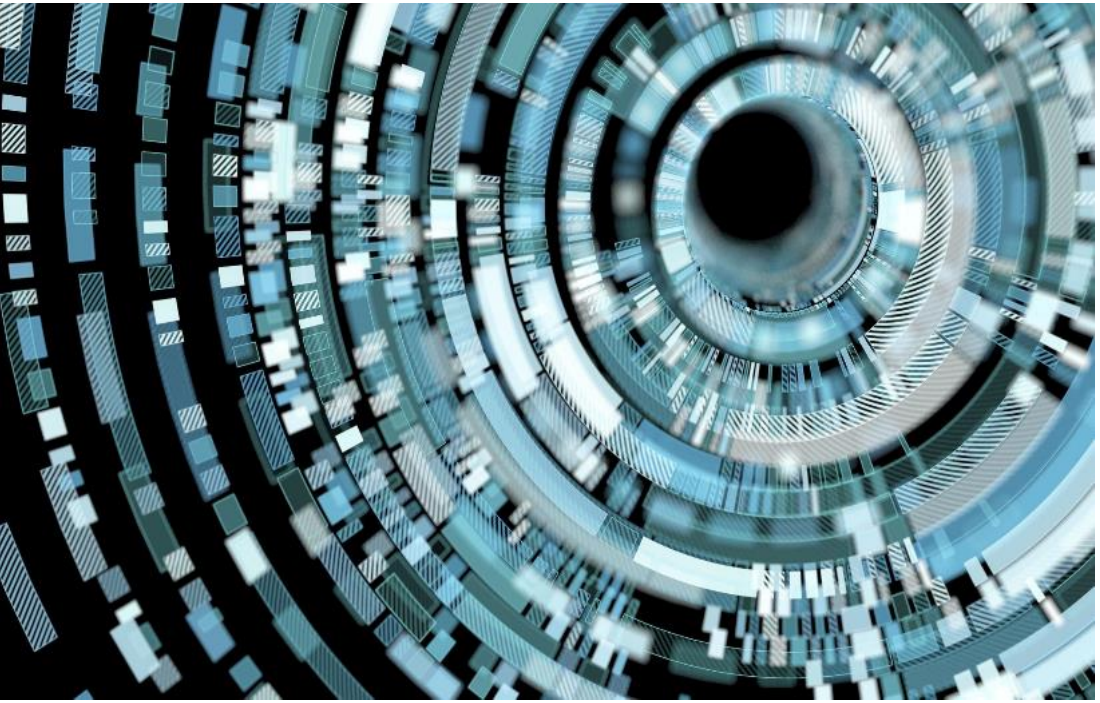


Insuring non-tangible assets

DELIVERED BY DIANE JENKINS ACII, CHARTERED INSURANCE BROKER

FEBRUARY 2024

nick thomas + associates

The Insurance Institute of Preston and Blackpool
Chartered Insurance Institute

Introduction/housekeeping

Welcome and thank you!

60 minutes webinar format – muted and video off. Polls, Chat, Q&A

Diane Jenkins

- Background in Insurance Broking Sector – technical programme design, M&A due diligence, BI reviews
- Former chair and education secretary of London Business Interruption Association, committee member of Cyber Insurance Association

Nick Thomas & Associates

- Up to the minute training solutions addressing the challenges of the modern insurance professional
- Technical insurance; sales, communication and soft skills; customer service; management and leadership; performance, resilience and wellbeing training

Objectives

At the end of the session delegates will:

- Be aware of the importance and risks of intangible assets in a business
- Understand the coverage gaps in conventional insurance for intangible assets
- Identify potential insurance solutions to the risks identified

What are intangible assets?

Data

Cryptocurrency

Fungible/non-fungible tokens

Reputation

Human capital

Intellectual property

Data

Data is intangible

Excluded from (most) property/BI policies

Cover is available under cyber policies for specific issues

- cyber attacks
- ransomware
- employee error – accidental breaches

Covers:

- restoration of data
- business interruption
- ransom
- forensic costs

Cryptocurrency/Fungible tokens

Fungible tokens or assets are divisible and non-unique:

- currencies are fungible: A £10 note in London has the same value as a £10 note in Cheltenham
- a token is something that represents a value e.g., a coin
- fungible tokens can be stored in blockchain
- a fungible token can also be a cryptocurrency like Bitcoin: 1 BTC is worth 1 BTC, no matter where it is issued

Non-Fungible Tokens

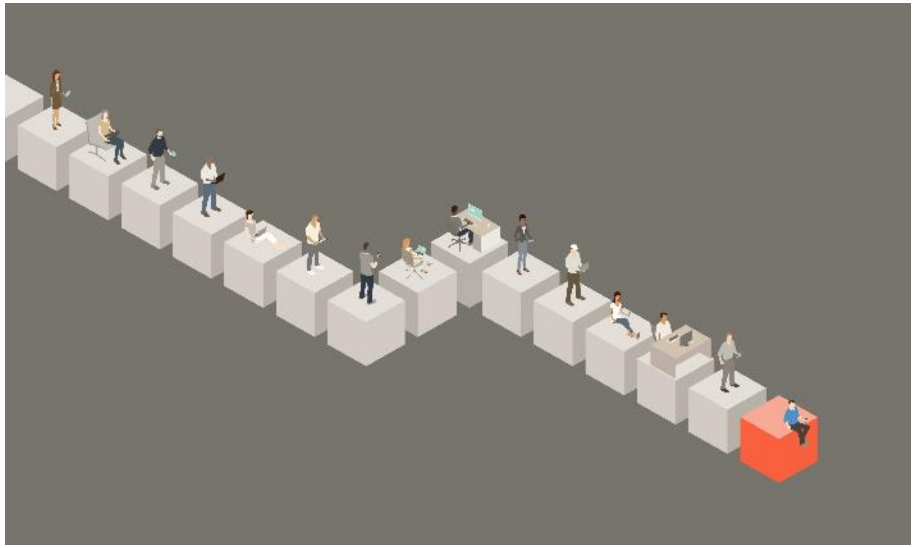
Non-fungible assets are unique and non-divisible

- a type of deed or title of ownership of a unique, non-replicable item, e.g., a flight ticket is non-fungible because there cannot be another of the same kind due to its specific data
- non - fungible tokens (NFTs) represent one unique and indivisible item — physical or intangible — like a picture or intellectual property.
- fungible tokens like Bitcoin store value, non-fungible tokens are unique digital identifiers linked to ownership of data like an academic title or an artwork

Non-Fungible Tokens

NFTs can be bought or sold online and represent digital proof of ownership of any given item

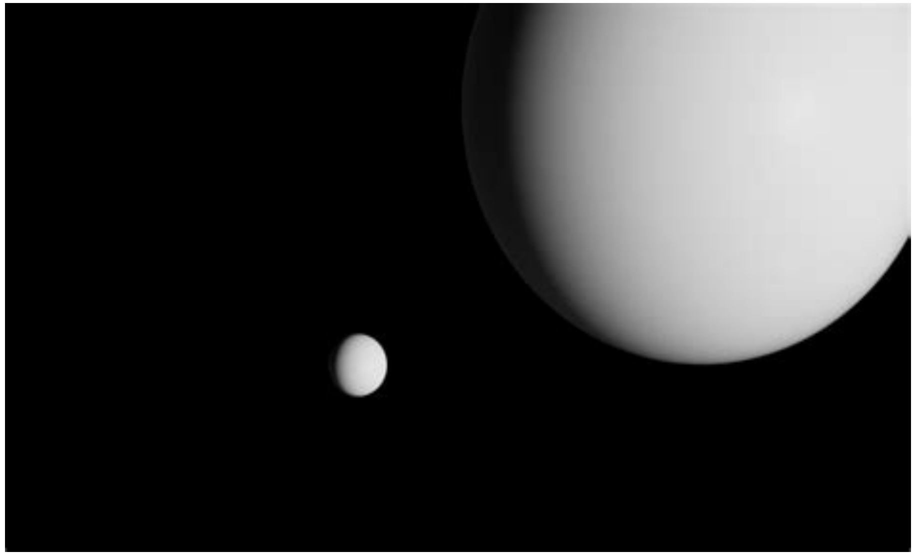
- blockchain is the underlying technology that can prove ownership of an intangible digital item
- the items they represent are verifiable and traceable, but the owner can remain anonymous
- NFTs are ‘minted’ through smart contracts that assign ownership and manage the transferability of the NFTs
- the ‘minting’ process includes creating a new block to validating and recording the data on the blockchain



Non-Fungible Tokens

NFTs can have a significant value

- Pak's Merge NFT Generates Record US$91.8 Million in Sales Dec 2021
- Beeple sold an NFT for US$69 million March 2021
- Crypto Punks - lowest price Punk available Dec 2022 - 64.8 ETH (US$81,369)
- Bored Ape Yacht Club collection - Dec 2022 - average price of one Bored Ape Yacht Club NFT was US$93.4k, Dec $59.9k



Main risks to digital assets

Some risks are common to crypto technology and digital content:

- theft – hacking
- corrupted files
- cryptojacking
- loss of wallet /private key
- lack of regulation

Specific to NFTS

- unauthorised use – breach of copyright
- counterfeits
- valuations/price volatility

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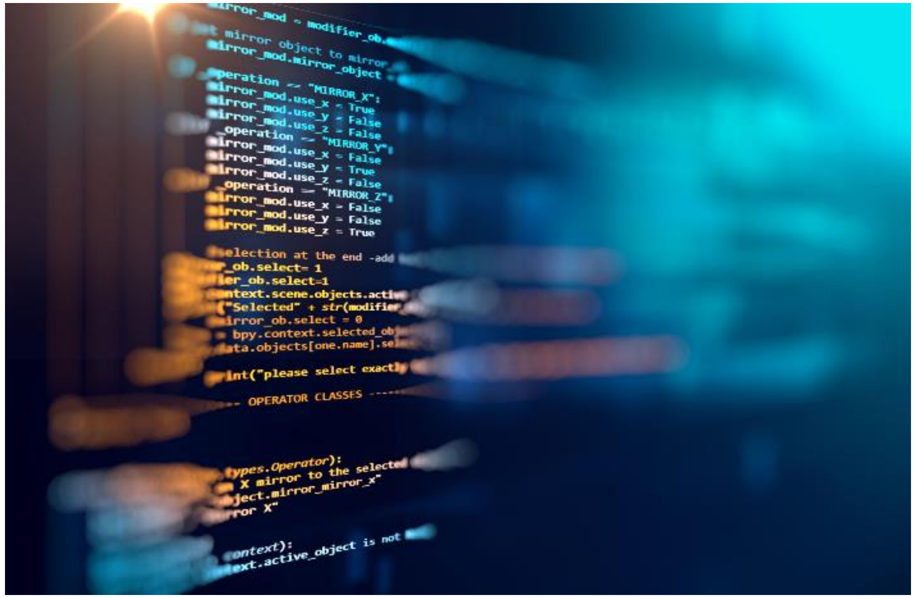
Insuring digital assets

Need specialised crypto asset insurance

- not physical property – Law Commission has proposed courts recognise ‘data objects’ as specific type of property
- specific exclusions e.g., cryptocurrency/NFTs often excluded from cyber policies
- crypto insurance is expensive and limited availability
- some crypto providers offer customers some insurance
- specialist NFT policies being developed for NFT creators and owners



Can get some insurance for some NFT risks but thought less than 1% insured (Aug 2023)

New cover being developed

Reputation

Major adverse events impacting a business can cause reputational damage

- perception of capability e.g., quality and safety of products – customers main influence
- perception of business character e.g., social responsibility – shareholders main influence

Costs to business

- more than 25% of a company's market value is directly attributable to its reputation.
- 86% of people would pay more for services from a company with higher ratings and reviews.
- 41% of companies that experienced a negative reputation event reported loss of brand value and revenue.

Insuring reputation

Risk management a key factor

How to measure cost of loss of reputation?

- insurance can help identify reputation threats – proactive risks management costs

Insurance cover:

- financial losses resulting from a reputation crisis, such as lost revenue or profit – complex, lots of exclusions
- costs associated with post event crisis management – widely available
- parametric policies

Human capital

Human capital - collective attributes possessed by employees which drive organisational value

- talent, experience, knowledge

Risks include

- loss of productivity /absenteeism
- high employee turnover
- illness and mental health
- disruption to conventional working arrangements
- inability to keep up with innovation

Insuring human capital

Risk management key

- understand drivers of employee satisfaction
- training/ knowledge sharing
- diversity policies
- health and wellness policies
- information sharing – reduce dependency on one team/employee

Insurance can help

- key person/team
- private health care/critical illness/income protection/group life

Intellectual property

Intellectual property

- patents, trademarks, copyrights, domain names and trade secrets
- client might infringe IP (accidentally)
- third party infringes client's IP

Patent trolls

Contractual exposure

Litigation very expensive

Risk management important

Insuring intellectual property

Types of IP insurance products:

- defensive IP insurance policies protect an insured's IP, products, and services from external attack
- offensive IP insurance covers the costs of IP enforcement matters e.g., asserting that the third party has infringed the insured's IP
- profits - losing an infringement case may result in an injunction - can cover resulting loss of profits
- specific contingency insurance covers known risks e.g., identified during M&A
- ATE

Objectives Revisited

At the end of the session delegates will:

- Be aware of the importance and risks of intangible assets in a business
- Understand the coverage gaps in conventional insurance for intangible assets
- Identify potential insurance solutions to the risks identified

Thank you! Questions?

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'Up to the minute training solutions addressing the challenges of the modern insurance professional'

Click here to listen to Nick's latest podcast appearance on 'HR Uprising' talking about workplace performance, resilience and health