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INSURTECH 2020: US / UK / EU INVESTMENT TRENDS AND REGULATION

Scott Fischer, Andrew Ray, Nicholas Moore, and Steven Lightstone
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Outline

1. Insurance Sector Primer
2. Insurtech Market Landscape
3. Global Insurtech Investment Trends
4. US Insurtech Investment Trends
5. US Insurance Regulatory Landscape
6. EU / UK Insurtech Trends
7. EU / UK Insurance Regulatory Landscape

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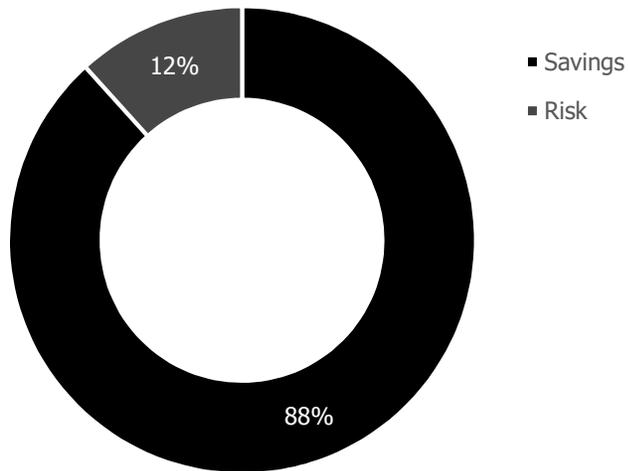
SECTION 01

INSURANCE SECTOR PRIMER



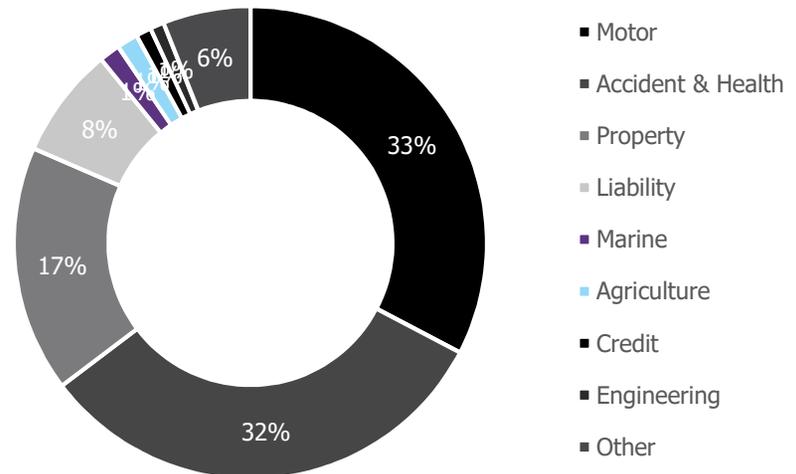
Insurance Industry Market Size

Life Insurance Premiums: USD 2.8 trillion



Source: Swiss Re Institute – sigma No 3/2019 Report

Non-life Insurance Premiums: USD 2.4 trillion



Insurance Industry Market Size

Top 10 Countries by Direct Premiums Written

Country	Premiums (USD mil.)	Growth	Global Share
United States	\$1,469,375	5.0%	28.3%
China	\$574,877	6.2%	11.1%
Japan	\$440,648	3.8%	8.5%
United Kingdom	\$336,510	5.2%	6.5%
France	\$257,963	5.6%	5.0%
Germany	\$241,485	6.3%	4.7%
South Korea	\$179,024	-1.2%	3.5%
Italy	\$170,273	6.9%	3.3%
Canada	\$127,903	5.5%	2.5%
Taiwan	\$121,908	3.8%	2.4%

Source: Swiss Re Institute – sigma No 3/2019 Report

World's Largest Insurers and Reinsurers

Insurers

Company Name	Country	'18 NPW (in bil.)
UnitedHealth	United States	\$178
AXA	France	\$103
Ping An	China	\$102
China Life	China	\$92
Kaiser Foundation	United States	\$92
Anthem	United States	\$85
Allianz	Germany	\$83
Generali	Italy	\$73
State Farm	United States	\$71
PICC	China	\$68

Reinsurers

Company Name	Country	'18 GPW (in bil.)
Swiss Re	Switzerland	\$36
Munich Re	Germany	\$36
Hannover Re	Germany	\$22
SCOR	France	\$18
Berkshire Hathaway	United States	\$15
Lloyd's	UK	\$14
China Re	China	\$12
RGA	United States	\$11
Great West Lifeco	Canada	\$8
Korean Re	South Korea	\$7

Source: [A.M. Best – World's Largest Insurers \(2018\)](#); [A.M. Best – Top 50 World's Largest Reinsurance Group \(2018\)](#)

SECTION 02

INSURTECH MARKET LANDSCAPE



Insurtech Market Landscape

Segments

- Auto
- Property
- Commercial
- Life, accident, and health

Market Players

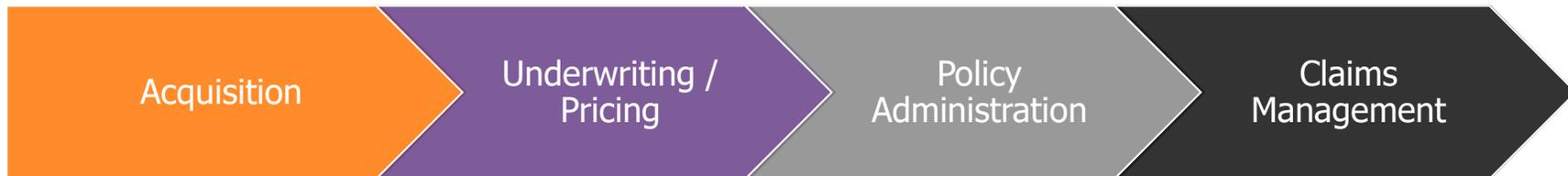
- Technology companies
- Insurers and reinsurers
- Agents and brokers
- Funds (e.g., VC, PE)
- Regulators
- Consumers (e.g., B2B, B2C)

Technologies

- Productivity
- Sensing & analytics
- Customer loyalty / wallet
- Customer interaction
- P&C
- Life & Health

Source: Willis Towers Watson Quarterly InsurTech Briefing – Q1 2020; Swiss Re Institute – sigma No 3/2019 Report

Digitalization of Insurance Value Chain



Source: Willis Towers Watson Quarterly InsurTech Briefing Q4 2019

New Technologies Impacting the Insurance Sector

Impact on business

Revolutionary

High

Medium

	<ul style="list-style-type: none"> ● Full life-cycle API management 	<ul style="list-style-type: none"> ● Digital business technology platforms ● IoT platforms ● Digital experience platforms 	<ul style="list-style-type: none"> ● Intelligent process automation
	<ul style="list-style-type: none"> ● Next generation personal health records (PHR) 	<ul style="list-style-type: none"> ● Conversational platforms ● Behavioral analytics ● Electronic health record data extraction ● Genomics and epigenetics 	<ul style="list-style-type: none"> ● Digitally-engineered underwriting ● Autonomous vehicles
<ul style="list-style-type: none"> ● Insurance wallets ● Reward and loyalty platforms 	<ul style="list-style-type: none"> ● Digital advisors ● Advanced analytics solutions 	<ul style="list-style-type: none"> ● Administration / management SaaS 	

0 to 2 years

2 to 5 years

5 to 10 years

10+ years

● P&C related technologies
● L&H related technologies

● Sensing & Analytics
● Customer Interaction

● Productivity
● Customer loyalty/wallet

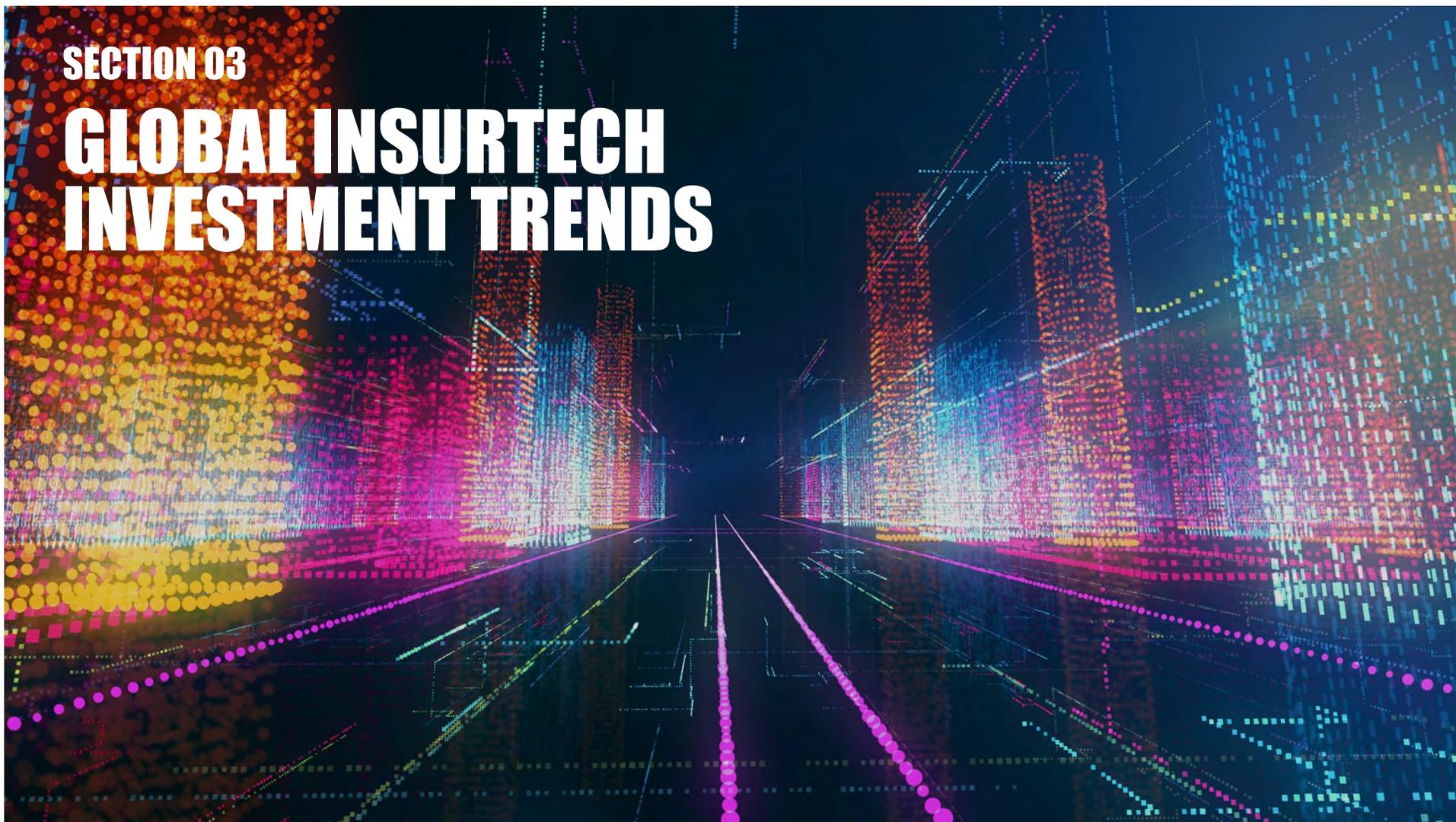
Time to impact

Source: Source: Swiss Re Institute – sigma No 3/2019 Report; Gartner Hype Cycle for Digital and P&C Insurance, 2019

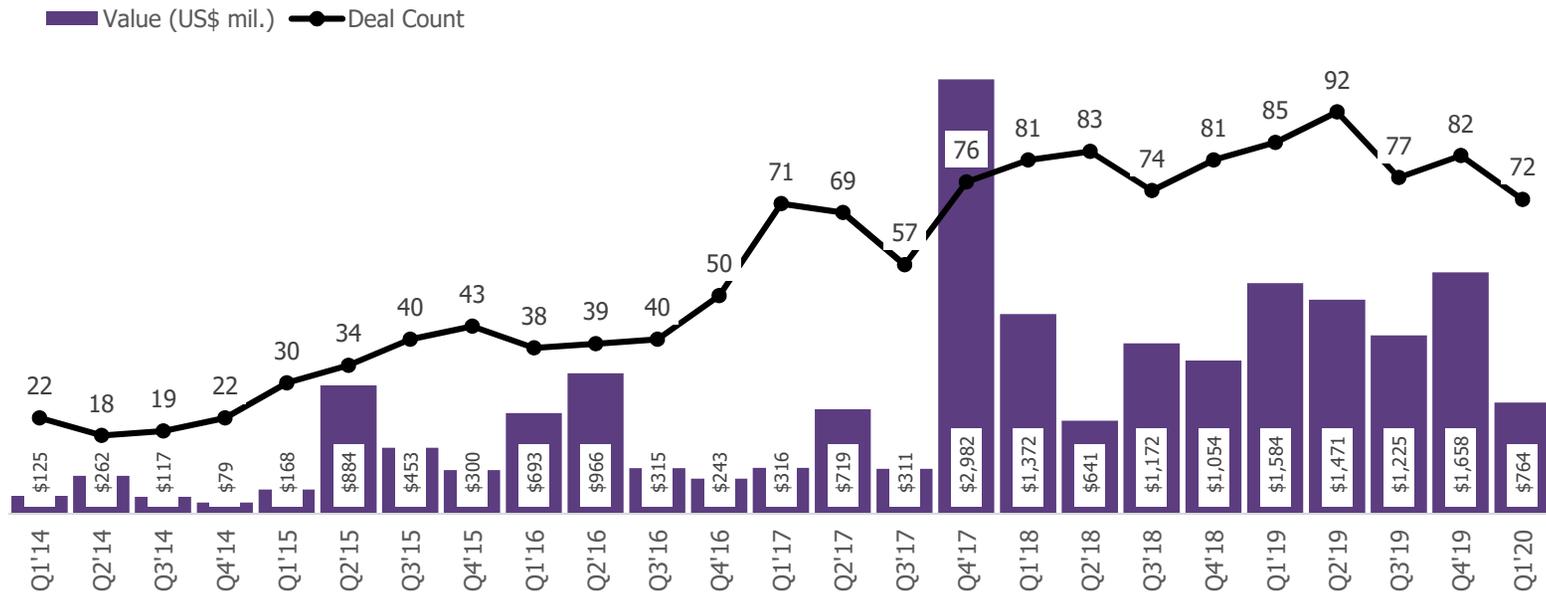
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SECTION 03

GLOBAL INSURTECH INVESTMENT TRENDS



Global Insurtech VC Funding Activity



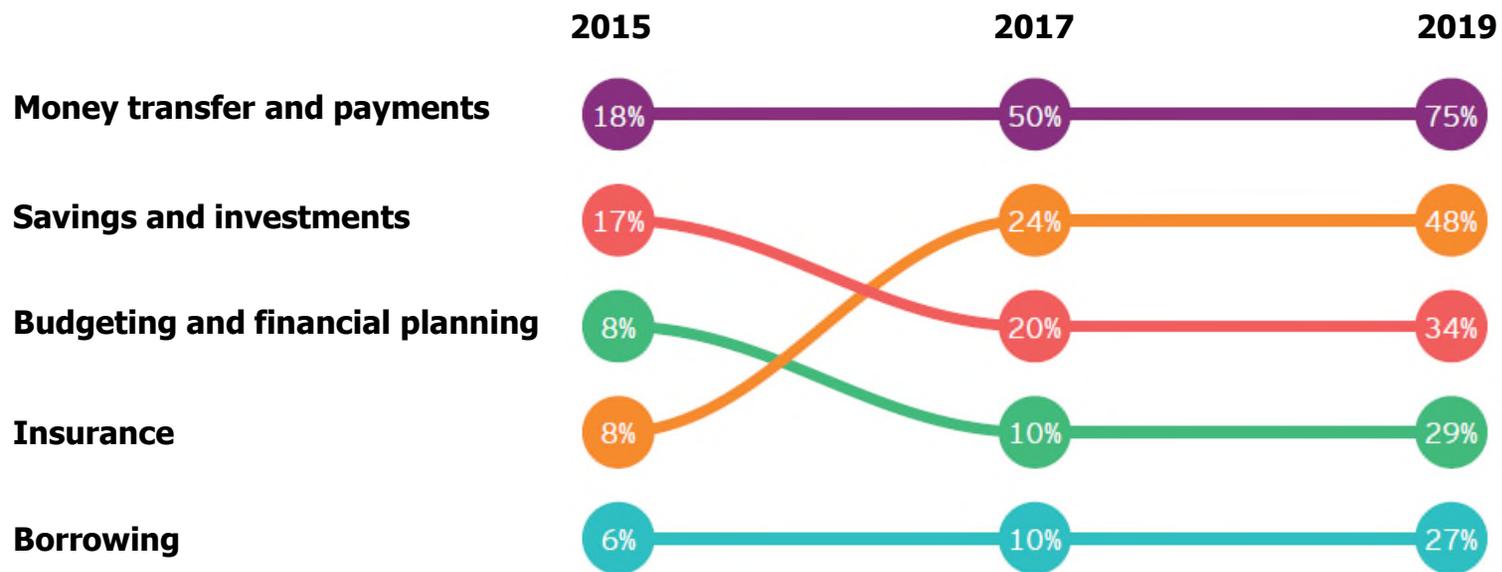
Source: PitchBook Database (1,395 deals)

Global Insurtech Unicorns



Source: CB Insights State of Fintech Q1 2020 Report: Investment & Sector Trends to Watch

Insurtech Adoption Trend



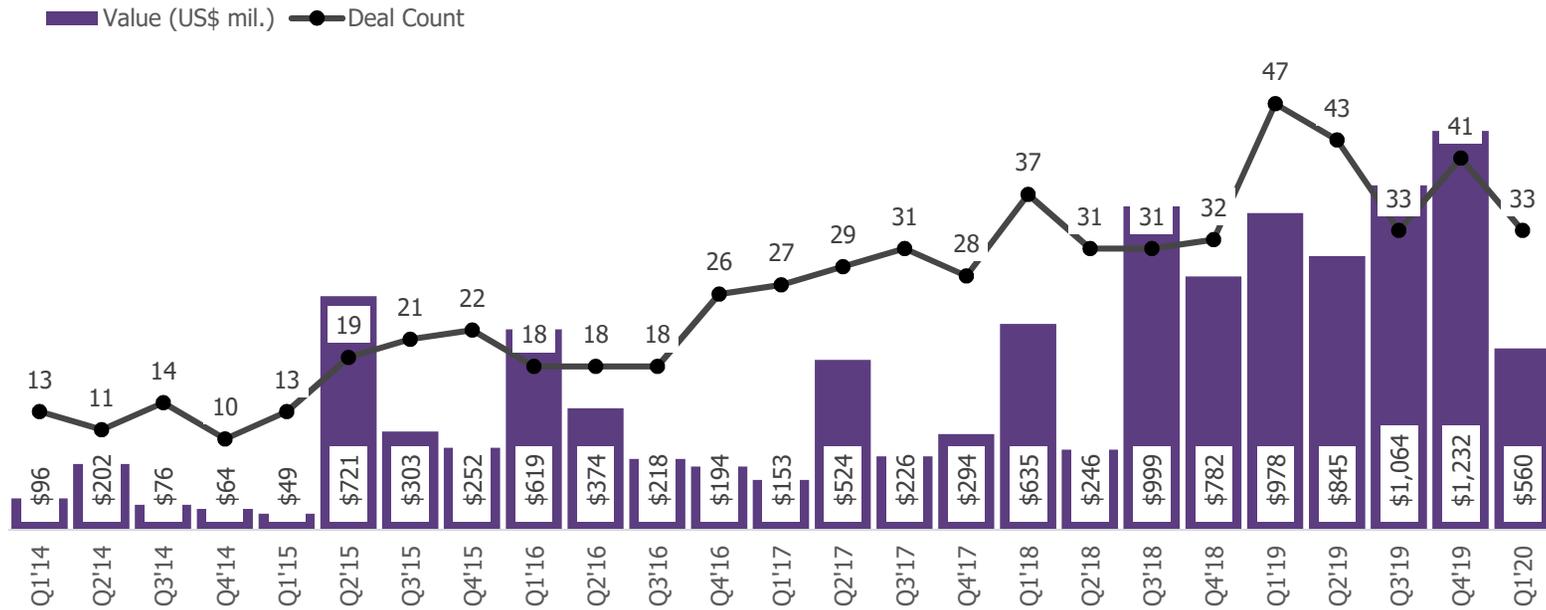
Source: EY Global FinTech Adoption Index 2019

SECTION 04

US INSURTECH INVESTMENT TRENDS



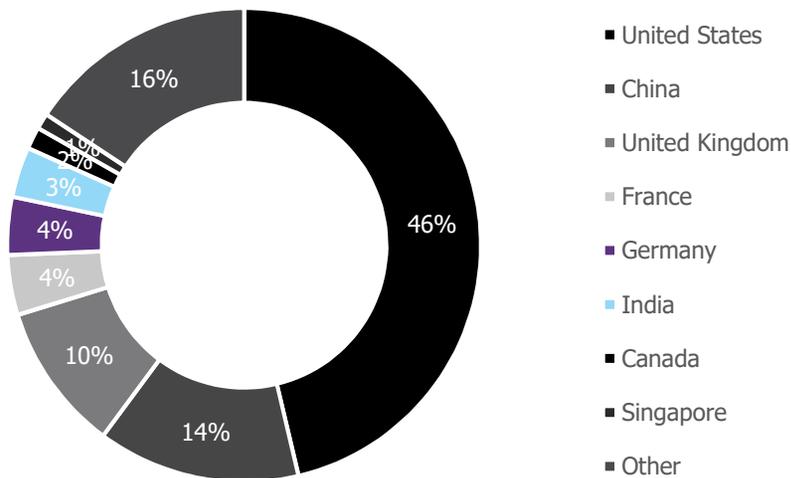
US Insurtech VC Funding Activity



Source: PitchBook Database

US Insurtech VC Funding Activity

Insurtech Transactions by Country 2014-Q1 2020 Transactions



Source: PitchBook Database

- US insurtech market captures almost half of all insurtech VC transactions
- 10 out of 12 insurtech unicorns are US based

US Insurtech Market Players and Investors

Private Insurtechs

- Bright Health
- Clover Health
- Collective Health
- Devoted Health
- Hippo Insurance
- Lemonade
- Oscar
- Next Insurance
- Root Insurance
- Zenefits

Public Insurtechs

- Benefitfocus
- Guidewire
- Majesco
- Verisk Analytics

Venture Capital Funds

- 8VC
- Anthemis Group
- Bessemer Venture Partners
- Core Innovation Capital
- Founders Fund
- General Catalyst
- Greycroft
- IA Capital Group
- New Enterprise Associates
- Ribbit Capital

Corporate Venture Capital

- Aflac Ventures
- American Family Ventures
- BCBS Venture Partners
- GV
- MassMutual Ventures
- Munich Re Ventures
- MS&AD Ventures
- Nationwide Ventures
- Transamerica Ventures
- XL Innovate

Source: PitchBook Database

SECTION 05

US INSURANCE REGULATORY LANDSCAPE



US Insurance Regulatory Landscape

Where have we been?

- Disruptors breathing down regulators' necks
- Regulators respond

Where are we going?

"Stakeholders generally agreed that Insurtech startups are not currently disrupting the industry"

Federal Insurance Office, US Department of Treasury,
Annual Report on the Insurance Industry (9/2019)

- Macro level things appear stalled
 - The big questions like Artificial Intelligence and Big Data are still being worked on
- Micro level is where the action is
 - Insurtechs have found ways to bring their products to market
 - Sorted themselves into categories:
 - Full Stack; Producers/Distributors; Service Providers
 - Far less need for regulatory change or forbearance
 - Going for "low hanging fruit"
 - Rebates/Inducement
 - Cancellation Notification
 - Policy Delivery
 - Regulatory Sandboxes

Potential roadblocks ahead

- Data privacy
- RegTech

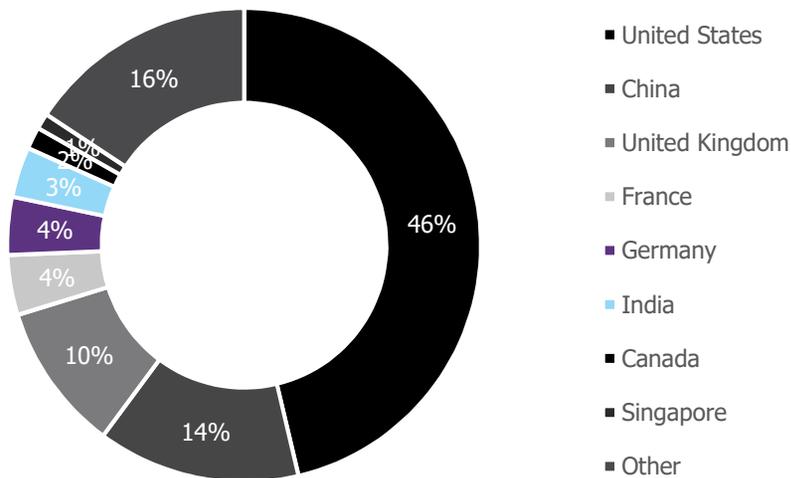
SECTION 06

EU/UK INSURTECH INVESTMENT TRENDS



EU/UK Insurtech VC Funding Activity

Insurtech Transactions by Country 2014-Q1 2020 Transactions

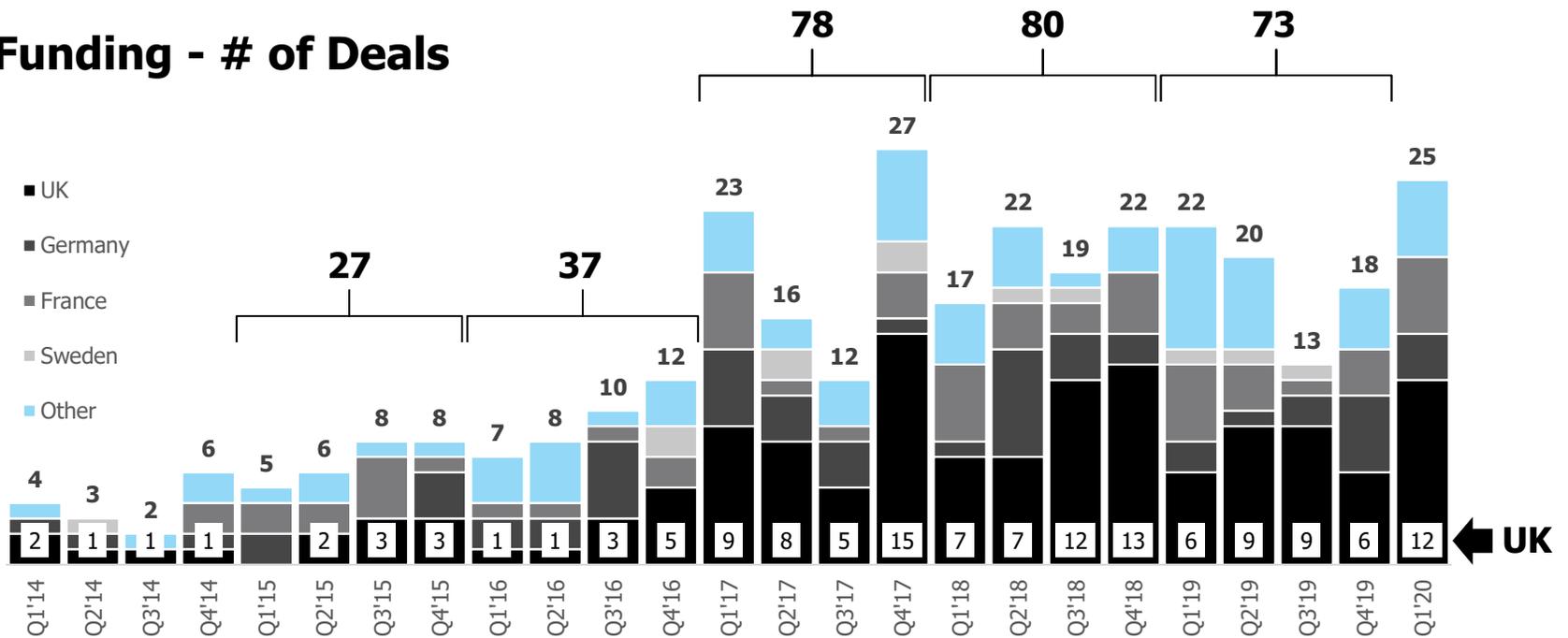


Source: PitchBook Database

- UK, Germany, and France account for 18% of global insurtech transactions and 76% of all transactions in Europe
- Annual VC funding activity in Europe has doubled in 2017-2019 compared to 2015 and 2016

EU/UK Insurtech VC Funding Activity

VC Funding - # of Deals



Source: PitchBook Database

Top 10 EU/UK VC Funding Deals by Value since 2014

Company	Country	Deal Size	Deal Date	Lead Investor(s)
Wefox	Germany	\$235M	3/2019	OMERS Ventures
BIMA	Sweden	\$107M	12/2017	Allianz X
Otonova	Germany	\$66M	11/2019	HV Holtzbrinck Ventures, Vorwerk Ventures and Debeka Group
Shift Technology	France	\$60M	3/2019	Bessemer Venture Partners
BIMA	Sweden	\$55M	4/2017	Axiata Digital
Alan	France	\$46M	2/2019	Index Ventures (UK)
FRIDAY Insurance	Luxembourg	\$44M	3/2019	SevenVentures and German Media Pool
Zego	UK	\$42M	6/2019	Target Global
PremFina	UK	\$36M	10/2017	Rakuten Capital and Draper Esprit
ELEMENT Insurance	Germany	\$33M	12/2018	MS&AD Ventures, Alma Mundi Fund and FinLeap

Source: PitchBook Database

EU/UK Insurtech Players and Investors

Insurtechs

- Alan (France)
- BIMA (Sweden)
- Keylane (Netherlands)
- RGI Group (Italy)
- Wefox (Germany)
- Zego (UK)

Venture Capital Funds

- Anthemis Group
- b-to-v Partners
- Concentric
- Eos Venture Partners
- Horizons Ventures
- Iris Capital
- LocalGlobe
- Portag3 Ventures
- Seedcamp
- Speedinvest

Corporate Venture Capital Funds

- Aviva Ventures
- Allianz X
- CommerzVentures
- HV Holtzbrinck Ventures
- MAIF Avenir
- Munich Re Ventures
- Salesforce Ventures
- Vorweck Ventures
- UNIQA Ventures
- XL Innovate

Source: PitchBook Database

SECTION 07

EU/UK INSURANCE REGULATORY LANDSCAPE



EU/UK Insurance Regulatory Landscape

EU

- Solvency II / Insurance Distribution Directive
- EU innovation hubs / regulatory sandboxes
- EIOPA thematic review of big data analytics
- EIOPA 2020 work programme: new technologies, cyber resilience

UK

- FCA feedback statement on big data analytics
- FCA 2019/20 business plan: fair pricing and access /exclusion in insurance
- AI: need for transparency and explainability

Key Takeaways

- Adoption has significantly accelerated in the last three years
- COVID-19 pandemic will fuel digitalization in the insurance sector
- Navigating insurance regulatory landscape is key to scaling up

Biography



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Scott Fischer works with members of the firm's finance team focusing on multiple aspects of insurance representations, including restructuring and bankruptcy, transactional, and regulatory matters. Scott joined Morgan Lewis in 2018 following more than six years of service in state government, most recently serving as executive deputy superintendent for insurance at the New York State Department of Financial Services, where he led several hundred employees in supervising approximately 1,700 insurers operating in New York with assets exceeding \$4.2 trillion.

Prior to taking that post, Scott was first deputy general counsel and then special deputy superintendent at the New York Liquidation Bureau, where he managed a staff of more than 200 employees overseeing the liquidation proceedings of more than 25 domestic insurers, handling thousands of claims eligible for New York insurance security fund coverage, and distributing more than \$500 million in claim payments and estate dividends. Earlier government positions include senior counsel at New York State Insurance Department and assistant attorney general at the New York State Office of Attorney General. Scott began his legal practice as an associate at a number of other global law firms.

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Andrew Ray is the leader of the firm's interdisciplinary corporate practice in Washington, DC, where he represents public and private companies, financial sponsors, and management teams in a broad range of industries, including technology, financial services, life sciences, real estate, and the not-for-profit sector. Various industry publications recognize Andy as a leader in both M&A and in technology, media, and communications law, among other fields. He led the team representing Oculus VR in its \$2 billion sale to Facebook, which was named the M&A Advisor M&A Deal of the Year.

Andy writes and speaks frequently on topics that include corporate finance, private equity, technology, M&A, corporate governance, and cross-border deals.

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Nick Moore focuses his practice on mergers and acquisitions (M&A), investments, joint ventures, strategic advice and corporate restructurings, with a particular focus on the telecom, media and technology sectors. He has spent many years advising clients on complex cross-border transactions across the globe. Nick has been recognized by leading legal directories including Chambers Global and was described by The Legal 500 Europe, Middle East and Africa as "a superb corporate lawyer."

Nick has advised clients on complex cross-border transactions around the globe, including: advising clients on establishing and investing in new jurisdictions (including China Telecom, TATA, TUI Travel, Sojitz, Hershey, Tabcorp and Global Eagle Entertainment). He has particular interest in the telecoms and technology sectors, including work for Telefónica Spain, O2, China Telecom and Virgin Connect. Nick's experience in the financial services and fintech sector covers banks, investment banks and insurers, including TSB on its separation from Lloyds, Williams & Glyn on its proposed separation from RBS and some of the largest ever transactions in the UK insurance market including the merger of Allied Zurich and Zurich Allies to create Zurich Financial Services and the acquisition by Swiss Re of GE's UK business.

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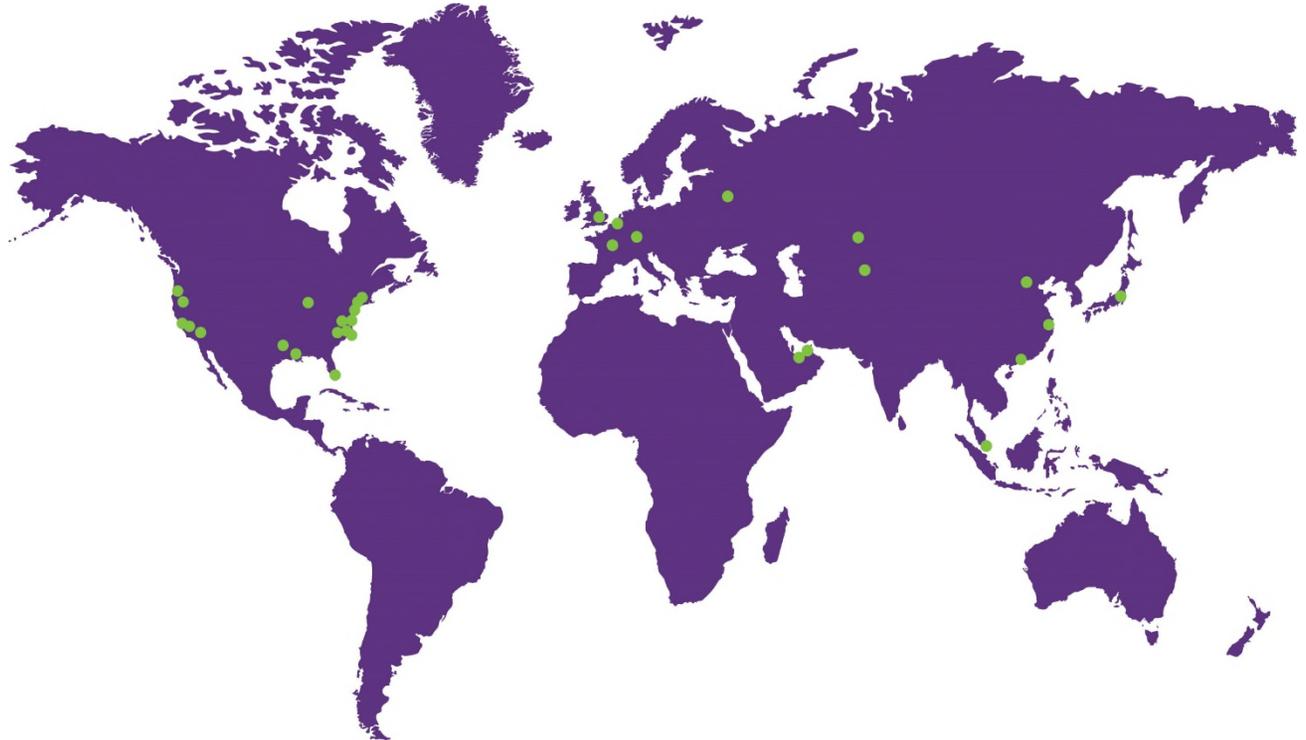
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