

# Up.

2018/19

UNIQUE PERSPECTIVES  
FROM OUR WORLD



**Liberty**  
Specialty Markets





**Matthew Moore**  
President & Managing Director

#### Welcome to the inaugural issue of *Up*.

At Liberty Specialty Markets, we believe each of us has a unique perspective, shaped by our different business backgrounds, personalities, life experiences, beliefs and many other dimensions of differences. We recognise and encourage these values.

*Up* is our annual publication in which we share unique perspectives from our world, in the form of a range of thought-provoking articles that showcase different viewpoints.

On the following pages, we delve into *Why art fairs put good underwriting on display*, examine *The Amazon paradox*, and look to *Lebanon: where big decisions rest on tiny details*, amongst other illuminating topics.

We hope our unique perspectives inspire you, help inform your decision-making and, in turn, improve business outcomes.

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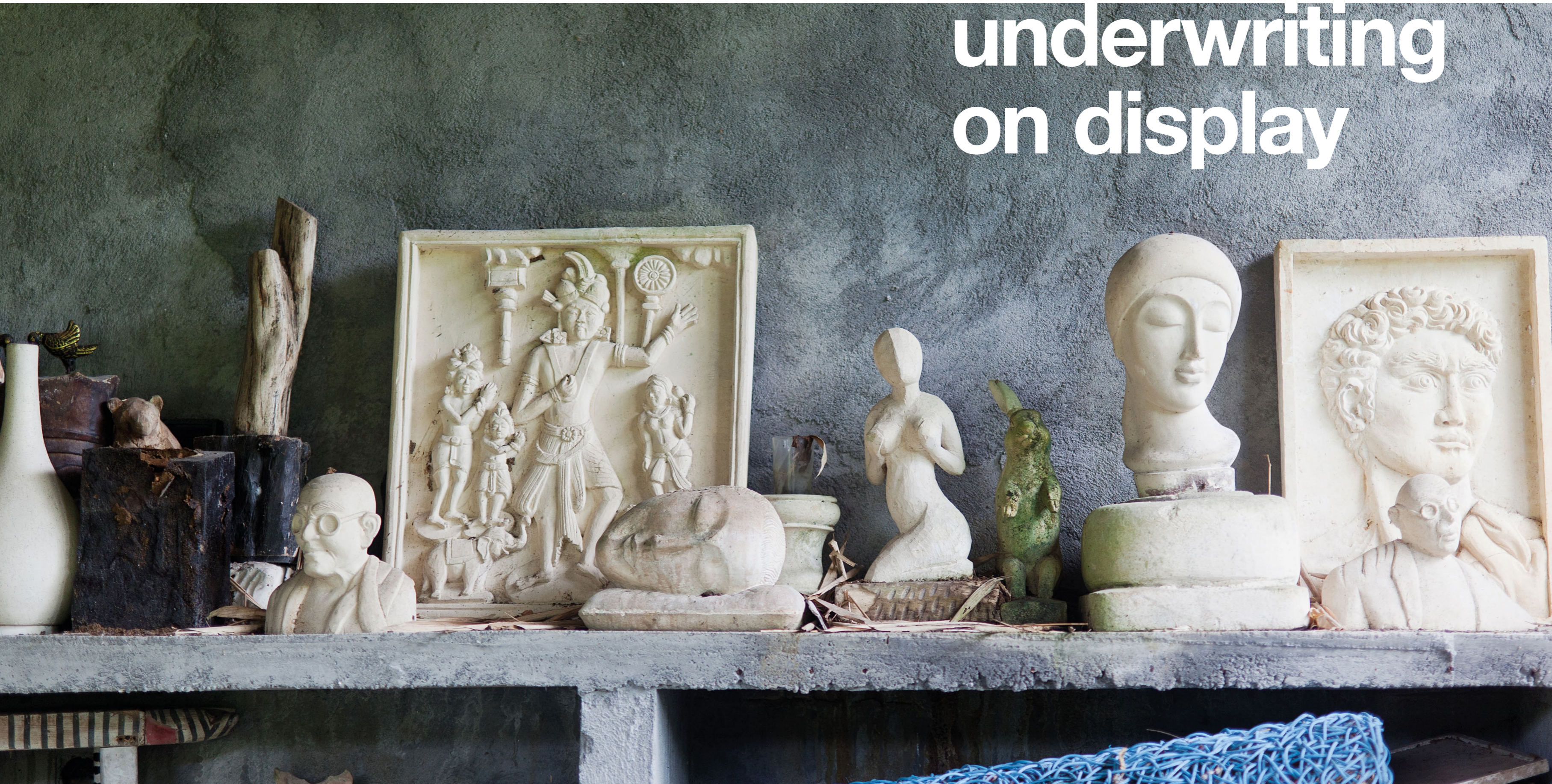
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# Why art fairs put good underwriting on display



They represent a significant accumulation of risk as up to

# \$3-4 bn

worth of fine art is brought together in a single venue, which is then thrown open to the public.



## The jewels in the crown

Major fine art fairs like TEFAF and Art Basel are, in many respects, the jewels in the crown of the European fine art market.

These events are the highlight of the sales calendar, bringing together galleries and artists from right across the continent. For the buyer, they are the pre-eminent opportunity to see the most sought-after contemporary and established works of art available; but for the insurer, they represent a significant accumulation of risk as up to \$3 billion - \$4 billion worth of fine art is brought together in a single venue, which is then thrown open to the public.

Each year, I make a point of visiting 10-14 art fairs across Europe – from the largest to smaller, more local fairs like Cologne Fine Art and Antiques, ArtVerona and the Brussels Art Fair. The business model is simple: the fair's organiser rents space to galleries who exhibit their works to potential buyers. The greater the number of buyers attracted to the event, the more galleries want to be part of the fair.



## Art fairs are retail events

The key thing to understand is that art fairs are retail events. Jewellery fairs, by contrast, are where manufacturers exhibit their latest lines to their wholesalers. But at art fairs like TEFAF Maastricht or Art Basel, private collectors, museums and thousands of members of the public are in close proximity with up to 35,000 items for sale. In 2017, TEFAF's organisers estimated that the event attracted more than 10,000 collectors and institutional representatives during preview day, in addition to over 7,000 visitors on the first public day of the fair.

2018 saw 278 galleries exhibit, many from the Netherlands, Germany and Switzerland. These are the kind of statistics that make any fine art underwriter a little anxious – and not without good reason.

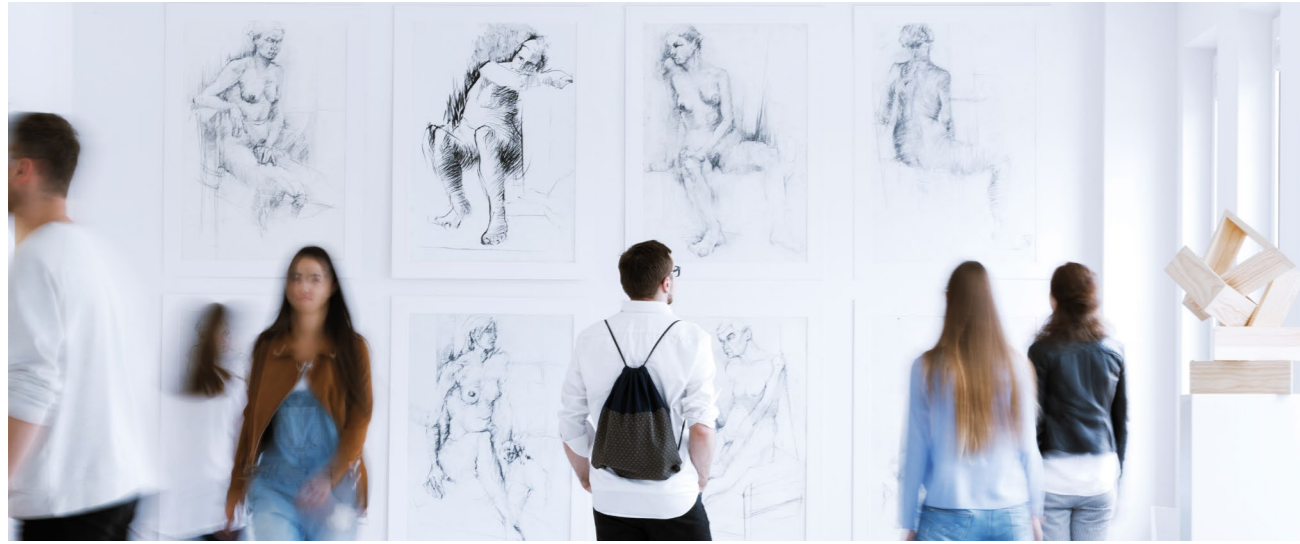
In 2004, Manege, a major exhibition hall in Moscow, was gutted by a fire that killed two fire fighters and destroyed the building's roof.

Art fairs present a significant risk but, for a proactive insurer like Liberty Specialty Markets, an opportunity.

Last year, fire broke out in the exhibition venue due to be used for the Viennacontemporary fair just two to three weeks before its opening. It was touch and go whether the event would be able to take place at all. On a personal note, I've seen first-hand the results of a well-known sculptor's work being trampled on at an art fair, leaving visible cracks.

Aggregation of risk is the concern forefront in our underwriters' thoughts but it's certainly not the only one. As a major art insurer, Liberty Specialty Markets will have multiple galleries exhibiting at the same event, so a large fire could trigger multiple claims.

Transportation of the art is another concern. Thousands of valuable works will be shipped by air, road, rail and occasionally sea, exposing the art to vibration, sudden shocks and handling errors. Finally, there's the public to consider: thousands of people crowding around works of art, many failing to resist the temptation to reach out and touch.



The key is to understand which clients will be exhibiting at which events and to know precisely which works of art are being taken.

#### Levels of granularity

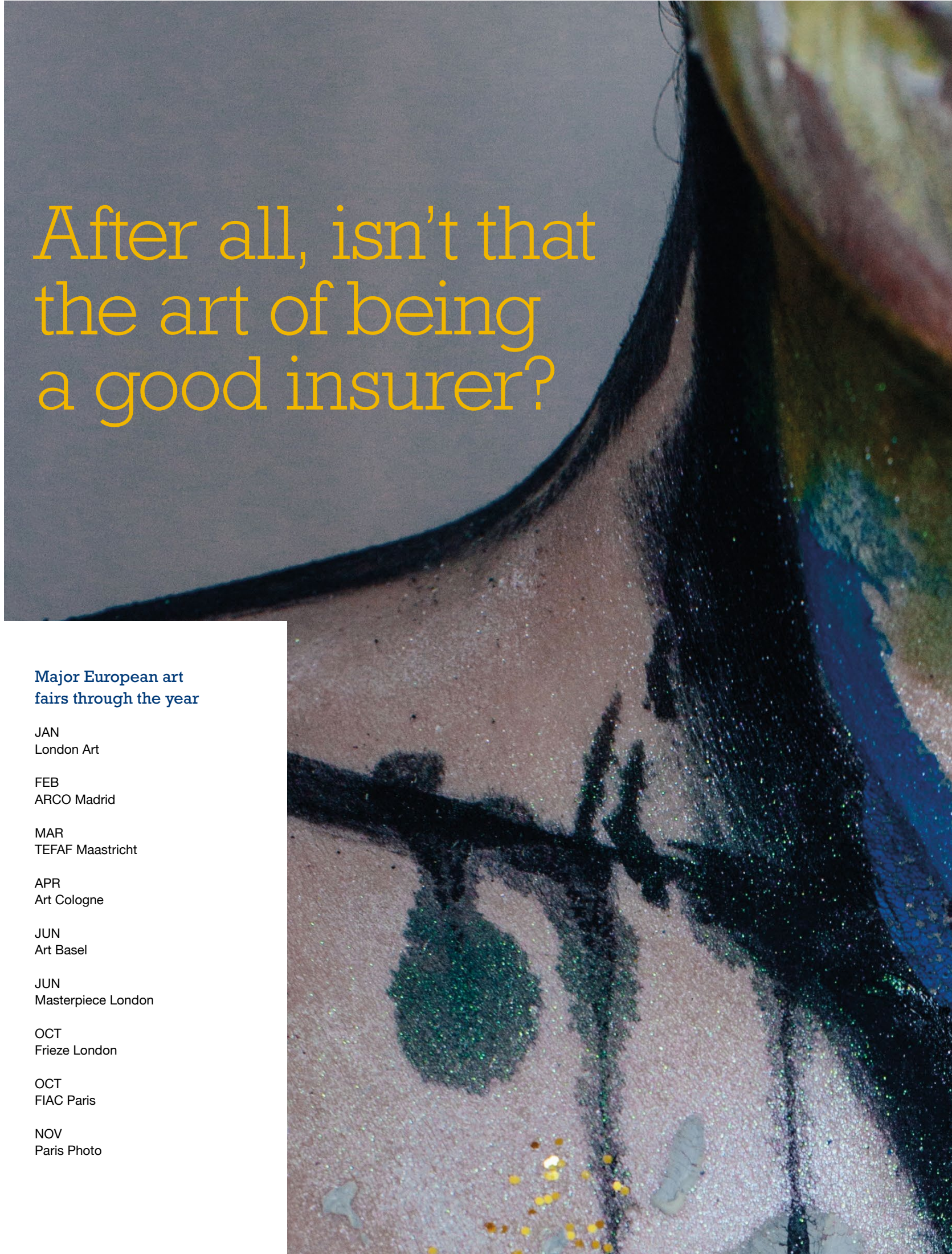
As part of our annual underwriting process, galleries declare where they intend to show and, closer to the date, provide detailed lists of the items they intend to display. This gives our underwriters the level of granularity needed in order to make adjustments to the cover provided, if necessary, such as introducing sub-limits or adjusting premiums. Administratively, we appreciate this can be taxing for the galleries: the list of works may be changed and changed again as the date of the fair approaches. Our aim is to be as flexible as possible and to work with them in implementing insurance solutions according to their needs.

It's important to remember that galleries are commercial entities so there may be a temptation to cut costs on transportation arrangements. A professional shipping company should be used with adequate packaging and crates that insulate the art from shocks as much as possible. We avoid transportation by sea as it's considerably harder to manage the process and, importantly, the relatively high value of art means an art insurer could find themselves facing an extremely high charge if a general average was declared if the vessel was in jeopardy. Perhaps worse, imagine the sacrifice of cargo in an emergency, which could be a quite scary scenario. Mercifully, deliberate damage to works displayed at an art fair is extremely rare. Deliberate attacks more commonly take place when art is displayed in public spaces

or galleries. While the global market for fine art waxes and wanes with the health of the economy, the number of fine art fairs has increased over the years. By my reckoning there is an art fair happening roughly every week of the year, of varying size, ambition and reputation.

The importance of these fairs to the health of the market should not be underestimated. Research carried out a few years ago showed that around 80%-85% of a fine art insurer's existing or potential client base will attend Art Basel at some point in their career.

Art fairs present a significant risk but, for a proactive insurer like Liberty Specialty Markets, an opportunity. On the one hand, they offer the chance to visit an event and network with the great and the good of the art community; on the other, they allow us to show to our gallery clients and their brokers just how much of an enabler we can be when policyholders need us to respond flexibly and fast. ■



After all, isn't that  
the art of being  
a good insurer?

#### Major European art fairs through the year

JAN  
London Art

FEB  
ARCO Madrid

MAR  
TEFAF Maastricht

APR  
Art Cologne

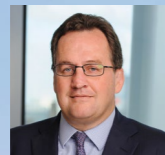
JUN  
Art Basel

JUN  
Masterpiece London

OCT  
Frieze London

OCT  
FIAC Paris

NOV  
Paris Photo




Stuart Sutherland  
Head of Casualty Lines  
*London*

# Time to think

Insurers are guilty of spending too much time looking inwards at their own industry rather than outwards at their customers. This, argues Stuart Sutherland, Head of Casualty Lines, has led to rigid thinking and a blinkered view – but change is possible.

# the unthinkable





The greater our ability to experience a challenge from differing perspectives, the greater our chance of finding a workable solution.

Dyslexia is seen by many people as a handicap – a neural aberration that creates difficulties with reading, writing and spelling. Not Richard Branson. Writing earlier this year, Branson, himself dyslexic, attributed his success in no small part to his 'learning difficulty'. *"Dyslexia is not a disadvantage,"* said the Virgin founder and self-made billionaire, *"it is merely a different way of thinking."* Once away from his 'archaic' school, Branson turned the tables: *"Dyslexia became my massive advantage: it helped me to think creatively and laterally, and see solutions where others saw problems."*

The example of Branson shows just how important perspective and mental flexibility are to achieving success. Business coaches have built an entire industry developing mental tools to help business leaders solve problems by exploring perspectives.

In short, the greater our ability to experience a challenge from differing perspectives, the greater our chance of finding a workable solution. Now, by way of contrast, consider an insurance company operating in the UK and European markets – a business entrenched in well-trodden practices, surrounded by competitors and several steps removed from its end-customer.

Is it any wonder that its world view is shaped by its inner workings rather than the experience of its policyholders?

Here's an example of that dogmatic world view. Our customers don't think in terms of property and casualty risks, UK and European or Lloyd's and company markets. They don't see risks in silos or use our jargon. Why should they? No other industry expects its clients to frame their needs in terms of the products it wants them to buy or where they should buy them.

And yet we do. We insist on shaping products and services based on our perspective rather than our clients'. This is why it's so vital that the insurance industry modernises in order to stay relevant. Thankfully, few would disagree that the sector is ripe for change. 2016's enactment of the Insurance Act forced the pace by creating a fairer balance between policyholder and insurer, driving higher expectations in terms of what and how information should be shared.

The risk management profession has long bemoaned its lack of access to boardrooms, but even within risk-managed multinationals, it is frequently C-suite executives who make insurance purchases today as challenges become more complex and inter-connected. We are experiencing a dizzying array of both macro and micro economic, regulatory and systemic changes that have rendered the traditional specialist and siloed approaches to risk unfit for purpose.

**Change is the answer, but not just any change.**

We need change that's driven by customer-centric thinking, as opposed to a reflexive desire to achieve compliance and stem the potential for damaging litigation. This is why I want Liberty Specialty Markets to be at the vanguard of this thinking, offering brokers and our respective clients a unique perspective and a truly clear rationale for choosing us above all others.

Our customers don't think in terms of property and casualty risks, UK and European or Lloyd's and company markets. They don't see risks in silos or use our jargon.

Combine P&C to respond to sector needs

Clients' boards are taking an increasingly holistic view of the risks to which their businesses are exposed, so they need insurance providers to do the same. This is why I'm advocating that Liberty Specialty Markets should combine its traditional property and casualty offering into one seamless insurance solution tailored for the industry sectors across multiple territories in which we specialise.

Ultimately, I want our underwriters, risk engineers and claims specialists to be able to have any conversation on any risk with brokers and clients. It's up to us to deliver a joined-up response. Of course, this is how the professional services industry has worked for many years. For example, rather than promoting auditing or dispute resolution services, accountants and lawyers have long gone to market on an industry sector basis, focussing on each's particular issues and needs. Although the services offered may be broadly similar, the customer accesses them through a team that specialises in their sector.

Importantly, the sector approach is not just a marketing construct, it is an organisational reality in which specialist industry teams train and work together right across the firm's global networks. This enables them to apply global best practice when delivering local client service. While it's true that the insurance industry does have some specialist industry teams, behind the scenes it is often still the insurance line that informs the team structure. Our transformation will go beyond joining up the property and casualty offering via an industry sector approach, however. The firm has already closed its UK regional network in order to build its multinational capability on a UK and global hub basis. It is also looking to deploy its capacity through greater use of delegated authorities and MGAs, which will enable it to pursue particular books of business while supporting existing business more efficiently.

Change the paradigm

Another departure from traditional practice will change the way Liberty Specialty Markets deploys its underwriting resource. In time, we will create a distinction between field underwriters, who interact with brokers and insureds on an industry basis, and technical underwriters. Field underwriters will work with specialist risk engineers and claims experts as part of a team that interacts directly with brokers and insureds. This will bring us much closer to changing market needs and help drive the development of specialist recall, environmental, public, product, employer, general and cyber liability products as well as solutions for each industry sector. In time, it might also enable Liberty Specialty Markets to extend its offer beyond traditional risk transfer – for example, by providing risk consultancy and advisory services in response to incidents or complex claims.

Technical underwriters will be less involved in product development. Instead they will operate behind the scenes, spanning both the company and Lloyd's platform, enabling us to write risks and deploy capital more flexibly and efficiently.

Think big and long-term

Clearly, it would be foolhardy in commercial terms to break the mould before the market is primed for change, or the organisation can adapt. But the process begins now. Liberty Specialty Markets is alive to the need to reinvent itself and ready for the challenge. Our mutual heritage enables our management team to take a longer-term view and embed necessary changes behind the scenes that will transform the way we go to market. Although this represents a significant strategic shift for us, the bones of the novel approach are already in place. Breaking the mould will not be easy, but we're ready and the time is right. As an industry that's hundreds of years old, the manner in which we see the world has become hard wired into our thinking. It's time to see the world through new eyes and to offer a unique perspective.



Our industry sectors

Our special industry groups include:

- Retail
- Healthcare
- Energy
- Construction
- Financial services

Our specialist services that will underpin the sector market approach include Risk Reduce, our online risk management and advisory resource for brokers and clients. We are well supported by our claims team who, through our claims Risk Reduce portal, are able to offer a variety of benefits, online file access and rehabilitation benefits. Where are we on this transformation? Well, the good news is broker feedback tells us that we are a carrier that listens, and we are creative in seeking out solutions both through traditional technical underwriting and more lateral thinking across our Lloyd's and company platforms. Being in a mutual certainly supports this more open-minded thinking.

But without a doubt, we have exciting times ahead with much progress still to make. ■

It's time to see the world through new eyes and to offer a unique perspective.

# THE AMAZON PARADOX



**Matthew Moore**  
President & Managing Director  
*London*

The competitive nature of London's insurance market should engender efficiency and innovation.

So why does it struggle to satisfy customers while Amazon, with its market dominance, sets new standards for service?

# 70%

of global economic loss is uninsured, with an even larger proportion in emerging markets.



It is a widely held belief that competition is good and monopoly is bad. Competition promotes innovation of product, efficiency of delivery and responsiveness of service. Market winners invest in technology and talent.

Oligopoly or monopoly produces the reverse. High barriers to entry create an inertia that ill serves customers, disincentivises investment and creates poor capital allocation. External disruptors eventually find a way of sweeping away the old model and better serving markets and customers.

So, the question is does the highly competitive London subscription market conform to that norm and deliver real value to its customers, people and shareholders? Or, have defects developed in this model to cause significant concern for our future?

#### Looking through the prism of Amazon

Amazon may have its detractors, but it's impossible to not admire it. Its growth is remarkable. It is rapidly approaching 50% market share of the e-commerce

sector in the United States, a market worth \$400 billion. This near monopoly position has not prevented it from providing an ever-superior customer experience. It continually reinvests in research and development. Its cloud provider services are a motor for a whole wave of emergent technology driven companies which will define our era.

In contrast the specialty insurance market is subject to the highest degree of competition. No single business has as much as 4% share. Liberty Specialty Markets is globally ranked number seven in this space and we have around 2.2%. It is a highly populated and competitive market. So, what is the result of all this competition? Our combined ratios are too often north of 100%. Our customers consistently complain about our lack of product innovation and the cost of getting the product to market is high due to poor technological solutions and uneconomic distribution methods. To put it another way, in that respect, competition may not appear to be working in the subscription speciality and commercial insurance market in the way that would be hoped.

#### What is not working?


There are a number of characteristics of the market that are performing sub-optimally, and how we organise ourselves as leaders and followers across market subscription placements is a key one.

When we analyse our portfolio – albeit varying by lines – we see that more than 75% of our contracts are renewals and 75% of those are as a following line. This – by dint of arithmetic – will be true of the market as a whole. And yet we collectively resource ourselves as if we are leading each contract as a new proposition. It seems that every market pretends to have genuine lead market capability in virtually every line.

Another is product development. The reality is that businesses running at a 100% plus combined ratio, with sub scale market share and offering small lines, are not going to invest in innovation. They can't afford to. Consider cyber as an example here. Of the 60 plus businesses offering a cyber product coverage, very few are at a scale which allows for genuine long term investment in product capability to meet emerging customer needs. Is the next business offering a cyber insurance product meeting the unmet expectations so often voiced by risk managers? Or are they another lookalike market embracing portfolio diversification?

And finally, there is delivery. Risk selection is at the heart of our market. But once this selection has been made we must execute the delivery of the risk transfer with much more speed and efficiency. Viewed by outsiders from our market the process is inexplicable. It may soon be indefensible.





The solution lies in our ability to cooperate for the wider good. It's about using the unique position of the London market and our natural preference for subscription and risk sharing.

#### A new direction of travel

Our customers really value our subscription market. It is a highly efficient means of spreading risk across high quality insurers with one contract wording and one claims settlement mechanism. It is a powerful proposition which serves policyholders well, and which I think many of us have grown to take for granted. It is our best means of preserving London as the natural home of specialty commercial insurance.

The recent response from the market in paying claims from Harvey, Irma and Maria has also been widely praised. Indeed, the London market has been widely regarded as being the most responsive. This is a huge advertisement for our product, our capabilities and the value of the London market as a whole.

This is the customer experience that we have to promote to repair the vast global protection gap. 70% of global economic loss is uninsured, with an even larger proportion in emerging markets.

This gap presents a huge opportunity for our market if we can organise ourselves properly. The solution lies in our ability to cooperate for the wider good. It's about using the unique position of the London market and our natural preference for subscription and risk sharing. To this end I propose three pointers in the direction of travel:

- Enabling Lloyd's and London market bodies to facilitate greater cooperation between our businesses to benefit clients – as dating agencies if you like – rather than referees adjudicating a fight to the finish. We are highly competitive, but we need to resolve the current paradox where fragmentation does not always lead to better outcomes for our customers.
- Such cooperation where it can appropriately be achieved will allow for a more honest acknowledgement of leaders and followers

and – as importantly – how we resource these capabilities. This may end up with more facilitation, more consortia and more innovation in structuring syndication. This will benefit policyholders so long as it is driven by market efficiency rather than increased broker commissions.

- We need better mechanisms for recognising genuine investments in customer value. We need an honest and impassioned conversation with our brokers as agents of our customers, that delivery of value needs to be properly recognised. At Liberty Specialty Markets we are rightly proud of our continued high performance in broker surveys of claims capability. But we do not delude ourselves that there is a straightforward link between this and the future flow of opportunities from those same brokers. This can't be right for our market or for our customers.

To conclude – we are uniquely fortunate to be working in the London insurance market. The strengths of subscription, appropriate cooperation and deep resources of talent mean that we have much to shout about.

But with syndication and competition must go a sense of reality – even humility – about how we organise ourselves for the good of our customers, our people and our shareholders. ■



Rafic Abi Saleh  
War & Terrorism Underwriter  
*Dubai*

# Lebanon

**where big  
decisions rest  
on tiny details**





Having an in-depth understanding, based on granular knowledge of people, places and issues is a crucial part of being able to offer effective insurance in a country such as Lebanon.

Liberty Specialty Markets dissects every detail and neighbourhood in order to offer the right protection to our clients, while protecting Liberty Specialty Markets from the highly volatile nature of the risk.

Squeezed between Israel to the south, and Syria to the north and west, Lebanon has been at the centre of conflict in the Middle East for decades. Although the country is currently not at war, the presence of terrorist groups and armies on the borders, and internal armed parties, makes it apparent why Lebanon has a global reputation for strife and civil unrest. Its unique location, tightly-woven fabric of communities, interest groups and religions, combined with easily accessible weapons makes the potential for armed conflict a very real one.



Lebanon has 10 major political parties but over 100 parties in all, most of which have participated in the civil war over the years.

### Understanding the lie of the land

Lebanon is relatively advanced in terms of financial services. Compared to some countries in the MENA region, insurance penetration is high. This is in part a product of Lebanon's traditional mercantile culture and partly due to the influence of the French who occupied much of the country between the world wars. Liberty Specialty Markets began providing cover for terrorism, SRCC (strikes, riots and civil commotion) and war in 2010 along with several other London underwriters. Our book is written out of Dubai, which also services the whole MENA region of which Lebanon is a key component.

After the civil war between 1975 and 1990, many areas self-segregated to become predominantly Christian or Muslim.

However, you will also find some areas in Lebanon that are mixed such as in Beirut where certain streets will be known to support a particular party but other streets close by would be supporting an arch-rival. This is where Liberty Specialty Markets' specialist underwriters play a big role in meticulously dissecting the streets and areas in order to have a realistic view of the risk we are undertaking.

Political awareness is also a key part of the risk picture and here again complexity is evident. Lebanon has 10 major political parties but over 100 parties in all, most of which have participated in the civil war over the years. The major parties are known to have houses spread in most Lebanese cities and towns and as most influential families have political affiliations and voice their ideologies, we believe that knowing where key individuals are based and who owns which property plays a key role in assessing a risk.

For instance, consider a request to arrange cover for a hotel in the suburb of Hadath to the south – west of Beirut. On the face of it, this relatively prosperous suburb, home to the Lebanese University and just a few kilometres from the international airport, appears a productive area in which to write terrorism cover. Nothing in the databases and intelligence reports back in London would suggest otherwise. But ask a local Liberty Specialty Markets underwriter who's recently walked the streets of Hadath and you'll discover that at least one major militant group has its headquarters just 200m up the street from the hotel.

### Complex risk environment

- Car bomb assassinations in various parts of the country; the biggest being the assassination of Prime Minister Rafic Hariri where 1,000kg of explosives were used.
- Bombs in factories, bingo halls, hotels, malls, small villages, resorts, radio stations, busy restaurants/pubs in Beirut, barracks, check points and banks, to name a few.
- Strikes, riots and civil commotion throughout the years, the latest being in 2015 which lasted several months in downtown Beirut.

# Lebanese territory represents an intricate mosaic which encompasses complex risks and exposures.

## Down in the detail

When we first began underwriting in 2010, Lebanon was experiencing a more peaceful period. At that stage the main area of concern was the southern part of the country bordering Israel, the country's main adversary at that time. Since then, hostilities have expanded to the Bekaa Valley, Lebanon's main farming region 30km east of Beirut, and to the north where there have been several attempts by ISIS to carve out a route from Syria to the Mediterranean.

Lebanese territory represents an intricate mosaic which encompasses complex risks and exposures. This is a country where in one day the exposure could include a war with Israel, rebellions in the north, SRCC activity in various regions, terrorist threats in Beirut and the Bekaa. Such risks exist in an area of less than 10,452 sq. km – broadly equivalent to the size of Norfolk and Suffolk combined.

Our approach has been founded on using detailed local knowledge to identify those areas of the country in which the level of risk is manageable, then focusing down at street level to select specific risks.

Currently, we believe risks are more attractive in the majority of Beirut and the central Mount Lebanon region to the east of the city, and a north-south zone between this region that houses much of the country's business community and national infrastructure. But even in this zone, our underwriters still have to apply their 'human Google maps' in order to select risks that meet their appetite.

Such complexity means this is not a part of the world in which modern underwriting tools such as models and databases can be used exclusively to provide the necessary information. Our approach has been founded on using detailed local knowledge to identify those areas of the country in which the level of risk is manageable, then focusing down at street level to select specific risks.

In order to equip them with the local knowledge they need, all our underwriters spend time visiting the region, walking its streets, meeting its brokers. Even in purely cultural terms, business is done differently in Lebanon and relationships are key.

While the need to be on top of the detail in places like Lebanon is abundantly clear, we strive to apply this attention to detail and level of underwriting discipline across our global business. ■

This is how we build the depth of understanding necessary to underwrite risk effectively and it is the foundation on which our reputation as market-makers is based.



## Lebanon Key Facts Political Turmoil

1975	A civil war from 1975 – 1990 (over the Palestinian refugees)
1980	
1985	A war in the south of Lebanon between 1985 – 2000 (between Israel and Lebanese militias)
1990	
1995	
2000	
2005	Syrian occupation until 2005 The July war of 2006 (again between Israel and Lebanese militias)
2010	Fatah Al Islam (Al Qaeda) rebellion in 2007 in the north of Lebanon
2015	
2017	Ongoing spill-over from the war in Syria

# A question of diversity



**Pauline McNulty**  
Executive Programme Director  
*London*

If I asked a group of colleagues the question *'Do you support the notion of promoting diversity and inclusion in the work place?'*, I don't think it's going too far out on a limb to suggest that most people would answer in the affirmative. But if I were to ask the variant *'Do you feel that diversity and inclusion in the workplace directly affects you?'*, the results, I suspect, would not be so cut and dried.

The reason I postulate this is because it's precisely how I felt – until I became involved in Liberty Specialty Markets' drive to encourage diversity and inclusion (D&I). Only then did the full magnitude of the issue and how it affects the people we work with become apparent to me. Only then did I realise how much it affects me – and it's not just about being a woman in business.

## Embracing Diversity & Inclusion

Because each of us is different, D&I in the workplace affects every one of us, whether we realise it or not. It's important we embrace the obvious differences such as gender and ethnicity, but also those that are invisible – diversity of thought; diversity of belief; diversity of health. All of these differences have a material effect on our culture and performance.

The roots of our D&I initiative lie in the United States with our parent, Liberty Mutual. Liberty Mutual established a D&I office in 2013 and Liberty Specialty Markets became the third company in the group to roll out aspects of the D&I learning journey. But even without our parent's involvement, London's financial services sector has experienced a considerable increase in D&I initiatives, the London insurance market's annual, week long Dive-In Festival being a case in point. D&I has most undoubtedly become high profile.

The reasons for the initiative are clearly evidenced in research and employment data. 2015's Race at Work survey from Business in the Community (BITC) and YouGov found that,

while 71% of white employees feel they are a valued member of their team, only 55% of BAME (black, Asian and minority ethnic employees) can say the same thing. Similarly, BITC cites a number of recent studies that all show women's full potential in the workplace is not being tapped. One study by McKinsey concluded that companies across all sectors with the most women on their boards of directors significantly and consistently outperformed those with no female representation – by 41% in terms of return on equity and by 56% in terms of operating results. Yet women in the workplace are, on average, paid 9.4% less than their male counterparts. Those are pretty compelling figures.

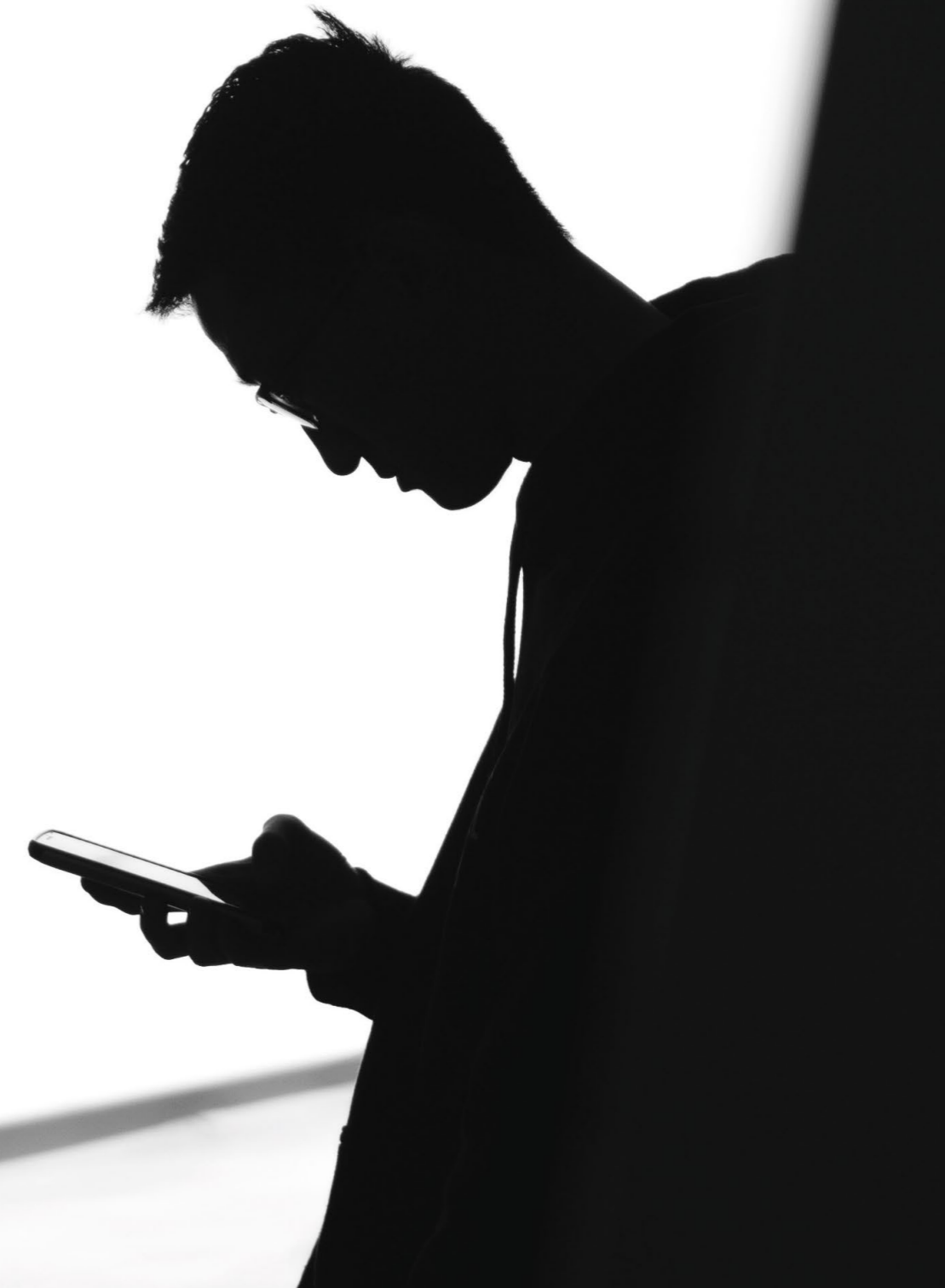
The key for us, though, was to approach D&I in a holistic way, keeping the definition of diversity broad. At Liberty Specialty Markets we say that "Diversity is about all of us" and "Inclusion requires all of us." But with a broad definition comes a broad focus, and Liberty Specialty Markets sought to tackle two key areas in particular: unconscious bias, so that we understand ourselves and our decisions better; and mental health, to promote wellbeing and inclusion for all employees. At the same


time, we updated our family policies that encourage shared parental leave and put procedures in place to promote inclusive hiring practices. We recognised that to make a lasting difference, we had to take a long-term view and implement strategic and tactical approaches.

## Tackling unconscious bias

A first practical step in addressing D&I was the issue of unconscious bias. At its simplest, unconscious bias is the values, preferences, perceptions and judgements we bring to any workplace decision we make without realising it – biases that affect our thinking and actions, so that what might seem like a logical, well-thought through decision is actually founded on pre-suppositions derived from our background and culture. It's not deliberate on the decision-maker's part, it's entirely involuntary. The key is to become aware of it and to identify and challenge one's own particular biases. That way, we can start to turn constrained thinking into clear thinking. Training sessions for our management team were followed by e-learning for all staff, followed by team discussions on this subject.

We can start to turn  
constrained thinking  
into clear thinking.



A high-contrast, black and white portrait of a Black woman in profile, facing left. Her head is tilted slightly downward, and her eyes are cast down. The lighting is dramatic, highlighting the texture of her skin and the contours of her face. The background is dark and out of focus.

Because each of us  
is different, D&I in  
the workplace affects  
every one of us,  
whether we realise  
it or not.

Each of us is different.  
Each of us is a unique  
combination of  
experiences, values,  
beliefs, attitudes  
and capabilities.

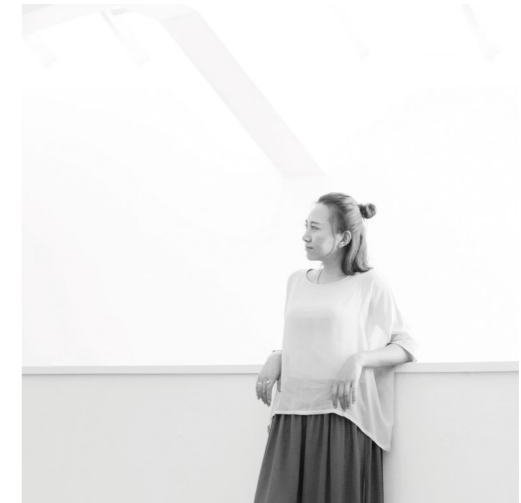


### Sharing insights

Alongside the formal D&I training, there was also a more personal element to the initiative. With hindsight, it's obvious that D&I is inevitably very personal in its scope and impact. A number of our employees made videos in which they talked about issues that mattered to them, such as gender, mental health and sexual orientation. These are very intimate films in which our people spoke openly about topics that, until recently, would not have been aired in the London market. I'm delighted to say the response from colleagues across the business was both positive and highly supportive.

Since our D&I launch, we have supported and held many events that celebrate, or raise the profile of, different aspects of diversity: supporting Dive-In, She Can Be, Pride, and Mental Health Awareness Week, to name a few. The Mental Health Awareness Week was a powerful indication of the importance of this issue. Wearing green #endthestigma ribbons in the office and running a number of popular support and awareness sessions prompted conversations and the sharing of experiences that would not have occurred under normal circumstances. Employee mental health first aiders have now joined our existing cadre of employee first aiders, demonstrating our ongoing commitment to supporting our colleagues' and visitors' physical and mental health and wellbeing.

During the D&I programme, I thought a lot about my own up-bringing. I was one of nine children growing up in Newbury, Berkshire – something that marked out my family as very different, not always in a good way. I'm proud of my upbringing – many of my strengths are a direct result of it, and over time I've learnt how to harness this difference. I've started to



share a lot more with my colleagues as a result of D&I, including my own experience of mental health issues, as well as growing up with severe mental health illness in my family. So how is this good for business? Being open about something so personal brings an authenticity and approachability that helps colleagues relate to me and helps my own work performance. And as a leader in our organisation, it's important to show that diversity is a valued part of how we do business, throughout the business.

For me, D&I has moved from being on the periphery of my attention to something that's now firmly in focus. Whereas once I thought of D&I in terms of visible differences for specific groups, now I see that it's about everything that gives each of us our unique perspective – each of us different, each of us a unique combination of experiences, values, beliefs, attitudes and capabilities. ■

For Liberty Specialty Markets, support of D&I has shifted from something that was implicit in our culture to being explicit – and is all the better for it.

# BUILDING ON EGYPT'S FRENCH CONNECTION



**Anne-Laure Renaudeau d'Arc**  
Trade Credit and Political Risks  
Senior Underwriter –  
Global Financial Risks  
*Paris*

Having spent her early life in Africa, Paris-based Trade Credit and Political Risks Senior Underwriter Anne-Laure Renaudeau d'Arc has a unique appreciation of the importance of the Cairo Metro's construction to the Egyptian capital.

The first thing that hits you about Cairo is the traffic. Countless cars, buses and all manner of two-wheeled vehicles jostle for space in the 40°C heat while sounding their horns relentlessly. During my visit last year, my taxi took over two hours to edge its way 13 miles from the airport to my hotel in the downtown area. Gazing out of the taxi's window as it inched its way along El-Orouba road, it was all too apparent why Cairo was the location of the first major metro construction on the African continent.

For Liberty Specialty Markets' Global Financial Risks team, our involvement in this massive and complex infrastructure project began in 2015, when we bound our first political risk insurance. At this time, work on the Cairo Metro had been under way for 24 years, beginning in 1981 when the French government granted Egypt the funds necessary to begin construction of its first two lines. Our involvement is with the system's third and fourth lines, construction of which runs until the early 2020s.

We maintain a global watch on the project and its contractors, identifying any kind of insured event that may affect the project itself.

#### Widespread support

Cairo is a challenging city in which to write trade credit and political risk insurance. The region is seen by some as being susceptible to political instability, social unrest and terrorism. At the time of writing, the UK government warns its citizens that terrorist attacks in Egypt are 'very likely'. The country is also facing what many see as a currency crisis, having devalued the Egyptian pound by 48% in 2016 and allowing it to float in order to receive a £9.6bn loan from the IMF. Yet even during the country's 2011 revolution, work on the project continued and our policyholders – large French exporters – were able to maintain good relations with the Egyptian authorities.

Much of the reason for this is the widespread support for the aims and ambitions of the project. That groundswell of goodwill makes it highly attractive in underwriting terms. Egyptians see it as a priority for the entire country, not just Cairo's 22m inhabitants, as the need to relieve traffic congestion in the city centre is pressing. It's a need that grows more compelling when you consider that Cairo's population is predicted to grow by 2.4% each year, double the average rate of developing countries. The other big win is to make many of Cairo's tourist attractions located far from its centre easily accessible – without resorting to four wheels.

This amount of support for the project, at all levels, has also made it highly appealing to major multinationals and development organisations

such as the World Bank, the European Development Bank, Japan International Cooperation Agency and Agence Française de Développement. The global political risk insurance market has supported it for many years without a single claim being made. This clearly makes it attractive – but as the adverts say, past performance is no guarantee of future returns.

#### Underwriting process

The underwriting process for a risk as large and complex as a major transport infrastructure project in Africa usually starts around one-two years before a contract is signed. Initially, our client will be in the throes of preparing to tender for the work. The price of insurance will be an important factor in the overall cost, hence these early discussions to gain an initial quotation and integrate the cost of cover into their margins. Some clients will fall at this hurdle, their tender rejected; others will progress further and then feed more data back to us. When, some months later, they receive confirmation that their tender has been accepted, we will set up the implementation of the policy so that its start date coincides with the contract coming into force. In the case of the Cairo Metro, we were generally able to move more quickly – often progressing from quotation to inception in six months. This was because many of the clients were well-known to us and, in several instances, we already had other policies in place for them.

# 5m

Number of passengers expected on the Cairo Metro daily by 2020.

# 1930s

The decade when the idea of Cairo Metro was first proposed.

# E£2

The cost of a one-way ticket in Egyptian pounds.

# 05:15

Time the trains start running. They finish at 00:30.

# 2

Number of carriages in each train.

# 2.4%

Rate p.a. at which Cairo's population is predicted to grow. This is double the average rate of developing countries.

## Keeping on track

Projects like Cairo Metro need to be monitored closely. The potential for political events or technical issues to impact on deadlines, equipment and the work force may be ever present. We maintain a global watch on the project and its contractors, identifying any kind of insured event that may affect the project itself. We also maintain close links with brokers and clients, organising regular meetings so we can gain a summary of payments and any issues they are managing.

But ultimately the most effective way of keeping abreast of developments is to visit Cairo and the construction sites themselves. There's simply no substitute for intelligence and insight gained first-hand, although we're not able to visit each and every project in which we are involved. During my visit, I had the opportunity to ride the tunnelling machine that was digging Line 3, which was a remarkable experience. I was also able to hold direct discussions with our clients' operational teams on the technical challenges they face daily such as digging under sections of the Nile or protecting significant buildings close to the works.

## The road ahead

Cairo Metro is a hugely significant project for our European clients but its most profound effect will be on the people of Cairo and Egypt's developing economy. As the daughter of a French army officer, I spent much of

my childhood living in Africa, including the Democratic Republic of Congo (DRC), Djibouti, Benin and Togo. In the DRC, our home was a small town four hours' drive from Kinshasa along a deeply rutted track.

Having experienced the traffic and congestion in several African cities, I have some sense of the issues facing Africa's transport infrastructure and the need for European businesses and governments to support its development where possible. At Liberty Specialty Markets, we place great store in helping communities prosper – through both our CSR programme and our day-to-day business – and Cairo Metro strikes me as an excellent example. It provides large-scale employment while laying the foundations for long term, sustainable economic growth in a country that will benefit immensely from greater financial security.

It will be another 15 years before the full benefits of this massive infrastructure investment can be realised. We will continue to play our part, providing contractors with the insurance backing they need in order to supply the expertise, experience and economic muscle upon which Cairo Metro's development is dependent. Our market-leading underwriting capabilities and hard-won insight allow us to play this role when others might hesitate.

The traffic may still be heavy on the El-Orouba road, but signs of change are manifesting in the Egyptian capital. Africa's first metro system is on track and gathering pace. ■

## Cairo Metro line by line

# 1

Line 1 was completed in 1987. It is 42.5km-long with 33 stations. It covers the Egyptian capital from north to south.

# 2

Line 2 was built in two phases, 1997 and 2004. It is 21km-long and serves 20 stations from north to south-west, covering the pyramids of Giza.

# 3

Line 3 (still under construction) will be 33km-long with 29 stations, 27 of which will be underground. It will connect Cairo Airport to the east and west.

# 4

Line 4 is still under construction.

# 5

Work on lines 5 and 6 is yet to begin.

# 6

# Into the change dimension

Most insurers believe that better wordings and faster payment of claims are the keys to customer satisfaction. But does the real solution lie in a fundamental re-evaluation of the way insurers respond to change? Is it time we challenged received wisdom?





**Kadidja Sinz**  
Head of Europe  
*Paris*

Mobile phones can teach us a lot about the insurance industry, particularly how it responds to change.

When they first appeared in the 1980s, we decreed that these devices were a property risk. By the 90s, we had decided they were contract risk. Come the noughties and the advent of the smartphone, we declared them to be a data risk. Now, with the rise of the gig economy, mobiles (and the networks and infrastructure on which they depend) have, in our eyes, matured into a fully realised business continuity risk. Some companies' business models – Uber would be just one example – are entirely dependent on them.

The journey that has seen mobile phones transformed from expensive curiosities to business enablers exemplifies how so-called megatrends are reshaping our world. Megatrend is shorthand for a global, sustained and macro-economic force that affects business, economy, society, and cultures, thus redefining our existence.

But megatrends like mobile connectivity create difficulties for insurers. Particularly when their influence tends to make businesses more inter-dependent. The net effect has been that risks are becoming less siloed, less tangible, but more inter-connected and social.

Traditionally, these more social risks have proved slippery concepts for insurers to grasp – they are hard to delineate, hard to measure. But as the impact of megatrends changes how our customers work and live, our industry needs to reshape its perspective and redefine its risk appetite in terms of the role we want to play as part of today's fast-moving, more global, more inter-dependent business community.

#### Understanding the client life-cycle

So how to address this change? Better relationships with brokers and more effective use of customer data are undoubtedly good starting points. Focusing on these two factors will improve how we understand and frame these risks while extending and improving the services we offer to customers.

In particular, at Liberty Specialty Markets we are enhancing the insight these factors provide us to better understand risk in context – to adjust the severity of the risk profile in relation to where a client company is in its business lifecycle. For example, companies in the run up to a significant M&A deal will be much more sensitive to business interruption or profitability losses than at other points in the cycle. We need to respond to those sensitivities.

Established manufacturers and retailers are often little more than the sum of their supply chain relationships. Their reputations, and their ability to do business, have been built on the competence of a small number of key suppliers spread across cat-exposed geographies, employing many subcontractors and often operating on wafer-thin margins. By contrast, companies born in the gig economy are younger and nimbler, but they share the same exposures, in the cyber rather than physical space. Their co-dependence on others often means that their focus is on less tangible risks including loss of opportunity, loss of revenue and most significantly, loss of reputation.

Understanding this context helps us tailor-make our offering to respond to the unique demands of the client at any point in time – delivering services that mitigate existing risks but also anticipating how those risks will change as the company matures.

# 1980s

## Property risk

# 1990s

## Contract risk

# 2000s

## Data risk



The journey that has seen mobile phones transformed from expensive curiosities to business enablers exemplifies how so-called megatrends are reshaping our world.

#### Focusing on what and how

To keep our finger on the pulse of changing needs, we have invested in a new, more structured Broker Engagement Model that helps us keep on top both of what we offer and how.

Our goal in rolling this out is to generate greater transparency and trust between brokers and Liberty Specialty Markets – be they local, global, wholesale or specialist – around how megatrends are shaping clients' risk perceptions, coverage needs and claims experience. And as we work more closely with our broker partners, we are discovering that where innovation is needed in the world of interconnected risk is not only around what we do, but just as importantly, how we do it.

One of our key learnings is that as an industry, insurers have a strong tendency to over play product. Too much focus on the policy, not enough on the people and philosophy underpinning it. The same is true of claims. For years, the goal of faster claims settlement and payment has been repeated like a mantra. Indeed, simply raising the question of whether clients actually want faster claims payment seems like heresy.

#### Our unique perspective will transform service delivery

But could it be that working more collegiately and tailoring our offering to an individual client and their precise needs at this point in their business lifecycle is where real customer satisfaction lies? A client might not want to settle a casualty claim, for example; they might, for commercial reasons and with our support, prefer to defend it. Our Broker Engagement Model enables us to understand what matters to each client and flex our approach accordingly.

Increasingly, we believe that what brokers and clients really value is our unique perspective. As a global specialist insurer, Liberty Specialty Markets' people understand risk analysis, risk mitigation and risk transfer at all levels: global, local, sector and individual. The abundance of knowledge we have gathered from our broad client base across sectors and countries gives us unparalleled insight and experience. It also has huge value when brought to bear on the needs of an individual broker or client.

#### Re-making our service for a digital age

So, looking ahead, our approach is to re-make our service for the digital age and to use our structured Broker Engagement Model to understand how megatrends are shaping our clients' and brokers' worlds. We believe the future of Liberty Specialty Markets lies in honing our unique perspective on risk – risk analysis, risk mitigation and risk transfer – and using it to deliver a truly tailored service.

Mobile phones, once predicted to be a short-lived craze for the wealthy, have fundamentally transformed our world and the way we live. That transformation is still unfolding as are the changes wrought by many other global megatrends. Just because these new trends don't translate easily into underwriter-think is no reason to ignore them. In order to fully understand global change and its impact on our clients, it's time for us to change, too. ■

We believe the future of Liberty Specialty Markets lies in honing our unique perspective on risk – risk analysis, risk mitigation and risk transfer – and using it to deliver a truly tailored service.





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