

Hartford: The Next InsurTech Capital

FEDERAL ADVISORY COMMITTEE ON INSURANCE MEETING

MAY 10, 2018

AGENDA

- **Creating Hartford's InsurTech Ecosystem**
- **The InsurTech Landscape & Drivers of Change**
- **How Insurance Is Embracing Innovation**
- **Partner Perspective: Why Hartford? Why Now?**
- **Next Steps: Growth & Ways to Get Involved**
- **Connecticut's Regulatory Perspective on InsurTech**

Creating Hartford's InsurTech Ecosystem

MICHELLE COTE, MANAGING DIRECTOR: CONNECTICUT CENTER FOR
ENTREPRENEURSHIP & INNOVATION

UNIVERSITY OF CONNECTICUT SCHOOL OF BUSINESS

ADVANCING INNOVATION IN CONNECTICUT:



Additional Programs

Innovation Places

Planning Team:

- Corporate Partners
- City Leadership
- Key Implementation Partners
- Higher Education Representatives
- Entrepreneurs

1 Emergent Conditions:



2 Strategic Opportunities/Challenges:

Innovation in Industry

Physical Place

Social Capabilities

5 STRATEGIC AREAS OF FOCUS:



AWARDEE

HARTFORD/EAST HARTFORD

AWARDEE

THAMES RIVER

AWARDEE

NEW HAVEN

AWARDEE

STAMFORD

FY 18: \$2M in state funding + \$3.7M cash match and in-kind contributions

CONNECTICUT'S STRENGTH IN INSURANCE

#1 Insurance Professionals Per Capita

\$44.6B
(19.5% Connecticut GDP)

#1 Actuarial Talent in US

58,700
employees in
Connecticut's Insurance
& Related Industries

1,449

Insurance Companies
licensed to do business
in Connecticut

\$33B

Annual Premiums
written by Connecticut
Insurance Companies

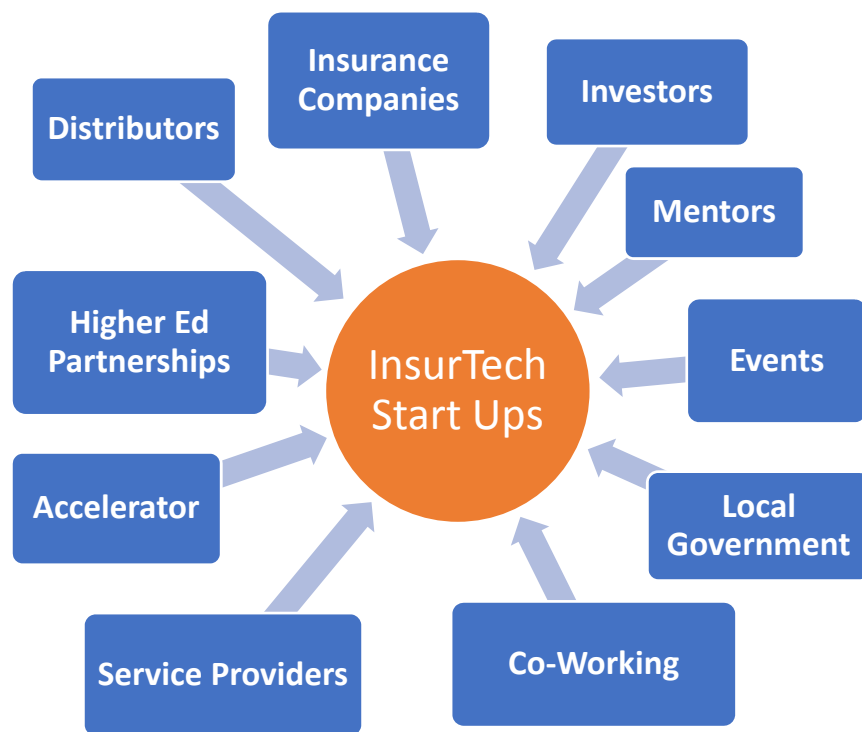
110

Insurance Companies
Headquartered in
Connecticut

200,000

Agents, Brokers,
Adjusters & Other
Professionals Licensed

HARTFORD'S DEVELOPING INSURTECH ECOSYSTEM



GOALS:

- Establish Hartford as a globally-recognized center of InsurTech activity
- Attract new technology startups to Hartford
- Create strong pipeline of talent
- Increase innovation activity with anchor insurance companies

CURRENT PARTNERS:



PROGRAM LAUNCH: INSURTECH ACCELERATOR

300+
applications

- Functioning Technology
- Relevance to Insurance Value Chain
- \$150,000 - \$500,000 working capital
- Operational Governance

Phase 1

Shape:

- Business Model Canvas
- Intro Pitch
- Investor Deck

Phase 2

Build:

- Minimum Viable Product
- Financial Model

Phase 3

Sell:

- Contracting & PoCs
- Investor Documents
- Demo Day

SPRING 2018: 10 STARTUPS IN FIRST COHORT

HARTFORD
INSURTECH HUB

POWERED BY **Startupbootcamp**

AUREUS
ANALYTICS

boundlss

 **SECUREHOME**

View**Spection**



Pentation Analytics

Rozie^{ai}

STATWIG

TrueDime



The Evolving InsurTech Landscape & Market Drivers of Change

JILL FRANKLE, AVP STRATEGIC VENTURES, THE HARTFORD

BETH MAERZ, VP CUSTOMER EXPERIENCE AND INNOVATION, TRAVELERS

DRIVERS OF CHANGE IN INSURANCE

Changing Consumer Expectations



Customer expectations are being shaped by their experiences in other industries.

New Data & Analytic Methods



Data and analytics is transforming every aspect of our business.

Profound Impact on Industry:

- Digital Engagement, Speed and Transparency
- Evolving Attitudes on Asset Ownership/Sharing
- Changing Models of Mobility
- New Solutions for Home Protection
- Emerging risks, i.e. Cyber



New & Emerging Technology

Emergence of new technology enables us to reimagine every aspect of our business.

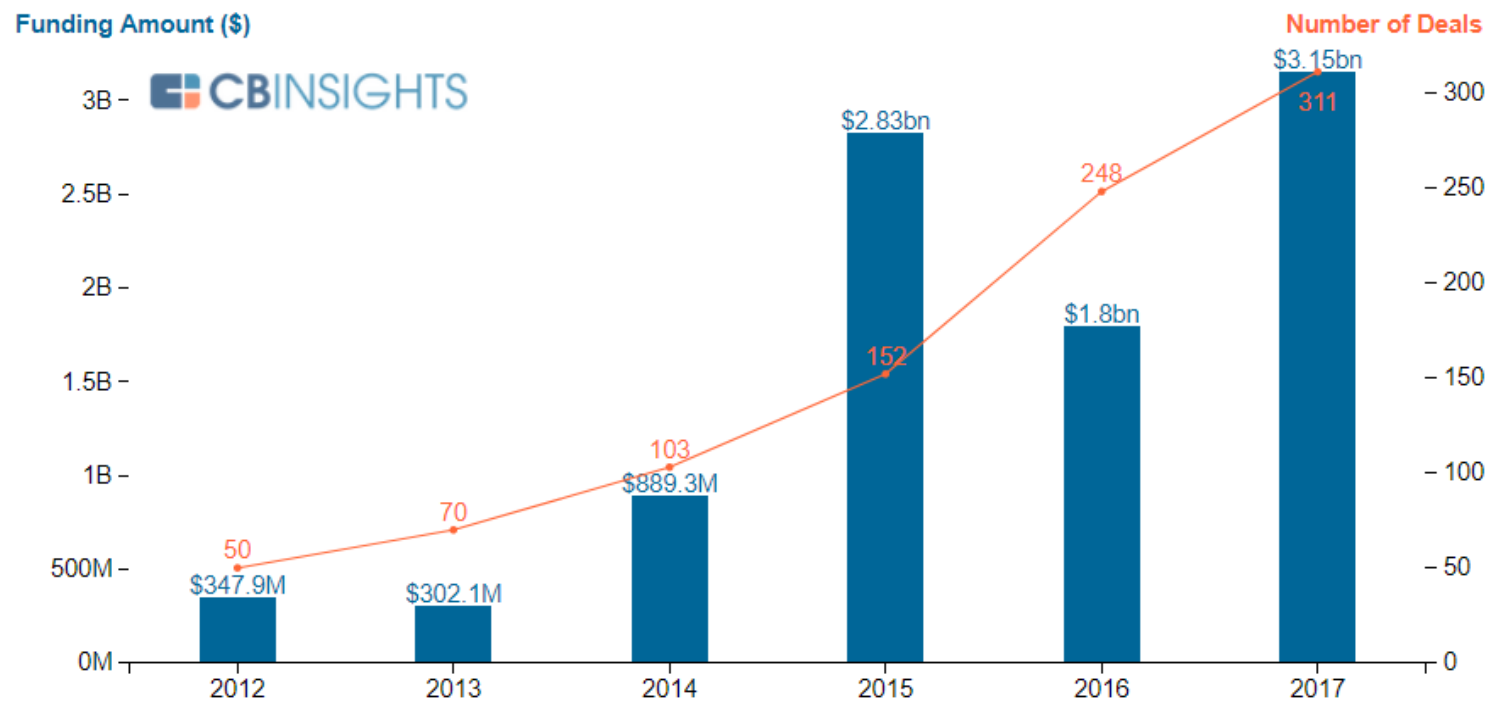


Shifting Distribution Models

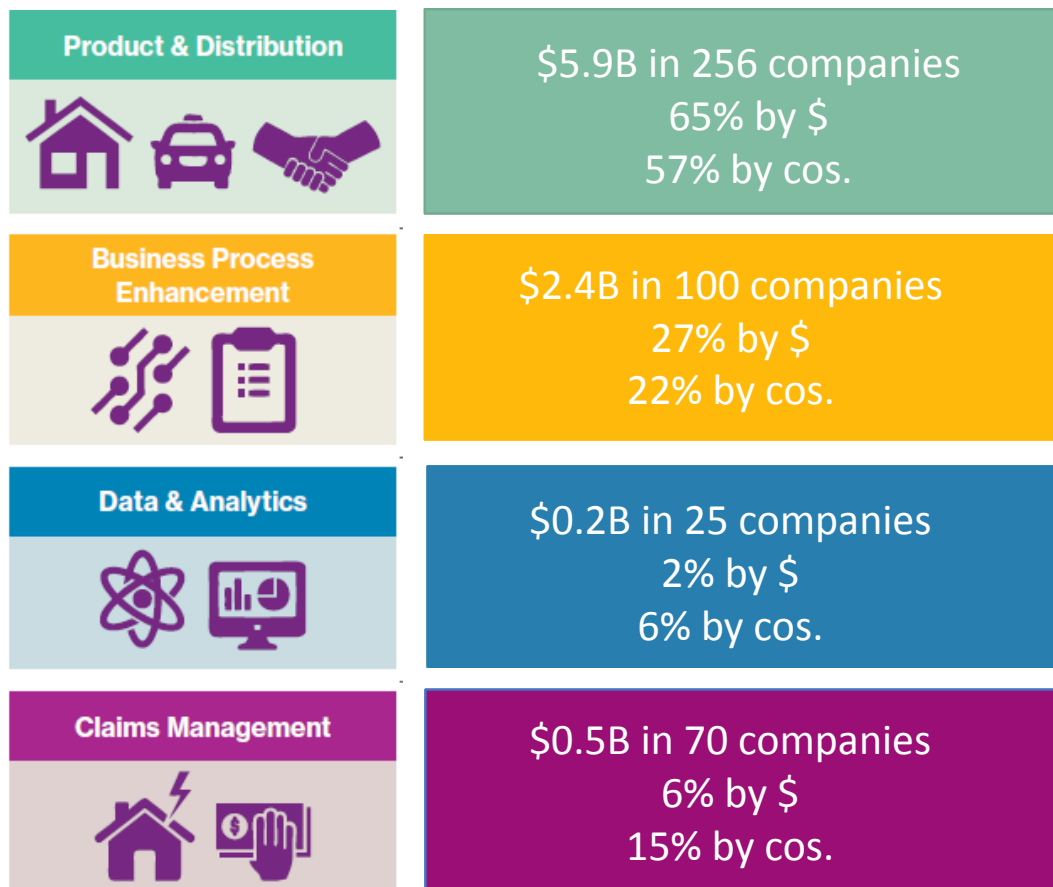
Distribution is consolidating and alternative models are evolving.

OVER \$9B INVESTED IN INSURTECH SINCE 2012

Global InsurTech Investments & Deals (\$M)



INVESTMENT TRENDS IN INSURTECH



In 2017, we began to see a shift away from front-end distribution to back-end enabling technologies.

STARTUPS: PRODUCT & DISTRIBUTION



STARTUPS: BUSINESS PROCESS ENHANCEMENT

Technology-Enabled Business Processes



Employee Benefits Administration



STARTUPS: DATA & ANALYTICS

Cyber

CYENCE cloudcover. c-sensor UTOCAT

Diversified

Analyze Re KYLEGA 020BOTS

QuanTemplate Prospx eagleeye ANALYTICS TYCHE

Cytora HYPERLIFT Vericred

LAPETUS Dynamis ThreatInformer

TRICAST innovation REVOLUTION

STATES TITLE justInCase Colibrium

FRISS Digitteria datacubes

acturis Groundspeed SSP

conservis domotz

CoVi Analytics PLEX.AI RateFilings.com R

Property Catastrophe

THE CLIMATE CORPORATION ClimateSecure CAPE ANALYTICS

VALEN ANALYTICS Praedicat

PILLAR TECHNOLOGY insurdata Weather Analytics

Telematics

OCTO Driveway THE FLOW drivefactor

Zendrive crashbox ilcon savannah ltd AMODO

CityMile acculitx TrueMotion

Zobie insure the box KATSANA DRIVE SPOTTER

Social

DIGITAL FINEPRINT WRISK clearsurance CARPE DATA

PremFina stik Agent Review

Source: CB Insights Q417 Insurance Tech Report.

STARTUPS: CLAIMS MANAGEMENT

Claims Management

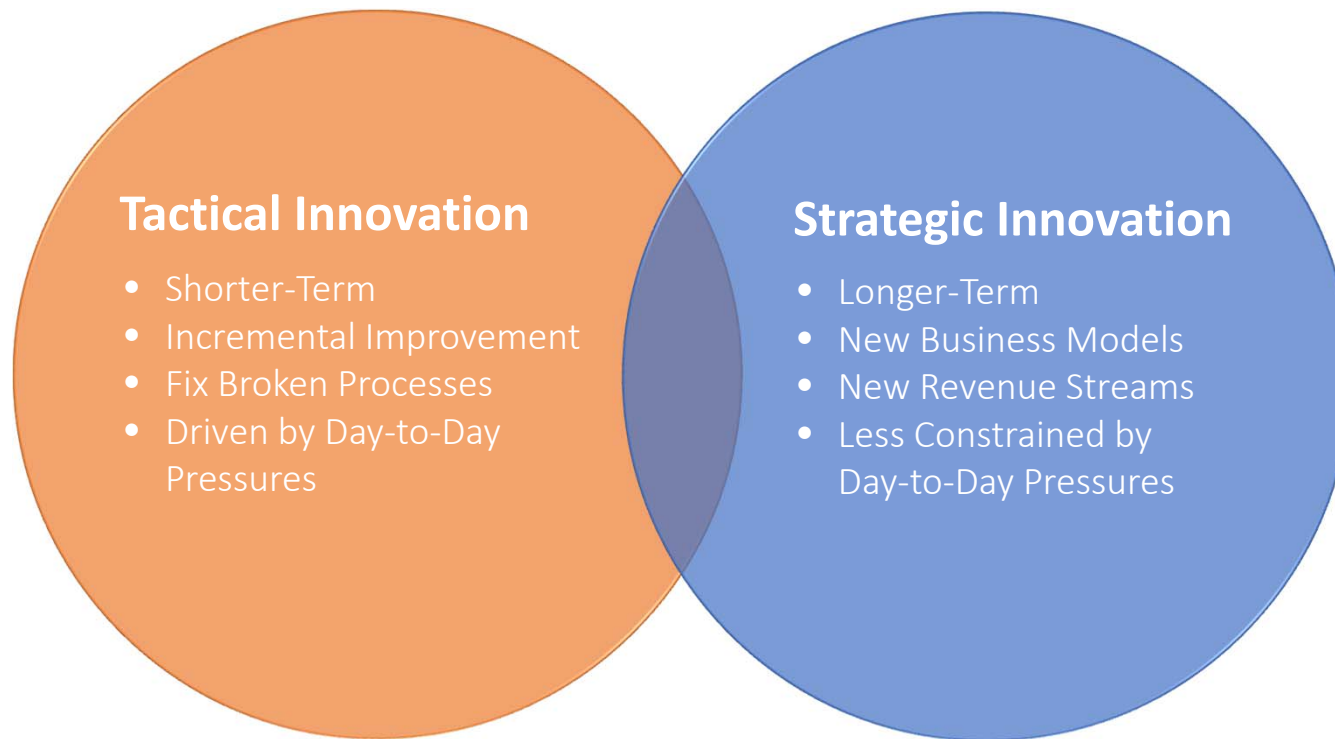


How Insurance is Embracing Innovation

JILL FRANKLE, AVP STRATEGIC VENTURES, THE HARTFORD

BETH MAERZ, VP CUSTOMER EXPERIENCE AND INNOVATION, TRAVELERS

TWO TYPES OF INNOVATION



As a result of these differences, a variety of approaches to innovation are needed

MULTI-PRONGED APPROACH TO INNOVATION

Business Units

Deliver Operating Plan & Optimize Existing Capabilities

- Achieve short-term performance goals
- Seek better, faster, cheaper
- Test applications for new technology

Innovation Lab

Develop Future-State Capabilities & New Business Models

- Collaborate with startups
- Prototype and pilot future capabilities
- Incubate business models of the future

Corporate Ventures

Access Emerging Trends, Technologies & Business Models

- Invest directly in start-ups
- Form alliances with VCs and accelerators
- Deliver strategic insights

Focus Areas

Horizon 1
(<18 mos)

Horizon 2
(18-36 mos)

Horizon 3
(36+ mos)

Core
Operations

Strategic
Initiatives

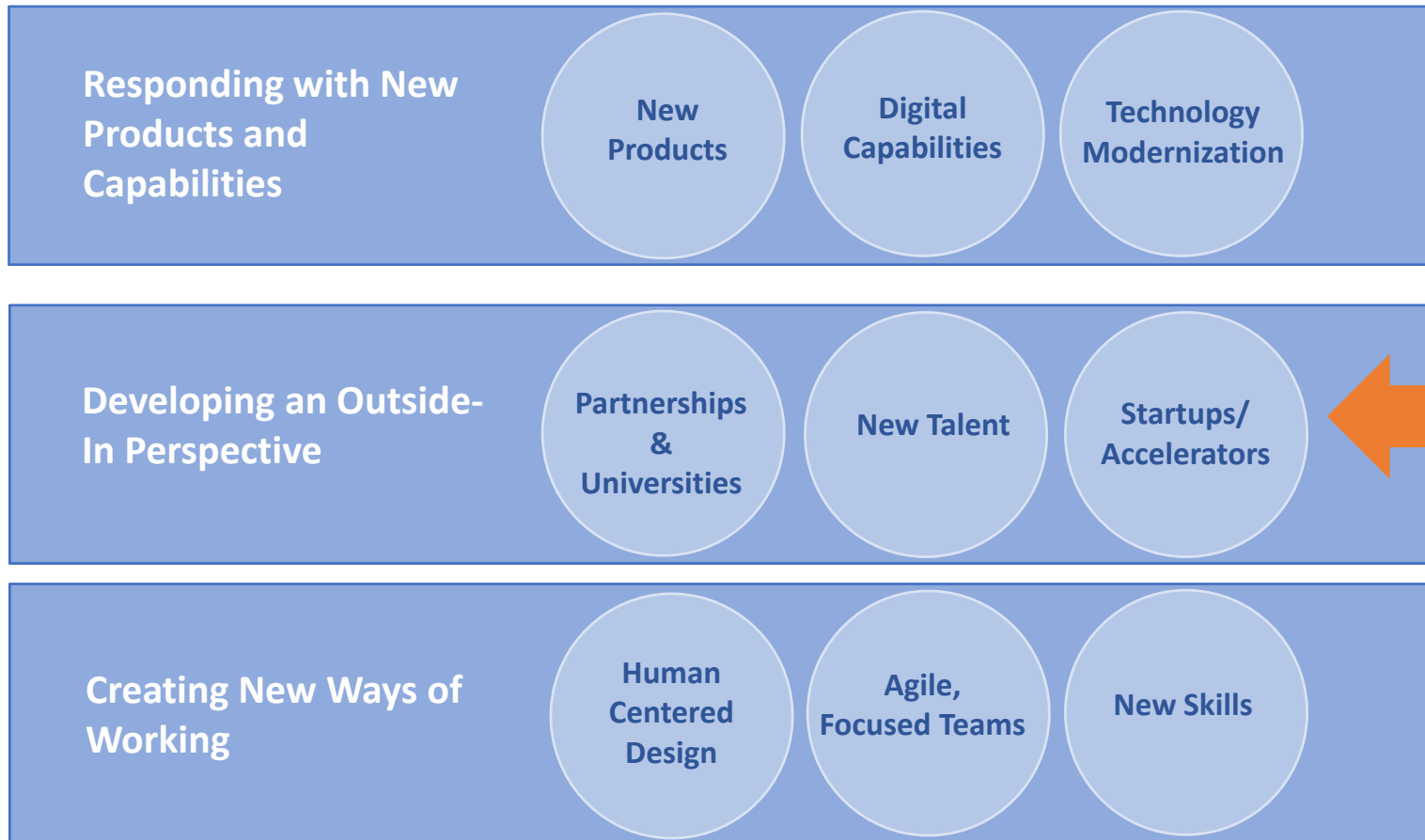
Visionary New
Models

Business Unit
Initiatives

Accelerators & Academic
Partnerships

Innovation Lab &
Corporate Ventures

INNOVATION INSIDE THE INSURANCE INDUSTRY



**Startups offer
speed and
novel
approaches**

Partner Perspective: Why Hartford? Why Now?

JILL FRANKLE, AVP STRATEGIC VENTURES, THE HARTFORD

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HARTFORD'S STRENGTHS & ASSETS

Industry Representation & Proximity

25+ insurance companies
in and around Hartford

7% of current employees
in Insurance/Financial
Services

Local access to startups
increases interactions
within partner companies

Access to Talent

Startups helps attract
tomorrow's workforce:
Advanced Analytics, Data
Science, UX/UI

Local Colleges & Universities
produce young talent with
relevant skills

Existing, Workforce desiring
participation in startup
culture

WHY AN ACCELERATOR WAS THE RIGHT FIT FOR HARTFORD

Carrier Benefits

- Promotes Culture of Innovation
- Face to Face, Focused Interactions
- Speed of Experimentation
- Ecosystem Development (New Talent & New Ideas)

Startup Benefits

- Mentorship & Development
- Close Collaboration on Use Cases & Pilots
- Concentration of Top Carriers in Hartford, Boston, NY
- Technical Talent
- Cost of Living/Setup

AN INNOVATION ANCHOR: HARTFORD'S INSURTECH HUB

21

Pilots Secured by Startups

4

Startups Establishing Offices in Hartford

300

Hours spent with Startups by local mentors

659

Registrants for Demo Day

Next Steps: Plans for Growth & Ways to Get Involved

MICHELLE COTE, MANAGING DIRECTOR: CONNECTICUT CENTER FOR
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REFLECTIONS ON YEAR 1

Early Successes

- Visible Spark for Economic Growth in Hartford
- Robust Partner Engagement
- Internship Program
- Community Partnerships

Opportunities for Growth

- Engage more members of the community
 - Higher Ed
 - Workforce
 - Associations
- Increase Pilot Activity
- Replicate “Buzz” Year Round

GROWTH & NEXT STEPS

East Coast Hub

- More Partners
- Broaden Participation from Region and Nation
- Coordinate with other InsurTech Centers
- Host Regional and National Events

Specialization

- Develop Specialty around Segments of InsurTech:
 - P&C
 - Health
 - Life, Annuity & Retirement

Follow On Support

- Attract Investment Capital
- Increase Talent Development
- Extended Support for Pilots & Company Growth

Connecticut's Regulatory Perspective on InsurTech

TIMOTHY CURRY, DEPUTY COMMISSIONER
CONNECTICUT INSURANCE DEPARTMENT

CORE MISSION: CONSUMER PROTECTION

Healthy, Competitive Insurance Markets are Essential to the Mission

- InsurTech innovations are revolutionizing certain markets and fundamentally changing how carriers and policyholders interact
- Regulators must be “at the table” or risk irrelevance

Innovation Can Reduce Society’s Uninsured & Under-Insured Segments

- Economical, more flexible and easier- to-access InsurTech solutions can encourage the young and the less-affluent consumers to make appropriate risk-transfer decisions

Risk Mitigation Benefits

- Many InsurTech solutions focus on new and innovative ways to prevent loss; this mutually benefits carriers and policyholders

BALANCING INNOVATION AND REGULATORY STANDARDS

Flexibility – Where Possible

Innovations call for re-examining older protections in light of new realities:

- Reconciling 30-day cancellation and nonrenewal notice requirement for a product with an entire policy period of 7 days
- Re-examining statutes and regulations requiring paper delivery of policy documents
- Waiving seasoning requirements for innovative startup carriers wishing to enter a state's market

Holding Firm – Where Necessary

Financial Strength:

- Compliance with minimum statutory capital requirements for an entity permitted to offer insurance to the public

Market Conduct; Discrimination

- Predictive models and/or machine-learning techniques must demonstrate fair underwriting and pricing methods
- “Big data” must bear a rational correlation to the intended subject matter and not embed biased assumptions



SUPPORT FOR STARTUPS

Expertise, Openness, Outreach

- Commissioner Wade is a member of the Innovation and Technology Task Force of the NAIC's Executive Committee, and of the Big Data Working Group
- CID staff have participated on a number of InsurTech-related panels and attended local, state and national conferences
- The Department has visited the Hartford InsurTech Hub on several occasions and a number of Department staff attended the first Demo Day in April 2018

“Office Hours” Initiative

- CID is currently arranging to provide staff on an “office hours” basis to enhance availability to the InsurTech entrepreneurs in Hartford and encourage an open dialogue
- Purpose: to ensure InsurTech entrepreneurs can vet ideas for regulatory concerns as early as possible

THANK YOU

WWW.HARTFORDINSURTECHUB.COM