Agenda

• Setting the Scene
• Evolving Risks and the Future of Insurance
  – Societal
  – Technological
  – Economic
  – Environmental
  – Political
• Your input....
Setting the Scene

- IFoA’s mission to advance actuarial science and to regulate and promote the profession
- The public interest is at the heart of what we do
- Moved from ‘speak up’ to ‘be heard’ in IFoA strategy
- We cannot do our work without input from IFoA volunteers:
  - …we work closely with all practice Boards
  - …and of course range of working parties.
What We Do

• Produce outputs:
  – respond to consultations:
    • holy grail
    • value- adding?
  – promote working party research
  – policy briefings and campaigns
  – Proactive and reactive media activity

• Engage with stakeholders:
  – Governments, parliamentary committees, regulators, peer organisations, consumer groups…
  – Collaboration
  – Expert input to Government / regulatory policy
  – UK and global outlook
Key Policy Priorities

- Where can actuarial expertise add value?
- Opportunities to provide evidence-based contribution to policy making
- Live and current policy issues
- Updated in 2016
The world is rapidly changing along these lines:

- Societal
- Technological
- Environmental
- Economic
- Political

This is creating new risks and insurance will need to adapt accordingly.
SOCIETAL: Bodily Injury Claims

- Changes to the discount rate
- Use of periodical payment orders
- Input to Justice Committee
- Input to MoJ and GAD on new rate
- Scottish Parliament consultation
- Civil Liability Bill
- Ongoing campaign
SOCIETAL: Financial Inclusion

• Clearly, insurance key to financial inclusion:
  – protection, and peace of mind

• Low income households
  – often with greater need for insurance, but also often with greater risk
  – ageing population: still meeting their needs?

• Insurance distribution challenges:
  – product complexity
  – public trust
  – digital dimension:
    • improve access? or
    • marginalised?

• Opportunities for IFoA?
TECHNOLOGICAL: The Rise of Data Science

• Data Science and Insurance: opportunities and risks for consumers
• Launched Data Science Summit and Autumn Lecture
• Step change in risk analysis: able to see risks in fine detail
• Opportunities right across insurance life cycle
• Public interest concerns: pooling of risk? affordable?
• Regulation: a good thing or hindrance?
TECHNOLOGICAL: IFoA Collaboration

• Collaboration with the RSS:
  – practical and ethical implications
  – shared commitment to the public interest
  – IFoA/ RSS Focus Group on guidance to stay on right side of ethical boundary

• Input to CDEI:
  – Centre for Data Ethics and Innovation
  – complementary: trust will foster innovation
  – consultation on remit
  – engaged with Minister
  – how should take forward?
TECHNOLOGICAL: Data Science Still In Spotlight

- Public interest and ethical concerns – Cambridge Analytica
- Insurance affordable? Available?
- Ethical use of rating factors?
- What is ‘fair’?
- Transparency?
- Disproportionate impact of sectors of society
- Stakeholder input.
TECHNOLOGICAL: Emerging Risks

- Risk management: an actuarial approach
- Context/ describe/ measure/ manage:
  - control uncertainty
  - optimise decision making
- Case study: cyber risk:
  - where materialise? Judgement through scenario planning
  - risk appetite? Mitigation investment and insurance
  - continuous horizon scanning; clear communication
- Other case studies on climate change and automated vehicles.
ECONOMIC: Greater Impact on Life Insurance??

• Insurers exposed to adverse economic conditions:
  – decline in new business?
  – increase in claims frequency and severity?

• Low interest rate environment painful for guarantees (and Solvency II):
  – chase for yield
  – impact on consumers – working party
  – issues primarily for life insurers??
ENVIRONMENTAL: Climate Change

• Physical risks
  – flood
  – catastrophe
  – extreme weather

• Changing insurance solutions
  • Flood Re

• Sustainability
  • Sustainable Development Goals
  • ESG investment
  • reporting / disclosure requirements (TCFD)
POLITICAL: Big Domestic Political Issues

• What can be delivered under minority government?
  – social care
  – rushed legislation
  – Brexit?

• Longer term themes in political discourse
  – intergenerational fairness
  – international populism
  – cyber warfare
  – end of austerity
  – economic effects post-Brexit?
POLITICAL: Brexit and SII

• Treasury Committee inquiry: Insurance Regulation in UK
• Written response, cross practice
• Oral evidence:
  – evolution for UK
  – overly bureaucratic
  – trade-off between value for money and security
• Ongoing insight.
POLITICAL: Brexit and SII continued…

• Engaged TC on their priorities
• Short term reactive
• Longer term thought leadership:
  – risk margin, MA, illiquid assets, standard formula?
  – priorities for GI?
• IFRS 17: don’t want two sets of ‘silly numbers’.
POLITICAL: Still with Brexit

• Greater the tweaking for UK specifics, further away from SII:
  – MA – does EU care?
  – equivalence: otherwise for the lawyers??

• Cross border contract issues?

• Revisit Gender directive??
Your Input

• Scope is wide – what should we be doing?
• KPPs still relevant?
• Societal: insurance protection gap?
• Technological: touched on cyber risk, automated vehicles:
  – Fintech: one for the firms themselves
• Economic: low interest rate environment?
• Environmental: relevance to actuaries?
• Political: wider issues due to rise in populism?
  – trumped by the unexpected?
• Brexit/ SII Opportunity Cost.
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