

Developing the streamlined marketplace



London and International Insurance Brokers' Association: 2024 Agenda

2023 – instability becomes the norm

After successive years of global pandemic, war in Ukraine and the Truss experiment, we might have been forgiven for hoping for a quieter year in 2023. But, perhaps predictable in its unpredictableness, that has certainly not come to pass. War in Europe, with its impact on our industry in terms of over zealous exclusionary wordings and sanctions issues, has rumbled on and verged upon stalemate. It has spread to Gaza now embroiled in a horrific crisis with no obvious solution. Whilst the pandemic may be over, recriminations, focussed on the public enquiry continue with no obvious focus on improving the public policy response to similar challenges in the future. Results in elections in Poland and Spain may have suggested that the rise of populism was on the wane, but those in Argentina and Netherlands confirmed that disruptive forces remain strong. It has all contributed to another year where the world has faced significant risk – and where the industry that exists to manage that risk has been required to step up again.

And so it has. In spite of the challenges our world continues to function. Trade flows; business grows; livelihoods recover from disaster because the insurance industry is there to help manage and mitigate risk. And at the heart of it London continues to prosper providing vital solutions to the world's most difficult problems. And central to that is the innovation, creativity and effectiveness of the broking community – delivering optimal outcomes to its global client base. All made possible by the work of its trade association.

Summary of our achievements in 2023

- Financial Services and Markets Act restores competitiveness objective for FCA
- Berne Financial Services agreement provides access to Swiss market for UK insurance brokers without the need to establish a branch
- Our *Get Into Insurance* programme in partnership with Howden and Prince's Trust brings more people from diverse backgrounds into the industry
- Our *Springboard* programme in partnership with upReach sponsors 40 university students from under privileged backgrounds and gives them an insight into the market
- Launch of MRC v3 and supporting its adoption as part of our wide programme of work to deliver a more efficient marketplace
- Report *Our Face-to-Face Future* shows how future market leaders want to maintain relationship based trading

Real achievements in public policy

Lobbying is a long game. Work put in over years takes time to produce tangible change. But 2023 was a year when a number of initiatives reached at least partial conclusion.

The Financial Services & Markets Act delivered the much asked for return of an international competitiveness and economic growth objective for Financial Conduct Authority (FCA). Admittedly it is a secondary objective not primary; and the regulator is asked to “facilitate” competitiveness not “promote” it. But the focus of government rhetoric both before and after passage of the legislation should ensure it has an impact and drives a more proportionate approach. This should be reinforced by the enhanced measurement regime for regulatory performance published by HM Treasury in December – even though we will continue to advocate for the addition of a benchmarking exercise to measure the competitiveness of UK regulatory regime.

In part driven by the new objective, we have had a series of productive discussions with FCA on ways in which it could change its approach to regulating our sector in order to better reflect the risk we pose to its overall objective. Our suggestions are that:

- FCA provides written clarity on the scope of its powers in relation to overseas clients.
- FCA develops a single definition of “consumer” in line with the current concept of an “eligible complainant” to the Financial Ombudsman Service. It should then develop a significantly different supervisory regime for firms that do not primarily deal with “consumers”.
- FCA involves our community at an earlier stage in its policy development cycle.

We are expecting a welcome publication of FCA’s position on these issues early in the New Year.

The conclusion of the Berne Financial Services Agreement in December was also a significant win for LIIBA members. New legislation in Switzerland would have made it mandatory to establish a branch there in order to continue to service Swiss business. However, this mutual recognition agreement between UK and Switzerland provides an exemption from the new law for UK insurance intermediaries. And we have confirmation from the Swiss regulator – FINMA – that it will grant a temporary exemption from the law until such time as the new agreement comes into force. This is a result of four years work with Treasury and subsequently with the team negotiating the agreement. It will ensure that London remains a viable option for Swiss clients' insurance needs.

We have continued to work with affected members on the impact that European Insurance & Occupational Pensions Authority's (EIOPA) supervisory statement on the governance of third country branches has on their European Union (EU) operations. This has included exploring ways in which the provisions of the Trade and Co-operation Agreement between UK and EU can help minimise the amount of business that is routed through the UK branch of an EU intermediary. We will monitor the ways in which the language from the supervisory statement might be interpreted by EU National Competent Authorities.

We have, through the efforts of our Tax Working Party (TWP), liaised with HMRC on a number of review areas. In October, a Written Ministerial Statement, announcing publication of draft legislation regarding interpretation of VAT and excise law in light of the Retained EU Law (Revocation and Reform) Act 2023 (REUL Act), which comes into effect at the end of the year, was published. A link to the Written Ministerial Statement here: <https://questions-statements.parliament.uk/written-statements/detail/2023-10-20/hcws1080>

The legislation confirms that, in relation to VAT and excise law, in line with the REUL Act, it will no longer be possible for any part of any UK Act of Parliament or domestic subordinate legislation to be quashed or disapplied on the basis that it was incompatible with EU law. This will mean that businesses will no longer be able to rely on direct effect of EU Law. It also ensures that UK VAT and excise legislation continues to be interpreted as Parliament intended, drawing on rights and principles that currently apply in interpreting UK law. This ensures stability of the VAT regime and provides legal certainty.

In the case of supplies of insurance intermediation, EU law (which taxes these supplies) will no longer be able to apply. The supplies will continue to be exempt under Item 4 Group 2 (Insurance) Sch.9 VATA 1994. This will provide clarity and certainty of treatment for businesses, as only UK law will apply in future

Through our direct involvement in HMRC's Insurance Liaison Group (ILG) we are able to feed into consultations, such as insolvent entities applying to going a new or existing VAT group.

The TWP also provide input via BIPAR on EU tax matters, the most recent being a questionnaire on the taxation of intermediaries commissions and fees following the Belgium regulators intention to subject the fees perceived by insurance intermediaries to IPT.

LIIBA's TWP discuss both direct and indirect tax matters and meetings with Lloyd's and other trade associations were held during the year to discuss the diverging carrier positions on the application of IPT within the EU for space risks. Lloyd's have recently updated their position in this area.

The TWP provided input on the tax elements of the revised MRC, where additional guidance has been requested and is currently under review by the cross market group who oversee the MRC and associated guidance

Our TWP will continue to liaise with HMRC in 2024 on matters such as the Criminal Finances Act and we expect to be able to provide updates to the agreed Guiding Principles, originally produced at the time the legislations was passed.

Enhancing our culture

Led by an outstanding group of experts on our D&I Liaison Group, we have continued our work to help support our membership in widening the pool of talent from which we recruit. Directly, we repeated our two week course in partnership with Howden and The Prince's Trust to help young people who do not have employment and are no longer in full time education "get into insurance". Of the 14 participants who attended the course in October, 13 are now either fully employed or are undertaking internships within the market.

In February, we launched our Springboard partnership with upReach – a social mobility charity that supports high achieving students from under privileged communities through university. Our springboard enables 40 students, to learn about the London market. As our Springboard accepts students from all years at university, several of those graduating during 2023 now have placements within the market and are now ambassadors for new students joining the programme. During 2024 we will once again offer upReach students, through the generosity and input of our membership, to take part in a week-long work experience during June, that is such an invaluable asset to those seeking to apply for graduate placements or entry level roles.

We continue to liaise with market initiatives run by the LMG and Lloyd's and have launched a newsletter to keep our membership updated on how they can be involved in training and initiatives in the area of diversity, equity and inclusion, which for 2024 will include new initiatives and partnerships.

2024 will see the FCA and PRA announce sweeping change to regulation around diversity and inclusion following the conclusion of the joint FCA and PRA consultation into D&I within the financial services.

Once published, firms will have 12 months to implement the changes, which are expected to include additional requirements relating to non-conduct risk and mandated reporting.

We will of course be keeping a close watch on developments to ensure we assist our membership with the detail.

Modern processes to underpin the modern marketplace

Once again, Blueprint 2 has absorbed much of our time this year. We continue to provide input across the programme to ensure that the new services, when they are delivered, work efficiently for the market's principal customers – brokers.

We launched MRC version 3.0 this year with the aim of full adoption from January 2024. This will be a key tool to support digitalisation.

It should always be remembered that the MRC V3 is just the start. The MRC is a vehicle to encourage organisations to begin gathering the data that will be needed when and if full digital processing is a requirement. Whilst using the MRC firms should also look at mechanisms that will allow them to gather, record and exchange the CDR at some point in the near future. There are many ways to do this and we encourage members to look into the route best suited to their business throughout 2024 with a view to implementing in 2025.

There are many ways that this can be done and we will continue to offer a platform to organisations that can assist.

A vital component that will allow the heartland of our membership to participate in this digital market will be Placing Platform Limited (PPL). We are delighted that PPL achieved its crucial delivery of its Next Gen platform in 2023. We, together with members of our Placing Committee, will be working with the team as it seeks to enhance and develop its offering in the new year – as well as working with the other owners to evolve how the firm itself is constituted.

It should not be forgotten that it is a competitive market place and LIIBA will continue to work with the other market vendors offering opinion and assistance as required to support our members. We are pleased to be working in partnership with Lloyd's Market Association (LMA) to develop a coherent strategy for delegated authority (DA) business. And we look forward to playing our part in designing appropriate technology solutions to support that, whilst ensuring we also engage with the IUA and company market detail on DA. The same will be true for claims – building on the progress we have made on things such as the Claims Lead Arrangement (CLA)

None of these new services will make the difference if we do not ensure that the new joint venture relationship between Lloyd's, LMA, IUA and DXC – now called Velonetic - is successful. This is why in 2023 we have continued to sit as observers on the key governance bodies of the new company. 2024 will be a crucial year for the venture as we work towards the digital transformation to its services from July.

Support for trade

Technological advances are not a goal in themselves however. London is the world's only true marketplace for insurance. The dynamic interaction between brokers and underwriters with all necessary support services close at hand is the secret to how we deliver client outcomes that are not available elsewhere.

This year we published a major new report – *Our Face to Face Future* based on a series of workshops we held with younger brokers. This emphasised that the next generation of market leaders still believe in a relationship based, physical marketplace. In particular they would like this centred on the Underwriting Room provided this returns to being a proper trading space where decisions are made. We remain open to discussion with Lloyd's and LMA as to how this might be achieved.

In 2024 we will reconvene these focus groups to discuss other aspects of the future trading environment such as the impact of Artificial Intelligence. And our Board members remain committed to our #BackToEC3 campaign ensuring their firms have a presence in the City to support the face to face trading environment.

Continuing professional development

Our programme of webinars has continued throughout the year and we are already planning events for 2024. Again, over 2,000 people have attended one of our sessions this year. These provide an informative source of information on regulatory developments, our various diversity and inclusion initiatives and wider topics that are of interest to member firms such as making the right use of social media. And, of course, they all help individuals towards achieving their 15 hours of continuous professional development each year.

Ensuring correct, accurate coverage

The crises of the pandemic and in Ukraine brought a sharp focus on the way in which the market develops its model wordings. We have been working with LMA to try and improve this process. Brokers and insurers may not always agree about how coverage should be defined in detail but at least we can have the debates before a clause is published and starts appearing in contracts. At times of heightened risk, the global market looks to London to provide a lead. It is important for our ongoing reputation that we deliver precision in setting a scope of coverage that reflects an appropriately client focussed intent.

Drawing on members' expertise

This work, and everything covered in this message, would not be possible without the sterling support of our committees. Our Executive Committees – Marine, Non-Marine, Aviation and Claims – tirelessly debating clauses with their counterparts. Our Operations and Facilities Committees and their subcommittees; and our Claims Operations Liaison Group leading our input to Blueprint 2 and the joint venture. Our Tax Working Party negotiating the sometimes labyrinthine complexities of HMRC proposals. Our two compliance groups maintaining a positive relationship with FCA. None of what we do would happen without these and others across the membership who have provided expert input to our talent programme and on other subjects as they arise. We thank them for all their help.

This support starts with the representatives on our Board providing their intellect and wise counsel. But we were conscious that the Board was solely populated by representatives of our larger members whilst 80% of our membership are firms that employ fewer than 50 people. So we were delighted to welcome Holly Shepherd and Margot Huxley onto our Board to represent the views of the wider membership. And we were equally pleased to welcome Gina Butterworth to provide reinsurance expertise.

Strategic review

But a successful trade association is one that is constantly seeking to evolve its offering to better meet the needs of its membership. And so in 2023 we embarked on a strategic review of LIIBA's range of services. This will include a re-examination of our committee structure to ensure it is well designed to meet the challenges the market faces in the coming years.



2024 – developing the streamlined market

2024 has the potential to be the year we create the streamlined, efficient marketplace that we have been working towards for some years now. Our discussions with FCA should deliver tangible impact in terms of an appropriately reduced regulatory burden. Blueprint 2 should deliver genuine improvements to our settlement processes that will remove frictional cost from our core transactions. And that will ensure that London is perfectly placed to advantage from the opportunities our world of ever growing risk provides.

Summary of our focus in 2024

- Prepare for a new UK government and continue to push for the changes needed to enable London as the risk management capital of the world
- Continue our #BackToEC3 campaign and its drive to restore the Underwriting Room as *the* trading hub of the market
- Support our mainly SME membership in its transition to using the new digital services being delivered by Blueprint Two
- Repeat and expand our DEI programme
- Explore how our future leaders see their careers being influenced by the growth of artificial intelligence
- Complete our strategic review of LIIBA's services to ensure we continue to deliver what our membership needs

Government relations

With a general election almost certain in 2024, we will need to ensure any incoming government is alive to the importance of our sector to UK economy. We need to cement the gains provided by Financial Services & Markets Act and seek further progress to ensure that London is not merely the global capital for insurance but also the global capital for risk mitigation and transfer. So in 2024 we will:

- continue to engage with politicians of all parties to demonstrate how the commercial risk market can provide solutions to major public policy challenges, positioning the industry as a key player in addressing economic and societal challenges as well as a major contributor to GDP;
- continue to drive for a functioning Insurance Linked Securities market in UK and the creation of an appropriate captives regime; and

- renew work with members to identify potential target markets for growth opportunities. Work with HMT and DBT officials and Trade Commissioners to promote our sector to those markets.

Regulation

2023 saw productive conversations with FCA on how it might meet its new competitiveness objective. 2024 needs to be the year where we see tangible progress towards that goal. We will also continue our work to ensure that EU clients are not disadvantaged by being cut off from global markets. And we will be active and enthusiastic participants in BIPAR and WFII monitoring international regulatory developments. So in 2024 we will be pursuing the following work.

- Continue to work with FCA to clarify its role in the light of the new competitiveness objective.
- Input to relevant FCA consultations throughout 2024 on behalf of members.
- Keep a regular dialogue open between FCA and our membership.
- Work with EIOPA and EU National Competent Authorities over the impact of the supervisory statement on third country branches.
- Work with BIPAR (the European Federation of Insurance Intermediaries of which LIIBA is a member) and World Federation of Insurance Intermediaries (WFII) to monitor international regulatory developments.

Culture

We will continue to run initiatives that allow our smaller members a chance to participate. 80% of our membership employ 50 or fewer people. Whilst these are firms that are committed to expanding the pool of talent from which the market recruits, they do not have the resources to run their own schemes. Our programme will look to give them that opportunity.

- Continue partnership with upReach through which we sponsor 40 high achieving students from under privileged backgrounds through university, providing them with mentors from the market as well as work experience placements.
- Run a third “Get into Insurance” programme with Prince’s Trust (that will be renamed during 2024 as The King’s Trust). This programme is having an immediate impact on the diversity of our workforce.
- All of our initiatives are being delivered through practical action with our members and we will also look to expand further in partnership with the LMG and Lloyd’s as well as introduce some new partnerships in this area.

Market modernisation

We will continue to be a critical friend to the Future@Lloyd's BP2 programme. We will work to ensure we deliver efficient, adoptable services that make dealing with London easier for our clients.

- We will work with the Lloyd's and Velonetic teams to ensure a smooth adoption of digital services from July. This will have a special focus on how we ensure the SME businesses that make up the heartland of LIIBA membership can operate in the new world.
- We will continue to support PPL in its development of its Next Gen platform.
- We will continue with our engagement with ACORD ensuring the broker voice is heard in the development of standards, particularly around the Core Data Record (CDR) and the wider data processes that will underpin the future of the placement, premium and claim messaging.
- Our specialist committees will continue to act as a resource to assist and inform the BP2 and Velonetic teams with the ambition to drive the correct outcome for members.
- We will work with LMA to develop computable contracts as the foundation of an enhanced offering for Delegated Authority Business as well as liaise with Lloyd's on a future vision for DA that reduces the current burden on the broking community regarding systems that do not provide appropriate intergration
- As ever we must not forget claims. Faster Claims Payments will be expanding and we must ensure that both underwriting and broking communities work together on this to overcome obstacles to ensure its success, with the processes being the forerunner for the joint venture approach. The replacement of CLASS and ECF will bring the most sweeping operational change for claims in decades. Our COLG and DACC are at the forefront of reviewing broker interests and best outcomes for clients, which includes the re-review of SCAP and introduction of a cross market Co-Lead Claims Agreement.

Future trading environment

We will continue to be open to discussions with Lloyd's and LMA as to how the Underwriting Room can be restored as an effective trading environment where decisions are taken. This is vital to its continuing as the focal point of our relationship based marketplace. It is the key thing the next generation of market leaders want to see – as shown by *Our Face to Face Future* report.

We will build on the success of this report by reconvening the focus groups to discuss other aspects of the future trading environment such as the impact of Artificial Intelligence. And our Board member firms remain committed to our #BackToEC3 campaign.

Keeping The Lights On

Whilst not the most glamorous part of the LIIBA programme, we continue to work with the other Associations and Velonetic to review and manage current services and respond to urgent situations (e.g. system incidents).

Our ongoing “watching brief” on the Board of London Insurance Market Operations & Strategic Sourcing (LIMOSS) provides us with an insight to the wider services and the governance and oversight. With the MRCv3 being published in the Market Glossary and the Data and Claims services being managed by LIMOSS, this engagement is becoming as key as our relationship with Velonetic and Lloyd’s.

Training and committee work

- We will continue to run our programme of webinars throughout 2024 focussing on regulatory developments, climate issues, market modernisation and a wide range of other relevant topics. Following on from the unexpected success in 2023 of sessions on processing we will continue to work with Velonetic in providing training in central services.
- As well as contributing to the development of new services via Blueprint 2 we must continue to input to the management of existing ones. And so our role on the various committees overseeing the bureaux services provided by DXC will remain a vital part of our work.
- London’s competitive vibrancy is drawn from its ability to regenerate and so another key part of our service will be to continue to work with firms seeking to become a Lloyd’s broker – helping them navigate the operational and regulatory challenges of set up and then, hopefully, welcoming them into membership.

Strategic review

We will present preliminary recommendations from our Strategic Review to our Board in January. We will then seek to discuss the proposals with the wider membership before we implement them from Q2 onwards. These will include ideas as to how we can reshape our committee structure so that LIIBA is best prepared to support our membership through the challenges our market faces in the coming years.

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Another ambitious agenda for 2024 which represents the world of ever growing risk in which we operate. And we remain conscious that – as the Covid pandemic and Ukraine war have shown in recent years – issues that come to dominate the work of trade associations are not always apparent as the year starts. So we stand ready to be flexible and deliver the services our members need as events unfold.

Annex 1 - LIIBA Committee & Working Group structure

Committee	LIIBA Executive members/ attendees
LIIBA Board	Christopher Croft
LIIBA Executive Committee	Christopher Croft
Executive Committee structure under review	TBD
LIIBA Operations Committee (LOC)	James Livett Christopher Croft Jacqueline Girow Sophia Lane
LOC Sub-committees	
Claims Operations	Jacqueline Girow
LOC DA Group	Jacqueline Girow
Facilities	Jacqueline Girow
DA Claims	Jacqueline Girow
Accounting & Settlement Operations	James Livett
Right First Time (A&S Processing)	James Livett
Broker Placing	James Livett
Operational Resilience	James Livett
“Enhanced firm” Compliance Officer Group	Christopher Croft
“Core firm” Compliance Officer Group	Christopher Croft
LIIBA/FCA Quarterly liaison	Christopher Croft
Tax working group	Jacqueline Girow Christopher Croft
LIIBA/LMA Chairman & CEO Quarterly liaison	Alastair Swift Christopher Croft
LIIBA/UA Chairman & CEO Quarterly liaison	Alastair Swift

Committee	LIIBA Executive members/ attendees
	Christopher Croft
LIIBA/BIBA Chairman & CEO Quarterly liaison	Alastair Swift Christopher Croft
LIIBA/Lloyd's Quarterly liaison	Alastair Swift Christopher Croft
Working Groups	
Diversity and Inclusion Panel	Jacqueline Girow Christopher Croft Sophia Lane

Stay in touch with LIIBA

For more information on LIIBA's work, or assistance on any issue or any other aspect of market activity, follow us on social media at:

On Twitter

@LIIBALondon
@LIIBACEO
@jhobbs_LIIBA
@JamesLivett

On LinkedIn connect with:

Christopher Croft
Jo Brady
Jacqueline Girow
Sophia Lane
James Livett
Or follow LIIBA's company page

Or contact:

Christopher Croft 020 7280 0150 christopher.croft@liiba.co.uk	Government affairs, Regulatory affairs, Domestic & International lobbying, Operations strategy.
Jo Brady 020 7280 0151 jo.brady@liiba.co.uk	Membership, Communications
Jacqueline Girow 020 7280 0154 jacqueline.girow@liiba.co.uk	Electronic trading, Delegated Authority, Data Integration, Claims, Tax, Diversity Equity & Inclusion
Sophia Lane 020 7280 0153 sophia.lane@liiba.co.uk	Events, Training, Seminars, Communications, LIIBA social media
James Livett 020 7280 0152 james.livett@liiba.co.uk	Accounting & Settlement, IMR, Data Integration, DXC governance and issues, market technology services, placing, MRC, Core Data Record, ACORD, Electronic Trading adoption.