THE LONDON JOURNAL

THE VOICE OF YOUR PROFESSION

2018

INSURANCE AT A CROSSROADS

Dame Inga Beale and Sian Fisher lead the way

The Insurance Institute of London
Chartered Insurance Institute

INSIDE THIS ISSUE

WELCOME

INSURANCE AT A CROSSROADS

Welcome to the 2018 edition of the Insurance Institute of London's Journal.

The President's theme for his year in office is 'At the crossroads'. Uppermost in Roger Sanders' mind is Brexit but we are at the crossroads on a number of other very important topics too such as:

- how to win public trust;
- how to do that and use technology to its best and
- how our profession can attract, and keep, the best talent to help secure London's global reputation as a centre of excellence for insurance and financial services.

In this edition you can also see examinations of the Brexit negotiations and what they could mean for our sector plus the impact Brexit might have on the personal finances of British expats living in the EU and EU citizens living in Britain. You will also find a snapshot of all the hottest issues in our market as seen by the IIL's technical lecture committees and get a little taster of what they have planned for our new season of lectures.

Finally, in addition to lots of other thought-provoking articles, such as Dr Nabholz on Genetic Testing and its implications for our profession, and a glimpse inside Aviva's Digital Garage, the Institute Secretary takes you on a mini-guided tour of the IIL's new home, 21 Lombard Street, which puts us even closer to the heart of the market we serve.

IIL extends it grateful thanks to all those who have taken the time to contribute articles to this edition.

Thanks for your support during the year and we all look forward to seeing you at an IIL event again soon. ●

The Insurance Institute of London
Chartered Insurance Institute

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PRESIDENT'S COMMENT

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IIL President
Director, Workplace Distribution and Industry Affairs, Lighthouse Group Plc

INSURANCE AT A CROSSROADS

The challenge of enabling innovation and embracing change while maintaining stability and confidence

'Moving with the times while being profitable and fair to policyholders.' 'Re-establishing trust in insurance and improving the public's financial capability.' Sounds easy? Sounds like the best thing to do? But is it so difficult in practice? And what are we doing about it?

Insurance at its heart is the transfer of risk to underwriters from customers, whether individual purchasers of personal lines cover or businesses securing commercial cover, at a price that is fair to all. This transfer of risk comes with an obligation to honour claims when they arise.

My theme for the year has been 'Insurance at a Crossroads' and the challenge of enabling innovation while maintaining stability. Allied to this is the rebuilding and re-establishing of trust in insurance.

RESTORING TRUST AND IMPROVING FINANCIAL CAPABILITY

Insurance is a people business underpinned by mutual trust. It is the absence of trust, now seen in the public's perception of insurance, which may explain, for example, the reduction in society's total insurance covers, both for life assurance and for home, buildings and contents. The invisibility of the insurance sector is a challenge, as we are subsumed all too often into the generality of 'financial services'; it is insurance that makes things hang together behind the scenes. It is insurance's role in people's lives that I have been keen to promote as a member of the Financial Capability Board of the Money Advice Service, which is responsible for the UK's ten-year financial capability strategy that commenced in 2015.

Financial capability means people having the basic capability and confidence to take informed decisions at various life stages, with success by 2025 including evidence of increased savings; reduced personal debt; individual ownership of more life protection products; and of more non-compulsory insurances, such as buildings and/or home contents – knowing what questions to ask and understanding the answers.

PUTTING THE CUSTOMER FIRST WHILE EMBRACING CHANGE

Management writer Peter Drucker once said, 'The purpose of business is to create a customer' – meaning to attract and retain. The one constant focus for the insurance profession is the customer. We have to stay close and relevant to our clients and customers, harnessing innovation with stability, restoring confidence and enabling long-term customer relationships.

Robert F Kennedy wrote that 'There are those that look at things the way they are, and ask 'why'? I dream of things that never were, and ask 'why not'?' Insurers agree and are not only dreaming about artificial intelligence and cyber risks but also now stepping up the rate of digital transformation; intermediaries and advisers are embracing technology to service customers speedily and cost effectively, whether it's called 'Robo-advice' or not. The big data tech revolution is beginning, with Lloyd's unveiling its new fast-track 'Innovation Lab'. The first Insurtech IPO has been set up in Hong Kong, auguring change in the UK, and insurers are well placed to take advantage of the opportunity offered by the 'Internet of Things'.

Although the insurance industry's Uber moment has yet to happen, with digitally enabled new entrants expected to gain market share through differentiation on factors other than price, the biggest barrier to innovation for established players remains legacy IT systems. We are innovating while retaining stability, but we are unlikely to achieve either without technology; last year's theme remains just as valid today. ●

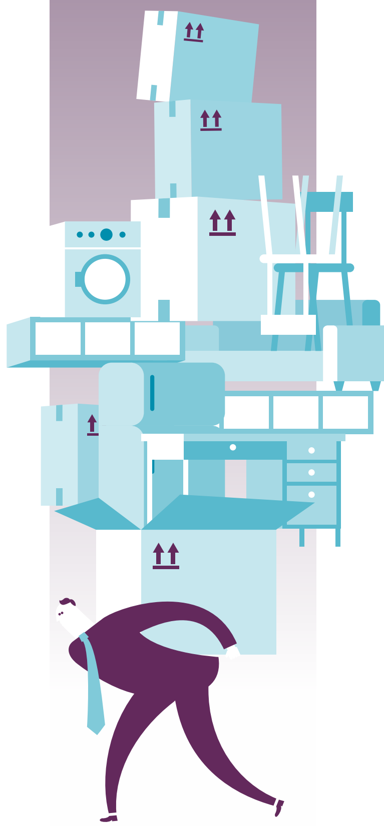
WHAT'S NEW AT THE INSTITUTE?

Turning strategy into action

The most tangible example of turning strategy into action is our move, together with the CII, out of the Insurance Hall in EC2 into 21 Lombard Street, EC3. Located next door to the original Lloyd's Coffee House, the move into 21 Lombard Street brings the IIL physically closer into the heart of the London market.

Visit the Knowledge Lounge, behind the main reception on the first floor. This is a touch-down working space with access to a small selection of the most popular and interesting books, but all of the CII's current library and archive items are still easily available from the CII's storage facility, which already houses most of the historic collection. The CII is progressively digitising its older and most fragile books and documents and all of the current study texts and accompanying materials are e-available.

The Insurance Hall has been bought by the Corporation of London. After refurbishment, we will continue to use the Insurance Hall for our most prestigious events. There are members who are sad to see us leave, not least because of the pleasant memories they have of events held there. But, as one of our past presidents puts it, 'The memories will travel with the people'. Although the CII owned the freehold, the Insurance Hall certainly wasn't cost-free to occupy and there was an extensive legacy of major work that could not be put off any longer. And no amount of investment in the building would have solved the two biggest problems – lack of space and its location. Ever wondered why the IIL CPD lectures are held in Lloyd's? It is because relatively few people are willing to do the walk to Aldermanbury and back for a lunchtime lecture. Selling the site and investing the proceeds enables the CII to plough back the investment income into the infrastructure needed to support members in their careers at this challenging time.



HELPING YOU SURVIVE AND THRIVE

Brexit, market modernisation and GDPR are just some of the huge issues facing everyone as we strive to keep our businesses going. Getting our members up to speed and keeping them up to date are our top priorities. To the new recruit and the seasoned practitioner alike, we offer lunchtime lectures from the market's leaders and those involved in developing new technology and new thinking that will help you, and your business, be as responsive, innovative, and profitable, as possible. In recent months we have hosted lectures on: Blockchain; cyber – beyond the hype; impact on digitisation on financial advisers; emerging risks and innovation; long-term portfolio management and the 1/1 renewals – the new normal? Missed them? No problem. You can catch up by listening to the podcasts at http://www.cii.co.uk/knowledge/insurance-institute-of-london/

PROVING YOUR PROFESSIONALISM

Earning your place at the table has never been easy, but help is out there. For those just starting out as well as those wanting to move on proving your professionalism via CII qualifications speaks volumes to new employers and new clients too. But squeezing in study around hectic business and home life can be a struggle, so being able to connect to others in the same position can help you stay on course. That's why qualified volunteers from the IIL came together to offer a qualification mentoring scheme to share the inside track on how qualification at Cert, Dip and Advanced Diploma ACII level can be achieved in the most efficient way. It's a free service for members in London. If you would like to find out how our group mentoring programme works please email gemma.warren@cii.co.uk ●

ALLISON POTTS
Institute Secretary,
Insurance Institute of London

HOW TO AVOID INCLUSION AND DIVERSITY FATIGUE

Talking about – and promoting – inclusion in practical ways, provides a roadmap to achieve genuine diversity. This simple reversal of terms highlights the key to delivery.

We must guard against any one element of diversity dominating discussion, presentation and publication. Intense coverage of gender bias has led to other aspects of diversity, such as social mobility and mental health, being largely ignored.

This article highlights alternative perspectives, which blended together give a holistic view and helps businesses avoid ‘box ticking’. Firms may have effective inclusion and diversity (I&D) programmes internally, but external communication to clients and prospects through online and offline channels fail to deliver the same standards and quality of approach.

OUTWARD FACING

As society becomes more diverse, it’s important that we recognise the different needs of a variety of client types. Perhaps priorities, views and approach to life mean they won’t respond positively to standard types and style of communication from companies.

For example, in the pensions sector the assumption is that a male is married to a female who is three years younger. Given the number of second marriages and civil partnerships that now exist, that’s a flawed assumption. But many companies deal with complaints about this with answers such as, ‘but that’s how illustrations are produced at present’. Too much communication doesn’t deliver what clients need and all too often regulation is blamed.

During an I&D workshop for a financial services provider, it became clear that although I&D was actively promoted, it wasn’t always implemented successfully. When discussions moved to I&D deployment in client services, a serious disconnect was evident. Although staff were keen to repair that link, making that happen was blocked by the perceived scale of changes needed to their processes and communications.

The main blocker was lack of recognition by management that a problem existed. There was no understanding that this issue could be highly damaging to reputation and market share. Getting the message across about the potential for real commercial risk could help avoid the fatigue to which we refer. Businesses must wake up to the fact that I&D is necessary for corporate survival.

LOOKING INWARDS

If we look inwards at many companies of all sizes in our sector, we would see significant strides forward. There have been successes around developing a more diverse and inclusive workforce, while making existing employees feel valued, comfortable and safe in their work environment.

The challenge remains to persuade the workforce that development is ongoing; any achievements to date could be lost if we don’t consciously attempt to improve and build on them.

Recent media attention on I&D has been skewed towards gender bias and the LGBT community. This has left behind other elements that aren’t restricted to the nine legal characteristics of I&D. Although these are enshrined in law, they’re not a complete list by any measure. This includes issues of social mobility, greater emphasis on age discrimination and mental health in the workplace. The latter includes the mental health of employees and the mental health of individuals for whom the employee is primary carer. They could possibly be suffering from dementia or other debilitating conditions.

Nor should we forget people who think or act differently – especially those who find numbers or reading daunting – as that can in itself be a barrier to inclusion.

It’s not just getting to the standard, it’s maintaining – and at every opportunity improving – the level that will give us the ultimate win.

IN CLOSING

To drive inclusion forward, we must recognise the need for balance. If we’re to engage fully, there’s little point in running events full of ‘believers’; we must engage with those who don’t see a problem and cannot recognise bias, unconscious or otherwise.

It’s through such engagement that inclusion will become the default and diversity will be the norm. ●

My thanks to those who provided the validation for this article, particularly Kiran Sihra, ACII, AXA Insurance

ROBERT REID, ACII, APFS
Chartered Financial Planner
Immediate past Chair, IIL Inclusion and Diversity Committee

BREXIT: WHICH WAY NOW?

The March 2018 Brexit transition agreement is welcome progress but none of us should fool ourselves about the scale of the challenge ahead. Avoiding an imminent cliff-edge does not mean we are any closer to agreeing a future EU-UK relationship that works or that insurers looking to minimise disruption for their clients can rest easy. The hardest yards are still ahead and the omens are not great for a far-reaching and mutually beneficial financial services relationship.

IN THIS ARTICLE, I WILL

- assess the value of announcements so far;
- set out what needs to change if further progress is going to be made; and
- highlight five key areas in which we must end up with a better outcome than we have now.

THE VALUE OF ANNOUNCEMENTS SO FAR

PRA/FCA/HMT announcements

The combined package announced by the Prudential Regulation Authority (PRA) and HM Treasury on 20 December 2017 is of value to insurers and a welcome indication of thoughtful pragmatism by our regulators and lead government department. Since then, the PRA and FCA have continued to clarify their approach in key areas. So far, we have seen:

- an improved PRA framework to authorise insurers passporting into the UK;
- the government promise of a legal backstop to ensure contract continuity if required;
- PRA and FCA improvements to the operation of Part VII transfers; and
- written confirmation from the FCA about customer communication requirements.

Also welcome have been the resources allocated by both regulators to help firms reorganise their company structures when required.

Yet however welcome, the stark fact is that none of these initiatives have been replicated on the continent, either by domestic regulators or the European authorities and the PRA will still leave the Board of Supervisors of EIOPA in March 2019.

MARCH 2018 TRANSITION AGREEMENT

This transition deal could and should have been agreed much earlier in the process but it is still welcome, even though it excluded regulatory cooperation and the guidelines on negotiating the future relationship omitted financial services. Its main value is in avoiding a cliff-edge for customers when we formally leave the EU in March 2019. This matters for insurers because of the importance of the motoring green card, the European Health Insurance Card (EHIC) for travellers and the 30 million cross-border insurance contracts that exist between the UK and EU27. Also welcome is the agreement that the UK can begin to negotiate new trading relationships, which matters both to replicate existing EU financial services agreements such as those with Switzerland and also new ones. But it is important to remember this agreement only takes us to December 2020 – not much time given the scale of the task.

WHAT NEEDS TO CHANGE TO MAKE FURTHER PROGRESS?

To reach agreement on the future relationship by the agreed target of October 2018 is incredibly ambitious and unlikely to be met. However, if the government is going to make rapid progress, several things need to change:

- A solution to the Northern Ireland border issue needs to be found. The language in the Phase 1 agreement in December 2017 (settling the financial terms of the divorce) was a masterpiece in fudge; everyone can read into it what they want to believe. But the harder task of reconciling leaving the Customs Union with maintaining the Good Friday Agreement remains.
- The European Commission needs to stop forcing financial services to relocate under the guise of 'safeguarding the integrity of the Single Market'. Some relocation is inevitable and British insurers have accepted that. But the continued hard line from the EU Commission seems to be based more on a desire to retain power with Brussels-based officials than looking after the needs of EU customers of financial services. A change of heart is needed.
- Equally, a majority of Conservative Party MPs need to agree on what a future relationship looks like and give their whole-hearted backing to the government to try and achieve this. Most of the delays to the process so far have been caused by internal disagreements within the Conservative Party rather than divisions in the House of Commons, where there is a clear majority for an agreement that keeps the UK close to the EU27. Having changed its position several times since the 2017 election, the Labour front bench also needs to ensure consistency.
- If the shape of a deal emerges, there needs to be a mature public debate on the compromises and trade-offs involved. This should avoid pitting certain sectors against others; as insurers we know that manufacturing, goods and financial services are inter-connected, not separate parts of the economy.

> **THE HARDEST YARDS ARE STILL AHEAD AND THE OMENS ARE NOT GREAT FOR A FAR-REACHING AND MUTUALLY BENEFICIAL FINANCIAL SERVICES RELATIONSHIP**

FIVE AREAS TO AIM FOR IN A NEW UK–EU27 RELATIONSHIP

Amid all the noise and fuss, here are five areas on which to keep focused as vital to the insurance sector and our customers:

- An agreement on mutual market access between the UK and EU27 to enable customers across the European continent to benefit from high quality insurance products. Trying to achieve this via the European Commission's current 'equivalence' regime is not a satisfactory second best given the political nature of the process and the unsuitability of the UK being a 'rule taker' of the EU when it is the largest financial services market on the European continent.
- Green card and EHICs maintained through a long-term deal that helps businesses and tourists, enabling insurance to operate effectively across borders.
- A data adequacy agreement that allows for data transfers to operate seamlessly and effectively after December 2020. As the General Data Protection Regulation (GDPR) has been implemented, it is important this is prioritised with clarity on whether it would leave the UK as a future rule taker.
- Supervisory cooperation between regulators to maintain financial stability across Europe. As regulators of the largest insurance market in our continent, it would defy common sense for the PRA to be excluded from key regulatory bodies and we still need a workable regulatory framework to enable the run-off of existing insurance contracts.
- An EU Withdrawal Bill that provides for clear and effective future parliamentary scrutiny of the powers being brought back to the UK from Brussels. UK regulators and ministers will have powers that were previously exercised only after scrutiny by elected MEPs so it is vital that elected representatives in the UK and devolved parliaments also have the powers to exercise proper scrutiny if we are not going to end up with less democracy than we had before.

AND FINALLY...

It would be churlish not to recognise the efforts made by ministers (especially the Chancellor), regulators and civil servants so far to make progress on Brexit from a standing start in June 2016. Firms have also worked round the clock to establish new structures and legal arrangements to provide continuity to customers.

But in the Brexit marathon, the bad news is that we are not even at the half-way stage yet. The most difficult miles lay ahead of us. This means it will take much greater political courage, flexibility and levels of mutual goodwill than we have seen so far if we are to leave the EU in December 2020 with a set of arrangements that deliver for customers and keeps us at the heart of European and world insurance.

HUW EVANS
Director General,
Association of
British Insurers

JANE PORTAS
Partner, PwC

Why conduct, collaboration and rebuilding trust are as critical as restructuring

NAVIGATING THROUGH BREXIT AND BEYOND

Insurance is a business built around trust. And yet nearly three-quarters of the insurance leaders taking part in PwC's 2018 Global CEO Survey see lack of trust in business as a threat to their growth prospects[1].

From heightened media scrutiny to increased conduct regulation, the fallout from the erosion of public trust in business, the City, and insurers specifically[2] has many manifestations. The associated risks – be they reputational or regulatory – are hard to anticipate and difficult to contain. Yet, in many ways the most seismic impact of this public disillusionment is its contribution to the vote to withdraw from the European Union.

There are many structural issues thrown up by what now look likely to be significant shifts in trading relationships – this article assesses the unfolding options for addressing these Brexit challenges. Yet while securing market access is clearly critical, the associated restructuring only treats the symptoms of Brexit rather than the cause. As this article goes on to explore, it's therefore important to consider why did public trust break down and how can it be restored? This includes dealing with the new regulatory realities and rebuilding public goodwill through collaborating on solutions that meet the changing needs of customers and society.

A CHALLENGE LIKE NO OTHER

This isn't the first time, nor will it be the last, that the insurance sector has faced significant upheaval. What marks out Brexit, however, is the continued uncertainty, and lack of trust over, the outcomes and how many moving parts are involved – strategic, operational and regulatory.

● **Contract certainty:** Certainty in key areas such as claims settlement is being called into question. And this has been exacerbated by the lack of concrete and consistent interpretations across EU and UK regulators, and related concerns about the basis of, and capacity for, impending approvals.

● **Regulatory perimeters:** Further headaches stem from the need to split underwriting portfolios between UK and EU operations. Solvency II perimeters, and jurisdictional approaches, are fluid. Distribution flows also need to take full account of the new Insurance Distribution Directive (IDD), which is itself subject to varying regulatory implementation timelines and approaches.

● **Complexity and cost:** Not only could separation of UK and EU entities lead to higher capital, operational and compliance costs, certain efficient business models may no longer be viable. Some portfolios may need to be divested as a result, though this could of course create openings for better positioned peers.

As we move closer to the wire, we're likely to see a step up in deals as insurers evaluate profitability, sustainability and contract certainty, and passport-only brokers look to buy or build a presence on the Continent.

ADAPTING BUSINESS MODELS TO REGULATORY CHANGE

Many UK firms are relying on EU-domiciled subsidiaries to sustain services and access to customers on the Continent. However, from the outset the roadmap for EU firms has been less clear. While (re)insurance branch structures could provide the answer, regulators have generally been reluctant to sanction this approach in the wake of the financial crisis. Now, however, the UK has signalled its greater openness to such structures[3], perhaps paving the way for the UK to develop a leading, robust, flexible and competitive EU and international (re)insurance branch regime catering to a breadth of business models? Branch approaches in general would not only make it easier for EU and other third country-based businesses to serve UK customers, but more broadly to provide access to the UK's insurance infrastructure and expertise. However, the viability of these models depends on the ability to sustain mutual trust and co-operation with home state supervisors and what's required in areas such as capital and winding up plans, along with the regulators' readiness to accommodate retail business.

A number of new partnerships

and back-to-back structures are also being considered. This includes ‘sale and outsourcing’ models involving fronting arrangements, underwriting and operational ‘support’, as well as in some cases, structured reinsurance of the ‘book’. In turn, re-allocated EU portfolios may be managed through EU ‘hubs’, supported by intragroup operating matrices and re-worked distribution arrangements.

Key aspects of these new and evolving approaches are untested, calling for close and continuous collaboration with regulators in different territories to gain their input and secure their approval. It’s also important to take close account of the direction from EIOPA.

THE NEW REGULATORY ERA

So what kind of EU-UK regulatory framework are we likely to see, if at all? Practical and political challenges mean that a bespoke deal for financial services inclusive of automatic equivalence and mutual market access akin to passporting is improbable. The pushback against globalisation, of which Brexit is a part, also jeopardises the kind of internationally consistent capital standards envisaged under the IAIS ComFrame. Perhaps the vacuum will be filled by a series of more bespoke bi-lateral ties providing a regulatory framework including supervisory co-operation and market access, as opposed to pure equivalence? The US-EU Covered Agreement provides an important precedent and has in part already laid the groundwork.

Yet it’s no longer all about solvency. While we may see more regulatory attention afforded to understanding the implications of potential ‘insolvency’, ‘the future is conduct’ in the new regulatory dawn. This isn’t just a matter of basic compliance, rather a widening of responsibility towards working in ‘customers’ best interests’[4], being mindful of their vulnerabilities, and removing the barriers to accessing financial services. In parallel with greater focus on firms and individuals’ conduct and accountability, we can also expect an increasing conduct focus within markets, especially in relation to integrity and competition.

NEW DEMANDS, FRESH OPPORTUNITIES

Given the link between financial stability and financial inclusion, it’s no surprise that the emphasis of financial regulation is gravitating toward integrity and conduct, both within the UK, and globally through the influence of the G20[5]. The backdrop includes the unprecedented risks opened up by socio-economic, environmental, technological and geo-political developments. A recent Chartered Insurance Institute report[6] highlighted a growing protection gap and resulting need to find new ways to manage the risks in our lives in the face of reduced welfare provision and shifts in work-family structures.

Insurance, financial planning, and financial services generally, have a crucial role to play in enabling societies to address these challenges and strengthen their resilience, in line with developing lifestyles and circumstances. These range from affordable, accessible financial risk solutions for areas such as divorce, (child)care and income protection for single parent families, through to innovative risk and savings structures enabling young men and women to secure their retirement and end of life care. The insurance profession’s response through fresh and lateral approaches is a test of its relevance in a changing world, and an opportunity to rebuild public trust. In this, success lies in its ability to realise change through forward-looking solutions, and its willingness to work with regulators, employers, government and society, and the imperative for all to build trusted collaborative approaches.

This is where Brexit, and the need to bridge the trust gap that helped to cause it, come together by providing a catalyst for rethinking corporate purpose and business strategies. As TheCityUK and PwC Strategy& report into the future of financial and professional services[7] highlights, plans for the post-Brexit era can only truly succeed if businesses recognise the vital importance of re-connecting with customers, collaborating with regulators and policymakers and, ultimately, reinforcing the profession’s huge importance to the fabric of our economy and our society. This collaborative mission can only succeed if there is mutual trust. ●

1. Of 100 insurance CEOs participating in PwC’s 21st Global CEO Survey, 24% are extremely concerned and 49% are somewhat concerned about trust in business.https://www.pwc.com/gx/en/ceo-agenda/ceosurvey/2018/gx/industries/insurance.html.

2. Claims Rated’s online survey dated August 2017 found only half the respondents nationally said they trusted that insurance companies would pay out, either in full or part, should they need to claim. This fell to 37% for 16-to-29-year olds. https://claimsrated.com/home/PR1.

3. Prudential Regulatory Authority Policy Statement PS4/18, International insurers, approach to branch authorisation and supervision.https://www.bankofengland.co.uk/prudential-regulation/publication/2017/international-insurers-pras-approach-to-branch-authorisation-and-supervision.

4. Article 17 of the Insurance Distribution Directive requires Member States shall ensure that, when carrying out insurance distribution, insurance distributors always act honestly, fairly and professionally in accordance with the best interests of their customers. http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32016L0097&from=en

5. G20 Financial Inclusion Action Plan 2017 https://www.gpfi.org/publications/g20-financial-inclusion-action-plan-fiap-2017

6. The risks in life and changing societal demands on insurance and financial services are explored further in Securing the financial future of the next generation, Chartered Insurance Institute and Insuring Women’s Futures. http://www.cii.co.uk/media/7774844/securing-the-financial-future-of-the-next-generation.pdf.

7. The importance of collaboration is explored further in A vision for a transformed, world-leading industry, TheCityUK and PwC Strategy&. https://www.pwc.co.uk/industries/financial-services/insights/vision-for-transformed-world-leading-industry.html.

ACCELERATING INNOVATION AMID DIVERSITY – THE STATE OF INSURTECH IN ASIA

DAISY NING
Head of Life & Health Products Asia, Swiss Re

Technology has disrupted many industries, with new technology-powered market entrants challenging established sectors, forcing traditional businesses to transform their model and – in many cases – enter new tech partnerships. Insurance is also part of this global trend. As an industry maturing at different stages in Asia, the technological transformation adopted by insurers in the region is exemplary in showcasing a seamless customer experience in insurance. There is no better time for global insurers to look to Asia for an insight into the future of insurance.

ASIA: THE INSURANCE GROWTH OPPORTUNITY

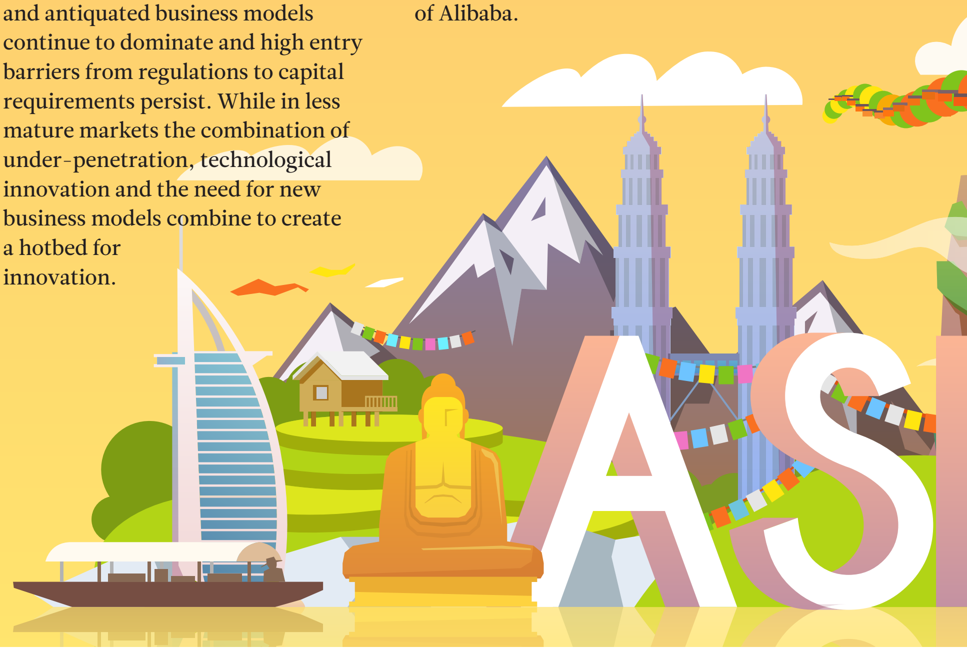
Insurance in Asia is enjoying an exciting phase of growth. Stable economic growth, a fast-growing middle class with rising disposable income, a rapidly-ageing population and an insurance penetration far below other mature markets all combine to create opportunities for the industry to grow.

Looking at healthcare in China alone, the market is expected to grow from RMB 10.9 billion (GBP 1.24 billion) in 2016 to RMB 198 billion (GBP 22.6 billion) in 2026, according to a forecast by Frost & Sullivan. In total, the country will see healthcare expenditure more than double to RMB 11.4 trillion (GBP 1.3 trillion) in 2026. Funding the exploding cost of healthcare will be a challenge for the public healthcare sectors in China and the wider region. Swiss Re's own research forecasts that even if Asia-Pacific governments and societies continue to fund healthcare expenditure as a stable share of GDP, there will remain a sizable gap of USD 197 billion (GBP 142 billion) by 2020. Narrowing the health protection gap is just one of many opportunities for insurers in the region.

Home to the world's two largest populations, it is simplistic to look at Asia as a single region: Asia's insurance market is more diverse than any other region in the world. In more mature Asian markets, legacy systems and antiquated business models continue to dominate and high entry barriers from regulations to capital requirements persist. While in less mature markets the combination of under-penetration, technological innovation and the need for new business models combine to create a hotbed for innovation.

'LEAPFROGGING' TO BEST PRACTICE

With the industry broadly in a development phase, insurers are seizing the opportunity to 'leapfrog' stages of growth and move straight to applying the most advanced technology in the solutions and services to clients, and to their business processes. Less-established structures and a young, tech-savvy population that is open to new, emerging technologies make it easier for new players, especially non-insurers, to implement technology into their offering. In China alone, around 330 million people were buying insurance products online, according to a 2016 report by Ant Financial Services Group, an affiliate of Alibaba.

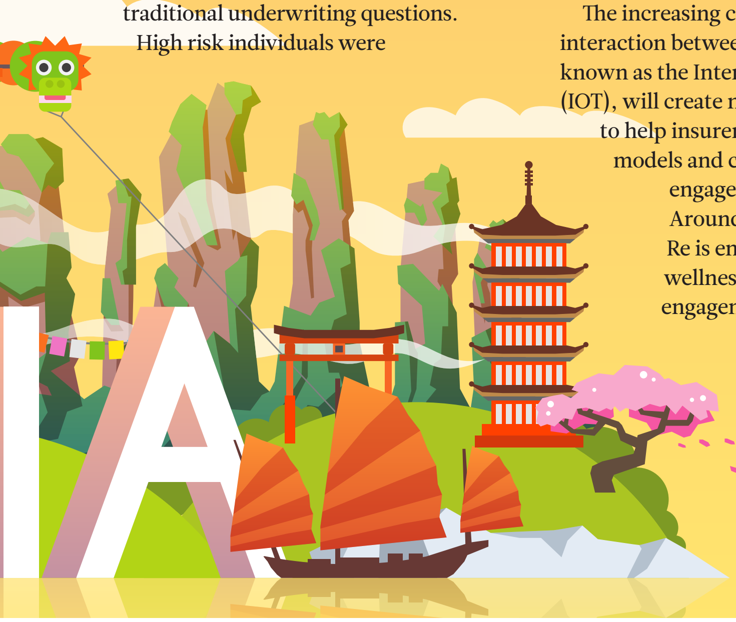


APPLYING TECHNOLOGY ALONG THE INSURANCE VALUE CHAIN

Digitalisation has already made insurance more accessible for a new generation of customers in Asia, a generation that expects services to be at their fingertips whenever and wherever they need. To stay relevant at a time of increasingly shorter innovation cycles, insurers and reinsurers must adapt fast.

Central to this trend are technologies that help us assess and manage risk earlier and with greater precision, and thereby reposition insurance as a solution to improve customers' lives rather than just providing help when things go wrong. For insurers, this means we will have to collect, qualify and analyse more data than we do today and move from a risk management approach that is merely descriptive to one that reflects evolving customer behaviours.

New digital-first or digital-only insurance models have been thriving across Asia. As early as 2014, a Chinese online insurer experimented with a new cancer product priced at only RMB 9.99 (a little over £1) with an embedded risk assessment survey that was co-developed with a reputable cancer hospital. The survey significantly improved disclosure rates over traditional underwriting questions. High risk individuals were offered a free cancer screening while others were offered one-year cancer coverage. Another example is medical reimbursement products now being sold via China's ubiquitous social media app WeChat offered to a pre-selected 1% of their users.



FROM PRESCRIPTIVE TO PREDICTIVE, PREVENTIVE AND PERSONALISED EXPERIENCE

Today, most life and health insurers still rely on technologies that enable descriptive risk management by tracking their customers' chronological age, physical data and annual medical check-ups (when available). While fitness trackers and connected medical devices generate relevant and close to real-time data, they are by nature still based on past events. To enable dynamic risk management, Insurtech solutions for the life and health sector must evolve from tracking what happened in the past to predicting what can happen in the future, and thereby optimising the outcome for the insured and the insurer. To achieve this, tech-enabled life and health solutions must provide personalised solutions and evolve with the needs of individual customers over time to be participatory, predictive, preventive and ultimately cognitive.

The increasing connectivity and interaction between devices, also known as the Internet of Things (IOT), will create new data streams to help insurers refine their risk models and creating personalised engagement solutions.

Around the world, Swiss Re is engaged with insurers, wellness/ health digital engagement platforms and developers of wearables to measure the outcome of such programmes and fine-tune related risk models.

In 2017, Swiss Re launched a three-way partnership with Max Bupa Health and GOQii in India. This initiative combines fitness tracking technology with a one-on-one mobile personal coaching programme to support ongoing engagement, motivation and accountability.

Personalised and dynamic risk models will also enable insurers to tailor insurance to customers' specific behaviours and lifestyle patterns through usage-based health insurance (UBI) products. These policies give customers immediate protection at their fingertips, while allowing insurers to price products dynamically. Moreover, with the enhanced ability to develop and provide customer-centric solutions, UBI is expected to reduce the cost of claims and policy administration, especially when AI-enabled predictive claims and fraud monitoring become fully operational.

INNOVATION IN INSURANCE: LOOK TO ASIA

Insurers now need to adapt quickly to the fast pace of technological change by adopting agile innovation processes, upskilling their core teams to develop new solutions to tap into the right risk pool. With a 'fail fast, learn quickly and move on' approach, insurers will be able to unlock more potential to structurally alter the way customers view insurance – from an optional consideration to necessary protection – and thereby narrowing societal protection gaps. Asia's demographics have propelled the region to be at the forefront of insurtech innovation, and insurers in the rest of the world should be looking to this region for new approach and success cases.

For over 150 years, Swiss Re has been enabling risk-taking with our clients and partners to help societies become better, safer and more resilient. In Asia, it takes a proactive approach to innovation to aid its clients in staying relevant in this fast-developing world. Ultimately, technology enables it to better manage risk and access new risk pools – here in Asia and beyond.

TELLING THE LONDON MARKET STORY – AT HOME AND ABROAD

The London Market eco-system is a concentration of intellectual and financial capital that works with clients to help enable their businesses to thrive. It handles all types of business from marine risks that have been placed in London for 330 years to more recent risks such as cyber where London has developed a 26% global market share.

Controlling USD 91 billion of premium, London may be the largest commercial insurance market in the world, but we know from the London Matters report of 2014 that its global market share is under threat and that customers often look to their local markets for insurance solutions.

Responding to this trend, last year saw the launch of the LMG's campaign *London Makes it Possible*, to give clients and potential clients a clear and compelling reason as to why they should come to London to meet their risk and insurance needs. Our challenge was not to promote one firm or line of business, but to tell the London Market story.

We began with extensive market research to ensure that our campaign was based upon a thorough understanding of the drivers and barriers of coming to London for solutions. A steering group from across all communities in the market came together to help us to articulate the message which is built around that idea that, without the London Market's willingness to insure it, a great deal of progress across the globe would have been impossible. London's unique concentration of 52,000 insurance and risk management professionals together with a large number of service providers deliver an unrivalled breadth of expertise. This dynamic eco-system benefits from deep reserves of capital which make it better equipped to manage complex and challenging risks. This also makes the London Market better prepared to help our range of clients – from individuals to global businesses – get back on their feet when disaster strikes.

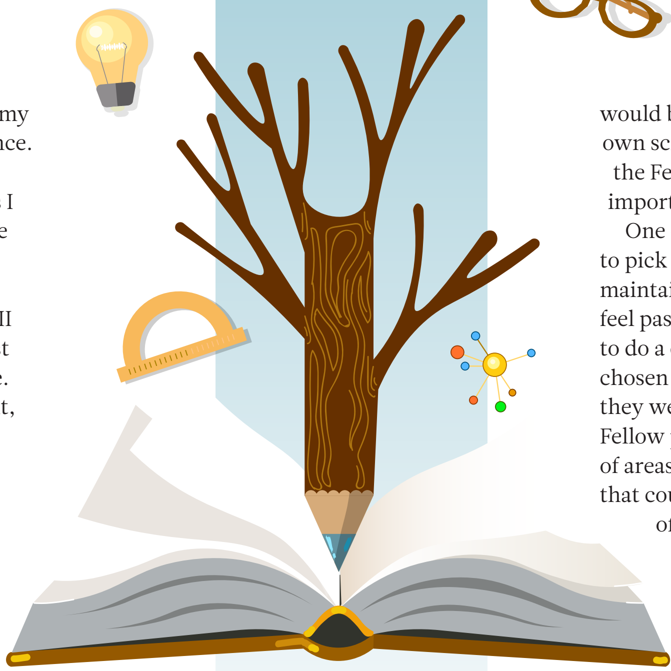
In October 2017, with fantastic support from across the market, we launched the campaign itself. The creative execution of that campaign centres on an illustration (above) which brings to life the myriad of economic and social activity that London helps to make possible.

Phase 1 was unashamedly aimed at the London Market itself. The launch was designed to energise and enthuse the people who work for London Market businesses. We wanted people to feel pride and be equipped to tell London's story confidently and consistently. We worked with the associations and the marketing and communications community to put a whole range of materials into the hands of London Market practitioners, including emails, images, animated stories, tweets, posters and banners to help build consistency in answering the question, Why London? The Market worked together to promote the campaign and the result was a real success. Fifteen thousand people viewed a special edition of City AM with our illustration wrapped around it. Nearly 3000 people visited our website during launch week and about fifty firms actively supported us on social media. The campaign attracted significant media attention featuring in The Times and The Guardian as well as across the insurance trade press.

But we know we need to maintain the momentum in both the short and long term. Throughout 2018, we will take the campaign further afield with activity on the ground in a developing market as well as one where we have well established relationships. However, we are clear that our best ambassadors are the 52,000 people that work in the London Market and we hope that they continue to be a part of this exciting campaign to tell the London Market story. ●

CHRISTOPHER BEAZLEY, ACII
Chief Executive,
London Market Group

FOR THE LOVE OF INSURANCE?



In December 2016, I achieved my Advanced Diploma in Insurance. The day that I received my final result I felt as relieved as I did proud: I would never have to open another book about insurance if I did not want to! This was also the day that the CII Fellowship programme was first mentioned to me by a colleague. I said that I would think about it, but more out of politeness than anything else; in my head I was thinking 'no way!'.

However, I kept my promise and have been thinking about it on and off for a few months. I asked others for their ideas and experience, which has been incredibly useful. For those who have recently (or even not so recently) completed the Advanced Diploma, I hope that sharing these ideas will be helpful.

The first thing that strikes me about Fellowship of the CII is its rarity. Of the 126,899 CII members, only 5,395 are FCII; this is approximately 4% (compared to 21,981 ACII members). For me this actually makes for an appealing prospect. To achieve the FCII would really set me apart from my peers. This sentiment was echoed by a colleague in human resources (HR).

Everyone that I have spoken to believes that the FCII designation represents credibility and professionalism. Although most people feel that ACII also represents these qualities, HR and recruiters acknowledge that CII Fellowship shows a significant level of commitment and industry knowledge, which are attributes that are particularly important if considering leadership roles in the future.

Those who are on, or have completed, the programme have commented that it can be a fairly lonely experience, which is not surprising given the numbers. It is important to reach out to those in personal networks and talk to them about their experiences.

That said, I have learned from several veterans of the programme that it can provide opportunities to get involved in the work of the CII – anything from committees to marking exam papers! And this in turn can provide access to some of the key players in the industry.

For me, one of the main challenges would be creating and sticking to my own schedule. One is flying solo on the Fellowship programme, so it is important to keep motivated.

One of the main ways of doing this is to pick a major achievement that will maintain interest, about which you can feel passionate. Those who have chosen to do a dissertation, for example, have chosen a topic relevant to the work that they were doing at the time. As one Fellow pointed out, 'There are plenty of areas in all of our day-to-day work that could benefit from a deeper level of insight and research'. I imagine this benefits both the individual and their company.

I am now at a point where I think, 'Why not?' I will not pretend that I am driven purely by the love of insurance, but I do feel that raising my own profile and credibility (and that of the industry as a whole) can only be a good thing.

I still have the momentum after studying to become ACII, and being able to differentiate myself in an industry that is already full of highly-talented individuals is really appealing. I will not be signing up immediately. I will give myself time to find a project or topic of study that is relevant to my work, to give me the best chance of staying motivated and engaged. For now, watch this space! ●

ESTHER WILLIAMS, ACII
Technical Executive, Claims
Lloyd's Market Association

A BOOMING MARKET
WITH CONSIDERABLE DISRUPTION POTENTIAL

DR CHRISTOPH NABHOLZ
Head R&D Life & Health, Swiss Re

Consumers can obtain a wealth of information about their genetic makeup, ancestry and pre-disposition to disease. Affordable prices and easy access are making genetic tests increasingly mainstream. This opens the door to a world of advantages and disruptions for both insurers and consumers. How can we support the benefits to consumers, who hold a deck full of unique and personal health insights, while keeping the playing field fair for insurers?

EVOLUTION OF GENETIC TESTING

The Human Genome Project started in 1990. Thirteen years and USD 3 billion later, it had successfully sequenced the human genome. A major scientific achievement, this became a robust and reliable platform to explore gene disease associations. Genome sequencing costs later plummeted. It still cost USD 10 million in 2006 to sequence the full genome of an individual; currently it stands at USD 1,000 and can take as little as a few hours. Demand is booming.

THE DIRECT-TO-CONSUMER GENETIC TESTING MARKET

Alongside clinical use of genetic tests, there has been rapid growth in direct-to-consumer (DTC) testing. Commercial providers operate in undefined space between health/heritable diseases, wellness/nutrition advice, pharmacology/drug tolerance testing, and genealogy/ancestry. Insights into personal genetic information may promote genetic disease awareness and encourage consumers to opt for earlier or more frequent medical screenings or adopt lifestyle changes.

A leading DTC test provider offers genetic health, trait, drug response and ancestry reports, with the stress largely on ancestry. By the end 2017, it had genotyped 3 million customers. It is estimated that in total over 12 million have completed a DTC genetic test.

ACCURACY OF DTC GENETIC TEST RESULTS

Although most DTC services have robust testing platforms to screen for variants associated with disease, the results can be difficult to interpret and understand. Often, complex interplay and combination of environmental factors and many low-risk genetic variants are the cause of a disease. Therefore, the most common genome variations found are 'modifiers' rather than significant disease drivers and any medical benefit or clinical utility gained through a DTC service is modest.

INSURANCE AND GENETIC TESTING

If present in an applicant's medical record, diagnostic genetic tests that confirm disease are routinely assessed in life insurance underwriting. However, the legislative approach towards the request and use of existing predictive genetic testing data in pre-symptomatic patients, is far from uniform.

It is common insurance best practice to not request that insurance applicants undergo predictive genetic testing. However, countries apply different approaches ranging from voluntary moratorium to strict legislation on predictive genetic test results at the time of application. Dependent on legislation, life insurers may take these results into account when underwriting.

GLOBAL REGULATORY CHALLENGES

Europe has more regulation governing genetic testing than any other markets. However, there is no uniformity in how genes and genetic information are even described. The lack of generally approved definitions of a genetic test makes the drafting of a consistent regulation demanding. Most legislations agree that genetic tests for pre-symptomatic patients, to identify a future disease, differ from other forms of predictive tests.

The Association of British Insurers and the UK government agreed on a voluntary moratorium, in place for over a decade and extended to 2019, on use of predictive genetic test results by life insurers. Swiss, Dutch and German laws allow insurers to request predictive genetic test results for insurance above a defined sum insured. However, in many European countries use of such test results for insurance purposes is prohibited.

The US Genetic Information Nondiscrimination Act (GINA) 2008 prohibits discrimination on the basis of information derived from genetic tests for health insurance. This federal law does not apply to life, disability or long-term care insurance. However, some states reference life insurance as a need for actuarial sound risk assessment and specific consent requirements.

Prior to June 2017, Canadian life insurers could request or use existing genetic test results for risk-classification purposes, but then Bill S-201, an 'Act to prohibit and prevent genetic discrimination', became effective and this prohibits insurers from accessing results for underwriting a potential insured. Currently, the Canadian Life & Health Insurance Association is seeking certain clarification.

IS FAMILY HISTORY GENETIC INFORMATION?

The issue of whether insurers should have genetic data access is further complicated by the argument that all diseases are influenced by genetic makeup. Any medical test result that relates to possible future health will reveal data of a genetic nature.

This brings into question insurers' use of family history data. For over 150 years, insurers have sought information about close family members' health histories and faced challenges by making more specific the questions posed to applicants. Most countries accept that many insurers seek family history, which is particularly relevant for critical illness business.

CHANGING HEALTH OUTCOMES

A key focus of DTC testing companies has been the provision of personalised nutrition and health advice and insurers have encouraged customers' healthy behaviour to prevent early death. This has led to an interest in providing third party genetic health analysis and current offers are designed as a value-added service to policyholders and a valuable marketing tool for insurers.

A company that is a pioneer of this approach encourages policyholders to improve health behaviour through fitness tracking, nutrition guidance and preventative health programmes. During 2016, it offered a comprehensive genetic testing analysis for only USD 300 to existing members in South Africa. The test is more comprehensive and informative than genotyping services offered by others and clients who choose DNA sequencing receive a comprehensive genome report, including disease risks and health improvement suggestions.

INCIDENTAL FINDINGS

Full genome services can reveal genetic predispositions that a tested person may never have wanted to know, so it will be interesting to see to what extent and how this information is delivered. What would occur if a condition was identified for which no treatment or preventive measures exist? Will clients be asked to share this information with their insurer? Should they consider changing their sum insured or received benefits? And how may that information impact their insurability?

INCREASING ANTI-SELECTION EXPOSURE

Insurance assumes a 'level playing field' in which both the insurer and the insurance applicant have access to the same health-related information. Genetic testing can reveal that an individual who is otherwise healthy has a higher risk of developing a disease in the future. Greater affordability and accessibility to genetic testing data might affect an individual's perception of the need to buy insurance products. In addition, improved information from genetic testing would provide individuals with increasingly accurate future health estimations. This could drive lapse and re-entry rates, leading to increased anti-selection risk.

WHERE NEXT?

We are now in an age of readily-available low-cost genetic information. When the genome was first unlocked, many believed it would hold the key to understanding many heritable conditions and diseases caused by acquired genetic mutations, such as cancers. The interplay between genes and disease states has proved difficult to understand and apart from a few clearly-defined conditions, has been of limited predictive quality. Our genetic code understanding will deepen, but it is hard to see genetic data becoming the dominant risk factor within insurance underwriting.

CONSUMER ETHICS

Genetic testing and results ethics are complex, particularly if unexpected conditions are revealed. Moreover, the insurance industry is not requesting genetic tests as a prerequisite to insurance. Nonetheless, legal frameworks should be constructed around the basis of symmetry of knowledge. If insurers are denied relevant data that is easily available to insured parties, it will become increasingly unviable to underwrite certain products. That would be a game changer for the industry – if life insurance becomes less available, the wider implications for societies and economies could also be considerable. ●

NAVIGATING THE UNCERTAIN FUTURE

Sian Fisher, ACII, CEO, CII

The UK insurance sector faces many changes in the coming years. There are exciting technological developments afoot that will revolutionise the way we serve our customers. At the same time there remains an increasing level of political and economic uncertainty surrounding the environment in which our sector operates – for example, will Brexit cause London to turn its back on the global economy, or will it redouble its efforts to reach markets beyond Europe?

We are in many ways at a crossroads as we balance doing what we know well with the changing demands of our consumers and the regulators. But despite these changes, one thing that will remain constant is the need for good people who instil professionalism, standards and trust.

There is much excitement at insurance of the future, with the prospect of driverless cars on the horizon, the use of drones and even changes in the way we transact with Blockchain technology.

As a profession, we need to embrace these changes and understand how they will affect our customers, be they private individuals or commercial organisations. By identifying these new risks, we will need to be at the forefront on delivery of advice and products that protect consumers as they navigate these new risks. Insurance and financial planning are vital in supporting people through their life journey amid the myriad of risks and choices they have to make at different stages. But alongside changes to technology, we should also anticipate a change in consumer behaviour.

It is becoming more and more common that the standard 'off-the-rack' insurance product does not always suit all consumers. We need to acknowledge that people live unique lives facing unique risks and that they increasingly expect products and services that are tailored to their personal circumstances and choices. This will require us to apply more ingenuity to traditional policies – to reach the people who end up lost in exclusion clauses because they do not entirely conform to the terms of a policy. This level of customisation is expected, but it is also necessary to review traditional products and service levels to see if they are still fit for purpose and inclusive to all. We cannot let gaping inequalities and unfairness in society be an excuse for letting down a significant number of people. It is our responsibility to serve society as a whole. If we support those most at risk, we can build trust in our profession that it stands for everyone, including those most at risk. ●

Dame Inga Beale ACII, CEO, Lloyd's, and CII President

As we steer our way through the uncertainty of Brexit and the disruption brought about by technology, we must work to provide all of our people with the right skills to make our profession fit for the future. Despite all the changes we will face in the coming years, one thing will not change and that is our commitment to developing people.

There is growing fear around the risk of jobs being automated at the expense of the human touch, which has for so long been a centrepiece of our profession's proposition to consumers. Certainly, some parts of the insurance profession are more vulnerable than most. But importantly, these changing circumstances will also open up new opportunities and requirements of those working in our profession. This may include a growth in customer service to deal with the more tailored services insurance companies provide consumers, more data analysts to keep pace with a data-heavy sector and, among others, specialist claims handlers.

Attracting a new generation of technologically savvy professionals will be crucial to our success in meeting the future needs of a more diverse and demanding group of customers across the world, whether it be for insurance or for financial advice.

But it isn't just about attracting professionals – we also need to invest in their development. We have an enormous breadth of expertise within the UK and it is why London has remained the global hub of specialist commercial insurance for centuries. We need to retain and particularly share all of that knowledge with talent coming in. Those that have been in our sector for decades have an enormous store of experience and wisdom to share.

We need to leverage that unique and world-leading expertise for learning, development and progression opportunities to engage and inspire a new generation of insurance professionals. Only then can we make insurance a career of choice for talented individuals – whatever their background – and one that provides an environment that is diverse, inclusive and modern. ●

There are three T's at the core of our profession **Trust, Technology and Talent** – the leaders of the CII explain why

PRIVACY AND THE GDPR – HAVE YOU GOT IT RIGHT?

The General Data Protection Regulation (GDPR) has become an increasingly significant topic in the insurance sector, bubbling up the agenda to become one of the most important challenges faced by the sector this year. While the GDPR is high on the agenda, many insurers are missing the point on several fronts.

First, the approach to GDPR compliance is all too often reactive and uncoordinated. This often stems from the issue that it is not owned at the board level, where the board form a clear articulation of the organisation's privacy risk appetite, which is then translated into a risk-based remediation plan. This is surprising for a sector with risk management at its core. In addition, the measures that are being implemented to address the regulation are often not sustainable and flexible enough to support long-term compliance.

Second, there is often a lack of clarity that the GDPR is one of the hundreds of laws which regulate the collection, use, retention, disclosure and disposal of personal information. The GDPR applies significant penalties for non-compliance, but so do other privacy laws, with some carrying multimillion pound fines and the potential for multi-year jail sentences. Putting an increased focus on GDPR compliance will without doubt help complex global multinational insurance organisations meet obligations under other applicable privacy laws and regulations. There is a need to step back and consider what other privacy-related laws and regulations may apply, and how the current approach addresses the broader privacy landscape.

Third, as the digital revolution continues, businesses in the insurance sector need to realise that they will increasingly become 'data companies', processing ever-larger volumes of personal information as they seek to leverage personal information to create value and deliver innovative products and services to customers. This will not only change the way personal information is used in support of everyday tasks undertaken across the sector, but also will transform the way personal information flows seamlessly in real time from a small connected device used by individuals to the multiple brokers, insurance, cover holders and reinsurers often present in an insurance service delivery chain.

This digital revolution will result in constant access to personal information, forcing insurers to continually evolve their business models to ensure they remain competitive and can deliver upon the expectations of the customer.

This leads us to the final point – the customer trust dynamic that is in place between the customer and the insurance sector. A KPMG survey of nearly 7000 people globally, indicated that 75% of respondents have low levels of trust in insurance organisations that process their personal data, with just 7.7% indicating that they trust insurers completely. There ia a considerable gap when compared with banks, the most trusted sector, with 40% respondents indicating that they have high levels of trust in respect of the banks processing of their personal information.

This should raise alarms with senior executives across the insurance sector because without trust customers are likely to be increasingly resistant to share their personal information, potentially undermining future insurance business models and strategies. At the heart of the trust agenda is privacy and the need for the insurance sector to recognise the privacy expectations of customers and the need to meet these expectations if they want the customer to allow them to process their personal information.

The insurance sector that puts privacy considerations at the centre of their business strategies will prosper, those that do not will struggle and compete with innovative market disruptor/competitors that do. ●

MARK THOMPSON
Global Privacy Advisory Lead, KPMG

INTERNET OF THINGS – OPPORTUNITY OR THREAT TO THE INSURANCE INDUSTRY?

The Internet of Things (IOT) represents the connection between the physical and digital world. This involves computing and sensors built into everyday objects with the capability of sending and receiving data. Technology firm CISCO predicts that the total number of IOT devices will rise to more than 50 billion by 2020. This wider access to so much real time data to inform decision making should drive an increase in the ability to predict outcomes (predictive analytics) and identify risk causation factors, driving risk (and premium) improvement.

Insurers are well placed to take advantage of such a 'big data' deluge. They have long understood the power of analytics and have experience in sorting through data sets to identify trends to inform decision making, for example telematics. This, coupled with existing risk management and control expertise, puts them front and centre of the drive to predict outcomes resulting from consumer and business behaviour and consequently design products and services. More precise causation analysis combined with real time monitoring and instant alert capabilities represents the opportunity for insurers to make a paradigm shift beyond post-event risk transfer and towards proactive (pre-loss) risk prevention – a long-stated aim of the industry.

This has started to breathe new life into the industry. Several property and casualty (P&C) insurers have taken up the challenge of how to engage with customers and differentiate themselves beyond breadth and price of coverage, but that is only the tip of the iceberg. Sensor technology allows insurers to interact with consumers as they go about their daily business. Integrated wearable devices help customers make healthier lifestyle choices or manage existing health issues. Robots in the retail delivery sector run self-diagnosis, minimising production down-time. This ability to protect customers from misfortune or alter 'risky behaviours' changes the insurer-customer relationship dynamic. It also allows insurers to strip out attritional expense costs of servicing customers, improving responsiveness and maximising positive customer interactions. Insurance premiums become an investment with top-class service more akin to kidnap and ransom policies in which 'service' is more important than risk transfer.

The sensors and wearables market is seen as a hyper-growth area for many of the major tech players, bringing with it the menace of new market disruptors. These firms will bring new concepts around quantifying risks and causation assumptions to outmanoeuvre incumbents known for their reliance on legacy systems and methods. Regulation is likely to play catch up, creating uncertainty, with issues such as data ownership, assignment of liability and data usage likely to dominate discussions. Increased interconnectivity of devices and reliance on IOT data will increase the danger of risk aggregation as new forms of ransomware, data breach and business interruptions emerge. Cyber security experts Stroz Friedberg (an Aon company) predicts that in 2018 there will most likely be an attack on a small business that could extend into a large organisation which it services and cause significant damage and financial loss.

Insurers need to focus, now more than ever, on navigating uncertain waters with agility and leverage third-party expertise to gain market advantage. Insurers that identify product innovation leaders with which to engage with minimise their investment risk and gain access to expertise. By taking a customer-centric approach and linking this to 'big data', insurers can leverage their deep-risk and data-analytic capabilities to move even more towards prevention, predictive analytics and targeted risk transfer.

With research firm Gartner predicting that the wearable market will be worth $34 billion by 2020, insurers have an opportunity to become closer to the customer than ever before and target this new market. This in turn will allow insurers to continue delivering long-term market growth and profitability as the IOT becomes embedded into our daily lives. ●

CHRIS SCOTT, ACII
Senior Consultant, Aon Global Risk Consulting

IN THE SPOTLIGHT

Discussing the innovative Digital Garages, **Dominic Mignon** talks with **Blair Turnbull**, MD of UK Digital Business, Aviva

DM: What is your career in a nutshell and in particular what led to your current role?

BT: I have 20-plus years of experience in the industry in three continents – I'm a Kiwi. Twelve of those years were in Asia and four in North America. I joined Aviva four years ago to work on strategy and was deeply involved in digital strategy. When the opportunity came to head up the UK digital business, I was fortunate to land the MD role. We brought together all of the direct businesses here in the UK and put them into a new entity called UK Digital. We now look after and support our 15 million UK customers, including five million direct customers.

DM: What is the Digital Garage?

BT: We live and work in a rapidly changing world and are becoming increasingly more comfortable with tech – at home or through apps when sitting on the tube or purchasing online, whether it is a retail pair of jeans, finances or insurance. Essentially insurance has been quite late to this party. For the best part of one hundred years it has been an intermediated model. Over the past 4–6 years we have seen a trend in consumer insurance in the UK, in which customers wanted a different and less complex experience. We realised that in order to compete in that world we needed to think about insurance and savings differently, we needed to consider the whole customer experience. We also needed to rethink our own set up. To be successful in this new world we needed to be different and we learned from visiting Silicon Valley firms such as Facebook and LinkedIn and discovered the way they were working looked very different to the way we were working. We wanted to create an agile, creative and innovative environment but back here in the UK. We set up the Garages as that sort of environment – a creative environment in which we could rethink insurance and savings as simple, easy and rewarding, in which we could tinker and test and learn things very quickly with a very different set up. This has involved attracting different people, including millennials and data scientists, working in an agile space to rethink insurance for our customers. The Garages are the places in which we believe we can be agile and we can create a different insurance and savings experience.

The Hoxton Garage is one of five garages in the UK and we have nine Garages globally. We have 1500 people in UK Digital, of which 150 are in Hoxton. The Garages share the same innovative, agile test and learn culture.

DM:What has been the Digital Garage's most impactful output so far?

BT: We have created an experience for our customers here in the UK where they can see all of their insurance policies, they can manage them, they can change them, they can understand them better in one place – in My Aviva. It is online, with an app experience and maybe even through Alexa at home. Customers can see it simply and easily in one place and what we want to do is take the confusion and trickery and the negative perception insurance has and make it simple and rewarding. On My Aviva, customer satisfaction surveys tell us we are creating a simple and more rewarding savings and insurance experience.

DM: How does Aviva integrate new products and solutions back into the main business lines?

BT: The biggest leveller of all is the customer. We listen to what is frustrating the customer most – the top two or three things that really frustrate the customer. When we focus on those, it drives a ruthless prioritisation. If the customer is saying 'I'm really confused and I don't understand my pension' or, 'I can't find my pension pot', that becomes the number one thing we need to solve. If they are saying that they don't like how their motor insurance premium has increased after the second or third year, we focus on that. The leveller is what the customer finds frustrating or a need that they have that is not being met. That solves a lot of problems.

DM: How does talent strategy impact on the success of the overall digital strategy?

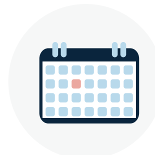
BT: It is critical. The talent we increasingly need is data scientists and data engineers. How is such talent attracted to insurance, which is not a traditionally sexy industry? I'd challenge that by the way; it can be a really fun and interesting industry. How do we get those different, creative, retail people to come into our organisation? One of the biggest things about the Garage and moving to Shoreditch was to create that – to create a different environment that would attract those people. What we created here was an environment where staff can wear what they wish and be at home; it is very relaxing. It's a very open vibrant environment that promotes creativity, collaboration and innovation. We started to attract that talent and we gave them space to try some new fun things, such as working on an Alexa skill or working on a new connected home device or working on a dashcam in a car. For all of these things we gave them the space to work as well as big data and revamping a traditional product. That is how we attracted talent that is serving us well today.

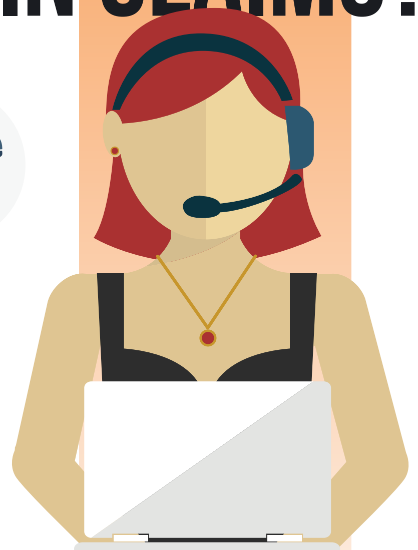
DM: What are the goals you hope the Digital Garage will achieve in the next year/five years?

BT: The number one goal unashamedly is to rethink insurance to be beautiful, simple and rewarding for our customers here in the UK and our 35 million customers globally. We started with the discussion on insurance being a grudge purchase that is hard and complicated and we ask customers endless questions. We want really to challenge and redefine that, so that it can be and should be a rewarding experience. It is all about protecting loved ones, family, assets and retirement. It shouldn't have to be a grudge purchase and the priority is to rethink insurance that customers feel good about. We are Aviva, we claim to be a 322 year old disruptor, the oldest disruptor in the world and we want to do it at scale. Numbers do matter; we want all of our 15 million customers in the UK to experience My Aviva and have their products and services with us, whenever they choose to have that experience. Whether they come directly or through a corporate scheme or an IFA, they come to My Aviva; we have created a My Aviva that supports all of those relationships. This comes back to one of the questions you asked earlier regarding the channel conflicts that have plagued this industry in the past. My Aviva supports multi-channel, so when I look forward, we want to have that simple and rewarding experience for all of our customers in the UK and globally and I hope on behalf of the industry we are a catalyst for redefining insurance so that it is not a grudge, tricky, non-trusted environment. It can be quite the opposite. ●

> TAKE THE CONFUSION AND TRICKERY AND NEGATIVE PERCEPTION INSURANCE HAS AND MAKE IT SIMPLE...

WHAT IS EMERGING IN CLAIMS?





The word 'emerging' is frequently used in conversations around the insurance market, whether it concerns new, unforeseen and unknown risks, new markets, where there is a growing need for insurance, or even new trends. For example, globalisation, changes in demographics, sustainability issues, climate change and digitalisation are the global megatrends that continue to challenge and change insurance requirements.

Emerging risks have identified the need for change in approach. Customers want clarity of coverage, clear and concise policy language, along with swift claims execution. Differentiation can be difficult when evaluating and benchmarking insurance products. This is where claims can be the difference.

Historically, claims teams have been seen as a reactive, back office function. But the tide is starting to change. In considering that over three quarters of all earnt premium revenues flow through the claims function, either as indemnity or expenses, it becomes clear that claims teams have an impact.

CREDIBILITY

Next generation solutions include digitally connecting people, processes, systems, data and analytics – all of which can improve all aspects of the insurance life cycle. But arguably it is the claims response that has the greatest potential to 'anger or delight' customers. Against this backdrop, claims handlers, who are passionate about offering an exceptional claims service, along with accumulated knowledge of good faith claims-handling strategies, can truly be a real asset to any company. Having CII qualified and trained staff also helps deliver a better proposition, while also demonstrating credibility in our profession. There are other collateral benefits: reduced complaints, working holistically on wording amendments to improve coverage, along with better collaboration with placing and underwriting colleagues. We must ensure that there is a focus on outcomes, rather than processes (which are there to ultimately support the outcomes).

CLAIMS RESPONSE

What has been the claims response to the big loss events over the past year? Other than attempting to pay all valid claims in good time, there have been some heart-warming stories of the claims community going the extra mile in assisting customers and vulnerable clients. For example, after the tragic Grenfell Tower fire, many handlers from the UK were allowed paid time off work to volunteer their efforts in helping those who had lost their homes. Many handlers worldwide even flew, voluntarily, to the United States, to assist with the post-hurricane relief efforts in Texas. There are plenty of other examples, with many insurance practitioners volunteering their time to assist school leavers with business mentoring and other initiatives to 'give something back' to the insurance profession in which we work. This is to be applauded and company support of such voluntary actions does help elevate the profession.

PEOPLE

Market research reveals that nine out of ten people agree that it is empathetic staff members who can make the single biggest difference to loyalty outcomes during the claims process. And it is easy to forget that no matter what role we are performing daily, it all comes back to people. Everybody should be treated respectfully.

The companies who will continue to prosper, in an emerging insurance environment, will be those that combine exceptional customer service along with the ability to connect with their customers when they need them – particularly when they must make a claim. The challenge for claims is to continue raising standards, encouraging qualifications, while also quantifying and sharing its success stories – because in line with the CII manifesto 'for the public to trust us, we must first earn that trust by getting qualified and by committing to career-long professional development and ethical behaviour'. ●

RICHARD SALMON, FCII
International Claims Manager,
CFC Underwriting Ltd

DEFINED BENEFIT PENSIONS

– government hints at opportunities and threats for insurers

When the government published a White Paper on defined benefit (DB) pensions, the headlines were all about fines and criminal sanctions for company directors. While less exciting than a threat to put rogue CEOs behind bars, proposals on funding and consolidation are probably more significant.

The government has asked the Pensions Regulator to put flesh on the bones of two concepts that help determine how much employers must pay into their pension schemes.

Assumptions used to set funding objectives must be 'chosen prudently' and plans for repairing deficits must be 'appropriate'. The Regulator says it is hard to prove that schemes' funding agreements do not satisfy these requirements when they are so imprecise. It has persuaded the government to let it develop definitions, and to give these legal bite.

This might mean telling schemes that discount rates should normally be within a given range, or that deficits should normally be cleared within a given number of years, or that employers who cannot afford to do this cannot afford to pay dividends either.

Whatever the details, the UK's scheme-specific funding regime looks set to become more prescriptive. In some cases, this may well lead to tougher funding settlements, but there could also be unintended consequences. After all, being clearer about what is unacceptable also means being clearer about what employers can get away with.

Where the end result is higher deficit contributions, buying the scheme out with an insurer will become a less distant prospect. Indeed, the government wants the funding targets that employers negotiate with trustees to be linked to, and staging posts towards, the scheme's long-term objective – which will often be buyout or self-sufficiency.

However, the White Paper also suggests that some solvent employers might be allowed to wash their hands of their pension commitments without paying the full buyout cost. This would demolish what has been a cornerstone of government policy towards DB pensions for the past 15 years.

To encourage economies of scale and more professional management of DB pensions while allowing scheme sponsors to focus on their core business, the government is interested in allowing employers to hand over obligations to new 'commercial consolidators', which would be subject to weaker capital requirements than insurers. Schemes' benefit structures, which are often esoteric, could be standardised as part of the deal.

Schemes could only be swallowed up by consolidators where trustees were satisfied that it was in members' interests to exchange one source of security for another – effectively, they would swap ongoing recourse to the sponsor for a higher initial funding level. There are future scenarios in which this ends up looking a wise move (the employer goes bust fairly quickly) and others in which it does not (the consolidator gets into trouble, while the employer makes healthy profits). Trustees would have to weigh up the balance of probabilities and the potential benefit losses in each case.

Where buyout is a realistic goal or the sponsor is very strong, trustees might be unlikely to entertain cheaper solutions. Elsewhere, the right 'price' for setting the employer free will be a scheme-specific calculation. The level of security that a consolidator offers may be prohibitively costly for some schemes and offputtingly low for others.

As the White Paper says, there is 'much more to do to develop this policy', but the tone is enthusiastic. If legislation is passed, the government envisages that consolidators could 'supplement the existing insurance market, rather than being a direct competitor, although each might be competing for the same capital, investment and hedging opportunities'. ●

PETER ROWLES
Head of Retirement UK & Ireland, Willis Towers Watson

Not a day goes by without Brexit in the news, with most of the focus on the impact it will have on UK trade deals with key global players, what the terms will look like and what the fallout could be for the UK economy. There is very little commentary on what the impact could be on the personal finances of British expatriates living in EU countries or indeed EU nationals living in the UK.

On 8 December 2017, a key announcement by Theresa May and Jean Claude Juncker, among other things, provided certainty on the right to remain for UK nationals living in or planning to move to an EU country before the Brexit date. However, what still remains extremely unclear is the impact Brexit will have on these individuals' personal finances.

TAXATION

Taxation is one of the areas in which one would logically expect minimal direct impact on personal finances since taxation is a domestic issue, specific to each country rather than to the EU. Therefore, Brexit itself should in theory have minimal impact on how British expats or EU nationals living in the UK are taxed.

Furthermore, the UK has double taxation treaties in place with a large number of EU countries including the countries popular with British expats such as Spain, Portugal, France and Cyprus. Brexit does not affect these and therefore the existing tax treatment under these agreements is expected to continue.

However, should this not become reality, how UK nationals living in European countries are taxed post-Brexit arguably is dependent on the ongoing negotiations as to how the UK relationship with Europe is defined post-Brexit. Already there are suggestions that there could be circumstances where British expats could see higher taxes; for example, a British expat living in France could see taxes applied to a UK life assurance policy such as investment bonds. This is because such policies are unlikely to receive the same beneficial tax treatment that they have today.

SAVINGS AND INVESTMENTS

Undoubtedly for many, the main consideration for savings and investments is the currency risk. When the Brexit vote was announced the pound fell significantly against the euro and has maintained volatility. For some, currency risk has become significantly heightened, particularly if there is spending in both euros and the pound. The reality is there is no hard and fast way to predict the currency markets and so it is important that appropriate exposure to both currencies is maintained.

Investment markets have, arguably, been very resilient since the fallout of the Brexit vote, predominately down to how the UK economy has reacted to date but there is no certainty that this resilience will continue and therefore it is highly likely that the investment markets will potentially be more volatile as March 2019 looms. Therefore, to help ride out market turbulence, anyone investing for the medium to long term should have a very well diversified portfolio that is not too over weighted to UK investments. Now is the time that individuals should be taking an objective assessment of risk appetite and where they need to be invested and what currency exposures they should be holding.

PENSIONS

Given that many British nationals living in Europe are retirees, it is important to consider the impact that Brexit will have on retirement provision. Crucially, the UK has committed to continue with the yearly 'costs of living' increase to state pension payments for retired Britons living in the EU post-Brexit, with the EU 27 agreeing to do the same for their nationals living in the UK. This means that British retirees living in the EU can expect to receive annual increase linked to the triple lock, whichever is highest out of the rate of inflation, earnings or 2.5% until at least 2022.

However, most Britons living abroad do not rely on their state pension alone and therefore it is important to also consider the impact that Brexit might have on private pensions. Leaving the EU provides the UK with the ability to review and potentially change rules that are currently influenced by EU laws and regulations and could arguably provide the UK with the ability to claim additional taxes from overseas pension transfers.

In particular, it would give the UK government the ability to reduce the amount of UK pensions transferred abroad and keep more funds within the UK for future taxation. It could be argued that the UK government has started to pave the way for future changes along these lines by introducing the overseas transfer charge with effect from 9 March 2017. This charge does not currently impact an EU/EEA resident moving UK pensions to an approved Qualifying Recognised Overseas Pension Scheme (QROPS) located anywhere or non-EU/EEA residents transferring to an eligible QROPS based in their country of residence. However, a very small and relatively simple change to UK legislation could see this charge applied to all UK pensions transferred, which means that UK pensions could be caught whichever way and either (i) taxed on transfer on the way out of the UK, or (ii) taxed at the point of taking benefits through the UK system.

It is important that any British nationals living overseas review their pension options and consider acting

SARAH LORD, FPFS
Chartered Financial Planner; Partner, Mazars LLP; Director, Mazars Financial Planning Ltd; board member, The Personal Finance Society

IMPACT OF BREXIT ON PERSONAL FINANCES

now under current rules rather than risk seeing the tax-free window of opportunity close for transferring or withdrawing UK pension funds. It is also important that any advice that is sought is delivered by a UK FCA-regulated business because, unfortunately, I have become aware of European financial advisers that are less stringently regulated preying on peoples' Brexit fears and moving pensions to wholly unsuitable arrangements. As a profession of regulated, highly-qualified planners, we have a part to play in ensuring that clients do the right thing with their pensions in the run up to Brexit and beyond.

ESTATE PLANNING

Finally, but by no means least, estate planning is proving to be an area that could ultimately become very complex. Many Britons, particularly retirees living in Europe, have applied the less well-known EU regulation which came into force in August 2015 ('Brussels IV') to specify that they want the laws of their home country to apply to their estates rather than local succession laws, which can vary tremendously from country to country. Brexit is unlikely to affect this law. However, many individuals have not updated their wills since this regulation came into force and therefore as a bare minimum, before Brexit, UK nationals living in Europe should review their will to ensure that it is current for their circumstances and takes account of current rules and regulation.

With less than 12 months to go, now is the time for British nationals living abroad and EU nationals living in the UK to take stock of their finances, consider their long term objectives and how well positioned they are to navigate what is inevitably going to be the 'Brexit Storm'. ●

HOT TOPICS IN INSURANCE AND FINANCIAL SERVICES

Find out which issues are taxing the best brains in our business

ILLUSTRATIONS BY: **LAUREN REBBECK**

FINANCIAL SERVICES

EDWARD GRANT, FPFS
Chartered Financial Planner, Chartered Wealth Manager, Director, Technical Connection
Chair, IIL Financial Services Committee

In the past 12 months, the importance of appropriate timely advice delivered by a diverse profession has continued to be in the spotlight. While new regulations have introduced changes to valuations, suitability letters, continuous professional development and data protection just to name a few, this remains a vibrant sector.

For a profession that has a focus on the small to medium sized advice businesses, implementation of these changes has been time consuming. Demonstrating value to clients remains central from a regulatory and business perspective at a time when new and existing entrants are developing propositions that challenge traditional face to face advice but also place greater ownership on clients for their own decisions.

Complexity of client circumstances warrants high-quality advice. The financial services profession has embraced the chartered journey both in individual (over 5,700) and corporate status. With complexity comes greater risks and we have seen with the recent pension transfer market that employers have asked members to make difficult long-term decisions in a short period of time. Our challenge is to ensure that we have a robust approach to maintaining the high standards we expect from the profession and work actively with the regulators to identify poor practices leading to unsatisfactory client outcomes.

Finally, the increasing intergenerational wealth transfer requires new thinking from the profession which means identifying what the customer expects delivered in a timely manner from a flourishing diverse profession. ●

AVIATION

SIMON ABBOTT, ACII

Underwriting Executive, Global Aerospace
Chair, IIL Aviation Committee

Last year was a record breaking year for the airline insurance industry with no passenger fatalities from Western-manufactured commercial aircraft.

This could be an aberration or the new norm, but unquestionably the safety record of commercial airlines has improved substantially over the past 15 years due to technological advancements, improved procedures and training. However, loss of control in flight is still a major problem and the aviation industry is focusing its resources to combat this evil. It was demonstrated in 2017 how low the airline insurance pricing has come as despite the zero fatalities, due to attrition and some major partial losses, airline insurers still made a loss last year.

However, the aviation insurance market was also notable in 2017 as it witnessed in the last quarter signs of improvement in trading conditions. This was partly driven by external factors being the large natural catastrophes in 2017 and due to some large liability loss deteriorations including a record breaking largest ever grounding claim, a record breaking award for a passenger injured at a US airport and some large general aviation claims. With signs of reducing capacity in the aviation market, 2018 is already showing signs of continuing the trend for hardening rates. These signs of improving pricing are encouraging but it's long overdue and way too early for the aviation market to start celebrating.

For the lecture season 2018–19, the Aviation Committee is looking at learning from past major airline losses, notably 9/11 and a more recent major loss. The Committee is also looking at technological developments in the aviation industry in particular electric flight and the major disruptor in the space industry – small satellites. Finally, it will be inviting industry experts in the fields of aviation safety, identifying 'bad apples' and airport security. ●

ACCIDENT

NEVILLE WHITE

Senior Corporate Liability Underwriter, UK Property and Liability, TokioMarineKiln Insurance Ltd on behalf of the IIL Accident Committee

The past year has been quite a struggle for general liability and motor liability insurers. The change to the discount rate (used on personal injury claims for calculating the effect of investment returns) moved adversely from +2.5% to –0.75% and consequently caused a collective £5 billion increase in reserves on larger sized injury claims. On the back of this several insurers pushed for rate increases, particularly on motor and more exposed liability trades, but the continued oversupply of capacity meant that this has been short lived.

However, it is probably inflation that is the silent enemy. Each year personal injury compensation awards and a slow widening of recoverable heads of claim increase above the rate of inflation and slowly undermine the profitability of primary books of business.

The year ahead has some interesting features to challenge the liability underwriter's mind. Two reports, by the English FA and the Scottish FA, on abuse in football scheduled to be published later in the year, a report to be published by the FCA on personal contract purchases (PCP) car loans which is expected to be critical and will interest the professional indemnity market, and the implementation of the General Data Protection Regulations in May, which is tainted by the Morrison's case (subject to appeal) that held the defendant vicariously liable for the criminal acts of an employee. As usual, another challenging year ahead! ●

CLAIMS

MARK GRAVES, ACII

Head of Claims EMEA, Managing Director, Claims Corporate Solutions, Swiss Re Services Ltd Chair, IIL Claims Committee

Hurricane and wildfire activity towards the end of 2017 in the United States created some significant challenges and hard work, but these types of events from a claims perspective, whilst obviously difficult, can be a real opportunity to show the true value of top flight claims service.

The London market claims community is accustomed to its involvement in hurricane losses, but it is interesting that we are increasingly seeing new claim challenges and complexity. Cyber claims are an example. Cyber risk continues to grow, and the variety of affected lines of business and loss causes continues to expand. And with some high profile sexual harassment matters in the news, claims involving employment practices liability (EPL) insurance are starting to become more widespread. We also have in mind that autonomous transport seems to be coming ever closer to reality, so contemplating the issues arising is something that many in the industry are starting to analyse.

Today's claims professional is adapting to these new areas and developing new skills (maybe also linked to other areas around data, for example) and in our encouragement of new claims talent, which continues to be challenging, we think it is important to recognise these new skill sets. This said, it is fascinating that great claims service is increasingly seen as a real differentiator, which is long-overdue! ●

LONDON MARKET

DAVID GITTINGS
Chief Executive, Lloyd's Market Association
Chair, IIL London Market Committee

Several recent natural catastrophes have brought the importance of efficient claims handling into sharp focus. Claims modernisation has long been an important part of the London market agenda, but I believe that now is the time to redouble our efforts to adopt technology and streamline procedures. The competitiveness of the London insurance market as the largest global hub for commercial and specialty risk is under threat if we do not keep pace with clients' expectations around efficient service and prompt payment.

A recent cross-market initiative for London has made significant progress on this front. The Single Claims Agreement Party model enables quick and efficient authorisation of claims by allowing policy leaders to agree non-complex payments of up to £250,000 on behalf of following carriers. The model enhances London's claims service for non-complex cross-market claims by streamlining the claims agreement process and will allow us to meet our commitments to customers more quickly.

The market is working to assess the potential benefits to claims of shared services and new technologies, identification of solutions needed to support the move away from legacy claims technology and outdated back-office systems and continuing to support the London Market Target Operating Model's (TOM) focus on claims transformation.

Later, we might see innovations such as direct settlement claims services and mainstream adoption of robotics and artificial intelligence. These are exciting times for claims and our customers will benefit directly from the transformative changes the claims community is leading. ●

MARINE AND ENERGY

JUDY KNIGHTS, ACII
Chartered Insurer, Director,
JK Knights Consultancy Chair,
IIL Marine and Energy Committee

2017 looks likely to rank as the third most expensive year for insured losses from natural catastrophes; Global insured losses are estimated to be up to circa $150bn. Hurricanes Harvey, Irma and Maria, earthquakes and Californian wildfires have impacted the marine markets. In particular the cargo market in respect of grapes on the vine in California. Winery transit/inventory risks including production, ageing, bottling, storage of bottled wine and on-carriage to final customer are written in the Cargo Market and a lecture is planned to address whether these exposures were fully understood.

The Yacht market results have been extremely poor over the last 5 years and with the recent catastrophes in the US, the loss ratio for 2017 is likely to exceed 200%. We have planned a panel to discuss why yacht insurers got it so wrong.

Cargo, Specie and Yachts are difficult classes in which to assess accumulation, and there are many examples of losses in Catastrophe events. We will address whether Catastrophe accumulation assessment in Cargo, Specie and Yachts Insurance is fully understood.

Lectures are planned to address whether an increased oil price automatically means increased Energy losses. For many Oil Companies $70 a barrel is the magic number to recommence drilling operations. Rigs that have been in layup will be reactivated, new staff employed, etc. Will new staff have the experience? Will reactivated rigs have maintenance/age issues?

Other dynamic topics include Marine Cargo Misappropriation losses – the underwriting challenges and Container and passenger ships increasing size - how can the Salvage industry respond in the event of a major casualty? ●

REINSURANCE

IAN BRANAGAN
Senior Vice President, RenaissanceRe Chair, IIL Reinsurance Committee

After a relatively benign ten years of storm activity and land falling hurricanes in the North Atlantic, the second half of 2017 provided much material for discussion. We were sent a powerful reminder of the devastating effects of hurricanes on people, homes, and economies. The wild fires in California destroyed property on an unprecedented scale; resulting insured losses in excess of USD 100 billion. The insurance/reinsurance industry is paying claims and providing ongoing risk capital, helping populations and economies to rebuild and recover.

As is often case with large catastrophe events, there are stark differences in outcomes between those with access to adequate and affordable insurance and those without. The protection gap is a problem that affects developing and developed countries alike. This gap presents our industry with a reminder of the role we play in strengthening resilience against the effects of catastrophic events.

Similarly, the past 12 months has seen an evolution of risk in areas such as cyber and terrorism that is asking questions of our industry's ability and preparedness to provide adequate coverage. Finding ways to accept risk without automatically moving to exclusion is an ongoing challenge for both insurers and reinsurers and real progress requires support from regulators and rating agencies.

As we look to 2018 and beyond, continuing our efforts to narrow the protection gap by innovating for inclusion of evolving risks is necessary to secure the future of the industry in both mature and nascent markets and will help build greater resilience and protection for people, communities, and businesses around the globe. ●

PROPERTY INVESTORS

ANNA WHITFIELD, ACII
Client Director, National Real Estate Practice Group, Aon Risk Solutions Chair, IIL Property Investors Committee

Despite the ongoing political negotiation regarding Britain's exit from the EU, real estate investors continue to be attracted to the UK. Foreign investment, motivated in part by the weak pound, remains a feature of the market and many major landmark buildings have been acquired by overseas investors. However, we are keeping a close eye on the impact on property demand, especially in London, where some major companies are planning to relocate or set up overseas hubs because of Brexit; this may increase the amount of vacant property.

In the retail sector, recent announcements regarding Toys R Us and Maplin are of concern and incidences of fly-tipping continue to adversely impact industrial properties.

Acquisitions continue to be the subject of debt finance. This presents a significant challenge for the sector, with brokers and insurers faced with meeting the demands of lenders and clients to satisfy the requirements of loan agreements.

The continued urbanisation of major UK cities and demand for good-quality housing presents opportunities for the sector, particularly for those investing in private rented and student accommodation. Both components of the market are seeing strong investment and growth. Many insurers have commented that escape of water is the 'new' fire peril, with losses from escape of water presenting a challenge in terms of managing loss ratios; such losses are often a feature of these sectors.

The real estate sector is encouraged by the recent changes announced by Pool Re. Real estate investors are increasingly acquiring smart buildings with sophisticated building management systems. This change provides cover for resultant damage, excluded until now, that comes about as a result of hacking of such systems.

The insurance market cycle remains competitive, assisted by new capacity entering the market and despite a backdrop of the significant US-dominated catastrophe losses.

In summary, the real estate sector continues to present good opportunities for growth and returns across all stakeholders within the UK insurance market. ●

PROPERTY

IAN FRANCE, ACII
Chief Underwriting Officer for International Property, XL Catlin Chair, IIL Property Committee

Last year provided a very stark reminder of the core purpose of our industry – to be there to help when disasters strike. In fact, Munich Re calculates that natural catastrophe events caused record insurance and reinsurance market losses over the past year. The total industry bill is estimated at USD 135 billion.

It is central to our job to help business and communities recover, rebuild and ultimately become more resilient following such events. I am heartened to observe the very practical ways in which the industry is embracing new tools and technologies to make good our promise to clients when they need us most. For example, loss adjusters and claims professionals have speeded up claims settlements using drones to provide quicker assessment of damage. We are also now seeing the use of real time satellite imagery to highlight areas of greater damage to prioritise claims response to benefit those clients in most need.

Our products and services truly make a positive difference to society at such times. However, we must not rest on our laurels and it is sobering to reflect that economic losses still outstrip insured loss by some margin.

The London market must remain at the forefront of seeking out creative solutions to closing this protection gap if we wish to remain relevant and fulfil our mission to protect our clients from the ever-evolving risk landscape. ●

INSTRUCT AND PROTECT

In 1907, the Insurance Institute of London (IIL) was established in order to ensure 'The cultivation of knowledge and information in all matters relating to the various branches of insurance'.

The Institute successfully maintains its original goal of developing and enhancing careers in insurance and supporting members and students through its programme of lectures and visits. But the environment is transforming.

The London insurance market is experiencing great change while seeking to reaffirm its prominent place in the global insurance market. At a crossroads in many aspects, it has to welcome and accelerate in how it leverages technologies and the new possibilities these present. It also needs to better recognise and represent the diversity of our world to develop, retain and attract the talents and skills needed to succeed and thrive.

The IIL has a leading role to play in supporting the market in its key needs and I see it playing an ever greater role to instruct and protect the industry, its clients and its practitioners during this period of rapid change. But what does 'instruct and protect' mean in practical terms?

INSTRUCT: 'TO TEACH A SUBJECT OR SKILL'

Our market has some of the most highly skilled and experienced talent anywhere in the world but we should not be complacent about the continued need to develop and learn in order to maintain our leadership position. This applies to everyone, from the new talents entering our profession to the most senior leaders.

We must ensure that young professionals are 'fit for purpose', that they have the opportunity to up-skill and are capable of leveraging new technology to push the industry forward as it reaches a crossroads in modernisation. We need to train, teach, coach, mentor, inform and educate our young talent in order for them to inspire trust as professionals.

Similarly, those with more experience must recognise the need to continue learning and developing. Being open and curious will help us learn from the environment around and from other industries, while being vigilant and ambitious will help us recognise opportunities and prepare for the future.

Instructing clients is another important role for the industry. We are not only transactional practitioners, but also advisers and have a crucial role to play in helping clients understand business risks and implementing effective responses.

It is incumbent on every one of us to prepare ourselves, our teams and our clients for the future and I see the Institute playing an important role in the instruction required to tackle this.

PROTECT: 'KEEP SAFE FROM HARM OR INJURY'

The industry's top priority must be to protect our clients, pensioners and members, which we do by using our professional knowledge and experience to assess, reduce and prevent risk. We provide transacted solutions to transfer risks and advisory solutions to manage risk. We safeguard retirees and trustees, sheltering the value of pension assets with secure investments. But only about 20% of business risks are currently insurable and those that are not need a solution. This is about finding new ways to further protect our clients.

The IIL also works to protect the industry and its stakeholders. As an organisation we need to work closely with policy makers, government, regulators and professional bodies to enable the industry to flourish and protect its stakeholders' interests. We need to be reactive to the business environment as it evolves and proactive in pushing an ambitious agenda to support innovation with new products/solutions and growth in markets where we need stronger traction.

By instructing and protecting, we can ensure that we remain relevant in all aspects of risk management and can serve our clients and society to the best of our ability. Doing so with discipline will also help us to further raise standards, professionalism and trust – the ultimate aim of the IIL and the CII. ●

NICOLAS AUBERT
Deputy President of the Insurance Institute of London; Head of Willis Towers Watson, Great Britain, and outgoing Chairman of the London Market Group

THE LONDON INSTITUTE PROGRAMME PREVIEW 2018-19

Here is just a taster of some of the events coming up in our programme. More lectures and events are being added all the time so please check our website **www.iilondon.co.uk** for the full details of venue, time, and registration process. If we have your email address we will send you regular updates. Go to **www.cii.co.uk** and click on My CII to update your email address.

Date	Event Type	Subject	Speaker	Venue
2018				
11 Sept	Visit	Educational visit to Lloyd's for those new to the London Market	Martin Leech	Lloyd's
24 Sept	AGM	To all members of the Insurance Institute of London: Notice is hereby given that the Annual General Meeting of The Insurance Institute of London will be held at the Insurance Hall, 20 Aldermanbury, London, EC2V 7HY at 12.45 pm on Monday 24 September 2018	Roger Sanders, OBE, IIL President Nicolas Aubert, IIL Deputy President	Insurance Hall
2 Oct	London Market	Presidential Lecture	Nicolas Aubert, Head of UK, Willis Towers Watson	Lloyd's
4 Oct	Reinsurance	Subject of his choice	Dr Michael Menhart, Head of Economics, Sustainability & Public Affairs, Munich Re	Lloyd's
9 Oct	Claims	The changing face of terrorism	Warren Haydock, Technical Manager, Claims, Pool Re	Lloyd's
10 Oct	Aviation	The 11th September 2001 terrorist attacks and litigation aftermath	Des T Barry Jr, Partner, Condon & Forsyth LLP	Lloyd's
17 Oct	Aviation	New space - emerging technologies in the satellite sector	Meidad Pariente, Founder & CTO, Sky and Space Global (UK)	Lloyd's
30 Oct	Accident	Machine learning: The path to outperforming	Kimberly Holmes, SVP Strategic Analytics, XL Catlin US	Lloyd's
31 Oct	Financial Services	Title Pensions - Defined Benefit Transfer	Claire Trott	Lloyd's
7 Nov	London Market	Subject of his choice	Steve Hearn, Group CEO, Ed Broking LLP	Lloyd's
13 Nov	Visit	Educational visit to Lloyd's for those new to the London Market	Martin Leach	Lloyd's
13 Nov	Accident	Business interruption and cyber risks	Ben Hobbi, FCA, Dip CII, Partner, RGL Forensics	Lloyd's
14 Nov	London Market	Subject of his choice	Bruce Carnegie-Brown, Chairman, Lloyd's	Lloyd's
21 Nov	Financial Services	The value of an adviser – how an IFA can make a difference - Protection	Dan Atkinson, FPFS, Head of Technical, Chartered Financial Planner, EQ Investors	Lloyd's
23 Nov	Young Members	Winter Ball		Old Billingsgate
27 Nov	London Market	What's next in London Market reform?	Andrew Horton, CEO & Chair London Market Group	Lloyd's
29 Nov	London Market	Long-term reforms in Saudi Arabia and the opportunities they present for insurers and reinsurers	Fahad Al Hesni, CEO, Saudi, Re	Lloyd's
30 Nov	Accident	The litigation risks of climate change	Richard Lord, QC	Lloyd's
4 Dec	Visit	Educational visit to Lloyd's for those new to the London Market	Martin Leech	Lloyd's
12 Dec	Carol Service	Carols by candlelight with the Lloyd's Choir	From the IIL and WCI	St Katharine Cree Church
2019				
30 Jan	Financial Services	Now you are Chartered – What next?	Melissa Collett Professional Standards Director, CII	Lloyd's
5 Feb	Accident	Emerging risks and insurance innovation – 2019 update	Dr Trevor Maynard, Head of Innovation, Lloyd's	Lloyd's

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For further 2018/19 dates visit: **www.iilondon.co.uk**

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AT THE HEART OF THE LONDON MARKET

From June 2018,
The Insurance Institute of London
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There is a new Knowledge Lounge situated behind the new main reception. This is a touch-down working space with access to CII Knowledge Services and online resource centre.

The CII Knowledge Services team continues to provide their services in the new office including offering access to items stored in offsite locations. We have a small selection of our most popular and interesting books physically available in the Knowledge Lounge, but all the CII current library and archive items are still easily available from the CII's storage facility, which already houses most of the historic collection. The CII is progressively digitising its older and most fragile books and documents and all the current study texts and accompanying materials are e-available.

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