

Introduction

We are living through a period of significant and profound change. Global economic and demographic forces are reshaping geopolitics, the distribution of wealth and the future prospects of billions of people. A digital revolution of mind-boggling speed and significance is connecting our entire world in the course of a generation, constantly shifting the parameters within which we live and work, and re-framing the power balance between information-rich consumers and the providers of their services. The financial crisis which erupted in 2007 has been of historic magnitude, shaking every aspect of the norms which governed the relationship in the West between financial services, government, regulators and central banks and potentially shaping economic performance and governmental structures for decades to come.

Insurance is at the fore front of our changing world, almost uniquely affected as an industry by public policy. Insurance is silently woven into the fabric of our daily lives providing cover against the risks inherent in all aspects of human activity; owning homes; possessions and cars; running businesses from the multi-national to the micro; providing for life after work; protection against illness or death; the freedom to travel and a vast array of risks ranging from the threat of kidnap to the preservation of beauty. The management of risk provides an essential invisible foundation to the sophisticated economies and societies we enjoy today, while also reflecting back to us the realities of the world we live in and the consequences of the choices we make.

Insurers face challenges and uncertainties of their own in this world. As providers of risk management to wider society and the economy, they are all too aware of the volatility and difficulty of their own commercial operating environments in which investment yields are difficult to achieve and where the outcome of systemic issues like the Eurozone crisis remain uncertain.

In the following pages, we will analyse how the insurance industry has responded to the changing environment and how insurers can play a more proactive and engaged role in public policy than the sector has traditionally felt comfortable with. In greater detail, it looks at the future issues in relation to the economy, the affordability & availability of insurance products, paying for life after work and changing patterns of regulation.

In many respects, insurers in the UK are well-equipped for the future. The UK insurance industry is the third largest in the world and London is the undisputed global capital of insurance and a clearing house for global risk (see Figure 1). Insurers' traditional (and occasionally stereotypical) virtues of prudence, regulatory compliance, industry cohesion and sense of social purpose are back in fashion as the hangover from the boom years persists. Meanwhile, some of the industry's well-documented problems with mis-selling and solvency concerns are further in the rear view mirror than many of the similar problems which affected the banking sector in a much larger way.

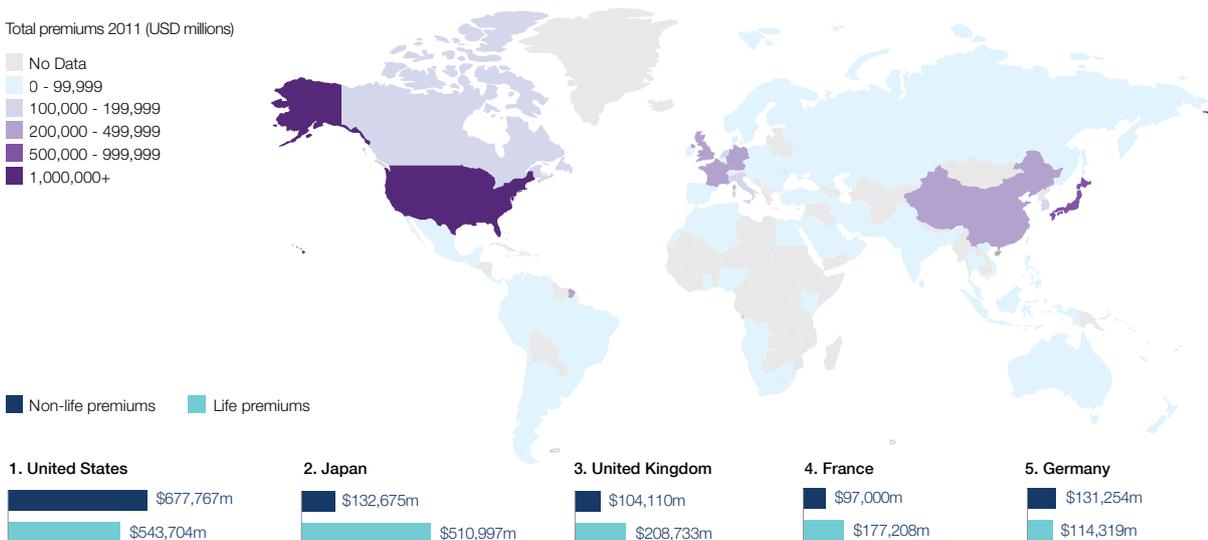
This document seeks to understand the developing environment and identify how the world is likely to change between now and 2030, thinking aloud about the issues this presents for the industry.

However, these relative advantages will count for little if insurers misjudge the future. **The insurance industry has a chance to take a more proactive role in shaping what is to come, asserting its relevance and importance to our changing world.** With this more public role could come greater status, recognition and better relationships with its customers. But it would also pose demands; balancing reputation against profits more starkly, greater self-regulation and partnership with regulators and an ongoing

commitment to working with governments of every persuasion to find common solutions to major problems, however frustrating the process.

In seeking to explain what the future may hold and think aloud about how insurers may respond, this document aims to stimulate debate within the industry and with its customers and wider stakeholders. It is a debate for which the time has come.

Figure 1: Global insurance premiums 2011, \$millions



Source: Swiss Re Sigma (2012) "World insurance in 2011"