



*PricewaterhouseCoopers Corporate Finance LLC
InsurTech Insights*



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Current Trends

To be, or not to be, an insurance carrier: that is the question

- Within the insurtech industry there are a large variety of business models but with one common theme, the utilization or development of technology to impact the insurance industry. A small sub-set of these companies utilize their ‘insurtech’ attributes but are structured as an insurance carrier, but for most, the insurance is underwritten by one or more carrier partners, with the insurtech acting as an agent or broker
- An interesting conundrum results where the insurtech is on the front end securing customers however they are required to get their partner carriers comfortable with their underwriting in order to take on the risk. Some insurtech’s take the approach of seeking investment to start their own insurance carrier however financial (VC / PE) investors view this business model less favorably due to the capital constraints proposed by insurance regulators. Our newsletter highlights insurtech’s with different approaches to this strategy
 - ✓ Next insurance (pg. 5): announced it has become a licensed carrier in Delaware with plans to expand to all 50 states
 - ✓ In previous editions we have discussed Metromile, originally an MGA but moved to become a licensed carrier focused on pay-per-mile auto insurance and now the fastest growing US insurer for 2017 with growth in direct written premiums of 1,061%¹

Does insurtech drive overall premium growth?

- Global insurance growth is expected to outpace global economic growth in 2018, per Munich Re Economic Research. The global insurance premium growth is projected to be 5.3% (3.7% inflation adjusted), in contrast to 4.9% for global GDP (3.3% adjusted for inflation). Emerging markets will be key contributors to this growth, especially China and Southeast Asian countries where insurance penetration is still low. More interesting, however, is that insurtech was cited as a “subordinate” influence to premium growth in industrialized countries (both North America and Europe). Insurtech is seen as a tool useful to digital brokerage and certain parts of the value chain, but not for increasing overall premiums written or premium growth
- While this may be true for mature insurance markets, we note that there are many new insurtech companies specifically targeting niche markets or the millennial demographic where insurance penetration continues to be low even as this cohort ages. We anticipate that there will be impact to premium growth when the right model gets traction. While insurtech “winners” are yet to emerge, these will undoubtedly be models that connect with millennials and future generations completely comfortable with crowdsourcing their learning and uninhibited about buying via technology – not humans – and with an expectation of real time underwriting, policy issuance and administration. A tall order for the sector. This issue of our newsletter highlights several insurtechs that have diversified their product offering:
 - ✓ Hippo (pg. 3): Comcast and Hippo have announced a new pilot program in Houston that offers new IoT-enabled home insurance
 - ✓ Lemonade (pg. 3): Lemonade and Roomi have announced a strategic partnership to offer peer-to-peer marketplace insurance for individual room rentals

Insurtech beginning to mature, and attracting later stages of funding or full acquisitions

- Over the last couple of years, insurtech funding has expanded consistently. Start-ups are reporting about full-fledged business models and operating results, which indicates the beginning of change – not maturity perhaps, but no longer just repeated rounds of funding due to losses or for experimentation. We note several trends: First, institutional players are allocating larger pools of money to insurtech funds. Second, insurtech companies are transitioning from experimental technology to proven business propositions. The first trend is not completely surprising, given that investors are afraid to miss out as technology changes every industry and aspect of social interaction. What is notable is that insurtech investors and business models seem better focused on the complexities and frictional cost of the insurance industry, leading them to better understand where and how they fit in and/or change the market. This trend should produce real change in the value chain, not merely change to front end distribution models
 - ✓ Ring, a developer of smart security and connected home devices was acquired for \$1.2 billion in April-18 by Amazon. Prior to this, the company raised \$109m in its latest series D funding round at a post-money valuation of \$374M. Representing a 320% increase in valuation in less than 18 months
 - ✓ Coverhound, an online insurance comparison platform has seen continued support for its business model with over twelve insurance partners, and 9 different investors to date with its most recent series C funding round completed in Sep-15 for \$33M at a post-money valuation of \$103M – *a company to watch*

Recent Investments

Bestow raises \$15M in Series A funding

- Bestow, a provider of consumer-first life insurance products driven by algorithmic underwriting, has announced a \$15M Series A financing led by Valar Ventures, with participation from existing partners New Enterprise Associates (NEA), Core Innovation Capital, SVC and Morpheus Ventures. This brings Bestow's total financing to slightly over \$18M. The newly raised capital will be used to supplement marketing and growth during the company's national launch in the second half of 2018
- Based in Dallas, Bestow targets both individuals and families who need help in procuring affordable term life insurance policies – especially those who perceive insurance as being too expensive or complicated. The company offers two basic plans: *Lock It In* and *Just Get Covered*. The *Lock It In* plan offers 10/20 year term life policies starting at a monthly locked-in rate of \$8.13. The *Just Get Covered* plan provides quick 2-year coverage starting at a monthly rate of \$2.50, but does not provide a locked-in rate. Bestow is currently only licensed in Utah and Texas and has approximately 8,000 customers enrolled so far
- Bestow works as an agent and third-party administrator for larger insurance companies, earning a commission and fee on servicing the policies it agents. The startup is also one of the first life insurance companies to develop proprietary algorithmic underwriting and predicative analytics software able to provide potential customers with a decision in a matter of minutes. These underwriting tools allow Bestow to assess risk with greater precision for its partners and customers. The company works with Munich American Re, the US business of Munich Re, and North American Company, a member of Sammons Financial Group, to provide its life insurance products – both carriers are rated “A+” by A.M. Best

Savari raises \$12M in Series B funding to connect cars to the digital world

- Savari, developer of an intelligent transportation platform, has announced a \$12M Series B venture funding round in April led by Aviva Ventures, with follow-on investors FlexTronics and SAIC Capital. The capital will be used to help Savari scale its global presence and integrate its software with cellular telephone platforms. Furthermore, lead investor Aviva, a London-based insurance company, will be incorporating Savari's data analytics into its data platform to more accurately predict risk
- Headquartered in Santa Clara, California, Savari is developing a product called V2X – a bilateral communication ecosystem that is designed to connect vehicles to all Internet of Things (IoT) technology, essentially allowing vehicles to communicate among each other to report on traffic, weather, accidents and pedestrian movements. V2X is a broad term for all the product solutions that Savari offers: Vehicle-to-vehicle (V2V), Vehicle-to-Infrastructure¹ (V2I), Vehicle-to-Phone (V2P), and Infrastructure¹-to-Phone (I2P)
- Since inception in 2011, Savari has aggregated data from over 100 million miles of road tests making it a leader in predictive transportation and autonomous vehicle safety. In its mission to make transportation safer and more efficient, the company has partnered with organizations like Qualcomm, Open Lab Alliance and University of Michigan Transportation Research Institute, among others – accumulating testing data for more than 15 million miles each year

Beam Dental raises additional \$22.5M in capital during Series C round

- Beam Dental, provider of group dental insurance and smartphone connected toothbrushes, has announced a \$22.5 M Series C investment led by Kleiner Perkins Caufield & Byers, and other undisclosed investors. The Company has experienced impressive growth with their insurance product used by over 1,000 small to medium sized business. The new capital is expected to be used to expand its product offering to 35 states across the U.S. by end of 2018
- Despite the dental insurance industry being dominated by large insurers such as United Healthcare and Delta Dental, Beam believes there is an opportunity to capture a significant portion of this market by combining innovative technology with insurance offerings, providing customers a fun way to stay healthy and save money

Ladder raises an additional \$10M in Series B funding

- Ladder Financial, provider of direct-to-consumer life insurance, has announced a \$10M extension to its initial \$30M Series B funding in January 2018 – totaling \$40M for the round. The additional strategic investment has come from Allianz Life and Northwestern Mutual Future Ventures. The newly raised capital will be used to accelerate growth and scale, specifically by hiring engineers and marketers
- Since its launch in January 2017, Ladder Financial has placed over \$1B in life insurance coverage with the Company modernizing the process of acquiring life insurance, making it more convenient and streamlined for consumers to buy. Similar to Bestow, Ladder operates as an agent with the policies issued by Fidelity Security Life Insurance Company

Recent Partnerships

Lemonade partners with P2P Roomi marketplace

- Lemonade, an insurance platform that provides renters' and homeowners' insurance for urban dwellers, has announced a strategic partnership with Roomi, a peer-to-peer marketplace for room rentals. The collaboration will offer Lemonade's insurance products to Roomi rental customers, making the Roomi rental experience more efficient and better streamlined as well as safer. Per Roomi, there is a growing market in room rentals space with approximately 32M people currently living with roommates, making the total market value approximately \$30B in the US alone
- Launched in 2015, Roomi is headquartered in New York City and serves approximately 1.1M customers across 23 cities in the US, Canada, and UK. The company provides access to verified listings and roommates, with multiple safety features like secure in-app messaging and background checks. Additionally, the website allows its users to easily reserve, book, and pay online rent for rooms that they decide to rent
- Beyond basic functionality, Roomi strives to help its users better gauge the compatibility of potential future roommates. The online website prompts users to fill in personal preferences like age, gender, apartment price / location, food allergies, and even tv preferences to match customers to their perfect roommate, in a similar fashion to dating websites. Roomi is another example of the evolving shared economy and the increasing impact on new distribution channels as well as changes to insurance underwriting process – creating more nuanced risk categories that require additional expertise but also offer opportunity to savvy insurers

Comcast and Hippo partner to test IoT focused home insurance

- Comcast (NASDAQ: CMCSA) has announced a new pilot program in Houston that will bring together Xfinity Home Services and Hippo Insurance to offer IoT home insurance savings. The partnership promises to offer customers up to 25% off the cost of their Hippo home insurance premiums if they are Xfinity users and own some sort of smart home technology (e.g., monitored theft or smoke/fire/leak detection). Comcast has a number of partner devices eligible for this discount, including August Home, Honeywell, GE, Nest, and Philips Hue, among others. While the offering is only available in Houston, Comcast plans to expand this program to additional cities by end of 2018
- This announcement aligns with Comcast's broader strategy to become a leading connected home operating system. Earlier in the year, Comcast announced the debut of its xFi platform that enables a plethora of home automation services to be unlocked to 15 million users with compatible Xfinity wifi. The platform permits account holders to control IoT devices in the Xfinity ecosystem – setting guidelines and coordinating activities for automated smart home technologies. In the longer term, Comcast aims to build a fully operational system that will be compatible with a multitude of connected devices. This will ultimately drive and broaden Comcast's ability to offer additional value-add services like Hippo home insurance
- Hippo has also been active in expanding its licensing reach. Over the last six months, the company has tripled the number of states in which it underwrites business. Licensed states now include California, Texas, Arizona, Illinois, Pennsylvania, Tennessee and Ohio, with another Midwest state expected to be confirmed soon

Nephila Capital and Boost Insurance will partner to provide reinsurance facility to InsurTechs

- Nephila Capital, the largest insurance linked securities (ILS) investment fund manager of catastrophe risk, has partnered with Boost Insurance, an Insurance-as-a-Service platform, to offer a reinsurance facility for insurtechs, with additional capacity provided by Markel Digital and RenaissanceRe. The expansion of a dedicated reinsurance facility provides insurtech start-ups with efficient risk capital that is necessary to expedite both growth and scale
- Founded in 2017, Boost Insurance is a provider of a development platform designed to provide backend insurtech infrastructure to emerging start-ups in the sector as well as an environment for innovative insurance products. The company acts as a general agent on behalf of carrier partners and reinsurers, pre-screening high potential insurtech start-ups to function as program sub-agents under the Boost umbrella. By managing the relationships between all parties, Boost helps insurtech start-ups maneuver the complexities of the sector, freeing them up to focus on improving their business models
- Boost's Insurance-as-a-Service is comprised of three core components:
 - ✓ **Distribution:** appoint insurtech start-ups as sub-agents to handle development, distribution, and underwriting of P&C insurance products
 - ✓ **Paper:** provide guidance on necessary licensure and compliance requirements
 - ✓ **Reinsurance Capital:** offers a group of dedicated reinsurance partners that work collectively to provide a single capacity program

Highlight InsurTech: Snapshot

- Snapshot is a Chicago-based insurance start-up that provides virtual claims technology to personal and commercial auto insurance carriers. The company was founded in 2010 by Brad Weisberg, current CEO, after he was given three different repair quote estimates from three separate body shop mechanics for one collision. After realizing that most repair quotes are estimates by nature, Brad started Snapshot to help improve the estimation and payment process for auto repairs and improve the customer experience for insureds. To date, the company has raised approximately \$52M in capital through 21 unique investors
- The concept is intuitive - customers who have recently experienced an accident simply send a photo of the damage to their insurer and get the claim amount directly deposited into their own checking account. This approach removes estimators and body shops from the equation, making the process more centralized and uniform. On average, Snapshot is able to provide customers with damage estimates in approximately 2.7 hours and claim closing in 2.5 days. In contrast, a simple roadside assistance claim may take 5-8 business days to close if filing through a regular claims process
- The speed of claims processing becomes especially useful in catastrophe situations. The most recent hurricane season in Florida provided a critical use case test for insurtech and the potential to accelerate claims settlement. Our January 2018 edition highlighted how Snapshot and companies with drone technology helped quickly process thousands of claims in a matter of days

Clover Health bets on home care

- Clover Health, a Medicare Advantage insurer, has announced its entrance into the home healthcare market – rolling out a program to deliver in-home primary care to their sickest patients to reduce emergency room visits and hospitalizations. As mentioned in previous newsletters, there has been increasing investment in telehealth and preventative care to reduce costs associated with doctor visits and hospital stays, as well as emergency room visits. Similar examples can be seen in Humana's acquisition of Kindred Healthcare, a home-based healthcare provider, and Generali's acquisition of Carelinx, an online marketplace to hire professional caregivers
- Per a report published by The Medicare Payment Advisory Commission, 5% of total Medicare beneficiaries drive approximately 40% of hospital admissions and 42% of total program costs. Clover Health is attempting to lower these costs by providing its patients with active and preventative care. As part of the new in-home primary care program, Clover Health will provide member-centric care plans to improve quality of life, reduce adverse health events and extend patient longevity
- In addition to the home healthcare program, Clover Health will also be administering genetic testing provided by YouScript to help tailor their drug prescriptions and dosage. As reported by Clover Health, a large number of hospital admissions are due to adverse drug use, especially in older generations and people with complex conditions that require multiple doctors and healthcare providers. By conducting this test, Clover Health can precisely control intake of medication by patients to curb unwanted reactions. Thus far, Clover Health has registered only 500 members to its in-home program, but intends to scale this model to its entire market, which currently includes Georgia, New Jersey, Pennsylvania and Texas

Next Insurance becomes a licensed carrier in Delaware

- Palo Alto-based Next Insurance has announced it is now a licensed carrier in the State of Delaware with additional states coming online by December 2018 and plans to expand to all 50 states. The Company is focused on providing insurance products for small business owners and entrepreneurs through its online platform. Customers are able to buy their products online without human intervention, tailoring their policies specifically to the customer's own business and requirements, rather than being stuck with mass-produce, generic policy language with unnecessary exclusions
- Until this announcement, the company had been operating as an MGA, writing its policies through partner carriers Markel and Munich Re. Becoming a carrier fits within the vision that CEO and co-founder Guy Goldstein had for the business. As a carrier, the Company is able to take on some of the risk themselves and focus on fully customizing products for their clients. Markel and Munich Re will continue to work with Next going forward, but the Company will have the flexibility to write business on its own in states where it is licensed
- The company raised \$35 million of Series B venture funding from lead investors Munich Re/HSB Ventures, Markel and Nationwide Ventures on June 12, 2017, putting the pre-money valuation at \$120 million. American Express Venture, TLV Partners, Ribbit Capital, Zeev Ventures and other undisclosed investors also participated in the round

Select InsurTech U.S. Capital Raises – May

Announced	Target	Business Description	Capital Raised, Round/Total (\$M)	Current Investors
08-May-2018	Betterview	Provider of a drone-based property inspection platform designed to inspect properties for potential problems	undisclosed	Nationwide Ventures, Hemisphere Ventures
08-May-2018	Covered Insurance	Operator of an online technology-driven insurance platform intended to connect consumers and mortgage lenders to insurance providers	0.8/1.5	Enterprise Institute, Hilltop Venture Partners, Moderne Ventures, Ozmen Ventures
09-May-2018	BriteCore	Developer of a fully managed, cloud-based insurance software system that combines core, data and digital solutions into a single, comprehensive suite	13.5/15.1	Radian Capital
09-May-2018	At-Bay	Operator of digital insurance platform created to provide cyber insurance for the digital age	13.0/19.0	Khosla Ventures, Lightspeed Venture Partners Israel, LocalGlobe, Munich Re, Shlomo Kramer, The Hartford Steam Boiler and Insurance
15-May-2018	PriorAuthNow	Provider of a cloud-based electronic prior authorization platform designed to offer insurance authorization services	10.5/15.7	BIP Capital, Detroit Venture Partners, NCT Ventures, OhioHealth, Rev1 Ventures
16-May-2018	Beam Dental	Provider of group dental insurance and smartphone-connected toothbrushes that are designed to collect data about a user's daily hygiene and use it to determine the rate of insurance plans	22.5/33.6	Drive Capital, Kleiner Perkins Caufield & Byers, Lewis & Clark Ventures, Rock Health, Yearling Management
17-May-2018	Ladder Financial	Provider of a instant life insurance platform for digital consumers designed to serve financially savvy consumers	40.0/54.0	8VC, Allianz Life Ventures, Canaan Partners, Lightspeed Venture Partners, Northwestern Mutual Capital, Nyca Partners, Plug and Play Tech Center, RRE Ventures, Thomvest Ventures, Aberdare Ventures, Brightstone Venture Capital, FirstMark Capital, GE Ventures, Nathaniel Turner, Securian Financial Group, Securian Ventures, Split Rock Partners, Zachary Weinberg
21-May-2018	Gravie	Provider of smart technology based health insurance services intended to improve health benefits for employers and consumers	3.4/44.1	8VC, Core Innovation Capital, Morpheus Ventures, New Enterprise Associates, Valar Ventures
21-May-2018	Bestow	Operator of an on-demand life insurance platform intended to offer affordable, convenient and smart life insurance services	15.0/18.1	8VC, Core Innovation Capital, Morpheus Ventures, New Enterprise Associates, Valar Ventures

PricewaterhouseCoopers Corporate Finance LLC Contacts

Financial Services Professionals



Leslie G. Fenton
Managing Director
Chicago
+1 312 298 5866
leslie.g.fenton@us.pwc.com



Ritendra Roy
Director
New York
+1 646 818 7098
ritendra.roy@us.pwc.com



Luke Hilditch, CFA
Associate
Chicago
+1 312 660 9522
hilditch.luke@us.pwc.com



Dmitry Simakov
Analyst
Chicago
+1 312 596 9086
dmitry.simakov@us.pwc.com

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