

# THE LONDON JOURNAL

THE VOICE OF YOUR PROFESSION

2021

## THE NEW WORLD OF WORK

A unique  
opportunity  
to change



The Insurance  
Institute of London  
Chartered Insurance Institute

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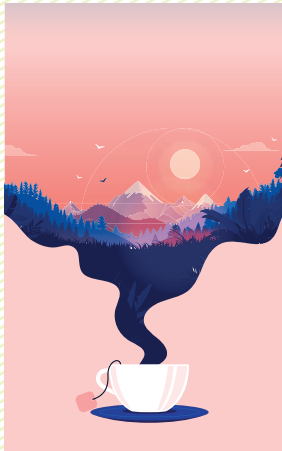
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## FROM ANTHONY BALDWIN

As the world emerges from a year like no other, London looks to the future with new eyes. A new hybrid world of work calls for a rethink of the London Market's approach to collaboration and innovation. Automation is transforming insurance design, development and deployment. Greater focus on sustainability and diversity, equality and inclusion (DEI) requires a rethink of public, private and corporate priorities. Digitisation highlights the growing importance of intangible risk as an insurable asset class.

As a global insurance hub, the London Market must evolve to reflect these transitions. This requires adapting to new trends – many of which are covered in this year's edition of the *London Journal*. By looking forward with imagination and ambition, the London Market is uniquely placed to lead the world as an underwriter of economic development and human progress.

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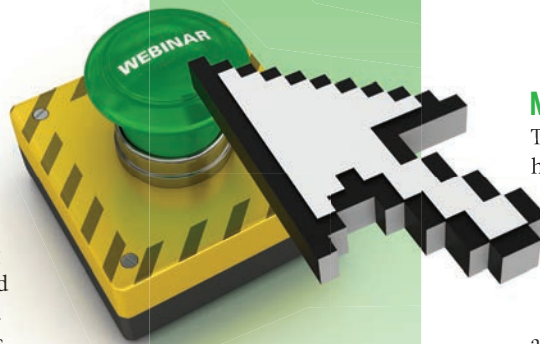
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# WHAT'S NEW AT THE INSTITUTE?



## WHAT A YEAR

Looking back at my 2020 report, I notice it was drafted on the day when the first Covid-19 lockdown was announced. This report is being drafted on the day that the third national lockdown was partially lifted. The IIL President tells me that business is especially swift in the newly reopened pubs of Leadenhall Market! Little wonder.

What a year it has been, more than 127,000 UK citizens having died after testing positive for Covid-19. If anyone in the profession is struggling, for whatever reason, remember the CII has a hardship fund that can provide support; this year the IIL has introduced a full wellbeing programme of webinars to help members develop coping strategies and The Insurance Charities stand ready to give practical and financial help too.

## POSITIVE CHANGE

We have an opportunity to 'build back better', as the Prime Minister puts it. For the London Institute, this is likely to mean a permanent change to how we deliver some of our core services. The continuing high numbers of members registering for IIL's webinars, nearly 10,000 in six months, astonishes me, and feedback indicates that members like the ease of accessibility of the live webinars, and the flexibility of the recordings available on-demand afterwards, which support members' changing working patterns. We are no longer tied to set venues, dates, times or durations, and as a result we can include speakers in other countries and

time zones and bring back panel debates. There will still be the occasional in-person lecture, but the bulk of the CPD and wellbeing programme is likely to continue online. I thank everyone who has been involved in the creation and delivery of that programme this year.

## EXAM VOUCHERS

During the year we also discovered some of the technology's limitations. As the pandemic gripped the world, the CII had to drastically speed up the roll-out of its new exam centres, remote invigilation and onscreen examinations. Despite a sterling effort from all concerned, sometimes there was no alternative other than to cancel examination sessions and give students a voucher to rebook the examination at a later date. The CII currently has 61,000 outstanding exam vouchers. Have you, or a colleague, got one? You can check by going to 'My CII'. If you have got an exam voucher, please do make sure you book your exam and get your studies back on track as soon as possible.

## NEW CONSTITUTION

The positive experience of the webinars has encouraged the CII and IIL to consider how technology can be used to facilitate greater member participation in our respective democratic processes. The CII has issued a new model constitution for all local institutes to review and tailor to their specific needs and traditions. Major changes include formalising the ability to vote by electronic means and enabling the whole IIL membership to vote in the election of the IIL's President and Deputy President, which is currently limited to Vice Presidents and Council members only. The plan is that if IIL's Council approves the proposals, the membership will have the opportunity to vote on them at the AGM in September.

## NOTICE OF ANNUAL GENERAL MEETING 2021

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 online and in-person at **The Old Library, Lloyd's, One Lime Street, London, EC3M 7HA**, at **12.30pm on Monday 27 September 2021.\***

*\*Subject to Government and Lloyd's Covid-19 restrictions at the time. ●*



**ALLISON POTTS**

Institute Secretary,  
Insurance Institute of London





# LONDON

## A GLOBAL CENTRE OF EXCELLENCE

London has long been known as the global epicentre of the insurance industry and pioneered the forecasting of future losses using historic data. It syndicated underwriting talent and capital to increase specialised insurance capacity, and has delivered unrivalled product innovation and expertise over many types of business for more than three centuries.

London's excellence depends on its people. The strength and competitiveness of the London Market relies on its ability to attract and cultivate top talent. This high concentration of specialty insurance talent in underwriting, claims, actuarial science,

catastrophe modelling and price modelling has created an ecosystem that attracts over \$91 billion of premiums annually and serves as the backbone of wider economic growth, innovation and prosperity.

Changes to the London Market and the wider world of work challenge London's global insurance leadership, and in the coming decade, the insurance industry will experience widespread transformation. Digital adoption and the transition to a new way of working will spur changes to procedure. Greater public and regulatory scrutiny of sustainability and purpose may reshape well-established corporate governance structures. Amid the changes, urban centres in

emerging markets may try to seize the opportunity to rival and challenge London's global insurance leadership.

### THE NEW WORLD OF WORK

London's unique selling point for much of its history has been face-to-face business. The concentration of talent set the market apart for centuries, but this came to an abrupt halt with the sudden transition to remote working in 2020. Going forward, many companies plan to adopt 'hybrid' systems that combine home and office work as a permanent feature.

Although co-location proved vital to innovation and knowledge

transfer in the past, the geographical concentration of people had already peaked and begun its decline before 2020, because growing numbers of professionals were deterred by the high cost of living in international megacities. Technological advances had already made remote working easier before 2020, and many employers already supported flexible working patterns, encouraged by the potential to improve employee morale and boost work satisfaction.

Whether they go 'fully digital' or adopt hybrid models, businesses large and small will need to adapt to the new reality of work. They have a unique opportunity to embrace the change, thinking creatively about how new networks can be developed and old ones reinforced in a virtual environment. Knowledge transfer previously carried out in person can now take place remotely – companies will be best served by exploring technologies that support distance learning and virtual social interactions. Professional qualifications such as the CII insurance curricula will play a key role in the upskilling of early-career professionals, while online courses and virtual mentoring may enhance the informal learning in traditional workspaces.

## THE IMPACT OF AUTOMATION

Technology will not only change the location of work; it will transform the way insurance is built and distributed. Technology-enabled automation of operational processes has already released employee capacity for higher-value activities. In future, AI will undertake specialised underwriting, claims processing and risk management activities with minimal human input. The advances in automation will enable insurers to shift from the traditional product provider role to a more dynamic relationship based on risk partnering with their insureds.

Insurers must prepare for the impact of automation, investing in the skills that will be needed to operate

in this new landscape. Statistical analysts, data science and visualisation professionals are already in short supply in London, and these skills will be even more coveted in future. Attracting new talent from these fields into insurance and retaining this talent through attractive career advancement opportunities will be paramount to retaining London's relevance and competitiveness in an increasingly data-driven global landscape.

Equally important will be the up-skilling and re-skilling of the existing workforce. The recent City of London report *London Recharged* calls for sector-specific digital skills training to improve service delivery. As part of this re-skilling effort, the London Market Group has run free taster sessions in data science and innovation, and insight lectures on the importance of agile leadership. As well as the talent pool, the adaptability of leadership will be the driving force of a company's responsiveness to rapid changes in market demands and emerging risks.

## DIVERSITY, EQUALITY AND INCLUSION

People form the most crucial engine of value creation, and businesses have a duty to promote and protect them. This starts with building an inclusive work culture, as a diverse workforce enhances business profitability, innovation, and resilience. Greater diversity enables companies to serve a more diverse client base more effectively, bringing understanding and insight into business customs.

The London Market has made great strides to improve diversity, equality and inclusion (DEI) in the industry, though there is still much work to do. The London Market Group offers a #LondonInsuranceLife bursary to lower the burden of student loans and has taken part in an eponymous campaign to attract diverse talent; the CII launched 'Insuring Women's Futures' to enhance the profession's role in relation to women and risk; AIG and other employers in

the London Market have joined the #10000BlackInterns initiative aimed at transforming the prospects of young black professionals in the UK.

The results are starting to show. From 2014 to 2018 the share of non-British employees working in the London Market more than doubled (from 10% to 26%), moving ahead of the financial services average (10%) and in line with the wider London average. Other metrics, including gender balance, are also improving. Each September, the Dive-In Festival serves as a wonderful celebration of diversity in the London Market and a reminder of the journey that still remains ahead.

## A LOOK AHEAD

The greatest innovations are often produced in times of change and uncertainty. To reinforce its relevance and remain resilient, London must seize the opportunities presented by digitalisation, address the skills shortages it needs to succeed in the future economy and build a cohesive and inclusive workforce that appeals to a diverse talent pool.

This will require a fundamental rethink of London's identity as the global epicentre of insurance – one less based in co-location and with greater emphasis on thought-leadership, adaptability and collaboration. Anticipating future changes and supporting the frictionless transition to a new economic reality may prove the way to future-proof London's competitiveness. The evolution will not be easy, but it is essential. Progress goes hand in hand with risk. ●

THE LONDON MARKET HAS MADE GREAT STRIDES TO IMPROVE DIVERSITY, EQUALITY AND INCLUSION



**ANTHONY BALDWIN**  
President,  
Insurance Institute of London  
CEO UK, AIG

**V**ictor Syndicate 2288 is a virtual syndicate, which means it is a Lloyd's syndicate (think (re) insurer), but that it does not have a traditional 'underwriting box' in the Lloyd's building, where brokers would have traditionally queued to see an underwriter. 2288 is the syndicate number, which all Lloyd's syndicates have, with 22 representing Victor (the 22nd letter in the alphabet) and 88 representing two lucky eights signifying wealth and luck. By design, it does not have a large team of underwriters, claims experts, actuaries and management in London. In London, it is me and the active underwriter (think chief underwriting officer). We are supported by a geographically dispersed Victor team with actuarial in Ottawa, Canada, exposure management in Boulder, Colorado, and reinsurance

and finance from New York. Working collaboratively with subject matter experts, embedded in Victor but located around the world, enables Syndicate 2288 to cost-effectively leverage existing Victor capabilities and support local build-out of capabilities for the benefit of Syndicate 2288 and Victor overall.

The business originates through our Lloyd's coverholders (think managing general underwriters/agencies) located locally. We currently write business from Canada, the United States, the United Kingdom and The Netherlands, and with Lloyd's licences, we plan on expanding Syndicate 2288's underwriting to support Victor coverholders in Germany, Italy and Australia. Victor specialises in high-volume, low-touch, SME business, which tends to be underwritten locally using technology, and this rarely finds its way into the Lloyd's market. Victor Syndicate 2288 enables capital to access local SME business in a cost-effective

manner, while benefiting from Victor's local underwriting and expertise that is distributed around the world through other Victor Group businesses.

Victor Syndicate 2288 chose London because a virtual insurer of this scale and global reach could only be possible through Lloyd's, with access to:

- **Licences** – Lloyd's as a market benefits from a large network of global licences, enabling syndicates to trade from London or locally in markets, without the need to establish their own locally regulated and licenced entities. This model avoids Victor having to seek and manage its own insurance licences in the seven countries where Syndicate 2288 currently sources business, as well as the ability to establish new Victor coverholders in new markets to support profitable growth.

- **Rating** – Lloyd's is currently rated A+ by Standard & Poors and A by AM Best, providing confidence to policyholders of Lloyd's and its syndicates' ability to pay claims. A rated platform with solid capital base will provide Victor coverholders and their SME insureds access to high-quality capacity. Lloyd's rating and reputation for promptly paying all valid claims provides credibility to a new venture, such as Syndicate 2288, when Victor coverholders market our capacity to local clients and insureds.

# WHY DID A VIRTUAL SYNDICATE CHOOSE LONDON?

**Erik Johnson** explains what a virtual syndicate is and why London is still the natural choice to start a new insurance business



● **Third-party managing agent** – Through an efficient partnership, Victor can access third-party management services from Asta as a Lloyd's managing agent. All Lloyd's syndicates are required to have a managing agent that provides governance, oversight and other services to a syndicate. Many large integrated insurers might own a managing agent and syndicate – an integrated Lloyd's operation. Syndicate 2288 avoids costly infrastructure that already exists within the Victor organisation by partnering with Asta, a managing agent that provides managing agency services to multiple syndicates. This frees Syndicate 2288 staff to focus on managing the business, while Asta provides back and middle office, underwriting oversight, actuarial, finance, risk, compliance and advisory support.

## LLOYD'S - THE NATURAL CHOICE

These benefits of Lloyd's, supported by the Lloyd's market's ambitious 'Future@Lloyd's' programme, made Lloyd's and London the natural place to start a new insurance business. When I look at the focus on making delegated authority underwriting more efficient, better use of data and making the entry and exit of capital that support syndicates more efficient, these are all things that will empower virtual syndicates, such as Syndicate 2288, to be more efficient; for instance:

● **Delegated underwriting** – With Syndicate 2288 only writing business through Victor coverholders, we are keenly interested in ways to streamline this delegated underwriting channel. Lloyd's investment in digital contracts, e-placement systems, data validation and flow, as well as claims, are all initiatives that could benefit a virtual syndicate.

● **Data and enrichment** – Investing in making the collection, submission and reporting of coverholder data means that Syndicate 2288 should more efficiently use data provided by Victor coverholders to create business

intelligence reports. Enabling the use of third-party data enrichment (e.g., geo-location data, public corporate registry data) and automatic data validation will make regulatory reporting easier, but most importantly, provide for better management information to support good underwriting decisions, pricing, reserving and portfolio optimisation.

● **Flexible capital** – Lloyd's recent work to make the use of insurance linked securities within syndicate capital structures, along with the new UK-based Lloyd's protected cell company London Bridge Risk PCC Ltd, make London competitive against other domiciles such as Bermuda and Guernsey in terms of attracting capital to support underwriting risk. For a third-party capital syndicate such as Victor 2288, ensuring that it is cost and tax efficient for us to attract trade and alternative capital to support our underwriting is key.

● **Coverholder experience** – Syndicate 2288 writes relatively small premium, high-volume business, and the kinds of business that Victor coverholders can often find local capacity to support. Lloyd's investment in making the coverholder experience efficient, digital, and less Lloyd's specific, will help make Victor Syndicate 2288 a more attractive capacity partner. Being able to operate as a coverholder of 2288 in a similar operating model to how Victor Group coverholders operate as agents of other capacity, means less disruption to standard approaches and less cost.

When combining these investments by Lloyd's with London's strong network

of service providers, concentration of underwriting and insurance talent, English language, flight connections, and common law legal system, Lloyd's and London came out tops when Victor was looking to establish a risk bearing entity.

While there are many benefits to operating a Lloyd's syndicate based in London, there are still many ways that the Lloyd's and UK regulatory and business environments could

be enhanced to make it easier for me to do my job and generate profits for our backers. Top of mind would be for Lloyd's to consider a three-year business plan approval process. In this model, syndicates would submit a three-year business and capital plan, which would enable syndicates to better plan, present more credible longer-term plans to capital providers, and provide syndicates and coverholders with more certainty of capital for a longer period. Moves by Lloyd's to tier the annual business process

from light-touch to high-touch are starting to move in this direction. Lloyd's strategy, 'Future@Lloyd's', will tackle these and many other modernisation initiatives. Its strategy is to create the world's most advanced insurance marketplace.

There are always ways for things to improve. Nevertheless, for a start-up insurer, picking London and Lloyd's was easy. While Covid accelerated our virtual dynamic even more than we had planned, it further proves that virtual syndicates can work. Would it have been possible anywhere else? I don't think so. ●

WHILE COVID  
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CAN WORK



**ERIK JOHNSON, BCOMM, MSC, ACII**  
Chartered Insurer – Deputy Active Underwriter, Syndicate 2288; Local Forum Officer; IIL ExCo

# PANDEMICS AND INSURANCE

The only entities capable of dealing with the financial consequences are governments

More than one year after it first appeared, the effect Covid-19 has had on society, business and our way of life is clearly evident, and although vaccines will bring relief, the effect of this pandemic will be felt for many years. From an insurance perspective, not only have we seen significant claims payments on products for which pandemic cover was consciously provided, such as on contingency and event policies, but also many insurers have been forced to pay claims on other types of policy, such as business interruption (BI), due to their wordings not responding in the way they intended. This has resulted in litigation in many countries, such as the United States and Australia, as well as the unusual sight in the United Kingdom of the regulator, the Financial Conduct Authority (FCA),

taking the industry to the Supreme Court and forcing insurers to pay BI claims they had argued should be excluded.

The pandemic has affected most countries around the world and its very nature has challenged the fundamental principles of insurance. We talk in the (re) insurance industry about diversification and correlation and how these underpin the global nature of insurance and the efficient use of capital. Unfortunately pandemic events such as Covid-19 show that there is no diversification when an event correlates perfectly across insurance classes and geographies. In effect, this means that an event could theoretically affect every policy of a certain type, issued by an insurer or reinsurer anywhere in the world. The underlying foundation of insurance is that the premiums of the many pay for the claims of the few, so when most policies could generate claims there is systemic failure and (re)insurance

cannot function normally. In such circumstances reinsurers and insurers must re-appraise their approach and ensure such exposure is removed from their books.

We have a frequency problem, with too many claims happening simultaneously, but perhaps the most significant issue is the sheer cost of the pandemic. The World Bank has estimated that the value of lost global GDP (economic cost) will exceed \$10 trillion. Given global reinsurance capital (including ILS) is \$620 billion, the only entities capable of dealing with the financial consequences of a pandemic are governments.

Before the pandemic, most insurers and reinsurers in the property/BI market would have said unequivocally that their policies were not intended to cover pandemics and no policyholder paid a premium for such cover. In the aftermath of the pandemic, BI claims





were rejected but unfortunately some of the wordings were not as clear as they could have been and the Supreme Court judged that claims should be paid. The litigation battleground will now shift to reinsurance as insurers that have been forced to pay BI claims try to recover their outlay from reinsurers, who just like their cedants may not have intended their treaties to provide cover for a pandemic.

## BEYOND EXCLUSION

In the immediate future, both insurance and reinsurance contracts will invariably exclude pandemic and/or communicable disease. In the very recent past, new exclusions have been drafted and incorporated into insurance policies and treaties. These exclusions not only affect BI, but also most general insurance classes including policies that may previously have provided overt cover for the consequences of a disease outbreak, such as cancellation and event insurances.

For now, pandemic and/or communicable disease in general insurance is effectively uninsurable and the question is, how can businesses be protected against such events and what is the role of the insurance industry if it cannot commit capital?

In the immediate aftermath of global lockdowns in early 2020, both governments and the insurance industry realised that the cost of the restrictions of socio-economic activity would be well into trillions of dollars and as a result insurance cover for future incidents would not be available. As many industries rely on insurance cover to underpin their activities, the importance of how future cover might be provided was highlighted and several initiatives were established in many G20 countries.

Although the nature of these differed, the common thread was a partnership between insurers and government that might facilitate future cover for pandemic and/or communicable disease. Such public private partnerships already exist in many forms around the world to ensure that insurance market failures (total or partial) that would lead to coverage not being available to those who wanted to buy it could be offered with support from government.

Although the financial scale and connectivity of the problems presented by the pandemic exceed those faced by other pools or schemes, in spring 2021 insurers, reinsurers and governments in many countries set about considering how pandemic protection might be provided to businesses. It quickly became clear that although the global nature of the problem meant that minimal insurer capital would be deployed, insurers could commit their intellectual expertise in risk management and mitigation to help solve this problem. In the UK, Stephen Catlin led the 'Pandemic

Re' initiative, which quickly established a project team with six working groups consisting of more than sixty individuals from across the industry and including lobby groups and ex-government ministers.

Ultimately, the challenge was distilled down to the problem of how to provide compensation to many businesses simultaneously, using a clear and transparent policy trigger

mechanism. Optimum take-up was considered, as well as the language used to deliver coverage and claims settlement. In common with many other global initiatives, parametric triggers were discussed as a way of simplifying policy activation and providing a common basis for all policies. In itself, this would

be innovative, given parametric triggers have hitherto been largely restricted to reinsurance contracts and niche insurance products.

A set of proposals was presented to the UK government in September 2020, and officials acknowledged the enormous extent of the work, collaboration and commitment undertaken in just over three months. However, with its ongoing nature and the advent of further restrictions through 2021, the government's focus remains firmly on the current pandemic. It does, however, plan to fully review the proposals once the current pandemic is over and the project group remains hopeful that further work can be undertaken.

The progress in the UK is not dissimilar to that in other countries. In the US, three proposals were put forward by various industry groups and one achieved some traction with the Pandemic Risk Insurance Act brought before Congress. However, progress has been slow, partly due to the US elections, and the legislation is still being scrutinised by the House Financial Services Committee. In France, several proposals were tabled and the Catex project proposed by the FFA (French Insurance Federation) seems to be taken seriously. This scheme would deliver a resilience lump sum to businesses affected by a pandemic/epidemic and the suggestion is that it might be a compulsory extension to all fire policies. Work is still in progress as at March 2021 and is delayed by the ongoing nature of Covid-19.

Whether all, or any, of these initiatives will be implemented remains unclear, and that may only become evident when governments are no longer consumed by Covid-19. What is clear, given the widespread introduction of communicable disease exclusions, is that businesses all over the world are unlikely to find cover for pandemic, and solutions of some form are needed. ●

THE PANDEMIC HAS  
AFFECTED MOST  
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**STEVE COATES, ACII**  
Chartered Insurer  
Chief Underwriting Officer,  
Pool Re

On page 30 of this edition of the *London Journal*, I introduced the theme for my year as President of the IIL: A Premium on Change. I believe our industry is losing relevance in a world threatened by larger, more complex risks than we can handle alone. We face a greater challenge than at any time in my career in it, and the reason is that the world is changing faster than we are. The nature of risk has changed dramatically, but our industry has not kept pace.

This is not to say there are not pockets of innovation and intent. Lloyd's, in particular, is clearly serious about the need for a cultural and digital revolution. But as a sector, I do not believe we are doing enough. It is time we put a premium on change.

There will be financial investments to be made, of course. We must change what we do. But we must also change how we think. And that will be my focus in the year ahead.

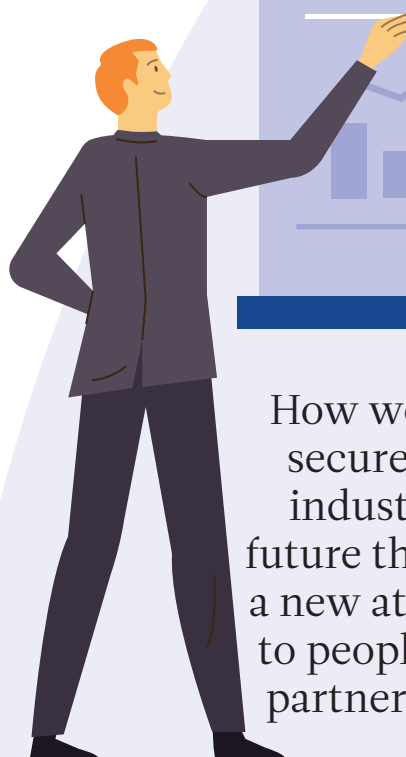
We have too often looked not to include, but exclude. You see this both in our insurance policies and the make-up of our workforce. My focus this year will be on how we respond to the complex world of risk we face. I will be exploring how we embrace new technologies and partnerships to foster innovation in our industry. But more importantly still, I will explore how we attract new talent and greater diversity, both in our thinking and our people, to this industry.

This is not a call for 'out with the old, in with the new'. The insurance industry is full of highly skilled, highly motivated individuals. Few understand risk better than we do. Our contribution to the British economy, and society at large, is vast.

But this is a moment to embrace change so we can thrive in an unfamiliar world, full of new risks, but opportunities too. After all, the insurance industry has always seen the opportunities presented by risk.

Looking ahead, I see three areas of focus for our industry and its future:

- First, a new focus on R&D. We must



How we can  
secure our  
industry's  
future through  
a new attitude  
to people and  
partnerships

# THE DIVERSITY DIVIDEND

reassert our credentials as society's experts in risk, seeking to understand emerging and systemic risks so that we may play our part in mitigating them.

- Second, embracing non-traditional partnerships, such as with governments, in order to co-create new markets for risks which disrupt the traditional insurance model.
- Third, attracting both demographic and cognitive diversity to our industry, while upskilling our existing workforce, allowing us to seize the opportunities of new technology.

## THE TIMES THEY ARE A-CHANGIN'

For hundreds of years, the insurance

industry has been built on a simple premise: that the premiums of the many would pay for the losses of the few. This premise collapses when the losses are *uncertain* – the so-called 'black swan' events that past data can't help us foresee; *correlated* – where everyone's claims are triggered at once; and *large* – so large they dwarf the insurance industry itself. In sum, a 'systemic risk'.

These new complexities do not mean that insurance has no role to play; it means the industry needs a *new* role to play. We need a new model for risks that cannot be insured by the industry alone. Insurance used to be about 'risk transfer'. But systemic risks are too great



## DIVERSITY DIVIDEND

to be transferred to insurers alone. For risks like these, we need to look to new and creative partnerships as a way to *share* risk, rather than simply exclude them.

### POOLING POWER

Pool Re, where I am Chief Executive, is a model for how this could work. We are the industry's mutual for insuring terrorism risk in the UK. In 1993 when the scheme was established, the IRA's relentless bombing campaign meant that terrorism was almost entirely excluded from commercial property policies. Businesses were vulnerable, large attacks were a systemic risk to the economy, and the nature of the risk meant that (re) insurers were forced to withdraw cover.

Nearly three decades on, terrorism is a far more complex and potentially catastrophic risk, but one for which there is now a large and competitive insurance market. It is no longer an uninsurable peril because insurers and politicians created a model together which allowed them to share a risk neither could address alone.

The model works because it provides solvency to the market, and caps the ceiling of insurers' potential losses. But it also works because it allows us to invest in understanding terrorism risk on behalf of the market, in a way that would be uneconomical for any of our members individually. When R&D into new or systemic risks is too costly for individual insurers, we must work together, both as an industry and outside of it, pooling funds to develop the products our customers, and society, demands.

### FRESH THINKING, FRESH FACES

To understand new risks like those we face, our industry needs to think differently. We discovered this at Pool Re too. To understand terrorism and make it a more attractive risk for the market to write, we've drawn on the expertise of academics and security experts. But it is not just about drawing together people from diverse professional backgrounds. The evidence overwhelmingly shows that to find people who think differently, you need to draw talent from a more diverse pool of people. In short: fresh thinking

needs fresh faces. Our industry needs to change not just how it thinks and how it acts, but also how it looks.

I was delighted to see this urgency come across so strongly in the most recent 'Diversity & Inclusion' Report by Intelligent Insurer. We are slowly waking up to the fact that to attract and encourage new talent and greater diversity we must become the kind of place where people want to work.

The advent of more remote working, ushered in by the pandemic, is a real opportunity in this respect. Research suggests that flexible working arrangements increase a company's ability to attract and retain women, and employees in different life stages. Long before Covid-19, we knew our industry had a problem attracting talent the digital skills and experience we need. The last 12 months have only reinforced this. The answer could, at least in part, be found in embracing remote working and so tapping into a far wider talent pool. It is also important to ensure that digital nativism is not only the preserve of the young by reskilling our current workforce through a reinvigorated approach to professional learning and development.

In this rapidly changing world, it is time our industry changed. The great genius of our industry, from its foundation to the present day, has been our ability to see opportunity in risk. Today, the risks we face threaten to overwhelm our industry. Fail to change, and we risk irrelevance. But this needn't be the case. There is a lot to do. We must redouble our efforts to understand the risks citizens, businesses and the economy faces. We must find new partners, broadening our understanding of our role, while being humble about where we need to work with others. And we must attract a new generation of people, and ideas, to our industry. There is a bold new role that our industry can play in a world after Covid. But only if we put a premium on change. ●




**JULIAN ENOIZI**  
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# PARALLEL TRACKS

How climate change will foster a closer relationship between banking and insurance



that banks then finance; banks issue investment vehicles which insurers purchase – but the day-to-day touch points and knowledge of each other's operations can be surprisingly scant.

## HOT AND BOTHERSOME

The coming years will see that wall crumble to a previously unseen extent, due to climate change and the regulatory demands that go with it. With the Bank of England's 2021 climate stress test set to start in June, the date of the examination for banks has already been set. Where the banks tread today, others will follow: Task Force on Climate-related Financial Disclosures (TCFD) reporting will be mandatory in the United Kingdom for some corporates from 2022 and for most by 2023, subject to consultation. Broader environmental, social and governance (ESG) requirements are moving others in the same direction.

## A TALE OF TWO CITIES

**W**alking the streets of the City of London – as perhaps we will again one day soon – an outsider would be forgiven for imagining it as an interconnected hub of activity, with every product, service and specialism interwoven with each other. On the whole that is true, yet there is a surprising wall erected down the middle of it: that between banking and insurance. Certainly, each relies on the other's existence to some extent – insurers protect assets

## A MODEL EMPLOYER

At its most basic level, physical risk assessment is about understanding what natural events (perils) might strike a property, how severely and how often. In the UK, the major perils are flood, subsidence and erosion. Elsewhere, they might include typhoon, heat stress or wildfire. In all cases, models are likely based on thousands of real and simulated events, producing a range of physical and financial metrics developed to serve the (re)insurance industry in setting pricing for annual policies.

The challenge comes when these natural catastrophe (or 'NatCat') models get extended in ways never anticipated when they were designed. For climate, models are now being asked to forecast a century into the future, rather than a year. For coverage, global banks now need to understand risk in all major geographies, even though model readiness varies. For probability, banks may need to know more about the day-to-day risks a borrower faces than an insurer would, yet the NatCat models were developed primarily to look at the extreme events one might need to insure. Finally, and most subtly, for financial impact measurement, the view of the insurer is different to that of a bank, or a borrower. Take, for example, a mortgaged apartment on a high floor – common sense dictates there is no or limited flood risk. This may be true for the insurer whose policy extends only to the boundaries of the apartment. But, if the building lobby floods frequently and the service charge goes up in response, the affordability profile of the borrower may be different. And perception can weigh in on a repeatedly impacted building, leading to a reduction in apartment value, all while the occupier has made no claims on their insurance.

There is an alternative to the NatCat models above, and that is the growing community of climate risk providers (CRPs). As the name suggests, these firms – and their models – consider climate outcomes to be core to their offering, rather than an existential upgrade to their service. These start from the premise of global climate

modelling community efforts that allow scientists to project atmospheric, land use, sea level and other changes within a consistent framework, the collective outcome of which can then be used to generate a range of coherent forecasts. Both they and the science that supports them are evolving at breakneck pace, so having a stable view of the future is uncomfortably unlikely in the short term.

For all of those reasons, choosing a physical risk model – whether NatCat-derived or CRP – can be a bewildering process. Banks have had decades to understand and unpick the works of the likes of credit ratings agencies, and now they need to run fast with a trusted partner on a multi-decade forecast that tells them the future of their business – a position many may find uncomfortable. Some providers are transparent in their calculations, others more opaque, some use only in-house models from the ground up, others are stitched together from the work of multiple other providers. It can be easy to sign up to one and not get quite what is needed, or else find a lot of apparatus has been built around a given provider that then makes it hard to replace them.

## ON SHAKY GROUND

One must then face the challenges that come from the other direction: banks have always faced indirect physical risk on the assets they finance, and traditionally have relied on a mixture of the insurer and the borrower's behaviour to maintain loan performance. But with historic levels of indirect physical risk ultimately baked into their expectation of loan performance, they now need to identify and separately model the widening

wedge of physical risk that climate change poses. To give an example, every year properties in the UK experience subsidence events, and every year there are insurer payouts on these. Sometimes the borrower may not have insurance, run into difficulties and call their bank to ask for forbearance on their loan, or a remortgage to pay for damage. This is implicitly factored into banks' calculations. Now, they need to break out such risks, understand them distinctly, consider how much they might drive defaults in the future and plan when in the coming decades they might change their policies. And that is before one factors in how insurer appetite might change over the forecast horizon or borrower willingness to pay for certain coverages.

## ALL TOGETHER NOW

These many complexities could stand between banks seeking to understand and manage their physical risk effectively, despite the resources they are dedicating to the subject. Yet there is a silver lining: the expertise in interpreting these complex tools (in normal times) gets off at the same tube stops and train stations every day as those who are grappling with this novel challenge. It is not so much insurers' models that the banking sector suddenly craves, it is their expertise in articulating physical risk. At the same time, if banks' inherent long-termism can help the insurance industry start to address the data, processes and innovations that will ensure that the insurance industry remains relevant and functional in the volatile times ahead, so much the better. In fighting a cause as urgent and existential as climate change, it only makes sense for the City to finally come together. ●



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# LEADERSHIP LOCKDOWN LESSONS

I am a lockdown biscuit lover.

I was blissfully unaware of this until I had a moment of nostalgia and tried on a work outfit that had been lying dormant for nearly twelve months. 'Blimey, Dad, that looks a little snug on you', was my daughter's reaction. It was at this moment that I reflected how bad this biscuit habit had got – one with a coffee in the morning, a sneaky couple in the afternoon and perhaps another in the evening. It was time to break this trend. However, this is not an article about changing unhelpful habits but one of reflection and positive thinking. What good habits had I picked up during lockdown? What are we now doing differently that is for the better?

## THE POWER OF THE TEAM

I have got to know and truly connect with my team during the shift to remote and virtual working. The opportunity to see my colleagues in their home environments and be introduced to families and pets has been a great bonding experience. Ironically, being physically further apart has stimulated greater innovation, collaboration and creativity. Whatever changes the future brings, I will know that together we are stronger. Understanding and appreciating how each member of my team likes to work and knowing a little about their home responsibilities and interests is making me a better listener, coach and inclusive leader.

## SLOW DOWN TO SMELL THE ROSES (LITERALLY)

During lockdown, my family and I have regularly taken local walks. We pass

the same rose bush on each outing. My son always stops to check how the roses are doing. We often work at 1,000 miles an hour and taking this moment to slow down and think about the simple things in life has helped me apply this in the workplace. I am pausing and reflecting on how to use my time as effectively as possible and focusing on what is important. Often the pauses and breaks we give ourselves make us more productive and creative in the long run.

## POSITIVE MENTAL ATTITUDE

'Positive mental attitude' is our family motto. Never has this been so relevant and there have been many times when this helped us navigate some trickier situations. Having a 'can do' outlook together with a good support network is crucial. With the right mind-set and

the power of working together we can achieve the seemingly impossible.

## LOVING LEARNING

Recently, I have taken more time to read books, attend webinars, listen to podcasts and watch documentaries. I have enjoyed learning in a way that works for me. I will continue to carve out time to learn, develop and grow and encourage my team to do the same.

As businesses begin to reopen, our economy aims for recovery and our digital world becomes faster, the question for organisations and leaders will be how best to strike the right approach to flexible working – balancing business needs, personal preferences and a legacy of old culture versus the possibilities that the past year has allowed us to consider.

Creating the right environment is integral to success. However, we would be wise to remember that we can thrive under the most challenging of circumstances. Healthy leadership habits will allow us to interpret and make sense of the changing world in order to lead growth, innovation and progression effectively through ambiguity and uncertainty.

Over a coffee, take time to have a think about what have you learnt about yourself during this time. I'm off to grab myself a... banana. Small steps! ●



**MARK LEHMAN**

Head of Talent,  
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# MARKETING THE LONDON MARKET POST-BREXIT

The 'divorce agreement' governing the United Kingdom's future relationship with the European Union, signed just days before it became effective on 1 January 2021, made scant reference to financial services, let alone the insurance industry. Since the 'leave' vote on 23 June 2016, there has been speculation in the insurance community as to how the London insurance market would fare, with the UK decoupled from its largest trading partner and at a time of rising global trading tensions.

In reality, the story will play out over several years. So far the evidence suggests that it has at least navigated the immediate transition smoothly, which is a reward for proactive and careful planning across the London insurance market. Insurers began early by restructuring to create trading entities that would have the necessary licences, addressing their legacy European portfolios and making the necessary rewiring to their operational processes. Brokerages, guided by the Insurance Distribution Directive, remodelled their operating structures to establish what have been termed 'reverse branches' of their entities based in the European Economic Area (EEA). Regulatory agreement had to be secured from the host regulator of the branch.

The painstaking process involved the submission of business plans and assurances that the appropriate governance was in place and colleague training would be undertaken in good time. All of these activities needed to be achieved while maintaining an



unwavering eye on that most critical of stakeholders, the client, who is both the ultimate EEA-based insured, and the network of European intermediaries that produce business for the London Market. Clients needed to retain confidence that the London Market would have an undiminished enthusiasm for European business and, importantly, continue trading without disruption.

Early planning proved critical. There were repeated threats of a so-called 'cliff-edge Brexit', and as a result models had to be ready for triggering, and be operational, at short notice. And 2020 was of course to prove the year in which the market was thrown into remote working. It was therefore remarkable that some insurers and brokers launched their 'Brexit ready' structures well in advance of the year end.

But what were the stakes for the London Market? According to the *London Matters 2020* report produced by the London Market Group, European business

makes up 14% of the London Market's gross written premium (GWP). This is well behind the GWP derived from North America but still an important and stable component of the business that flows to London and, importantly for insurers, a portfolio with much less catastrophe exposure in the mix.

For European clients, continuing access to the solutions available in the London Market is equally important. London's unique ecosystem of 350+ insurers, brokers and supporting professional service firms continues to generate innovation. And its 'safe haven' reputation has also shown its value. With domestic markets around the world – including in Europe – adjusting their risk appetites and pulling back capacity, the London Market has demonstrated its resilience and an 'open to business' mindset. As a result, the early signs suggest that business flows from Europe on the key 1 January renewals in fact increased, perhaps confounding some of the more pessimistic voices as to London's prospects.

But this story still has a long way to travel. Market conditions change, and domestic insurers in Europe have deep resources and local insights and relationships. The London Market's future success in Europe will depend on its ability to keep innovating, be agile, and above all be client-centric – as it has always been. ●



**ROY WHITE, FCI**  
Chartered Insurance Broker  
UK Chair  
Marsh JLT Specialty

**Anthony Baldwin,**  
President of the Insurance  
Institute of London, talks  
to **Dominic Christian,**  
Global Chair, Reinsurance  
Solutions, Aon

# IN THE SPOTLIGHT

**AB: Could you tell me more about how you got to where you are? What drew you to insurance?**

**DC:** I came to London and to insurance without friends or connections. I was enquiring and wanted to be out in the field. I thought I could thrive at any level (most of us can) but knew that I would need to be constantly learning. With this in mind, I have always worked with inspirational leaders, patient clients and knowledgeable colleagues. 'You can see further by standing on the shoulders of giants.'

I started in a broker with 18 people. I went out to buy the chairman's cigars. Now I work in a broker that is a bit bigger. I don't smoke.

**AB: The insurance market is hardening. How are you managing client expectations and what can insurers do to help?**

**DC:** Through explaining market circumstances and in-depth understanding of our clients' purchasing motivations, ensuring each client's story is told with authenticity. Utilising risk analytics to the maximum is also important, combined with intensive, broad-based and perceptive marketing. And most importantly recognising insurance is a team game.

Insurers can help by approaching their work with positive intent, a desire to understand client priorities and by offering a consistent view.

**AB: What are your thoughts on consolidation in the industry?**

**DC:** The enormous risks of our age are interconnected, of great magnitude, possess significant volatility and require intense scrutiny. Understanding and solving for such risks will require insight, investment and a host of talents working together with shared aims and energy. Aon and WTW will look to address the challenges societies, communities, corporations and individuals face in a purpose-led, informed manner.

**AB: What are the greatest strengths of the London Market?**

**DC:** It brings together, like no other, the qualities of an insurance campus, a trading area and a client service model. If you are part of it, you love the spontaneity and connectivity. At its core is trust, friendship and playing it long.

**AB: How has the pandemic impacted London's role as a specialty hub? Has it helped or hindered?**

**DC:** It reminds us of our adaptability. That we, who are in the resilience business, are indeed resilient. It has given us operational confidence, but there is no doubt the industry brand has been tarnished. We need to be far more vocal about what we do well. Lloyd's has paid £600 million in BI claims to date and pays £2 billion per month in claims to

thousands of clients throughout the world. We should all remember and reinforce this.

**AB: Can London thrive in a new virtual (or hybrid) world?**

**DC:** Absolutely. If you think about it, the hybrid basis is the one that gives us the greatest commercial advantage!

**AB: How do you see digitisation changing the way (re) insurance is transacted and processed?**

**DC:** Digitalisation and AI will impact every part of our sector. Roles requiring judgement, true expertise, energy and trust will be even more valued.

**AB: How can insurance enhance its relevance to its clients given the evolving nature of the risk landscape?**

**DC:** To me, we are at our best in London when a risk is complex, large or risky – perhaps volatile is a better word. We will keep building our risk understanding and engineering capabilities. There are thousands of examples. Solar will be a huge market, and working with manufacturers to produce more robust hail-resistant panels is a necessity. In addition, we need to provide more single-limit capacity – \$10 billion PML risk requirements are not available and are needed. Thirty years ago, their equivalent was available.

**AB: Value creation is moving away from tangible goods towards intangibles. As an industry, how do you think we can evolve to meet the needs of this new economy?**

**DC:** Indeed. The P&C industry may soon be the C&P industry – US corporate risk managers' principal spend is now in the casualty classes. I think the insurance industry is building its proposition in various areas of emerging risk. We can do more, but risk knowledge, intermediation and transfer must be built in an informed way. Industry collaboration and a preparedness to hire outside experts will benefit all stakeholders.

**AB: How can a post-Brexit London continue to attract international talent?**

**DC:** We need a massive charm offensive. All sectors that comprise the insurance ecosystem need to talk to overseas trade associations and universities, seeking out the needs of clients, talking about risk appetites, telling the story of the lower weighted cost of capital here. Ours is a unique value proposition. We have a greater number of highly talented insurance professionals than any other city in the world, let's demonstrate it.

**AB: Do changes to the world of work challenge the position of international cities such as London? What about innovation?**

**DC:** London innovates in so many areas of financial services – we lead in green bond issuances, foreign exchange trading volumes, interest rate derivative

activity, international airport activity, and we have a competitive tax solution. Our local working environment needs to be greener, more fun, welcoming and socially active. We need more leisure centres, cinemas and Friday should be Tourist Day. In EC3 (Insurance Central), we have Leadenhall Market – let's help it thrive. Let's make where we work a cultural heartland.

**AB: How can knowledge transfer, collaboration and mentoring be promoted in a virtual environment?**

**DC:** This is about personal confidence, warmth and willingness to engage. It is about role models, and companies advocating mutual support and team-based approaches, while rewarding people who embrace them. It is about getting to know a colleague in the way you might a client. Be bold – most leaders like it when someone asks to get to know them. Virtual or face to face? Same principles apply.

**AB: How do you think employees' expectations around diversity, equality and inclusion (DEI) have changed in the past 20 years? What do these changes mean for employers seeking to attract young talent?**

**DC:** Twenty years ago, there was nothing much. Today, the best companies recognise that without meaningful DEI programmes with supporting cultures, they will be hugely disadvantaged. The war for talent is real. The need for high-quality people from a broad base of backgrounds is urgent. Young people want to be part of organisations that respect personal choices, demonstrate a sensitive approach to wellbeing and reflect our multicultural society. If the insurance sector can be thought of in this light, with our culture centred in our understanding of others, the regard for our brand will improve immensely.

**AB: What are your priorities for 2021 and beyond?**

**DC:** That we play a part in building a greener, fairer and healthier society – that COP26, the Sustainable Markets Initiative and the work of ClimateWise help stimulate a more profound interest in ESG, that we have another fabulous Dive In Festival in September, that we can return to work in a manner that is safe and rewarding. We must meet Covid-19 claims obligations in insurance and reinsurance with urgency and responsibility. Lloyd's Blueprint Two's continuing progress will be deeply important to London. There are always deals to be done and new angles to work on. Finally, wouldn't it be great if we could say goodbye to suits and ties... ●





# THE CHANGING NATURE OF RISK

How do we evolve a business built on insuring intangible assets?

**D**igitisation has shifted value creation away from tangible goods. Intangible assets, or ‘identifiable non-monetary assets without physical substance’ have grown in importance and are the lifeblood of businesses large and small. A brand’s recognisability, reputation, intellectual property (IP), data and other impalpable factors have become indispensable drivers of value creation. In the 1980s, tangible assets accounted for about 80% of company values; today, an estimated 80% of the world economy is made of intangibles.

Executives are becoming increasingly aware of the value of this emerging asset class and while quantification remains challenging, a growing share of intangibles is now reflected in balance sheets – between 25% and 40% according to some estimates. The trend will continue as companies incorporate environmental, social and governance (ESG) considerations in their financial reporting. This accounting shift mirrors business choices: investments in tangible assets peaked just before 2008 and since then, investments in intangibles have led the way.

Protecting intangibles will be key to preserving economic resilience. Reputational loss has emerged as a major concern among CEOs – nearly 25% of a company’s market value is attributed directly to brand perceptions. Regulatory and public scrutiny of ESG factors will accelerate intangibles’ share of value creation. Management of assets such as a company’s reputation, its IP or data integrity will be increasingly prioritised



by executives, many of whom believe their organisations are ill-equipped to manage these risks.

Insurers are uniquely placed to help protect intangible assets. Risk transfer mechanisms can help prevent and minimise the impact of intangible losses, and insurers are adapting their product offerings to help protect intangible assets. For example, AIG provides capacity for patent infringement cover; it partners with clients to assess the impact of climate change adaptation on stranded assets; it has developed a rigorous ransomware underwriting framework to help bridge the estimated \$100 billion global cyber insurance gap; and it is widening its catalogue of ‘response products’, such as crisis management for reputational events. As demand for cover expands into novel areas, such as influencer liability, a rapid expansion in intangibles’ share of global insurance can be expected.

Insurers can also work with business owners to develop risk management strategies that improve intangibles’

resilience. This advisory role is already commonplace in the prevention of physical damage (e.g. flood or fire), for which insurance organisations can tap into their vast pools of historic data to draw conclusions about future risks. Underwriters’ expertise is even more important to protect intangibles, given their complexity and volatility, and over time, insurers build and access aggregated data to better assess, quantify and monitor the value of intangible assets and use this information to standardise intangibles’ cover.

A truly resilient intangible economy, however, cannot rely solely on insurers’ efforts. Insurers can act as pathfinders to prevent and detect losses or put in place protocols in response to specific events. In turn, risk managers and business owners must put this guidance into action, for example by implementing knowledge codification procedures to preserve IP or by establishing and monitoring compliance with cyber-protection policies. This joined-up thinking is especially needed because intangible risks are often intertwined – a single event (e.g. a cyber attack) often impacts several asset classes (such as data, IP and reputational losses). Protecting the resilience of this emerging asset class will require a holistic approach to risk management, business strategy and accounting frameworks that completely rethinks how value is created, shared and protected across the entire economy. ●



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# PREPARING TO SELL YOUR FINANCIAL ADVICE BUSINESS

A business sale is one of the most exciting – and potentially disruptive – events in the life of a company. Whether you're considering selling in the short or longer term, it's important to understand the options so you can formulate your own objectives and agree the plan with your fellow owners.

With that in mind, what are the five things that should be considered when preparing to sell the business?

## KNOW THE END GAME

Warren Buffet's mantra, 'to prepare your company for sale on the very same day as you start it' is relevant here. As with financial planning, you cannot start to prepare early enough. Prepare to sell when you don't need to.

Knowing the endgame with a well-planned strategy helps run the business better today, and provides a contingency plan, should an exit be forced upon you or come sooner than expected.

Set out the fundamentals of any deal and remember that with change comes compromise and so decide at the outset the non-negotiables.

## KNOW YOUR OPTIONS

There are typically three options:

- Internal MBO – raising capital can be difficult, depends on size of team.
- Local IFA – difficult to raise capital, cultural alignment vital.
- Consolidator – they are all different, so check the T&Cs!

Think 'buyer' and look at your business through their eyes to present an attractive proposition. Remember that there is no point building a lifestyle business unless



you know someone who wants to buy a lifestyle business!

Selling and retiring are no longer exclusive terms. Increasingly, firms are looking to 'sell and stay' – release capital but remain to grow the business with the additional support that a larger outfit can offer.

Regardless of the route taken, the next step is due diligence (DD), which most underestimate. This will involve a forensic look at the business – at a minimum, financial, legal, compliance and risk, IT and data security, HR, contracts and PI and FCA position.

If you run your business with future DD in mind, you'll be in much better shape today!

## INVEST TIME

Forming relationships with a potential buyer over a short time is fatally flawed. Investing time enables you to build a relationship, focus on vital value-added tasks without compromising on integrity or watering down core values.

It should be remembered that this, along

with any DD, must happen while you're also trying to run your core business. Pre-agreed timelines and allocating the right team will inevitably give a better outcome and not impact your client standards and revenue in the meantime.

## FUTURE OF THE BUSINESS

Most business owners are keen to secure the future of their business as a condition of the sale. DD works both ways, and it's important to find a firm that is structured to address the concerns you may have – for example, around PI insurance, regulatory developments such as SMCR, technology and resource to compete in the modern world.

Consider what support this new home will provide – will they support and invest in organic growth, recruitment and provide development opportunities for your staff?

## THE IMPORTANCE OF INTEGRATION AND CULTURAL ALIGNMENT

Most business owners prioritise the protection of their 'people' as a condition of any sale. Reassurance can be gained through the sale terms, but these may only be short term. Your people and your staff are your assets, so ignoring successful integration will inevitably lead to a loss of the human capital as the new world starts to unfold.

Understand what the future will look like for your staff and take them on the journey with you. ●



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# THE SUCCESSION OF DIGITAL ASSETS



Questions around the succession of digital assets are increasingly significant in this digital age. This is a brief introduction to the topic and highlights some points of relevance.

## WHAT ARE DIGITAL ASSETS?

There is no definition of a 'digital asset' under UK legislation. Digital assets can broadly be described as possessions that exist in digital form.

There are several examples of digital assets including:

- Online bank accounts
- Other online accounts such as digital media accounts, data storage accounts, social media accounts and gaming accounts
- Virtual currencies
- Websites.

## OWNERSHIP AND SUCCESSION ARRANGEMENTS

Digital assets may have significant monetary value. Cryptocurrency holdings can sometimes be a good example of this. In addition to monetary value, some digital assets may have sentimental value, such as digital photographs.

The subject of ownership and succession of digital assets is not without detail. Unlike tangible personal property that can be physically transferred (such as computer hardware), digital assets might often be described as intangible in that they cannot be claimed by taking physical possession (digital photos and domain names being examples) and they may also comprise contractual rights.

Ownership and succession arrangements depend on the particular type of digital asset. Many digital assets form part of an individual's intellectual property and fall within the scope of copyright law but this is by no means always the case. It can be helpful to consider some examples.

- In practice, online bank accounts are often dealt with in much the same





way as non-online bank accounts for succession purposes. Typically banks will have teams well placed to talk executors through the succession of a bank account.

- Some digital media accounts only grant the account holder a licence to use files rather than ownership, on the basis that ownership stays with the services provider. This can mean that the licence to listen or use the files terminates on death and is non-transferable. Terms and conditions of the services provider are relevant.
  - The right to access data storage accounts is also subject to the specific terms of the relevant provider. Sometimes the services provider deletes the account when the holder dies and the data that was stored might then be lost. With a view to avoiding this, some services providers enable account holders to nominate an individual to access the account upon death. If the account holder nominates their executor (for instance) in this way, the executor might be able to access the account at the time of death and download its contents or transfer the contents to another account. Of course, some account holders might also back up data storage accounts on an external hard drive.
- Social media accounts may enable specific arrangements with a view to ensuring that the account can be dealt with on death. Facebook, for example, enables an appointment of a 'legacy contact' to choose to have an account permanently deleted on death or to control the account if it is 'memorialised'.
  - In a recent case, it was concluded that cryptocurrencies are a form of property. Bitcoins, for example, can be transferred but passwords are needed.

## PRACTICAL CONSIDERATIONS

There are various difficulties that can arise when dealing with the succession of digital assets, including the following points.

- Executors can only access digital assets if they can first identify them.
- Many digital assets laws have evolved around an intention to protect the intellectual property rights of services providers and to protect confidentiality. This can present complications when executors want to access information. There are numerous examples of online services providers refusing to grant executors access to online accounts.
- Even if executors have express power to deal with a digital asset and are aware of passwords and related access information, they are at risk of committing a criminal offence under section 1 of the Computer Misuse Act 1990 if they access an online account without authority.

These difficulties help in informing practical steps to take to try to protect an individual's digital assets and assist with the succession of those assets to the extent possible. Some suggested steps are set out below.

## LIFETIME PLANNING

- Make a list of digital assets and access information, ensuring of course that any list is kept secure and up to date at all times. There are a number of online providers offering a service that keeps a record of digital assets in a single place, but clearly, if a service such as this is of interest, great care should be taken to ensure that the provider is one in which the individual can be confident.
- In addition to personal digital assets, identifying business digital assets should also be considered. Business owners might hold a number of digital assets that may also need to be dealt with depending on the size and nature of the business and the business succession plans.
- Consider putting in place express lifetime authorisations with a view to enabling trusted individuals to access digital assets.
- Ensure that adequate will and lasting power of attorney arrangements are in place.

## STEPS FOR EXECUTORS

- Check the terms of any will and related letter of wishes.
- Prepare an inventory of digital assets. To do this, executors might:
  - Collect in computing hardware including smart phone devices and check the content;
  - Check bank statements for subscriptions and continue to pay these where appropriate;
  - Check for any virtual currency wallets and passwords;
  - Gather any statements for online accounts and consider making further enquiries of the relevant providers to check for other assets;
  - Make enquiries of reward programmes
  - Speak with family members if appropriate.
- Check for authorisations and seek advice if in doubt about authority to access digital assets.
- Consider the need to value digital assets for tax and other purposes.

## CONCLUSION

The digital world has developed relatively quickly over time and there is no doubt that many, if not most, people in the United Kingdom hold digital assets that are of significance to them, whether of financial or sentimental value. Many people might not consciously distinguish between their digital assets and their other assets but, if prompted, they may well want to take steps to protect their digital estate and look to ensure that appropriate arrangements are in place for succession purposes. The steps set out previously are useful to consider as a starting point but they are in no way exhaustive, and this is certainly an area in which a trusted adviser, with knowledge of specific circumstances, can add considerable value. ●



**ANDREW WHITE**  
Senior Associate,  
Michelmores LLP

# HOW IS VULNERABILITY DEFINED?

**T**he Financial Conduct Authority (FCA) has adopted the following definition in their recently published guidance on the fair treatment of vulnerable customers: *A vulnerable consumer is somebody who, due to their personal circumstances, is especially susceptible to harm, particularly when a firm is not acting with appropriate levels of care.*

This has shone a light on the need for professional practitioners to apply enhanced knowledge and skill to ensure that clients and customers do not suffer detriment as a result of vulnerability.

## 'VULNERABLE PERSON' OR 'PERSON IN VULNERABLE CIRCUMSTANCES'?

Is 'vulnerable people' versus 'people in vulnerable circumstances' pure semantics? One of the problems in referring to a person or group of people as vulnerable is that it encourages us to view people with similar characteristics as a defined group. Also, people in vulnerable circumstances may often not recognise it and even if they do, may not wish to admit they are vulnerable, and be described as such.

In dealing with vulnerability, it is important to recognise that it may be permanent or temporary and it may be obvious or hidden. There are obviously people, or groups of people, who are vulnerable, and their circumstances are visible.

## COMMERCIAL BENEFITS FOR ME OR MY FIRM IN DEALING WITH VULNERABILITY

There are significant benefits, both in the short term and longer term. We now



have an opportunity to change public perception of our profession through the way in which we handle the issue of vulnerability.

The South Wales steel workers were 'vulnerable' because they lacked capability and the technical know-how to determine whether it was wise to transfer their defined benefit pension scheme, and they relied upon people they assumed to be properly qualified and acting in their best interests.

We can shift public perception of the profession to a point where we become recognised as a 'safe pair of hands'.

## HOW DOES THIS IMPACT UPON POLICY, PROCESSES AND TRAINING?

From a regulatory point of view, the FCA has placed guidance on vulnerability as a key element of the 'Treating Customers Fairly' regime that we already adhere to. Consequently, there is a regulatory need to properly embed vulnerability into policies, processes and technical competences.

The first task is to ensure that there is a robust and well-documented policy on vulnerability and one that is relevant to clients and business.

The next step might be to review the type of data that is gathered as part of the financial planning and advice processes. In terms of increasing skills and knowledge, a starting point could be a basic level of training for all team members.

## FINANCIAL ABUSE

It is not possible to consider vulnerability without considering the issue of financial abuse. People in vulnerable circumstances are at a higher risk of becoming victims of financial abuse than those who are not.

Sadly, many of the perpetrators of financial abuse are members of the victim's family or are already connected with the victim as a 'friend' or neighbour. We are often able to witness some of the cues that suggest the client may be the victim of financial abuse.

Professional advisers have an increased obligation to intervene and not remain as a professional bystander. Apart from anything else, it is necessary to avoid being unwittingly complicit in facilitating abuse.

## WHERE TO START?

The best place to start is to commit to the charter on vulnerability that has been published by the independent Financial Vulnerability Taskforce, sponsored by the Personal Finance Society. For details, see: [www.thepfs.org/about-us/initiatives/financial-vulnerability-taskforce](http://www.thepfs.org/about-us/initiatives/financial-vulnerability-taskforce) ●



**ROBIN MELLEY, FPFS, TEP**  
Chartered Financial Planner,  
Matrix Capital Ltd

# PENSIONS AND THE BUDGET 2021



**T**his Budget, in pension terms at least, was pretty light. As ever, we have seen weeks, even months, of speculation that the tax relief on pensions would be ravaged by the need to prop up the economy, or that tax-free cash may be no more, but we did not see any of that. Nor did we see any significant changes to contribution limits. While it is disappointing that we are still stuck with the Money Purchase Annual Allowance (MPAA) and the Tapered Annual Allowance, at least we know where we stand.

## THE LIFETIME ALLOWANCE

However, freezing of the Lifetime Allowance (LTA) is not welcome; first, because it is not an easy number to deal with, and second, it will bring more people into the realms of the Lifetime Allowance charge. Some will hit this anyway, but now they will be hitting it sooner.

Although we were only expecting a small increase in the LTA in this tax year, it is the compounding effect we will miss over the next five years that will make all the difference. We expected it to increase by only £5,800 to £1,078,900, with the hope that it would have at least been rounded up to the nearest £1,000, or even the nearest £5,000, which has been seen before. Even at the bare minimum increase this year, we would have seen an increase in the pension commencement lump sum of up to £1,450 for someone

utilising 100% of the LTA in one go. For those already partially crystallised, the amount would be even less because they would only benefit from a proportion of the increase based on their remaining LTA. In the same vein, someone exceeding the LTA would only be subject to a maximum of £1,450 more tax over and above anything they would have paid at the lower level.

## SO WHY IS THIS FREEZE SO BOTHERSOME?

As mentioned earlier, the compounding of the increases soon adds up. If we were to return to the dizzy heights of 2.5% Consumer Price Index for the next four years, the LTA could be nearly £1.2 million by 2025–26. This effectively caps the tax-free cash at today's level and as a result there would be £31,725 more in tax charges for some.

The purpose of the LTA is to recoup tax relief given when contributions were originally made on the part that now exceeds the LTA. The theory is that no-one should not be worse off than if

they had not made the contributions. But we know in practice this is not the case, particularly for those who have been subject to the Annual Allowance charge, which is also designed to recoup tax relief above the allowance.

## THE RIGHT ADVICE

This restriction on the LTA is disappointing. However, with the right advice and ongoing monitoring of pension contributions and fund sizes, as well as planning how and when to take benefits, it can at least, hopefully, be managed. This will of course be more complex for those with multiple schemes, especially if they have defined benefit and defined contribution schemes crystallising at the same time.

It should also be remembered that the LTA charge can apply on death if benefits are not fully crystallised and some exceed the remaining LTA. Charges can be reduced if the benefits are in a scheme that can offer drawdown to the beneficiary because if left as a lump sum it would be subject to 55% and not 25%. As the LTA charge can only apply before the age of 75, income tax would not be payable on top by the beneficiary, possibly saving a significant sum. ●



**CLAIRE TROTT, FPFs**  
Chartered Financial Planner  
Head of Pensions Strategy,  
Technical Connection Ltd



# HOT TOPICS IN INSURANCE AND FINANCIAL SERVICES

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

ILLUSTRATIONS: BEN MOUNSEY-WOOD



## ACCIDENT

### NEVILLE WHITE

**Senior Casualty Broker,**  
**Marsh**  
Chair, IIL Accident Committee

Liability business is renowned for its long tail, and the past year is no exception. A year down the line from the start of Covid-19, insurers do not know how the liability tail will pan out. While in many cases it may be difficult for the claimant to prove causation, there will be plenty of other cases where defending the claim will be much harder. There is also the complication of 'long Covid', where victims of the infection suffer long-term health consequences, and this will add significantly to the head of claim for future loss of earnings.

While insurers are assessing the impact of Covid, other insurers are taking account of the new risk of litigation from chronic traumatic encephalopathy

concussion, caused by repeated impacts to the head. Over a long period, these are thought to cause brain injury, with the consequence of neurological disorders, ranging from depression to dementia. The subject became prominent back in 2013 with a substantial award of damages, in the region of \$1 billion, to American NFL players. This prompted a review of the risk in football and rugby in the UK, and, in autumn 2020, a group of Welsh rugby players announced that they would pursue claims against their playing union.

For liability insurers, it could result in claims for policies written as far back as the 1960s and 1970s. Those sporting unions and their insurers are still awaiting the litigation to formally commence, and in the interim the Government has started a Select Inquiry into Concussion in Sport. That inquiry will be hearing from medical experts and it is likely that it will be asking some searching questions. ●



## AVIATION

**SIMON ABBOTT, ACII**  
Chartered Insurer  
Underwriting Executive,  
Global Aerospace

Chair, IIL Aviation Committee



All sectors of aviation were affected to varying degrees in 2020, which proved to be yet another tumultuous year. Airports are reporting dramatic reductions in passenger traffic for 2020 compared to pre-pandemic levels, some up to 90%. Manufacturers are recording revenue for the same period down 15–50%, but there is some growth in defence sectors and emerging technology markets. Much of the world's airline fleet has been grounded and those flying are doing so with fewer flight cycles and poor yields.

What is surprising is that to date, relatively few airlines have declared bankruptcy. One aviation analyst is projecting that airlines have about three

months liquidity left. A travel sector rebound in summer 2021 looks dicey at best with a third wave spreading across Europe.

However, there are signs that recovery in the aviation sector is not far away; we are all very conscious of the pent-up demand to travel again, and Chinese domestic travel reached pre-Covid levels back in September 2020. Part 91 operators in the United States (small non-commercial aircraft) were poised to reach 121,000 flights in March 2021 – well above the previous six-month average of 99,000 movements.

The aviation insurance sector is still reeling from the losses incurred in the past

5–7 years and underwriters are determined to demonstrate that the business can be written profitably. This is despite the setback of the past 12 months in income, in which a number of sub-classes such as airlines, are fully adjustable. It is likely that losses in 2020 will come down but not in the same proportion as the exposure – losses are still occurring. In January, a Willis Towers Watson publication reported that aviation reinsurance costs are increasing this year by up to 250%.

So the market is challenged with balancing the issues faced by their clients while demonstrating to their capital providers that aviation insurance can be written in the black! ●



## CLAIMS

**PAUL HANDY,  
BSC (HONS),  
MBA, ACII**

**Chartered Insurance Practitioner**  
**Global Head of Cyber**  
**Crawford & Company**  
Chair, IIL Claims Committee



As we continue to emerge and recover from the global pandemic, the claims environment recognises the need to adapt and embrace change to the way we do business – importantly, how we investigate, manage and resolve claims.

Covid-19 did not stop the commitment of adjusters and the wider claims community in ensuring the right outcome for clients and their customers. Throughout the pandemic, we have followed government guidance, observed social distancing and utilised

remote technology wherever possible to help manage claims where in-person experience is normally needed. Innovative examples include self-service apps for first notification of loss, artificial intelligence to enable more effective claims triage and automated claims resolution to 3D technology for virtual walkthroughs of particular losses. Our focus is now on building a new claims environment, which

combines technological developments and new-found efficiencies from the pandemic with the individual hands-on expertise of the claims professional.

In 2020, the claims market was still dealing with the cost and exposure from the Australian bush fires, the UK had the impact of storms Ciara and Dennis, while the Beirut explosion revived memories of both Tianjin and Buncefield. Traditional volume and casualty lines benefited from reduced claim numbers, whereas exposure from ransomware attacks saw loss ratios for cyber claims soar. The continuation of these post-Covid trends highlights the need for specialist expertise whether dealing with the Texas storms or marine hull and cargo claims from the Ever Given's blocking of the Suez Canal.

Our 2021 lecture programme seeks to navigate our changing environment in recognising emerging risks and exploring how technology is necessarily shaping our approach to the management of traditional claims. ●



## FINANCIAL SERVICES

### EDWARD GRANT, FPFs

**Chartered Financial Planner**  
**Divisional Director, Technical Connection**  
 Chair, IIL Financial Services Committee

Over the past 12 months, the financial services community, as a client-facing profession, has sought to adapt to a virtual client-facing world. Many planners have dealt with a period of investment market turbulence and an increase in the number of clients in vulnerable circumstances. The rapid adoption of video meetings has helped increase connectivity with existing clients and has seen the rise in family wealth meetings.

Our themes have continued to be focused on the future with webinars on financial education, responsible investing, developing professional connections and clients in vulnerable circumstances. One issue will, however, continue to concern clients and planners over the coming years as we evolve out of the pandemic: how the government intends to repay the historic UK PLC debt? Navigating the allowances, exemptions and reliefs available will require regular ongoing client

conversations to review the nuisances of the tax system.

There has been a great disparity in society, with some sectors thriving while others have suffered long-term impact. For planners, this financial disruption will result in some client's ability to achieve their goals and aspirations. Research published in 2020 by the International Longevity Council highlighted that people who take advice are more confident, better prepared, have increased financial literacy and have greater peace of mind.

In summary, tax system complexities and the impact on clients' financial plans during the pandemic will result in the financial planning community remaining active and engaged in our client-focused CPD programme. ●



## INCLUSION AND DIVERSITY

### LYNSEY CROSS

**Chief Operating Officer, Brooks Macdonald**  
 Chair, IIL Inclusion and Diversity Committee

One year ago, no-one could have foreseen the challenges that the past 12 months would bring. Covid-19 has acted as a cultural reset, forcing organisations to make overdue changes in the way they approach working from home, flexible hours and confront new health and safety challenges.

As offices gradually reopen after lockdown, there is much debate on what will be the industry 'new normal' and how companies can ensure a smooth transition back into the office. This process will not necessarily be simple – no business can afford to simply go 'back to normal'. Working culture has been evolving for some time and the pandemic has accelerated the pace of cultural change.

After a year of working remotely, employees have proved they can work effectively from home and have experienced a new level of work/life balance without the daily commute.

Research suggests most want flexible remote work options to continue and business decision makers are considering a hybrid workplace, redesigning office space to become destinations for socialising and collaboration.

Employee wellbeing and mental health, already a 'hot topic', should continue to be a priority. There are few people whose mental outlook would not be impacted by an entire year of health-related anxieties and social isolation, and supporting employees' mental health and wellbeing can be as critical as creating a safe physical environment.

As we continue to navigate our way through these challenging times, it will be interesting to see how new ways of working evolve. For the insurance industry, built on personal relationships and face-to-face meetings, the 'new normal' will require a significant cultural shift to get the best out of the workforce in the new hybrid working world. ●







## CYBER, TECHNOLOGY AND INNOVATION

### ROB WINDSOR-CLIVE, ACII

**Product Manager, Babylon Health**

Chair, IIL Cyber, Technology and Innovation Committee

While our places of work have increasingly gone online in 2020, so too have the opportunities for cyber attacks and this is reflected in ransomware attempts increasing by more than 50% compared to 2019. The 'elephant in the Zoom' for both small and large companies was the lack of preparedness for less secure home networks and processes. When reflecting on the fallout of Covid-19 on cyber insurance, it is likely to be seen as hastening awareness of the exposure that

companies face – particularly the impact disruption to suppliers and partners can have on the ability to do business and thus the need for contingent business interruption insurance.

In 2020, we discovered who watches the watchman when SolarWinds, a leader in network monitoring and security, was hacked and caused big breaches across large governments and software providers (e.g. Microsoft). Sadly, 2020 also saw one of the first

deaths attributed to cyber crime as a ransomware attack on the University Hospital of Dusseldorf caused systems to be shut down and a woman to be redirected to another hospital 30km away, leading to her death.

In the past year, we have started to see insurtechs coming of age with the initial public offering of Lemonade, a home insurer, giving it unicorn status along with Root (motor) and Oscar Health. Metromile, a pay-per-mile motor insurer, also achieved a valuation of over \$1 billion, although a security breach soon after emphasised again the need for cyber protection even for high-tech companies. ●



## MARINE AND ENERGY

### JUDY KNIGHTS, ACII

**Chartered Insurer**

**Director, JK Knights Consultancy**

Chair, IIL Marine and Energy Committee

From bigger ships, larger losses arise. The Ever Given is a case in point – a giant container ship that blocked the Suez Canal for nearly a week in March 2021, resulting in huge ramifications for global trade. The ship lost steerage when it was hit by a sudden strong wind. Greater vessel size increases stress on container lashings, and parametric rolling in heavy weather can lead to failure of lashings and containers overboard, which is expensive and dangerous. However, the greatest issue is pollution from cargoes such as nurdles, which are tiny (>5mm) pieces of microplastic, used as a raw material in the plastic industry; clean-up costs can run at \$10 million per container. Is general average appropriate given the ever-increasing size of container ships?

The pandemic has created an unprecedented crew change crisis that has led to thousands of seafarers being

stranded without support. The Neptune Declaration addresses this crisis.

Additionally, supply chains are affected by the pandemic. There are difficulties in shipping Covid-19 vaccine to developing nations – theft, temperature-controlled environment etc. Moreover, food is piling up in all the wrong places, due to demands from China for empty containers. China, having recovered faster from Covid-19, has revived up its export economy and is paying huge premiums for empty containers. There is uniform pressure to ensure that pandemic and cyber exposures are clearly excluded from marine and energy policies.

Lloyd's Environmental, Social and Governance (ESG) Report asks insurers to cease providing new insurance cover



for coal-fired power plants, thermal coal mines, oil sands and Arctic energy exploration. For offshore energy, the exposure basis is shrinking because there are fewer wells to insure, fewer construction projects and constrained rig activity, which has resulted in significantly less premium and reduced profitability. The ESG pressures may intensify this strain on reducing premium base.

Climate change impacts all lines of business and severe weather in the United States and globally is getting worse each year. The Atlantic hurricane season starts earlier, goes on longer and sees a higher number of storms than in previous years. ●



## PROPERTY INVESTORS

**ANNA WHITFIELD, ACII**

**Managing Director, Client Service  
Director Real Estate Practice,  
Marsh JLT Specialty, Marsh Ltd**  
Chair, IIL Property Investors Committee

The impact of Covid-19 on the real estate sector has been marked. Successive lockdowns led to widespread withholding of rent by tenants, creating a significant debt burden for landlords and leading to several tenant company voluntary arrangements and administrations.

Renewal activity during the end of March 2020 was impacted by the outbreak. Not only were rates amended, but also terms and conditions, particularly non-damage business interruption extensions, were pared back. This all served to accelerate harder market conditions into 2021.

Notwithstanding the pandemic, many

continue on the acquisition trail, with hotel, logistics and student accommodation all popular. The market continues to price differentially assets with combustible cladding; high-rise residential assets with this cladding present a particular challenge. Legislative developments to control cladding usage are welcomed by the market.

The pandemic accelerated high-street challenges; retail assets continue to underperform, with commentators forecasting conversion of retail assets in the short term. Similarly, demand for offices is changing in light of 'working from anywhere', with an outlook for conversion of surplus office to residential.

Finally, many investors are focusing upon environmental, social and governance initiatives, in part to attract third-party investment. Akin to this, the Task Force on Climate-related Financial Disclosures is prompting real estate entities to review approaches to sustainability and climate risk. Use of sustainable materials within developments is in focus, particularly cross-laminated timber; at present the insurance market remains cautious. ●



## PROPERTY

**IAN FRANCE, ACII**

**Chartered Insurer**  
Chair, IIL Property Committee

It will come as no surprise that the big issue for property insurers and clients in 2021 is the impact of the pandemic. The events of the past year have forced us to accelerate change and it is firmly believed that we have learnt some lessons that will prove beneficial to both insurers and policyholders alike.

First, there will undoubtedly be an impact on business interruption cover and wordings following the recent Supreme Court ruling in the FCA test case. We do not have the space to get into the detail of this complex case but the ruling has real significance for determining the scope of cover under property damage and business interruption policies. It is likely that insurers will need to provide even greater contract clarity, which should encourage affirmative policy language for both coverage and

exclusions to provide more certainty for policyholders.

Second, the pandemic has hastened the use of new technology within the industry. For example, the London Market's disappointingly slow adoption of electronic placement has dramatically changed due to necessity. The good news is that the technology operated as planned and is here to stay, which should aid productivity and reduce costs to the benefit of all stakeholders.

Finally, in last year's *Journal*, I predicted that we were moving into the age of the 'digital risk engineer' and this is another trend that has been accelerated. Virtual risk engineering has, arguably, proved very successful as insurers' and brokers' risk engineers have helped their clients deal with the myriad of risk issues created by the lockdown, such as managing vacant properties and the shutdown and restart of operations. This move to provide both in-person and virtual risk management support is another positive outcome that is sure to continue. ●

## REINSURANCE



**JENNIFER BRANEY, ACII**

**Cyber Broker  
& Consultancy,  
Gallagher Re**  
Chair, IIL Reinsurance Committee

Two interlinked themes explored here are whether the reinsurance market will now shift to a more proactive stance from its traditional reactive stance, especially in areas of emerging and systemic risk, and the importance of adequate broker competition in supporting this.

Looking at pandemics, the reinsurance market always knew a global pandemic was possible. Whether there is appetite or capacity to reinsure these risks is a separate matter; such risks are interested in us even if we are not interested in them.

When we consider the recent reinsurance renewal season, we can see that continued capital rises in commoditised markets meant that those placements could get home without truly hard market rate rises. The hardening focused more on coverage with communicable disease and cyber exclusions featuring cross-class. However, some specialty lines, such as cyber, faced a harder market owing to supply of capacity not meeting growing demand. And so the question: 'Is reinsurance primarily there to service well-understood, commoditised lines, or should the market embrace and support more complex, fast-evolving risks such as cyber, climate change and communicable disease?' Broker competition is key to this. Brokers are best placed to make the case for bringing capacity to where it is needed most, on behalf of their clients. If there is inadequate competition in the broker market, clients not only have less choice but brokers are not incentivised to disrupt themselves. After all, every risk was once less understood so is it not better to run toward the risk sooner rather than later? It is often too easy to focus on what could be lost: what about considering the potential gains? ●

# 'GAIN' TOGETHER

**T**he Group for Autism, Insurance and Neurodiversity (GAIN) is a new organisation and hub for the insurance, pensions, employee benefits, wealth and investment colleagues that highlights the advantages and opportunities in promoting neurodiversity and a supportive culture in a workplace that makes it OK for colleagues to bring their whole self to work.

When a business considers neurodiversity, which concerns the different ways the human brain works and interprets information, it can understand the possibilities and power of those who think differently. Neurodiversity encompasses people living with conditions such as the autism spectrum, dyslexia, ADHD and dyspraxia. GAIN believes the insurance sector can lead the way, forming a step change in the employment of neurodiverse people, allowing it and other sectors to address the needs of such individuals for rewarding work and their industry's need for talent.

At GAIN, we believe that our industry could benefit greatly from the skills in which autistic people often excel, such as a methodical approach to tasks, strong attention to detail and looking at situations from a different perspective and at all levels – from postroom to boardroom – provided the understanding and support is in place. Alicja Nocon, GAIN Steering Committee member, shares her personal story, which illustrates this.

'I spent a decade working in the insurance sector, unaware of my own space on the autism spectrum. Being



neurodivergent worked to my advantage in the early stages of my career. For me, making sense of detailed information and seeing patterns in data was both effortless and rewarding. However, while I was able to make sense of systems and processes easily, I found it harder to navigate the dynamics of people, with their varied motivations and goals. My communications skills came across as strong, but what others could not see was the energy drain from masking my preferred ways of working to fit in with the majority. Having to navigate a stressful sensory environment and use other people's preferred communication style was taking its toll on my mental health and wellbeing.

'Learning, through the discovery of my neurodivergence, that there was a reason for my difficulties in the workplace and that there were others who process the world differently was transformational. Receiving a formal diagnosis in 2020 enabled me to no longer feel ashamed

when asking for adjustments or seeking extra help. I have found that when I explain the adjustments that I need to be productive – for example, working in a quiet and uninterrupted space for a couple of hours in the morning, more often than not people are willing to adapt. The three major things that made a great difference when it comes to my wellbeing and performance at work were having a buddy to help navigate people dynamics, more frequent check-ins with my manager to help prioritise my workload, and access to a specialist mentor.

'One thing I wish I had been able to do was to be able to connect with others in the sector who were experiencing similar challenges, as my journey at times could feel lonely. Having worked through and accepted my uncovered identity as an autistic person, I now want to change this. No-one should have to struggle on their own.'

We have been surprised how many people in the industry have either direct or close personal experience of family members or friends who have found difficulties from autism or other neurodiverse conditions. GAIN would be pleased to hear from anyone who would like to learn more about what is possible now or contribute to what might happen in the future. GAIN can be contacted at [www.gaintogether.org](http://www.gaintogether.org) and on LinkedIn. ●



**JOHNNY TIMPSON**

Cabinet Office Disability and Access Ambassador for the UK insurance and banking sectors

# A PREMIUM ON CHANGE

There are few hard and fast rules in business, but I do believe in one: any industry that does not change *with* the world will be changed *by* it. For hundreds of years, the insurance industry has kept pace, even set the pace, as the world turned faster and risk grew more complex. But since the turn of the century, the world has overtaken us, and today we are being left behind. We have heard repeatedly over the past 12 months that insurance was not designed to cover pandemics, or any other systemic risk for that matter. This is not cause for vindication, but alarm.

Pandemics, along with certain risks associated with rapid technological change and climate change, are examples of correlative, complex, systemic perils that the traditional insurance model largely excludes. But these are the perils against which society and businesses now require protection. If we cannot find ways to adapt to new realities, they will seek the protection they need through other means and other industries. Our flock will find a new shepherd.

The more our sector's exclusions make us marginal to customers' needs, the greater our dependence on a smaller set of narrower products. That means tighter profit margins and less scope for inward investment. Since the global financial crisis, the insured proportion of the real economy has shrunk every year. We have



not improved productivity in line with other industries and overall the sector is becoming less profitable.

This is a challenge, but it is also an opportunity. If elected as President, my theme for the year would be putting a premium on change. For me, this is primarily a matter of mindset. Too often, when faced by new and complex risks, our instinct has been to exclude them from our policies. But the future of our industry depends on embracing change, not avoiding it. My focus as President of the IIL would be on how we insure new and difficult risks. It would be on how we embrace new technologies and partnerships to foster innovation. But, most importantly, it would be on how we attract and encourage new talent and greater diversity – in our thinking and our people. Our industry is the business of risk, and the greatest risk we face today is our own irrelevance. It is time we put a premium on change.

This starts with a collective investment in understanding and planning for the future.

Currently, no insurer is in the top 1,000 companies in the world when ranked by their investment in R&D today. We spend half as much on new computing technology as the average bank. And our competitive edge is hamstrung by stubbornly slow progress in promoting greater diversity, of both people and thinking in our industry.

I believe that final point is the most important. Embracing diversity and fresh thinking will unlock the collective investment we need to secure our future. The greatest mistake people make is to think the two are separate. They're not. The evidence is clear: people who look the same, think the same – a theme I explore in greater detail in another article in this journal. And the rewards of greater diversity, not least in fostering the innovation our industry so desperately needs, are equally well evidenced. Too often, the diversity debate in insurance suggests that it is only what we would like. In truth, it is what we need. Industries that fail to change with the world will be changed by it. ●



**JULIAN ENOIZI**  
Deputy President,  
Insurance Institute of London  
CEO, Pool Reinsurance



# MEET OUR 2021 CHARITY PARTNER

**B**arking Foodbank was set up by the Hope Family Trust and The Trussell Trust in February 2012 to help tackle hunger in the London Borough of Barking and Dagenham.

In March 2020, just before the UK went into lockdown 1.0, I began volunteering at my local site in Chadwell Heath. Like many foodbanks, it was operating with a team of volunteers who now needed to shield or self-isolate – so we had to adapt quickly.

We were unsure of how the Covid-19 situation would develop but knew we would be needed – possibly more than ever before. Between 1 April 2020 and 31 March 2021, foodbanks in the Trussell Trust network provided 2.5 million emergency food parcels to people in crisis – a 33% increase on the previous year and 980,000 of these went to children. Before the pandemic hit, the Chadwell Heath site opened once a week, but as more people found themselves in crisis, demand grew. To ensure that we can continue supporting the community, we increased our opening hours and now offer support five days a week, across two sites in the borough.

While adapting to the changes that Covid presented has been a challenge – no longer can we invite people inside for a cup of tea and a chat (such an important part of what we do!), parcels are pre-made and distributed, at a distance, from the car park – the response from our community continues to be inspiring. Donations come in from local churches, businesses and neighbours, whose contributions vary



from a tin of soup and a bag of pasta to a car boot full of items. Before volunteering, I was unaware that 90% of the food distributed by foodbanks in the Trussell Trust network is donated by the public – we couldn't do what we do without public support!

Friends, colleagues and industry contacts have been incredibly supportive and given personal donations to Barking Foodbank since I began volunteering, and The Worshipful Company of Insurers made a generous donation from its charitable trust. Each donation (of food or money) makes a huge difference to the lives of so many people. I'm proud to say that, not only does the policy of 'anytime, anywhere' working at the Insurance Institute of London allow me the freedom to volunteer my time, but also Barking Foodbank is now a charity partner of the IIL and we are raising awareness and much-needed funds as part of our wellbeing, CPD, social and networking programmes.

The way in which we support our community may have changed (several times!) over the past 18 months, but it has made us even more focused on what we are trying to achieve – ensuring that nobody in the borough falls through the cracks and that anyone who arrives at our door is treated with dignity, compassion and respect. Nobody should need to rely on a foodbank and together with the Trussell Trust, we hope for a Hunger Free Future.

If you would like to make a donation to support the work of Barking Foodbank, you can do so via our JustGiving page at [www.justgiving.com/fundraising/insuranceinstituteoflondon](https://www.justgiving.com/fundraising/insuranceinstituteoflondon) ●



**NICCI GREENACRE**  
Communications and  
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## AT THE HEART OF THE LONDON MARKET

The CII and IIL will be using the Walkie Talkie building, **20 Fenchurch Street**, as a base from later in the year.

Like many other organisations, the IIL has gone virtual. If you would like to reach us by post you can do so via

**PO Box 3032, Romford, RM7 1UU.**

Telephone **020 7600 1343**

Email [iil.london@cii.co.uk](mailto:iil.london@cii.co.uk)



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