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thinking resilience

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The recovery position *As a new launch enters the UK market, we examine the evolution of work area recovery p32*

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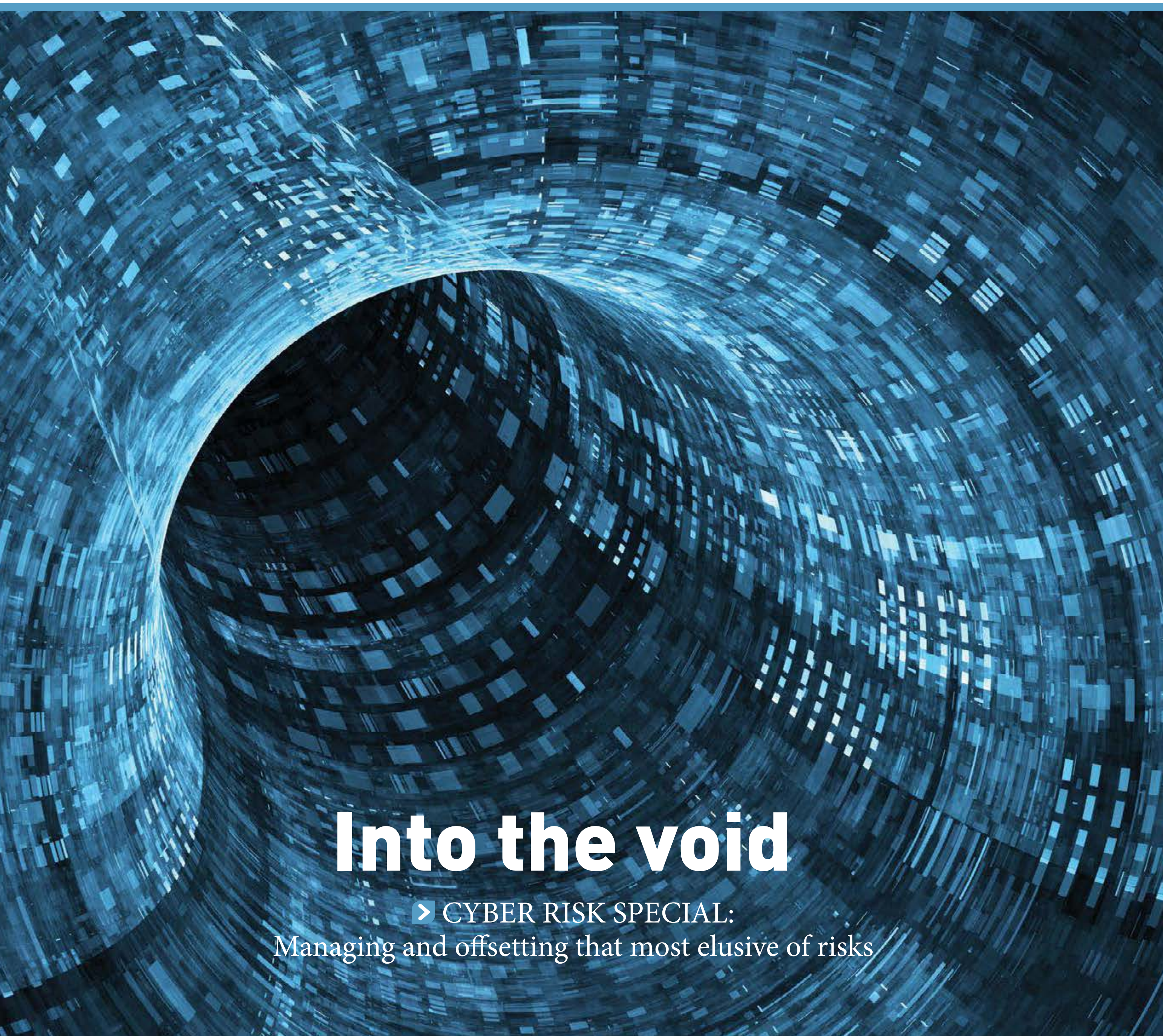


Into the void

CYBER RISK SPECIAL:
Managing and offsetting that most elusive of risks

Industry views: "Risk managers are well equipped to sit at the centre of the discussion on corporate culture"

Comment

After months of uncertainty, Brexit has begun in earnest. The triggering of Article 50 started a two-year negotiation period, during which the UK will agree terms of its separation and future trade access with the EU.

The commencement of negotiations does not, however, mean an end to the uncertainty. While negotiations for divorce may have begun, they are likely to be difficult and the timetable pressured. This could manifest on the insurance industry in a number of ways, and insurers, reinsurers and brokers are putting contingency plans in place in the event that a trade deal with the EU is not finalised at the end of the two year period.

A report from Ernst & Young notes that many UK-based insurers' and brokers' contingency plans are taking form in the creation of an EU subsidiary. It says that while firms won't be looking to move more people or operations than they have to, there is an 18-month minimum timeframe to develop and implement their chosen contingency option, warning that time is of the essence – not just for tax and regulatory purposes, but also for strategic, commercial and operational reasons.

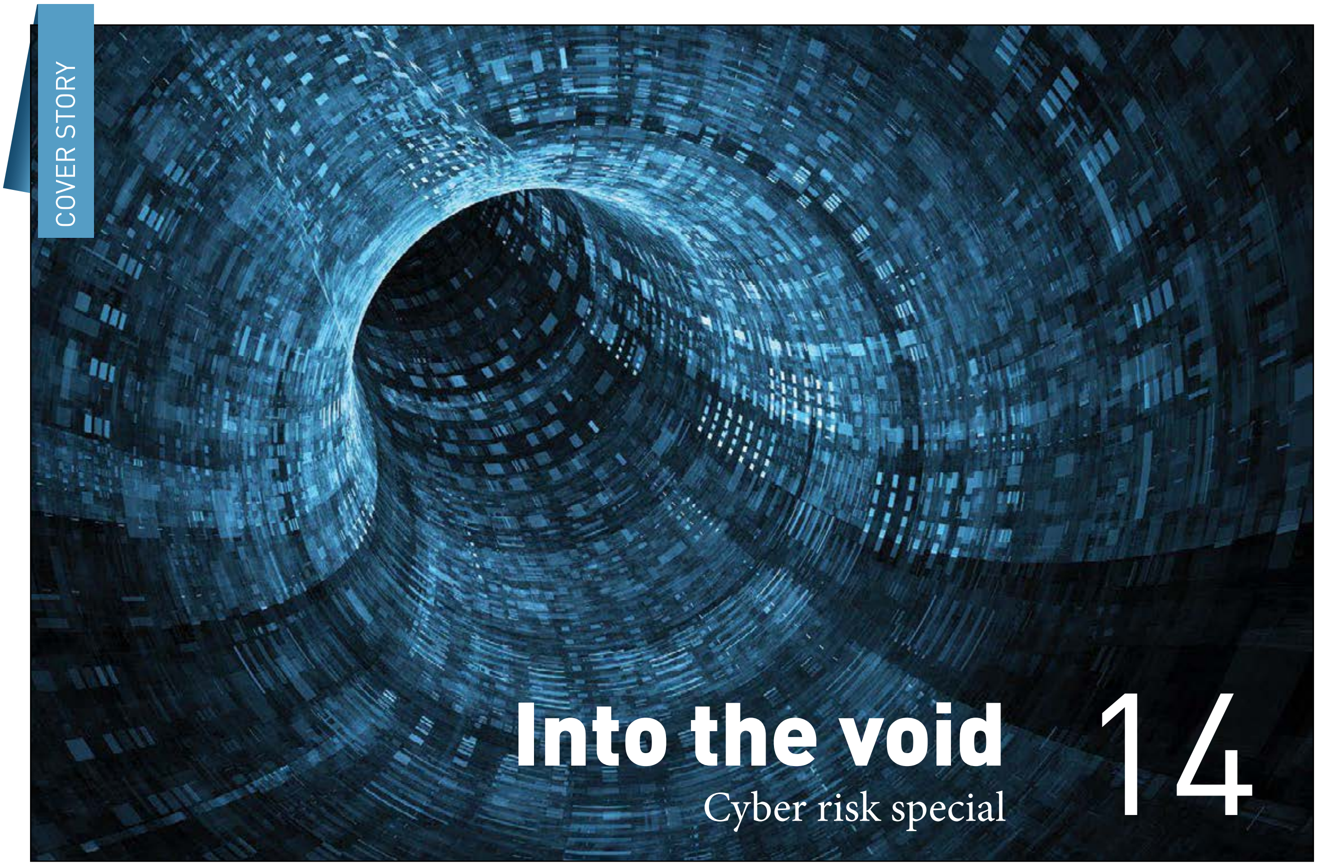
New insurance subsidiaries will require operational substance to gain regulatory approval. EY insurance partner Simon Woods says each jurisdiction is likely to require capital to be retained locally in order to meet solvency requirements. "All jurisdictions will take legal entity governance seriously. They will require a minimum number of people – including senior staff – to be dedicated to the subsidiary, with the infrastructure to allow them to operate the organisation and serve their clients and trading partners. All of this must be considered at an early stage, to support the application process," Woods says. Given the scale of this change, though, some insurers may find delivering in the available timescales a challenge.

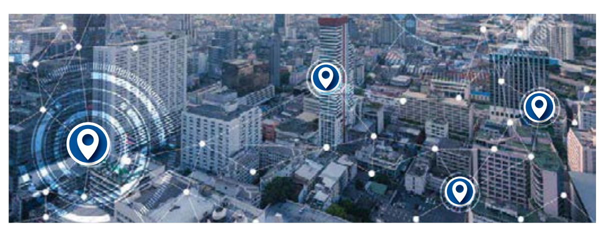
EY says insurers will also need to consider whether they need to transfer their back-book into the new company. This may be required for a number of reasons, including ongoing permissions to continue servicing of insurance business, minimising frictional costs and ensuring the new company is profitable from day one. Portfolio transfers add additional complexity, cost and time to the process, however. Woods says the main concerns include the capacity of the courts, regulators and independent experts to process the anticipated number of transactions.

When it comes to passporting, inbound passport holders need confidence from UK regulators that they can continue to operate post-Brexit. Unless continued access is negotiated, the ability to passport between the UK and other EEA states will be lost. Insurance firms currently holding an inbound branch passport would therefore have to apply to the PRA for authorisation in order to continue trading in the UK. Obtaining authorisation is also a substantial, and time-consuming process.

EY is calling for early clarity from UK authorities, to minimise disruption in the domestic and international insurance markets that result from Brexit, suggesting the same authorities might also develop the reputation of the UK, and the London insurance market in particular, as a business-friendly domain.

Deborah Ritchie, Editor





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Risk unlimited

Deborah Ritchie speaks to Pinkerton's managing director for EMEA, Weynand Haitjema, about recent developments at one of the risk industry's most established companies

Pinkerton is a global provider of risk management services and solutions with a blue chip client roster across the UK. Pinkerton's clients include private businesses, government agencies and organisations across a number of industries, including manufacturing, energy production, telecoms, food, pharmaceuticals, media, real estate, hotels and service companies, as well as banks, securities and insurance companies.

Pinkerton has been in operation since 1850, at which point your corporate slogan was "We never sleep". This seems no less relevant in today's 'always on' society as it did a century and a half ago, but how different is the organisation today?

The organisation continues to fascinate me every day, and it's completely different to the company it was all those years ago. In 1850, it was a local detective company, but today, physical surveillance is only a part of what we do.

Now we are a global brand, represented on five continents – so the message behind our slogan prevails in that regard – there is always an office open – even while the others are sleeping.

It is also reflective of our dedication to our clients, because even when our offices are closed we still offer 24/7 support – wherever they live and work.

This dedication represents a core value for us. All our people know that this is not eight to five job. That's something that has not changed in our 167 years – we are as dedicated today as we always have been.

What impact has cyber risk had on the forensic work Pinkerton undertakes?

Cyber risk management is one of our growing service lines. With digitisation vulnerabilities are everywhere, which means cyber risk is an essential part of our holistic approach to overall risk management. Issues relating to cyber risk and hacking are amongst the biggest changes in our landscape. However, people too quickly come to the conclusion that hacks come from the outside of a company; but more often they come from within the organisation. As a result you need a completely different approach when it comes to managing the risk.

To what degree can pre-employment screening be deployed to tackle this issue? And to what degree is it used across EMEA?

Data leakage or theft of information at the hands of internal personnel is a major issue for companies everywhere. And in the last 20 years or so, increased intercountry mobility has made it so easy to move from one place and one company to another – particularly throughout the EU. This in turn means staff can come from a much wider pool of applicants.

That's why it's even more important now than it was only 20 years ago to know who is working in your company. Companies need to know who their staff are and if they are reliable.

The UK is one of the countries where use of pre-employment screening is growing rapidly. It's considered a very important tool in the personnel risk management arsenal.

Cyber risk aside, pre-employment screening is particularly valuable when hiring airport staff, for instance. From the board level right through to baggage handling – all those with security passes – should be subject to checks.

There are a number of industries where knowing who your staff really is vital – and aviation is certainly one of them. The negative ways in which the world is changing has led to heightened risk of terrorism and, knowing this, putting in place sound risk management to counteract that threat is good sense.

At Pinkerton, we employ people of all backgrounds, but we always carry out background checks. For us, it doesn't matter where our staff are from. We hire based on quality, and finding the right person for the right job. But everyone is checked – without exception.

How is the kidnap and ransom market evolving?

We carry out a great deal of executive protection, mostly for board members of multinationals. These people are always potential targets. As you might also expect, there continues to be a focus on very wealthy people.

When we look at the landscape differences between Europe and Latin

America, we can say that the threat level of being kidnapped is much higher in Latin America then in Europe. There is also a difference in the way of executing the kidnap.

In Europe it is mostly about money and the kidnapped person normally will be returned unharmed after payment. In Latin America the kidnap is more violent, torture is not uncommon and, even when payment is made, sometimes the victims are never seen again.

The family of the victim is in both cases not the main target, but could be used as extra leverage to get what the kidnappers want. Don't forget, a kidnap is almost always very effective: planned and organised with a long preparation and observation time to know the habits of the victim and eventually his family.

How is your travel security offering changing?

When it comes to intelligence, we have several regional intelligence centres on all continents, working 24/7, gathering information about what is happening globally and turning that into relevant intelligence for our client base. This service line is rapidly growing because of the increasing risks related to travel security. Our intelligence provides a risk dashboard for clients, so they get to see as complete a picture as possible about any given location – be that in transit or in a town, city or specific hotel.

You recently expanded your European presence through two major acquisitions – in Poland and more recently Sweden. What future plans do you have for Europe, and does Brexit impact on expansion plans?

The UK is a very important market for us, and a growing one – Brexit or no Brexit. It's a strategic choice to have an office in London. And it will always be an important market for us. We wouldn't pull out due to Brexit. We have such great connections in the UK.

One of our goals is to grow the brand across Europe, the Middle East and Africa, and we are in the process of identifying those markets for our expanding footprint.

Interview by Deborah Ritchie