



PricewaterhouseCoopers Corporate Finance LLC
InsurTech Insights



PricewaterhouseCoopers Corporate Finance LLC
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Current Trends

Q1 2018 sets new funding records -- Insurtech momentum keeps rolling

- Per a research report issued by GCA Advisors (“GCA”), Q1 figures for 2018 show that the insurtech sector is on pace to set a new record in terms of capital funding and M&A. There have been more than 50 discrete financings in the U.S. alone, a pace that beats 2017 activity of 195 deals. Additionally, the average funding size per round has increased over the last 4 quarters, hitting an average of approximately \$14M in Q1 2018. Larger deal sizes and funding volume signals confidence from investors – priming 2018 to be an exciting year for insurtech
 - ✓ Pg. 3: Kin Insurance, Fabric, and Listo have all secured significant Series A funding rounds
- The insurtech sector also saw another strong signal of growth with the announcement of EverQuote's IPO. According to GCA, insurtech-focused companies have fared well on the public markets over the last several years, increasing 27% LTM and 52% over the latest 3 years.
 - ✓ Pg. 5: EverQuote, a consumer-facing insurance comparison website and developer of a safe-driving app, announced a \$75 million IPO

Innovative customer acquisition models will drive industry change

- Customer acquisition is critical for success in the insurance sector, but so too is customer retention. Insurtech innovation from both outside and inside the sector is focused on and changing both customer acquisition and retention. We continue to see a large variety of experimental strategies, including: “simple” online policy applications, streamlined comparison shopping services, and new approaches taken by traditional physical agencies
 - ✓ Pg. 3: Listo, a financial services provider tailored to the Latin American community, has secured \$8.5M in Series A funding to open 10 new technology-enabled physical locations
 - ✓ Pg. 5: Ethos, a term life provider, has secured \$11.5M in a round led by Sequoia Capital to launch an online life insurance platform
- Insurtechs have typically focused on innovation in customer acquisition because technology removes frictional costs and enables a radically different cost structure, free of constraints imposed by traditional infrastructure. New entrants are now attempting to build scale, which will drive pricing and infrastructure change across the industry for traditional models. Insurtech models will either scale premium volume or consolidate to build increased economic leverage with manufacturers

Cyber security presents new opportunities and challenges

- The Council of Economic Advisers (“CEA”), a U.S. agency within the Executive Office of the President, recently published a research report that estimated the cost of malicious cyber activity to the U.S. economy to be between \$57B - \$109B in 2016. Cyber threats continue to pose real challenges to insurance companies – some of the most difficult problems to overcome include:
 - Limited understanding of common vulnerabilities expose companies to large-scale attacks that go undetected for long periods of time
 - Unpredictable scale of damage inflicted on critical digital infrastructure creates difficulty in estimating potential financial loss for companies
 - Scarcity of data and continuing inadequate information sharing impedes development of the cyber insurance market
- Ever-evolving sophistication of technology used for cyber-terrorism has caused massive losses and escalating frequency of cyber attacks in the U.S. economy. This has created an immediate need for holistic insurance policies. However, many large insurers have a low appetite for underwriting significant levels of this risk. The overall trend seems to indicate that insurers believe that investing in real-time monitoring and prevention may be a more sustainable way to managing cyber security risk. As a result, we note that insurtech start-ups are entering the market with technology focused on prevention. We discuss the launch of an interesting new product in this space:
 - ✓ Pg. 5: Corvus announced the launch of Smart Cyber Insurance - a new insurance product that helps policyholders predict / prevent cyber insurance claims

Recent Investments / Acquisitions

Kin Insurance Raises \$13M in Series A funding

- Kin Insurance ('Kin'), an online provider of home insurance in Florida and Texas, has secured \$13M in Series A funding from Silicon Valley Fund, August Capital, and other undisclosed investors. The new capital will facilitate the company's expansion of services and products nationwide, which the company hopes to accomplish over the next two fiscal quarters. In conjunction with the new funding, Caribou Honig, cofounder of InsurTech Connect and founding partner at QED Investors, joins the Kin board
- Headquartered in Chicago, IL, Kin was founded in 2017 as an independent agency that leverages dynamic market data, specifically geo-location, to provide customers with an accurate and simple homeowners policy. The market data, historically acquired from a customer pamphlet or survey, acts as a preliminary source of information for Kin to help streamline its underwriting process. Additionally, Kin has embraced analyzing riskier neighborhoods – the company believes that they can properly underwrite regions previously untapped by traditional insurers
- Kin's product offering currently covers home, personal property, disconnected structures (i.e., swimming pools, sheds, guest houses, etc.), and even personal liability and medical payments for guests visiting the property. Kin also offers dwelling insurance based on replacement cost for various damages to clients' homes, including those from natural disasters, riots, and falling objects. The coverages, however, do not include earthquake, flood, wear and tear or lack of maintenance

Fabric Raises \$10M Series A Funding

- Fabric Insurance Agency ('Fabric'), an agency licensed to sell life, accident, and health insurance targeted at families, has raised \$10M in Series A funding led by Bessemer Venture Partners, with an investment by RGAX, the insurtech platform of Reinsurance Group of America. Silicon Valley Bank also provided a credit facility. The company intends to use the funds to bolster customer growth and begin expanding its team in Brooklyn. To date, Fabric has raised \$12.5M in growth capital
- Based in Brooklyn, NY, Fabric focuses on providing consumers with convenient access to affordable protection policies. Their product offerings include Fabric Instant, an accidental insurance policy covering death that may result from cars, bikes, or fire, and Fabric Premium, a 20-year term life policy that upgrades Fabric Instant by adding coverage for death-related to illness. Both products provide access to insurance for new families and young parents without requiring them to go through an agent/broker or enter into long-term commitments. Their policies are issued by Vantis Life, an AM Best A-rated provider of life insurance and annuity products
- With their recent funding, Fabric is aiming to capitalize on an aging millennial generation as this group begins to seek out life insurance products for themselves and their families. The company is betting that millennials will prefer a streamlined and easy-to-understand process that enables flexibility, bringing an age-old product to a new generation

Listo Secures \$8.5M in Series A Funding

- Listo Financial ('Listo'), a financial services provider focused on the Latin American community, has secured \$8.5M Series A funding. Cross-border venture capital firm, LEAP Global Partners, led the round, joined by Mexico Ventures, Continental Advisors and other undisclosed investors. Listo plans to use this funding to expand its footprint, enhance digital offerings, and roll out new financial products. Following the funding, Paul Purcell of Continental Advisors and Roman Leal of LEAP Global Partners will join Listo's board of directors. To date, Listo has raised approximately \$11.3M total funding
- Based in San Jose, CA, Listo was formed in 2011 with the intent to become the leading Latin American financial services provider in the U.S. by providing physical agent locations in areas where there are dense populations of Latinos or Spanish-speaking communities. The stores, which play an important role in the company's strategy,, are used to introduce consumers to the family of Listo products and services. From there, Listo provides a mobile platform that allows its users to purchase and manage their credit, auto, and life insurance policies remotely. As part of this funding round, Listo will finance the opening of approximately 10 storefronts in the next 12 months
- Listo identifies U.S. Latino communities that have not been served by banks and traditional financial establishments, presenting a socially-responsible and financially untapped opportunity for the company. From 2016 to 2017, the Hispanic community accounted for 51% of the total population growth within the United States. Listo is well positioned to grow within both the Latino and insurtech markets

Recent Partnerships

Allianz and Vestwell Partner on 401(k) Distribution

- Allianz Life has announced a strategic sales partnership with Vestwell, a digital retirement platform, to offer end-to-end retirement planning services throughout Allianz's extended network of advisors. The company will promote Vestwell's services to approximately 15,000 registered investment advisers and affiliated broker-dealers. As a result, Allianz Life will gain access to retirement platforms and planning options that best suit their clients, creating efficiencies around the process of selecting and managing retirement programs
- Based in NYC, Vestwell is an automated robo-advisor that provides bespoke retirement investing solutions to its clients, with a specific focus on 401(k) and 403(k) accounts. The investment platform allows for automated services like onboarding, fiduciary investment management, plan administration, and record keeping – features that are leveraged to create a single point of interaction and seamless investment experience for the client. Additionally, Vestwell has recently partnered with Namely, a dynamic HR platform, that will help manage payroll, time management and benefits contributions for the employer
- Allianz Life has expressed a keen interest in growing its presence in automated investment platforms. The company's corporate VC arm, Allianz Life Ventures, has previously invested in Bloom, Gainfully, LifeYield, Tomorrow, and Ladder – all of which serve a specific niche in the asset management market. As of 2017, this niche market made up of robo-advisors had over \$200B in assets under management, a figure that is expected to rise tremendously in the future

XL Catlin and TradeTapp to offer New Insurance Tool for Contractors

- XL Catlin North America is teaming up with TradeTapp, a risk management platform designed for commercial construction, to deliver a new form of subcontractor default insurance. The product gives users access to a pre-qualification software that enables risk profiling of subcontractors, effectively protecting clients from potential economic loss suffered due to performance default. TradeTapp has started to distribute its product with several key players in the construction market – Urban Atelier Group, New Line Structures, Aecom Tishman, Hunter Roberts Construction Group, CM Associates and Hudson Meridian Construction Group
- TradeTapp, a New York-based startup founded in 2015, offers risk management platforms that facilitate data collection on subcontractors, permitting benchmarking against industry norms to more accurately determine risk profiles. This involves the use of an algorithm developed by the company, drawing on industry data, historical financial information, and key ratio calculations to create exposure recommendations and compare subcontractor completion, safety and performance “quality” measures. The company aims to continue its expansion into the insurance market, aiding in the underwriting process between contractors and insurance companies
- Separately, XL Catlin has also recently joined forces with Bamboo Insurance, a new insurtech-focused program administrator, to begin underwriting property insurance in California

Sure and Chubb Partner to Offer Insurance for Rideshare customers

- Sure, a small online insurance provider based in San Diego, CA, is partnering with Chubb (NYSE: CB) to provide insurance for users of ride-hailing services such as Uber and Lyft. The collaboration aims to supplement existing ridesharing insurance plans by offering a coverage for health insurance deductibles, specifically accidental medical expense and death. The product offering, marketed as RideSafe, will be accessed on-demand through a smartphone app, allowing users to purchase coverage instantly for a 24-hour period
- Since its founding in 2013, Sure has developed relationships with several large insurance providers such as Assurant, Nationwide, and now Chubb, to deliver policies covering car rentals, pets and fine art. The most recent partnership with Chubb illustrates the approaches taken by traditional insurance companies to tap into insurtech models for niche underwriting opportunities
- In addition to implementing health deductibles, Chubb and Sure will begin to experiment with autonomous vehicle coverage through their RideSafe platform, testing the market and building underwriting data for the phase-in of driverless cars over the next several years. Other potential first movers in this space may also include Google given its access to the data necessary for underwriting through Trov and Waze

EverQuote Announces IPO

- EverQuote (NYSE: EVER), one of the largest online marketplaces for personal insurance, announced an Initial Public Offering to raise roughly \$75M in funding, signifying one of the first U.S. public offerings in the Insurtech space. The company plans to offer 4.7M shares, pricing \$15 to \$17 per share. EverQuote has raised over \$36M to date from investors that included Savano Capital Partners, Second Alpha Partners, Link Ventures and Alumni Ventures Group. EverQuote intends to use this funding for working capital, capital expenditures and expansion into renters and commercial markets
- Headquartered in Cambridge, MA, EverQuote offers a free online marketplace for consumers to assess different types of insurance products. The company leverages proprietary technology to help connect customers to the correct insurance provider. Users are asked to complete a survey, which results in quotes that can be compared on a regional and price basis. EverQuote generates revenue by charging a fee to large insurance providers like Progressive, Liberty Mutual, and State Farm to be listed as a referral. Since their inception in 2008, the company has converted roughly 240M consumer visits into 35 million auto, home, and life insurance quote requests
- The company also offers EverDrive, a free safe-driving app that passively monitors key driving signals such as speed, braking patterns and phone use

Corvus Insurance Launches ‘Smart’ Cyber Coverage

- Corvus Insurance, a cyber security insurance MGA, has launched Smart Cyber Insurance, a new insurance product that helps brokers and policyholders predict and prevent cyber insurance claims for clients that generate more than \$1B in annual revenue. The new product will offer a Dynamic Loss Prevention dashboard with risk prioritized IT security recommendations throughout the policy period so that correct mitigation strategies can be implemented prior to a security breach. The policies will be distributed by Corvus on a managing general agency basis in partnership with Hudson Insurance Group, a P&C specialty insurer
- Founded in 2017, Corvus leverages big data, IoT, and machine learning to deliver powerful insights to commercial insurance brokers and buyers. At the center of the Corvus product core is the ability to monitor IT security threats in real time through non-intrusive security scans of a business' 1st & 3rd parties, and their vendors. As a result of these scans, Corvus creates a cyber score, detailing the severity to which a company is exposed to data security threats, allowing commercial brokers to improve risk selection and management
- In addition to the new Smart Cyber Insurance, Corvus also offers the following products:
 - ✓ **Smart Cargo:** Designed to reduce the loss of perishable goods by leveraging sensor technology to track temperature and stability of products in transit
 - ✓ **Crowbar:** A digital tool for brokers - centralizes underwriting information exchange to minimize time-to-quote, allows for 24/7 self-service policy administration, and provides Dynamic Loss Prevention recommendations that reduce total cost of risk

Celebrities Partner with VC Funds in Insurtech

- Ethos, a term life insurance provider, has secured \$11.5M financing in a round led by Sequoia Capital, with other follow-on celebrity investors. The company plans to use the new capital in its effort to continue accelerating growth and enhancing product development. The funding announcement was also part of the company's launch from stealth mode. As a result of this new capital, Roelof Botha, a partner from Sequoia, will be joining the Ethos board
- Based in San Francisco, Ethos was founded last year to create a simple, easy process for purchasing term life insurance. The company is currently licensed in 49 states (excluding NY) with policies written and guaranteed by Assurity Group, a large U.S. life insurance carrier. Ethos has also established strong backing relationships with Munich Re, RGAX and Aon
- Arrive, the corporate venture subsidiary of Jay-Z's Roc Nation media firm, and the family offices of Robert Downey Jr., Kevin Durant, and Will Smith, joined Sequoia Capital in the first round of funding for Ethos

Select InsurTech U.S. Capital Raises – June

Announced	Target	Business Description	Capital Raised, Round/Total (\$M)	Current Round Investors
07-June-2018	Listo	Financial platform intended to offer consumer finance services including responsible credit, auto insurance and life insurance	8.5 / 10.9	Acumen Fund, Annex Ventures, Continental Advisors, Great Oaks Venture Capital, LEAP Global Partners, Mexico Ventures, Peterson Partners, XSeed Capital
11-June-2018	Kin Insurance	Online-based platform offering home insurance with intuitive applications and tailored coverage recommendations	13.0 / 17.2	August Capital
14-June-2018	Mindstrong	Digital phenotyping mobile platform created to transform mental health diagnosis and prevent future healthcare needs	15.0 / 29.9	ARCH Venture Partners, Bezos Expeditions, Decheng Capital, Foresite Capital Management, Optum
14-June-2018	Ethos	Mobile and online platform intended to make life insurance simple, affordable, and comprehensive	11.5 / 11.5	ARRIVE, Detroit Venture Partners, Downey Ventures, Sequoia Capital, Smith Family Circle, Stanford University Venture Fund, StartX, The Durant Company
19-June-2018	SmartAsset	Developer of a decision engine and optimization tool intended to empower people to make smart financial decisions	28.0 / 47.7	Citi Ventures, Contour Venture Partners, Fabrice Grinda, Focus Financial Partners, IA Capital Group, Javelin Venture Partners, TTV Capital
19-June-2018	Fabric Insurance	Digital life insurance platform designed to make life insurance easily accessible and inexpensive	10.0 / 12.5	Bessemer Venture Partners, RGAX, Silicon Valley Bank
20-June-2018	Grove	An online platform intended to make personalized financial advice affordable and accessible to everyone	8.0 / 10.1	BoxGroup, Bullish, Center For Financial Services Innovation, Compound, Defy Ventures, Financial Solutions Lab, First Round Capital, FUEL Capital, Joe Kraus, Kevin Durant
21-June-2018	Cape Analytics	Provider of a real-time geospatial property imagery technology that can be directly integrated into carrier underwriting	17.0 / 34.0	Cincinnati Insurance Company, CSAA Insurance Group, Data Collective, Formation 8, In-Q-Tel, Khosla Ventures, Lux Capital, Montage Ventures, Nephila Capital, Plug and Play Tech Center
28-Jun-2018	REIN (Drone Insurance)	Provider of on-demand drone insurance designed for application in various commercial settings, including construction	7.3 / undisclosed	Liberty Mutual Strategic Ventures, Kiplin Capital, Jason Griswold, Christopher Ellis, Bert Roberts, Steve Rabbitt, Anderson Bell

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