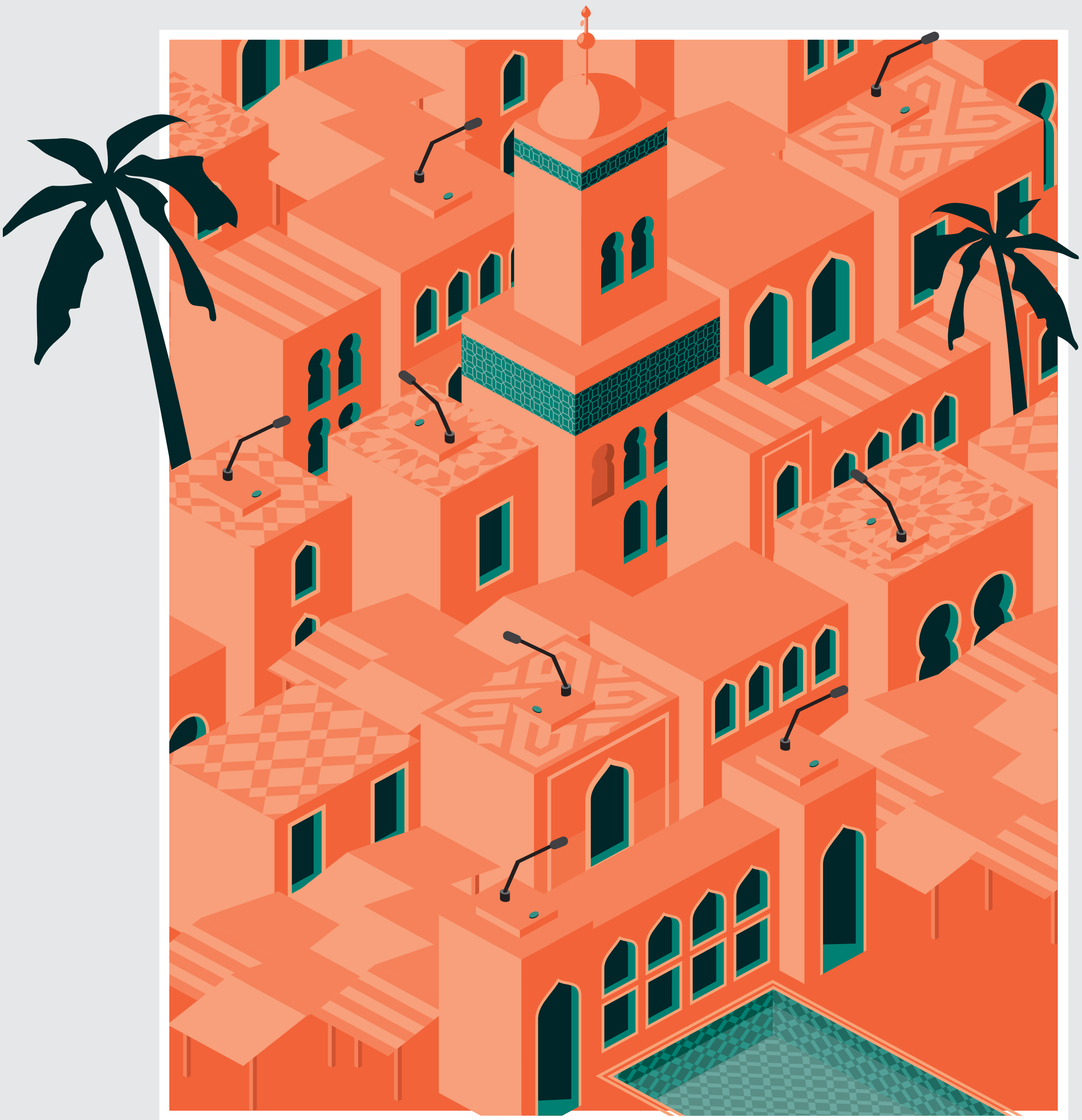
2017 Brokerslink Conference

Report



Brokerslink

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2017 Conference program at a glance

Thursday, 28 September - Members only

Brokerslink AG Shareholders Meeting

Opening & Welcome Remarks
José Manuel Fonseca Brokerslink CEO
Youness Rhallam Conference Chairman

Strategic Vision
José Manuel Fonseca
Brokerslink CEO

Rebranding & New Website

Welcoming New Affiliates – session I

Intermediaries of the Future
Jonathan Prinn
ED Group Head of Broking

Welcoming New Affiliates – session II

Brokerslink Business Activity
Paul Bitner
Brokerslink Managing Director
Corey Gooch
Brokerslink Director Business Development

MGA: Evolution or Revolution
Gary Corke
Global Underwriting CEO

Brokerslink Global Account Management System
Paul Bitner
Brokerslink Managing Director

Challenges and Opportunities in Africa
Hicham Raissi
Allianz Head of Business Division MENA Africa and India

Brokerslink Risk Management Forum – 1st edition

Networking Dinner

Friday, 29 September - Open day

Opening & Welcome Remarks
José Manuel Fonseca Brokerslink CEO

Brexit, London's Changing Role and The Future of Distribution
Steve Hearn
ED Group CEO

The Art Of Performance: "Reach Your Own Everest"
Nacer Ben Abdeljalil
Adventurer, Coach, Motivational Speaker

The Future of Risk Management
Wendy Liu
Zurich Head of Global Employee Benefits Solutions

The Evolving Brokerage Landscape From a Private Equity Perspective
Daniel Zilberman
Warburg Pincus Head of European Business

Digital Technology as a Key Driver for Growth and Operation Efficiency
Moruf Apampa
SUNU Nigeria MD/CEO

Communication is Everything... Also in the Insurance Industry
Filippo Cinelli
Generali Group Head of Broker Relationship Management

Insurance and Africa: Diversity, Challenges and Opportunities
Panel Discussion

Multinational Programmes – A World of Opportunity for Growth and Revenue
Stephen Morton
AIG Europe Limited Head of Complex
Multinational Accounts, Continental Europe

Parametric Insurance: Innovation in the Face of Climate Change
Tanguy Touffut
AXA Global Parametrics CEO

Brokerslink: Transformation Model
Panel Discussion

Closing Remarks

2018 Conference Announcement

Gala Dinner

Welcome to the report of our annual conference held in Marrakesh, Morocco on September 28-29, 2017. It was our first event in Africa and it was superbly hosted by our Brokerslink partner Youness Rhallam, CEO at Alpha Assurances, one of the largest independent insurance brokers in Morocco. We were honored to welcome speakers and sponsors from the insurance industry and the business world.

We were also very excited to launch our first Risk Management Forum, inviting exclusively global risk managers from around the world.

The global insurance and reinsurance market remains as competitive as ever and service excellence has become critical to retain clients and build new business.

Local service is not enough for our clients anymore, their business increasingly requires more sophisticated solutions as their business environment evolves and our competitors adjust at a rapid pace. As a result, service excellence has become the new challenge: We must support our clients with deep expertise and ability to cover complex emerging risks (ie. cyber, reputation, employee benefits and the like) as well as delivering seamless services wherever they choose to operate.

The purpose of the conference was to regroup affiliates, partners and clients to discuss this market challenge and strategise as one global organisation. We want to reinforce the important association between our local services and our expanding global capability.

Our insurance and reinsurance partners recognise the critical need to work more effectively with our local partners & affiliatesas part of their international strategy and execution. Local brokers understand best their customers’ risk profile and needs, and they have become the starting point of the insurers strategic approach.

However, all of us as stakeholders, need more knowledge and products to address the new risks that tend to be more global and complex than in the past.

Despite the rise of the digital age, it remains essential for people – brokers, insurers and risk managers – to gather together, share and exchange perspectives, bounce ideas and rekindle valuable relationships to the benefit of all. The global economy is not becoming less risky, far from it, but together we can substantially mitigate the risks for our clients.

We publish this conference report so that we can share the thoughts and keep the discussions going. I hope you will enjoy and share it with your peers and colleagues.

I look forward to your comments and feedback.

Jacqueline Legrand
Brokerslink CEO

2017 Brokerslink Conference was attended by more than 250 participants from 60 countries.

Contents

Director: Jacqueline Legrand • **Editorial Committee:** Adrian Ladbury, Carla Alves, José Manuel Fonseca, Raquel David • **Title:** Brokerslink Conference Report • **Publisher:** Brokerslink AG • **Place of publication:** Porto, Portugal • **Date of Publication:** March 2017 • **Circulation:** 1000 • **Design:** Raquel David • **Printing & Finishing:** Mota & Ferreira - Artes Gráficas

Brokerslink

Paula Rios, MDS Executive Director & Chief Communication Officer and Conference MC

Annual Conference

Brokerslink's annual Conference has become a major event in the insurance industry calendar since the first event held in Hong Kong, in 2009 and has attracted an increasing number of attendees ranging from members, carriers, risk managers, clients to partners from around the world, coming together to discuss crucial and innovative issues affecting the insurance and risk management community.

These events have featured renowned keynote speakers, such as such as Nicholas Walsh, Robert Benmosche, Jim Shea, Frank Baron, Paolo Ribotta, Michael McGavick, Stephen Catlin, Inga Beale, Jean-Marc Pailhol, Steve Hearn, Devadas Krishnadas, Fons Trompenaars, just to name a few.

The Conference is a two-day event: the first day, which is dedicated to Brokerslink partners & affiliates, includes plenary presentations and breakout sessions, addressing critical aspects of the brokerage business as well as insurance hot topics. The second day is open to sponsors, business partners, risk managers and guests with a focus on emerging risks, innovation in our industry and broader macro-economic topics.

Beyond any doubt, the conference provides opportunities for networking and a unique venue to formalize new partnerships. A marketplace organized by Brokerslink provides sponsors with an ideal environment to promote their companies' offerings and build relationships with the Brokerslink community.

2017 Brokerslink Conference

2017 Marrackech

The 2017 Brokerslink Conference was held for the first time in Africa, on 28-29 of September in Marrakech and attracted 250 attendees from 60 countries.

Brokerslink launched its first Risk Management Forum, where Risk Managers of diferent parts of the world exchanged experiences and perspectives on current topics such as Cyber, compliance issues in Global Programs or the importance to collaborate with insurers and brokers.

The new Brokerslink brand and image was unveiled in Marrakech along with the new website. In this report, you will get insights on some of the messages given by our keynote

2018 Conference will be held in Hong Kong on 11 - 12 of October.

Stay tuned!

Brokerslink

Was founded in 2004 as a global network of independent brokers. Since then, we have integrated best-in-class risk expert firms to become a strong alternative to the mainstream models in the insurance market. Brokerslink was incorporated in Switzerland in 2015, becoming an integrated global broking company, owned by 55 shareholders from 40 countries, owning and managing a network of brokers and risk and consulting firms in 100 countries.

Vision for the future

José Manuel Fonseca

José Manuel Fonseca, CEO of Brokerslink and driving force behind the creation of the new global broking company, told delegates in Marrakesh not to expect to be told of any dramatic and grand new plans during this year's event. Following the launch of the new company, the focus for now has to be consolidation and delivering the huge potential value that Brokerslink can bring for affiliates and shareholders, partners and, above all, customers. *Adrian Ladbury reports.*

José Manuel Fonseca, Brokerslink CEO

Mr Fonseca said that brokers can no longer solely rely on underlying economic expansion to deliver their growth. They need to be innovative, creative and get out into the new market with new services and products that truly meet customer needs.

"You cannot just follow the economy and hope that it gives you growth. You need to invest in services that customers need right now and make sure that you can compete with other companies and this is what Brokerslink is doing. We are building a structure to take advantage of the strengths of our shareholder companies and build new revenue streams. The insurance market welcomes the option that we bring because 60% of the market is controlled by three or four brokers and that is not healthy," he explained.

Brokerslink has a particularly attractive offer for the insurers in the middle market. As explained by Jeff Moghrabi of Chubb later in this publication, this market offers the insurers a potentially rich area of growth as the large corporate space remains highly competitive and challenging from a profit perspective.

Chubb is by no means alone in targeting this sector for growth that also offers a more diverse book of business. The good news for Brokerslink is that this market tends to be dominated by the national brokers that are shareholders and affiliates of the broking company.

"The big European insurers are targeting this market for sure because they have to grow. They have the resources to do this but they need distribution and so they need Brokerslink. We can work in a friendly way to help the insurers achieve their goals and also meet our customers' needs. This market is difficult for the big global brokers because it tends to lead to disputes between the local offices and the centre, adds cost and becomes frustrating for clients.

"Mike McGavick, ceo of XL Catlin, recently said that broker consolidation is a threat. M&As create complexity and disruption to relationships and stability. People change all the time as they rebuild and start again. And when brokers become too big they tend to wield market power that is not necessarily in the interests of the customers," said Mr Fonseca.

"Consolidation leads to less competition and less flexibility. Access for customers can be more difficult and, as people change all the time, the trust that is so important between customers, brokers and insurers is often lost. Real trust that can lead to real innovation needs to be built over time and is based on real in-depth knowledge and experience of local markets. Not all brokers and insurers can offer this and need to work with the real experts," he added.

BUILDING THE FUTURE

Brokerslink has experienced an exciting and impressive growth path since formation back in 2004 culminating in the stock offering and listing in 2016, Zurich.

The next big step is to organise a second stock offering that will enable those members of the former network who were not eligible to invest to do so and also allow existing shareholders to increase their investment in the new global broking company, according to Mr Fonseca.

"The next stock offering will enable us to expand our global footprint further from our existing 40 countries and generate further funds for investment in the core central services that underpin the company and make us such an attractive option for customers and partners," he explained.

But Mr Fonseca, the driving force behind the company since formation originally as a network back in 2004, said that no-one should expect more dramatic change in the near future.

Now is the time to consolidate and build on the recent achievements and deliver the ambitious plans set for the new company.

"We cannot have a big plan every year. We need to consolidate our company. We announced the plan back in Singapore in 2013 and this was a complex and unique model. We are once again a start-up as we were in the period 2004 to 2009. What we achieved back then is a grand legacy that has enabled us to reach this point in 2017. But now we need to work hard to ensure that we realise all the opportunities offered by the new structure without losing the sense of family and unity that such a partnership of independent brokers brings," explained Mr Fonseca.

"We have 55 shareholders who are mainly mid-sized, family-owned independent brokers so this is a learning process and quite exciting. So now we have crossed the line, it is very important to build the reputation, carry out the marketing and communicate regularly with clients and partners to build stability and confidence in the company for the long term," said Mr Fonseca.

BUILDING THE BRAND

Another very important investment area for Brokerslink is of course in the brand. There is little point in raising the funds to make these investments if nobody is aware of the value that it brings. Mr Fonseca, as ceo, is acutely aware of this need.

"Branding and visibility is really important. The market needs to know us and understand our proposition and what we can bring for customers and partners so we need to build a brand.

In this later opening presentation Mr Fonseca also stressed how important it is to distinguish Brokerslink, now a genuine global broking company, from the broker networks, and this has always been the case.

"We decided at our meeting in Bangkok, November of 2008, to convert into a formal network under the brand of Brokerslink. This happened a year later in Hong Kong. Our objective has always been to be different to the others and not be a network. We have, since then, built a DNA that you cannot find elsewhere in the insurance landscape. I remember 10 years ago Steve Jackson said we must be more offensive than defensive like the others. We needed to build something new, create true value and not just try and defend our customer base but do things we could not do without Brokerslink," explained Mr Fonseca.

"This is truly relationship based. It is different," he added.

BUILDING THE COMMUNITY

Internal branding and marketing is very important too of course. It is vital that the shift to a new shareholding basis following the initial stock offering does not somehow dilute the unity of the group and sense of genuine friendship and mutual benefit that exists within Brokerslink.

Mr Fonseca is acutely aware of the need to maintain the original ethos of the Brokersink family despite the shift to a more 'professional' footing that enables it to compete with the biggest international brokers on a sure footing.

The annual Conference that gives the members of the Brokerslink family the opportunity to gather together and share valuable 'face' time together in a healthy mix of 'work' and 'play' time is a foundation stone of this effort. The creation of the Risk Management Forum also helps to spread that spirit of co-operation and mutual benefit to the customer community.

During his welcoming remarks to the meeting Mr Fonseca said: "I am delighted to welcome you all to the forum today, our first as a global broking company and here in Africa and so a momentous occasion in the history of Brokerslink. I am sure this will be a great success followed by many other in years to come. It is part of our DNA to be very close to each other and to our client in the risk management community.

"Our clients work very hard to raise the awareness of the risks that we all face and how to professionally manage and transfer those risks. This is why we are proud to be hosting our first Risk Management Forum here in Marrakesh with a group of risk management leaders from around the world."

The rise of the digital age seems to have made face to face meetings such as the Brokerslink meeting more important than ever. Technology may create a more efficient, transparent and cost-effective workplace for all but it is in meetings such as this that real partnership and innovation is born.

"Networking remains crucial in this business. It is important for us all who want to do business together – brokers, customers and partners - to exchange information and socialize at events such as this. We are brokers and love to do co-insurance! We have done a great co-insurance here with Alpha in Morrocco and I am sure it will be a great policy!" said Mr Fonseca referring to the official national host of the event, Alpha Assurances the Brokerslink shareholder and national representative.

MOVING CLOSER TO THE CLIENT

Brokerslink is also working more closely with the leading risk management associations worldwide to help raise the group's profile amongst the customer community and showcase what it has to offer.

Last year the company significantly upped its investment in key industry events such as RIMS in the US, Ferma in Europe and Parima in Asia and will do so again in 2018.

The effort to build closer links to the associations and federations was helped by the arrival of Jorge Luzzi, as President of Herco Global, part of Mr Fonseca's MDS group.

Mr Luzzi, a former risk manager with Pirelli in Italy and President of Ferma, is also Executive Vice President of the International Federation of Risk and Insurance Management Associations and President of Alarys, the Association of Latin America Risk Management Associations.

"We are also close to ABGR in Brazil that has some 2,400 risk and insurance manager members. We will be at AMRAE in France in February and will take the Risk Management Forum that we host in Marrakesh for the first time 'on the road'. It is critically important that we spend time with our core customers, find out what really matters to them and show what we really have to offer," explained Mr Fonseca.

One important development in this sense is the fact that Brokerslink now has its own risk manager clients, a new development.

Mr Fonseca explained: "We have a unique model as a global broking company and a whole new ecosystem. The first client is you, our broker affiliates in 100 countries of the world. You all need to create value to do business and achieve your goals and in many cases this could not be done on a standalone basis in this global economy. Through Brokerslink you obtain wider skills and an international reach and good access to the international insurers and their knowledge, skills and specialisation.

"But now that we are a global broking company and no longer a network we are starting to build our own in-house resources and our own portfolio of our own clients. This is because we are working more and more with one team in different markets and this brings new clients to Brokerslink that we would not have won before and this also means we are able to compete with the leading listed global brokers, something we could not do before. This is a different model. In some areas they are better than us and in some areas we are better than them. What we need to do is convince the clients that they are not condemned to work with the big guys. There are other alternatives and Brokerslink is a serious one."

ON THE RIGHT TRACK

There is no doubt that Brokerslink embarked on something revolutionary and very ambitous when it decided to turn itself from a network into a global broking company with the central resources needed to deliver what customers need in the modern, global economy. The key will be to retain all the benefits of partnership and genuine sharing that characterised the original network and was still very evident during the excellent Marrakesh meeting.

Brexit, London's changing role and the future of distribution

interview with Steve Hearn

Steve Hearn, Group CEO of Ed, the leading global wholesale and reinsurance broker headquartered in London, is a big supporter of the Brokerslink model in which his company is a shareholder. He does not underestimate the scale of the challenges facing the international insurance market as the global economy rapidly evolves. But during a discussion on stage in Marrakesh he told Peter Rigby of London communications firm Haggie Partners that the future is bright for those brokers who have the vision and drive to evolve too. *Adrian Ladbury reports*

Steve Hearn, ED Group CEO

PETER RIGBY [PR]: I am afraid that the first question I have to pose to you is about Brexit. What does it mean for the London market and the many customers and brokers around the world such as those within Brokerslink who use and rely on this important global market?

STEVE HEARN [SH]: Before I comment on the potential implications for the London market and how we need to react and prepare, I first have to say that from a personal perspective this is a disaster. I did not vote to leave because this is just not a sensible thing to do. I am horrified by it to be honest. I consider myself to be a global citizen, and certainly European, not an inhabitant of an isolated little island. I worry about the level of uncertainty and there is very little short-term benefit. As a business leader I have to say it is very difficult to predict how this will work out. For the insurance industry there are significant implications. The London insurance market contributes a significant amount to the UK economy, some 21% of the City's gross domestic product and 52,000 people earn a lot of money from this market and pay a lot of tax on it. We also sit within the wider halo of the financial services industry in London and see the banks considering re-location of their headquarters from London to mainland Europe. This also has implications for the London insurance market. It was also a very divisive vote because 62% of Scots voted remain and we are also having very dangerous conversations about the border between Northern Ireland and the Republic. But, at the end of the day I am a broker and I have to look for the opportunities from any situation. This is one resilient nation and one very resilient City over the centuries. It has been able to adjust through a period of great change and seek the opportunities. We are in a difficult place but this is what we have to do once again.

PR: Would it be fair to say that the market was changing anyway and having to face up to some pretty big strategic decisions as the global economy continues to transform?

SH: Yes. Brexit is forcing a big change but the reality is that London's position has been changing for some years now anyway. There are lots of forces at play here. If you go back 328 years London had a monopoly of specialty insurance and reinsurance in the world but that has changed. Marine insurance is a great example. This was the basis of the original Lloyd's but now customers do not have to come to London for this cover. There is more than enough marine capacity in Asia and even European marine risks are now being placed in Asia not in London. It is predicted that 60% of global cargo trade will be in Asia by 2020 and this business is not coming to London anymore. So London's role is evolving and, in my view, it has not quite found its new place yet.

Take the rise of China for example and think about what this means. I recently visited China because we have big Chinese insurance company's placing treaty reinsurance in London. I went to a city that I could not place on the map before I arrived. I met the CEO of an insurance company who has over 300,000 sales agents working for the company as a direct sales force. It was a fascinating meeting and eventually I asked this CEO why I was there. He said that London has led the international specialty insurance market for the last 300 years and the next 300 years is theirs." You, as broker, need to act as the bridge between the two eras". The world has changed and continues to change and we need to work out our place. And it is not telling Johnny foreigner how to do insurance! We have a lot of work to do.

PR: China certainly offers a mind-boggling range of opportunities. Is your advice to fellow Brokerslink partners to all learn Chinese to be fit for the future?

SH: It is not just about China. This is a global change. Africa is finally rising and much of the development, the big infrastructure project work in countries such as Tanzania is being funded by long term Chinese investors. In 2001 there was a mere $10bn of trade between Africa and China. In 2014 that number had risen to $220bn. We need to understand what the opportunity is there. Latin America is another potentially huge market and Miami is becoming an important market. We recently placed a risk from Oman into Miami. Dubai has become a global centre for satellite insurance with something like 20% of global premium in this market. So these regional centres are also becoming global. This is the new reality.

PR: So what does London have to do to respond and keep ahead of the curve?

SH: Embrace this change. I have been a Lloyd's broker for nearly 30 years based in that small part of the City of London. The answer is not to try and replicate the old model elsewhere. When Lloyd's launched in Singapore it opened a coffee shop, sat underwriters at desks and expected the brokers to turn up with files of paper. The same thing happened in Miami and Dubai. But you cannot take the old world to the new. A Malaysian technology entrepreneur does not want his broker to stand in a queue in Singapore with a big file of papers under his arm! I go into Lloyd's regularly and am very proud to be involved but this is the old model. Brokers are still walking down the street with a piece of dead cow filled with papers under their arm and are paid a six figure salary to get a stamp!

PR: Is Brokerslink part of the new world reality? Is that why Ed is a leading member?

SH: Yes. We had to reinvent Ed's model to adapt to these new global market conditions and the Brokerslink model is perfect for this new global and regional world market. We have here today Tony Lim of Acclaim in Singapore and he obviously knows more about Singapore than I will ever know. He is in the fabric of the local community, he grew up there. I would prefer to work with partners like that who know their market. I can bring the intellectual property of specialty insurance to bear. Brokerslink has the connections, speaks the languages, understands the culture and the regulations. I bring the intellectual property and the access to the world market. But again, if I think I can teach you about your market then I am dead in the water.

CONNECTING CAPITAL TO RISK

PR: We have had some significant catastrophe losses this year. What impact will they have and where will the fresh capital arrive that inevitably comes in search of opportunity after the losses? Will it go to London?

SH: Some of the fresh capital will come to London. I have spent some time working on the Insurance Linked Securities (ILS) proposal for London and trying to persuade the government to provide a more tax friendly environment and it is now moving forward quite quickly and looks promising. But, in reality, most of the fresh capital will arrive in other parts of the world. There is capacity waiting in the wings to take advantange of a price hike. There will be a rating impact during the 1/1 treaty reinsurance renewals and this will fall very quickly to the primary market, more quickly than we have seen in the past. Will this be sustained? No, because the new capital will arrive very quickly. What we need to do as an industry is appreciate that two thirds of those catastrophe losses in the United States, the most mature insurance market in the world, were uninsured. What does this mean, before you even think about the level of insurance in Africa and other parts of the world? I recall a recent survey by Airmic, the UK risk management association, that found that risk managers believe about 90% of their risks is not addressed. This is a huge opportunity to connect capital with emerging risk.

PR: What role could and should the broker play in this future? What is the future of the broker?

SH: There is a lot of debate about disintermediation and about how capital is disrupting the market. Underwriters are doing things that brokers do and brokers are doing things that underwriters do. It does not matter really. The key thing is getting capital better plugged into the system to address these emerging and uninsured risks. Technology, culture, tax will all be drivers but one thing that we have is that we are trained advisers. We are the trusted adviser and we have to retain that value in our proposition. We have to continue to be the advocate of opportunity. Intermediaries who get confused about this will fail. I think some brokers sometimes get a bit confused about who they are working for. It is about the customer and the integrity of that proposition.

PR: There is also a lot of talk currently in the market about the impact of digitalisation, Big Data and technology in general on this market. How do you see it working out?

SH: We recently engaged with Mclaren the Formula 1 racing team to understand how they use technology. It is always useful to engage with people from outside the industry. They have an incredible amount of real time data about what is happening in the car – some one million variables a second while at the same time we still send brokers into the market with a folder stuffed full of paper! We need to embrace this approach. We talked about aviation insurance. Most airlines probably spend more money on toilet rolls and all the premium is probably less than the cost of one engine but insurance is essential for each flight to take off. The pricing model we use for aviation insurance is archaic. It does not really look at the risk profile in my view. Imagine if we had real time data on each flight. It would be possible to know a lot about the pilot and their track record and experience, the power and direction of the wind on the runway, the pilot's track record, the level of fuel, type of plane – capital would be interested in pricing these risks...this will come, it is the future. That is the opportunity – how to marry capital with technology and tackle these risks in a much more efficient way. This is the future.

Ed.

The evolving brokerage landscape from equity perspecive

Daniel Zilberman

Daniel Zilberman, Warburg Pincus Head of European Business

Leading European and intenational private equity investor Daniel Zilberman told Brokerslink delegates that he sees great value in brokers as carriers struggle to maintain margins. But brokers need to make big strategic decisions in order to realise that value for customers and themselves

The insurance broking model and Brokerslink model in particular was given a significant vote of confidence during the global broking company's annual conference in Marrakesh as one of the leading global private equity investors in the sector described it as the "ideal" strategic solution for global independent brokers.

Daniel Zilberman, Head of European Business at Warburg Pincus, has long experience of this market. His firm, the oldest private equity investor in the US, has invested over $10bn in over 90 financial services firms over the last 40 years including leading property & casualty insurers and reinsurers such as Renaissance Re, Arch and ICIC Lombard in India.

Such investments performed well following past market changing events when there was far less capital in the market and market cycles lasted longer. Conditions have now changed significantly and the investor strongly believes that real value is to be found in the broking sector and particularly the independent model.

Mr Zilberman said that he sees three core options for the brokers: sell to a consolidator, go it alone or follow the Brokerslink model.

The Brokerslink route is the preferred option for the expert investor because independence is maintained, it gives affiliates and customers access to a global network and specialist capabilities plus the opportunity to leverage the network and do much more than can be done on a standalone basis, not least the delivery of global risk management solutions and state of the art technology to back it up.

"The Brokerslink model is the ideal strategic solution for leading global independent brokers," Mr Zilberman told delegates at the Marrakesh conference.

The private equity investor also "humbly" offered advice on the future direction that Brokerslink could take to strengthen the company and build even more value. But, before taking a look at Mr Zilberman's wise advice it is worth taking a closer look at why he finds the broking sector and independent form so attractive in the first place.

The start point of any analysis of the future of the sector is that it continues to be under pressure, with or without a string of seriously expensive natural catastrophes to deal with. Exceptionally high global liquidity has driven soft market conditions for a prolonged period of time. Global reinsurance capital hit $239bn in 2016 up from $131bn in 2008.

"Soft pricing is the new normal in many lines," pointed out Mr Zilberman.

The impact of this high liquidity and prolonged soft markets is that profits among the reinsurers and insurers are clearly suffering. The investor pointed out that rerported returns on equity (ROE) for global P&C insurance has fallen from 11.8% in 2013 to 9% in 2016. The same decline has been seen when adjusted for the recent high levels of reserve releases used to bolster falling margins. These returns fell from 9.6% in 2012 to 5.3% in 2016, reported Mr Zilberman.

The good news for Brokerslink is that ultimately in this environment the value shifts to the broker.

"Soft pricing combined with higher capital requirements have decreased insurer ROEs. Traditional insurance products are increasingly standardised and commoditised. In an environment with excess capacity and little differentiation, whether you buy from one carrier or another matters less. The person advising you on what to buy and who to buy from, will capture more of the value pie," said Mr Zilberman.

The investor pointed out that the insurer's efforts to increase profitability under these challenging circumstances are actually creating opportunities for brokers. This is based on three clear trends:

- Carriers are emphasising higher-margin specialty lines and differentiated distribution;
- Carriers are focused on cost reduction and outsourcing more to third party providers such as third party administrators (TPAs) for middle and back-office functions and MGAs/MGUs whereby underwriting cost and expertise is shifted to brokers. Carrier capital pools are moving to differentiated underwriters; and,
- Insurtech is changing the delivery and underwriting models to create efficiency

"These trends create more opportunity for brokers to capture a larger share of the insurance profit pool," said Mr Zilberman.

The investor said that he is not surprised that broker valuations are high while insurers and reinsurers struggle to maintain their value. The bottom line is that apart from the above trends, the brokers have "attractive" business models that inevitably lead to increasingly high valuations.

Mr Zilberman listed a number of positive business model features within the broking sector. These are: stable and recurring revenue; low capital intensity; relatively high profit margins; non-cyclical and less exposed to softening market conditions relative to the carriers; and, also potential upside from hardening rates.

The result is that, over time, valuations have increased based on an analysis of US brokers, overall the median embedded value/EBITDA of brokers rose from 8.3x in 2009 up to 12.7x in 2017. "This clearly reflects the rising importance of the broker in the value chain," commented the investor.

But big challenges continue to emerge as the market continues to evolve and, while brokers may be in a relatively better position than carriers, they still have to earn their valuations and possess certain fundamental qualities to be attractive.

The bottom line is that, in the commercial and corporate risk and insurance sector, as client needs evolve, benefits of scale become more important. "Scale matters" said Mr Zilberman.

The key challenges for brokers is to cost-effectively build that scale in order to offer customers the following resources:

- Risk management capabilities;
- Specialty expertise;
- Global capabilities;
- Ability to influence carrier terms and pricing;
- Best-in-class technology/data capabilities to drive growth; and,
- Underwriting capability (MGA).

This is made all the more important because brokers face slowing organic growth rates and, importantly, the larger the broker the better the organic growth rates.

Mr Zilberman said that based on IIABA Best Practices Study 2016 organic growth rates among US brokers overall were down from 6.2% in 2013 3.9% in the first quarter of this year.

For brokers with less than $1.25m in revenue the growth rate was 2.4% compared with 6.6% for those brokers that command between $10m and $25m or more.

Mr Zilberman said that is because the bigger brokers have a greater ability to invest in better technology, can develop broader product and market capabilities and pursue cross-selling opportunities more effectively.

The proof of this point is found in higher valuations enjoyed by the bigger brokers. Brokers with revenue up to $2m are valued at five times revenue, those with revenues between $5m and $15m are valued at 8.2 times while those with revenues over $15m are valued at 9.7 times. Interesting the public brokers (Marsh, Aon, Willis, Gallagher and Brown and Brown) with far greater revenues are valued at 12.4 times.

Mr Zilberman asked the obvious question: Why would this be so? He summed it up as more institutionalised businesses meaning lower 'key man' risk or client concentration, a greater influence over carriers, access to capital to make acquisitions and cost and revenue synergies to 'buy down' multiple scale benefits.

This has, of course led to serious and rapid consolidation within the broking sector over the years. Nearly all of the top global brokers have been driven by M&A and 19 of the top 20 brokers from 1989 are now part of either Marsh, Aon, Willis or Gallagher, he pointed out.

Private Equity has played a large role in this process. PE-backed brokers now represent 11 of Top-20 global firms. The pace of deals has increased materially over time too. The number of broker deals in the US in 2006 was 237. This rose to a high of 492 in 2015 and levelled at 457 in 2016. Private equity was involved in some 55% of these deals, said Mr Zilberman.

But not all deals work of course. "M&A strategies have had notable successes, but also some failures," pointed out the investor.

Examples of winners are Alliant that grew revenue from $30m in 1998 up to $900m in 2015 and was backed by five private equity owners, Hub that grew $35m revenue from $35m in1998 up to $1.6bn in2016 with two private equity owners and AMWins htat was valued at $95m in its buyout 2005 and which had risen to $2.6bn by 2016. It was backed by four private equity owners.

Common factors in all these successful strategies were leading management teams were backed, they followed prudent and coherent M&A strategies, created revenue synergies and demonstrated strong integration and operational capabilities, said Mr Zilberman.

Some "cautionary tales" include Towergate, NFP and CGSC, he said. The common themes here were an over-emphasis on driving carrier synergies, poorly structured retention plans, no focus on/mismanagement of integration and the fact that they were over-leveraged.

The big question is what does this mean for independents brokers? How can they maintain a competitive edge in this rapidly evolving landscape?

For Mr Zilberman these big questions lead to a collection of others. These are:

- How to build business in low-growth environment, where competitors are consolidating?
- How to meet the evolving needs of clients through strategic risk management consulting, global capabilities,multi-specialist expertise, underwriting capability (MGA) and best-in-class technology solutions; and,
- How to build a lasting institution and manage generational transition.

In other words, the key is to find the balance between maintaining independence and the benefits of scale in a consolidating industry.

Mr Zilberman told the independent brokers in the room that he sees three basic options for them in this environment.

First, sell to a consolidator. This would take advantage of favourable market conditions to maximise value and give access to central services and network capabilities. But in the process the broker loses all independence, control and legacy, it becomes very tough to incentivise the team and facilitate generational transition and, of course, the owner forgoes future upside, he explained.

Second, go it alone. This route of course retains full autonomy and enables ownership and management to continue to focus on existing growth and clients. The downside is that the brokerage will probably be marginalised over time, obtains no scale or global network and can enjoy no liquidity or monetisation.

Mr Zilberman's favoured option is the Brokerslink model. This is because independence is maintained, partners have access to the global network and specialist capabilities and are given the opportunity to leverage the network to do much more. "The Brokerslink model is the ideal strategic solution for leading global independent brokers," said Mr Zilberman.

Looking ahead, the PE investors asked: How we might strengthen the Brokerslink operation further.

Mr Zilberman said that his "humble" suggestion for the future of Brokerslink would include the following:

- Invest in the platform to strengthen central capabilities;
- Develop risk management consulting;
- Add some centralised carrier management;
- Add some centralised Insurtech solutions; and,
- Build MGA/MGU capabilities.

To achieve the potential there would need to be some integration between Brokerslink and its members. Cross ownership would be created through a holding company but local governance and independence would be maintained for individual brokers. Incentives would also need to be encouraged to maximum utility of the Brokerslink platform,

Ideally Brokerslink would also provide capital support to members and the network, said Mr Zilberman. "Brokerslink would provide capital to members to make consolidating acquisitions in their markets. It would provide partial liquidity to members as need be and ultimately the listed Brokerslink HoldCo would provide upside and liquidity to members, while still allowing them to control their local business," concluded Mr Zilberman.

The inaugural Risk Management Forum was held at the Brokerslink Conference in Morocco. The roundtable discussion between leading risk managers from across the globe provided fascinating insight into their thinking on a range of risk and insurance topics. The following coverage of that event provides brokers with food for thought on topics ranging from the need to better sell the value of insurance through to concerns over cyber and global programmes. *Ben Norris reports*

BROKERSLINK

RISK MANAGEMENT

FOR
UM

Insurance is misunderstood and underappreciated by many in the business world, and it requires a concerted effort from both buyers and those in the risk transfer industry to raise the low esteem in which it is held, say leading risk and insurance managers.

The experts from across the world attending the Risk Management Forum at the annual Brokerslink conference in Marrakesh, urged buyers, brokers and insurers to work together to improve the reputation of insurance and help facilitate better relationships between the two parties.

The risk and insurance managers specifically called on the insurance industry to improve its image among business leaders, by better highlighting the important financial support it provides. This will enable companies to form longer-lasting and deeper relationships with their risk carriers to the benefit of all concerned, they continued.

Franck Baron, president of the Pan-Asia Risk and Insurance Management Association (Parima), said he is still “amazed and shocked” by the poor reputation of the insurance industry among top management at most firms he encounters. The solution requires work from both the risk transfer industry and insurance buyers, he added.

“When you look at your financial stakeholders, banking is usually seen as critical but insurers are not seen as important. My group CFO or COO meets with our bankers at least once a week. When I ask them how many times they meet with our key insurers, they say zero. We need people in the insurance industry to be better at reaching out to our CEOs to explain what insurance, and we as buyers of insurers, does, and do, for them. I think we should expect the insurance industry to better manage its reputation and make sure it is seen as a critical financial stakeholder,” said Mr Baron, who is also risk manager at International SOS.

Insurance buyers can assist in this process, he continued. “In all of the companies I have worked for I have made sure that our CEO meets with the CEOs of the few critical insurers we work with so they understand how many millions of dollars the insurers are allocating to our risks. This helps to make clear that

we have to manage our relationship with our insurers carefully,” the Parima president added.

That partnership is crucial, agreed fellow risk and insurance managers. “The better job we do at controlling that relationship, the better it is for us and our companies. You need those close relationships to get the best out of your insurers. It is our responsibility to bridge that gap and make them a partner,” said Manuel Padilla, director of risk management at MacAndrews & Forbes Incorporated and a prominent RIMS member.

Others taking part in the discussion agreed that insurance buyers must do all they can to nurture their relationship with insurers. This extends to not being overly combative with insurers when it comes to the cost of insurance.

“It is changing, but risk managers are sometimes very aggressive with their insurers and brokers. But you don’t need to be their enemy,” said Jorge Luzzi, director of risk management at Brokerslink and president of Portuguese risk management association Apogeris.

Mr Padilla agreed that many risk managers whose primary focus is to squeeze insurers over insurance rates are simply destroying important partnerships, which in the long run tends to backfire.

“Some of those risk managers that press only for big price reductions each renewal, to obtain cheaper cover, walk away from negotiations very pleased with themselves for a financial result that has nothing to do with the full process of protecting the assets of the company. These are simple insurance buyers and not risk managers by definition. The more complete negotiation centres around the analysis of risk, the protection of assets through loss control, followed by negotiation for an adequate price for the portion of the risk the company determines it is best to transfer to an insurance product. Maintaining a premium cost-only approach can potentially corrupt the relationship with their insurers,” he said.

Cristiane Alves, president of AGBR, the Brazilian risk management association, and risk manager at Companhia Siderúrgica Nacional, was in full agreement with her colleagues and explained how she explains the virtues of risk management to key colleagues across her company.

“We present a vision of our risk management and insurance programmes. We bring the CFO to speak with risk management. We bring human resource to speak with risk management. We bring someone from compliance to speak with risk management. We try to familiarise them with our job so they clearly understand what we offer. The more you can do that, the better of you are,” she said.

"We present a vision of our risk management and insurance programmes. We bring the CFO to speak with risk management. We bring human resource to speak with risk management. We bring someone from compliance to speak with risk management. We try to familiarise them with our job so they clearly understand what we offer. The more you can do that, the better of you are."

Cristiane Alves, President of AGBR the Brazilian risk management association and risk manager at Companhia Siderúrgica Nacional

Faster collaboration or bust on cyber

Brokers, risk managers and insurers must urgently work together to develop cyber risk transfer options and increase the power of insurance, say leading risk managers. If such collaboration fails to take place the whole risk management and transfer chain faces the prospect of cover always being one step behind the rapidly changing cyber risk landscape, the experts warned.

Those taking part in the Brokerslink Risk Management Forum added that insurance is an important weapon to combat cyber risk in any organisation's arsenal, but, particularly given the current solutions on offer, must be used wisely and is only part of the solution.

Jorge Luzzi, director of risk management at Brokerslink and president of Portuguese risk management association Apogeris, said risk managers and the insurance market must speed up collaboration to develop cyber solutions and ensure that this vital tool can better help companies manage the risk.

"The insurance market should follow the needs of its clients when they face new situations and it needs to do this quickly on cyber. Organisations face this risk right now and if the insurance market takes three years to deliver coverage we will have to find other solutions," warned Mr Luzzi.

Jorge Luzzi

He said that risk managers and their transfer partners must make the most of the exciting opportunity afforded by this emerging risk.

"Cyber risk is new and the level of digitalisation is huge and changing at great pace. We are in a new situation with automated vehicles and the like. All of this didn't exist previously. For the risk management and transfer professions this is exciting and provides us with opportunities.

We need to work on the risk. We need to find solutions. We need to innovate. We need to foresee things before they happen," he continued.

Franck Baron, president of the Pan-Asia Risk and Insurance Management Association (Parima), agreed that more collaboration is needed between insurance buyers and their risk transfer partners on cyber. He was quick to point out that his profession needs to better articulate what it wants from cyber insurance.

"As a profession, we risk managers are not very good at describing our risks to the insurance market and the solutions we need from them. There are several ways to express this and we need to up our game. I think currently our broker and insurance colleagues often don't know what we desire from them on cyber," he said.

Franck Baron

BY DEFINITION

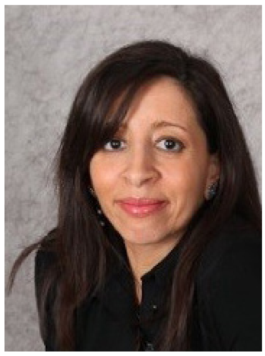
The trend towards intangible risks is making such explanations harder, as well as the life of brokers and insurers more difficult, continued Mr Baron, who is also risk manager at International SOS.

"The main trend in risk management is that risks are becoming more and more intangible. One reason is a large asset we are trying to cover with risk management and insurance is reputation, which is very intangible. But tangible risks like supply chain or business interruption can also be linked with intangible risks, such as cyber. So, our risk landscape is becoming more and more intangible, which is very hard to cover with insurance," he said.

According to Javier Mirabal, executive director at the Latin American risk management association Fundalarys and president of Mirabal Risk Management, the risk transfer industry needs to ensure cover is more tailored to strategic risks, including when it comes to cyber.

"The insurance policy can be a strategic, tactical or operational initiative inside the strategic plan. Is insurance for the survival of the company? Is it to cover operational risk? Or to cover strategic impacts? These questions change the role of the insurance policy. Maybe insurance has a bigger role to play in protecting strategy rather than operational risk, and this must be taken into account. This is a change in mind-set that needs to take place. Companies are looking for insurance to provide protection beyond the financial statement," he said.

Zaiella Aissaoui, director of risk and insurance at Bouygues Construction, said all risks are theoretically insurable but the question is whether price of cover is acceptable and enough capacity is on offer. When it comes to cyber, the real question is whether insurance is a good solution, she added.



Zaiella Aissaoui

Ms Aissaoui, who is prominent member of French risk management association AMRAE, believes insurance can provide part of the solution but only alongside other risk mitigation efforts.

"Before insurance is considered companies must limit or decrease cyber risk. If you just see insurance as the solution you will lose money because you won't have all measures in place to restart your activity. So, insurance may be part of the solution but not the whole solution.

We need to find a whole solution," she said. Ms Aissaoui said all companies today are exposed to cyber risk and this will only grow. "We need insurance protection, but we need to work on reducing the impact and consequence of cyber risk because it is almost impossible to stop it occurring," she added.

Mr Luzzi agreed that risk managers must use all the tools at their disposal to protect organisations against cyber risk. If insurance is available it is often the first port of call, he added, but explained that not all insureds are able to find the cyber coverage they need.

"When a risk manager needs to deal with a risk he is not thinking specifically about the tools available to him to manage the threat, but about the risk itself. If there is the possibility to transfer the risk to the market that tool is very powerful. I would then always consider that tool as the first step. But this is not allways the case," said Mr Luzzi."Cyber risk is so big and for many there is not insurance coverage available. If the market says there is no cover, the risk manager has to look for other solutions. If there is no insurance you identify the risk, carry our risk assessments and try to work out if you can reduce the risk. After the risk is reduced you must decide if it is within your risk appetite or whether you want to transfer some or all of it. The answer to that question when the cover is not available is to use loss prevention and mitigation to deal with the risk," he added.

Maurizio Castelli, senior consultant of PCA Risk Consulting and former president of Ferma, said risk management is about melding the different tools available to provide the best possible protection at the lowest cost. "In that context I think insurance, depending on the industry and size of company, is one of the possible solutions to manage part of cyber risk," he said.

But Mr Castelli stated that cyber insurance is a relatively new development and that its use has to be evaluated very carefully. One of the reasons for this, he explained, is because there are components of cyber coverage embedded in other policies.

Therefore, a challenge in using cyber insurance is working out what coverage you have elsewhere, if you are duplicating cover or making good use of money to buy extra cyber protection, he said. "So, while cyber insurance is one of the tools to mitigate this risk, it must be used wisely," he added.

Mr Baron said that while insurance buyers will find that traditional policies can cover parts of cyber risk, they do not offer the crucial value-added services attached to standalone cyber insurance. It is this side of the equation that makes specific cyber cover worthwhile and cost effective, but many companies are still to wake up to this fact, he said.

"The beauty of cyber cover is it provides you with the right crisis management facility. You can tap into a legal, PR or forensic firms to help you immediately respond to an incident. That is very important. Data privacy cover and help with response to breaches is important and will become increasingly so as regulatory regimes develop across the world. Many companies, in Asia at least, still think cyber is a niche product and very expensive, but I think if you add in all the benefits it is not that costly," said Mr Baron.

The Parima president added that business interruption caused by cyber risk should be coverable on the same basis as any other trigger. "There is nothing new here. It is basically business interruption caused by technology. You may have a significant sub limit in this coverage but this is generally available in the market," he said.

TRIGGER POINTS

Mr Luzzi agreed. "We had business interruption well before worldwide digitalisation. Cyber could be a trigger within BI polices that responds to any trigger," he said.

But cyber data privacy and liability risk is new and cover still needs to improve in this area, argued Mr Baron.

"I think we are going to continue to deal with a market where for certain cyber risks you will trigger business interruption and property, and for others cyber," he said.

Thiago Santana, Risk and Insurance Manager at Suzano Paper and Pulp, complained that cyber coverage is lacking for the key risks facing his industry. "Sometimes the coverage is not strong for our industry. For us, the main risk is operational damage brought about by a cybernetic invasion. That is often not covered by cyber insurance. For me, the current solutions are not enough," he said.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Independent brokers perfect on middle market offering

interview with Jeff Moghrabi

Chubb's decision to become an official partner of Brokerslink makes a lot of sense given that some 60% of the huge US-based insurer's business is now derived from the SME and middle market, according to Jeff Moghrabi, Senior Vice President, Strategic Partnerships, Chubb Overseas General and formerly Division President, Continental Europe and newly appointed Senior Vice President, Strategic Partnerships, Chubb Overseas General.

Chubb is clearly still dedicated to the large corporate business and is arguably one of only three truly global insurers that can service this complex multinational business along with AIG and Zurich.

But, as Mr Moghrabi stressed, this is a highly competitive and stubbornly soft market that can deliver very lumpy losses and damage the overall combined ratio. It makes a lot economic sense for an insurer such as Chubb, that already had a very strong footprint in the SME and middle market before ACE's acquisition of Chubb, to focus on this market and gain critical diversification benefits.

The bottom line is that to succeed in the SME and middle market insurers like Chubb need close relationships with national independent brokers such as those who make up Brokerslink.

Likewise, the brokers that comprise Brokerslink's membership need to work with insurers such as Chubb that have a truly global reach to service the increasingly international needs of their middle market customers.

It is a truly win-win relationship that Mr Moghrabi said Chubb will work hard to develop and build upon over the coming years.

MIDDLE MARKET FOCUS

"Distribution is obviously very important to us. Following the acquisition of Chubb close to 60% of our Continental European business is now SME and middle market. It has been a deliberate strategy to focus on this area as the large corporate market became softer and softer. We need brokers that are expert in this area and Brokerslink members are very well placed in this market. If you look at countries such as Germany, France, Italy, Spain and the Netherlands there are many local regional brokers and big national family owned brokers that are very successful," said Mr Moghrabi.

The insurer, who prior to his role as Division President, Continental Europe was head of ACE's Italian and then French business, said that service and longevity of relationships is the key in this market for the independent brokers. This is another reason why Chubb likes this market.

"These brokers are very successful and very close to their clients, the local economy and business leaders. They have close personal relationships with business owners and this leads to longevity. This also means that these brokers have a strong commitment to service levels and do this very well. You will find that brokers that are part of Brokerslink have close relationships with companies for 10, 15 or 20 years and they do not lose these customers easily. We really like this market because these brokers are able to differentiate themselves on the quality of the relationship and service and building the value proposition into the cover. It is not just about price. For us this means that the volatility is reduced for this primarily SME and middle market business," explained Mr Moghrabi.

FLAGSHIP LINES

In Europe Chubb offers brokers the whole range of coverages built around three "flagship lines" – property, casualty and financial lines – said Mr Moghrabi. The range of specialty lines that the group also has to offer enhances what the broker can bring to their customer across many sectors, he added.

"Brokers are able to bundle what we have to offer. We have existing strengths in areas such as real estate and the wine industry that can be adapted for other sectors such as life sciences and information technology. All this knowledge gives us the ability to be less based on silos and package policies across lines of business," explained Mr Moghrabi.

One important element of Chubb's distribution strategy is its Cornerstone initiative that it inherited from legacy Chubb and introduced into Europe in 2017.

This is a club-like system whereby selected long term and close partners and brokers of the insurer obtain premium levels of service – such as direct guaranteed access to senior Chubb executives, training and non-standard coverage additions – to reflect the value of the relationship.

The Cornerstone brokers have to commit to maintaining certain levels of service and standards to retain their 'membership'. This ensures that the elite nature of the club is maintained.

"This was a very well-established initiative in the US we inherited from legacy Chubb. It is how we manage and service high value and long-term partners and brokers. It really helps the larger national brokers and top regional brokers get the best out of the Chubb world and enables us to get the best out of them," explained Mr Moghrabi.

"It was rolled out in Europe in the first quarter of 2017 and we are evolving it. Currently we have about 60 Cornerstone brokers across the Continent and some of them are not surprisingly part of Brokerslink. This is currently a small club but these are our strongest partners that have the largest potential for growth across various lines. We dedicate a lot of time and effort in terms of servicing, underwriting support, sales and marketing and of course claims," he added.

RISK MANAGED ACCOUNTS

As Chubb builds on its increasingly strong position in the SME and middle market it will not, however, abandon the large corporate global market. This market is highly competitive and so the key is to box cleverly, only write those programmes that are well risk managed, offer a wider range of specialty products to supplement the core and focus on service, said Mr Moghrabi.

"This market remains very important to us. It is what it is, cycles are cycles. What we are doing specifically to cope with the soft market is focus on specialty areas to supplement the P&C lines. These lines are doing very well such as accident and health (A&H), terrorism and surety. Most companies continue to expand globally – multinationals and the middle market – and what they need is to work with an insurer and broker that has a global network and servicing capability," he said.

Mr Moghrabi concedes that there are still "challenges" in the complex international programmes market of course. Risk managers want programmes that are 100% compliant in all territories, are consistent, transparent and respond rapidly as intended when the claims arrive.

Jeff Moghrabi, Division President, Continental Europe and newly appointed Senior Vice President, Strategic Partnerships, Chubb Overseas General

This is not a simple task but Chubb is working hard to meet the customers' demand and the role of the broker is critical to this effort, he said.

"There are still challenges on the core global programme product. We all have to improve service levels whether you are broker or insurer. This is about improved processes and technology. We continue to dedicate a lot of investment to enhance WorldView, our web-based application that provides real-time access to Chubb's systems and expertise in one application that is available exclusively to our clients and brokers," he explained.

"This is a never-ending story for us. The portal has all the relevant information – risk, claims, policy – that is needed. But the world becomes ever more complex and information moves faster and faster. The key is to make sure that the customer and the broker can bundle this information and adapt it to their own organisational structure, you have to adapt to their needs. The broker has a key role to play in this and if we work well together then the partnership is strengthened. We have seen the power of that when working with brokers, when the risk managers see us and the broker as a powerful combination," added Mr Moghrabi.

FACE TIME MATTERS

As the whole economy becomes more and more dependent upon technology and we all seem to spend more and more time trying to keep on top of the volume of electronic communication that arrives incessantly on a day to day basis, the temptation is, of course, to hide away in a dark corner to cope.

But, it seems that the popularity and value of events such as the Brokerslink meeting in Marrakesh have become more important than ever. Perhaps the need for real human contact is even greater given that so much of our day to day communication is now carried out electronically. Mr Moghrabi agreed that the value of face to face contact does appear to have risen along with the rise of the electronic economy.

"It does seem that with the rise of technology the value of the relationship counts more. We insurers and brokers need to spend more quality time with customers – this should be more than a purely transactional relationship, playing ping-pong over the Internet," he said.

"First you have to get in front of the customer to really understand their risk, make sure that the coverage really does match the risk profile and come up with innovative solutions in partnership with the broker. Second, it is important to achieve contract certainty. You need claims people involved if you are building a bespoke product to make sure that all parties understand this critical part of the process. You have to talk about potentially disruptive scenarios."

THE RISE OF CYBER

This need for proper human discussion and agreement around a table is perhaps most important in complex new areas of risk that are actually driven by the rise of new technologies themselves such as cyber, suggested Mr Moghrabi.

"In cyber, for example, is it enough to assume that you have silent cover especially when you operate under the Napoleonic Code? It really is too late to ask whether you need first as well as third party cover when the claim hits! We are all learning. We have evolved rapidly in the US in particular but again it is driven by third-party liability because of the judicial environment there. If you look at Europe it is more first-party driven up till now. Where will it end up? Probably a blend of the two," he explained.

"With GDPR coming it will revolve around notification costs, external exposures and liability costs for some industries. You can't regard this as black and white. You have to spend time with the customer evaluating their risk closely. You have to ask yourself, as a risk manager, whether you are really confident that you have silent cover. These important topics need to be discussed by the risk manager, the insurer and the broker to avoid problems in future," added Mr Moghrabi.

Chubb is actually surprised at how fast the cyber insurance market is growing in the US in particular when compared with other recently developed covers such as D&O. "If you compare it to the development of the D&O market in the 1980s and 1990s, it took at least 10 years to grow up. Cyber will take around half that time," he pointed out.

JOINED UP APPROACH

The natural question to ask at this point is whether there is actually a dangerous accumulation threat here. With such a fast-evolving risk that is based on highly interconnected technology, surely there is a catastrophic accumulation potential when the next Wannacry hits? Mr Moghrabi agrees and says that Chubb is on the case.

"Absolutely we are worried about this and focused upon it. This is a critical part of the risk management of an insurance company and we take this very seriously. We have a worldwide practice board for cyber that analyses this internally. For me this is the catastrophe of the future because there are no boundaries. This can come from social and political events of all sorts or through old fashioned crime or fraud or even espionage or terrorism whether aimed at the banking industry or any other. It will be a challenge to manage cyber aggregations that simply did not exist 10 years ago."

The cyber challenge once again, however, further underlines the need for a really co-ordinated and enterprise wide approach to risk management, mitigation and transfer that involves all parties – customer, broker and insurer and other service providers – and regardless of company size and sector.

To assume that you have no need for cyber protection because your business is not a retailer that holds customer records online is simply not good enough in today's economy. In this fast-moving, highly interdependent and global economy risks such as cyber can pop up in a whole variety of unexpected forms, seriously interrupt the business and destroy reputations in a matter of hours.

For such risks to be properly identified, measured, managed and transferred where it makes economic sense requires true, lasting and transparent partnership, another reason why partnering with quality brokers such as those within Brokerslink really makes sense for all parties, concluded Mr Moghrabi.

News

NEW
BRAND
AND
WEBSITE

Best of both worlds

The new Brokerslink logo and website were launched at the Marrakesh conference. The distinctive colour scheme underlines how Brokerslink offers customers and partners the perfect combination of global and local.

The creation of the new Brokerslink global broking company naturally turned attention to the image and branding of the group and important decisions had to be made about what the new company would look and feel like to the outside world and itself and what its core messages would be.

It was therefore decided that the group needed to raise voice and profile with a new image and more structured external and internal communications strategy.

Brokerslink opted to use London based communications group Haggie Partners's experience and knowledge to raise its international profile and develop a new, forward-looking logo.

REAL ALTERNATIVE

Brokerslink has changed. The firm is no longer an ordinary network, it is a global broking company. Partners and affiliates are all leading brokers in their markets and offer a real alternative to the established listed global brokers.

Brokerslink has one big advantage over the global brokers in that it can never duplicate the strengths of the local independent broker. Its brokers are all deeply embedded in their local markets, have long established and deep relationships with its customers and truly understand and deliver what they need.

Following the creation of the company and raising of central finance, Brokerslink is now able to support the locally focused group companies with the kind of central support and expertise needed to compete with the global brokers. And, because of the unique structure of the group.

Clients increasingly want to deal with their risk management and transfer partners on a local basis and want to deal with partners that they know and trust and who can help them manage the increasingly complex and fast changing risks in this global economy. But in many cases customers feel that they have to work with the global brokers because of their international reach.

This is no longer the case because Brokerslink brings the best of both worlds.

FLEXIBLE BRANDING

To reflect this best of both worlds, the new logo had been designed so that it could be adapted to each individual Brokerslink firm's own branding and would not clash.

Thus, the central Brokerslink new logo is black and white that shows that it is sharply focused and 'no nonsense' in style. But then this is supported by the whole rainbow of colours that can be used locally to match each individual brokers existing scheme and this clearly represents autonomy and flexibility: The best of both worlds.

This is a new kind of logo for a new and very different business. Hopefully this will help explain how the business works to customers, showing how we are stronger together but flexible and colourful in parts.

The sharp new website explains to customers, carriers and other partners how to work with Brokerslink and derive the most from the company. The new site is the perfect platform in the broking company to really showcase the roughly 10,000 talented individuals that work for the 100 countries that comprise the group and what can really be achieved by teamwork and independence.

The first stage, active as of the Marrakesh conference, was launch of the public face of the website. The second stage will be the further development of the 'internal' element of the website for partners and affiliates that will help to manage the organisation, develop the brand, share ideas and help everyone "become more effective as a united force."

Becoming more effective as united force is clearly what Brokerslink is all about and the shift to the new structure needs to be explained loudly and clearly to all stakeholders, not least customers. The new image, branding and website will help support and drive this critical element of the plan.

Brokerslink

Broking the future

www.brokerslink.com

Brokerslink New Affiliates

UNITED KINGDOM

Eppione joins Brokerslink and adds new employee benefits strength

José Manuel Fonseca, CEO of Brokers-link, said during the Marrakesh meeting that employee benefits is becoming increasingly important for businesses when they work on managing and transferring their risks. Brokerslink thus needs to strengthen itsto its growing family.

Eppione already works with Bridge Insurance, the Brokerslink UK partner, to complement its corporate risk and insurance services, with its unique technology-based employee benefits service. With this arrival, the service becomes available to the entire Brokerslink community.

Mr Fallon explained during the presentation, that Eppione was created to help employers and employees leverage technology in the day to day management of HR, employee benefits and business insurance. The vision of the company aims at empowering companies to become a better workplace and for the employees to be the best they can be.

He explained that Eppione's HR platform, offered for free, improves client business process efficiency, makes employees more productive and more satisfied with innovative and relevant employee benefits packages. "Eppione help employers expand offerings to any employee's benefits program, add voluntary benefits and communicate their company benefits programs in a motivating way."

The service is targeted at small and medium sized companies (SME) between 10 and 2,000 employees. After only 10 months the new business has enrolled 42 client accounts, looking after 2,500 employees with over £50m assets under management. "As Chief Operations Officer I deliver solutions that help SME's to have a happy and secure workforce," said Mr Fallon.

GDPR AND SECURITY

All European businesses are preparing for the introduction of the EU's General Data Protection Regulations (GDPR) in the Spring of 2018. Eppione made sure that its service is GDPR compliant and so its customers may avoid the potentially harsh penalties that will result for those who fail to comply.

Mr Kindlon added that Eppione offers a truly global solution for Brokerslink clients, providing a personal portal for employees available on mobile devices.

The system is highly secured, he added. "We offer data security end to end, from SSL encryption, AWS (Amazon Web Services) security best practices, ethical hacking certification, to a fully encrypted database along with a Safeonline's cyber insurance policy," he explained.

The best marketing for any service is of course provided by happy customers. The Eppione team thus provided delegates with some feedback.

"Eppione provide employee benefits consulting, brokerage and an advanced technology platform for our employees to view and select benefits. This has saved us a significant amount of time and allowed for the introduction of new benefits in a cost-effective manner. Eppione is always professional and very helpful," said Val Jones of HCL Insurance BPO Services in London.

"Eppione has allowed us to streamline and organize our HR and employee benefits processes from our previous spreadsheet and filing cabinet. It has freed up some valuable time to concentrate further on employee development. Eppione is very responsive to our requests and although we are a small business, no job is too small for them," said Louise Morrison, Operations Manager of Future54, the independent project and cost management consultancy that services the construction industry.

INDIA

The Indian historical broker Peraj reinforce the network

Brokerslink was proud to welcome a new member for India to add one of the biggest and fastest growing economies in the world to its 100 plus territories. Tushar Thakker, ceo and managing director, introduced Peraj, established in 1952, and the oldest intermediary services company in India for retail and commercial Insurance.

Peraj was initially appointed as a principal agent by three British Insurers who were among the largest in India at that time. Mr Thakker explained that the company has always focused on retail commercial business with the sole aim of avoiding conflict of interest. “The culture of the organisation is to build long term relations, be it with clients, associates or within the company,” he explained.

Peraj, that currently has 6 offices and 175 employees, is a truly ground-breaking company. It introduced liability insurance into India, public and product, in the mid 1970’s. This was followed by D&O early 1990’s. Peraj was also instrumental in designing the all risk property damage business interruption (PDBI) form in India. Liability insurance has only just started to grow in India and only accounts for about 4% of total general insurance premium. But this business accounts for about 12% of Peraj’s portfolio.

Overall, the portfolio handled by Peraj is well balanced between PDBI, marine, construction risks, liability, employee benefits, liability and other specialty lines. The broker also handles aircraft and credit insurance.“Handling of claims is a core specialisation and we have handled many complex claims which were even rejected by insurers initially but reopened and paid upon a representation on behalf of clients,” explained Mr Thakker.

Clients operate in all possible businesses, from automobile to aviation software, hospitality to health care, cements, chemicals and so on. Mr Thakker said that the broker has the highest client retention ratio in the country.

Peraj also has a long reach in territorial terms. Its services are provided across India, Nepal (since 2003) and Bangladesh (since 1995). In Nepal and Bangladesh services are on fee only basis.

Peraj began its international business back in 1978. It worked very closely with Hogg Robinson and later became partner of Johnson & Higgins (and the UNISON network) and also worked with Sedgwick and others. “We still service some of the clients introduced to us by these brokers,” said Mr Thakker. “Many old and strong relations with reputed brokers including Crystal & company have contributed to our growth,” he added.

Peraj is also the recommended broker of many leading international insurers such as Chubb (for 25 years), AXA, Zurich, Allianz and others. The broker now as a healthy ratio between domestic (70-75%) and international business (25-30%) and so is in a great position to really add value to the Brokerslink family.

GEORGIA

Brokerslink expands with Nikoloz Group

Nika Kitiashvili, a highly experienced insurance professional with experience at AIG, Marsh and the Georgian State Insurance Company, launched Nikoloz Group in October 2016 to become only the 22nd insurance broker in Georgia. Mr Kitiashvili is now the proud affiliate for Brokerslink in this rapidly developing nation on the shores of the Black sea and told delegates at the conference in Marrakesh that he is looking forward to working with them all in future.

Mr Kitiashvili explained the great potential for the insurance market in Georgia. The country has a population of some 3.7 million and a GDP growth rate of 2.7 % in 2016 with and expected growth rate of 5% in 2017. GDP per capita is currently US$3,952 and the insurance penetration rate is low at some US$43 per capita in 2016, explained Mr Kitiashvili.

Georgia is now proving to be an attractive tourist destination with over 6 million visitors in 2016. The country enjoyed foreign direct investment of some US$1.6bn in 2016 with the largest investor countries being Azerbaijan, Turkey, China, the UAE, the European Union and the US.

Investment has mainly been directed towards hotels and hospitality, the financial sector, communications, mining, agriculture and transport and logistics, he explained.

The Georgian insurance market is showing a healthy growth rate currently according to official statistics. There are currently 16 insurance companies that are all locally owned apart from GPI Holdings and Irao Insurance Company that are owned by Vienna Insurance Group. The sector generated a total gross written premium of US$170m in 2016 and this represented an impressive 9.5% growth against 2015. Health insurance accounted for 45% of this total, property Insurance 16%, motor 15%, casualty 6.5% and all others took up the remaining 17.5%. Gross reinsurance premium of some US$33m was generated in 2016 according to the Insurance State Supervision Service of Georgia.

Mr Kitiashvili told Brokerslink delegates that there are 22 registered brokers in the country. They are all registered with state insurance regulator but no license is required and errors and omissions insurance is currently not mandatory. There are only two international brokers. These are Willis Towers Watson and MAI.

Mr Kitiashvili launched Nikoloz Group in October of 2016 after leaving his former role as General Representative for AIG in Georgia and Armenia. He is 100% owner of the brokerage that offers the full range of products in the market. After one year of operation he has already placed some US$94,000 of premium in insurance and reinsurance business.

The key strengths offered by Nikoloz to fellow Brokerslink affiliates are Mr Kitiashvili’s 22 years of insurance experience with leading international insurance companies and brokers, experience in claims handling and servicing multinational clients and obviously a deep knowledge of the local market.

New Solutions

Brokerslink launches PoCydon, a new **facility** on cyber risk management and insurance

Brokerslink and specialist cyber risk Lloyd's broker Safeonline have launched a new cyber risk management and insurance facility called PoCydon.

The facility is excusive to Brokerslink and enables the global broking company and its individual broker partners to help meet fast rising demand for the cover from customers.

As PWC reported in its recently published 'Insurance 2020 & beyond' report the potential for cyber insurance is a huge but still largely untapped opportunity for insurers, reinsurers and of course brokers.

It estimates that annual gross written premiums are set to grow from around $2.5bn in 2017 to reach $7.5bn by the end of the decade.

That is a very conservative estimate.

US-based Allied Market Research recently forecast that the global market is expected to garner $14bn by 2022, registering a CAGR of nearly 28% during the period 2016-2022.

This market was born in the US of course and North America still dominates in terms of market share.

But the arrival of new cyber regulations worldwide such as the EU General Data Protection Regulation (GDPR) set to go into effect in May 2018, will spark rapid growth in this market worldwide.

Risk managers across the world say that their colleagues and bosses are rapidly becoming aware of the potential scale of this risk and asking for risk management and transfer solutions.

Demand and awareness of the risk is fast-rising in the mass market too. As Gregory Allard of leading French independent broker and Brokerslink shareholder Filhet Allard points out in this publication, French SMEs are fast waking up to this exposure and seeking solutions.

Brokers and insurers need to respond to this demand with comprehensive cover that meets customers' needs.

PWC states in its report: "Cyber insurance could soon become a client expectation and insurers that are unwilling to embrace it risk losing out on other business if cyber products don't form part of their offering. In the meantime, many insurers face considerable cyber exposures within their technology, errors & omissions, general liability and other existing business lines."

This is exactly why Brokerslink has created and launched its dedicated cyber facility with Safeonliine.

The creation of the PoCydon facility is also a good example of why Brokerslink decided to convert to a shareholder basis. This provides the financial base needed to build and market such facilities and develop the underlying technology needed to back them up.

The new product was unveiled at the annual Brokerslink conference in Marrakesh.

The facility uses London-based global specialty carrier MS Amlin's cyber insurance wording.

This is backed up with active risk monitoring and threat detection services provided by Cyber adAPT, an incident response investigation and analysis delivered by Cyber Scout.

Brokerslink explained that PoCydon is delivered via a modular wording that allows "complete flexibility", depending on client and budget.

Survey's carried out with risk managers find that customers are clearly as interested in the services that increasingly accompany cyber policies as the actual cover itself.

Brokerslink and Safeonline have responded to this need by integrating the front-end detection and prevention element with incident response and breach cover. The cover is provided on a worldwide basis for all Lloyd's-licensed territories.

Corey Gooch, director of business development at Brokerslink, said: "PoCydon is a real breakthrough for the cyber market. As cyber risks have become increasingly diverse and complex, a new and more comprehensive approach to managing cyber as an enterprise risk is needed. We believe we have created this enterprise risk solution in PoCydon, one that brings risk detection and prevention together with insurance as a financial backstop. The PoCydon facility addresses this challenge by providing first-rate incident response and in-depth investigation and analysis, to reduce the likelihood and severity of a cyberattack today and in the future. I have no hesitation in recommending this as a true leading-edge facility to Brokerslink's clients across the globe."

Henry Warner, cyber, media and technology broker at Safeonline, added: "This is an incredibly exciting and unique proposition offered exclusively through Brokerslink. It has been designed to be a market-leading product and offer a holistic approach to cyber risk as opposed to the traditional coverage/response services model. Cyber risk represents a huge threat to a vast number of businesses, but with this threat comes fantastic opportunity for the insurance industry. Put simply, PoCydon offers a market-leading product which not only benefits the client but also addresses legacy barriers to purchase, thus helping Brokerslink support its insurance buyers with greater penetration and protection than was previously attainable."

Meeting customer needs with development of global programmes portal

The demand for insurance programmes that deliver cost-effective, compliant and consistent service for the ever-rising number of companies with cross-border operations has risen remarkably in recent times.

Companies around the world – large and small – are seeking growth opportunities in all regions of the world as globalisation continues. But, they are increasingly aware of the need to manage the risks that come with international expansion and "when possible" transfer them to the insurance markets in an efficient manner.

For this reason, any broker that is serious about delivering a top-quality service to their customers needs to have a global servicing capability, hence the creation of Brokerslink in 2004 and its consistent growth since then.

But the delivery of a global service is not just about building contacts in far flung corners of the world to arrange local coverage when needed.

Serious brokers also need to assure their customers that the coverage is truly compliant, taxes and claims are paid when and where due and provide customers with real-time and accurate information about their programmes.

This is why Brokerslink and Ventiv Technology, the largest global, independent provider of risk, claims and safety software, announced in March 2016 that they have entered into SaaS agreement to deliver a global RMIS Portal.

Paul Bitner, CEO of Brokerslink, gave delegates at the annual meeting in Marrakesh, an update on the development of the portal and its capabilities, underlining again why it made sense for the former network to convert to a global broking company with a dedicated central resource to deliver such critical central services.

Mr Bitner explained that this leading web-based technology helps brokers to analyse their global programmes and assist in strategies to lower customers' overall cost of risk. "This partnership demonstrates our innovation, our drive for growth and our service-oriented approach by providing world class risk technology to our clients," he added.

The RMIS Portal supports global access to claim, exposure and policy data, along with meaningful analytics, to the local broking operations and clients anywhere in the world and gives the Brokerslink community a key advantage over rival independent brokers. It also, critically, means that Brokerslink can now genuinely compete with the big global brokers in a key area of growth, continued Mr Bitner.

Insurance and Africa

in conversation with Youness Rhallam

Youness Rhallam, CEO at Alpha Assurances, one of the largest independent insurance brokers in Morocco, was clearly very proud to be host of the first Brokerslink meeting in the fast-emerging African continent.

During his opening welcome statement at the conference he told fellow affiliates and partners that staging the conference in Morocco was a "strong statement" of Brokerslink's African ambitions.

"This is the first time that Brokerslink has held its meeting in Africa and I am very pleased and proud to be host and chairman for this historic event. I am also very honoured that the event takes place in my home country of Morocco here in Marrakesh. I believe this makes a strong statement about Brokerslink's ambition grow in this increasingly important continent," added Mr Rhallam in interview.

Mr Rhallam, who has been with Alpha for 20 years, was appointed Brokerslink's regional director for Middle East and Africa in 2014. In 2016 joined its board in Zug, Switzerland. Morocco has a long history of insurance and insurance broking and is rapidly becoming the most important market in the continent after South Africa and a hub in particular for North African and French-speaking parts of the continent.

INSURANCE UPTAKE

According to Swiss Re's Sigma analysis, excluding South Africa, Morocco commands some 17% of the African insurance cake with Egypt second with 12%, Kenya third with 10%, Nigeria fourth with 8% and Algeria fourth with 7%. Morocco, with a population of 34 million was Africa's fifth biggest economy in 2015 with gross domestic product of US$101bn just behind Angola.

"Morocco is indeed a big African market for insurance and only second after South Africa. It is a particularly important market for the Europe, Middle East and Africa (EMEA) region and provides a strategic hub for companies that operate across the entire region. We are in a good position to work with our partners in Brokerslink as they and their customers develop their business in this increasingly important region," explained Mr Rhallam.

Morocco's position in the insurance market and potential as a hub for EMEA and wider African business has been helped immensely in recent times by the creation of Casablanca Finance City back in 2010 by the Kingdom of Morocco.

The CFC states that its aim is to be is an "economic and financial hub aspiring to become a bridging platform between the north and the south. It seeks to attract and encourage international institutions and investors to invest and operate in North, West and Central Africa and to choose Casablanca as a gateway to access this region."

It is building an ecosystem based on three core business categories: financial companies, professional services providers and regional or international headquarters of multinationals. Insurance is an important part of this strategy and the CFC is already host to Brokerslink partners such as Allianz, AXA and AIG.

The CFC's legal and financial status gives access to an attractive package of advantages including tax incentives, exchange control facilitation measures and other benefits. Over 100 groups have now booked their CFC status and the number is rising.

Financial centres are, of course, under more scrutiny than ever of course given the international community's effort to control tax evasion and the political fall-out from the Panama Papers scandal and the like. To help underpin its integrity and support growth the CFC wisely joined the Global Financial Centres Index in 2014. In April 2016 CFC was rated as the first African financial centre and 33th international economic hub by this Influential index.

Mr Rhallam clearly sees great potential for Morocco as the wider African economy develops. Demand for risk and insurance management and transfer services is growing on an individual and corporate level much faster than the mature regions of North America and Europe. Alpha, and the other sixteen broker affiliates of Brokerslink in Africa and Middle East (Ivory Coast, Ghana, Nigeria, Egypt, Kenya, Tanzania, Angola, Mozambique, South Africa, Sausi Arabia, Bahrain, Kuwait, Lebanon, Oman, Qatar and U.A.E.) are ready and willing to tap these opportunities for themselves and the rest of the Brokerslink family.

"The potential for growth in the African risk and insurance market is huge and not least here in Morocco," said Mr Rhallam. "This is a more mature market compared with most of Sub Saharan Africa because we have a lot of need for insurance. We have quite a strong economy compared with the rest of Africa and because we are not far from Europe – Spain is only 14km away – there is a big European influence here, the legacy of the French language and tradition of insurance. This places us in a good position to help with the growth and development of the market across the Continent," he added.

The broking market is very old in Morocco and, in recent times, has seen an influx of new competitors and very competitive markets as a result. This development needs to be watched carefully and managed in Mr Rhallam's view because naieve pricing may appear attractive to customers in the short term but in the longer run could lead to problems, particularly when claims are made. Alpha, as with all Brokerslink affiliate brokers, has a strong commitment to quality, service and long-term relationships. A market based on cut-throat pricing clearly does not fit this healthy model.

"There are a lot of new brokers coming in and new competitors. In my opinion we should try and stabilize this market. Before giving new licenses to new operators the regulators need to ask whether this market is big enough currently to justify all these new companies. There need to be strict requirements to obtain a license including professional examinations, adequate experience and knowledge. There needs to be proof of professionalism," explained Mr Rhallam.

and this has generated good new business for us. And as we expand our business and become more pan-African we will be sending business to our other African partners in Brokerslink. This is positive for everyone and proves how the concept really works," said Mr Rhallam..

QUALIFICATION

"I am not asking for a closed market of course but if all these new brokers are not properly qualified then it makes for bad competition that is not healthy. This does not encourage an ethos of service but only price-driven competition which is not in the customer's best interests," added Mr Rhallam.

This spirit of professionalism and service was why Alpha was so pleased to become part of the Brokerslink family, explained Mr Rhallam. "We are very happy to be part of such a wonderful group and the transformation from a network to a global broking company was a further step forwards in professionalism and our ability to offer customers a superior local and global service. Since incorporation I have handed over the role of regional director of MEA but as board member I am responsible for the Brokerslink African Strategy. This is a very exciting time for us all here in Africa," he added.

Youness Rhallam, Alpha Assurances CEO
and 2017 Conference Chairman

Filhet-Allard maintains growth story with Brokerslink support

in conversation with Grégory Allard

Gregory Allard CEO of leading independent French broker Filhet-Allard and chairman of Brokerslink told Adrian Ladbury how his family owned company has managed to deliver consistent and impressive growth during a difficult economic period by delivering a one stop shop service or customers and with the help of the Brokerslink international reach.

Bordeaux, France-based Filhet-Allard & Cie is a classic example of the kind of independent, well connected, innovative but still traditional broker that represents Brokerslink to the outside world.

Gregory Allard, Chairman of Brokerslink and CEO of the French family-owned broker that is ranked number seven in France by premiums under management, explained that the firm has a rich history that stretches back five generations.

The firm initially was focused on marine business and was highly active in French West Africa and the Ivory Coast in particular operating from Bordeaux that was the centre of French trade with its colonies in the 19th and early 20th century.

But as the French colonies gained independence and the marine sector declined in significance the brokerage was forced to adapt if it was to survive and prosper in the new world economy, just as brokers have to today.

Mr Allard explained the process of evolution during an interview in Marrakesh during the recent conference. "Bordeaux declined in economics significance in the post-colonial era and the marine business insurance that was the core of the original Allard family brokerage business was deregulated thus offering more limited opportunities for growth and development. My grandfather and his brother reacted to the changing conditions by buying Filhet, a non-marine broker, to rise to the new economic conditions and this has worked. Non-marine business is now our main activity and we have diversified away from our traditional Bordeaux roots to become the seventh biggest broker in France on a national basis and, of course, able to offer international services to our customers through Brokerslink," he said.

There are plenty of analysts and market commentators out there who like to claim that the future of insurance broking and independent brokers such as Filhet-Allart and its partners within Brokerslink are numbered in the modern global economy where size is supposedly everything.

But this is clearly not the case if the continued success of Filhet-Allard and other European family-owned brokerages that this reporter has come across in recent times is to be used as reliable evidence.

As Mr Allard explained, in 2016 the broker managed to generate commission of some €163m on the back of around E1bn in premiums managed. And, perhaps more importantly given how competitive the business insurance market is currently, the firm also registered commission growth of some 8% in 2016. "We should manage a higher level of growth this year," said Mr Allard.

This comes on the back of an impressive decade of growth during a very tough economic period for the French and global economy. Since 2007 the number of employees has grown from 492 up to 1,050, premiums collected from €550m up to €1.2bn and commissions from just uder €70m up to the current €163m. Not a bad growth story in an era of very challenging markets.

ONE STOP SHOP

So, the obvious question for Mr Allard was: How can a family owned insurance broker manage to achieve such growth in such a competitive market in which the big global listed brokers appear to be struggling for growth. Marsh, for example, recently reported underlying revenue growth for its EMEA broking business of -2% for the third quarter.

The answer, according to Mr Allard is to focus 100% on meeting the customer's needs, supporting that with truly dedicated service and genuinely understanding your markets. In short: Expertise and client focus.

"We position ourselves as a one stop shop where clients have a dedicated team and can find a risk management and insurance solution for all their property and casualty and employee benefits needs, credit and factoring, surety and bonds, marine and hull and affinity schemes. We specialize in a number of important sectors such as aviation, real estate, construction, renewable energies and public procurement. On top of this, we have a full-time risk management team – Praeventia – and a team of five full time risk engineers who devise tailor made solutions. This is available for large and medium sized customers," explained Mr Allard.

For international business Filhet Allard has a recently launched joint venture in Spain with MDS and an operation in the Ivory Coast that was created in 2014 and is the Brokerslink representative in that fast-developing West African nation and region.

The investment in Brokerslink is critical in today's economy because it is necessary to be able to serve customers on a global basis nowadays, according to Mr Allard.

"When we decided to change Brokerslink to move onto a profit basis and sought the investment from the members one asked how much business do we specifically gain from Brokerslink. I replied that I am not interested in the exact numbers but do know very well how much new business we have gained from French customers and how much we have protected because of Brokerslink," said Mr Allard.

The French broker has always been internationally minded having started his career in investment banking in New York in the 1990s. He first came across Jose Manuel Fonseca when Filhert-Allard actually acquired the Lyons-based former French representative of Brokerslink and Mr Allard immediately saw the benefit of being a part of the international group. The significance Mr Allard attaches to Brokerslink as part of Filhet-Allard's strategic plan was proven by the fact that he immediately joined the Brokerslink board.

But what of the future? How can brokers such as Filhet-Allard and its peers within Brokerslink survive and prosper in such a tough local and global operating environment? What will be the keys to success?

"I believe we have a very strong business model. We are 100% family owned with no private equity investment or the like and this means that we are able to have a longer-term view and focus. This enables us to focus a lot on human resources. Our people have a very clear view of the strategy and we strive to provide a vibrant, positive and enjoyable working environment because we make sure that our employees can express themselves providing they keep the team spirit. It is a combination of many things," said Mr Allard.

To help support this team spirit the company organises an annual half day meeting for 400 of the staff every year during which the full

"But what of the future? How can brokers such as Filhet-Allard and its peers within Brokerslink survive and prosper in such a tough local and global operating environment? What will be the keys to success?..."

numbers are presented and projects discussed. The senior team then goes out of meet all the staff in further meetings to make sure everyone feels part of the grander plan. "I think it is important for staff to have confidence in the plan and see their opportunities for growth within that. If they do not then how are they going to transmit this message to the customers. If the employees are happy they get results and take care of the customers," he added.

TAILOR MADE

The demand for more tailor-made solutions from customers of all shapes and sizes is another important element of the changing face of the business insurance market in France as elsewhere in the world and this is why 10 years ago the broker created a dedicated risk management operation – Praeventia – staffed currently by five full time engineers. These engineers form part of the 80 engineers within the full Brokerslink operation and so can also provide a national and international service.

"This team only provide risk management advice not insurance and for a company of our size this is quite a commitment and investment. For us there is a lot of value in this part of the business as quite a lot of work in areas such as asset protection, road safety, health and safety at work, environmental audits and the like can be carried out before a risk is offered to the market. This really helps to optimize the ultimate coverage that is bought while at the same time helping the client mititgate their risk in the first place, devise business continuity plans, carry out risk mapping and the like," explained Mr Allard.

For Mr Allard this really is an investment in the future for Filhet-Allard and for the wider Brokerslink group of companies because those brokers that only offer purely transactional services will struggle to survive in future. The broker really has to add value and help especially mid-sized customers with limited or no dedicated risk management resources in house identify, measure, manager and then transfer their risks, he said.

"The SME market will increasingly rely on packaged solutions delivered via the Internet and based on increasingly sophisticated data analysis. But the medium sized and larger customers demand truly tailor-made solutions. That is why we are a one stop shop. Whatever problems the customer has with risk management and transfer and whatever solutions are needed they can call Filhet-Allard and rely on a specialised and dedicated team to provide the answer," said Mr Allard.

"And in this sense Brokerslink is a real asset for us and since we have become shareholders in the company this really strengthens the relationship. We have the infrastructure and global reach needed to service our customers international needs but still have that close and personal relationship to make it work for everyone," concluded Mr Allard.

Grégory Allard, Filhet-Allard & Cie CEO and Brokerslink Chairman

Multinational programmes – a world of opportunity for growth and revenue

Stephen Morton

Research from AIG suggests that brokers should spend more time discussing the benefits of multinational insurance programmes with mid-market companies. The insurer's evidence reveals a lack of knowledge at mid-sized firms on global programmes but keen interest when they are discussed. It also finds potential tipping points when such companies might decide to make the transition from local to multinational placement.

Stephen Morton, AIG's head of complex multinational accounts for continental Europe, Middle East and Africa, told Brokerslink delegates that there is a lot of untapped interest in multinational programmes from middle-market companies.

His assertion is based on qualitative research carried out by AIG. It conducted interviews with individuals responsible for buying insurance at companies with turnover up to £75m and operations in at least two countries. AIG also spoke to eight brokers that deal with mid-sized businesses to get their views.

The research suggests that discussion over the use of multinational insurance between insured and broker in this market is somewhat lacking.

As Mr Morton explained: "When we discussed global programmes with the interviewees, for many it was the first time they had heard of them and were surprised their brokers hadn't spoken to them about the potential of such programmes. On the other hand, when we spoke to eight brokers they were surprised that the middle market was interested in the multinational programme".

AIG's research also finds that each business has its own unique tipping point when it starts to think about global programmes. This should encourage brokers to continue to stress the merits of multinational programmes to mid-market firms even if they initially don't seem interested, said Mr Morton.

"Don't be put off by a first reflex decision from mid-market clients to stay local: it is worth continuing to pursue the discussion. Firstly, because the mid-market entrepreneurial type likes to have options and understand what they can do. Secondly, the decision to move from local placements to a multinational programme is a very important one that may need time," he said.

Adding: "Remember that the broker is the key enabler and guide in the decision-making process to place local cover or global programmes at middle-market firms. Our research was very clear that trust is the key issue. The middle market clients trust their brokers."

AIG's research shows that decisions over whether to place local or multinational insurance cover are influenced by two ways of thinking described by Nobel Prize winning Danial Kahneman is his book Thinking, Fast and Slow. Firstly, system one thinking, which is fast, automatic, emotional and subconscious. On the other hand, system two thinking is slow, effortful, logical, calculated and conscious. Both influence decision making.

The research by AIG suggests that from an insurance buying perspective system one thinking generally results in keeping things local. Once interviewees started to understand some of the benefits of multinational programmes AIG saw a shift to system two thinking.

"The research points to clearly defined pattern of decision making as we shift from local placements to global programmes," explained Mr Morten.

TIPPING POINTS

AIG's investigation also identified tipping points or triggers that shift mid-market companies' thinking from system one thinking, and local placement, to system two, and multinational programmes.

One of the common tipping points is a formal review of local policy spend. This is often higher than companies realise, said Mr Morton. "In today's costs driven environment, multinational programmes present a good opportunity for economies of scale – this realisation was one of the triggers points," he said.

A desire for greater control from head office and concern that the business has become too reliant on local entities to buy insurance is a second key trigger. Other triggers include growing importance and size of overseas operations, the need to better understand policy limitations pre-loss and Brexit.

Awareness of multinational insurance solutions was low amongst those mid-market companies interviewed by AIG, but they were clearly interested in the concept once it was better explained.

As Mr Morton said: "Following discussion on the topic interviewees started asking questions and began to appreciate the importance of central control, as well as the benefit of understanding the claims that impacted the whole of the organisation and not just the home office. Once they stated to understand the potential for economies of scale their interest perked."

But he stressed that interviewees still wanted reassurance that the centralised model would have the flexibility to enable them to continue their entrepreneurial spirit, while also adhering to local compliance and regulation. Staying local to their network was another a big issue.

Mr Morton believes Brokerslink is perfectly placed to fulfil these desires and drive discussion with mid-market firms on the benefits of multinational programmes.

"Brokerslink provides a great opportunity for our clients. With a network of 98 countries, you can reassure central loss managers that the concept of multinational programmes doesn't mean any loss to central service, contacts and compliance and regulation. You have that ability within your network and are well positioned to offer your clients a valuable alternative to local placement," he said.

Stephen Morton, AIG Europe Limited Head of Complex Multinational Accounts, Continental Europe

Tanguy Touffut, AXA Global Parametrics CEO

Parametric insurance: innovation in the face of climate change

Tanguy Touffut

Insurers have "plenty of levers to fight back" against climate change and help business mitigate associated risks, with parametric insurance a key tool, said Tanguy Touffut, CEO of AXA Global Parametrics.

He told delegates at the Brokerslink annual conference that parametric insurance can deliver a wide range of solutions to protect businesses and individuals, including covering them against US hurricane risk.

Mr Touffut argued that parametric insurance solves many of the problems insurance buyers face with traditional cover. It offers brokers the opportunity to deliver new, tailor-made solutions that pay claims fast, he added.

CLIMATE CHANGE IMPACT

Addressing Brokerslink members, Mr Touffut explained that the 2013 Intergovernmental Panel on Climate Change predicted that the number of hurricanes will reduce globally in the future but there will be more of the most intense storms. In addition, the panel found that the amount of flooding caused by hurricanes will likely increase across the world as they bring more rain and storm surge because sea levels are rising, he added. There are also indications of heavier rainfall in general.

Mr Touffut noted that the world is facing increased frequency and severity of weather anomalies, such as droughts and heat waves, with climate change potentiallywreaking havoc beyond global warming. According to the Economist, extreme weather events are four time more likely to occur today than in 1970, with around 400 taking place each year on average, he said.

Mr Touffut told those gathered in Marrakesh that approximately 80% of economic sectors are impacted by climate change. These range from agriculture, construction and energy firms to the transportation, tourism and food and drink industries.

This leaves many different risks seeking protection, but the nature of climate change is "challenging" traditional insurance, said Mr Touffut. He said that insureds often complain that claims payment takes too long with traditional insurance, cover is too expensive or unavailable in their location, protection not bespoke and claims overly influenced by insurers. He said that parametric solutions can solve all of these problems.

The expert explained that with parametric insurance, claims payment is automatic and received within a few days, cover is cheaper because there are no claims handling costs and insurance is more easily adapted to a customer's budget and risk appetite. In addition, he said that compensation is triggered by independent weather parameters, and that policies are tailor-made and available globally.

Mr Touffut said parametric triggers can range from wind to rainfall or vegetation indices. The parameters are increasingly measured by improving technology, he added.

"Sometimes we use weather stations, but more and more often we use satellite images. There has been a quantum leap in satellites. We get much more granular data. With satellites launched by the European Space Agency we can have resolution of a few meters, so we are able to understand what is going on at a very granular level. Sometimes we are even able to anticipate the loss, which is crucial for risk prevention," said Mr Touffut.

He explained that parametric insurance requires "strong support" from brokers who are critical in the process of adapting protection to their client's needs.

"Parametric insurance is a means to support brokers meeting their clients' needs...almost all weather sensitive sectors can have their solution. Depending on your geography there are different solutions," he told delegates.

He said there is strong demand for parametric catastrophe covers in various regions around the world. In Africa it is often used to protect against drought, while in Europe options include covering sporting events for weather risk. Parametric insurance is already being put to use to protect businesses in US states prone to hurricanes, said Mr Touffut.

OPEN TO INNOVATION

"In the US it differs from one state to another, but usually the cat-prone states, like Florida or Texas, are quite open to innovation because they need to find insurance for the population. So there is less of a regulatory burden and they are trying to find some additional capacity. They also want quick payouts," he said.

Mr Touffut went on to explain that parametric insurance has growing uses beyond protecting against weather. AXA, for example, has recently launched its first live retail product – called fizzy – that combines parametric insurance with blockchain technology and compensates passengers if their flight is delayed.

"We provide algorithmic insurance for delayed flights so customers get compensated automatically and immediately as soon as they land if their flights are delayed for over two hours," explained Mr Touffut.

The future of risk management

Wendy Liu

Future, effective risk management requires a holistic approach and risk managers playing a central role in strategic planning, according to Wendy Liu, Zurich Global Employee Benefits Solutions.

Ms Liu's presentation at the Brokerslink annual conference was set against the backdrop of the World Economic Forum's (WEF) Global Risk Report 2017. The WEF's latest annual report, published this January affirmed the findings of the previous year's report.

She explained that in recent years, societal, geopolitical and environmental threats have supplanted economic issues as top risks in the annual WEF Global Risk Report. She went on to say that risks are increasingly interconnected, which amplifies their potential global impact.

Ms Liu said there are four overarching trends impacting global risks. These are: climate change, ageing populations, increasing polarisation of societies and rising income and wealth disparity.

Wendy Liu, Zurich Head of Global Employee Benefits **Solutions**

In her speech, entitled The Future of Risk Management, Ms Liu said a holistic risk management approach is needed to respond to today's global risk landscape. At company level, this needs to be driven by the c-suite, with risk managers involved in setting strategy, she continued.

COOPERATION

Ms Liu said the risk management response "must start in the c-suite" and then be carried out throughout an entire company or organisation.

"When we look at global risks...the interconnectivity of different risks is very important because the impact is global."

Therefore, when we look at different risks, whether its climate change risks or social risks, we need to look at things holistically," Ms Liu told delegates.

"When you bring it down to individual company level, we need to look at holistic risk management playing a very crucial role at the centre of strategic planning. Business needs to understand the different trends and scenarios to prepare for the possible consequences. We need to use data, insight and analytic tools to bring risk management to the centre of strategic planning and use tools such as scenario planning to link different risk factors to business impact," she continued.

Ms Liu said that global risk has huge impact on business, both at operational and strategic level. Therefore, the risk management response "must start in the c-suite" and then be carried out throughout an entire company or organisation, she added.

While risk is often viewed negatively, it is imperative that companies and governments also focus on the potential upsides, Ms Liu said.

—Ben Norris

MGA: evolution or revolution

Gary Corke

Managing general agents (MGAs) will align with alternative capital as the evolution underway in the MGA sector continues, and more and more insurance business will be placed through such channels, according to Gary Corke, CEO of Globe Underwriting (part of the Ed Broking Group). Addressing the Brokerslink annual conference in Marrakesh, he also predicted that MGAs will increasingly be used beyond Lloyd's, as well as by international captive cell companies.

Mr Corke believes the trend, that has seen more insurance placed via MGAs, is a natural process that will continue apace.

He said some observers believe as many as 50 MGAs may hit the market in the next 12 months. Mr Corke pointed out that there are many more MGAs in existence today than three years ago with this trend set to continue. "MGAs will get more market share. I fundamentally believe that," he said.

"It's very much evolution. It's a natural process that will see more and more MGA activity. It is also part of the natural process that more and more of that activity will be outside the realms of Lloyd's. It is predictable that brokers will feed more and more business into an MGA environment," said Mr Corke, who is responsible for managing the MGAs within the Ed Broking Group across the world.

He also predicts that MGAs will have binders into international captive cell companies going forward and that they will hook up with alternative capital.

"One thing is for sure: every time a world event happens, alternative capital will come along in the form of a new location – we saw Bermuda come up a few years ago – or in the form of new money. There will be binders into alternative capital in the future in some locations," he argued.

"None of these things should surprise you or scare you, none of these things should shock you. However, they are going to happen faster, faster and faster. The amount of business brokers place in the next year, or the next two or three years, will have to satisfy the needs of customers and the MGA route will be the natural fit for a lot of it," Mr Corke told delegates.

He reached out to Brokerslink members and made two promises on behalf of his businesses.

Firstly, whenever a member of Mr Corke's team travels to one of the countries in which a Brokerslink member is operating, they will meet with the local representative. Secondly, if a Brokerslink member believes it has a good business case for any venture, he will listen and look to see how he can work with them.

—Ben Norris

Jonathan Prinn, ED Group Head of Broking

Intermediaries of the future *Jonathan Prinn*

Risk transfer intermediaries of the future must "massively" reduce their costs, while simultaneously making money from alternative sources such as giving advice rather than transacting insurance and using innovation to work on emerging risk, according to Jonathan Prinn, Group Head of Broking at Ed.

Delivering this message to the Brokerslink conference in Marrakesh, Mr Prinn said: "Intermediaries of the future from an insurance and reinsurance perspective are going to be heavily focussed around innovation and not selling products. For many of our clients it is much more about advice. Data processing and digital technology is going to be fundamental going forward. I think the insurance industry can probably do a better job when it comes to technology. And we need to make a massive cost reduction. We as intermediaries have to start focussing on costs, how we can reduce our own costs and reduce our carriers' costs. We have to do that for the sake of our industry."

Mr Prinn said the insurance industry is failing to make money with 30% of its costs down to distribution. "The intermediary of the future has to address that cost base," he argued.

Using Lloyd's as a benchmark for the insurance industry as a whole, he explained that the market's combined ratio in the first six months of 2017 (therefore excluding the catastrophe losses of Q3&4) was 96%. Once wage inflation is added for long tail risks this means the whole Lloyd's market doesn't make any money, said Mr Prinn. And the biggest factor in its costs? Distribution.

"Let's be very realistic that the market is not making any money. What is the largest share of that combined ratio? It is the distribution costs. It is broadly broken down to about 30% commission, with about 12% in other underwriting costs. So, of the combined ratio of about 97%, 40% is costs of which 30% is for us," said Mr Prinn.

He pointed to other intermediaries that charge far less than insurance and reinsurance brokers. "MasterCard charges 1.3%, for online hotel travel intermediaries it's 3%, estate agents 0.75% to 3% on average globally, Amazon Seller Pro 12% to 15% and EBay 9%. We were 30%," said Mr Prinn.

He added that Apple Pay, which is going to fundamentally change the world and get rid of paper money, is free to use. "They do it because it is another reason to buy their devices. This shows the importance of getting paid for service in another way," said Mr Prinn.

Earlier in his Intermediaries of the Future presentation, the broker explained how the whole risk transfer value chain is under threat and being taken apart.

The existing chain of clients going through a retailer, wholesaler or an MGA is "fundamentally being blown up", said Mr Prinn. He said there are lots of examples of this, pointing to Nephila that used to sit third party capital behind reinsurance companies but has done an "amazing job" of jumping up the line towards the client.

He explained that some of the largest and smallest Lloyd's syndicates now have online tools that allow them to bypass the broker and go straight to clients. "So there is huge change in the distribution and huge change in the traditional value chain. This has to effect intermediaries of the future," said Mr Prinn.

He also stressed that clients will increasingly see less value in placement of insurance. He pointed to a PwC survey in 2014 that showed that less than half of clients valued placement of cover.

"The transaction will become a given. Yes we can mitigate risk by placing it into the insurance and reinsurance market, but it will not be the primary driver of the relationship as it was in the past," said Mr Prinn.

The broker also discussed a future power shift that will allow clients to better understand and place standardised risks.

"The power is going to shift in the future to our clients for standardised risk. You can already trade future cat risk and buy hurricane insurance as you see one coming in in real time. So as the world gets more connected, goes more online and the pace of change continues to accelerate, unquestionably clients are going to understand their standard property and casualty risks better," he said.

However, clients will still need help with emerging risks, and this is where future insurance brokers should concentrate, said Mr Prinn.

"If standardised risks are going to go more in favour of the clients as they improve understanding, our model needs to evolve to work with, and comment on, emerging risks. Unquestionably, analytical expertise and industry experts will be needed. The question needs to change from 'can I help with your traditional insurance?' to 'can I help with you with your risk?'," he told fellow brokers.

—Ben Norris

Conference Marketplace

One of the unique features of Brokerslink Global Annual Conference is the Marketplace that allows our sponsors to showcase their companies and offerings in a large & convivial space, always located next to the conference auditorium. It is an ideal opportunity to network and engage with our participants, including Brokerslink partners & affiliates, risk managers and guests. The marketplace is open all day during the second day of the conference, and is strategically located to attract our attendees during the conference social moments: coffee breaks, lunch and in the evening.

It has become a must place to visit during Brokerslink conference, with a friendly and dynamic atmosphere where everyone enjoys meeting, talking, sharing ideas, good laughs or business opportunities.

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