

Q3 2021 EDITION

Carrier Management

Critical Information for P/C Carrier Executives

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Matteo Carbone, Guest Editor

Matteo Carbone is Director of the IoT Insurance Observatory and a board member of Net Insurance. In addition to founding the Observatory, Carbone is the author of a book titled "All the Insurance Players Will Be InsurTech" and guest editor of the special Carrier Management report on IoT insurance applications.

After spending a year working with Isabelle Flückiger, director of new technologies and data for The Geneva Association, to interview more than 100 players and thinkers in the IoT space and produce the Geneva Association report "From Risk Transfer to Risk Prevention: How the Internet of Things is reshaping business models in insurance," Carbone volunteered for the task of reuniting with five of the interview subjects again to delve more deeply into the ingredients for IoT success.

A frequent contributor, Carbone was also a guest editor for CM's 2018 featured magazine section, "Startups Face Off Against Established Players," a series of articles about innovation in insurance (November/December 2018 edition; co-editor Adrian Jones).

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Is a Safer World Possible?

Back in 2011, the publishing company I used to work for hired a new editor. He was the recipient of multiple awards for outstanding journalism, but insurance was a totally new gig for him. As a newcomer to insurance subject matter, he often asked provocative questions about the industry that the rest of us, embarrassingly, would never have thought to bring up.

One of the most memorable was, “Is the world becoming riskier or safer?”

Hmm. With my daily reporting focused on emerging risks ranging from severe weather to network security issues, it didn’t occur to me to ask anyone that. This was in 2011, a year after the Deepwater Horizon spill; the year of the Tōhoku earthquake, tsunami and Fukushima meltdown; and a few years after the global financial crisis.

My editor didn’t just raise the question to our staff. He assigned us each the task of interviewing executives in the insurance industry, risk modelers and risk managers to weigh in. Two of the 10 folks I interviewed voted for “safer,” even though that answer didn’t really seem like it was in the best interest of respondents, many of whose companies collect premiums from customers who transfer risks to them.

A summary of answers from all 30 respondents still exists on the website of my past employer today (PC360, Aug. 11, 2011, “Is the World Becoming a Riskier or Safer Place?”). In it, my editor reported that “a definite plurality” fell into the riskier camp, citing global warming, terrorism, political risk, global supply chains, Internet risks. But some leaned in with examples that the world was getting safer—better building codes, safer cars, better cat modeling tools and “ever-more-sophisticated tools to help [risk managers] control loss.”

I thought about the assignment and the answers when I switched on the 11 o’clock news last week. It started with a report on congressional hearings of the Capitol riot, then an update on the Surfside Towers collapse. Next was a discussion of yet another COVID variant, news of a mass shooting in my neighborhood—and a shark sighting on Long Island!

A decade ago, I couldn’t have imagined the first three events.

“It’s not that far-fetched to think that businesses will be faced with a growing number of crises in which they have to deal with very vexing issues that can come out of nowhere. That’s a risk by itself—the risk of the unknown,” said one of the executives I contacted 10 years ago. (Patrick Ryan, former chair of Aon and founder of Ryan Specialty Group, in case you’re curious.)

A decade ago, I also couldn’t have imagined that my phone could detect I was in a car crash, that a sensor worn by an industrial worker could flag movements that might result in injury or that an Internet-connected device could alert police to an in-progress armed attack at a specific location. And I didn’t become intrigued by the possibility that insurers would evolve their business models to put their roles as providers of risk prevention services ahead of selling risk transfer products until five years later. (Related article: *CM*, Jan. 28, 2016 “Reporter’s Notebook: Could Insurance Be the Economic Engine for the Internet of Things?”)

Guest Editor Matteo Carbone is passionate about the idea that insurers, harnessing the capabilities of the Internet of Things, will create a safer world. Serving as director of the IoT Insurance Observatory, he works with global insurers and reinsurers to highlight the possibilities of using IoT for real-time risk mitigation and to incentivize changes in risky behaviors.

IoT case studies presented by Carbone in this edition help us to understand how connected devices and telematics data are making roads, properties and workers safer today. While IoT is not yet solving the problems revealed on my local news station, we’re moving in the right direction.

Who’s on board for a safer future?

Susanne Sclafane, Executive Editor

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knowing what you’re doing.”*

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Leader Strategy:

How to Achieve Organizational Goals With Scenario Planning

Executive Summary: Scenario analysis doesn't have to involve wading through a list of a thousand what-ifs about what can go wrong. Here, consultant Carol Williams suggests a simple formula to help carriers achieve strategic goals by considering three scenarios to understand the possible consequences of plans and conditions that need to happen for successful outcomes.

By Carol A. Williams

Even if they are never laid out in a formal document, every company is going to have strategic goals. After all, no executive is going to say that they don't want their company to grow or otherwise improve. To do so would be devastating to not only the business and company morale but their personal career and reputation as well.

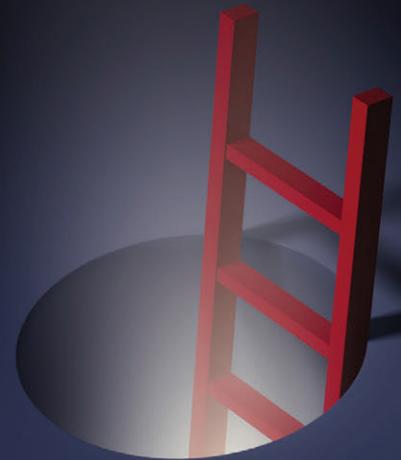
Some example goals for companies in the property/casualty insurance industry include reducing the loss ratio, entering a new market (either geographic or product) or growing market share. But what happens too often is these goals are developed hastily.

Many executives unfortunately only

consider the short term (six to 12 months) and make many (sometimes erroneous) assumptions that events will go a certain way. Both upstream dependencies (i.e., what must happen to accomplish the goal) and downstream consequences of this goal are not considered, much less any contingency plans developed.

These same leaders also tend to be inward-facing, which leads to a perception that they have more control than they really do. However, experience shows that people don't have control over much, especially for things outside of a person's direct influence or the carrier's operations.

Take this year's reforms in Florida's beleaguered property insurance market. Carriers were really hoping and, in fact, banking on major insurance reforms to help reduce their loss ratios and reinsurance rates; otherwise, several carriers would quickly become insolvent without significant investor involvement. However, once the dust settled, what ended up passing and being signed into law only addressed about 25 percent of the issues plaguing P/C carriers in this volatile state. Joseph Petrelli, president and founder of Demotech, a ratings analysis



Many executives avoid scenario analysis because, if done haphazardly, it can become the veritable rabbit hole that yields no practical benefit.

firm for P/C carriers, observed, “In my view, the most important provisions are the ones that didn’t get in it” regarding Florida Senate Bill 76 this year.

(Editor’s Note: Shortly after this article was written, a federal judge halted enforcement of a section of the new property insurance reform law in Florida that restricts the advertisements and solicitations of roofing contractors, making the situation for insurers murkier still.)

These comments are not being critical. They are just observations of reality. We all want our ideas to work and resist anything that challenges our beliefs, assumptions or preferred way of doing things. But as explained in the book “Decision Quality: Value Creation from Better Business Decisions” (by Jennifer Meyer, Carl Spetzler and Hannah Winter, 2016), “Personality preferences and habits of mind are not problematic in and of themselves. The negative impact comes when these biases lead us to approach a decision as we see it rather than as it is.”

In the context of a P/C insurer’s strategy, the consequence of making assumptions and not understanding dependencies is that goals are not achieved, or if they are achieved, the way there was filled with unexpected challenges and roadblocks. Executives and managers end up reacting to one crisis after another and always putting out fires. Worst of all, this haphazard approach to decision-making ends up creating new risks or issues that can be even more destructive.

Take a new program rollout as an example. Executives, managers and support staff spend countless hours and vast sums of money designing and building the new product, obtaining regulator approvals, making system changes, marketing,

and more. In spite of all of this effort, the company ends up writing only a fraction of the policies needed just to break even. Not only has it been a waste of time, the company also is now having to work through cash flow issues and may have to lay off staff or make other cuts in order to survive.

Can anything be done to avert this type of disaster?

As an executive, you wish to have more control over how goals and initiatives play out. However, this increasingly uncertain and volatile world makes this wish even more out of reach.

In this current age of unprecedented change, companies must be more agile. Instead of planning goals for the next three to five years as in the past, it’s impractical to plan for anything beyond two to three years in today’s environment.

Fortunately, there’s a way to avoid these negative issues, improve agility, pursue goals with confidence and put your carrier a step ahead of the competitors who continue to hastily develop their corporate strategy. Scenario analysis, or scenario planning, while seemingly simple, is a way any organization can better understand dependencies and consequences of goals, what could go right, what could go wrong, and what’s most likely to happen with a particular course of action. It also helps executives and strategic planners to

confirm or reject assumptions and develop contingencies in the (likely) event something goes awry.

In addition to having a better understanding of whether the company is on the right track, scenario analysis fosters innovation, which as you know is a crucial part of remaining competitive in today’s turbulent market.

When it comes to strategic goals, scenario analysis can help P/C insurers reduce uncertainty, provide executives with better confidence in their decisions, give the board more assurance that the company’s goals are the right ones, and unveil interdependencies between risks and get ahead of them.

Discussing scenario analysis in his book “The Living Company,” former corporate planning coordinator at the Royal Dutch/Shell Group Aries de Geus defines it as a “creative and structured process to guide deliberate thinking about risk.”

De Geus believes scenario analysis is the reason why there are some companies that last for 100 or more years. Elaborating on this a little more in a Harvard Business Review article back in March 1988 (titled “Planning as Learning”), he explains: “The positive characteristic of a crisis is that decisions are quick. The other side of that coin is that the implementation is rarely good; many companies fail to survive.

“The challenge, therefore, is to recognize and react to environmental change before the pain of a crisis. Not surprisingly, this is what the long-lived companies in our



Carol A. Williams is the Chief Executive Officer of Strategic Decision Solutions, a consultancy that has helped numerous P/C insurers address unique challenges to their success. Williams started her career in insurance and risk management with the Florida Office of Insurance Regulation nearly 20 years ago, more recently holding various ERM leadership positions for Citizens Property Insurance Corporation. At Strategic Decision Solutions, she focuses on helping carriers move beyond putting out fires to achieving strategic goals. Reach her at Carol@strategicdecisionsolutions.com.



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Leadership and Management

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It's unpractical to plan for anything beyond two to three years in today's environment.

study were so well able to do.”

Although scenario analysis is not a new concept by any means, it carries a certain reputation that it is nothing more than coming up with a list of a thousand “what-ifs” of things that could go wrong. Many executives avoid it because, if done haphazardly, it can become the veritable rabbit hole that yields no practical benefit.

But again, there is a way to gain the benefits of scenario analysis as proclaimed by de Geus without falling into the infamous rabbit hole.

To understand internal and external dependencies and consequences of any particular goal, develop three scenarios like the following:

- **Favorable.** This is the rosy scenario where everything goes your way. Goals are achieved on time and on budget with ease, which as we all know is next to impossible in reality.
- **Neutral/realistic.** This scenario is not a complete failure but neither does it constitute a roaring success like the favorable scenario. This will help executives visualize the most likely outcome for the goal and pinpoint steps that can be taken to increase the odds of success.
- **Failure.** As the name implies, this is where you develop the worst-case

Editor's Note: “A ‘gray rhino’ is a highly probable, high-impact yet neglected threat—kin to both the elephant in the room and the improbable and unforeseeable black swan,” according to Michele Wucker, author of “The Gray Rhino: How to Recognize and Act on the Obvious Dangers We Ignore.” Examples include the bursting of the housing bubble in 2008 and the aftermath of Hurricane Katrina.

scenario. While none of us want to entertain complete failure, doing so can help unearth risks to accomplishing the goal, including black swans and gray rhinos, that you can take into account beforehand instead of down the road, when it will be much harder to make adjustments.

It's likely that from this process, goals will be changed to reflect the reality of the current environment. Of course, the scenario analysis process outlined above is very high-level. How this is handled at your carrier will depend on a variety of factors, including company culture.

Back to the earlier example regarding Florida's property insurance reforms. Some companies were going on a wish and a prayer that not only would state lawmakers agree to everything insurers felt was needed but that these reforms would also work in helping the companies accomplish a common goal of reducing loss ratios. However, many companies recognized the reality that the best-case scenario would not happen and focused on finding investor funding to support the carrier's continued operations.

Performing scenario analysis to understand the realistic outcome of these reforms was extremely helpful for some carriers in developing the most appropriate action plans. Of course, carrier executives pleaded their case to legislators with the goal to realize the best-case scenario.

But since that scenario did not materialize, many of these companies are now scrambling to determine how they will accomplish relevant goals absent many of the needed reforms, not to mention any new risks that have now cropped up.

Rather than putting your company in this untenable situation, wouldn't it be better to develop various scenarios to better understand what must happen both internally and externally to achieve the goal, what could get in the way, and how the company can navigate that to ensure its success? Enable your carrier with the information needed to achieve your strategic goals and be successful. [CM](#)





Executive Summary: What impact do cross-racial, cultural and ethnic issues have on the handling of claims? Insurers are starting to do more to examine how diversity impacts claims handling and resolution, including taking part in an initiative to track how often candidates with diverse backgrounds are selected as mediators and arbitrators in insurance-related matters. Such data, which is presently unavailable, will allow insurers to benchmark their results against the overall industry.

The Claims Resolution Process Is About to Get a D&I Makeover

By Denise Johnson

Post-pandemic, businesses across the country have recommitted to the mission of addressing diversity and inclusion. Much emphasis has been placed on D&I during recruitment, yet the same can't be said about D&I directives focused on the claims handling process.

D&I efforts shouldn't end at time of hire, say industry experts. The sometimes-adversarial nature that occurs during claims handling and resolution, in particular, where adjusters are often in contact with claimants of different backgrounds, is ripe for D&I awareness.

It's a lofty goal, especially in claims, where the overwhelming majority of workers compensation adjusters are white

women, according to K. Martine Cumbermack, an Atlanta-based insurance defense attorney and partner with the law firm of Swift Currie, who has studied diversity as it relates to the workers comp claims resolution process. Serving as chair of the firm's Diversity and Inclusion Committee, Cumbermack noticed that a claimant or adjuster's background sometimes creates barriers that cause delays and additional claim costs.

The insight raised questions: What impact do cross-racial, cultural and ethnic issues have on the handling of claims? Should insurers do more to examine how diversity impacts claims handling and resolution?

A similar challenge exists in the broader property/casualty insurance industry, said Michael Daly, vice president of Claims

Services for Raleigh, N.C.-based insurer IAT Insurance Group. Daly, a 45-year industry veteran who holds a J.D., said his focus on alternative dispute resolution (ADR) led him to conclude the selection process for mediators and arbitrators isn't fair. Many insurers are inclined to retain retired judges, a group predominately made up of white males.

"There is an illusion in the marketplace that there are not a significant number of mediators or arbitrators who are qualified," Daly said.

Female mediators and arbitrators in the insurance world are relatively rare. And the same is true for people of color, Daly added. Another reason for this, he said, is that insurers tend to retain mediators and arbitrators they've used in the past, with whom they are comfortable.

"What that does is it sort of closes the opportunities for everyone else," said Christopher Kwok, a JAMS mediator specializing in complex labor and employment disputes. "That means there's a lot of new people that are never going to get the opportunity to learn."

It's a relationship issue that will only be

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corrected if something affirmative is done about it, said Daly.

Douglas Burrell, an Atlanta-based partner with Drew Eckl & Farnham and president-elect of the Defense Research Institute (DRI), an organization representing civil defense lawyers and in-house counsel, said diverse mediators can break through cultural differences to aid the resolution of cases. “I understand... they [insurers] want to have someone they trust and know,” Kwok said. “We do have to think of new ways of how we open the pathways for new mediators.”

The insurance industry can take notes from the progress made in labor and employment disputes, added Kwok, who started his career in mediation working for the New York District Office of the U.S. Equal Employment Opportunity Commission. “Labor and employment deal so much with discrimination and equal treatment that diversity is really at the center of the laws and the rules that you’re often talking about within the cases,” he said. “Diversity of the mediators is definitely first and foremost a critical area of inquiry that might have not previously been important, but I think that we’re beginning to realize how important that is.”



“It’s not enough to say we have more minority claims

professionals or more minority claims supervisors because just being a minority doesn’t necessarily make you culturally competent. It’s not a given.”

K. Martine Cumbermack, Swift Currie



“The truth is, there has not been selection process fairness when it comes to mediators and arbitrators, whether it’s based upon gender, racial or ethnic background,” Daly said. The IAT claims executive referenced the well-publicized 2018 temporary restraining order filed by Shawn Carter, better known as Jay-Z, during a licensing dispute lawsuit with Iconix Brand. The suit triggered a mandated arbitration clause prompting the rapper and business mogul’s response, citing a lack of African-American candidates within the American Arbitration Association’s (AAA) arbitrator pool that amounted to discrimination. The AAA agreed to widen the pool of Black candidates and the case was eventually settled through arbitration.

Daly said the suit garnered attention. The AAA changed the composition of its panel, which led to other ADR service providers committing to ensure at least 30 percent of candidates will be diverse.

“But that, to me, is only a half a step. [It’s] like the Rooney Rule in football or the Selig Rule in baseball,” he said, referring to a National Football League policy named after Dan Rooney, former owner of the Pittsburgh Steelers, which stipulates diversity and inclusiveness in the hiring of the league’s coaches and executive management. The Selig Rule, a Major League Baseball policy with a similar

mandate, named for former commissioner Bud Selig, came about in 1999. Despite the rules, Daly said there is still “extremely restricted diversity and inclusiveness among coaches in football and baseball.”

Even if an insurer embraces the pivot to more D&I among mediators selected, Daly said the decision might be met with resistance, especially by outside counsel. Whether the cause for concern is valid or not, change is inevitable.

“To have a wider spectrum of life experience is going to, I think, benefit everybody,” Kwok said.

D&I Claims Data Lacking

A gap exists in data tracking diversity in the claims resolution process, experts agreed. Statistics relating to medical costs of claims involving a claimant from an underrepresented or minority group where the adjuster is not also from an underrepresented group either aren’t being tracked or the data isn’t being shared.

Cumbermack’s research, using statistics compiled by the National Council on Compensation Insurance and the National Bureau of Labor Statistics, found that jobs in industries like manufacturing, labor, construction, housekeeping and maintenance generally were held by those with minority backgrounds. They also carried the greatest risk for injury.

“The data, broken down by

demographics, reveal that a lot of injuries, especially the more severe injuries, come from underrepresented minority groups. If I'm the average adjuster, a lot of my claims are going to be people who probably don't speak English or are from a different racial or ethnic background than myself," Cumbermack opined.

She cited studies on workers who are more or less likely to report workplace injuries depending upon their own or their supervisor's racial or ethnic background. "Do those barriers, ultimately, result in additional dollars spent on a claim?"

Cumbermack thinks so. For example, interpreter and transportation costs "are disproportionately required on cases where the claimant is Hispanic or from a different socioeconomic class, which tend to be more so minority," she added. Similarly, stalled mediations due to cultural misunderstandings can result in increased claim costs.

"Sometimes there are subtle cultural clues that people wouldn't pick up unless you are from that culture," said Burrell.

One aspect of the claims resolution process that will soon see data tracking is the use of mediators and arbitrators in insurance matters. As part of an initiative that's expected to launch in September, insurers, bar associations and ADR services will collaborate on research to develop benchmarks.

Staff of participating insurers and outside counsel—upon the conclusion of a case—will complete a form relaying how

"To have a wider spectrum of life experience is going to, I think, benefit everybody."

Christopher Kwok, JAMS Mediator



often a candidate from a diverse background was selected as a mediator or arbitrator, Daly said. The form will be sent to a DRI-hosted databank, where the data will be collected and interpreted with the assistance of Maria Volpe, a sociology professor at John Jay College of Criminal Justice in New York, who has written extensively on the lack of quantifiable data associated with D&I in the ADR process.

By fourth-quarter 2021, data will begin being collected by participating insurers and law firms, he said. By the end of 2022, a report on the findings will be generated with an expectation that data will continue being collected and analyzed annually. An insurer can request its own data to benchmark itself against the aggregated database for the industry as a whole. "No one will have access to individual company data other than the individual company itself," he added.

According to Kwok, knowing the statistics will help drive change. "Having all of the different stakeholders together figuring out how do we collect data, how do we make it productive, how do we encourage diversity in a way that we can all be winners at the table is the goal," he said.

Awareness and Education Crucial

Experts agree awareness is key. "The claims adjuster and the injured worker's connection, in my opinion, is the most important, second only to that injured worker's connection with their employer—how they connect with that claimant, how they perceive that claimant, how they believe that claimant," Cumbermack said.

To address D&I adequately, both new and existing employees must be trained, experts agreed.

"There is always a benefit to good diversity training. There is a trickle-down effect, I think, having that issue be on your mind and being aware about issues with implicit bias," Kwok said.

It's commendable that insurers are willing to embrace a more diverse and inclusive work environment, said Cumbermack. "But you also need to have



"Sometimes there are subtle cultural clues that people

wouldn't pick up unless you are from that culture."

Douglas Burrell, Drew Eckl & Farnham

employees who are culturally competent or trained to be culturally competent in dealing with claims," she added.

That's why D&I initiatives focused only on the hiring process may miss the mark. "It's not enough to say we have more minority claims professionals or more minority claims supervisors because just being a minority doesn't necessarily make you culturally competent," she said. "It's not a given."

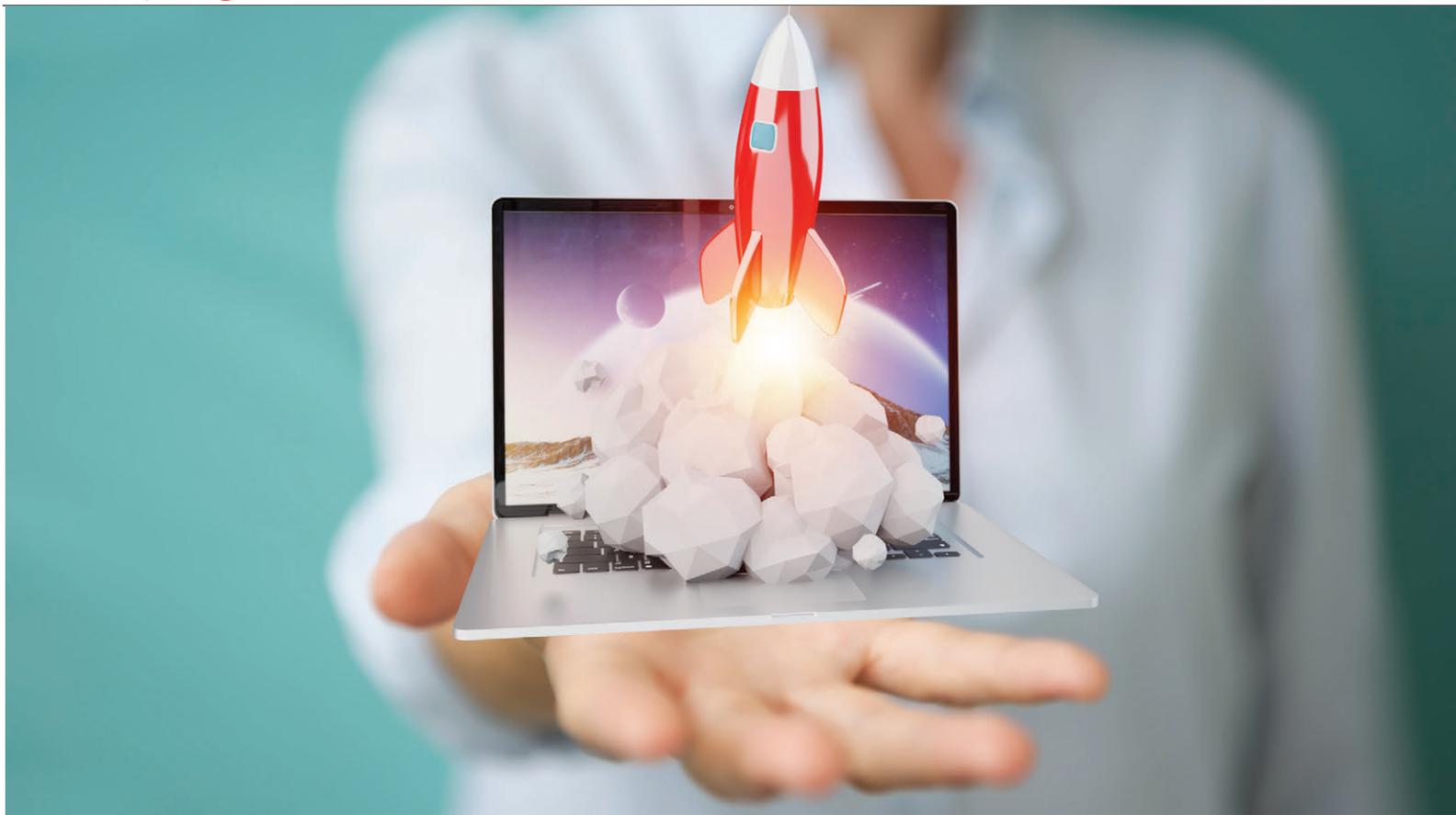
"You can't really understand how to be culturally competent if you're not aware of your unconscious biases," added Cumbermack, who serves as a co-chair of the state bar of Georgia's diversity program. "It's such a basic, bare minimum level of understanding that we need to have before we have any other discussions about diversity, equity and inclusion."

To successfully integrate cultural awareness remains the goal, experts said.

"Until we can say this is what we need to improve from—we need to have a baseline, and then we need to say, how do we measure progress. Until we have those things, those kinds of metrics, it's just going to be a lot of talk," Kwok said.

Ultimately, there needs to be a top-down approach and a commitment to creating a diverse and inclusive culture within the organization for it to be successful, Cumbermack said.

All agreed awareness, data tracking and a companywide mission to address D&I will lead to long-term success. 



Tech Startups Bringing the Power of **Applied Analytics to Potential Plaintiffs**

Executive Summary: Claims Journal Editor Jim Sams looks into the emergence of data-analytics providers, long used by insurers to calculate potential damages, that are oriented toward claimants instead. Injury Claims Express charges claimants 3 percent of any bodily injury award, up to \$500, for an app that estimates the value of minor injury claims. Justpoint gives consumers an estimate as to what their malpractice claim is worth and refers claimants to qualified attorneys.

By Jim Sams

Lee Fogle reached down to save his 12-lb. Yorkshire terrier, Nemo, as a pit bull lunged forward. The attacking dog's jaws clamped onto

his left hand, sending him to a clinic for sutures and starting a 10-month-long insurance battle.

"It seems in dog park etiquette, the winning dog has to provide insurance or payments to the losing dog," Fogle said. Fogle had worked 27 years in insurance technology, so he had a pretty good idea how much his claim was worth. But he was frustrated by the glacial pace of the process, the claims adjuster's refusal to return telephone calls and his attorney's 40 percent cut from the \$15,000 settlement.

There had to be a better way.

About two years after the dog park incident, Fogle founded Injury Claims Express (ICE), a company that makes software that uses data to estimate the

value of a potential plaintiff's claim. He said his patented system offers a solution to people who seek compensation from insurers for minor injuries and would rather not—or cannot—hire an attorney.

Fogle is not the only entrepreneur who is bringing applied analytics to the people. Justpoint, a company launched by healthcare technologist Victor Bornstein, allows victims of medical mistakes to document the particulars of their injury and find an attorney with matching qualifications and experience.

The two entrepreneurs are turning the tables on the insurance industry by employing data analytics as a means of pricing claims—but for the claimant. Both men say their products will also benefit

insurers by managing expectations of potential plaintiffs who sometimes make overly optimistic assumptions about what their claims are worth.

“Every Joe out there on the street thinks they won the lottery,” Fogle said. “They have an unmanaged expectation.”

Injury Claims Express is Fogle’s second go at launching a data analytics product in the claims space. In 2001, he founded Claims Outcome Advisor, which produces software that estimates the value of bodily injury claims. Fogle said his company created the Book of Quantum for the Republic of Ireland. The document offers guidelines to determine appropriate compensation to plaintiffs with bodily injury claims. He sold the company to Verisk shortly after its launch.

Fogle said consumers who use ICE must agree to pay his company 3 percent of any settlement amount up to a maximum of

\$500—far less than the typical attorney contingency fee. He said the app allows potential claimants to attach medical bills and other relevant documents and stores the information in a file that can be accessed by the claims adjuster assigned to the claim.

Users can negotiate with the claims adjuster directly using the app. But even if the adjuster refuses to accept an invitation to log onto ICE, the system is useful because it allows claimants to document their claims, estimate the value and keep records of relevant medical bills, Fogle said.

The app even notifies the carrier of early settlement opportunities, such as when the claimant reaches maximum medical improvement. ICE also suggests reasonable settlement amounts based on the nature of the injury and the degree of disability or disfigurement. Medical providers can also

enter data into the system.

Fogle said about three million people are injured in accidents in the U.S. each year. About 50 percent of them hire an attorney, even though 96 percent of those injuries are not severe. He said claimants who make unreasonable demands delay settlement by persuading the insurer to dig its heels in.

With ICE, claimants can ask for a settlement that reflects what insurers have paid to persons who suffered similar injuries.

“The PDF we create for the claimant is basically your demand letter,” he said.

A personal experience also influenced Bornstein’s decision to launch Justpoint, the app that helps malpractice victims find a lawyer to represent them. Bornstein said his own mother was injured because of a medical error when he was a boy growing

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up in Brazil. Although he was only 7 at the time, Bornstein said he still remembers that his mother was in a coma for two weeks and nearly died because of the error. Bornstein said Justpoint's customers are at the lowest point in their life. He said the app can help them by aligning their expectations with reality.

Justpoint gives consumers an estimate as to what their malpractice claim is worth. The app also taps into a database of information about 900 plaintiff law firms to find professionals with a record of success and relevant experience, he noted.

Bornstein said often people who are injured by a medical error are unable to find an attorney because the perceived value of the claim is too low. In some states, for example, health providers cannot be held liable for non-economic damages. Oftentimes, the statute of limitations has passed.

"We are going to tell them the truth, regardless of whether they have a claim or not," he said.

Bornstein said he first marketed the proposed technology to insurers. He said his system can be of great help to claims professionals by informing them about potential damages. He said the inefficiency

of the professional liability line is "frightening."

"Most of the money being spent is not on the claims," he said. "In malpractice, most of the cost is in claims processing and underwriting."

Harry Langenberg, founder of Optima Tax Relief, and Vivek Garipalli, founder of Clover Health, were among investors who provided \$1 million in seed funding to Justpoint last fall.

But Bornstein has changed strategy since then because he found insurers moved too slowly. In a second funding round, he's seeking investors in the litigation-funding space.

Justpoint is still in the "pre-revenue" stage, but Bornstein said he intends to negotiate finder fees with the attorneys who take referrals from the system.

Bornstein said healthcare providers can also benefit from his app. The company has learned a great deal about medical mistakes, he said. He noted that his research discovered two claims against the same doctor at the same hospital who made the same error both times. He also found two allegations of sexual abuse against minors by the same staffer at a Florida hospital.

"My goal is to work with hospitals to prevent these incidents from happening," he said.

Martin Ellingsworth, an analyst for Celent, said the services being offered by Injury Claims Express and Justpoint seem like a natural next step in the evolution of applied analytics. He said jury verdict research has been around about as long as court proceedings have been published. "When you have a number that needs to be generated, there are frequently two sides—often three or four—with an opinion about what the number should be."

Ellingsworth said analytics can provide value to consumers as well as insurers. "Advanced analytics isn't just for e-discovery and forensic audit; it can help consumers understand the value of their claim so they can make informed decisions," he said.

Data also creates opportunities. Years ago, Ellingsworth wrote a program that analyzes unstructured data held in written narratives within claim files to find subrogation possibilities. The same program can be extended to detect potential fraud.

Ellingsworth said Paradigm Outcomes' business was built on data. The firm has a deep understanding of what it costs to treat people with catastrophic injuries, so it can accept a flat fee from workers compensation insurers to take over the care of seriously injured workers, speeding recovering by dispatching "swarms" of specialists.

Similarly, Ellingsworth said installing video cameras in commercial trucks can help insurers avoid the cost of litigating a claim that should be settled quickly or showing that the truck driver was not at fault.

"That's good for everybody," he said. "It reduces the expense of arguing, for example. I don't see a downside to having the facts because it takes all the expense out of it." [CM](#)

Jim Sams is the Editor of Carrier Management's sister publication Claims Journal

Also In the Claimant-Oriented Data Analytics Space...

PainWorth, a Canadian company that built an app that allows accident victims to estimate the value of their bodily injury claims, acquired California-based legal-tech provider ProSe Claims in April.

"Our goal is simple: We want to democratize and modernize a slow, biased, and antiquated justice system," PainWorth Chief Executive Officer Mike Zouhri stated in a press release. "We want everybody to be able to get justice, regardless of their age, sex, race, or economic situation."

PainWorth, based in Edmonton, Alberta, provides a free app that allows claimants to estimate the value of their bodily injury claims and create a

demand letter that can be mailed to an insurer.

ProSe Claims, based in Los Angeles, guides users to search for alternatives to traditional legal representation, allowing clients to self-represent.

ProSe Claims founder and CEO Justin MacFayden will join the PainWorth team.

"Americans pay the highest medical costs in the world, so the ProSe Claims and PainWorth technologies together are urgently needed to help people involved in car accidents, medical malpractice suits, or even assault and battery cases simply and through an app," MacFayden said in the press release.

PFAS LITIGATION LEVELS Already at Epic Proportions



Adam Grossman, Ph.D., is Praedicat's Senior Scientist and Vice President of Modeling.



David Loughran, Ph.D., is Praedicat's Senior Vice President of Product.

Executive Summary: Based on census of all state and federal complaints citing PFAS damage and filed in U.S. courts since the litigation began 22 years ago, Praedicat reports that the litigation already has reached epic proportions. Here, Praedicat's Adam Grossman and David Loughran report the figures, the history of the litigation to date and the current state of PFAS-related water mitigation litigation that presents a forever problem for liability insurers.

By Adam Grossman and David Loughran

Mass litigation is every casualty insurer's worst nightmare, conjuring up memories of the unending flow of asbestos litigation and the devastating effect it had on the industry. Today, though, we're in what seems like the throes of another potentially unending mass litigation over the "forever chemicals," per- and poly-fluoroalkyl substances (PFAS).

PFAS chemicals have been used in

familiar brands such as Teflon and Scotchgard, and their nickname of the "forever chemicals" refers to their persistence in the environment but could just as easily refer to the amount of time the exposure remains on the liability insurance occurrence form. Many insurers are aware of the problem, at least as it relates to recent litigation over firefighting foam but also from historical exposure to some of the manufacturers of PFAS over the last 75 years, including Dupont and 3M.

Praedicat recently completed a massive data collection for its PFAS litigation tracker, a census of all state and federal complaints citing PFAS damage and filed in U.S. courts since the litigation began. The litigation already has reached epic proportions—with 5,153 complaints filed in 40 courts, naming 193 companies that span 82 industries—and has been running for more than 22 years, since the first case was filed on June 11, 1999.

Despite this scale, PFAS litigation may only be in its earlier stages.

The first stage of PFAS litigation, initiated in 1999, was the result of contamination of the Ohio River from waste generated by Dupont's Washington Works plant near Parkersburg, W.Va. The DuPont litigation (led by *Leach v. DuPont*) eventually led to the creation of the C8 Science Panel in a 2004 settlement. When, eight years later, the science panel declared "probable links" to eight diseases, lawsuits from the residents of Parkersburg quickly followed, with 26 cases filed in the subsequent few months. In April of 2013, these cases and all future cases on this matter were transferred to multidistrict litigation (MDL). As of the writing of this article, the total number of personal injury cases filed in the MDL has grown to 3,725—more than three-quarters of the total number of PFAS cases filed to date. The majority were settled in 2017, and another batch was settled in early 2021, leaving

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only a few dozen cases still active.

The litigation data also reveal that if the PFAS litigation had ended with Parkersburg, it would simply have been a very large loss to a single company over a case of dumping industrial waste into the environment. There were only 25 other cases filed between 1999 and 2012 when the C8 Science Panel completed its work. Most of these were of little consequence, but three of them foretold what we're seeing today: massive water remediation litigation.

In 2009, water utilities in Ohio and Florida filed lawsuits to recover the costs of removing PFAS from their water. In 2010, the state of Minnesota filed a lawsuit seeking water remediation due to contamination from a 3M PFAS plant, and this case settled in 2018 for \$850 million. These cases had the distinction of highlighting the two most common ways PFAS are dumped into the environment in large amounts: aqueous film forming foam (AFFF) and dumping from specific industrial sites.

The inclusion of AFFF as the target of litigation was also a watershed moment. It was the first claim targeting a defective product since an unsuccessful and short-lived class action claiming that Teflon emitted dangerous fumes when used for cooking. Unlike the Teflon class action, however, the AFFF litigation has become the dominant form of PFAS litigation today and spawned its own MDL in 2017 that now houses approximately 1,250 cases involving claims for water remediation and bodily injury litigation from heavily exposed firefighters.

Tracking the early litigation for PFAS would have revealed the myriad ways that plaintiff attorneys would attempt to hold PFAS-related companies responsible for

the various effects PFAS has on humans and the environment. PFAS water remediation litigation was not widely known until the flurry of cases that were filed in 2016-2017, but tracking the early litigation would have provided five years' warning where insurers could have devised strategies to manage the eventual expansion of litigation.

The real power, though, of tracking litigation comes when combining that information with tracking the evolving scientific literature investigating how PFAS can cause bodily injury. When the first lawsuit was filed in 1999, there was virtually no support in the scientific literature for PFAS causing any bodily injury. By the time the C8 Science Panel finished its work in 2012, there was enough scientific evidence that PFAS could cause reproductive and developmental injuries to support general causation arguments, although not necessarily enough evidence to be able to link a specific case of, say, infertility to a particular PFAS exposure.

At Praedicat we've also observed that the presence of litigation about property damage increases the likelihood of related bodily injury litigation, and vice versa. The work of the C8 Science Panel combined with the increasing attention paid to PFAS by other scientists around the world rapidly advanced the science in the first half of the 2010s. These two phenomena combined to suggest that the early litigation based in Parkersburg and the subsequent individual water remediation lawsuits in Florida and Ohio were likely to be precursors of wide-ranging litigation.

What's next for PFAS litigation?

Again, combining the evolving scientific literature with the litigation tracking data suggests that we will not see litigation limited to industrial sites and the military bases and airports where AFFF was used. Similarly, bodily injury litigation will likely not remain limited to firefighters exposed to PFAS via AFFF and their protective gear.

It is possible that PFAS water remediation litigation could expand to include defendants in industries from all

the other ways PFAS get into the environment: food-contact paper, waterproof shoes and textiles, carpet protectant, cables and wiring, floor polish, semiconductor manufacturing, and more. We've already begun to see this expansion, with suits against both shoe and carpet manufacturers already filed.

Regulators and scientists are not finished identifying PFAS exposures yet, either. Just a couple months ago, PFAS were found in some pesticides despite not being a declared ingredient in them. Further investigation by EPA suggests that the process used to fluorinate high-density polyethylene pesticide containers created PFAS that ended up contaminating the pesticides. The result is that PFAS were spread directly into the environment via pesticide applicators.

Non-governmental organizations have done independent testing of several classes of consumer goods, including cosmetics and menstrual underwear, and found unexpectedly high levels of PFAS in them as well.

With a surfeit of ongoing litigation and more sure to come, what's an insurer to do?

Casualty insurers today are adopting broad-based PFAS exclusions to protect against additional exposure. Many carriers probably wish they had adopted these exclusions years ago, and perhaps they would have had they been closely tracking both the science and litigation as they were developing.

The question now, though, is whether PFAS still presents an opportunity for risk transfer. Keeping close tabs on litigation and science, some carriers may find opportunity to write back PFAS coverage on a named-peril basis for downstream users of PFAS about which scientists have minimal concern.

And insurers with significant legacy exposure to PFAS may be in a position to quantify and, therefore, transfer future claims to the runoff market.

Finally, the growing crop of runoff insurers should be sure to investigate and price the exposure to the forever chemicals in their clients' portfolios. [CM](#)

PFAS by the Numbers

5,153 complaints

40 courts

193 defendants

82 industries

\$850M 3M settlement, 2018



EXPENSES

How to Lower Legal Expenses and Improve Litigation Outcomes With Analytics

Executive Summary: Following up on an earlier article advising carriers about how to use analytics as a tool to prevent claims from moving into litigation, two veteran analytics officers affiliated with EXL Services move on to the application of analytics when litigation can't be avoided. Here, they argue that the combination of internal structured and unstructured insurance company data, external legal data and advanced analytics can help carriers make decisions about when to use in-house or outside counsel, the best law firms to engage for specific types of claims, and even help them make predictions about whether cases argued by a specific plaintiffs' attorney or brought before a certain judge are likely to settle.

The prior article, published on the *Carrier Management* website, is "How to Avoid Litigation With Pre-Suit Claims Analytics."

By Amit Sharma and Upendra Belhe

Defending lawsuits and managing trials is a major focus area and expense category for insurers—whether they are defending insureds against liability claims or defending themselves in coverage and bad-faith actions. There are many reasons why an involved party may file a lawsuit: impasse during negotiations, lawsuit at first notice of claim, inefficient claim handling, allegations of bad faith, etc.

Based on our experience and industry financial data, we find that anywhere from 3-8 percent of direct written premiums are spent on managing litigation. The complexity of issues involved with litigation varies across lines of business. As

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Amit Sharma is Vice President of Decision Analytics at EXL. He has over 20 years of experience in providing advisory and analytics services to leading global insurance carriers across product, marketing and distribution, claims and actuarial operations in the U.S., UK and Europe, Latin America, Asia Pacific and Australia markets. Reach him at amit.sharma3@exlservice.com.



Dr. Upendra Belhe is the President of Belhe Analytics Advisory, helping companies achieve business outcomes through data-driven insights. He serves as a strategic adviser to EXL Service. He has over 25 years of industry experience, having previously served as chief data and analytics officer of Gen Re, chief analytics officer of Chubb and as a former national director of information analytics at PricewaterhouseCoopers, among other roles. Reach him at upendra@belheanalytics.com.

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the underlying risk becomes more complex, we find that the claims-in-suit percentage increases exponentially.

In the private passenger auto line, the Insurance Research Council reported in 2019 that the average bodily injury claim cost rose by 31 percent from 2008 through 2017. Litigation cost is a big driver of this, with 52 percent of bodily injury claimants hiring attorneys in 2017, according to a 2018 IRC report. Unsettled claims lead to lawsuits, forcing insurers to hire defense counsel, which quickly can escalate the claim cost upward of \$50,000.

(Editor's Note: The \$50,000 figure is from a Verisk Analytics article from Nov. 19, 2019, "Litigation insights offer the key to rising claim costs," referencing the 2013 study "Estimating the Cost of Civil litigation, National Center for State Courts." It is a 75th percentile estimate of billable costs by senior attorney in automobile tort cases.)

Apart from increases in claim cost and expense, lawsuits also have an adverse

impact on claim resolution time, also known as cycle time. According to the 2019 CLM Litigation Management Study, 80 percent of the insurers confirmed that the majority of litigated claims are settled far deeper into the litigation process than necessary.

Analytics Framework

Senior management at three out of four carriers is reported to be paying closer attention to the effectiveness of their litigation management practices, according to a study by the Claims and Litigation Management Alliance. In our prior article, "How to Avoid Litigation With Pre-Suit Claims Analytics," we described an analytics-driven approach to reduce the percentage of claims in suit. Here, we lay out a framework, which is a combination of descriptive, prescriptive and predictive analytics techniques that can provide actionable insights to claim adjusters and help in driving favorable litigation outcomes and efficient claim handling.

The tools developed as part of this framework can have a direct impact on key metrics like average total cost per case, legal expense per case, cycle time (days to resolution), the allocated loss adjustment expense portion of a loss ratio, allocated legal loss adjustment expense portion of a loss ratio, as well as average or median bill rates by claim type.

Key Components of the Framework

Once a lawsuit is filed, a claim goes through several additional decision-making steps. The overall objective of the framework is to equip claim associates

with insights at each decision point to help reduce subjectivity and make decisions based on trends or patterns in the data.

The accompanying figure (left) illustrates some of the key decision points and analytics we can apply at these points.

The framework involves two types of analytics:

- **Counsel Selection Analytics.** Predictive and prescriptive analytics for optimum counsel selection (in-house or outside) at decision points 1 and 2.
- **Litigation Management Applications.** A suite of applications leveraging internal claims and external legal data, generating actionable insights for trial and settlement strategies, decision points 3 and 4.

Both levers can be implemented as separate standalone applications with custom-designed user interfaces or they can be combined with associates' current workflow applications.

Below, we describe details for both frameworks.

Counsel Selection Analytics

Choice of counsel is a key decision that defense teams have to make. As with most complex processes, legacy preferences, subjectivity and relationships have driven this decision at most claim organizations. There are multiple dimensions to be considered, including:

- **Case complexity.** How severe the case file is from a damages, injury and claim-type standpoint.
- **Jurisdiction.** State or county where the lawsuit is filed. (In-house teams may not have attorneys or offices in all possible jurisdictions.)
- **Specialization** in specific cases.
- **Conflicts of interest,** especially in coverage issues.
- **Appetite.** Capacity and business plan of in-house trial team.
- **Past performance** of in-house vs. outside counsel (specific firms) in particular types of claims. Financial metrics like expense incurred, settled amount, cycle time are key measures of performance here.

Defining Terms

Descriptive Analytics analyze historical data to learn what is happening in business past and present.

Predictive Analytics analyze past and present data to forecast and allow businesses to make predictions about the future.

Prescriptive Analytics use data modeling, forecasting and prediction to test likely outcomes of different actions. Prescriptive analytics showcase viable solutions to a problem and the impact of considering a solution on future trend.

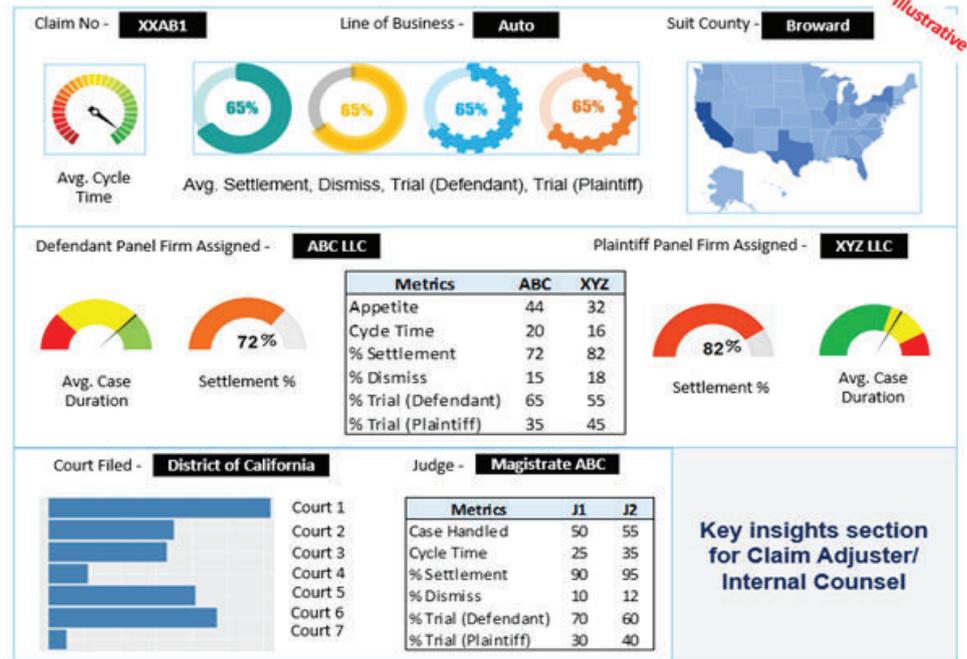


An analytical approach quantifies these parameters and their possible interactions in a multivariate fashion and can provide directional and quantitative scores to claim associates on the best course of action. Furthermore, carriers can also build a scorecard application where all firms are benchmarked across various performance metrics. This kind of approach allows the expertise of the claims team to be combined with historical claims experience, external data and rigorous analytical approaches, creating a fine-tuned approach over time.

Management Tools

In our experience, a suite of applications that leverage insurer internal claims data and third-party legal data to provide key litigation insights is a critical part of a comprehensive strategy.

- **Internal Structured Data.** Claims attributes from operational systems like claim centers provide insights like frequent resolutions on “similar” claims and spend associated with those outcomes (litigation expense, cycle time, indemnity).
- **Internal Unstructured Data.** Log notes entered by adjusters provide indications around expected litigation expense on a case file. Such data can be used in various ways, such as flagging case files that have the potential to exceed certain expense threshold limits or providing a range of estimated expenses. This will help claim associates be more proactive on flagged case files and to keep expenses in check. It will also lead to more accuracy in budget allocations.
- **External Data** provides insights on trends and patterns seen across the legal industry. This can include key data elements around a lawsuit, such as case



number, case type, plaintiff and defendant attorney, outcome, file date, county or state court, etc. The data can provide answers to various hypotheses: probable case outcome (settlement vs. judgment); behavioral trends related to various parties involved in a lawsuit (judges, defense lawyers, plaintiff lawyers or firms); interactions among parties (attorney performance by specific-case types, or performance in front of specific judges); geographical trends (county courts with high judgments for specific case types).

Applications built on these sources act as knowledge databases for associates building case strategies, automatically alerting them to any red flags.

Why Use an Analytics Framework?

In addition to positive impact on key financial and operational metrics, an analytics framework can help an insurance company with key questions related to litigation process:

- When to refer to in-house counsel vs. outside counsel?
- Which outside law firm to choose when handling a specific type of claim?
- Which case files have the potential to become severe expense burdens,

requiring more attention?

- Which defense attorney is favorable in front of which judge, opposite which plaintiff attorney or defending a specific case type?
- Which case file-plaintiff attorney combinations are least likely to result in settlements?
- What strategy should be taken for handling simple vs. complex case files?

As we’ve argued in earlier articles, advanced analytics and data-driven approaches are mainstream in the area of litigation management for P/C carriers. Progressive carriers are using analytics not only to reduce the percentage of claims in suit (i.e., pre-suit interventions) but also to better manage the claims in suit for lower expense and preferred outcomes. In addition, smart application of internal and external data can prepare the carriers for newer trends in the industry (e.g., COVID-related litigation, impact of specific judicial rulings).

In this age of acceleration toward AI and ML, it would be a tremendous waste for P/C carriers not to leverage these strategies to improve their loss adjustment expense ratios. [CM](#)

Understanding Social Inflation and What to Do About It



Chris Bozman, FCAS, MAAA, is a Senior Director with Willis Towers Watson with over 30 years of experience in the property/casualty industry, including 20 years as a consultant. He is one of the leaders in the firm's reserving practice and was recently a co-author of the firm's white paper on COVID-19. Reach him at Christopher.Bozman@willistowerswatson.com.



Katey Walker, FCAS, MAAA, CSPA, is a Senior Director with Willis Towers Watson with 20 years of experience in the property/casualty industry as a consultant and in executive and senior management roles for Top 10 insurance companies. In her current role as Americas P/C Sales and Practice Leader, her focus is on market strategy and client solution development. Reach her at Katey.Walker@willistowerswatson.com.

Executive Summary: Will the plaintiffs' bar seek larger jury awards to compensate for the potential for higher future economic inflation? Consultants from Willis Towers Watson raise the question after reviewing some of the drivers of social inflation and describing other conditions that suggest social inflation will continue to drive up liability insurance claims in the future. They also urge carriers to take a granular approach to understand this type of inflation, analyzing data by geography, type of insured and even by plaintiffs law firm to inform underwriting and claims management activities.

By Christopher Bozman and Katey Walker

Social inflation has become the buzzword in insurance in recent years, and the exact definition, causes, impact and outlook for the future remain fuzzy to many companies.

Social inflation broadly refers to the rise in liability loss costs beyond what would be expected from economic inflation alone. Insurers must accurately predict trends over time in the business they are insuring, otherwise premiums will be inadequate to cover liability claims that may settle years from now.

Social inflation is not



new. In fact, in the late 1970s and early 1980s, when U.S. inflation was averaging 10-15 percent per annum, tort costs as a percentage of real GDP were rising on the order of 15-25 percent per year. This ultimately led to structural changes in the insurance system, a liability insurance crisis, changes in policy forms and introductions of exclusions, and a significant late-1980s market hardening.

The current social inflation challenges have come on the heels of a decade-plus of benign liability trends in lines such as general liability and medical malpractice. But sometime around 2014 or 2015, the trends began to reverse. Insurers began to experience a frequency of severity. For example, in medical malpractice, the proportion of claims settling for over \$3 million increased by nearly 50 percent almost overnight. Companies writing lead umbrella saw more losses piercing their \$1 million attachment point, and claims settling for hundreds of millions of dollars became much more commonplace.

Changing societal attitudes may be fueling this recent bout of social inflation.

While recognition of the term and trend has grown over the last several years, the definition of social inflation remains inconsistent. The simplest way to think about it is as inflation over and above what's expected from normal economic inflation, claims frequency and severity trends—or from foreseeable trends, such as changes in life expectancy and the impact of building codes, automotive technologies and medical advances. To date, it is mainly a U.S. issue, although the effects in markets such as the UK and Australia are also starting to become more apparent.

Causes of Social Inflation

A key reason why social inflation is affecting U.S. insurers particularly is the legal system makes it easy for injured parties to bring suit. Plaintiffs attorneys are willing to work on a percentage of winnings, and their tactics continue to sharpen. Large corporations, as defendants, are increasingly being seen as the “bad guys” that need to be punished.

Related Online Articles:

- Stop Nuclear Verdicts: Hire Plaintiff Lawyers
- It's Not Over: Social Inflation Will Be Around for Some Time
- Insurers Need Playbook to Slow Social Inflation; COVID Didn't Do It
- Managing Social Inflation: What Should Be in the Defense Playbook

Attitudes of millennials, the increasing wealth gap and the associated notion that someone must pay for all societal wrongs are often seen as drivers of larger settlements. On top of this, litigation financing has allowed plaintiffs firms to increase the resources that can be brought to bear on potential high-severity cases and often leads to plaintiffs holding out for even larger awards.

Local and national governments are weighing in with legislation to reflect changing public opinions about what is fair and just. Across state courts, the erosion of caps on punitive damages for pain and suffering have resulted in plaintiffs seeking larger payouts.

Impact of COVID-19 on Social Inflation

Social inflation may have taken a breather during COVID-19. Strong government support for households during the pandemic, combined with immunity protections for many involved in the COVID-19 response, such as healthcare workers, have led to fewer liability claims than many had originally projected. In addition, social distancing reduced the number of accidents, both on the road and off the road, and courts were temporarily closed. There is evidence that the tort system has slowed down.

What does this mean for the future?

The driving factors of social inflation are not going away and may be further exacerbated. The wealth gap has continued to widen. Society has become increasingly polarized. Anger at corporations has not dissipated. While frontline medical workers and hospital systems have been

viewed in a more favorable light due to their actions to fight COVID-19, this halo effect is unlikely to last.

The Unknown Direction of General Inflation

There have been spikes in U.S. general inflation, driven by price increases for lumber, used cars and travel. Most view this inflation as transitory, driven by temporary supply/demand imbalances as the economy comes out of COVID-19. However, the risk has heightened that general inflation increases could be longer in duration, as the economy heats up in reaction to pent-up demand and government spending.

What will this do to claims settlements? Will the plaintiffs' bar seek larger jury awards to compensate for the potential for higher future inflation? It is possible that the risk of increases in general inflation could drive more social inflation, as seen in the late 1970s and early 1980s.

Measures Taken to Limit Financial Implications

While insurers have a degree of empathy for the public expressions of frustration with the “system,” this doesn't alter the potential impact on insurance as a business and the need for companies to take steps to protect themselves from or limit the potential financial implications of social inflation.

What can insurers do, beyond raising rates?

Understanding social inflation at a granular level—by claim type, geography, type of insured is key. Understanding which plaintiffs' law firms are the most successful and aligning claims management and outside counsel management to most effectively fight these firms can make a difference.

While insurers may be fighting an uphill battle, the data they can harness—and the analytic know-how and tools to apply that data—can give companies an opportunity to tailor their pricing, underwriting and claims management to mitigate the impact of social inflation most effectively. [CM](#)

Not Your Grandpa's MGA:

Competition Heats Up

in Digital Insurance

Executive Summary: New managing general agencies are leveraging technology to disrupt the status quo in commercial lines for small and midsize businesses and specialty lines for consumers with some entirely new entrants, like Joyn, and others linked to well-known brand names, like Berkshire-Hathaway and Chubb. Veteran Insurance Journalist Russ Banham got the scoop on building efforts for all of them from the executives leading the innovation efforts.

By Russ Banham

For nearly 150 years, managing general agencies have been an important sales and distribution arm of the U.S. insurance industry, initially offering a way for an early insurance company to enter emerging Western states without having to invest in developing a local office. As the carrier's fronting mechanism, the MGAs were authorized to underwrite, issue and sign insurance contracts on its behalf in these regions.

MGAs continue to "hold the pen" for property/casualty insurers in providing a cost-effective way for insurers to generate new business. Until recently, however, the wholesale brokers were as stodgy as the rest of the legacy industry. No longer is this the case, following the explosion in InsurTech MGAs using technology to quote, underwrite, bill and price property,

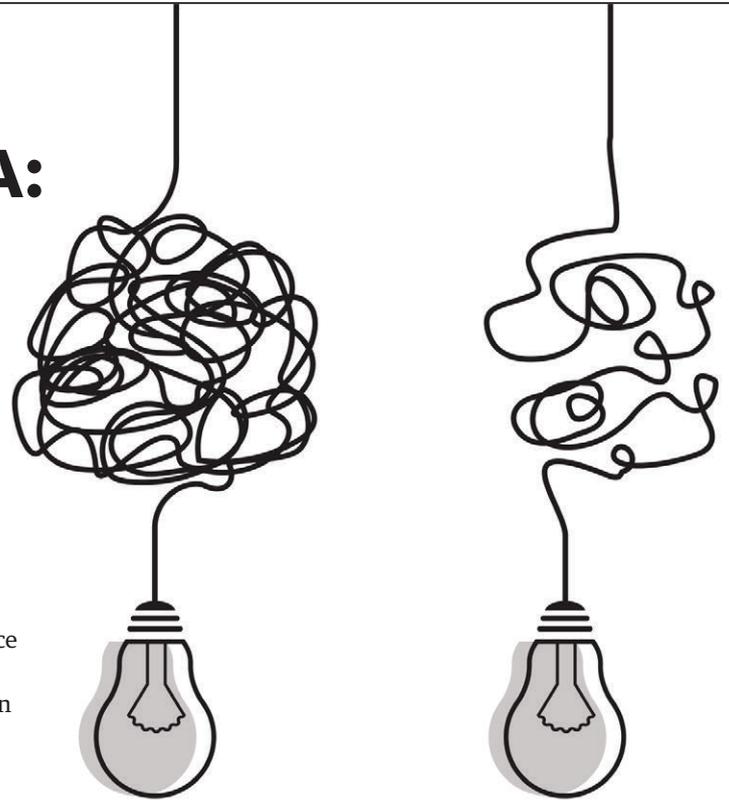
casualty and health insurance policies in real time—a compelling value proposition for prospective customers.

Emphasizing that today's MGAs are a new breed, the companies have selected brand names as trendy as other InsurTechs' monikers. Among them are Joyn and biBERK, two that perceive a ripe opportunity to engage businesses with digital insurance policies, which are as easy to understand as they are to buy. Here are their stories, followed by a couple others.

Connecting Joy to the Insurance Experience

Seraina Macia moved to the United States from her native Switzerland in 2008 to join Zurich Financial Services as the president of its specialty insurance business unit. Between then and now, Macia served in a leadership capacity at several insurers—chief executive of XL Insurance, CEO of regional operations at AIG and CEO at Hamilton Insurance, which was acquired by AIG and renamed Blackboard Insurance in 2017.

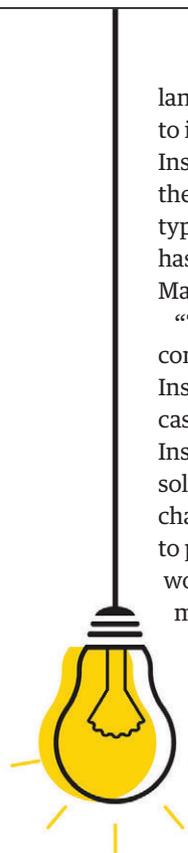
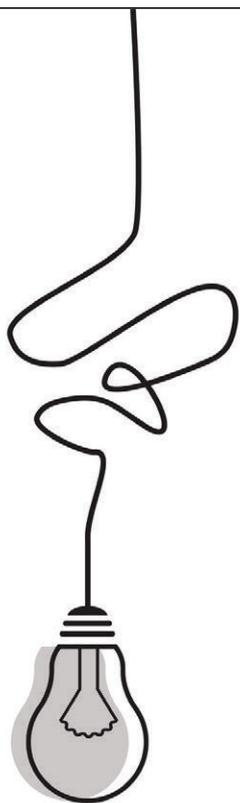
Macia left Blackboard in 2020 and is presently the co-founder and CEO of Joyn, an MGA backed by top 20 global insurer and reinsurer SiriusPoint, created earlier this year via the merger of Sirius International Insurance Group and Third Point Reinsurance. Joyn, whose novel



"With our cyber product, there are no underwriting questions. Right away, you pick the type of insurance policy you want, in terms of coverages and price...Nobody wants to read through 20 or 30 pages with endless endorsements they can't comprehend."



Laura Bennett, Chubb



name is not unusual in an era of oddly titled InsurTechs like Hippo and Lemonade, is a play on two words: joy and join. “We want to bring joy into the insurance context,” Macia explained. “We’re doing that by joining with SiriusPoint as close partners in a family that also includes brokers and the business leaders we serve.”

The joy that Joyn hopes to deliver is predicated on the combined use of digital technology, automation and data analytics to remove the operational inefficiencies inherent in transacting insurance in the lower-midmarket commercial insurance space, basically businesses with \$10 million to \$30 million in annual revenues. “We believe this market is ripe for transformation and has the desire to undertake this transformation,” Macia said.

Many owners and managers of midsize businesses would likely agree that buying commercial insurance policies is a time-consuming manual process fraught with uncertainty and frustration. The policy

language can be arcane, wordy and open to interpretation. Whereas other InsurTech MGAs have successfully solved these drawbacks for smaller Main Street-type businesses, the lower-midmarket has yet to achieve the same benefits, Macia said.

“The small business end of the commercial market is crowded with InsurTech providers, but this is not the case with midsize companies. The few InsurTechs we studied are focused on solving narrow problems in the value chain,” she said. “We saw an opportunity to provide a level of automation that would be transformative, leveraging modern technologies to create a new standard of expectation for a \$100 billion market we felt was underserved.” (Market size estimate from S&P Global Market Intelligence.)

Joyn launched in July on a nonadmitted basis in 21 states with a property insurance product for six industry verticals. The MGA has received a few submissions already, Macia said in mid-July. In September, Joyn will begin offering general liability insurance in these states and hopes to have a presence in as many as 30 states by the end of the year as well as an umbrella liability product. “Next year we’ll add the remainder of the states and move into the admitted space nationwide,” she said.

The MGA is focused on transferring commercial risks for midsize companies in six industry segments: real estate, manufacturing, services, wholesale, retail and contractors. Macia said these businesses have no time to waste on a manual insurance process that is strewn with bottlenecks and steals their attention from the more important aspects of running the organization. These “pain points” begin with the insurance submission process to determine the premium quote, she said.

“Half the time, after they manually fill out the submission, they don’t get a response back for days, weeks and longer, if at all,” Macia alleged. “We’ve created an

“The small business end of the commercial market is crowded with InsurTech providers, but this is not the case with midsize companies. The few InsurTechs we studied are focused on solving narrow problems in the value chain.”



Seraina Macia, Joyn

automated intake process that pulls in all the data the company normally provides on a manual basis in the submission, easing the process. This helps us respond to every submission within 48 hours with a fast ‘yes’ or ‘no’ from an underwriting perspective.”

Assuming the response is affirmative, the policy is automatically bound and issued. “Typically, brokers serving the lower-midmarket hire a third party to check a policy for clerical errors, which consumes time and frequently results in the need to rewrite the policy,” she said. “Since our policies are automated and machine-generated, they are accurate from the outset.”

Joyn also ensures consistency in the underwriting responses, she said, explaining that a broker typically provides the submission to a group of carriers for a quote and receives back a range of coverage terms and conditions at different premium rates that make little sense to the buyer.

“We’ve created what we call machine-

continued on next page

How We're Doing It: Innovation

continued from page 25

augmented underwriting, which is not an easy thing to do by the way,” she said. “Basically, we’ve automated most of the underwriting rules, so the broker always receives a consistent response. By automatically pulling most of the [customer’s] data from external sources, underwriters are freed up to focus on the red flags, where human judgment is needed.”

Asked for an example of a red flag, she cited a commercial building that is older than 30 years. If the data on the condition of the roof is not available to automatically pull into the submission, an underwriter needs to reach out to a local inspector to evaluate the roof, she said.

Since Joyn automates the policy rating process, a request to change the policy—choosing a different deductible, for example—can be completed in real time, Macia said, pointing out that this process generally consumes two to three days at present. “These things will eventually become standard, but we’re making them standard now,” she said. “Our goal is to do what the industry has long done, just 10 times better.”

While InsurTech competitors also can pull external data sources to fill in the typical questions in an insurance submission, Joyn’s competitive differentiation, Macia said, is the real-time integration of this data into its underwriting process on a consistent basis. “We draw data from 10 external sources and are adding to this all the time, but the difference is how we use this data consistently,” she said. “Eventually, we’ll apply machine learning to continuously refine the underwriting rules, making the process smarter and faster.”

In creating this differentiating experience, she extolled the work of Joyn’s data and insurance teams. “They’re not afraid to challenge the status quo,” she said. “I told them we had an opportunity to start a company from scratch that can create a new industry standard of excellence. It’s a high bar, but one they are all eager to grasp.”

In five years, Macia forecast that Joyn



“Small businesses historically have had to buy these

independent policies that were difficult to read and understand. They put you to sleep.”

Rakesh Gupta, biBERK

will be a significant player in the middle-market space. “Our strategic partnership and investments from SiriusPoint suggest they are very open to us growing through acquisitions, given the potential to make a difference in a \$100 billion market,” Macia said.

She emailed a news release in which Sid Sankaran, SiriusPoint CEO and chairman, appeared to support this evolution. “Joyn’s tech-enabled approach, underwriting-first mindset, and the team’s obsession with resolving longstanding pain points for brokers and customers align perfectly with our vision for how to bring about change in the marketplace,” Sankaran stated.

THREE for the Road

biBERK also provides commercial insurance, in its case to traditional Main Street businesses, selling workers compensation, BOPs (businessowner insurance policies), general liability, umbrella, professional liability and (as of May 2021) commercial automobile insurance. Backing the MGA is Berkshire Hathaway, which retains 100 percent of the insured risk, hence

biBERK’s unusual name.

In its advertisements, the nearly five-year-old MGA touts its national footprint, broad array of small business-focused insurance coverages, rapid quoting, premium savings—attributed to no middleman or insurance broker—and the estimable financial strength and stability of Berkshire Hathaway. Recently, the MGA has capitalized on these assets in offering THREE, a single insurance policy combining BiBERK’s different small business insurance coverages.

“biBERK is an à la carte menu of small business insurance products, whereas THREE is a buffet,” said Peter Shelley, president of Berkshire Hathaway Direct Insurance Company. “On a laptop or a cellphone, a small business can buy one insurance policy composed of three different policies: workers compensation, commercial auto and a BOP. Within five minutes, the customer gets a price quote, and in another five minutes gets the coverage. That’s a unique value proposition.”

Another plugged value is the cost of the policy, which is approximately 20 percent less than buying three policies on a separate basis, said Rakesh Gupta, biBERK’s chief operating officer. These savings derive in part from the MGA’s automated quote and binding processes, which are passed on to small business customers in lower premiums.

“With both biBERK and THREE, we initially thought we needed to make the



[submission] questionnaire as short as possible to make it easy and fast for small business owners to fill out,” said Shelley. “To our surprise, we found that too few questions were a concern, as it suggested we weren’t putting effort into trying to understand the owner’s business. Every company is unique, of course, and they actually wanted us to ask them about their business to ensure we were giving them coverages they needed and were pricing them correctly.”

The longer questionnaire still takes most business owners no more than five minutes to fill out, even with bundling together three separate insurance policies into one. “Small businesses historically have had to buy these independent policies that were difficult to read and understand. They put you to sleep,” Gupta said.

Business owners also were unsure what was covered in each policy. “In some cases, there were overlapping coverages [across the three policies] and coverage gaps. We’ve found the right balance between too few questions and too many,” he added.

THREE is three pages long and written in “simple English,” Gupta said, noting that additional insurance products like flood, cyber, earthquake and even more complicated coverages like directors and officers liability (D&O insurance) may be added to the policy.

In the Blink of an Eye

Blink by Chubb also is predicated on providing simple, straightforward and streamlined insurance information and policies to buyers, although its target market is consumers, and to be more precise, millennials. “We researched what opportunities were out there to provide additional insurance services and realized we were not meeting the needs of millennials,” said Laura Bennett, Chubb senior vice president of eConsumer in North America.

These insights were discerned following an early 2020 survey of more than 1,000 millennials. When asked if they felt they were getting great value from their insurance policies, only 3 percent of the

“To our surprise, we found that too few questions were a concern, as it suggested we weren’t putting effort into trying to understand the owner’s business.”



Peter Shelley, Berkshire Hathaway Direct Insurance Company

respondents responded affirmatively. “For the most part, they didn’t understand what they were buying and had an overall poor impression of insurance,” Bennett said. “While they recognized the need for insurance, they didn’t engage with their agents in the ways that other generations did.”

Blink by Chubb was developed to overcome these drawbacks. Written in plain language, its first digital-only insurance policy covers personal cyber risks. The policy absorbs nine separate cyber exposures, including extortion, financial fraud, data breaches of privacy, identity theft and cyber bullying, among others.

“With our cyber product, there are no underwriting questions. Right away, you pick the type of insurance policy you want, in terms of coverages and price,” Bennett said. “Nobody wants to read through 20 or 30 pages with endless [coverage] endorsements they can’t comprehend.”

Although Blink is a wholly-owned, Chubb-endorsed brand and is not licensed as an MGA, it has engaged with a group of InsurTech MGAs that appeal to a millennial audience. For example, Waffle, an easy-to-use platform focused on the insurance

needs of millennials, offers the Blink cyber product through its website and app. Waffle also partners with other insurers like Crum & Forster to provide pet insurance and with Arch RoamRight to provide travel insurance, among other carriers.

Another Blink partner is iBynd, an InsurTech MGA that also has a millennial-focused platform and is in the process of integrating Blink’s personal cyber insurance policy into its suite of products. Bolt Access, an InsurTech MGA that offers both digital personal lines and commercial lines products, has a similar partnership arrangement with Blink. “We have APIs [application programming interfaces] that connect with each of these partners to offer easy, effortless and affordable consumer insurance products,” Bennett said.

Blink will gradually add other policies to its lineup for millennials, including travel, pet, personal valuables and disability insurance. Filing a claim against any Blink policy also is a streamlined and simple digital experience, Bennett said.

Obviously, an industry often criticized for being slow to address today’s instant gratification culture has caught up to the need and is giving business owners and consumers more of an Amazon-like experience. Joyn’s Macia equated the legacy insurance industry and today’s InsurTech MGA startups to the difference between “renovating an old house and building a super-nice, modern smarthome, much faster, cheaper and better.”

Shelley from Berkshire has a similar perspective. “The insurance industry has never been accused of being at the ‘bleeding edge,’” he said with a laugh. “But the truth is that Amazon, Uber and other tech companies have raised the bar when it comes to customer empowerment. We simply have to make steady improvements in the customer experience.”

Nothing stodgy about that. [CM](#)

Russ Banham is a Pulitzer-nominated financial journalist and best-selling author.

Realizing the Promise:

Matteo Carbone Presents IoT Use Cases

By Susanne Sclafane

When I was editing the last of a special set of articles in the following section of this magazine, I struggled a bit with an opening sentence in one of the draft versions.

Guest editor Matteo Carbone, who co-authored every one of the five articles revealing how the promise of the Internet of Things has been realized by teams of connected device makers and insurers to promote safer driving, safer buildings and safer industrial conditions for workers, had written the following sentence:

“An important defining criteria for IoT is the physical and digital embodiment, and it is an enhancement of the ‘things’ capabilities thanks to the usage of the information.”

I grasped what he was trying to convey—the very definition of IoT, and the idea that embedded technology in networked physical objects produces valuable

information, which prompts needed follow-up action based on what the objects are sensing and communicating. But I had a hunch that the sentence sounded more impactful in his native language of Italian. And I wanted the English sentence to have just as much force. Instead, it seemed like an awkward beginning.

I asked my sister, who has studied Italian, for help. “But I don’t know what the Internet of Things is about,” she protested. I summarized some information that Carbone and his co-authors from Church Mutual, Allstate, Nationwide, The Hartford and StrongArm Technologies delivered in the articles, describing sensors and wearables that create awareness of risks ranging from lead-footed drivers and flooded churches to speeding forklift operators and even armed intruders, as well as systems of incentives and rewards to promote less risky behaviors.

“Ah. In other words, the IoT is the physical and digital realization of all that is

possible—all that we thought was possible when we were imagining the future back when we were growing up in the 1960s,” my sister said.

Yes. That’s it! That’s exactly what he’s talking about. Well, pretty close anyway.

Ultimately, I chose not to open the article on page 38, “Using the IoT Paradigm to Prevent Worker Injury,” with either sentence. But I share the rewrite here because my sister, who isn’t even one of Carbone’s more than 177,000 LinkedIn followers, captured his enthusiasm and the essence of a message that he’s been delivering for more than a decade. As director of the IoT Insurance Observatory, he has been preaching about the value to insurers—in lowering loss ratios, staying engaged with policyholders, achieving returns on IoT investments—and the overarching benefit of creating a safer world. And he has been working with insurers and technology companies to demonstrate the possible use cases.

Taking on the role of guest editor of *Carrier Management*, he and his co-authors deliver the latest news about IoT: Use cases are not only possible; they are reality.

Someone who does know Carbone well is Isabelle Flückiger, director of new technologies and data for The Geneva Association. She collaborated with Carbone for 10 months, researching and interviewing more than 100 players and thinkers in the IoT space to produce the Geneva Association report, “From Risk Transfer to Risk Prevention: How the Internet of Things is reshaping business models in insurance,” published in late May. In a recent article published on Medium.com and LinkedIn, Flückiger summarized 11 lessons she learned from a man with rock star status in the world of



InsurTech. My personal favorite is No. 10: “It is passion, not a business, even though the business is perfectly organized.”

Explaining the lesson, Flückiger wrote, “The path to reach and stay at the top is stony and arduous. Only passion for your niche gives you the energy and perseverance to achieve success over all the many years...I asked him how he motivates himself again and again for nonstop learning and peak performance. And he told me, ‘I have one advantage over the others: It’s my topic, it’s my passion, and I devote my life to that.’”

The lesson: “You must go all-in with devotion and passion. The difference between being good and being great is the fervor for a theme,” she wrote.

The articles on the 20 pages that follow are based upon the extensive research and interviews Carbone and Flückiger did together to bring to life his niche, his passion—IoT applications in insurance. For *Carrier Management*, Carbone volunteered for the task of reuniting with five of the interview subjects again to delve more deeply into the ingredients for IoT success and their realization of sustainable business cases around risk prevention that exemplify two approaches specifically highlighted in the report: real-time risk mitigation and the promotion of less risky behaviors.

The stories center around the protection of individuals and businesses, told from the vantage points of the industry’s strongest advocate of IoT solutions and insurers of commercial property, private passenger autos, commercial fleets, the construction sector and a technology company devoted to the safety of “industrial athletes” (a trademarked term for co-author StrongArm Technologies).

“I pushed each company for concrete, actionable insights to differentiate this from common marketing statements circulated by their PR,” Carbone wrote to me in a recent email, describing his intent.

Carrier Management is pleased to present this collection of articles delivering heroically on the goal Carbone set out for himself and his co-creators.



More About Guest Editor Matteo Carbone

Matteo Carbone is Director of the IoT Insurance Observatory and a board member of Net Insurance. In addition to founding the Observatory, Carbone is the author of a book titled “All the Insurance Players Will Be InsurTech.”

A frequent contributor, Carbone was also a guest editor for *CM*’s 2018 featured magazine section “Startups Face Off Against Established Players,” a series of articles about innovation in insurance (November/December 2018 edition; co-editor Adrian Jones).

When Carbone did his last stint as guest editor, he was also actively involved in publishing articles about VC-backed InsurTech carriers Lemonade, Root and Metromile, shining the light on the little-appreciated insurance KPIs of the three well before post-IPO scrutiny of their financial results became more fashionable.

An avid supporter of InsurTech, Carbone still felt compelled to “comment in a different way than 90 percent of the people that go to the conferences and publish articles about InsurTech,” he told *CM* at the time. He wasn’t comfortable with “cheerleaders for innovation,” who applaud new ideas simply because they are new or different.

“I have been talking about innovation for a few years, and before it was called InsurTech. And I started from an insurance angle...And I have built my voice in the market on a specific idea, which is that I strongly believe that technology is not good per se. It is good if it is bringing some concrete value—meaning *profitability*, something that can improve the

profitability of an insurance company, something that can allow them to sell more, to generate more product, or something that can allow them to be closer to customers (*proximity*), or something that can reduce the lapse (*persistence*).”

In short, technology needs to “generate tangible economic value,” he said.

A self-described “non-conformist,” Carbone recently said on LinkedIn that the hashtag #digitalnomadlife is the label that best describes his life. Digital nomads are described in a recent *Harvard Business Review* article as “people who embrace a location-independent, technology-enabled lifestyle that allows them to travel and work anywhere in the Internet-connected world.” Providing evidence of the appropriateness of the hashtag, Carbone’s LinkedIn post documented 20 stops around the globe he made during the last 16 months, pursuing dual missions of advising insurers on innovation and arming them with data on insurance IoT.

“It does not matter in which time zone Matteo is. When the audience needs him, he devotes his time even in the middle of the night. When the customer requires new insights, he delivers on time,” wrote Flückiger in a summary of the lessons she learned collaborating with him on their joint research report. “Customer centricity is a lifestyle,” she wrote.

Connecting with his customers, and encouraging insurers to connect with theirs, Carbone is pushing insurers to realize his vision of the future of insurance—one in which they connect to policyholders’ lives and engage with them in risk prevention. [CM](#)

The Journey to Build the Auto Insurer of the Future



Photo from Allstate



Matteo Carbone is Director of the IoT Insurance Observatory and board member of Net Insurance. Carbone is the Guest Editor of this special report on IoT insurance applications for *Carrier Management*. A frequent contributor, Carbone was also a guest editor for *Carrier Management's* 2018 featured magazine section “Startups Face Off Against Established Players” (November/December 2018 edition; co-editor Adrian Jones).



David MacInnis is Vice President, Product Management-Telematics and Usage Based Insurance at Allstate.

Executive Summary: Active customer engagement complete with service offerings and incentives to promote safer driving are hallmarks of Allstate’s Drivewise and Milewise telematics programs, which ultimately benefit society overall and the insurer as well. Here, Allstate VP David MacInnis and CM Guest Editor Matteo Carbone describe Allstate’s journey to build an auto insurer of the future and highlight a key driver that makes or breaks acceptance of telematics technology and data-driven services: value sharing with customers.

By David MacInnis and Matteo Carbone

Usage-based insurance (UBI) finally has come of age in the U.S. insurance sector. Insurers have spent the last 20 years exploring the potential of telematics with alternating curiosity, commitment and disillusionment. Last year, 8.2 million U.S. auto policyholders shared their driving data with an insurer, based on the research of the IoT Insurance Observatory, a global think tank that has aggregated more than 100 players, including Allstate, which has been a member since 2018.

Allstate is a leader in adopting telematics, according to IoT Insurance Observatory data indicating that the company has over 2 million continuous connections across all programs, representing

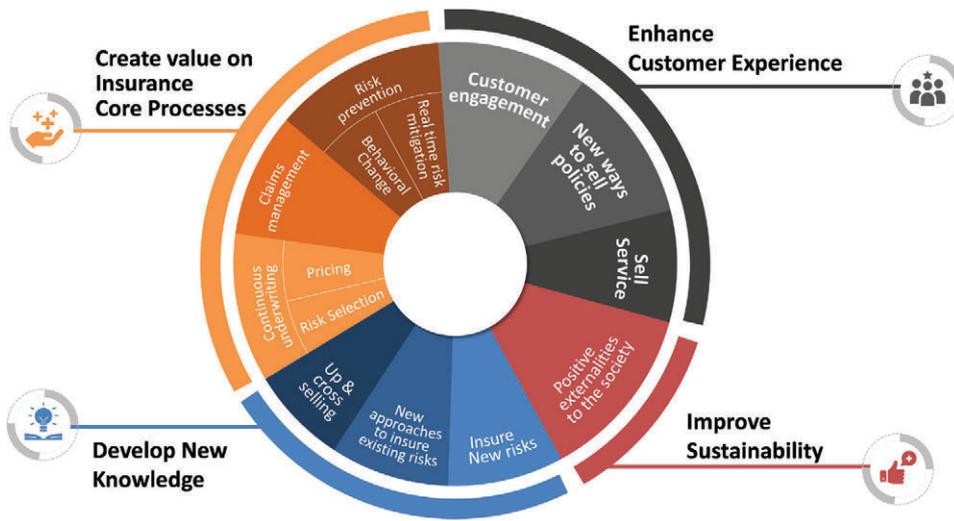
almost 10 percent of cars currently connected with auto insurers globally.

Getting to this point started with a vision and a core belief that data and analytics will drive the future of transportation. Allstate’s goal is to protect customers, and the company has invested in telematics to adapt to customer needs, delivering value by redesigning products to be less complicated, more accessible and affordable.

Allstate’s approach to telematics has been to use driver behavior data responsibly. Current products—Drivewise and Milewise—aim to make roads safer by helping customers identify and understand safe driving habits while also giving them more control and transparency over auto insurance rates. This vision has guided a 10-year journey of progressively developing telematics competency:

- Back in 2010, Allstate launched its first device-based telematics program, Drivewise.
- In 2014, the insurance group already had more than half-a-million continuously connected customers.
- In 2014-2015, Allstate was first in the market to launch a smartphone-based program.
- In 2016, Allstate created Arity, a subsidiary fully dedicated to the telematics technology.
- More recently, Allstate developed features that gave reasons for policyholders

Map of the Insurance IoT Use Cases



Source: IoT Insurance Observatory

to connect with their carrier beyond a discount: integrated car health with engine alerts in 2016; gamification and Allstate Rewards, also in 2016; crash detection in 2020.

- In 2016, Allstate launched a pilot pay-per-mile program, with rapid state launches starting in 2018.

As of May 2021, more than 20 percent of Allstate auto policyholders are enrolled and connected into a telematics program in states and companies where they are available, and 40 percent of new business customers are opting-in and taking a trip in states where Drivewise and Milewise products are offered. Today, Drivewise is one of the three largest continuous connection programs in the entire world, and Allstate has the largest pay-per-mile program in the market with Milewise.

The group has developed unique intellectual property based on more than 540 billion miles of driving data, adding 30 billion more miles every month.

As the program has matured, Allstate continues to sharpen its mastery of telematics data, innovating across multiple use cases to simultaneously maintain continuous connections with customers and to refine price segmentation, appropriately matching rate to risk.

Behavior Change

A commitment to creating safer roads has inspired the entire evolution of Allstate's telematics programs. Through continuous connections, the insurer is able to provide real-time tips on how driving behaviors can influence an individual customer's costs with insight on how to drive more safely and save.

Allstate's behavioral change approach has two main anchor points: identifying behaviors that are predictive of crashes and the ability to explain desired behavior changes to the customer. The app shares feedback on speeding, hard braking, phone usage and time of day driving. This allows the carrier to address two of the main pillars necessary for promoting safer behaviors: awareness and suggested behaviors. However, as identified by the research "From Risk Transfer to Risk Prevention" by The Geneva Association and the IoT Insurance Observatory, also providing a tangible incentive is needed to encourage drivers toward long-term and lasting behavior changes to reduce accidents. (See related textbox, "Read More About Insurance IoT," p. 32, Reference 1.)

Allstate products currently provide both

rewards and premium impacts, and have already achieved concrete results in promoting safer behaviors. Policyholders who are most engaged with Allstate's app show lower claim frequency.

Instead of focusing on pricing sophistication only, Allstate guides drivers to develop safer driving habits with incentives and constant feedback. Customers enrolled in Milewise, for example, may see their per-mile rates change from week to week based on actual driving behaviors.

Milewise customers pay based on how much they drive (a daily rate and a per-mile rate). However, the per-mile rate can be increased or decreased on each week based on the customer's prior four weeks of driving behaviors. Currently, about two-thirds of customers are seeing their pay-per-mile factors adjusted below 1.0 each week. (In other words, their premiums are being reduced for safe driving.) And the higher the engagement, the higher the change in behavior. Milewise policies that have weekly vs. quarterly interactions have a higher likelihood—75 percent vs. 55 percent—of the weekly pay-per-mile being adjusted below 1.0.

An additional element that incentivizes the change in behavior is a rewards program that provides customers and non-customers with points for safe driving by using Drivewise or Milewise. This is the first P/C insurance rewards program directly tied to telematics.

With nationwide access (excluding N.Y.), Allstate gives points through a microtransaction system that rewards customers for their good driving, as well as many non-driving activities. (Non-driving activities include redeeming promo codes found in Allstate email communications; earning rewards for daily engagement with the program—literally logging in to Allstate Rewards earns points for customers; and completing periodic surveys. These all successfully drive increased engagement for the brand beyond safe driving.)

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continued from page 31

Accumulated points can be used on Allstaterewards.com to redeem and unlock savings on local offers, gift cards, merchandise, discounts on select Allstate products, donations to local charities in partnership with the Allstate Foundation and to win exciting sweepstakes and auctions. The Allstate Reward Program will incorporate new gamification features into the rewards experience in order to generate moments of interest and create a more frequent engagement with the brand. (Editor's Note: In mid-July, sweepstakes included chances to win \$10-\$15 gift cards for Starbucks, Old Navy, Apple, Sephora and Shell; \$1,300 gaming packages; \$1,500 cash; or a \$1,500 Carnival Cruise. Participants do not have to be Allstate policyholders, but they must download the Allstate app to earn points to enter the contests.)

Read More About Insurance IoT

1. "From Risk Transfer to Risk Prevention: How the Internet of Things is reshaping business models in insurance," by Isabelle Flüchiger and Matteo Carbone, Geneva Association Research, May 2021
2. "The Past, Present, and Future of Telematics and UBI," by Harry Huberty and Matteo Carbone, June 2021
3. "Black Boxes Could Yield Gold in Connected Insurance," by Matteo Carbone, Henrik Naujoks and Sean O'Neill, Sept. 17, 2016
4. "All the insurance players will be insurtech," by Matteo Carbone and Andrea Silvello.
5. "Attractive UBI Business Models for U.S. Consumers," by Ryan McMahon and Matteo Carbone, Cambridge Mobile Telematics and IoT Insurance Observatory
6. "Unveiling the full potential of telematics," Swiss Re (2017)
7. "Do You Think Insurers Are Not Innovative? Think Again," by Matteo Carbone, Aug. 31, 2017
8. "Let's Make Insurers Great Again," by Matteo Carbone, June 2021

Positive Externality to the Entire Society

Helping customers be better drivers not only improves their safety and reduces expected losses but also delivers a direct positive externality to the entire society, making roads safer. However, a short few months' worth of feedback may not result in underlying driving changes for the driver. A feedback loop to the customer is required to build new habits and maximize the externality to the society. Drivers need feedback into their driving habits and incentives for them to react and change.

Customer Engagement

Allstate has redesigned policyholders' experience through the use of telematics. Contrasting the experiences they have in the traditional disconnected physical world, Allstate is more present in policyholders' daily lives, and policyholder experiences are enhanced through rewards and services by taking smarter actions. And positive customer experience results in more engagement.

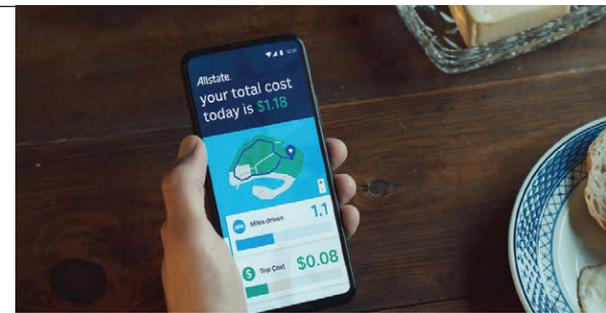
Allstate products already have succeeded in boosting this engagement:

- Telematics users are at least 2.5 times more active in the mobile app with more than half of Milewise customers engaging with the mobile app on a monthly basis.
- 1.4 million customers participating in the rewards program visit nearly one million times each month.

We know that engaged consumers are more willing to recommend a brand with a good loyalty program, which also makes them more likely to continue doing business with that brand (textbox reference 3). Allstate gauges the impact through improved net promoter scores, up just under 10 percent for connected customers.

Services

Insurers have the opportunity to offer improved customer journeys based on ecosystems of services, using new available technologies to meet customer needs (textbox reference 4). Beyond the opportunity to access rewards, services



that provide assistance in the event of a crash are among the most interesting for auto policyholders (textbox reference 5).

Continuous connection has allowed Allstate to develop and advance these kinds of features for its policyholders.

Drivewise policyholders all have access to the reward system and, since the end of 2020, the crash detection service, as well. Crash Detection is a free safety feature available to Drivewise users within the Allstate Mobile app. When the app detects that a customer may have been in a serious car crash—either as a passenger or as a driver—they will be sent a notification through the Allstate Mobile app to offer help and quick access to emergency assistance, claims and Allstate Roadside. If a crash is detected, customers can call 911, call for roadside assistance, let Allstate know they are OK or even to start a claim.

Milewise policyholders, who receive an OBD2 dongle, instead have Car Health service included with their coverage. This service includes vehicle diagnostics and sends alerts if the engine light goes, with a description of the issue. This feature indicates the problem's urgency and helps customers find repair shops, estimates repair costs and even schedules repair appointments. It also lets the customer know where their vehicle is parked.

Customer feedback collected by Allstate has found that these services provide peace of mind during potentially stress-inducing events and are great tools for people who may have older vehicles or cars with high odometer readings.

Continuous Underwriting

Risks are dynamic, and a constant flow of digital data allows underwriting to be continuous and dynamic. A continuous underwriting approach allows insurers to

improve risk selection and pricing, states a report from a group of actuaries (Source: “Smart device?” Inclusive Insurance Bulletin, pp. 13-14. Institute and Faculty of Actuaries, 2020).

Allstate’s intellectual property built over a decade has allowed it to be a frontrunner in this direction.

First of all, telematics offerings have a demonstrated “self-selection bias” that is favorable to insurers’ loss ratios (textbox reference 6). In other words, in each risk cluster, customers who enroll are less risky than those who do not enroll, allowing Allstate to offer an attractive upfront discount. Moreover, Allstate is today able to give its best drivers the best rates and give bad drivers appropriate rates.

Traditionally, insurance has looked at your age, gender and marital status to predict how safely someone drives. Instead, telematics gives customers more control over, and transparency into, their auto insurance policy.

The current Allstate products offer both the option to have a defined price with cash back for safe driving (Drivewise) and a pay-per-mile pricing scheme (Milewise). Personalized pricing programs like Milewise allow customers to pay for each of the trips they’re taking based on how many miles they drive and, in some states, their recent driving behavior (as mentioned above). Allstate has seen this as an opportunity to meet customers’ needs and provide fairness and transparency over the pandemic period. In 2020, 25 percent of new business at Allstate was written into the Milewise product where it was available.

Different people have different preferences, and the mastery of telematics competencies allows insurers to evolve their insurance products to satisfy the evolution of the customer demand. Research from the IoT insurance Observatory has revealed that each successful case history in using IoT in the insurance sector has been based on both the effective use of IoT data to create value for the insurer and a value-sharing scheme attractive for the customer. Sharing this

value with customers has been proven to be the key driver that makes or breaks the acceptance of these new technologies and data-driven services (textbox reference 7).

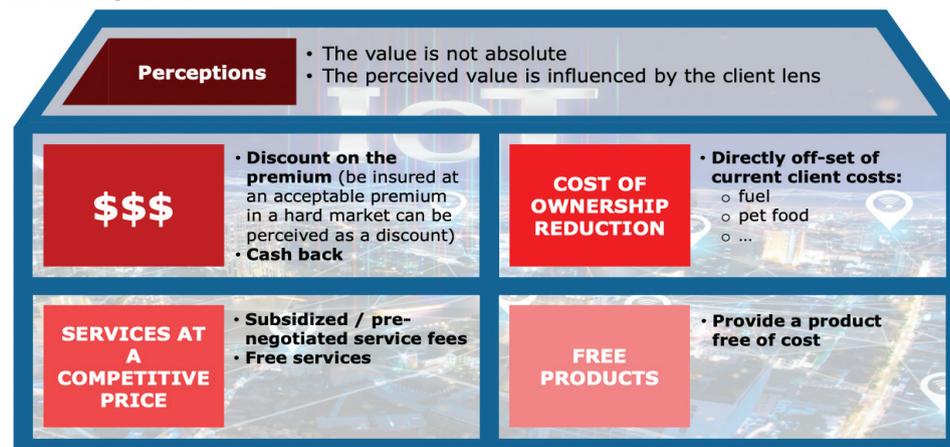
As shown in the figure below, value sharing with the policyholder has various forms and structures in the IoT-based insurance offers. Benefits can reach high levels for the customers with safer behaviors. Safer customer behaviors also generate economic benefits to Allstate, and in this way, the company has financed telematics costs and provided benefits back to the customer. This value sharing is a single experience articulated on premium discounts, cash back, rewards and free telematics-based services.

Insure New Risks

Allstate has started to leverage the mastery in telematics in order to explore new sources of revenue. Specifically, Allstate has established a standalone IoT-based service, which is offered to users of the car-sharing service Avail, whether they are current Allstate policyholders or not. Avail is a car sharing service between travelers and neighbors active in some of the major U.S. cities. Telematics devices are installed in the shared cars, and the risks of this new business are insured by an Allstate policy.

In a future where insurance will be more connected, fair and personalized, policyholders will be engaged in risk prevention (textbox reference 8).

Value Sharing in Personal Lines



Source: IoT Insurance Observatory

Getting to Know the IoT Insurance Observatory

The IoT Insurance Observatory is a five-year-old international insurance think tank focused on generating and promoting innovation in the insurance sector. It offers a strategic vision to exploit the full potential of the insurance IoT, stimulating research and debate between the participants. The past four Observatory annual editions aggregated 76 insurance companies, including four of the top five reinsurers, 11 of the top 15 European Insurance Groups and eight of the top 15 U.S. P/C Insurance Groups, as well as 41 tech players and vendors.

Telematics is going to be a necessary capability for competing in the auto insurance and mobility arena, according to Tom Wilson, Allstate’s chief executive officer. “If you’re not leaning into telematics, you’re not going to be in business for very long, at least on a profitable basis,” he said at a recent Bank of America Securities virtual conference (reported by Inside P&C, “Companies Without Telematics Offerings ‘Won’t Be In Business Long,’ Allstate’s Wilson”).

This should give a sense of urgency to all the insurers because a competitor’s coverage product (rate filing based on traditional variables or policy form) can be replicated in a few months. But telematics capabilities require time to be built and internalized in the organization. A capability gap is going to require years to be closed. **CM**

How a Mutual Insurer Achieved More Than 300% Return on IoT Investment



Guy A. Russ is Assistant Vice President Risk Control and Innovation Head at Church Mutual Insurance Company, S.I.



Matteo Carbone is Director of the IoT Insurance Observatory and board member of Net Insurance. Carbone is the Guest Editor of this special report on IoT insurance applications for *Carrier Management*. A frequent contributor, Carbone was also a guest editor for *CM's* 2018 featured magazine section "Startups Face Off Against Established Players" (November/December 2018 edition; co-editor Adrian Jones).

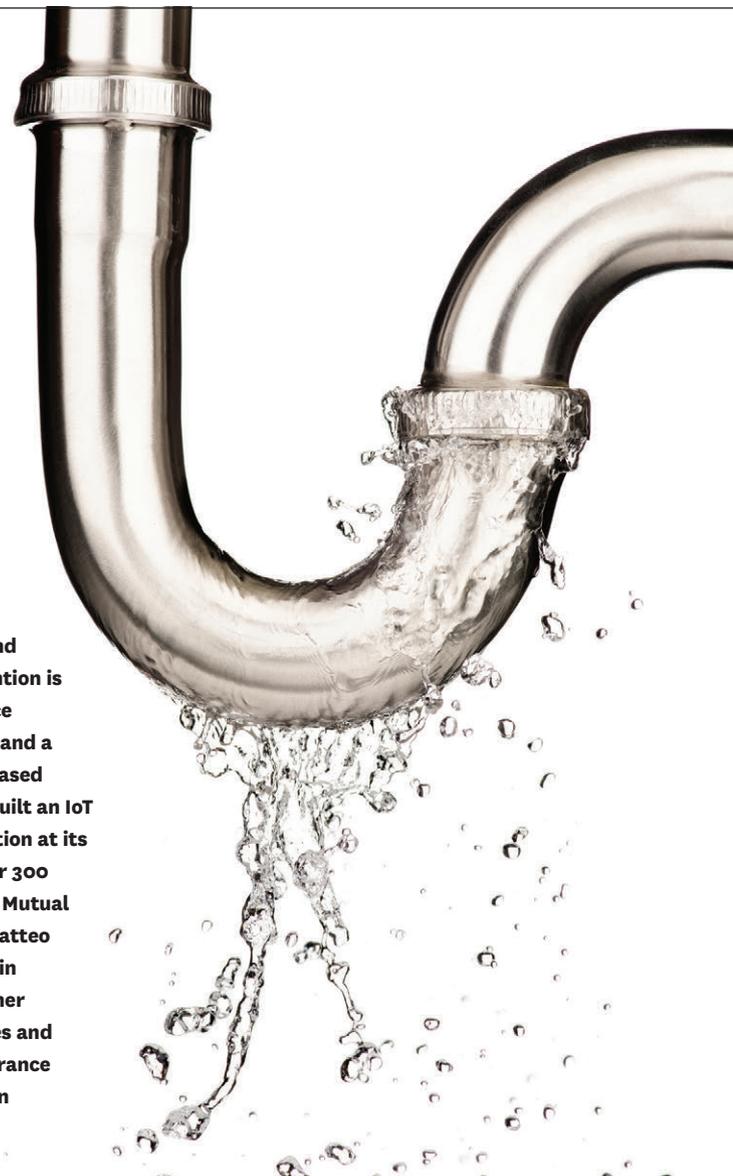
Executive Summary: Mastering IoT and engaging policyholders in risk prevention is an achievable target for any insurance company, but it requires clear vision and a multiyear commitment. Wisconsin-based Church Mutual proved that when it built an IoT sensor program that has risk prevention at its core, scaling to achieve an ROI of over 300 percent in seven years. Here, Church Mutual AVP Guy Russ and CM Guest Editor Matteo Carbone describe the steps involved in alerting religious institutions and other policyholders to temperature changes and water leaks before they became insurance losses, as well as a new IoT innovation targeting risks of violent intruders.

By Guy A. Russ and Matteo Carbone

Inurance IoT is a new way of thinking about the activity of assessing, managing and transferring risks that fits with a world that is going to be more and more hyperconnected.

Personal auto is the most mature area in terms of using IoT data (see related textbox, "Read More About Insurance IoT," Reference 1). However, for each line of business and across all geographies, some successful IoT-based insurance pioneers are emerging. Their concrete experiences confirm the relevancy of the IoT opportunity for the insurance sector and demonstrate the feasibility of the IoT paradigm in any insurance domain.

One success story in using this approach in commercial insurance is Church Mutual Insurance Company, S.I., the employer of one of the authors of this article (Russ). Church Mutual offers specialized insurance for religious organizations of all denominations, public and private K-12 schools, colleges and universities, senior living facilities, secular and non-secular camps and conference centers, and nonprofit and human services organizations throughout the United States. Through a multiyear innovation journey supported by strong C-level commitment, the company has proceeded step by step to build robust evidence about



the ROI of its risk mitigation investment and entered into the scaling phase.

First, a Definition

“The Internet of Things (IoT) is the network of physical objects accessed through the Internet. These objects contain embedded technology to interact with internal states or the external environment. In other words, when objects can sense and communicate, it changes how and where decisions are made, and who makes them,” wrote IoT expert Professor Ahmed Banafa in a 2015 article (“Internet of Things (IoT): The Third Wave” by Ahmed Banafa, Jan. 26, 2015, Retrieved from OpenMind BBVA).

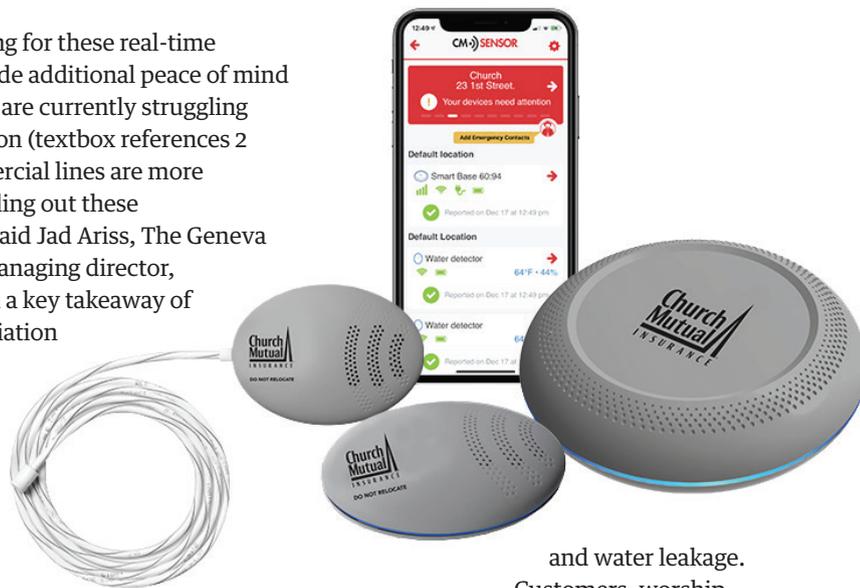
These changes make the “connected things” smarter than traditional, disconnected physical objects in that they can be enabled to take certain actions based on the conditions they are sensing. Real-time risk mitigation actions are the kinds of smart actions enabled by IoT applications.

Even though the value of IoT has not yet been broadly perceived by the stakeholders and the analysts, many insurers around the

world are looking for these real-time actions to provide additional peace of mind to insureds and are currently struggling with its execution (textbox references 2 and 3). “Commercial lines are more advanced in rolling out these technologies,” said Jad Ariss, The Geneva Association’s managing director, commenting on a key takeaway of a Geneva Association research report, “From Risk Transfer to Risk Prevention—How the Internet of Things is Reshaping Business Models in Insurance,” co-authored by one of the authors of this article (Carbone).

An Early Innovator

Church Mutual has been a pioneer, having begun to explore IoT-based risk mitigation solutions several years ago. It started with a focus on the causes of loss frequency from water perils: freezing pipes



and water leakage. Customers, worship centers and related organizations in the United States receive a risk mitigation solution, including two sensors for temperature and water leakage.

The wireless sensors monitor ambient temperature and the presence of water. Based on the data, different algorithm-based warnings are generated and sent to the policyholder, who can evaluate them and respond. When there is no response, an automated call goes to the contact person at the client site. When there is still no reaction, Church Mutual’s call center contacts the policyholder’s emergency contact. This means that a very quick escalation ladder is implemented in the alert system for preventing losses.

The company started its first pilots with a few connected properties in 2014 to test the feasibility of a risk mitigation solution. In the following years, the approach was refined by running pilots on a few hundred facilities and collecting evidence about the effectiveness of the prevention services and barriers in the execution in the field.

The service was only offered to customers where the company was expecting the greatest risk mitigation benefits. Church Mutual was not providing the sensor kit to customers where constraints were present, such as when the size of a building is too big to be covered by the sensors.

continued on next page

Getting to Know Church Mutual

Church Mutual is the largest insurer of religious institutions in the country, with a history dating back more than 120 years.

The company insures houses of worship, human services organizations, camps, public schools, parochial schools and senior-living facilities.

“All the niches we go after really have special characteristics that require that additional expertise on underwriting, risk control and claims. There’s a high degree of special handling required,” said Guy Russ, assistant VP-Risk Control.

The carrier operates nationwide and distributes through both company employee-agents as well as independent agents and brokers.

Direct written premiums for 2020 totaled nearly \$1.1 billion.

Church Mutual Insurance Company holds an “A” rating from AM Best. In 2017, Church Mutual Insurance Company was recognized for its Sensor Technology program with the “Award in Innovation” by the National Association of Mutual Insurance Companies and by Celent with a “Model Insurer Award for Innovation and Emerging Technologies.”

On Jan. 1, 2020, Church Mutual converted to a stock insurer that is wholly owned by Church Mutual Holding Company Inc. As a result, Church Mutual’s operating name is now Church Mutual Insurance Company, S.I.



continued from page 35

Getting to Know the IoT Insurance Observatory

The IoT Insurance Observatory is a five-year-old international insurance think tank focused on generating and promoting innovation in the insurance sector. It offers a strategic vision to exploit the full potential of the insurance IoT, stimulating research and debate between the participants.

Over the annual editions, the think tank has put together almost 100 players—including four of the top five reinsurers, 11 of the top 15 European insurance groups and eight of the top 15 U.S. P/C Insurance Groups, as well as 41 tech players and vendors—to discuss the great potential of this InsurTech trend, as well as the challenges it poses to the insurance business.

After 2016, Church Mutual saw progressively more robust evidence of a solid business case for its investment in sensor technology at policy level and increasing returns on investment of this risk prevention approach across its portfolio, ramping up its go-to-market

strategy to a level of over 5,000 connected properties by the end of 2018.

The insurer does not give any premium discount for implementing its risk mitigation program, but it does provide the sensor kit, monitoring and alerting for free. Worship centers are typically staffed only a few days per week, and a water escape can take several days to discover without such a program. So, clients perceive a value in this service offered by Church Mutual. The program also provides additional opportunities for the risk control team to connect with customers when multiple alerts are seen over a shorter period of time indicating a more chronic issue to be corrected.

Since 2019, the focus has been on scaling the connected portfolio. Today, the sensors are installed in over 10,000 insured properties. Scaling to this level has required continuous refinement of the overall customer journey related to installing the kits. A high level of touchpoints and communication are employed through the following steps:

- First, the suitable accounts for the sensor kit are identified.
- Then, the information is sent to the tech partner (currently Roost). They contact the customer, explain the service and sensors,

how to install it within a certain time frame, and send the sensor kit.

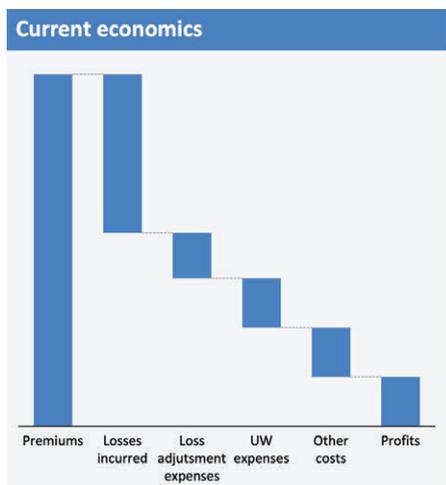
- Multiple messages keep the customer informed of tracking information and expected delivery date to ensure the kit is installed quickly after receipt.
- Roost can monitor when a sensor becomes active. If not, the company contacts the customer again through a series of texts, emails and calls. If there is still no progress, the account manager of Church Mutual contacts the customer again.
- If it is still not installed, Church Mutual sends a return bag for the kit.

The success rate of this structured approach is that 70-80 percent of sensor recipients install it within the given time frame. The remaining recipients take longer, and only 2 percent do not install the sensors at all.

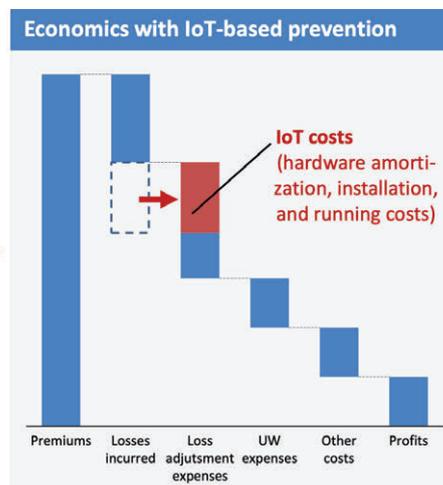
Return on Investment

IoT isn't cheap. On top of investments in digital transformation—the broad set of capabilities necessary to manage the initiative—there are costs for each connected customer, from the hardware and installation amortization to running costs to use the IoT data. Focusing on the

Risk Prevention Economics



Let's assume an IoT solution where **benefits in terms of (conservative estimation) expected losses reduction are adequate to cover at least the emerging IoT costs**



Source: IoT Insurance Observatory

risk prevention approaches, these costs can be seen as additional loss adjustment expenses, and they must be compared to the expected reduction of the losses. Even if the unit IoT costs are decreasing, building a sustainable business case is the biggest challenge for any IoT insurance innovation journey, based on the research of the IoT Insurance Observatory.

Church Mutual is one of the first commercial insurers that has been able to build a sustainable business case at a portfolio level and to achieve a positive ROI. Its claims savings has been three-times the incurred costs over the life of the program: \$10.3 million in spending since October 2016 compared with about \$45.5 million in savings through May 31, 2021.

Innovation Continues

As penetration of the program has increased throughout Church Mutual's customer base, the company is finding additional innovations that can be enabled via the platform. For example, the company launched an Armed Intruder Emergency Service with a novel IoT device called PULL FOR POLICE. When the device is pulled from its sleeve, it creates a specific signal that's relayed through the 24/7 monitoring service to local authorities. The unique signal identifies an in-progress armed attack at the specific location.

While the ultimate use of the device is during an attack, the service also includes additional features to help organizations train on appropriate armed intruder response options. While fire drills are a common practice for many organizations, drills for responding to armed attacks are not. Therefore, the Armed Intruder Emergency Service pairs a test button on the device with regular notifications through a smartphone application to remind organizations to complete a drill every six months. Pushing

the TEST button on the device during a drill simulates pulling the tab and notifying authorities. A test message is sent to the monitoring center as well as to those listed as emergency contacts in the app itself.

During the chaos of an armed attack, dialing 911 and relaying the necessary information can take up to three minutes. Every minute of delay could enable the attacker to claim additional lives. The Armed Intruder Emergency Service with the PULL FOR POLICE device reduces that time to seconds, helping local police respond more quickly and improving overall survival rates.

Lessons Learned

This case history of Church Mutual provides three main lessons for any insurance player looking to explore using IoT.

First, it is not enough to add a connected device; it is fundamental to develop a vision about the usage of IoT data.

Second, it is necessary to define a strategy about what to connect and how your business will benefit from the connection with "these things."

The third key element is the creation of an effective go-to-market plan, and it has to be supported by a strong reason for adopting this innovation offered to the policyholders.

Mastering IoT and engaging policyholders in risk prevention is an achievable target for any insurance company, but it will require clear vision and a multiyear commitment (textbox reference 4). [CM](#)



Read More About Insurance IoT

The Church Mutual IoT use cases and others featured in this section of *Carrier Management* are also discussed in the Geneva Association Research, "From Risk Transfer to Risk Prevention - How the Internet of Things is reshaping business models in insurance" by Isabelle Flückiger and Matteo Carbone, published in May 2021.

Additional sources of information about insurance IoT mentioned in the accompanying article include:

1. "The Past, Present, and Future of Telematics and UBI" by Harry Huberty and Matteo Carbone, June 2021
2. "IoT in insurance: Radical change, powerful potential," by James Eardley, Dec. 22, 2020, <https://www.the-future-of-commerce.com/>
3. "AI and IoT in Commercial Insurance," 2019, Planck Data Co-Founder David Shapiro interview with Sy Foguel, CEO, Berkshire Hathaway GUARD Insurance
4. "Let's Make Insurers Great Again" by Matteo Carbone, June 2021
5. "Pioneering Use Cases for IoT in Insurance" by Matteo Carbone, March 2021, *InsuranceThoughtLeadership.com*.
6. "Internet of Things (IoT): The Third Wave" by P.A. Banafa, OpenMind BBVA, Jan. 26, 2015

Using the **IoT Paradigm** to Prevent Worker Injury



Matt Norcia is the Chief Operating Officer of StrongArm Technologies.



Matteo Carbone is Director of the IoT Insurance Observatory and board member of Net Insurance. Carbone is the Guest Editor of this special report on IoT insurance applications for *Carrier Management*. A frequent contributor, Carbone was also a guest editor for *CM*'s 2018 featured magazine section, "Startups Face Off Against Established Players" (November/December 2018 edition; co-editor Adrian Jones).



Photos from StrongArm Technologies

Executive Summary: Technology-enabled dynamic policies that reward positive behavior and disincentivize at-risk behavior are the future of the workers compensation insurance market. Here, Matt Norcia, COO of StrongArm Technologies, and CM Guest Editor Matteo Carbone discuss the path to that future and the current benefits of StrongArm wearables in detecting individual risk situations, inspiring behavioral changes across worksites and entire facilities, as well as workers comp insurance implications that include lower claim costs and access to digital data for continuous underwriting and risk benchmarking.

By Matt Norcia and Matteo Carbone

The global economy is built on the backs of hardworking “industrial athletes,” and providing those athletes with the equipment to keep them safe is the mission of one New York-based technology firm with ties to insurance.

StrongArm Technologies, the employer of one of the co-authors of this article (Norcia), has trademarked the term “industrial athletes” to describe those workers who lift and sort countless boxes, deliver mail in any weather, stock grocery store shelves in the middle of the night, and risk physical injury in multiple ways in warehouses and industrial settings to build and maintain the world’s critical infrastructure.

Through IoT wearables, StrongArm Tech

has collected millions of hours of safety data, across thousands of industrial workers worldwide, generating a 45 percent reduction in injuries, on average. Workers compensation carrier partners are using the technology to differentiate risk, reduce injuries and empower loss prevention services.

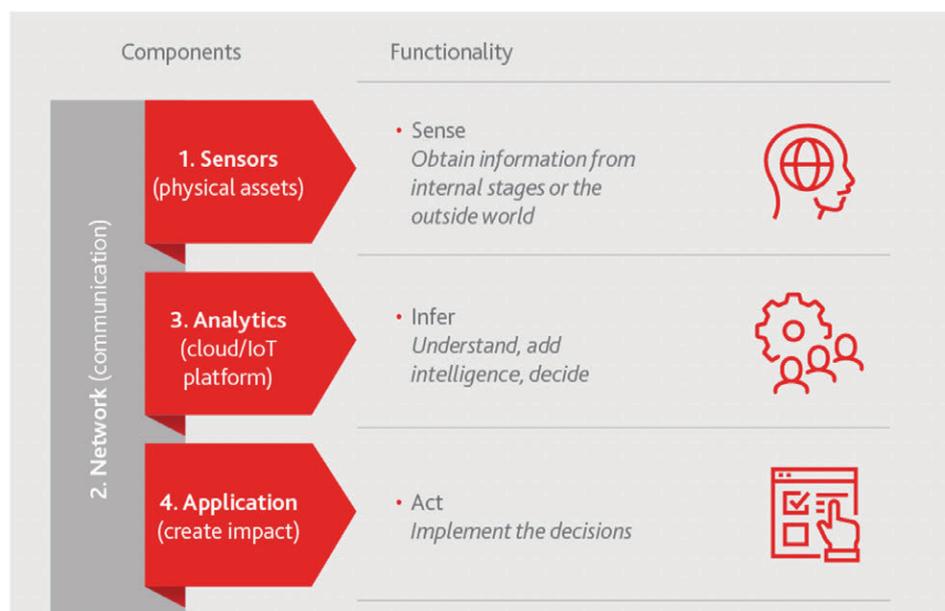
Micro-Level Solutions, Macro-Level Results

A defining characteristic of the Internet of Things is the physical and digital embodiment of the world's objects—the enhancement of “things” capabilities through the intelligent use of transferred information. IoT solutions have a pervasive presence in the life of any person and any organization, and can be observed at different levels:

- **At a micro level**, single solutions are connected, generate data and enable smart actions. Examples include your smartphone, your smartwatch, the smart thermostat in your house, your connected car, the continuous glucose monitoring connected with the mobile phone, the QR code on the escalator for tracking the maintenance or the connected tractor at a farm.
- **At a system level**, a group of single solutions are interconnected and combined, such as the Apple HealthKit in your phone, the domotics hub in your house (home automation), farm management systems allowing precision agriculture techniques or the facility management system currently managing the HVAC in your office.
- **At a macro level**, where different systems are integrated and orchestrated, as with smart cities, air traffic control or the food supply chain, to name only a few.

IoT data enables a broad spectrum of use cases for the enterprise clients; however, cost savings, compliance, security and safety have been the main drivers of the current adoption in many sectors. StrongArm Tech has deployed a proprietary IoT safety technology that works at the micro level. Through a device worn by a frontline worker, high-risk movements such as an improper bend or a

The IoT Paradigm



Source: The Geneva Association (adapted from the IoT Insurance Observatory based on the interview with Prof. Ahmed Banafa)

deep and repetitive twist are detected and data-driven insights are then used to further reduce risk.

The company has deployed sensors to over 25,000 “industrial athletes” and collected over 25 million hours of safety data to date. The company’s solution is particularly valuable for enterprises with high ergonomic injury risk, such as global warehousing, retail trade, distribution, logistics, 3PL (third-party logistics) and repetitive manufacturing. The StrongArm IoT-enabled platform provides customers with a single solution to improve their safety data analytics and reduce injury risk.

Risk reduction can be achieved two ways:

- Directly, through a real-time risk mitigation solution if IoT data indicates that a client is getting into a risky situation.
- Indirectly, by promoting safer behaviors over the long term.

(Insurance Nexus & IoT Insurance Observatory, Connected Insurance Report, FC Business Intelligence, 2018)

StrongArm Tech’s solution, the FUSE Risk Management Platform, incorporates

both. *Real-time and direct risk mitigation* comes in the form of alerting frontline workers when high-risk movement is detected and encouraging them to correct the behavior to reduce or eliminate the risk of injury. The *indirect behavioral modification* component is accomplished by providing custom safety reports to the client’s safety leadership. StrongArm Technologies’ cloud platform receives data from workers’ wearables and produces a critical benchmark of safety data on an individual, team or facility-wide level. A data interface accessed by safety teams empowers a two-way dialogue that engages those most at risk and champions those already working in a safe manner.

As highlighted by the research “From Risk Transfer to Risk Prevention: How the Internet of Things is reshaping business models in insurance,” done by The Geneva Association and the IoT Insurance Observatory, this approach represents a concrete opportunity for the workers compensation insurance line of business.

“Loss prevention and minimization activities are part and parcel of what

continued on next page

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insurers do” even if it is more visible on large commercial insurance (Insurance Regulatory and Development Authority of India, 2020, Report on loss prevention and minimization in the general insurance industry). IoT basically allows us to do it better and to apply the approach more broadly in the insurance business. These use cases are the essence of the evolution from a pure risk transfer to a “prescribe and prevent” scenario (McKinsey, The future of life insurance: Reimagining the industry for the decade ahead, 2020).

Real-Time Risk Mitigation

The direct utilization of the IoT paradigm—through the IoT capabilities of sense, infer and act—aims to minimize client losses and claims to be paid by the insurer. This can involve automated actions by IoT actuators that impact on the risky situation without any human intervention, like autonomous driving systems in cars, or can happen as the result of a warning dispatched to trigger some kind of human participation in the intervention, e.g., when a water leakage alert is triggered and repair service is needed.

These risk mitigation actions can be triggered by the detection of three different situations:

- 1. Missed safety tasks**, such as scheduled equipment maintenance or inspection, equipment that shows need for preventative maintenance, a diabetic’s missed blood sugar levels check, an out-of-order or absent risk mitigation system.
- 2. A risky situation**, such as a frozen pipe, a fridge room’s door left open, the presence of liquids on the supermarket floor, workers without adequate equipment, an employee lifting unsafely, a distracted driver, a forklift operator speeding in a warehouse, high temperature or anomalies in an electrical control panel, early detection of abnormal conditions or complications in a person or animal.
- 3. Mitigation of the consequences of an event that already happened**, such as detection of a water leakage, the quick evacuation of a worksite deemed unsafe, the life-saving proactive assistance of an

TECHNOLOGY EMBEDDED WORKERS COMPENSATION PROGRAMS

StrongArm has been validated in select industries with elevated ergonomic injuries - wholesale distribution, warehousing, beverage distribution, local transportation, and others with heavy material handling injury percentage



Source: [StrongArm Technologies](#)

injured person or monitoring of treatment adherence of a patient.

StrongArm Tech’s approach is focused on the second kind of situation. Its device provides auditory (beeps), visual (lights) and haptic (vibrational) feedback to the worker in order to indicate the detection of a high-risk movement and encourage the subsequent protective behavior change. Understanding that operational environments are often loud and hectic, haptic alerts are commonly reported by workers and management as being the most effective. With the sensor worn on-body, typically the torso or the hip, vibrational alerts are non-invasive but effective in earning the wearer’s attention.

Behavioral Change

The second prevention option is to promote safer habits. The intention is to guide toward a long-term and lasting change in behavior that will reduce the expected deaths, injuries, property damages and other insured events. Approaches can target two different levels: the enterprise and its employees in the field that are responsible for behaviors.

IoT insights give loss control teams objective and detailed information on their current activities and provide digital tools that allow corporate clients to have a better awareness of the causes of losses and to implement adequate managerial actions.

StrongArm Tech’s approach provides a deep look into the worker behavior at the time of an incident and any subsequent environmental conditions that might have caused or factored into it. Not only can that exact type of incident be avoided in the future, but larger operational changes can be made to improve the overall safety of a facility based on these insights. Site-safety leaders must use the granular data to target employees for coaching, and senior-level managers must analyze the trends when implementing new programs that require capital expenditure.

In addition, employee reward programs are emerging in commercial lines. Safer worker behaviors are rewarded in order to incentivize changes in behavior. For example, a cold storage distributor embedded StrongArm’s FUSE Sensor into its safety incentive program to drive participation and safe behavior. Site leaders are awarded more points for high program participation and demonstrating safe behavior—identified through StrongArm’s proprietary Safety Score.

The combination of real-time risk mitigation and behavioral change programs allows the company to *maximize the return on the prevention investment*. Moreover, successfully deploying wearable technology, such as FUSE Platform, requires commitment from the end users, site leaders and senior-level managers to drive meaningful change. The data

collected must be used to inform decision-making by all stakeholders. The result: an enduring safety culture based on actual data that scales in size and complexity in lockstep with the demands on any workforce. When all three levels are engaged in the data and the feedback, StrongArm can have a significant impact on improving behavior. This is no more apparent than in a successful deployment at Walmart that drove a reduction of targeted injuries by 64 percent across 6,000 associates and three years.

StrongArm Tech KPIs are calculated using its next-gen, leading indicator Safety Score, which aggregates key motion factors including bending, twisting and tilting. A single point change in Safety Score equates to a 7.5 percent change in risk. The most successful programs result in a six-point increase in Safety Score and subsequent 45 percent decrease in targeted injuries, which results in a 25 percent decrease in total cost of risk or claims payouts.

Sustainable Business Cases

Casualty insurers are using IoT technology to build competitive technology-based workers compensation programs. Carriers are learning how to structure and finance technology-embedded programs to incentivize participation and create better outcomes for both carrier and enterprise clients. To generate a sustainable business case, the cost of the risk prevention services must not exceed the cost reduction they drive.

StrongArm has partnered with carriers to deliver wearable injury reduction technology at a cost well below the \$1,100 average cost of injury per each existing employee (Work Injury Costs 2019, National Safety Council). Programs fully funded by carriers have produced a 300 percent ROI by reducing ergonomic injuries by 35 percent for leading merchant wholesalers and manufacturing policyholders.

A shared risk concept, in which both insurer and insured share the cost and the benefit of the outcome, has proven to incentivize the proper behavior. The workers comp market has various levers it

can use to transfer risk. A properly funded technology policy aligns technology cost equitably with insurance program structure. In a guaranteed cost policy, the insurer bears the majority of the injury risk, whereas in a loss sensitive policy, the insured is responsible for the majority of the first layer of medical and indemnity cost through a high deductible. Understanding these different policy dynamics changes the funding available for risk prevention technology.

Carriers are building sustainable, IoT-enabled policies that drive bottom-line results to both the enterprise client and the insurer. For example, a leading global carrier partnered with StrongArm to offer its loss sensitive client two different renewal options: a discounted tech-protected policy or a traditional policy with no risk prevention technology attached. The client chose the discounted policy option with a commitment to deploy the wearables across its 3,000-user workforce. This partnership resulted in a reduced premium, better-performing policy and safer “industrial athletes.”

By leveraging insurance policy components like deductibles, dividends and renewal rate changes, insurers can build a variety of tech-enabled workers comp products that share both the cost of the technology and the benefit of the outcome between insurers and insureds. Insurers also have the opportunity to use the same data for another use case: risk selection. Underwriting is a key business function that can be transformed by the availability of this digital data.

Risks are dynamic, and a constant flow of digital data allows underwriting to be continuous or dynamic as well. A continuous underwriting approach can improve risk selection and pricing.

Casualty insurers who have worked with StrongArm Tech have access to data such as Safety Score, number of lifts and other risk metrics, down to the individual for risk benchmarking. For example, comparing lift rate (number of lifts) across a portfolio of warehousing risks enables continuous and accurate benchmarking and risk selection.

IoT-enabled data sources, such as lift rate, are an enhanced data source within the underwriting process that can be used at the policy level and the portfolio level.

Today, carriers are using this data to compare two businesses with similar operations. Uncovering varying degrees of lift rates and Safety Score differences helps to provide competitive insight.

Future of Workers Compensation

The essence of the insurance sector, since its origin in 1347, has been assessing, managing and transferring risks, but the direct results of the technology adoption are “superpowers” to do the same things much better (Carbone, “Insurers Will Be Even More Relevant,” November 2017, InsuranceThoughtLeadership.com). The evolution of IoT data sources in the workers comp market has arrived. Not only are captives and insurers enhancing the way they approach risks, but even brokers have the opportunity to build and propose their own approaches to clients. They can select technology to recommend and obtain programs with favorable conditions from insurance carriers, as is starting to happen in commercial property (Carbone, “IoT Success Stories Are Emerging in Commercial Lines,” June 2021, Leaders Edge).

Carriers and brokers are assembling their analytics teams to better understand which data sources can be used to build dynamic insurance policies that bridge the gap between risk prevention and risk financing. IoT-enabled platforms, like StrongArm Tech, are on the front end of that data supply chain. In the years to come, technology will be the key ingredient in building real-time commercial insurance policies. Technology-enabled dynamic policies will reward positive behavior and disincentivize at-risk behavior, which will create a better outcome for carrier, enterprise and “industrial athlete.” This incident reduction will also generate clear positive externalities to the entire society, increasing the contribution of the insurance sector to advance sustainable development goals. [CM](#)



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Matteo Carbone is Director of the IoT Insurance Observatory and board member of Net Insurance. Carbone is the Guest Editor of this special report on IoT insurance applications for *Carrier Management*. A frequent contributor, Carbone was also a guest editor for *Carrier Management's* 2018 featured magazine section “Startups Face Off Against Established Players” (November/December 2018 edition; co-editor Adrian Jones).

How We're Doing It: Using Telematics to Transform Commercial Auto Insurance

By Pete Frey and Matteo Carbone

Executive Summary: If a carrier assumes that a telematics proposition is the same for personal auto customers as it is for commercial, or the same for all shapes and sizes of commercial customers, they run a high risk of failure in launching telematics capabilities, according to Nationwide AVP Pete Frey and CM Guest Editor Matteo Carbone.

After giving some background on the slow growth of connected devices generally, Frey and Carbone describe what's needed for successful execution of telematics programs—leadership commitment to building a business capability, not a program—and an organizational effort of shared learnings. This is what Nationwide Insurance is doing in leveraging knowledge from personal auto insurance successes to a commercial auto insurance business transformation, while also being mindful of differences in customer and distribution channels to marry value propositions to specific customer needs.

The hyperconnection of people, machines and organizations is a pervasive megatrend that characterizes our society in any aspects, at any level, in any part of the world. The Internet of Things (IoT)—smart connected products that connect people and objects to the Internet, allowing remote transmission and use of information about these things and people—is a key technology in this trend.

Sociologist Barry Wellman made the first observation in his writings in the early years of the millennium. (See, for example, “Physical Place and Cyber Place: The Rise of Networked Individualism,” Wellman, 2001, *International Journal of Urban and Regional Research*.) Over a decade later, Harvard Business Professor Michael E. Porter and James E. Heppelmann, CEO of industrial software maker PTC, wrote about how information technology was revolutionizing products from





“Look at telematics as not just launching a program but actually building a business capability within your organization...As you switch your perspective from program launch to capability building, you look at building buy-in, understanding and expertise across the organization...It becomes an organizational effort rather than the job of a specific product, marketing or innovation team.

Pete Frey, Nationwide

cars to industrial equipment, with “smart connected products” forcing companies to rethink how they compete to win customers and deliver value (“How Smart Connected Products Are Transforming Competition,” by Porter and Hepplemann, Harvard Business Review, 2014).

Where are we now?

There are varying statistics about the IoT market size—each with different criteria and methodology—ranging from 10 billion and 22 billion connected devices present at the end of 2020. These are impressive numbers, but far less than the 50 billion connected devices for 2020 predicted by CISCO and Ericsson 10 years ago. The business transformation necessary to obtain value from IoT at a general level by a large portion of the players in any industry is much more difficult than once imagined.

For insurers, IoT represents an opportunity to connect with clients and their risks. Personal auto telematics is the most mature area, but less than 10 insurers in the world have built telematics portfolios with at least one million policyholders based on the data of the IoT Insurance Observatory.

As articulated by one of the co-authors of this article (Frey), telematics adoption should be seen “as not just launching a program but actually building a business capability within your organization. The biggest difference as you switch your perspective from program launch to capability building is that you look at

building buy-in, understanding and expertise across the organization while launching the program. It becomes an organizational effort rather than the job of a specific product, marketing or innovation team” (“Building an Insurance Telematics Capability,” August 2020, LinkedIn post).

U.S. Commercial Auto Insurance

While telematics for commercial auto has seemed like a slow mover, it has started to pick up pace over the last three years. From traditional usage-based insurance, to fleet management services, to data exchanges and even miles-based concepts for small business, commercial carriers are looking to leverage the benefits that telematics can bring to their long-term viability in the market and to customers.

The value of telematics is exponential as it matures. In other words, as a telematics program grows in volume—enrollments, data, vehicles—the value expands. Given long struggles with commercial auto insurance profitability across the industry, telematics can be a strategic capability that provides value and return on many levels.

Nationwide’s Telematics Experience

Nationwide’s strategic choice to adopt telematics in commercial auto has matured in the context of a successful journey in adopting it in personal auto. The carrier’s SmartRide and SmartMiles programs for personal auto customers have been incredibly successful in terms of customer growth and agent satisfaction. From an insurance standpoint, both have also shown positive impacts on key performance indicators such as loss ratio, growth and retention.

In building the commercial telematics program, Nationwide’s commercial innovation team collaborated heavily with personal lines counterparts to try and incorporate learnings, strategies and methods that can accelerate their place in the market. Instead of reinventing, they’ve pinpointed opportunities where they can approach things mutually, whether it’s an approach to data or how they leverage key

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How Big Is the Internet of Things?

Just five and 10 years ago, predictions from Ericsson and Cisco expected there would be 50 billion connected devices by 2020.

Estimates today, while varying widely, actually fall far short of that expectation, coming in at a range of 10 billion (GSMA Intelligence) to 22 billion (IoT Analytics).

References listed below:

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- **Lueth, K. L. (2020, December 2). Retrieved from IoT Analytics:** <https://iot-analytics.com/state-of-the-iot-2020-12-billion-iot-connections-surpassing-non-iot-for-the-first-time>
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partners. From a policyholder standpoint, the value propositions may differ slightly between a personal and commercial insurance telematics offering, but there are certainly many other aspects that can be shared.

Commercial Auto Telematics-Based Value Proposition

For adoption, it is fundamental to understand the value perceived by policyholders. Business owners and corporate clients may see value in getting a participation discount or a fleet management service at an affordable price. One critical success factor in commercial telematics adoption is making sure that the customer value proposition is clearly determined and communicated to all the relevant stakeholders. If a carrier assumes that a telematics proposition is the same for personal auto customers as it is for commercial, it runs a high risk of failure.

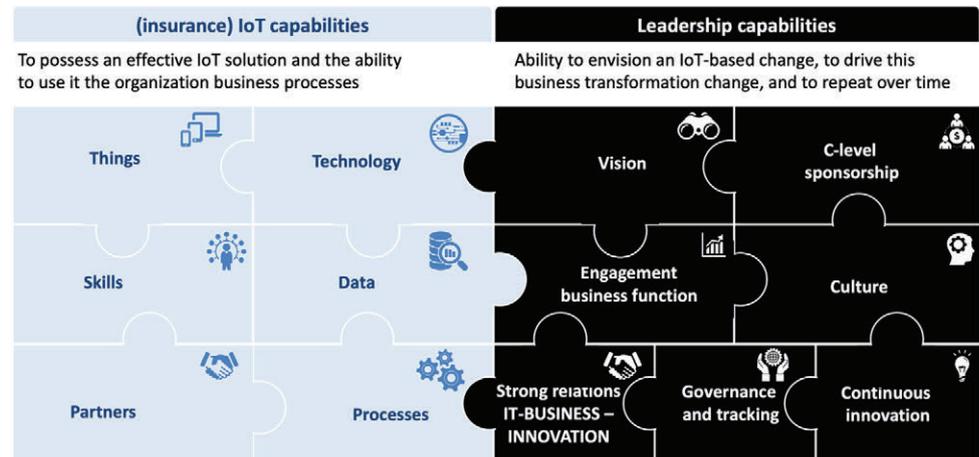
Commercial customers come in many different shapes and sizes. They have different needs, different challenges and varying ecosystems. They have businesses and their own customers to manage, and employee drivers to contend with. Telematics can be beneficial to all of them, but the trick is figuring out how and then convincing them of the insurance benefit.

The agent and customer dynamic is also

“It is fundamental to engage the distribution channel in the go-to-market of the telematics program, both adequately sharing with them the vision and designing processes around their needs.”

Matteo Carbone,
IoT Insurance Observatory

The Necessary Capabilities



Source: IoT Insurance Observatory

a key variable. The relationship between agents and commercial customers can differ by account, and that can weigh heavily on how telematics is incorporated into the insurance transaction. It is fundamental to engage the distribution channel in the go-to-market of the telematics program, both adequately sharing with them the vision and designing processes around their needs.

Connecting telematics to insurance value is not as easy as it may seem for commercial customers and agents. However, insurance carriers have access to strategic resources that can help: loss control and risk management teams. With focus on safety and risk prevention, these resources can play a vital role in being advocates and champions for telematics use. They are usually trusted allies of both customers and agents in helping to bring value to the insurance relationship, as well as helping to optimize business environments and making them safer all around. They are natural ambassadors.

Creating a Sustainable Business Case

Insurers need to build sustainable business cases in order to offer value to customers. The reality is a telematics business case is complex. Unfortunately, it's not one of those endeavors that you can launch and have a return that is immediate.

Telematics is an investment. To make a decision to commit to telematics is committing to a new way of doing auto insurance.

As mentioned before, the value is exponential based on the levels of maturity a carrier wishes to achieve with their program. The business case almost has to be looked at as an evolving artifact, with measured steps and managed expectations along the way. Depending on the program strategy that is adopted, a carrier may have to base the business case on incremental KPIs as its program matures. The first phase, for example, could focus on customer enrollment, risk mitigation and behavioral trends. Later in the program, KPIs could be introduced around retention and loss frequency. Further still, KPIs around underwriting profitability and segmentation may become more apparent.

Early on, a carrier may see value from a loss control and safety angle. Insurers around the world are investing in two approaches, according to research done by The Geneva Association and the IoT insurance Observatory:

- 1. Real-time risk mitigation**, where the detection of a risky situation triggers a reaction to prevent an accident.
- 2. Behavioral change** enhancing the activity of the loss control team but also rewarding employees' safe behaviors.

Moreover, as the program matures, the data begins to provide value for pricing sophistication, risk selection and underwriting. To complete the value chain, telematics can then have positive impacts on claims in terms of services, efficiency of the process and effectiveness of the decisions (including minimization of fraud and inflated claims).

All these elements of the value creation equation need to be managed in order to deliver an adequate value for all the relevant stakeholders. This requires engaging and coordinating a multitude of both internal (e.g., innovation, different business functions, IT) and external (telematics service providers, other partners, agents and brokers, clients) functions of an insurance carrier.

Nationwide has recognized that a “one-size-fits-all” approach may not be best for commercial customers and agents. The company has multiple programs, each tailored to meet customer needs and values. The programs have required distribution and customer engagement strategies that also are contemplated based on customer and agent context. For larger businesses, for example, Nationwide’s loss control teams are essential in guiding and consulting as customers learn to adopt telematics into their environments. Loss control professionals help business owners understand behavioral insights provided by telematics solutions while also guiding them through the best type of dashcam features that make the most sense for their fleets and drivers.

The solution for small business customers is aimed at simplicity and value. For larger business fleets and commercial agriculture customers, Nationwide proposes a program that offers more in the way of fleet and driver management capabilities. For other larger fleets or trucking fleets, the insurer offers

dashcam telematics solutions.

Altogether, even though solutions look different across different customer segments, they all center around the customer and delivering safety, service and value. Ultimately, if Nationwide can influence behavioral change through telematics, insurance costs can go down.

Telematics Strategy

Hand in hand with the above-mentioned business case is the strategy for how a carrier wishes to implement telematics. This will determine the cost structure that needs to be considered.

In the past, there was an assumption that the only way to build a program was to partner with a telematics service provider and white-label a solution. The cost was typically pretty high as carriers had to pay for things like devices, software licensing, data management and monitoring, integration with internal systems, logistics...and the list could go on.

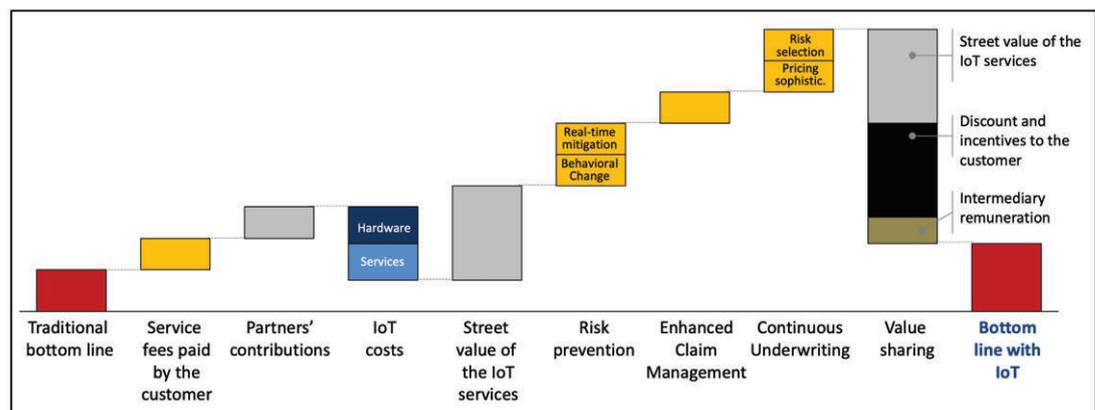
In looking around the commercial insurance market, however, there are plenty of examples of programs that stray from that model. There are traditional usage-based insurance programs, but there are also other programs that revolve around risk management services, ELD (electronic logging device) partnerships, OEM and fleet management partnerships, data aggregator arrangements, and other creative models.

Read More About Insurance IoT

- **“Leading Digital: Turning Technology Into Business Transformation”** by G.B Westerman (Book, 2014)
- **“Connected and sustainable insurance”** by Matteo Carbone, Pietro Negri and Marco Harb (Article, 2016) Retrieved from <https://www2.slideshare.net/matteocarbone/connected-and-sustainable-insurance>
- **“Building an Insurance Telematics Capability”** by Pete Frey (LinkedIn Post, August 2020)
- **“IoT Success Stories Are Emerging in Commercial Lines”** by Matteo Carbone, (Article, June 2021, Leaders Edge)
- **“From Risk Transfer to Risk Prevention – How the Internet of Things is reshaping business models in insurance”** by Isabelle Flückiger and Matteo Carbone (Geneva Association Research, May 2021)

The point here is that there are many ways a carrier can leverage telematics into its commercial auto strategy. While the above-mentioned competencies are consolidated, a carrier can incrementally incorporate the use of telematics data into its value chain as desired. Should the focus be on underwriting and pricing value? On risk management? Claims? All the above? It comes down to what will strengthen the carrier’s relationship with customers and distribution channels. **CM**

The Value Creation Framework



Source: IoT Insurance Observatory

A Repeatable Model for Using IoT to Transform Commercial Insurance

Executive Summary: Learnings from early IoT experiments about customer adoption, roles and responsibilities, and conditions for generating ROI need to happen in every use case. And even though the answers may be different from one case to the next, the approach of The Hartford's IoT Innovation Lab is highly repeatable, according to Dan Campany, the head of the Lab and CM Guest Editor Matteo Carbone.

Here, they describe lessons learned from using water damage prevention technology for the insurer's construction segment customers; the overall benefits of IoT in supporting real-time mitigation, behavioral change of insureds and enhanced underwriting for the insurer; and the ultimate goal of transforming commercial insurance products to incorporate IoT into fee-based services beyond core risk transfer.

By Dan Campany and Matteo Carbone

Traditional insurance products focus on risk transfer. Insurers compete based on their ability to use historical loss information, data gathered during the submission process and other data from third-party data aggregators to predict the likelihood of future claims and price risk transfer products appropriately. With more and more data available in the current hyperconnected world, there are emerging opportunities for insurers to expand their product and service offerings.

In this respect, a key technology is the Internet of Things, which connects people and objects to the Internet, allowing remote transmission of information about

people and things. IoT data is unique relative to the data insurers traditionally use to price risk. It is more granular and continuously refreshed, meaning individual assets and environmental conditions can be tracked in detail, in real time, all the time.

For an insurance company, that means that more data and information about clients' and industries' exposures, perils and incidents are available. Using this data makes it possible even to predict incidents and address risky situations proactively to avoid injuries, property damage or other types of claims scenarios.

In general, the average maturity of IoT adoption in the insurance industry is low and varies substantially by coverage line. While many insurers are experimenting



with different IoT-based concepts, IoT has not yet been adopted on a scalable basis by the large majority of insurers. Personal auto and home are the most widespread IoT use cases in insurance, whereas commercial applications are largely still in experimentation and incubation. While many insurers clearly see the potential applications for IoT, they are still figuring out how to make the transition from “interesting technology” to “scalable ROI.”

One aspect that highlights the immaturity of the insurance approach to IoT is the lack of integration with insurer processes. Indeed, several insurers have added an IoT gadget to a personal insurance coverage or launched IoT-based products and apps that are not linked to an insurance product. In these initiatives, the business value of the approach is not defined beyond “it is a marketing tool.”

This approach misses one of the key lessons learned in tech-driven innovation: a return on investment is more about having a strategy than about adopting a technology (Source: “How to Overcome Challenges to Enterprise Implementation” by Brian Gilmore and George Westerman, MIT Sloan Review, Jan. 6, 2020).

However, in any insurance lines of businesses and across all geographies, the IoT Insurance Observatory’s research has found some successful IoT-based insurance

stories. Cumulatively, an overview of the pioneers that succeeded in impacting their business through the usage of IoT data provide a map of the reasons for adopting IoT in the insurance sector. These concrete experiences confirm the relevancy of this InsurTech approach for the insurance sector and demonstrate the feasibility of this paradigm in any market.

There are some personal auto insurers with millions of UBI policies in their portfolios, and the leader in using IoT in health and life insurance has around 20 million connected users around the world. In commercial lines, the most recent developments are seen in the U.S., where many insurers have started to experiment with IoT usage.

One of the front runners is The Hartford. The company’s vision is to predict and prevent losses to minimize business interruption for their customers. This carrier wants to prevent bad things from happening.

The Hartford IoT Innovation Lab

The Hartford created its IoT Innovation Lab at the beginning of 2019 to predict and prevent customer losses and minimize business interruption. This allowed the company to create a more comprehensive, enterprise-wide strategy around IoT to accelerate experimentation and develop deep subject matter expertise.

For example, a specific business needed water damage prevention in the construction sector. Pilots of different solutions and business models by The Hartford’s IoT Innovation Lab allowed measurement of various technology solutions’ risk mitigation performances and the implementation of a sustainable approach. Anchored by their vision to predict and prevent losses, the IoT team created a deliberate plan to mature from experimentation to scalability.

Key things the team needed to learn before scaling included customer willingness to adopt under various conditions, as well as the viability and effectiveness of the technology solutions in preventing losses for different types of

customer sites. In addition, the team had to absorb the roles and responsibilities within The Hartford risk engineering and underwriting organizations necessary to enable the new business model, as well as the conditions under which the loss prevention benefits exceeded the cost of the technology deployment.

The Hartford’s risk engineering and underwriting teams identify clients that should have water damage prevention technology based on their exposures. The opportunity is then referred to the professionals within the lab for a custom-built technology proposal. When the carrier has identified a loss mitigation solution adequate to provide the expected ROI, the carrier makes the investments. When the service is attractive for the client, but the resulting loss mitigation is insufficient to offset the cost of the investment, the customer may pay part of the costs.

The lessons learned from the construction segment, though not directly portable to other types of property insurance, were a significant head start toward extending the water damage prevention efforts and resultant **continued on next page**



Dan Campany is Head of the IoT Innovation Lab at The Hartford. The Innovation Lab is responsible for using connected devices and data to mitigate risk, create distinctive customer value, and establish new revenue sources and growth channels. Campany has been with The Hartford since 2004. Prior to leading the IoT Lab, he served as AVP Enterprise Innovation, working with leaders across the company to uncover, explore and launch new technology. Before that, he was head of business development, strategy and marketing for alternative distribution partnerships in the Small Commercial business segment.



Matteo Carbone is Director of the IoT Insurance Observatory and board member of Net Insurance. Carbone is the Guest Editor of this special report on IoT insurance applications for *Carrier Management*.

Getting to Know the IoT Insurance Observatory

The IoT Insurance Observatory is a five-year-old international insurance think tank focused on generating and promoting innovation in the insurance sector. It offers a strategic vision to exploit the full potential of the insurance IoT, stimulating research and debate between the participants.

The past four Observatory annual editions aggregated 76 insurance companies, including four of the top five reinsurers, 11 of the top 15 European Insurance Groups and eight of the top 15 U.S. P/C Insurance Groups, as well as 41 tech players and vendors.

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benefits to additional customer segments such as commercial real estate and small businesses, where The Hartford's active experiments are also showing early signs of promise.

Real-Time Risk Mitigation

This IoT-based risk mitigation approach is based both on:

- Early detection of risky situations (for example, flow monitoring sensors for early detection of unusual flows indicative of a leak, temperature and humidity monitoring sensors for freeze condition detection).
- Detection of incidents to mitigate their consequences (sensors to detect escaped water).

The mitigation solutions are based on alert dispatch, including human intervention, and automation (such as automatic shut-off valves).

The lab has experimented with other real-time risk mitigation use cases over the last three years. The Hartford is currently expanding into additional technologies such as wearables and computer vision for real-time alerts—for example, monitoring whether workers wear hard hats and are lifting using proper ergonomic techniques for workers compensation. The goal is to understand the dynamics of risks in real time—i.e., how a risky situation develops, and at what time point a real-time interaction is required to prevent an incident.

Intervention responses to these earlier-stage experiments can come in the form of immediate actions for a specific event (e.g., tell a forklift operator to stop speeding) or a more holistic review of the portfolio of behavioral trends over time that can be addressed with more systematic re-engineering of risk (e.g., redesign the forklift routes to optimize speed while minimizing proximity to human foot traffic).

Over time, The Hartford will even be able to assess changes to macro risk trends (e.g., number of incidents by category) and have an updated view of risk for a particular

“In the past, it was a ‘see and react’ exercise. Now, problems are identified beforehand based on data analytics, allowing the risk engineering team to respond to conditions that they were not able to witness in the past.”

insured to support continuous underwriting based on more accurate risk selection and sophisticated pricing as customers respond and address—or do not—systemic risks in their operations.

Behavioral Change

An additional, indirect benefit of risk intervention is improving the risk engineering teams' awareness about the current hazards, increasing their ability to recommend changes to improve insureds' workplaces and make them safer. The Hartford's IoT-based initiatives systematically enhance the activity of their risk engineering consultants by providing the insights generated by the technologies installed in the workplace.

All information from sensors and computer vision goes to the risk engineering team as part of the risk advisory to the customers. For example, risk-related insights from ergonomic wearable devices can help the risk engineering team to identify systematic root cause issues in the customer's operations and help them make new recommendations to improve safety, such

as ergonomically correct workstations or mechanical lift assist equipment.

Customers value the insights as well because it helps them prioritize and

contextualize changes they can incorporate into their operations for both safety and efficiency.

Risk engineering consultants have to look at hundreds of things when they visit the customer site. As well, customer sites are often dynamic, with conditions changing

substantially between risk engineering visits. Based on the IoT data, they get a customer-tailored list where issues are identified or where potential incidents could happen, including prescribed actions.

In the past, it was a “see and react” exercise. Now, problems are identified beforehand based on data analytics, allowing the risk engineering team to respond to conditions that they were not able to witness in the past as well as to be more targeted with prepared recommendations during their onsite visits. For example, data from wearable devices can help a risk engineering consultant to identify a particular job function that would benefit from a more in-depth, onsite assessment by a trained ergonomist.

Research about insurance risk prevention by The Geneva Association and the IoT Insurance Observatory has revealed that the same data necessary for the real-time risk prevention are used also for promoting safer behaviors, reinforcing the loss prevention impact on the insured risks and building more sustainable business cases around these prevention investments.

Developing Insurance IoT Capabilities

The Hartford believes it has only reached the tip of the iceberg on water damage prevention benefit captured through scaling across the enterprise property portfolio. At the same time,



having a concrete success story early on with construction water damage prevention has made IoT benefits tangible for the broader organization, creating an influx of new ideas and demand from product and underwriting leaders.

The lab is repurposing its experimentation philosophy and approach to apply to other types of perils and technologies. Many of the same learnings need to happen during other experiments (e.g., customer adoption, roles and responsibilities, conditions for generating ROI). And, although the answers will be different for each use case, the approach is highly repeatable. The Hartford's IoT Lab now has a series of active experiments in flight across various stages of maturity from opportunity framing to scaling.

The goal for The Hartford's IoT Innovation Lab is to keep the primary focus oriented on business model experimentation, developing insights by analyzing IoT data and supporting the business units' ability to operationalize effectively at scale. Therefore, the team aspires to stay small and nimble. The preference is to avoid scaling the team to

take over operational accountability of IoT at a transactional level once it has been fully implemented into the business units' operating models. Still, the team remains deeply connected indefinitely as subject-matter experts and functions as a center of excellence.

As well, The Hartford leverages vendors' capabilities whenever possible as opposed to creating proprietary hardware and software solutions in-house. Alerts go to the vendors, where they are analyzed and enable real-time actions. A backup goes to The Hartford's IoT Innovation Lab team. The IoT Innovation Lab does capture all data from its IoT deployments for purposes of correlating with other proprietary data, conducting advanced analytics, measuring success, and developing net new actionable insights for underwriters and risk engineers over time (e.g., risk benchmarking and pricing models).

The Hartford's Innovation Lab sees the evolution of IoT adoption in commercial lines over three phases:

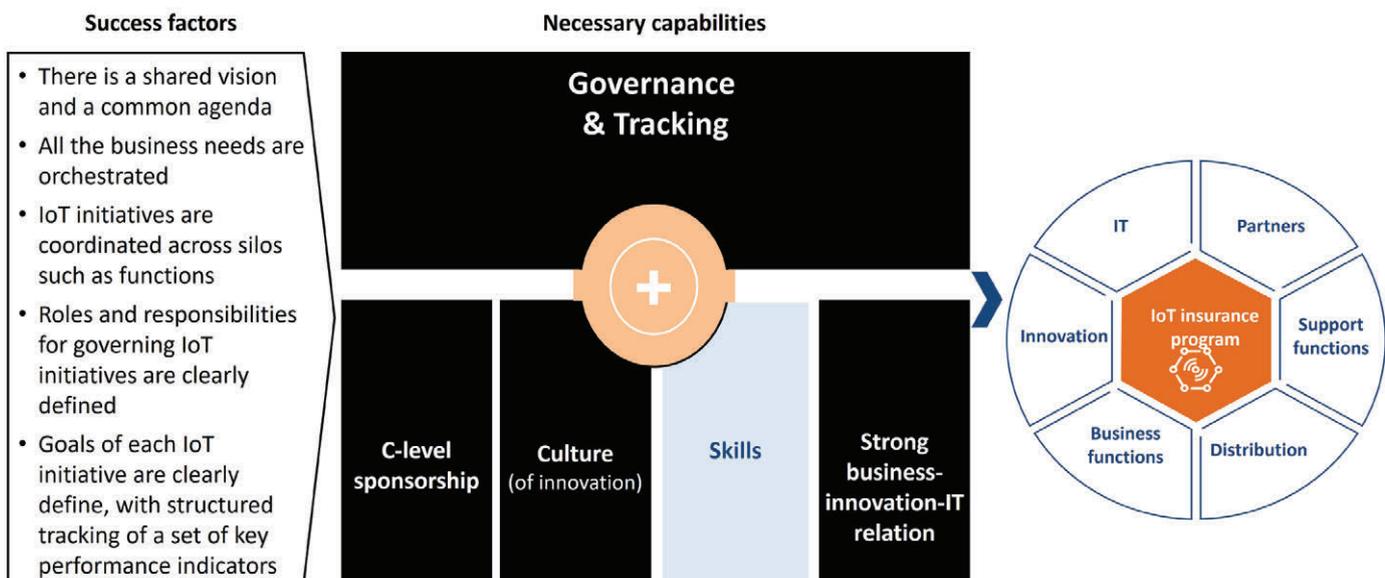
- First, loss prevention as a way to deliver tangible ROI and develop the foundational capabilities and expertise.

Read More About Insurance IoT

- "This InsurTech Expert Says Mastering The IoT Paradigm Is An Achievable Target," **Forbes, July 2020**
- "From Risk Transfer to Risk Prevention – How the Internet of Things is reshaping business models in insurance" by Isabelle Flückiger and Matteo Carbone, **Geneva Association Research, May 2021**

- Second, enhanced underwriting execution through new data-driven insights from the deployment of IoT devices at scale. That includes incorporating the benefits of IoT data into risk segmentation and pricing models.
- Finally, transformation of products and services both in the form of proliferation of usage-based insurance as well as expansion of insurers' role in the customer value chain to incorporate IoT into expanded, fee-based service offerings beyond core risk transfer. **CM**

The Organizational Perspective for the Insurance IoT Adoption



Source: IoT Insurance Observatory

VC Viewpoint: Glimmers of Hope in the Insurer Software Market



Matthew Jones is a Principal at Anthemis, where he is responsible for sourcing, analyzing and executing investments as well as providing support for the investment firm's portfolio companies. Prior to joining Anthemis, Jones was at Swiss Re, with roles across non-life and life insurance and reinsurance in both London and Zurich. He brings in-depth knowledge of the insurance sector and focuses on investments in insurance and risk-related technology. His areas of interest include analytics and data, artificial intelligence and automation, asset management, digital health, new insurance propositions, risk management, and mobility.

Executive Summary: With direct-to-consumer startups slowly gaining market share and incumbent competitors using third-party data to uncover better risk insights, the market for insurer software should be booming. Yet, it's not at the moment. Here, Matthew Jones, the principal of fintech venture firm Anthemis and author of CM's VC Viewpoint series, suggests some reasons why and offers advice that will help startups make more progress in offering technology to the insurance industry, such as a focus on small deployments rather than complex integrations.

By Matthew Jones

In contrast to their direct-to-consumer counterparts, startups developing software for insurance companies have commanded lower valuations and fewer headlines. While some are doing great work in pockets of the industry, we are yet to see a startup emerge as a dominant challenger to the likes of Guidewire, Duck Creek and Majesco. No doubt about it, building technology for insurance companies is hard.

An often-repeated line in many InsurTech startup pitches is that insurance companies are inefficient organizations, rife with legacy technology. Green screens! Mainframes! In certain parts of the insurance industry, this is absolutely true—who hasn't heard those hilarious jokes about well-paid COBOL engineers? But in

vast parts of the industry, the reality is somewhat more nuanced.

We forget that the insurance industry has historically been a fast adopter of new technology. As the original big data industry, insurers have adopted new technology since the 1960s. As vast amounts of computing power made its way into the industry, innovators harnessed it and pointed it at problems as simple as maintaining customer records and as complex as modeling natural catastrophes all around the world.

Against this backdrop, customer expectations have become ever-more sophisticated, undoubtedly spurred on by experiences in other industries. Customers expect to be able to buy policies in multiple contexts (think embedded and APIs) and are demanding streamlined, digital-first claims processes that match their own technical capabilities (think mobile). Furthermore, the pace of technological advancement is increasing by the week, especially in areas such as artificial intelligence and machine learning.

Sensing an opportunity amid these changing customer demands and the opportunities afforded by technology, direct-to-consumer startups have entered the insurance industry and begun to slowly capture market share. In response, startups have emerged to offer similar technology directly to insurance companies. Examples of these offerings include digital customer

engagement tools, pricing engines that harness third-party data, policy administration platforms and modern FNOL (first notice of loss) interfaces to streamline claims.

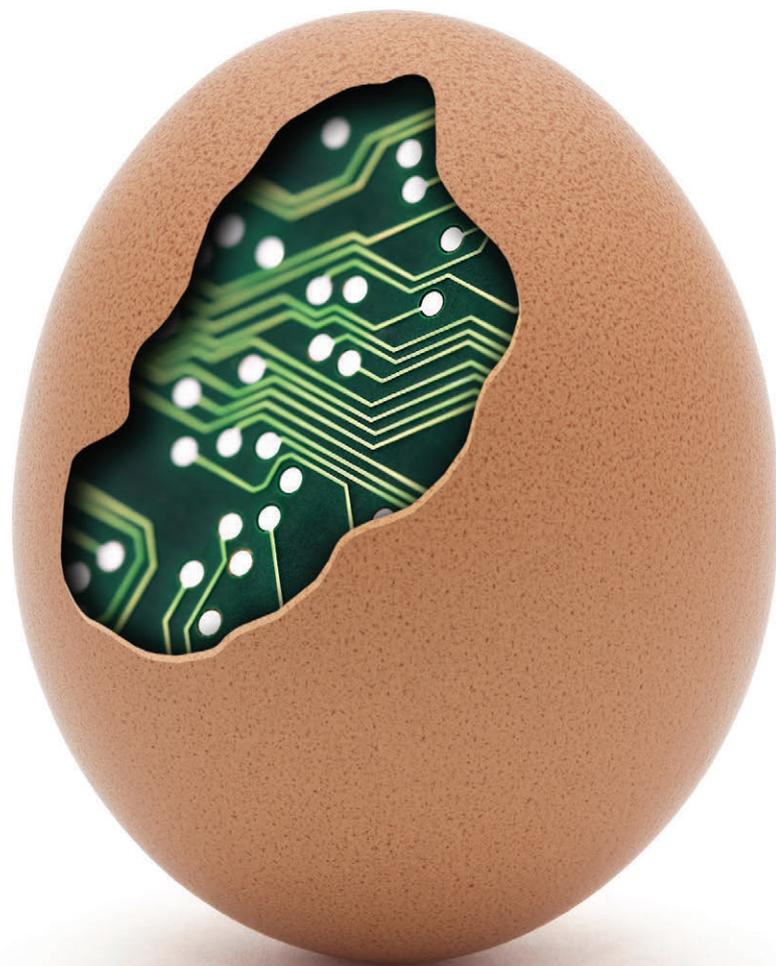
As these trends accelerate and converge, the competitive dynamics of the insurance industry are changing. It is going to become even harder to remain competitive.

For example, as competitors embrace the possibilities presented by using third-party data, they have insights that others do not. The risk that your competitor declined after better understanding the condition of the roof and the foliage surrounding a property—that's on your desk next week, without the same kind of insight. What about those insurers that embrace fraud detection technology? Removing a couple of points by eliminating claims leakage can provide additional pricing flexibility in the most competitive segments. It's not just about cutting costs; embracing online sales can be transformational for an insurer's growth strategy.

Given all of the above, shouldn't the market for insurer software be booming? At the moment, with some exceptions, it doesn't appear so. Why aren't startups making more progress in offering technology to the insurance industry?

Let's get the most obvious reason out of the way: Not all insurers need to bother.

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Some insurers have balance sheets that can fend off these upstarts and find themselves immune—for a period of time—to the effects of this new technology on the industry. Some insurers have the resources, know-how or patience to (eventually) build some technology in-house. Where there is an existing culture of building over buying, it can be impossible for a startup to change that mentality.

Similarly, with regard to core systems, incumbency has become a significant advantage. To borrow from that well-known phrase about IBM, it has become pretty clear that “no one gets fired for buying Guidewire.”

Yes, insurers are happy to run experiments with startups. However, when it comes to critical infrastructure such as the core business’ technology, the culture of these organizations—often driven by the boardroom—encourages a reversion toward the perceived “safety” that comes from working with a recognized brand name. This happens even if another proposition is better.

Venture-backed startups tend strongly toward self-service models, or as close to self-service as possible. These companies often don’t have the resources to be able to hand-hold an insurer through the change management and adoption process, putting them at a disadvantage to others that work with well-known systems integrators.

Through the investor lens, however, the biggest hurdles to be overcome seem to be time and market size.

First, regarding time, entrepreneurs face long sales cycles in the insurance industry. Procurement has traditionally involved an RFP process along with long contract negotiations; from start to finish, a project can take two years. Startups are funded by venture investors for 18-24 months and need to show progress between investment rounds. This is not a long time to build a brand, credibility and trust.

Market size prompts fierce debate within investor circles. Unlike the homeowners and auto insurance markets that are worth

Industry “outsiders” tackling insurance problems is critical to the future of our industry, but having someone that speaks the language of insurance can move a startup up the insurer’s agenda and can help to articulate the business case related to a project.

billions every year, the market for startups selling software to insurers is a fraction of those numbers. What proportion of insurers’ IT budgets—closely guarded by the CIO—are even maintaining their size, let alone growing? How much more are insurers willing to spend on new technology in any given 12-month period? With customer acquisition costs accounting for such a large proportion of revenue in the insurance industry, what exactly can a startup reasonably extract as their revenue?

Ultimately, the insurance industry will collectively do what is right for businesses and policyholders. Technology adoption for the sake of adoption alone is pointless. The case has to stack up. Despite some of the challenges outlined above, I believe that the outlook is positive and that some companies are going to make a big impact on the industry. But it will take time.

Some of the reasons for optimism are macro-level trends. The case for shifting toward SaaS rather than on-premise solutions is almost, if not already, proven. Partly driven by the COVID-19 pandemic, processes related to digitalization are being streamlined and sales cycles are shortening. Rewards for speedier execution are emerging in some organizations. Finally, a better grasp of technology within insurers will lead to lower-cost self-service

options being favored.

Until those trends have completely played out, the entrepreneur has a number of options at his or her disposal.

From a tactical perspective, avoiding deep and complex integrations is key; to the extent possible, startups should focus on smaller deployments to prove their value. This can reduce the time taken until a customer sees results. This foundation, in turn, fast-tracks the opportunity to discuss account expansion (= revenue).

Additionally, a team with a deep understanding of the insurance industry helps to avoid a trap into which many startups fall: not solving a real problem or starting with a solution looking for a problem. Industry “outsiders” tackling insurance problems is critical to the future of our industry, but having someone that speaks the language of insurance can move a startup up the insurer’s agenda and can help to articulate the business case related to a project.

A more strategic question to ask is whether the technology in question can be leveraged by companies elsewhere, in other faster-moving verticals or industries. Some of the most successful companies that we are backing have deployed their technology into industries other than insurance in order to generate revenue and customer feedback, with a view to working with insurers later. Even if the insurance industry is the entrepreneur’s holy grail—and why wouldn’t it be?—this approach can generate valuable lessons (both technological and commercial) with these early proof points also supporting a startup’s fundraising strategy.

The strongest companies, with the clearest business cases and best technology, stand the best chance of emerging as the next Guidewire, Duck Creek or Majesco. InsurTech’s early B2B pioneers are clearing the path for future innovators offering technology to the insurance industry, and the journey will undoubtedly be easier for those who follow.

If they don’t, someone please pass that COBOL textbook. [CM](#)

8 TIPS

for Managing Your Time, Yourself

By Kimberly Tallon

When we bury ourselves in daily work schedules, self-care and self-management activities are often neglected. To help put those back on your agenda, *Carrier Management* has compiled tips to take control of your schedule and lower your stress level, referencing recently published articles and blogs that deliver useful advice.

1. Bring back your commute.

In the last year and a half, many of us went from having long commutes to simply walking down the hall to our new home office. We're saving gas, money and hours in "wasted" time—but what are we losing?

Our commutes were part of our daily ritual, note James R. Bailey, a professor of

leadership at George Washington University and Andy Cohen, a managing partner of August Max Leadership Partners in a June *Harvard Business Review* article. Commutes provided structure and gave us a pattern of daily behaviors to follow. We knew what to expect and how to prepare. We got up at the same time every day and did our morning routine: showered and got dressed for work; ate breakfast and drank coffee or tea; maybe helped the kids get ready for school or took the dog for a walk around the block. During the commute, we listened to podcasts or audiobooks, checked social media, read a few chapters of a book, took a nap, etc. Whatever helped us get into the mindset for our workday.

And then we'd go through a similar ritual as we made our way home.

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Our commutes helped us set boundaries between our work and home lives. They helped us leave our work behind and focus on family, friends and even ourselves. The morning commute gave us time to prepare for meetings, collect our thoughts, review documents, think about our to-do lists. The evening commute allowed us to reflect on the day, destress and recharge.

Let's try bringing the commute back. Put 15 to 30 minutes on your calendar at the start and end of your workday to make a mental and emotional journey from home to work and back again. Your "commute" could be as simple as meditating in an unoccupied room or taking a short walk around the block before your first meeting. But it should be something you can do on a daily basis—make it a ritual.

Source: "That 'Dreaded' Commute Is Actually Good for Your Health," *Harvard Business Review*, May 20, 2021

2. Don't do it all yourself.

As a leader you're supposed to inspire, support, mentor and manage your team—not do everybody else's job for them. An important part of leadership is helping your people grow and develop, and the best leaders allow others to showcase their abilities and expertise without getting in the way.

Delegation is key. Too many leaders want to control everything around them, but the best understand the power of delegation. They know how to set boundaries and clearly define roles. They also know how to listen and empower others to come up with their own solutions instead of trying to take over and fix everything for them.

Source: "How the Best Leaders Avoid Doing Everyone Else's Job," *Lolly Daskal blog*

3. Build margin into your life to avoid burnout.

Overscheduling your day can make you less productive at work and may even lead to burnout and a sense of emptiness.

However, building margin into your life can give you room to breathe, reflect and renew so you can keep things in perspective and make necessary changes.

But it's hard when we've been programmed to always say yes at work, which can lead to overcommitment and the subsequent anxiety of having too many tasks and not enough time or energy for focused work.

To build margin into your life, start by acknowledging the problem. Then examine how you spend your time and determine where it might be wasted. Most importantly, figure out what's really important to you—what are your values,



purpose and aspirations for life/work? This will help you establish clear criteria for what to say yes to going forward.

Source: "Do You Have Margin in Your Life?" *Gregg Vanourek blog*, July 16, 2021

4. Animals can help lessen stress, anxiety.

Feeling particularly stressed or anxious lately? You should try spending some time around pets or other animals. Interacting with animals for just 10 minutes can help calm your nervous system and reduce anxiety.

In times of isolation, social interactions with animals can replace interactions with humans in many ways. Petting an animal or even talking to your pet can foster a sense of emotional connection and companionship.

The responsibility of a pet can also help. Taking a break from work to walk the dog, feed the cat or refill the water bowl can add necessary routine to your schedule and provide a sense of fulfillment in taking care of someone else.

But you don't need to actually own a pet to reap the stress-reducing benefits. You can visit a friend's pet, go to the dog park on your lunch break or even take a trip to a petting zoo over the weekend.

Source: "How Spending Time With Pets Can Help Us Cope With Stress," *Thrive Global*, April 19, 2021

5. Find your personal leadership brand.

Build trust with your team by being predictable and reliable as a leader.

Be clear about your leadership style—your personal leadership brand—so your team knows what behaviors they can expect from you in a given situation.

To define your leadership brand, ask yourself:

- What are the three values that are most important to you as a leader and a colleague—that is, the consistent behaviors that everyone can rely on from you?
- How have you lived those values in your career?
- Why are they important to you for driving success?
- If you were recruiting someone to join your team, what would you say to them about your leadership approach and philosophy?

As you answer these questions, give yourself plenty of time for introspection. Source: "What is your personal leadership brand?" *strategy+business*, July 14, 2021



6. Practice mindful communication.

Today, many of our conversations take place in written form, via email or an instant message. But the pressure to respond instantly means we often have a tendency to skim and search instead of reading slowly and carefully, which can lead to miscommunication and confusion.

Read mindfully. Show that you've read the message carefully by addressing all relevant points and answering any and all questions. If it's not possible to give a thoughtful answer quickly, let your colleague know you'll get back to them with more answers—and then follow through in a timely manner.

Write clearly—and always proofread. Read your emails and messages carefully before hitting Send. Check your tone. Think about how your words may be perceived, especially based on your rank. Take advantage of spell check and other proofreading tools. And make sure to clearly define expectations—you may want to put deadlines in bold type or use bullet points to highlight important information.

Don't be hasty. Unless it's a true emergency, try to get out of the habit of answering emails and messages immediately. You don't always need to respond in 30 seconds. Instead, consider blocking off time on your calendar each day to diligently and patiently respond to

your emails. And pay attention to who's copied on the message—you don't want to CC the wrong person.

Source: "Digital Body Language: How to Build Trust and Connection, No Matter the Distance," *Next Big Idea Club*, July 5, 2021

7. Manage your schedule, not your time.

Time management is meant to help you become more efficient and boost your productivity. However, it may also end up increasing the stress you face instead of reducing it if you simply turn around and fill the space you've made in your schedule with even more tasks and more pressure.

Productivity is important. But to avoid burnout, you need to focus on eliminating volume instead of accommodating it. Reduce the volume of tasks. When you agree to perform a task, it begins to create the pressure to deliver. If you have to break or renegotiate the agreement, you add the additional stress of a challenging conversation and the guilt of letting someone down. Avoid some of that stress by reducing the volume of tasks.

For tasks that are assigned to you, think in terms of priorities rather than time. Consider asking: "Where would you like me to prioritize this against x, y and z?" For tasks you are considering adding on yourself, calendar-block first—blocking time on your calendar for everything on

your to-do list so you can get a complete view of the commitments you've already made and your real capacity.

Replace decisions with principles. Continually facing decisions with important consequences and imperfect information can lead to cognitive overload. Reduce the load by replacing decisions with absolute principles—for example, not checking emails during lunch or after a set time, say 6 p.m.

Use structure, not willpower, to minimize distractions. Some examples: Have a set period during the day when you go offline to focus. Leave 10-minute gaps between meetings for reflection and transition.

Source: "Time Management Won't Save You," *Harvard Business Review*, June 23, 2021

8. Set work-life boundaries.

Work from home has left many of us working longer hours as we struggle to maintain work-life boundaries. These extended work hours can actually reduce productivity and quality of decision-making while decreasing overall job satisfaction.

Here are some steps to help you get back on track.

Set a clear time to start and end your day. Let others know that you will be offline during your non-working hours and to only call for a true emergency.

At the end of your day, leave your work behind. If your work phone or laptop is also your personal phone or laptop, turn off email alerts for your work account after hours so you don't notice the emails coming in.

Be mindful of other people's boundaries. If you need to set a call before or after their working hours, include a note explaining why it's necessary. If you send an off-hours email, either delay the delivery until the next morning or note in the subject line that no response is expected until the next day. If you need a response back that evening because it is a true emergency, call the person to let them know. [CM](#)

Source: "6 Ways to Set Healthy Work-life Boundaries," *Thrive Global*, May 27, 2021



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Lead From the Front or Lead From the Middle?

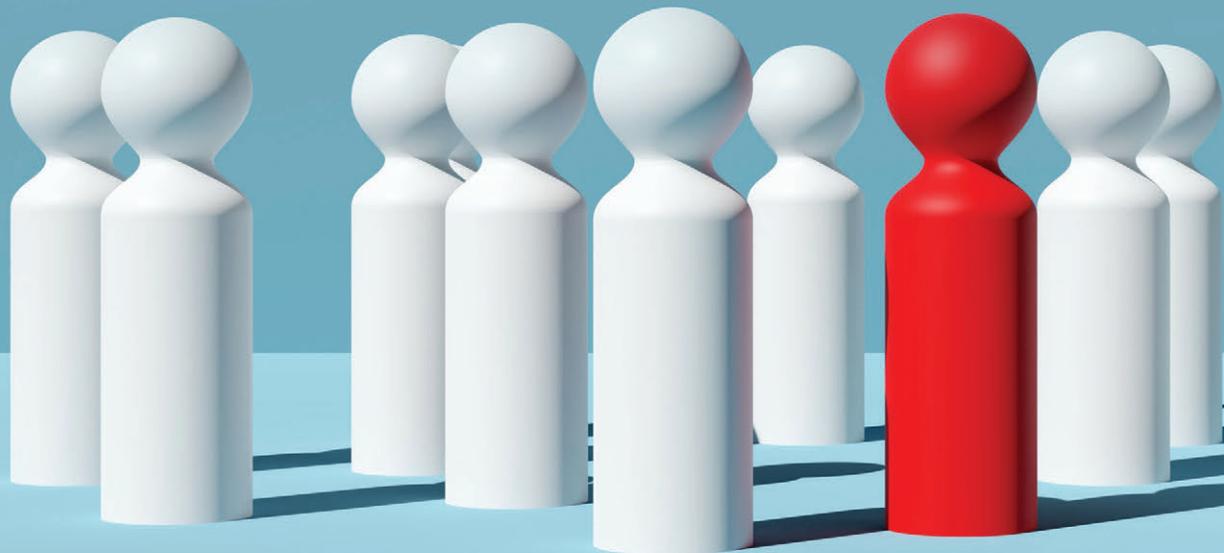
Executive Summary: Have you ever taken the opportunity to remind your followers who the boss is? How about adopting your own preferred strategy rather than trying a group recommendation? Executive Coach Marsha Egan provided those two examples—and others—of leading from the front. A better strategy is the “let’s go” style of management she calls “leading from the middle,” she writes, explaining the differences in the two styles with descriptions of the differing day-to-day routines of the managers who practice them.

By Marsha Egan

Leading from the front or leading from the middle—where is the real power?

Like day needs night, Romeo needs Juliet and bacon needs eggs, so do leaders need followers. However, these great partnerships are examples of symbiosis, and followers need leaders every bit as much as their leaders need them.

From a “mom and pop” store to the greatest multinational corporation, there is an organizational structure that anoints its leaders. The structure provides power to



those at the top by virtue of their position, and that power and position are recognized by everyone within the organization.

Bosses already hold the “power of the paycheck.” They have the power to fire someone, and they make decisions on promotions, raises and opportunities. For these reasons, any counsel from the boss, positive or negative, carries a great deal of weight in the mind of the employee.

As the saying goes, “With great power comes great responsibility.” And it is when that power is wielded inappropriately or abused that it becomes a stumbling block, which loses the leader the respect of his or her followers. Why show or claim power when you already have it?

Examples can include:

- Taking credit for a subordinate’s excellent work.

“Leading from the middle is a leadership style that respects everyone and avoids throwing positional power in anyone’s face.”



- Publicly criticizing an employee for a mistake.
- Adopting a preferred strategy vs. the group recommendation.
- Claiming opportunities that could be shared with others.
- Reminding others “who’s boss.”

Let us remember Teddy Roosevelt’s “Speak softly and carry a big stick, you will go far” quote. It applies as much today in any position where there is recognized power. And employees recognize the power that their leaders carry. Yet some managers can confuse the power of their position with being in a position of power.

Managers have been taught the importance of “leading from the front,” but I would like to suggest an alternative strategy, which I call “leading from the middle.” It requires managers to recognize and accept their position and the power generated by it. This is all they need to influence their team. “Throwing their weight around” is not required and is the equivalent of shouting out, “Don’t you know who I am?” Leading from the middle is a leadership style that respects everyone and avoids throwing positional power in anyone’s face.

Leading from the front can be very autocratic, whereas leading from the middle is a process of working together as a team within a positive culture of continuous improvement. I like to call leading from the middle a “let’s go” style of management.

Those who lead from the middle don’t spend all day hidden away in their offices, directing their subordinates via email or

More From Marsha Egan

Marsha Egan is a regular contributor to *Carrier Management*. Some of her most popular articles include:

- **10 Phrases Confident Leaders Use** (May 2021)
- **The Power of Trust** (March 2021)
- **How to Invest in People** (Jan. 2021)
- **Why Is Personal Accountability So Challenging?** (Nov. 2020)
- **The Art of Magnetic Communication: 10 Secrets of Great Leaders** (Feb. 2019)

via team leaders. Instead, they are out and about on the “shop floor,” being present and participative, listening to their staffs’ ideas and demonstrating their interest. Such behavior has a positive effect on the team, increasing morale and motivation.

This is not to say that there won’t be times when the leader needs to take charge and make critical decisions. Of course, they will. Leadership is situational. But in those situations, the followers being led from the middle will most likely be more willing to take the direction needed because of the trust that has been built.

Bosses who lead from the middle exude an infectious level of positivity, praising desirable actions and behaviors from others. This means they must be there to see them, not cloistered in their offices. When it comes to less-than-desirable behaviors from their subordinates, they coach people and lift them up to where they need to be. They talk about their team as “we” not “you.”

Teams that are led from the middle do things together with their leader. They are not ordered to do things from outside the team, and it is this unity of purpose that makes leading from the middle so effective.

Where are you? In the middle, the front or on the outside looking in? **CM**

HOW TO NAVIGATE TALENT MARKET HEADWINDS

Executive Summary: What's compelling about your business? What's enticing about your culture and leadership? How can a job candidate make a difference? What's in it for a top performer to join your company? Those are the questions insurance carriers need to answer as they reach out to job prospects five or 10 times, according to recruiters Ira Ziff and Anuraag Sunder. Here, they spell out some of the dos and don'ts of acquiring great talent.

By Ira Ziff and Anuraag Sunder

As the light at the end of the COVID tunnel finally emerges with companies returning to pre-pandemic activity levels, many are facing headwinds.

Hiring managers are particularly frustrated by:

- Slates of underwhelming candidates who are not aligned with roles to be filled.
- Losing out on top candidates to competing offers without a viable Plan B.

Here are two strategies to gain a competitive advantage:

1. 10x Your Sourcing.

Conventional techniques such as posting ads on job boards, sending one email to existing databases and messaging someone on LinkedIn no longer are enough. In addition, it's easy to overlook great talent on LinkedIn. For example, one of our clients is looking for an underwriter with sharing economy experience. If you go on LinkedIn and cross reference "sharing economy" with "insurance underwriters" in the U.S., only 39 will appear. What's the statistical chance that one of these will be aligned to this role or even interested?

From our experience, the answer is zero.

The problem gets even worse as a high percentage of professionals often post profiles that lack a lot of details and don't keep their profiles current. In other words, they may list their title as an underwriter, yet provide no other information about their role, level of expertise and specialties.

Expanding your sourcing efforts means doing everything you can to build a larger pool of appropriate prospects. Specifically, by using a disciplined approach to access and blend various data resources, you will be better positioned to identify, reach and attract them. This approach must include:

- Deploying sophisticated research techniques that bring visibility to seemingly hidden details in online profiles and resumes and ultimately better clarity on the potential of a prospect.
 - Launching a multitouch outreach campaign to reach the same prospect five to 10 times with a combination of emails, LinkedIn messages, texts and voicemails.
 - Being open to hiring remote talent as less people are inclined to relocate for jobs.
- Then casting a wider net by marketing to national and even international prospects.



- Contingency search firms that under-deliver.

The problem is especially acute for carriers that incubate, invest in or acquire startups, since these companies are under significant pressure to rapidly deliver results. Hiring the "wrong" person for a critical position or having unstaffed roles can lead to devastating consequences.

This environment calls for reimagining how you identify and attract top talent.

2. Get them at HELLO.

The average job description too often is focused on generic job functions and soft skills and lacks clarity on the impact the role will make in the corporate ecosystem. This often leads to generic candidates and suboptimal hires.

If you want to magnetize the interest of high-potential candidates, start with a clear message. When developing a company overview, answer these questions:

- What's so compelling about your business?
- What's so enticing about your culture and leadership?
- What will the ROI be on their career? In other words, how will the candidate make a difference while advancing his/her career? Because they will wonder, "What's in it for me?"

We're all about leveraging the power of words to engage prospects. Some of the key reasons a person will leave their current role is because they don't respect their boss, are fed up with being in a toxic work environment or see their job as a dead end. This is why it's important to highlight not only the company's culture but also the perks of working for a particular leader or leadership team.

Here are three ideas for starting a magnetic pitch:

- Imagine working for...
- Imagine a career-advancing opportunity to...
- We're seeking top performers who have a burning desire to...

This gets to the "what's in it for me?" issue, because if I'm a top performer, I'm going to seriously think about how a new opportunity is going to impact my career trajectory and earning potential.

Let's take an example of an In-House Counsel role that a leading carrier posted:

Company Overview: This attorney will primarily provide legal advice (*duh - that's what lawyers do!*) to certain of company's U.S. group benefits businesses such as life, disability, pet, health savings/spending accounts, and leave/absence management.

The attorney will also advise on U.S. privacy laws applicable in the financial services context. The attorney will focus on legal questions related to regulation of group and individual insurance products and non-insurance protection products and advise on legal issues relating to product development and design, marketing, sales, and administration.

All of this is fine, except that it's too wordy and boring. While the company is well known, we still don't know what's so interesting about this role, the division or the leadership and how this role will actually make a difference.

Bottom line: The opening paragraph on every job description is precious real estate, and this example is a relatively weak hook to capture a high performer's interest. Here's one that's more enticing:

Imagine playing a vital role in the growth and sustainability of one of company's group benefits businesses. As In-House Counsel you'll be counted on to actualize management's objectives by harnessing the power of the law to:

- Provide insight, advice and clarity to enable all stakeholders to navigate legal obstacles.
- Anticipate emerging risks and limit future shocks.
- Achieve operational excellence and strategic advantage.

Without even speaking to the hiring manager, this is a head start in the direction of communicating to a prospective candidate that they will be highly valued, will have influence across the company ecosystem and ultimately help the company prosper while protecting it from various risks that can derail the business. It's succinct and compelling.

Further into a job description, job responsibilities shouldn't be just a list of functions like they're generic ingredients on a candy bar wrapper. Rather, they should be reframed into key outcomes based on desired behavioral competencies, skills and KPIs. Think critically about what this candidate needs to specifically deliver

to help meet business objectives. What direct or indirect *value* will they contribute to *your* bottom line that will not only enrich your business but also advance *their* career.

An effective technique is to imagine that you're writing a year-end review for the role. Ask yourself, "In what three ways did this employee exceed expectations both quantitatively and qualitatively?"

Most hiring managers, even those in the C-suite, have difficulty pinpointing just three home run outcomes.

While also listing generic soft skills such as collaborative, team player, creative, good communicator, etc., are absolutely important, using just these terms can imply so many things. What's more telling is expressing the value you want those attributes or skills to contribute to your business. Take communications: It could mean empowering team members, building consensus around an idea, diffusing conflict, promoting a brand, engaging a customer and myriad other things. Unless you define it more specifically, you'll end up with the wrong type of communicator.

In summary, top performers are more than likely gainfully employed and are not reading job posts or keeping online profiles current. To break through the headwinds and raise the eyebrows of passive candidates, you first have to be extremely resourceful, leaving no stone unturned to uncover them. Then you must strategically and actively market to them with compelling messages that attract their interest. If done properly, great talent will not escape your grasp. [CM](#)



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Are InsurTechs Losing the Talent War? It's Debatable

Executive Summary: The talent is winning the talent war between InsurTechs and incumbents, according to executive recruiters who weighed in on a debate teed up at a recent industry meeting, which had InsurTech representatives laying claim to higher numbers of young, tech-savvy industry recruits and seasoned professionals looking for new challenges but others suggesting that even younger professionals are seeking the stability of traditional carrier and reinsurance employment.

By Susanne Sclafane

A group of actuaries recently polled about whether people working for InsurTech startups were more talented than those working at incumbent carriers assessed them as just about the same.

The true answer, however, may be different, one expert says.

Speaking on a panel at the Casualty Actuarial Society Seminar on Reinsurance in June, Andrew Johnston, global head of InsurTech at Willis Re, hinted that incumbents had stronger talent pools and noted that while announcements of insurance industry veterans joining InsurTechs are quite public, “what we’re seeing is an increasing number

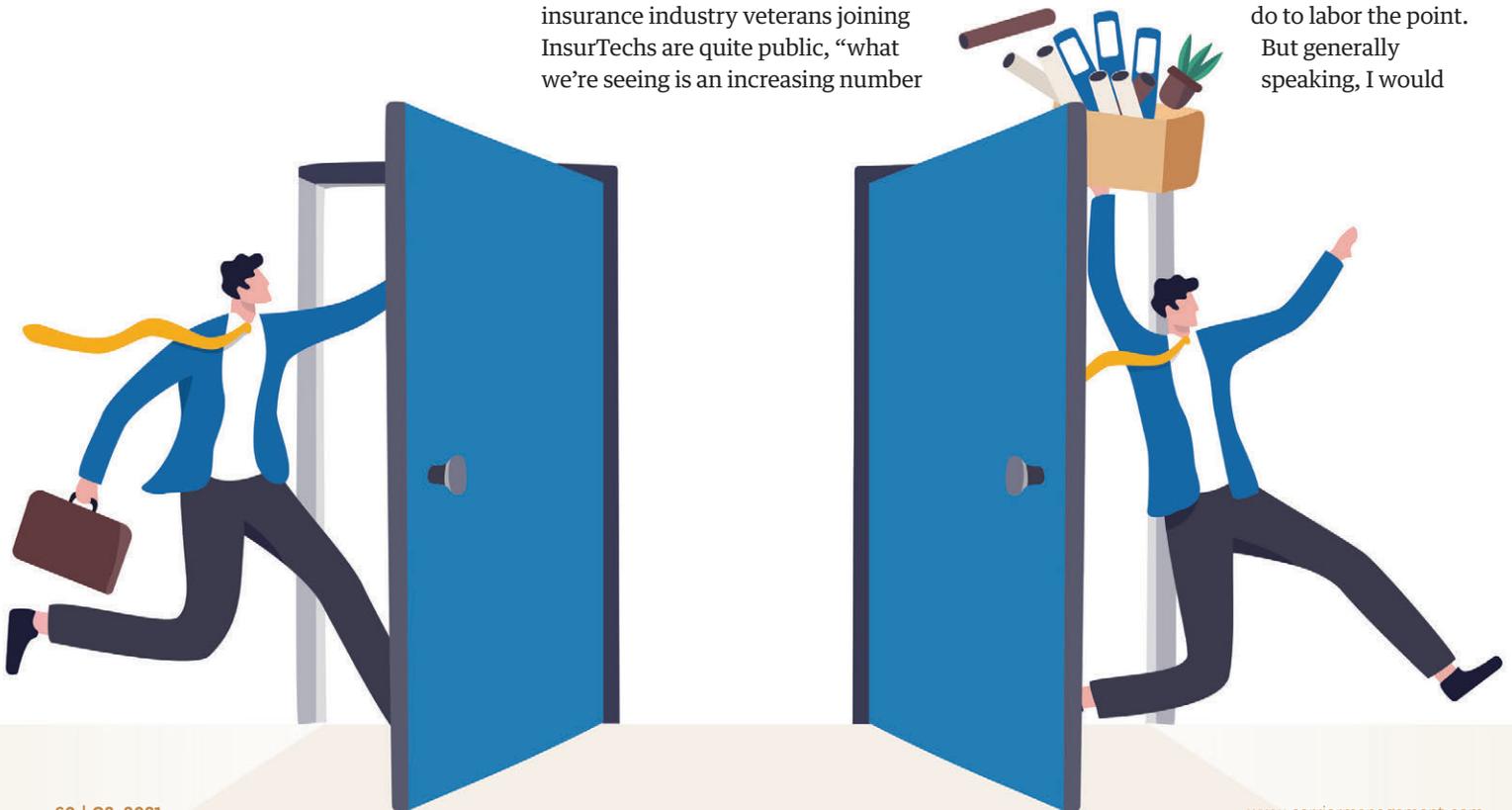
of InsurTech younger people joining incumbents.”

“I don’t know if that’s because they don’t necessarily believe in the businesses they work for, or that they want to work for an incumbent, or they think that that is a longer-term bet that they want to back themselves on. But I wouldn’t say that the data would support the idea that they’re more talented, just given the number of [InsurTech] businesses that don’t make it,” he said, referring to Willis Re data showing that the infant mortality rate of InsurTechs globally is very high.

A career bet on an unstable future may not be a wise move.

During a follow-up interview in July, Johnston confessed he actually diluted his comments during the seminar, recognizing that panel moderator David Wright, chief insurance officer of Acrisure Technology Group, and a fellow panelist, Isaac Espinoza, vice president of reinsurance for Root Insurance, had both made career jumps from traditional companies to InsurTechs and both felt that the rosters of InsurTechs had more talented people.

“I didn’t really feel as though it was necessarily the right thing to do to labor the point. But generally speaking, I would



wager that the insurance company has at least as talented people working there because there is just not this massive underbelly of subpar insurance companies. They just don't exist because they couldn't exist in that way."

On the other hand, "the reality is that most InsurTechs will just never make it. And that is, in part, because they aren't full of very talented, gifted people. That's just the reality. The numbers will support that," he said.

Johnston, who previously made observations about the soaring death rate of InsurTechs around the world in the fourth-quarter 2019 edition of the Quarterly InsurTech Briefing published by Willis Re and CB Insights, was in the midst of preparing the Q2 2021 report with updated numbers when he spoke to *Carrier Management*. While the 2019 edition had an estimate of roughly 184 InsurTech businesses that had ceased trading, the updated report gave an estimate of 456—and even that's just a crude calculation, the report said. (Related article, "While Funding Levels Rise, So Do InsurTech Death Rates.")

Meanwhile, Espinoza and Wright espoused very different views of the relative levels of talent at InsurTechs and incumbents. At the seminar, Espinoza advanced the view that InsurTechs are actually helping to solve the industry's long-discussed talent problems. "The InsurTech space being on the tech side, I think, has done a much better job of attracting young talent into the industry," he said, also confirming the view in a follow-up interview with *Carrier Management*. (See Part 2: "What It's Like to Work for an InsurTech.")

Wright agreed. "Talented people want to go to places where the story that you're telling about what you're doing is inspiring and exciting and fascinating and interesting...The insurance industry doesn't have a lot of those stories outside of the InsurTech side of the business."

"I don't see what the mechanism could

Do you think the people working at tech startups are:

More talented than average insurance professionals	19%
As talented as average insurance professionals	68%
Less talented than average insurance professionals	12%

Source: Casualty Actuarial Society Seminar on Reinsurance Audience poll, InsurTech session

possibly be for [incumbents] to attract the kind of talent that the InsurTech business is attracting," Wright said.

In a follow-up interview, Espinoza said that to his mind, talented means "intellectually curious and driven and hardworking people that solve problems." He continued: "I think that we have an abundance of that at Root, and it comes in all shapes and sizes from all backgrounds. A lot of it is potentially correlated to younger, energetic people. But I wouldn't say it's only age-specific."

"Talent also attracts talent. There's a bit of a circular element to it that self-fulfills and brings in more people," he said.

At the seminar, Johnston and another panelist, Chris Downer, a principal at Brewer Lane Ventures, noted that many of the InsurTech "stories" revealed in pitch decks to potential investors typically revolve around the idea of the traditional insurance industry being broken. "Culturally, it may be seen that you're going to the place that you were trying to fix," Johnston said, explaining why working for an incumbent could initially seem unattractive for someone who has worked for an InsurTech. But over time, InsurTechs have ended up partnering with those incumbent businesses they set out to repair. "They get to know them, and they realize that actually they'd be great places to work...if you're young and talented, have experience and want to be part of a digital journey."

"That's something that we see quite regularly," he said.

Johnston, whose role at Willis Re involves managing a global team of 30 people who seek out best-in-class InsurTechs for partnerships with the broker's clients and directly with Willis Re,

maintains that most of the InsurTechs familiar to the general public are the very, very successful ones, like Root, that have attracted a lot of capital. "They really are not reflective of the global InsurTech scene," he said, speculating that there might be as many as 3,000

InsurTechs globally.

"A lot of them come and go, right? The resilience of those companies is very, very low. So, you could argue that the data would suggest that there are fewer talented people in those businesses relative to the incumbents who quite often don't go belly up, or certainly not at the same rate."

Who's Winning the War? Talent Recruiters Weigh In

Briefed on the debate, Brett Carter, managing director for the executive search practice of The Jacobson Group, said the whole discussion reminded him of "any alien invasion movie you've ever seen." The plot starts with, "The aliens are coming. They're going to be here on Tuesday. We've got to get ready," moving to the scenes where "ultimately, they get defeated because the aliens didn't properly prepare for invading Earth..."

"We [fought] them off and we won. But we know that they'll be back. So, we've got to now prepare and get ready for the second wave and make sure that we can still stay on top of things. But the aliens are preparing as well."

Linking the plot to the insurance industry, Carter described insurance as a "very old, historic, stable, great industry that isn't sexy at all, that most people...stumbled into by accident and then couldn't find their way out," noting that his path to a prior career on the claims and sales side of the industry was similar. Historically, the industry "just has been slow to change. And it really didn't have to [do so] as much. But that also made it ripe for these innovators and entrepreneurs, startups and InsurTechs to come in and disrupt because it's been a model that hasn't

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“Most InsurTechs will just never make it. And that is, in part, because they aren’t full of very talented, gifted people. That’s just the reality.”

Andrew Johnston,
Willis Re



“The InsurTech space has done a much better job of attracting young talent into the industry.”

Isaac Espinoza,
Root Insurance



“Ultimately who wins is the talent in this situation.”

Brett Carter,
The Jacobson Group



“If you’re looking at active companies that are close to B or B+ funding, like Hippo, Unqork, Root, Next Insurance, these companies are attracting the very best candidates like senior executives at carriers. They can do it.”

Ira Ziff, The Insurance Recruiter



“The line of demarcation is do you have distribution for your InsurTech product or not.”

Erin Hamrick,
Sterling James



changed much over the last 150-plus years.”

Disruption, however, didn’t come without hiccups, he said, explaining why a “second wave” of hiring is taking place among InsurTechs. They have learned that great ideas and technology are not enough and that success will be limited unless they connect those with a deep understanding of the industry—“insurance expertise and also relationships within the industry.”

“Ultimately who wins is the talent in this situation,” Carter said. Disruption from InsurTechs is “making these incumbents think more about their employee base, the talent they have currently, and also the skills that they need to attract and retain going forward,” he said, noting that they’re not only tapping InsurTechs but looking outside, into adjacent industries, for people skilled in IT, data analytics, predictive analytics, data science—anything that has to do with digital transformations.

Ira Ziff, president of The Insurance Recruiter, agreed that data scientists are in demand for incumbents and InsurTechs alike. He also sees InsurTechs seeking sales experience. “They are looking for relationships with very large financial institutions like insurers, banks, broker-dealers, and for them to break in, these are very long sales cycles. So, they need the best possible access and the ability of these people to accelerate their sales cycles,” he said, also adding senior underwriters, marketing professionals and product management experts to his list of InsurTech openings.

“This is where I’m seeing a lot of traction. They need a product manager that’s commercially minded. People who understand how to combine the needs of insurance with technology,” he said. “Good product managers are like quarterbacks; they have to pull it all together.”

Ziff also reported that certain InsurTechs seeking to lure veteran insurance talent away from incumbents are having success. “If you’re looking at active companies that are close to B or B+ funding, like Hippo, Unqork, Root, Next Insurance, these companies are attracting the very best candidates like senior executives at

carriers. They can do it,” he said, noting that executives in the last 10 years of their career are very open to InsurTech opportunities to finish off their career—a trend that runs counter to the risk-averse nature of insurance professionals.

Mid-level professionals, too, are “feeling very stuck in their careers. They’re not allowed to innovate as much as they’d like to. And some of these people are really open to giving InsurTechs a shot,” he said, noting that these professionals, however, have little interest in being placed with early-stage startups. To his mind, A-round companies in the InsurTech world have the biggest talent problems. “In Silicon Valley, people are flooding to new companies. We’re not seeing that with early-stage companies in the InsurTech world, which is really too bad because they don’t have a pipeline of talent,” he said.

Responding to the question of who’s winning the war on talent, Ziff didn’t hesitate. “Carriers can afford to buy talent.” They can even buy InsurTechs for their talent and their innovation. “Carriers can pay more, and they’ve got great benefits. In terms of winning the war, they’re amazing,” he said. “It’s tough to compete because they also have a channel of talent. They can pull people from college. InsurTechs aren’t set up for that,” he said.

No one CM interviewed for this article had any direct knowledge of the “acqui-hire” situation, in which a company acquires another to gain talent, and CM editors have seen only one media announcement where an acquisition was labeled as an acqui-hire. (Salty Dot Inc. announced the acqui-hire of CoNarrative Inc. to add four employees with backgrounds in user experience, real-time platform analytics and data architecture to its own engineering and product teams in June.)

Johnston, however, believes such acquisitions have been happening for a while without being labeled acqui-hires. “The best example I can give you is Bold Penguin’s acquisition of RiskGenius. That was in part for that great technology, but also they just have an amazing team of people at RiskGenius,” he said.

Ziff said a plus for InsurTechs seeking to attract talent is the fact that they have better work-life balance and they're more nimble. And they celebrate creativity and innovation. That's very exciting for people. (See Part 4: "What the Rankings Say: What It's Like to Work for an InsurTech," for opposing views.)

"But, overall, who can compete against the carriers?" Ziff asked.

Erin Hamrick, a partner with Sterling James, said, "It's hard to kill a carrier." While none of the recruiters could confirm the trend of young talent moving from InsurTechs to incumbents that Johnston said he's observed as particularly notable, Hamrick reported being contacted by a job seeker who initially worked at a carrier, is now working at their second InsurTech and wants to move back to a carrier.

Anecdotally, Hamrick views the senior-level job seekers she places as more inclined to want to join "insurance startups with insurance people" than InsurTechs, referring to firms like Convex Insurance, Vantage Risk and Vault as preferred employers. Disclosing that Vault is a client, while some consider the high-net-worth reciprocal exchange to be an InsurTech, Hamrick puts them in her "insurance startup" category.

"They're doing things differently. They're using Unqork technology. They're reimagining customer service...What they have that other startups don't have is distribution—because everyone on the management team knows this business. And they have great funding behind them. So, people want to come there," she said. (Vault refers to itself as "a tech-enabled insurance startup.")

Do InsurTechs or Incumbents Need Fixing?

Hamrick, who worked in underwriting for The Hartford and at a brokerage firm before becoming an executive recruiter, contrasted a talent acquisition struggle she's witnessed for a VC-backed InsurTech launched by non-insurance professionals, which she preferred not to name for publication. She suggested that the direct-to-consumer model of this second startup

helped explain the difference. "The line of demarcation is do you have distribution for your InsurTech product or not," she said.

"I think we're getting to the point where InsurTechs who have either executives who understand the distribution process or have the distribution relationships are much more valued from an employee perspective—because they see the business moving forward." On the other hand, the "'build-it-and-they-will-come' [strategy] never works in insurance. Without distribution, all you have is a platform," she suggested, going on to cite the high cost of growing market share for D2C startups that compete with the likes of GEICO and Progressive, which spend billions on advertising annually.

Hamrick also believes InsurTechs need to shore up their underwriting talent ranks to improve results. Every risk is not a good one, she said, suggesting that InsurTech platforms built by people who don't have industry experience write indiscriminately. "They learn the hard way," she said.

"They were built as the anti-insurance platforms" who said they were equipped to disrupt because their people knew nothing about insurance. "They were going to think about it and do it differently." Now, she said, the InsurTechs are changing course. "They all start morphing to do what everybody else does."

Like Hamrick and Ziff, Carter said that personal levels of risk acceptance and comfort with less-seasoned business models drive individual employment decisions. Reporting that he's seen movement in both directions—to and from incumbents and startups—he said, "It comes down to the candidates' engagement and the opportunities they see for themselves, and also their own risk tolerance. You might have opportunities that come to you quicker within an InsurTech organization, but there is some risk involved with that. If they don't make it through the first year or two or five, are they going to be there 10 years from now? Whereas you might have an insurance company who's been around for 150 years, but would you have the same amount of opportunities at that

This article is the first part of a *Carrier Management* series of articles, "Who's Winning the Talent War: Startups or Incumbents?"

Additional parts available online are:

Part 2: *What It's Like to Work for an InsurTech*

Part 3: *A Different View of Insurance: What Tech Talent Is Saying*

Part 4: *What the Rankings Say: What It's Like to Work for an InsurTech*

Part 5: *I Used to Work for an InsurTech: What the Numbers Say*

Part 6: *Where Are They Now?*

organization that you would in perhaps a more agile organization?"

"Everyone at the InsurTechs and the incumbents is recognizing that there's a war for talent and top talent, the best talent...They're keying in on what they need to do as an organization to really make their organization conducive to attracting and then retaining the top talent that's out there." (See Part 3: "Lessons From the Tech World.")

COVID Impact?

Asked about the impact of COVID on hiring trends at InsurTechs and incumbents, Hamrick said she didn't see a notable rise in candidates expressing the desire to move to more stable employers. "We see a lot of people who have said, 'I have been at this company 10 years. I want to do something different. I don't need more money; I need something more interesting.'"

Nor did she get a groundswell of requests from insurers looking to hire more data scientists and technologists as carriers sped up digital transformation timelines. "If anything, the big incumbents are all expense focused. They got rid of people during COVID, quietly," she said, referring to a large commercial insurer that moved underwriting for certain specialties to India.

Were reductions in-force more common on the carrier side than among InsurTechs, a few of which disclosed staff cuts last year?

For incumbents, it was a bigger deal than most people will admit, she said. [CM](#)

8 EMERGING RISKS TO WATCH: Flooding, Toxins, Solar Panel Waste

By Kimberly Tallon

Even the most vigilant insurers and reinsurers scanning the risk landscape for potential future liability problems are likely to fall into landmines. What insurance risks of the immediate or distant future are being overlooked now? Here, we highlight risks associated with “sunny day” floods, solar panels, cannabis edibles, hidden toxins, overheating brakes and explosive parties.



1. ‘Sunny day’ floods more common.

High-tide surges, sometimes referred to as “sunny day” or “nuisance” floods, are becoming increasingly common along U.S. coasts as sea levels continue to rise, according to the National Oceanic and Atmospheric Administration (NOAA). Damaging floods that used to happen mainly during storms now happen during regular events such as a full-moon tide or with a change in prevailing winds.

High waters are flowing into coastal economies and crucial infrastructure like waste and storm water systems, with those

areas seeing twice as many high-tide flooding days as they did 20 years ago. The trend is expected to continue without improved flood defenses, NOAA said.

Flood records were set in Texas, Florida, South Carolina and Georgia. Galveston and Corpus Christi, Texas, along with Bay Waveland, Miss., had a record 20 days with high-tide flooding from May 2020 to April 2021. Twenty years ago, these places would flood only two or three days a year.

On top of this, starting in the mid-2030s, the alignment of rising sea levels with a lunar cycle will cause coastal cities all around the U.S. to begin a decade of dramatic increases in flood numbers, according to a study released in July by NASA researchers at the University of Hawaii.

By 2030, long-range projections call for seven to 15 days of flooding along coastal communities nationally, the report said. By 2050, that rises to 25 to 75 days.

“It’s the accumulated effect over time that will have an impact,” according to Phil Thompson, an

assistant professor at the University of Hawaii and the lead author of the study. He noted that “if it floods 10 or 15 times a month, a business can’t keep operating with its parking lot under water. People lose their jobs because they can’t get to work. Seeping cesspools become a public health issue.”

Source: “‘Sunny Day’ Floods Becoming Increasingly Common With Rising Sea Levels: NOAA,” *Bloomberg/CARRIER MANAGEMENT*, July 15, 2021; “U.S. high-tide flooding breaks records|National Oceanic and Atmospheric Administration” NOAA News Release, July 14, 2021; “Study Projects a Surge in Coastal Flooding, Starting in 2030s,” *NASA.gov*, July 7, 2021

2. Is the U.S. heading toward a solar panel waste crisis?

U.S. home installations of solar panels have rebounded after a pandemic slump, and analysts expect the capacity to quadruple in the next 10 years.

While that may be good news for fans of renewable energy, there’s a dark cloud on the horizon, warns a recent report published in *Harvard Business Review*.



Customers are beginning to trade their existing panels for newer, cheaper, more efficient models. The International Renewable Energy Agency (IRENA) projects that “large amounts of annual waste are anticipated by the early 2030s” and could total 78 million tonnes by 2050.

But these predictions are based on customers keeping their panels in place for the entire 30-year life cycle, according to professors for INSEAD and the University of Calgary, who wrote the *HBR* article. If the cost of trading up is low enough, and the efficiency and compensation rate are high enough, the researchers expect many customers to make the switch earlier—which could produce 50 times more waste than IRENA anticipates in just four years. That figure translates to around 315,000 metric tonnes of waste for just residential installations.

The researchers cite First Solar as the sole U.S. panel manufacturer they know of with an up-and-running recycling initiative, which only applies to the company’s own products at a global capacity of two million panels per year and an estimated cost of \$20-\$30 to recycle one panel. Sending that same panel to a landfill would cost a mere \$1-\$2.

Detaching and removing panels requires specialized labor, and some governments may classify solar panels as hazardous waste due to small amounts of heavy metals (cadmium, lead, etc.) they contain.

By 2035, discarded panels would outweigh new units sold by 2.56 times, the researchers said in the *HBR* article.

Source: “*The Dark Side of Solar Power*,” *Harvard Business Review*, June 18, 2021

3. Do cannabis edibles look too much like candy?

As more states have legalized recreational marijuana, the edibles market has surged. But the choice by many manufacturers to market their products as candy look-alikes has opened the door for intellectual property lawsuits.

The Wm. Wrigley Jr. Company, owned by candy giant Mars Inc., filed a lawsuit in



May against five companies for selling cannabis-infused edibles designed to look like Skittles, Starburst and Life Savers. Though the suit focuses on intellectual property rights, the plaintiffs also argue that the copycat products could lead people to mistakenly ingest drugs—particularly young children.

Similar lawsuits have previously been brought by the Hershey Company (against TinctureBelle for products resembling Reese’s Peanut Butter Cups, Heath bars, Almond Joy bars and York Peppermint Patties), Mondelez International (against a company selling Stoney Patch Kids) and Ferrara Candy Company (against a store selling Medicated Nerds Rope).

These have all been settled, with the smaller firms agreeing to halt production and sales.

When it comes to candy, intellectual property protections can apply to name, shape of the candy, packaging, as well as patent protections for the recipes, according to an intellectual property lawyer who spoke to *The New York Times*.

Poison control centers have observed an increase in accidental ingestion of edibles by children, and public health officials worry this will only get worse unless proper regulation is put in place. For example, there were 122 cases of exposure to THC for children under 5 in Washington State in the first nine months of 2020 compared to 85 for the same time period in 2019. Common side effects included vomiting, lethargy and chest pain.

Source: “*Big Candy Is Angry*,” *New York Times*, May 22, 2021

4. Carcinogens found in anti-smoking drug.

Pfizer Inc. is pausing distribution of Chantix after finding elevated levels of cancer-causing agents called nitrosamines in the pills. The drug maker also voluntarily recalled 12 lots of the anti-smoking drug.

Pfizer said that while long-term ingestion of N-nitroso-varenicline may be associated with a theoretical potential increased cancer risk in humans, there is no immediate risk to patients taking this medication. Pfizer noted that nitrosamines are common in water and foods, including cured and grilled meats, dairy products and vegetables.

Chantix was approved by the FDA in 2006 as a prescription medication to help adults aged 18 and over quit smoking and is used for 12-24 weeks.

Source: “*Pfizer halts distribution of anti-smoking drug after finding carcinogen*,” *Reuters*, June 30, 2021; *FDA.gov*, July 19, 2021

5. ‘Overheating brakes are causing fires in trucks.

U.S. highway safety regulators have opened an investigation into about a half-million semis with brakes that can catch fire.

The National Highway Traffic Safety Administration says in documents posted on its website July 20 that it has 11 complaints about brakes made by Haldex Commercial Vehicle Systems, including seven fires. No injuries were reported.

The complaints say problems occurred mostly on Kenworth and Peterbilt semis. The agency is investigating brakes from the 2015 through 2020 model years.

NHTSA said an estimated 500,000 trucks may be affected.

The investigation covers certain Haldex Gold Seal brake chambers, which convert compressed air into a mechanical force that stops the trucks. NHTSA says a spring can fracture, puncturing a diaphragm and

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causing air loss. That can make the brakes drag without warning to the driver and eventually cause fires, resulting in extensive damage to the trucks and in some cases the cargo.

Source: "US Probes Overheating Brakes That Cause Fires in 500K Semis," *Associated Press/Claims Journal*, July 21, 2021

6. 'Forever chemicals' found in cosmetics.

More than half the cosmetics sold in the United States and Canada contain a toxic industrial compound associated with serious health conditions, including cancer and reduced birth weight, according to a recent study.

Researchers at the University of Notre Dame tested more than 230 commonly used cosmetics and found that 56 percent of foundations and eye products, 48 percent of lip products and 47 percent of mascaras contained fluorine—an indicator of PFAS, so-called "forever chemicals" that are used in nonstick frying pans, rugs and countless other consumer products.

Some of the highest PFAS levels were found in waterproof mascara (82 percent) and long-lasting lipstick (62 percent), according to the study published in the journal *Environmental Science & Technology Letters*. Twenty-nine products with higher fluorine concentrations were tested further and found to contain between four and 13 specific PFAS chemicals. Only one item listed PFAS, or perfluoroalkyl and polyfluoroalkyl substances, as an ingredient on the label.

Source: "Half of Cosmetics Contain Toxic PFAS Chemicals," *Associated Press/Insurance*



Journal, June 17, 2021; "Fluorinated Compounds in North American Cosmetics," *Environmental Science and Technology Letters*, June 15, 2021

7. Death toll from gender reveal parties continues to rise.

Despite numerous reports of destruction and even death, many couples still insist on throwing elaborate and risky gender reveal parties—often with unintended consequences.

Carrier Management first warned readers about the possible risks from gender reveal parties back in November 2019, after a 56-year-old woman in Iowa was killed by a homemade explosive that was meant to spray colorful powder into the air but instead exploded like a pipe bomb. Two years prior, an off-duty Border Patrol agent shot a target filled with an explosive powder and blue coloring to signal that he was expecting a son, accidentally starting a 47,000-acre wildfire that caused more than \$8 million in damage in southern Arizona. And those are just two examples, cited in a 2019 AP report.

Celebratory cannons and other explosive devices used at gender reveal parties already have killed a number of people in 2021. The latest news: A Southern California couple who used a smoke bomb for their gender reveal on Sept. 5, 2020 is now being charged with 30 crimes—including involuntary manslaughter. The couple's gimmick allegedly sparked the El Dorado wildfire, which destroyed several homes and burned more than 22,000 acres across two counties. It also caused the death of one of the firefighters who battled the blaze.

Source: "A couple whose 2020 gender reveal party allegedly sparked a deadly wildfire in California has been charged in the death of a firefighter," *CNN*, July 21, 2021; "Pink or blue? Some gender reveal parties take dangerous turn," *Associated Press*, Nov. 1, 2019



8. Benzene found in J&J sunscreen products.

CVS Health, Walgreens Boots Alliance and Walmart Inc. began pulling Johnson &

Johnson's sunscreen products off their shelves in July after J&J said it had detected a cancer-causing chemical in some samples.

J&J voluntarily recalled five Neutrogena and Aveeno brand aerosol sunscreens and advised consumers to stop using the products and discard them after internal testing found low levels of benzene in some sprays. The recall came two months after online pharmacy Valisure filed a petition with the U.S. Food and Drug Administration (FDA), saying it had found levels of benzene that were higher than recommended in over a dozen products that provide protection or relief against sunburns, including sprays and lotions.

Benzene is classified as a substance that can potentially cause cancer depending on the level and extent of exposure.

J&J said benzene is not an ingredient in its sunscreen products and it was investigating the cause of the contamination.

J&J's recalled aerosol sunscreens are Neutrogena Beach Defense, Neutrogena Cool Dry Sport, Neutrogena Invisible Daily defense, Neutrogena Ultra Sheer and Aveeno Protect + Refresh.

The recall is another blow for J&J, one of the world's largest producers of consumer health products. The company is already facing a string of lawsuits related to its talc products, vaginal mesh implants and opioid painkillers. [CM](#)

Source: "Liability Worries: Pharmacies Yank J&J Sunscreens Off Shelves After Carcinogen Revelation," *Reuters/Carrier Management*, July 16, 2021; "Johnson & Johnson Consumer Inc. Issues Voluntary Recall of Specific NEUTROGENA and AVEENO Aerosol Sunscreen Products Due to the Presence of Benzene," *Company Announcement*, July 14, 2021

We don't mean to brag but... Sometimes you just GOTTA!



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From the Desk of
Patrick Wraight

What season is your business in?

Is it spring when all things are new and beginning to bloom? Are you in the season of preparing for the next season? There isn't much harvesting yet, but you can see the growth beginning while you begin to plant the seeds that will grow the plants that you'll reap down the road.

Is it summer when it gets hot, the growth is clear, and there is some time to work and some time to play? Some things can be harvested in summer, but there are other plants that are just beginning to grow now. You're still looking forward to a great harvest on down the road.

Is it autumn when the weather is cooler, but the work is getting harder? There is harvesting going on all over the place. This is the time of putting up for the future and trying to figure out just how good the harvest was. You're in the middle of the harvest, working frantically trying to keep up.

Maybe it's winter. Things have slowed. It almost feels like things are dying. The prospects have dried up. You're living on what you already did in the past and praying for summer to come around again.

One thing that we need to remember no matter what the season is, seasons always change. There's another one around the corner. We can't tell how long the seasons will last in our business, and sometimes, we spend so long in one season or another that we forget that. Don't forget that after the winter (no matter how long it is) brings the spring.

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