2019 Trends Report

DRIVING GROWTH THROUGH PARTNERSHIP AND INNOVATION
EXECUTIVE SUMMARY

The relationship between insurtech startups and insurers has evolved over the past three years from disruptor, to enabler, to partner. Today we see increasing partnership and collaboration across the insurance value chain as insurers look outward to innovate. New technologies are necessary for insurers to become more efficient, customer centric, and to explore new business models outside of the traditional insurance value chain. They must innovate and adapt their traditional products to meet changing policyholder needs and insurable risks.

Insurance companies are increasing investment in innovation and partnering with startups to develop new concepts. Many insurers view startups as an important part of their business strategy, as they innovate to remain competitive in today’s changing landscape. They are willing to invest in these partnerships, as they provide a relatively low cost opportunity to test new technologies and business models.

Startups are well positioned to be value add partners to insurers. Startups provide agility, focus, and advanced technology to assist insurers in overcoming their most pressing challenges. Partnerships allow insurers to test and learn, to take calculated risks and make mistakes that will help them ultimately add more value to their clients. For startups, the barriers to entry are high and these partnerships provide an entry point to develop their businesses and reach the broader market. Insurance is also attracting the attention of tech giants including Amazon and Google for partnership, direct offering, and investment as the industry continues to move closer to widespread disruption.

The opportunity is vast for insurers and startups to collaborate and partner, to innovate and create new value propositions. Innovation is being embraced, yet still some organizations continue to prioritize short term revenue needs and focus on cost cutting rather than long term investment for growth. Insurers who do not understand the changing landscape and do not continually innovate will become less relevant than their competitors. If insurtech is not embraced more fully, those insurers will be especially susceptible targets for disruption by large tech companies and start-ups. Startupbootcamp expects these partnerships to continue to develop and gain continued investment from VCs and insurance companies as new technologies and business models continue to receive validation.
Startupbootcamp’s Hartford Insurtech Hub evaluated over 3,000 insurtech businesses and over 235 applicants from across the globe. We have seen an evolution from disruptor, to enabler, to partner, along with an increase in experienced technology founders applying advanced technologies to insurance problems.

FUNDING STAGE

Startupbootcamp applicants are at various stages of the funding cycle. Most of the companies sought out are at the prototype stage at a minimum.

<table>
<thead>
<tr>
<th>Funding Stage</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>Friends &amp; Family/Angel</td>
<td>46%</td>
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<tr>
<td>Seed</td>
<td>42%</td>
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<tr>
<td>Series A+</td>
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PARTNERSHIPS
Just as we see partnerships between insurers and startups, insurtech founders are teaming up to innovate. 74% of the 235 applicants were founded by two or more partners.

CONCEPT DEVELOPMENT STAGE
More than half the applicants have an advanced stage concept with a user base, suggesting collaboration with insurers and understanding their needs.

REVENUE MODEL*

75% of applicants reported have revenue-generating models, including Saas, direct-to-customer, and licensing.

55 companies reported other/no response

*Units = percentage of applicants
PRIOR EXPERIENCE
Companies were evenly split between those who had built companies or products before, and those who had not, representing varying experience levels.

LEVERAGING TECHNOLOGY AND ECOSYSTEMS FOR GROWTH
Insurtech growth is evident in many areas of insurance and beyond the value chain. Startupbootcamp sees growth coming from the following key areas:

1. INNOVATING FOR VALUE BEYOND INSURANCE
2. IMPROVED DATA MANAGEMENT AND PREDICTIVE ANALYTICS TO ENHANCE INSURER DECISION-MAKING CAPABILITIES
3. NEW INSURANCE ECOSYSTEMS THROUGH TECH PARTNERSHIPS
4. CONNECTIVITY THROUGH THE INTERNET OF THINGS, BLOCKCHAIN, MOBILE, AND CLOUD
5. PROCESS OPTIMIZATION AND AUTOMATION TO IMPROVE PRODUCTIVITY
1. INNOVATION FOR VALUE BEYOND INSURANCE

Insurtech startups are partnering with insurers to extend offerings in new industries and offer additional value for policyholders beyond insurance. Today most large insurers own the entire value chain, from distribution through technology. Looking ahead, insurers are facing an acceleration of the unbundling of the technology stack and a separation of the value chain. Insurers of the future are more likely to focus on their core capabilities, with less of a focus on areas such as distribution or administration. As such, insurers are collaborating with startups to solve specific problems throughout the value chain.

In many cases, startup innovations are not developed based on a specific industry, since there is opportunity across many sectors to increase efficiency and lower cost. New value can originate from startups focused on innovation for a completely different industry, such as Pitch Gauge, an application that uses mobile devices to do property inspections. It can also come from startups that are focused on services that are not designed to be industry specific and can be applied to insurance, such as Medyear, a company that utilizes mobile technology and social networking for healthcare collaboration. Scale ups that have been through previous Startupbootcamp InsurTech programs and are delivering unique proposition within the market place including The Buzz Group that has been able to link asset removal, or to surveying to asset digitization.

Insurers must be careful to avoid implementing individual solutions that have overlapping capabilities. Startups will need to understand how insurers are evolving in this changing environment and continually adapt their innovations to distinguish themselves and remain relevant. This underscores the importance of collaboration and developing strategic partnerships.

EXAMPLES

MEDYEAR

Medyear utilizes mobile technology and social networking for healthcare collaboration. They connect consumers to over 190 health systems and 700k doctors for real-time chat, secure email, microblogging, and personal health records. Medyear offers users real-time access to their own medical records and the ability to transfer and interact via real-time chat with medical professionals.

HANDII

handii is a digital platform that automates the property insurance claim process from FNOL through to claim finalization. handii solves communication problems and workflow sequencing challenges by connecting insurers, brokers, customers, and repairers via a smart and easy to use digital platform, ensuring that all stakeholder needs are met while the customer’s property is successfully repaired. Information throughout the process is shared in real-time thereby expediting the claims process, providing transparency on claims costs, and streamlining the customer and contractor experience.

PITCH GAUGE

Pitch Gauge is a roofing estimating application using mobile devices to do property inspections. Pitch Gauge is 100% mobile-enabled and designed to be fully-functional on smartphones and tablets. Project management, lead management, and roof measurements; all from your smartphone or tablet.
Startups are offering new ways to analyze and leverage big data while also providing access to new data sources. Many insurance companies have large volumes of data that can be analyzed for decision-making, process optimization and risk mitigation, but may be hampered by legacy systems and processes. Startups have the predictive analytics and data management skills required to synthesize this data and produce actionable insights. As industry players become proficient in this area and leverage these insights to provide products and services more quickly and cost effectively, this will become a competitive advantage and differentiator.

**TALEM HEALTH ANALYTICS**

Talem Health Analytics has developed a platform that uses both clinical and forensic engineering insights to predict the severity of injury resulting from auto collisions. The company utilizes machine learning to predict the recovery timeframe for musculoskeletal injuries, and provide insights such as cost analysis for rehabilitation and medical expenses for bodily injury claims.

**ROZIEAI**

RozieAI offers an AI platform to design personalized customer engagement and robust business intelligence solutions for enterprises. Rozie crafted a full-stack conversational service including: automated or representative assisted omni-channel conversational user engagement and AI enabled communication support for customer service agents with real-time and historical reporting and seamless enterprise connectivity.

**AUREUS ANALYTICS**

Aureus is a customer intelligence and experience company that enables insurers to deliver superior customer experience leading to greater customer retention, loyalty and lifetime value. The AI platform learns from a variety of structured and unstructured data sets to measure the customer experience in real time to determine an Aureus SentiMeter™ score for all customers.

**ADAPT READY**

Adapt Ready’s risk intelligence platform collects risks data through predictive analytics and transforms them into actionable intelligence, enabling insurers to better anticipate and mitigate risks, reduce claims, create new and relevant supply chain related products and optimize the loss ratio by making data-driven decisions.
NEW INSURANCE ECOSYSTEMS AND NETWORKS THROUGH TECH PARTNERSHIPS

Tech companies such as Amazon and Google have started to enter the insurance industry by acquiring and funding insurtech startups. They are also forming partnerships with large insurance carriers to navigate increasing regulation and significant barriers to entry. To stave off pressures from new technology and big tech, insurers are increasingly looking to partnerships with big tech and startups alike to expand their knowledge of, and relationships with their customers, capitalize on human interaction, and gain access to new potential customers.

In October 2018, Travelers announced a major partnership with Amazon to bundle insurance discounts with the purchase of smart home products. Travelers has also developed Alexa skills, including the “Travelers” skill, to help policyholders with questions about billings and payments, and the “Travelers Home Central” skill, which provides all consumers access to property maintenance and home safety tips. Mature startups with specializations in different parts of the value chain have the potential to collaborate and launch new businesses. We expect these scale-ups to work directly with first mover reinsurers to provide capacity, which could cut insurers and slow-moving reinsurers out of the process.

EXAMPLES

PINEAPPLE

Pineapple offers a fair, transparent, and affinity based peer-to-peer (P2P) insurance product that gives full insurance coverage without eroding trust in the insurance process. Users download the app, take a picture of what they want to insure, and AI determines what the insured item is, and immediately underwrites and provides a quote. Premiums then go into the customers “pineapple wallet” so that whenever a claim is paid, they are broken up into tiny pieces and distributed across networks so that everyone pays out together based on insured risk and connection with others. In this way, Pineapple insures people while also creating incentives to decrease risk as a community.

SKYWATCH

SkyWatch.AI provides personalized, data-driven insurance solutions for “unique” mobility verticals. After successfully launching their first product for the drone industry, as an MGA, the company is now expanding to new emerging markets.
4.

CONNECTIVITY THROUGH THE INTERNET OF THINGS AND BLOCKCHAIN

Internet of Things (IoT) is being successfully applied in insurance sectors such as connected health, the connected home, and wearables. Using connected devices, insurers and policyholders can communicate directly. Insurers collect proprietary data that can be analyzed for improved underwriting, while policy holders benefit from more individualized policies. IoT has the potential to move insurance from an indemnity-focused to a protection-focused model and, as a result, is attracting significant backing from investors. Accuracy of transmitted data and assurance of privacy will help to drive adoption by policyholders. Demand for applications in this area will continue to grow, particularly for self-health monitoring and preventive medicine.

Blockchain is being utilized by insurance companies to streamline processes, provide transparency, and enhance security. It helps protect and manage data so it that can be easily accessed by appropriate people. Blockchain also decreases administrative costs by automating verification of claims/payments data from third parties and reducing fraudulent claims. Insurance companies can quickly view past claims transactions registered on blockchain for easy reference. This promotes higher degrees of trust and loyalty between the insurer and customer.

EXIT STORY - RELAYR

Relayr provides enterprise middleware and IoT for the digital transformation of industries. 5 years after joining the Startupbootcamp program, they were aquired by Insurance group Munich Re for $300M.

“We graduated with investors, a validated product, no execution plan, tons of press, a higher company valuation and a huge network of friends, business partners and investors. Thanks Startupbootcamp!”

Jackson Bond | Co-founder | Relayr

EXAMPLES

SEE YOUR BOX

See Your Box (SYB) provides Industrial IoT tools to digitize supply chains. SYB is a tech-service platform that collects, analyses and extracts information related to goods across all steps of the supply chain. With a platform built over 60 different services ranging from temperature control to real time pattern recognition, SYB offers the ultimate one-stop solution to all customers in need to acquire detailed information of goods travelling, stored or used around the world.

CAREVALIDATE

CareValidate provides an alternative source of underwriting data to insurers that carry professional liability coverage for senior living facilities. Data is generated through an unobtrusive, inexpensive and proprietary IoT device placed in resident rooms called SafeSense which uses pulse doppler radar to monitor caregiver activity and establish quality of care metrics in senior living facilities.

STATWIG

Statwig's cloud platform enables food & life sciences enterprises to enhance the health of their products and reduce waste by delivering visibility, monitoring, and tracking of products in the extended supply chain. With Blockchain and Internet of Things (IoT) as the foundation, Statwig delivers trust, transparency, and authenticity to enterprise supply chains.

GALACTIC FOG

Galactic Fog provides a cloud-native management platform that helps enterprises to move from legacy systems to a cloud model. Galactic Fog's Gestalt Framework offers a task-based capability that lets application developers get on with building functionality without having to manage the container environment.
5. PROCESS OPTIMIZATION AND AUTOMATION TO IMPROVE PRODUCTIVITY

Insurtechs are collaborating with insurance companies to improve productivity through process automation and optimization. Increasingly technology-enabled process automations can be programmed to perform end-to-end processes without human intervention. The insurer can personalize their service and improve operational efficiency more quickly and with less investment. Thereby reducing operating costs while the policyholder benefits from a new, personalized customer experience. Insurers can use technology as a competitive advantage, enabling their employees to spend more time on value-add work.

EXAMPLES

CLAIMSPACE

ClaimSpace is a platform that bridges the communication gap between customers, insurers, and stakeholders during the claims process. Their platform complements existing claims management systems as a front end for customers and a productivity tool for claims teams, freeing them from manual and repetitive tasks. Initially focused on medical and disability claims, they have recently extended their offering to include auto claims and are exploring the possibility of expanding to travel insurance.

DREAM PAYMENTS

Dream Payments is an award winning Fintech startup that powers digital and mobile payment services for business customers. Leading financial institutions, including TD Bank and Chase, leverage Dream’s Payments-as-a-Service (PaaS) Cloud to provide white-label payment offerings, including mobile point-of-sale (POS) solutions, B2B payments, and value-added services to their end customers.
While global insurtech funding increased in 2018, the number of investment rounds is lower, reflecting larger average investment size. The insurtech market is continuing to mature, facilitating the transition from short-term contractual relationships to long-term collaborative relationships for both R&D and business processes. Insurers will continue to evaluate emerging technologies that can help them enhance customer experience and partner with insurtechs to help create and implement.

There are approximately 34 fintech unicorns (having a valuation of over $1 Billion). Companies that achieve unicorn status generally need significant capital to help meet deliverables promised to investors in earlier funding rounds. Insurtech funding by venture capital firms in Q3 18 reflects mega-funding rounds given to insurtech unicorns during the period. This trend will likely benefit earlier stage companies, by providing them increasing access to venture capital due to unicorn success and a growing focus on insurtech.
CONCLUSION

Insurtech’s relationship with insurers has evolved and expanded over the past three years from disruptor, to enabler, to partner. Startups are well positioned to be value add partners to insurers. They have strengths in agility, focus, and deployment that compliments challenge areas for insurers. Partnerships allow insurers to test and learn, to take calculated risks and make mistakes that will help them ultimately add more value to their clients. For startups, the barriers to entry are high and these partnerships provide them an entry point. However, startups and insurers are also attracting the attention of tech giants including Amazon and Google for partnership, direct offering, and investment as the industry continues to move closer to widespread disruption.

Insurers and startups are seeing the value of collaborating and partnering, and we expect these relationships to strengthen and continue. Keeping pace with the changing insurance landscape and continually innovating will help companies stay relevant and entrench competitive advantages. It is critical for these partnerships to continue. Insurers who do not share this philosophy are more susceptible to disruption by both large tech companies and start-ups alike.

Looking ahead, Startupbootcamp expects this level of partnership and collaboration to continue and expand. Investments from insurers and venture capital firms in insurtech will increase with proof of concept from existing partnerships. We look forward to partnering with these firms to enrich the Hartford Insurtech ecosystem to deliver insurance success.

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