

Five emerging themes from ITC 2018

InsureTech Connect 2018 Presented by Oliver Wyman **brought together over 5,500 leaders** from startups, incumbents, investors, regulators and more. With participants representing 55 countries ITC has quickly become the world's largest insurance industry gathering and the most efficient way to connect with the people who are changing the industry.

This year we witnessed a groundswell of pre-conference activity, with Day 0 filled with workshops and networking events. Days 1 and 2 comprised enlightening talks from leaders in the industry, breaking news, tens of thousands of individual connections and many standing room only panel discussions. We capped things off with a live performance by hip-hop legends Salt-N-Pepa.

While it is impossible to adequately distill something of the scale and intensity of ITC 2018 into just a few bullets, this note highlights five emerging themes, from a wide range of creative and energetic dialogues:

- 1. InsurTech is not a fad, but you need to take the long view:** On the 3rd anniversary of ITC, the reality has begun to set in. Never before has so much talent collided with so much investment capital in pursuit of changing the ways and pace at which the insurance industry operates and its relevance to customers. Indeed, 1,000+ people representing 500+ InsurTechs met with 200+ investors representing tens of billions in assets and with incumbents' fielding teams of 15-25 from across the organization (i.e., not just the CVC, Digital and/or Technology teams). While the enthusiasm is infectious and the urgency real, our view is that all participants in this mass-experiment in disruption need to take the long view as truly disruptive business models will take 5-10 years to emerge and deliver disruptive value.
- 2. "Failing fast" and learning from it:** We observe at least two variants on this theme, largely personified by InsurTech start-ups and the manner and pace at which they operate and evolve
 - **Pivots:** As InsurTech startups are reaching a more mature stage and in some cases, have acquired substantial funding, we are seeing notable pivots in business model and/or value proposition. For example, companies initially focused on drone-driven property inspection have moved toward property data solutions.
 - **Vertical integration:** Many InsurTechs start-ups are expanding offerings up or down the value chain. Motivation for this transcends "revenue adjacencies"; in many cases, **InsurTechs have found their partners' performance to be hindering their own value proposition and/or ability to scale, and therefore decide to take these activities in house** (e.g. partners too slow, too expensive, not accurately representing product).

Ultimately, these moves could generate more competition for incumbents, who are far less nimble both in incubating and launching but also in assimilating learnings.

- 3. Attracting the workforce of the future:** Across both InsurTechs start-ups and incumbents, various strategies are being developed to attract top talent, which all see as instrumental to future success. InsurTechs position themselves as a "tech start-up", where tech and entrepreneurial skills are gained and portable rather than asking prospective talent to "join the insurance industry." **At incumbents**, some have created a separate digital arm at which a few talented leaders have been tasked with self-recruiting to grow their team outside of the normal hiring pools for the core business. Others have used formal partnerships with InsurTech startups to try to draw in talent.

Notably, we are also beginning to see the talent dialogue evolve in recognition that diversity is important, for InsurTech start-ups and incumbents alike.

- 4. Whose value chain is it anyway?:** The prevalence of insurance as a standalone product may decrease in the future. **We are seeing insurance increasingly embedded as a feature of broader risk prevention offerings.** Such risk prevention offerings can take many forms, such as:

- A home damage prevention offering that includes insurance as well as home monitoring (e.g. for water damage) via IoT devices
- A cyber risk mitigation offering for businesses, that includes cyber insurance as well as training for employees and a cyber risk audit

As ITC Chairman Caribou Honig noted in his opening remarks, a key question is whether the insurance industry will incorporate others **into the insurance value chain** or if insurance will be part of customer needs in a **broader value chain**.

- 5. Enhanced role for reinsurers:** As InsurTechs with innovative product design and/or distribution grow, many are partnering directly with reinsurers (as opposed to insurers, in some cases) to take the insurance risk. **Reinsurers may be natural partners for InsurTechs, as they generally have the paper and the appetite for risk, but – unlike many insurers – are less concerned with owning the customer relationships.**

As we look ahead in the weeks and months following ITC18 (after everyone catches their breath!) we expect to see significant ramp-up in activity, within incumbent organizations, in the startup garages and more importantly collaborative efforts between incumbents and startups. We do hope that this exuberance is tempered by the reality that we need to look at a 5-10-year time frame for truly disruptive impact to emerge and take hold. The pathways are murky but what is clear is that doing nothing or doing a few things in an ad hoc way are a recipe for becoming irrelevant.

- Matt and Prashanth

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You can also join the conversation at Oliver Wyman InsurTech: <http://insurtech.oliverwyman.com>