



# March 2023 InsurTech New York

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## Words from the Ecosystem following a 2022 Sober Act!

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## Words from the Ecosystem following a 2022 Sober Act!

### Insights

This write-up builds on the reader's familiarity with the InsurTech ecosystem and provides a timely update. Please refer to previous reports for background<sup>1</sup> if needed.

The InsurTech New York conference was held on March 28-29, 2023. The Conference theme was **Partnerships, Claims and Underwriting**. Current market conditions are such that funding shrank significantly as reported by Gallagher Re, with 2021 record annual funding of \$15.80 billion dropping to \$7.98 billion in 2022<sup>2</sup>. With such reality in mind, below are the highlights we collected from attending pre-conference events and sessions at InsurTech, while networking with peers, industry experts and startups over the two-day event.

#### GROWING THE L&A PIE THROUGH PARTNERSHIPS OR INCREASED RELEVANCE

The evasive middle market is notably underinsured, underserved and known to have growth potential, but difficult to penetrate in a cost-effective fashion when per policy acquisition costs are high as a percentage of premium. Tactical approaches towards gaining new market shares, focused on customized solutions versus one size fits all products were discussed, namely, through partnerships with local organizations (e.g., churches, clubs, etc.) and specific market segments (young pregnant women), addressing the needs for insurance through emotions straight from the heart (as pet insurance does, for example).

Customer expectations are high and need to be digitally addressed first where trust can be gained from an enhanced customer experience.

#### HOW TO SELL TO MILLENIALS AND GEN-Z'S?

This audience is looking for neutrality, transparency and honesty, which may get them to buy insurance as long as the technology is digital and adaptable (not a one size fits all). Influence marketing is especially important with the recognition that some entities can be unbiased to provide information that's in their best interest. Such information should be captured before inputting identification, helping to shape the sales process, targeting simplicity and education with gamification factored into the customer's journey.

#### MAKING EMBEDDED INSURANCE AND AFFINITY RELATIONSHIPS WORK FOR LIFE INSURANCE

Selling through affinity relationships requires a sizable group relying on 95% automatic issue and 5% relying on the agent's expertise to close. As for emotional sales, they should be quick, easy and make you feeling good. Products requiring illustration are likely to be de-emphasized.

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<sup>1</sup> <https://www.soa.org/resources/research-reports/2022/insurtech-insight/> for insight on how an InsurTech conference is structured, <https://www.soa.org/resources/research-reports/2021/2021-insuretech-connect/> for insight on the largest yearly InsurTech conference, <https://www.soa.org/resources/research-reports/2021/insurtech-and-venture-capital-survey/> for insight on venture capital, <https://www.soa.org/resources/research-reports/2021/insurtech-guide-community/> for foundational insight on the InsurTech ecosystem.

<sup>2</sup> [Gallagher Re Global InsurTech report for Q4 2022 | Gallagher Re \(ajg.com\)](#)

### THIRD-PARTY DATA AND HEALTH CONDITIONS

It is relevant to leverage third-party data to improve health and wellness assessments, which are critically dependent on financial health. Once collected, it is critical to give back to the individual and create incentives to drive engagement, leading to the employer's program enhancements and discounts. More third-party data will lead to a better health outcome, allowing for better risk analyses, risk selection, and preparing for the future in making better use of AI.

### BIAS, REGULATORS AND MODELS

InsurTech companies, even though not regulated, must fit into the regulated environment to having a role to play. The inference is they need to be at a minimum being SOX Type 2 compliant, e.g., showing how a cloud-based service provider handles sensitive information, covering both the suitability of a company's controls and its operating effectiveness as considerations for regulations. It is also critical to have models validated by a third party to check for unintentional bias.

There are views that the NAIC will set standards for the unethical use of data and provide guidelines for startups to follow for due diligence from carriers.

### STARTUP REALITIES

Startups need to forge partnerships with carriers at multiple levels. Accelerators play a role in opening doors, but getting traction at the C-suite level is also very important. Overpromising could pay-off but is risky. Offering free services won't get proper or enough attention for commitment, while insisting on getting paid could be a form of engagement.

When participating in a competition, startups should be prepared and ready to face the classic questions: Who are your competitors? How do you differentiate yourself? What is your secret sauce? What is the targeted market size? Why do you think your product is needed now? How do you get paid? Are you solving for a specific item blocking the value chain?

The sobering 2023 funding reality, i.e., down or flat rounds, has founders facing the following issues:

- Investors getting bigger positions for smaller investments,
- Bridge financing may be an option,
- Re-evaluate cost structure in relation to existing plans (show company value),
- Extend the runway<sup>3</sup> with a list of 40 items to focus on,
- Generate cashflow to avoid having to raise capital with additional down rounds, and
- Keep motivation high amongst the founders and the team becomes challenging in such an environment.

### CHALLENGES FOR THE OVERALL INDUSTRY

The role of private equity firms in the insurance industry is complex. Sometimes perceived as a threat, their distinct role is mostly gathering assets, leaving policy administration and servicing to the insurers or third-party administrators. However, lately, they have emerged as partners, backing many companies in the industry.

Large language models (LLM, which includes ChatGPT, Gopher, Alexa, Siri, etc.) are tackling unstructured data and having an impact on the insurtech ecosystem. There is plenty to do and numerous challenges are ahead where guardrails around information and requests might become required.

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<sup>3</sup> Early investor funding allows the startup to develop a product, a client base and, hopefully, become a viable business model that takes off. The airplane metaphor is used and early investors are seen as financing the runway that is required before take-off.

## About The Society of Actuaries Research Institute

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