RPC

Insurance
COVERED

The
A-Z
of INSURANCE

Insurance plays a role in almost every aspect of life. For most, it is simply a policy that protects their car and home, but there is so much more to it than that. Peter Mansfield takes us on a whistlestop tour through insurance history as he gives us his A-Z of insurance.

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A is for…
Antifragile

In 1989, and again in 1992, large quantities of my small intestine were removed. Yet 30 years on, I continue to digest. Why? Because nature has in-built redundancy. Two lungs, two kidneys, grossly excessive ileum, a largely unused brain. As Nassim Nicholas Taleb says in 'Antifragile': "Nature likes to over insure itself."

In contrast, humans view redundancy as waste. We worship efficiency. In so doing, we play poker with risk. Fukushima was designed to cope with the worst that had ever been, but not the worst that could ever be. Human design is based on our limited past, rather than our possible future. So when an extreme event occurs – a tsunami, a pandemic, a market crash – we find that we have gambled all on a bad hand of cards.

Taleb calls this the Lucretius problem, after the Roman poet who observed that only fools believe the tallest mountain they have seen is the tallest mountain in the world.

We could respond to the Lucretius problem by designing more cautiously, but instead we do so with insurance. Insurance reintroduces redundancy into our fragile lives and fragile economic systems by absorbing the financial burden of that fragility. It is what allows our evolving world to continue playing poker with risk.

B is for...

Beveridge

The 300 pages of the Beveridge Report, published in 1942, constitute the most important document in the history of the UK in the 20th century. Discuss.

As Hilary Cottam says: "It was a technical blueprint for the modern welfare state... a free national health service, policies for full employment, family allowances and the abolition of poverty."

Recently, I bought a battered, but original, 1942 copy of the Report. Written in the midst of war, it looked to a better future. "A revolutionary moment in the world's history," Sir William Beveridge said in his introduction, "is a time for revolutions, not for patching."

But 'The Beveridge Report' was just a nickname. Its actual title was "Social Insurance and Allied Services". Because the welfare state was not founded on government handouts, nor on taxation, but on the social transaction of insurance.

In return for our premiums (paid as national insurance contributions), we were all to be protected in the event of illness or unemployment. Premiums were pooled and risks were shared. As Sir William put it, "[we] stand together with [our] fellows".

When we clapped for the NHS, we partly clapped for Beveridge. Just like my copy of his report, his vision is now a bit battered, but it remains to inspire.

C is for…
Cuthbert

Insurance does not have a patron saint. Let that irony sink in – insurance does not have its own spiritual insurance. Every other job has a patron saint – advertisers, anaesthetists, animal rights activists, astronauts, even arms dealers, and that's just the letter 'a' – but not insurance.

So, let me suggest one: St Cuthbert.

This has nothing to do with St Cuthbert himself. Don't get me wrong; I'm sure that he was a lovely fella. No, the reason for suggesting Cuthbert is because of Cuthbert Heath (1859–1939), the great innovator of Lloyd's.

Heath created or developed all these forms of insurance at Lloyd's: burglary, jeweller's block, all risk, loss of profits, banker's blanket bond, credit risk, employer's liability, workmen's compensation, smallpox if vaccinated, excess of loss, air raid, earthquake and hurricane.

In its obituary of Heath, the Economist called him "the first man to see the potentialities of insurance in the modern world… There are few departments of our modern life which have not been touched by his inventive genius. He had in him every element of greatness – intellect, character, vision, courage, and a deep personal humility."

People have been canonised for less. So, arise, St Cuthbert of Lloyd's, patron saint of insurance.

D is for...
Demographics

Here's a stat for you. If, today, you removed the whole population of North America, South America, Europe, Africa, Oceania – oh, and Indonesia, Pakistan, Bangladesh, Russia, Japan and the Philippines – you would still not have reduced the current world population to the level it was on the day of my birth in 1967.

How is this relevant to insurance? Because, in the 21st century, insurance is people. In 2017, according to McKinsey, life assurance accounted for 46% of global premiums and health insurance 23%. The world's largest insurer is UnitedHealth Group, a US-based health insurer, whose net premiums (US$178.1bn) exceed the combined gross premiums of the whole of the London and Bermuda markets (US$160bn).

'Twas not always thus. For 500 years, insurance was primarily a luxury product for commerce, but in the last 100 years it has become as essential as credit cards, a bank account and a guilty chocolate habit.

In consequence, has insurance become a product rather than a service, an industry rather than a profession? If so, perhaps one challenge for the next 100 years is to recapture insurance's professional, client-centred roots, whilst servicing an ever-growing world population.

E is for...

Entropy

"When you stir your rice pudding, the spoonful of jam spreads itself round making red trails... But if you stir backwards, the jam will not come together again. Do you think this is odd?" Tom Stoppard.

Stoppard's Jam is entropy in action. Entropy has a proper scientific definition, but for us mortals it means this: everything falls apart. There are more ways for things to go wrong than for them to go right. A Rubik's cube has 1 correct solution and 43 quintillion wrong ones. Wrongness is more natural than rightness.

Entropy is why a child's bedroom is always a mess. Entropy is disorder. And we fight against it with constant tidying, maintenance and date nights. It takes energy to resist entropy. To do otherwise is to give in.

But, despite our effort, the irresistible force of entropy still causes things to go wrong. An accountant, for example, will occasionally give bad advice. After all, it is easier to give bad advice than good. Much easier, because there is more bad advice than good. We call this negligence, but is it really? Perhaps it is just a momentary breach in our flood defence against entropy.

And that's ultimately why we have insurance. Entropy destroys, but insurance restores. Insurance puts the jam back in our rice pudding.

F is for...
Fire

Fire is our friend.

A million years ago, it was our ancestors' mastery of fire that allowed them to vary their diet (mmm, roast mammoth), which in turn caused their brains to grow. In a sense, fire created Homo sapiens.

Fire is our enemy.

When it escapes our grip (as it will do – see E is for Entropy), fire is untameable. It is estimated that the 2020 wildfires in the US resulted in losses of $7bn to $13bn. Five of the six largest-ever California fires occurred in 2020. With climate change, this will only worsen.

But that is nothing in comparison with the Great Fire of London of 1666 which destroyed 13,200 houses, 87 parish churches and St Paul's Cathedral. In 2016, the ABI estimated that the fire would have cost insurers £37bn in today's money. But, of course, it didn't, because hardly any of the properties were insured.

In the aftermath of the fire, however, fire insurance suddenly became very attractive. In 1681, a property developer with the implausible name Nicholas If-Jesus-Christ-had-not-died-for-thee-thou-hadst-been-damned Barbon founded the first English insurance company and sold fire insurance to 5,000 households.

From the ashes of London, a new type of insurance was born and, once mastered, UK insurance never looked back.

G is for…
Genetics

In 1983, the word 'informavore' was coined by George Miller: "Just as the body survives by ingesting [food], the mind survives by ingesting information; in a very general sense all higher organisms are informavores."

Insurance is also an informavore. It feeds on data like a whale feeds on krill.

This is why Lord Mansfield in Carter v Boehm (1766) established the duty of utmost good faith. If an insured wants to transfer a risk to insurers, the insured must provide insurers with all the material information pertaining to that risk.

But are there limits to this duty? For example, when it comes to life or health insurance, is an insurer entitled to my genetic data? If I have a test showing that I have a high risk of early onset dementia, do I have to disclose that? After all, "losing the genetic lottery only to be refused cover for that reason would be a regrettable double whammy" Brendan McGurk.

Indeed, it would and, since 2005, insurers and government have agreed that predictive genetic tests generally do not need to be disclosed. The insured can withhold material information from insurers. On this occasion, the informavore must go hungry.

H is for...
Hammurabi

In the Bible, the Babylonians are the baddies. In 597BC, Nebuchadnezzar destroyed Jerusalem and exiled the Jewish people to Babylon (modern Iraq). In the words of Boney M: "By the rivers of Babylon, where we sat down, yeah we wept when we remembered Zion." Well, not really Boney M – that is the opening verse of Psalm 137.

1,150 years earlier, there was another great Babylonian ruler, Hammurabi. A copy of his Code – an early form of legislation – is in the Louvre in Paris. It is a basalt column inscribed with 4,130 lines of text. Its principles formed the basis of Babylonian law for the next millennium or so.

This is relevant because the Code of Hammurabi contains a form of proto-insurance. An 'insurer' lends money to a ship-owner ('insured'), who pays extra ('premium') and in return the 'insurer' agrees to waive the debt if the ship sinks ('insured risk'). In other words, the 'indemnity' was paid up front as a loan, in contrast to modern insurance where it is paid after the event as compensation.

Similar proto-insurance existed in Greek and Roman law and also during the Medieval period when it was known as foenus nauticum. It was not replaced with modern indemnity insurance until the 1300s, of which more anon.

I is for...
Illegality

According to Professor Ciaran Martin, insurance is "funding organised crime". Bold claim. Let's unpack it.

A Sophos report from 2020, based on a survey of 5,000 IT managers from 26 countries, found that 51% of businesses had been targeted in the previous year by ransomware attacks. "It's now fairly obvious that becoming a ransomware target is no longer an 'if' but rather a 'when'", Bianca Soare.

73% of those attacks were successful and, in 26% of those, a ransom was paid to the cybercriminals, almost always by insurers (94%). The average ransom payment is (reportedly) around US$233,000. If these figures are right

(and, frankly, who knows), insurers paid over US$100 million just for the 5,000 companies in the survey.

There is nothing legally wrong with this, at least not in the UK. In *Masefield AG v Amlin* [2010], the Court of Appeal held that paying a ransom to pirates was not illegal. Furthermore, "there is no universal morality against the payment of ransom", Lord Justice Rix.

As such, to accuse insurers of funding crime, when they are protecting their insureds, is a classic case of victim-blaming. Everyone can agree that strong action needs to be taken against cybercriminals, but to criticise insurers is to miss the point.

J is for…
Japan

Japan is the second largest insurance market, generating nearly 20% of global premiums. Of the 25 largest global insurers (based on total assets), six are Japanese – more than any other country.

Yet 150 years ago, there was not a single insurance company in Japan. And it was not until 1879, as part of the Meiji Restoration, that the first Japanese insurer, Tokio Marine, was formed.

In 1923, this fledgling market was tested by the Great Kanto earthquake, which killed 105,000 and triggered 650,000 separate policies. Yet it survived and, in 1966, Earthquake Re was established as a public-private partnership to protect against earthquake losses (25 years ahead of the similar Pool Re, the UK terrorism reinsurer).

Natural disasters will always be a threat in Japan, but that is of course what insurance is designed for and, in 2011, 90% of claims arising from the tsunami (Fukushima) were paid within four months.

But, as the great Haruki Murakami says, "Life is not like water. Things in life don't necessarily flow over the shortest possible route." The main threat now for Japanese insurers, particularly life insurers, is that Japan's population is predicted to halve by 2100. How insurers respond to this will determine their success over the next 150 years.

K is for...

Ki

On 4 February 2020, the guest on our first '<u>Insurance Covered</u>' podcast was Lee Elliston. On the future of Lloyd's, he said: "It will look like a digital Lloyd's and a digital marketplace, and I don't believe we'll all be in the Room."

Such foresight! Within months, Lee's digital vision had become digital reality. COVID had achieved in weeks what might otherwise have taken years.

160,346 risks were bound during 2020 using the digital placing platform, PPL, and another platform, Whitespace, celebrated its first anniversary. "It's not 'will I use the system'; it's 'which is the best system for me to use'," Sheila Cameron, LMA.

And this digital revolution is at the heart of Lloyd's future. In November 2020, Lloyd's released Blueprint 2 and its message was blunt: "The Future at Lloyd's will be digital from start to finish."

And the future quickly followed, because 2020 saw the launch of Ki, the first fully digital algorithmically-driven syndicate. Developed by Brit, Google Cloud and UCL, Ki offered instant capacity. "We think it will completely change Lloyd's of London market forever," James Birch.

Well, in some respects, it already has. As Ryan Kavanaugh has said: "You can't fight innovation."

L is for...
Lutine

The bell from HMS Lutine hangs within the rostrum on the floor of Lloyd's. Until 1979, it rang out whenever a ship was overdue, but it then developed a crack and nowadays is mostly silent.

200 years before, in 1779, La Lutine started life as a French frigate, but in 1793 was surrendered to the British. In 1799, as HMS Lutine, it was sailing from Great Yarmouth, transporting gold to Hamburg to stave off a stock market collapse, when it sank on Dutch sandbanks. 239 people died.

The cargo, allegedly worth over £100m in today's money, was insured at Lloyd's.

Despite being the largest loss in Lloyd's short history, it was paid within two weeks. Lutine became a byword for Lloyd's reputation for prompt payment.

Attempts to salvage the gold have largely failed and most of it remains hidden under the shifting sands. However, in 1858, the ship's bell was discovered and handed to Lloyd's, where it hangs as a reminder of mortality and the benefit of a good insurance policy.

Postscript: it is a relief that the Royal Navy never anglicised the ship's name. 'Lutine' means pixie, and the Pixie Bell does not have quite the same ring.

M is for...
Mycorrhiza

If you go down to the woods today, you're sure to find... a symbiotic relationship between trees and fungus. Because in the soil there is a network of fungal threads that physically integrate with the roots of the trees. These associations are called mycorrhiza (fungus root).

The trees provide sugars to the fungi and the fungi provide nitrogen, phosphorous and other nutrients to the tree. These fungal networks are often the largest organisms in a wood, covering acres and weighing tons, and they can increase the surface area of a tree's roots by 1000x, enabling the trees to survive droughts.

The fungal networks also act as the wood wide web. Trees, when attacked by pests, release chemicals to attract the pest's predators - and the mycorrhizae communicate this to nearby trees, which then also release the same chemicals. The fungal network even enables carbon to be transferred from one tree to another.

What does this have to do with insurance? Nothing really, other than that mycorrhiza reminds me of insurance - both involve a largely unseen and unheralded network of pooled risk, data transfer and risk protection, quietly allowing the more glamorous elements of the wood/world to survive and thrive.

N is for…
Nationalisation

At the dawn of the 20th century, "the British insurance industry… was undoubtedly the most developed in the world," Carter and Falush. Yes, there was competition from the US and Europe, but that was about it.

During WW1, though, the UK government annulled all insurance policies with insureds from enemy countries. As a consequence, governments around the world realised the danger of allowing domestic insurance needs to be controlled by foreign companies.

Russia was first to respond. Following its revolution in 1917, Russia gradually withdrew from the world's insurance markets. Later in the century, China, India, Egypt, Bangladesh, Brazil and Argentina all nationalised their insurance markets (to a greater or lesser degree).

In addition, Britain's former colonies asserted their independence by expelling British insurers. In the 1960s, for example, Norwich Union was forced out of 22 countries.

But this rise of national or domestic insurance spoke of something even more momentous. It was a recognition that a nation's insurance market was now as integral to that nation's financial system as its banks. The nationalisation of insurance, therefore, was ultimately a verification of insurance's foundational significance.

O is for...
Origins

In 1202, Leonardo Fibonacci introduced the Hindu-Arabic number system (0, 1, 2, 3 etc) to Christian Europe. This made possible the development of financial instruments and double-entry bookkeeping, which in turn enabled the merchants of the growing Italian city-states to trade through networks of agents. Modern capitalism was taking its first toddler steps.

Insurance rapidly became one of the pillars of this mercantile revolution. Prior to this, 'insurance' had involved loans from 'insurer' to 'insured' which were repaid unless the goods were lost (see H is for Hammurabi). 'Insurance' was therefore linked to the provision of capital, rather than being a standalone product.

The Italian merchants, however, had developed cashless mechanisms for trade, such as bills of exchange. Alongside this, they developed a new form of insurance, which did not need an upfront transfer of capital, one where a premium was paid in return for an indemnity. In short, modern insurance.

Although this probably occurred in the early 1300s, the oldest known policy is dated 13 February 1343. Underwritten in Pisa by Amigueto Pinello, it covered a cargo of wool from Pisa to Sicily and modern insurance was born.

P is for...

Poverty

According to Niall Ferguson, poverty is perpetuated by the absence of financial institutions. He was referring to banks, but the same applies to insurance. Without insurance, a problem fast becomes a crisis; whereas, with insurance, that same problem is reduced to a temporary inconvenience.

Which brings us to Pula. Pula provides microinsurance to African farmers to protect them against crop failure. As Rose Goslinga (who founded Pula with Thomas Njeru) says: "We insure the rains". There is a TED talk from 2014 by Goslinga and, if you want to be inspired by the transformative power of insurance, I urge you to watch it. It'll be the best 10 minutes you spend today.

In the US or Europe, the average premium for agriculture insurance is $1,000. For a smallholder in Africa, it may be $4, hence the term 'microinsurance'. In order to make this viable, Pula relies on technology, lots of technology – machine learning, satellite imagery, crop-cut experiments and weather data.

Microinsurance is also available as health and life insurance. As an article on the IFC website says, "Things change when poor people have insurance". Let us never forget that insurance has this power to improve the world around us.

Q is for...
Quakers

The Quakers, more properly known as the Religious Society of Friends, are a Christian group that formed during the upheaval of the English Civil War. They were never very numerous (as at 1800, only 19,800 in England and Wales), but they have had a wholly disproportionate impact on the world.

Here is a list of organisations founded or co-founded by Quakers: Lloyds Bank, Barclays Bank, Cadbury's, Rowntree's, Fry's, Amnesty, Greenpeace, Oxfam, Nike, Johns Hopkins University and Sony. Oh, and Pennsylvania, of course.

Driven by a strong moral code, they pioneered industrial welfare, mental health reform, philanthropy and they were early abolitionists. Despite being pacifists, they undertook vast quantities of humanitarian work during and after WW2. In 1947, the Quakers were collectively awarded the Nobel Peace Prize.

"There is only one thing wrong with the Quakers." said Sir Montague Burton. "There are too few of them."

Unsurprisingly they were also involved in insurance. In 1832, Samuel Tuke (philanthropist) and Joseph Rowntree (fruit pastilles) established Friends Provident as a friendly society for Friends. Until 1983, at least 5 directors had to be Quakers, but alas the link is now consigned to history.

R is for…

Royal Exchange and Corporation Act

London Assurance

Have you ever wondered why Lloyd's of London has such a bizarrely unique structure – underwriters acting on behalf of syndicates? Why was it not overtaken and consumed by companies? Well, the answer lies in the Royal Exchange and London Assurance Corporation Act, better known as the Bubble Act 1720.

This was a period of rabid unregulated capitalism. Joint-stock companies were being established, occasionally for trade, but often purely for speculation. These were known as bubbles, the most famous of which was the South Sea Bubble.

The Bubble Act tried to limit this and stated that two companies (Royal and London) would be granted a duopoly of marine insurance. The problem, as Anastasia Bogatyreva puts it, was that the two companies "paid little attention to marine insurance." In 1721 both were allowed to write fire insurance and their share of the marine market fell to around 4%.

This gave free rein to the private underwriters of marine insurance at Lloyd's coffee house, to whom the Act did not apply. By the time the Bubble Act was repealed in 1824, Lloyd's had organised into the Society of Lloyd's and it could out-compete any insurance companies who dared to sell marine policies. Its future was assured.

S is for...

Sustainable

What does 'sustainability' mean? Let me explain it thus.

I love moths. My garden tally is 540 species. For me, therefore, a 'sustainable' world is one in which my grandchildren will be able to enjoy the same number of moths as me.

That is a personal definition, but more broadly, "to be sustainable is to meet our needs without compromising the ability of... future generations to meet theirs," Tim Grafton. On almost any criterion, including moth numbers, we are not acting sustainably.

In 2012, the UN launched its Principles for Sustainable Insurance (PSI). Its vision is of a "risk-aware world where the insurance industry... plays its full role in enabling a healthy, safe, resilient and sustainable society". This vision has also been embraced by regulators, who in 2016 formed the Sustainable Insurance Forum.

As one of the main pillars of the finance system, insurance has a vital role to play in the fight against climate change. It can influence change through how it insures, how it invests and how it works with insureds to transition to a net zero-carbon world.

As with all global issues, it requires a coordinated response, but it is no exaggeration to say: insurance can literally save the world. And the moths.

T is for...
Transport

Insurance, which was invented to protect against the risks of marine travel, has always had a symbiotic link with transport. Indeed, it wasn't until the 1680s, with the creation of fire insurance, that insurance for something static was developed.

And then, in the 1800s, the next great development in insurance, the creation of accident insurance, was catalysed by the arrival of railways and quickly expanded to other forms of transport – horses, carriages and the bicycle (which bizarrely was invented after the steam locomotive).

With the arrival of the motor car and the plane came two new classes of insurance. In 1897, the first motor policy was purchased by Gilbert Loomis of Ohio and in 1911 the first aviation policy was written at Lloyd's. Then, in the 1960s, insurance expanded to include space travel (although the Challenger Space Shuttle explosion was largely uninsured).

Today, transport continues to provoke advances in insurance through new inventions (passenger drones) and new approaches (car sharing and e-scooters). Insurance has responded with the development of telematics and the increased use of real-time data. The symbiotic relationship will continue for the foreseeable future.

U is for...

Usury

Throughout most of history, and across multiple societies, it has been regarded a sin to charge interest on a loan. The practice, known as usury, was condemned by Aristotle, Moses and Seneca. Dante put usurers in the 7th circle of Hell. In 1236, Pope Gregory IX declared that all usurious contracts were void.

The problem with usury is that you pay for money – you are lent £10 and pay back £12. This was perceived to be exploitative (much as we would now perceive loan sharks). Similarly, insurance was seen to be usurious, because you pay for... well, you pay a premium and more often than not you get nothing in return.

Because of this, the earliest insurance policies did not mention that a premium had been paid. In Genoa, this ambiguity was protected by law. Elsewhere, though, the commercial necessity of insurance gradually overwhelmed the theological objections. As Alex Mayyasi puts it: "The church looked the other way".

Within Islamic law, though, the prohibition remains and a form of insurance, called takaful, has been developed to avoid allegations of usury. It is based on mutual guarantees, thereby emphasising the social aspect of insurance. Its market is predicted to double to US$49bn by 2026.

V is for...
Vaccine

In 1796, Edward Jenner proved that a dose of cowpox inoculated a person against smallpox. He called cowpox 'Variolae vaccinae', from which arose the word 'vaccine'. It means 'pertaining to cows', which brings new depth to the phrase 'herd immunity'.

In the 20th century alone, smallpox killed an estimated 300m people, but it is now eradicated. The WHO estimates that vaccines prevented 10m deaths from 2010 to 2015. And, if nothing else, the last couple of years has taught us what life without vaccines looks like – and that's just one disease. Imagine a world in which smallpox and polio existed unchallenged.

Vaccines allow us to hug our loved ones without fear.

Vaccines could not exist without insurance: insurance at the clinical trials stage and product liability insurance thereafter.

Then there is distribution. As Shaun Crawford says: "Transporting billions of live vaccines around the world at speed will be a hugely complex process." To meet that challenge, in December 2020, Syndicate 1796 was set up at Lloyd's to provide insurance for the storage and transit of vaccines.

As Ben Hubbard, CEO of Parsyl, says: "It's now time to vaccinate the world". This is insurance at its best: innovating, collaborating, vaccinating.

W is for...

Widows

The Very Rev Dr Robert Wallace and Rev Alexander Webster were ministers in the Church of Scotland. They were also hard-drinking members of the Rankenian Club. They also, with Colin Maclaurin, set up the first actuarially-based insurance fund.

In the 1700s, when a church minister died, his widow received half a year's stipend and then faced penury. Wallace and Webster set out to create a fund that would protect them.
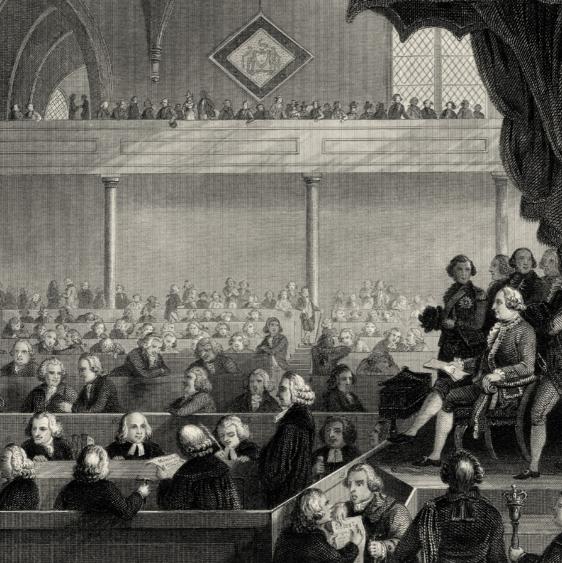
They established that the total number of ministers at any one time was 931 and that 27 died each year, of whom 18 left widows plus sundry children. Using life expectancy tables created by Edmond Halley (of comet fame), they calculated how many widows would be alive at any one time and how many years in total they would need to be supported.

They then calculated a premium for each minister to pay. These premiums created a fund which was invested (and was, of course, also used to pay annuities to new widows).

At inception, the fund totalled £18,620. In 1759, Wallace and Webster calculated that, by 1765, it would total £58,348. Through a shocking miscalculation, they were wrong by... er... £1. The actual value of the fund in 1765 was £58,347.

The modern insurance fund was born.

X is for…

Xchanging

This A-Z has been full of high-minded words about insurance as the creator of antifragility, as the mycorrhizal system or as the saviour of moths. But, let's face facts, insurance is fundamentally about money. 'Money in' as premiums, 'money out' as claims and, between those two pillars, 'money invested'.

The London market consists of companies, reinsurers, Lloyd's syndicates and brokers – currently over 400 entities. All of them move money on a daily basis – over £1bn per week in premium alone – with each payment potentially split between a dozen or more parties.

All of this has to be accounted for centrally. 40 years ago this was performed once a month in only three currencies; 30 years ago, once a week. For the past 20+ years, this gargantuan task has been conducted every day in up to 14 different currencies.

This service is provided by Xchanging (now DXC Technology), which also provides the electronic claim file notification service and the Insurers' Market Repository storing many millions of documents relating to London Market risks and claims.

Xchanging is the central back office 'engine room' for the London Market. If insurance is ultimately about the movement of money, then its success is thanks to Xchanging.

Y is for...

Youngstown

Youngstown is located in America's Rust Belt, the old heart of the US coal and steel industry. In its 1950's heyday, it had a population of 170,000; now it's just 65,000. It is Ohio's 9th-largest city.

In 1955, a local steel company, Youngstown Sheet & Tube (S&T), wanted to reduce its insurance costs. An ever-dwindling number of insurers had caused premiums to rise. S&T assigned the task to a local broker, Frederic Mylett Reiss.

Reiss made a novel recommendation. S&T should set up an insurance subsidiary, which could then insure S&T and buy reinsurance from a wider market at lower rates than those available directly to S&T.

At the time, S&T had its own mines that supplied raw materials to the steel mills. It called these mines 'captives'. Reiss adopted the name and captive insurance was born. Now, over 90% of Fortune 1000 companies have captives. "Globally, captive utilisation continues to soar," Marsh.

Reiss, who died in 1993, went on to establish Bermuda as a leading centre for captives – almost 20% are registered there. Meanwhile, no amount of innovative insurance could save S&T, which announced its closure in 1977, a day known locally as Black Monday.

Z is for...

Zong

In 1781, as part of an insurance fraud, the crew of the Zong threw overboard 132 enslaved – and insured – Africans. The full grim story is told in Season 2, Episode 6 (16 March 2021) of the Insurance Covered podcast.

In this A-Z, we have praised insurance's role in relieving poverty, distributing vaccines and enabling trade. But the Zong shows that insurance is a moral chameleon. It takes on the morality of that which it insures, a point recognised by Lloyd's in June 2020 when it apologised for its role in the slave trade, calling it "appalling", "shameful" and "indefensible".

The Zong also reveals the lie that insurance is merely reactive, that it just picks up the pieces. The truth is more complex, because the existence of insurance changes that which is insured. By enabling risk and empowering risk-takers, insurance shapes the world around us.

The aim of this A-Z has been to highlight the integral, often unheralded, role that insurance plays in global society. It has the rare power to influence world affairs; and its history shows that it can accelerate progress or it can perpetuate injustice.

In the 21st century, insurance will inevitably influence the fight against climate change, modern slavery and pandemics. But will it do so for good or for ill?

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