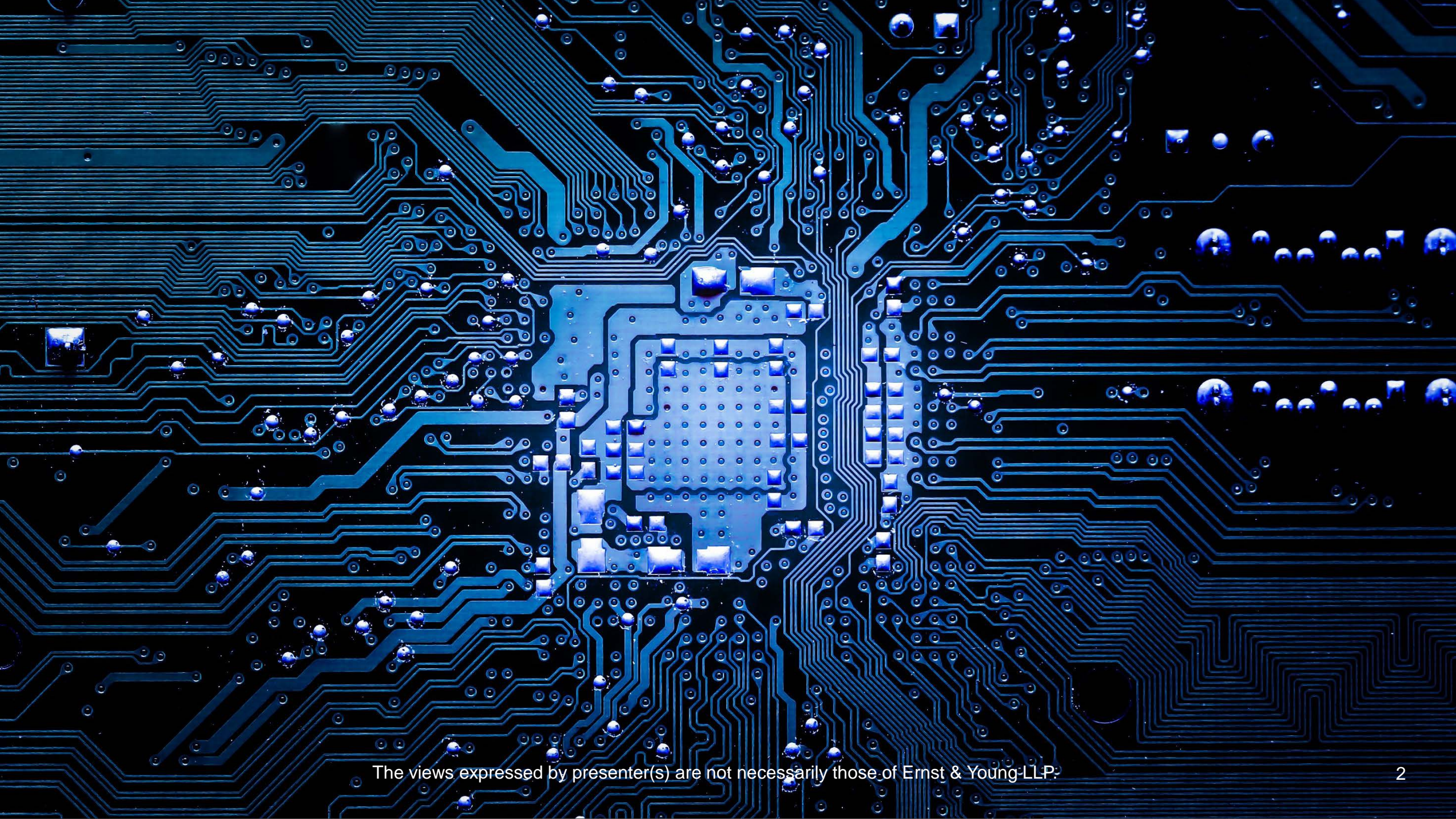


InsurTech and its implications for the industry and workers compensation

May 19, 2017



EY
Building a better
working world



The views expressed by presenter(s) are not necessarily those of Ernst & Young-LLP.

The future belongs to
the connected.

The positive trends



Industry
financials



Focus on
workplace safety



Increased interest
in healthy living



Technology enabling
pace of innovation

Some challenges



Change is
required
everywhere



Rising health
care costs



Regulatory
requirements will
evolve



Continually
restructuring
labor markets

The opportunities



Explosion of
valuable new data
(sensors, wearables)



Ecosystems
converge around
purpose



Growth in mobility
and machine
learning



The expanding
gig economy

Technology enables
constant change.



EY's definition of FinTech

“ Organizations combining innovative business models and technology to enable, enhance and disrupt financial services.

”



Fundamentally
lower barriers to
entry in FS



Changing key
defining
characteristics of
FS providers



Disruptive activity in
number of hotspots
in FS

A confluence of several trends led to the explosion of FinTech/InsurTech activity



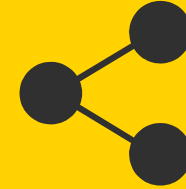
Technological

- Mobile proliferation and increased connectivity
- Big data analytics
- Cheap on-demand computing and storage
- AI/machine learning/NLP



Industry

- Slow tech adoption
- Incentivized to appeal to mass consumer base
- Constraints on customer focused innovation



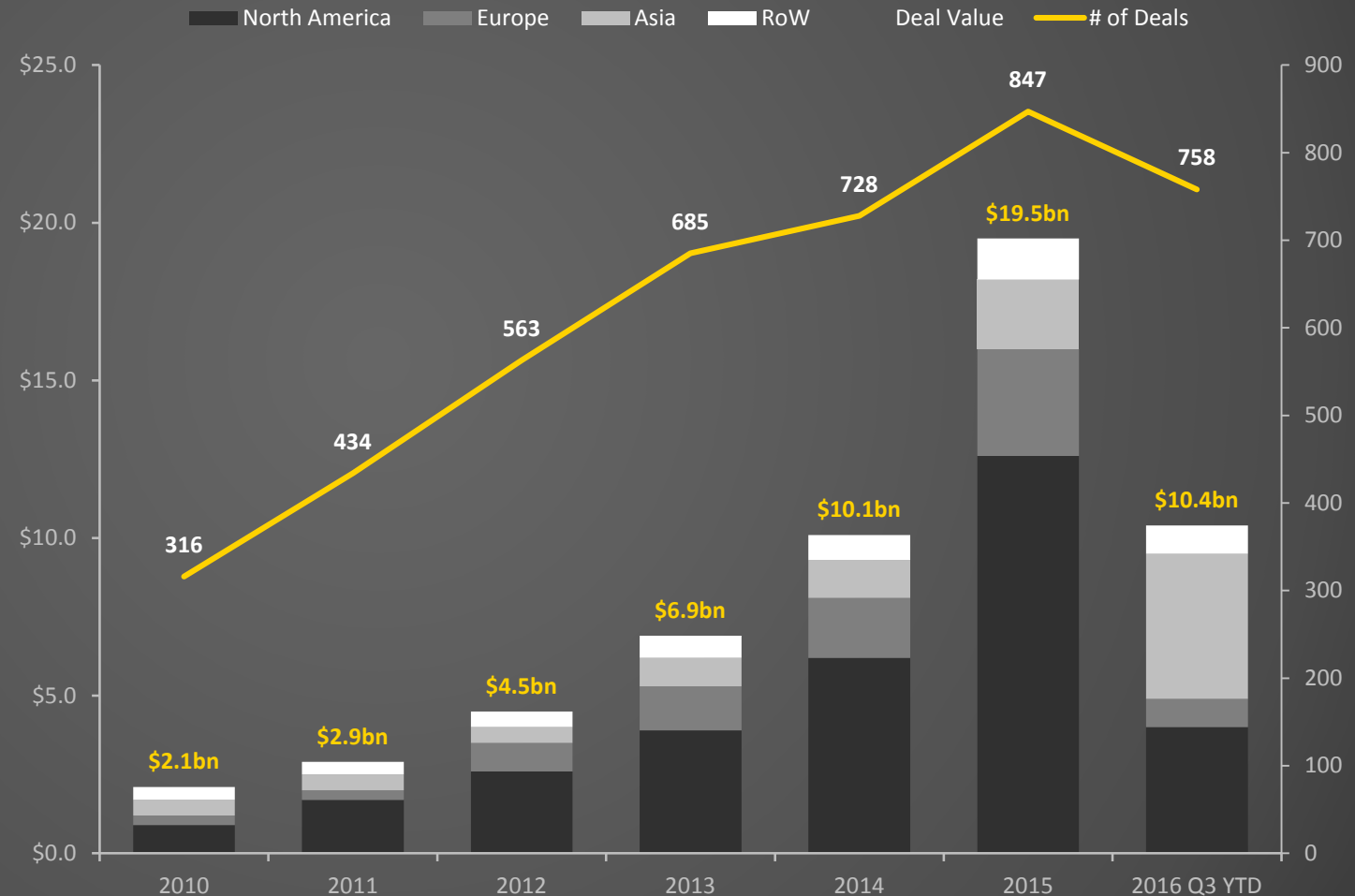
Social

- Loss of confidence in traditional insurers
- Generational change and comfort with technology
- Increased consumer expectations driven by nonfinancial services

The financial industry is in the midst of a technological revolution






















Investment has grown exponentially

- ▶ Yearly private investment in financial technology increased to more than \$19b in 2015 (~60% y/y growth)
- ▶ Consumers are frustrated with the cost, complexity and inconvenience of traditional financial services
- ▶ Big data, security and cloud innovations are allowing for successful and elegant alternative solutions

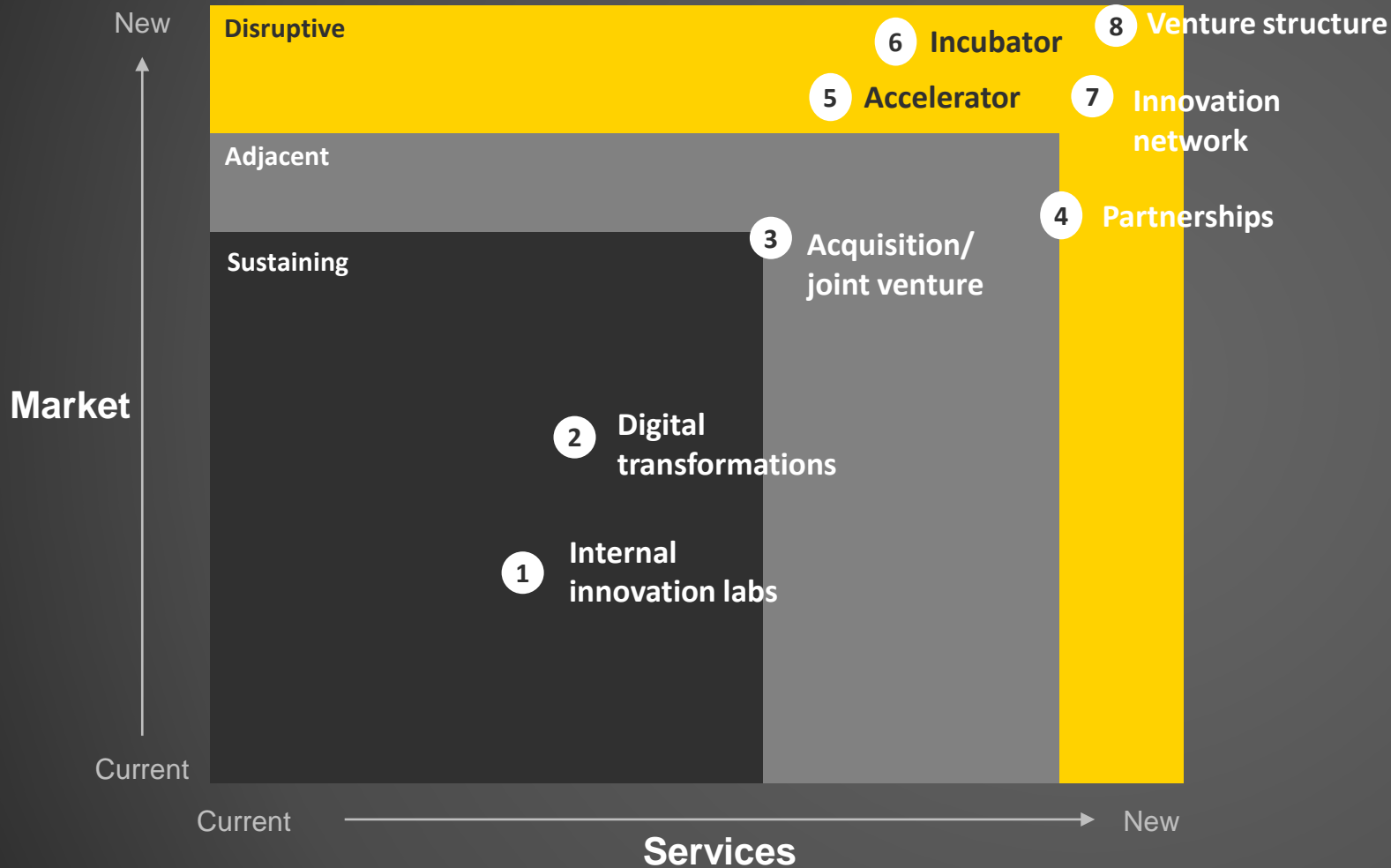


Source: CB Insights and Accenture, Banking Reports Research

FinTech investments are resulting in innovative business models across financial services

Deposits and lending	Investments	Insurance	Payments	Enterprise
 P2P/SMB lending	 Engaged investing	 Social insurance	 Integrated payments	 Cybersecurity
 Crowdfunding	 Algorithmic investing robo-advice	 Wearables	 Contactless payments	 Big data analytics
 Money management		 Internet of Things	 Cross-border/P2P transfers	 Compliance monitoring
 Open data		 Autonomous vehicles	 Off-rail payments	 Bitcoin/blockchain
 Identity management				 Smart contracts
 Financial inclusion				

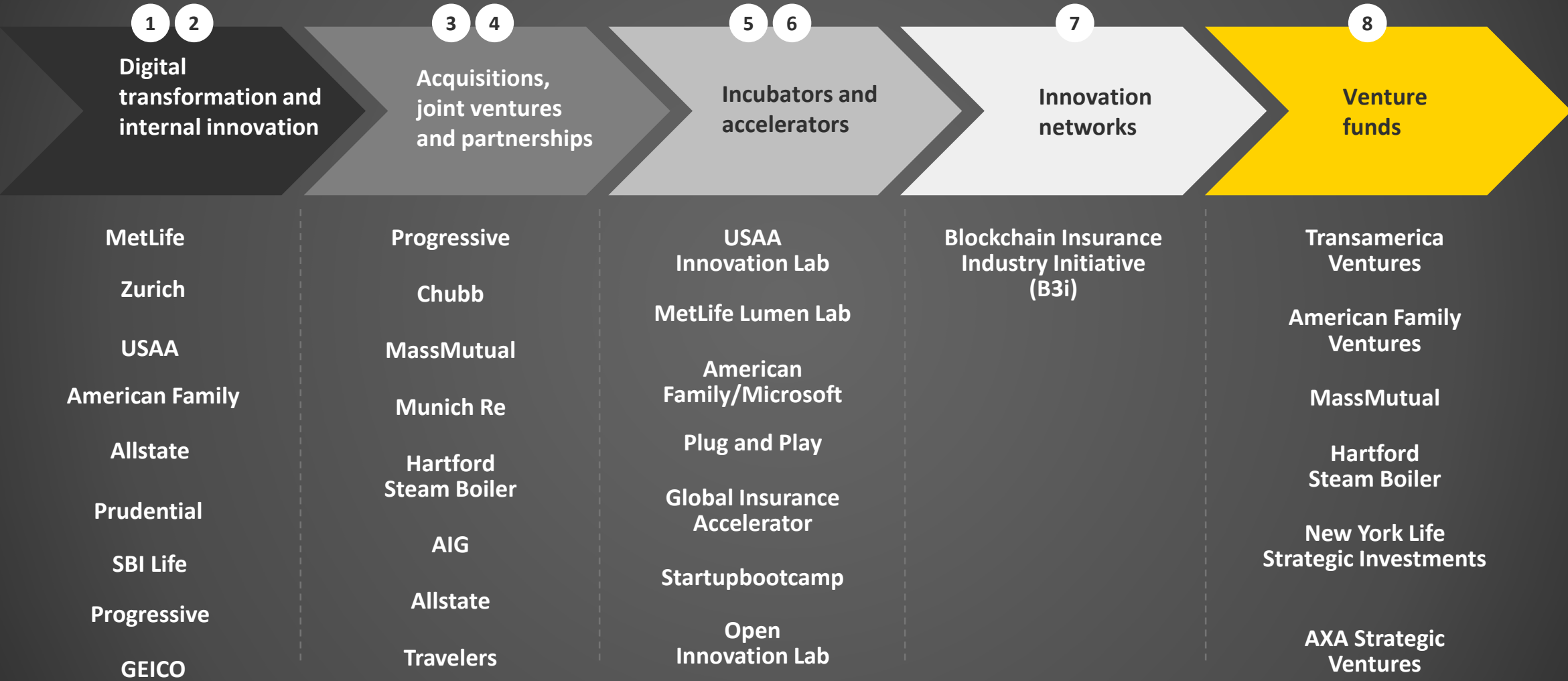
Different mechanisms can be used to engage with FinTechs



Organizations employ mechanisms best suited to maximize competitive advantage

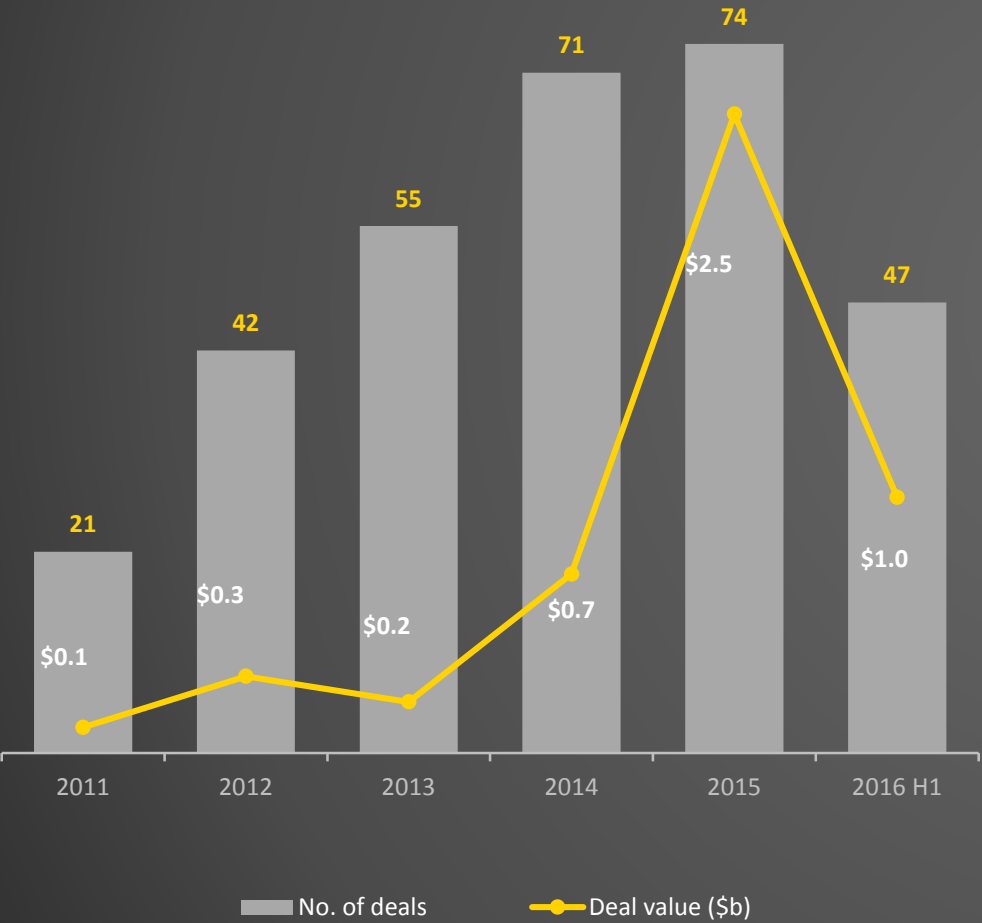
- ▶ Adjacent and disruptive innovation mechanisms increase in autonomy from the existing corporate structure
- ▶ Innovation mechanisms that are focused on disruptive innovation can also be a source of adjacent and sustaining innovations

Example of how incumbents are actively engaging with new players and innovations using multiple mechanisms



InsurTech is bringing innovative new business models to a traditionally staid industry

US InsurTech VC funding



Drivers of disruption

Changing customer needs

New players are filling market gaps with less traditional product offerings

- Metromile
- Lemonade

Enhanced interaction

New market entrants can provide better customer experience using tech

- Northwestern Mutual
- LearnVest

Strategic relationships

Traditional market boundaries are being crossed with JVs and partnerships

- BIMA
- Zenefits

Leveraging data

Real-time data allows for better risk pricing and prevention

- Mnubo
- Airphrame

Sophisticated operations

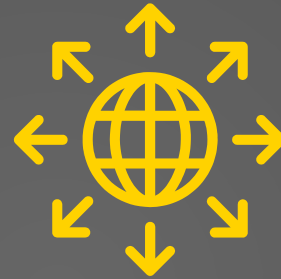
Cloud-based solutions have facilitated scalability and flexibility

- OutsideIQ

Global InsurTech activity



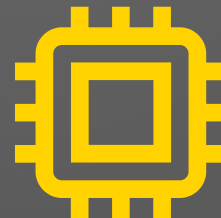
As of April 2017, 675 new InsurTech startups started in the US alone



Approximately 60% are concentrated in the US and the remaining 40% are spread across a wide cross-section of countries

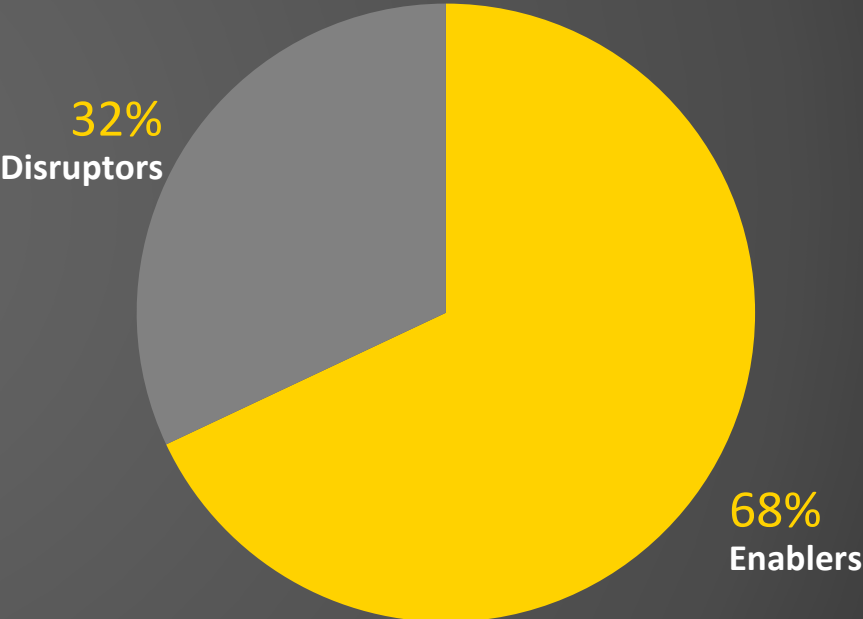
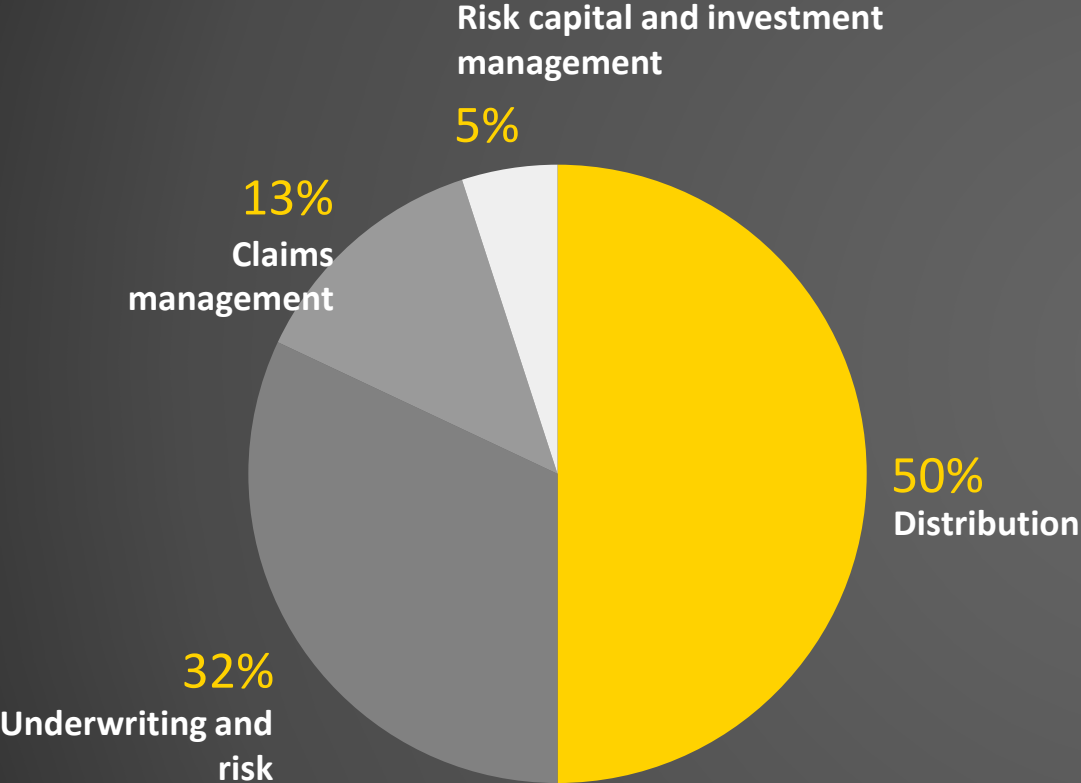


P&C distribution is the most significant area of focus, followed by life underwriting



Technology focus is heaviest in the areas of chatbots, machine learning and intelligent virtual assistants, with blockchain applications growing fast

InsurTech by domain and market strategy



InsurTech trends

The disruptors are focusing on ...

Engagement

Continuous customer engagement throughout the value chain

- Digital delivery
- Digital claims process
- Robo-advice

New products

Innovative products, adaptable to customer needs

- Micro-duration policies
- Usage-driven policies

Digital brokerage

Data aggregator consolidating policy information

- Aggregated insurance quotes
- Data enrichment
- Personalized quotes

The enablers are innovating in ...

Data intelligence

Use of AI, machine learning and robotics for improved collection and use of data

- Dynamic underwriting
- Predictive/forecasting
- Risk mitigation
- Automated (robotics) claims processing

IoT

New data sources from sensors/telematics, wearables to lead to variable premiums, pushing customer behavior adaptation

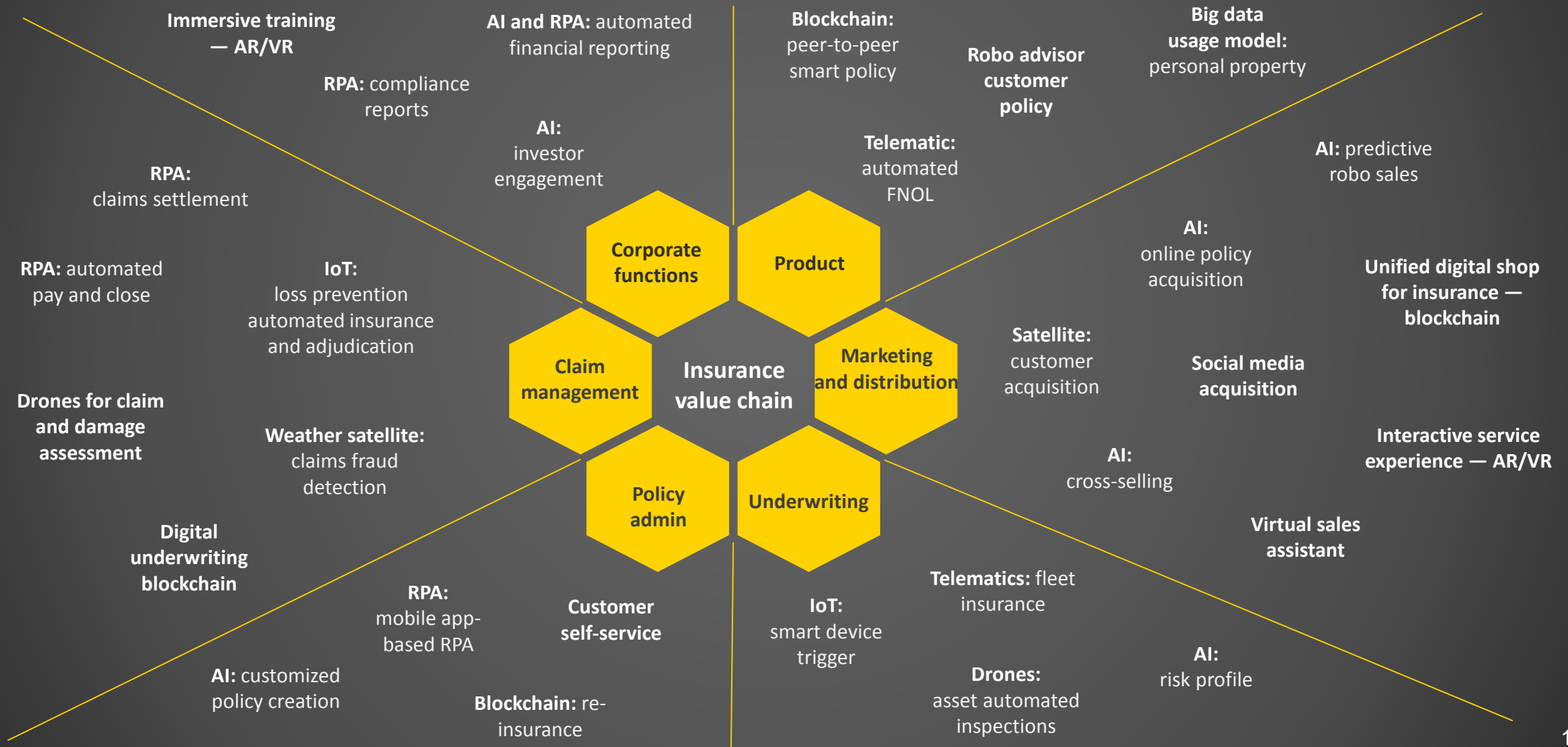
- Product pricing
- Underwriting
- Claims processing

Blockchain

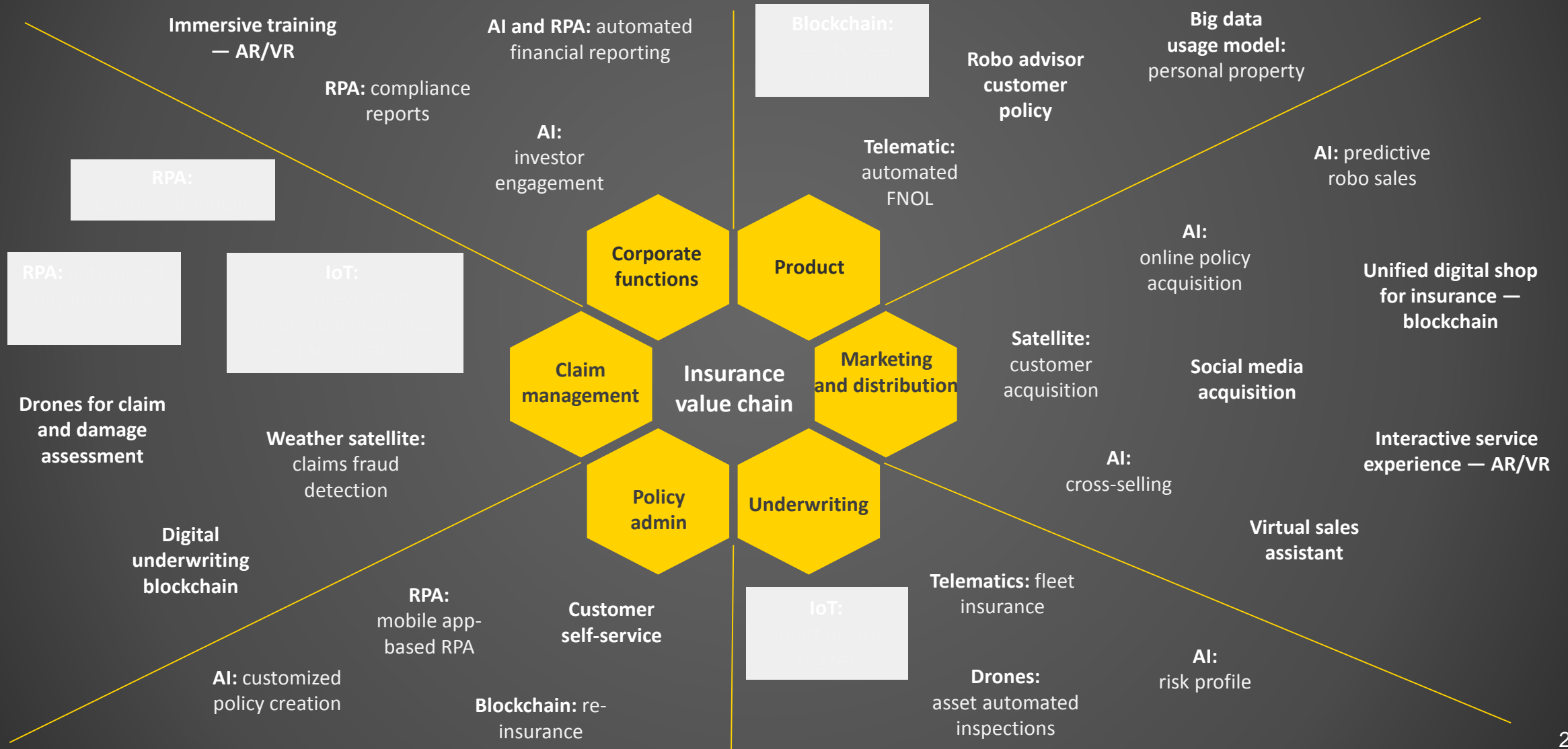
Increased risk-recording abilities, transparency, accuracy and speed

- Fraud detection
- Risk management

The convergence of InsurTech with traditional insurer capabilities



The convergence of InsurTech with traditional insurer capabilities



The new connected workers compensation ecosystem



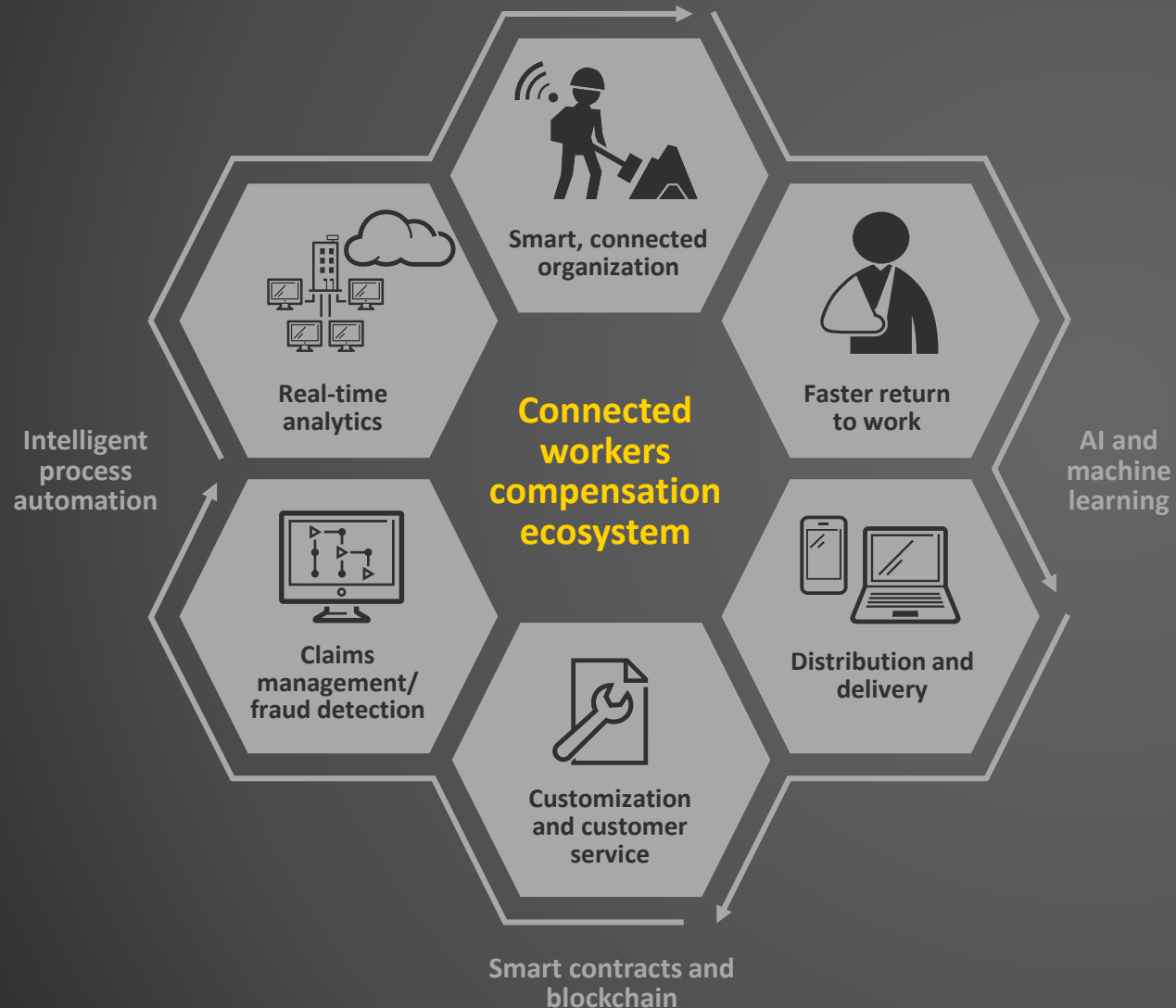
The new connected workers compensation ecosystem



Smart, connected organization:

- Using sensor tech to monitor working environment
- Leveraging virtual and augmented reality apparatus in training

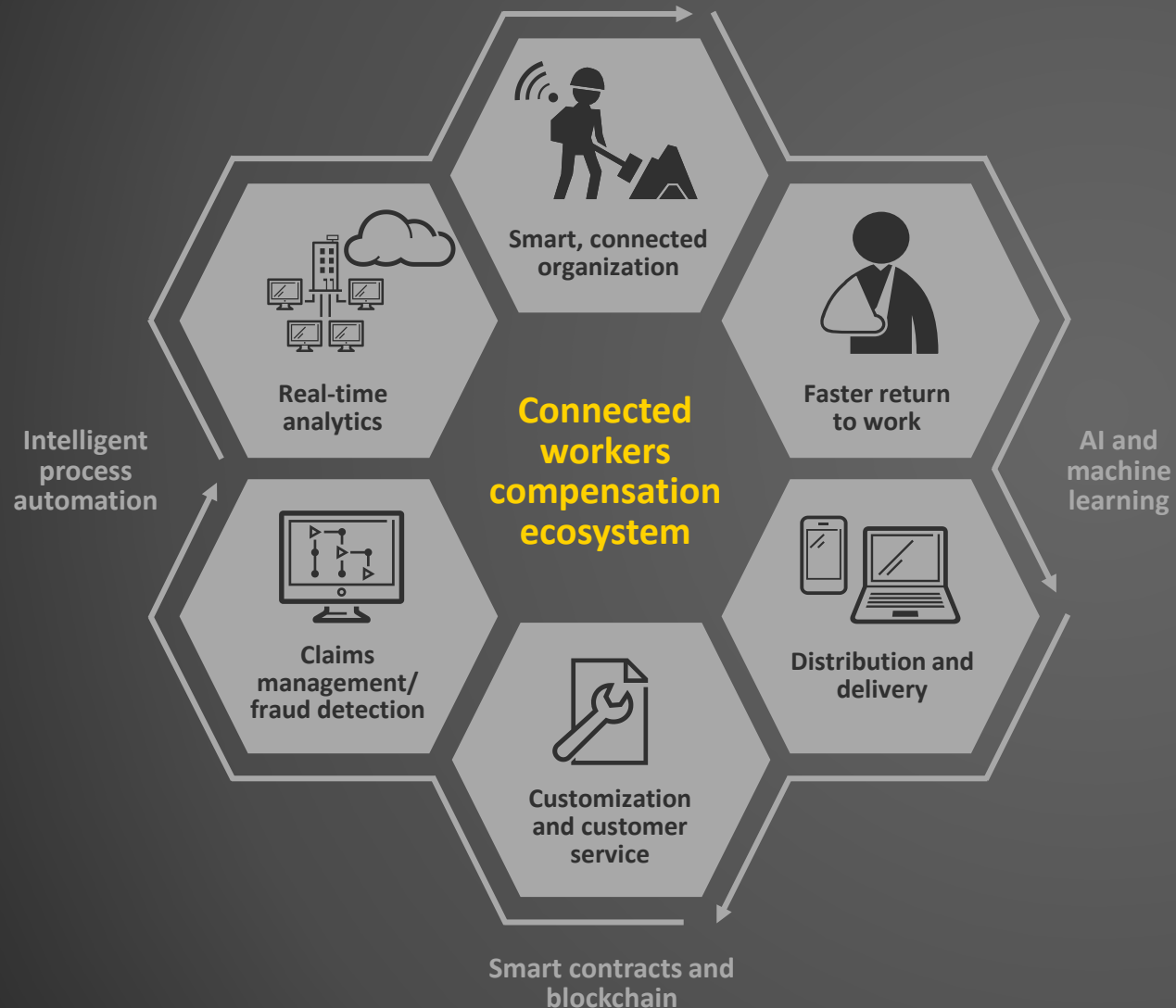
The new connected workers compensation ecosystem



Faster return to work:

- Providing easier access to healthcare practitioners through mobility
- Allowing real-time monitoring during recovery
- Using gamification to encourage healthier behaviors/outcomes during recovery

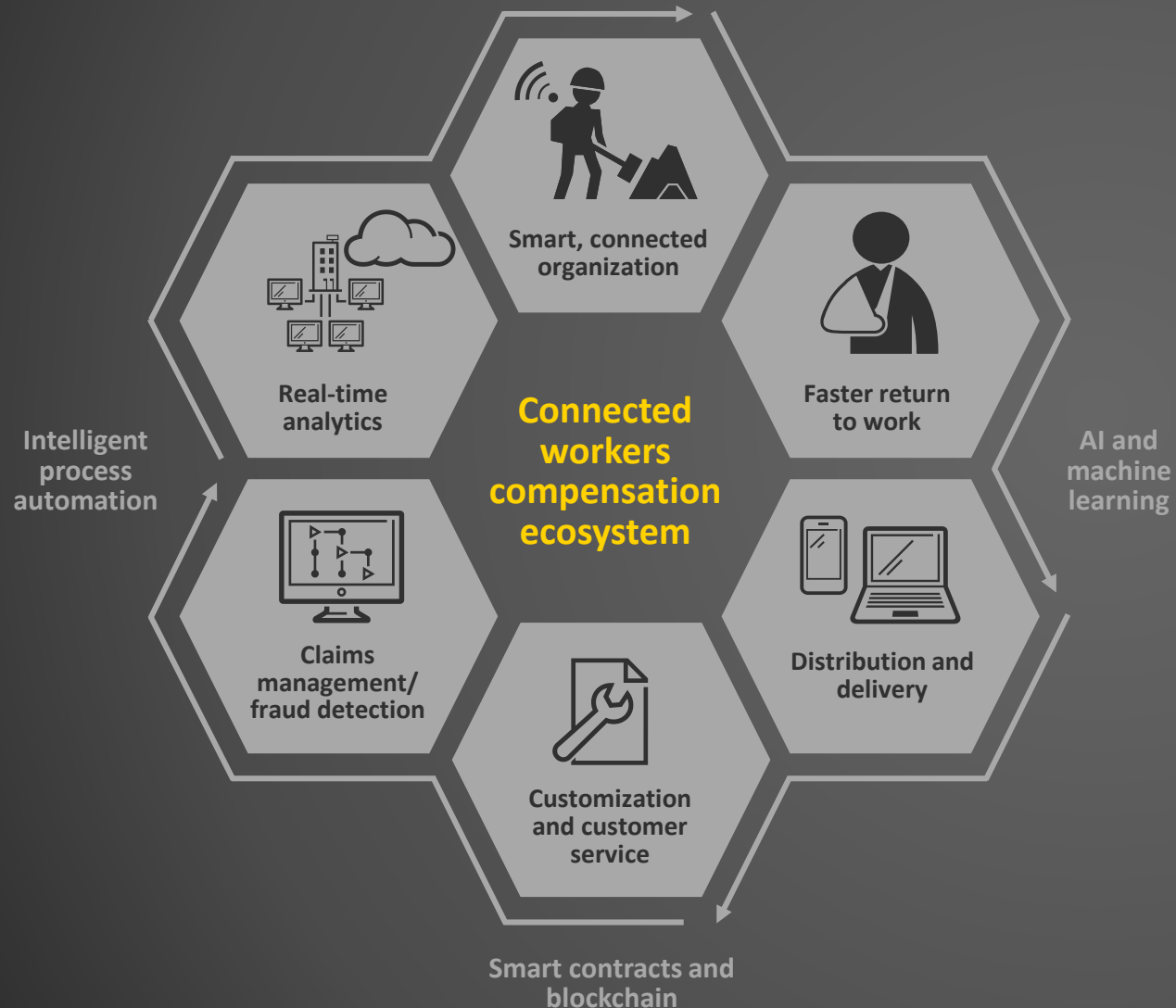
The new connected workers compensation ecosystem



Distribution and delivery:

- Providing a seamless omnichannel sales experience
- Enabling communities/ groups to self-insure

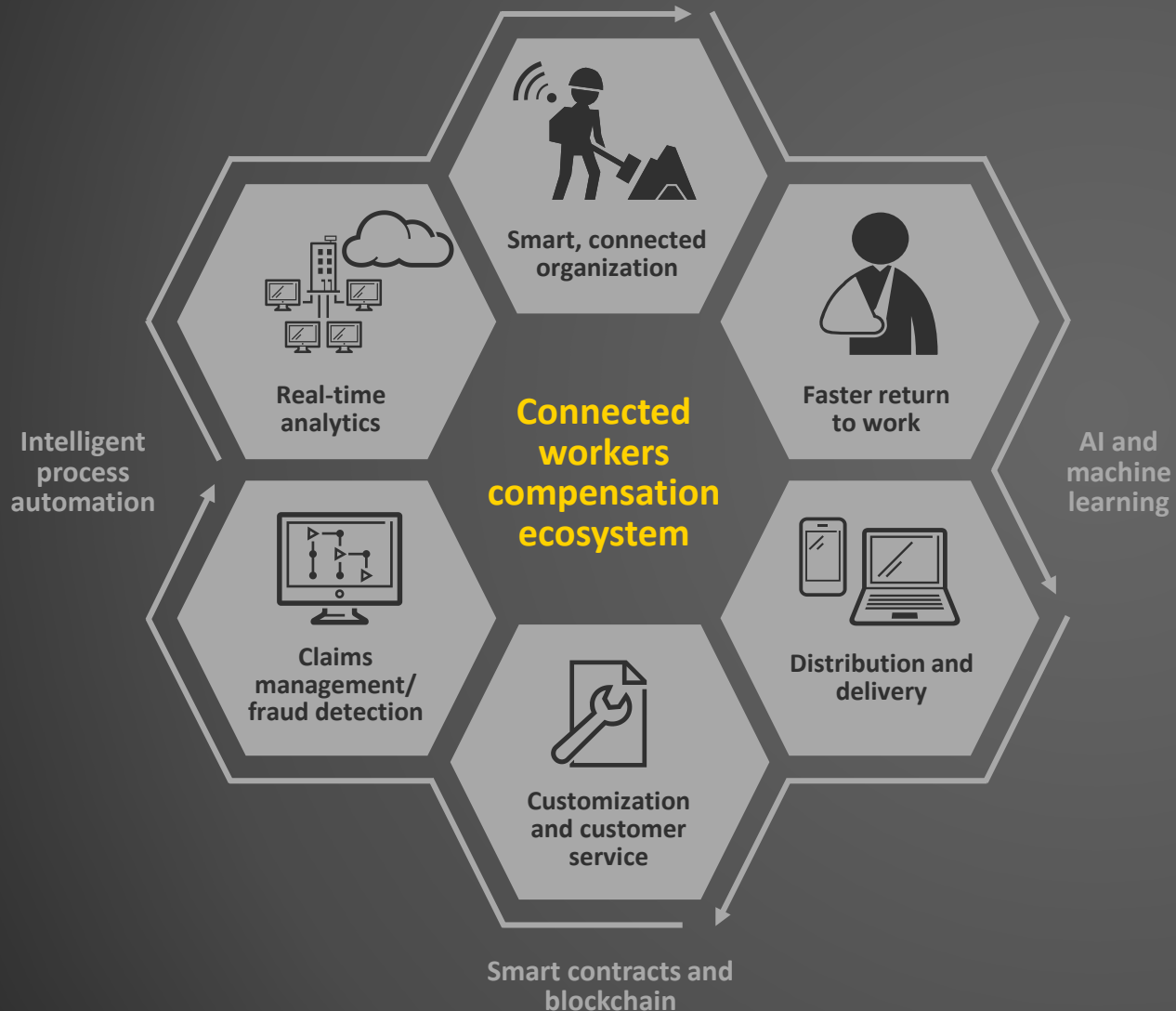
The new connected workers compensation ecosystem



Customization and customer service:

- Offering pay-as-you-go workers compensation plans
- Emphasizing personalization of health insurance coverages
- Leveraging smartphones, optical character recognition and advanced image processing to digitize the healthcare experience
- Deploying AI (virtual assistants) to answer insurance questions

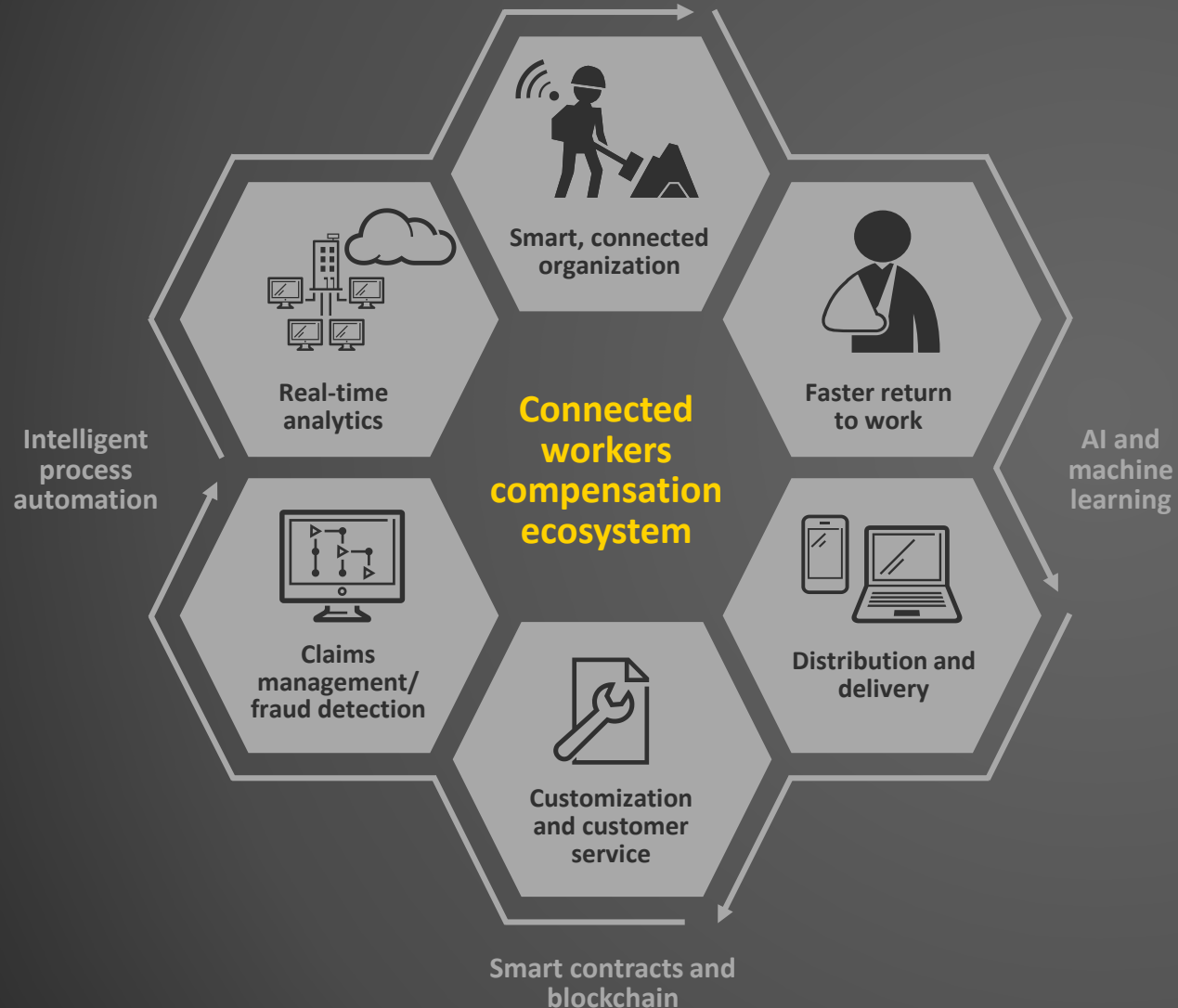
The new connected workers compensation ecosystem



Claims management/fraud detection

- Using big data and analytics to improve pricing and reduce claims and fraud
- Deploying robotics process automation to streamline claims processing
- Automating the claims experience through smart contracts

The new connected workers compensation ecosystem



Real-time analytics:

- Providing a means for continuous evaluation of working conditions and employee health to minimize risks
- Using continuous data and predictive analytics to proactively detect anomalies and characteristics of fraudulent claims

How can you
get connected?

Exploring InsurTech



Organic digital strategy

- ▶ Pick your path
- ▶ Choose your partners
- ▶ **Start now!**



Outright acquisition or partnerships

- ▶ Progressive
- ▶ Chubb
- ▶ AIG



Venture capital model

- ▶ Hartford Ventures
- ▶ American Family Ventures
- ▶ XL Innovate



Incubator model

- ▶ Manulife
- ▶ MetLife
- ▶ AXA Kamet
- ▶ USAA

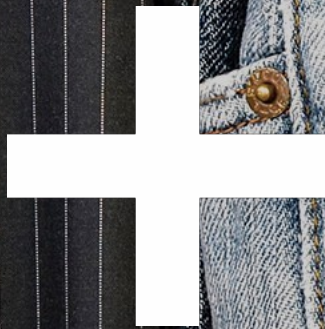


Sponsorships and partnerships

- ▶ John Hancock
- ▶ Munich RE
- ▶ AIG

Suits

Regulatory
Compliance
Cost reduction
Risk
Tax
Operations
Finance



Jeans

Innovation
Robotics
Digital
Cloud
Blockchain
Growth
InsurTech

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