

Focus on the Customer Zurich Insurance Faces the Future With and for its Customers

**An Interview with Mike Foley,
Chief Executive Officer, Zurich North America**

EDITORS' NOTE *Mike Foley is Chief Executive Officer for Zurich North America and is a member of the Zurich Executive Committee. He joined Zurich in 2006 as Chief Operating Officer for the North America Commercial business. In January 2008, he was appointed CEO for North America Commercial and became a member of the Group Executive Committee. He has also served as the Regional Chairman of the Americas and North America and is Chairman of the Board of Zurich Holding Company of America. Foley began his professional career in 1984 when he joined the financial management training program of Armtek Corporation in New Haven, Connecticut. After graduating from Kellogg in 1989, he joined the Deerpath Group in Lake Forest, Illinois, as an associate. He later became vice president, where he was responsible for managing a portfolio of equity investments in various acquired businesses. In 1993, he joined Electrocal, Inc. in Connecticut as president and, in 1996, he joined McKinsey & Company in Chicago, Illinois, where he later became a principal and led its North American property/casualty insurance practice.*



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industries, such as Construction, Auto Dealers, and Technology. It offers life insurance and disability coverage in the United States. Zurich employs approximately 9,500 people in North America. It's a top-five commercial insurer in the U.S. and has been insuring U.S. businesses for more than 100 years. Today, ninety percent of the Fortune 500 trust Zurich to help them understand and protect themselves from risk.

How do your customers shape your strategy?

First and foremost, we are focused on our customers. We want the value we deliver to our customers to be the real differentiating factor that sets us apart from our competition. Our mission is to help our customers understand and protect themselves from risk. To do this, we must have a deep understanding of the risks they face and know what they want from an insurance carrier.

At Zurich, we've done in-depth research to really understand what our customers need and then deliver insurance propositions and capabilities that our customers value. Ultimately, we want to consistently deliver at their key moments of truth. With more than 140 years of global insurance experience, Zurich provides our customers with industry expertise, comprehensive insurance solutions, and cutting-edge insights to help meet their needs.

To better serve our customers, we are becoming a more agile and more responsive organization. We are focusing on streamlining our end-to-end processes. We are using innovative, new technologies to make better and faster decisions for our customers.

How are Zurich's technical capabilities a competitive advantage for the company?

Our technical capabilities are a strong competitive advantage. They are essential for winning in our industry, especially in the

commercial business. We are investing in the skills of our employees and adopting new tools and technologies to aid in risk selection and pricing. Robotics, cognitive computing, and predictive analytics are just a few of the technological innovations that are starting to take hold within the larger insurance industry.

At Zurich, we're gaining new insights in workers' compensation insurance. Our commercial customers need their employees to be engaged and working every day. Unfortunately, some of them will get hurt. But many of the risks that cause these accidents are things that can actually be prevented if an employer is proactive. For example, in the construction industry, workers who stretch before their shift are less prone to injuries on the job.

With predictive analytics, we are now able to take a fresh look at the types of risk facing employers and their workforce. We have new tools that show the expected losses for companies within the same industry. We can see how our customers compare to that benchmark and then make recommendations on how to improve their risk profile.

Traditionally, in the insurance industry, some pricing tools have lacked the sophistication to sufficiently distinguish the very best accounts from the rest. At Zurich, the tools available to our underwriters reveal degrees of risk that others can't always differentiate. It's that level of insight that brings a precision to our pricing, helping our customers better manage their total cost of risk.

How will advances in technology change the way employees work?

Technology is changing the nature of work and creating new opportunities. It's helping us make better decisions about the accounts we will underwrite. The advancement of analytics, coupled with our employees' diverse knowledge and sound judgment, is driving better risk selection and pricing. We know that the underwriters who use insights from models to

augment their decisions have better outcomes, and that translates into better outcomes for our customers.

In studying underwriters' decision making, we found that they typically rely on their own experiences to draw conclusions when underwriting accounts. However, those experiences and those conclusions do not necessarily align with what we know from our data. Our data modeling goes far beyond the experience of any one underwriter or even a team of underwriters.

At Zurich North America, we developed many predictive models that are being used in Claims and Underwriting. The models we are using are based on billions of data points collected from decades of insights from underwriters and claims professionals. We also incorporate multiple external data sources to further enhance our decision making.

Advances in technology offer many benefits and over time will continue to evolve, allowing employees to do less processing and repetitive tasks and focus more on opportunities to strengthen our relationships with our customers and brokers.

What is the biggest risk facing a business today?

That's an intriguing question, especially in a world that is becoming riskier every day. However, with so many different risks affecting so many different businesses, there's no one right answer.

Cyber has everyone's attention right now. Zurich is one of the top providers of insurance-related cyber security and privacy solutions. It is one of the fastest-growing products in the insurance industry, growing at about 35 percent per year. With the persistent headlines of notable cyber attacks and breaches, we expect the growth rate to continue.

Supply chain is another major risk facing businesses today. The world has become more interconnected and, with that, we are seeing more risks in supply chains. Businesses have

suppliers they rely on to help meet the needs of customers, but how much do they really know about those suppliers? And how much do they know about the suppliers sourcing those suppliers? We've learned that 40 percent of small to mid-sized businesses that close for just one day never reopen. One of your suppliers might be among them.

Many companies are exposed to supply chain risk, but few adequately manage and prepare for it. Among midsized manufacturing companies, almost half depend on a supply chain that extends outside of the U.S. About 75 percent have experienced at least one supply chain disruption, but still very few fully understand the full magnitude of the risk or consider insuring against it. Supply chain is one of the risks that we think about every day.

These newer risks are significant, but let's not lose sight of the traditional risks such as workers'

compensation insurance and basic property coverage. Those are still the biggest loss drivers for businesses today. Auto insurance is climbing on that list due to the impact of smart phones and distracted driving. With change happening at a rate faster than ever, it's important for business leaders to select an insurance company that can bring insights to the table and help them manage these evolving risks.

What are the key capabilities that business leaders should look for when selecting an insurance carrier?

Business leaders should be working with people who can help drive a better understanding of the risks their businesses face and, more importantly, how they can work to mitigate those risks. They should work with people who bring insights to the table and who understand the complex risks on the horizon.

At Zurich, we understand these risks and have invested in gathering and translating our insights into actions. So, businesses should focus on getting the right expertise and not necessarily on getting the lowest price. Sometimes that price actually can cost you much more in the long run. The right expertise brings insights and capabilities that can reduce your total cost of risk.

You have served as CEO of Zurich North America for 10 years. What has made Zurich so special for you and what makes the industry so dynamic?

We have exceptional people – about 9,500 people in North America – who inspire trust and confidence and demonstrate care and compassion when our customers need us most. Our customers depend on us to help them understand and protect themselves from risk.

With the world becoming riskier every day, our industry never gets dull. It's more interconnected than ever before. With the rate of change happening so fast, it's really a fascinating time for us to help our customers manage their risk. These are exciting times. ●

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