THE LONDON INSURANCE MARKET: BEYOND 2021

Innovating to address emerging global risks and volatility

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Foreword

John Glen MP, Economic Secretary to the Treasury

The City of London has always been synonymous with the insurance industry. London's coffee house culture of the 1600s gave rise to the maritime insurance industry and supported Britain's growth as a global trading power. The world's first fire insurance companies were formed in the wake of the Great Fire with this new service growing rapidly in the UK and abroad. The first joint-stock insurance companies, the first life insurance companies, insurance for workplace injury, burglary, motor vehicles, loss of profits, trade credit and aviation – all were either created or found their earliest commercial footholds in the London Market.

It was from London that these innovations spread, and the insurance sector became, not just a tool for facilitating international trade, but a UK export industry in its own right. London's depth in capital and expertise meant the UK insurance market was able to seek out and secure international opportunities in markets around the world from the early 19th century.

The UK insurance industry in 2021 is as important to the country and the wider world as it has been at any time in its four centuries of operation. Employing 300,000 people in the UK, paying over £10 billion in taxation and managing investments of almost £2 trillion – the insurance sector remains one of the jewels in the crown of the UK financial services sector and a vital driver of the UK's economic engine.

With the UK's departure from the EU, the country has entered into a new era of international commerce defined by the creation of new trading opportunities and relationships by government and industry. Just as they have done for more than 200 years, London's insurance firms are adapting to this new environment by exporting product lines, complex policies and unrivalled expertise around the world as a clear example of how a world class industry can make a huge contribution to 'Global Britain'. This determination to seize the commercial opportunities of a new era runs in parallel to the industry's capacity to help address some of the big issues the world faces in 2021. The tools and expertise that the UK's insurance sector can bring to bear to help address challenges like climate change and post-pandemic recovery will demonstrate that the industry's value to the world goes beyond the purely commercial.

In this document the London Insurance Market: Beyond 2021 insurance industry stakeholders have provided a clear-headed assessment of the challenges the industry faces in 2021, together with compelling propositions for how those challenges can be met. I welcome the ambition, energy and ideas that the authors outline. This report is an important vision of how the London insurance sector can remain pre-eminent in a fiercely competitive international market, and continue to support sustainable prosperity across the globe.

John P. Glen

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Foreword

Alderman William Russell, Rt Hon Lord Mayor of the City of London.

On behalf of the City of London Corporation, I am very pleased to see the publication of this report, which will help set the agenda around the opportunities for the London Market in 2021 and beyond.

London's insurance capability is needed now more than ever. The COVID-19 pandemic has, like few other events in recent history, brought home the message to people, businesses and governments across the planet that risk always looms in the background. And it has reminded us of the global nature of many of our most challenging risks and how quickly they are changing.

With protection gaps already stretched to the limit, many social and business models changed sharply, and much of our lives went online. An already complex landscape became even less certain. As we look forward to COP26 in Glasgow this year, addressing the key challenge of our time – climate change – will shift the kaleidoscope again over the next decade, with new responsibilities for protecting newly vulnerable societies and livelihoods.

Mitigating these risks will require a global approach and scale of action, and London – as the world's most international, interconnected and innovative insurance centre – stands ready to take up the challenge. I am confident that the London Market, with its proven ability to adapt and succeed in addressing global threats, is especially well-placed to understand the evolving risks, develop the right products in response, and scale them across the world.

At a personal level, I visited the US virtually in February of this year, with Catherine McGuinness, the Policy Chair of the City of London Corporation. We met some of the major figures in US finance, in New York and Chicago – including the biggest investors in the City. As part of this programme, we spoke with the CEOs of the three largest global brokers. I was heartened that all of them regarded the London Market as their key global partner, and spoke of their faith in the continued talent, innovation and expertise to be found here. I came away knowing how important it was for me – and my colleagues in the City of London and across government – to continue to nurture the right environment for the London Market to continue to flourish.

Finally, I want to thank the contributors to this paper for providing an important insight into the role of the London Market at this crucial time, and in particular I want to express my gratitude to Aon for their excellent work in shaping this report. At the City of London Corporation, we are looking forward to engaging closely with all stakeholders involved in making sure London remains the global centre of insurance it has so long been, to address the global challenges ahead.

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The London Market: Tackling global challenges

Catherine McGuinness, Chair of the Policy and Resources Committee, City of London Corporation
Caroline Wagstaff, CEO of the London Market Group

As Policy Chair, and effectively political leader, of the City of London Corporation and CEO of the London Market Group, we are reminded daily of the importance of the London Market, for the City, for the UK and for global clients managing known and emerging risks.

Risks – new, global, and shared

Across the world, the risk landscape is changing fast. Long-term trends such as climate change and the digitalisation of both business and private life are accelerating and intersecting with Black Swan events such as the COVID-19 pandemic. Livelihoods, commercial interests and investments are under threat. These risks do not respect borders and need global responses.

Two current examples.

The pandemic has put a spotlight on the importance of technology and on rapidly evolving digitisation. However, our increasing ability and requirement to work, learn and access services online has led to a significant expansion of the cyber risks we face. Even before the pandemic, KPMG identified cybercrime as second only to political risk, in terms of challenges faced by the UK financial sector, with global costs estimated to be in excess of US$450 billion every year.[1]

Meanwhile, the urgent threat posed by climate change increases. In 2020, the catastrophe protection gap reached 64%. This means that roughly US$171 billion in natural and weather-related losses were not covered by insurance or reinsurance.[2]

The insurance response

These risks are moving targets, and not limited to any one region or jurisdiction. Global scale, as well as deep expertise, is needed to address them. But for centuries, insurance has proved again and again it has the data, innovation, capital and global perspectives to help manage and mitigate emerging risks.

London, as the world's oldest, most concentrated and globally connected insurance centre, is better placed than any other to address these new challenges. Across the world, governments and the insurance industry are working together to develop the public-private frameworks to share future climate and pandemic risk. London has become a centre for thought leadership in this vital area. The historical foundations for London's position – concentration of expertise, innovative products, scale of capital and global reach – are just as relevant today as they have ever been. Indeed, the central concept of insurance – costing and pooling risk – can only work if such foundations are deep and resilient. They continue to drive and develop the London Market for global customers.

Scale and concentration

As the world's largest insurance centre, London represented 7.6% of the global commercial (re)insurance market in 2018. In the same year,

[1] KPMG (2018), Staying Ahead of Cyber Crime
[2] Aon (2020), Weather, Climate and Catastrophe Insight

the London Market employed 47,000 people across the UK and made up almost a quarter of the City's GDP, contributing £37 billion per year to the UK economy, with its gross written premium amounting to over US$110 billion.[3]

This scale is concentrated around the EC3 district of the City of London, allowing for quick interchange of ideas, business practices and talent.

Expertise

The London Market is unrivalled in the expertise it offers, especially in terms of project and sector knowledge. This has led London to again grow its share in the global specialty lines market in 2018, despite the global market shrinking by almost 10%. London's expertise is truly global, with London brokers advising on almost US$23 billion in business written elsewhere, and almost US$12 billion in non-Lloyd's business written overseas being overseen or managed by London.[4]

Lloyd's of London is a key catalyst for London's expertise, and in 2018 represented US$47.4 billion out of the over US$110 billion gross premium written in the London Market that year. It covers more than 50 leading insurance companies, almost 300 registered Lloyd's brokers and a global network of over 4,000 local cover holders, bringing business to the Lloyd's market. This concentration also constitutes an exceptional base for innovation to address global challenges.

Global reach

Risk transfer and mitigation is a global business and London remains the only market where all 20 of the world's leading (re)insurance firms are represented. This capacity and expertise, which are still growing and deepening, are testified to by brokers worldwide, who continue to look to London to offer the most innovative solutions. In 2018, London Market brokers saw 13.8% growth in the amount of business being written overseas on which they advised, and 85% of the premium written in London is done so by companies who are in fact domiciled outside the UK – demonstrating their investment in London.[5]

Risk is becoming more globally interconnected, yet it is especially felt in markets where local access to insurance services is limited. The global connectiveness of London is particularly relevant in climate risk, which is especially acute in Asia, the Americas and Africa. Exactly because it has the specialist expertise to provide risk transfer in such complex markets, where local capacity has been restricted, London remains the only place where all 20 of the world's leading (re)insurance firms are represented.

A global financial centre

This international reach is not limited to insurance, and the cross-sector global presence in London supports the insurance ecosystem. Apart from being the premier global centre of (re)insurance, London is one of the world's main financial and business hubs more generally. It is a leader in global banking, asset management, foreign exchange, fintech and ESG. Its lawyers, accountants, actuaries and analysts all contribute to a vast and versatile pool of professional and financial expertise and talent. This wide range of services, innovation and expertise reinforces London's unique ability to address the evolving global risk landscape.

[3] London Market Group (2020), London Matters 2020
[4] London Market Group (2020), London Matters 2020
[5] London Market Group (2020), London Matters 2020

The UK framework

The London Market is part of a wider UK general and retail insurance market which is the fourth largest in the world, with an estimated total premium volume of almost US$220 billion, employing around 300,000 people and managing investments of almost US$1.8 trillion.[6] The London Market reflects the international and innovative character of the UK more broadly.

The UK remains a great source of, and magnet for, global talent. It has world-renowned universities, including four in the world's top ten. Latest figures show 22% of the UK's student population came from overseas and UK higher education represented 12% of the global international student community.[7] Important regional hubs across the UK feed London's professional and financial services sectors and the City's international character is unrivalled, with 40% of its workforce born overseas.[8] All this guarantees a deep pool of talent and a global outlook.

This international and innovative character is at the core of the culture and vibrant life of the City, which will remain the centre for global risk managers, and it is reflected in the UK's enabling regulatory framework. Any fears of an inward-looking future or 'race to the bottom' after the 2016 referendum on EU membership have proved unfounded. There is a recognition that regulatory excellence is a competitive advantage in attracting international companies to the UK and that it underpins the strength of London as a global financial centre. Any changes to the Solvency II regime will be thoughtfully introduced by the PRA in consultation with the industry and with government, to remove unwanted inconsistencies within the capital regime, without lowering the quality and security of the covenant which is so critical to those looking to arrange risk absorption with insurance and reinsurance carriers.

[6] ABI (2019), UK Insurance and Long-Term Savings – the State of the Market 2019
[7] House of Commons Library (2021), International and EU Students in Higher Education in the UK
[8] City of London Corporation

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Collaborating to tackle the protection gap and create a sustainable future

John Neal, CEO of Lloyd's of London

Context

Insurance is at the heart of global economies, and as these economies have grown and developed, so too has the role of insurance within them. Since 1688, Lloyd's has been proud to be part of this development – sharing risk to build the foundations of cutting-edge industries; supporting societies to bounce back stronger from periods of hardship; and ultimately, creating a braver world.

However, insurance cover has never been universal, and the uptake of insurance remains inconsistent across geographies and sectors. This underinsurance creates a glaring 'protection gap', and the value of many of the world's assets – personal, commercial, and cultural – are not covered for damage caused by unforeseen events.

Even before the pandemic, these protection gaps were an area of great concern across the insurance industry and beyond. We have seen first-hand the distress a lack of protection can lead to, especially when companies and societies need our support the most. As such, it is something Lloyd's, as the world's largest insurance and reinsurance market, has sought to demystify and play an active role in closing for many years, publishing our first report on protection gaps back in 2012, and collaborating with partners to build on those insights and find solutions.

The global health crisis has emboldened this conviction and highlighted the need to accelerate our efforts in this area. As we turn to recovery, the world is now asking – how can we best protect ourselves from future systemic risks, so we are better prepared for the future?

Opportunity

The insurance industry has a key role to play in answering that call, drawing on all our experience to identify and mitigate the world's most challenging risks. Of course, we can't do it alone, and as we've seen, the role of government is crucial here. But as an industry, we cannot miss this chance, either – we must work together to support the global recovery by using our risk expertise to close the protection gap, driving greater social and economic resilience into the future.

From our place at the centre of the insurance ecosystem, we know that fostering new conversations and collaborations across customers, insurance brokers, syndicates, companies, and governments are crucial to unlocking these challenges. That's why earlier this year Lloyd's launched Futureset, and with it a series of six Systemic Risk Masterclasses.

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Futureset is a global platform with a mandate to consider the landscape of systemic risks globally, and explore the lessons learned from recent events, including the pandemic as well as the growing threat of climate change. Our aim is to build greater societal understanding of systemic risks, while prompting new collaborations to build protection and resilience. Given the growing and interconnected risks that we face today, and in the future, our hope is to encourage more active participants.

Systemic risk – pandemics

As well as preparing for future systemic risks, our industry is playing an immediate and vital role in the global recovery through risk management, and of course claims assessment and payment.

In 2020, Lloyd's was a proud partner in spearheading the insurance industry's response to COVID-19, while also publishing open-source frameworks to share our approach. One of these in particular – "Black Swan Re" – offers a blueprint for how we can approach these challenges together in the future.

Black Swan Re is a reinsurance framework for government and insurance industry partnership, which could enable industry pooled capital to provide reinsurance for the impacts of future black swan and systemic events, backed by a government guarantee should the pooled assets become exhausted. Since we published this, and two other frameworks that could provide customer protection against further waves of COVID-19, we have undertaken engagement with more than 25 governments around the world, to discuss their implementation, together with actively participating in several working groups across the globe. These conversations have been invaluable, but the work has only just begun.

Systemic risk – climate risks

These approaches and initiatives are just the beginning of our commitment to work with, and beyond, the industry to close the protection gap and improve societies' resilience to systemic risks. And there are many – from cyber, to food and infrastructure failures, to terrorism and war. But there is one systemic risk, that is front of mind for many of us: the climate crisis.

Like COVID-19, climate change is a risk multiplier, threatening to accelerate the development of risks of different kinds. As these risks multiply, so too do the gaps in protection. The physical risk of climate change has already brought an increased number of natural disasters to communities worldwide, from wildfires in California, to floods in Australia and heatwaves across Europe. The Lloyd's marketplace is on the frontline of this challenge, supporting our customers and communities to protect against extreme weather events and recover quickly, if they do occur.

The other major risk brought on by climate change is transition risk – the disruption associated with a necessary but transformative redefinition of the global economy. Lloyd's and the wider

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insurance industry are key here too – providing the expert guidance and support so industries can take risks and innovate, building in real time the sustainable and resilient economies of the future.

However, on both fronts, physical and transition, we see significant protection gaps today. In fact, Swiss Re's Resilience Index 2020[9] found that natural catastrophe resilience remains low, with 76% of global exposures unprotected, and with the global natural disaster protection gap widening to US$227 billion in 2019. Climate change is expected to put pressure on societal resilience and the low-carbon transition we see unfolding around the globe represents a phenomenal opportunity and responsibility for the insurance sector. Our inaugural Lloyd's ESG Report[10] outlines the first steps in our journey to being a part of realising this opportunity, across the insurance sector and for economies and societies worldwide. Lloyd's is also proud to shortly be launching a climate action roadmap, which will articulate how Lloyd's, and the insurance industry, can play a leading global role in accelerating the transition to a sustainable, resilient future through product and service innovation.

Conclusion

At Lloyd's, we know that protection gaps are a complex challenge to overcome. Reducing underinsurance will require ongoing collaboration, expertise and enthusiasm, with cross-industry partnerships playing a foundational role in accelerating progress.

Our purpose at Lloyd's is sharing risk to create a braver world, and we will continue to use our unique position in society to bring together the insurance industry, governments, and communities to share risk, close protection gaps and create a sustainable future together.

[9] Swiss Re Institute (2020), Resilience Index 2020
[10] Lloyd's of London (2020), Environmental, Social and Governance Report 2020

Building resilience to climate change: the London insurance market's role

Sean McGovern, CEO, UK and Lloyd's at AXA XL

The past year-and-a-half has been a period of immense challenge and tragedy, but we have also witnessed a remarkable display of resilience and adaptability as companies, societies and individuals have grappled with the effects of the global COVID-19 pandemic. Against this backdrop, however, the pressing need to address the changing climate has not gone away. Businesses and governments have continued to try to find ways to reduce carbon emissions and mitigate the risks associated with this existential threat.

At the United Nations COP 26 summit in Glasgow in November, attendees will debate ways to again accelerate global action towards achieving the aims of the Paris Agreement. That agreement requires signatories to commit to the goal of reducing global greenhouse gas emissions to limit the global temperature increase this century to 2°C – or lower – above pre-industrial levels. It not only requires countries to adhere to existing commitments to reduce greenhouse gas emissions; it behoves them to progressively strengthen those commitments – and after November we can expect even more stringent international targets.[11]

Insurance driving change

The insurance industry – and the London Market, in particular – has an important role to play in supporting companies across all industries to adapt to reduce carbon emissions and manage the risks associated with climate change. The London Market has a centuries-old reputation for innovation. And this expertise means that our marketplace is at the forefront of public-private efforts to help communities build resilience to climate change. Collaborative projects such as the insurance industry-led Insurance Development Forum and the UK government-backed Centre for Disaster Protection are working to provide training, tools and concrete plans to develop resilience through risk mitigation and transfer.[12]

Our parent company, AXA Group, is a leader on climate action. As an insurer and reinsurer, we are powerfully placed to make a real difference on this issue. Re/insurers can meaningfully contribute to the wider understanding of changing climate driven by our understanding of the changing hazard, the collaboration that we have with the scientific community and the unique position we have in the disaster recovery chain. We have also made -and continue to make – a real difference through the underwriting and investment decisions we take.

AXA has aligned its business strategy with the Paris Agreement and we have targets across every aspect of the business, from investment to underwriting to our own operations, to reduce carbon emissions. Those goals include reducing the "warming potential" of AXA's investments to below 1.5°C by 2050. AXA also has a green investment target of €24 billion by 2023, a target which increased recently to €25 billion with an issue of green bonds. AXA has also committed to developing so-called "transition bonds", which aim to fill the gap between those projects that already are eligible for green bonds and those which are not but which nonetheless are making big strides towards reducing carbon emissions.

Specialists

As the P&C commercial division of AXA, we at AXA XL have an important role to play in

[11] The exact wording on the 2°C limit goes beyond the original objective, targeting a temperature limit of 1.5°C, "holding the increase in the global average temperature to well below 2°C above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5°C above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change".

[12] For more information, see Insurance Development Forum and Centre for Disaster Protection.

helping our company, our industry and our clients to transition to a low-carbon economy.

For example, we have underwriting restrictions for power generation and mining clients developing new thermal coal capacity or with significant coal business, as well as coal industry partners, such as manufacturers and infrastructure players.[13] This is part of an AXA-wide, long-term exit strategy to reduce exposure to the thermal coal industry to zero by 2030 in the European Union and OECD countries, and by 2040 in the rest of the world.

Awareness of Environmental, Social and Corporate Governance (ESG) topics has grown in recent years, and it now forms part of the risk presentations that clients across many lines of business make to us. We are working with these organisations to help them to better understand the nuances and challenges inherent in ESG and the ways in which it impacts their risk profile, risk management, and risk transfer needs.

Our industry needs to adapt to these changing client profiles. Fortunately, the London insurance marketplace has always been a place where innovation thrives. The intellectual capital gathered in the Square Mile and within the underwriting room at the iconic Lloyd's building makes it easy for ideas to take flight and become tangible risk transfer mechanisms for challenging, emerging and sometimes unusual risks.

While the Square Mile has – physically at least – been less busy than usual during the COVID-19 lockdowns, the players in our market – brokers, insurers, reinsurers, risk experts, actuarial scientists and so on – have continued to drive forward discussions on the very pressing issue of climate risk. Innovative risk transfer solutions and risk mitigation techniques are being devised and developed every day.

Bellwethers

I'm a keen sailor and enjoy taking a boat out onto the water and experiencing that feeling of being close to nature. Sailors, of course, have always been acutely aware of the effects of the weather. And our own London insurance market traces its roots back to the days when our economy was dependent on maritime trade and fortunes could be made or lost depending on how the wind blew.

For many years, AXA XL has been engaged in research into the effects of climate change on the world's oceans.[14] Our Ocean Risk Initiative draws on the expertise of academics and risk and finance experts to try to highlight and define ocean risk whilst also working to find solutions to the threats to the – often vulnerable – communities that live on or close to the shoreline of developing economies across the world.

This work has examined the movement of fish populations, the degradation of coral reefs, the destruction of mangrove forests and much more, to better understand the effects of climate change on the ecosystems of the oceans. This research is not only helping us and others to better understand new and emerging threats and to put in place measures to protect marine life and communities directly affected by these changes, it also gives us valuable insight to devise financial solutions to transfer risk.

A greener future

It's clear that insurers recognise the need to act on climate change. Our clients, our investors and our colleagues demand it. It makes business sense as well as being the right thing to do for our planet.

Some of the biggest risks facing our planet are directly attributable to changes in climate. Challenges such as water shortages, for example, are areas where the insurance industry can play an important role in trying to find risk prevention mechanisms and financial solutions to help affected communities recover.

I am proud to be part of a marketplace that is committed to playing its part in creating a greener future.

[13] AXA (2018), The new division AXA XL adopts AXA Group's sustainability and climate strategy
[14] AXA (2020), AXA's Ocean Risk Initiative

British Red Cross

Climate Centre

Addressing the human impact of climate change together

Richard Blewitt, Executive Director of International, British Red Cross
Maarten van Aalst, Director of Red Cross Red Crescent Climate Centre
Carina Bachofen, Associate Director, Red Cross Red Crescent Climate Centre
Edward Cameron, Independent Consultant, British Red Cross

At first glance the private sector and the humanitarian community may seem like unlikely partners, but a closer look reveals that both are heavily impacted by the climate crisis and both are essential to finding innovative ways to manage climate risk and build resilience. As the Red Cross Red Crescent Climate Centre has previously observed "the private sector is an essential partner in reducing the impacts of climate change and extreme-weather events on vulnerable people. The innovations, products, services, political influence, capacity to shape behaviour, and investments... are essential for enhancing the resilience of marginalized and vulnerable communities."[15]

The human toll of climate change is enormous and growing. Between 2010 and 2019, 1.7 billion people have been affected by climate- and weather-related disasters.[16] The World Economic Forum (WEF) has consistently ranked climate-related events as the highest risks to global business in both likelihood and impact,[17] while the global economic cost could be as high as US$24 trillion by 2030,[18] which is before considering the social, environmental, or human costs.

Private companies representing half of the value of the world economy (US$36.5 trillion in revenue), have committed to climate action[19] whereas funding flows to humanitarian actors are falling behind growing needs (see graph).

Getting global funding to prepare for and adapt to existing climate impacts to vulnerable frontline communities is especially challenging. Between 2003–2016, less than 10% of global climate finance was dedicated to local action.[20]

Increased investment will be critical to help the poorest and most vulnerable better prepare for and manage increasing climate-related risks. It is estimated that adaptation finance must grow between six and 13 times by 2030 from the levels provided by international public finance today.[21] In addition, countries need support dealing with the increasing impacts already happening today. Insurance is one instrument that can help address some of these needs.

[15] Climate Centre (2019), Companies and Climate Resilience: Mobilizing the power of the private sector to address climate risks

[16] IFRC (2020), World Disasters Report: Come Heat or High Water, p.4

[17] World Economic Forum (2020), The Global Risks Report 2020

[18] Dietz, S., Bowen, A., Dixon, C., and Gradwell, P. (2016), Climate value at risk of global financial assets, Nature Climate Change 6: 676–679

[19] Cameron, A., Arrighi, J., Monasso, F., Suarez, P., Jjemba, E., Bachofen, C. (2019), Companies and Climate Resilience: Mobilizing the power of the private sector to address climate risks, p.12

[20] IIED Briefing (2020), Calling for business unusual: mechanisms for delivering change

[21] UNEP (2016), Adaptation finance gap report, cited April 7, 2021

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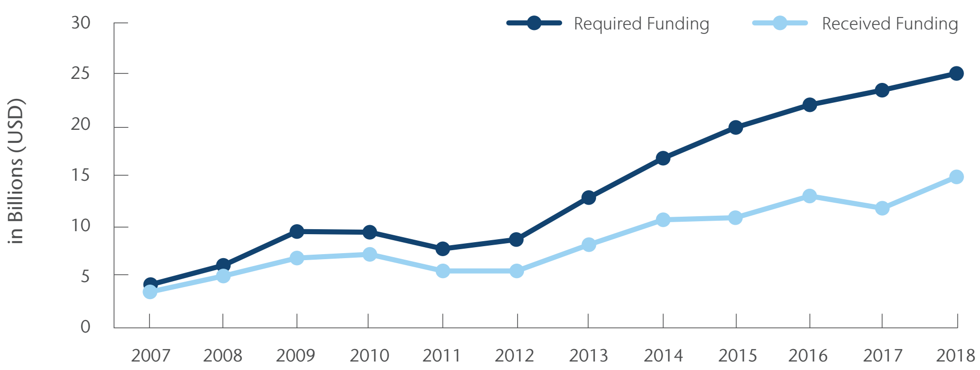
Humanitarian Fund Trends



Source: OCHA / Global Humanitarian Overview 2018

Opportunities for partnership

There are promising new developments to enabling greater collaboration between the private and public sectors in area of climate risk management. For example, the Red Cross Movement, the Centre for Disaster Protection and around 30 other organisations and individuals have recently launched the Crisis Lookout Coalition[22] advocating for new ways for public and private sector actors to help deliver more effective humanitarian response through better understanding and use of disaster risk information and pre-arranged finance mechanisms, including through partnerships with the insurance sector. Another initiative supported by the Red Cross Movement is the Risk-informed Early Action Partnership (REAP)[23] which brings together stakeholders across the climate, humanitarian, and development communities with the aim of making 1 billion people safer from disaster by 2025 through scaling-up early and anticipatory approaches.

A collaborative approach involving all stakeholders including at-risk communities, the private sector, humanitarian organisations, and governments enabled by international bodies, is vital to ensure that greater capital and resources are mobilised appropriately, effectively and at scale to help the most vulnerable. While public funding is often allocated to countries facing the highest levels of vulnerability to disaster risk and climate change, the funding is not consistent or proportional with needs. International Federation of Red Cross and Red Crescent Societies (IFRC) analysis shows that none of the 20 countries most vulnerable to climate change or weather-related disasters were among the 20 highest per person recipients of climate change adaptation funding.[24] An additional challenge is ensuring that funding reaches the most at-risk people within these countries.

Cross-sector dialogue is particularly important when identifying and assessing risk. When thinking about mobilising resources for tackling climate

[22] Crisis Lookout is a coalition committed to the creation of a smarter system for funding disasters that protects more people caught up in crisis, especially in the poorest countries calling for a new approach to disasters.

[23] REAP aspires to drive a systemic shift towards pre-crisis action and investment to reduce the impact of disasters in a cost and time efficient manner, safeguarding lives and livelihoods while promoting and protecting development.

[24] International Federation of Red Cross (2020), World Disasters Report

change, there is a huge opportunity to strengthen resilience of communities and countries by adapting business models and practices. Most businesses are approaching climate-related risk as a two-dimensional challenge of "hazards" and the "exposure" of their resources and operations to these events. However, research suggests many companies are blind to the third dimensions of "vulnerability" – the specific underlying weaknesses that increases susceptibility to harm.[25]

Taking innovative finance tools to scale

Alongside public financing and private funding, exciting new approaches are being developed, although most of these tools remain small-scale or nascent. Innovative finance, blended finance, insurance, ESG, socially responsible investment, and impact investing as well as traditional official development assistance and development finance are all tools to be harnessed to address the humanitarian impact of the climate crisis.

A spotlight on insurance

Aon estimated US$2.98 trillion of damage occurred from natural catastrophes between 2010 and 2019, with only US$845 billion of that being covered by insurance.[26] This gap in disaster protection is a clear opportunity for action by the insurance industry. Insurance approaches have been suggested as a potential instrument to help absorb losses and damages in the context of climate change, through networks and organisations like Insurance Development Forum and InsuResilience, and at regional scale through for instance Africa Risk Capacity, CCRIF and SEADRIF. Some initiatives such as Start Network/African Risk Capacity Replica and the Danish Red Cross Volcano Catastrophe Bond have even experimented with insurance approaches to fund humanitarian emergency response.

While market-based approaches offer scale, using insurance for crisis financing is not without issues. The World Bank's Pandemic Emergency Financing Facility (PEF) highlights some of the limitations. PEF was created "to fill the financing gap after the initial outbreak and before large-scale humanitarian relief could be mobilized" however, the complex trigger mechanism meant funding was not timely, and the US$196 million pay-out across 64 low-income countries was ultimately deemed insufficient.[27] The PEF illustrates the limitations, complexity and lack of flexibility in such tools, showing they are not suitable for all contexts. Whilst insurance is a viable solution in many situations, its limitations and the learnings must be recognised, understood and addressed. However, "in a world where aid budgets are being slashed as the global economy is on a downward trajectory projects like the PEF should be expanded with implementational learnings taken on board."[28]

Finally, an even more important interface between the insurance sector and the humanitarian world may be in terms of complementarity skills in understanding risk. Insurance companies and governments have expertise in assessing, modelling, and managing exposure to hazards. This should be married with the humanitarian sector's knowledge of community resilience and vulnerability – with that of local responders – to form a more holistic and effective humanitarian response.

[25] Cameron, E. (2019), Business Adaptation to Climate Change and Global Supply Chains. The Hague: The Global Commission on Adaptation
[26] Aon (2020), Weather, Climate & Catastrophe Insight 2019 Annual Report, p.12
[27] Norwegian Refugee Council (2020), Make or Break: The Implications of Covid-19 for Crisis Financing, p.22
[28] Clarke, D. (2020), Now is not the time for the World Bank to step back on pandemic financing

Such improved risk analysis can inform better prediction, preparedness, and response. For example, our Forecast-based Action (FbA)[29] programmes support early action by predicting likelihood of disaster and its effects on local communities, enabling pre-arranged actions to be implemented. Early Action Protocols can be enhanced by expertise from outside the sector such as academics, government agencies (such as the UK government's Actuary Department)[30] along with the insurance industry. In turn, risk information generated for such forecast-based action programmes – with a particular focus on the most vulnerable – can then also feed into more risk-informed development planning and adaptation.

Conclusion

The vast majority of spending on climate-related disasters is focused on recovery and reconstruction, which is more expensive than investing in risk reduction and resilience. Early investments should be prioritised to yield this "resilience dividend" which is the cost/benefit of investing in resilience before a hazard event occurs. A collaborative approach to climate risk assessment and defining risk management plans can help ensure early investments benefit those who are most at risk. Greater use of insurance and risk management has a role to play in building more resilient communities.

The UK with its leadership in humanitarian policy and action, expertise with crisis financing, climate finance, and the expertise on insurance from the City of London, offers a great environment for more cross-sector partnerships around innovative humanitarian finance. With the right focus, larger, and more appropriate insurance tools could be developed to support humanitarian response to the climate crisis.

[29] International Federation of Red Cross and Red Crescent Societies (2018), Forecast-based Action

[30] Bedenham, G., Wilson, C. (2020), International Federation of Red Cross and Red Crescent Societies' Forecast Based Action by the DREF

Unlocking insurance industry innovation through collaboration

Julie Page, Chief Executive, Aon UK

Innovation has always been at the heart of the London insurance market. In the 1870s a visionary underwriter called Cuthbert Heath laid the foundations for Lloyd's to transition from what was then a hugely important centre for marine insurance policies into the global centre for insurance it is today, by introducing non-marine policies into Lloyd's for the first time. When writing the market's first reinsurance and burglary policies, Heath could not have known how his forward-thinking approach would set the tone for the future of London Market innovation. Yet, 150 years later, the UK's insurance sector is continuing to lead the way.

The world we live in is more dynamic and interconnected than ever before, however with that comes an increasingly complex and volatile operating environment for global businesses. Whether it is the changing workforce, climate change, access to capital, supply chain, geo-political risks, cyber-attacks or protecting intangible assets, there is a growing number of uninsured and under-insured risks.

As an industry we have never been better placed to understand, adapt to and mitigate those risks. While COVID-19 has presented the global insurance industry with an unprecedented and unique set of challenges - both from an operational and risk management perspective - so too has it presented us with an opportunity to drive innovation and digitalisation in a way that few of us could have imagined before the pandemic.

From an operational perspective we have responded well as an industry, thanks, in part, to an innovative mindset that facilitated rapid digitalisation and services such as Lloyd's Virtual Room, which gives brokers a real-time view of underwriters' profiles and risk appetites, and enables them to run virtual meetings with underwriters.[31] At Aon, we successfully moved thousands of employees to a work from home environment almost overnight, and have continued to successfully serve our clients throughout the pandemic.

As we begin to tentatively look ahead to a post-pandemic future, it is more vital than ever that the UK insurance industry embraces innovation and harnesses the collective power of the London and global markets. Not only do we need to embrace positive innovation in ways of working, that have been accelerated during the pandemic, we also need to ensure that innovation in our products and our approach can keep pace with the increasingly volatile global operating environment and the growing complexity of our clients' needs.

Data lies at the heart of innovation

The insurance sector has phenomenal data and analytics capabilities, and is increasingly hiring experts in earth science, geoscience, actuarial analysis and other data-driven backgrounds. By combining centuries of scientific and industry expertise with the enormous volume of data accessible to the industry, firms can ascribe probabilities and model severity of almost all new forms of risk.

[31] Lloyd's, Virtual Room

For example, Aon is using both its proprietary capabilities and leveraging emerging technologies to help clients better understand and manage the impact of volatile natural disasters and a changing climate. Our Impact Forecasting centre of excellence brings together scientific and data experts and insurance industry professionals to analyse the financial implications of natural and man-made catastrophes, and develop data-driven models for specific perils and territories where no models exist, or existing models do not fully meet client requirements.

We are also utilising data analytics to observe the impact of COVID-19 and develop models that will help to prepare us for future pandemic situations. Aon's Pandemic Progression and Intervention Model focuses on measuring the impact of the removal or fine-tuning of economic, societal and political interventions on the rate of pandemic infections, severe and critical illness, and death. Our Talent Impact Modeller helps our clients evaluate the impact of the current crisis on their workforce and help them think through their talent planning and workforce cost options.

Looking to the future, the increasing data literacy of our industry will become ever more important. Insurance firms and experts need to look beyond their past practices and learn more about climate sensitivity, multi-model ensembles and the implications of a multitude of global socio-economic scenarios. We also need to embrace artificial intelligence and automation in order to improve the productivity of our collective workforce – over the past two years Aon has automated about 700,000 hours of work so that colleagues can take on other, higher-value tasks.

This type of innovation relies on a flexible and agile approach that facilitates knowledge and information sharing, enabling the industry to move quickly into a new space and address new and emerging risks. One way this can be achieved is by combining different technology investments and areas of expertise currently held by various major industry participants; in doing so enabling the creation of entirely new capabilities in risk assessment and product creation. The impact of these combinations could achieve results well beyond the sum of their parts.

The proposed combination of Aon and Willis Towers Watson will help enable the new Aon to combine our analytics, insight and technology to create new, more powerful predictive models – that look forward, and not only look back – and develop solutions at a pace not previously possible. Faster innovation and enhanced technology, greater analytical capabilities, complementary subject matter expertise, and our focus on long-tail risk will set us apart.

Embracing the disruptiveness of insurtech

If as an industry we are to remain relevant to our clients, we must welcome and enable the disruptive outcomes of innovation, spearheaded by new entrants, start-ups and small firms – particularly insurtech specialists.

Because of the pandemic, we have embraced digitalisation in a way that most of us would never have thought possible 18 months ago. Insurtechs have capitalised on this newly whetted appetite for digital disruption with phenomenal success and are increasingly offering innovative solutions that will fundamentally alter aspects of our industry that have historically been slow to adapt to the pace of change.

At Aon, we are committed to collaborating with emerging technology companies that support our efforts to provide innovative solutions and unique insights to our clients, and are working with a number of insurtech start-ups across digital distribution, analytics and data, the Internet of Things (IoT) and connected devices, and blockchain. For example, we are working with insurtech Athenium Analytics to build enhanced modelling capabilities for severe storms and develop a next generation digital platform that will enable insurers to identify high-risk claims.[32] We are also partnering with Oxfam and insurtech Etherisc to launch a blockchain-based platform that delivers micro-insurance to over 200 Sri Lankan smallholder farmers who are at risk of losing their crops due to extreme weather.

Just as the UK is the global hub for specialist insurance, we are increasingly becoming the best market globally to launch and grow an insurtech business. According to the industry trade body Insurtech UK, British insurtech firms attracted 48% of all investment in European insurtech in 2020 – cementing the UK's position as the largest insurance market in Europe.[33]

It is incredibly telling that, despite a turbulent year, in 2020 total global insurtech investment reached an all-time high of US$7.1 billion, representing a 12% increase compared to 2019.[34] Insurtech innovation is fundamental for the future of the UK and global insurance industry, both in terms of addressing new and emerging risks and in embedding digitalisation and innovative ways of working into our operating models. It is incumbent on all of us to embrace this technology as an enabler of positive long-term change within the sector.

The importance of collaboration

In an age of remote working it is tempting to see location as irrelevant to innovation. While technology has enabled global collaboration that was unthinkable even a few years ago, location still matters. The importance of 'industrial clusters' in driving innovation in technology heavy sectors has been recognised in academia and management practice for decades. When businesses from the same industry cluster together they all benefit from access to higher-quality inputs and the presence of supporting industries. This, in turn, leads to increases in innovation and commercialisation of new technologies.

But when it comes to the insurance industry, London offers more than just a cluster of inputs and infrastructure. The combination of history, institutional reliability and depth of expertise is globally unique and, when married with our thriving insurtech sector, makes the UK the natural centre for future innovation in our sector.

However, the importance of and need for further collaboration cannot be understated. In order to maintain the UK's pre-eminent position as a global insurance hub it is vital that we learn from and embed the best of what our international partners have to offer in terms of insurance expertise and innovation.

Building on this foundation, it is our collective responsibility to ensure that we are encouraging the disruptive influence of new ideas. So much of the insurance industry is human-led and will continue to be. But if our industry wholeheartedly embraces digital innovation, fostered within a collaborative UK and global marketplace, we will ensure that we can adapt to the needs of our clients in 2021 and beyond.

[32] Aon (2020), Aon enhances its severe convective storm modeling capabilities in collaboration with Athenium Analytics and Aon (2020, Aon collaborates with Athenium Analytics to Identify high-risk claims through predictive analytics

[33] Insurtech UK (2021), 2021 Blueprint

[34] Willis Towers Watson (2020), Quarterly InsurTech Briefing Q4 2020

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Meeting the professional skills needs of the future

Sian Fisher, CEO, Chartered Insurance Institute

Insurance is about protecting people and organisations from risk – but that risk has changed out of all recognition in recent decades.

As we live longer, each one of our life stages alters – careers span many jobs, often with spells of part time or self-employment. As more of us are living longer, our needs for care change, which also has an impact on every generation within a family.

For corporations, intangible assets like intellectual property are becoming far more valuable than physical property; vulnerability to cybercrime has become far more of a threat and for businesses of all sizes, coronavirus has reminded us that the way we respond to historic risks has changed radically – for example, by making all previous economic modelling for pandemics redundant.

This change in people's lives and the risks faced by organisations puts huge demands on insurers' ability to communicate effectively with their clients – and this does not just mean cleansing contracts of unnecessary jargon. It means taking a professional approach to understanding customers, designing products and building solutions that go beyond traditional insurance.

The kind of knowledge and skills that lie behind this new professional approach take us away from a lot of the technical knowledge that has traditionally underpinned insurance. It requires us to build up a detailed picture of the risks that individuals and institutions face; it requires us to understand how decisions are made in the real world, using disciplines like behavioural economics; finally, it means testing everything we do with customers to understand how we can improve.

Some of these skills can be developed through traditional methods such as training courses and examinations. However, to get the right outcomes for the public, these traditional methods must be part of a more holistic approach to people management – one in which diversely lived experiences are brought to bear on all decisions.

The ability for employers to respond to the need for new skills for its workforces are vital, which is why it was pleasing to see Zurich announce a new £1 million programme for upskilling its employees in 2020. Their analysis[35] showed in the long term, upskilling home-grown talent could save the business in recruitment and redundancy costs, but also provide meaningful long-term jobs and new opportunities for its workforce.

Ultimately, nurturing skills is not just about training, it is just as much about choosing the right business model for an organisation and recruiting and retaining as wide a range of people as possible.

EDI in the profession

Equality, diversity and inclusion are central to building a modern profession and are both a strategic goal and an organisational imperative for the Chartered Insurance Institute. This is not

[35] Zurich (2020), Zurich sets out to future-proof 3,000 UK workers with £1m upskilling programme

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just an opportunity to ensure a safe, fair, and open working environment for staff, but also to ensure the same for our members, and their workplaces.

Alongside the structural measures an organisation can make to be more inclusive and welcoming of people from different backgrounds, or who have different protected characteristics, there is also a real need for skills training and development, as well as core ethical and professional standards competencies that sit at the heart of an effective EDI strategy. This can include developing managerial and leadership-based skills, as well as raising awareness of lived experience and engaging people with their emotional intelligence both for clients and for colleagues.

Our work through thought leadership, our professional standards function, our work with corporate Chartered Firms and the Insuring Futures initiatives have allowed us to bring together the organisational changes required and the skill-based ones too. Added to this is our Code of Ethics[36] which sits at the heart of CII membership, and is not only an outline of rules for compliance, but also serves as a useful tool for us to be able to engage members across a variety of issues within professionalism, especially on how to treat customers and members of staff fairly.

Insuring Women's Futures, established and led by the Chartered Insurance Institute in collaboration with a wide variety of expert stakeholders, focuses on evolving the insurance and personal finance profession's approach to women and risk.

Since its inception, it has identified key moments in women's lives[37] that affect their financial health; and suggested actions for individuals, businesses and government/regulators create positive change.[38] At the heart of its recommendations is a drive for more women to enter insurance and financial services careers and develop the skills and abilities of those already within the profession, to ensure they can seek the same opportunities as men.

The Cabinet Office-sponsored Access to Insurance Working Group formed in September 2018 seeks to improve access to protection insurance for those with long-term health conditions and disabilities. The CII's role is to chair the Professionalism workstream and explore how professional standards and guidance can help improve consumer outcomes.

Our work has expanded into creating guidance on building accessible workplaces, with the publication of our 'Inclusive Workplace' guide (in collaboration with Scope) in 2019[39] and our guidance for 'Managers of Employees with Autism Spectrum Disorders' (in collaboration with Aon and WTW) in 2020.[40] We believe if we encourage more people with disabilities into the profession and retain them, we will better represent and meet the needs of the public.

Brexit

Brexit will shift the way we do business, in the UK, with the EU and the rest of the world. As we look at regulating, setting laws and futureproofing our economy, we need to ensure a strong supply chain of skilled workers is accessible for financial services.

There are already skills gaps within our profession, so we need to ensure as we look to tackle the growing risks and changing nature of work and society itself, we do not overlook the impacts Brexit could have. However, there is also an opportunity to shift our current workforce models and rely more on domestic talent pipelines.

[36] Chartered Insurance Institute (2017), Code of Ethics
[37] Chartered Insurance Institute (2018), Securing the financial future of the next generation
[38] Chartered Insurance Institute (2020), Insuring Women's Futures' Manifesto: The full report
[39] Chartered Insurance Institute (2019), Achieving an inclusive working environment for disabled people
[40] Chartered Insurance Institute, Aon & Willis Towers Watson (2020), Manager guidance: supporting employees with autism spectrum disorders

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With the new operating relationship with the EU and a new points-based immigration system, we need to ensure we understand the routes skilled and non-skilled workers can use to join our united profession.

Rise in misinformation & fraud

Scams and fraud are difficult in what are considered 'normal' times, but we have seen an unhealthy rise in financial fraud, with those in vulnerable circumstances often the most affected.

One defence against scams is the support and knowledge professionals can offer. When it comes to finances, accredited organisations such as authorised IFAs, brokers, insurers and banks are good places for consumers to go for their needs, avoiding the "too good to be true" offers that honeyed words and persuasive salespeople can mask.

Those who have a chartered designation are not only trustworthy due to their technical knowledge and commitment to lifelong learning, but also the ethical component that comes as a standard part of being an active member of a chartered body. Members sign up to strict code of ethics which put their clients first and hold themselves accountable if things go wrong.

The other added benefits of ensuring business is conducted through professionals are the regulatory protections consumers are given through statutory compensations schemes and direct-action that regulators, such as the Financial Conduct Authority, can take if wrongdoing is found.

Despite all this, fraud is committed every day, and whilst the government's own enforcement activity is an important defence against this, so is building on the existing skilled professionals. We must increase access to professional advice across financial services and reduce the likelihood of success for those who want to cheat honest consumers.

COVID-19

The COVID-19 pandemic has impacted our way of life. Jobs have been lost, household finances obliterated, companies have failed and our government has had to respond by rolling out the highest level of public spending seen in peacetime. Structures which were already under pressure have given way, and questions around meaningful jobs and skills in response to the growing levels of unemployment are more important than ever.

The Chancellor's recent budget[41] and the OBR forecasts[42] sitting alongside it can provide us with some cause for optimism, especially as growth is predicted to surge faster than the OBR had previously stated. However, as we rebuild our society, skills need to be at the heart of our response and the government needs to create a long-term strategy for jobs and skills, to face future challenges and demands and build resilience into our economy and our lives.

The role of Chartered bodies should not be underestimated within all of this, and we have long called on government to utilise us and our connections with local communities, training providers, employers and individuals looking for careers and professional

[41] HM Treasury (2021), UK Budget 2021
[42] Office for Budget Responsibility (2021), Economic and fiscal outlook

development. We are the natural partner to a UK skills strategy, and we continue to engage with government to make that case.

Skills initiatives and collaborations

The Chartered Insurance Institute is engaged with several market initiatives focused on developing talent pipelines and filling skills gaps. Two of the most immediate are:

- **The Financial Services Skills Commission (FSSC)** launched in 2020[43] following the Financial Services Skills Taskforce report and recommendations; and
- **The City of London's Socio-Economic Task Force** set up to build a business case for greater socio-economic diversity and examine ways to incentivise action within financial services.

Apprenticeships are a strategic part of the CII's professional offering, as they are a solid route into a career in insurance and/or personal finance. Our Aspire programme[44], launched in 2017, has seen more than 500 registered firms sign up to a programme which offers structured training to apprentices so that they can achieve the necessary qualifications and skills. We were particularly pleased to see more than 1,500 apprentices enrolled in the insurance and personal finance profession in 2018/19.[45]

As the professional body for insurance and personal finance, we take skills and professional development seriously. We continue to work with employer groups, learning providers and the government to ensure we not only support the needs of those already working within the market, but also unlock routes for people to upskill and reskill at different points in their life.

This will be the secret to maintaining a competitive and innovative marketplace and ensuring it is modern and diverse, reflecting the society and the consumers it serves.

[43] For more information, see Financial Services Skills Commission

[44] For more information, see the Chartered Insurance Institute's Aspire Programme

[45] Department for Education (2020), Apprenticeships and traineeships data

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The future of insurance – A view from Parliament

Craig Tracey MP, Conservative Member of Parliament for North Warwickshire and Chair of the Insurance & Financial Services All-Party Parliamentary Group

On top of my role of representing the constituents of North Warwickshire, I have the pleasure of chairing the Insurance & Financial Services All-Party Parliamentary Group (IFSAPPG), which exists to act as a forum of engagement between Parliament, the insurance industry, wider financial services sector and the public.

Primarily our role is both to engage and promote good practice, challenge issues of concern for all parties, to bring different stakeholders together to find solutions to complex problems and promote opportunities that benefit consumers and industry alike.

Over the last year alone we have held over 30 roundtables, public sessions and stakeholder meetings across over 13 policy areas involving insurance and pensions. These involve engaging with government ministers, regulators and consumer bodies alongside industry, as well as the public at large. Just some of the issues we have looked at are:

- Financial inclusion and access;
- Post-Brexit priorities;
- Travel disruption and the effect on insurance;
- Insurance implications of e-scooters and autonomous vehicles;
- Professional indemnity insurance concerns across financial advice and other professions; and
- The impact of the Grenfell Tower disaster and unsafe cladding (as well as wider fire safety issues) on building and personal injury insurance.

So, it's a wide-ranging brief, but the IFSAPPG's work has given me a unique insight into the market both domestically and opportunities internationally. We also analyse what are the triumphs, the challenges and the developing risks. I am therefore delighted to contribute to this collaborative piece on the future of insurance and thank both Aon and the City of London Corporation for the opportunity to share my insight.

There have been far too many reports to quote in recent years on the challenges faced by the insurance and wider financial services market. Anything from threats of cyberwarfare to climate change and pandemics (yes, they really were discussed pre-2020!) as well as the digital skills revolution, automation and AI. If anything, COVID-19 has established at the forefront of our minds the need to respond to all these challenges, as well as the often-underrepresented issues around financial inclusion and a decline in access to financial services, but most importantly, to professional advice, particularly for vulnerable customers.

As a high street broker for 25 years, I saw first-hand the importance of being open and available for clients to access professional advice, and to build trusting relationships to ensure they got the best possible consumer outcomes. The underlying issue we have seen in the last year is that people need better financial support and protection. They need better access to financial advice to ensure they

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get the right protection for their needs and can understand what is insured and where they have uninsured risks, if any. Financial inclusion and the growing protection gap have been fundamental challenges for years, but COVID-19 has only served to exacerbate these issues and push those in most need into even harsher circumstances.

As an industry and a profession, we need to be able to look at the uninsured risks of our customers and determine if there is more we can do to engage them with them and to fill protection gaps. Yes, we need to establish where social policy ends and private sector services begin, but we also need to look at our risk appetite and determine how we can face the challenges of the present and the future.

Too often people discuss the need for government-backed reinsurance schemes, without fully exploring whether or not the market has existing capacity or ability to take another look – I like to remind people there is a long list of what are often termed as “REs”, there is “pandemic re”; “cladding re” and even the suggestion for a comprehensive “uninsured re”, but our duty first and foremost is to do all we can to meet these needs where we can ourselves.

Of course, that is not to underestimate either the opportunities or challenges we all need to be ready to engage with.

Digital transformation has changed the face of our society and pretty much all our ways of life, and the insurance sector is no different. Data sits at the heart of this revolution, and particularly in a sector like insurance, access to and innovative use of data and analytics can transform products, consumer access and the overall economic performance of the market, bringing greater investment into communities up and down the country. There are opportunities through open data protocols such as Open Finance, learning the lessons from Open Banking and ensuring consumer protection sits at the heart of any new system. There are also opportunities in automation or better algorithmic processes and how this can deliver more tailored products and services to better match up with individual customer needs and expectations.

We also face the challenge of developing a different style of workforce – one that is fluent in data and digital technology in addition to financial products and services. But there is a concern I sometimes share that, if we are not careful, we will lose the human element of advice and insurance and our customers inevitably lose out on the benefits of professional support. These are extremely important relationships that can support people in vulnerable circumstances. Furnishing them with enough professional knowledge so they have confidence that the policy they have is right for them is often the difference between whether they buy it or not.

Automation itself also stands to threaten jobs across our entire society, as is common with any technological innovation, and therefore an honest discussion on how we can innovate and automate, while futureproofing the profession and retaining our employees, is vital if we are to continue to attract talent and build a sustainable workforce.

This connects with a broader challenge for attracting new diverse talent from across the UK. Insurance is a traditionally socially mobile profession with a significant proportion of its workforce outside the City of London, whilst also using it as a conduit for trade and influence. This means there is a real opportunity to tap into the policy priorities of the UK government:

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levelling up our communities and delivering economic growth across our regions, whilst simultaneously delivering on the London Market's own recruitment and training goals. It is great to see the number of market initiatives looking to tackle the barriers to inclusion, but also looking to engage with the need for more accessible career routes for people of different ages and stages of their career.

The pandemic has impacted people from all walks of life and, despite the grave conditions we have all lived through and the tragic loss of life, there is also an opportunity to change the way we bring people into the profession. Yes, we should be training and moulding younger people, and our apprenticeship framework for insurance is a fantastic way to do so. But we should also be looking at how we can reskill more experienced workers from different sectors. This will allow us to make the most of their behaviours, skills and experience to better enhance insurance firms and the products and services they offer.

This multi-level framework should also reflect the fantastic work being led by the sector to be open and inclusive, as the more inclusive our workplaces are, the better we will be able to serve the diverse needs and customer profiles of the public.

All of this intersects nicely with the developing Environment, Social and Governance (ESG) agenda, whereby the climate and environmental changes we need to make can run in parallel to the importance of regular CSR, such as the impact on people and the need for clear transparent governance. This is of particular importance in unlocking investment capital across the insurance market, capital that we will most certainly need if we are to reach our 2050 net zero targets, enshrined in domestic law.

The role of the insurance market is key in mitigating and insuring against the risks associated with climate change, the environmental, social, and societal impacts it will have, as well as the economic concerns that arise from it. With a strong commitment to sustainable finance across the value chains of insurance, consumers can be confident in supporting environmental and socially sound firms, and insurers can be confident they are serving the needs of the public as best they can.

The London Market houses unique expertise across a variety of specialised businesses and services. The expanding potential of new green and sustainable technologies – from energy to manufacturing, infrastructure, and a whole host of other sectors – will continue to see it as a vital tool in our ability to respond to our climate goals of today and tomorrow. Utilising the best characteristics of its expertise and its innovative response to the other challenges we can see on the horizon also means we can tackle the huge change we are likely to see across the world over the next 30 years. That is not to say anything about the domestic and global opportunities this will bring both to the market and to the UK, across all our regions and local economies by bringing in skilled jobs, investing in our local businesses and supporting our international trade agenda, thus demonstrating the reinvigorated global Britain we all want to see post-Brexit.

All this then ties in to precisely why I have long supported the industry's call for a competitiveness duty to be applied to the regulator, who should be looking to the successes of other countries and sectors whose regulators promote the standards and the attractiveness of their markets as a place to do business. I wholly believe inward investment, greater market capacity and even new innovative products, services and business models can stem from this new approach.

Of course, this should come hand in hand with greater parliamentary scrutiny of the regulator, which is why I also support calls for greater accountability for the Financial Conduct Authority and Prudential Regulation Authority, which should certainly be taken in conjunction with any new duty imposed upon them. We are internationally known to have one of the most comprehensive regulatory frameworks in financial services, but our exit from the EU does lead us to a deficit over the accountability of regulators and this must be corrected if we are to reap the rewards of our new relationship with the world.

All of this can be achieved if we utilise the strategic role of the London Market and, if successful, we will demonstrate our sector is not just an important part of financial services, but as a fundamental part of the UK's economic picture, helping our capital city preserve its status as a global financial powerhouse.

As Chair of the IFSAPPG, it is an absolute pleasure to work with so many different stakeholders both inside and outside of the insurance sector, confronting some of these challenges and celebrating victories won for consumers and the market alike. We may have covered a lot of ground in recent years, but there is plenty more for us to get involved in, so we look forward to continuing to support the excellent work of the sector as it transitions into a new stage in its constant evolution.

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About Aon

Aon plc (NYSE:AON) is a leading global professional services firm providing a broad range of risk, retirement and health solutions. Our 50,000 colleagues in 120 countries empower results for clients by using proprietary data and analytics to deliver insights that reduce volatility and improve performance.

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About the City of London Corporation

The City of London Corporation is the governing body of the Square Mile dedicated to a vibrant and thriving City, supporting a diverse and sustainable London within a globally-successful UK.

We aim to:

- Contribute to a flourishing society
- Support a thriving economy
- Shape outstanding environments

Our reach extends far beyond the Square Mile's boundaries and across private, public and voluntary sector responsibilities. This, along with our independent and non-party political voice and convening power, enables us to promote the interests of people and organisations across London and the UK and play a valued role on the world stage.

Supporting the UK-wide financial and professional services industry

The financial and professional services industry is key to the ongoing prosperity of the UK.

The City of London Corporation works with partners in industry and local and national governments across the UK to:

- Accelerate sustainable growth thorough financial and professional services innovation and the use of technology.
- Boost the competitiveness of the UK's world-class business environment.
- Maximise market access for UK-based FPS firms.
- Promote global recognition of the UK's world-leading FPS offer in key markets.
- Cultivate strong, strategic, outcome-focussed relationships with key stakeholders.

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