



RECAP

INSURANCE LEADERSHIP FORUM



October 11- 15, 2014

► Conference Summary

The 101st Insurance Leadership Forum, held Oct. 11-15 at The Broadmoor in Colorado Springs, was attended by a record-high 922 delegates comprised of 50% broker executives and 45% carrier company executives. Prevailing themes and topics of conversation included cyber security, geopolitical risks, FATCA, talent as a growth driver, leveraging data analytics, and industry regulations. Below are some highlights.

BY THE NUMBERS:

922

TOTAL
ATTENDEES

472

CIAB ATTENDEES/
142 FIRMS

405

CICE ATTENDEES /
60 COMPANIES

45

OTHER
(SPONSORS, GUESTS)

92

INTERNATIONAL
ATTENDEES / 18 COUNTRIES

17

NEW MEMBER
FIRMS

► Keynote Speakers



Hillary Rodham Clinton
Former Secretary of State



General David Petraeus
(U.S. Army, Ret.)



Doris Kearns Goodwin
*Former Presidential Historian
& Pulitzer Prize Winner*

Global

► International Roundtable: Competing & Growing in a Global Market

Hosted by the International Working Group

Featured Speaker:

Dan Riordan, *CEO, Zurich Global Corporate, North America*

SUMMARY:

Dan Riordan, CEO of Zurich Global Corporate of North America, kicked things off with a presentation outlining trends in global products, emerging growth markets and companies' challenges in cross-border business. Over the last several quarters, economic indicators suggest that the U.S., UK and some EU economies continue to stabilize, although global economic growth remains fragile. At the same time, emerging economies collectively became a major recipient of foreign investment and recorded the fastest economic growth. After the presentation, participants continued the discussion in breakout sessions on various topics, including global cyber security, regulatory compliance challenges, insurance contracts, and talent as a growth driver.

RIORDAN KEY POINTS:

- With growth of international trade and private investment by multinational corporations, demand for international insurance programs has also increased.
- Despite globalization, industry regulations have become more locally-focused and fragmented.
- Tools and knowledge of risks create challenges for customer and business opportunities for brokers and insurers in helping navigate regulatory environments, data and technology, and geopolitical instability.
- Disruptive technologies and increased cyber attacks have become more of a norm. The good news is that these developments result in a growing, more sophisticated cyber security market, and companies become mindful of these risks.
- Instability shakes companies' confidence in global opportunities, but companies with existing risk management protocols are well positioned to benefit. The manufacturing renaissance in the U.S. and global infrastructure development open additional horizons for business expansion, with over \$57 trillion required to maintain infrastructure up to par over the next 20 years.
- Geopolitical, regulatory and technological developments will be even less certain in the coming years, which make holistic risk assessment and management essential for growth and success.

GROUP BREAKOUT KEY POINTS:

Cyber Security in the Global Marketplace

- In the wake of a rash of high-profile security breaches, the U.S. is seeing a strengthening cyber insurance marketplace, while overseas it remains less noisy on this front (for now).
- Up-to-date, high quality data can be hard to obtain.
- Most, if not all, jurisdictions treat cyber security differently. Some have their own compliance rules regarding how and when breaches should be reported and how to mitigate cyber damages.
- No federal standards have been developed in the U.S. or globally, and when doing business cross-border, companies can unintentionally violate overseas regulations.
- When it comes to excess and surplus lines, companies face the same lack of uniformity on the state level.
- Participants suggested facilitating brokers' regulatory compliance and understanding of the cyber security market through a clearinghouse of cyber security rules, requirements and practices in various jurisdictions, as well as maps of cyber events and threats.

Regulatory Compliance Challenges

- Regulatory compliance varies widely among jurisdictions.
- The amount of data required to meet regulatory compliance rules in any given country is immense.
- Brokers often cannot afford the resources needed to manage compliance, and therefore must use outside sources; however, these systems are complex and often incomplete.
- Most brokers simply do not have the staff or capability to stay on top of international compliance issues. This is an enormous challenge for brokers working on cross-border placements.
- Participants suggested that The Council host webinars and/or training programs on these issues for brokers operating in different countries.



Industry

► **Industry Town Hall: CEO Perspectives on Influencers Driving the Insurance Industry**

Facilitator:

Mark Drummond Brady, *Deputy Group CEO, Risk & Insurance, JLT Specialty Insurance Services Inc.*

Panelists:

Inga Beale, *CEO, Lloyd's*

David Long, *Chairman & CEO, Liberty Mutual Insurance*

Peter Hancock, *President & CEO, AIG*

SUMMARY:

Industry heavy hitters Inga Beale of Lloyd's, David Long of Liberty Mutual and Peter Hancock of AIG joined JLT's Mark Drummond Brady for a fruitful discussion on everything from technology and data analytics to industry regulations, cyber security, industry consolidation and more.

KEY POINTS:

New Capital: "Perhaps the focus should be on pricing rather than soft and hard market analysis."

- New money is responsible for fundamental change in the market and certain performance expectations, but it has also dragged down the return on capital. At the same time, new money can help address the issue of underinsurance globally. There are still many risks that are not covered.
- We may see the focus move from investment risks to underinsurance risks, but we also require an increased awareness of these risks.

Industry Regulations: "While we are looking for regulatory solutions, we must see the system as a whole."

- It is not the question of too many or too little regulations: we need to view it as what makes sense. How much capital does a company need? The idea of excess reserve capital and a 'one size fits all' approach are wrong.
- We need to ensure a level playing field as regulations are implemented; refocus on helping the crisis and better interconnectedness.

Distribution: "Personal relationships are critical for brokers to grow and innovate."

- There is room for greater education of customers and a great need for innovation and data that help underwriters.
- There should be an open and transparent lane of communication with clients.

Technology & Data Analytics: "We need to think of data as a new tool."

- The challenge for the industry is how firms structure data. Technology is moving fast, but the industry is somewhat behind the rest.
- Carriers have become better at pricing. The issue now is a tendency to collect and store every piece of data. Insurance companies are still not on the cutting edge. How we price, advertise, how we interact with customers – these issues are covered by data analytics.

Geopolitical Risk: "We have entered a period of instability."

- These trends create challenges and opportunities.
- We have not seen so many activities involving political risks – a result of the lack of respect for traditional global leadership.

Cyber: "There is much room for growth and innovation."

- It is a holistic risk management issue, not just an IT concern, because companies from all sectors are exposed.
- The perception of risk is evolving. Some clients do not even know that they have been attacked, so knowledge is essential.
- Cyber security is a serious problem that has been hijacked by people with a political agenda without valid data to support it.

Marketing to Millennials: "The occupation should be more attractive."

- Millennials want more than just a job, they want a challenge and an opportunity to make a difference, leave a mark and give back to the community.
- We've gotten better at deploying people to explore risks, but we still need to do a better job to attract new, young brain power. We need to obtain more HR data on diverse ways of employing millennials.

Industry Consolidation: "Companies' search for talent and efficiency drives consolidation."

- Less restriction to promote consolidation.
- Consolidation increases efficiency, but reduces choices.
- Due to competition we see companies using data as an effective tool to address clients' needs at a reasonable price.





Handicapping the 2014 Midterm Elections with Joel Wood & Joel Kopperud

SUMMARY:

The Council's lobbyists, Joel Wood and Joel Kopperud, handicapped the November midterm elections and analyzed the impact their results would have on TRIA reauthorization, NARAB, health care reform and the 114th Congress.

KEY POINTS:

- Control of the United States Senate is up for grabs and looks increasingly likely to flip to the GOP.
- Tax reform and renewed budget negotiations between the Administration and a Republican Congress open the door for a tax on employer-provided benefits.
- TRIA and NARAB are on the path for passage before the 114th Congress is sworn in, but a Republican win in the Senate would present new politics before year's end.
- Our industry is poised to face significant changes over the next two years leading into the 2016 presidential election.

“The TRIA bill is a typical case study of the least productive Congress in history. It's a very high-stakes game of *chicken* right now.”

- Joel Wood

“Can anything get done in the final two years of the Obama Administration?”

- Joel Kopperud

RECOMMENDATIONS:

- Tune in for our pre-election webinar, **Predictions & Prophecies at the Polls**, on **Monday, Nov. 3 at 11:00 a.m. ET**. Give us 60 minutes and we'll give you the inside track on what the outcomes may mean for our industry.

Executive Forum

Views From the Front Lines of the Data Analytics Revolution

Facilitator:

Chris Gagnon, *Director of Strategic Technology, The Council*

Panelists:

Dax Craig, *President & CEO, Vallen Analytics*
Adam Kagan, *Chief Sales & Marketing Officer, RiskMatch*

SUMMARY:

The industry is not moving fast enough on data analytics. While “insurance” is the number one search term on Google (no joke), we’re just beginning to feel some momentum on data analytics in the last two years. It is said time and again that using data and analytics is a competitive advantage, but we need to start showing examples of how firms are using it in an advantageous way.

KEY POINTS:

- Brokerage firms have to have a culture that believes in the data.
- Your firm has to define who needs to drive this topic/issue within the firm. It's an organizational decision.
- When thinking about transitioning your agency into a data-driven organization, it's important to think about staffing. Can your staff adapt to and act on insight derived from data even if the insight is counterintuitive?

RECOMMENDATIONS:

Begin asking questions, such as:

- Why do brokers need to care about data and analytics?
- Will they provide a return?
- How does a firm define operational readiness, and what does it look like?
- Does the firm have a problem or does the client have a problem that the broker is trying to solve?
- This topic will be revisited in depth during The Council's Working Groups Summit at our annual **Legislative Leadership Summit, Feb. 9 - 12, in Washington, D.C.**

► Executive Forum Are Your Producer Hires Supporting Your Growth?

Presenters:

Bobby Reagan, *CEO, Reagan Consulting*
Kevin Stipe, *Reagan Consulting*

SUMMARY:

Don't take this the wrong way, but industry professionals are aging. Whether looking at the average age of shareholders or producers' ages relative to size of book of business, hiring is simply not keeping up with aging. This session examined the results of the latest Reagan Consulting study, "Producer Recruiting & Development: Getting the Attention It Deserves – Achieving the Results You Need." Note that in addition to looking at new hires, the study also looked at producers hired within five years.

KEY POINTS:

- One-third of business is controlled by people over the age of 56.
- Effects on M&A: Firms sell because they can't perpetuate internally, transactions occur because of lack of hiring.
- 55% - 60% of firms are under-hiring and can't sustain firm objectives for growth and profitability
- Brokerages are hiring 55% of new producers from within the industry.
- About 1/3 of hired are new blood outside the industry, but this is not enough new blood to replace retiring producers.
- The industry is shifting towards more female hires. Employee benefits and personal lines are leading the charge with personal lines hires at 55% female and 45% male, and EB at 26% female to 74% male – versus commercial lines at 15% female and 85% male. Overall success rates are actually slightly higher for females.
- Healthy firms control their destiny.

“Success and long-term independence hinge on a brokerage's ability to recruit and develop talent.”

- Kevin Stipe

SIX SUCCESS FACTORS OF TOP PERFORMING FIRMS:

- 1. DEFINE HIRING NEEDS BASED ON:**
 - *Sales velocity* – the percent calculated by dividing a year's total new business by the prior year's total commissions and fees
 - *Generational Capacity* – the number of producers in each age band, volume of business controlled by each age band and contribution to new business (sales velocity) in each band.
- 2. DETERMINE WHO TO HIRE**
 - Percentage of female hires is growing
- 3. BUILD CANDIDATE POOL**
 - Successful agencies invest in the development of talent
- 4. EVALUATING THE ABILITY TO SELECT WINNERS/PREDICT WHO WILL BE SUCCESSFUL:**
 - Internships have shown to increase success rate
- 5. MAXIMIZING SUCCESS OF THOSE HIRED:**
 - Invest in talent development
 - Require producers to specialize
 - Encourage team selling
 - Mentoring is extremely important
- 6. OWNING & LEADING STRATEGY:**
 - Elevating and promoting producer recruiting and development improves leadership

RECOMMENDATIONS:

- Conduct a self-assessment of firm.
- Develop a plan for the six areas outlined above.
- Treat it like your future depends on it (because it does!)



Our @IronshoreInc execs are thrilled to be at @TheBroadmoor & looking forward to constructive meetings & events at @TheCIAB's #2014ILF.

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FAVORITE
1



7:03 AM - 10 Oct 2014



@TheCIAB @Carmen_Duarte @JenZNA . This was my first ILF (i'm a new member). It was fantastic and a great use of my time. Kudos to Staff!

← ↻ ☆ ...

FAVORITES
2



8:24 AM - 15 Oct 2014



Another great ILF wrapped up! Well done CIAB! #ILF14 best meeting in the business!!

← ↻ ☆ ...

FAVORITE
1



2:56 PM - 16 Oct 2014



@TheCIAB Thanks for hosting a great #2014ILF conference and yes, looking forward to #2015ILF

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FAVORITE
1



8:12 AM - 15 Oct 2014



Dan Riordan @theciab Int'l #2014ifl roundtable says prospects for growth in US is phenomenal especially in Energy

← ↻ ☆ ...

2:27 PM - 12 Oct 2014



Progress depends on being able to take risk @HillaryClinton thanks the insurance industry during keynote remarks #2014ILF @TheCIAB

← ↻ ☆ ...

10:18 AM - 13 Oct 2014



FAME SILENT AUCTION

Thank you to all who participated in the FAME Silent Auction. **We sold 90 items and raised more than \$55,000!**



MARK YOUR CALENDARS

The 2015 Insurance Leadership Forum will be held Oct. 3-7 at The Broadmoor in Colorado Springs. Hope to see you there!

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