INSURANCE OUTLOOK 2022

Edited by Ben Johnson

SHEFFIELDHAWORTH

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SHEFFIELD HAWORTH INSURANCE PRACTICE

Ben Johnson
Managing Director & Global Head of Insurance & InsurTech

Ben joined Sheffield Haworth in 2019 with a vision to build out the Insurance practice into the number one provider of transformation talent solutions in the industry. His goal is to deliver solutions that combine industry expertise with strategic thinking – driving creativity, innovation, diversity and inclusion for clients. For over 14 years he has placed executives, interims, and consultants at C-Suite level across some of the biggest names in the sector, gaining deep insights into how talent can solve companies' most challenging business problems. Ben has a BA in Fashion & Marketing from Central St. Martins, London and he applies his passion for creative thinking to every client engagement. Prior to joining Sheffield Haworth, he led the Insurance, Asset & Wealth division for Interim Partners, focusing on Operations, Marketing, Digital and Technology. Ben is on the Advisory Board of LINK, the LGBTQ+ Insurance Network and was recently presented with the Inclusion, Diversity, Equity & Access (IDEA) award by the Association of Executive Search and Leadership Consultants (AESC) in recognition of his work to raise awareness of the LGBTQ+ community in Insurance.

Gareth Burden
Consultant

As a Consultant, Gareth is responsible for helping to build out Sheffield Haworth's Insurance practice, with a focus on the global Insurance and InsurTech sectors. Prior to joining Sheffield Haworth, he worked for over six years delivering successful senior-level searches, strategic hires, and market analysis for clients across multiple business functions. His past clients have included global tier 1 and scale-up firms within Capital markets, Payments, eCommerce, as well as Credit and Asset finance within the EMEA banking space. Gareth has a passion for promoting diversity and inclusion in every aspect of his work. He also has a BA in Philosophy from Oxford Brookes University.

Sabine VanderLinden
Senior Insurance Advisor

Sabine is co-founder, CEO and Managing Partner of Alchemy Crew, a venture validation firm. Formerly the CEO and co-founder of StartupbootcampInsurTech (UK) and Hartford's InsurTech Hub Accelerator (USA), Sabine sourced over 15,000 ventures and accelerated 70+ startups with the support of over 30 corporate insurers. She also helped these young market players raise over $100m in funding. Sabine is a pioneer in building innovation ecosystems. In 2019, she scaled a new set of programs called Co-Creation Labs, which enable corporates to achieve measurable outcomes from working with growth ventures. She is a multi-award winner, a co-editor of bestseller The INSURTECH Book, and a top 50 InsurTech Influencer.

Sheffield Haworth contributors to Insurance Outlook 2022

Helen Tudor
Managing Director, Consulting & Professional Services & Global Diversity, Equity & Inclusion Lead

Justin Gault
Managing Director, CFO Practice

Paul Gillespie
Managing Director, SH Gillamor Stephens

Tim McEwan
Managing Director, Leadership Advisory

Gaëlle Pritchard
Head of Assessment

Tom Forrest
Managing Director, Human Capital

Tom Eagar
Consultant, ESG / Sustainability

INTRODUCTION: EMBRACING STRATEGIC TRANSFORMATION

Last year I published my first annual Insurance Outlook which explored key trends in the insurance market and their impact on organisations' talent needs. My Insurance Outlook 2022 aims to give you the insights you need to help you attract and retain the right senior level talent to drive your business strategy this year, as we continue to see the power shift from organisations to people and the competition to attract new talent grows fiercer.

Over the last two years, disruption and change have dominated our industry. This year we analysed the data around 4.6 million insurance professionals globally to identify how the industry is responding and what we can expect to see over the next 12 months.

Customer centricity and transformation are increasingly driving talent trends

With the pandemic having led to rapid, enforced digitisation, many insurance organisations are now beginning to embrace digital transformation more strategically, moving to far more customer centric models and adopting more agile ways of working.

This is reflected in the data. Despite average UK market growth of 2%, industry demand for Product management in the UK grew by 9.7% in the 12 months to December 2021. The Entrepreneurship function grew by 6.2%, and Business development by 3.6%.

This suggests the industry will continue to focus on developing digital platforms to satisfy customer demand while also digitising operations to support hybrid working, which has now become a basic necessity for attracting and retaining talent.

At the same time, 2022 will continue to bring regulatory demands and challenges, such as ESG reporting and providing fair value to customers in general insurance. Diversity, equity and inclusion (DEI) also continues to be a priority for many organisations due to a plethora of commercial, ethical, and regulatory pressures. This is why I was so pleased to win the IDEA (Inclusion, Diversity, Equity and Access) Award from the Association of Executive Search and Leadership Consultants (AESC) in November last year.

How will organisations respond in 2022?

From analysing talent trends and speaking to my network of industry insiders, several key considerations are emerging around what organisations need from their future senior leaders:

Contents

1. More creative talent.
2. More cognitively diverse talent, to help foster creative and innovative problem-solving.
3. More multi-faceted, well-rounded individuals who combine commercial instincts and strong people skills with a good understanding of technology, augmenting humans with machines.
4. Leaders who genuinely live their values and have a positive impact on the culture.
5. Entrepreneurial individuals who are comfortable with constant change, who can break down silos and bring people together.

The competition for top talent is more intense today than at any point in my career. As organisations look to source product specialists, engineering talent and data strategists from outside the industry, deep cross-industry networks and expertise such as ours at Sheffield Haworth are becoming a huge advantage, along with our technologically-enabled and data-supported project approach to Search.

Key themes in this year's Insurance Outlook

This is why this year's Insurance Outlook contains a range of insights from our experts at Sheffield Haworth as well as from industry insiders, so you can benefit from our combined cross-functional experience.

On page 08, Tim McEwan explains how to build a strong business culture in the face of continued uncertainty. We analyse what skills the future-facing CFO needs in 2022, with contributions from Ofir Eyal, Managing Director and Partner at the Boston Consulting Group. We have a Q&A with Matthew Jones, Managing Director of venture capital group Anthemis, on the key InsurTech talent trends for 2022. And we have an in-depth interview with Emma Woolley, CEO, Lancashire Syndicates, on diversity and innovation in the Lloyd's market.

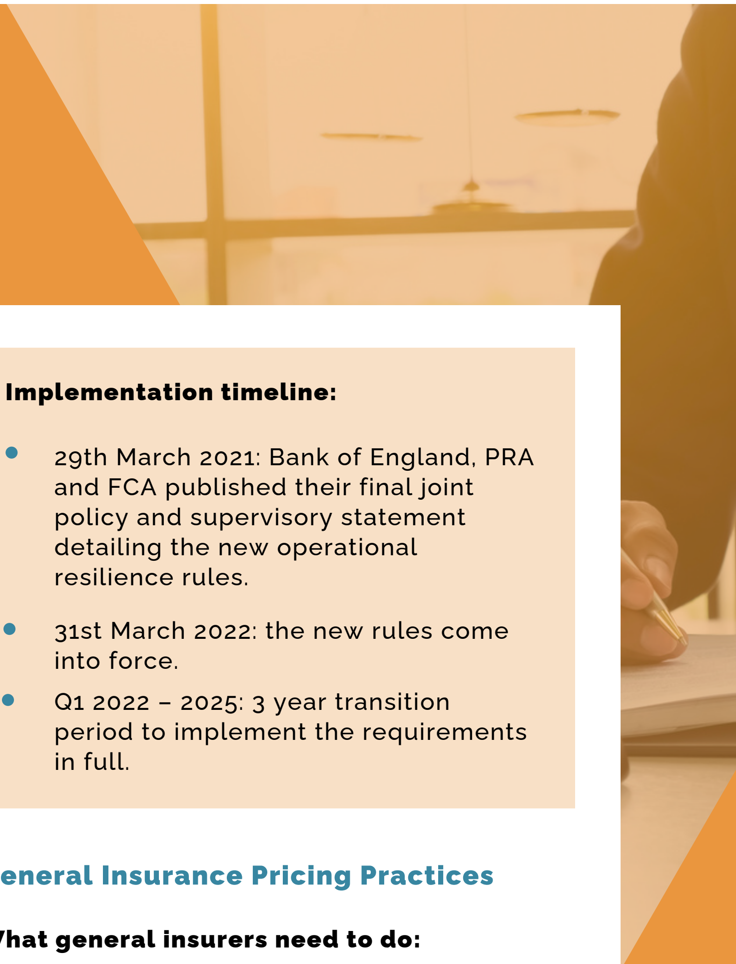
We also have a deep dive into upcoming DEI trends; the talent challenges, opportunities and threats arising from key regulation in the next 12 months; and the rise of customer centricity and what's driving industry demand for Product management – with insights from Sophie Frampton at Covéa Insurance, Simone Bohnenberger-Rich at Eigen Technologies, and James Yerkess and Colin Robertson at HAL Consulting.

Finally, we have insights into how ESG will impact the industry's talent needs from Tom Eagar, Head of ESG at Sheffield Haworth, and from Sabine VanderLinden, Senior Advisor to the Sheffield Haworth Insurance practice.

Many thanks to all those who contributed their time and expertise. 2022 looks set to be an exciting year of strategic transformation for the industry, and I hope this Outlook provides you with the insights you need to meet the challenge head on.

Ben Johnson
Managing Director & Global Head of Insurance & InsurTech
Sheffield Haworth

REGULATION ROUND UP 2022



Regulatory compliance is an ever-evolving challenge for Insurance. With the increased level of regulation and the importance of embedding risk management across organisations in 2022, it's evident that most risk functions will need to increase in size and prominence to be better able to support the business across all areas.

Here is a brief rundown of some of the key regulatory changes either already in progress or on the horizon for 2022, drawn from our extensive industry network (Note that we go into more detail on a) the regulators' joint discussion paper on diversity and inclusion, and b) mandatory climate-related financial disclosures (TCFD reporting) elsewhere in this report):

Operational Resilience

What insurers need to do:

- Map out their key business processes.
- Establish impact tolerances and risk appetites around operational resilience.
- Insurers will have a 3 year transition period to implement requirements, but from March 2022 are asked to:
    - Understand and map the people, processes and technologies that support the delivery of the most significant business services they deliver to end users.
    - Identify any vulnerabilities within those processes.
    - Undertake scenario testing around those vulnerabilities.

Implementation timeline:

- 29th March 2021: Bank of England, PRA and FCA published their final joint policy and supervisory statement detailing the new operational resilience rules.
- 31st March 2022: the new rules come into force.
- Q1 2022 – 2025: 3 year transition period to implement the requirements in full.

General Insurance Pricing Practices

What general insurers need to do:

- Offer the same price (subject to same risk) to new and renewing home and motor consumers.
- Undertake product value reviews every 12 months: firms will have to evidence that the end price paid by customers represents fair value.
- Make it easy for customers to opt out of auto-renewal.
- Report pricing practices annually.
- A senior manager must attest that the firm's pricing models comply with the pricing rules.

Implementation timeline

- 28th May 2021: the FCA published their pricing practices market study detailing the new general insurance pricing rules.

- 1st October 2021: the new rules came into force around systems and controls, product governance and premium finance.
- 1st January 2022: the new rules come into force around pricing, auto-renewal and data reporting.

New Consumer Duty

What insurers are likely to need to do once this consultation leads to new rules:

- Embed a strong customer-centric culture focused on customers' interests and outcomes.
- Design products and services in a way that results in good consumer outcomes and 'get things right first time'.
- Continuously monitor, test and adapt practices and processes to ensure they are delivering the expected outcomes, and be able to evidence this to the FCA.
- Enhance their monitoring of customer outcomes.

Implementation timeline

- 31st July 2021: deadline for firms to respond to the FCA's consultation.
- Q4 2021: the FCA was due to publish a second consultation.
- 31st July 2022: proposed date for publishing final new Consumer Duty rules.

Climate Risk Management

What insurers need to do:

- Identify their climate-related risks.
- Implement climate-risk programmes in line with the PRA and FCA-chaired Climate Financial Risk Forum (CFRF) guide published in June 2020.

Implementation timeline

- Q4 2021: the PRA expects firms to have fully embedded their approaches to managing climate-related financial risks by this date.

Solvency II Review

The government has been undergoing a review of Solvency II post-Brexit to look at how they can amend solvency rules to better reflect the needs and challenges of UK-based financial services firms. That said, industry insiders expect the government not to change the existing rules too much while hope still remains for achieving equivalence with EU financial institutions.

Potential areas of focus for the government:

- Changing risk margin (RM) methodology.
- Reviewing matching adjustment (MA).
- Making the current approach to calculating solvency capital requirements less prescriptive.
- Making the specification and calculation of transitional measure on technical provisions more proportionate.
- Creating a simpler and more proportional reporting framework.
- Changing the thresholds for the application of Solvency II rules.

What insurers need to do

- Keep an eye on any further communication from the government.
- Some proposed changes will require further technical consultations by the FCA.
- Some proposed changes may require new legislation.
- Life insurers should monitor any changes to the risk margin and matching adjustment, as these are likely to impact their reinsurance, capital management and investment strategies.
- International firms looking to set up UK operations should consider how changes to branch capital requirements could impact their post-Brexit organisational structure.

Special mention: Recovery and Resolution

Prior to the finalisation of Brexit, the European Insurance and Occupational Pensions Authority (EIOPA) had been pushing for a Europe-wide recovery and resolution framework for insurers – a 'minimum harmonised R&R framework across the EU Single Market'.

Although post-Brexit there's no guarantee or firm commitment on this from the UK regulators, it is expected that the PRA is likely to seek to adapt the EU rules for the UK market. At this stage, insurers' risk and compliance teams should keep an eye on the PRA for any announcements on this during 2022.

Implementation timeline

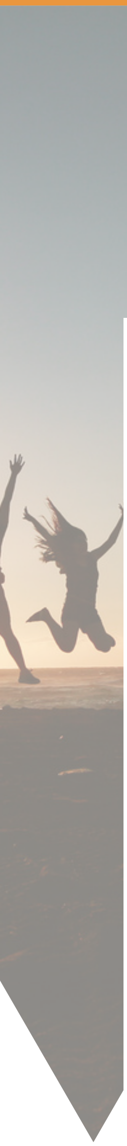
- The government's call for evidence ended in January 2021.
- We are awaiting further details.
- Proposed changes are unlikely to come into effect until the end of 2022.

How regulatory change will impact insurers' talent needs in 2022

From speaking to industry experts, it's clear that the burden of regulation in 2022 will pose a challenge for many insurance businesses. Some of the new rules – such as those regarding operational resilience – are completely new for insurers and many will lack inhouse experience of dealing with them. Insurers also appear to be struggling to meet compliance deadlines on several others.

Two main talent requirements are emerging. The first is the need to hire and/or train more people who understand risk and regulation and embed them across the business to support front line functions and make compliance more efficient and effective.

The second theme is to bring in talent from adjacent industries with prior experience of new obligations such as those around operational resilience, ESG, or fair value. Banking and the asset and wealth management industries are all further advanced in these areas when compared with Insurance. Attracting experienced talent from these industries into risk and compliance teams would most likely prove beneficial, since they have learned how to solve many of these compliance challenges already.



CREATING & NURTURING A SUCCESSFUL CULTURE

A conversation with Tim McEwan, Managing Director, Sheffield Haworth Leadership

At a time when digital, operational and even business model transformation are priorities for insurance firms, many recognise that creating the right organisational culture is essential for success. Without this, no matter what innovative or creative talent an organisation hires, the chances of failure remain high.

I sat down for a discussion with Tim McEwan, Managing Director of Sheffield Haworth Leadership, and a Fellow in Management Practice at the University of Cambridge Judge Business School, to discuss what culture is, how organisations can create or shape it, and what culture challenges lie in wait for business leaders in 2022.

What is an organisational culture?

There are many ways to define culture. At its simplest, some say culture is just behaviour. However, there's a lot more to it than that. Another way to define it is to say that culture is the underlying assumptions, values, beliefs, and expectations shared by an organisation's members.

The main point to remember is that an organisation has a culture whether it likes it or not. The question is whether it's a culture that has been designed and shaped with particular goals in mind, or whether it is one that has evolved 'in the wild' in the absence of any guiding hand.

Innovation, ESG, diversity, profits, strategy – all of these are artefacts of a culture. They are produced by – and contribute towards – the overarching culture of an organisation.

As McEwan says, "someone once said to me, 'Show me your compensation structure and I'll tell you what your culture is like. What you pay people for is what you get.' If people are rewarded for driving revenues, that will define your culture. If people are compensated for promoting diversity and inclusion, that will define your culture. It's really true."

How to understand and shape your culture

In order to shape a culture, you must first understand it. For McEwan, one of the best tools for doing this is the Johnson-Scholes model, which suggests culture is built on six key levers:

- Control systems: How people are paid and disciplined, and how risk is managed.
- Rituals and routines: Board meetings, offsite summer parties or seminars – events and gatherings practiced on a regular basis.
- Stories: What are the stories people tell about the company? Who are the heroes and villains? What morals do they impart?
- Symbols: Not just a company's logo, but also actions and decisions the firm considers symbolic, from investing in technology to fundraising for charity.
- Organisational structures: Formal structures and hierarchies, as well as informal networks of power and influence.
- Power structures: Where does the real power sit? Is it formal power with the chief exec and on the org chart or is there lots of informal power and key influencers within the organisation?

3 key tips for building – or maintaining – a strong culture in a hybrid working world

Throughout 2021, one of the most common questions the SH Leadership team received from clients was: "How do we shape our culture in a remote environment?"

At the beginning of 2022 working from home is rapidly becoming the norm once again. For McEwan, this is an unfortunate but important reminder of the need for organisations to get this right.

"It's already looking like we're going back to a working from home environment," McEwan says. For many corporate teams who have hired remotely during the pandemic, the question becomes how to build a strong culture in a remote environment. For those still adjusting to hybrid working, the question is how to maintain – or even improve upon – their existing culture.

"We know we're not going to go back to working five days a week in the office," McEwan adds, saying that remote working during the height of the pandemic taught us two key things:

- That remote working is both possible and can be highly productive.
- That when they did come back to the office, a majority of people really seemed to value the social connection.

Because of this, McEwan recommends leaders consider the following three recommendations:

1. Connectivity is important and should be encouraged, either through team projects or other consciously-created situations.

2. When you and your people do get together again, make the most of the opportunity to recreate that social glue that comes from face-to-face engagement. Increase the number of team offsites or onsites where possible to maximise the opportunity for social bonding.

3. Team leaders have to become hyper conscious of the requirement to build – or maintain – the team culture. They should make this a priority over doing fee earning work. "If they have the right team, that team will do all the fee earning, leaving the leader free to look after the team and build the team culture," McEwan says.

A 6-POINT INSURTECH CULTURE HEALTH CHECK

However great the business model of a growing InsurTech, if the founders or leadership team can't deliver due to a toxic culture then that VC investment is at much greater risk. Where VCs have traditionally focused less on culture than on the numbers, more and more VCs and corporate VCs (CVCs) now recognise the importance of people and teams.

This is our take on the main points that investors should check within their existing portfolio companies as well as any new ventures they're considering investing in:

1. **Personal disagreement between the founders/leadership team**

   Frequent or obvious personal disagreement can be a sign of a toxic culture, poor communication, or a founding team that simply cannot get along. By contrast, a strong leadership team values healthy debate but also displays mutual loyalty, respect, and leadership.

2. **Employee turnover**

   A constantly revolving door means that skills are not embedded in the business as talent doesn't want to stay, which jeopardises the company's ability to execute.

3. **Clearly defined roles and responsibilities**

   Once a company reaches the point of requiring venture capital, clarifying and separating roles becomes vital if the leadership team wants to be able to grow the business effectively without stepping on each other's toes. They need to be able to defer to each other seamlessly with the trust that clear outcomes will be achieved without supervision.

4. **Awareness of major potential risks**

   Risk is not something that can be avoided. Instead, it can be managed – if the leadership team has a realistic understanding of the risks they face. Are they able to anticipate challenges or solve problems creatively? Are they able to be ruthless and cut their losses at the right time or will they fall victim to the sunk cost fallacy?

5. **Workforce diversity**

   Diversity, equity and inclusion (DEI) are becoming a major priority for the corporates with which start-ups often wish to partner. VCs will need to think very carefully about DEI as part of their investment criteria, or at least consider supporting or coaching leadership teams on how to deal with these requirements.

6. **Employee health and wellbeing**

   Not only is supporting employee health and wellbeing the right thing to do, it also improves productivity. While it may be too much to expect a scale-up to have an official health and wellbeing policy in place, there are other signs that they're taking these responsibilities seriously, such as offering gyn memberships or online counselling for mental health issues.

ASSESSMENT - A PRACTICAL TOOL FOR SHAPING CULTURE

By Gaëlle Pritchard, Head of Assessment, Sheffield Haworth Leadership

Many insurance firms are currently seeking to evolve their culture, to move towards a more innovative and less risk averse transformation culture. This poses a challenge when hiring senior talent. Should they hire for talent that is a good fit with their existing culture? Or hire talent that will help drive the cultural evolution they seek?

If anything, this challenge can be even more difficult for InsurTechs, who need to nudge and guide their culture to foster openness and inclusiveness while also ensuring alignment with the business strategy. These are the scale-ups that will find it easier to attract and retain top talent once they start to grow.

Using psychometric traits assessments can help to solve these challenges for incumbents and InsurTechs alike. Psychometric assessments offer evidenced-based ability and behavioural profiles of individuals. They can be used for recruitment and selection, for team development, or for talent development.

Using assessment for organisational development allows a company to get a sense of the skills gaps in their management team, as well as any potential behavioural gaps. If the team is unbalanced in any direction, assessment will help to uncover this fact, and help the company take action to correct it.

Because assessment is used to uncover:

- Upfront knowledge of top team dynamics ahead of hiring.
- An individual's leadership style.
- Their approach to risk and their decision-making style.
- Their approach to – and impact on – teamwork and culture.
- Whether they will be a good fit – or add much-needed diversity to – the culture of an organisation.
- Their personal motivational frameworks.
- Root causes of conflict.
- Strengths, fears and areas for development.
- Their 'dark side' – the traits that act as potential derailers.

Organisations can use this to inform future hiring decisions, for example, ensuring that the next senior appointment has complimentary behaviours alongside the technical skills required. It is also very effective for bringing to light any training or development needs within the existing senior leadership team.

Both of these applications enable leadership teams to evolve their behaviours in a certain direction to help them shape and evolve the kind of organisational culture they desire.

THE EVOLVING ROLE OF THE INSURANCE CFO

With digital, financial and business model transformations becoming increasingly prevalent within insurance firms, the role of the Insurance CFO has been steadily evolving. As this trend is likely to intensify throughout 2022, we look at what factors are driving this change and what skills the future-facing insurance CFO will need.

A good CFO has always been vital to the success of insurance organisations, but today they must juggle more responsibilities than ever before. What may once have been characterised as a backwards-looking role strictly for those with extensive accounting experience has transformed into a more rounded and multi-faceted role open to people from a wider variety of backgrounds.

Today, we can divide the key responsibilities of a CFO into three clusters:

- Backwards-looking: maintaining a financial infrastructure that enforces strong controls, processes and reporting.
- Present-looking: providing timely information to the business to help the front line, cost and liquidity management (and control), and being able to influence the wider business through stakeholder management and organisational and data transformations.
- Forward-looking: being a strategic, operational and commercial partner to the CEO. The CFO of tomorrow should anticipate changing market conditions and position the organisation appropriately.

According to Ofir Eyal, Managing Director and Partner at the Boston Consulting Group, "beyond the traditional finance role a CFO needs to have a good understanding of technology, very strong people skills, and strategic vision."

What is driving this evolution?

Here there are several factors at play:

- The need to digitise and automate internal CFO processes, such as preparing accounts and financial reports, providing self-service data and analytics to the rest of the business, and increasing the efficiency of the finance function in tasks such as billing and payroll.
- The need to drive digital transformation of customer-facing operations to become more customer centric, leading to large transformation projects that CFOs need to understand, challenge, assess on their financial merits and, ultimately, sign off.
- The need to comply with regulation, such as IFRS 17, which represents a complete overhaul of the accounting for insurance contracts, and which comes into effect from 1st January 2023. This also typically requires IT transformation within the business. "The CFO needs to be able to lead IT transformation projects inside the organisation that impact their function in such a fundamental way," says Ofir.

As a result, the skillset required by the successful CFO has ballooned.

Top 5 technical skills required to be an effective future-facing CFO

Speaking to Ofir, he defines the most important important CFO skills as:

1. Financial literacy. "This is table stakes and you're always going to need this."

2. A strategic mindset. CFOs are increasingly taking on the role of strategic partner to the CEO, helping set and drive strategy across the entire organisation.

3. An investor mindset. Sometimes overlooked or downplayed, a successful CFO needs a good grasp of financial markets, the investor community, and what drives value from an investor perspective.

4. Risk management, balance sheet management and regulatory compliance. The ability to evaluate and assess the risks faced by the business and advise on appropriate actions is an essential skill in any regulated industry.

5. Digital knowledge. The future-facing CFO must be able to orchestrate digital initiatives such as cloud migration, big data usage and digital transformation, and ERP implementation. They must be able to understand the financial and operational implications of such initiatives.

As digital transformation has become a watchword within the industry, it is also important that all senior leaders – including CFOs – treat transformation not as a one-off two-to-three year project, but as an ongoing process of continual improvement and efficiency gains.

What 'soft skills' does a well-rounded CFO need?

As a senior leader in their organisation, the CFO requires several soft skills, including:

- Enterprise leadership and strategic vision.
- Agility: the ability to handle highly complex business and risk issues.
- Political savviness: the ability to reach across organisational boundaries to collaborate and achieve objectives.
- People management skills.
- Communication: the ability to partner with non-financial areas of the business to drive growth, eliminate costs and expand into new markets.

As Ofir says, "Nowadays, the CFO is a very common route into ultimately becoming a CEO, so CFOs who want to go down this route must build effective people-management skills and become a more rounded individual."

The CFO's role in creating an affective culture

Talking about soft skills naturally leads into a discussion of the importance of culture. All businesses have a culture, whether they have built it deliberately or not, yet this can make the difference between having a productive, motivated workforce, or an enervated and ineffective one.

In particular, many insurers have struggled to build a creative, diverse culture that rewards risk-taking and promotes innovation. Ofir believes a focus on culture is essential for any organisation that wants to become innovative:

"A good culture is one where people are encouraged to identify potentially good ideas, and the leadership team tries to find ways to make them work, rather than immediately shoot them down or find reasons why those ideas won't work," he says.

"If you want to promote an innovative culture, you need to be able to fail fast and not crucify people for failing. Otherwise, people won't take risks. They won't even suggest ideas. Part of the CFO role today is to try and create an environment in which the organisation can safely carry out experiments whilst ringfencing the financial implications."

When it comes to hiring creative or innovative talent, Ofir is clear that this won't be effective if the culture isn't right:

"Culture eats strategy for breakfast. Unless you're really willing to change the culture of the organisation, bringing in one or two talented people is not going to solve your problems." As a member of the executive leadership team, the CFO shares responsibility for setting the tone for such an innovation culture.

What impact is ESG having on the CFO?

Perhaps the last major external factor influencing the evolution of the CFO role is ESG – environmental, social and governance. The industry has seen the likes of Aviva make significant commitments to ESG. The question is, should this become a key responsibility for the future-facing CFO?

There are some in the industry who argue this, although opinion is divided. For Ofir, the key is to ensure that the CFO understands, buys into, and helps to promote the organisation's ESG strategy, while also ensuring that it aligns with the company's financial and value creation strategy.

Ofir adds: "I don't think ESG is a natural space that CFOs fall into, but there are complexities here that the CFO increasingly needs to understand."

Ultimately, it makes sense for CFOs to help steer their organisation's ESG strategy and make sure it doesn't stray too far from insurers' core activities, such as getting more involved in flood protection, promoting environmental sustainability, and promoting safer driving.

"The key is to ensure that the CFO understands, buys into, and helps to promote the organisation's ESG strategy, while also ensuring that it aligns with the company's financial and value creation strategy. "

An evolving role calls for a more well-rounded individual and a culture in which they can thrive

In summary, the impact of digital and operational transformation has led to CFOs needing to have a real understanding of technology, while they are also increasingly called upon to devise and influence strategy, become well-rounded leaders with good people management skills, and also consider the impact of the firm's social and environmental impact.

It's no wonder that some organisations are struggling to find such multi-faceted individuals. This is one reason we are increasingly seeing CFOs being hired who don't themselves have accounting backgrounds, or are from adjacent industries.

In such a challenging market, one thing is crystal clear: those firms who take the time to build an innovative mindset and culture will be best placed to attract and nurture the future-facing CFOs that will help guide them to success.

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INSURTECH TALENT TRENDS: A Q&A WITH MATTHEW JONES

Matthew Jones is Managing Director of Anthemis, a venture capital group that specialises in investing in insurance and risk management related technology. Here he gives us his views on the emerging talent trends within the InsurTech sector.

Q: What do you look for in an InsurTech when considering investing?

A: There are a few things that are important to us. The first is to be solving a real problem. Too many startups fall in love with the solution and focus on that rather than the problem.

The market opportunity also needs to be large enough to sustain a venture-backable business. Not every company is a fit for venture capital – and that's OK! Finally, and most importantly at the early stage, we need to see founder-market fit. We need to see a founder who deeply understands their market and can tell a really good story.

Q: What are the biggest challenges and opportunities you see within the wider InsurTech space in 2022?

A: Generally speaking, insurance startups that have gone public have had a tough time in the markets recently. Some of them certainly seem to have gone public too early, before they have really reached sufficient scale.

However, there is an emerging cohort of fast-growing and maturing startups that I believe will prove to be attractive to insurance professionals currently working within incumbents. There is an exciting opportunity to tempt the very best of those over to working for insurance startups instead.

> **"There is an exciting opportunity to tempt the very best insurance professionals over to working for insurance start-ups instead."**

Q: What are the biggest emerging talent gaps within InsurTech?

A: By and large, I believe that a lot of insurance startups are a little too slow to bring in the necessary insurance talent around capital, compliance, and underwriting. This is partly because entrepreneurs perceive insurance talent to be expensive or a rare 'luxury', and partly because entrepreneurs often surround themselves with part-time advisors who can help on certain topics. However, those people can really accelerate progress in the right company and put a moat around the business.

I'd certainly like to see more people with these skills make the jump in order to make insurance startups more competitive – the insurance industry is already incredibly competitive as it is!

Q: What are your thoughts on the fact that functions such as Product management, Business Development, and Legal are some of the fastest growing within the InsurTech space right now?

A: I'm not surprised to see those functions growing so quickly, because once an

InsurTech gets to series B, that's the right time to professionalise such functions within the business; time to move from being scrappy to being more structured.

It's also no surprise to see increased demand for art and design, legal, and product management talent, since professionalising legal operations, professionalising product management, and having better and more intuitive UX design are an important means of competing with incumbents – and other InsurTechs.

> **"The team that gets you to a certain point might not be the team that gets you to an IPO – and that's OK!"**

A lot of InsurTechs can struggle to go through the steps of professionalisation and governance, but there are two key points where they need to think the most about talent. The first is what talent/skills you need on a foundational team to get to series A funding. The second point is looking at long-term talent needs. This is the growth element you need for series B and beyond, which is where skills in sales, business development, and finance become so important.

Put another way, the team that gets you to a certain point might not be the team that gets you to an IPO – and that's OK!

Q: Why do you think it's so important for InsurTechs to bring in insurance industry talent early?

A: Put simply, those InsurTechs in our portfolio that are doing really well are the ones that have done this. It's not enough to have a NED; those InsurTechs who get insurance talent into the team earlier are the ones who tend to outperform.

Q: How early should InsurTechs be thinking about their culture? Or at least about cultural aspects such as diversity and inclusion?

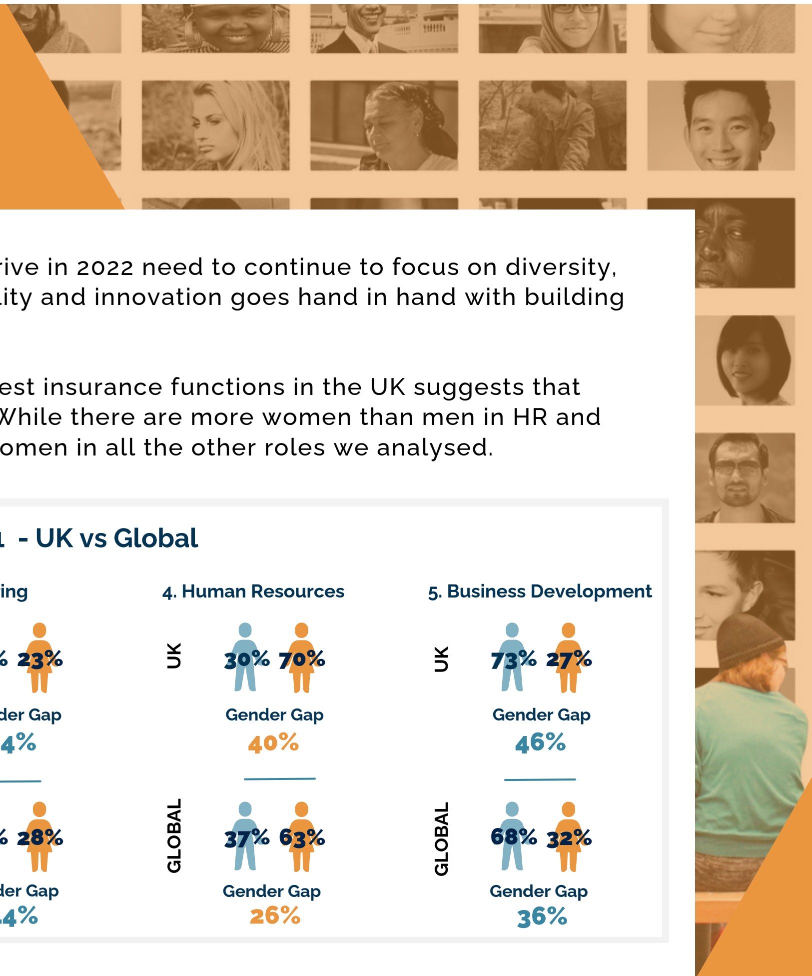
A: Most InsurTechs don't consciously think about their culture until it's too late. Some of the companies in our portfolio paid far less attention to it, and now they're struggling to hire diversity (e.g. women) because everyone on their board is a white male, and they've developed a very white, masculine culture without even meaning to.

We do have conversations about this with our portfolio companies around the seed funding stage and the importance of embedding a culture into the company, because later on it's hard to undo mistakes. Subtle choices are made along the way that define a culture. This becomes a problem for tomorrow. Two-and-a-half or three years down the line they have created a culture accidentally, and changing the DNA of a culture becomes much harder then.

Top 10 fastest growing skills among InsurTech Unicorns

1.	R (Programming Language)	+68%
2.	Data Science	+61%
3.	Tableau	+57%
4.	Python	+56%
5.	Property & Casualty Insurance	+54%
6.	Data Mining	+53%
7.	Data Analytics	+51%
8.	Object Oriented Programming	+51%
9.	C++	+50%
10.	Cross-functional team leadership	+50%

DIVERSITY & INCLUSION IN 2022



Insurance organisations that want to survive and thrive in 2022 need to continue to focus on diversity, equity and inclusion (DEI). Embracing creativity, agility and innovation goes hand in hand with building diverse and inclusive cultures.

Reviewing the data for the fastest growing and largest insurance functions in the UK suggests that insurance roles are still dominated by one gender. While there are more women than men in HR and Support roles in the UK, there are more men than women in all the other roles we analysed.

Gender split in the fastest growing Functions 2021 - UK vs Global

Function	UK (men)	UK (women)	UK Gender Gap	Global (men)	Global (women)	Global Gender Gap
1. Product Management	66%	34%	32%	55%	45%	10%
2. Entrepreneurship	79%	21%	58%	71%	29%	42%
3. Engineering	77%	23%	54%	72%	28%	44%
4. Human Resources	30%	70%	40%	37%	63%	26%
5. Business Development	73%	27%	46%	68%	32%	36%

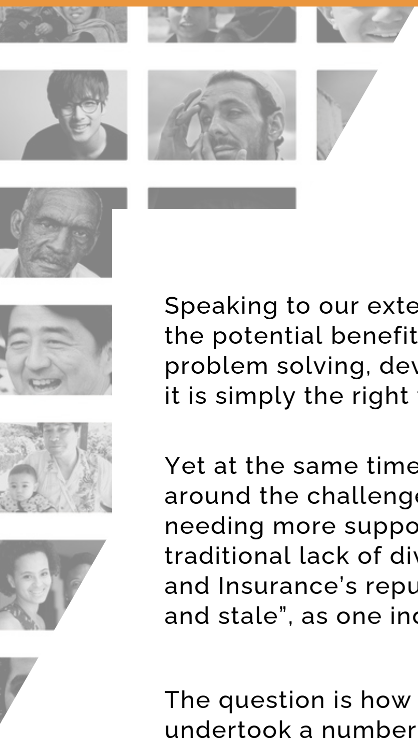
With the exception of HR, the average gender gap in favour of males in the UK's top 5 fastest growing insurance functions was 47.5%. Looking at the UK's largest functions, while Support is female-dominated, the average gender gap is much lower, at just over 27%. This suggests that the fastest growing functions are more male dominated than the largest.

Gender split in the largest Functions 2021 - UK vs Global

Function	UK (men)	UK (women)	UK Gender Gap	Global (men)	Global (women)	Global Gender Gap
1. Finance	59%	41%	18%	53%	47%	6%
2. Sales	61%	39%	22%	56%	44%	12%
3. Business Development	73%	27%	46%	68%	32%	36%
4. Operations	61%	39%	22%	57%	43%	14%
5. Support	41%	59%	18%	32%	68%	36%

Globally, the average gender gap in favour of men is also less pronounced, averaging 33% amongst the top 5 fastest growing functions, and 17% in the top 5 largest functions. This is mostly due to the influence of statistics from the US, where the gender balance is more equal than any other region.

The preponderance of male talent in certain roles and functions in the UK means that female talent may need to be trained internally for those functions. Firms may also ramp up hiring women into other functions where more female talent is available, such as in Sales, Legal, and Finance.



HOW TO INCREASE DIVERSITY & INCLUSION

Speaking to our extensive network of insurance industry contacts, it's clear that senior leaders agree on the potential benefits to increasing DEI, from being better able to represent customers to more effective problem solving, developing new products and services, and increasing revenues. Most also agree that it is simply the right thing to do.

Yet at the same time, some key themes emerged around the challenges of increasing DEI, from needing more support and guidance, to the traditional lack of diversity within the industry, and Insurance's reputation for being "traditional and stale", as one industry insider put it.

> **"Increasing diversity is important as a way of being more reflective of broader society, as well as improving business outcomes."**

The question is how to increase DEI within organisations. Sheffield Haworth's Insurance practice undertook a number of initiatives to help our clients and the wider market, including:

- Hosting online workshops to discuss practical tips on how to increase LGBTQ+ diversity and cognitive diversity with the ISC Group and the Insurance Institute of London.
- Supporting the #LinkPride2021 fundraising and awareness initiative of Link, the LGBTQ+ Insurance Network, for which we were awarded the IDEA (Inclusion, Diversity, Equity and Access) Award from the Association of Executive Search and Leadership Consultants (AESC).
- 64% of the placements we made in 2021 were female candidates, 34% male, helping to promote greater gender diversity in the industry.

Sheffield Haworth's top tips for promoting diversity and inclusion

Diversity

- When recruiting senior level talent, look to sectors outside of Insurance for the specialisms you need to increase diversity of thought within your organisation.
- Consider using assessments with your C-suite and other senior leaders to assess their attitudes towards D&I.
- When recruiting at senior levels, think about how your next appointment can promote diversity, particularly in terms of divergent experience, background, and thought processes.
- Use neutral, non-excluding language in job postings and job specs.
- Be proactive in your search for diverse talent.

Inclusion

- Share the business case for inclusion and get buy-in at every level of the business.
- Make sure your workplace policies, processes and benefits are inclusive for all.
- Consider providing awareness and inclusiveness training on how to communicate, use welcoming terminology, and respect boundaries.
- Set up an Employee Resource Group for marginalised individuals and allies that has sponsorship and support from senior leaders.
- Conduct anonymous employee surveys regularly to ask where your diversity, equity, and inclusion efforts are succeeding and where you have room to improve.

HOW DEI WILL IMPACT INSURANCE TALENT IN 2022: OUR PREDICTIONS

Based on interviews with dozens of industry experts throughout 2021 – as well as our workshops, our market knowledge, and our experience of placing top talent – here are our top five predictions for how DEI will impact the insurance talent market in the next 12 months:

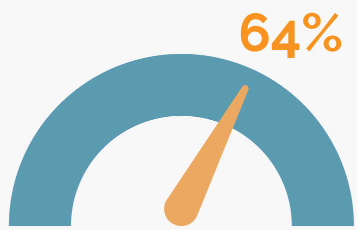
1. Firms will need to **recruit more diversely at all levels** due to increasing pressure from customers, the public, and regulators - as well as to remain competitive.

2. Due to increasing regulatory scrutiny, firms will need to think about **evidencing their approach to diversity.**

3. Schemes to **promote inclusion internally** will become more common, leading to more demand for training and mentorship, both internal and external.

4. In certain specific functions, forward-thinking firms will likely look to **recruit key team members from adjacent industries** to help increase diversity of thought.

5. The need for industry-specific knowledge in most functions means that **competition for experienced top talent within the industry will be fierce.**



the proportion of female professionals placed by the Sheffield Haworth Insurance practice in 2021

£20,000+

the amount raised for LGBTQ+ charities in 2021 by Link, the LGBTQ+ Insurance Network, with Sheffield Haworth's support

More than 80% of LGBT+ and non-LGBT+ millennials say that an employer's policies on diversity, equality and workforce inclusion are an important factor when deciding to work for them*

*Source PwC

UK INSURANCE GENDER TRENDS

In this section, we assess how the UK insurance market is performing in terms of gender balance, as this is the DEI characteristic that has received the most attention within the industry and for which the most data is available.

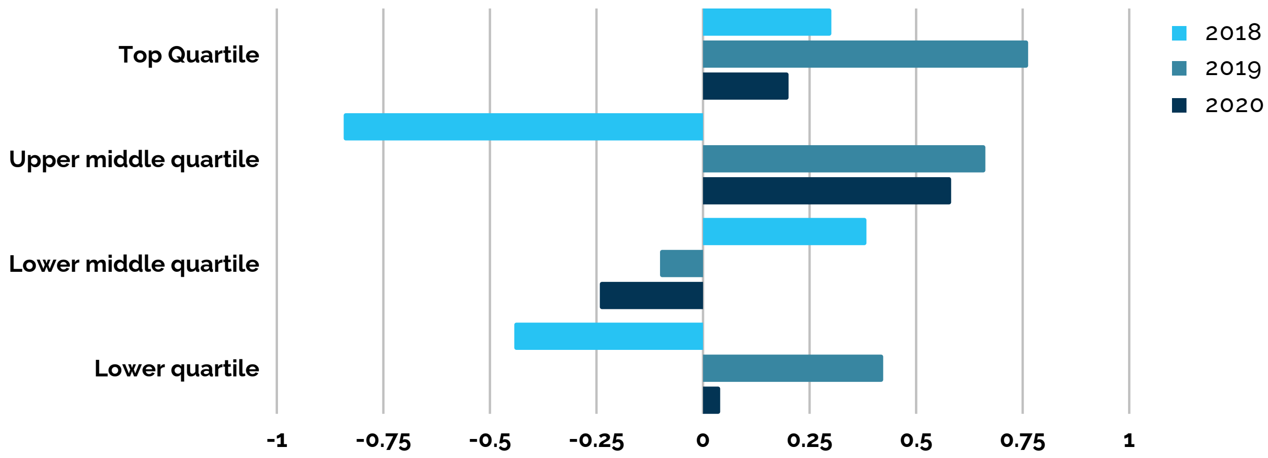
52 UK insurance firms have published statistics on their gender pay gap since 2017, which include figures on the gender balance of employees. To comply with UK government gender reporting guidelines, companies must divide their employees into four equal quartiles which correspond to how much employees are paid within each organisation.

- Top quartile: the top 25% of employees by hourly pay rate
- Upper middle quartile: the next 25% of employees by hourly pay rate
- Lower middle quartile: the next 25% of employees by hourly pay rate
- Bottom quartile: the 25% of employees who receive the lowest hourly pay rate

The quartiles of each organisation are not directly comparable, as they will reflect different rates of pay. Comparing gender balance across insurance firms by quartile therefore represents an approximate comparison rather than a like-for-like comparison.

Increases/decreases in female hiring since 2017

The below chart shows the percentage increase/decrease in female appointments in those 52 UK insurance firms between 2017 and 2020. 2020 represents a slowing increase in female appointments at all levels, and an actual decrease in the upper middle and lower middle quartiles compared with 2019.



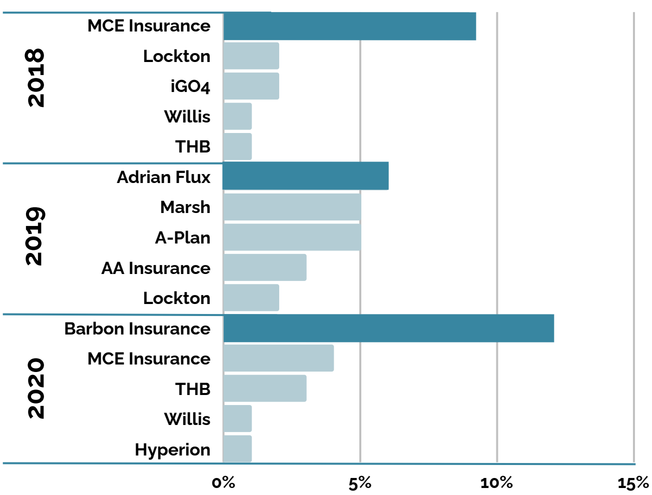
The decreases are in line with studies showing that the pandemic adversely affected women on average more than men across the UK economy. This data suggests the same trend within Insurance.

We might also read this data as showing that, despite a growing body of evidence suggesting that greater diversity benefits innovation and revenue growth, many firms reverted to traditional hiring patterns during the pandemic and stopped prioritising hiring more women.

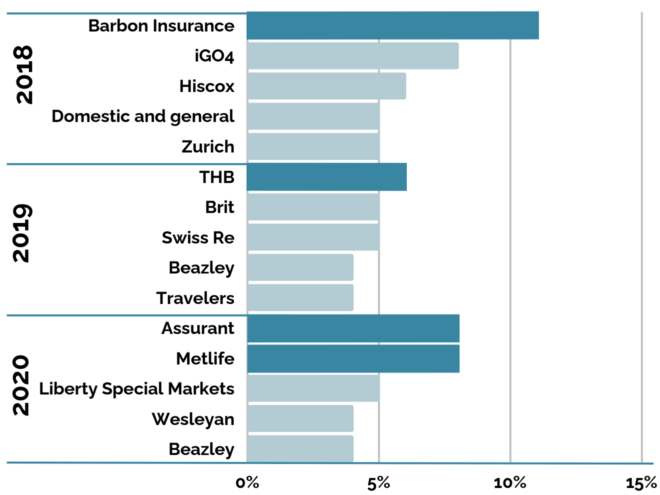
Gender Outliers: which firms increased their female headcount the most between 2017 and 2020

The four charts below show which insurance firms saw the biggest increases in their female headcount, separated by quartiles. Some firms show consistent growth across multiple quartiles in multiple years, among them broking firm iGO4, specialist bike insurer MCE Insurance, and Liberty Specialty Markets. However, overall there is no consistent pattern.

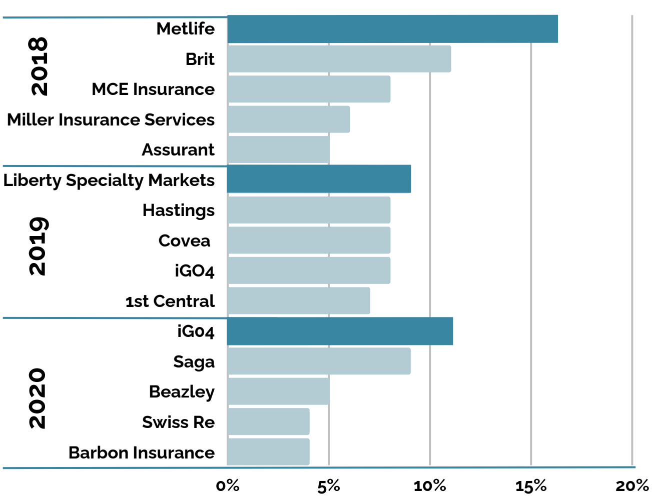
Top 5 Companies with Highest Top Quartile Increase % Change by Year



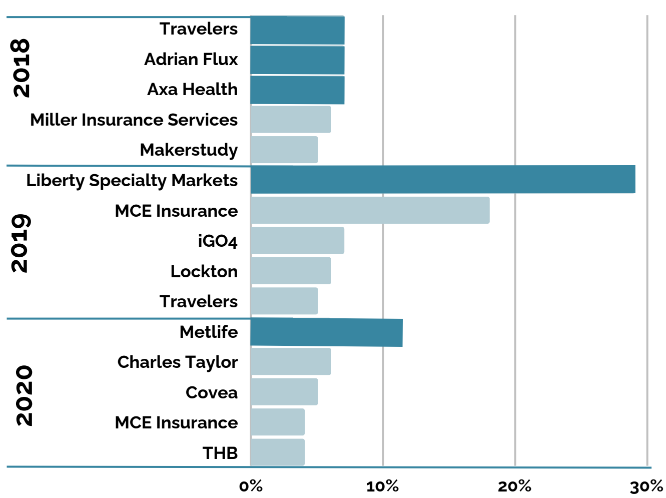
Top 5 Companies with Highest Upper Middle Quartile Increase % Change by Year



Top 5 Companies with Highest Lower Middle Quartile Increase % Change by Year



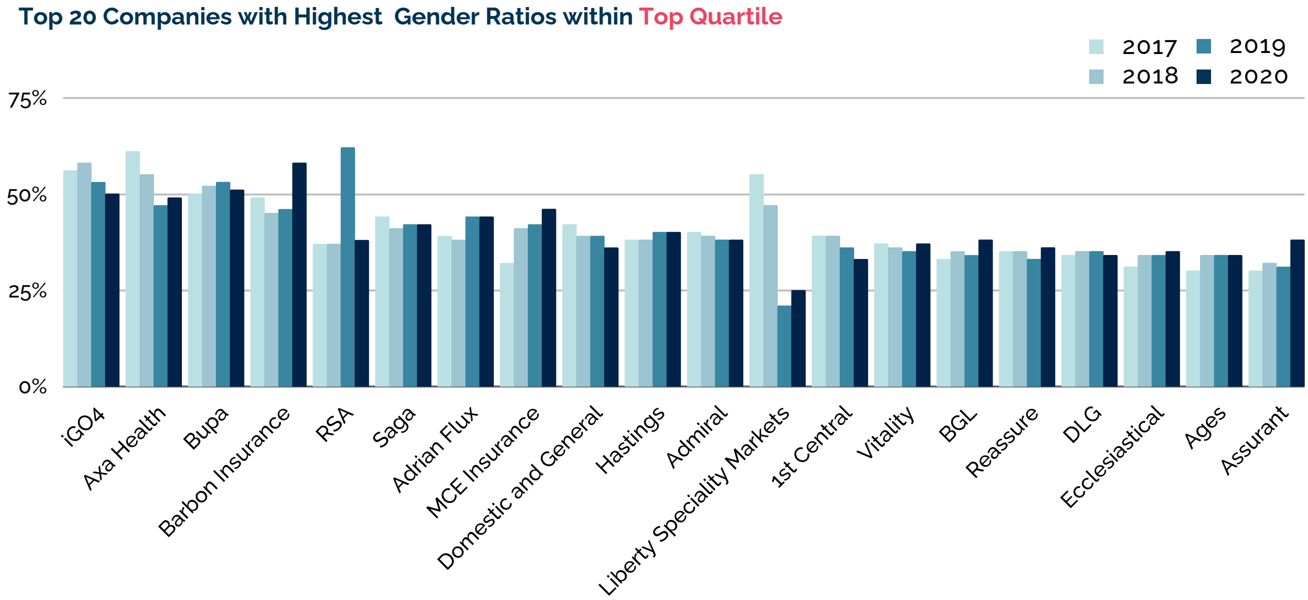
Top 5 Companies Highest Lower Quartile Increase % Change by Year

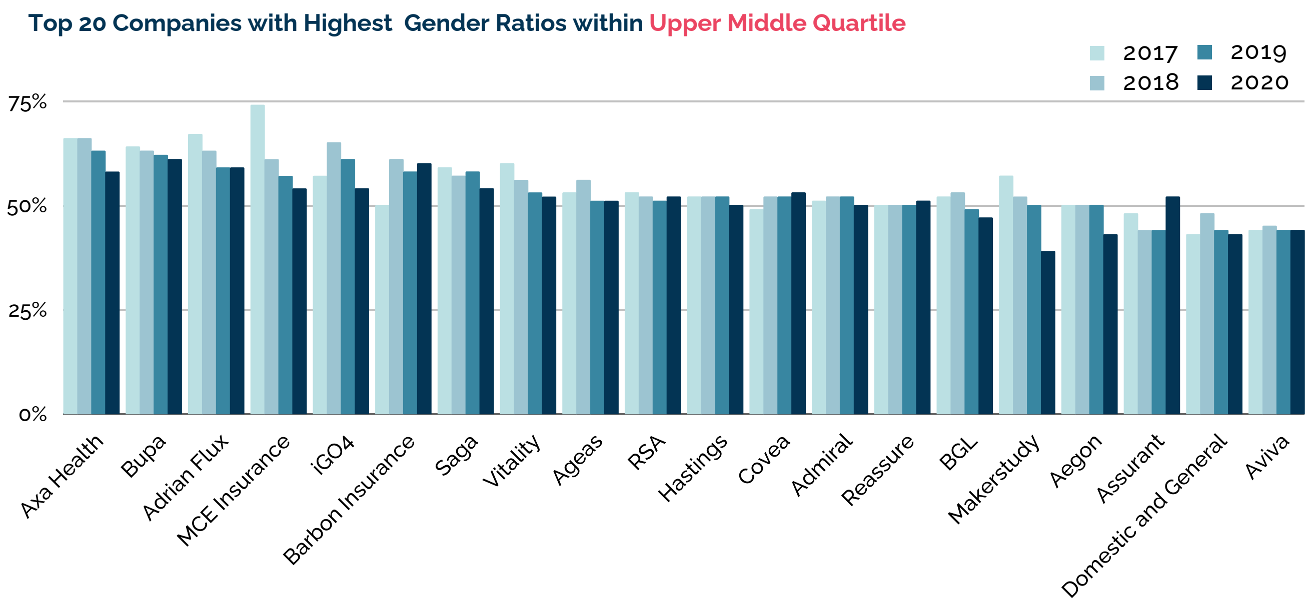


UK firms with the highest proportion of female employees, 2017-2020

The two charts below show the top 20 UK insurance firms that had the highest proportion of female employees in their top and upper middle quartiles.

There is a high level of consistency among the top 20 firms. iGO4, Bupa, AXA Health are particular standouts, each appearing in the top 5 in both quartiles. 17 of the top 20 firms have around 50% female employees or higher in their upper middle quartile.



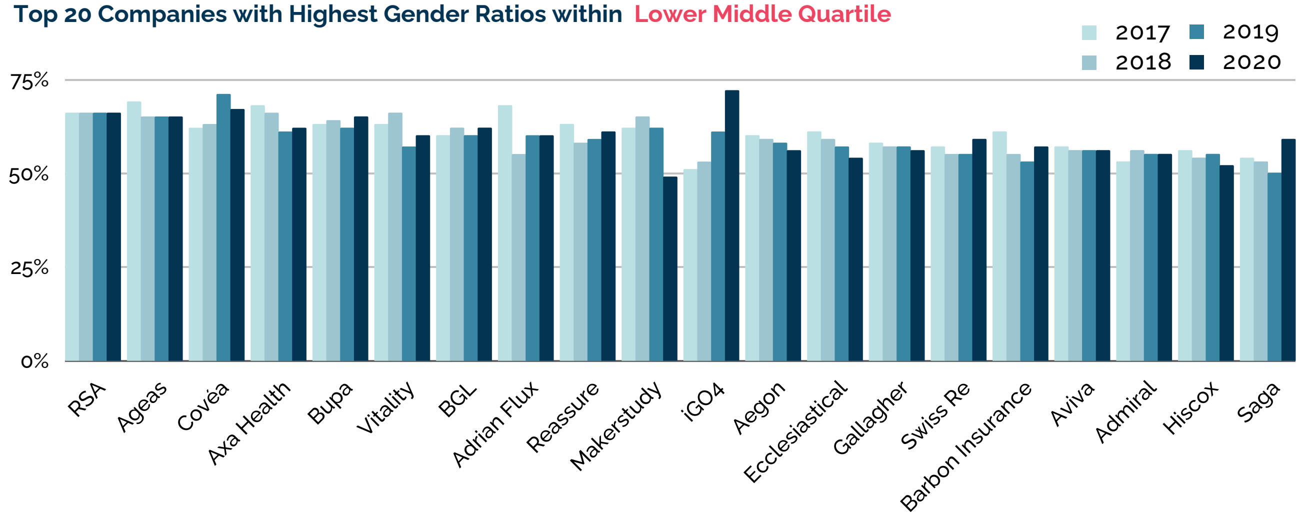


UK firms with the highest proportion of female employees, 2017-2020 (continued)

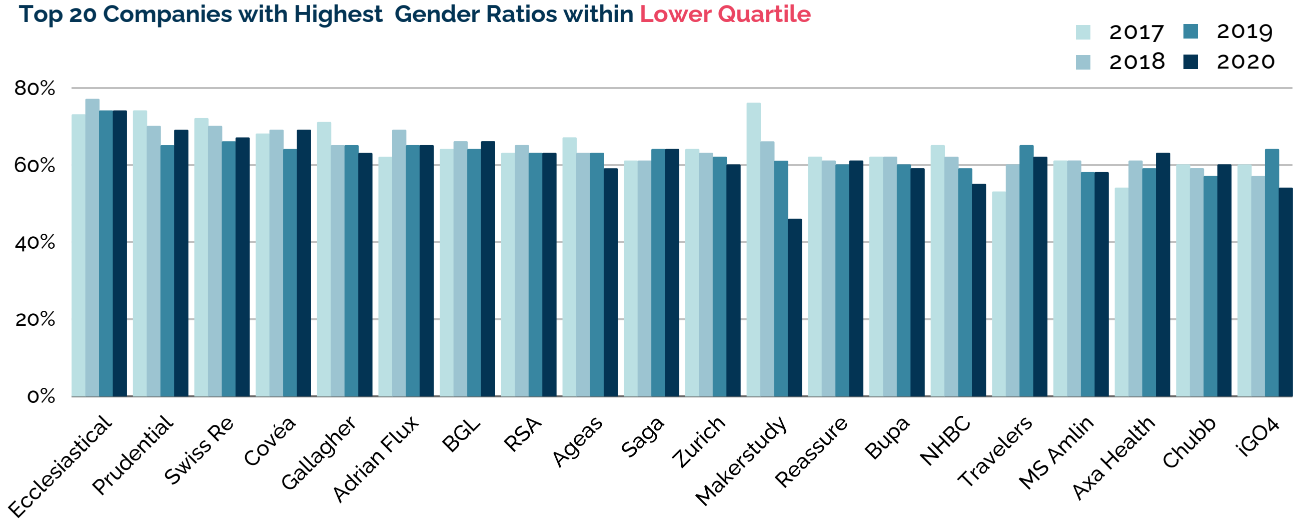
Adrian Flux and Axa Health once again do well in the lower middle and bottom quartiles, showing great consistency at all levels of their organisations. At this lower level we can see companies such as Covéa Insurance showing consistently high proportions of female employees in the lower middle and bottom quartiles.

Encouragingly, all of the top 20 companies have 50% or higher female employees in their lower middle quartile and 60% or higher female employees in their bottom quartile, suggesting a consistent focus on increasing female representation at these levels.

Top 20 Companies with Highest Gender Ratios within Lower Middle Quartile



Top 20 Companies with Highest Gender Ratios within Lower Quartile



FCA/PRA DIVERSITY AND INCLUSION DISCUSSION PAPER - TOP TAKEAWAYS

In July 2021, the FCA, PRA, and Bank of England published their joint discussion paper, Diversity and inclusion in the financial sector – working together to drive change. Here are the top takeaways for insurance companies on what this means for them, based on the opinion of DEI practitioners and experts within the industry.

Intent and Scope

- The regulators are taking DEI seriously and insurance firms WILL be assessed on the practices recommend in the paper once these have been finalised.
- This paper is the first step of an iterative process based on consultation. Firms' heads of DEI/senior HR managers should monitor progress and further announcements/publications from the regulators to ensure they stay up to date.

Key Specific Proposals

- New specific targets and accountability will be introduced at board and exco level.
- Regulators will take senior management diversity into account when assessing the overall diversity of a firm.
- SMF appointments must take account of that person/candidate's personal diversity (e.g. race, gender, socio-economic background) and how it contributes to the overall diversity of the board.

What is and is not included in the paper's definition of diversity?

The paper defines diversity as "diversity of thought", saying this is influenced by "visible and measured" characteristics, such as:

GENDER

AGE

ETHNICITY

And non-visible characteristics:

DISABILITY

SEXUAL ORIENTATION

EDUCATION

They include the protected characteristics of the 2010 Equality Act:

- Age
- Disability
- Gender reassignment
- Marriage and civil partnership
- Pregnancy and maternity
- Race
- Religion or belief
- Sex
- Sexual orientation

But can also include other factors, such as:

SOCIO-ECONOMIC DIVERSITY

GENDER

CULTURAL BACKGROUND

Not mentioned:

- Neural diversity (especially in the context of autistic spectrum conditions).
- Working parents and carers. These are likely to be included in the future iterations of the paper/recommendations.

Expert Opinion from DEI Practitioners

Insurers in particular REALLY need to focus on providing more inclusive products and services for more diverse customers.

After looking at other serious issues such as solvency and TCF, focusing on DEI "feels like a natural next step" for the regulators due to its socio-economic impact.

The paper's relative lack of focus on LGBTQ+ factors is potentially concerning, given the industry's lack of emphasis on this area up to now.

Questions remain about the viability and execution of some of the recommendations:

- Data capture – how will this work in practice? Will regulators recommend a specific applicant tracking system (ATS) or systems? Will they offer support or timescales for deploying a new ATS?
- It would be useful to have more clarity on which specific diversity characteristics firms should report on and by when.
- Having targets is a positive move in principle, but questions remain on how to set them in a way that is fair and proportional and which encourages positive change.

What are the paper's DEI priorities?

We can use the number of mentions of key terms in the discussion paper as a proxy for the priorities of those who wrote it. Here are how often certain key terms appear in the 57-page document:

44 GENDER

36 RACE/ETHNICITY

13 DISABILITY

12 LGBT+ RELATED*

11 SOCIAL MOBILITY

14 DIVERSITY OF THOUGHT

3 RELIGION

*Broken down as: Sexual orientation = 7; LGBT+ = 3; Gender reassignment = 2

Impact of D&I discussion paper – the view from the industry

"This is the regulator pushing us to go faster"

"When the regulator gets interested in a topic like this, we should sit up and take notice. This is the regulator pushing us to go faster and harder on it. They've also shifted the broad definition of diversity to include aspects such as social and economic background, and neuro diversity – important attributes for diversity of thought and opinion."

Emma Woolley
CEO, Lancashire Syndicates

"It's the right thing to do"

"This is the right thing to do – we live in an evolving world and things move quickly. We need to make space in all industries for everyone, for today and for the future. My passion and drive is to create a culture where future generations (including my son) don't have the same pressure, simply because the world will be more inclusive."

Wayne Page
Head of Diversity and Inclusion, Brit Insurance

"A good step in the right direction"

"There are so many open roles in Insurance right now that this just makes sense. If you're cutting out groups of people because of your unconscious, and conscious, biases, then you're going to suffer. I believe that by extending privilege, everyone benefits. This discussion paper is a good step in the right direction."

Michaela Gibson
Founder of the Insurance Families Network and Inclusive Culture Program Manager
Apollo Syndicate 1969

CUSTOMER CENTRICITY

WHAT'S DRIVING CUSTOMER CENTRICITY IN INSURANCE?

Customer centricity is increasingly driving the development of new insurance products and platforms. In this brief analysis, a range of industry experts give their insights into why customer centricity has become a more urgent priority in recent years and how this will impact the industry's talent needs in 2022.

Increasing access to - and use of - data

As the volume of data available to insurance firms has exploded, underwriters and product teams have become more aware of the potential benefits of leveraging it in more sophisticated ways.

According to Sophie Frampton, Lead Product Owner at Covéa Insurance: “There is now far greater understanding of the advantages that data both internal and external can provide in terms of assessing underwriting risk and opportunity, business casing and ideation and, most importantly for me, understanding the impact a change has made.”

Competition from new entrants and new technology

The insurance space has also become more competitive. According to Simone Bohnenberger-Rich, SVP Product, Eigen Technologies, this means that “customer centricity is really the number one driver of success in terms of underwriting volume, underwriting the right things, and also having positive combined ratios.”

Regulatory pressure

One of the key drivers of this change within personal lines insurance specifically has been the Financial Conduct Authority’s General Insurance Pricing Practices (GIPP) proposals, which came into full on 1st January this year. These call for all general insurance firms to avoid price walking, while also evidencing how their new and legacy products provide fair value for consumers.

“If a firm launches a new product, then the regulator will want to understand the customer centric approach taken from inception to launch,” says James Yerkess, co-founder of HAL Consulting.

Increased emphasis on providing value to customers

“The insurance market has become increasingly customer centric over my career,” says Sophie Frampton. “There is far more emphasis on providing value to customers and ensuring their needs are met. I think this is such a positive step forward.”

Increasing desire to innovate for competitive advantage

“Insurers need to innovate much more quickly and they’re beginning to understand that customer centricity is the only way to win in the market,” says Simone Bohnenberger-Rich.

James Yerkess agrees, though he also emphasises the extent to which GIPP regulation is also driving customer centric innovation:

“The speed of change will accelerate exponentially in 2022 because of the number of firms that will be trying to test, learn, change and adapt very quickly given the fluid nature of the competitive environment, primarily driven by GIPP. The ability to innovate in 2022 and 2023 may mean the difference between failure and success.”

How is customer centricity influencing UK insurance firms' talent needs?

Top 5 skillsets firms need to maximise their customer centricity:

- Data strategists and chief data strategists who can convert data into actionable insights around customer needs and behaviours.
- Experienced product experts and specialists who can convert customer insights into data-led product development.
- Customer experience specialists who can lead the development of more effective and responsive customer journeys.
- Experienced engineers or product specialists with significant technical expertise who can understand and manage product development cycles.
- Those with high-level insurance market expertise in the product management space.

Top 5 places Insurance can source talent to boost customer centricity – the view from the industry

1. Tech firms – particularly InsurTech firms – since they will likely have a blend of subject matter expertise, familiarity with tech development cycles, and strong commercial instincts.
2. Marketers within the insurance industry – as they will know the market and have strong commercial instincts.
3. Strategy consultants – as they will be familiar with tech trends, macro-economic trends, and digital transformation trends with respect to customer centricity.
4. Deep tech engineers – as they will be great for managing tech development cycles and processes.
5. Talent from adjacent financial services firms who have been through similar regulatory pressures regarding trading customers fairly: asset management and retail banking are two great examples of this.

"There is a need to establish strong data capabilities in the industry, both for pricing and underwriting but also to define and assess the product and services we offer our customers. Product managers who understand data and can champion its value are essential."

Sophie Frampton, Lead Product Owner at Covéa Insurance

"There's a sliding scale choice between being product-led or customer-led. More often than not, firms will have a mixture of both of these."

James Yerkess, co-founder, HAL Consulting

"The most important skill to have is the commercial understanding of the market because technology is usually market agnostic. You require quite a lot of subject matter expertise to do that. That takes precedence over the technological understanding."

Simone Bohnenberger-Rich, SVP Product, Eigen Technologies

"Talent from other industries can bring new ideas and challenge ways of doing things which I love, but a grounding in insurance within the team assists in assessing value and feasibility."

Sophie Frampton, Lead Product Owner at Covéa Insurance

The General Insurance Pricing Practices regulation: how is it driving customer centricity in the UK?

The FCA's General Insurance Pricing Practices regulation is one of the key drivers of customer centricity in the UK. It is likely one reason why the increase in hiring Product management talent is so much larger in the UK (9.7% growth) compared with Europe (8.9%), the US (6%) or AsiaPAC (4.1%).

History of the FCA's focus on fair value and pricing

2013 — The FCA issued a Discussion Paper on Transparency calling for a range of measures to address perceived poor value, including the publication of claims ratios.

2015 — The FCA published DP15/4 on the collation and publication of claims metrics.

2016 — The FCA launched a series of four annual pilot exercises involving a number of insurers and focused on four products: Home (combined buildings and contents); Home Emergency; Personal Accident and Key Cover. The FCA published the data it collected here.*

2019 — The FCA published FG19/5, finalising guidance on the GI distribution chain for insurance product manufacturers and distributors.

2020 — Following a further consultation, the FCA published PS20/9, setting out its requirements for future value measures reporting.

May 2021 — The FCA published CP20/19, setting out the widened scope of product governance rules in order to ensure fair value for all general insurance customers.

31st Dec 2021 — The deadline for insurance firms to comply with all product governance rules set out in CP20/19.

How CP20/19 impacts customer centricity

- **Product governance:**
  Insurers and intermediaries must review all general insurance and pure protection products every 12 months, in terms of whether they deliver fair value to customers, as of 1st October 2021.

- **Price walking (offering cheaper prices to new customers than renewal customers):**

  To be banned for home and motor products – including associated add-ons – from 1st January 2022.

- **Auto-renewal:**
  Firms must provide consumers with a range of easy options to avoid auto-renewal from 1st January 2022.

- **Reporting:**
  Insurers and price-setting intermediaries must report on their core home and motor products – including add-ons – through the lens of fair value:

  - Firms must submit an attestation three months after the rules come into force (ie 31st March 2022) confirming compliance with the core pricing remedy and sales practices.
  - Firms must report their first single interim report covering the six months ended 30th June 2022 and submit it by 30th September 2022.

*https://www.fca.org.uk/data/general-insurance-value-measures-data-year-ending-31-august-2019

What impact has GIPP had on Insurance talent – and how will that continue into 2022?

According to HAL Consulting, much of the sharp increase in hiring of Product Managers in the UK insurance industry is likely due in part "to the increased requirement for product teams to document and evidence that their product is compliant with General Pricing Practices".

As the reporting requirements of GIPP kick in during 2022, this trend is likely to continue:

"The piece specific to GIPP is the need to evidence fair value at a component product level rather than overall. This will result in even greater focus on product evaluation and design," says Colin Robertson, co-founder, HAL Consulting.

James Yerkess, also co-founder of HAL Consulting, believes this pressure will increase through the year ahead:

"If a firm launches a new product, then the regulator will want to understand the customer centric approach taken from inception to launch," he says.

"That product may appear to be compliant, but if there isn't enough evidence that suggests the product was designed for a specific target segment or specific customer need, a firm may not have the evidence to support that the overall design was customer centric. In turn, this could lead to a risk of the new product being considered an avoidance measure if several of the outcomes it delivers conflict with the ethos behind regulation," Yerkess adds.

How does CP20/19 impact customer centricity?

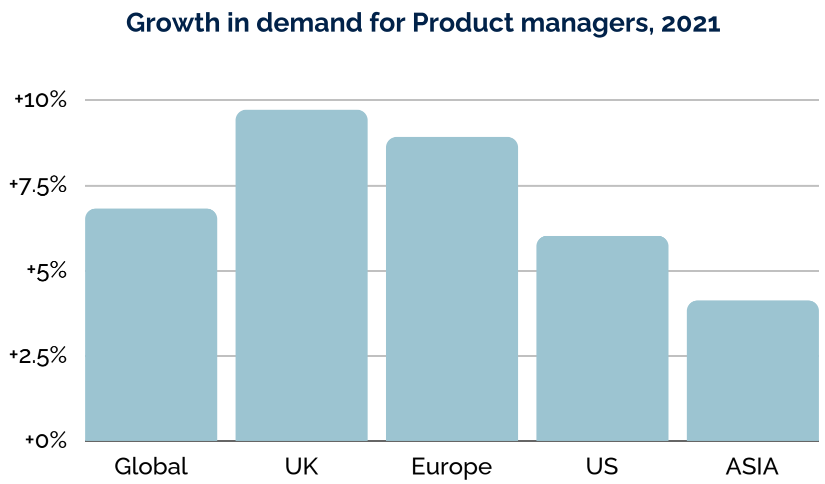
"If historical banking patterns are replicated, the need will grow to strengthen the product layer within firms as teams are required to design products and evidence more robustly the process for designing new products within the context of a customer centric approach. This shift will also result in some of the skillsets changing for products teams in the organisation," Yerkess says.

The result? Firms will need to seek talent with the following skillsets:

- Analytical Product managers
- Product managers with experience of UX design
- More UX/UI designers
- Product managers with experience in the retail banking sector could be valuable, as that sector has already experienced this regulatory change with regard to product development, product design, and evidencing fair value.

PRODUCT MANAGEMENT TRENDS AND CHALLENGES

Looking at UK appointments in Insurance in 2021, Product management is by far the fastest growing function, showing a 9.7% increase compared with 2020. In Europe the increase in demand is similar, at 8.9%. Although US demand is a little more muted at 6% growth, this is still the fastest growing function there too, as it is in AsiaPAC.



What's driving demand for Product management talent?

Among the key factors driving rapid demand for product managers are increased digitalisation, the adoption of agile practices, and an increased commitment to customer centricity.

"Increased digitalisation and adoption of agile practices has led to an awareness of the need for, and benefit of, Product management teams," says Sophie Frampton at Covéa Insurance. "This is combined with a greater customer centricity, competitive markets and regulatory changes that are requiring insurers to adapt quicker and drive value," she adds.

Colin Robertson at HAL Consulting emphasises the regulatory aspect, in particular the influence of the FCA's General Insurance Pricing Practices (GIPP) regulation:

"The sharp increase in Product management talent is required due to the increased requirement for product teams to document and evidence their product is compliant with GIPP."

> **"Firms see an opportunity to innovate in the product design space in order to create competitive advantage."**

However, Robertson adds that, while regulatory compliance "will result in even greater focus on product evaluation and design", firms also see "an opportunity to innovate in the product design space in order to create competitive advantage."

WHAT SKILLS DO PRODUCT MANAGEMENT TEAMS NEED?

When it comes to Product management, two points stand out most clearly. First, the range of skills required is extremely wide-ranging. Second, due to the fact that it is difficult to find many individuals with such a broad skillset, many Product managers are looking to build teams that combine these skills across multiple individuals.

- **Communication skills and creative thinking**

  As Lead Product Owner at Covéa Insurance, Sophie Frampton emphasises the need to balance multiple skillsets:

  “I like to have a balance in my team of insurance experience and product experience,” she says. Even so, she adds that she particularly looks for “soft skills”: “People that can communicate well and have a real desire and enthusiasm for thinking differently are so important, especially in a highly regulated environment.”

- **A strategic mindset and deep subject matter expertise**

  However, Frampton adds that although the ability to think creatively and differently is important, a truly effective product management team also needs “to have industry expertise”.

  This is because “the commercials underlying insurance are complex and so are the regulatory requirements in which we operate,” she adds.

  Simone Bohnenberger-Rich at Eigen Technologies also emphasises the need for subject matter expertise in amongst a whole range of skills: “You need a strategic mindset. You need subject matter expertise in the industry. You must understand tech and development cycles and be agile. You have to be a multi-faceted individual.”

- **Analytical thinking and UX design experience**

  For James Yerkess at HAL Consulting, the data-driven and analytical side of Product management is important for insurance firms that truly want to become truly customer centric:

  “Firms will likely need more analytical Product managers who have experience in customer journey design together with UX/UI designers because people will need to evidence their decisions far more in a customer centric way, rather than a technical or a data/pricing way.”

3 biggest talent challenges for Product management teams in 2022

1. Finding talent with the rare combination of commercial and tech skills needed.
2. Extreme competition for external Product management talent.
3. Attracting traditional underwriting talent into Product management.

"The fight for talent is on"

By Simone Bohnenberger-Rich, SVP Product, Eigen Technologies

"Demand for Product managers has skyrocketed across all industries, including Insurance. Yet they are hard to find because they need to be multi-disciplinary individuals. They can’t just be an underwriter or an engineer; they have to sit in the middle.

“The fight for talent is on. Product managers usually have multiple job offers and will be being approached by headhunters all the time with new opportunities. The market is so hot for Product managers at the moment, and this is not going to go away any time soon as long as we continue the trends of digitisation, competition, and customer centricity.”

DIVERSITY AND INNOVATION IN THE LLOYD'S MARKET

An interview with Emma Woolley, CEO, Lancashire Syndicates

Emma Woolley is one of the few female CEOs in the Lloyd's market and a respected voice on diversity and innovation. Recently, we were able to sit down with her and get her insights on the transformation challenges and opportunities for Lloyd's and the broader UK insurance industry in 2022.

Q: What's your take on the importance of increasing diversity within Lloyd's?

A: Diversity is about having a variety of backgrounds, skills, characteristics, and experience around the decision-making table – and most importantly respecting and appreciating the value that diversity brings.

If you see business at its basic level as an ever-changing matrix of problems, discussions, ideas, and decisions, in an ideal world the people who are involved in that matrix would have as broad a range of perspectives as possible to shape the business in the best way possible. Groupthink doesn't produce a wide range of outcomes. It leads to myopic, biased views that in the worst situations lead to poor behaviours.

Why is it important to increase diversity? The answers to this are many and varied and there is now a compelling body of evidence that points to improved business outcomes. One good reason is that in my view service-led businesses should as far as possible reflect the customers they serve. To understand your customer better and to reflect their experience in your offering can only have upsides in my view.

> **"Diversity is important but inclusivity is even more vital."**

Diversity is important but the key is inclusivity, which is even more vital. A great quote by Verna Myers, a leading D&I expert, sums it up well, that diversity is being invited to the party, inclusion is being asked to dance.

There's no point increasing the representation of females – or any kind of diversity – if the company's structural or cultural barriers, including accepted micro-aggressions, then nullify the impact of that. If their hands are tied, you won't get the full positive effect. In fact I'd go as far to say it can be counter-productive; tokenism is inherently negative in my view.

Q: With the joint discussion paper on D&I from the FCA, PRA and Bank of England this year focusing on the importance of diversity of thought within financial services, how important do you think this is?

A: When the regulators get interested in a cultural topic like this, we should sit up and take notice. It's clear they see a link between diversity of thought and good business outcomes and we can expect increased regulatory pressure on momentum and a continued raising of the bar.

For example, when we look at gender, we have made real progress. More than a third of FTSE 350 boards are now women. This has increased 50% in five years and I applaud the progress. But scratch the surface and you find there are still many boards – 16 in the FTSE 350 for example – that only have one woman on them.

> **"When the regulators get interested in a cultural topic like this, we should sit up and take notice."**

Also, generally the number of women in leadership positions is still very low with many women on boards holding non-exec positions rather than executive positions. So, good progress, but there is still a long way to go and the talent pipeline has to keep being built. The regulator is going to stay on our tail to ensure this happens.

Q: How realistic is it for the Lloyd's market to increase cognitive diversity right now? What are the obstacles to overcome?

A: The Lloyd's market historically has been very insular – we came into the market, often through someone we knew, lived in it and died in it. Experience and longevity in Lloyd's was what it was all about.

There is now a gradual shift across the industry, which is becoming much more open to different mindsets, skills and backgrounds. The workforce wants more variety, and the concept of staying in one function or part of the market for life is outdated. There is also a growing recognition that the world of risk is changing at an extraordinary pace, and people who think outside the prevailing mindset can help navigate the new territory. Cross pollination, a transfer of knowledge, the richness of new concepts and solutions can only be a positive.

> **"The emerging generation of leaders are instinctively tuned into broader topics such as ESG and D&I… they are already influencing the way we are evolving as an industry."**

It's slow and patchy but it is happening and the main hope I have is in the next generation coming through. They are the internet generation; technology is second nature and they are instinctively tuned into broader topics such as ESG and D&I. My observation is that this emerging generation of leaders seem more naturally accepting of people who have differences and different ways of thinking and they are already influencing the way we are evolving as an industry.

We are less scared than ever of different perspectives and challenge to the status quo and I think the future of the industry is bright – albeit slow in arriving!

Q: What are the biggest challenges and opportunities around transformation, digitisation or innovation in Insurance in the year ahead?

A: The challenge is change, which is always hard, but I think there is generally a desire to move in a more digitised direction, particularly for risks which are suited to low touch handling.

Digitisation and innovation give our industry the opportunity to optimise the way we provide the valuable service we do to our varied customer base. It can improve our MI, our efficiency and ultimately the ability to service our customers in the best way possible.

With the Lloyd's Blueprint and Future at Lloyd's, Lloyd's has set out a vision for the modernisation of the London insurance market. I see similar initiatives happening in multiple areas of the industry and I think we've reached the tipping point.

In terms of different skillsets, absolutely we're going to need people that really understand how technology can be used to create efficiencies and facilitate better customer service, accurate pricing, faster claims handling, making the whole end-to-end process as efficient and customer focused as possible. They need to not just be fluent in the language of the technology we have now, but also in the language of what's possible with emerging technology. We have a depth of expertise in the London insurance market, and to partner that with experts in data and technology and create a more modernised, forward thinking industry, sounds an exciting fusion to me.

Q: How attractive do you think Insurance is to the next generation of young talent?

A: The insurance industry needs to demonstrate that we're a home for diverse talent that will be welcomed and included. We need to be an exciting proposition for smart people.

Insurance is not traditionally recognised as an attractive place to work by bright young talent. We are our own worst enemies in this regard as we tend to go to the same resource pool to attract talent. It's such a great, vibrant industry and there is so much good in what we do but we don't sell ourselves and unfortunately, we haven't always covered ourselves in glory in terms of our customer focus, resulting in a generally negative view of the industry by the public.

> **"We need to reach talent coming out of school or university...so it's one of the industries they want to explore."**

We need to have a laser-like focus on the customer experience to increase and maintain trust. We need to shout louder about what a great industry this is and the career opportunities it can offer. We also have work to do in the education system. We need to reach talent coming out of school or university, show how interesting and enjoyable Insurance can be so it's one of the industries they want to explore. From a social mobility perspective, I would welcome a focus on school leavers and not only graduate schemes.

Once we get a pipeline going we can continue to diversify our talent pool and create an even more exciting, vibrant industry which will attract more talent like a magnet!

Q: How did you get to the position you have now and what lessons are there in your career for others?

A: In terms of getting to the position I have now, it's been a 25-year journey with a lot of twists and turns along the way! What I would say is I've always focused on three key things, which I believe are the core components of success – whatever "success" means to you.

1. Talent. Do your best to find out early what you're good at and what you enjoy. Then maximise those areas. Look for roles and positions that allow you to flourish, to develop your abilities in an enjoyable, stimulating environment. Also don't take your talents for granted; keep working at them. Always aim to push outside your comfort zone. It's the only way to grow and move forward.

2. Luck. You can't control the hand that fate deals you, but you can play it smartly. Work out a rough plan for your next career steps and be on the lookout for potential opportunities to move in that direction. Help luck find you. Also, build resilience by learning from the experience when luck goes against you – and it will. Often. Business life is not easy, but it is great for learning how to roll with the punches and keep moving forward.

3. Hard work. This is the only factor you have complete control over. Nine times out of ten, getting to a leadership position will involve hard work and sacrifice. Work out early on how hard you want to work and what you're prepared to sacrifice. Remember the race is only with yourself, so it is your choice what you are happy to do in return for the commensurate rewards. This will inevitably evolve as your career and life does so keep checking in on this; work should be demanding but also enjoyable!

HOW ESG WILL IMPACT INSURERS' TALENT NEEDS IN 2022

By Tom Eagar, Consultant and Head of ESG, Sheffield Haworth

Given the many challenges we face around climate change, biodiversity, and social justice, ESG is fast becoming the lens through which the corporate world is assessing – and being assessed on – its environmental and social impact. What seems clear is that the impact of ESG on insurance firms' talent needs is likely to be significant in 2022. The question is, what talent requirements will organisations have and how can they get ahead of the curve?

The ESG impact on regulatory compliance

Regulatory compliance and reporting is likely to have the biggest impact on insurers' hiring needs from an ESG perspective in 2022 and 2023. There are three main areas where regulation is likely to evolve to incorporate ESG criteria for UK insurers:

- **Solvency II**

  The first of these is the UK government's current post-Brexit review of Solvency II regulation. Proposed changes are unlikely to come into effect until the end of 2022 and are still being formulated. Some insiders believe the revised rules may incorporate extra capital requirements for insurers specifically to deal with the impact of increased catastrophic losses as a result of climate change, though this remains speculation at present.

- **Sustainable Finance Disclosure Regulation (SFDR)**

  Of more immediate relevance is the European Union's Sustainable Finance Disclosure Regulation (SFDR), which aims to promote sustainable investment across the EU by classifying funds according to their social or sustainable impact. This requires those insurers who have inhouse asset management departments to report on and communicate the sustainability of their investments. There are also obligations for those insurers who outsource their investments as 'asset owners'.

  Many multi-national firms are implementing these requirements across all their operations if they operate within the EU, regardless of whether they are headquartered there. The SFDR came into force in March 2021 and all financial products sold in the EU must be compliant by the end of 2022, which is likely to lead to a flurry of hiring as that deadline looms.

- **Climate-related Financial Disclosures (TCFD)**

  Lastly, from April 2022 large UK-registered companies will have to disclose climate-related financial data in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). This will create a new layer of reporting for insurers, who will need to put together teams to use the available data from across their end-to-end value chain and translate that into the climate impact.

  Once TCFD reporting comes into effect, we will likely see hiring on an interim and permanent basis as firms adapt to the new requirements. More broadly, as ESG obligations increase over the next two to three years, insurers will also benefit from hiring senior leaders who are able to align ESG strategy with their financial strategy at both exco and senior management levels.

The ESG impact on underwriting

From an underwriting perspective, the ESG challenge is not particularly novel. After all, the entire industry has been oriented around adapting to new and emerging risks for centuries.

With climate change contributing towards more frequent extreme weather events in much of the world, there are likely to be more catastrophic losses in the future. The regulator will likely want to ensure that insurers are well prepared for that.

However, this is unlikely to have a material impact on *how* insurers underwrite. From a hiring perspective, firms are likely to need more actuaries with specialist climate change experience. Many firms will spend more time and resource on modelling climate change than they have in the past. Those organisations that increase their use of different and qualitative data sourced to model this will need more data scientists to build more accurate pricing and risk models.

> **"From a hiring perspective, firms are likely to need more actuaries with specialist climate change experience. "**

The ESG impact on investment

Where and how insurers invest is going to become a priority in the years ahead, as the public and the regulators apply pressure for firms to be more transparent about the broader impact of their investments. Yet the majority of insurers' investment teams simply manage which asset management firms they outsource their investments to. Outside of the likes of Aviva or Allianz, very few insurers invest their own money inhouse.

Asset managers have built whole teams to evaluate the environmental, social, and governance factors of the firms in which they invest, just as they have for evaluating the financials of those investments. Insurers, by contrast, will need to ensure they steer their money towards funds that are better oriented towards ESG factors. This is a stewardship issue.

As a result, we are likely to see more demand from insurers for talent that can apply the ESG lens to managing their outsourced investments; those with the ability to manage reputational risk. This is likely to be more significant for Life insurers, where the investment timescales are much longer, than for P&C insurers.

Where will insurers need more ESG talent?

To summarise, in 2022 we are likely to see insurers hiring on both an interim and permanent basis to adapt to new ESG reporting requirements, to manage reputational risk, to evaluate insurers' impact on the world from an ESG perspective, and to more effectively manage risks relating to climate change and social impact.

Across the board, the ESG impact on talent will be significant, albeit not as dramatic as we've seen elsewhere in the City. Quality of hires will be more important than quantity, as will the need to take a strategic approach to those hires.

> **"In 2022 we are likely to see insurers hiring on both an interim and permanent basis to adapt to new ESG reporting requirements, to manage reputational risk, to evaluate insurers' impact on the world from an ESG perspective, and to more effectively manage risks relating to climate change and social impact."**

Understanding what makes a good ESG hire

Over the last half-decade or so, there has been a frenzy of hiring in asset management as ESG investing – also known as 'sustainable' or 'responsible' investing – has exploded in popularity. Thousands of ESG-related jobs have been created in that time. Sheffield Haworth was involved in sourcing talent for many of them.

This is great news for insurers, because when they need to bring on ESG-related talent, they can learn from the experience of the asset management industry when it comes to understanding what makes a good ESG hire.

While there are many nuances when it comes to making a good ESG hire, the single most important aspect to get right is to hire an ESG expert who will be a good fit for a firm's ESG strategy and culture. Candidates who have specialised in ESG tend to have done so for reasons of conviction and concern about our world and society. They have unusually strong views on how they or their firm should make an impact.

Many asset management firms hired ESG experts without first defining what ESG meant to the business and its activities, or what they wanted their ESG strategy to look like. The result was the hiring of many ESG experts who were not aligned with the firms that hired them, leading quickly to them leaving and needing to be replaced.

It is of paramount importance, therefore, for insurers in the months ahead to clarify what ESG means for them and their overall strategy and to develop clear job profiles that reflect that understanding and strategy. This will ensure the talent hired is right for the organisation; the market is moving fast and it is important to get it right the first time around.

"It is of paramount importance for insurers in the months ahead to clarify what ESG means for them and their overall strategy and to develop clear job profiles that reflect that understanding and strategy. This will ensure the talent hired is right for the organisation; the market is moving fast and it is important to get it right the first time around. "

THE COMPLEX CHALLENGES OF SUSTAINABILITY REPORTING

A conversation with Sabine VanderLinden, Senior Advisor to the Sheffield Haworth Insurance practice

Given the many challenges we face around climate change, biodiversity, and social justice, ESG is fast becoming the lens through which the corporate world is assessing – and being assessed on – its environmental and social impact. What seems clear is that the impact of ESG on insurance firms' talent needs is likely to be significant in 2022. The question is, what talent requirements will organisations have and how can they get ahead of the curve?

The data challenge of climate reporting

In its guidance, the TCFD says that organisations should consider proving data on:

- The types of measurements used, and whether these are based on direct measurements, estimates, or financial accounting practices.
- The methodologies and definitions used.
- How results are connected with business units, company strategy, and financial performance.
- How value chains will be affected over time by climate-related transition and physical risks.
- Reconciliation with financial accounting standards, including explaining any differences.

To meet this new regulatory requirement, insurers must be able to access the right data, validate its quality, and be able to convert that data into insights around a firm's climate impact throughout their operations and value chains. Despite the fact that data is the lifeblood of the insurance industry, this poses a challenge for many in the industry because they have not traditionally sourced and processed this kind of data, nor had to report their climate impact before.

How tech firms can help

Perhaps InsurTechs can help? We asked our resident InsurTech and venturing expert Sabine VanderLinden for her opinion.

"When you evaluate transition risks, there aren't many InsurTechs focused on this kind of data," she says, "and even those that are, are focused on the kind of weather and environmental data to support more responsible underwriting."

She cites examples, including:

- Concirrus – whose big data and machine learning platform helps insurers to more accurately quantify speciality marine and automotive risks.
- Iceye – which uses real-time satellite data to monitor and model natural catastrophes and flood risks.
- Intelligent AI – which develops digital twins of risks by location.
- Praedicat - which focus on mining data from scientific literature at scale to identify, evaluate and mitigate emerging risks.
- Previsico - which uses flood modelling software to better predict, identify evaluate and mitigate emerging risks.

As VanderLinden points out, the primary purpose of InsurTechs like these is to help insurers deal with the impact of climate change in their risk modelling – not to report on the sustainability impact of their business activities.

For monitoring data across the insurance supply chain, one needs to evaluate InsurTech platforms such as Adapt Ready's climate risk intelligence. Although this company does not specialise in ESG metrics, its machine learning algorithms help commercial insurers, reinsurers, and brokers to monitor and mitigate risks across their global supply chains, uncovering hidden client-related risks and offering more clarity on risk exposures.

To measure and report on ESG, firms may need to go outside the industry

So, how can insurance firms measure the specific sustainability impact across their entire value chain?

“For that, insurers are looking outside of the InsurTech space, to companies that specialise in measuring ESG impact for multiple industries, such as Datamaran, Jupiter Intelligence or Sustainalytics,” VanderLinden says.

These companies analyse and rate ESG risks and impact for firms. For insurers, they can help with reporting on their climate or sustainability impact. But they can also help insurers to choose which firms to underwrite and – if they have their own internal asset management functions – where to invest their capital, in order to reduce their climate impact.

When it comes to reducing climate impact and becoming more sustainable, VanderLinden believes this is where the future lies for forward-looking insurers. Here too insurers must increasingly look outside of the InsurTech space to cleantech – also known as climate tech, or environmental tech.

“Investment in this sector has already reached an estimated $200 billion across 14 key pillars, and insurers looking to become more sustainable or reduce their climate impact will increasingly want to partner with firms in this space,” VanderLinden says, adding that the pillar attracting the largest volume of investment by far is electric vehicles.

“Right now, ESG innovation is coming from other sectors outside of Insurance and InsurTech,” she says.

The biggest challenge for working with InsurTechs

There is another emerging issue when it comes to working with InsurTechs. Ironically, while insurers may seek to work with more InsurTechs for ESG-related reasons, many of these companies are not themselves ESG-ready, either in terms of monitoring their own sustainability impact, or in terms of social and governance factors.

As VanderLinden says: “These are small companies, and many of them do not yet have internal ESG policies in place. As large corporates seek to be more transparent around ESG, they cannot afford to work with suppliers or partners who are not compliant with their ESG policies. That becomes too much of a reputational risk.”

Regulatory strategies around sustainability data

Within insurance organisations, it’s clear that senior leaders will need to take responsibility for reporting. It’s also clear that this responsibility will be shared across multiple senior functions.

CFOs, CIOs, Chief Underwriting Officers, and data strategists will need to pool their skills and resources to ensure they can source quality data from across the business, report accurately, and also ensure that their climate strategy aligns with their overall business strategy, including risk assessment, capital allocation and strategic planning.

ABOUT SHEFFIELD HAWORTH

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Our vision is to be the leading global consultancy in people and transformational change. We specialise in executive search and interim placements, leadership advisory, change management, and information and data services. Clients benefit from deep industry insights, our wide-ranging networks and high standards of delivery from our global team. We work with private and public companies across financial services, professional and business services, high-growth technologies, and multinational corporates.

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employees globally	Sheffield Haworth was esablished	global offices	gender diversity across insurance placements	global assignments and projects completed across Sheffield Haworth

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CONTACT US

Ben Johnson
Managing Director & Global Head of Insurance
e. b.johnson@sheffieldhaworth.com
t. +44 (0) 207 213 0786

Sheffield Haworth
The Forum
33 Gutter Lane
London
EC2V 8AS

www.sheffieldhaworth.com

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