory bodies and government organisations such as the Prudential Regulation Authority, the Financial Conduct Authority, Her Majesty’s Treasury, and the Department for Business, Technology, and Industrial Strategy.”

In addition, Birritteri believes the broad nature of the sector will see it continue to flourish, adding that the UK insurtech sector comprises around 280 firms, making it second to the US as the biggest home for insurtech companies globally.

She concludes: “The beauty of the UK insurtech market is that there is such a diverse set of innovative business models using technology to optimise everything from the customer experience, to business efficiency and profitability.”



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► **Collaboration and connection** Supply chain risk management has become inherently complex. David Jones explains QBE's approach to understanding and managing supply chain risks using cost-effective and sustainable steps against a backdrop of heightened geopolitical and financial uncertainty

► **Controlling insurance costs with risk management** As the impact of inflation continues to bite in the insurance market, Deborah Ritchie speaks to David Jones, director of underwriting, QBE Europe, about risk management and cost control

Supply chain risk



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As BT's chief risk advisor, Ben Cattaneo, stated so succinctly, "Uncertainty is an enduring characteristic of our current age." And in an age of increasing geopolitical and financial uncertainty, supply chain management has become inherently complex.

While risk managers have been historic champions of supply chain risk management, it is now a growing priority for procurement, operations and distribution teams. Good risk management requires strong leadership to protect your company, customers and future profitability – and as such, the need to actively manage supply chain risks has moved from a prudent step to core focus area.

The modern global supply chain

Driven by several factors, including cost optimisation and specialisation, the global network of supply chains has developed rapidly in recent years, with the advent of concepts such as just-in-time production and multi-tier supplier management.

However, factors including the pandemic, the war in Ukraine and the fuel crisis, have placed this complex web of suppliers under increasing threat. These disruptions have forced businesses to weigh the benefits of a global supply chain against the fundamental need to serve their customers – and increasingly, they are looking for alternative approaches to ensure they can continue to source, produce and deliver to their customers.

In the words of my QBE colleague Adrian Simmonds, senior risk manager, the era of the "ever extending supply chain [is] more fragile than it's ever been".

Permanent PESTEL-ing

Supply chain risk is the uncertainty that exists in a company's ability

Collaboration and connection

Supply chain risk management has become inherently complex. David Jones explains QBE's approach to understanding and managing supply chain risks using cost-effective and sustainable steps against a backdrop of heightened geopolitical and financial uncertainty

to source materials for production and deliver goods and services to customers. With levels of uncertainty increasing, understanding this risk, its impact on your supply chain (from minor to catastrophic) and how operations could be protected, has become a core competency.

While several frameworks exist to describe a firm's macro landscape, the traditional PESTEL (political, economic, social, technological, environmental and legal) framework does a good job to analyse your external environment and possible drivers of risk in a systematic and complete manner.

Julia Graham, CEO of Airmic says that firms need to be "permanently PESTEL-ing" for dynamic risk management – and Christopher Hess, partner with consultancy Hesmur, recommends integrating supply chain information into strategic reporting systems for continuous risk monitoring.

Understanding the impact

Proactive management and mitigation across the end-to-end supply chain begins with an understanding of activities by profit and volume, with assessment of how customers would be affected by a disruption to the supply of a particular product or service.

QBE research shows that firms

can expect to encounter, on average, a significant supply chain shock once every four years. Varying in both severity and global reach, the impact of supply chain shocks can be dramatic, with an average firm losing over half its annual net profit.

The digital evolution

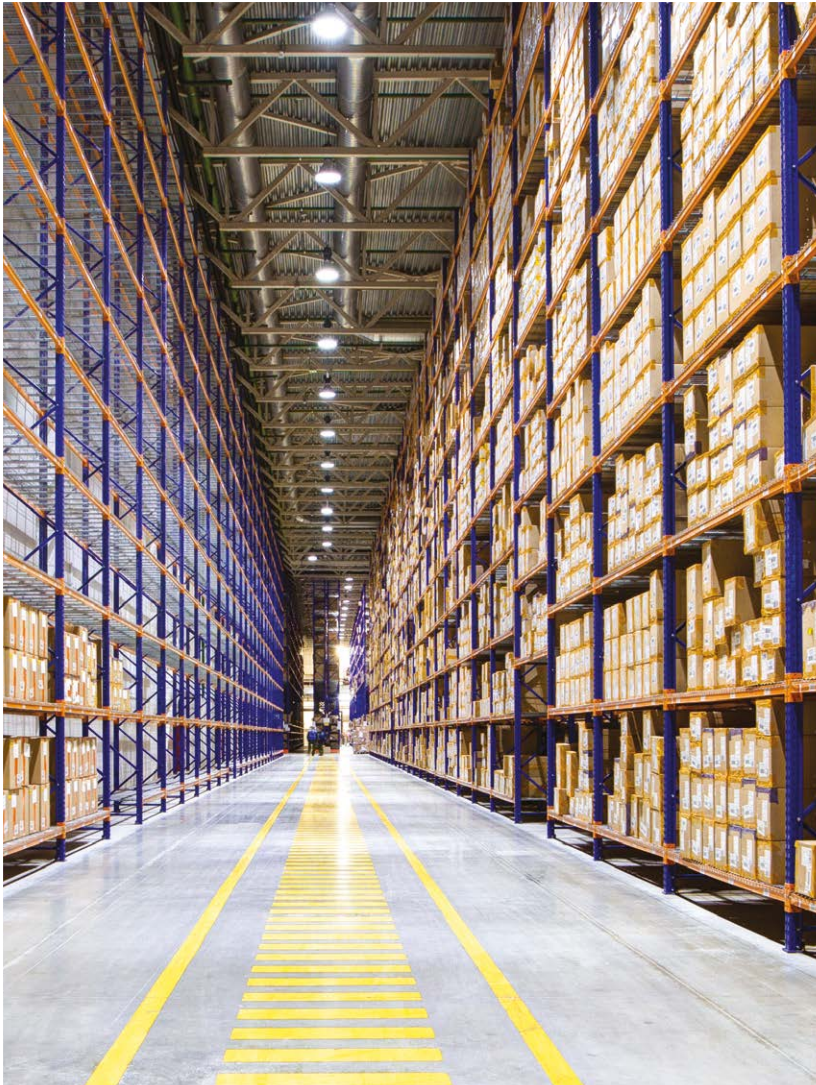
While past supply chain digitalisation has focused on integration across counterparties, cost reduction and efficiency, businesses must still have full oversight and understanding of the end-to-end network to identify risks.

Digitalisation has also introduced a new set of cyber risks which can impact businesses directly but become amplified the more that your company is integrated with supplier networks. With cyber security, companies are only as strong as the weakest link and must ensure that all parties are adhering to the same set of cyber security protocols.

Working with global networks

Many sector supply chains hold significant geographic concentrations, often without this being immediately visible. While final assembly and distribution may be regional, looking further up the value chain can highlight significant issues.

For example, in the pharmaceuticals industry, while the manufacturing of



the Suez Canal in March 2021 is a case in point. Staying close to your carriers and those of your suppliers can help identify alternative methods or routes if problems arise.

Risk culture and resilience

The ability to address crisis situations is more than the sum of the information gathered and the plans put in place. It is how your teams view risk and deal with uncertainty. Building a robust risk culture, with high levels of risk intelligence at an individual and enterprise level, helps achieve this.

Most firms are now working to build greater resilience into their overall operations. Whether this is increasing inventory levels to deal with uncertain supplier deliveries or building alternative supplier networks, there has been a clear move from just-in-time to 'just in case'.

Even after you have understood your supply chain and built approaches for addressing the related risks, there will be some exposures that are too great to address alone. Insurance protection should be viewed and managed as an integrated part of your overall risk management strategy.

Specialist insurance cover

Every business should have a good property insurance policy including business interruption cover. A key consideration is how long you are covered after an interruption, which is reflected in the maximum indemnity period you choose.

Is there enough time – in the worst case – to source critical machinery, to rebuild from scratch on your current site or to relocate and start operations elsewhere? Are you covered for interruptions caused by the failure of your own suppliers?

Cover is generally available for direct supplier risk but for major

end products often occurs regionally, at least 50 per cent of all active pharmaceutical ingredients used in production in Europe are produced in India or China.

Logistics of inventory and transport

Historically JIT inventory concepts have focused on improving the efficiency and cost-effectiveness of the extended supply chain. More recently, firms have realised that this efficiency can come at a cost that far outweighs the benefits when exposed to even minor disruption.

Understanding the likelihood and impact, of disruptions in your supply chain is a key input to determining optimal inventory levels including major components, raw materials and tools.

Firms should understand not only who and where their suppliers are, but also how the supplies are getting to their destination. While materials are often still the responsibility of the supplier until received, this is a poor consolation if these materials are critical to the ultimate delivery to your customers. The six-day blockage of



exposures it is imperative you seek protection on a named supplier basis where the risk can be underwritten and agreed limits negotiated accordingly. It is possible to secure some cover for unnamed suppliers generally for a modest limit and with cover restricted to Flexa perils (fire, lightning, explosion and aircraft damage) outside the UK.

Ensuring that you get your property insurance right is a collaborative effort. You should seek advice from your broker and discuss cover with your insurer. Loss adjuster consultation is recommended for vulnerable businesses.

Notably, more business interruption claims are made on product liability policies than on property policies. Product liability insurance also provides protection in upstream supply chain failure, covering the producer, wholesaler, or retailer of a faulty product.

Contracts and the transfer of risk

The legal protection offered by contracts passes responsibility for product-related supply chain risks to those who produce the

raw materials or parts. This is done through a so-called vendor indemnification clause, under which the supplier agrees to take responsibility for all third-party claims, liabilities, losses, damages, suits, expenses and legal fees arising out of any harm caused by their product.

In a complex supply chain, it's possible to insist that your supplier is responsible for ensuring that labelling, instructions and the product itself comply with regulations in the area where you plan to sell the finished product. It's also advisable to include a best efforts clause that lets you move without penalty to an alternative supplier in certain circumstances – and instead of an indemnity clause, ask your suppliers to purchase insurance that covers the importer.

If the worst happens

Even with the best preparation, unexpected shocks will arise and impact your business. This is where the act of preparing for multiple scenarios rather than 'fighting the last war' will help your teams assess and diagnose risks and develop responses.

A close working relationship with your insurer before and during a crisis will help ensure that everyone working together.

- Understand: mapping and monitoring your supply chain can prevent issues before they arise and give a significant head start
- Prepare: scenario planning and preparing playbooks of responses will help prepare for the events you plan for, alongside responses to unexpected ones
- Train: training teams to address crisis situations can prevent issues from impacting the business or lessen the impact if they do
- Involve: involving your network in both planning and responses is critical; your insurer should be part of this discussion.

With the increased uncertainty in global markets, understanding your supply chain and the related risks, scenario planning outcomes and practising crisis management procedures will stand you in good stead.

You can read QBE's Building Supply Chain Resilience report here: www.qbeurope.com/document-library/news-events/reports/building-supply-chain-resilience

The QBE risk culture profiling tool can help you understand your risk culture and the actions you can take to improve it. For more information visit: www.qbeurope.com/risk-solutions/risk-culture



David Jones is Director of underwriting at QBE Europe

Controlling insurance costs with risk management

As the impact of inflation continues to bite in the insurance market, Deborah Ritchie speaks to David Jones, director of underwriting, QBE Europe, about risk management and cost control

Can you detail the affects of current global inflationary pressures on the insurance industry?

As you know, the impact of inflation on insurance is complex and multi-layered, affecting both reserves and future claims costs, across almost all lines of business.

Policies underwritten when inflation rates were much lower, result in claims settled at much higher prices today. Inflation can also influence ongoing claims, increasing reserve estimates for long-tail liability lines and complex business interruption, which can take many years to settle.

How does this impact property lines and claims?

For property lines, the increased cost of materials and labour is already impacting claims. The costs of rebuilding and recovery have risen in line with big increases in construction costs, which are in turn driven by a jump in prices for key building materials, fuel and transport, alongside a critical skilled labour shortage.

According to the CBRE Construction Cost Index, building costs in the US increased by an estimated 14.5 per cent in 2022 and 11.5 per cent in 2021. In comparison, Europe saw construction costs leap by more than 16.5 per cent between the first quarter of 2021 and the second quarter 2022.

Property damage and business interruption claims can also be magnified by inflation and supply chain disruption. Delays in obtaining spare parts lead to longer periods of downtime, while skilled workforce shortages and higher prices result in increased operation costs. Post-pandemic uplifts in demand and higher commodity prices have also led some businesses to encounter severe volatility in revenue and profit in the last two years.

How is liability insurance affected?

While businesses are generally alive to the impact of inflation and supply chain disruption on property risks, it is important not to overlook the potential implications for liability insurance.

Legal, medical and care costs are also rising, alongside transport, accommodation and therapy expenses, while wage inflation results in sometimes substantial loss of earnings claims. These inflationary pressures are particularly acute for severe and large complex personal injury, where claims can take many months to settle and cover long periods of indemnity.

And what about the human factors of inflation?

Insurers and their customers ought not to forget the wider effects of inflation change. Most businesses are managed and staffed by people who will have been impacted by the pandemic and the current cost-of-living crisis. Policyholders must therefore be aware of the



mental health impact this can have on employees. There is a direct correlation between employee mental health and risk awareness. Although accidents can always happen, they are more likely to occur when the local environment becomes more uncertain.

How are insurers approaching the impact of inflation within property and casualty claims?

Changes in exposures will have implications for the type and scope of cover required, alongside the information required by underwriters, so now is not the time to roll over last year's insurance at renewal time.

QBE, for example, has been collaborating with its customers on more holistic forms of risk financing and alternative structures that help maintain insurance programmes in line with inflation. Deductible levels, aggregate retentions, limits and indemnity periods set just a few years ago may no longer be appropriate, given the compound effect of higher inflation over several years.

What should businesses consider ahead of renewal?

To avoid underinsurance or over insurance amid changing exposures, businesses will need to think carefully about the most appropriate covers and structures going forward. Some insurance products provide direct indemnification based on the sum insured, placing the onus on the insured to value property accurately. Other policies may include provisions for inflation, but even these may need to be reviewed during periods of prolonged inflation.

Businesses should ensure their insurance coverage is fit for future inflation by asking:



- Do deductible levels and attachment points reflect changes in inflation?
- Are property and liability policy limits and sub-limits sufficient?
- Are indemnity periods appropriate and able to cope with supply chain disruption or delays?
- Are current measures of exposure still relevant?
- Are values and exposures accurate and appropriate?

How can risk management control insurance costs?

Investments in loss prevention and risk mitigation will pay even bigger dividends in an environment of rising prices and supply chain disruption. Businesses can help counteract the increased cost of claims by minimising potential property losses, increasing diversification, or looking out for employees.

For example, businesses can assess their mental health and wellbeing strategies using QBE's self-assessment tool. Analysis can help develop an improved, more holistic risk management strategy.

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with your insurer has never been stronger. By making maximum use of risk engineering, risk management services and advice, we can help break the link between inflation and claims.

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Our approach is to not just provide an insurance policy and be there when things go wrong, but to add value and engage with our customers to understand their risks and business. We believe our collaborative approach to underwriting, claims and risk management support fits our customers' needs and demonstrates that we really do put the customer at the centre of everything we do.

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Deborah Ritchie speaks to Giorgio Baldassarri and James McMahon about the challenges of modelling and measuring transition and physical risks - where many firms are stepping up efforts, both as a result of regulatory pressures and investment due diligence

New model army

Granular data are critical for physical assets and also for measuring emissions. Not so long ago this data was simply non-existent, this is changing, isn't it?

Giorgio Baldassarri: Yes, and the good news is that a number of companies have started reporting quite granular information on Scope One, Two and Three emissions. But to your point, it's particularly important for large corporations to understand the sources of emissions in different countries because in different countries, there are different levels of carbon tax at the moment, and these are going to evolve over time – depending on their national policies.

What can you tell us about the interplay of transition risks with physical risks?

GB: I think there is a very critical aspect to keep in mind that is related to the interplay between these two types of risks. To a certain extent I would say that physical risks and transition are two different faces of the same coin that is the topic of climate. As governments and companies introduce new carbon policies, if transition is too slow, the implications and potentially the frequency and the severity of physical risk events will exacerbate.

Our view is that companies should not just look at the physical risks but also take into account the speed at which the transition will take place. The interplay between transition and physical risks will be central to understanding how best to address the financial and macroeconomic implications and ultimately, the credit risk implications for companies.

How does that model work and what can we glean about the future?

GB: We've done several analyses and we are in fact leveraging some of this

New model army

Deborah Ritchie speaks to Giorgio Baldassarri and James McMahon about the challenges of modelling and measuring transition and physical risks - where many firms are stepping up efforts, both as a result of regulatory pressures and investment due diligence

work for greening the financial system scenarios because these are a very good starting point for governments and regulators looking to stress test the resilience of the financial system to climate shocks. It's worth saying that these scenarios are articulating across a very long time span – decades ahead, in fact. One of the challenges with this, from an analytical or modelling standpoint, is how to ensure that the assumptions can still hold over this period of time. But we believe these scenarios are critical to efforts to gauge what may happen in the future and address these levels of uncertainty. And, depending on the modelling technique used to estimate financial and credit risk impact, one can obtain different results. This is due to the novel nature of transition risks, which is exciting, but not without analytical challenges.

How do the models work for business continuity analysis?

GB: If the transition is too slow, we will see an increase in greenhouse gas emissions and this ultimately will have an impact on certain physical hazards, both in terms of severity and frequency. We think that the best way to model and then ultimately to understand the implications is to leverage narrative driven scenarios, rather than trying to understand in detail very uncertain relationship between transition and physical risks.

Let's imagine a company whose main plant gets damaged beyond

repair by flooding, leading to that company ramping up operations through another plant on a different continent, potentially, thanks to business continuity plan. But that plant may pollute more because maybe it uses a different type of technology, and so it's exposed to higher carbon tax. This shows how transition risk is a very real one from a business continuity perspective.

These are the kind of data that allow organisations to ultimately embrace uncertainty, and is timely, given the extreme high levels of uncertainty that businesses are experiencing.

GB: Absolutely, and this is a topic that is close to my to my heart. We should embrace uncertainty with conviction. And by looking at different models, one can get a better understanding about the variability of the outputs, and ultimately obtain a better sense about how much error or uncertainty there is, so that companies can optimise some of the decisions that they will be making.

I think that all these things could be conflating together so we're talking about uncertainty from a geopolitical standpoint, uncertainty from a macroeconomic standpoint with interest rates raised, and then the implications of uncertainties on supply chains. It's an amazing area for modellers to delve into because it offers great intellectual challenges but also opportunities to understand more about the strong connections

that exist in our world. It also shows how complex these things are together and to a certain extent how delicate this equilibrium is, if there even is an equilibrium. It's so important to try to understand these things in a more holistic way. We are doing a lot of work to try to really combine all these things together and generate scenarios that are more realistic.

Modelling financial risks has always been a challenge, hasn't it...

James McMahon: Yes, as what we're trying to do is model the entire physical climate of the world and couple that with the global economic system – but there have some really useful frameworks put in place to get a handle on this – each with their own strengths and limitations.

It's wildly important not to have a reductive point of view on this but to model things together. That said sometimes the easiest way is to break them down first and then rebuild the causal connections. On the physical risk side, it is useful to look at the way that catastrophe risk models model physical risks, which is to first look at the hazards and if you have a particular asset in place somewhere around the world, it will be exposed to different hazards depending on where it is. Secondly, we want to look at the vulnerability of each asset to each different type of hazard. Finally, you get to risks, the financial impacts, and the strengths of the hazards.

There are a number of factors that we have high confidence in, such as temperature and precipitation changes. Other factors that we have medium confidence in might include severe storms or hurricanes. Compound flooding events are a little harder to grasp. Then of course all of this is dependent on emission scenarios, which is tied to transition

risk and complex phenomenon - and tipping points are hard to model, but still improving.

On the transition risk side of things, as Giorgio mentioned, there's both a microeconomic and a macroeconomic way to look at things. And those are both useful and both need to be coupled at this point because the world isn't separated into microeconomic events and macroeconomic events. All microeconomic events happen in a macroeconomic context and vice versa.

How might carriers benefit from these tools for BI modelling?

JM: The way that we model BI risk is by using vulnerability curves, which are developed from investigations of published studies, peer reviewed literature, and expert judgment. Our teams have conducted thousands of these reviews now.

Unlike direct impacts, which are fairly straightforward, indirect impacts can be a little trickier to model. To give you a sense of the types of hazards that might generate these impacts, we look at flooding both from coastal flooding which is of course exacerbated by sea level rise and storm surge changes which are generally happening faster than just land use subsidence or land subsidence. Riverine and flash flooding tend to generate damage in similar ways if they're not coupled with wind. Another one that's pretty unique to climate change is extreme temperatures. And those cause business interruption in the form of degradation of heating and air conditioning, and reduced employee productivity.

What's next in financial modelling?

JM: Climate modelling techniques have developed very quickly over the

past five to seven years, but the future is both exciting and a little terrifying because there's so much work to do!

Broadly they fall into two categories – the, or two 'buckets of tragedy'. When Mark Carney was Governor of the Bank of England, he referred to the "tragedy of the horizons" - the sense that climate change physical effects tend to unfold over decades – over a timescale that is different to that of business decision making, which tends to be seasonal to annual.

It's critical that we bridge the gap implied by the tragedy of the horizons so that climate data can be useful for decision making. It will be important to model physical and transition risk together, as they're deeply coupled. And it will be important to better model tipping points, thresholds, and the tails of physical and transition risk, because those events are the ones we're least well adapted to, and most likely to cause material financial impacts.

The second of the two categories is the 'tragedy of complexity'. It is quite difficult to model physical and transition risk coupled together not just separately but the interaction between the two. And yet that's really where the risk lies, and it's critical that we get that right.

➤ For more information on S&P's modelling products and services, visit spglobal.com/climatecreditanalytics



➤ Giorgio Baldassarri, global head of the analytical, innovation and development group, S&P Global Market Intelligence



➤ James McMahon, CEO, The Climate Service, now a part of S&P Global



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Intelligence-led resilience for an imperfect world

CIR's second Resilience Series summit brought together some 60 industry leaders and academics to debate the most pressing resilience, risk and continuity challenges of the day. We take a look at some of the themes covered at this timely event

Businesses are operating in a period of genuine uncertainty and disruption – a time when widespread economic crisis, escalating climate change-related risks, political and war risks, infrastructure breakdown, runaway cyber risks and disorderly supply chains are creating unprecedented challenges for businesses and the resilience professionals responsible for their continued success.

As delegates heard at CIR's second Resilience Series event, charting a course through this veritable 'perfect storm' requires organisations to step up efforts in strategic forecasting.

As the resilience community prepares for the very real possibility of an environment in which threats are a permanent feature, developing a resilience culture becomes essential. To help them achieve success when applying strategic forecasting to resilience, delegates were advised to:

- reduce dependencies
- map vulnerabilities

- build networks
- learn from others; and
- develop a resilience culture.

Applying the approach of a 'permanent war footing' when it comes to cyber threats was the topic of a separate session, held by Databarracks' resilience director, Chris Butler, in which he outlined a number of key lessons learned by the company following numerous real-life, and often complex cyber attacks.

In this high-threat environment, good cyber hygiene involves planning for the very real possibility that at some stage, companies are at risk of losing all their data – and often it can be days before they even find out about it.

Mission first, people always

We may live in an increasingly digital world, but without resilient people and teams, organisations have nothing – particularly during times of adversity. At such times, having a resilient team



Joachim Adenusi
Partner
Inspirational Risk Ltd



Chris Phillips GCGI
CEO & Founder
International Protect and
Prepare Security Office (IPPSO)



Chris Butler MBCI CISM
Resilience Director and Head of
Consulting
Databarracks



Michael Calamito
Head of Operational Resilience
Hargreaves Lansdown



Andy Craggs
Programme Director
London Business School



Alex Cravero
Digital Law Lead
Herbert Smith Freehills



Tony Deady
IT Business Continuity
Saudi Aramco



Muhittin Hasancioğlu
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Dr. Elmar Kutsch
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Tim Malloch
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CMS



Simon Newman
CEO
The Cyber Resilience Centre, London



Peter Power
Vice-Chairman
Resilience Association



Jon Rowland
Senior Sales Executive
Origami Risk



Jamie Shea, Former Deputy Assistant
Secretary General for Emerging
Security Challenges, NATO & Associate
Fellow, International Security
Programmer, Chatham House



Rupert Thomas
Director Post Trade Technology Risk
and Control
LSEG

that is ready to respond to challenging situations is paramount. But what exactly is professional resilience, and how can it be built and maintained? This was among the key themes of CIR's one day summit.

Delegates heard that resilient people are often those people that thrive in stressful situations – those with 'grit'; and those that respond well to situations in which they may regularly feel uncomfortable. When it comes to the potential obstacles to resilience, a lack of team connectivity was identified as a potential source of problems. Communication is key to combating this potential pitfall, ensuring that team members know where they stand.

ESG

The topic of ESG is never far from the headlines, but putting ESG strategies into practice is far from straightforward. As such, our Resilience Series dedicated two sessions to the topic.

Origami Risk's Jon Rowland touched on the data challenges of tackling ESG, highlighting the importance of engaging early; breaking down the data required; and understanding how technology can help practitioners to get started in the areas it matters most.

A subsequent panel debated the importance and practical considerations for embedding ESG into the core risk and resilience strategy. The panel discussed how organisations might develop a culture to be more collaborative on ESG, and where it meets risk. That has first to

be defined clearly by the organisation, with behaviours established that are consistent with that stance. And mechanisms have to be in place to help support people in those behaviours, the group suggested.

Across such a wide spectrum of elements, deciding on what stakeholders need to know, feel and do is an important part of the process. And, importantly, delegates were advised not to promise the earth, but instead to do a few things well and make them relevant.

Further emerging risks examined during the event included artificial intelligence, the metaverse and the hyperconnectivity risks it brings. The legal, commercial, performance, human rights and intellectual property risks were discussed, as were data privacy and ethics.

Whilst these new concepts are evolving relatively slowly within the confines of today's technological infrastructure, now is the time to grapple with the risks, delegates were advised. The need for international agreement when it comes to regulating advanced technologies was explored, in a space where China and the EU are leading the charge.

These are just some of the highlights from a day of discussion and debate of current and emerging resilience themes through presentations, fireside chats and even an interactive workshop. To find out more about the 2024 Resilience Series, visit <https://www.cirmagazine.com/resilience-series/>



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Winner: Brit Insurance

Loss Adjusting Award

Winner: Davies

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Loss Adjusting Award



Andrew Dakin, director, Strategic Accounts, and Sean Reeves-Jones, strategic growth director, Davies; pictured with awards host Suzy Ruffel

Winner **Davies**

The judges: In a tough category for our panel, Davies' entry stood out over the course of the judging year, for its particular focus on Covid-19

The winning entry: Davies is a specialist professional services and technology business, serving insurance and highly regulated markets. Its global team of more than 6,500 professionals operate across ten countries, including the UK and the US.

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Loss Adjusting Award

both in relation to 'business as usual' claims and in response to property-related surge events.

Commenting on receipt of the Award, Graeme Bell, head of major and complex loss at Davies, said: "We're delighted to win this award in recognition of our team's dedication and expertise handling the unprecedented number of severe weather event claims in 2022, as well as managing the significant influx of Covid-19 business interruption claims.

"This accolade is a testament to the team's hard work to streamline processes, reallocate resources in real time and adopt a standardised approach that benefitted clients and provided an excellent customer service. By investing in people development and acquiring 20 new highly qualified adjusters, the team was able to provide a response to the surge in claims that supported customers while protecting our insurer clients' indemnity spend.

"As the insurance industry continues to face considerable challenges, Davies is committed to its investments in research and development, innovation and automation, colleague development, and client services, enabling our teams to continue supporting our clients and their customers during periods of uncertainty."

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NATIONAL INSURANCE AWARDS 2023

Commercial Lines Broker of the Year



Vahed Khan, managing director, IC Insurance Solutions; pictured with Andrew Spratt, operations director, ICW Insurance Services; and awards host Suzy Ruffell

Winner IC Insurance Solutions

The judges: IC Insurance Solutions is a real people-focused business, both when it comes to clients and staff. This is particularly important at a time of increased focus on work/life balance.

The winning entry: IC Insurance Solutions is an independent broker in the truest sense and a proud member of the business community in Greater Manchester. The past judging year has seen the broker respond to the changing needs and demands of customers, and across a wide and varied client base with vastly different needs – and always with a focus on people first.

The growth in demand for online shopping during the pandemic led to a new generation of SME couriers, a market that IC Insurance Solutions was able to serve by developing relationships with usage-based insurers such as Zego, and collaborating with Amazon partners. Elsewhere, recent times have led to a considerable step change in the care sector – and one that represents a major growth area for IC Insurance Solutions during the judging year, as the insurer quickly responded to a post-pandemic increase in the number of facilities providing home care.

NATIONAL INSURANCE AWARDS 2023 WINNER

Commercial Lines Broker of the Year

On receipt of the award, Vahed Khan, managing director, IC Insurance Solutions, said: “We feel deeply honoured to have received this award, which recognises the dedication, hard work and expertise of every member of our team. Each individual has played an essential role in making this achievement a reality, demonstrating unwavering commitment to excellence, innovative thinking and a collaborative spirit. We believe that this has truly set us apart from our peers. Our partners and stakeholders have been instrumental throughout this journey and we are grateful for their consistent backing and collaboration from the outset. Without them, this achievement would not have been possible.

“This award holds great significance for us, as it acknowledges our strategy of placing customers at the core of our operations and taking a different approach to constantly improve and exceed their expectations. Looking ahead, we will remain humble and focused on our plan while using this platform to promote our business and elevate our industry. We remain committed to delivering exceptional service to our customers, contributing positively to our community and continuing on our growth trajectory towards becoming a leading independent brokerage in the UK.

“Recognition from the National Insurance Awards confirms that we are on the right track and this inspires us to aim higher, work harder and achieve even greater success in the years to come.”

icinsurance.co.uk



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NATIONAL 2023 INSURANCE AWARDS

Pet Insurance Award



Andrew Simpson, head of Petsure, Adam Sharman, business analyst, Petsure, and Georgia Fortune, marketing analyst at Petsure; pictured with Shannon Woods of Perspective Publishing, and awards host Suzy Ruffell

Winner **Petsure**

The judges: Petsure continues to champion a digital-first approach to empower customers with flexible cover.

The winning entry: Since its 2022 win of the Pet Insurance Award, Petsure has continued to strive to provide inclusive pet insurance to a growing market.

Petsure takes a digital-first approach to better serve its customer base, something it has worked hard to develop during the judging year, including a new, flexible approach to renewals, which has removed unnecessary paperwork and provided customers with online access to everything they need to renew their policy. The insurer has made continued improvements on its quote journey to condense and simplify questions, making it faster and easier for customers to get a quote. An improved live chat functionality also helps walk insureds through the medical screening part of the customer journey. Customers now also have the option of several payment options, including direct debit, ensuring they can choose a method that works for their finances.

This insurer strives to go beyond providing comprehensive cover for customers' pets, looking to equip them with the tools to make

NATIONAL 2023 INSURANCE AWARDS

WINNER

Pet Insurance Award

sure their pets live healthy and happy lives through website blogs and a supportive pet community through social channels. Customers also have 24/7 free access to FirstVet, a video advice service that allows them to speak with UK-based vets whenever and wherever they need it.

Commenting on the receipt of their Award, the Petsure team said: "Petsure is hugely proud to have won the Pet Insurance Award for a second consecutive year. Being recognised for this award helps us to bring our mission of inclusive and comprehensive pet insurance into the spotlight.

"In an industry where pets can face discrimination for their age and medical conditions, Petsure is standing up for fairness. That means continuing to cover as many cats and dogs as possible and champion putting our customers first.

"Petsure is proud to offer comprehensive insurance that's flexible to suit the needs of individual pets and their owners. And as we look to the future, we'll only continue to grow our proposition by introducing more accepted breeds and a greater variety of cover levels. We're fully committed to making things as easy as possible by improving our digital-first approach and our highly commended vulnerable customer process."

petsure.com

Petsure

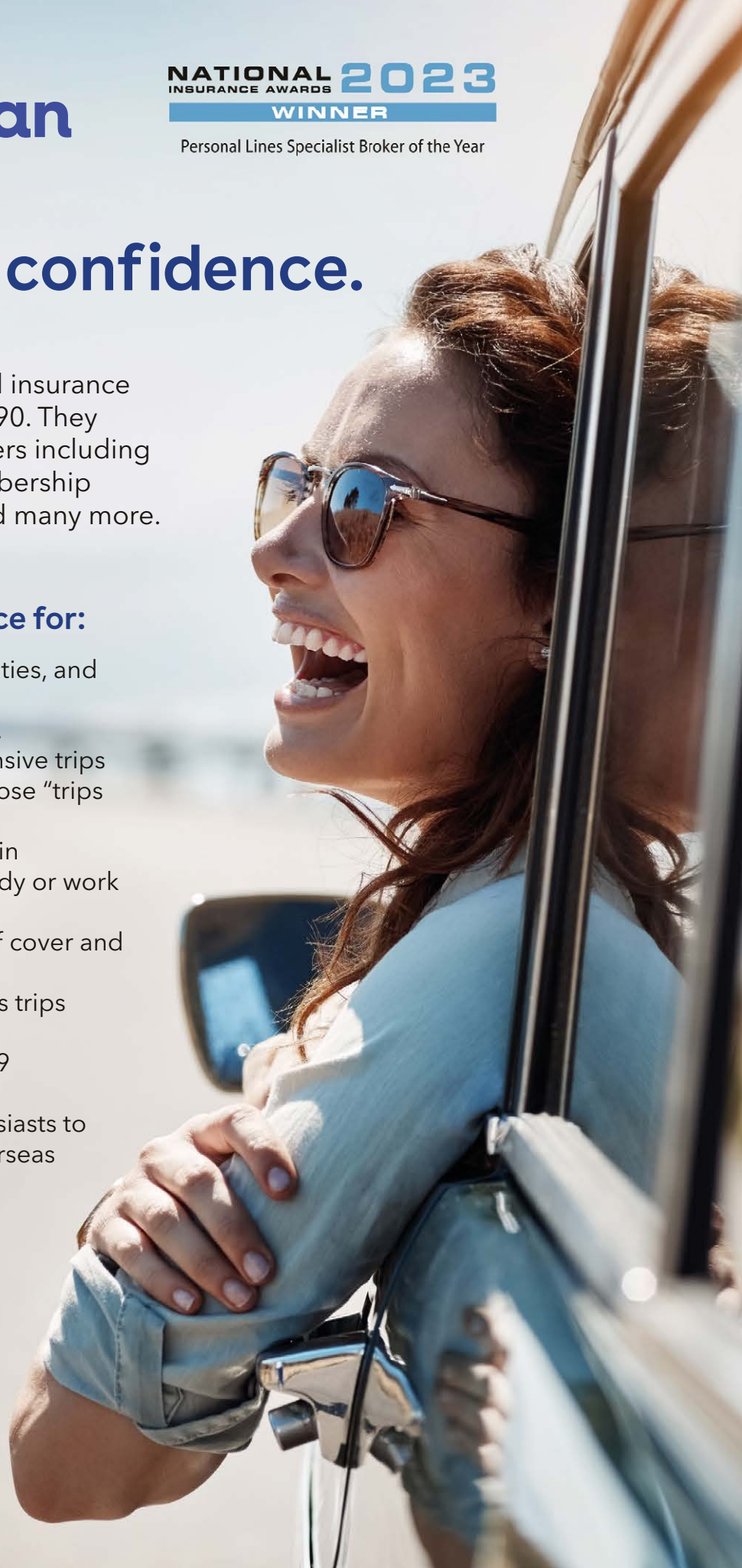
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NATIONAL INSURANCE AWARDS 2023

Personal Lines Specialist Broker of the Year



Managing director and founder of PJ Hayman & Co, Peter Hayman, pictured with Awards host Suzy Ruffell

Winner PJ Hayman & Co

The judges: With some fantastic testimonials, PJ Hayman & Co was able to evidence an impressive level of innovation in a number of specialist areas.

The winning entry: In the complex world of travel insurance, a range of risks must be taken into account. PJH's expertise is in providing cover for hard-to-place risks and has developed specialist products to cover them. These innovative products include Free Spirit, which provides cover for all ages and medical conditions, as well as Adventures and Travel Plus, which provide cover for extreme expeditions. While most travel insurance products follow a very recognisable standard format (around 80%), PJH provides tailored products for niche areas of travel insurance.

With almost 35 years' experience in the market, the team has built up extensive skills and advanced knowledge in the segment, with a stated mission of providing specialist travel insurance solutions to everyone, regardless of risk. Its customers are from a diverse pool including affinity groups, membership schemes, broker networks, aggregators and direct sources. PJH also partners with many organisations including charities, service providers, travel agents, tour operators, government agencies; and, has a prominent voice

NATIONAL INSURANCE AWARDS 2023 WINNER

Personal Lines Specialist Broker of the Year

within industry organisations such as BIBA, ATII and TIIC.

Commenting on the win, managing director and founder of the company, Peter Hayman, said: "Winning the specialist personal lines broker award from the National Insurance Awards means a great deal to everyone at PJH. As a travel insurance business, we have had to cope with the travel restrictions during the pandemic which decimated our turnover. The fact that PJH has quickly bounced back and now exceeded pre-pandemic levels speaks volumes of the strong team and business foundations that have been built over the years.

"I am delighted that PJH won the Personal Lines Specialist Broker of the Year award at the award ceremony. We were cited for our range of products and responding with tailored products for niche areas of travel insurance. Well done to my great team, and a big thank you to our supporters in the industry.

"This achievement marks only the first step for PJH. Further advancements to the brand, systems, corporate and product websites and product portfolio are already well underway. Additionally, progress on new business is strong as we follow our mission to provide or connect everyone with specialist travel insurance solutions, regardless of risk."

pjhayman.com



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NATIONAL 2023 INSURANCE AWARDS

MGA Award - Large



James Potter, deputy chief executive officer at Aventum Group, and Ian Anson, managing director at Rokstone Group Limited; pictured with Jim Parsons, chief executive officer at ParaCode, and awards host Suzy Ruffell

Winner **Rokstone**

The judges: In a highly competitive category, Rokstone is a hugely impressive MGA, with a well-rounded offering considering all stakeholders.

The winning entry: In the last 18 months Rokstone has achieved a 420% increase in GWP, ULRs at 51.5% and a 100% carrier retention record. It has transformed into a global re/insurance group controlling US\$850m of GWP, with 13 offices around the world, backed by 30+ carriers. It is now one of the largest and fastest growing MGAs. A number of initiatives have successfully diversified its portfolios, transformed its distribution, attracted world-class underwriting talent, and transformed data-driven underwriting.

Rokstone awards staff bonuses based on underwriting outcomes, rather than on volume, and engenders a 'one family' culture that fosters innovation. This culture supports a growth model that delivers profits both for the MGA and its carriers, rewards employees fairly and harnesses the power of technology "to complement experience, not replace it". A key innovation in its talent acquisition strategy has been the launch of Synergy, an entirely new model giving entrepreneurial underwriters the opportunity to become shareholders in new MGA subsidiaries that

NATIONAL 2023 INSURANCE AWARDS WINNER

MGA Award - Large

plug into Rokstone's platform, giving them access to its infrastructure and enabling 'go live' in just weeks. Through this Synergy model, Rokstone successfully acquired market leading underwriters to launch into new multiple lines including marine, agriculture, aviation, power and terrorism, within the space of a few months, with new divisions or offices opening and led by these teams in the UK, US, Middle East and Africa

Commenting on the win, James Potter, deputy chief executive at Aventum Group, said: "We are thrilled to win this award. It is thanks to the success of our model and the unrelenting hard work of our talented people. Rokstone continues to comfortably outperform the market. It is a growth model that delivers market beating profits, rewards employees fairly and harnesses the power of technology to complement experience, not replace it. We are growing fast and already one of the biggest global re/insurance MGAs. But at the centre of it all its success is a strong independent and entrepreneurial culture that stands firmly by its values.

"Our purpose is simple: to inspire confidence. Whether it's for our capacity providers, who want to know that their money is protected, or for our brokers, who want to know that they can easily place their risks, we understand the importance of always delivering. It's exciting and rewarding for all our staff to receive the recognition of industry peers – thank you."

rokstoneuw.com





IMAGINE

IM
IM



IMAGINE
the possibilities

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NATIONAL 2023 INSURANCE AWARDS

Insurtech Award - Analytics



Ian Carman, director of Investigation Services at Sedgwick, pictured with CIR Magazine's Deborah Ritchie, and awards host, Suzy Ruffell

Winner Sedgwick

The judges: In a closely fought category, Sedgwick stood out for its ability to achieve that winning combination of advanced tech and human-led customer service.

The winning entry: Sedgwick's investigation services team invested in innovative counter-fraud technologies to meet an anticipated market increase in insurance claims fraud. Using machine learning and artificial intelligence, and working in close collaboration with the Insurance Fraud Bureau, its new digital platform accelerates the detection of fraudulent behaviours and provides real-time insight into emerging fraud trends.

Combined with the latest developments in digital voice risk analysis and open-source intelligence, Sedgwick increased its strike rate for proven and suspected fraud by 11.2% during the judging year. It also recorded a 66% improvement in false-positive results, reducing time wasted investigating genuine claims. Customer complaints were down from 1.1% to 0.3%, and annual fraud savings forecast to increase by almost £3m over the previous year.

Commenting on the win, Ian Carman, director of Investigation Services at Sedgwick, said: "Winning the Insurtech Award is excellent industry recognition of Sedgwick's strategic investment

NATIONAL 2023 INSURANCE AWARDS WINNER

Insurtech Award - Analytics

in and commitment to the very latest developments in counter-fraud technologies. Digital tools, supported by deep data science expertise, drive faster, more efficient and less intrusive ways of detecting fraud at the earliest possible stage of the claims management process. This empowers us to pinpoint fraud trends as they're developing, and, in the current economic climate, when hardship can tempt some people into making poor decisions, it puts us firmly on the front foot.

"Balancing effective fraud detection measures with excellent customer service has always been challenging. Shift Technology's counter-fraud software delivers 'greater than human' accuracy in fraud detection, and the results are 100% explainable. This enables our specialist investigators to focus on scrutinising real and tangible threats and allow genuine customers' claims to progress rapidly and seamlessly through to settlement.

"However, while new digital tools undoubtedly improve our performance in identifying fraud, skilled counter-fraud practitioners remain essential to driving a fair and technically correct outcome for our clients and their customers. For Sedgwick, the balance is all about investing in the strengths of both."

[sedgwick.com](https://www.sedgwick.com)





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NATIONAL INSURANCE AWARDS 2023

Travel Insurance Award



Graham Linney, CEO, Sarah Findlay marketing director, and Chris Payne, COO, Ancile Insurance Group; pictured with Mandy Knowlton-Rayner, insurance and risk lead at Lincolnshire County Council, and ALARM board member; and awards host Suzy Ruffell

Winner **Total Travel Protection**

The judges: For an aging population that still wants to travel having access to a reasonable premium whilst having pre-existing medical conditions – and without going online – is not only welcome, but also fair.

The winning entry: Ancile Insurance Group is a travel insurance intermediary specialising in products for older travellers and those with pre-existing medical conditions. The insurer launched Total Travel Protection to better serve the impaired health travel insurance market and provide greater choice and potentially a better outcome for travellers with pre-existing medical conditions. The solution approaches medical screening differently, by using a different risk rating method for pre-existing medical conditions, with the goal of providing more choice and a broader range of travel insurance products to a potentially vulnerable group of travellers – people who may either risk travelling uninsured or not be able to travel at all. Ancile worked with Charles Taylor Group to integrate its new risk rating technology, Antidote. With a 22% reduction in standard questions compared to other systems and intuitive technology that removes repetition and recognises already declared conditions, Antidote reduces screening time and enhances the customer journey.

NATIONAL INSURANCE AWARDS 2023

WINNER

Travel Insurance Award

Commenting on the receipt of the award, Graham Linney, CEO, Ancile Insurance Group, said: “We are extremely proud to have won the travel insurance award. Providing travel insurance solutions to older travellers and those with existing medical conditions has been our specialism for more than 10 years, so it’s fantastic to be recognised for our new brand which offers more choice to this underserved area of the market.

“Our aim has always been to offer travel insurance when other providers can’t, to ensure that everyone can enjoy a holiday abroad with appropriate cover in place. With Total Travel Protection now running alongside our flagship brand Goodtogoinurance.com, we aim to grow our market share, whilst offering a much-needed alternative to the existing products on the market.

“The future for Total Travel Protection is an exciting one. Now we have proved the concept of using an alternative medical screening technology, the sky is the limit. We will be investing in the brand to raise awareness and drive sales.

“In addition to selling travel insurance direct to the consumer, Ancile Insurance Group can also offer partnership solutions to other insurance providers, enabling them to monetise customers that they would otherwise turn away and helping them to meet their signposting obligations and the FCA rules around customers with medical conditions.”

totaltravelprotection.com



Industry views



▶ Julia Graham is CEO of Airmic

In association with



▶ What is going on in governance as very public failures in leadership continue? Perhaps there is no increase in failures but that failures are now more quickly exposed and poor behaviours and responses performed in public. When the light of failure is switched on, rather than buried and concealed from public sight in secure corporate castles and glossy annual reports, the acts of leaders are less likely to be hidden from view and the analogy is more 'glass house' than 'castle'.

Whether laying off staff remotely or taking decisions based more on ego than evidence, leadership will be found out if they cut corners, don't care about those they lead, and act as if they are more important than those who entrust their investments to them to be managed wisely.

The world continues to face increasing change, complexity and uncertainty, which are applying pressures to already high levels of societal and economic fears. Enter the factor of artificial intelligence, which of course is not new, but is developing at a pace many are struggling to keep up with and is for some, overwhelming. What might this mean for future leadership behaviours and performance?

Scenario analysis should embrace emerging risks which are characterised by a lack of verifiable information and knowledge needed for the decision-making related to them. Emerging risks are not only new risks but can include existing risks changed by the circumstances or conditions of an organisation and its context. Scenario analysis also helps test the efficiency of controls in place and identify gaps that might need to be addressed.

Organisations must conduct scenarios that focus on cultural and ethical fitness, what might emerge and what interventions are in place or needed to respond – before anything starts looming on the horizon. It's all very well for an organisation to have a purpose statement but if this doesn't translate into embedded practice and behaviours throughout an organisation, purpose becomes no more than a set of fancy words.

Principia has been appointed by the Confederation of British Industry to conduct a thorough review of the

CBI's culture. Principia is committed to building ethical organisations. They sound like a good fit for the CBI's needs, but I'd argue that this type of advisory resource should be built into the business and crisis response plans of all organisations way before their help is called upon in real time. The knowledge and skills of organisations like this, especially from past lessons learned, is invaluable.

Managing crisis associated with a failure in culture and ethics and the impact this can have on the reputation of an organisation isn't new – and collusion, cheating, abusive practices, breaches in safety, environmental damage, bullying, racist behaviour, and sexual misconduct – need I go on – is preventable. It is the job of leadership to step up as role models and to prevent individual acts of misconduct from getting out of control, throwing an organisation into the path of a loss of trust, damage to reputation, and ultimately in the most extreme cases, complete failure.

All is not doom and gloom. There is a massive opportunity for business leaders. The Edelman *Trust Barometer* reported this year that business is the only institution seen as competent and ethical. We live in hope that leaders will grasp this opportunity – it just makes good business sense.



▶ Stephen Sidebottom is chairman of the Institute of Risk Management

In association with



▶ The Confederation of British Industry has suffered serious damage to its reputation following allegations about the behaviour of senior staff. Brian McBride, president of the CBI, published an open letter in May outlining failures in its culture. In it he described the board's response to the allegations as "bewilderment" and that the board and senior leadership team "had believed that the corporate culture of the CBI was in fact strong, and among the very best".

He went on to say that the challenge of the CBI's work sometimes "attracts the wrong people" and described a failure of the recruitment process to filter out "culturally toxic people". This idea is a familiar one to students of the disgraceful banking practices and behaviours that were a feature of the 2007–2009 financial crisis.

The so-called "bad apples" argument refers to the notion that misconduct or unethical behaviour within an organisation is primarily caused by a few individuals who are inherently bad

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

or “toxic” rather than being a systemic issue.

It suggests that by removing these individuals, or managing their behaviour, the organisation can address the problem. While the bad apples argument may have some validity in certain situations where isolated individuals engage in misconduct, it is often an oversimplification and can be misleading for several reasons:

Systemic issues: Misconduct within organisations is often rooted in broader systemic and cultural problems, leadership styles, inadequate policies and flawed processes. Focusing on individual behaviour ignores the underlying organisational factors that contribute to misconduct in the organisation. Context is not neutral – in fact it often contributes to these behaviours so addressing systemic issues is crucial for sustainable change.

Organisational culture: Behaviour shapes culture. If misconduct is permitted by management practices that allow or tolerate unethical behaviour, then this becomes normalised. By attributing misconduct to a few individuals, the broader cultural and environmental factors are often overlooked.

Ethical leadership: The behaviour and actions of leaders have a significant impact on the conduct of individuals within an organisation. Leaders who prioritise ethical behaviour, establish clear values, and lead by example, create an environment that discourages bad behaviour. Ignoring the influence of leadership and attributing misconduct solely to individual employees overlooks the importance of ethical leadership in shaping organisational conduct.

Group dynamics: Misconduct is often driven by group dynamics, where social pressures or the desire to conform to the behaviour of others can lead otherwise well-intentioned people to engage in unethical actions. The bad apples argument neglects the influence of group dynamics and peer pressure on individual behaviour, and how this leads to ethical fading.

Good risk management should be continually assessing these risks – they are inherent in every organisation and culture, and are materially shaped by the role of leaders.

The CBI has outlined the steps it is now putting in place. These include zero tolerance of sexual harassment and bullying, compulsory training, a chief people officer with access to the board, an independent and confidential whistleblowing channel, and formal mechanisms to examine complaints of misconduct. These are necessary processes and should, self-evidently, be part of every organisation's risk identification, mitigation and assurance processes.

Brian McBride described the CBI board as “complacent”, with “systems of culture management, harm prevention and eradication [that] were insufficient”. The wide-scale nature of the alleged behaviour and the huge consequences for the CBI

of this becoming public suggest this is not just about being unsuccessful at preventing individuals from doing bad things, but a systemic failure of risk management.



International sanctions have been part of the landscape of the insurance industry for many years, but recently they have been growing in importance for obvious reasons.

Sanction-related regulations are multifaceted and have been enacted at various levels, from the UN (there have been over 30 sanctions regimes adopted by the Security Council) to the EU (numerous regulations were adopted after the annexation of Crimea by Russia) and its member states (eg. the Polish Parliament's own sanctions act supplementing the EU's). Additionally, there are also separate US and UK regulations.

Obligations stemming from the sanctions inevitably impact insurers. However, doubts have arisen due to the nature of their business. For example, how to define the prohibition on the making available of funds (financial resources) and economic resources stemming from Article 2(2) of EU Regulation 765/2006 and Article 2(2) of EU Regulation 269/2014 when it comes to insurers.

There is a debate as to whether this only includes activities in the conclusion of new insurance contracts, payment of compensation, or return of overpaid premium, or if the continuation of insurance coverage resulting from insurance contracts concluded earlier (with all payments frozen) is also forbidden. We are also facing questions from our clients around how to navigate claims made against policies taken out by sanctioned entities, namely in which cases are insurers permitted to pay out. For example, if the beneficiary of a policy taken out by a sanctioned entity is not under sanctions themselves, should they be paid? And if unsanctioned entities claim against policies taken out by sanctioned parties, should they be paid?

Given the lack of clarity on these questions – and many others resulting from the sanction regulations – there are still doubts being raised among insurers and local regulators. While a uniform approach would be desirable, whether it is achievable or not remains to be seen.

ICO issues SAR guidance for employers

✓ As the fifth anniversary of the General Data Protection Regulation approaches, the Information Commissioner's Office has published new guidance for businesses and employers on responding to Subject Access Requests

The Information Commissioner's Office has published new guidance for businesses and employers on responding to Subject Access Requests. SARs give individuals the right to request a copy of their personal information from organisations. This includes where they got the information from, what they're using it for, and whom they are sharing it with. Individuals can request the personal information held by their employer, or former employer, such as details of their attendance and sickness records, personal development or HR records.

Organisations must respond to an SAR within one month of receipt of the request. However, this can be extended by up to two months if the SAR is complex. Failing to comply with SARs is non-compliant with the law. If organisations fail to respond to SARs promptly, or at all, they can be subject to fines or reprimand.

Elanor McCombe, ICO policy group manager, says: "The right of individuals to access information that organisations hold on them is one that is vital for transparency, and is enshrined in law.

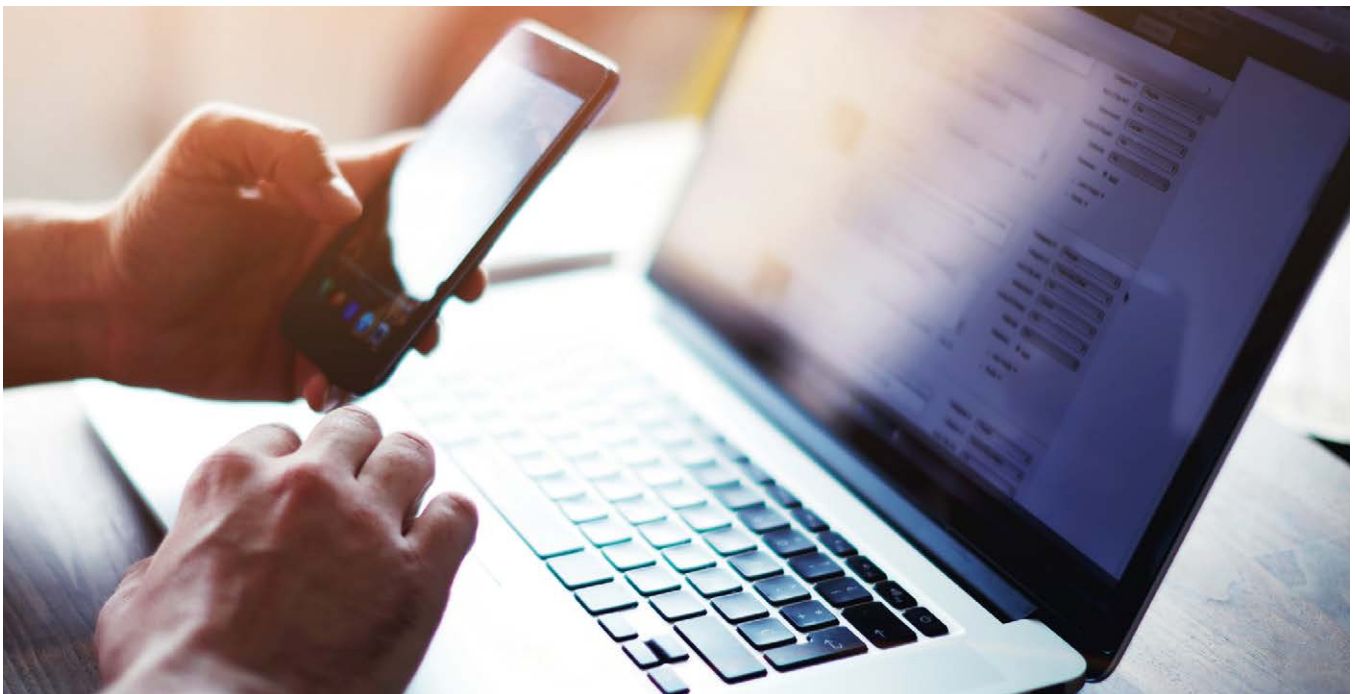
"What we're seeing now is that many employers are misunderstanding the nature of subject access requests, or

underestimating the importance of responding to requests. For example, employers may be unaware that requests can be submitted informally, such as over social media, or do not have to contain the words 'subject access request' in order to qualify as a legally binding request. Similarly, employers may not realise that there is a strict timeframe for responding to requests, and this must be kept to.

"It's important to not get caught out, and that is why we are publishing this guidance – to support employers in responding to subject access requests in a proper and timely manner, and to ensure that employees are able to access their personal data when desired. For those who continue to fail to respond to subject access requests in accordance with the law, we will continue to uphold and protect the data rights of individuals and take appropriate action where necessary."

Subject access requests form part of the UK GDPR and the Data Protection Act. From April 2022 to March 2023, 15,848 complaints related to subject access were reported to the ICO.

➤ Access the ICO's guidance here: <https://ico.org.uk/for-organisations/uk-gdpr-guidance-and-resources/employers/sars-qa-for-employers/>



PROFESSIONAL SERVICES GUIDE

BUSINESS CONTINUITY SOFTWARE



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Shadow-Planner from Daisy is a multi-award-winning business continuity management software tool, with an award-winning, mobile app to drive business continuity planning for the digital age.

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- Business Continuity Planning
- Testing & Exercising
- Programme Management
- Mass Communications
- Mobile Application



BUSINESS CONTINUITY SOFTWARE



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Data Protection and Recovery: Whether it is backup, replication, or both, whether you want it with or without recovery, self-service, co-managed, or fully-managed – we can deliver it.

Disaster Recovery: Physical IT delivered to your door, with help and support from experienced business continuity engineers.

Work Area Recovery: Standby infrastructure with 5,600 always-ready replacement positions available across the UK, IT replacement services, mobile and data centres support and more.

BUSINESS CONTINUITY, DISASTER RECOVERY & ALWAYS ON INFRASTRUCTURE



Fortress

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The FortressAS team are expert in the provision of Operational and Cyber Risk and Resilience services.

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



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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



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Origami Risk provides integrated SaaS risk, insurance, and safety solutions to insured corporate 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.

The multi-tenant Origami Risk platform is highly configurable, allowing 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.

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



Protecht

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Protecht is an integrated software-as-a-service enterprise risk management solution, supported with training and advisory services, for organisations of any size or geography. Currently on release R11.1, Protecht allows users to dynamically manage all their risks – compliance, incidents, KRIs, vendor risk, IT and cyber risk, internal audit, operational resilience, BCP, health and safety – in a single platform.

Protecht delivers interconnected, structured data through dashboards and reports that can be categorised and documented, allowing users to spot trends and identify areas that require actions. Its reporting tools allow effective and professional communication to risk committees, boards and business stakeholders using customisable visual reports.

The platform is designed to be used across the organisation, with the MyTasks personal dashboard keeping every user on top of their responsibilities, and a mobile app to provide access wherever it's required. Registers can be customised and deployed without the need for coding, and the system's user management functions allow organisations to onboard users and precisely control their access.

With features including a dynamic form builder, the capability to automate notifications and email alerts, and customisable risk assessment scales, Protecht has the flexibility to meet an organisation's specific risk profile. It also includes a wide range of preconfigured dashboards, taxonomies, workflows, registers and analytics relevant for organisations for all levels of risk maturity.

Rather than just being a software company, Protecht is a risk company, incorporating training and advisory services delivered by leading experts in risk management. The product itself, the client implementation process, and the training and advisory services provided to customers are all directly informed by Protecht's understanding of how to manage risk.

www.protechtgroup.com



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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.

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