



ALARM

embrace risk



WORKING TOGETHER

ALARM CONFERENCE 2019

#alarmrisk2019





Insurance and the public sector through the ages

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- My first day at work- and the office in 1971
 - Decimilisation!- claims ledgers
- What was my first task when I arrived in the office each day?
Guesses please?
 - No computers, copiers, emails, electronic records etc
- Departments, brokers and underwriters in the 70's
- The FOC and fire tariffs- what happened to them?
 - Fire Officer Committee- they set the rates!
 - Fire 0.0256% plus aircraft 0.0003% plus explosion 0.002% plus storm 0.0123% etc. ad infinitum = rate for the risk
 - 65/35 split tariff/ non-tariff
 - AIU (now AIG) and others from USA ruined our life!



Departments in an insurance broker 1970s

- Fire, Accident, Motor, Engineering, Construction, New Business, Renewals, General admin, wordings technicians, claims
- Coordinators were today's Client managers- only people to see client
- Claims departments ruled the roost!
- Separation of roles meant specialisations were rife and people who knew everything were rare!



A day in the office in 1970's

- 1. Open the post
- 2. Manager reviews post and distributes to section leaders
- 3. SL reviews post and gives to junior for on job training!
- 4. Junior tells SL what he or she (mostly he!) thinks should be done- gets agreement.
- 5. Junior writes hand-written memo on carbonated paper to insurers, copies client letter on a bander and sends out
- 6. Junior handwrites proposed letter to client, gets agreement from SL
- 7. Junior dictates letter to client and sends tape to typing pool
- 8. Letter comes back for checking and sending- 3 days later!

SO That's a day gone by then- unless we have the odd phone call- not frequent!



Insurers history

- Aviva- Hand in Hand; CU; Gen Accident; Norwich Union
- AIG- AIU previously
- Allianz- Cornhill
- Aspen- London and Edinburgh; Wellington
- Axa- Phoenix; Guardian Royal Exchange; XL; Catlin
- Chubb- INA; CIGNA; ACE
- QBE- NME; Iron Trades
- RSA- Royal; Sun Alliance;
- Travelers- always Travelers!
- Zurich- Eagle Star and of course MMI- of sorts



Brokers

Aon	Gallagher	Marsh	Willis
Bain & Co Clarkson Ryan Ins group	Lowndes Lambert CE Heath J Gallagher	Sedgwick	Willis Faber Dumas Watson Wyatt
Hogg Robinson JH Minet	Hammonds Sterling Bassett	Johnson and Higgins	Corroon and Black Towers Perrin
Rollins Hudig Hall Benfield Hewitt	Giles Oval Portmore	Jardine Lloyd Thompson	Millers
WHO IS NEXT?			



Limits of liability, excesses

- Employers Liability- unlimited until Employers Liability Compulsory Insurance Act revised 1994- £10 million minimum limit
- Public Liability- 1970s standard £100,000; moved upwards in 1980s
- Large liability claims? No record but somewhere around £50,000!!! Although USA was in front of us- see Ford Pinto claim inc. punitive damages
- Excesses- NIL for EL- legal requirement; PL £500?
- Notts CC had PL/ EL limit £50,000 in 1972
- Increased to £100,000 in 1976 then...
- £1million- then £5 million then £10 million
- Now £50 million but is it enough? Grenfell?
- **Mars bar 1975- 6p, now 60p (also 20% smaller!)**



Limits of liability, coverage

- Pollution cover- not excluded
- Terrorism cover not excluded until NI Terrorism Act and Pool Re
- Until AIU came into the market in 1970s there was no “Commercial All Risks” it was all FOC rules- so competition was almost non-existent!
- However all public sector policies on fire and perils basis
- Most still are- why is that?
- Market has developed more comprehensive wordings through competition



Public Sector Insurance in the 70's and 80's

- 1880's to 1992- approx 85% MMI
- Very few broking appointments
- Organisations relied on MMI for advice- conflict?
- Policy wordings- out of the arc!
- Enhancements in cover- endorsement and AP
- Claims not covered- paid and AP issued!
- Tenders- pre OJEU were few and far between
- When renewal came round there was a negotiation
- NHS – very large premiums in the market



Public Sector insurance and MMI

- After the MMI problems
 - Embargo on claims payments
 - No future cover
 - Authorities set up sounding board- I was asked to sit on it as insurance “expert”
 - Then creditors committee and run-off/ clawback arrangements
 - This was a tough time! The world was collapsing around our ears
 - Bill’s personal story!! I was at Notts County Council then and suffered my own losses!



Public Sector insurance and other insurers

- Independent Insurance
 - 50% lower deductibles and aggregates than the market
 - Negotiate on premium- wanted to win everything!
 - Always appeared to be a sound financial bet!
 - Claims reserving techniques proved to be unsound, intended to reassure the market, not present proper reserves
 - Sudden collapse- mad panic to replace business- another hiatus in premiums



Public Sector – how the market developed

- Brokers and insurers post MMI troubles
 - Some people took advantage!
- Coverage enhanced, deductibles increased, programmes refreshed
- Much more professional attitude to risk- but mostly operational
- Tendering came to the fore
- Audit Commission involvement- led to corporate risk management
- Example- Notts County Council RM programme
- ALARM- from an acorn to an oak tree!



Public Sector – who was involved post MMI?

Insurers- CU; Sun Alliance; Independent; Eagle Star; GRE; General Accident; Norwich Union; London and Edinburgh; Generali; RH Lister (Lloyds); CIGNA; Travelers; Risk Management Partners with American Re- then AIG, and of course Zurich Municipal

Brokers- Sedgwick, Lambert Fenchurch; Alexander & Alexander; Minet; Bain Hogg; Willis; Marsh McLennan; Johnson and Higgins; CE Heath; Rollins Hudig Hall, JLT

Majority of MMI renewals to ZM
Some authorities tendered- not via OJEU.
Claims handling became an issue as ZM imposed higher deductibles on larger bodies

Broker competition- yes but average fee for a Unitary- £70,000; County similar; Districts and Boroughs £15,000; Police and Fire- £25,000



Public Sector insurance developments through the years

- Shared services and collaborations
- More facilitation, less provision of direct services to the public
- Mergers of authorities- reduction in workforce and corporate knowledge
- Harder job for insurers and brokers to provide best deal- constant change
- Insurers have merged as have brokers- less competition
- Government intervention- NHS, Academies RPO
- Wordings more comprehensive than before but prices lower!
- Broker fees have gone through the floor!
- New entrants, e.g. Maven, Protector, Edison
- Some insurers have withdrawn from some areas, i.e. blue light, large authorities



The future for the public sector

Threats

- Wealth disparity; communities getting older; disruptive business models; increased nationalism;
- Terrorism; individualism and lack of respect for others; global warming; localism; policing risks
- Big data and analytics; cyber risks; local government transformation

Mitigation/ solutions

- Be digital in every area; develop “renaissance talent”; role modelling from the top; citizen-based analytics;
- Outcome-based measurement; motivate the customer and volunteer force; put the citizen in control;
- Develop collaborative trust; government as a facilitator only; build public/private partnerships again?
- Small, flexible public sector entities – OR regional only?



Public Sector insurance- how can it help?

- Non-standard insurance based products to provide budgetary certainty?
- More strategic risk advice, less transactional business, more self retention of non-catastrophic risk
- On-line facilities, more choice of insurance products at fingertips
- Less reliance on procurement and more value for money services
- Cyber- security across the entire portfolio
- Blockchain threats to be mitigated by enhanced security and ability to trade over blockchains
- e.g. Bitcoin- how do police forces ensure cyber security during transfer?



The future of insurance?

- Motor insurance disappears- products and cyber covers take its place
- AI handles all claims and premiums via blockchain- no intervention?
- Loss adjusters replaced by drones
- Trips organised by AI routes least risk, premiums charged per trip for life cover!
- The Internet of Things- by 2025 there will be over 30 billion objects connected to the internet and embedded with software- all capable of acting independently
- Lawyers replaced by AI? Litigation resolved by AI/ mediation



Public Sector insurance- the future

- Abuse risks to be “insured by a central fund on non-negligence basis- as Scotland
- Police motor risks will finally reduce due to automation- however cyber crime increased
- Drones will be used by everyone and insured via a national scheme
- No motor cover but cyber absolutely vital!
- Manual underwriting ceases to exist except for most complicated risks and premiums shared across sectors?
- Will another Mutual be part of the insurance options? Will this skew premiums against higher risks?
- Develop underwriting talent in a different way- the AI dependence changes type of employees needed?



- **THANK YOU**
- **ANY QUESTIONS?**
- **CAN I GO NOW?**