Mark Wheeler
Co-CEO Mosaic Insurance
TIN London Market Claims keynote
Tuesday, October 4, 2022, 9:15–9:40a
Etc, Fenchurch Place, 43/44 Crutched Friars

FUTURE-PROOFING THE CLAIMS JOURNEY

How data, digitalization, and increasing demand to ditch our comfort zones can transform our industry's core function

Thanks, Jeremy, good morning, everyone. It's great to be back in London and back in the City itself—the atmosphere in the Square Mile is truly unique and forged through almost 2,000 years of history. EC3 is an especially dynamic hub for our global insurance market.

I'd like to thank Jeremy and The Insurance Network team for inviting me here today and for hosting this annual event—congratulations on your ninth year. And thank you, all, for attending and participating. It's a true privilege to be invited to say a few words—I know we were all wrapped up in the spirit of the London Marathon this weekend…but I promise my remarks won't demand the same level of endurance from you this morning!

It's really rewarding to join fellow colleagues as we kick off what promises to be an informative and stimulating day of conversation.

Highlighting a subject that's critical to every one of us. Claims.

It feels as if we are at a truly momentous point in time. One that will punctuate history and change the course of societies…and businesses. COVID, war in Europe, shifts in power among nations, as China's influence expands. The end of the great Elizabethan period. It is a time of immense, palpable geopolitical change. And that particularly plays into the developing risk landscape and the collective focus of our business.

Technology, too, has passed a significant new frontier. Over recent decades, we have seen a rapid evolution of computer science and information tech. The most recent permutation manifests in the Cloud and the flexibility of open architecture structures. In Darwinian terms, the tech world is now ruled by a completely new species.

There's also an economic sea change underway. The growth and attendant wealth creation we have been accustomed to over recent decades is fading to global recession, alongside challenges to the very notion of "globalization." Economic growth depends upon two factors: globalization, in the broadest sense, of expanding market penetration, and then also, advances in technology. If you agree that globalization is currently reversing, then the importance of technological developments to help support growth are all the more critical.

All of this sets the scene to underscore what we're talking about today. These macro influences highlight why <u>now</u> is the time for transformation, and what the future London market claims landscape could look like under Blueprint Two.

But first, let's take a step back to focus on why claims matter—why we need to consider claims our crucial differentiator.

Claims: Our Crucial Differentiator

Whenever I'm asked what our main mission is at Mosaic—or in our industry as a whole—the answer is really simple: to transfer risk and pay valid claims when they arise. It's what we're built to do, it's our whole purpose, and it's what we need to do very well. In that respect, how we handle claims, as both a business function and a deliverable, sets us apart or sees us fail.

Let me tell you a story about a longtime London market client—Popular Bank.

Banco Popular is a top-20 US commercial bank, a $75-billion-asset institution, headquartered in San Juan, Puerto Rico. At various stages of my career, I have personally led the bank's financial lines insurance and I've known the client for over 25 years. They're a large London market client who have continuously arranged Crime and Professional Indemnity coverage in London for more than a half-century. Over the course of that time, they have had some interesting claims. There is one claim, in particular, that is important to this story.

In the 1970s, the wife of a senior executive at the bank was kidnapped. The bank put forward a claim for the ransom to then-London market leader, Colin Spreckley, 'King of the FI market' at that time. The loss gave rise to some interesting coverage considerations, but a view was taken, and the claim was paid. This was the first ever Kidnap and Ransom loss indemnified. Mr Spreckley had the foresight to take the idea of the K&R product to Bill Davis, of Cassidy Davis, who went on to lay the foundations of the K&R market that exists today.

There are a couple of relevant truths to this narrative. First, claims have the capacity to lead to product development. And, second, even more relevant to our time here today: settling a claim 'well' absolutely sets the scene for a long and enduring client relationship. There are many different layers to my friendship with Banco Popular, but the plain fact the relationship exists in the first place is because of a claim resolution. I have no doubt about that.

The last time I had dinner with the CEO, CFO, and other senior leadership at the bank, the evening went along the lines of a normal pre-renewal dinner—many of you will know the routine. The client talks about their business, market conditions, inflation, interest rates, acquisitions, growth. Then the underwriter talks about insurance market conditions, inflation, interest rates, acquisitions, growth. It's all very macro, a mirror to each other's in-sync worlds. At the end of the evening as we contemplated a nightcap, the CEO said quietly to me something to the effect of, "Look, at the end of the day, the presentations don't matter—I just want to be able to pick up the phone to you with your claims leadership when I need you to pay a claim."

That's quite powerful. It's about trust, and relationships. I know many of you will have similar examples. And that's why claims is the lifeblood of what we do every day. It's important to the people we serve—our clients. It also underscores the vital human element of this field. It's why the ultimate underwriting approach has full and seamless integration with claims.

We'll talk a lot about technology today—some of the truly amazing innovations that are now possible to lead us fast-forward into a vastly more efficient, highly responsive future. One we should all be embracing whole-heartedly, and together, as a dynamic market.

But, especially pertinent to the world of claims, we'll also be talking about people. The human factor cannot be underestimated. Let's face it, so much in our risk-business world is commoditized. Capital, product, distribution are all increasingly so. But people are not commoditized. And the way in which they react and respond to claims isn't, either. That's deeply cultural.

Of course, the sweet spot is neither 100-percent technology, nor human. It's the intersection of both. It's nimble tech, coupled with expert human talent, that delivers the level of excellence we're all striving for. And leveraging both to address complexity and friction in the client experience is the ultimate aspiration. Man and machine together beat man or machine alone.

So, how do we actually get there? As a market? How do we improve the claims experience for all stakeholders? And make it easier on our own teams in the process?

Automation. Digitization. Data. All are absolutely fundamental if the London market is to catch up. At the moment, the end-to-end claims process is all-too-often inefficient, reliant on legacy systems, and insurance companies and stakeholders are unable to meaningfully access claims data. Some firms are grappling with multiple systems, including systems dating back to the 1970s and '80s. Add to this the complexities of handling claims in a subscription market, with multiple agreement parties frequently involved in all but the most simple claims—and the process becomes more fraught still.

Because of those inefficiencies, it's important the market identifies lines of business that do lend themselves quite easily to end-to-end automation, with little to no human touch. We're seeing some real advances in that space, especially in personal lines and motor. Yet, the customer still needs to be able to access a human if they want to—an opportunity to 'jump off' the tech train, if desired.

Specialty business lines will probably always require a technically experienced human at the helm. As you work through the different sectors of our industry—from general property and casualty to specialty—policies and claims generally become a lot more complicated. It's a completely different product offering in that sense; policies are more likely to be bespoke and the factual matrix is more complex or nuanced. This can lead to areas of grey in terms of whether something's covered, or, indeed, how to quantify the actual loss. Agreeing the value of a damaged car is straightforward; working out the value of a large corporate's business interruption after a cyber incident is a forensic exercise.

That's when the true power of technology is not just in the technology. It's in the people using and benefitting from the technology—the human touch behind it.

And the reality is that sophisticated buyers of insurance want certain aspects of their claim to be automated and digitized (like FNOLS or payment)—but they expect somebody with real expertise to be assessing it for coverage, working with them on strategy, et cetera.

And that presents another challenge. Developing more talent. There just aren't enough experienced adjustors out there right now. Many teams are built for volume, but when difficult claims emerge, they often lack individuals with the skillset needed to get those thornier issues resolved.

A robot can't do that.

So, cultivating the next generation of talent—in claims, but also throughout our whole industry—is also vital. We need a pipeline coming up behind us. It's just as important as coming to grips with the sometimes perplexing intricacies of technology. We ignore either at our peril.

Let's look to the future. There are many exciting reasons for us all to feel engaged and empowered at this particular moment in time. Because we're at a significant tipping point.

Why Now? A Tipping-Point Time

Let's first acknowledge the elephant in the room—the fact there have been a lot of false starts on the technology promise in our industry…and in London, in particular. And that's created its fair share of cynicism in the market around tech talk in general. To those naysayers, we hear you and everyone has felt your pain. It's true, we've been here before.

But this time, it's different.

A lot has happened over the past decade—and the past three years, in particular—and there's a resulting urgency today that we can't ignore. Part of that is driven by real technological advancement and COVID's kickstart of digital adoption, providing unprecedented momentum in tech's favour. And part is due to the state of the world right now.

Let's tackle the latter first.

COVID. War in Ukraine. The threat to Taiwan. Global sabre-rattling in general. Supply shortages, climate change and energy costs. Inflation, rising interest rates. We've seen rapid, transformational events around the globe in just the past 12 months that are sparking significant economic uncertainty and geopolitical volatility across regions—putting pressure on countries, communities, companies, and individuals.

Yet, our industry was made for this. That type of tumultuous environment is when insurance rises to the fore because it is needed most: when clients are seeking the most complex risk solutions that demand our intellectual capital and innovative spirit.

Even greater opportunity is offered on the technology front. We're witnessing unprecedented changes in how we live and work. And a new window to truly evolve the trading of risk. Pandemic lockdowns accelerated the Digital Revolution, forcing us to quickly adopt innovative technologies and ways of working. It's created a far more connected ecosystem in the process.

So, what's different, compared to years past? The digital tools available to us, for starters. The aspirational is now practical. Cloud computing has come of age, along with our ability and appetite to use it. So, previous barriers to adoption are gone. Our knowledge can now build legacy-free platforms, or adapt existing systems, leveraging the new frontier of open architecture. Adding to that, ground-breaking elements such as APIs, AI, blockchain, real-time data access, straight-through processing—what used to sound like a fantastic episode from *Tomorrow's World* is now here, today, for the taking.

Our shareholders are demanding greater efficiency, our clients want more of their premium to actually be risk-bearing, not absorbed in other expenses, industry bodies are collaborating and leading the charge, encouraging and incentivizing all entities in our market to get on board the tech train. As noted recently by the Lloyd's Market Association, Lloyd's Blueprint Two, launched in November 2020, is turning "from concept to reality as components and services are being built."

And we must get on board or get left behind. Customer service, cost efficiency, the talent crunch—these pressures are forcing us to re-think how we do business, from the inside out. Transformation will require us to leave behind what the Boston Consulting Group's Rosalinde Torres calls "the comfortable predictability of yesterday." Today's realities—and the unknown demands of our market's future—require nothing less.

Barriers from legacy infrastructure are perhaps the biggest obstacle to change in our business. Mosaic was born just 18 months ago, so we're leveraging the luck of timing to build capabilities, without having to worry about integration with old software and hardware. Mainframes and client servers, anyone? Those holdovers remain a headache for many firms, and a challenge many are working hard to overcome. Firms will need to budget and plan for their transition to the cloud-based environment; the demands of change management can't be underrated. I must say, having no technology legacy could trump no balance sheet legacy at this point in time.

The second transformation issue, and for many firms the biggest one, is the lack of internal knowledge. Organizations supporting these technologies and outdated processes have been put in place over time, so it can be difficult to impossible to eliminate them without the historical know-how from teams or individuals who may no longer be around.

These are tangible hurdles. Big ones. But not insurmountable, as the industry reinvents itself once again. Digital technology is simply the mechanism we can now use to implement our next phase, both internally, through more efficient process, and externally, to a faster, smoother customer interface. The 'movement' has begun, and it makes utter sense that access to data—automated/digitized processing and artificial intelligence front ends—will provide more agile and accurate claims-handling and oversight.

Yet there's also a pressing need to increase the speed of adoption, the pace of digital change. F1's Mario Andretti once said: "If everything seems under control, you're not going fast enough." We are definitely not going fast enough…and we risk a stagnancy that will permeate our industry if we don't progress in the area of digitalization more rapidly.

All these elements of change are affecting the whole insurance industry, but they're particularly felt in the claims sphere, where a transparently customer-centric approach is vital. The hurdles may seem daunting, but we can't allow the current calls to action to end in continued inertia. We must believe in the way forward. And the truth is, in a syndicated market, we all *have* to work together to make it happen, with every part moving in the same direction.

Transformation through Tech

I should assure you at this point, that while I'm not a complete technophobe, my tablet's Teams software <u>does</u> drive me into full-on "tech rage" at times. Just ask my colleagues. And, my seven-year-old son can certainly program our boardroom's TV far faster than I can.

But I recognize that technology is transformative, and that all of us are just incredibly lucky, really, to be living and working in such an exciting period of opportunity for both technology and insurance.

The institutional will is there. Lloyd's roadmaps, The Future at Lloyd's and Blueprint One and Two, have put claims transformation at the heart of the London market's modernisation agenda. There's a war room at Lloyd's plotting the path and looking at parameters for early adopters. That kind of momentum is important. If we're to innovate traditional processes and practices, we need to do it as a collective. Only in such a scenario will we be able to preserve our shared competitive advantage in the global risk-trading space.

So, what are some of the trends and tactics underway towards that end? Again, let me cite some examples from recent personal experience.

Ben Bolton of Gracechurch—whom I look forward to joining on a follow-up panel this morning—says technology is now what he calls, a "visible brand attribute." It often relies on partnerships between insurance and tech firms. Chubb and Revolut. Sompo and Flock. Chaucer and Concirrus. At Mosaic, we also are leveraging the strengths of both worlds through our partnership with global provider DXC Technology…which also happens to be the key market contractor for Lloyd's as a JV partner for Blueprint Two. To put it mildly, that synergy (completely unplanned, by the way) is useful, effectively making us the prototype for DXC's innovation at Lloyd's itself, which we're excited about.

DXC's strategy is to position Mosaic as one of the early (if not the earliest) adopters of full digital services. They recognize the pivotal role they're playing in the market, given their array of platforms, the extent of their customer base, and their pivotal role in delivering Blueprint Two. In terms of market adoption, based on 2021 data, DXC's broking systems powered 57 percent of the London market bureau volumes (for Lloyd's and companies, across premiums and claims). It also reinforces the critical role DXC must play in helping drive adoption by enabling digital processing capability in its solutions.

When we started Mosaic, we were militant (and still are) about preserving our core asset—data. Everything else in the technology realm is commodity. Our team had a well-thought-out roadmap aligning our build to how we envisioned the industry would evolve: data-sharing using an analytics platform, to APIs. Eventually that would also incorporate blockchain-based distributed-ledger technology for sending transparent, secure data in real time across market participants, across our entire value chain. It would allow us to share data, agnostic of underlying technologies that might exist across our partners' mutual eco-systems.

Like everything else, technology evolves…and what the top underwriting or claims platform might be able to accomplish today can be legacy tomorrow. So, you have to make the right choices now to avoid becoming defunct. Our tech team set out to abstract core systems from the data, using various tools and assets. I want to be very transparent on this point: our platform and the tech behind it are still a work in progress—we are on a journey. But, 18 months on, it has already hit several key marks: allowing a free flow of data between participants without the encumbrance of any of our partners' technology limitations along the way.

APIs are a game changer. API, as you likely know, stands for "Application Programming Interface." And they do just that. I like to compare APIs to Babel—the Biblical tower where a united human race was able to speak a single language (before, as the story goes, heavenly powers intervened).

Imagine if the diverse parts of our industry landscape could speak the same language through their tech? Or, at least understand each other, so we could work together super efficiently? Brokers, underwriters, claims adjustors and clients, reinsurers, capital partners.

Isn't there an app for that?

Actually, there sort of is. What's happening in the API space is driving unprecedented integration of systems and platforms. APIs are efficient data-sharing protocols. They integrate data formats and languages from different organizations, and that helps cut costs, because it removes the need to reconcile or manually adjust data between connecting parties. And now they're paving the way for brokers and carriers to speak and trade information seamlessly through their different companies' technologies.

At Mosaic, we're beginning to see it play out in practice. We're starting to build pioneering partnerships to connect with stakeholders, whether those be brokers or fellow carriers we team with. The model was built around consistency of underlying processes (that is, a single data model, product, and process hierarchy). It ensures we're not building anything bespoke in evaluating, binding, or processing risks, claims, or finance. Remember what I said earlier about legacy systems and institutional knowledge? This renders all that obsolete.

Our COO, Krishnan Ethirajan, has declared this type of process standardization "sacrosanct" (his term) for the effective use of technology. He says that otherwise, we would never be able to deliver the results of automation.

Case in point is Mosaic's recent partnership with Howden this summer, which uses APIs to allow a frictionless and accurate interface between our companies. It's actually the first direct insurer-broker API in our sector. Through APIs, it enables structured data to be easily exchanged and processed for submissions intake and triage—a data-driven method of placing insurance that aligns with Blueprint Two aspirations.

Contrast this with past practice, where underwriters faced a deluge of often unusable, unstructured information. They had to deal with either old data, irrelevant data—or, relevant data, but in a raw, unconsumable format. So, the business need was for real-time, accessible data to allow the most discerning underwriting decision-making. Our CTO Abhijeet Kuray calls it "data democratization"—making data accessible to all, not locked away in complex database systems available only to technical experts like him.

Our platform continues to advance, integrating with external sources like the London Market Association pricing platform and Dun & Bradstreet for data augmentation. Real-time data dashboards are being built for Mosaic's reinsurers and trade-capital partners participating in our syndicated program that covers risks in regional markets worldwide. Some of them are already testing it and the feedback has been highly positive. We feel it's a good start.

But there's so much more to do.

The Future London Claims Landscape

If you haven't already dived in, the recent LMA Foundational Playbook is worth consulting. It sets out to help managing agents with the prep required to implement Blueprint Two market-transformation initiatives. Like everything else we're talking about today, it demands a mindset change, as well as a technological one. But it's a useful guide to start identifying a path forward and mapping out how your team might begin making data-driven decisions a priority.

Three more personal observations that might be relevant as we look to tie technology to claims themes:

The world is becoming incredibly interconnected and exposures are becoming more concentrated. That means there's a lot more systemic risk—it's at the heart of what we're trying to address as an industry. The exposure environment is just more complex by virtue of those elements, and to keep up with it, we've got to improve our processes.

That, in turn, means understanding what the aggregate exposures are, and again, it boils down to data. Data collection and sampling in the claims process are integral to understanding claims patterns. Take a product like cyber, where there's little awareness of what potential cat exposures could be. There are lots of individual big losses, but while there have been large cyber events, there hasn't been a cyber 9/11, though we know it could come. Collecting data properly will be a huge benefit towards introducing capital to the industry, as investors don't understand loss patterns. My point here is that it's not even just about the customer, as important as they are. It also serves the originating side of business.

Investors are also interested in industry volatility, or, in other words, reserving—and good data, machine learning, and algorithms can serve us well there, too. Today, those emerging technologies can demystify traditional actuarial methods and eliminate inherent human bias. By doing so, they don't supplant the actuarial function—rather, they empower the actuary to support underwriting and claims divisions with real-time insights. So, the more agility, accuracy and transparency we bring, the more effective we can be on the pricing side—and not just pricing of the insurance product, but reducing liability and instilling confidence from capital providers' perspective, as well.

Connectivity across functions is vital today, regardless of technology. At Mosaic, we believe it's integral that our underwriting units are totally integrated with our claims function. They work together to win business and to settle claims. That structure promotes a holistic understanding of the contract from ground zero—a thorough appreciation of what the intent of the policy is, particularly what the client's seeking to address, and helps resolve any issues faster.

I want to conclude with the “Parable of the Three Adjusters”—it’s a timely new take on a motif you may have heard before!

A person walks into an office where a trio of claims professionals is hard at work, and asks each of them, “What are you doing?

The first answers gruffly, “I’m dealing with a claim.”

The second replies, “I’m reviewing a client’s proof of loss submitted with their notification.”

The third enthuses with pride, “I’m using data and digitalization to transform the settlement of a claim. It’s revolutionizing claims handling across our industry.”

Our attitude, how we approach the challenges we face, is the most important advantage we have. It’s one of the few elements that we, as individuals, can actually control. And if we can master attitude, and choose our approach every day, that will ultimately determine success. The power of purpose is essential to making this kind of engagement work.

It’s also important to learn how to play the long game. To do this, you need to envision the end result—that helps overcome obstacles and provides energy and motivation to tackle the bigger picture and find solutions to challenges.

So, keep an enthusiastic attitude and visualize the end result. Vison without attitude and action is merely a dream. Action without vision just passes time. But, vision with attitude and action can change the world.

Having so many stakeholders in one place is the perfect environment to make things happen, to foster the attitude required to succeed around a shared purpose. It’s one of the reasons we are better placed—here in the London market—to tackle the challenges our industry faces than pretty much anywhere else on earth.

I take great encouragement from that. I think we all can.

Thank you.