

From acorns to oaks

The innovation in the war risk market introduced by DNK, Noria and Clearwater tracking vessels using sensor data and connected insurance to automate policy administration has generated a lot of interest from the global marine insurance market. Participants in this roundtable discussed this solution, the way it has affected the market the wider implications for the insurance market and how it could and should embrace the digital age.

The rise of the digital age and the fourth industrial revolution clearly offers huge opportunities for the insurance and risk management sector to seriously up its game, shed the baggage of the past and all the cost associated with it, design innovative new products and services for customers and offer a wholly new and painless experience for all parties in the chain.

To date, however, real innovation has only really been seen in the personal lines and health insurance sectors in which forward-looking established players and new disruptors are coming up with on-demand coverage that much more accurately reflect the lifestyles of customers. This new approach will accelerate and revolutionise the sector breaking down age silos and barriers and blurring the age-old divisions between risk holder and distributor.

The application of the new technology to the commercial and corporate insurance sector – such as marine – has been less dramatic and potentially game-changing. This is a complex business that becomes increasingly complicated by the day as the combination of globalisation and adaption of new technologies and ways of doing business by customers in all sectors is more often than not leaving insurers scratching their heads and wondering how they are going to keep up.

Supply chain is a great example. Companies the world over would love to buy an affordable, all-singing, all dancing, comprehensive and real-time coverage for non-damage business interruption to their ever longer and more interconnected supply chains using the latest digital technology.

But if they themselves don't actually know who their third and fourth tier suppliers are and where they are located how can the insurance industry be expected to keep up?



It seems therefore that, for now, the rise of the digital age in the commercial insurance space will be a more iterative process, evolutionary rather than revolutionary.

Solutions such as DNK's sensor-based automation system, based on the idea of making the process better for the customer and therefore for the whole sector, is the way ahead. This is a 'win-win' for insurer and customer through the application of cutting-edge technology to a very old challenge as Svein Ringbakken, Managing Director at DNK and Chairman of Osprey Solutions, explained. "As a war risk mutual we receive thousands of AP calls (when a vessel is about to enter a high war risk area and needs to arrange short term cover) every year. This is really labour-intensive and not efficient for us or for the customer. So we spent a 10-year period looking at the options to simplify and make the process more transparent, efficient and accurate. Finally, we founded an Internet of Things (IOT) solution - the Raptor sensor and gateway that collects and sends position and performance data directly from the vessel every 6-7 minutes," he said.

"This understandably generated a lot of interest among members as it provided much more rapid information about when a ship was entering and leaving an AP area based on the receiver on the ship. This significantly brought down the volume of manual labour involved. This became particularly useful in 2019 when the attacks occurred in the Straits of Hormuz. For members this was much simpler – better for us and they are able to use it for their own purposes. A win-win situation. We have seen a great improvement in the numbers, our solution



THE PARTICIPANTS

Ronny Reppe – CEO, Noria Group
Will Umwin – CEO, Clearwater Dynamics
Svein Ringbakken – Managing Director, DNK
Neal Croft – Global Client Relationship Director, Willis
Andreas Hovelsrud – Insurance Director, DNK
Irene Phillips – CEO, Osprey Solutions
Chris Bhatt – Global Sales Director, AON
Adrian Ladbury – Editor, The Marine Insurer

is far more accurate and efficient. For customers a vessel is a high and long-term investment, usually about 15 years. We have given this to the members because it protects their asset and investment and our interest at the same time.”

Irene Phillips, CEO Osprey Solutions, said that the customer pull rather than provider push nature of the solution was critical to the success of the project.

“This is a genuine solution to an old problem that shipowners and their insurers have grappled with for a long time. It combines both business process and technological improvements to give an end to end solution for all. It was designed the right way around, through an analysis of the problem and what was needed first rather than finding a technology that looked good and then working out how to apply it which is how it often works. This can also be replicated in other areas which is very encouraging.”

CUSTOMER DRIVEN

Chris Bhatt, Global Sales Director Aon Marine, agreed that following the herd is not the way ahead. “I liken the whole Insurtech space to a kids football match with everyone all bunched up and chasing the same ball. This is not the way to play the game. This kind of solution is the way ahead as it is uses the latest technology and data to deliver a real solution for the customer. Brokers such as Aon have vast amounts of data and we are at the centre of the relationship between carrier and customer. The key is not to just collect a lot of data but to work out what to do with it, how to use that data to the benefit of all.”

Ms Phillips stressed that transparency and accessibility is key for the market to make real progress, She said the sector needs to dare to simplify, not a natural tendency for this market.

“We have to work out a system that enables the data owner – the customer – to share with the insurers and brokers to gain a view of the reality and truth. This has to be an open and transparent process that enables a much better dialogue and analysis of the risk and therefore solutions that benefit everyone...we dare to simplify. The marine insurance industry is very complex with a lot of connections and bespoke solutions. The key is to not necessarily seek to boil the ocean and solve all the challenges with one solution but to dare to simplify.”

HISTORIC BARRIERS

“This is exactly what is needed. The insurance industry has been slow to adapt and is, perhaps lurching forward in the way technology is applied. This may be a very individual case and the big question is where do we go from here? How can such a solution be applied to big risks such as geo-political volatility and supply chain disruption?” added Mr Bhatt.

For Neal Croft, Global Client Relationship Director, Willis Towers Watson, the key is to link the systems and data in an enterprise wide manner.

“I think this is great what has been done. There are so many links between immediate and secondary risks that affect all organisations in so many different ways. As with this example in the marine war risks area the data and technology has to be used effectively to help link up all the factors and provide solutions. We have all these individual risks, the next step is how to link them all and manage them in an enterprise wide manner.”

William Umwin, CEO Clearwater Dynamics suggested that a new collaborative approach is needed across the market to make real progress.

“Having co-innovated and implemented a dependable digital solution, a market-wide response makes a lot of sense”

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Svein Ringbakken, DNK





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Neal Croft, Willis

creating unique data resource for shipping companies. There are a limited number of satellite providers competing for a modest maritime market ensuring keen competition. A solution integrating Raptor near real time tracking and granular domain awareness built from the ground-up has driven an insurance step change. Maintaining an agnostic approach to hardware and position reporting creates opportunities to future proof ongoing innovation,” he explained.

“Working hand in glove with DNK afforded CWD extensive opportunity to finesse the final platform, this is a rarity many technology initiatives do not have. There is a lot of focus in this sector on two areas risk mitigation and loss prevention directly improving processing and enhancing risk mapping. The industry has struggled to deliver substantive end-to-end deployments at scale given many non-aligned [interests] in shipping operations and security. This has impacted on a number of potentially good solutions not being used,” added Mr Unwin.

“Approached from an insurance perspective with a consolidated stakeholder approach as is being applied within Osprey we contend there are a number of practical wins for shipowner, operators and insurers alike. This successful initiative is directly reducing the burden on the insurer and shipping companies. The shipping and insurance industries are pilloried for not keeping up with technological developments, but, this shows that by using a partnership rather than acquisition approach scaleable deployments can be achieved. The market will change rapidly over the next decade and incremental adaption is needed rather the big bang approach,” continued Mr Unwin.

NO BIG BANG

“The market will change dramatically over the next decade and regularly not all in one go, in one big bang. There will not be a dramatic Insurtech change we will see incremental change. Efficiency is the key. We still have manual input throughout the insurance value chain and this has to change very quickly,” he said.

“There are two parallel changes here. The search for efficiency in the insurance industry and the need to improve the customer experience. This DNK initiative delivers both goals, it makes the whole process more efficient and improves the customer experience. This moves towards where the market

is headed – insurance when needed and on demand. Less focus on the annual contract, but, rather providing what the customer needs today. One of the big challenges for the industry is cyber because neither the customer nor the insurers really understand this risk.”

All participants in the roundtable – and it seems all risk managers generally – agree that a lack of market standardisation is a problem and barrier to positive change.

“The Internet of Things is not one standard tool, but, many things. I worked in finance and other markets before returning to the insurance market and I have to say that they are very different,” said Ms Phillips.

“The banking market worked out a while ago that its value does not come through transactions but advice. As a result, the sector adopted standards and common systems such as the international settlements system that all can use because it does not really provide a competitive edge. This enables the banks to focus on where they can really add value. The insurance industry has not taken this approach and so is hampered and this makes it more difficult to derive value out of new technology,” she continued.

HAPHAZARD APPROACH

Mr Ringbakken agreed that the somewhat haphazard approach that the insurance market is taking to the adaption of new technologies is holding back progress.

“The biggest insurance and reinsurance companies are investing in new technology. The sector is changing, the fourth industrial revolution will hit this sector, but, there is a huge disparity in how companies are adapting. Some of the big insurers are very forward looking but others appear to be doing nothing about it.”

Ms Phillips pointed out that in some ways it is easier for a mutual such as DNK to focus. “Perhaps there are advantages to being a mutual in this sense because, by definition, the insurer has to focus on risk management and view everything from the customer or member perspective. This gives focus on what is really needed to the benefit of all. The big question for the wider insurance market is not just how can it improve its own processes and efficiencies, but, how to improve the underlying risk.”

Mr Croft added that this is why it is so important to take an enterprise wide approach.

“This is why we are looking at geopolitical risk through a six coloured lens. The risks that all companies face are numerous

“Having co-innovated and implemented a dependable digital solution, a market-wide response makes a lot of sense creating unique data resource for shipping companies.”

Will Unwin, Clearwater Dynamics



and interconnected. These risks cannot effectively be dealt with in isolation and in silos they have to be tackled on an enterprise wide basis.” he said.

And, as Mr Bhatt stressed for this reason communication and partnership is critical to make progress.

“A more joined up approach to risks in this increasingly interconnected world is vital. This demands greater partnership and improved communication to the benefit of all. We are working on an interesting project in the maritime sector currently that involves authorities from around the world. We are seeking to create a set of cyber standards to help everyone improve the way the risk is identified, measured and managed and benefits all parties.”

CYBER THREAT

Mr Unwin pointed out that a more joined up and pro-active approach is definitely needed in the ever more critical world of cyber risk.

“It is now widely accepted that a pro-active threat hunting approach fused with more traditional defensive strategy is essential to keep on top of fast evolving current and future threats. This is complex for organisations with a sophisticated cyber strategies and even more so within the maritime sector. Good cyber hygiene is further hampered driven by event fatigue and cyber skills shortages. Those in the maritime industry are also grappling with wide reaching automation and digitalisation objectives substantially increasing opportunities for cyber criminals to exploit connected systems,” he pointed out. And taking a ground-up approach again makes sense.

“CWD’s Horizon platform simplifies and consolidates cloud computing risk monitoring enabling down skilling delivering actionable insights through a single pane. This empowers

existing IT teams to manage cyber security and reduces the need to hire cyber experts. We have had the good fortune to hire a highly regarded former senior cyber expert from GCHQ, Horizon was built from the ground up employing a hackers perspective,” explained Mr Unwin.

“This level of expertise is not readily available outside of specialist security providers, in real terms building capability integrating active rather than passive defence approach consistently assists in the early indicators of compromise. It has been reported criminal hackers are generally evolving their techniques circa 90% faster than the defensive capabilities under development within the private sector. These are shifting sands and risks continue to evolve unabated. The shipping industry is entering an uncharted and increasingly unsettled period,” he added.

Ms Phillips stressed that, in her view, customers need the insurance sector to do more to apply their risk management expertise to rising challenges. she said.

“The core question is who is handling the data and what are they supposed to do. The insurance and wider risk management industry needs to be much better at understanding the data and helping the shipowner prioritise all the risks. This simplifies everything. The insurance sector needs to look at what the banking industry has done in this area – how simple online banking has become. All the hard work needs to be carried out by the insurers. Insurers are the experts on risk management and should make a greater effort to provide understandable solutions, without customers needing to become experts themselves to be able to buy insurance.”

RAISING VALUE

Ronny Reppe said that, in his view, the insurance business

“I liken the whole Insurtech space to a kids football match with everyone all bunched up and chasing the same ball. This is not the way to play the game.”

Chris Bhatt, AON

