



*PricewaterhouseCoopers Corporate Finance LLC
InsurTech Insights*



PricewaterhouseCoopers Corporate Finance LLC
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Current Trends

Insurtech tested during the 2017 hurricane season

- During August-September, Florida, Texas and parts of the Caribbean were hit with three separate category five hurricanes, causing approximately \$200 billion damage, per a recent Bloomberg report. Losses sustained across the two states was so widespread that industry players acknowledge leveraging their relationships with drone start-ups and deploying other new technology.
 - ✓ DataWing Global, a Texas-based drone services provider conducted 1,200 flights for eight different insurance clients during September
 - ✓ Betterview announced a partnership with Munich Re through which its constituent reinsurance clients will get access to Betterview's suite of drone technology and data analytics services
- Drones were not the only innovation post hurricane season. Other insurtech startups made their presence felt in Texas and Florida, including Sprintsheets, a mobile platform that helps customers receive bids and auto repair estimates instantly. Dan Colomb, Sprintsheet's CTO, reported processing over 6,000 auto claims during a single week with a 1-day cycle time for individual customers

Automation and AI may replace human helpers

- Exponential increase in technological advancement is core to modern automation, a term used to describe the use of machinery to increase the speed of production without human labor. While the concept of automation is well understood in the context of today's global trends, automation of businesses that require high reliance on human intelligence, experience and resources – like insurance – have not been as easy to disrupt
- While artificial intelligence ('AI') is unlikely to replace human intelligence across certain insurance functions, like actuarial analysis, modern day AI is now being deployed by certain industry competitors to replicate human interaction with customers about their policy needs.
 - ✓ The primary form for this type of AI interaction is chatbots. Research by Gartner concludes that AI chatbots could power 85% of customer-service interactions by 2020
 - ✓ One of the market leaders in automation is Lemonade. The company recently announced a \$120M investment led by Softbank Group. Lemonade's chatbot technology features a personality called 'Maya' who, among other things, assists potential customers in taking out an insurance policy and answering any questions they may have. Given the dramatic cost difference between salaried agents and one AI host, Lemonade's competitive cost advantage is obvious

Gamification: a critical customer engagement strategy

- Gamification – or the use of exciting games and competitions – is being deployed to influence the user into building positive habits. This is not a surprise in consumer products markets, but the fact is that gamification is being used to engage insurance customers in new product education, to get updated personal information or to obtain quick incident reports. With improved information, insurance companies can actually shift user tendencies, ultimately decreasing risk to the company and reducing price to consumers. While “gaming” in association with insurance may seem manipulative, recent studies show that using gamification techniques in insurance can be used in a socially responsible manner, enhancing customer engagement and motivating users to reach long-term protection and investment goals
- Gamification in insurance is part of a larger trend to revolutionize traditional industries. Similar transitions can be seen in Starbucks Rewards, NikeFuel, and Mint.com with the underlying motivation to aggregate user data. Access to information is key to having a competitive advantage, and with higher engagement levels companies are able to obtain better and more holistic data to inform their decision making
- While gamification may be applicable to all insurance products, health and auto coverages lend themselves to improving wellness and driving behavior, respectively
 - ✓ In our December edition, we highlighted Health IQ, a company that uses online health surveys and quizzes to identify lower risk individuals to offer discounted health insurance. We also wrote about Beam Dental and its specialty brush, which records data, then viewable on the company's mobile app

Recent Investments

Lemonade Raises \$120M USD Series C

- Lemonade, a renters and homeowners insurance provider powered by artificial intelligence, has announced a \$120M Series C investment led by Japanese investor SoftBank Group and existing investors. Lemonade previously raised \$60M in funding from investors including Google Ventures, Sequoia Capital and Thrive Capital. Lemonade currently operates in 8 states and is licensed in a further 17 states. The company plans to use the new capital to accelerate global expansion, although no additional details have been released
- The company has used AI and chat bots to deliver a differentiated customer experience. Customers are able to execute an insurance policy and file claims in minutes through a mobile app, assisted by ‘Maya’ an AI chatbot. The Company has experienced rapid growth since launching its platform in 2016. Lemonade recorded sales exceeding \$10 million for 2017, 50% of which were generated in the fourth quarter, and more than 100,000 policies written during the year
- Lemonade is on the forefront of AI and chatbot use with the technology capable of handling a full claims process without interaction from Lemonade humans. While the immediate cost benefits from automation are obvious, removing the human interaction from policy risk assessment will likely create new risks that need updated mitigation strategies

American Well to raise \$59M USD from Allianz X

- American Well, a leading telehealth platform has announced a \$59M investment and strategic partnership with Allianz X, the digital investment arm of Allianz. The company plans to develop a digital solutions platform to increase accessibility and quality of healthcare for millions across the world in both developed and emerging economies
- American Well, headquartered in Boston, has developed a telehealth platform that allows patients to interact in real time with doctors and health professionals over a secure video feed. The company is able to handle clinical, administration and security requirements set by the US healthcare regulations. The company works with national health plans, hospitals, employers and pharmacies across the US market
- With American Well’s process expertise and Allianz X’s international footprint, the two companies plan to use their relative strengths to further develop the telehealth platform and expand global access. The Health Innovation Center of Allianz Partners will also provide support through its knowledge of healthcare financing and regulation, and by involving a qualified network of more than 800,000 medical providers across the world

Ladder raises \$30M in Series B Funding

- Ladder, a direct-to-consumer provider of term life insurance, has finalized a \$30M Series B round of funding at a post-money value of \$135M. Financing was led by RRE Ventures, with participation from Thomvest Ventures, as well as existing investors, Canaan Partners, Lightspeed Venture Partners and Nyca Partners. Ladder has raised a total of \$44M to date. The new capital will be used to develop the company’s platform functionality, primarily API, in addition to other marketing initiatives
- Headquartered in Palo Alto, CA, Ladder started operations in California, but within one year expanded to all but five states. The dynamic term life insurance model offered by Ladder has proven attractive for users as the company has more flexibility in deciding the composition of factors that go into tailoring a customer’s policy
- The startup believes that current insurance systems are inefficient and pose too many hurdles to customers who want to adjust coverage levels. Ladder’s term life insurance differs from other insurers in that it permits customers to instantly update personal information, enabling customers to build up or down the level of coverage depending on life events or needs, hence the name Ladder. With fewer hurdles and easier access to adjusting policy premiums, Ladder believes it will save the average policyholder thousands across many years of coverage

Recent Partnerships

TechAssure announces partnership with Indio

- TechAssure, a not-for-profit association of insurance brokers, has announced a partnership with Indio, a digital platform that helps insurance brokers stay competitive given the fast-changing insurtech market. The partnership will grant access to all TechAssure brokers to Indio's platform, while simultaneously providing Indio with critical feedback on how to iterate and improve the key features on the platform
- Indio, headquartered in San Francisco, CA, and founded in 2016, has raised \$8M to date from 8VC, New Enterprise Associates, Compound, and Merus Capital. Since inception, Indio has generated traction with 5 insurance brokerage agencies: ABD Insurance, HUB International, Vantreo Insurance, Heffernan Insurance Brokers, and Parker Smith Feek. Indio's software provides these firms with a CRM engineered to help brokers engage with clients through dynamic online applications, interactive online workbooks, and live tracking edits
 - ✓ In contrast to the projected AI trend, Indio is betting on the value add of human interaction during policy handling and processing. Instead of replacing the human touch, Indio is motivated to arm insurance brokers with the right technology to deliver a superior service to their clients

Hippo partners with Spinnaker Insurance

- Hippo, an emerging leader in home insurance, has formed a strategic partnership with Spinnaker, an Illinois-domiciled P&C insurer, to expand its reach within the US. Hippo will deploy its product offering on the Spinnaker network and represents Spinnaker's first partnership with an insurtech in the home insurance space
- Hippo, similar to Lemonade, is on a mission to revolutionize home insurance in price and ease of use. The platform guarantees to offer a quote in less than 60 seconds, and offers unique coverages beyond traditional HO. Several examples include home offices, domestic workers, home sensors, and large electronics and appliances. Hippo is underwritten and covered by Spinnaker, Munich RE, and Topa
 - ✓ Alongside the new partnership, Hippo has also raised \$25M in a Series B round from Comcast Ventures and Fifth Wall. The company has raised a total of \$39M to date at a post-money valuation of \$120M

Nationwide partners with RiskBlock Alliance to pilot blockchain technology

- Nationwide has agreed to partner with RiskBlock Alliance on a project that will pilot a blockchain-based proof-of-insurance concept. The application is being developed by The Institutes RiskBlock Alliance, a consortium of insurers that are attempting to develop standardized blockchain applications for the industry. The application will allow law enforcement to confirm up-to-date, accurate coverage information from motorists thanks to the security of the blockchain, with Nationwide as the first insurer. Eventually, the vision is for more insurance carriers to put their information on the blockchain and reduce reliance on paper forms
- RiskBlock Alliance executive director Christopher McDaniel has said "If it's an accident situation, it gives both parties in the accident the capability to tap their phones together or to scan a QR code on each other's phone. This action will notify the blockchain, check if they have a policy and tell the other person whether there's active insurance coverage in a verifiable manner"

Munich Re partners with Betterview

- Munich Re has announced a partnership with Betterview, a drone platform startup that captures and analyzes data from drones for its clients, most of whom are insurance companies. Betterview was featured in our October edition when it raised \$2M in its seed round led by Compound Venture Capital with participation from Maiden Re. Since the investment, the company has invested heavily in expanding its engineering and operations teams focusing on increasing its technological capabilities
- Through the partnership, Munich Re will refer insurance company clients that can benefit from the building/property data, analysis and insights that Betterview offers. Then any interested insurance companies would be able to purchase Betterview's services for a fee

AmTrust releases new warranty application TapSafe

- AmTrust Financial Services, Inc., one of the largest P&C warranty insurance providers, introduced a new warranty app called TapSafe at the 2017 International Consumer Electronics Show. The mobile phone application will allow consumers to track and protect all of their electronic connected devices, providing a safety net against power surges, technical malfunctions, and other miscellaneous damage. AmTrust Innovation, the insurance innovation arm of AmTrust, is responsible for the development and strategy of this application
- Currently consumers are forced to purchase individual warranties for their electronics either over the counter or through a third party. AmTrust sees potential to create a single consolidated hub for consumers, where they are able to fully control the depth and breadth of protection for all of their devices. As indicated in AmTrust's 2018 Households survey, ~75% of homes have over \$2500 in connected home devices, with that number trending upward
 - ✓ Another interesting and unexpected player in the market is Amazon. The tech and logistics company offers warranty insurance on all electronics that are sold through the Amazon online platform; however, the current Amazon coverages lack the flexibility AmTrust is providing

Sure launches rental car insurance product

- Sure, an instant, on-demand insurance provider, has announced its entrance into the rental car market. The concept is simple: toggle on the rental car insurance option found on your smartphone app and get covered for \$10 a day. The coverage is underwritten by Chubb and protects the driver from all accidents, theft and miscellaneous damage. This new offering allows customers to bypass rental counter insurance and get directly behind the wheel without paying premium fees for blanket coverages
- On-demand insurance has seen growing popularity, indicating increasing awareness about insurance premiums among customers. Sure is capitalizing on recent technological innovations that permit insurers to provide protection to customers only when they are engaged in certain activities with rental car insurance being a logical target for on-demand protection. Sure, among many other startups, is embracing the customer demand for granularity of coverage by providing them with more effective, efficient insurance solutions
- Since our last mention of Sure in July's edition, the company has been active in expanding its product lines and partnerships. Sure has separately partnered with Nationwide and iRent to provide apartment shoppers and renters with immediate quotes on insurance. Additionally, Sure has broadened coverages to include a number of additional items from baggage during flights to art collections. The company has prioritized exploring new ways to offer unique and tailored protection to their customers

RGAx acquires LOGiQ3 Group

- RGAx, the innovation and digital business unit of Reinsurance Group of America Incorporated, announced the acquisition of LOGiQ3 Group, a consortium of companies that provide technology, consulting and outsourcing solutions to life insurers and reinsurers primarily in North America. The combined companies will bring new perspectives to current business complexities that exist in the life insurance market.
- LOGiQ3 Group has a combined team of approximately 100 members and 300 clients through its four primary business units:
 - ✓ LOGiQ3 Corp., a provider of expert support in underwriting, auditing, and reinsurance administration for life insurance companies
 - ✓ APEXA, a web-based compliance tool that life insurers can use to help manage brokers and sales advisors
 - ✓ TAI, a provider of software solutions that allow life insurers to self-report reinsurance needs
 - ✓ Cookhouse Lab, a joint venture between LOGiQ3 Group and msg global solutions, is an open-concept accelerator that welcomes the insurance industry to innovate together through co-creation

Select InsurTech U.S. Capital Raises – December / January

Announced	Target	Business Description	Capital Raised, Round/Total (\$M)	Current Round Investors
06-Dec-2017	Zeguro	Provider of a cyber security platform intended to mitigate cyber risk while providing them with low-cost and effective cyber insurance	0.02 / 0.02	Plug and Play Tech Center, Startupbootcamp
11-Dec-2017	Eight	Developer of a non-wearable sleep tracker that tracks and learns over 15 factors from users' sleep patterns and bedroom environment	10.45 / 29.48	Khosla Ventures
14-Dec-2017	PatientPay	Cloud-based patient billing platform that automatically posts payments to the proper balances in user system, like insurance payments	6.03 / 12.03	EFO Holdings, Mosaik Partners, Teaghlach Family Office
14-Dec-2017	Pillo Health	Health robot designed to facilitate healthcare assistance at homes that monitor user's face and send alerts about their health status	N/A / 2.05	BioAdvance, Civilization Ventures, Hikma Ventures, MassChallenge, Plug and Play Tech Center
14-Dec-2017	Epion Health	Health record and patient engagement platform focuses on helping providers to improve efficiencies, profitability and patient care	N/A / 10.22	Deerfield Management, Healthbox, MassChallenge
19-Dec-2017	Lemonade	Peer-to-peer insurance platform designed to offer home insurance and coverage products utilizing machine learning and bots	120.00 / 179.70	Aleph, Allianz X, General Catalyst Partners, GV, Sequoia Capital Israel, SoftBank Group, Thrive Capital, Tusk Ventures, XL Innovate
22-Dec-2017	Artemis Health	Healthcare analytics platform designed to optimize benefit programs and minimize spending	22.70 / 33.74	F-Prime Capital Partners, Kickstart Seed Fund, Maverick Ventures
28-Dec-2017	BenefitMall	Accounting services that act as a general agent between insurance carriers and retail brokers, enhancing the distribution of group plans	397.00 / 652.65	The Carlyle Group
01-Jan-2018	Indio	Digital platform that offers centralized management services to access quotes from multiple carriers in processing insurance applications	6.00 / 8.05	500 Startups, 8VC, 9Mile Labs, Acceleprise, Compound VC, Hiscox, Merus Capital, New Enterprise Associates
08-Jan-2018	UrbaNavtic	Developer of a high performance synthetic navigation technology designed to provide urban mobility and blockchain auto insurance	0.13 / 0.13	Starta Accelerator
08-Jan-2018	Connecture	Web-based sales, service and process automation platform designed to streamline health insurance distribution	N/A / 161.11	Francisco Partners
10-Jan-2018	ProtectRisk	Social network platform that connects and sells insurance products and improves collaboration between insurance retailers and wholesalers	0.04 / 0.04	Global Insurance Accelerator
10-Jan-2018	Insurmi	Online platform helps its users to compare rates from various U.S. insurers, enabling its clients to apply for a life insurance policy	0.04 / 0.04	Global Insurance Accelerator
10-Jan-2018	Ladder Financial	Instant life insurance platform streamlines life insurance process by eliminating sales agents and allows users to apply for insurance online	30.00 / 44.00	8VC, Canaan Partners, Lightspeed Venture Partners, Nycap Partners, RRE Ventures, Thomvest Ventures
10-Jan-2018	RiskPossible	Innovative platform that customizes alert triggers and monitors risk portfolios, enabling insurance providers to monitor their client's profile	0.04 / 0.04	Global Insurance Accelerator
11-Jan-2018	InsuredMine	Management dashboard that provides information about current insurance coverage, policies comparison, and payment notifications	0.04 / 0.04	Global Insurance Accelerator
22-Jan-2018	Hippo Analytics	The company provides an online platform that enables homeowners and renters to obtain insurance policies	25.00 / 39.50	Abstract Ventures, Comcast Ventures, Fifth Wall Ventures, GGV Capital, Horizons Ventures, Moderne Ventures, Pipeline Capital Partners, Propel Venture Partners, RPM Ventures

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