



## **Speaking with one voice**

### **Article for the Insurance Institute of London**

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Insurance is at the heart of a functioning society and economy, a vital part of wealth creation and preservation, a silent part of the fabric of our everyday lives. Why then does such a critical industry sometimes struggle to make itself heard and speak clearly with one voice?

In this piece, I will look at some of the reasons for this problem and suggest some solutions. The answers are about substance, not spin; it is no good speaking with one voice if nothing worth saying is being said. As an industry, we have an extraordinary opportunity in these fast-changing times to turn up the volume and promote our value – indeed, I believe we are already beginning to do so.

First, what lies behind the problem? At least part of it is historical and cultural; despite its enormous importance to the City of London and the national economy, leading insurers have traditionally neither sought the limelight nor pushed for it, in marked contrast to many bankers and industrialists. Despite the enormous importance of political decision making to insurers' commercial interests, many if not most, have preferred to shy away from political engagement and leave that to their trade bodies and public affairs teams while they run their businesses. While understandable, and in some ways admirable, this modesty has had a cost in terms of the level of understanding politicians have then retained of the industry.

A second factor lies in the fact that insurance is easy to take for granted. There is sometimes nothing obvious to celebrate when the industry does its job properly, often because those benefitting from a successful claim are still traumatised by the loss event. When the industry successfully paid out on the 9/11 claims – the largest insurance event in history at the time – it would have been inappropriate in the extreme to have sought favourable publicity. This contrasts with other sectors such as aviation, energy and even banking where the delivery of a new product or credit facility is about helping create something new, not repairing the damage after a stressful loss.

A third factor which is sometimes quoted but which I don't agree with is that there are too many insurance representative bodies to make our voice heard. These various bodies are a reflection of the breadth of the industry and the range of technical issues needed to be addressed within particular sectors of the market. The industry's principal voice – the ABI – has very successfully fulfilled the vision of industry leaders in the 1980s who merged its predecessor organisations by leveraging its 90% market share to get to the top table of government when it matters.

However, there is much more to be done here if insurers are to maximise the quality and depth of our advocacy and here I set out four key steps I believe we should take:



- 1. Speak up more on our economic importance.** We are living through the aftershocks of the worst financial crisis since the 1930s with the result that growth is at the heart of political and regulatory agendas. Not only is the insurance sector a major contributor to the economy in its employment levels, tax contribution and export strength, but its capital investment in the economy through its investment portfolios is a critical source of long-term funding for the economy. We need to become tireless in pointing this out to anyone and everyone who matters; insurance is a British business success story and vital to growth.
- 2. Promote our social purpose.** Insurance provides an essential service to society, helping communities recover from flooding, businesses rebuilding after fires and riots, enabling individuals to live fulfilled and productive lives through the accumulation of assets that enrich their existence. These are all essential to the fabric of society, building resilience and developing potential. We need to become less shy about how proud we are of supplying these products and in paying claims when trouble hits. We need to become more confident in working with governments in partnership to tackle problems too; such as the current work with the Department of Work & Pensions to provide support for Mesothelioma sufferers unable to claim from an old employer and the ongoing discussions with government to find a way forward on affordable flood insurance for high risk households.
- 3. We need to continue to modernise.** This is not an industry without its faults and – unsurprisingly given its size – it has its share of badly handled claims and reputational problems. To make sure we are heard more effectively, we need to be viewed by other stakeholders, including government, as committed to tackling some of our own problems. The use of voluntary self-regulatory codes through bodies such as the ABI demonstrate this commitment, as does continuing investment in more customer-centric IT and effective complaints handling.
- 4. We need to engage ever more effectively with our regulators.** As Robert Hiscox argues elsewhere in this journal, we need to welcome and work closely with our regulators, especially when we disagree with them. The future is going to see more regulation, not less as politicians of all persuasions given financial services regulators significant power to prevent consumer detriment and ensure another crisis does not erupt. As a sector that instinctively seeks to work within regulation rather than game it, we should continue to build on the good basis of dialogue that has been established with the PRA and FCA, not forgetting how much vital regulation is now done from the EU and international bodies too.

There is one final advantage worth noting. This is an industry that has considerable coherence and instinctively works together, not something apparent in other parts of the financial services sector, never mind the wider economy. This collective spirit is all the more



remarkable given the ferocity of the competition within the UK market but is something I see every week at ABI meetings where industry leaders seek to work together to tackle problems and provide governments and regulators with a single position. This is a tremendous asset for the industry and one we take for granted at our peril.

So we have a clear opportunity to speak with one voice more loudly, more effectively and with more relevance than we have achieved up to now. The prize on offer is worth having; to be more fully recognised for the tremendous importance of insurance to our world and to be valued more by our customers, our governments and our regulators. Silent partners usually end up being taken for granted. It's time to speak up more loudly.

**Huw Evans**