

Insuring non-tangible assets

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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

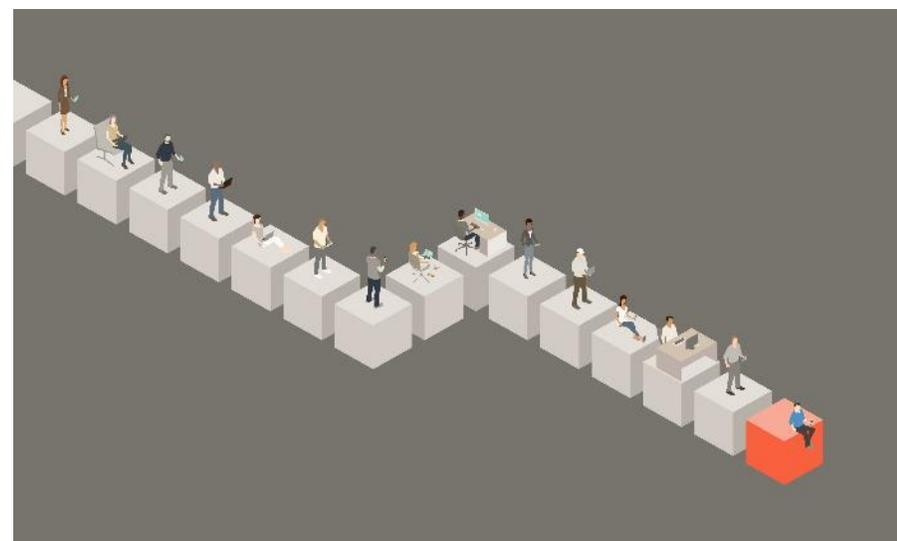
- a type of deed or title of ownership of a unique, non-replicable item, e.g., a flight ticket is non-fungible because there cannot be another of the same kind due to its specific data
- non - fungible tokens (NFTs) represent one unique and indivisible item — physical or intangible — like a picture or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

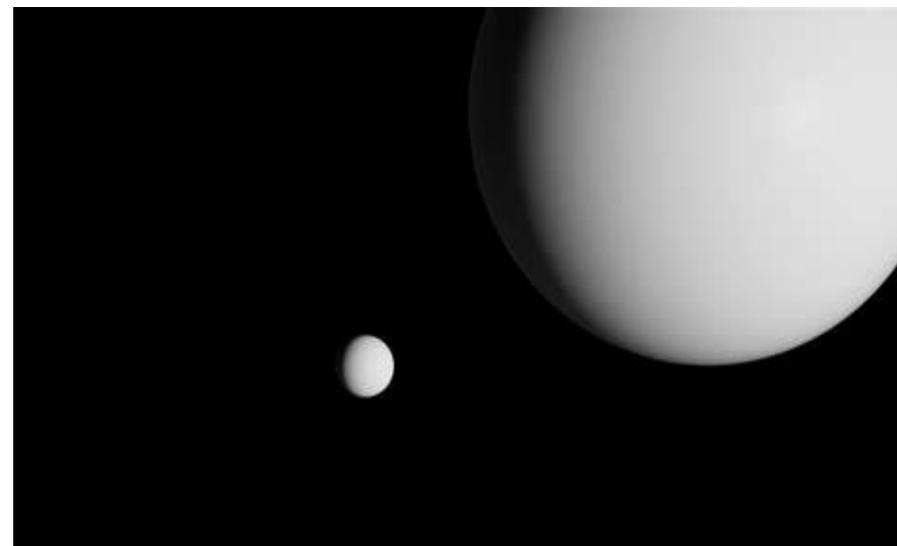
- blockchain is the underlying technology that can prove ownership of an intangible digital item
- the items they represent are verifiable and traceable, but the owner can remain anonymous
- NFTs are 'minted' through smart contracts that assign ownership and manage the transferability of the NFTs
- the '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 - as at Dec 2022 - total sales volume was US\$1Billion; average price of one Bored Ape Yacht Club NFT was US\$93.4k



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



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....



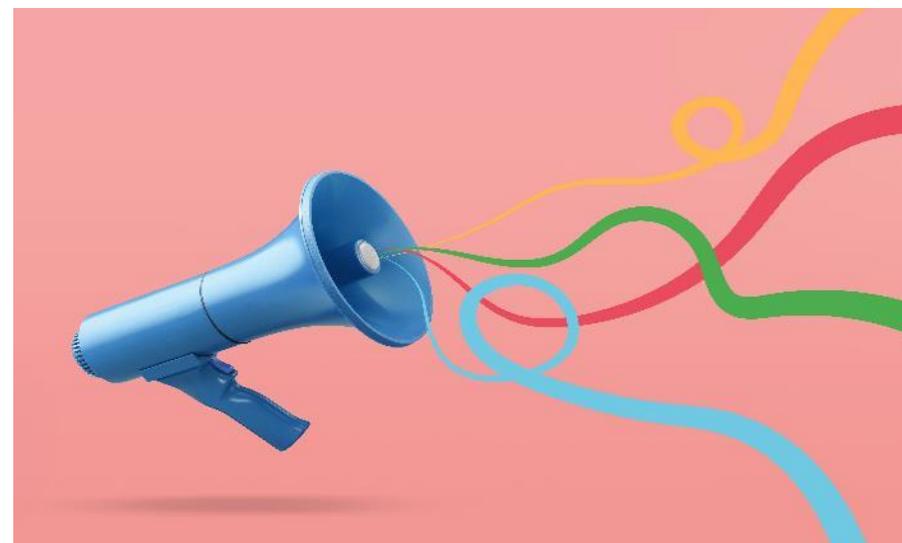
Reputation

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

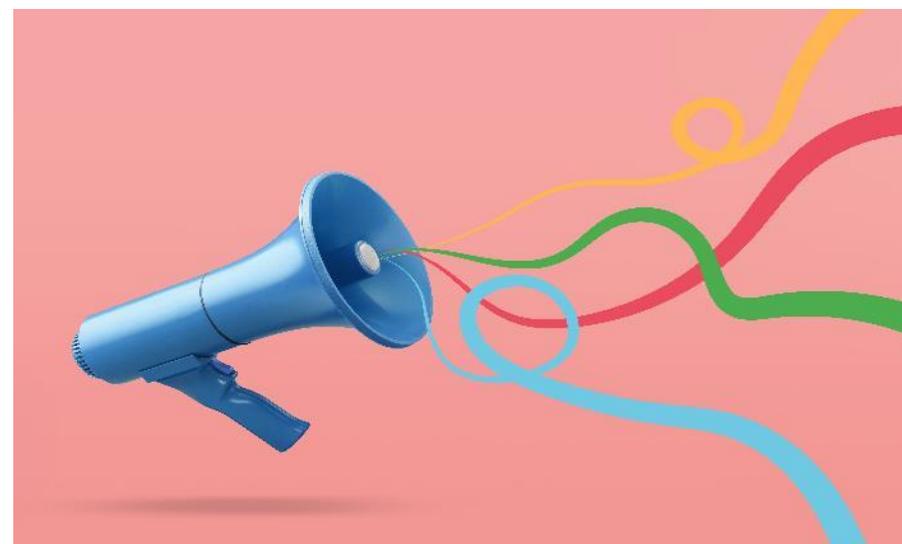
Risk management a key factor

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
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- Identify potential insurance solutions to the risks identified

Thank you! Questions?

Contact:

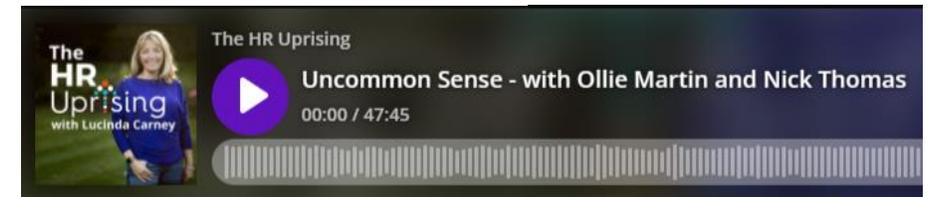
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'Up to the minute training solutions addressing the challenges of the modern insurance professional'

The logo for HRUprising, with 'HR' in purple and 'Uprising' in a lighter purple, with a colorful cross-like graphic above the 'i'.

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