



Gooinn Insurtech Report

Insurtech definition, adopted technologies,
recent global status, Insurtech in the UK and
actions taken by the insurance industry

Insurtech



Insurtech Definition

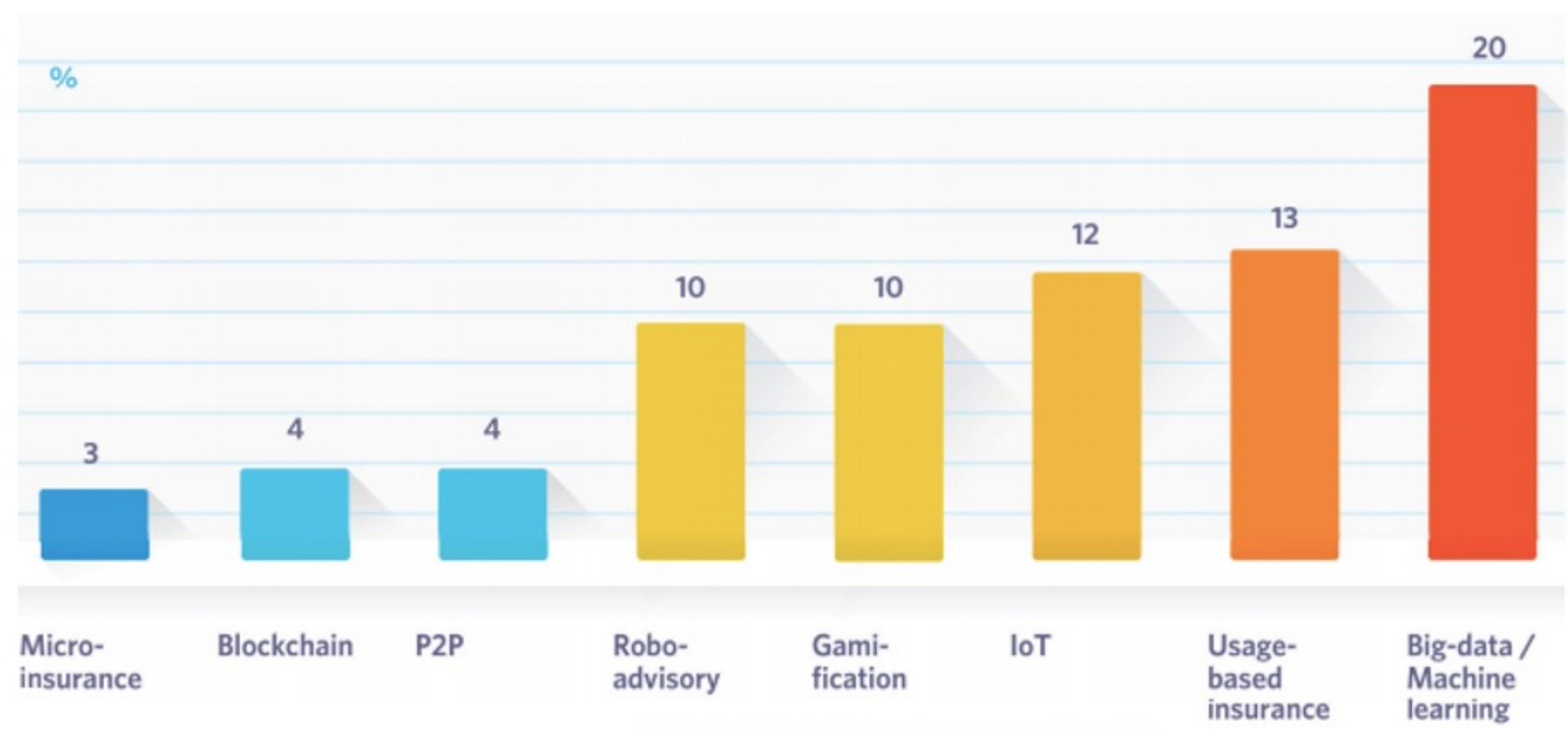
InsurTech is known as insurance technologies. It is positioned under FinTech (Financial Technologies) and aims to produce digital solutions in the insurance industry. It is an emerging field, trying to reduce insurance costs by minimizing the risks of insured clients by utilizing innovative technology solutions.

This approach is not only interesting for insurance holders, but it is also particularly important for the insurer. All stakeholders in the insurance industry, including insurance companies, benefit from innovative solutions, which make life easier for all parties involved. Providing unlimited support in areas of funding, experience, and mentoring, InsurTech has been a preferred field of activity for many startups.

There is a tendency for companies to use new parameters and criteria for risk measurement in pricing products, especially motor insurance policies. Drivers’ usage habits are seen as new criteria and parameters. Here, speed, driving technique, sudden braking and similar parameters draw attention and companies can easily measure them with the use of IoT. The countries that have made great strides in the field of InsurTech in the world are the USA, UK, Germany, and the Netherlands. In addition, reinsurance companies are also making InsurTech breakthroughs.¹

Technologies Adopted by Insurtech

According to McKinsey’s March 2017 report, InsurTech startups adopt new technologies early. While almost most InsurTech companies rely on the digital customer interface for sales and service, most startups show an interest in new technological concepts. Eight new uncommon new technologies are adopted by InsurTechs and used to solve real business problems. These technologies support new insurance products. Examples include blockchain, IoT, artificial intelligence, gamification, machine learning and robo consulting.²



Source: McKinsey 2017 Report

Global View on Insurtech

InsurTech companies attract attention in the world. Globally, at least one insurance company or company's venture capital appears in the investments of InsurTech startups. Insurance companies support startups with acceleration programs rather than being investors, and help startups grow by developing joint products.³

InsurTech Market trends in the world are examined in 4 regions;

- US market
- European market
- Chinese market
- Southeast Asian market

1) US market

According to the report published by DailySocial MCI InsurTech in 2020, US's largest insurance sector is in the real estate and accident sector. Since 2018, the market net income of this field continues to increase rapidly. This market, which was 39 billion dollars in 2017, increased to 58 billion dollars in 2018. In addition, global investments in InsurTech reached \$ 3.26 billion in 2019.⁴

According to the same report, new technology and innovation financing in the insurance industry is supported by Venture Capital (VC). Many InsurTech start-ups in the US provide many advantages with the rich and competitive financing provided by VC. On the other hand, since there is not a strong VC culture in some markets, the approach to raising capital differs and public resources become important.

In the USA, it is accepted that the initiatives and investments made by InsurTechs on the health sector cover 70% of the market. At the same time, investments in startups that provide commercial distribution routes are increasing. This indicates that there is interest in startups hoping to improve customer experience.

2) European market

Dailysocial MCI InsurTech 2020 report the three largest insurance market in Europe, as the United Kingdom, Germany, and France.⁵

In 2018, McKinsey estimates that insurance company websites, which operate like price comparison websites, had a greater impact on non-life insurance buyers. Price comparison sites have made it easy for customers to choose insurance products based solely on price.⁶

According to the report published by KPMG in 2019, while InsurTech investments decreased until 2018, the UK invested more than 1 billion dollars in the InsurTech market in 2019.⁷

In terms of market share, traditional players continue to keep their competitive advantage in the market by partnering with technological companies. However, these players face competition with medium -sized and smaller InsurTech startups that offer tailored solutions to their users.

3) Chinese market

China is the second largest market in the world in the insurance market after the United States. Here, InsurTech has matured steadily, becoming one of the key drivers of growth in the industry.

As stated in the DailySocial MCI 2020 InsurTech report, China is a market where digital insurers use technology very well. These insurers have created highly automated insurance platforms and have taken an unconventional approach to addressing insurance processes such as underwriting, pricing and claims handling.⁸

Major insurance companies in China have identified 3 main strategies.

Activation

Deploying workforce capabilities and operations using technologies such as big data, cloud, and artificial intelligence, and improving product development, demand management, and customer service.

Integration

The insurer expands the technology benefits of its value chain to create broad ecosystems with other industries.

Commercialization

Selling Insurers technology products to other industries.

4) Southeast Asian market

The highlights of the Southeast Asian market trends are as follows;

Urbanization and population growth generate strong insurance demand in Southeast Asia's major emerging markets. Supported by high insurance literacy reaching 90%, Singapore seems to be a suitable example for the development of the InsurTech industry.

Market penetration for insurance appears to be extremely low. It is stated that only 2.1% of Indonesians have life insurance in 2016. Again, according to the Insurance Market Report published the same year the bank account in only 11% of these people are available. According to the same report, insurance penetration in the Philippines is only 2% of the population. Although there are leading insurance companies covering health, motorcycle and employee insurance, work is being done to overcome the lack of insurance education and affordability.

The DailySocial MCI 2020 InsurTech report states that the low level of insurance penetration in the Southeast Asia region is due to several factors. These are financial education, lack of access to financial services, and less affordable insurance packages.⁹



Insurtech Company Examples

Established in England with the support of AXA insurance, **Trov** company offers insurance coverage for personal items such as cameras, computers, and telephones. When something is put into use, the insurance is activated and when it is closed, the insurance is deactivated, so that pricing is calculated by instant tracking from here.¹⁰

Lemonade provides services thanks to chat bots and customers can reach the appropriate insurance offer by communicating with these chat bots. Receiving the appropriate insurance offer, the customer registers in the system with a credit card, mobile signature and purchases their policies. This system offers an offer with an average time of 30 seconds.

Friendsurance and **Guevera** are startups that provide person-to-person digital insurance services.¹¹

Waffle, a New York-based company InsurTech, is a consumer platform that connects users with insurance providers nationwide in the United States within minutes. It continues to develop with a seed investment of 5 million dollars in 2021.¹²

SafeShare appears to be a blockchain-based solution serving sharing economy initiatives and develops insurance solutions to protect the sharing economy.¹³

AIG offers policy offers for damages arising from cyber-attacks.

Hippo Insurance Services, part of the Metromile and Hippo group, is known for offering cheap, fast, and flexible insurance quotes. By collaborating with these two companies, it aims to offer homeowners digital first care and protection insurance offers, as well as pay-per-mile vehicle insurance.¹⁴

Ethos, as an InsurTech company, continued its development by increasing its revenue and users compared to the previous year, and earned \$ 200 million in the D series investment round. Thus, it increased its valuation to \$ 2 billion. It aims to regulate life insurance of 20 billion dollars in 2021 targets.¹⁵

Acko is an Indian InsurTech startup invested by Amazon. Founded in 2016, the startup is among India's first digital insurers to cover auto, motorcycle and taxi users and health insurance. Accel has also received investments from Catamaran Ventures and SAIF Partners.¹⁶

Shift is a startup that provides a reliable customer experience by fighting insurance fraud and uses artificial intelligence technologies. This venture, which received an investment of 220 million dollars, has a valuation of more than 1 million dollars.

Boughtbymoney is an innovative pet insurance provider that launched in 2017. The insurance product they provide is designed by listening to thousands of pet cat and dog owners. Voted the best pet insurer in 2020, Boughtbymoney is at the forefront of fintech in the UK. In addition to being an insurer, it provides its customers with free access to the FirstVet app, which allows them to video call a veterinarian whenever they are concerned about their pet.¹⁷

Insurtech in the UK

The InsurTech sector is one of the most important players in the fintech industry in the UK, which is constantly receiving investment despite the economic hardship due to the pandemic. Between 2015 and 2020, the sector attracted an investment of \$2.38 billion. There are 189 businesses operating in the field of InsurTech in the country. 6500 or more employees work in the field of InsurTech. In 2020, 29 financing agreements were made.¹⁸

In addition, InsurTech companies in the country received an investment of 361 million dollars in the same year, more than 60% compared to the previous period (2019). Investors have been impressed by the improvements companies have made to the insurance value chain, primarily price comparison websites, home automation, cyber insurance, claims software, online brokerage and insurance services.¹⁹

According to PwC's 2019 report, InsurTechs across the country expect greater understanding of business types and lifecycles from insurers. In addition, InsurTechs and insurers must learn to work together and grow quickly to be successful in their industry. This collaborative work should happen faster than it does today. This is because customers are increasingly demanding.²⁰

The InsurTech Board was established to support the UK's position as a global leader in insurance. Supported by Tech Nation, the board is part of the Fintech Delivery Panel and develops collaborative initiatives that support the UK InsurTech ecosystem, creating an innovative environment for further consumer-focused development.²¹

The main objective of the Board is to establish standardization to solve the challenges faced by established insurance businesses and start-ups. In addition, developing toolkits to accelerate the processes of newly established companies, exhibiting UK InsurTech companies and establishing partnerships with stakeholders in the ecosystem to attract more investors to the country are important issues.²²

Another important community in the UK is InsurTech UK. InsurTech UK was officially founded in 2019 and houses InsurTech startups. It has a membership base of over 100 InsurTech businesses. It is the world's largest official InsurTech alliance, with partners from traditional and insurance industry and insurance market sectors. The aim of the alliance is to promote the InsurTech community both domestically and internationally, transform the insurance industry using technology and make the UK a world leader in insurance innovation.²³

UK InsurTech Examples

Instanda works with its London-based SaaS tool and has taken a different approach to insurance product innovation. The company's no-code product design platform; built on insurance-specific calculation, processing, and workflow capabilities. Being fully customizable, it allows its customers to create many product lines and channels.²⁴

Zego is an insurance company founded in London in 2016, partnering with companies such as Uber, DeliverooUberEats, Bolt to offer flexible insurance policies for new mobility and fleet service providers. It also offers a wide range of flexible B2B insurance products for fleet businesses, new mobility services such as car sharing, car rental and e-scooter platforms. Its total financing is \$201.7 million.²⁵

London-based **Quantemplate** helps users become active by revealing the data needed to grow their business and aid their digital transformation. It has the data integration, automation and analytics platform used by reinsurance, life, property, and casualty (P&C) insurance companies.²⁶

Cytora has developed a technology called the "Risk Engine" that helps them with their risk targeting and pricing thanks to AI algorithms that can be used by insurers. The firm provides insurers with the necessary infrastructure that provides efficient, accurate insurance and hassle-free customer experiences. Also, Cytora; QBE has partnered with major insurance providers such as Starr.²⁷

Hometree helps homeowners keep their homes safe with insurance products that protect them against malfunctions and problems in their heating, plumbing and electrical systems. With the products and services, it offers, it is on its way to becoming the leading company in home emergency insurance in the UK. It is supported by the world's largest insurance companies such as Allianz, Baloise Group.²⁸

Floodflash is a London-based startup. It offers its customers fast payout insurance to minimize the effects of flooding for homeowners and businesses. With its data and smart sensor approach, it minimizes the uncertainty, cost, and time of traditional insurance.²⁹

Expectations of Users and Actions of The Insurance Industry

According to the Word InsurTech Report 2020, the expectations of the users and the actions of the insurance industry are as follows;³⁰

1) Crisis Resistant Processes

Users need insurance companies especially in times of crisis. In unexpected situations, users want to know that they are safe by accessing critical services. Insurance companies need to stay in constant communication with users by ensuring business continuity, especially in unexpected and sudden situations.

2) Real-Time Response

Policyholders want to be informed about the service they receive quickly and expect a quick response regarding notifications in case of a change. Delay or failure to act causes a loss of confidence by policyholders.

3) Compassionate Partnership

Users expect empathy from insurance companies. They need to feel that they are being taken care of. Insurance companies need to establish an empathetic and emotional bond with users, and they need to prepare proactive initiatives.

4) Insurance as a Service

Policyholders demand flexible time coverage options. This explains that they want to pay as much as they use the insurance. This innovation has started to be seen in health and life insurances. In addition, policyholders state that they want to be rewarded for positive behavior.

5) Digital Experience

Insurers want to reach offers anytime, anywhere and through various channels. Firms need to have access anytime, anywhere with intuitive self-service options to meet the expectations of policyholders.

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About the Study

This study has been designed and prepared for the benefit of people working in the field of insurance and financial technology, about the developments and innovations in the field of InsurTech, using various sources.

You can visit www.gooinn.co to learn more about the innovative developments in this field.



Gooinn is an innovation consultancy firm based in London and Istanbul. It is currently actively serving in Turkey, the United Kingdom and Germany. It transfers to companies the competence needed to design innovative products that meet the real needs of customers. It helps to establish and strengthen the innovation culture in institutions. Gooinn attaches great importance to creating value together and being output oriented.

Gooinn, with its expert consultants, has created value together with companies such as Zorlu, Eczacıbaşı, ING and SabancıDx, and many of these institutions have launched their ideas successfully.