SUMMER 2021

# inside view

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# the main event: a look at the event sector in a post lockdown world

**The events industry has undeniably been one of the worst affected by Covid-19, with hundreds of thousands of events being cancelled or postponed during the pandemic.**

**As of July 19th – or Freedom Day as it has been dubbed – restrictions around events have eased with Prime Minister Boris Johnson confirming that mass events, including festivals, can now go ahead. This will have been the music to organisers' ears that they've been looking for.**

## THE IMPACT OF COVID-19

Event Insurance has long been around to protect organisers from the unexpected, whether they're hosting a local charity event or a big-scale conference. However, the landscape of protection may have changed as a result of Covid. Coupled with the hardening market as the demand for Event Insurance grows again, prices may increase.

Another concern is that that despite the need for policies to protect event organisers against cancellations as a result of Covid-19, in reality many may not.

## CALLS FOR SUPPORT FROM GOVERNMENT

Following the announcement that the final restrictions would be removed on 19th July, Paul Reed, Chief Executive of the Association of Independent Festivals, welcomed the news but called for a Government-backed insurance scheme.

He said: "We now urge Government to finally act on insurance and announce a Government-backed scheme immediately. Insurance remains the key obstacle to planning with confidence and there is no rationale for not implementing such a scheme if the Government's roadmap is truly irreversible."

Back in May, the Digital, Culture, Media and Sport (DCMS) Committee released a report titled 'The future of UK music festivals' that also called on Ministers to provide a safety net for live events scheduled to take place after restrictions eased by introducing a time-limited insurance scheme. It is hoped that it would be similar to the £500m scheme introduced to help the film and TV industry last year. The Government however ruled out offering any support before all restrictions on the roadmap are lifted, according to the DCMS.

The DCMS reported stated: "Government-backed insurance is crucial to mitigating the Covid-19 related risks to festival organisers and enabling them to start planning, as the vast majority do not have the financial resilience to cover the costs of another year of late-notice cancellations.

"Although there remains considerable uncertainty around the risks of new Covid-19 variants, the Government's plan to wait until all restrictions are lifted will simply be too late for festivals this summer."

Ministers are expected to respond to the report in the coming weeks now the final phase of lockdown restrictions have come to an end.

## LIGHT AT THE END OF THE TUNNEL

Almost half of UK citizens (46%) have said they are comfortable attending music concerts and live events, YouGov has revealed. With everything from sporting events like Euro 2020 and Wimbledon to Eurovision returning after being cancelled last year, revellers have once again been

able to enjoy the buzz of in-person gatherings. Several popular music festivals, such as Reading and Leeds Festival, Latitude and Creamfields, have now been put in the diary as well, taking place in July and August as social distancing measures are removed.

To support their communities, local authorities across the UK have been providing cash injections to bolster events. Fylde Council in Lancashire has launched a scheme to contribute up to £10k towards any additional cost to manage Covid-19 infection or for other operational costs for the delivery of an event as we come out of the pandemic. The grant is available to any formal established organisation, private sector business or recognised charity that holds an event in the Fylde Borough between 1st July 2021 and 31st March 2022. Meanwhile in Hertfordshire, North Herts District Council awarded more than £2,000 to support the annual arts gathering, Hitchin Festival.

**ORGANISING AN EVENT? AS YOUR BROKER, WE'RE HERE TO SUPPORT YOU. CALL OUR FRIENDLY TEAM TODAY TO DISCUSS YOUR EVENT INSURANCE NEEDS.**

# insurance gaps within the property sharing market

## Pikl highlights the potential pitfalls in standard home and landlord policies

**With the pandemic making travelling abroad more complex during 2020 and 2021, holidaymakers have been opting to explore all the sights that our very own UK shores have to offer.**

**As of July 19th, quarantine-free travel has now resumed for UK residents who are fully vaccinated. However, according to a survey by Timetastic.co.uk earlier in the year, 73% of Brits said they will choose to holiday within the UK, even after Coronavirus travel restrictions have been lifted.**

**With the rise in staycations, more people may be tempted to rent out their spare room or landlords might want to let empty properties on a short-term basis via sites such as Airbnb. As the sharing economy has grown it has unfortunately created some gaps in insurance coverage. Specialist provider of Short-Term Let Insurance in the UK, Pikl, looks at where different property insurance policies fall short.**

### HOME INSURANCE

If a property is being used for short-term letting some insurers will not provide full cover for a property being let out on platforms such as Airbnb. In addition, if this has not been disclosed to an insurer it could potentially invalidate your existing standard Home Insurance policy or lead to a claim not being settled for any guest related incidents whilst they are staying in the property.

### LANDLORD INSURANCE

Short-term tenants are not always covered by standard Landlord Insurance products, which specifically require a certain type of tenant, background checks, referencing, and a minimum of six months assured shorthold tenancy (AST) with the tenant. In most cases, sub-letting is excluded.

### SECOND-HOME AND HOLIDAY HOMES

Policies sometimes allow guests to stay in properties for a small period of time, but insurance cover is usually inadequate, often excluding cover for malicious damage and theft from guests, for example.

Further complications are likely to occur if a professional company were to offer short-term lets for their property on a full-time basis.

### BLOCKS OF FLATS

Most providers will not allow short-term letting or holiday letting within a block of flats, however, that wording is often vague. Some insurers have rules that allow coverage if less than one quarter of the block uses Airbnb, but in practice how this is monitored and enforced is unclear.

Leasehold agreements often add to the problem as many contracts were written a long time ago before home sharing became widespread and therefore have not accounted for the concept.

Furthermore, residents' associations that are not in favour of short-term letting have been known to try and use the argument that insurance policies would be invalidated as a reason to prohibit the practice within their block of flats.

## GUEST HOUSES AND B&BS

Some customers who offer short-term stays have been placed on guest house or B&B policies when they are not such businesses full time, burdening them with unsuitable terms and conditions such as inappropriate health and safety requirements, and the commensurate charges. This potentially leaves the customer inadequately covered for personal contents.

Some insurance providers have products which allow Airbnb-style hosting, but they are primarily designed for B&Bs, holiday homes or simply provide Home Insurance which is not voided by the insurer when there is short-term letting, without actually providing coverage for the short-term letting activity. These products often fall short of the customer's expectations of cover and are not tailored to meet the needs of sharing economy hosts.

## PEACE OF MIND WITH HOST INSURANCE

As you can see, short-term letting activity will likely not be covered by traditional Home or Landlord Insurance and in some cases, offering these types of holidays could leave you exposed to insurers not settling claims for guest related incidents or potentially invalidating your policy.

If you are renting a property out on a short-term basis, Short-Term Let Insurance, or Host Insurance, can protect you and your property. A policy can cover you against fire, escape of water and accidental or malicious damage caused by guests, as well as theft by a guest, any injuries they may sustain while staying in your property and any damages they make to third party property.

# protecting your business
## in the hard market

**The effect that Covid-19 has had on businesses, whether directly or indirectly, is immeasurable, and the insurance industry hasn't gone unscathed. As Oliver Bate, CEO of Allianz, put it, "the virus has hit insurers like a meteorite".**

**As businesses look to build themselves back up again post-pandemic, coupled with the already hardening market, the increased need for insurance protection means the demand will exceed the supply for the first time in many years. As a result, the implications of this are likely to affect commercial clients.**

### WHAT IS THE HARD MARKET?

There are two types of insurance cycle conditions – hard and soft – that can affect the market. In a hard market, you are likely to see high premiums; a reduced appetite due to stricter underwriting criteria; decreased capacity, meaning insurers write less policies; and lower limits on policies.

Whereas in a soft market, you will typically experience low premiums; a broad appetite and availability of cover; increased capacity, meaning insurers write a high volume of policies; and higher limits on policies.

We had been in a soft market for around 15 to 16 years, but since the end of 2019 and into early 2020, we've been experiencing a harder market. This may be the first time many firms are experiencing a hard market as the last one was in 2001 to 2004.

### WHAT INDUSTRIES ARE AFFECTED?

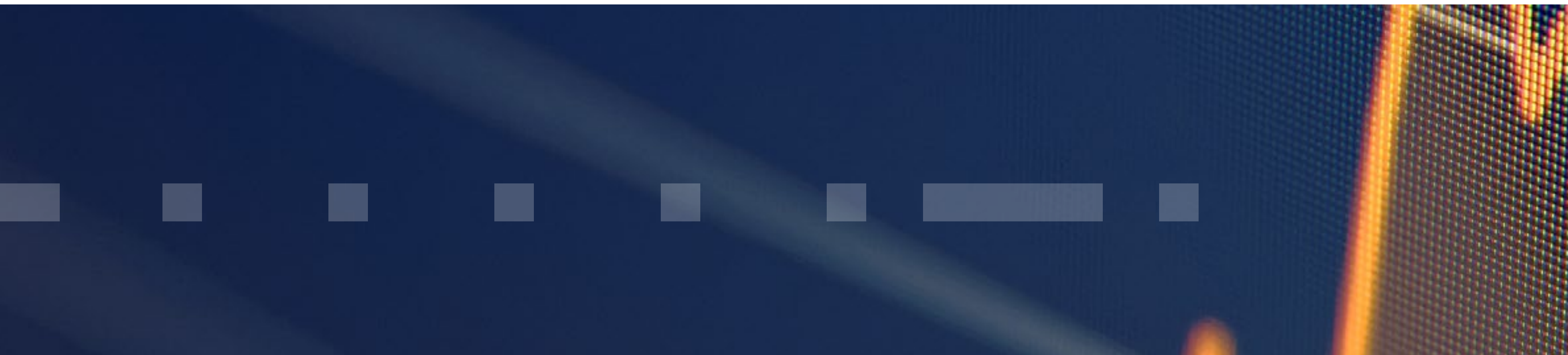
All commercial businesses could be affected by the hard market as capacity decreases and premium prices rise across the board. However, there are some trades which could be impacted quite heavily.

### FOOD AND DRINK INDUSTRY

The devasting Grenfell Tower fire in 2017 has led to insurers becoming increasingly cautious when it comes to the use of composite panels, as well as placing additional pressure on food and drink businesses to show that they have strong risk management in place.

In addition, those businesses that have processes that use heat generation, such as deep fat frying, will likely need to have solid safety measures and business continuity plans in order to get cover over the line. In addition, the detail and quality of presentations to underwriters will need to be high to secure the best terms of cover and hopefully reduce price hikes.

The food and drink sector has also been hugely impacted by lockdowns and Government regulations around Covid-19. Before the pandemic, insurers were calling for premium increases for casualty risks (which includes product recalls, standard liability and product liability) to offset the increase in claims and operational fees from legal fees rising. The pandemic will



have compacted this as, generally after major scenarios, insurers typically prioritise underwriting property risks over casualty.

## PROPERTY OWNERS

Storms Ciara and Dennis in early 2020 had an impact on the hardening of the market. House prices were low at the start of 2020, meaning insurers were losing money on property cover. The claims made because of the storms hit insurers when they were already making a loss on property premiums. Following Storms Ciara and Dennis, scientists have warned there could be more intense storms and major floods to come, with the frequency increasing to every two to five years in the last decade, compared to 15 to 20 in the past century.

With an increase in the number of claims as a result of storms and floods, in addition to restrictions on what insurers are able to insure because of the hard market, this could continue to drive premiums up and reduce the number of policies they write in the property arena.

If you're a property owner, assessing your flood risk could help you to secure insurance more easily. Using a flood map to determine how likely is it is for the area where your business is situated to flood can be a valuable exercise. Below are flood maps for the whole of the UK to find out whether your area is at risk of flooding:

- **England:** Government Flood map for planning
- **Wales:** Natural Resources Wales' flood map
- **Scotland:** Scottish Environment Protection Agency's flood map
- **Northern Ireland:** Department of Agriculture and Rural Development's flood map

## WHAT CAN I DO TO LESSEN THE IMPACT OF THE HARD MARKET?

We understand that the hard market conditions can be frustrating. There are a couple of things you can do to mitigate the blow of the hard market on your business.

## IMPLEMENT A RISK MANAGEMENT SYSTEM

Having a robust risk management protocol is key in today's market. Not only does it help you identify any risks, but it also gives underwriters reassurance that you're doing all you can to minimise them. Plus, it can help to set you apart from competitors who don't have one; both insurers and clients may see you as a safer choice.

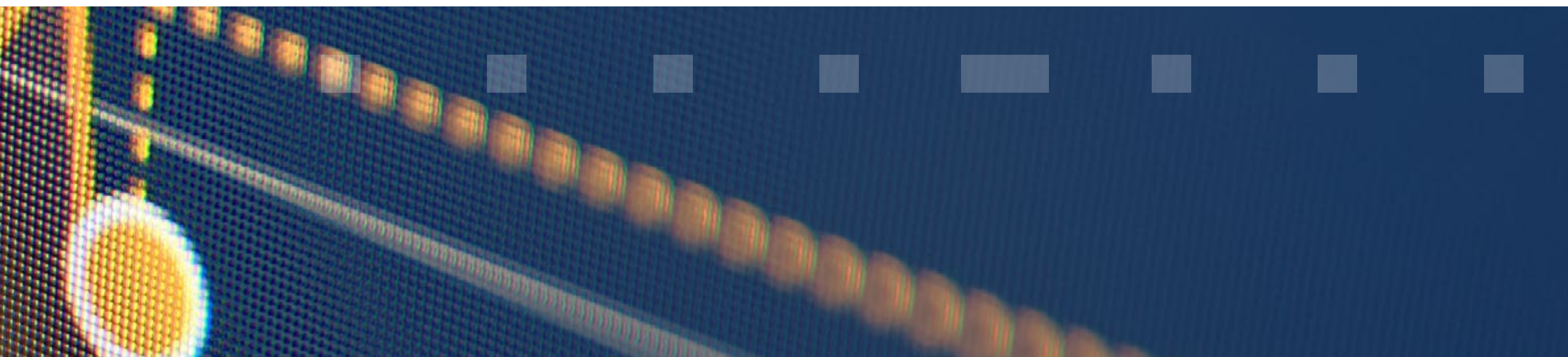
## SPEAK TO YOUR BROKER

Our biggest piece of advice is to engage with us early as your broker. We're on your side and can use our contacts in the market to find you the best possible cover.

If you have a renewal coming up, you may find that we are getting in touch with you earlier than we previously have done, this is to prepare for any snags that may happen. We can plan well advance of your renewal date to identify any issues with placing the risk, so we can bolster your presentation to give you the best chance of securing protection. In addition, we can look at alternative and specialist avenues if the open market isn't biting.

This also applies to new policies. If you have a fresh risk you need to find cover for, we'd recommend speaking with us early. The sooner we know about a policy your business requires, the sooner we can help you.

**If you have any questions regarding the hard market, please don't hesitate to contact our friendly team today.**



# case study:
## funds transfer fraud

### Phishing scam targeted at school led to parents paying £90k to fraudster and school out of pocket by £10k

**Funds transfer fraud – whereby fraudsters dupe innocent businesses and individuals into transferring what they believe are legitimate payments to fraudulent bank accounts – is becoming an increasingly common problem for most modern organisations.**

However, it's not always a business that can suffer a loss in this way, but it's customers too. Customer payment fraud describes a situation in which a business is impersonated by a fraudster, who then dupes some of the business's customers into making payments to a fraudulent account.

One business affected by such a loss was a private, tuition-paying school responsible for educating 11-to-18-year-olds. The school in question has boarding facilities in place and attracts students from many different countries around the world.

#### Lack of multi-factor authentication lets fraudster in

The scam began when the school's bursar, the individual responsible for managing the financial affairs of the school, fell for a credential phishing email. Credential phishing emails are used by malicious actors to try and trick individuals into voluntarily handing over their login details, typically by directing them to a link that takes them through to a fake login page.

In this case, the bursar received an email from what appeared to be Microsoft, stating that if he wanted to continue to use the email account without interruption, he would have to validate his account details online. Not wanting to face any disruption to his work, the bursar clicked on the link provided, which took him through to an authentic-looking landing page where he inputted his email login details and gave no further thought to the matter.

Despite appearances, however, the landing page was actually fake, and the bursar had unwittingly volunteered his email login details to a fraudster. What's more, his email account didn't have multi-factor authentication in place, so the fraudster was then able to access the account remotely and gather valuable information. In particular, the fraudster was able to locate a spreadsheet stored in one of the bursar's email folders containing a list of email addresses for the parents of current students, which was typically used for distributing general messages and updates from the school.

Multi-factor authentication (MFA) is an authentication process that is used to ensure that a person is who they say they are by requiring a minimum of two pieces of unique data that corroborates their identity. Most cases of business email compromise could be prevented by implementing it.

## Schools also at risk

Having spotted an opportunity, the fraudster moved on to the next stage of their scam. Their first step was to set up an email address that looked substantially similar to the bursar's, but with the addition of an extra letter to the address line. So instead of saying @abcschool.com, it became @abcscchool.com.

The next step was to carefully select which parents to target. Rather than adopting a scatter gun approach and emailing every parent on the list, the fraudster specifically selected parents based overseas. This was presumably done not only on the basis that such parents are more likely to be paying both tuition and boarding costs (thereby making them more lucrative targets), but also in the belief that overseas parents might be more likely to fall for the scam and less likely to raise the alarm to the school.

With the targets selected, the fraudster sent out an email relating to the payment of school fees. The email began by outlining what the annual fees for tuition and boarding amounted to, but then stated that parents would be eligible for a discount of up to 25% if they paid for the spring and summer terms in one lump sum as opposed to paying separately at the start of each term. To add a sense of urgency to making a payment, the email then went on to say that there was a deadline for payment in place, after which the discount would expire. Social engineering attacks rely on manipulating and exploiting typical human behaviours, and in this case the fraudster was clearly aware that the scam would have a better chance of success if the parents were provided with a financial incentive to make the payment within a set time frame.

In addition, the email was well thought through and included a number of features to make it appear more authentic. For example, not only did the fraudster use proper spelling and grammar and include the bursar's genuine email signature, he also went on to state that if the student was unable to complete the academic year for whatever reason, then the fees would be reimbursed on a pro-rata basis.

### School's security breach puts parents out of pocket

Unfortunately, this offer proved to be too tempting for some and six parents fell for the scam, transferring the tuition and boarding fees over to the fraudulent account details provided on the email. With tuition and boarding fees at the school costing some £10,050 per term, the amount paid out by each parent at a 25% discount amounted to some £15,075.

It was only after a few days, when one of the parents that had received the email forwarded it to one of the school's administrators to check the validity of the discount offer that the school became aware of the scam. The school immediately notified all parents about the scam and urged them to be aware of any suspicious emails that appeared to have come from the school.

### Of the six parents affected, just two were able to get their money back

The parents that fell for the scam reported the incident to their respective banks to see if the transaction could be either frozen or reversed, with mixed results. Of the six parents affected, just two were able to get their money back, with the rest left out of pocket to the tune of £60,300 collectively.

As it was a compromise of one of the school's email accounts that had allowed the fraudster to gain access to the parents' email addresses, the school felt morally obliged to reimburse those parents affected by the fraud. Fortunately, the school was then able to recoup most of this loss under the cybercrime section of its policy with CFC, which provides cover for customer payment fraud up to a maximum of £50,000.

### A lesson learned

This case study highlights the need for customer payment fraud cover in cyber policies. Many cyber policies with crime sections will only provide cover for losses that directly affect a policyholder. But in this instance, it wasn't the school that suffered a direct loss but its customers. However, because it was a compromise of the school's computer systems that allowed the attack to be carried outthe school felt duty bound to reimburse the parents affected. With more and more financial transactions being carried out electronically and with more and more cyber criminals looking to intercept them, the chances of a business's customers falling for scams of this nature are only increasing and it's usually the business that has been impersonated that will take the blame. That's why it's a good idea to check your cyber policy for customer payment fraud cover.

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