Book review
Inspiration for
risk professionals

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

The interview
We chat to
Jonathan Hatzor

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Q3/2024

CIR
CONTINUITY INSURANCE & RISK

***Focus Feature with QBE Europe** on a transformative era for automotive, and the high-stakes impact of batteries on motor cover*

***Claims management** Cost and policy wording still top the list of considerations for commercial insurance clients*

***Business Continuity Awards 2024** Highlights from the awards, with selected winner profiles and photography from the evening*

Summer of discontent

Civil unrest returns to the UK's streets

View: "During the 2011 riots and the introduction of the Riot Compensation Act (2016), there was widespread consensus that some claims were not paid quickly enough"

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Comment

In the early hours of the morning of the 19th July, cyber security firm CrowdStrike released an update to its endpoint detection and response tool Falcon, containing a software coding flaw that sent Microsoft devices everywhere crashing. CrowdStrike introduced a fix, but not before the impact spread to companies around the world.

Insured losses from the outage appear thus far to be limited for property and casualty insurers, though determining final losses for the industry is likely to be a lengthy process due to the non-standard language used in cyber insurance policies.

The outage – and certainly the subsequent dreaded 'blue screen of death' – might have taken the public by surprise, but cyber insurance professionals less so, having long anticipated the scenario amongst numerous others modelled by insurers and reinsurers.

Estimates from Parametrix suggest the equivalent of £4.1bn in economic losses from the event, with insured losses likely to be no more than 10% to 20% of that figure, while CyberCube's insured loss estimates stand at somewhere between £306m and £1.1bn for the standalone cyber insurance market. This means the CrowdStrike event could turn out to be the largest single insured loss event in the history of the affirmative cyber insurance market.

Most losses from the outage are expected to be business interruption, according to analysis from Moody's. Because losses were not caused by a cyber attack, claims will be made under systems failure coverage, which is becoming standard coverage within cyber insurance policies, it says, adding that claims from the outage will be made for direct losses to the insured because of their own system failure, as well as contingent business interruption caused by an insured's vendor being affected by the incident. In addition to that, it expects a small number of claims may emerge from technology errors and omissions policies.

Several factors are expected to limit the number and size of claims. Cyber insurance policies have minimum waiting periods, generally between eight and 12 hours, before an outage triggers BI coverage (although this time varies between companies and industries). Cyber policies also come with self-insured retentions. Further, systems failure for non-malicious acts might not be covered by some policies, or may be subject to sublimits.

The effect of the outage was akin to that of a supply chain cyber attack, with multiple industries affected – from airlines, supermarkets and financial services, with numerous Fortune 500 companies' IT systems disrupted – revealing the broad risks posed by a single point of failure, and the high degree of interconnectivity and dependence in today's economy.

A snap poll of 500 risk professionals from across the UK and Europe revealed that 62% were directly or indirectly impacted by the global outage. Conducted by Aon, the survey revealed that 83% of the organisations polled had an incident response plan in place, of which 24% underperformed.

A separate poll – this time from insurer Beazley, and conducted amongst a much wider sample – suggests that nearly a quarter of global boardrooms are unprepared for cyber risks. The survey of almost 3,500 global businesses revealed that, despite the growing risk landscape, senior executives have something of a 'blind spot' when it comes to cyber risk, with only 23% ranking it as their top risk this year, down from 34% in 2021. Some 69% of the global firms surveyed also said they believed their existing cyber defences to be robust enough to deal with a cyber attack – a bold statement considering the impact of this recent widespread but non-malicious event.

Rather than being a market-turning event, the CrowdStrike incident has become a test of coverage and response, and acts as a reminder to businesses to review cyber security measures, plans and insurance cover in preparation for the next disruption – non-malicious or otherwise.

Deborah Ritchie is editor of CIR Magazine

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In plain sight

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Great expectations

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The enigma of HILP events

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Mitigating risk for electric and self-driving vehicles

The mainstream adoption of battery electric vehicles heralds a transformative era in the automotive industry. QBE Europe looks at the high-stakes impact of batteries on motor insurance, examines what will it take for British fleets to go electric, and unpacks the impact of the UK'S Automated Vehicles Act on insurance, pricing and liability

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Editorial & features

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Scope 3 supply chain emissions were, o… average, 26 times greater than Scope 1 an… Scope 2 for corporates last year, according… report from Boston Consulting Group and… Upstream emissions from the manufacturi… retail and materials sectors had a footprint… times the total CO2 emitted in the EU in 20…

Disaster recovery

"The basics of good housekeeping, well-organised waste management processes, and compliance with safety regulations are cru…

Analysis

Renewables

The role for reinsurance in a renewable future

A new report forecasts that renewables will account for 74% of the growth in global primary energy consumption by 2030, and reinsurance plays a pivotal role in this global shift

Howden Re, the reinsurance and risk advisory arm of Howden, has published a report on the growth of the renewable energy sector and its associated opportunities and risks from a reinsurance perspective.

The publication, *Watt Now? Reinsuring the Renewable Energy Transition*, explores the pivotal role of the re/insurance industry in supporting the global shift towards renewable energy, which is widely considered as crucial for both the climate, and the future of the global economy.

As governments worldwide increasingly incentivise renewable adoption in pursuit of energy security and a cleaner power system, Howden Re's report forecasts that renewables will account for 74% of the growth in global primary energy consumption by 2030. This substantial shift towards cleaner energy sources, driven by the declining costs of technologies like solar and wind, presents significant growth opportunities for the re/insurance sector, according to Howden Re. The renewable energy insurance market, it says, is experiencing major expansion, with notable premium potential in solar, onshore wind, offshore wind and battery energy storage systems.

James Metcalf, associate director for marine, energy and terror, at Howden Re, says: "The renewable energy sector is evolving rapidly, bringing a unique set of challenges and opportunities. Collaboration across the industry is vital to support the sustainable growth and resilience of renewable energy projects worldwide."

Howden's report outlines why re/insuran… to the energy transiti…

transparency and collaboration amongst stakeholders to ensure that risks are appropriately placed and managed. It also sets out the varied risks associated with onshore and offshore wind, solar and BESS, bringing awareness to how manufacturers, producers, cedents, and reinsurers can navigate these challenges.

Simon Brooks, managing director for marine, energy and terror at Howden Re, adds: "The renewable energy sector is at a critical juncture. As we navigate the complexities of natural perils and evolving technologies, our focus remains on delivering innovative and tailored risk management solutions to support the sustainable growth of this vital industry."

New Government's clean energy funding pledge welcomed

Marine consultancy firm, Van Ameyde Marine, has welcomed the new Labour Government's £1.5 billion funding pledge for clean energy at a "pivotal moment" in the country's transition to renewable energy.

"The new Government has stated its intention to support investment in UK waters with £1.1bn budget set aside for offshore wind," says Jeff Wilson, managing director of Van Ameyde Marine. "This record-breaking investment is welcome news but must be backed by marine expertise in site surveying, engineering and project management to understand and limit the massive risks involved.

"This expertise is crucial to the UK's renewable energy targets so as an industry we need to continue to invest in the skills of our people and collaborate with external organisations to share best practice. For Van Ameyde Marine, this has included partnerin… industry associatio…

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The 2024 Business Continuity Awards took place at the Marriott Grosvenor Square in June. Find out who took home one of our coveted trophies.

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The role for reinsurance in a renewable future

A new report forecasts that renewables will account for 74% of the growth in global primary energy consumption by 2030, and reinsurance plays a pivotal role in this global shift

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Howden's report outlines why re/insurance is essential to the energy transition, highlighting the need for greater transparency and collaboration amongst stakeholders to ensure that risks are appropriately placed and managed. It also sets out the varied risks associated with onshore and offshore wind, solar and BESS, bringing awareness to how manufacturers, producers, cedents, and reinsurers can navigate these challenges.

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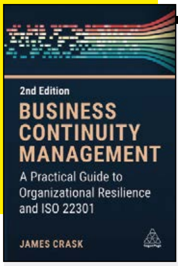
"This expertise is crucial to the UK's renewable energy targets so as an industry we need to continue to invest in the skills of our people and collaborate with external organisations to share best practice. For Van Ameyde Marine, this has included partnering with government bodies, industry associations, and academic institutions to foster innovation and drive the energy transition. These partnerships are essential in creating a sustainable and resilient energy future for the UK."

Renewables could account for 74% of the growth in global primary energy consumption by 2030

Inspiration for resilience professionals



Business Continuity Management: A Practical Guide to Organizational Resilience and ISO 22301

by James Crask
Kogan Page, 2024
koganpage.com

This decade looks set to be unlike any other in recent history. A short time after the world emerged from the Covid-19 pandemic, armed conflict erupted in Europe for the first time since World War II, and a major war flared up in the Middle East. At the same time, hostilities have escalated between both autocratic and ostensibly democratic nations, creating tensions around the world. As we explore in this issue of the magazine, so-called high-impact, low probability events are in fact a lot more likely than they once seemed.

One key lesson from this era of permacrisis is that the unlikely can – and very likely will – happen. Against this backdrop, robust continuity planning and high levels of resilience are critical. Thus, James Crask's latest book is a timely tool to help organisations build the resilience they need to survive and thrive.

Highly experienced across the various fields of risk management and resilience planning, Crask has worked in a wide range of roles and across numerous sectors and industries, including the UK Government, the BBC, the Nuclear Decommissioning Authority, PwC, and most recently, Marsh.

The fully updated second edition of *Business Continuity Management: A Practical Guide to Organizational Resilience and ISO 22301* features new case studies and guidance on the latest organisational challenges, describing in careful detail how businesses can make effective decisions in a world of constant crisis.

With expert evaluation of the response to Covid-19, and analysis of the impacts of the wars in Ukraine and Israel, Crask's up-to-the-minute second edition offers pragmatic approaches for resilience practitioners seeking to grapple with a multitude of simultaneous challenges, and looking to build a sound case to secure any investment needed for recovery.

Featuring key performance indicators, templates and checklists covering planning, response, reporting and assurance, this edition is a vital addition to any business continuity and resilience professional's bookshelf – whether a seasoned professional or new to the field.

In this era of permacrisis, robust continuity planning and high levels of resilience are critical

News briefing

A round-up of the latest industry news

The NHS issued an Amber Alert over a shortage of blood supplies following the Synnovis cyber attack. An Amber Alert is part of the NHS's business continuity plan for blood stocks that triggers hospitals' emergency measures to minimise usage; move staff to laboratories to vet the use of all O type blood; and use patient blood management systems to minimise use of O type blood.

The faulty CrowdStrike Falcon Sensor update and subsequent global outage underscore the potential for SPOF technology outages to impact the global digital economy, according to cyber risk specialists at CyberCube. Its analysis suggests that large companies in manufacturing, IT, healthcare and the financial sector were the most exposed.

Global insured losses from the CrowdStrike outage could sit somewhere between £310m and £1.2bn for the standalone cyber insurance market, according to data from CyberCube. The faulty CrowdStrike Falcon Sensor update and subsequent outage would represent a loss ratio impact of roughly 3-10% on global cyber premiums of £12bn today.

The average monthly cost to an SME of putting in place a 'full range' of cyber security measures is £4,962, equating to an annual spend of £59,566, according to data from insurer CFC. To arrive at these figures, the cyber specialist reviewed a number of cyber security solution costs from a range of third party providers to calculate the cost to an SME in the UK employing 100 staff.

Response time amongst UK critical national infrastructure companies to ransomware attacks sits at between 6 and 14 hours, with energy companies taking the longest time to respond. This is amongst the findings of research conducted by Bridewell, which found that 57% of the 520 organisations considered critical to national infrastructure in the UK had experienced a ransomware attack in the past year.

UK councils recorded some 5,000 data security breaches in 2023, according to responses to Freedom of Information requests submitted earlier this year by Apricorn. Submitted through Whatdotheyknow.com in February 2024, the FoI requests showed that Kent County Council declared 734 breaches between January and December 2023.

Global mortality in the first half of 2024 was similar to the record low mortality seen in the first half of 2019, with all age groups seeing lower mortality in the first half of 2024 than in the first half of 2023, according to data from the Institute and Faculty of Actuaries. Meanwhile, a fourth human case of avian influenza associated with the ongoing multi-state outbreak amongst dairy cows in the US, was detected – this time in a Colorado dairy farm worker.

Scope 3 supply chain emissions were, on average, 26 times greater than Scope 1 and Scope 2 for corporates last year, according to a report from Boston Consulting Group and CDP. Upstream emissions from the manufacturing, retail and materials sectors had a footprint 1.4 times the total CO2 emitted in the EU in 2022.

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

The risk landscape is now "many times more complex" than it was just three years ago at the height of the Covid crisis, with complicated and often contradictory global regulatory risk cited amongst the major obstacles to corporate growth. So said a report from Clyde & Co, which highlighted a "polycrisis" of risk.

The Financial Conduct Authority said financial firms must do more to ensure the fair treatment of parliamentarians, senior public servants and their families. Under legislation adopted by parliament, financial firms are required to carry out extra checks on so-called politically exposed persons, or PEPs, and there have been concerns about how firms in the UK are meeting these requirements.

London Market insurers will play a vital role in the development of new, advanced air mobility technologies over the next few years, the International Underwriting Association said. In its official response to a public review of the law around autonomous flight, conducted by the Law Commission, the IUA called for a robust certification process that prioritises safety and access to data to help underwriters effectively analyse risks and liabilities.

Over half of the £15trn already committed to financing the climate transition through to 2030 will require additional insurance, making the industry critical to mobilising the transition, according to a study from Howden and Boston Consulting Group.

Meanwhile, Howden announced the placement of a carbon credits warranty and indemnity insurance policy. The W&I policy provided insurance cover on the sale of carbon credits for the reforestation project of degraded forest lands by Mere Plantations, a UK-based company that owns and operates a teak plantation in Ghana, West Africa.

Elsewhere, CFC launched a new insurance solution for buyers of voluntary carbon credits. Carbon Cancellation Insurance is designed to safeguard purchased carbon credits from financial and management risks in the event of cancellation or invalidation resulting from political risks.

Over a quarter UK SMEs would not survive for more than a month if critical equipment malfunctioned, according to research conducted by HSB UK and Ireland, highlighting a costly gap in preparedness for sudden and unforeseen equipment breakdown.

A high frequency of small to medium-sized events resulted in global insured losses from nat cats of £47bn in the first half of 2024, according to preliminary estimates from Swiss Re Institute.

The FCA fined PwC £15m for failing to report their belief that London Capital & Finance might be involved in fraudulent activity – marking the first time that the City watchdog has fined an audit firm.

Accumulus minimus

Jonathan Hatzor shares his perspectives with *CIR Magazine* on the evolution of cloud exposures, and explains how Parametrix is helping companies and insurers better understand cloud risk accumulation

The recent CrowdStrike outage highlighted the critical importance of robust insurance coverage for IT downtime. The fall-out serves as a useful case study in systemic cyber risk and its management – a topic that Parametrix co-founder and CEO, Jonathan Hatzor, is fascinated by. Launched six years ago, Parametrix creates cutting-edge tools and models that enable companies, insurers, and reinsurers to quantify, manage and transfer their exposure to cloud outage risk with unparalleled accuracy. CIR caught up with Jonathan to talk about how the changing face of cyber insurance, and how Parametrix is making waves in the market.

Your own analysis of the impact on Fortune 500 companies of the recent CrowdStrike outage shows that, while the incident is significant and likely the largest cumulative event in cyber insurance history, it was not the worst. As organisations rely increasingly on the cloud, how are insurers responding to the risk?

It varies. Insurers want to give their clients the protection they need, but many fear a cyber catastrophe, so some exclude risks like a sustained cloud outage under even significant cyber protection programmes. We did some work a while back that showed that 93% of cloud outages lasting between two and 12 hours were uninsured under conventional cyber policies. Few adequately cover dependent business interruption losses arising from problems that someone else in the digital supply chain might be having. We have dedicated outage products, and take-up is increasing, but we still see a big coverage gap.

When the relevant cover – dependent non-damage BI cover – is granted under non-specialist cyber policies, or sometimes as silent cyber risk under property market BI, the insurers rightly fear accumulation risk. It's a genuine concern.

Our data, which we have collected for more than five years now, shows that the 'everything-goes-down-globally' scenario is not realistic, but a big event could still be very much worse than CrowdStrike. Insurers are looking for reinsurance to protect their book, and we're working with our partners to solve that challenge, which will help them offer protection to their corporate clients.

Insurers are good at helping companies understand and avoid risk. In business, continuity is definitely better than interruption, even if the interruption is followed by an insurance claim that's paid fast. We hope our analysis helps businesses and their insurance brokers understand the exposures, and avoid the losses to begin with.

"Insurers want to give their clients the protection they need, but many fear a cyber catastrophe, so some exclude risks like a sustained cloud outage under even significant cyber protection programmes"

While the primary sources of systemic cyber risk may be service providers, recent Parametrix analysis shows that accumulation risk is avoidable to a degree as the impact varies greatly among different industries and segments. How might this finding change the cyber reinsurance landscape moving forward, and, in turn, the primary market for cyber?

It could mean that some carriers are willing to offer more total cyber limit that includes potentially systemic cloud risks. But the key words in your question are "to a degree". Diversification cannot eliminate catastrophe risk. However, it can help reinsurers understand and reduce systemic exposures within their very large portfolios, which can allow them to ease reinsurance coverage restrictions and exclusions. That in turn can widen the coverage available to insurance buyers.

On a different note, understanding cyber risk more completely – especially at the level of industry sectors and segments – is a big benefit of the work we have done. It can help companies better understand their own potential exposures, and their severity, so they can make informed, risk-based decisions. They might want to invest in service provider redundancy, for example. Or they may develop other operational procedures that allow business to carry on in the absence of digital services.

We've seen businesses grind to a halt because a cloud outage has taken down their employee scheduling

Co-founder and CEO of Parametrix, Jonathan Hatzor

system. If that's a risk, they need a contingency plan. After all, they probably have a legacy system, perhaps involving paper, that did that job well enough a few years back. If they know the risk is real, and see its potential severity, they can keep the knowledge of that old analogue system alive, and bring it out when necessary

"Our data, which we have collected for more than five years now, shows that the 'everything-goes-down-globally' scenario is not realistic, but a big event could still be very much worse than CrowdStrike"

You recently announced your support of Hannover Re's first ever parametric cat bond, to mitigate losses arising from sustained cloud outage risk. What other cyber ILS transactions are in the pipeline?

Nothing I can say too much about, unfortunately, although the Hannover Re ILS specifically was always intended to be a pilot for a larger protection. But we see that many insurers and reinsurers particularly are interested in getting a better understanding of the accumulations of cloud risk that could be amassing in their portfolio. We've got the tools to measure that.

Of course, once an accumulation is uncovered, the prudent action is to transfer it away, or alleviate it in some other way. There's appetite in the ILS market for the risk, and also in conventional reinsurance markets. ILS investors and conventional capacity are both attracted to the risk when the analytics are right, so I expect to see more coming.

But protection isn't just for risk carriers. Large corporations that are heavily reliant on the digital supply chain, such as online retailers or airlines, can look at the cost of building redundancy into their digital supply, versus the cost of insurance, and will usually find that a mix of both is prudent.

"We've seen businesses grind to a halt because a cloud outage has taken down their employee scheduling system"

What's next for Parametrix?

This year we launched Parametrix Analytics, which utilises our accumulated knowledge of digital supply chain performance, our portfolio analysis tool, Infrasight, and other technologies we've developed, to help people understand cloud risk accumulation.

We found unexpected demand for our modelling service, which helps insurance companies understand the cyber risks that are accumulating in their portfolios, to structure coverages, and to assess reserves.

"ILS investors and conventional capacity are both attracted to the risk when the analytics are right, so I expect to see more coming"

On the insurance side, we've got exciting things in the pipeline, including a new product coming up for small and medium-sized enterprises to protect them against cloud downtime.

We're also looking at a reinsurance product with several of our backers, which would go hand-in-hand with our analytics service. We have some new broker partnerships, too, which allow us to bring our insurance products to companies almost anywhere in the world. So we're going from strength to strength!

Interview by Deborah Ritchie

Summer of discontent

The rise in terrorism-related arrests in the UK, along with recent violent anti-immigration demonstrations, highlights the growing complexity of domestic and global security threats. Deborah Ritchie reports

In June of this year, data from the Home Office revealed that arrests in the UK for terrorism-related offences had increased by almost a quarter.

The majority of the 246 people in prison for terrorism offences at the end of March 2024 were categorised as holding extreme Islamist ideologies (63 per cent). A further 28 per cent were aligned with extreme right-wing ideologies, and the remaining 9 per cent included dissident Irish extremism, domestic extremism, and left-wing extremism.

Of those arrested for terrorism offences, 11 were convicted of non-terrorism-related offences. Pool Re's bulletin notes that it is a "realistic possibility that this indicates individuals suspected of involvement in terrorist-related activity may also be involved in non-terrorism related criminal activity". It could also demonstrate the high bar UK authorities need to reach to convict an individual of a terrorism offence.

Just a few weeks after the Home Office figures were released, some 29 anti-immigration demonstrations and riots took place in 27 locations across the UK between 30th July and 7th August 2024. Known far-right activists promoted and attended the riots, many of which were violent. According to government figures, specialist police officers trained in public order worked more than 40,000 shifts over the period, with 6,600 deployed on a single day.

It was the most significant and disruptive case of civil unrest the UK had seen since the 2011 riots, in which, some readers will recall, at least 4,000 people were arrested, and 1,934 prosecuted (within one month and two months of the event, respectively).

In his first major test since taking office just a few weeks prior, the prime minister, Keir Starmer, blamed

PHOTO: John Gomez / Shutterstock.com

Riot police in Whitehall, London

PHOTO: Martin Suker / Shutterstock.com

Counter protests were held across the UK

far-right instigators for circulating rumours and organising the violent protests, after misinformation about the teenager charged with the attack that killed three children and wounded 10 others in Southport, Merseyside, in July, spread quickly on social media. The potential involvement of state actors in the spread of disinformation was also investigated.

In an unusual move, media regulator Ofcom published an open letter to social media platforms, urging them not to wait for enhanced powers under the Online Safety Act before taking action against aggressive rhetoric fuelling unrest.

The UK criminal justice system responded remarkably swiftly to identify, charge and prosecute the individuals involved in the rioting. According to the National Police Chiefs' Council, as of 30th August, 1,280 individuals had been arrested, with 796 charged and more expected to follow.

A House of Commons Library report, published on 9th September, noted that many prosecuted so far were charged with violent disorder under Section 2 of the Public Order Act 1986. Others have been charged with attempted arson, burglary, racially-aggravated criminal damage, and promoting and possessing material that incites racial hatred (under part 3 of the 1986 Act). The offence of riot (under section 1), is more serious, and takes longer to reach court, as more evidence is required for conviction.

The report goes on to say that Neil Basu, a former assistant commissioner of the Met Police, suggested that some rioters should be charged with terrorism offences – a view that is supported by the Royal United Services Institute think tank, and is being considered by the Crown Prosecution Service.

Regardless of the CPS's decision on charging rioters with terrorism offences, the increase in terrorism-related arrests suggests that terrorism will remain a significant threat to the UK.

The official UK terrorism threat level remains at 'substantial', where it has been since February 2022. And, according to an Event Assessment bulletin from Pool Re, trends and international factors increasing global tensions, including the Israel/Hamas war, instability in the Middle East and the war in Ukraine, mean it is highly unlikely that the threat level will decrease at any point in the near future. And whilst extreme Islamist terrorism has long been the predominant terrorist threat to the UK (September 2023 figures from the Home Office suggest that operations to counter extreme Islamist terrorism accounted for approximately three quarters of MI5's case work between 2018 and 2023) the rising risk of extreme right-wing terrorism is expected to grow in the long-term.

Insuring the risk

As attention shifted to the cost of the commercial damage following the riots, the new secretary of state for the Department for Business and Trade, Jonathan Reynolds, called on insurers to make sure that affected businesses

"Commercial insurance protection for strikes, riots and civil commotion has traditionally been included in many property all-risks commercial insurance policies and continues to be for many UK corporate buyers"

received the cover that they are entitled to "as swiftly as possible".

Many commercial insurance policies cover businesses for damage to premises, while business interruption insurance may cover the loss of income for a given period of time if a business suffers property damage and cannot carry on with business as usual. Some policies also include denial of access cover and/or NDBI. Commercial insurance protection for strikes, riots and civil commotion has also traditionally been included in many property all-risks commercial insurance policies, and continues to be for many UK corporate buyers. A global rise in strikes, riots and civil commotion insurance claims, particularly since 2019, has meanwhile contributed to an increased demand for specialist standalone political violence insurance.

Whether or not political risk insurance is purchased, organisations should function as though uninsured, adopting thoughtful risk management tactics, according to risk association, RIMS.

The organisation's recent report *Leveraging Insurance and Risk Management to Address Political Risk* outlines a series of considerations for risk professionals looking to effectively and proactively address volatility: "Changes in a country's political structure or policies can lead to increased probability of loss," the report notes. "Organisations that put robust risk management plans in place can benefit from lower political risk premium rates, because they have demonstrated to the underwriter that they understand their own risks and have taken an active role in reducing losses."

A turbulent outlook

For insurers themselves, geopolitical risk is potentially the largest driver of tail risk in the current environment, according to the latest Broadstone Insurance Risk Monitor. With multiple potential flashpoints for major new conflicts, as well as a high risk of escalation or contagion from ongoing ones, the outlook is unstable, to say the least.

"This decade is shaping up to be unlike any other in recent memory. Just as the world began to emerge from the Covid-19 pandemic, there is now armed conflict in Europe for the first time since the Second World War, and a major war in Gaza with potential to escalate into a wider regional war. At the same time, autocratic nations are openly forming alliances, and democracies that we all took for granted are being challenged from within, nearly to breaking point," the report reads.

Broadstone proposes that insurers consider the following scenarios when estimating the likelihood of further, wider deterioration, and their associated costs:

- War in Gaza escalates into a wider regional war
- Russia-Ukraine war escalates into a direct conflict with NATO
- Breakdown of US-China trade and diplomatic relations
- Invasion of Taiwan
- South China Sea territorial conflict
- US civil war
- Disorderly dissolution of the European Union
- Interference in US / Europe elections and civil unrest
- North and South Korean war
- Major cyber attack and banking system failure
- Two or more of the above scenarios occuring simultaneously

The impact on the global economy from these scenarios may include:

- Disruption to oil supplies, global supply chains and energy markets
- Closure of shipping and air travel
- Major global economic slowdown, high market volatility, and disruption to capital markets
- Return of high inflation and upwards pressure on interest rates

Which in turn will impact the insurance industry leading to:

- Loss in business volume across all classes of business
- High claims frequency and high claims inflation
- High counterparty defaults, investment losses and operational losses

Bharat Raj, head of London Markets in Broadstone's Insurance, Regulatory and Risk division, comments: "The volatile geopolitical landscape at present is of huge global concern – especially the conflicts in Ukraine and the Middle East, which have been going on for a long period already. The potential deterioration between US and China relations also remains a significant risk.

"These are fast-moving situations with potential consequences that reach far beyond their borders and present a threat to economies across the world. Although direct losses from these events may be limited, for example through exclusions, insurers should not underestimate the potential knock-on impact on their businesses, which is likely to be material across all classes of business."

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In plain sight

With so much focus on the considerable cyber threats that organisations face today, it can be easy to overlook the bricks and mortar risks, which remain as significant as ever. Martin Allen-Smith explores the key considerations

Data is king, so it is understandable that so much time, money and energy go into protecting the virtual assets of a business. But a focus on cyber threats should not be at the cost of physical risks. An organisation's ability to maintain business as usual still requires physical spaces to remain operable and shielded from traditional risks such as fire and flood. While a survey of over 3,000 risk professionals for Allianz's annual *Risk Barometer* found that cyber incidents top the list of worries, many of the other major causes of concern have a close link to long-standing risks, including natural catastrophe, fire and flooding.

Cyber attacks typically make national headlines, but a fire like the one that affected the largest automated warehouse of online supermarket Ocado in 2021 brought with it huge disruption and is estimated to have cost the business £35m in lost revenue.

Given that any risk that endangers an organisation's ability to function represents a serious problem, how are risk professionals striking the right balance between protecting their businesses from cyber and traditional threats to business continuity?

Mark Hawksworth, global technology specialist practice group leader at Sedgwick, says the right balance of cyber and more traditional threats depends on each business's operational requirements.

"Every business should implement cyber and traditional risk management strategies, and regularly assess the risks to identify vulnerabilities and prioritise mitigation efforts," he says. "There should also be a combined incident response plan that addresses both cyber and physical threats."

Traditional, physical threats still present one of the biggest risks to commercial businesses and can have the greatest impact on trading operations, he adds. "The risk and potential impact of cyber or traditional threats will vary from business to business. For example, a firm of solicitors might store all its data in the cloud and in the event of a major fire, it would be relatively easy to relocate the business with minimal disruption. A manufacturer or distributor in the same position might have access to its files, but without stock and immediate production facilities, business recovery will take substantially longer."

Despite the fact that fire risk is usually well managed, it still ranks among the top risks for organisations.

PHOTO: Douglas Pfeiffer / Shutterstock.com

Porto Alegre, Brazil, where historic flooding devastated communities and businesses this year

"The basics of good housekeeping, well-organised waste management processes, and compliance with safety regulations are crucial"

Beyond causes involving human agency, electrical faults remain one of the most common causes of fire in commercial premises. And, as our dependence on electrical equipment increases, so does the risk.

"An internal risk survey is a good starting point for identifying any areas of exposure. The basics of good housekeeping, well-organised waste management processes and compliance with safety regulations are crucial and must be constantly monitored. Depending on the business, sprinkler systems, fire stopping and monitored alarms might be a strategic investment," Hawksworth explains.

The devastation of a large fire will often bring a business to a complete standstill. Business interruption indemnity periods can often be inadequate, he adds, and don't provide for the full building reinstatement programme and lead times for key equipment and materials.

"It's also essential to have a contingency plan in the event of significant damage and disruption to the premises," Hawksworth adds. "This plan should extend to the business supply chain, key customers and suppliers. Coverage extensions are available to mitigate this risk."

Traditional threats often cause major disruption and the impact on a company's operations can be significant. Without a robust disaster recovery plan, businesses face significant interruptions that can severely impact productivity and profitability.

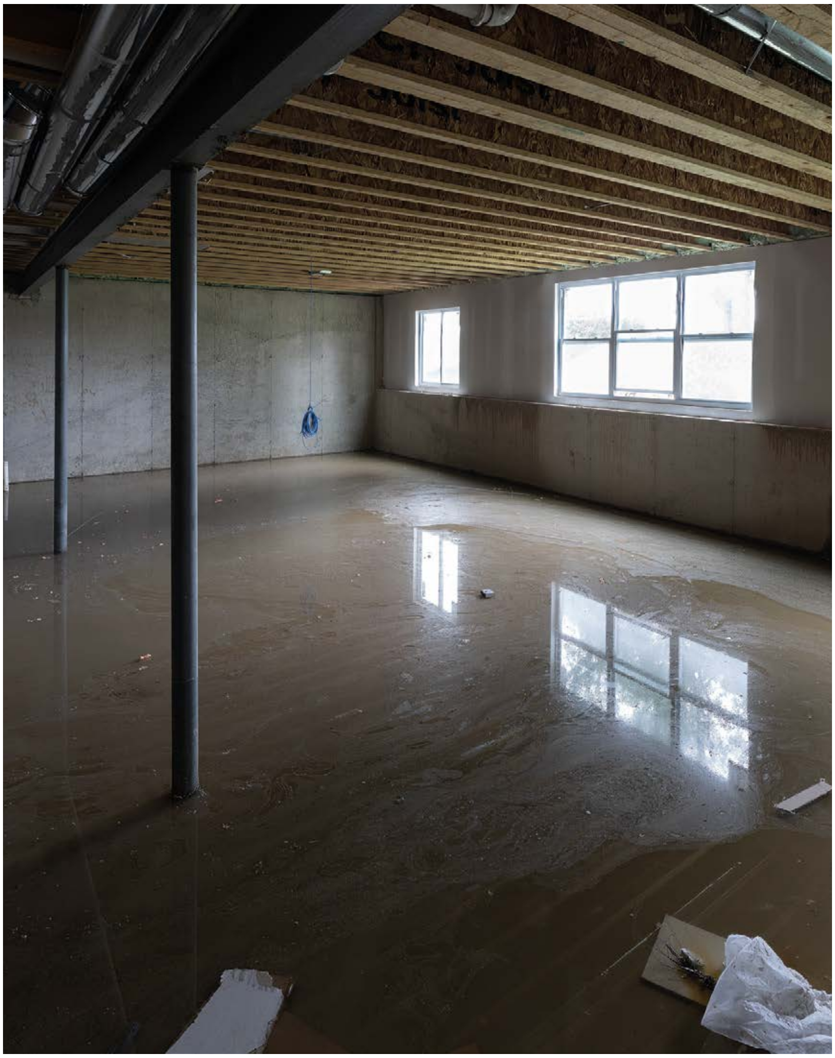
According to a study carried out by the Fire Protection Association, around 60 per cent of private businesses in the UK that experience a significant fire never recover, either closing within three years, or not reopening at all. Over half (55 per cent) of all fires over a ten-year period analysed for the study were caused accidentally, but nearly a third were a result of arson (31 per cent), highlighting the vulnerability of buildings to factors beyond the control of those who manage them.

Flooding is still a cause of extensive property damage and prolonged business downtime

Fire and explosion remain significant threats, not just because of the physical damage and potential loss of life, but also the substantial business interruption that these events can cause – and they can be a great deal more devastating than cyber incidents.

"According to a study carried out by the Fire Protection Association, around 60 per cent of private businesses in the UK that experience a significant fire never recover"

PHOTO: Douglas Pfeiffer / Shutterstock.com



A failed sump pump floods a basement with water

Flooding still causes extensive property damage, disrupts supply chains and leads to prolonged business downtime – and is increasingly recognised as a critical risk, particularly in light climate change-related concerns.

Jonathan Mellin, major and complex loss operations director, northeast, at Sedgwick, says climate change has also impacted claims numbers.

"Last winter in the UK, we experienced exceptional rainfall, resulting in claims caused by landslip and earth movement, which were previously rare.

"With the increased frequency and severity of wet weather, businesses need to seriously consider proactive measures to mitigate against this type of event. Look closely at the cover in place – is it adequate? For example, is the debris removal cover comprehensive enough? Is there property at risk that falls within existing policy exclusions for storm events? Again, consider the potential implications for key suppliers and customers, and whether additional cover is needed to mitigate the risk."

"Look closely at the cover in place. Is the debris removal cover comprehensive enough? Is there property at risk that falls within existing policy exclusions for storm events?"

The impact of climate change on key suppliers and customers should form an essential part of pre-loss risk management considerations, he adds.

"It's always beneficial to have the professional support of a damage management team that can assist with disaster recovery and provide advice on sustainability to comply with ESG commitments. For example, we recently achieved carbon reductions of 70 per cent by completely recycling a steel-framed commercial property and rebuilding it using recycled steel. Carbon savings will become increasingly important as we strive to achieve carbon net zero."

As natural disasters become more frequent, global supply chains have become more complex and vulnerable. Add to this the hardening market, capacity challenges and rising costs and disaster preparedness becomes even more crucial.

Kevin Duffin, commercial director for major and complex loss at Belfor UK, says it is working increasingly closely with clients to develop plans and processes for the most extreme circumstances, such as national-level events.

"Sharing our knowledge of what can be expected in response to incidents helps our clients prepare for such events.

"Each incident brings its own unique challenges to overcome, so it is crucial that we analyse the learnings and implement training and development to prepare for future incidents."

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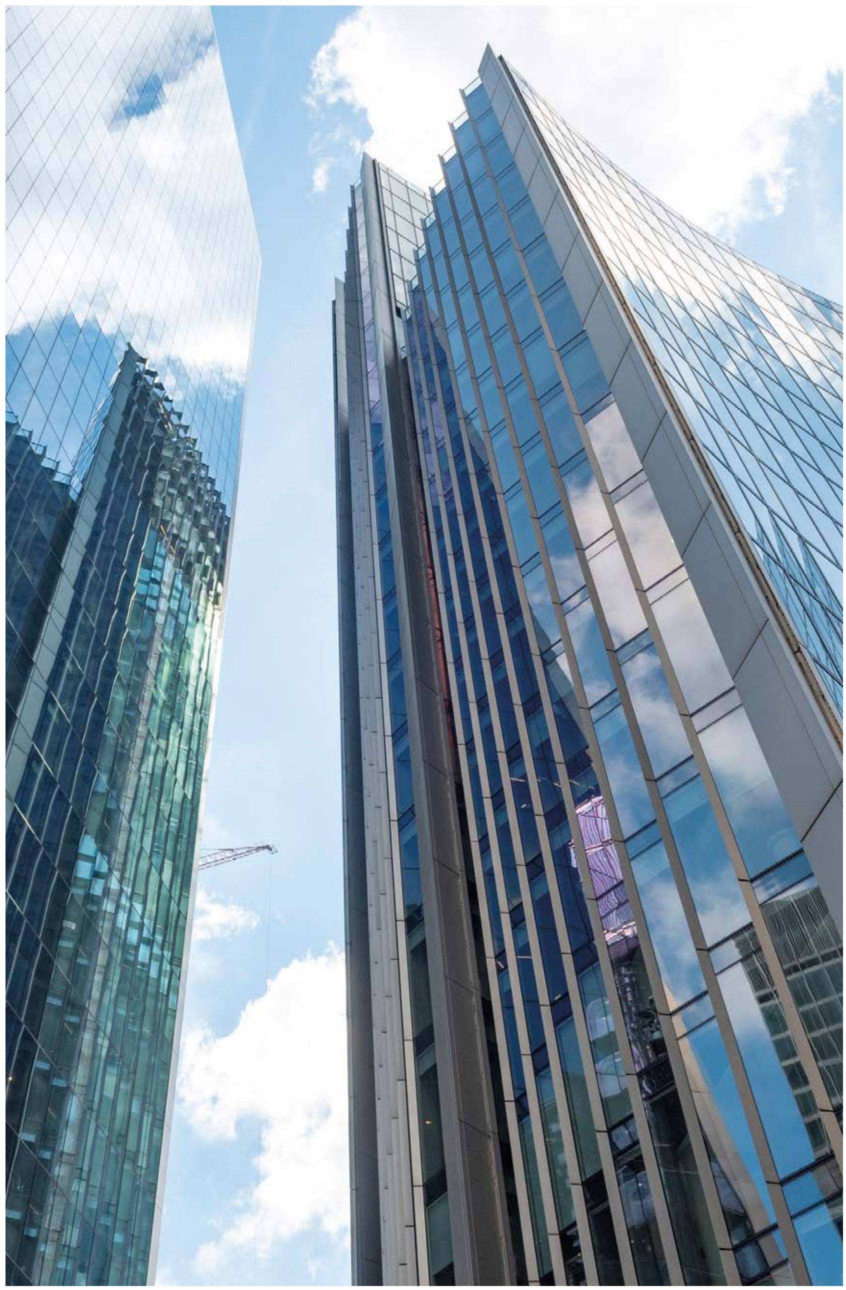
Great expectations

While cost and policy wording still top the list of considerations for commercial insurance clients, claims experience is not far behind. Dave Adams explores the changing landscape in the sometimes fraught area of commercial claims management

Commercial insurance buyers may use numerous criteria to choose an insurer, but budgetary limits and cover requirements usually top the list. And today, the experience of making a claim is becoming more important. Some 63 per cent of respondents to Airmic's June 2024 *Pulse Survey* said Net Promoter Scores for insurers' claims services were a key factor in buying decisions. This may be due in part to many commercial insurance markets softening: just 22 per cent of commercial insurance buyers said they thought the market was hard in May 2024, compared with 62 per cent that thought this was the case in December 2022, according to the Airmic survey. Figures from Marsh's *Global Insurance Market Index* also show rates falling in the UK, including for D&O (down between five and ten per cent) cyber insurance (down seven per cent) and commercial crime (down five per cent).

A softer market compels insurers and brokers to try to improve every aspect of their services, including claims, and the Airmic survey findings suggest many insurers are succeeding in doing so; more than seven in ten buyers said the claims experience met their expectations, with a further four per cent saying their expectations were exceeded.

The bad news is that financial pressures are still intensifying. "There has been a noticeable increase in the cost per claim across the industry," says Eibhlin Swan, head of claims strategy and customer experience at Allianz. "This rise can be attributed to external factors such as geopolitical events like the war in Ukraine... inflationary pressures and other global economic shifts."



Insurers have major worries about claims inflation, according to the BIBA Claims Working Group

Andrew Gibbons, managing director of broker Mason Owen Financial Services and chair of the BIBA Claims Working Group, agrees that many insurers "have major worries about claims inflation". "Insurers are going to be putting a lot of work into trying to mitigate the cost of claims inflation, by trying to tackle fraud and to generate [processing and settlement efficiency] improvements," he says.

Doing more with less

Adoption of computer-led automation in the 1980s and 1990s has progressed in this century to more sophisticated communications and data analysis tools within claims management, and, more recently, use of machine learning and artificial intelligence-based solutions. "It's about striving to do more with less, or to give the humans in that process the ability to spend more time making decisions, rather than working on mundane tasks," says Gibbons.

The impact of new technologies both in customer-facing functions and in the back office, has been greatest in personal lines markets, characterised by high volume, lower value claims, but the same influences are also visible in many commercial insurance claims services. Multiple technology providers are developing tools to help insurers and brokers improve these processes. They include RightIndem, which uses automation, avatars and chat apps in claims handling; largely in personal lines at present, but with more work on commercial lines likely in future.

"Use of AI-based solutions in claims is most controversial where solutions are informing or even making decisions on claims"

"AI is doing all the hard work behind the scenes, allowing claims handlers to deal with more complex claims," says RightIndem CEO Julie Rodilosso – although she also emphasises the need for skilled claims handlers to work with this technology.

Other types of technology have helped speed up information gathering for claims. Gibbons gives the example of fleet drivers being able to use mobile phones to take photos after a traffic incident then upload them immediately for an insurer's attention, "which improves the insurer's ability to defend a claim, or a spurious third party claim for personal injury".

"Increasing the integration of machine learning and AI technologies to automate tasks which are considered to have less value-add has streamlined our processes and enhanced efficiency of claims handling," says Swan. She points to Allianz's Claims Outcome Advisor solution, which automates medical assessments, giving staff more time to focus on the most complex claims; and its Incognito machine learning-based fraud detection tool.

Swan says Allianz is also seeing increased demand from brokers and service providers for application programming interfaces to enable integration with theirs and Allianz's systems, so helping to further streamline claims handling processes.

AI anxiety

Use of AI-based solutions in claims is most controversial where solutions are informing or even making decisions on claims. Swan says Allianz is investigating use of AI within claims processes, but that "it's important to continue to assess and address potential risks and challenges" associated with these technologies.

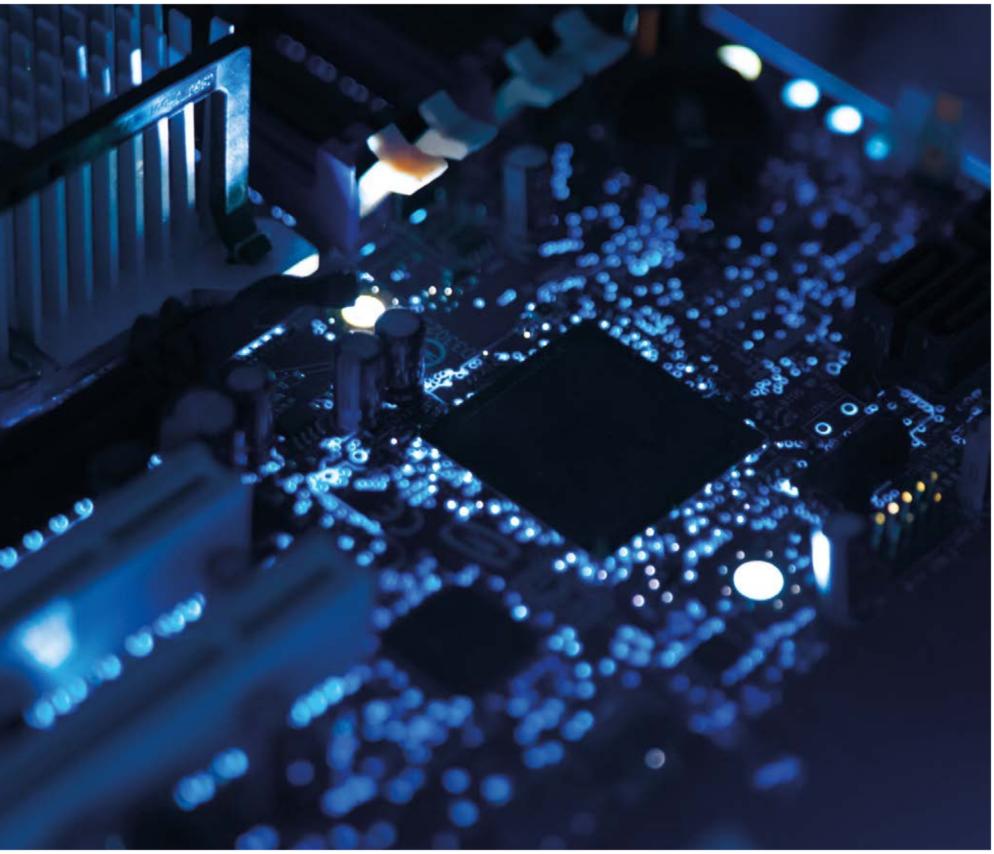
In early 2024, JEL Consulting coordinated a group of insurance businesses and organisations launching a Voluntary Code of Conduct for Use of Artificial Intelligence in Claims, which now has more than 100 corporate and individual signatories. Its terms include commitments to ensure that information used to manage and conclude claims must be verifiable and auditable; decision-making logic within AI used in claims must be "transparent, explainable and capable of scrutiny"; and that "decisions and subsequent actions concerned with the use of AI in claims are recorded, auditable and ethically justifiable".

"When we ask Gen AI to make decisions on claims, maybe we're getting into a grey area. This is something that the ICO and the regulator may want to see safeguards around"

The Code also states that claimants must also be able to challenge AI decisions. Airmic's Pulse survey asked respondents if their organisations would be capable of challenging claims decisions made by AI solutions. Only 27 per cent of respondents thought they would, with 33 per cent saying they would not and 40 per cent saying they didn't know.

Gibbons says BIBA is monitoring use of AI in claims very carefully. "While we can see the positives, we should also be cautious about what AI may be mishandling," he says. "It's not about whether we could, but whether we should use it. When we're asking generative AI to make decisions on claims, maybe we're getting into a grey area. This is something that the ICO and the regulator may want to see safeguards around.

"The concern I have is that the personal touch of claims settlement is being lost," he says. "When it doesn't



AI and ML are changing claims outcomes

go right – that's when you need human intervention. I would hope insurers build sufficient tolerance and resilience into the system that allows for appropriate human intervention: to allow a separate conversation for a case to be put, or where you can discuss and understand each other's

"I would hope insurers build sufficient tolerance and resilience into the system that allows for appropriate human intervention: to allow a separate conversation for a case to be put, or where you can discuss and understand each other's point of view. You can always do that with technology"

point of view. You can't always do that in the black and white medium of technology."

There are also now a number of different types of multiple third party service providers that can help some insurers and brokers resolve some claims. This may also help to cut costs, in some cases. This is most likely to be suitable for less complex claims.

Conversely, the area where automation has made the least progress is around the largest commercial claims, says Mike Russell, practice leader, claims solutions, UK and Ireland, at Marsh. He highlights the fact that these sorts of claims may often lead to legal disputes.

"Those larger claims are getting a bit more adversarial," says Russell. "If you look at the pandemic business

"One potential downside of increased automation in claims processes is that a broker's ability to provide useful expert advice to clients before or during the claims process may be limited"

interruption [claims from] 2020 – which we're still dealing with now – both insurers and policyholders now see disputes as normal, which is not necessarily a good thing."

Price is still king

All these trends also have significant implications for brokers. Gibbons suggests that one potential downside of increased automation in claims processes is that a broker's ability to provide useful expert advice to clients before or during the claims process may be limited. However, he also thinks that when automated or semi-automated processes fail to make progress towards a resolution, "that's when the broker is able to come in and assist policyholders."

He says that throughout Mason Owen's history, the advice the broker has given customers on claims has been a differentiator: "We've never changed the message to clients: claims is the shop window of what we do, in terms of giving quality advice."

But Russell points out that even as elements of the claims experience continue to evolve, some things will always stay the same.

He recalls a conversation with a customer that Marsh helped to resolve regarding a claims dispute with an insurer. The client was still using the same insurer, even though the claims experience had been poor.

"The claims experience is more and more important," Russell concludes, "but price is still king."

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The enigma of HILP events

High-impact, low probability events capture the collective imagination. Dr Chris Needham-Bennett examines certain responses in the appreciation of HILPs, and seeks to offer a tentative explanation as to why they are enigmatic

An enigma is simply something that is very difficult to understand. High-impact, low probability events are one such enigma. As an enigma, HILPs seem to exert a fascination for almost everyone from normally reserved academics to Hollywood disaster film producers. There seems to be something viscerally appealing about the massive scale of impacts and the shock of the event. Even Reason (a very prudent author), when debating case studies, gravitated to the familiar catalogue of high-profile events such as Apollo 13, Flixborough, Three Mile Island, Bhopal and Piper Alpha.

There is a considerable amount of academic literature on high-impact low probability events. They seem to exert a fascination for academics, partly because of their cascading effects (Pescaroli and Alexander, 2018) and for their dramatic qualities. They are a puzzle to businesses who vacillate on investing in precautions for a low probability event however high the impact might be. They are a linguistic enigma since they have probably been called by the wrong name. Whatever they are, and to whomever, they are meaningful, and they are worth consideration as, curiously, they occur more often than their supposed 'low probability' indicates.

Nassim Nicholas Taleb summarised the enigma succinctly in *The Black Swan: The Impact of the Highly Improbable* (Penguin Books, 2007): "Consider that the frequency of rare events cannot be estimated from empirical observation for the very reason that they are rare".

My sense is that the events themselves are far more complex than we think, and at the same time the human response to them is probably simpler than we believe.

The problem of definitions

Definitions of HILP are problematic even without getting into Taleb's 'black swan' territory, and the subsequent proliferation of variously-hued analogous animals. The terms 'high-impact' and 'low probability' are both horribly relative. The recent drought affecting the passage of shipping in the Panama Canal is not of significant impact to me, yet it is high-impact to many others. Similarly, the probability of the casual drought is not low (even without climate change) if one takes a long enough time period. Pandemics, or at least epidemics, are also not low probability – several have occurred in living memory (the 1957 Asian Flu, 1968 Hong Kong Flu, 1981 HIV AIDS, 2002 SARS, 2009 Avian Flu and 2019 Covid). With major war or wars every century in Europe since the first Persian invasion of Greece some 2420 or so years ago, a war in Europe hardly seems a low probability event, either. Low probability thus seems to be a slight misnomer. Colloquially, such events are perhaps 'low frequency' or 'low occurrence' as their probability appears to be certain. As Lee et al observed in a 2012 Chatham House Report, *Preparing for High-Impact, Low-Probability Events: Lessons from Eyjafjallajökull,* "The frequency of 'high-impact, low-probability'...events in the last decade signals the emergence of a new 'normal'."

"With major wars every century in Europe since the first Persian invasion of Greece some 2420 or so years ago, a war in Europe hardly seems a low probability event. Low probability thus seems to be a slight misnomer. Colloquially, such events are perhaps 'low frequency' or 'low occurrence' as their probability appears to be certain"

Critically they introduce another term to the debate: 'frequency', and this seems to make more sense in many respects than using only the word 'probability'.

Linguistics and the pretty risk/likelihood matrix

Linguistic limitations also limit our understanding of HILPs. The English language lacks the precision to express risk satisfactorily not because it has too few words, rather the nuances of its vocabulary are highly complex. As Nickel noted in the 1968 *International Review of Applied Linguistics in Language Teaching* paper, *Complex Verbal Structures in English:* "The nouns used in complex structures can be modified in various ways to give expression to infinite shades of meaning" – in the same way that only a Yorkshireman could describe the Grand Canyon as 'not bad', which means 'awesome' to a North American.

Despite the increasing refinement of the UK's National Risk Register 2023 in which the likelihood scale is expressed in a logarithmic scale, the majority of corporate risk assessments (in the author's experience) still use language. Frequently the phrases used range from 'unlikely', to 'certain', interspersed with 'possible', 'probable' and 'likely'. Quite obviously one can make an argument that if something is unlikely to happen it must be possible. If it is possible, it must have a probability of occurring. If it is probable, then it is likely to occur in an extended timeframe and it would be even certain to occur in an infinite timeframe. Thus the language used drives a subjectivity of nuances which allows for several equally valid interpretations of what unlikely or possible actually means to the contributor or reader.

The popular 5x5 risk matrix dates from work in 1998 for the US Air Force by Garvey and Lansdowne – a typical example of which is shown above. The main advantages and drawbacks of the matrix are commented on concisely by Faisal et al in *Methods in Chemical Process Safety* (Academic Press, 2020): "…it allows representing complex risk data in a compressed form. However, there are several significant disadvantages... Firstly, it is a user perspective approach; the same matrix can be interpreted differently by another user unless each condition is clearly described. Secondly, it is often found oversimplified which cannot capture the detail process risk profile. Finally, it cannot model complex dependency and uncertainty."

Standard risk matrix

Likelihood						
	5 Certain	5	10	15	20	25
	4 Likely	4	8	12	16	20
	3 Probable	3	6	9	12	15
	2 Possible	2	4	6	8	10
	1 Unlikely	1	2	3	4	5
		1 Miniscule	2 Minor	3 Moderate	4 Major	5 Massive

Impact

A typical 5x5 risk matrix

Rather more prosaically, the UK Government's 2011 Blackett Review noted the problem of the two main features of the risk matrix thus:

"Impact and likelihood require different types of analysis. For example, it may often be easier to characterise the impact of an event than its likelihood, such as the impact of your wallet being stolen against working out the numerical likelihood of it happening."

Sadly there is even more to confound the risk practitioner than was noted by Faisal and Blackett above. Simply, the likelihood is multiplied by (not added to) the impact scale. This means that the most impactful and likely event scores 25 and a middle-ranking event scores nine. But this non-linear scale caused by multiplication then implies that the most serious event is roughly 2.5 times worse than the middle ranking event, and this is potentially misleading.

Additionally the inclusion of the word 'certain' on the y-axis creates another issue. Normally any organisation seeks balance risk and resources (cost of remediation). This is usually done on the basis of a simple cost/benefit analysis, albeit subjective in nature. For example, a probable loss of £1 million is worth a £50,000 investment in remediation efforts but it probably would not be worth the investment of £500,000. Mentally one often makes comparisons with other budgets to identify what one considers a balanced risk. However, a 'massive/certain risk' scoring 25 is by definition certain to occur and would in most lexicons be termed 'catastrophic' or 'irrecoverable'. This begs the question what cost/benefit analysis is appropriate in the case of the loss of the organisation. As British statistician David Spiegelhalter observed in *The Art of Statistics: Learning from Data* (Random House 2020), probability is not an easy topic, even for the most brilliant of minds: "...how do we measure probability? There is not a probability-ometer. It is as if probability is some virtual quantity, which we can put a number on, but can never directly measure."

Not on my watch

The nature of business itself also tends to affect risk assessments of HILPs. One might term this the 'not on my watch' or the 'postponement phenomenon'. The average tenure of a CEO and many employees (variously estimated at five to eight years), when combined with financial stringency and maintaining shareholder returns, means that a 'once in 200-year event' seems, perhaps rightly, improbable to occur 'on their watch'. Thus the costly preparation or consequences can be conveniently postponed for their successors to deal with.

This phenomenon is exacerbated by the use of a five-year time frame, as is the case with the National Risk Register. The five-year time frame is fairly deeply engrained as a convenient imaginable timeframe as opposed to geological timeframes, centuries or even human lifespans. It is worth noting that pandemic influenza on the 2013 National Risk Register was not realised within the five-year timeframe but was pretty high-impact when it arrived slightly late some seven years later.

Die all, die merrily

The next reason why organisations might disregard HILPs is because of their high-impact features. This could be termed the 'die all, die merrily' issue. High-impact events tend, by definition, to be 'big' and to affect several people organisations at least. A grossly simplified example could be the loss of one bank's access to the Swift banking payment system, which could be catastrophic to them – even if for a short duration. If, however, the Swift system itself fails and no bank can access the system, then the effect is the same for all banks. In this fashion it seems that organisations are less concerned with events that impact a whole tranche of society than with events that might be specific to themselves

Human lifespan

One of the greatest hindrances to our appreciation of HILPs is limited human life expectancy (82 or thereabouts in the UK). This is simply insufficient to raise the consciousness of some HILPs. So when people talk of a generation of pupils whose education was 'catastrophically disrupted' by Covid, they lack the

"Businesses tend to favour production at the cost of protection, and even accidents and near misses fail to shift this inclination with any permanency. It is therefore little surprise that a low probability event, even with high impact, can be easily disregarded"

historical perspectives of the World War II evacuees who were similarly affected. Nor do they recall the pupils revising for exams by candlelight during a three-day working week and rotational power cuts and fuel shortages during the industrial strife of the 1970s. But, if we take a longer-term view, we can see that the cascading effects of such HILPs, in this case on education, are not at all dissimilar and, are reasonably 'frequent', having occurred twice in my own lifetime.

Protection versus production, and we cannot be frightened all the time

Reason offered some pragmatic comments on what he termed the 'parity zone'. In this zone, "...the levels of protection should match the hazards of the productive operations". It is an eminently sensible observation and one that most organisations would accept as realistic. It only has a couple of drawbacks, which Reason noted. The first is that "production creates the resources that make protection possible" and that managers tend to have production skills, not protective inclinations. Thus the primary focus is on production and that "it is only after a bad accident or a frightening near miss that protection comes – for a short period – uppermost in the minds of those who manage an organisation". So, in summary businesses tend to favour production at the cost of protection, and even accidents and near misses fail to shift this inclination with any permanency. It is therefore little surprise that a low probability event, even with high impact, can be easily disregarded.

More recently the issue of parity was commented upon by the National Preparedness Commission, which noted that national infrastructure largely comprises of private enterprises, each with a responsibility to increase shareholder value, and that in challenging economic times, investing against possible, but unlikely, high-impact risk events is not prioritised.

HILPs present a significant commercial problem which is exacerbated by the essence of capitalism. Their frequency is difficult to reconcile with probability and the conventional risk registers are ill-equipped to capture the nature of such events. Nevertheless, HILPs hang over many companies like a Damoclean sword and any inclination not to engage with them or plan appropriately presents a significant risk albeit rarely realised.

Perhaps the final word should be an observation by the humourist author GK Chesterton, quoted by Berstein in *Against the Gods: The Remarkable Story of Risk* (John Wiley & Sons, 1996). It summarises the enigma of HILPs beautifully, whilst leaving the reader to ponder just what is lurking in the 'wilderness'.

"Life...looks just a little bit more mathematical and regular than it is; its exactitude is obvious but its inexactitude is hidden; its wilderness lies in wait."

Dr Chris Needham-Bennett is managing director of Needhams 1834 and a visiting professor at University College London

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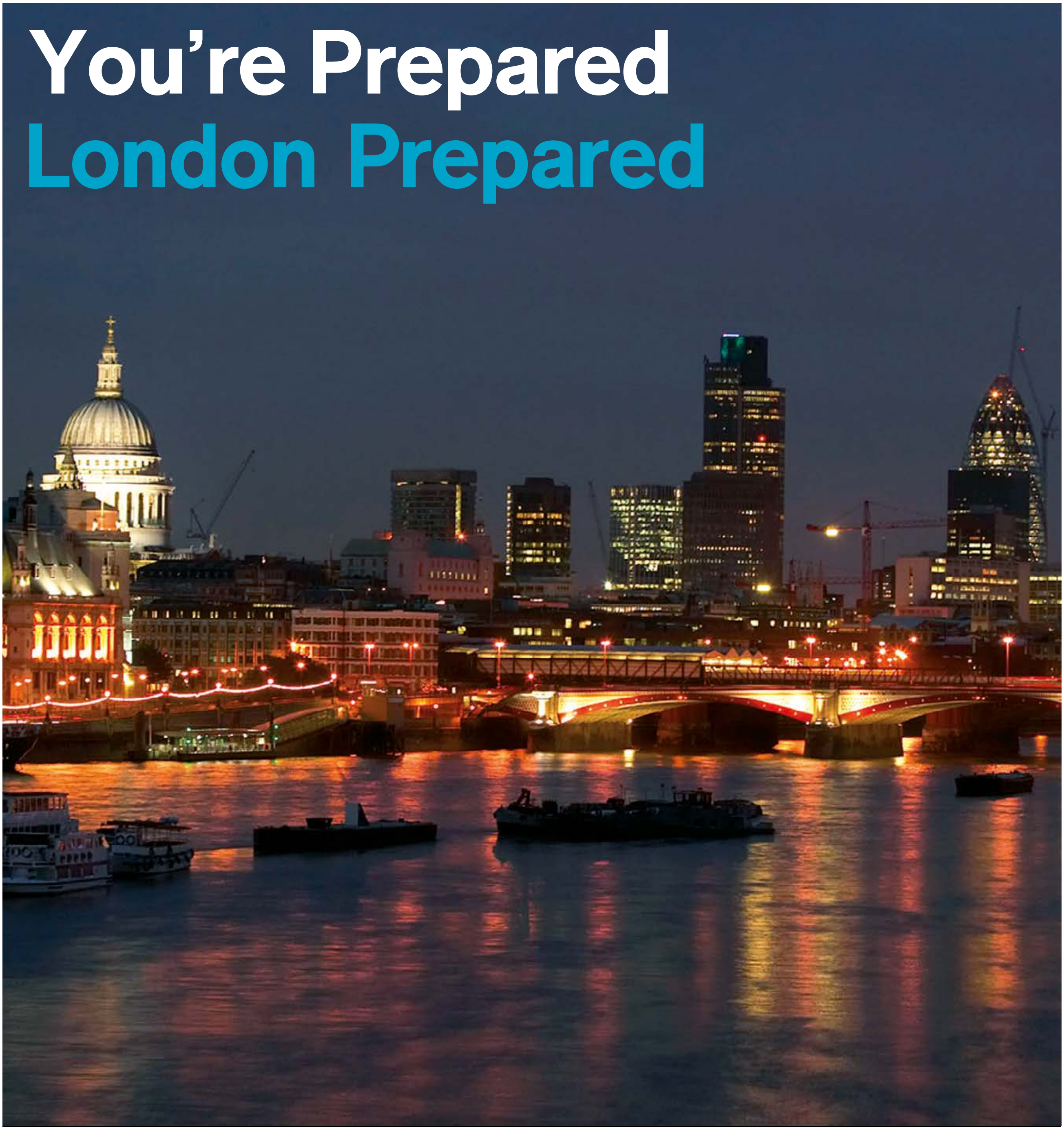

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CONTINUITY INSURANCE & RISK

The mainstream adoption of battery electric vehicles heralds a transformative era in the automotive industry. QBE Europe looks at the high-stakes impact of batteries on motor insurance, examines what will it take for British fleets to go electric, and unpacks the impact of the UK'S Automated Vehicles Act on insurance, pricing and liability

Mitigating risk for electric and self-driving vehicles

QBE

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Charging ahead

Thomas Williams writes about the high-stakes impact of batteries on motor insurance, and the challenges insurers face when navigating the cost and complexity of claims in the electric vehicle battery boom

The mainstream adoption in recent years of battery electric vehicles heralds a transformative era in the automotive industry – one with profound implications for the insurance sector.

As BEVs become more prevalent – the UK saw 41 per cent growth between 2022-23 – insurers are grappling with a number of significant challenges, exposing a lack of readiness for this new era in sectors from repair centres to charging networks. This lack of preparedness, combined with the unique characteristics of BEVs, is pushing underwriters to rethink traditional approaches to adapt to a rapidly evolving landscape.

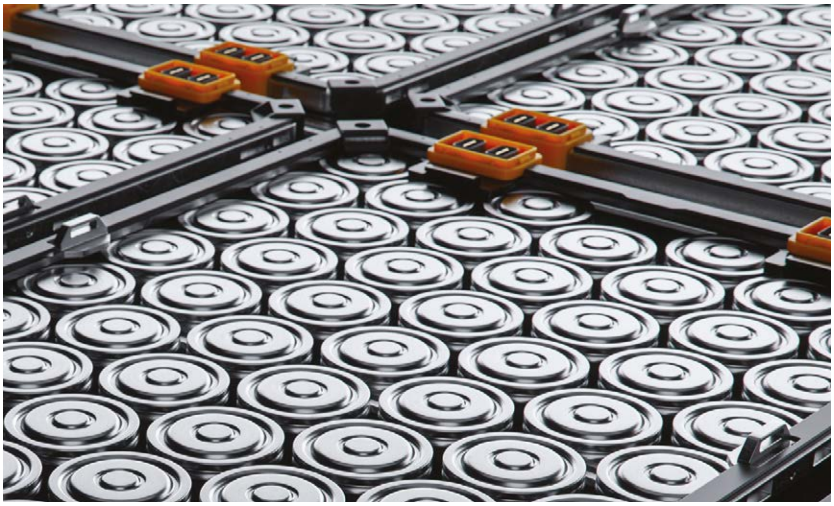
Sleeping at the wheel

The projected increase in BEVs in the car parc is not being matched by readiness across all the sectors required to support the transition. Automotive services, including battery repair and recycling centres, parts suppliers and charging networks are struggling to keep pace with the rate at which BEVs are coming on to the market. This disparity creates bottlenecks, particularly in repair and maintenance services, where the necessary skills and equipment for handling BEVs are in short supply.

Traditional internal combustion engine vehicles have dominated the market for so long that the infrastructure and expertise required for BEVs are still in their infancy. The gap is becoming more pronounced as the number of BEVs on the road increases, leading to longer repair times and higher costs for insurers.

Battery costs: A high-value dilemma

The cost of batteries relative to the value of the vehicle presents another significant challenge. Batteries are the most expensive component of a BEV



and their replacement cost can often be a substantial portion of the vehicle's overall value. This creates a financial strain for insurers when damaged, as the cost of battery replacement must be weighed against the total insured value of the vehicle.

According to a report from Thatcham Research, BEV incident claims are currently about 25.5 per cent more expensive than their ICE equivalents and can take some 14 per cent longer to repair.

According to the research, collisions involving a BEV can be catastrophic for the vehicle as understanding and competence in rectifying the damage continues to develop. Thatcham specifically points to a concerning lack of affordable or available repair solutions and post-accident diagnostics.

Often, the high cost of batteries can lead to vehicles being written off as total losses, even for relatively minor damage. In addition to expensive disposal or recycling processes this is driving up claims costs and in turn insurance premiums.

Likewise, the disparate repair requirements and varying guidance for BEVs are causing growing concern. Unlike ICE vehicles, BEVs require specialised knowledge and tools for repairs and the lack of standardised repair protocols adds complexity.

Every BEV manufacturer uses a slightly different battery technology, platform and design, each with distinct repair and maintenance needs, creating a lack of uniformity in repair practices. This inconsistency complicates the repair process, stretching the required knowledge of battery repair engineers and leading to longer vehicle downtimes and higher repair costs.

The varying array of installation, maintenance and repair practices makes it challenging for insurers to develop standardised policies and pricing models, complicating the underwriting process, and increasing uncertainty. These are significant risks, the costs of which are ultimately borne by insurers and in turn, consumers and business.

Sustainability shortfall

The environmental credentials of BEVs receive plenty of headline attention but when it comes to battery diagnostics, repair, recycling and salvage, serious sustainability questions are raised. Effective battery diagnostics and repair can extend the life of batteries, reducing the need for replacements and minimising environmental impact. However, the current infrastructure for battery recycling and salvage is underdeveloped, leading to inefficiencies and sky-high costs. Insurers are keen to highlight the importance of the second life use and recycling conundrum, but more concerted efforts are needed to develop sustainable practices that can support the growing number of BEVs on the road.

Changing lanes

Looking to the future, insurers must revolutionise their approach to battery data analysis, move away from outdated risk models, and adapt to new strategies that fit the changing landscape. For claimants, this shift will mean facing a more complex and potentially costlier insurance environment.

The industry can no longer afford to stay in the slow lane; insurers must prioritise cutting-edge expertise, advanced data analytics, robust infrastructure and support genuinely sustainable repair practices to address the emerging risks. In the coming years the potential rapid uptake of BEVs may usher in a more efficient and environmentally friendly automotive sector – but only if the insurance industry can step up to meet the emerging risks, playing a central role in maintaining affordability for customers and enabling the successful transition to sustainability.

Thomas Williams is head of technical and business performance (motor) at QBE Europe

Electric dreams

Amid widespread misinformation and misunderstanding of the strengths and weaknesses of electric vehicles, Jon Dye asks what will it take for British fleets to go electric?

Fleet operators are being encouraged to spearhead the transition to electric vehicles – but it's a big challenge

Misinformation on the strengths and weaknesses of EVs is widespread. Earlier this year, one newspaper was forced to apologise for fabricating a story about electric vehicles causing potholes, while Richard Bruce at the Department for Transport recently argued that parts of the UK press operate "a concerted campaign of misinformation" on EVs.

But while mainstream media often loves to hate EVs, current research shows that more than one in five cars sold worldwide in 2024 is expected to be electric.

In fact, the growth is so steady that the number of EVs sold in the first three months of this year was roughly equal to the number sold in the whole of 2020, even while vehicle sales were supressed that year due to the pandemic.

Despite the headlines, this positive trend isn't just global – EV demand is on the rise in the UK. There was a ten-fold increase in new electric car registrations in the UK from 2015 to 2022 – and as we inch closer to 2025, many companies are also considering the switch to EVs.

In the fleet sector, 2023 saw significant growth in EV adoption with 242,235 fully electric vehicles registered from a fleet total of just over 1 million – an increase of about 40 per cent over the previous year.

However, despite a jump in registrations, the EV market share has fallen to 16.5 per cent, showing a lingering preference for internal combustion engines for fleet use. In some cases, companies are also returning to ICE fleets from electric – Hertz in the US announced the sale of 20,000 of its EV fleet in January due, in part, to high repair costs.

So, what will it take for fleet managers in the UK to follow their dreams and transition to electric?

A different league of repair costs

While EVs are more expensive out of the box than ICE there are more subtle factors preventing a smooth transition. Insurance claims alone for EVs are 25.5 per cent more expensive compared with their petrol equivalents.

While above average premiums may be one blocker, the higher cost of repairs is a major factor holding back EV adoption – and the price of insurance is purely reflective of this.

The most significant claims challenges originate from high voltage battery damage. EV design largely positions the battery and related systems in the floor of the vehicle chassis with mounting points under the side sills, making them vulnerable to collision damage. In short, repairs will be more expensive and complicated because multiple areas of the car can need repair, even when a collision is minor.

A Thatcham Research assessment indicated that EVs with single-zone body damage have a battery damage probability of 1.5-7.5 per cent. In comparison, EVs sustaining damage to multiple zones have a 25-35 per cent probability and damage to the vehicle's underside was considered to represent an 85 per cent probability of battery damage.

A battery may allow manufacturers to reduce the number of components in a vehicle, but this also means it is very difficult to isolate any problem within the battery, even if it only relates to a single cell. Replacing an entire battery is a significant cost, in some examples higher than the list price of the vehicle, not to mention additional charges to dispose of a damaged battery.

Under the circumstances, a great many EVs may be classified as a total write-off after an accident, as repair and/or battery replacement could cost more than the residual value of the car.

Data-driven modelling produced for Thatcham Research shows that 9,400 vehicles on UK roads were involved in an accident which could result in battery inclusion in 2022 – and this figure could hit 260,000 vehicles annually by 2035.

We expect insurance premiums in the short-term to continue to increase, reflecting the higher cost of repair – but the UK's sophisticated insurance market can play a role to make substantial investments in understanding EVs, mitigating risks and reducing costs in the longer-term.

Addressing the skills shortage

Repairing EVs requires entirely new and specialised skills, which involve training, infrastructure and most importantly, funding.

The Association of British Insurers says EVs are taking 14 per cent longer to repair. QBE's own data shows that when looking at Tesla in isolation, there was a 93 per cent increase in repair costs compared with ICE vehicles and a 25 per cent increase in time off the road.

A key reason for this is a shortage of mechanics qualified to handle lithium-ion batteries. Repairing electric vehicles is infinitely more complex and costly compared with ICE vehicles. You do not want to touch a damaged electric vehicle unless you've isolated the battery and are trained to repair or dispose of it – and unqualified mechanics put themselves and those around them at risk of fatality if they attempt to.

According to the Institute of the Motor Industry, there could be a shortage of well over 16,000 EV-qualified mechanics by 2032 due to a declining uptake of EV qualifications and new training requirements.

The ABI says this deficit may further impact the cost of repair and cost of insurance. To mitigate this, the sector must prioritise recruitment and upskilling in 2024, attracting newcomers and evolving current skill sets, ensuring a sustainable next generation of mechanics.

Infrastructure lags behind

Nationwide, fleet operators face serious charging challenges when travelling long distances. Despite private funding like ChargeUK announcing a £6 billion investment in EV charging infrastructure, the issue does not wholly lie with money or motive – but with location, too. EVs have an average range of 250 miles – but over 45 per cent of UK charging points are in London and Southeast England.

EV charge point operator, Believe, also found that 33 per cent of all local authorities surveyed said they have no formal EV infrastructure plan, which won't go far to reassure fleet managers that infrastructure can keep pace with growing demand.

Improved and considered charging infrastructure across the UK could allay range fears and increase EV sales amongst fleets in 2024. Increased vehicle range as battery technology evolves also will play a role in supporting more sustained adoption.

Targets and incentives

Faltering EV uptake for British fleets may also be attributed to the government's decision to push the ban on new ICE car sales to 2035 but to propel the EV industry forward we need more than just targets.

Incentives are vital: over 77 per cent of UK EVs consist of fleet cars or company cars which have been spurred forward by company car and salary sacrifice tax breaks – noting these are planned to diminish over the next few years but will still be attractive to many. The government needs to do more to support both businesses and consumers to take the leap. The Zero Emission Vehicle mandate, which drives car manufacturers to increase EV sales, may be one lever but more are required.

The road ahead

EVs behave differently and they drive differently. The UK needs substantial investment to equip workers with the right skills for swift and affordable EV repairs – and to establish a nationwide charging network that eradicates range anxiety.

The good news is that the UK has one of the most sophisticated and developed insurance markets in the world. As proved from the past, we will research, adapt and find solutions that support the EV transition and the broader economic growth that should align to this. Insurers continue to invest heavily in understanding EVs and with the right skills, incentives and investments, the shift from petrol and diesel vehicles to EVs will hopefully become an obvious and practical choice for fleet managers across the UK.

Jon Dye is director of underwriting (motor) at QBE Europe, and chair of the Automated Driving Insurer Group (ADIG)

Accelerating the transition to self-driving vehicles

Jon Dye speaks to CIR Magazine about the impact of the UK'S Automated Vehicles Act on insurance, pricing and liability

What does the UK government's Automated Vehicles Act mean for the insurance industry?

The introduction of self-driving vehicles will profoundly change road dynamics, and I am pleased to see that the Automated Vehicles Act addresses key questions around responsibility and accountability. While I thoroughly support the introduction of the legislation, it's also critical that we stay focused on the importance of data sharing between vehicle manufacturers and insurers – it's only with this key data that insurers can support customers and fulfil their obligations within the new framework.

It is reassuring to see consumer protection singled out in the AV Act, but we equally need more emphasis on driver education and awareness. Eliminating misleading marketing is important but a robust training and evaluation programme is required to ensure that drivers understand what their automated vehicle is and – crucially – is *not* capable of. In my opinion, the Act stops short on this front.

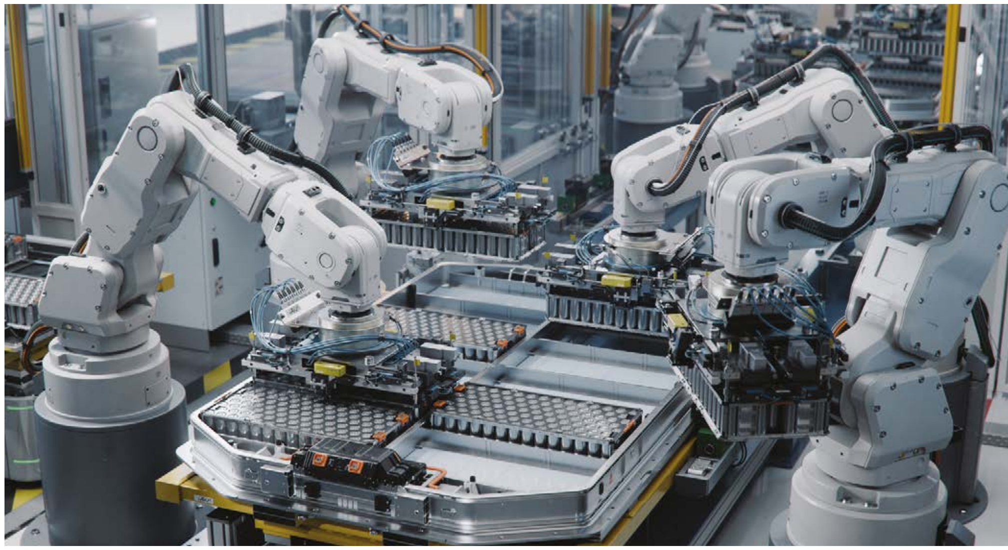
Another key aspect of the Act for insurers will be the authorisation process for self-driving vehicles. AVs on the road in the UK will be expected to complete a self-driving test designed to meet rigorous benchmarks which form part of a statement on Safety Principles. This also includes a requirement that the introduction of AVs will actively enhance road safety, rather than simply meeting existing standards. Insurers will be looking for clear visibility of the authorisation process requirements, not only to ensure that the product sold is the appropriate one, but to assess and price risk with accuracy and therefore provide fair value to the customer.

What is needed from driver education?

As Thatcham Research recently stated in its response to the AV Bill, it's critical that drivers (or in the future 'users in charge') have a clear understanding of a vehicle's

capabilities and their obligations regarding its safe use. Alongside auto sector education, manufacturers will also need to be transparent on what each specific vehicle is capable of at a point in time.

With some models likely to have the self-driving technology as 'optional', or as an 'over the air update' – meaning it would be possible to change a vehicle's capabilities overnight – it's imperative that the driver has a full and clear understanding of the vehicle's limitations post-update, and that they are adequately protected by purchasing an appropriate insurance product.



What issues do autonomous vehicles create around liability?

Secondary legislation is still needed to provide full clarity on the future handling of claims involving an automated vehicle. If liability for incidents is soon determined by the vehicle mode at the time of the accident, it will require the industry to reconsider current practices. This means that access to vehicle data will be needed and for it to be clear and understandable to claims handlers. Given that data differences across VMs exist this will mean that claims handling teams will need significant upskilling. These liability decisions could take significant time to understand and could therefore have significant impact on business as well as determining those who are able to receive compensation.

How will the introduction of AVs affect pricing?

Autonomous vehicles create challenges around current motor vehicle legislation and this will need to be fully understood and resolved before the impact on pricing can be fully assessed. This will need to consider the process and likely success of subrogated claims against vehicle or technology providers for an accident occurring while the vehicle is in 'self-driving mode'. Vehicle systems, capability, age, and/or software updates could all become important factors to consider when pricing risks.

How will AVs affect damage repairs?

Although much of the technology required for autonomous driving already exists in newer vehicles, further technological development is needed for full autonomy. We can already see that the increase in vehicle technology creates challenges in vehicle repair complexity, leading to increased vehicle down time and costs. In addition, while it's expected that motor insurers will handle claims in the first instance, the claims journey will become more complex in relation to liability decisions, with customer experience and efficiency likely to be determined by insurers' access to vehicle data.

Are new risks emerging from this new technology?

Even with current vehicle connectivity, cyber threats already exist in cars – however 'eyes off' driving further increases the potential impact of such attacks. Currently gaps remain relating to cyber threats in relation to the automated vehicle framework and current road traffic act legislation, including uninsured driving. These will need to be addressed by the government, prior to finalising secondary legislation.

One area of emerging risk with autonomous vehicles comes from the capabilities of individual vehicle manufacturer systems and an expectation that some will be better than others, for example handling certain road conditions, such as rain, rural areas/roads, urban areas and/or vulnerable road users. Understanding these systems, the risk they present and reacting in risk assessment accordingly will be important for insurers.

Jon Dye is director of underwriting (motor) at QBE Europe, and chair of the Automated Driving Insurer Group

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CONTINUITY INSURANCE & RISK

Mark Evans talks to Osian Rees of Investec Premium Finance about the waves the organisation is making in the premium finance market, on how failure can breed success, and on the importance of partnerships with Lea Cheesbrough of Movo Partnership

Credible hero

Credible hero

Mark Evans talks to Osian Rees of Investec Premium Finance about the waves the organisation is making in the premium finance market, on how failure can breed success, and on the importance of partnerships with Lea Cheesbrough of Movo Partnership

Mark Evans: I like to start by noting that Investec has not always been a traditional supplier in this market...
Osian Rees: Investec has been around for 50 years as a bank, with 32 years of those in the UK, so we are a long established player in financial markets. We're very entrepreneurial and with that in mind, we had a conversation with one of our asset finance brokers and they asked whether we would fund an insurance premium for one of their clients.

ME: And you foolishly agreed?
OR: We didn't, actually, but we went away with great enthusiasm and decided to come into the market. We built and invested in a system and looked for about ten or so partners, building them into what are now long standing relationships. When we realised the system that we had wasn't scalable, we went back to the drawing board and designed and released the system that we've now got and what we refer to as 'launched in earnest' in May 2022.

ME: On the subject of partnerships, you talk about the strong relationships there. Perhaps Lea could tell us more about those?
LC: We've got a similar journey in that eight years ago was when we started to work with Investec. That was in our first iteration of Movo as we were originally just an insurance broker. We then went through huge change and launched Movo Partnership, which is a network for general insurance brokers.

ME: The two journeys then aligned?
LC: I think when you've got two businesses working together that are both entrepreneurial, both want to support the relationship that's formed, then it becomes a partnership and that's kind of how we felt about Investec from the very first day. Osian has just made reference to the fact that they did pause and relaunch. I think when you've got a partnership, you can have that conversation to say it isn't working the way that we wanted it to and we're going to stop. We're going to start again, and we're going to get it right. We were very happy to support that process because it is such a valuable relationship.

"The collaborative approach is key to all of that, as is cast iron integrity and being open and honest with everybody that we deal with"

ME: Do you think that this evolution is one of the unique points of your offering?
OR: We can only evolve by listening to what our partners are telling us. The collaborative approach is key to all of that, as is cast iron integrity and being open and honest with everybody that we deal with. So we're all about listening to what our partners want and to delivering what they want.

ME: How are things changing with regards to increasing customer expectations?
OR: I think that the future for us is all about reinvesting, it's in reinvesting in

"Of course you need technology but when I ask our brokers what's important about their relationship with Investec it's about the fact that they can pick up the phone and have a discussion"

people. It's growing teams, it's employing great people, and it's investing in technology. So, integration is key to us. Our journey is in developing exactly what our brokers want from us to make us as easy as possible to deal with and to give them that 'out of the ordinary' experience.

LC: Absolutely. Technology. It's absolutely pivotal that we continue to invest to developing technology – and more recently that means developing artificial intelligence, which is starting to bring our businesses forward. What technoloy does is make efficiencies available, but what sits behind that are the people, the culture, the relationship.

Of course you need technology but when I ask our brokers what's important about their relationship with Investec it's about the fact that they can pick up the phone and have a discussion. It's the fact that they know somebody is there to support and to help.

ME: We have also talked about the changing the risk landscape. I'm thinking of climate risk here, but there of course many other risk factors.

OR: We have to be fully aware of this macro-micro environment and underwrite accordingly, but equally when you think about risk, it's just as Lea said, dealing with like-minded

About Investec Premium Finance

Investec Premium Finance is focused on simplifying the complexities of insurance premium finance and helping customers to service their clients.

We've designed our product around our customers' needs, and to be as seamless as possible. We offer premium finance for both commercial lines (non-recourse) and personal lines (recourse).

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Our rates are competitive, based on customers' estimated finance volumes, average premiums and types of business.

All customers are credit assessed upon application. We have built an auto-decision tool to provide you with a quick answer, normally within 30 minutes. Any applications that aren't auto-decisioned are assessed manually, and we aim to respond to these within a few hours.

To find out more, please see the Investec Premium Finance site.

"The landscape is changing constantly, and the same is the case for all of the businesses we work with; certainly, our relationships are impacted by that change, whether it's political, economic or climate-led – they're all set to change"

people and developing partnerships is key. Because if you don't work on that basis, then that in itself is a risk.

ME: A question about the future: what will it bring?

LC: If only we all had a crystal ball! I think underwriting is going get stricter. We all see that the economy is up and down. A new government always brings it its own bumps in the road. The landscape is changing constantly, and the same is the case for all of the businesses we work with; certainly, our relationships are impacted by that change, whether it's political, economic or climate-led – they're all set to change and I think that's going back to a point made earlier that we have to be prepared to evolve.

OR: Yes, we'd all love to have one of those! I'd second Lea's view. We thrive on change. And as an entrepreneurial business, we have to challenge convention with courage and it's exactly what we do. So you have to adapt to an ever changing world.

This is an edited version of the podcast available on our website.

Osian Rees
Head of Premium Finance
Investec

Lea Cheesbrough
Managing director
Movo Partnership

Mark Evans
Senior editor
CIR

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BUSINESS CONTINUITY AWARDS 2024

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BUSINESS CONTINUITY AWARDS 2024

WINNERS' REVIEW

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CIR BUSINESS CONTINUITY AWARDS 2024

2024 winners

Business Continuity/Resilience Manager of the Year
WINNER: James Parrish, London Stansted Airport

Lifetime Achievement
WINNER: Jonathan Hemus, Insignia Crisis Management

Newcomer of the Year
WINNER: Adam Bartlett, Virgin Atlantic

Public Sector Manager of the Year
WINNER: Jim Smith, High Speed Two (HS2)

Specialist Company of the Year
WINNER: Continuity Strategy

Specialist Technology Company of the Year
WINNER: CSL Group

Consultancy of the Year
WINNER: PlanB Consulting

Team of the Year
WINNER: Coca-Cola Europacific Partners

BCM Planning Software of the Year
WINNER: Daisy

Innovation of the Year
WINNER: Landsec and URIM

Cloud-based Services
WINNER: YUDU Sentinel

Strategy of the Year
WINNER: High Speed Two (HS2)

CIR BUSINESS CONTINUITY AWARDS 2024

2024 winners

Initiative of the Year
WINNER: FM Global

Disaster Recovery Award – Physical
WINNER: HCLTech

Disaster Recovery Award – Digital
WINNER: Royal Mail

Transformation Award
WINNER: Holland and Barrett

Resilient Workforce Award
WINNER: Holcim

Testing and Exercising
WINNER: Colt

Strategy through Partnership
WINNER: Panda Retail Company and Needhams 1834

Excellence in BC in Retail
WINNER: Marks and Spencer

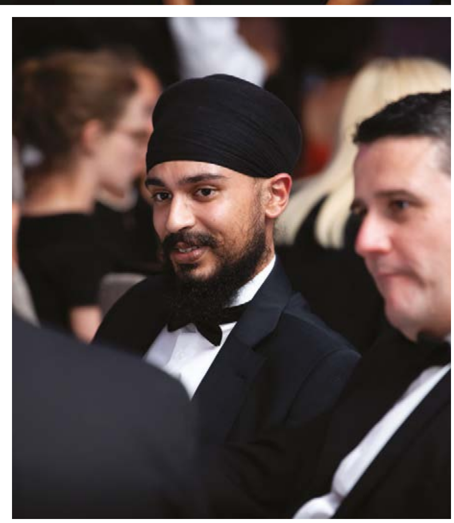
Excellence in BC in Manufacturing
WINNER: Coca-Cola Europacific Partners

Best Contribution to Continuity and Resilience
WINNER: London Stansted Airport

Diversity Award
WINNER: DPD UK

Global Award
WINNER: United Development Company

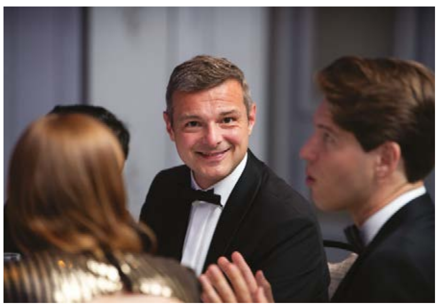
BUSINESS CONTINUITY AWARDS 2024



CIR BUSINESS CONTINUITY AWARDS 2024

2024 winners




Team of the Year

WINNER: Coca-Cola Europacific Partners

The business continuity and resilience team at Coca-Cola Europacific Partners; pictured with awards host Suzi Ruffell

The judges said: In one of the most challenging categories for this year's judging panel, one team stood out as especially high performing – particularly given the company's scale, extensive portfolio, and number of operations in diverse markets.

The entry: Coca-Cola Europacific Partners is one of the world's leading consumer goods companies, making, moving and selling some the world's most loved brands. CCEP is the world's largest independent Coca-Cola bottler by revenue, with over four million customers in 31 markets, serving over 600 million consumers.

CCEP's business continuity and resilience team is part of the legal function and consists of a dedicated group of specialists split across Europe and Australia providing support around the clock. The team, led by Wilco van Eijk, director, business resilience, engages laterally across the organisation and coordinates with relevant risk and functional areas.

In the past judging year, CCEP has built a strong, cohesive central team, which has been successful in engaging, mobilising and training a larger, extended team. The team has successfully implemented new business continuity and crisis management capabilities with an ongoing commitment and dedication to continuous development, geographical reach and empowered, well-trained colleagues.

The varied skills profile of the team is reflected in the diverse backgrounds and expertise of all team members, who collectively bring together a wealth of knowledge and experience to support the organisation's business continuity and resilience efforts. The leadership of the team is evident in the team leader's ability to identify gaps, developing programmes that drive positive change, fulfilling the goal of embedding and enhancing resilience across the organisation.

Commenting on the win, Wilco van Eijk, director, business resilience at Coca-Cola Europacific Partners, said: "We're very honoured to receive the Business Continuity Award for Team of the Year – and I am very proud of this excellent and diverse group of highly motivated resilience professionals who bring such a wealth of business, technical and soft skills to the mix with such impact in our global organisation. But it takes more than a small and talented group in the centre. We have been successful because of the strong mandate from our executive leadership, our vision and plan, our focus on driving outcomes and value-add over process and on doing the basics really, really well. But above all, our success can be attributed to a shared commitment to operational excellence transcending team structures.

"I would like to recognise the hard work and passion brought daily to the resilience programme by our extended network of hundreds of colleagues, business continuity leads, champions, incident management teams, leadership groups and partners across our functions, countries and sites. This broad and sustained collaboration has been the key ingredient to our successes so far."

cocacolaep.com

Excellence in BC in Manufacturing

WINNER: Coca-Cola Europacific Partners

Wilco van Eijk, director, business resilience, and Sven Boomgaarden, vice-president of supply chain strategy and sustainable future, at Coca-Cola Europacific Partners; pictured with Cameron Lea, subscriptions and delegates sales executive at Perspective Publishing; and awards host Suzi Ruffell

The judges said: This company operates a large-scale, transformative, multifunctional and continuously developing business continuity programme, underpinned by thorough planning, training, testing and exercising.

The entry: In the past judging year, Coca-Cola Europacific Partners refreshed a number of priority manufacturing sites. Selected by the central supply chain leadership team as being most critical, the sites spanned two continents, 12 countries and six different time zones. Throughout the year, the CCEP business continuity and resilience team has been working on developing, standardising and renewing business continuity capabilities and testing at these locations, as well as its shared services centre, to protect people, operations, revenue and reputation, and to manage business disruption risk. Plans are based on risk assessments, business impact analysis and scenario planning, each covering the relevant core business functions at a particular site, and addressing the relevant range of risks and failure scenarios, including IT/OT outage, utilities failure or shortage, supplier issues, labour shortage and natural catastrophe.

Planning is underpinned by CCEP's wider business continuity strategy, focusing resources on the most critical functions and sites for the continuity of the company's core business operations. The team's strategy is to ensure that core outcome capabilities are as strong as possible: we wish to enhance the organisation's overall resilience, be ready to react with incident management and crisis resolution capability, and have in place effective recovery arrangements. To enable this, the team recognises the need for strong governance, a compliance culture, effective tooling, and great human resources.

By testing and challenging business continuity arrangements and exposing them to critical review and feedback, the team validates and builds confidence among stakeholders in its preparedness and response capability, at the same time embedding a business continuity culture across core sites. Regular planning also takes place sustainably every year, with buy-in from key leaders, such as the head of supply chain and the executive leadership team.

Commenting on the win, Sven Boomgaarden, vice-president, of supply chain, strategy and sustainable future, at Coca-Cola Europacific Partners, said: "As Coca-Cola's largest bottler by revenue, we recognise the impact of our business and the importance of business continuity. We're honoured to receive the Business Continuity Award for Excellence in Business Continuity in Manufacturing, which highlights the efforts of over 250 CCEP employees and validates our effective approach.

"This is especially timely as we expand to The Philippines. The award showcases that we are preparing to meet the challenges of our growing operations, whilst maintaining our high standards of service and reliability, in the right way, whilst realising that this is only just the beginning."

cocacolaep.com

Coca-Cola EUROPACIFIC PARTNERS

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AWARDS 2024
SPECIALIST COMPANY OF THE YEAR

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Specialist Company of the Year

WINNER: Continuity Strategy

Matthew Horrox, managing director of Continuity Strategy; pictured with Shannon Woods, delegate sales manager, Perspective Publishing; and awards host, Suzi Ruffell

The judges said: In a highly competitive category, this year's judges were impressed with this boutique firm's breadth of skills, its flexible and refreshing approach, and compelling client references.

The entry: After just three years in the market, Continuity Strategy is already beginning to make a measurable impact as part of its mission to help clients develop, optimise, test and assure operational resilience, crisis management and business continuity, so that they can thrive in an unpredictable world.

The Continuity Strategy team are highly experienced in all aspects of resilience, crisis management and business continuity, with specialist qualifications and experience from a range of backgrounds and industries – including financial services companies, manufacturers and government organisations. Many have led or worked in resilience, crisis management and business continuity functions for multinational organisations, and all have experience gained working across the globe.

Continuity Strategy is committed to professionalism, responsiveness, sustainability, security and diversity of thought and skillsets – keeping the team vibrant, challenged and fresh.

Commenting on the win, Matthew Horrox, managing director of Continuity Strategy, said: "Winning Specialist Company of the Year at this year's Business Continuity Awards is a huge honour and a wonderful achievement as Continuity Strategy approaches its third year in business. We have established excellent relationships with world-class clients truly committed to their resilience and continuity journeys. We would like to publicly thank our clients for their trust in – and support for – Continuity Strategy on our journey so far.

"We take the most pride from the truly fantastic client testimonials that underpinned our nomination – client feedback is the yardstick by which we measure true success. Having such excellent relationships was highlighted by the judges amongst the key ingredients of our success in this year's awards.

"Everyone at Continuity Strategy looks forward to expanding, deepening and refreshing these existing relationships and, looking ahead, to building a new relationships with new clients in the months and years to come.

"The last three years have been focused on establishing ourselves as a true alternative to the Big Four in the marketplace, whilst at the same time ensuring clients both global and local receive seamless and dedicated support. The coming years will be focused on scaling and expanding so we can support more clients in more markets and territories, offering them the leading-edge business continuity, operational resilience and crisis management consultancy services that we're known for."

continuitystrategy.com

Continuity Strategy

CSL

CIR
WINNER
BUSINESS CONTINUITY AWARDS 2024
SPECIALIST TECHNOLOGY COMPANY OF THE YEAR

Specialist Technology Company of the Year

WINNER: CSL Group

Jameel Lalani, sales manager, IoT and Callum Paul, product manager, IoT; pictured with Megan Davies, events marketing executive, Perspective Publishing; and awards host Suzi Ruffell

The judges said: One of our panel hailed this great submission "the very definition of a specialist technology company". For several innovations supporting resilience in society, CSL Group is a well-deserving winner in this competitive category.

The entry: CSL Group is a critical IOT connectivity specialist supporting mission and business-critical IoT applications across the fire, security, telehealth, retail and critical national infrastructure sectors – all of which demand the highest levels of resilience, reliability and cyber security.

Partnerships with all the major mobile network operators, monitoring centres, integrators and installers allows CSL to deliver complete end-to-end IoT connectivity solutions.
CSL has securely connected to 150+ monitoring centres across Europe and continues its expansion through the region and beyond, with growing teams in Benelux, Iberia and the Nordics.

CSL Group is an expert in end-to-end connectivity and the secure delivery of alarms and data, having provided secure connectivity for over 25 years, today supporting over 2.5 million IoT devices, with platforms handling over four billion events each month.

Commenting on the win, Joe Sheppard, head of marketing at CSL, said: "We are delighted to have been named Specialist Technology Company of the Year at the Business Continuity Awards 2024. These prestigious awards celebrate success in business continuity, security and resilience, and we are honoured to have been recognised amongst some of the world's leading brands.

"For 30 years, we have been the leading European provider of critical connectivity. Today, we have over 3 million connections and provide fully managed single or multi-path solutions to connect any life, mission or business-critical IoT application. These range from applications that save lives or support crucial organisational processes. Having pioneered the transition from wired to wireless connectivity in the security and health sectors, we now play a vital role in CNI with solutions deployed at scale in every sector.

"Major projects such as the National Lottery, Thames Water and a collaboration with UK Defence and Security Exports (UKDSE) on government-approved CNI capability guidelines provide evidence of our position as the leading provider of critical connectivity. Backed up by world-class customer service, these examples of our fully managed service and solutions showcased us as a specialist technology company. Where business continuity is essential and systems always need to be online, we continue to provide mission, business and life-critical solutions."

csl-group.com

CSL


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UDC EARNS INTERNATIONAL RECOGNITION
FOR BUSINESS CONTINUITY AND RESILIENCE
AT THE PEARL ISLAND

Global Award

WINNER: United Development Company

United Development Company is the winner of the 2024 Global Award in recognition for business continuity and resilience programme at The Pearl Island

The judges said: In this thorough submission, UDC demonstrated clearly to the judging panel how business continuity and resilience acts as the cornerstone to its success.

The entry: United Development Company is a Qatari public shareholding company with a mission to identify and invest in long-term projects contributing to the growth of the State of Qatar, and providing shareholder value. Established in 1999, the company was listed on the Qatar Exchange in June 2003. It has an authorised share capital of QR3.5 billion and total assets of QR19.6 billion (as at 31st December 2023).

The 2024 Global Award was presented to UDC for exceptional achievement in business continuity at The Pearl Island, which recognises business continuity and resilience as crucial for ensuring uninterrupted delivery of high-quality products and services to the destination's stakeholders.

Its work encompasses the management of engineering and construction activities, residential and retail management, community services, and the maintenance of commercial and residential infrastructure, facilities, buildings, and assets owned and operated by UDC. UDC's Public Services Directorate designed business impact analyses, business continuity and crisis management programmes and training courses that are both comprehensive and practical. This work also entails the implementation of both ISO 22301 and ISO 27001.

Together, these systems ensure the timely update, control, and deployment of effective plans, accounting for contingencies, capabilities and business needs to manage disruptive incidents while continuing business-critical activities.

This accolade underscores UDC's commitment to operational excellence and resilience amid unprecedented challenges, such as the Covid-19 pandemic and climate change, highlighting its ability to efficiently manage business interruption and disaster recovery in the face of major crises.

This award further establishes UDC as a pioneering developer, and The Pearl Island as one of Qatar's most robust communities in respect of its advanced business continuity management systems and strategies.

This recognition reflects UDC's unwavering commitment to ensuring the seamless delivery of high-quality products and services to stakeholders at The Pearl Island. It further solidifies The Pearl Island's status as Qatar's premier lifestyle destination, showcasing UDC's dedication to operational excellence and its commitment to delivering reliability and innovation to residents, customers, and partners.

udcqatar.com

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THE PEARL ISLAND
QATAR قطر

UDC
المتحدة للتنمية
UNITED DEVELOPMENT CO.

Industry views

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

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In August, Jonathan Reynolds, the new Secretary of State for the Department for Business and Trade, called on insurers to make sure that businesses affected by rioting across the country "receive the cover that they are entitled to through their insurance policies as swiftly as possible".

He pointed out that the business owners he talked to "weren't aware if they were insured or under-insured, [or] that there was still help available to them". He went on to stress that "it is important that those who seek to divide us do not succeed by pushing out the businesses that bring us together as a community".

So what does settling claims "as swiftly as possible" mean in practice?

During the 2011 riots and the introduction of the Riot Compensation Act (2016), there was widespread consensus that some claims were not paid quickly enough.

This was because of problems in sharing information between insurers and the organisations administering publicly-funded compensation. Insurers were able to recoup public compensation where victims of the riots were entitled to it, but in some cases waited for confirmation that the compensation would be paid. The bodies administering the payments often wanted more information than the insurers would normally gather. As a result, victims of rioting suffered from being doubly-covered, when they had done the right thing by buying insurance in the first place.

A lack of arrangements to delegate authority around paying claims to professionals, such as loss adjusters, also slowed down the process.

In the wake of the 2011 riots, the insurance profession and the Government worked together to improve payment of claims. The Government created a new Claims Authority to administer public funds for riot compensation, while insurance professionals drew up new guidance for paying claims. This included a CII New Generation report that recommended that:

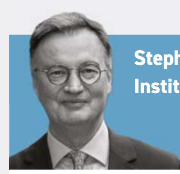
1. Insurers should ensure that 'insurer claims' to the Claims Authority are submitted with sufficient documentation and information;

2. Unless a claim is exceptionally complex, or there are specific concerns about the validity of a claim, payments authorised by the Claims Authority should be made based on a combination of: estimates/loss adjuster reports, supporting images, invoices or proof of payments; and

3. Insurance professionals and the new Claims Authority should work together to use powers created in the Riot Compensation Regulations (2017) that allow for a loss adjuster to take delegated authority for a claim (where the loss adjuster takes full or limited control of a claim).

The CII later produced guidance around 'surge events' that stressed the importance of checking in with the customer to see how they are progressing after steps have been taken to restore them back to normal. It said: "Sometimes people feel abandoned by their insurer which is why it's important to maintain trust by staying with them during the claims process."

The claims outcome of the civil unrest in August will be an important 'moment of truth' to discover how much the insurance profession has learned from the lessons of 2011 and, where necessary, what more may need to be done.



Stephen Sidebottom is chairman of the Institute of Risk Management

In association with

irm

I am pleased to announce the launch of the Institute of Risk Management's new International Certificate in Operational Risk Management. This qualification is accredited by Ofqual at Level 4, adding to the IRM's wider suite of regulated qualifications. ICORM is designed to introduce students to the fundamental theory, management and application of operational risk management, to underpin sustainable organisational success.

The updated ICORM recognises that the world has changed significantly. We have seen developments in blockchain technology and an increase in the popularity of cryptocurrencies. We have witnessed, and been affected by, a higher volume and severity of cyber attacks. Outsourcing, utilisation of service providers and engagement with third parties have all added increasing value – and risk – to global organisations. In recent history, many personal and professional

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

lives changed forever as a result of the Covid-19 pandemic. ICORM was written with these macro changes to working and organisational life in mind, so that operational risk professionals can understand and apply learning from the qualification to their day-to-day professional activities.

The updated ICORM has been carefully designed to provide a balanced approach to both proactive and reactive operational risk management, and the certification enables students to understand and manage risks effectively, preventing potential issues before they occur and responding swiftly when they do.

While operational risk is often associated with financial services, the authors of ICORM were very aware that operational risk is equally as important in other industries, and so the qualification has been written for operational risk professionals in multiple fields.

The ICORM's curriculum bridges the gap between theory and practice. It leverages examples to illustrate how theoretical concepts apply to real-world scenarios, making the learning experience both relevant and practical. For instance, a banking professional may learn how to manage the risk of cyber threats, while someone working in the manufacturing sector might focus more on supply chain disruptions. This sector-specific relevance ensures that the knowledge gained is directly applicable to the participant's own organisation, allowing them to make meaningful contributions from day one.

Key challenges facing organisations today include the need to comply with rapidly evolving regulations and standards, while at the same time remaining focused on achieving outstanding customer outcomes. By familiarising students with the entire operational risk lifecycle, including incident management, students are trained to manage events outside of risk appetite efficiently and effectively.

This proactive approach helps mitigate risks, and ensures organisations remain compliant against an ever-evolving regulatory backdrop, while protecting reputation, and maintaining customer trust.

Operational risk is increasingly being seen not just as a challenge to be managed, but as an opportunity to add value. The updated ICORM has been crafted with this shift in perception in mind. By equipping students with the knowledge and skills to use operational risk management as a strategic enabler, we are preparing them to both safeguard their organisations and contribute to business success and growth.

This updated certification continues to uphold the IRM's commitment to excellence and innovation in risk management education, helping businesses thrive in an uncertain world. There will be four assessment sessions a year: in March, June, September and December. Exams will be taken in person, at a Pearson Vue Test centre. The exams consist of 60 multiple choice questions that are to be completed in 90 minutes. Find out more at https://www.theirm.org/qualifications/international-certificate-in-operational-risk-management/

Helen Franzese is a partner at Foran Glennon (UK) LLP, a member of Global Insurance Law Connect

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GLOBAL INSURANCE LAW CONNECT

As Benjamin Franklin famously said in 1789, "In this world, nothing is certain except death and taxes".

Truer words have never been spoken, particularly in the context of the evolving landscape of US bankruptcy and the limbo in which insurers find themselves when seeking finality and protection from underlying tort plaintiffs.

Although insurers have gained traction in the use of policy releases in bankruptcy as a means of bringing finality to liabilities arising from mass tort claims, the US Supreme Court recently dealt a troubling blow to non-consensual, non-debtor third-party releases in the hotly anticipated decision, *Harrington v. Purdue Pharma* (Harrington v. Purdue Pharma L.P., No. 23-124, 2024 WL 3187799, at *2 (Supreme Court of the United States, 27th June 2024).

The Court found that as part of a Chapter 11 Plan of Reorganization, the US Bankruptcy Code does not authorise a release between the debtor and a third-party non-debtor seeking to discharge current and future claims against the non-debtor without the consent of affected claimants.

Setting aside the ethics, or lack thereof, of the actions of Purdue Pharma and the Sackler family, it is difficult to separate the facts at issue from the legal principals at play – especially when the facts are so particularly damning.

Despite the outcome, perhaps the decision should not be taken as a blanket rejection of such releases and the value they hold for insurers seeking finality where their assured is involved in bankruptcy. Instead, insurers should investigate and distinguish the alternative avenues under the Bankruptcy Code to preserve the protections and benefits of policy buy-backs.

In the wake of Purdue Pharma, however, until such time as Congress addresses the uncertainty in releases outside of the context of asbestos liability, it is best for insurers to heed the old adage of *caveat emptor*.

Cyber insurance for intangible assets

A new report highlights a concerning cyber insurance gap in EMEA, where over half of businesses have experienced a material security threat or data breach at least once in the past 24 months. *CIR* takes a closer look at the findings

The average probable maximum loss from a cyber event targeting intangible assets is 43% higher than the anticipated PML for tangible assets. This is amongst the findings of Aon's 2024 *Intangible Versus Tangible Risks Comparison Report,* which highlights a concerning cyber insurance gap in EMEA, where 54% of businesses have experienced a material security threat or data breach at least once in the past 24 months.

Aon's report drew insights from 596 respondents across the region, with the responses underscoring certain discrepancies in coverage. While 60% of property, plant and equipment is insured, only 17% of information assets have similar protection. This gap has remained unchanged over the past two years, despite the increasing value of intangible assets and the growing frequency of substantial cyber breaches.

With 69% of businesses in EMEA using, or intending to integrate, artificial intelligence products or services, the potential for cyber incidents and regulatory compliance issues, is considerable, Aon notes. New regulations like the European Union's AI Act could add further complexity by inadvertently prompting more litigation from copyright holders.

Further, the rising threat from Gen AI is expected to increase the amount and heighten the impact of cyber attacks over the next two years. Gen AI may enhance the existing tactics, techniques and procedures of cyber criminals, as well as make it easier for novice cyber criminals to carry out effective attacks, contributing to an increased global threat.

David Molony, head of cyber solutions for EMEA at Aon, comments: "Cyber insurance has rapidly evolved to address more effectively the key loss drivers associated with cyber events. It offers more favourable coverage and premium pricing for businesses that demonstrate strong cyber security practices. However, the increasing value of intangible assets, alongside the rise of generative AI, represents a paradigm shift in cyber risk, while the EU's new AI Act is only likely to introduce more regulatory complexity. Businesses must prepare for these evolving risks and potential liabilities.

"The recent global IT outage served as a powerful reminder of the dynamic nature of cyber and technology risks and emphasised the importance of robust business continuity and incident response protocols. It also reiterated the need for a comprehensive cyber insurance policy to mitigate these risks."

Cyber attacks against utilities companies up 586% yoy

The number of successful cyber attacks against UK utilities companies rose 586% to 48 in 2023, while data breaches increased by 714% over the same period, affecting some 140,000 individuals.

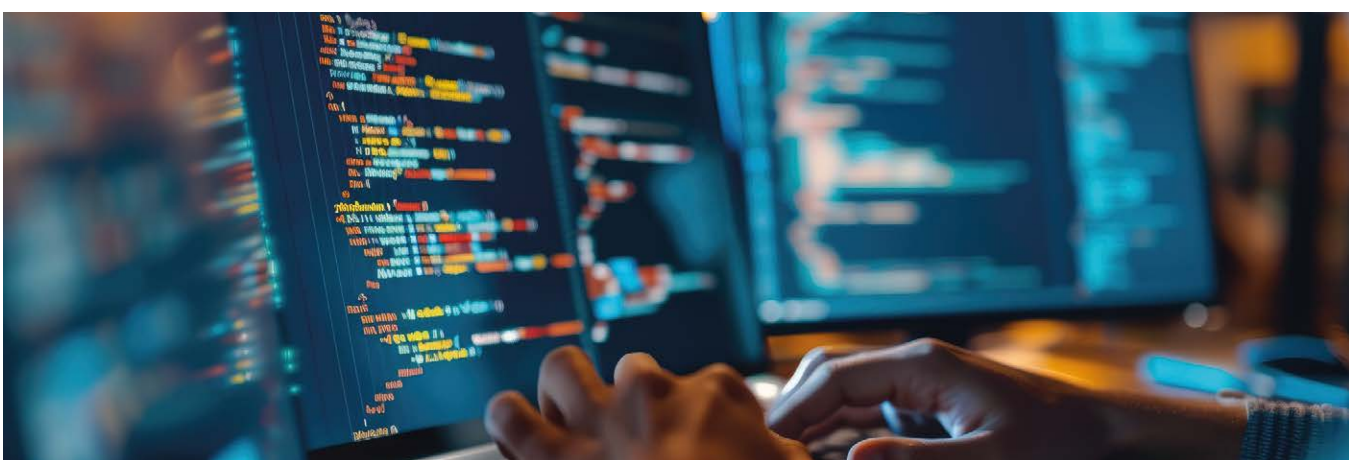
These are the key findings of figures obtained from the Information Commissioner's Office by Chaucer.

Ben Marsh, class underwriter at the re/insurance group, says that utilities companies, as part of the UK's critical national infrastructure, are seen as being at increased risk of hacking since the Ukraine war started in 2022.

The International Energy Agency has previously warned about an increase in cyber attacks against energy infrastructure in Europe.

Last year, regulator Ofcom said it had faced an average of 30,000 attempted cyber intrusions per week.

So far these cyber attacks have been largely restricted to the theft of data or ransomware attacks. There have been concerns that cyber attacks designed to damage infrastructure, including utilities, could increase due to a rise in geopolitical tension.



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Fusion Risk Management® is a leading provider of cloud-based operational resilience software. Fusion's solutions empower organisations to make data-driven decisions with a holistic and agile approach that enables them to deliver on their brand promise through disruption.

The Fusion Framework® System, Fusion's flagship product, is designed to help organisations proactively manage and mitigate risks. Fusion offers solutions for risk management, third-party risk management, crisis and incident management, business continuity management, and IT disaster recovery. The platform empowers organisations to dynamically see how their business is interconnected and how it can bend but not break when faced with challenges – all from a single, integrated dashboard.

The platform provides intuitive, visual, and interactive ways for organisations to analyse every aspect of their business so that they can identify points of friction, single points of failure, key risks, and the exact actions that they need to take next to mitigate impact. It enables organisations to discover how their business really runs; spot risks, issues, and opportunities for efficiency; and prioritise, take action, measure, and learn over time.

Fusion helps organisations build a culture of resilience by implementing a data-driven approach that allows organisations to adapt to changes in their operating environment. The Fusion Framework System makes true resilience actionable, enabling organisations to keep their business running, no matter what.

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

Daisy's Shadow-Planner enables you to map out your critical dependencies (including important business services), understand any gaps in capabilities, create plans, manage testing, and manage and monitor your business continuity/resilience programme.
Taking the pain out of the entire process, Shadow-Planner helps your people work smarter and faster and enables your business to deliver against its resilience commitments efficiently and cost effectively. Designed by BC practitioners for BC practitioners, this suite of integrated software supports the entire business continuity management lifecycle: from impact analysis through developing strategies and plans to testing, reporting and even mass communications.

Shadow-Planner is based on the BCI's Good Practice Guidelines and currently covers the following modules:

- Business Impact Analysis (BIA)
- Strategy
- Business Continuity Planning
- Testing & Exercising
- Programme Management
- Mobile Application

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Protect what's most important to your business and recover from any disruptive event with Daisy. From identifying risks, managing them effectively and planning how you can continue to operate through all manner of disruptions. Daisy is the UK's business continuity industry leader with more than 30 years' experience.

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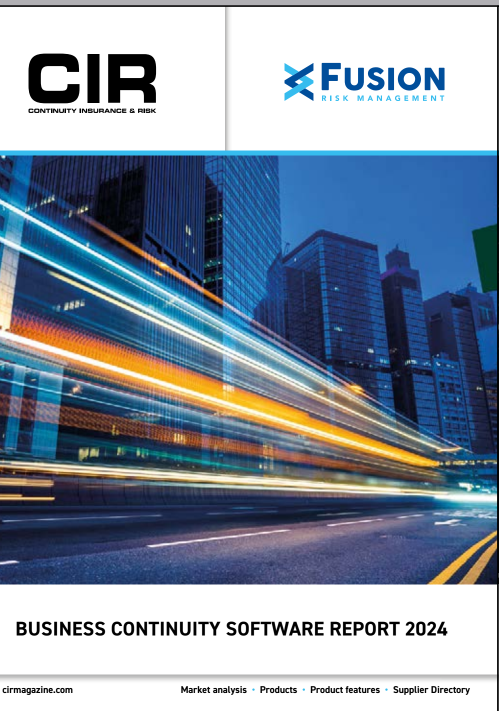

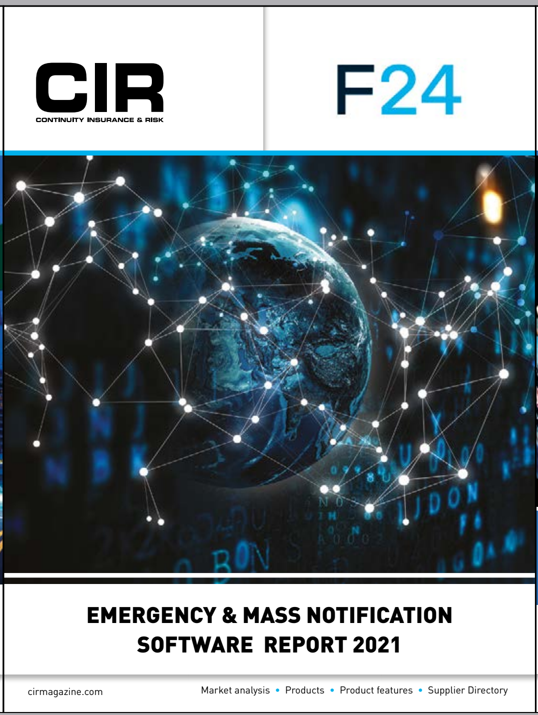

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The FortressAS team are expert in the provision of Operational and Cyber Risk and Resilience services.

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

Our services span:

- Advisory (BC and Cybersecurity)
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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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Origami Risk delivers innovative SaaS solutions that help organisations capitalise on opportunities and achieve desired business outcomes by cutting through the complexities of risk, insurance, compliance and safety management.

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

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

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

PROTECHT

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

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

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

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

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

www.protechtgroup.com

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