

## C.I.I. CONFERENCE 1985

The C.I.I. annual conference with the theme "Insurance and Society" was held this year at the R.D.S. Concert Hall, Ballsbridge, Dublin and was officially opened with the address by the Minister for Finance, Mr. Alan Dukes, which was optimistic in content on prospects for easing unemployment in the E.E.C. but concerned about action of the U.S. to cut back, and worried about attitudes, practices and apparent inflexibility in O.E.C.D. countries. On a brighter note he said the Irish Government could claim that a substantial decrease in the national inflation rate would take place this year with the highest economic growth in the E.E.C. The Minister, whose address was well received by the delegates, caused amusement by declaring that he would omit four pages of his speech before his closing remarks on increased buoyancy in economic prospects at home which made him happy in the medium term. The Minister was presented with a commemorative plaque by the President of the C.I.I., Mr. Bernard Day.

The C.I.I. conference differs from the I.I.I. conference — where speakers actually deliver their papers before general discussion — in that the papers are available on registration and may be read before the writer addresses the gathering with a condensed version of the main points of the paper which is then open to discussion, for which a generous amount of time is allowed. Professor Derek F. Channon of the Manchester Business School had prepared a paper entitled "Insurance and Society: policies for better cover" in which while acknow-

ledging a profit objective necessity he considered a wider concept of enlightened self interest. This he defined as first meeting the needs of customers to best ability and in a socially responsible manner, secondly that from time to time there may be irreconcilable differences between the need to protect policyholders and the wider needs of society, and finally that "the industry will generally seek to perform its function, as a key private sector custodian of the wealth of the policyholders, to develop the economy for the wider good of society as a whole". He examined the high levels of protection provided at a reasonable cost, and the involvement of the industry as a major collector of savings where the risk cover is seen as secondary to the investment expectations of policyholders. Under the former heading he commented on remoteness of the insurer from the claimant in some cases, "small print cop outs", and "making a routine out of a crisis" in loss adjustments, "misleading marketing" so that policyholders find that claims they thought were covered are not, "the overuse of legalese" so that the language of the profession rather than that of the customer is used, and "misleading verbal communication" so that positive benefits from particular policies are stressed to the suppression of negative features. Under the heading "insurance as a savings medium" he contrasted offices which have extensive group funds under management and those which do not. "not unnaturally the latter perceive the development of personal portable pensions as an attractive potential market, while those with substantial group fund positions perceive it as a threat. While sympathising somewhat with those who argue that

efficiency would favour group funds, the lack of portable pension rights offers a serious deterrent to job mobility."

Professor Channon went on to say "loosely aggregating the life and pensions business as an investment market, mutual life companies generally start with an in-built advantage since they do not have to make a margin which is not only attractive to policyholders but also provides a realistic return to shareholders. This is not easy and perhaps leads again to difficulties between policyholders and insurers." The description "High Front End Loads" was applied to high levels of commission to brokers or agents by many companies offering investment life policies and it was argued that with the proposed differential treatment between tied agents and independent brokers, contained in a British Government White Paper on investor protection, disclosure of commission paid could lead to pressure for reduction of these. Misleading investment growth rates statements were criticised by the speaker who went on to comment on selling practices for life assurance and the L.I.A. licensing proposals. The latter he said started over ten years ago and he forecast that "if, therefore, the industry itself does not come to terms with adequate self policing, it is likely that consumer protection legislation will be imposed on it by government. Certainly the investor protection legislation proposed for life assurance purchasers will ultimately be extended to cover non-life policies as well." The Insurance Ombudsman's annual report for 1984 notes "the grounds for legitimate complaints still seem to me to fall into three main areas: advertisements, lack of concern, and

and poor communication", and Professor Channon said "these same points have been highlighted above and reflect the key areas in which policyholders seek improvements". Under the heading "The Needs Of Employees" the speaker dealt with the impact of technology in financial services, which he said was in his opinion "still poorly understood by many in senior management", and this led on to discussion on the entry of new competitors which could include large retail shopping concerns as well as banks. The needs of shareholders for a reasonable return on investment was not in many cases being satisfied with the financial performance of composite insurance companies being unattractive in recent years, especially in most areas of the non-life market but if the underwriting cycle concept holds true to the industry analysts' forecast of targeted levels of profit being achievable in 1987 these should be in excess of anticipated figures. In this connection there was a warning that Japanese competitors, as seen in the banking industry, are "very keen to drive for volume with much less apparent concern for profitability", and that long dated liability class claims for diseases such as asbestosis, especially in the U.S., could cause problems. Overall he could not forecast anything other than depressed profits "for all except the most innovative and efficient companies". "The Needs Of Society At Large" were seen as having been traditionally well served by the insurance industry but the question asked was whether on the Japanese model investment could be undertaken to aid the country's economy in the form of loans rather than equities, with overseas and property investments being very small or non-existent. But it was said that such investment should not be allowed to generate short term political advantage at the possible expense of the policyholder,

although Professor Channon did ask if the insurance industry should play a part in "stimulating investment in areas of especially high unemployment by providing easier finance, creating special venture capital funds, taking significant equity positions, paying for assistance for start-up businesses and the like?". "In marketing terms it might be beneficial to sponsor a test match or an opera: in social terms it might be better to sponsor retraining for unemployed youths". In connection with drug abuse it was asked "is there scope for assisting cure programmes in the hope that crime costs could be reduced?". "The adoption of a proactive rather than a reactive strategy is for the industry to decide", he concluded.

"Insurance and Society" was divided by Mr. T.J. Palmer, M.A., Legal and General, in his paper as having three key facets, namely:-

1. encouragement of risk taking and entrepreneurial activity.
2. savings and protection for everyone
3. relationships with the state."

Mr. Palmer touched on the fact that "new risks are now being introduced by advances in technology and the development of new industries such as the insurance of satellites. The investment involved in launching satellites can appropriately be described as astronomical and so also can the losses" under the first heading, and also spoke of the considerable problems oil rigs provide for the insurance industry with the risks involved in the mass' production of potentially harmful substances such as pharmaceutical products showing the need for spreading of risk through reinsurance. After guidance through the development of the growth in life assurance linked investment policies and pension plans Mr. Palmer warned that a change in investment sentiment could well reverse

the reduced consumer popularity and media criticism of the practice of giving terminal bonuses which reflect more closely movements in security markets at a time when investment returns inevitably trends upwards and he felt that the competitive and sophisticated marketplace which exists could adequately deal with this. Under the third heading the interdependence which develops between any large and long established insurance industry and the financial and economic structure of the country in which it operates was discussed with particular reference to the U.K. scene.

In his conclusion Mr. Palmer stated "by selecting three key areas of interaction between the insurance industry and society I have tried to demonstrate, not as an historian, but as a businessman with a sense of history, how deep are the roots of the unique service provided by insurance and how this service has adapted to meet society's changing needs". This was fair comment on the factual and historical analysis contained in the greater part of the paper which provided a steady foundation on which Professor Channon's more speculative, interrogatory, and provocative contribution could be based.

This may not be generally agreed with but it did seem that C.I.I. conference practice of asking members of the audience to deliver comments on the papers would be more effective if there was a time limit on each such contribution. Perhaps the I.I.I. practice of allowing questions from the floor which at the discretion of the President could be allowed some expansion into opinion, factual or otherwise, with response in reply from one or other of the speakers, and the C.I.I. method of presentation of the papers could be combined to produce a more effective seminar type of occasion which might allow for a better interchange of ideas which may be what it is hoped to achieve by conference discussions.