

Insurance On-Demand – What Does It Mean for You?

Tuesday, March 26, 4 – 5:15 PM

Marina Ballroom II

Today's speakers

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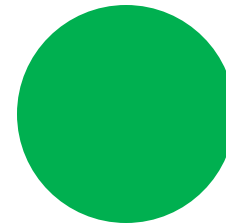
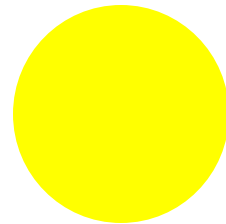
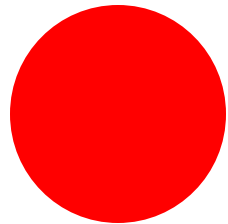
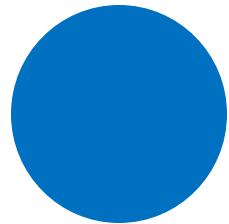
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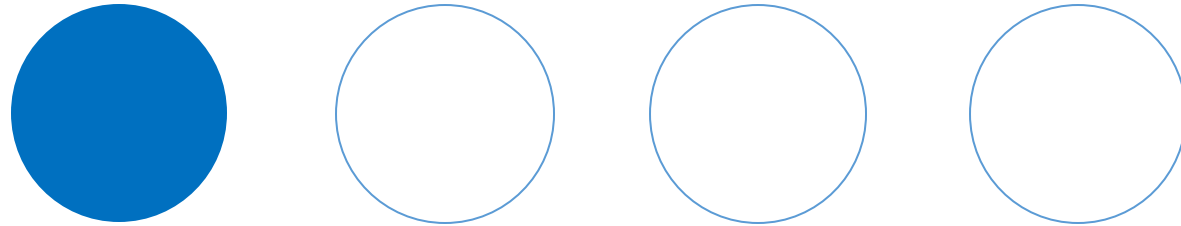
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Agenda

- Defining (insurance) on-demand
- Consumer perspectives
- What's new and what's not
- Adverse selection



Defining (insurance) on-demand



An oversimplification of on-demand

Some examples	Local genesis	Refinement	Disturbance	Response	Reinvention
Automotive	Car	Taxi	Carpools	Uber	Blablacar
Banking	Currency	Checking	EFT	Paypal	Bitcoin
Food	Restaurants	Fast Food	Food Trucks	Grubhub	Postmates
Labor	Process	Assembly Line	Unions	Angie's List	Porch
Lodging	Property	Hotel	Couchsurfing	Airbnb	Experiences
Music	Album	Single	Napster	iTunes	Spotify

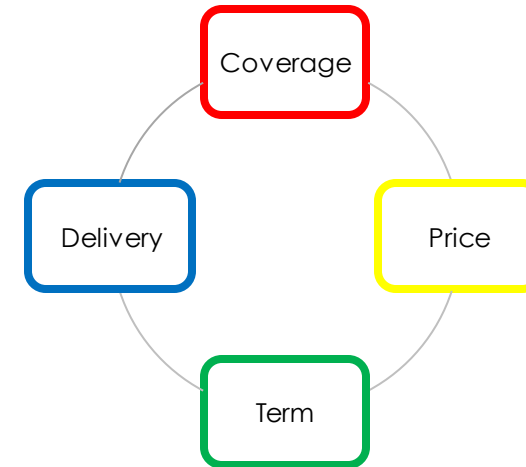
How far has insurance evolved?



Insurance on-demand

CAS Working party's definition:

- Insurance where the product exhibits client-focus ...
- ... through non-traditional modifications ...
- to coverages, pricing, and/or administration. These modifications, ...
- which are often achieved by leveraging modern-day technology, ...
- aim to facilitate the purchase of insurance or offer changes ...
- in terms that are desired by the policyholder ...
- relative to traditional insurance coverages



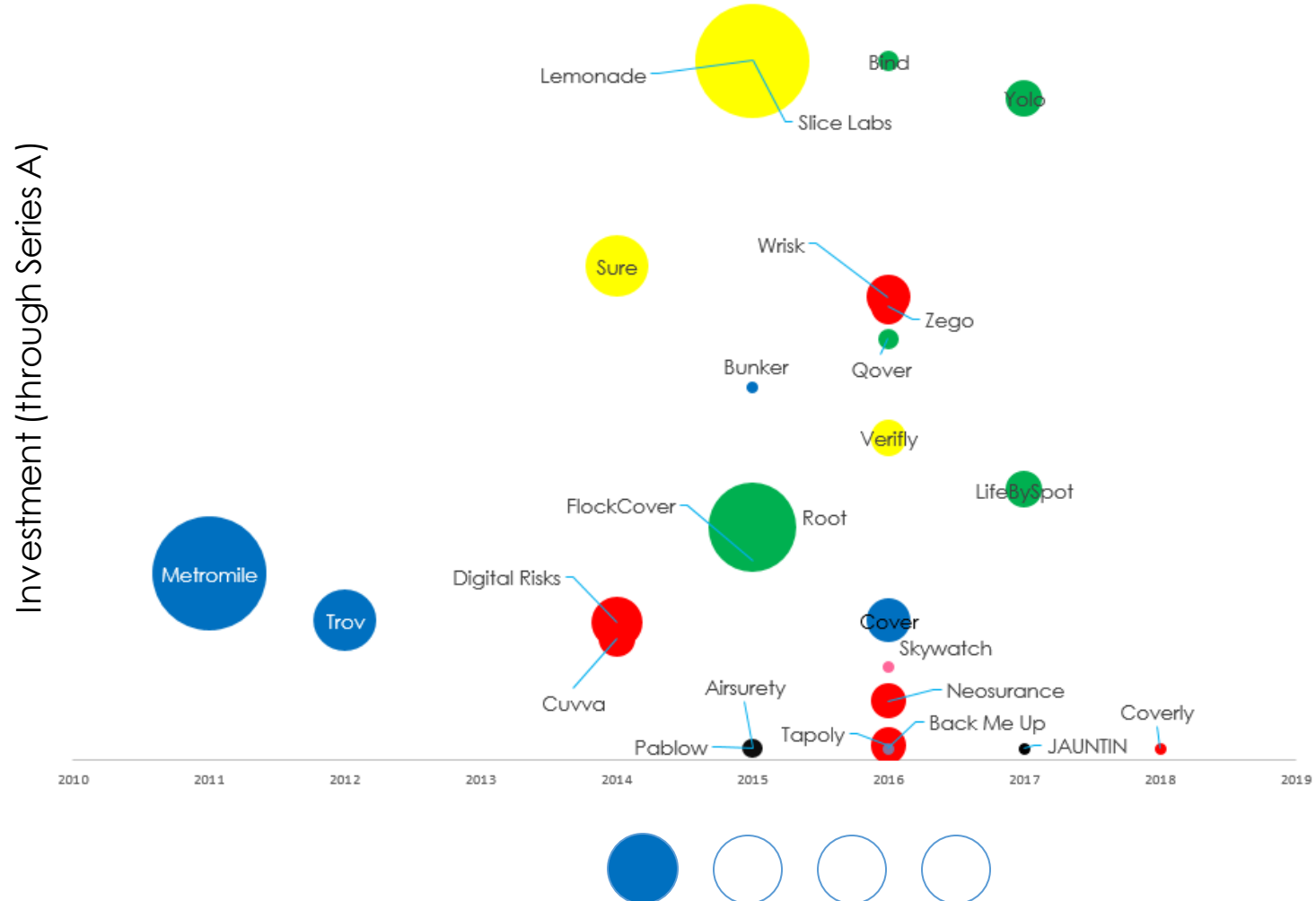
In other words:

Aligning insurance more closely with customers' preferences.



Bubble or not a bubble?

Examples of market activity – insurance on-demand



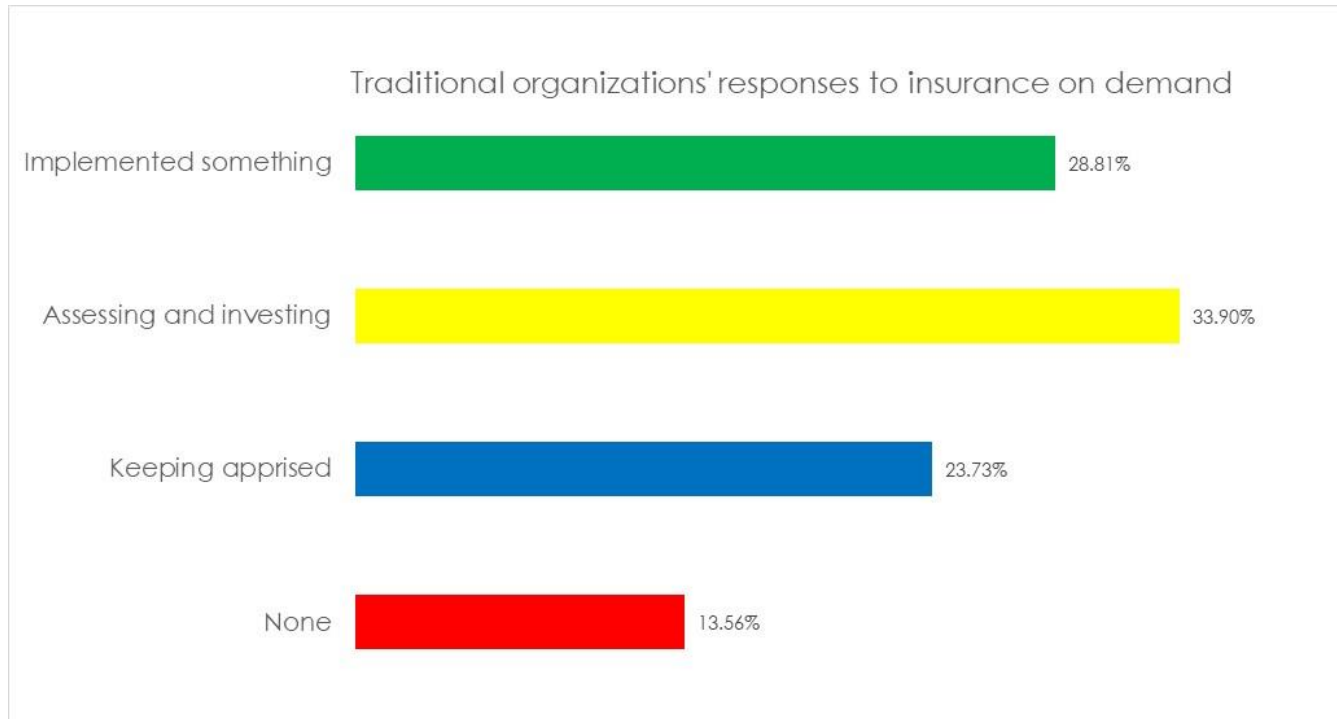
Challenges for traditional insurers

Potential trajectories:

- Apathy and insufficiency leave emerging risks uninsured
- Principals in gig economy siphon market share to captives
- Exclusive partnerships accelerate concentration
- Technology giants finally see value in insurance

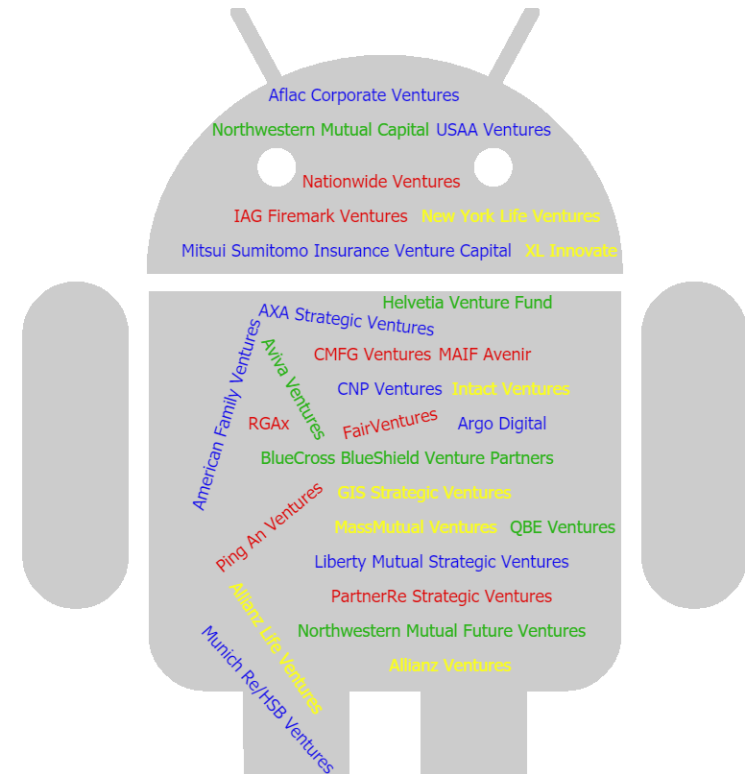


Traditional insurer responses

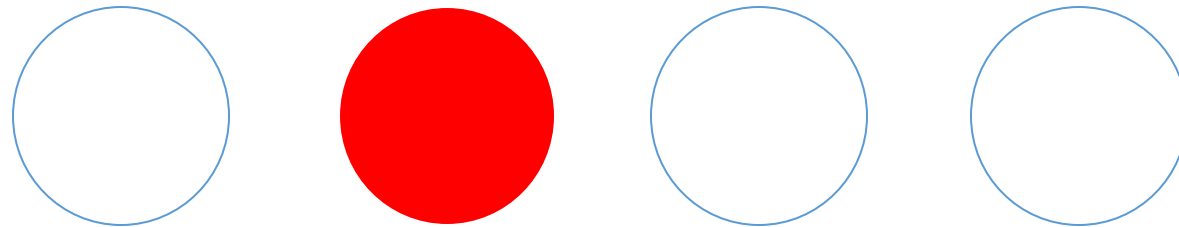


Source: Unscientific CAS survey of insurance professionals (n=~50)

Some examples of insurer VC activity



The consumer perspective

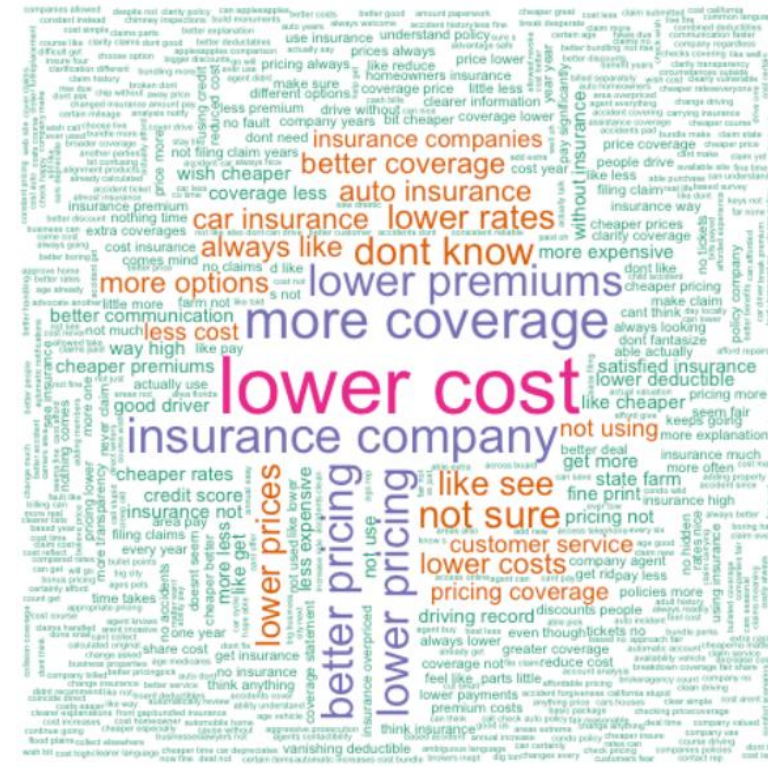


Peace of mind comes with a cost

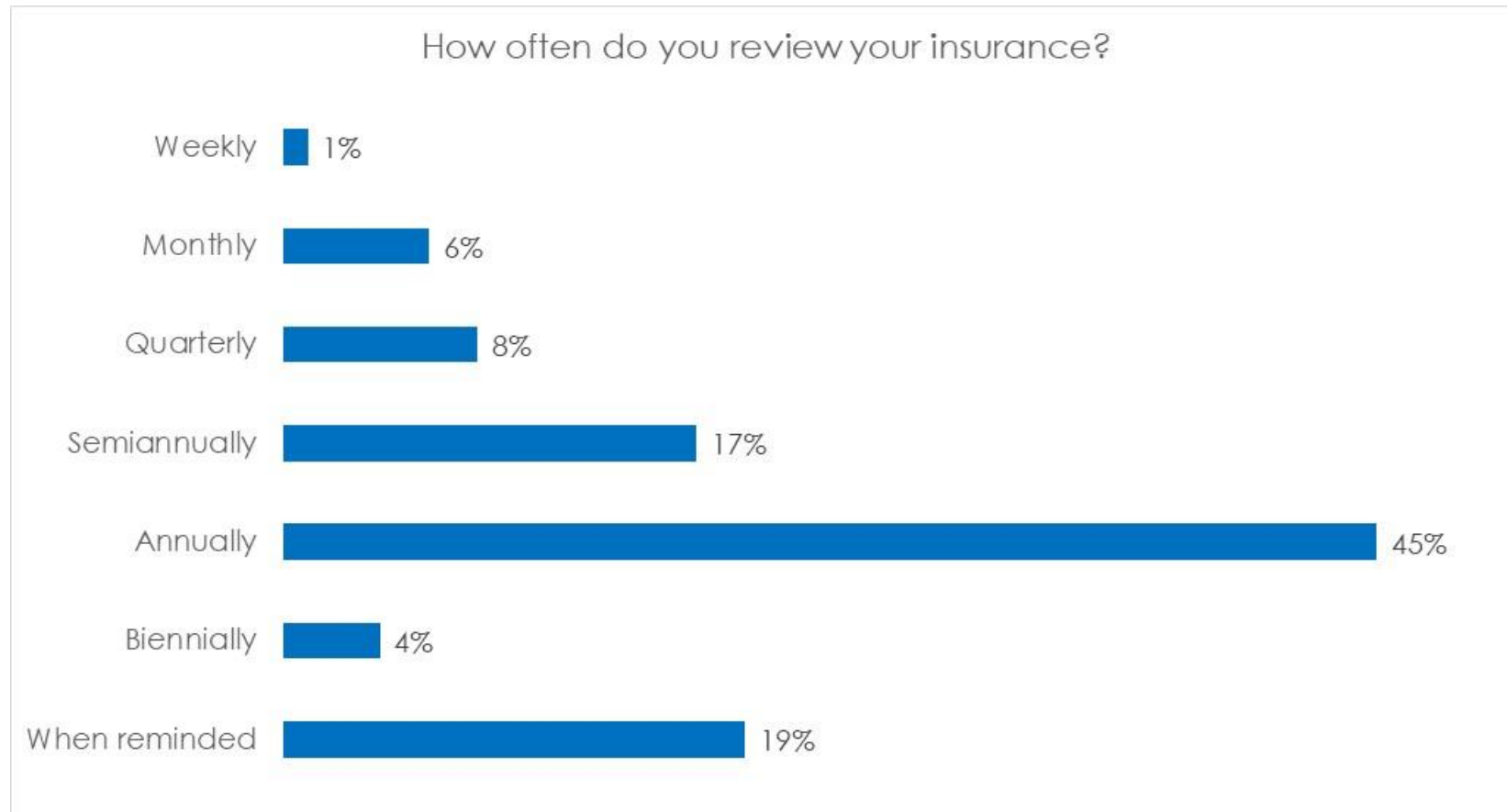
Likes



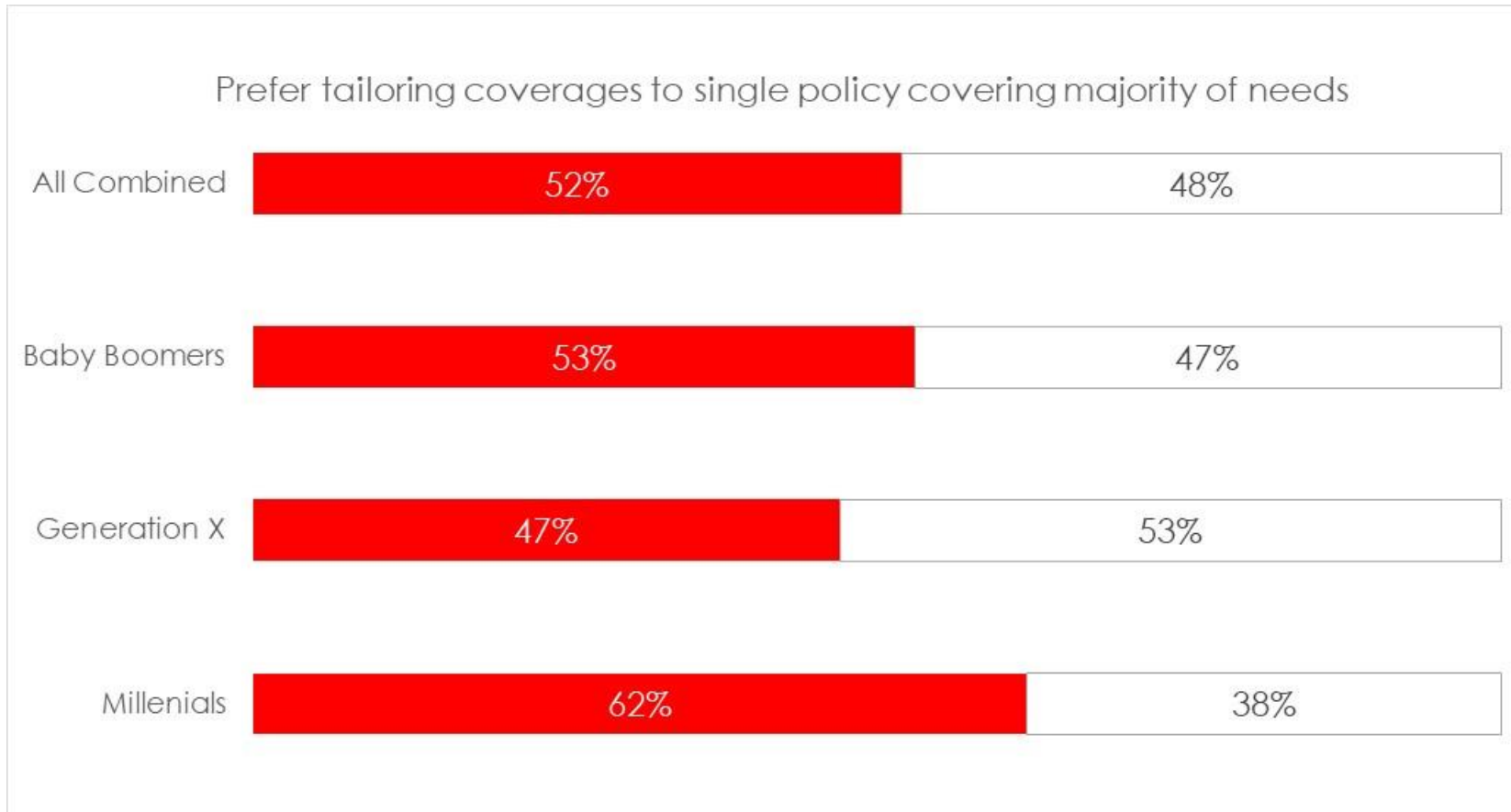
Dislikes



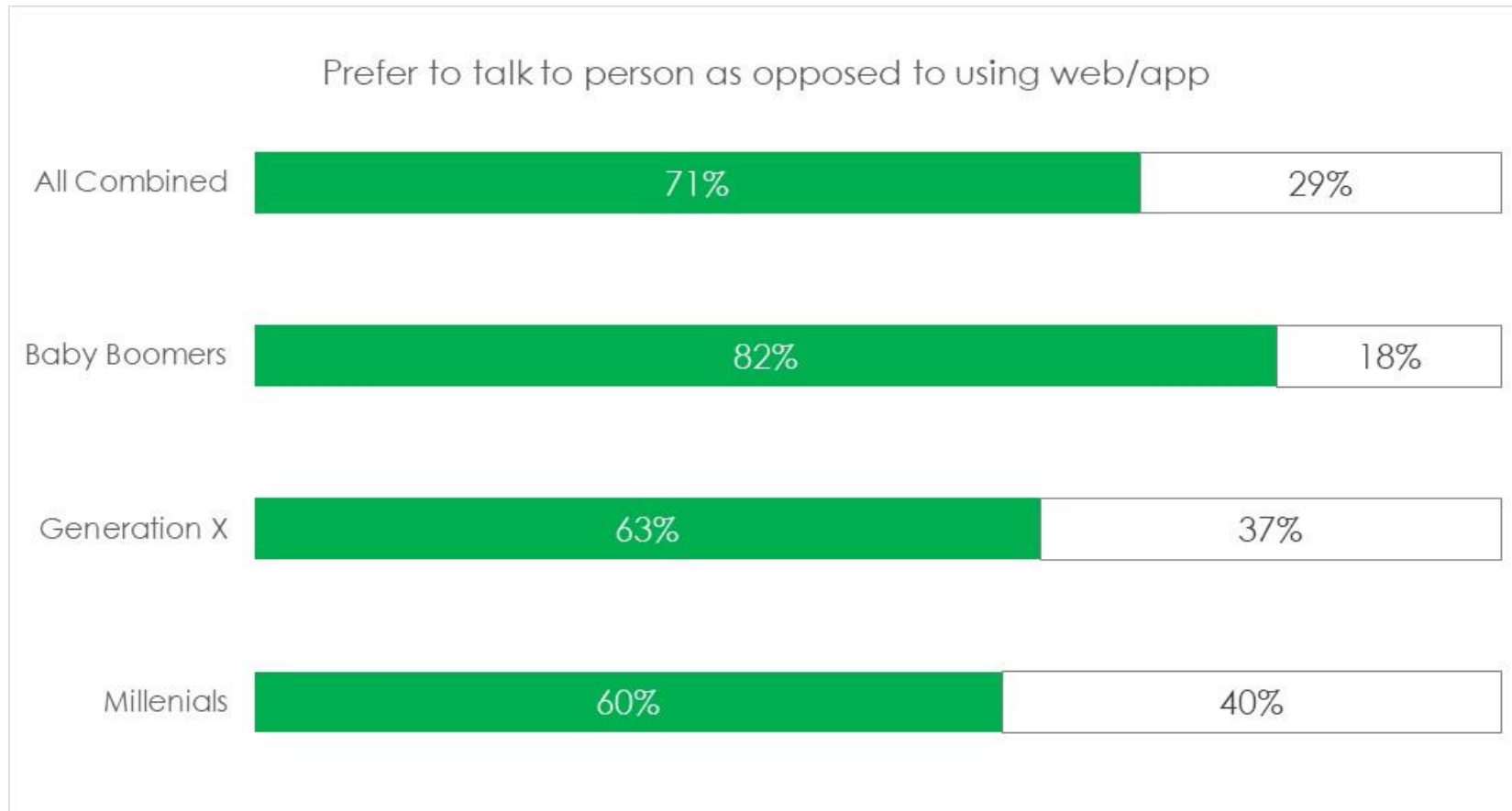
Insurance is a passive experience



Similar appetites for ease, control



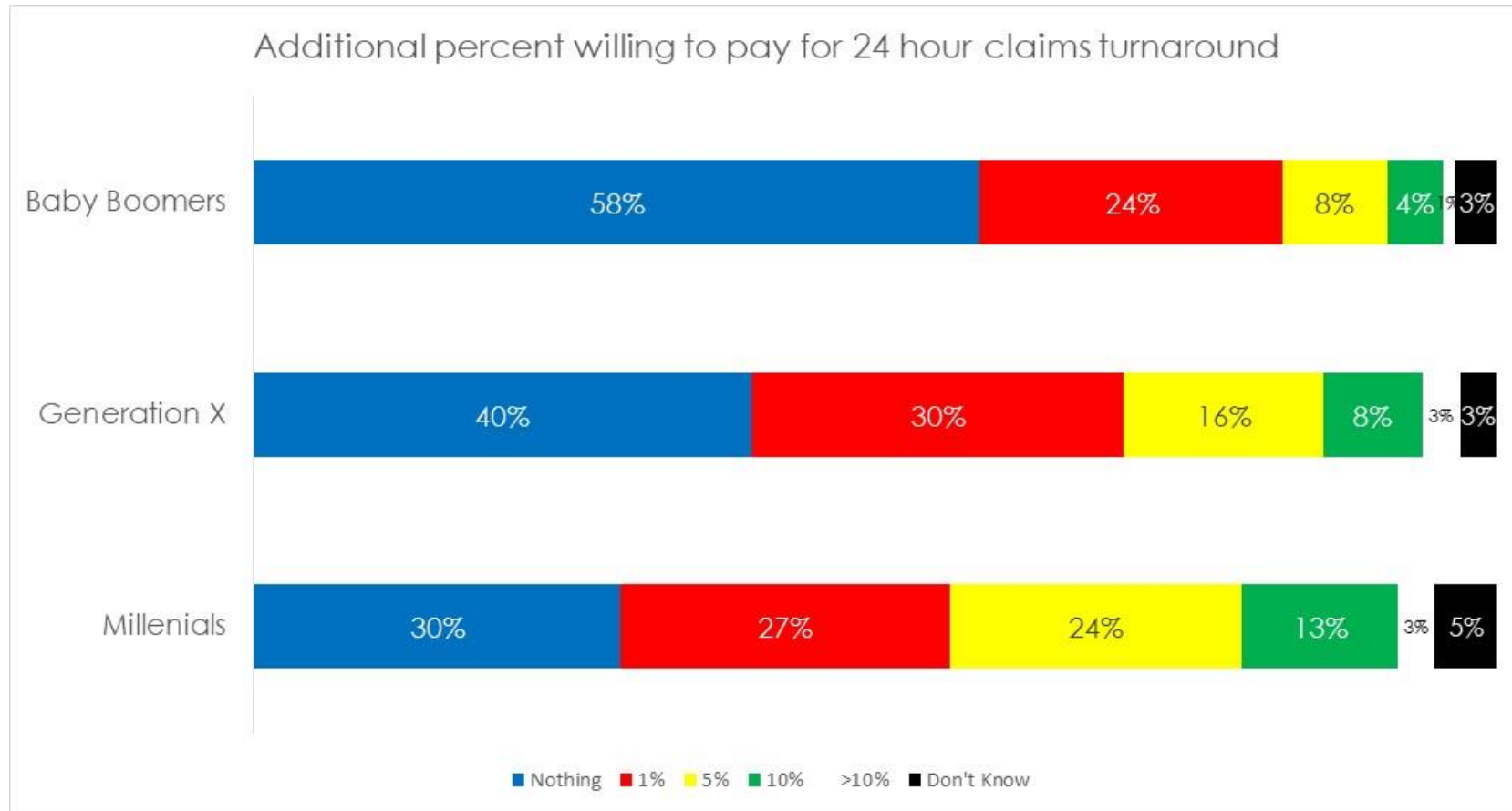
Demand for human touch persists



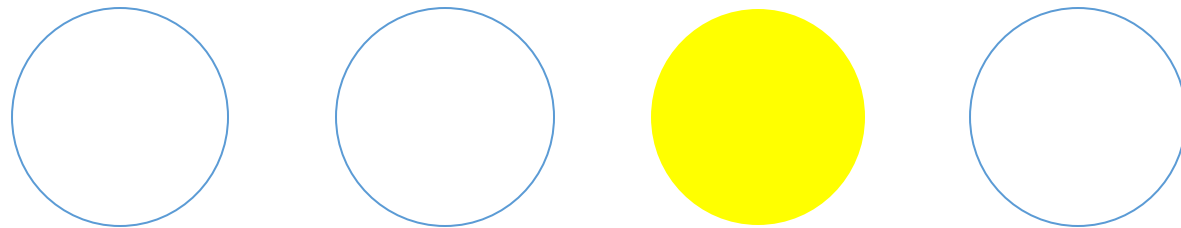
Desire for price certainty deters UBI



Speed has greater value to the young



What's new and what's not



Insurability

- What's not new
 - Lloyd's
 - Fair plans
 - Non-standard and niche insurers
- What is new(er)
 - High risk activities (e.g. Life by Spot)
 - Catastrophes (e.g. Jumpstart Recovery)
 - Permanent freelancing (e.g. TravelGuard/JAUNTIN')
- Some takeaways
 - Some coverage is better than no coverage
 - Manage price through limits, deductibles



Experience

- What's not new
 - Direct
 - Affinity Groups
 - Bundling
- What is new(er)
 - Push notification (e.g. Neosurance)
 - Social aspects (e.g. Lemonade, Bought by Many)
 - Freemiums (e.g. BIMA, Ostraa)
- Some takeaways
 - Keep the humans, but rethink where they're best used
 - Consider external partners, parametricism to expand inclusion



Coverage

- What's not new
 - Buy-backs
 - Sub-limits
 - Towers
- What is new(er)
 - Insure by the item (e.g. Trov)
 - A la carte features (e.g. Bind)
 - Swipe on / swipe off (e.g. Slice Labs)
- Some takeaways
 - Don't throw out the baby with the bathwater
 - Premium for peace of mind of knowing fully covered

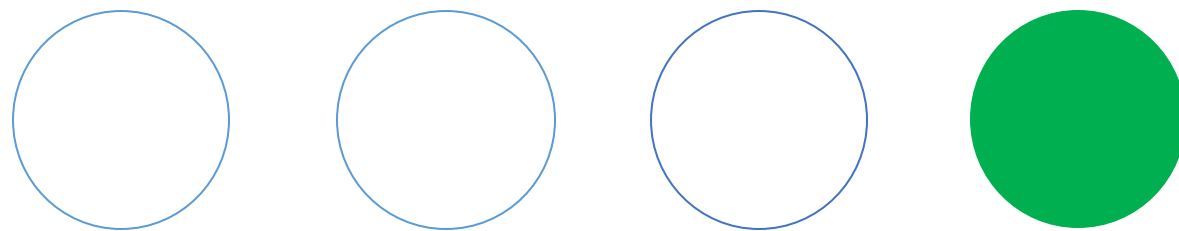


Pricing

- What's not new
 - Premium audit
 - Experience and retrospective rating
 - Usage-based auto
- What is new(er)
 - By the mile (e.g. Metromile)
 - By the task (e.g. Y-Risk)
 - By the flight (e.g. Verifly)
- Some takeaways
 - Address perception we're paying for insurance we're not using
 - Revisit exposure bases in light of new technologies



Adverse selection



Difficult outlook

Based on publicly available reporting, InsTech may exhibit:

- Robust growth
- Stable but unsustainably high loss ratio
- Heavy reliance on reinsurance
- Business model changes in early years

Source: Matteo Carbone, *Second Quarter (2018) in InsurTech Financials*,
<http://insurancethoughtleadership.com/second-quarter-in-insurtech-financials/>



Cost of uncertainty

- One approach is to simply ‘divide up’ a traditional price
- Longer policy terms and broader coverage smooth results
- IOD may attract non-typical purchaser of insurance
- Speed to quote may lead to less accurate estimates

<u>Simulated Example</u>	mu	sigma	quotient
800 one-year policies	\$15,401	\$40,800	2.65
292k one-day policies	\$42	\$2,088	49.7



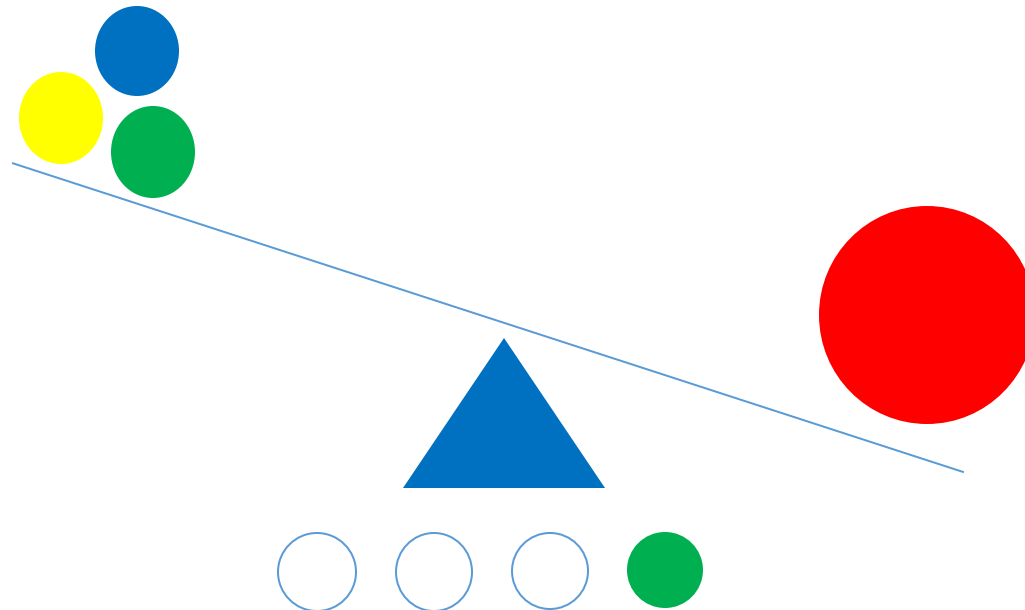
Force of mortality

- P&C typically has highest risk per exposure on lower end
 - TIV for property
 - ILFs for casualty
 - Mileage for auto
- Some IOD users reportedly leave coverage on too long
- Potentially counterbalanced by ability to impact risk



Asymmetric information

- ‘Surge pricing’ not likely to be viable for ratemaking
- Behavioral economics being used to manage asymmetry
- Lower limits, parametricism help address risks



What does it mean for us?

- Major challenges to status quo bubbling beneath surface
- Consumers may not dislike insurance as much as we fear
- On-demand entrees focus on inclusion, adaptation
- Challenging profitability landscape for on-demand
- Bots aren't making people (e.g. actuaries) go away yet

