

It's the end of the world
as we know it...



It's the end of the world
as we know it...

and I feel fine



~ John Michael Stipe / Michael E. Mills /
Peter Lawrence Buck / William Thomas Berry

It's the end of the world
as we know it...

and I feel *(mostly)* fine







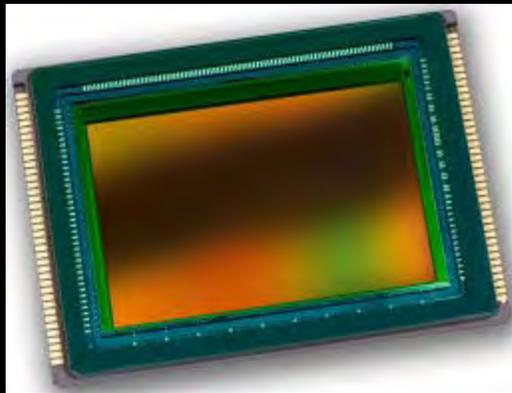
Technology is still getting smaller, faster and embedded everywhere...

Today there are more than one billion transistors for each
person on the planet

people sensors

place sensors

thing sensors



Everything is connected to
everything...

And can move fast

then faster still



In risk and insurance there have
always been and always will be
models...

Observational judgment

Statistical analysis

Simulation loss modeling

Predictive analytics

Microforecasting

Ultimately, we run the models...
they don't run us

Strategic thinking

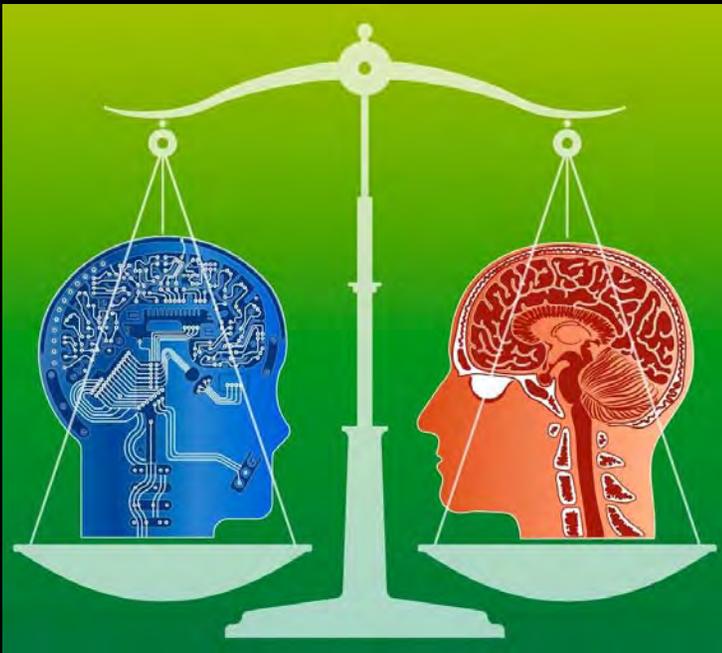
Executing

Influencing

Relating

Will supercomputers reach and maybe even surpass the computational power of the human brain?

In 2010, IBM estimated it would take until 2018



By 2014, IBM estimated it would take until 2017

By late 2015, IBM estimated it would take until late 2016

We're still waiting...

The truth is the brain is far different from a computer...

Next-order higher raw computing power

Ability to rewire itself (neuroplasticity)

Can incorporate instinct and emotion

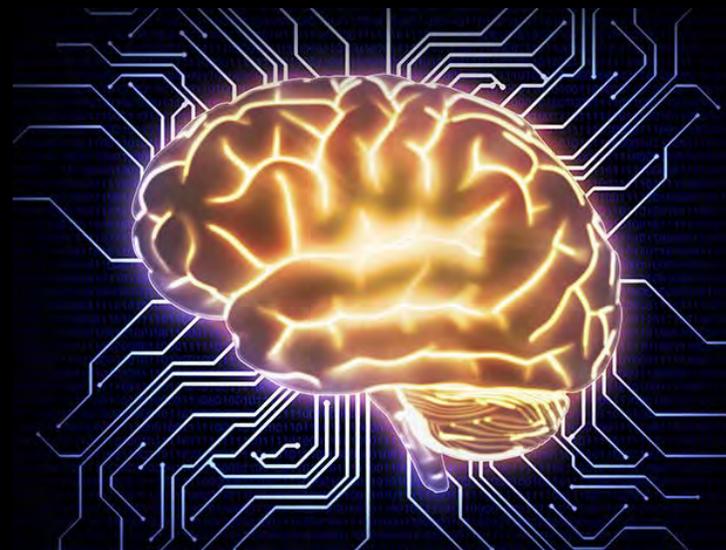
Next-order raw computing power

It is thought that the human brain computes at a **billion billion calculations per second**

In 2014, researchers tried to match 1 percent of brain's one-second processing power

It took the 4th fastest supercomputer in the world (K Computer) 40 minutes to crunch the calculations for a single second of brain activity

The energy required to power computations by the world's fastest supercomputer is enough to power a building;
the human brain achieves the same processing speeds from the energy required to charge a dim lightbulb



Flexibility – neuroplasticity

The brain continually reorganizes itself by forming new neural connections throughout life

Allows our neurons (nerve cells) to adjust to new situations or environmental changes, injury or disease

Learning something new changes the brain by building connections that weren't there before



Incorporation of instinct and emotion

Computers operate only on logic, repetitiveness, math

The human brain operates on logic, instinct and emotion;
Thus, it is capable of and responds to things computers do not –

Values, motivation, praise,
empathy, play, resilience, etc.

The brain is far more
powerful
than the computer,
Even if far less predictable



Information & uncertainty are shaping the competitive landscape...



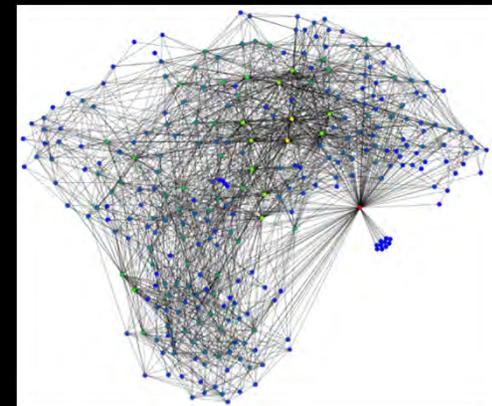
Information explosion

Risk/opportunity growth

Globalization and emerging economies

New customer demands and business models

Increasing market and regulatory complexity



Insurance has been at the forefront of information change & uncertainty for centuries...

External “threats” as part of change are nothing new

Venture capital has limited interest in finance, much less insurance

Most Insurtech investments are complementary to the current market, not disruptive

Technology limitations and regulatory complexity slow the process for technology opportunities as well as for technology threats

Technologies that are “disrupting” the world
as we know it

Most hyped technologies impacting insurance today

Autonomous vehicles

The Internet of Things

Drones (and other UAVs)

Blockchain

Machine learning



Technologies that are “disrupting” the world
as we know it

The expectations

Autonomous vehicles (pivotal)

Underlying risk of driving will be reduced dramatically

OEMs will own the data and bypass insurers to cover the residual risk

The Internet of Things (pivotal)

Smart (connected) homes, businesses & autos will provide nearly perfect underwriting and claims data in real time

Technologies that are “disrupting” the world as we know it

The expectations

Drones and other UAVs (nudge)

Fast access for verification of underwriting &
claims data

Blockchain (nudge)

Digital blocks and links offering much faster, safer &
better documented transactions & information sharing

Machine learning (pivotal)

AI technology that can reduce/replace personal
judgment

Technologies that are “disrupting” the world as we know it

The reality

Autonomous vehicles

Impact on underlying risks remains to be seen

AVs produce an overwhelming amount of data

OEMs do not understand how insurance works

Cyber risk, satellite risk & moral risk

The Internet of Things

Too many sensors & often do not work properly

Technologies that are “disrupting” the world as we know it

The reality

Drones and other UAVs

This is happening, although regulatory & legal issues are substantial

Blockchain

This is happening, although regulatory & legal issues are substantial

Machine learning

Not the same as human learning

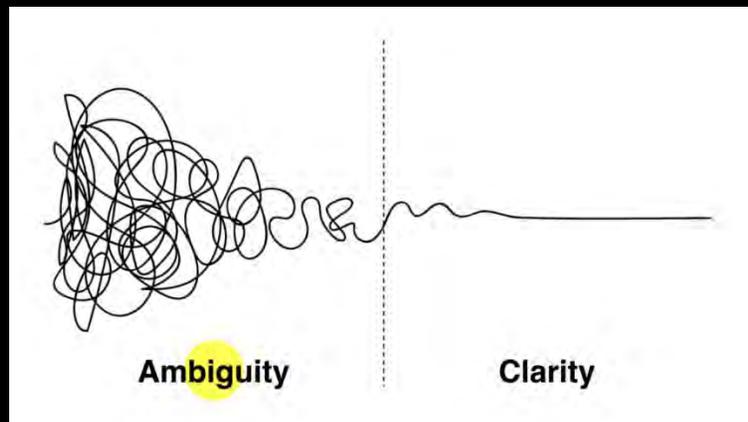
Wrought with regulatory, societal & legal challenges

What does this mean for insurance?

People still want/need what they have always wanted/needed from insurance

Reduction of ambiguity and uncertainty

Perceived fairness



We live in exciting and uncertain times...

full of opportunity

and hazards

There is a focus on

the need for speed, agility, action

“Every morning in Africa, a gazelle wakes up. It knows it must run faster than the fastest lion or it will be killed...”

“...Every morning a lion wakes up. It knows it must outrun the slowest gazelle or it will starve to death...”

“...It doesn't matter whether you are a lion or a gazelle. When the sun comes up, you better start running.”

Source: Thomas Friedman, *The World is Flat*

Fear can be a great motivator

in the short term

Chronic fear (aka anxiety) is erosive

It's the end of the world
as we know it...

means an opportunity for us to think and act in new ways

The core of what differentiates you will not change

Servicing

Flexibility

Customer intelligence

Risk intelligence

Risk reduction

Efficiency

M&A

Core agility

What it takes to provide it may change

Differentiate on execution

Simplify

Position for innovative agility



How can we differentiate, simplify
and be agile in a model-driven,
fragmented environment?



Maximize knowledge,
accept residual uncertainty

Move wisely on superior knowledge



Don't mistake information for knowledge

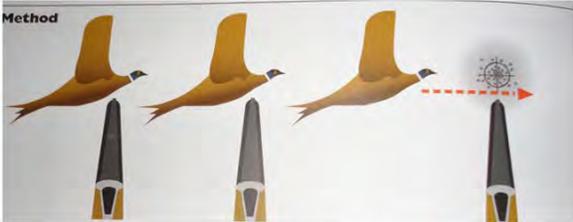
or knowledge for wisdom



Be adaptable

while working from your strengths

The Method



Method

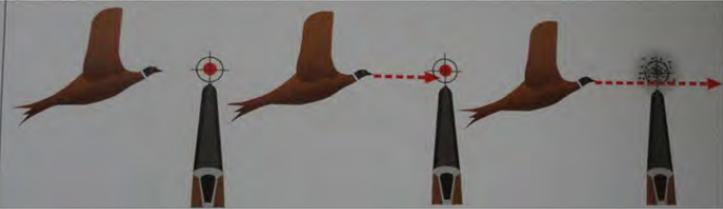
Muzzles pick up the bird Point and maintain contact Pull away Keep barrel

Interception



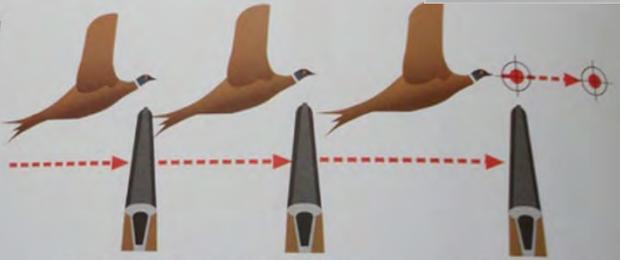
An "ambush" where the gun is mounted and fired directly at a point ahead of the bird.

Maintained Lead

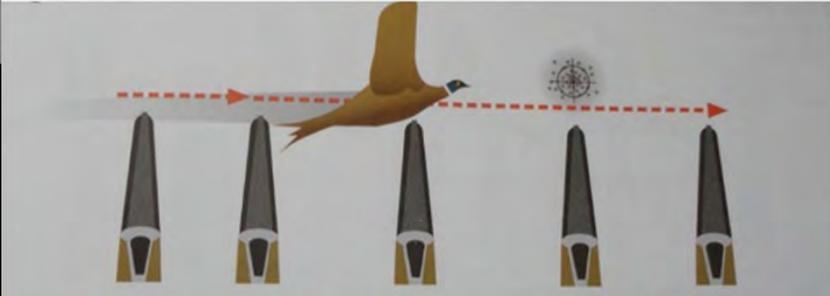


Standard method to start in front of the bird Adjust and set the lead Maintain set distance, with gun moving at the same speed as the bird.

The Churchill Method



Point directly at the bird with unmounted gun Stay in contact with unmounted gun Mount and fire. Speed of swing gives subconscious lead



Swing starts behind the bird Accelerate and swing through the bird Shot is taken out in front

Be available and approachable

Be timely and responsive



Be transparent with clients

Practice empathy



Stimulate your brain – capitalize on neuroplasticity

Hone your problem-solving mindset

Do something(s) creative



Embrace whole brain thinking –
logic, instinct and emotion



Try to enjoy lack of knowledge, uncertainty

Take time to reflect before responding/ acting

Beware of computer-derived solutions

Be cautious of any problem-solving ideology

Gather multiple perspectives

Seek out contrary information



*“These smug pilots have lost touch with regular passengers like us.
Who thinks I should fly the plane?”*

Yes, it's the end of the world
as we know it...



And yet

same as it ever was...



YOU MAY ASK YOURSELF



Q&A

Thank You!

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