



Episode 1: Reimagining the London insurance market in the post-pandemic world

RICHARD CLARKSON: There is absolutely no doubt in my mind that there is going to be not just a reason to redesign our office spaces, but also a reason to redesign our market spaces.

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

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SINA THIEME Hello and welcome to Rethinking Insurance. I'm your host, Sina Thieme. So today I'm delighted to be joined by my two guests, Richard Clarkson and George Zarkadakis. Richard Clarkson, he's a head of London market consulting at Willis Towers Watson. He's a lawyer by trade, but spends most of his work life in operations and business development. And one area of his expertise is around advising on the setup of new trading and operating models and the required structures, processes, and skills involved.

George Zarkadakis is a director of Willis Towers Watson's digital incubator and the leader of the Future of Work Strategy Advisory Services for Great Britain and Western Europe. George advises companies on business transformation in the context of robotic process automation and artificial intelligence. And just a few weeks ago, he published his second book called *Cyber Republic-- Reinventing Democracy in the Age of Intelligent Machines*. So good afternoon, Richard and George.

RICHARD CLARKSON: Good afternoon, Sina

GEORGE ZARKADAKIS: And hello from me, as well.

SINA THIEME: COVID-19 already had a huge impact on our workplaces, affecting the speed of digitization within companies, from the equipment for employees and network capacity to automation of processes and calculations. It's affected how we communicate with colleagues and with customers. And it's also affected how we time and structure work processes. For example, in order to accommodate for employees, we have to balance work with other responsibilities, right?

And so you both have summarized your thoughts on those topics and on the future of work in the insurance industry in your article "Reimagining the London insurance market in the post-pandemic world." And I'm very excited to be speaking to both of you today about this. And before we dive into this discussion, I was going to [LAUGHS] find out a little bit more about both of you. And it's interesting. If I Google you, Richard, then there's two main results. One is a design company in San Francisco that comes up. And the second is an actor from *Downton Abbey*.

RICHARD CLARKSON: I wish both of those or either of them were true.

SINA THIEME [LAUGHS]

RICHARD CLARKSON: But no. No, I'm not. I'm surprised to come up on Google at all. That's interesting.

SINA THIEME: So what would you really like to come up when you Google Richard Clarkson?

RICHARD CLARKSON: Oh crikey, now you're asking So my greatest passion when I was a teenager-- and actually, all the way through to my 20s and 30s-- was following Formula One. And I guess I would have loved to have been the guy driving one of those cars. I gave it my best effort in driving in my normal life. I think my driving lessons kind of reflected that for a while. But no, that wasn't to be. I ended up in the very happy place I am now and doing what I do, here in the London market.

SINA THIEME: So George, when I Google you, there's nothing but you coming up. [LAUGHS] Your books, and your talks, and your TEDx Talk as well. Is that what you would like to come up, or did you want to come up with something different?

GEORGE ZARKADAKIS: No, absolutely. I'm very pleased that the Google search algorithm is producing my desirable outcomes, which is promoting my new book, Cyber Republic. So thank you for testing and checking on this.

SINA THIEME: So there's a quote from your article that I really liked. And it goes, "Resilience and agility have become two of the most strategic business goals to ensure business continuity, and in many instances, business survival." And with that in the back of my mind, I was wondering what do you guys think how the insurance industry managed to cope with the pandemic so far, and what the range is between insurers that have done poorly versus insurers that have done really well? Richard, maybe you want to start.

RICHARD CLARKSON: I think first of all, as an industry, I think we've been very surprised at just how well we were able to cope, bearing in mind that nothing like this has really happened before, and the ability for the market to continue to trade, and for people to be able to work from home. Most organizations actually found that they were surprisingly resilient. Actually, we've been taking advantage of technology and investments we've been making as a market, as an industry, over the last few years, particularly around digital trading. In London market, we've got PPL. And that's made a huge difference.

What I would say, though, is there's a big difference between-- the other thing we talk about in the article is "surviving" versus "thriving." So we proved to ourselves actually, we can survive pretty well. But I think we need to pay attention to what are some of the things that we find more difficult to do? And that's all around how you bring people together-- bring people together to collaborate, to come together to develop relationships, to develop people, to set strategy, to innovate. And actually, that's been quite difficult to do. So surviving, we've coped quite well. Thriving, actually a little bit harder, a little bit more challenged.

GEORGE ZARKADAKIS: And if I was to just add to what Richard just said, perhaps I should make a distinction between those two words, "resilience" and "agility." So resilience is how companies absorb shocks. And clearly, as Richard's mentioned, the insurance industry has been very resilient. It absorbed the shock. It was sort of reconfiguring itself in order to ensure business continuity. But agility's a little bit different. Agility's how you make the most of opportunity. So again, "resilience" plays to the "survive" theme while "agility" very much plays to the "thrive" theme that Richard just mentioned.

And agility's-- it's a different kind of animal. Let me put it this way. Has to do a lot with how you're set up organizationally, how, for example, you empower people on the edge to take decisions, how you use technology, how data driven you are, how efficient you are in the use of the technology.

And very much has to do about the culture. How's the mindset in the organization? How entrepreneurial is the organization? How collaborative, and all the rest.

So in the report that we did in collaboration with London market groups, we've asked leaders to give us their insights not only on how they managed to survive in terms of their resilience, but very much how they see the future-- how they see the future of them thriving. And that theme around agility was one of the themes that we picked up from those conversations.

SINA THIEME: And George, talking about empowering people and the culture and mindset within companies, how do you think the pandemic influenced the skills that the companies or insurers in particular are looking for in their employees?

GEORGE ZARKADAKIS: We've been doing a lot of work with organizations that were undergoing transformation for at least the last two years, and as they absorb technology and try to automate their processes, and including AI, and all the rest. And what the COVID-19 did essentially accelerated that journey. And throughout that work, and also the work that we did with the World Economic Forum, we've identified four broad areas of skill sets that employees really need to have in order to [? be set ?] in the post-COVID-- or if you like, in the AI economy-- that is emerging.

First is be able to solve complex problems. And that means being able to have a cross- disciplinary awareness of the business rather than being very narrow. The second area is interpersonal relations-- how they collaborate, how they communicate, how they serve customers. This is a very important skill set. Thirdly, self-management. Going back to what I said around agility, around flatter organizations, around empowering the edge, that means that people, employees, don't need and shouldn't need line managers or project managers to tell them what they do. They need to be self managing. And fourthly and very importantly and obviously, of course, how they use and develop technology systems. Think about data analytics. Think about democratizing visualization of data. So these are the four broad areas, I would say, of the skill sets of the future.

SINA THIEME: Yeah, thanks, George. And I guess you just said you need to manage your time, your own time, rather than being managed by someone else, I guess, right? But this also requires trust in other disciplines from the management, right? So maybe Richard, you can briefly talk about the skills that the management has to develop in order to cope with this world.

RICHARD CLARKSON: So there's a paradox of operating remotely whereby some things are more efficient and effective, but other things are less efficient. And I talked about some of those things earlier. But I think one of the things that managers are certainly going to have to be able to improve and really focus on is how do you get people working together? How do you make sure that the people making the connections that they need to make, that they are bouncing off each other? How do you do that virtually? What are the ways in which-- and I think one of the things that's going to be really interesting when we go back into the office is the role of the office as a collaboration space.

Now I think the other thing which managers also will need to keep an eye on is the working days become very much more elastic. And in many ways, that can work for a lot of our people, because they take the advantage of some of the flexibility that it brings. But I'm also really aware that the day seems to start earlier and finish later. So actually, I think it's going to be much more demanding. And I think there is something about how do you make those networks work? How do you get people working together? How do you overcome it as our workforces, as our client bases become more geographically fragmented from each other?

SINA THIEME: Yeah. So you briefly touched on this. And I think in your article, you called it "breakdown of hierarchies," right? So maybe you can elaborate on that a bit more.

GEORGE ZARKADAKIS: So now we've been working, as I said, a lot with companies that have had this sort of top-of-agenda issue around how can they flatten their organization? How can they focus to the customer? Because you see, one of the key problems that we discover in big organizations, in fact, as they grow is that the top part of the house becomes ever more distant from the middle part of the house that is dealing with customers. And this makes the organization lose focus on the customer.

So the breakdown of hierarchies, one should see that as very positive in terms of delivering broader focus on the customer, having a flatter organization, but also empowering decisions on the edge, which is very important if you think about the investments the company's making, data analytics and algorithms. The big dividend of those investments pays off on the edge, meaning people being able to take decisions, very quick decisions, and serve customers without having to go through the rounds of approval. So again, this is one of those moments in history where we as an industry, as practitioners, as leaders, we absolutely need to seize the moment.

RICHARD CLARKSON: Also I would add to that, I think it's incredibly important that organizations really think about how this hierarchy is operating as we will operate more virtually. One of the big challenges that we see in insurers all the time is how they overcome their functional silos. And those organizations that overcome it best are the ones who deliver best long-term profitability, something that we've proven again just recently.

So it's going to be incredibly important that, back to the point around the networking, that you're getting people to network and to come together in a very conscious way to make sure that the connections are being made and that the information is flowing in the way that you need to if we don't have the coffee or water cooler conversations anymore. And depending on how you then establish your networks, how you establish those communication channels and consciously break down hierarchies so that you are getting people to work across the organization, that is going to be essential, I think, for those organizations that thrive, that grow, and make this successful.

SINA THIEME: Why do you think it's so difficult to innovate virtually? Maybe George, if you want to go first.

GEORGE ZARKADAKIS: Absolutely. So it's not just the academic research that points to this challenge, but also experience from technology companies that have been doing remote for many years, long before the rest of us discovered it. And I'm thinking of a specific company called 37signals. They're now called Basecamp. The reason why I'm referring to them is because they wrote a book called Remote a few years ago that explained their experience. And the highlights were like that.

First of all, they liked working remote. They made sure that most of their people worked at home, in the comfort of their home. But when it came to innovation, when it came to really think together about new products and new solutions, they discovered that they had to bring everyone into the office and spend time together as a team. And I guess there's something very human about everyone being around a table and getting those emotional cues from communicating with each other.

I think there's something about us being social creatures that physical space are important, especially when we're trying to achieve this hive mind, if you like, if I may call it that way, where we collaborate around new ideas. So I think this will play very strongly as leaders think about the workplace of the future, as real estate, I think, and how they will repurpose all these buildings in the city of London and elsewhere so that they can welcome a new kind of workforce and new patterns of working.

RICHARD CLARKSON: I mean, I absolutely agree with that. There is absolutely no doubt in my mind that there is going to be not just a reason to redesign our office spaces, but also a reason to redesign our market spaces. I find it really, really inspiring, actually, that Lloyds have chosen to grasp this by looking at how to reconfigure the underwriting room-- the underwriting room which sits on a template that's not really been massively changed over the last few hundred years. The current underwriting room was last laid out in the 1980s.

But now we have a real opportunity to think about, actually, how should those various market participants come together? What are the things that they want to be able to work through, and how do they want to do it? And actually, how should that space be laid out? And actually London, which has such a strong track record of driving innovation into the insurance industry, there is a paradox here that as we've become more remote, in the ways that we do then choose to come together and the reasons we come together and how we come together, we could in fact be even more

innovative. And I think people will be far more conscious of what it is they want to achieve through those collaborations in the future. I think when people come in, they're coming in much more purposefully. And I think that is going to trigger a significant wave. I really do.

SINA THIEME: So it certainly sounds like the ideal workplace is going to be a hybrid version of working from home, and an office space, and some collaboration spaces. What other features do you think-- does the ideal workplace in the insurance industry have?

RICHARD CLARKSON: So the things that's always really driven this particular market is the proximity of different types of experts and how those experts come together to learn from each other and to build on each other's ideas. I think the most radical thing will be-- is how we choose to think about the fact that we are collaborating on and the purpose that we're doing it.

I think it's rather being not accidental, but organic. It's going to be so much more conscious. And because it's conscious, it's going to move faster. And because it's going to move faster, it's then going-- and I think it will create almost Brownian motion, if I can call it that, whereby things will start bouncing off each other. And then the overall pace of innovation will pick up. That's what I'm hoping for.

GEORGE ZARKADAKIS: And let me just add just a couple of thoughts to what Richard just said. I think it is important as we think about the future workplace to conserve and protect that special sauce that Richard just alluded to, that collaborative feeling, the way different experts come together and interact. I think this is very important to preserve.

And at the same time, how do we leverage the new opportunities coming from technology in order to create more efficiency in the company, reduce cost, take out cost, take out routine tasks, take out the drudgery out of people's work? Let's call it that way. And how can, again, use the technology to augment human productivity, to give people the tools that they need in order to excel, in order to serve customers in an amazing way? And I think this is the big opportunity here.

SINA THIEME: If you think about it in a more medium term, what would be the piece of advice now that you would give to an insurer?

RICHARD CLARKSON: What's really interesting in the minute is that COVID has come along at a time whereby there's already lots of other sources of disruption happening in the market. Now we've had-- the market is increasingly moving from analog to digital. It's doing so partly because of the role of Lloyds, of Blueprint One and now Blueprint Two, and how-- that benign environment it's creating to help people bring new trading models.

We're seeing something like 20 new entrants come into the market, either here in London, or in the US, or in Bermuda. All of which are advancing digital portfolio-centric solutions. We're seeing the rise of the algorithm and the role of the algorithm in trading. And I think what's really interesting now is-- and the advice I would give is that this is-- this really does feel like a "once in a generation" inflection point where lots of things were changing. COVID has come along and catalyzed that. It's catalyzed it both in terms of the methods of our trading and how we want to work.

And I can absolutely see that as we come out of it, as we go through the next five, 10 years, this could be a decade whereby we radically change how we run our businesses, the products that we offer. I think there's a whole range of rethinking the risk transfer mechanism, the various ways in which we can help provide resilience to those industries that we insure. So this is now the-- and this is the core opportunity to really embrace that and to rethink what your business model's going to be. What is your blueprint for the future? How do you make-- how do you stitch all these different things together and chart a course to go forward?

GEORGE ZARKADAKIS: So to what Richard just mentioned, let me add just a few more thoughts. First of all, let me say that in the document that we are publishing, we have some very practical tactical steps and ideas for people to pick up on. But let me just group those ideas into three pillars, if I may, from the prospect of work. First, organizations need to rethink work now across the insurance industry. I think we need to redesign it and align it with the investments and

the opportunities around digital technologies.

So how do we do that? How do we rethink what we are doing in our daily jobs? Obviously the workplace, and we discuss that. How do we reinvent the workplace? How do we invent the relationship that each and every one of us has with the office, and what does that mean in the post-COVID era? And a third pillar, I would say, let me call the workforce, right? So how do we train people? How do we bring people along in this change? How do we coach and mentor people? And very importantly, how do we reskill people in a continuous base in order to remain competitive and successful?

SINA THIEME: Thank you very much for your time, Richard and George. That was super interesting. Just to finish off maybe with one quote from your article again, "The office will be a physical representation of how firms envision collaboration." And I think that's really the key that you brought out here as well. So thank you for your time.

RICHARD CLARKSON: And thank you. Thank you for giving us the opportunity to talk you through. It's always really fun and interesting to do so. So thank you.

GEORGE ZARKADAKIS: Absolutely. Thank you very much.

SINA THIEME: And thank you for listening to this episode of Rethinking Insurance. [MUSIC PLAYING]

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