

# THE INSURANCE *Insider*

## INNOVATION ROUNDTABLE



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# The only market consultation you will need

Sometimes chairing an industry panel is easy.

Sometimes it is like trying to engage a monosyllabic teenager in conversation and involves lots of frenetic questioning – and lots of one-word answers.

I had an easy job chairing this session. I only had to ask a couple of questions, seek a little focus and clarification, issue a few challenges and the panellists did the rest.

Just check out this series of quotes. They set out all the familiar problems our market has had with getting its head around data. Yet among the problems are the outlines of all the possible solutions:

“...the big challenge is always the structure of the data and getting it into meaningful formats so that you can carry out more sophisticated analysis.”

“Everything we do around data should be for the benefit of the customer; that’s where the industry really needs to move to.”

“...people talk about information being a strategic asset, but the reality is there’s no commitment. It’s not a balance sheet item. Companies are more willing to label inventory like toilets and laptops but not information.”

“We have a huge opportunity to predict and influence outcomes before they occur and to really move into that risk prevention and mitigation space.”

“What’s actually going to mobilise or incentivise the market where the cost of not working together outweighs whatever that threat is? There needs to be a strategic imperative or incentive beyond the normal business conditions.”

“...it’s very hard to get things to change if you don’t mandate.”

“...there’s no big bang; you’ve just got to start. And recognise that some of it is incremental, it’s not a once and done. It’s a marathon.”

“It’s the culture and the people. The people drive the culture and then if the culture is right, everything you were talking about earlier will come into place, but it’s easier said than done.”

As the Lloyd’s market embarks on a spring and summer of consultation about how it should best modernise and reinvent itself for the 21st century, it would do well to have a quick read of this fascinating publication.

Everyone is frank and everything has been laid bare and described with great eloquence.

It is clear from this discussion that the level of engagement and sophistication from market participants is much, much higher than it was even five years ago.

John Neal and his energy are the final piece of the jigsaw. The desire to drive through major cultural change is exactly what is now needed.

There are many reasons to be optimistic and excited. The task is vast and by definition unending, but it looks like most are finally ready to take the first step.

I can’t recommend the following discussion more highly to you.

**Mark Geoghegan**  
Editorial Director,  
*The Insurance Insider*



## Participants



**Dan Blow**  
Director, Dot Labs



**Ben Canagaretna**  
Group Chief Actuary,  
Barbican Insurance  
Group



**Peter Howard**  
Head of Change,  
Willis Towers Watson



**Rob Howes**  
Regional Sales  
Manager,  
Collibra



**Peta Kilian**  
Senior Executive,  
Market Operations &  
Innovation, Lloyd’s  
Market Association



**James Norman**  
Strategy and Business  
Development Director,  
Charles Taylor



**Romaney O’Malley**  
Chief Financial  
Officer,  
AIG UK



**Shelly Otterburn**  
Business Development  
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# Innovation Roundtable 2019

## Mark Geoghegan

Let's start with a very general question. Looking at this industry, how should it be exploiting valuable data? Is there something we can do collectively that we're not doing?

## Shelly Otterburn

I used to be an actuary at Marsh and then I moved to Hitachi to start selling technology solutions into the insurance market. When I was at Marsh, we would collect data from multiple insurance organisations so you'd have a much wider view on the book of business and an organisation. That would make it a lot easier to analyse that information and get a wide view on future trends and so on. So I think syndicates and insurance organisations should also look at having pools of

data in a safe and secure way to leverage that information so you're not just getting your own data.

## Paloma Quiroga Arias

Aon obviously is collecting a lot of data. Can it be improved? Certainly. But we are probably a step ahead of our competitors. Within our team we have a wide range of skill sets and we are able to do really sophisticated data analytics projects and work for our clients.

## Peter Howard

I worry that the insurance industry doesn't really have data; it has content. And what I might call data, I'm pretty sure someone else would have a different view of. We don't have collective standards – look at what Acord has tried to do over the years, at the way the market works – things are still transacted in paper format and central repositories still tend to focus on slips and not structured data. Until we tackle that and get that ensconced in repositories that we can share and reuse, then the full power of technology and things like blockchain is still probably some distance away.

## Dennis Slattery

We've been working in data management for about 30 years and we've partnered with Hitachi for about 15 years and Collibra for about three years. At some stage today, the trust word will come up so it's interesting what Peter mentioned. In order to get to the stage of having trusted data and trust in the organisation that's capable of producing trusted data, there needs to be a collection of different work streams, which will vary according to the individual company. They may relate to leadership – in which case it's about policy adjustments that might need to be made.

## Ben Canagaretna

At Barbican, we have undertaken a number of technology- and data-related initiatives. We have implemented pricing applications to enable us to automate the process more efficiently and collect more granular data. We have explored machine learning, and I've written papers on the practical application of machine learning in the actuarial profession. But I very much agree with Peter; the big challenge is always the structure of the data and getting it into meaningful formats so that you can carry out more sophisticated analysis.

## Peta Kilian

To Peter's point about data, what I'm finding really interesting whilst working quite closely with Lloyd's Lab, is that all the InsurTechs are asking for data. There seems to be a real conflict between some people in the market saying "that's our IP" and we can't give it to them and then the reverse can also be true, when the InsurTech get the data they can't really do anything with it.

## James Norman

We have lots of data, we have lots of reasons to look at data and we look at our customers from lots of different angles. We're doing a lot of work around digitisation and automation, but obviously all of this change, all of this discussion within regulatory confinement, has to benefit our customer. Everything we do around data should be for the benefit of the customer; that's where the industry really needs to move to.



"In order to get to the stage of having trusted data and trust in the organisation that's capable of producing trusted data, there needs to be a collection of different work streams"

**Dennis Slattery**

### Dan Blows

Hyperion X is really about helping Hyperion and its partners – the carriers – to get more value and insights from their data. We look after the end-to-end architecture which has been my background in Hyperion; looking after the data capture. We recognised that we needed to look after the end-to-end because it's not enough to just get data; you've got to clean it, refine it, structure it, and then get the insights from it at the other end.

### Rob Howes

One of my observations is that people talk about information being a strategic asset, but the reality is there's no commitment. It's not a balance sheet item. Companies are more willing to label inventory like toilets and laptops but not information. So 10 years from now, we're going to look back and say: "Oh my God, do you remember those days?"

### Romaney O'Malley

One of the questions here is how the market should exploit the vast potential of its highly valuable data. Perhaps we should move away from the immediate definition, which is about competitive advantage and monetising and commercialising our data, and think more about what it could mean more broadly for the industry. We have a huge opportunity to predict and influence outcomes before they occur and to really move into that risk prevention and mitigation space, working with each other, with governments, with other bodies, to achieve much better outcomes and prevention measures using our data.

### Mark Geoghegan

So how should we exploit this – individually, collectively?

### Paloma Quiroga Arias

It will be much more powerful as a collective effort, and putting all our data together will allow us to move faster to a better outcome. But because there is an element of monetising this we [will] probably make it more challenging to get there. I was involved in a project using Aon placing data that we have access to. We developed a predictive analytics model where we built an algorithm and were able to bust some of the myths around what drives business changing hands in the renewal process.

### Peter Howard

My take on that is that the London market has historically only ever been driven by imperatives and events – the October storms or Piper Alpha, for example. And off the back of events like that, significant changes have resulted – both quickly and effectively. But ultimately the market is made up of an array of different organisations, be they commercial or otherwise, and in that context, the concept of what's driving them comes down to whether they're commercial entities and they're driven by four things: revenue – which is typically associated with defending client value or leveraging opportunity, cost reduction – which improves their margin and plays to profitability, operational efficiencies – removing friction in the process – which ultimately is to the benefit of employees, and then there's the one you absolutely have to do which is the legal and regulatory-type stuff.



“People talk about information being a strategic asset, but the reality is there's no commitment. It's not a balance sheet item”

**Rob Howes**

### Mark Geoghegan

Is that a question of leadership?

### Dennis Slattery

When you look at that question, there are different levers. The first one is strategic – what do you want to do with the information or data? Because we say data is like oil; it's a huge asset. And what you want to do will depend on which part of the value chain you're in and what your culture is. Then the operational part has to be in line. If we talk about customers, do you want to get data from them digitally? And then there's that regulatory aspect, making sure that you're doing it in the correct way. So it's going to come down to your organisational structure, the level of investment, which really is a board-level, senior management thing.

### Peter Howard

To Rob's point – if you go to any CEO and say you want to spend a load of the company's money on a data project, you'll get chased away. We're not building the argument as to why that's important and how we can – maybe monetise is too strong a word – but how you can leverage the value that's inherent within it.

### Rob Howes

Is it the responsibility of the markets, the regulators or the organisations, or is it down to individual companies to take the initiative and say: "Here's an opportunity, why don't a few of us get together and build something?"



“At some point, there will be a fairly major existential challenge to the market and how that emerges is what will ultimately drive all of the players together”

**Romaney O'Malley**

**Peter Howard**

Historically, that's always been at the heart of the problem because there is a tension in the way the market works. We are on the one hand competitors, managing supply chain and distribution, and people have been very protective of that. There's a degree of self-interest associated with that.

**Rob Howes**

But the banking industry has been doing this for years and has done it very successfully where you just need a quorum of half a dozen banks and then the market will follow.

**Romaney O'Malley**

But the driver, while it may not be a single event, is typically some kind of threat. So what's actually going to mobilise or incentivise the market where the cost of not working together outweighs whatever that threat is? There needs to be a strategic imperative or incentive beyond the normal business conditions; a business case that really drives that together. And we haven't quite worked out how that's going to emerge. At some point, there will be a fairly major existential challenge to the market and how that emerges is what will ultimately drive all of the players together.

**James Norman**

It's a mentality, as you'll know from our time in Africa. If you talk to a CEO of an African insurance, and say you've pulled their data for the benefit of the sector, you'll get laughed out of the building, because they'll say it's their data.

**Peter Howard**

I'd challenge that. There was a revolution in personal lines; they all jumped onto the Internet, the aggregator became king. That is solely data-driven. And you're seeing that commoditisation creep into commercial insurance – particularly in PA, travel, D&O to a degree, and terrorism. All of them are becoming commoditised products. At what point does the aggregator jump onto those sorts of classes?

**Dennis Slattery**

There's been a whole series of collaborative ventures between banks from an industry efficiency point of view; they've seen the need to collaborate. They need to make sure international payments are fast and efficient and to keep costs down; plus there is regulatory pressure. So it's quite natural these days for banks to form utilities.

**Peter Howard**

How long did it take them to get to that mode of operation?

**Dennis Slattery**

I would guess it's been in the culture for the last 30 years.

**Peter Howard**

Then it's not a revolution is it, that's an evolution.

**Dennis Slattery**

I think you're spot on in terms of it being about what the future looks like. What are the risks that the world is facing, and what are the products that need to be put in place to support those things? That's going to take a lot of data and nobody is going to have all that. So there is going to be a need to collaborate.

**Ben Canagaretna**

The comparison to banking always gets made. There are two fundamental differences in my mind. The first is that in the insurance industry, the broker requires more data from the customer, and that changes the dynamics in terms of the data that is transferred during a transaction. The second is that what we do is inherently more complex in terms of the policy wording, whereas banking products are much more standardised. So I don't see that same evolution happening within insurance that we have seen in the banking industry.

**Peter Howard**

I would challenge that. The London insurance market is a bit like retailing in some respects. You've got a number of different players pitching at different levels of the market. You've got some organisations that are very much at the Harrods end; everything in there is going to be unique and expensive. And others are down at the Aldi end of the market. And then you've got some players who sit broadly across the others – the Marks and Spencer's, John Lewis and so on. And in that regard an awful lot of what we do is actually quite transactional and simple. The wordings you get on some policies are very generic. There's a huge opportunity for the data in those spaces.

**Ben Canagaretna**

To give you an example, let's take a three-person accountancy firm in the US which wants to take out a D&O policy. They

are not going to have the knowledge themselves to work out what a good or a bad policy is. They need to take advice from a broker before they buy that policy. That's why brokers play such a prominent role in the retail space.

### James Norman

In this country, if you've got your Dun and Bradstreet number, that's your quote there. I'm pretty sure it's not beyond our wit to put that on an aggregator site.

### Peta Kilian

Also, in the Lloyd's market, people don't tend to segment their clients at that level of granularity. It's more by product lines, so therefore you're not looking at an Aldi and saying: "What are Aldi's risks?" You're looking at selling property and casualty insurance, D&O, whatever – it sits within different teams. That's probably one of the first challenges.

### James Norman

If you think about what data everyone around the table has, we could come up with multiple distribution platforms, multiple types of policies – pay as you go policies, usage policies, 12-month policies, all kinds of payment methods. You could get that to the customer, you could have your digital policy and you could have your old-fashioned one. We can do everything really.

### Romaney O'Malley

And it's culture as well – the acceptance that you're going to have a really imperfect solution at the beginning but that it's a bit of a marathon and you have to keep going and iterating and improving. Whereas I sense that we still have a bit of a culture of wanting all the i's dotted and the t's crossed and the perfect solution before we're prepared to commit. That's a huge limiter of the progress that the industry can make as a whole in this area.

### Ben Canagaretna

I totally agree. That's a massive constraint because you need an agile approach to development and the data required to really make material breakthroughs in this area. That means we need to try new things and sometimes fail but fail fast – the mantra of the technology giants in California. We need to take risks and make some mistakes but actually iterate quickly to achieve a positive outcome. Rather than having one big grand strategic plan, we have 100 smaller problems that we're trying to solve; many of which we won't solve, but some we might actually crack and that could be the catalyst for something bigger.

### Mark Geoghegan

Does anyone have any views on what Rob said earlier – you only need half a dozen banks to come together?

### James Norman

Insurers have always shared data, haven't they? Even 10 years ago when I worked in fraud, we were sharing all kinds of intel and data in specific areas in a safe way for a specific purpose. The reason that worked was because people could see the value of that. You could call up another insurer and say: "Have you had any claims from this guy?" And he would light up like a Christmas tree. You make a big saving and everyone is happy.

### Peter Howard

Just listening to what you were saying I was thinking you're right, it's a bit like the Wild West, isn't it? Things like claims histories, they're being bandied about in organisations willy-nilly. Since GDPR landed, people have only just started asking questions about whether we should be sharing this information.

### James Norman

We had a blacklist. You used to have a piece of paper with the names of people at law firms and engineers and things like that; that wouldn't fly nowadays.

### Mark Geoghegan

What about Lloyd's? That's a big data set, that's a collective endeavour. It has central services.

### Peta Kilian

I touched on this the last time I was at one of these roundtables. Lloyd's are very cautious, as Lloyd's Corporation, because they don't own the data. Whilst they might have access to all of DXC's Xchanging data, they aren't able to really use that.

### Peter Howard

It's all there. There's a ton of stuff. But should it be there? That's being used for all sorts of purposes for which it wasn't actually intended.



"In the Lloyd's market, people don't tend to segment their clients at that level of granularity. It's more by product lines, so it sits within different teams. That's one of the first challenges"

Peta Kilian



“Anti-competition is the main barrier to sharing information. There has to be a happy medium. I use the example of ISO in the US, where they collect information from all US insurance companies then play it back at a granular level”

### Ben Canagaretna

#### Ben Canagaretna

You’ve got to really test that. Anti-competition is the main barrier to sharing information. I think there has to be a happy medium. I use the example of ISO in the US where they collect a huge amount of information from all US insurance companies. Then they play that information back at quite a granular level – not at a policy level but at the occupancy level. That is something that we could look to do across the Lloyd’s market, although there would be some challenging compliance issues to address.

#### Peta Kilian

And it probably needs to come from the CEO as opposed to the chief data officer.

#### Peter Howard

It’s such a big area though, isn’t it? Going back to the question, can you get some segmentation about what you mean by market data? So for example, insuring ships – trying to understand what a vessel is, its tonnage, classification, flag status. All of that, in my mind, is reference data and should be driven by the ISBN which is in Lloyd’s Register of Shipping. That data should be freely available to everybody.

#### Peta Kilian

There’s a really cultural element to this too. I used to be a hull underwriter and at one stage we had a sign up on the box in Lloyd’s saying “no IMO, no quote”. That’s ridiculous. Why would a broker come over with a vessel without an IMO number, the unique identifier for a vessel? Influencing this

change isn’t just about the data, there are so many different individuals, it’s people that you have to influence as well, which makes this really challenging.

#### James Norman

A lot of people say we’re innovative, we’re customer-centric, and we do all of this but they don’t mean it. It’s a gimmick, a PR thing, a way to sell more policies. The other aspect is to understand what your customer really wants. All of this data is about giving your customer choice and options. If you don’t really know what you want to do with it or why you’re doing it, then you have to question the whole purpose of it as well.

#### Mark Geoghegan

And should this be mandated?

#### Ben Canagaretna

It’s very hard to get things to change if you don’t mandate, in my opinion.

#### Dennis Slattery

There’s a whole set of foundation data sets. When they become available, you’ll just start using them because people trust them. If you try to mandate that, the development of that, then it can take so much time to actually get that, it never happens.

#### Rob Howes

In my mind there are two elements here about exploiting the value of data. One of them is the market, and the other one is you as an organisation. So should we, as an organisation, be doing more to exploit the value of data?

#### Paloma Quiroga Arias

There are also two aspects to using data. There is the existing data that can make us more efficient and can make, across the value chain, everyone be more efficient, better able to service their clients etc. And then there’s the aspect of innovation and finding uses of data, new ways of modelling data. The latter is more around becoming more client-centric. I do think the industry is moving this way; I can see it for us definitely and for a lot of insurance and reinsurance companies as a way of shaping their environment.

#### Romaney O’Malley

We’ve got a lot of content but with all of the technology that’s available now, you can make really good use of unstructured data to drive insights for customers. An international hotel group was interested in reducing the loss costs arising from employee accidents, and just by mining unstructured data, we were able to find that they had excessive incidents arising from just making the beds, and a simple room re-design was able to reduce incidents significantly.

#### James Norman

We can be quite insular, and that’s a really important point because we all talk about what we’re doing. I’ve heard examples fairly recently of an insurance company using voice telematics to analyse how stressed out long-haul drivers were and offering to buy them a cup of coffee. It then becomes a nudge product, not a grudge product.

### Romaney O'Malley

We had a project in Ireland with Europcar – a safer driving initiative – and customers who were renting cars could opt in or out, so they had the choice of whether Europcar used their data for this purpose or not. Europcar captured all of their driving behaviours – braking, speed, all of those things – and at the end of it, the person with the best stats won an Apple Watch and Europcar significantly reduced their loss costs. So there are loads of opportunities where everyone wins, including the client.

### James Norman

In cat losses, there's a lot of technology where you can now model where the storm is going to hit, you can map out the damage etc. and you can tell people about the loss before it happens.

### Shelly Otterburn

You were saying you need to find a business case for this. Everyone has data internally and absolutely you should use things to automate that, but also be looking at the external data as well in innovative and quite cheap ways, to be able to plug into your data management system so that all this data can be fed through and into your risk models. That is a good business case.

### Mark Geoghegan

I think everyone is agreed that we want to do more of this and we want to come together more. How do we do that? Is a trusted third party the way forward?

### Rob Howes

I'm not sure this answers your question but what I've noticed with Wall Street companies is that America is about five years ahead of Europe in this stuff, and banking is probably 10 years ahead of insurance. Where we've seen real traction is where you've got strong executive sponsorship and they're driving the culture in the company. I've seen organisations lend money to a central data hub to invest in industrialising some of this capability and measuring business value to then pay back. So it's a self-funding exercise. We really like the agile approach; we really like delivering early wins to drive excitement, to feed into the business case.

### Romaney O'Malley

I'm particularly interested in this because we've had some discussions with banks around behavioural science initiatives for conduct, for example. And in fact, to your point Mark, what we found was that those companies were very reluctant to share data with each other but recognised the value in the collective, so they were prepared to share it with us.

### James Norman

Banking in Africa is a great example. There's a thing called M-Pesa which you may have come across. The biggest bank in Kenya for example is a mobile app. It's a mobile wallet. They came from outside of that sector and said: "Look, we have loads of customers who are comfortable using smart technology. They can bank with us, they don't need to have a formal bank." And the banks actually started working with them and the insurers are now working with them because it's a distribution channel; it fits with the need of the customer.

### Ben Canagaretna

I think the third-party model is a good idea, but you need people to sign up to it. Take the Lloyd's market – how do you get 99 syndicates to all sign up? By showing what's in it for them and how they will get a playback on the information. But at what level do they get that playback? The concept is good but it's just finessing the output in order to incentivise people to get on board. But we do need to launch some type of initiative that will help get that market level of information.

### Peta Kilian

We have had some conversations with a third party who has been involved in the ASEAN financial innovation network which has been formed in conjunction with the regulatory authority in Singapore. It was only a few conversations but one of the biggest barriers is the politics involved. It's so hard and I don't think we're very good at being public about saying this is why activity can stop. A really good example is that one of the InsurTechs which was in the Lloyd's Lab, the last cohort, which was very much concept stage, and they didn't actually have any technology or software, but it was directly conflicting with some of the claims work that was going on in the LM TOM.

### Peter Howard

I went to a communication briefing on the LM TOM a few weeks ago and the narrative went along the lines of: "Well, we know we'll never get 100 percent of risks traded electronically," and I thought that's crazy. Of course we want 100 percent of risks traded electronically.



"Everyone has data internally and you should use things to automate that, but also be looking at the external data in innovative ways"

Shelley Otterburn



“If you take the long-term view, [the client] would probably say I want all insurance markets to have access to my data so I can get the best possible service and price”

**Peter Howard**

#### **James Norman**

It's the culture and the people. The people drive the culture and then if the culture is right, everything you were talking about earlier will come into place, but it's easier said than done.

#### **Romaney O'Malley**

Well if you don't figure it out, someone else will.

#### **Peter Howard**

It's the optionality isn't it? CEOs and people like ourselves can say we support this, will you back it? But if you've got optionality at the coal face where someone chooses to say “I'm not accepting a PPL risk, I want you to bring it to me on paper”, then that's the behaviour that needs to change; those are the individuals that need to be singled out.

#### **James Norman**

That catalyst could be that Uber moment, from the outside, because if you look at all the disruption over the last three to four years, which is trotted out at every conference you go to, these are all outside disrupters who have come in and caught everyone with their trousers down.

#### **Romaney O'Malley**

I think it's more likely to be the glimpse of the Uber moment, because it's such an over-engineered, sophisticated market, it is difficult to just come in and disrupt anything wholesale, because it's so fragmented, which is part of our issue.

#### **Rob Howes**

So who around the table believes that that is a possible outcome in the next 10, 20 years?

#### **Peter Howard**

It's starting to happen, isn't it? There's interesting innovation happening. There's a guy doing an online solution for a cameraman, or a sound engineer – for insuring that kind of equipment, travelling globally. There's a website up, that's quite disruptive; it's very niche but it's highly complicated insurance. Personal travel, equipment – high risk.

#### **Romaney O'Malley**

And interestingly, they're areas of the industry that have typically been very profitable. So those niche areas, which can perhaps bolster the lack of margins in others, that's where you're seeing the disruption. But there's no big bang; you've just got to start. And recognise that some of it is incremental, it's not a once and done. It's a marathon.

#### **Shelly Otterburn**

So going back to one of these questions, who does own data within insurance organisations?

#### **Dan Blows**

If we just pool it in a big thing in the middle and take out the bits, there'll be winners and losers. I guess that's the problem, no one wants to be the loser. So no one wants to pool their data.

#### **Peter Howard**

GDPR shone a light on that in this context of controllers and processors and what role you're performing. I know that in theory applies to personal data but if you think of commercially sensitive data as the personal data of the commercial world, the same would apply. It doesn't [belong to] the broker or the insurer, it goes back to the client. What do they want to do with their data? If you take the long-term view, they would probably say I want all of the insurance markets to have access to my data so I can get the best possible service and price long term.

#### **Dan Blows**

As soon as you refine it and aggregate it though, you've added value on top of it. So if you do the “data is oil” type thing, as soon as it's out of the ground and in the stack refining it, you've turned it into something valuable. It doesn't still necessarily belong to the client; I suppose that's where the problem is.

#### **James Norman**

It's the knowledge of the insured as well. If you said to the insured we've got all this data but we're going to use it to get insights into your trends. It's like supermarkets, your club card, they know where you buy, what time you buy, how you buy, they use all that and they give you offers for things you don't want.

#### **Mark Geoghegan**

You've all done a very good job of summarising the issues facing the industry, so it just remains for me to thank all of you for participating.



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