



The INSURTECH Book

THE INSURANCE TECHNOLOGY
HANDBOOK FOR INVESTORS,
ENTREPRENEURS
AND FINTECH VISIONARIES

SABINE L.B. VANDERLINDEN

SHÂN M. MILLIE

NICOLE ANDERSON

SUSANNE CHISHTI

WILEY

"The insurance industry talks a good game about InsurTech but the follow up or delivery isn't always there. But it needs to be as this great profession of ours is facing a genuine existential crisis. Our traditional ways of working and servicing our customers are becoming increasingly irrelevant. The insurer that will survive in the long term is the one that behaves more like a retail business; pre-empting consumer demand; interacts with customers in the way they want; and views innovation and tech as an opportunity rather than a threat. So it is encouraging to see so many people engaging with the necessity for change in this book. There are many views, opinions and priorities laid out here and it is that debate that we need to bring out of print and into our daily conversations and thinking."

Amanda Blanc, Group CEO, Axa UK

"InsurTech is on the brink of changing our industry, from the inside and the outside. Never before has it been more important to understand the ideas, trends and drivers behind the insurance digital revolution. *The InsurTech Book* has a big role to play in helping us build our knowledge base and expand our sense of the possible. So much of 'the future' is already with us in some shape or form and this book will help us build our understanding of our fast-changing insurance world."

Huw Evans, Director General, Association of British Insurers

"In a sector with intense pressure on turnover and margins, and with hungry new players capitalised and circling ready to seize new opportunities, legacy insurance sector players are more oil tanker than yacht. Insurance is an industry where players must 'get fit or fail', but fitness cannot be surface deep – an oil tanker can't simply morph into a yacht by attaching a sail to its funnel. The industry must seek, embrace and absorb change. Opportunities for competitive advantage can be brought to life by blending data from otherwise unthinkable sources which can be collectively massaged to provide underwriters with a richness of knowledge only dreamed of before. Predictive analytics can fuel predictive risk control and, in turn, predictive underwriting – calling the fire brigade before the fire has started, allowing insurers to manage risks proactively as never before. This book will challenge, and make you think."

**Julia Graham, FBCI, FCII, Chartered Insurance Risk Manager;
Deputy CEO and Technical Director, AIRMIC**

"Insurance has finally woken up! It's been 2 decades since the birth of the Internet and yet the one industry the global economy could not operate without

is still so last century. But InsurTech is changing that. Shifting the focus away from legacy operations, Insurers are adopting new tech and innovative ways to engage digitally with customers and their ecosystems. *The InsurTech Book* is the first, definitive compendium of the rapid evolution that is touching every aspect of this global insurance industry. It's a must read for anyone remotely interested in technology enabled insurance."

Rick Huckstep, Chairman, The Digital Insurer

"This book is a much awaited cornerstone to holistically connecting insurance and technology. The bar is raised and a cogent precedent is set for all the existing and upcoming professionals globally, that this era is the era of InsurTech. A must read."

Nameer Khan, Digital Strategist

"The wealth of ideas, the creativity, the new ways of working that entrepreneurs bring to the table, whether they come from the world of Tech or Insurance, is truly inspiring. Over the last few years, I have been in the front seat to witness how such partnerships can transform the industry – and it has been an exciting journey though it is only just starting. To keep moving forward and lead change, we have to publicise the work InsurTech experts are doing, along with insurers. We need to tell their stories and that of their ideas. We can't possibly talk enough about what's currently happening in our industry and this is why I welcome this book, a set of articles from the very minds that are making it all happen. This book will interest some, inspire others and undoubtedly will scare more!"

Paul Jardine, Chief Experience Officer, XL Catlin

"This fantastic InsurTech book brings together some of the brightest global insurance and InsurTech minds to share some of their best thought-provoking ideas and proposals. If you allow those ideas and proposals to open your imagination, these authors can magically bring great new thoughts to infiltrate your company positively and help take it to the next level. My recommendation is to let change and new ideas happen because the insurance industry is about to transform in a way that will render it unrecognizable in a few years' time. These great InsurTech authors can help guide and inspire you through these fantastic times to come; they certainly inspired me to think further into the future."

Spiros Margaritis, Venture Capitalist and Advisor

"This important book explores InsurTech, from its definition and its current status to its future impacts. While many have predicted a digital revolution, new programming routes such as blockchain (supporting and enhancing trust and the ability to fully use and apply data) have transformed the financial services sector in ways that most people are unaware of. The insurance industry has embarked on a process of radical transformation through creativity and sustained digital innovation, with great potential for rapid business growth – or for company failure. Only those able to grasp new opportunities will be able to reshape their mission and business model to take advantage of InsurTech innovations. That is why this book is an essential read for those leading, managing and working in the industry and those studying to enter it, if they are going not only to understand these far-reaching industry changes but also to be part of them."

**Professor Lynn Martin, Entrepreneurship and Innovation,
Anglia Ruskin University and Founder, HRI**

"By 2020 we estimate that the percentage of insurance customers interacting with carriers through digital platforms will double to 80%. Clearly, insurers must embrace digitization to extend capabilities and address this future inevitability. I strongly encourage you to read this book and prepare for the future digital inevitability. It will give you insight into strategy, process, organization and technology imperatives to support improved positioning."

William Pieroni, President and CEO, ACORD

"I had the pleasure of partnering with the Startupbootcamp InsurTech Accelerator and to run a number of mentorship programmes and events. There's something truly rewarding about having tech folks and insurance experts around the table. This book takes you through the journey of some of the projects that are currently shaping the InsurTech scene and I am certain that you will, while reading it, experience that excitement and feel inspired to innovate."

Hélène Stanway, Digital Leader, XL Catlin

"For many years, the insurance industry has remained at a standstill. InsurTechs have appeared out of the blue and are revolutionizing the way insurance companies work. The rationale behind such a change is based on major drivers, including the advent of new technologies and evolving consumption patterns and customers' needs; requesting real-time and on-demand ways of doing things. Insurance learns very fast and will certainly, in the near future, reshape and transform itself as the new standard of

InsurTech. This book guides you, in a very smart way, through different aspects of InsurTech and prepares you for the future trends."

Sylvain Theveniaud, Allianz Accelerator, Founder and MD

"In 2014 through my work at AXA, I realized that there was a new market emerging called InsurTech, and called it as such. Three years on, the most innovative ideas in InsurTech are still at seed stage because InsurTech investing is still in its earliest days, or 2 to 5 years behind Fintech in terms of timeline and investing trends. Despite suffering from an early stage equity gap, InsurTechs are continuously coming to market with very interesting products, platforms and propositions to address fundamental issues within the fabric of Insurance, enabling insurers to partner and enter new markets. For those of you still wondering why InsurTech is happening right now and looking to grasp some of the key trends affecting the insurance industry, I would urge you to read this book."

Minh Q. Tran, Managing Partner and Co-Founder, PropTech Capital

"Insurers and the whole insurance value chain has woken up to what digital related services and products can do for them and their customer. However, this desire for change has not permeated through to all layers within insurers and significant resistance remains to changing processes for new product development, new partnerships, new claims methods, and new data techniques. While this is understandable in that no-one wants their cozy lives disrupted, the reality is that there is no alternative. It really is, adapt the new or face an uncertain or terminal future. This book outlines, from a variety of perspectives, the nature of these changes. It provides a broad primer for those who are central drivers of the needed changes but also a rallying cry to get on with the job. Insurance is lucky in that it does have money and the capability – all it lacks is time. This book is all about 'hurry-up'."

Rob Wirszycki, Executive Chairman, Questers Group and Chairman, RightIndem

"InsurTech is rising and will irrevocably transform the insurance industry, forcing incumbents to adapt. But to adapt we first need to know and understand the ecosystem – which is why *The InsurTech Book* is required reading. Ecosystems matter. Partnerships are the key. It's the future of insurance. The book understands that the InsurTech startups are the agent of change needed in transforming our business models. For me, the interoperability of the incumbent is key, both the interoperability of the tech stack but also the interoperability of our industry's talent."

Zia Zaman, Chief Innovation Officer, MetLife Asia

The InsurTech Book

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The InsurTech Book

The Insurance Technology Handbook for Investors,
Entrepreneurs and FinTech Visionaries

Edited by

Sabine L. B. VanderLinden

Shân M. Millie

Nicole Anderson

Editor in Chief

Susanne Chishti

WILEY

Contents

Preface	viii
About the Editors	xi
Acknowledgments	xiv

1. What is InsurTech?

InsurTech Definition as Its Own Manifesto	6
Why is Insurance Failing?	9
Digital Transformation in Insurance – Four Common Factors from Other Industries	13
InsurTech – Problem or Solution for Agents and Brokers?	17
The Best InsurTech May not be InsurTech	21
“Real” InsurTech Startups do it Differently!	24

2. InsurTech Now and Next

A Cartographer’s Dream – Exploring, and Mapping, the New Unknown	32
Where Does InsurTech Leave the People who Work in Insurance?	35
InsurTechs – Magical Thinking and Other Secrets of Success	40
“INSoT” – The Insurance of Things and the Proliferation of Protection	43
From Insurance Premium to Discrete Event	47
Seamless Insurance: The Time is Now	50
The Potential of a Pension Dashboard Infrastructure for UK Pension Savers	53
Six Mega-trends that Will Take Insurance Back to the Future	57
InsurTech – Not a Zero Sum Game	61

3. The Founder’s Journey

Not too Big to Learn not to Fail?	68
Insurance Expertise, Family, and Integrity – The Story of SPIXII’s Founding Team	71

Disrupting Car Insurance – Drives App Makes Driving More Fun, and Insurance Fairer	75
Genomics 101 – The Search for a Better Life Expectancy Predictor Leads GWG Life to a Science Lab	80

4. Internationalizing InsurTech

Internationalizing InsurTech – A Global Phenomenon in Different Markets	88
Increasing Access to Insurance in Developing Countries	91
Insurance in China	95
Seven Things Insurers and InsurTechs Need to Know about the German Insurance Market	98
InsurTech in Turkey – Challenges and Opportunities	102
InsurTech in Latin America – The Promise of Insurance for Everybody?	106
InsurTech Trends – Why Regionalization Matters	108

5. Collaborative Innovation: Observe – Partner – Invest

The Corporate Collaboration Opportunity in InsurTech	117
Competition vs. Coopetition in the Insurance Market	121
Incumbent and InsurTech Collaboration via Open Innovation Strategy	124
A Collaborative Approach in the InsurTech World – One Platform in One Click	129
Dating InsurTech Startups	134
Altered Attitudes, Altered Outcomes – Collaborating for a Better Future	137
Think InsurTech Culture Before InsurTech Adoption	140

6. The Value Chain

A Four-Step Practical Guide to Build InsurTech Value Chain Ecosystems	148
Sell Your Insurance at the Right Time – Consider Micro Policies	153
InsurTech: Refreshingly Different – Like Lemonade!	157
Forget Peer-to-Peer, the Future of Insurance is Invisible and Parametric	161
Behavioural Design and Price Optimization in InsurTech	165
Data Changes Everything	171
Beware of GDPR – Take your Cyber Risk Responsibility More Seriously	175
Why Claims Sharing? Innovating within the Business-to-Business Insurance Claims Handling Ecosystem	179
Reinsurers Need Backward Innovation	182

7. Business Models

Business Model Innovation – From Incremental to Disruptive	190
The Future of Insurance – From Managing Policies to Managing Risks	195
Seeing through the Hype – A Closer Look at Key Smart InsurTech Business Models	199
Assessing the Long-Term Viability of the Insurance Peer-to-Peer Business Model	202
You Said ... Sharing Economy?	206
From Claim Settlement to Claim Prevention – How Insurers Can Make Use of Predictive Analytics to Change their Business Model	211
True Business Model Innovation – a Credit-Based Approach	215
From Event-Focused Insights to Coaching	218

8. You Said Tech

Becoming Tech-First – Why Adopting a “Tech-First” Mindset is Non-Negotiable	227
Practical Robotics in Insurance – The Future is Here Already	231
Frictionless Insurance in a Land of Utility	236
The Smart Journey – From Contract Hype to Insurance Reality	240
InsurTech and AI – You Can Run but You Cannot Hide from the Future	244
Blockchain Startups – Unlikely Heroes for the Insurance Industry?	247
Alexa, Can You Get me an Insurance? A Structured Approach to the Hyped Technology of Voice-Based Assistants	250
InsurTech’s Big Questions – Why the Customer is Still Always Right	254
ClaimsTech – The InsurTech’s Action List	257
Technology is Not Enough	260

9. InsurTech Futures

Digital Transformation and Corporate Innovation Management – an Incumbent’s Action Plan	268
The New World of the Connected Customer – The Future of Microinsurance?	271
Personal Asset Liability Management System	274
Social Media in Insurance	277
InsurTech and the Promise of “Property Value Hedging Technology”	280
Insurance 2029 – Life Backup Companion	283
List of Contributors	288
Index	303

Preface

The FinTech Book – the first globally crowdsourced book on the financial technology revolution – was published by Wiley in 2016 and has become a global bestseller. It exceeded all our expectations, and, in the meantime, the book is available in five languages across 107 countries both in paperback, e-book, and as an audiobook. More than 160 authors from 27 countries submitted 189 abstracts to be part of the book. About 50% of all contributors were chosen to write for the final book. When we launched *The FinTech Book* during 2017 across the world, our authors and readers had many opportunities to meet in person, sign the books together at global book launch events, and deepen our FinTech friendships worldwide.

In 2017 we decided to extend our FinTech Book Series by writing three new books on how new business models and technology innovation will change the global asset management and private banking sector (“WealthTech”), the insurance sector (“InsurTech”), and regulatory compliance (“RegTech”). We followed our approach of crowdsourcing the best experts for you to give you the most cutting-edge insight into the changes unfolding in our industry.

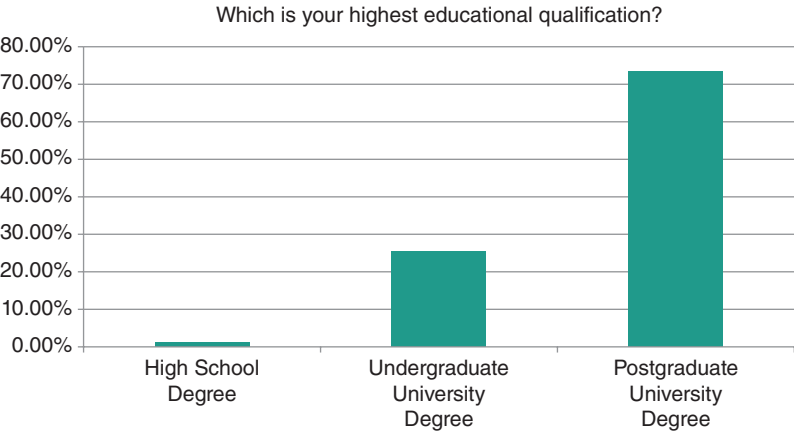
The InsurTech Book is the first book taking this approach globally – a book that provides food for thought to FinTech newbies, pioneers, and well-seasoned experts alike. Let me introduce you to our contributors and authors.

The reason we decided to reach out to the global FinTech and InsurTech communities in sourcing the book’s contributors lies in the inherently fragmented nature of the field of Financial Technology applied to insurance globally. There was no single

author, group of authors, or indeed region in the world that could cover all the facets and nuances of InsurTech in an exhaustive manner. What is more, by being able to reach out to a truly global contributor base, we not only stayed true to the spirit of FinTech and InsurTech, making use of technological channels of communication in reaching out to, selecting, and reviewing our would-be contributors, we also made sure that every corner of the globe had the chance to have its say. Particularly those that have very distinct views as to where InsurTech is going and the unique challenges it faces due to the inherent building blocks on which insurance grew. Thus, we aimed to fulfil one of the most important purposes of *The InsurTech Book*, namely to give a voice to those that would remain unheard and to spread that voice to an international audience. We have immensely enjoyed the journey of editing *The InsurTech Book* and sincerely hope that you will enjoy the journey of reading it, at least as much.

More than 250 authors from 25 countries submitted 244 abstracts to be part of the book. We asked our global FinTech and InsurTech communities for their views regarding which abstracts they would like to have fully expanded for *The InsurTech Book*. Out of all these contributors, we selected 75 authors who have been asked to write their full article, which has now been included in this book. We conducted a questionnaire among all our selected authors to gain greater insight into their background and expertise. More than 70% of our authors have postgraduate university degrees (see Table 1) and strong domain expertise across many fields (see Table 2), and 77% of our authors had their articles published before.

Table 1: What is the highest educational qualification of our 75 authors?



Tables 3 and 4 show that 35% of our authors are entrepreneurs working for InsurTech startups (many of them part of the founding team), 40% come from established financial and technology companies, and another quarter from service providers such as consulting firms or law firms servicing the financial services and insurance sectors.

More than a fifth of our authors work for startups with up to five people and another 35% for startups/small or medium-sized enterprises (SMEs) up to 50 people. Twenty-two percent of our authors are employed by a large organization of more than 1,000 employees.

In summary, we are very proud of our highly qualified authors, their strong expertise, and passion for InsurTech by being either entrepreneurs or often “intrapreneurs” in large established organizations who all are committed to playing a significant role in the global FinTech and InsurTech revolution. These remarkable people are willing to share their insights with all of us over the next pages.

Table 2: List all areas in which our authors have domain expertise; multiple choices were possible

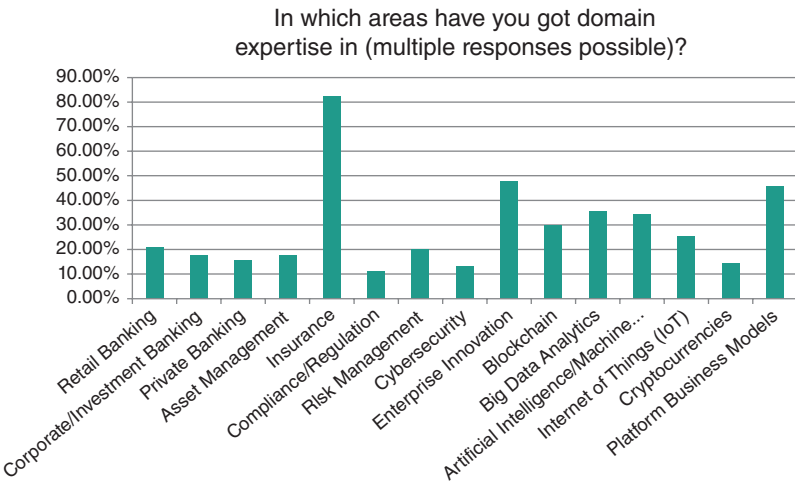


Table 3: Authors selected the type of company they are working in

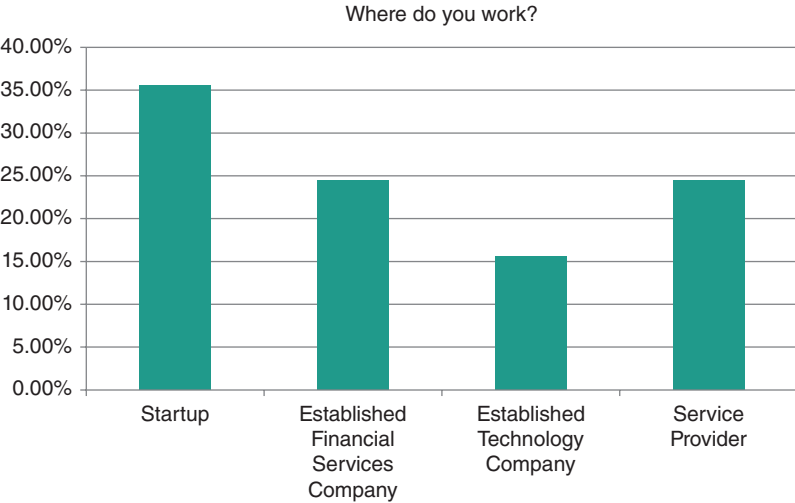
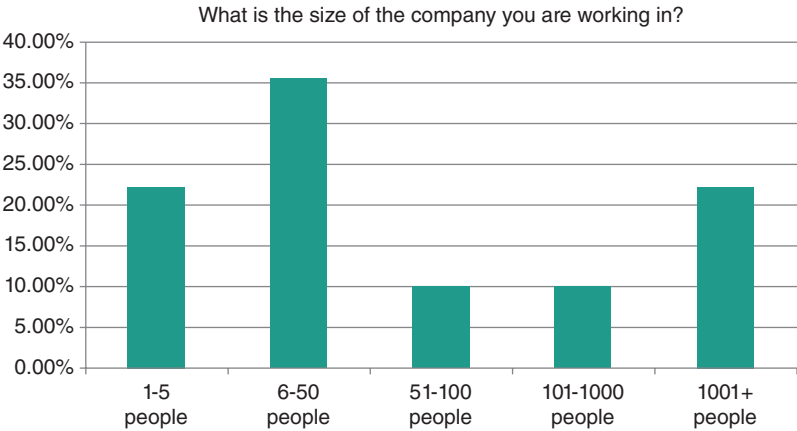


Table 4: Size of companies our authors work for



Thus, this project would not have been possible without the dedication and efforts of all contributors to *The InsurTech Book* (both those who submitted their initial abstracts for consideration

by the global FinTech community, as well as the final authors whose insights you will be reading shortly). In addition, we would like to thank our editors at Wiley whose guidance and help made sure that what started off as an idea, you are now holding in your hands.

Finally, I would like to thank the fantastic editors, Sabine VanderLinden, Shân M. Millie, and Nicole Anderson. Editing a crowdsourced book naturally takes several months and it was always a pleasure to work with their strong domain expertise and vision for the future of InsurTech globally!

Susanne Chishti
 Co-Founder, *The FinTech Book Series*
 Editor in Chief, *The InsurTech Book*
 CEO and Founder FINTECH Circle and the FINTECH Circle Institute

Twitter: @SusanneChishti @FINTECHCircle
 @InsurTECH_Book
 LinkedIn: FINTECH Circle Group

About the Editors

Sabine L. B. VanderLinden

Sabine L. B. VanderLinden is the CEO and Managing Director of Startupbootcamp InsurTech, Europe's leading early-stage and independent accelerator for insurance technology startups, Rainmaking's corporate innovation and growth venture focused at the insurance and InsurTech spaces. She is also the founder of the Proposition Circle, an innovation advisory platform she uses to coach young businesses and advise investors. Mature startups in particular use this mechanism to get more personalized support and recommendations to grow their business.

At Startupbootcamp (www.startupbootcamp.org/accelerator/insurtech-london/), VanderLinden cultivates the expertise of a large group of leading insurers, investors, and mentors to bring the innovation of cohorts of promising startups across multiple geographies to market within a three-month period. At Rainmaking Innovation (www.rainmaking.io/), she leads corporate innovation within the insurance space to shape solutions to support insurers, brokers, and other insurance providers address core challenges and design innovation and execution initiatives that work.

Considered as one of the few leading women in InsurTech, VanderLinden ranks among the top 20 InsurTech influencers across a number of insurance influencer lists. She brings 20 years of senior positions and extensive operational and growth strategy expertise gleaned from her corporate innovation and startup acceleration activities working with global firms including IBM, FICO, Pegasystems, and SSP and hundreds of well-known financial services institutions for which she has developed unique growth strategies. She brings strong InsurTech expertise to these stakeholders, being one of the few influencers who identified InsurTech as a growth market in late 2014 and made InsurTech the

de facto term to acknowledge new ventures in the insurance and technology space.

She writes on the topics of strategic execution, InsurTech innovation, digital business models, and experience design to challenge current market practices and optimize value creation, and she is an international keynote speaker at conferences and thought leader on the topic of InsurTech.

An alumna of Sir John Cass Business School, where she earned her MBA, among her accreditations, she was awarded an Ovation Award for Outstanding Achievement, Breakthrough Thinking and Execution by IBM. She undertook advanced studies in mathematics and acquired five insurance examination accreditations from the Chartered Insurance Institute. She sits on the FinTech technology committee of the Monetary Authority of Singapore and is an advisory board member for TIA Technology. She is fluent in French and English.

You can reach Sabine on LinkedIn at www.linkedin.com/in/sabinevanderlinden/ and on Twitter via @SabineVdL

Shân M. Millie

Shân M. Millie is a hands-on innovation and strategic communications specialist, focusing on growth, service/product design, and corporate storytelling. She is a highly respected, extensively networked connector and commentator on and for UK General Insurance. Shân created the role of Tech and Innovation Associate for the Association of British Insurers (ABI), is Communications Entrepreneur in Residence for Startupbootcamp InsurTech London, and Founder Advisor for the British Insurance Brokers Association (BIBA) Innovation Group.

Shân enjoyed a successful media and content career, building and leading award-winning products, teams, and brands for professional audiences, including Treasury, Derivatives, Asset Management, Retail Banking, and, as Publishing Director of Insurance Times (2008–13), General Insurance. She identified the InsurTech “wave” early, and was personally instrumental in developing powerful platforms for incumbents and startups to connect ideas and people at a critical time for the fledgling InsurTech phenomenon, including designing one of the very first content programs and market-leading conferences dedicated to Innovation and Disruption for Insurance. A trusted industry mentor, Shân founded Bright Blue Hare, in May 2016, to work with startups, scale-ups, and established firms on partner relationships, customer and internal engagement, and sales, using the power of strategic communications. Bright Blue Hare also works with early-stage startups on a pro bono basis, advising seed round and startup companies on business model and value proposition design.

Shân's passion is to help individuals, teams, and firms work out and then tell their story – authentically, intelligently, and for maximum impact for customers, co-workers, and the bottom line.

Shân Millie is a board advisor, mentor, and facilitator, and a graduate of Christ's College, Cambridge University, UK. www.linkedin.com/in/shanmillie/ // @SMMBrightBlueH // #WhatIsYourStory? // #Profit&Purpose.

Nicole Anderson

Nicole Anderson is a venture builder, investment (corporate venture, VC, family office and ICO) advisor. As a multiple time technology entrepreneur (CEO and Founder) and an innovation thought leader, she has gained an in-depth knowledge of crypto technologies, blockchain and digital identity. Passionate about technology business models that are challenging the status quo and providing greater inclusion for people globally, she has focused on the innovation intersection of emerging technologies and emerging markets both physical and virtual.

Voted Innovator of the Year 2017 by the South African Chamber of Commerce, Top 100 Women in FinTech 2016 by Innovate Finance, and included in the Power Women of FinTech 2015, 2016 and 2017, Anderson is also active in the London and European startup acceleration, incubation, and growth arenas working as an advisor and mentor to Level39, Startupbootcamp FinTech, London Tech Advocates – Women in Tech, and FinTech workstreams.

A founding member of FINTECH Circle Angel Network, the largest network of independent investors in FinTech in Europe, she has served as advisor to Microsoft Ventures London and been a multiple times judge for SWIFT Innotribe, the European and African FinTech awards, and BNP Paribas Global Hackathon.

Anderson serves as an industry thought leader and has featured on numerous panels and speaking circuits such as London FinTech Week, Rencontres Economiques (France), London's African Technology Business Forum, and FinTech Africa's annual conference. She is a contributing author to *The FinTech Book*, exploring the role of corporate venture as a catalyst for innovation in FinTech – www.thefintechbook.com – also published by Wiley.

She has an Honours Degree in Information Systems and Economics from the University of Witwatersrand, South Africa, and graduated from the Institute of New Economic Thinking, Barnard College, Columbia University, New York, specializing in the Economics of Money and Banking.

Editor in Chief Susanne Chishti

(Twitter: [www.twitter.com/SusanneChishti](https://twitter.com/SusanneChishti))

Susanne Chishti is the CEO of FINTECH Circle, Europe's first Angel Network focused on FinTech, InsurTech, WealthTech,

RegTech and Blockchain opportunities and the Founder of the FINTECH Circle Institute, a leading global peer-to-peer FinTech learning platform to acquire FinTech and digital skills. She is the co-editor of the bestseller *The FinTech Book*, which has been translated into five languages and is sold across 107 countries. Susanne is recognized in the European Digital Financial Services “Power 50” 2015, an independent ranking of the most influential people in digital financial services in Europe. She was selected as top 15 FINTECH UK Twitter influencer and as the UK’s “City Innovator – Inspirational Woman” in 2016. Susanne is a FinTech TV commentator on CNBC and a guest lecturer on financial technology at the University of Cambridge.

After completing her MBA she started her career working for a FinTech company (before the term “FinTech” was invented) in the Silicon Valley 20 years ago. She then worked for more than 15 years across Deutsche Bank, Lloyds Banking Group, Morgan Stanley, and Accenture in London and Hong Kong. Susanne is an award-winning entrepreneur and investor with strong FinTech expertise. In 2017, Analytica selected Susanne as the 13th most important FinTech Thought Leader globally. She is also a conference speaker at leading FinTech events globally.

FINTECH Circle is a global community of more than 100,000 FinTech entrepreneurs, investors, and financial services professionals globally. FINTECH Circle’s advisory practice services clients including leading financial institutions such as BNP Paribas and UK’s innovation agency NESTA, which appointed FINTECH Circle as partner for the £5 million Challenge Prize to work on Open Banking initiatives for SME Banking.

Susanne is a Non-Executive Director at two UK FinTech firms: Just Loans Group PLC (Alternative Lender) and RegTech Company Kompli-Global Ltd. In addition, she is on the Advisory Board of HandeFinMaker, a Chinese FinTech leader together with Nobel Prize winner Edward C. Prescott.

About FINTECH Circle

FINTECH Circle (www.FINTECHCircle.com) is a global community of 100,000 FinTech entrepreneurs, angel and VC investors, financial services professionals, and FinTech thought leaders, focusing on FinTech seed investing, education, and enterprise innovation. FINTECH Circle’s CEO, Susanne Chishti, co-edited *The FinTech Book* published by Wiley, which became the first globally crowdsourced book on financial technology and a global bestseller across 107 countries in five languages.

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About the FINTECH Circle Institute

The FINTECH Circle Institute (www.FINTECHCircleInstitute.com) is a peer-to-peer online learning platform, designed to empower finance professionals with the necessary digital skills to adapt to the rapidly changing industry. With board members ranging from traditional banks and FinTech experts, through to academics from leading universities, the platform offers practical bite-size courses on topics including WealthTech/Robo-banking, InsurTech, RegTech, Blockchain, Artificial Intelligence, Enterprise Innovation, and Startups. Every quarter, new bite-size classes are released online to ensure that members have access to the latest FinTech insights and industry experts working on the most cutting-edge FinTech innovations globally.

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Join our LinkedIn Group to share your FinTech knowledge and learn from others:

www.linkedin.com/groups/8184397

Acknowledgments

xiv

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After the global launch of *The FinTech Book* in 2016, we met thousands of FinTech entrepreneurs, investors, and financial services professionals who all loved the book and wanted to learn more how financial technology will change the global investment/wealth management sector and private banking.

We came up with the idea for *The InsurTech Book* and spoke to our FinTech friends globally and everybody supported the idea. FinTech entrepreneurs across all continents were eager to share their powerful insights. They wanted to explain the new business models and technologies they were working on to change the world of finance. FinTech investors, “intrapreneurs”, innovation leaders at leading financial institutions, and thought leaders were keen to describe their embrace of the FinTech revolution across investment management and private banking. Finally, our InsurTech visionaries wanted to share their vision for the future.

The global effort of crowdsourcing such insights was born with *The FinTech Book*, which became a global bestseller across 107 countries in five languages. We are continuing this success with *The InsurTech Book*. We are aware that this would not have been possible without the FINTECH Circle global community, the Startupbootcamp InsurTech community, and our own personal networks. We are very grateful to our global FINTECH Circle, FINTECH Circle Institute and Startupbootcamp communities of investors, lecturers, startups, mentors and corporates for joining us on www.FINTECHCircle.com and www.startupbootcamp.org and to Startupbootcamp as a global multi-disciplinary accelerator. Without the public support and engagement of our global FinTech community this book would not have been possible.

The authors you will read about have been chosen by our global FinTech and InsurTech community purely on merit; thus, no matter how big or small their organization, no matter in which country they work, no matter if they were well known or still undiscovered, everybody had the same chance to apply and be part of *The InsurTech Book*. We are proud of that as we believe that FinTech and InsurTech will fundamentally change the world of finance and insurance. The global FinTech and InsurTech community is made up of the smartest, most innovative, and nicest people we know. Thank you for being part of our journey. It is difficult to name you all here, but you are all listed in the directory at the end of this book.

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We look forward to hearing from you. Please visit our website www.insurtechbook.com for additional bonus content from our global InsurTech community! Please send us your comments on *The InsurTech Book* and let us know how you wish to be engaged by dropping us a line at learn@FINTECHCircle.com.

Nicole Anderson
Twitter: @NicoleAnMo

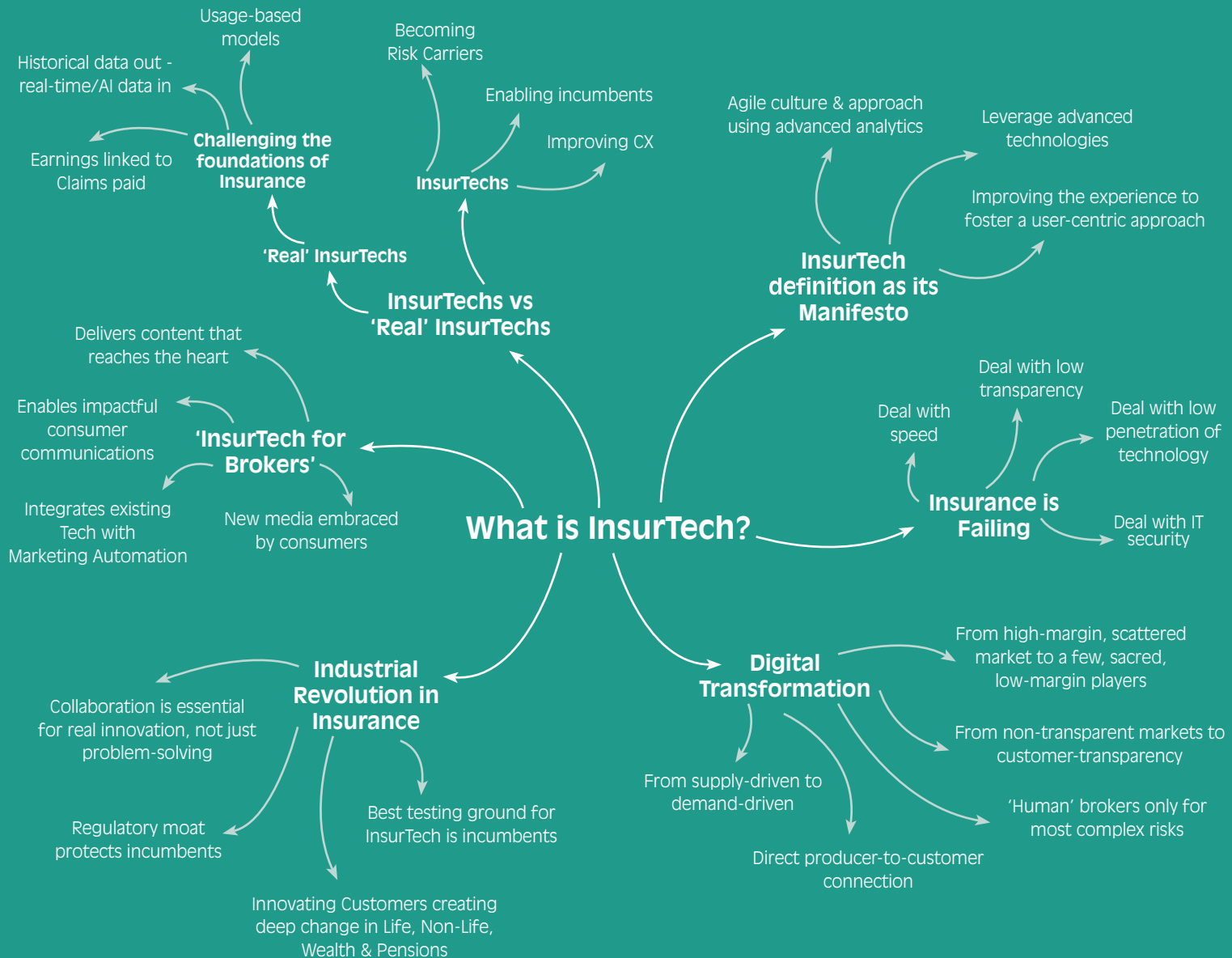
Susanne Chishti
Twitter: @SusanneChishti

Shân M. Millie
Twitter: @SMMBrightBlueH

Sabine L. B. VanderLinden
Twitter: @SabineVdL

What is InsurTech?

1



The six pieces selected for this section bring together the expected multiplicity of views, and provide a rich, informative, and engaging set of connected conversations exploring what InsurTech is, for whom, by whom, and why?

Valentino Ricciardi urges us to cut through the InsurTech “noise”, setting out how the definition of InsurTech should be clear, simple, and comprehensive so that it actively shapes the vision of next generation talents and participation. Ricciardi’s InsurTechs share the characteristics of early adoption of technology, digital by default, focused on specific niches and, most importantly, value creators – for customers, incumbents, or both.

Steve Tunstall also defines InsurTech as absolutely essential for insurance to remain relevant to the customer. His ruthless dissection of the failings of an industry he loves also asks us: insurance needs InsurTech, but does InsurTech need (incumbent) insurance? Tunstall explains how only 10% of corporate risk faced by the CEO finds relevance in insurance solutions today, and how current failings could lead to systemically low penetration in emerging economies. For him, InsurTech may not have all the answers, but certainly some of the *most* important ones, driven by digitalization.

For Alex Ruthmeier, the digital transformation of insurance is InsurTech. He sees four major transformative changes: customer transparency; direct-to-customer connection; a very few scaled players with low margins; and demand-driven (customer) focus. Ruthmeier’s vision of InsurTech sees “human brokers” disappearing for all but complex risks, and more quickly than you might think.

Michael Jans also sees big challenges for brokers, but equally InsurTech as a huge opportunity for a broking rebirth. Writing from the perspective of the US, and its 40,000+ independent broker/agent firms, Jans envisions a near future of carriers shifting allegiances away from broker partners. He sees InsurTech as the route to delivering on that “peace of mind” customer promise at the core of the broker proposition, and the technology and scale to make the customer’s “heart sing”.

Jannat Shah Rajan posits a definition of InsurTech emerging from insurance’s Industrial Revolution where innovating customers, increasing life expectancy, and change in life stages drive change in Life, Wealth, and Pensions, as well as Non-life. Her theory of a protective “regulatory moat” around incumbents makes it axiomatic for her that collaboration will be the order of the day. As she says, “Incumbents are the best testing ground for new InsurTech propositions.” And lastly in this section, Karl Heinz Passler asks us to see not 1,200+ InsurTechs globally, but a segmented landscape of “InsurTechs” and “Real InsurTechs”. He sees two distinct groups: the first, including those improving Customer Experience (CX); those enabling incumbents; and those becoming risk carriers themselves.

The second group are those Passler considers to be challenging the very underlying assumptions and foundations of insurance. He asks us to see “Real InsurTechs” as those eschewing historic data in favour of real-time and AI-generated data; those adopting usage-based models; and those linking corporate earnings to settling claims. These differing yet related and intertwined definitions share a common core in the belief that InsurTech is directly contributing to the reinvention of the way insurance is imagined, funded, constructed, and done.

InsurTech Definition as Its Own Manifesto

By **Valentino Ricciardi**

Insurance and InsurTech Knowledge Consultant, McKinsey & Co.

InsurTech is the new cool word within the vocabulary of the financial services, replacing the term FinTech, which established itself in the last years of 2000 when companies like Square, Transferwise, and Stripe accelerated the payments revolution launched by PayPal in the US and Alipay in China. However, I believe that InsurTech does not have yet a clear, agreed, and established definition.

An InsurTech definition should cover different concepts well beyond the idea of combining insurance and technology to include the native customer-centric approach, as well as the potential that technology has to enable incumbents' value chain or to disrupt incumbents' consolidated business models. This definition should be open and inclusive so as to host new and innovative technologies that are relevant both now and in the future. So *all* technologies at the forefront of insurance innovation, such as artificial intelligence, chatbots that enable H2C (Human to Customers) in distribution, as well as advanced analytics that are looking for the right use cases in the data-driven business of

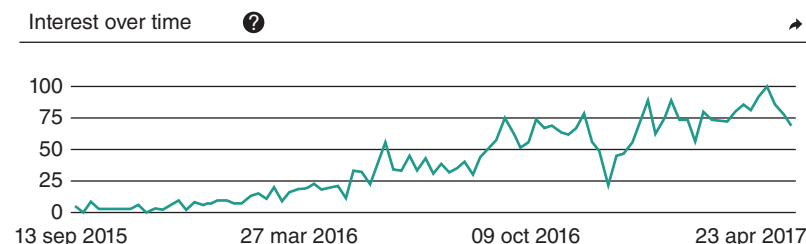


Figure 1: InsurTech interest over time based on Google research

Source: Data from Google Trends (September 2015 – June 2017)

insurance, need to fit and find their own space in the definition and concept of InsurTech, which has increased significantly, as shown in Figure 1.

Three Enigmas: Who? What? How?

Incumbents, startups, Venture Capital (VC) funds, and many other stakeholders are all players within the InsurTech field with their own agenda, perspective, and view of the InsurTech phenomenon. The fact that no shared definition was out there increased the temptation for stakeholders to come up with their own, based on *their* understanding of InsurTech. It often resulted in partial definitions, or definitions not yet shared and adopted by the insurance innovation community. This generated “noise” and hasn’t helped to provide a clear understanding of the InsurTech phenomenon. A simple approach to get to a definition of InsurTech will be to find the answer to three simple enigmas: Who? What? and How?

The first question to address is: “Who is the subject, the engine of transformation within the insurance and insurance technology landscape? Is InsurTech identifying a specific type of startup, or a whole ecosystem of multiple companies operating in the domain of insurance technology?”

InsurTech, in its current common use of experts, practitioners, and bloggers, is identifying an ecosystem of many different companies that operate in the insurance technology domain. Those companies are early adopters of new technologies, digital by default and, most importantly, focused. InsurTechs are early adopters of innovative technologies such as big data, machine learning, cloud, and the Internet of Things, compared to the insurance incumbents, slowly evaluating and adopting. The early adopters are advantaged on this path by the fact that they are “digital by default”, enabling innovation without the legacy of IT systems or overcomplicated procedures and operations.

Focus is another strong quality of the InsurTech, whose success is dependent on their concentrating on a specific line of business, area of the value chain, or client segment. There is no InsurTech so far that focuses on more than one line of business and customer segment at the same time. Successful InsurTech companies like Lemonade, Trov, and Oscar focused only on a specific line of business, i.e. Home, Property, and Health, respectively. The fact that they are looking for niches in the insurance business makes them more credible when they promise to challenge or help incumbents who are constrained by their size or other organizational factors.

Once we have in mind the concept of an InsurTech ecosystem it will be easy to define an “InsurTech company” as the company or startup that plays on this field. But they are not the only players in this domain; established, innovative players are fully entitled to be included. Arguably, the first InsurTechs were in fact the direct insurance companies that posed the initial threats to incumbents in the retail motor sector, such as Admiral in the UK and Geico in the US; the price comparison websites popular in the UK; or the IT and ERP system providers focused on insurance, like Guidewire and Tia Technology.

The second questions to address are: “What are those startups doing within the context of the InsurTech ecosystem? What is their primary goal?”

InsurTechs disrupt the traditional business model of incumbents developing innovative customer value propositions able to attract and engage clients, for example, they can enable full digital distribution of insurance products. Most often, InsurTechs enable the value chain of incumbent insurers offering innovative technologies and solutions to improve operational efficiency; for example, they can automate relevant processes across the value chain. However, our answer will remain partial if we don't add the primary goal of InsurTechs: to generate value either for customers, insurance incumbents, or both. Of course generating value is a “*sine qua non*” for any new industry that wants to ensure its own survival and sustainability to prosper over the long term. InsurTechs can focus either on generating value for clients by addressing their needs across the customer journey that

incumbents often fail to spot, or they can generate value for incumbents by addressing the pain points in their business and operative model that incumbents cannot improve efficiently.

The third and final question is “How are InsurTechs innovating the insurance business?” This question is crucial to understand what InsurTechs are doing that makes them different from incumbents.

There are at least three approaches that characterize the InsurTechs's way of working:

1. **Leverage the most advanced technologies.** The most innovative technologies are the core of any InsurTech's solution. InsurTechs are early adopters of innovative technologies and apply them to the insurance business, develop PoV, productize their solution, and offer it to insurance incumbents often creating the needs and the demand for a specific technology that the insurance business didn't perceive before. InsurTechs have a deep understanding of the technology they offer and it is not surprising that they find earlier than incumbents the best use cases and applications. It is equally unsurprising that technologies such as auto telematics, drones, or blockchain were brought to the market by InsurTechs rather than insurance incumbents.
2. **Focus on improving the experience to foster a user-centric approach.** InsurTech entrepreneurs' focus on improving the experience could be improving the purchasing journey of a customer, supporting underwriters during risk valuation, or helping loss adjusters in the loss assessment. Regardless, the InsurTech obsession is (and *must* be) improving the experience following a user-centric approach. InsurTechs improve customer centricity by developing new customer value propositions and products that simplify the clients' user experience in a sector that traditionally lags behind other industries in clarity and usability. The innovative push of InsurTechs in this field is fundamental to keep pace with clients that benchmark their purchasing experience

with digital channels such as Amazon, rather than with the traditional insurance agency experience. This obsession with user-centricity, however, also extends to “internal” users. In fact, InsurTechs that focus on the enablement of the incumbents’ value chain develop their solution for employees with the same attention to usability and simplicity as the InsurTechs that improve incumbents’ front-ends. The solutions that simplify and improve the underwriting process, the lead allocation mechanisms, and the claims management have an impact on the bottom line as relevant as the one that the InsurTechs focusing on customer experience have on the top line.

3. **Have an agile culture and approach and leverage advanced analytics to take business decisions.** InsurTech startups are very often developed by technology-driven entrepreneurs who are young and digital natives. They drive small and focused teams of motivated professionals that are more used to the tech startups’ mindset rather than the mindset of consolidated financial institutions. They are not afraid to quickly develop, test, and bring innovations to the market following a lean and agile approach; they embed advanced analytics in their management practices and operations to generate insights and take business decisions on a day-to-day basis. They are also prepared for the idea of failing and learn from their failures as in the best tradition of Silicon Valley’s startups.

The InsurTech Definition as its own Manifesto

The answers to my three enigmas are the essential elements to give a precise and comprehensive definition of InsurTech, which

can be agreed upon by practitioners and will prove to be solid over time. Let’s combine the elements and define InsurTech as follows:

InsurTech is the ecosystem of focused, innovation-based companies (often startups) that generate value for clients and/or insurance incumbents by disrupting or solving problems across the insurance value chain through the engagement of technology by following a lean and user-centric approach.

This InsurTech definition should now be its own manifesto: it needs to be clear, simple, and comprehensive enough to show the direction of this evolving and promising domain to all entrepreneurs and insurance professionals wanting to engage with the InsurTech’s ecosystem. This definition helps to cut through the noise and define those innovations and innovative business models that compose the InsurTech ecosystem. In fact, the concept of InsurTech wouldn’t be possible without the goal of generating value for the clients or for the insurance incumbents; it wouldn’t be possible without engaging technology or doing it without following a user-centric approach. I hope that defining a clearer “playing field” will shape the vision of the next generation of tech and insurance talents and attract them to participate in the transformation of the insurance industry, and the experience and value felt by its customers.

Why is Insurance Failing?

By Steve Tunstall

CEO and Co-Founder, Inzsure

The insurance industry provides amazing support to individuals, families, and businesses, often in their darkest times. Society truly benefits enormously from the proper running of the insurance sector. However, the benefits of insurance provide no immediate gratification to the purchaser. I will explain how the insurance community has historically addressed this issue. I will go on to consider why this has led to systemic weaknesses across the whole sector, which may now jeopardize an industry that I love – unless these challenges are addressed.

The Challenge

There is no tangible product delivered within most insurance transactions. The most risk averse individuals will buy it. The least risk averse will self-insure. However, no-one really wants insurance until they really need it. The customer only buys trust – or a promise of trust when times are hard. This tempts intermediaries to sell insurance using the tactics of fear and commoditization. Front-loaded commissions can lead to a tendency to secure sales irrespective of need. This propensity may lead to misrepresentation; it leads to dissatisfaction; temptation leads to fraud; suspicion and a breakdown of trust lead to dysfunctional claims systems; and so it goes. The cycle of fraud in the industry has undermined the true benefits of insurance for a long time.^{1,2} The industry has no product other than trust. There is nothing else to take away from

¹ 8 worst insurance criminals of 2016, <http://www.insurancefraud.org/hall-of-shame.htm>; The car insurance industry is a disgusting racket 2015, <https://www.spectator.co.uk/2015/10/the-car-insurance-industry-is-a-disgusting-racket/>.

² Property/Casualty Insurance Cycle 2017, <http://www.iii.org/fact-statistic/property-casualty-insurance-cycle>.

the transaction other than a promise. If the customer considers the promise to be compromised, there is nothing left.

The prolonged, cyclical soft market in insurance, coupled with an inflow of fresh capital during an unprecedented period of interest rates close to zero, has placed increasing pressure on bottom lines.³ The unintended outcome has been that many in the sector have systematically underinvested in technology and innovation. The majority of these companies are left with systems, processes, and practices that would still be mostly recognizable by those that were working in the industry in the 1980s. While the insurance sector stagnated, changes across the business world and other industries were radical. It is only in the last decade or so that the world has enjoyed smartphones, social media, e-readers, YouTube, Google Maps, The Cloud, and virtual reality. Within the same time frame, the companies that dominated specific global markets have radically changed. We all know the GAFA (Google, Apple, Facebook, and Amazon) effect. Changes brought by Uber and Airbnb are arguably even more radical in the transport sector with autonomous driving as well as new approaches to accommodation and the renting market. Customer expectations have arguably changed forever. Already the protectionism in Financial Services is being disrupted by FinTech, and it is clear that insurers desperately need “InsurTechs” to remain relevant to the customer. The bigger question is perhaps whether InsurTech needs the incumbents in insurance. Before we address this issue let’s step back and look at how we arrived here.

The History

Insurance and risk management techniques have been around for a long time. Methods for risk transfer were practised by Chinese traders as long ago as the third millennium BCE.⁴ Modern insurance

³ Peter L. Bernstein, *Against the Gods: The Remarkable Story of Risk*, 1998, http://www.goodreads.com/book/show/128429.Against_the_Gods.

⁴ CNN-Anderson Cooper 360, *Keeping them Honest: Insurance Battle*, 2007, <https://www.youtube.com/watch?v=lvPW087RiJ8>.

is around 300 years old. Insurance companies help us all manage some of our risks. Whether personal or commercial, in exchange for a constant stream of premiums, insurance companies offer to pay a sum of money when a predetermined event occurs such as a natural catastrophe, a fire, or loss of life. An insurance company creates value by pooling and redistributing various types of risks. It does this by collecting liabilities (i.e. premiums) from all the companies that it insures and then paying them out to the few that actually need them. The insurance company can then effectively redistribute those liabilities to individuals or entities faced with some sort of event-driven crisis, where they will need more cash than they currently have on hand. As not everyone within the pool will actually suffer an event requiring the total use of all of their premiums, this pooling and redistribution function lowers the total cost of risk management for everyone in the pool.

Connecting Risk, Insurance, and Systemic Failure

The purchase of insurance products should be an important decision-making process for both individuals and companies. However, it is often an afterthought of last recourse, particularly after something goes really bad. Unfortunately, people tend not to like spending time thinking about the bad things in life. We all hope to live in a relatively benign environment. Arguably, human nature tends to allow personal and business risk protection methods to fall down the priority list. Unless we are jolted into action.

There is an old adage that insurance gets sold, it doesn't get bought. Over the years this has been the task of intermediaries – agents and brokers – who communicate directly with customers and explain why insurance is a good thing. When it works well, it's a tremendous partnership. When it doesn't work well, the customer feels they are getting poor or biased advice. As with many intermediary processes, there is little transparency as to who is really working for whom. If experience with claims is also problematic – either directly or indirectly – then the whole trust process is undermined. Both

individuals and organizations can question the merit of the solution and may seek alternative risk mitigation measures, which they feel are more trustworthy.

In personal lines this results in a lack of clarity of when and why insurance should be bought – other than because the law says so. There is an ingrained sense that insurers and their cronies will sell anything to anyone and then do anything to avoid paying claims. At times, it seems the primary drivers in the sector are anything except the customer. CNN^{5,6} summarized the objective of insurers as “Delaying, Denial and Disputing” of legitimate claims. Surveys reveal that 25% of Americans now buy insurance with the deliberate intention of defrauding insurers. As Daniel Schreiber, CEO at Lemonade, puts it: “There is a reservoir of ill will against insurance companies. In the US most Americans perceive insurance as a necessary evil rather than a social good.”⁷

In the corporate setting, the perceived lack of transparency and governance often translates into distrust in the buying process. The result is that insurance buying is frequently delegated to relatively junior and inexperienced employees who often have other things to do anyway. The purchase process can become a compliance-driven, commodity buy with little focus on the underlying reason for the policies, their coverage, and, most

⁵ Washington Triple Damages for Unreasonable Insurance Denials 2007, Referendum 67, [https://ballotpedia.org/Washington_Triple_Damages_for_Unreasonable_Insurance_Denials,_Referendum_67_\(2007\)](https://ballotpedia.org/Washington_Triple_Damages_for_Unreasonable_Insurance_Denials,_Referendum_67_(2007)).

⁶ What's Next in Insurance Tech? Lemonade CEO Daniel Schreiber at the Future of Fintech, June 2016, <https://www.youtube.com/watch?v=ZYENFT3DCo>.

⁷ Global Insurance Industry Insights – McKinsey & Company, 2014, http://www.mckinsey.com/~media/mckinsey/dotcom/client_service/Financial%20Services/Latest%20thinking/Insurance/Global_insurance_industry_insights_An_in-depth_perspective.ashx.

importantly, their security. The relatively low-level employee has a transactional relationship with a broker or agent. The relationship is muddled and sometimes dominated by internal purchasing teams who often have no idea how the transaction should be structured or why it might be important.

Everyone loses in this scenario. The individual is poorly prepared and/or served during traumatic life-changing events. The CEO whose company is in this mindset has missed a huge partnership opportunity. The broker or agent loses or ignores the chance to educate. There are huge benefits that can arise from a more robust debate and attitude to risk and insurance management. The underwriter and the markets behind the policies often have little or no idea of the quality of the risk protected. So, the market will provide something cheap and cheerful – particularly in the soft markets prevalent at the moment – and do everything in their power to delay or avoid paying claims if something goes wrong.

Insurance penetration rates in North America are arguably at their lowest ebb for decades and continuing to decline.⁸ In the boardroom, insurance used to be relevant for perhaps 25% of corporate risk faced by the CEO in the view of the author. Nowadays that figure is below 10% according to research by Lloyd's of London. In emerging economies, where the phenomenon of insurance is only just getting going, scandals, performance failures, and consequent distrust mean that penetration levels under current models will likely never reach the levels in OECD countries.⁹

⁸ Global Insurance Market Trends 2015 – OECD.org, <https://www.oecd.org/daf/fin/insurance/Global-Insurance-Market-Trends-2015.pdf>.

⁹ Chubb's Greenberg on London brokers and US-China relations, April 2017, <http://insuranceasianews.com/insights/chubbs-greenberg-on-london-brokers-and-us-china-relations/>.

Transparency and Due Diligence: Where Can the Industry go from Here?

- 1. Deal with low penetration of technology.** Insurance remains comparatively old fashioned when compared to the financial services sector generally. The failures of companies throughout the insurance stack to address technology issues are legion. Many insurance transactions remain mostly face-to-face and woefully inefficient. This is difficult to address. There is such a strong general distrust in the industry that many customers still retain a desperate need to look into the eyes of someone they hope will still be there in the event of a claim.
- 2. Deal with low transparency.** Who gets paid what for the procurement transaction? There is almost no transparency in the insurance sector and a constant stream of high profile criticisms, both from within the industry¹⁰ and investigations by global regulators,¹¹ show that there remains something intrinsically dirty and incestuous in the complete process that customers never get to see.
- 3. Deal with low speed.** Placement takes a long time in insurance and usually involves extensive form filling. As discussed above, that's nothing compared to the demoralizing claims experience in many cases.
- 4. Deal with low IT security.** The sector is well recognized as having comparatively weak data management processes compared to other areas of the financial services industry.

¹⁰ FCA launches antitrust investigation into aviation brokers, April 2017, <https://www.ft.com/content/94c61531-69f1-389c-95f5-8c3ef0ac3464>.

¹¹ Health insurer loses 6 hard-disk drives with records of 950,000 customers, <http://www.computerworld.com/article/3026401/healthcare-it/health-insurer-loses-6-hard-disk-drives-with-records-of-950000-customers.html>.

There have been repeated small-scale cases of data loss.¹² Fingers crossed there isn't a "Sony" moment imminent as this will do nothing to help the sector's already tarnished reputation with customers.

Does InsurTech have all the answers? That's debatable. But clearly change is imminent in some form or another and this book is a superb way to continue our self-critique as an industry.

¹² <https://www.wsj.com/articles/SB125972626475872363>; <https://www.theguardian.com/money/blog/2015/jan/10/end-home-insurance-rip-off>; <http://www.news.com.au/lifestyle/health/health-problems/is-this-proof-health-insurance-is-a-rip-off/news-story/fdcdbf90930bc64e-b8ad5297c277a82>; <https://www.iii.org/publications/commercial-insurance/how-it-functions/market-conditions-cycles-and-costs>.

Digital Transformation in Insurance – Four Common Factors from Other Industries

By Alex Ruthemeier

InsurTech Facilitator and Co-Founder/Operations, ONE Insurance

and Dr Christian Macht

Board Member, VAI

We are living in the age of digital transformation. Like every age, it has its very own specifics, as well as effects for the economy and society. The authors have identified four common, underlying factors we see in common among already heavily-impacted industries. These factors are outlined with respect to their potential impact on insurance, which can be seen as a late adopter to the emerging technological and digital advancements:

1. From non-transparent markets to customer transparency.
2. Substitution of middle man – direct producer-to-customer connection.
3. From many scattered players with high margins to few scaled players with low margins.
4. From supply-driven (company focus) to demand-driven (customer focus).

Let's look at each of these in turn.

From Non-transparent Markets to Customer Transparency

In the past, customer market interactions, whether buying services or trading goods, were portrayed by the limited possibility to compare these with local agents or retailers. With the emergence

of readily accessible information, this local focus widened and allowed for 24/7 active comparison and competition, e.g. via online direct sales or price comparison sites. In most Business to Customer (B2C) areas, the customer is now also able to validate a purchase intention based on peer reviews, which reduce again, at least perceived, uncertainty. The next level of transparency with the reduction of complexity – the matching of the customer's available data with an automated customized offering of products – is already market standard for industries like fashion, news, music, and movies.^{1,2}

For the insurance industry, especially in the sales of Property and Casualty (P&C) and other standardized, self-explanatory products, this means a dramatic shift. Transparency of direct sales offerings should, in general, reduce principal-agent issues and information asymmetries and therefore cut into traditional intermediaries (agents/brokers). More available relevant information, e.g. reviews on after-sales performance, as well as stronger value-chain fragmentation and product specialization, will lead to even more holistic customer transparency as seen in price comparison sites like moneysupermarket, Check24, and GoBear. This will also be the case for complex and individual insurances as traditional impact balancing will be challenged and personal predetermination could lead to both personal and insurance predicaments and potentially stronger state involvement for basic coverage. Applying transparency already leads to major impact – sticking to the example of price comparison, this is evident for car insurance coverage where the customer journey nowadays typically starts online. This transparency of new digital intermediation will ultimately tip the scales.

¹ Phil Simon, *The Age of the Platform: How Amazon, Apple, Facebook, and Google Have Redefined Business*, Motion Publishing, 2011.

² Brad Stone, *The Upstarts: How Uber, Airbnb, and the Killer Companies of the New Silicon Valley Are Changing the World*, Little, Brown and Company, 2017.

Substitution of Middle Man – Direct Producer-to-Customer Connection

Digital advancements have allowed companies to offer products and services directly to the customer. Online platforms, ecosystems, and engines are the new middle man and they are substituting (parts of) the traditional supply chain and sales channels. In many industries new players have emerged, especially in retail, such as Amazon, Alibaba, and Rakuten, but also in, for example, aggregating transportation like Uber, Gett, and food delivery, e.g. UberEats and Takeaway.com. They started from excellent customer service and specialized products, finally expanding into various offerings and competing in all segments of previous offline-only intermediation.

Similar mechanisms will occur in the insurance (sales) industry. In a world where “online”/“cloud” is nowadays common for the consumer, intermediation will be based on, inter alia, social media profiling; automated recognition of needs; and guided, short, and simple customer data input. Easy to purchase (and cancel) products, direct- and event-based sales, and finally an automated real-time, traceable claims process will substitute the traditional broker. This is often talked about, but will finally happen at the latest in 2020, according to the authors’ assumptions. Customers will ultimately not feel this shift directly as they get used to innovation and new market players like Lemonade, Trov, One, and Element quite quickly.

Within a future landscape of declining product margins due to rising price competition and increasing claims ratios, human brokers are not made for scale as they cannot monitor all potential trigger points of customers in a fragmenting coverage landscape. However, brokers will remain a trusted source of advice for complex products that will not entirely be sold online such as pension planning, luxury individual products, and for customers unfamiliar with online services – for the time being.

From Many Scattered Players with High Margins to Few Scaled Players with Low Margins

The aggregation of data and automated processes have enabled scalable digital business models that can easily survive with small product margins. Transparency and intermediation transformation has already resulted in fundamental change to many localized, fragmented players like taxi services, lottery, fashion retail, and web services. They previously enjoyed high relative margins (thanks to personal customer relationships, information asymmetries, and local protectionism), but rather low absolute profit due to normally small absolute business size (limited sales reach and scalability, especially the high ratio of fixed/semi-fixed cost vs. variable cost, risk averse funding principles, and the like). With ongoing digital transformation, the trend in impacted industries resulted in many of these small players losing margin or even running out of business. On the other hand, a few players emerged, who built large scaled businesses and now enjoy high absolute profits (or internal investment like Amazon) with low relative product margin. Especially in insurance, we still see a localized, fragmented market, with many small players scattered across all sectors, nearly all with fully integrated, self-built legacy-heavy value chains.

New players are, for example, pure white-label insurance carriers like Element or “insurance factories” like One that can be plugged into their business client’s system with open application programming interfaces (APIs). Their focus will be on core business systems, i.e. underwriting and processing specialized, individual products – ranging from B2C to B2B2C, from unit size one to large scale roll-out – and could accelerate to industry leadership at unprecedented speed. Online, digital, social marketing, in combination with unparalleled pricing, provides the potential to overcome reach – however, still with

the need of significant investment in areas most incumbents already “own”. Transparency, digital intermediation, and scalability are individual facts that need to be reflected in governance, organizational structures, and company culture, the last being the greatest advantage for new entrants, and the hardest to transform for incumbents.

From Supply-driven (Company Focus) to Demand-driven (Customer Focus)

This trend aggregates an individual customer-centric focus to the company level. As product purchases will be channelled through, e.g., ecosystems, the primary point of contact and visibility of insurance companies will shift. The impact of focusing on the customer instead of the company is illustrated in Figure 1.

Product suppliers, as well as sales, are currently powerful, mostly vertically-integrated, independent units within larger incumbents. However, they will face the impact of becoming supply factories, providing on-demand, efficient services at lowest unit cost. It

will be critical to cater to customer demand whenever, wherever, and via whatever intermediation, through diverse but fully-integrated sales channels (via client relationship management (CRM) systems), whether directly attached to products (e.g. cars, electronics), external plug and play solutions, internal direct sales, or branded ecosystems. Insurance products will be developed from the customer’s viewpoint, bundled, fragmented, and specialized, not solely following current rules of push-marketing.

Furthermore, insurance products will evolve, as customers demand varying coverage, all-in-one solutions, or integration of underlying services. Insurance providers will focus on protecting personal data and preventing identity theft in a dedicated digital vault, for example Deutsche Bank Digital Identity, and mobility providers will provide all-in services where the customer does not need to assemble the different steps. The trend of offering core services with satellites will create “security-service-ecosystems” with an integrated customer journey, where additional, external services will no longer be needed. Whether existing insurers integrate external digital solutions or build in-house is dependent on their size and willingness to invest the large sums needed, and their ability to attract the necessary talent.

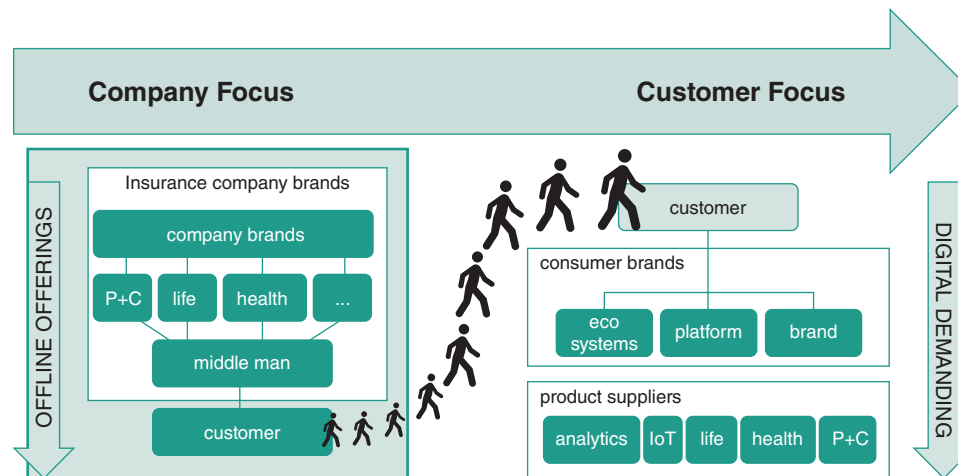


Figure 1: Shift from company focus to customer focus

Incumbents Will be Among the Winners

Innovation is not new in insurance. However, the current wave of digitalization is coming faster, is more fundamental, and – most importantly – is awash with new serious competitors. Hundreds of startups are emerging and billions of dollars are being bet on new technologies, as has been the starting point in many other industries. However, some incumbents are aware of the challenges they are facing and will transform themselves in order not to be overrun by new, innovative, or even disruptive players like AXA and Allianz. The flexibility to adapt to new technology, new customer demands, and unprecedented (external) ecosystems and platforms will be the winning formula for smaller players. Larger players will also have the option to stay relevant and profit from customers with greater willingness to pay for positively-perceived brands, but only on state-of-the-art digital offerings in a fully digitalized value chain. Challengers will also face many hurdles: high barriers of entry due to regulation, complex country specifics, high customer acquisition costs, and

(compared to the banking industry, for example) a currently still not deconstructed and easily accessible B2B offering along the whole insurance value chain (e.g. no “Carrier-as-a-service”). Between 2010 and 2016 the authors observed that most investment ultimately goes into customer acquisition, and only a smaller fraction into real digital and technological advancements like insurance industry specialized implementations of machine learning as demonstrated by Digital Fineprint. This should be a clear sign for incumbents that the race is on. However, with the right digital strategy, significant tech investments, and a talent and culture initiative, incumbents are in an excellent position. The remaining option of collaboration between incumbents and startups is tempting, but also hard due to difference in governance, speed, culture, acceptance of new technology, as well as sales and corporate-level buy-in. As the insurance industry is in absolute and relative money terms very attractive and currently not end-to-end digitalized, we will certainly see significant investment and many winning models. A few will ultimately emerge as fully-integrated digital champions – and reap the resulting high absolute profits and valuations.

InsurTech – Problem or Solution for Agents and Brokers?

By Michael Jans

CEO, Michael Jans Advisory

Twenty years ago, where would you have gone to find thousands of brokers gathered in one room? One of the national trade association conventions. Where would you go to find thousands of brokers today? At the technology conventions. Technology drives the insurance business. Even at the broker level.

And the biggest changes are yet to come.

Many brokers may not be aware – yet – but a lot of professionals and market experts are betting against them in the upcoming “technology tsunami” of InsurTech. Some predict that the gradual trend-line of slow erosion will become the rapid drop-off of disruption.¹ Clearly, some industry macro-trends leave legacy providers behind, such as buggy whip makers, for example. Others challenge us to wake up, catch up – and win.

What will the InsurTech revolution mean for today's broker channel? Most InsurTech investments are somewhere between “unfriendly” and “hostile” to today's incumbent broker. But not all. Some, in fact, help make the broker an important part of the InsurTech revolution. The right technology helps brokers fulfil the promise no other channel really makes. That's the promise of real people serving real people. It's the promise of human connectedness. It's the promise of personal advice and personal advocacy. And it's the promise of the comfort and confidence of having people on your side. This is the soft but

powerful magic that binds a tribal species together: to be wired and connected at the deepest psychological level. Nonetheless, the threats are real.

The Rapidly Changing Insurance Consumer

Many of today's brokers are bewildered and bedazzled simply trying to keep up with today's insurance consumer. Ten or so years ago, this author's most requested report was called *25 Ways to Write a Killer Yellow Pages Ad*. Today that report withers on the vine of neglect. The insurance consumer of today probably can't find the yellow pages in their kitchen drawer. They are rarely separated from their smartphone.

No doubt, the numbers in the list below will be outpaced by the date of publication. (They usually are within weeks.) But they provide a glimpse into changing consumer behaviour (and a window into why so many of today's brokers are already worried they're being left behind).

In the US:

- 81% of consumers research online before shopping.²
- 88% trust online reviews as much as they trust personal recommendations from friends and family.³
- The average consumer reads between four and “52 or more” reviews before making a purchasing decision.⁴

² <http://www.chainstoreage.com/article/study-81-research-online-making-big-purchases>.

³ <http://searchengineland.com/88-consumers-trust-online-reviews-much-personal-recommendations-195803>.

⁴ Ibid.

¹ <https://techcrunch.com/2016/05/02/insurance-brokerage-is-broken/>.