

# EVOLUTION NOT REVOLUTION

As part of this year's European Risk Frontiers survey, ADRIAN LADBURY interviewed Richard Taylor of project co-sponsor HDI Global. He believes no one should be looking for big bang-style changes to the insurance market but rather, constantly improved processes, service and delivery

► [LONDON]—IT IS JUST AS DIFFICULT TO GENERALISE about the UK corporate insurance market as it is the rest of the European sector, according to Richard Taylor, managing director of HDI Global in the UK and Ireland. However, given the continued high level of market capacity, insurers that offer superior service will be the winners, he added.

Mr Taylor said the insurance market has been stable in recent times and margins are still available for those insurers that have the right people and skills to underwrite business professionally.

The continued low interest rate environment means capital will not exit the industry for the foreseeable future and it will remain a tight-margin market. This means insurers such as HDI Global need to really focus on

individual client needs, explained Mr Taylor.

"In the past, you may have seen rate changes of 3%-5% a year across the board but rate changes are now much more localised to the client. We are seeing more differentiated pricing, which is good in some senses but at the same time does go against the fundamental idea of pooling of risks," said Mr Taylor.

Mr Taylor said the market "tipping point" will come when overall insurer results fall below the return from risk-free financial markets plus an appropriate risk margin that takes into consideration the volatility of the insurance business. "Why would you invest in the insurance market if this happened? But with interest rates so low, this is unlikely to be the case," he said.

## SERVICE FIRST

The response from insurers requires tight controls on manageable costs and process efficiencies. They must also employ the right people and retain the best business. Retaining that business is all about gathering and analysing the right data. Above all, service has to be right.

"You can win on service and, to be fair, clients are not being greedy in this respect. They just want a decent service. They just want their insurers and brokers to do what they say they are going to do," explained Mr Taylor.

One can justifiably ask why insurers and brokers sometimes struggle to deliver basic services, such as producing

contracts on time and paying valid claims in a reasonable timeframe.

Mr Taylor said part of the problem for the insurance sector is it is going through a period of transformation, led by technology.

"In the old days it was business-led technology and now it is shifting to consumer-led technology. This is relatively simple in the consumer insurance market but more challenging in the corporate insurance market. The speed of change has picked up and in the past, the insurance industry did not have to deal with such speed," he said.

"The insurance sector still gets a bad press but, at the same time, pays big claims year on year – and we are paying them willingly. Some 99% of valid claims are paid in a reasonable timeframe. We are not trying to wriggle out of claims. Customers have to accept that sometimes with large and complex claims, you cannot just hand over the cheque," explained Mr Taylor.

Innovation, or rather the lack of it, remained a common topic of discussion during our annual European Risk Frontiers survey.

Mr Taylor appreciates risk manager concerns but stressed that this debate can sometimes become oversimplified.

"You have to define innovation really. Is this about truly new products or enhancements to service, process and delivery? I would argue the latter. Most things have already been invented and done before, so it really is about making things more efficient," he said.

## TEAMWORK, FLEXIBILITY & COMMUNICATION CRITICAL TO GLOBAL PROGRAMMES

Bob Finch, CEO,  
AFL Insurance Brokers



► [LONDON]—THE CREATION of an efficient and cost-effective global programme requires teamwork and flexibility on the part of customer, broker and insurer, according to Bob Finch, CEO of AFL Insurance Brokers, the UK partner within the Worldwide Broker Network that co-sponsors this year's European Risk Frontiers survey.

Mr Finch also said it is critical that risk managers and their bosses fully understand the cost of compliance for global programmes. Brokers need to truly understand their customers' businesses and risk profiles, and be equipped to respond in an agile and professional manner, he added.

"International insurance programmes require a high level of coordination between client,

broker and insurer; and a clear understanding, from the outset, of expectations involved," Mr Finch told *Commercial Risk Europe*.

"Each party plays a crucial role in the success of the programme, and a comprehensive service level agreement recognising that fact should be agreed – supported by a rigorous performance oversight and appraisal system," he added.

Mr Finch said risk managers need to be flexible when they consider the dynamics of their insurance programme and its intent.

They must, for example, recognise that to achieve full compliance they may have to compromise on matters such as local insurer security or overall cost.

Mr Finch said this insight allows for a more meaningful dialogue when considering programme design.

"The broker's role is empowering the risk manager and the client to best achieve their goals. They must have an intimate grasp of the sophistication and maturity of their client's risk profile and risk appetite, and how much control they want in the process," he continued.

## FACETIME

"Ideally, they would then have the agility to deliver a relevant service. At AFL we feel the importance of travelling overseas to meet with our global clients should not be underestimated," he added.

Mr Finch said that, on a day-to-day basis, the broker is responsible for efficiently coordinating the movement of funds and claims handling, as well as general data and document administration. To succeed here it is imperative that any local brokers involved are carefully selected and have clear instructions, he added.

This is where the power of the network comes in, according to Mr Finch.

"It is essential to have an underlying trust in [your] competence and ability to meet service expectations. To address this issue, many brokers choose to participate in networks. AFL, for example, is a member of Worldwide Broker Network, the largest global network of independent brokers, which serves as a powerful and reliable infrastructure when tackling international requirements," he explained.

Mr Finch added that the broker must ensure the programme it places is client-led rather than insurer-led, limits are appropriate and tax implications of any local policies are managed.

It is equally important for broking partners and insurers to be professional and accountable. They must work together to allow the timely and accurate feedback of information to their client.

"We look to insurers to embrace technological advances to improve their distribution models and claims-handling systems, and to allow real-time communication with clients and brokers," explained Mr Finch.

This should mean global programmes are more readily accessible in terms of speed and cost, opening up international insurance possibilities to a "new breed" of middle-market buyers, he added.

"A global programme should evolve year on year, in line with experience and corporate strategy. It is crucial for the risk manager to work with risk partners proven and capable of bringing new thought to emerging risks and tackling tomorrow's challenges today," concluded Mr Finch.