



## Episode 3: Driving innovation in insurance

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NARRATOR: You're listening to Rethinking Insurance, a podcast series from Willis Towers Watson where we discuss the issues facing P&C, life, and composite insurers around the globe, as well as exploring the latest tools, techniques, and innovations that will help you to rethink insurance.

VITTORIO MAGATTI: So hello and welcome to Rethinking Insurance. I'm your host, Vittorio Magatti. And today, I'm delighted to be joined by my guest, Chris Halliday, who is managing innovation projects in the EMEA. Hello and welcome, Chris.

CHRIS HALLIDAY: Hi, Vittorio. Thanks for having me here.

VITTORIO MAGATTI: In today's episode, we are going to be exploring, discussing, sharing all the information, all your background about innovation. I think it can be very interesting to understand a bit better what innovation means for you, for Willis Towers Watson, thanks to your exposure in your role right now.

CHRIS HALLIDAY: Yeah, though-- as you mentioned-- my role is in EMEA, focusing on innovation in RACT insurance technology and consulting department. So what that means is basically running a variety of internal innovation projects. And what it means for Willis Towers Watson is that a lot of our innovation, that all of our innovation, is driven by what our client needs. And we do most of our innovation with clients on projects.

So I like to call the innovation "at the edge." So it's real innovation on real projects, solving real problems. And that means that we're not doing it in a bubble. We don't have an ivory tower, sort of an innovation team that sits off to the side of the business. It's integrated with everything we do.

And one of the things about being a consultant, I suppose, is often our work starts off with clients needing a consultant to support them on developing a new idea, implementing something that is new via a regulatory change or a new way of doing business that's more effective, cheaper, faster, better than has been done before. But often, our clients, rightly, will then bring the innovations that they've done, and they'll bring them in-house. And that means that we need to go and find fresh innovations to look for.

So a consultancy, if it doesn't innovate, then it will eventually wither away. So it really needs to continually innovate. And I'm quite proud that at Willis Towers Watson, we have been able to do that over a great many years.

In the recent years, one thing that I've been really trying to do is make sure that we are very agile in our innovation. So that means investing in new things-- and we see opportunities

coming up-- but also, stopping innovation when we think it's no longer fruitful, so focusing our innovation on the right areas at the right times. And so we've built quite a strong innovation process in order to do that.

So I'm quite proud in the way that we do innovation at Willis Towers Watson. I think it's a good example of how to do innovation in the consultancy environment and develop new things for our consultants to take to our clients, and also support our consultants in doing things beyond the current edge of capabilities and enabling them to confidently expand what we can do in their existing client projects. So that's what innovation means for me and what it means for Willis Towers Watson.

VITTORIO MAGATTI: Which are the top three areas in which we have seen insurers innovating?

CHRIS HALLIDAY: Yeah. Absolutely, that's a good question. Maybe I can take a step back and talk about what we mean by innovation and the innovation process.

VITTORIO MAGATTI: Of course.

CHRIS HALLIDAY: So the innovation process goes from, really, exploration and understanding the problems and falling in love with the problems, through to innovation in existing products, and scaling those, and making them more accessible to everybody, whether that's making them faster, or working at larger scales, or making them cheaper. And our innovation process-- the part that I'm involved with-- is focused mostly on the middle of that, the testing and the development phases of these projects.

And so what we've been doing is that's where we need to identify where we're pushing the innovation, whether it's into new concepts or existing projects. And then our colleagues in the technology area then will launch the products and scale them effectively.

One thing that we've been working on this year is a new way of getting more ideas into the process, so taking a step back into the ideation part of the process. And we've launched something called the "innovation sandbox," which is a project that we've run in October, November and December this year to bring in ideas from the grassroots of the business, so from the consultants who are talking to clients on a daily basis from our newer consultants is through-- and rapidly test them, prototype them, and see which ones can be taken through into our main innovation process. And that's been very successful and had great feedback from that new process.

So the areas that we really see innovation adding value for clients is-- for P&C clients, particularly-- we're seeing big investments and big innovations in the claims area, so integrating artificial intelligence with claims processes to supercharge the claims processes and also make them better value for money for the customers, so reducing the costs through automation or through better routing of claims. And that improves the value of the insurance for the customers because less expenses paid for the handling of the claims.

We're also seeing big innovations in the commercial line space, so commercial lines pricing, underwriting, and portfolio management in particular. They're really taking a center stage last year and this year in our own internal innovations. And also, we're seeing that in our clients that there's a big focus on improving the work that's done there, making it more efficient,

more accessible, and using artificial intelligence, machine learning techniques to support the decisions that are being made there. And then the final area-- which may be slightly earlier in

the cycle of where it's being used-- is around prevention, so preventing claims before they happen, preventing the damage, preventing accidents, injuries by better prediction and better support to customers.

So as an example of this, we worked with a large multinational energy company, which had offices in many different countries and many different sites. And they had a central risk management function. And what they did was they took reports from each of their sites and processed them to understand if there were any particular risk management issues. But the sheer volume of these reports meant that the central management function couldn't read them all, and they only really picked up the really important ones.

So we supported them-- or our brokerage colleagues actually supported them-- in building a machine learning model that would sift through all of these management reports and understand which of the ones were high risk and then flag those as potential, so preventing the claim before it happens because they've noticed the risk. And we see similar sorts of things in other products. So you could imagine similar things in health products, supporting healthy lifestyles, et cetera.

So I feel that there's still a lot of innovation that can be done in that prevention space, particularly when we're taking concepts that work in commercial lines when we've got lots of data on an individual risk and applying those to personal lines products, such as when we've got the additional data. So that might be through telematics in vehicle. It might be through telematics in the home, or it might be through other external data sources.

A simple example from international is in South Africa, where they have a severe risk in motor insurance for hail damage in the summer. Having an early warning system of the hail damage localized to the particular area is a great way to save costs from those sort of claims because people park their vehicles under cover when they get a warning. But obviously, the warning needs to be very localized so it prevents false alarms. So those things are prime areas for innovation. And we're seeing companies get good value out of the innovation spends that they spend in those areas.

VITTORIO MAGATTI: OK. So prevention, commercial line claims are probably these, the three key words of this kind of information. And I really would like also to say that they are appreciated a lot, the sentence like "falling in love with a problem." That is something that really describe the experience but also the engagement of you and Willis Towers Watson on this activity.

And jumping in, let me say in another stage, speaking about innovation. I'm an actuary. You, too. But innovation probably is something more heterogenous than the actuarial profession. So the question for you is, do you think that innovation impact also in our profession?

CHRIS HALLIDAY: So actuaries have, I think, in some ways a very unfair image of being the very risk-averse one at the party, if that makes sense. The one who's raining on everyone's parade and saying, well, what about this risk and what about that risk? And I think that is rather unfair.

We've seen incredibly innovative companies who are staffed by actuaries primarily. And actuaries do have a unique set of skills when bringing together the technical capability with the business know-how in insurance. And that understanding of the business and the technology is key. And then the extra element that they bring is a professionalism, which helps tie these two things together and make sure that what you're delivering is not just adding value to the company you're delivering it for but also to the wider society.

And I think that's quite good in general. When we're doing innovation, we should also be thinking not just about how does this make more money but also, how does it benefit society and wider society. I think that's something that actuaries can bring to the table very effectively.

One project that we're currently doing with a big multinational client actually is exactly this. It's about inspiring their actuaries and giving their actuaries the tools to innovate in their own

businesses around the world and extend and expand the actuarial role, so it's not just in a reporting box. And it's not just labeled with these are the risk averse people who don't want to take any new things because it might be too risky. It's very much leading and leading on new product development, leading on new ways of doing pricing, on new ways of doing reserving, on new ways of doing financial reporting, and really energizing [AUDIO OUT].

So the actuaries can be a leader of a lot of the change because they have that capability of bringing in the different elements, the technical elements, the business elements, and the professionalism elements. Now, I really think the actuaries are in a good position to innovate. It is important that we have bravery when we do that.

And it is important that we make ourselves heard. And it is important to question some of the areas, when we are seeing technology that perhaps isn't delivering what it could be delivering. And we do question the value, and we do make sure that everything is delivering on its promise. And we're not following just the trends because they're trending.

VITTORIO MAGATTI: So inspired actuaries is something that we can really understand can be the opportunity for our profession to be more and more in the innovation. But we also have the opportunity to speak about both, and a lot of investment that insurers are doing in artificial intelligence is something very similar. The question could be, do you think that bots can replace and could replace people, like actuaries?

CHRIS HALLIDAY: Yes. So one of my pet topics, I suppose, is AI. And when I'm at home and I'm not working and I'm not looking after the children, I'm often tinkering at my computer and building an algorithm to do this or that. So I do love AI. And in some ways, yes, I do think that bots will replace certainly some of what's done by people.

But there's a lot that they can't replace. And I think the fear of this artificial general intelligence is just that. It's a fear. And I think a lot of these things-- they're either a long way off, or they're not going to happen.

And so I think while there will be roles that are replaced or parts of roles that are replaced, I think that it will be outweighed by the additional new things that will be created by these new technology. So there are a lot more things that can be done with this new technology, and that will mean new roles for people and new innovations that can be built. And so while there will

be some things that are left behind, I think those things will pale in comparison to the new opportunities that are there.

I think there's also-- I don't know whether you've used these bot systems, but I can always tell whether I'm talking to a bot or a person. And I think a lot of that is going to be the case for a long time, no matter how sophisticated they get. And sometimes, that's absolutely fine. And it's absolutely fine to talk to a bot when you want a specific piece of information.

But often in insurance, we're really helping people out in a time when they need support. And that human touch is important at that point in their life. They're feeling vulnerable.

They want someone to help them with the issues that they've got. And having that human touch is important. And what it will enable people to do is to spend more time on the human contact and less time on the mechanical aspects that sit behind that.

So we should be able to give people a really good human experience during the claims process and other processes but without the challenges that come from having to enter details and having to do these other processes that can be made very slick behind the scenes. So hopefully, we will get the best of both worlds. And we'll have great interactions, which are a combination of humans and bots.

VITTORIO MAGATTI: OK. So Chris, I really think that it can be important to understand also from you that work every day in the innovation that bots cannot-- or probably could not-- replace people but help people managing better and better the innovation in the insurance sector. So I would like to thank you to be here today.

CHRIS HALLIDAY: And I thank you very much for having me. It's been a pleasure. Thank you, Vittorio.

VITTORIO MAGATTI: Our pleasure, and thank you for listening.

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