

InsurTech - Embracing transformation for operational excellence and value creation

Buenos Aires 2024 Mutual conference

icmif International Cooperative and Mutual Insurance Federation

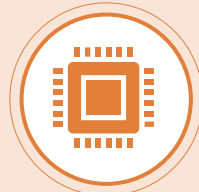
Insur • Tech

The use of technology designed to squeeze out savings and efficiencies from an existing insurance model

InsurTechs that are *technologically enabled* risk carriers.



MGAs
Loadsure



Cyber
Coalition



Embedded Products
Cover Genius



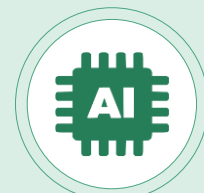
Climate & Carbon
Kita



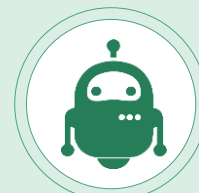
Full Stack
Boost Re

INSUR • TECH

InsurTechs that offer technology as a product and/or service to the (re)insurance industry.



Artificial Intelligence



Bots



Big Data & High-Performance Algorithms



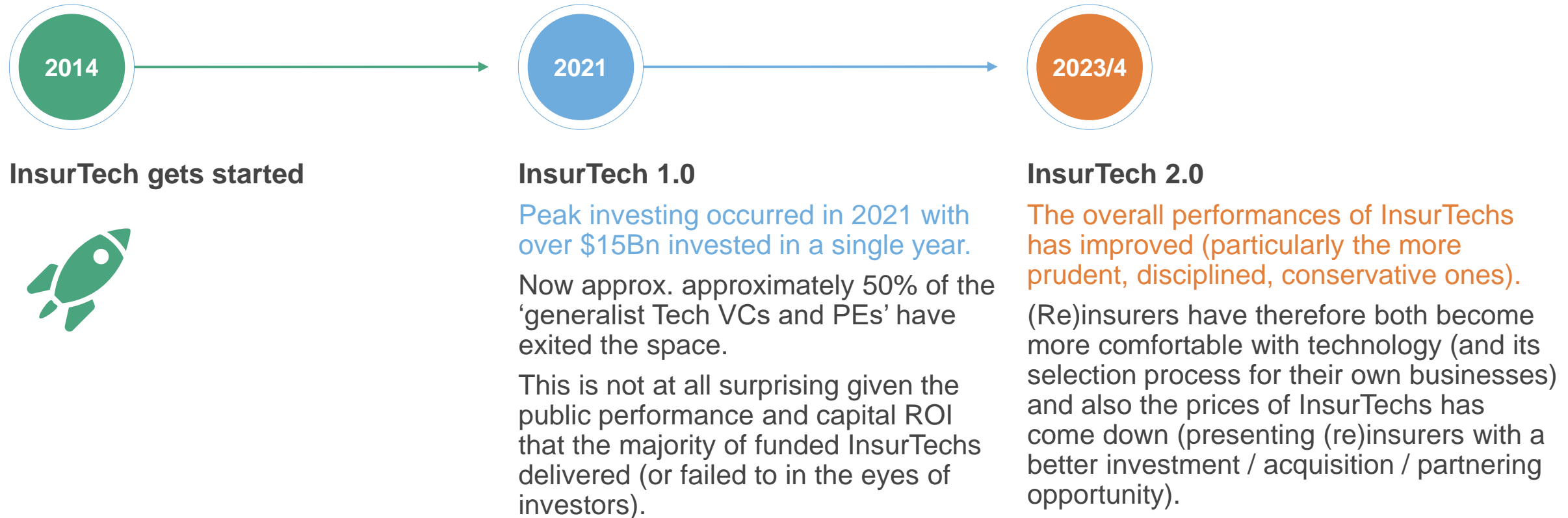
Internet of Things



Hardware Analytics

InsurTech Roadmap

Now entering InsurTech 2.0



Polling Question 1

A question for the audience

How would you assess your organization's current position regarding the adoption of InsurTech and AI?

1

We are far ahead of competitors, setting industry benchmarks

2

We are among the leading organisations (compared to industry peers) in adopting InsurTech and AI

3

We are slightly ahead of the industry average.

4

We are somewhat behind other organizations, but making progress.

5

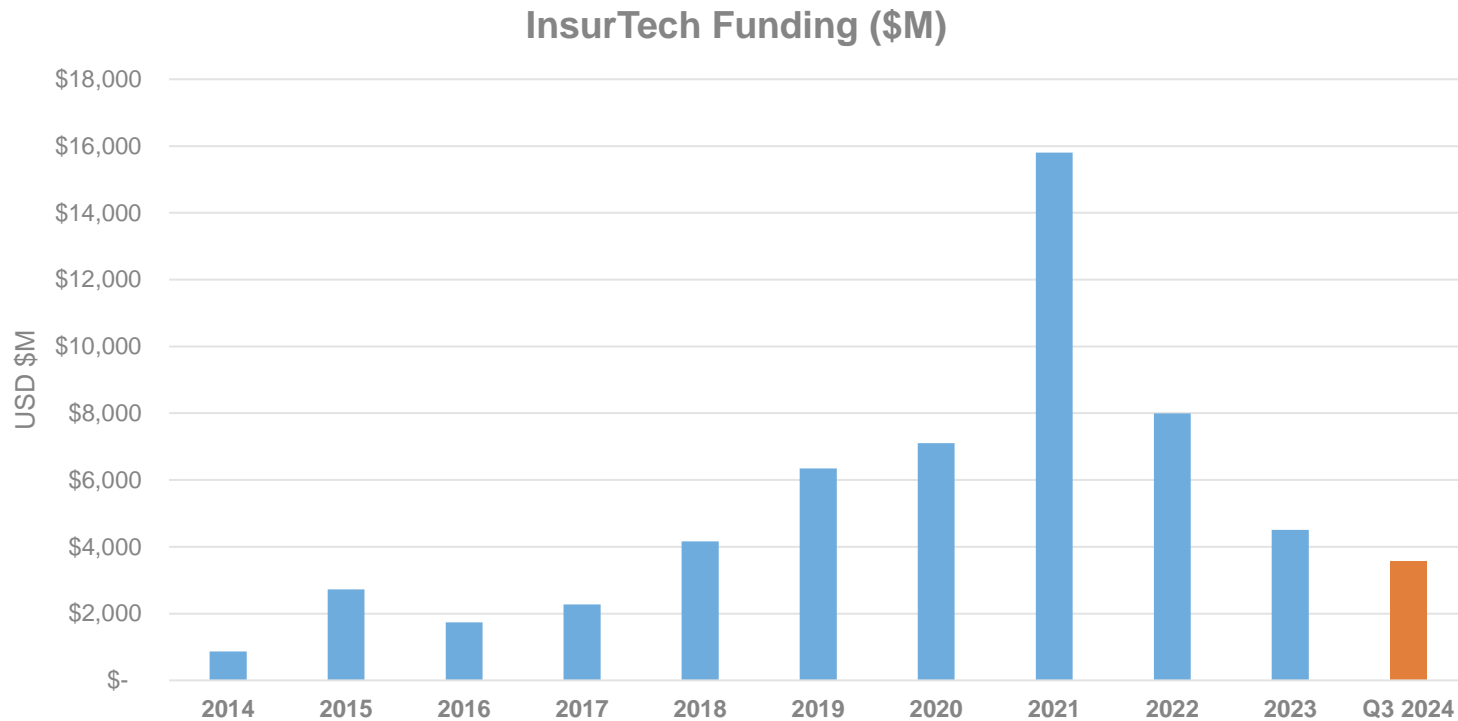
We are significantly behind compared to industry leaders.

6

It is not a current strategic priority for our organization.

Total InsurTech Funding

InsurTech by the Numbers



\$60Bn

Has it all been worth it?

It depends on who you ask.

2024 direction of travel – Q3 InsurTech Report

Early-stage momentum fuelled by dry powder from 2023

The return of the mega-round InsurTech funding increased

55.5% of global InsurTech funding went to \$100M+ mega-round deals

63.4% of Q3 2024 InsurTech deals went to AI-centered InsurTechs
– double the % from Q2

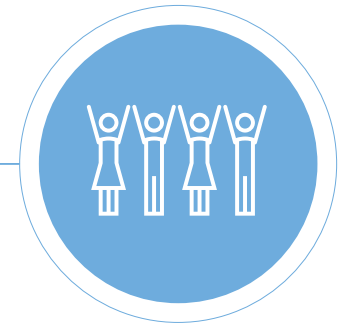


Q3 2024 Funding Up

Highest level of funding since Q1 2023 (\$1.38B)



InsurTech saw 77 deals in Q3'24 — a nearly 4-year low.



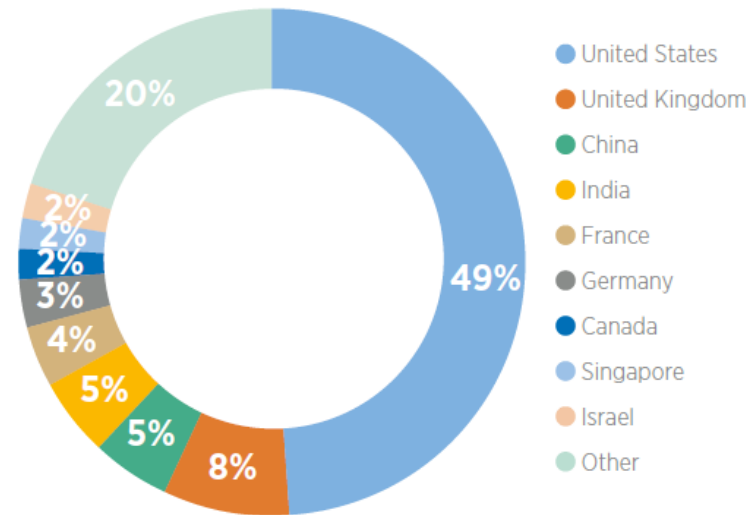
The majority of tech investments from (re)insurers were mid-stage funding rounds

United States is the dominant location for investments

InsurTech by the Numbers

Count of Deals per Country

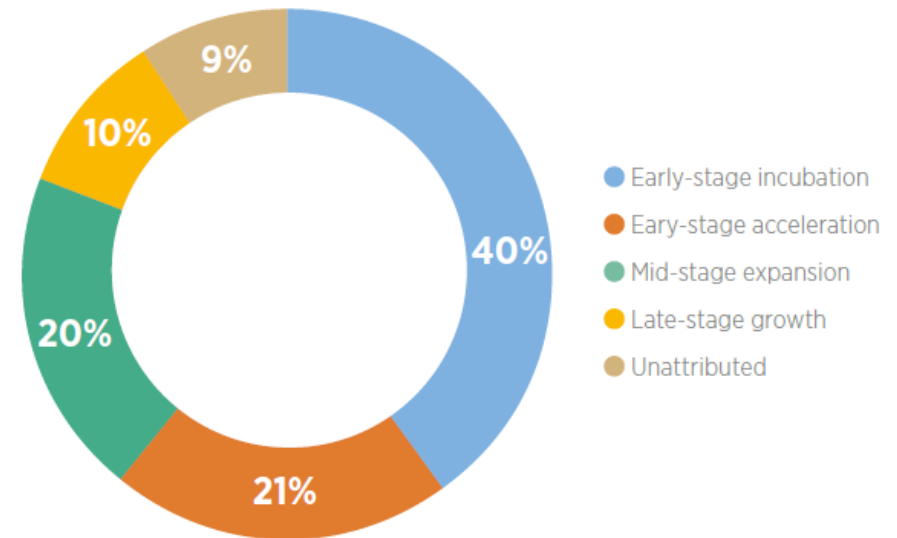
2012 – Q3 2024



2012 – Q3 2024 Transactions: 3,458

Count of Deals per Investment Stage

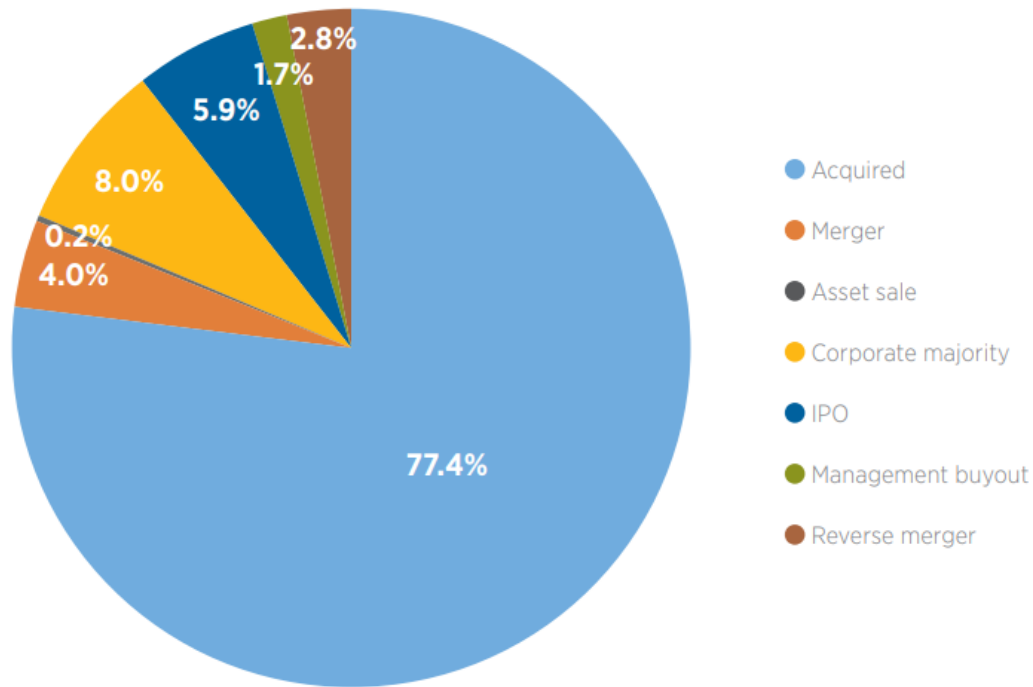
2012 – Q3 2024



2012 – Q3 2024 Transactions: 3,458

Exit Strategies 2012 - 2023

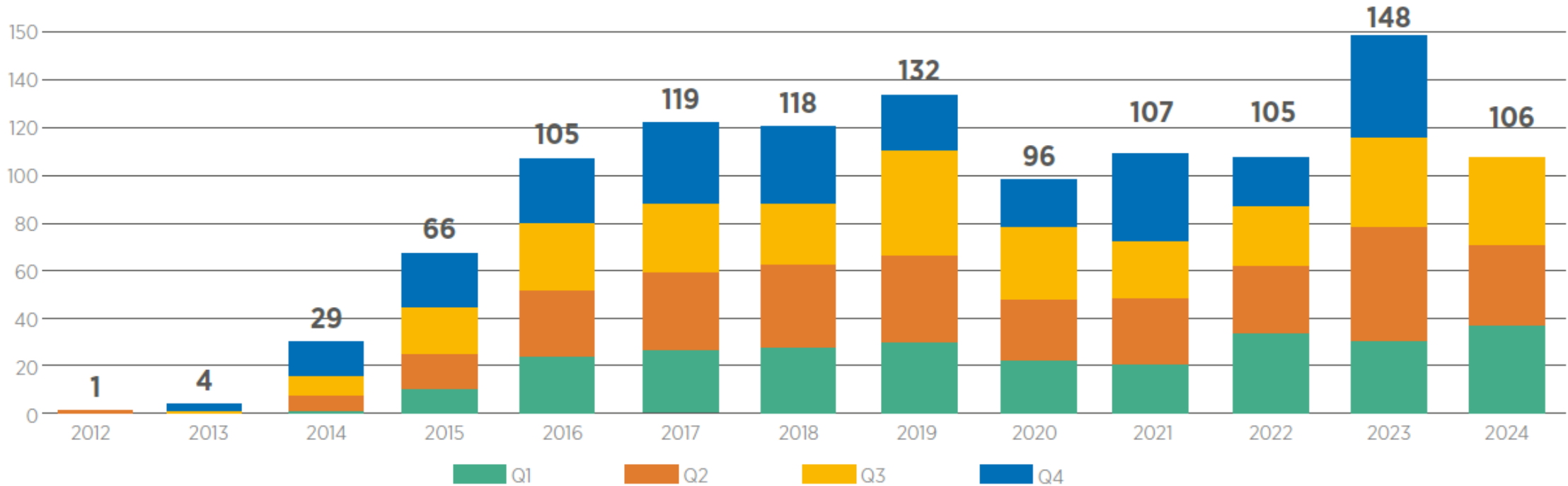
328 Acquired | 17 Mergers



M&A activity to pick up as InsurTechs fail to generate significant revenue?

Private Technology Investments by (Re)Insurers

InsurTech by the Numbers



The great experiment or real value?

Pitfalls of InsurTech 1.0, and where we are now



Overvaluations in the 2020 FinTech bubble have caused fundraising issues and bankruptcies



New technologies and processes are being incorporated into old companies, but adoption is slow



The surge in industry investments demonstrates that companies value R&D and the need to modernise

Mutuals – the competitive advantage

Why InsurTech/technology is a great fit



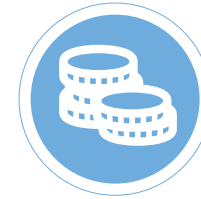
Technology

- It is expensive, and the road is long. Companies with longer term ambitions and consistent leadership typically do better



Know your audience

- Mutuals have a much better appreciation for their consumer market. The consumer group is arguably more homogeneous, and solutions can be better tailored. Mutual consumers enjoy transparency and will appreciate the desire to be more efficient and cost effective



Financing model

- Many InsurTechs have set themselves up as neo-mutuals who are targeting a specific audience with a cost-effective model.

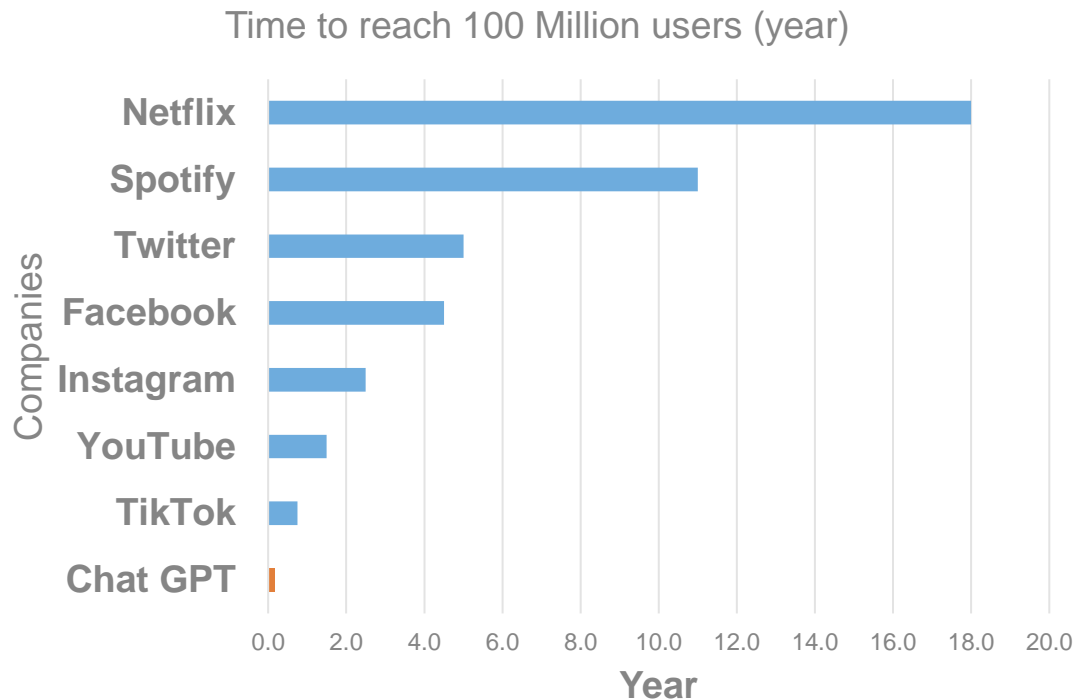
AI – hype or the real thing?

AI is challenging the prevalent view of technology and its uses within our industry

14

AI Development

A collection of technologies that enable computers to perform tasks that usually require human like intelligence



November '22 marked the start of a hype-cycle around Gen AI

- AI is an umbrella term for a suite of algorithms – many have been used in various forms for decades
- As the AI arms race intensifies globally, AI risks have the potential to be systemic. Major ones include; lack of regulation / liability / IP
- But the adoption of AI by insurers will be essential to stay relevant (and is already happening)
- Benefits for insurers cover entire workflow...
 - Product development & marketing
 - Risk selection & Pricing
 - Customer service
 - Claims management (fraud detection)

Case Study

Hyperexponential is an AI-enabled insurance pricing platform, building and updating models in real time, while reducing quote turnaround by ~50%

AI is becoming the dominant conversation of 2024 in InsurTech

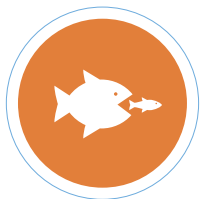
The reported pace of change within AI is staggering – however is this hype or actionable advancement?



~30% of H1 2024 InsurTech deals went to AI-Centred InsurTechs. 63% of funding in Q3 went into AI InsurTechs



Over \$500M raised in total



~\$2.5M larger deal size for AI-InsurTechs vs InsurTechs



Is AI Relevant?

- Put simply – yes.
- AI is already having an enormous impact on our industry. Starting with claims and fraud prevention, AI is now extending out into all areas of a (re)insurance company

We expect more InsurTechs to be flagging their AI credentials, and potential companies to drop the term 'InsurTech' in favour of 'AI'

Concerns and Potential Risks

The ability to exact a price that truly reflects a risk is unprecedented

Data quality & accuracy



Lack of transparency



Uninsurable customers



Bias

An industry built on the concept of pooled risk is vulnerable to hyper-personalisation



Opportunity of AI to (re)insurance

Applicability of AI tech to (re)insurance: GRe expert panel



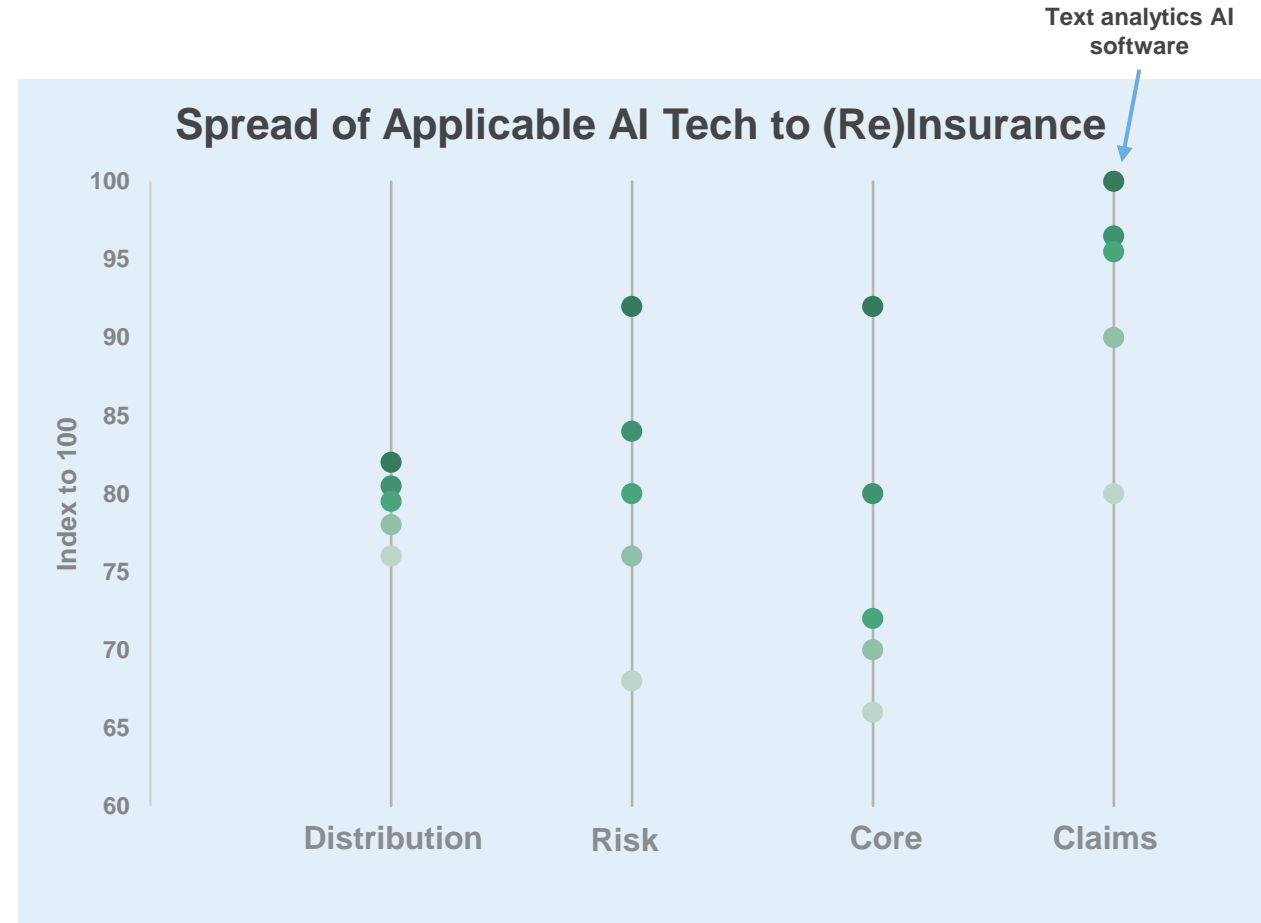
AI is currently most applicable in the Claims & Fraud space



Distribution has the most consensus on the right technology and approach

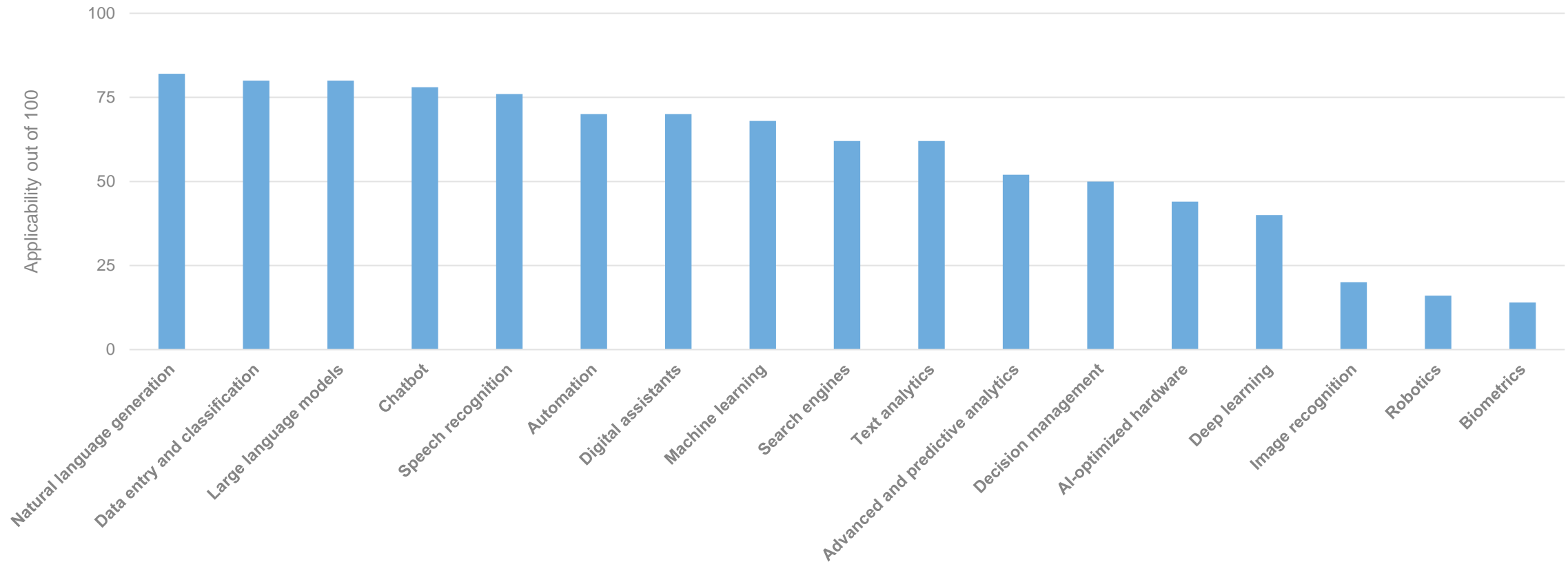


The only common thread between the four quadrants are **natural language models** and **data entry & classification tools**



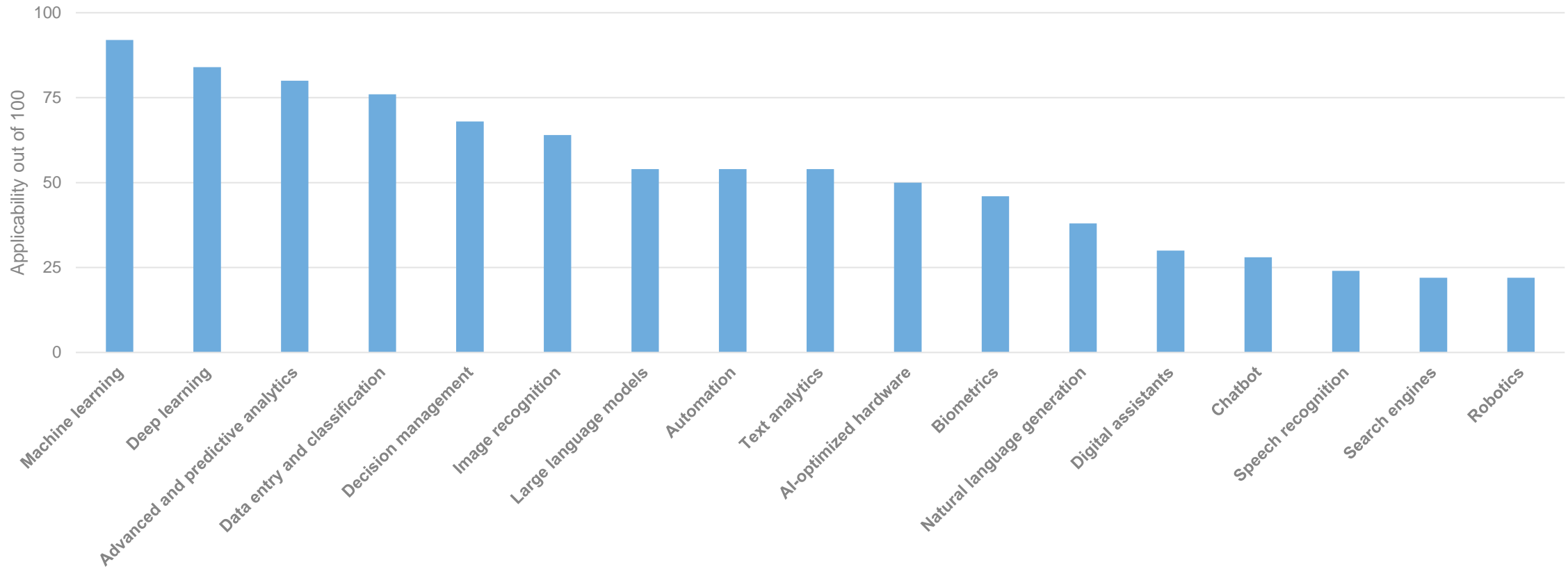
Distribution and Sales

Applicability of AI tech to (re)insurance: GRe expert panel



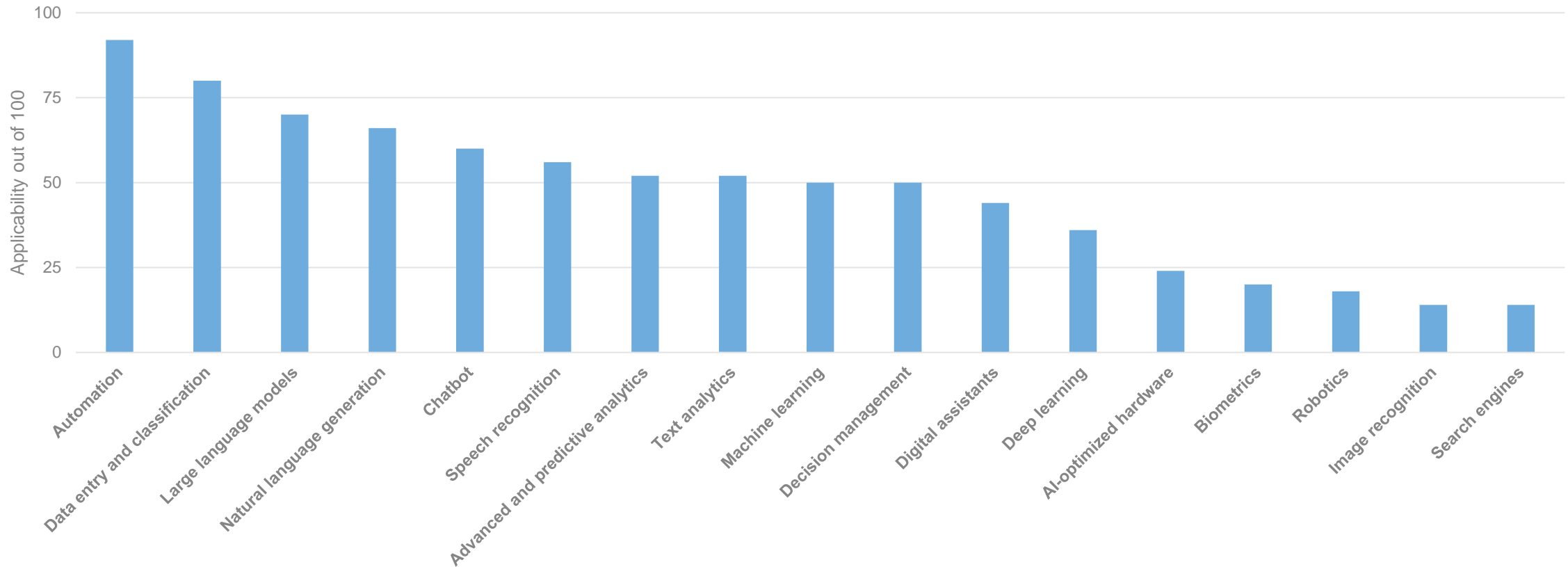
Risk: pricing, underwriting and portfolio management

Applicability of AI tech to (re)insurance: GRe expert panel



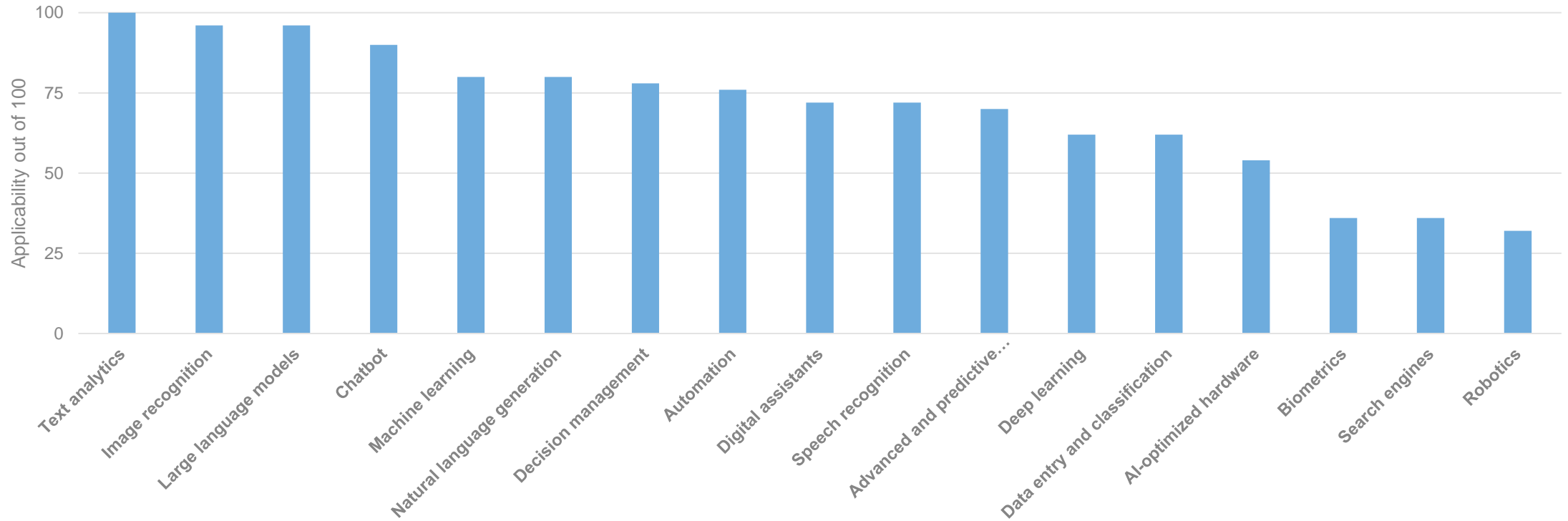
Central Business Operations

Applicability of AI tech to (re)insurance: GRe expert panel



Claims, Settlements and Fraud detection

Applicability of AI tech to (re)insurance: GRe expert panel



Where are we heading?

Can AI replace my underwriting team?



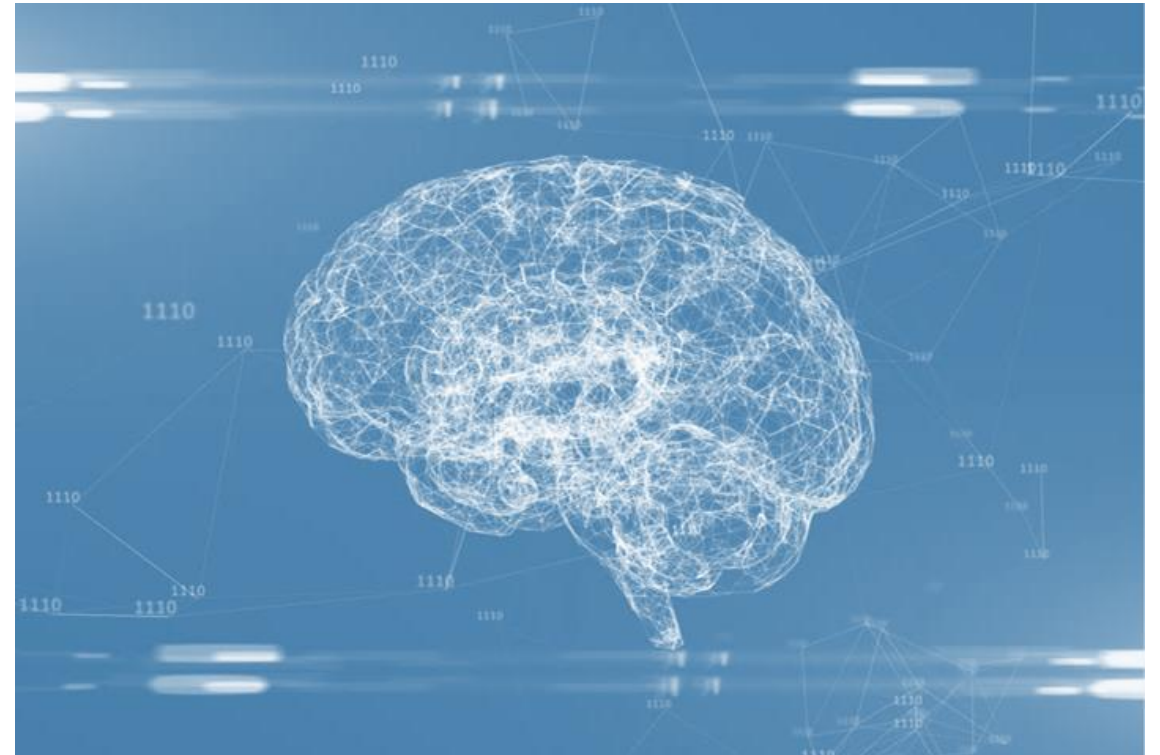
Currently very little evidence that AI underwriting produces similar results to humans



AI is creating a more efficient and data-rich environment for underwriting teams



It is this marriage of human experience, new data insights and efficiency which will give companies an edge in the next 5-10 years



Polling Question 2

A question for the audience

To what extent do you believe AI will impact the value chain process in the insurance industry?

1

It will fundamentally transform the value chain and create significant new value.

2

It will moderately enhance the value chain and create some new value.

3

It will slightly improve efficiencies across the value chain, but without creating substantial new value.

4

It will have minimal impact on the value chain, but will improve the visualization of incumbent outcomes.

5

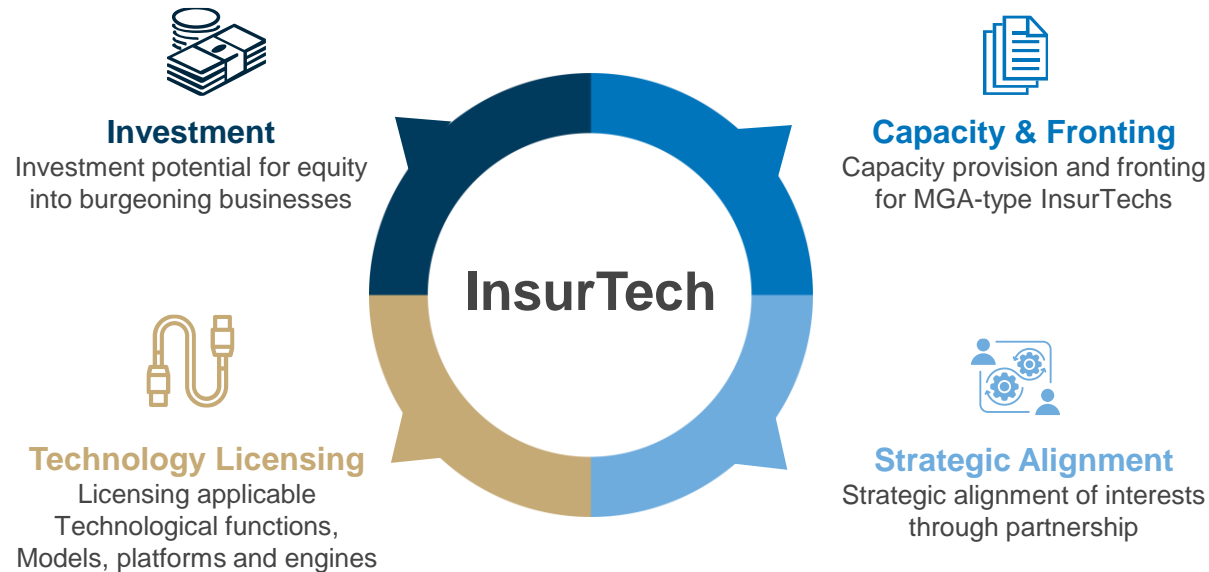
It will have no significant impact on the value chain or value creation.

Gallagher Re InsurTech Practice

InsurTech advisory navigating this space, focused on business outcomes

Your trusted InsurTech advisor

Focused on solutions and business outcomes, harnessing the right technology



Our InsurTech Practise helps clients navigate this complex space, delivering digestible market reports, solutions and commercial outcomes.

- In today's rapidly evolving insurance landscape, technology plays a pivotal role in driving results via innovation, enhancing operational efficiency and delivering superior customer experiences.
- The worldwide InsurTech practise at Gallagher Re vets 'InsurTech' businesses at scale to bring the best-in-class technologies into the industry; through partnerships with clients, technology integration, and advisory services.
- Our comprehensive suite of services and expertise in the reinsurance and InsurTech sectors allow us to provide strategic guidance, reinsurance solutions and implementation support to our clients and InsurTechs.
- **Our advisory and reinsurance solution group aims to bridge the gap between the insurance and technology sectors, enabling our clients to capitalize on the vast opportunities presented by the InsurTech evolution.**

Gallagher Re InsurTech Team

Your trusted advisor.



Andrew Johnston MA, Ph.D

Global Head

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Dr. Andrew Johnston is global head of InsurTech for Gallagher Re, based in Nashville. He heads a practice of about 30 people from various backgrounds charged with vetting hundreds of technology candidates on behalf of Gallagher Re clients, traditional insurers, or incumbents.

Andrew and his team then support (re)insurance company clients select appropriate technological solutions for their businesses, in addition to providing insurance technology related consulting and advisory services. He also represents a growing number of InsurTech clients who themselves originate risk (for whom he and his team provide reinsurance broking services).

Andrew is also the author and editor of the Gallagher Re Global InsurTech Report (formerly WTW Quarterly InsurTech briefing).



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Freddie Scarratt is Gallagher Re's InsurTech Global Deputy Head, leading the offering in the UK, EMEA and APAC regions with a focus InsurTech reinsurance broking and client advisory.

With eight years' experience in (re)insurance broking, including running Gallagher Re's mortgage credit reinsurance solutions team, Freddie aims to bridge the gap between the insurance and technology sectors and enable clients to capitalize on the vast opportunities presented by the evolution of InsurTech. This includes raising capacity for new risk originating InsurTechs, both in the UK and US.

Furthermore, Freddie has practical start-up experience - leading the structuring and implementation of Deposit Unlock, a UK consumer mortgage product in the housing finance sector.



It's the way we do it.

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