

10th Discussion Forum
April 17, 2024



Innovation Update

US & Europe, Insurtech & Parametrics

Lessons learned - what's next?

Christopher Beck
Gabor Janki
Bill Seymour
James Whitelaw



Silicon Valley Needs to Accept That Insurance Is Boring

Though 'insurtech' has seen venture-capital money dry up, it might be a good fit for mundane forms of artificial intelligence



Introduction

why we needed to innovate

Insurtech

better, but not perfect

Venture Capital

underwriting together

Europe

different approach, different focus

Parametrics

logical part of 24/7 monitoring

Blue Marble

helping bridge the protection gap

Conclusion

there's always another wave

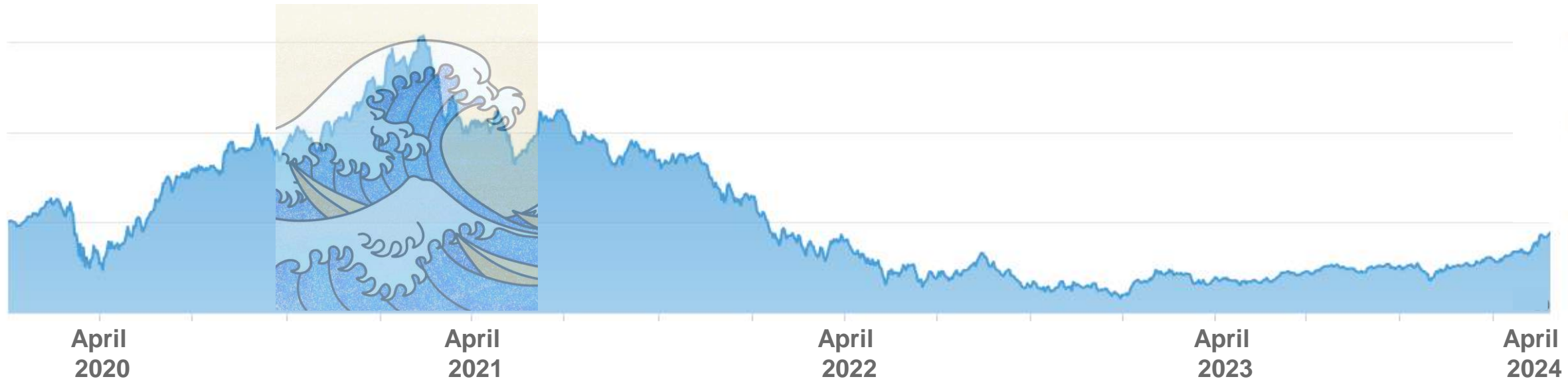
The View In 2018



Source: The Great Wave off Kanagawa, Katsushika Hokusai

It Was The Crest Of The 1st Wave

HSCM Public InsurTech Index



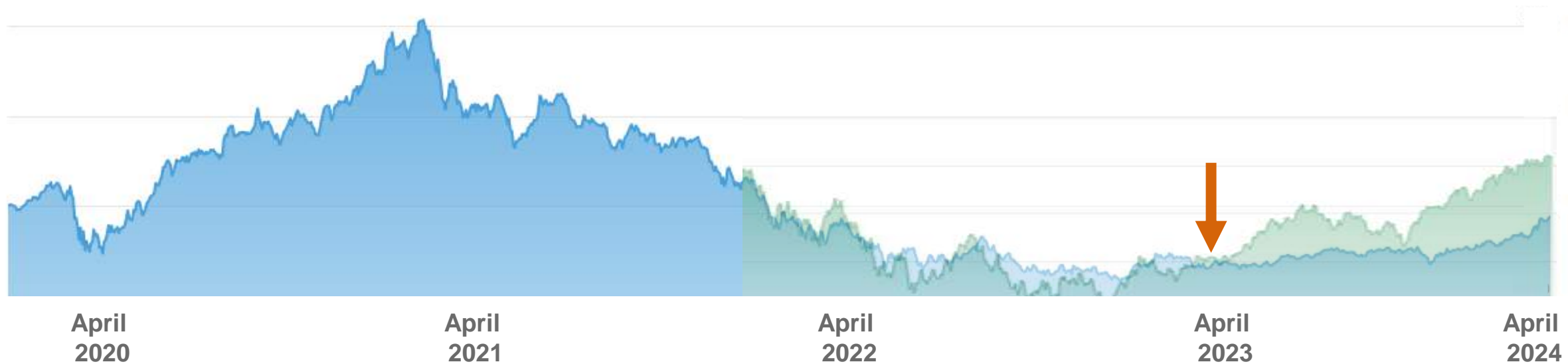
Source: Hudson Structured Capital Management

After Covid Came The Technology Hangover



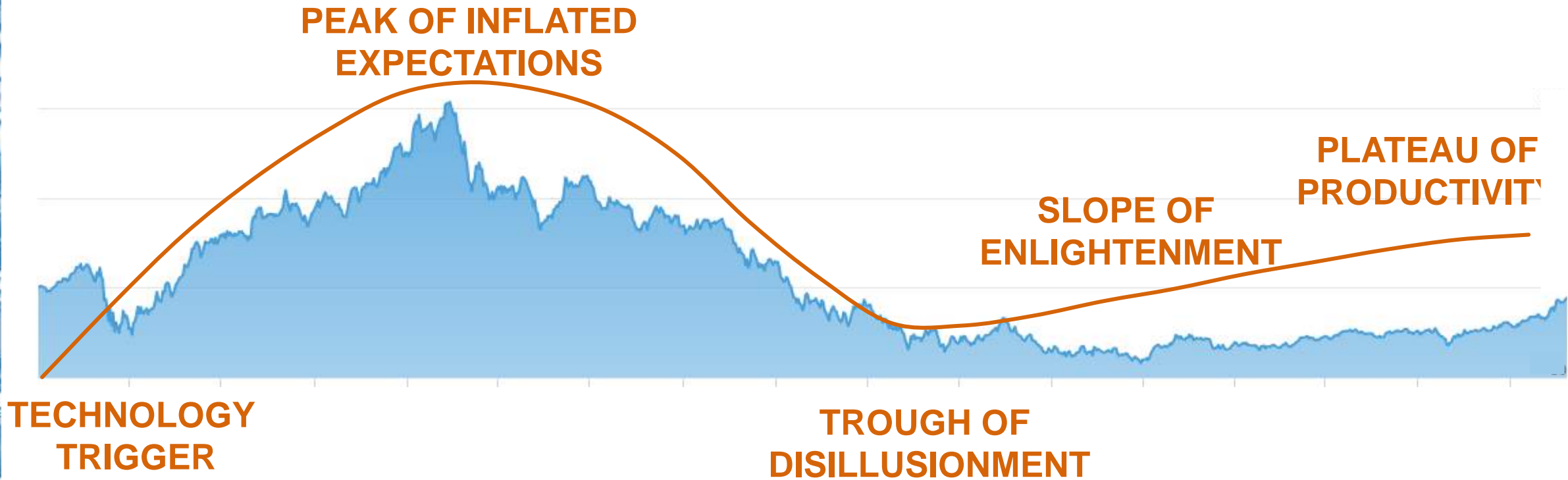
Sources: Hudson Structured Capital Management, Nasdaq

Technology In General Has Rallied On AI



Sources: Hudson Structured Capital Management, Nasdaq

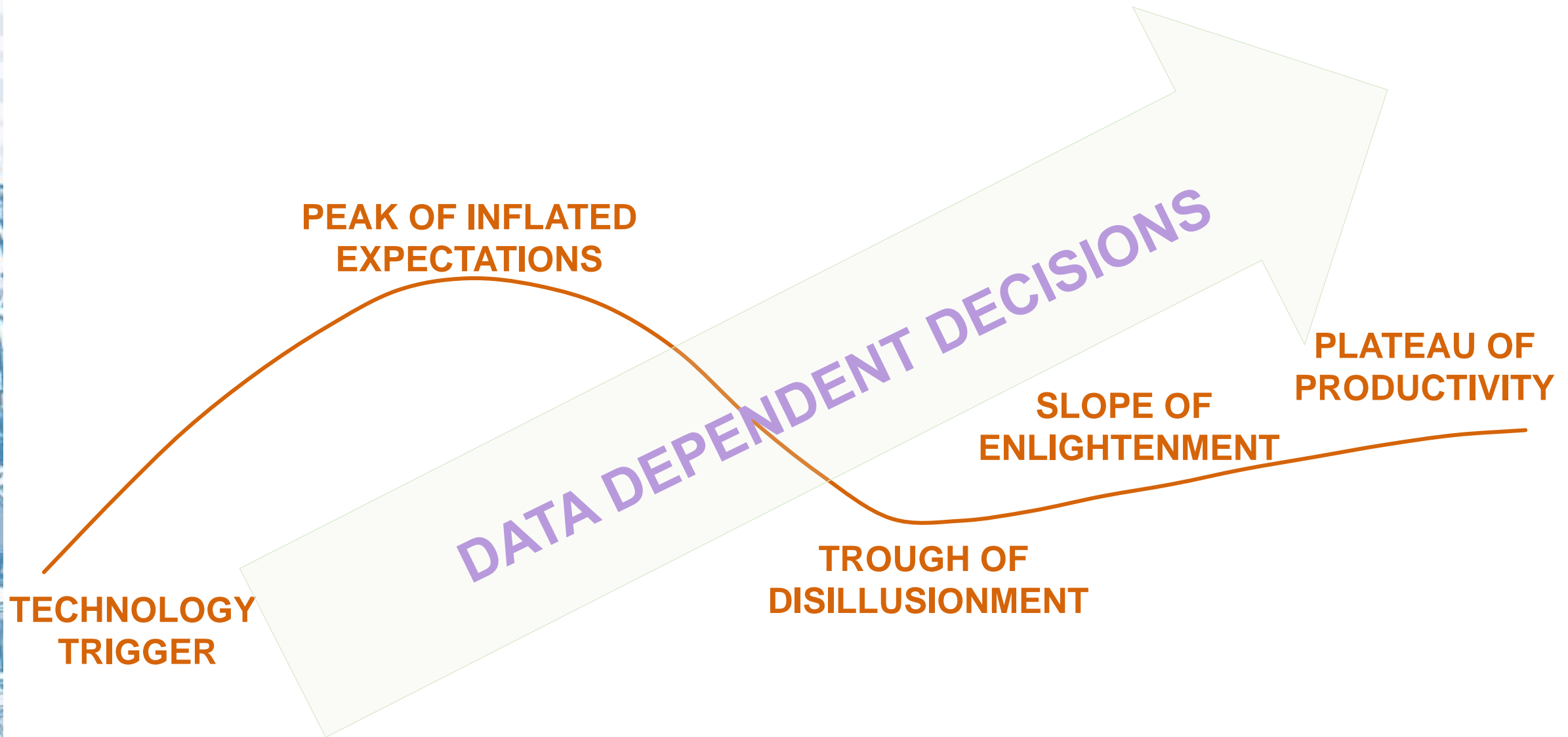
The 1st Wave Of Insurtech Is Over



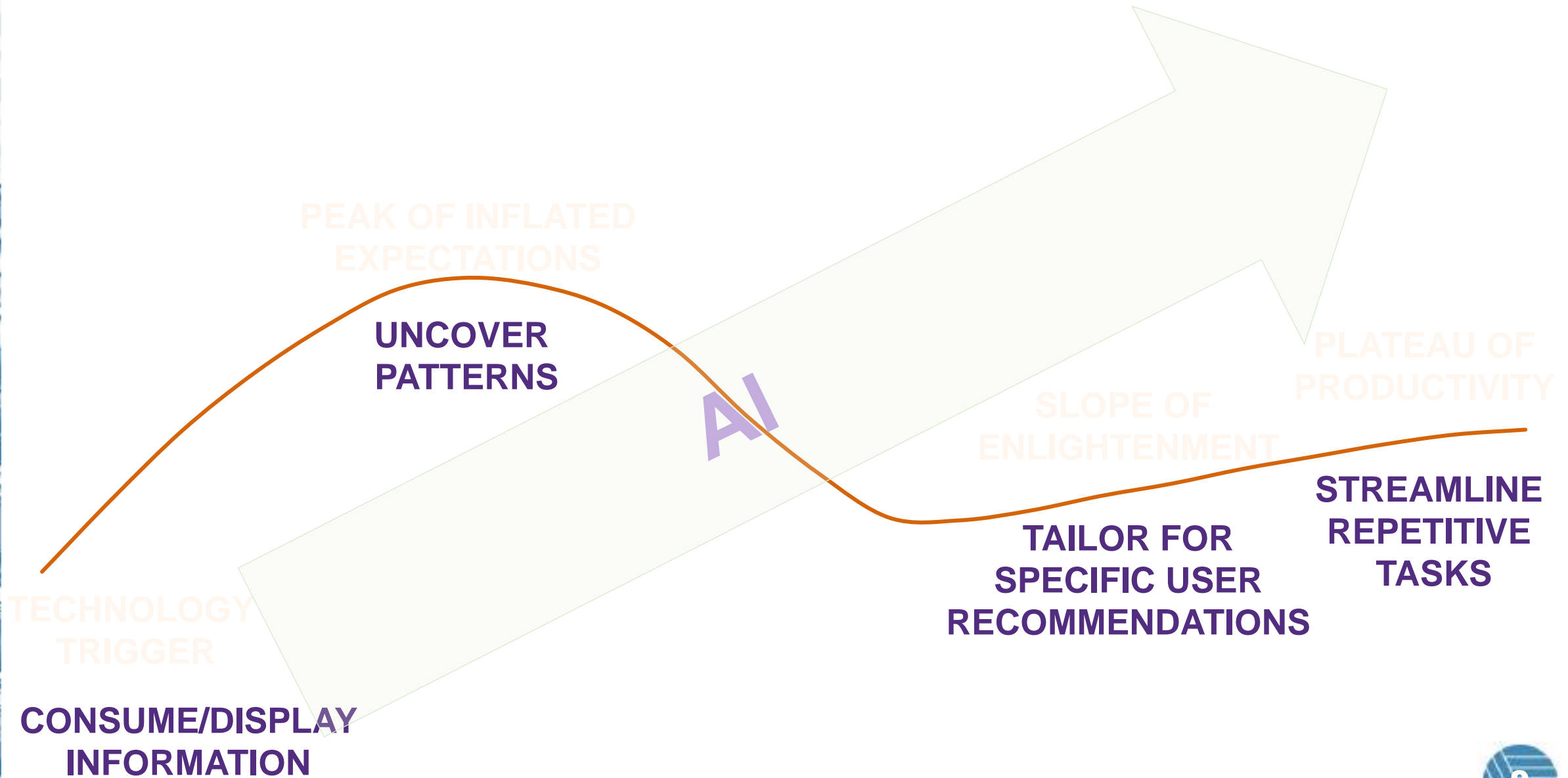
Sources: Hudson Structured Capital Management, Gartner



But It Is Still A Bull Market In Data



And The Next Wave Is Here





*We must always change, renew, rejuvenate
ourselves, otherwise we harden*

***Wir müssen uns beständig
verändern, erneuern und
verjüngen;
andernfalls verhärten wir uns***

– Johann Wolfgang von Goethe

We Don't Deliver Much Profit To Our Investors

Losses
57¢

Expenses
41¢



Profit
2¢



Loss	Brokerage/Salaries	Taxes	Other
Adjustment	Commission 9¢	3¢	G&A
Expenses	10¢		5¢
14¢			

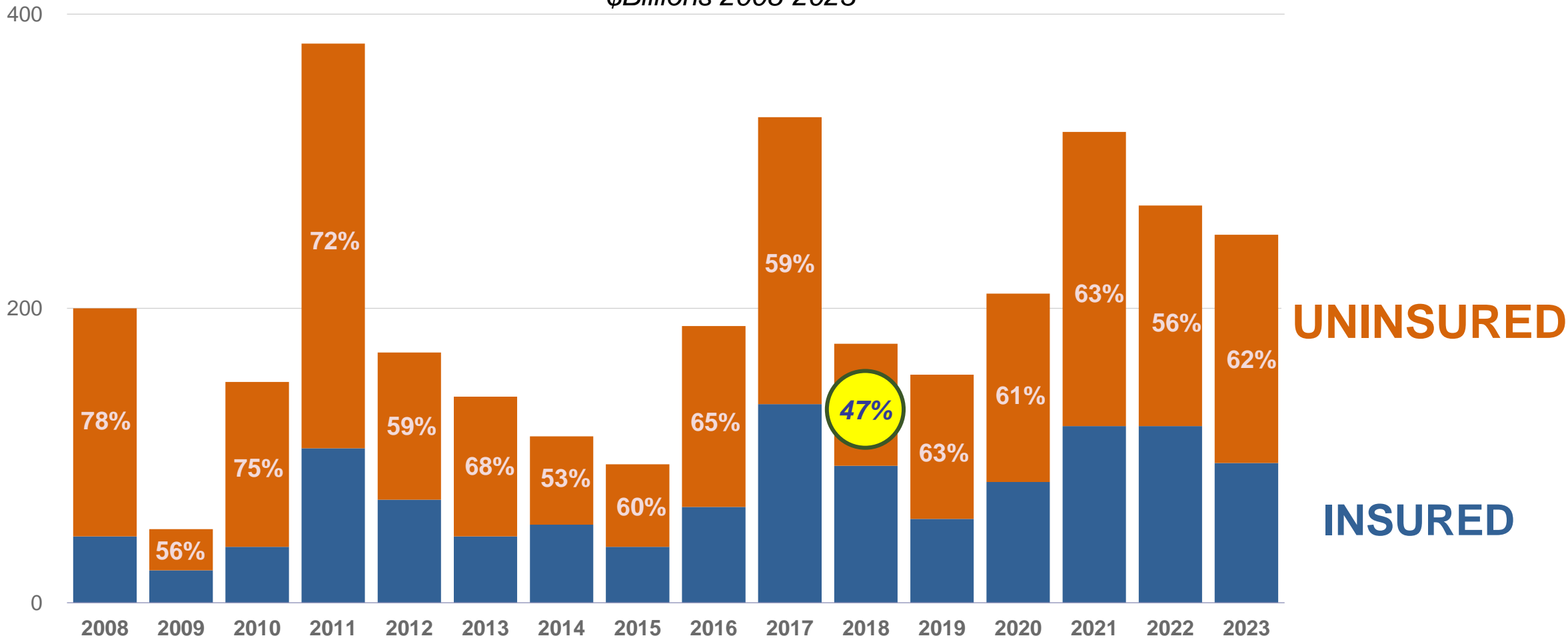
Source: SNL Data, D&P Analysis

Low Productivity – Low Value

We Don't Make Enough Difference To Society

ECONOMIC LOSSES FROM NATURAL CATASTROPHES

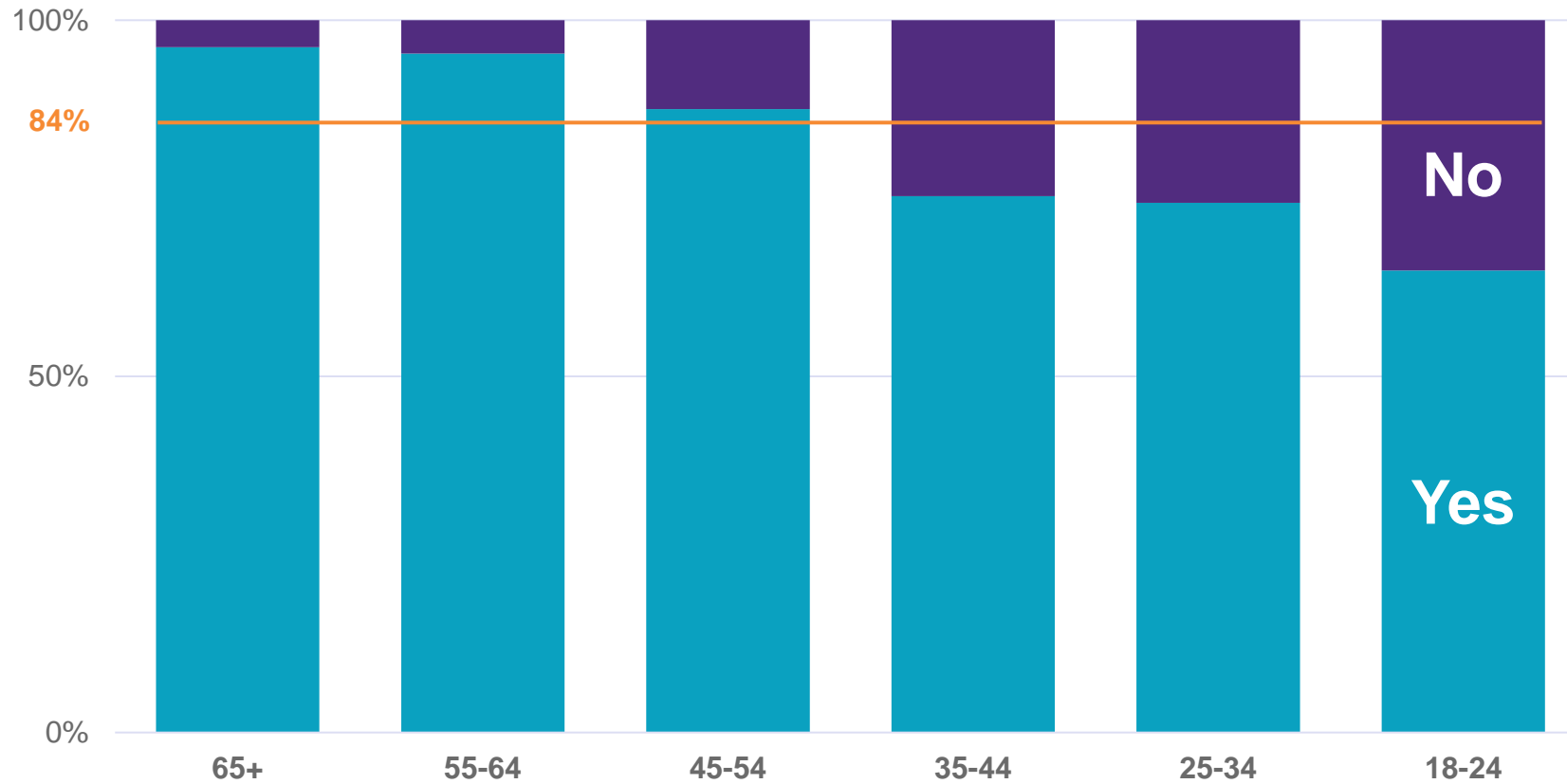
\$Billions 2008-2023



Source: Munich Re Nat Cat Service

Is That Why We Are Unpopular?

DO YOU CONSIDER INSURANCE FRAUD TO BE A CRIME?



Source: Verisk



***For things to stay the same,
everything must change.***

– Giuseppe Tomasi di Lampedusa

*Se vogliamo che tutto rimanga come è,
bisogna che tutto cambi*

“I never want anything to change.”



*“Oh honey,
that’s life.
It’s all change.”*

“That’s terrifying.”

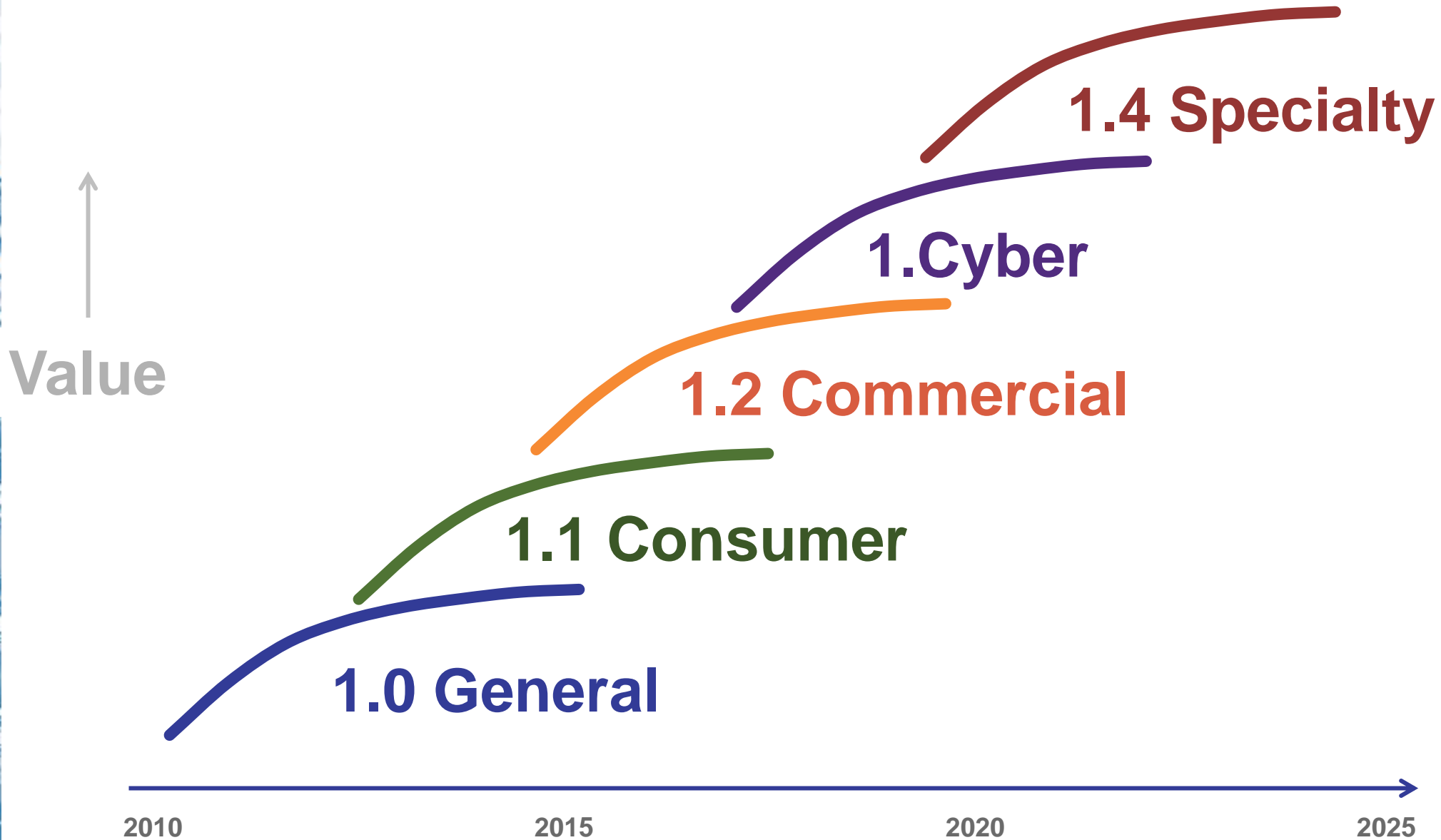
Disruptors At The Gates



Many executives, especially those new to the industry, see property-casualty as an **inefficient paper-driven business** that is ripe for automation. But insurance is different....**Avoid the leading edge** – it usually turns out to be the bleeding edge....Winners tend to rely on proven technologies, not to break new ground. They also tend to avoid big bets.

McKinsey & Co

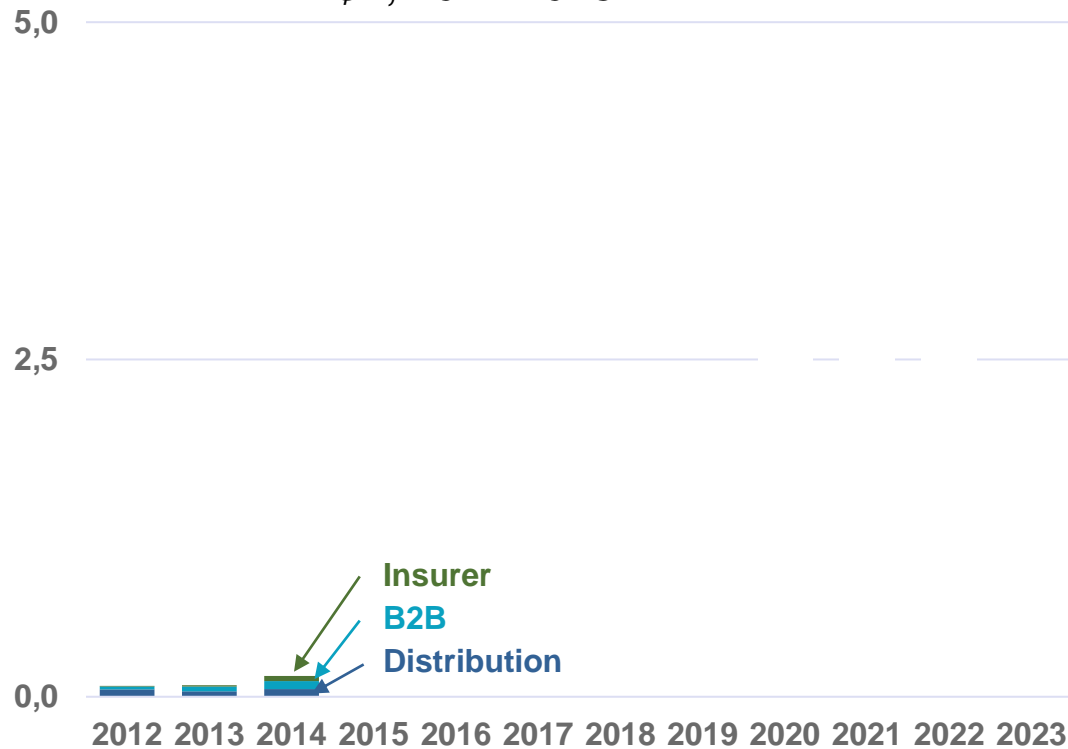
Waves Of Insurtech Innovation



Insurtech 1.0 – Lets Get On-line

VENTURE FUNDS DEPLOYED

\$B, 2012-2023



Distribution/Consumer Focus

Better user experience

Telematics

Pay-as-you-Go

On-demand

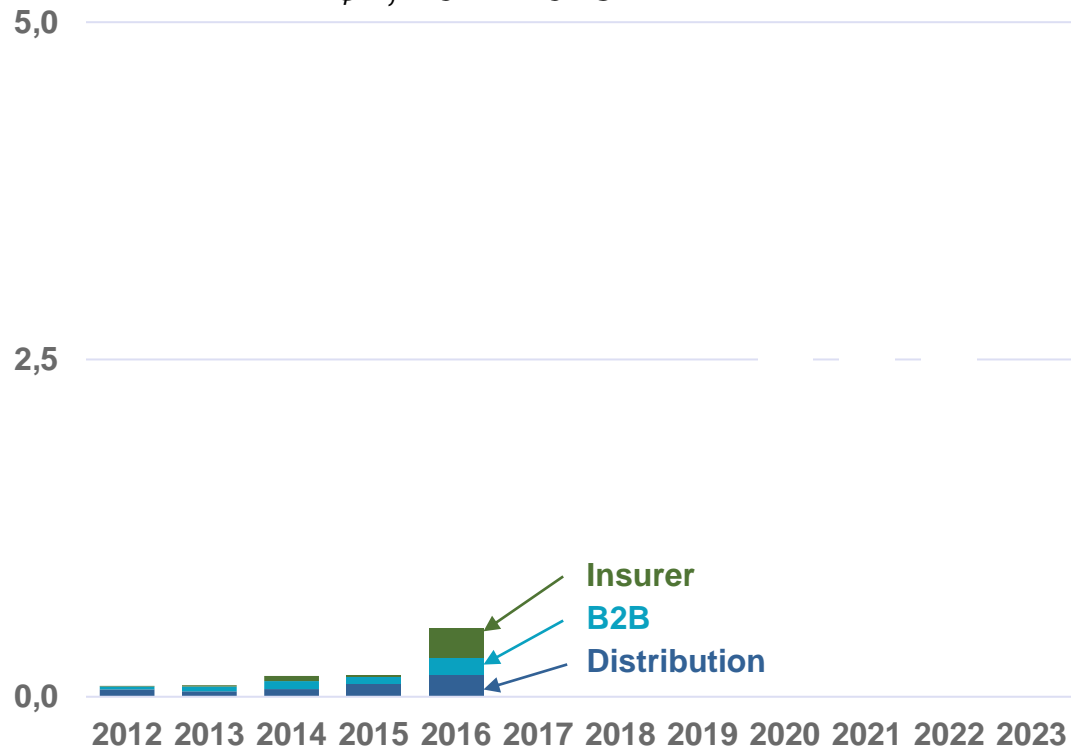
Apps

Chatbots/quote configurators

Insurtech 1.1 – Lets Improve The Experience

VENTURE FUNDS DEPLOYED

\$B, 2012-2023



Consumer Focus

Home, auto, renters

Big, fragmented, inefficient markets

Quote & Bind < 5 minutes

Proactive risk controls

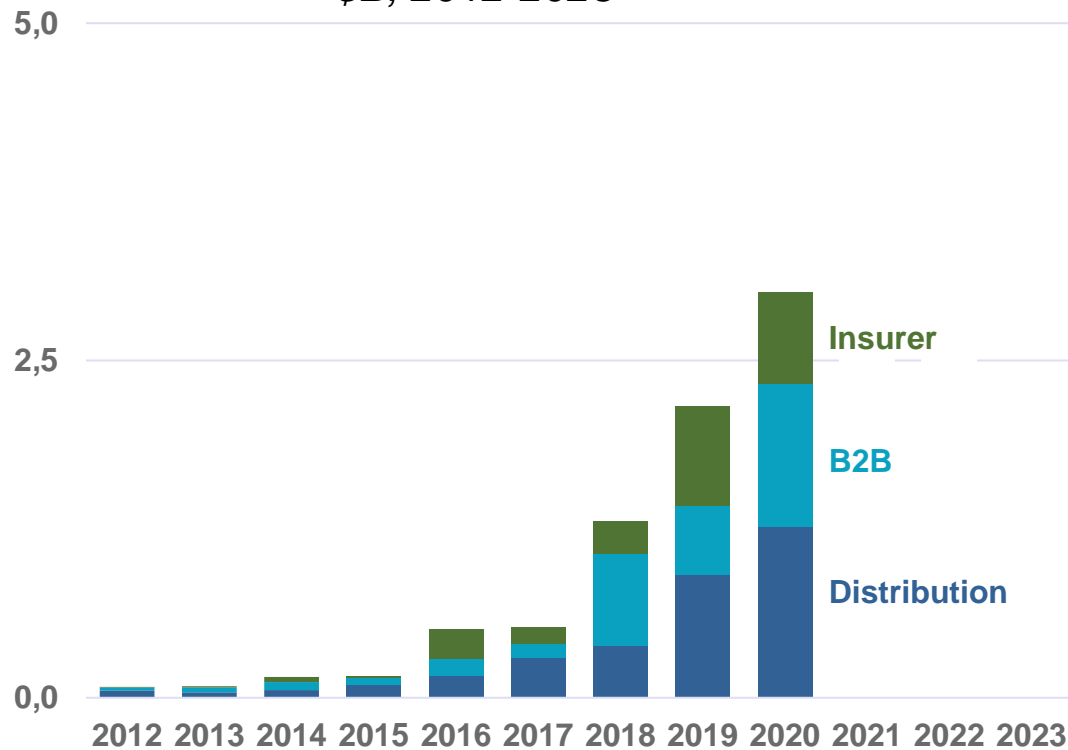
Simplified process

Disrupt at all costs (high loss ratios)

Insurtech 1.2 – Focus On Business

VENTURE FUNDS DEPLOYED

\$B, 2012-2023



Commercial Focus

Distribution still leads funding

Another big, fragmented market

Focus – SMEs & Cyber

New products – lease guarantees

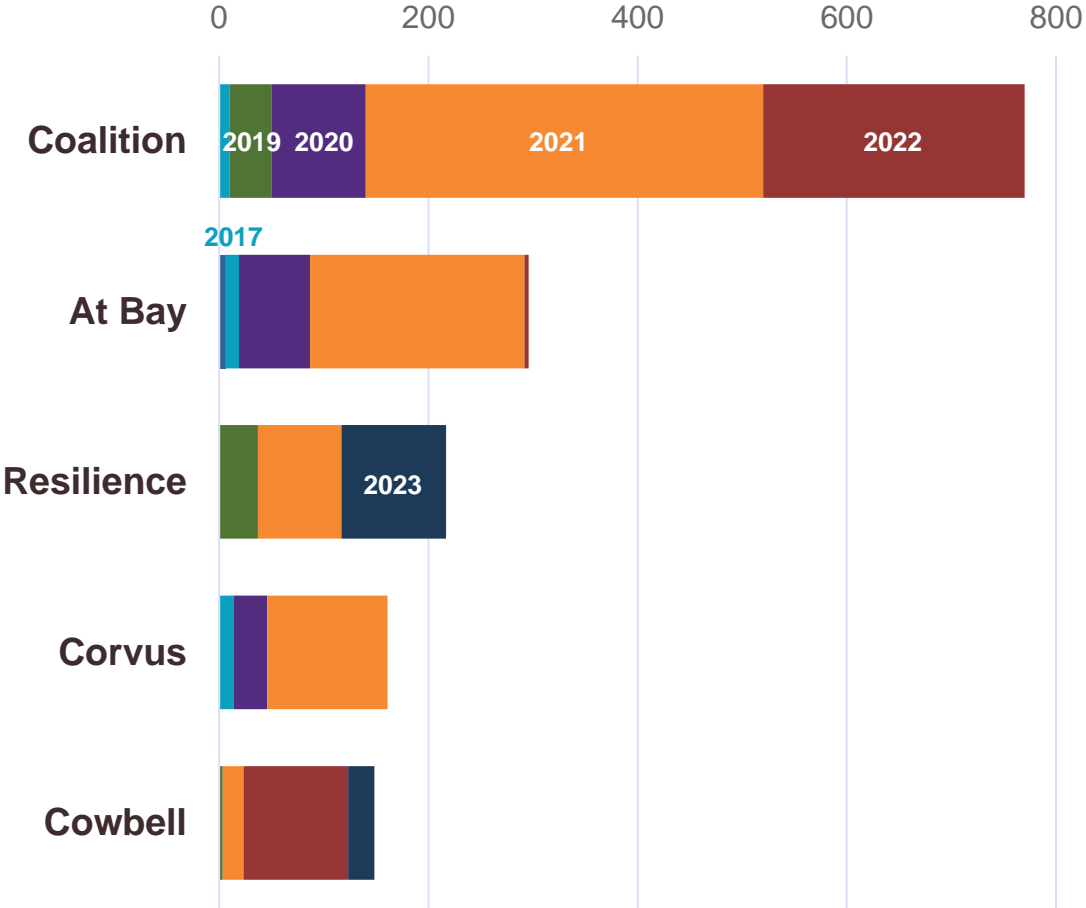
Gig economy

Third Party Data Ingestion

Enablers, not disruptors

Insurtech 1.cyber

VENTURE FUNDS RAISED
\$M, 2017-2023



Cyber Focus

All launched in 2 year window

Collectively \$1.6B = 10% of total

Continuous monitoring

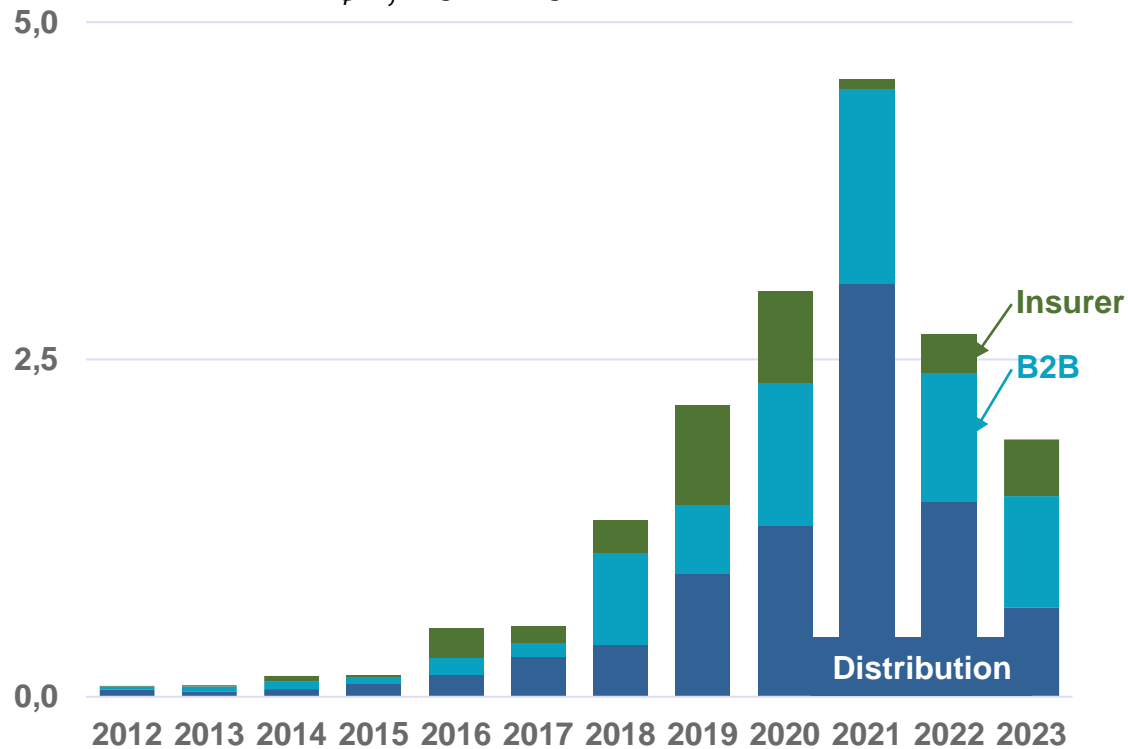
Incident Response Services

Full-stack/captive approach

Insurtech 1.3 – Lets Get Niche

VENTURE FUNDS DEPLOYED

\$B, 2012-2022



Specialty Lines

Auto = TLC/Rideshare/Trucking

SME = management liability (D&O)

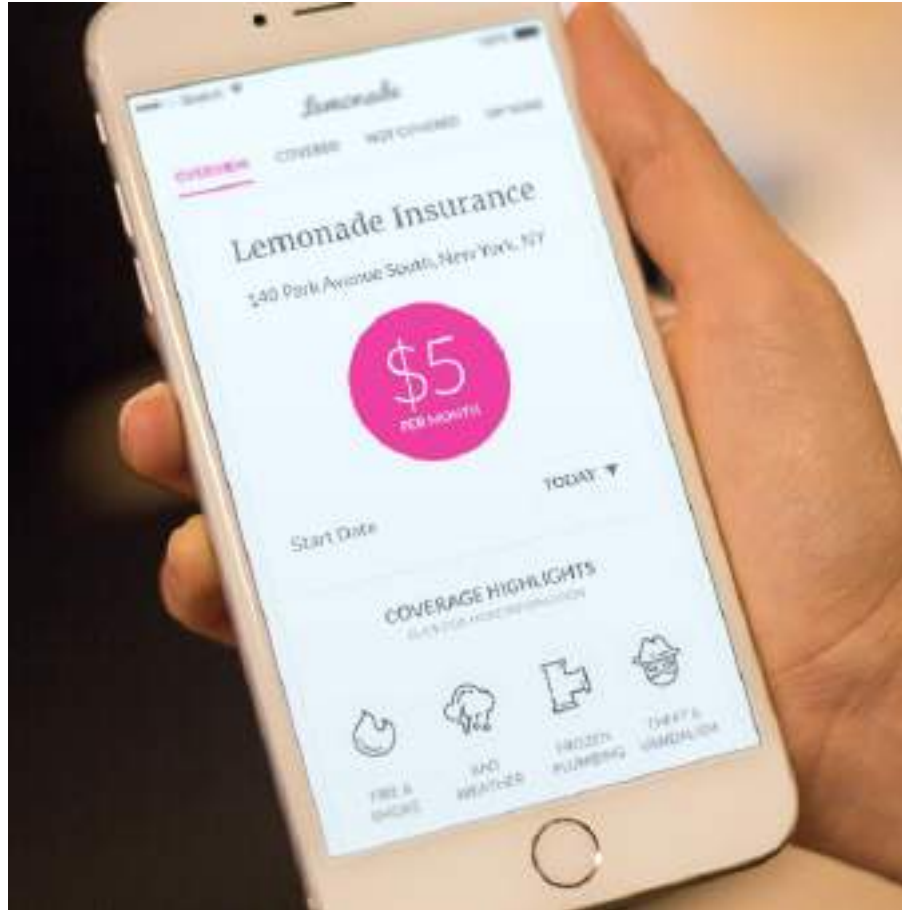
Risk exchanges

Casualty ILS

Energy Production warranties

'Ecosystems' (eg construction sites)

Lemonade



Appeal to millennials

Delightful experience

Aligned values

Great prices

Appeal to VCs

Raised \$480M VC money

Bought Metromile

IPO valuation \$3B

Re/insurers lost focus

\$1.1B accumulated deficit

Where Are We Today?

What has gone?

The hype & high valuations

What remains?

The pursuit of

better data (more of it, more often)

better customer service

better products

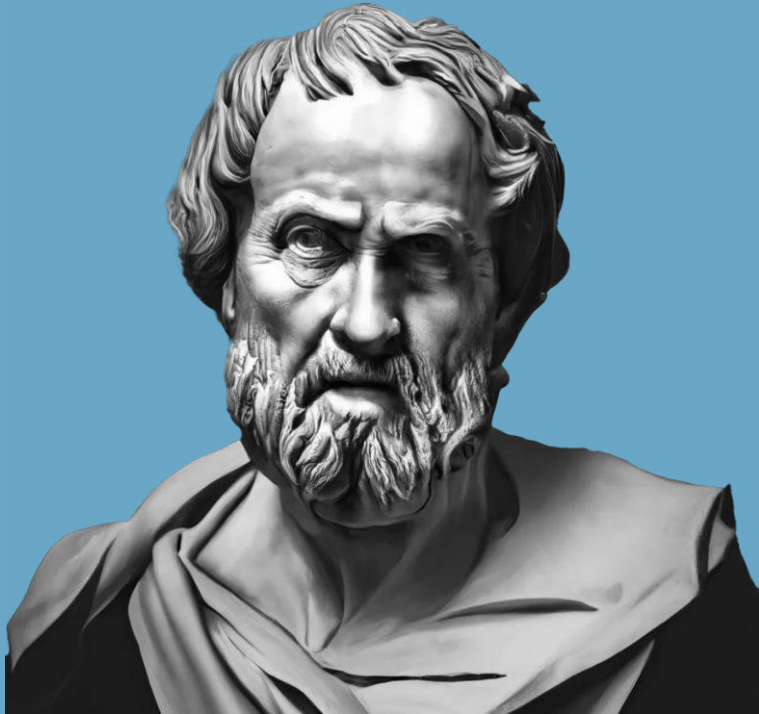
What awaits?

Better underwriting outcomes

Tomorrow's World



- ✓ **SME = small commercial risks**
- ✓ **Captive as a Service = pain point**
- ✓ **User experience = 1.x learnings**



*Non quia difficilia sunt non audemus;
sed quia non audemus, difficilia sunt.*

***It is not because things are
difficult that we do not dare:
it is because we do not dare
that things are difficult.***

– Seneca

Insuring / Investing

RE/INSURERS

**Limited
Upside**
(Day 1 Premium)

**Unlimited
Downside**
(Losses)

***VENTURE
CAPITALISTS***

**Limited
Downside**
(Day 1 Check)

**Unlimited
Upside**
(Unicorn)

Corporate VC Or Fund-of-Funds?

American Family Ventures

Allstate Strategic Ventures

Alma Mundi Ventures

Aviva Ventures

Axa Ventures

Liberty Mutual Strategic Ventures

QBE Ventures

SCOR Ventures

AQUILINE
TECHNOLOGY GROWTH

BREWER LANE
VENTURES

Eos Venture
Partners

HSCM VENTURES

MANCHESTERSTORY

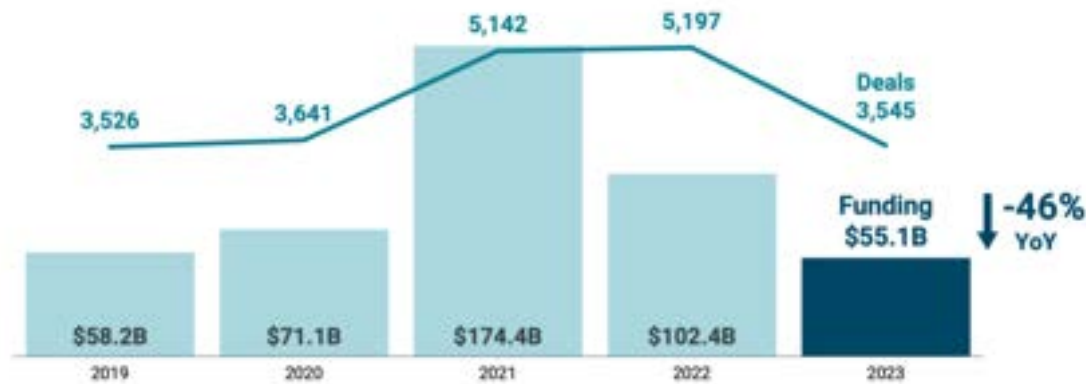
MTECH
CAPITAL

SORENSEN
VENTURES

STONYBROOK CAPITAL

Corporate VC Activity

Disclosed equity funding & Deals with CVC Participation



More CVCs aligning with their corporate parent

CVC-backed equity deals with startups, by region



\$55B & 3,500 DEALS = STILL BIG NUMBERS

Commercial vs Consumer

MEDIAN EXIT VALUE/VENTURE CAPITAL RAISED
2017-2023

BUSINESS-TO-BUSINESS

54x

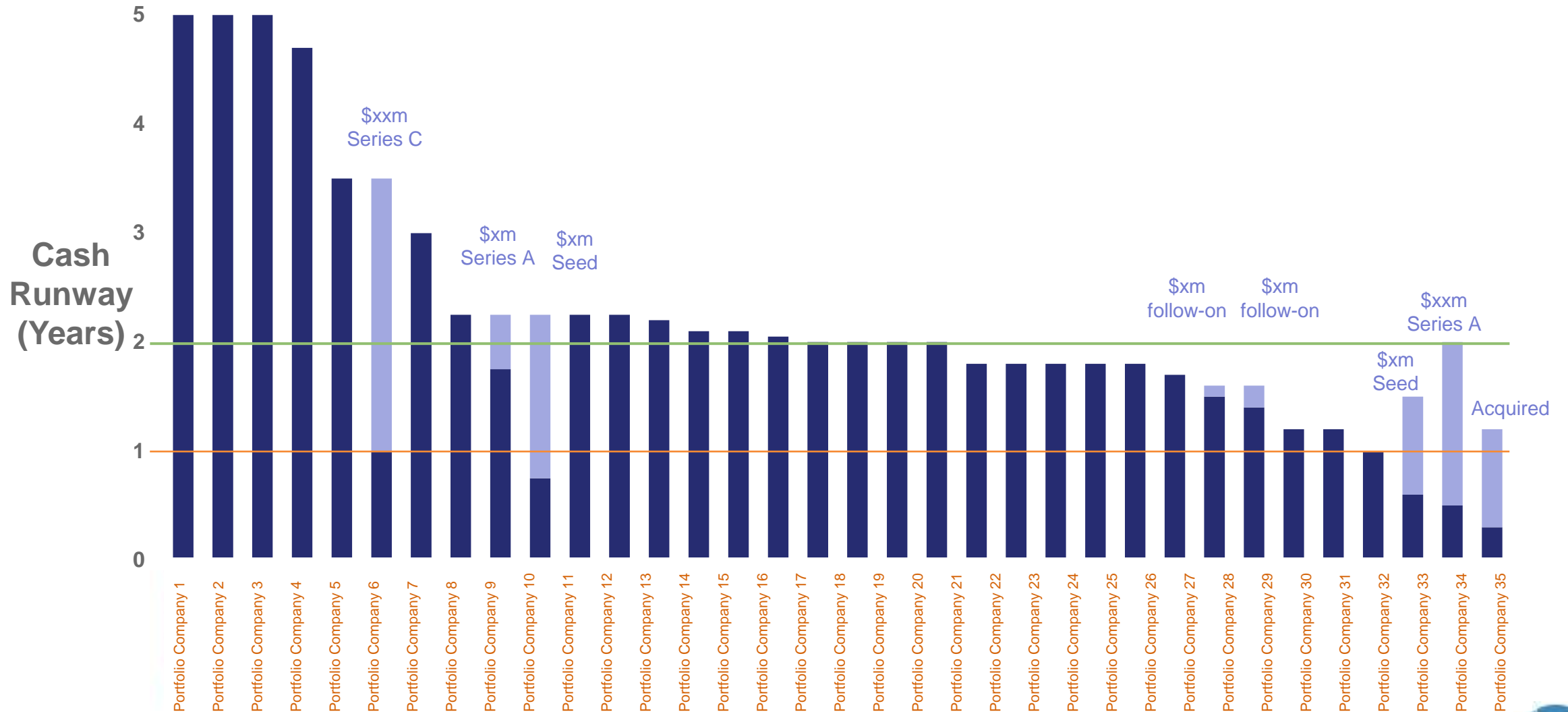


DIRECT-TO-CONSUMER

2x



Venture Capital's Cash Fixation



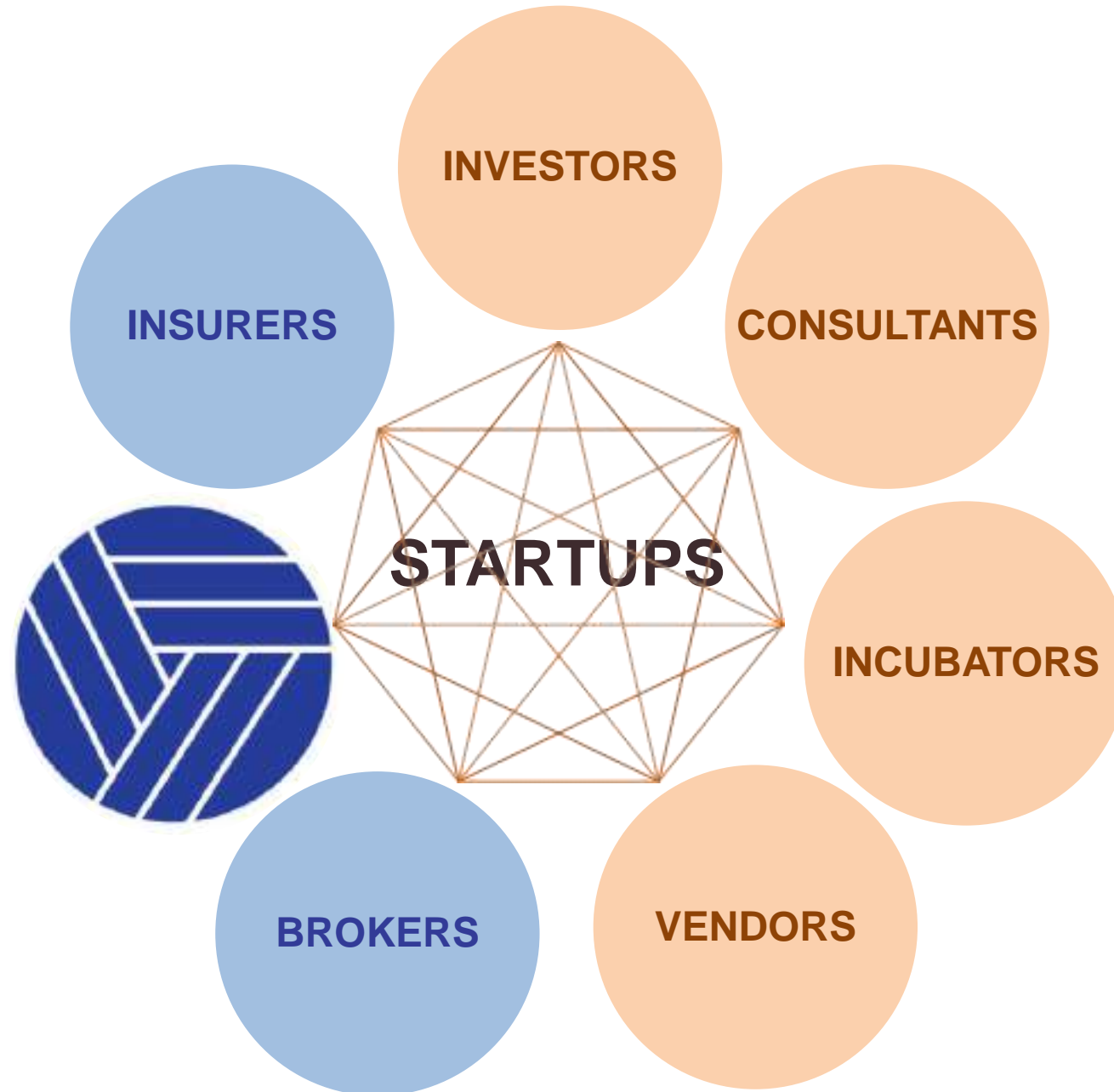
Source: trade secret



*Change is the law of life.
And those who look only to
the past or present are
certain to miss the future.*

– John F Kennedy

What We Offer The Insurtech Ecosystem



- Capacity
- Program Structure Advice
- Introductions
- Indirect Investments

European Examples



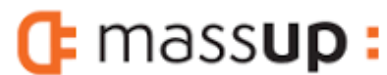
ZEGO




L'AMIE 




Concirrus



 massup :



wakam

~100 Project Reviews

Brokers/MGAs/Risk Carriers

80% private, standard lines

**Austria, France, Germany,
Italy, Netherlands, Poland,
Switzerland, UK**

'Full Stack' Risk Carrier Startups



Positives

- No legacy/IT issues
- Customer Experience (CX)
- User/employee experience (UX)
- Agile set-up, fast adapters

Challenges

- Distribution/traction
- Capital/Solvency
- Regulatory approval time/cost

Die fünf wertvollsten Insurtech-Einhörner der Welt

Drei der fünf wertvollsten milliardenschweren Insurtech-Start-ups kommen aus den USA

Unternehmen	Land	Schwerpunkt	Bewertung (in Mrd. US-Dollar)
Orved Health	USA	Krankensicherungen und Gesundheitsvorsorge für ältere Menschen	12,8
Avast	USA	Cyberschutz für Unternehmen	5,8
Wefox	Deutschland	Sachversicherer und Assekurador	4,5
Next Insurance	USA	Versicherungen für Selbstständige und Kleinunternehmen	4,8
Digit Insurance	Indien	Auto-, Fahrrad-, Gewerbe-, Reise- und Krankenversicherungen	4,0

Quelle: PwC & TechCrunch

Stand: September 2021

A Long Road To Scale.....A Longer Road To Profit

2007 - 2015 2016 2017 2018 - 2021



RESULTS (2022)

GWP (€M)	TECHNICAL RESULT (€M)
195	(30)
183	(4)
22	(2)
20	(16)
19	(12)
2*	(4)*
7	(2)

Source: company published results

*2020

Why We Did Not Support Startups We Met



Source: TransRe Europe

What We Support

PROFITABILITY

Does it improve our loss/expense ratio?

PROXIMITY

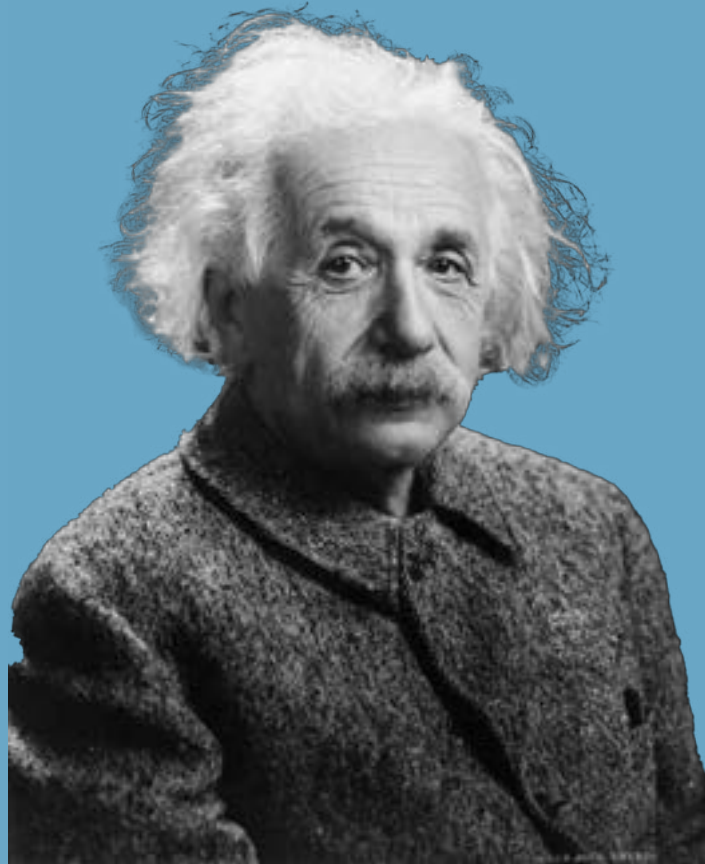
Does it improve our relationship with customers?

PERSISTENCE

Does it increase our renewal rates/portfolio stability?

PRODUCTIVITY

Does it grow our top line? (new clients, cross-sales, fees)



*The measure of intelligence
is the ability to change.*

– Albert Einstein

“SELL ME THIS PEN”

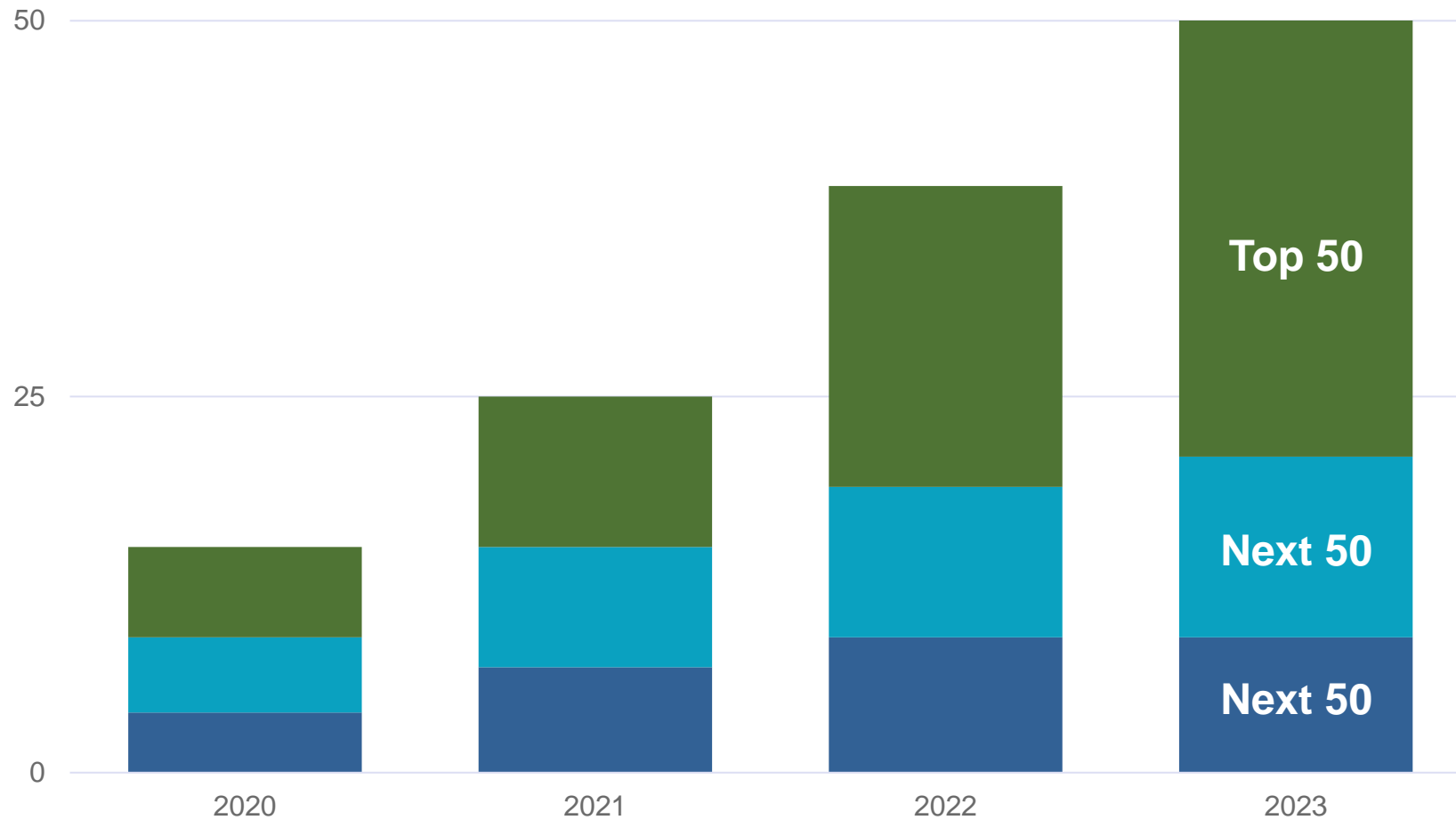


Image Rights: Red Granite Pictures

“IT’S AI-POWERED”

Rising Awareness Of Parametrics

BROKER WEBSITE REFERENCES 2020-2023



Source: InstTech, Insuramore (brokers ranked by 2020 revenues)

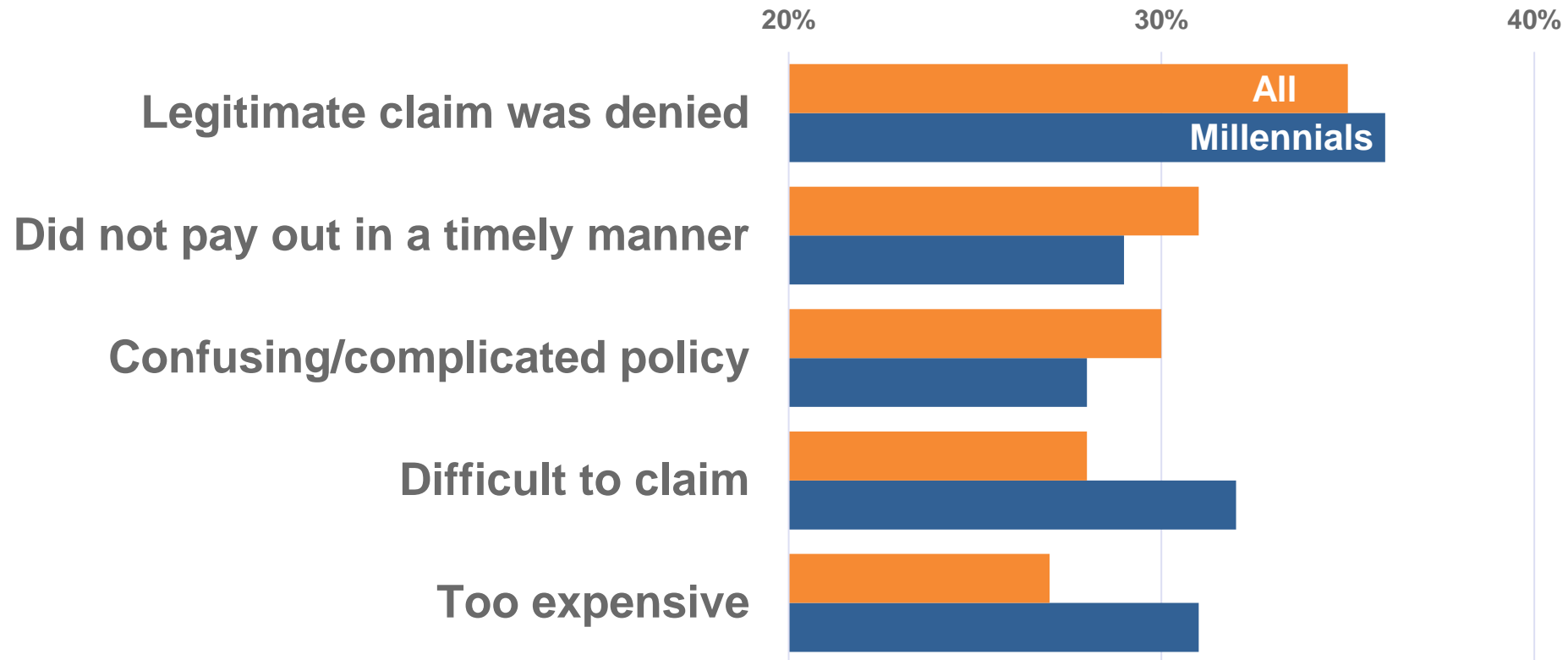
Settlement Speed Is A Key Selling Point

US SMALL BUSINESSES - DAYS OF CASH BUFFER 2023



User Experience Of Traditional Insurance

REASONS FOR UNDERINSURANCE IN MATURE ECONOMIES 2023



Who Buys Parametric Solutions?

Commercial Buyers

Alternate nat cat cover

Captives

Efficient price/structure

Micro insurance

Price sensitivity

Energy/Shipping

Non-damage business interruption

Commodities

Price volatility protection

Sovereign

Disaster management

ILS/ILW

Capital optimization

Cyber

Network down-time

Parametrics Are More Than Just Cats

Energy Transition

Financing support

Healthcare

Promotes lifestyle changes

Loss Prediction

Not just tracking...forecasting

Liabilities

Cyber first. What next?

Tomorrow's World



pre**cursor** **spc**

- ✓ Earthquake prediction
- ✓ Awaiting peer/science review
- ✓ Geomagnetic imaging

Parametrics – Lessons Learned

Micro, Meso, Macro

Each has a role. Each has challenges

Social Conscience

Rules of the game are changing

Parametric vs Indemnity

Consider both. Set your priorities.

Customer Education

Cannot be avoided, must be continuous

Tailor Made Solutions

Applications beyond climate hazards

Basis Risk

Learn to live with it/minimize it



*The world won't change
unless we are willing to
change ourselves.*

– Rigoberta Menchú

*Este mundo no va a cambiar a menos que estemos
dispuestos a cambiar nosotros mismos.*

Blue Marble

Impact Insuring



Image Rights: NASA

Global Reach



Scaling
Piloting
Designing

Positive Impact



Forbes



Making coffee farming more resilient: Nestlé enters partnership to provide farmers with weather insurance and contributes to new regenerative agriculture guidebook

[nestle.com](https://www.nestle.com)



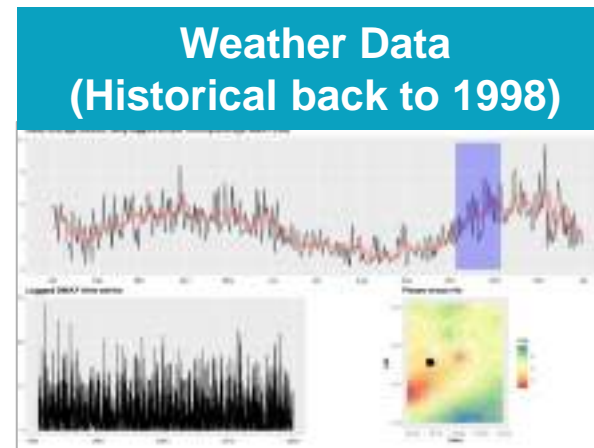
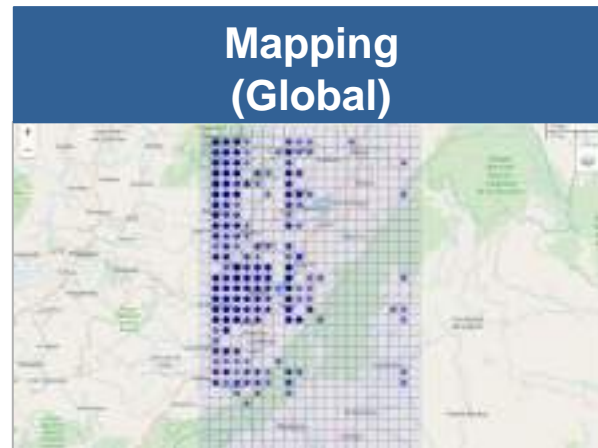
The New Type Of Insurance That Protects Indian Women During Extreme Heat

[forbes.com](https://www.forbes.com)

Full Service - Design & Build

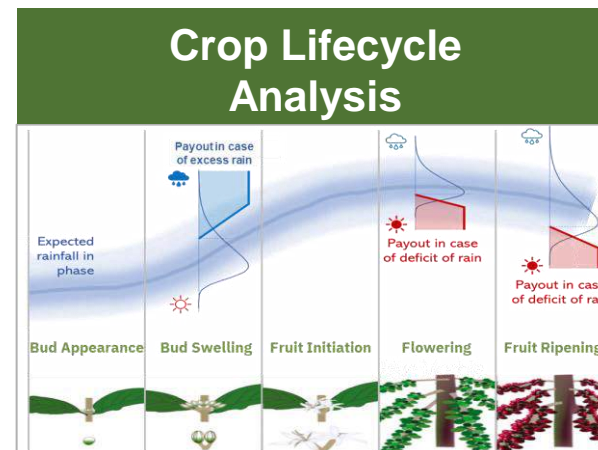
Align solutions with customer needs to reduce basis risk. Term-sheets at the press of a button.

Farms located on 5km x 5km grid



Coverage designed around each grid's rainfall pattern

Crop-specific growth cycle

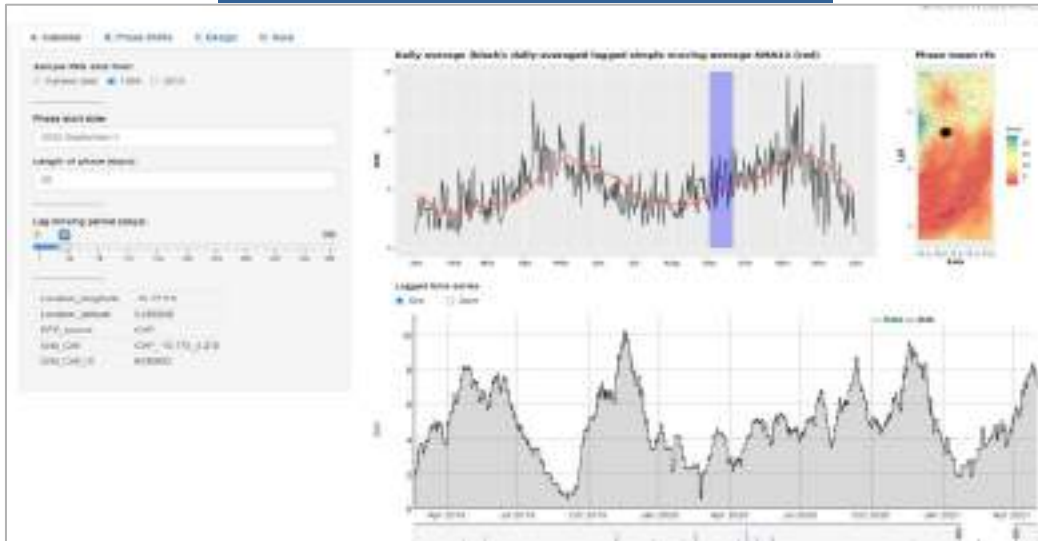


Core engine, intuitive interface.
Actuary-designed prototypes.
Backtesting to ensure fit.

Full Service – Track & Manage

Leverage technology to monitor satellite data, notify claims, trigger payments

Cloud Hosted Policy Administration System



Real-time claim reports/payments through mobile money

Global Data Security & Privacy Policies Compliant

Client Portal



Consolidated view of policy details, claim history & index performance



*To help improve more lives,
we must try new approaches.*

– Jaime de Piniés

By The Numbers, And The Stories



I have talked to my neighbors, friends and family about how Café Seguro is a safety net that allows us to cultivate coffee with more peace of mind.

Luz Marleni



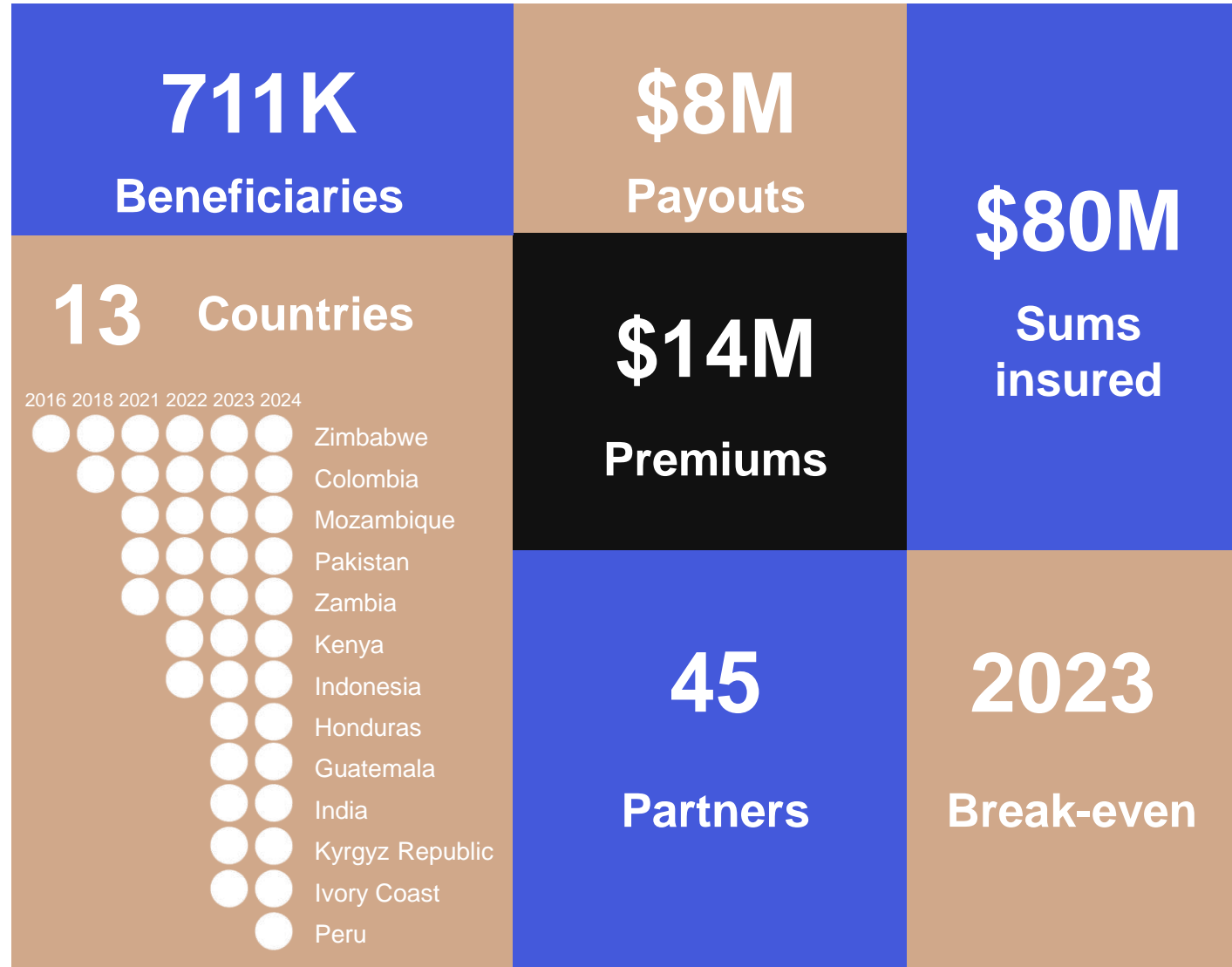
With Café Seguro, this catastrophic year we could pay the debt that we had for our fertilizers, giving us a clean slate for next season.

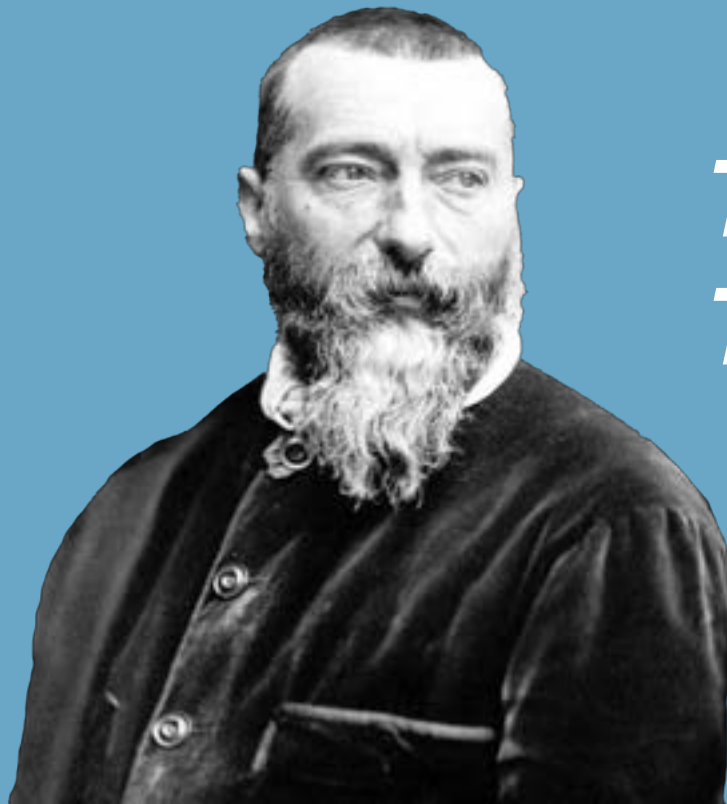
Jorge and José



The first thing that I am going to do when I collect my Café Seguro payout is to buy some fertilizers, so that next season will be better.

María Marleny





*The more things change,
The more they stay the same.*

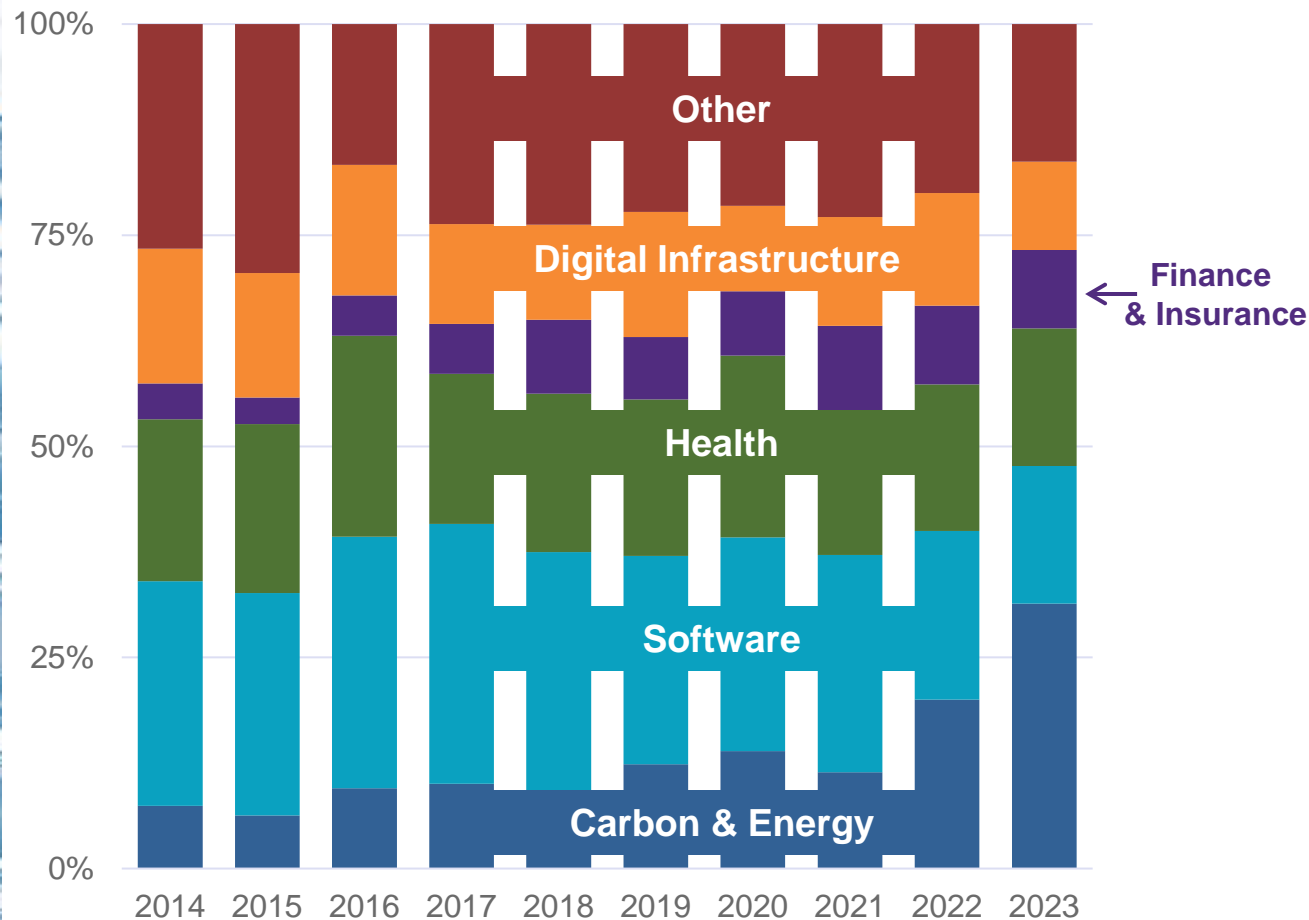
- Jean-Baptiste Alphonse Karr

La plus ça change, plus c'est la même chose

European Tech Startups

DISTRIBUTION OF TOTAL INVESTMENT, BY SECTOR

2014-2023



Source: Atomico

Less funding than 2021

Fewer unicorn valuations

BUT

Funding up since 2020

2023 - only 1-in-5 down rounds

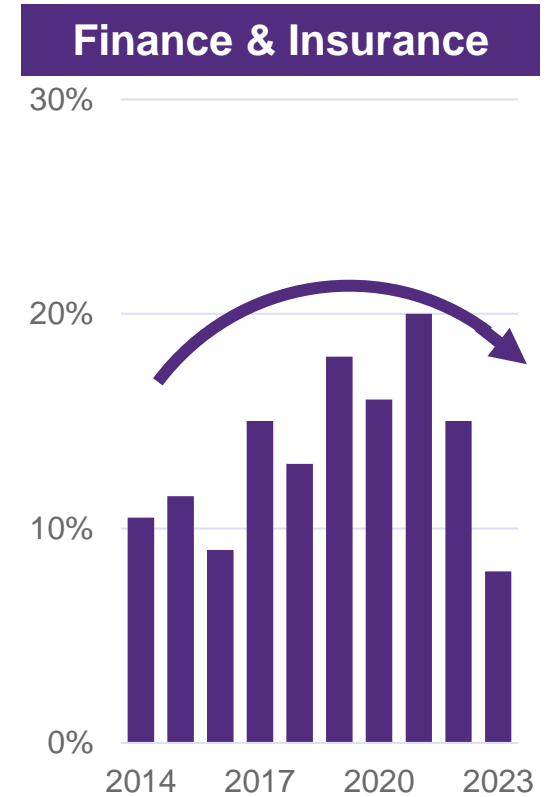
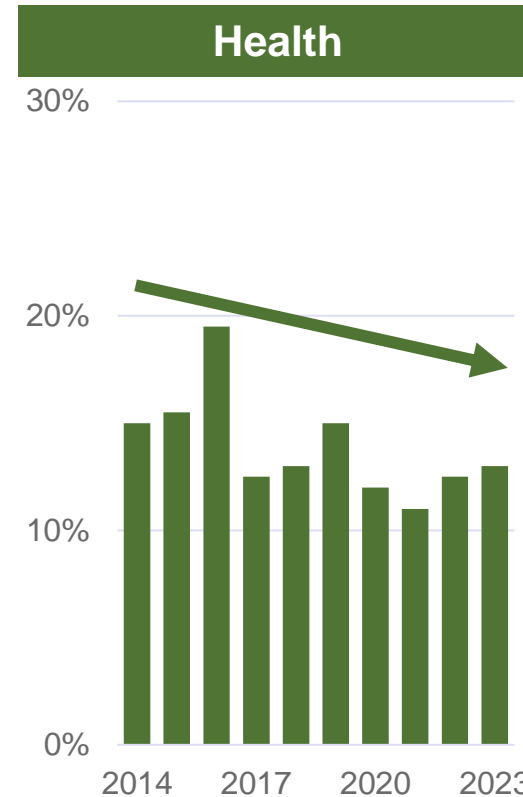
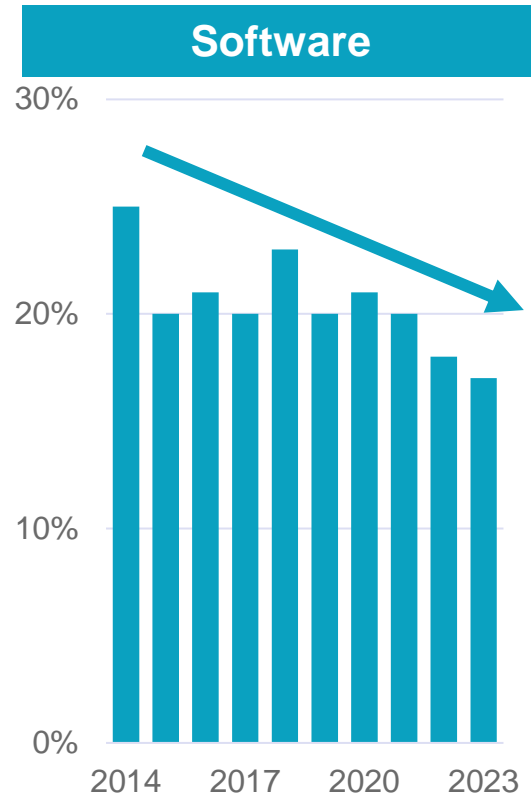
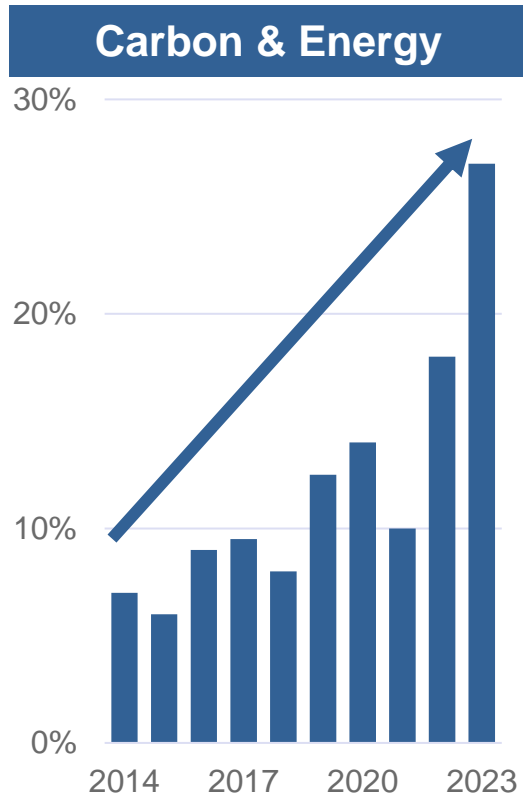
More startups (14k) than US (13k)

2.3M employees in total

'tech mafias'

European Tech Startup Funding

DISTRIBUTION OF TOTAL INVESTMENT, BY SECTOR 2014-2023



TransRe's Citizen Developers



Founded during Covid, to advance data-driven decisions, Using tools not forbidden by IT

Self selecting employee community ~50

Creates work apps ~ 40

Monthly mentor calls, vendor demos & annual Demo Days.

In Summary

Innovation is a **secular, macro** trend – not a cyclical fad

It is part of today's **hyperconnectivity**

The business of insurance will become **more technology** oriented

Technology impacts **all** parts of re/insurance **value chain**

Technology will be **decisive** in reaching corporate goals

Current developments are **outpacing** sentiment & culture

Insurtech did not start in 2016 – **it will not end** in 2024

The Art & Science Of Insurance

