


Insurance **POST**

Q&A: Paul Mang, Guidewire



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Aon's former CEO of analytics, Paul Mang has been tasked with bringing together Guidewire's Analytics and Data Services division. Mang spoke to Post about cyber risk, data, and lifted the lid on Guidewire's \$275m purchase, data tool Cyence.

Before you joined Guidewire, you were Aon's CEO of analytics. How have you found the transition from a large corporate risk practice to a software house?

It has all the thrill of being at a smaller, more technology, software focused organisation. Things happen faster, there's so many opportunities that the question is what to address. I'm getting used to what I may have earlier thought of as more chaotic. That's almost to be expected at a smaller entity. What I have found in that transition is Guidewire, for a software company, is very much a part of the ecosystem of this industry.

It does have this broader purview. And one that Aon, as an older global company, had as well. So that hadn't changed. That was a nice surprise.

What are your priorities in the coming year?

The most well known and established part, [is Cyence](#), the recent acquisition. There's some other assets that Guidewire has built up over the years and they

have been brought together. So it's a unit that is very much connected to the rest of the Guidewire mission, but it does require perhaps some additional focus.

My priorities are to first establish that relationship with the rest of Guidewire. So how do we maintain some of that autonomy? Especially on the cyber side, it is a very rapidly changing area, so how do we maintain that focus, but also do it in a way that leverages what our clients expect from us?

The second is to take the analytics tools we have and extend them into product areas, into different use cases. We've innovated and now it's a priority to embed this in the industry and make the most of it.

The third priority I have is just entering this organisation is to give this team an identity. How do we go into market with our products, and how do we encourage more to connect with our platform and work with our clients to really push the industry?

Cyence was a big buy for Guidewire back in 2017, with a pricetag of \$275m (£212m). How does the tool work?

Cyence is not just a data aggregator. It collects a petabyte of data every month and continually checks this data against real events.

You have a single score, made up of component scores, which themselves are made up of a lot more data. So what a user would get is a aggregation of the risk in a simple-to-understand metric. The components of it, as well as the translation of those metrics into real losses. Essentially it's the cost of goods sold of providing a certain coverage. The tool allows you to construct coverage with different parameters to change. And then with that sort of coverage, with that policy parameters, it gives you the economics.

This could be an event in 200 years or one in 500 years and what your distribution of losses could be. It doesn't tell you what to necessarily price. There is a pricing element to it, but it does give you the analysis from data into frequency, severity and then the economics. The underwriter would have to think about not only risk selection on that one risk, they also have to manage a whole portfolio. So when they look at an entire book, the tool allows an underwriter or risk manager to examine that entire book to see what the distributions are associated with a book of business.

The term 'insurtech' has become commonplace. Do you think it helps or hinders the industry?

It serves a purpose. It implies it is not an incumbent. It is an entrant, a new idea. It implies innovation in something other than an incumbent doing something by themselves.

It also does us a bit of a disservice, because it captures so many functions – something as narrow as being a data provider, or a very narrow point solution provider, to a risk bearing entity, to supporting a broad function, to ancillary services. It is so broad, I don't know if it is as helpful today now that we have thousands of these companies. I'm supportive of it in concept, but maybe we need a little different language to be clearer about what we mean by insurtech.

Is there anything that might keep you up at night when you think about cyber risk?

As a corporate entity, as someone responsible for something as an insured, I am worried about that much of what we do as a company is so dependent on being connected to our vendors and our customers. I worry that the cyber hazard will really limit what I could do as a company. I worry that cyber threats, or the uncertainty around cyber security will really start to limit what we do as we consider our core business.

As someone in this industry, I worry that we don't have the kind of solutions necessarily right now to cover the volatility associated with this particular hazard. The cyber risk transfer market is growing and it is one of the fastest growing parts of insurance. But it is a very small base and I hope we as an industry could develop new products to be able to cover, understand these risks and provide services broadly in particular risk transfer.

What else keeps me up? As an individual. I have three children. I always wonder are they putting themselves in jeopardy. They are starting up their careers. There could be fraud. I wonder if I have set up things in my own home the proper way. Even as someone who is in this industry, it is fast moving.

I sleep reasonably well at night, but there are various ways that cyber is affecting us in many ways as individuals and companies and in our industry.

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