



The Future of Insurance Survey: Risks, Uncertainty and a Looming Talent Gap

Brokers and SMEs across the U.S. and the U.K. are concerned about emerging global perils and the shortage of talent to address them.

HAMILTON, Bermuda – September 26, 2018 – [Argo Group International Holdings, Ltd.](#) (NYSE: ARGO), an international underwriter of specialty insurance and reinsurance, today released the findings of *The Future of Insurance – 2018 Insights: Risks, Uncertainty and a Looming Talent Gap*. The comprehensive survey of both brokers and businesses connected to the insurance sector reveals widespread unease with the growing talent gap, as the industry struggles to attract a new generation of underwriters. This shortage is happening at a time when such expertise is vital to cope with complex perils like cyberthreats and climate change, which are evolving with speed and unpredictability, coinciding with a time of volatile geopolitics.

The survey of 150 brokers and 200 small and medium enterprises (SMEs) represents the latest available data on industry sentiment about the future of the insurance sector. It highlights some concerns:

- Fifty-four percent of brokers cite the role of underwriter as having the biggest insurance talent gap in the next five years.
- Nearly half of brokers ranked Russian cyber hacking as the biggest potential global threat to their clients, followed by the trade war between the U.S. and China and terrorism.

“At a time when technology and emerging risks are evolving at a rapid pace, the significant gaps in knowledge revealed in the survey pose a clear challenge to the industry. This wide-ranging research demonstrates that there is an opportunity for the industry to develop a new generation of talent to help businesses navigate uncertainty and evolving risks,” said Gary Grose, group head of producer management at Argo Group.

Respondents were asked in detail about their concerns on a wide range of issues affecting the insurance sector.

Cyberthreats Remain at the Forefront of Emerging Risks

Brokers and SMEs agree that cyberthreats are the emerging risk they are most concerned about. One hundred percent of brokers said that cyberthreats are a medium- or high-priority emerging risk in the next 12 months, while 84 percent of SMEs reported the same.

However, assessments of risk diverge from there. After cyberthreats, SMEs rank the following as the top three medium- or high-priority emerging risks in the next year: virtual technologies (70 percent), the internet of things (64 percent) and climate change (58 percent). Meanwhile, brokers offer the following rank: the internet of things (87 percent), drones (72 percent) and blockchain technology (64 percent). Unsurprisingly, the only overlap in priority emerging risks for the next year involves the internet of things – devices that are vulnerable to cyberthreats.

There Is a Gap Where Talent Is Most Needed



The insurance industry faces a talent gap worsened by a perception that it is slow to innovate. Fifty-four percent of brokers believe the biggest industry talent gap in the next five years will be with underwriters – which, given the increasing momentum of global and emerging risks, poses a unique challenge for the industry.

Thirty-five percent of brokers attribute the talent shortage to a general slowness to innovate in the industry, while 32 percent cite an overall lack of knowledge about the insurance industry. Brokers generally agree there is no shortage of talent in sales, marketing, legal and administrative roles.

Technological Innovation Is Inevitable and Necessary

Across the board, there is some reluctance among both brokers and SMEs to innovate with new technology – and cost is the biggest culprit. Forty-five percent of brokers and 41 percent of SMEs cite cost as the most significant barrier to innovation.

"Specialty insurance is in a unique position in that it deals with new ideas and new threats – and that means new opportunities and new challenges. Despite some hesitancy on the part of both brokers and SMEs, the clearest and most effective way for established insurers to ensure sustainable growth is to combine advanced technology with insurance expertise," said Grose.

Geopolitical Risks Are High – and Russian Cyber Hacking Is Front and Center

Despite some disagreement regarding what constitutes the single biggest global threat facing SMEs, there is general consensus among both brokers and SMEs that cyber hacking is a serious concern.

Forty-nine percent of brokers ranked Russian cyber hacking as the biggest potential global threat to their clients, followed by the trade war between the U.S. and China (45 percent), terrorism (43 percent), the U.S. political climate (42 percent), worsening relations with Iran (26 percent) and escalating tensions with North Korea (22 percent). In contrast, the U.S. political climate ranked the biggest threat among SMEs (40 percent), followed by Russian cyber hacking (34 percent).

Other Key Takeaways

- Almost half of brokers (47 percent) and SMEs (67 percent) are cognizant of the long-term risks of climate change.
- Even though cyber risk is on the rise, SMEs seem overconfident and underprepared – 61 percent feel prepared, and 43 percent have no plans to buy cyber insurance – which leads to heightened vulnerability.
- There is a widespread belief among SMEs (78 percent) that automation and artificial intelligence will expose them to new liabilities.



The full report, *The Future of Insurance – 2018 Insights: Risks, Uncertainty and a Looming Talent Gap*, is available at: <https://www.argolimited.com/reports/2018-midyear-report/#survey-results>.

METHODOLOGY

CoreData Research surveyed 150 brokers and 200 small and medium enterprises (SMEs) in both the U.K. and the U.S. to gain insight on the views of emerging technologies and trends related to insurance and risk management. All interviews were conducted in June and July 2018.

ABOUT ARGO GROUP INTERNATIONAL HOLDINGS, LTD.

Argo Group International Holdings, Ltd. (NYSE: ARGO) is an international underwriter of specialty insurance and reinsurance products in the property and casualty market. Argo Group offers a full line of products and services designed to meet the unique coverage and claims handling needs of businesses in two primary segments: U.S. Operations and International Operations. Argo Group's insurance subsidiaries are A.M. Best-rated 'A' (Excellent) (third highest rating out of 16 rating classifications) with a stable outlook, and Argo Group's U.S. insurance subsidiaries are Standard and Poor's-rated 'A-' (Strong) with a positive outlook. More information on Argo Group and its subsidiaries is available at www.argolimited.com.

FORWARD-LOOKING STATEMENTS

This release and the referenced 2018 Mid-Year Report may include forward-looking statements, both with respect to Argo Group and its industry, that reflect our current views with respect to future events and financial performance. Forward-looking statements include all statements that do not relate solely to historical or current facts, and can be identified by the use of words such as “expect,” “intend,” “plan,” “believe,” “do not believe,” “aim,” “project,” “anticipate,” “seek,” “will,” “likely,” “assume,” “estimate,” “may,” “continue,” “guidance,” “objective,” “outlook,” “trends,” “future,” “could,” “would,” “should,” “target,” “on track” and similar expressions of a future or forward-looking nature. All forward-looking statements address matters that involve risks and uncertainties, many of which are beyond Argo Group's control. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements and, therefore, you should not place undue reliance on any such statements. These statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. For further information, please see the Forward-Looking Statements disclosure in the 2018 Mid-Year Report.

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