insight

July 2019

Amazon: Good or evil??

The tech giant's plans for neighbourhood patrol drones sparks fears they could be used to collect data Big Brother-style.

Amazon has been testing out its delivery service, dubbed Prime Air, in recent years, and even delivered its first parcel in 2016.

However it is now considering launching drones that patrol neighbourhoods and could even call the police if they spot something amiss, according to a patent.

The company may set up a subscription service for worried homeowners that means its delivery aircrafts fly overhead looking for broken windows, graffiti or a fire.

Its drones will be able to take photos or record videos - sparking fears they could be used to collect Big Brother style data.

In an apparent attempt to quell such fears, the patent states drone footage will obscure adjacent properties.

It will also require proof of ownership of the object or property being monitored, as well as permission from others living nearby, for example in an apartment block.

Amazon is thinking of offering different tiers and pricing that would see drones visit weekly, daily, or even hourly, the patent suggests.

Subscribers could either allow the drone to keep an eye out for general problems, or identify specific objects - such as an expensive car - to monitor.

After taking surveillance snaps, the images are analysed - either internally, by a computer at a hub, or by a human.

Then, an alert, such as a phone call, email or text message, would be sent to the subscriber, or to a private security firm, or the police or fire service.

Its drones could even be fitted with night-vision, infrared and thermal cameras for greater surveillance.

Others sensors Amazon is considering including are chemical sensors, to find fires or leaks, and noise detectors that can tell if an intruder is present.

HEADLINES

EVENTS

Raising Futures Kenya Charity Golf day

Hythe Beach Clean

IFRS17 Project Progress Update

SunSystems v6.4 Upgrade Webinar

Details can be found at:

www.millenniumconsulting.co.uk

New PM pledges to take personal responsibility for delivering change

Following his victory over Jeremy Hunt in the election contest for the leadership of the Conservative party Boris Johnson has accepted an invitation from The Queen to form a new government taking over from departing PM Theresa May.

Standing in the sunshine outside the door to No.10 Boris promised to break the Brexit impasse and deliver firm action to confound what he called the "doubters, doomsters and gloomsters".

"The time has come to act," he said, "to take decisions, to give strong leadership and to change this country for the better."

He said "with high hearts and growing confidence" the work to get ready for Brexit will be carried out. However, he said there must be preparation for No Deal, "not because we want that outcome –- of course not - but because it is only common sense to prepare."

He confirmed his determination to stick to the Brexit Halloween deadline, saying that the "doubters are wrong" and "we're going to restore trust in our democracy... and come out of the EU on October 31st, no ifs no buts".

The new PM promised that his government would respect the result of the Brexit referendum and seek to "create a new partnership with our European friends - as warm and as close and as affectionate as possible."

He pledged to be PM for the whole of the UK, to work to unite the country and "close the opportunity gap." He described the Union, as represented by the red, white and blue flag, as "the awesome foursome" who "together are so much more than the sum of their parts".

In a heavily personalised address he said," I will take personal responsibility for the change I want to see. Never mind the backstop, the buck stops here."

He vowed, "My job is to serve you, the people. Because if there is one point politicians need to remember it is that the people are our bosses."

Outlining other actions he wanted to take, Mr Johnson said work would begin to recruit 20,000 additional police officers "to make your streets safer".

Work would also start on 20 new hospital upgrades, ensuring additional funding for the NHS reached the front line, while he also vowed "to fix the crisis in social care once and for all".

He said there would be a clear plan to give every older person the dignity and security they deserve and the Government would also "level up" funding for primary and secondary schools to ensure all pupils received a "superb education wherever they are".

He concluded: "After three years of unfounded self-doubt, it is time to change the record. To recover our natural and historic role as an enterprising, outward-looking and truly global Britain, generous in temper and engaged with the world."

"No one in the last few centuries has succeeded in betting against the pluck and nerve and ambition of this country. They will not succeed today. We in this government will work flat out to give this country the leadership it deserves, and that work begins now."

The insurance sector adopts a more eco-friendly strategy

With the news this month that one of the world's largest property and casualty insurers, Chubb, is to withdraw global insurance and investment policies for the coal industry, it follows a growing trend insurers are adopting towards social responsibility, green initiatives and developing a more ethically-based approach to commercial operations.

The US based insurers recent announcement confirms it will withdraw all of its existing policies with coal powered companies over the next 3 years and cease selling new policies to companies that operate/build coal power plants or those where at least a third of their revenue comes from coal mining, a leading source of carbon dioxide emissions and key factor contributing to global warming.

In common with many global insurers Chubb has its own green initiatives and environmental pledges including reducing employee carbon footprint through recycling programs, using more energy efficient heating and lighting systems within their office premises and partnering with eco-friendly charities to plant more trees.

Chubb is the first US insurer to stop supporting the coal industry, perhaps no real surprise given Donald Trump's withdrawal from the Paris climate change summit agreement. In total more than 100 major financial institutions have joined the 'Unfriend Coal campaign' (https://unfriendcoal.com/) although in terms of the insurance sector, it has been in Europe where businesses have been the biggest advocates.

So far, European insurers are leading the way with Allianz, AXA and Generali reducing insurance policies for coal suppliers, as have reinsurers Swiss Re and Munich Re by limiting their underwriting. AXA was one of the first insurers to divest from insuring coal businesses in 2015 and despite predicting revenue losses of around £90m due to this policy, it remains committed to green investments and plans to invest £10 billion in green investments such as green bonds and renewable energy projects by 2020. Allianz's climate strategy includes completely withdrawing from insuring the coal industry by 2040 and Generali has committed €3.5billion to green investments. Further afield, Australia's largest insurer, QBE, also announced it will stop insuring new coal mines, power plants and transport links from 1st July 2019.

However without the backing of all the major US insurers the UN may struggle to reach its 'global ambition business pledge' of capping global warming at 1.5 degrees this century. As long as the coal industry can find the insurance it needs to operate it shows no real intent to lower Co2 emissions, therefore the responsibility of global insurers has never been more important.

The insurance sector as a whole has become more socially aware and responsible in terms of corporate attitudes towards climate change and in return offers its policy holders more security. Ultimately, it is their own customers who at most risk from the effects of climate change resulting in increased flooding, wildfires and hurricanes. Lloyds of London has already predicted that the cost of global warming to insurers could reach as much as $150 billion a year by 2030 potentially leading to higher premiums. Lloyds themselves reported a loss of £1billion for 2018 due to major natural catastrophes.

Whether it be challenging the coal industry or reducing our own carbon footprint we can all contribute to a greener way of life and greater sustainability. Millennium Consulting has recently launched a green agenda (www.millenniumconsulting.co.uk/green-agenda) to monitor the carbon impact our business has and to start introducing new ways of reducing carbon footprint with a target of becoming carbon neutral by 2022.

Ford going Green?

Ford is recycling over one billion plastic bottles every year to develop elements of their car's interior, and so reducing the amount of plastic ending up in a landfill.

The American car maker has revealed that their Romanian-built EcoSport SUVs' carpets are made using 470 single-use bottles from recycled plastic bottles. The process for making these carpets involves shredding bottles and their caps into tiny flakes and then heating them to 260C. They are then formed into fibres about the width of a human hair, which are then spun into yarn by stitching multiple fibres together. The yarn is then woven into carpets.

The combined weight is said to weigh an estimated 8,262 metric tons and, if they were laid end-to-end, would stretch more than twice around the world, they said.

Since first using recycled plastic in the Mondeo model more than 20 years ago, Ford now recycles 1.2 billion bottles globally per year.

In April, the company unveiled an extensive range of 16 electrified models for Europe that are designed to help make cities cleaner and quieter by increasingly use of more environmentally friendly electric power.

Ford Motor Company published its first Sustainability Report – the first company in the industry to do so. Since then, Ford has spent the last two decades 'moving toward a more sustainable world'.

According to the United Nations Environmental Agency, the world produces around 300 million tons of plastic each year, half of which is single-use items. Of this total a mere 14 per cent is collected for recycling; only 9 per cent actually gets recycled and 12 per cent is incinerated, which releases highly poisonous fumes.

Reports have indicated that 91 per cent of the plastic manufactured since its invention in the 1950s is still in the environment today.

Plastic doesn't break down over time and remains in the environment indefinitely.

The cost of breaching GDPR

The Information Commissioner's Office (ICO) has for the first time used new powers to punish companies that break laws protecting consumers' data. British Airways and the Marriott hotel chain were the first firms targeted by the watchdog, which handed them fines totalling almost £300m.

Why has the ICO started handing out such huge fines?
In May last year, the powers of the ICO, along with its counterparts across Europe, were bolstered significantly with the introduction of the General Data Protection Regulation (GDPR). The much tougher EU-wide regulation surrounding the use consumer data, an upgrade of weaker national data protection laws for the internet age, came with greatly enhanced powers to levy fines.

How much can the ICO fine a company?
To ensure companies take the new data protection rules seriously, GDPR gives data regulators the power to fine up to €20m (£18m), or 4% of annual global turnover, whichever is greater. The sum depends on the severity of the GDPR breach and factors including the level of cooperation of the company involved. For example, British Airways, which cooperated with the ICO investigation, was fined 1.5% of its global turnover. If the ICO had sought the maximum fine of 4% of BA's total revenue, the bill could have been £489m.

Can companies fight the ICO?
The ICO is using its first two investigations under GDPR to make an example of British Airways and Marriott, providing a cautionary tale for others. Companies are allowed to appeal against the scale of the fines – British Airways and Marriott have said they will put up a vigorous defence and have 28 days to make representations – and the ICO could reduce the final amount.

The regulator has a maximum of 16 weeks, from issuing the notice of a proposed fine to delivering its final verdict.

Where does the money go?
Fines received by the ICO go back to the Treasury. However, the ICO is exploring options, including ring-fencing part of the fine income to cover potential litigation costs to defend its decisions.

How much tougher are the fines under the new GDPR legislation?
Last year Facebook was fined £500,000 by the ICO over the Cambridge Analytica scandal, which involved the data of up to 87 million users improperly being shared with third-party developers without sufficient consent. At the time the ICO lamented the fact that this was the maximum fine it was allowed to impose under the old legislation.

Given Facebook's worldwide revenue was $40.7bn (£31.5bn) in 2017, the ICO pointed out it could have handed down a fine of up to £1.26bn (4% of revenue) had the case had been eligible under GDPR.

The ICO has in the past been viewed as understaffed and underpowered. Has this changed?
The ICO's role has become critical in the digital age. Its annual report, published this week, said last year was record-breaking for issuing monetary penalties, although these only totalled £3m in the 12 months to the end of March.

Average staff numbers have increased by a third – from 480 to 638 year-on-year – in line with its increased GDPR powers. It has 722 permanent staff. This pushed the ICO's annual running costs up by 58%, from £27m to £43m.

Data protection complaints have almost doubled year-on-year from 21,019 to 41,661. The pay of the information commissioner, Elizabeth Denham, has risen by a quarter year-on-year from about £195,000 to about £245,000.

How many people have walked on the moon?

This July marks the fiftieth anniversary of the Apollo 11 space mission and Neil Armstrong being the first man to walk on the Moon in 1969.

As he put his left foot down Armstrong declared, "One small step for man, one giant leap for mankind."

Earlier he had reported the lunar module's safe landing with the words: "Houston, Tranquility Base here. The Eagle has landed."

The historic moments were captured on TV cameras installed on the Eagle and turned on by Armstrong. Armstrong spent his first few minutes on the Moon taking photographs and soil samples in case the mission had to be aborted suddenly.

He was joined on the surface by colleague Edwin "Buzz" Aldrin and the two astronauts collected data and performed various exercises - including jumping across the landscape - before planting the Stars and Stripes flag.

They also unveiled a plaque bearing President Nixon's signature and an inscription reading: "Here men from the planet Earth first set foot upon the Moon July 1969 AD. We came in peace for all mankind."

In the history of the human race, only 12 people have ever set foot on the surface of the Moon.

After Apollo 11 another 10 humans have also made footprints on the Moon's dusty surface.

The second manned mission to the Moon came only four months after Neil Armstrong and Apollo 11 made history, in November 1969.

Charles "Pete" Conrad and Alan L. Bean performed just over one day and seven hours of lunar surface activity, while Richard F. Gordon remained in lunar orbit.

Nearly two years after Apollo 12 - during which the events of the disastrous Apollo 13 mission took place - Apollo 14 touched down on the surface of the Moon in February 1971. Alan Shepard (who famously hit two golf balls on the lunar surface with a makeshift club), and Edgar Mitchell were the fifth and sixth men on the Moon.

David Scott and James Irwin were the next two men on the Moon as part of Apollo 15, Nasa's fourth manned Moon mission.

Landing on the lunar surface in July 1971, Apollo 15 included a longer stay on the Moon - almost two full days - and had a greater focus on science than earlier landings.

During the return trip, the third astronaut Alfred Worden also performed the first spacewalk in deep space.

John Young, Charles Duke and Ken Mattingly crewed the penultimate manned mission to the Moon as Apollo 16. Young and Duke spent just under three days on the Moon in April 1972, during which they drove a Lunar Roving Vehicle for 16.6 miles across the surface.

The final manned mission to the Moon, Apollo 17, touched down onto the lunar surface in December 1972, with Harrison “Jack” Schmitt and Eugene Cernan as the last two men who have walked on the Moon.

Besides the 12 who have walked on the Moon – Armstrong, Aldrin, Conrad, Bean, Shepard, Mitchell, Scott, Irwin, Young, Duke, Schmitt and Cernan – another 12 have flown to the Moon as part of the 3 man teams but not walked on the surface. No one has landed on the Moon more than once.

Fred Haise was part of the aborted Apollo 13 mission and was also scheduled to walk on the Moon as commander of the Apollo 19 mission which was cancelled.

Three men have flown to the Moon twice – Lovell, Young and Cernan. Lovell is the only person to have flown to the Moon twice without landing.

Eugene Cernan was the last man to leave a footprint on the lunar surface. His final words on the Moon in December 1972 were, “We leave as we came and, God willing, as we shall return,” he said, “with peace and hope for all mankind.”

Finance and Actuarial cooperation essential for IFRS 17 compliance

In light of the introduction of new regulation for insurers such as IFRS 17, C-Level executives and senior leaders have come under increasing pressure to reduce the occurrence of a silo mentality prevalent within insurance firms and ensure increased communication and co-operation between finance and actuarial teams.

IFRS 17 has been the most complex insurance regulatory standard to date and as such there is a huge demand for insurers to find common ground internally whereby data and assumptions become transparent and shared, thereby making it easier to meet the requirements of senior stake holders and external regulators.

IFRS 17 has brought the need for significant business process change as increased data granularity and transparency (to calculate expected and actual cash flows) has placed extra pressure on finance and actuarial teams. Both areas should ideally use the same technology, data and processes for reporting yet due to sometimes conflicting objectives, there has historically been limited collaboration and inconsistent/incorrect results.

For insurers to navigate the major obstacles arising from regulatory change such as IFRS 17, they need to rethink and transform legacy operations and adopt a holistic, integrated approach to transformation with increased cooperation between finance and actuaries.

The end goal is a consistent, unified and controlled environment in which each area achieves their objectives starting from a foundation of common data sets, technology and architecture, governance models and processes.

The rewards will be more efficient, cost-effective compliance with increased regulatory demands, improved business insight and enhanced decision making. Granular data is needed to allow IFRS 17 compliancy by 2022 and will need to be collected from a wide range of sources and processed in new ways. Ultimately, this will require a greater need for collaboration and communication.

As insurers worldwide decide on their approach some have selected integrated solutions such as sub-ledgers to allow system integration, common data and processes adopted by finance and actuarial teams. This integrated approach should allow insurers to overcome the coming challenges more effectively.

However IFRS 17 is a principle based standard which is more complex than IFRS 4 and expected to cost more than Solvency II and it remains to be seen whether actuaries and finance teams will in practice work more closely or ultimately retreat into their silo mentalities and keep a safe distance from each other. The jury remains out.

InsurTech: Technology innovation for Insurers

InsurTech has become a hot topic for the insurance industry. Three or four years ago, firms were swatting away InsurTechs, dismissing them as a disruptive nuisance. However, over the last few years insurers have begun recognising the benefits InsurTech can bring and news is being released daily reporting the acquisition of InsurTechs by established insurers eager to enhance aspects of the insurance value chain.

InsurTechs are taking advantage of new technologies to provide solutions to more digitally savvy customers. Instead of being regarded as the enemy and a competitive threat to insurers, they are now viewed as a potentially valuable partner. Customers now expect instant digital transactions and the speed at which insurers can adopt to this market demand will determine their market share in the next generation insurance industry.

Online and mobile channels and digital technologies offer quick wins for retail insurance, as more youthful tech savvy users take over from a traditional customer base. They tend to be less loyal to traditional suppliers and treat financial products and services, including insurance policies, as interchangeable. They value convenience and prefer to carry out transactions remotely if possible, without the need to interact formally with an institution.

Although the focus of InsurTechs is directed mainly at private customers, they have also started to focus attention on the commercial sector. As with personal lines, InsurTechs are bringing innovation to corporate products, for instance, peer-to-peer and digital brokerage, often targeting small and medium-sized insurers. However, commercial line InsurTechs have also focussed upon loss prevention and efficiency (e.g. drone inspection for underwriting and claims).

Technologies such as telematics and the Internet of Things have enabled new product development in motor, home and health insurance that encourage customer engagement and retention. InsurTechs have attracted consumers with selective discounting based on the intersection of smart devices and risk-minimizing behaviours, offering, for example, meters for car mileage or calories burned, or in-home flood and fire detectors that autonomously signal emergency services.

InsurTechs are also active in distribution and pricing. Within distribution, 75 percent of InsurTechs focus on enabling distribution, by making products available to customers at their convenience, facilitating product comparison, and simplifying the purchasing process. These activities build on the successes of aggregators such as comparethemarket.com or confused.com e-commerce pioneers that moved into financial services in the 21st century and are now digital insurance leaders.

InsurTechs are able to go to market in fundamentally different ways compared with traditional insurers. One advantage InsurTechs exploit is their freedom from legacy products, processes, and IT systems. They are able to design digital processes, products, and systems from the ground up, relying on the latest technologies. They target particular market segments, rather than seek to provide end-to-end solutions. Simpler IT and simpler operations translate into less investment and quicker returns.

InsurTech: Technology innovation for Insurers continued...

InsurTechs build their business models by addressing pain points customers experience in their relationships with incumbent insurance providers. They especially seek to heighten customer interest and foster interaction.

InsurTechs also display a next-generation entrepreneurial culture. Founders are often tech-savvy innovators with experience of software or insurance markets. Unencumbered by legacy operations and high investment requirements, they are able to take risks to see what works and what doesn't. They embody the ethos of a digital start-up culture, in which companies appear, fail, and sometimes reappear in modified form, with the lessons of failure incorporated into a new plan. They tend to adopt a flat organizational style, attracting employees who strongly identify with the company and its mission. With few if any layers separating staff from top management, InsurTechs can more easily make adjustments and react to the latest developments.

The news isn't all bad for traditional insurers though. A large percentage of InsurTechs focus on providing services to insurers, with only a small proportion aiming to replace them. Incumbents are beginning to draw inspiration from InsurTechs, studying how they operate and using the new technologies and services as they develop their own innovations and digital initiatives. The leading digitizers among insurers are not only more profitable than their less-digital peers but are also growing faster.

Incumbents can adopt different approaches in respect of InsurTech. They can internally develop the technology-enabled business model they are inspired by or acquire the company directly. Many prefer a hybrid option including developing a digital lab, collaborating with an InsurTech or partnering with a venture capital fund. There is no universal solution, and every strategy depends on the specific context, company ambition and pain point being addressed.

The risks InsurTechs present to traditional business models are real, as digital innovation relentlessly redefines the next-generation insurance ecosystem. Incumbents must adapt or risk losing market share. In particular, they will have to address the much higher level of customer engagement that the InsurTechs are attaining. Adaptation can lead to benefits in many operational areas, leading to cost reduction, better capital allocation and increased revenue generation. Insurers need to analyse the innovation landscape, compare their in-house technology capabilities with InsurTech solutions and consider options such as digitizing operations to acquiring or partnering with InsurTechs.

IFRS 17 Compliance Program Survey

With only two and a half years remaining until 1 January 2022, it is time to see how IFRS 17 compliance **programs** are progressing.

Millennium Consulting is now undertaking a benchmarking survey comprising 11 essential questions addressed to international insurance companies in respect of key program areas.

The survey takes no longer than **90 seconds** to complete and the participants will be entered in to a draw to win £100 of Amazon vouchers with the winner to be announced on Friday 30th August 2019.

Participants will be sent the results in September 2019.

Hythe Beach Clean
Friday 2nd August 2019

Join us and the Litter Picking Watch at Hythe beach to help remove litter and tackle the marine plastics problem.

Suitability

Families welcome

Dogs on leads welcome

Meeting point

Hythe Sailing Club, Hythe, Kent, England

What to bring and wear

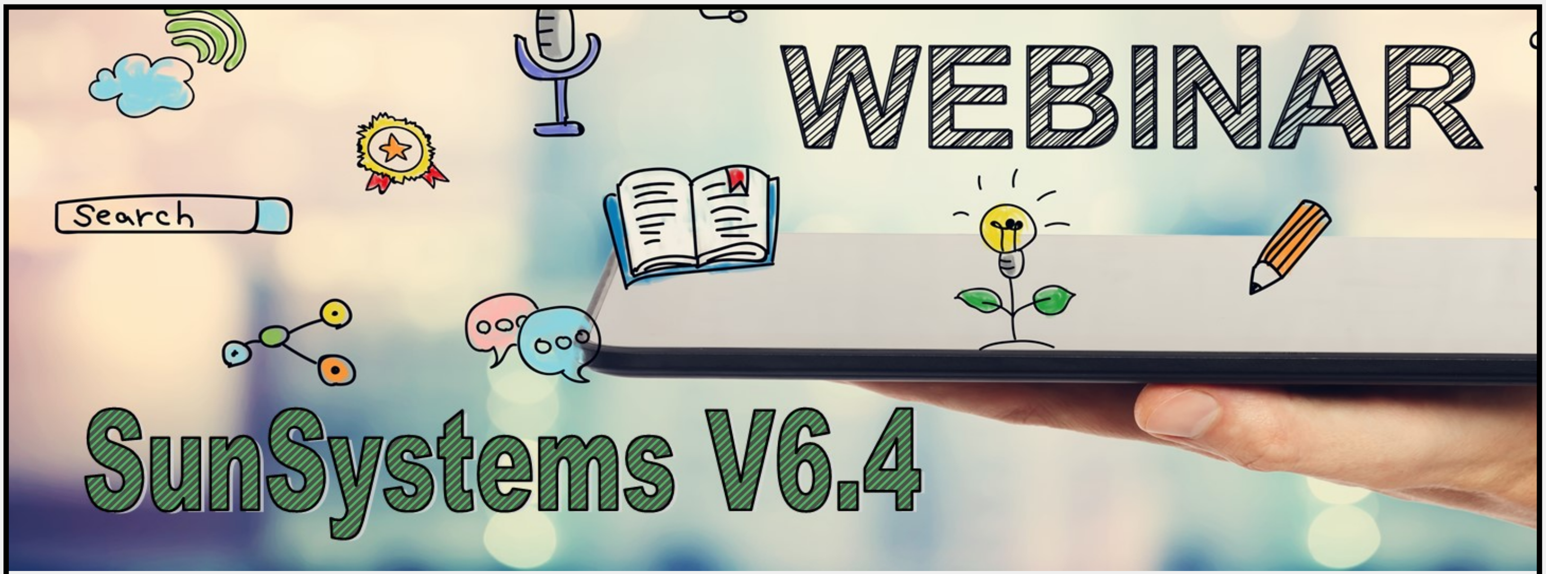
Boots or wellies recommended;
raincoat, sun cream, sun hat etc.
according to weather conditions.

Join us for Millennium Consulting's 2019 "Raising Futures Kenya" golf day at Westerham Golf Club, Kent on Friday 13th September 2019.

It will be a Ryder Cup format team competition, with players allocated to either the Europe or US teams. This will be followed by drinks, dinner, prize giving and a Charity auction. Register at: millenniumconsulting.co.uk/charity-golf-day-2019

Raising Futures Kenya's vision is a world in which all children and young people in Kenya live with dignity, opportunity and hope.

They create opportunities for vulnerable children and young people to break the cycle of poverty and inequality and fulfil their potential.



SunSystems v.6.4 Upgrade Webinar

12.00 p.m. to 1:00 p.m. (BST) Thursday 19th September 2019

This September, Millennium Consulting is hosting a webinar outlining the process and benefits of upgrading to SunSystems v.6.4. The webinar will be delivered by Albert Bouma, the leading authority on the use and deployment of SunSystems software.

Register at www.millenniumconsulting.co.uk/sunsystems-6-4-webinar