

INSURETECH CONNECT 2016

REFLECTIONS

OCTOBER 27, 2016

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INTRODUCTION

InsureTech Connect 2016, presented by Oliver Wyman, marked an important milestone in the evolution of the global insurance industry. For the first time, over 1,500 innovators and senior leaders came together in Las Vegas to explore ways to reimagine the industry in order to better serve client needs and to enable the industry to innovate. Participants included CEOs/founders of over 150+ startups in the insurance sector, the major venture/private equity investors and senior leaders from established players in the insurance ecosystem (insurers, reinsurers, brokers, technology companies and service providers).

Insurance has been slow to adapt to a world that is changing driven by technology and socio-economic trends. There has been a recent surge in interest and investments in disrupting insurance through the use of technology and the conference was in many ways the coming out party for the InsureTech community.

This note highlights five key themes which emerged from a wide range of creative, energetic and sometimes intense dialogues. You can also join the ongoing InsureTech conversation at <http://www.oliverwyman.com/insights/events/2016/insuretech.html>.

1. A COLLISION OF TRENDS CATALYZING CHANGE

The insurance sector faces a collision of trends, some of which are driven by technology and some of which are socio-economic in nature.

It's not just that the insurance industry has to do a better job in order to remain relevant; it's that you have to do a better job in a world that has changed where customers have new demands and new abilities to judge you and make decisions, and where the nature of business is changing thanks to new technology and changing expectations. While regulatory hurdles have shielded the industry from disruption, new entrants are finding ways to rent "regulatory expertise" and balance sheets but own the customer and the customer experience.



COLLISION OF TRENDS

2. INNOVATION IS HAPPENING IN ALL SEGMENTS OF THE INDUSTRY AND THE VALUE CHAIN

Innovation is occurring across distribution and marketing, advice, product design, underwriting, claims management and balance sheet management. This extends across the P&C, Life and Health sectors.

While distribution appears to be the area of highest activity, this oversimplifies the picture. We find that the traditional lines between distribution, product design, underwriting, etc. are blurring. For example, innovators such as **CoverWallet**, **Insureon** and **Trov** (which, in different ways, simplify the product and customer experience) are changing the way that insurance is bought and used and, by implication, redefine the business models that are required. Incumbents have reacted in various ways: partnerships, establishing their own VC-arms, investments in VC firms and establishing their own incubation capabilities. The response to this rapidly changing world will require a portfolio approach.

3. TWO TRANSVERSAL THEMES: CUSTOMER EXPERIENCE AND THE REDEFINING THE DIGITAL STACK

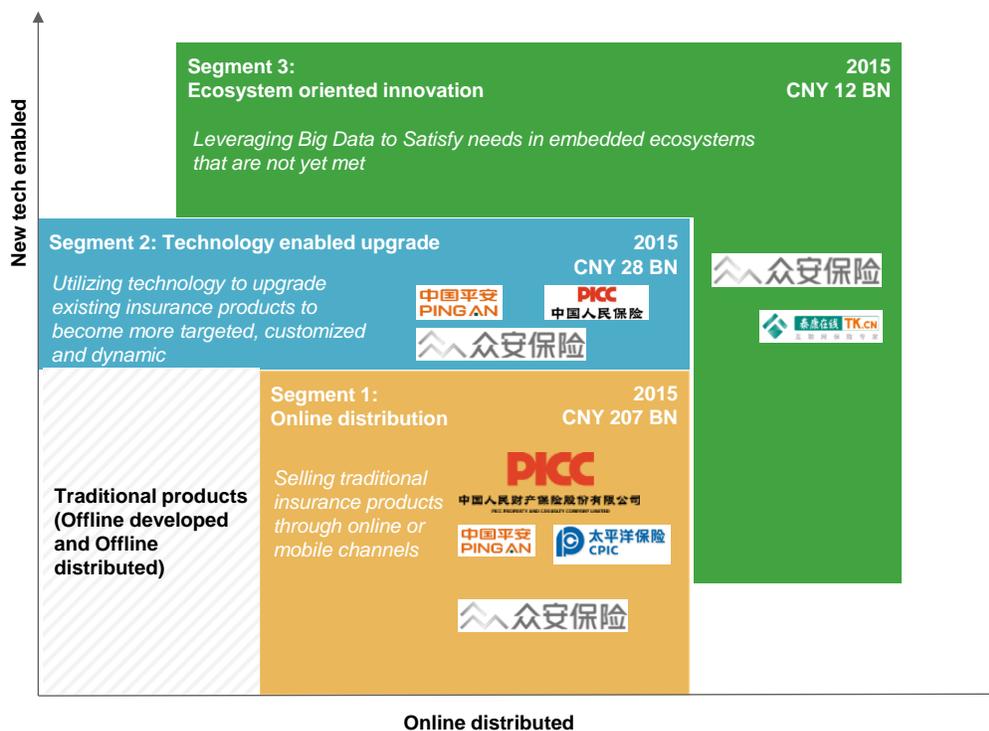
Themes that cut across most discussions were customer **experience** and **redefining the digital stack**.

In terms of the former, it was striking to see how entrepreneurs and analysts (accurately!) characterized the way that business was done today and concluded that the customer could not possibly be at the center of the way product is designed, sold or utilized. These dynamics were highlighted in the keynotes from Daniel Schreiber of **Lemonade** and Josh Wright from **Ideas42**, who described designing customer experiences not only in order to attract customers but to change the way that they interact with the industry in order to drive better outcomes.

In terms of the latter, we observe incumbent insurers almost universally struggling under the weight of legacy systems with implications for their ability to take advantage of new insights and technology in order to drive innovations and efficiencies. Moreover, in seeking to redefine the digital stack incumbents and entrepreneurs alike recognize that partnerships between incumbents and start-ups will be critical (see for example, Attune, the small business joint venture between **Hamilton**, **Two Sigma** and **AIG**, which Brian Duperreault described in his keynote) although many others were struggling with the cultural changes required to make these partnerships work in practice.

4. INSURETECH IS A GLOBAL PHENOMENON

InsureTech innovation activity is clearly a global phenomenon with significant activity across emerging insurance markets such as China and Brazil as well as within more established markets including Western Europe and North America. As highlighted in our joint report on the future of InsureTech in China, published in coordination with Zhong An (which in just 3 years has sold nearly 4 billion policies by integrating into broader online ecosystems), it's abundantly clear that there are lessons that can be learned from these disruptive examples.



5. NEW PARADIGMS WILL EMERGE

Looking forward, we see these trends leading to several new paradigms in insurance [click [here](#) to view the keynote presentation from Oliver Wyman's Matt Leonard and Prashanth Gangu "New Paradigms in Insurance"].

	FROM		TO
	Opaque risk/cash transfer	➤	A more holistic value chain of risk
	Laggard	➤	Front-runner in technology and socio-economic change
	Owning	➤	Orchestrating the value chain
	Numbers	➤	Customer empathy

LOOKING FORWARD

InsureTech Connect has validated that the necessary conditions for disruptive change have been satisfied. And while this journey won't be completed over this year or next, we at Oliver Wyman are confident that that when looking back in a 5–10 years we are likely to struggle to recognize the industry we operate in today.

So the question is not “whether” to embrace innovation but “how”? We look forward to helping our clients and partners connect the dots in order to succeed in this exciting new future.

INSURETECH CONNECT 2016 SESSIONS

Key takeaways to be posted on the Oliver Wyman InsureTech website.

PATHWAY	THEME	TOPIC
MAIN STAGE	General	Chairman's Address with Caribou Honig, Partner, QED Investors
		New Paradigms in Insurance – Presenting Sponsor (OW) Keynote with Prashanth Gangu and Matt Leonard
		The Disruptor Day 1: Q&A with Scott Walchek, CEO, Trov
		The Disruptor Day 2: Q&A with Daniel Schreiber, CEO, Lemonade
		Behavioral Economics in Insurance with Josh Wright, Executive Director, Ideas42
		Chairman's Chat: Brian Duperreault, Chairman & CEO, Hamilton Insurance Group
		Zhong An: China's First Online-Only Insurer with John Bi, CFO, ZhongAn
“FRONTIERS” PATHWAY	Digitizing the Stack	Rebuilding the Stack - Incumbents vs. Innovators
		Building Agent 2.0
		Drones: “Pilots” and Pilots
	Frontiers in Data	New Data vs. Old Data
		Implementing Analytics for Tangible Results
		Internet of Things: Actual Applications
		Life 2.0 and the Death of Health Exams in Life
	On the Leading Edge	Peer to Peer: Mutual by Another Name or Transformative Innovation?
		The Hotbed of Innovation in Commercial Lines
		Commercial Auto: A Return to Profitability
	On the Bleeding Edge	Machine Learning and Artificial Intelligence: Applications for Insurance
		Blockchain...“because we have to”
		Health 2.0
Cyber Insurance: Challenges and Opportunities		
“HOW” PATHWAY	Frontiers in Marketing	Next Gen Mobile: Marketing to the Mobile Consumer
		Direct Mail: Not Dead Yet!

PATHWAY	THEME	TOPIC
		Must Know: "MarTech"
	New Products. New Markets	Data Aggregators 2.0: Enabling Product and Pricing Innovation
		Sharing Economy's Impact on the Insurance Ecosystem
		Leveraging the Accelerator Model in the Traditional Insurance Industry
	So You Want to be an Innovator	Insurance Accelerators - Fueling Innovation
		Culture of Innovation: Breaking out of the Incumbents Dilemma
		Selling Innovation Internally
	Pathway to Partnership	Advice to Incumbents & Startups
		Next Gen Customer Experience
		Barking up the Right Tree: Going from 0 to 50 in Months not Years
		Lessons from the App Economy
"PERSPECTIVES" PATHWAY	Insights in Fundraising	Macro View: Following the Money
		VC Perspective and Investment Thesis
		Corporate VC Perspective
	Global Issues	Insurance Industry Incumbents Bet on Innovation: An Asian Perspective
		Insurance Industry Innovators: An Asian Perspective
		Key InsurTech Trends
		The Future of Distribution
	Regulations: Obstacle or Enabler	Navigating Compliance As a Startup and At Scale
		Understanding Next Gen Risks
		Privacy & Ethics Considerations
	Winners and Losers	Incumbents 2.0: Innovation Enablers
		Winning the Talent War
		Women at the Top
		Consumer Auto: Evolution or Revolution?



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