Advancing insurance technology requires innovation, team effort

BY MATTHEW LERNER
mlerner@businessinsurance.com

Partnerships and collaboration will be key to the success of new technologies in the insurance industry, which is behind other sectors in its technical evolution, according to a panel of experts speaking Monday at the Property Casualty Insurers Association of America's 2017 annual meeting.

The insurance industry lags others in technology and is ready for change, panelists said.

“The industry is absolutely ripe for some significant evolution, and other industries are ahead of us on this evolution,” said Ed Largent, chairman, president and CEO of Cleveland-based Westfield Insurance.

There are positive signs of growth, however, with the number of technology startups now at a record high.

See TECHNOLOGY page 7

Six key leadership skills for crisis management

BY GAVIN SOUTER
gsouter@businessinsurance.com

Core leadership skills can be adapted to deal with crises ranging from natural catastrophes to cyber attacks, said Rudy Giuliani, the former mayor of New York.

By focusing on six key principles of leadership, executives can prepare for a crisis and mitigate its effects when it strikes, Mr. Giuliani said during his keynote address at the annual meeting of the Property Casualty Insurers Association of America.

The first principle of leadership

See GIULIANI page 7

Mr. Giuliani
The Power of Partnership

When you seek new paths to success, you need a partner that has a firm grasp of your business. At Aon Benfield, we build the close relationships required to propel your firm forward and gain a foothold in profitable environments. Find out more at aonbenfield.com.
The insurance industry is facing challenges from the economy and pressures on formerly stable lines, but it still offers opportunities to skilled individuals who understand risk, Guy Carpenter & Co. L.L.C. said Monday.

The 2017 edition of the reinsurance intermediary’s annual report, Plotting a Path in a Changing Market, which focuses on risk and performance of U.S. property/casualty insurers, found that while the industry is well capitalized and market sentiment is mostly positive, there is evidence of economic and market-based resistance that will challenge profitable growth, Guy Carpenter said in a statement.

“The surface, 2016 represented a record-setting year for the P&C insurance industry, with surplus reaching its highest level in history,” Tim Gardner, president of North America operations for Guy Carpenter, said in a statement. “Rate reductions continued to moderate, and there was optimism following the 2016 election given the potential for tax cuts and deregulation.” Yet, he added, “red flags remained, and a closer look at the individual metrics contributing to the growth in surplus revealed interesting trends.”

In 2016, catastrophe frequency and severity, emerging risks and shifting capital needs all contributed to a 0.4% industry underwriting loss, its first calendar-year underwriting loss since 2012, the report said. Reduced margins and adverse development reflected a competitive environment supported by excess capital levels, while direct written premium growth slowed and capital gains were skewed by the performance of some large companies, it added.

In addition, insurers will be affected by any tax changes related to municipal bonds investments — a key investment vehicle for insurers — and how advertising is expensed. “We’re for a lower corporate tax, but those who are writing the tax bill need to reflect on the uniqueness of our business model,” Mr. Bock said.

The role of the FIO is also a concern for PCI members. The office was created under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 largely as an advisory organization. PCI is particularly concerned about ensuring the FIO doesn’t burden insurers with calls for data, which can take up significant resources, Mr. Bock said. “FIO does have a role in the international realm in terms of providing advice, as long as they reflect and partner with our state regulatory system. But an overactive FIO that challenges the state-based regulatory system does cause disruption. So unnecessary data calls that emanate from FIO can become regulatory overreach,” he said.

Chicago Blackhawks singer Jim Cornelison and the Baggipes & Drums of the Emerald Society of the Chicago Police Department opened the conference on Monday performing the national anthem. In his opening address, PCI President and CEO David Sampson said that in the current era of change, property/casualty leaders should “adjust our lens to see the limitless opportunities ahead for our country, our customers and for our companies.”

By Rob Lenihan
rlenihan@businessinsurance.com

By Gavin Souter
gsouter@businessinsurance.com

Key concerns for insurers over the next year will include continued changes in the auto insurance market and proposed tax reform and how it would affect the insurance industry and the role of the Federal Insurance Office, said Kurt Bock, CEO of Country Financial in Bloomington, Illinois, and the incoming chairman of the Property Casualty Insurers Association of America.

Commercial and personal auto insurance rates are rising as the severity and frequency of accidents have increased over the past several years, he said. “We’ll probably see the industry getting their hands around auto, because a stable auto platform is important. It’s a sector that should not have spikes like property,” Mr. Bock said.

More widely, auto insurers will need to innovate when dealing with increased data and driver-assisted technology, he said. Tax is a rapidly changing environment as the Trump administration looks to introduce changes, Mr. Bock said.

For insurers, the main concern is that authors of tax reform legislation understand insurers’ business models and accounting structures, he said. “We are an industry that goes to market with a price with no real surety of what our costs will be or the time when we are going to pay them. The cash comes in ahead of the cost of the product, which is quite different from manufacturing industries,” Mr. Bock said.
Lance Ewing is executive vice president of global risk management and client services at Cotton Holdings Inc., a Katy, Texas-based infrastructure support and disaster recovery firm. A former president of the Risk & Insurance Management Society Inc. and a former Risk Manager of the Year, Mr. Ewing recently has been involved in providing recovery and remediation services to organizations in Mexico, Texas, Florida and Puerto Rico after the series of catastrophes that struck over the past two months. He spoke with Business Insurance Editor Gavin Souter about his experiences and lessons learned by risk managers who suffered losses from the recent hurricanes. Edited excerpts follow.

Q: What was your experience with Hurricane Harvey in Texas?
A: Harvey decided to come ashore in Corpus Christi and the surrounding areas, and those areas took a fairly hard direct hit. There was some warning, so organizations were able to prepare for the storm, but there was a lot of damage from wind. There was a fair amount of roof damage, you had buildings collapsing inward and damage from wind-driven rain. You also had power outages, so that began the lifting and shifting of emergency generators to that area. Then Harvey headed north, and while the wind aspect of the storm had dissipated to some degree, the torrential rain led to some of the most horrific flooding I’ve ever seen.

Q: What about Hurricane Irma?
A: Irma was a bit different. Irma came through and did damage in the Caribbean area, and then she had a lift and a shift. So while it was expected to hit the Atlantic coast, it went up the Gulf coast of Florida instead. There was some ill-preparedness on the west coast on behalf of some commercial risk managers. In some cases, they weren’t really ready, and a lot of resources had gone to Texas, so finding things like emergency generators, sandbags and people to help clean up quickly was difficult. There was a nursing home that waited until the end of the week before looking for transportation to relocate their folks. That’s a situation where you shouldn’t wait until Thursday or Friday when the storm is coming in on Sunday.

Q: How were the preparation and response there?
A: The preparedness may not have been what it could have been. There were no laborers because the workers could not leave their homes. You could not dock big ships because the storm had done so much damage to the dock area. There was no drinking water, no fuel and no electricity. Major clients can implement their business continuity plans, but you also need a Plan B.

Q: What were the key lessons to be learned from the storms?
A: The No. 1 takeaway is: Have a robust risk management business continuity plan. You can’t be looking for sandbags while the storm is less than four hours away. The second takeaway is that you can’t always believe the modeling and the FEMA mapping. Look at Houston — the storm didn’t fit the model or the mapping. Look at where your operations are located geographically; examine what’s the worst-case scenario and what’s your resiliency if it happens. The third takeaway is that you have to have patience. It’s going to take time for your remediation company to respond, it’s going to take some time to get advances from your insurance carrier, it’s going to take some time for adjusters to arrive. You may be on your own for a period of time, and there may be some self-resiliency issues that corporations are going to have to look at.

The No. 1 takeaway is: Have a robust risk management business continuity plan. You can’t be looking for sandbags while the storm is less than four hours away.
A world with imagination is a world of transformation.

As our industry is rapidly changing, adaptability and ingenuity are key. That’s why we’re partnering with you to transform the way we manage the risks of today, and tomorrow. With the combined power of our traditional reinsurance expertise and strong leadership in insurtech and innovation, we’ll help you drive growth for your business.

Together, we’ll reimagine the world of risk. Learn more at munichreus.ly/PCI
estimated to be roughly 1,500, according to Tony Trivella, executive vice president of the treaty division for Hartford Steam Boiler Inspection & Insurance Co., Hartford, Connecticut.

“This industry is now the No. 2 industry attracting venture capital firms, with over 140 venture capital firms looking intently at our industry” with cumulative funding at about $6 billion, Mr. Trivella said.

But funding and interest alone may not be enough to drive change, which will take partnerships and collaboration, according to the speakers.

“We have all these different things coming onto the industry,” said Keith Moore, CEO of San Francisco-based CoverHound Inc. “Having one single entity be able to take on all those responsibilities and be the master of those is going to be impossible. So this is where partnerships, the ability to partner and to innovate — those skill sets will be a hyper-focus for the next two years.”

Others on the panel agreed.

“The best way to do research and development, to help create your future, is to partner and engage with these companies,” said San Francisco-based Jacqueline LeSage Krause, managing director of Munich Re/HSB Ventures, the venture capital arm of Munich Reinsurance Co.

Collaboration will especially be needed for one critical element of the industry’s technological growth: the ability to scale up emerging technologies, said Tim Attia, co-founder and CEO of insurtech startup Slice Labs Inc., in New York.

“We can do the innovation, but then we have a problem with scaling,” Mr. Attia said. “The scale exists with the incumbents. As startups, we can innovate but we can’t scale, and I think the incumbents can’t innovate but have scale. If we come up with an innovation that needs to get everywhere, then we have to partner with somebody to get scale.”

He added that it is best when each player contributes what it does best.

“Scaling is very difficult, by the way,” Mr. Attia said. “You don’t want to go out there and scale the way we innovate. We break a lot of glass when we innovate.”

BIZBUSINESS INSURANCE

CEO
Adam Potter

PUBLISHER
Pete Green
(Chicago)
peter.green@businessinsurance.com

EDITOR
Gavin Scutier
(Chicago)
gavin.scutier@businessinsurance.com

DEPUTY EDITOR
Gloria Gonzalez
(Washington)
gloria.gonzalez@businessinsurance.com

SENIOR REPORTER
Judy Greenwald
(San Jose)
judy.greenwald@businessinsurance.com

REPORTER
Louise Esola
(New Orleans)
louise@businessinsurance.com

REPORTER
Joyce Faraklahwa
(Chicago)
jfaraklahwa@businessinsurance.com

REPORTER
Rob Lenihan
(New York)lenihan@businessinsurance.com

REPORTER
Matthew Lerner
(New York)
milerner@businessinsurance.com

COPY EDITOR
Katharine Drawing
(Chicago)
kdrawing@businessinsurance.com

ART DIRECTOR
Jennifer Worbing
(Cincinnati)
jworbing@businessinsurance.com

DIRECTOR OF RESEARCH, PLANNING AND INSIGHTS
Andy Tch
(Chicago)
atch@businessinsurance.com

MADOR ACCOUNTS DIRECTOR - MIDWEST & WESTERN U.S.
Keith Keneen
(Chicago)
kkeneen@businessinsurance.com

MADOR ACCOUNTS DIRECTOR - NORTHEASTERN U.S. & INTERNATIONAL
Ron Kolgraf
(Chicago)
rkolgraf@businessinsurance.com

HEAD OF SALES - EVENTS & WORKERS COMPENSATION MAGAZINE
Jeremy Campbell
(Cincinnati)
jcampbell@businessinsurance.com

HEAD OF EVENT PLANNING
Joanne Wojick
(Chicago)
joannewojick@businessinsurance.com

DIGITAL OPERATIONS MANAGER
Katie Luchnerski
(Chicago)
katie.luchnerski@businessinsurance.com

MARKETING MANAGER
Katie Kett
(Chicago)
kатег@businessinsurance.com

REPRINT SALES MANAGER
Lauren Maleisi
(New York)
lmaleisi@businessinsurance.com

SUBSCRIPTIONS & SINGLE COPY SALES
klichnerska@businessinsurance.com

STUDENT PUBLISHERS
kim@businessinsurance.com

Copyright © 2017 by Business Insurance Holdings, 4200 S. Hospital Drive, Suite 200, Plantation, FL 33337.

PHOTOS BY MICHAEL MARCOTTE

TECHNOLOGY

Continued from page 1

is: “In order to be a leader, you have to have a set of beliefs, you have to have a set of goals, you have to know what you want to accomplish. You can’t lead other people unless you know where you are going to lead them,” he said.

And a good leader will constantly train his or her staff for events that are difficult to respond to, he said. Even events that are difficult to foresee, such as the Sept. 11, 2001, terrorist attacks, Hurricane Harvey in August or the shooting attack in Las Vegas earlier this month, can be mitigated through advanced training, he said.

Secondly, “in order to be a leader you have to be an optimist,” Mr. Giuliani said. “You have to think solution rather than just problem, positively. You have to think solution rather than just problem, positively.”

Mr. Giuliani said, “which is why I’m such a big believer in tabletop exercises.”

In disaster situations, “you will fail, you will never be able to stop all cyber attacks,” he said. Instead, managers should focus on what they can achieve and how they can reduce the problem.

“Focus on early detection, like we do with cancer. The earlier you can detect cancer, the earlier you can detect cyber intrusion, the quicker and faster you can remediate,” Mr. Giuliani said.

Thirdly, “to be a leader you have to have courage. What that means in terms of leadership is you have to be willing to take a risk of failure. If you don’t take a risk of failure, you can never do anything different,” he said.

Mistakes ultimately can lead to better ways of solving problems, Mr. Giuliani said.

The fourth principle of leadership is: “You have to understand the practice of relentless preparation,” he said.

In the event of a crisis, organizations need to have a response plan in place, and key people need to know what they are required to do, Mr. Giuliani said, “which is why I’m such a big believer in tabletop exercises.”

In disaster situations, “you will find that there’s almost a direct correlation between an effective emergency response and how much time they practiced together,” Mr. Giuliani said. “I always believe that you should be constantly thinking about what are the worst things that can happen to this state, this country, this business — and then you should playact how you are going to deal with it.”

And well-planned responses can be adapted, he said.

For example, after the attacks on the World Trade Center, New York had 26 emergency response plans but none of them were designed to respond to such an event. However, parts of many of the plans could be used during the response, Mr. Giuliani said.

“For example, when I said, ‘Let’s cover the priority targets,’ it was all I had to say, and the police commissioner knew what to do. We had a list that we kept updated of targets of Islamic extremist terrorists,” he said.

The fifth principle is teamwork, he said. “You need a lot of good people. Emergency response is not a one-person show.”

Lastly, good leaders have to know how to communicate effectively, he said. Leaders, particularly in the field of business, can use statistics to help communicate their goals and they can create “markers of success” to motivate people, he said.
WE’RE STRUCTURED DIFFERENTLY. BECAUSE WE’RE BUILT FOR SPEED.

Dealing with layer after layer of bureaucracy tends to be a bit of a drag. But here at Qatar Re we’re built differently. Our streamlined structure allows our specialist underwriters to respond to market conditions and events fast. Supported by a team of experts that know what it takes to stay ahead.

Contact us at www.qatarreinsurance.com or seek us out at one of the trade shows for a quick chat.