InsureInsight

2022 trends

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Introduction

After two years of unprecedented challenges to the industry, insurers could be forgiven for hoping for a period of stability to take stock and the opportunity to return to the forefront of the financial services agenda. Whilst a period of calm reflection may be optimistic, the past year has brought a number of strategic priorities into focus.

At the heart of the industry are people. For employees, the post-COVID world of work brings health and safety considerations and increases the need for flexibility, but it also accelerates the need for digital transformation with its associated data risks. For customers, the focus will be on meeting expectations that have changed not only as a result of the pandemic but due to increasingly pronounced differences in generational attitudes to insurance.

Data and technology continue to permeate all areas of focus, through improvements in operational efficiency, the collection and use of data, to fraud and financial crime. From a regulatory point of view, in 2021 fines issued by data protection authorities exceeded €1 billion, clearly demonstrating an increase in regulatory scrutiny in relation to how organisations are managing personal data. This trend shows no sign of abatement in 2022, with potentially increased enforcement powers for the Information Commissioner's Office on the horizon and continued oversight of firms' cyber resilience by the Prudential Regulation Authority.

Awareness of ESG requirements which had been steadily gaining momentum over the past couple of years was thrust firmly into the spotlight in 2021, culminating in a stark wake-up call following COP26. Businesses are engaged with a huge challenge: engineering the wholesale redesign of business and society to tackle climate change, embedding sustainability and building greater social and economic equity for future generations. For those agile and able enough to adapt, the opportunities here are significant.

Whilst our own research shows that consumers of insurance are largely unaware of the role regulators play, striking the right balance between regulation and competitiveness is key for the industry itself. 2021 saw insurance regulators responding to the challenges of COVID-19 as well as pursuing new consumer-focused measures designed to put customer value at the heart of the retail insurance markets. 2022 in the UK will see the whole of the insurance regulatory landscape come under the microscope from various initiatives, including the review of the Solvency 2 regime, the Future Regulatory Framework and in Lloyd's the implementation of Blueprints 1 and 2.

Notwithstanding the desire to move forward, it should not be forgotten that COVID-19 remains a live issue. The rapid onset and spread of different variants underlines ongoing uncertainty and highlights the continued need for resilience and agility, a need that has been recognised by the Financial Conduct Authority's operational resilience regime coming into force at the end of March.

Our contributing authors delve into these issues and more in the following pages and we hope that you find their insight both helpful and useful to the decisions you have to make in your own business. More importantly, we will continue to support you with existing challenges and help you prepare for those emerging. If you wish to get in touch with either myself or any of our experts, please do and we will be delighted to assist.

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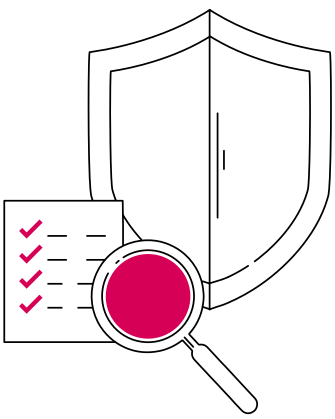
The introduction of price walking by the Financial Conduct Authority

The introduction by the FCA of its new rules seeking to stop insurers and intermediaries from increasing prices for motor and household customers based on tenure (so-called "price walking"), is a logical continuation of work that began with its predecessor – the FSA – introducing the "treating customers fairly" initiative.

Over time, the FCA has continued to focus increasingly on ensuring that consumers are provided with insurance products that offer 'value'. This means extended distribution chains, product governance and granular detail on claims trends have all been the subject of comprehensive reviews and new requirements, in an attempt to change insurer and intermediary behaviours.

The COVID-19 related Business Interruption claims issues, and the bringing by the FCA of its "test case" on behalf of consumers, can be seen as part of that trend, albeit one that has arisen in an unexpected underwriting and claims context. However, the "price walking" rules are an explicit regulatory intervention that directly addresses the fundamentals of pricing for motor and home insurance.

It is very difficult to predict with any precision how these rules will play out in the long run. We have seen insurers and intermediaries seeking to understand the likely legal and economic effects of the new Insurance Conduct of Business Sourcebook (ICOBS) requirements, but inevitably, there is considerable uncertainty as to both how to react and be competitive in a market that is changing due to regulatory intervention.



> The effects will take several years to work through, but during this period we would certainly recommend that insurers and intermediaries engage closely with their trade bodies and the FCA.

This can be done through giving feedback on the effects of these changes, whilst at the same time monitoring the rules closely to identify if there are any potentially helpful amendments that can be made. Whilst these new rules are specifically aimed at the home and motor insurance markets, given that the direction of travel is towards price monitoring and price intervention, do not be surprised to see initiatives in other consumer lines of business.

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The new world of work

Insurers have faced an incredibly challenging period over the past two years. As we plan ahead for 2022, we consider some of the key trends for insurers.

A new way of working: whether working from home, hybrid working or returning to the workplace – what are the main considerations for insurers?

The onset of the pandemic led to an unprecedented number of people working from home at very short notice. National lockdowns across the globe and government guidance necessitated an urgent need to enable working from home on a mass scale. Nearly two years down the line and with new COVID-19 variants bringing further restrictions, it is essential for employers to ensure the paperwork is in order. Contracts of employment, including "place of work" clauses should be reviewed to ensure they reflect the current working arrangements and where possible allow for a degree of flexibility to navigate the uncertain climate.

Business continuity has been the top priority to date, and as insurers plan ahead, it may be necessary to implement large scale changes to terms and conditions – whether employees are being asked to re-skill, re-train or change their workplace. There are a number of ways to effect changes to contractual provisions and employers should take legal advice before embarking on a mass contract change exercise. The key elements of a successful change programme include consideration of the options, careful planning (including for contingencies), effective communications and employee engagement.

Insurers should also take the opportunity to review policies and procedures. Do disciplinary policies need to be updated to reflect requirements to follow COVID-secure measures? Is a homeworking policy stipulating the mechanics of how homeworking can operate required? Flexible working policies should also be revisited to ensure they are fit for purpose and that they are operated in a non-discriminatory way.

Consideration should also be given to employers' legal duties to protect the health, safety and welfare of all workers. These duties apply to all employees equally, regardless of whether they are working from home, in the workplace or hybrid working. As such, insurers should be mindful not to expose employees to preventable risks when adapting to new ways of working in the future.

To discharge their health and safety duties, insurers should implement separate overarching risk assessments to identify hazards or risks to employees arising from working from home, hybrid working and working in the office, and take all reasonably practicable steps to remove any hazards identified or reduce the associated risks. For example, key hazards associated with working from home are musculoskeletal disorders such as back pain or upper limb disorders (sometimes known as repetitive strain injury or RSI). Example control measures for home workers include undertaking display screen equipment assessments and providing employees with safe and suitable equipment where required.

Adapting to a changing world: from vaccination status, to testing, to face coverings, employers have had to adapt to varying rules and regulations. With cases on the rise as a reminder that COVID-19 is here to stay, how can insurers stay one step ahead in 2022?

The world is changing at an unprecedented speed, and keeping up to date has never been more challenging. With regard to the latest rules and regulations across the globe, it is essential for insurers to not only keep on top of the changes but also to plan ahead for what is around the corner. Adopting a flexible approach is crucial.

Vaccination status is a complex issue when it comes to employment law (and beyond). Different countries have taken different approaches to the rollout. Insurers will need to consider local laws as to when they can, should or must make vaccination mandatory in the workplace. Discrimination issues are a concern. Insurers will need to take into account the different protected characteristics of their employees when considering their approach to vaccination. For example, employees with certain disabilities may not be suitable for the vaccine. We predict a number of employment disputes in this area during the course of 2022. Insurers will need to tread carefully and take a sensitive approach.

With regard to vaccinations, testing and face coverings, it is important for insurers to work collaboratively with the workforce, creating a sense of unity.

> Clear and transparent messaging through regular communications and up to date policies should be prioritised.

Insurers should ensure they have up to date COVID-19 risk assessments and policies in place to cover the risk of COVID-19 transmission in the workplace. Risk assessments should include safety measures in addition to receiving the vaccine, for example, ventilation and the continued use of face coverings and PPE may be considered appropriate. The risk assessment should also take account of any employees who refuse to be vaccinated; alternative measures may need to be put in place to minimise the risk to the health and safety of the wider workforce. Policies and risk assessments should be regularly reviewed and updated in light of local law changes relating to mandatory vaccinations, testing and face coverings in the workplace.

Employees first: the culmination of factors impacting businesses has resulted in a war for talent. What are some of the main risk factors when it comes to your employees?

Creating a foundation of trust within the workforce is more important than ever, with renewed and revised focus being required to inspire loyalty, retain colleagues and facilitate recruitment.

Diversity and inclusion is more important than ever: the pandemic has had and looking forward, it appears will continue to have, a disproportionate impact not only across the globe but also to people with different protected characteristics (for example, older people, some ethnic minorities, people with certain disabilities and people who are pregnant). Fostering a supportive and dynamic culture is important and insurers will be judged on the action they take now to support and protect their employees.

Zero tolerance to bullying and harassment: with the added pressure and anxiety brought on by the challenging environment, the potential for bullying and harassment is heightened. It is incumbent on leaders to drive a positive culture, reminding employees of the expected standard, calling out inappropriate behaviour and allowing a safe space for colleagues to speak up.

Blowing the whistle: insurers are also likely to face action in relation to health and safety concerns, including whistleblowing claims. Workplaces had to adapt to become COVID-secure in very tight timescales and are continually having to adjust in line with the latest restrictions. COVID-related issues such as lack of PPE, social distancing and fraud in relation to the government support offered are just some of the issues being reported to whistleblowing advice services. The overall objective for any business is for its people to feel able to speak up if they are concerned about wrongdoing, safe in the knowledge that the concerns will be taken seriously and they will not be ignored, sidelined or dismissed.

Focus on wellbeing: with the combination of lockdowns, financial worries, redundancies and health concerns, many individuals are struggling to cope. Employers should be prioritising the mental wellbeing of their workforce and offering as much support as possible. From one to one check-ins to support networks to mental health first aiders – there's lots to do.

Employee engagement: immediate managers should be expected to engage with their staff regularly, identify issues and raise concerns if required. Insurers should also look to include more formal facilities to allow employees to raise concerns about their workstation set up. Facilities may include a survey, or a dedicated email address or helpline for support. It is critical that once feedback has been received, it is taken seriously and acted upon by the employer and all action should be documented.

Culture is key

The fundamental message is that workplace culture is crucial. Creating a safe and inclusive environment, built on trust and authenticity, will undoubtedly put your business in a strong position and will help minimise risk. Culture cannot be imposed but it can be created and moulded by a strong leadership.

As always, the employment landscape is evolving and as such insurers will need to continue to be dynamic and able to diversify. Businesses which are able to motivate, support and unify the workforce to navigate the journey together will triumph.

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The routes to legal service efficiency

The global legal market has changed profoundly over the last decade and the necessity for change continues to be prevalent.

There is a clear and growing desire for legal services to be delivered in a simpler and more efficient way, and technology is more essential than ever in achieving this. In a sense, the challenges in-house teams face are no different from last year, but where 12 months ago there was insufficient bandwidth and budget, this year the teams that have survived the COVID-19 legal 'tidal wave' are now getting ready to do something about making things better.

Despite in-house legal budgets being trimmed, we are also seeing a willingness in insurance focused businesses to invest in legal operations and legal tech with the approval of a 'transformation budget' for the right business case. New legal market disruptors and alternative legal service providers (ALSPs) have shown the way to an extent and legal operational efficiency is of increasing importance. Despite shrinking legal budgets, increasing salary expectations means that there is an escalating cost to serve, and the diversifying and aggressive regulatory backdrop indicates that the work that needs to get done to simply keep companies on the straight and narrow is also on the rise.

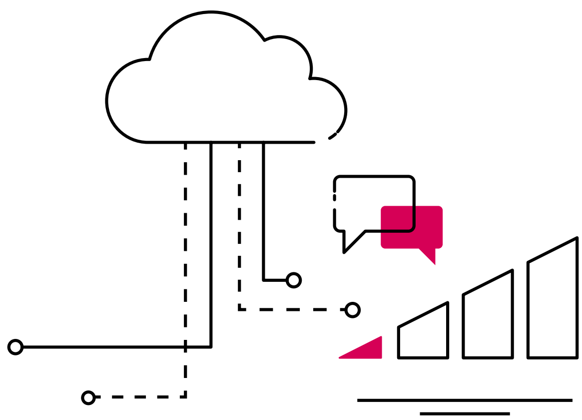
As a final challenge, GCs and heads of legal are now being asked for more insight into what their teams are doing. No longer 'independent' or in ivory towers, the legal team is simply seen as another business function that needs to act and demonstrate its value. This showing of worth is particularly difficult to do in an environment where limited data has been collected historically. If done right, data and insight is definitely the fuel which will lead to change by informing better decision making and business cases for investment (e.g. into legal technology).

Simplification and efficiency

Last year we predicted that COVID-19 would be the catalyst for change and transformation and now the eye of the storm has hopefully been weathered, new plans and budgets are being readied.

The biggest aspiration we hear from GCs is that they want to free up their team's time to undertake strategic and complex work which they are best placed to deal with due to the fact that no one knows their organisation better than them – this makes total sense. The best way to do this is by redesigning business processes to enable self-serve or by outsourcing low value, low risk work to an ever increasing number of ALSPs. Basic contracting and repapering exercises can be performed by a business set-up and resourced to do just that at scale, with high levels of quality and at an appropriate price point. Not all legal solutions need to be dealt with by lawyers.

Historically if you asked a GC about Lean Six Sigma they would give you a very strange look, particularly if you professed to be a 'black belt' in the discipline! Now, most team leaders want to understand how they can improve efficiencies by changing the way they do things. They are happy to invest time and money process mapping current and future states of a function with a view to optimising the services which flow through them. This is especially so in the contracting world when they realise the level of efficiency gains possible by standardising and simplifying contracts (and reducing negotiation time by both making contracts reasonable and not feeling the need to win every argument their teams are invited to). Imagine giving your team 60-75% of their time back to focus on the important things and being proactive.



Technology won't bite (if done right)

The biggest upsurge in interest that our legal operations consultants are seeing is an increased openness to the idea that technology will be able to help reduce time on routine tasks (or even automate them entirely). The realisation that this is possible now on a moderate scale with the possibility of very advanced capabilities in the next 3-7 years again should motivate legal budget holders to act sooner rather than later. Previously too many lead heads deferred making technology investment decisions because they were waiting for a perfect solution rather than embarking on a journey of learning, tweaking and making mistakes. It's an investment journey and there is no right time either now or in the future to procure a 100% perfect technology (it doesn't exist) so progressive learning is the key. The rapid technological response to COVID-19 may unleash a new wave of optimism surrounding the value technology can bring. Newly opened minds are already driving a technology orientated delivery demand.

Information is power

Everything is increasingly about data these days and in the world of insurance has been for a good period of time before now. The business understands that data is information and information is power. Historically legal teams have been surrounded by data but really starved of insight and now there is a realisation that those who can unlock the information available and use it strategically will achieve demonstrably better things. Why "demonstrably"? Because the data will show this.

In a similar way to GCs who struggle to navigate the increasingly bewildering world of Contract Lifecycle Management (100 platforms and counting), many also have yet to get going on their data journey. If you know where to look for good "data" (hint – start with all the information your legal panel holds in respect of your matters) and understand what story you are trying to tell, then that is half the battle.

> That said, you can collect and analyse all the qualitative data in the world but you have to interrogate and distrust it and use your own judgement to validate what it is telling you.

Fortunately, there are lots of legally focused data analysts now employed by legal businesses to help you on this journey. They understand the end-to-end process from collecting information to using it in a visual way to inform decision making.

You must enlist their help. If you do not know how to ask the right question then even if you have data by the skip load, you will discover very little.

Do or do not – there is no try

In summary, COVID-19 has taught people to be braver, more decisive and not to worry about making mistakes. In-house teams are learning how to articulate what they need and to demonstrate to their businesses the benefits of providing it. With the right investment into dealing with the 'BAU churn' work carried out by in-house teams will become more strategic, complex and interesting with job satisfaction and attrition rates improving favourably as a result. Legal teams can optimise support through process efficiencies, technology tools and outsourced services and they can use data to show the aggregate benefits of their transformation journey. Legal service provision is now a multi-disciplinary team game and the successful teams will collaborate with their business functions and service providers to supercharge the value in what they do.

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Fraud and financial crime

The continued rise of fraud and financial crime is impacting the insurance sector more than ever.

The day the author sat down to write this article, two out of the five headlines "In The News" on the front page of The Times concerned fraud and financial crime. One was entitled "$14bn crypto crime", a story about how cryptocurrency-based crime hit a record high last year, with criminals pocketing $14 billion worth of bitcoin, ethereum, and other digital currencies.

The other, "Arena TV 'fraud'" reported that banks are among the lenders caught up in a fraud at Arena Television which is suspected of inventing assets as it racked up nearly £300 million of loans.

Fraud and financial crime is everywhere. It has an impact upon every business, about the way they operate, their organisational structure, and the way they interact with regulators. It also affects us as individuals since the number of different scams we need to be on guard against increases each year.

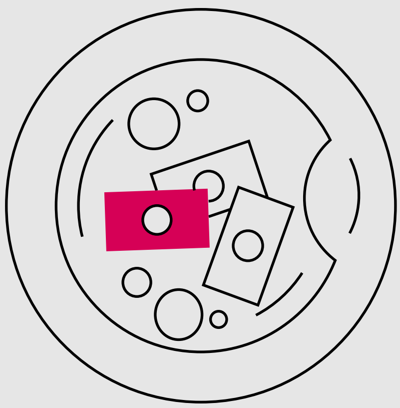
A 2021 DWF report "Financial crime and the cost to your business", reflected on the effect of increased regulatory convergence and significant advances in the UK sanctions legislation over the past 12 months, highlighting the increasing expectations (and therefore costs) placed upon the financial services and insurance sectors in the detection and deterrence of financial crime.

> Whilst that reliance continues, the need to combat financial crime and prevent fraud is felt by every business.

It manifests itself in many ways, including the need for effective cyber security, information technology and physical protective measures. Some of this is sophisticated, but the effectiveness of many protective measures simply relies on staff exercising common sense and following training protocols.

Had this been the case, two recent events we have been involved in could have been avoided:

- A business paid out a six-figure sum in error following a WhatsApp message purporting to be from a senior leadership figure, asking a mid-level accountant to transfer funds to a specified bank account without telling anyone else – which he did.
- A law firm allowed its client account to provide banking services to a client on matters unrelated to its legal engagements and subsequently became involved in a fraud investigation.



As we enter 2022, there are a number of trends that we expect to see more of:

- **Shareholder fraud:** late 2021 saw the start of an increase in the number of director/shareholder disputes, many involving allegations of potentially fraudulent activity. This often comes in one of two forms. In many cases, allegations made by one shareholder that other director-shareholders have been using the Company for their own purposes, funnelling contracts and contracts to related parties and misappropriating company funds, often going back many years. In other instances, finance providers have potentially been the subject of fraud, such as those in The Times news article. Across the board, these allegations raise a whole host of issues covering corporate, insolvency, employment, criminal and asset recovery and the underlying insurance arrangements of the different parties involved.
- **Historic investigations:** for many businesses, the trading environment is challenging. In November 2021, corporate insolvencies hit their highest level since 2019 and corporate failures are anticipated to remain 33% above pre-pandemic levels in 2022. More generally, many large businesses have been tightening their belts and looking more closely at their own performance and operations, often uncovering instances of suspicious and fraudulent activity. Certainly, we are seeing more instructions where historic fraudulent activity has been uncovered with a genuine desire to see financial recovery.
- **Furlough fraud:** furlough, self-employed support and "eat out to help out" fraud has also been in the news and will continue to be so with apparently £5.5 billion paid out (9% of the total support) either in error or which has ended up in the hands of fraudsters. Of that sum, only around £100 million has so far been recovered.
- **Digital:** the ongoing transformation to a more digital and interconnected economy has an impact, and defensive mechanisms must evolve to keep pace. Identity proofing, for example, fuelled by fraudsters' access to vast amounts of consumer data and more sophisticated technology presents a considerable challenge. As does an estimated 38% year-on-year increase in the number of bot attacks by volume, targeting financial services organisations. In addition, as market and economic uncertainty continues, many organisations will be more sensitive to customer friction and concerned about lost opportunities. Meanwhile consumers and businesses may be led towards riskier transactions. In turn, this can increase the scope for fraudulent activity.
- **Cryptocurrency:** there is huge scope for cryptocurrency-related scams and fraud, many of which share similar features with more common fraudulent activity, except with the intention to secure cryptocurrency which are held outside of the traditional banking system. No wonder that Sir Geoffrey Vos, one of England's most senior judges recently said "Major developments are imminent. They will mean that every lawyer will require familiarity with the blockchain, smart legal contracts and cryptoassets".

Fighting back, in the criminal sphere, there was a lot of press in 2021 concerning Unexplained Wealth Orders introduced by the Criminal Justice Act (CJA) 2017, especially covering Harrods mega-spender Zamira Hajiyeva. One lesser-known but significantly more impactful aspect of the CJA 2017 is the Account Freezing Order (AFO). AFOs enable enforcement authorities to directly seize funds that are suspected of being obtained by unlawful conduct, and to freeze bank accounts for up to two years. The main advantage of the AFO is that compared to its civil law equivalents, it has a fairly low evidential threshold, and also the increased willingness of the police to use them. In October 2021, the police obtained their largest AFO and forfeiture to date – over €34 million from the accounts of a South African law firm operating from UK offices and a Cypriot company. In this case, the funds arose from the unlawful conduct of others of which the law firm had no underlying knowledge or suspicion.

In all cases where fraud is suspected, the response is key. Where time is of the essence, particularly if the activity may be ongoing, businesses should have a Fraud Response Plan ready to follow, particularly ensuring that the right individuals are informed and knowledgeable advisors are engaged promptly. Where the issue is less time critical, a proper and considered response, on advice can often be the difference between minimising the damage and potentially recovering assets and making a bad situation worse.

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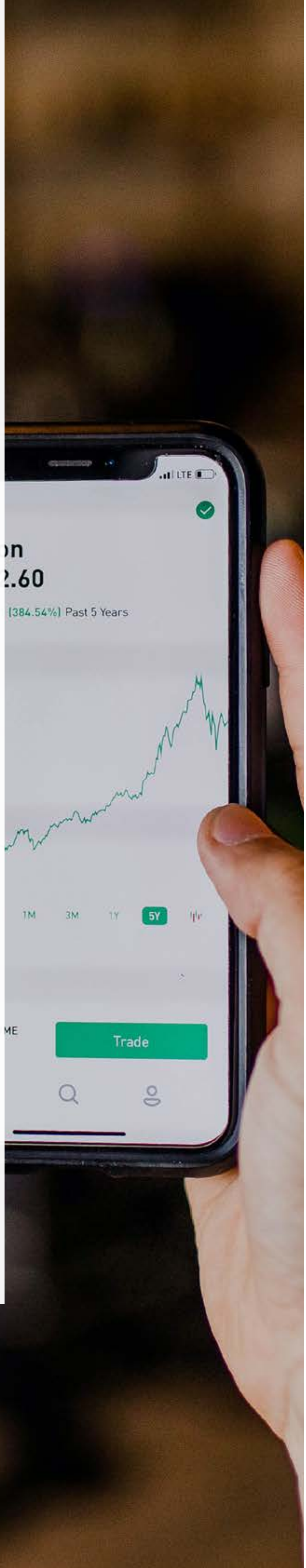

Data protection and cyber security

Data protection and cyber security will remain high on insurers' agendas during 2022 (and beyond) with a variety of compliance challenges to tackle and an evolving risk landscape.

Changes have been proposed to UK General Data Protection Regulation (GDPR) by the Department for Digital, Culture, Media and Sport (DCMS) led consultation 'Data: a new direction' (Government response expected in the Spring) that will have received a mixed response from the insurance industry. One one hand, many of the proposals might be interpreted as reducing the compliance burden, for example, removing Article 30 record keeping obligations, re-introducing a small fee for the making of subject access requests, relaxing consent requirements in respect of Cookies and removing the requirement for data protection impact assessments (DPIA's). However, the proposal to increase to the enforcement powers of the ICO to include the power to commission an independently produced technical report (similar to the power the FCA has under the s.166 of the Financial Services and Market Act) is hugely significant and may cause alarm.

Data transfers will continue to be a key compliance challenge this year with separate standard contractual clauses (SCCs) now in place for personal data relating to individuals in the UK (UK data) and individuals in the EEA (EEA data). For any transfers involving both UK data and EEA, both sets of SCCs will need to be in place. A repapering exercise will be required in respect of any EEA data, as existing contracts will need to be updated by 27 December 2022 to incorporate the new EU SCCs. Meanwhile in the UK, on the 28 January the ICO published the awaited new International Data Transfers Agreement (UK IDTA) together with UK Addendum to the EU SCC's. Subject to any final amendments they will enter into force on 21 March 2022. In respect of UK to US data transfers, insurers who do not have binding corporate rules (BCRs) in place will be required to utilise SCCs combined with a Transfer Impact Assessment.

2021 may have represented the high water mark (to date) in respect of low value compensation claims arising out of minor data breaches, however, a raft helpful decisions in the High Court (Warren v DSG; Johnson v Eastlight; Rolfe v Veale) coupled with the Supreme Court judgment in Lloyd v Google, have temporarily stemmed the litigation tide. This has provided data controllers with welcome reprieve and additional authority to combat these claims. For insurers, this has been particularly welcome news, improving the outlook for privacy risks in insurance products and helping to limit their direct exposure as data controllers. However, claimant tactics are shifting and new areas of compliance are being tested as the recent flurry of claims related to cookies, tracking and direct marketing emails has illustrated.

As insurers continue to digitalise operations and services and the digital footprint expands, so does the attack surface from a cyber risk perspective. The recent 'Dear CEO' letter from the PRA challenging firms to develop effective security controls in order to manage increasing cyber threats serves as a reminder, with recent examples such as the Log4j vulnerability adding fuel to the fire of regulatory scrutiny and expectations of internal and third party cyber risk management.

The recent US decision of Merck and International Indemnity v ACE holding that an 'all risks' property insurance policy provided coverage for losses arising out of the Notpetya malware attack has been met with surprise. Whilst the decision is specific to US law, it will be of significant interest to Underwriters considering their own exclusion clauses in relation to acts of war and the four model clauses recently introduced by the LMA.

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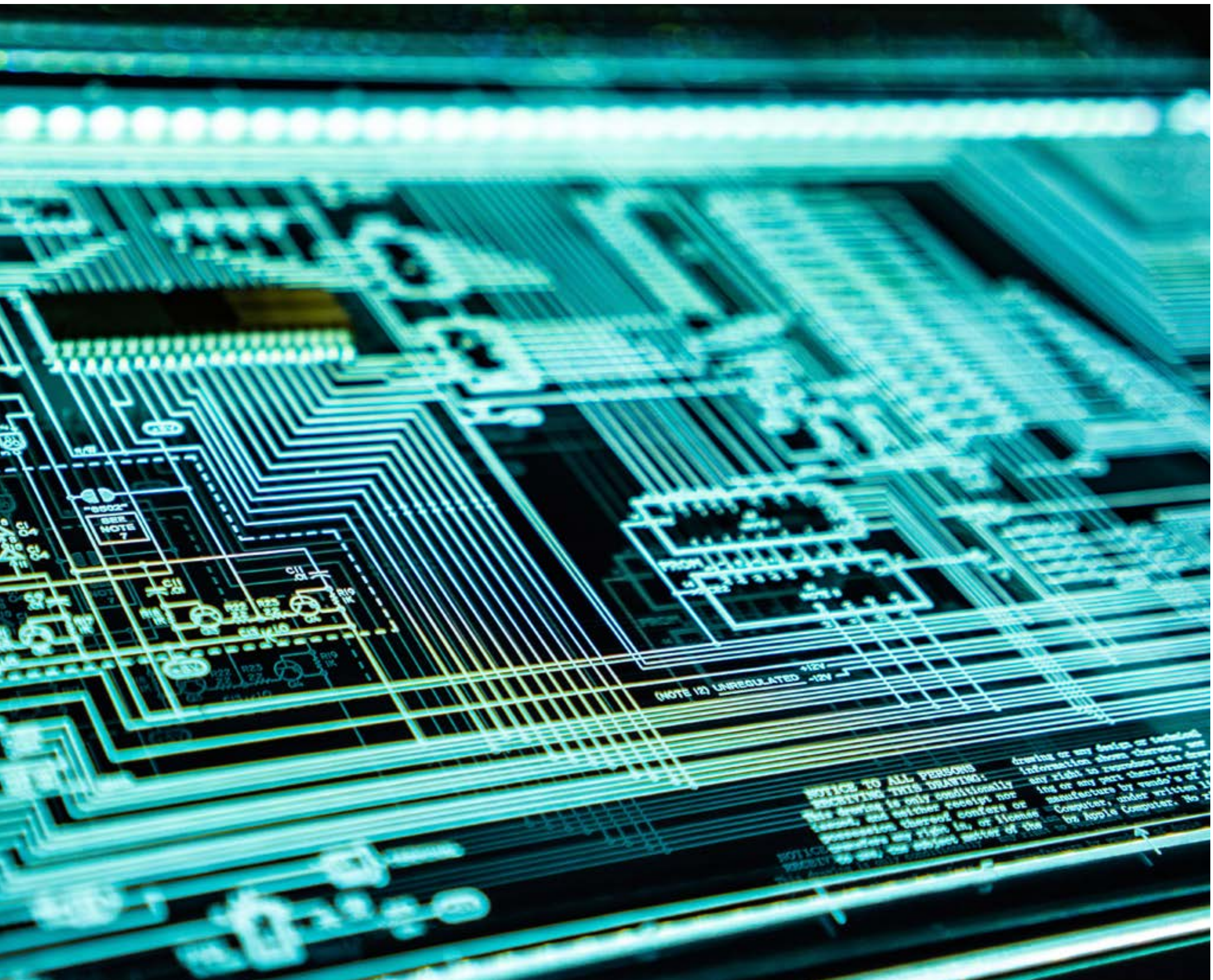

Reimagining the future of insurance: the consumers view

The pandemic hit insurers hard. It also hit consumers hard. Business and personal consumers alike struggled to understand whether everything from their holiday insurance, event cancellation insurance and business interruption insurance would help them weather the financial consequences of COVID-19.

As the FCA test-case headlines hit and insurers' policy wording was put under the spotlight, we wondered what impact all of this would have on consumers' attitudes towards purchasing insurance in the future. DWF commissioned a major piece of primary research exploring the attitudes of both consumers of personal insurance and corporate buyers of insurance with regards to insurance purchases pre and post pandemic. The research sought the views of 2000 personal consumers and 400 corporate buyers and was conducted at the end of 2021.

Perhaps the most surprising, and pleasing, finding is that consumers, whether personal or corporate, have great faith in the insurance industry. Despite the headlines, consumer confidence remains with 93% of personal respondents and 94% of corporate respondents claiming to be satisfied with their insurance policy, and 81% of personal consumers stating that their insurance policy had met their expectations. A high majority proclaimed 'faith in their insurer'. The goodwill, brand equity and trust in the sector remain high and insurers should be rightly proud of the reputations they have built over time.

Where consumers did express frustration, as might be expected it was around ambiguity of policy wording - with buyers citing overly-complex documents and unclear terminology as reasons for a lack of trust in insurers.

One significant challenge for the sector is the use of data. Whilst customers like the idea of greater personalisation and customisation of policies (61% of personal consumers would be interested in personalisation/customisation when dealing with insurance policy providers, a score that increased amongst those aged 18-24 (71%) and 25-34 (65%)), almost half of consumers say they wouldn't trust their insurance company with their personal data. We explore data issues further here.

When it comes to pricing, personal consumers are generally happy with what they are paying. 63% of consumers would consider paying the same premium they are currently paying, implying that they are satisfied with their current insurance price/coverage ratio. Corporate buyers on the other hand may actually be prepared to pay more. Over a third of businesses would consider paying higher insurance premiums, and over half of these are ready to pay up to 10% more for better coverage. It seems that the pandemic has highlighted the value of insurance and particularly an appreciation around the importance of the level of cover. Policies likely to attract a particular premium are cyber, business interruption and key-man risk.

Personal consumers and business buyers are pretty savvy when it comes to reading and understanding insurance policies with 93% of consumers and 95% of corporate buyers claiming to understand their policies. That said, both groups agreed that buying insurance was generally a difficult process. There is more to do to make the buying experience easier and friction free.

A key area of research for DWF's report was to understand the role the regulators play, in the eyes of the buyers. Personal consumers were largely unaware of the role the FCA plays in trying to ensure policies are good value – only 24% of consumers had heard of the FCA's value data, though there was an interesting jump to 55% amongst the youngest consumers (18-24).

Perhaps unsurprisingly, corporate buyers were more alert with 55% aware of FCA value data measures. You can read more about our view on the regulators here, where we discuss the recently introduced rules on price-walking.

The future of insurance is changing with a greater proportion of younger customers saying they think differently about insurance post pandemic. They are more likely to pay attention to the small print in under to understand the cover provided now, as well as being much more likely to shop around on a regular basis. 21% of 18-24 year-olds shop around every 2-6 months. Only 2% of the over 55's do so with the same frequency.

In short, the insurance sector remains buoyant and is largely doing a good job. By and large, consumers and businesses value the policies they have and trust their providers. Some are even willing to pay higher premiums, but there are still pockets of misunderstanding, lack of knowledge and limited trust. It's up to the industry to make the leap from good to great with a specific focus on policy wording, use of data and helping buyers understand the role of the regulator.

The full report with findings broken down further across policy types and demographics will be published soon. To receive a copy of the report when published, please sign up here.

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What does the future of ESG look like for insurers?

ESG remains a top priority for insurers as we head into 2022.

With COP26 dominating headlines at the end of 2021 and the continued pressure for underwriters to make tough decisions and reassess their approach, there is no doubt that the ESG agenda is here to stay.

Historically and still now, the "E" agenda is the primary focus for insurers, but there is clearly more emphasis on social issues and how insurers can deliver positive outcomes. Additionally, how insurers are performing and governed is something that needs to be considered – it is likely this will only become more prominent in 2022. If insurers get it right, they need to look past the initial challenge they face and focus on the potential opportunities it will bring.

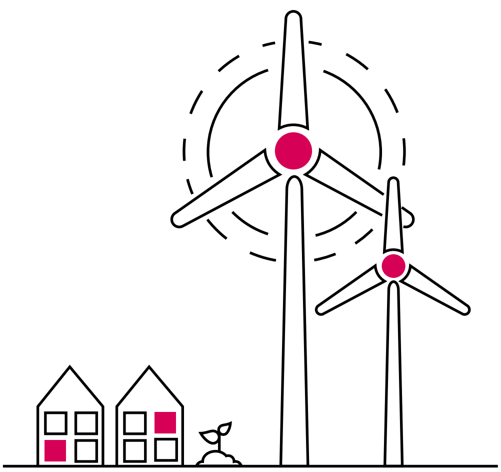
DWF's own research conducted in 2021 revealed some interesting findings that confirm what challenges insurers are facing now, and could face in the future.

> 55% of insurers admitted to the pressures they are facing from the market but more interestingly, a staggering 65% confirmed they have already lost work due to ESG. This is clearly an indication that things need to improve fast.

Furthermore, there is discrepancy even within the insurance market on the level of understanding that exists around ESG. It is fair to say that the International Market is the most advanced, however, even they are facing difficulty with competing geographical standards. The Lloyds Market has clearer parameters and therefore can take a direct approach, but it is the UK domestic market that really need to know where they stand: lessons should be taken from other markets to help them get there. It is no secret that insurers are grappling with ESG, so is 2022 going to be the year that insurers really get a grip on it and take the lead, as the market expects them to?

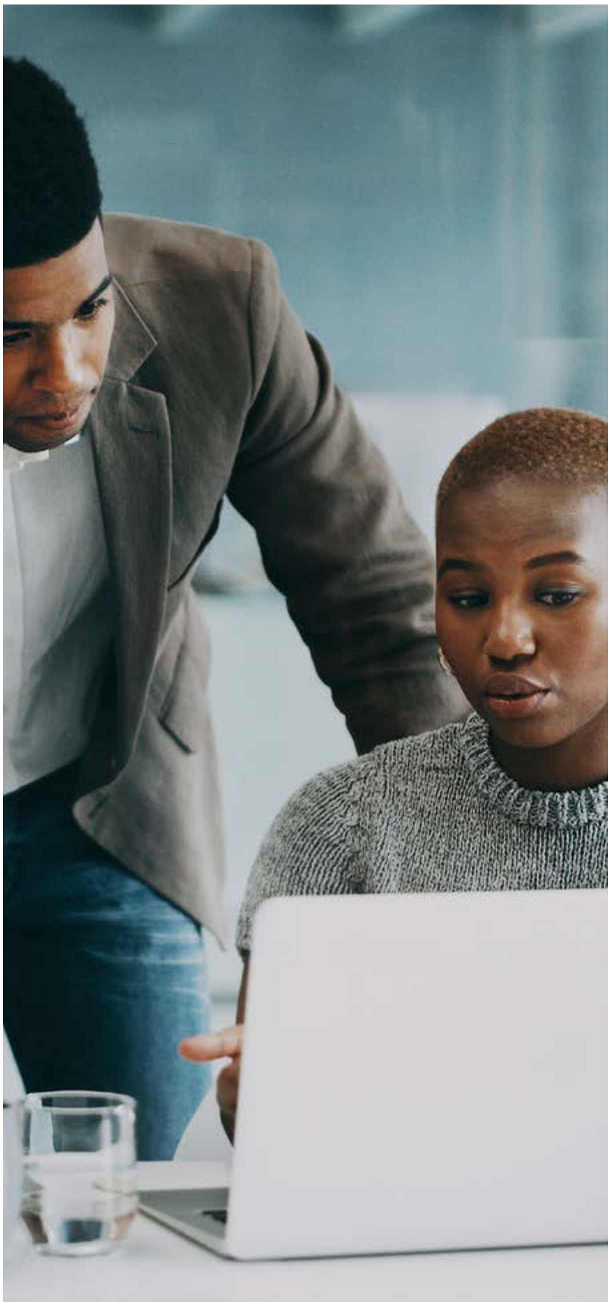
Regulators

As with other financial institutions, as a regulated entity there is always going to be pressure and cause for concern. The introduction of the Task Force in Climate-related Financial Disclosures (TCFD) in 2015 was a welcome addition to improve and increase the need for reporting on climate-related information – a much-needed benchmark for insurers, but this alone is not enough. At COP26 we saw further spotlight on the new Net-Zero Insurance Alliance (NZIA), which was convened by the UN, and the UNEP FI Principles for Sustainable Insurance, which were formally launched at the G20 Summit earlier in 2021. The NZIA comprises fifteen leading insurers and reinsurers taking charge and accelerating the transition to a net-zero economy. The founding members are AXA (who take the position of Chair), Allianz, Aviva, Generali, Munich Re, SCOR, Swiss Re and Zurich. Each (who are already aligned to Science-based targets and the Paris Agreement which came in to force in 2016) are transitioning their underwriting portfolios to net-zero by 2050. We will refer to this again shortly when we discuss intended plans. Market co-operation is also going to be key – insurers need to be proactive and work with regulators to know where they stand, and work together to instil best practice for the market.



Sustainable investment

This is a huge area of opportunity for insurers. There is still reluctance in the market – there's uncertainty that taking a sustainable investment approach will ultimately provide longer-term gains. If insurers are re-assessing what and how they underwrite, there will be expectations that insurers are taking a consistent approach in what they invest in. Subsequently, the ESG market is continuing to grow, and according to Bloomberg could hit $53 trillion by 2025, making up one third of the total investment market. Therefore, to stay ahead of the curve, to become more sustainable and be more attractive to the investor, insurers need to be able to clearly disclose and report on their own operations and the approach they take across all assets. It will be interesting to see how this progresses in 2022.



Embedding culture

Insurers are struggling with ownership of ESG. Through various discussions with insurers it has often been said that decisions are made (and kept) at Board level and therefore employees aren't feeling engaged or know what role they have to play. On the flip side, many insurers feel that their Boards need to do more to engage with ESG. This is clearly an issue and one that is important for insurers to consider within their approach, to help them overcome the challenges they face. For the international market this is proving particularly difficult as decisions are often made at HQ and not by region which leads to further disconnect. Insurers need to embed a clear and robust ESG strategy or framework, which is then communicated throughout the business, and deliver a clear message so that employees feel engaged. This also leads on to the need to retain and attract future talent to be able to be ahead of competitors, especially as they will ultimately be the future decision makers too.

Underwriting

As discussed above, what insurers choose to invest in should also determine what they underwrite. Insurers need to re-assess their appetite to risk and mitigate those that will have the largest and longest term impact on a sustainable future. Insurers are facing increased pressure from stakeholders to demonstrate the approach they are taking to address these issues. The NZIA, as mentioned earlier, is a huge step in the right direction to implement governance around how and what insurers choose to underwrite. The fifteen leading insurers are each committing to individually transitioning their underwriting portfolios (alongside reviewing their approach to claims and risk management) to be on the pathway to limit the rise in global temperatures to a maximum of 1.5C. This will consist of identifying the decarbonisation projects most applicable to them, reviewing their targets every five years and, of course, reporting on their progress. A further instance of this was in late 2020 when the Lloyd's market committed to quit fossil fuel insurance by 2030. With all this combined it will be interesting to see how the remaining signatories of the NZIA, which has already seen more commitment from other insurers following COP26, approach their targets and how/if the wider insurance market will follow suit.

What to look out for in 2022

As outlined above there are a few developments which will be interesting to look out for in 2022, in particular the move to science-based targets and the renewed focus of the NZIA. There is cause for concern about how and what insurers need to do to change operationally, to ultimately become more sustainable. Additionally, as with all companies, the need for standardised best practice is needed. This will allow insurers to consistently disclose, report (and monitor) their performance. This will also require companies to understand what data they need to record, and how/when to use it.

Additionally, insurers need to attract and retain talent. With much emphasis now on the "Social" aspect of ESG, it is going to be key to review how companies are treating their employees on topics such as diversity and inclusion (which we have covered in further detail separately), equality, health and wellbeing and career development.

Insurers should familiarise themselves with the top 10 global risks as identified by The World Economic Forum but also pay close attention to the "megatrends", in particular their approach to the rapid development in technology, the shift in demographic and ageing populations and the rise of emerging countries/markets.

There is also the need to consider how insurance premiums may be affected going forward. Where will those thought of as high risk turn to be insured? Will we see a greater increase in self-insured policies? As with other financial institutions, primarily banks, will there be incentives in premiums and other benefits for those that consider green products and services?

ESG doesn't come without its challenges. Change will be needed both operationally and culturally going forward. There is also the consideration of cost and resource to adapt to these changes. Ultimately, if insurers get it right, there is huge opportunity and the needs from the market will be met.

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An interesting time for diversity and inclusion

There are currently four different generations working together – all with different views on what diversity and inclusion means to them and to the business world.

To the baby boomers amongst us, diversity and inclusion was about integration, and to those in Generation X, fairness and equal opportunity. As generations have progressed, and society has developed, generations have become more advanced in the way they approach the topic of diversity and inclusion. To millennials, diversity and inclusion is about encouraging collaboration and driving business forward through these initiatives, hence studies being conducted about the positive effect on businesses 'bottom line' due to a diverse and inclusive workforce. The millennials have managed to build on the integration, fairness and equal opportunity a diverse workforce requires, whilst cementing diversity as a key factor in profitability.

However, what is most interesting is that the newest generation to enter the workplace, Generation Z (Gen Z), have grown up completely in the digital age. With a swipe of a screen they can see how diversity can strengthen a business and how integration can increase innovation, but how will this new generation change diversity and inclusion in our industry as we look to the future? And why does it matter to the insurance sector as a whole?

Paving the way

As generations have grown and adapted, businesses have come to realise that diversity and inclusion cannot simply be a 'tick box' exercise. A push from millennials has meant that internally, businesses are beginning to realise that apart from it just being the right thing to do by their people, there are significant business advantages to being inclusive and diverse.

McKinsey's 2020 report: 'Diversity wins: How inclusion matters' makes the case vividly:

> "The greater the representation, the higher the likelihood of outperformance. Companies with more than 30% women executives were more likely to outperform companies where this percentage ranged from 10 to 30, and in turn these companies were more likely to outperform those with even fewer women executives, or none at all. A substantial differential likelihood of outperformance – 48% – separates the most from the least gender-diverse companies".

What is perhaps even more surprising is this:

> "In the case of ethnic and cultural diversity, [McKinsey's] business-case findings are equally compelling: in 2019, top-quartile companies outperformed those in the fourth one by 36% in profitability, slightly up from 33% in 2017 and 35% in 2014. As [McKinsey] have previously found, the likelihood of outperformance continues to be higher for diversity in ethnicity than for gender".

Looking ahead

Taking into account the new digital age, potential candidates or clients can simply look online to see what a business is doing in terms of diversity and inclusion. Answers to questions such as 'does the organisation have a respectful culture?' can be found in online chat rooms. A search on LinkedIn and an instant message about inclusivity could be the determining factor between a candidate applying for a role or not. It is simply not enough to 'tick boxes' anymore – businesses need to be seen to be both diverse and inclusive.

Businesses also have to be aware of the way social media works. Suddenly there are people on YouTube or other social media platforms who influence how Gen Z makes its decisions. We have seen how COVID-19 can make the world we know collapse in an instant. The insurance industry needs to be seen as a safety net in a way neither it nor Gen Z ever anticipated. For example, suddenly Gen Z is thinking about disability insurance in a way it had not done previously. What is the industry doing to encourage Gen Z to sign up?

In addition, Gen Z is looking at organisations and their social strategies. Are they seeking out like-minded people? What do they stand for? Let's not forget that these days, people can choose who they want to associate with by simply swiping left or right. The organisations that can reach out to Gen Z are going to be the winners.

So, what does the insurance industry need to look to do?

There are key issues that the industry need to address:

- Individuality and flexibility are of great significance as they play a major role in shaping the reality of our present. Fast communication and the option to make flexible, need-based adjustments to products in response to changing life circumstances are very important to Gen Z.
- Gen Z seeks trustworthy partners who treat them as equals and are transparent and driven by values.
- Some Gen Z-ers even want to share a vision and a common endeavour to solve global problems.
- Contemporary imagery and forms of address are expected in communication (e.g. diverse, less distanced and less formal), although the context of insurance still has to retain its air of sincerity (e.g. by reflecting a youthful outlook). The main communication challenge here is to maintain a balance between watering down the severity of the topic (strokes of fate, etc.) and being sufficiently sincere and credible.

Food for thought as we enter a new way of working and as the influence of Gen Z on our day-to-day lives increases.

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Real estate: are you putting in the E in ESG?

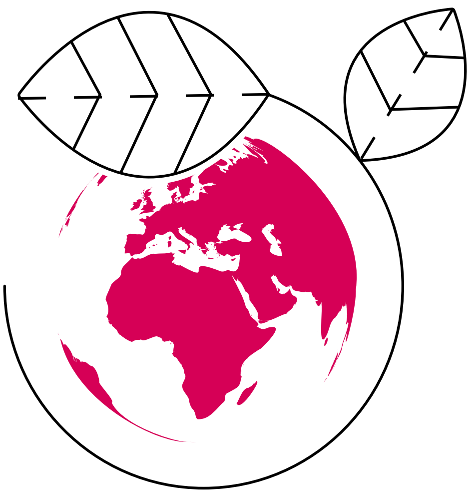
Upcoming issues for owners and occupiers of commercial real estate.

When one of the key global megatrends is climate change and resource shortage, this naturally has a massive impact on the built environment – both in terms of current buildings and the carbon they embed and emit, as well as new buildings, refurbishments and planned maintenance programmes.

The backdrop is that the built environment contributes 40% of our greenhouse emissions in the UK and uses 36% of the world's energy. To add to this, the demand for water is set to increase by 40% and energy by 50% over the long-term.

With current and projected legislation along with the pressure and the requirement on governments to deliver to the Glasgow Climate Pact agreed at COP26, property owners and occupiers are a target for change. This issue is not one owners and occupiers of real estate can escape in the short, medium or long-term. Holders of real estate in its various forms need to act now to review their responsibilities, risks and liabilities and take urgent action to address what is a burning platform in respect of their property holdings.

Climate change isn't the only environmental consideration in your ESG deliberations when it comes to reviewing your real estate assets/occupation.



The World Economic Forum lists climate change among the top ten global risks over the next ten years. The others include:

- Weapons of mass destruction
- Biodiversity loss
- Extreme weather
- Water crises
- Infrastructure breakdown
- Natural disasters
- Cyber attacks
- Human made disasters
- Infectious diseases

All of the above have an impact on how buildings (including offices) are occupied, designed, insured, provisioned and supplied with energy and water.

> Flexibility in leasehold provisions to enable these issues to be addressed is key. Without such flexibility, there will be issues in renewing leases, finding available and/or suitable stock and risks of being left with leases or owners incurring outgoings on buildings (including offices) that are not capable of full occupation and/or rental return to cover those outgoings.

In October 2019, the current UK Government launched a consultation (which is ongoing) on the trajectory for Minimum Energy Efficiency Standards (MEES) in relation to the non-domestic private rented sector. There is already a minimum requirement in place as introduced in 2015 to the effect that since April 2018, landlords of non-domestic private rented sector properties have not been permitted to grant a new tenancy or to extend or renew an existing tenancy if their property with an Energy Performance Certificate (EPC) rating of an F or G. From 1 April 2023, this prohibition on leasing will require an EPC rating of at least an E. The consultation is most likely to require that all non-domestic private rented buildings achieve an EPC rating in band B by 1 April 2030, provided the measure, or package of measures, is cost effective. Whilst the majority of office stock for most of our insurance clients is likely to meet the current requirements by 2023, there is risk that it may not meet the requirements by 2030 and further, that the requirements may be adjusted in the future – what is an EPC Band B now may not be an EPC Band B in 2030. The very nature of property compared with other asset classes, such as equities and gilts, as an illiquid asset class (i.e. takes time to shift/ relocate/alter) further increases the risk of investors and occupiers being stuck with obsolete or stranded assets that they are unable to let/re-let and/or sell.

Taken in the context of leasehold premises, there is an urgent need to review the leasehold provisions against the energy performance of the building and consider whether your premises will meet the MEES requirements by 2030. Many leases are for a term of more than 10 years and further, many tenants would want to remain and renew their lease where a term end is imminent. You should be annually reviewing your real estate needs and their fitness for purpose to avoid future shocks and costs, consider annually projected changes to the legislation and EPC guidelines and plan and negotiate accordingly.

Other ways that the drafting of new or the variation of existing leases can assist rather than hinder include:

- greater collaboration between Landlords and Tenants to agree any capital improvements to improve energy performance, and a sharing of cost and reward either specific to the premises or via the service charge for the building;
- agreed principles to enable Landlords to enter during the term of Leases to undertake necessary works to improve energy performance and for necessary access to be granted subject to usual safeguards around Tenants continued occupation and use (and vice versa);
- collaboration between all stakeholders in shared buildings and Landlord and Tenants (and managing agents) to share and be transparent on energy usage, and to data share and set targets. These provisions are increasingly being added as part of "green clauses" to Leases, but all too often are stated as non-binding –be brave and commit;
- reconsider and adjust provisions around repair and decoration and reinstatement. Carve out from any such obligations where the same would have a detrimental effect on the energy performance or agreed sustainability targets for the building.

The Real Estate team at DWF are experts in reviewing and negotiating landlord and tenant documents and advising on infrastructure projects and construction related works. We are able to bring our experience to you in respect of the drafting and negotiation of appropriate provisions in such documents to cover the issues mentioned above.

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COVID-19 and Brexit – A litigation labyrinth

Businesses will always need to get the most out of their suppliers and service providers – but can holding them to account still be cost-effective in today's ever-changing world? Has Brexit made international enforcement too complicated? Has COVID-19 slowed down the wheels of justice? Does data mean that there is no such thing as a small dispute anymore? Dispute resolution does constantly evolve but recent times have seen more curveballs than normal.

The good news is that the courts of England & Wales have done themselves proud in recent years. The fear that the judiciary would not, or could not, embrace the flood of technological advances set to improve the litigation process disappeared surprisingly quickly after it was forced to adapt to a pandemic-safe way of working and coped exceedingly well.

> It was not without teething issues, but the broad consensus among litigators appears to be that the courts have done so well that many of the changes they implemented should stay – particularly the use of remote hearings and electronic bundles for interim applications given that they can be far more time-efficient, cost-effective and environmentally-friendly.

In addition, clients also report on them being more user-friendly as they can get on with their day job while watching the live feed, and as icing on the cake, the virtual courtroom gives a shot of their barrister's face as opposed to watching the back of a wig in a courtroom.

COVID-19 did of course feature in many a case. In a certain number, if there was supporting evidence, the Courts were obviously sympathetic to the impact of the pandemic – some things were just not possible in a lockdown. However, COVID-19 fast became a key excuse for parties failing on obligations, missing deadlines and requiring extensions. The courts seem to be treading a sensible line through those cases (even despite my own grumbles at having to progress a disclosure exercise of Pakistan-based documents during a lockdown in that jurisdiction at the height of the pandemic).

With so many challenges at once, however, there has been many a perfect storm. We are seeing, for example, a national HGV driver shortage crisis in the UK (arguably as a result of drivers returning to the EU in light of Brexit, and not returning in light of COVID-19, amongst many other factors, including the IR35 tax changes). That sort of crisis affects every business and sector, not just haulage, and we are supporting clients to navigate the challenges arising from it.

There was no doubt that enforcing judgments throughout the EU was easier before Brexit. The rush to take advantage of the pre-Brexit simple registration process in the Recast Brussels Regulations showed that litigants feared the minefield to come. It might be easier if we are allowed to accede to the 2007 Lugano Convention (and/or the Hague Judgments Convention), but while the EFTA states have welcomed us, the EU are stalling, so there are currently no guarantees. All eyes therefore are on enforcement under the Hague Convention on Choice of Court Agreements 2005, to which we have acceded in our own right, but that is only for civil or commercial matters where the original court was designated in an exclusive choice of court agreement. It is otherwise a far less clear common law regime.

All that being said, litigation has often been seen as an expensive process. That is not least because of the recent changes to civil procedure aimed to front-load so much of the process (pre-action expectations, mediation focus, disclosure 'streamlining' and costs budgeting) so that cases which can settle, do so before parties get too far. The extra twists and turns from Brexit, COVID-19 etc. do not make the process unfit for purpose – in fact, access to justice remains alive and well, buoyed by an increasingly competitive funding and insurance market. It is just more important than ever that the parties start with a pragmatic goal and a commercially minded commercial litigator. Litigation (or the threat of it) will always present options to get the most out of one's suppliers and service providers, but perhaps it ought to remain a means to an end, rather than a process to see through to the end.

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Focus on default funds and lifestyling

Default funds will be a focus for review and development for both workplace and non-workplace pension schemes in 2022. The suitability of "Lifestyle" funds is a hot topic with review and possible action required to mitigate the risk of claims.

Non-workplace pensions – default funds on the horizon

The FCA has commenced consultation on non-workplace pensions (NWP) with a view to enhancing outcomes for consumers based on experience from workplace pensions. NWPs are generally individual pension arrangements entered into by an individual with another counterparty, commonly an insurer.

Stating that they found evidence of some NWP consumers finding it difficult to identify appropriate investments, or leaving large amounts of their pension pot in cash, proposals include requiring firms offering NWPs to:

- offer non-advised consumers buying an NWP a ready-made, standardised investment solution (a 'default option'), and to make this available alongside other investments; and
- send a notification ('cash warning') to consumers with potentially inappropriate levels of cash in their NWP to warn them that their pension savings are at risk of being eroded by inflation.

The FCA is seeking to draw from the workplace pension schemes/auto-enrolment model under which defined contribution workplace schemes must have a default option for any member who has not actively selected another fund/investment strategy.

> In workplace pensions, currently 92% of members are invested in a default option, either because they have made no active selection of fund or because they have decided that the default fund is appropriate for them.

Initial guidance is given on what should be taken into account in the investment design of a default option with climate change and ESG risks and opportunities flagged. Comments on lifestyling has been met with resistance by some providers who say that drawdown is now the preferred option (lifestyling is generally premised on an annuity being purchased at retirement).

The consultation is open until 18 February 2022. In terms of timescales, it is expected that providers will be given 12 months to implement proposals from the date the FCA publishes its final rules and guidance. Whilst the FCA has stated it expects to publish these details in 2022, no firm date has been given, so this will be one to monitor so that steps can be taken as soon as final rules and/or guidance are available.

Default fund member claims: a ticking time bomb?

The vast majority of members of defined contribution (DC) schemes have their scheme assets invested in default or "lifestyle" funds. This is the case for many workplace pension arrangements provided by insurers, for example group personal pension arrangements.

Many lifestyle funds are currently, or have in the past, been invested with a view to allowing the member to purchase an annuity at the member's selected retirement age. Default/lifestyle funds will generally de-risk the member's assets in the 10 years preceding retirement. De-risking is often automatic, and for many members may not be appropriate for the following reasons:

- default funds may not take account of the flexibilities introduced from April 2015 which, importantly allow a member to drawdown cash as and when needed; and
- the vast majority of members elect not to purchase an annuity, instead electing to keep a proportion of funds invested with a view to achieving investment gains during retirement. A default fund which de-risks most, if not all, of the member's assets would prevent this outcome.

Some pension analysts predict that this could see members losing anywhere between £20,000 and £100,000 in returns. This could increase exposure for insurers if member communications relating to the operation of lifestyle funds do not adequately explain the potential detriments associated with choosing a specific fund.

Given that there are approximately 15 million members of DC schemes and the vast majority of members of these schemes will be entirely invested in default funds, there is the potential for a huge volume of claims. We anticipate that claims will be driven by claim management companies, so insurers should start considering the issue to determine if their current and historic member communications are sufficient.

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Cash-strapped – HMRC's likely approach over 2022

Governments need our money to function, now more than ever: they will get it most easily from those who have deep pockets and are highly regulated already, or by using enhanced compliance powers to squeeze what they can from businesses, rather than risking unpopularity through further hikes to personal taxation. This means insurers and their policyholders are clearly in their sights.

HMRC look to insurers for a quick win

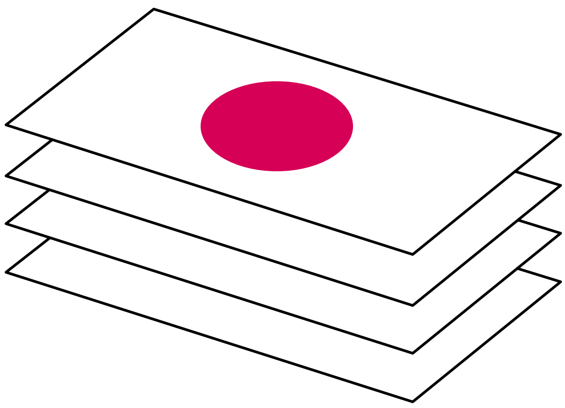
Large and regulated, businesses are an easy target for HMRC as the Government tries to balance its books. A recent report found that FTSE100 companies hand over 53% of their income to the taxman. Tax policy is sure to be high on boards' agendas this coming year, with HMRC looking to increase the tax take.

> We can expect the burden to continue to fall most heavily on those larger, more profitable, cash-rich businesses, particularly in the services sector, including insurance and insurance-related businesses.

In addition to simple tax increases and a restriction on reliefs, this will take a number of forms:

- a further drive to limit tax avoidance: we've seen in the last month how the Government has targeted Insurance Premium Tax (IPT), albeit in this instance it has backed away from further legislation, preferring instead to promote a voluntary code of conduct for the brokerage industry and considering public access to a register of insurers registered for IPT;
- increased scrutiny to ensure that, for example, increases in employers' national insurance contributions are not avoided: we've already seen significant compliance and enforcement activity in respect of self-employed consultants and those engaged through intermediaries, and this will continue; and
- similarly, ensuring Corporation Tax compliance will become more significant, with the rate increases, which are due from 2023.

These latter two factors, together with generous tax reliefs for capital investment in plant and machinery, will continue to drive the business response of increasingly mechanising what had been processes undertaken by employees.



Policyholders

HMRC will be using enhanced compliance powers and resource to increase revenue from all sectors. HMRC's latest estimate of the tax gap (the difference between the estimate of tax due and tax actually paid) is £35 billion. HMRC is looking to make use of existing compliance and enforcement powers to close that gap. It will target businesses and in particular is looking to penalise those who provide tax and tax-related advice.

Latest figures show that HMRC paid out £70 billion in Coronavirus Job Retention Scheme claims, with an estimated £6 billion worth of those payments being made as a result of fraud or error. The scale of HMRC's roll out of support schemes was unprecedented, and there now follows the clean-up exercise.

This year, the Government confirmed £100 million in additional funding for HMRC to focus on compliance, and saw the setting up of a new taskforce. HMRC has committed to opening 30,000 new enquiries into COVID-19 support payments alone. There are steps which insured businesses can take now to mitigate the financial, practical and reputational impact of any investigation. Together with National Minimum Wage (NMW) compliance, also under HMRC's purview, we can expect numerous business to have to deal with enquiries in the next couple of years.

New levies

The regulated sector also faces a new charge of up to £250,000 per year, as the Government introduces yet another sector-specific tax. One of the Government's latest taxes, the economic crime levy, will impact those operating in the anti-money laundering regulated sector from 1 April 2021, with the first payments being made in 2022. The annual charge increases in line with the size of the business. We expect the yield from it to increase steadily following its introduction.

Although clearly running counter to its ethos, the UK governing party is faced with a stark choice to borrow more or tax more – it has so far been compelled to do the former, which has driven it to do the latter. With a further wave of COVID-19 infection sweeping the country, we can expect more of the same.

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