



Chartered  
Insurance  
Institute

# THE JOURNAL

THE VOICE OF YOUR PROFESSION

[thejournal.cii.co.uk](http://thejournal.cii.co.uk)  
October - November 2017



## THE SHAPE OF THINGS TO COME

THE CII HELPS STRUCTURE THE  
APPRENTICESHIPS DEBATE AT THIS YEAR'S  
POLITICAL PARTY CONFERENCES

### Perfect storm

An unprecedent 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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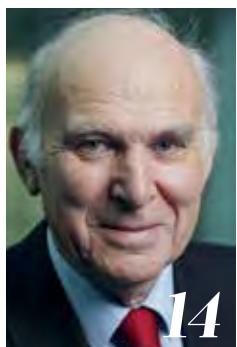
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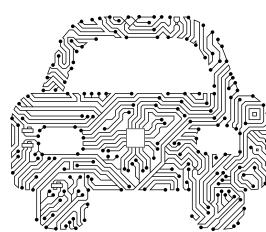
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Standards. Professionalism. Trust

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INGA BEALE

# THE ROLE OF INSURANCE

Your president reflects on a tumultuous but inspiring month across the globe



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**R**electing 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 heartbreakingly. 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](http://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


**FROM THE CII  
TWITTERATI »**

**@SJNetherway\_CMS**  
Great day teaching young women abt our industry organised by @CMS\_law associate Victoria Murray, thanks to @CIIGroup @LondonLmg @LloydsOfLondon

**@ARAG\_UK**  
Congratulations to BTE Underwriter, Laura-Jo Howard, who won the @CIIGroup Best Paper M05 (Insurance Law) Award from @CII Bristol well done!

**@Broking\_John**  
Great event & questions at @CIIGroup Leeds with my colleague @KonsileoLaura on Emerging Trends in #Insurance #instech #futureofbroking

**@HSP\_Journals**  
Great paper from @CIIgroup's Matthew Connell in new Journal of Financial #Compliance on compliance meeting HR bit.ly/JFCcts1

**@AdeleWall404119**  
Spent a fab morning at the @CIIGroup seminar on emerging trends in insurance. Very thought provoking

**@BoEWales**  
Great to speak @CIIGroup Swansea branch @VillageHotel #Swansea. And they let me get away for my wedding anniversary meal. Dog house avoided

#CIIGroup Twitter

**13,573**  
Followers and counting...


**CHARTERED INSURANCE INSTITUTE**

## CII AGREE SALE OF ALDERMANBURY

The Chartered Insurance Institute (CII) has agreed to the sale of 20/21 Aldermanbury to The City of London Corporation.

The sale is part of the CII's Strategic Manifesto commitment to ensuring it is relevant, modern and diverse. Within the next 12 months the CII will be relocating to EC3.

Its South Woodford office is unaffected.

The CII said they believed The City to be the ideal future caretaker 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.

**TALENT**

## 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 members of parliament and policy and public affairs experts in the insurance sector, and a tour of the Houses of Parliament; and training on subjects such as strategic thinking and dealing with



the media.

Each specialist group will also be asked to complete a project or initiative that could make a difference to the insurance profession and contribute to building public trust. Previous groups have delivered projects on serious issues that impact customers from claims handling to vulnerable customers and fraud.

A recent Claims Faculty group project scooped several awards this year for its claims handling guide for the Home Office and police as part of the new Riot Compensation Act.

**TALENT**

## DESIGN HACKATHON WITH AIG HELD FOR YOUNG WOMEN

Global insurer AIG Europe Limited (AIG), in partnership with greenlight for girls (g4g) and the Southbank Centre, invited 60 young women aged 12–18 years to take part in a Design Hackathon in September to address a major societal challenge.



The Design Hackathon brought together young girls and leading female figures and professional role models with a passion for inclusion. Using the design-thinking process to creatively develop ideas in only a few hours, these 60 girls developed ten projects to address the issue of securing strong financial futures for women and girls from all backgrounds.

The winning team, which developed an educational app to help address this issue were then asked to present their findings during the International Day of the Girl at Southbank Centre.

Vicky Churcher, intermediary director, AIG Life UK, commented, "We're proud of our g4g partnership and I was excited to be a part of this special event. These types of events are vital in highlighting the major societal issues and challenges that women are facing, and bringing them to the forefront of young minds."

**CHARTERED INSURANCE INSTITUTE**

## MELISSA COLLETT 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."

Sian Fisher, chief executive officer of the CII said: "I'm delighted to welcome Melissa to my executive management team at the CII. She brings a wealth of experience and understanding of insurance consumer behaviour and will, no doubt, play an instrumental role in helping us shape our standards in line with this."


**APPRENTICESHIPS**

## CII AT LABOUR PARTY CONFERENCE HIGHLIGHT SUPPORT NEEDED FOR SMES

The CII co-hosted the Apprenticeship Forum fringe event at the Labour Party Conference in Brighton. In attendance was Gordon Marsden, shadow minister for Education outlining the Party's views on the topic.

In answer to the CII's question about how Labour would support SME access to apprenticeship training provision, Mr Marsden agreed this was a crucial topic. He claimed the current non-levy funding tender process was "chaotic".

Mr Marsden reiterated Labour's commitment as outlined in the manifesto to protect the £440m apprenticeship funding for non-levy employers and called for better support for the currently under-resourced Institute for Apprenticeships.

Mr Marsden described the government's plans to allow levy payers

to spend 10% of their levy on their supply chain as a "sticking plaster".

He praised professional bodies for the work they have done in this area but was keen to emphasise the view that the government should not look to micromanage the process from Whitehall, rather decentralising elements of skills policy-making and using devolution to pilot schemes.

Sian Fisher, CEO of CII, said: "Apprenticeships are now an integral part of how our profession attracts, develops 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**

CHARTERED

## GAUNTLET 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. Rigorous criteria apply to this award and it is a huge endorsement of our professionalism and capabilities and our success in managing our significant and fast growth, without letting standards slip."

"This is another landmark moment within Gauntlet Group's ongoing journey and should make working for, or with us, even more



Paul Coates, director, Roger Gaunt, managing director and Ian McCarron, director

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 Gauntlet is not misplaced."

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QUALIFICATIONS

## 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.



Be Wiser undergraduate students

Ruth Sparkes, 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](http://future-mag.co.uk)



CII LinkedIn Group  
[ciigroup@linkedin.com](mailto:ciigroup@linkedin.com)

**43,174**

members and counting...

Current discussions include:

### POP QUIZ!

What does the Chartered Insurance Institute mean to you? Can you sum up its purpose / vision in one phrase?  
→ [bit.ly/2kzuXYO](http://bit.ly/2kzuXYO)

### 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.  
→ [bit.ly/2zA3aRX](http://bit.ly/2zA3aRX)

### PROGRESSION TO FCII VIA FURTHER CII MODULES

Are there any plans to allow progression to FCII via completion of further CII modules?  
→ [bit.ly/2zn8Aip](http://bit.ly/2zn8Aip)

LETTER ONE

## 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 LPC/LPCB and later the BRE Certification, I read the [Grenfell Tower, The Journal Aug-Sept] 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 BRE 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:

- That sprinkler systems were one of the UK's greatest and best kept state secrets – we, in the forefront of fire risk/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.
- 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.
- 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/BRE
- Stop doing accountancy exercises;
- Ignore politicians and civil servants;
- Listen to the fire brigades and insurance risk management experts. ●

Kindest regards,  
Ian Hammond

LETTERS

LETTER TWO

## BETTER DATA NEEDED TO TACKLE DIVERSITY CHALLENGE

I read your article 'Bring Your Whole Self to Work' in the Aug-Sept 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 1.7% of the UK population self-reported as LGB and Public Health England reporting that 2.5% of the population is LGB, the UK insurance industry seems to be attracting well above its share of LGBT employees. If the 8% statistic is correct, the industry should be congratulating itself for its very high degree of LGBT 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 LGBT 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. ●



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Regards,  
Erik Johnson, ACII  
Chartered Insurer

Don't forget to send your letters to our editor at:  
[michelle.worvell@cii.co.uk](mailto:michelle.worvell@cii.co.uk)



## REGIONAL NEWS

**8**  
NOVEMBER

INSURING THE FUTURE PART ONE:  
DRONE INSURANCE  
→ 12:30pm – 2:00pm  
Insurance Institute of Coventry  
[www.cii.co.uk/coventry](http://www.cii.co.uk/coventry)

**8**  
NOVEMBER

MOCK TRIAL COVERING –  
A MOTOR / RTA CASE  
→ 9:00am – 1:00pm  
Insurance Institute of  
Chelmsford and South Essex  
[www.cii.co.uk/chelmsford](http://www.cii.co.uk/chelmsford)

**14**  
NOVEMBER

FLEET UNDERWRITING –  
AN INSURER'S VIEW  
→ 12:00pm – 2:00pm  
Insurance Institute of  
Stoke on Trent  
[www.cii.co.uk/stokeontrent](http://www.cii.co.uk/stokeontrent)

**21**  
NOVEMBER

ADDED VALUE PRODUCTS –  
FRIEND OR FOE?  
→ 6:00pm – 7:00pm  
Insurance Institute of York  
[www.cii.co.uk/york](http://www.cii.co.uk/york)

**22**  
NOVEMBER

DIGITALISATION IN INSURANCE  
→ 6:00pm – 7:00pm  
Insurance Institute of  
Blackburn and Burnley  
[www.cii.co.uk/blackburn](http://www.cii.co.uk/blackburn)

**24**  
NOVEMBER

OGDEN  
→ 12:00pm – 1:30pm  
Insurance Institute of Perth  
and Dundee  
[www.cii.co.uk/perth-dundee](http://www.cii.co.uk/perth-dundee)

## NORTHWEST

## 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 Kennedys 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 discussing litigation and Simon Baker from AXA Insurance providing an update on driverless cars.

A session followed from Richard Tyler, former West End leading man and now motivational speaker, had delegates singing... yes, singing. After a group song



to boost confidence, some of the delegates even did solos and demonstrated how you can always look at a challenging situation positively, and we can do better than we did yesterday.

The afternoon sessions offered a mixture of topics including a cybercrime awareness session from Edward Whittingham at the Business Fraud Prevention Partnership. The day ended on a serious note, analysing

how crash investigation techniques are developing, with Paul Fidler from GBB.

Following its success, the next conference is now in planning for 2018, by the volunteer local insurance institutes covering Blackburn and Burnley, Bolton, Kendal, Preston and Blackpool and North Merseyside. Future local CPD events can be found on their websites, which follow this pattern: [www.cii.co.uk/nameofplace](http://www.cii.co.uk/nameofplace)

Richard Tyler, former West End leading man and now motivational speaker, had delegates singing... yes, singing



## CAMBRIDGE

## SUMMER BALL

The Cambridge Institute once again hosted its ever-popular Summer Ball in the grounds of King's College, Cambridge.

Guests were entertained by Celebrity, a funk and soul band, along with Matthew Le Motte, who was named Close-up Magician of the Year 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 East Anglian Air Ambulance (EAAA) and The Insurance Charities. A further £400 was raised through gift aid envelopes for the EAAA.  
→ For more information, visit: [www.cii.co.uk/cambridge](http://www.cii.co.uk/cambridge)



## NORTHERN IRELAND

## LAUNCH OF EIGHTH CPD MASTERCLASS



The Insurance Institute of Northern Ireland is delighted to announce the launch of the eighth Premium Masterclass series programme of CPD events for members of the CII and Personal Finance Society in Northern Ireland.

The series has been designed to provide our members based in Northern Ireland, in one complete package, with a wide variety of expert speakers who will talk on a range of relevant and topical insurance (technical

skills) and business (soft skills) issues.

With the increased emphasis being placed on CPD, it is more important than ever that members are provided locally with accessible and stimulating opportunities to achieve the necessary levels required. Every Masterclass will have full CII CPD accreditation and will attract 2.5 structured CPD hours. Attending all six events will make up 15 of the required 21 structured CPD hours.

In keeping with their innovative approach to CPD, they are also offering a 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. Members can view the series brochure or book their season tickets by visiting: [www.cii.co.uk/northernireland](http://www.cii.co.uk/northernireland)

## GUILDFORD

## YOUNG PROFESSIONALS GROUP LAUNCH

The Insurance Institute of Guildford launched its young professionals group in September with a cocktails and canapes event. More than 50 young insurance professionals from across Surrey enjoyed a host of tasty cocktails whilst listening to Harriet Conway, Guildford president, and Matthew Knight, YP representative, explain their plans for the year ahead.



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](http://www.cii.co.uk/guildford)



## Ipswich CII

@ipswichCII pleased to be supported by my employer at our local institute's first all-day conference in Ipswich @ipswichcii @crawford\_news @CIIGroup

## Sussex CII

@sussex\_CII trailblazing again with its first AF7 Pension Transfers exam workshop, led by approved CII trainer, John Trayner

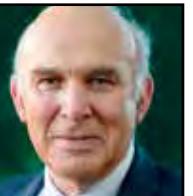
## Birmingham CII

@BirminghamCII #wmiia17 entries are arriving now everyone back at work. Email birminghaminstitute@ci.co.uk for your entry pack!



Ahead of his appearance as a headline speaker at the Personal Finance Society's Festival of Financial Planning, Liberal Democrat leader Sir Vince Cable talks to *The Journal*

# LEADING FROM THE FRONT



## VINCE CABLE

### Education

Mr Cable read Natural Sciences and Economics at Cambridge University followed by a PhD at Glasgow University. He was first elected as MP for Twickenham in 1997.

### Getting political

He was Secretary of State for Business Innovation and Skills in the coalition government and became leader of the Lib Dems in 2017.

### The right steps

A keen ballroom dancer, he was pipped to the Strictly Come Dancing glitterball by John Barrowman in the 2010 Christmas Special.

After a stint as Secretary of State for Business Innovation and Skills, Sir Vince Cable, leader of the Liberal Democrats and MP for Twickenham, is well aware of the issues facing the UK's insurance market. And, while he believes it has an important role to play in creating a fairer society, he can see some challenges ahead.

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

forward to the job security, final salary pension and home ownership that were taken for granted in the past," he says. "There's no easy answer to this but it would make sense to boost the supply of housing and give people more options around their homes."

Apprenticeships are another strand in his vision. Having relaunched these while in government, he sticks with the view that they should be regarded as on a par with going to university. "It's disappointing that people still think if you're clever you should go to university," he says. "More work needs to be done through careers advice to ensure that apprenticeships are regarded with the esteem they deserve."

But while a supporter of apprenticeships, Mr Cable does believe the current funding framework needs an overhaul. In particular, he is critical of the complexities around the apprenticeship levy and especially the support available for employers under the levy threshold.

"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 SHAPE OF YOUTH

**Lawrence Finkle** reports from the recent Conservative and Labour party conferences, where the CII again shaped the apprenticeships debate

IMAGE: GETTY



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.



Anne Milton, chair of the Education Select Committee, with Daniel Pedley and Lawrence Finkle, of the CII



Audience debate with Gordon Marsden



CII representatives with key speakers including Gordon Marsden, shadow minister for education, at the Apprenticeship Forum fringe at the Labour Conference

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.

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

What the party conferences confirmed for us is that there is a strong consensus on the value of apprenticeships across the political →

spectrum, particularly against the context of a feared exodus of EU nationals creating a skills shortage post-Brexit, the spectre of automation replacing a significant number of jobs in the UK economy during the next couple of decades, and the potential for apprenticeships to increase social mobility and address regional economic disparities. With the creation of a dedicated ministerial brief for apprenticeships and skills further demonstrating the government's strong commitment to driving the agenda, we had the opportunity to question the new minister Anne Milton and the chair of the Education Select Committee, Robert Halfon, at the Conservative conference, as well as shadow minister for higher and further education Gordon Marsden at the Labour conference, on the respective parties' plans to support small and medium-sized businesses (SMEs) secure the apprenticeships they need. This reflected our concerns that many smaller employers are struggling to find provision, with providers naturally focusing on larger levy-paying firms.

18

The lack of support for SMEs is of particular relevance to insurance and financial planning where historically, good numbers of apprenticeships have been trained. It is one of a number of unintended consequences the CII has warned of in relation to the levy, where money from existing successful employer programmes could be potentially redirected into a skills fund that can only be spent on one form of training, and where the target of three million new apprentices by 2020 runs the risk of making apprenticeships a numbers game. Whereas it is quality rather quantity that matters when it comes to skills training.

#### 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



**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**

**£3 million**  
THE GOVERNMENT TARGET  
OF NEW APPRENTICES  
BY 2020

current tender process as "chaotic" and a "fiasco" and described the government's plans to allow 10% of the levy to be spent on supply chains as a "sticking plaster". He reiterated Labour's commitment as outlined in its 2017 General Election manifesto to protect the £440m apprenticeship funding for non-levy employers, and called for better support for the currently under-resourced Institute for Apprenticeships – the body formed by the government that the CII has worked with to design high-quality standards in insurance. He further praised the "fantastic work that professional bodies do in this area".

At the Conservative conference, the new apprenticeships and skills

#### THE FCA'S SUPERVISORY APPROACH TO PPI

The UK Financial Conduct Authority (FCA) has launched a public awareness campaign highlighting the 29 August 2019 deadline to complain about payment protection insurance (PPI). This campaign will complement the regulatory and supervisory work the FCA has done and will continue to do around PPI.

The consumer campaign is being funded by 18 firms that together receive more than 90% of complaints about the sale of PPI. These firms include banks and other providers. The regulator asked these firms to make a range of improvements to the ease and speed with which complaints can be made to them, ahead of 29 August 2017 when the campaign was launched.

For more information, visit: [bit.ly/2x44jzc](http://bit.ly/2x44jzc)



#### REFORMS TO COMPENSATION PAYOUTS ANNOUNCED

Measures to change the way compensation payouts are calculated have been unveiled by Lord Chancellor David Lidington. The announcement follows responses submitted to the consultation paper, *The Personal Injury Discount Rate: How it should be set in future*, by the likes of the CII after it was controversially cut from 2.5% to -0.75% in March this year (the CII's *Discount Rate* policy briefing can be read at: [www.cii.co.uk/44770](http://www.cii.co.uk/44770)).

Based on the evidence currently available, the government expects that if a single rate were set today under the new approach, the real rate might fall within the range of 0% to 1%. The reforms are intended to make sure personal injury victims get the right compensation – and could also see significant savings for motorists through lower car insurance premiums and the NHS. The adjusted awards aim to put claimants in the same financial position they would have been in had they not been injured – they should receive neither more nor less than 100% compensation.

For more information, visit: [bit.ly/2xMt7ki](http://bit.ly/2xMt7ki)

IMAGES: ISTOCKPHOTO/STOCK

#### MOVE TO END BOGUS HOLIDAY SICKNESS CLAIMS

The Ministry of Justice has issued a call for evidence on holiday sickness claims, as part of its crackdown on the 'false claims epidemic' – a trend so commonplace it is on the verge of replacing whiplash claims as the latest scourge on the insurance industry.

The measures could help curb the number of personal injury claims brought by British holidaymakers – an upsurge of which has resulted in a 500% increase since 2013, according to travel industry estimates. Ministers have put forward proposals that would see tour operators pay a prescribed sum depending on the value of the claim, making defence costs predictable and helping to deter bogus claims.

The consultation closes on 10 November and can be viewed at: [bit.ly/2yut1MN](http://bit.ly/2yut1MN)



## WHAT'S ON THE RADAR?

**The CII takes a look at what's new on the policy and public affairs front this month**

#### IDD – FCA POLICY STATEMENT AND FURTHER CONSULTATION

Following an earlier consultation on implementing the Insurance Distribution Directive (IDD) the UK Financial Conduct Authority (FCA) has published a policy statement setting out its response to feedback received. The CII's consultation response can be viewed at: [www.cii.co.uk/4716](http://www.cii.co.uk/4716)

The policy statement sets out near-final rules implementing the following areas of the IDD:

- The application of the IDD;
- Professional and organisational requirements;
- Complaints handling and out-of-court redress;
- Changes to the conduct of business rules;
- The regulatory regime for ancillary insurance intermediaries.

Copies of the FCA's policy statement can be viewed at: [bit.ly/2wfOxrc](http://bit.ly/2wfOxrc)

# STAND BY ME, MY APPRENTICE...

As apprenticeships become ever more integral to businesses across the UK, **Daniel Pedley** explains what the CII is doing to help your company benefit

**A**pprenticeships 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.



## 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.

## 1 INCLUSIVE LEADERSHIP ACROSS THE SECTOR

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.

## 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*

## 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 Jenkins outlining the elements of the new employer support package. Proceedings were brought to a close by two apprentices, Faye Adamou of Lloyd's and Deepak Soggy of Zurich who both demonstrated the calibre of young blood apprenticeships can attract.

## 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 08000 150 600. When you call, please begin by telling them you are a member of the CII, as this will enable them to tag your call.**

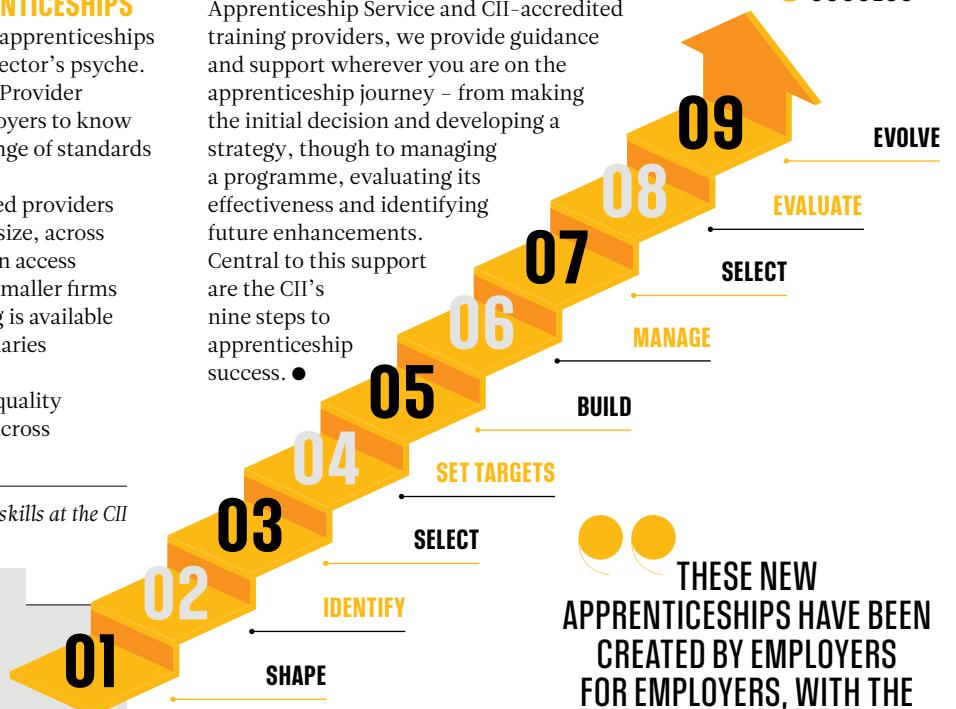
9 STEPS TO  
SUCCESS

## 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. •



THESE NEW APPRENTICESHIPS HAVE BEEN CREATED BY EMPLOYERS FOR EMPLOYERS, WITH THE SUPPORT OF THE CII

 Apprenticeships

**0800 015 0600**  
NATIONAL APPRENTICESHIP  
SERVICE HELPLINE

## SUPPORTING NON-LEVY PAYING GI INTERMEDIARIES

We are working with CII accredited apprenticeship provider Babington to ensure that non-levy paying GI intermediaries are able to access the Level 3 Insurance Practitioner apprenticeship. To find out more visit: [www.cii.co.uk/apprenticeships](http://www.cii.co.uk/apprenticeships)

HOT  
TOPIC

# THE POWER OF THREE

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

C

laims 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.

“

THE THIRD QUARTER OF 2017 IS LIKELY TO BREAK A NEW RECORD AS ONE OF THE COSTLIEST QUARTERS FOR NATURAL CATASTROPHES

”

## LARGE LOSSES

Harvey, which in a week-long period moved across the Caribbean and Latin America before dumping an estimated 27 trillion gallons of rain over Texas and Louisiana in the US, caused an estimated 77 deaths and displaced 30,000 people, with a large portion of the losses sustained by uninsured homeowners.

According to Impact Forecasting, Aon Benfield's catastrophe model development team, the third quarter of 2017 in particular is likely to break a new record as one of the costliest quarters for natural catastrophes.

"The month of September was exceptionally busy and marked by the most active month on record in the Atlantic Ocean for hurricanes based on combined strength and longevity," says Steve Bowen, Impact Forecasting's director and meteorologist.



Mr Bowen's comments coincide with the release of the latest Impact Forecasting report, which discusses the details of September's hurricanes and the Mexico earthquakes.

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 \$190 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 placing 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 to become the first Category 4 landfall in Florida since 2004.

At least 132 people were killed or are missing, with hundreds more injured. Major damage caused by torrential rains and inland flooding occurred in the US, Cuba, Barbuda, the Virgin Islands, and the northern Leeward Islands.

## \$100bn THE PREDICTED COST OF HURRICANES HARVEY, IRMA AND MARIA

Hurricane Maria became the second landfalling Category 5 hurricane in a matter of weeks, when it hit Dominica. The storm later crossed Puerto Rico – the strongest to hit the island in more than 80 years – resulting in catastrophic damage. Additional damage was noted in 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, Bronek Masojada.

"Insurance remains a cyclical business and after a long period of price reductions, insurance rates in the affected areas and in specific sectors such as large 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 set to cause hugely significant losses for property and casualty insurers and reinsurers, in addition to direct losses.

Julian Miller, partner at DAC Beachcroft

### 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



LLP, 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

### ATLANTIC HURRICANE SEASON AS OF OCT 9TH

	2017	2005	2004
Total Storms	15	21	13
Hurricanes	9	12	9
Category 3 or higher	5	5	6

Source: The Weather Channel

to have caused \$40bn-\$85bn 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 expected to considerably exceed \$10bn.

## \$120m

THE TOTAL CARIBBEAN  
CATASTROPHE RISK INSURANCE  
FACILITY PAYOUTS SINCE  
ITS INCEPTION IN 2007

CCRIF (formerly the Caribbean Catastrophe Risk Insurance Facility) paid out \$19,294,800 to the region of Dominica following Hurricane Maria, under its tropical cyclone policy.

CCRIF was designed to provide quick liquidity to governments of the Caribbean and Central America following catastrophic impacts from tropical cyclones, earthquakes and excess rainfall. Dominica also holds an excess rainfall policy with CCRIF.

The claim brought the total CCRIF's payouts since its inception in 2007 to approximately \$120 million. Isaac Anthony, CEO of CCRIF, said, "This provides some strong evidence that our model is a benefit to the region as well as a template that can be adopted and adapted by other regions of the world."

### SHAKY GROUND

Earthquakes have also been the cause of massive disasters this year. The quake in early October in Mexico was the strongest of 2017, recorded at a magnitude of 8.1, striking offshore of the state of Chiapas. At least 103 people are known to have been killed.

A magnitude 7.1 earthquake then struck central Mexico, killing at least 369 people and injuring thousands more. Total combined economic damage is expected to reach into the billions of US dollars.

In Mexico City, 52 buildings collapsed, including a 10-unit apartment building, and a four-storey school; about 500 more buildings were damaged throughout the capital, including hospitals, several churches and a sports arena.

AIR Worldwide estimates that industry insured losses from the second earthquake alone could be more than \$1.9bn. The cost of property insurance cover in the US is likely to rise "materially" as a result, but Asian

prices should remain unaffected.

In mid-October, Mexico's finance ministry announced it was receiving a \$150m insurance payout, "by the activation of 'catastrophic bonds'".

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.

"Also, climate change leads to increased rainfall for a storm of a given strength, leading to increased freshwater flooding. Climate change also likely increases the probability of storms reaching an extremely high intensity."

Mr Adams said that in response to such unprecedented natural catastrophes, insurers are investing in analytics, satellite and drone surveying and imaging, and blockchain technology to help insurance 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. ●

# 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...



**Y**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.

The EU's 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 SME 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 billable 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 details 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 see 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... ●



● Two thirds of UK business owners have not heard about, or do not have any plans in place to comply with, the new GDPR legislation affecting security of metadata.

● 30% of all managers polled do not know what metadata is.

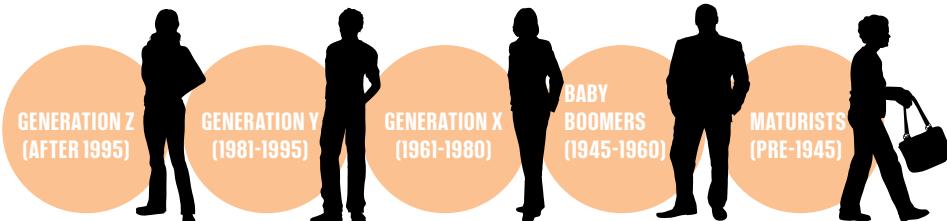
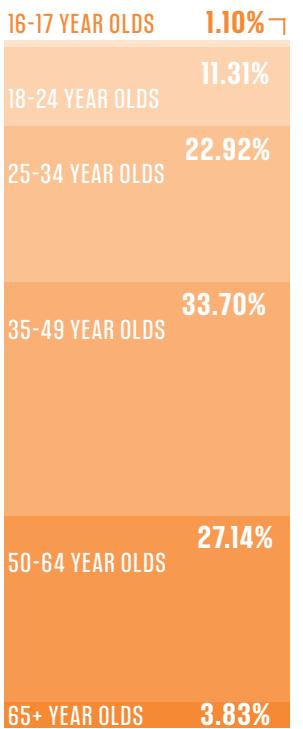
● 67% of managers in the finance sector admit to not knowing about metadata or the sensitive information it might contain.

Source: DocsCorp

# 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



A SNAPSHOT OF RECENT CHANGES

	2005	2015
Median age of UK population	38.7	40.0
Of those in employment in the UK	Approximately 579,000 or 2% were aged 65+  Approximately 4.12 million or 14.6% were aged 16-24	Approximately 1.18 million or 3.8% were aged 65+  Approximately 3.94 million or 12.6% were aged 16-24
Percentage of older and younger people in the UK in employment	Approximately 6.3% of those aged 65+  Approximately 59.5% of those aged 16-24	Approximately 10.5% of those aged 65+  Approximately 54.2% of those aged 16-24
Percentage of younger people who were in full time education and employment	Approximately 36.8% of those aged 16-24	Approximately 29.1% of those aged 16-24
Percentage of younger people who were NEET (not in employment, education or training)	13.75% of 16-24 year olds (mean average across the year)	12.25% of 16-24 year olds (mean average across the year)

**T**oday's workforce is decidedly multigenerational. It comprises five generations – Maturists, Baby Boomers, Generation X, Generation Y (or Millennials), and a smattering of Generation Z – whose life experiences have left indelible marks on their values and work preferences.

Imagine if you were overlooked for an opportunity because someone made an assumption about your suitability based purely on when you were born. •

## 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*

# 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

**A**pplying to join the CII Next Generation Group was a huge turning point for Stephen Bridge of Zurich Insurance, having a positive effect on him both personally and professionally. Here, he explains how being proactive and giving back to the CII has helped him open the door for other young members to embrace the profession, and has led to him becoming president of the Insurance Institute of Manchester.

## TELL US HOW YOU FIRST GOT INVOLVED WITH THE NEXT GENERATION GROUP

I saw the advert on the CII website and it really looked like something that I would be interested in, so I decided to apply. I made sure that my company were totally behind it, and fortunately they accepted me on to the programme. I was thrilled.

The Next Generation Group was such a great opportunity to meet people from across the profession, including representatives of the Financial Conduct Authority and members of parliament. These were things I would never have been able to do if it wasn't for the programme, and it got me really excited about the industry.

## 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 us 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. I went from a Next Generation member to Manchester president, so you really can do amazing things, and I'm delighted and honoured to be where I am now – and to help the next wave of talent come through.

For more information on the New Class programme, visit: [www.cii.co.uk/manchester](http://www.cii.co.uk/manchester) ●



# MODELLING THE CYBER RISK

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?

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

Assessing the potential for future cyber losses is a major challenge for the insurance 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. "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

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 confined 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 insureds would be affected by various aggregation scenarios."

## DATA SHORTAGE

However, the cyber models have been received with some scepticism in parts of the (re)insurance markets. In particular, questions have been asked about their efficacy given the lack of historical data on cyber losses.

Sarah Stephens, head of cyber, content and new technology at JLT Specialty, says: "The challenge everybody runs into when they are modelling cyber risk is the relative immaturity of the historical losses. So, there is just a lot of guessing. But I don't think you can just say: if we had better data we could create better models for this industry."

Ms Stephens continues: "The dynamic right now is everyone is asking

a lot of questions and collecting a lot of data 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 fields, which aim to build a picture of the features of a company that make it



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



either more or less likely to experience a cyber attack, most of those are optional.

Mr Stransky says: "If you know the industry of the company and the revenue of the company then that's actually all you need to get started on cyber modelling. Those two things are

the biggest predictors of whether a company will have a breach or suffer a downtime."

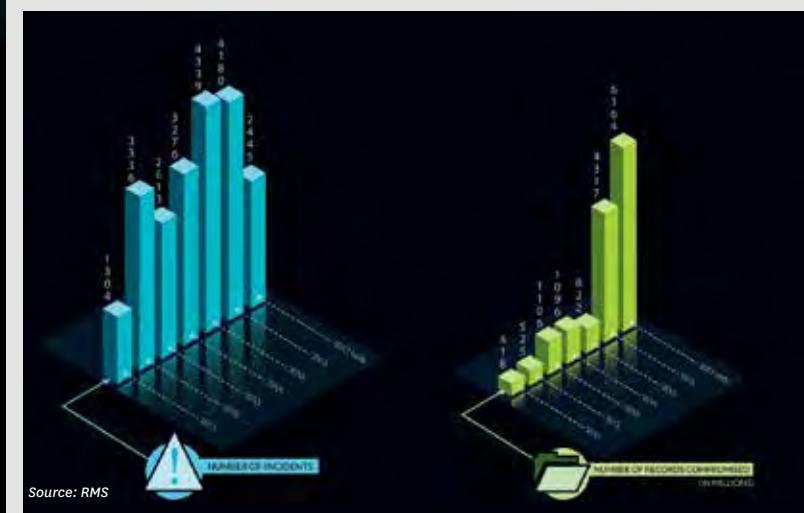
Other key factors that a cyber model will take into account include employee count, the presence, or lack of, a disaster recovery plan and a chief security officer. In addition, it will look at how secure data storage and data transfers are.

And the modellers point out that 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



**As part of the recent *Dive In* festival, the CII ran its second Real Models speed networking event – so how did it go?**

**D**iversity 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](mailto:discover@cii.co.uk) ●

*Caspar Bartington is relationship manager for education at the CII*

# NETWORKING THE SPEEDY WAY



**Rising costs of motor insurance appear to be having a direct impact on the numbers of uninsured vehicles on the road and the number of stolen vehicles, as we report**

# RISING CRIME MIRRORS RISING COSTS

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**H**arlier 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.

## 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*



# 100,000

**VEHICLES WERE STOLEN IN THE UK LAST YEAR AND 250,000 WERE BROKEN INTO**

or occasional driver, even though they are in reality the main driver.

"The AA has repeatedly called for the government to cut IPT back to 6% and waive it for new drivers, especially those who use telematics or 'black box' insurance, to reassess compensation claims and do more to prohibit fraud."

Mr Lloyd adds: "I also wonder whether cutbacks in traffic police are leading more people to attempt to break the law and drive without insurance, which has led to the shocking increase in crashes involving uninsured drivers."

"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'

"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."

## VEHICLE THEFTS

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.

The stolen vehicle recovery expert Tracker says a prestige 4x4, the BMW X5, reclaimed its place as the most stolen and recovered vehicle in 2016.

However, Andy Barrs, head of police liaison at Tracker, says: "Thieves continue

to target more affordable, yet popular brands, such as Ford, Vauxhall and VW models, which were stolen in even greater numbers. In fact, 27% of all vehicles recovered by Tracker in 2016 were valued at less than £5,000, including a VW Golf worth £400.

"If people think their car isn't worth enough for thieves to steal it, think again. Three out of four stolen cars we recovered were worth less than £20,000. Overall though, our research shows that it doesn't matter where you live or what you drive, as car thieves will target anything they can move on to make a profit."

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# 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?

**W**ith 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 certainly be an issue in any workplace if practices for detecting misuse aren't implemented," she explains.

"If carried out with the proper guidance and training, a drug testing policy will not only make your workplace safer, it will also help to reduce absenteeism and increase worker productivity. But how do you know what makes a good drug testing policy?", Ms Robin questions.

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

## 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 contract or staff 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 this 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.



## DRUG TESTS – KNOW THE PROS AND CONS

However, even once approval has been obtained Ms Robin says there lots of decisions.

"With numerous options available, it isn't always immediately apparent which drug-testing method will be the most suitable for meeting your company's requirements," she warns. Options include:

- One of the most popular is testing urine samples. For years these have been used for reliable and cost-effective drug testing, providing instant results.
- Blood testing is the most accurate method - but needs medical training and laboratory analysis.
- Hair testing provides historic data of what drugs a person has consumed – but not from the most recent few weeks.
- Oral fluid collection is a far simpler process - the window of detection for the drugs in saliva mimics blood testing - making it the method of choice for UK police roadside testing and companies implementing drug screening policies.

## WHY RANDOM TESTING?

Random testing will enable an employer to form a basic consent agreement with their staff, acting as a deterrent, and encouraging them to be more aware of what they are consuming and how this could have an impact on their lives, and those around them, Ms Robin suggests. ●

IMAGE STOCK

**T**oday, digitally-savvy consumers are one of the most influential slices of pie in the insurance sector, opening new markets and sources of revenue for carriers. Expectations of personalisation and service quality among this segment are very different from the traditional customer base, which continues to demand value for money, with basic quality services.

In a commoditised business like insurance, where customer experience is one of the last bastions left with product managers, insurers need to balance this dichotomy to be effective in the marketplace. The fact that consumers are constantly pampered by the retail and hospitality industry has elevated the expectations of this customer-centricity and created a new baseline where insurers must operate.

Traditionally, insurance policies have been sold and managed through intermediaries, separating the insurance firms from its customers. Further, a quantitative view of the risk pool as ascertained only through actuarial principals, has expanded this chasm. Delivering a superior customer experience takes a concerted effort across business functions, which relies on creating a single thread of customer-centricity and seamless experiences.

In the current environment, consumers envision having a central role in their relationship with businesses. For insurers, their arm's-length stance of earlier years is resulting in inadequate customer experiences across both segments.

IMAGE STOCK

## 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 journeys:** Radically redesigning the 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

# ALL ABOUT THE JOURNEY

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



# LAND OF THE RISING YEN

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

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.

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

environment from those reporting a good business environment) rose to +22 for the manufacturing sector – its highest level since 2007 – exceeding the forecasted figure of +19.

General purpose machinery (+35), production machinery (+36) and electrical machinery (+27) were among the highest-scoring sectors in the manufacturing sector.

The index is a forward-looking indicator of confidence in different economic sectors so this is a positive signal for the prospects of sustained growth in investment in the economy.

Higher levels of confidence in these sectors are likely to translate to sustained growth in capital expenditures from the corporate sector. For commercial insurers and brokers, particularly in property, this should increase demand for commercial property policies as the net accumulation of capital by firms will increase.

## 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 enlarge their books and enrol more of the corporate sector into using the risk management and risk-smoothing benefits of insurance.

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 regions 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.

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. ●

# \$8bn WILL BE SPENT ON JAPANESE INFRASTRUCTURE FOR THE 2020 OLYMPIC GAMES



30%

OF TOURISTS VISITING  
JAPAN DO SO WITHOUT  
TRAVEL INSURANCE

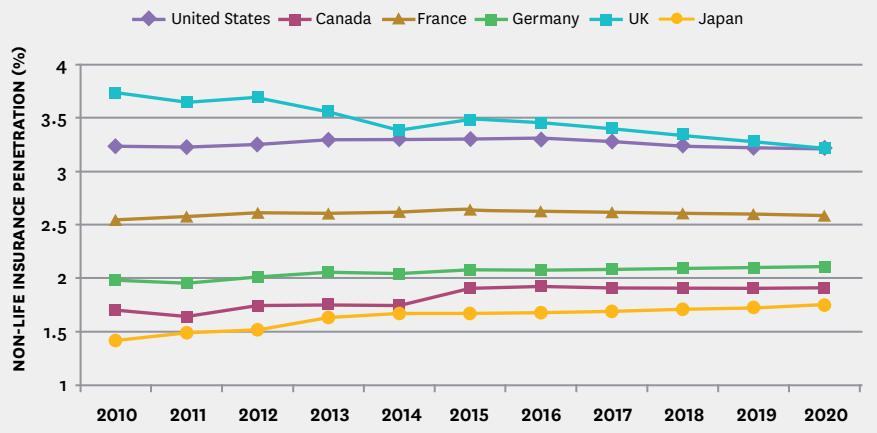
## OLYMPIC CONSTRUCTION WORK

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

## NON-LIFE INSURANCE PENETRATION



A

n 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

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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.

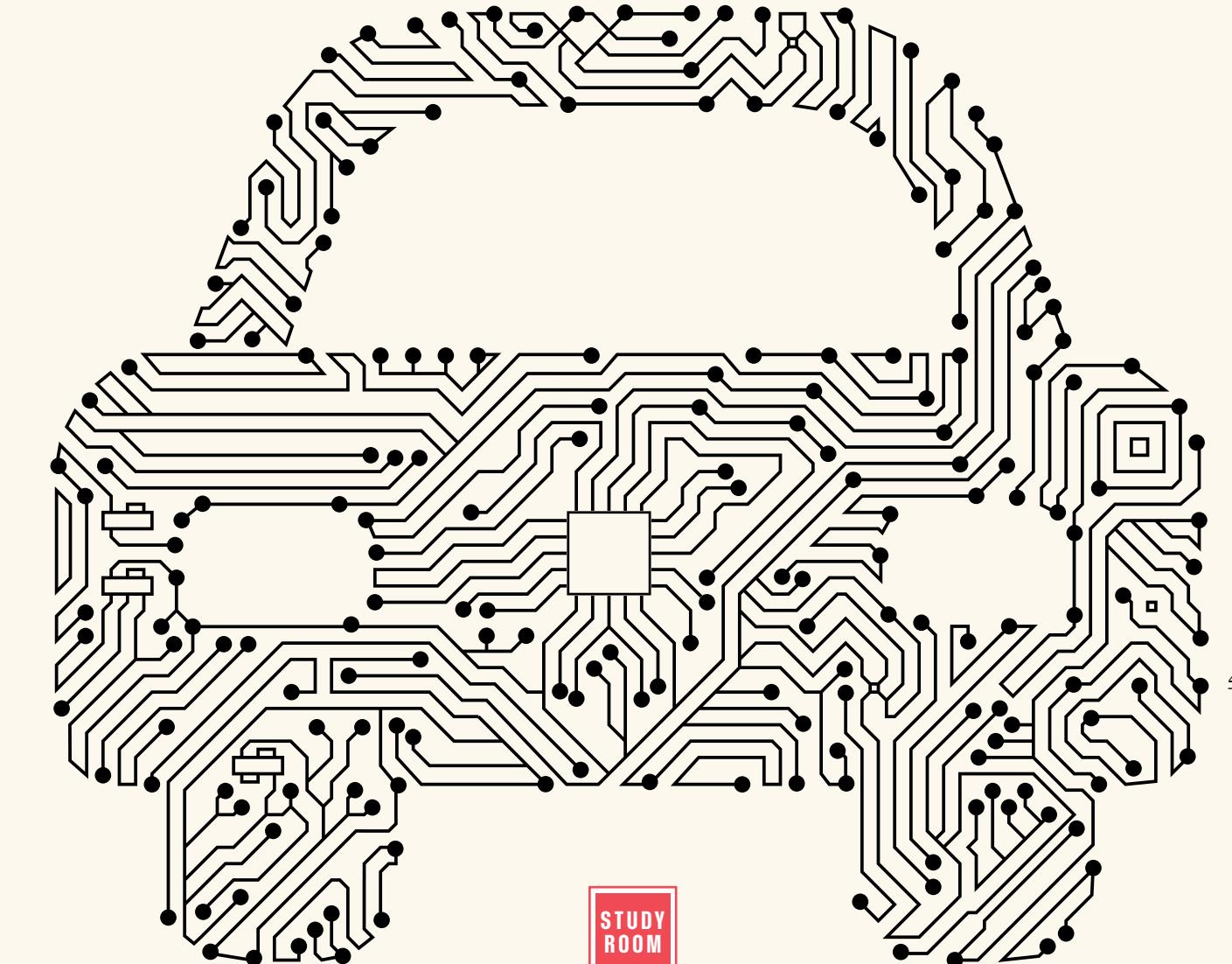
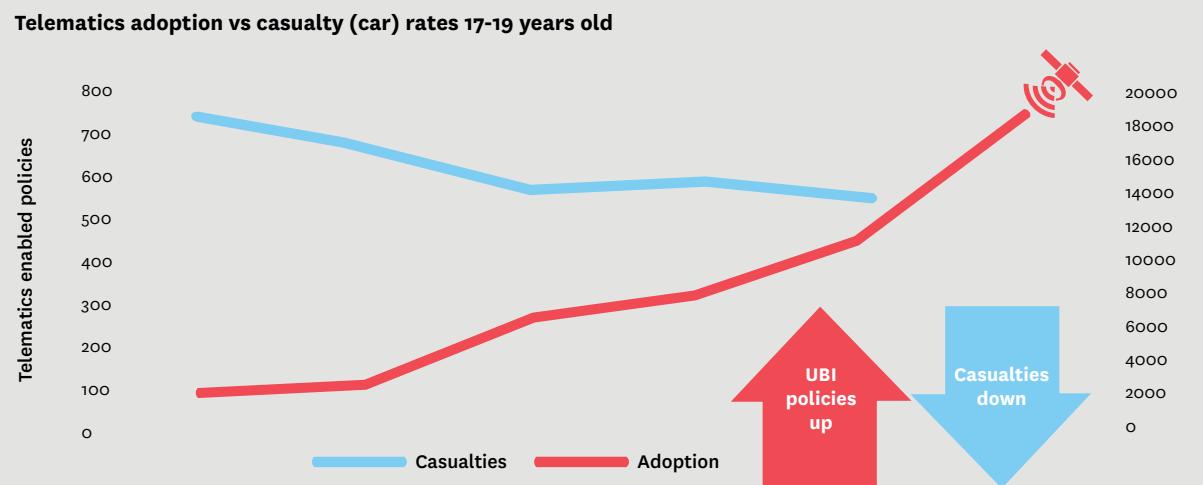
However, we have now reached a tipping point as the insurance sector is starting to cover its costs from UBI propositions, consumers feel more comfortable and the cost of collecting telematics data has fallen through the emergence of new, lower cost data collection solutions.

#### 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.

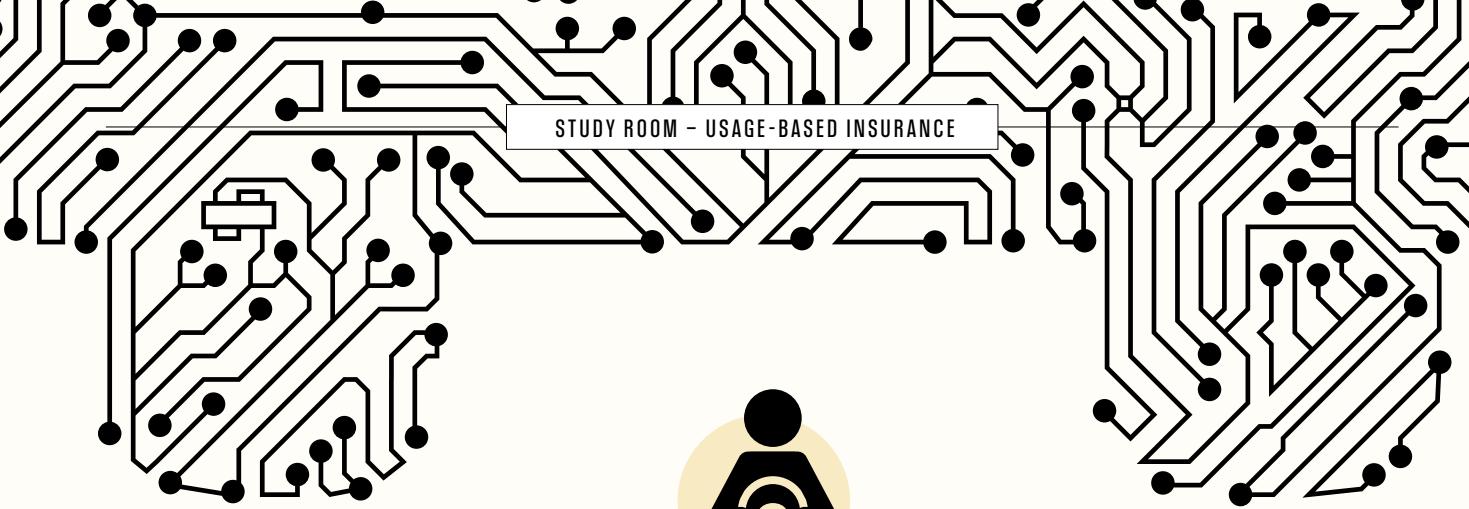
We are now seeing increasingly sophisticated smartphone apps, and a 12V device that enables insurers to gather driving behaviour data at about 15% of the cost of a hardwired device while providing the level of accuracy and data quality needed to scale for more drivers on the road. ▶

#### THE RELATIONSHIPS BETWEEN TELEMATICS AND CASUALTY STATISTICS SEEMS INTUITIVE



# JOINED-UP THINKING

**Selim Cavanagh** offers some advice on unlocking the mass market potential of usage-based insurance



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 already 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 driving data regardless of data source addresses this problem. This is the prime objective for LexisNexis Risk Solutions' investment in its global telematics platform. By bringing the automotive and insurance industries 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.

**75%-80%**

OF YOUNG DRIVERS IN THE UK TODAY HAVE A TELEMATICS POLICY

**78%**

OF MOTORISTS THINK THE PRICE THEY PAY FOR INSURANCE SHOULD BE LINKED TO THEIR DRIVING BEHAVIOUR

Establishing an insurer panel is key. With conditional approval from six of the world's largest insurers, the market will benefit from coordinated, filtered and standardised OEM connected car data at point of quote, with no significant upfront costs. Consumers can choose to share their driving score or not, thus enabling far greater use of self-selection alongside the traditional historical and real-time driver behaviour analysis and driver scoring.

## MORE ROBUST DATA

What is exciting is that in the future we will have even more robust data on how the person and the vehicle perform. The data from vehicle sensors, accelerometer data as well as the pairing of telematics and vehicle-integrated data can give a clearer picture of risk.

## FROM CAR TO HOME

The innovations in motor insurance provide a template for how connected home data could be used by the insurance 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 operators 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.

## BETTER 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

## STUDY ROOM

# THE BIG TEN

This set of questions, courtesy of online CII training package Insurance Assess, will test your knowledge of topics such as endowment policies, trust-based pensions and risk profiles.

The answers are at the bottom...

### QUESTION 1

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

- A It is essential that no advice is given.
- B The client refuses to disclose information to you.
- C The client must confirm their agreement in writing.
- D The professional client basis will apply to all new investment business.

### QUESTION 2

A 'spread bet' is a form of which type of investment contract?

- A An option.
- B A contract for difference.
- C A warrant.
- D A futures contract.

### 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?

- A £10,000
- B £40,000
- C £8,000
- D £2,000

### QUESTION 4

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

- A 39 weeks
- B 13 weeks
- C 52 weeks
- D 26 weeks

### QUESTION 5

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

- A 1.50%
- B 6.50%
- C 4%
- D 10%

### 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:

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

### QUESTION 7

A conflict of interest would not usually be caused by:

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

### QUESTION 8

Brian is self-employed and his tax liability in 2016/17 was £40,000. His tax liability in 2017/18 is £45,000. What is the total tax payment he must make on 31 January 2019?

- A £27,500
- B £25,000
- C £20,000
- D £22,500

### QUESTION 9

A client has £60,000 to invest. Which of the following would be the first area to discuss with the client?

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

### 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?

- A The client's concerns about volatility.
- B The client's capacity for capital loss.
- C The length of time of the investment.
- D The client's gender.

## YOUR SCORE »

- |           |                 |
|-----------|-----------------|
| 1-3: POOR | 7-8: VERY GOOD  |
| 4-6: GOOD | 9-10: EXCELLENT |

## ANSWERS

4A. A professional client must consent = £2,000.	4B. The previous 13-week threshold was increased back to 39 weeks from April 2016.	4C. The status in writing of contracts that start with their client must consent to be breached.	4D. The chargeable gain is £10,000/5 years less the single premium of £30,000.
4E. A board of trustees will run the scheme for 2017/18 and the first payment for 2017/18 is the real rate plus inflation, i.e. 4% + 2.5% = 6.5% less the maturity value of £40,000.	4F. Brian must pay the balancing payment for 2017/18 and the first payment for 2017/18 is the real rate plus inflation, i.e. 4% + 2.5% = 6.5% less the single premium of £30,000.	4G. A financial planner must ascertain a and fund selection and tax wrappers, and recommend a funding asset for risk and capacity.	4H. Brian is self-employed and his tax liability in 2016/17 was £40,000. His tax liability in 2017/18 is £45,000. What is the total tax payment he must make on 31 January 2019?
4I. The client's gender has no relevance to the amount of risk they are prepared to take.	4J. Before making any relevant to solutions for a client, a financial advisor must take account of risk and the client's gender has no relevance to the amount of risk they are prepared to take.	4K. The client's gender has no relevance to the amount of risk they are prepared to take.	4L. The client's gender has no relevance to the amount of risk they are prepared to take.
4M. The client's gender has no relevance to the amount of risk they are prepared to take.	4N. The client's gender has no relevance to the amount of risk they are prepared to take.	4O. The client's gender has no relevance to the amount of risk they are prepared to take.	4P. The client's gender has no relevance to the amount of risk they are prepared to take.

# A-Z OF... INSURANCE INNOVATION

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

**T**here 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 were hungry for as much information as possible and he met this need by holding maritime auctions and collating records in his cafe. A bricks and mortar Facebook, minus photos of cappuccinos and cats. More seriously, this innovation is probably one of the reasons Lloyd's bears his name today, rather than one of his early competitors. Perhaps he was a **Steve Jobs** of his time, seeing "killer" solutions in reinvention, as well as brand new ideas.

As an industry, we have been at the forefront of innovation for hundreds of years, developing solutions to meet clients' risks as they have evolved over that time. So, what is behind the current **heat**? One word: **digital**. A digital revolution is **underway** and it is **transforming** our lives; at work, rest and play.

There are parts of our industry that have, in the past, been reluctant to embrace technology, but the **Luddites** are

## KNOWING YOUR A-Z

- A** artificial intelligence
- B** big data
- C** connected homes
- D** driverless cars
- E** exponential
- F** fast failure
- G** gurus
- H** heat
- I** ideas
- J** Steve Jobs
- K** killer
- L** luddites
- M** minimum
- N** need
- O** opportunities
- P** problem
- Q** quality
- R** robotics
- S** startups
- T** transforming
- U** underway
- V** value
- W** working
- X** generation X
- Y** generation Y
- Z** zenith

going to have to wake up and smell the coffee. Technology such as **driverless cars** and **connected homes** 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 gurus** 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 **startup** 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. ●

Tim Grant is head of small business and commercial schemes at Covéa Insurance

MADE SHUTTERSTOCK

# 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 7 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 and which came into effect on 18 September 2017. 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).

### Unascribed Case

The Respondent was subject to an IVA from 2006 to 2011. The respondent failed to declare his IVA whilst being a member. This failure to report was a breach of

the Code of Ethics and Conduct to the CII. 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 and which came into effect on 18 September 2017. 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).

"The CII have dealt with 20 instances of non-members using CII designations since the last publication. As this is an

The CII wishes to make clear that, unless the case reported indicates otherwise, allegations and findings against members do not implicate those members' employers in any way

infringement of CII's trademarks, where people persist in misusing CII designations, legal action will be taken against them".

### TAKE NOTE

Where the Disciplinary Panel or Case Examiner has decided to publish details of a disciplinary case ascribed (i.e. where an individual has been named), every care has been taken to identify members correctly. Please contact the CII if there is any doubt about the identity of a member who may have been the subject of disciplinary proceedings and in relation to whom a report has been published.

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OLIVER SWINBURN

# JOGGING THE MEMORY

**Oliver Swinburn** explains why taking up running again after injury has helped him with his studies

**H**ere 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 about the quality of the time you put in.

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*

## 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