



# Restating the value of broking

## INTRODUCTION

As we move into the latter half of the 2020s, the LIIBA community finds itself in a promising situation. The market remains buoyant – with the latest London Matters report showing that the value of premium our members

bring to London each year has risen to \$160bn.

At the macro level, our relationship with our regulator, Financial Conduct Authority, is as constructive and productive as we can remember. Our

efforts to support members in widening the pool of diverse talent that they recruit from was recognised in September as Insider Honours Diversity and Inclusion initiative of the year.

In December we ran a fantastically inciteful workshop on how artificial intelligence might evolve the way clients operate and thus drive a need for their risk mitigation strategies to evolve too – more output from this event will be published shortly. Closer to home, LIIBA itself has welcomed two new faces this year – Amy Simmons and Steve Rourke – and they have fitted seamlessly into our talented team.

## **Our challenges**

That is not to say we do not still face challenges. Progress on Blueprint 2 this year was not what we would have hoped for. But it remains vital for the future of the market that we complete the programme so perseverance in 2025 will be key.

We remain concerned that, too often, new model wordings introduce unintended exclusions or create other issues that may obstruct claims payments. We will continue our work with Lloyd's Market Association in 2025 to bring a broker perspective to the process of formulating new clauses.

Relations with European Union also remain a concern and there is a real

danger that EU corporate clients will lose access to the global insurance capacity they require to function. We will continue to work with BIPAR, our European federation, to seek to ensure that this outcome does not come to pass.

## **Value of insurance intermediation**

But above all, 2025 must be the year that we bring governments and regulators around the world to fully appreciate the value that insurance intermediation delivers to the global economy. For too long, these bodies have viewed the work of our membership with suspicion. In the eyes of too many regulators, wholesale broking, in particular, is seen as some sort of unnecessary surcharge on insurance placements. But the reality is that it is pivotal to taking risk out of the global economy and driving growth. Without the expert risk management services and access to international specialty centres that our members' global networks provide, construction, trade, transport and every other form of economic endeavour would be reduced or removed.

This is a specialist, complex offering that simply cannot be replaced by algorithm or AI. Wholesale broking is the engine oil of the global machine. It is the mechanism that allows wealth creators around the world to look beyond their limited domestic options to find the risk mitigation strategies

they need to operate. It is vital that we ensure that this essential service is allowed to function without unnecessary impediment – especially in a world where protectionism and populism might threaten the free flow of activity.

And so, in 2025, we will look to commission work to put some numbers on this global game. The ability to demonstrate the contribution that wholesale broking makes to global

GDP should have the same impact on discussions with international governments and regulators that, 10 years ago, London Matters showing that our market generates now one third of the City's contribution to GDP had on our relations with HMG here.

All of which will drive another successful year for LIIBA and our members. We set out the detail of our plans below.

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## BLUEPRINT TWO

# Anything but delivery is not an option

As with all market modernisation projects, there is a lot of noise around Blueprint 2. So, it is sometimes helpful just to remind ourselves why we are doing this at all. Our current accounting and settlement process typically runs to a 25% error rate. That is unacceptable. And we have seen from experience in non-bureau markets that the use of ACORD standard messaging can reduce this figure to practically zero and deliver sizeable cost savings.

We need to bring the same experience to the collective insurer back office powered by Velonetic. Regardless of the operational savings we need to remember that the systems are four

decades old and are showing their age. As time goes on these complex systems are becoming less able to support our evolving industry. The ongoing resilience remains a real concern. Velonetic and DXC continue to support the systems admirably but the challenges grow by the day...the replacement of these systems is essential.

## Complex endeavour

And it is also useful to revisit quite how complex an endeavour this is. There is a reason why the market has shied away from changing the systems at the core of our A&S processing for 40 years. Replacing multilateral net settlement engines is really, really complicated and

the implications if they go wrong and start sending the wrong amounts of money to the wrong people are best not contemplated.

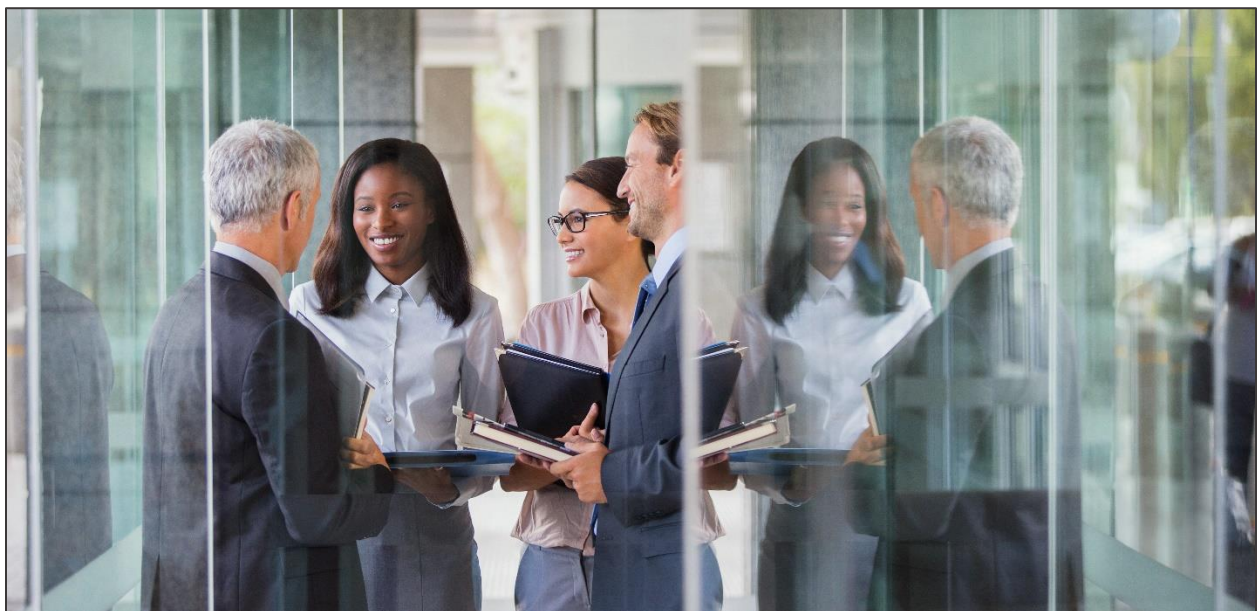
Judged by metrics such as the size of the programming team or the lines of code involved, this is multiples larger a programme than any run by any of the firms active in the market. And it must deliver significant change to a menagerie of 300 or so firms of all shapes and sizes – remembering that 80% of LIIBA’s membership is made up of SME firms that employ fewer than 50 staff members.

So, it is not overly surprising that it is proving challenging. But none of this should detract from the fact that completing the programme is vital for the future of London as an insurance centre. Blueprint 2 must be completed.

Regardless of the current uncertainty around the future leadership team at Lloyd’s, nothing should deflect us from getting this done.

## **Delivery and implementation**

So LIIBA pledges to ensure that delivery and implementation – when it comes – is as smooth as possible for the broking community and particularly for the SME firms that make up the heartland of our membership. We anticipate that 2025 will predominantly be a year for testing. And that is perfectly acceptable. Delivering correctly, ensuring all elements of Phase 1, including claims and facilities, have been accounted for in their entirety is far more important than delivering to any arbitrary deadline. We need this right, not necessarily right now.



## **Our relationship with Financial Conduct Authority and HM Government**

At the macro level, LIIBA's relationship with Financial Conduct Authority (FCA) has rarely been more productive. We have welcomed the way in which the regulator has responded positively to its new objective to facilitate international competitiveness and economic growth.

In particular we have seen:

- helpful written confirmation from FCA that its conduct rules do not apply to overseas business. This has significantly reduced the regulatory burden for many LIIBA members;
- a discussion paper from FCA proposing how it might better distinguish between consumer business and the sorts of complex commercial business LIIBA members specialise in. This promises a further reduction to regulatory costs.

We are already in discussion with FCA about some additional opportunities we believe there are to make the regulatory regime more proportional. These include adaptations to Senior Managers & Certification Regime and, more adventurously, FCA using its sandbox

to test proposed changes to rules as a more dynamic replacement for the consultation process.

### **Diversity and inclusion**

A key focus for FCA is the continuing review of diversity and inclusion within the financial sector. The results of the Section 165 request for data regarding non-financial misconduct in Q1 of 2024 were released in October.

The regulator recognised the nuances between the various finance sectors, along with the type and size of firms introduce complexities that cannot be addressed with a one size fits all approach. Their expectation is that the trade associations are ideally placed to support their respective members and we have already delivered a webinar for members along with helpful resources. Further focussed work is planned for 2025. It's expected further FCA policy changes will be announced during 2025. We are poised to respond to these and ensure all areas of our membership are supported.

We began to build a productive relationship with government in the latter half of 2024. And we have been encouraged by the early proposals it

has been making. In particular Chancellor Rachel Reeves's Mansion House speech which called for "regulation for growth" was welcome confirmation that the Labour government supports the developments that have led the progress we have made with FCA. We will look to ensure that this philosophy prevails through our regular interaction with HM Treasury.

We are also keen that government recognises that insurance is pivotal to solving the major issues facing UK today. We have already had productive discussions with Energy Minister Kerry

McCarthy, amongst others, about how our members can drive the response to the climate crisis. We will continue this conversation throughout 2025.

We also need to highlight the social good insurance delivers. This is key to promoting our sector not just to government and regulators but also to the new talent we need to attract. An area of significant growth in recent years has been the use of parametric products to help the work of humanitarian organisations. In 2025 we will look to amplify the work that is going on in this area across our membership.

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## **BUILDING THE LLOYD'S COMMUNITY**

All LIIBA members must be Lloyd's accredited brokers. But the relationship our community has with the Corporation itself can be fractious, particularly when elements of market infrastructure get in the way of trading relationships.

As the Lloyd's distribution arm, it is vital that feedback and constructive criticism is taken on board and acted upon if the market is to flourish. Until now, this feedback has tended to be

provided in slightly haphazard and unstructured ways – in meetings and over lunches. In 2025 we want to make this message more coherent. And so, in partnership with Lloyd's, we will be carrying out a survey with our membership. This should provide objective, productive views on how the Corporation operates and help build an ever-closer partnership between Lloyd's and our members to the benefit of all, and, most importantly, our clients.

## INTERNATIONAL LOBBYING

We are active members of both the European Federation of Insurance Intermediaries – BIPAR – and our World Federation (WFII). These networks are vital to our work as they allow us to monitor international developments that may affect our members given their global client base.

A worrying trend in recent years has been increased regulatory interest in multi-national placements. These are vital to the functioning of the global economy but are rarely well supported by trade agreements or trade law.

Through BIPAR and WFII we will continue our mission to educate global regulators on the importance of this business and the need not to put unnecessary barriers in its way.

Part of this work continues to focus on European Union. Elements of the proposals being made as part of EU's Retail Investment Strategy could significantly impede EU corporate clients' ability to access the global capacity they need to operate. We will work with BIPAR and Lloyd's Europe to monitor developments.



## Promoting the value of insurance intermediation

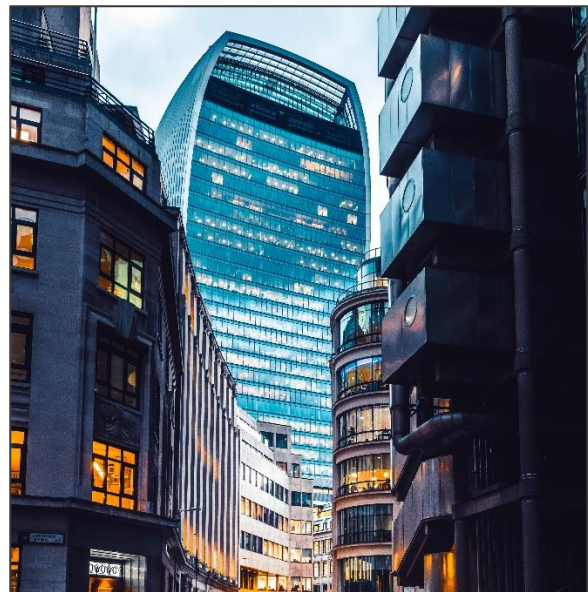
2025 must be the year that we bring governments and regulators around the world to fully appreciate the value that insurance intermediation delivers to the global economy. For too long, these bodies have viewed the work of our membership with suspicion. In the eyes of too many regulators, wholesale broking in particular is seen as some sort of unnecessary surcharge on insurance placements. But the reality is that it is pivotal to taking risk out of the global economy and driving growth. Without the expert risk management services and access to international specialty centres that our members' global networks provide, construction, trade, transport and every other form of economic endeavour would be reduced or removed.

This is a specialist, complex offering that simply cannot be replaced by algorithm or AI. Wholesale broking is the engine oil of the global machine. It is the mechanism that allows wealth creators around the world to look beyond their limited domestic options to find the risk mitigation strategies they need to operate. It is vital that we ensure that this essential service is allowed to function without

unnecessary impediment – especially in a world where protectionism and populism might threaten the free flow of activity.

### Commissioning work

And so, in 2025, we will look to commission work to put some numbers on this global game. The ability to demonstrate the contribution that wholesale broking makes to global GDP should have the same impact on discussions with international governments and regulators that, 10 years ago, London Matters showing that our market generates now one third of the City's contribution to GDP had on our relations with HMG here.





## The impact of AI on client need and how insurance needs to evolve

In December we ran a fantastically inciteful workshop on how Artificial Intelligence might evolve the way clients operate and thus drive a need for their risk mitigation strategies to evolve too. We will be publishing more of the output from this session in January.

Some initial thoughts from the day were as follows:

- AI isn't just for IT teams to deliver, it's an 'all of us' challenge and opportunity so diversity of thought is important from front-line brokers to back-office operations in adopting & adapting. This isn't about how we as a market do the same things better, but how we do things differently. That will be how we future proof our market.
- London can be a world leader in how the insurance industry adapts to AI but it will need an appropriate regulatory framework to achieve that. We need FCA and PRA to work with us to deliver.
- The best way to solve a market challenge is with collaboration over competition and that is why LIIBA will commit to playing a convening role on this topic. The group we gathered in December will be meeting regularly throughout 2025.

AI brings new and interesting risks to all our worlds. And that is an opportunity for the purveyors of risk management services. So, we look to the future with enthusiasm.

## **Diversity, equity and inclusion and its wider promotion in our market**

LIIBA has several ongoing initiatives aimed at introducing diverse talent into the London insurance market and during 2025, we will continue to expand upon these. We are also expanding our DEI work to provide useful research for members around D&I data collection and are introducing a new senior level mentorship programme that provides opportunities for those within member firms to actively participate in our work.

LIIBA partnered with social mobility charity upReach to create an insurance springboard programme. The insurance springboard's purpose is to provide mentorship and insurance business acumen to high achieving university students from disadvantaged backgrounds, so that they are ready to enter the London insurance market upon graduation.

### **Supporting undergraduates**

The LIIBA initiative supports 50 undergraduates, up from 40 the previous year, and interaction includes insight days in London plus a week's work experience per year with a LIIBA member firm. For these, we pay for all

costs relating to travel, subsistence, and accommodation to remove any barriers to taking part. The 2025 work experience week will be held week commencing 23<sup>rd</sup> June and we would be delighted to hear from any member firm wishing to host this year.

### **Get Into Insurance**

LIIBA also runs a programme with The King's Trust charity (formerly The Prince's Trust) who support young unemployed individuals. "Get Into Insurance" aims to equip participants with skills and employment opportunities. The two-week blended learning programme is delivered jointly by LIIBA, Howden Insurance Brokers and The King's Trust. It consists of insurance theory sessions, presentations provided by subject matter experts from a variety of business areas, soft skills sessions such as communication, presentation and time management, plus on the job work experience within a business department.

### **Social mobility**

In 2024, LIIBA partnered with social mobility charity Future First, who work with state schools throughout the UK. LIIBA provide insight days for schools

to promote the insurance industry and enable access to a volunteering hub, where LIIBA members can select to run events and support alumni networks throughout the UK to promote the industry as a first-choice career option. The hub is now live and details of how to access the hub and take part in activities are noted within the new belonging@liiba area of our soon-to-be revised website.

Finally, LIIBA has created a partnership with Inspiration for All who are a not-for-profit that seeks to tackle entrenched inequality in society, classrooms and workplaces by investing in leadership. We have created a partnership programme that matches school leaders and business leaders from the London insurance market in a unique peer-mentoring partnership, which creates fresh perspectives,

enhances leadership skills and drives social mobility.

We are actively recruiting for this programme now, so would like to hear from anyone interested in taking part in this new initiative.

### **Alumni group**

We now have in the region of 40 people who have come through one of our initiatives working full time in the market. So, in 2025, we will be developing a LIIBA alumni group to ensure that we continue to support these graduates as they develop their careers.

LIIBA will continue to liaise with the London Market Group and Lloyd's on several joint initiatives, such as the Futures Academy and Lloyd's Dive In Careers conference.



## GOVERNANCE

### Committee work

2025 will also see us continue to support the vital work of our committees in developing the market.

- Our input to Blueprint 2 will be led by our Operations Committee chaired by Adam Stafford of BMS. This is supported by:
  - Facilities Committee, who recently appointed a new Chair Greg Zucker (Price Forbes), and Deputy Chair, Laura Lindsey (McGill).
  - Claims Operations Leadership Group (COLG) Chaired by Sharyn Butcher (Howden) and Deputy Chair, Philip Clark (Price Forbes)
  - Delegated Authority Claims Committee (DACC) Chaired by Amy White (Bishopsgate) and Deputy Chair Natalie Walker (Amwins)
  - Broker Accounting & Settlement Committee (BASIC) with a new Chair to be revealed shortly.
  - Broker Placing Committee (BPC) Chaired by Stuart Blyth (Marsh)
- We have a specialist group that liaises with Lloyd’s Market Association (LMA) on wordings. This is supported by our Executive Committees – Marine; Non-Marine; Aviation and Reinsurance – who also discuss issues key to those classes.
- Our DEI work is supported by an expert group from across our membership.
- Our Tax Working Party, chaired by Ruwan De Silva, leads our interaction with HMRC. This group delivers vital work ensuring that the way tax authorities deal with our members does not create unnecessary burden.



## TRAINING & DEVELOPMENT

We will continue to run a regular series of webinars for members across the year. In 2024 we ran events attended by over 4,000 people covering subjects as diverse as:

- all aspects of Blueprint 2 and its implications for members;
- regular updates on the work of FCA and how members should respond;
- our DEI programme and how members could get involved;
- claims and facilities forums to cover topics of specific interest to these communities; and
- the prospects for the UK and US elections and how the outcomes might impact our membership.

All our webinars qualify for Continuous Professional Development (CPD) points. But we are conscious that this is not fully understood amongst the membership and it is not easy to get appropriate certification of attendance. So, in 2025, we are looking at ways that we can automate this process to deliver a better service.

## CONCLUSION

All of which should deliver another successful year for the Association and our membership. But, of course, the work of a trade association is necessarily reactive to events. Our 2020 agenda, for instance, did not mention that we planned to spend

much of the year supporting our membership through a global pandemic and government-imposed lockdown. So, we remain vigilant observers of international developments of all sorts and poised ready to adapt our service as circumstances dictate. Roll on 2025.