

INSURTECH IS HAPPENING: ARE YOU READY?

MAY 10, 2018

Matthew Leonard
matthew.leonard@oliverwyman.com
Presentation to the Federal Advisory Committee
on Insurance

CONFIDENTIALITY

Our clients' industries are extremely competitive, and the maintenance of confidentiality with respect to our clients' plans and data is critical. Oliver Wyman rigorously applies internal confidentiality practices to protect the confidentiality of all client information.

Similarly, our industry is very competitive. We view our approaches and insights as proprietary and therefore look to our clients to protect our interests in our proposals, presentations, methodologies and analytical techniques. Under no circumstances should this material be shared with any third party without the prior written consent of Oliver Wyman.

© Oliver Wyman

Speaker introduction



- Matt Leonard is a partner and Chicago Office Leader at Oliver Wyman and is a member of the firm's Insurance and Corporate Finance & Advisory practices. He co-leads the firm's insurtech platform and has been a keynote speaker at InsureTech Connect, the world's largest gathering of insurance leaders and innovators.
- Over his roughly 20-year career, Matt has worked with major financial institutions and investors in Europe, North America, and Asia involving a range of topics, including market strategy, public policy, organizational design and financial effectiveness.
- Matt has co-authored a number of Oliver Wyman publications. Examples include: "The Naked Truth: How Price Comparison is Poised to Change US Personal Insurance"; "The Implications of Financial Regulatory Reform for the Insurance Industry" a joint study with IIF; and "The New Bull Market in Risk: A Journey into the Future of Corporate P&C Insurance". He is also a regular contributor to Oliver Wyman InsurTech
- Matt, who has an MBA from the University of California at Berkeley and a bachelor's degree in Business Administration from the University of Wisconsin-Madison, joined Oliver Wyman in London before relocating after several years to the firm's Chicago office. Prior to joining Oliver Wyman, Matt's professional experience includes seven years in the commercial P&C insurance industry.

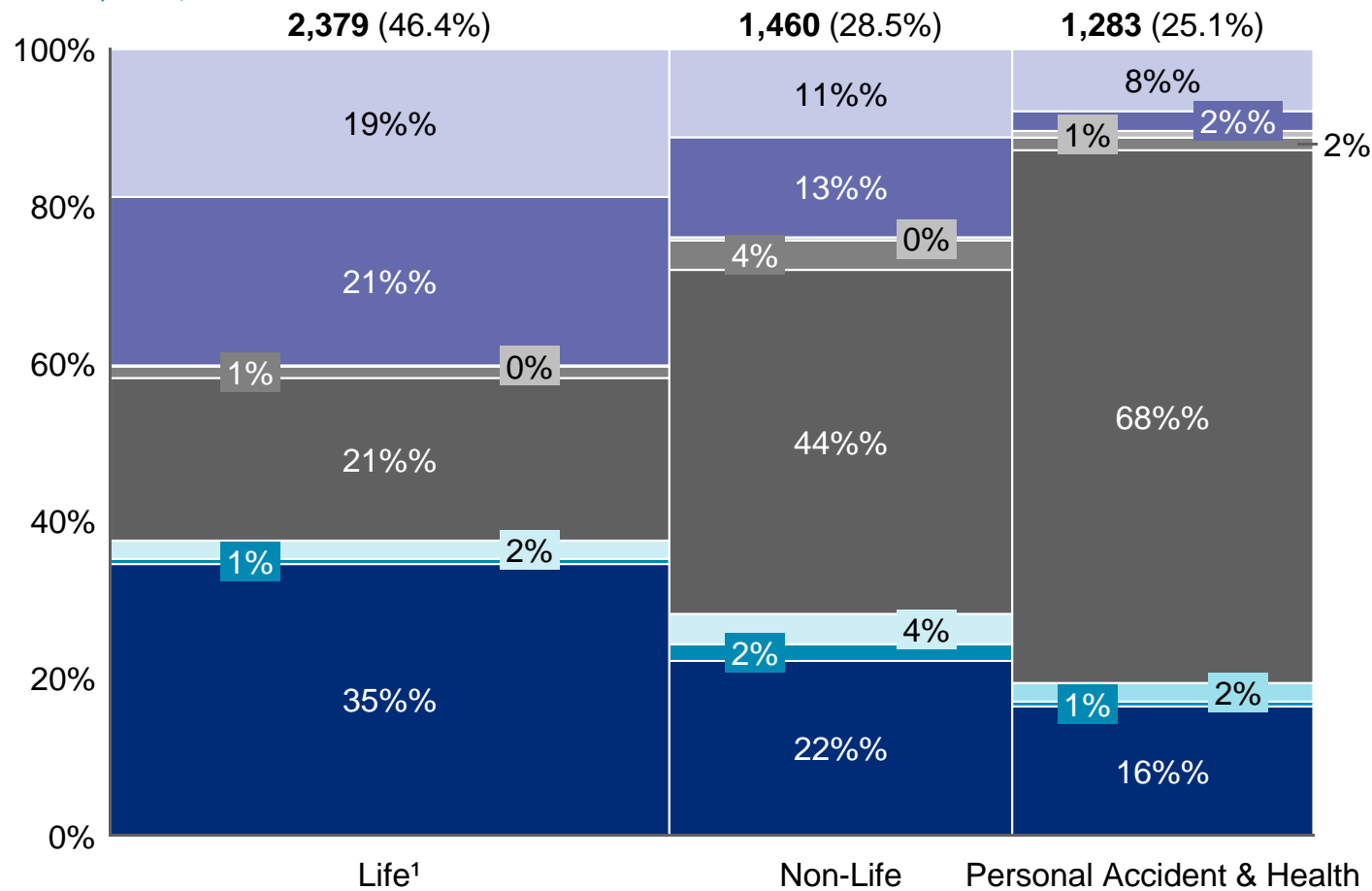
1 | The backdrop

Insurance plays an important role in society



With USD ~\$5.1 TR in global premiums, insurance is a large global industry

Global written premiums in insurance
2016, US\$ BN

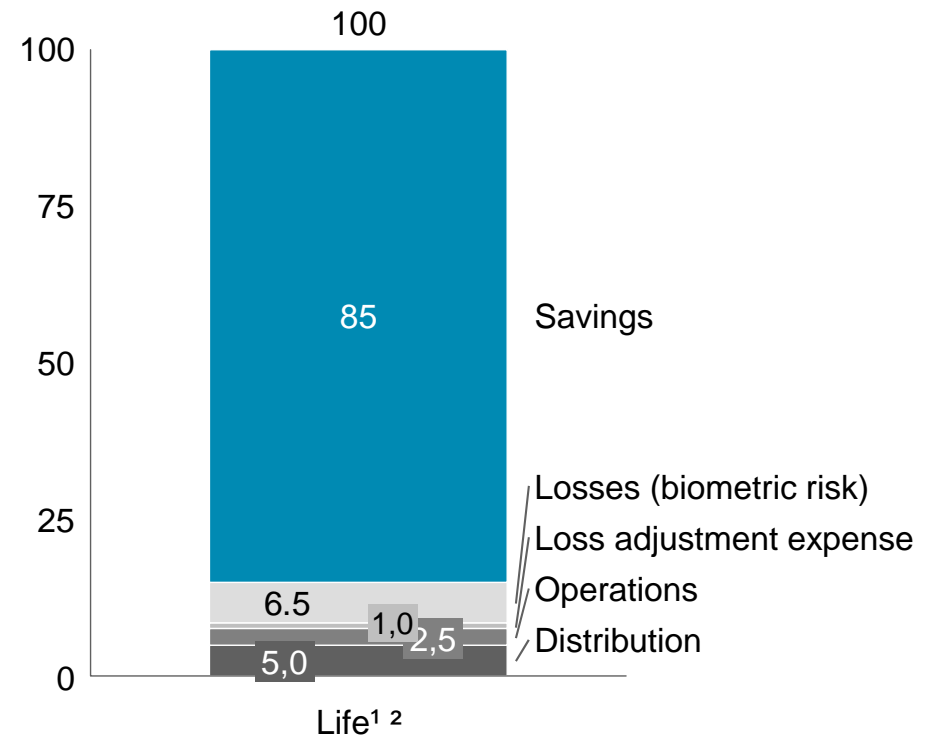
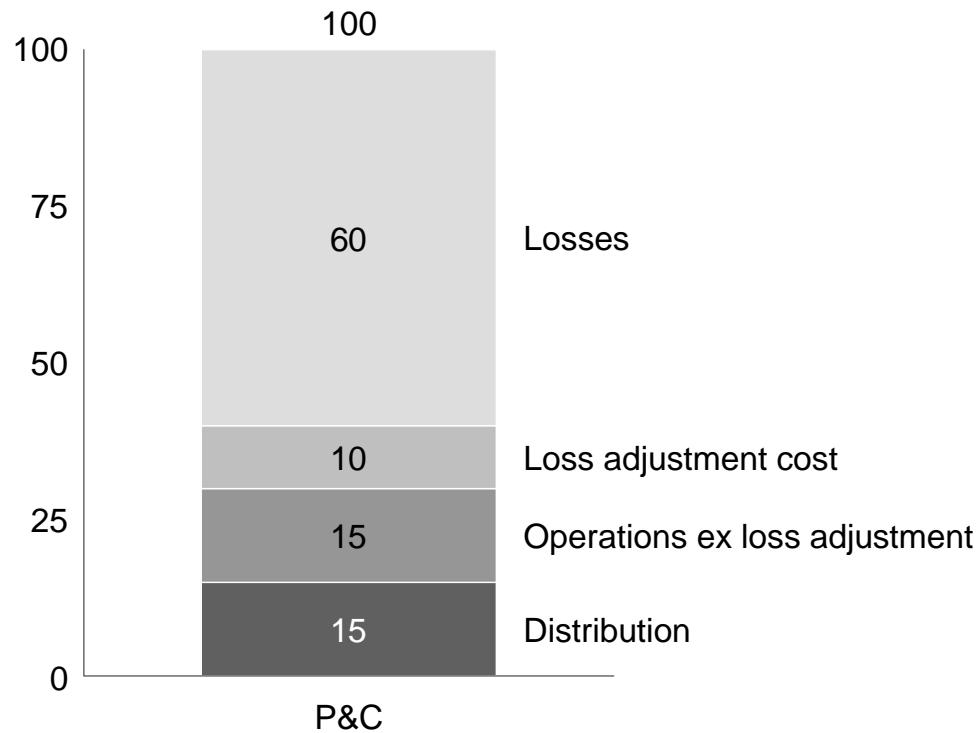


APAC	1,439
Developing APAC	712
Developed APAC	727
Americas	2,131
Caribbean	19
Latin America	109
North America	2,001
EMEA	1,553
Middle East and Africa	142
Eastern Europe	54
Western Europe	1,356
World	5,124

1. Life includes protection, investment and annuities
Source: AXCO database, 2016 figures

Premium dollars divided across claims payments, producing and maintaining the product and accessing customers

Idealized allocation of premium to value chain elements¹



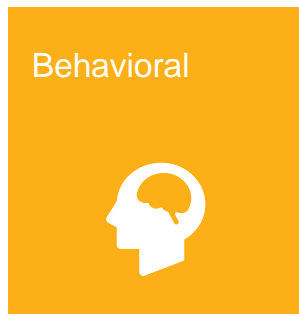
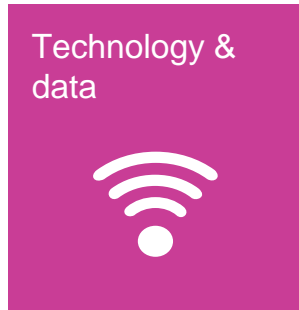
1. Illustrative split shown orientated on mature markets – emerging markets might deviate materially

2. Life includes protection, investment and annuities

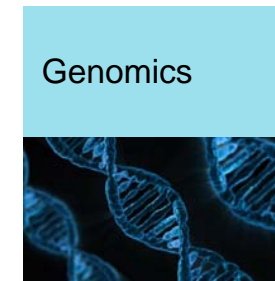
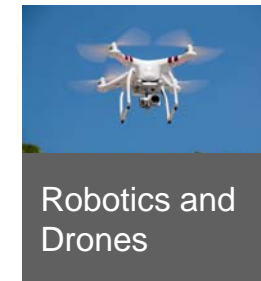
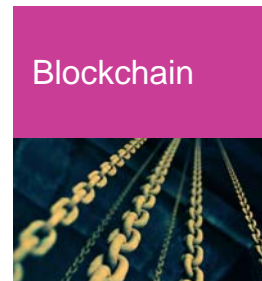
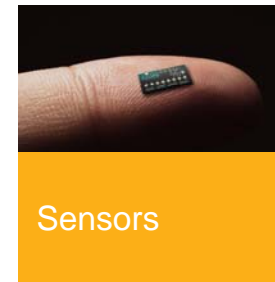
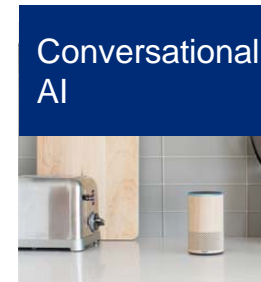
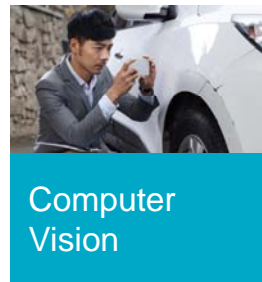
Source: Oliver Wyman, Policen Direkt

A broad set of trends – and “collision” of trends – will reshape industries

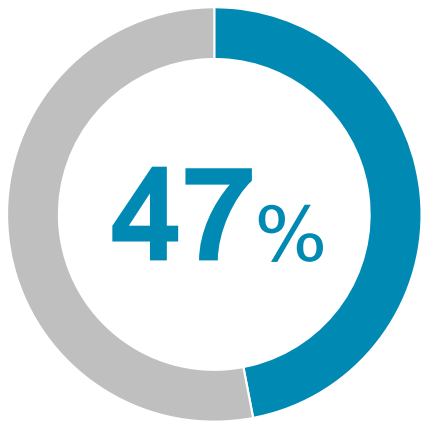
The world is changing rapidly...



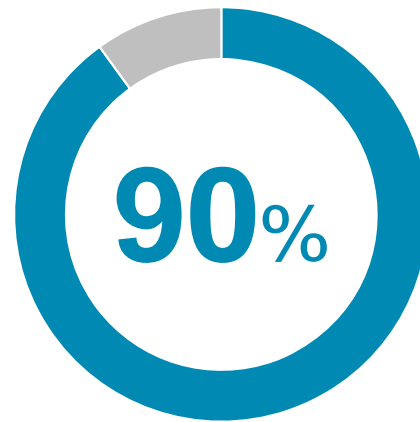
Technology is enabling the insurance industry to better serve clients...



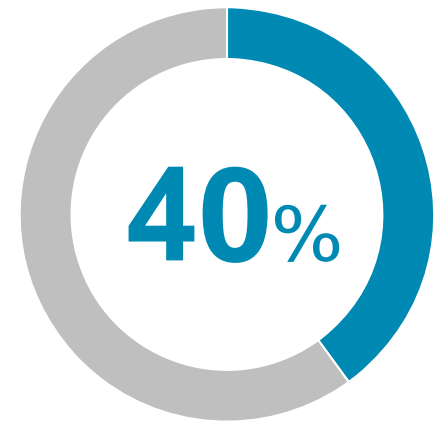
Trends: Technology and interconnectivity are changing clients' business models



percent of jobs in the US that are “at risk” of being automated in the next 10–20 years



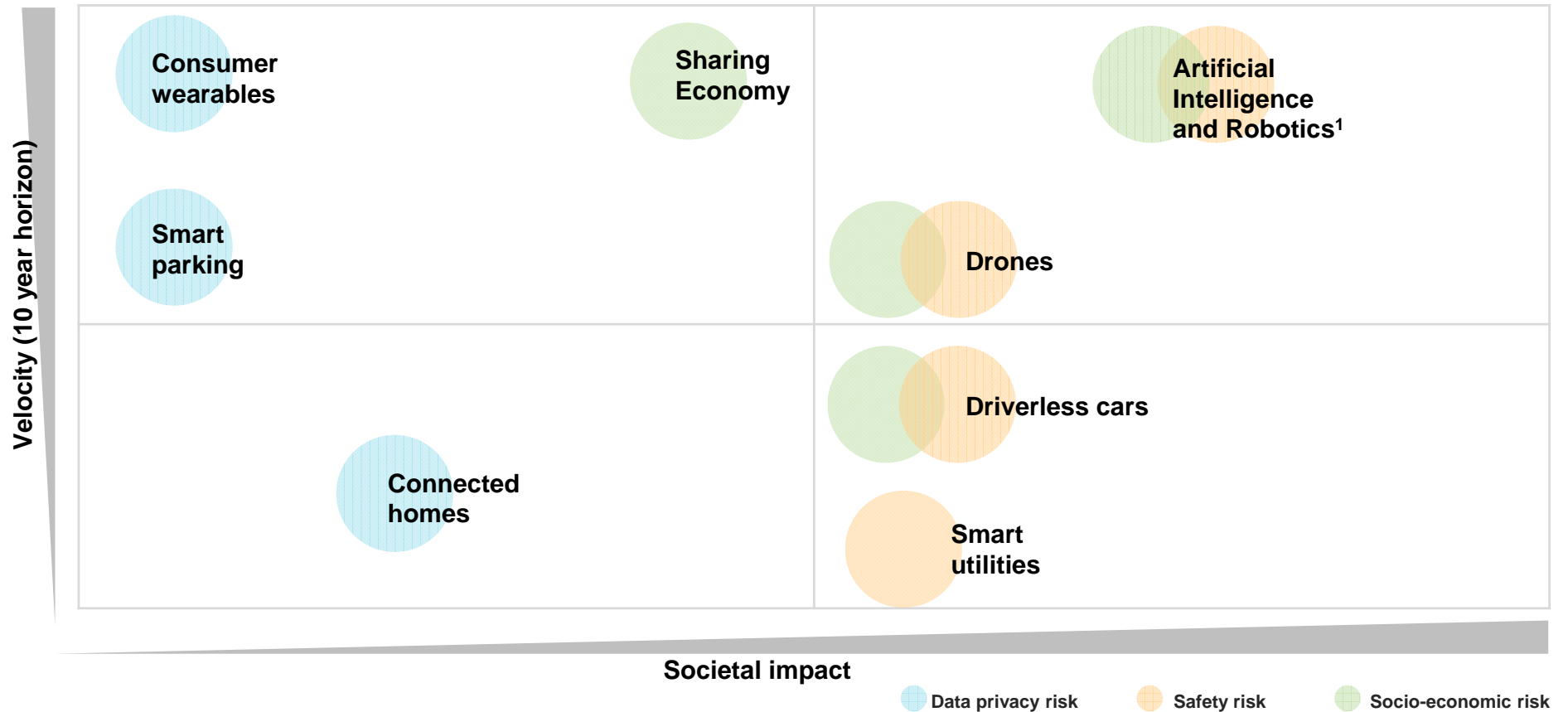
of cars will be connected by 2020



of the workforce potentially participating in the gig economy by 2020

Source: Oxford, Gartner, Forbes

Trend: The risk profile and liability associated with technological innovation remains unclear as regulatory standards lag pace of innovation



Source: Oliver Wyman, World Economic Forum

1. Covers a large group of technologies including softbots (e.g., IBM Watson), prostheses/exoskeletons, and industrial robots. Drones and self-driving cars are two applications of AI and robotics

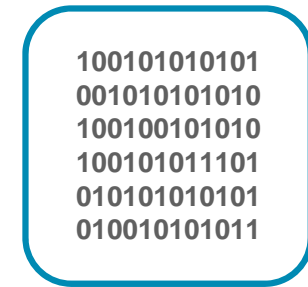
How will the insurance sector create value in the future?



Getting closer to the customer



Shifting from balance-sheet to services-led

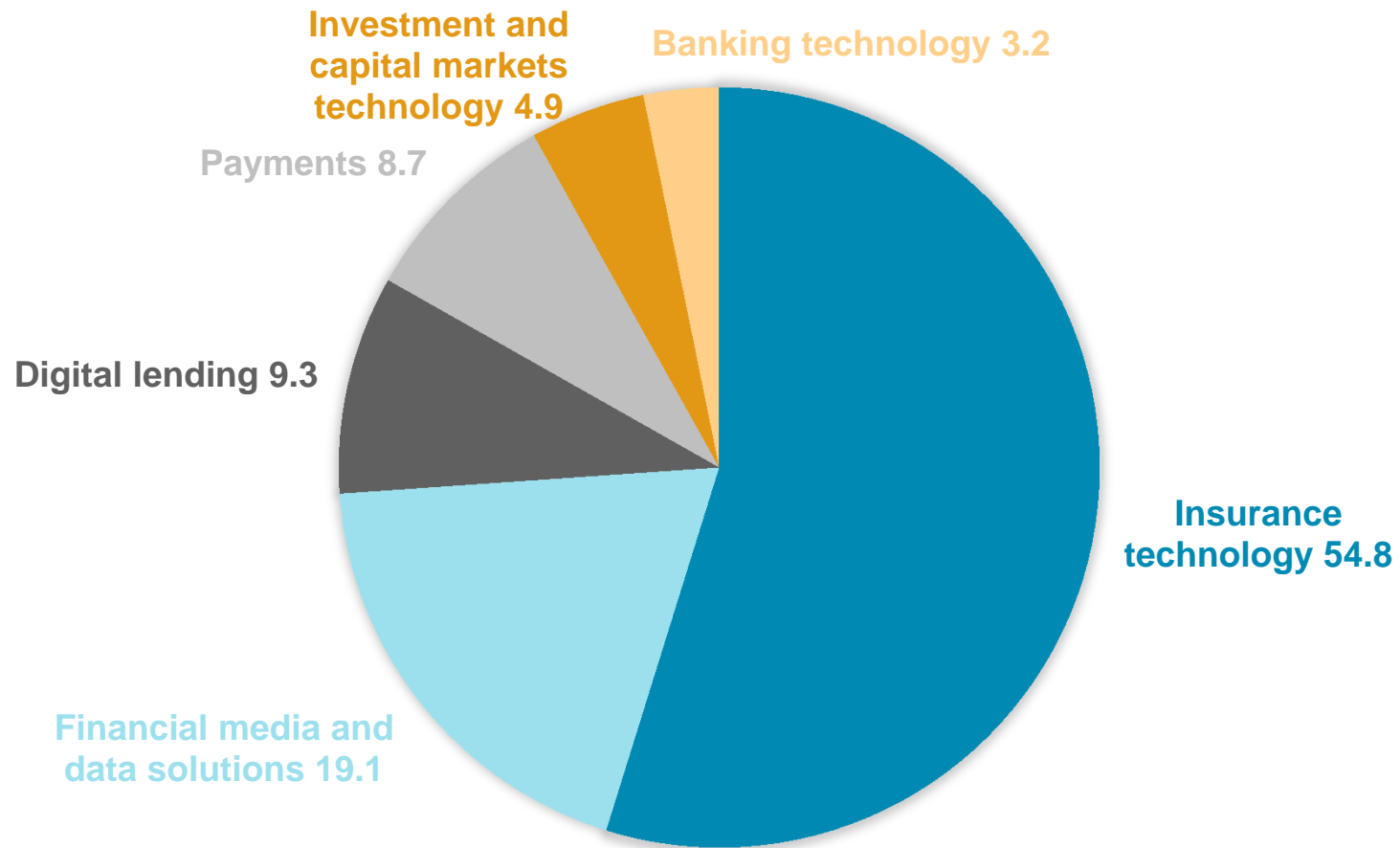


Unlocking data assets

2 | The insurtech landscape

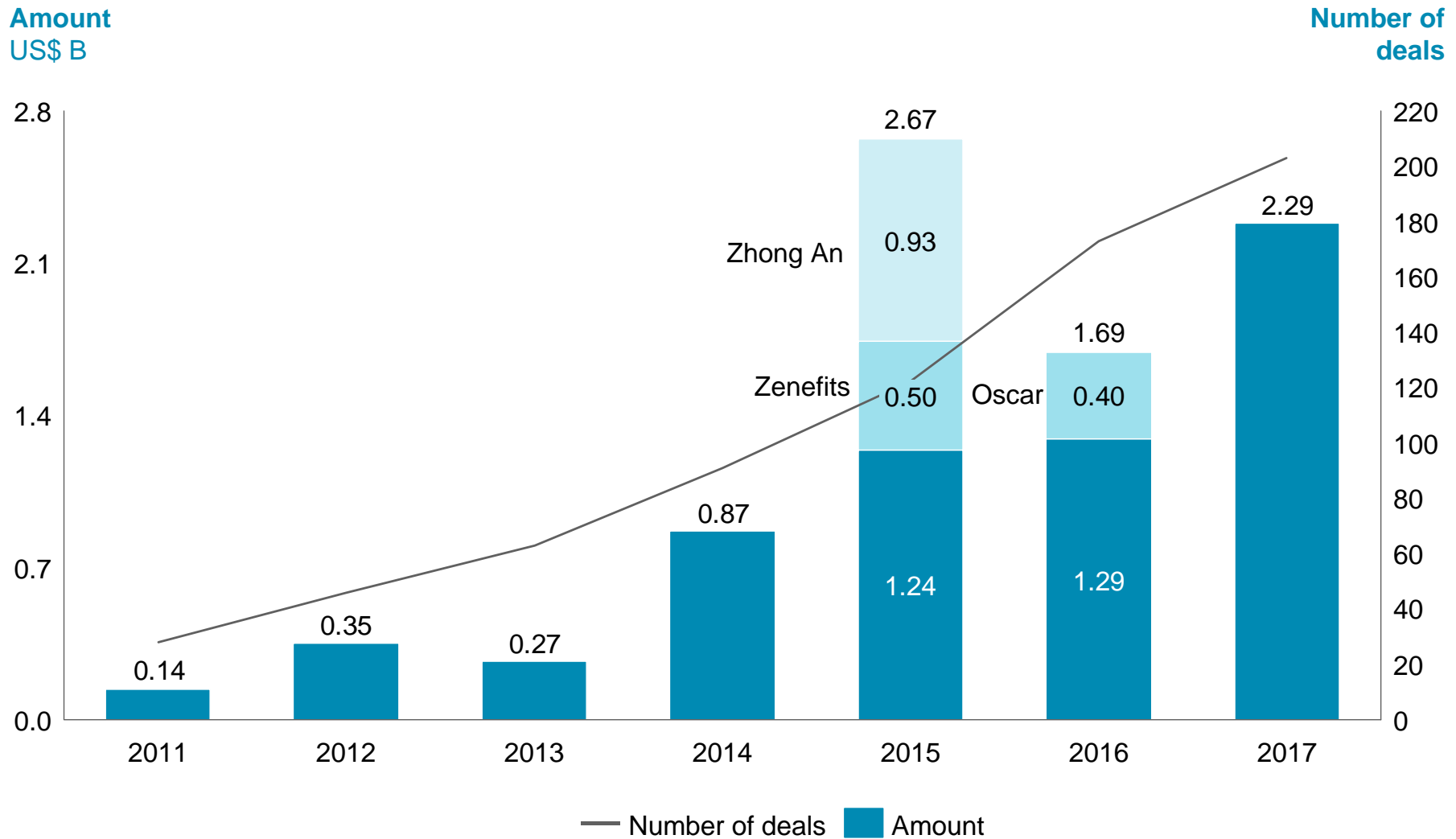
Insurtech is now a mainstream theme within the (venture) investment community

Segment funding as a percentage of overall US fintech investment in March 2018



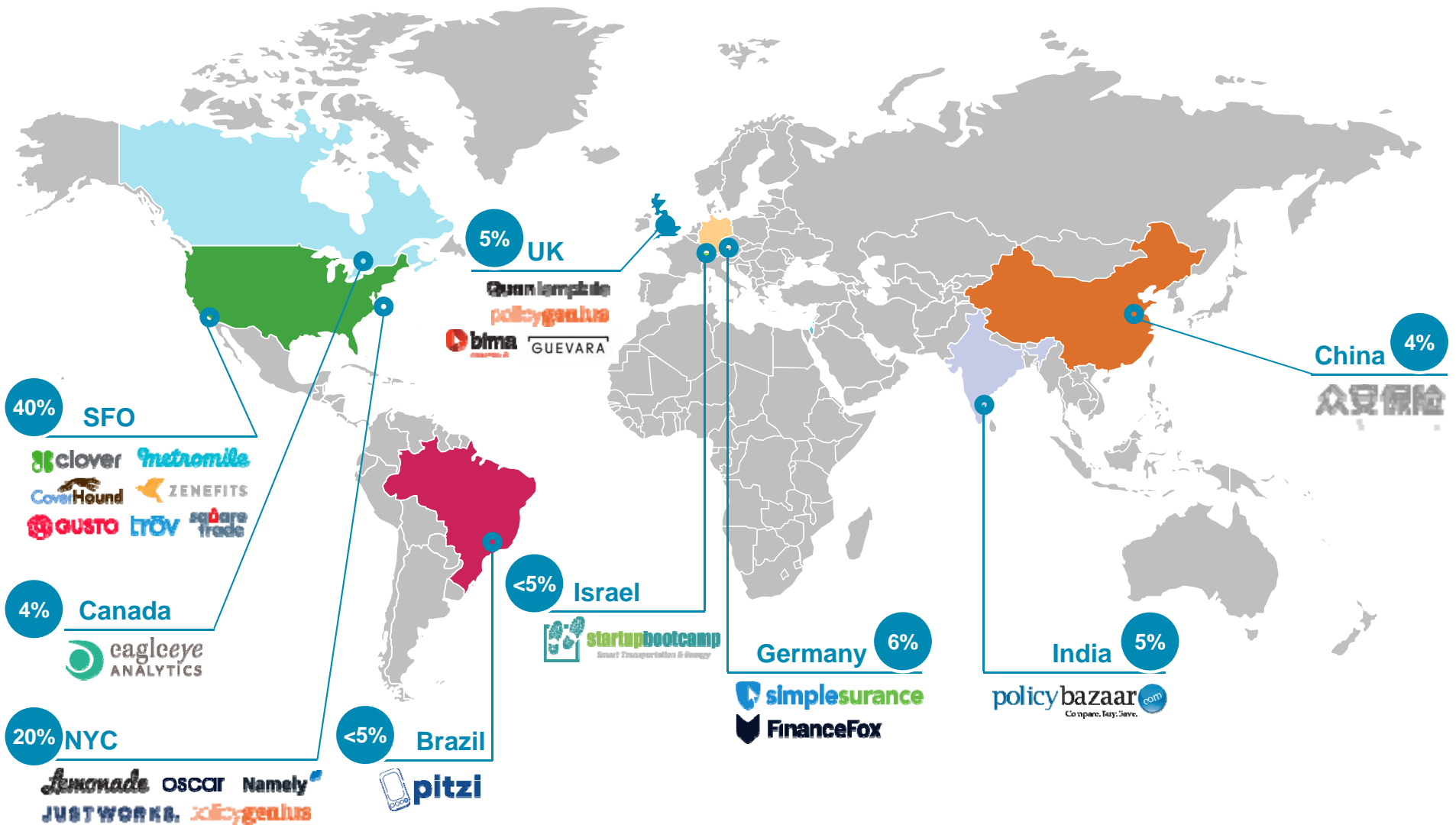
Source: S&P Global Market Intelligence

Insurtech investment growing through time



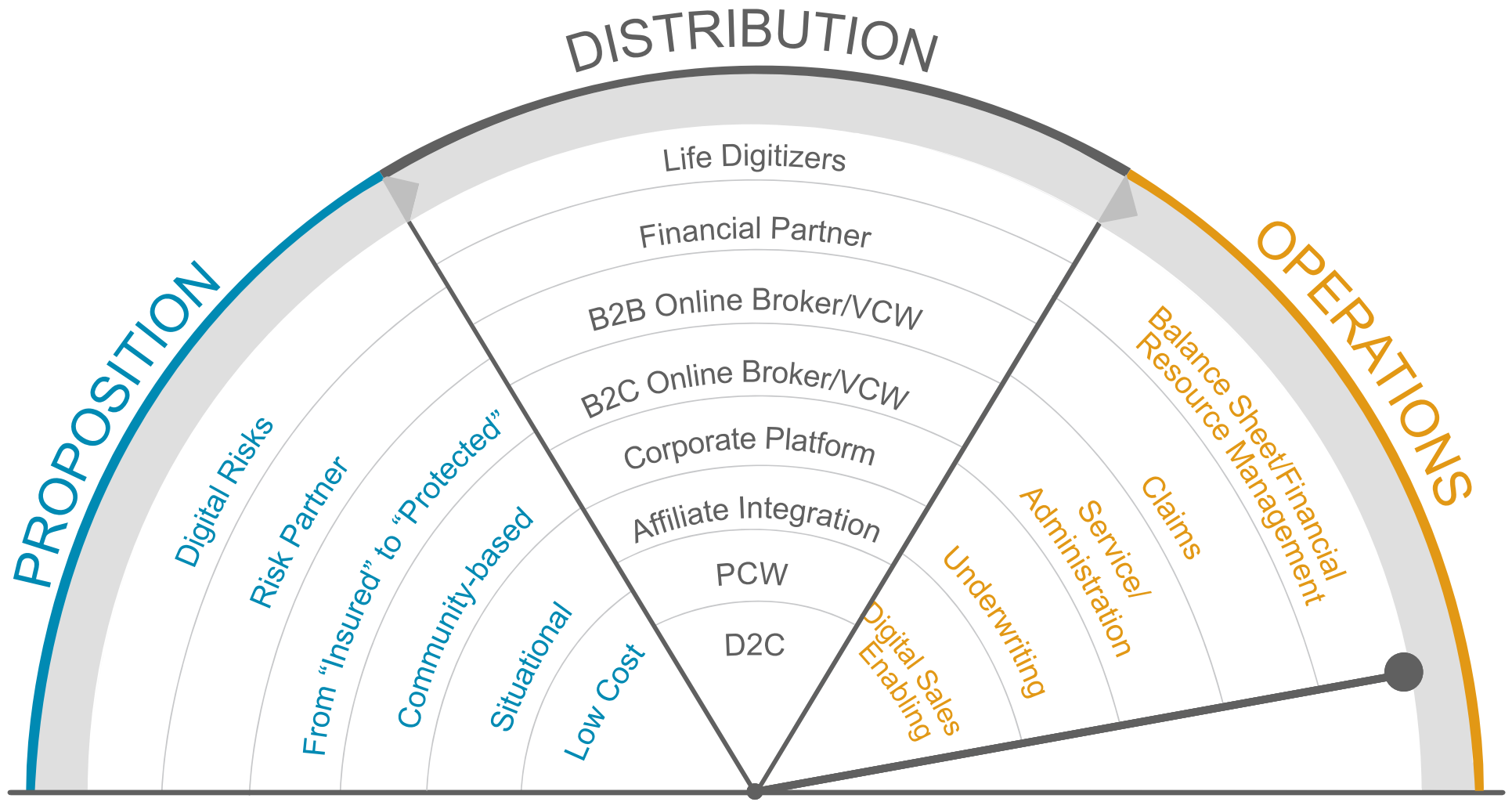
Source: CBInsights, Oliver Wyman analysis

Insurtech innovation is a global phenomenon



Source: CB Insights
© Oliver Wyman

Insurtech activity spans a wide range of business model categories

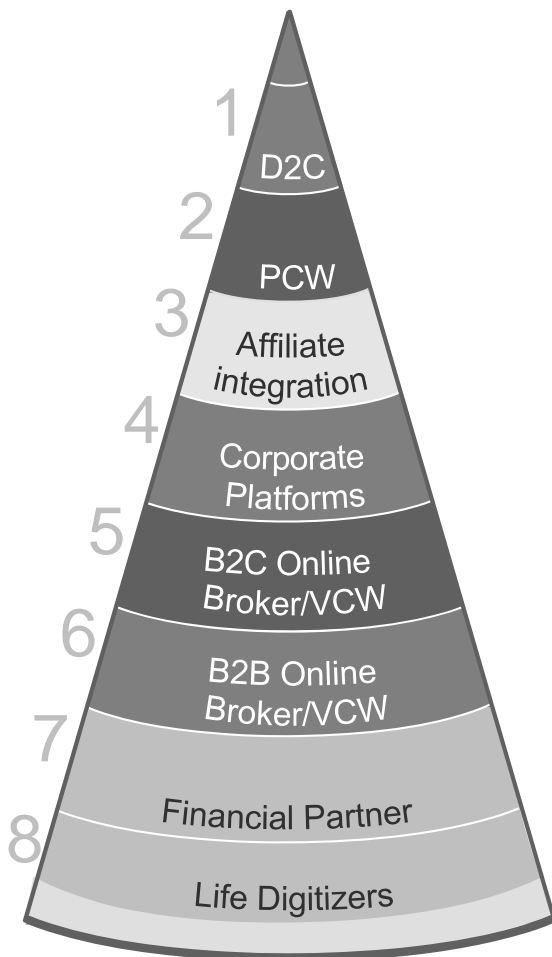


Source: Oliver Wyman, Policen Direkt

Distribution

International comparison of activities worldwide

DISTRIBUTION 42%



LEVEL OF INSURTECH ACTIVITY

AMERICAS	EMEA	APAC
<ul style="list-style-type: none"> BrixLi Figo Pet Insurance Ladder Life Sonnet Veracity Insurance Solutions 	<ul style="list-style-type: none"> Bikmo Fibur Hellas Direct mypension Nalo 	<ul style="list-style-type: none"> EdirectInsure Group Frank.co.th
<ul style="list-style-type: none"> ClickQuoteSave HealthCare.com insuranceLevel TuSeguro.com 	<ul style="list-style-type: none"> Check24 Comparadise Groupe Samlino.dk Ucompare.ie 	<ul style="list-style-type: none"> Easypolicy GoBear GoInsurance.com.my OOHOO PolicyX.com
<ul style="list-style-type: none"> Matic 	<ul style="list-style-type: none"> click2sure Simplesurance 	<ul style="list-style-type: none"> Cover Genius
<ul style="list-style-type: none"> Benesnap Endeavor Plus Hixme Zane benefits Zenefits 	<ul style="list-style-type: none"> Heaven HR Hibob Wealth Wizards 	<ul style="list-style-type: none"> Ben CXA Employment Hero Hearti SmartHR
<ul style="list-style-type: none"> Covera Minuto Seguros PolicyGenius Quotacy Tacerto 	<ul style="list-style-type: none"> Clark Coverfy Coverlife Fluo WeFox 	<ul style="list-style-type: none"> Cekpremi Coverfox Insureme.ik Inzurer Shebaotong
<ul style="list-style-type: none"> Bunker CoverWallet Embroker Trym Zensurance 	<ul style="list-style-type: none"> Finanzchef24 SOBRADO Virtual Broker Worry + Peace 	<ul style="list-style-type: none"> Insgeek Sherpa Insurance
<ul style="list-style-type: none"> Albert Credit Karma GuiaBolso Mint.com NerdWallet 	<ul style="list-style-type: none"> Moneymeets MyFeelix Octobank Rentablo Treefin 	<ul style="list-style-type: none"> Bambu
<ul style="list-style-type: none"> byeo Cake DocuHome Everplans HomeZada LegacyShield 	<ul style="list-style-type: none"> AssetVault Cbien Planned Departure SafeBeyond 	

Source: Oliver Wyman, Policen Direkt

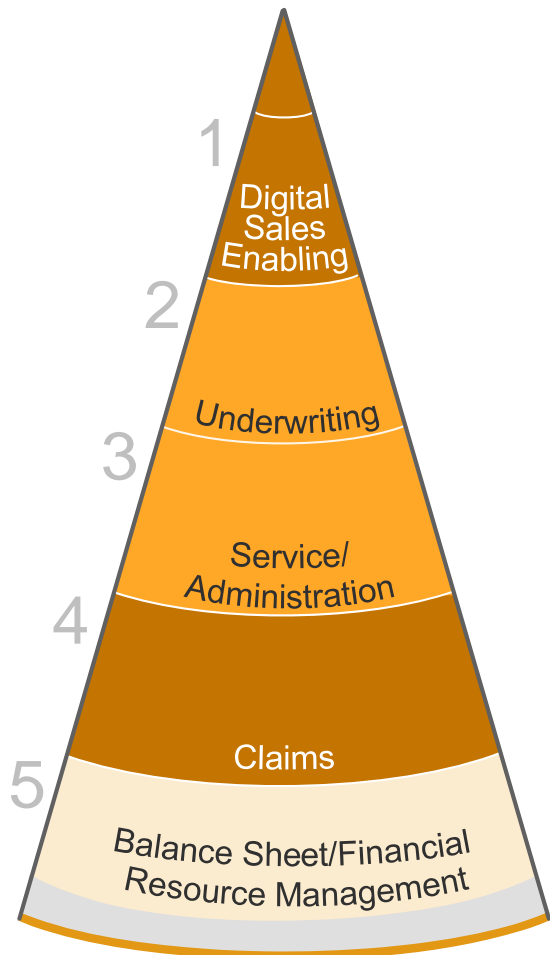
High ← Insurtech Activity → Low

Operations

International comparison of activities worldwide

OPERATIONS 39%

LEVEL OF INSURTECH ACTIVITY



AMERICAS	EMEA	APAC
<ul style="list-style-type: none"> • Benefix • BenRevo • Brokerlift • Insurr • LeadCloud • Zipari 	<ul style="list-style-type: none"> • B2b Protect • Covomo • Gewerbeversicherung24 • WeSavvy 	<ul style="list-style-type: none"> • Ancileo • Aureus Analytics • Policy Street • Seasonalife
<ul style="list-style-type: none"> • Lumiata • Praedicat • Tyche • Vivametrica 	<ul style="list-style-type: none"> • Atidot • Covi Analytics • Cytora • getmeIns • InsureMyTrans • QuanTemplate 	<ul style="list-style-type: none"> • Chebao
<ul style="list-style-type: none"> • Megalodon Insurance Systems • Gain Compliance • Pokitdok • RedOwl • RiskMatch • TriplePoint Software 	<ul style="list-style-type: none"> • Fortifier • IBA • NuvaLaw • Qumram 	<ul style="list-style-type: none"> • Gen.Life
<ul style="list-style-type: none"> • Airwave • Groundspeed • PRXControl Solutions • Screenshot 	<ul style="list-style-type: none"> • Cognotekt • Nexar • RightIndem • Shift Technology • Tractable • Unfallfuchs 	<ul style="list-style-type: none"> • ClaimLogik • MediPay Asia • Stash PH • WaveCell
<ul style="list-style-type: none"> • Analyze Re • Isaac Re • Ledger Investing • Rewire 	<ul style="list-style-type: none"> • Budget Insight 	<ul style="list-style-type: none"> • Audeamus Risk

Source: Oliver Wyman, Policen Direkt

High ← Insurtech Activity → Low

Proposition

International comparison of activities worldwide

PROPOSITION 19%

LEVEL OF INSURTECH ACTIVITY



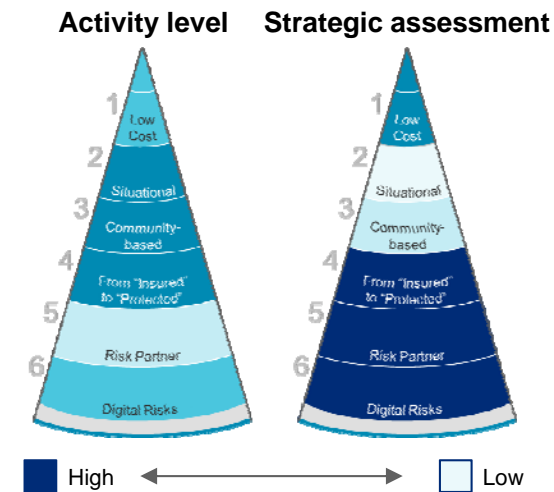
AMERICAS	EMEA	APAC
<ul style="list-style-type: none"> Health IQ Melody Health Insurance Square One Swyft 	<ul style="list-style-type: none"> Alan Bima Element Firstcarquote Jamii Karlsson 	<ul style="list-style-type: none"> Zhong An
<ul style="list-style-type: none"> Metromile Slice Sure Trov Verify Zensure 	<ul style="list-style-type: none"> Cuvva Drivy Hepster Ingenie KASKO Marmalade 	<ul style="list-style-type: none"> Bigins
<ul style="list-style-type: none"> Gather Insureapeer Lemonade RiskPool Sharely.us World Cover 	<ul style="list-style-type: none"> Cycle Syndicate Darwinsurance Guevera Inspeer Ma Tontine Prvni Klubova 	<ul style="list-style-type: none"> Bandboo Pte Ltd peercoverage Prince Insure Teambrella Zhongtuobao
<ul style="list-style-type: none"> Bright Health Climate Corp Clover Health Fuzzy Oscar splitsecnd 	<ul style="list-style-type: none"> Carrot Insurance Climate secure In My Bag OTTOnova Schadenengel 	<ul style="list-style-type: none"> Carmen Automotive OKChexian
	<ul style="list-style-type: none"> CelsiusPro Getsurance Inxure.me TikkR 	
<ul style="list-style-type: none"> Cloudsurance CyberPolicy Y-Risk 	<ul style="list-style-type: none"> Digital Risks PDX Technology 	

Source: Oliver Wyman, Policen Direkt

High ← Insurtech Activity → Low

There may be a mismatch of current activity and strategic potential

Proposition



“Overcrowded – shakeout possible

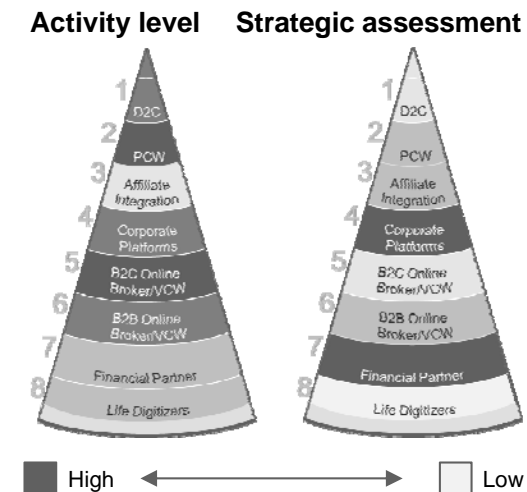
- Situational
- Community-based

White space

- From insured to protected
- Risk partner
- Digital risks

Source: Oliver Wyman

Distribution



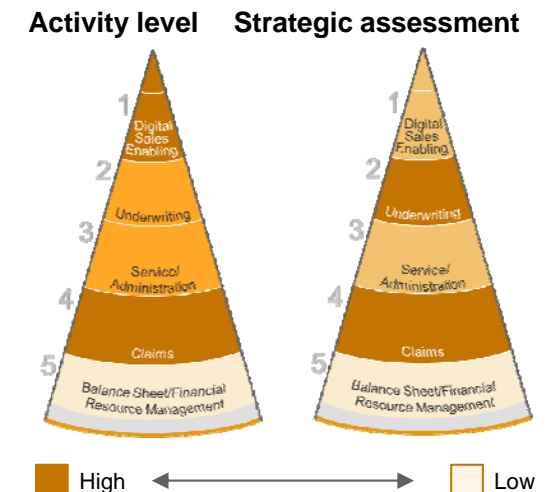
“Overcrowded – shakeout possible

- PCW
- B2C Online Broker / VCW

White space

- Affiliate integration
- Corporate platform
- Financial partner

Operations



“Overcrowded – shakeout possible

- Digital sales enabling

White space

- Underwriting

3 | Maintaining competitiveness in insurtech

Top global tech hubs footprint

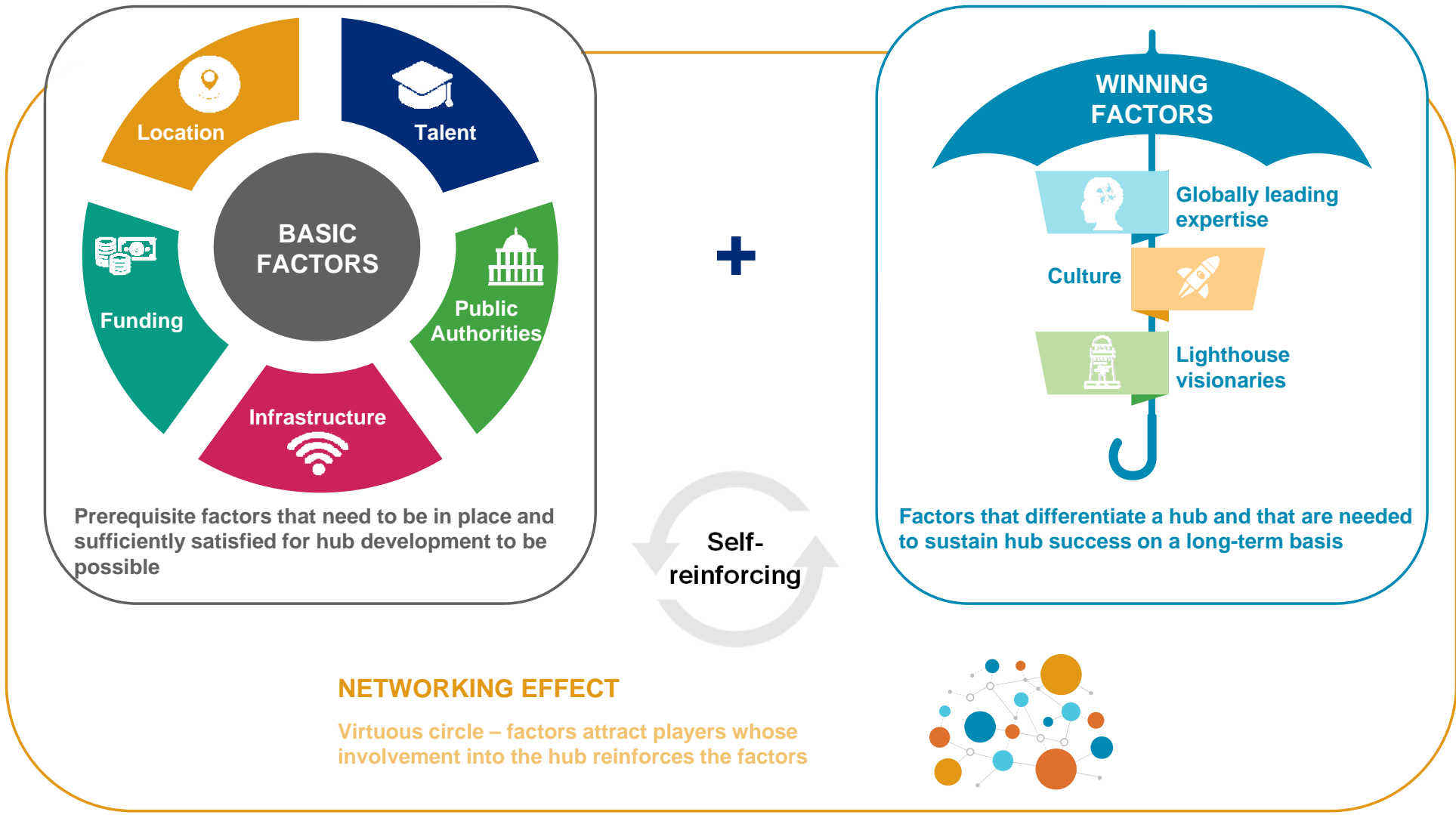
Tech hubs are spread globally across various cultures with a strong concentration in North America and Europe



Source: Business Insider; Oliver Wyman

Success factors for tech hubs

The success of dominating existing hubs is based on a clearly identified set of success factors



Success factors – self assessment for the US?



QUALIFICATIONS, ASSUMPTIONS AND LIMITING CONDITIONS

This report is for the exclusive use of the Oliver Wyman client named herein. This report is not intended for general circulation or publication, nor is it to be reproduced, quoted or distributed for any purpose without the prior written permission of Oliver Wyman. There are no third party beneficiaries with respect to this report, and Oliver Wyman does not accept any liability to any third party.

Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been independently verified, unless otherwise expressly indicated. Public information and industry and statistical data are from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information. The findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties. Oliver Wyman accepts no responsibility for actual results or future events.

The opinions expressed in this report are valid only for the purpose stated herein and as of the date of this report. No obligation is assumed to revise this report to reflect changes, events or conditions, which occur subsequent to the date hereof.

All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the client. This report does not represent investment advice nor does it provide an opinion regarding the fairness of any transaction to any and all parties.