

Julian Enoizi – Supplementary written evidence (RSK0090)

I am writing following my recent appearance in front of the Lords Risk Assessment and Risk Planning Committee. Thank you once again for the chance to give evidence. I thought it might be helpful to share some further information pertinent to the committee's inquiry and the role that public-private partnerships can play in increasing the UK's resilience.

As you know, Pool Re was established in response to a failure in the insurance market after untenable losses and uncertainty caused by the Provisional IRA's devastating bombings in financial centres in London and Manchester during The Troubles. As a result of their attacks, insurance cover was withdrawn for commercial property, meaning that the economy, industry, and the taxpayer were highly vulnerable to future attacks.

As I discussed with the committee during the session on 24th February, Covid-19 has exposed a similar market failure which could have significant ramifications for the provision of insurance in the coming years. Systemic risks such as pandemics are not traditionally included in standard business interruption cover, and uncertainty over different policies' applicability has led to legal challenges which have hampered businesses' ability to access pay-outs in a timely manner. It is also increasingly clear that any future insurance policies will not include business interruption cover in the event of a similar pandemic.

As well as pandemics, there will always be other risks on the horizon. Cyber-attacks, solar storms or climate catastrophe all have the potential to significantly impact society, businesses and the economy, and the Government's most recent risk register found that a large-scale CBRN attack fell into the same category of risk as a pandemic for both likelihood and impact.

It is therefore essential that we move forward with a holistic approach to plan for and insure against systemic risks, like pandemics. Not doing so jeopardises the economy, inhibits business lending, and will likely leave the government footing the bill for crisis recovery, as we have seen with Covid-19.

It is clear then, that a new model for insuring against systemic risks, such as pandemics, needs to be established to avoid businesses being left exposed to interruption, and to transfer risk from the taxpayer to the private sector. We believe the innovative approach which led to Pool Re's foundation in the early 1990s could provide the solution to this problem. There is almost unanimous support from within the sector to partner with the Government to enable some level of pandemic risk retention and mitigation by commercial insurers, and the Bank of England, the PRA, the FCA and the CBI have also impressed upon Government the need to engage with insurers on this area of clear market failure.

Such a model would allow the government to monetise the full spectrum of its liabilities and guarantees as it does for terrorism. Enabling competitive, innovative commercial markets to develop for risks which are

otherwise commercially uninsurable would align social and private sector objectives, and integrate the insurance industry firmly into the national resilience and disaster risk-financing architecture.

I would be delighted to discuss this in more detail and answer any questions you may have.

Please let me know if this would be of interest and I will ask my office to arrange a date.

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