



# John Sims

Managing Director, Vizion Brokers Ltd

## Regulation - friend or foe?

**There's nothing wrong in having rules and regulations in financial services. They set a standard for players to follow, promoting customer confidence and allowing competition to thrive on a level surface. But problems always arise when it comes to the interpretation and application of those standards, and recent years have witnessed the spawning of a new industry sector, not only adding significant costs, but in some cases driving a negative impact on innovation and the entrepreneurial spirit**

**I**welcome regulation - as long as there is room for common sense to prevail. One of the really topical questions in today's insurance market is whether customers are better - or worse off - thanks to statutory regulation. But I won't be delving into that thorny subject here. The present regulatory regime is what it is, and we have to get on with it.

The question I'd like to raise here is the extent to which regulation can stifle innovation in insurance, with particular reference to the HNW sector, with which I am very familiar.

### The halcyon days of innovation

Many readers involved in innovate projects will recall the heady days before the stranglehold grip of regulation put a significant clamp on new ideas. Back in 1996 I had the pleasure of playing a very small part in changing the way the HNW market now operates. The aim was to consistently thrill customers with great service, in times when the insurance industry as a whole struggled to be trusted.



**Regulation can stifle innovation**



I'd joined Chubb Insurance to help launch its Masterpiece HNW product in the UK. I went over to the New Jersey HQ where I met an entrepreneur who I forever hold dear. His name was Dick Ort who ran the very profitable Masterpiece business in the States.

He was in no mood to mess around. He told me, "Get out there John. Make plenty of noise, thrill the market, be adored by brokers, and don't worry about making money. Just build me something big that we can fix later." (I can't imagine many people being given that freedom today).

But it worked! Just look at that product and service 20 years on. It gave brokers something special to sell. A promise to pay claims fairly and generously.

**B**ut... where has innovation taken us since then? In my honest opinion, not very far at all. Oh sure, there have been a few bits and pieces like family protection; the inclusion of motor into the portfolio; and some degree of on-line trading. But nothing of any real note.

In my experience there are three key reasons why our market has lagged behind others:-

- The HNW market seems to have always been a soft one. New insurers consistently jump on the bandwagon, searching for what they perceive to be high profit margins which, sadly for most HNW insurers, simply don't exist.

That leads to everyone running around trying to compete for the same business, and hold on to what they have. So there's little spare time or capacity to stand back and innovate. And of course innovation costs money. With low profit margins, the cost of innovation makes it hard for HNW insurers to persuade their lords and masters to really invest.

- There is nothing wrong with complying, but the compliance process itself now bogs everything down. It stifles innovation. It is now so difficult in the bigger companies to get new ideas and new products past the myriad of compliance folk and others stuck fast in what has been termed as "corporate treacle".

A personal note here (which I'm sure many readers can vouch for in their own endeavours). During the compliance process, when I was in a big corporate, I often felt I was losing the will to live. It's a sad state of affairs when otherwise professional and pragmatic people succumb to the conclusion that it's often easier to maintain the *status quo* rather than go through all the hassle. It's no wonder that outsiders looking in at our sector find it hard to understand why everything in our business takes so long to get done

*John Sims*