The CII helps structure the apprenticeships debate at this year’s political party conferences

Perfect storm
An unprecedented year of natural catastrophes continues

Sir Vince Cable
The Lib Dem leader talks Brexit, apprenticeships and issues affecting the sector

Stand connected
Unlocking the mass market potential of usage-based insurance
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Reflecting on events of the past few months – from the natural catastrophes that have impacted Asia, the Caribbean and parts of the US, to the conclusion of the Dive In festival – has reminded me of the social role that the insurance sector plays.

Watching the full impact that storms Harvey, Irma and Maria had on communities was heartbreaking. Lives thrown into chaos. Businesses that need to start all over again. Communities that now face the daunting task of rebuilding.

And it is at this point where insurance plays an essential role, providing the practical assistance to help those communities get back on their feet and begin the road to recovery and some sort of normality.

It is easy to take for granted that when the worst happens the coverage we provide comes to the fore. But when it does, our ability to respond quickly, practically and empathetically is critical in supporting the people who are having to piece their lives back together.

The sector has always responded when challenged. As leaders, we must ensure that we are maintaining our reputation for acting quickly, for it can be a reputation quickly lost if we do not do the best that we can by people who are dependent on us.

In such uncertain times, we help provide certainty. Whether it’s by paying claims quickly or providing sound financial advice.

IN SUCH UNCERTAIN TIMES, WE HELP PROVIDE CERTAINTY

VIVE LA DIFFERENCE

Another area that was front and centre of my thoughts was the Dive In festival in September – a celebration of diversity, inclusion and difference. Now in its third year, it has grown into a truly international event, involving all types of insurance firms, addressing some of the real challenges we face in achieving a truly diverse and inclusive profession. The CII hosted several events, including in Hong Kong and India.

I joined one event at the CII in London, where students came and heard CII members talk of their own experiences and why a career in insurance can be so rewarding. Let’s hope some of them get the bug and join us.

Across the globe, there were many fascinating speakers from inside and outside insurance giving their perspective on what we all need to do to ensure we have inclusive workplaces. They highlighted how it feels when nothing is done, as well as the progress that is being made.

As the festival has grown in size and influence, inevitably, so too have the issues it explores. I found it fascinating that a survey of nearly 3,000 insurance professionals across global markets had different challenges that they wanted their firms to address, from mental health and LGBT issues to multigenerational and multicultural issues.

On the one hand, I am pleased people are challenging their leadership teams on a wider scope of issues. It would suggest that awareness of what diversity and inclusion means is growing and we must encourage this.

But of course, it presents us with a real challenge. We need to address these concerns with actions that can make a practical difference. I think it is unarguable that we are making progress in this regard, but we can never presume the job is done. We must use events like Dive In to ask ourselves if we are doing everything we can to ensure people can be themselves at work and feel that their office is a welcoming environment.

What is clear is that to attract new talent to our profession and to retain that talent, we need to take action. You can be part of that action – get involved with your local institute, each of which now has its own diversity officer, get involved on social media, and discover more about apprenticeships through www.cii.co.uk/apprenticeships.

These are reminders of the role that insurance can play – in societies or in the office – and the far-reaching consequences of both.

Dame Inga Beale ACII, President, CII
NEW GENERATION GROUP PROGRAMME 2018 LAUNCHED

Over forty rising stars from across the profession attended the launch event for the CII’s flagship talent programme: the New Generation Group in October. The 2018 class is made up of future leaders from all walks of insurance with representatives from the likes of Arthur J Gallagher, Aviva and RSA, among others.

The New Generation talent programme helps develop future leaders and provides participants with the opportunity to make a difference to the future of their profession across claims, underwriting, insurance broking and the London Market.

This year’s programme will include: A ‘behind-closed doors’ interactive session with the Financial Conduct Authority to help the participants understand how the regulator goes about its task; talks from all walks of insurance with representatives from the likes of Arthur J Gallagher, Aviva and RSA, among others.

The CII said they believed The City to be the ideal future custodian for the building as they will respect its heritage. The exact timing will be determined by the CII’s relocation to a new office and will announce the precise location of their new premises in due course.

THE JOURNAL ONLINE AT WWW.THEJOURNAL.CII.CO.UK

CII AGREE SALE OF ALDERMANBURY

The Chartered Insurance Institute (CII) has agreed to the sale of its Aldermanbury to The City of London Corporation. The sale is part of the CII’s Strategic Manifesto to commit to ensuring it is relevant, modern and diverse. Within the next 12 months the CII will be relocating to EC3.

MELISSA COLETT JOINS CII AS PROFESSIONAL STANDARDS DIRECTOR

The CII has appointed Melissa Collett as its new professional standards director, leading its professional standards, ethics and conduct activity as a United profession. She also takes responsibility for the professional body’s legal affairs and risk management.

Ms Collett brings significant insurance and legal experience having spent over a decade at the Financial Ombudsman Service, as a director at Fairer Finance and as a tribunal judge.

Ms Collett said: “I am really looking forward to joining the CII. As its strapline suggests, standards, professionalism and trust are at the heart of what the CII does and I’m committed to supporting them achieve this.”

The winning team, which developed an educational app to help address this issue were the girls from all backgrounds.

“Apprenticeships are now an integral part of how our profession attracts, secures and retains talent. We have always been keen to work with policymakers to ensure the needs of all firms in our sector are taken into consideration and in light of this we welcome the shadow minister’s commitment to supporting apprenticeship provisions for SMEs.”

READ THE JOURNAL ONLINE AT WWW.THEJOURNAL.CII.CO.UK
GAUNTEL GROUP AWARDED CHARTERED BROKER STATUS

Leeds-based commercial insurance broker and risk manager, Gauntlet Group, has been awarded Chartered insurance broker status by the CII.

The accolade has been awarded to fewer than 200 companies and is an indication of a firm’s professionalism and ethics.

Managing director Roger Gaunt was thrilled with the achievement, believing it will give a further boost as a principal of an appointed representative network while enhancing its attractiveness as an employer. Mr Gaunt said, “We are delighted and honoured to receive the prestigious title of Chartered insurance broker, which has been gained thanks to the efforts and commitments of every member of staff.”

“This is another landmark moment within Gauntlet Group’s ongoing journey and should make working for, or with, us even more compelling, whether you are a prospective employee, client or insurance professional seeking the huge rewards that can come from self-employment. Chartered insurance status shows that trust in Gaunt is not misplaced.”

Ruth Sparks, managing editor of Future, a new magazine which offers teenagers information and advice on careers, lifestyle, education and health, said: “As estimates of the scale of the debt students will leave university with become increasingly alarming, this type of course where students earn from the start and are guaranteed a job at the end, is looking extremely attractive. Basically, it’s a degree for free!”

Visit Future here: future-mag.co.uk

NEW FREE INSURANCE DEGREE

A new degree developed by The University of Chichester and Peter Symonds College in Winchester has produced a BA (Hons) in Insurance. The academics worked with Be Wiser insurance to create the UK’s first degree of its type.

The course comes with a salary of around £20,000 a year and also covers tuition fees. Students are then offered a management-level job on graduation.

CII OFFERS GUIDANCE ON APPRENTICESHIPS

The CII has partnered with experts, employers and policymakers to develop a package of support for firms of all sizes across the profession.

PROGRESSION TO FCII VIA FURTHER CII MODULES

Are there any plans to allow progression to FCII via completion of further CII modules?

Positive feedback. I am very happy to help.”

Regard,

Ian Hammond

GRENFELL COULD HAVE BEEN AVOIDED...

As a retired Fellow of the Chartered Insurance Institute, a Chartered Insurer, (with more than 30 years in risk control and management) and, as a former technical expert and manager at the LPI/LPCB and later the BRIE Certification, I read the [Grenfell Tower, The Journal Aug-Sep] article thinking that if someone in the ownership and management of Grenfell, and/or local authority, had bothered to talk to us – the insurance and fire research professionals – we’d have told them that much of the Grenfell Tower risk was known to the major insurers/LPC/LPCB and BRIE decades ago.

I was not at all surprised by what happened. As for the concern expressed with regard to school fires and the costs of sprinkler protection in the article, no surprises there either – we need to remember:

1. That sprinkler systems were one of the UK’s greatest and best kept state secrets - we, in the forefront of fire research and the insurance industry knew exactly how well they perform; they were one of the world’s greatest inventions but the subject of much mis-information, for example, massive water damage, or that all the sprinklers operate together.

2. That the schools’ arson record was the biggest growth industry in the UK – as it has been for many decades. Why? Because of very inferior construction, cost cutting, lack of belief by local authorities, lack of HMG backing for sprinklers and the growth of vandalism, lower policing levels, and lack of security on school buildings and enclosures. Some authorities (eg Oldham CBC) did install sprinklers, but the vast majority did not.

3. We’ve known how to reduce the problem for many decades, it has been merely a lack of HMG and local authority backing for fixed protection.

The answer to the whole problem?

Listen to those with huge experience and qualifications, in places like the LPCB/BRI

Stop doing accountability exercises;

Ignore politicians and civil servants;

Listen to the fire brigades and insurance risk management experts.

Tali Shlomo

CHALLENGE

DIVERSITY

NEEDED

BETTER DATA

NEEDED

TO TACKLE DIVERSITY CHALLENGE

I read your article ‘Bring Your Whole Self to Work’ in the Aug-Sep edition of The Journal and it appeared to imply that the insurance industry, with 8% of employees identifying as LGBT, could do better at including LGBT employees. It stated that “there seems to be a reluctance to disclose sexual orientation”.

With the Office of National Statistics in 2015 reporting that 7.5% of the UK population self-reported as LGBTQ and Public Health England reporting that 2.1% of the population is LGBTQ, the UK insurance industry seems to be attracting well above its share of LGBTQ employees. If the 8% statistic is correct, the industry should be congratulating itself for its very high degree of LGBTQ inclusion, as evidenced by the large number of employees willing to self-report in the insurance census. As a gay man, I am not convinced the 8% figure is an accurate reflection of the industry.

I do think that the insurance industry could do more to be inclusive and diverse, but to better address issues we need better data across all diversity strands. I hope that in the future the CII can start collecting diversity characteristics from its members when renewing memberships and upon joining. This will enable the CII to have quality data on LGBTQ employees in the sector, so that we can better assess how well we are doing at attracting and including staff from all walks of life to insurance.

Regards,

Erik Johnson, ACII

Chartered Insurer

Don’t forget to send your letters to our editor at: michelle.worvell@cii.co.uk
CII INDIA AND HONG KONG HOST EVENTS FOR DIVE IN 2017

As part of the Dive in Festival in October, the CII hosted two major diversity events in India and Hong Kong.

In association with Insurance Supper Club, the event theme was “Why bother with Diversity?”, which included a whole host of speakers, debates and networking, all aimed at providing practical ideas and inspiration for how to bring about positive change across the profession.

INDIA

The Mumbai event, in partnership with Raheja QBE and Lloyd’s India, was attended by more than 110 people, with 55 HeForShe commitments to equality registered. Speakers and panellists included Usha Ramaswamy, of GIC Re, Sheetal Mehta of the Mahindra Foundation, Praveen Gupta, CEO of Raheja QBE, Farzana Chowdhury, CEO of Green Delta Insurance and celebrity guest speaker, film actress, director and activist, Nandita Das.

Discussions covered how to attract more diverse talent and develop a culture that is inclusive and underpinned by conduct.

Ms Ramaswamy, said: “India has advanced a long way since the past decades, from tackling issues of gender bias and discrimination to actively taking measures to ensure gender inclusion and diversity at the workplace. Choice and self-reliance are two pillars on which women workers will thrive in our society in the future, and so will the nation.”

HONG KONG

The Hong Kong event included keynote speaker, Dr Christy Zhou Koval, assistant professor at the Hong Kong University of Science and Technology, who gave a talk on promoting gender equality in the workplace. Dr Koval cited research that examines how to effectively manage and lead a diverse workforce and the barriers that hinder women’s professional advancement.

This was followed by a lively debate from a distinguished panel, which included Agnes Koon, CEO at KSY Speciality, and Winnie Wong, CEO of Asia Insurance. Key areas for debate were the challenges facing the women in the Hong Kong insurance sector and what companies can do to support women in the profession.

Both events were a huge success, making up 55 HeForShe commitments to equality registered.

SIAN FISHER SPEAKS AT INSPIRATIONAL WOMEN SERIES

As part of the Inspirational Women Series, hosted by The British Chamber of Commerce in Hong Kong, Sian Fisher, CEO of the CII, gave a talk to delegates about the reality of a career as a women in insurance.

Ms Fisher shared a brief story of her own journey in the profession, before talking about the hidden potential of a diverse workforce and how we can create a more inclusive environment of gender equality.

Delegates were also told about the work the CII is doing with their HeForShe campaign in the UK, where professionals are asked to make simple, achievable personal commitments to improving gender parity to help drive the changes into the industry.

Vienne CC Lee, CEO and founder of Finance Mandarin, attended the event. She said: “Sian Fisher has become a real role model for women in the insurance industry and it is clear that education, and campaigns like HeForShe, are a critical driving force to make things happen.”

FCA AND HONG KONG INSURANCE AUTHORITY SIGN FINTECH COOPERATION AGREEMENT

The Financial Conduct Authority (FCA) has announced it has entered into a cooperation agreement with the Hong Kong Insurance Authority (IA) to enhance collaboration in supporting fintech innovation.

Under the agreement, the FCA and the IA will cooperate by sharing information on innovation, and referrals of innovative firms seeking to enter the counterpart’s market.

Christopher Woolard, executive director of strategy and competition at the FCA, said: “By working together, regulators help support global innovation in fintech. We look forward to working closely with the IA to promote innovation and enhance synergy for both markets, which will in turn benefit our consumers and financial industry as a whole.”

Apart from the cooperation agreement signed with the IA, the FCA has concluded similar agreements with the Hong Kong Monetary Authority and the Securities and Futures Commission, to provide a full spectrum of cooperation and assistance in fintech innovation in the banking, securities and insurance sectors in both the UK and Hong Kong markets.

MALTAL

First Chartered Broker in Malta

Island Insurance Brokers has become the first Maltese insurance broker to be awarded Chartered status by the Chartered Insurance Institute.

The company was first formed in 1998 to provide professional, efficient and cost-effective insurance broking and risk management services to Malta’s industrial and commercial community. Over the years, the company also expanded into personal lines insurance.

Lawrence Paiva, managing director of Island, said: “Chartered status reaffirms the company’s commitment to provide the highest level of professional and ethical standards in the servicing of, and dealings with, its clients. It is the result of years of experience in the insurance field by a dedicated team of professionals, and comes on the back of the recent award of the Equality Mark, another badge of excellence.”
LANCASHIRE PREPARES FOR THE FUTURE
With so many changes forecast in insurance, from a wide range of technological aspects to legal developments, the volunteer local insurance institutes in the northwest came together with Kennedy's to host a special CPD conference. In late September, more than 100 local brokers, claims personnel and underwriters packed into the Barton Grange Hotel in Preston for a full day of topical presentations and interactive sessions.

The day started with a lively session on motor from Niall Edwards from Kennedys and then did yesterday.

One further £400 was raised through gift aid envelopes for the EAAA. The East Anglian Air Ambulance (EAAA) and The Insurance Charities.

By the Magic Circle, as well as the infamous late-night punting along the River Cam.

A charity auction raised more than £1,600 and was split equally between the EAAA and The Insurance Charities.

For more information visit: www.cii.co.uk/chelmsford

The series has been designed to provide members with attractive, cost-effective way to pay. A season ticket can be purchased for all six events for the heavily discounted price of £70, compared to the ‘pay at the door’ single event price of £20+ VAT. This represents excellent value for money given the series content and quality of speakers.

A season ticket can be purchased for all six events for the heavily discounted price of £70, compared to the ‘pay at the door’ single event price of £20+ VAT. This represents excellent value for money given the series content and quality of speakers. Members can view the series brochure or book their season tickets by visiting: www.cii.co.uk/northernireland

The newly formed young professionals sub-committee aims to connect young members in the local area with networking opportunities, as well as personal and professional development. The event was a huge success and plans are now in place to host a Halloween Quiz and mentoring programme later this year. For more information visit: www.cii.co.uk/guildford

For more information visit: www.cii.co.uk/coventry
Ahead of his appearance as a headline speaker at the Personal Democrat leader Sir Vince Cable’s Festival of Financial Planning, Liberal Democrat leader Sir Vince Cable talks to The Journal.

Unsurprisingly, Brexit is top of his list. “It’s massively unclear what the future holds but we have to be better off in the EU than out of it,” he says. “The worst-case scenario will be that we fail to reach an agreement and crash out, but it’s already creating a lot of cost and uncertainty that is affecting confidence.”

For Mr Cable, the uncertainty being experienced by the insurance sector is a perfect example of this. Alongside a slew of insurers looking to shift their offices out of the UK to ensure they can retain passporting rights, the future of existing long-term insurance contracts is also up in the air. “Unless an arrangement is agreed, these will have no legal force beyond 2019. Without some agreement with the EU, no one knows what they need to do to solve this problem,” he adds. “Unravelling these contracts could take longer than the transition period.”

Alongside the Brexit upheaval creating its fair share of uncertainty, with consumer credit levels approaching those seen in 2008, there is also talk of the UK sleepwalking into another financial crash. But Mr Cable, who was one of the first to warn of the last crash, does not believe history is about to repeat itself. “The huge boom in consumer credit is very worrying for these individuals and it’s not good that our economy depends on it,” he says. “But I can’t see there being a repeat of the last crash: the reforms introduced under the coalition government mean the banks are in a much better position now.”

Mr Cable is also concerned about how the increases in insurance premium tax (IPT) are affecting consumers. Now at 12%, recent reports from the Motor Insurance Bureau of a sharp increase in uninsured driver compensation claims could be an indication that more people are struggling to afford cover. “If the increase in IPT means people aren’t able to access insurance, then it has to be taken more seriously,” he says. “Insurance, providing it’s properly priced, has an important part to play in society. It helps to ensure people are treated fairly and rewarded for being prudent.”

Next Generation

This notion of a fairer society is one of his key motivators, with the fact that many of today’s young people do not expect to have as good a lifestyle as their parents something that troubles him greatly. “The younger generation can’t look to have as good a lifestyle as their parents something that troubles me greatly,” he says. “The worst-case scenario is that we fail to reach an agreement and crash out, but it’s already creating a lot of cost and uncertainty that is affecting confidence.”

The system’s not working very well,” he says. “It needs to ensure that SMEs offering training to apprentices are rewarded through tax breaks. We need to encourage more businesses to support this.”

With so many issues to address, taking up the reins of the Liberal Democrat party back in July may mean his diary is a little busier, but Mr Cable has kept the beginning of November free for his appearance as a headline speaker at the Personal Finance Society’s Festival of Financial Planning. “I am looking forward to it,” he adds. “My background’s in economics, business and finance, so I will enjoy attending and catching up with what’s going on in the market.”
The pledge to “support three million new apprenticeships, so young people acquire the skills to succeed” contained in the Conservatives’ manifesto for the 2015 General Election was met with enthusiasm from all sectors, desperate to address skills gaps and sluggish productivity growth in the UK economy. From April 2017, all firms in the UK with an annual payroll of more than £3m were to be subject to a compulsory levy to fund a reinvigorated national programme of apprenticeships - with the aim of delivering the government’s target of three million new apprenticeships by 2020 and encouraging employers to invest in training.

REFORMING APPRENTICESHIPS
It was only following intervention from the CII that the government decided professional bodies were to be central to its implementation plan to reform apprenticeships, alongside employers and higher education providers. As a standards body bound by a Royal Charter, the CII has a duty to galvanise the insurance profession to lead in accessing the skills of the future. This, coupled with extensive expertise in devising training and qualifications to meet the needs of firms of all shapes and sizes in the sector, and the focus of the CII’s newly elected president Inga Beale on attracting, developing and retaining talent, means the CII is also perfectly placed to partner government to deliver the new apprenticeships programme.

What the party conferences confirmed for us is that there is a strong consensus on the value of apprenticeships across the political
The support for SMEs is of particular relevance to insurance and financial planning where historically good numbers of apprenticeships have been trained, and is one of a number of ‘unintended consequences’ the CII has warned of in relation to the levy.

Laurence Finkle is public affairs executive at the CII.

PARTY LINES

Bearing in mind the turnover of skills ministers during the past few years, it was reassuring to hear that a future Labour administration would not “tear up” the reforms brought forward by the government to date and that the shadow minister echoed the sentiment that SME access to training provision within the new framework is indeed “crucial”. He went on to describe the current tender process as “chaotic” and a “fiasco” and described the efforts of the government to date was to focus minds on apprenticeships, and by financial support they needed. The regulator asked these firms to make a range of improvements to the sales and speed with which complaints can be dealt with.

Laurence Finkle is public affairs executive at the CII.
As apprenticeships become ever more integral to businesses across the UK, Daniel Pedley explains what the CII is doing to help your company benefit

**Apprenticeships**

Apprenticeships in England are changing. The introduction of the apprenticeship levy and the changes to funding for SMEs earlier this year, have brought apprenticeships sharply into focus for more employers than ever before. They are fast becoming an integral part of how we, as a sector, attract, develop and retain talent.

**WHY APPRENTICESHIPS?**

Apprenticeships form a key element of the government’s push to increase the skill levels and drive up the productivity of UK plc. Reforming the apprenticeship system aims to bring training into line with the needs of business and individuals. These new apprenticeships have been created by employers for employers, with the support of the CII.

As a profession, insurance faces immediate and longer-term skills challenges. We are not alone in this and competition for talent is fierce. Apprenticeships can be part of the solution for our sector and offer a flexibility that was not available until recently.

They provide access to talent pools that, traditionally, might not have been explored. In this way, apprenticeships are an important contributor to improving diversity and social mobility across insurance. They also support the reskilling and upskilling of the existing workforce.

**STAND BY ME, MY APPRENTICE…**

Apprenticeships continue to evolve, changing to meet the needs of employers and the economy. To ensure that they work for our sector, are delivered consistently and firms have access to best practice guidance and support, the CII is collaborating with experts, employers and government.

**1 INCLUSIVE LEADERSHIP ACROSS THE SECTOR**

Apprenticeships need to be part of the solution for our sector. We are not alone in this and competition for talent is fierce. Apprenticeships can be part of the solution for our sector and offer a flexibility that was not available until recently.

**2 ENSURING QUALITY IN APPRENTICESHIPS**

- Being able to trust the quality of apprenticeships is key to embedding them into our sector’s psyche. The CII’s Apprenticeship Training Provider Accreditation is a kitemark for employers to know that a training provider has met a range of standards independently assessed by the CII.
- We are working with our accredited providers to ensure that firms, whatever their size, across insurance and financial planning, can access apprenticeship training. So, for the smaller firms in our sector, CII-accredited training is available to small general insurance intermediaries through Babington.
- In addition, we are providing the quality assurance of end-point assessment across insurance apprenticeship standards.

Daniel Pedley is partnerships manager - skills at the CII

**SUPPORTING THE SECTOR**

To ensure that insurance benefits from the opportunities presented by these changes, the CII will lead on three fronts: corralling the sector to speak with one voice on apprenticeships to policymakers; acting as guardian of standards; and providing guidance and best practice to firms - whatever their size and whatever the stage of their journey.

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Daniel Pedley is partnerships manager - skills at the CII

**3 ACCESSIBLE GUIDANCE AND SUPPORT**

Working with partners, including the National Apprenticeship Service and CII-accredited training providers, we provide guidance and support wherever you are on the apprenticeship journey – from making the initial decision and developing a strategy, through to managing a programme, evaluating its effectiveness and identifying future enhancements.

Central to this support are the CII’s nine steps to apprenticeship success.

**THE CII AND THE NATIONAL APPRENTICESHIP SERVICE**

As part of the CII’s drive to support apprenticeships, we have partnered with the National Apprenticeship Service (NAS), the government agency responsible for coordinating apprenticeships in England. Insurance now has a dedicated relationship manager within the NAS, bringing all the relevant information on apprenticeships to CII members, all of which is free.

NAS will support CII members through its free phone advisory service which is available seven days a week. This service will answer any questions you have, right through to helping you identify which roles in your business could be filled by an apprentice. The service will also help you choose training providers that can deliver the apprenticeship.

To use this new service call 0800 015 0600. When you call, please begin by telling them you are a member of the CII, as this will enable them to tag your call.

**THE CII LAUNCH EVENT**

On 4th October, we launched our new apprenticeship service at an employer breakfast. High profile speakers included CII president and Lloyd’s CEO, Dame Inga Beale, who, in opening the event, set out the importance of attracting tech savvy talent into insurance. Joe Billington, of the National Apprenticeship Service, then made the case for integrating apprenticeships into a firm’s talent strategy.

- Developing best practice in this new world was explored by Adrian Johnson, of Aon, with CII development director, Steve, setting out the elements of the new employer support package. Proceedings were brought to a close by two apprentices, Faya Adams of Lloyd’s and Deepak Soggy of Zurich who both demonstrated the calibre of young blood apprenticeships can attract.

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HOT TOPIC: NATURAL CATASTROPHES

Recent hurricanes Harvey, Irma and Maria have been part of an unprecedented year for natural catastrophes, with earthquakes in Mexico only adding to the woe. Luke Holloway looks at the impact on the insurance market.

Claims from Hurricanes Harvey and Irma have already made 2017 one of the worst years for natural catastrophes, and with the addition of Hurricane Maria, the cost of the three disasters is now predicted to exceed $100bn.

JPMorgan warned its clients at the beginning of October that the hurricane’s costs will hurt many insurance companies’ earnings. “We think industry insured losses from the Q3 hurricanes will approach or exceed $100bn, which should be sufficient to result in higher property insurance and reinsurance prices, given it would wipe out most of the industry’s excess capital,” says analyst Sarah DeWitt of JPMorgan.

Germany’s Munich Re warned it could miss its profit target this year, the first major reinsurer to flag a hit to earnings from damage caused by hurricanes Harvey and Irma. Fellow German reinsurer Hannover Re also said it could miss its 2017 profit target because of claims from the natural disasters: its first such warning since the 2008 financial crisis.

“Taken together, these events have the potential to be the most costly and damaging in modern insurance history,” said Munich Re in its 2017 half-yearly report.

Claims from Harvey, Irma and Maria are expected to approach $90bn. “It is now a question of how much worse it can get,” said Munich Re.

Claims from Harvey alone are expected to be at least $70bn, the most expensive hurricane in US history.

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Mr Rowan’s comments coincide with the release of the latest Impact Forecasting report, which discusses the details of September’s hurricanes and the Mexico earthquake.

Kent Adams, regional managing partner for Wilson Elser’s Houston and Beaumont, Texas offices, stated that US media reports had estimated Hurricane Harvey losses in Texas alone to be in the $98 billion range. “Some London estimates suggest significantly lower numbers for covered losses.”

“Unverified estimates of privately insured losses are in the $20 billion range which according to folks we’ve spoken with in the London Market, are considered manageable and will not have a seismic effect on the market. Business interruption, professional liability associated with seating cover and novel liability theories advanced by Plaintiff’s counsel to date are all potential wild card losses not yet fully assessed.”

Hurricane Irma crossed through the Caribbean as a Category 5 hurricane, before making landfall in the US, alone to be in the $190 billion range.

“Insurance remains a cyclical industry and a period of price reductions, insurance rates in the affected areas and in specific/early October in property are likely to increase. In the wider global insurance market for large risks, we expect rates to stabilise and begin to increase.”

Hurricane Maria became the second landfalling Category 5 hurricane in a matter of weeks, when it hit the Dominican Republic and Haiti. At least 78 people were confirmed to have died.

BIG BILL

Hiscox has put the expected cost of claims it will incur from Hurricane Harvey, in the US at about $150m, as it warns natural disasters would mean a big bill for insurers this year.

“2017 will be an expensive year for natural catastrophes but the industry can cope,” says Hiscox chief executive,Bronk Masojada.

“Insurance remains a cyclical industry and a period of price reductions, insurance rates in the affected areas and in specific/early October in property are likely to increase. In the wider global insurance market for large risks, we expect rates to stabilise and begin to increase.”

There were also warnings that Harvey is likely to cause hugely significant losses for property and casualty insurers and reinsurers, in addition to direct losses.

L.L.P, said that although there is already high awareness of the short tail property losses, history shows that when dealing with these large catastrophes there is a tail of claims which can develop in ways which aren’t immediately foreseeable. “The London Market will pick up the exposures in a variety of ways, both through property insurance and reinsurance, but also liability exposures,” said Mr Miller. “In a sense, it is the unexpected liabilities that could well be most significant for the London Market.”

Mr Miller continued, “At the time of the disasters we heard about price gouging, which may well trigger third party liability claims, but there are also liability claims which will arise within the context of the reconstruction. Therefore, the London Market may well be picking up claims from these storms for several years to come.”

Lloyd’s of London has now started paying out £4.5bn of Harvey and Irma claims. Dame Inga Beale, the Lloyd’s of London chief executive and president of the CII, says: “The market is assessing claims and starting to make payments that will help local communities and businesses get back on their feet as quickly as possible.”

THIRD TIME UNLUCKY

The market is still working out its liability for Hurricane Maria, which recently tore through Puerto Rico, but this catastrophe is estimated to have caused $40bn - $80bn in insured losses. Manufacturing goods like pharmaceuticals and electronics are actually the island’s main business, rather than tourism, which will mean increased payouts for business interruption as well as property damage caused by the storm itself. Firms’ lost income while their businesses are closed makes up a significant portion of overall losses after a natural disaster. Hurricane Katrina in 2005, for example, caused about $25bn in insured commercial losses, of which, according to information published by catastrophe risk modelling company AIR, up to $9bn was attributed to business interruption.

With assessments still ongoing for both Irma and Maria, Impact Forecasting says, it remains too early to provide a specific economic or insured loss estimate – especially given the prolonged business interruption impact. In each instance, public and private insurers face payouts to consideredly exceed $10bn.

Mr Adams said that in response to such unprecedented natural catastrophes, insurers are investing in analytics, satellite imagery, remote sensing and imaging, and blockchain technology to help insurers companies cope with such events.

Laws and regulations will need to be adapted to facilitate these innovations, which seek to improve rate setting and claims handling, while cutting costs,” Mr Adams said. “Such innovations also seek to reduce questionable losses and add to insurer’s bottom lines. Such gains might ameliorate some premium increases through cost savings.”

Overall, 2017 has been an unprecedented year for natural catastrophes. However, it is possible that recent events are something the insurance market will have to get more used to dealing with. The insurance was acquired by Mexico several years ago with the help of the World Bank, through which the funds were planned to be transferred. The insurance was renewed at the beginning of August, just over a month before the earthquake.

CLIMATE QUESTIONS

Arguments regarding climate change and its role in such disasters has been revived, with many experts claiming that although not the sole cause of these catastrophes, the effects were certainly made worse. “It’s important to note that climate change has already caused higher sea levels, so any storm surge is happening on top of a higher initial level, leading to more coastal flooding,” says Chris Holloway, a tropical storm expert at the University of Reading.

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GET READY
GDPR IS COMING

New consumer protection rules on data come into force next year. While some are preparing for the implications, it seems too many still have their heads buried deep in the sand.

Liz Booth reports...

2K may have started it off, but since then, a series of acronyms seem to have ruled our lives. Now there is a new one to get our business heads around – GDPR.

A little like the UK’s Bribery Act, it is a set of rules that will affect us all but which, it appears, have yet to really impact our thinking.

The lawyers and technical experts alike, however, are warning that we need to wise up – and wise up fast.

GDPR, or General Data Protection Regulation (GDPR), to give it its full title, comes into effect in the middle of next year, with wide-ranging rules and stiff penalties for those who fail to comply.

And it is not just about complying as a business; every organisation has to ensure compliance throughout its supply chain – effectively bringing the whole world into play.

However, even with the threat of fines of up to £20m or 4% of global turnover (whichever is higher), a recent survey by DocsCorp reveals that two thirds of UK business owners have either no plan in place to tackle, or no knowledge of the legislation that could drastically affect their operations.

It suggests this means either a steep learning curve, with expensive, last-minute compliance and training for employees, or fines if businesses fail to comply by the mid-2018 deadline.

Of the businesses surveyed, 47% admit to handling sensitive information like names, addresses and bank details, which might be transferred between computers through metadata and would therefore be required to comply with the new data handling legislation.

As part of the new legislation, business owners take on more stringent responsibility for handling of metadata. But with the survey revealing that 30% of employers do not even have an awareness of metadata, businesses will need to act fast to ensure that staff are brought up to speed.

This rises to 67% for businesses within the finance sector, where management is particularly unaware of the additional information being sent along with normal files, despite one fifth of all workers in the sector claiming to send in excess of 1,000 attachments every week.

Some 58% of businesses surveyed allow for remote working, employees are encouraged to work from home, coffee shops and hot desks in off-site locations, rather than lose valuable hours travelling between meetings or conferences.

The risk of losing removable storage including USB sticks and external hard drives, portable devices and laptops, or accessing unencrypted Wi-Fi access points commonly used throughout the city, means remote workers will be under increased pressure to ensure the safe transfer of data and scrubbing of sensitive metadata.

INSURANCE RISK

The insurance industry itself is just as subject to the rules as any other sector. Robert Maddox, an associate at Debevoise & Plimpton, warns: “It is paramount the insurance industry is fully prepared to meet these new obligations, not least because it is a high risk sector.

For example, the insurance industry is a prime target for cyberattacks because its large-scale data aggregation practices combine highly sensitive personal information in one location, as Anthem found out when it was hacked and around 80 million of its customers’ records compromised. “Indeed, insurers can be treasure troves for hackers, offering near-complete individual profiles containing names, addresses, dates of birth, financial information, employer details, health records and, in some cases, all of that information for entire families.”

For the insurance sector, the potential range of situations covered is vast, he warns, adding: “It might include: a placing broker accidentally emailing a single applicant’s health information, the wrong underwriter or a claims handler leaving hard copy claim forms on a train, a hacker exfiltrating millions of customers’ personal data from an underwriter, or a sophisticated cyberattack.”

CONSUMER RISK

One of the key tenets of the new legislation is that consumers will have greater rights to what information is being held about them and can also request that such information is deleted.

Worryingly for the insurance sector, a survey from SAS reveals that a third of consumers polled by SAS say they will ask insurers to delete their personal data under the new EU data protection legislation.

The research by SAS finds that almost half of UK adults intend to activate these new personal data rights, while 15% intend to do so in the month the law is ratified.

This is a high figure given the general lack of awareness about the legislation among businesses, let alone consumers. Once that awareness grows, all businesses will have to have the right processes in place to meet consumer demands – or face those high penalties.

Time to get prepared...
**THE GENERATION GAME**

Tali Shlomo offers some tips on how to understand some of the wants and desires of the five different generations that constitute today’s workforce.

**A MULTI-GENERATIONAL WORKFORCE? OF THOSE IN EMPLOYMENT IN THE UK IN SEP–NOV 2016**

<table>
<thead>
<tr>
<th>Generation</th>
<th>16-17 Year Olds</th>
<th>18-24 Year Olds</th>
<th>25-34 Year Olds</th>
<th>25-49 Year Olds</th>
<th>50-64 Year Olds</th>
<th>65+ Year Olds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Median age of UK population</td>
<td>38.7</td>
<td>40.0</td>
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<tr>
<td>Of those in employment in the UK</td>
<td>Approximately 579,000 or 2% were aged 65+</td>
<td>Approximately 1.18 million or 3.8% were aged 65+</td>
<td>Approximately 3.94 million or 12.6% were aged 16–24</td>
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<tr>
<td>Percentage of older and younger people in the UK in employment</td>
<td>Approximately 6.3% of those aged 65+</td>
<td>Approximately 10.5% of those aged 65+</td>
<td>Approximately 54.2% of those aged 16–24</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of younger people who were in full time education and employment</td>
<td>Approximately 36.8% of those aged 16–24</td>
<td>Approximately 25.1% of those aged 16–24</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Percentage of younger people who were NEET (not in employment education or training)</td>
<td>13.25% of 16-24 year olds (mean average across the year)</td>
<td>12.32% of 16-24 year olds (mean average across the year)</td>
<td></td>
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</tbody>
</table>

**WHAT WE CAN DO**

It is important to understand that generational differences will influence the actual and perceived behaviours of each generational group. Understanding some of the wants and desires of each group, as well as your own unconscious bias, will help you develop strategies to maintain the right balance and the right approach.

Tali Shlomo, people engagement director at the CII

**THE JOURNAL**

**TALENT SPOTTING**

Luke Holloway met with Stephen Bridge to find out how giving back to the CII has helped him encourage the next wave of talent into the profession.

**HOW DID THAT THEN LEAD YOU TO LAUNCH THE NEW CLASS PROGRAMME?**

I decided to get involved with my local institute and try to give something back after such a great experience. I then realised that, out of the 40 people I’d met during the Next Generation programme, there were only two of an affiliated with the Manchester institute. I thought that needed to be addressed. I thought back to when I was new to the industry and when I used to attend CII lectures – I always felt nervous putting my hand up to ask questions, I didn’t feel I had the confidence or knowledge to speak up. It made me think we could be losing some great young people because they’re not getting involved.

We focus primarily on people new to the industry (between zero and five years’ experience) at the stage of looking to do their exams, and who want to push themselves to help their careers progress further. We give them soft skills, such as project management; dealing with difficult people (which you get in most walks of life); report writing; a networking event; a social media and marketing event; and a public speaking event.

We also give them an ongoing project, which is to write a report on a subject that is important to the industry, along with the help of a mentor, so they always have support available when they need it.

To finish the programme, when the reports have been launched, we take the group on a tour of Lloyd’s of London, which really brings to life the history of insurance, and then host a session at the Sky Garden to say well done for all their hard work.

**WHAT IS YOUR MESSAGE TO YOUNG MEMBERS?**

I would implore them to get involved. If they see something where we could be doing better, or we could tweak, get in contact, because at the end of the day all institutes want to be tailored to the benefit of our members.

Just throw yourself into it – you’ll meet some great people, learn valuable new skills and it will be great for your career.

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**THE JOURNAL**
High-profile cyber attacks have once again highlighted this emerging threat. But, Tim Evershed asks, how do you model a risk with such a short data history?

recent cyber losses, such as the data breach at credit monitoring agency Equifax and the WannaCry ransomware attack, have given insurers yet more reminders of the rapidly increasing size and complexity of cyber peril that they face.

Assessing the potential for future cyber losses is a major challenge for the insurer industry. However, the past couple of years have seen the launch of the first cyber models, which aim to quantify those risks.

In May this year, Risk Management Solutions (RMS) announced the release of its updated RMS Cyber Accumulation Management System. A month earlier, AIR Worldwide had released ARC.

AIR says ARC can evaluate any commercial policy (including those vulnerable to silent cyber), measure and monitor aggregations of cyber risk within a portfolio, as well as estimate potential insured cyber losses for portfolios. But whereas a conventional catastrophe model assesses a named peril contained to a prescribed geographical area, the challenge for cyber models is to show insurers the risk they face from a constantly evolving threat that could emanate from anywhere in the world.

"In terms of the modelling itself, we use many of the same types of approaches to modelling natural catastrophes as we do cyber risk but structurally the models have to be very different," says Tom Harvey, senior product manager, RMS Cyber Accumulation Management System. "Cyber is not a single peril, it is really a loose collection of technology risks that have been grouped together under one label. When you look at the modelling that has to happen under that cyber umbrella, you have to model incidents that are driven by malicious external actors, including nation states and criminals. These malicious external actors pose a range of threats including data theft, intellectual property loss, ransomware and theft of money. In addition, the models must also take into account the operational risk borne by companies, such as cloud outages, internal system outages and other system failures."

Mr Harvey continues: "It is much more akin to a network reliability modelling challenge than some of the outside, malicious external modelling. It is a very broad range of modelling challenges."

At present, insurers typically have very little information about the cyber risk characteristics of the companies they insure and instead they tend to rely on a market-share approach. 

Scott Stransky, assistant vice-president, principal scientist research and modelling, AIR Worldwide, says: "ARC takes advantage of the detailed information that AIR has compiled on companies to help insurers identify their sources of aggregation risk and to determine with greater certainty which of their insurables would be affected by various aggregation scenarios."

ALTHOUGH CYBER RISK IS A COMPARATIVELY NEW RISK, THE VAST VOLUMES OF DATA BEING COLLECTED EVERY DAY ARE CLOSING THAT DEFICIT

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Although cyber risk is a comparatively new risk, the vast volumes of data being collected every day are closing that deficit.

Mr Harvey says: "If you look at cyber malicious events, there are thousands of events going on all the time. We don't have decades' worth of data but we do have 10 years' worth of data and you can get a really clear picture of the cyber risk landscape from that."

From the modelling side, historical data is valuable but it does not provide a full picture of all the potential events that an insurer could suffer. That historical data needs to be blended with an understanding of the peril and the dynamics of how cyber events are carried out.

THE RISE OF CYBER SECURITY INCIDENTS

According to AIR, although their data schema has several hundred risk points to see what sticks. We don't know yet which are the killer questions that will help us to predict what is a good risk and what is a bad risk.

According to AIR, although their data schema has several hundred risk points that are driven by malicious external actors, including nation states and criminals. These malicious external actors pose a range of threats including data theft, intellectual property loss, ransomware and theft of money. In addition, the models must also take into account the operational risk borne by companies, such as cloud outages, internal system outages and other system failures.

Mr Harvey continues: "It is much more akin to a network reliability modelling challenge than some of the outside, malicious external modelling. It is a very broad range of modelling challenges."

At present, insurers typically have very little information about the cyber risk characteristics of the companies they insure and instead they tend to rely on a market-share approach. 

Scott Stransky, assistant vice-president, principal scientist research and modelling, AIR Worldwide, says: "ARC takes advantage of the detailed information that AIR has compiled on companies to help insurers identify their sources of aggregation risk and to determine with greater certainty which of their insurables would be affected by various aggregation scenarios."

ALTHOUGH CYBER RISK IS A COMPARATIVELY NEW RISK, THE VAST VOLUMES OF DATA BEING COLLECTED EVERY DAY ARE CLOSING THAT DEFICIT

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Although cyber risk is a comparatively new risk, the vast volumes of data being collected every day are closing that deficit.

Mr Harvey says: "If you look at cyber malicious events, there are thousands of events going on all the time. We don't have decades' worth of data but we do have 10 years' worth of data and you can get a really clear picture of the cyber risk landscape from that."

From the modelling side, historical data is valuable but it does not provide a full picture of all the potential events that an insurer could suffer. That historical data needs to be blended with an understanding of the peril and the dynamics of how cyber events are carried out.
Diversity and inclusion are two concepts that have become more visible in the insurance sector in recent years. The first Dive In festival ran in London in 2015 and was focused on the London insurance market.

Since then, the events have spread not just around the UK but also across the world.

As part of this year’s Dive In programme in September, the Chartered Insurance Institute (CII) hosted its second Real Models speed networking event in London. Unlike the other market-facing Dive In events, this one was put together with tomorrow’s talent in mind.

The session brought together black and minority ethnic female students from schools, colleges and universities across London. These students did not have connections to the sector through family or friends, so provided valuable insight into an unfamiliar sector. Also taking part in the speed networking were junior and senior professionals from the insurance sector, as well as linked areas such as law and tech.

**SETTING THE SCENE**

The event was opened by Caspar Bartington, the CII’s relationship manager for education, who set the scene on the insurance profession and the diversity that already exists within it.

The keynote presentation came from Karen Green, CEO of Aspen UK, who spoke about the sector and played students a video of The Female Lead – a group of inspirational women from a range of sectors and backgrounds around the world.

Samantha Eustace, an Apprentice of the Year through the CII’s Apprenticeship Live campaign, spoke about her experience in the sector and being a successful non-graduate in insurance who has already moved functions in a short space of time, from underwriting to public affairs.

**SPEED NETWORKING**

The heart of the event, however, was the speed networking between students and professionals. This proved a great opportunity for the students to gain deeper sector knowledge and brush up on their soft skills, as well as ask for a few business cards... and a little test for sector professionals to reflect on their role and avoid too many technical terms in describing it to the delegates.

For those who could stay behind, there followed some slower networking and more in-depth discussions around career journeys and aspirations.

All students received copies of the *Inspirational Women in Risk* book, which the CII produced in conjunction with Insurance Supper Club, and which happened to include three of the guests at the event (Inga Beale, Karen Green and the CII’s Sian Fisher).

It was no surprise to see so many of the students sign up for the CII’s Discover membership programme at the end of the event. This membership programme is free for students in full-time education in the UK and builds their sector knowledge and networks.

On a lighter note, the event also gave us the opportunity to post a Boomerang on our Discover Risk Instagram account, to show off our social media credentials (you can see the CII balloons and students’ styling on our feed).

If you are interested in reaching out to students from a range of backgrounds at the CII’s events in schools, colleges and universities, please email discover@cii.co.uk.

Caspar Bartington is relationship manager for education at the CII.
RISING CRIME MIRRORS RISING COSTS

Earlier this year, the insurance industry gave the government dire warnings about the soon to rise cost of motor insurance and the possible consequences. Sadly, it looks as if some of the predictions are beginning to play out – and the result is an increase in motor crime in all its guises.

For the first time in more than a decade, the UK’s Motor Insurers Bureau (MIB) has reported an increase in the number of claims made following accidents with uninsured drivers. Overall, from 2004 to date, the MIB has seen the number of claims against uninsured drivers reduce by more than 50%, from about 25,000 per year to about 11,000. This is as a result of the continued commitment from the industry, police, DVLA and the government to successfully tackle the problem. However, in the past 12 months alone, MIB has seen claims against uninsured drivers rise by almost 10%.

Ashton West OBE, chief executive at MIB, said: “In the last year or so, for the first time in a decade or more, we are starting to see the trend of reduction actually change direction, and we have started to see it increase. We recognise the need to understand the increase in claims further, so are currently undertaking a piece of work to explore what impact this could be having.”

DOUBLE WHAMMY

Reacting to the MIB figures, the Automobile Association (AA) says the news is deeply depressing but entirely predictable and avoidable. The association had predicted this consequence, due to the ‘double whammy’ of the doubling of insurance premium tax (IPT) to 12% in just 18 months, as well as a sharp drop in the discount rate (known as the Ogden rate), which governs payouts for car crash injuries.

The AA is calling on the government to bring forward a promised review of the Ogden rate (see Journal Aug/Sept 17). It would also like the government to cut IPT.

Michael Lloyd, the AA’s insurance director, says: “Because young drivers are responsible for the greatest number and highest cost of injury claims, their premiums have taken the brunt of the rises.

In the second quarter of 2017, the average quoted shoparound premium, according to the AA’s British Insurance Premium Index, rose by 8.3%. Young drivers (17-22) who already pay more for their insurance than anyone else, saw their premiums jump by 10.6% to an average of £1,771. But for new drivers, their first year’s premium can be an eye-watering £3,000 or more.

However, it is not just about more illegal drivers on the roads. Insurers are seeing an increase in vehicle thefts. According to the latest crime figures, vehicle thefts in the UK jumped 20% in the biggest crime spike for a decade. Nearly 100,000 vehicles were stolen in the UK last year and 250,000 were broken into.

“Car insurance is a compulsory purchase but with these hikes in costs, car insurance has been put out of the reach of many young drivers,” warns Mr Lloyd.

“They are either putting off learning to drive at all or are attempting to drive without cover, or are choosing to get a parent to illegally ‘front’ the insurance for their car. Fronting involves an experienced driver such as a parent insuring the car in their name but adds a young person as a ‘named’ or occasional driver, even though they are in reality the main driver.

“Without radical government action we will just see more uninsured drivers on the roads, which in turn leads to higher premiums for law-abiding drivers and pricing young drivers out of the market altogether.”

TOP REGIONS TARGETED

● London continues to top the list of regions where cars are most stolen and recovered.
● Essex comes in second.
● Greater Manchester moves down to seventh place.
● South Yorkshire enters the Tracker league in ninth place.
● West Yorkshire jumps up the table to fifth place, joining Kent.
● Surrey, like London, remains static at sixth place.

Source: Tracker
DRUG TESTING AT WORK

The use of drugs continues to be an issue for wider society but what should employers be doing to check their own staff?

With the introduction in recent years of roadside drug testing and the surge in drug-related accidents at work, employers are coming under increasing pressure to ensure their staff are fit to work. According to a survey carried out in 2015 on employees from a range of sectors, nearly a third of them admitted using drugs at work, with a significant number claiming to be ‘under the influence’ every working day, warns Suzannah Robin, a drug and alcohol safety expert at AlcoDigital.

“Although there is still no legal requirement for an employer to adopt a drug or alcohol testing policy, they do have an obligation to maintain a safe working environment as part of the Health & Safety at Work Act – and, as these statistics prove, drugs could be a major concern if left unchecked. It’s a question of protecting your staff and other workers from the impact of drug and alcohol misuse at work.”

DRUG TESTING

Drug testing is a measure that can help employers safeguard their workers and the general public. However, it’s important to consider the options available and to ensure that the process is carried out in a legal and ethical manner. Employers must be aware of their legal obligations and ensure that they comply with all relevant regulations.

THE OFFICIAL LINE

The government’s official line on testing is:

- Employers have to have consent if they want to test for drugs.
- Usually this is when they have a full contractual health and safety policy, which should be in the employee’s handbook.

Employers should:

- Limit testing to employees that need to be tested,
- Ensure the tests are random,
- Not single out particular employees for testing unless it is justified by the nature of their jobs.

Workers can’t be made to take a drugs test but if they refuse when the employer has good grounds for testing, they may face disciplinary action.

65% OF 120,000 PEOPLE SURVEYED USED ILLEGAL DRUGS IN THE PAST 12 MONTHS, WITH AN AVERAGE AGE OF 29

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THE PROS AND CONS OF DRUG TESTING

There are several advantages to drug testing, such as:

- Ensuring a safe working environment,
- Reducing the risk of accidents and injuries,
- Improving workplace productivity,
- Detecting drug-related incidents before they result in serious consequences.

On the other hand, there are also some disadvantages to drug testing, such as:

- Potential for discrimination and misuse of the testing process,
- Invasion of privacy for employees,
- High cost of testing and administration.

The decision to implement drug testing should be based on a comprehensive evaluation of the potential benefits and drawbacks, as well as the legal and ethical considerations involved.

MEETING CUSTOMERS’ NEEDS

In our experience, the leaders in the customer experience space are winning by focusing on a few, but very well defined, customer needs and interventions around them.

1. Culture: A culture of customer-centricity aligns all processes, interactions and value system to the centrality of customer needs. And it should be put in practice from the CEO’s office to front-line executives.

2. Know your customer: A finely created micro segment with customer markers goes a long way in designing a customer experience framework and strategy aligned to it. Most insurance firms would build their strategies aligned to segments, based on the following levers:
   a. Product and its customisation
   b. Trust and transparency
   c. Speed and professionalism
   d. Unified communication and experience

3. Design thinking and operationalisation: Of customer journeys based on the needs of segments defines the success of any customer experience initiative. Using customer empathy and cross-functional integration typically forms the backbone of successful operationalisation.

4. Digitalisation and customer insight: Use digital insight as captured from processes and interaction, to fine-tune the customer journey and measure it empirically. Each interaction and touchpoint judged by the customer will define whether a carrier is meeting its brand’s promise or not. With such a large value at stake, the insurers that deliver on the customer experience journey will win greater market share and space in the minds of consumers.

Rajneesh Pathak is client partner at Fractal Analytics and can be reached on rajneesh.pathak@fractalanalytics.com.

CUSTOMER JOURNEYS

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Rajneesh Pathak suggests four steps for insurers to win with excellent customer journeys:

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COUNTRY PROFILE – JAPAN

In association with

LAND OF THE RISING YEN

Jay Patel explains why increasing insurance penetration in Japan’s revived economy provides an opportunity for commercial carriers

Of the three arrows, monetary policy has been the most actively used by the government and central bank. The Bank of Japan’s -0.1% base rate (already one of the lowest in the world), coupled with its quantitative easing programme means the financing environment for the Japanese corporate sector is very accommodative. It is hoped that this environment will stimulate the investment from the corporate sector required for the economy to reach a stable equilibrium where inflation reaches the Bank of Japan’s 2% target.

COMMERCIAL BENEFITS

Japan’s economic growth in the second quarter of 2017 was recorded at an annualised rate of 4.6% and demonstrates that monetary policy could be having the desired effect. Encouragingly, this growth was balanced with business investment and domestic consumption making strong contributions to the impressive growth figures, as well as the more traditional channel of net exports.

Business investment grew strongly during the second quarter, expanding by 2.4%. This followed a first quarter where investment in the non-financial sector was 4.5% higher on a year-on-year basis. In addition, the Bank of Japan’s closely watched Tankan index (a survey of Japanese business conducted by the Bank of Japan, which subtracts the percentage of companies reporting a bad business

benomics’, the term used to describe the economic policies advocated and implemented by the Japanese Prime Minister Shinzo Abe, has not been short of its critics and at certain points in Mr Abe’s premiership, these critics have been able to point to lacklustre growth and inflation as validation for their scepticism. However, since 2016 growth has strengthened as a weaker yen and stronger global economy have boosted demand in the economy. Encouragingly, the composition of growth is exhibiting greater sustainability and diversity. Specifically, Abenomics draws on ‘three arrows’ to stimulate growth in the Japanese economy: monetary policy; fiscal policy; and structural supply-side reforms.

Jay Patel explains why increasing insurance penetration in Japan’s revived economy provides an opportunity for commercial carriers

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OLYMPIC CONSTRUCTION WORK

The construction industry in Japan registered a +48 rating on the aforementioned Tankan index. This strong showing is in large part attributed to the infrastructure spending that is a result of Japan hosting both the Rugby World Cup 2019 and the 2020 Olympic Games.

Timetric’s Construction Intelligence Center estimates in its most recent outlook, that the Japanese government has allocated ¥986.6bn ($8bn) to infrastructure spending for the Games. The construction of stadia and arenas, as well as transport and residential infrastructure required for the Olympics, has generated a requirement for insurance policies to cover the physical assets and various liabilities among the contractors and sub-contractors that work on these projects.

Figures from the General Insurance Association of Japan (GIAJ) show that direct written premiums (DWP) in the machinery and erection line grew from ¥32,149m ($265.6m) in 2015 to ¥36,209m ($332.8m) in 2016 (an annualised growth rate of 24.4%). Similarly, the contractors’ all-risks line grew from ¥49,843m ($411.8m) in 2015 to ¥51,120m ($469.9m) in 2016, as measured by DWP.

TRAVEL INSURANCE

The Olympics and Rugby World Cup will increase visitors to Japan and boost demand for travel insurance.

A survey conducted by the Japan Tourism Agency which found that about 30% of people who visit Japan do so without travel insurance, demonstrates that Japanese travel insurers could capitalise on the underinsurance of inbound tourists.

There is evidence that Japanese non-life insurers have already taken action to expand their offerings in the travel insurance space. Agreements between insurers including Mitsui Sumitomo Insurance and Aioi Nissay Dowa Insurance with travel and hospitality firms located in Japan are becoming more popular, along with more easily accessible direct digital offerings to tourists.

30% OF TOURISTS VISITING JAPAN DO SO WITHOUT TRAVEL INSURANCE

NON-LIFE INSURANCE PENETRATION

In a report on the Japanese commercial insurance market in 2017, Swiss Re estimated that Japan has the largest protection gap in the world. Although there are mitigating factors for the size of this protection gap unrelated to the lack of demand for commercial insurance relative to GDP – such as the Japanese economy being more insular than comparable developed countries and having very high property values in region vulnerable to earthquakes – it does seem that the Japanese commercial insurance market has substantial potential for growth independent of the cyclical effects of the economy.

PROPERTY AND LIABILITY MARKETS

Japan’s non-life insurance penetration stood at 1.67% in 2015; this was lower than a number of similarly developed economies, including: the US (3.49%), the UK (3.37%) and France (2.64%). When one looks further into the data, one finds that motor insurance penetration in Japan is comparable to these other markets but it is in the property and liability lines that Japan lags behind its peers.

The lower levels of penetration in the Japanese market do reflect opportunities for insurers to enrol more of the corporate sector into using the risk management and risk-smoothing benefits of insurance.

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An explosion in data emanating from an increasingly connected world is fundamentally changing the insurance landscape, powering usage-based insurance (UBI) to give consumers and businesses the choice to be insured based on their actual rather than assumed risks.

Intel forecasts 200 billion connected devices by 2020, nearly 25 connected devices for every person on earth. And it is predicted that by 2025 at the latest, all new cars manufactured in Europe will be connected and have the ability to deliver driving data directly from vehicle to the insurance market.

There is little doubt that insurers need to be leveraging connected data today with plans for tomorrow in mind. The benefits are now known in terms of improved loss ratios, book cleansing, expense management and in motor, collision cost and frequency decline. Those operators who move fast will be in pole position when it comes to the learnings they achieve, the competitive advantage they are able to gain, their pricing accuracy and operational efficiencies. Ultimately, they will own the customer lifetime value fastest.

**Young Drivers**

UBI is already working to great success in the young driver motor insurance market, by improving pricing, reducing claims and creating greater customer engagement. Some 75-80% of young drivers in the UK today have a telematics policy, typically saving up to 41% on their insurance premium.

There has also been a marked downward trend of 31% in road casualties in the 17-19 age bracket vs 7% for all other age segments, which we believe can be attributed to the increasing availability and adoption of telematics insurance.

**Attitudes are Changing**

Added to this, consumer attitudes to behaviour-based insurance and data ownership are changing. A study by LexisNexis Risk Solutions in 2016 found that 78% of motorists think the price they pay for insurance should be linked to their driving behaviour. In a more recent study of 3,000 motorists, a staggering 79% said they would consider a telematics policy.

The problem is that only 10% were offered one at renewal. Why? Because UBI has not penetrated the wider mass market, due in large part to the cost of acquiring the driving data that underpins the telematics policy.

However, we have now reached a tipping point as the insurance sector is starting to cover its costs from UBI propositions, consumers feel more comfortable and the cost of collecting telematics data has fallen through the emergence of new, lower cost data collection solutions.

**From Black Box to Apps**

Telematics for insurance started with data solely derived from fixed black box devices. Costs included the actual physical hardwired box, installing it, gathering the data and the cost required to obtain meaning from the data and to ultimately achieve some value from it.

We are now seeing increasingly sophisticated smartphone apps, and a 12V device that enables insurers to gather driving behaviour data at about 15% of the cost of a hardwired device while providing the level of accuracy and data quality needed to scale for more drivers on the road.

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**The Relationships between Telematics and Casualty Statistics Seem Intuitive**

- **Telematics adoption vs casualty (car) rates 17-19 years old**

![Graph showing telematics adoption vs casualty rates for 17-19 year olds](image)
This is a real game-changer as it means that motorists can gain all of the benefits of having a telematics policy, but do not have to have a black box fitted to their car: they just plug in and go. It also eliminates some of the operational issues insurers have needed to consider.

With lower costs, the opportunity opens up for mass market propositions to be developed. Crucially, the insurers that get on board with this phase of development, taking telematics mainstream, will be those that have the strongest opportunity to remain relevant for the connected and ultimately driverless car.

WORKING WITH THE MANUFACTURERS
There has been much debate about the way in which insurers and auto manufacturers – also known as original equipment manufacturers (OEM) – will work together in the future. Eventually, most cars will have the inbuilt ability to collect driving data and there already exists a vast range of devices and variations in hardware and software technology. How this data is managed and converted from raw driving data into a rateable factor is crucial in determining how these two sectors come together to deliver UBI.

CENTRAL DATA HUB
A central hub capable of ingesting, cleansing and contextualising data regardless of data source addresses this problem. This is the primary objective for LexisNexis Risk Solutions’ investment in its global telematics platform. By bringing the insurance and insurance together in a single hub, driver scoring can be delivered to the entire insurance market while still enabling insurers to run their existing one-to-one UBI programmes.

FROM CAR TO HOME
The innovations in motor insurance provide a template for how connected home data could be used by the insurer across the sector in the future. Fundamentally, data from connected devices can help insurers act early to reduce or even prevent losses. In motor it is the black box, app or 12v device, in property it might be the use of water sensors to help reduce the volume and cost of escape of water claims.

We are seeing more and more partnerships emerge between home insurers and tech firms, giving open-source powerful insights to help mitigate risks. How this information is used to help price risk will help accelerate developments in this sector. As the data from connected devices grows, so too will the need for an industry solution for analysing and scoring this data, enabling all the learnings gained from telematics motor insurance to be harnessed for the property insurance market.

BEETTER DECISIONS IN REAL TIME
Connected data leveraged in the right way enables better decisions to be made in real time throughout the customer lifecycle. UBI is likely to become commonplace as consumers increasingly demand fair pricing based on their actual rather than presumed risk.

The insurance sector has created a strong foundation on which to meet this demand – it now needs to take UBI to the next level, exploiting all the technological advances being made to bring insights from connected data.

Selim Cavanagh is vice-president, insurance, UK and Ireland at LexisNexis Risk Solutions

ANSWERS

QUESTION 1
Which of the following is a requirement for a client to be treated as a professional client?

- An option.
- A contract for difference.
- A warrant.
- A futures contract.

**Correct answer:** An option.

QUESTION 2
A ‘spread bet’ is a form of which type of investment contract?

- An option.
- A contract for difference.
- A warrant.
- A futures contract.

**Correct answer:** A contract for difference.

QUESTION 3
A five-year endowment policy matured on 1 August 2017 with a maturity value of £40,000. The policy had been taken out with a single premium of £30,000. What is the amount of the top-sliced gain?

- £10,000
- £20,000
- £22,500
- £25,000

**Correct answer:** £22,500

QUESTION 4
After how many weeks is support for mortgage interest (SMI) usually available to help pay mortgage costs for someone working age?

- 39 weeks
- 13 weeks
- 52 weeks
- 26 weeks

**Correct answer:** 39 weeks

QUESTION 5
An investment provides a real return of 4% when inflation is 2.5%. What is the investment’s nominal return?

- 1.50%.
- 6.50%.
- 4%.
- 10%.

**Correct answer:** 6.50%.

QUESTION 6
A company offers membership of a trust-based pension scheme to its employees. A benefit to the company of offering such a scheme is that:

- They can offer greater flexibility to members than if it was a contract-based offer.
- They will benefit from the expertise of the trustees in the running of the scheme.
- It is cheap to run.
- They do not have to administer the payment of short-service refunds.

**Correct answer:** They will benefit from the expertise of the trustees in the running of the scheme.

QUESTION 7
A conflict of interest would not usually be caused by:

- Acting as broker fund adviser.
- Dealing an agent for more than one party.
- Recommending a transaction to buy or sell an investment, where another client has already given instructions to buy or sell the same investment.
- An action to sell software to research the whole of the market for a particular product suitable to a client’s needs.

**Correct answer:** Recommending a transaction to buy or sell an investment, where another client has already given instructions to buy or sell the same investment.

QUESTION 8
Brian is self-employed and his tax liability in 2016/17 was £40,000. His tax liability in 2017/18 is £42,500. What is the total tax payment he must make on 31 January 2019?

- £219,000
- £223,000
- £227,000
- £231,000

**Correct answer:** £223,000

QUESTION 9
A client has £80,000 to invest. Which of the following would be the first area to discuss with the client?

- The tax wrappers that will be used for the investment.
- The spread of underlying assets needed to achieve a diversified portfolio.
- The choice of funds for each asset sector.
- The amount of investment risk the client is prepared to take.

**Correct answer:** The tax wrappers that will be used for the investment.

QUESTION 10
Risk profiles are often used to try and gauge a client’s risk appetite. Which of the following factors would normally be unimportant?

- The client’s concerns about volatility.
- The client’s capacity for capital loss.
- The length of time of the investment.
- The client’s gender.

**Correct answer:** The length of time of the investment.

**YOUR SCORE**

1-3 POOR

4-6 GOOD

7-8 VERY GOOD

9-10 EXCELLENT
There is a lot of excitement about innovation in our industry right now, so much so that it can sometimes feel like a very recent phenomenon. But the opposite is true. From a business perspective, innovation is the process that sees ideas generated and developed into goods or services, either creating value or for which customers are willing to pay, with the innovations typically meeting a specific need or problem.

Our industry has been doing that for hundreds of years. The coffee shops in The City were a magnet for those in the shipping industry looking to exchange information and gossip. Edward Lloyd recognised people’s need for value; often at the expense of product, with organisations as the most important measure of success.

Customers increasingly regard their interfaces with organisations as the most important measure of value, often at the expense of product, with convenience, speed and simplicity key quality differentiators. We are all more demanding and impatient – who would have thought 15 years ago that having to wait more than a few seconds to access the world’s biggest shop, music store and bookshop seemed like science fiction just a few years ago?

These and other solutions, such as artificial intelligence, robotics and big data, present massive opportunities and threats to our industry, with the exponential rate of progress taking even digital luddites by surprise.

The pace of change is a challenge for our industry, but one that must be overcome. We need to develop cultures and processes that enable innovation to thrive, adopting such concepts as minimum viable products and embracing fast failure. This can be very much at odds with deep-rooted traditions and working practices. Collaborations with startups ventures are one approach many traditional businesses are taking. We also need to attract Generation X and Y people to pursue careers in our industry; they are not screen zombies, they are essential to shaping the value propositions our customers and partners are demanding.

Customers increasingly regard their interfaces with organisations as the most important measure of value, often at the expense of product, with convenience, speed and simplicity key quality differentiators. We are all more demanding and impatient – who would have thought 15 years ago that having to wait more than a few seconds to access the world’s biggest shop, music store or library would be unacceptable? But that’s the world we live in. We can overcome that challenge and ensure our zenith is ahead of us by embracing digital and continuing to innovate.

Knowing your A-Z:
- artificial intelligence
- big data
- connected homes
- connected cars
- exponential
- fast failure
- future
- guru
- heat
- idea
- Steve Jobs
- killer
- luddites
- minimum
- need
- opportunities
- problem
- quality
- robotics
- startups
- transforming
- value
- working
- generation X
- generation Y
- Zenith

Tim Grant, of Covéa Insurance, takes an A-Z look at the digital revolution...

A-Z OF...
INSURANCE INNOVATION

Disciplinary Matters

Breach of the CII Code of Ethics

David MacDonald APFS, Chartered Financial Planner, St James Place, York House, 23 Kingsway, London UK (order effective from 2 September 2017)

The Respondent had been convicted of drink driving. The CII Case Examiner invited the Respondent to approve and sign a Consensual Order under Rule 9.1 of the CII Disciplinary Procedure Rules 2015, to which the Respondent agreed. The sanctions imposed were: 1. That the Respondent be reprimanded, 2. Take and complete the CII online Ethics course before attempting to book any further CII examinations, enrol on any CII assessments, apply for any recognition of prior learning (either a member or non-member, renew membership or within 3 months, whichever is sooner).

Tim Grant, of Covéa Insurance, takes an A-Z look at the digital revolution...
Here we are again, taking time out from my studying to enjoy writing another blog for The Journal. I have been fortunate recently to recover from niggling injuries sustained in the summer and a case of shin splints, which have enabled me to get out my running shoes and let off some frustrations; we all know how difficult it can be to motivate yourself after a long day in the office. I find getting out in the fresh air a way to relax and focus and then when I do come to studying or any revision, it helps me to concentrate.

Being injured was an incredibly frustrating time but staying positive about it and trying not to do too much exercise was necessary; the only way to recover from such an injury is to rest up. I had a similar frustration on one of my recent exams. The multiple choice exams are good in that you immediately get your result and the exam centres have exams on all year round rather than just during specific exam periods, but if the result doesn’t go as planned it can be incredibly frustrating; especially with limited feedback and not knowing how close you were. Stay positive though – as I said earlier, being able to take another exam so quickly is definitely a great thing. Luckily, I was able to book mine a few weeks later and felt much more confident while clicking through the answers second time around. My studies, much like my running, are now back on track!

**STRIKING A BALANCE**

More recently, work has started to interfere and interrupt the time I have available for my studies as well. I’m sure there are plenty of you out there like me, who put in a lot of hours in your job and really enjoy what you do; but finding the time to study can be difficult, especially when your job will always come first. Sometimes, it is good to take a short break from studying to give you a renewed appetite for it and to make sure you are going into it with a positive attitude. If you are not enjoying your studying, it will be much more difficult to take things in and will probably take you longer to get through your exams. It’s not about the total amount of time you spend on your studies but more the about the quality of the time you put it.

I hope that everyone is progressing with modules and achieving qualifications. Best of luck again to all those reading with deadlines and exams fast approaching – you will smash it!

Oliver Swinburn is account executive at Morrison Insurance Solutions

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**THREE THINGS TO TAKE AWAY**

- **QUALITY OVER QUANTITY**
  45 minutes concentrated study is better than two hours when you’re unfocused

- **TAKE A BREAK**
  It is important to rest, both your body and your mind

- **STAY POSITIVE**
  You can always retake an exam if you don’t get the result you’d hoped