

Charles Berry, President of the Insurance Institute of London, talks to **Bruce Carnegie-Brown**, Chairman of Lloyd's

IN THE SPOTLIGHT

CB: How do you think Lloyd's and the London market is coping with the lockdown?

BC-B: Given this is likely to be the largest loss event to ever hit the insurance industry, I think both markets are coping well so far. Our priority is both to pay claims as quickly as possible to our customers and to ensure that they can continue to buy insurance, despite us having to shut our underwriting room for the first time in our history. Underwriters and brokers are making use of our electronic trading platform and, so despite working remotely, the Lloyd's market is very much open for business.

CB: What do you think will be the longer-term impact of the pandemic on Lloyd's?

BC-B: We expect to pay a substantial amount in claims and earnings will undoubtedly take a hit, but our robust financial position will continue to support our customers through the Covid-19 crisis and beyond. To further help our customers, we are repurposing some existing initiatives to help fast-track the development of innovative new products and solutions to help with economic recovery and resilience. These include the Product Innovation Facility and the next cohort of the Lloyd's Lab. From a strategic point of view, the crisis reinforces the importance of completing our

Future at Lloyd's work, which is focused on building a resilient, dynamic, technologically advanced insurance marketplace that offers its customers the best possible products and services – whatever the challenges we, and they, are facing.

CB: Despite decades of passporting into the EU, only 13% of Lloyd's business currently comes from the rest of Europe. With Lloyd's Brussels up and running and with London brokers expanding their direct presence in the EU 27, could Brexit mean more European business for Lloyd's, not less?

BC-B: That is certainly our intention at Lloyd's. And it's why we have worked hard since the 2016 referendum to ensure that, despite Brexit, our customers based in the EEA can continue to access the underwriting expertise and financial security of the Lloyd's market and their existing policies can continue to be serviced.

CB: The London market is positioned to be at the forefront of "global" Britain: where in particular do you see opportunities?

BC-B: With access to over 200 territories, Lloyd's international network is one of our greatest strengths. We continue to see opportunity in developed markets of North America, Europe and Australia, which have the

highest insurance penetration and the greatest demand for complex risk solutions. But we are also focused on the developing economies where rapid economic growth is creating greater demand for insurance protection. In recent months, I have been to India and Mexico to promote Lloyd's. The Asia Pacific region is central to Lloyd's growth strategy and we are committed to the region, which represents a significant source of capital (14.5% in trade capital in 2018) and accounts for 11.5% of Lloyd's total income.

CB: Lloyd's needs to work for both capital providers and policyholders. Taking capital providers first, what are the main benefits they will see from your vision of the Future at Lloyd's?

BC-B: Simpler and easier access to a diverse range of risks across the Lloyd's market. We are already seeing this take shape. For example, in the form of the Munich Re Innovation Syndicate that began underwriting on 1 January 2020. This is our first syndicate-in-a-box, which offers a streamlined opportunity for innovators to bring new products and business into the market. By making the market more efficient, we are also going to increase the returns generated for capital providers at Lloyd's.

CB: And what are the main benefits for policyholders from the Future at Lloyd's?

BC-B: Solutions that are even more relevant to their changing needs. We know that Lloyd's unique attributes – the ability to access unparalleled underwriting expertise, financial security and market access all in one place – are more relevant today than ever. But the world is changing, and our customers' needs are changing with it. If we can harness the entrepreneurial and innovative spirit that is at the heart of Lloyd's we have a tremendous opportunity to reimagine Lloyd's and build a marketplace that is future focused, highly responsive to the changing and diverse needs of our global customers, with a culture of inclusivity and innovation. Everything we are doing at Lloyd's is designed to increase the market's relevance, reduce its costs and increase the policyholders' confidence in Lloyd's.

CB: The Future at Lloyd's Blueprint One revealed that in the three years to the end of 2018, nearly 80% of Lloyd's claims by number (124,000) averaged under £6,000, while the remainder averaged over £600,000. What does that say, not only about handling claims at Lloyd's, but more generally about the sustainability of Lloyd's current business model for handling small ticket business?

BC-B: It means that we have an opportunity to revolutionise the way claims are paid in the Lloyd's market. What if a claim could be settled before a customer even knows they have experienced a loss? That is the scope of our ambition in this regard. And it's why we are striving for a next generation claims service that

improves customer experience and increases trust in the market by speeding up claims' payments. Improvements can come in a number of different areas – e.g. through the triaging and early settlement of smaller value claims (that's about process improvements and process reengineering). New technology can help – using satellite imagery or drones, for example, to help us assess damage from a natural disaster before anyone on the ground can access the area. New policies, with event-based triggers, so that a policyholder doesn't need to prove or document a financial loss, can also help. These are all areas that we are looking at and developing.

CB: The ideal model for handling large and complex risks has only two parts : a broker acting for the policyholder; and an underwriter acting for (each) capital provider. Do you see the day when one single intermediary could act for both policyholder and capital providers?

BC-B: No. Brokers work for customers and provide them with advice on optimising their insurance protection requirements and underwriters work for capital providers. We must avoid creating potential conflicts of interest in the markets, so I don't see a change to the current model.

CB: We welcome Lloyd's leadership on diversity, but with the world's geopolitical centre of gravity shifting East, how do we attract more Asian talent?

BC-B: I am confident that talent will follow opportunities. As our Asian business grows, brokers and underwriters will recruit the talent they need to service these customers. Much of that talent will be Asian.

CB: How do you compare leading Lloyd's, a marketplace, with your previous experience leading conventional financial services businesses?

BC-B: Lloyd's is unique and it is a great privilege to be asked to serve the market, particularly at a time of significant change and transformation. The principal difference between Lloyd's and more conventional financial services businesses is that Lloyd's is a market, so levels of engagement are much higher and the search for consensus is much harder. Market participants are very passionate about Lloyd's and this is a fundamental source of strength, underpinning the future prosperity of the market. Nowhere else in the world will you find such a concentration of (re)insurance talent and expertise. I believe Lloyd's has a great future to look forward to and it is very exciting to be part of it. ●

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