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:

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

AWARDEE
HARTFORD/EAST HARTFORD

AWARDEE
THAMES RIVER

AWARDEE
NEW HAVEN

AWARDEE
STAMFORD

5 STRATEGIC AREAS OF FOCUS:

- INSURTECH
- MEDTECH
- AEROSPACE / ADV MANUFACTURING
- SOCIAL CAPABILITIES
- PLACEMAKING

FY 18: $2M in state funding + $3.7M cash match and in-kind contributions
CONNECTICUT’S STRENGTH IN INSURANCE

#1 Insurance Professionals Per Capita
1,449 Insurance Companies licensed to do business in Connecticut

$44.6B (19.5% Connecticut GDP)
$33B Annual Premiums written by Connecticut Insurance Companies

#1 Actuarial Talent in US
110 Insurance Companies Headquartered in Connecticut

58,700 employees in Connecticut’s Insurance & Related Industries
200,000 Agents, Brokers, Adjusters & Other Professionals Licensed

Source: 2017 Connecticut Insurance Market Brief (PWC) and Connecticut Insurance Department
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:

InsurTech Start Ups

- Distributors
- Insurance Companies
- Investors
- Mentors
- Events
- Local Government
- Service Providers
- Co-Working
- Higher Ed Partnerships
- Accelerator

Organizations and entities involved in the InsurTech ecosystem include:

- TRAVELERS
- Cigna
- THE HARTFORD
- USAA
- White Mountains Insurance Group
- Insurtech Hartford
- Crawford
- Clyde & Co
- Deloitte
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

- Aureus Analytics
- Boundless
- SecureHome
- ViewSpection
- Pentation Analytics
- Rozie ai
- Statwig
- TrueDime
- UBIOS™
- YAXA
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.

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.

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

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

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

Distribution is consolidating and alternative models are evolving.
OVER $9B INVESTED IN INSURTECH SINCE 2012

Global InsurTech Investments & Deals ($M)

Funding Amount ($)

<table>
<thead>
<tr>
<th>Year</th>
<th>Funding Amount</th>
<th>Number of Deals</th>
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</thead>
<tbody>
<tr>
<td>2012</td>
<td>$347.9M</td>
<td>50</td>
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<tr>
<td>2013</td>
<td>$302.1M</td>
<td>70</td>
</tr>
<tr>
<td>2014</td>
<td>$989.3M</td>
<td>103</td>
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<tr>
<td>2015</td>
<td>$2.83bn</td>
<td>152</td>
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<tr>
<td>2016</td>
<td>$1.8bn</td>
<td>248</td>
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<tr>
<td>2017</td>
<td>$3.15bn</td>
<td>311</td>
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</tbody>
</table>
INVESTMENT TRENDS IN INSURTECH

- **Product & Distribution**
  - $5.9B in 256 companies
  - 65% by $57% by cos.

- **Business Process Enhancement**
  - $2.4B in 100 companies
  - 27% by $22% by cos.

- **Data & Analytics**
  - $0.2B in 25 companies
  - 2% by $6% by cos.

- **Claims Management**
  - $0.5B in 70 companies
  - 6% by $15% by cos.

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

Source: CB Insights Q417 Insurance Tech Report. Total funding of $9B is slightly less than totals on prior slide. Differences due to timing of data pulled from CB Insights.
STARTUPS: PRODUCT & DISTRIBUTION

STARTUPS: BUSINESS PROCESS ENHANCEMENT

Technology-Enabled Business Processes

Employee Benefits Administration

STARTUPS: DATA & ANALYTICS

Cyber
- CYENCE
- cloudcover
- esensor
- UTCAT

Diversified
- Analyze Re
- QuanTemplate
- Cytora
- Hyperlift
- Vericred
- ThreatInformer
- Dynami
- Tricast
- justInCase
- Digitteria
- CoVi Analytics
- PLEXAI
- RateFilings.com

Property Catastrophe
- THE CLIMATE CORPORATION
- ClimateSecure
- CAPE Analytics
- VALEN Analytics
- Praedicat
- Pillar
- insurdata
- Weather Analytics

Telematics
- OCTO
- Driveway
- THE FLOW
- drivefactor
- Zendrive
- crashbox
- trueinsurance ltd
- AMODO
- CityMile
- Acculix
- TrueMotion
- Zooble
- insurera
- KATSANA
- Drive Spotter

Social
- DIGITAL FINEPRINT
- Wrisk
- clearurance
- CARPE DATA
- PremFina
- stic

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

Tactical Innovation
- Shorter-Term
- Incremental Improvement
- Fix Broken Processes
- Driven by Day-to-Day Pressures

Strategic Innovation
- Longer-Term
- New Business Models
- New Revenue Streams
- Less Constrained by Day-to-Day Pressures

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

Responding with New Products and Capabilities
- New Products
- Digital Capabilities
- Technology Modernization

Developing an Outside-In Perspective
- Partnerships & Universities
- New Talent
- Startups/Accelerators

Creating New Ways of Working
- Human Centered Design
- Agile, Focused Teams
- New Skills

Startups offer speed and novel approaches
Partner Perspective: Why Hartford? Why Now?

JILL FRANKLE, AVP STRATEGIC VENTURES, THE HARTFORD
BETH MAERZ, VP CUSTOMER EXPERIENCE AND INNOVATION, TRAVELERS
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

Source: McKinsey. CT is ranked #1 for density of actuaries
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

Source: Startupbootcamp.
Next Steps: Plans for Growth & Ways to Get Involved

MICHELLE COTE, MANAGING DIRECTOR: CONNECTICUT CENTER FOR ENTREPRENEURSHIP & INNOVATION
UNIVERSITY OF CONNECTICUT SCHOOL OF BUSINESS
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