

RISK MANAGEMENT 2020 VISION

Risk and insurance professionals reposition as strategic business partners

RESULTS



Foreword

Airmic is delighted to publish our 2019 survey report, supported by our partners, AIG, Control Risks, KPMG, QBE and Willis Towers Watson, and made possible by the contributions of our members.

This report should be read in conjunction with five supporting reports which address key issues through the lens of Governance, Threat Monitoring, Emerging Risks, Turning Data into Information and Geopolitics.

The world is increasingly volatile, uncertain, complex and ambiguous. Businesses must move faster, drive innovation and adapt to and shape their changing environment. The pressure to manage and report risks has never been greater. Consequently, boards and business leaders operate in an increasingly unforgiving environment and need a defined approach and the support of professionals fit to help them fulfil their risk oversight responsibilities. Companies that can depend on their boards to deliver this oversight across the spectrum of risks have an advantage.

Whilst, at face value, practices for managing risk might seem unaffected by this context, the underlying business dynamics of today are so different from those of the past, they trigger the need for recalibrating risk management and rebalancing the effort between managing traditional risks and emerging risks.

The spotlight is on risk and on the risk profession. However, there are implications for risk professionals with ambitions to gravitate from a back-office analytics and controls orientation to the centre stage of supporting commercial and other management decision-making in a risk-intelligent organisation.

More than any other factor, the key to the successful agility of risk professionals is to develop substantially new mindsets and for their capabilities to move at the same pace.

This is the New World.

The survey findings published in this and the five supporting reports will enrich our knowledge about the opportunities and ambitions of our profession, focus the Airmic education and technical agendas, and provide clarity of vision to inform our strategic thinking and plans.

Julia Graham
Deputy CEO and
Technical Director



Inside...

A large graphic of a flashlight beam pointing from a person icon on the right towards the table of contents on the left. The beam is a light gray cone that tapers towards the right. The person icon is a black silhouette of a person sitting at a desk with a pencil, set within a teal circle.

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Executive summary

Businesses in every sector are recognising the importance of moving risk and insurance from the back office to centre stage. This creates opportunities for risk and insurance professionals to reposition themselves as valued strategic business partners.

To make this opportunity a reality, risk and insurance professionals must upskill, seek exposure to their leadership and business peers, and acquire the knowledge, confidence and courage required to step up.

Although it is difficult to be certain about the impact of new technologies on business models, it is clear that new technologies represent significant transformational opportunities. Protecting reputation and trust in brands remains top of mind for businesses. However, in the New World, where risks are more complex, connected and changing at an increasing velocity, fuelled by a context of technological, geopolitical, environmental and economic uncertainty, it is essential that organisations remain resilient and prepare for the unknown. Risk and insurance professionals should be central to this preparation – they can be key in synchronising the external context with the strategic and operational objectives of their organisation, helping them to achieve 2020 Vision.



Key findings from Airmic's 2019 annual survey are:

Risk management's DNA is changing. This year's survey shows that risk management is generally a more gender-diverse profession, salary levels on average are higher and business backgrounds are increasingly diverse. Respondents indicate that their education priorities are communication and influencing skills, and commercial and financial acumen.

Protecting intangible assets is recognised as a key priority, while risks beyond the organisation's control are expected to rise in profile. Loss of reputation has been identified as the top business risk for the third consecutive year, while data security and political uncertainty are top of mind as well.

Risks related to the megatrends of geopolitical volatility, climate change and digital transformation are of most concern, but respondents are less confident in their ability to manage these threats.

Boards are 'buying in' to the risk ethos. The expectations placed on directors are rising. Companies are more global and directors are stepping up and embracing change – directors are listening more and engaging more. Risk professionals must be ready to respond and be able to link top-of-mind business risks with the organisation's strategic objectives.

Centre stage visibility is critical for managing the risks of today and tomorrow. Respondents report mature and improving collaboration with most business areas.

Members are ambitious about contributing to the strategic direction of their organisation. The profession is confident in its ability to bring value and identify opportunities through risk and insurance management.

The New World requires New Solutions. This survey has helped us to achieve the 2020 Vision that will equip the profession for the challenges ahead.

The sponsors

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Control Risks is a specialist global risk consultancy that helps to create secure, compliant and resilient organisations in an age of ever-changing risk. Working across disciplines, technologies and geographies, everything we do is based on our belief that taking risks is essential to our clients' success. We provide our clients with the insight to focus resources and ensure they are prepared to resolve the issues and crises that occur in any ambitious global organisation. We go beyond problem-solving and provide the insight and intelligence needed to realise opportunities and grow.

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Airmic partnered with AIG, Control Risks, KPMG, QBE Insurance and Willis Towers Watson on the 2019 research project, entitled *Risk Management: Vision 2020*.

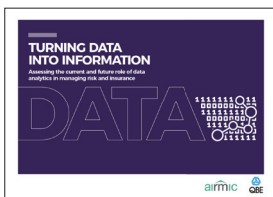
While this report summarises the full findings of the research, five deep dives complement the core themes within *Risk Management: Vision 2020*.

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Our underwriters are empowered to take decisions that are important to you. (Because we know no computer can replace that human ability.) And we don't just cover your risk. We help you manage it, meaning that you're less likely to have to make a claim in the first place.

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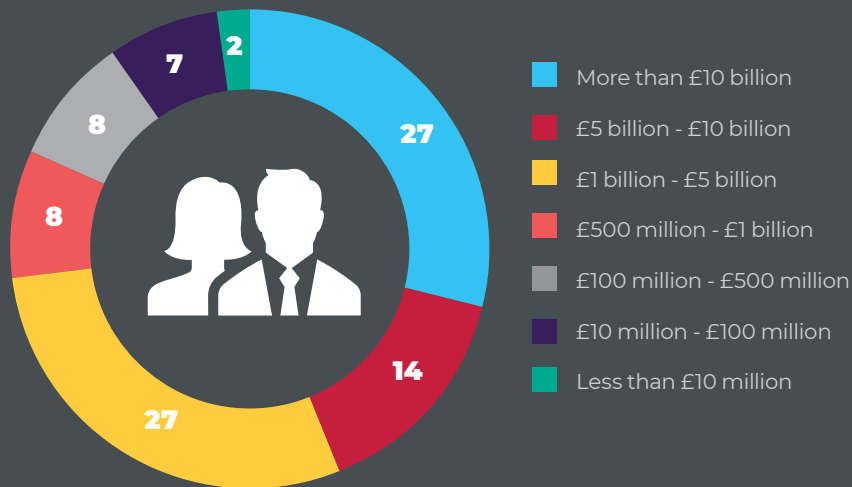


About the respondents

This report, produced by Airmic in collaboration with Longitude, is based on the responses of 157 members. It is unsurprising that our members' responsibilities are primarily focused on risk and insurance management, but a seven-point increase in respondents identifying as risk managers since 2017 shows that our membership is changing. This growth in risk management responsibilities has been driven from new members joining Airmic. More than half of those with risk management as their primary responsibility identify as enterprise risk managers.

Annual insurance spend across the membership is more than £8 billion. Of that, almost £1 billion is spent on broker and risk management services.

Global turnover by per cent



Survey respondents - job roles



Due to rounding, and the use of multiple-choice questions, some figures and charts in this report may not add up to 100%.



Risk management is maturing to address risks within and beyond an organisation's direct control which requires our visibility and contribution across the business and at board level

Lynda Lucas, Director International Risk Management, Fujitsu

Section 1

The profession in transformation

Airmic is committed to corporate social responsibility, including the promotion of health and wellness in the workplace and diversity in our profession. Organisations that embrace the diversity agenda benefit beyond positive external perception. They experience greater innovation and, in turn, improve sustainability. Research from The Center for Talent Innovation found that organisations that rate highly for inclusion and diversity are 70% more likely to succeed in new markets. Generally, the financial services sector has struggled to keep pace with this change.

More women are joining our profession than ever before. They are taking up more senior positions and the gender pay gap is narrowing. As more women enter and are successful in risk and insurance management, the number and diversity of role models for the next generation of leaders to look up to is increasing as well.

Our members are passionate about professional development. Ninety-seven percent have at least one professional qualification. For example, there is an increased presence of accountancy, business continuity and legal qualifications, which is producing a more diverse membership (Figure 4).

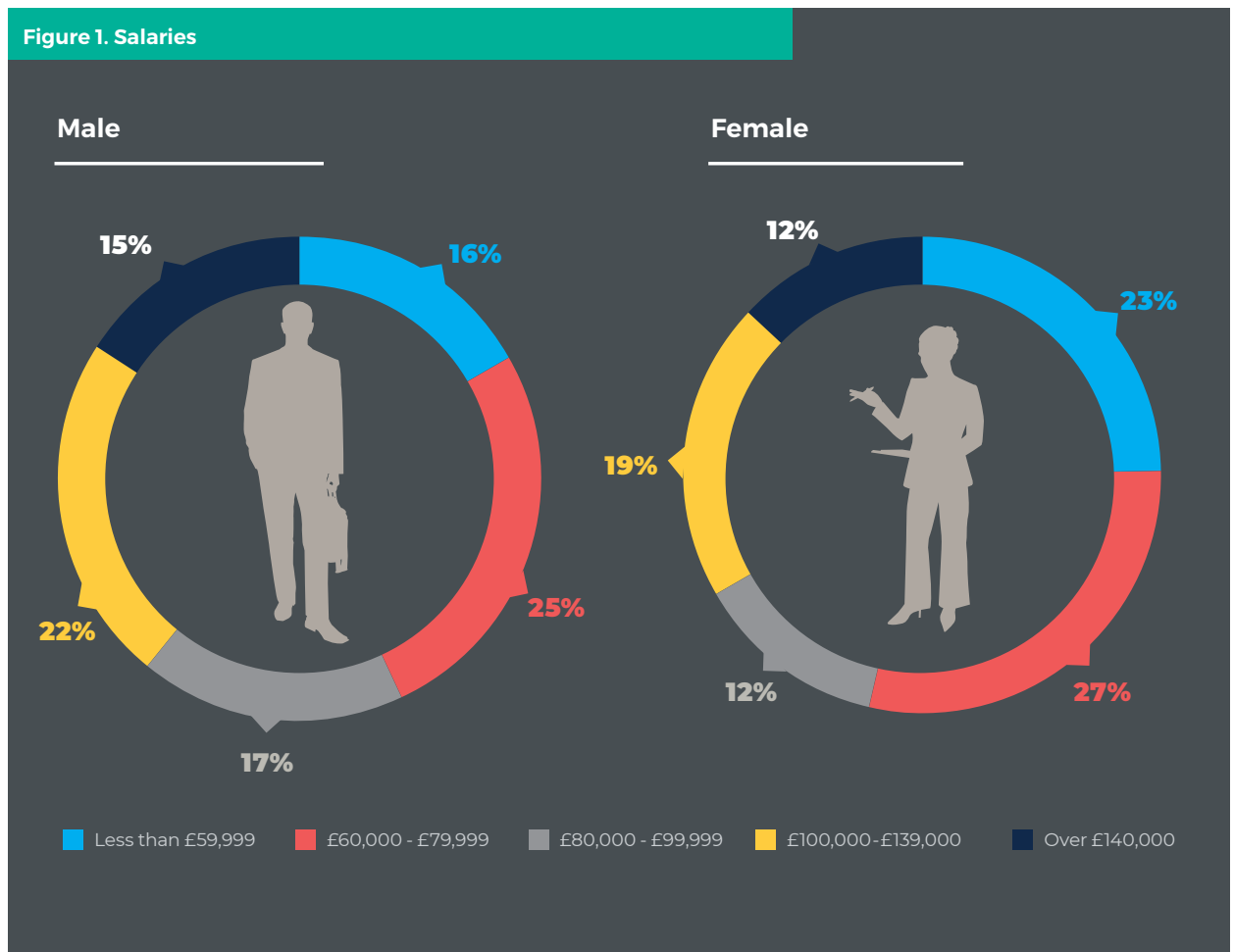




Figure 2. Experience

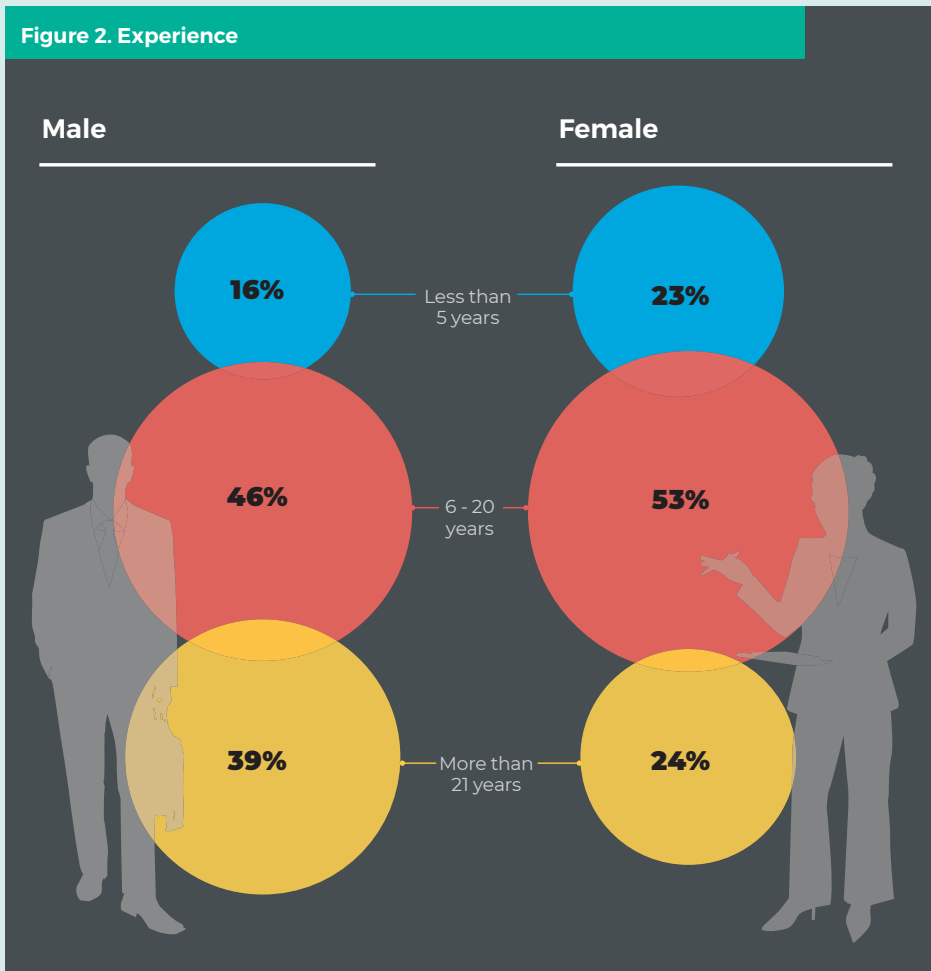


Figure 3. Seniority

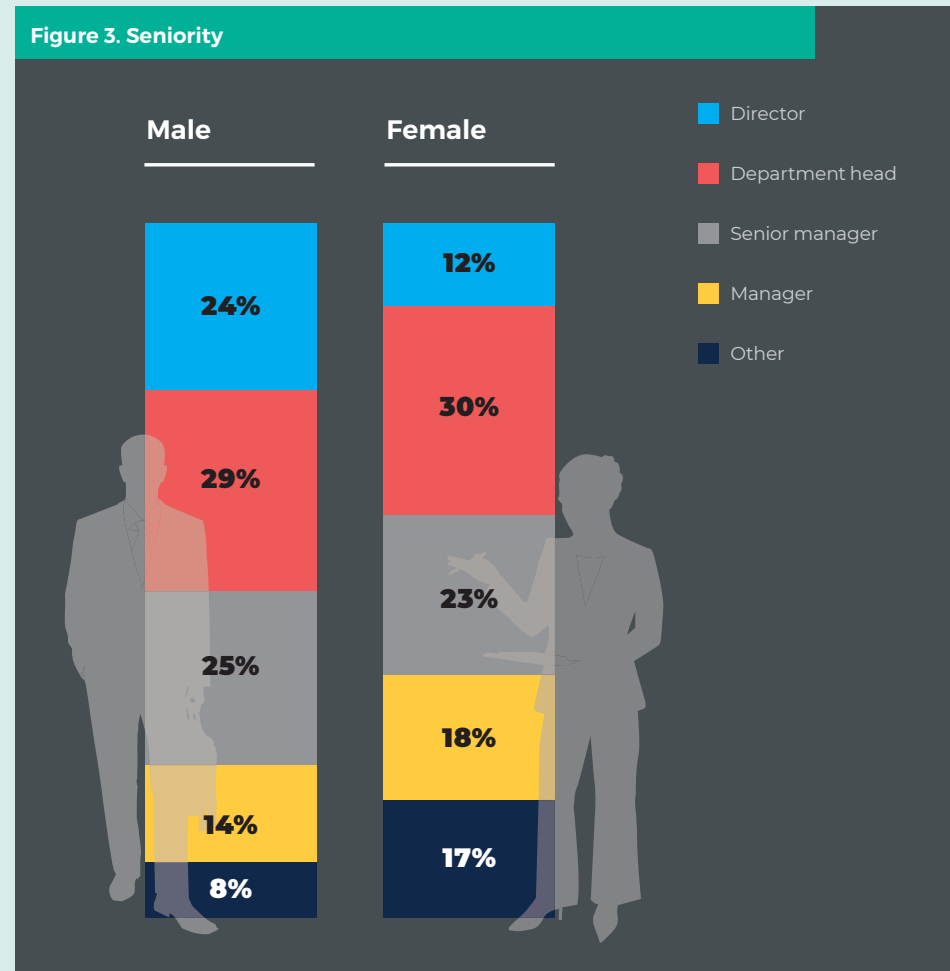
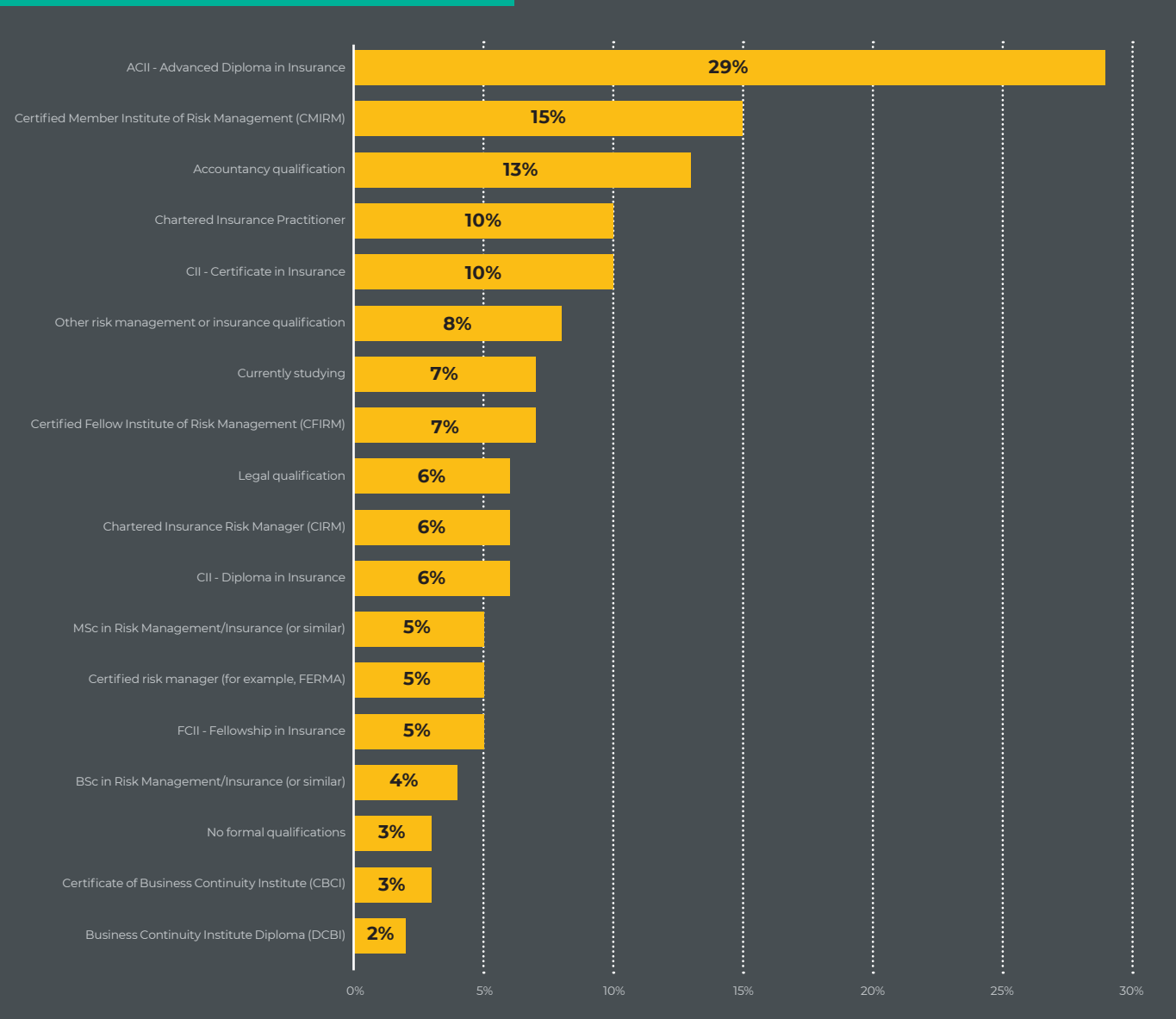


Figure 4. Personal qualifications



Risk and insurance may be the majority of respondents' primary focus, but their roles have varied touchpoints across the organisation (Figure 5). Widening the profession's experience and insight will be essential as more is demanded of risk professionals by their organisations from a strategic business perspective.

Now is the time for risk professionals to take centre stage, putting themselves at the heart of their organisation's approach to a challenging and unpredictable risk environment. Identifying and managing risks will remain core to their role, but by utilising a developing skills set, leveraging relationships with external partners and improving collaboration within their organisation, they will be well positioned to contribute to the conversion of new strategic and business opportunities.



The interconnectivity of risk requires more interconnectivity of functions and skills sets

Tim Murray, Group Director Enterprise Risk, Serco

Figure 5. What activities do you have responsibility for?

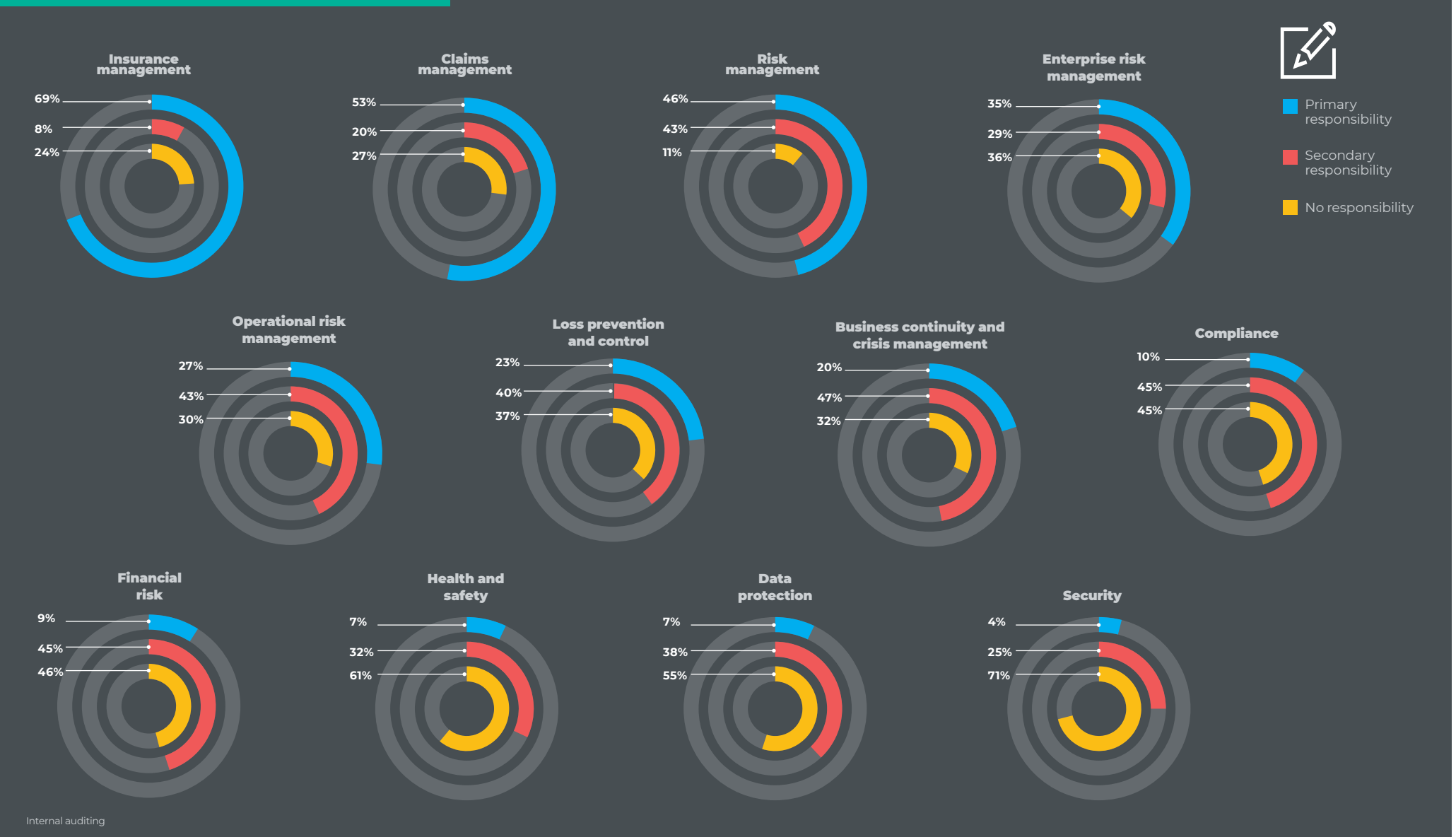
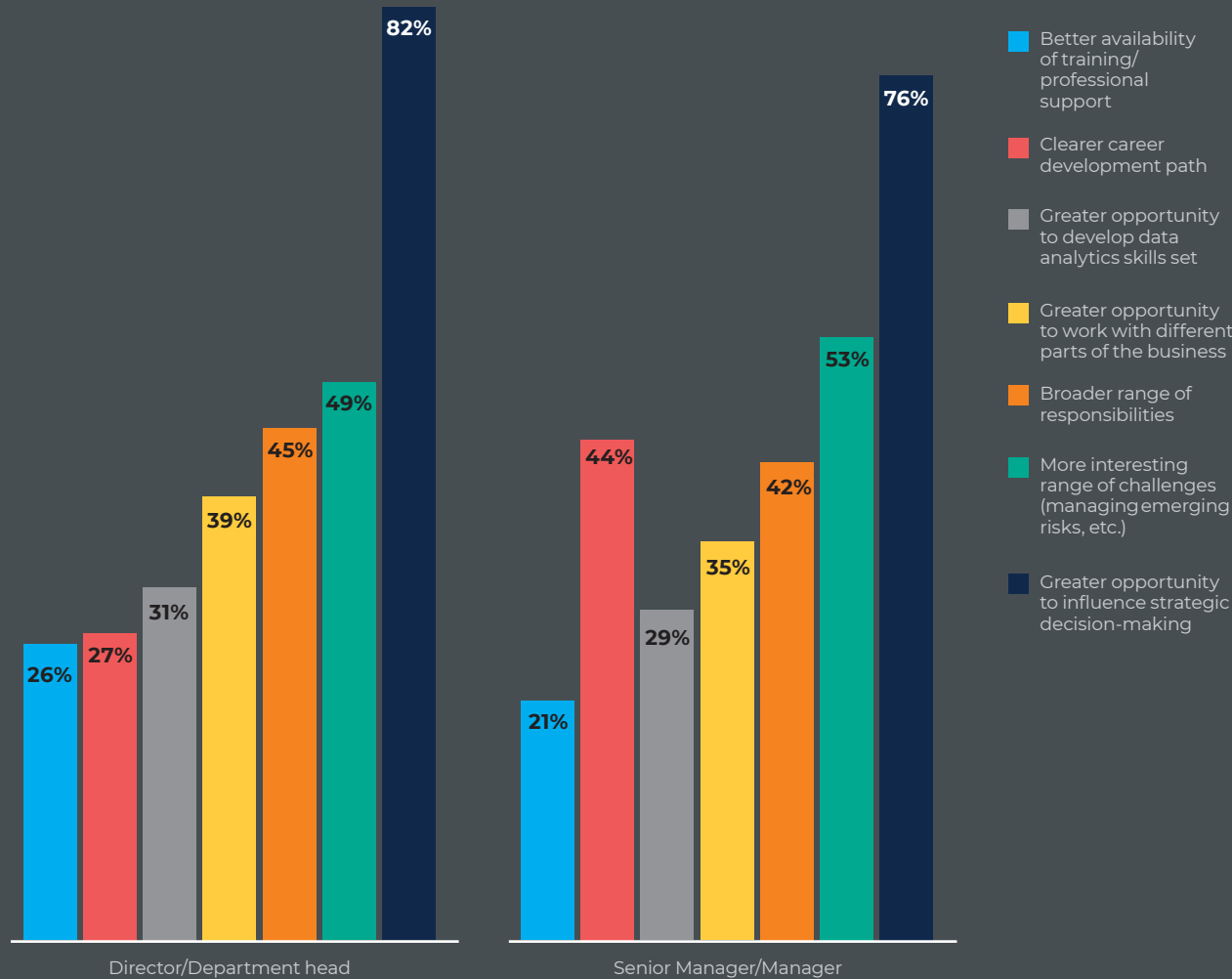


Figure 6. Opportunities

Q Which three opportunities would you most like to be made available in your role?



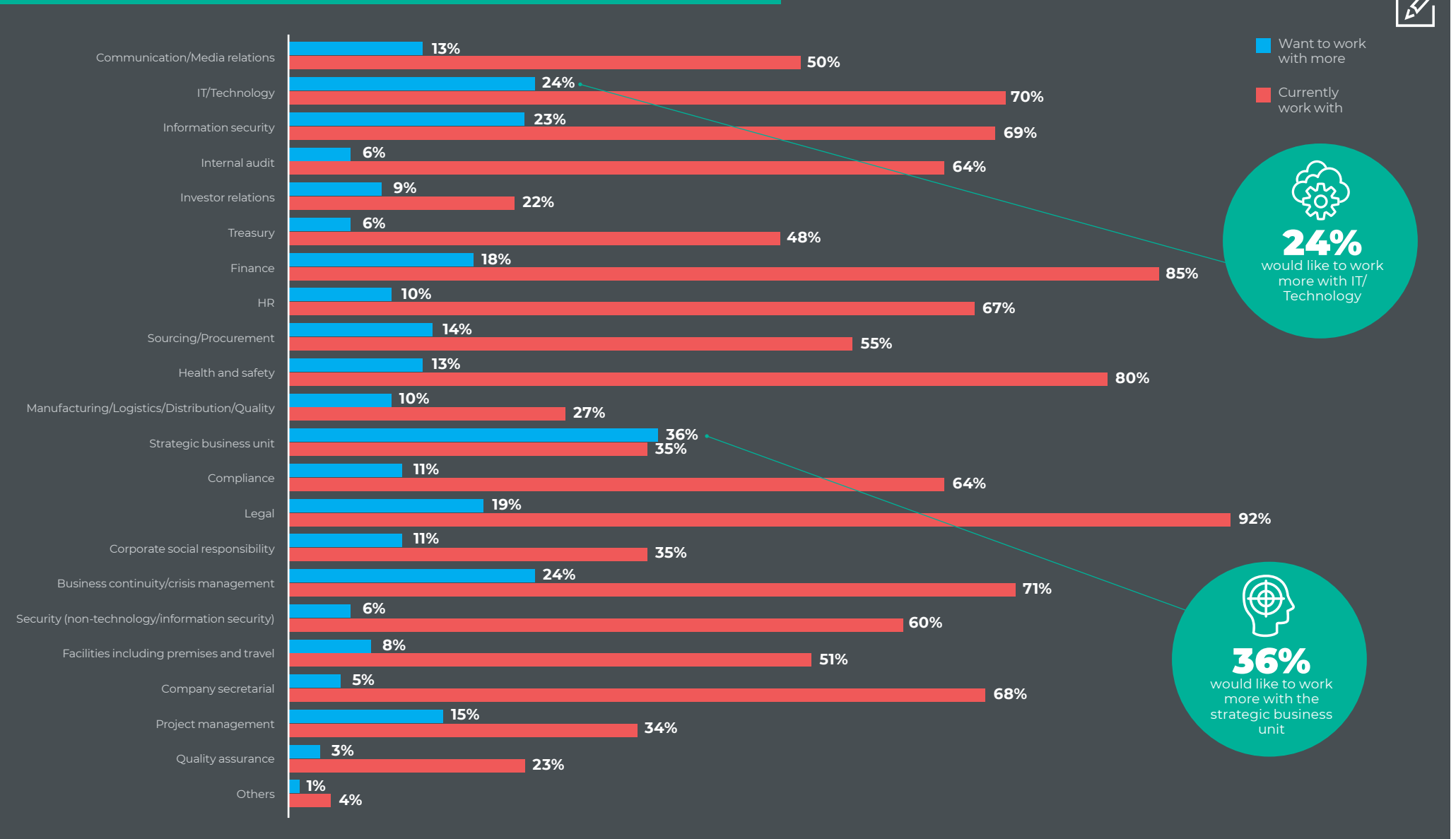
Risk management and threat monitoring should not be restricted to preventing something from happening, but should also focus on identifying commercial opportunities and competitive advantages that may arise when a risk-reward outlook is taken (to explore this theme further, read the accompanying report on Threat Monitoring, produced in partnership with Control Risks).

Greater influence over strategic decision-making is the opportunity overwhelmingly identified by members (Figure 6). To exert this influence, members want more collaboration with the strategic business unit (Figure 7). Risk professionals already have a degree of visibility across business units and divisions, but they want to work more closely with the business continuity, crisis management and information technology and security departments.

Our survey confirms the research from Standard & Poor's that 90% of assets are intangible. This results in more emphasis on the intangible risks. As the major risks facing organisations become increasingly intangible, the need for communication and collaboration across the organisation becomes greater. Risk and insurance professionals want to collaborate more widely with their peers in other business units and functions.

Organisations find themselves on a challenging journey and steep learning curve on how to navigate a complex and fast-moving business environment. In response, risk professionals must develop much broader understanding across their organisation to help foster agility.

Figure 7. Departments that risk professionals currently work with and want to work with more



Section 2

Megatrends and nightmare headlines

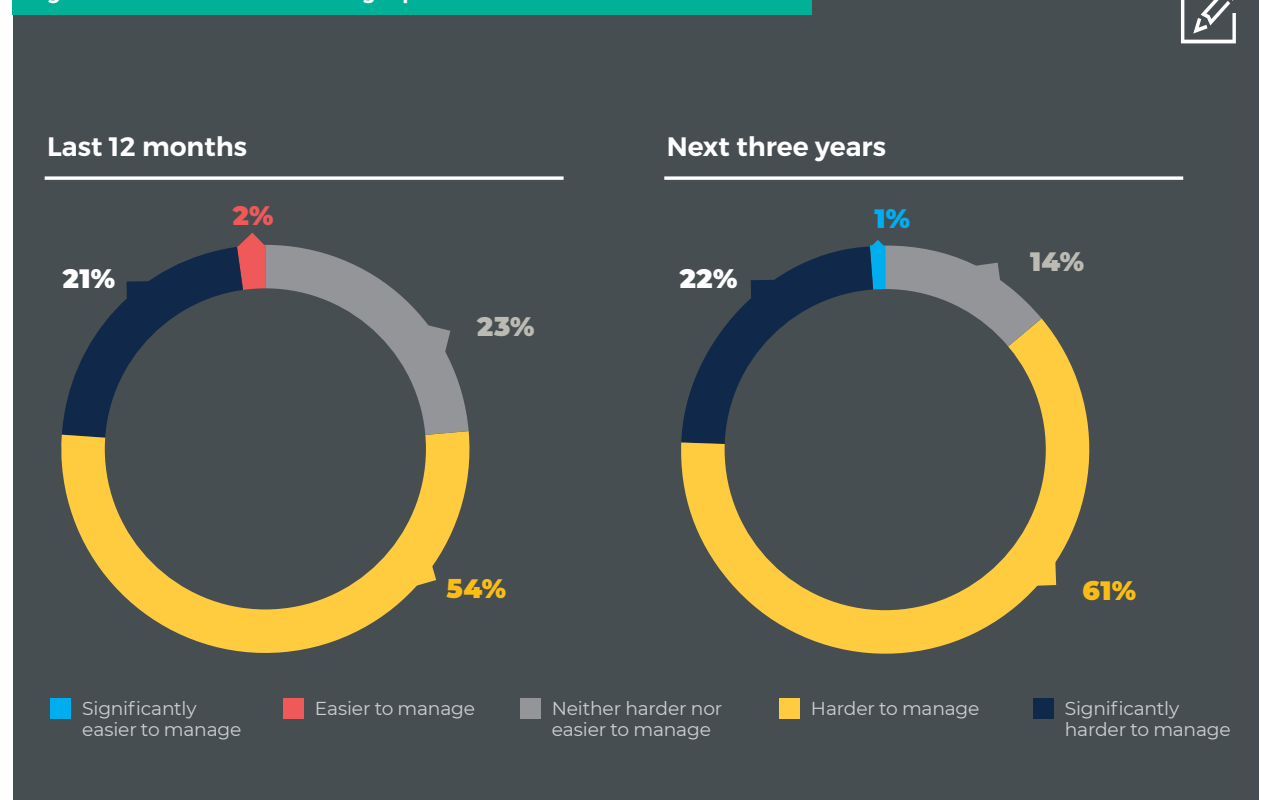
Organisations do not exist in isolation. To a large extent, they can control their own activity and behaviour, but how that is perceived, projected and reacted to depends on the societal, economic and political environment they exist in. As international trade wars and more nationalistic identity politics have slowed down or stalled the spread of globalisation, organisations operating at home and abroad are having to reassess their operations, communications and priorities.

Megatrends are major movements or patterns that have emerged from the macro environment and touch upon everyday life and the day-to-day operations of a business. They cannot be controlled, but the underlying drivers and characteristics can be understood and the related risks can be managed. Airmic has identified six megatrends: geopolitical tensions; climate and environmental disruption; rapid urbanisation; digital transformation; evolving workforce; and changing business model. We asked members to assess how the risks related to these megatrends have evolved in the past 12 months and will evolve in the next three years.

Geopolitical tensions

Our research indicates that geopolitical tensions and the related risks is the area that respondents are finding most challenging to manage today and expect to become harder to manage over the next three years. Uncertainty concerning the UK's future relationship with the European Union, a volatile trade war between the US and China, and embedded factions across the

Figure 8 and 9: Risks related to geopolitical tensions



Middle East dominate the headlines, but risk professionals must understand the interconnections between risks that can be influenced by the same external and internal factors, and also influence one another.

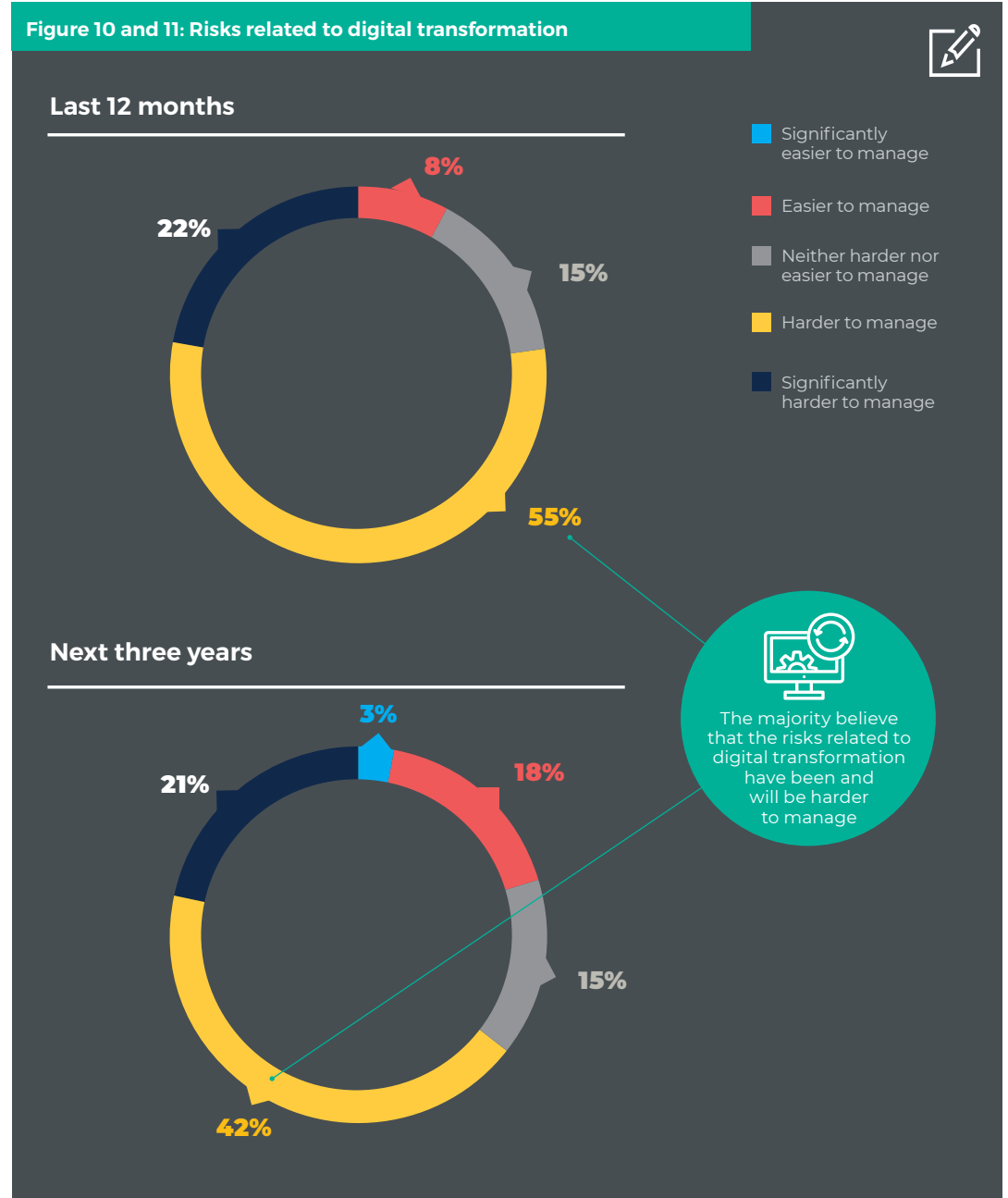
The American political analyst and author, Michelle Wucker, takes the US-China trade war as an example. “Trade war increases the odds of the global economy falling into recession sooner than it might otherwise,” she says. “That’s counterproductive, because in tough times, countries are more likely to turn inward than to open up. Even if the two countries do come to a resolution, the dispute likely will hurt American companies’ reputations in China and make Chinese consumers more likely to choose local products when they have a choice.”

Supply chain disruption is frequently tied to third parties and it is becoming more costly. Supply chains can be disrupted by political upheaval and hikes in tariffs; manufacturing can be brought to a halt by industrial action or social strife; sales can be dented by popular protest against a company’s activities or products; and permission to operate can be withdrawn at the whim of a capricious administration.

Geopolitical tensions are also driven by a lack of trust and a desire for urgent change. The 2019 Edelman Trust Barometer shows that the public is increasingly informed. More people are engaged in, and amplifying, the news than ever before. There are greater expectations on organisations and business leaders to have a positive impact on areas such as equal pay, prejudice and discrimination, and the environment. Employees are looking to their own CEOs for leadership, and how businesses treat their employees is viewed as one of the strongest indicators of trust.

Risk teams will be expected to lead the understanding and communication of relevant geopolitical risks within their organisation, but they must also ensure that the topic has been elevated to the boardroom and C-suite. It is only with the input, engagement and appreciation of senior leaders that a business can expect to achieve a holistic, group-wide understanding of the risks, their interconnectivity and their relevance.

Although risk managers are aware of, and recognise, the dangers that an unpredictable political environment can pose to their organisation, identifying, quantifying and assessing those risks is the challenge that faces our profession today (to explore this theme further, read the accompanying report on Geopolitics, produced in partnership with Willis Towers Watson).



Digital transformation

Digital transformation has changed the world around us and the way businesses operate and engage with their employees, customers and other stakeholders. As outlined in Airmic’s 2018 thought leadership report, *Roads to Revolution*, the underlying business and organisational dynamics are so different from the past ones, they trigger the need for a major rewiring of both risk management and governance.

Boards will have to reskill and introduce new mechanisms to ensure effective and efficient oversight, strategic leadership and, ultimately, legitimacy for their organisation.

As we evolve through the digital age, effective governance should ensure that new technologies and platforms are being deployed and utilised appropriately, and not in a way that will damage the trust in and reputation of the organisation.

According to our members, data security is the top priority in the boardroom today. While the General Data Protection Regulation (GDPR) has raised the stakes, it has also put data security firmly on the agenda. Risk professionals now have a more tangible threat to take to the boardroom and are beginning to view GDPR as an effective risk management tool.

68% of respondents identified data security as the top concern in the boardroom

Figure 12 and 13: Risks relating to climate and environmental disruption

Last 12 months

2%

41%

44%

13%

Next three years

1%

21%

6%

47%

24%

- Significantly easier to manage
- Easier to manage
- Neither harder nor easier to manage
- Harder to manage
- Significantly harder to manage

The risks associated with technological innovation demand that risk professionals work more closely with their information technology and information security departments. Those departments should have the tools, resources and knowledge to ensure data is managed appropriately, but the risk manager should also be plugged in to assess and manage the risk exposure and risk appetite.

The Importance of Managing Corporate Culture, a guide published by Airmic in collaboration with QBE in 2018, emphasises the role of risk professionals in collaborating to develop a risk culture that is shared and understood across their organisation.

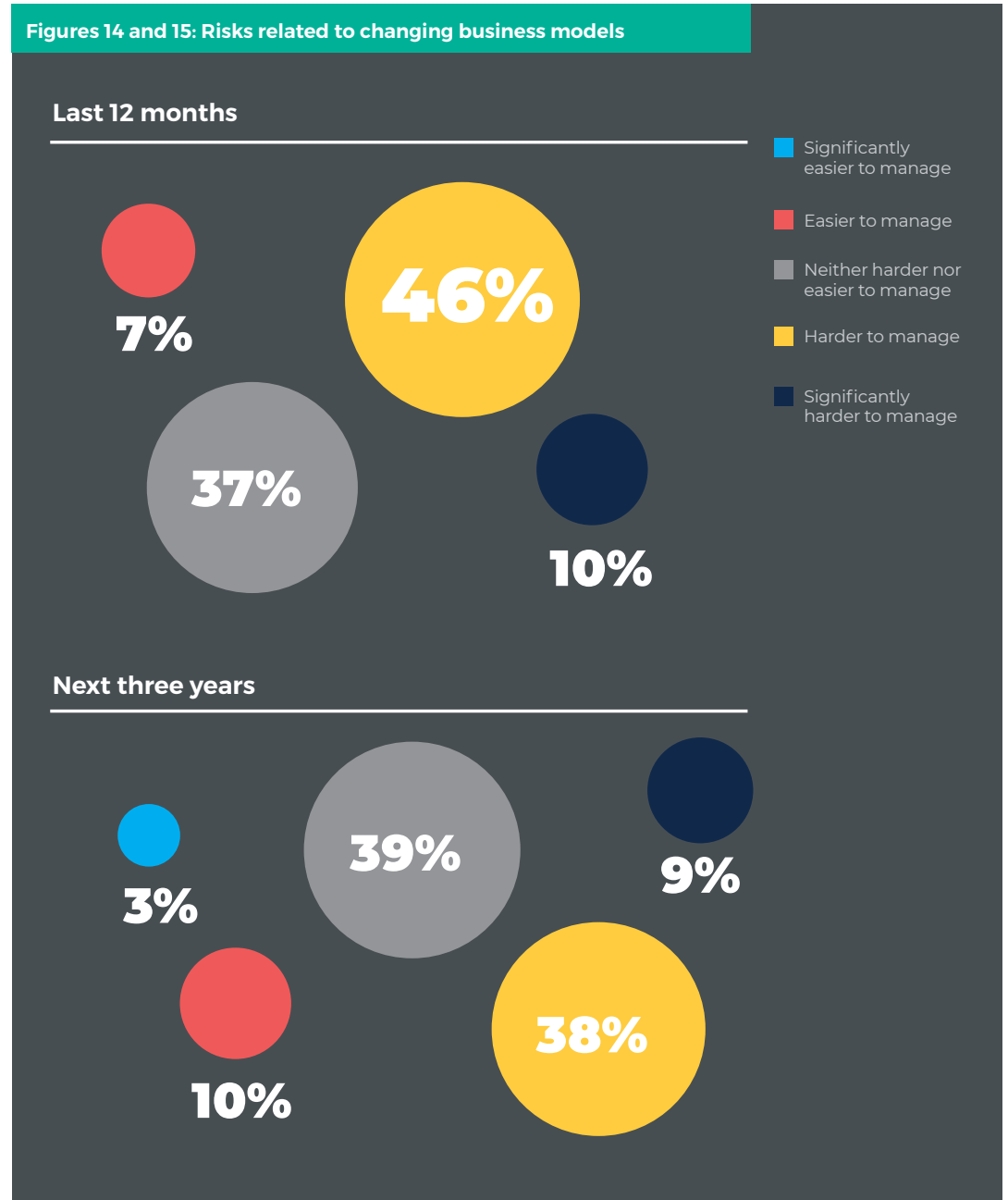
Climate and environmental disruption

Environmental threats dominated the World Economic Forum’s *Global Risks Report 2019*, with three of the top five risks related to climate and weather. Failure of climate-change mitigation and adaptation was identified as the number two risk and the climate crisis is rising up the social consciousness. Governments are beginning to respond more forcefully.

Organisations perceived to be failing to operate responsibly are increasingly the target of activist groups. The London protests by environmental group ‘Extinction Rebellion’ in April 2019 are said to have cost UK firms at least £12 million after just two days due to a decline in footfall and disruption to supply chains.

The UK parliament became the first in the world to pass a national declaration of an Environment and Climate Emergency in May, while Ireland has already followed suit. More ambitious targets to transform into a zero-carbon economy are expected to follow and organisations will be expected to act. In a sign of tougher scrutiny and regulation to come, the Labour Party has openly considered the threat of delisting UK firms if they do not tackle the problem.

The climate change debate does not appear to have cut through to the board. Members recognise that the associated risks to the business are going to become harder or significantly harder to manage over the next three years, but only 9% of respondents identified climate change as the top concern within the boardroom.



Changing business models

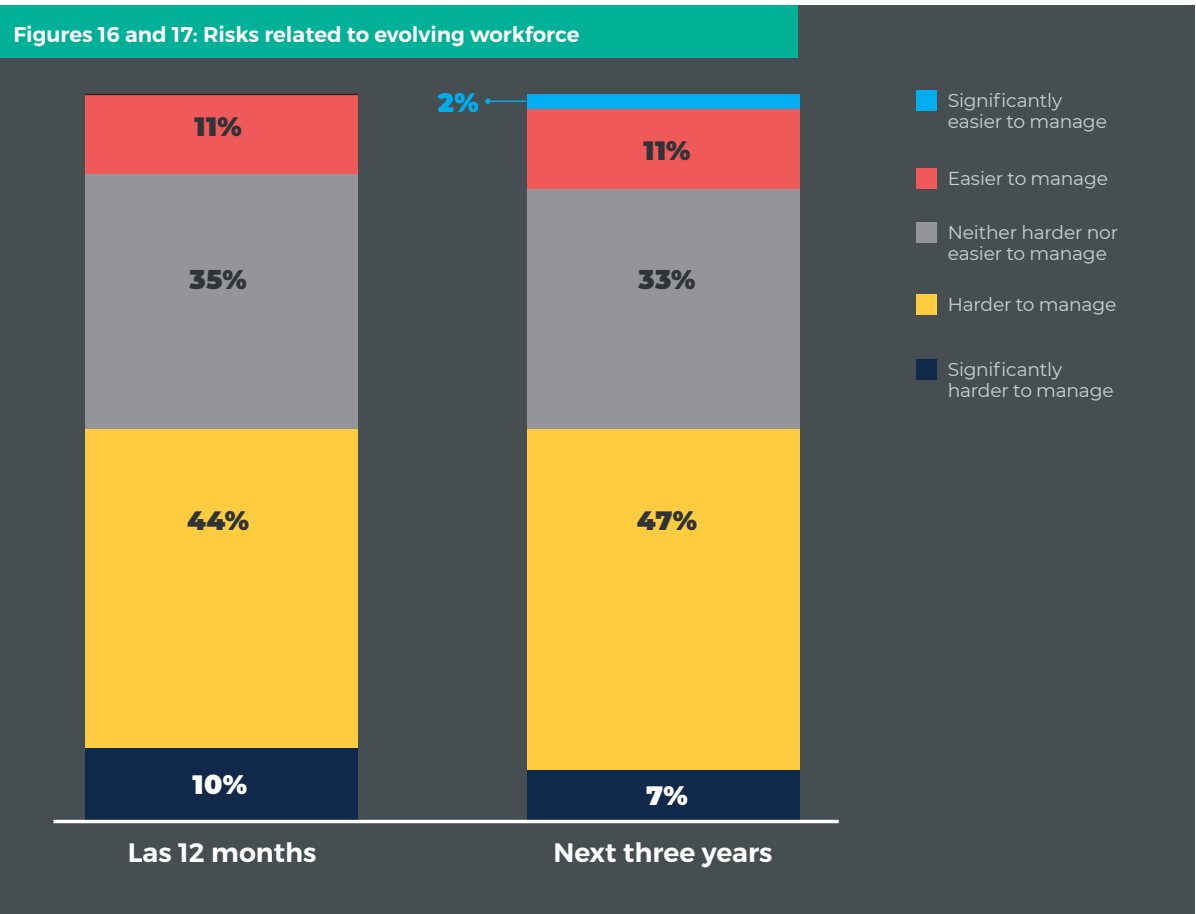
Digital transformation has contributed to a significant change in business models. Business value today is decreasingly centred around tangible assets such as metals, minerals and properties. New successful companies are growing at a faster rate, and older businesses are having to change to keep up. The threat of disruption from new competitors is requiring a greater collaboration within strategic business planning, and risk professionals must contribute.

The evolution of Netflix is a good case study in business transformation, as referenced by *Roads to Revolution*. Today's internet and production giant did not begin life as a streaming service, but rather as a mail-order DVD provider, competing with the likes of Love Film and Blockbusters. In 2010, it launched its own streaming platform and, by 2011, senior management recognised its future value lay in producing content rather than relying on the traditional television and film networks. Netflix is now a major content producer as well as distributor.

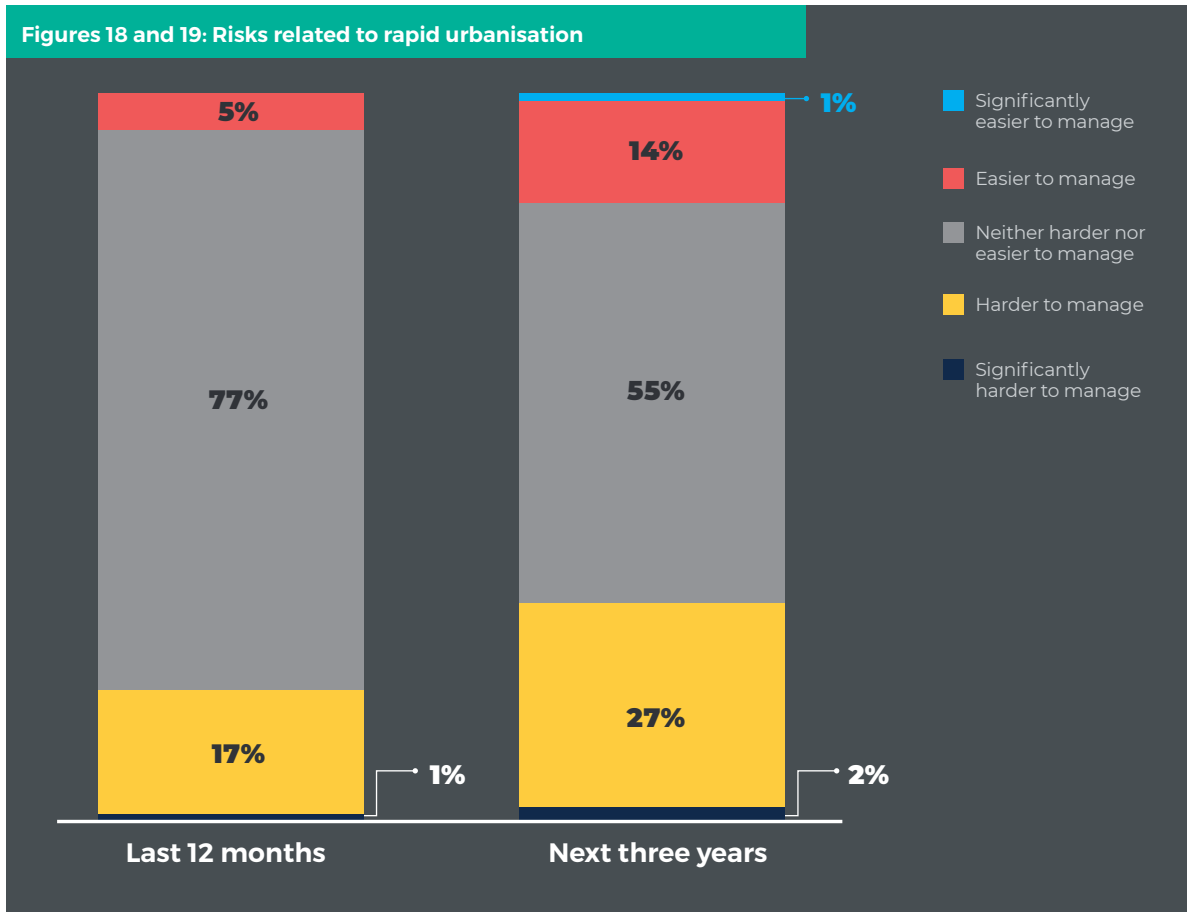
Risk professionals must understand how changing business models are transforming the way organisations build resilience and, crucially, how they approach and manage risk. Gaining greater visibility into the strategic business unit will keep risk managers informed of the future direction of the organisation and present opportunities to help shape it themselves.

Evolving workforce

These new business models are also embracing new working patterns, and employees' priorities and expectations of the workplace are changing. Organisations are embracing and actively encouraging working from home or remotely, while employees are also more conscious of their own organisation's ethics and attitudes towards major issues such as climate change, diversity and social responsibility.



Figures 18 and 19: Risks related to rapid urbanisation



Workplace diversity and cultural issues such as the #MeToo movement are of most concern in 20% of boardrooms according to our survey, indicating that organisations are beginning to take the challenge seriously. As workplace demographics and behaviour evolve, the risks associated with people will change as well. A disgruntled employee disillusioned or upset by company culture may pose a whistle-blowing threat, while unhealthy or overworked employees will be less productive and could increase the likelihood of workplace accidents.

As company-provided healthcare insurance and benefits become increasingly important in the race to attract the best new talent, risk and insurance professionals should be more aligned with human resources and benefits teams to fund effective programmes efficiently.

Rapid urbanisation

The proportion of the global population living in urban areas is expected to rise from 55% to 68% by 2050. When this forecast is combined with expected population growth, another 2.5 billion people could be added to urban areas by 2050.

The challenge for governments and business is to ensure they can meet the needs of growing urban populations. Housing, transportation, technology and energy infrastructure will come under increased strain and require increased investment in order to be sustained, while food and water supplies will also need to be monitored closely. The increased concentration of people in urban areas will also alter the impact of terrorism, flood and other weather-related events.

The six megatrends and their relationships emphasise the theory of connected risk. The world is more connected than ever before – digital transformation has created more global relationships, while companies’ operations and supply chains have growing footprints. Organisations are vulnerable to the nuances, drivers and developments of this connected world.

Crises of confidence

The megatrends and underlying risk are clearly reflected in respondents' top-of-mind business concerns. For the third consecutive year, survey respondents have identified loss of reputation as the number one risk facing their businesses today (Figure 20). A majority of respondents (61%) also believe reputation loss will be a top concern in three years' time, followed by business interruption from a cyber event and political uncertainty (Figure 21).

John Ludlow, CEO of Airmic, says: "Reputation and corporate brand are the company's most valuable assets. In today's connected society, trust is a prerequisite of support from an increasing range of empowered stakeholders."

These stakeholders include consumers buying and advocating products, partners preferring the organisation's strategy, employees delivering the strategy, governments and regulators providing the licence to operate, and the media and thought leaders accepting the organisation's views.

When evaluating the top business risks to an organisation, it is a useful exercise for risk professionals to consider the worst-case headlines they could wake up to. How do these align with the risk register and the priorities on the board's agenda?

On cyber and data security, risk professionals and the boardroom appear to be in sync. After reputation damage, a business interruption loss from a cyber event is the number two business risk, while data security is the top concern within the boardroom.

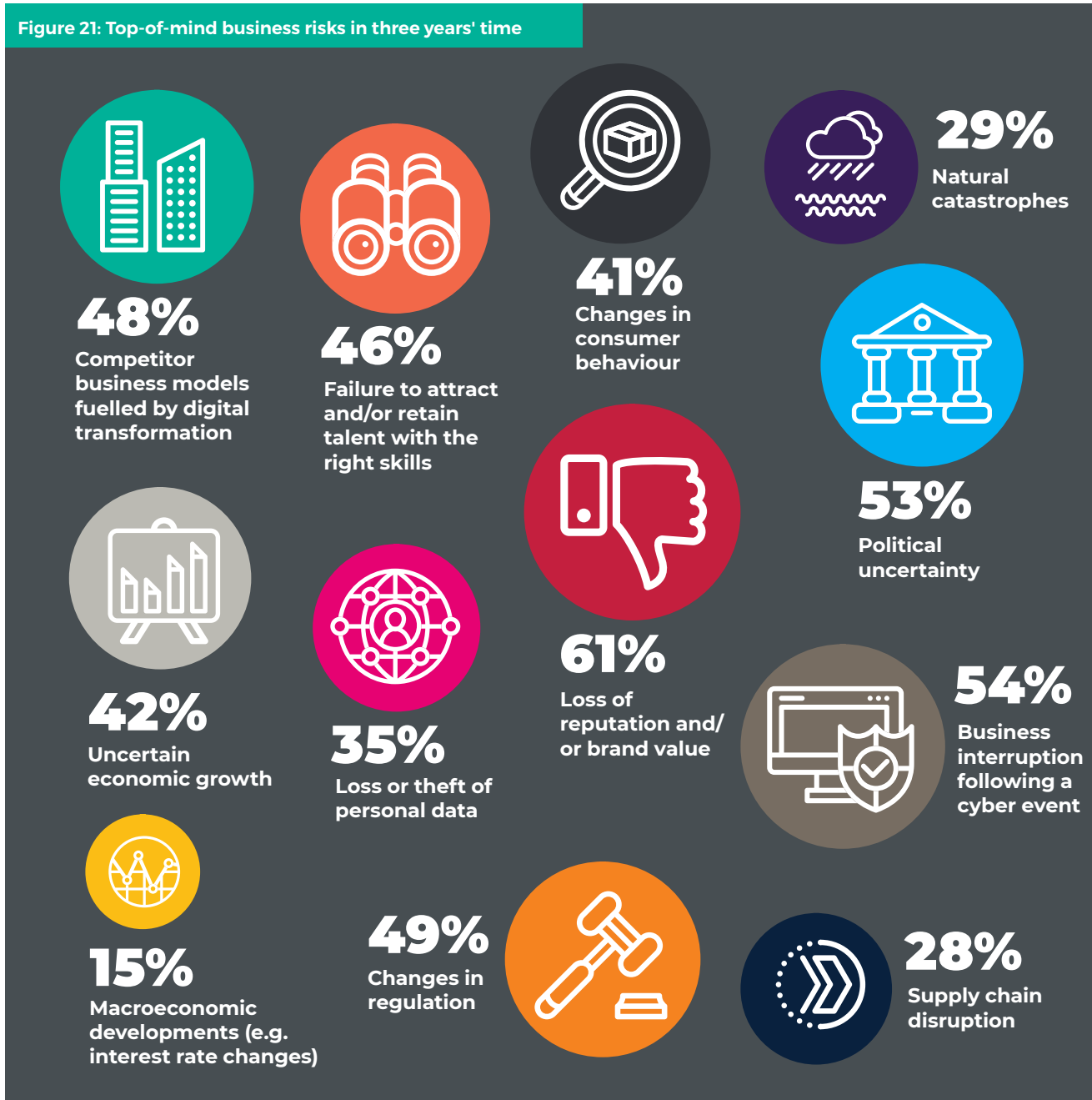
Cyber and data, along with Brexit and trust, were the dominant themes to come from the hypothetical headlines provided by members (see page 25). Our members tell us that in terms of political risk, Brexit is high on the agenda, with boards meeting monthly to address it, and this is reflected in their 'nightmare headlines'.

This exercise will inform the priorities for crisis management and scenario testing, and encourage the risk professional

Figure 20: Top-of-mind business risks in the last 12 months



Figure 21: Top-of-mind business risks in three years' time



to go beyond thinking about siloed risks. Catastrophic events that threaten the existence of a business will not be prompted by one risk.

Data security, as referenced earlier, is the number one risk in the boardroom. Consumers are increasingly aware of, and recognise, the value of their personal data and expect high standards of the organisations they choose to share it with.

Brexit, meanwhile, was the third most-cited issue when respondents were asked what was of most concern in the boardroom. While public anger and attention is focused today on the political classes, if and when the UK's departure from the European Union takes place, how prepared organisations are for potential disruption and market changes will quickly come to light.

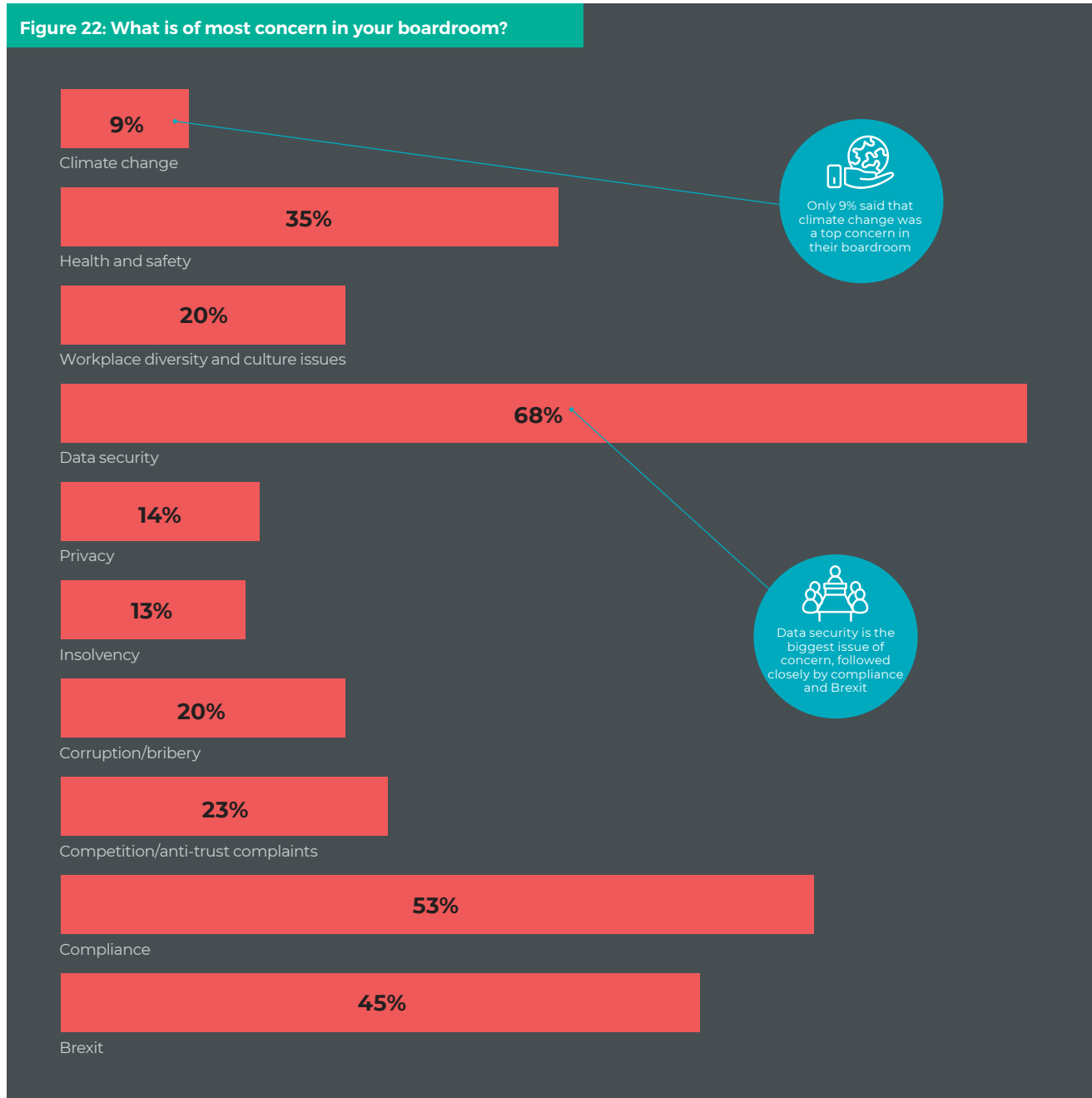
In March 2019, Airmic organised a Brexit summit for members at the House of Lords. While a 'no deal' scenario was viewed as an unlikely outcome, and certainly one of the least desired, it is the one demanding most attention at a business and political level. For the risk management community, the Brexit uncertainty is a challenge and an opportunity. UK and EU risk managers have been embarking on continuous scenario testing and contingency planning for some time.



Organisations have the ability to be severely impacted by a cyber-type event, and many to a severe level.

Tracey Skinner, Group Insurance Director, BT Group

Figure 22: What is of most concern in your boardroom?



A crisis of confidence, prompted by a damaging external event or internal failures, can cripple an organisation. Revenue, share price and key relationships can all be catastrophically damaged, while the C-suite and boardroom will also come under heavy scrutiny and even face regulatory or shareholder action. **Governance risks and directors and officers liability are back in the spotlight after a series of high-level corporate failures and ramped-up activity from the Serious Fraud Office and National Crime Agency in the UK** (to explore this theme further, read the accompanying report on Governance, produced in partnership with AIG).



Reputation and corporate brand are the company's most valuable assets

John Ludlow, CEO, Airmic



NIGHTMARE HEADLINES

BREXIT NO DEAL

Major data breach
at retail owner,
4 million customers'
data lost

SERVER
FAILURE
HITS BANK'S
SHARE PRICE

GENERATION Z
UNPLUG
FROM APS

Food contamination kills 23

Company
director
latest #MeToo
casualty

Diesel banned by government

Company admits to
catastrophic loss of
customer data

**GLOBAL SUPPLY
CHAINS BROUGHT
TO STANDSTILL BY
HACK ATTACK**

Supply chains
crippled by Brexit

CIVIL UNREST GATHERS PACE ACROSS EUROPE

GLOBAL TRAVEL BAN AS PANDEMIC
DECLARED IN LONDON

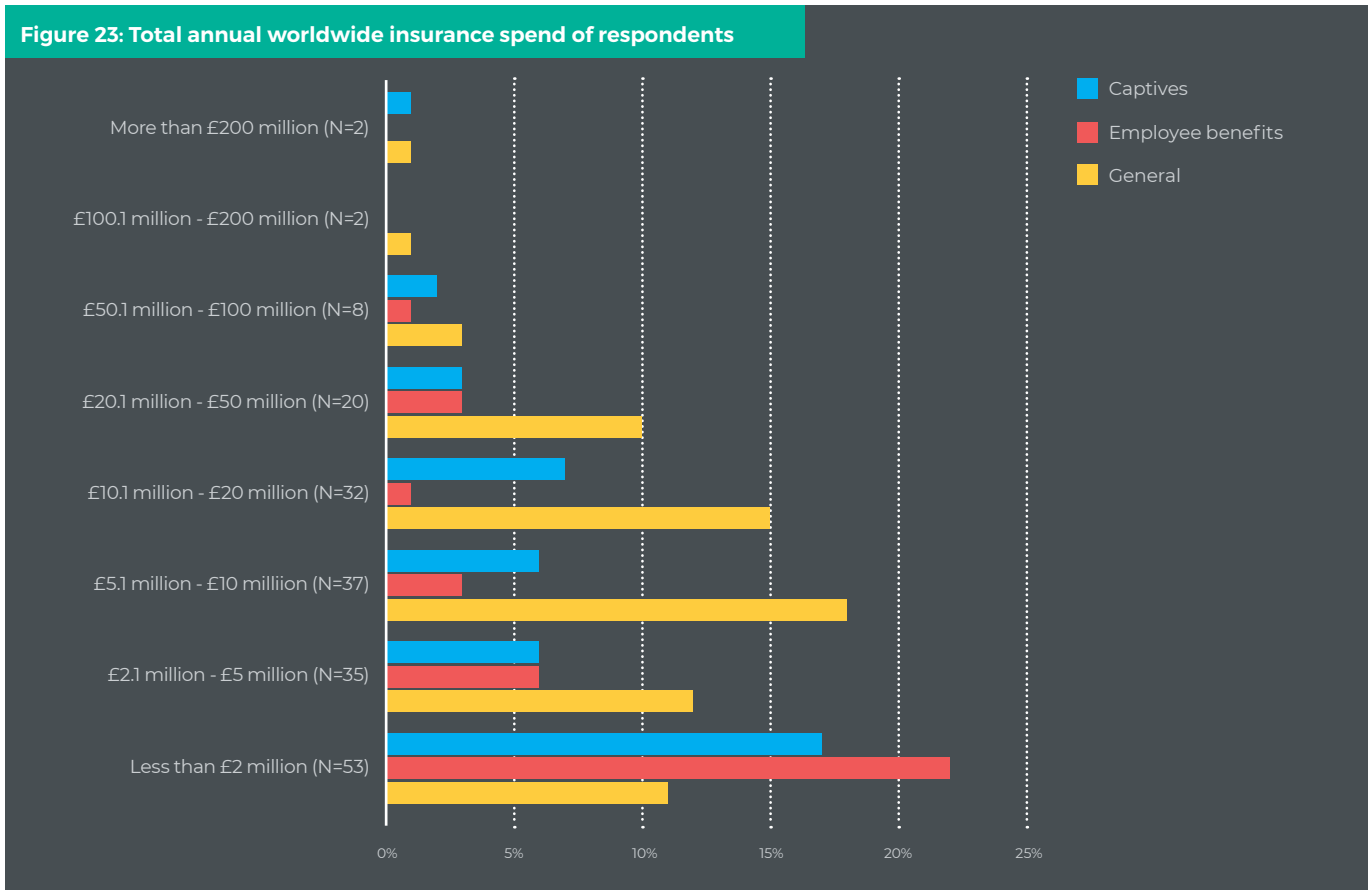
Section 3

Insurance market collaboration

Effective and creative use of the commercial market is an important attribute for any insurance manager and, as risk profiles become more complex and less tangible, members need new kinds of support from risk and insurance services providers. To achieve this goal and ensure that buyers and sellers are speaking the same language, heightened levels of collaboration are going to be required.

Collaboration will only work, however, when relationships are built on trust. The Financial Conduct Authority's *Wholesale Insurance Brokers Market Study*, published in February 2019, brought to an end its investigation into the wholesale broker market in response to concerns raised about competition and conduct. The FCA's study found no evidence of significant levels of harm, but did make recommendations on areas for improvement concerning the management of conflicts of interest, information disclosure to clients, and the contractual agreements between brokers and insurers, all of which can have the potential to limit competition.

Airmic's insurance members are sophisticated buyers of insurance and are well versed in the nuances of the corporate market. They understand the important role that brokers play in placing large, complex programmes. In 2017, 43% of respondents said they



expected to be buying cover direct from insurers in the future, but in 2019, only one quarter say they are currently doing so (Figure 24).

Trust must work in both directions, however. Members have reported entering a 'harsh market' over the past 12 months. While rates are not going up across all classes, cover is becoming tighter and, in some instances, withdrawn late on in the renewal process.

"This is a harsh market, rather than a hard market, because the challenges are less about price and more about the process and communication," says John Ludlow, CEO of Airmic.

The relationship between insurance manager and underwriter will be seriously damaged when there are sudden changes to terms of cover or a last-minute withdrawal.

"If insurers do not provide adequate notice when cover is withdrawn, then the implications can be quite severe," says Julia Graham, Technical Director and Deputy CEO at Airmic. "Members want more notice from their insurance partners if terms are changing and a more open and collaborative relationship."

The quality and timing of decision-making by underwriters is important and the way decisions are communicated to buyers needs to improve.

This collaboration can be aided by increased use of data analytics. More than half (51%) of respondents said the use of data and analytics had been effective or very effective in strengthening their insurer relationship, while half said it had secured more tailored insurance relationships (Figure 25).

Insurers are taking the plunge with data analytics, but customers need to join them and drive the conversation if the nature of the relationship is to change and if full value is to be gained from enhanced and more relevant data collection. "If the technology can be used to help the three core requirements – the identification, the quantification and the mitigation – there may well be, and I'm sure there is with the very biggest brokers an ability for them to utilise large pools of data for the benefit of their customers," says Steve White, Chief Executive of the British Insurance Brokers' Association (BIBA). "It will have an effect on the quantification of risk, and that may well be more beneficial in some of the more intangible risks, such as cyber exposure and some of the intellectual property exposures, for example. That's where the data could really come into its own."

Sian Fisher, CEO of the Chartered Insurance Institute, says that the key to deploying data analytics successfully within the insurance market is having the customer at the forefront. "The opportunities for understanding customers and their needs better are obvious, but the challenge is to do this always in the customer's best interests with due regard for their outcomes," Fisher says. "It is all too easy for a product-focused industry to abuse any wrinkle of trading or pricing advantage from analytics to take advantage of the customer for short-term financial gain. We have the opportunity this time around to show that we can be 'professionals' and put better customer outcomes at the heart of any use of data."

Established carriers and brokers are increasingly >

Figures 24: Do you place any insurance directly?

YES: 24%

NO: 61%

working with insurtech firms and deploying new tools to achieve more accurate risk pricing, greater insight into claims activity and a more holistic view of organisations' risk profiles (to explore this theme further, read the accompanying report on Turning Data into Information, produced in partnership with QBE).

Improved and more transparent relationships between customer, broker and underwriter are vital if members are going to manage and risk finance intangible risks effectively.

On cyber insurance, for example, Tracey Skinner, Group Insurance Director at BT Group, says that while progress has made in recent years, there is still more work to be done to achieve tailored solutions.

"The cover available seems to work well for those organisations who will have an immediate severe impact, such as those who are electronic trading, for example," says Skinner. "The current solutions available do not seem to respond that well for organisations who may suffer a longer-term impact."

"For most large organisations, the demand will be for a tailored solution for the things that will impact them, and the industry needs to continue to work hard to tailor products accordingly."

Members have indicated that they want more customised insurance solutions for their intangible risks (Figure 26), but they appear less open to allowing the kind of company-wide access and longevity of relationship that will help deliver the results. **Insurers and brokers will need to evolve quickly if they are to meet the needs of tomorrow's risk professionals, but members have their own role to play in helping the London market remain**

Figure 25: How effective have you or your risk/insurance management team been at using data and analytics to achieve the following over the last 12 months?

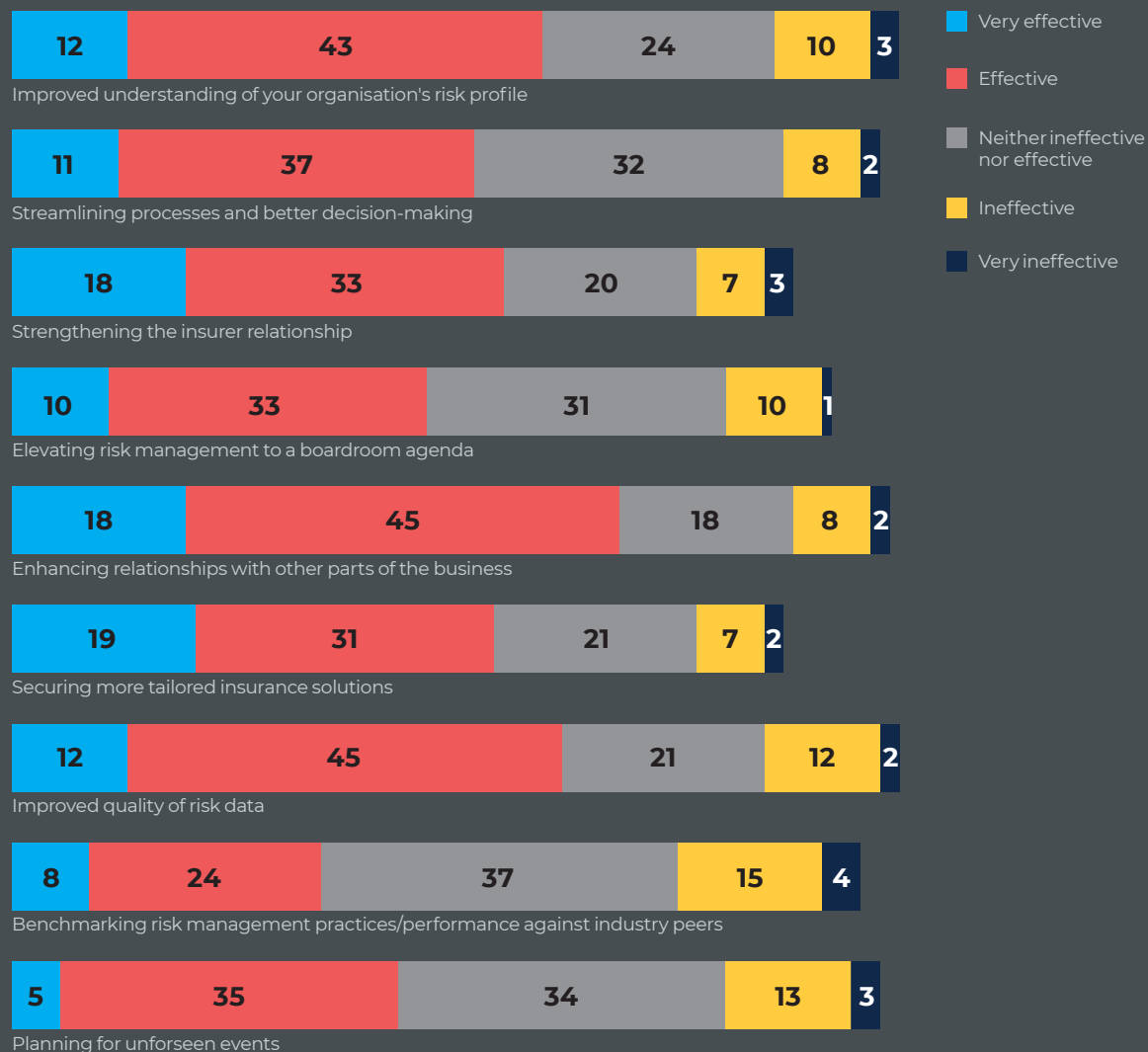
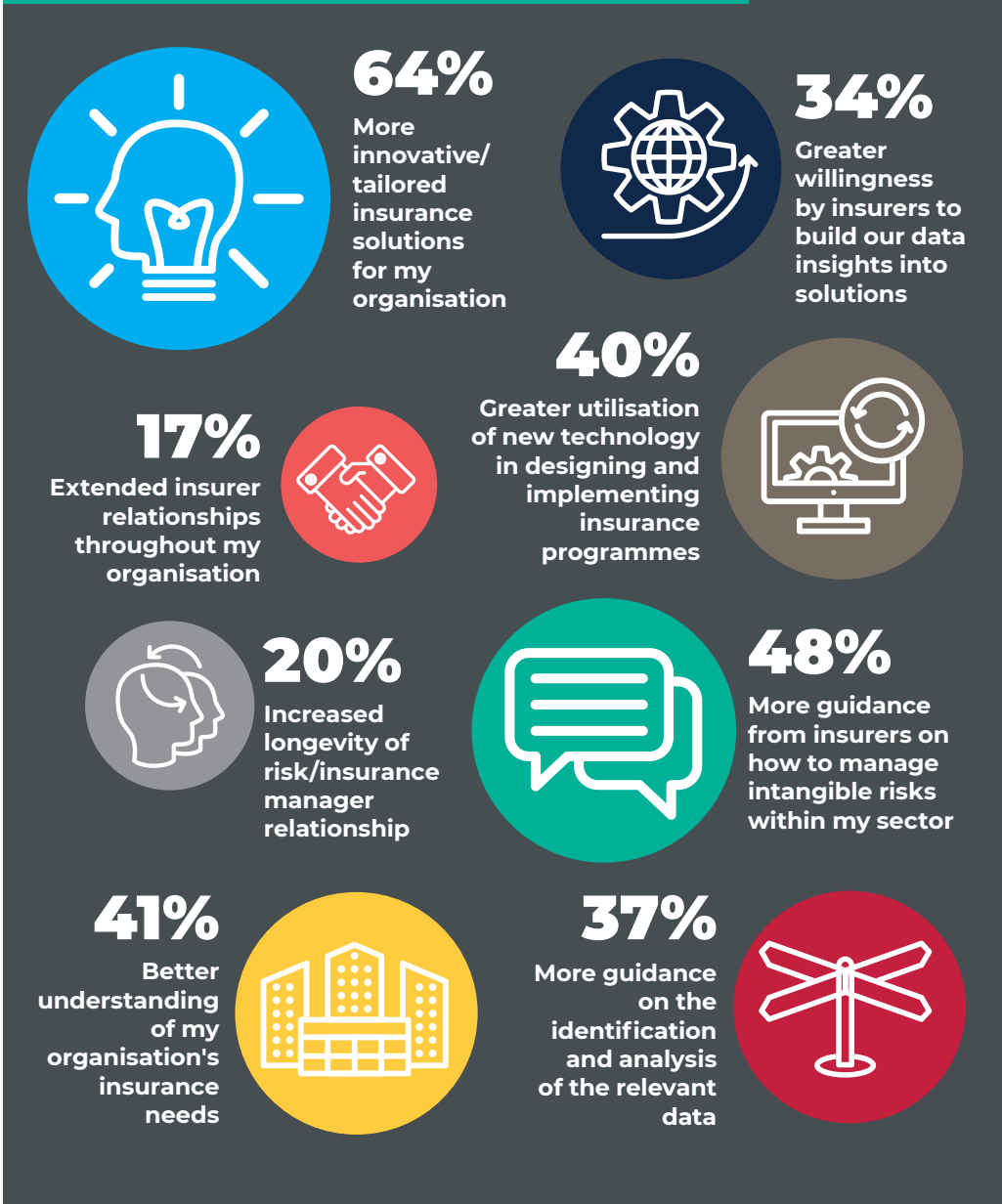


Figure 26: What changes would you like to see from your partners?



the number one place to do business (to explore this theme further, read the accompanying report on Emerging Risks, produced in partnership with KPMG).

Addressing intangible risks and deploying data analytics to more accurately present the risk profile to the organisation and the insurance market will bring further sophistication and knowledge to our members.

Captive sophistication

The utilisation of a captive insurance company will strengthen the insurance manager’s hand as they navigate the harsh market. Members are exploring more ambitious, centralised aggregated reinsurance structures that are controlled through the captive and produce more efficient use of capital. This approach increases the captives’ value and the importance of the risk and insurance manager with it. Captive-owning members are keen to explore how they can extend the captive’s use and are particularly interested in developing cyber programmes.

At the May 2019 Airmic Captive Special Interest Group meeting, a third of members said they were keen to discuss the addition of employee benefits to their captive. Building the captive into the insurance programme, supporting multiple departments and business units, will give the insurance manager greater visibility and relevance across the organisation.

As captive sophistication increases and plays a more central role in larger, more complex (re)insurance programmes, members are focused on demonstrating strong captive governance. They want to diversify their captive boards and bring engaged independent directors on board.

An effective and well-communicated captive strategy will give the insurance manager greater visibility among senior leadership and provide a strong platform to support the organisation’s strategic objectives. Whether the captive strategy remains one of cost control, or as a profit centre, its role in managing risk, liabilities and capital can be integral to the organisation.

Section 4

The future risk professional

The challenge ahead is exciting. Risk professionals should expect and demand to be core to their organisation's strategic planning by communicating a clear risk-reward perspective that can be understood by senior leadership, departments and business units. To reach this goal, however, risk and insurance professionals cannot stand still. They must upskill, develop their networks internally and externally, and embrace the new world.

"The profile of risk management functions within organisations is changing," says Elizabeth Sandwith, Chief Professional Practice Advisor at the Chartered Institute of Internal Auditors. "I am hearing that, as corporate failures continue, boards, audit committees and senior management look to internal audit and risk functions to learn the lessons. They identify potentially weak areas in the business where risk and internal control are poorly managed and focus resources in ensuring that there is visibility around principal risks, clear ownership and key risk indicators that jointly help protect their organisations from being the next failure."

Understanding the risks is one thing, being able to convey that understanding to others is another. "You have to be able to communicate effectively," says Peter Cheese, CEO of the Chartered Institute of Personnel and

Figure 27: Knowledge and skills desired to transition into a strategic business asset

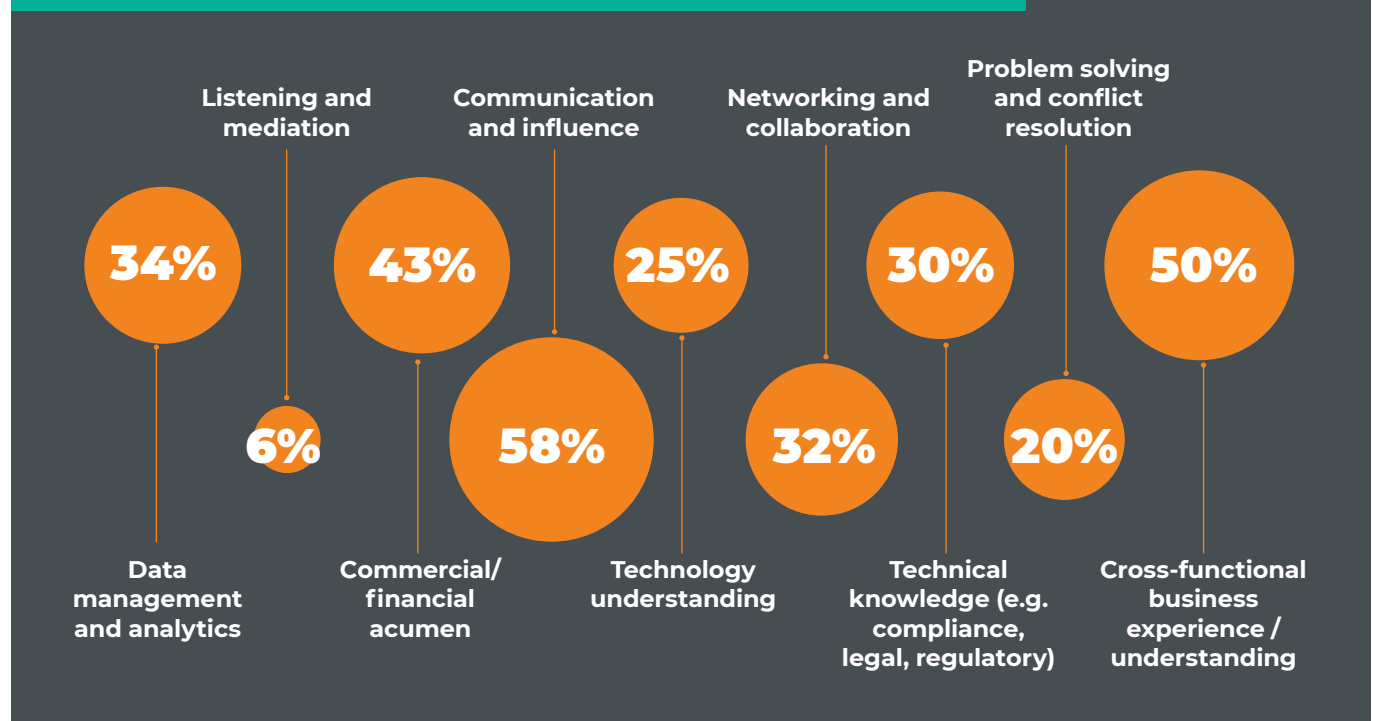


Figure 28: These steps are being taken to embed risk management across the organisation...



Development. “This is often a problem for many specialist functions. They’re not always able to communicate their functional specialism in ways that other people can understand and appreciate.”

If risk managers are to achieve their ambition of exerting more influence over the organisation, they will need to develop these two key skills. “These are developmental things, not just technical skills,” adds Cheese. “They will create leaders of a professional function, who are capable of operating at the highest levels of business.”

This insight is not lost on risk managers. In the 2018 survey, Airmic members indicated that they are primarily seen as technical experts within their organisation. In order to transition and develop into a strategic business asset, members identify communication and influence, cross-functional business experience, and commercial and financial acumen as the areas they need to develop (Figure 27). Building these skills will help elevate the profession and gain the attention of, and serve, the board on evolving risk matters.

The opportunity is now. Today’s boards know that they need to raise their game, and they are ‘buying in’ to the risk ethos. From an organisational and personal liability perspective, directors understand the stakes have never been higher. The majority of respondents say risk reporting is now clearly linked to strategic objectives, while enterprise risk management methodologies are increasingly being adopted across all business functions (Figure 28).

Conclusion



There needs to be a transformation in the way our members work with the insurance market

John Ludlow, CEO, Airmic

This research illustrates a profession in transformation. Our members are ambitious and recognise the valuable skills set and vision they can contribute to strategic decision-making within their organisations. They want more responsibilities as well as collaboration, communication and experience with a wider group of functions to achieve this goal.

Agile risk professionals can contribute to the execution of board-level responsibilities by providing insight into the traditional and emerging risks of the organisation. Being able to harness data and analytics to improve the understanding of risk is being viewed as increasingly valuable.

The emerging and connected risks facing organisations will require a transformation in the way our members work with the insurance market. For more effective risk financing solutions to be designed and implemented, risk and insurance managers must work much more closely with industry partners and be open to broader and longer relationships built on trust.



Key takeaways from the 2019 Airmic research:

- **Data security is the top concern in today's boardroom**
- **Engaging key stakeholders is key to managing and protecting reputation**
- **Risk professionals want to move centre stage and become strategic business partners**
- **Communication and cross-functional business experience will be vital for agile risk professionals**
- **Developing new skills in data and analytics will elevate the understanding of risk and improve collaboration between risk professionals and external partners**
- **Member organisations want more tailored insurance solutions for risks such as cyber**
- **Members must partner with the insurance market in the New World to develop New Solutions fit for 2020 and beyond**

Notes

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