



PricewaterhouseCoopers Corporate Finance LLC
InsurTech Insights



PricewaterhouseCoopers Corporate Finance LLC
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Current Trends

Virtual and Augmented Reality will increase risk for individuals and revenues for insurers

- Virtual and Augmented Reality (VR / AR) devices are expected to become a common household item in the near future, potentially aiding in everyday tasks. Due to the endless opportunity for utility, there will be an exponential influx of VR / AR usage; however, with a wider range of usage comes a greater increase of risk that needs to be insured, especially during commercial use. A recent Juniper research report estimated that this new set of risks could result in additional annual net losses of approximately \$20 billion, a majority of which would likely be covered by the insurance industry
- Insurance companies have multiple opportunities to capitalize on for writing these new coverages given an increased use of VR / AR:
 1. **Negligent use of technology and technical malfunctions** will be the main drivers in the increase of personal accidents and information security threats. Insurance companies will have to broaden the scope of policy offerings and re-engineer the methodology by which they calculate risk in order to properly account for the additional variable of VR / AR. These exposures will take cyber coverage requirements to a new level, bringing these risks into the home in unexpected ways
 2. **Early technology adoption** should make it easier and more efficient for insurance companies to greatly enhance policy underwriting and claims handling. For example, VR cameras have been redefining how agents will be used in filed inspections. Instead of sending multiple agents to host an assessment, the VR camera headset will allow insurers to send one agent, with the rest inspecting remotely

Crop insurance needs the tech revolution

- Agriculture industry currently faces an imminent tech transformation targeted at capturing and streamlining crop data streams. The Federal Crop Insurance Program (FCIC) has reported that 86% of U.S. farmland, an estimated 281 million acres, is insured and farmed by machines with digital connectivity. These machines need data capturing and efficiency processing innovation
- Crop insurance plays a critical role in helping American farmers better deal with risks and uncertainty pertaining to crop output. Unusual weather patterns and climate change are increasing uncertainty, making consistent underwriting of crop policies more challenging. Both farmers and insurance companies have been heavily investing in the development of smart technology that will aid in mitigating risk
 - ✓ AmTrust Agriculture Insurance Services has been actively participating in crop insurance technology, recently partnering with Farmobile and acquiring Ag Armour. Access to data aggregation and real-time information will permit AmTrust to more accurately predict risk on an individual level with farmers and on a more systemic basis across the country
- Recent reports from the Government Accountability Office (GAO) project that climate change may increase losses substantially by 2040. A deeper look at scientific studies provided by the GAO predict increases from 14% to 47% in hurricane and flood losses during that period. Access to data analytics and modeling will be an important approach to pricing evolving risks and hedging against the considerable impact of climate change

Emergence of successful InsurTech firms is driving value chain disaggregation

- Value chain disaggregation refers to the rise of startups that offer products and services tailored to specific parts of the insurance vertical. This creates a fragmented market where customers interact with multiple players as opposed to a single vertically integrated insurance company
- Market fragmentation can be seen in major insurance verticals: distribution, underwriting, policy servicing and claims handling. Insurance marketplace platforms have driven disruption by providing customers with an efficient market and price transparency in minutes. This power shift to the customer will continue as insurers compete to offer services, including pre-screening of insurer policies, payment flexibility, customer-driven claims handling, and access to dynamic actuarial solutions
 - ✓ CoverWallet is on the forefront of disrupting one-stop insurers by offering a platform designed to help small business owners navigate the plethora of policies available to them. Empowering the customer forces insurance companies to reevaluate their policy offering to be more competitive in the marketplace, which ultimately benefits the business owner with a lower premium
- This trend is evident in usage-based insurance (UBI) car apps, smart home devices, health monitoring insurance devices, and now in small businesses insurance

Recent Investments

CoverWallet secures \$18.5 million to expand small business insurance platform

- CoverWallet closed a \$18.5 million Series B funding round led by Foundation Capital with participation from existing investors Union Square Ventures, Index Ventures, CV Starr and Two Sigma Ventures. Since launching in 2016, the startup has secured more than \$30 million in funding, including \$7.8 million last November. CoverWallet intends to use the new funding to continue building its core technology, expand partnerships, and scale operations
- Launched in 2016, CoverWallet combines analytics and design to help small businesses with their insurance requirements. The platform allows small business owners to analyze coverage needs and immediately connect to the panel of insurers that provide that specific policy. CoverWallet has gained significant traction with large insurers that are looking to disrupt the \$100 billion small business insurance market, including: Liberty Mutual, CNA, Starr, Guard, Hamilton, Markel, Employers, Travelers, Progressive and Atlas
- CoverWallet is a commercial market solution that also disaggregates the value chain but, in this case, for the commercial market coverages. Customers are demanding highly specific insurance coverages that are completely tailored to their unique risk exposure. Because CoverWallet takes significant cost out of the process of reaching the small commercial customer, insurers will be able to provide specialty coverages more efficiently without sacrificing their underwriting

SecurityScorecard secures \$27.5 million in Series C round led by Nokia Growth Partners

- SecurityScorecard, a developer of a cybersecurity rating and continuous monitoring platform, announced it has raised \$27.5 million in Series C funding. The financing round was led by Nokia Growth Partners (NGP) with participation from Moody's Corporation, AXA Strategic Ventures, and Intel Capital. Existing investors Sequoia Capital, Google Ventures (GV), Boldstart Ventures, Two Sigma Ventures, and Evolution Equity Partners also participated as follow-on investors. Funds from this investment round will be used to bring new product and service solutions to the market
- Headquartered in New York, SecurityScorecard's mission is to help security professionals solve critical cybersecurity issues. Their platform provides companies with a comprehensive outside-in view of security risks in that market. The company is currently monitoring more than 200,000 enterprises and agencies around the world providing continuous risk ratings and actionable items to improve upon customer security vulnerabilities
- The company has a broad range of large customers including Sallie Mae, Intuit, TriNet, Pepsi, McDonalds, and AXIS. With the continuing incidence of cyber attacks and security breaches such as those suffered by Equifax and Yahoo, SecurityScorecard is providing its customers with a systematic way of benchmarking, monitoring, and improving security measures to protect sensitive information

QBE closes \$3 million investment in RiskGenius, enters into multi-year product agreement

- QBE Ventures, a division of QBE Insurance Group Limited, has closed a \$3 million investment in RiskGenius, a machine learning company, as part of its technology investment program. QBE has also entered into a multi-year agreement with RiskGenius to upload over 125,000 policy documents into RiskGenius during 2018
- RiskGenius, launched in 2016, helps carriers, brokers, and regulators analyze policy and endorsement language to aid in product development. RiskGenius built an interactive platform that provides its users with artificial intelligence analysis to leverage custom algorithms and workflow modules. The ultimate objective is to achieve true policy automation with full customer comprehension of policy language and underwriting
- Earlier this year, QBE announced plans to invest \$50 million into early-stage companies that have potential to deepen QBE's current product line. RiskGenius is the first partnership under this program

Notable Partnerships

AmTrust partners with Farmobile on crop insurance data

- AmTrust Agriculture Insurance, a subsidiary of multiline P&C insurer AmTrust Financial, has partnered with insurtech Farmobile to leverage the data collection platform for its crop insurance clients. This partnership will give AmTrust the capabilities to build a new digital solutions platform, including application program interfaces (API) integration, targeted at the crop insurance market
- Farmobile was founded in Kansas early 2013, with the objective of helping local farmers unlock valuable agronomic data stored in their machines. The company provides farmers with a passive uplink connection (PUC) – a small, in-cab device that collects data every second the machine is in use. This device is then connected to a smart phone dashboard application that allows farmers to access historical and live data on the go. This device and platform requires a yearly subscription of \$750/ (standard) or \$1250 (pro); farmers also get the capability to collect, share, and sell proprietary data
- The technology provided by Farmobile is adaptable, allowing the customer to use the PUC in many different equipment brands and machines, making it an ideal solution for collecting data on farms with a mixed fleet. Data collected is continuously transmitted to a central archive over a mobile connection. Even if a signal is lost, the PUC is able to store data and transmit when the connection is restored, solving a longstanding issue that caused spotty data coverage over large plots of land

American Family Insurance and Frontpoint partner to protect homes

- American Family Insurance, the nation's 13th largest P&C insurance group, and Frontpoint, a security software and product provider, announced a partnership to offer customers affordable, easy-to-install, wireless home security systems. Frontpoint offers three levels of smart home awareness: 1. Protection, 2. Interactive, 3. Ultimate, all of which will qualify customers for burglar and smart home discounts on their American Family policy
- Frontpoint was developed in 2007, with the mission to provide dynamic and easy-to-use security technology. Current product offering includes Indoor Camera, Doorbell Camera, Motion Sensors, and Touch Panels, all of which are supported by a comprehensive control app that can be accessed from anywhere. In addition to security protection, the Frontpoint system also allows customers to remotely control lights, locks and thermostats
- Liberty Mutual's investment into August Home, mentioned in our August issue, also illustrates how insurance companies are committed to developing deeper and more holistic product offerings. Smart home partnerships and discount offerings are becoming order "qualifiers" rather than order winners, increasing the competition among insurers to win over potential future customers
- As smart technology adoption rates go up, insurance companies need to prioritize scaling efforts in order to properly manage the abundance of new data gathered through these devices. This partnership between American Family and Frontpoint highlights this trend

INSHUR announces strategic partnership with Munich Re to further grow business in the \$1B #Rideshare Market

- INSHUR announced a partnership with Munich Re's Digital Partners to design and distribute innovative commercial auto insurance products through their mobile technology platform. Since its launch 18 months ago, the mobile-first commercial auto insurance provider has underwritten \$5 million in premiums from approximately 1,100 customers Taxi & Limousine Commission (TLC) drivers
- INSHUR opened for business in 2016 focusing on New York City's rideshare market; an insurance sector estimated to be soon worth \$1 billion+. The new platform automates insurance quote price optimization and offers flexible payment options using a mobile app. The entire process is marketed as taking 171 seconds to get the best TLC insurance available. INSHUR has proven to be an attractive option with rideshare drivers on the move, achieving an impressive 26% conversion rate from drivers quoted to customers insured
- The insurtech startup is now looking beyond New York's passenger transportation insurance market. The strategic partnership with Munich Re provides INSHUR with a partner that has global reach and the opportunity to develop new markets

Other Notable News

MassMutual Ventures Announces Second \$100 Million Fund

- MassMutual Ventures (MMV) announced a second \$100 million fund in October to invest in early- and growth-stage companies in the insurance and financial services. The new funding was provided by the parent company Massachusetts Mutual Life Insurance Company and doubles MMV's total capital to \$200 million, providing MMV the ability to invest in an additional 20 to 25 companies in North America, Europe, and Israel
- MMV, which was launched by MassMutual in 2014, has a current portfolio consisting of 20 investments representing ~\$80 million in invested and reserved capital. In the U.S., MMV acts as a lead investor or partner; however, with international opportunities MMV co-invests alongside local investors who can provide portfolio companies with ground support. The firm invests between \$1 - \$5 million per deal, leaving enough resources for subsequent investment rounds
- PolicyGenius, RiskIQ, Insurify, and Tuition.io are examples of startups MMV has funded. The firm has stressed that positive returns are the primary objective of the fund. In line with this investment strategy and a growing fund, MMV brought in Marybeth Egan from KKR & Co. to both source and conduct due diligence on potential investment opportunities

OCTO Telematics acquires UBI assets of Willis Towers Watson and will partner with them on insurance products

- Octo Telematics (Octo), a leading provider of telematics for the auto insurance industry, announced that it will acquire the usage-based insurance (UBI) assets of Willis Towers Watson (WTW), including its market-leading DriveAbility solution. Following the asset transfer, Octo intends to develop an alliance with WTW to further advance the algorithms and analytical tools used to provide actionable intelligence based on real-time data
- DriveAbility aggregates and analyzes telematics data to provide a driving score that assists insurers in designing policies. The solution also facilitates relationships between motor OEMs, telecoms, and insurers to help present holistic and personalized driving data to customers. The integration of DriveAbility with the Octo's Next Generation Platform (NGP) will result in significant synergies to Octo and its insurance ecosystem. Willis Towers Watson leader, Geoff Werner, will also join the Octo team to lead synergies and long-term growth
- Ptolemus Consulting Group projects rapid growth in the telematics industry, with nearly 100 million UBI policies expected worldwide by 2020. This level of market expansion produces a large amount of data to be used in producing tailored insurance policies, as well as crash analysis to prevent future accidents

Select InsurTech U.S. Capital Raises – October

| Announced | Target | Business Description | Capital Raised, Round/Total (\$m) | Current Round Investors |
|-----------|-----------------------|--------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|
| 4-Oct-17 | Clearurance | Developer of a review and rating platform that enables users to see what other insurance customers are saying about their insurance companies | 4.1 / 6.1 | Davis Capital Partners |
| 4-Oct-17 | Pie Insurance | Direct distribution workers' compensation insurance platform intended to offer improved insight into their workers' compensation insurance rates | 4.3 / 4.3 | Elefund, Moxley Holdings, Sirius International Insurance Group |
| 5-Oct-17 | CoverWallet | Provider of an online enterprise insurance management platform intended to speed up the insurance-buying process with data analytics | 18.5 / 31.3 | Foundation Capital, Index Ventures (UK), Union Square Ventures |
| 5-Oct-17 | Slice Labs | On-demand insurance platform created to offer pay-per-use insurance products online | 11.6 / 15.5 | Horizons Ventures, Munich Re/HSB Ventures, Plug and Play Tech Center, Sompoo Japan Nipponkoa Insurance, XL Innovate |
| 10-Oct-17 | Carfit | Self-diagnostic and predictive maintenance platform designed to help car owners get the most out of their automotive investment | 2.0 / 4.2 | Private Investors |
| 12-Oct-17 | Abode Systems | Home security and automation system designed to help people to be connected with their homes whether they are at home or on the go | 2.2 / 3.1 | Moderne Ventures |
| 12-Oct-17 | SecurityScorecard | Security rating platform designed to empower every organization with collaborative security intelligence | 27.5 / 63.4 | AXA Strategic, Boldstart, Evolution Equity, GV, Intel Capital, Moody's Nokis Growth Partners, Sequoia Capital, Two Sigma Ventures |
| 13-Oct-17 | Avyst Technologies | Developer of a personal lines sales and risk management system designed to manage and monitor the journey of a referral to a client | 4.5 / 7.5 | Private Angel Investors |
| 19-Oct-17 | Automile | Provider of mobile-first, design-first fleet and field service management services intended to connect vehicle drivers to fleet managers | 34.0 / 39.3 | Dawn Capital, Insight Ventures Partners, Point Nine Capital, SaaStr, Salesforce Ventures |
| 20-Oct-17 | Buoy Labs | Smart water leak detection system designed to manage and understand household water usage | 1.0 / 1.2 | Elemental Excelerator |
| 24-Oct-17 | Insurdata | Provider of a technology intended to capture, enhance, score and transfer high-resolution, peril-specific exposure and risk data globally | 1.0 / 1.0 | Anthemis Group, Menlo Ventures, Plug and Play Tech Center |
| 25-Oct-17 | ClaimKit / RiskGenius | Policy review platform designed to connect insurance professionals to digital knowledge | 50.0 / 53.7 | QBE Ventures |
| 27-Oct-17 | Beam | Group dental insurance and smartphone-connected toothbrushes that collect data about a user's daily usage to determine insurance plans | 5.5 / 11.1 | Lewis & Clark Ventures |

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