60 second interview

Sian Aspinall, joint managing director of BPL Global, talks to Binyamin Ali about why it is essential insurers silently go about their work, but desperately need a coordinated voice

Why do banks and export credit agencies (ECAs) have more prominent public profiles than insurers and insurance brokers?
It primarily starts from an historic reason. The foundations of our market are built on the basis of policy confidentiality, and that really emanates out of the perceived moral hazard that if the obligor knew that there was insurance in existence and that an insurer would be the one carrying the financial burden, they would be more likely to default. In order to protect itself from that risk, the market always had confidentiality clauses and they're still standard in policies to this day.

The other reason that we don't have the profile that maybe the size of the market justifies, is the fact that insurers are typically a silent partner in the equation. Many of the purchasers will gain a competitive advantage by utilising insurance and they don't necessarily want to advertise where that advantage is coming from to their competition.

Does the silent role insurers are required to play help or impede trade?
It's a bit of a double-edged sword. Because it's always been that way, it's what people are used to and the insurer's position in the deal is to remain silent. But it doesn't mean the insurers in that relationship are passive – silence in terms of profile doesn't mean passive in terms of relationship. The best market relationships work when the insurers and the insured are partners, and as brokers, we view forging and facilitating those relationships as being vital. But the current structure really doesn't help raise the market's profile or demonstrate its significance, so we need to look to other ways of achieving that.

How can the voice of the market be better coordinated?
It's time our market as a whole woke up and recognised there is collective need to form some sort of market body. The ECAs have that in the form of the Berne Union and there is a private insurer membership within that, but it's not really representative of the private market especially given the Berne Union's origins. So there really is some space that should be filled there. Some of the banking associations have insurance committees with private insurance representation and while it's healthy, it doesn't replace the need for the market to have a coordinated voice.

The primary catalyst for that is there needs to be collation of statistics and cross-market data to validate the purchase of a product, particularly in the eyes of the regulators in terms of its usage for capital relief by the banks. Now more than ever, that voice needs to be heard. The data that is shared doesn't have to be at the transactional level – that's not where the value is going to come from. It can be at a market-wide level with data that verifies the market's position. So things like the number of claims that have been paid, the basis on which they were paid, the numbers of jurisdictions they were paid in. That type of data is much more useful and is capable of being collated if we can corral the right people. It's a collective understanding now that the need is there.

Regulation such as Basel III/IV is good news for insurers but the UK Prudential Regulation Athority regulation is not. Is that a fair conclusion?
I don't necessarily conclude that. Insurance is commonly being used as a credit mitigation tool under the Basel framework, which is enabling banks to benefit from capital relief by utilising the CPRI market. However the European Directive CRD IV has to be implemented at the national level by regulators, such as the UK PRA. This really reverts back to the same theme of requiring advocacy and being able to demonstrate the value of insurance to the regulator, and the responsiveness of the product in order to verify its usage as an effective credit risk mitigation instrument.

Insurers as a community, aided by brokers (as our statistics form part of that picture as well) should be in a position to provide coordinated data to individual banks in whichever jurisdiction they're in, to be able to justify to their respective regulator the use of insurance. So I view it as all part of the same equation as the individual national elements emanate from the same core – PRA is just one of them.

As joint managing director of a 'new generation BPL', how are you repositioning the company and are you having a good time doing it?
James Esdaile and I took over as MDs almost 18 months ago now and it's been a very quick 18 months. We're in a lovely position where we feel our role is to just develop BPL's position and profile as a global retailer. Going forward we want to hold onto the core values that are already well established here and remain fiercely independent and employee-owned. We want to roll the culture here forward to be relevant and responsive as the global market changes. We're very lucky to have inherited a position that allows us to do that and yes, we're having a great time.

Sian Aspinall is joint managing director of BPL Global