

TIME TO THINK THE UNTHINKABLE

Insurers are guilty of spending too much time looking inwards at their own industry rather than outwards at their customers. This, argues Stuart Sutherland, Liberty Specialty Markets' Head of Casualty, has led to rigid thinking and a blinkered view – but change is possible.



Author
Stuart Sutherland
*Liberty Specialty Markets
Head of Casualty*

Our customers don't think in terms of property and casualty risks, UK and European or Lloyd's and company markets. They don't see risks in silos or use our jargon.

Dyslexia is seen by many people as a handicap – a neural aberration that creates difficulties with reading, writing and spelling. Not Richard Branson. Writing earlier this year, Branson, himself dyslexic, attributed his success in no small part to his 'learning difficulty'. "Dyslexia is not a disadvantage," said the Virgin founder and self-made billionaire, "it is merely a different way of thinking." Once away from his 'archaic' school, Branson turned the tables: "Dyslexia became my massive advantage: it helped me to think creatively and laterally, and see solutions where others saw problems."

The example of Branson shows just how important perspective and mental flexibility are to achieving success. Business coaches have built an entire industry developing mental tools to help business leaders solve problems by exploring perspectives. In short, the greater our ability to experience a challenge from differing perspectives, the greater our chance of finding a workable solution.

Now, by way of contrast, consider an insurance company operating in the UK and European markets – a business entrenched in well-trodden practices, surrounded by competitors and several steps removed from its end-customer. Is it any wonder that its world view is shaped by its inner workings rather than the experience of its policyholders?

“The greater our ability to experience a challenge from differing perspectives, the greater our chance of finding a workable solution.”

Here's an example of that dogmatic world view. Our customers don't think in terms of property and casualty risks, UK and European or Lloyd's and company markets. They don't see risks in silos or use our jargon. Why should they? No other industry expects its clients to frame their needs in terms of the products it wants them to buy or where they should buy them. And yet we do. We insist on shaping products and services based on our perspective rather than our clients'.

This is why it's so vital that the insurance industry modernises in order to stay relevant.

Thankfully, few would disagree that the sector is ripe for change. 2016's enactment of the Insurance Act forced the pace by creating a fairer balance between policyholder and insurer, driving higher expectations in terms of what and how information should be shared.

The risk management profession has long bemoaned its lack of access to boardrooms, but even within risk-managed multinationals, it is frequently C-suite executives who make insurance purchases today as challenges become more complex and inter-connected. We are experiencing a dizzying array of both macro and micro economic, regulatory and systemic changes that have rendered the traditional specialist and siloed approaches to risk unfit for purpose.

Change is the answer, but not just any change. We need change that's driven by customer-centric thinking, as opposed to a reflexive desire to achieve compliance and stem the potential for damaging litigation. This is why I want Liberty Specialty Markets (LSM) to be at the vanguard of this thinking, offering brokers and our respective clients a unique perspective and a truly clear rationale for choosing us above all others.

Combine P&C to respond to sector needs

Clients' boards are taking an increasingly holistic view of the risks to which their businesses are exposed, so they need insurance providers to do the same. This is why I'm advocating that LSM should combine its traditional property and casualty offering into one seamless insurance solution tailored for the industry sectors across multiple territories in which we specialise. Ultimately, I want our underwriters, risk engineers and claims specialists to be able to have any conversation on any risk with brokers and clients. It's up to us to deliver a joined-up response.

Of course, this is how the professional services industry has worked for many years. For example, rather than promoting auditing or dispute resolution services, accountants and lawyers have long gone to market on an industry sector basis, focussing on each's particular issues and needs. Although the services offered may be broadly similar, the customer accesses them through a team that specialises in their sector.



It's time to see the world through new eyes and to offer a unique perspective as one global LSM.



Importantly, the sector approach is not just a marketing construct, it is an organisational reality in which specialist industry teams train and work together right across the firm's global networks. This enables them to apply global best practice when delivering local client service. While it's true that the insurance industry does have some specialist industry teams, behind the scenes it is often still the insurance line that informs the team structure.

Our transformation will go beyond joining up the property and casualty offering via an industry sector approach, however. The firm has already closed its UK regional network in order to build its multinational capability on a UK and global hub basis. It is also looking to deploy its capacity through greater use of delegated authorities and MGAs, which will enable it to pursue particular books of business while supporting existing business more efficiently.

Change the paradigm

Another departure from traditional practice will change the way LSM deploys its underwriting resource. In time, we will create a distinction between field underwriters, who interact with brokers and insureds on an industry basis, and technical underwriters.

Field underwriters will work with specialist risk engineers and claims experts as part of a team that interacts directly with brokers and insureds. This will bring us much closer to changing market needs and help drive the development of specialist recall, environmental, public, product, employer, general and cyber liability products as well as solutions for each industry sector. In time, it might also enable LSM to extend its offer beyond traditional risk transfer – for example, by providing risk consultancy and advisory services in response to incidents or complex claims.

Technical underwriters will be less involved in product development. Instead they will operate behind the scenes, spanning both the company and Lloyd's platform, enabling us to write risks and deploy capital more flexibly and efficiently.

OUR INDUSTRY SECTORS

Our special industry groups include:

- ▶ Retail
- ▶ Healthcare
- ▶ Energy
- ▶ Construction
- ▶ Financial services

Our specialist services that will underpin the sector market approach include Risk Reduce, our online risk management and advisory resource for brokers and clients. We are well supported by our claims team who, through our claims Risk Reduce portal, are able to offer a variety of benefits, online file access and rehabilitation benefits.

Where are we on this transformation?

Well, the good news is broker feedback tells us that we are a carrier that listens, and we are creative in seeking out solutions both through traditional technical underwriting and more lateral thinking across our Lloyd's and company platforms. Being in a mutual certainly supports this more open-minded thinking.

But without a doubt, we have exciting times ahead with much progress still to make.

Think big and long-term

Clearly, it would be foolhardy in commercial terms to break the mould before the market is primed for change, or the organisation can adapt. But the process begins now. LSM is alive to the need to reinvent itself and ready for the challenge. Our mutual heritage enables our management team to take a longer-term view and embed necessary changes behind the scenes that will transform the way we go to market.

Although this represents a significant strategic shift for us, the bones of the novel approach are already in place. Breaking the mould will not be easy, but we're ready and the time is right. As an industry that's hundreds of years old, the manner in which we see the world has become hard wired into our thinking. It's time to see the world through new eyes and to offer a unique perspective as one global LSM.

GET IN TOUCH

Email:

sutherland.stuart@libertyglobalgroup.com

Tel: +44 020 3758 0411