

# INSURTECH

A QUICK OVERVIEW

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# OUTLINE

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- Some background – technology, business disruption
- What is insurtech?
- Insurtech in the insurance value chain with examples
- Three scenarios for the future
- Regulatory issues



# TECHNOLOGY IS A DISRUPTOR



amazon.com





# IS INSURANCE NEXT?

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## DEMAND FACTORS

### Changes in customer demands

- Mobile
- On-demand sales & service

### Changes in risks

- Sharing / gig economy

### Industry talent gap

## SUPPLY FACTORS

### Improving technology improving understanding of risks

- Connected devices
- Analytics

### Structure / performance of insurance industry

### Potential investment returns (low interest rates)



# DEFINITION OF INSURTECH

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## **Broad definition (from IAIS)**

The use of technology innovations designed to

- Squeeze out savings and efficiency from the insurance value chain
- Could result in new business models, applications, processes, or products

## **More narrow definition**

“Startup companies using technology to disrupt the insurance industry by focusing on one link in insurance value chain.”



## Quarterly InsurTech funding volume – all stages

(\$ in millions)



Deal Count

P&C:	5	3	4	4	5	4	12	9	10	7	16	8	17	13	16	21	44	18	33	29	26	37	29	45	45	46	40	41	57
L&H:	8	6	7	9	15	8	9	4	9	15	14	15	11	19	15	20	16	17	6	13	17	32	21	11	23	27	17	23	30

Source: WillisTowersWatson Securities /



## Quarterly InsurTech funding volume – early stage

(\$ in millions)



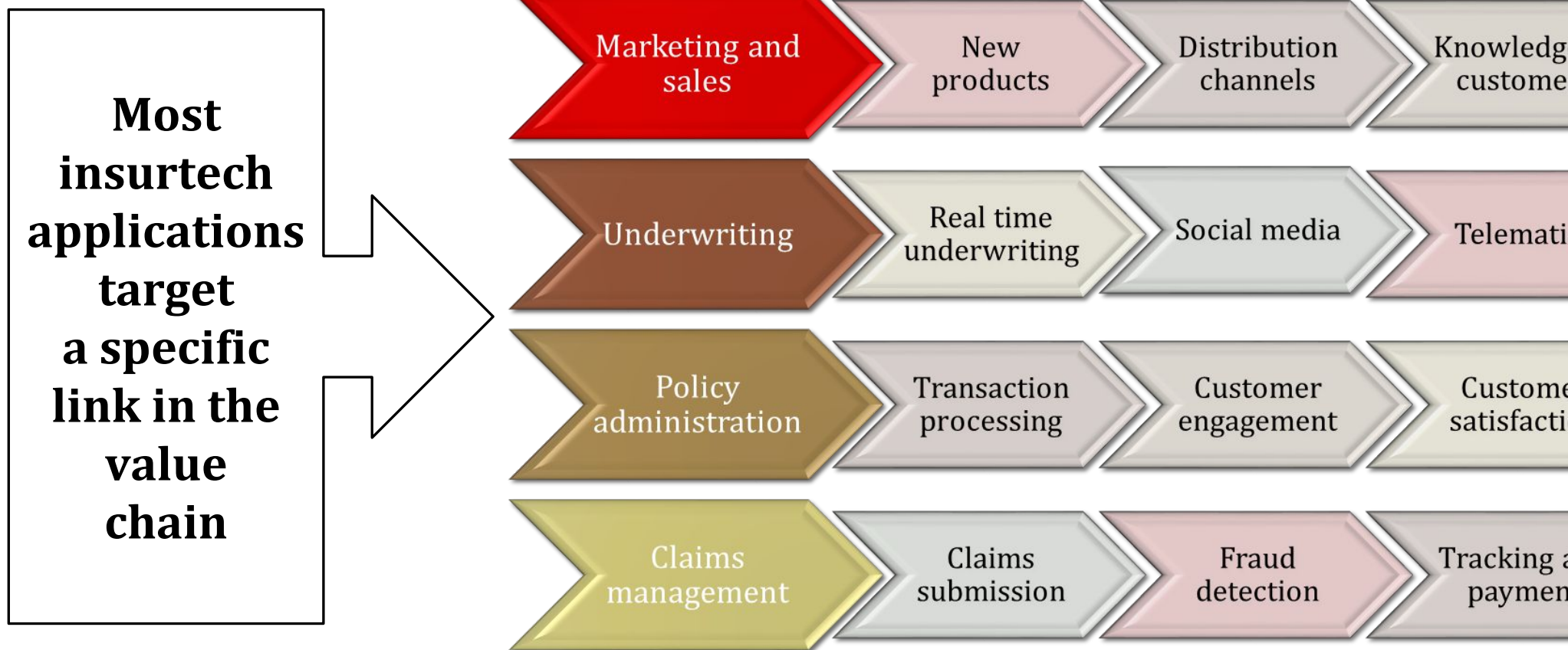
Deal Count

P&C:	4	1	4	4	4	2	6	6	5	3	10	6	13	7	9	16	35	9	25	21	17	25	21	24	33	30	22	25	36
L&H:	6	3	6	6	8	4	5	4	6	8	11	8	5	9	11	16	6	10	3	10	12	20	13	7	14	21	11	15	20

Source: WillisTowersWatson Securities / CB I



# INSURANCE VALUE CHAIN

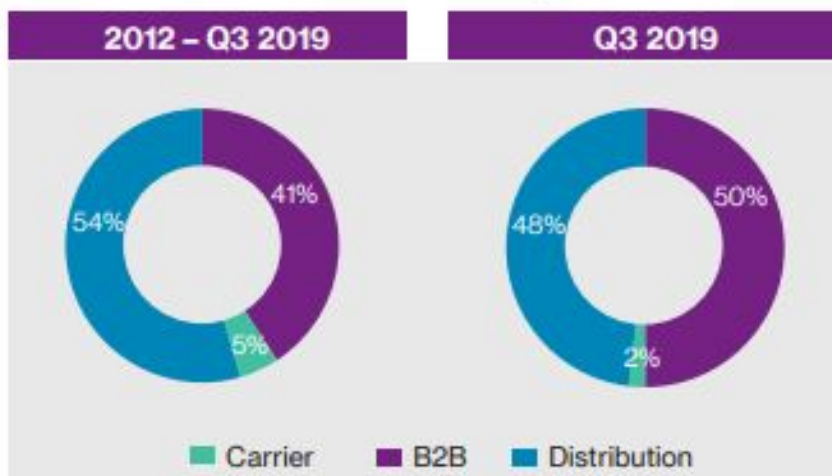






# INVESTMENTS ACROSS THE VALUE CHAIN

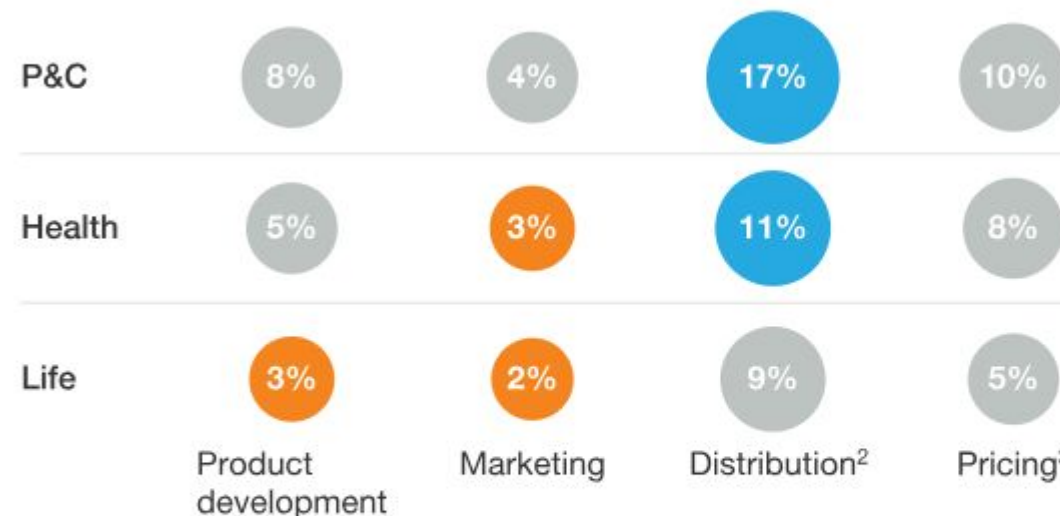
## P&C InsurTech transactions by subsector



Source: WillisTowersWatson Securities / CB Insights

Number of innovations as % of total in the database<sup>1</sup>

Share of innovations in Insurtech database ● <4% ● 4-10% ● >10%



<sup>1</sup>~500 commercially most well-known cases registered in the database (excluding wealth-related innovations).

<sup>2</sup>Includes sales.

<sup>3</sup>Includes underwriting and policy issuance.

McKinsey&Company | Source: McKinsey Panorama Insurtech Database



# INNOVATION METHODS

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## Technologies

Analytics

Machine learning

Artificial intelligence

Internet of Things (IoT)

## Applications

Digital distribution

Comparators / robo advisors

Telematics

On demand insurance

Usage based insurance

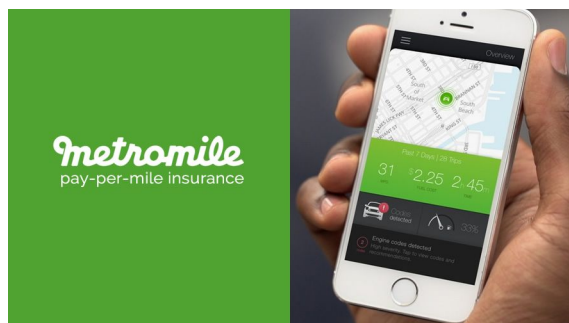
Peer-to-peer insurance

Blockchain / distributed ledger



# INSURTECH APPLICATIONS

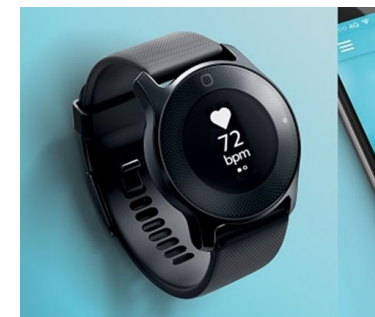
## SALES / DISTRIBUTION



## INSURANCE CHATBOTS



## UNDERWRITING





# AM BEST INNOVATION ASSESSMENT IN 2020

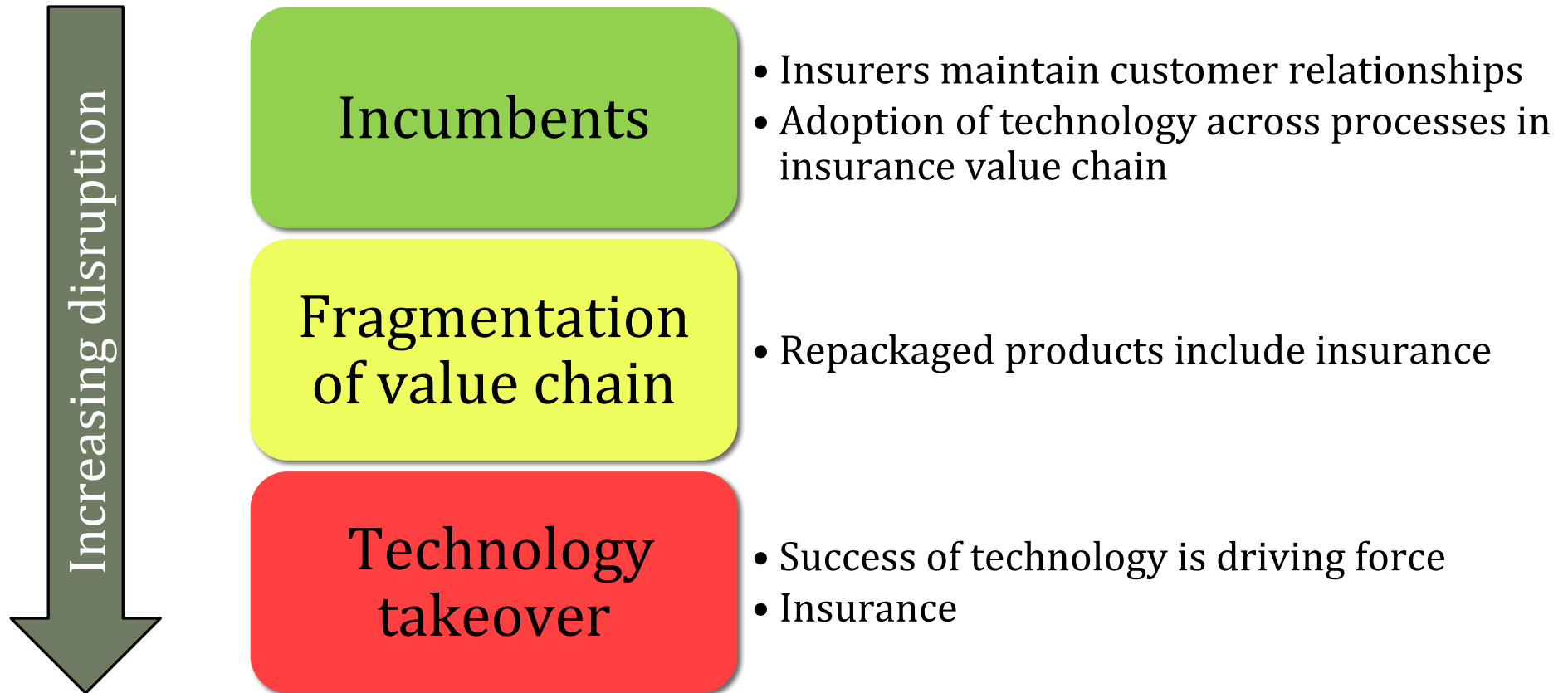
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# IAIS REPORT: ENABLER OR DISRUPTOR?

FinTech in Insurance report discusses three scenarios





# SOME REGULATORY ISSUES

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Producer and adjuster licensing issues

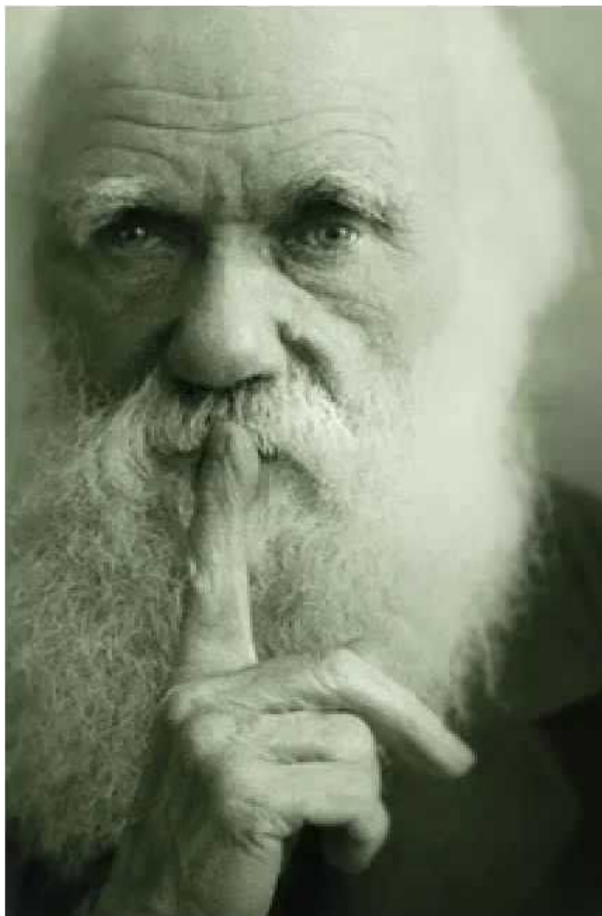
Disclosure requirements in a digital transaction

Speed of response

- Policy form approval
- Rate regulation for on-demand insurance

Support for predictive power in rating

Need for innovation - AM Best



“It is not the strongest of the species survive, nor the most intelligent, but one most responsive to change.”

*Charles Darwin*