

# InsurTech Insights

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**PricewaterhouseCoopers Corporate Finance LLC**  
Registered broker/dealer and member of FINRA and SIPC



# Marine Insurance Gets an InsurTech Boost

*Global economies rely heavily on marine routes – **90% of all international trade relies on shipping, generating an estimated \$28.5B in annual insurance premium***

*Insurtech innovation has only recently emerged in the marine market, facilitating even more competition*

In 2018, global trade approximated \$18T<sup>1</sup> value - 90%<sup>2</sup> of this total was transported by seaway, the most efficient way to trade commodities and supplies. According to a Swiss Re Economics study, international trade is predicted to grow faster than the global GDP over the next ten years, presenting myriad opportunities for marine insurers to grow their books of business and scale profitability:

- 1 Based on the 2017 / 2018 IUMI Global Marine Insurance Report, **total marine insurance premium in 2017 was estimated to be \$28.5B USD** (+2% increase over 2016). Premiums by class were 57% cargo and transportation, 24% global hull, 12% offshore and energy, and the remaining 7% was marine liability
- 2 The World Shipping Council estimates losses for the **years 2008 – 2016 averaged 2,150 shipping containers per year** due to errors and catastrophic events
- 3 BIMCO recorded **year-to-date growth of 4.4% in global fleets and 3.8% growth in global demand for fleets**. This differential in growth represents an increase in shipping capacity and a compression in shipping prices making the reduction from losses at sea even more important

Marine insurers have competed to capture this growth despite the absence of international coherence in legislature, laws, practices and insurance coverages. This absence of uniformity has created key gaps in critical underwriting information that handicap carriers from pinpointing the time and cause of a triggered claim – effectively backlogging the recovery and subrogation, if any, of lost value. This need for visibility has stimulated marine insurers to invest in insurtech solutions on a macro and micro scale, examples of which we highlight this month.

## Windward

- ✓ Based in Tel-Aviv, Israel, Windward provides a macro scale of insight to carriers and shipping fleet managers by examining the operations of vessels in various conditions using data sources such as AIS (automatic identification system) positioning system, weather data, satellite imagery and dynamic port data
- ✓ The company collects all of this information to create a comprehensive operational profile or risk score that is then compared to the rest of the world fleet. This model displays a normal distribution of casualties and losses based on these scores – empowering users to make intelligent and informed decision
- ✓ Windward has been recording operational profiles of over 80,000 ships since January 2015, positioning it as one of the only players in the market that can simulate impact on loss ratios when a customer changes their portfolio composition or exposure to fleet risk

## CargoSnap

- ✓ Launched in 2017, CargoSnap provides micro scale vision to port administrators and dock handlers through a digital application that assists in tracking of cargo and provides a method for proof of condition
- ✓ CargoSnap facilitates proof of condition by creating direct reports of cargo shipments – including photos and videos where necessary. Furthermore, the application lets managers track individuals as workers are moving and handling the cargo
- ✓ This specificity of data throughout the value chain simplifies the settlement process significantly, streamlining it to avoid minor errors and adjustment disputes. Additionally, as discussed on last month's edition, this industry may also be a perfect use case example for a technology like Smart Contracts

# Recent Investments / Acquisitions

## **Cambridge Mobile Telematics raises \$500M**

- Cambridge Mobile Telematics (“CMT”), the leading mobile telematics and analytics provider in the world, has secured \$500M in development capital from SoftBank’s Vision Fund alongside follow-on investor Raptor Group. The investment will be used to increase the adoption rate of CMT’s DriveWell platform, currently operated by insurers, fleets, wireless carriers, and other research groups that measure driving risk and safety. A portion of the capital will also be used to grow CMT’s automated crash and claims management, video analytics, and safety for emerging vehicle and mobility systems. Prior to this raise, CMT had raised only an Angel investment of \$2.5M in 2014
- The DriveWell platform is a smartphone application that actively monitors driver habits to offer actionable insights into behavior, vehicle dynamics, and situational context for the connected car. The platform follows a three-step methodology to systematically calculate driver risk and behavior: 1. compiling raw telematics data (including all third-party devices), 2. telematics engine processes input data to generate metrics and road characteristics, 3. apply machine learning and AI to infer key contextual and behavioral details for a comprehensive view of risk. CMT has reported a 35% reduction in phone distraction and a 20% reduction in hard braking 30 days after the DriveWell program is installed. Furthermore, CMT has witnessed a 34% drop in crashes and a 10% lower loss ratio when compared to the standard telematics black box
- CMT has expanded to more than 20 countries, with partners State Farm, Liberty Mutual, Desjardins, Discovery, Admiral, MS&AD Group, QBE, AIG, and Insurance Australia Group, and an estimated global customer base of several million users. CMT has also begun offering a white-labeled application that can be launched in less than 90 days for any of its clients

## **Zesty.ai secures \$13M Series A Capital Raise**

- Zesty.ai, provider of risk analytics and AI solutions for P&C carriers, has announced a Series A financing round of \$13M led by a Luxembourg-based private investment fund Blamar and follow-on investor Plug & Play Ventures. Zesty.ai will deploy the new capital to expand its data science, engineering and customer success teams while integrating additional proprietary data into its new platform. To date, the company has established a robust pool of data delivered to approximately 140M buildings across multiple properties in the U.S.
- Based in Oakland, CA, Zesty.ai has developed computer vision technology that captures high resolution satellite / aerial / geospatial imagery of buildings and surroundings to model potential CAT risk. Leveraging this granular footage, Zesty.ai runs its proprietary machine learning to predict multi-peril CAT loss events like hurricanes, wildfires, and floods at a client’s property. The model uses high fidelity property level features about vegetation, building materials, neighborhood characteristics, topography, and weather patterns – providing tangible results to carriers:
  - Quick and simple application process, improving quote to completion speed
  - Lower expense ratios due to lower inspection costs
  - Decreased loss ratios driven by more accurate underwriting

## **Bindable secures investment funding from EPIC, Motive Partners, and Wafra**

- Bindable, a leading digital platform built to enable insurance distribution through sponsored channels, has announced a strategic capital raise lead by EPIC Holdings with institutional follow-on investors Wafra and Motive Partners. Bindable will use the round to continue the company’s platform development and future growth plans. Furthermore, Bindable has signed a commercial agreement with EPIC to provide turnkey software solutions to its affinity business that will enable the company to better engage customers through technology and product diversification
- Based in Boston, Bindable offers its clients a full stack technology-enabled services including white label affinity programs, a flexible API for eco-system partners, a national multi-product digital agency (including quote to bind capabilities) and Policy Crusher, its proprietary agent-facing CRM solution. Through these services, Bindable aims to provide partners with the strategic capacity to better service their customers through preferred and affinity distribution channels

# Partnerships and Other News

## ***Oyster Insurance Launches Pay-As-You-Go Workers' Compensation in California***

- Oyster Insurance has announced the launch to small businesses in California of its pay-as-you-go workers' compensation product where users may opt to have premiums added up every pay period and paid through the EFT system. The Massachusetts-based firm operates as a managing general agency, using Lancer Indemnity as a fronting company, and is backed by an undisclosed reinsurer. To date, the company has operated only in New York and New Jersey, initially offering coverage to professional services like software consulting firms, lawyers and medical and dental offices (averaging annual premiums for customers between \$1,000 and \$2,000)
- Given this success, Oyster then expanded into grocery stores, bakeries, restaurants, drug stores, jewelry stores and florists, eventually providing workers' compensation coverage to over 70 different classes of business
- With only 12 employees, three of which are on the underwriting team, Oyster has been able to create a user friendly technology that provides partners / clients the ability to offer workers' compensation coverage that is bindable online and specifically targeted toward small business owners. Providing real-time quoting and binding capabilities to partners has been one of the primary factors in Oyster's growth
- The company has shared that it now has more than 500 clients across the three states (NY, NJ, CA), with plans to expand its workers' compensation product to another six states by the end of 2019. Oyster is currently licensed in 26 states across the U.S which will permit the company to speed up geographic expansion if desired

## ***AmeriTrust partners with The Floop for mobile fleet UBI program***

- AmeriTrust, a specialty commercial insurance underwriter and administration services company, has selected The Floop, a leading insurance telematics startup, as its partner in developing a commercial auto telematics solution. The Floop's smartphone-based telematics application, *FloopDrive*, is the key platform that AmeriTrust will use for its new commercial telematics product
- AmeriTrust and The Floop will target commercial lines businesses, specifically piloting with Oil & Gas service vehicles, to monitor driving and provide services to fleet and non-fleet drivers using the smartphone-based application. Additionally, FloopDrive will have the capability to provide AmeriTrust with a dynamic management dashboard, showing scores and behaviors of drivers in relation to their respective policies
- Using The Floop's smartphone application as the primary sensor to track drivers, AmeriTrust will provide customers:
  - Granular data for fleet drivers, scoring them on a number of factors, including smoothness of driving, distractions, recorded speed, time of day and fatigue - offering more accurate insurance pricing and a differentiated customer experience
  - Improved intelligence on fleet driver behavior and risk factors of these fleet drivers – permitting owners to share these insights with drivers via the app to get improved driver performance via coaching and feedback

## ***Lemonade Prepares European Launch***

- Lemonade, the leading renters' insurtech base in the U.S., has announced its plan to expand into Europe. Lemonade has expanded its brand to serve their growing millennial base which they describe as "increasingly international and cosmopolitan"
- This news comes at an interesting point as Lemonade is still struggling on multiple fronts: 1. the company has yet to reach profitability and still needs to figure out pricing of its renters' insurance product; 2. the company has expanded to only 20 states in the U.S.; and 3. the company has recently been involved in a lawsuit over intellectual property in Germany.
- It will be interesting to see how Lemonade navigates this international expansion, as previous startups like Uber, Airbnb, Spotify, and Coinbase have all experienced struggles with local law and regulations – a hurdle that is especially pronounced in the insurance world

# Select InsurTech U.S. Capital Raises – December

Announced	Target	Business Description	Capital Raised, Round/Total (\$M)	Investors
01-Dec-2018	Bindable	Developer of an insurance platform designed to simplify the process of buying and selling insurance	N/A	Edgewood Partners, Motive Partners, Wafra Partners
04-Dec-2018	Indio	Digital platform offers centralized workflow service to access quotes from multiple carriers and helps in processing insurance applications	6 / 8	500 Startups, 8VC, Compound, Merus Capital, NFP Ventures
07-Dec-2018	Fentura Financial	Operator of a commercial bank created to meet the banking and financial services needs of local clients	22 / 37	N/A
10-Dec-2018	Zesty.ai	Provider of a risk analytics platform intended to offer integrated data on property, place and people data for underwriting carriers	13 / 13	Blamar, Plug and Play Tech Center
12-Dec-2018	Inscribe	Developer of a fraud documents detection platform designed to enable lenders and insurance companies to catch fraudulent activity	3 / 3	Crosslink Capital, Friále, Liquid 2 Ventures, Quiet Capital, SV Angel, Uncork Capital
13-Dec-2018	Rein	On-demand drone insurance is offered via a technology platform allowing insurance carriers to scale its drone operators	7 / 7	Kiplin Capital, Liberty Mutual Strategic Ventures, Plug and Play Tech Center
14-Dec-2018	Eden Health	Provider of an online personal health platform intended to simplify the healthcare experience of the employees	10 / 14	Brand Foundry Ventures
17-Dec-2018	TPA Stream	Developer of a cloud based-software designed to make health benefits easier for employees and administrators	0.8 / 0.8	N/A
18-Dec-2018	TicketGuardian	Developer of a full transactional insurance technology platform designed to offer a virtual refund to non-refundable tickets and events	8 / 9	American Family Ventures, IA Capital Group
19-Dec-2018	Socotra	Developer of a cloud-based platform intended to provide automated recurring billing and integrated reporting for technology-driven insurers	5 / 22	8VC, Founders Fund, HVF Labs, Caffeinated Capital , USAA
19-Dec-2018	Cambridge Mobile Telematics	Mobile application that collects raw data from phone sensors and uses the information to infer key metrics on mileage, road types, and speed	500 / 502.5	Raptor Group, Softbank
20-Dec-2018	Halos Insurance	Developer of an online platform designed to provide loss preventive insurance	N/A	Plug and Play Tech Center
21-Dec-2018	Waffle Labs	Developer of an insurance application designed to provide customizable insurance plans for all products	0.1 / 0.2	Barclays Accelerator, MIT Delta V, MIT Sandbox
21-Dec-2018	Spot (Insurance)	Provider of insurance services intended to offer quick, easy and affordable means to acquire life insurance	6 / 6	Silverton Partners
26-Dec-2018	RiskGenius	Developer of a policy review platform designed to connect insurance professionals to digital knowledge	0.5 / 56	QBE Ventures, Plug and Play Tech Center

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