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inside view



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Operational risk: what it is and why it matters

We've partnered with Marcus Alcock, editor of www.emergingrisks.co.uk, which provides essential news and analysis on the world of corporate emerging risks, to look at the key areas of operational risk.

According to UK regulator the Prudential Regulation Authority (PRA), operational risk includes the risk of loss resulting from inadequate or failed internal processes, people and systems. But what does this mean in practice?

There is a huge variety of specific operational risks. By their nature, they are often less visible than other risks and are often difficult to pin down precisely. Operational risks range from the very small, for example, the risk of loss due to minor human mistakes, to the very large, such as the risk of serious fraud. Operational risk can occur at every level in an organisation, but here we outline some of the most important.

KEY AREAS OF OPERATIONAL RISKS

FAILURE OF IT SYSTEMS

IT failures – whether from a disabling cyber-attack, or the more mundane causes of human error or failure of aging hardware – are a significant threat. Ensuring resiliency against disruptive cyber-attacks is a broad task, operational risk experts admit, encompassing information security controls, third-party oversight, data protection and fraud authentication processes.

REPUTATIONAL DAMAGE

Many small and medium sized businesses in the UK are ignoring or under-estimating the potential risks of reputational damage, according to the Chartered Insurance Institute (CII). From an operational risk perspective, reputational damage can be directly caused by the actions of the company directors, or by the actions of employees and key suppliers that have not been given due oversight.

LOSS OF KEY PEOPLE

Employees with skills that are uniquely valuable to a company's success are worth their weight in gold, but what happens when they leave, taking that knowledge and experience with them? Relying on key individuals carries risks that, if not properly managed, may damage profits, productivity, and confidence among remaining employees.

DIVERSITY AND INCLUSION

From the Black Lives Matter movement (BLM) to Environment, Society and Governance (ESG) initiatives, the resounding societal cry is for greater diversity and inclusion in the workforce, as well as reducing barriers to opportunity. There is a growing view that a lack of diversity and inclusion (D&I) in the workforce – and having D&I policies in place – is a major operational business risk, both from a liability viewpoint and also from a wider reputational risk viewpoint (see above).

DATA BREACH

A data breach is a breakdown in security resulting in the accidental or unlawful disclosure, access to or use of sensitive or personal information belonging to your business. Worryingly, this is far more widespread than you might think: recent data from the EU Agency for Network and Information Security Report showed that 61% of data breaches affected organisations with 1,000 employees or less. Although this includes incidences of cybercrime, many data breaches are as a result of human error – another key operational risk.



Stay savvy against vehicle thieves

Picture this: you get home after a long journey, and your wheelie bin is at the end of your drive. Your natural reaction might be to get out of your car to move the bin out of the way, so you can pull into your driveway.

Believe it or not, thieves are using this as a tactic to steal cars. When drivers jump out of their car to move the bin, leaving the engine running, criminals are then driving off with the vehicle. As the keys have been left in the car, many insurance policies may not cover motorists for this type of theft. If your wheelie bin seems strangely out of place, think about parking around the corner, ensuring you lock your car. If you notice anyone suspicious, stay safe – get back in your vehicle and call the police.

Almost 75k cars were stolen last year – a 33% increase from 2019, according to the DVLA. Whether you have a personal vehicle or a motor fleet, we've put together our top tips, so you don't become a victim of vehicle theft.

KEYLESS CAR THEFT

Provisional figures from the National Police Chiefs' Council show a 3.1% increase between May and June 2021 in vehicle crime. The bulk of this increase is from keyless theft.

Most modern vehicles now open with keyless technology, and thieves have found a way to exploit this. Police intelligence shows organised crime gangs are using technology to get signals from keyfobs inside residential and commercial properties. They then transfer this to a portable, relay device which allows them to unlock the vehicle(s) and drive away. This is known as keyless or relay theft, and criminals can get the signal and steal a car or van in less than two minutes.

On average keyfobs have an unlocking range of five to 20 metres, so make sure they're kept as far away as possible from any entry points in your home or business. Some keyfobs have the option to turn off the keyless entry feature – it's always worth checking with your vehicle manufacturer if it can be disabled. Another way to prevent

access to your keyfob is by keeping it in a blocking pouch, which does what it says on the tin and prevents the signal from being used on a relay device.

OUT OF SIGHT, OUT OF MIND

It can be easy to leave items in our cars or work vans that we know we're going to need on our next journey. However, an opportune thief may notice something on the back seat and break in and steal it. Not only could they take the contents, but they may also hot wire the vehicle once they've broken in.

If you need to leave anything in a vehicle, always make sure it is hidden away safely in the boot. However, it is best advised to empty any car, van or lorry at the end of the day. That way, it isn't a temptation for opportunists.

CHOOSE YOUR ROUTE CAREFULLY

Think about the area you're driving through or to – is it safe? Have you been there before? Try to stick to main routes where possible, especially if you're in an unknown area. Car

thieves may stake out lesser-known areas, hoping for someone who is lost. They may pretend to be broken down, so you stop to help them. Similar to the wheelie bin trick, they're hoping drivers will leave the ignition running, so they can make a quick getaway.

If you're parking up, always choose a well-lit car park that has CCTV – as this could put criminals off from targeting your vehicle.

BE PREPARED

There are devices out there that can deter criminals or stop them in their tracks, including:

- Steering wheel locks – while they're not 100% indestructible, they can put thieves off

- Kill switches – hidden way, they either intercept the flow of electricity to the battery or ignition or disarm the fuel pump
- Immobilisers – if someone tries to hot wire your vehicle(s), an immobiliser will prevent the car from starting by stopping the ignition, fuel and starter motor from working in unison
- Trackers – if your car or fleet is stolen, a covert tracking device can help you to recover your vehicle(s) from thieves, without the criminals ever knowing you're tracking them.



Supporting your people's wellbeing

You'd be hard pushed to find an industry that hasn't been affected by Covid. Whether your employees have been working from home, on furlough or working from your office during the pandemic, the way we work is evolving.

Many people may be feeling worried, especially if their working situation is changing again now restrictions have lifted. For some, having to return to their workplace could cause anxiety, depression or aggravate any mental health conditions they may have.

With offices and workplaces reopening across the country, the Mental Health Foundations says we must be aware of 'returnism'. This is the impact that resuming pre-pandemic working practices will have on our mental health.

PREPARE AND PLAN AHEAD OF TIME

Have you changed your policy, office seating arrangements or working patterns? Perhaps you have strict Covid guidelines? Communicate any changes to your people before they head back into your workplace, so they can feel fully prepared.

You could also look at creating a return to work or office action plan for your employees to help them get started. Why not get your staff to come up with their own plan that meets their needs? You could ask them a set of questions that they can answer in advance to boost their confidence, such as:

- How will they get to work?
- Will anything be different in the office?
- Will they need to do things differently to carry out tasks?
- Who will be there that can support them? Could a colleague meet them at the door, so they don't have to go in alone?

RECOGNISE THE SIGNS

Employees often have difficulties revealing their mental health struggles with their employers. People working from home or on furlough may have been silent about the struggles they've been facing and may put on a brave face when returning to the workplace.

Learn to recognise the differences between everyday stress and damaging levels of stress. Educate yourself and your staff on recognising the symptoms







of mental ill health, listening, asking for help and showing support to others.

Have regular checks in with your people to find out what is going on in their lives, asking where you can support them. Having these channels of communication can make employees feel valued and may in turn help them open up to you.

MAKE YOUR SUPPORT KNOWN

Companies are taking additional steps towards improving mental health amongst their workers. Some businesses are offering training for their people to become mental health first aiders, who can act as the first point of contact for anyone in the business experiencing mental health issues. They can provide them with support and signpost them to helpful resources and organisations.

Other firms have introduced an Employee Assistance Programme (EAP). An EAP typically includes counselling (this can be face-to-face, via phone or virtually) and expert advice for anyone experiencing personal or professional concerns.

BE AWARE OF SAD

As we head towards winter, another thing to look out for is employees affected by Seasonal Affective Disorder. Also known as SAD, this is a form of depression which peaks seasonally, becoming most apparent in the winter months. The cause of SAD isn't completely understood. However, it's rarer in parts of the world with consistently long, bright days, and so is often linked to shorter days, longer nights and lack of sunlight.

When someone isn't exposed to enough sunlight, the part of their brain which produces melatonin (the hormone which controls your sleep cycle) and serotonin (the happy hormone) don't always work as effectively. This can then affect someone's mood and energy levels.

Often referred to as the 'Winter Blues', the severity of this illness can range from lethargy to debilitating sadness and disinterest. Common symptoms include:

- Sleep problems
- Lethargy
- Depression
- Apathy
- Irritability
- Social anxiety
- Persistent low mood
- Mood swings
- Weakened immune systems.

CREATE A WELCOMING ENVIRONMENT

Having a supportive, friendly workplace can make people who suffer from SAD and other mental disorders feel like they have a safe space to come to each day.

As the days get darker, those with SAD may struggle. It's a good idea to allow for natural light in your office, encourage activity and strive to provide healthy snacks, such as fruit and nuts instead of sugary treats.

You could also look at office events to bring your team together and get them excited about coming into the workplace again. Some ideas include charity fundraisers, potlucks, lunchtime walking groups and book or movie clubs.

With business health insurance, your people can access services at a time when they need it most. It can help them on the road to recovery and reduce absences in the workplace. Get in touch with our team today to discuss your individual needs.



How to make hybrid working work for your business

Job adverts are increasingly offering hybrid working patterns, with roles now blending the benefits of working from home and in the office.

A study from Acas (Advisory, Conciliation and Arbitration Service) in July revealed more than half of employees (55%) expected an increase in requests for staff to work from the office for part of the week and remotely for the rest. In addition, ONS (Office for National Statistics) also found that 85% of people working from home wanted to use a hybrid approach in the future.

ALL SYSTEMS GO

Do you have the processes in place to allow everyone to work seamlessly regardless of location? Microsoft Teams or Zoom, digital document management systems and VPN drives and folders can all help your workers hit the ground running and work collaboratively.

KEEP YOUR PEOPLE IN THE LOOP

If you've got employees working from home, while others are in the office, you may want to think about creating a team calendar. That way, everyone knows who will be where on which days, so they can schedule any meetings and jobs to fit around everybody's diary.

SET CLEAR EXPECTATIONS

What are your business goals and how do you expect your people to help you achieve this? Set clear expectations with your team, so everyone knows what their responsibilities are. This will allow them to feel valued, show them where they fit into your company and how their work is making an impact. It also allows them to create an action plan and schedule their weeks, whether they're in the office or working remotely, so they can complete their tasks.

MAKE EVERYONE FEEL INCLUDED

Be wary of segregation between on-site and remote workers, you don't want people to feel like there is an 'us' and 'them' culture. Make sure there are clear lines of communication between everyone in your company, regardless of where they are working.

If you offer office perks, such as Friday treats, you may want to think about sending a little something to your home workers as well, so they don't feel left out.

BE ADAPTABLE

Gone are the rigid nine to five days. If your people are working more flexibly, some employees may want to start earlier because of family or other commitments in the evenings, while others may be better suited to starting and finishing later.

You could look at creating core hours, communicating to your workers that you expect them to be working during this time, whether that is remotely or in your business premises. The rest of their hours can then be split across the week in a schedule that is agreed with their line manager.

FLEXIBLE WORKING COULD BECOME THE DEFAULT

The Government is proposing to give everyone the right to request flexible working on their first day at a new job. In its consultation 'Making Flexible Working the Default', the Department for Business, Energy & Industrial Strategy sets out five proposals for flexible working:

1. Making the right to request flexible working a day one right
2. Whether the eight business reasons for refusing a request all remain valid
3. The administrative process underpinning the right to request flexible working
4. Requiring the employer to suggest alternatives
5. Requesting a temporary arrangement

The consultation ends on 1st December. If the proposals are given the green light, businesses will have to respond to requests quicker than the current three-month limit. They'll also need to have robust evidence as to why any applications are refused.

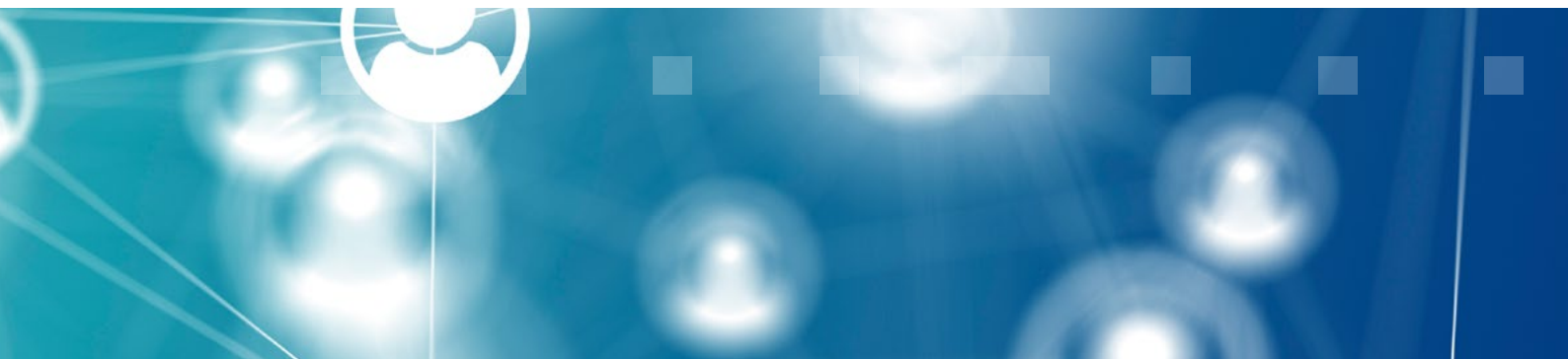
Flexible working can include, but is not limited to:

- Remote or hybrid working
- Part-time working
- Job sharing
- Flexitime
- Compressed hours
- Staggered hours
- Phased retirement

PROTECT YOUR DIGITAL ASSETS

While VPNs can protect your data and secure your people's networks, they're not completely immune to cyber hacks. It can take just one phishing email to ground your business to a halt; Cyber Insurance can be there to help you get back on your feet if you're a victim of cybercrime.

To discuss your unique Business Insurance needs, get in touch with our friendly team, who will be happy to help.



Getting your business ready for winter

The colder weather is creeping in, and the heating has gone on across homes and offices. Bad weather, whether it is stormy, snowy or blustery, often comes hand in hand with UK winters. As a businessowner, how do you make sure your business is ready for winter, so you can continue to provide a great service for your clients if something were to happen?

PLAN FOR THE WORST

According to the Met Office, 43% of small businesses don't have any continuity, disaster recovery or crisis management plans. If bad weather hits and you don't have a plan in place, everything from power outages to extreme traffic delays for staff could cause nightmares for your business.

Business in the Community (BITC) has created a 'Would You Be Ready?' guide and checklist for small businesses to check if they're prepared for the unexpected, including floods and cyber-attacks. With a guide for England, Northern Ireland and Wales and another for Scotland, BITC sets out eight steps to help small business owners put processes in place for disruptive events:

1. Understand your business-critical functions and activities
2. Set timeframes
3. Assess your risk
4. Reduce your risk
5. Develop an emergency plan
6. Develop an emergency communications plan
7. Communicate and rehearse your plans
8. Revisit and update your plans

CHECK YOUR BUILDING

Broken roof tiles, frozen pipes and faulty heating systems can all cause major issues for businesses. Carrying out a full inspection and risk assessment of your building could save you a headache and large costs later down the line.

It might be tempting to turn the heating off if your building will be closed during part of winter, such as at Christmas, to save money and energy. Water freezes at 32 degrees Fahrenheit (or zero degrees Celsius), so it's advised to keep buildings at 55 degrees Fahrenheit (12 to 13 degrees Celsius) minimum to avoid pipes freezing, even if the premises are shut.

DON'T GET CAUGHT OUT BY ESCAPE OF WATER

Data from the Association of British Insurers (ABI) shows that the number of escape of water commercial claims has been steadily rising for over a decade.







It also highlighted that the average cost of a commercial escape of water claim rose by 22% between 2016 and 2018, increasing from £4,167 to £5,349.

Workplaces often have more water outlets than homes, including air conditioning, heating systems and water coolers. Therefore, the impact of any escape of water could cause severe damage to a commercial property.

There are a few ways to reduce the likelihood of escape of water happening in your office or business premises. We'd advise carrying out regular assessments with a trained professional, who can check over your whole water system and highlight any issues. In the run up to and during the winter months, you may want to think about having monthly health checks to ensure everything is in working order. You could also look at installing a 'Leakbot' – these smart water leak detectors can spot hidden leaks before they become a big problem.

KEEPING YOUR STAFF WELL

Covid has highlighted how an infectious illness can have a huge impact on individuals and businesses. It's thought that lower levels of Vitamin D due to lack of sunlight in December, January and February can weaken our immune system, making us more prone to catching viruses and infections.

The last thing you want is a large portion of your team off sick at once. One option is to encourage staff who are feeling under the weather to work from home, so their colleagues don't catch it.

Another way to prevent illnesses spreading is advising your people to 'Catch it. Bin it. Kill it':

- Catch it: cough or sneeze into a tissue
- Bin it: throw away tissues straight away
- Kill it: Wash hands as soon as possible.

The NHS has a '[Catch it. Bin it. Kill it](#)' poster that you can put up in your premises.

You could also look at encouraging vulnerable workers to get a flu jab. The flu vaccine is free on the NHS for people who:

- Are 50 and over (including those who'll be 50 by 31 March 2022)
- Have certain health conditions, such as asthma, diabetes and chronic heart disease
- Are pregnant
- Receive a carer's allowance, or are the main carer for an older or disabled person who may be at risk if they get sick
- Live with someone who is more likely to get infections (such as someone who has HIV, has had a transplant or is having certain

treatments for cancer, lupus or rheumatoid arthritis)

- Are frontline health or social care workers

MAKE SURE YOUR BUSINESS INSURANCE IS UP TO DATE

As your business evolves, your insurance needs may also change. Perhaps you've moved offices, have extended your premises or have grown your team. To discuss a new policy or simply find ways to strengthen your current package, our team are here to help you find the best cover for you and your people.



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inside view



NEXT UP: WINTER 2021

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