INSURANCE OUTLOOK 2023

February 2023
Edited by Ben Johnson

SHEFFIELDHAWORTH

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. Ben and his team work across the InsurTech, Re-insurance, Specialty and P&C segments placing executives, interims, and consultants at C-Suite level across some of the biggest names in the sector, with 67% gender diversity across all placements.

Ben has a BA in Fashion & Marketing from Central St. Martins, London and applies his passion for creative thinking to every client engagement. Ben is on the Advisory Board of LINK, the LGBTQ+ Insurance Network and in 2021 was 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.

Nick Roscoe
Managing Director

Nick is a Managing Director in the Insurance Practice based in the London office. Prior to joining us, Nick was the COO at InsurTech Concirrus, but most of his career was spent at Marsh, the world's largest insurance brokerage. Nick held a number of roles there but his most recent was as Sales Leader for Global Specialties (large industry). Nick holds a degree in History of Art but has also a post-graduate law conversion and qualified as a barrister. Nick retains a keen interest in the arts.

Gareth Burden
Consultant

Gareth joined Sheffield Haworth as a Consultant in Insurance practice in London. He started his career within the credit/asset finance space where he spent four years working with Captive Finance Houses and Banks at MJM Resourcing. Upon moving to Mulsanne Partnership, he gravitated towards FinTech and Capital Markets, working with global software houses. He enjoys following the England cricket team, cooking and reading.

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.

The Wider Insurance Team

Tom Forrest
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CONSULTANT, ESG/SUSTAINABILITY

Philippe Reynier
GLOBAL HEAD OF FINTECH

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MANAGING DIRECTOR TALENT INTELLIGENCE & ADVISORY

Gaëlle Pritchard
EXECUTIVE DIRECTOR & HEAD OF ASSESSMENT

Tim Bayliss
EXECUTIVE DIRECTOR CHANGE CONSULTING

IN THE WAR FOR TALENT, HOW DO YOU BEAT THE COMPETITION?

As long as I've been working in talent solutions, this has been a key question for Insurance. These days, however, even the newest intern in our industry knows that competition for top talent has morphed into all-out war. The horribly-named "war for talent" is real.

Attracting and retaining talent is critical to success for all firms. That's why this year's Insurance Outlook 2023 focuses on culture and diversity as well as the key trends that will drive firms' talent needs over the coming year.

In every interview and article, our experts tell us a similar story. More tech talent or specific expertise is needed. Not just for digital and data transformation, but across the board. 2022 saw the number of development team leads almost double in the MGA space, for example, while job postings for scrum masters increased by nearly 70% year-on-year.

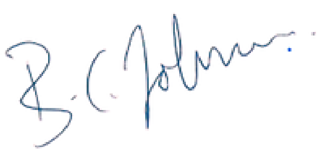
Everyone needs data scientists. This is not new and will come as no surprise. In last year's Insurance Outlook, we said the same. But it's the sheer breadth of uses for data scientists in our rapidly transforming industry that is striking this year.

We need data scientists to help with climate impact reporting. We need them to develop new real-time Nat Cat models in reinsurance. We need them to improve data exchange across the insurance value chain. We need them to help improve the accuracy of underwriting in cyber insurance. We may even need them to help promote diversity at Lloyd's. The list goes on.

Many thanks again to all who contributed their valuable time and expertise to this year's Outlook. Join us as we take a deep dive into how to build an industry-leading business culture with Charlotte Halkett, Chief Underwriting Officer at award-winning InsurTech unicorn ManyPets. We speak to Louise Smith – Lloyd's first ever Chief Digital Officer and currently Global Digital Leader at WTW, Chair of Innovate Finance, and Fintech Envoy at HM Treasury – about why diversity and digital transformation are inseparable.

We also share insights from Gallagher Re Chairman James Vickers and Inver Re CEO Jonathan Prinn on how they're looking to attract Gen Z talent. You'll hear from Will Bruce, Global Head Climate Risk Consulting at Aon, about where he expects to find the best ESG talent. Marco del Carlo, Director of the MGAA, shares his thoughts on what 2023 has in store for the MGA market, while Mark Lomas tell us his very practical plans to promote diversity at Lloyd's.

2023 looks like being another challenging year for our industry. It is my sincere hope that you find in this document a nugget or two of insight that will help give you the edge.



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

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REGULATION ROUND UP 2023

Here is our summary of the key regulatory changes either in progress or on the horizon for the UK insurance industry in 2023, along with key milestones or deadlines where we have them.

ESG REPORTING

In 2022 there has been increasing interest from investors, regulators, clients and other stakeholders on firms' Environmental and Social Governance (ESG) disclosure and activities. Firms should have clear sustainability strategies with key measurable milestones that focus on all aspects of ESG that link to or align to their net zero ambitions.

Disclosure requirements:

- TCFD-aligned disclosures will be mandatory across the UK economy by 2025, with a significant portion of mandatory requirements in place by 2023.
- BEIS Climate-related Financial Disclosures: large UK companies and LLPs must report their governance procedures for climate risk and opportunities; how they identify, assess and manage climate risks and opportunities; an analysis of their strategic resilience; and their metrics, targets, and progress. These requirements begin with accounting periods that started on or after 6 April 2022.
- Sustainability Disclosure Requirements (SDR): firms are expected to provide investors with climate-related information in line with the new International Sustainability Standards Board (ISSB) standards. They'll need to report on their environmental impact using the UK Green Taxonomy. The consultation opened in October 2022. The consultation was due to close at the end of January 2023.
- International Sustainability Standards Board (ISSB) standards require firms to provide information on all significant sustainability-related risks and opportunities to support investors' assessments of enterprise value. It will apply to UK firms in 2023 via the SDR proposals mentioned above.
- The UK Green Taxonomy: expected to replicate the EU Taxonomy that came into force in January 2022. The UK government was targeting end of 2022 for initial legislation, with more to follow. This has yet to materialise.

Climate Risk management requirements:

- The PRA is scrutinising insurers' management of the financial risks that manifest as a result of climate change. Firms should consider the physical, liability, and transition risks that impact the asset and liability sides of the balance sheet.
- The PRA is also actively supervising firm's approach to climate risk, such as the October 2022 letter to insurance CEOs with thematic feedback on the PRA's supervision of climate-related financial risk and the Bank of England's Climate Biennial Exploratory Scenario exercise.

More information:

- For TCFD-related disclosures: https://www.fsb-tcfd.org/
- UK government's TCFD disclosures roadmap
- BEIS climate-related financial disclosures guidance document
- FCA consultation homepage for SDR
- PRA's supervisory statement on managing the financial risks from climate change
- PRA's thematic feedback letter to insurance CEOs re: climate-relate financial risk

APPOINTED REPRESENTATIVES

The FCA has finalised its rules and guidance improving the AR regime, allowing self-employed representatives to engage in regulated activities without being authorised. The changes are aimed at enhancing consumer protection and placing greater responsibility on authorised financial services firms ("Principals") for their appointed representatives ("ARs"). Principals must ensure they continue to meet these enhanced requirements and provide information on, and analysis of, AR business models, complaints, and revenue information within the expected timeframes.

Requirements:

The new rules are designed to enhance supervision of ARs, and require Principals to:

- Improve oversight of ARs, ensuring ARs have adequate controls
- Carry out annual reviews of their ARs and an annual self-assessment of the Principal's own compliance
- Consider and monitor the risk that ARs pose to consumers
- Provide more information to the FCA on existing and new ARs
- Notify the FCA of any AR appointment at least 30 calendar days prior to its effect
- Provide the FCA with data annually relating to revenue and complaints

Timeframe and deadlines:

- The FCA's changes took effect on 8th December 2022
- Principals should have received a 165 request for data about their current ARs and have until 28th February 2023 to respond

More information:

- Detailed rules can be found in FCA Policy Statement 22/11

BACK BRANCHING AND THE END OF THE TPR

- December 2022 saw the end of the Temporary Permission Regime (TPR) for UK branches of EEA domicile intermediaries. Most firms have received 'landing slots' and completed relevant FCA licencing applications. The transition from the TPR to full FCA oversight brings increased regulatory scrutiny and expectations on oversight and financial resilience.

Requirements:

The new rules require firms to comply with all third country branch requirements applicable to them in TPR. Once a firm has been approved as a third country branch, it will be subject to full third country branch requirements.

Timeframe and deadlines:

- The TPR ended on 31st December 2022
- The transition period is scheduled to cease at the end of 2023
- All applications for full authorisation made by TPR firms will be processed before the regime ends
- There are still a number of firms awaiting third country branch authorisation because authorisation dates depend on the prescribed landing slot each firm has received
- Dates of landing slots have now been confirmed by the PRA and FCA

More information:

- Here's more detail on the Bank of England's Temporary Permissions Regime
- More detail on the Bank's policies relating to third country branches

SOLVENCY II REVIEW

HM Treasury published its consultation on the review of Solvency II in April 2022. The government expects that its package of reforms will enable UK insurers to increase investment in long-term productive assets and maintain an internationally competitive insurance sector without compromising policyholder protection.

Proposed reforms:

The Treasury set out its proposed reforms to the UK's prudential regime for insurers on 17th November 2022, which include:

Reduction in risk margin

- Changes to the calculation of matching adjustment
- Increased flexibility to allow more investment in long-term assets
- Reduction in EU-derived regulations that generate perceived reporting and administrative burdens

Timeframe and deadlines:

- April 2022: Consultation published
- 17th November 2022: HM Treasury published its response to the consultation
- The government now plans to legislate this year – no date has yet been finalised
- The PRA and FCA will jointly review and assess whether changes may be needed to the Financial Services Compensation Scheme or levy for insurers in light of these reforms.

More information:

- Click the link to access the Treasury's Review of Solvency II: Consultation – Response which contains the government's reform proposals.

CONSUMER DUTY

From 31 July 2023, Consumer Duty will apply to all new insurance products and services AND all existing products and services that remain on sale or open for renewal.

Requirements:

The proposals will require firms to:

- Review their product suite, communications, and end-to-end customer journey
- Consider changes in areas including governance and accountability, MI and reporting, product design, pricing, distribution, servicing, and staff training.

In the context of the cost of living crisis, the FCA issues a Dear CEO letter to the insurance sector in Sept 2022, highlighting the need to consider premium finance as part of product value assessments because in many cases "premium finance may breach fair value rules". The letter also highlighted the increasing risk of underinsurance and for firms to ensure their products continue to offer good value.

Timeframe and deadlines:

- 27th July 2022: Final rules and guidance were published
- 31st October 2022: Insurance firms agreed their implementation plans
- 30th April 2023: Firms are due to complete their reviews to meet the outcome rules
- 31st July 2023: Rules come into force for open products and services
- 31st July 2024: Rules come into force for closed products and services

More information:

- Read/download the FCA's final Consumer Duty rules
- The FCA Consumer Duty home page
- The FCA's Dear CEO letter re: cost of living and fair value

CLIMATE RISK TALENT NEEDS AND CHALLENGES

A conversation on the talent needs and challenges of climate risk between Will Bruce, Global Head Climate Risk Consulting at Aon, and Tom Eagar, Head of ESG Search at 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?

What are the biggest climate risk trends in 2023?

Will:
To date, the emphasis has been helping clients meet disclosure requirements, both in the UK with TCFD and other jurisdictions with their own expectations. That required a focus on understanding the climate risks and opportunities organisations are facing.

The industry has also been looking at how the net zero transition impacts real estate prices, carbon footprint labelling, carbon taxes, emissions, emissions reporting, etc. These two areas have been the focus and that will continue.

There's also going to be a shift to focus more on emission reductions and transition planning, partly due to the UK government's Transition Plan Taskforce they set up recently. Before COP 26 last year it was common for companies to say they'll be net zero by 2030. Now a lot of clients are unsure how they're going to get there. Not only will companies start looking into this more deeply, but there will also be more scrutiny of what they say.

Business consulting skills will likely be more important than climate-specific knowledge

Will:
My personal view is that sustainability – or at least the nuances of climate knowledge – can be learned, so there's going to be less demand for individuals who just bring the sustainability angle with them. While you need to be able to call on people who understand a scenario analysis and what a 1.5-degree warming world means, you really need good transferable consulting skills.

Climate transition in some ways is a euphemism for a change in business conditions. So you need talent that can work with clients and provide a financial risk and a prudent risk lens to everything that's being done.

TOP PLACES TO SOURCE CLIMATE OR SUSTAINABILITY TALENT, ACCORDING TO TOM

Look for people working in the ESG/climate teams in:

- Asset managers
- Pure-play data providers
- Credit rating agencies
- NGOs (non-governmental organisations)
- Management consultants or specific sustainability consultants

“There are pros and cons for each, depending on the available talent pool, the specific role you want to fill, and the needs of your industry, but these are all a good place to start,” Tom says.

Tom:
We've done a lot of work for climate change analysts, particularly on the investment side, and the background wanted for these new roles seem to fall into two camps.

You have the camp that says, "we have the industry knowledge, so we need someone who understands the climate science and we'll teach them the business side." Or you have the camp that says, "we are a commercial organisation and without an understanding of business, the climate knowledge is irrelevant."

When we're conducting searches, we almost have to tease out from the client which side of the fence they fall on. Is that something you've come across?

Will:
If you think about climate and sustainability in the context of my world, you can separate them broadly into physical risks and transition risks. The physical risk modelling side will become more commoditised. There are a lot of climate data vendors out there that offer data and modelling, whether it's the rating agencies or others. Insurance brokers are also building in-house tools. Different clients, organisations, and asset managers won't need in-house meteorologists because they can simply buy the existing expertise.

On the transition risk side, there will be demand for people with a solid business or financial background but who also know what they're talking about when it comes to ESG. There's so much going on, you do need someone who can understand the plethora of international reporting standards and then put them in a business context. The macroeconomic environment means we're also likely to see a shift in priorities, and you need people who can stay on top of that.

ESG will impact customer relationships

Tom:
How is the current energy and cost of living crisis likely to affect your business in the next 12 months in terms of the challenges you're going to try to solve for your clients?

Will:
It provides a real and necessary driver to ensure we demonstrate the business value of the advice we're offering clients on transition so that it's not seen as a purely compliance-driven exercise.

Tom:
Are there any climate challenges that are specific or unique to your insurance industry clients?

Will:
Insurers have all signed up to net zero commitments. They're beginning to think about how climate and ESG considerations impact their view of an insured. Does a good ESG rating mean offering preferential premiums or more coverage, and vice versa? I suspect that insurers are coming at this from their own individual angles and there probably needs to be more of a coalescence of approaches. I know Aon is going to be a lot more active in this space.

Greenwashing could lead to more climate litigation

Tom:
There seems to be a real worry about litigation risk among climate risk leads within carriers. Is that something you've come across?

Will:
It is a legitimate concern. There is a climate litigation database that tracks the number of cases, and it's gone up exponentially over the past few years. A lot of climate change litigation could come from this concept of greenwashing and clients not fulfilling their sustainability targets or not being transparent on how they intend to reach them. However, it's becoming well-recognised, and there's a lot of emphasis now on preventing greenwashing. Clients only want to disclose something if they know they can back it up.

The key to doing sustainability well

Will:
In the UK those clients that embrace TCFD are probably doing it well, because that is such a principles-based piece of guidance. In particular, where sustainability, risk, finance, and strategy are all collaborating on this within a business, that business is more likely to make stronger decisions. Certain sectors are doing well, such as power generation, financial services, and real estate.

Retention will be the biggest talent challenge in 2023

Will:
There will be demand for individuals who understand the latest regulatory and transition risk developments and can translate them into digestible terms for executives.
The challenges are in finding and, more importantly, retaining talent. Everyone is jumping jobs, so it's tricky just having someone stick around for more than 24 months, particularly in the younger generations of talent.

Tom:
An ESG team in a firm we know well has remarkable staff retention despite paying below market rates. They've got a culture that highlights the positive climate impacts they have. It's clear in each role what the impact is and that seems to motivate the kind of people who end up in those roles. Is that something you have thought about or indeed are you doing other things to retain people for longer?

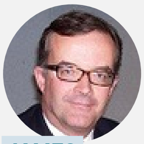
Will:
I'm not best placed to answer the question because I haven't been at Aon long enough. But if that stays true for your client, then that's great news for them, and I hope it continues. Although that may be challenging next year, with inflation and the cost of living.

Tom:
Because climate roles are often fairly new, you can't necessarily hire people on a like-for-like basis, so what are you looking for and where are you looking when hiring?

Will:
In my experience, some of the best colleagues I've worked with have been young consultants with around six years' experience. They've come from a consulting background or have been in the Big Four, and they've got a real drive to get involved in this area of risk. In my 23-year career, I've been lucky enough to work in really good teams. Keeping a brilliant team together is the real challenge when it comes to talent.

Tom Eagar
Consultant,
ESG / Sustainability

Tom Eagar is a Consultant at Sheffield Haworth leading the cross-industry ESG practice. In addition to Tom's global oversight of the ESG practice, he is a core member of the Asset Management practice; within which, he focuses on all aspects of talent acquisition, development and retention across financial services, working with Institutional Investors, Sovereign Wealth Funds and Asset Managers. Prior to joining Sheffield Haworth, Tom worked at Per Ardua Associates, where he was responsible for research across Asset Management, Real Estate, Insurance and Retail Banking. Before that, Tom was an Associate Consultant at a commodities specialist search firm, where he led the commodities lending, treasury and CFO portfolio for Europe. Tom graduated from Sheffield University with a first in History.



JAMES VICKERS

JONATHAN PRINN

TRENDS AND TALENT CHALLENGES IN THE UK REINSURANCE MARKET

A conversation with James Vickers, Chairman of Gallagher Re, Jonathan Prinn, CEO of Inver Re London, and Nick Roscoe, Managing Director, Insurance & InsurTech practice, Sheffield Haworth

With increasing natural catastrophe losses and capital limitations, how are the challenges facing the UK reinsurance market impacting its demand for talent? Nick Roscoe caught up with James Vickers of Gallagher Re and Jonathan Prinn of Inver Re to get their takes as reinsurance brokers on the main trends for 2023.

Challenges facing the global reinsurance market

There are many challenges facing the global reinsurance industry. But there are just as many opportunities because these challenges are creating demand for talent in fast-growing areas such as catastrophe modelling, data analytics, and climate change.

Capital is less attracted to the reinsurance markets in 2023 because the return on equity is not sufficient to justify the claims volatility. "This is impacting US natural catastrophe the most where everyone is seeking more capacity and it just isn't there," says James Vickers of Gallagher Re.

Finding the right talent is another key challenge, according to Jonathan Prinn of Inver Re. "Although the London market is diverse in its thinking and there is a genuine appetite to seek out people with broader skills and backgrounds to strengthen the operating model, the difficulty comes when the skills that the reinsurance market would like to own belong to people who feel much more comfortable in a leaner start up environment than in a large insurance company."

What future for London as a reinsurance hub?

Some might argue London is losing relevance as a transactional hub because there is less need for the capital that sits behind the risks to come to London. "Larger European reinsurers like Munich Re and Swiss Re also have huge diversification of risk giving them a capital efficiency that the London market simply can't match," James says.

However, London's enduring strength and relevance is as a knowledge centre where players can get the best global view. "This is where insurance buyers come to get the best assessment of the global market today and to understand where it is going and how they should plan accordingly."

Lloyd's has become the home more for unusual risk than for volume, due to "lack of diversification and because the regulatory system in the UK does not allow capital efficiency, which limits the opportunity."

Where reinsurers are investing in talent

Reinsurers and reinsurance brokers are investing in talent that can better research, understand and develop natural catastrophe models in the areas of flood, hail, and droughts, where losses are clearly increasing.

SPECIFIC BUSINESS LINES WHERE REINSURERS AND REINSURANCE BROKERS ARE RECRUITING:

- ESG
- Climate change
- Public-private specialists
- Financial modellers
- Natural catastrophe modellers
- Actuaries – qualified/part qualified/graduates

"Gallagher Re now has a team of 60 working on cyber, 40 of which are analysts," says James Vickers.

"In many cases (re)insurance companies are finding the talent in academic institutions," James says. "The Gallagher Research Centre has a sizeable team which includes 50 academics. They generate insights which help their clients understand their risk better. This information is also very powerful in broking the risks."

There is also significant investment in people who can analyse data. There is abundant information available, but the trick is in making sense of it all, so Gallagher Re is investing in data scientists who can provide different insights on these risks. James thinks that in some respects it is good the tech world has paused a little, as this could enable companies like Gallagher Re to pick up some of this much needed talent.

"The reinsurance market has been driven by data, analytics, actuarial and data science insights for some time and this is only accelerating," says Jonathan. "Relationships will always be important but the balance in importance between relationships and data is visibly shifting."

According to Jonathan, if the 1990s were about collecting data and the noughties about reviewing and considering it, the last decade (and the future) are about "how we analyse it, how much data we analyse and how quickly we do it. This means that reinsurance entities have to invest in the people who can get us there."

ATTRACTING GEN Z TALENT

Gallagher Re is investing heavily in Generation Z, because "they have technical skills which will be fundamental to the Gallagher Re of the future," says James. This year they have 60 joining their graduate scheme. Next year that will almost double to 110. How are they positioning themselves as an attractive career option? Through communicating in terms that appeal to Gen Z, and by focusing on continuous training and development.

"You want young people to realise that reinsurance is important, that it's a rapidly changing industry, and that rich and meaningful careers are made here," James says.

"Generation Z are a very exciting talent pool and this new generation expects to work for many more companies than their parents and realise the importance of investing in themselves, developing skills that will make them continually relevant in a more rapidly changing working environment," says Jonathan.

Inver Re is part of the Ardonagh Group, whose Ardonagh Academy was launched in 2021 to attract new talent and develop existing employees. The Academy recruits graduates and interns, while Jonathan believes its mentoring schemes and bespoke development opportunities should be particularly attractive to Gen Z talent.

4 WAYS TO ATTRACT GEN Z TO REINSURANCE, ACCORDING TO GALLAGHER RE:

1. Leverage the power of internships.

2. Focus on school leavers as well as graduates. "School leavers can be more receptive to training and more loyal."

3. Communicate the impact of reinsurance in areas that motivate gen Z, such as sustainability. "We want candidates to find purpose in their careers."

4. Build programmes for continuous training and development. "We want to keep young talent consistently engaged and progressing personally and professionally."

4 WAYS TO ATTRACT GEN Z TO REINSURANCE, ACCORDING TO INVER RE:

1. Provide extensive training to help Gen Z develop their skills and talents.

2. Clarify and communicate the breadth of experience you can offer.

3. Change your thinking to anticipate and support Gen Z's needs.

4. Embrace Gen Z insights and perspectives within your business culture and environment. This will help with retention.

“BEING KIND MAKES GOOD BUSINESS SENSE”

Q&A with Charlotte Halkett, Chief Underwriting Officer at ManyPets

Charlotte Halkett is an award-winning insurance business leader with over 20 years’ experience. She joined ManyPets in 2018 when it was called Bought By Many and had fewer then 100 employees. Now the company is one of the UK’s most celebrated tech unicorns, with over 600 people, 600,000 policyholders, and operations in the US and Sweden.

Charlotte recently talked with Ben Johnson to discuss the importance of diversity and representation in the industry, as well as how ManyPets managed to build a peerlessly inclusive and productive culture while experiencing exponential growth.

Q: What’s your secret sauce when it comes to ManyPets’ success? Not only do your people love working there, but your customers seem to love you too. What is it that makes you different to other companies in the market?

A: There’s a genuine, almost obsessive customer focus here. People put a lot of time and effort into it. I’m proud that Many Pets proves if you look after your people, they will look after your customers, leading to low customer attrition and higher lifetime customer value. Put simply: being kind makes good business sense.

Q: Is being kind the key to your culture? You do have a reputation for having a fabulously strong working culture and low staff attrition...

A: The culture’s always been really important here – that’s one of the reasons I was keen to join. And really I think the culture is based around our values. They sit at the centre of everything.

In practical terms, while we like to give our people flexibility with remote working, regular connection is important. The whole business does all-hands remote meetings twice a week, and I do the same with my team, as well as weekly one-to-ones with my direct reports. For my team meetings I have other members of my team lead them in rotation. I’m happy to support them, but I want them to set the agendas. This encourages more diverse discussions and helps them grow professionally.

As well as flexibility, trust, and regular connection, we like to spread thanks and recognition. Our second weekly all-hands company meeting is a time for senior leaders and others to thank people for going above and beyond that week – whether that’s putting in extra hours on a big project, or just offering some words of encouragement when a colleague was struggling. We call it Many Thanks, and it’s something we all take quite seriously.

It’s also important to say that hiring well is key to building – or maintaining – a strong culture. Because most of our growth took place after the pandemic hit, the vast majority of our recruitment happened remotely. We had to work quite hard to maintain the culture under those circumstances.

TOP 3 MOST COMMON RECRUITMENT MISTAKES IN INSURANCE:

1. Fishing in the same pool(s). “There is a tendency in insurance to recruit in the same networks and from the same universities, because instinctively people like to recruit people who look and think like themselves.”

2. Focusing on too narrow a range of skills. “Insurance recruits a lot from within our industry rather than looking to other industries to bring people in.”

3. Being afraid to ask for help when hiring for skills you are unfamiliar with. “It’s hard to recruit people in areas you’re unfamiliar with, and when you do so it makes sense to call on the expertise of others, including consultants if you don’t have the skills in the business. I’ve done this quite a few times.”

Q: So how do you hire for a culture like that when growing exponentially?

A: I should say we have a brilliant Chief People Officer in Julia Ingall who will have plenty to say about this, but from my perspective, it can be tough. We need to set a high bar. Many's the time I've interviewed someone who was technically brilliant but who just wouldn't have fitted into our collaborative culture.

It's not that everyone agrees on everything. Far from it. We have plenty of healthy disagreements. What we look for is a collaborative mindset that comes at problems constructively and is passionate about finding the best solution. We don't hire brilliant bad apples, if that makes sense.

In terms of what we do look for, we look for people with passion and drive, and also people who value diversity in all its forms, as we do. After all, we want a company that reflects our society, and we try to hire the best people regardless of background.

There's a real culture of fairness here based on the value of doing the right thing. When (ManyGroup CEO) Steven Mendel is asked how he managed to get so many women on the leadership team, his answer is simple: he just hired the best people.

In other words, we don't practice positive discrimination, but we find that by recognising and mitigating unconscious bias, being mindful of our recruitment processes, when you focus on hiring the best people with the right mindset, the diversity follows naturally.

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2. Focusing on too narrow a range of skills. "Insurance recruits a lot from within our industry rather than looking to other industries to bring people in."

3. Being afraid to ask for help when hiring for skills you are unfamiliar with. "It's hard to recruit people in areas you're unfamiliar with, and when you do so it makes sense to call on the expertise of others, including consultants if you don't have the skills in the business. I've done this quite a few times."

Q: It probably helps that you have an exceedingly diverse management board…

A: True. It still happens when I interview people that they say they're pleasantly surprised to be interviewed by a woman in such a senior role. But we have plenty of senior female talent in our business, from Julia whom I mentioned to our CFO Luisa Barile and our Chief Product Officer Lidia. Plus, when it comes to diversity our UK CEO Oke Eleazu sets a great example on speaking up on a range of diversity subjects, including anti-racism.

Representation does matter. If you want to attract diverse talent, it helps to have visibly diverse management.

Q: It's important to hire around your vision and values as well, right?

A: Absolutely. When recruiting we'll ask candidates for examples of when they've done the right thing, or proven tenaciousness, for example. If they saw someone being bullied at work, did they speak up? Or did they report it?

We are explicit in our values that ManyGroup is an anti-racist and inclusive organisation, and this is just one example of where our commitment to diversity comes in. Increasingly, I find that our diversity helps us to attract the best talent in the market.

Q: Do you find that helps you when recruiting for more competitive skillsets, given the current so-called "war for talent"?

A: It's always hard to find and attract the best people because they have the most choices. While it's important to pay people fairly, it's usually not money that motivates star performers. I find the best people are passionate about doing great work because they enjoy it, and they want to be able to bring their whole selves to work.

But as I said, our diversity is appealing, as are our values. It's about attracting people who have lots of choices by standing out as a good choice for them. They want to work with us because they love working here and feel like they're part of a journey. That sense of purpose and connection is a key reason why people come here and then don't want to leave.

ADVICE TO YOUNG WOMEN CONSIDERING A CAREER IN INSURANCE:

1. IT'S A GOOD CAREER CHOICE.
Fascinatingly diverse and impactful, with lots of ways to progress depending on your skills, plus you can work almost anywhere in the world.

2. BE YOURSELF.
Understand your strengths, find out what you're good at and find where you can be of best use and develop those skills and character traits.

3. STAND UP FOR YOURSELF.
Don't let yourself get taken advantage of, and don't struggle to change the work culture at a place that doesn't deserve you. If you are good, leave and find somewhere to work with likeminded people who will value and support you.

4. TAKE RISKS AND TRY NEW THINGS.
You only live once and all your personal growth happens outside your comfort zone. I started public speaking by realising that so many public speakers were bad that I had nothing to lose by giving it a go. Was I nervous? Yes, but I got through it and now I give public talks regularly. Do what makes you nervous and remember that most doors are two-way: if you try something that doesn't work, you can always go back.

5. BUILD AND MAINTAIN YOUR NETWORK.
You don't have to be super outgoing, but insurance is a people business and the more you can extend and maintain your network, the more career opportunities you will get. Remember, it's not who you know, it's who knows you that's important for your future.

6. MAKE YOURSELF USEFUL TO SENIOR PEOPLE.
When I was in my 20s, I got invited into important board meetings because I'd been up until 2am the night before binding reports (it was the Old Days). You don't have to work all hours, but find a way to go the extra mile or be useful to senior people, and they will invite you into meetings and send other opportunities your way. People tend to respond to enthusiasm and drive in a positive way. If they don't, see point 3.

TOP UK INSURANCE MARKET TALENT TRENDS IN 2022

We scoured all available public data sources and combined what we found with proprietary sources and our own search mandates to come up with the top UK insurance market talent trends in 2022. The results give us a fascinating glimpse into what to expect in 2023.

In particular, this article gives a brief rundown of the most common industries and sectors outside of Insurance that professionals left in 2022 to take up a job in Insurance. We then take a look at how the fastest growing insurance occupations compare with the most common. We follow this up with the skills that experienced the biggest increase in demand in 2022, before ending with a summary of what insurance professionals most value in a role.

Which industries did insurance talent come from in 2022?

This chart shows the talent flows between Insurance and other sectors in 2022. As you'd expect, the many similarities between Financial Services, Banking, and Insurance mean that these experience the most movement of talent.

The IT, Law, Accounting, Healthcare, and Real Estate sectors have all seen more professionals leave to join Insurance than the other way around. At the same time, more Insurance professionals have left the sector to join the Computer Software, Management Consulting, and Staffing and Recruitment sectors.

INSURANCE TALENT FLOWS IN 2022

1. Financial Services
2. Banking
3. Information Technology
4. Computer software
5. Management consulting
6. Law practice
7. Accounting
8. Staffing & recruiting
9. Hospital and healthcare
10. Real Estate

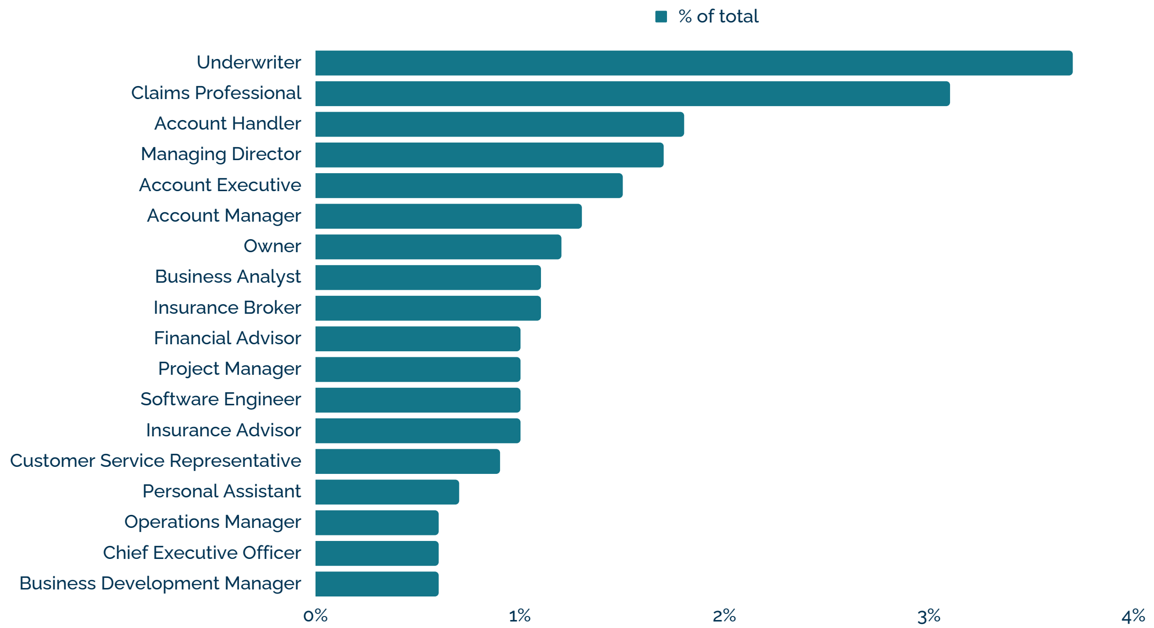
Most common UK insurance occupations vs the fastest growing occupations in 2022

It's no surprise to see roles such as Data Engineer, Product Owner, and Data Analyst as the three fastest-growing occupations in Insurance. However, the total numbers employed in roles like this within the industry remain small overall. The total number of people in the top 10 fastest-growing occupations is still lower than the number of Underwriters in the industry, for example.

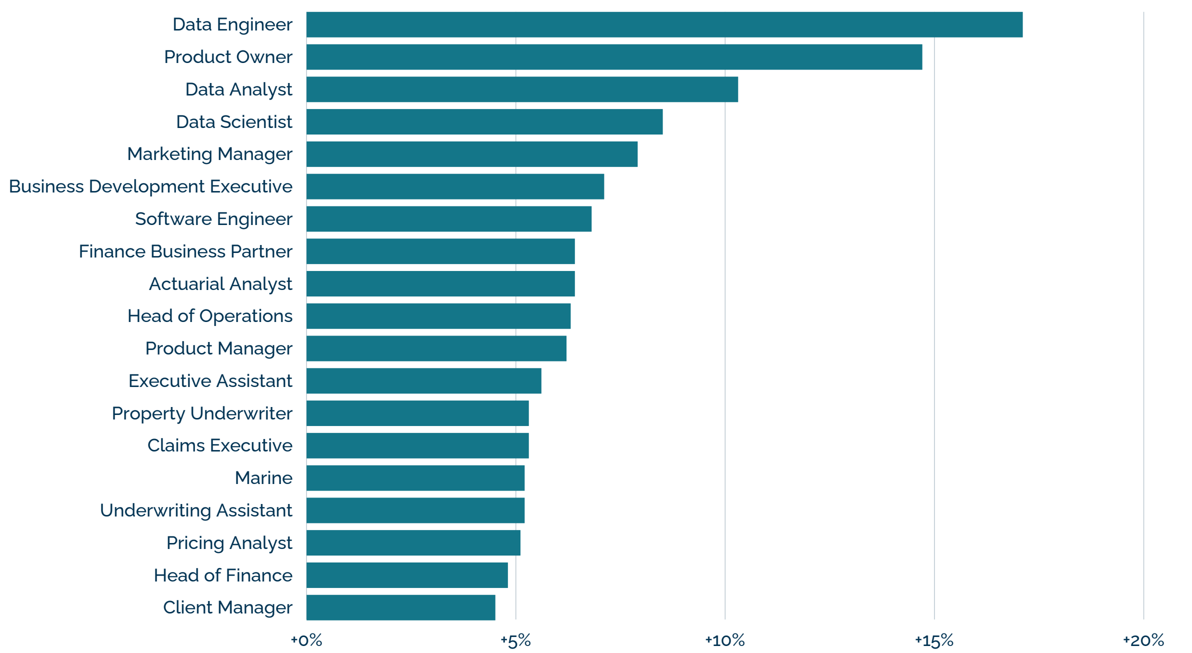
It's also worth pointing out that although the growth in tech and data-based occupations is in the double-digits, many of the most common traditional insurance-based roles grew at a healthy rate in 2022 as well. For example, the number of Underwriters grew by a strong 4.1% year-on-year, while the number of Account Handlers grew by 1.1%.

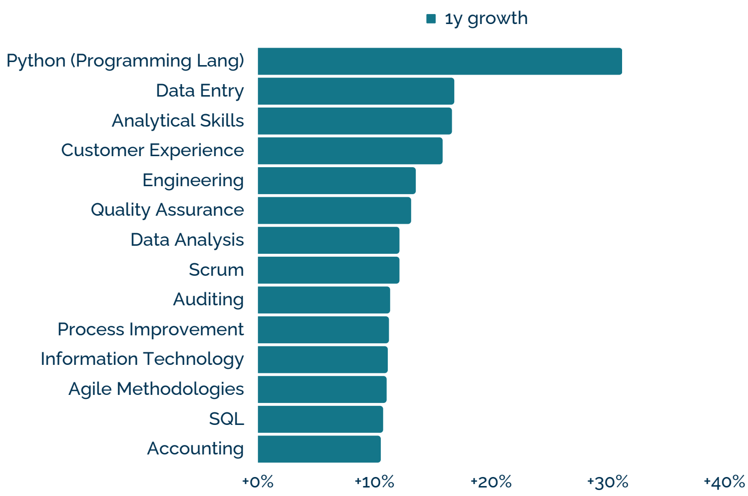
These charts show an industry that still requires more insurance talent to thrive and grow, but where the deficit of tech-based talent is so great that growth in demand for these occupations is likely to remain high for several more years.

TOP 20 MOST COMMON OCCUPATIONS IN THE SECTOR



TOP 20 FASTEST GROWING OCCUPATIONS IN 2022





Fastest growing skills in the UK insurance industry, 2022

The demand for tech and data-based occupations in Insurance is reflected in the skills that are seeing the greatest increase in demand. Six of the top 10 skills in demand are data or tech-related.

That said, the numbers here also show that Insurance has always been a data-based industry and that there is a lot of cross-over between traditional data handling skills and the skills needed for the digital data era.

It's also reassuring to see Customer Experience so high on this list, as it shows the extent to which the industry takes this seriously.

What do UK insurance professionals want from a role?

When it comes to attracting top talent, competition has never been more fierce. Salaries across the board have risen with inflation (although not inline with inflation for many), while those for the most in-demand skillsets have way outpaced inflation. Competitive salaries are a given in today's economic environment, so again firms must look at what else they need to offer professionals to attract and retain them.

According to a 2022 survey of insurance professionals on LinkedIn, "Excellent compensation and benefits" came second, at 60% of respondents. What came top? "Good work-life balance", which took 61% of the vote. Further supporting this was the number four answer: "Flexible work arrangements."

It's not as simple as good pay and flexible hours, however. Company culture is also very important to many insurance professionals. 50% of respondents cited "Colleagues and culture that inspire employees to do their best" as important. This was supported by other responses such as "Employees have influence over their tasks and priorities" (32% of respondents), "Role that meaningfully impacts the company's success" (32%), and "Investment in comprehensive and ongoing employee training" (30%).

On the whole, insurance professionals want to feel engaged, empowered, and inspired with a motivational work environment offering competitive pay and benefits and flexibility. Some of these companies should regard it as a staple of their employee value proposition, while culture may require more of a long-term strategic focus.

WHY DIVERSITY AND DIGITAL TRANSFORMATION ARE INSEPARABLE

A Q&A on cognitive diversity and digital transformation with Lou Smith, Global Digital Leader at WTW, Chair of Innovate Finance, Chair for Stripe Payments UK, and Fintech Envoy at HM Treasury

After 25 years helping to transform the retail banking sector into the digital space it is today, Lou Smith was offered the chance to work at Lloyd's, which she almost turned down.

To her, innovation, digital transformation, and cognitive diversity are inseparable and from the outside she couldn't see many in the insurance world who looked or thought as she did. She decided to take on the challenge anyway. She became Lloyd's first ever Chief Digital Officer and fell deeply for the industry.

Recently, Lou sat down for an in-depth conversation with Ben Johnson on how the industry can start taking action to become a more attractive place for the diverse and innovative talent it needs to remain relevant in the future.

Q: You were at Lloyd's during one of its most fascinating times. What are you most proud of having accomplished?

A: For me, it was when one pretty senior person at Lloyd's told me that I'd changed a corner of the culture. I genuinely believe teams thrive when people feel they can be who they are, when they're fearless and when they feel empowered to challenge the status quo. The fact that somebody said that to me, that changed everything. To be able to bring that mindset to Blueprint II, that was great.

More recently, however, even though I believed I had it all figured it out, I realised I wasn't as comfortable in my own skin as I thought. I was almost holding myself to ransom for whatever reason. Some of that may have been because I was worried about the opinions of others, people who think they know you but don't really, and therefore you don't always see yourself in those opinions. Since joining this part of the industry, I've transitioned into my own shoes, still learning to walk in them, but I am also really proud and grateful (particularly to my current boss) for that.

Q: Digital and data are top of the priority list for most insurers. As someone who came to Insurance from outside the industry, what are the most interesting topics and challenges you see in this area?

A: I frequently hear from within the industry that digital and data transformations haven't gone very well. This isn't unusual and most big organisations in any part of the industry take two or three goes to get it right. If there is a right!

It tends to work when people take the learns and embed them into their organisation at every level. There are several examples in this industry where we've seen pockets of movement and we've also seen some bigger, broader plays, like at Lloyd's around data. I wouldn't underestimate the importance of getting to a core data record and set of standards – the work that Sheila Cameron has been driving as Chair of the Data Council.

You can look at Ki, Aviva's Digital Garage, and Insurwave as examples where the insurance brand has been disrupted. There's a tonne of examples, but what I think we need to talk about more as an industry is what we can do differently to enable success and how can we support each other.

"Where [digital transformation] works is where people take the learns and embed them into their organisation at every level."

As an industry, we have to look at where we can collaborate – for example data standards – because you're not undermining any competitive advantage there. Where do we need to learn as an industry? Then how do we start to drive forward? I see it is an execution challenge.

Q: When it comes to transformation, how would you rank the importance of people, culture, leadership, or technology if you had to put them in order?

A: That's a really good question. I've never been asked that in this way before. It's obviously all of them but for me starting with culture and people is critical, and in turn how you lead. Technology is for sure last and it's the easier one of the four.

It's also a misconception that smaller organisations have a better culture. That isn't always true. In bigger organisations it's harder to change and reshape but that doesn't always mean it's better or more innovative in new and smaller organisations.

For me everything starts with creating a culture where a team mirrors the full spectrum of people we serve, respects difference and operates fearlessly. Understanding that and creating the right conditions is key, hard to get right and I have a lot of learns! As we move to a market built on the exchange of data, the culture we create and the people we attract and retain will be critical to how far we can go.

Q: What are the most exciting opportunities for the industry if it gets this right?

A: There's a huge amount of opportunity. When I look at everything that's happening across the market, what's exciting is how we do data exchange, accessibility, creating greater reach, accessing different markets, accessing more capital, creating space for new entrants, more collaboration – how we do them all. Data is the key to unlocking all of that. There isn't a single person I speak to in the market who doesn't understand that.

"I hear people talk all the time about how to create the right culture, how to attract different and diverse talent into the industry."

Yes, it's difficult. Yes, there's a lot to do to get to that, but the things I hear people talk about all the time in the market is how to create the right culture, how to attract different and diverse talent into the industry, and how do we start to solve for that exchange of data in a structured, complete, and consistent way.

Q: I wanted to ask you about cognitive diversity or diversity of thought. Why do you think it's so tough? Or is it that insurance does it badly?

A: We don't yet have a market that mirrors the people we serve. We have a skills and talent challenge when it comes to attracting people into this part of financial services. There's a perception – rightly or wrongly – that we're still quite siloed in our thinking.

We have a challenge more broadly across the UK of skill and talent gaps, where we've got to attract more people into the UK – such as more thinkers, innovators and technologists. And I work with Tech Nation on some of that.

"When I was approached to come into insurance, into the London Market, my first reaction was, 'Don't know if I can do that.' That was because I didn't see anybody like myself here."

Secondly, there's the question how do we attract more diverse thinking into the industry. Talking personally, I was a retail banker working in digital and data for 25 years, from the first steps in UK internet banking onwards. When I was approached to come into Insurance, into the London Market, my first reaction was, "I don't know if I can do that." That was because I didn't see anybody like myself here.

"Diversity is not about meeting percentage targets of so many women or other groups in senior positions."

It's about seeing people that you connect with in terms of how they look and the way they think. Diversity is not about meeting percentage targets of so many women or other groups in senior positions. It's more about using role modelling in the industry so people can see people like themselves, who think and look different. We've still got a long way to go to attract those people into the market.

Q: That's what I hear a lot on this subject: "It's getting better but we've still got a way to go." However, the market's been saying this for ten years or more. What makes insurance slower to react than other areas of financial services?

A: I used to think it was slower, but now I don't think so. In some areas, particularly in the last two to three years, I think we've all gone backwards in multiple industries. We've lost a number of people both during lockdowns and when we came out of them.

The question now is how we engage these various people and bring them back in, because they will have insights that others don't. From a broader FS perspective, some of the same challenges exist, but now's the time to stop talking about this and get to real action.

I recognise talking about it is a massive step forward and it can make things happen. But I'm also tired of talking about it. What are the actions we're seeing people take that we can learn from (and there are some great examples)? Where are we seeing that role modelling? Where are we seeing true allyship?

> ***"They asked me why I was wearing Pride trainers when it wasn't Pride Month. Well - I'm not just gay in June!"***

It doesn't matter what you say about the environment you want to create as a leader, your tolerance is set by the benchmark of what you're prepared to walk past. We need to have more of a dialogue about that.

Recently, someone stopped me in the airport because I was wearing a pair of Nike Pride trainers. It was September, and somebody asked why I was wearing them when it wasn't Pride Month. Well – I'm not just gay in June!

The person didn't mean anything by it, but it's a good example of the need to have dialogue around some of this stuff. We also now need to talk about real actions that are making a difference and how do we get those stories out there in a much stronger way. We should start driving action by talking about those people who are making a massive difference.

Q: Who's doing things really brilliantly in this space?

A: There are some fantastic examples across the industry. Julia Hoggett, CEO of the London Stock Exchange, is someone who gives me hope. If you look at the work she's already done, she's engaging communities. She hosted DIVA at the LSEG last year, which had never been done before. That was pretty incredible and a massive step forward. But actually she's translated that not just in the community she supports and represents, but the work she's doing in the public domain.

She wants to help engage the smaller players into the capital markets and get more diversity into those who are about to gain access to capital – and risk. What she's doing is something we've not been able to solve for before.

There are also some fantastic leaders in Insurance. Sheila Cameron is incredible at really engaging leaders of different backgrounds and thought into the industry. She creates the supportive environment that enables people to move forward. What she's done on the Data Council is incredible.

When we saw the data standards get agreed and technical vendors agreed to sign up to them, people commented that this was a first for the industry, because she's engaged insurers, brokers, data specialists and digital leaders to collaborate around some of the biggest problems in our industry.

There's others. Look at where I'm sitting today in WTW. We are leading some of the market on our thinking in terms of shifts to digital trading and again recognising diverse talent.

There are so many people we have in our industry who are thinking in different ways and pushing it forward. Sabine VanderLinden has been a powerful voice in InsurTech for years and she's a brilliant light for our industry in so many ways. She recently became a founding member of Chief UK, a network designed to strengthen the influence of women business leaders.

It's these people we need to continue to talk about and those stories we need to play forward. And where it doesn't work, we have to talk about that too, and what we're doing in response in terms of tangible action.

Q: What are your plans for the future?

A: I am leading the digital trading service at WTW. We're looking at how to create an end-to-end digital trading experience that is immediate and transparent and uses some of the new technologies that we've seen emerge, such as algorithmic trading and augmented trading. How do you use some of the cognitive data capabilities that we've seen emerge as part of other aspects of the industry. It's all around those data workflows. What it isn't about is replacing the very core this industry is built on – relationships. What it will enable is better conversations, efficient processes, and insights so we can do better, do more and faster.

"This is an incredible industry. It can solve so many challenges that we face, from cybercrime to pandemics to climate change."

The question is how do you make sure you can create greater accessibility? It's all around what does that look like, building on some of the things I did at Lloyd's with Blueprint II when we launched that a couple of years ago.

This is an incredible industry. It can solve so many challenges that we face, from cybercrime to pandemics to climate change. The pie needs to be distributed a bit more equally, but the opportunity to make that impact is huge. Which is why I came into Insurance in the first place.

TALENT NEEDS IN THE UK MGA SECTOR IN 2023: 3 EXPERT OPINIONS

By Nick Roscoe, Managing Director, Insurance & InsurTech, Sheffield Haworth

Over the last few years, Managing General Agents (MGAs) have been recognised as an increasingly vibrant part of the UK insurance market. They have experienced consistent growth over the last 15 years. Many have also been breaking new ground in terms of distribution and technology. This kind of innovation often leads to companies seeking new talent and skills outside the traditional insurance market.

Is MGA growth slowing?

Some worry the market may lose steam as it did at the end of the 1990s MGA boom. The market has grown over the last 15 years because more capital has been available to start and grow MGAs, while capacity providers have increasingly supported MGAs that can offer higher rates of return, either due to having greater operational efficiencies or the ability to build new niche markets – or both.

Now, MGAs are facing tightening capacity, pressure on commissions, and stricter terms from insurers and the pace of growth has cooled. This has led some to worry that we could be about to see a collapse in the MGA market, as happened at the beginning of the 2000s.

Marco Del Carlo is CEO of Capacity Place and Director of the MGAA, the UK's industry body for MGAs. He is confident that growth will continue because:

- This new market is fuelled by data.
- Capacity support decisions are often made by underwriting committees with inputs from multiple departments, as opposed to underwriting directors, as was the case in the 1990s.

Securing capacity is the biggest challenge for MGAs in 2023

"This remains a challenging process with a lot of pitfalls for MGAs – particularly new MGAs," says del Carlo. Each capacity provider has its own risk appetite in terms of classes of business and territories they write, he explains, so "they are generally seeking MGAs with a track record of underwriting profitability."

According to Robert Dorey, Group CEO of Astaara:
"You're only as good as your underwriting capacity, and they're only as good as they can be if they really buy into what you're doing and they understand the rationale of what you're doing and why they're supporting it. You have to renew that understanding and sense of partnership and invest in it quite a lot."

THREE MOST COMMON MGA TYPES IN THE UK:

Three most common MGA types in the UK:

1. Underwriting-led: companies set up by insurance specialists to capture a niche in the market.

2. Technology-led companies that have acquired capacity and are writing business for commoditised lines where they can offer higher margins due to having lower operating costs and new methods of pricing.

3. Service-led: companies that are offering a range of services in a specific niche, of which specialist insurance cover is a key part.

Technology will help

Modern cloud-based technology solutions are one way MGAs can add value to their insurer relationships. As del Carlo says: "Technology plays a key role in the new MGA market because with good technology the capacity providers get better and more immediate information, they analyse and manage exposures better and the MGAs have stronger governance and control enabling them to run their books better."

Don Harrell of Montague Risk Partners also points to the importance of technology: "For the MGAs themselves, data, analytics and tech can give a pricing advantage and reduce operational costs, while on the capital side you have to be able to differentiate yourself to evidence a good financial opportunity."

What do 2022's hiring stats tell us about what 2023 might bring?

We analysed the publicly available data of 1,498 professionals at 29 MGAs based in the UK. From this, we could see the most common roles and the most in-demand skillsets:

KEY FUTURE MGA SKILLS NEEDS:

1. Specialist knowledge of an MGA's niche market. This is key for any underwriter-led or service-led MGA.

2. Skilled and experienced underwriters.

3. Skilled and experienced actuaries. Actuaries will remain important "to support the relationship with capital and to provide pricing".

4. Data scientists to build underwriting algorithms. "Future roles will be about using your own team to analyse data and bringing in data scientists."

5. People who can deploy and maintain cloud-based software infrastructure and applications. Individuals who can integrate new IT infrastructure and applications are becoming increasingly important.

6. Soft skills and the right mindset. "We'll train everybody in our ways, but you have to be curious and open minded."

JOB TITLES	NO. OF JOBS	% OF TOTAL
Underwriter	265	17.7%
Underwriting Assistant	94	6.3%
Senior Underwriter	78	5.2%
Assistant Underwriter	69	4.6%
Underwriting Manager	29	1.9%
Claims Adjuster	28	1.9%
Commercial Underwriter	25	1.7%
Managing Director	22	1.5%
Claims Handler	22	1.5%
Business Development	21	1.4%
Software Engineer	18	1.2%

This table shows the eleven job titles that make up more than 1% of the total number of people employed within the MGA sector in the UK. This shows the overwhelming importance of underwriting roles to the sector. The only new tech-based role of significance is Software Engineer.

TECH ROLES		TRADITIONAL ROLES	
Titles	1yr growth	**Titles**	1yr growth
Technology Development Manager	+200.0%	Underwriter	-5.4%
Technology Assistant	+100.0%	Underwriting Assistant	+27.0%
Development Team Lead	+80.0%	Senior Underwriter	+18.2%
Scrum Master	+66.7%	Assistant Underwriter	+19.0%
Senior Software Engineer	+66.7%	Underwriting Manager	+38.1%
Product Manager	+50.0%	Claims Adjuster	+12.0%
Support Technician	+33.3%	Commercial Underwriter	0.0%
Product Development Manager	+33.3%	Managing Director	+4.8%
DevOps Engineer	+33.3%	Claims Handler	+4.8%
Software Engineer	+20.0%	Business Development Manager	+23.5%

However, this table shows that, despite the lower numbers of tech-based roles, they are growing at a faster rate than the more traditional roles. The overall number of underwriter roles at MGAs even contracted by 5.4% in 2022. This does suggest that, while traditional underwriting skills and experience will remain crucial to success, tech-based roles are likely to continue to increase in importance in 2023 and beyond.

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.

SHEFFIELD HAWORTH'S TOP TIPS FOR PROMOTING DIVERSITY AND INCLUSION

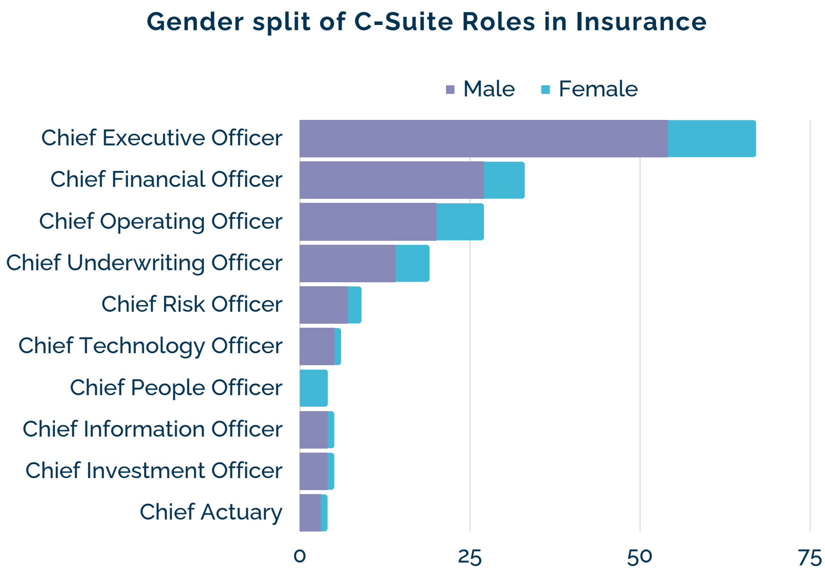
DIVERSITY

- **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

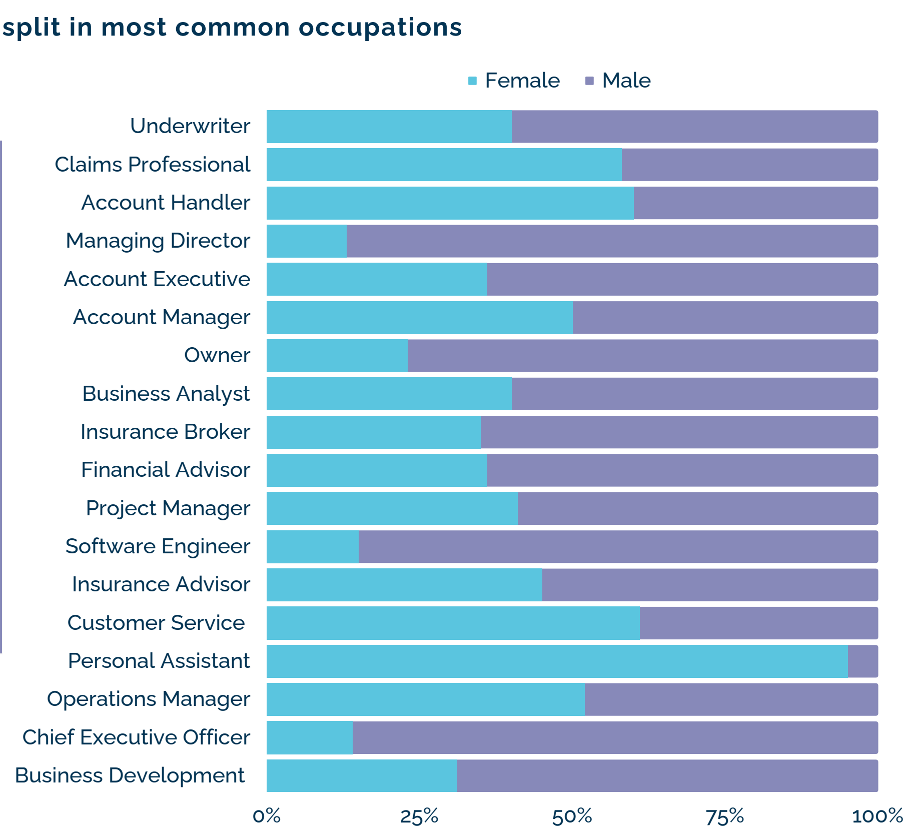
- **Share the business case for inclusion and get buy-in at every level of the business.**
- Make sure your workplace policies, processes and benefits are inclusive for all.
- **Consider providing awareness and inclusiveness training on how to communicate, use welcoming terminology, and respect boundaries.**
- 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.**

GENDER DIVERSITY IN THE UK INSURANCE INDUSTRY IN 2022



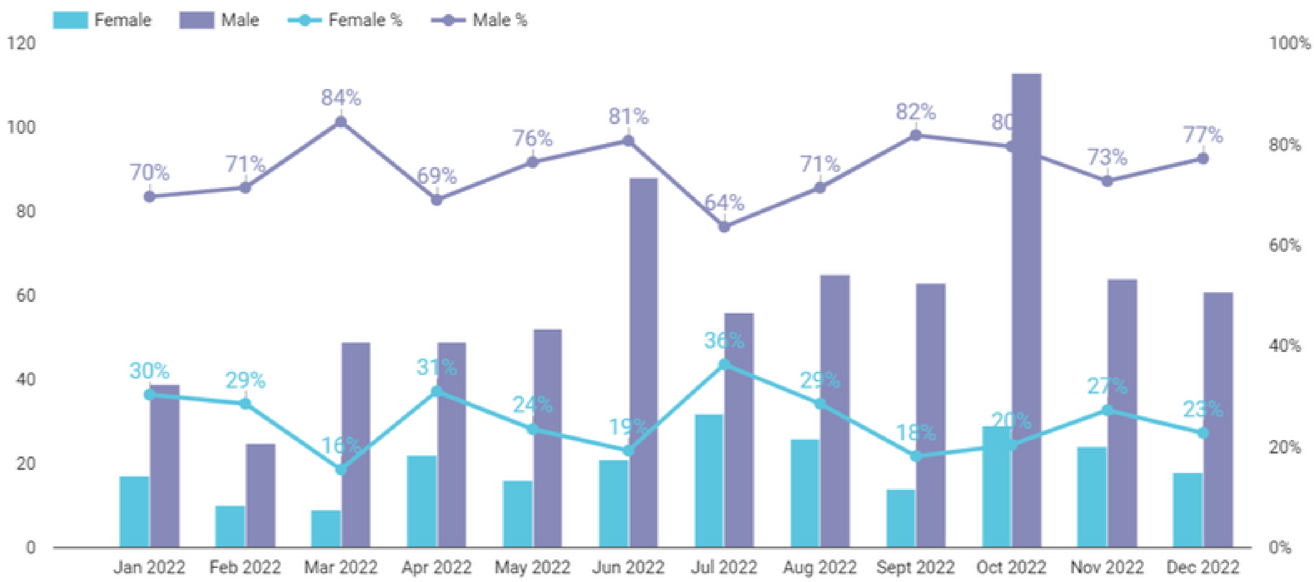
Looking at the top C-suite roles within UK insurance, we can see that gender diversity remains challenging at the senior level for many in the industry. Of the 67 CEOs appointed globally in 2022, fewer than one in five (19%) were women. Similarly, only 18% of CFOs appointed last year were women.

Meanwhile, certain senior roles remain much more likely to be held by females. These include the “usual suspects” of People and Human Resources. That said, more than a quarter (26%) of Chief Operating Officers and Chief Underwriting Officers appointed last year were women.



Moving away from senior roles towards the most common occupations in the industry, we see much greater gender balance. Roles such as underwriter, account handler and account executive show much better balance, suggesting the industry is making more progress on gender diversity in mid-level roles.

Senior Hires Trend Breakdown by Gender, 2022



Taking a deeper dive into the 2022 numbers, we see a striking pattern. Whenever the overall number of hires spikes – as in June and October, for example – the proportion of female senior hires falls. January, April, and July were the only months with relatively high hiring that saw female senior hires make up 30% or more of the total.

This suggests that when companies need to hire rapidly or to reflect changing market conditions, gender diversity goes out of the window and is seen as secondary to making hires. It will be interesting to monitor this trend and see if it repeats in 2023.

LLOYD'S 2023 CULTURE STRATEGY – CHALLENGES AND NEXT STEPS

By Mark Lomas, Head of Culture at Lloyd's

In 2022 Lloyd's launched its Culture Strategy to outline how it defines, engages, and measures progress on culture across the Lloyd's market. Its aim is to transform culture in Lloyd's by embedding inclusive practices that enable high performance.

We aim to change perceptions of the industry so it becomes a destination of choice for global talent. We believe diversity and performance are intertwined: greater diversity equals better performance.

We've made progress in our market. However, we're mainly seeing increasing diversity in support functions and certain leadership roles. The core disciplines, such as actuarial and underwriting, have seen little change.

Why is this a problem?

The ethical driver is that we want to open up our industry and its professions to groups that might not have had access previously. So we need to find smarter ways to retain the diverse talent we do have in the sector. For this reason, succession planning needs to be a major area of focus.

Existing talent is ageing out of the market and retiring, and there are not enough young people coming through to take their place. The market faces a crunch with lack of underwriting and actuarial talent, so ensuring a diverse pipeline of talent is a must-have for the future of our market.

The challenge is twofold: to make the market more attractive to the next generation of talent, while ensuring succession planning processes mature and have a diversity lens applied. The two are symbiotic, because diversity in itself helps make the industry more appealing to the next generation, who expect to see diverse workplaces and diverse leadership.

The importance of data gathering

Collecting diversity data is vitally important to driving cultural change. It leads to more intelligent decision making. Brokers and managing agents alike can use this data to plan effective recruitment campaigns, undertake succession planning, plug skills gaps, and ensure they're investing in reaching the right mix of skills and diversity for the future.

It also gives us a clearer picture – a 'shop window' – allowing us to tell our diversity story, and show the progress we're making, to those we want to consider our market as a destination for their careers.

TOP 5 STEPS FOR INCREASING DIVERSITY

From my experience, the top five steps organisations can take to become more attractive to diverse talent are:

1. Collect data on each stage of the recruitment process – advertising/attraction, job descriptions, shortlists and interviews, so you understand where to target your efforts.

2. Ensure hiring practices are inclusive. This means the entire process has been reviewed for accessibility, bias and/or good practice recruitment.

3. Transparent and authentic communications - Be honest about where you are now and have a clearly communicated plan. This can include publishing relevant data on the diversity of your workforce, gender and ethnicity pay gaps and/or other relevant data.

4. Employee advocacy – Use the voices of your own employees, their experiences, what they like about working for your organisation to amplify your presence on social media channels.

5. Be deliberate in your decision making – Have a plan, measure against that plan and play back progress to hiring managers and leaders on a regular basis to ensure they are accountable.

Right now, the industry places too much focus on technical experience. We are not doing enough to look outside the usual industry pools, connections, and personal networks to reach out to other groups and other talent.

For our managing agents, the collection of ethnicity data was mandated in 2021 and we will be holding firms accountable who are not yet doing this through our performance oversight process. We are also actively supporting firms to help them collect diversity data: we recently published a data collection toolkit and a supporting video so any firm in our market can understand why data is important, and how to collect and use that data. You can find the toolkit here: Toolkits (lloyds.com)

Under the 'RIO' framework – our new approach to performance oversight – Lloyd's can hold managing agents accountable for their culture plans. There is an element of compulsion or obligation here for companies to be in line with Lloyd's Culture Principles:

1. Demonstrate leadership focus on fostering an inclusive, high-performance culture.
2. Ensure behavioural expectations are clear and there is zero tolerance for inappropriate behaviour.
3. Encourage speaking up, ensuring there are appropriate tools for employees to do so, and the tone is set from the top.
4. Ensure diverse representation within their workforce and their leadership population. Be inclusive in how they hire and retain talent and ensure they reflect society and their customers.
5. Understand their employee population, collect appropriate data and take action to create an inclusive employee experience.

Practical support in 2023

We are mindful of supporting smaller firms who say they don't have HR resource, and that's why 2023 and beyond will see Lloyd's offering an array of practical support measures:

- Workshops
- Roundtables
- Guidance around best practice
- Training
- Resources

In 2023 we will be looking to upskill HR leaders in specific areas of diversity and inclusion. Clearly, succession planning is one of them. We will publish a schedule of upskilling during February 2023.

Along with a focus on diversity and succession planning, 2023 will also see Lloyd's explore:

- Setting up a talent 'clearing house' to join up our market's efforts to hire diverse talent
- Starting to expand Dive In from a global festival of celebration over three days to offer year-round opportunities to engage diverse talent

We will look to explore the opportunities for early careers and Dive In this year and take a phased approach to implementation over 2023 and 2024.

Where to find diverse talent

A simple action that firms can take to recruit more diverse talent is to work with search firms, jobs boards and networks who can reach diverse talent pools. Networks like ACIN (Afro-Caribbean Insurance Network) and iCAN can help firms to reach applicants to support Lloyd's 'one in three' hiring ambition for Black and Minority Ethnic talent.

There are some job boards that have excellent reach into many categories of diverse talent, and it's worth seeking out executive search firms with a proven track record of recruiting diverse leadership talent. It's important to reach beyond personal networks when trying to identify talent.

For me, Lloyd's comes with a unique challenge and a fantastic opportunity. We're starting from slightly further behind than other sectors; but the global reach of the market gives us the opportunity to think about diversity in the broadest sense and to take collective action for the "greater good" to help move the dial. Lloyd's has an extensive history stretching back over 300 years – so the opportunity to help the market embrace a more inclusive future was impossible to resist!

THE FUTURE OF CYBER INSURANCE?

A conversation with Matthew Jones, Chief Strategy Officer, Cowbell

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

Cyber insurance is one of the fastest organically-growing lines of business in the insurance industry today. The global market is predicted to exceed $20 billion in gross written premium by 2025 from just $9.2 billion at the beginning of 2022.

Clearly, this represents a huge potential opportunity, so we sat down with Matthew Jones, Chief Strategy Officer at Cowbell, a California-based cyber insurer, to talk about the future of cyber. How is the market likely to evolve globally? Why does the UK industry seem to be falling behind its US peers? What kinds of talent will insurers and reinsurers need to hire today if they want to capitalise on this rapidly-growing market?

A once-in-a-generation growth opportunity

"Some put this market on track to be as big as Property by 2040," Matthew says, adding: "We're dealing with the fastest organically-growing line of business in the insurance industry. And it's a once-in-a-generation opportunity for building new businesses from scratch; new businesses with new approaches to underwriting."

There's a finite amount of cyber capacity in the world, Matthew says. He even goes so far as to anticipate a crunch over the next couple of years when he predicts that the industry will run out of capacity. To Matthew, this upcoming capacity shortage will have two direct impacts:

1. **Companies that can build up outstanding underwriting results faster than their competitors will be better positioned to capture capacity.**
2. **Some in the space are bringing alternative capital into cyber sources from hedge funds, pension funds, family offices, and other sources of private capital via insurance-linked securities (ILS).**

"We've very excited about the potential of ILS to essentially manufacture additional capacity that otherwise wouldn't exist," Matthew says.

He thinks there may also be an opportunity to convert unused crypto capital into cyber insurance capacity, but that this is probably a few years away.

"Given recent events impacting crypto, that needs to play out first before the market looks seriously at this option again," he says.

Why new business models are so important in cyber

As Matthew sees it, many policyholders have invested in cyber security technology and improved their cyber security profile and capabilities. However, they don't always get credit from their insurers in return.

"As a result, a lot of companies question why they bother," Matthew says.

The result of the unresponsiveness on the part of many insurers is that not enough firms have cyber insurance. Even when they do, they can often be under-insured. This is also likely due to many businesses not knowing the extent of the cyber coverage they need.

"We think the concept of adaptive cyber insurance is where the market will go over time," Matthew adds.

Adaptive cyber insurance means that the insurance provider debits and credits customers' cyber policies in direct response to their cyber security investment and preparedness. This shows policyholders exactly what they can do to affect the cost of their coverage. It also provides more visibility around costs, which can be particularly helpful for SMEs needing to budget for cyber insurance.

"In typical P&C insurance, the insurer writes a policy and then hopes the policyholder never has to make a claim. There's little insurers can do to influence that outcome once the policy is written. With the adaptive approach to cyber, however, we can actually improve the risk profile of an insured."

Matthew explains that Cowbell does this by deploying risk engineers to help them figure out the gaps in their cyber security and broader IT landscape. "We don't just tell them where they have a problem," Matthew says. "We also show them how they can fix it, and we have a network of accredited partners to help."

In a recent interview, Isabella Casillas G. of the US Small Business Administration recognised the importance of the educational and awareness aspects of the approach, saying:

"I'm excited there are players out there like Cowbell who are viewing their business model as not only providing the products but providing the information, awareness and understanding of how to become cyber secure."

Matthew adds that, unlike other liability lines that have a lag between new data being reflected in the premiums, cyber insurance allows for accurate real-time risk assessment and pricing. This enables insurers to charge a fair premium to customers while also ensuring that prices accurately reflect the risks.

From a product development side, Matthew sees a lot of market players working on helping people understand attritional risk and cat risk when it comes to cyber, so they can understand what a big event looks like. This is more evidence of the importance of the need to educate the market to help it grow.

Cyber insurance will soon become a normal cost of doing business for SMEs

Although there are no regulatory requirements as yet for businesses to have cyber insurance, in the US in particular it is already a business requirement for many small and medium-sized firms. As Matthew says:

"Say you're a small catering company in Iowa. You want to win a contract to supply a local government office or a school district with lunches, you will not be able to win those contracts unless you have cyber insurance."

In other words, there are many corporate and public sector organisations with whom it is impossible to do business as an SME unless you are cyber insured.

"If SMEs can't get cyber coverage, they won't be able to do business with huge swathes of the economy, and they'll gradually die off," Matthew warns. "If you want a diverse economy, you have to have cyber insurance available. It also has to be affordable, and it has to be easy to understand so these folks can access it."

Why does the UK cyber market lag the US?

Currently, the UK cyber insurance market seems much less mature than the US market, although Matthew is unsure why this is.

"The US is often at the forefront of new digital product development and new product design and adoption. Perhaps it's inevitable that cyber should get up and running in the US as a product first and then spread around the rest of the world."

Notably, in the UK, more than one in three (34%) SMEs say they have no cyber insurance coverage, despite more than one in five (21%) having suffered a cyber incident or attack in the past 12 months, according to Aviva.

Matthew also believes there hasn't been enough awareness of cyber security risks in the UK when compared with the US. "That might be what's needed to drive adoption," he says, "first ensuring that business owners and managers understand their cyber risk exposure. If you don't know you have a risk, you can't engage in the conversation about transferring it."

The future of cyber insurance distribution

Many in the market are talking about micro cyber insurance, or offering embedded cyber insurance alongside bank accounts. Matthew sees the immediate future for distribution being a blend of direct digital and intermediated sales.

"That's what we've seen in the US and what I would expect to play out in the UK. Broker partners will do a lot of the selling while people still aren't sure what kind of coverage they need. Digital products are likely to end up being offered on comparison websites and a whole host of different SaaS platforms. So yes, I see a future for embedded insurance."

The cyber market is crying out for more tech and specialist cyber security talent

As with many other parts of the insurance industry, the cyber market will need to hire in or train more tech talent if it wants to make the most of the opportunity ahead. Matthew comments that there are a few large carriers who got into the cyber insurance market a few years ago, worried they might miss out otherwise.

“Now these carriers have ended up with a large book of cyber business, but they never invested in the right technology or the right people to be able to underwrite this risk accurately and profitably. Now they’re not sure what to do.”

The main challenge for most insurance businesses wanting to grow into cyber is attracting cyber security talent into the industry.

“If you are in Silicon Valley and you’ve been working for some of the world’s premier cyber security businesses, do you really want to go and work for a traditional insurance company? Probably not,” Matthew says.

This is where smaller, growing cyber insurance specialists such as Cowbell may have the edge over incumbents, Matthew thinks. Certainly, the war for talent in this area will be fierce. But the more entrepreneurial and fast-paced the business, the more likely it is to appeal both to technologists and underwriters looking for a more challenging and rewarding boost to their career.

ABOUT SHEFFIELD HAWORTH

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