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# Insurance Institute of London

*"Zest for Enlightenment"*

## Clustering & Technology In Global Insurance: A Right Royal Exchange Of Viewpoints

**Alderman Professor Michael Mainelli**

**Thursday, 10 October, The Old Library, Lloyd's of London**

**Z/Yen Group Limited**  
Risk Reward Managers  
90 Basinghall Street  
London EC2V 5AY  
United Kingdom  
tel: +44 (20) 7562-9562  
[www.zyen.com](http://www.zyen.com)





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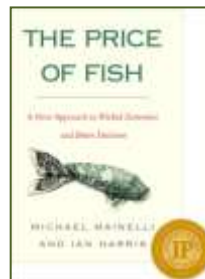


The Global  
Financial Centres  
Index



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- Independent Publisher Book Awards Finance, Investment & Economics Gold Prize 2012 for ***The Price of Fish***
- British Computer Society **IT Director of the Year** 2004 for PropheZy and VizZy
- DTI **Smart Award** 2003 for PropheZy
- *Sunday Times* Book of the Week, ***Clean Business Cuisine***
- £1.9M **Foresight Challenge Award** for Financial Laboratory visualising financial risk 1997





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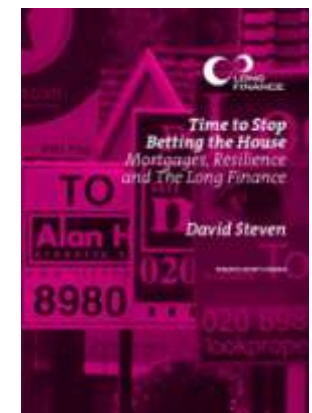
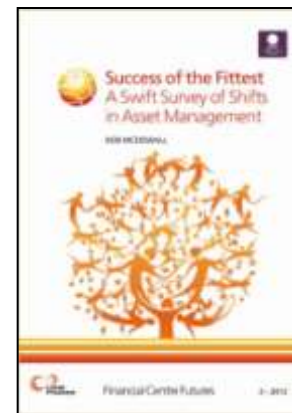
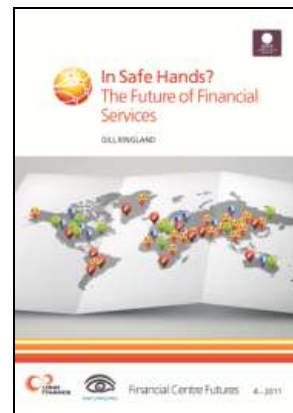
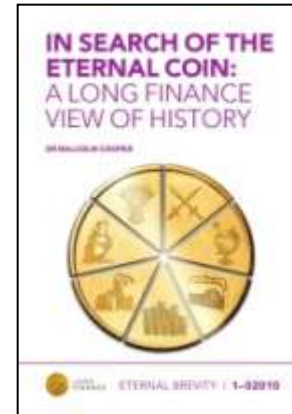
# Take-Away Model

<b>Level</b>	<b>Idea</b>
<b>Foundation</b>	<b>Mutualise Connective Technology</b>
<b>Ground Floor</b>	<b>Deal Rooms, Indicative Prices</b>
<b>Upper Floor</b>	<b>Payment Market</b>
<b>Surrounds</b>	<b>ID</b>
<b>Environs</b>	<b>Community</b>

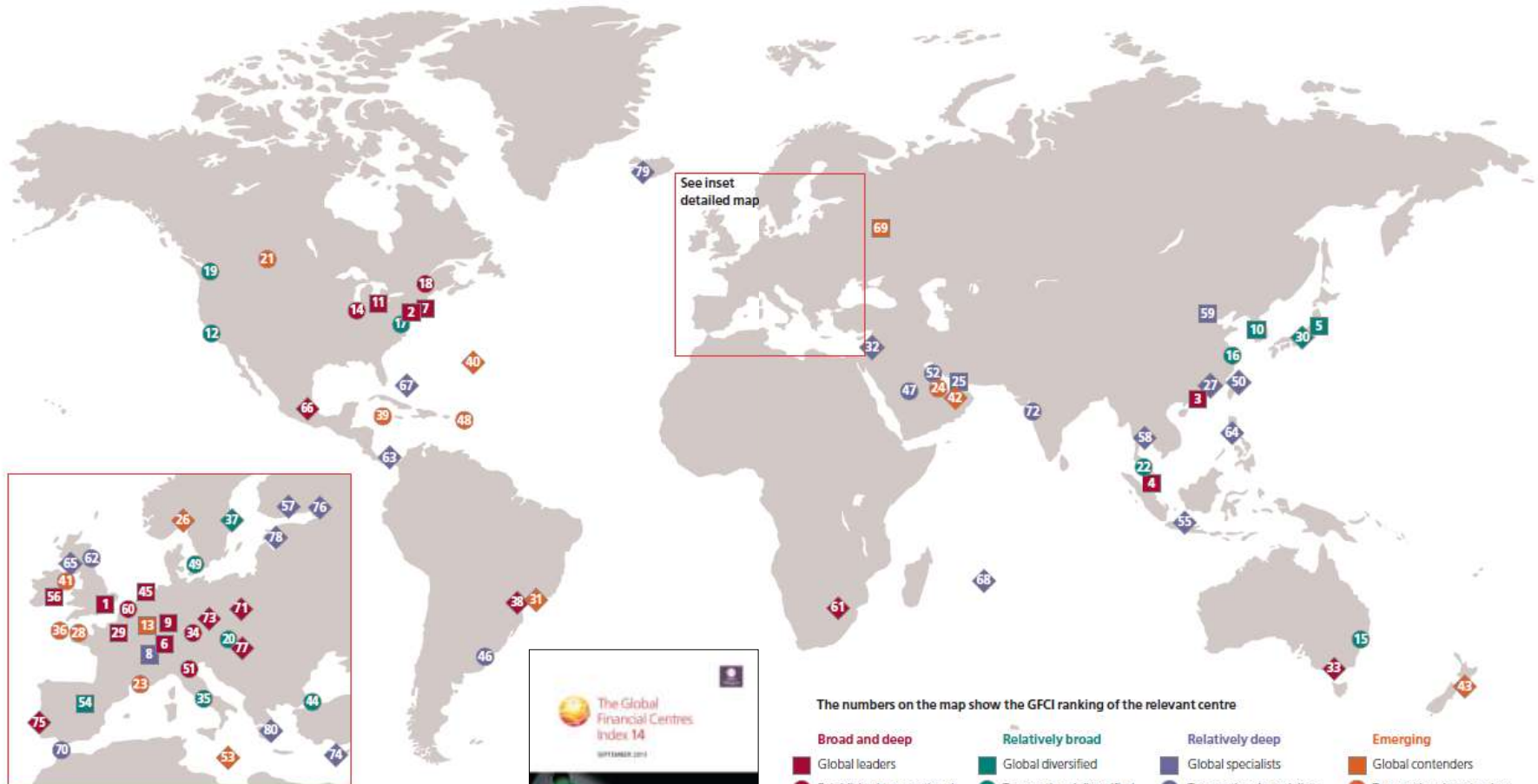


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# “When would we know our financial system is working?”



# Tough GFCI World



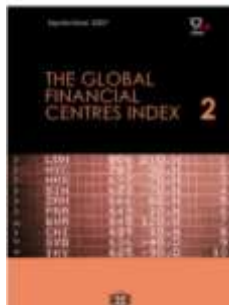
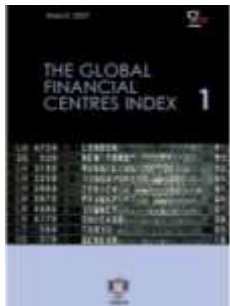
The numbers on the map show the GFCI ranking of the relevant centre

- |                             |                             |                             |                            |
|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| <b>Broad and deep</b>       | <b>Relatively broad</b>     | <b>Relatively deep</b>      | <b>Emerging</b>            |
| ■ Global leaders            | ■ Global diversified        | ■ Global specialists        | ■ Global contenders        |
| ■ Established transnational | ■ Transnational diversified | ■ Transnational specialists | ■ Transnational contenders |
| ◆ Established players       | ◆ Local diversified         | ◆ Local nodes               | ◆ Evolving centres         |

# Treating Folks Fairly

## Five Areas of Competitiveness:

- ◆ Business Environment Factors
- ◆ Financial Sector Development
- ◆ Infrastructure Factors
- ◆ Human Capital
- ◆ Reputational Factors





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# Top Twenty GFCI 14 Centres



Centre	GFCI 14		GFCI 13		CHANGES	
	Rank	Rating	Rank	Rating	Rank	Rating
London	1	794	1	807	-	▼ 13
New York	2	779	2	787	-	▼ 8
Hong Kong	3	759	3	761	-	▼ 2
Singapore	4	751	4	759	-	▼ 8
Tokyo	5	720	6	718	▲ 1	▲ 2
Zurich	6	718	5	723	▼ 1	▼ 5
Boston	7	714	8	711	▲ 1	▲ 3
Geneva	8	710	7	712	▼ 1	▼ 2
Frankfurt	9	702	10	703	▲ 1	▼ 1
Seoul	10	701	9	710	▼ 1	▼ 9
Toronto	11	699	12	696	▲ 1	▲ 3
San Francisco	12	697	13	695	▲ 1	▲ 2
Luxembourg	13	696	18	687	▲ 5	▲ 9
Chicago	14	695	11	698	▼ 3	▼ 3
Sydney	15	692	19	686	▲ 4	▲ 6
Shanghai	16	690	24	674	▲ 8	▲ 16
Washington DC	17	689	14	692	▼ 3	▼ 3
Montreal	18	688	16	689	▼ 2	▼ 1
Vancouver	19	686	15	690	▼ 4	▼ 4
Vienna	20	685	20	685	-	-



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# Industry Sectors



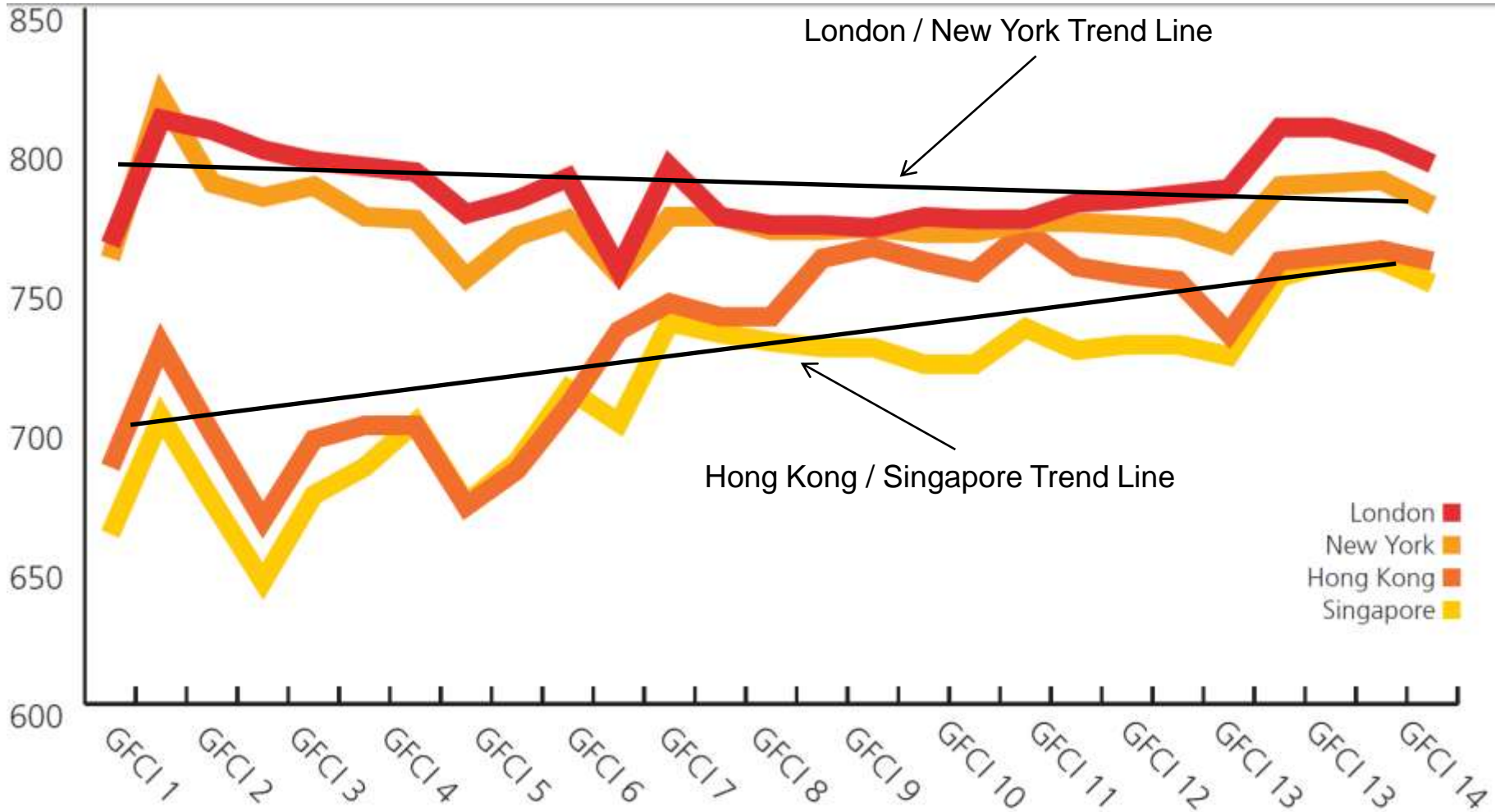
Rank	Investment Management	Banking	Government & regulatory	Insurance	Professional services
1	New York (+1)	New York (-)	London (-)	London (+2)	London (-)
2	London (-1)	Hong Kong (+1)	New York (-)	Hong Kong (-)	New York (-)
3	Singapore (-)	London (-1)	Hong Kong (-)	New York (-2)	Hong Kong (-)
4	Hong Kong (-)	Singapore (-)	Zurich (+2)	Singapore (-)	Singapore (-)
5	Tokyo (-)	Seoul (-)	Geneva (-)	Zurich (-)	Zurich (-)
6	Boston (+1)	Tokyo (-)	Singapore (-2)	Boston (-)	Geneva (-)
7	Zurich (-1)	Boston (-)	Tokyo (-)	Monaco (+4)	Boston (+1)
8	Toronto (+4)	Zurich (-)	Frankfurt (+2)	Geneva (-1)	Sydney (+3)
9	Sydney (+11)	Geneva (+2)	Paris (-1)	Luxembourg (+13)	Tokyo (-)
10	Geneva (-2)	San Francisco (-)	San Francisco (+2)	Oslo (+4)	Toronto (-)





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# Only The Paranoid Survive





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# Technology Is Not **The** Threat

- ◆ Core deposit model of banks - Fidor, Moven, Simple, Alior, ...
- ◆ Credit markets - Zopa, Smava, Prosper, Lending Circle, ...
- ◆ Cross-border - Currency Cloud, Bitcoin, Azimo, KlickeX, ...
- ◆ Commercial banking Kickstarter, Receivables Exchange, Funding Circle, ...
- ◆ Investment operations eToro, Zulutrade, Stocktwits, ...



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# What's The Problem?

- ◆ Insurers need to chat to insurers:
  - broker to broker
  - broker to underwriter
  - underwriter to reinsurer
- ◆ Insurers need to chat with suppliers:
  - broker and underwriter to lawyer and accountant
  - broker and underwriter to risk specialists
  - loss adjusters
- ◆ Insurers need to chat with customers – many of whom are “professional”, e.g. captives
- ◆ No central directory among fragmented markets, even in the global centre, London



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# Non-Connectivity Is The Threat

**“The market place is neither a web of machines nor an abstract concept – it is a place where humans congregate to do business.”**

Dr Malcolm Cooper, *The Great Game: Clustering In Financial Services*, Long Finance (2011).





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# More Connectivity





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# Global Insurance Industry








- ◆ Worldwide insurance premium volume 2009 was US\$4.34 trillion, equivalent to 6.9% of global GDP (global investment banking revenue in 2009 was US\$66 billion, source IFSL)
- ◆ Life insurance business accounts for 58% of total premium income in terms of total premium return
- ◆ Insurers had US\$22.6 trillion of assets under management in 2009, 12% of global financial assets
- ◆ Europe is the world's largest insurance market
- ◆ North America is the world's largest non-life insurance market - relative dominance of life insurance is particularly pronounced in Europe



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# Global Markets 2011

## LLOYD'S CLASS BREAKDOWN BY REGION

	US & Canada	Other Americas	United Kingdom	Europe	Central Asia & Asia Pacific	Rest of the world	TOTAL
 <b>REINSURANCE</b>	30%	75%	29%	38%	46%	62%	37%
 <b>PROPERTY</b>	31%	7%	20%	14%	14%	8%	22%
 <b>CASUALTY</b>	20%	8%	22%	18%	28%	12%	20%
 <b>MARINE</b>	6%	4%	5%	17%	6%	7%	7%
 <b>ENERGY</b>	10%	4%	2%	7%	3%	3%	6%
 <b>MOTOR</b>	1%	1%	21%	1%	1%	2%	5%
 <b>AVIATION</b>	2%	1%	1%	5%	2%	6%	3%
<b>ALL CLASSES</b>	<b>43%</b>	<b>7%</b>	<b>20%</b>	<b>16%</b>	<b>10%</b>	<b>4%</b>	<b>100%</b>

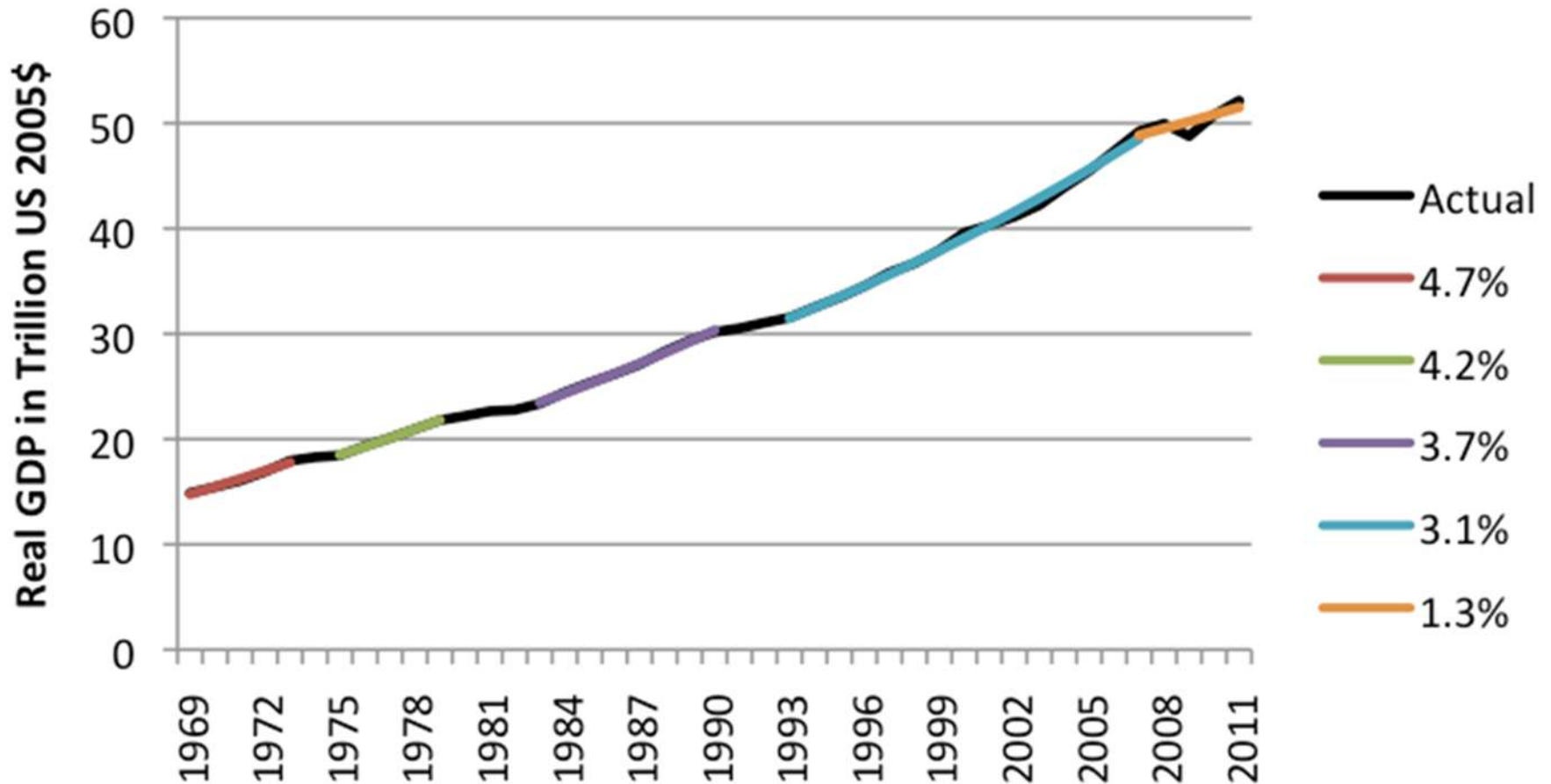
[Source: Lloyd's]



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# London Markets?

## World GDP with Fitted Exponential Trend Lines

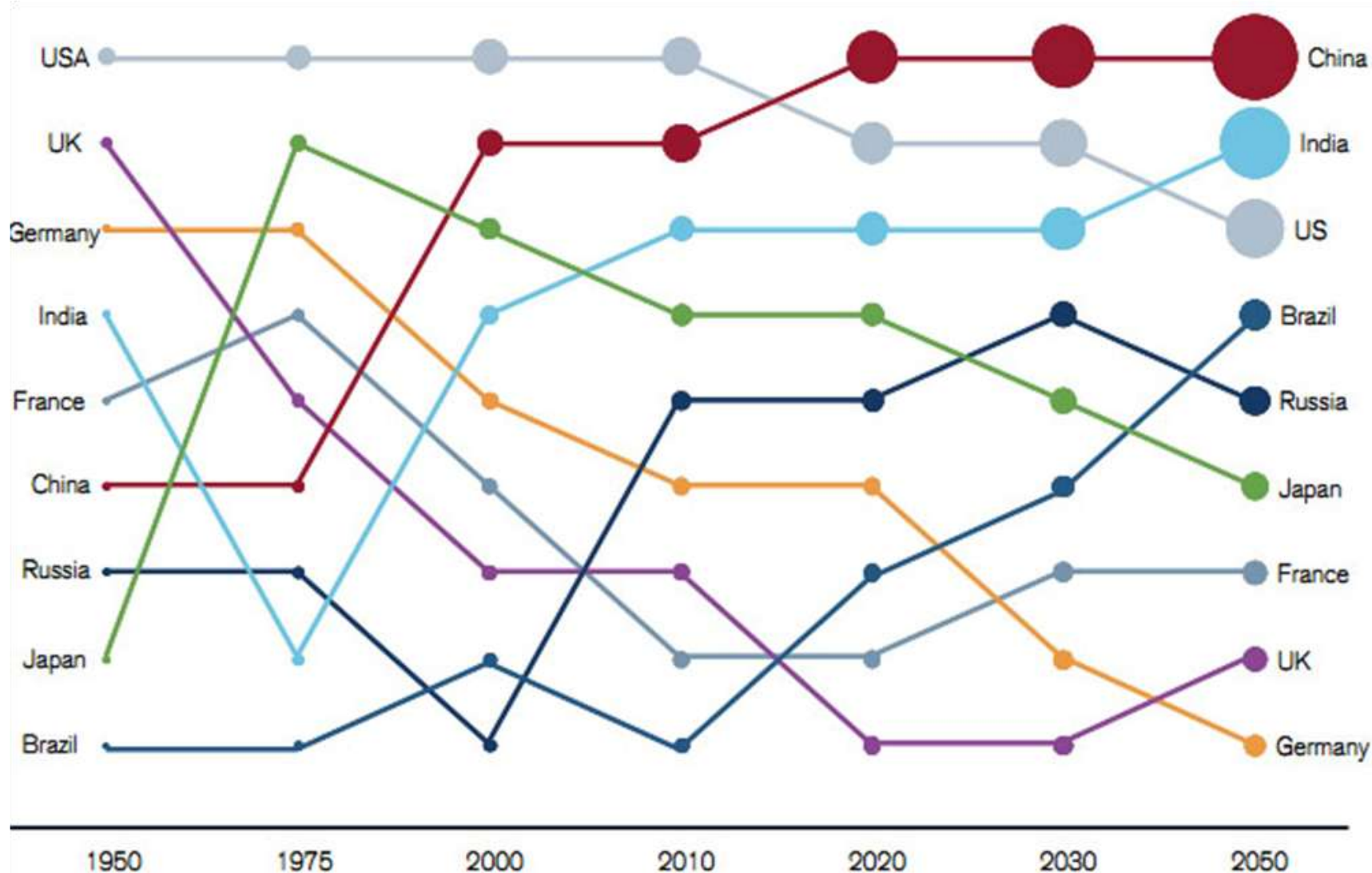






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# Global GDP Share Projections



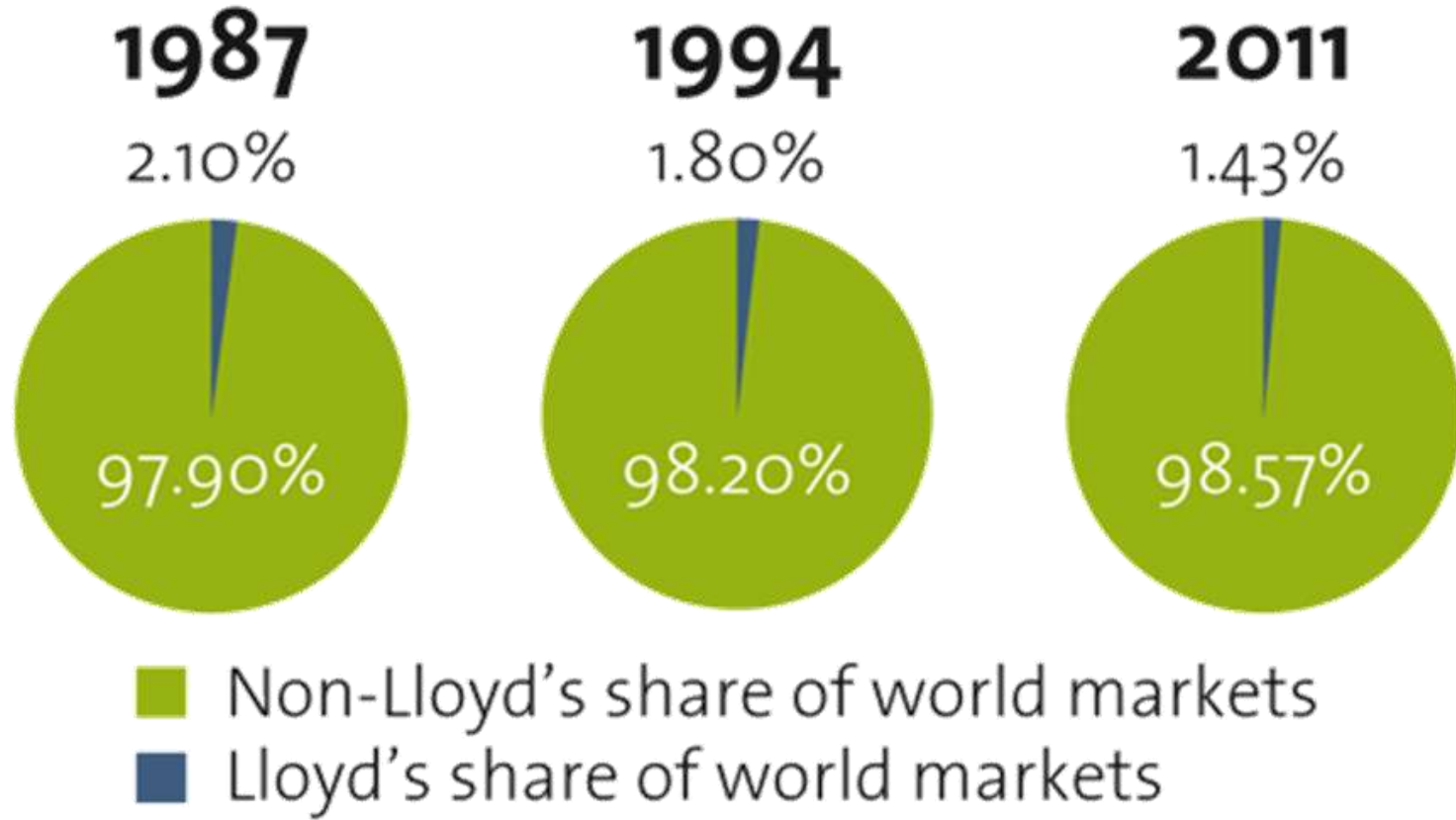
[Source: [www.lazytraders.com](http://www.lazytraders.com)]



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# Fair Share?

## Market share declining...



Source: Willis Re



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# People Who Need People, Are The Luckiest People In The World

## ◆ Employees in the Insurance Industry

Country	Total Employees	Country	Total Employees
United States	2,500,000	Belgium	44,485
Japan	2,367,932	Turkey	40,352
United Kingdom	350,368	Portugal	37,439
Korea	281,731	Hungary	29,851
Italy	262,452	Greece	27,568
Canada	245,400	Sweden	21,940
France	204,600	Australia	19,567
Germany	148,729	Denmark	16,455
Czech Republic	111,551	Luxembourg	13,213
Poland	97,666	Ireland	11,476
Netherlands	79,300	Finland	9,598
Austria	69,224	New Zealand	8,060
Switzerland	53,130	Slovak Republic	7,627
Spain	51,218	Norway	5,347
Mexico	45,541	Iceland	596
<b>Total 7,162,416</b>			

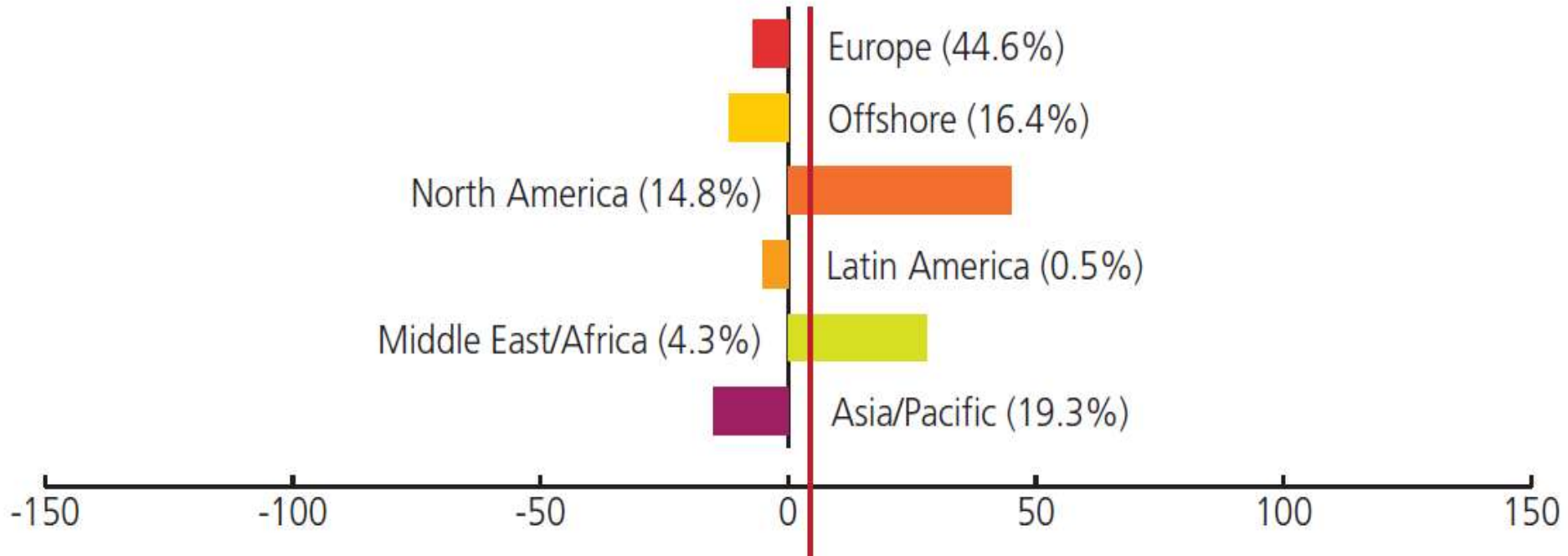
The above figures include employees in Insurance Companies, Brokers and Agents.

Source: OECD (Organisation for Economic Co-operation and Development), GIAJ (General Insurance Association of Japan)



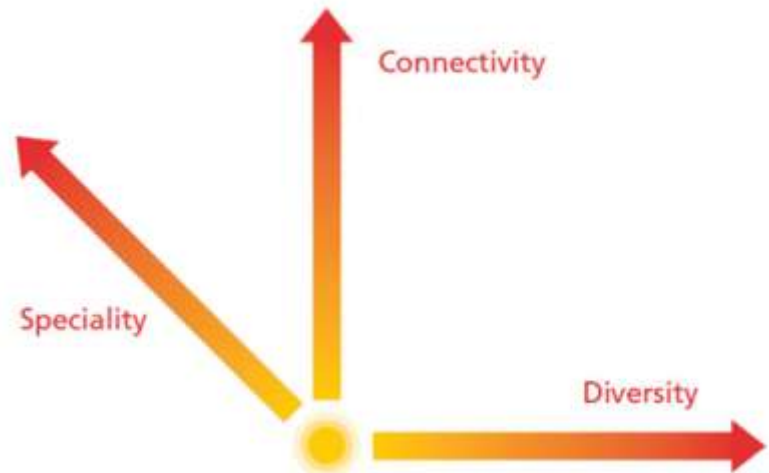
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# Assessments – London



# Connective Technology

- ◆ Connectivity – creates more business
- ◆ Polarisation - low-value deals automate away : high-value, face-to-face deals get more valuable
- ◆ Concentration - global value gravitates to fewer clusters





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# Technology Plans

- ◆ Directories
- ◆ Business networking
- ◆ Checkpoints
- ◆ Audit trail on opened documents
- ◆ Deal rooms
- ◆ Media
- ◆ Benchmarking
- ◆ Indicative pricing & pricing data and checks
- ◆ ACORD RLC skin
- ◆ iBooks for brokers
- ◆ Claims and settlement interfaces
- ◆ App architecture (Opera, Chrome, etc)
- ◆ Visualisation
- ◆ Regulatory interfaces
- ◆ Telecomms and video conferencing



# “Well-structured, Participative Mutual Utility For The Industry”

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## Qatarlyst sale: Capita out and Z/Yen in

25 February 2013

The universe of potential buyers interested in the Qatarlyst electronic placement platform has evolved after the UK outsourcing giant Capita took itself out of the frame, *The Insurance Insider* understands.

The London-listed firm was thought to be among half a dozen bidders that had shown an early interest in the business.

However, Xchanging and Ebix are still believed to be part of the process, which kicked off in November when the Qatar Financial Centre Authority (QFCA) decided to put the...

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# Mutualise

- ◆ Well-structured, participative mutual utility for the industry with appropriate governance and management
- ◆ Share benefits with major players who are prepared to commit to long-term partnership
- ◆ Principles:
  - cost plus
  - open book
  - non-competitive
  - restrictions on transfer
- ◆ Ensure any new structure can develop globally





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# In On The Ground Floor



First Royal Exchange (1569 – 1666)



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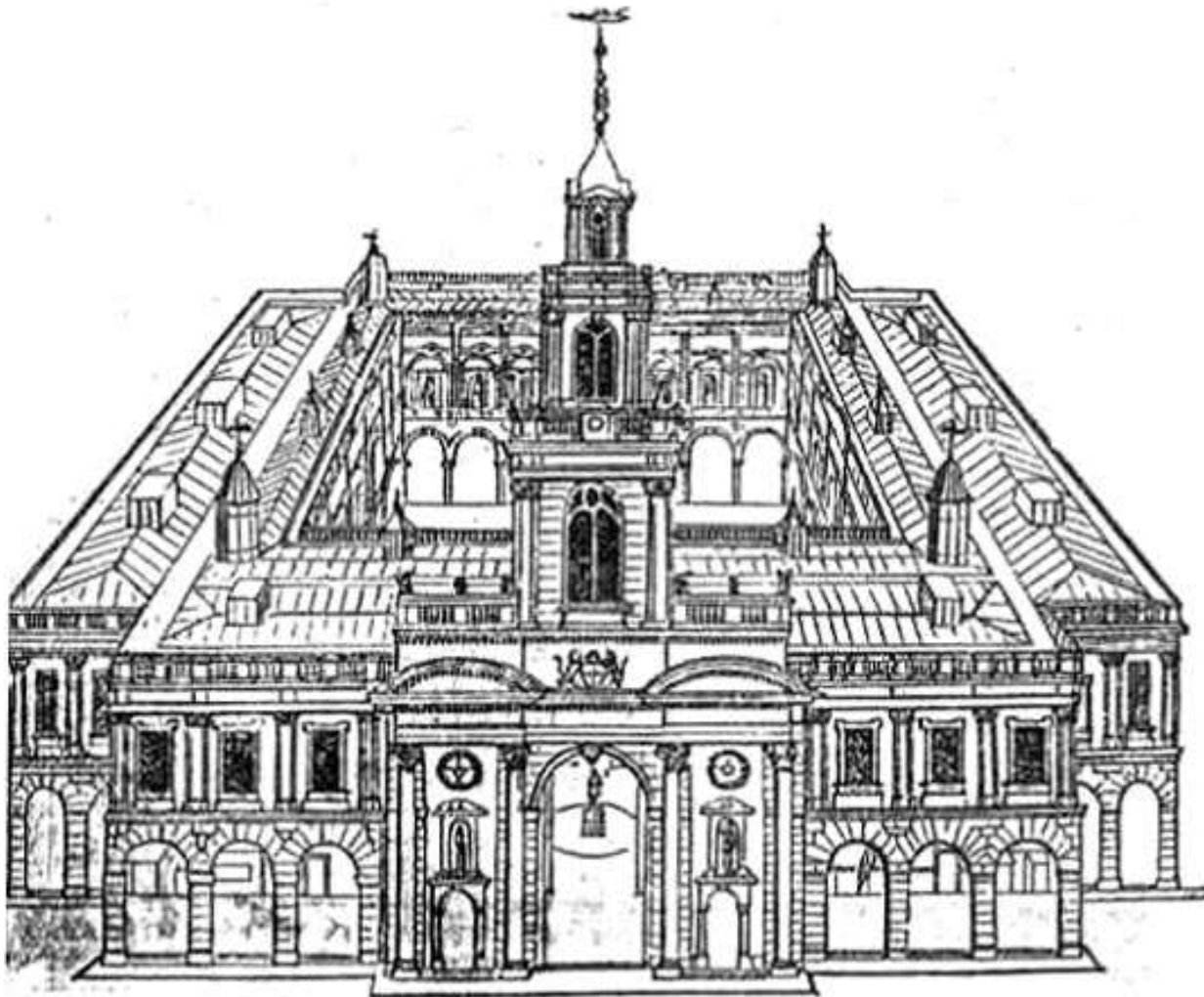
# A Man, A Plan, Buy A Panama





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# Ashes to Ashes (1669-1838)

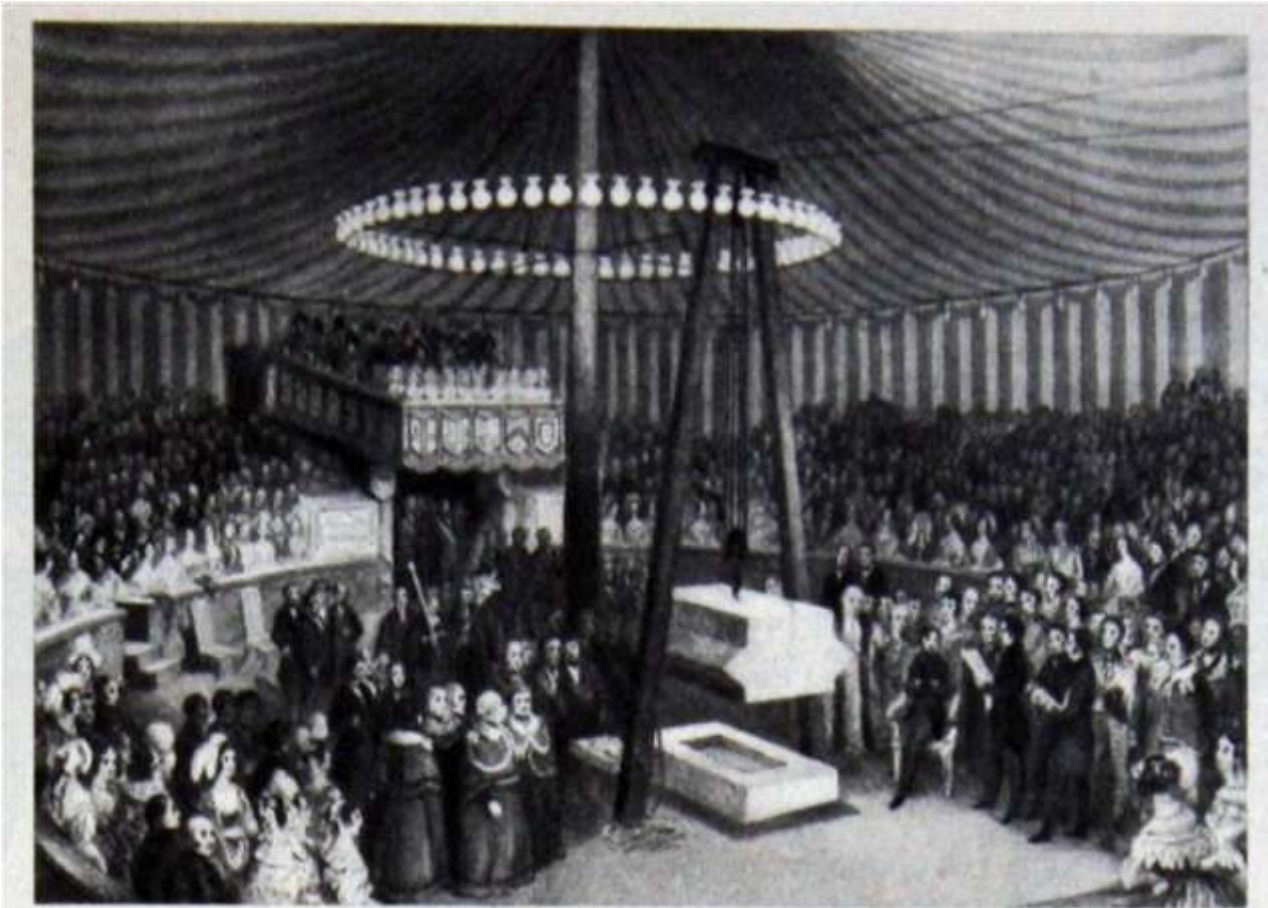


THE SECOND ROYAL EXCHANGE. 1669.



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# Round 3 (1844-present)



## *Laying the First Stone of the Royal Exchange*

*One of the most imposing buildings in London. The present building is the third to occupy the site. The first two were destroyed by fire. The original Exchange was founded by Sir Thomas Gresham, and opened by Queen Elizabeth in 1571. From the steps of the Royal Exchange the new Sovereign is always proclaimed on his accession.*



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# Take A Pepys at the Ground Floor

“At noon to the Exchange to meet Mr. Warren the timber merchant, but could not meet with him. Here I met with many sea commanders, and among others Captain Cuttle, and Curtis, and Mootham, and I, went to the Fleece Tavern to drink; and there we spent till four o'clock, telling stories of Algiers, and the manner of the life of slaves there!” [8 February 1661]

“Thence to the Exchange to hire a ship for the Maderas, but could get none.”  
[15 March 1662]





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# Circa 1855





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# City of London – Hop To It!



[68 Lombard Street - site of Sir Thomas Gresham's goldsmith business, then Martins Bank, later absorbed into Barclays.]



# Listen to the markets, Grasshopper

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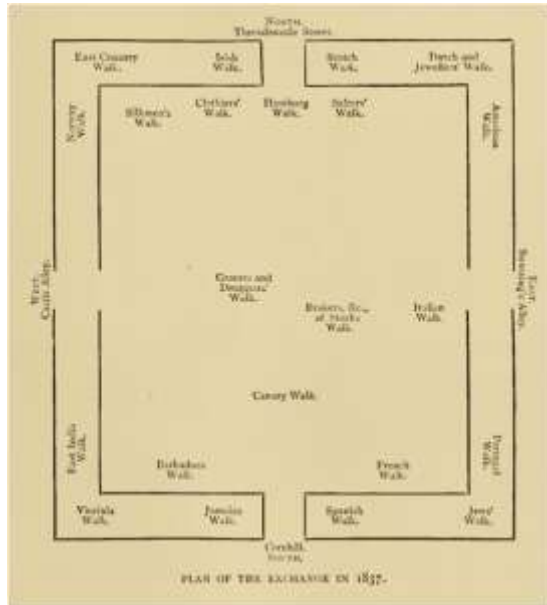






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# Deal Rooms





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# Anything Missing?



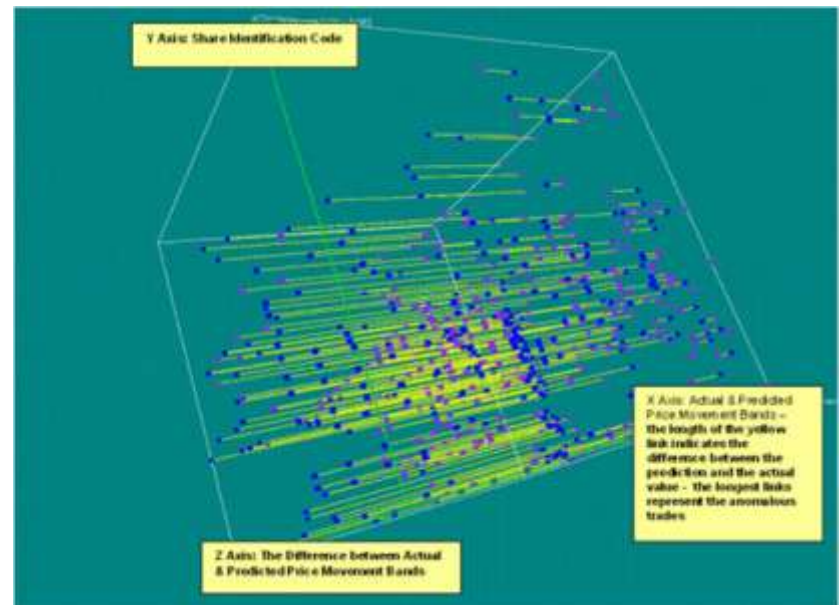


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# Indicative Prices



[Source: [www.indezy.com](http://www.indezy.com)]





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# Pepys on the Upper Floor

“I did this day call at the New Exchange, and bought her a pair of green silk stockings and garters and shoe-strings, and two pair of jessimy gloves, all coming to about 28s., and did give them her this noon.” [15 February 1669]

“At noon my wife and I walked to the Old Exchange, and there she bought her a white whisk.” [22 November 1660]

“In the afternoon my wife and I and Mrs. Martha Batten, my Valentine, to the Exchange, and there upon a payre of embroydered and six payre of plain white gloves I laid out 40s. upon her.” [18 February 1661]





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# Payment Market

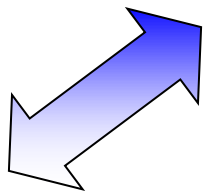
amazon.com

Multiple

Rounds

Single

Open



Closed

<p><b>High Value Discrete Items</b> e.g., Artworks</p>	<p><b>Linked Items</b> e.g., FCC Licenses</p>
<p><b>Quick, Single Items</b> e.g., Computer Hardware</p>	<p><b>High Traffic Items</b> e.g., Collectibles</p>

Sequential

Simultaneous

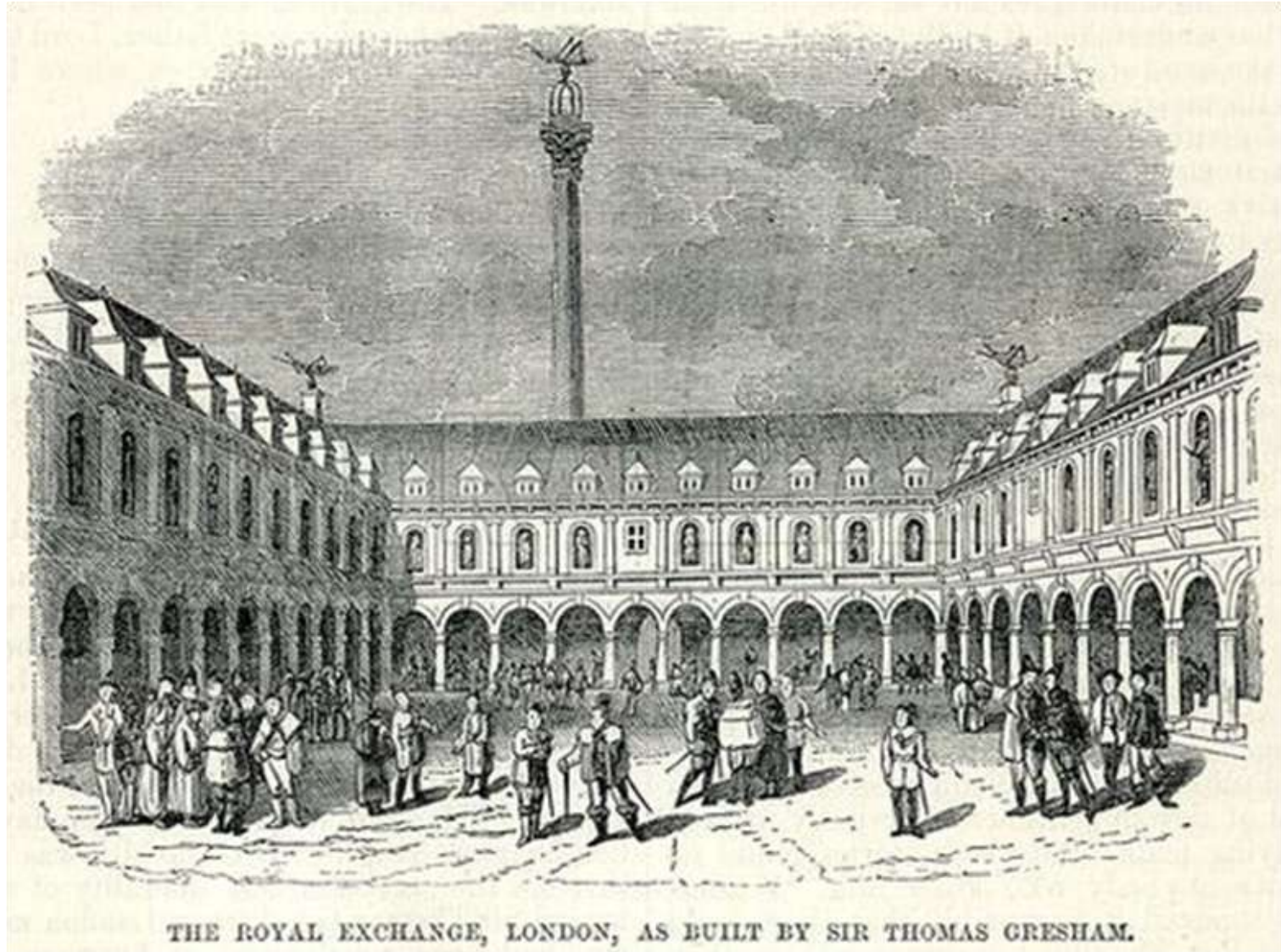


Order



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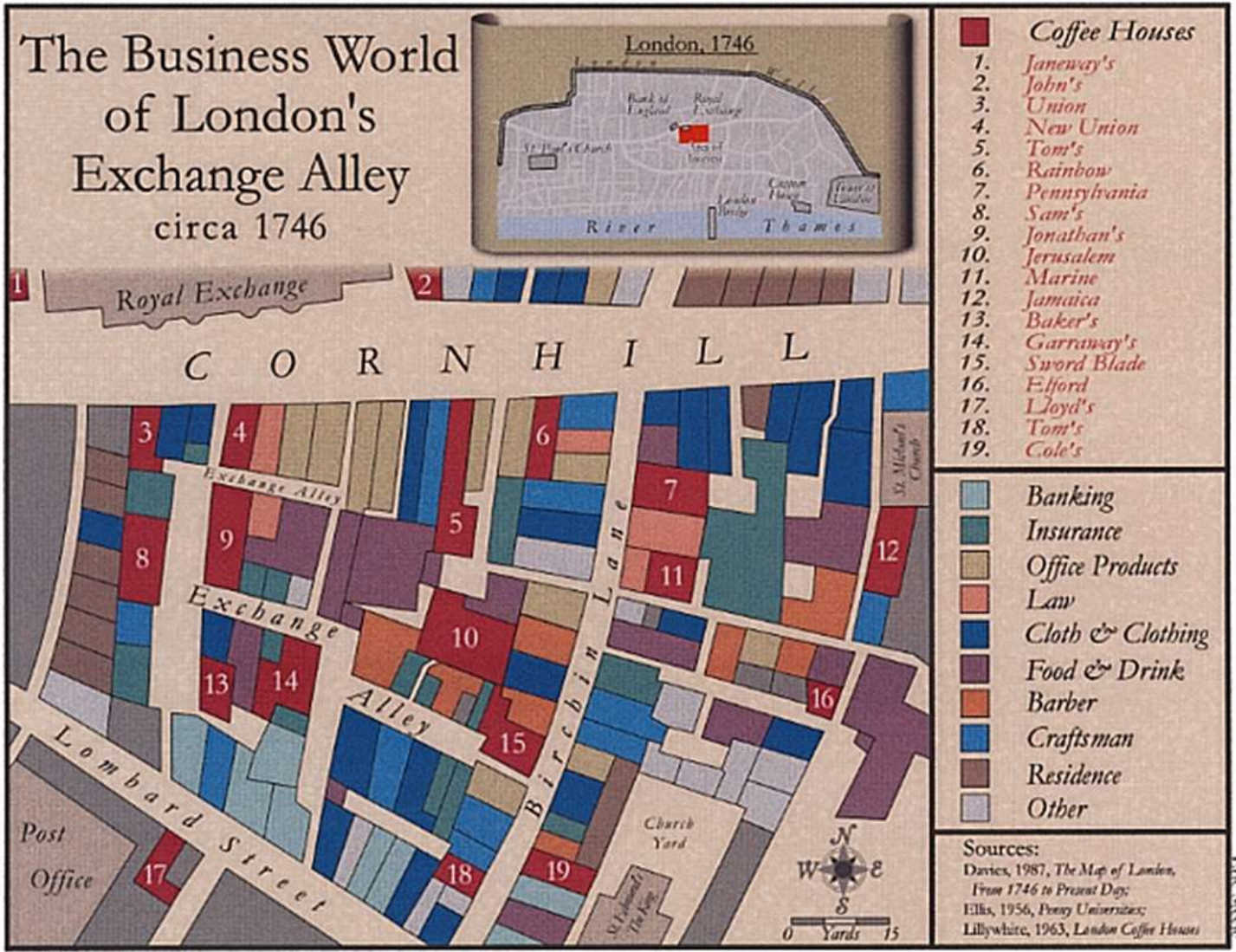
# Branding - Invasion of the Locusts (Invasion der Heuschrecken)





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# Surrounds





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# Identity & Syndication

“The sellers of letters used to meet in the Royal Exchange before business hours, till the beadle at last had to drive them away to make room for the merchants. There is a story told of an “Alley man” during the mania contriving to sell some rotten shares by bowing to Sir Isaac Goldsmid in the presence of his victim. Sir Isaac returned the bow, and the victim at once believed in the respectability of the gay deceiver.”



[Source: Walter Thornbury. [Old and new London: a narrative of its history, its people, and its places, volume 1](#) (London : Cassell, Petter, & Galpin, 1873) – page 486 -

<http://ia600204.us.archive.org/23/items/oldnewlondonnarr01thor/oldnewlondonnarr01thor.pdf>]

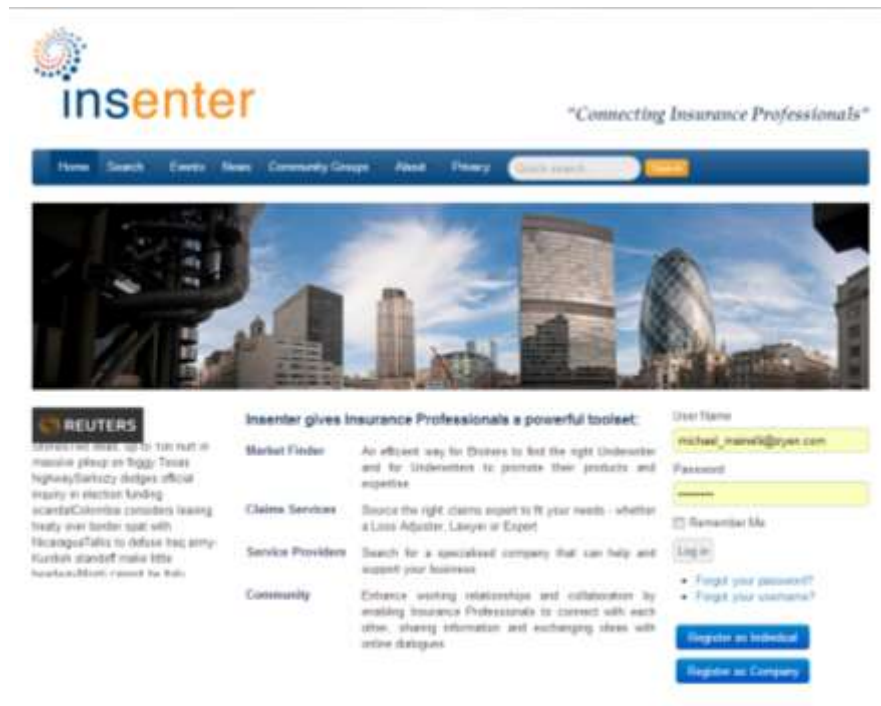




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# ID

***“to bring together the world’s  
wholesale insurers and their wider  
community for mutual benefit”***



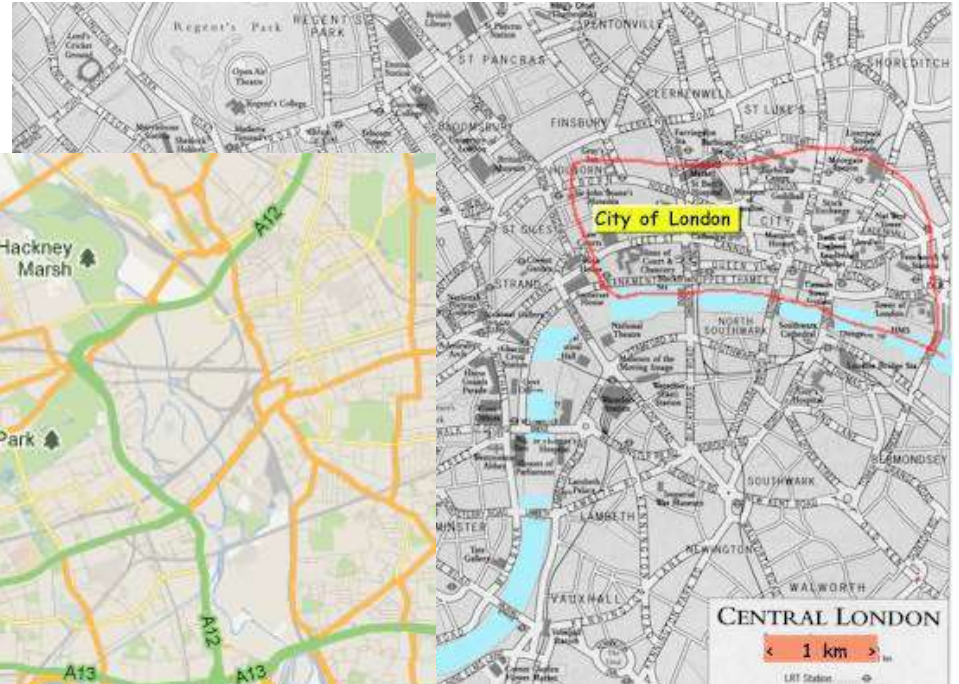
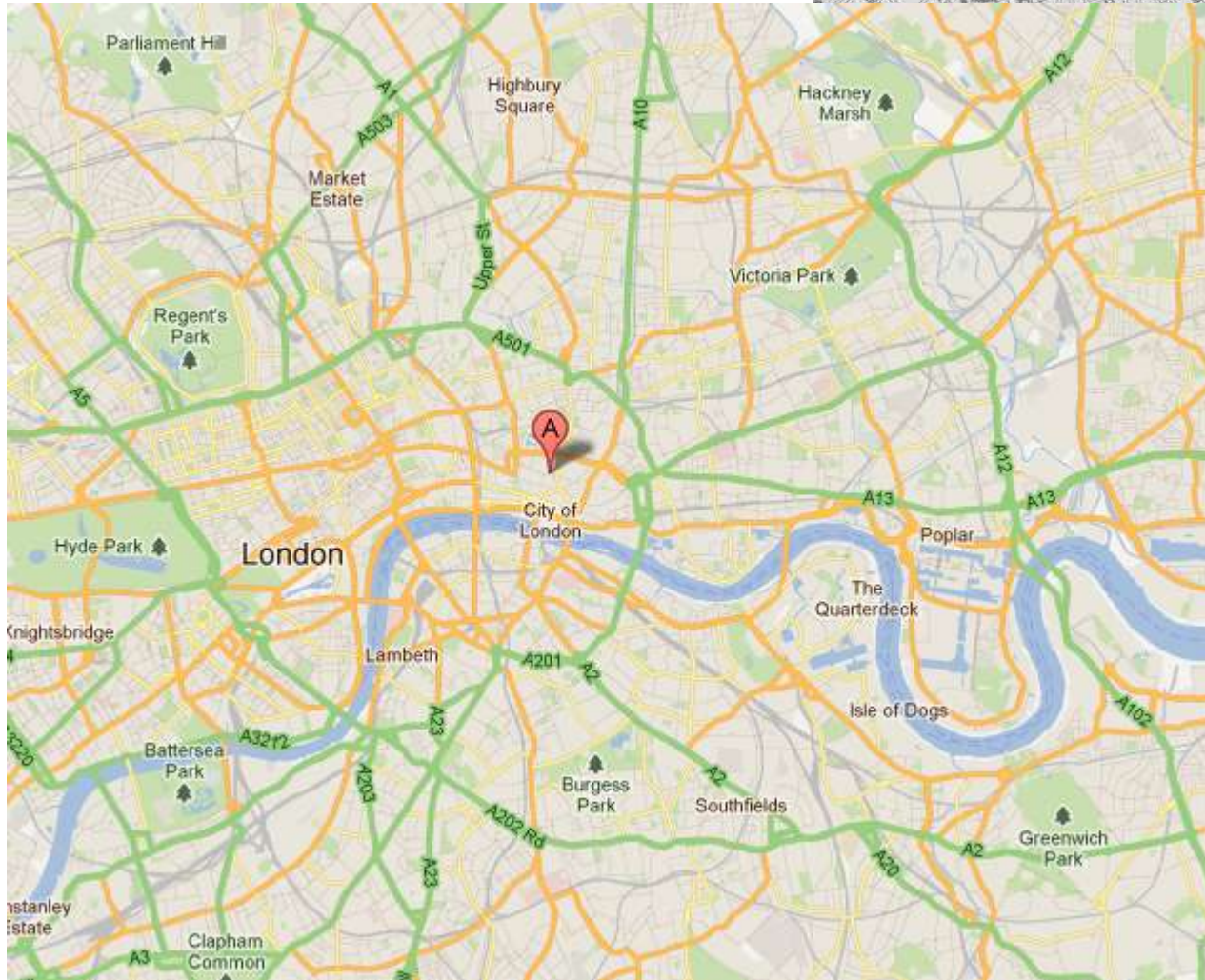
#### Featured Members





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# Environs - Stability, Treating Folks Fairly





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# Community

- ◆ Common purpose & history
- ◆ Culture & knowledge
- ◆ Common practices
- ◆ Co-location in space and time
- ◆ Common action
- ◆ Co-created future



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# Communitise & Monetise



- ◆ Establish variety of communities, monetary connections, and payment methods



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# Take-Away Model

<b>Level</b>	<b>Idea</b>
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<b>Surrounds</b>	<b>ID</b>
<b>Environs</b>	<b>Community</b>



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# A Right Royal Exchange Of Viewpoints

Thank you!



“Get a big picture grip on the details.”

*Chao Kli Ning*

