Autumn 2018

THE INSURANCE Insider

INSURTECH ROUNDTABLE 2018

Evolution or revolution?

Reinsurance is engaging with InsurTech to tackle disruption head-on, but the pace of change varies across the industry

Insight and Intelligence on the London and International (Re)insurance Markets
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Leaner and meaner

InsurTech – it's the buzzword of the past 12 months. Everyone in the (re)insurance industry is talking about it, but does anyone really know what to think of it?

So many of the InsurTech start-ups to date have focused on personal lines, addressing the end consumer and changing the way they think about purchasing their insurance.

This has bought the commercial insurance and reinsurance markets some time to think, although they know that these start-ups will, too, soon come knocking.

But will the advent of tenacious young entrepreneurs – and the millions of dollars of venture capital that chase them – actually result in a wholesale change for this complex and convoluted industry?

Many feel that reinsurance, in particular, has a stronger immunity than other areas of the industry against disruption from technology, given its relationships-driven business model and the huge numbers involved.

This argument is strengthened by recent moves from reinsurers to invest significant amounts of money in InsurTech start-ups, positioning themselves in the role of business partner rather than competitive threat.

But can any reinsurer afford to be complacent?

Perhaps the answer lies in what you believe the reinsurance industry will look like in the future.

There seems to be consensus among reinsurers and their broker partners that the industry must be leaner if it is to survive. Technology can certainly play a major part in that ambition.

But the scenarios envisaged by our InsurTech roundtable at Monte Carlo were far bigger than simply operating a lower cost base.

Could the industry see further securitisation of risk, which, when backed and powered by the latest technology, could create another trading revolution like the one seen by the derivatives market in the late 1990s?

Could risk modelling become so sophisticated through the use of big data and high-powered computer processing that the human element of underwriting is vastly diminished?

Or could ledger technology such as blockchain work to enable and empower the existing players in the market to such an extent that they are able to price risk more efficiently and accurately than ever before – potentially even better than the models?

Two schools of thought emerged from the discussion held in the south of France.

The first was that reinsurance and its use of technology will evolve gently over time, moving and working together to transform the industry as we currently know it.

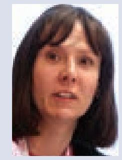
The second was the industry will experience a 'black swan' event – a sudden explosion in the use of technology that will tear up the rulebook and force a drastic change in the way the reinsurance market goes about its business.

A heated debate was had during the roundtable where some big, bold ideas about the future of this industry – and how technology plays a part in that – were debated intensely, and at length.

Perhaps some of those ideas may not resonate with everyone, but they are certainly worth taking the time to mull over.

Catrin Shi
News Editor
The Insurance Insider

Roundtable participants



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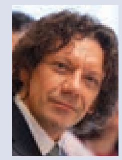

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Partner, Drinker Biddle & Reath

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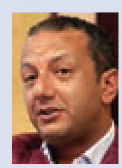
President, State National Companies



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InsurTech Roundtable 2018

Catrin Shi
John, could you explain why we're all here today and what you'd like to get out of the discussion?

John Finston
We're going to focus on how InsurTech might affect the reinsurance markets and what opportunities there might be.

To date, there has been a lot of discussion about blockchain in the reinsurance world, and there's still a lot of confusion as to how it can be useful. There needs to be more education and more of a case made for the applicability of blockchain.

One of the other things we've seen in the reinsurance context is reinsurers being major investors in InsurTech. Sometimes it's a pure investment play, but sometimes it's also a foray into keeping track of the development in technology.

At the beginning, the focus was more on the delivery side, but now we're starting to see more focus on the use of big data, and the use of some artificial intelligence, or at least machine learning, in the underwriting area and also in claims.

Catrin Shi
Will we see InsurTech companies looking to disrupt the reinsurance market – and is this feasible given where reinsurance plays in the value chain?

"Are you going to see other big areas of the reinsurance business being disrupted in the way that disruption really means? I don't think so"

Adrian Jones

Adrian Jones
Portions of the reinsurance market have already been disrupted by technology, mainly in the form of ILS. When Florida rates continue to go down after a loss the size of Irma and you ask why is that – it's because so much capital has come back in through ILS. That to me is a form of financial technology. Now are you going to see other big areas of the reinsurance business being disrupted in the way that disruption really means? I don't think so.

Steven Jones
While it is fundamentally difficult to forecast the genesis of industry disruption, some perspective is helpful. Our take on this is even if you look at the overall InsurTech landscape, in a recent assessment of over 2,000 companies, we identified less than 5 percent of all companies were 'full-stack' carriers offering end-to-end insurance capabilities. So in the grand scheme of all of things InsurTech, it's currently a relatively small portion one might describe as directly disruptive to (re)insurers. More commonly, InsurTech companies are focused on partnering with (re)insurance carriers, where there are inefficiencies in process and opportunities in growth, rather than disrupting and trying to steal market share. We may see disruption coming more from incumbents out innovating and partnering the other incumbents.

Matteo Carbone
Disruption is more a clickbaiting title used in articles. I agree with the two gentlemen before me. I don't see any sign of disruption but I believe that all the insurance players, even the reinsurers, will be InsurTech – meaning they will use technology as a key enabler for achieving their strategic goals. I don't see new players that will kill them off.

David Flandro
May I just disagree with this cosy consensus? I don't mean to be obstreperous, but of course the reinsurance sector can be disrupted by InsurTech. You are all correct that insurance and reinsurance companies have played a much bigger role in InsurTech since 2013. The proportion of deals involving traditional carriers has been rising, and there are many different areas of InsurTech – from underwriting itself, to operations, to AI, to machine learning, to blockchain, to using reinsurance as InsurTech financing.

But we shouldn't take our eye off the fact that there are InsurTech companies out there clearly trying to disintermediate us, and they very well could. The most important thing is to make sure we have the best technology to service buyers of reinsurance.

Rafal Walkiewicz
I would take it even further. The reinsurance industry is the most likely to be affected by technology in profound ways. Reinsurers pool capital for diversification and act as

a financial backstop – it's a gross simplification, but this is the primary purpose of the industry. If we agree with this simplification and then consider what happens when we combine ILS and technology – we are essentially enabling point-of-sale securitisation of risk. If this happens, and you have direct placement of insurance risk to the capital markets, the primary purpose for the existence of the industry disappears. Capital markets portfolio will by definition benefit from diversification more than reinsurers.

David Flandro
And don't forget the massive pressure that's on insurance and reinsurance companies everywhere right now to lower expenses. If there's a way to do that in a more efficient way, the sector will try to find it, no matter what.

Matteo Carbone
Looking at the debt angle, only from a capital perspective, you are underestimating the reason, because today there are large numbers of people inside the reinsurance sector who are underwriters or actuaries. It's not casual; it's not a transparent market where you are evaluating the financials of a stock. That angle has to be considered.

Rafal Walkiewicz
That is a fair point; however, I view it as alpha versus beta and the market has and will continue to move towards beta. There will be risks that will be underwritten, packaged and made into traditional reinsurance portfolios, but the vast majority of the future market will be just the beta trading.

Hatem Jabsheh
I was part of the trading revolution in the US securities and derivatives markets from the late 1990s all the way to the late 2000s. So when our board mandated me in 2012 to upgrade our IT, I compared it to what I saw in the financial market and I realised how behind the industry was when it comes to technology. The industry was still living in a bubble where they believed that assureds needed them, hence, no need for change, which in my opinion is very arrogant.

We have to convince the clients that insurance is an asset, rather than an expense. Technology will enable that to happen because you can make the client an owner of the insurance purchasing process and at the same time the reinsurer can upsell and give them greater coverage. When you talk about blockchain, InsurTech and AI, our end goal is the client being happy that they are buying insurance. This is what these players in Silicon Valley, Frankfurt and New York are trying to do: giving power to the end consumer.

Matteo Carbone
They're giving them cheaper product.

Hatem Jabsheh
But that's the power. They're giving them the ultimate power and it's going to upend our business model. Before we discuss InsurTech and its influence in the industry, people have to understand the way the business model is being disrupted right now with the alternative capital markets, ILS, hedge fund reinsurers.

David Flandro
Yes, and don't forget that cat is only a small part of the total market. Global catastrophe reinsurance premiums are about $22bn; global reinsurance, including life and non-life, is $265bn, so in terms of premiums, cat is less than 10 percent. The rest of the market is yet to be disrupted in this way.

> "We have to convince the clients that insurance is an asset, rather than an expense. Technology will enable that to happen"
>
> **Hatem Jabsheh**

Catrin Shi
We've talked about efficiency. You can use InsurTech to shorten the value chain, which is what everyone in (re)insurance is trying to do. Are there any InsurTech options that might create alternative ways of risk sharing?

John Finston
One thing I see a lot of people investing in is making the risk more transparent, to open up the possibility of using technology to create different markets.

If you have either a blockchain or you use technology like artificial intelligence or machine learning, combined with the transparency of the data, to better understand the risk, then you really open up the possibility of using technology to create different markets and different opportunities to trade on and aggregate your capital.

I look at it as being more evolutionary rather than disruptive, because they still have to rely on the same data that the insurance marketplace has developed and access the same people who are participating in the market right now.

Rafal Walkiewicz
We have this conversation all the time about how to securitise unmodelled risk. It's the wrong question because the answer is to just model it. InsurTech actually helps with modelling everything around us and when you have technology combined with distribution you have the ability to aggregate credible data that you believe in and that you can do something with.

"An aspect that will become more relevant in the future of some commercial lines is that tech player who already has the customer base and the data about how they are performing"

Matteo Carbone

David Flandro
I understand the allure of just modelling everything better, and more power to those who try. But I wonder if an efficient market with multiple players enabled by, say, blockchain could come up with better risk pricing, faster than the proverbial guys in lab coats in San Francisco using models.

What I am asking is whether we are approaching the point – at least in certain business lines – where blockchain and digital technologies create a liquid market for risk in which it's no longer the cat modellers and actuaries determining pricing; it's traders.

Matt Freeman
The common theme underlying this discussion is that as transparency increases, it will provide a deeper, more consistent perspective on risks. With transparency, risks may be analysed and priced differently by varying constituencies, whether actuaries in the traditional insurance market, or securities traders, or developers from Silicon Valley InsurTechs.

However, the transparency, combined with those varied perspectives, could ultimately create an increasingly efficient pricing mechanism.

David Flandro
So it becomes a secondary market, where more of the risk leaves the liability side of the balance sheet and becomes a tradeable asset – it's a security out there in the market whose price is determined by a range of market participants. This has not yet happened because the hurdle for the reinsurance market has been that it is very small, and compared to the bond market, very illiquid.

One of the reasons why the current system has persisted is because traditional reinsurance renewals have always been the most efficient way to trade reinsurance risk.

Hatem Jabsheh
The traditional reinsurance market has been illiquid because the traditional reinsurance market always believed that it is the only place you can price risk. If you go and talk to my London underwriters, they say you can't do what I do. And I say, if I can do 70 percent of what you do by machine, and then I have you interacting with your machine, isn't that more efficient? With machine learning and artificial intelligence over the next five, seven, 10 years, if we do get to the point of quantum computing and all that, that's all going to go.

John Finston
What's the value proposition that a traditional reinsurer brings? They have the knowledge, they have the data – and it's basically their own data. But InsurTech and the use of technology is really going to open up that data to more people. So more people are going to have the information they need to make those underwriting decisions.

David Flandro
Matteo, you have started a company that has undertaken growth, perhaps by finding a more efficient way to achieve this than traditional carriers. What do you think?

Matteo Carbone
Archimede, our initiative, is focusing, with the new carrier, on a specific opportunity in the Italian market: the bancassurance distribution of property-casualty products. In the Italian market, the growth of the distribution channels in the past five years shows direct insurance is pretty stable or slightly declining. Bancassurance has grown from 5 percent to almost 9 percent in four years.

The mid-sized banks don't have their own captive companies, so we want to work with these small and mid-sized banks and bring them, at the beginning, basic products. The ambition is to leverage technology to provide them tools to sell better to their clients and, in a couple of years, innovative products also.

David Flandro
Leveraging data and technology with risk management is key. One example is kWh Analytics, which, with JLT Re, created a risk transfer product last year to insure the energy output of solar panels. By entering into a relationship with a global insurance company, kWh were able to provide a solar revenue pot which reduced the risk of loss for lenders, thereby lowering the cost of financing. This was able to happen for at least two reasons: first, kWh have an industry-leading solar energy database. Second, the insurer had the technology and the acumen to process the data and underwrite the risk in a way that traditional capital providers did not. The result was $100mn in insurance coverage and greater liquidity in the solar energy industry. It wouldn't have happened without all three constituencies playing together, using data and innovating around risk financing. And there are going to be more transactions like this that straddle big data, technology, underwriting, and financing.

Matteo Carbone
An aspect that will become more relevant in the future of some commercial lines is that tech player who already has the customer base and the data about how they are

performing. Someone could transform them to an MGA and this way they are able to sell to a customer base an insurance product that was really tailored to their need.

Hatem Jabsheh
I agree. (Re)insurance companies do need to find customised solutions for their clients. We did this in our terrorism coverage. We created a product two years ago called denial of access, for when you have an explosion or some unforeseen event and an area is cordoned off so all the businesses on the site lose money. I'm not saying the reinsurance industry does not have its benefits; just that our idea of how we operate has to change, and technology is an enabler of that.

David Flandro
There are two schools of thought here at the table. One of them is the idea that the reinsurance sector is going to evolve relatively gently over time and is going to transform but that (sigh of relief!) we're all going to be part of it.

The other is that there's going to be a black swan and we're going to have something like what happened in the capital markets. (I too traded derivatives in the 1990s.) It's going to change completely and we're going to be in a market where everything is securitised and we're going to have liquid securities and traded risk. The reality of what happens is going to be somewhere in between.

John Finston
That's one of the reasons I say it's going to be evolutionary. What we're going to see is continued inroads or opportunities like the ILS market. In the mortgage market, Freddie Mac has developed new products that allow for the securitisation of mortgage insurance. And they're cutting out the traditional market, which used to insure that risk, and accessing capital directly in the financial markets.

David Flandro
Fintech investment skyrocketed from about $2bn in 2010 to over $20bn today. In InsurTech, the investment has so far been lower by degrees. We're still decidedly in the low single-digits. The majority of increased FinTech investment has been in the retail market with, for example, robo advisers. There is obviously a large and important retail insurance sector but, with some obvious exceptions like gap insurance, telematics, and expense and agency cost reduction, the potential field seems smaller than it was in, say, retail investment management. Does anybody think the gap between InsurTech and FinTech is going to narrow?

Rafal Walkiewicz
Does it really need to close? Insurance is just trading risk; the same tools apply. And you were talking about robo advisers – it's an interesting product, but the real trend behind it is what we are talking about here, which is better access to data, more efficiency of the market, and the broader financial markets moving more towards beta trades. The same thing is going to happen to insurance.

John Finston
You might start seeing deconstructed risk that can then be sold. Because what reinsurers do is, to a large extent, aggregate risk.

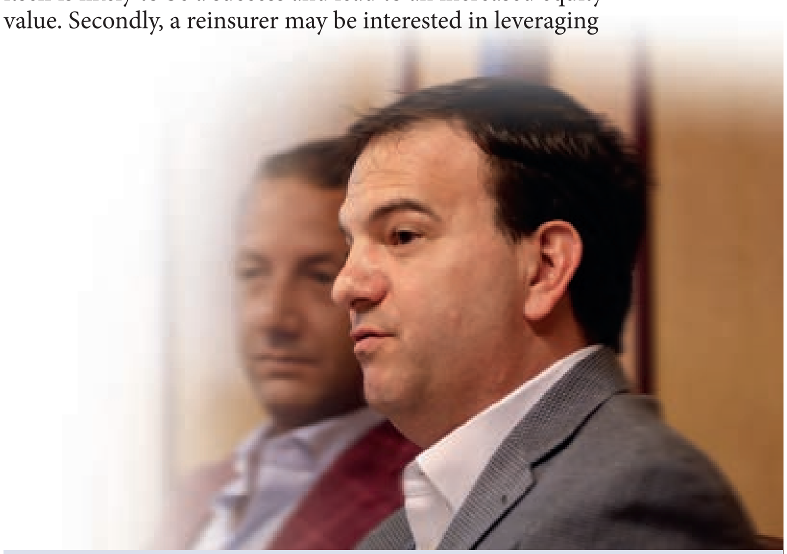
Adrian Jones
We're all going to be retired before this actually happens!

Catrin Shi
Can I come back to the investment point, because that is one way reinsurers are really getting involved in the InsurTech market. Will reinsurers keep investing in the InsurTech market? How much of a part do reinsurers have to play in narrowing the gap between FinTech and InsurTech?

David Flandro
I can show you a chart right here: insurers and reinsurers now comprise about 50-60 percent of all InsurTech investments. This is up from less than 10 percent as recently as 2013.

Adrian Jones
I want Matt's opinion on this as well. Because the question on the page is slightly broader, which is what's the attraction for insurers to provide cover to InsurTech start-ups? For us, it's building a customer. When we are helping to develop a new company that will probably purchase some reinsurance (at least at first), and we set up some equity investment, and both elements can change over time to suit the company. We are building a customer, with a focus on companies that have a good eye towards profitability, which not all InsurTechs have so far.

Matt Freeman
My perspective is that reinsurer interest generally falls into one of a few different categories. Some reinsurers are predominantly focused on the "venture capital" aspect of an Insurtech opportunity. That essentially means their interest is driven by the expectation that the InsurTech's business itself is likely to be a success and lead to an increased equity value. Secondly, a reinsurer may be interested in leveraging



"Some reinsurers are predominantly focused on the 'venture capital' aspect of an InsurTech opportunity"

Matt Freeman

"We're seeing more InsurTech companies being started in Asia Pacific, Continental Europe, the UK, and in other developing regions"

Steven Jones

the company's technology directly within its own operation, as a primary way to capture value from their investment. And, ultimately, other reinsurers will be more interested in investing in an Insurtech to enable better direct access to provide capacity for the business it produces because they believe it to be a superior platform to generate attractive underwriting results.

John Finston
I'd add one more category, because we've seen a couple of our clients who are investing in the technology itself, or at least accessing the technology, to keep on top of where the market is going and where technology is going within the market.

Steven Jones
What I also see as an interesting trend is that the investment in and the founding of new InsurTech companies is starting to migrate away from North America as a percentage of the total. We're seeing more InsurTech companies being started in Asia Pacific, Continental Europe, the UK, and in other developing regions.

Rafal Walkiewicz
If you look at the market, you have two sources of investment: incumbents, or the insurers and reinsurers, and financial capital. If you look at the sub-sectors of the industry, at the size of the investment and what round people are investing in, it's very clear. Early rounds mostly involve insurers and reinsurers and sub-sectors that are actually fairly advanced in their evolution; in later rounds, it's mostly financial capital and the subsector of life and health. So, the truly big ideas that can change the world, and that are usually funded by VC, will continue to be funded by VC.

Steven Jones
We talk about FinTech and InsurTech as these classifications of this new thing, but the underpinnings of FinTech and InsurTech generally are data analytics and technology. Certainly, a proliferation over the last few years of different types – like the concepts of blockchain, IoT and AI. So, if we go to Matt – how much have you spent on technology over the past 20 years?

Matt Freeman
Certainly, a substantial amount over the years, as technology has become a critical strategic investment that all successful companies need to address effectively.

Steven Jones
And that's improving the underwriting systems and claims and policy admin systems. A lot of money has gone into technology to improve the efficiency of (re)insurance companies, before we called it InsurTech.

Matt Freeman
That's an important point. Often, industry terminology like 'InsurTech' assumes we are talking about an entirely new kind of business. In reality, and to John's earlier point, I think what we're seeing is more of an evolutionary development for the industry.

Generally speaking, the insurance industry has been slower to adopt technology-driven efficiencies and capabilities than others and we are now beginning to see our industry looking to catch up, while more fully embracing the benefits that can be derived from that transition. As a result, we are in a very exciting phase of potential growth and change for the industry that has great promise, but certainly isn't without its challenges. Those change agents that are able to harness the power of technology and create more efficient and better insurance outcomes and user experiences will be key leaders in our industry's future.

Catrin Shi
Coming on to blockchain, any thoughts about where in the reinsurance business model and operating systems it could be most effectively used?

Matteo Carbone
As of today, there are two things where that kind of technology can have a material benefit – one, efficiency, and two, compliance. It's a tool that fits well with the compliance needs.

Catrin Shi
So, compliance by the transparency that blockchain provides, you mean?

Matteo Carbone
I'm thinking about the ability of the technology to register what happens. So one of the recent areas I was scouting was IDD. This new European regulation is adding new requirements not only on the product development but even on the distribution. That it is an area where the sector can solve some of the challenges today about how to give accountability around what happens when they were selling the product.

John Finston
Marine is one area where it's making some progress, but when I look at blockchain, one of the issues that still needs to be addressed is data integrity, even in blockchain, because it's the integrity of the input at the beginning. You have a record that is basically inviolate, but is the initial input valid? So, the areas where blockchain will actually be valuable is where there is less opportunity for manipulation of that input.

Hatem Jabsheh
Where people are missing the mark when it comes down to the private blockchains is data security. The misconception that people have of blockchain is that it's not hackable. There are two parts to the blockchain. There's the transaction part where you actually create the block of multiple transactions, and that is not hackable. But then there are the private blockchains that are hosting this data somewhere – it's not distributed.

In our research into blockchain we're trying to figure out where the industry would adopt it and where it would go. But no one has solved the data security issue.

David Flandro
Blockchain, as it stands, can make the auditing of risk better than it has been. Whether or not it enables better risk quantification goes back to that question about garbage in and garbage out – you've got to start with good data and have disciplined data analytics.

But let's not forget that this was created for a crypto-currency and we're trying to apply it to everything. It's not going to solve all of our problems.

Hatem Jabsheh
What blockchain does is create more transparency and more automation. I agree with your point about garbage in/garbage out, but electronic messaging over the past 10 years has become more accurate and people have looked at making the data more accurate. The next evolution is something like bureau or ACORD messaging put into the blockchain.

Rafal Walkiewicz
For the evolution or revolution – whatever you want to call it – to happen we as an industry need to move towards standardisation. It's very difficult for people in any industry to come up with a standard method of communication – especially one that has the potential of actually being implemented by the broader industry and that would greatly accelerate the processes that we are talking about here today. Blockchain can become the standard.

Adrian Jones
Matteo, what are you seeing with IoT and sharing of information from insureds? In large commercial, for instance – like insuring a $1bn factory for an auto company? Would they give up data from their robots to get better pricing?

Matteo Carbone
The kind of scepticism that has come out around the table can be the same for the company about to share data about their processes.

Because, coming back to the point about how to address commercial lines with innovation, for an insurer to go through service providers that already have the trust of the company, and have found a way to work with them, could be a way to bring IoT, as well as other innovations to that kind of company. Because you don't have to reinvent the way you share data with them.

Steven Jones
We're also focused on the insurance product as the service that's being provided to the industrial facility. However, there are examples where, say, General Electric provides industrial facility monitoring for power plants and has established data centres providing maintenance and preventive services, to avoid major breakdowns and outages. You could envision a similar model being leveraged by carriers, providing both risk transfer and risk management services.

Catrin Shi
We've touched on loads of concepts here but we've not talked about regulation. Surely regulation is a massive challenge?

John Finston
It's mostly focused right now on personal lines. Regulators are very concerned about the transparency to the end user. They're capturing data from all different sources and using it to segment the risk to a larger degree and the end user doesn't see that at all.

We're also starting to see interactive underwriting or pricing models, so the pricing can literally change daily or hourly. From the regulators' perspective, they have then lost control over the process. The other thing they are very concerned about is that the finer you chop up the risk and the pricing, the more you are then going to start rationalising risk from an insurer's perspective.

From the public's perspective, certain people won't be able to get insurance at an affordable rate anymore because they're a riskier individual and they're going to be priced accordingly. So, the risks aren't being shared.

Matteo Carbone
The regulatory culture has changed in the past two years, as the sector is thinking more about innovation and is looking for new ideas that could be regulated. Markets are different. The scenario you were describing with a daily change in underwriting is the London market. In the US market, you file a rate and this is the rate until you file again. The regulators' role is to protect the customer and the solvency of the market, but they want to understand innovation and they don't want be an obstacle. The sector is not always so ready for that, because it is probably a lawyer who is talking with the regulators. To discuss innovation with regulators, you need to bring to the table the business lines and innovation units.

Adrian Jones
That's true – if you come with good counsel and you've been well advised as a start-up and you say "all right, I'm willing to play your game, I'm going to go through all the hoops", then many regulators are very willing to accommodate you.

Catrin Shi
That's the whole idea of the sandbox, right – that kind of safe space.

John Finston
In the US, you don't have that concept. You have it on a waiver-type basis, but you don't have an actual structured sandbox anywhere yet. You have to go to the regulator and do exactly what Adrian just said – say I've got a great idea, will you agree to waive enforcement of these different provisions while I get this off the ground? But in the US, if you have to do that 50 different times, you just priced out the ability of a start-up to actually expand.

Rafal Walkiewicz
There is a lot of money in emerging markets, particularly China but elsewhere as well, being pushed by incumbent insurance companies there into technology abroad as a way to get a foot in the door, who are just waiting for the regulators to catch up in order to expand in those markets.

Andrea Best
The other thing to keep in mind is that, yes, in the US, it is difficult going state by state and having to try to get clearance from a regulator for a new InsurTech idea. But we were talking of black swans earlier, and maybe someday there will be an InsurTech company that just says: "I don't care about regulation, I have a fantastic idea and I'm just going to launch my product anyway". And by the time the consequences catch up to them, maybe they have made enough money to go about changing the laws that simply didn't cater for a product like theirs – and to pay fines for the laws that were broken. I'm not aware of any such company today and we are certainly not advising our clients to take this extremely risky approach, but maybe somebody will try it. If that happens, it could revolutionise the industry.

John Finston
Zenefits used that very model. They had growth as their primary motivator and they were trying to get their people licensed to sell insurance, but it took too long, so they said just get out there and sell insurance – and the regulators caught up with them.

They went from a market value of $4.5bn to $500mn almost overnight because the regulators created so much uncertainty in the marketplace that they lost their value. Now you see a lot of companies coming in with basically the same market plan but paying attention to the regulation.

Adrian Jones
This is where Catrin's last question becomes really relevant, because this is one of the ways where InsurTech firms and reinsurance can partner most effectively.

Catrin Shi
How can they effectively partner? Is there an expectation gap that has to be managed?

Adrian Jones
We often get InsurTech companies coming to us and asking how they get paper and we say: "Talk to Matt [Freeman]". They say: "How should we think about executing the state rollout plan?" and we send them to people like Drinker Biddle & Reath. So, increasingly, start-ups are seeing reinsurers as a valuable partner to help them arrange other pieces of the value chain that they need to get assembled in order to make their MGA or their carrier. Are there cultural gaps? Yes, but I think it's narrowing.

Matt Freeman
That's a great point. As you know, we do a significant amount of work with Boost Insurance, who I look at as an example of this innovation and creativity coming together to try to create new solutions on a different kind of platform. Is there a cultural gap within the industry? Perhaps. We have an industry that's been around for hundreds of years and has not embraced technology as rapidly or thoroughly as others. Now we're seeing a significant volume of entrepreneurial start-up folks with a technological bent, bringing new perspectives, experiences and business models to the insurance industry. But the reality of the situation is that any cultural gap will narrow over time. As these companies find new ways to more efficiently underwrite risk, those cultural gaps dissipate and the enhanced potential represented by these changes will simply become embedded in the way our industry operates.

Steven Jones
I agree. With respect to the culture gap of InsurTech, I would say it's the opposite of a problem. This is actually an incredibly healthy disruption. The cultural changes relative to innovation and speed of development are very interesting and will benefit the industry over time. And the diversity of the people that are coming into the industry is also incredibly healthy for a sector that, frankly, is relatively homogeneous.

Hatem Jabsheh
I see the gap you're referring to in the US, where it's shrinking and there's more innovation and more technology coming out of the country and traditional reinsurers are becoming technology-centric. But in major markets around the world like London, the gap is still very wide and there's a lot that needs to happen over there, because they've stuck to their guns.

Adrian Jones
London has historically been one of the most innovative markets and a great place to raise a start-up and Lloyd's has supported a number of them.

Hatem Jabsheh
When it comes to reinsurance, London has been innovative in finding a way to underwrite the risk and price it. But they were innovative in the manual way of underwriting and pricing the risk. Whatever you bring to them, Lloyd's will be there to price it for you. But the tech aspect is not there.

John Finston
One of the last things I'd like to emphasise is, going back to my theory that this is evolutionary; we're now starting to see a lot of these concepts being adopted by the incumbent industry. For example, Hippo or Lemonade, where they had an app where you could buy insurance with two or three clicks. Now we're starting to see the Esurances, and even the Allstates, of the world adopt that sort of technology. You're really seeing more of the convergence of InsurTech and the incumbent industry.

Catrin Shi
That's a good place to finish!

SPEAKERS INCLUDE:

- Kathryn Gifford, Head of Claims, Chubb Global Markets
- Andrew Horton, CEO of Beazley and Chair of London Market Group
- Clare Lebecq, CEO, London Market Group
- Bronek Masojada, CEO of Hiscox and Chair of PPL Ltd.
- Trevor Maynard, Head of Innovation, Lloyd's
- Matthew Moore, President, Liberty Specialty Markets
- Julie Page, CEO, Aon UK Ltd.

Further speakers to be announced shortly

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