

'INSURTECH TO BE A GAME CHANGER FOR THE (RE)INSURANCE SECTOR'

MONTE CARLO 11 SEPTEMBER 2017

- InsurTech presents a window of opportunity for traditional carriers to improve performance amidst a backdrop of market softening and falling profitability
- (Re)insurers that successfully harness new technologies are likely to be rewarded with new growth opportunities and operational efficiencies across the value chain
- The importance of technological innovation to the long-term profitability of traditional carriers is reflected by the high number of incumbents looking to invest in start-ups
- For InsurTechs, well-constructed strategies around the timing of investments and identifying the best source of funding will maximise prospects of securing financing

JLT Re has today launched a new Viewpoint Report at Rendezvous in Monte Carlo – InsurTech: Rebooting (Re)insurance – as a growing number of (re)insurers are looking to deploy technological innovations across the traditional value chain. These offerings are starting to impact the way carriers conduct business as InsurTech firms' focus on innovative, efficient and customer-focused solutions resonates at a time of squeezed margins.

Commenting on the report, Mike Reynolds, Global CEO, JLT Re, said, “The potential for change is huge, with InsurTechs looking to reinvent the way products are created, priced and distributed. To do this, they are harnessing cutting-edge innovations such as robotics, artificial intelligence, the internet of things, big data and predictive modelling. Improving the customer journey and cutting costs are key motivations, with considerable attention so far being focused on distribution and claims handling. Equally as important, some InsurTech firms are also exploring how to leverage existing data and analytics capabilities to provide carriers with more meaningful risk insights and potentially shift the (re)insurance proposition from protection to prevention.”

The use of technology and the ability to extract commercial gains from these innovations are therefore likely to become key differentiators for (re)insurers in the coming years as they

compete for market share amidst a backdrop of difficult economic conditions and a prolonged period of market softening.

David Flandro, Global Head of Analytics, JLT Re said, “With (re)insurers’ profitability being squeezed by higher underlying loss ratios and increased expenses, some firms are now struggling to generate returns above their cost of capital. New technologies, and the innovations provided by InsurTech companies in particular, are therefore moving front and centre of incumbent carriers’ minds as they explore opportunities to gain competitive advantages. And whilst some caution that InsurTech brings the risk of disruption, it should not be viewed as a disruptive business model. The vast majority of InsurTech firms are currently focused on supporting incumbents and improving their businesses. Figure 1 below shows how certain InsurTech technologies can be applied in practice today to improve performance across the three components of the combined ratio.”

Access to capital is crucial if InsurTech firms are to deliver on their promise and help ensure the industry remains relevant at a time of extraordinary technological change. Billions of dollars have been raised over the last five years and strong growth prospects indicate significant amounts will continue to flow into InsurTechs in the near term.

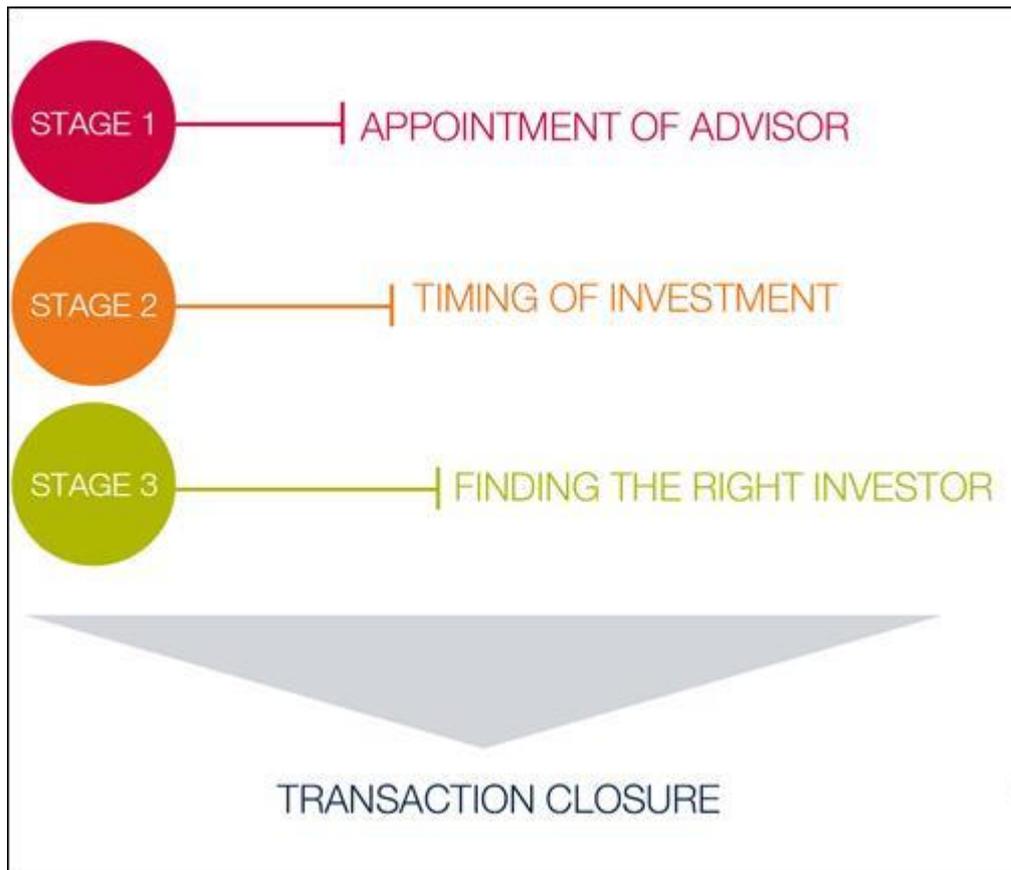
Gregg Holtmeier, Executive Vice President, JLT Re, said, “Given the highly competitive nature of the InsurTech market, start-ups are encouraged to seek advice and guidance at the earliest opportunity. Diligent planning and access to best-in-class intermediary advice can boost InsurTechs’ valuations and help to establish reputable funding credentials. While each individual InsurTech firm needs to adopt its own unique strategy to secure financing, Figure 2 shows there are at least three key considerations for every start-up looking to successfully raise capital.”

Gregg Holtmeier concludes, “There is therefore much for entrepreneurs to consider when they embark on the capital raising process. JLT Re has a long history of building relationships with technology companies and InsurTech firms to bring them together with strategic investors as well as venture capital, private equity and investment angels. Having so far overseen a number of deals in the InsurTech space in 2017, JLT Re has unique capabilities in advising and supporting InsurTechs and investors through the funding life cycle. We look forward to working with other innovative start-ups and enabling the future delivery of (re)insurance.”

Figure 1: Impact of InsurTech Innovations on Combined Ratio (Source: JLT Re)



Figure 2: Capital Raising Process (Source: JLT Re)



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