



Insurer interests

RISCAuthority is an annually funded research scheme supported by all major commercial UK insurers. *FRM* editor **Mark Sennett** met its outgoing chairman **Chris Hanks** and his successor **David Williams** to find out what lies ahead

What is the value of RISCAuthority to the UK insurance community?

CH: I was there for the birth of RISCAuthority, which was formed because the Association of British Insurers (ABI) wanted to find a new body to manage the research budget it maintained on behalf of insurers. So the Fire Protection Association (FPA) created a new structured organisation to take care of that funding.

We faced two key challenges when establishing RISCAuthority: the first was creating the right structure to take on that transfer and the second was to maintain that level of funding, as not every insurer wanted to pay extra funding outside of their ABI subscription. If I'm honest, the ABI wasn't very helpful during that process but we eventually settled on a collegiate approach that saw the creation of executive and management boards.

The research we do now is essential for the insurance market in general and, from working at Allianz, I know my organisation would be much poorer without that research and collaboration. Allianz plays an active role in each RISCAuthority working group and the technical knowledge we gain from this participation is considered to be vital.



Chris Hanks



David Williams

In my opinion, it's no coincidence that Allianz's loss ratios are better than those of our peers.

DW: For me, RISCAuthority exists to act as an essential tool to help provide research that can help insurers mitigate risks. At AXA, the appropriate management of the risks we face as a business directly determines whether we make a profit. RISCAuthority brings together concerns and expertise from across industry and has the ability to look at individual items in greater depth than what one insurer by itself can achieve on an all boat rising basis.

The main value of RISCAuthority is the ability for insurers to pool resources, which enables us to look to

the future and anticipate evolving risks. Insurers are great at being reactive, but by ourselves we are not so good at being proactive in terms of looking to the future. By being members of RISCAuthority, we have the resources and expertise to look forwards rather than backwards.

Why does RISCAuthority exist?

CH: Despite the fact insurers are in a competitive environment, some of the themes that lie beneath that – such as fire safety, property design and means of escape – are in the public interest and are not competitive areas. So it makes sense to share the investment in research across a number of companies, as it allows us to do bigger and more in-depth projects. This also creates greater efficiency and reduces the cost to both society and individual companies.

Another key point is that the government is not interested in property protection – only in life safety. But this area is fundamental to RISCAuthority and if we don't do research and lobby the government on this subject, then who will?

DW: There is lots of funding going into life safety research, which is often financially backed by the government. I can fully understand why life safety needs to be the number one focus, but it seems to be the only area the government focuses on. From an insurance perspective, we are very keen to look beyond that, and having a body that champions both life safety and property protection is essential.

Also, I think that governments only respond when there's a problem at hand and when there are substantial costs, whereas RISCAuthority will look at what could be done to prevent a problem before it arises. Our working group members might highlight something they've seen once that could be worth commissioning for further research, which subsequently will lead to the creation of a really meaningful piece of work.

What are the greatest challenges relevant to RISCAuthority that insurers face today?

CH: By and large, the profit margin that insurers make on property insurance has gone, therefore we need to find ways of reducing our losses and of being able to underwrite some of the innovations and new materials coming into the market.

Uncertainty creates nervousness and we don't know enough yet about the risks posed by some of the new materials. So we run the risk of charging too much or too little to clients, or potentially not agreeing to insure some new buildings at all. RISCAuthority needs to find the issues that are relevant to the future for insurers in areas that we don't have experienced knowledge to rely on. This will help us to protect our margins.

DW: The main challenge is getting momentum behind the changes to regulations that RISCAuthority thinks need to be updated. But in order to see these implemented, we need local authority or government support. This is a difficult framework to operate in, as the current government is keen to cut as much red tape as possible.

An example of this kind of challenge would be the research we've done on timber frame buildings. We've analysed the use of flammable fitments in these buildings, which has highlighted that they provide an easy source of deliberate and accidental fires. This could be rectified by amending the Building Regulations to state that external fitments need to be fire resistant, but successfully lobbying for any changes to regulations is a difficult challenge.

To overcome this situation, RISCAuthority needs to continue to improve its lobbying strategy. We need to look inside our working groups and see who has good dialogue with politicians. We need to engage more local MPs who have big insurers within their constituency to make them aware of key issues that will have a direct impact on businesses.

The ongoing FPA Safe Futures Campaign shows that an effective lobbying plan can lead to results. As a direct result of the postcard campaign, the FPA has been offered a meeting with the Building Regulations Advisory Committee over proposed changes to the Building Regulations.

What were the main successes during your time as chairman and is there anything you would have done differently?

CH: During my tenure, the main achievement was establishing RISCAuthority and making it a credible part of the market. We also managed to maintain most of the ABI members and convince them to pay higher subscription fees. I think we turned the perception of what we do from 'dumb research' into something much more dynamic. The testament to that is the building of the FPA fire laboratory at Blockley in Gloucestershire, which if used correctly, will be a cornerstone for research in the insurance industry.



RISCAuthority in Numbers

Members underwrite

90%

of UK commercial insurance market

7,000

downloads of ROBUST – the free business continuity toolkit developed by RISCAuthority

RISCAuthority website now receiving 25,000 page views a month -

525%

increase on last year

RISCAuthority research budget exceeds

£800,000

per annum

1.2 million

UK postcodes calculated for fire and rescue response times

Where I failed was getting the big household insurers to join RISCAuthority and that is now the key challenge facing my successor.

What do you hope to bring to RISCAuthority in your new role as chairman?

DW: I come from a casualty insurance rather than a property insurance background and, while I may not be as technically capable as some members of the board, I am very passionate about the issues that impact our industry. I'm very vocal and am confident that with my profile in the industry and my contacts, I can help to successfully lobby on behalf of RISCAuthority.

Another main target is to continue to grow our membership and this includes targeting household insurers, who no doubt would benefit tremendously from the work done by RISCAuthority. This is particularly pertinent, as we are now seeing commercial building methods used in the home. Any insurer that decides to join would only help us to fund even larger projects that would benefit the entire industry.

What should RISCAuthority look like in the future?

CH: We started with fire safety as our main focus and the natural extension for RISCAuthority now is to cover all the perils that property insurers have to provide cover against. If we can succeed in making RISCAuthority the UK stakeholder portal for all matters on property protection and business resilience, then we will have done a great service.

DW: We are already seeing a shift away from the focus being just fire, and Chris is right that we need to look at the other perils. Being able to communicate on a broader base of issues, particularly on topics such as flood protection, will see us gain greater influence. This will ensure that we are not seen as a 'one trick pony' and are viewed as the 'go to' organisation on property protection and life safety.

Cybercrime is another interesting area, as at present only one or two insurers offer cyber cover. But when you scrutinise these policies, they are very different, as are their definitions of what cybercrime is. We need to help insurers to understand these emerging risks. If we can develop that understanding and help create definitions, it will only go to enhance the value of what RISCAuthority can offer.

What does RISCAuthority's relationship with government need to be? Can it help insurers in their relationship with government?

CH: RISCAuthority and the FPA's relationship with government needs to be independent of, but closely aligned to, the ABI's position. We ought to find ways of working better with the ABI to better represent insurers' views to government. But to be able to lobby more effectively and on a larger scale will cost a lot of money. The only way to mitigate this cost is to keep growing the membership so we have more resources and a more unified voice on behalf of insurers.

DW: Communication is the key and, as I mentioned earlier, we need to keep improving and expanding the way we distribute our messages. Our new website has dramatically improved RISCAuthority's image and the ease with which you can now find our documents. We need to be a future-thinking organisation and be ahead of the times, and this will include continually expanding our online and social media offerings. All of this will help the government understand what we stand for and what we can offer, and in turn will help get insurers' views heard and subsequently help usher in change ■

Chris Hanks is chairman of the FPA and is the outgoing chair of RISCAuthority; David Williams is managing director of underwriting at AXA Insurance and the new chair of RISCAuthority