



PricewaterhouseCoopers Corporate Finance LLC
InsurTech Insights

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Current Trends

Insurtechs and Insurers focusing on customer experience over pure insurance product optimization

- Evolution of Insurtechs has reached a new stage – evidence is increasing that companies are now focusing on delivering additional value outside the scope of insurance. Per a collaborative study conducted by PwC and Startupbootcamp (for Insurtech) in the United Kingdom, 31%¹ of startups in 2018 have begun to prioritize the development of novel customer products over the enhancement of existing insurance technology. This represents a marked increase of 6% from the 2017 study, a notable shift that indicates a greater emphasis on innovation rather than optimization
- The insurance industry has seen a positive influx of creative partnerships trying to provide a broader scope of services to tech-savvy consumers. The customer experience focus and innovative technological features are already having an impact on customer retention and, therefore, deserve the significant resources being diverted. We have outlined some interesting new products launching in the U.S.:
 - ✓ Pg. 4: National General has partnered with Toyota to offer built in behavior-based telematics automobile insurance for Toyota owners
 - ✓ Pg. 6: Trov is launching in the U.S. and via mobile app, offers an intuitive experience where coverage can be activated instantly, for any duration

Partnerships looking for early mover advantage

- Dedicated VC arms at large insurance companies have given access to new models and opportunity to commit directly to insurtech innovation. The potential benefits of such VC arms are obvious, but there is skepticism as to whether such strategies will provide material long-term benefits to the larger company or even meaningful returns on investment
- We highlight two recent partnerships where insurtech investments were favored for their technological expertise and ability to execute on the specific product needs of their larger corporate partner. In each of these cases, it was faster to launch a market entry in partnership with the insurtech's developed technology:
 - ✓ Pg. 4: Social Finance (SoFi) partnered with Ladder Financial replacing its insurance partner, Protective Insurance. Ladder's online capability permits SoFi to offer customers term life coverage
 - ✓ Pg. 5: XL Catlin is teaming up with Slice Labs to build a new cyber insurance platform tailored to small- to medium-sized businesses, all supported by Slice Labs' Insurance Cloud platform which services the entire value chain

Insurtech carriers secure more funding for expansion, or to support losses?

- Our recent editions have discussed the potential advantages and difficulties of Lemonade, Metromile, Root, and Next Insurance, all of which decided to launch insurance carriers. Despite the complexity of running a regulated entity and underwriting risk, these companies believe the merits of controlling their value chain will increase their profitability and effectiveness over the long term
- Our March edition highlighted the losses sustained by these carriers in 2017, excepting Next which set up in March 2018. Filings from March 2018 show losses continuing with each company suffering underwriting losses and combined ratios above 100%. Despite this, we continue to see growth in premiums and geographical expansion as these carriers scale, which is critical in proving these business models should continue to be supported. Our key question is how long will investors be willing to sustain these underwriting losses before investment ceases? We look forward to analyzing the results from the June 2018 filings
- This month's edition highlights Metromile and Next, both of which raised additional rounds of funding:
 - ✓ Pg. 3: Metromile raises \$90M in their latest Series E funding round from Tokio Marine Holdings and Intact Financial
 - ✓ Pg. 3: Next Insurance raises \$83M during a Series C round from Redpoint Ventures, Munich Re, American Express Ventures, and Ribbit Capital

Recent Investments / Acquisitions

Metromile raises \$90M for technology development

- Pay-per-mile auto insurance carrier Metromile has raised \$90M in its latest Series E funding round. The round was co-led by Tokio Marine Holdings and Intact Financial; NEA, Index Ventures, and Future Fund added to the round. In addition, former Intel CFO and director of corporate strategy, Stacy Smith, will now serve as an independent director for the company. Metromile plans to use these funds to expand nationwide and continue developing the use of sensors and automation. The company is said to have now raised a total of \$295M since its inception in 2011
- Metromile is disrupting the traditional auto insurance space, targeting low-mileage drivers who have previously bought policies from traditional insurers. Metromile's innovation addresses the fundamental underwriting issue that low-mileage drivers subsidize the cost of high-mileage or higher risk drivers. Its solution provides coverage appropriate to the amount users are on the road
- In previous newsletters, we've detailed Metromile's flagship devices Pulse and AVA, which provide users with a novel auto insurance experience. The platform monitors time spent on the road, miles driven, health of the vehicle, and even artificially recreates accidents to aid in claims processing. Metromile is using this round of funding to double down on its use of this technology and AI to continue developing its user experience. However, we note the company has continued to incur losses with its most recent statutory filing showing an underwriting loss of \$3.5M for the three months to March 2018 and loss ratio of 104%

Next Insurance Raises \$83M to fund expansion

- Next Insurance ('Next'), which focuses on small business insurance, has raised \$83M during a Series C round. Redpoint Ventures led the funding, joined by returning investors Munich Re (HSB Ventures), American Express Ventures, Ribbit Capital, and others. With the funding, Redpoint Ventures managing director Elliot Geidt will join the board of directors at Next. This financing will aid the company in its U.S. expansion and development of new insurance products
- Founded in 2016, Next Insurance is a start-up focused on delivering insurance products to small- and micro-sized businesses. Next offers professional liability, general liability, and commercial auto to underserved business sectors including fitness, cleaning, beauty, therapy, entertainment, and education. These sectors are defined by a large number of sole proprietorships, nearly 40% of which carry no commercial insurance¹. The Company competes with large insurers such as Allstate, Nationwide, and State Farm
- In contrast to these major players, Next's core competency is offering small businesses cost-effective, tailored, and accessible coverage through its online platform. For example, late in 2016, the company launched a product for commercial photographers that allowed them to purchase monthly plans through their website, covering liability and off-premise use of cameras. Their next product roll-out featured a chatbot that allowed personal trainers to quote and buy liability insurance through the Facebook Messenger app. Following this trend, the Series C funding will develop more sophisticated uses of machine learning, and artificial intelligence on Next's path to become a full-service digital insurance carrier

Spruce raises \$15.6M to revolutionize title insurance

- Spruce, a title insurance start-up, has raised \$15.6M in a Series A funding round. Investors in this round were undisclosed, but Munich Re (HSB Ventures) is said to have taken part in the funding. Previous investors include Bessemer Venture Partners, Third Prime Capital, and Omidyar Network. The funding will propel Spruce's geographic expansion, as it has announced plans to grow from 11 to 24 states by the end of next month, and nationwide by December 2018
- Based in New York City, Spruce is a title insurance and escrow agency. The company aims to revolutionize the mortgage-closing process by leveraging technology to provide easy and accessible title insurance for both lenders and borrowers. The platform includes a dedicated closing specialist to walk users through the process, a dashboard with all necessary closing documents in one place, easy scheduling of notaries, and complete data encryption to keep user information and finances secure. The Spruce API can be used to estimate recording fees/taxes and create or receive title search orders. Spruce offers its platform as a streamlined closing process for the real estate market
- Spruce appears to be betting that the title insurance sector is ripe for technological disruption. The question of chain of custody around escrow, however, is not resolved with ease of access or transparency

Recent Partnerships

SoFi and Ladderlife partner to deliver insurance products

- Social Finance ('SoFi'), an online platform that provides user-focused financial services products, is partnering with Ladderlife, an online agency, to offer term life insurance. Users can sign up for the service through the SoFi or Ladderlife website, providing access to fully underwritten term life coverage ranging from \$100K to \$8M for 10 to 30 year terms. The policies are issued by Fidelity Security Life Insurance Company and reinsured by Hannover Life Reassure Company of America
- Prior to this agreement, SoFi offered life insurance through Protective Insurance. Protective's traditional processes limited the customer's ability to take advantage of SoFi's value proposition: real-time financial advice and purchasing. Ladderlife is able to offer life insurance via its online application which depending on the customer, can provide immediate coverage without a medical exam. Ladderlife also offers customers the ability to apply for increases or decreases in their coverage during the policy term, making the life insurance product dynamic and responsive to changes in customer needs
- Insurance products play a key role in SoFi's goal of becoming a leader in providing financial advice to millennials. As this generation transitions to homeownership and parenthood, personalized advice on long-term financial goals and insurance products will become increasingly essential. We expect to see more examples of traditional insurers getting replaced by insurtech start-ups as these business models mature

National General to underwrite Toyota insurance program

- National General Holdings Corp. (Nasdaq: NGHC) has entered into an agreement with Aioi Nissay Dowa Insurance ('AD') and its subsidiary, Aioi Nissay Dowa Insurance Services USA ('AIS'). The partnership will support Toyota Insurance Management Solutions' ('TIMS') sale of behavior-based telematics automobile insurance for Toyota owners. As a part of the collaboration, National General agreed to issue \$30M of its Series D convertible preferred stock to AD
- TIMS, a joint venture formed by AIS and the Toyota Group, is an independent auto insurance agency that targets Toyota vehicle owners in select states. The company connects Toyota, Lexus, and Scion owners to their insurance partners: National General, Nationwide, and Safeco Insurance. In return, the insurance companies agree to exclusively use original equipment manufacturer parts for repairs
- This new partnership expands TIMS' offering with an opt-in to usage-based insurance. The ease with which the company can begin collecting driver data highlights the advantage of being tied to an auto company, with software installed during manufacture. The only required action is consumer activation. Consumers go to the Toyota Owners website to register the vehicle and check a box to permit monitoring of their driving. From there, TIMS spends up to 13 weeks collecting select information including where, how fast, and how often the user drives in order to form a quote. Based on these data points, users then qualify to have National General and AIS to underwrite an insurance policy. The two insurers have also expressed interest in developing similar products for use in the ride-sharing and car-sharing mobility field

XL Innovate partners with marine insurance start-up Windward

- Windward, a maritime risk analytics startup, has announced \$16.5M in funding, joining forces with XL Catlin. The funding comes from a Series C round led by XL Catlin's venture arm XL Innovate. XL Innovate supported a pivot into the space with funding, time and resources
- Based in Tel Aviv, Windward got its start in 2010 by using technology to monitor and analyze ship activity including how they navigate, fortitude in rough water, and how they maneuver in ports. The company originally used this information to quantify marine risks for governments, where it had significant success. The company's insights had a hand in combating drug and oil smuggling and supported the United Nations Security Council in exposing ships that were working with North Korea to avoid sanctions
- The company's proprietary technology provides software outlining operational profiles for each ship, part of which include a ship's overview, a general risk score, and accident-specific risk scores (e.g., the likelihood of a collision compared to the likelihood of mechanical breakdown). These key insights have strong applications to insurance, as they enable major players to create more accurate risk-modeling and risk pricing, which can improve the underwriting process

Trov launches on-demand insurance platform in the US

- Trov, a growing provider of on-demand property and casualty insurance, has announced its launch in the US market. Coverage will begin exclusively in Arizona; expansion nationwide will follow since Trov just received approval in 43 additional states. The announcement follows strong performances in the United Kingdom and Australia, where the company initially launched. Since inception, Trov has insured customer items in over one million distinct instances
- Based in Danville, CA, Trov provides insurance products for single-item electronics such as laptops, cameras, and phones. The platform offers consumers an intuitive insurance experience via mobile app, where coverage can be activated instantly and for any duration. While active, the insurance policy protects items against accidental damage, loss, mechanical breakdown and theft. In addition to the on-demand toggle, Trov has also re-engineered the policy, giving customers the flexibility of coverage anywhere in the world – specifically during unplanned travel. This protection is rounded off by an in-app bot with chat assistance, which walks users through the claims process in the event of an accident
- In addition to their launch in the US, Trov will expand its coverage to include sports gear and musical instruments (e.g., bikes, skis, camping gear, guitars, drums, and keyboards) and will roll-out a new feature called *Smart Premium*, which utilizes the company's proprietary catalog technology to reference the depreciating value of items protected. *Smart Premium* allows Trov to expand into underwriting specialty items with micro-durations, which in turn will increase a customer's scope of personal item coverage while simultaneously decreasing its premium payments

XL Catlin to use Slice Labs platform for on-demand cyber insurance

- XL Catlin, a global P&C reinsurer, is teaming up with Slice Labs to build a new cyber insurance platform tailored to small- to medium-sized businesses. The Slice Labs' ICS (Insurance Cloud Services) platform will serve as the base platform from which XL Catlin will introduce their new on-demand cyber infrastructure insurance. These companies typically do not have IT teams, yet require substantial protection from the ever-growing threat of cyber security breaches. XL Catlin is addressing this issue by constructing an AI platform to deliver real-time alerts to users to immediately manage and mitigate risk exposures
- Founded in 2015 and based in New York City, Slice Labs is an innovative insurtech that has worked with companies including Munich Re, Legal & General, and now XL Catlin. Their newest product, ICS, launched in January of this year, provides a cloud-based platform that supports the full insurance value-chain: pricing, rating, licensing, underwriting, issuance and servicing. This allows traditional insurance companies to integrate tech-enabled insurance products into existing lines of business and go to market quickly. The ICS platform is subscription-based and is purpose-built for P&C insurance products
- The ICS platform is preceded by Slice Labs' original products: on-demand homesharing and ridesharing insurance. The company's success with these products stems from the flexibility of on-demand coverage for gig-economies (e.g., renting out your home on airbnb or driving an Uber), allowing users to access coverage whenever needed

REIN begins offering drone insurance

- Acend Insurance Solutions, LLC, doing business as REIN, is creating insurance solutions for robotics (i.e., drones and smart home technology) and online ecosystems. Acend's newest offering is a drone insurance product known simply as DroneInsurance which allows commercial operators to purchase 24/7 ground and usage-based flight coverage for drones, sensors, and related equipment. This coverage will be underwritten by Liberty Specialty Markets, a subsidiary of Liberty Mutual Insurance
- DroneInsurance offers two levels of coverage: *Base Coverage*, similar to traditional insurance, charges users a monthly fee to cover 3rd party liability, property damage on the ground, and personal/advertising injury (e.g., protection against inadvertent violation of intellectual property). After purchase of the base coverage, policyholders are permitted to upgrade to *On-demand Flight Liability Coverage*, which provides a more flexible policy, including same-day insurance coverage (only available in premium package), \$1M to \$25M worth of coverage, a certificate of insurance, ability to add additional insureds, and real-time submission of claims through a mobile app. Acend believes the premium offering more appropriately fits the schedule of a commercial operator, where requiring short-notice flights is common
- Coupled with the launch of DroneInsurance, Acend raised a new round of funding for REIN: \$7.3M from investors including Kiplin Capital, Ben Roberts, Steve Rabbitt, among others. Leading the round was Liberty Mutual Strategic Ventures

Select InsurTech U.S. Capital Raises – July

Announced	Target	Business Description	Capital Raised, Round/Total (\$M)	Current Round Investors
01-Jul-2018	REIN (Drone Insurance)	Provides on-demand commercial insurance for drone pilots, drones, and related accessories/equipment	5.7 / 16.4	Adams Street Partners
02-Jul-2018	Windward	Developer of marine analytics platform that analyzes ship activity to provide pertinent information to users	16.5 / 38.9	XL Innovate, Horizons Ventures, Aleph, Marc Benioff, and others
11-Jul-2018	Next	Offers online insurance platform designed to transform the insurance experience for small business	78.0 / 131.0	American Express Ventures, Markel, Munich Re/HSB Ventures, Nationwide Ventures, Redpoint Ventures, Ribbit Capital, SGVC, TLV Partners, Zeev Ventures
11-Jul-2018	Pony.ai	Focused on providing artificial intelligence solutions in the field of robotics, including the use of autonomous vehicles	102.0 / 214.0	ClearVue Partners, Eight Roads, Comcast Ventures, DCM, Sequoia Capital China, Hongtai Capital, Legend Star, and others
12-Jul-2018	Cue Health	Develops self-tracking devices for health monitoring at the molecular level such as vitamin D levels, fertility, and testosterone	30.0 / 54.7	BABEL Ventures, Cove House Illiquid Investments, Dentsu Ventures, Highway1, Immortalana, Jim Messina, Johnson & Johnson Innovation
17-Jul-2018	K Health	Platform for crowd-sourced data diagnosing symptom software to provide an AI based personal health assistant	12.5 / 24.1	Adam Singolda, Bessemer Venture Partners, BoxGroup, Comcast Ventures, Lerer Hippeau Ventures, Mangrove Capital Partners, Max Ventures, Morris Kahn and Maccabi
17-Jul-2018	Mason Finance	Online platform designed to easily sell life insurance policies for retirees and other older generation Americans	n.a. / n.a.	Abstract Ventures, Core Innovation Capital, DCM Ventures, Financial Solutions Lab, JPMorgan Chase & Company, others
18-Jul-2018	Armored Things	Developer of IoT platform; provides superior cyber security solutions through unique aggregation of data across devices	5.5 / 5.5	Glasswing Ventures, iNovia Capital, MassVentures
19-Jul-2018	Spruce	Internet-based platform offering title insurance for the real estate industry	15.6 / 20.1	Undisclosed
23-Jul-2018	Madaket Health	Web-based health insurance service platform that connects healthcare providers, insurance companies, and intermediaries	10.0 / 20.0	Qiming Venture Partners, Salesforce Ventures, Experian Ventures, PNC Financial Services Group
23-Jul-2018	Indus.ai	Construction intelligence platform that leverages performance analytics software to monitor efficiency, automate reports, and track safety issues	3.7 / 3.7	BootstrapLabs, Canadian Technology Accelerator, Spero Ventures, UP2398
24-Jul-2018	MetroMile	Insurance platform based on pay-per-mile auto coverage, creating a more connected and informed car ownership experience	90.0 / 297.3	Acequia Capital, Australia Future Fund, Brett Crosby, Mark Cuban, Joshua Reeves, Tokio Marine Holdings, and others
26-Jul-2018	Groundspeed Analytics	Provides automation solutions for insurance data, designed to improve submission efficiency	30.0 / 32.4	Ann Arbor SPARK, ManchesterStory Group, Michigan Angel Fund, Oak HC/FT, Plug and Play Tech Center, Service Provider Capital, Tappan Hill Ventures

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