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## Insurance market and management: back to basics

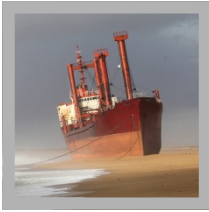


In collaboration with



and



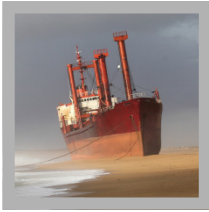


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# Introduction

- Objective
  - ◆ Evolution of the insurance market
  - ◆ Risk manager's expectations
  - ◆ Extend to which insurance supports overall risk management

\* *Earnings Before Interest, Taxes, Depreciation, and Amortisation*



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# A long term solution for a long term problem

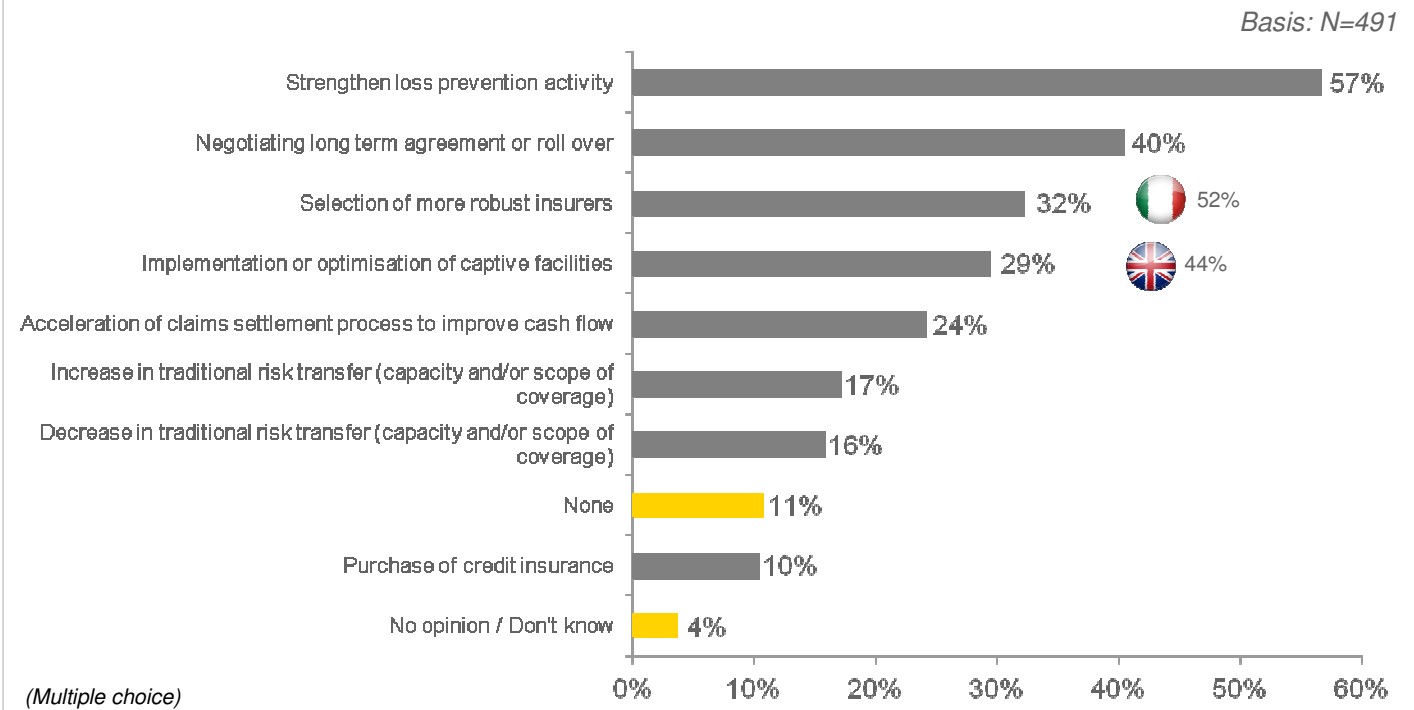
Which of the following changes to your insurance programme will you consider as a result of the current financial and economic climate?

In the current economic climate:

Majority of respondents are planning to strengthen their loss prevention activity rather than increasing their use of insurance.

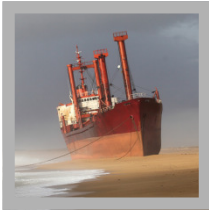
Long term agreement or roll over is favoured by 40% of insureds.

Captive facilities seen as an efficient use of capital.



Risk Managers are taking a more long term view of the financial crisis.

Level of action has increased: very few will do nothing.



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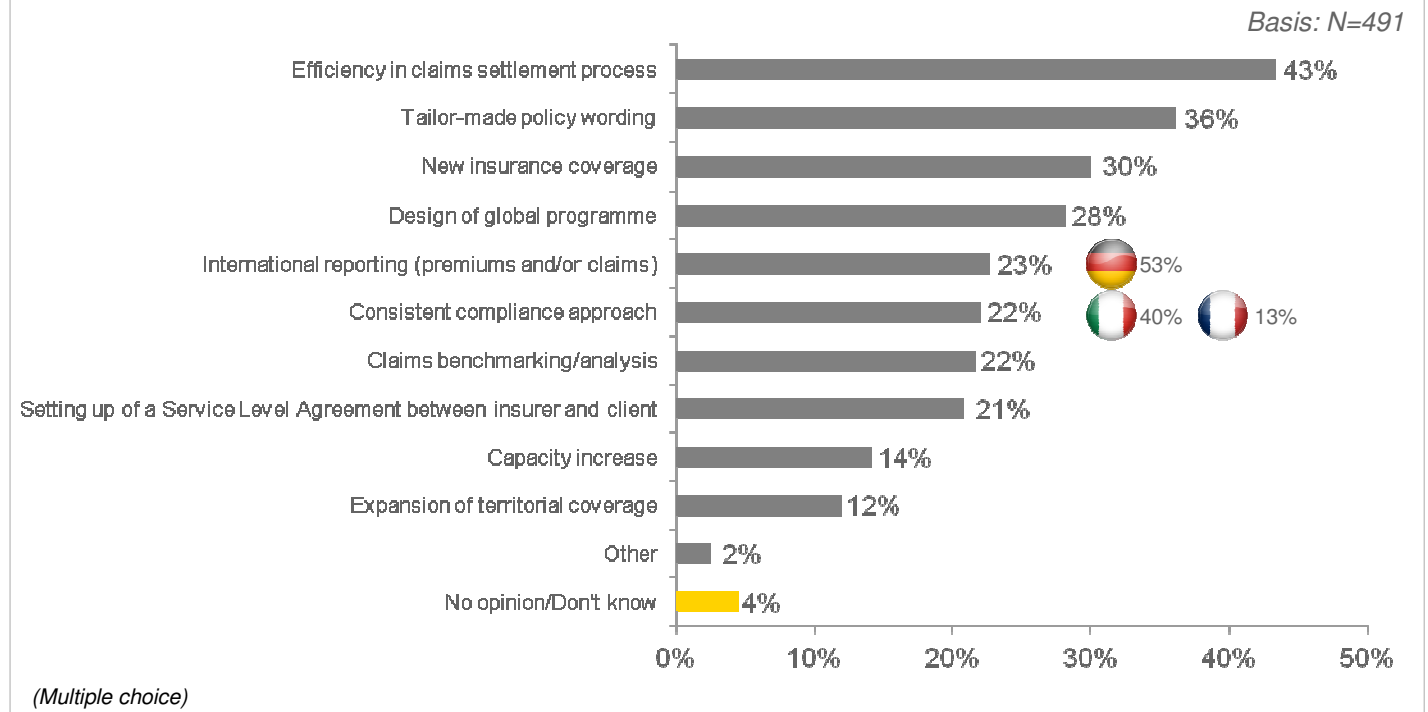
# Improve efficiency but don't forget innovation

Which of the following areas should insurers prioritise for improvement?

43% of respondents are demanding improved efficiency in claims settlement process (not only to generate cash but to preserve market share/brand reputation).

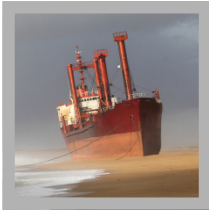
Insurers are also reminded not to forget innovation: strong expectations regarding tailor-made policy wording and new insurance coverage .

Capacity and geographical breadth not seen as an issue.



The top answer reminds us the ultimate purpose of Insurance: claims settlement.

More than ever insureds need to be efficiently supported in times of crisis following a claim.



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# Knowledge is key for both insurers and clients

Is the risk properly identified/mapped?  
Is the risk adequately insured?

Brand reputation and cyber: the least mapped/identified and least insured risks.

Main hurdles to availability of coverage: increased complexity of risks

→ inadequate information.

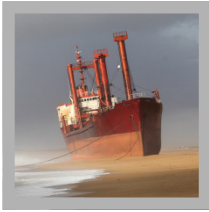
Varying results across Europe:  
Cyber risks: adequately insured for 50% of Italian vs 6% of German respondents.

Environmental coverage: adequately insured for 94% of German vs 47% of English respondents.

63% believe that brand reputation is not properly insured: but can brand reputation ever be fully insurable?



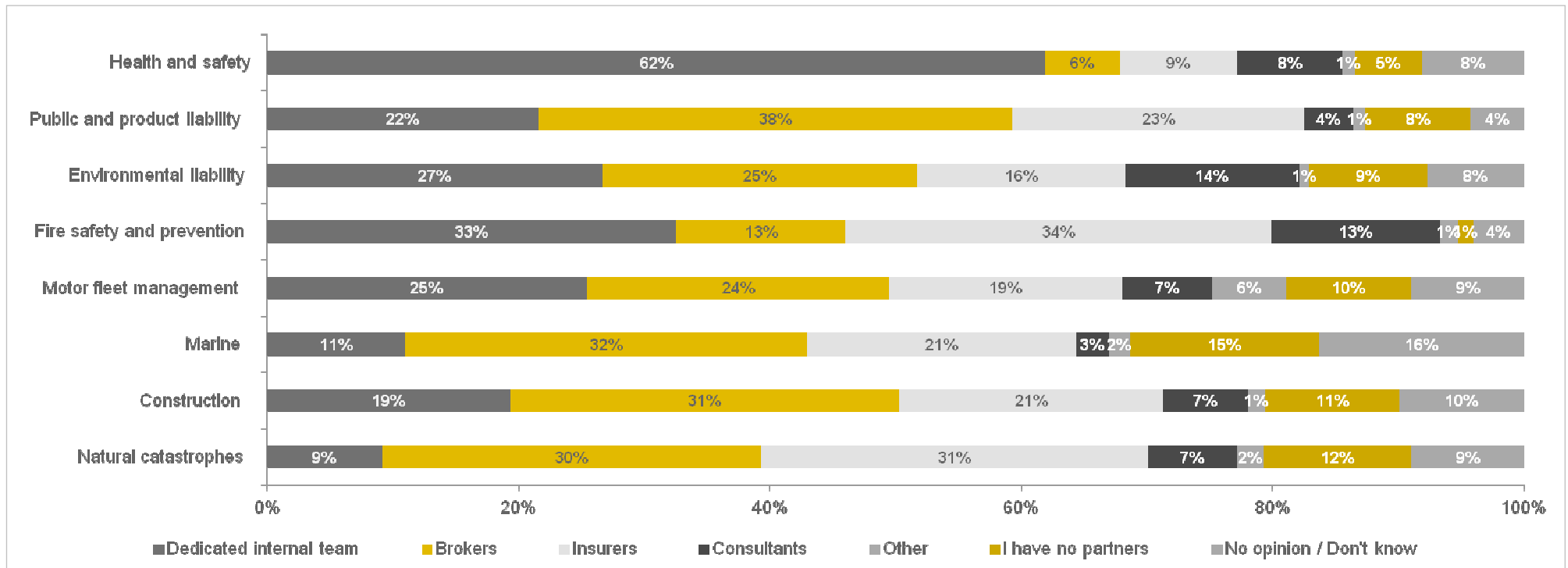
A risk which is adequately identified/mapped doesn't mean that it is adequately insured: the Risk Manager has either made an informed « cost/benefit » decision or the coverage is not available.



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# A squeeze on consultants

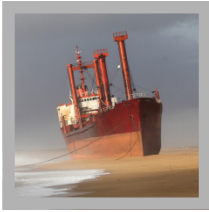
Who is your preferred partner in respect of the following risk engineering services?



More services are carried out in-house, at the expense of external consultants.

Results still in line with historic trends despite increasing focus on loss prevention by Risk Managers.

A surprising number of respondents have no risk engineering partners.



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# 1 in 4 not sufficiently informed

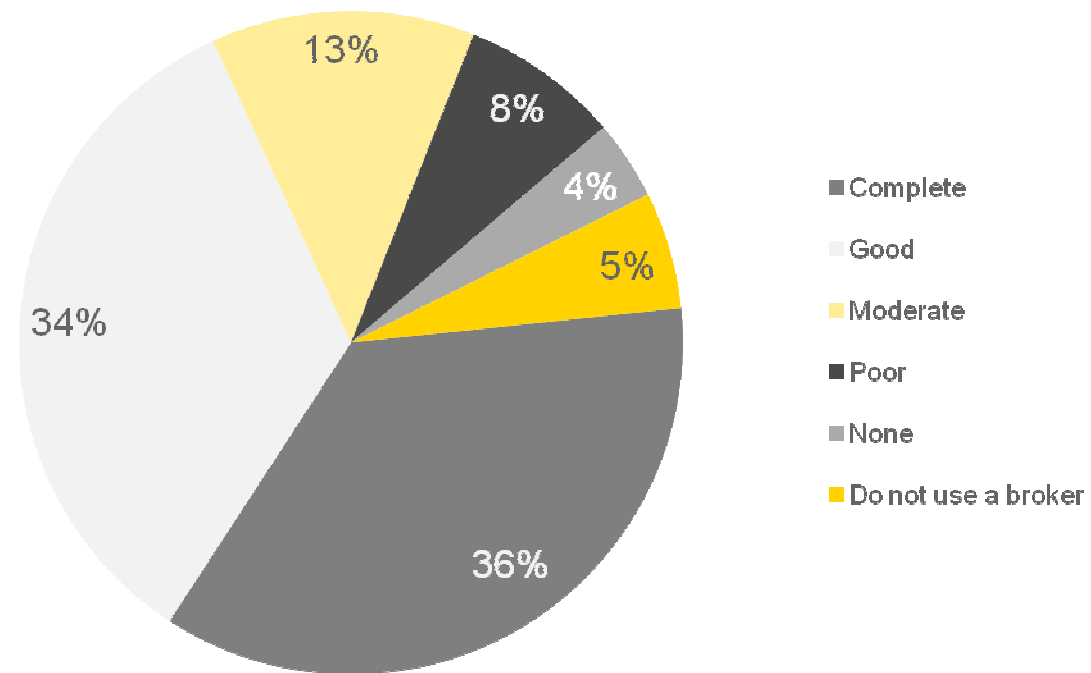
How extensive is your knowledge of the total remuneration your broker receives (from all parties) in relation to the business you transact with them?

Majority of respondents remain fairly knowledgeable regarding broker remuneration.

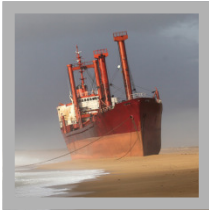
However almost one quarter of all respondents have inadequate knowledge, an increase of 6% vs. 2010.

UK more satisfied with their level of knowledge (82% vs. 70%).

6% of respondents do not use a broker.



Assuming that 100% transparency in the level of broker's remuneration should be the aim of the industry, there remains work to be done.



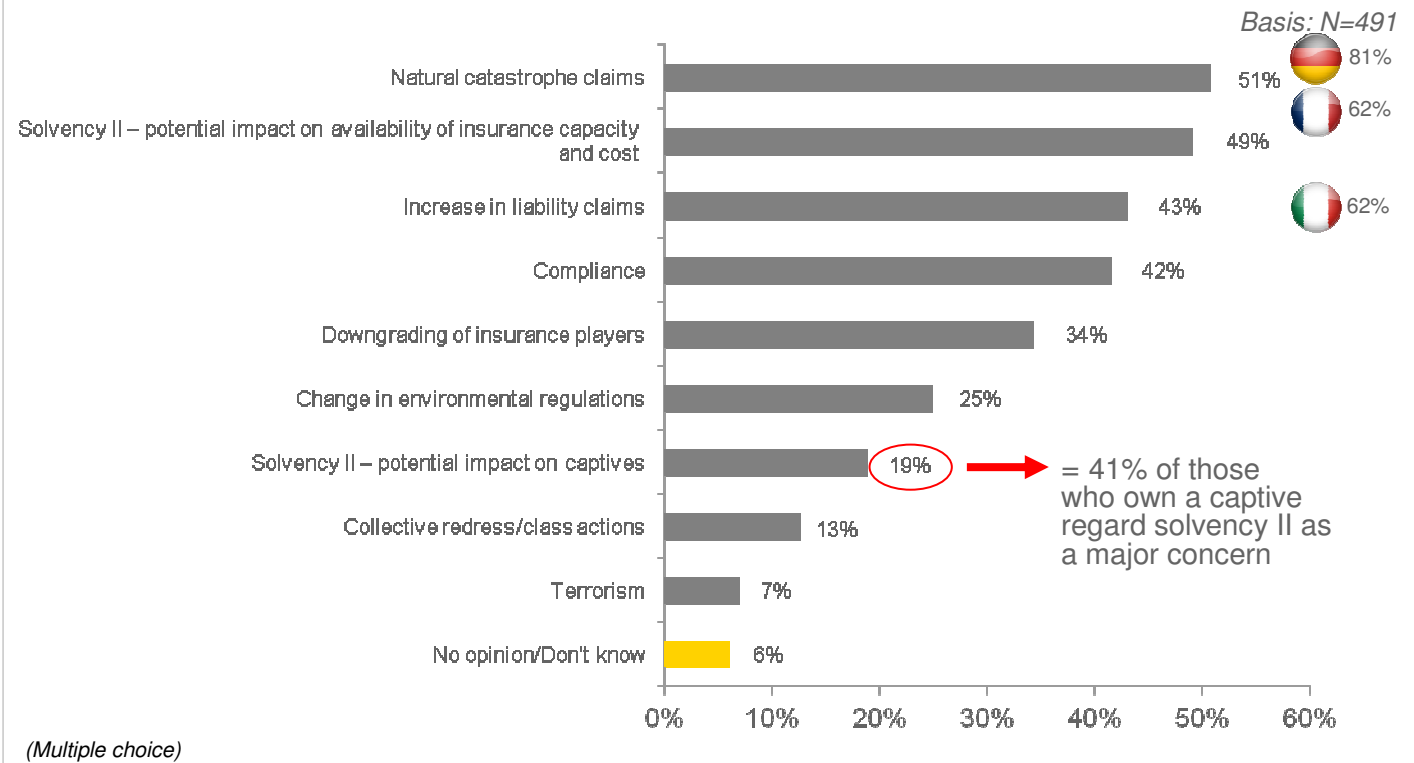
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# Volatility and the effect of regulation

Identify the top 3 issues that you believe are likely in the next two years to have the greatest effect on insurance terms and conditions:

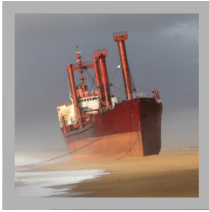
Claims trends (both nat cat, and liability) and Solvency II most likely to have the greatest effect on the insurance market.

For 42% of respondents the arrangement and purchase of insurance programme might change in order to comply with evolving laws and regulations worldwide.



More claims volatility → more capital required under Solvency II → Changes in conditions?

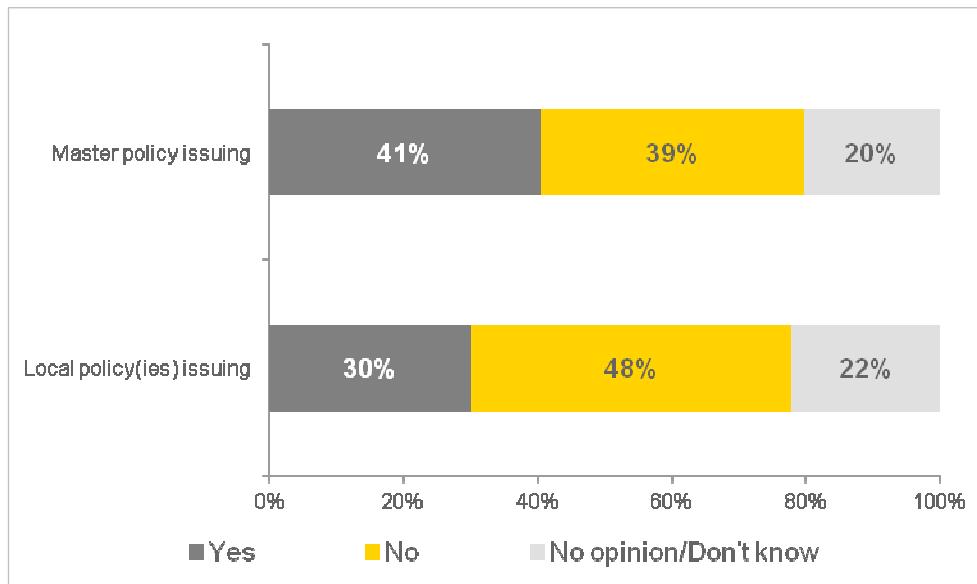




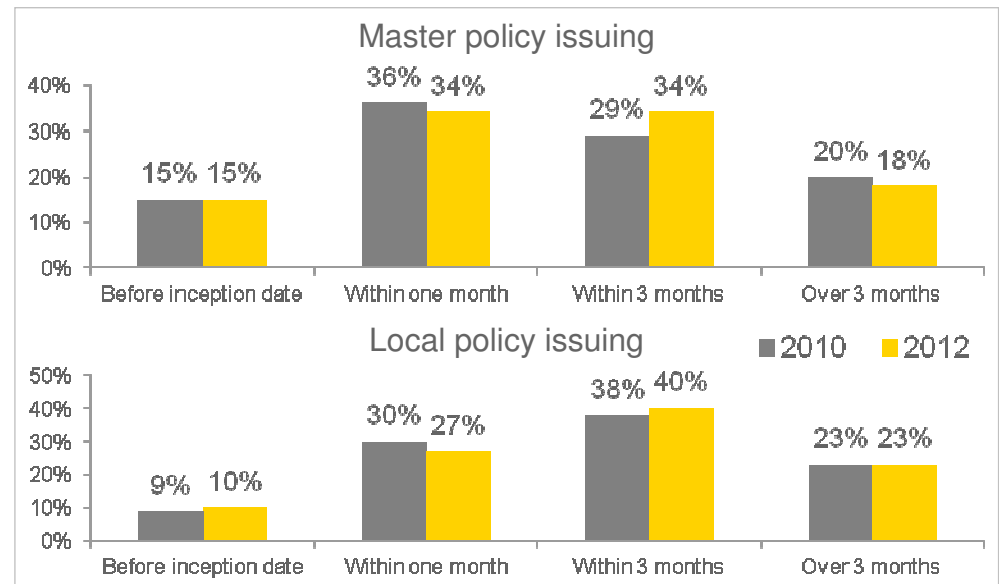
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### Perception is not reality

With respect to contract certainty have you experienced any improvement in the issuing of policy documents?



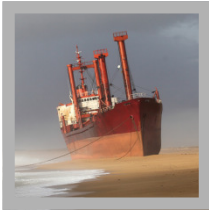
On average, at last renewal, when were your policy documents issued in relation to the policy inception date?



After 1 month of inception: 49% and 37% of master and local policies respectively have been issued.

Despite perception there has been no real improvement in the speed of policy issue since 2010.

Speed of policy issue should be a factor of differentiation. However not an area of concern for a majority of respondents (increasing number of « no opinion/don't know »).



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# Local capability is essential

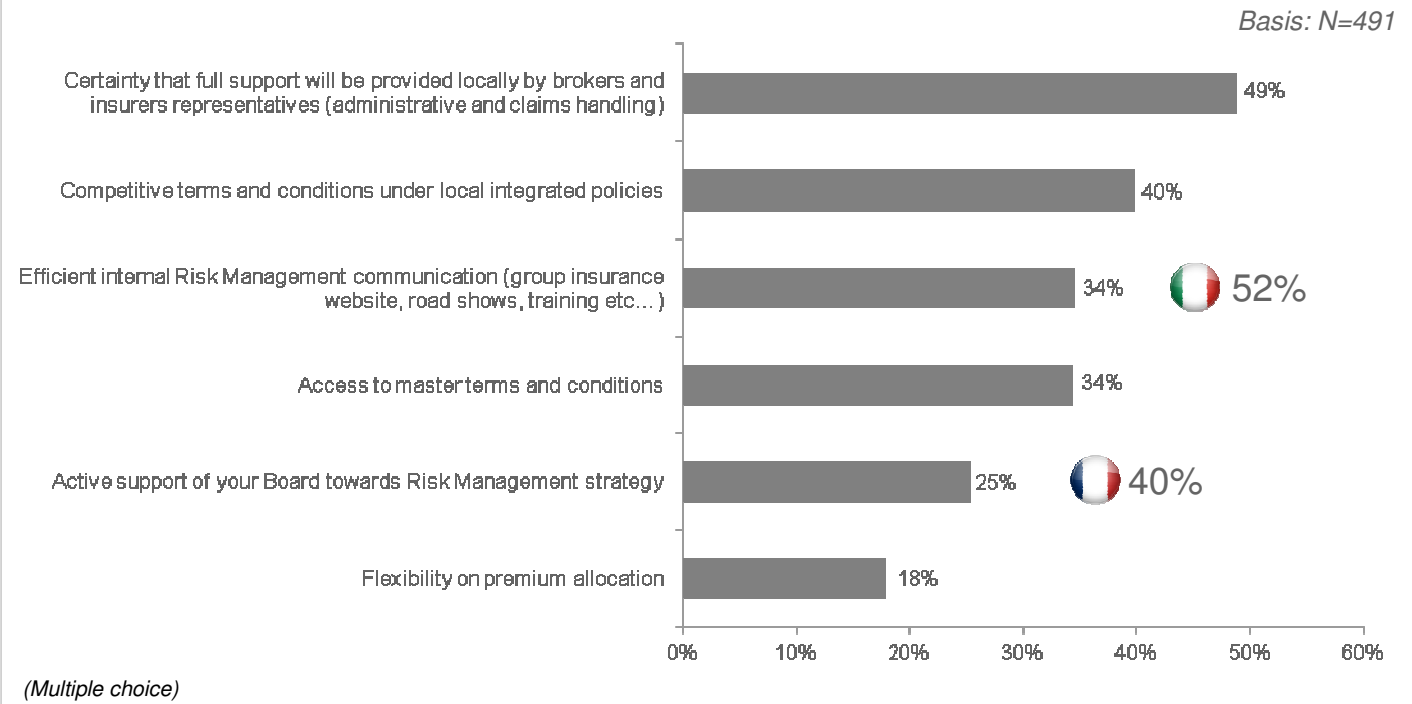
In your experience, what are the 2 main aspects of a global programme that exert greatest influence toward ensuring overseas subsidiaries provide full support to a global programme?

Full local support by brokers and insurers viewed most important factor.

Importance of efficient internal communication to promote the programme.

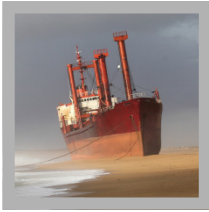
International insurance programme cannot neglect local requirements.

Sharing of roles between insurers/ brokers and risk managers will facilitate local subsidiary buy-in.



The top answer emphasizes the importance of considered and careful selection of reliable and efficient network partners.

The influence of the Board is not valued a lot except in France (40% vs 25%).



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# Motor stands alone

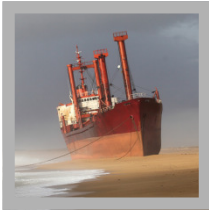
In your opinion what is usually the most efficient international insurance structure for the following risks?



Except for motor, the market is moving quickly towards international programmes with a preference for a « master policy supported by local policies in selected countries ».

Biggest change over the years: D&O and environment .

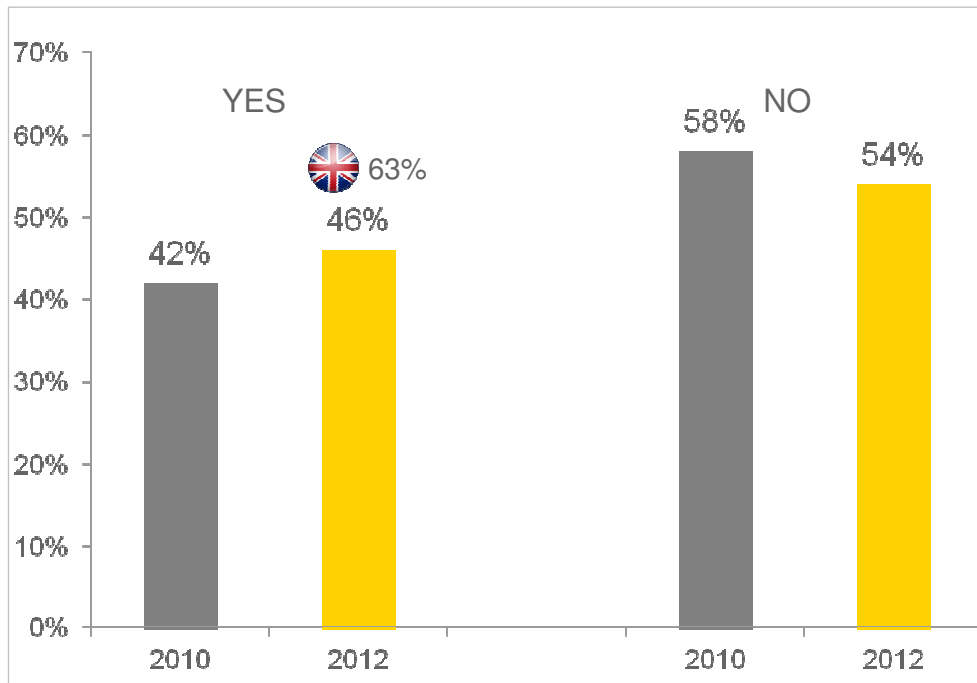
Main incentives: search for certainty and compliance.



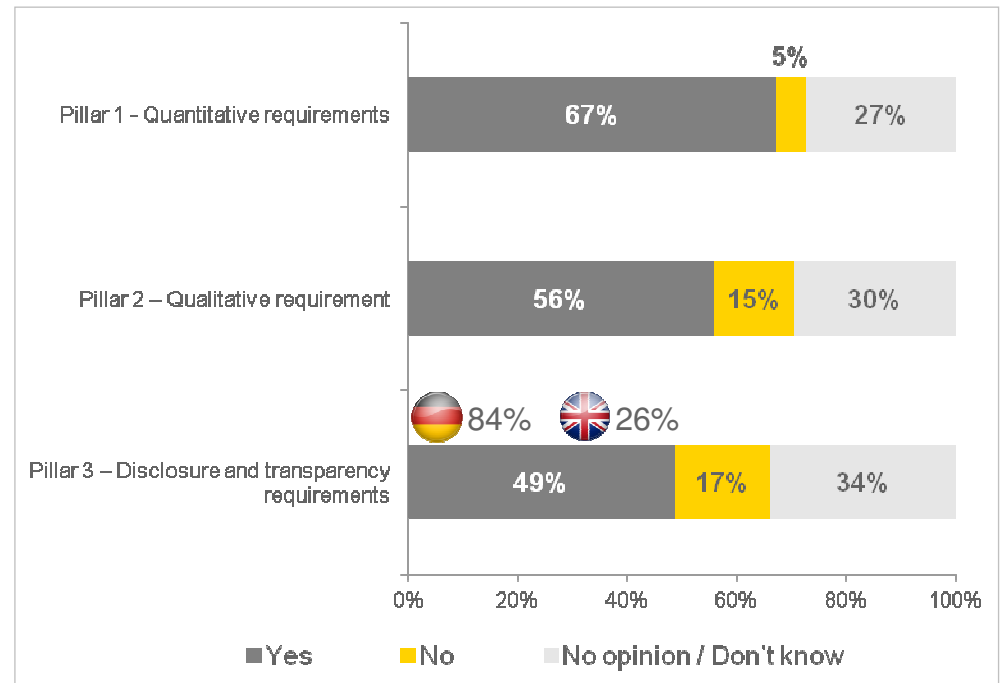
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# A captive audience... and a ticking clock.

### Do you own a captive?



### Is your captive compliant under Solvency II?



Increase of 4% of respondent's organisations owning a captive (from 42% in 2010 to 46% in 2012).

The majority of respondents have captives located in the European Economic Area. Greater degree of confidence regarding readiness for pillar 1 compared to pillar 3 (more recent). Varying results across countries.

A great deal of work remains to be done prior to the introduction of Solvency II.