UNDERSTANDING THE INSURANCE TECH LANDSCAPE
Prepared for LendIt USA 2017
The technology market intelligence platform.

CB Insights software lets you predict, discuss and communicate emerging technology trends using data in ways that are beyond human cognition.
A FEW OF OUR HAPPY CUSTOMERS

The most publicly reference-able customers of anyone in the industry

“Think of the fundamental value chain of venture capital ... If we play the clock forward, the finding and assessing of investments will be almost entirely done by technology, not human beings. And the company that is today positioned to be the market leader in that evolution is CB Insights.”

Pat Grady
Sequoia Capital, Partner
ABOUT ME

Matthew Wong
Senior Research Analyst, CB Insights

Launched the CB Insights insurance tech newsletter, which covers startup and tech trends in the global insurance industry and reaches 15,000 (re)insurance execs, strategy professionals, investors and startup founders: cbinsights.com/research-insurance-tech-newsletter

Graduate of Northwestern University, magna cum laude.
THESE STARTUPS ARE OUT TO DISRUPT A $1T INDUSTRY

June 10, 2016

INSURANCE TECH: MAKING THE HEADLINES

INSURANCE AND THE BIG DATA REVOLUTION
February 23, 2017

VENTURE CAPITAL PROWLS INTO THE LIFE INSURANCE BUSINESS

October 19, 2016

DIGITAL DISRUPTION IS ROCKING THE INSURANCE WORLD
January 31, 2017

BUYING INSURANCE MAY SOON BE AS EASY AS A SWIPE ON A SMARTPHONE
July 11, 2016
STARTUP FORMATION & VC INTEREST: WHY NOW?
LACK OF ENGAGEMENT FROM TODAY’S BUYERS

Insurance products aren’t resonating with the changing demographic and psychographic profiles of today’s buyers.

Source: ACLI 2016 Fact Book
A 2014 RGA study found that life insurance new product development generally suffers from long lead times required to generate new product ideas and go to market and widespread dissatisfaction with the quality of innovation in the current crop of new product ideas.
FEW TOUCH POINTS = LACK OF CUSTOMER LOYALTY

Insurers in P&C and life have much fewer digital interactions with customers than retail banks do, but those who are interacting see a noticeable difference in NPS.

PERCENTAGE POINT DIFFERENCE IN NPS
Customers who had an interaction in the past 12 months and those who did not

Source: Bain & Company
LOW INTEREST RATES HAVE INSURERS LOOKING FOR NEW MODELS

Investment earnings are ~19% below their 2007 pre-crisis peak.

P&C insurers have it easier than life insurers, who can hold premiums for decades before paying claims.
“Many of the necessary skills, such as underwriting, are core for reinsurers, while the commoditization of the reinsurance market creates the need to begin explore new sources of revenue. Reinsurers have the ability to learn right along with the companies they insure, and to provide existing clients with new insights, access to new tools and the latest technologies for distribution, service and product opportunities that will help them adapt to a changing market.”

ANDREW REAR
Chief Executive, Munich Re Digital Partners
A 2015 study found more than 85% of the S&P 500’s current value could be attributed to intangible assets (brands, intellectual property, data, etc.).

Do risk solutions for the P&C industry reflect current realities?
“There were two very clear technology inflection points happening. The rapid advances coming in deep learning and machine learning on imagery and a massive proliferation of access to space imagery as coverage and frequency increased, while costs decreased.”

RYAN KOTTENSTETTE
CEO, Cape Analytics
INSURANCE STARTUP & INVESTMENT TRENDS TODAY
US ANNUAL FINANCING TRENDS TO VC-BACKED FINTECH COMPANIES

2012 - 2016

THE EVOLUTION OF FINTECH AS A VC INVESTING CATEGORY

2016 saw fintech investment activity drop on a year-over-year basis.

Financial services innovation continues to be a major theme for many VC investors and startup founders alike. But opportunities are shifting.
INVESTORS HAVE NOTICED...

Lots of opinions and perspectives on coming changes to the insurance industry.
VC SCALE OUTCOMES IN INSURANCE HAVE BEEN LIMITED SO FAR

SquareTrade’s $1.4B acquisition by Allstate came 17 years after launch, and 10 years after pivoting into warranty.

Climate Corp. sold off its crop insurance book in 2015 after Monsanto’s acquisition.
OVER 170 INSURANCE TECH DEALS GLOBALLY IN 2016

Deal activity to insurance tech startups rose 518% between 2012 and 2016.
US TAKES NEARLY 60% OF ALL INSURANCE TECH DEALS IN 2016

Germany, the UK and China all counted 5%+ of insurance tech deal activity in 2016.
ACCA ATTRACTS ENTREPRENEURS TO SHAKE UP HEALTH INSURANCE

US EARLY-STAGE INSURANCE TECH FINANCING TREND
Seed/Angel/Series A, 2012 - 2016

Over 60% of all US insurance tech deals in 2016 were at the Seed/Angel or Series A stages.
WHO’S INVESTING IN INSURANCE TECH STARTUPS?

Note: Investors listed below are for illustrative purposes and are not ranked or meant to be exhaustive.

Accelerators
- startupbootcamp
- InsurTech
- Global Insurance Accelerator
- Plug and Play Insurance
- 500 Startups
- InsurTech
- The Combinator
- Techstars

Vertical specific VCs
- Ribbit Capital
- nyca
- Fintech Collective
- Oak HC/FT
- Anthems Group
- Route Sixty-Six Ventures

Generalist VCs
- Canaan Partners
- General Catalyst Partners
- Bessemer Venture Partners
- 8VC
- Lightbank
- Horizons Ventures
- Andreessen Horowitz

Vertical-specific corporate VCs
- AXA Strategic Ventures
- XL Innovations
- American Family Ventures
- MassMutual
- Transamerica Ventures
- New York Life
- PingAn Ventures
- Aviva Ventures
- Munich RE
- LMSV

Global (re)insurers
- CHUBB
- SunCoP
- Hiscox
- CPIC

...and much more
- Fosun
- Goldman Sachs
- Guidewire
- Greenoaks Capital Management
- Hillhouse Capital
- TPG
- White Mountains
- Chrysaor Capital Partners

Source: CB Insights
Startups differ in the amount of insurance risk they bear and the control they have over certain aspects of the insurance transaction.
A LOOK AT US STARTUPS RAISING EARLY-STAGE FUNDING SINCE 2016

Certain startups listed below span multiple lines. List not meant to be exhaustive.

**SMB Commercial**
- Embroker
- Next Insurance
- Coverwallet
- Slice
- Trym
- Bunker.

**Homeowners/Renters**
- Lemonade
- Jetty
- I·lippo
- Cover
- Sure.
- kin.

**Life**
- Ladder
- Fabric
- Quilt

**Auto**
- The Zebra
- Root
- Insurify
- Zendrive

**Pet**
- Figo
- Drone
- Verifly

**Carrier/Broker**
- Cyence
- Cape Analytics
- RISWatch
- Indio
- QBIS
HOW INCUMBENTS ARE RESPONDING
MORE (RE)INSURERS ARE LAUNCHING VC UNITS

Insurers that formally launched corporate VC units include Liberty Mutual and CUNA Mutual.

LAUNCHES OF INSURANCE CORPORATE VC UNITS
2015 – 2017 YTD
From 4 private tech investments to 100 in 2016.

The number of insurance-related corporate venture capital groups continues to grow.
Between 2013 and 2014, 84% of private tech investments by (re)insurers went to US-based companies. Between 2015 and 2016, 65% of strategic tech investment by (re)insurers went to the US as Germany, France, the UK and China also attracted deals.
<table>
<thead>
<tr>
<th>Firm</th>
<th>Stated corporate venture areas of interest/focus</th>
</tr>
</thead>
<tbody>
<tr>
<td>American Family</td>
<td>“Connected world, data-driven insight, insurance innovation”</td>
</tr>
<tr>
<td>Allianz</td>
<td>“Fintech, connected car/smart home, data &amp; analytics, cybersecurity, digital health”</td>
</tr>
<tr>
<td>AVIVA</td>
<td>“The Internet of Things (car/home/health), data and analytics, innovative customer experiences, distribution i.e. new sharing economy platforms”</td>
</tr>
<tr>
<td>AIA</td>
<td>“Enterprise software, financial technology, insurance technology, innovations in travel, health, and auto verticals”</td>
</tr>
<tr>
<td>Liberty Mutual</td>
<td>“Next generation vehicle products, connected home products, sharing economy, insurance innovation”</td>
</tr>
<tr>
<td>Munich Re</td>
<td>“New insurance business models, Internet of Things, cybersecurity, energy, big data/analytics”</td>
</tr>
<tr>
<td>XL</td>
<td>“Underserved risk markets, innovative approaches to risk underwriting, financial technology with application to risk underwriting”</td>
</tr>
<tr>
<td>Ping An</td>
<td>“Finance, consumption, healthcare, auto, social network, and artificial intelligence”</td>
</tr>
<tr>
<td>MassMutual Venture</td>
<td>“Fintech, data analytics, cybersecurity, digital health, and enterprise software”</td>
</tr>
<tr>
<td>Transamerica Ventures</td>
<td>“Fintech/FinServ, Big Data/Analytics, Digital Marketing and Sales, Social Media, Enterprise IT, Content and Publishing, Mobile”</td>
</tr>
</tbody>
</table>

WHERE INSURERS SAY THEY WANT TO INVEST

IoT, fintech, auto, digital health among states areas of focus
HOT AREAS OF INVESTMENT FOR (RE)INSURERS

2016

Hot areas for investment by (re)insurers included connected devices, cybersecurity and property management in 2016.
In May 2016, Munich Re established its Digital Partners program offering capacity, product development, data analytics and more to emerging tech startups selling insurance.
The emergence of new startups will force the more traditional life insurance companies to think about what their customer acquisition strategy looks like, but also what their back-end engagement looks like, which then enables some of the up-and-coming insurance tech companies. So I really see this whole ecosystem working in conjunction with each other so that one starts to force another and so they all start to move forward together at some point.

TONY LAUDATO
VP of Partnership Solutions, Hannover Re
Some corporates are much more active than others.

Some venture arms including Ping An Ventures and AXA Strategic Ventures have been highly active on the investing front.
There are 15 members of the B3i initiative collaborating to explore the use of blockchain to increase efficiencies in the exchange of data between reinsurance and insurance companies.

B3i plans to share its first results in June 2017.
ALLSTATE LAUNCHES ARITY

The stand-alone telematics unit launched in August 2016 collects data on drivers and plans to sell analytics products to third parties (including potentially other insurers).

“So, it's not just the autonomous car, it's shared vehicle, it's machine-to-machine communication, it's better stoplights. There's a whole bunch of stuff that's going to change in that system. Arity is one of our efforts to take advantage of that.”

- CEO Thomas Wilson, Q3 2016 Allstate Earnings Call
SoFi VP of Finance Andrea Blankmeyer said in November 2016, “It’s a little early for us on the product roadmap around P&C, but we’re very excited about the space and opportunity.”
AVIVA PARTNERS WITH TENCENT, HILLHOUSE CAPITAL TO LAUNCH DIGITAL LIFE INSURER

One of the more intriguing deals in insurance tech pairing the investment know-how of Hillhouse, the tech resources of Tencent and Aviva Life, which owns just 1% of the Hong Kong insurance market.
ZHONG AN BY THE NUMBERS

$8B 4B+ 400M+
Latest valuation Cumulative policies sold Cumulative customers

RMB2.9B 200+
Gross premiums written in LTM, June 2016 Insurance products offered

Source: Zhong An as of June 2016

TO PUT IN PERSPECTIVE

Zhong An, China’s first online-only insurer, has sold over 4 billion cumulative policies since launching in 2013.

Lemonade was on a $1M annual premium run-rate as of December 2016.

“In the last weeks of 2016, we covered 1,212 homes in NY alone (estimated total of 1,350,000 sq. ft.). This translates to $186,389 of premium and an annual run-rate of over $1M.”

Source: Lemonade, Zhong An
UNBUNDLING COMES TO INSURANCE

Startups focusing on building transparent, simple products distributed digitally.
How will consumers respond to more transparent, digital insurance products?
Building the next billion-dollar insurance tech company will not be an overnight success.
Sign up for the CB Insights insurance tech newsletter

Join 15,000 insurance executives, strategy professionals, investors, and startup founders

https://www.cbinsights.com/research-insurance-tech-newsletter

Want the deck? Email mwong@cbinsights.com.