

No ordinary walk in the park

By Alice Underwood



Alice Underwood
Global leader of the Insurance Consulting and Technology business unit.
Willis Towers Watson,
New York

A revolution or a conflagration? A lurking, silent threat or a growing and unprecedented opportunity? Our articles in this issue of *Emphasis* all deal to varying degrees with how accelerating technological change presents the insurance industry with the potential for any or all of these possibilities at both operational and strategic levels.

As the leader of the Insurance Consulting and Technology business within Willis Towers Watson, it's my goal – and that of my team members

– to help insurers make their way across this changing landscape, and offer advice and tools that will support growth and success. Especially in developed markets, where insurers enjoy the benefits but also carry the burdens of legacy processes and systems, it can be a challenge to make the most of – even to notice – emerging technological opportunities.

Though I grew up in Texas, my insurance career started at the dawn of the Internet age in a city of long and distinguished financial industry heritage: Zurich, Switzerland. My daily walk home from work took me through a lakeside park on the shore of the Zurichsee – a pleasant change from typing data received by fax into a Lotus 1-2-3 spreadsheet so that I could analyze it. One afternoon I noticed a pair of swans building their nest home right next to the footpath. Watching their progress added an element of anticipation to my daily commute. Soon the birds' behavior changed: Clearly, they were nurturing unseen eggs.

Like the other pedestrians, I soon got used to the sight of the nesting pair. Sometimes, lost in thought about the curve-fitting analysis that awaited me in the office or musing on my way home about how conversion from local currencies to the euro might affect the insurance industry, I hardly gave them a second glance.

If “startling” technological innovations continue to become more commonplace, we had best keep paddling furiously under the surface.

Then one afternoon I found a crowd of onlookers gathered in a half-circle around the nest: The swans' eggs had hatched! Edging closer, I saw the proud parents guarding three alert and fuzzy hatchlings – and disregarding another that struggled feebly in the wreckage of its shell. The next morning I observed something extraordinary to my Texan eyes: a snowy swan gliding serenely across the surface of the Zurichsee with three small gray cygnets perched comfortably on its back.

Three of the four cygnets survived. The survival ratio of InsurTech start-ups isn't nearly that good. But, as with the cygnets, most of the incubation process goes unseen – and even a strong start-up can't make it without support. Especially in established markets, there's something to be said for partnerships between mature players and newer entrants. The most skillful of these may be able to make such alliances look easy – but there's still a lot of work to be done, just as the adult swan must paddle furiously below the surface to enable a graceful ride for its newborn passengers.

Mention of swans in an insurance industry context typically involves “black swan events,” events that, as described by Nassim Taleb, are “outside the realm of regular expectations... nothing in the past can convincingly point to [their] possibility” – events that have an extreme impact. In Zurich, the swans one sees are white, and a black swan is indeed a rarity. But in Australia, black swans are commonplace. Lately the insurance industry has been asking itself whether loss events once considered extremely rare (100-year storms or floods, for example) are quite so rare after all. We may need to expand this question to technological events as well. If “startling” technological innovations continue to become more commonplace, we had best keep paddling furiously under the surface.

*For comments or questions, email
Alice Underwood at
alice.underwood@willistowerswatson.com.*