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# POST

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# Learning from the whizz kids

> "When can the younger generation get access to the board and be able to influence the way businesses grow and adapt?

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My six year-old is a whizz on the iPad and has been since he was four. While I carefully follow the instructions to the apps we download, he learns as he plays and instinctively works out when he needs to tap, tilt or shake the tablet.

He has never known anything but instant photos and TV-on-demand and he already knows we can Google anything I don't know the answer to. And my 13 year-old nephew is a step ahead of even this, showing his mum how the world of connectivity works.

When they come to buy insurance products in the not-too-distant future, they will demand to purchase it when they want and how they want, and there is no doubt this generation – which won't wait more than three seconds for an internet page to download – will definitely not wait for an insurer that hasn't caught up.

They will want insurance as flexible as they are and an annual renewal point will be a thing of the past.

They will want insurance to cover everything they do, including when they decide to drive their autonomous car themselves and when they let it chauffeur them.

And they may expect people of their generation and with their technical know-how to be the people behind the companies driving these changes. We hear people saying the younger generation is the future so frequently it is clichéd – but this must be the truth.

This week's Insurance Census reveals the youngest member of an insurance board is 32 years old, but as the average age of board members is 52.7 this does not look to be the norm. However, the research finds the sector is relatively young overall, with people below the age of 35 making up nearly half (46%) of the workforce.

So, when can the younger generation get access to the board and be able to influence the way businesses grow and adapt?

Certainly business and life experience is needed on the board but is there room for some fresh blood and new thinking in these positions too? Should the insurance industry think about the make-up of its boards more? And can the younger generation teach the experienced insurance hands a thing or two?

I certainly learn from the youth of today and I only expect more of this in the future.

**Stephanie Denton**, editor

News



## Apil president says insurers should not act as policymakers

# Insurers fear 'floodgates' will open if scope for psychiatric claims is widened

**By James Verrinder**
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Insurers have expressed concern that Association of Personal Injury Lawyers proposals to broaden the scope of who is able to lodge a claim for psychiatric harm could 'open the floodgates' to spurious claims.

The law currently states that anyone making a claim for psychiatric harm must have 'a close tie of love and affection' in order to appeal for compensation.

This applies between parents and children as well as between spouses and fiancés, however, Apil has called for a legal change and wants the group of potential claimants widened to include grandparents, aunts and uncles, friends and colleagues.

In a briefing to parliament earlier this month, the association said: "Psychiatric illness has for too long been regarded by the law as being less serious than physical injury. Developments in medical science have proved that this is not the case: psychiatric illness can prove every bit as debilitating.

"People who suffer needless psychiatric harm are entitled to claim compensation and should not be required to jump through unnecessary and unfair hoops to be able to do so."

Insurers and defendant lawyers have offered a robust response to Apil's stance, with industry players telling *Post* that the current legal framework is satisfactory.

Guy Morgan, casualty claims manager at Allianz, said: "As a matter of principal the insurance market would take the view that the control criteria should not be lifted."

Morgan explained that the law on psychiatric harm as it currently stands came into force in the aftermath of the Hillsborough stadium disaster in 1989, in which 96 people lost their lives.

He said: "[In 1992] the court took a view that there had to be a limit on the type of people that were entitled to claim, otherwise you get these major events where someone alleges that they have suffered some sort of injury and makes a claim.

"That just opens the floodgates because you get a whole host of people jumping on the bandwagon saying they have seen it or heard it, but they didn't."

Morgan continued: "I suppose, in principle, that those people may suffer a genuine injury, but the point is there needs to be some restriction on those people who are entitled to make a claim. There were very sound policy reasons why the court took the view there had to be some sort of limit."

He stressed that the existing control criteria about who can make claims for harm were not "just there to limit financial compensation".

"Our view would be that those control criteria were argued in depth and should remain in place. There shouldn't be any reason to change the law," he explained.

"We are not saying people have not suffered an injury, it's just that that injury doesn't count in terms of law for damages against another party."

Caroline Johnson, head of claims at LV, added: "We believe that genuinely injured claimants should receive fair compensation but there also has to be some realism around the remoteness of an 'injury' to an event that gives rise to compensation.

**Spencer:** insurers may oppose push

"If changes were made as proposed by Apil, this would open the floodgates to potentially spurious claims where somebody has experienced a quite normal emotional reaction as we all do in our everyday lives. This would seek to push up insurance premiums and has the potential to be the next whiplash phenomenon."

Meanwhile, Carly Forrest, a partner and solicitor advocate at law firm BTO, said: "I find the 'colleague' request pretty astonishing to be honest. Where do you draw the line? That's going too far."

Apil has called on parliament to update the current "archaic, inflexible and unfair" law as a "matter of urgency" to coincide with the 25th anniversary of the Hillsborough disaster.

John Spencer, Apil president, had hoped that insurers would support proposed changes to the law on claims for psychiatric harm.

He told *Post*: "I would hope that insurers would take the view that they are there to ensure that they are available and make payment when insurable events happen and wrongdoing is proved."

However, Spencer conceded that Apil's plans to push through a change to the law would probably not be met with open arms by insurers.

"My fear is that they might see more claims being made and, therefore, oppose it," he said. "Insurance is necessary for society, but I'm not in favour of insurers acting as policymakers in terms of deciding what can or cannot be compensated for in any arena.

"Where they get it wrong very badly is when they enter the fray and go beyond their brief in terms of arguing what can or can't be compensated for."

Spencer added that the stance of some insurers over whiplash cases means "they might not approach psychiatric harm as objectively as they might".

He was quick to head off the "floodgate argument" used to oppose potential legal reform, where a change in who can claim would lead to a rush of people making claims for psychiatric harm.

"The argument just is not sustainable," Spencer said, "Mercifully, the disasters are few and far between. It sounds like a plausible argument but it really isn't borne out by the facts.

While not expressing any particular concern about the possibility of "floodgates being opened" by a broadeneing of the law, the Association of British Insurers disputed allegations by Apil that insurers "go beyond their brief".

An ABI spokesman told *Post*:"The ABI itself has never done this - what we have on occasions said is that it is for society to debate on the appropriateness of paying compensation in some instances, such as low value whiplash claims.

"This is certainly not the same as arguing what should and should not be compensated for."

**News**

Mass claims Aviva proposals are from 'leftfield' and 'not constructive'

# Laspo benefits questioned as industry rallies behind Aviva whiplash proposals

**By Katie Marriner**
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**Townend:** going one step further

**Milliner:** slightly idealistic

**Tulloch:** motorists deserve more

Insurers have backed Aviva's proposals to reduce the volume and cost of whiplash claims against a backdrop of criticism around the effectiveness of the government's civil justice reforms and aggressive tactics by third parties.

Aviva last week (12 March) announced six proposals it considers could result in fewer whiplash claims and lower premiums as well as tackling those who seek to abuse the system by profiting from fraudulent injuries.

UK and Ireland general insurance CEO Maurice Tulloch said customers are "fed up" with the compensation culture in the UK, with research conducted by the insurer calculating that the £2.5bn cost of whiplash-type claims adds £93 to the average motor insurance premium of £372.

"Aviva's plan shows it is possible to cut the cost of motor insurance and ensure those who have suffered genuine injuries get the care or compensation they deserve. Introducing these reforms is a challenge but we will not hide from this – the UK's motorists deserve even more affordable motor insurance," Tulloch said.

The proposals expand on a set of reforms Aviva launched in July 2014, which suggested treating minor whiplash injuries with rehabilitation rather than monetary settlements.

Rob Townend, Aviva claims director, said the new reforms take the insurer's stance on "care not cash" further.

He told *Post*: "Everything we have said before still stands. Regulation of claims management companies and reducing incentives for any part of the motor claim – that is all part of the same story. This research has gone one step further and tried to inform how we might do some of this."

The new reforms include recommending that all soft tissue injury claims should be made within 12 months of an accident, that insurers should provide treatment of up to three months for the injured party regardless of fault, and, where a claimant can demonstrate they have been injured for more than three months, that damages should be awarded against a clear and transparent tariff.

Market data extracted by Aviva from the Deparment for Transport's *Data Monitor*, which showed a 30% reduction in road collisions alongside a 62% increase in injury claims settled, came as a surprise to Townend and led him to suggest "the system is not working".

As part of its whiplash report, Aviva commissioned Frontier Economics to establish what the UK could learn from countries that have successfully reduced the number and cost of whiplash claims between 2005 and 2013.

The analysis showed that UK motor premium rates rose faster than other European countries over the last decade, including Germany, France, Sweden, Norway and Spain (see box).

### Ideas reinforced

Other major UK motor players have reinforced the ideas raised by Aviva on the best way to curb the cost and volume of UK whiplash claims.

Ageas claims technical excellence and development head Karl Parr said the company supported reducing the focus on financial incentives but advised caution around the proposal to reduce the limitation period to 12 months. Such a move could spark increased protected litigation, Parr warned.

"[That] would go against the intention [of the proposal]. It is more about continuing to make the process simpler and taking away the financial incentives for those that want to push and bully people into making claims they don't want to be making," he said.

Martin Milliner, LV claims director, agreed the reduced limitation period proposal could be problematic in terms of restructuring the *Limitation Act*.

"It is possibly slightly idealistic that we would be able to get a one-year limitation for these types of claims but there is nothing wrong with trying and if you don't ask, you don't get," Milliner said.

One group that did not support Aviva's reforms was the Motor Accident Solicitors Society. Chair Sue Brown said that by diverging from existing government action on soft tissue injury claims the insurer was not being "constructive".

She explained: "The industry is working very hard on this issue at the moment. Mass is working with the Association of British Insurers, the Ministry of Justice and other stakeholders on a solution to this problem via Medco and an accreditation of experts.

"There is an awful lot going on and for Aviva to come from leftfield and have a completely different take on it is not constructive."

However, Milliner had reservations Medco would be effective and claimed it was timely that Aviva brought whiplash into the spotlight so close to the general election.

"Whiplash is still a £2bn problem for the industry so it is incumbent

**Claims Portal faces rise in motor industry claims**

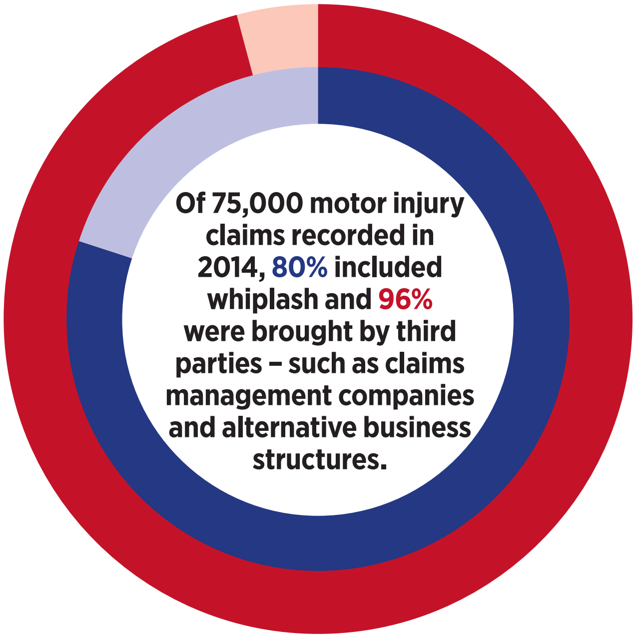
There were
**840,000**
motor injury claims submitted to the Claims Portal by year ending April 2015.

This represents
**2300**
claims every day.

This figure is an increase of
**9%**
on the previous year – or
**200**
extra claims per day.

Source: Claims Portal RTA Management Information, January 2015

**Proportion of Aviva motor injury claims involving whiplash**




**How do UK motor injury claims statistics stack up next to other major European countries?**

| Issue | UK | France | Germany |
|---|---|---|---|
| Average Motor Premium | £372 | On average, £223 less (40%) | On average £186 less (50%) |
| Whiplash claims | 80% of motor injury claims | 3% of motor injury claims | 47% of injury claims |
| Injury claims trend | Up 62% from 2005-13; accidents fell 30% during same period | Down 55% from 2000-14, in line with fall in number of accidents | Down 50% over 40 years, in line with fall in number of accidents |
| Lawyers used/ Legal fees | Fixed fees of £500 + 25% contingency fees | 95% of low value injury claims settle without court proceedings | Fixed fees of €300 (£216) |

Source: Frontier Economics research, commissioned by Aviva

upon insurers to keep beating this drum, particularly in the lead-up to the general election, to remind government this problem has not gone away and still requires further attention," he said.

LV, Allianz, Ageas and RSA agreed whiplash claims volumes had returned to levels experienced prior to the introduction of the *Legal Aid, Sentencing and Punishment of Offenders Act 2012*. While it has been effective in some areas, the legislation has failed in others, the insurers considered.

Allianz motor claims manager Tony Newman said: "Something needs to be done to address the compensation industry that exists in this country and in doing so benefit the policyholders who unfortunately foot the bill.

"*Laspo* has failed to achieve that, which is evident from the numbers. General damages inflation is running at approximately 25% against pre-*Laspo* levels of compensation. We are out of kilter with other countries and it is unsustainable."

RSA emerging issues technical consultant for civil justice Stuart Fielding said the firm continues to see a greater proportion of claims that include whiplash.

"Financial incentives to claim still remain and claims volumes have unfortunately returned to pre-reform levels. Although *Laspo* has addressed some of the personal funding issues little has been done to specifically address the whiplash problem and we would urge for attention to be paid to this," Fielding said.

Milliner added: "The cost of [soft tissue] claims has definitely partially reduced but the volume has not. Similarly the value or ability for those involved in the compensation process has not diminished either."

Ageas noticed a reduction in claims per policy after the introduction of *Laspo*, according to Parr, but over the past six months that started to increase to pre-*Laspo* levels.

"Prior to *Laspo* the volumes of claims were on an increasing trajectory and that has slowed down. It has brought to the public's attention the relationship between spurious claims and insurance premiums," he said.

### Third-party problem

The Aviva research highlighted 96% of its whiplash-related claims were brought by third parties such as CMCs or alternative business structures, with financial incentives cited as a driver for this figure.

Insurers spoken to by *Post* that own ABSs refuted they are adding to the compensation culture by operating such businesses.

RSA, which launched an ABS in conjunction with Parabis Law last week (13 March), said it adheres to the ABI code of conduct of practice to support claimants who have suffered road traffic injuries.

"We believe [having an ABS] is the right thing to do for our customers who have a genuine need to ensure they are provided with a high quality end-to-end service," Fielding said.

Parr added that Ageas Law, set up in April 2013, was developed partly so its customers would not have to suffer cold-calling from claimant lawyers.

"We have an ethics committee that is set up to ensure that we manage the nature of the claims that go through there and that helps us identify the fraudulent claims from the genuine ones," he said.

Townend, however, emphasised that Aviva does not run an ABS. "We are not earning money from injury claims," he said, "We are not feeding the beast."

**Read more online...**

**Aviva bolsters whiplash fight with new proposals**
www.postonline.co.uk/2399197

**Aviva calls for rehab-only compensation for minor road accident injuries**
www.postonline.co.uk/2356772

**News**



## Independent review of product recall aims to make enforcement effective

# Rate hikes touted as recall review points to increased insurer exposure

**By Francesca Nyman**
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A review into the way companies handle product recall could trigger premium inflation and compound administrative burden as insurers' exposure to recall costs increases significantly, legal experts have warned.

Consumer Affairs Minister Jo Swinson last week (12 March) appointed former *Watchdog* presenter Lynn Faulds Wood to head up a major review into the way recalls in the UK are handled, with one of the aims being to increase the number of faulty products that are removed from the supply chain.

According to a recent You Gov survey, just over one-third of consumers (36%) currently register their appliances, meaning that in the event of a recall, many items remain untraced.

The independent review will focus on making enforcement more effective and explore consumer understanding of the process.

However, Shane Sayers, partner at law firm Kennedys, said there was no need to alter the recall system in England, or the European Union, and that "a more robust system" could actually lead to unnecessary recalls.

He told *Post*: "The rules, if correctly applied, ensure that the relevant authorities are informed early about any potentially dangerous or unsafe products and if adequate safeguards or actions are not proposed the authorities will require a recall or other appropriate actions.

"The principle danger in the current system is that the manufacturer is left with the obligation to act in accordance with the relevant requirements and, on some occasions, they have a reluctance to do so, particularly when they only have a few complaints."

On the prospect of a change to the system, he added: "A more robust system would probably lead to more and in some cases unjustified recalls and this would certainly dampen insurers enthusiasm for this type of cover. At the least they would look for a premium hike."

Kieron Russell, an underwriter at Tokio Marine Kiln's enterprise risk — and a specialist in product recall, said that while the review was positive from a consumer perspective, it "may well broaden the market's exposure to product recall claims".

It could also increase firms' "due diligence and administrative burden," he noted.

"Insurers will need to ensure that their insureds track all of their customers' purchases more effectively, such as through some type of register," he explained.

"The advent of big data, which is manifested in things like supermarket loyalty cards, has increased our insureds' ability to communicate product recall issues — but it is still a very difficult and time consuming process."

However, Stephen Turner, an associate specialising in product recall at DAC Beachcroft, said the scope of the review was "encouraging".

"Recalls are most effective when manufacturers, retailers and consumers work together in partnership. Even the best managed recalls will benefit from better return rates," he said.

"[They] can be triggered by very specific issues and so it's also important that only affected goods are covered so that consumers can continue to have confidence in unaffected products.

"High standards of traceability and tight supply chain control give manufacturers a better chance of getting the message across. It's encouraging to see that the final but critical step of reaching consumers is being given renewed attention."

According to Turner, a central record of consumer goods recalls in the UK, where consumers could register their product and get email or text alerts if the product ends in a recall would be "a good first step" in achieving higher recall rates.

Andrew Robinson, head of product recall at Cunningham Lindsey, said that while a central register was a positive idea the responsibility should reside with the retailer or the supplier as "if it's left to the purchaser — with the best will in the world — it's not going to happen".

"The world we live in is one of massive technology. There has to be a better way of recording data so that it can be used at a later time," he said.

Reflecting on the potential risk to insurers if more products are recalled, Robinson said it depended on "the scope of the cover" but said the savings made by recalling a lower number of products were often "a false economy".

He commented: "A very small percentage of businesses out there have actually decided to insure against recall. If you have recall cover then the smaller the number [of products] that are recalled, the smaller the number that need to be replaced, so you could see that as a saving.

"But when you're only recovering 10% to 20%, which is fairly standard, that leads to considerable [product liability] exposure."

"The amount that is not spent replacing products is probably significantly outweighed by what could be incurred as a liability if the faulty products cause injury or damage," he explained.

Whatever route is taken by the review, it is important that the insurance industry is represented, Robinson said.

"There's a wealth of knowledge within the industry as we've been dealing with these issues for years. If the review takes the route of a working group then it is important that is has insurance representation," he said.

**Read more online...**

**Former Watchdog presenter to head recall review**
www.postonline.co.uk/2399742

**Comment**

# Cyber risk suffers from clouded thinking

Businesses, insurers and government must work together to provide resilience to cyber attacks

C-Suite – Insurer

**Matt Webb**
Head of technology, cyber and data, Hiscox

The stream of recent high-profile cyber attacks has shown how many companies are now falling prey to hackers. Yet the reality is that many more incidents go unreported — or undiscovered. In fact, the recent 2014 *Information Security Breaches Survey* from the Department for Business Innovation & Skills estimated that up to 70% of companies keep their worst security breaches under wraps.

This is at the same time as the World Economic Forum's *Global Risk Report for 2015* ranked cyber alongside geopolitics, climate change and economic turbulence as one of the top business risks. So why then, are the vast majority of UK businesses — both large and small — not buying insurance to manage their cyber risks?

Although historically there have been relatively low take-up rates on cyber insurance in the UK, this looks set to change. Our own research shows encouraging signs in terms of the intention to buy, with more than 41% of the small businesses we spoke to in January this year saying they intended to buy a cyber policy in the next 12 months. That's why we anticipate the UK cyber insurance market will double or even treble in 2015.

For now though, what's clear is there is still a worrying lack of knowledge about cyber exposure. Many companies struggle to understand — and, therefore, mitigate — their own vulnerability to cyber attacks. At the same time, many insurance brokers admit to not having the confidence to speak to clients about the value that cyber insurance can provide.

It is in all our interests to bridge this knowledge gap. Our industry must work hard together on what is a growing issue that requires more than simply lip service if having a cyber policy is to become the norm rather than the exception.

> Many companies struggle to understand — and, therefore, mitigate — their own vulnerability to cyber attack

Hiscox has committed to working with 11 other insurers and the Cabinet Office on the role of insurance in managing and mitigating the risk, as well as what can be done to help companies become more resilient to the threat of cyber attack.

For example, the lack of common definitions among insurers for terms such as 'breach costs' and 'cloud provider', and the wide differences between insurers' policies may be creating an unnecessary barrier to purchase.

In addition, we believe the creation of a 'buyer's guide', could help drive harmonisation in cyber risk policy wordings and improve clarity for the purchase decision-makers.

Finally, we all need to challenge ourselves on how good we are at managing our own data risks. As custodians of vast amounts of confidential customer information, insurers and brokers are not immune to being targeted by cyber criminals in much the same way as many other companies. A recent fine imposed on a travel insurer by the Information Commissioner's Office is a case in point; we are not beyond reproach.

In cyber risk mitigation, there is a role for everyone. It is important that businesses, insurers and government work together now to help make UK companies more resilient to cyber threats of the future. There is the chance to make London a global centre for cyber risk insurance and the demand for cover is there, so we must seize the opportunity.

**Comment**

# No balance on bereavement awards

Two appeal cases have highlighted the inconsistencies between fatal claims awards

North of the Border

**Debbie Connor**
Associate at Simpson & Marwick

Two recent Scottish appeal decisions highlight the gulf between the jurisdictions regarding damages in fatal claims. In England and Wales a single bereavement award (currently £12,980) applies.

In *Scotland the Damages (Scotland) Act 2011* allows a wide category of relatives to claim. These cases can be heard by a judge or a jury who will assess the appropriate level of damages. There is no statutory limit.

Historically, juries have awarded significantly higher damages. An appeal decision in 2012 recognised that awards by judges were too low and that efforts should be made to narrow the gap and to provide some consistency. In these two cases, the first instance awards were taken to appeal. Sadly, no real consistency emerged.

In *Young v MacVean [2014]* the mother of a 26 year old was awarded £80,000 following his death in a road accident. The judge noted their particularly close relationship following the death of her husband. While the judge agreed that there was a general hierarchy, with spouses receiving more than parents, there was 'exceptionally unusual closeness' justifying £80,000.

In *Currie v Esure Services [2014]* the court awarded £42,000 to each parent of a 25 year old killed in a road accident. The claimants argued that this did not take sufficient account of comparable jury awards. The appeal court held that £42,000 was not manifestly outwith what could be regarded as reasonable.

> An appeal decision in 2012 recognised that awards by judges were too low and that efforts should be made to narrow the gap and to provide some consistency

Consistency remains elusive and reserving remains difficult given the variations in awards.

Mrs Young also claimed as a secondary victim for symptoms of post traumatic stress disorder. She passed the scene of the accident and saw its aftermath. Before her son's identity was confirmed, she had developed a strong suspicion that he was involved. The court held it was artificial to separate her coming upon the aftermath of the accident from actually hearing her son had died. This was not a case of a relative simply being told of the death.

Contrast this with *Wild v Southend University Hospitals NHS Foundation Trust [2014]*. Mr Wild realised, from the actions of medical staff, that his unborn son had died. The court held he was not a secondary victim: his trauma had not arisen from witnessing any horrific events and the control mechanisms in place excluded his claim. The court accepted that the lines were often drawn arbitrarily.

Until the authorities are less arbitrary and more consistent we can expect to see similar cases brought back to the courts.

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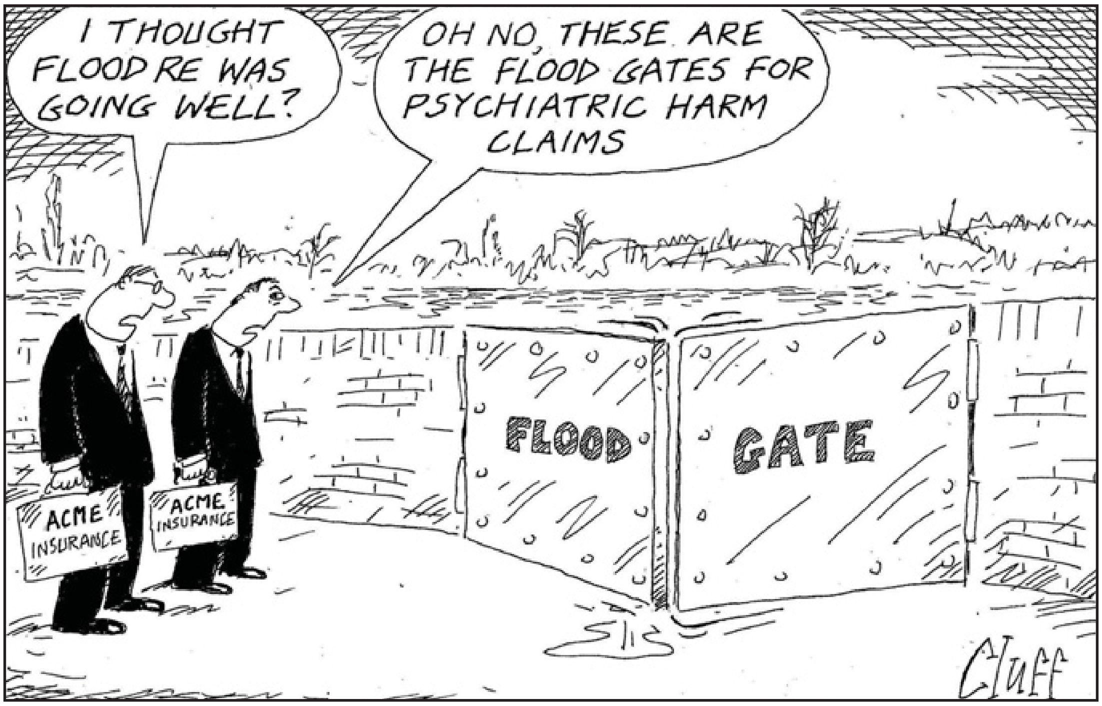


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**The top 10 stories from www.postonline.co.uk**

**1 Seven law firms selected following NFU legal panel reshuffle** DAC Beachcroft, Keoghs and BLM among the chosen few
*www.postonline.co.uk/2399069*

**2 RSA receives approval to launch ABS** Insurer links up with Parabis Group for alternative business structure
*www.postonline.co.uk/2399510*

**3 Aviva bolsters whiplash fight with new proposals** Six recommendations aimed at reducing the number of whiplash claims and lowering premiums
*www.postonline.co.uk/2399197*

**4 Apollo-backed bid for Chaucer motor book stalls** Markerstudy is in pole position to tie up a deal for UK motor business
*www.postonline.co.uk/2399768*

**5 RSA strikes Amazon cloud computing deal** Technology will initially be used to host several RSA and More Than websites
*www.postonline.co.uk/2399111*

**6 LV's O'Roarke targets motor reduction to 50% of portfolio** Insurer to focus more of its business on the home and SME space
*www.postonline.co.uk/2399132*

**7 Smith refutes bully claims** Ex-RSA Insurance Ireland CEO Philip Smith has denied claims that he oversaw a culture of fear
*www.postonline.co.uk/2399406*

**8 Lloyds' private equity house backs SSP management buyout** LDC supports the £207m deal
*www.postonline.co.uk/2399703*

**9 Towergate names Ecclesiastical's Wood as Paymentshield boss** Steve Wood will join the Towergate executive team
*www.postonline.co.uk/2399169*

**10 Ageas warns of retail job losses** Potential support function changes will impact the insurer's Bournemouth facility among others
*www.postonline.co.uk/2399572*

## TALKING POINT

**Is an all-risk business interruption policy achievable by the insurance market?**

**62%** said yes

**23%** said no

**15%** said don't know

**To vote in this week's poll, visit: postonline.co.uk/polls**

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**Interview** Andy Fairchild

# GROW, PROTECT AND SUPPORT

Broker Network's CEO Andy Fairchild outlines his vision for the year ahead and the three areas he aims to focus on in 2015

**By Rachael Adams**

Andy Fairchild has a secret. "I'm running the London Marathon in April, but I didn't tell anyone." But the news got out and "now I have to do it!" he laughs. While Fairchild may not be keen to discuss his running career, he is eager to talk about his plans for Broker Network for the year ahead. Having joined Towergate in December 2013, going on to replace Gary Duggan as CEO last summer, Fairchild has a strong vision for the network going forward.

"I am continuing to live by the 'grow, protect and support' mantra of the business, and since I joined I have found members are generally very happy with how we're doing. We've conducted some extensive member research and, while net promoter scores are at an all-time high, there are some changes that need to be made.

"There are three things I want Broker Network to focus on in 2015. The first is more products — more specifically, more bespoke products. When we did some member research last year, they were telling us they want products that are unique to Broker Network members — products no one else can have," Fairchild explains.

The second strand of his 2015 plan is a "more vibrant managing general agent". Another point based on the recent member research, Fairchild says developing Broker Network Underwriting into a force to be reckoned with will provide network members with "the depth and quality of products and services, people and systems to have the leading MGA for members of the leading broker network". He admits that although Broker Network "is not where it should be at the moment", he is working closely with the MGA arm's managing director Mike Ellis to get the necessary changes underway.

> " When we did some member research last year, they were telling us they want products that are bespoke to Broker Network members

Finally, and perhaps most crucially, Fairchild wants to build on the company's culture. "We need to make sure Broker Network's culture is right and that every single member of staff is 'walking in brokers' shoes'," he comments. "We even have a mock-up of a broker's office in our own office so people can see what it's like to go through what brokers go through on a daily basis." And how does he plan to achieve this? "By talking to our members and learning what they want. Communication is key."

### Understanding brokers

And Fairchild shouldn't find understanding brokers' needs too difficult — particularly in terms of a network. "Networks are in my blood," he says. "I was part of the team that set up the Countrywide Network over 20 years ago, so it feels completely natural to be back in a network. The values of networks are very important to me."

Before Countrywide, Fairchild started life at Royal Insurance as a graduate trainee, before taking on roles at other big-hitters such as Commercial Union and Axa. He can also be credited with setting up the insurance and customer service arm of First Direct. Fairchild believes his previous roles stand him in good stead for heading up the UK's largest network — "over 600 at the last count" — saying: "I learned a lot about working on both the insurer and the broker side, which, of course, comes in very handy when working at a network because you're dealing with both sides."

There are also a couple of curveballs in Fairchild's career history, including roles in local government and also within the care home sector. "They may not have been in insurance, but [these jobs] gave me a more rounded view of the world and also developed my mindset of helping people, which is what networks do, after all," he comments.

Nowhere is the help Broker Network gives to its members more valued than in its compliance offering. As Fairchild explains: "Brokers use us for a lot of reasons, but the key one is compliance and help with regulatory issues." With the new regulator and the increased number of thematic reviews, UK brokers could be feeling the pressure, "and that's where we come in," he says. In fact, honing the network's compliance services is all part of Fairchild's vision for boosting member numbers and profits in the long term.

But it is not just improving and enhancing current offerings that Fairchild will be focusing on in his first full year as Broker Network CEO. He reveals: "We are going to move into the


Iain Winfield

start-up arena. It's a natural progression for a network which focuses on SMEs. However, they will have to pass some rigorous vetting processes to make sure they fit into the Broker Network culture. It's all about the culture."

However, moving into servicing start-ups is only one development the business will be working on this year. Fairchild says Broker Network is also currently putting plans in motion for a move into Northern Ireland. "They have a slightly different regulatory and compliance structure to here, so again it's a case of working on that bespoke offering," he explains.

**Media spotlight**

However, you can't discuss where Broker Network is going without discussing where it has been — and the answer to that is firmly in the media spotlight, thanks to its parent company Towergate. Although Towergate has recently agreed both a bondholder deal and a deal which will see the company taken over by its unsecured creditors, it has been an uncertain few months. When I ask Fairchild about how issues at Towergate have affected his first few months in the Broker Network role, he jokes: "Well, it has been a bit busier than I expected!"

He continues: "It has been a hectic few months, but we are coming out the other side now. Obviously Towergate has been in the spotlight but we are getting to a place where it will be more 'business as usual'. Clearly as we are part of Towergate that has affected us, but Broker Network is in a strong position. We are the biggest network in the UK, we are here to support brokers and we will continue to do that."

Talking about the future for Towergate, Fairchild is positive. "The bondholder deal will bring greater stability. Any company needs a strong parent so that will be good for Broker Network too," he says. And what of rumours that the business will be one of the parts to be sold off further down the line? "We are not working with a view to being sold," Fairchild responds. "You never know what will happen in the future, but to my mind we are very much part of Towergate and will be for the foreseeable future."

Parent company controversy aside, there are other challenges facing Broker Network. "I have said in the past that some members are more engaged than others," admits Fairchild. "But in any network that will always be the case, and with our business the segmented structure also comes into play. Those members with a more comprehensive package, such as the Premier option, will be more engaged than some other members," he explains.

Fairchild has also spoken out about the unscrupulous tactics of Broker Network's competitors, pointing out their short-term approaches to member incentives. He says now: "Some networks will work that way, but Broker Network remains committed to being here for the long term. We've been here for 21 years and we will be here for another 21 years, and the way you achieve that is by offering a good service."

> "Those members with a more comprehensive package, such as the Premier option, will be more engaged than some other members

One time-old challenge facing all networks is that of proving their relevance and worth to insurers. Broker Network operates a broad panel of insurer partners including Allianz, Zurich, Axa and Ageas. Fairchild believes striking a balance between the commission paid and the total cost of the partnership is key, as well as applying the bespoke nature of the broker offering to the insurer partners. "It's basically about bringing the insurer partners something they would not already have anyway," he says.

Regulatory stress is also putting ▶ 14

# Interview Andy Fairchild

◀ 15 pressure on Broker Network and its competitors. As Fairchild explains: "An ever-evolving regulatory agenda means there is an increased focus on providing a much more consistent approach across the market as a whole, which will impact the smaller broker significantly" — and as Broker Network specialises in SME brokers, this will mean it has its work cut out.

Adding value to brokers and a need "to constantly evolve" can also be counted among the challenges facing networks, according to Fairchild. He says: "Networks need to ensure they're delivering value to brokers and are seeing through the changes, and there is a need for networks to focus on what motivate a broker and remain fresh." He cites Broker Network's record net promoter scores — Premier scores doubled from 20 in 2013 to 40 in 2014, while Advantage member scores increased from -8 to 23 — in part as a result of "learning to listen."

## No technology concerns

One potential challenge Fairchild is not concerned about is technology. "We are hearing about technology all the time but I do not think networks should feel threatened," he says. "I actually think digital initiatives such as e-trading will become absorbed into the way networks operate. Platforms allow brokers to access information at any time, and that is something networks could incorporate into their service."

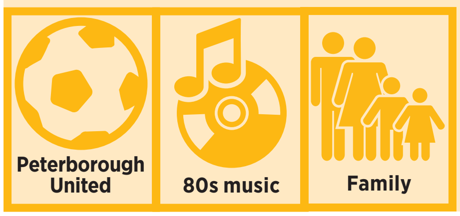
However, he does believe technology could pose issues for Broker Network's target demographic — SMEs. "Rapidly changing technology is often difficult for SMEs to implement. The fact that the internet is now dominated by price comparison sites has had an impact on profitability, but brokers can add much more value than a price comparison site. They have the personal knowledge and can offer advice," he says.

The future is not entirely bleak for the broking community, however, with Fairchild saying the consolidation trend could benefit smaller brokers. "Despite the consolidation over recent years there is still a sizeable number of SMEs wanting to grow," he explains, citing the number of brokers approaching the network about going it alone as one reason for the company's start-ups project.

Fairchild's to-do list may seem lengthy, covering the network's MGA, product development and targeting start-ups, but surely his goal of "becoming the leading voice for independent regional brokers [and] standing up for the entrepreneurial and regional brokers" is an aim which will shape Broker Network for 2015 and beyond. ■

## Five words to describe himself


## Fairchild's hobbies




## CV: Andy Fairchild

**Now – 2014**: CEO, **Broker Network**

**2014 – 2011**: Managing director, **Footman James**

**2011 – 2007**: Operations director and chief operating officer, **Axa Insurance**

**2007 – 1996**: Head of customer service and head of insurance, **First Direct**

**1996 – 1992**: Business development manager, **Commercial Union**

**1992 – 1988**: Business development manager, **Countrywide Insurance**

**1988 – 1987**: Graduate trainee, **Royal Insurance**

**Insurance Census** Age

Insurance census 2015



# JUST A NUMBER?

## Attracting the best young people into the insurance industry can be an uphill struggle. Coupled with an ageing population, is the sector encouraging diversity?

**By Mairi MacDonald**

Age is perhaps less widely discussed than gender when it comes to concerns around diversity and inclusion. But it is no less important to the general insurance sector in an era when attracting the best young people has never been more competitive and when more thought is required to adapt working practices for an ageing population.

In the second part of the Insurance Census, we consider how the age profile of the sector has changed since our first census was published two years ago and how the efforts made to encourage diversity have developed.

How to attract bright young sparks into general insurance is an uphill struggle. However, it is widely accepted this battle will be won by challenging perceptions of a sector often viewed as more conservative and less dynamic than other sectors — even sectors within financial services.

For some time the Chartered Insurance Institute has been pushing to encourage young people to see insurance as an interesting long-term career choice through its *Discover Risk* programme. Meanwhile, many insurers and brokers are now embracing apprenticeship schemes in addition to running graduate schemes, in a bid to attract young people from a broader range of cultural, ethnic and social backgrounds. According to the CII, the sector introduced more than 1000 technical apprenticeships last year, representing a 21% increase on 2013 numbers.

Deloitte partner Margaret Doyle comments: "The focus on apprenticeships and training programmes can only help the insurance industry. The central finding of Deloitte's *Talent in Insurance* survey [published in November 2014] is that the sector languishes in 18th place out of 30 in terms of employment popularity [worldwide] — and does even worse in the UK. Part of the problem seems to stem from a lack of understanding both of insurance as a service and also of jobs in insurance. Specifically tackling that perception is a very good idea."

Portraying the insurance industry as relevant to young people has often been a struggle, but one that other sectors have been able to overcome, according to Mark Huxley, executive director of marketing firm Lamb.

He says: "There are a variety of programmes out there that aim to bring in young people from a variety of backgrounds.

"Ten years ago, the branding in retail banking was not good, but today it's far more vibrant and, dare I say it, sexy. Barclays' series of adverts that are showing young people how to carry themselves in interviews, for example, is a good step. The insurance industry is starting to realise that it too needs to look a bit less boring."

But despite such concerns, our research finds the sector is a relatively young one, with

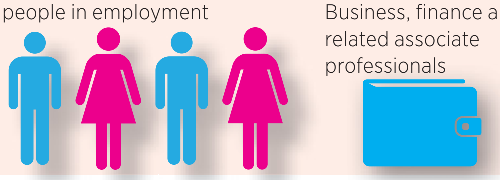
### Methodology

We asked 90 insurance companies and brokers to take part in a survey of the demographic profile of their employees and their board members. The information was treated in strict confidence with the aim of collating it to present an overview of diversity within the sector. Responses to the survey from firms' PR representatives were regrettably low in numbers, and where a reason for not responding was given, the main one was that HR teams - which normally hold the sort of data required - were too stretched to meet the required deadline. Of those contacted, 20 firms have supplied responses to all or some of the questions in the survey. Due to the low rate of response, it should be noted that the Census figures are not representative of the whole general insurance industry but rather, give a snapshot of the employee breakdown among a group of firms. Overall, data was collected relating to 83,139 employees in January and February 2015.

### Employment statistics for the UK

**30,537,000** people in employment

**686,000** Business, finance and related associate professionals



**Is enough done to encourage engagement and interaction between the generations in your workplace?**
www.postonline.co.uk/tag/insurance-census

people under the age of 35 making up 46% of the workforce compared with almost 32% of the general population. But, interestingly, the portion of employees at firms involved in our survey who are under 35 is lower than the first Insurance Census in 2013 — while the portion of employees over 45 has increased.

According to a 2014 report by the Chartered Institute of Personnel and Development, *Managing An Age-Diverse Workforce*, wholesale, retail and motor trades are the employment sectors with the highest number of 18-24 year old employees, while professional, scientific and technical jobs have the lowest.

### Lead by example

While increasing diversity in the higher ranks is widely seen as critical to bringing about tangible changes throughout any sector, the Census also found the portion of board members under 45 stands at 10.6% — compared with the 2013 Census findings where 20.4% of board members were 45 or under. However, the portion of board members in their mid-20s to 30s has remained stable at below 1% during the two years.

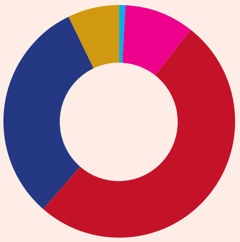
Changes to the insurance sector brought about by the digital revolution mean a requirement for new types of skills, which brings the possibility of driving greater age diversity within the sector and certainly more engagement between the generations.

"Insurance is a risk industry and it needs to bring in the people that understand the risks involved. Older people from an analogue age are not necessarily going to understand the digital environment in the same way as younger people," suggests Huxley.

Asked whether the increased demand for expertise in digital technology means people are taking on more senior roles earlier in their careers, John Burgess, head of talent leadership and development at Axa UK, says there are signs of this becoming the case. "It is happening," he says. "Looking at some of our branch managers and some marketing and digital & analytics roles, I see younger people coming through, who bring different ways of thinking about things. Those roles also often attract people with non-insurance or financial services backgrounds, who bring more innovation and are likely to think in a non-traditional way."

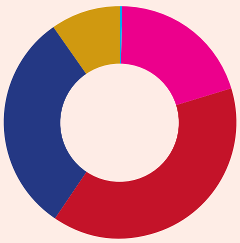
**How old are general insurance board members?**

**2015 Insurance Census**



**16-24:** 0%
**25-34:** 0.9%
**35-44:** 9.7%
**45-54:** 50.9%
**55-64:** 31.6%
**65+:** 7.0%

**2013 Insurance Census**



**16-25:** 0%
**26-35:** 0.5%
**36-45:** 19.9%
**46-55:** 39.3%
**56-65:** 30.8%
**66+:** 9.5%

Jost Wahlen, Allianz UK head of learning and development, says: "Provided individuals are ready to take on more senior responsibility on their career path, and positions become available or are newly created, anyone will be welcome to apply and be assessed against the relevant competency requirements. In a changing and dynamic market there will be opportunities for the right talent to take on responsibility sooner in their careers relative to what may have been typical some decades ago, but equally we value the life experience of all people and age groups."

In her report, *A New Vision for Older Workers: Retain, Retrain, Recruit*, the government's business champion for older workers, Dr Ros Altmann, proposes more opportunities for older ▶ 18

**Do you have an apprentice or graduate scheme in place? If so, how many employees do you expect to join your firm in this way this year?**

"We have both. In total we will bring in 24 school leavers and graduates this year."

"Yes, we have two apprenticeship schemes: advanced apprenticeship programme (1 year) and higher apprenticeship programme (3 years); 10 apprentices are expected to join this year."

"Yes. Four."

"We run a two-year graduate programme for three technical disciplines: claims, underwriting and pricing/actuarial. We also run a two-and-a-half week induction in London covering a full range of technical, compliance and business skills – aimed at providing a comprehensive introduction to our firm and life on the graduate programme. We expect to recruit five graduates and up to 10 apprentices."

"Yes. 12 (based on the last two years' intake - 13 in 2013 and 12 in 2014)."

"Yes: 40 graduates."

"We have 11 apprentices across the whole business. We don't have a graduate recruitment scheme, but do have an accredited scheme designed to develop our high achievers."

"We have an advanced apprenticeship and graduate scheme in place. Currently we have five apprentices and four graduates. In 2015, we expect three apprentices and three graduates to join the business."

"No formal scheme is in place."

"Yes. In 2014 we hired 34 via our UK apprenticeship scheme and 35 via our UK graduate development programme. "

"Yes, 10 in the next intake."

"Yes, we have an apprentice scheme which is ad hoc but in recent years approximately two have been taken on."

Source: Office for National Statistics, April to June 2104: employment breakdown for the UK

**76,000**
Pensions and insurance clerks and assistants


**58,000**
Brokers (general)

**20,000**
Insurance underwriters

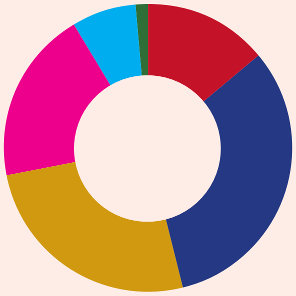
# Insurance Census Age

Insurance census 2015



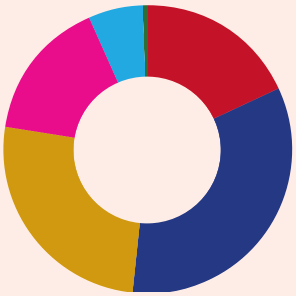
## Age of the general insurance workforce and how it compares

### 2015 Insurance Census



16-24: 14%
25-34: 32.2%
35-44: 25.9%
45-54: 19.3%
55-64: 7.4%
65+: 1.2%

### 2013 Insurance Census



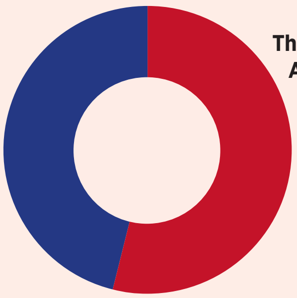
16-25: 18.1%
26-35: 33.6%
36-44: 25.8%
46-55: 16.1%
56-65: 6.1%
66+: 0.3%

### Population Data for 2013

Source: Office of National Statistics

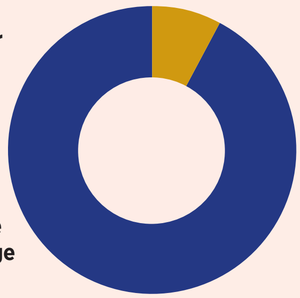
15-24: 15.5%
26-35: 16.4%
36-45: 16.0%
46-55: 17.1%
56-65: 13.8%
66+: 21%

### Legal sector



The Law Society's Diversity Charter Annual Report for 2013 found 54.1% of the cohort are between 25 and 44 years of age

The Law Society's Diversity Charter Annual Report for 2011 found 8% of the cohort were under 24 years of age



◄17 people to gain training and new skills and highlights IT and social media as areas of knowledge that would be advantageous in the modern workplace.

Robert Reid, vice-president and diversity champion at the Insurance Institute of London, advocates improving dialogue and engagement between the generations in order to break down perceived barriers. He says: "Older people can find it difficult to get jobs as the younger person [conducting the interview] might be concerned they will be [found] wanting in

## What proportion of apprentices/ graduates have stayed with the firm for at least 12 months after completing their entry programme?

"Over the past 10 years 86.8% of participants stayed with the company for at least 12 months after commencement of the UK graduate development programme."

"90%."

"90%."

"It is our first year of apprentices and the first one will be leaving the programme in March 2015 and will be moving into a permanent underwriting role with us. We retain 100% of graduates for at least 12 months after completing the programme."

"80%."

"91%."

"67% based on the 2010 to 2012 intake, where there have been five leavers out of 15."

"100% of graduates and apprentices have stayed with the firm for at least 12 months after completing their entry programme."

## Number of people working in financial services

According to Department for Work and Pensions figures from December 2013, 14% of 18-24 year olds and 15% of people 65 and over in employment work in financial services, including insurance.

| | Age groups | Banking, finance, insurance, etc |
|---|---|---|
| Number of employees | 18-24 | 432,000 |
| | 25-49 | 2,613,000 |
| | 50-64 | 802,000 |
| | 65+ | 94,000 |
| % of employees across sectors in each age group | 18-24 | 14% |
| | 25-49 | 17% |
| | 50-64 | 13% |
| | 65+ | 15% |

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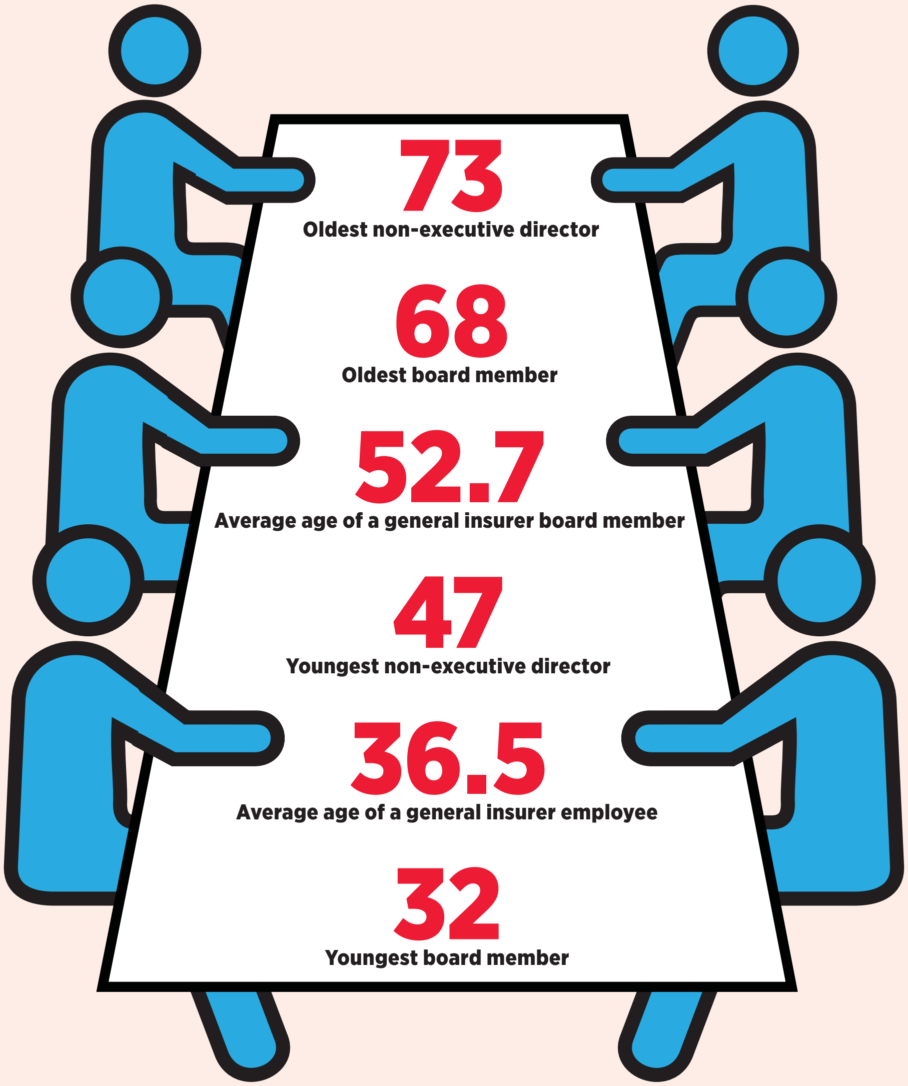
## Discover Risk

The Chartered Insurance Institute's *Discover Risk* campaign aims to reveal the breadth of opportunity in the insurance sector to young people still in education. It involves interactive sessions in schools and colleges that introduce young people to the concepts of risk and how they are applied in practice around the world. These sessions are supported by local employers. Since its launch in 2010, more than 12,000 university and sixth form students have attended a *Discover Risk* session.

As part of its outreach to potential new talent, the CII offers a free *Discover Risk* membership to students and teachers with a view to attracting new entrants into the market. Since it launched just over a year ago, the scheme has gained more than 100 members who receive monthly updates on what is happening in the sector as well as regular case studies from professionals and real time job and apprenticeship updates.

## Insurance Census number crunch




comparison to the incoming older person with more experience. We at the CII are trying to help people sell themselves in interviews in a non-threatening fashion.

"We are also talking about reverse mentoring, so that older members of staff get a better view into what young people are looking for, rather than just doing what they think younger people should be looking for."

Reid adds that reverse mentoring can also be a good way for younger staff to take on responsibility and line them up for future executive roles even if they lack the maturity or experience at the current time.

### Both ends of the scale

Age diversity requires as much focus on attracting and retaining the best staff at the older end of the scale as at the younger end, particularly as the effects of an ageing population on the workforce become more apparent. Altmann has called for the same level of focus that has been given to gender equality to be given to age. She cites an absence of age audit information as a reason for the lack of targets for employers to retain older staff.

"Age is very much the poor relation of the diversity agenda," she states. "Gender, race or sexual orientation are often targeted and monitored but, when it comes to age, older workers are not a group that is focused on. Any attention paid to age is focused on younger employees, particularly since there have been government incentives to train and recruit the under 25s."

Describing the over-50s as a "major untapped resource" for boosting output, employment and living standards, Dr Altmann adds that by 2022, there will be 700,000 fewer people aged 16 to 49 in the UK – but 3.7 million more people aged between 50 and state pension age. "Early retirement might be sustainable if younger generations had the capacity to fund ever-rising numbers of economically inactive members of society, or if the older generations had prepared for a far longer retirement. However, neither of these factors can be relied upon," she notes. ■

## Insurance Census - Next Week

Next week, *Post* will publish the third part of its Insurance Census 2015, which will look at ethnicity within the insurance sector. Please get in touch if you would like to comment on what you have read at *mairi.macdonald@incisivemedia.com*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# BIG DATA, BIG OPPORTUNITIES

Imagine having access to a digital record of potential customers' daily lives. The information is there — it's just a question of how insurers can use it

By Edward Murray

Possibility and reality rarely walk side by side when it comes to new technology and once the experts have dreamed up what they want to do, it takes a lot of time and no little grunt to actually make it happen.

Big data is a case in point and the insurance industry has wrung only a drop of the potential value from this sodden vein of possibility. There are all manner of projects and pilots taking place, but in terms of mainstream underwriting processes the market is still a long way from incorporating big data analytics into its everyday pricing model. The questions are, can big data really make a difference, where will it make a difference and when will the market begin to start hitting some home runs with it?

> "There is no good in having tons of data if your claims department cannot correlate it back to the customer record

Perhaps the best place to start is with big data itself. To some people the term simply means unfathomably large amounts of data that are difficult to mine for useful information. Imagine the records, for example, that ▶ 22

**Spotlight** Big Data



◀ 21 one of the UK's major composites holds. Dating back hundreds of years, covering millions of customers and all manner of general, life and health insurance policies – the amount of information is staggering.

But to others, big data represents the unstructured data produced by everything from social media and retail spending to CCTV recordings and mobile phones. Looked at from this angle, big data is the digital record of our daily lives.

At this end of the scale there is very little being done to meaningfully use big data. It is simply too random and too difficult to tackle, and the balance of risk and reward is not attractive. There are also a lot of easier shots to play in the big data game that will generate faster and more profitable returns, while helping to inform where bigger projects could be aimed at in the future.

"There are very few parties constructively using unstructured data in any meaningful way," says Max Carruthers, former chief operating officer at Axa commercial lines and personal intermediary and now a non-executive chairman of Absolute Partnership.

"The argument for that is that insurers have not extracted anything like the potential value out of their structured data, so why would they spend huge amounts of money and effort trying to decipher very complex data structures where the value is unknown?"

## Using the data effectively

So where can insurers make headway with the data they already have – and what new data sets are becoming available that will help them further?

Carruthers highlights some basic issues many insurers have in simply trying to link up claims with individual policies and he comments: "There is no good in having tons of data if your claims department cannot correlate it back to the customer record." He accepts this sounds incredibly simplistic, but says there are a lot of insurers that still cannot do this.

> "Once you understand the different customer groups, you can interact with them differently to benefit them with the right products and customer experience, helping to retain them in the long term

A lot of insurers also fail to create a single view of their customers and their families. If a person buys their motor policy and their household policy separately from the same company there are not many insurers that will be able to link these two policies as being held by the same person. This denies them the opportunity of creating a fuller and more valuable customer profile.

Even fewer, if any, can then pull together the products held by an entire family into a single view. This sort of information would be even more powerful. "It is not just the policies tied to one person but all of their family," says Carruthers. "If they have children and grandchildren you could build up a family picture and sense events happening like births, deaths, birthdays and so on."

Imagine the power of being able to talk to new customers about insuring the generations of their family before them? In addition to the loyalty value, the understanding insurers would gain would let them create bespoke pricing and market additional products they knew would be attractive to the policyholder.

Neil Mercier, head of motor for personal lines intermediary at Axa, accepts there are improvements that insurers across the board could make. Talking of linking multiple products up to individuals and their families, he says: "I do not know anyone that is very good at that to be honest. We and others like us are not great at joining those things together."

Part of the problem is dealing through various distribution channels and the multiple data sets this creates. Another issue lies in the disparate systems insurers use for different product lines and the difficulty of then pulling those together into a single, workable format.

## Big opportunity for motor

Despite such challenges, Mercier believes there are some big wins on the horizon for the motor market. The My License project is giving insurers access to individual driving license data and this is incredibly valuable.

"We will be able to see, at the point of sale, the driving license number," says Mercier. "That means the policyholder probably lives where they say they live and it gives us all their convictions. Immediately it separates good from bad and does it faster than asking people for their data."

In a similar vein, Mercier is also excited about the prospects of getting details on individual cars straight from the manufacturer. "If you

### Big data demands a new breed of analyst

Actuaries have traditionally done the heavy number crunching for insurers, but their forte is looking back and drawing conclusions from past events. Analysing data sets to predict future actions requires a subtly different skill set that even comes under a different job title.

This is a point made in PWC's report *The Insurance Industry in 2014*, which highlighted the importance of data scientists in today's environment. It said: "A data scientist has extensive and well-integrated insights into human behaviour, finance, economics, technology, and of course, sophisticated analytics. As if finding this combination of skills wasn't difficult enough, a data scientist also needs to have strong communication skills. First and foremost, he must ask the right questions of people and about things in order to extract the insights that provide leads for where to dig, and then present the resulting insights in a manner that makes sense to a variety of key business audiences."

**How can insurers use data in a more joined up way to really target customers?**
www.postonline.co.uk/tag/digital

buy a car that has got a crash avoidance system or a lane change system then I would love to know about it so I can give you a better price," explains Mercier. "But the way aggregators and the like are set up they would only recognise the standard fit. When you bought the car, what extras did you have fitted? I would love to know that data without having to ask people as they are often not able to tell me what they have. I cannot really do that in the current process."

### Different dreams

For underwriters, the Holy Grail offered by big data is the possibility to treat every risk as unique and to price accordingly — but for brokers the dream is different.

"The insight we gain means we can deliver better customer journeys and design and highlight more tailored products," says Martyn Green, pricing and insight director, BGL Group. "Thereby we can accurately target the right type of customer and keep them for the long term."

Nor is it just data sets relating directly to insurance that Green wants to analyse. He says there are important correlations between external and insurance-specific data. He comments: "Understanding how customers prefer to buy all kinds of items can tell you a lot about how they are likely to behave when they buy insurance. Are they reluctant to buy online, or are they driven by convenience and speed rather than price? Once you understand the different customer groups, you can interact with them differently to benefit them with the right products and customer experience, helping to retain them in the long term. The Holy Grail for the future is to create a personalised buying journey for every customer."

The idea of using data to create individual profiles is not a new one, but there are a number of things happening that are beginning to make it more possible. The first is the digital revolution and the access it creates to data. The second, according to Green, is a shift in the price of working and analysing that data. He says: "Data mining and analytics tools that would have cost a business hundreds of thousands of pounds three years ago are now available at a fraction of the cost."

### Why big data matters

Research from Marketforce, the Chartered Insurance Institute and the Chartered Institute of Loss Adjusters in conjunction with Ordnance Survey found 82% of those questioned believed that without capturing the potential of big data insurers would struggle to remain competitive.

The research also found 95% of those asked felt underwriting departments lacked the necessary tools required to capture the potential of big data, while 81% said they lacked the specialist skills needed.

*Source: Ordnance Survey: "The big data rush: how data analytics can yield underwriting gold"*

### Joining the club

Many major retailers are looking to take advantage of their knowledge of customer buying habits as they diversify their operations into the financial services sector.

"At Tesco Bank, we have been developing how we use Clubcard to improve our insurance products for nearly 10 years," explains the bank's external communications manager, Sarah Wright. "We started in 2005 by offering a flat discount to all Clubcard customers, and over the years we have developed our processes so we are able to use the insights from Clubcard to offer millions of Tesco customers cheaper insurance as a result. We only ever use Clubcard data to offer cheaper insurance to customers."

BGL is also looking at developing this approach, and Green adds: "In our partnerships business, Junction, for example, we access partner data to drive a better customer experience and encourage loyalty. For example, we access partner loyalty card insights to verify customer information and improve risk profiling. Our partner brand can thereby offer the best possible premiums to loyal customers and our insurers gain good quality risks."

As the insurance market seeks to realise its big data dreams there are two things it needs to keep in mind. The first is the need to peg out very clearly what each project is trying to achieve and to maintain a complete focus on that. Carruthers says: "There is always the danger that you can disappear up your actuarial rear end, as it were, if you lose the plot over what you are trying to do and you see false correlations in the data. You can easily spend £20m, £30m or £40m and not get much out of it. But it is equally easy to spend a lot less and get disproportionate gains."

The second is that Rome was not built in a day and successfully structuring internal data to make it flexible and easy to analyse will deliver more immediate benefits and more valuable insights than anything else.

The reality of what big data is delivering for insurers may still be tottering a long way behind what is ultimately possible, but there are a lot of people trying desperately to close the gap. ■


BIG DATA

**What do insurers need to do to ensure they embrace the wider use of data in the right way?**
www.postonline.co.uk/category/data-analytics

# Insurers must embrace the wider use of data in order to interact with customers or risk being left behind

**By Graham Odiam**

Traditionally, insurers have focused on using historical data to help them assess risk and predict likely behaviours and future trends. Looking back at past behaviours in order to predict claim propensity, potential for fraud and likelihood to renew is a basic premise in the underwriting and pricing of insurance products.

However, the way in which consumers now purchase insurance has changed significantly in recent years, largely thanks to the rise in price comparison sites, forcing insurers to continually look at how they can remain both competitive and profitable. Consumers now choose who to insure with based almost entirely on price rather than brand loyalty, and have no fear of switching insurer at renewal stage if a more competitive price can be found elsewhere.

With brand loyalty at an all-time low and new business acquisition costs remaining high, insurers are being forced to change strategies and look to gain more in-depth knowledge of their customer base and prospects, not only to get their pricing right but also to understand how else they can better retain profitable customers.

There is no doubt there is now an increasing need for insurers to use behavioural data that gives greater insight into how a risk looks today, and consequently to better predict risk and behaviour. Historical data will, of course, continue to play an important role, but the key to success here lies in the ability to effectively combine the old and the new.

### Improving business process

Ever more sophisticated technology has a vital role to play in delivering this, of course. Technological advances have already been successful in making data available at all stages of the customer journey, which consequently improves business process from acquisition, through pricing and underwriting, to claims, anti-fraud, and renewal. The ability to integrate automated identity checks at point of quote, and full card or bank account validation at point of sale, are prime examples of this — but there is much more which can be achieved.

In order for progress to continue to be made, the advances in technology need to be matched by a more sophisticated and co-ordinated data strategy, incorporating traditional and new data sets, across all stages of the customer journey.

It is no longer sustainable to merely look at attracting new business solely on price, only to see those policyholders switch insurer at their first renewal date. What insurers need to better understand is the behaviour of their policyholders, and connect more effectively and regularly with them — thereby developing better relationships with profitable customers, formulating more effective strategies for retaining them and also selling other products to them.

> “Providing the insurance sector with access to new data sets will help change the way the industry identifies profitable customers, prices for risk, and retains good customers for longer

This can be done using a combination of traditional and new data sources, coupled with the resource and expertise to work with an insurer in successfully integrating this with the insurer’s own data. Simply acquiring new data isn’t good enough — effectively combining internal and external data, new and old, takes knowledge, understanding, and ongoing development — insurers need to work with partners who can deliver this.

Providing the insurance sector with access to new data sets will help change the way the industry identifies profitable customers, prices for risk, and retains good customers for longer. With the industry now able to gather more current information on how customers behave today and should behave tomorrow, the opportunity is there for insurers to develop better relationships and improve customer satisfaction.

Those who choose not to embrace the wider use of data in a co-ordinated strategy throughout the customer journey will find themselves at a distinct disadvantage. ■

**Graham Odiam,**
Head of insurance , Callcredit Information Group

**New Zealand Earthquakes**

# KIWI CRISIS


Martin Hunter/Getty Images

New Zealand insurers were exposed to intense pressure following the devastating earthquakes in Canterbury in 2010 and 2011. *Post* investigates the lessons learned from these events for insurers in both New Zealand and the UK

**By Katie Marriner**

Pigeons now perch on the rafters of Christchurch Cathedral, the high beams left exposed by demolition to the building's façade after it cracked and crumbled in the magnitude 6.3 earthquake that devastated the city on 22 February 2011.

By that day, hundreds of aftershocks had struck the Canterbury region since 4 September 2010 when, at 4:35am, the area was juddered by a 7.1 magnitude earthquake. The February quake resulted in 185 deaths as well as widespread damage to the city's homes, businesses and infrastructure.

Now, more than four years on from the disasters, the cathedral sits at the centre of a giant construction site, formerly the central business district. Around 70% of the quake-ravaged buildings in the former central "red zone" are being demolished, with new seismic-compliant structures popping up among empty gravel lots.

The regeneration of the city is paralled in the phase of recovery the New Zealand insurance industry now finds itself following the earthquakes. Claims settlements are drawing to a conclusion and firms are looking to the future to see how lessons learned from the Canterbury event can be built into the industry's legacy.

The 22 February quake has a significant economic burden. The event ranked ninth in Munich Re's list of the costliest global insured loss events between 1980 and 2013, at £9.9bn, while the accumulated earthquake events are estimated to have an economic cost of NZ$40bn (£19.5bn), representative of 15% of the country's gross domestic product.

### Unprecedented challenges

The insurance industry faced unprecedented challenges in the wake of the earthquakes: claims volumes soared, companies were required to rapidly scale-up their operations and customer faith in claims handling processes plummeted.

The country's dual system for natural disaster claims, involving the state-owned Earthquake Commission and private insurers, was also tested like never before. How it responded to the disaster is one of the key lessons in determining the industry's approach to the country's next major loss.

All New Zealand homeowners pay a levy to EQC which provides a $100,000 excess, plus goods and services tax of 15%, for household property claims after a natural disaster. EQC also covers up to $20,000 of contents, and land that is within eight metres of the insured property. Private insurers take on liability for claims greater than the EQC cap, and commercial claims.

After 4 September 2010, EQC triggered its power under the *Earthquake Commission Act 1993* to facilitate property repairs for claimants as well as payouts with the establishment of the Canterbury Home Repair Programme. The approach was unique, but the complexity of the Canterbury event meant the usual response of paying settlements was in danger of increasing inflation and competition among organisations for labour and materials.

Across the accumulated Canterbury earthquakes, EQC received household property claims from around 180,000 of the 220,000 homes in the greater Canterbury area. Of those, 24,500 were over the $100,000 cap and transferred to private insurers, according to EQC CEO Ian Simpson.

The fact that properties continue to be transferred from EQC years after the initial assessments were conducted is a source of frustration for private insurers.

Dean MacGregor, Canterbury recovery executive general manager at IAG, the parent company of NZI and State Insurance, explains EQC conducts the initial damage assessment to determine whether liability falls within its $100,000 cap.

"In many cases that has taken longer than would have been ideal and caused the homeowner extra frustration. EQC would assess a property and determine it is repairable and then it might be some time later that there is another event or further damage that was not picked up in the original assessment — and it then becomes a private insurer claim," MacGregor says.

Around 2000 claims have been transferred to private insurers in the past 12 months and Simpson admits claims being deemed over-cap so late in the process has not led to good customer outcomes. "2000 claims compared with an industry managing 24,500 claims is a big number. It is making sure our partners in the insurance industry are aware of what they are receiving and are reserving for it properly [as well as] making sure they are reserving on the basis that they are part of a 180,000 home earthquake — not a 24,500 home earthquake," he says.

The scale of the disaster for a country of New Zealand's size inevitably led to resourcing challenges for the insurance sector. On 4 September 2010, EQC was an organisation of 22 people. By that December it had grown to 1000 and later peaked at 1800.

A shortfall in the number of loss adjusters in New Zealand also became apparent. Cunningham Lindsey had around 180 staff in New ▶ 28

> " In many cases that has taken longer than would have been ideal and caused the homeowner extra frustration

**Personal stories**

**Dave Walker, Cunningham Lindsey major and complex loss adjuster**

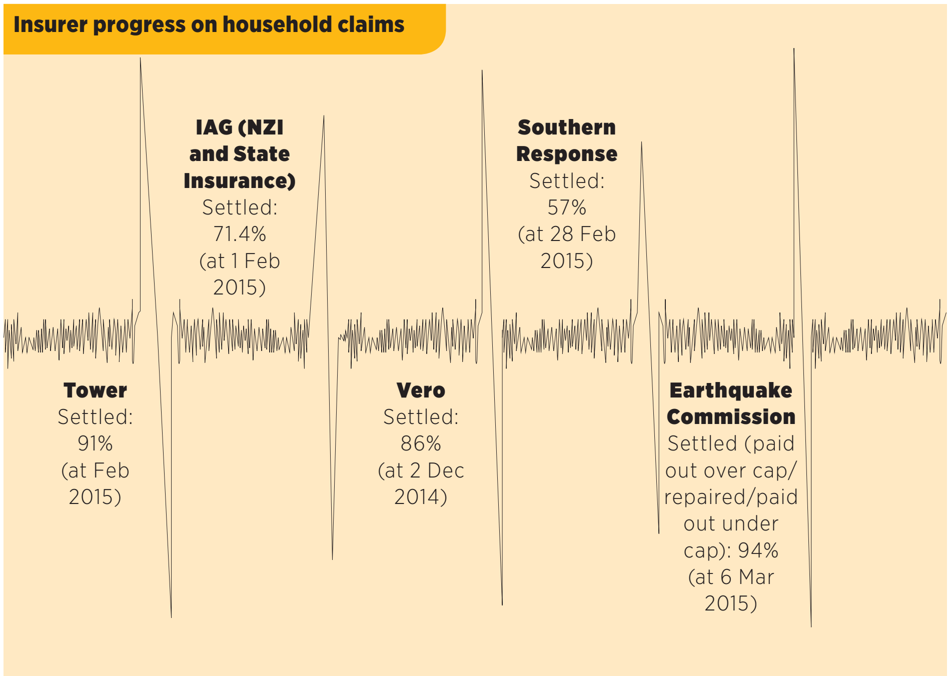
**What was your work experience in the weeks immediately following the February 2011 earthquakes?**

"I was part of a team sent out from the UK shortly after the quakes. The city centre was devastated, still cordoned off and controlled by the army. As a loss adjuster, securing an access pass was easy but if buildings were to be entered a visit through the checkpoints was a three person exercise. The aftershocks were continuing so safety was paramount in the vicinity of damaged buildings. Few policyholders were allowed through the cordon to access their businesses since they fled on the day of the quake and demolition often took place without owners or occupiers seeing their assets again."

**How does that compare to now, four years after the event?**

"Now the cordon is long gone and the eerie quiet of the CBD is history as it becomes a growing construction site generating contract works claims. As the outstanding claim numbers diminish, the complexity of those that remain increases; the engineering reports are longer and the issues are more challenging. The early tolerance of policyholders is wearing thin. All parties are increasingly eager for amicable resolution and frustration reigns at the bottlenecks created by council requirements and the need for geotechnical assessments which are slow to appear due to the still high demand on the professionals involved."

# New Zealand Earthquakes




◀ 27 Zealand prior to the earthquakes which grew to 550 at one stage, according to New Zealand CEO Darryl Cowan. The company deployed adjusters from Australia, Canada, South Africa and the UK to help with the recovery.

IAG also looked overseas to bolster its numbers. "That brings its own challenges because [those people] are not used to working in this environment and they don't stay for a long time so you have got to have a good process around handovers," MacGregor explains.

**Transparency challenge**

Transparency and the sharing of information proved a major challenge for insurers and EQC working side-by-side. MacGregor says, in the early days following the quakes there was a lot of information sharing in an attempt to understand the size of the problem. At that stage, insurers had full access to EQC's core claims system.

But a privacy breach in March 2013 led to EQC closing down insurer access to its data. The breach meant data from around 9700 claims, including claim numbers and street addresses, were sent to an unintended recipient outside EQC.

Simpson says insurers were more reliant on EQC data than the agency realised prior to it restricting access. "[From] some of the conversations we have had with insurers, they lost one of the few sources of information about their customers in the earthquake sequence — whereas we assumed insurers would have their own database of customers," he says. "That was more of an impact than we understood at the time but, given the situation we were in, we did not have a lot of choice."

The breach serves as an opportunity for the government to revisit its protocol of information sharing in a disaster situation, MacGregor says. "[We need to] ask how we could get government to contain information effectively," he explains.

Sharing information was not the only communication challenge that had to be overcome. Day-to-day communication between EQC and insurers — and between insurers, loss adjusters and brokers — was also tested.

Peter Rose, CEO of government-owned insurer Southern Response, says often, the interaction between EQC and insurers was akin to a "siege mentality". He continues: "It has been up and down. When it has come down to the lower levels of the organisation they have been of the view that insurers are out to get them and they have put up the barricades."

> "Insurers meant well, but in practise it became very difficult. It took some time for insurance companies to establish a proper claims system

Casey Hurren, who works alongside Rose as earthquake strategy manager, elaborates: "[EQC] has been scrambling a bit. When you have an event like the Canterbury earthquakes where you are rebuilding a city, whoever is tasked with the first level of response is going to have an unenviable job. EQC did as best it could in the circumstances."

Unlike insurers, brokers do not have direct contact with EQC — but they experienced similar communication challenges with insurers following the earthquakes. "Insurers meant well, but in practise it became very difficult," Allan Davy, director of Avon Insurance Brokers, says. "It took some time for insurance companies to establish a proper claims system."

The stress of being caught in the middle of the client and the insurer had a debilitating effect on several brokers, including Davy, who suffered a panic attack. "I thought I was having a heart attack. I wasn't admitted to hospital but I am aware of some brokers who were admitted to hospital with stress," he explains. "If anyone was to say to me what a broker should look out for, it would be to manage that stress. You do take it personally — you have a personal relationship with your clients."

Indeed, customer relationships in the aftermath of the earthquakes became strained for most insurers, with Simpson admitting EQC struggled with “a whole range of aspects” around customer service.

An independent report analysing EQC’s customer service, uploaded to the agency’s website last month, said staff interactions with homeowners lacked consistency, timeliness and empathy, and information management was “inefficient and ineffective”. Customer interactions became secondary and did not meet the expectations of EQC’s customers, it said.

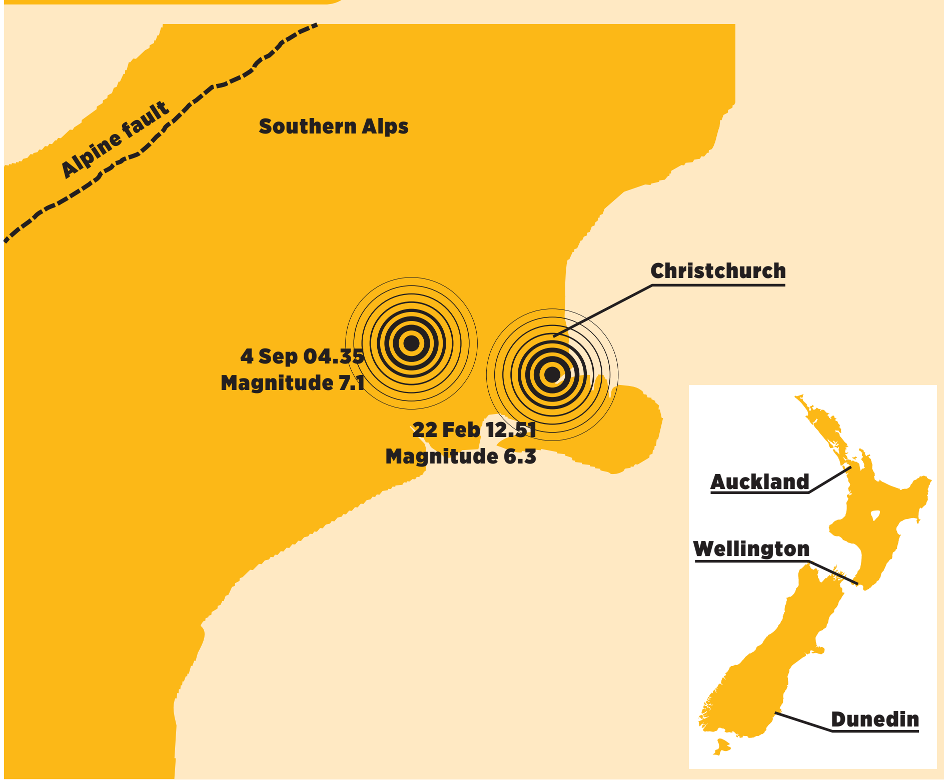
Previous reports have published similar findings. An Office of the Auditor General report from October 2013 found inconsistencies in EQC processes and in information provided to claimants. The Office of the Ombudsman has also received 275 complaints about the agency since 2011.

### Gaining trust

Asked how EQC is working to regain public trust, Simpson says the agency has to focus on delivery. “We just need to fix the houses and settle the claims. There are a lot of people who have not been treated well and there are a lot who are unhappy. But there are a lot more who are happy because we have settled or fixed [their home].”


Bluesandviews

### As it happened




EQC would seek to involve community groups more proactively in handling another major event, he says. “There are a group of public leaders from elderly residents’ groups and a group called Cancern who, initially, we treated as detractors — but actually they are vital in terms of getting information out to the community.”

Private insurers also faced customer backlash. Southern Response had two sets of customer protests outside its offices at the end of 2013. “We could have just said, ‘these are just high-profile loud-mouths’ and forget about them. But we didn’t; we recognised they had grievances [and sought to find out] what the grievances are. We have learned from the protests to operate differently,” Rose says.

> “ I thought I was having a heart attack. I wasn’t admitted to hospital but I am aware of some brokers who were admitted to hospital with stress

For brokers, customer criticism occurred around business placed with insurers that left the New Zealand market or failed in the aftermath of the quakes, Davy says. “Some companies decided to leave New Zealand or cut back on what they were prepared to do as far as acceptance or renewal of business, and that left a sour taste.”

As he insinuates, the financial burden of the event had a fatal impact for several players. Mutual insurer AMI was one such casualty, an event which led to the establishment of Rose’s Southern Response in April 2012 to handle the collapsed organisation’s earthquake claims.

AMI came unstuck after it failed to increase its reinsurance after the September quake. “The net cost to us from the September earthquake looks like being about $640m. We had reinsurance of $600m and capital of about $300m. The September quake would have damaged profitability but then February came along,” Rose says.

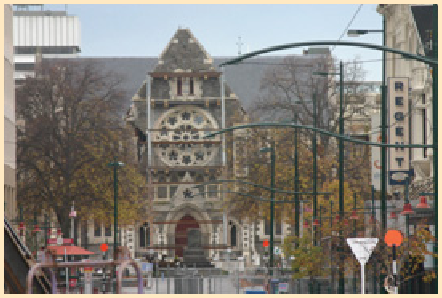
▶ 30

# New Zealand Earthquakes

◀ 29

**Before and after photos**

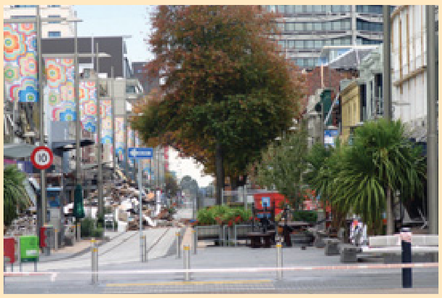
**BEFORE** | **AFTER**



**Christchurch Cathedral**

**Theatre Royal**

**St Elmo Court**



**Cashel Street**

IAG purchased the AMI brand from government in December 2011 but has no involvement in handling its earthquake claims. Ansvar Insurance also ceased writing new business due to reinsurance costs in December 2011 and a new company, ACS Claims, was set up to run off the remaining claims. Ansvar sustained a $900m loss as a result of the earthquake sequence, former ACS general manager John Kenny says. His project completed at the end of 2014 with 98% of claims paid.

Despite these disruptive outcomes for the market regarding reinsurance cover, EQC has faced few issues renewing cover with its panel of reinsurers. The agency has an approximately $4.5bn claim from reinsurers and it has drawn down around $3bn of that so far, Simpson says.

## Policy challenges

As well as wider market challenges, issues related to policy wordings and terms also arose during the claims settlement process. Unlike the UK, New Zealand household policies are open-ended, with no maximum sum insured stipulated. This meant every claim was potentially negotiable, which created issues for insurers.

"In terms of the policy conditions, we look to give them an as-new replacement, but that does not mean at any cost; it is a cost we think is reasonable," Rose says.

Open-ended policies meant uncertainty for reinsurers too, MacGregor says. "It is much harder for [a reinsurer] to define what the aggregate exposure is across the market whereas if you have a defined sum insured you can say what the portfolio is that you insure. On a square metre open-ended policy nobody quite knows how much that is." Some insurers have now changed their policies to include a defined maximum sum insured, *Post* understands.

Explaining policy interpretations that were new to the New Zealand market provided a headache for brokers, Davy says, particularly

> " In terms of the policy conditions, we look to give them an as-new replacement, but that does not mean at any cost

**Big numbers**

**$40bn (£19.5bn)**
The economic cost to New Zealand of the Canterbury earthquakes; equal to 15% of GDP

**4558**
Number of Canterbury region earthquakes between 4 September 2010 and 3 September 2014

**167,946**
The number of property claims made to the Earthquake Commission

**185**
The number of people killed by the 22 February 2011 earthquake

decisions around prevention of access and depopulation.

With the central city being cordoned off for months, business owners were unable to gain access to their premises and stock which was, in some cases, undamaged. Cunningham Lindsey major and complex loss adjuster Dave Walker adds some claimants decided to forgo their business interruption indemnity period so they could keep trading.

"I had a bizarre situation with a hotel that had damage but was able to open 90% of its rooms. It took the decision to delay its repairs beyond the indemnity period and therefore write off its business interruption cover because occupancy levels were much greater than before," he explains.

EQC's unique role as a land insurer also added to the complexity of damage assessments. The earthquakes caused the emergence of liquefaction all over the city; a thick grey sludge that rose out of the ground and covered roads, lawns and driveways.

In many cases, property assessments were stalled as engineering and geotechnical experts understood changes to land and identified areas that were unsafe for rebuilding. Thousands of bore holes were drilled around Canterbury – Simpson says EQC now has a liquefaction risk indicator for every household in Christchurch.

But, as MacGregor explains, the land zoning decisions meant it was hard for insurers to plan for rebuilding homes. "Because private insurers have taken a more active role in the rebuild, we were dependent on those land zoning decisions and there were new building standards that came in along the way that added to the complications."

Shared property buildings also proved challenging, with multiple units on different titles being insured by separate insurers. "What became apparent was that one insurer could not just go and fix one part of the building in isolation," MacGregor explains. This led to the industry forming a shared property group with one insurer taking the lead to manage the reinstatement or settlement of the property.

While MacGregor says the group is working well with most properties identified and being managed, the working party also has to manage the "people challenges" associated with shared buildings.

"We recently had an elderly customer who considered her unit was quite liveable and she did not want to move out and said we could get on with [the repairs] when she died. There are also other unit holders there who are critically dependent on each other," he says.

### Looking to the future

As the rebuild and recovery moves on, the industry is optimistic about the future of Canterbury and the opportunities for the sector as Christchurch city forms its new identity.

Simpson says EQC plans to close the Canterbury Home Repair Programme project office at the end of April leaving a small team to handle the residual 3500 homes that are yet to be scoped. 2015 will also see a focus on the resolution of complex land claims – those now deemed at risk of flooding – with a goal of settling most of those by the end of the year.

There is also a parallel project investigating the future of EQC and the type of organisation that is needed to respond to the next big event. "We are assuming we will remain the first loss insurer and that is a relatively safe assumption," Simpson says.

> " In five or 10 years' time Christchurch will be a more vibrant city than it was before the earthquakes

**Personal stories**

**David Gibbons, Crombie Lockwood Christchurch branch manager**

**What was your work experience in the weeks immediately following the February 2011 earthquakes?**
Manic! Within 24 hours of the 22 February 2011 earthquake, which destroyed our building, we had secured new premises and were fully operational and focused on providing earthquake claims management services to our clients. Our initial focus was on providing advice to clients regarding loss management and mitigation and developing a reliable and efficient claims notification process to insurers. The early establishment of a workable claims management system, which captured relevant information and enabled regular and timely reporting and detailed the status of each claim, was critical.

**How does that compare to now, four years after the event?**
It hardly seems believable that more than four years have passed since the initial earthquake in September 2010. We continue to be appointed by clients seeking advocacy in respect of unresolved earthquake claims and are very proud of the reputation we have earned in support of our clients.
The insurance industry as a whole has learnt that claims are the shop window by which clients judge the value of service provided.
In most situations collaboration between clients, brokers, loss adjusters and insurers has resulted in optimised claims outcomes being achieved and for this the industry can justifiably feel proud.

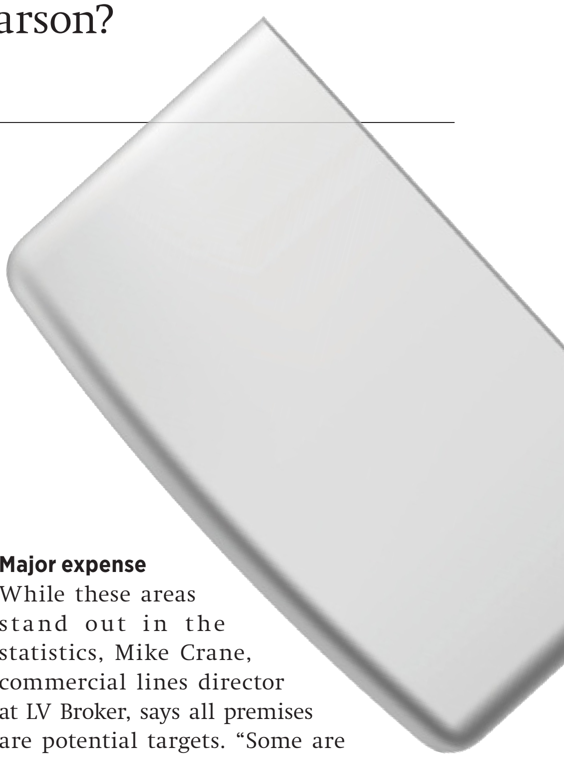
Cunningham Lindsey considers the future is bright for loss adjusters, with more contract work and liability claims following the earthquakes. "In five or 10 years' time Christchurch will be a more vibrant city than it was before the earthquakes and there will be a commercial centre that will attract insurance and claims," Walker says.

More than anything, it is apparent the industry is proud of the work it continues to do in Christchurch and wants others to learn from the challenges it has faced in handling a natural disaster on the scale of the Canterbury event. Rose says: "The test will be in 10 years' time, people looking back – the community looking back – and saying, 'Wow, what a performance in extremely complicated circumstances'." ■

Arson

# NO SMOKE WITHOUT FIRE

While fire risk has dropped considerably over the past decade, almost half the £1bn paid out in fire claims each year is as a result of deliberate acts. So what can be done to reduce the losses caused by arson?



**By Sam Barrett**

A 64% reduction in fires over the last 10 years means arson is no longer the insurance industry's hottest topic. However, with deliberate fires accounting for around 46% of the annual £1bn paid out each year for fire claims, many are arguing it should be more of a burning issue for insurers.

A variety of factors have helped reduce fire risk. These include education campaigns such as the government's Fire Kills, the distribution of smoke detectors and changes in regulation to make furniture more fire-resistant, more fire-resilient new builds and the banning of smoking in many properties.

"There has been a lot done by the fire service on the education front," says Jonathan Salter, director of global consulting at RSA. "This has really helped reduce the number of fires, especially on the domestic side."

### Arson targets

While this may have lowered the amount of fires, a significant number of deliberate fires still take place. For example, the government's Fire Statistics Monitor shows that although there's been a 76% reduction in deliberate fires since 2003/04, there were still 77,500 incidents in 2013/14 – with 64 fatalities.

Although domestic properties are not immune to arson, the commercial and public sectors tend to suffer particularly large losses as a result of these attacks, and some types of business come under attack more than others. Figures from the Fire Protection Association for the five-year period to 2012 show the retail sector suffered the highest number of deliberate fires – 59 – over this time, with an average cost of £833,102 per incident.

Douglas Barnett, head of customer risk management at Axa, isn't overly surprised. "Small shops are always targeted," he says. "There can often be a secluded area at the back of the premises and with police cutbacks leading to fewer patrols, an arsonist is unlikely to be discovered. On top of this, the shift from weekly to two-weekly waste collection and the push for more recycling means there can be plenty of combustibles around."

Medical facilities also stand out in the FPA statistics. Unlike the retail sector, there are relatively few attacks, with just five taking place over the reporting period – but they have the highest average cost at £2,122,000.

> "The fire service takes a much more defensive approach to fighting fires. If life isn't at risk it won't put its firefighters' lives on the line to fight a property fire

### Major expense

While these areas stand out in the statistics, Mike Crane, commercial lines director at LV Broker, says all premises are potential targets. "Some are particularly vulnerable such as schools, unoccupied buildings, places of worship, abattoirs and animal research establishments," he adds. "Arson-related claims have been increasing in frequency and, over the last three years, LV has seen average claims costs increase too."

Claims for arson also tend to be more expensive than for an accidental fire. This is partly because most attacks tend to happen at night – out of sight and often with additional fuel to accelerate the spread of the fire – so a greater amount of damage can occur. For example, Catherine Dixon, head of property and casualty at Allianz, says the average arson claim is about 50% more expensive than a non-arson fire claim.

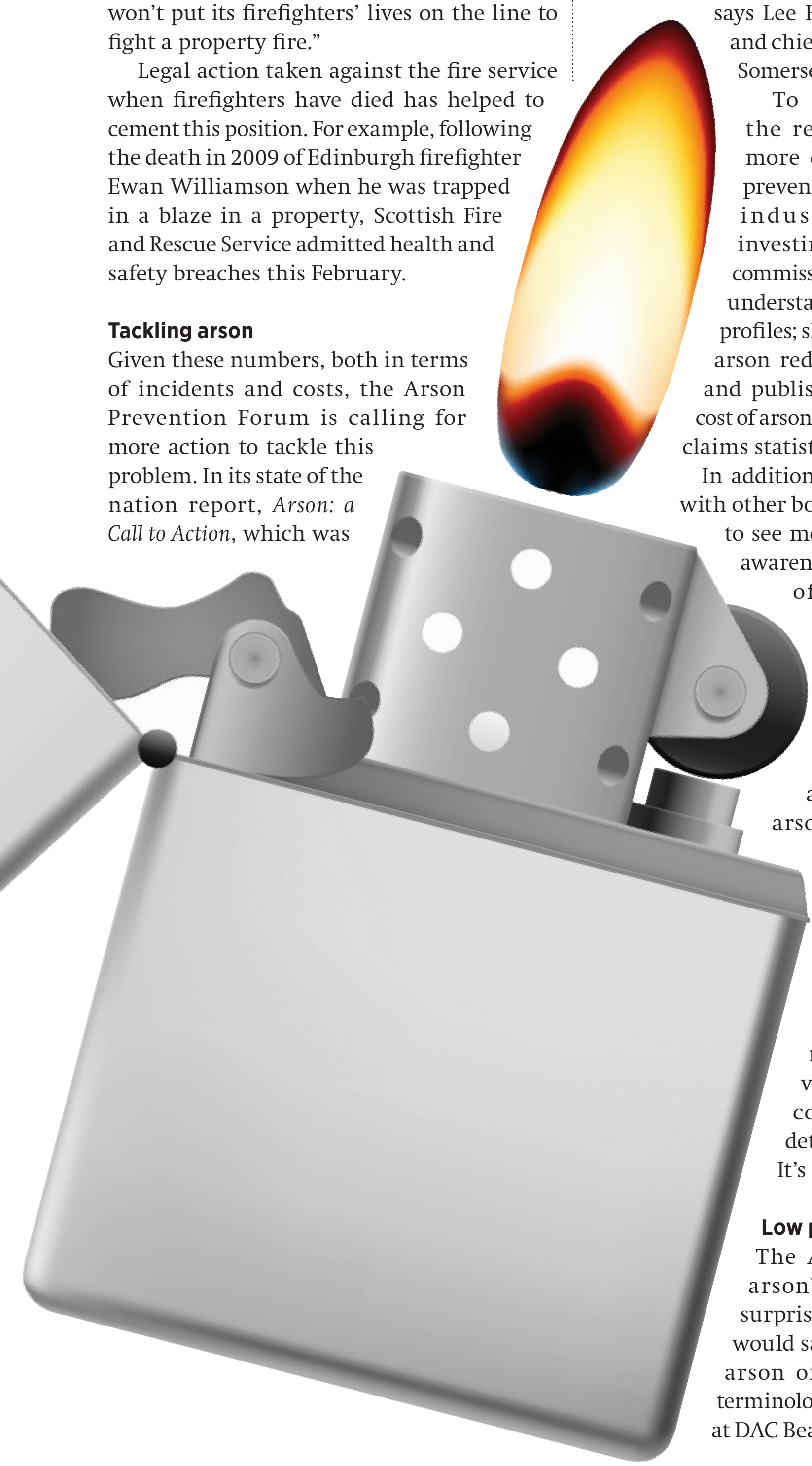
**How can insurers work better to tackle the arson issue?**
www.postonline.co.uk/tag/fire

The way the fire service deals with the situation can also help increase the size of losses. Professor Jim Lydgate, chairman and principal investigator at IFIC Forensics, explains: "The fire service takes a much more defensive approach to fighting fires. If life isn't at risk it won't put its firefighters' lives on the line to fight a property fire."

Legal action taken against the fire service when firefighters have died has helped to cement this position. For example, following the death in 2009 of Edinburgh firefighter Ewan Williamson when he was trapped in a blaze in a property, Scottish Fire and Rescue Service admitted health and safety breaches this February.

### Tackling arson

Given these numbers, both in terms of incidents and costs, the Arson Prevention Forum is calling for more action to tackle this problem. In its state of the nation report, *Arson: a Call to Action*, which was published last September, it called on the insurance industry to play a leading role in arson reduction interventions. "Insurers are losing a lot of money as a result of arson but, although people are saying the right things, we're not really seeing enough activity," says Lee Howell, APF chairman and chief fire officer at Devon & Somerset Fire & Rescue Service.



To turn this around, the report recommends a more directed approach to prevention. For the insurance industry this includes investing in prevention and commissioning research to better understand the risks and victim profiles; sharing good practice on arson reduction arrangements; and publishing statistics on the cost of arson separately from the fire claims statistics.

In addition, and in collaboration with other bodies, it would also like to see more work done to raise awareness of the consequences of arson. This could highlight the fact that arson attacks will be investigated and perpetrators will receive prison sentences and that anyone committing arson for financial gain could find themselves facing charges for insurance fraud.

"We're not asking for a huge investment to fund initiatives," adds Howell. "What's required is greater visibility of the consequences to help deter potential arsonists. It's more subtle."

> "A face-to-face inspection is the ideal way to communicate these prevention strategies. A shop owner isn't necessarily going to read an email you send them on arson prevention

### Low profile

The APF's concern about arson's low profile is not surprising. Although no one would say it wasn't important, arson often gets lost in the terminology. Nick Young, partner at DAC Beachcroft and a member of the APF, explains: "The word 'arson' isn't actually used when an attack is recorded, which helps it stay below the radar."

For example, Fire and Rescue Service statistics record fires as primary for buildings, vehicles and outdoor structures, and secondary for everything else, with the cause detailed as either accidental, deliberate or unknown.

It's also hidden in the police statistics, where arson is recorded as an offence of 'destroying or damaging property' under section one of the Criminal Damage Act 1971. Similarly, Home Office statistics lump incidents of criminal damage and arson together. Even the insurance industry keeps it general, using the umbrella term 'fire claims'.

Recent claims patterns could also be behind some of the complacency. While tough economic times often result in a spike in fire claims, there was little evidence of this in the recent recession. "We've always suffered more arson claims when there's a downturn in the economy as a result of business owners torching their own premises for the insurance pay-out, employees with a grudge taking it out on their employers or because there are more unoccupied buildings," says Dixon. "This time, although we were waiting for it, it didn't come through."

### Insurer response

But while the APF is calling for more collaboration to ensure tackling arson is given more attention, the insurance industry points out there are already a number of examples of insurers working together. For example many support research scheme RISC Authority, which develops and

▶ 34

◀ 33 promotes best practice to protect against loss.

Among its work in this area is the publication *RC48 – Arson Prevention*, which can be downloaded free from its website. “This details some key recommendations for businesses to protect against arson as well as including a useful checklist,” explains Cathy Taylor, head of commercial underwriting and operations at Ageas.

As well as material produced collaboratively, insurers also point to the work they do individually to help reduce the number of arson claims. “Arson is a big problem but the work we’ve done to tackle it has helped to reduce the level of claims we receive,” says Salter.

A variety of claims reduction strategies are in evidence. At Axa, arson is an important consideration in the surveys it runs with commercial customers. “We always do an arson assessment when we undertake a survey as there are lots of practical things a business can do to reduce the risk,” says Barnett. “A face-to-face inspection is the ideal way to communicate these prevention strategies. A shop owner isn’t necessarily going to read an email you send them on arson prevention.”

**Risk management**

Many of the steps businesses can take are common sense and will also help reduce the risk of losses from other events such as theft or vandalism. Risk control measures can include ensuring adequate security and lighting, removing combustible yard storage and waste, securing wheelie bins and installing fire detection and suppression devices such as CCTV, smoke detectors and sprinklers.

There are also incentives for putting these measures in place. Although insurers don’t tend to reward policyholders explicitly for improvements in arson risk, those who

> “We look for quality indicators when we underwrite a risk. These help to reduce the risk of a variety of claims including arson and will be priced accordingly

take the right steps will see savings. Dixon explains the approach at Allianz. “We look for quality indicators when we underwrite a risk. These help to reduce the risk of a variety of claims; including arson, and will be priced accordingly.”

Patterns can also help when dealing with arson risk. At RSA, every commercial client’s sites are benchmarked, taking into account the arson risk for the location and other relevant factors. This can then be analysed through its risk engineering database to help it identify sites at the highest risk. “Benchmarking sites in this way enables us to focus on the highest risk properties so the business owner can take appropriate steps to reduce the risk,” explains Salter.

As the risk of arson increases in unoccupied premises, insurers have also developed services to provide additional protection where a building becomes vacant. Axa offers its clients a service through a third party to provide a weekly inspection of any vacant properties. Barnett explains: “Many insurers will only specify the client checks an empty property once every four weeks but we found that, by having this service, there was a massive reduction in claims for arson and also metal theft.”

Clients pay for the inspection service, but in return Axa maintains the standard rate and level of cover. Barnett adds that he’s seen interest in the service from large corporates through to SMEs.

**Dealing with fraud**

As well as working with policyholders to prevent arson, insurers also focus on detecting fraudulent claims. “We’ll investigate any fire that looks suspicious,” explains Jeff Hosking, head of major damage claims at RSA. “Within the first couple of weeks we’ll look at the nature of the fire and how it was started but also other details such as the business accounts, to see whether it could have been the owner. We want the message to be out there that if someone sets fire to their own premises, we’ll catch them.”

To support this deterrent, insurers have also successfully prosecuted policyholders who have made fraudulent fire claims. As an example Dixon says that following suspicions about a very large arson loss in 2012, the insurer worked with police to gather evidence to secure the policyholder’s conviction. “By looking at when alarms were set and mobile phone data we were able to show he was at the premises when the fire was set,” she says. “He received a six year prison sentence but it was also good from a claims cost perspective as there was an estimate of a couple of million pounds on the loss.”

But, while insurers are proud of their strategies for tackling arson, with so much money still going up in smoke, a more coordinated response could certainly deliver bigger savings. “You just have to look at the cost of arson and the number of deaths,” says Howell. “More needs to be done.” ■

**Number crunching**

**170,000**
Number of fires attended by fire and rescue authorities in England in 2013/14
(Fire Statistics Monitor, Department for Communities and Local Government)

**77,500**
Number of deliberate fires attended by fire and rescue authorities in England in 2013/14
(Fire Statistics Monitor, DCLG)

**76%**
Reduction in number of deliberate fires between 2003/04 and 2013/14
(Fire Statistics Monitor, DCLG)

**£1.7bn**
The economic cost of arson
(The Economic Cost of Fires, estimates for 2008, DCLG)

**£1bn**
Fire-related claims paid each year
(Association of British Insurers)

**64**
Deliberate fire deaths
(Fire Statistics Monitor, DCLG)

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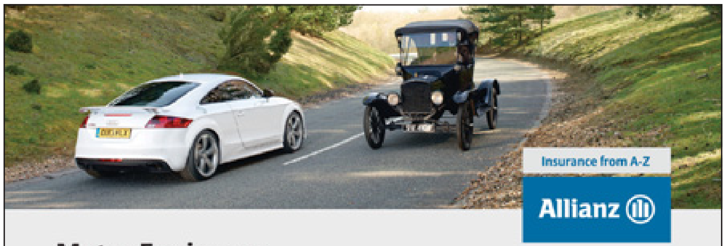


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## On the Soapbox




# Interconnecting technology that already exists

**Today people are using their phones as keys, ordering food shopping via their fridge and gaming with others all over the world via their Xboxes. Kevin Gaut asks what the future will hold.**

Connecting electronic devices is becoming more commonplace, but is having a device that can detect leaks, burglaries and power outages at our homes — and even notify us of these risks before they happen — beyond the realms of possibility?

When renewing your house insurance, you are asked if your home is occupied during the day. You think 'What a ridiculous question, why should that affect my policy?'. However, when Bill Gates had his house built years ago he had everyone in the house wearing electronic passes so the house knew who was allowed into which room.

Could this same level of information be possible without motion sensors? Could your alarm system tell your insurance company that your house isn't occupied during the day using smart technology? Take a look at iSmartAlarm, Piper or Canary — products that are already doing this. Could this information then be used to inform insurance premiums?

These solutions all live within their own eco-system. The next stage will be joining these different eco-systems to create new services. What about the house that won't let you in unless it knows you, or shuts off the water when there is a slight change in humidity, or notifies you if you go out and have left a window unlocked — all valuable information for the innovative insurer who would be able to reduce claims with the identification of potential flood hazards or burglaries. It would also offer improved security for the customer, encouraging them to remain low-risk for the long term.

Obviously, this could all get a bit 'Big Brother'. Who owns this data and what can they use it for? A recent report estimated 1.5 million people in the US are being tracked by the government. With this technology it might be easier to track everyone, which is scary — especially as all I wanted was to make my house more secure.

However, the technology to enable the concept already exists; we just need to ensure it creates the services we want, while ensuring it doesn't create a society we don't.

**Kevin Gaut**
Chief technology officer, SSP

# First impressions of the insurance world

**Let me introduce myself – I'm James Verrinder and am the new senior reporter on Post.**

I've worked in B2B publishing for around 17 years, over which time I've worked at publications covering sectors ranging from construction cranes (twice), hospital buildings and most recently recycling. I also had some time as programme editor of my beloved Crystal Palace football club.

And now I'm covering the insurance market.

My first impression is how friendly the people are. I've been amazed at how easy it has been to get key people to speak to me, either over the phone or in person.

In my work on other sectors I had to try and break through a wall of PR people before getting anywhere near someone in a position of authority, but insurance has proved different. Everyone I've spoken to has been very understanding about the fact that I'm completely new to the sector. It has been easy to get time with the people who matter, and those people have been happy to speak to the trade press.

This sort of close relationship between an industry and its specialist press can only be a good thing for all involved, and from my early days here at *Post*, I can tell the team here will strive to give the insurance sector a voice when it needs it and never shy away from the issues that need closer scrutiny.

I must confess that I had not realised insurance was such a vibrant sector before joining *Post*, but I am now aware it is, with the upcoming election being the largest vessel for future changes. It will be interesting to see how whoever gets the keys to 10 Downing Street treats the insurance sector.

I was at one of our events recently and heard Jonathan Evans MP tell the audience that under the previous government, insurers were simply bundled under the financial services umbrella with bankers. In past years I have been guilty of that mistake too — but I am learning on a daily basis that the reality is far from that.

For those of you that I've met, I hope that we will have a long and fruitful relationship together, and for those that I haven't — I look forward to us crossing paths.

**James Verrinder**
Senior reporter, *Post*

# MARKET MOVES

## Insurers

### Covéa

**Steph Butler** has been appointed field underwriter at Covéa, where she will boost the firm's southern regional presence. Her role will focus on delivering underwriting solutions for small and mid-sized businesses with the aim of supporting profitable growth of the company's commercial account. Butler recently completed a secondment as business development manager in the Reading office and can be contacted at stephanie.butler@coveainsurance.co.uk.

### Dual Group

Dual Group has hired **Talbir Bains** as global chief underwriting officer with responsibility for management of capital and carrier relations and maintaining underwriting control and governance. Prior to joining Dual, Bains worked in a number of senior roles during 13 years at QBE European Operations, most recently as director of motor and business performance (retail).

Dean Harrison

Pauline Brookes

Sarah Rawson

Steph Butler

Vandna Batchelor

### Zurich

**David Brown** has been promoted to head of broker market for Scotland at Zurich. Brown joined the insurer from NFU Mutual in February 2014 as a trading manager in Glasgow, and will now take responsibility for leading Zurich's business in Scotland.

## Brokers

### Bollington

Bollington Insurance Brokers has made a trio of appointments to its motor trade team. First, **Pauline Brookes** joins as commercial development manager, heading up the motor trade combined sales team. She is joined by former FM Green account managers **Gary Cotterell** and **Adrian Bridges**, who rejoin Bollington after six years at Ernest R Shaw. Brookes, who brings more than 16 years' experience in motor trade insurance, also arrives from Ernest R Shaw, where she was new business and servicing director for more than a decade.

## Service providers

### Triton Global

Triton Global has hired **Vandna Batchelor** as head of Triton Audit UK. Batchelor joins from Brit where she was delegated authorities audit manager. She is an audit and compliance specialist and brings more than 10 years of experience to the role. Batchelor will lead Triton Audit UK and work closely with her colleagues in Asia, Australia, the US and the recently opened Toronto office.

## Consultants

### Towers Watson

Towers Watson has promoted **Eric Speer** to lead its risk and financial services business segment, effective 1 July. Speer will also serve on the company's management committee. He replaces **Tricia Guinn**, who will retire on 30 June. Speer began his 25-year tenure with Towers Watson as a strategy and organisation consultant, focused on insurance and financial services clients. The firm has appointed **Michael Murphy** to succeed Speer as global leader of the risk consulting and software business.

## Loss Adjusters

### Core Claims

**Nathan Humphries** has joined Core Claims Loss Adjusters to assist in their crown property damage

## Career file

### Phil Zeidler

**Zeidler named Simply Business chairman**

Simply Business has appointed **Phil Zeidler** as chairman of the board. The role will allow him to support the management team in developing Simply Business's direct and partnership propositions as the business continues its expansion.

With more than 20 years' experience in the insurance services industry, Zeidler has set up three business in the general insurance sector, the last of which, Junction, became the largest partnership broker in the UK. In addition, as a board director of BGL Group, he was involved in industry disruptor Compare the Market.

Jason Stockwood, CEO of Simply Business, said: "Phil's wealth of experience in the insurance industry, along with his entrepreneurial expertise, will be an invaluable asset for Simply Business as we embark on the next chapter of the company. Simply Business launched ten years ago and we have always strived to constantly improve and evolve our offering to provide the best possible service to our customers. We are excited about the great impact Phil will have and look forward to his involvement in driving the company forwards."

Zeidler added: "I am delighted to join Simply Business and play a leading role in the development of such an innovative and ambitious company. The recent awards are testimony to the great work of the team, and I look forward to contributing to the company's ongoing success."

department. Humphries previously worked for Connect Plus, the maintenance provider for the M25 motorway, where he performed the role of maintenance supervisor. He brings his insider knowledge and expertise in relation to highway claims.

### MI Adjusting

**Sarah Rawson**, MI Adjusting's in-house solicitor, has been promoted to technical director. Her responsibilities extend to the company's continuing strategic growth in the area of product development and service delivery. Meanwhile, **Dean Harrison** has been promoted to director (North). His divisional responsibilities now extend to all aspects of performance and complex loss and will include mentoring and training of MI's liability team and graduate development . They can be contacted at sarah.rawson@miadjusting.com and dean.harrison@miadjusting.com.

Career Development


## Trainees prepare for insurance career

Autonet Insurance launched its first 18-week traineeship program recently, which will see 11 trainees aged 16 to 24 prepare for their future careers.

The program provides career opportunities in all aspects of the insurance industry alongside workplace training, key skills development and recognised maths and English qualifications. Upon successful completion the trainees will be offered an apprenticeship at Autonet Insurance and, if they choose, a permanent career within the company.

The traineeship, which has been funded by the government, is being provided and delivered by the learning and development team and will provide the essential work preparation, training and work experience needed to help the trainees' progression to an apprenticeship or sustainable job.

Upon completion of the traineeship program, all applicants will be given the opportunity to be interviewed for a 12-month apprenticeship. Once the trainees have successfully completed their apprenticeship in their chosen area, they will then be given the opportunity to progress through Autonet's grading structure and become a permanent member of the team.

Ian Donaldson, managing director at Autonet, said: "We are delighted to partner with Babington Business College and provide young people in the local area with a promising career in the insurance industry. Unlike other programs, our traineeship offers individuals the opportunity to progress onto the apprenticeship and gain a permanent role. Trainees do not need prior experience or qualifications — we provide those, all we ask for is passion and determination to want to progress."

One of the trainees, Daniel Ashman, said: "The reason I wanted to start the traineeship is to learn new skills to enable me to develop a career. I know sometimes in life you have ups and downs but you have to believe in yourself and show people what you are made of."

# Postscript

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## Penny Black's Social World

### Fresh from Facebook

*Post's* Digital Insurance Strategies conference, which took place at the Grange City Hotel on Tuesday March 10, saw three teams take part in a hackathon to develop a prototype for a new insurance app. Ninety Create, Markel and RSA all entered teams to win the coveted crown, pictured, but it was RSA's Groups app, a kind of friends and family insurance pool approach, which came out on top.

### The Big Picture

Staff at Direct Line Group in Bromley gave up their Friday night to take pledge calls for Red Nose Day 2015.

More than 500 employees volunteered at seven Direct Line Group call centres across the UK, including Ipswich, Bristol, Birmingham, Leeds, Glasgow and Doncaster.

Claire Foster, PR manager and member of the community & social committee, said "Once again, this is a great example of how Direct Line Group colleagues support charities up and down the country.

"Throughout the week we raised money through cake sales, car washes, fancy dress, sponsored silences, make your face funny for money and raffles. A huge thank you to everyone who donated or volunteered their time to make a difference for this worthy cause."

### The Big Debate

*Post* published the first installment of results from its Insurance Census this week which looked at gender diversity in the industry. The census had some interesting findings including that the average wage for men working in general insurance is 34.7% higher than for women. Do you think the general insurance industry is improving in its approach to gender diversity? What is at the top of your wishlist for the industry to address?
*Katie Marriner, reporter, Post*
Have your say at *bit.ly/PostLinkedIn*

### Penny Black's Insurance Week


**Technology is not Penny's forte.** 'The Cloud' is something she gazes up at while out for bracing walks at acquaintances' country piles, and **'cookies' is a ghastly Americanism of Penny's most favoured of snacks**. However, she was pleasantly surprised when she attended the Hackathon at ***Post*'s Digital Insurance Strategies conference**. Penny found herself getting rather caught up in the competitive spirit as **RSA, Ninety Create and Markel** battled it out to be crowned Hackathon winners, with some of the teams forgoing the culinary delights on offer at lunch, declaring **'food is for wimps!'**,while others displayed **their best fighting talk** for the *Post* camera. Revelling in the nail-biting atmosphere in the main hall before the winner was declared, Penny had a whale of a time learning about **Markel's 'insurance concierge' Alfred** (she wonders if she could get one to supplement her modest household team), **Ninety Create's one-stop insurance shop** and **RSA's peer-to-peer Groups app**. All worthy of a crown, but Penny was pleased to see **RSA's innovative offering pip its competitors to the post** – even if she feels **the winners' crown would have been better suited to someone like herself...**

**twitter.com/PennyBlackPost**

### Tweet of the Week


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