

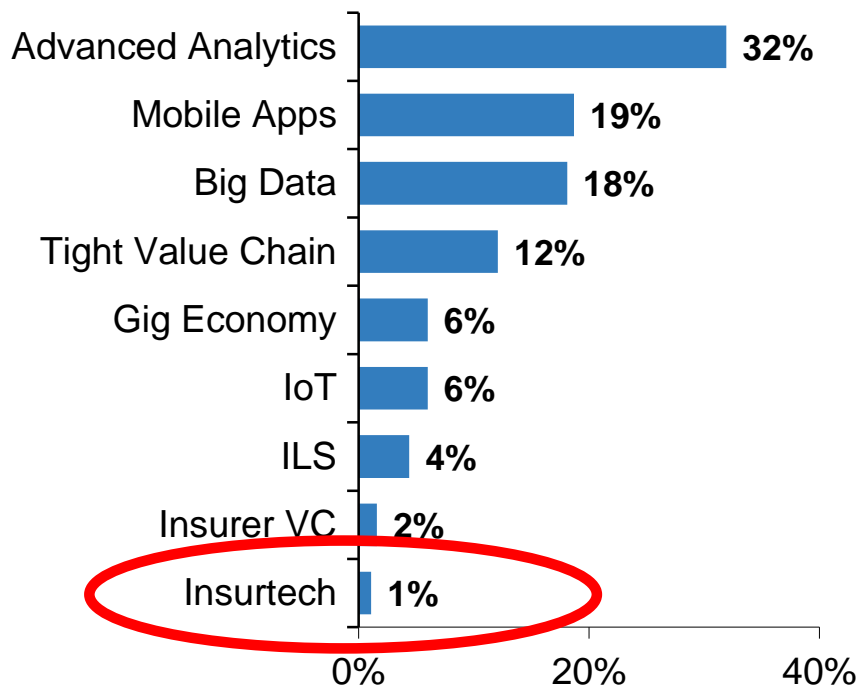
Disruption and Insurance

Challenges and Opportunities
All Along the Value Chain

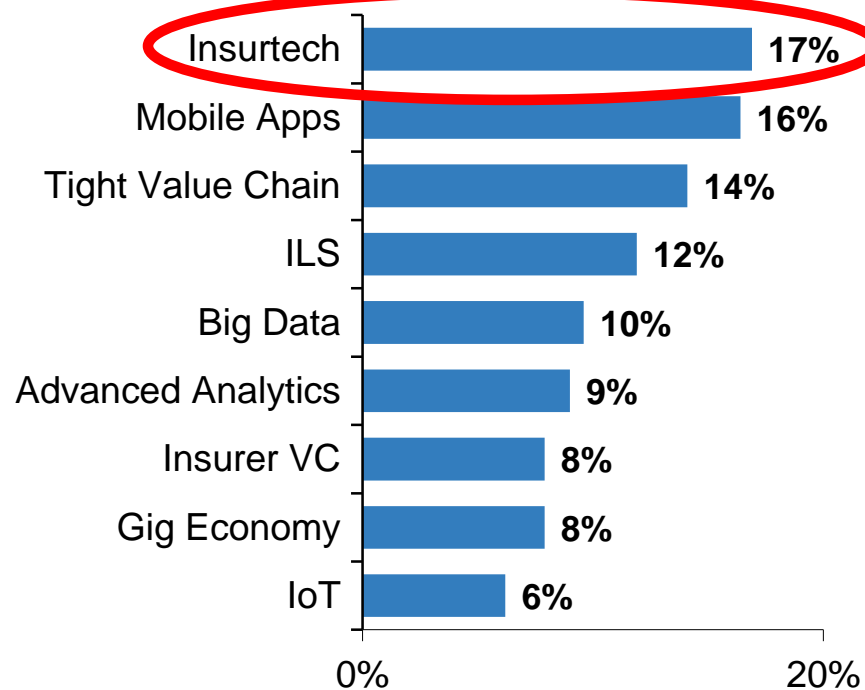
Greatest Threats, Opportunities

Whither Silicon Valley?

Greatest Opportunity

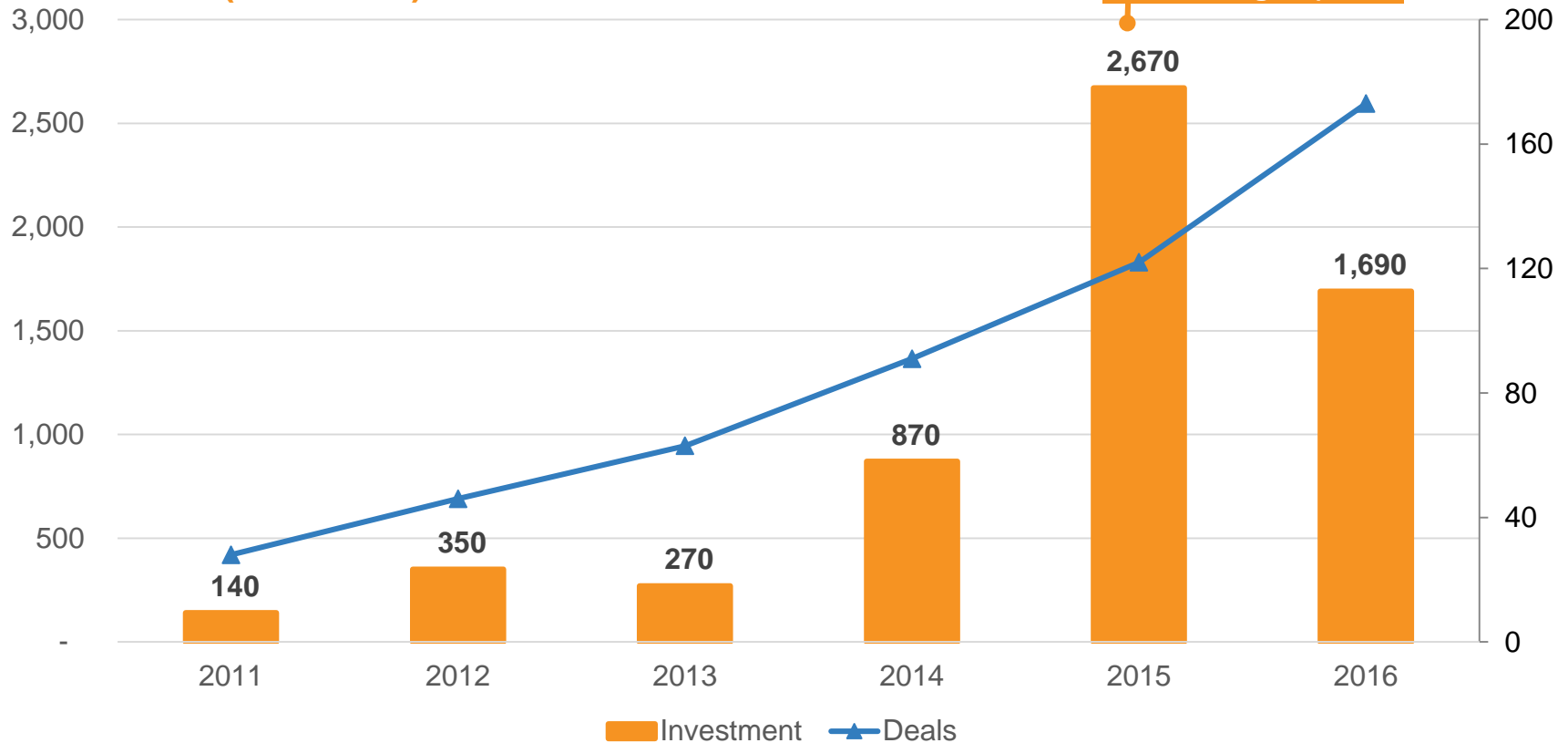


Greatest Threat



Insurance Technology Financing – Change Is Coming

Investment (\$ Millions)

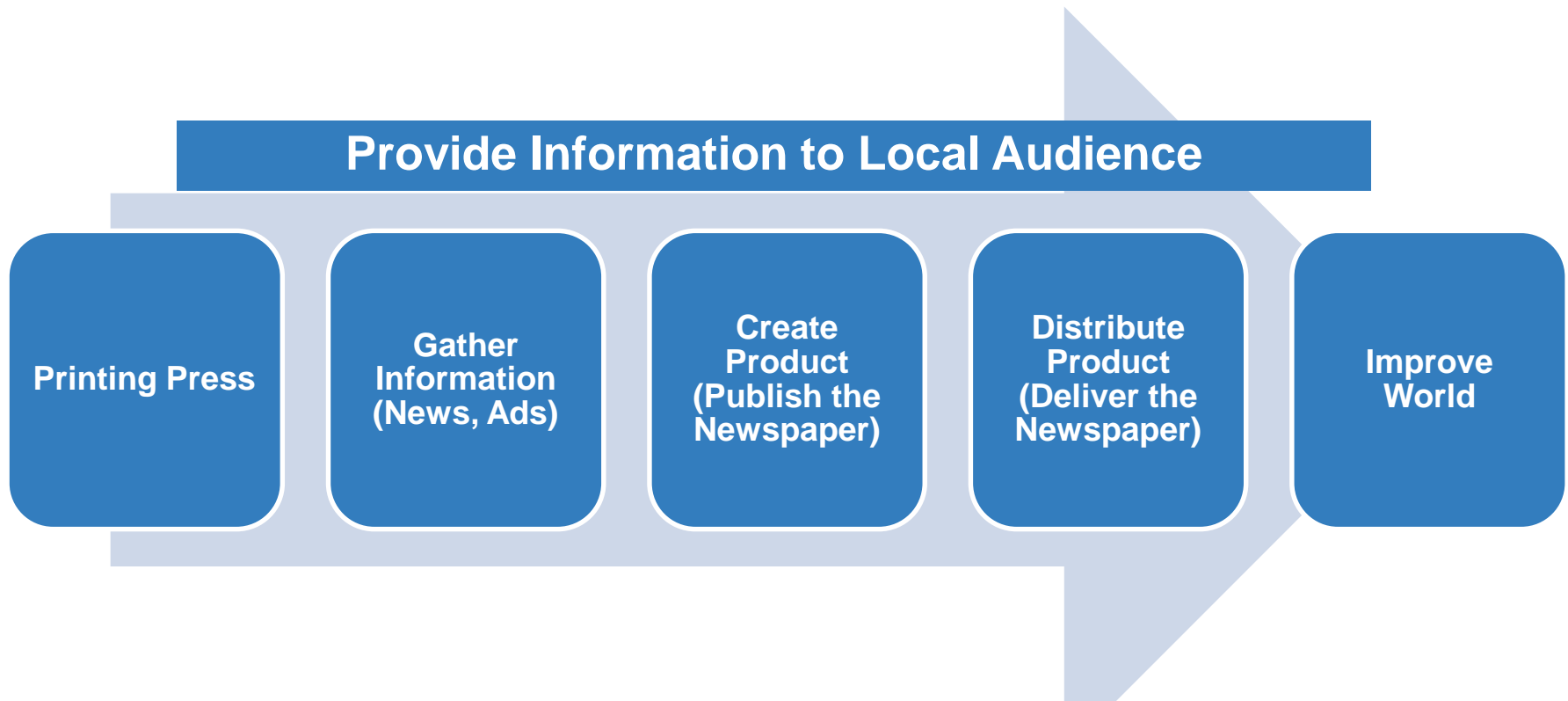


Investment In Insurance Tech Is Rising. Number of Deals Set A Record Last Year.



What Is A Value Chain?

Example: Local Newspapers

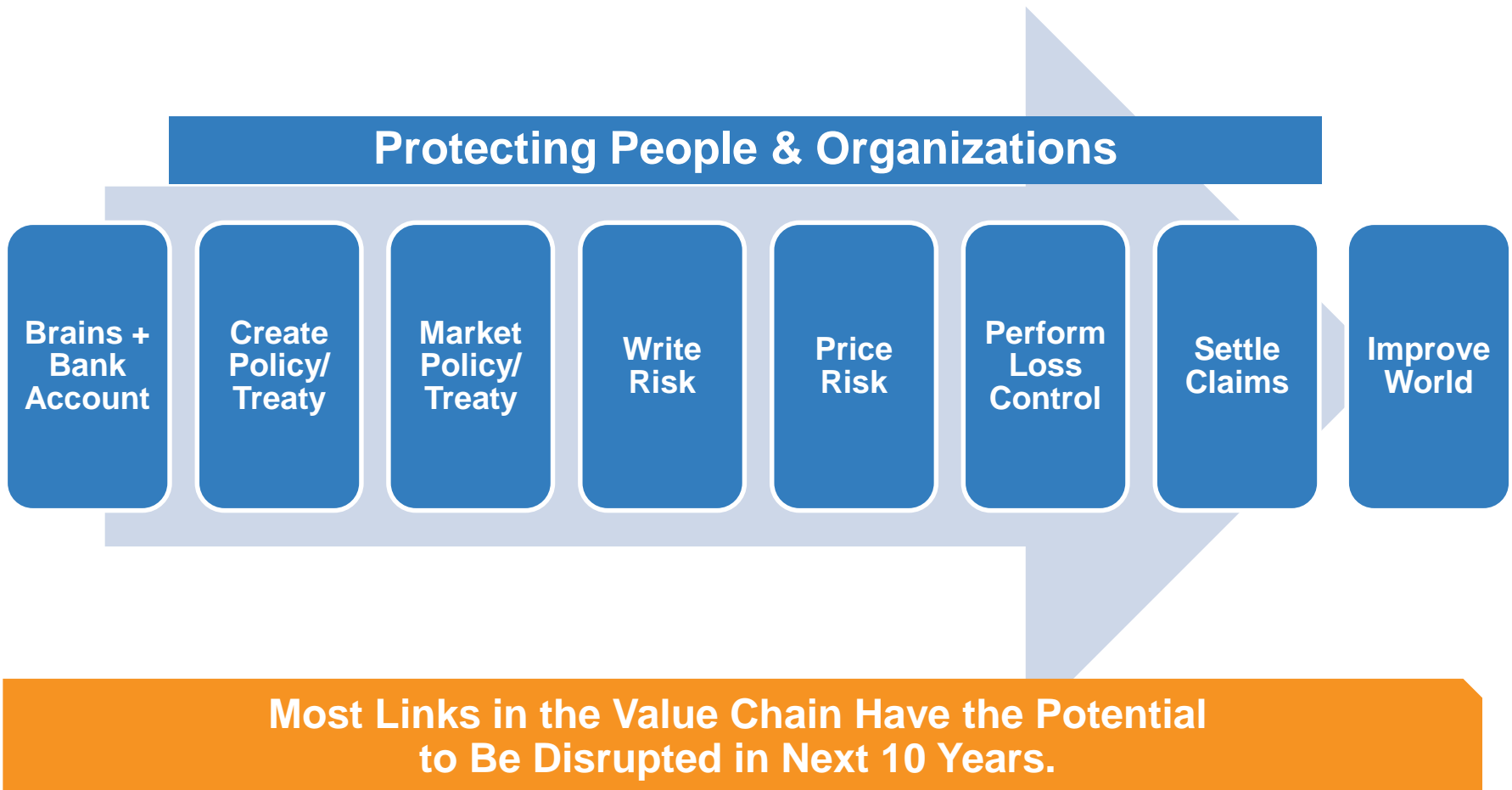


This Industry Was Radically Disrupted by the Internet. Its Barriers to Entry Were Destroyed. Is Insurance Next?



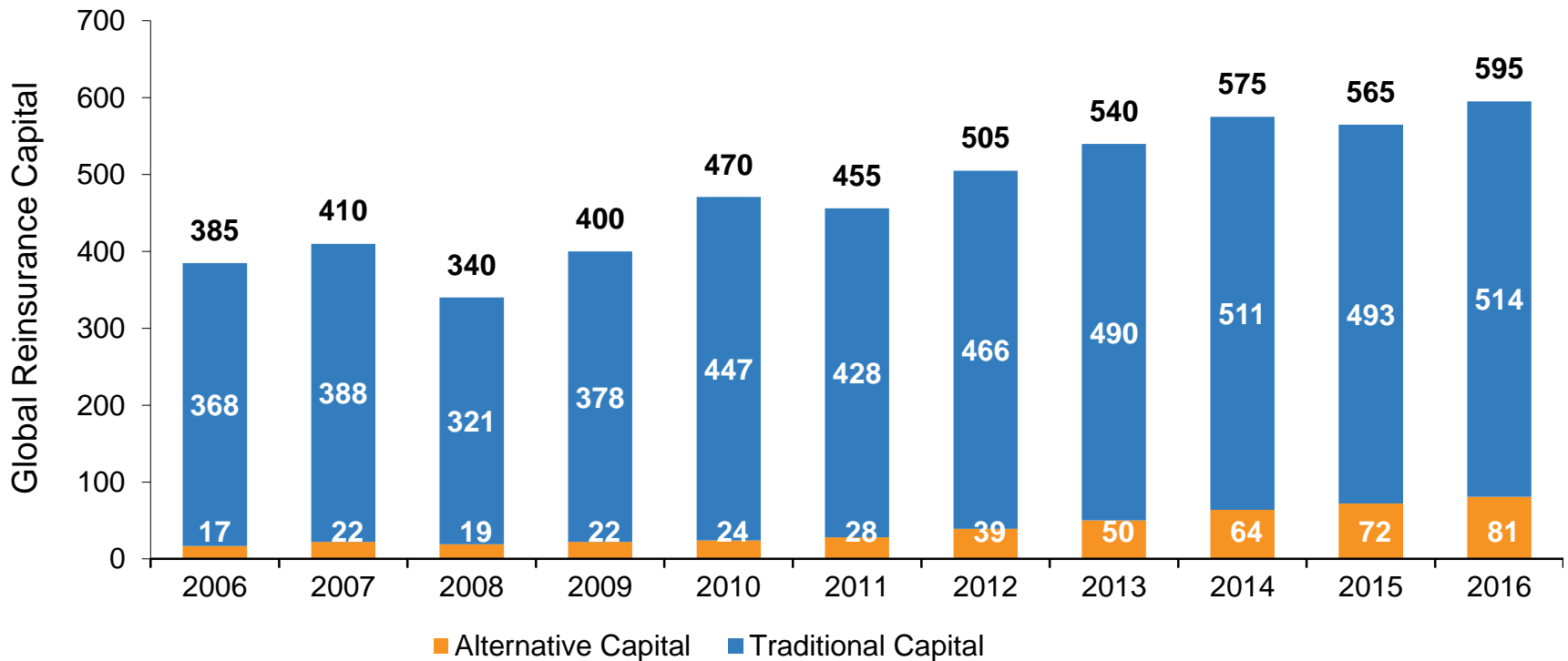
The (Re)Insurance Value Chain

Where Could Disruption Lie?



Alternative Capital Potentially Disrupting the Bank Account

(Billions of USD)



Alternative capacity has grown 350% since 2006. It has more than tripled in the past six years.



Source: Aon Benfield Analytics; Insurance Information Institute.

One-Day Auto Insurance



Premium is added on the monthly mobile phone bill

Read
QR Code
(agency code embedded)

- Register
- Name
 - Birthday
 - Address
 - e-mail address
 - Driver's License No.
 - License expiry date

- Input
- License plate No.
 - Date of driving

Loss Control Disruptor

The Internet of Things

Telematics Today

Telematics Tomorrow



fitbit.



Apple iWatch



Peer-to-Peer (P2P) Insurance

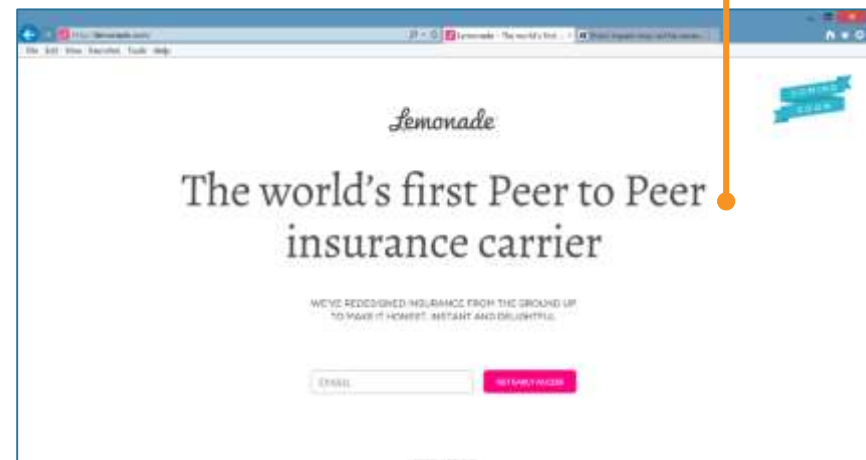
Lemonade's Model:
Unknown

Taking on the Entire Value Chain

A Typical P2P Model

- ▲ Resembles Mutuals/Reciprocal
- ▲ People Join Small Group of Friends to Prefund Deductible or Bear Other Small Risk.
- ▲ Leftover Deductible \$\$ Rolled Forward.
- ▲ May Deter Fraud – You Wouldn't Cheat Your Friends!

Source: "UberX-ing Insurance : Is Peer-to-Peer Insurance Viable?", presentation by Jay Sarzen, Aite Group at Drinker Biddle Insurance Conference, June 21, 2016.



CEO Daniel Schreiber

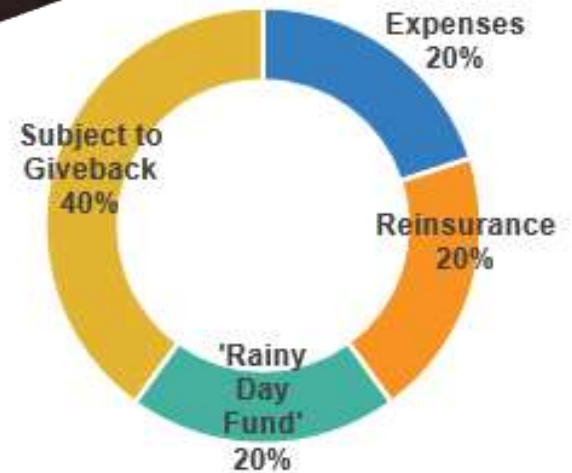
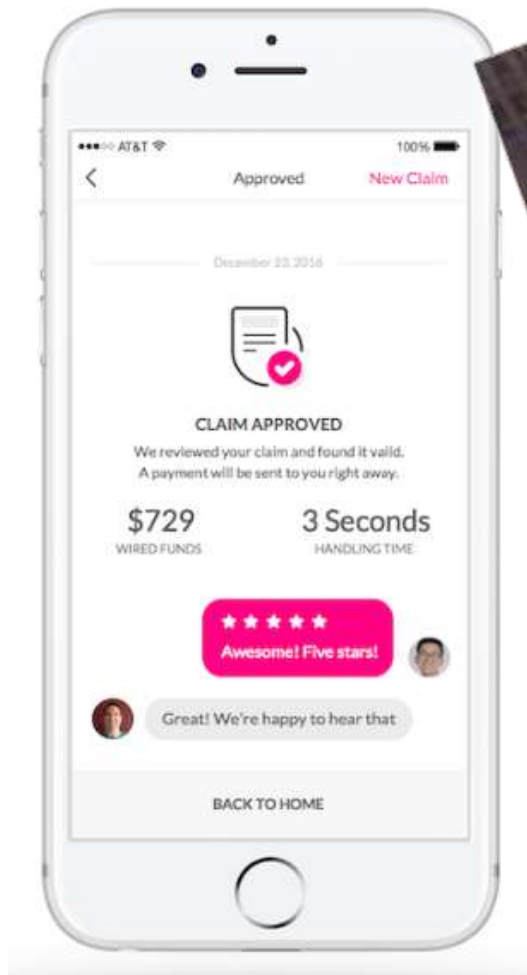
- ▲ Our Chief Behavioral Officer, Professor Dan Ariely, says that "If you tried to create a system to bring out the worst in humans, it would look a lot like the insurance of today."
















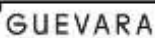












Claims Disruptor

Artificial Intelligence + Behavioral Economics

Lemonade



InsurTech Startups Have Broad Range...BUT...

Risk	Health
Insurance Marketplace	
  	   
Digital Brokers	
 	 
Peer to Peer	Health Navigators
   	  
Micro-duration Coverage	  
Telematics	 
  	



Source: Aon.

...With Broad Incumbent Support





\$205M





\$57M





\$37M





\$21M





\$4M



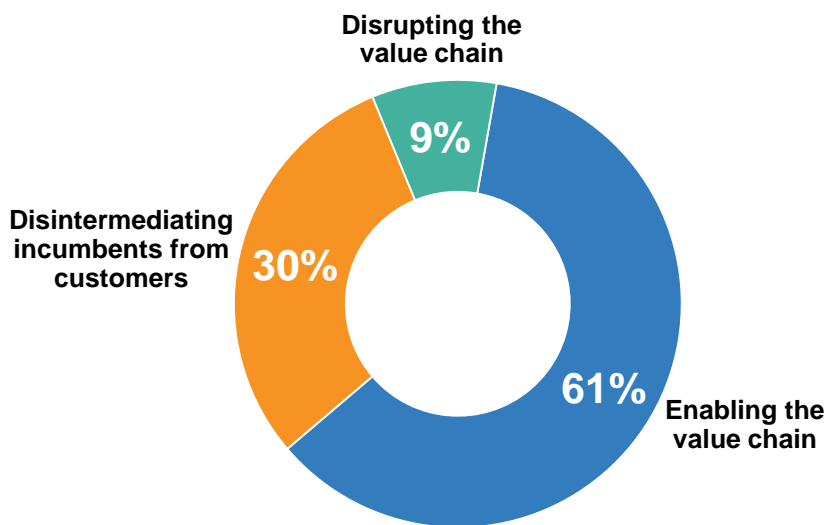
Note: Total funding.
Source: Aon.

InsurTech Disruption: Threat or Opportunity?

Automation efficiencies can have powerful impact on industry

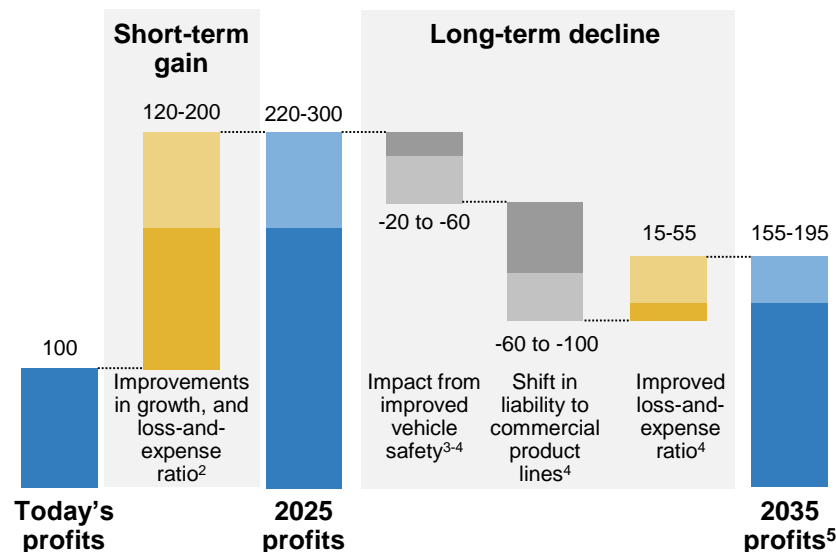
Focus of InsurTech in the insurance value chain¹, %

Only nine percent of InsurTechs aim to oust incumbents



Future profits as a % of today's profits

Digitizing the business, auto insurance example



¹Insurtechs are insurance businesses, usually startups, that use technologically innovative apps, processes, or business models; 2016 data based on some 500 commercially well-known cases. ²Assumes a 3 to 5 percentage point improvement in loss ratio, a 2 to 4 percentage point improvement in operating expenses, and a 6 to 8 percentage point improvement in direct sales conversions. ³Includes growth in investment income as well as premiums. Investment income modeled as a flat percentage of premium in each year. ⁴Includes impact of semi- and fully autonomous vehicles. ⁵Assumes a 25 percent reduction in premiums as a result of telematics and sensors and a 50 percent risk transfer to commercial product liability.

Source: Panorama by McKinsey; Digital and Auto Insurers Value at Stake Analysis, McKinsey, 2016.





**INSURANCE
INFORMATION**
INSTITUTE

Thank you for your time
and your attention!

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History

- ▲ 8/15 Created off presentation to FOCI, 8/17, combined with previous Disruption slides
- ▲ 10/4 Reordered slides, reintroduced slide about loss control

