

Innovating in a pandemic:

Promoting and increasing awareness of innovative outcomes led by the London Market



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Executive summary

The world saw unprecedented disruption in 2020 brought on by the spread of COVID-19. As countries around the world went into crisis management mode, people everywhere were forced into finding alternative ways to continue to work and conduct their daily lives.

The London Market trading and operation swiftly went online as the City was emptied. Existing technology that aided operations, such as Placing Platform Limited (PPL), saw an immediate rise in volume of usage, and new technology aided methods were hatched and deployed. However, the changes in communication methods also meant that the advances made during the pandemic were not widely publicised or talked about.

We as part of the CII New Generation Group representing the London Market felt that the Market has suffered from a reputational perspective as of late, particularly in the limited publication of innovative advancements. We have not seen a comparable assessment of the Market on this topic, so we set out to validate this sentiment and

broadcast success stories whilst identifying areas for improvement.

To this end, we conducted an online survey and interviewed more than a dozen individuals across various roles and positions in the London Market. This enabled us to understand participant's views on innovation within their organisations and across the London Market.

The survey results and interviews indicate that whilst innovation in the Market is considered to be important to the overall development and sustainability of the Market, there are three main challenges that require addressing which this report explores:

- There is a conflict between the importance of innovation and the current culture
- The current rate of innovation is inadequate
- There may be a reputational impact to the Market stemming from insufficient innovation.

Crucially there are a number of opportunities that the London Market and companies could take that this report will explore:

- Agree to a single definition of innovation at organisation level
- Improve innovation culture
- Promote innovation news and successes more effectively.

This report is a product of collaboration across the London Market and we would like to thank all of the survey participants and individuals that we have spoken to who have shared their stories and otherwise supported the progression of this project.



Introduction

This report is the result of the analysis of interviews and a London Market-wide survey. Findings and recommendations are organised under the following questions:

- What does innovation mean in the London Market?
- How important is innovation to the London Market?
- How does the London Market hear about innovation?
- How well do companies and the London Market promote innovation?
- How has the pandemic impacted innovation in the London Market?

Methodology

Pre-survey interviews

In order to validate our proposal of focusing on innovation in the London Market, we conducted 20 pre-survey interviews, the results of which fed into the questions asked in the Market-wide survey.

The survey

The London Market wide survey consisted of 26 specifically designed questions with a mix of quantitative and qualitative questions. It was then distributed through social media channels



210 validated survey



From 44 organisations

(predominantly via the LinkedIn profiles of the CII New Generation London Market project team and the marketing teams of supporting bodies such as the CII and the ILL).

Post-survey interviews

Following the survey, deep dive interviews were conducted with 14 survey participants who expressed an interest to be interviewed further on the topic. Their responses were analysed and incorporated into our final findings.



Representing 1% Board Members, 9% Senior Managers
28% Middle Managers, 62% Non-Management Personnel

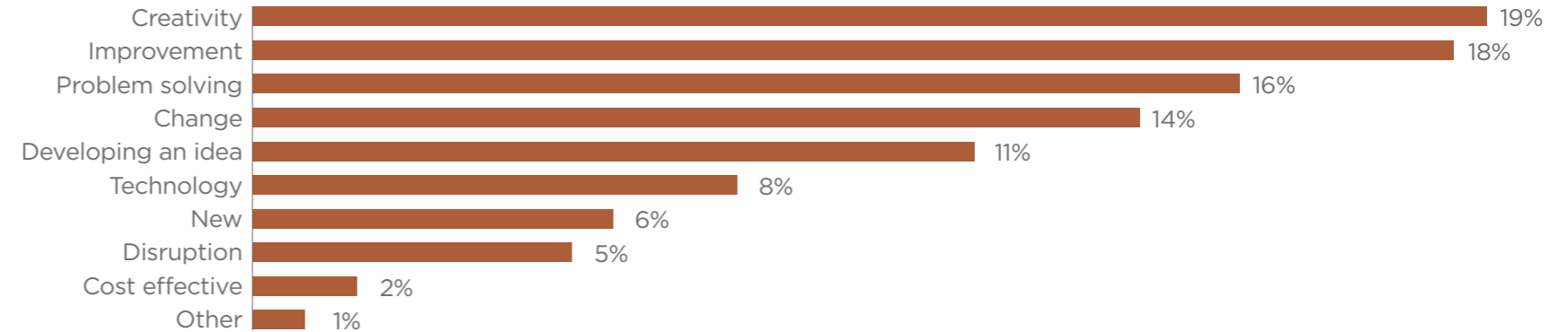


What does innovation mean in the London Market?

Innovation [noun] is defined as *'the introduction of new things, ideas or ways of doing something'* (Oxford Learner's Dictionaries)¹. The survey found that collectively, the London Market had a wider understanding of innovation.

How innovation was described by respondents

Select three phrases that best describe innovation to you



Interestingly, **'New'** only scored 6% in the survey, with **'Improvement'**, **'Creativity'**, and **'Problem Solving'** being more of the popular choices when defining innovation in the London Market².

Post-survey deep dive interviews provided further clarity to this question with respondents defining innovation as:

Refreshing
current ways

New
solutions
to new
problems

Pushing the
boundaries
and doing
new things in
a better way

What does it mean?

Having a clearly understood definition of innovation at a company level is key to ensure combined efforts towards a single goal. Evidence suggests that companies in the London Market are beginning to define what innovation means to them with 45% of survey respondents confirming that they were aware of an agreed definition of innovation within their companies.

Recommendation:

Given the spread of answers above, there is an opportunity to clarify the definition of innovation at a company level. Having a single and widely accepted definition of 'innovation' at a Market level may not be realistic at this stage.

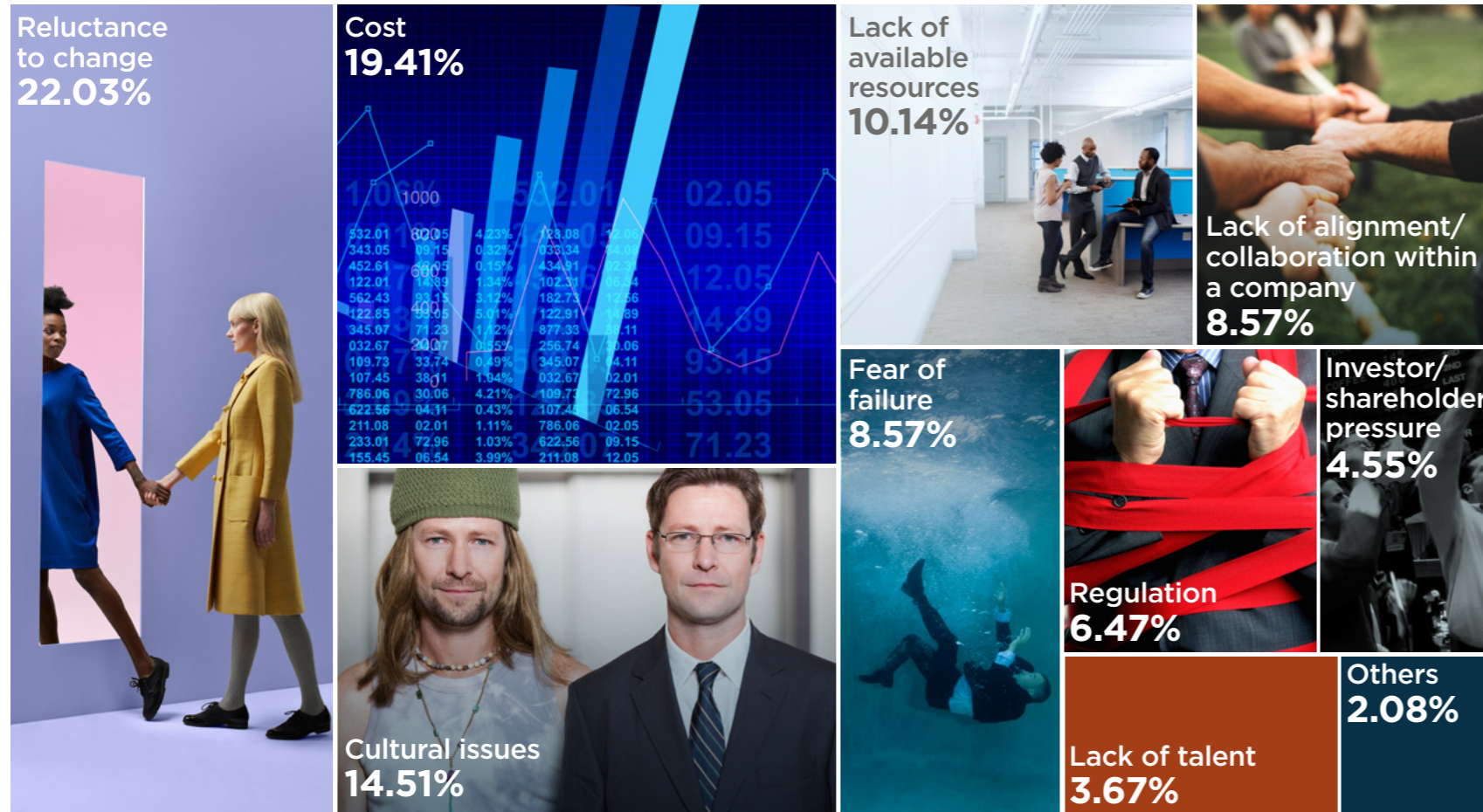
¹ <https://www.oxfordlearnersdictionaries.com/definition/english/innovation>

² Selecting **'Other'** enabled respondents to include their own suggestions, which included 'different', 'adapt' & 'groundbreaking'.



Top barriers to innovation

Similarly, barriers to innovation varied across respondents with ‘reluctance to change’, ‘cost’ and ‘cultural issues’ standing out as clear barriers:



Further interview analysis provided additional insights to barriers across the London Market. A common theme in the interviews were as follows:

- There is a lack of collaboration across the Market with suggestions that there were a number of Market-wide groups (e.g. Lloyd’s Lab, LMA etc.) that focuses on innovation without there being a clear group assigned to tie the efforts together
- There is a reluctance within London Market companies to invest in innovation
- There is also a lack of willingness to “test and fail” within companies that is impacting the progression of innovation.

Recommendations:

- Many of these barriers can only be broken by changes led by companies in the London Market. We recommend that companies identify their own barriers to innovation and take relevant steps to address these issues so that innovation will have a greater chance of success.
- There is an opportunity for the CII and other Market-wide bodies to be a visible overarching supporter of innovation by promoting change, collaboration and the attraction of diverse talent to the Market. These bodies may also be in a position to work with regulatory bodies to find ways to sustainably encourage innovation.



How important is innovation to the London Market?

Priority of innovation for the London Market

Notwithstanding the divergence of the definition of innovation within the Market, the majority (77%) of respondents perceive innovation to be of high or critical priority for the London Market.

What does it mean?

There is clear awareness and acknowledgement around the importance of innovation to the development of the London Market.

Equally this may indicate the level of demand or desire for innovation in the Market. It also speaks to the urgency of which respondents believe innovation is needed.

Priority of innovation at company level

The overall numbers are slightly lower when looking at the priority of innovation at company level.

Nearly 60% of respondents indicated that innovation is a high priority at their companies with only 14% says it is a critical priority.

Overall, 74% of respondents still consider it a high or critical priority at their company, which shows that innovation is still a significant area of concern for companies.

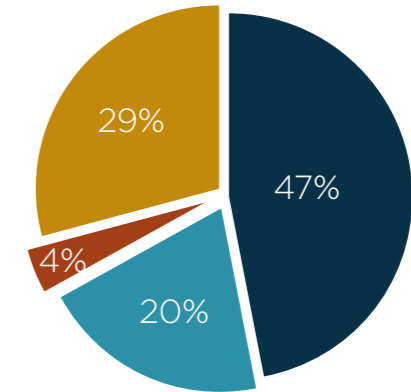
What does it mean?

There is a 15% discrepancy when comparing the priority of innovation at Market level and company level, suggesting a misalignment between both parties. Also, 27% of respondents indicated that innovation is either a moderate or low priority within their organisations which is of concern.

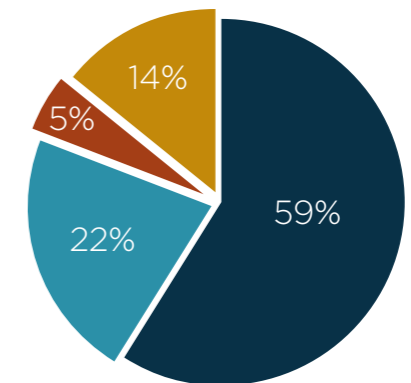
Recommendation:

There is an opportunity for London Market companies to ensure they prioritise innovation within their organisations as some are currently perceived to be placing innovation in a less critical position than that of the London Market.

To what extent do you consider innovation to be a priority for the London Market?



How high a priority do you consider innovation to be at your company?



■ Critical
 ■ High
 ■ Moderate
 ■ Low



Progress in comparison to other financial industries

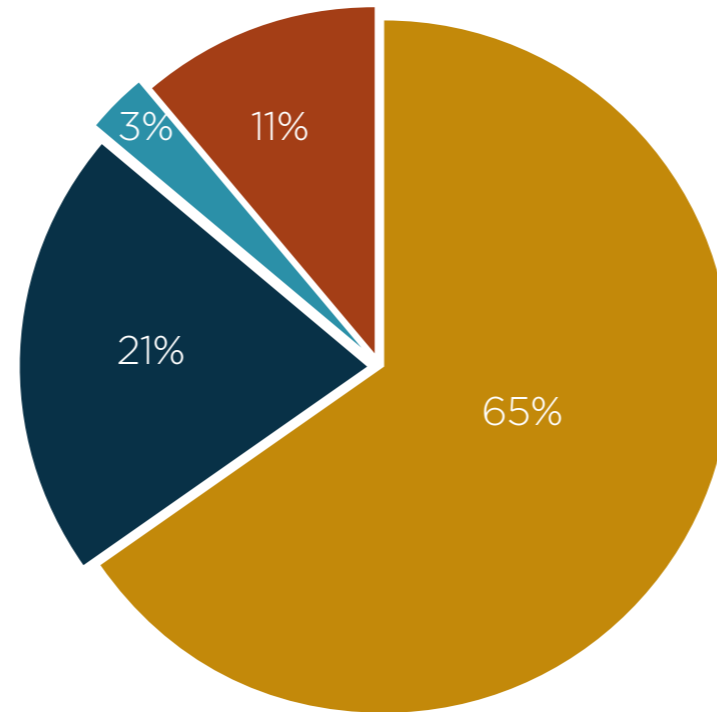
What does it mean?

Although innovation is seen as high or critical priority to the London Market, respondents overwhelmingly responded that they perceive the insurance sector as having a long way to go in comparison to other financial industries where it comes to digitalisation⁵.

Recommendation:

In order for this perception to be changed, the London Market may wish to shift focus to sharing innovation successes outside of the sector. Given the rate of digitalisation within other financial industries, there may also be an opportunity to look at these industries for innovative ideas and to learn from their successes.

Where do you see the Insurance Industry in terms of digitalisation when compared to other financial industries?



■ Have a long way to go ■ In line with other sectors
■ Ahead of the game ■ Don't know

⁵ This question was asked in the context of the London Market and examples were not provided of other financial industries. The question does not distinguish between whether there is an actual lack of progress, or a lack of awareness that impacts the overall perception of progress, rather than specific developments.



How does the London Market hear about innovation?

Individuals



62% of people do not hear about innovation regularly.
 #1 way they hear about innovation is Industry Press (19% of respondents).

Companies



60% of respondents' companies either **do not have** innovation on their agenda, or; **are not promoting** awareness of it to their employees.

London Market



44% of respondents are **neutral** to the question *'Does the London Market actively promote innovation?'*

Frequency and method people hear about innovation

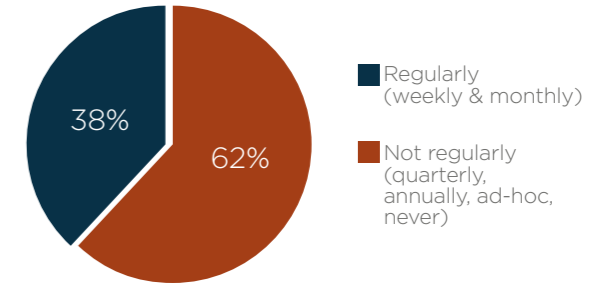
What does it mean?

- Many respondents do not hear about innovation on a regular basis which conflicts with innovation being of 'critical' or 'high priority' to the London Market.
- Tackling the irregular ingestion of innovation news in the London Market may contribute to breaking down some of the barriers to innovation such as reluctance to change, cultural issues and lack of talent.
- An improvement to the frequency and methods of messaging around innovation in the London Market may encourage collaboration and further innovation.
- Word of mouth is the third top method for obtaining information about innovation in the London Market which may mean certain information is not widely shared throughout the Market.
- The limited coverage in national press around innovation in insurance may impact prospective talent's perception of the insurance sector and thereby the attractiveness of the industry.

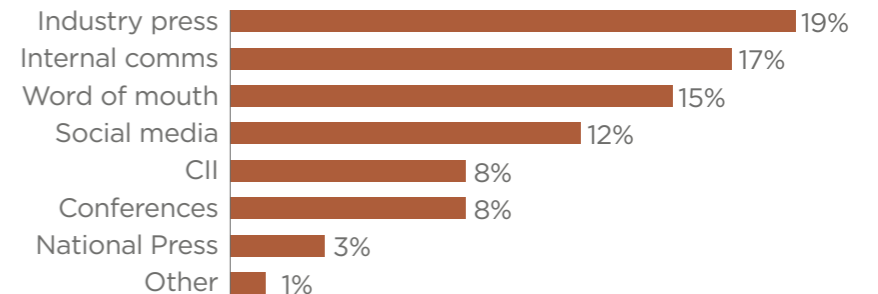
Recommendations:

- There is a rich opportunity to generally improve the frequency and method of ingesting innovation news in the London Market. Doing so may have a positive impact to some of the barriers to innovation previously identified.
- As internal communications are a popular source for individuals to obtain their innovation news, there may be an opportunity to increase the frequency and reach of these communications which may then improve innovation culture and awareness.
- There is an opportunity for the CII and other Market-wide bodies to share positive innovative outcomes in the London Market and become a source for innovation developments.

Frequency - how often do people hear about innovation?



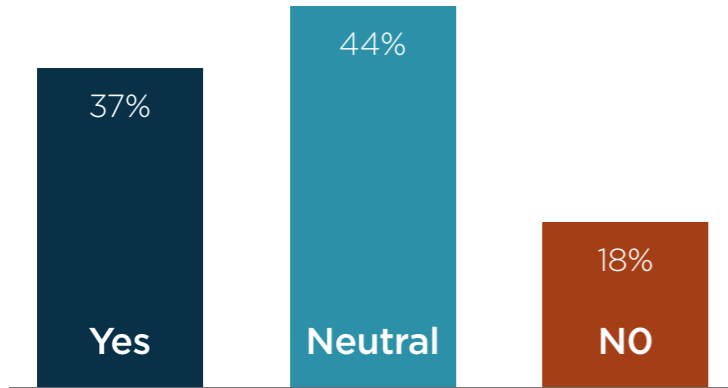
How people hear about innovation in the London Market



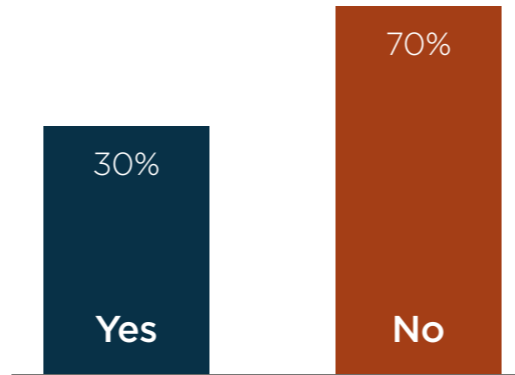


How well do companies and the London Market promote innovation?

Does the London Market actively promote innovation?



Do people know what their companies are doing about innovation internally?



What does it mean?

- The pandemic has been a catalyst to driving innovation in the Market. Although we would have expected promotion of innovation activities to increase as companies reacted to the pandemic, this hasn't been the case with only 37% of respondents believing that the London Market actively promotes innovation.
- Despite 74% of respondents suggesting that their companies place innovation as high or critical priority, a startling 70% of respondents were unaware of what their companies were doing about innovation internally.

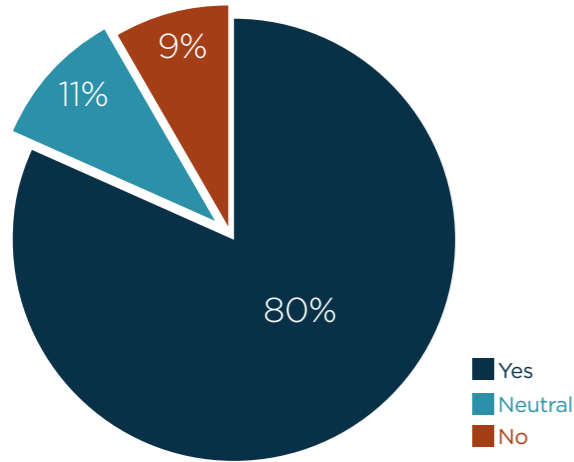
Recommendation:

Building an industry-wide innovative culture starts with individual employees and companies, and there is a significant need at both a Market and company level to increase awareness of innovation activities.



How has the pandemic impacted innovation in the London Market?

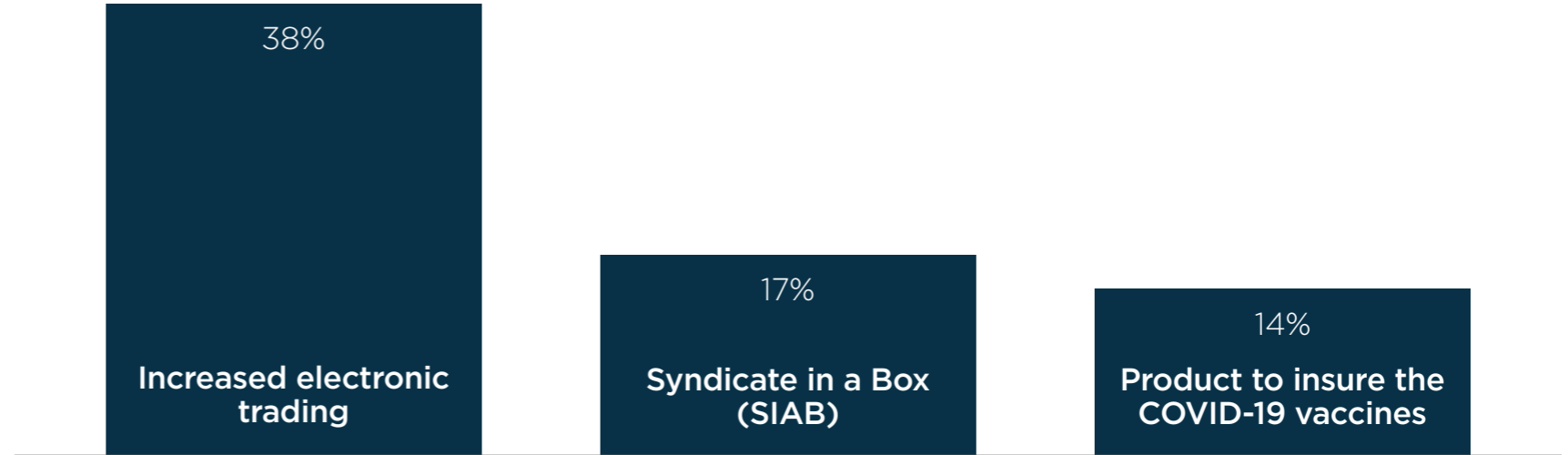
Do you think the pandemic has accelerated the rate of innovation in the London Market?



Clearly, respondents believe that the pandemic has accelerated the rate of innovation in the London Market, which was also supported in post-survey interviews. Interview respondents believed that the most surprising areas where innovation occurred in the London Market were around virtual working, adaptability and electronic trading.

The interviews also revealed that the use of technology to ensure consistent day-to-day performance of an industry that is historically dependent on face-to-face contact was a highlight when it comes to innovative outcomes. This demonstrates the resilience of the Market against disruptive events.

Top 3 innovative outcomes people were aware of:



What does it mean?

- Other than changes to how the Market operates (i.e. remote working and electronic trading) which was seen as a positive impact to the London Market by respondents, there is little to show in terms of other innovative changes in the last 12 months.
- The London Market has a reputation for being a traditional industry, so although an increase in electronic trading and the development of the Syndicate in a Box are radical concepts to the industry, in the context of the wider world, it may not be enough to remain relevant and competitive.

- The results also indicate that innovative outcomes such as Syndicate in a Box (SIAB) and insurance for the COVID-19 vaccine could either have not been marketed wide enough as an innovative outcome or that respondents did not consider these to be examples of innovation.

Recommendation:

- The London Market responded to the pandemic by innovating in limited areas. It will need to broaden and increase the level of innovation post-pandemic to remain competitive.



Case studies

In addition to the survey, as part of the methodology of this report to obtain more primary data, we also carried out deep-dive interviews to collate case studies. These interviews aimed to understand more about specific innovative examples that were demonstrated during the COVID-19 pandemic.

Although responses were varied, the main issue is that **there was very little innovative action taken** due to insufficient appearance of innovation on the agenda.

Three main innovative outcomes surfaced during the deep-dive interviews:

Development of an innovation programme

An interesting example provided by one participant was the development of an innovation programme within the organisation.

The programme aimed to encourage individuals to participate and share innovative ideas and concepts that would be beneficial for the organisation, which can then be further developed. This is a positive example of ensuring that innovation is considered at all levels and areas of the organisation, creating a diverse set of ideas. The survey results suggests that this may be prevalent in the London Market, with 59% of respondents stating that all staff are encouraged to participate and generate innovative ideas.

Alternative risk opportunities

Another discussion showcased the increased customer demand for alternative risk transfer (ART) solutions during the COVID-19 pandemic. One example was an organisation responding to this increased demand by developing a variety of products, such as parametric insurance. Parametric insurance is a type of insurance that covers the possibility of a pre-defined event occurring, rather than the loss itself. Parametric insurance has typically been associated with weather-related events, however increased demand is being seen for alternative trigger events. If the London Market can be seen as a leader in this field and offering solutions where other Markets may be reluctant, the Market may become far more attractive to customers.

Ki Insurance

One case study for innovation that arose through the interviews was that of Ki Insurance, the Market's first "all-digital" syndicate. Ki is a Lloyd's start-up and its first fully digital and algorithmically driven syndicate. Using Broker API (application processing interface), it enables brokers to obtain their own quotes for clients, with response times in as little as 10 seconds (Insurance Times, 2021)⁴. This is a clear demonstration of innovation and may pave the way for more digital solutions, providing efficient, faster offerings for the customer and improving the perception of the London Market.

⁴ <https://www.insurancetimes.co.uk/news/is-this-the-future-for-lloyds-digital-syndicate-in-successful-start/1437340.article>



Conclusion

Looking at the survey results, we can see that the rate of innovation within the London Market has accelerated throughout the pandemic and that this is also recognised by Market participants. However, we believe that the COVID-19 innovation narrative is not strong enough, with the following concerns surfacing:

Concerns

Conflict between the importance of innovation and current culture

- The majority of survey participants consider innovation to be of critical or high importance to the London Market, however this is not always reflected within the actions of organisations and the London Market. There is still a long way to go in changing the mind-set and breaking down the barriers to achieving success in this field.

The current rate of innovation is not enough

- Currently, innovation to the London Market is not necessarily 'new'. It is primarily focused on improving what we currently do.
- The pandemic has not fundamentally changed what we do, or, what we provide to our customers which raises the question that if a cataclysmic event such as a pandemic does not change the London Market and the insurance sector as a whole, what will? If the London Market does not take what has been learned during the operation of the industry during the pandemic, it is arguable that we could stagnate. If one thing COVID-19 and this study has laid bare, it is that the industry is yet to meet its true potential when it comes to innovation.

The impact on reputation

- The reputation of the industry is that it lags behind other financial industries when it comes to digitisation.
- The lack of industry press on positive innovation outcomes does not shine the light to the general public of improvements and innovation made in the London Market.
- The combination of the weak innovative culture, fear of failure, and a predominant focus of improving the current status, instead of focusing on true innovation, may impact the reputation of the Market as being attractive to new and diverse talent.



Recommendations

In order to address these concerns, there are three main recommendations that we would implore the London Market itself and companies to take:

Agree to a single definition of innovation at organisation level

- It will be difficult to have one definition of innovation across the London Market considering the different strategies of each organisation. However, it is recommended that as a minimum, each organisation has a clearly defined and agreed definition of innovation that is well understood throughout the organisation.

Improve innovation culture

- Many of the barriers to innovation identified in this report can only be broken by change led by organisations. It is recommended that organisations identify its own barriers to innovation and take relevant steps to address these issues so that innovation will have a greater chance of success.
- There is an opportunity here for companies to clearly prioritise innovation within their organisations as they are currently perceived to be placing innovation in a less critical position than that of the London Market.
- Although the pandemic was a catalyst to innovation in the Market, there is a need improve or at the very least, maintain the focus on innovation post-pandemic.

Promote innovation news and successes more effectively

There is a significant need at both a Market and company level to increase awareness of innovation activities:

Market-level improvements:

- The CII and other Market-wide bodies could be a visible overarching supporter of innovation by promoting change, collaboration and the attraction of diverse talent to the Market.
- The CII and other Market-wide bodies are in a prime position to provide innovation tools to its members or even help them get involved in creating innovative ideas through webinars, courses and certifications.
- Improving the frequency and method (e.g. social media) of sharing innovation news in the London Market. This may have a positive impact to some of the barriers to innovation previously identified. The CII specifically is in a unique position to help promote awareness of innovative outcomes.
- Market-wide bodies may wish to increase focus of sharing positive innovative outcomes outside of the industry to improve the industry's reputation and to attract diverse talent to the Market.

Company-level improvements:

- Internal communications are a popular method for individuals to obtain their innovation news, so there may be an opportunity to increase the frequency and reach of these communications which may then improve innovation culture and awareness.
- There is an opportunity for organisations across the London Market to capitalise on the increasing interest in innovation across the Market, for example in the form of Market-wide collaboration.
- There is an opportunity to look at other financial industries for innovative ideas and to learn from successes.

We believe that by acting on the findings and recommendations highlighted in this report, there will be a number of positive outcomes relating to innovation culture, success rates of innovative outcomes, improving the attractiveness and reputation of the London Market, and creating more products and services that benefits customers.



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