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LMG



Talent in the London Market

Unique advantage



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The LMG is a market-wide body, bringing together the specialist commercial (re)insurance broking and underwriting communities in London. It is supported by the International Underwriting Association of London (IUA), Lloyd's of London, the Lloyd's Market Association (LMA) and the London & International Insurance Brokers' Association (LIIBA).

It speaks collectively for market practitioners on growth and modernisation issues, and its aim is to build on London's position and reputation as the global centre of insurance excellence.



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Foreword



Ever since the first risks were traded in Edward Lloyd's coffee house back in 1688, the London insurance and reinsurance market has attracted a high concentration of talent. This still holds true today and the market boasts some of the world's best underwriters, brokers and associated service providers working within it.

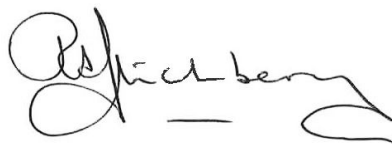
The unique ecosystem across the market supports and encourages innovation and helps to develop exceptional technical expertise and experience that is hard to replicate anywhere else in the world. However, the London Market cannot rest on its reputation, and if it is to continue to be the fulcrum of insurance innovation and the world's leading insurance and reinsurance hub, we need to ensure that talent is effectively managed to make sure the market is fit to face the future.

Talent and diversity is one of the four key workstreams of the London Market Group's (LMG) growth and modernisation agenda. This report is the result of the first market-wide survey to identify existing skills gaps and gain better insight into the talent requirements of the market of the future. The response to the survey was fantastic, and I would like to thank Deloitte for the time and commitment they have given to the project and to everyone who has participated in the process.

The results of the survey provide some important food for thought, and there are a number of elements that individual organisations, and the market as a whole, need to consider. For example:

- As significant numbers of senior managers across the market near retirement age, have we got enough succession planning in place?
- With Millennials accounting for three-quarters of the workforce by 2025, are we as a market considering the ambitions and motivations of the upcoming generations?¹
- Are we looking enough outside our own backyard for talent and skills?
- Where can we gain success or efficiency through collective action, and what is best left to individual businesses within the market?

This report is the first step in working to answer those questions, and I hope we will have an active debate over the coming weeks and months on its findings. But we cannot ignore them, and so we will be working with the market to put plans in place to help try and plug the identified skills gaps, and encourage market-wide best practice on a number of the talent management issues identified. It is only by working together and recognising the areas where further work needs to be done that we can ensure the London Market is, and continues to be, an employer of choice for the best talent in the business.



**Bob Stuchbery, President, International Operations,
The Hanover Insurance Group, and LMG Board Sponsor of the Talent and Diversity workstream**

Executive summary

A unique market built on talent

For more than 300 years the London Market has been a unique global marketplace providing risk transfer solutions for its clients' most challenging protection needs. Today the London Market underwrites more than £60 billion in gross written premium, for clients in more than 200 countries.^{2,3} It is also at the forefront of developing new solutions to meet emerging client needs in areas such as cyber risk and reputational harm. The foundation of this enduring success has been the skills and expertise of the people that work in the London Market, who now number more than 48,000, with 71 per cent of them based in London and the rest elsewhere in the UK.⁴

The London Market has unparalleled technical expertise in core skills such as broking, underwriting and claims, alongside deep knowledge and experience across a wide range of industries including marine, energy, property and aviation. A host of locally based service providers support the market, including experts in technology, legal matters, accounting, taxation and M&A.

The global talent environment is rapidly changing

Sweeping global forces are reshaping the workplace, the workforce and working practices, and these changes will have a profound effect on the talent agenda in the London Market. These changes include:

- Demographic upheavals are making the workforce both younger and older, as well as more diverse. Millennials will make up approximately three-quarters of the global workforce by 2025.⁵ They tend to have higher expectations for a rewarding, purposeful work experience than older generations, while older workers are working later in life and face challenges to adapt to new roles.
- Digital technology is now omnipresent, disrupting existing business models, changing the workplace and working practices.

- The rate of change has accelerated. Fifty years of operating under Moore's Law have propelled technology and innovation forward and increased the pace of change in business as a whole⁶. In the London Market, the pace of change requires participants to be more agile and to innovate rapidly in response to new challenges such as new competitors in reinsurance, new technologies and the emergence of regional insurance hubs.
- A new social contract is developing between companies and workers driving major changes in the employer-employee relationship. The days when a majority of workers could expect to spend a career moving up the ladder at one company are over. Young people anticipate working for many employers and demand an enriching experience at every stage of their working life, leading to expectations for rapid career progression, as well as a compelling and flexible workplace.
- The UK and London in particular are increasingly diverse. As a result, society expects corporates to do more to ensure they have a diverse workforce that reflects the wider world, and to make employees feel valued and fully included. In addition, corporates are waking up to the fact that a diverse workforce – in terms of not just gender but also ethnicity and socio-economic background – improves performance because it leads to diversity of thought.

The LMG is aware of these challenges and considers the talent agenda to be a key element of market's growth agenda. The LMG commissioned Deloitte to survey people working in the London Market and conduct a series of executive-level interviews (see Appendices) to understand the talent landscape, and inform the steps the market must take to ensure it remains the leading global centre for specialty insurance talent, now and in the future.

Seven London Market talent challenges identified

- 1 The pace of change in the London Market is accelerating and the market is expected to develop significantly over the next few years. The LMG is implementing a new market Target Operating Model (TOM) and many organisations are considering or implementing new organisational structures that, among other things, recognise the high cost of operating in London. These changes are likely to disrupt established talent strategies and career paths in London and regional offices.
- 2 The market appears to have under-invested in development of its next generation of leaders, and 22 per cent of respondents identified leadership capability as a skills gap for the market in future. This is comparable with the experience of financial services (FS) businesses globally – 91 per cent of FS businesses in *Global Human Capital Trends 2016*, a Deloitte survey, rated the need to strengthen, reengineer and improve organisational leadership as an important priority.⁷
- 3 Technological change is seen as the most important disruptive influence on the talent needs of the London Market in future. 60 per cent of respondents ranked technology as an important future disruptor compared to 40 per cent for the next most important influence, new competitors.
- 4 Of the traditional London Market skills, operations (25 per cent), wordings (24 per cent) and underwriting (23 per cent) were identified by respondents as the most urgent longer term skills gaps that the market needs to address. In the short term, the roles that organisations are finding it difficult to recruit for are underwriting (34 per cent) and claims (22 per cent).
- 5 A majority of respondents (93 per cent) did not see actively seeking talent outside the London Market as a priority. This is concerning given the talent available in London which, according to *Global cities, global talent*, a 2016 Deloitte survey of leading global cities, is the world's high-skills capital with 1.7 million people employed in knowledge based industries, a number which has grown 16 per cent since 2013.⁸
- 6 While most in the survey believe the London Market is responding to changing lifestyles and employee expectations, few rated the market as 'leading edge' in this area, which is likely to be an issue given the preferences and high expectations of Millennials.
- 7 Only 8 per cent of respondents consider the market to be a role model for diversity in the industry, suggesting further work is required in this important area.



Seven key opportunities to build a talent driven market

- 1 Develop a co-ordinated London Market talent strategy that encourages the development of a talent pool and practices that meet the needs of a fast changing market.
- 2 Create a step change in building the next generation of leaders by developing a London Market leadership programme and best practices connected to the market's business priorities. Build on Lloyd's initiatives in this area.
- 3 Assess the impact of technology disruption on the talent needs of the market, and identify the potential sources of the skills that are required to maintain London's leading position in the future.
- 4 Attract non-traditional talent to operations, wordings and underwriting talent pools, developing promotional and training programmes to attract and retain them and identify talent pools outside the London Market that have the potential to fill the skills gaps and accelerate the development of the market's strategy to target them.
- 5 The London Market should collectively enhance its employment experience and brand, matching early career experiences more closely to the preferences of Millennials to compete more effectively for talent in future. This will require a co-ordinated market level approach to be fully effective.
- 6 Identify opportunities to enhance the diversity of the market. These could include the promotion of the market to non-traditional talent audiences, apprenticeship programmes, internships and working with partnership agencies. Market-wide targets for diversity could be considered to galvanise action.
- 7 The LMG can play a key role in co-ordinating these initiatives and our survey suggested an appetite for the LMG to play a role in encouraging a healthy talent pipeline, training and development of future skills as well as promoting diversity. The LMG should work closely with the market to avoid replicating existing initiatives.



Rapid change in the global talent landscape



Demography

Millennials will make up approximately three-quarters of the global workforce by 2025.⁹ The London Market cannot succeed in future without engaging effectively with this generation. The best of them seek a rewarding, purposeful work experience and expect to move between 15-20 roles over a career to achieve it.¹⁰ In addition Millennials will increasingly be clients of the London Market and want to engage with their peers. London has a disproportionately high concentration of Millennials with a median age of 34, compared to 40 for the UK, offering a talent pool on the London Market's doorstep.¹¹



Digital

Digital technology is transforming the landscape of financial services and increasingly disrupting existing business models. 'Fintech' and 'Insurtech' have become shorthand for this trend as start-ups jostle with mature market leaders to define the financial services business models of the future. Connected insurance propositions are accelerating, enabled by advances in sensor technology. Data is being used in increasingly innovative ways and investors are seeking to disaggregate the insurance value chain. Digital distribution channels are gaining increasing influence in consumer insurance markets. The London Market is going to experience disruption as a result of this transformation and will need to respond.





Pace of change

The rate of change for businesses, including customers of the London Market, has accelerated significantly. In response, many organisations are redesigning their organisations and seeking to become more agile and responsive to their end customers' needs. Deloitte's 2016 Global Human Capital Trends survey found that more than 80 per cent of surveyed organisations are restructuring now or have recently finished a major transformation.¹² This change will have implications for the London Market and accelerate the need for innovation. The market will need to provide coverages that are relevant as disruptions change the needs of customers. In Deloitte's interviews of senior London Market executives, one executive summed it up by saying "disruptive industries are coming in and industries we insured don't exist anymore, we need to innovate."



A new social contract

A new social contract is developing between companies and workers, driving major changes in the employer-employee relationship. For instance, the workforce is becoming far more flexible with contingent, contract and part-time workers making up 40 per cent of the workforce.¹³ Employees no longer expect to work their careers in one employer. Employers must work harder to retain the best people at each point on the career journey. Leading businesses understand the motivations of their target employees at each stage of their career journeys and build relevant, compelling experiences, identifying and accelerating potential leaders early.



Diversity

Diversity is a huge opportunity for London Market businesses. Two-thirds of organisations in the Lloyd's market are yet to implement a diversity policy.¹⁴ Yet London is home to the largest and most diverse pool of creative talent (1.7 million high-skills workers) of all the major global cities.¹⁵ Harnessing this potential will enhance the market's ability to win in future. A diverse workforce at all levels will drive enhanced diversity of thought and innovation in the market enabling the market to respond to the changing needs of clients. Recent research on the impact of diversity and inclusion on business performance found evidence that diversity boosts performance in three key areas. When employees think their organisation is committed to diversity, they report an 83 per cent uplift in the ability to innovate, a 31 per cent uplift in responsiveness to changing customer needs and a 42 per cent uplift in team collaboration.¹⁶



Accelerating rate of change in the London Market

The pace of change in the London Market is accelerating. New competitors are encroaching on traditional strongholds including 'alternative' capital targeting high margin reinsurance and local competitors in emerging markets exploiting customer preference for local service. This new competitive landscape is enabled by technology and data intensive analytics. In addition new risks are emerging which offer opportunities for the London Market but require the market to innovate to position itself as a leader in these fast developing areas, for example cyber risk, which is top of mind for many business leaders today.

A soft market, driven in part by this competition but also by low catastrophe loss levels and plentiful capital, is acting as an additional accelerator of change. It is driving broking and underwriting businesses to think more radically about how to organise their activities and drive profitable growth with, for example, reinsurance focused businesses seeking growth in primary lines and a number of businesses considering which activities should be in London and which make should be in should be in less costly locations. The London Market is responding to this changing landscape through LMG sponsored initiatives designed to defend and enhance the London Market's position. These include the critical future TOM intended to improve access to and competitiveness of the market.

The accelerating pace of change in the London Market and the market's responses to those changes will have major consequences for talent in the marketplace.

1. Traditional **career paths**, which have historically relied on talent progressing from entry-level administrative roles upwards, are becoming less relevant as those administrative roles are either moving away from London or being replaced by technology. New career paths will need to be developed for entry level talent that are attractive to high calibre candidates and those paths will need to quickly nurture and develop that talent into leaders of the future.

"We need to find a way for the technical expert to have a fulfilling career path"

Senior Executive, Underwriter

2. The market will need to consider changes to its **ways of working** in order to respond more rapidly to a fast changing marketplace. Experience of other industries has shown that empowered multi-disciplinary team based structures using agile approaches can significantly accelerate change.

"We need more ability to move within the organisation – people can be silo'd very quickly"

Underwriter, Managing Agent

3. **New skills** will need to be deployed in a marketplace that has been used to the idea that traditional underwriting and broking roles 'rule the roost'. Technology and digital skills, innovation, analytics and process skills will all be more important in future. The market needs to consider how these can be developed and where they can be sourced.

"Brokers of tomorrow look different with more modelling and quants with younger people getting exposure faster"

Senior Executive, Broker



Key opportunity

Develop a co-ordinated overall London Market talent vision and strategy

The market should develop a co-ordinated overall London Market talent vision and strategy that encourages the development of a talent pool and practices that meet the needs of a fast changing market. This does not mean, in our view, that all talent activity needs to be centrally co-ordinated or managed, however the market does need a coherent vision for the overall future of talent in the London Market. This vision would enable the market to identify priority areas where the individual efforts of the businesses that make up the London Market can be either better aligned to the talent vision, or where market level actions can accelerate delivery of its talent agenda. It is not enough, given the strategic landscape facing the market, to assume that the market will address its talent challenges on a bottom up basis.



All claims people used to be in London, now only advocates here, so no feed through for people coming through. Offshoring and outsourcing are changing the dynamic.

Senior Executive, Broker



Offshoring has led to reduced demand for lower grade roles.

Chief Operating Officer, London Company Market insurer



We are cautious about London hiring now, we see a future where there is a smaller highly skilled population in London.

Senior Executive, Underwriter



Interdepartmental coordination is a key future skills gap.

Legal and Compliance, Broker



The pace of change is incredible and it's hard for any of us to keep up.

Claims, Managing Agent



With electronic trading we will have to ask ourselves who needs to be based in London and who doesn't.

Senior Executive, Broker



Offshoring means simple tasks will not be done in London, what are the routes into the market if old routes are gone.

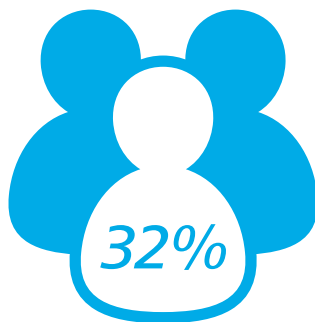
Senior Executive, Underwriter



Next generation leadership

Strong, effective Leadership is critical to the London Market as it navigates through the new challenges of the next decade. Over this decade, many of the market leaders who navigated the challenges of the LMX spiral, Equitas and 9/11 will retire. The average age among Chief Executives of leading Managing Agents is 54 years old.¹⁷ Our survey suggests that the market has underinvested in the development of its next generation of leaders. Almost a third of survey respondents in the C-suite cited an ageing talent pool as the driver of future skills gaps (Figure 1).

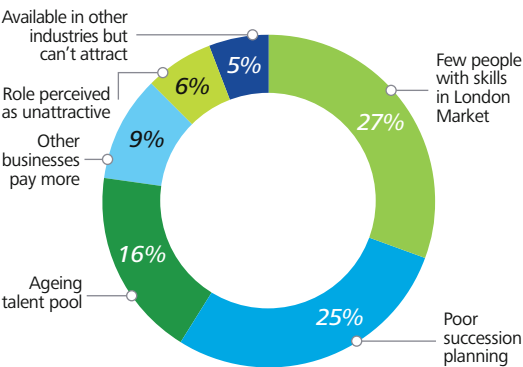
Figure 1. Proportion of respondents in the C-suite who cited an ageing talent pool as the driver of future skills gaps



Source: LMG Deloitte 2015 London Market Talent Survey
See Appendix for survey methodology

22 per cent of all respondents said that the market faces a gap in leadership capability that, if left unmanaged, would affect business performance in the longer-term. The survey points to the causes of this future leadership skills gap, with the most often cited driver being a lack of people with the right skills in the London Market (Figure 2).

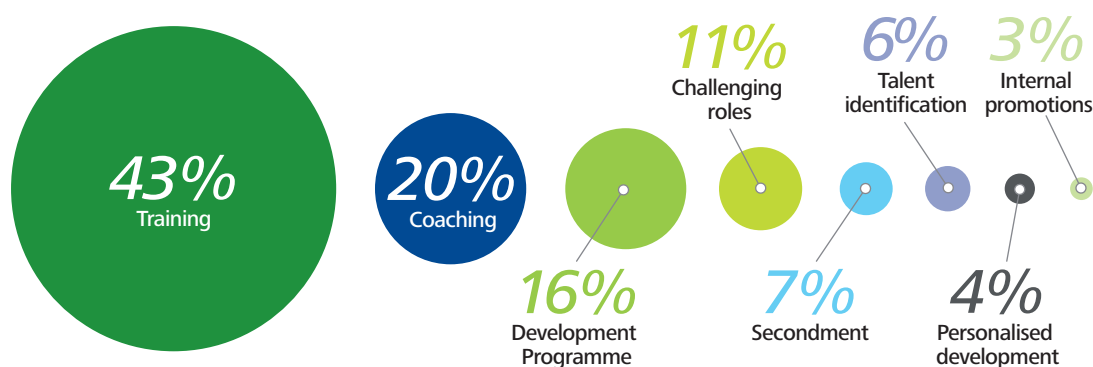
Figure 2. Proportion of respondents who cited causes of future leadership skills gaps



Source: LMG Deloitte 2015 London Market Talent Survey
See Appendix for survey methodology

Note: Percentages do not total 100% because respondents cited multiple causes of future leadership skills gaps and 'other' is excluded here.

Figure 3. Proportion of respondents who cited methods by which their organisations develop future leaders



Source: LMG Deloitte 2015 London Market Talent Survey
See Appendix for survey methodology

The market is focussed on developing its future leaders via training (Figure 3). This method of leadership development was cited by more than double the next most popular method, coaching. Only 16 per cent of respondents said their organisations were using leadership development programmes, which could be an important missed opportunity given their potential efficacy.

This gap in future leadership capability in the London Market mirrors the experience of other sectors. 89 per cent of executives in Deloitte's *2016 Global Human Capital Trends* report rated the need to strengthen, reengineer, and improve organisational leadership as a priority.¹⁸ Among executives in financial services (FS), the proportion was slightly higher than average (91 per cent).¹⁹ The reason is that traditional leadership development models are not producing leaders fast enough to keep up with the demands of business and the pace of change. More than half (56 per cent) of executives across eight major sectors in the economy report that their companies are not ready to meet leadership needs.²⁰



Key opportunity

Create a London Market wide leadership programme and best practices

Drive a step change in leadership development by creating a London Market wide leadership programme and best practices. Connect it to the market's business priorities and build on Lloyd's initiatives in this area.

Future leaders will need broad experience in the market and beyond. The vertical career paths that so often characterise the London Market are unlikely to develop leaders with the mix of skills required to win in future. Any new Leadership programme should consider how future leaders can gain hands on experience of a range of business functions and challenges both within the London Market and beyond. International experience and a familiarity with technology will increasingly make the difference between winning and losing in a more integrated, technology-enabled global specialty market. They will also need tailored support to develop leadership behaviours and skills that are essential to success and take time to develop.

Developing leaders – Case study: General Electric

General Electric (GE) is widely regarded as one of the best companies in the world for developing leaders. According to the Harvard Business Review, when a company hires a CEO from GE its stock price rises quickly (\$1.1 billion on average in 20 cases).²¹ Aon's most recent survey of top companies for global leaders puts GE on top.²²

One of the main reasons is GE's leadership development programme, the success of which is underpinned by four factors.²³ The content is comprehensive with future leaders given extensive training in a wide range of business skills, such as a grounding in finance. Investment is significant, e.g. GE has a dedicated leadership institute (Crotonville). Programmes are challenging. The executive development programme has a 2 per cent pass rate.²⁴ Finally, because leadership programmes are widely respected, the incentive to pass them is high.

“

[The] CEO [is] nominating Senior Leaders for stretch projects to develop strategic thinking and leadership... however, this is still an area to be developed.

Human Resources, Managing Agent

”

“

Lloyd's is already taking action on developing management skills in the market, recognising the deficit.

Senior Executive, Underwriter

”

“

[We use] professional coaching [to develop leaders].

Chief Executive Officer, Managing Agent

”

A market disrupted by technology

Survey respondents see digital and technological change as the most important influence on the talent needs of the London Market in future by a clear margin (Figure 4). Three-fifths said it was the most important future influence compared to 40 per cent for new competitors, the second most important influence.

These two influences are connected. Start-ups and established players from outside the insurance industry are exploiting advances in technology to innovate the traditional insurance business model. As part of their efforts, they are attracting talent from incumbent players. For instance, a new peer-to-peer insurance start-up has hired a president of product development, a chief underwriting officer, a senior vice president of claims and a head of financial planning from major insurers.

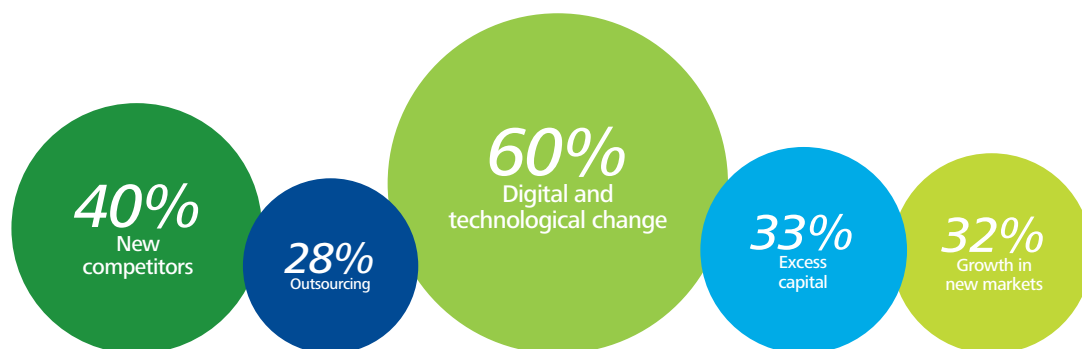
Digital and technological change is rapidly evolving and transforming insurance markets. Customers increasingly interact with brokers and insurers through digital channels offering convenience and cost benefits. In parallel advances in computing and sensor technology offer the opportunity to understand the nature of risks in ways that would not have been possible a decade ago. Brokers and insurers are also increasingly aware of the power of the data they have.

They are devoting more resources to gaining strategic advantage through the use of that data, often enriching it further with third party data sources. This evolution has some way to go and it will be key for the London Market to be among the winners.

Our survey shows the market understands the future importance of technology however the survey also suggests a potential lack of urgency in developing the talent required to position the market to win in this important area. Three-fifths of respondents said that digital and technological change would be an important determinant of talent needs in future, yet only 9 per cent said they faced a gap in technology skills in future. While we certainly agree the market has made progress in this area in recent years, our belief is there is significant further work to do in developing the leading edge talent the market will require to win this race.

In addition, it can be difficult for the market to retain digital and technology talent. Interviewees told us that people with digital skills hired from outside the insurance industry have often left quickly because they lack a peer group and struggle to drive change at pace.

Figure 4. Proportion of respondents who rated key influences on future talent needs as important



Source: LMG Deloitte 2015 London Market Talent Survey
See Appendix for survey methodology

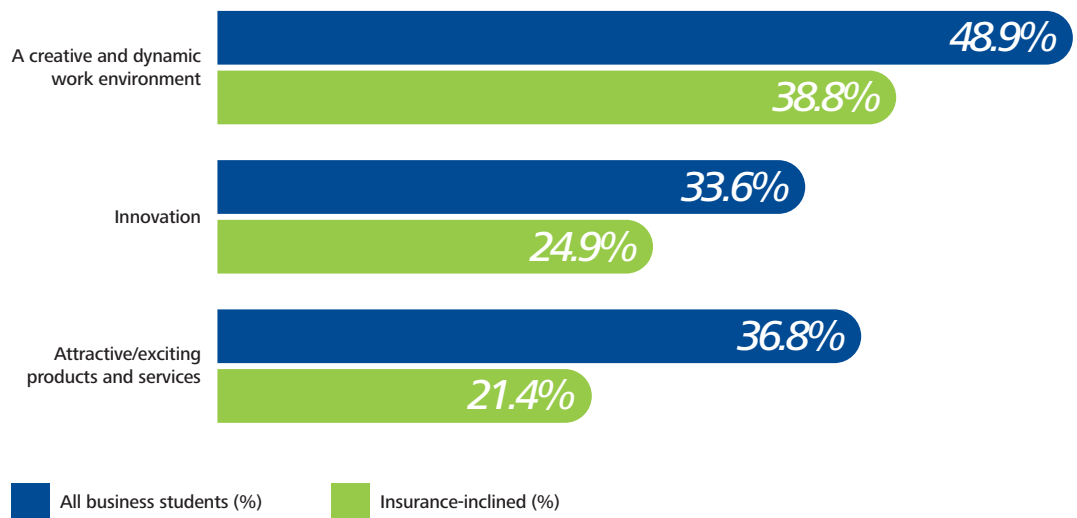
Insurance is an unpopular career choice

In a global survey of 211,000 business students in 2015, Deloitte found that insurance is a relatively unpopular career destination and ranks 18th out of 30 sectors.²⁵ The Fast Moving Consumer Goods (FMCG) sector ranks top.

In addition, the relatively few graduates who have a preference for working in insurance aspire to innovation less than their peers heading to other sectors (Figure 5).

The London Market, while arguably more attractive than many insurance markets, is unlikely to be immune to this set of preferences and the market will need to enhance its efforts to target a next generation of talent that embodies the skills and innovative outlook that the market needs to compete in future.

Figure 5. Proportion of business students who aspire to innovation-related qualities in a future employer, UK, 2015



Note: Business students are students studying business-related subjects such as economics. Insurance-inclined students are business students who put at least one insurer in their top five 'ideal employers', when offered a list of potential employers to choose from.

Source: Universum 2015 Talent Survey; Deloitte analysis



Key opportunity
Identify the potential sources of the skills required to maintain London's leading position in future

The London Market should assess the impact of technology disruption on the talent needs of the market and identify the potential sources of the skills required to maintain London's leading position in future. We would expect that there is a significant gap between current and required skills and that some of the skills required in future will be sourced from non-traditional pools of talent.

“

Modern technology, e.g. Internet of Things, robotics is a key skills gap.
Technology supplier

”

“

In the past we got away with personality, the future is more about data, analytics and numeracy.

Senior Executive, Broker

”

“

Disruptive industries coming in and industries we insured don't exist anymore, we need to innovate.

Senior Executive, Underwriter

”

“

The London Market is consistently many, many years behind the curve compared to other financial industries such as banking, in areas such as...innovation and technology.

Claims, Managing Agent

”

“

Should our industry employ technology people? The market is not open to creativity or the new from technologists.

Senior Executive, Underwriter

”

“

[We are] struggling to fill data analytics roles... [talent] is available in other industries but we can't attract [it].

Partner, Broker

”

Gaps in traditional skills

An important aim of our survey was to uncover talent gaps in the London Market's core traditional skills that need to be addressed because they threaten the overall effectiveness of the London cluster in the long-term.

The results were clear. Within the London Market's core traditional skills, respondents identified gaps in operations (25 per cent), wordings (24 per cent) and underwriting (23 per cent) as the most important longer-term skills gaps (Figure 6). In the near term, organisations said they were finding certain (niche) underwriting (34 per cent) and claims (22 per cent) roles hardest to fill.

Operations has long been the poor cousin to better remunerated and higher profile front line underwriting and broking roles in the London Market. Individual businesses have historically had relatively little influence over the overall operational environment they worked in as Lloyd's or third parties controlled significant aspects of that infrastructure. For the smaller, independent businesses that characterised the market in the past this was not an issue because it enabled them to concentrate on winning in underwriting or broking.

The London Market of the future will be more connected to the wider global insurance market as more businesses are acquired by large global organisations. Simultaneously, as we discussed earlier, technology will be significantly more important to the market in winning in its markets from a cost and a proposition perspective. This strongly suggests that operations skills around technology development, process management and organisational design among others will play a more central role in future.

The market needs to consider how to acquire and deploy those skills. This is likely to involve looking beyond the London Market given the historical lack of emphasis on these skills in the market.

Wordings was often cited in both our survey and interviews with market leaders as an area where the market has underinvested in capability and this has caused an ageing of the talent pool and a threat to this important skill base. On one hand, as contract certainty has progressed and market participants have moved to more standardised wordings one can argue that the need for large wordings teams has diminished and therefore the reduction in resources in this area is a natural and rational response to a changing market. On the other, emerging risks such as cyber, which represents a great revenue opportunity but comes with significant risks to the market, require strong wordings expertise to design innovative products that meet client needs but do not expose the market to unanticipated risks. The centrality of wordings to that future innovation suggests that the market should invest in wordings capability and ensure this critical skill set does not atrophy.

While the market is clearly the pre-eminent global centre for specialty expertise, respondents have noted specific gaps that suggest there is a need for investment in specific skillsets in areas such as cyber underwriting, multilingual underwriting and international liability and livestock underwriting. A shortage was perceived to exist at a range of role levels, from graduates and trainees to executive and leadership teams. It strikes us that the market should monitor these gaps and encourage the development of capability where gaps are perceived to exist today or are anticipated to emerge in future.

Figure 6. Proportion of respondents who said their organisations faced skill gaps that, if left unmanaged, would affect business performance in the longer term



Source: LMG Deloitte 2015 London Market Talent Survey
See Appendix for survey methodology



Key opportunity *Attract non-traditional talent to operations, wordings and underwriting*

Attract non-traditional talent to operational, wordings and underwriting talent pools. Develop promotional and training programmes to attract and retain them at all levels including graduate and experienced hires which may mean seeking talent outside the London cluster (this is discussed further below).



Operational expertise and support to further enhance underwriting in London [is a key skills gap].

Underwriting, Technical Committee Member



Claims is a differentiator for the market, the relationship know-how in claims is ageing, this is a danger.

Senior Executive, Broker



With respect to the wordings specialist role [we need to] establish and promote attractive learning and development packages in order that the top talent considers and hopefully chooses this role as their career path.

Wordings, Managing Agent



[The market lacks broking experience] because too many [brokers] have been retired too early.

Chief Executive Officer, Broker



Insular talent model

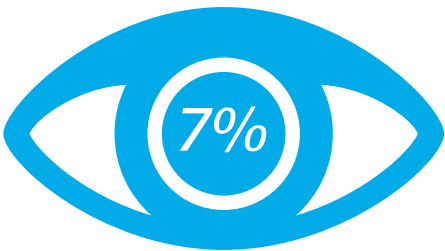
The London Market has historically largely grown its own talent and has been highly successful at building an unrivalled pool of underwriting and broking talent. The market has not tended to look beyond EC3 for talent and this is confirmed by our survey. Only seven per cent of respondents see actively seeking talent outside the London Market as a priority for the market in developing the talent pool of the future (Figure 7).

While this insularity has not been a significant issue in the past we believe a more open approach to talent will be important in future for two main reasons. First, there appears to be a shortage of people in the London Market with skills in technology, operations et cetera. Fifty one per cent of respondents cited a lack of people in the London Market with the right skills as the reason for the persistence of skills gaps. Only a third cited an ageing talent pool, which was the second most important reason.

Second, it's a missed opportunity. The London Market is part of the broader pool of London-based talent which houses the deepest pool of high-skilled people found in any city in the world. According to *Global cities, global talent*, a 2016 Deloitte survey of leading global cities, London is the world's number one high-skills capital with 1.7 million people employed in knowledge based industries, a number which has grown 16 per cent since 2013.²⁶

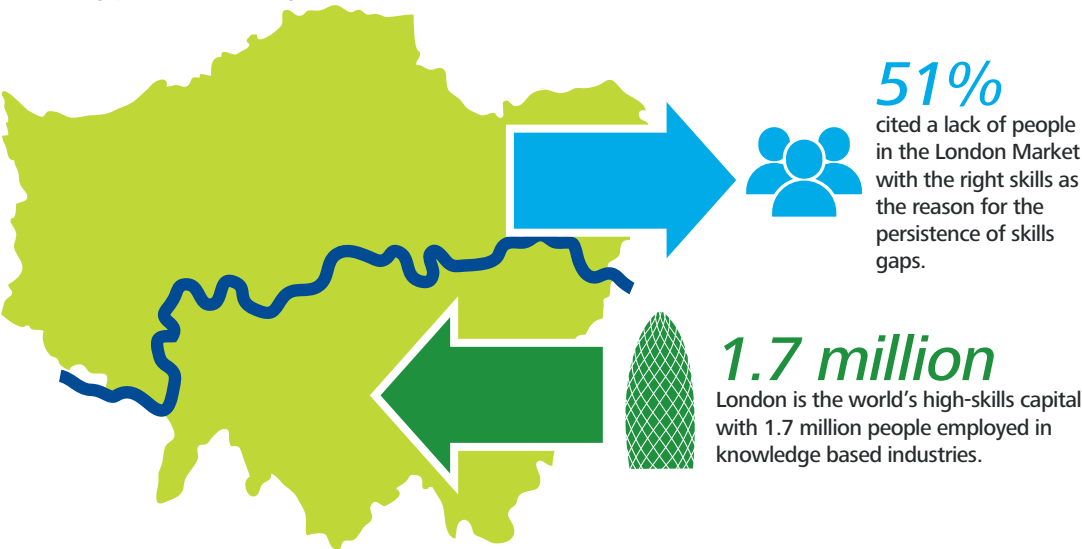
The London Market has, on its doorstep, the deepest pool of talent anywhere in the world and while this talent base has not been immersed in the London Market and its practices, it can bring new thinking to the market in areas where the market needs to evolve. We believe the market should embrace the challenge of identifying talent beyond its borders and seek high calibre individuals to contribute to the transformation of the market in the coming years. The first step is attracting this talent to the market but our interviews also suggest there is also work to do in making the market hospitable to these new voices in order to retain them.

Figure 7. Proportion of respondents who said that seeking talent outside the London Market was a priority for their organisation



Source: LMG Deloitte 2015 London Market Talent Survey
See Appendix for survey methodology

Figure 8. Proportion of respondents who cited a lack of people in the London Market with the right skills as the reason for future skill gaps and number of high-skills workers in London



Source: LMG Deloitte 2015 London Market Talent Survey
See Appendix for survey methodology



Key opportunity

Identify and target talent pools outside the London Market

Identify talent pools outside the London Market that have the potential to close identified skills gaps. Accelerate development of the market's strategy to target these people and seek to persuade them that the London Market offers exciting career prospects.

Attracting talent from non-traditional sources – case study: SAP

Over the last couple of years, SAP has been selecting candidates with autism to benefit from their superior cognitive abilities. The project that was initially started on a voluntary basis to help develop educational software for kids with autism turned into a massive leap in thinking for SAP as they decided to systematically train and hire around 700 adults with autism and make them a part of their workforce. After some initial trial and error, the first trainees were hired in 2011 and their unique skills have been employed in areas ranging from software testing, data analysis, quality assurance to IT project management, graphic design, finance administration and human resources, and the potential for new roles is expanding. Given the pilot's success in India, Ireland, Canada, the US and Germany, SAP announced in 2013, that, by 2020, it hoped to have 1 percent of its overall workforce, just under 700 people, coming from the autism spectrum.

“

We need a crossflow of ideas in the London Market, attracting people from outside the market.

Senior Executive, Broker

”

“

Clear and targeted recruitment outside of the market is... of increasing value and increases the experience pool great.

Chief Executive Officer, Broker

”

“

[We are] diverse in the people [we] employ, not just people who have been in the Lloyd's or London market forever. This creates a wider and more diverse talent pool.

Claims, Managing Agent

”

“

It is vital that the London Market has a workforce that mirrors its client base which is truly diverse and international.

Headhunter

”

“

We try to build a talent pool for the future rather than recruit externally.

Chief Underwriting Officer, Managing Agent

”

“

There is a lack of refreshment of talent in the market. Consolidation can make people stop recruiting which could be an issue, the market could lose momentum.

Senior Executive, Broker

”

“

Historically, the London Market has not promoted itself enough as a rewarding and challenging career for graduates outside those who have friends and family already in the industry.

Headhunter

”

“

[People]... tend to stay in the London cluster.

Senior Executive, Broker

”

Millennials are the future of the London Market

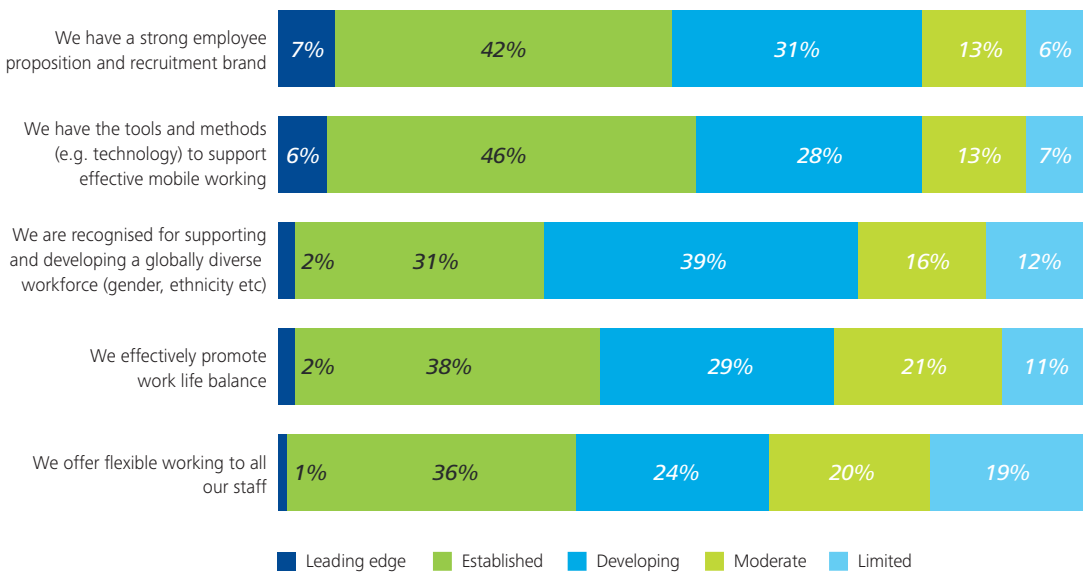
Millennials will make up three quarters of the global workforce by 2025.²⁷ They are the future of talent in the London Market. They also have very different expectations of working life when compared with earlier generations. They expect to be agile through their working lives and to have 15-20 roles through a career in order to have flexible, rewarding and purposeful experiences.²⁸ Put simply, they show a greater propensity to switch employer than previous generations to land the work they want.

In order to attract the best Millennials, the London Market will need to consider how to offer a set of work experiences that fit with their preferences. As current work patterns and roles evolve this will need to be a key priority.

Equally, it is important for the market to keep pace with the changing expectations of Millennials because they are the insurance buyers of tomorrow.

We asked survey respondents to assess the market's performance across a number of important employer attributes. Most respondents believe that employers are responding to changing lifestyles and employee expectations. However, across five key attributes, no more than seven per cent of respondents rated their employers as 'leading edge' (Figure 9)

Figure 9. Proportion of respondents who rated their employers as 'leading edge' across five key employer attributes



Source: LMG Deloitte 2015 London Market Talent Survey
See Appendix for survey question and sample size

While it is encouraging that many respondents consider progress is being made, this is not likely to be sufficient and the market will likely need to aim for leading edge performance in future in designing career paths. This is because insurance as a career choice is not favoured by the most dynamic and innovative graduates. Deloitte's 2015 survey of business students' attitudes toward careers, *Putting the nectar in the sector*, shows that FMCG is the most popular career destination while insurance languishes in 18th place.²⁹



Key opportunity

Enhance employment experience and brand to match the preferences of Millennials more closely

The London Market should collectively enhance its employment experience and brand, matching early career experiences more closely to the preferences of Millennials to compete more effectively for talent in future. This will require a co-ordinated market level approach to be fully effective.



[The] London market [is] generally... still second choice to other career choices.

HR, Managing Agent



[We need] promotion amongst graduates of the market and its opportunities, in particular its better work life balance with higher rewards than say banking.

Compliance, Managing Agent



We need to advertise the industry as a whole at school leaver level. We cannot rely on people "falling" into insurance and focussing purely on developing existing talent will not deal with the fundamental problem of attracting that talent to the workforce in the first place.

Claims, Managing Agent



All sectors of the market need to create the environment for young talent to want to be in insurance.

Wordings, Technical Committee Member



[We need to have] greater clarity [among stakeholders outside the market on]... what the London market is. [We need more of a] profile on a national scale. [We need to] engage with Government to see that they understand our contribution to GDP and generally improve our public profile so that we attract the right talent naturally.

CEO, Broker



Further work to do on diversity

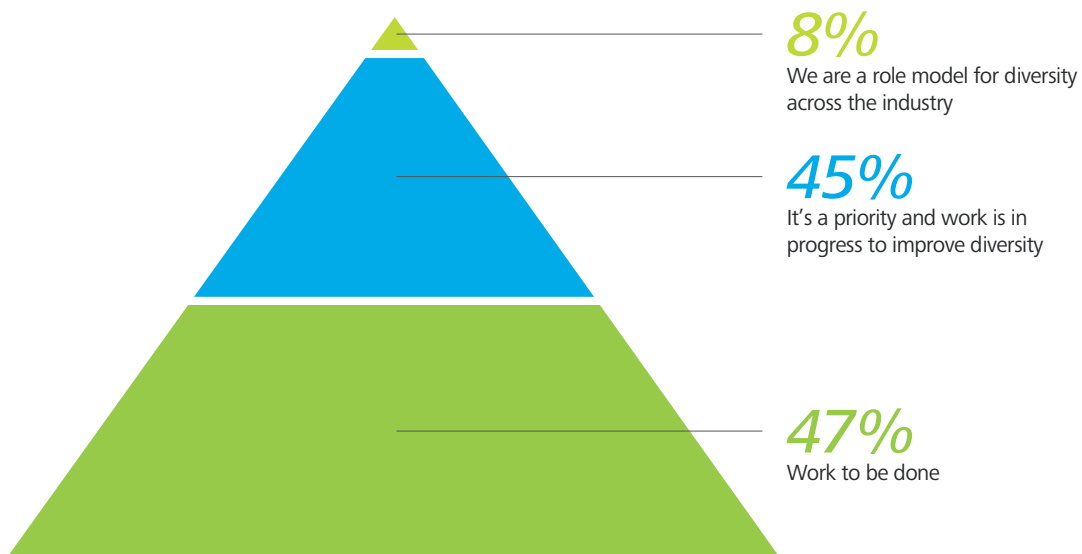
The London Market operates in an increasingly global industry and aspires to grow its presence and relevance to new markets in, for example, Asia and Latin America. Diversity of the London Market is an important element of the future success of that strategy. Diversity of gender, ethnicity and thought all contribute to a market that is more relevant to its customers, more innovative in its approach to serving their needs and more reflective of the values of those clients. This will support the market in realising its ambition to retain and enhance its position as the pre-eminent global hub for specialty insurance.

Our survey suggests that while the market has made progress in these important areas there is further work to do in developing a vibrant and diverse market at all levels. Interviewees pointed to significant progress on diversity at entry level and in junior roles, however, they

also commented on the need to accelerate progress in more senior roles, which are less diverse. A number of interviewees pointed to examples of organisations that had implemented pro-active policies designed to encourage heightened awareness of diversity in hiring decisions and some who had also set targets or mandated that diversity is a priority where other considerations do not enable interviewers to choose between talented candidates.

Our survey suggests that 47 per cent of the market considers that there is work to do in enhancing the diversity of the market, 45 per cent see it as a priority with work underway to improve diversity and only 8 per cent consider the market as a role model in this important area (Figure 10).

Figure 10. Proportion of respondents who rated their employers as a role model for diversity across the industry



Source: LMG Deloitte 2015 London Market Talent Survey
See Appendix for survey methodology



Key opportunity

Consider active promotion of the market to non-traditional talent audiences, apprenticeship programmes, internships and working with partnership agencies to promote diversity

Identify opportunities to enhance the diversity of the market. Opportunities include active promotion of the market to non-traditional talent audiences, apprenticeship programmes, internships and working with partnership agencies to ensure that the pool of candidates for roles in the market are not a mirror of those who already work there. The London Market could also consider setting aspirational market wide targets for diversity to galvanise action.

Diversity and Inclusion— case study: Jardine Lloyd Thompson (JLT)

Having signed Lloyd's Diversity and Inclusion (D&I) Charter, JLT created its own Diversity Forum in November 2015 to drive progress on its D&I agenda. The forum has enthusiastic support from JLT's leaders with Mark Drummond-Brady, Deputy CEO, chairing it. In the short to medium term the forum is focussed on gender issues and seeks to increase the proportion of women who advance their careers in broking. The forum has already helped accelerate JLT's efforts on D&I. In January 2016 the company signed up to the City Women Network, a group for senior professional women. On International Women's Day (8 March 2016), JLT Australia ran an awareness building campaign as part of Pledge for Parity – a global campaign to achieve gender parity more quickly – and ran an exercise to raise awareness of unconscious bias.



Keep gender and race diversity at the top of the agenda....It's a brilliant market and we want to keep and promote the best people, but this does mean some old fashioned attitudes need to change/be overruled.

Claims, Managing Agent



The industry has woken up to diversity but it is a 15 year journey.

Senior Executive, Underwriter



We should develop targets to drive change so leadership positions across the market do not continue to be held by white middle-class men.

Operations, Technical Committee Member



A competitor positively discriminates, where two candidates have equivalent skills then diversity takes precedence.

Senior Executive, Underwriter



Finding the right person for the role is far more important than hitting diversity targets.

Chief Executive Officer, Broker



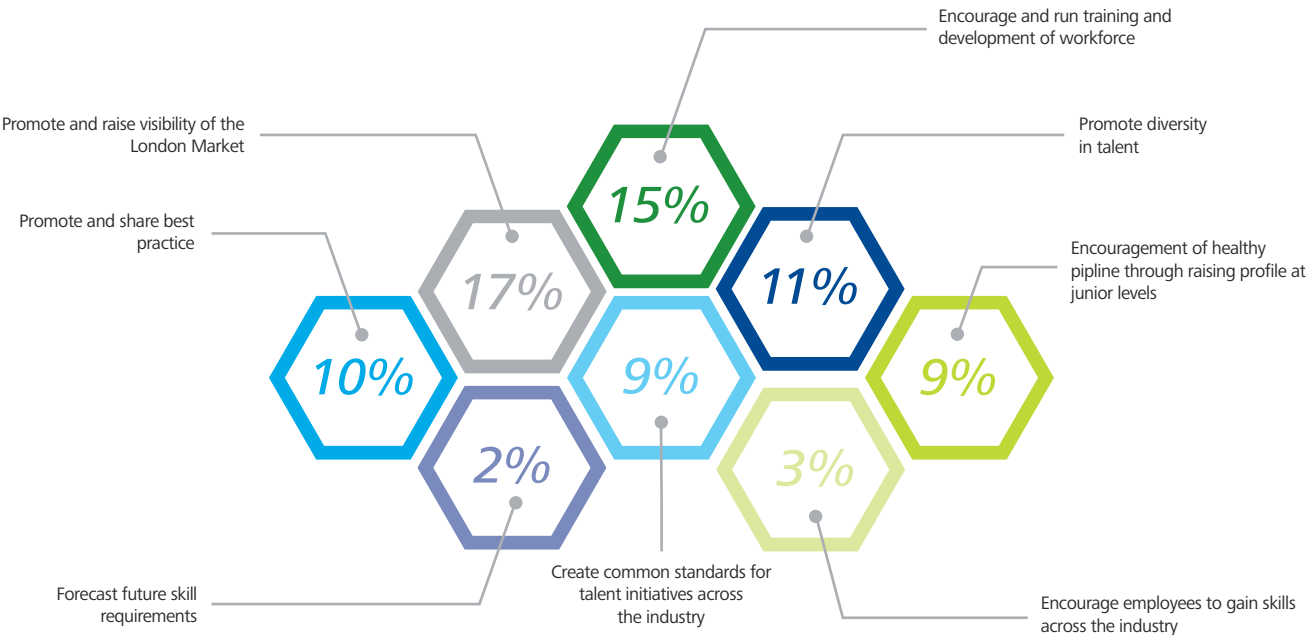
London Market Group role

There appears to be a clear role for a market level body to shape and facilitate the talent direction of the London Market. Our survey has identified a range of potential initiatives that would evolve the talent agenda of the market and position it to strengthen the talent that resides in the London cluster.

Our survey identified a number of areas where there was appetite for the LMG to participate in or lead activities, including promoting and raising the visibility of the London Market, encouraging training and development and promoting diversity in the marketplace. Interviewees were similarly supportive of the LMG playing a greater role

on talent and suggested that it should focus on activities that are additive to the efforts of the individual businesses that comprise the London Market, avoiding duplication of activities underway. The LMG seems well placed to play a role given its broad participation including Lloyd's underwriters, IUA underwriters and brokers, however, it will be for the LMG, underwriters, brokers and other associations to agree how best to drive the talent agenda forward and what division of responsibilities will work best in achieving that goal. What is clear is that there is work to be done to position the market to thrive in the more complex, technology enabled and globalised specialty insurance market of the future.

Figure 11. Proportion of respondents who cited a role for the LMG



“

Create the environment for young talent to want to be in insurance.

Wordings, Technical Committee Member

”

“

Promotion and attracting a diverse and young pipeline from schools/colleges/universities so less reliant on Market referrals.

Human Resources, Managing Agent

”

“

The LMG can pull it all together, we all do our own thing, there is a lot of duplication.

Senior Executive, Underwriter

”

“

Individual talent efforts are not good enough, there is value in a single London voice on talent from the LMG.

Senior Executive, Broker

”

“

[There is a] role for the LMG in being clearer on the sources of talent for the market.

Senior Executive, Underwriter

”

“

The LMG should be a positioning body rather than an executing one.

Senior Executive, Underwriter

”

“

[The LMG should be] publicising the activities of London Market to a wider audience, holding 'open days' for interested parties to attend seminars in London showcasing the talents required. Also touring the schools, colleges and universities. [It should have] dedicated web and social media activity to promote London. [It should be] liaising with CII, BIBA etc.

Legal and Compliance, Broker

”

“

[The LMG should] identify strategic areas where new or upgraded talent skills will be required in the future so that the London market can remain globally relevant and competitive.

Underwriting, Technical Committee Member

”

Appendices

LMG talent workstream

The LMG Board sponsor for this workstream is Bob Stuchbery. Other workstream board members are:

- Charlotte Myers, LMA
- Ben Reid, LMG
- Daniel Pendley, Chartered Insurance Institute
- Allison Potts, Insurance Institute of London
- Eric Linin, Lloyd's
- Geraldine Wright, LIIBA
- Louise Day, IUA

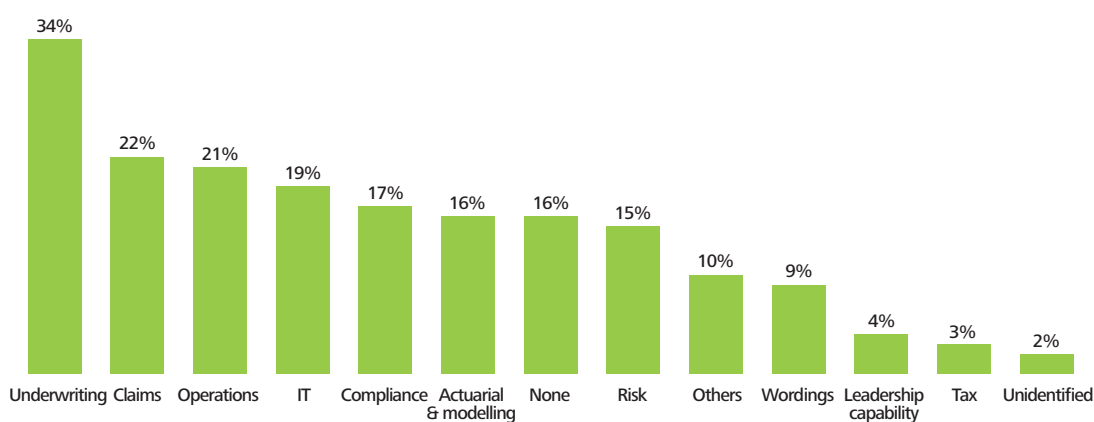
We would like to thank all of the members of the workstream for their invaluable contribution to this report. Rob Jenkins and Sandra Isaac from Chaucer plc provided project management support to the workstream.

Survey methodology

We surveyed 567 market participants and interviewed 16 senior leaders in November-December 2015. The respondents represented 15 different functions. Please see below for the survey questions, and answers.

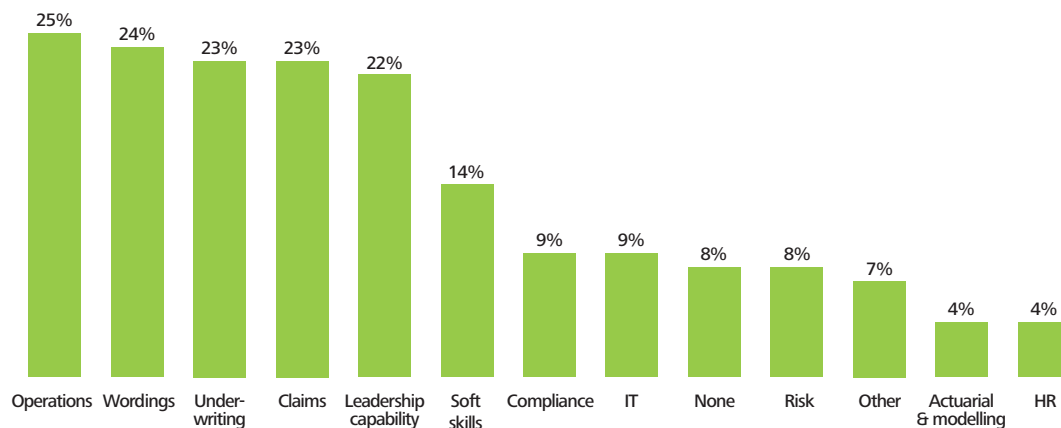
Q: What are the job roles you are currently struggling to fill in your organisation?

% of respondents



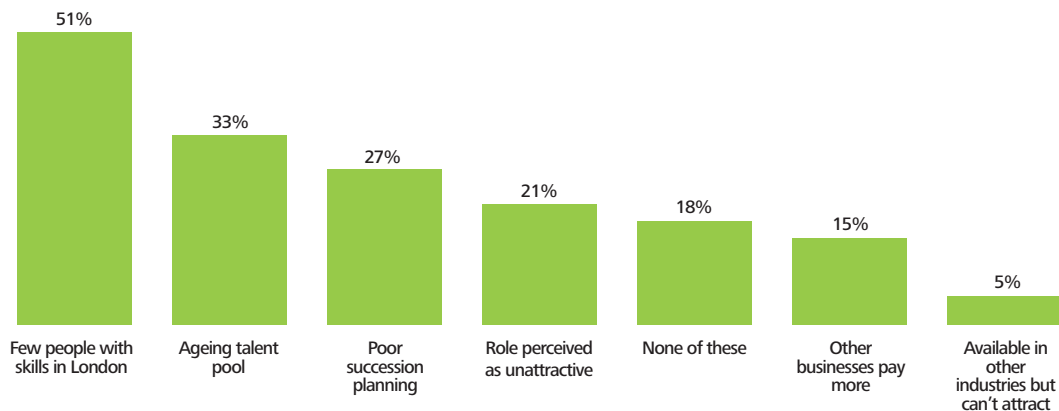
Q: What specific skills gaps does your organisation/business area face today that, if unmanaged, will impact business performance longer term (e.g. claims, wordings, senior leadership capability)?

% of respondents



Q: For each of the skills above why is there a gap?

% of respondents

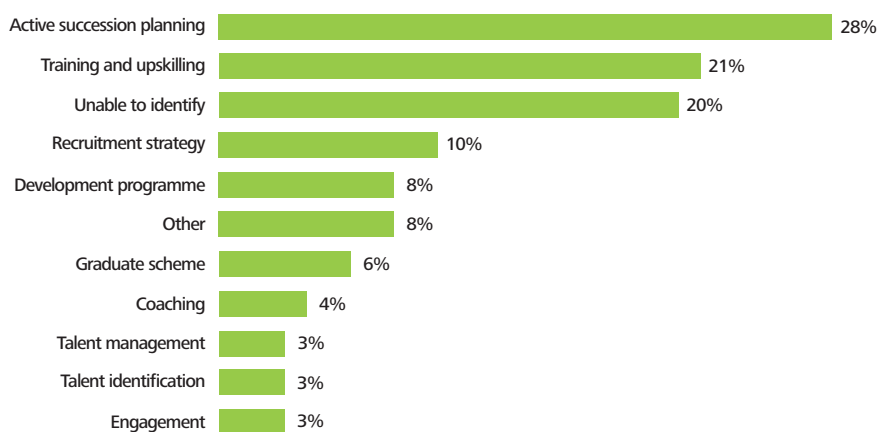


Q: Please rank the following trends in terms of their influence on your future talent needs (one being most important and five least).

Proportion of respondents rating trends one or two

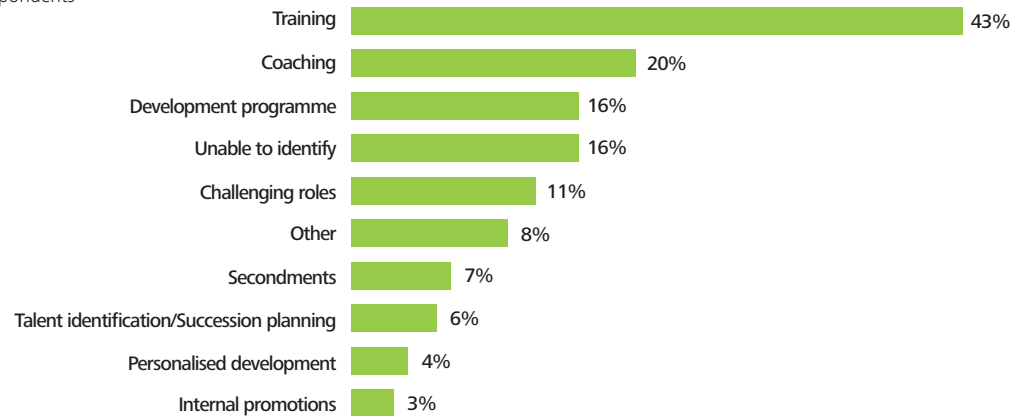


Q: What actions is your organisation taking to proactively ensure you have a healthy succession pipeline?



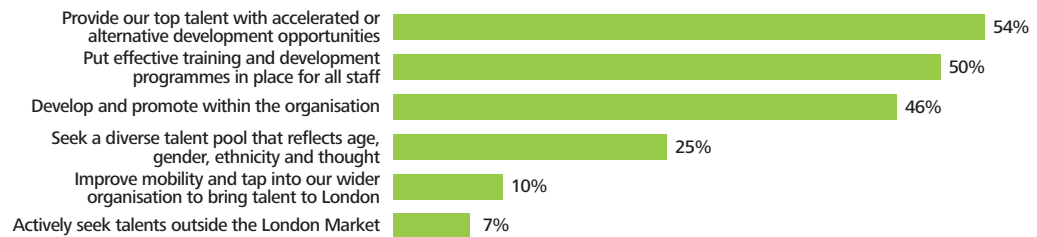
Q: How are you developing future leaders for roles within your organisation?

% of respondents



Q: Please rank the actions below in order of importance in securing and developing the talent your organisation requires in future (1 being most important and 6 least).

Proportion of respondents rating trends one or two

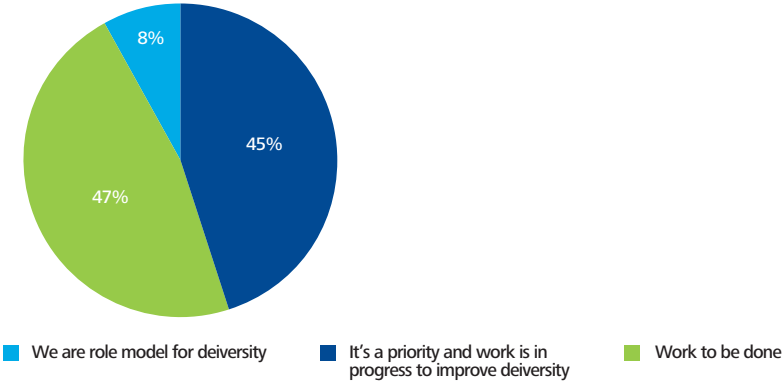


Q: With lifestyles and attitudes to work changing, how are you adapting your workplace and work practises to respond to these changes? Please rank on a scale of 1 to 5 (1=limited, 2=moderate, 3=developing, 4=established and 5=leading edge).

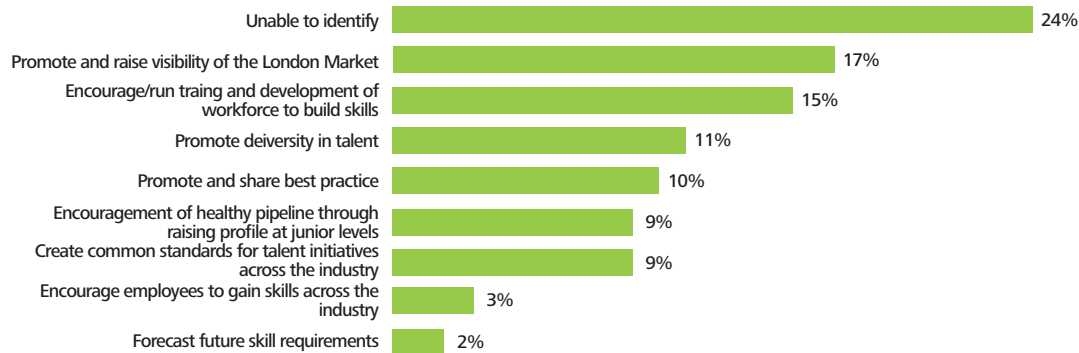
% of respondents

| Ranking | We have a strong employee proposition and recruitment brand | We are recognised for supporting and developing a globally diverse workforce (gender, ethnicity etc.) | We effectively promote work life balance | We offer flexible working to all our staff | We have the tools and methods (e.g. technology) to support effective mobile working |
|--------------|---|---|--|--|---|
| Limited | 6% | 12% | 11% | 19% | 7% |
| Moderate | 13% | 16% | 21% | 20% | 13% |
| Developing | 31% | 39% | 29% | 24% | 28% |
| Established | 42% | 31% | 38% | 36% | 46% |
| Leading edge | 7% | 2% | 2% | 1% | 6% |

Q: How diverse is your workforce in key business areas? (e.g. underwriting, key leadership roles)? Please rank on a scale of 1 to 3 (1=work to be done, 2=it's priority and work is in progress to improve diversity, 3=we are role model for diversity across the industry).
 % of respondents



Q: What role do you believe the LMG should play in supporting the market to develop the talent required for the future?
 % of respondents



Endnotes

1. We define Millennials in this report as people born between 1980 and 2000.
2. In 2013 The London Market – specialty commercial insurance and reinsurance businesses backed by London capital – wrote £45bn of gross written premium and controlled, but not wrote, a further £15bn. This data is from “London Matters: The competitive position of the London Insurance Market”, LMG and Boston Consulting Group, November 2014. See: <http://www.londonmarketgroup.co.uk/library>, p.4.
3. Lloyd’s is licensed to do business in more than 200 countries and territories. See: <https://www.lloyds.com/lloyds/about-us/what-we-do/placing-risk>
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17. Deloitte analysis of BoardEx data on the ages of Chief Executives of the parent companies of ten of the largest Managing Agents (by premium) as at January 2015.
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Notes

Notes

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