



# InsurTech Insights

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PricewaterhouseCoopers Corporate Finance LLC

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# InsurTech Trend – IoT's Influence on Insurance

With a projected **50B connected devices by 2020**, insurers are actively **creating technology partnerships** to harness IoT capabilities as part of their value proposition. How are they using all this data?

The Internet of Things (“IoT”) is a system of interconnected devices that are able to capture, share, and communicate data among themselves. Historically, IoT has been primarily utilized in GPS, telematics and other mobile services. However, with the exponentially increasing diversity in application and penetration of IoT technology, insurance companies now have enough use cases to develop compelling value propositions for using data derived from these IoT capabilities to improve insurance products. We outline three key trends in IoT below:

- 1 A white paper published by Cisco<sup>1</sup> predicts that there will be approximately **50B connected devices by 2020, which translates to an average of 6.58 devices per person**, assuming a 7.6B population
- 2 McKinsey<sup>2</sup> wrote in a special TMT report that **only 1% of IoT data collected is being analyzed** – with the majority of examined data focused on defect and anomaly detection, rather than prediction and optimization of future trends for improved products
- 3 A study released by IDC<sup>3</sup> shows that the IoT market will experience a compound annual growth rate (“CAGR”) of approximately 13.6% through 2022 for a **global value of \$1.2 trillion**. The **insurance sector represents one of the leading industries in IoT spend with a 17.5% CAGR** during the same period

IoT is increasingly relevant to many different sectors in the economy, and its impact is expected to continue growing. For insurance companies with IoT investments, the development of data analytics capabilities will improve underwriting, increase operational efficiencies and allow companies to provide better services to customers given the savings realized from these data-driven improvements

## Travelers / Amazon

- ✓ Travelers has just announced that it will begin selling smart home security devices and sensors to its homeowners' insurance customers through Amazon
- ✓ Certain smart home devices are offered at a discount for Travelers customers in certain states and may be installed by Amazon representatives. Customers are eligible for discounted homeowners' insurance premiums
- ✓ For Travelers policyholders, smart home devices will help prevent damage related to water leaks, fire and loss from theft
- ✓ Selling through Amazon is a new distribution channel, direct to consumer
- ✓ Beyond the retail volume, the benefits to Amazon are learning from a respected insurance brand while collecting valuable home and consumer demographic data. Amazon's acquisition of Ring and continued development of the Alexa virtual assistant /Echo products may position them to enter the market as a disruptor in the insurance market

## Hippo / Comcast

- ✓ In May 2018, Comcast and Hippo partnered to pilot a home insurance product for Xfinity customers in Houston
- ✓ The partnership focused around the application and utilization of smart home technology, like water leak sensors, advanced smoke detectors, and security camera devices to help identify and prevent damage in the home
- ✓ Since this partnership, Hippo has expanded its welcome package to include 5 free smart home sensors with every new policy, while Comcast has become a licensed insurance broker “Comcast Warranty and Home Insurance Agency”, seeking new avenues to expand data collection from their customers

# Recent Investments / Acquisitions

## Devoted Health Raises \$300M

- Devoted Health (“Devoted”), a personal medical plan provider, announced a \$300M Series B capital raise valuing the company at approximately \$1.8B post-money. The funding round was lead by Andreessen Horowitz, and followed by Premji Invest, Uprising, and investors from prior rounds. Preceding the Series B, Devoted had raised approximately \$70M in 2 prior funding rounds. Devoted plans to use the latest cash infusion to further develop its technology and grow its team by approximately 250 employees over the next 3 years
- Alongside the capital raise, Devoted has also announced that the company will open its Medicare Advantage product for enrollment across 8 separate counties in Florida. The company categorizes itself as a patient-centric “payvidor” that more closely coordinates and integrates payer and provider sides of healthcare under one platform, with supplemented assistance from in-house clinicians who organize detailed care guidance and doctor house visits. Additionally, Devoted believes the implementation of technology and AI will enable the company to make fundamentally better provider networks for their patient clients
- Although Devoted is entering an increasingly crowded healthcare market, the company is led by two industry veterans with a proven track record of implementing successful technology in healthcare. Ed Park and Todd Park (brothers) were part of a small team 20 years ago that launched Athenahealth, a publicly traded healthcare services company, as the CTO/COO and co-founder, respectively. Furthermore, Todd Park served as CTO to the Federal Government during President Barack Obama’s administration

## Munich Re acquires IoT middleware startup Relayr

- Munich Re, via its subsidiary Hartford Steam Boiler (“HSB”), has announced the full acquisition of Relayr, provider of industrial internet of things (“IIoT”) middleware, for \$300M. Prior to this acquisition, HSB Ventures has been a lead investor in multiple rounds for Relayr, starting from the Series A round in 2015. As part of this acquisition, HSB sees tremendous opportunity to create new financial and insurance products for mid-sized commercial companies that are making large investments in IoT
- Relayr, located in Boston, MA, offers IoT solutions that help industrial companies digitize machines and processes with a specific focus on industrial and automotive manufacturing, food processing and power generation. As part of their key strategy, Relayr offers customers a full value stack composed of technology, delivery, finance and insurance. More specifically on the insurance segment, Relayr – backed by Munich Re/HSB – has been enabled to offer full end-to-end insurance packages when the customer is securing external financing or initiating full suite digital transformations, including money back warranty and business outcomes warranty
- Moving forward, Relayr has stated that it will operate as an autonomous company and continue to reinforce the start-up culture and innovation that has driven past growth and innovation. Relayr gets direct access to all of Munich Re/HSB’s existing clients and will help these clients develop and implement digitalization and IIoT ecosystems

## Cover raises \$C20M in Series B funding round

- Cover Financial (“Cover”), a mobile online insurance brokerage platform, has announced the closing of a \$C20M Series B funding round at a post-money valuation of \$91M. The round was co-lead by Tribe Capital and Y Combinator, with follow-on participation from EXOR Seeds, Samsung Venture Investments, and Social Capital. The new capital will be used to scale the engineering team in San Francisco and expand the company’s insurance product offering
- Founded in 2015, Cover has created a mobile insurance platform that allows a customer to take a picture or video of any personal property item and get instant insurance quotes for that object. The company uses their “magicam” feature to auto-detect and categorize personal belongings that the customer wants to insure, which in turn gets sent to a Cover advisor who helps the customer aggregate and shop for the best policy online. Examples of personal property items that Cover can identify and insure through their “magicam” includes: auto, homeowners’ / renters’, pets, electronics, jewelry and small commercial. Furthermore, once a customer signs up to a policy, Cover will automatically continue to track market prices and will alert the customer if a lower cost policy becomes available
- The next generation of Cover’s platform will introduce a point-of-sale warranty option for consumers on Shopify, protecting both the seller and buyer from malfunctions and hardware defects. Cover takes the seller out of the claims process by handling the situation with the consumer directly, making for a better experience for both parties

# Recent Partnerships

## **AXA XL partners with Parsyl to offer marine risk prevention**

- AXA XL, a specialty insurance division of AXA Group and leading player in global cargo insurance market, has partnered with Parsyl, a Colorado-based supply chain data platform that helps shippers and insurers to better understand the quality and conditions during transport of sensitive perishables. The partnership will focus around implementing Parsyl's IoT technology and data mining capabilities to more effectively help AXA's clients enhance current loss mitigation strategies and risk prevention services during cargo delivery
- Founded in 2016, Parsyl has developed a low-cost multi-sensing device called the "Trek" that can get placed in any shipping box or container to accurately track temperature, humidity, light, impact and GPS of any object. The device is supplemented by both mobile and desktop web platforms that automatically organizes "Trek" sensor data into actionable executive reports that help with predictive analytics and risk mitigation for both insurers and shippers. Parsyl currently operates as a Hardware-as-a-Service ("HaaS") and charges the customer a flat fee per shipment that includes all the hardware, software, and technical support
- To date, Parsyl has been operating under stealth mode with only \$4.3M in seed funding from Pallasite Ventures, raised at a post-money valuation of \$12.3M. The company officially launched during the 2018 InsurTech Connect Conference in Las Vegas, while simultaneously announcing the partnership with AXA XL. Parsyl has announced that the company will be opening its platform to additional insurers and shippers over the next year

## **PrecisionHawk announce a partnership with EagleView**

- PrecisionHawk, the leading developer of drone technology, and EagleView, the principal provider of aerial imagery for the government, have announced a partnership to expand their remote drone inspection capabilities to help P&C carriers quickly process claims during emergency catastrophe situations. Per the joint press release, the companies have noted a steep decline in the number of insurance adjusters over the last 20 years, placing strain on the inspection labor force, particularly during hurricane season. PrecisionHawk and EagleView believe they can help alleviate this demand shortage by providing greater access to licensed drone pilots
- The partnership will combine two of the companies' key platforms to provide the insurance industry with access to thousands of certified drone pilots who can then help collect property damage data during natural catastrophes and peak periods for reported claims:
  - **Droners.io (PrecisionHawk):** world's largest network of commercial drone pilots for hire that can provide aerial photography, video, surveying and mapping
  - **OnSite Solutions (EagleView):** delivers high-resolution imagery from multiple drone camera sources directly to the claims adjuster's desk
- In addition to the partnership with EagleView, PrecisionHawk has also announced the acquisitions of both HAZON Inc. and InspecTools Inc. – businesses that specialize in the delivery of inspection services and technology for the energy industry. Recent advancements in regulations for energy infrastructure inspections has made this market very appealing for growth, more specifically for installations of solar panels, wind turbines, and transmission lines

## **Hannover Re partners with Life by Spot**

- Hannover Re US ("Hannover Life Reassurance Company of America"), a key member of Hannover Re Group, has announced a partnership with Life by Spot, a direct-to-consumer life insurance company that offers on-the-spot coverage for thrill-seeking and adventure-loving customers. Based on research conducted by Life by Spot, only 5% of Americans younger than age 45 have life insurance. Life by Spot has created a new market for term life insurance, one that is better suited for the millennial generation
- As part of this effort to fill the insurance gap, Life by Spot has developed a short-duration and event-based life insurance policy that ranges between 24 hours to 30-day terms and covers activities like skydiving, scuba diving, skiing, and even lawnmower racing (all covered activities listed on their website). The baseline policy starts at just \$7 for \$50,000 in coverage, with options to increase coverage to \$100,000 and \$200,000. The company asks a few simple questions about the activity and required duration of the policy, after which the customer can get instantly approved over their own mobile phone
- Spot by Life has not yet officially launched its product but is targeting late 2018 to start writing policies for new customers. It will be interesting to see how this product evolves, as it is the first of its kind in the U.S.

# Other News

## **Boost Insurance partners with Paladin Cyber**

- Boost Insurance ("Boost") announced it has launched Paladin Cyber's ("Paladin") insurance program as its first insurtech partner on the Boost InsurTech Platform. Covered in our May edition, Boost is an exciting start-up that has designed a platform focused on providing back-end insurtech infrastructure and support to successfully launch innovative insurance products. Boost also acts as a general agent on behalf of its carrier partners and reinsurers enabling its insurtech partners to quickly access insurance paper
- Paladin Cyber was launched with the focus of assisting small and medium-sized businesses to manage cyber risk. Its first product was an all-in-one SAAS cyber protection suite that assesses a company's cyber risk, provides constant monitoring, and also includes an employee education and training component. The product is offered on a per employee, per month, subscription basis. Developing a cyber insurance product was a logical next step for Paladin and while customers are not required to purchase both services, combining the two enables Paladin to underwrite more effectively and maximize risk mitigation
- With Boost's assistance, Paladin was able to launch an admitted, multi-state cyber program in only four and a half months, significantly faster than the industry average of approximately 18 or more months. The cyber insurance policy is easy to understand and covers breaches when these are discovered, which means that if you discover a breach that occurred prior to the start of the policy, Paladin will still cover you. With the first program successfully launched, we are looking forward to seeing how Boost expands with other innovative insurtech partners

## **Credit Karma creates an Auto Insurance Score**

- Leading personal finance and technology company Credit Karma has announced the launch of a new insurance product in Texas and California that would allow for its members to see what other similarly profiled users are paying for car insurance. Per the company's press release, Credit Karma believes that there is approximately \$21B in yearly auto insurance mispricing, causing Americans to overspend on basic coverages. Similar to its other core suite of products, Credit Karma intends to educate its members on market auto insurance rates through an interactive experience, showing members the potential impact of moving violations and poor credit scores, in hopes of facilitating higher transparency and cost savings for its members
- Credit Karma's current auto loan product aggregates driver and vehicle information from the DMV to assist in auto loan calculation, re-sale value tracking, and auto-part recall information. To date, 8 million of Credit Karma's total 80 million users have registered their cars for this service, which does not yet include the insurance comparison product. However, by combining the existing DMV and driver data with additional reports from the credit bureau and public insurance rate filings, Credit Karma will have all the necessary information to recreate insurance quote estimates in order to advise their customers on price
- While the auto insurance comparison tool is only a small derivative of Credit Karma's other key products, it will be the company's first product in the insurance space, potentially signaling an expansion into the insurance carrier or MGA space. Another key player in the personal finance space, SoFi (Social Finance), has already made the transition into term life insurance earlier this year, providing a useful example of customer demand in such cross-platform products

## **WeWork taps Lemonade to offer insurance to WeLive members**

- WeLive, the residential offering of fully-furnished apartments from WeWork, has announced that it will be using Lemonade to provide renters' insurance to its residents. While the partnership is not exclusive, WeLive will begin to refer all of its new and existing residential members to Lemonade for insurance coverage. It will be interesting to see how these units will be priced given the nuanced nature of their residence. WeLive members are typically bi-coastal workers who travel a lot and only need temporary accommodation, begging the question – do they have the same risk profile as regular full-time tenants?
- To date, WeLive has opened 2 separate residential locations, one in New York and the other in Washington D.C., numbering approximately 400 units. The company claims that the two locations are already close to capacity, and that WeLive is looking to expand into a third location in Seattle by Spring 2020
- While this business partnership seems to be on the small side for both parties, launching the WeLive renters' insurance from Lemonade may simply be a test run for a partnership between the two companies. With approximately 175,000 members in the WeWork open work space network, Lemonade should have ample opportunity to evaluate the development of additional insurance products and services targeted at this growing demographic of contractors, the self-employed and start-ups

# Select InsurTech U.S. Capital Raises – September / October

Announced	Target	Business Description	Capital Raised, Round/Total (\$M)	Current Round Investors
30-Oct-2018	Ethos	Provider of an online platform intended to make life insurance affordable and comprehensive for users and their family	35 / 46.5	Accel, GV
30-Oct-2018	Kinetic	Developer of an industrial wearable health and safety device designed to reduce musculoskeletal injuries of industrial workers	4.5 / 11.7	Crosslink Capital, Primary Venture Partners
25-Oct-2018	kWh Analytics	A platform that helps solar investors to deploy more capital intelligently by providing data integration, analytics and performance	1.3 / 6.9	U.S. Department of Energy
17-Oct-2018	Applied Systems	Developer of cloud-based insurance software for agency and brokerage management systems to automate the exchange of information	Undisclosed	CapitalG
16-Oct-2018	Devoted Health	Operator of a healthcare services platform that provides personal guides, contracts, and HMO and Medicare Advantage plans	300 / 369.4	Andreessen Horowitz, Premji Invest, Uprising
09-Oct-2018	Proformex	Developer of a policy management software that uses real-time governance controls based on individual objectives of each policy	4 / 5	Undisclosed
04-Oct-2018	Authentic4D	Technology provides speed, affordability and objectivity in reviewing injury claims arising from auto, workers' comp, and general liability	5 / 5	IA Capital Group
02-Oct-2018	Tomorrow Ideas	Developer of a financial planning application with the optionality to purchase term life insurance within the app, or use an existing policy	Undisclosed	National Financial Partners
02-Oct-2018	Cover	The platform takes a picture of cars, homes, pets and jewelry and using SaaS connects them with insurance partners to get price and coverage	16 / 27	Samsung Venture Investment, Tribe Capital
26-Sep-2018	Slice Labs	Provider of a pay-per-use insurance platform allows users to purchase instant car and rental insurance coverage from their smartphone	31.6 / 35.5	JetBlue Technology Ventures, Munich Re/HSB Ventures, Sompo Japan Nipponkoa Insurance, The Co-operators, Veronorte
24-Sep-2018	Socotra	Developer of a cloud-based software that unifies underwriting, policy management, claims, reinsurance and reporting	16.6 / 16.6	8VC, Caffeinated Capital, Founders Fund, Greenoaks Capital, SciFi VC, SV Angel, Tuesday Capital, VKRM, Vulcan Capital
01-Sep-2018	Covered Insurance	Provider of a platform that combines modern, easy-to-use insurance quote comparison technology and digital-friendly customer service	1.5 / 2.2	Propel Venture Partners
01-Sep-2018	Driav	Provider of an online auto insurance platform uses artificial intelligence and machine learning to insure autonomous and driverless vehicles.	3.5 / 5	Crosscut Ventures

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