



InsurTech Insights
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InsurTech Trend – the Future of Auto Insurance

Recent late stage VC investments in auto insurtechs **Metromile** and **Root** have signaled the start of an arms race to disrupt the **\$259B¹** auto insurance industry

But who will win?

The auto industry is on the brink of a paradigm shift where autonomous vehicles, ride-sharing, and re-urbanization of cities will drastically **reduce the rate of car ownership and decrease demand for traditional auto insurance**. We have identified three major trends that personal auto insurers need to track closely:

- 1 Loup Ventures predicts that approximately **45%¹ of all vehicles sold in 2035 will be automated** with self-driving capabilities – requiring significant changes to traditional auto insurance policies
- 2 An economic impact report published by Lyft claims that its services alone have caused **over 250,000² users to either delay or give up personal car ownership in 2017**. Additionally, nearly 50%² of Lyft users have reported lower levels of personal car use, with almost 25%² of all users stating that personal vehicle ownership is no longer important
- 3 A study released by the American Public Transportation Association³ reveals that metropolitan residents who use ridesharing services like Lyft and Uber for social purposes are now **more likely to use public transportation for work and errands** rather than purchase a personal vehicle

RethinkX, a think tank focused on innovation, has made the bold prediction that only **20% of eligible Americans will own a car in 15 years⁴**. The concept of traditional car ownership is nearing fundamental change – one that will require insurance companies to carefully think through longer term strategies to future proof their sustainability.

Next up: Two of the challenger insurtechs and their business strategies to capitalize on the shifting trends of demand and manufacturer innovation

Root

- ✓ Root Insurance ('Root') raises another **\$100M -- Series D** from Tiger Global just completed in August 2018
- ✓ First US carrier to offer **fully operational usage based auto insurance ('UBI')** through dynamic sensors that monitor hard braking, time of day during commute, ease of turns, and consistency of gas and break use
- ✓ Root, and its financial backers, believe this pure UBI model best positions the company to capture active drivers who want to reduce their monthly premium bill
 - This business model has short-term advantages over Metromile among drivers who are both active and focused on safe driving. Millennials working as part-time Uber drivers or participating in gig-economy tasks that require driving may find Root's platform and insurance better suited to their needs

Metromile

- ✓ Metromile raised **\$90M in a Series E** venture funding from Tokio Marine and Index Ventures in July 2018
- ✓ This US pay-per-mile auto insurance carrier calculates monthly premium **based only on distance driven per month**, with a premium cap at 250 miles
- ✓ Metromile and its investors are placing greater emphasis on providing drivers insurance only when they need it – taking advantage of the decreasing car ownership trend among millennials
 - This strategy may have a long-term advantage over Root with commercial fleet owners of autonomous cars where the exposure to accident **risk is a function of time** on the road rather than dependent upon the skill level of the driver

Recent Capital Raises / Investments

Gusto raises \$140M in Series C Funding

- Gusto, a web-based payroll and benefits solution platform, has raised \$140M in its most recent Series C funding round. The funding was led by T. Rowe Price Associates, Inc., MSD Capital (Michael Dell's Family Office), Dragoneer Investment Group and Y Combinator Continuity Fund. The company plans to use the funding to add products to Gusto's all-in-one payroll, benefits and HR technology platform
- Founded in 2011, Gusto targets small- to medium-sized business with less than 200 employees and currently serves more than 60,000 businesses across the US. The platform streamlines process for employers and employees alike, providing easy management of HR and employee benefit integration (including health insurance policies and 401(k) retirement plans) with an intuitive online payroll platform. The latest feature of this platform, referred to as "Flexible Pay," allows employees to choose the customized paycheck frequency – regardless of their employer's pay schedule – without impact to the employer's cash flow. Gusto advances funds to employers, so employees get paid as soon as a day after they have requested; Gusto deducts the advanced funds when the employer runs payroll
- This latest funding round values the business at approximately \$2B. While the business is not yet profitable, Gusto's CEO sees significant opportunity to increase its 60,000 strong customer base given there are more than 30 million small businesses in the US, employing more than 48% of the US workforce³. Accelerating customer acquisition should position the company to go public, which the CEO predicts in three to five years time

Alphabet invests \$375M in Oscar Health

- Oscar Health ('Oscar'), a technology focused health insurance company, has raised \$375M in funding from solo investor Capital G, the growth equity investment fund under Alphabet and Google. This capital raise comes only 5 months after its previous \$165M raise in March which included lead investor Founders Fund, and follow-on investors Capital G, Fidelity Investments, Formation 8, General Catalyst, Khosla Ventures, Thrive Capital and Verily Life Sciences
- The post-money valuation of Oscar, approximately \$3.2B¹, has not changed drastically since the March round of funding, as reported by Wired; however, the investment by Alphabet serves a more strategic goal of acquiring roughly 10% of Oscar and placing Salar Kamangar onto the board of the company. To date, Oscar has raised approximately \$1.3B in total funding across 9 different rounds, displaying the financial complexity of standing up a healthcare provider in the US today. During FY 2017, Oscar burned approximately \$127M² on \$229M² of revenue with a medical loss ratio of 94%², where the industry standard is 80%. Albeit Oscar is currently facing an uphill challenge, the most recent capital raise from Capital G provides Oscar an additional level of financial security to keep pursuing change in healthcare
- The new capital will be used in two primary facets: 1. speeding up the process of fundamentally re-engineering the health insurance infrastructure from the ground-up and 2. facilitating the launch of a new product line that will cover Medicare Advantage by 2020. As part of achieving these goals, Oscar will be actively hiring engineers, data scientists, product designers, and smart clinicians to creatively think about ways to design a better healthcare system

Root Insurance Raises \$100M in Series D Funding

- Root Insurance ('Root'), the first carrier to offer fully operational usage-based auto insurance, has secured \$100M in Series D funding lead by Tiger Global Management, and including follow-on investors Redpoint Ventures, Ribbit Capital and Scale Venture Partners. This funding round comes as a surprise to the broader insurtech market given the recent \$51M capital raise in March 2018. In addition to these quick back-to-back funding rounds, the Series D round was issued at an increased post-money valuation of \$1B -- 4x higher than the March 2018 valuation. Root is now one of the few insurtechs to reach unicorn status
- Based in Columbus, Ohio, Root has seen exponential growth over the last 12 months, albeit from a very small base. Total direct premium written increased from \$4M in FY 2017 to \$23M in the first half of 2018. Part of this growth may be attributed to Root's expansion as a carrier to 20 states
- Root has also expanded by hiring an additional 60 people since March. This nearly doubles the company's workforce to a total of 140 full-time employees, with additional plans to scale to 400 employees by 2021. Root is not yet profitable. The company has indicated that the Series D round will be its last. Alex Timm, CEO, stated that the Series D round will be sufficient to get Root to profitability

Recent Partnerships

Blend Labs partners with MetLife to enter homeowners market

- Blend Labs ('Blend'), developer of an online consumer lending platform, is partnering with MetLife to enter the insurance market with the launch of Blend Insurance Agency. The company is taking a similar approach to launching its mortgage products, establishing partnerships with large industry incumbents to scale the business with innovative offerings. Blend will be pairing its insurance and mortgage products and will distribute the financial instruments by leveraging MetLife's existing customer base
- Founded in 2012, Blend provides technology that streamlines the lending process, creating a more consumer-friendly experience for the modern borrower. Blend's interface consists of dashboards for lender convenience, including a tool that collects data on potential users from secure and verifiable sources, compiles it, and creates a financial profile for the evaluation of borrowers. Other tools provided by Blend support application processing, pricing, pre-approvals, and disclosure on loans. Blend Insurance Agency, its newest offering, adds an additional piece to the puzzle: allowing borrowers to shop for homeowners' insurance during the mortgage application – making the process significantly more efficient. Additionally, lenders will automatically receive proof of insurance from the borrower once a purchase is made. The new offering will feature insurance products from partners like MetLife, Stillwater Insurance, and Swyfft
- Blend has experienced strong growth in the past 12 months, with its customer base reportedly growing by 500%

Embroker launches new digital D&O coverage underwritten by Munich Re

- Embroker, a leading digital broker of business insurance, has announced the launch of the first digital D&O (directors and officers) insurance policy focused specifically on venture capital-funded technology start-ups. The new D&O policy is part of Embroker's new Start-up Program which also includes coverage for Employment Practices Liability Insurance (EPLI) and Fiduciary Liability Insurance – all of which will be underwritten and reinsured through the new partnership established with Munich Re's Digital platform
- In today's market, it is an industry standard for start-up companies to purchase D&O insurance as a prerequisite to VC financing; however, current processes require burdensome levels of confidential and sensitive data which typically delays coverage by weeks, even months –with the net effect that the start-up is exposed to on-going risks. Embroker saw an opportunity to capitalize on this inefficiency and offer an updated D&O product that is streamlined and easy for entrepreneurs to obtain
- The new D&O coverage offered by Embroker is available to all US-based start-ups that have raised up to \$250M in capital. This new digital policy gives start-ups access to a quote in under 60 seconds. In addition to the coverage, Embroker offers claims support, including legal counsel, in the event of a claim, and premium credit offerings to start-ups with top-tier VCs and select financial partners. While this new product offering is primarily focused on technology start-ups, Embroker plans to release similar types of products for other industry sectors within the year

Hiscox partners with AI/ML startup Eigen to utilize language processing

- Hiscox (LON: HSX), a Bermuda-incorporated insurance provider that underwrites for Lloyd's of London, has announced a partnership with Eigen Technologies ('Eigen') to transform how the Hiscox enters and processes internal data. Eigen is a global leader in natural language processing ('NLP') that is geared toward helping global corporations automate key internal processes. Hiscox will leverage Eigen's advanced "machine-learning-driven classification and extraction technology" to upgrade two separate processes that are currently fulfilled by manual data entry
- Hiscox will launch the two separate pilots using Eigen's technology to increase accuracy, speed, and cost of internal processes:
 - ❖ **Pilot #1** – mechanize different parts of the claims process to allow Hiscox faster response to clients (includes emails and other qualitative data)
 - ❖ **Pilot #2** – automate Hiscox's quoting system currently used in its London Market business, providing brokers with quicker turnaround times
- In addition to simply tightening internal processing times, NLP will enable Hiscox to analyze the qualitative portion of data extracted from customers and brokers – helping Hiscox better analyze needs and underwriting issues. With access to this data, Hiscox will be able to implement artificial intelligence and machine learning to introduce personalized solutions at scale

Metromile licenses AI platform to Tokio Marine

- Metromile, a leading pay-per-mile auto insurer in the US, has announced that it will license its proprietary Connected Intelligence technology platform to the largest P&C insurer in Japan, Tokio Marine. This news followed the recent \$90M Series E investment secured by Metromile in July 2018 led by Tokio Marine and Intact Financial, suggesting that access to the technology was important to making the investment. Tokio Marine plans to roll out the licensed platform to all customers in Japan over the next several months
- The **Connected Intelligence Platform** includes two key products that Tokio Marine will leverage to offer an increased value experience for customers:
 - ❖ **Customer Intelligence** – advanced machine learning technology that provides detailed insights into marketing spend and policy acquisition trends
 - ❖ **Claims Intelligence** – AI system that automates claims processing and fraud identification, effectively lowering loss adjustment expenses and loss ratios
- Metromile's AVA Virtual Witness – a specific capability within Claims Intelligence – is potentially the most exciting capability. Applying telematics and sensor data from multiple touch points in the car, Metromile is able to accurately recreate the accident and provide detailed information about the incident. This will provide the platform licensees with useful insight when filing claims, and even potentially assigning blame for the incident. Interestingly, to date Metromile does not leverage any of this data in underwriting because customers pay based only on miles driven

American Family launches a new short-term gig employment start-up

- American Family, the Wisconsin based P&C insurer, has announced the launch of Moonrise, a new start-up based in Chicago that helps match individual workers with short-term on-demand gig employment. The concept for Moonrise materialized after some key executives at American Family noticed that the customers for one of the company's non-standard auto insurance subsidiaries – The General – were having difficulty paying their own insurance premiums. American Family noticed an opportunity to help their customers earn supplemental income while increasing and stabilizing the company's policies in-force
- Moonrise is not the first gig-economy platform to enter the market; other competitors like TaskRabbit, ShiftGig, and even Craigslist have all been around for several years attempting to build traction in the market. Moonrise differentiates itself in several key areas to increase the likelihood of its success as a business. First, Moonrise will offer same-day pay for all workers – average pay time after completing the task is under 30 minutes, as reported by American Inno. Second, most jobs listed on the platform pay between \$11 - \$16 an hour, a marked increase from the current federally mandated minimum wage of \$7.25 / hour. Third, all on-demand workers in the Moonrise platform are W-2 employees – meaning Moonrise will handle payroll, tax reporting / filing, and most importantly will provide workers' compensation
- While Moonrise is not a pure insurtech play, AmFam realizes that insurance is increasingly a multi-touch product where insurance providers need to offer more than the lowest premium cost to consumers. Moonrise intends to give its customers a channel to financial stability while also establishing a deeper relationship with AmFam

Haven Life announces the acquisition of Quilt - will pivot the business into retirement products

- Haven Life, provider of simple term life insurance, wholly owned by MassMutual, has announced the acquisition of online insurance broker Quilt for an undisclosed amount. MassMutual, including its corporate venture arm, has been one of the most active investors in the insurtech space - participating in funding rounds for Gainfully, PolicyGenius, Limelight Health, Insurify, and Tuition.io, to name a few. With the acquisition of Quilt, MassMutual is solidifying its agenda to become a leading customer-centric provider of insurance and financial services products through tech-enabled platforms
- Quilt, located in Boston, MA, was founded in 2015 with the intent to streamline the process of buying renters and term-life insurance products through a single online platform, effectively eliminating the need for insurance agents. The company proved to be highly effective and efficient at simplifying complex financial products for the consumer, making the selection process much easier for the buyer. Haven Life noticed the simple approach taken by Quilt and saw an opportunity to acquire and expand Quilt to support MassMutual's ambition to re-engineer retirement products for the millennial population
- With the acquisition finalized, Quilt will be focusing on strategies to reconfigure the buying experience of long-term retirement products, specifically analyzing how annuity products can better help address financial concerns of millennials who are planning for the long term. The new annuity products will be underwritten by MassMutual starting in 2019, while Quilt's current underwriters Security First and Stillwater Insurance Group will transition into servicing the customer directly

Select InsurTech U.S. Capital Raises – August

Announced	Target	Business Description	Capital Raised, Round/Total (\$M)	Current Round Investors
01-Aug-2018	Gusto	Provider of a cloud-based payroll, benefits and human resource management platform designed to offer employee benefits	140 / 316	T. Rowe Price Associates, MSD Capital, Dragoner Investment Group, General Catalyst, Capital G, KPCB
02-Aug-2018	Active Protective	Developer of motion sensing wearable devices designed to protect those at greatest risk of injury, initially focusing on the hips of older adults	9 / 14	Generator Ventures
07-Aug-2018	RiskRecon	Cloud-based risk assessment platform designed to deliver on-demand assessments of any organization's security practices	25 / 40	Accel, Dell Technologies Capital, Dell Ventures, Fidelity Investments, F-Prime Capital Partners, General Catalyst
09-Aug-2018	Circle Medical	Mobile application designed to scan health insurance and get check up and care delivered at home	6 / 6	A.Capital Ventures, Rugosa Partners
09-Aug-2018	Pie Insurance	Workers' compensation insurance platform intended to offer improved insight into the workers' compensation insurance rates	11 / 15	Aspect Ventures, Elefund, Greycroft, Moxley Holdings, Sirius International Insurance Group
09-Aug-2018	Root AI	Developer of AI-powered robotics technology with a focus on indoor farming	2 / 2	Accomplice VC, First Round Capital, Half Court Ventures, Liquid 2 Ventures, Schematic Ventures
14-Aug-2018	Oscar	Provider of an online health insurance network designed to make insurance simple, intuitive and human	375 / 1,300	Capital G
14-Aug-2018	Exabeam	Analytics-led security intelligence platform designed to detect data breaches	50 / 118	3737 North Capital, Aspect Ventures, Cisco Investments, Icon Ventures, Lightspeed Venture Partners, Norwest Venture Partners
14-Aug-2018	Owl	Developer of a security camera designed to offer comprehensive video recording for cars while driving or parked	10 / 28	Canvas Ventures, CSAA Insurance Group, Defy, Khosla Ventures, Maniv Mobility, Menlo Ventures, Moment Ventures, Sherpa Capital
22-Aug-2018	Latch	Keyless smart access system designed to bring seamless access to every door in a modern building	70 / 96	Balyasny Asset Management, Brookfield Ventures, Camber Creek, Corigin Ventures, Lux Capital, PCH, Primary Venture Partners, RRE Ventures, Techstars, Third Prime Capital
22-Aug-2018	Root Insurance	The company's mobile application gives drivers customized quotes based primarily on actual driving behavior	100 / 191	Tiger Global Management
23-Aug-2018	Sonder	Provider of a peer-to-peer home rental platform designed to help travelers instantly book apartments, houses, condos, villas, and lofts	85 / 130	Greenoaks Capital Partners, Greylock Partners, HarbourVest Partners, Real Ventures, ScaleUP Venture Partners, Structure Capital
23-Aug-2018	CAMERA	Real-time, street-level intelligence platform provides real-time 3D maps and navigation-critical data for autonomous vehicles	20 / 27	GV, Matrix Partners
24-Aug-2018	TowerIQ	Developer of a broker first platform intended to bring transparency in insurance markets	2 / 2	Clocktower Technology Ventures, Hyperplane Venture Capital, Vestigo Ventures
28-Aug-2018	TeleSense	Provider of a wireless remote grain monitoring platform designed to optimize pricing, reduce spoilage and predict grain quality	7 / 7	Congruent Ventures, Finistere Ventures, Maersk Growth, Rabo Equity Advisors, Radicle, Trailhead Capital
28-Aug-2018	Lacework	Platform that automates every aspect of security, configuration assessment, behavior monitoring, anomaly and threat detection	24 / 32	AME Cloud Ventures, Liberty Global Ventures, Spike Ventures, Strawberry Creek Ventures, Sutter Hill Ventures

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