

# Underwriting is the Beating Heart

An Interview with **Geno Fernandez,**  
Chief Underwriting Officer, Zurich North America

**EDITORS' NOTE** *Geno Fernandez joined Zurich in 2012 as the Head of Strategic Execution for North America. He was named North America Chief Underwriting Officer in 2016. He joined Zurich from McKinsey & Company, where he was a senior partner and a leader in the Insurance Practice. He has served as a special attaché for economic affairs to the Secretary of State in the diplomatic staff at the Vatican; a lecturer at New College, Oxford; and a counselor at a women's shelter in Indiana.*



Geno Fernandez

*A Rhodes Scholar, Fernandez has a Doctorate in Philosophy from Oxford University and a bachelor's degree summa cum laude from the University of Notre Dame.*

## Would you provide an overview of Zurich's Underwriting function?

Insurance is the oxygen of the economy, and underwriting is the beating heart of an insurance company. Now, more than ever, a high-performing underwriting organization is critical to the lasting success of any commercial insurance company. Zurich has invested in strengthening this function.

Over the past year, we have simplified our organization, empowered our front-line underwriters, streamlined our guidelines, implemented leading predictive analytics in our pricing tools, and created an industry-leading underwriting curriculum to provide continuing education to our underwriters.

In summary, our job is to make Zurich's technical capabilities a competitive advantage in the marketplace. We have a team of what I like to call "insurance athletes" – towering technical experts in their lines and industries. North America is the largest and most complex insurance market in the world, and this demands that our underwriting environment be capable of seamlessly handling this complexity for our customers and brokers.

## How do you coordinate the activities of field underwriters in your business?

In North America, we have more than 800 underwriters writing more than \$16 billion in gross written premium who are working hard for our customers, evaluating their exposures and developing programs that meet their needs. Coordinating the activities of underwriters across 13 strategic business units is sometimes a challenge. The questions I come back to every day are:

- How do we truly empower and educate our underwriters given the rapidly changing environment?
- How do we continue to simplify our underwriting process and guidelines to be responsive to brokers and customers?
- How do we move from insights to impact in Pricing and Predictive Analytics so we can make collective bets with our balance sheet?
- How can we modernize our pricing tools to make Zurich easier to do business with?
- How can we enhance our product suite to best serve the evolving needs of our customers?

Coordinating the activities in the field is much less about "command and control" and much more about delivering the right services, the right training, the right feedback, and the right tools so that our underwriters are confident and consistent in their risk selection and pricing.

## How is Zurich using predictive analytics?

The amount of data available for risk analysis is growing exponentially. In fact, more recorded data was produced last year than in the entire history of humanity. Next year, there will be even more. We made a strong yet measured push to invest in predictive analytics in 2013. We went out and hired the best data scientists in the industry and set them up, working hand in hand with our excellent actuarial team, our world-class claims and risk engineering departments, and the underwriters who are in the market every day.

Our industry is experiencing rapid change, and few competitors have the rare combination of deep data expertise, a large book covering most insurable commercial risks, and the resources needed to invest in predictive analytics. That's why we are seeing tremendous returns on our investment where others have found it hard to monetize their investments.

## What do you think the future holds for the industry?

Many observers believe that the commercial insurance underwriter's role will diminish and then disappear. I actually believe the opposite. Insurance is a people business, and no amount of technology or data will change that. The commercial underwriter is a key ingredient in the transfer and evaluation of risk, and when it's done right our customers rely on the underwriter and the

broker to creatively structure programs specific to their own needs.

The key to the future is to augment the capabilities of our underwriting professionals with the tools they need to radically increase their arena of impact. Where a \$5 million underwriter in middle markets was common 10 years ago, I see the day when every underwriter can handle a \$50 or \$100 million portfolio of risks.

How will this happen? What will change are the daily responsibilities of a commercial insurance underwriter. With technology advancements, underwriters will be tasked with less processing and modeling duties and will be afforded more opportunities to be out in the marketplace with our brokers, customers, and prospects.

There is no shortage of data sources. We can map weather patterns up to 10 square feet anywhere in the United States; we can track changes to stock price relative to thousands of indicia; we can see exposures change – like miles driven, or payroll – more quickly and more transparently than ever before. The challenge is that in this sea of data you still need to navigate from here to there.

Today's and tomorrow's underwriter will bring a blend of diverse knowledge, problem-solving skills, and an ability to build and maintain relationships. It's an exciting time to be an underwriter. At its core, insurance is a people business and will remain a people business.

## Do you have some specific thoughts on attracting young people into insurance as a career?

Yes, I do. The insurance industry needs to do a better job of describing the excitement and potential for fulfilling careers in our industry, and particularly in underwriting. Let me repeat: insurance is the oxygen of the economy. We need to keep attracting intellectually curious, relationship-driven problem-solvers to our industry.

We aren't just talking about it. We are doing something about it. Zurich has extensive underwriting, claims, risk engineering, and finance trainee programs for recent college graduates where we bring on board about 100 trainees every year. We are also in the second year of a groundbreaking Zurich Apprentice Program, which we launched in partnership with the U.S. Department of Labor. If one is an intellectually curious person who likes to work hard and constantly learn new things, insurance can be an extremely rewarding career. If I didn't think so, I wouldn't be sitting where I am today. ●