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Cyber Security Law, Standards & Regulations

Analysis
Examining pandemic bonds

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Summer 2020

CIR

CONTINUITY INSURANCE & RISK

A new normal *As more businesses start to think about returning to the workplace, the emphasis is shifting to people*

Mind the gap *The commercial insurance world has been rocked by the COVID-19 crisis. We look at some of the issues*

Ready for anything *Employers should not assume that the recent relaxation of HSE rules lowers the risk of prosecution*

Exit strategy

Establishing a new normal

View: "Working behaviour, business priorities and the use of technology have been turned on their heads since the pandemic began"

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Comment

Just a few months after COVID-19 was named a pandemic, a number of countries and economies around the world are already seeing the secondary consequences of this unfortunately successful virus.

The economic fallout from the response has begun to mount, resulting in protests in emerging and frontier markets as millions of newly unemployed, underpaid and underfed citizens pose unparalleled threats to stability.

As many as 37 emerging and frontier markets were identified in a recent study as running a high risk of mass protest in the coming months as lockdowns ease and the full economic impacts of the crisis are realised.

Verisk Maplecroft's analysis shows a number of economies facing a 'perfect storm' of risks, as well established grievances over socioeconomic inequalities, civil and political rights and government corruption resurface. The highest risk countries in this regard are Nigeria, Iran, Bangladesh, Algeria and Ethiopia. The risks in several major emerging markets, including India, Brazil, Russia, South Africa, Indonesia and Turkey are only very slightly less acute. In fact, countries from every region, except Europe, fall into the highest risk category.

In sub-Saharan Africa, the report's authors foresee the risk of protests intensifying amid economic decline, poverty, and a widespread inability to guarantee adequate food supplies. Key markets affected include Nigeria, Ethiopia and DR Congo, where stability is particularly vulnerable. In Nigeria, even increased production of rice is not keeping pace with demand; and in Lagos and DR Congo, food prices have gone up by as much as 50% in recent months.

In Latin America, Venezuela and Peru are the region's riskiest for civil unrest, while the atmosphere in Chile, Brazil and Argentina remains precarious.

The outlook is also negative for the US, where a combination of the Black Lives Matter protests and frustration over President Trump's weak pandemic response makes further unrest almost inevitable.

The index identifies the marginalisation of racial and religious minorities as the single biggest driver of unrest and projects that it has a 65.2% chance of getting worse by the fourth quarter of this year, with Minnesota as the highest-risk state for security force violations before the killing of George Floyd. A dangerous combination of eroding freedom of speech and judicial independence are thought to be amongst the potential blockers to recovery as the country moves towards the presidential election.

The way in which the post-pandemic recovery is managed and subsequently plays out will be key to managing unrest, though so many of the structural issues in each of these countries have not gone away. In India, whilst the country is tackling an explosion of coronavirus cases, anger over the Citizenship Amendment Act is sure to re-emerge. In Hong Kong, despite the speed at which the island dealt with the first waves of the coronavirus outbreak, anti-government protests resumed quickly. China's recent decision to impose national security legislation on Hong Kong will continue to cause civil unrest there – and perhaps even elsewhere.

Deborah Ritchie

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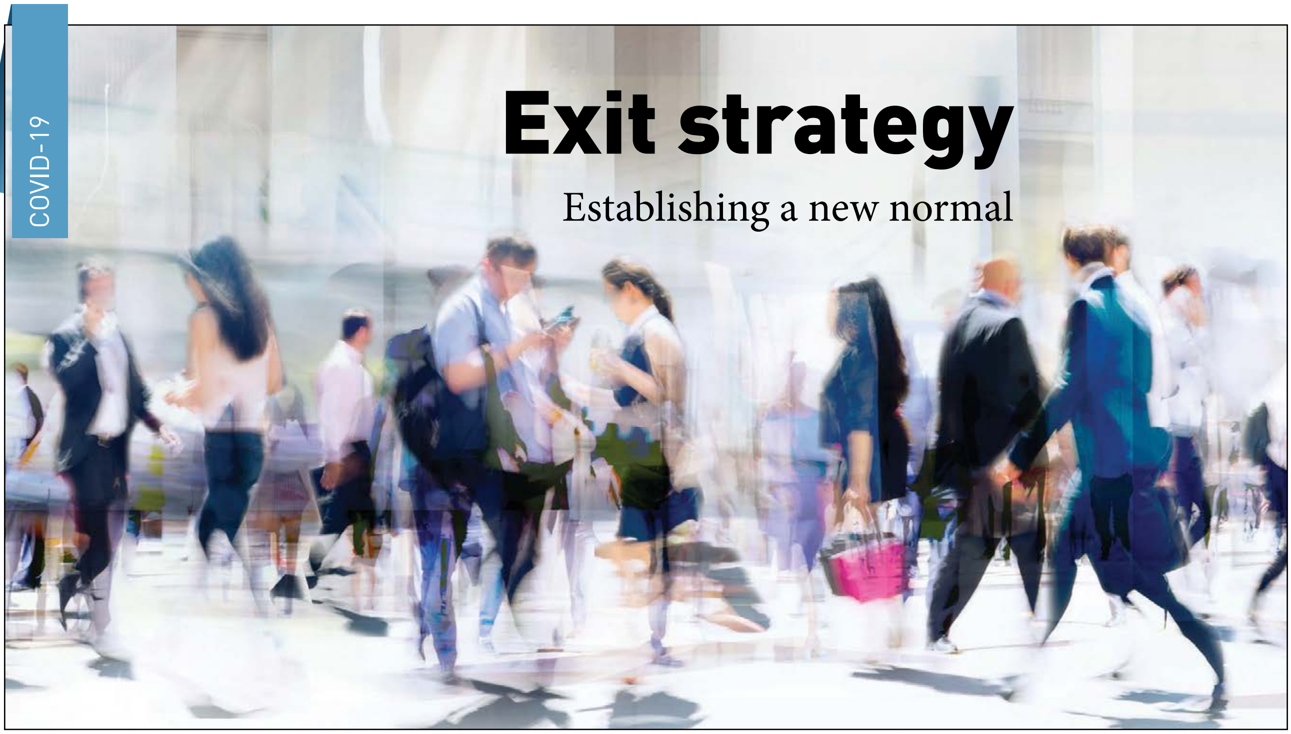
COVID-19



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Editorial & features

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Q&A

Back in business

As governments around the world begin to ease lockdowns in varying ways and speeds, organisations everywhere are looking for a safe and co… Spoke with Brendan Seifried on the role that WAR …

Insurance law | COVID-19

New proceedings

As COVID-19 continues to take its toll, GILC's Jim Sherwood looks at the common and emerging themes of coverage, legal and regulatory issues, as well as potential emerging claims and the impact on local insurance industries

COVID-19 has changed many priorities for insurers in the short term. There are a number of common issues with lines of business – travel, life and event cancellation are all seeing the limits of coverage being pushed in respect of losses associated with COVID-19. Disputes involving business interruption policies have triggered coverage challenges in numerous jurisdictions.

Changes to contested claims proceedings

The courts in all eighteen GILC member courts have suspended most, if not all live hearings, and many have pushed a majority of case dates back to the autumn. The outcome could be crises in the court system for these countries, as the backlog of cases will need to be dealt with – a crisis that could become worse if a second wave of coronavirus does strike in the autumn.

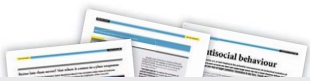
Some countries have made innovative moves to keep the court system working, however. Belgium and Finland have allowed cases in which all evidence is already filed to go ahead in writing, providing all parties agreed to do so. And many countries, including Australia, India, Brazil, Italy, Norway, England and Switzerland have instituted virtual video judicial hearings.

India has been similarly advanced in its technology. The Indian courts have adopted a specific app for use in video cases, and have even launched an e-filing software system for filing court documents online; while in Australia, it is now possible for expert witnesses to give evidence from their homes via video conference.

There are some countries where coronavirus has receded enough for the courts to have reopened, with Germany being a notable example of this, although the live courts have been supplemented with an element of videoconferencing.

Regulatory changes

In most countries, the advent of the pandemic has been followed by a wave of emergency measures, some directly impacting insurance. The broader and more helpful of these include relaxation of time periods for filing of results, company announcements and reports, reduced requirement for detailed Solvency II data and the extension of time periods for handling customer complaints. In Belgium the regulator suspended its insurance stress test, while in India, late renewal of consumer insurance policies has been allowed without being considered as a break in…



News, views & regulars

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£189 pa in the UK
£199 pa in the EU
£209 pa elsewhere

Cheques must be made payable to Perspective Publishing Limited and addressed to the Circulation Dept.

CIR Magazine is published by:

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

Tel: +44 (0)20 7562 2400

ISSN 1479-862X
cirmagazine.com

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ENVIRONMENTAL RISK REDUCTION

Diagnosing the symptoms, providing a cure

As Western nations struggle to manage the impact of COVID-19 on their economies and healthcare systems, how do the world's low-income nations cope? Dr Franziska Arnold-Dwyer and Dr Miriam Goldby write

Following the 2014-15 Ebola outbreak in West Africa, the International Bank for Reconstruction and Development, in collaboration with the World Health Organisation and partners from the private sector, launched a Pandemic Emergency Financing Facility, a funding mechanism that was intended to provide fast financial aid to help prevent specified high-severity disease outbreaks from becoming more deadly pandemics. The centre piece of the PEFF is a so-called pandemic bond: a three-year note issue by the IBRD to investors, under which the investors pay upfront for the notes, and receive substantial monthly interest payments. If a set of criteria – referred to as 'triggers' – are met, the bond's funds are released to pay for pandemic aid efforts and, accordingly, are not repayable to the investors at the end of the three-year period.

The aim of the pandemic bond was to shield developing countries from the worst effects of future pandemics. A good idea in theory but, in the case of COVID-19, one which ultimately has failed because of the complex triggers that had to be satisfied before payments could be made

The triggers include having outbreaks in more than one country, confirmed cases and fatalities based on testing, and a prescribed growth rate of cases. In the developing world there simply isn't the capacity to test at the same level of more affluent countries.

This meant that by the time the triggers had finally been met and verified, it was too late: the virus was already ravaging the population of the developing world.

The design of the bond was flawed. The complex trigger mechanisms largely prioritised the interests of investors by setting the bar high for the triggers being met, rather than providing fast financial aid to the people who needed this the most.

This does not mean that such initiatives should be scrapped. Public-private partnerships such as this one are a key part of preparing for pandemics going forward. However future schemes of this kind need to be structured differently. It is crucial to learn quickly from the mistakes of the past.

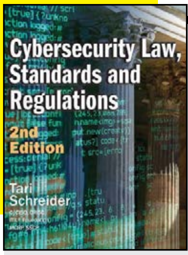
A different timetable is needed. The 12-week development period should be shortened and the criteria needed to release funds should be transparent and based on data sources that are reliable and easily accessible (eg. relevant indices) or on data sets that can be generated and verified quickly and efficiently. This means that the scheme might need to include a mechanism for funds to be released in different stages, with the first stage of funding being released to support intensive testing (to generate data) and dissemination of crucial information to the public.

Whilst these changes will inevitably make payouts easier, they do run the risk of diminishing returns for investors. However, alternative features may be calibrated to attract investors (eg. interest rates, geographic limits, maturity periods and noteholder control). Additionally, different classes of notes could reflect varying risk appetites more sensitively.

Pandemic bonds are a valuable instrument for committing private finance to dealing with outbreaks of serious diseases. They are also an important part of the emerging trend of inclusive insurance – aiming to reduce poverty, improve economic resilience and support major public policy objectives in underserved markets – on sustainable terms. The pandemic bond isn't dead, but it badly needs a new injection.

Dr Franziska Arnold-Dwyer and Dr Miriam Goldby, Centre for Commercial Law Studies, Queen Mary University of London

Inspiration for resilience professionals



Cybersecurity Law, Standards and Regulations (Second Edition)

By Tari Schreider, Rothstein Publishing, 2020
Reviewed by Deborah Ritchie, group editor, CIR
rothstein.com

This book was written to bridge the gap between cyber security and law, providing cyber security practitioners, attorneys and privacy managers with a single and comprehensive and highly detailed guide to cyber security law, international standards and regulations.

Author Tari Schreider is an industry expert with some 40 years of experience in his fields of cyber security, risk management and business continuity. Formerly a distinguished technologist and chief security architect for Hewlett-Packard Enterprise, he has overseen some of the world's largest information security programmes, preparing organisations to deal with some of the most aggressive and persistent attackers.

Schreider draws on his vast experience to take the reader on a 'world tour' of privacy and data protection laws, providing methodical and practical steps to help all cyber security professionals defend against bad actors, and against the legal actions arising out of a data breach – an important definition to make.

Topics examined include an introduction to the foundation of law as it applies to the cyber world, privacy; judicial rulings; cryptography and forensics law; cyber insurance; the legal implications of big data, cloud, data breaches, IoT, ethical hacking and personal digital assistants; as well as future developments in this dynamic arena.

This considerable title also features a series of case studies, guides and measures providing a war-chest of tools and insight to help direct valuable cyber security spend. Some self-study questions add to this book's appeal as a tool that can be put to immediate use, creating an impressively comprehensive reference to cyber law.

"Schreider draws on his vast experience to take the reader on a 'world tour' of privacy and data protection laws"

New for this second edition are over 50 cyber law cases and important legal resources; 60 self-study questions; eight cyber law programme models to guide programme design efforts; 10 templates for documenting cyber security law programmes; and the addition of CISO, IoT, Data Broker, Cloud and Event Data recorder cyber security laws.

Readers will also find the supplementary coverage of Act of War clauses to be useful, in addition to new sections on cyber security whistleblower protections and new social media privacy laws.

News briefing

A round-up of the latest industry news

International clandestine migration remains a persistent threat to the supply chain and the transport sector in Europe, despite the current COVID-19 crisis. And now, freight insurer TT Club has warned that it could be about to get worse as restrictions on movement begin to ease.

The Chartered Governance Institute published new Terms of Reference for risk committees, to help companies adapt to their needs following the decision to have a separate risk committee.

TT Club also produced guidance for UK ports and terminals designed to support risk assessment and management efforts during the COVID-19 outbreak – not that it looked like they needed it, having demonstrated impressive levels of resilience by facilitating 95% of the UK's trade throughout lockdown, including half of the country's food imports, and medicines, energy and fuel.

The most pressing business continuity concern of the day was identified as further disruption from a second wave of the COVID-19 pandemic. Around 70% of companies polled by International SOS said this was their key focus in the coming weeks.

The power sector struggled with COVID-19-related pressures, as workforce availability and supply chain continuity proved too much. This comes at a time when the sector is already under pressure to fulfil its ESG commitments. On the plus side, some took advantage of the decreased demand to proactively advance maintenance programmes.

As lockdowns are eased around the world and economies restart, leaders and policy makers are at a crucial stage in shaping the outcome following the COVID-19 pandemic, according to the World Economic Forum. The organisation pointed to the opportunity it believes leaders now have to embed "greater societal equality and sustainability" into the recovery, thereby unleashing a "new era of prosperity".

But there would be no going back to business as usual, according to business resilience group, Resilience First, whose stark warning said that COVID-19 and subsequent lockdowns had changed the business landscape "irrevocably". The group urged businesses to use the "forced reset" to reformulate responses to newly recalibrated systemic risks.

A study conducted among Chartered Insurance Institute and Personal Finance Society members found that just 10% expect to return to pre-pandemic ways of working after COVID-19 restrictions are lifted. Seven in ten expect a mix of working from home and in an office environment, according to the poll, which was conducted in May.

In the last two weeks of April and early May, consumer spending recovered a little each week in anticipation of a move into a 'normalisation' phase, as countries lifted lockdowns and began to show signs of economic recovery. Spend that was at first focused on essentials, such as groceries, was extended to home improvements and clothing.

Cyber criminals are becoming more and more innovative, and are increasingly automating attacks, with manufacturers the most targeted sector in the UK, and the tech sector the most attacked at the global level. As widely reported, some looked to gain from the ongoing COVID-19 pandemic. Despite their best efforts, many organisations have been unable to stay ahead of attackers, with some still struggling with the basics, like patching old vulnerabilities.

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

Lockdown measures may have inhibited terrorist attacks but propaganda – particularly connected to far-right extremism and with a focus on conspiracy theories connected to COVID-19 – represents an ongoing risk. This, according to a new report, has already inspired plots for attacks. Islamist extremist propaganda, it says, is more focused on the vulnerability of government opponents distracted by the pandemic and the opportunities this presents.

The International Underwriting Association called for clarity on the regulation of e-scooters, which should be restricted to roads in regulation that is unique to this particular type of micromobility vehicle. Further, the association said “blanket approval” for such vehicles was not appropriate and that they should each be considered on a case-by-case basis.

US-based risk management association, RIMS, voiced its support for the Pandemic Risk Insurance Act of 2020, which was introduced in May. The association is calling on the risk management community to contact their member of Congress to support the proposed bill.

A ransomware attack halted production of some of car maker Honda’s factories. The company said the attack on its IT infrastructure brought some of its global factories to a standstill and hampered access to computer servers and email.

An increase in the occurrence of ransomware attacks during 2019 was shown by an Aon report to have affected the US cyber insurance market, with the small commercial segment bearing the brunt, resulting in a loss ratio increase of 10%. Despite this, it was still a profitable year for cyber cover.

Studies undertaken for Beach Analytics’ Pre-Season Hurricane Outlook highlighted the risk of an above average 2020 hurricane season. This follows three consecutive active years for hurricanes, of which two led to quite considerable losses.

The number of dedicated online safety tech firms in the UK was found to have doubled in the last five years and investment increased more than eight-fold in 2019. It was a record year for the sector. UK providers currently hold around 25% of global market share. Online safety tech revenue in UK could exceed £1bn by 2025, according to Government figures.

The Government announced proposals to give broadband firms access to more than a million kilometres of underground utility ducts to help them expedite the roll-out of next-generation broadband by running high-speed cables through the UK’s electricity, gas, water, sewer road and rail networks.

News briefing

A round-up of the latest general insurance news

Insurance sector merger and acquisition activity was reported to have plummeted in the second quarter of 2020 by almost 70% on the same period in 2019. Corporate finance partnership, IMAS said the drop-off in insurance deals was significantly sharper than the fall of 40% seen across financial services as a whole during this period. Across financial services there were 36 M&A transactions with a value of more than £5m. Discussing the insurance sector in its June monthly update, IMAS struck a note of cautious optimism.

The government proposed changes to Flood Re and the levy raised from UK insurers as part of a £5.2bn flood investment programme. The proposals include the ability for Flood Re to offer discounted premiums to households that have fitted property flood resilience measures.

Flood Re pushed for a 'build back better' approach after reporting gross claims costs of £160m for 2019/20. Payouts were ten times higher than the figures reported for the previous year. Chief executive of the scheme, Andy Bord emphasised the need for any COVID-19 recovery plan to build back better, as he pressed for continued and sustained investment in flood risk management strategies.

Aviva appointed Amanda Blanc as chief executive. She replaces Maurice Tulloch who stepped down from the role due to family health reasons. Blanc had been serving as a non-executive director and was appointed to the Aviva board in January 2020. She chaired the Customer, Conduct and Reputation Board Committee. A well-known figure in the market, Blanc's previous positions include chief executive officer, EMEA and global banking partnerships at Zurich Insurance Group; and group chief executive officer, AXA UK, PPP and Ireland. She has also served as chair of the Association of British Insurers and as president of the Chartered Insurance Institute.

Allianz Global Corporate & Specialty embarked on a transformation programme aimed at strengthening its underwriting and claims functions and streamlining its business and processes. AGCS chief executive, Joachim Mueller came into post in December 2019. In the first quarter of 2020, AGCS reported a combined ratio of 117.5%, up from 99.7% in the same period the previous year. The company added that the reorganisation and process improvements could result in the loss of around 700 jobs by 2024.

Airmic lent its support to Lloyd's of London's proposals to drive recovery from the impact of COVID-19. The report committed to the formation of a new Centre of Excellence, backed by £15m of seed capital to increase the understanding and effective provision of cover for systemic catastrophic events.

Warranty and indemnity claims were reported to be on the rise. Howden M&A said that in the last two years, W&I claims have risen to an approximate rate of one in every seven policies. In the three years prior to that, it was about one in every 11. It forecast a pricing correction and significant capacity crunch in the coming months.

The coronavirus pandemic will force the insurance industry to embrace digital, Cass Business School declared. It also suggested that the ongoing crisis underlined the value of chief risk officers. The rapid acceleration of COVID-19 has, the report argued,

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

brought about a wholescale change in working practices for insurers, with speed and efficacy of data of increasing importance.

Zurich UK and law firm BLM published a best practice guide for the insurance industry in a move to help improve the detection of fraud related to escape of water claims. Aimed at claims handlers, loss adjusters and intermediaries, it identifies key questions to ask to spot fraud. According to the ABI, insurers pay out £2.5m every day on EOW claims.

Almost a third of insurance buyers will be more questioning of the small print in their insurance policies as a result of the COVID-19 pandemic. Research commissioned by Guidewire Software also suggests one in five think the industry did not do enough to help consumers in their response to COVID-19.

The ABI released its first annual report on the Code on Genetic Testing and Insurance, originally introduced in 2001 and designed to protect insureds from having to reveal the results of predictive or diagnostic genetic testing to access insurance. It shows that no less than 5,000 genetic test results were shared with insurers in 2018.

Sean McGovern was appointed as CEO UK and Lloyd's market at AXA XL, a role he has carried out on an interim basis for several months. Since joining XL Group in 2016, McGovern has led the claims, legal and compliance and regulatory and government affairs functions. He was also key in the formation of AXA XL following the recent acquisition.

In an open letter to the UK government, Legal & General called for tighter standards and tougher legislation to improve the environmental performance of UK property. According to L&G, buildings account for over a third of overall UK greenhouse gas emissions today, with heating and hot water constituting 20%.

Six in 10 insurance professionals have had clients contact them for help because they are struggling to pay their insurance premiums. A survey of 221 Chartered Insurance Institute members found 61% had heard from consumers who could no longer pay their insurance premiums as their finances had been hit by the economic fallout of COVID-19.

Swiss Re said total insurance premium levels will return to pre-pandemic levels in 2021, and that the market is sufficiently capitalised to manage the spike in losses related to COVID-19. Uncertainty remains over the total claims bill. Swiss Re said the mid-point of the range of current estimates from various external and public sources was around £44bn.

The ABI announced that its chair, Jon Dye, chief executive, Allianz Insurance, and deputy chair Julian Adams, director, public policy and regulation, M&G, have extended their current roles by a year. Both came into post last summer and will now serve until next summer, instead of stepping down this year.

Beazley launched an online booking system to help brokers schedule virtual meetings with underwriters and to share relevant documents securely. Beazley Booking was developed in partnership with Microsoft and IT consultancy Redspire. Brokers can access the system using a secure login.

Back in business

As governments around the world begin to ease lockdowns in varying ways and at different speeds, organisations everywhere are looking for a safe and compliant return to work. CIR spoke with Brendan Seifried on the role that WAR has to play as part of this recovery

What role does WAR have to play in pandemic preparedness in the short-term, or in the event of a second wave?
Many of our clients that originally implemented work from home strategies in crisis management mode have opted to use our centres for business continuity moving forward. And as we move from weeks to months with millions of our global workforce working from home, we feel there are a number of reasons why certain business functions won't all be working from home once we return to a 'new normal'. Many organisations will not be able to return to their existing offices in full force due to future professional distancing requirements and public transport commuting concerns. The feedback we are getting from a number of our clients after working from home for over three months now is that many do not want to work from home going forward but want to work close to home. Our parent company IWG has taken a number of measures to prepare the business going forward based on the World Health Organisation's healthy and safety workplace guidelines. Across our network of 3,500 centres, we can provide a safe working environment that meets today's requirements and supports a more sustainable way to work in the future. We've taken the principles of social distancing and adapted them for the workplace to ensure safe distancing. This also covers how people move around the building in a clockwise direction, with clear information and signage, as well as the layout of open spaces, private offices and meeting rooms. We have incorporated two-metre minimum buffer zones, private offices have been reconfigured with fewer desks and free-flowing space to enable safe movement, and meeting rooms feature staggered seating and more space to allow for physical distancing. There is a controlled clockwise movement throughout the building, with posters to keep everyone mindful of safety measures. We are also working to the highest standards of hygiene with frequent touchpoint, surface and workspace cleaning to ensure we meet global health and safety regulations.

With international travel all but completely halted in recent weeks, and many talking about the prospect of less international travel being at least a medium-term trend, what part can WAR play for businesses looking to find new ways of working?
Our clients are looking to use workplace recovery in their gradual return to some form of new normal. Having a distributed WAR capability will enable companies to offer their employees the opportunity to work in a professional environment close to home – wherever that may be. We also have workplace recovery clients that are using dedicated co-working desks with access to meeting rooms, technology and lounges. From a business continuity management point of view, continuous testing is underway, producing added value for clients' BCP budgets.

"Businesses and people are a lot more forgiving when everyone is in the same boat"

Beyond lockdown, what does the future hold for WAR? Will companies use it differently?
This is a very good question. Many of our global clients have always had some percentage of WFH in their business continuity plan. The question is: is it crisis management or business continuity? There is no correct answer here, though it's likely to be a mix of the two. Work from home strategies may make sense for a percentage of your business continuity programme but arguably not all of it. Review of strategies such as WFH or a multiple/distributed alternate site capability need to be designed based on departmental/ business function requirements that are typically determined in a BIA or BCP with regular review to ensure plans remain fit for purpose.

It is also worth noting the facilities that staff may or may not have at home to help them work effectively. An employer has a duty of care to provide their employees with a safe and suitable workspace, including PCs, internet, desks and proper chairs. Your employee may have acceptable bandwidth/ internet to work from home today but what if internet is not available

Brendan J. Seifried, director, Workplace Recovery Solutions, EMEA, Regus

next month due to technical or personal economic scenarios? For those without the benefit of a private home office, sharing the kitchen table or finding a quiet corner for a conference or video call is not ideal and can have negative implications for productivity and mental health. Extended working in isolation can create mental health issues for people who find the social interaction of the workplace beneficial. Team collaboration (often face to face) and daily or weekly communication can be vital to the success of some business units or functions. Going forward, employees may have case against an employer if they cannot provide a safe and suitable work environment.

What are the data availability and security considerations for companies in a WFH scenario?
Without the luxury of space for a separate home office, data protection, information security and confidentiality issues are highly exposed with conference/video calls and printed information in open-plan/non-secure areas. As a matter of policy, some business functions should not be working from home for long periods of time and there should be continuous risk assessments to check whether it is practical or legal to do so.

Many firms will have provided employees with laptops with endpoint protection during this pandemic. The organisation is still at risk if the laptop is used on another network (home) with not such strong security. Staff who do not usually work from home are now using online collaboration tools for the first time. Those working remotely now could be at higher risk to cyber threats. Many organisations are discovering that they have limited resources of IT staff and equipment to roll out necessary upgrades, and this is expensive to keep up with at scale. Security is even further exposed when staff are using their own devices.

What final observations should resilience professionals consider at this point in the pandemic?
It is worth considering that a pandemic scenario such as COVID-19 is like nothing the world has seen. Businesses and people are a lot more forgiving when everyone is in the same boat. The current situation is rather unique with home working and home schooling going on for many for the first time. In a WFH environment productivity can be affected depending on circumstances and industry. In a scenario where a company might not have access to their building due to a building-only or area-specific incident, businesses might not be as tolerant with work levels being down and SLAs not being met. In that instance, business may be lost, and contracts revoked as organisations will do business with whomever can support them at the time. And they may not ever come back.

Interview by Deborah Ritchie

Exit strategy

Much of the focus in lockdown has been on digital and its vital role in keeping businesses moving forward. Now, as more businesses start to think about returning to the workplace, the emphasis is shifting to people. Chris Butler writes

The physical consequences for a business following a disruption can vary significantly, from none at all to extensive, even if indirect. For example, a breakdown of core IT systems held with third parties, product recalls needing to be set in motion, or quality control incidents that need to be managed may all have no physical impact. However, at the other extreme, terrorism, political violence and rioting all mean businesses are often unable to provide services, or that customers have no choice but to physically stay away.

When considering the circumstances many organisations find themselves in today, pandemics last charted on the World Economic Forum's Global Risk Landscape Assessment back in 2015 and 2008-10 before that. The risk landscape has changed significantly since then, with risks creating uncertainty increasing such as natural disasters and extreme weather events. Risks creating complexity, such as supply chain issues, have increased too, and many risks involving adversaries such as cyber attacks, fraud and theft appear more frequently. Even worse, they are combining to make the situation worse – phishing attacks on employees are up by 40 per cent in the current pandemic. Working from home has created greater vulnerabilities that cyber attackers are exploiting.

It's time more companies asked themselves what the key people issues are that result from having to deal with the impact of such risks. Areas commonly overlooked include:

Complexity surrounding data and systems access

The goal for a business here is keeping data and systems available for people to use, no matter who they are or where they're located. Challenges can easily arise if data or systems are accessed from alternate locations, something IT departments must then quickly act to fix. Also consider the challenges for IT teams when people try to access data and/or systems from untested or untried networks. There may also be connectivity issues from networks that are completely outside the control of IT staff.

This complicated world can get far worse when people are sent to work from home or to alternate sites. Organisations frequently end up with an increase in configuration problems that need rapid resolutions to avoid significant productivity lapses. Companies need to recognise the pressure this puts on those left dealing with the fallout, especially if the IT teams are themselves reduced in numbers.

Employee uncertainty

IT staff are the most influential part of the management of IT systems, including of course the disaster recovery plan if it needs to be activated. They are intimately familiar with business as usual and what 'normal' looks like. The moment to find out that a DR plan cannot be implemented, or doesn't meet the needs of the business, is not when disaster hits. Switching certain systems or failing over needs to be practiced and effective steps recorded in plans, and it's the people in an IT department that make that process work.

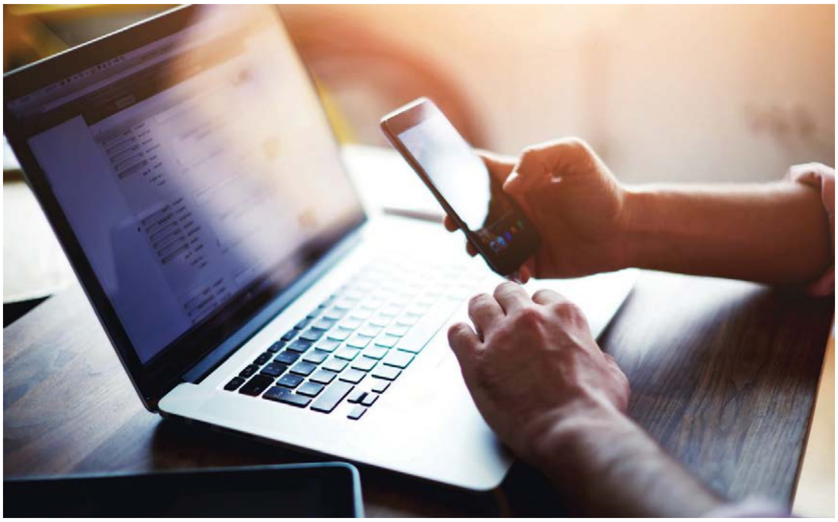
Organisations might also find that the people that set up and or manage environments aren't able to maintain, fix, manage or fail over systems and the data in them when needed. They might have left the organisation, might be retired, or of course they may themselves have been affected by the cause of the disruption.

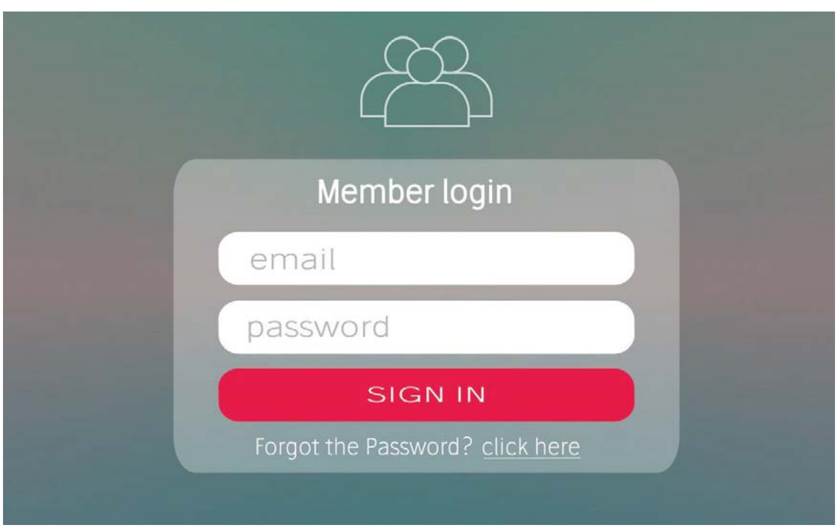
Not understanding end users

End users may also need to be in a position to access systems and data, and they might not always be internal staff. These people might be customers – commercial or business – and a large majority might function outside a corporate firewall.

Companies need to consider how that will be managed. Will everyone who accesses systems or data have to use a VPN? Does the company know how assets will be accessed over different networks? From a working from home perspective, with whole families competing for bandwidth at the same time, what other limitations might there be? What security trade-offs have been made to enable remote access, and how will these be resolved in line with good practices?

"The moment to find out that a disaster recovery plan cannot be implemented, or doesn't meet the needs of the business, is not when disaster hits"





A lack of planning and preparation

Staff have been increasingly asked to work from home during the current pandemic. But to do this formally, for the long term, they need to be properly equipped and have different working practices, including for continuity and recovery. For those who have to use an office, the business challenges remain about applying the relevant social distancing regulations.

In times of disruption business dynamics change. Customer expectations and behaviours change. Demand for services and goods are affected. There may be a surge in online orders. Supply chains might shift where quotas can no longer be fulfilled. Each of these things can affect customer relations and impact stock or share pricing.

"It may well be necessary to adjust priorities based on existing business impact analysis and critical activities based on availability of personnel"

It may well be necessary to adjust priorities based on existing business impact analysis and critical activities based on availability of personnel. This might lead a company to go beyond what was originally included in its business impact analysis. For example, considering how critical activities would be maintained if a company had less than 50 per cent of staff available to work.

When it comes to making advanced IT preparations, organisations should have plans in place for a number of areas, including security operations, technology operations, end-user support, incident and problem management. There are certain issues now heavily impacting IT teams in relation to how people are currently working and consuming goods and services. From more calls to the IT

Exiting lockdown: The long view

Revelations by the media and evening briefings by the PM will continue to re-define the pattern of risks we face in the wake of the COVID-19 pandemic. A minor change in policy wording can affect customers, staff and suppliers in ways we can't envisage, amplified by the threat of near-certain recession, and whilst still dealing with COVID's physical legacy. This is not likely to change any time soon and it makes sense to take a long-term view.

Faced with this, we have a choice. Being purely reactive relies on you pulling a crowd-pleasing rabbit out of the hat for every eventuality. The chance of failure is high and there is an alternative. It involves looking ahead, visualising exit scenarios based on all available information, preparing, and refining constantly. It means factoring-in the socioeconomic and political situation, sector issues, national and international conditions, as well as business operations, staff and supply chain in a far-reaching horizon-scan.

So fundamentally, what changed? Consider your organisation's risk profile before, and now during COVID. Previously, we managed known risks to a stable position, signed-off and accepted maybe annually by the business. COVID rode roughshod over this, arriving too fast for most of us to accommodate and manage. It depleted and displaced our workforce, reduced revenues and liquidity, and in many cases, diluted our tolerance to continuity-threatening events.

Critically, we face more continuity risks with greater rate of emergence and change; our exposure is greatly increased, yet stakeholders' appetites may not have significantly changed.

Think of it as an iceberg. The exposed tip represents our pre-COVID residual risk. It's relatively small, everyone knows it's there and accepts it.

Now imagine that over the course of a month the situation changes dramatically and unforeseeably, causing the berg to float higher, exposing us to new, evolving, and dangerous terrain. COVID has this kind of effect. Its effects will persist and evolve over several years and could recur.

All this suggests we may need to enhance risk and continuity management processes to exit safely, anticipating, then rapidly adjusting resilience and planned responses before threats materialise. The following six steps offer a practical approach to this:

- Visualise outcomes

Map out the most probable lockdown exit path for the business – how do we think it will play out. Alongside, develop a handful of alternative, less likely scenarios, recording why you think each could arise and why. These form your baseline and will evolve.

- Assess risks

Systematically work through the organisational model to identify risks to your exit strategy throughout the timeline, for example a delay in return to school, re-imposition of lockdown, key supplier failure, market collapse, a hotspot closing the factory for an additional month.

- Build solutions

Close off or minimise each risk you find, designing activities that reduce the pattern of exposure either by building resilience or creating recovery capability, leveraging existing business continuity plans.

- Prioritise activities

Prioritise activities that reduce risk most, focusing on any that address multiple risks and those that have immediate or potent effect. Remember a risk can be mitigated by several measures, and a measure can mitigate several risks.

- Prepare communications

These are difficult times and third parties will be quick to react if they perceive you are in difficulty. If there is a problem, understand who needs to know and what messages they need to receive. Maintain a consistent set of situation data and ensure you have the means to project via your people, website, email, SMS and social media.

- Record your decisions

Keep a detailed log of all actions, decisions, material facts and relevant analysis. Date-time stamping each will provide a basis for future improvement, also as a binding audit trail to support any future inquiry.

This offers advantages over a reactive or short-term approach, providing a mechanism that adapts continually to a long-running situation and encouraging look-ahead and response. It also reflects your unique external and continually-changing environment, whilst providing accountability, protecting directors' and officers' interests.

Repeating on a regular basis will help you manage COVID-19 exposure as we exit lockdown. It should inform your decisions, ensuring nothing comes as a shock or surprise.

Mark Robinson is a director at Inoni

helpdesk because of remote working, greater network traffic, or demand for services changing, there is more pressure on people than ever.

Business continuity planning asks a business to use its imagination when it comes to the different scenarios the people it serves might face. To best prepare, organisations should run tabletop exercises to develop understanding and challenge what is currently in place. Some employees will have had limited exposure to remote working; they should be helped to work in this way for long periods to establish the limits of productivity in such circumstances. Rehearsals for communication mechanisms will also help personnel understand how and when they will be alerted to important information from the business.

Above all, reviewing plans to ensure people understand how things will be done is a very important part of business continuity. Keeping the workforce aware of what the next stages and plans will be is vital. Exercise, plan and prepare is key to succeeding here.

Chris Butler is lead principal consultant for Risk and Resilience, Sungard Availability Services

Mind the gap

It is fair to say that the commercial insurance world has been rocked by the pandemic. Garon Anthony looks at just some of the issues arising out of the global COVID-19 crisis

Extensive coverage of the debate between insureds and insurers over business interruption insurance has played out in the media over the past months. Some insureds say that BI insurers are trying to avoid paying out on meritorious claims, and are taking advantage of complicated policy wordings to defeat businesses that are already in financial trouble. Whilst insurers respond that BI policies were never designed to respond to losses caused by pandemics, that COVID-19 does not cause property damage and that policy wordings do not envisage such coverage for non-damage business interruption losses.

Back in May, the Financial Conduct Authority intervened in the debate in an unprecedented fashion, when it announced its intention to ask the High Court for a declaration on an urgent basis to try and help resolve the ongoing uncertainties around non-damage related BI insurance cover. The FCA said it is bringing a unique test case because of continuing and widespread concerns about the lack of clarity and certainty for those making BI claims, and the basis on which some insurers are making policy coverage decisions.

Whilst accepting that court proceedings will not encompass all BI policy coverage disputes, the FCA hopes that they may resolve some contractual uncertainties to assist insurers and insureds in unlocking claims. The FCA have stressed that its test case will not prevent policyholders from pursuing their own litigation through the court (many group actions are now up and running) or complaints by individuals and SMEs to the Financial Ombudsman Service.

Battle lines have now been drawn between the FCA and the eight defendant insurers over the correct interpretation of specific BI policy wordings and trial in the High Court started on 20th July 2020. Whatever the outcome, the case will have a very significant impact on those businesses that have suffered non-damage BI losses and on the insurance industry more generally in the future.

Such may be the significance and financial impact of the court's decision that the case may end up in the Court of Appeal or even the Supreme Court in the months ahead.

Trade credit

It has been reported that UK insurers paid out £315 million to help firms cope with bad debt in 2019. But the market has been hit hard by COVID-19. Some trade credit insurers pulled lines of credit on individual customers (especially in the retail sector) or refused new insurance cover altogether.

As at April 2020, the UK's trade credit insurers provided cover for £171 billion of business activity, covering 13,000 suppliers and 650,000 buyers, according to the Association of British Insurers.

It was, then, to the relief of businesses across the country that the Government and private sector insurers agreed in June to a landmark £10 billion support scheme, offering companies the benefit of credit cover as they emerge from lockdown.

Welcomed by the ABI, the first of a kind scheme will cover 90 per cent of B2B trade credit insurance transactions until the end of this year, with a review at the end of September on potentially extending it. Trade credit insurers will share 90 per cent of their premiums with the state. All UK-domiciled businesses with a trade credit insurance policy are covered for both their domestic and export trade.

In it together?

At present, litigation by businesses around losses caused by COVID-19 may still be deemed impolitic and certainly jars with the general sentiment that we are all in this crisis together. However, the experience of the global Financial Crisis tells us that this will not be the case for long. Financial imperatives will start to weigh in the balance and shareholder activism may be on the rise again looking for compensation in respect of dramatic share price falls in March and April 2020. And regulators are already starting to look at how well firms and their directors prepared for and responded to the pandemic and how they treated their customers. Regulatory investigations and enforcement action are bound to follow shortly. All of this may well lead to an uptick in D&O related claims.

We have already seen examples of this in the US where a class action has begun against, amongst others, the directors of Norwegian Cruise Lines for potentially misleading statements made about the impact of COVID-19 on its ability to trade.

Market volatility and reduced staffing levels means that some regulated entities will inevitably have failed to comply with their disclosure obligations. This may lead to litigation against directors and possible regulatory intervention. The same is true for directors of companies who are found not to have had robust business continuity plans or overstated their ability to weather the Covid-19 storm thereby causing investors to suffer losses.

Indeed, it may be inevitable that regulators across the piece will start asking tough questions of companies and directors as to how they prepared for and managed their company's response to the pandemic.

By way of example, the FCA has been in regular contact with the financial services community as to its expectations of how companies and directors should be treating customers fairly in a time of crisis. If anyone in that community has not been listening properly to the FCA, then this will lead to increases in the number of investigations into directors' conduct and enforcement actions and with that more claims under D&O policies.

Other lines of cover

COVID-19 is also likely to lead to an increase of cyber liability insurance claims. That is because the cyber criminals are keen to capitalise on the crisis and there has been a marked increase in the number of attempts to defraud companies via push payments or phishing.

That is compounded by the fact that cyber security arrangements may not be as robust when people are working from home and may not enjoy the full benefit of the company's firewall or software updates. Working from home also raises an enhanced risk of data breaches. All of this gives rise to the possibility of companies suffering financial consequences of cyber attack and needing to claim under their cyber liability policies

Claims under professional indemnity insurances are also likely to increase as a result of COVID-19. Again, the Financial Crisis taught us that people will hold firms responsible for the consequences of investment fall. World stock markets plummeted in March 2020, and we may well see an uptick in the number of claims against financial institutions and advisers alleging product misselling and with that claims under professional indemnity policies.

Brokers E&O

If businesses suffer from a declined insurance claim, then inevitably questions will be asked over the advice that was given by the insurance broker.

Brokers owe contractual and tortious duties to their clients to use reasonable skill and care to obtain insurance cover that meets their clients' needs. They are also subject to the conduct of business rules in the FCA's Insurance Code of Conduct sourcebook.

One of the FCA requirements is for brokers to assess the client's demands and needs and the suitability of the insurance. So an insured who has suffered a declined claim may well ask was the insurance consistent with what the insured requested or instructed the broker to procure or with what the broker described?

Many of these issues may be highly fact sensitive, depending on the nature and extent of the broker's retainer and how much advice on insurance issue the client expected to give.

But, for example, did the broker properly consider and advise on insurance for pandemic risk? That would be especially relevant in the early part of this year as COVID-19 was reported as transpiring in China at the end of December 2019 and was declared a Public Health Emergency of International Concern on 30 January 2020. Did a broker turn his mind to these issues when providing insurance advice to the client, particularly having regard to the nature and geographical extent of the client's business?

One can readily foresee an increase in the number of negligence claims against insurance brokers in the wake of declined insurance claims/policy coverage dispute and with those, more claims under brokers' errors and omissions insurance.

Garon Anthony is an insurance partner at Squire Patton Boggs

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Locked down?

Cyber risk has long been a big problem, and then the pandemic came along – creating more opportunities for cyber criminals to target organisations and individuals in COVID-19 related scams. And the costs are rising significantly

With the cost of a third-party risk incident thought to have risen to as much as £783 million per incident there is a pressing need to manage the risk of data breach. This figure, taken from Deloitte's *Extended Enterprise Risk Management* survey, was calculated prior to the outbreak of COVID-19.

At that point, 17 per cent of organisations said they had faced a "high-impact" third-party risk incident in the past three years. What's more, some 30 per cent of respondents to that survey thought share prices could fall by 10 per cent or more if the incident was not adequately managed. COVID-19 is predicted to further increase the need for investment in risk management.

More than half of the companies in the study estimate the cost of a supply chain failure, data privacy breach or disruption to IT services to be at least £391 million, which represents a marked increase since 2015, when large multinational businesses put that cost at somewhere between £1.6m and £40m.

Business resilience group, Resilience First, is equally anxious about the growing risk. It says securing corporate supply chains should be the number one priority for CISOs over the next 12 months.

Says Robert Hall, executive director of the group: "COVID-19 has raised a number of significant issues for the technology sector, of which supply chain security and resilience is one of the most important."

Speaking at a recent Resilience First event, Cath Goulding, chief information security officer at Nominet UK said the domain name registry had been working closely with law enforcement and had seen a 30 per cent increase in the suspension of domain names linked to fraudulent online activity in recent weeks.

"Supply chain security is the most important consideration for CISOs. A really good exercise for any business is to identify your critical suppliers, like power and telecoms and look at whether you are comfortable with the contractual controls in place," she adds.

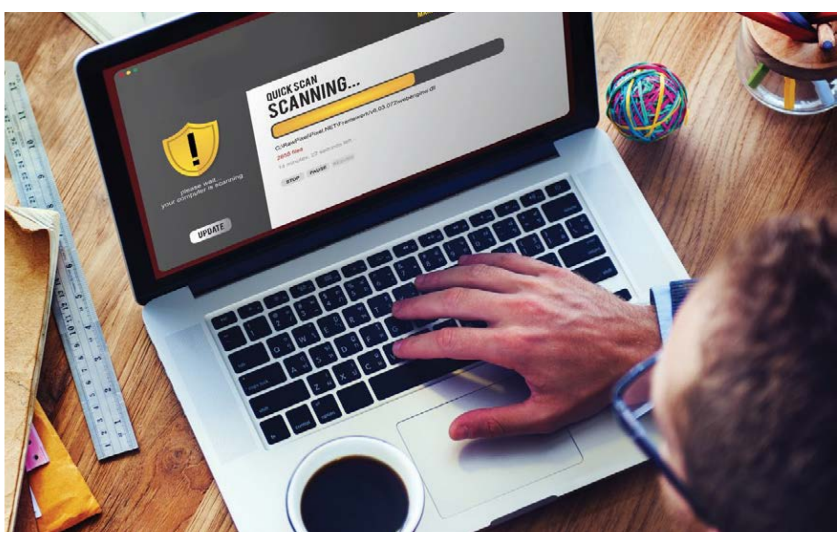
"Even the US military are said to only be able to identify the top three of seven layers of their supply chain."

Deborah Ritchie is editor of CIR Magazine

Exploiting the homeworking environment

As the COVID-19 pandemic continues to bring life to a standstill, killing thousands and significantly impacting the livelihoods of millions, criminals are seizing new opportunities to profit from the ongoing health crisis. While reports indicate that crime rates as a whole are decreasing in urban centres across the globe, especially in relation to burglaries, drug offences and assaults, scammers and cyber criminals have looked to exploit the current 'work from home' environment and profit from the outbreak. Law enforcement agencies and international organisations, including the United Nations Office on Drugs and Crime and Europol, have observed an uptick in COVID-19-related cyber crime and fraud, and some reports suggest that other criminals are increasingly looking to become involved in COVID-19-related cyber crimes and scams. As a result, the level of sophistication of these attacks and scams can vary significantly, but cases reported by Europol show how some companies have lost millions through purchasing COVID-19 related items from bogus sellers – highlighting the seriousness of the threat posed by these criminals.

Owing to the ongoing pandemic, most of the world's population is currently adhering to government-enforced social distancing and 'stay at home' measures, and subsequently the majority of employers have instructed employees to work remotely from home. Due to these measures company employees are increasingly reliant on less secure home internet connections and/or new unfamiliar technologies to communicate and conduct meetings. As a result, the pool of potentially vulnerable targets for cyber criminals and scammers



Research into the risks impacting the top 200 AIM listed businesses

New research from KYND, Crowe and the University of Portsmouth Centre for Counter Fraud Studies reveals the cyber vulnerability faced by the top 200 AIM listed companies, showing that the majority are leaving the door open for cyber attacks and have significant unaddressed cyber risks.

Listed businesses attract cyber criminals due to their visibility and the opportunity to use share price as leverage to extract ransom payments. Recently, the Government revealed that there had been 770,000 cyber crime victims in England and Wales in 2019 and that is before the spike in cyber crime resulting from the current crisis.

The report identifies and measures the types of cyber security threats affecting AIM listed businesses, highlighting the need for firms to take renewed action to protect against cyber attacks.

The report found that 182 of the firms analysed (91.5 per cent) are significantly exposed to having their email domains spoofed and used to send emails which impersonate the business and aim to defraud their own company, suppliers or customers.

The majority (85 per cent) are also running at least one service, such as an email server or web server, with a well-known flaw – putting them at high risk of attack from criminal groups that specifically target services with known vulnerabilities.

Almost half (47.5 per cent) the firms analysed also had at least one external service exposed to everyone on the internet, which placed them at greater risk of a ransomware attack.

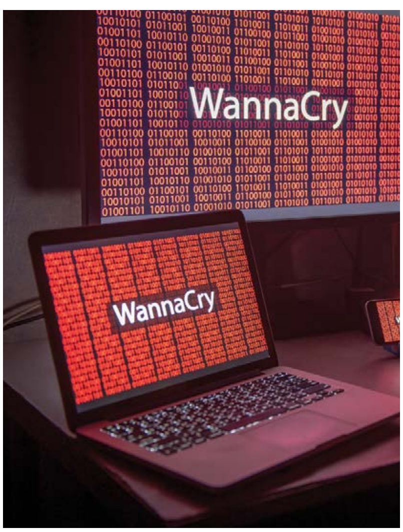
Ransomware, the increasingly popular form of malware, encrypts the data and computer systems of victims and demands a payment be made before they can be unlocked and used again. These types of attack alone increased 350 per cent during 2018, with global ransomware damages expected to almost double to £15 billion by 2021. In Q4 2019 the average ransomware payment made by victims was more than £88,500.

Also uncovered were vulnerabilities including expired, distrusted or revoked certificates, out of date security software and real weaknesses in domain registration – all of which can be avoided if the correct internal processes are in place.

The risks identified are not just limited to the top 200 AIM businesses, of course, but these basic vulnerabilities highlight the extent to which firms are failing to keep pace with the rapidly evolving threat.

Not only are there challenges for businesses but also for brokers and insurers advising on and providing cyber insurance. If companies are unaware of the cyber risks they are exposed to, it can be a difficult for brokers to provide the right advice. For those underwriters with limited historical experience or data about cyber losses, selecting the right risks and providing the right levels of cover can be a challenge.

Melanie Hayes, co-founder, KYND



has increased significantly since the outbreak began.

Most COVID-19-related crimes have taken the form of phishing and ransomware attacks or fraudulent schemes, most often constructed around the sale of medical, sanitising and personal protective equipment from bogus sellers, requests for charitable donations to tackle the outbreak and offers of financial support. COVID-19-related phishing attacks typically appear as email 'click bait', tempting the recipients to open links that require them to fill in sensitive personal information such as usernames, passwords or bank details. However, other forms can include fake links in online advertisements and in social media posts. Clicking on such links can also result in falling victim to ransomware attacks, where the victim unknowingly infects their device with malware, which subsequently encrypts content on the device, after which a demand for ransom is made in order to decrypt the content.

As a result of the increased risk of cyber crime and fraud to both companies and their employees, sensible measures are necessary to mitigate the risk. Multi-factor authentication should be implemented for any employees accessing corporate networks remotely. IT departments should consider installing email filtering solutions and email security gateways to detect potential phishing attacks. When instructing staff to work from home, employers should review their cyber security policy and update it so that it is pertinent to existing working arrangements; any changes should be communicated to staff. Staff themselves should also take ownership for their own cyber security and maintain a lower threshold for suspicious emails and escalate them internally for investigation and potential IP blacklisting. Through a combination of technical solutions and increased employee awareness, employers should be able to thwart most malicious actors seeking to capitalise on an already hugely challenging operational environment.

Marnix van Gelderen is regional security coordinator at Healix International

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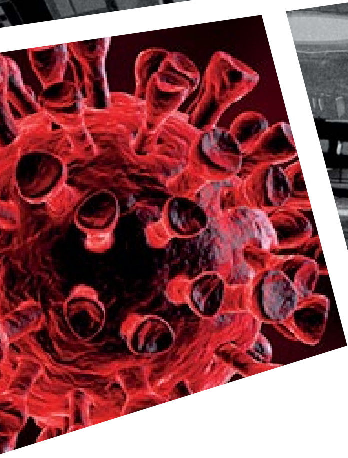

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CONTINUITY INSURANCE & RISK

As lockdowns ease around the world, organisations are looking for a safe and compliant return to work. Deborah Ritchie spoke to BELFOR's Elvir Kolak and Glen Abbot's David Hutcheson about how this can be achieved

RESPONDING TO COVID-19: A SAFE AND SECURE RETURN TO WORK

A safe and secure return to work

As lockdowns ease around the world, organisations are looking for a safe and compliant return to work. Deborah Ritchie spoke to BELFOR's Elvir Kolak and Glen Abbot's David Hutcheson about how this can be achieved

What should organisations be doing now to get ready to reopen or to restart operations?

Elvir Kolak: Each organisation will need to understand their own risk and specific requirements. Among the challenges that they will face are how long they have been closed; what activities do they have to perform; does it involve public–sensitive production in, say, food or pharma; or have they had any cases of COVID in the past weeks? Planning needs to start long before opening as it takes time to put all of the necessary information together.

In terms of internal communication. Messages must be clear on what to expect and when; and they must be apprised of all the new rules. Customers and suppliers will also need to be communicated with – and just as clearly.

David Hutcheson: I agree that people should be the first consideration. As I understand it, around 40 per cent of people are uncomfortable at coming out of lockdown and coming back to work. This has to be tackled head on. Getting people's confidence to come back out and to go to work is a critical step. How and what you communicate to show that you've done to make their workplace a safe place to go back to is critical. Only then can you start to look at how to prepare the building.

How can organisations manage the physical risk of coronavirus in the workplace?

DH: One approach is to look at your building and divide it into three zones: red, amber and green. The red zone is where there is most likelihood of people gathering, such as receptions and security gates. Amber zones are where people are likely to gather – such as by printers and vending machines. Green zones may be individual desks or work areas, where one person is responsible for the space. If companies can build a return plan around those three zones, outlining how each will be managed, people will know what to expect when they return.

EK: We have seen a significant increase in requests for initial or irregular sanitation or disinfection work, with the most focus on those common or high traffic areas where people are interacting. These requests are commonly from manufacturers, logistics companies (both relating to warehouses and fleets), and also from hotels, cruise operators and shipping companies, which reflects a good general awareness of the need to incorporate these considerations into planning. It's important that people can see that the workplace they come back to is clean.

> **"We have seen a significant increase in requests for initial or irregular sanitation or disinfection work, with the most focus on those common or high traffic areas where people are interacting"**

Could you tell us more about BELFOR's decontamination and disinfection services?

EK: We have always provided environmental services and complex decontamination and disinfection, with extensive experience in difficult and sometimes toxic environments, where health and safety and personal safety equipment is extremely important. We have worked on sites with biohazards, and most of our staff are used to working in full hazmat suits and protective gear. We are therefore well positioned and well versed in this type of work. However, the coronavirus presented a number of unique and very specific challenges, one of which was how to work across borders when they are closed! Under normal circumstances, we would dispatch logistics experienced staff and project managers quickly across the globe, so it's taken some extra work for the team to find the right person with the right experience in each area, and I'm pleased to say we have been able to do this.

During this crisis, we had to limit our responses to those countries where we have physical presence, and we also had to find a way, how to continue sharing knowledge, and both for our regular business, as well as the coronavirus–related work. We've also learned a lot throughout this process – our own internal communications and research departments have really benefitted.

What can you tell us about the Diamond Princess project?

EK: As most people know, the Diamond Princess had several hundred cases of COVID-19 onboard. As the ship was anchored in Yokohama port, we worked with the local Japanese authorities and our customer, Princess Cruises to develop a very detailed and strict protocol to disinfect and deep clean the ship from top to bottom, with all its contents – right through to the air ducts. The whole process was carried out with more than 200 local Japanese staff, as well as with support from our colleagues from the US and Canada, who were in Yokohama for the whole period, because at the start of the project, most European countries were already under lockdown and travel restrictions were in place.

"The consequences of this crisis are still very fluid. A lot will depend on how long the danger continues. It seems safe to assume it will be with us for at least another 12 months, maybe longer if a vaccine is not found"

This was a very complex job, but completed in record time, with no infections amongst our staff, who have been incredibly dedicated and hardworking throughout, and in such difficult working conditions. We were all very happy with the results.

What has surprised you most about the pandemic so far?

DH: What caught me out a little was the speed of the spread. A lot of the work I did back in 2009, we had a relatively slow climb, which went up in a U-shaped curve. The coronavirus is a very successful, infectious virus. We couldn't have been more prepared though. I think everybody has reacted very well to it, and everything I hear from folk that I'm talking to, there's been a lot of really good work done, but I think the speed that it came upon us, and upon politicians was initially the most surprising.

What do the next few months look like for businesses operating amid COVID?

DH: I think it could be 18 to 24 months before we see the end of it. There's likely to be a number of waves. I think a second wave could occur between July and September, with another possibly in November or December, followed by declining waves until a vaccine is available. Each time lockdowns are lifted, the risk rises again. It will be a while before we are rid of the virus, but it will happen.

In the meantime, businesses are getting on with preparing to reopen. Longer-term, some businesses are asking questions about whether or not they need so much expensive floor space in city centres, as they consider a mix of homeworking.

EK: The consequences of this crisis are still very fluid. A lot will depend on how long the danger continues. It seems relatively safe to assume it will be with us for at least another 12 months, maybe longer if a vaccine is not found. Some restrictions will ease, others will stay in place. In general, I think we all have to get used to some changes, and it might take some time for life to go back to the real normal. There will be challenges, changes to our routines that are easier to manage, and others will be more difficult. I believe we will be seeing less travel, and it may not be as comfortable or as easily accessible as before.

There will also be more people working from home, so some basic administrative and operational processes will have to be reassessed and redesigned. This applies to us, too! We believe that disinfection services will become part, or a bigger part of our service offering, and they will need to be adapted for the future, in this changing risk environment. In particular, I believe there will be no one-size-fits-all solution. Some industries have, and will continue to have special challenges, so we will be working closely with them to address those, to better serve them and their unique environments.

About BELFOR Europe

BELFOR is the world's largest disaster recovery and restoration provider, working predominantly in the insurance claims market, as well as supporting some of the biggest global corporate companies with their risk management and resilience programmes. Before recent events took over, BELFOR's operational teams were busy carrying out physical damage recovery projects following fire and water damage. Much of its recent focus has been on the development of specific coronavirus decontamination and disinfection services, in response to the outbreak.

For more information, visit www.belfor.com

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Ready for anything

Employers should not assume that a recent relaxation of rules is a sign that the Health & Safety Executive plans to take a light touch on enforcement, or that the risk of prosecution is any lower, warns Sally Roff

In light of the Government's relaxation of the emergency measures in place and in response to the COVID-19 pandemic, for organisations that have or are planning to reopen their offices and premises and operate within the 'new normal', we sense a change in mood and approach.

At the outset of the pandemic, there was certainly a feeling that employers and employees were all in this together and needed to do the best they could to respond to this little known and invisible risk. The Health and Safety Executive initially stated on its website that it will take a flexible and proportionate account of risks around the pandemic.

Employers might have interpreted this to mean that it will take a light touch to enforcement and that there was a low risk of prosecution. However, and despite returning to work, the guiding principle for businesses is to safeguard the health and safety of the workforce and customers/clients, and the risk of infection and resurgence of COVID-19 remains.

We consider that, as workplaces reopen, there is every likelihood that the HSE will adopt more of a stringent approach for the following reasons:

- Employers have now had a number of months to understand the risks of COVID-19 (although knowledge about the virus is still evolving) and to put appropriate planning in place;
- Guidance (although sometimes inconsistent and variable in the level of detail depending on industry sector) is available on HSE and Government websites;
- The public are concerned about the implications of lockdown being relaxed (49% of those asked in a TUC survey indicated that they were worried);
- Workers could report concerns to the HSE or other regulators if they are unhappy with the way that operations have been resumed or accelerated at the expense of safety;
- The TUC and other Unions have called for the HSE and other regulators to increase enforcement and to take a more interventionist approach. The TUC are calling for the HSE to act quickly to apply sanctions to employers including prosecutions who don't take safety seriously; and
- The Government has allocated an additional £14 million to the HSE to enable it to respond to COVID-19 challenges.

The Government has issued guidance requiring employers to share with employees details of the measures they have taken in relation to COVID-19 and for businesses with more than 50 employees to publish the results on the business' website.

A shift in the HSE's approach was indicated in its press release on 2nd July 2020. The HSE emphasised that being 'COVID-secure' should be a priority for all businesses and means being adaptable to the current guidance. It will support businesses by providing advice and guidance but made clear that it will take action against employers that are not managing the risk, which can range from the issuing of enforcement notices to prosecution in the most serious cases. We are already seeing the HSE making regular enquiries as to the measures implemented by businesses to respond to the risk presented by COVID-19. We are also seeing the first regulatory investigations commence, relating to a failure to implement effective social distancing measures. We are being asked to advise on health and safety compliance in relation to the reopening of work places.

Health and safety, workforce and commercial considerations

To protect the safety of employees and to protect their organisation from risk of prosecution, employers need to ensure the safety of employees and others affected by their undertakings in so far as it is reasonably practicable in accordance with their sections 2 and 3 of the Health and Safety at Work etc. Act 1974. As in all prosecutions for alleged HSWA failings, the burden is on the employer to demonstrate that it has discharged its duty.

A significant part of assessing COVID-19 risks is to look at individual fitness to work at the relevant location. The employer should be asking themselves a number of questions which will include, but is not limited to:

- Can the employee carry out his or

her work at home?

- Should the employee be shielded (until 31st July) / or adjustments made due to underlying health conditions?
- How will the employee get to work?
- Is the employee or any family member suffering with COVID-19 symptoms?

Employers will need to include some of these questions in the enquiries they make of contractors visiting their premises, as to how they are managing the risks of COVID-19.

If the employee is unable to work from home and is not fit or capable of working in the specific workplace location, alternative arrangements should be considered, such as redeployment to other parts of the business, unpaid or part paid leave or sabbaticals, furlough, and so on.

With regard to the general workplace arrangements, COVID-19 presents new challenges in relation to the implementation of new measures. Employers should consider specific industry and sector guidance to ensure that appropriate control measures are in place and review other risks where working practices are changed. Such considerations include social distancing, physical workplace layout changes, travel arrangements, PPE requirements, and any specific requirement for testing and screening. It is important for businesses to record their decision making process by updating risk assessments and safe systems of work and communicate these changes to those affected and those responsible for supervision / monitoring adherence.

Managing and monitoring the effectiveness of the control measures as with any other identified workplace risk will also be key. Guidance from

the Government and regulators is constantly changing, so employers should ensure that the systems put in place follow the specific guidance being issued for each sector and/or work activity, and provide guidance and training to line managers and supervisors and ensure control measures are being implemented.

Overall, we anticipate that some organisations will need to be innovative and change the way they work without the luxury of time to plan and to reflect on the impact of these changes. It may also be the only way they can survive as a business in the current circumstances. It is therefore essential that any new risks within or created by changed business activities are identified and addressed. The below list of questions is by no means comprehensive but gives an insight into the risks which, if not considered, an organisation may otherwise unwittingly expose itself and others to:

- Is there an appropriate number of staff with the required skills, and a sufficient level of supervision?
- Is additional or enhanced PPE required?
- Have new measures taken to address COVID-19 issues increased the risks in relation to other hazards or, indeed, introduced new risks? For example, in relation to manual handling a system which requires two persons to lift might need to be reviewed to give effect to social distancing, but could inadvertently increase the risk of injury if reduced. Where lone working is introduced to respond to the risk of COVID-19, the risks relating to lone working need to be assessed and control measures introduced.
- What are the operational risks arising from any changes in business activities and issues relating to practical implementation? For example, scarcity of resources, supply chain issues, and so on.
- Do you require services from others which if not available may have an impact on risk? For example, statutory inspections of equipment.
- Has the nature of business changed in a material way which might affect insurance coverage and licensing arrangements?

Ultimately, the message to businesses is that, although we live in uncertain times, this does not mean that we have to take an uncertain approach to working safely. Ensuring there is comprehensive, but targeted and clear guidance provided to employees, contractors and others should ensure that certainty in what is expected of them when returning to work is achieved, and therefore a healthy and safe work environment established.

Sally Roff is a partner and head of regulatory at international law firm DAC Beachcroft


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New proceedings

As COVID-19 continues to take its toll, GILC's Jim Sherwood looks at the common and emerging themes of coverage, legal and regulatory issues, as well as potential emerging claims and the impact on local insurance industries

COVID-19 has changed many priorities for insurers in the short term. There are a number of common issues with lines of business – travel, life and event cancellation are all seeing the limits of coverage being pushed in respect of losses associated with COVID-19. Disputes involving business interruption policies have triggered coverage challenges in numerous jurisdictions.

Changes to contested claims proceedings

The courts in all eighteen GILC member countries have suspended most, if not all live hearings, and many have pushed a majority of case dates back to the autumn. The outcome could be crises in the court system for these countries, as the backlog of cases will need to be dealt with – a crisis that could become worse if a second wave of coronavirus does strike in the autumn.

Some countries have made innovative moves to keep the court system working, however. Belgium and Finland have allowed cases in which all evidence is already filed to go ahead in writing, providing all parties agreed to do so. And many countries, including Australia, India, Brazil, Italy, Norway, England and Switzerland have instituted virtual video judicial hearings.

India has been similarly advanced in its technology. The Indian courts have adopted a specific app for use in video cases, and have even launched an e-filing software system for filing court documents online; while in Australia, it is now possible for expert witnesses to give evidence from their homes via video conference.

There are some countries where coronavirus has receded enough for the courts to have reopened, with Germany being a notable example of this, although the live courts have been supplemented with an element of videoconferencing.

Regulatory changes

In most countries, the advent of the pandemic has been followed by a wave of emergency measures, some directly impacting insurance. The broader and more helpful of these include relaxation of time periods for filing of results, company announcements and reports, reduced requirement for detailed Solvency II data and the extension of time periods for handling customer complaints. In Belgium the regulator suspended its insurance stress test, while in India, late renewal of consumer insurance policies has been allowed without being considered as a break in policy cover.

In Belgium it was agreed to defer the payment of all insurance premia for all B2B and group insurance policies until the end of September; while in Mexico and India, the regulator has also eased regulations to allow the late payment of insurance premia.

Government pool schemes to cover losses have also been discussed by governments and industry bodies around the world. The French Senate has raced ahead and adopted a bill which implements an obligatory insurance cover for business loss for such events. The bill also provides for the creation of a guarantee fund financed by an obligatory contribution paid by insurers. The executive branch hopes to sign the bill into law by the end of the year.

Impacts by class of business
In almost every country in the world the same categories of insurance are seeing coronavirus impacts.

Business interruption
The standout area for claims across many countries is business interruption insurance. In many countries BI insurance is purchased within a property policy, meaning that unless there is material damage to a premises, policies will not be triggered. Only policies with contingent business interruption extensions added on will be triggered. This has brought financial relief to insurers facing tidal waves of claims in a number of countries, but it has also made them unpopular, bringing class actions and negative publicity on behalf of the insureds. As a result, governments and regulators have become involved, and in some cases have moved fast to act to protect the insureds.

In Switzerland, while insurers took a view that business interruption policies excluded losses from the pandemic, the Swiss Insurance Ombudsman has already issued a judgement against them.

In the UK, the regulator has initiated a test case against eight insurers to determine rapidly whether their BI policies should pay out, and judgement on this is expected in late July. Similar coverage challenges are being conducted, either by governments or through the courts in countries the world over.

The size of the global issue with business interruption policies can be deduced from the fact that AXA has recently costed its own exposure to BI and event cancellation claims at €1.2bn.

Travel and event cancellation insurance
Travel and event insurers have taken a hit the world over. A wave of claims were triggered, and many insurers did not specifically exclude pandemics, and were required to pay out.

The losses in event cancellation policies have been large as almost every global sporting, social or music event was cancelled from March through to September 2020.

Policy sales have come to a standstill during a period of minimal global activity, although this has given insurers the time they needed to review policies and revise terms, so that as travel has begun to open up again, policies are now once again becoming available, and most will have COVID-19 coverage included.

Trade credit
Trade Credit insurance has been a point of tension around the world, although the challenges have differed by country. Not only is there severe economic disruption globally, raising the likelihood of credit defaults and insolvencies, but some claims are likely to be triggered by restrictions on movement of goods and the closure of some borders for trade (for example, in India).

In Germany, the Coronavirus Act has postponed the duty to file for insolvency; bringing the likelihood of situations where the assured is de facto insolvent, but insolvency proceedings cannot be filed. It remains to be seen how this will impact obligations under trade credit insurances in the country. The same is true for India, where the threshold limit for credit default has been raised from 100,000R to 10 million rupees; and no corporate insolvency proceedings can be filed for defaults since March 2020.

In response to the challenges to trade credit insurance, both German and UK governments have stepped in to guarantee the availability of trade credit cover for companies, recognising that without it, companies cannot continue to trade, particularly in an uncertain economic environment.

D&O

The situation regarding D&O insurance remains unclear. Insurers around the world are united in expecting claims on a range of issues, from workplace health and safety mistakes to corporate actions leading to insolvency. However, these are all longer-tail issues, and at present there is little data to help insurers understand the size of claims and likelihood of losses. This is very much a field where the brief is to 'watch this space', although the view of insurers can be deduced from the increase in renewal premiums, which has accelerated rising costs in an already hard market worldwide.

Life & Health

In many countries, life and health insurance cover has been a critical issue, especially for those countries where there is no national health provision. Governments have stepped in but have followed very different routes. In China impacts on life and health insurers were limited, because the Chinese government announced nationwide subsidies for medical costs for COVID patients.

In India, there has also been a pragmatic approach which has brought relief to the public and insurers. The regulator has confirmed that indemnity-based health policies for all general and health insurance companies will cover the costs of hospital treatment for COVID-19, but has also approved 29 insurers to sell a new standard health product that covers the cost of treatment for COVID-19.

Brazil presents perhaps the strangest picture of all. In a patriotic move, the Brazilian insurance brokers federation announced that it believed that insurers had a moral duty to cover all COVID claims, whether they were the subject of exclusions or not. At present it seems likely that insurers will be forced to cover life, health and BI claims for COVID from their reserves, a decision which gives rises to much future uncertainty about the defensibility of written insurance contracts and the validity of other 'morally defensible' claims.

In addition, in Brazil class action law suits have been filed to prevent insurers denying health cover on the grounds of non-payment of contributions. The attempt to demonstrate solidarity with those who suffer has been turned into a contractual obligation which will ring through the Brazilian courts for years to come.

Elsewhere, the picture is more mixed. For example, in Mexico, some health insurers are covering COVID and some are not. The government has ruled that it is legal to exclude claims from the pandemic where wordings allow.

Employers' and general liability insurance

Although these classes of business are, in many countries, not yet seeing claims, there may be indicators of activity to come from countries at the forefront of the pandemic. In China, the owners of shopping malls and hotels are seeing lawsuits from customers who claim they were infected on their premises. The companies are claiming against their general liability policies on the grounds that infection by COVID-19 can fall into the category of an accident.

Employers worldwide are also expecting claims, and already in Italy the government and the national insurance body have agreed that COVID-19 can be classified as a workplace injury.

There are also likely claims for delayed construction projects in some countries. In Norway there has been a history of claims for 'Loss of licence', which typically relates to oil companies who are unable to make use of drilling licenses for a period of time.

Some good news

Let's end by focusing on some of the more positive news for insurers. Where the industry has got it right for its customers during the pandemic, they have been quick to respond. In China there has been positive publicity for insurance companies who have been praised for taking a raft of socially responsible measures to extend coverage and loosen claims handling restrictions for the benefit of insureds. In the UK, consumer insurer Admiral was praised for returning a portion of premia to its motor insurance clients in recognition of the fact that they were not being used during the national lockdown.

Finally, in France the Fédération Française de l'Assurance have undertaken to contribute up to 400 million euros to the Solidarity Fund set up by the government to benefit very small businesses and the self-employed, sectors particularly affected by the consequences of COVID-19.

In summary, the global pandemic has seen a group of shared issues for all insurers, but the detail of how these has played out has varied enormously.

Jim Sherwood is a partner at BLM and chairman of Global Insurance Law Connect

Fear and loathing

Risk trends are increasing some ten times faster as a result of the COVID-19 pandemic, according to a report published by global risk consultancy, Sibylline. Deborah Ritchie and Justin Crump examine the issues

Global risk trends increased twice as much between December 2019 and May 2020 as in the entire four-year period before the COVID-19 crisis began, and there is a every indication that many countries will experience a fast deteriorating political and security situation as a result of the ongoing pandemic. This is among the findings of a report published by global risk consultancy, Sibylline, which shows security threats being driven by increases in regional tensions and a steady rise in domestic unrest.

Some 114 countries are expected to see an increased level of agitation, according to the report, with 87 per cent of the world due to see GDP per capita markedly decline, impacting both stability and security in a feedback cycle.

Sibylline believes the fall in terrorism risk since 2015 will reverse as a result of the crisis, as groups and individuals – particularly on the right wing – exploit the situation, whilst the effects of the virus are being further magnified by socio-economic problems caused by the measures taken to combat it, such as widespread bankruptcy and mass redundancies, accelerating underlying trends.

The conclusion is that COVID-19 is turning the world into a far more volatile, complex and ambiguous place in which to live and do business, at a rate higher than is generally yet realised. This will pose rapid future challenges to businesses already struggling to deal with the obvious crisis facing them.

Deborah Ritchie is editor of CIR

COVID-19 exacerbates terrorism and security risks

The fatal terrorist attack in Reading in June, killing three people and injuring others, must act as a wake-up call to the security risks that COVID-19 is exacerbating.

The socio-economic pressures of COVID-19 are creating an environment suited to harbouring the motivations of both jihadist and right-wing terrorism, particularly in the form of solo actors using comparatively basic tactics.

Online radicalisation in chatrooms and, more dangerously, secure chat channels; existing mental health issues; community, ethnic, or religions tensions; economic or social hardship; a feeling of separation; and trigger events, such as the Black Lives Matter protests are all likely to play a role in mobilising individuals and groups.

While our measurements show overall terrorist threat levels globally fell between 2016 and the start of 2020, driven by the reduction of Daesh's heartlands, it has once again risen significantly in the first half of 2020. This includes a steadily increasing level of activity from right-wing terror groups.

Historically, such groups have been overlooked in comparison to the Islamist terror threat. Yet, organisations such as The Base – supported by the Russian state as part of a multi-pronged approach to destabilising adversaries – are focused on coordinating and inspiring a new generation of recruits to white supremacy. This is poses a significant challenge for Western states, since the line between patriotism and excessive nationalism is easily blurred, making identification and disruption more difficult.

Lockdown could not have done more to accelerate these trends. Although the situation meant there were fewer targets (as people stayed away from crowded places), more chance of being noticed if out and about, and little opportunity to gather supplies, this has also kept potential actors at home, making them a captive audience for internet sources enhancing disenfranchisement and radicalisation. In this light, the attack in Reading was not an isolated event; not far away, in Eastleigh, UK, the youngest ever person to face terrorism charges spent lockdown seeking to build explosive devices following conversion to Islam.

Drivers for radicalisation take many forms, but it is unsurprising that awareness of stark social injustices is rising further to the fore, and terrorism haunts the far fringes of this trend.

For example, both al-Qaeda

"The Reading attack was not an isolated event; not far away, in Eastleigh, the youngest ever person to face terrorism charges spent lockdown seeking to build explosive devices following conversion to Islam"

and Daesh have focused on Black Lives Matter and events in the US. Following their established patterns of approach, al-Qaeda has sought to portray itself as a supporter of the protests and as a movement that is seeking to combat Western hypocrisy, while Daesh has adopted more of a gloating approach. In both cases, the jihadists agree that this is a further sign of why their cause is 'just'. Although al-Qaeda's position as a supporter of Black Lives Matter is a stretch, they only need convince a few people. These groups will continue to capitalise on such events.

This stance of course also adds further ammunition to the far right, who will combine their racism with fears of Islamisation and the decay of society. Leaked material from The Base shows that the US and UK are seen as fertile ground for recruitment. The security forces themselves, especially the military, are being targeted, proving to be vulnerable. The line from patriotism to extremism can be worryingly narrow, and trained recruits within the security apparatus are obviously proportionally more dangerous.

"Al-Qaeda has sought to portray itself as a supporter of the protests and as a movement that is seeking to combat Western hypocrisy"

It follows that the scene is set for a fertile feedback cycle, where the same motivations are driving activity across an opposing spectrum of beliefs, with a shared (albeit tacit) interest in destabilising Western societies. The likelihood of increased hardship and societal confrontation over the coming years is exacerbated by countries including Russia that are seeking to gain global advantage. Meanwhile, the post-lockdown environment creates a range of new targets, not least in the form of queues on the streets, and fragile public confidence means any incidents will have a greater impact. In the face of declining security budgets and over-stretch of resources, and while being confronted by increasingly motivated adversaries with time and technology help them recruit, we once again face an increasingly dangerous threat environment.

Pent up tensions

After the start of lockdowns, the attention of the corporate intelligence and risk analysis community naturally turned to ask what would come next.

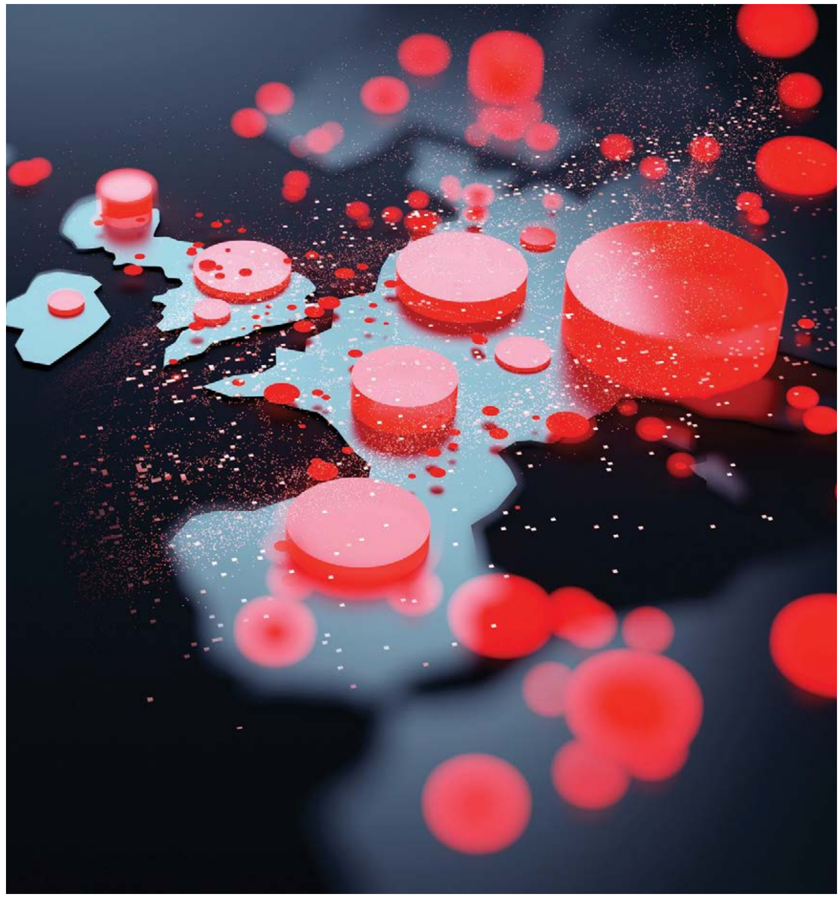
The principal fear has been a rise in civil disorder, driven by the release of pent-up tensions over society and the environment, and the fading euphoria of initial 'freedom' from stringent measures.

Subsequent events in the UK, US, France, Italy, and Germany served to reinforce this predicted trend.

It is no secret that working-class communities, including a higher proportion of minorities, have suffered more greatly from the virus so far. There are multiple factors at play, and we do not understand all of them yet, but it is the impact that is of prevailing importance.

These communities have experienced more hardship than the middle classes, who are more likely

"Localised closures and lockdowns are already a feature of life but will become more prevalent as governments attempt to restrict local hot spots"



to have saved money throughout lockdown, benefiting from mortgage holidays and reduced luxury spend. By comparison, those who were struggling to get by are much worse off.

Compounding this are trends such as AI and automation accelerated by the virus and likely to further hit this community in the form of large-scale redundancies. The gig economy, linked strongly to hospitality and travel, will also disproportionately suffer.

The sense of inequality will therefore markedly increased, with economic effects likely to become more apparent from September, and right through 2021.

Localised closures and lockdowns are already a feature of life but will become more prevalent as governments attempt to restrict local hot spots; as shown around migrant workers in southern Italy, as well as in Germany, impositions on a small area are likely to be met with either active or passive resistance. Similarly, in the UK, self-imposed isolation is being rejected by one in four people contacted through the test and trace system.

Current general rates of infection are low in Europe, but are nonetheless rising again, while the situation in the US is particularly alarming. This shows the potential for further hardship, likely to come in the autumn as other factors contribute towards a return of pressure on health services.

This is also the time that redundancies are more likely and in Q1 2021 many businesses that may have struggled through the last year on a combination of borrowing and deferment will find very large debts being called in. Cuts will start well before then, once the initial 'bounce back' optimism fades. No amount of haircuts or dinners now will make up for a quarter of lost revenue, and retail remains at 45 per cent of the levels seen a year ago, despite reopening.

Amongst other trends, environmental activism is also set to make a large return, with a feeling that this is the moment to build support for lasting change. A runway incursion at Orly, Paris, shows the future trend and 'polluting' companies that have taken taxpayer-funded bailouts are very likely to come under sustained pressure. A return to the policies of the past will be viewed with increasing anger, requiring yet more potentially costly change.

This cycle of protests over injustice will in-turn fuel counter-protests and reactions from the far right, which will feed yet more unpleasant fringe activities.

This also ignores more widespread anger at governments that have mishandled the crisis, and the ongoing effect of increasing rivalry between great and regional powers, adversely affecting trade and business sentiment.

The next few months will be a challenging period and so it is incumbent now to take stock and consider how best to navigate affairs in a more volatile, uncertain, complex and ambiguous world.

Justin Crump is CEO of Sibylline

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Risk singularity and the future

Deborah Ritchie spoke to Christopher G. McDaniel about the concept of risk singularity and its implications for the future use of technology in risk assessment and insurance

What is risk singularity and how will it shape the future of insurance?
To understand risk singularity, we must first start by defining singularity: a hypothetical moment in time when artificial intelligence and other technologies become so advanced that humanity undergoes a dramatic and irreversible change. For the insurance industry, risk singularity will be marked by the rise of ubiquitous data, advancing intelligence and process transformation that has forever transformed the way risks are assessed, mitigated and covered. Most notably, the rise of the internet of things, improved data analytics, artificial intelligence and blockchain, which are undoubtedly shaping the present era, will continue to advance and define the migration toward singularity.

Before we can understand the big picture of what the future will look like once we arrive at complete risk singularity, it's important to understand the advancements made to date and how they have already shifted the insurance landscape.

Blockchain technology was invented in 2008 as the public ledger for cryptocurrency, namely Bitcoin. Its configuration as a peer-to-peer network allowed for decentralised data storage, which ultimately significantly reduced the number of risks that come with centralised data storage. Because blockchain is resistant to modification, leaders across all industries, including insurance, began considering different applications to employ the technology as a way to increase security of data and streamline information sharing. Financial services organisations use blockchain to securely increase efficiency with back-end settlements and to reduce costs. Supply chain companies use blockchain to better manage the flow of products across the world and ensure their security and integrity. This is especially significant in the pharmaceutical space and any other industries with robust black markets and counterfeit production.

Currently, we are starting to see the emergence of smart contracts – a contract between two people encrypted by a blockchain. Because the blockchain cannot be manipulated, the smart contract eliminates the need for third-party intervention. One practical application we saw was Fizzy, a completely automated and secure platform for parametric flight-delay insurance. The smart contract was connected to flight tracking data, and immediately upon recognising a flight was more than two hours delayed, the claim was adjudicated with the insured without the involvement of a third party.

In the insurance industry, we are seeing a near-constant flow of new innovations that stand to shape the industry. Peer-to-peer insurance is emerging as a way to reduce overhead costs, increase transparency and work to reduce instances of conflict between carrier and insured. While peer-to-peer insurance began mostly as small start-up ventures, mainstream insurance companies are working to adopt these models as they grow in popularity. We are also seeing the testing and emergence of applications, including first notice of loss and insurance validation, that are going a long way in securely streamlining initial claims after accidents and even reducing the prevalence of uninsured drivers.

Moving to risk singularity will be a seismic change that happens over a time period – most experts believe around 15 years. It will no doubt transform the industry and change the day-to-day ways of working as we know it, but it will open the door for optimisation that makes everyday life more secure and efficient for individuals, businesses and government agencies.

What are some of the changes that risk managers might see in the future as we move toward risk singularity?
The move toward risk singularity will not happen overnight. So, what can we expect along this journey? Risk management professionals will see an eventual shift to ubiquitous information. That is, the shift in receiving data from sources within the insurance industry to receiving the majority of data from outside sources. Again, this is the result of the adoption of blockchain, internet of things, as well as other innovative technologies. Data will no longer be owned, or solely sourced by, individual risk management firms. This has benefits and risks, as do

all advancements, but it largely means that we can expect blurred lines between insurance sectors and geographic locations.

In terms of convenience, we can expect to see several major changes. Blockchain and internet of things will provide an unobtrusive, seamless foundation for making claims. Applications such as first notice of loss and proof of insurance will become mainstream. Automated and instantaneous risk assessment, similar to the example provided with flight cancellation insurance, will become the norm with blockchain technology, potentially reducing the need for third parties.

Microinsurance and micro-processes will also become prevalent. We are seeing this especially now in situational and environmental real-time transactions. Some examples of this involve microinsurance in developing countries where people rely heavily on agriculture for their livelihoods. In these cases, microinsurance can make a huge difference in insulating them from losses due to drought, famine or other geographic and socioeconomic risks. With the continued rise of ubiquitous data, we can expect this to expand beyond these situations and become the norm in more developed countries.

Commoditised risk – risk that is bought, sold and traded by organisations and individuals – will be another change we can expect to see. With singularity, there will be more standardised practices across the industry, creating a type of systematic level that will increase competition between brokers and drive more price competition for buyers. Commoditisation will serve as a catalyst for increasing offerings and bundling of insurance products.

Blockchain technology, artificial

intelligence and the internet of things, while making risk processing more streamlined, will become more embedded in technology, making insurance processes seamless and invisible to the layperson.

Last, but certainly not least important, risk managers must increase their education during the shift to risk singularity. While the shift will not be immediate, it is incredibly important for risk management professionals to understand and master the emerging technologies, channels, processes and products that will gain traction during this period. As industry professionals, the responsibility lies with us to incorporate new ways of working to evolve with the field, protect organisations and individuals we are managing risk for, and advance the industry to be as effective and efficient as possible.

What are some of the phases that we will see during risk singularity migration?

The move towards risk singularity will likely move across several different phases, or generations.

The first generation is ubiquitous data. This is the current period that we can expect to last roughly five years. During this period, we will see an information shift that provides data sharing through an industry wide blockchain layer. At this point, we will continue to see wide adoption with large US and global firms participating, as well as some medium and small firms beginning to incorporate blockchain into their practices. This phase will see sector specific data and standalone use cases for blockchain applications. Individual insurtech classes and certifications specific to technologies will emerge to help train risk management professionals on the

important new developments.

The next generation, ubiquitous information, will mark a major shift with the majority of risk coming from external sources rather than from within the insurance industry. This is the era we are slowly entering with the continued rise of the internet of things. Soon, the internet of things will become the main provider of risk information. Universal ownership of data will lead to the broader adoption of micro transactions for risk assessment, policy application and claims processing in real time. This era will bring increased participation; with all large US firms participating, as well as the majority of global firms, and small- and medium-sized US firms. In the US domestic insurance sector, participation will be across all sectors – P&C, L&A, reinsurance, retirement, commercial, workers compensation, group health, and surety and specialty. We'll see systems made up by multiple use cases and predictive analytics that better help manage risk. This era will also usher in a more global system with the preliminary integration of internet of things. The industry education focus in this era shifts to classes and certifications based on new products, channels and processes.

The final generation, ubiquitous intelligence, will result in all instantaneous, real-time processing of all insurance claims and adjudications in a system that is completely invisible to the consumer. Across the world, all small, medium and large firms will participate, as will all sectors of insurance. This also means that data will be shared globally and across sectors. We will see one insurance assimilated into one global risk management framework, managed in part by artificial intelligence and machine learning. While this may seem to be an extraordinary shift from where we are now, it, again, will not happen overnight and education will evolve with it. To navigate migration to that future state, education will need to be focused on global value external risk management training and certification.

What are some of the key milestones to look out for as we move towards risk singularity?

Some of the key milestones we can expect to see as we move toward ubiquitous intelligence include, first, the shift from data localised by sector and geography to deep machine learning. The migration from ubiquitous data to ubiquitous information means we'll likely see what is currently a 90/10 per cent data split between insurers and source move to a 50/50 split. We can also expect to see a shift from data localised from insurers to a data cross-sector and diverse geography. Ultimately, when we arrive at ubiquitous intelligence with deep machine learning, the data split will shift from 10 per cent source to 90 per cent third party.

Use case evolution will likely bring us more efficiency plays – like mobile applications – in the ubiquitous data generation. As we move to the ubiquitous information generation, we'll see the emergence of new products, channels and processes.

And, finally, when we reach the ubiquitous intelligence, we'll see global value plays with the autonomous intelligence that will be available.

How can risk managers prepare for the risk landscape adjustment?

Now more than ever before it is critically important for risk managers to seek education, training and certification opportunities to evolve along with the industry as we move toward risk singularity. Risk managers are entrusted with shepherding the safety and security of countless individuals and organisations. What's more, risk managers should embrace their place as thought leaders in the evolving insurance and technology field. Beyond what we can do as risk management professionals, we are capable of literally helping to shape every industry today.

We are in a unique period of uncertainty. We face challenges from every direction that will impact the way we integrate and use data to simplify, streamline and optimise systems from simple property insurance claims to complex pandemic and event cancellation claims. No one is immune from loss, but we can all do our part to ensure we are safeguarding against catastrophic loss as best as possible.

This starts with education, certification and professional growth. Whether it is reading industry blogs or seeking certifications, the resources to advance education and knowledge are out there – and now is the time to continue your growth, capabilities and offerings.

Interview by Deborah Ritchie, editor of CIR Magazine

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Beating the virus

Hopes of a vaccine have been raised as the UK Government secures a portfolio of promising candidates through a number of partnerships across the country. Deborah Ritchie reports

The coronavirus is, as viruses go, an unfortunately successful one. In mid-July, the World Health Organisation reported the highest daily number of new infections since the start of the pandemic, with 200,000 cases in one day taking the total number of cases worldwide to 14 million.

In the UK, numbers have been slowing steadily, but we are not out of the woods yet, and fears of a second or third wave, or even a potential series of waves, are featuring in more and more business continuity plans and risk strategies.

Whatever your view on the Government's response to the pandemic, the news that the country is some way closer to finding a vaccine has to be welcome.

Announcing the news, health secretary Matt Hancock said a safe and effective vaccine was the country's "best hope of defeating coronavirus and returning to life as normal".

New partnerships with pharmaceutical and vaccine companies, BioNTech/Pfizer and Valneva, and secured access to treatments containing COVID-19-neutralising antibodies from AstraZeneca for people who cannot receive vaccines such as cancer and immunocompromised patients could provide England, Scotland, Wales and Northern Ireland with access to enough doses to vaccinate and protect priority groups.

As part of the Valneva agreement, the Government is expected to contribute to UK clinical studies' costs and is negotiating funding to expand its Scottish facility – an increased manufacturing capacity that could potentially supply up to 100 million vaccine doses to the UK and internationally.

A further facility, the Oxfordshire-based Vaccines Manufacturing and Innovation Centre, is expected to have the capacity to manufacture vaccine doses at scale, following a £93 million investment. That facility is due for completion in summer 2021.

The announcement follows an existing global licensing agreement signed with AstraZeneca and the University of Oxford to research, develop and manufacture a COVID-19 vaccine for the UK public. The pharmaceutical company is working to produce 100 million doses for the UK in total.

Support has also been given to Imperial College London to develop their vaccine candidate, which started human studies in June.

Kate Bingham, chair of the Vaccine Taskforce, which was set up under the Department for Business, Energy and Industrial Strategy in May 2020, says: "The Vaccine Taskforce is investing in a diverse portfolio of vaccine candidates to maximise the chances of finding a vaccine quickly that meets the UK's rigorous regulatory and safety standards.

In detail

The Government has agreed the following deals:

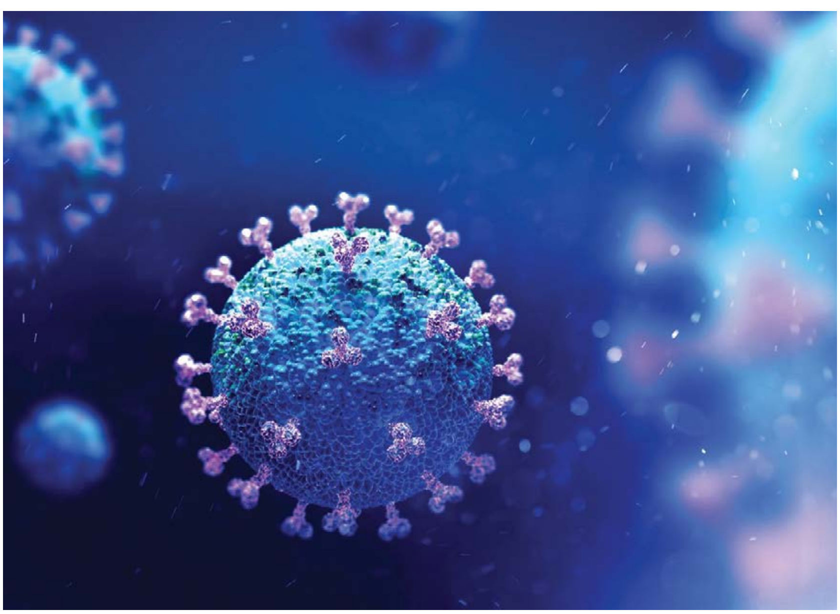
1. BioNTech/Pfizer – this is their first binding agreement signed with any Government, and the UK has secured 30 million doses.
2. Valneva – in principle agreement for 60 million doses. If the vaccine is proven to be safe, effective and suitable, the UK has secured an option to acquire a further 40 million doses.
3. AstraZeneca – in principle agreement for one million doses of a treatment containing COVID-19 neutralising antibodies to protect those who cannot receive vaccines such as cancer and immunocompromised patients.

The three different vaccine classes that the Government has secured to date for the UK are:

- Adenoviral vaccines (Oxford/AstraZeneca)
- mRNA vaccines (BioNTech/Pfizer, Imperial)
- Inactivated whole virus vaccines (Valneva)

The Government has also secured a treatment containing COVID-19 neutralising antibodies (AstraZeneca).

The fact that we have so many promising candidates already shows the unprecedented pace at which we are moving. But I urge against being complacent or over optimistic. The fact remains we may never get a vaccine and if we do get one, we have to be prepared that it may not be a vaccine which prevents getting the virus, but rather one that reduces symptoms.



At the same time, an NHS COVID-19 vaccine research registry is being launched to allow members of the public to register to participate in large-scale vaccine studies across the UK; with a target of signing up 500,000 people by October.

Urging the public to consider volunteering, Professor Chris Whitty, chief medical officer and National Institute for Health Research head said: "Thanks to COVID-19 patients' willingness to take part in treatment studies, we've been able to identify treatments that work and ones that don't, which has improved patient care worldwide.

"Now that there are several promising vaccines on the horizon, we need to call again on the generosity of the public to help find out which potential vaccines are the most effective. Using a new NHS website developed in partnership between the National Institute for Health Research and NHS Digital, people across the UK can register their interest to be approached to join a vaccine study."

Deborah Ritchie is editor of CIR Magazine

The profession responds

The Institute of Risk Management recently conducted a major survey of its global community to find out how the profession viewed and dealt with the COVID-19 crisis. We take a look at the highlights

Risk management has always been about uncertainty, and the current crisis presents both opportunity and risk in that regard. The risks are many, varied and in some cases fundamentally disruptive.

Seeking to examine how risk practitioners have been dealing with the principal risks to their business, and what they are doing to mitigate them, the Institute of Risk Management conducted a survey of one thousand risk professionals worldwide, from all sectors and regions of the world.

Strikingly, 94% of respondents believe that the current pandemic experience strengthens the case for risk management. As risk professionals work on a balanced and proportionate response towards recovery, we look at just a few of the highlights from this piece of research from the Institute's global network of Special Interest Groups.

"A core principle of risk management is to learn from experience and improve; there will be lessons from the experiences of dealing with the challenges of COVID-19 which will result in improved resilience and better risk management in the future,"

Health and Care SIG

The current situation brings to mind a quote from Lenin: "There are decades when nothing happens, and there are weeks when decades happen". It certainly feels like we are in the latter position, especially in the health and care sector.

The major impact of COVID-19 on the health sector has been the requirement to prepare at great pace and with urgency for a huge and uncertain increase in the number of patients suffering from the virus, to ensure that they receive the treatment and care required, with reduced numbers of available staff, who have also been directly impacted by the virus. This has been undertaken in conjunction with maintaining other critical medical services, albeit some of these at a reduced level to provide the capacity to cope with COVID-19.

It has required speedy development of contingency arrangements, for example, in the establishment of the new Nightingale Hospitals and rapid reorganisations within hospitals, to provide additional capacity. Risks have also manifested in the supply chain, including in constraints to the availability of medical equipment, for example ventilators, and the provision of personal protective equipment to keep staff treating patients safe.

There has been an increased emphasis on digital solutions (for example more use of online consultations and changes to the NHS 111 service) and the sharing of data in a secure, reliable and timely manner, to enhance the system's response to the crisis. These same pressures are likely to continue, at least, the extent being dependent on how the virus and its impacts develop, with the possibility of further waves of infection as the current lockdown is potentially adjusted.

An important emerging area of risk already receiving attention is the number of people who may become seriously ill as a result of delayed treatment or identification of non-COVID-19 conditions during the current crisis and the capacity of the health and care system to provide the care required, especially in the event of further waves.

There will necessarily be a review of how well we have responded to the crisis at a suitable point, including how well risks had been identified and managed, in which the effectiveness of risk management will be an important element. There are lessons to be learnt more immediately, in which risk managers can be of assistance, and if effectively managed will demonstrate the value of professional training in ERM. I would highlight the following broad risk themes requiring attention in this respect:

- An increased emphasis on resilience and contingency planning, in particular supply chain resilience.
- The consequences of financial disruption and a likely recession on the availability and prioritisation of funding; and on wider health outcomes
- The impact on mental health of the actions taken to manage the current crisis, amongst health and care workers and the wider population
- Consideration of methods to achieve a more integrated and holistic solution for the provision of social care
- Impacts of the crisis on the provision of other medical services, for example, dentistry
- Innovating to maintain the increased digitisation of health and care services
- Increased requirements for the secure and timely sharing of reliable data, whilst continuing to protect the privacy of personal data
- Balancing continuing pace in elivery with the operation of effective and proportionate control frameworks

Energy SIG

The energy industry has been heavily affected by COVID-19. With many organisations having supply chains which rely heavily on countries which have been significantly impacted by it, as well as relying on people working remotely and on shifts (including fly-in / fly-out), it has become increasingly difficult to meet the challenges of progressing projects and maintaining operations at optimum levels. The lockdowns globally have also seen a major decline in demand for oil and gas which has resulted in an unexpected demand shock, placing downward pressure on prices. The decades-low price levels we are currently witnessing are compounded by the problem of an additional fall in oil price due to the recent OPEC+ group failing to agree on managing output (whilst there was finally an agreement, oil prices have since continued to plummet and have seen negative values for the first time in history).

According to a recent survey conducted by the IRM Energy SIG, when asked which events energy companies have been most impacted by over the years, COVID-19 and the current oil price slump came out on top.

When further asked what has been impacted the most, respondents highlighted three key areas including completion of existing projects, major financial loss and as a result, potential viability of the organisation.

Additional concern comes from the fact that the previous economic crisis of 2008-09 was considered the third most impactful event in recent times and with a crisis of similar or greater magnitude expected to hit again in the coming months. With this in mind, the energy industry is facing three of the worst events of modern times all hitting at the same time. This does not bode well for the remainder of the year and all expectations are the impacts will continue to be felt into 2021.

Alexander Larsen, CFIRM, chair

Nuclear Industry SIG

The nuclear industry has two characteristics which make it different from other businesses in this time of COVID-19. One is that nuclear sites are not things which we turn off and walk away from and the other is that the provision of baseload electricity is just as important now as at other times. For these reasons, our sites remain open and we have had to address the balance of risk associated with maintained minimum operations whilst minimising the risk to the workforce. We had business continuity plans in place for some critical activities, and we have mature emergency response and crisis management arrangements to respond to events. All of these have enabled us to respond promptly and prudently to the changing situation.

We have worked hard to apply our knowledge and experience from control of radioactive contamination to managing the spread of the virus, both invisible and both potentially spread through touch or airborne particles. Unfortunately our sites are also quite small and congested and we have pinch-points for access control and radiological monitoring, making it more challenging to maintain social distancing. The industry is relatively small and tightly knit and we have global networks of operators who are very familiar with sharing learning from experience. These networks have been ready in unusual times to give us support and benchmarking opportunities.

Nuclear sites also have close ties with their local communities, and we have been working closely with local resilience agencies to ensure that we can maximise our contribution. In the early days of lockdown, the supplies of PPE which we normally maintain have been carefully assessed so that we can release as much as we can to support local health services, whilst maintaining the appropriate levels for our own safety requirements. We also have large numbers of volunteers amongst our workforce, helping deliver services but also making PPE, and deploying some of our specialist skills. Examples include deployment of design capability to utilise 3D printing to manufacture PPE to meet the required safety standards and GIS mapping capabilities being deployed to help local responders. The fact that we are closely linked with local responders in business as usual times has made it easier for us to link into standard arrangements.

As we re-start projects and plants which have been quiescent for an extended period, we will have different risks to manage and we are working hard on planning for re-start in a controlled and phased manner. Our risk teams are working with different areas of the business to understand the uncertainties and identify both threats and opportunities. We all know that the future will be different, although we don't know what it will look like. Our risk professionals are contributing to scenario planning and horizon scanning, looking ahead to the period post-COVID and the threats and opportunities we may encounter.

Kathryn McCloghrie, CMIRM, chair, head of corporate strategy, Sellafield Ltd

"94% of respondents believe that the current pandemic experience strengthens the case for risk management"

says Iain Wright, IRM chair.

"Professional risk management will deliver the resilience that organisations will need to emerge and recover from the pandemic crisis, the role of the risk manager has never been more important."

The Institute of Risk Management's Covid–19 Global Risk Management Response can be accessed in full here: https://www.theirm.org/news/irm-covid-19-global-risk-management-response-report/

Deborah Ritchie is editor of CIR Magazine

Industry views

Disruption is the new norm. This was true before the COVID-19 pandemic and will be exacerbated as businesses seek to reinvent themselves after lockdowns. This context creates new risks and new opportunities, and demands a shift in emphasis for the risk professional to ensure they are better aligned with business priorities, be fit for the future professionally, and be more effective in stakeholder engagement. If risk professionals can acquire the right balance of contemporary knowledge and skills, this will create a huge opportunity for them to increase their level of influence in their organisations in the post-COVID-19 world.

In a survey this year, Airmic members rated the need for different knowledge and skills, coupled with an increase in authority and more flexible working, as the greatest changes to their jobs over the last four years. Digital literacy, a creative mindset and negotiating and influencing were considered the most important skills for the future. Those who can combine these will be best positioned to support their organisation in today's dynamic environment and achieve personal professional success. In response to these findings, Airmic developed a competency framework to help risk professionals navigate their career and personal development in the midst of such seismic shifts. It provides a structure that describes and defines the competencies required by individuals in any risk management role and sets performance benchmarks which can be used to identify knowledge and skills gaps.

If we thought change was happening quickly last year, the pace of change has gone stratospheric since then. Working behaviour, business priorities and the use of technology have been turned on their head since the pandemic began and while some normality will return, we must prepare for a different world.

Airmic's framework is dynamic and will need to be refreshed in synchronisation with the changes in the context our members are grappling with. It has never been more important for risk professionals to understand their strengths and weaknesses and to be clear on how they can add most value.

Julia Graham is technical director and deputy CEO at Airmic

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Although the coronavirus pandemic is still very much at the top of the agenda, thoughts are beginning to turn back to issues that were set in train before lockdown, and not least the UK's departure from the European Union at the end of the year.

Insurers tend to approach things with a can-do attitude, and they continue to look for opportunities to use the UK's departure from the EU as a means to make things better. One such example is in the motor insurance market. In 2014 the European Court of Justice created a difficult situation for the UK with the Vnuk judgement, which ruled that all motor vehicles, from lawnmowers to Formula One cars, should be covered by compulsory motor insurance for liabilities incurred while using them, even if they are never driven on public roads.

The EU is currently debating an update to the European Motor Directive that will, it is hoped, create a more coherent approach to the problem. However, the UK itself needs to consider what it wants going forward, and how it will coordinate its laws with whatever is agreed in the EU.

It is not just a case of taking things back to how they were before the European Court of Justice made its ruling in 2014. Since then, the risk landscape has changed, with the line between toys and vehicles becoming blurred as electric bikes and scooters become more powerful. Just as we have seen with the increasing use of drones, technology has created new challenges around the liabilities that can be caused by new kinds of property, and raised questions around what kind of insurance should exist for victims of accidents.

It is not just a question of what kind of compulsory insurance should exist, but also the kind of registration process that should support any system of insurance. Clearly, a licencing system to determine ownership and responsibility that exists for motor vehicles would be a huge sledgehammer to crack a relatively small, risk management nut. Nevertheless, a light-touch system of insurance, based on sound risk management principles, could be one of the good things to come out of 2020 – and goodness knows, we need some of those.

Dr Matthew Connell is director of policy and public relations at the Chartered Insurance Institute

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There has long been a tension between the local and the global within multinational firms; and in recent years the latest front in this war within insurance has seen the development of more multinational policies. Driven by the desire of large global clients to buy insurance on a single global basis, this approach delivers great benefits to clients and insurers, but also requires significant global claims handling scale.

Many insurers now have multinational claims specialists, working out of hubs, from where international insurers will fly in to direct the work of local claims teams, in effect enforcing global standards through a policing and standards network. All well and good, but now that the world has changed and business travel is no longer possible, how can and should we adjust the management of multinational claims; and should clients and insurers reconsider how best to direct them?

For me the answer is simple, because it is something that GILC have been working on for the last few years. Setting up our global legal network three years ago, we took a radically different approach, based on our belief that when supplying insurer specific legal services on a global basis, the key is the presence of a true local expert. While it doesn't do away with the need for a central client relationship; the presence of local expertise does allow insurers to trust in claims handling (and legal services) based on the ground. Such trust can bring great benefits; in the form of solutions that make use of local arbitration panels, and claims handling that is based in a true understanding of local laws and policies.

It also, in these times of restricted travel, allows the continuation of high-standard international claims handling, driven successfully at a local level. Is it possible that COVID-19 will force all international firms to reconsider and adopt this approach? Would it be a disaster if they did? With our experience in mind, in view the answer is no. Let's consider COVID-19 a wake-up call. Perhaps we can create a cultural shift which is not only effective, but also better for our clients, our planet, and global health preservation.

Jim Sherwood is a partner at BLM and chairman of Global Insurance Law Connect

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IRM Honorary Fellow and statistician Prof Sir David Spiegelhalter (an expert in risk from the University of Cambridge and government adviser), was recently reported by the BBC as saying: "Coronavirus, in effect, has become a game of risk management". So there's never been a better time to build resilience for your organisation and engage with the IRM.

As the current global pandemic continues to cause uncertainty for businesses and employees, risk managers are going to be at the forefront of ensuring organisations can survive and adapt during these unprecedented times. There's never been a more important time to ensure you and your teams are up-to-date on the best practice required to effectively mitigate risks and capitalise on opportunities to save your organisation time and money. There will be many lessons learned and most risk managers are deep in the recovery phase. It's a case of economic survival for the most adaptable and operationally resilient.

Further to our recent survey on the risk management response to the pandemic, the IRM has drawn on its global network of Special Interest and Regional Groups as well as our global ambassadors to ask them for their views on the ground on how the pandemic is affecting their sector/countries. Now, the IRM Global COVID-19 Risk Management Response report has been published, and readers can learn more about it in this magazine.

In response to these unprecedented times, we, like many other organisations, have had to adapt our own ways of working and how we deliver our industry-leading training courses. Delivery is now online in virtual classrooms, allowing delegates from anywhere in the world to learn in the comfort of their own homes. Finally, we would like to put out a call for new members for our new Pandemic Special Interest Group. We are looking for individuals who would be interested in taking a leading role in setting up a group to examine pandemic risk – current and future. Please contact us to get involved.

Iain Wright is chairman of the Institute of Risk Management

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Tensions on the horizon

Shipping losses are at a record low, but incident numbers are up, and COVID-19, political tensions and environmental risk issues still cloud the horizon, according to a new report on shipping safety from Allianz

The consequences of the coronavirus crisis and a sustained economic downturn could threaten continued long-term safety improvement and lead to an uptick in losses from cost-cutting measures, fatigued crew, idle vessels and weakened emergency response. This is among the key findings of the recently published *Safety & Shipping Review* from Allianz Global Corporate & Specialty. Rising geopolitical tensions, emissions rules and de-carbonisation targets, mis-declared cargo and fire incidents all continue to pose risk challenges, it states.

The good news is that large shipping losses are at a record low, having fallen by over 20% year-on-year and almost 70% over a decade. The shipping industry has also continued to operate throughout the pandemic, despite disruption at ports and to crew changes. Risks remain, however, and include the welfare of sailors, maintenance disruption and therefore damage, reduced or delayed statutory surveys and port inspections, cargo damage and delay due to supply chains pressures, lowered emergency response capabilities, and lay-up-related financial exposures.

"Coronavirus has struck at a difficult time for the maritime industry as it seeks to reduce its emissions, navigates issues such as climate change, political risks and piracy, and deals with ongoing problems such as fires on vessels," says Baptiste Ossena, global product leader hull insurance, AGCS. "Now the sector also faces the task of operating in a very different world, with the uncertain public health and economic implications of the pandemic."

"Coronavirus has struck at a difficult time for the maritime industry"

The maritime regions of South China, Indochina, Indonesia and the Philippines remain those with the greatest losses, with 12 vessels in 2019 and 228 vessels over the past decade – representing one in four of all losses. High levels of trade, busy shipping lanes, older fleets, typhoon exposure, and safety issues on some domestic ferry routes are contributing factors. The Gulf of Mexico and the West African Coast rank second and third.

Issues with car carriers and ro-ro vessels remain among the greatest safety issues. Total losses involving ro-ros are up y-o-y, as well as smaller incidents (up by 20%).

"The rise in number and severity of claims on ro-ro vessels is concerning. Ro-ros can be more exposed to fire and stability issues than other vessels," says Captain Rahul Khanna, global head of marine risk consulting at AGCS. "Many have quick turnarounds in port and a number of accident investigations have revealed that pre-sail away stability checks were either not carried out as required, or were based on inaccurate cargo information. Too many times commercial considerations have endangered vessels and crews and it is vital that this is addressed on shore and on board."

In other findings, the number of reported shipping incidents (2,815) increased by 5% y-o-y, driven by machinery damage (1,044 incidents). A rise in incidents in the waters of the British Isles, North Sea, English Channel and Bay of Biscay (605), meant that for the first time in almost a decade, these waters replaced the East Mediterranean as the top hotspot, accounting for one in five incidents worldwide.

"We cannot lose sight of the fact that, while total losses have reduced significantly, the total number of incidents increased year-on-year," Ossena adds. "It does not take much for a serious incident to result in a total loss and, hence, the warning signs are there."

There were almost 200 fires reported on vessels over the past year, up 13%, with five total losses in 2019 alone. Mis-declared cargo is a major cause and one that must be addressed, the report's authors warn.

Political risks have intensified in the Gulf of Oman and the South China Sea and piracy continues to be a major threat with the Gulf of Guinea re-emerging as the global hotspot. Armed robbery has increased in Latin America as well as in the Singapore Strait.

Meanwhile, reports of a 400% increase in attempted cyber attacks on the maritime sector since the coronavirus outbreak creates worries, particularly in the Middle East and China.

As if this was not enough for the sector to address, the aim to halve CO2 emissions by 2050 will require the industry to radically change fuels, engine technology and even vessel design.

"Since January 1, 2020 allowable sulphur levels in marine fuel oil were slashed. However, compliance is not straightforward and teething problems could lead to a surge in machinery damage claims. Ultimately, de-carbonisation will also have regulatory, operational and reputational implications. Progress on addressing climate change could stall with the focus on the coronavirus pandemic," the report warns. "This must not be allowed to happen."

Deborah Ritchie is editor of CIR Magazine

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Daisy's flexible IT and data recovery services will protect your technology, data and communications, available when the need arises and for test and development scenarios. We have nine resilient UK data centres and an award-winning portfolio of data availability services, applauded by industry analysts. For replacement IT onsite fast, we have over 1,000 servers and seven ship-to-site, mobile data centre units, all ready to dispatch if disaster strikes. This can be a safe roll-back recovery option in the event of cyberattack.

BUSINESS CONTINUITY, LOGISTICS

CMAC Business Continuity Transport
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Accrington, Lancashire BB4 0RE

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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.

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RISK MANAGEMENT SOFTWARE SOLUTIONS

JCAD

JC Applications Development Ltd
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In business since 1992, JC Applications Development Ltd take great pride in our ability to develop world class software solutions and associated services that enable our clients to manage risk, compliance and claims more effectively. As a result they are better placed to achieve their corporate ambitions, save time, money and offer a superior service to their stakeholders. This is proven by our last customer satisfaction survey where 98% of respondents said that they would recommend us.

With over 200 successful implementations JCAD is a market leader in the provision of claims handling and risk management software to both the public and private sectors. Client representation covers many diverse industries including but not limited to;

- Housing associations
- Local government
- Emergency services
- Charities & NGO's
- Academia
- Finance
- Retail
- Construction
- Facilities Management
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JCAD's software is wholly "off the shelf" which enables time efficient implementations, low cost systems and simpler training. Additionally, by offering a best practice approach to risk and compliance management we can focus on the development of new functionality that is then shared across our entire client base. JCAD are an ISO9001 accredited supplier and our hosting partners are accredited to ISO27001. Our risk management software will align to such standards as ISO3100, COSO and guidance from the OGC.

ORIGAMI RISK

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Origami is a leading provider of integrated SaaS solutions for the risk, insurance and compliance industry—from insured corporate and public entities to brokers and risk consultants, insurers, TPAs, and risk pools. Our solutions for RMIS, GRC, EH&S, Core Policy and Claims, and Healthcare Risk Management are highly configurable and completely scalable. Origami delivers a full suite of solutions from a single, secure, cloud-based platform accessible via web browser. Our software is supported by an experienced service team who possess a balance of industry knowledge and technological expertise. With our unique service model and highly configurable solution, our expert team implements and provides ongoing support to align with clients' strategic organizational priorities. Since all components are contained within a single, true SaaS platform, scalability is seamless, enabling clients to focus on their priorities while providing access to the latest technology.

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ventiv TECHNOLOGY

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RISK MANAGEMENT SOFTWARE SOLUTIONS

PROTECHT
Redefining Risk

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Fortress

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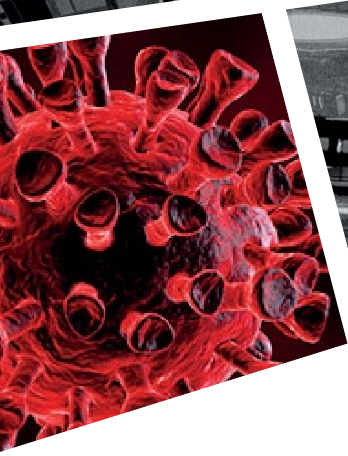

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