



# CLAIMS & RISK MANAGEMENT

## Working Group

November 2 - 3 • Washington, DC

### RECAP

#### SUMMARY

The Council's Claims & Risk Management Working Group met November 3, 2017, at The Council's office in Washington, DC. The agenda included presentations on data analytics and predictive modeling, the impact of marijuana legalization on the insurance industry and an update from Capitol Hill. The Working Group also participated in strategic dialogue focused on Insurtech in the claims and risk management space and this year's historic NatCat season. Lastly, the group received a preview of The Council's new Resource Center by The Council's Maureen Lilienthal.

#### PARTICIPATING FIRMS

Fifteen participants attended from the following Council member firms:

- |                            |                            |
|----------------------------|----------------------------|
| OneGroup NY                | Holmes Murphy              |
| RCM&D                      | Assurance Agency           |
| Catto&Catto                | M3 Insurance               |
| Hub International          | InterWest                  |
| AHT Insurance              | INSURICA                   |
| Propel Insurance           | Early, Cassidy & Schilling |
| Johnson, Kendall & Johnson |                            |

#### HOW ARE DATA AND PREDICTIVE MODELING SHAPING CLAIMS & RISK MANAGEMENT?

**Bill Rickelman, CFO, Risk Control, Travelers**

**Kevin Mahoney, VP, Claims Business Intelligence and Analytics, Travelers**

Click [here](#) for a PDF of the presentation

Rickelman kicked off the presentation by giving the group a holistic view of data analytics in the risk management space. Rickelman explained that data analytics could help their customers better understand their risk landscape and assess how they compare to their peers. Different uses of analytics, through the "General Analytic Continuum," explains the power of data and how it can be leveraged. Kevin Mahoney then led the group through a deep-dive discussion on data analytics from a claims perspective.

**Descriptive analytics:** What happened?

**Diagnostic analytics:** Why did it happen?

**Predictive analytics:** What could happen?

**Prescriptive analytics:** What should we do?

<b>Gartner Types</b>	<b>Descriptive Analytics</b>	<b>Diagnostic Analytics</b>	<b>Predictive Analytics</b>	<b>Prescriptive Analytics</b>
	An analysis to determine <i>what happened</i> based on incoming data. To mine the analytics, you typically use dashboards, reports, or scoreboards.	A look at that past performance to determine <i>what happened and why</i> . These analyses are typically done using queries and adhoc analyses.	An analysis of likely scenarios of <i>what might happen</i> . The deliverables are usually predictive models that provide forecasts for the future.	This type of analysis reveals <i>what actions should be taken</i> . This is the most valuable kind of analysis and usually results in rules and recommendations for next steps.

## **Takeaways:**

- While data analytics has the potential to change the way the industry and external organizations analyze risk, data is essentially useless without the proper tools.
- The importance of clean data cannot be overstated. Through technology advancements in machine learning, artificial intelligence and predictive analytics, accurately assessing, pricing and analyzing risk can be monitored in real-time.
- The Internet of Things (IoT) has the potential to dramatically change how businesses manage risks and control losses. Emerging technologies and wearable devices can play a key role in enhancing safety programs.
- The volume, variety and velocity of data will continue to outpace our ability to store, access and use data with traditional processes and tools.
- “Analytics often involves studying past historical data to research potential trends, to analyze the effects of certain decisions or events, or to evaluate the performance of a given tool or scenario. The goal of analytics is to improve the business by gaining knowledge which can be used to make improvements or changes,” explained Mahoney.
- Overall, data analytics has the potential to cut costs, reduce fraud, accurately assess risk, analyze loss and influence behavior.

## **ROUNDTABLE DISCUSSION: INSURTECH**

**Jenn Urso, VP, Market Intelligence & Insights**

**Rob Boyce, Associate, Market Intelligence & Insights**

Technology-fueled innovation in the insurance industry, or Insurtech, is one of The Council's key focus areas. The Council is actively engaging this market to provide intelligence to members to help them stay informed of innovation and factoring it into their own organizational strategies. Part of our engagement was attending the InsureTech Connect conference last month in Las Vegas.

It is crucial to understand that Insurtech companies do not solely consist of insurance-related startups new to the industry. They can also consist of existing players, heavily funded organizations and companies that are not necessarily insurance-based (but can enhance day-to-day business in the industry).

Lastly, the group agreed that technology should be viewed as an enabler, not a disruptor, and that it is now more important than ever to bring technology into the everyday conversation.

## **Takeaways:**

- Insurtechs have realized they need brokers' industry expertise and partnership to understand the market's complexities and create a product/service that will enable innovation.
- Insurtech can seem daunting but technology in the industry is nothing new. The burst of activity in this market is a signal of greater innovation taking place. Members should align their organization's needs with technology solutions.
- Insurtechs have been targeting carriers, however, there is a thirst to understand the broker advisor role and therefore an opportunity for brokers to get involved. There needs to be a common ground in order to understand one another and work towards shared goals.
- While some insurtechs could potentially displace parts of the value chain, most are built to integrate into the existing ecosystem.

- Data—how it is processed and the way it's used—is the catalyst for much change through technology. It is moving the model from risk management to risk prevention.
- Changing client/customer expectations: people want the same experience they are having with other industries based on technology, ease of use and reliable experiences. The bar outside our industry is getting higher by the day.
- Shift in talent: hiring practices will change to recruit people who will fit the mold down the road in these technology-driven models. With an estimated 500,000 people leaving the industry in the near future, there's a need to entice talent with different skill sets.

To sign up for The Council's Insurtech newsletter, email Rob Boyce at [robert.boyce@ciab.com](mailto:robert.boyce@ciab.com).

## **GOVERNMENT AFFAIRS UPDATE**

**Joel Wood, SVP, Government Affairs**

**Joel Kopperud, VP, Government Affairs**

The Council's dynamic government affairs duo provided high-level insight and color commentary on the state of play in Washington. They covered issues before Congress that are impacting (or could impact) the industry and provided insight into the 2018 elections. Stay tuned for Council updates on tax reform and other key regulatory/legislative issues.

## **THE COUNCIL'S RESOURCE CENTER:**

**Maureen Lilienthal, VP, Leadership & Management Resources**

Lilienthal gave a preview of The Council's new Resource Center, an online, curated collection of informational and educational content on leadership and industry topics. Located on [ciab.com](http://ciab.com), the Resource Center will provide members with easy access to high-quality, relevant resources including books, articles, micro-learnings, podcasts, virtual courses and more. Coming in 2018.

For more information, contact Maureen Lilienthal at [maureen.lilienthal@ciab.com](mailto:maureen.lilienthal@ciab.com).

## **INSURING THE MARIJUANA INDUSTRY, A BOOMING [ILLEGAL] BUSINESS**

**Scott Sinder, Chief Legal Officer, The Council; Partner, Steptoe & Johnson**

Click [here](#) for a PDF of the presentation

Although marijuana is technically illegal under federal law, 29 states and the District of Columbia have legalized it in some form. However, marijuana is still a Scheduled I drug under the federal Controlled Substances Act, a group shared with heroin and LSD.

It is federally illegal for organizations to assist in the operation of marijuana businesses (which is considered a felony offense); however, cannabis organizations want to insure their properties and products, creating a bind for the insurance industry. While there are currently numerous bills to change federal legislation around marijuana (Marijuana Justice Act of 2017, Marijuana Effective Drug Study (MEDS) Act), it appears the current administration has no plans to change current federal laws on marijuana.

### **Takeaways:**

- 70 percent of marijuana businesses are un-banked due to federal legislation.
- "While insurance currently is not a top 3 challenge for the industry, it is definitely in the top 10." – Bob Morgan, Chair of Cannabis Industry Practice.

- Mainstream insurers and brokerage firms are, for the most part, steering clear of covering cannabis businesses. However, some insurance organizations have created shell companies that will do business in states where marijuana is declared legal by the state.
- Golden Bear Insurance Company is the first admitted commercial provider that is able to offer coverage for California's licensed marijuana business. – November 9, 2017
- Many organizations are operating in a “don't ask, don't tell” mode regarding employee consumption/drug testing in states that have legalized marijuana as it is difficult to prove correlation between usage, impairment and accidents. Others are testing only if the need arises (there is an issue/accident) or removing marijuana from routine drug screenings altogether.

## **ROUNDTABLE DISCUSSION: THE HISTORIC 2017 NATCAT SEASON**

The 2017 NatCat season was one for the books. Hurricanes Harvey, Irma and Maria (HIM) are expected to allocate billions in losses. The group discussed how their firms prepared for and responded to certain catastrophic events, and lessons they learned in the process.

Catto & Catto created a system that allowed them to tag claims specific to catastrophic disasters. These tags allowed claims managers to run claims reports, monitor claim status and intervene on behalf of clients when necessary.

Hub International designed a network of inter-state claims processing staff. When claims management staff had to evacuate from Florida, staff from other states were able to assist clients impacted by hurricanes.

This group also agreed on the importance of disaster recovery plans in mitigating risks. Disaster recovery plans are designed to help organizations keep employees safe, minimize interruptions and restore organizations' critical business functions. To ease the recovery process, plans need to be made well in advance of a disaster.

## **2018 AGENDAS**

The Council shapes the working group agendas directly from topics of interest to you, or those you identified as challenges or opportunities. We want to know what is top of mind for you as we head into the New Year. Please take a few minutes to complete this survey, which will help us craft agendas for 2018. The survey will close on December 6, 2017.

[surveymonkey.com/r/3MCHMB2](https://surveymonkey.com/r/3MCHMB2).

## **PEER ENGAGEMENT TOOL**

The working group has asked for a way to stay connected outside of meetings. We are on the hunt for an engagement tool and will report back with our findings soon.

## **NEXT MEETING – SAVE THE DATE!**

The Claims & Risk Management Working Group will meet at The Council's Legislative & Working Groups Summit in Washington, D.C. **February 5-6, 2018**. All participants are welcomed and encouraged to stay for the legislative program February 6-8 as well. Details and registration will launch in December.

Please contact The Council's Rob Boyce at [robert.boyce@ciab.com](mailto:robert.boyce@ciab.com) with any questions or comments.