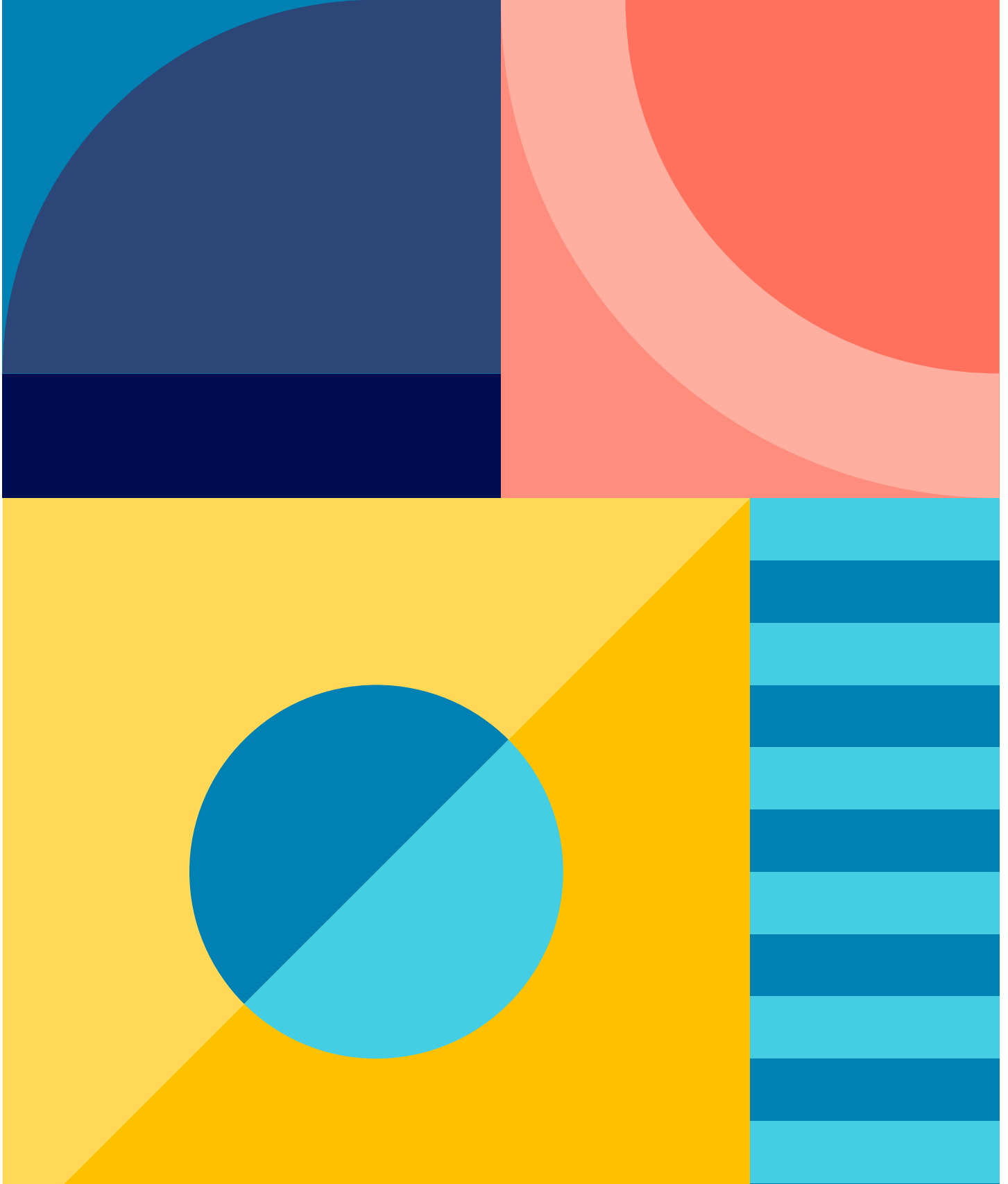


Insurtech

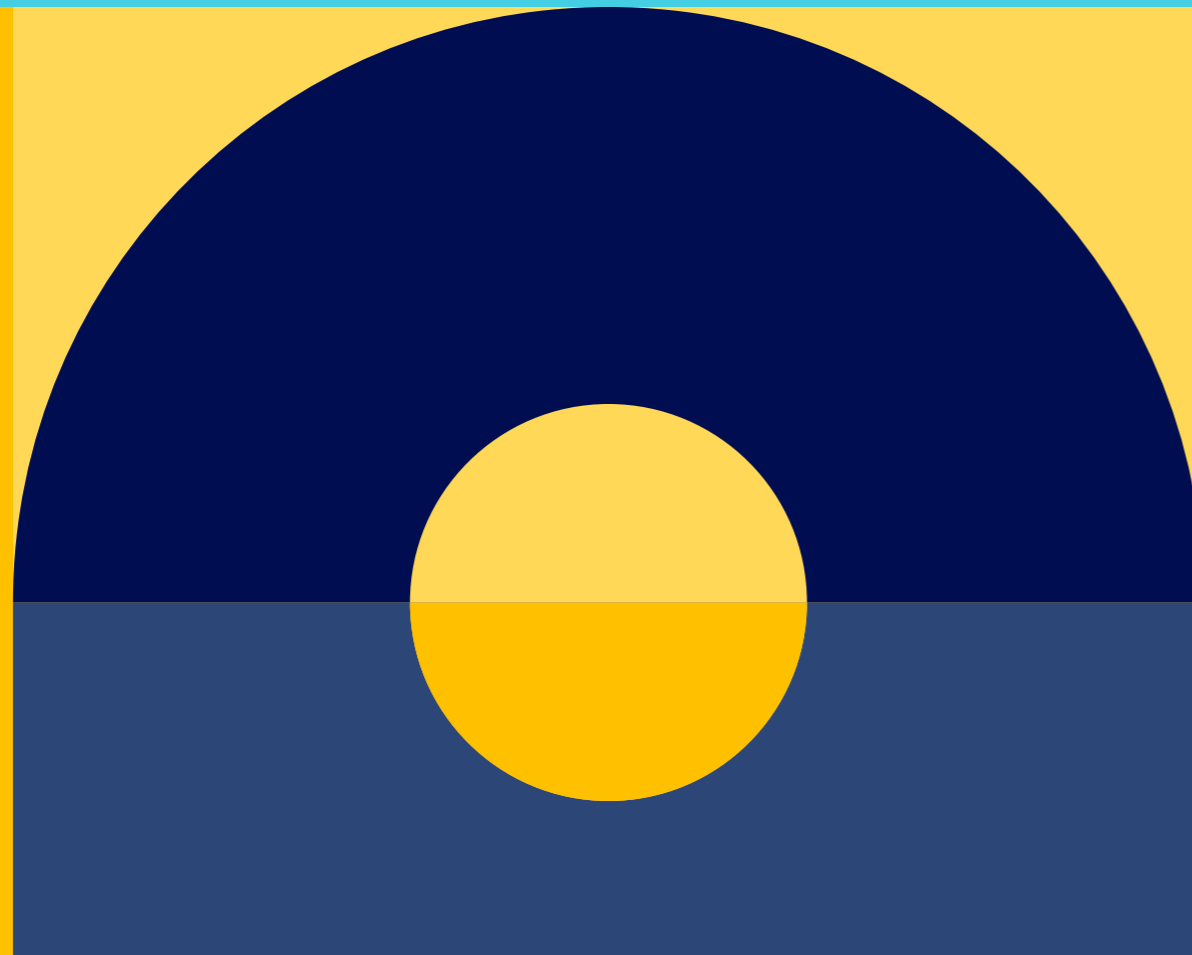
GLOBAL OUTLOOK



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The top 10 insights during 2020.



In this fifth edition of the Insurtech Global Outlook Report, we have taken a closer look at a totally atypical year from diverse perspectives.

This year, we have again delved into the 4 major areas of our previous analysis, but paying close attention to the impact of the pandemic: what happened to the investment received by the insurtechs (analysis by region, business line, technology, etc.), which companies the insurers decided to invest in, how the investment was distributed according to the different areas of the insurance value chain; and what were the main movements regarding the insurance ecosystems, from different but complementary standpoints, such as those of insurtechs and TechGiants.

2020 was a year where both insurers and insurtechs did not lag behind in mitigating all the ravages of COVID-19 in a very agile way, and made this situation more of an accelerator in their digitization processes.

In this executive summary, we present the 10 most relevant insights for insurance executives, according to our vision and exhaustive analysis on the insurtech ecosystem's activity during the past year. This will allow you to have the most complete insight on the industry possible and make the most appropriate decisions when including these ideas into your strategic plans.

The top 10 insights during 2020.

01.

Investments remained equal despite COVID-19 and reached top levels in 2020 Q3.



\$1.5B
in Q3

02.

New markets such as UBI (Usage-based Insurance) or wearables started to gain higher traction in 2020.



03.

Insurtechs that announced IPOs in 2020 were founded in the last 5 years.

2015

2020

04.

Asian insurers invested more than both European and American insurance companies combined.



34
funding rounds

05.

Insurers increased investments in startups and maintained same levels directed to insurtechs.



Insurers just represented **7%** of the insurtech's funding

06.

Insurtechs betting on service-oriented models sparked the interest of investors.



07.

Big Data and IoT-enabled insurers to shift from protection to prevention models.



08.

Distribution models changed dramatically to adapt to brokers and consumers' digital needs.



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Emerging markets were the breeding ground for ecosystems: Connected insurance.



10.

Only 3 Healthy Living insurtechs concentrated more funding than any other ecosystem.

3
companies
\$1.2B



01.

Investments remained equal despite COVID-19 and reached top levels in 2020 Q3.

In 2020, the level of investment reached around \$6 billion, which represents a decrease of only 6.25% when compared to 2019. The number of deals, however, declined by 36% from 2020 to 2019.

The concentration of funding is not only an evidence of the industry's maturity, but also of the preference of strategic investments over risky bets. More mature insurtechs received large funding amounts from late series rounds and other types of investment rounds such as debt financing and convertible notes. Regarding the early series, this represented only 12% following the downward trend since 2015.

Furthermore, the quarter's comparison showed that the 3rd quarter of 2020 reached the highest level of investments since 2010. This fact can mostly be attributed to the Super Deals directed to North America and Europe, where 6 deals alone represented more than \$1.5 billion. The six companies included in these Super Deals are: Ki Insurance, Bright Health, Next Insurance, Hippo Insurance, Ki Insurance, Bright Health, Next Insurance, Hippo Insurance, States Title and Descartes Underwriting.

The average per deal, however, reached its highest point in the 4th quarter of 2020 by reinforcing the hypothesis of the consolidation of known insurtechs and investors' preference for more mature companies this year, a trend that has been notable since 2016.



\$1.5B
in Q3



02.

New markets such as UBI (Usage-based Insurance) or wearables started to gain higher traction in 2020.



Companies with innovative business models and technology adoption have consolidated in these years and gained more traction in 2020. For instance, UBI (Usage-based Insurance), brokers platforms and cyber insurance stood out in 2020 with relevant investments and revenue announcements.

In 2020, Metromile, the car insurance company that uses data science and machine learning, announced that it will become a publicly listed company. With this announcement, the company will accelerate its growth nationwide and will scale rapidly towards a sustained profitability.

Root Insurance, the insurtech with a personalized and affordable coverage, followed the same steps as Metromile, by announcing the pricing of its IPO (Initial Public Offering). The company has full potential to disrupt and modernize the current traditional insurance market.

In addition, this year By Miles, the real-time pay-per-mile motor insurtech closed a \$20 million Series B round, a funding that will allow the company to scale for new insurance businesses. Furthermore, Buckle, the ride-hailing insurance company, raised \$31 million through its Series A round, something that will reinvent the insurance model with new sources of data to underwrite risk.

It was a similar occurrence in other regions such as Europe and Latin America, not just in the United States. Companies such as Cuvva, Just, JooyCar and Amodo in the UK, Spain, Chile and Croatia, respectively, showed evidence of how the new paradigm for auto insurance seems to consolidate and accelerate the success of UBI models in 2020 across different geographies. The observed traction is not exclusive for UBI or auto insurance, however; a similar occurrence took place with broker platforms, cybersecurity, prevention and other models that had shown disruptive trends but had not, until now, been industrialized.

03.

Insurtechs that announced IPOs in 2020 were founded in the last 5 years.



Past disruptors consolidated and became public companies or announced IPOs in 2020. These companies are valued over a billion dollars and have been founded over the past 5 years, signaling the speed to attract relevant markets in a short period of time in the insurance industry.

Root Insurance, Lemonade, Hippo, Next Insurance, Oscar Health and Waterdrop are some examples of companies founded from 2015 onwards, and which are valued at over billion dollars. These companies already possess a large customer base, have relevant market shares and reinvented traditional insurance processes, products and services, setting new standards that will continuously challenge the insurance sector with interesting initiatives.

In addition, large actors are actively exploring the insurance market and investing in these new consolidated companies. For instance we can observe investments from Tencent, Alphabet, Mitsui Sumitomo Insurance Company, Coatue and other large investors from 2015 to 2020.

Hence, actors in the insurance market should consider paying close attention to trends and enforcing flexibility and agility to keep up to date with improvements on business models and technologies. Personalized insurance, for instance, is a new standard of the insurance space that was embraced by almost all companies, but just a few players are actually a reference for that matter.

04.

Asian insurers invested more than both European and American insurance companies combined.

34
funding rounds



In 2020, insurers and their investment arms invested almost \$1.6 billion in startups, whereas in 2019 it did not reach \$1 billion. Even though the participation of Asian insurers on previous years was relevant, in 2020 they led Super Deals and overshadowed European and American insurance companies.

Regarding the Asian insurance investors, four of them led the largest rounds in 2020, concentrating over \$1.1B of the inversion. These were Sumitomo (which led Hippo's round of \$350M), Sompo Insurance (considered the second largest Property & Casualty company in Japan only behind Tokio Marine and which led Palantir's round of \$550M), Ping An Insurance (a \$190 billion worth world-leading technology-powered retail financial services group and who led iCapital's round of \$146M) and China Life (considered one of China's biggest insurers in terms of total assets with 70% and which led Vazyme's round of \$78M).

In addition, these three latter investors are active and relevant in the insurtech space. They are behind large players related to insurers like Oscar Health, Slice labs and Trov. 2020 also saw Japan and China in the top 5 countries that invested directly to insurtechs.

However, in terms of number of deals, the insurer AXA and its investment arms were the most active insurer investors, participating in 12 funding rounds and representing close to 50% of the total funding rounds in 2020. The French company diversified investments by acting in different regions and activities, yet AXA strongly favored investing in early stage startups and models related to core insurance businesses. Similarly did MunichRe, which also participated in some of the most relevant rounds, such as Next, Acko or Hippo, although focusing on late stage startups.

05.

Insurers increased investments in startups and maintained same levels directed to insurtechs.

In 2020, COVID-19 had a moderate impact on the insurtech investments made by insurers. The pandemic crisis did not stop insurers from continuing their digitization path, which confirms the hypothesis that insurer's vision on how insurtechs boost digitization and innovation for the sector still rings true. In fact, insurers and their investment arms increased investments in startups from 2019 to 2020 by 61%.

These investments reached almost \$1.6 billion, of which \$445 million were directed to insurtechs; sustaining about the same levels of 2019 (\$460 million). Furthermore, when compared to the total funding amount, the investment from insurers represented just 7% in 2020 and 2019. The remaining 93% was made up of investors such as Venture Capitals, BigCorps in Telecom and Pharma and TechGiants.

Insurers centralized most of their investments in growth stage startups, with an average of \$23 million per round in 2020. It is important to highlight that these investors preferred to fund more mature companies over younger riskier bets; consolidated companies such as Hippo Insurance, Acko General Insurance and Getsafe accounted for more than 90% of the total investments altogether.

What is more, it is evident that insurance investors focused their investment selection in preference of Cloud, Mobile and Applications technology, while preferring insurance personalization, aggregators, platforms and comparators when concerning insurance business models.



Insurers just represented
7%
of the insurtech's funding



06.

Insurtechs betting on service-oriented models sparked the interest of investors.



In 2020, those service-oriented insurtechs that satisfactorily delivered added-value to their customers notably stood out. These companies are helping to transform the insurance industry and steer it towards ecosystems. Specifically, companies in the Home, Auto and Life business lines offer their clients more services that aim to increase and improve touchpoints with clients.

Firstly, in the Life line of business, service-oriented companies like Fabric surpassed customer expectations by adding new services. For example, Fabric's free digital trust and will services and financial planning ensure customers engage with their insurance providers in positive ways.

The second outstanding business line was Auto, which offers information related to the interests of clients, while improving claims management and facilitating subscription models. Driving scoring, behavioral modeling analysis, express repair services, and mobile claims payment are helping to improve car insurance.

Finally, Home is using technology to protect homeowners and prevent the potential consequences of all types of disasters. Luko, for instance, offers home teleconsultation with experts to perform diagnosis in order to find risks such as structural failures and causes of inefficiency in energy consumption.

These lines of business increased their shares in investor preference in 2020 (*when Outliers were removed). This fact indicates that possible new opportunities are gaining relevance in those areas.



07.

Big Data and IoT-enabled insurers to shift from protection to prevention models.



New technologies based on IoT are enhancing the transition of the insurance industry from protection to prevention. Insurance companies and startups are using unique datasets and Artificial Intelligence to reduce and manage claims costs, while helping clients to prevent undesired events.

In Home and Commercial, companies like Hippo, Arturo, FloodFlash and Descartes Underwriting use prevention models based on various data sources, including sentinels to monitor the weather, water leak devices to prevent water-related damage, and aerial imaging to screen properties and assess risks.

Likewise, Life and Health took the same approach and, instead of selling insurance as an element associated with people's fear of risk, both lines of business eemed to increasignly offer additional services and products to help customers in health prevention. Wearables, diagnostic tools and wellness apps are three of the top trends in 2020. In addition, Auto leverages the insights it gains on people's driving habits to help customers develop better driving habits and alert them to road risks, reducing accidents and activating policies. Cross-technologies support all business lines for claims; from automation to smart sensors to monitor the weather, these technologies are improving the customer experience when managing claims and are also increasing the efficiency of claims management and its processing for businesses and insurtechs.



08.

Distribution models changed dramatically to adapt to brokers and consumers' digital needs.



One of the most visible effects of COVID-19 has probably been the fact that all kinds of companies have had to carry out their activities online as much as possible. This has been the case of small and medium-sized companies (SMEs), which have also had to start managing their insurance through online channels. In this sense, it is worth highlighting the increase in investment received by companies in the Business Shield ecosystem: second by investment, with \$1,2 million.

In this field, examples are especially relevant, such as those of American companies like Next Insurance, a 100% online insurance company, or Pie Insurance, the simple and accessible insurance for workers, which received \$250 and \$127 million respectively in 2020. There are also cases in other regions, such as the Spanish SingularCover, a startup that illustrates the growing appetite for this insurance model in Europe, although in this case the investment received was of only \$5 million.

These platforms, designed for these SMEs and self-employed workers, allow the configuration of personalized insurance directly from the web, by incorporating the capabilities offered by comparators and aggregators. As such, these professionals can issue and manage their policies without the need for a broker to carry out these procedures.

09.

Emerging markets were the breeding ground for ecosystems: Connected insurance.



Some of the Asian players have been understanding the concept of ecosystems perfectly for years. This is mainly as a result of this region having access to the three variables required to boost ecosystems: large populations, tech adoption and low insurance penetration.

As a matter of fact, there are quite remarkable examples, such as Ping An, a company that defines itself as a world-leading technology-powered retail financial services group, with more than 210 million retail customers and 560 million Internet users. The company creates its own ecosystem by providing services within a financial services supermarket, where consumers find all their financial needs through one account and by having frequent interactions with customers in a positive manner.

In these huge markets, there is a high level of digital adoption by users and generally a very low insurance penetration rate (1%, whereas

a consolidated market reaches nearly 5%), which makes these B2B2C business models work remarkably well for insurtechs or insurers, embedding insurance (microinsurance included) in the channels of other actors (retailers, airlines, ...). This allows a new digital distribution to be carried out that reduces items such as the cost of customer acquisition.

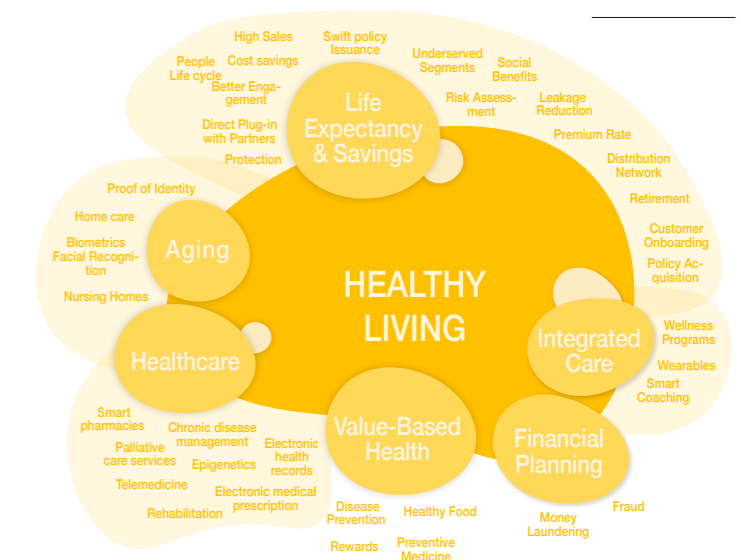
These connected ecosystems also produce other types of improvements, such as generating a better customer experience or direct access to end-customer data.

Further noteworthy examples in the Asian continent are Chubb and Grab's agreements (Ride-hailing company from Singapore); JD (Retailer from China) and Qoala (insurtech from Indonesia); Pasarpolis (Indonesian insurtech) and Gojek (Indonesian on-demand multi-service platform and digital payment technology group); or the Acko and Digit models in India.

10.

Only 3 Healthy Living insurtechs concentrated more funding than any other ecosystem.

3
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\$1.2B



Health care in one of the trends at a global level, and this is reflected in the investment received by startups in this field. In fact, this year 3 companies, the American insurers Bright Health (US \$500M), Oscar Health (\$380 million) and the Chinese Waterdrop (\$365 million) obtained financing of \$1,245 million, which is greater than the combined sum raised by the companies from any of the other ecosystems: Business Shield (US \$1,280M); Home Safe Home (US \$ 910M); Distribution (US \$861M); Technology (\$701 million); and Smart Mobility (\$369 million).

The considerable interest that exists in two territories is also plain to see: the United States (with 45 of the 68 companies analyzed and \$1.4 billion) and Asia (11 companies and \$437 million). Europe, on the other hand, registered 18 companies with an investment of only \$116 million. This is in response to a need for constant

innovation in a landscape monopolized by a private healthcare model, as in the case of the US, whereas Asia is a consequence of the growing improvement in people's quality of life and their increased purchasing power.

These companies are being investment in by TechGiants such as Alphabet, Tencent, Amazon and Baidu, responding, in most cases, to previous investments (Alphabet's investment in 2018 in Oscar Health for \$375M). It is also an effect of past operations of these corporations with companies in the wearables market (Google's acquisition of Fitbit), pharma (Alibaba's health division investment of \$1.3B in the development of its online pharmacy business or Tencent's strategic agreement with Merck in 2019), or biotechnology (Rakuten Medical's precision research therapies).

