

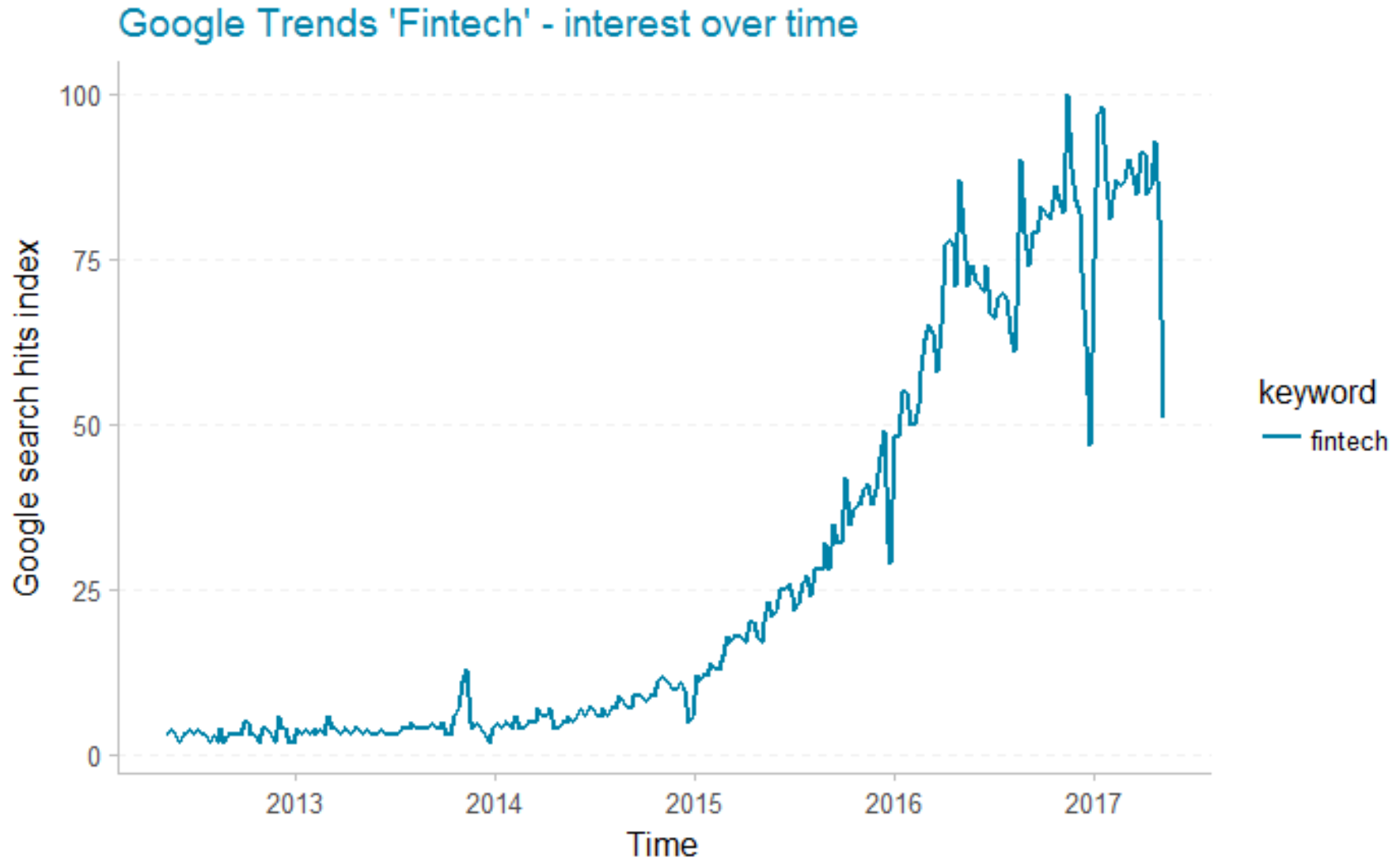


InsurTech

2017 Casualty Actuarial Society Spring Meeting

May 2017

Rise of Fintech...



<https://www.wsj.com/articles/fintech-apps-bring-stability-to-stressed-families-1493085841>
<https://www.wsj.com/articles/fintech-firms-get-chance-to-apply-for-banking-license-1489599873>
<https://www.wsj.com/articles/on-deck-capital-a-fallen-fintech-star-to-focus-on-turning-a-profit-1494269824>

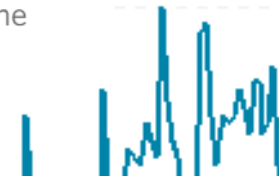
Rise of Fintech...

BUSINESS | JOURNAL REPORTS: LEADERSHIP

Fintech Apps Bring Stability to Stressed Families

New apps help people save more money, pay bills and cope with fluctuations in income

April 25, 2017



MARKETS | FINANCIAL REGULATION

Fintech Firms Get Chance to Apply for Banking License

Office of the Comptroller of the Currency moves ahead on federal charter for fintech firms, the first of its kind

March 15, 2017

es
MARKETS

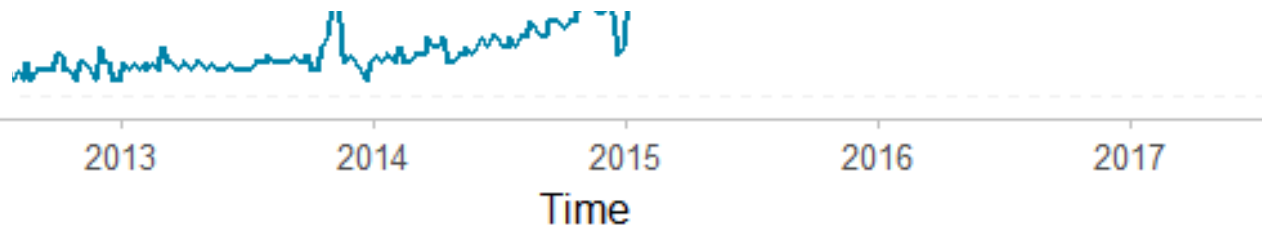


keyword
— fintech

On Deck Capital, a Fallen Fintech Star, to Focus on Turning a Profit

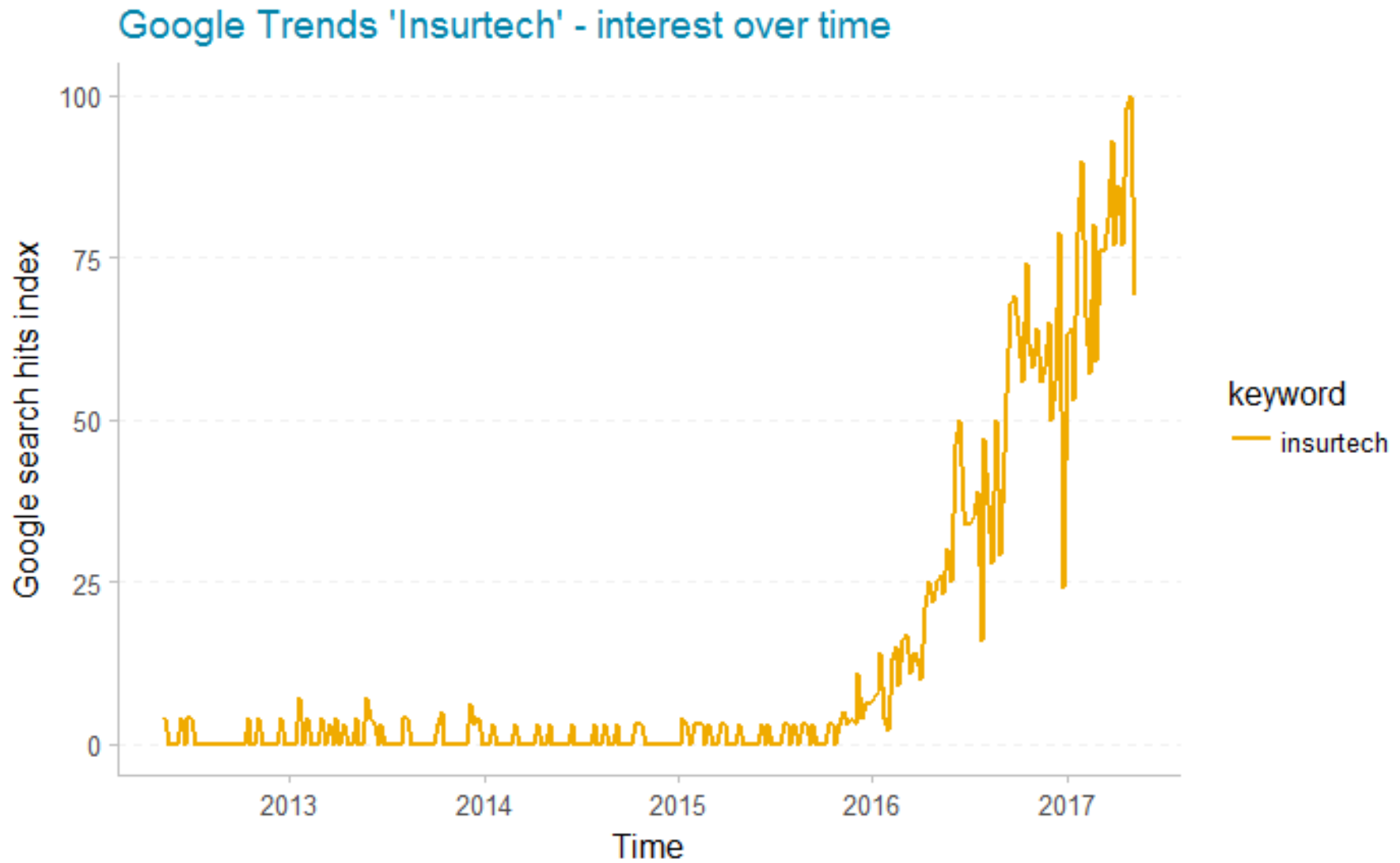
CEO says it's trimming growth plans and cutting more jobs after another quarterly loss

May 8, 2017

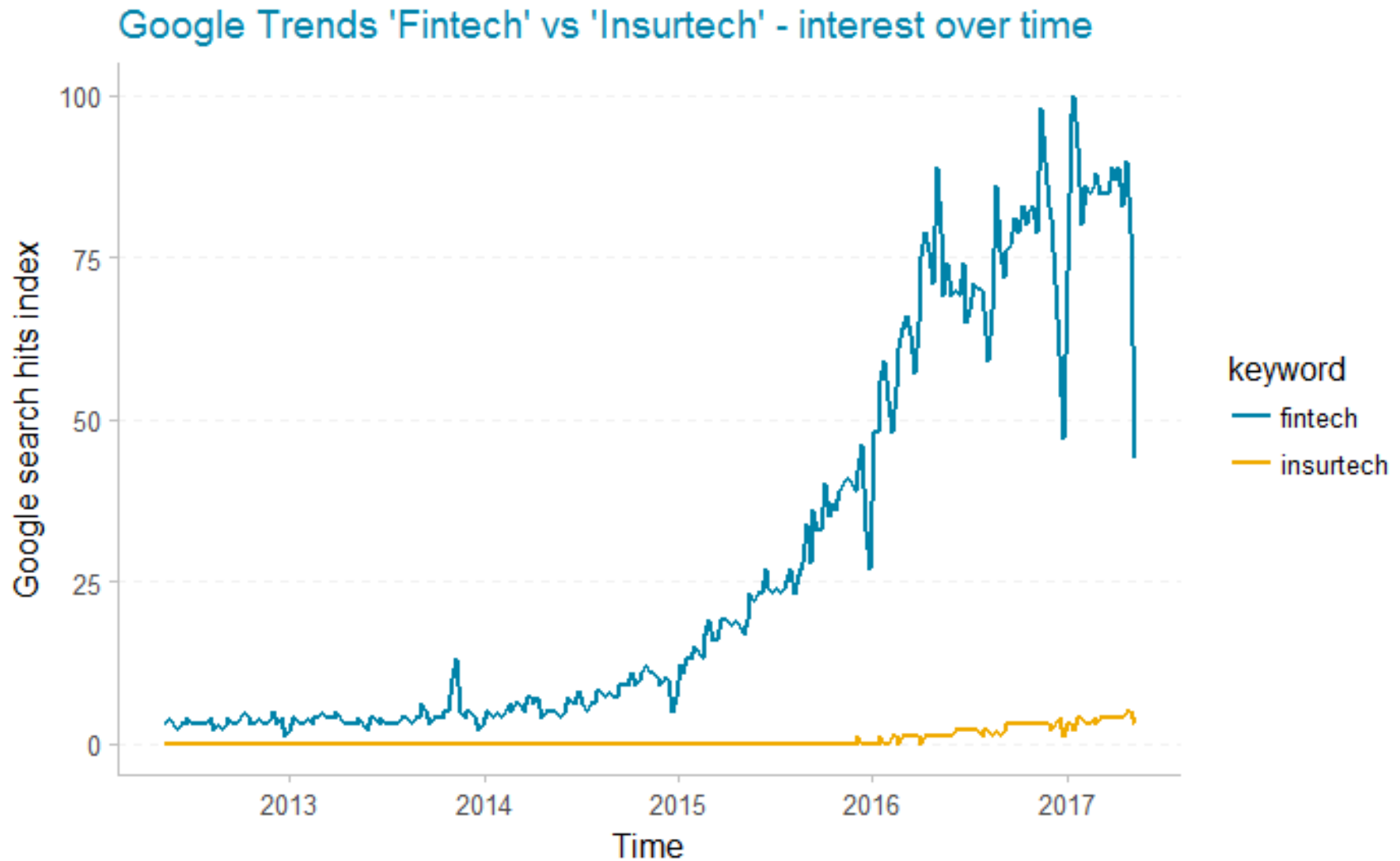


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...led to InsurTech...



...but still small relative to Fintech



Buzzword bingo – InsurTech edition (Google hits by term)

“peer-to-peer insurance” vs. “on demand insurance”

Lemonade[™]  friendsurance

trōv *Slice*

97,400

27,200

peer-to-peer insurance

on demand insurance

Buzzword bingo – InsurTech edition (Google hits by term)

“online insurance broker” vs. “online insurance marketplace”

COVERHOUND®  insureon

policygenius

EVERQUOTE 

168,000



69,000



online insurance broker

online insurance marketplace

Buzzword bingo – InsurTech edition (Google hits by term)

“telematics”+“insurance” vs. “internet of things”+“insurance”



Zendrive



notion



879,000

441,000

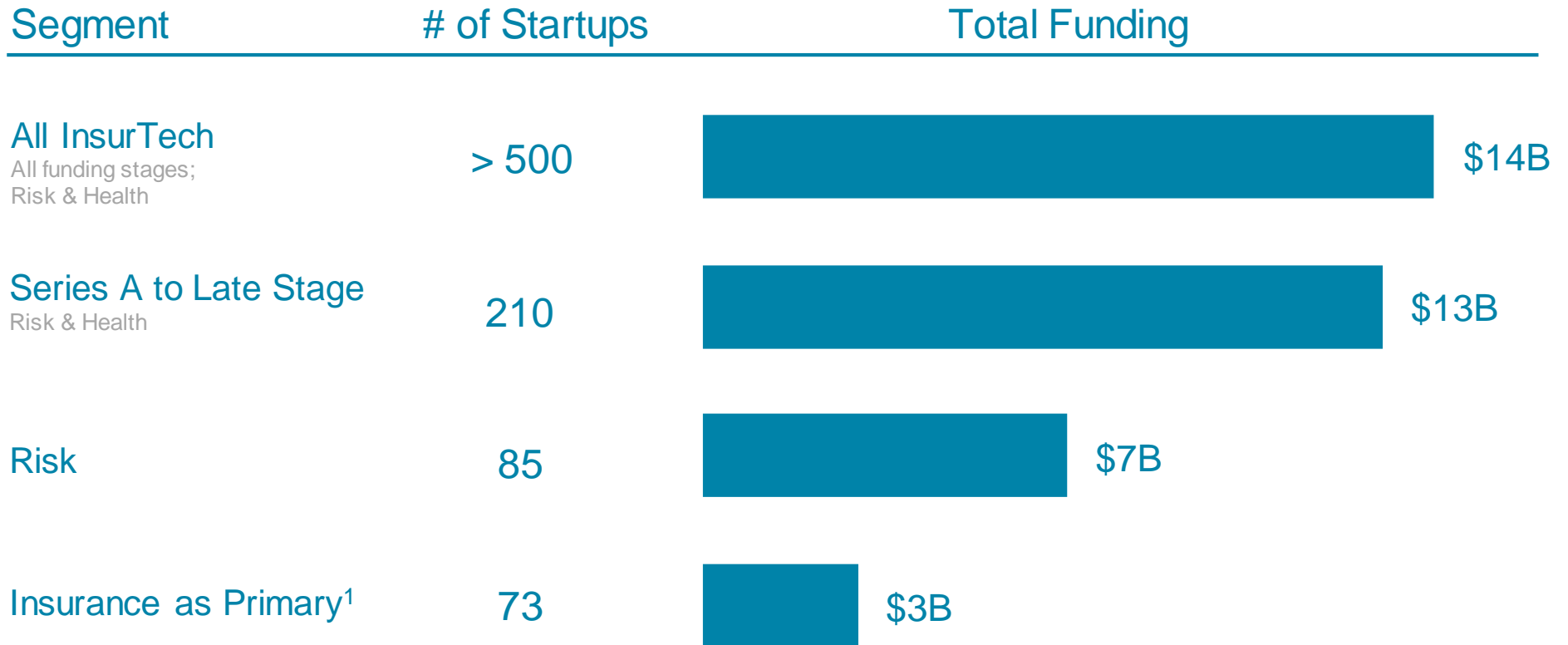


telematics



internet of things

InsurTech funding...



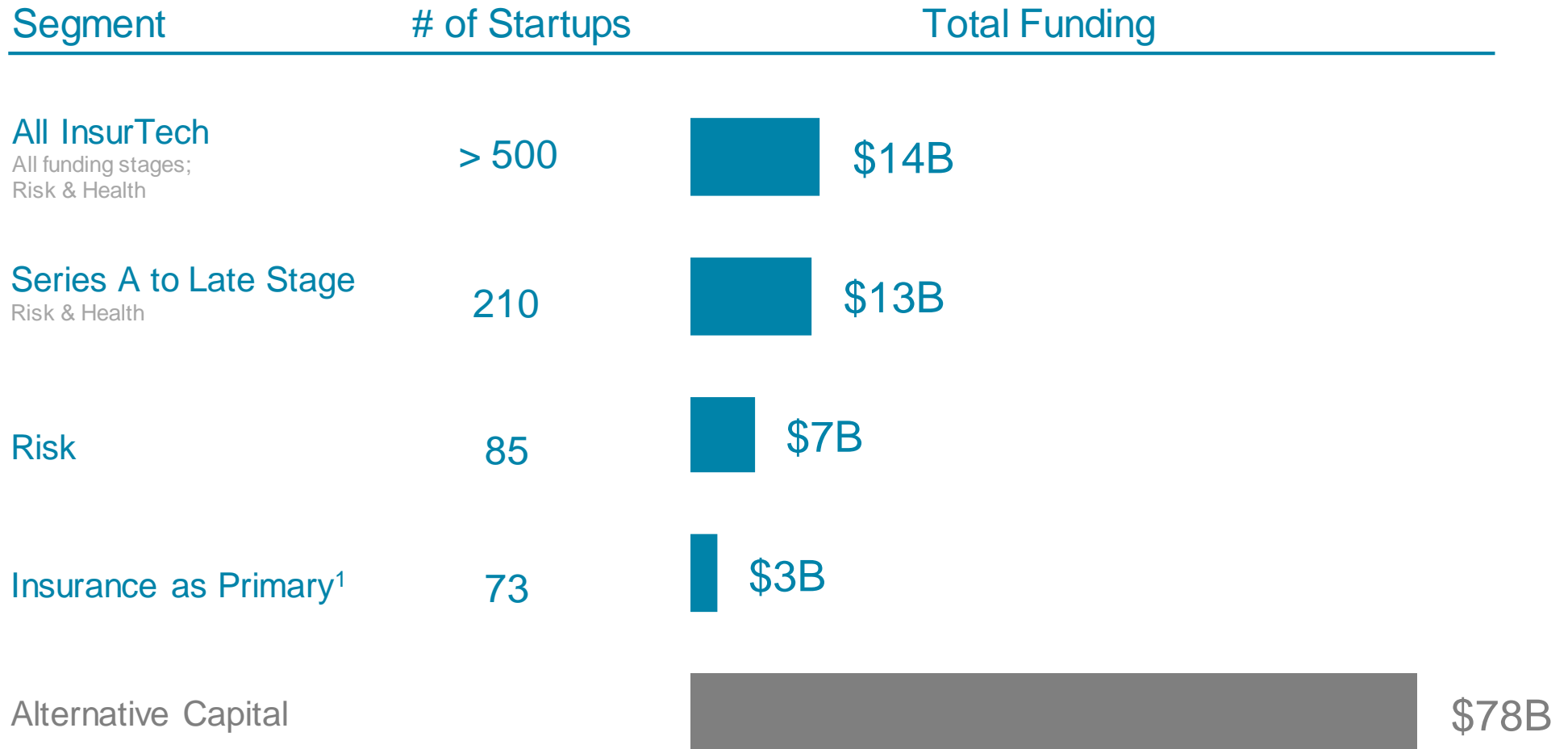
12 companies with \$4B in funding offer products or services where Insurance is an adjacency²

¹ In business primarily in the insurance industry, and offer an insurance product, distribute insurance, or offer technology / services directly aimed at Insurance.

² Provide adjacent services to insurance (e.g. fraud prevention, cyber security companies). These companies may also offer services to the insurance sector but do not directly offer an insurance product, distributing insurance, or provide technology / service primarily to Insurance

Source: Aon Digital Monitor

...still small relative to impact of alternative reinsurance capital







1 In business primarily in the insurance industry, and offer an insurance product, distribute insurance, or offer technology / services directly aimed at Insurance.

2 Provide adjacent services to insurance (e.g. fraud prevention, cyber security companies). These companies may also offer services to the insurance sector but do not directly offer an insurance product, distributing insurance, or provide technology / service primarily to Insurance

Source: Aon Digital Monitor, Aon Securities Inc.

Distribution category has seen ~60% of total InsurTech funding, but only makes up ~30% of total US P&C Industry expenses

Category	# of Companies	Total Funding	2016 US P&C Industry Spend	Example Risk Startups
Distribution	 32	\$1.7B	\$69B	COVERHOUND® insureon
Underwriting	 23	\$0.4B	\$69B	Zendrive DataRobot
Marketing / Customer Experience	 10	\$0.4B	\$6B	trōv Lemonade™
Claims	 8	\$0.1B	\$61B	snapsheet CLARA analytics
Total	73	\$2.7B	\$230B	

\$23B

Taxes, Licenses, Fees (\$13B) + Miscellaneous (\$8B) + Investments (\$2B)

Not included in the totals above

InsurTech and incumbents – disruption or opportunity...



“Insurtech is generating lots of excitement. Visiting investment bankers, who historically would have arrived with fat packs on attractive big ticket acquisitions, now also include charts showing the explosive growth in Insurtech, along with a busy “Insurtech landscape” page, packed with the colourful logos of whizzily named Insurtech start-ups...A big brand consulting firm recently shared the results of a survey suggesting that “insurance CEO’s” expect new entrants to capture 30% of the insurance market over the next five years. I disagree.”

- David Stevens, Admiral Group plc CEO 2016 Annual Report

Admiral Group plc brands

Confused.com

compare.com

Largest player in UK telematics-based car insurance market

InsurTech and incumbents – disruption or opportunity...



“...one of the things changing most significantly and maybe poised to have the biggest impact on us is the world becoming more digital and more mobile...And so that's the way we engage with our customers, the way we engage with our agents...It's the way we manufacture our products and underwrite our risks. It's the way we market our products. It's the way we manage our internal operations. It's about creating a better experience really for all of our constituencies, internally and externally. We've got to be faster, we've got to be more efficient and we've got to be more flexible.”

- Alan Schnitzer, Travelers CEO on Q1 2017 earnings conference call

...both!

Opportunities to...

Improve customer experience

Improve efficiency

Improve product offering

Barriers to disruption...

Underestimate complexity of insurance

Underestimate regulatory constraints

Underestimate lack of consumer desire for insurance

Recent executive comments agree that there is opportunity



"I see technology, data analytics and innovation is transforming the delivery in underwriting of insurance and these initiatives will put AIG at the forefront of the industry."

- Brian Duperreault, CEO of AIG, Investor Day



"We want to provide agents and policyholders with insurance solutions for more of their risk needs and being easier company for them to do business with."

- Chris Swift, CEO of The Hartford, Q1 2017 Earnings Call



"We certainly believe that insurance needs to drive itself to become more efficient...we're open to ideas to try and find ways to...lower those costs and increase the benefits to the ultimate insured."

- Mike McGavick, CEO of XL Group, Q1 2017 Earnings Call



"Our challenge is to harness the benefits of incumbency...many of these companies [startups] lack a holistic product offering or a clear path to market. That's where QBE comes in."

- Marty Becker, Chairman of QBE, 2017 Annual General Meeting

<https://seekingalpha.com/article/4073431-american-internationals-aig-management-hosts-consumer-insurance-investor-day-transcript##>

<https://seekingalpha.com/article/4066765-hartfords-hig-ceo-chris-swift-q1-2017-results-earnings-call-transcript##>

<https://seekingalpha.com/article/4065841-xl-groups-xl-ceo-mike-mcgavick-q1-2017-results-earnings-call-transcript##>

<https://www.group.qbe.com/sites/default/files/Default%20Media/ASX%20Announcement%20-%202017%20AGM%20Addresses%20-%20FOR%20ASX.PDF>

Range of ways for incumbents to engage with startups

Spectrum of insurer participation in InsurTech



Top US P&C Insurers participation in the innovation ecosystem

Top US P&C Insurers known participation in the insurance innovation ecosystem (% of total)

	Have announced partnership with startups	Participate in an Accelerator Program	Have an Innovation Lab or Center	Have a Corporate Venture Capital Group
Top 25 Insurers	~30%	~60%	~60%	~50%

Dilbert



Principles for incumbents engaging with startups



Be humble

about your firm's decision making biases, in order to make rational, fact-based decisions in the face of severe uncertainty.



Be ruthless

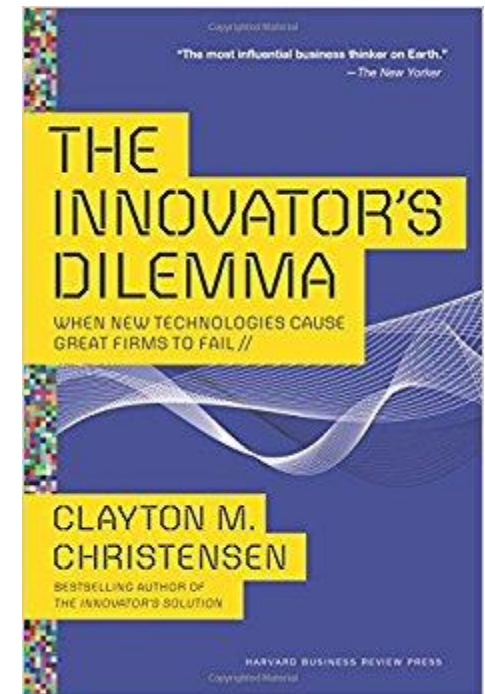
in assessing your internal capabilities, to understand what truly differentiates you and your ability to serve clients.



Be disciplined

in scanning the external environment, in order to identify new ideas and new talent with efficiency.

Remember the innovator's dilemma



Some ways for actuaries to be involved

Follow the InsurTech landscape

- CB Insights (<https://www.cbinsights.com/blog/category/insurance-tech/>)
- Coveragr (<https://coveragr.com/>)
- Insurance Thought Leadership (<http://insurancethoughtleadership.com/>)
- Podcasts
 - Denim Rivet, Profiles in Risk
- Trade publications (e.g. Insurance Journal, Business Insurance, A.M. Best's Review)

Continue to build individual skillset

- Lack of desired talent often cited as issue for companies
- iCAS credential

Support innovation efforts in your company

- Help with proof-of-concept projects with startups
- Reach out to innovation team with ideas



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