

*PricewaterhouseCoopers Corporate Finance LLC*  
*InsurTech Insights*



PricewaterhouseCoopers Corporate Finance LLC  
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# Current Trends

## ***Changing Markets and Demographics***

- Millennials are the largest generation by population in the U.S., but the least insured. Most insurers are developing strategies to access this coveted market
  - ✓ Notably, Munich Re recently invested in Trōv, an innovative insurance company targeted at unlocking the millennial market by offering on-demand insurance through consumers' smart phones
- Companies like Uber and Lyft, co-working spaces like WeWork, and even marketplaces like Etsy or eBay are forcing change in the insurance market. These all contribute to the growing market of 1099 contractors driving insurers to adopt and innovate ways to offer coverage
- As Baby Boomers retire in large numbers, demand for healthcare is beginning to shift from insurance coverage to elder care in its many forms for themselves or their parents. A large opportunity exists in both managing and optimizing these elder care costs. A key focus for insurers is keeping seniors in their homes longer and out of an institutional setting.
  - ✓ Note GTCR's recent acquisition of GreatCall, an interesting example of how the industry is collecting data and preparing for these changes

## ***Emerging Technology***

- Internet of Things (IoT), data analytics, and telematics are quickly changing the insurance industry with data feeds that drive underwriting and pricing. As more devices are able to connect to the internet, insurers will be able to gather more data, individualize service offerings and differentiate pricing decisions at the single risk level, which will in turn drive both competition and further innovation
  - ✓ Auto insurers have been deploying IoT strategies for some time, using vehicle telematics to collect information on drivers and tighten pricing
  - ✓ Devices such as Fitbits and other tracking products are producing vast quantities of data, but it is still unclear how this data will be deployed as a strategic advantage to life and A&H companies
  - ✓ Advanced security systems are also producing data analytics in a format similar to the impact of telematics on auto coverage, meaning competition will only tighten
- While global life and P&C carriers invested as much as \$80 million in data analytics in 2016 with more to come in 2017, only about 15% of those surveyed by McKinsey said data and analytics were having a "high impact" on business. Challenges reported by insurers related to the difficulty of showing the power of data analytics when data quality is poor or incomplete, among others

## ***Increasing InsurTech Interest***

- InsurTech is reshaping the insurance industry by driving innovation across the sector, aided by investors from inside and outside the industry
- The U.S. has the highest number of deals in InsurTech with 67% of global InsurTech deals funded in the U.S. since 2012. The number of U.S. deals has steadily increased each year, growing from 42 deals in 2012 to 106 deals in 2016. Funding for InsurTech topped \$1 billion in both 2015 and 2016
- Widespread dissatisfaction with the state of health insurance and health services, along with an increasingly difficult market under the Affordable Care Act, has also spawned a surge of innovation in the sector, attracting venture capital and new investors to healthcare and health insurance as well

# Notable Transactions

## ***American Family Insurance, among others, investment in Bot Home Automation (Ring)***

- January 2017: American Family Insurance (AmFam) participated in a \$109 million series D funding round of Bot Home Automation (Bot), alongside Goldman Asset Management, Sir Richard Branson, and the Amazon Alexa Fund, among others
- Bot manufactures ‘Ring’, a video doorbell for homes that records all activity outside users’ front doors storing the recordings in the cloud. Ring has emerged as a market leader in a new generation of connected home products and has proven effectiveness at reducing crime in neighborhoods. The business has experienced rapid expansion with the company’s products available across 100 countries in 15,000 retail locations with employee headcount increasing 360% to 115 by 2016

## ***Munich Re investment in Trōv***

- March 2017: HSB Holdings, an investment arm of Munich Re, and Sompō Holdings led a \$45 million series D funding round in Trōv, a San Francisco-based company providing “on-demand insurance for the things you love.” Other investors include Suncorp Group, Anthemis Group, Guidewire Software, and Oak HC/FT Partners
- Trōv allows users to toggle insurance for items such as laptops, cell phones, cameras, headphones, sports equipment, and instruments on and off via a smartphone app. Claims are filed through in-app texting, making coverage easy and intuitive for a generation new to insurance. Due to regulatory laws, Trōv currently only operates in Australia and the U.K., but is expected to be available in the U.S. this year. Trōv sells and manages the insurance, backed by institutional partners to handle the underwriting and regulatory licensing. AXA and SunCorp provide backing in the U.K. and Australia, respectively, while Munich Re will back Trōv in the U.S.

## ***American Express investment in Next Insurance***

- March 2017: AmEx Ventures, the VC arm of American Express announced its investment in Next Insurance, a Palo Alto start-up that insures small business and self-employed individuals. This series A funding round raised \$35 million from 23 investors and closed in June 2017. Other investors include HSB Holdings, Nationwide Ventures and Markel Corporation
- Next Insurance was founded by serial entrepreneurs who realized there had to be a better way to obtain and maintain insurance for new and small businesses. Coverage is simple to obtain online. Next Insurance replaces mountains of paperwork with an intuitive web-based platform accessible from all types of devices. They currently have around 5,000 customers

## ***GTCR acquisition of GreatCall***

- June 2017: Chicago private equity firm GTCR signed an agreement to acquire GreatCall, the largest provider of connected health and personal emergency response services (PERS) for seniors. The deal is expected to close in Q3; financial terms were not disclosed
- Based in California, GreatCall’s mission is to help seniors live at home longer, improving their quality of life and lowering the cost of care. The company has approximately 1,200 employees and generates over \$250 million in annual revenue. GTCR hopes to capitalize on current trends in the healthcare and telecom industries in addition to the large numbers of Baby Boomers entering retirement

## ***Starr Cos (Hank Greenberg) investment in CoverWallet***

- July 2017: Starr Cos acquired a minority stake in New York-based CoverWallet for an undisclosed amount. CoverWallet is a startup that uses data analytics to speed up the process of buying insurance. Launched in 2016, it focuses on online issuance of policies and other insurance services to small businesses. The business had previously raised approximately \$10 million from investors including Union Square Ventures and Index Ventures, among others
- Starr Cos is one of many large insurers looking to increase their presence among small businesses through more streamlined distribution. The application of data analytics at the point of purchase further reduces costs, making standardization of small business policies a real possibility

# *New Market Entrants: Funds and Strategic Partnerships*

## *New InsurTech-Focused Funds*

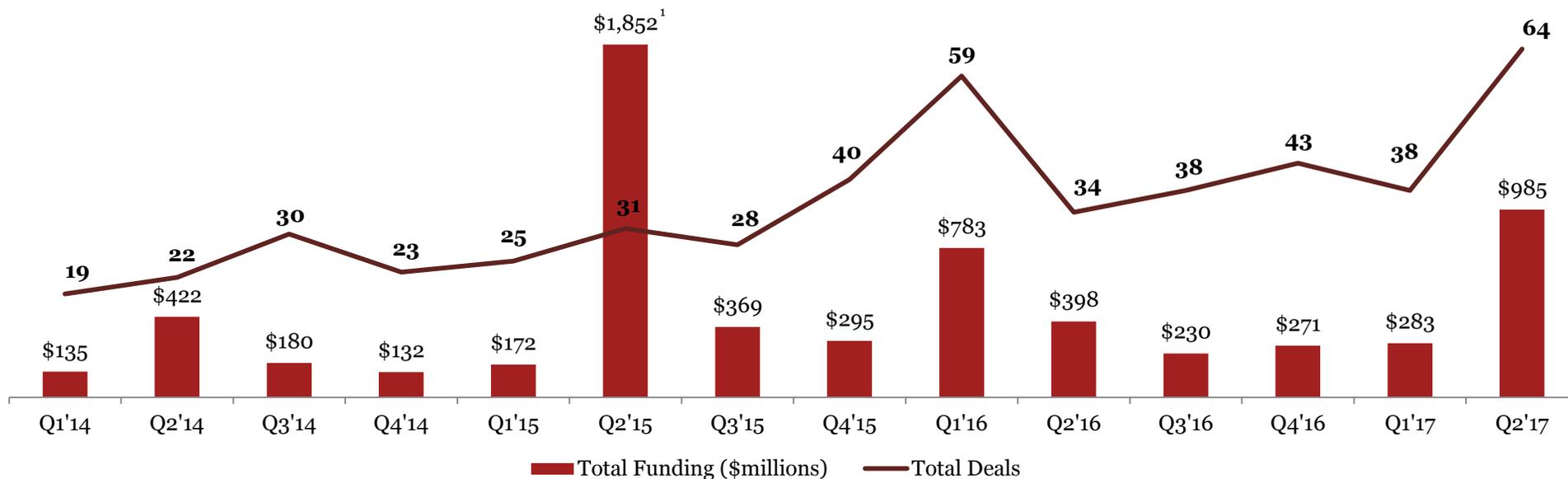
- January 2017: **Helvetia Venture Funds** invests in InsurTech startups in Europe with a fund size of ~\$58 million. The fund seeks to invest approximately \$500,000 - \$2 million per round with up to ~\$5.75 million invested in each portfolio company
- January 2017: **Northwestern Mutual Future Ventures** will invest \$500,000 - \$3 million in startups with four areas of focus including digital health, client experience, data analytics, and changing preferences of consumers. The fund is seeking to change the way “consumers experience and achieve financial security”
- March 2017: Australia’s largest global insurer, **QBE**, announced a \$50 million fund to be invested in partnerships with InsurTech companies. QBE will invest in data analytics-focused companies across the U.S., U.K., Israel and Australia
- March 2017: **Aflac Corporate Ventures** will partner with technology accelerators to identify early-stage companies with a mission that supports the insurer’s core business. They intend to build a fund of \$100 million within the next three years through investments in Japan and the U.S.
- July 2017: **Toyota Motors** announced a \$100 million venture capital fund through its US-based AI unit to invest in startups across AI, robotics, autonomous driving and cloud technology. Toyota will invest in new technology and businesses beyond the auto industry and increase its cooperation with startups. This may provide an opportunity to partner with vehicle telematics startups, a market segment drawing increased investment from personal lines insurers

## *Strategic Partnerships*

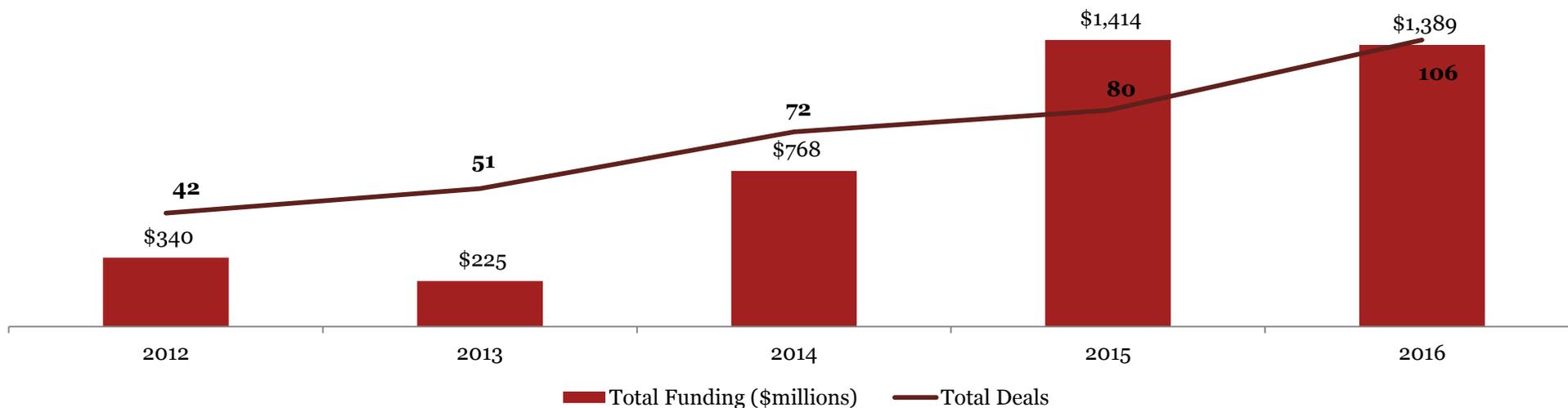
- March 2017: **Desjardins**, Canada’s third largest provider of P&C insurance, entered into a partnership with **smart home startup Roost** along with Liberty Mutual, ASI, and USAA. Roost detectors are capable of alerting homeowners via smartphone to emergencies and issues including water leaks, the growth of mold, and abnormal home temperatures resulting from problems with heating and cooling systems
- May 2017: **OneBeacon** A&H is piloting an **Uber driver injury protection** policy in eight states offering up to \$1 million in benefits for covered expenses. Drivers will pay for coverage on a per mile basis instead of traditional monthly premiums
- June 2017: LA startup **Honk** announced a partnership with **Farmers Insurance Group**. Honk provides roadside assistance via an app and will be white labeling its services under the Farmers brand. Honk, described as “the Uber for towing,” has 55,000 trackable trucks across the country. Drivers in need of assistance call for help through Honk’s app and are matched with a nearby tow truck, whose location and estimated arrival time can be tracked by users. This partnership will help Farmers compete with assistance leaders like AAA
- June 2017: **Warrantech**, a subsidiary of AmTrust is working with **Sure** to launch an innovate smartphone protection product based on virtual diagnostics that indicate the health (battery, memory, CPU, etc.) of the mobile phone. The product can be purchased at any time during a mobile phone’s lifetime, provided the phone is in good condition
- June 2017: **LexisNexis Risk Solutions**, a leading provider of data and analytics in insurance telematics, and **TrueMotion**, a leading provider of turnkey, smartphone usage-based insurance (UBI) technology, announced a new partnership providing insurers greater flexibility and consumer-focused UBI programs. TrueMotion is joining the LexisNexis Telematics Exchange, allowing insurance carriers who opt-in to take advantage of data from the industry and OEMs to make better decisions faster and gain unique insights for competitive advantages

# Financing Trends

## Global InsurTech Quarterly Financing



## North American InsurTech Annual Financing



Note 1: Funding in Q2'15 includes a \$931m capital raise by Zhong An Insurance, a Shanghai-based internet insurance company  
Source: CB Insights

# InsurTech U.S. Capital Raises – June

Announced	Target	Business Description	Capital Raised (\$m)	Current Round Investors
6/1/17	Bright Health	Online health insurer offering affordable plans through partnerships with health systems and providers and a simple to use interface	\$160.0	<ul style="list-style-type: none"> <li>▪ Bessemer Ventures</li> <li>▪ Cross Creek Advisors</li> <li>▪ Flare Capital Partners</li> <li>▪ Greenspring Associates</li> <li>▪ Greycroft Partners</li> <li>▪ New Enterprise Associates</li> <li>▪ Redpoint Ventures</li> </ul>
6/7/17	Friday Health Plans	Health insurance platform matching individuals with affordable and customizable health insurance plans	\$3.0	<ul style="list-style-type: none"> <li>▪ Eduardo Cruz</li> <li>▪ Other undisclosed</li> </ul>
6/9/17	Kin Insurance	Digital homeowners insurance platform combining online customer and underwriting data to help match customers with the best plan	\$3.5	<ul style="list-style-type: none"> <li>▪ Commerce Ventures</li> </ul>
6/13/17	Cognitive Scale	Constructs augmented intelligence software for finance and healthcare businesses	\$15.0	<ul style="list-style-type: none"> <li>▪ USAA</li> </ul>
6/13/17	Notion	Home monitoring sensors that alert homeowners to developments such as open windows and doors, leaks, alarms, and temperature changes via a mobile app	\$10.0	<ul style="list-style-type: none"> <li>▪ Liberty Mutual Ventures</li> <li>▪ XL Innovate</li> </ul>
6/13/17	Snapsheet	A mobile app that helps users estimate auto claims via photo; estimates are usually received less than 3 hours after photos are sent to insurers. Allows insurers to settle ~90% of auto claims within 30 days	\$12.0	<ul style="list-style-type: none"> <li>▪ Tola Capital</li> </ul>
6/14/17	Dispatch Technologies	Provides a platform for businesses to use to coordinate when technicians have been dispatched, track job statuses, accept payments, and communicate with employees	\$12.0	<ul style="list-style-type: none"> <li>▪ Assurant Growth Investing</li> <li>▪ Liberty Mutual Ventures</li> </ul>
6/15/17	Covr Financial Technologies	Digital platform giving customers access to life insurance policies from top insurers and help from financial institutions and advisors	\$5.0	<ul style="list-style-type: none"> <li>▪ Commerce Ventures</li> <li>▪ Connectivity Capital</li> <li>▪ Contour Venture Partners</li> <li>▪ Nyca Partners</li> </ul>

Sources: PwC CF Research, CB Insights, CapitalIQ

# InsurTech U.S. Capital Raises – June

Announced	Target	Business Description	Capital Raised (\$m)	Current Round Investors
6/15/17	Sure	Mobile insurance platform offering baggage, smartphone, and renters insurance. Smartphone insurance can be purchased at any time with rates determined via diagnostic tests run remotely	\$8.0	<ul style="list-style-type: none"> <li>AmTrust Financial</li> <li>Assurant Growth Investing</li> <li>Nationwide Ventures</li> </ul>
6/19/17	Augury Systems	Mobile-based predictive maintenance technology capable of testing, diagnosing, and predicting machine failures	\$17.0	<ul style="list-style-type: none"> <li>MunichRe (HSB Ventures)</li> </ul>
6/20/17	EaseCentral	Digital platform for employers letting agents set up and manage HR and benefits for their clients	\$6.5	<ul style="list-style-type: none"> <li>Compound Ventures</li> <li>Freestyle Capital</li> <li>Propel Venture Partners</li> <li>Transmedia Capital</li> <li>Upside Partnership</li> </ul>
6/21/17	Pula	Insurance intermediary helping farmers guard crops and invest in their farms with mobile financial tools	\$0.3	<ul style="list-style-type: none"> <li>Digital Financial Svcs. Lab</li> </ul>
6/23/17	Beam Technologies	Dental insurer that prices rates based on how often users brush their teeth with a Beam toothbrush delivered to their door along with floss, toothpaste, a battery, and replacement heads for the toothbrush	\$4.5	<ul style="list-style-type: none"> <li>Drive Capital</li> </ul>
6/24/17	Modern Message	Develops Community Rewards, a platform that has residents market their apartment complexes in return for incentives and rewards	\$2.0	<ul style="list-style-type: none"> <li>AXA Strategic Ventures</li> </ul>
6/27/17	Covered Insurance Solutions	Mobile platform for comparing insurance services and quotes	\$0.7	<ul style="list-style-type: none"> <li>Ozmen Ventures</li> <li>Rapid City Economic Development Partnership</li> </ul>

Sources: PwC CF Research, CB Insights, CapitalIQ

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