

Insurance



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What is Insurance?

Insurance is a mechanism individuals use to limit their exposure to risk. A risk refers to the potential for a loss – meaning it is unclear as to if and how an individual will be affected by an event. Individuals band together to form groups that pay for losses. By forming groups, the risk is spread and no individual is fully exposed.

Exposure

Someone or something that can experience damage, destruction, disappearance, death, disability or illness because of the action of another person or accidental happening

Loss

The unintentional or unexpected reduction in value of an object or potential stream of income due to the action of another or accidental happening.

Claim

A demand for another party to recover the value lost from a suffered loss.

Insurance Value Chain

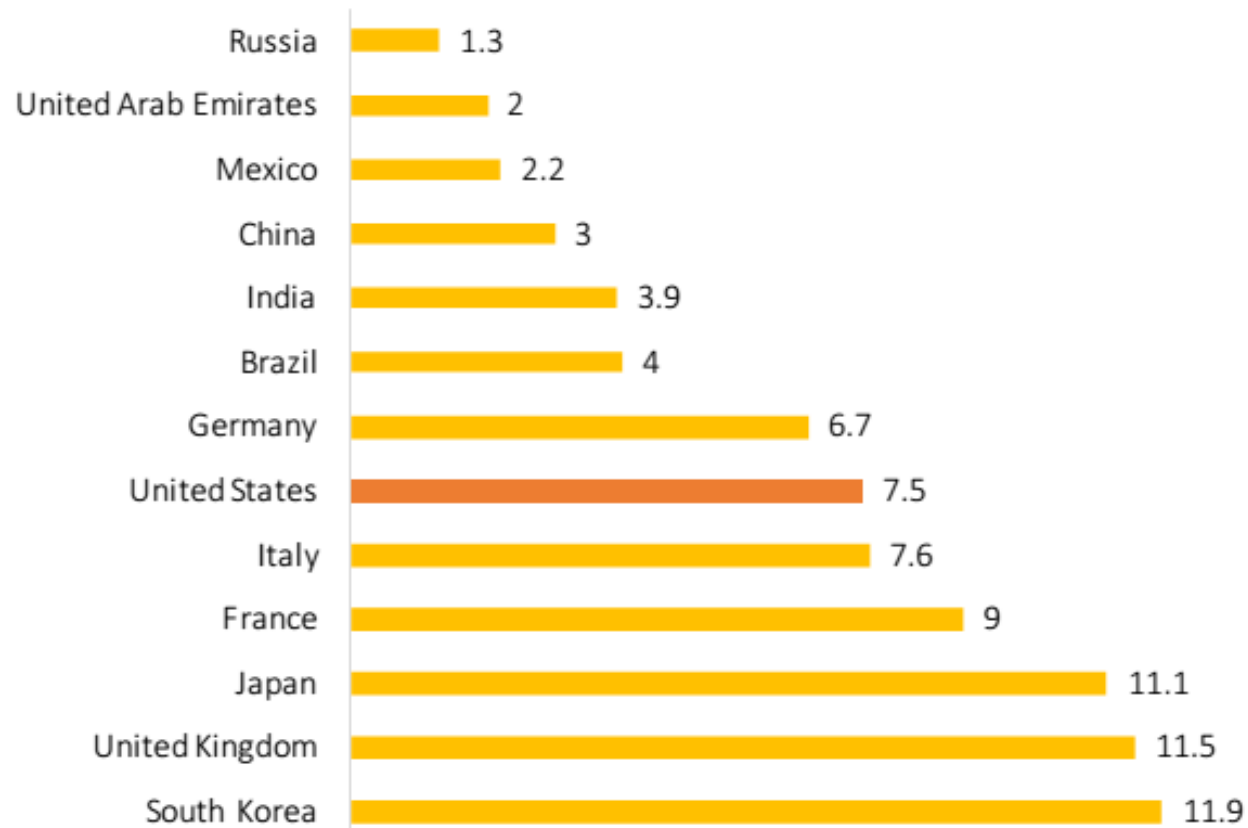


Source: 'Annual Report on the Insurance Industry', Federal Insurance Office, U.S. Department of Treasury (2019)

US Insurance Landscape

The US insurance industry is the largest in the world in terms of revenue. Insurance premiums totaled more than \$1.2 T in 2014, accounting for approximately 7% of GDP and 40% of the financial sector. Insurance companies play a significant role in the global financial markets, accounting for roughly half the total assets held by insured depository institutions.

Insurance Penetration Rate Ratio of Total Insurance Premiums to GDP



Source: McKinsey, Insurance Information Institute

Insurance Landscape – Market Share by Sector

P&C	Life	Health
Other	Other	Other
Travelers	AEGON	Aetna Group
Berkshire Hathaway	Jackson National Life Group	Humana Group
Allstate	New York Life Insurance	Kaiser Foundation Group
Liberty Mutual	Prudential	WellPoint
State Farm	MetLife	UnitedHealth Group

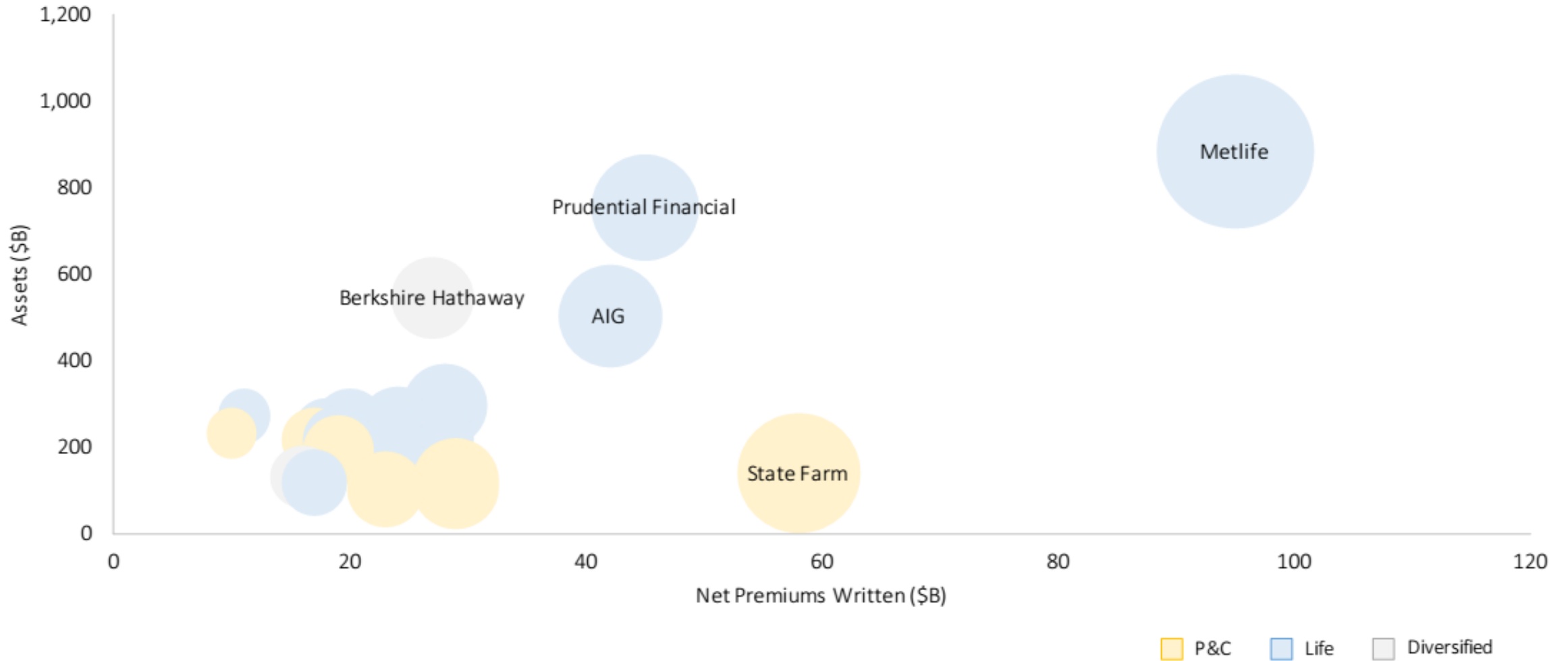
Source: McKinsey, Insurance Information Institute

Insurance Sector Landscape

- **Reinsurance Companies:** Arch Capital (1995), Berkshire Hathaway (1839 / 1967), Munich Re (1880), Swiss Re (1863)
- **Brokers:** Aon (1918), Brown & Brown (1939), Arthur Gallagher (1927), Marsh & McLennan (1905), Willis Towers Watson (1828)
- **Benefits Administration:** ADP (1949), Paychex (1971)
- **Claims Administration:** Sedgwick (1969)
- **Software or Services:** Duck Creek (2000), Goldwire (2001)

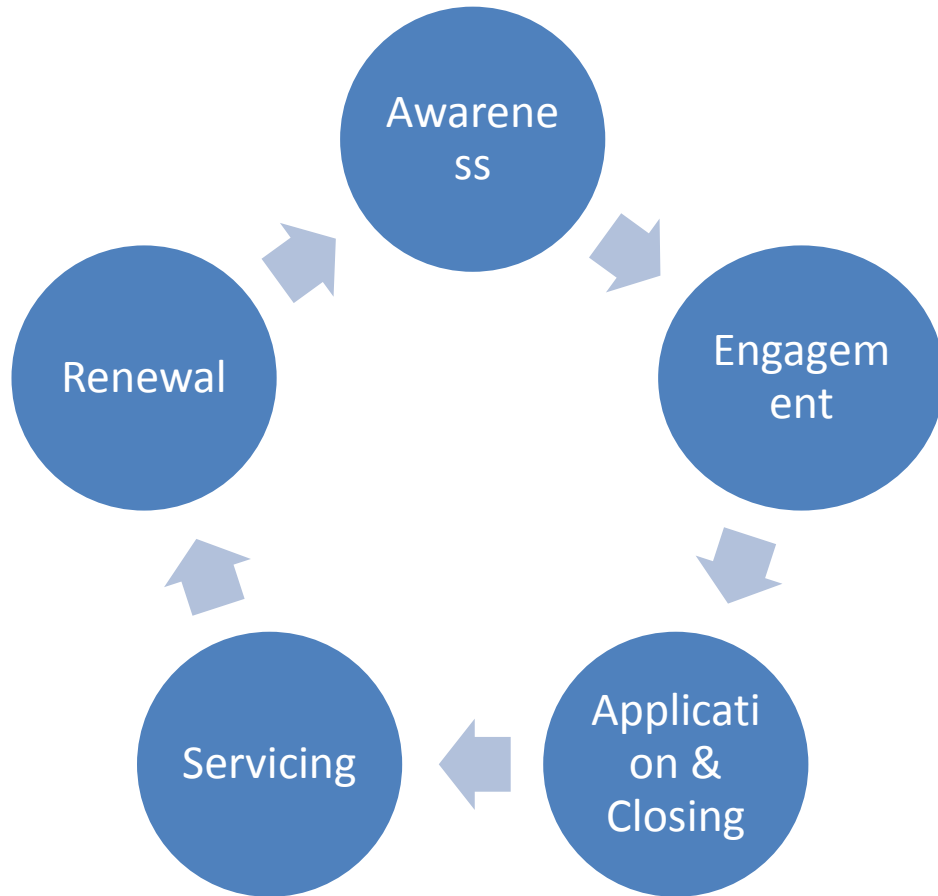
Largest US Insurance Companies

Top 25 P&C and Life Insurance Companies by Assets and Net Premiums



Source: Insurance Information Institute, US Treasury Department, AM Best

Key Performance Variables



Appropriate pricing and diversification of insurance portfolio risk	<ul style="list-style-type: none"> • Accurate development of customer risk profiles • Appropriate diversification of customers • Disciplined and effective underwriting practices • Ability to manage risk
Cost effective sales and distribution	<ul style="list-style-type: none"> • Ability to build brand recognition • Ability to reach and sell to customers in a cost effective manner • Ability to service claims and policies
Investment in diversified and well-performing assets	<ul style="list-style-type: none"> • Development of a strong balance sheet with the appropriate level of invested capital • Allocation of assets among asset classes • Ability to effectively measure and manage risk
Ability to obtain and analyze accurate data	<ul style="list-style-type: none"> • Ability to collect accurate data on customers and events • Ability to use data to drive decisions and interactions (e.g. product development, customer engagement, fraud detection)

Major Trends – International Regulation

Prior to the downturn, regulation of US insurance companies was almost entirely through the NAIC system. Regulations used US-centric metrics, with international organizations such as the International Association of Insurance Supervisors (IAIS) or International Monetary Fund (IMF) having little influence. Post the downturn, existing entities (such as the IAIS) and new ones (such as the G20) have moved to globalize and centralize insurance regulation, increasing international influence over US regulation in the process.

Regulatory Structure Prior to the Downturn

International Association of
Insurance Supervisors

International Monetary Fund

National Association of Insurance
Commissioners

Regulatory Structure Post the Downturn

International Association of
Insurance Supervisors

International Monetary Fund

National Association of Insurance
Commissioners

The Department of the Treasury

US Federal Reserve System

G20

Insurance Sector Challenges

- Shifting Balance of Power
- Utilizing Big Data Correctly
- Remaining on the Cusp of New Technology
- Understanding Cyber Risks
- Dealing With an On-Demand Economy
- More Catastrophic Events
- Global Standards for Insurance
- Staying Ahead of Challenges

Shifting Balance of Power

According to the experts at PWC, the balance of power is shifting to the consumer. In an in-depth report called *Turning Change Into Opportunity*, PWC claims, “New and ongoing social trends will shake up traditional business patterns in the insurance industry....” The report says the change in power is shifting towards the consumers due to a rise in consumer expectations. Consumers (people and businesses) are demanding quicker transactions, and more consumers want to work directly with insurance providers. PWC attributes this shift to the rise in technology because the smartphone has equipped consumers with a mobile device that carries out their demands.

Utilizing Big Data Correctly

As technology improves, your competition will have the same advantages and opportunities presented to you and your team, so you need to be prepared. If you're unwilling to learn how to utilize big data to help you grow within the industry, you will have trouble keeping up with your competitors. PWC reminds its readers that the growth in technology enables individuals working within the insurance industry by making it easier to connect to the internet and analyze large amounts of data without trouble. To utilize this golden gift of technology, you will need to analyze the data collected from consumers. According to PWC, knowledge of this data will help you update your underwriting and pricing.

Remaining on the Cusp of New Technology

According to the Insurance Information Institute (III), the insurance industry is often seen as having a bad reputation for being behind the advancements in technology. There have been fascinating technological improvements within the last few years, and the next year will come with several more. It's important to stay up to date on what types of new technology are being created to be imaginative in finding ways that these technologies will impact your clients.

Not every new technology needs to be used to make your company grow. However, you may find ways to use your knowledge of drones, the Internet of Things (IoT), and other recent advancements in technology. Being knowledgeable of these developments will help you talk to clients, and your clients will feel more at ease working with someone who understands their concerns.

Understanding Cyber Risks

Along with the growth in technology, there's one special sector of the insurance industry that provides a new valuable service. Understanding and navigating the world of cyber risks will help you prepare for challenges that could arise with individuals and businesses. Individuals may want insurance to cover their personal losses when they become impacted by data breaches. However, companies will want to be insured against other costly factors. If their data is exposed, they'll want to cover several of the costs associated with a data breach. According to III, these costs include notifying authorities, notifying individuals, settlement costs, fines, costs of discovering the cause, loss of business, loss of customers, loss of reputation, and cyber extortion.

Dealing With an On-Demand Economy

Another one of the adaptations that must occur to continue growing within the insurance industry in the next year is understanding what it means to ensure individuals in an on-demand economy. On-demand technology impacts more than just the video service you stream at home. For example, you're able to call a ride share service, and you're able to reserve a room in someone's house. These individuals must carry insurance to operate, so you need to be prepared to deal with their unique situations.

According to III, there are "many unanswered insurance questions" in the on-demand economy. Get ready to answer those questions by developing a plan to deal with these unique cases as they arise. At first, each new case might require special attention. Eventually, you should set up a strategy to deal with similar cases as they come to you in the future.

More Catastrophic Events

According to advice from PWC, insurance professionals should be prepared to deal with unforeseeable serious catastrophic environmental events. These events are becoming more severe, and they are happening more frequently. PWC brings special attention to life and health insurance professionals needing to be informed about relevant pollution and air quality levels.

Global Standards for Insurance

PWC mentions the possibility of harmonization between regulators around the world. Creating a standard for insurance practices will impact prices and policies. Stay up to date on world events to prepare for this challenge.

Staying Ahead of Challenges

Keep focused on the goals you've set to maintain growth in your sector of the industry. Understanding the challenges ahead for the next year prepares you for success in the same way that clients are preparing for hazards when purchasing a policy. You're making an investment of time that will pay off when you show colleagues and clients that you're prepared for any circumstances that might come your way. There's no challenge too big to handle, so work out a viable solution to overcome any obstacle that comes your way.

InsurTech - Opportunities and Legal Challenges for the Insurance Industry

InsurTech did not appear overnight. When it comes to collecting and analyzing data to assess risks and calculate exposures and premium payments, insurance companies are the consummate experts. InsurTech is the natural result in two recent developments in the industry.

InsurTech - Opportunities and Legal Challenges for the Insurance Industry

The first development involves the increased availability of data. It is said that the volume of available data in recent years has doubled every two or three years. Perhaps even more importantly, the available data now has various different sources. While in the past insurance companies had to rely mostly on the answers they received in response to specific questionnaires and on statistical data, the technical developments in recent years have allowed for much broader sources of data. Social media and other third parties are now providing data independent of customers. Wikipedia and other open-source data also allow for a much more efficient gathering of information. Finally, customers are providing data through their own devices, be it at home, in the car, by mobile phone, etc.

InsurTech - Opportunities and Legal Challenges for the Insurance Industry

The second development is that analyzing this data has become much more efficient. Big Data analytics (i.e. collecting, storing and analyzing Big Data volumes from internal and external sources) is key.

The volume of data as such is not decisive, rather the ability to analyse and draw conclusions. New technologies, such as the use of algorithms and artificial intelligence, provide efficient tools for this.

InsurTech - Opportunities and Legal Challenges for the Insurance Industry

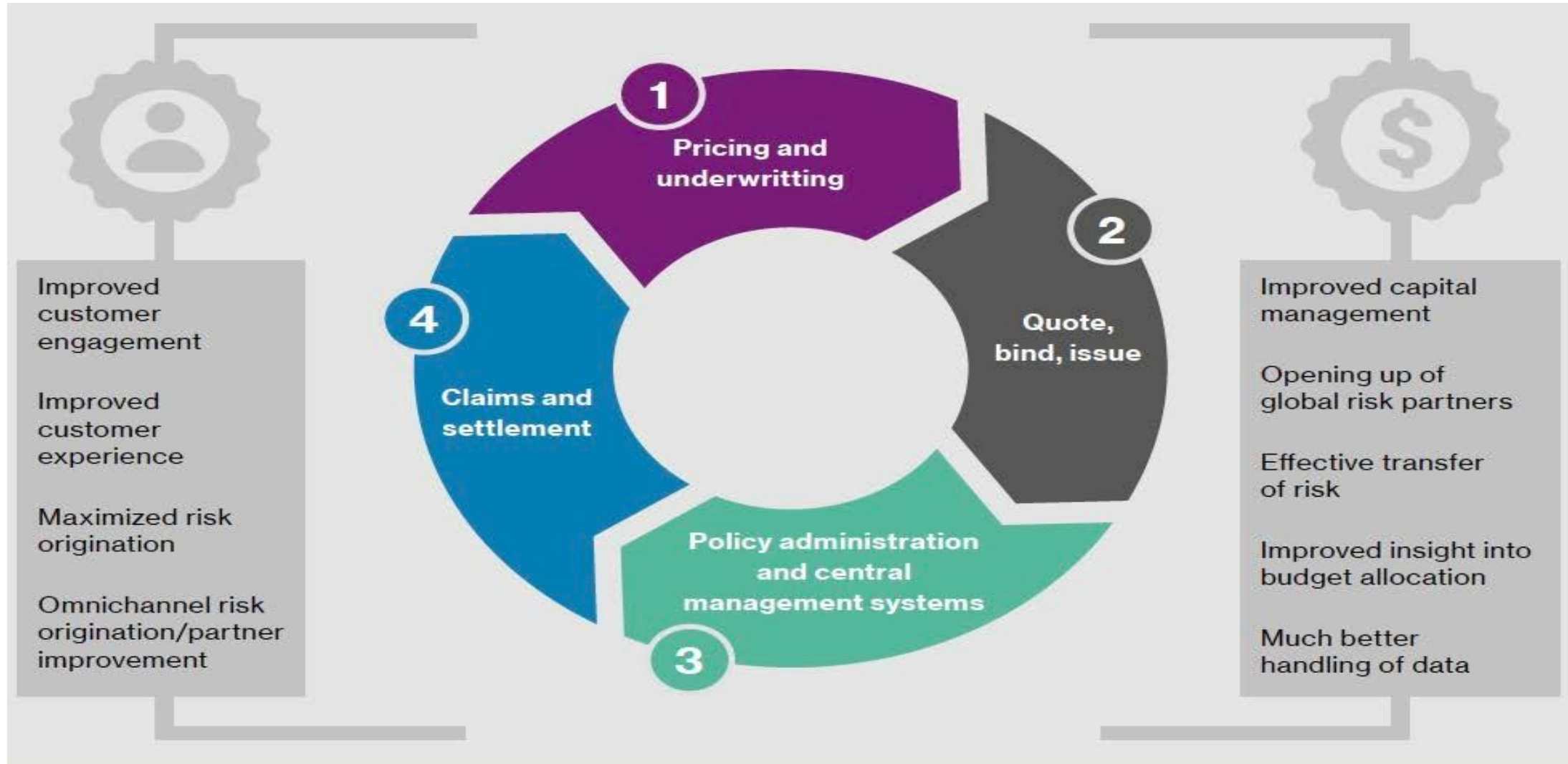
In particular, the second mentioned aspect creates disruption. Incumbent insurers are confronted with the fact that either they need to invest in acquiring the respective technical capabilities or they need to liaise with third-party providers. In addition, they are faced with new competition by new companies targeting specific markets. While many of the new providers are focusing on certain aspects of the insurance value chain, there are also new full-fledged insurance companies.

InsurTech - Opportunities and Legal Challenges for the Insurance Industry

Baker McKenzie has produced a paper discussing the above developments, including data privacy/GDPR issues, the legal framework of InsurTech and embracing new technologies. In the paper, our experts focus on these issues within the following jurisdictions, wherever they are relevant:

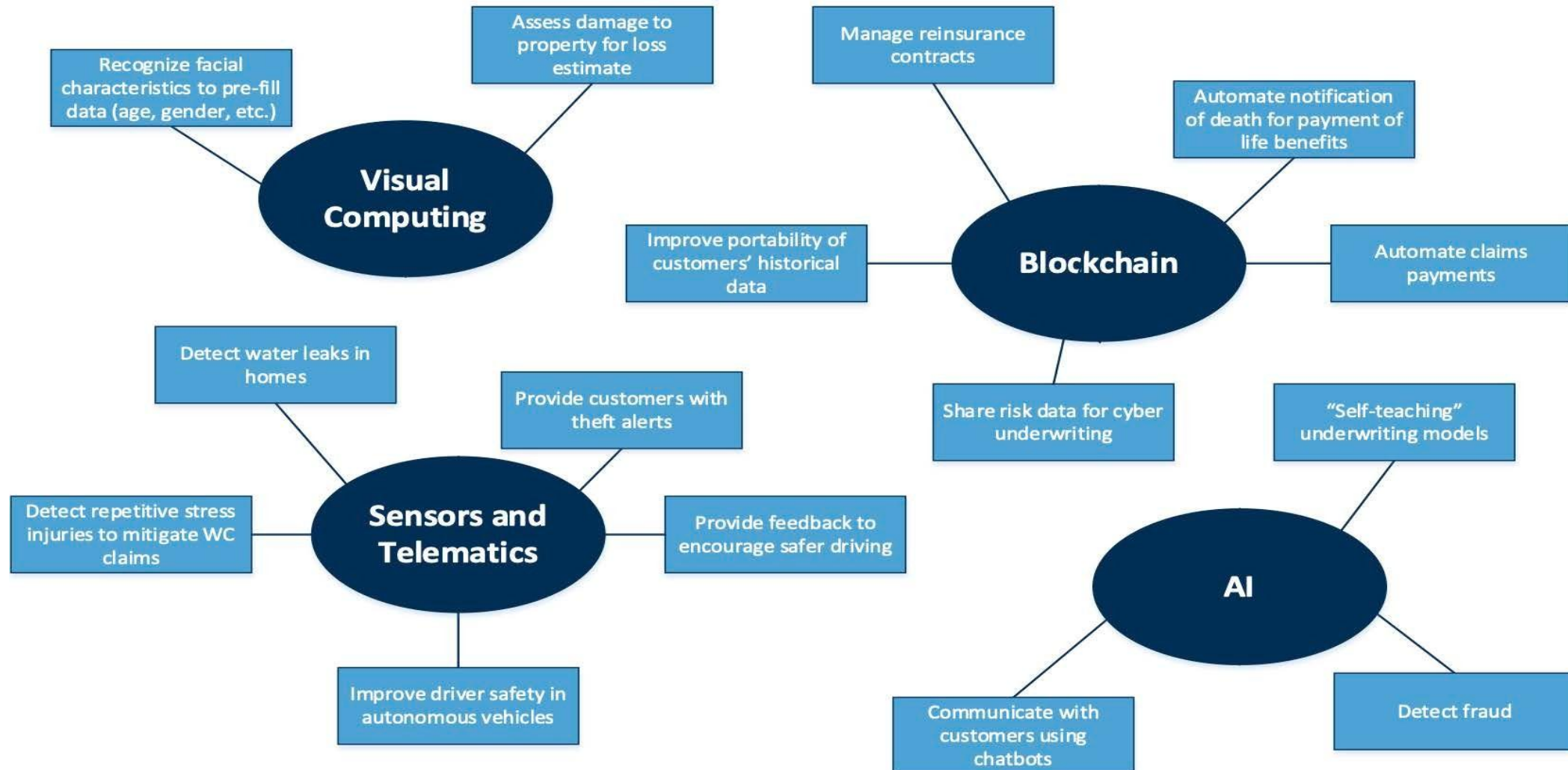
- France
- Germany
- Hong Kong
- Italy
- Singapore
- Switzerland
- United Kingdom
- United States

InsurTech Opportunities

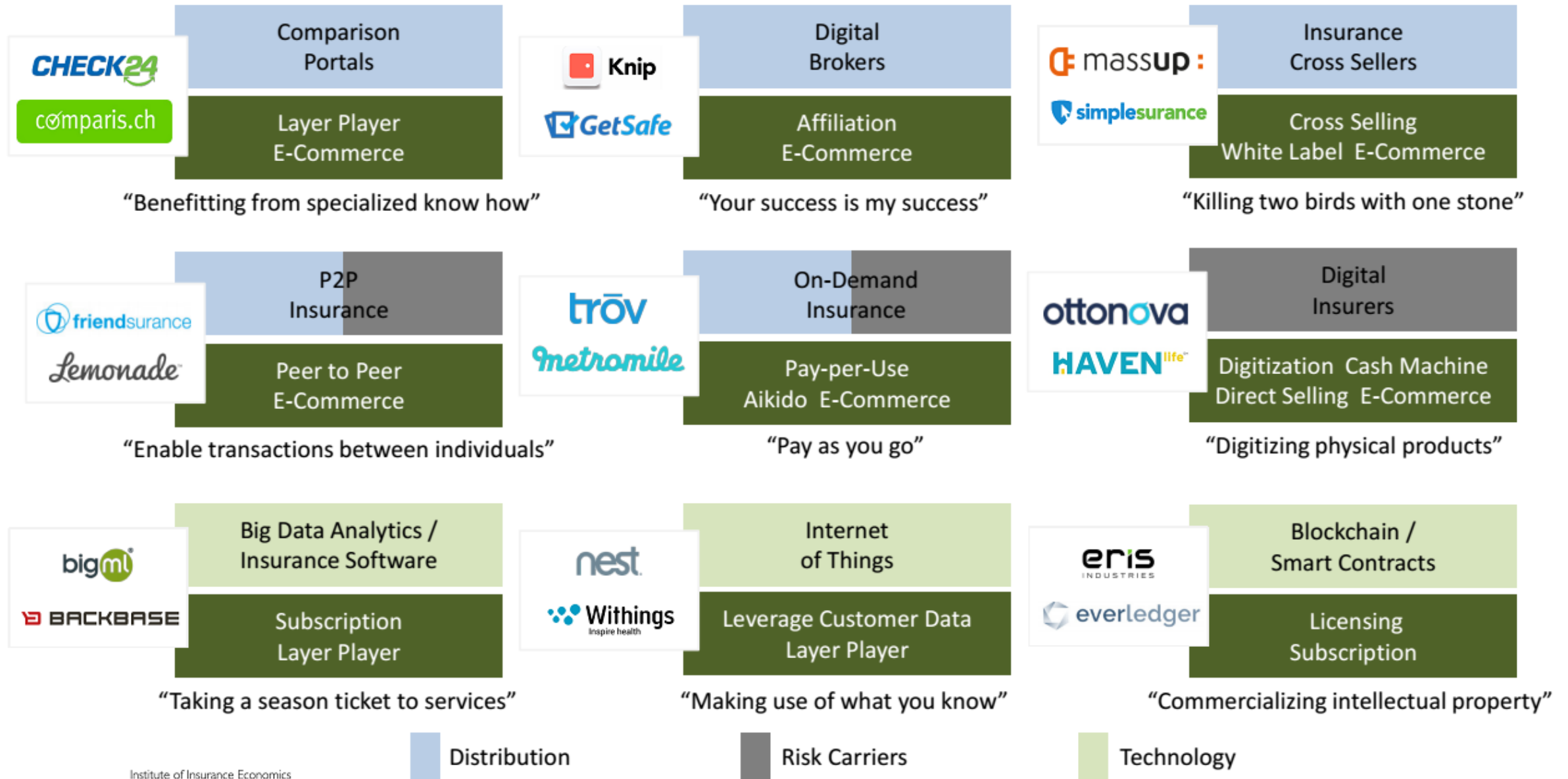


Source: 'Quarterly InsurTech Briefing Q4 2019', CB Insights ' (January 2020)

InsurTech Emerging Technologies



Which business model patterns are inherent in InsurTech startups?



Insure Tech Startups



It provides more benefits and more flexible cover. If you have special requirements from your travel insurer, are struggling to find cover to match, or simply find it too expensive why not give us a try. Structured as a club we strive to look after our members from the sign-up, through claims and back to renewing cover. we only provide annual memberships and whilst our standard terms are not bad we can help with special situations like – older passengers, longer trips, and specialist sports such as bicycle racing and triathlons (providing they are amateur).

Insur Tech Startups



Insure First is among the first companies to be licensed by IRDA to undertake Insurance and other financial products distribution, also provide back office services for Insurers in East of India. The Company was founded in November 2016. We are the “SEE” company (Simple, Easy, Effective) that seeks new and faster ways to address trust issues through honest, timely and excellent service delivery. We leverage deep expertise and technology driven approach to offer simple, easy and effective solutions that are relevant and on spot in solving customer pain points. Further this platform is supported by a very Robust customer service technology infrastructure and young, energetic and self- driven personnel, who will efficiently help you choose the solution best suited for you. Insure First partners top Insurance companies like Aviva Life, ICICI Prudential Life, Bajaj General, SBI General, Cigna TTK Health Insurance apart from top Mutual Funds AMC within the country.

Insur Tech Startups

GETSAFE

Getsafe is a fully digital insurance company that helps people cover themselves and their universe simply from their smartphone. Using technology and machine learning, the company offers digital insurance products in all lines of business – property, health and life. The Getsafe app is available to customers 24/7 and 365 days a year, allowing them to file claims or change their coverage in real time.

Insur Tech Startups

The logo for Insurify, featuring the word "INSURIFY" in white, uppercase, sans-serif font, centered within an orange rounded rectangle.

Insurify is the first online car insurance shopping platform, which instantly verifies your customer data to provide intuitive and integrated user experience.

We believe that the only way to help people feel comfortable shopping for insurance online is if we can build the brain of a super agent behind our platform.

We analyze millions of records, identify patterns and build models to match to your profile. Based on these models, we provide our personalized recommendation to help you make the most confident decision about your coverage and choice of carrier.

Our data driven approach helps you save time and money on your insurance every year. How we help you with your car insurance shopping.

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