

# AFM Non-Executive Directors' Conference

How the executive's role is changing  
at financial mutuals

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# Context:

## Charles Taylor and mutuals

- CT provides of professional services to the insurance market; listed on the LSE
- Founded 130 years ago to manage The Standard Club, a mutual providing marine liability and related insurance
- CT now provides mutual management services, loss adjusting, insurance support services (technology, BPO, investment management, risk advisory etc.)
- CT runs regulated insurers / entities in UK, US, Singapore, Bermuda, Luxembourg – with substantial experience working as executives and with boards

# The executive's role at a mutual insurer

## *Likely priorities at most mutuals*

### Member experience

Product

Channel

Claims

Pricing

### Financial security

### Risk mgmt. & compliance

### Growth

- Change is impacting each priority
- The exec's role is to drive pro-active, proportionate responses ...
- ...while maintaining focus across all priorities
- NED's role is critical in supporting this process

## A. Member experience

### CHANGES UNDERWAY

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- Rising member expectations driven by other industries
- Technological enablers
- Ease of comparison with alternatives
- Macro-economic challenges focusing members on value



### CHALLENGES FOR EXECS

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- Understanding member satisfaction – and reacting to it
- Driving retention actively
- Embracing technology to drive member experience without excessive cost
- Achieving cost efficiency required to offer ‘value’ without having scale

## B. Financial security

### CHANGES UNDERWAY

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- Low investment returns; importance of 'breakeven' u/w
- 'Fixed' costs of regulatory compliance
- Regulatory capital requirements
- Rating agency influence



### CHALLENGES FOR EXECS

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- Moving to breakeven u/w in a risk-based manner
- Achieving goals (member satisfaction, growth, compliance)...
- ...while keeping costs proportionate to the business
- Deciding which activities to carry out in-house vs. via partners / suppliers

## C. Risk management and compliance

### CHANGES UNDERWAY

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- Expectation that risk mgmt. is embedded in the business...
- ...evidenced via policies, processes, risk registers, controls
- Regulatory expectations of execs (SIMR) and NEDs
- Technology risk



### CHALLENGES FOR EXECs

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- Embedding / evidencing risk mgmt. while avoiding a costly “cottage industry”
- Response to SIMR; enabling NEDs to perform their duties
- Balancing innovation, resilience, cost efficiency

## D. Growth

### CHANGES UNDERWAY

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- Increased linkage between scale and cost efficiency...
- ...and scale and capital efficiency
- Increasing competition...
- ...but also increasing awareness of benefits of mutuality?



### CHALLENGES FOR EXECES

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- Deciding whether / why growth is important
- Choosing where to grow
  - Existing vs. new members
  - New products?
  - New segments?
  - New channels?
- Building growth capabilities
  - Product development
  - Marketing & sales
  - Operations

## Concluding remarks

- The exec's role at a financial mutual is complex – multiple priorities, with change impacting each
- Successful execs (guided by NEDs) will achieve a pro-active, proportionate response to change
  - Risk of over-reaction / distraction
  - Risk of insufficient response
- A clear & agreed strategy is critical to this process
  - Vision & goals
  - Where to play – market segments, activities (and where not to play)
  - How to 'win'
  - Key initiatives
- Charles Taylor can help!

# How Charles Taylor can help

## STRATEGY

- Assessment
- Development
- Refinement

## SERVICES & TECHNOLOGY

- Marketing
- Underwriting
- Claims handling
- Finance
- Actuarial
- Investments
- Systems

## ASSURANCE

- “Internal Audit”
- Risk mgmt. /  
compliance  
support

### Contact:

Richard Yerbury – [Richard.Yerbury@ctplc.com](mailto:Richard.Yerbury@ctplc.com)

Dipo Oyewole – [Dipo.Oyewole@ctplc.com](mailto:Dipo.Oyewole@ctplc.com)

Mike Peachey – [Mike.Peachey@ctplc.com](mailto:Mike.Peachey@ctplc.com)