

Greenfields, Startups and Incubators ...

Innovation in Insurance Products,
Channels, Services and Business Models

June 2016

 **MAJESCO**
www.majesco.com

Confidentiality Statement

This document contains proprietary and confidential information and data of Majesco Ltd. and its affiliates. This document is provided, on the express condition that such information and data will not be used, disclosed, or reproduced in any form, in whole or in part, for any purpose (other than solely for evaluation purposes by authorized representatives with a need to know), without the express written approval of Majesco. The right to use, disclose, and reproduce such information and data shall be governed by the service agreement between the client and Majesco.

Warnings and Disclaimer

The information provided is on an “as-is” basis. Every effort has been made to make this book as complete and as accurate as possible, but no warranty or fitness is implied. The authors and the publisher shall have neither liability nor responsibility to any person or entity with respect to any loss or damages arising from the information contained in this book. Screenshots and data used within are for illustration purposes and may vary from the actual application.

© 2016 Majesco. All rights reserved.

Contents

A Renaissance in Insurance	4
Shifting Insurance Landscape: People, Technology and Market Boundaries.....	5
Insurance Disruption and De Novo Opportunities	7
Insurance Value Chain Impact	8
De Novo Options and Impact	12
Building the De Novo Business.....	14
Insurance Business Solutions.....	15
Market Facing Capabilities	15
Access to Market Information.....	16
Operations and Oversight.....	16
How it's Done: Profiles of Successful De Novo Companies.....	16
New P&C Carrier	17
Haven Life.....	18
New Direct Online Small Business Insurance Company.....	19
Embracing the New Renaissance with De Novo Strategies	20
References.....	21

Greenfields, Startups and Incubators ...



Innovation in Insurance Products, Channels, Services and Business Models

Significant capital investment in InsurTech for new insurance greenfield or startup companies is fueling massive innovation in products, services and business models, de novo¹ options.

For the 130+ startups and private companies in the insurance tech space, CB Insights indicates that over \$3.5B in aggregate funding has been raised.

A Renaissance in Insurance

It was in 14th century Florence that a sort of epic awakening happened ... the Renaissance. It was unique in that it was all-pervasive. It wasn't just art that began to thrive. Philosophy, economics, culture and science were undergoing rapid change. Education, technology and literature were thrown into a cauldron of modernization and the result was the rapid spread of world-shaking disruption and advancements.

The Renaissance didn't just sprout up overnight. It was spurred on by a convergence of factors, the greatest of which was increased wealth. Trading in Florence had produced a new class of financier who was willing to fund artistic and scientific endeavors. Wealth created ease. Ease allowed time for thought and innovation.

Innovations in practical sciences, such as mathematics and architecture, benefited from broader thinking. Fast-forward to today and the comparison to that time is striking, with a similar influx of money and a new class of insurance technology investment. We are now traveling through a new Renaissance, with radical shifts in business, technology and culture. The impact is broad, across cultures, and deep, within individual lives and lifestyles.

Today's Renaissance is moving insurance well beyond its traditional domain and methodologies. Significant capital investment in InsurTech for new insurance greenfield or startup companies is fueling massive innovation in products, services and business models, de novo¹ options. These de novo options are a driving force for why new and existing companies are looking to new business models to innovate, test ideas, and bring new products and solutions to market.

CB Insights has indicated that Q1 2016 has already topped the record for most early-stage insurance tech deal activity (Seed/Series A).ⁱ But interest and investment is also expanding beyond venture investors to carriers and reinsurers such as Guardian Life's GIS Strategic Ventures investment in health benefits startup, Maxwell Health,ⁱⁱ and many more. For the 130+ startups and private companies in the insurance tech space, CB Insights indicates that over \$3.5B in aggregate funding has been raised.

Money is the seed and the fuel for the massive innovation and new renaissance taking hold in insurance.

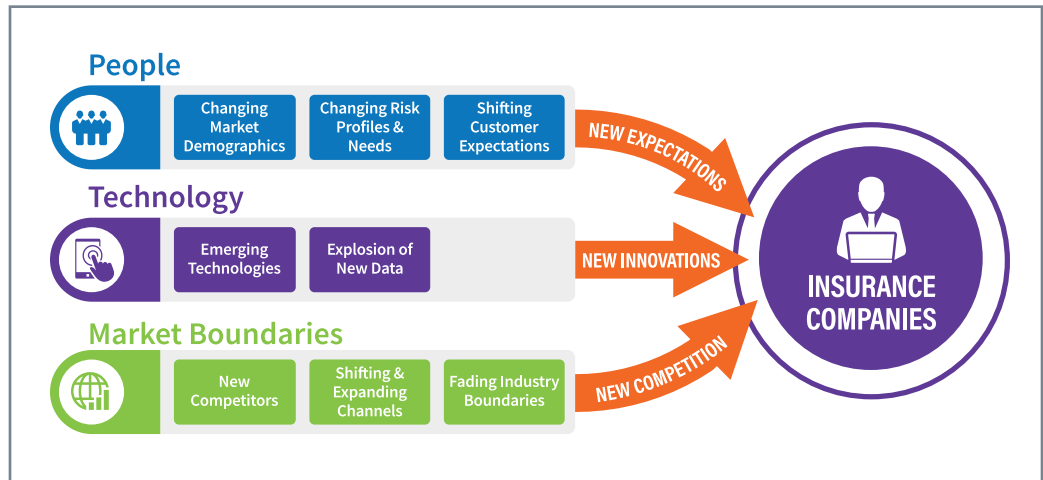
The rapid growth and capital spend in the InsurTech space is driven by the convergence of multiple, interrelated, disruptive trends. The Majesco Disruption Framework, outlined in the report, [Future Trends: A Seismic Shift Underway](#), organizes these trends into three broad categories of People, Technology & Data and Market Boundaries, providing a map to understand how they are driving change in the insurance industry. Within insurance, this new Renaissance represents a real shift with significant business implications beyond legacy modernization. It represents a whole realm of new opportunities via greenfields, startups and incubators to cover a fast changing market landscape.

¹ From the Latin expression meaning "from the beginning," "afresh," "anew," "beginning again"

Shifting Insurance Landscape: People, Technology and Market Boundaries

It's a fast paced world of multiple trends – from technology to customer demographics, new channels, new competitors and more – disrupting and changing insurance as we have known for decades. Keeping up with all of these developments is nearly impossible, with new announcements every day. Majesco's Future Trends Framework (illustrated in diagram A) organizes these trends into three high-level forces that are driving disruption and change.

Diagram A: Majesco's Future Trends Framework



When it comes to interacting with insurance companies, customer expectations have not been met very well.

JD Power's most recent study of online and mobile shopping and service interactions with insurance companies supports this customer expectation mismatch with insurance websites.

Instead of transforming the insurance business using age-old assumptions and traditional business approaches, insurers are looking to reinvent the business model to operate and succeed in a new business paradigm, not unlike how Uber reinvented the taxi model. In doing so, they need to consider the people, technology and market boundary shifts that are underway.

Increasingly, the changing characteristics, attitudes and behaviors of people are helping catalyze innovations in the insurance industry and are thereby impacting insurers' survival and commercial viability. Collectively, customer attitudes, expectations and behaviors exert pressure on the industry by creating disconnects between what insurance customers need and want and what the industry is currently able to provide to them in terms of relevant products, services and experiences.

When it comes to interacting with insurance companies, customer expectations have not been met very well. JD Power's most recent study of online and mobile shopping and service interactions with insurance companies supports this customer expectation mismatch with insurance websites.ⁱⁱⁱ JD Power cautions that expectations are being set by other companies and insurance companies need to step up their efforts to provide equally satisfying online experiences.

A key factor behind this is simply the fact that insurance continues to be a complex, confusing product to most customers. Research conducted by Nationwide revealed that a third of personal lines policy owners have never fully read their policy, that less than 20% feel they fully understand their policy, and that nearly 60% said they knew more about their favorite prime time TV shows than they did about insurance.^{iv}

These trends and shifts in customer understanding and behavior are often underpinning the strategy and operation of new greenfields, startups and incubators, fueling new business models and innovation in the insurance industry. Some of these key trends include:

- **Demographics** – Millennials have overtaken the US population and workforce as the largest generation. They were the first to grow up surrounded by digital. Gen Z, the generation on their heels, were “born digital,” with technology incorporated into all aspects of their lives, shaping their behaviors and expectations. They are the future customers and employees of insurance companies. They “live and breathe” innovation and they have different expectations.
- **Economics** – The Great Recession of 2007-2009 severely impacted employment and incomes and its effects are still lingering today. With Millennials holding record levels of student debt, and many Gen X and Boomers unprepared/underprepared for retirement, attitudes and behaviors about owning and renting have shifted.
- **Digital, mobile, and social technology** – Ubiquitous connectivity via mobile devices is rapidly changing customer expectations. The Pew Research Center estimates that more than 2/3 of all U.S. adults own a smartphone, and among younger age groups, it’s at a saturation level, which is above 80%.^v Merkle estimates that almost half of all organic search traffic on Google, Yahoo and Bing now comes from mobile devices.^{vi} JD Power’s study cited earlier reported that 57% of all insurance customers own a smartphone, while 95% of Millennial insurance customers do as well. Other research has shown that half of all smartphone owners who shop for insurance start the process on their mobile device.^{vii} These technologies and others have changed how we connect with companies and each other. Smartphones are increasingly becoming the first tool, and in some instances, the only choice for socializing, seeking recommendations, shopping and interacting with companies.
- **Emerging technology** – The Internet of Things (IoT) is another key driver of both new data and industry change. It is redefining, disrupting, and creating businesses at an unparalleled pace. With sensors creating data streams in everything from buildings and vehicles to wearables and ingestibles, IoT promises countless new opportunities to redefine insurance. Companies are already developing innovative ways to increase customer engagement (a critical weakness of insurance as we pointed out earlier), calculate and price risks, and perhaps most importantly, prevent claim events – fundamentally transforming the insurance business model from indemnification to prevention. Growing capabilities and use of digital technologies are creating vast amounts and varieties of data at incredible rates, so much so that 90% all the data in the world today did not exist two years ago.^{viii}
- **Sharing economy** – Our economic foundation is shifting away from a focus on ownership and towards a focus on access. Access is all about collaboration, sharing, renting, or subscribing – not owning. As a result, customer expectations, experiences, loyalty, and relationships are rapidly changing. There is increasing interest in “micro” insurance for specific things of value for specific durations, digitally delivered. “Pay as you use” insurance may become popular, fitting lifestyle trends and consumer economic preferences more closely.
- **New Competitors** – We are seeing a rush of new players aggressively trying to take advantage of the gaps between what customers want and what the industry can currently provide. This activity adds further pressure to carriers to innovate by developing new products, services and business models. A survey conducted by Celent among its insurance panel found that 86% felt that innovating over the next 3-5 years was critically important to remain relevant and competitive.^{ix}

Ubiquitous connectivity via mobile devices is rapidly changing customer expectations.

Our economic foundation is shifting away from a focus on ownership and towards a focus on access.

- **Customer expectations** – From the channels available to them for research, sales and service, to the types of products they want, to the time it takes to buy those products and services, customers’ expectations for variety, access, speed and transparency continue to increase. They are fueled by technology, shifting attitudes/beliefs between generations and the examples set by some companies that have demonstrated the ability to meet – and set new standards – for customer interactions.

These trends, and in particular technology, are the driving force for why new and existing companies are looking to new business models to innovate, test ideas and scale those that work — quickly moving on from those that don’t and seizing the de novo opportunities in the insurance industry.

Insurance Disruption and De Novo Opportunities

In our survey and research, [2016 Strategic Priorities: Impactful Pace of Change](#), we identified *potential blind spots* around customer expectations, technology and competition that are lurking around the corner in the not too distant future, creating an impact through their unplanned disruption. The pace of change, emerging new business models, new customer expectations and new competition were areas of high concern that “kept insurance executives up at night.”

And these areas *should* keep insurance companies up at night. Insurers must look at their business model through a completely different lens and reinvent how they create value for consumers and businesses. It requires a new business paradigm in how we define and think about insurance. Because if we don’t, others outside the industry are proactively looking to do so.

InsurTech is rapidly growing and evolving with a wide array of new startups; from technology companies serving the industry, to new distribution and insurance companies. InsurTech, similar to Fintech, is composed of companies using technology to make insurance more accessible, less expensive, more efficient, digital, and able to meet new and broader needs, backed by a wide assortment of players such as venture capitalists, accelerators, incubators, and insurance venture arms. CB Insights reports a figure of \$2.65 billion in 2015 for InsurTech, which was a multiple of 3.5 from the previous year.^x

The number of insurance-related startups varies widely across different sources: Venture Scanner tracks 535 companies involved in the ecosystem (which includes investment companies, reinsurers and others),^{xi} Celent puts the range at 400-1,500 depending on the source, and CB Insights reported in March 2016 that they were tracking over 135 startups in Insurtech across 13 categories.^{xii}

As noted in a recent article based on PWC research, “Insurance is the second most disrupted industry today thanks to a growing number of start-ups and technology companies eyeing slices of the insurance pie.”^{xiii} Furthermore, the research found that the global insurance industry ranked second only behind media and entertainment as the industry most significantly affected by technological change.

The pace of change, emerging new business models, new customer expectations and new competition were areas of high concern that “kept insurance executives up at night.”

“Insurance is the second most disrupted industry today thanks to a growing number of start-ups and technology companies eyeing slices of the insurance pie.”^{xii}

Insurance Value Chain Impact

All of these logos in a single picture can make it seem daunting to understand what is really happening in InsurTech. To provide context around how the insurance value chain is being affected by InsurTech, we have grouped examples of the impact into four main categories.

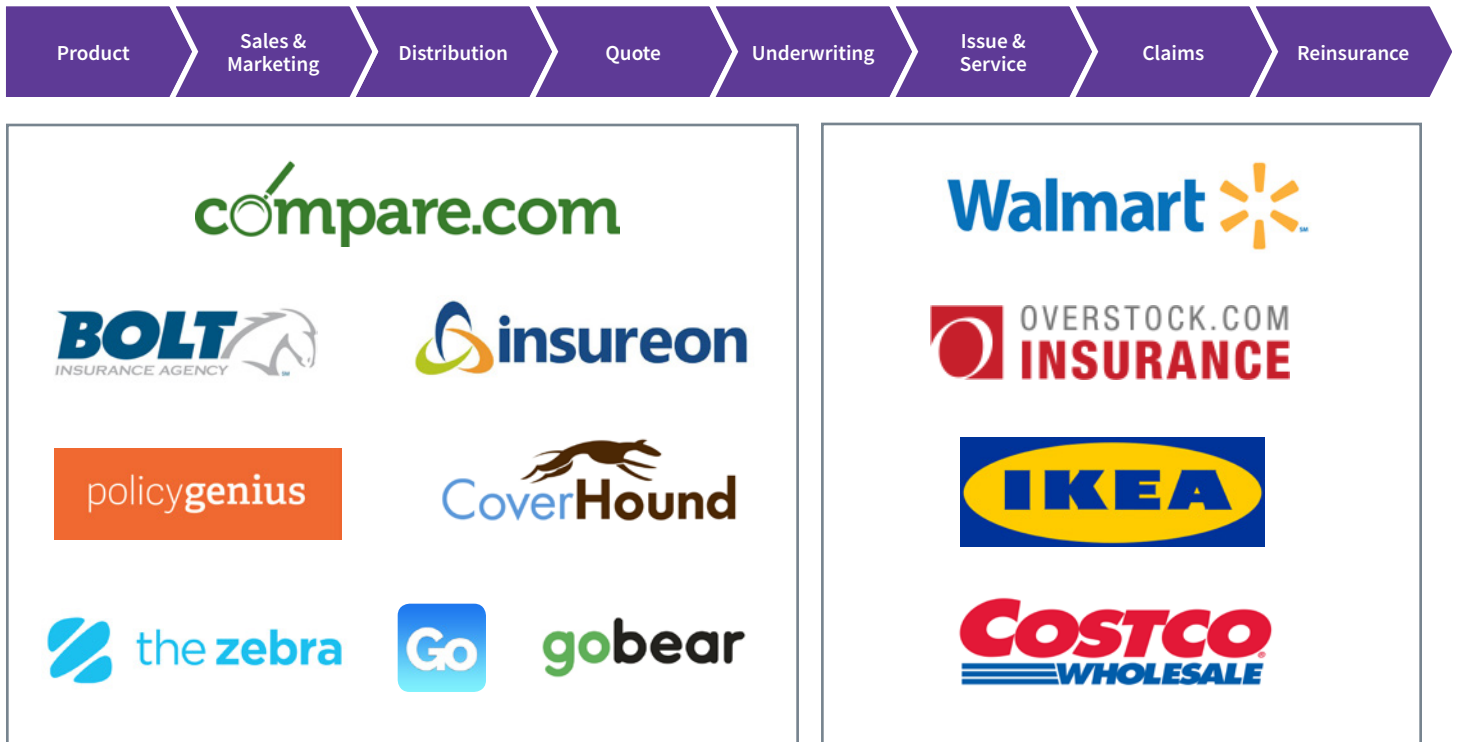
Greatest level of activity in InsurTech is focussed on the front end of the insurance value chain

1. Distribution and Channels (Front-end)

The greatest level of activity in InsurTech is focused on the front end of the insurance value chain, where new companies are leveraging expectations and capabilities to change traditional insurance distribution (Diagram B). They are focused on making it easier for customers to compare features and prices and get quotes and, for some of them, actually purchase a policy. This first group consists of insurance-specific online agencies and comparison sites.

A second group exemplifies the blurring of channels across industries, where well-recognized non-insurance brands are getting into distribution arrangements with partnering companies and using their affinity and reach to extend insurance to broader markets.

Diagram B



2. Specific Value Chain Areas

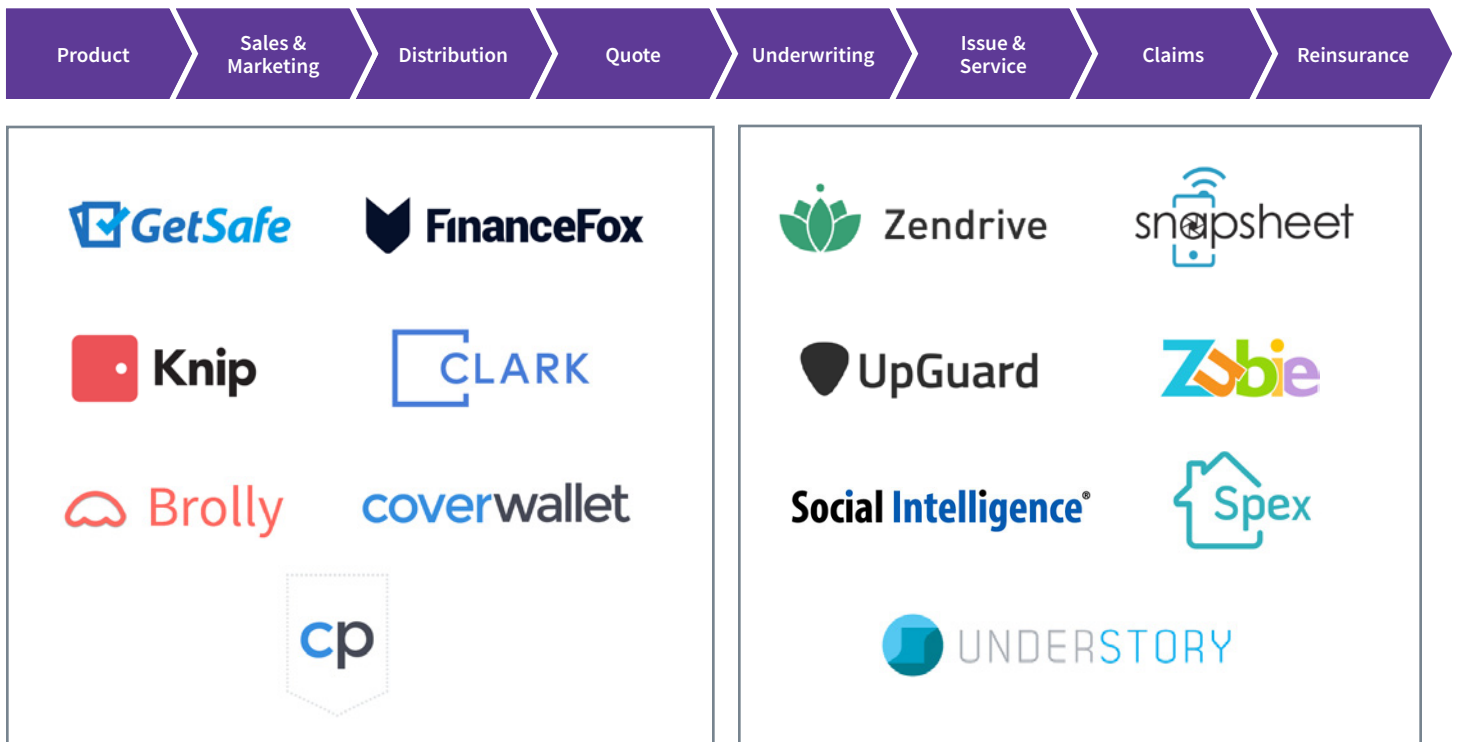
This second area of focus is disrupting parts of the value chain with new capabilities and solutions (Diagram C). This includes GetSafe, FinanceFox, Knip and Clark, from Europe, that allow customers to get quotes and manage all of their policies, which can be from multiple companies, on their digital device such as a smartphone. CoverPocket and CoverWallet are U.S. companies that do the same thing; CoverPocket is for consumers and CoverWallet is for businesses. Broly, which hasn't launched yet, is a UK-based company that does the same but they also claim to use artificial intelligence to analyze customers' coverage needs and make recommendations.

This second area of focus is disrupting parts of the value chain with new capabilities and solutions

Still other companies are applying new platforms and data to specific parts of the value chain like pricing, claims and underwriting:

- Snapshot is a platform used by several insurers for their smartphone-based auto claim reporting apps.
- Zendrive and Zubie are just two of many companies providing telematics services to insurance companies.
- Social Intelligence uses social data to augment underwriting and pricing.
- Upguard provides security risk scores of company IT assets for use in cyber risk insurance.
- Spex is a Mobile/Tablet-based inspection platform for adjusters.
- Understory has a network of sensors that provide ground-level weather data that can be used for property damage analytics.

Diagram C



3. Integration of Insurance with Other Solutions and Products

This category includes both new and established companies that are integrating access to insurance within their offerings, rather than having insurance as a stand-alone product or brand (Diagram D).

This category includes both new and established companies that are integrating access to insurance within their offerings

- On the business side, several companies are integrating insurance offerings like Workers Comp into broader business administrative services like payroll.
- On the consumer side, Trov is using a unique business model that could also fit into the on-demand group described in the next category. It started as an inventory app for people’s valuable items, but now it is adding the ability to insure these items, using a “swipe to protect” option on the app. It lets customers cover specific, single items for specific periods of time. Coverage launched in Australia in May 2016 and will roll out in the UK later in the year. So, while insurance is still a visible part of the offering, it’s a secondary focus and most importantly, it will be very simple for people to buy and use.
- A final example is the concept that Visa + DocuSign are working on – using blockchain to facilitate buying/leasing of cars, with all payments and insurance handled through the blockchain – insurance will just be a part of the car.

Diagram D



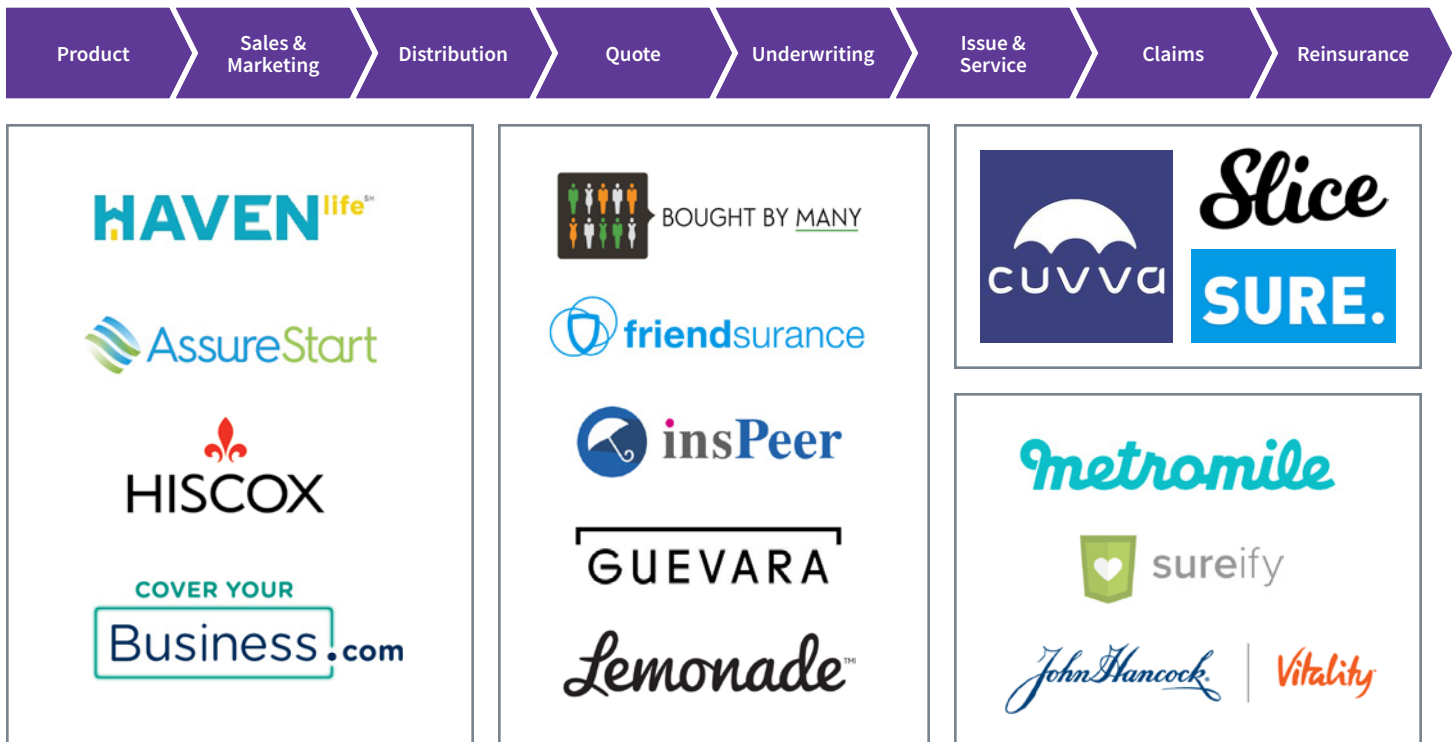
4. New Business Models

Finally, in this category are the new business models and companies that are looking at the entire value chain, creating completely new insurance business models operationally, financially and competitively. (Diagram E).

In this category, are the new business models and companies that are looking at the entire value chain, creating completely new insurance business models

- This group includes several relatively new online direct writers of life and commercial insurance products that have traditionally been too complicated for this type of sale. Their products and platforms are simplified to make the whole process much easier than ever before.
- It also includes new companies in the social or peer-to-peer space. They allow customers to form groups to get better pricing, to share in the costs of premiums or deductibles, or share in the reward if their group avoids having any claims. Most of these companies act as brokers, but Lemonade says it will be a carrier.
- An interesting new type of business model in this category is on-demand, limited duration insurance. This includes companies like Cuvva from the UK, where people can get car insurance for an hour by using an app on their smartphone; Slice, which will be launching soon with on-demand coverage for people working in the gig-economy like Uber drivers; and Sure, which lets air travelers buy life insurance from their smartphone just before they jump on a plane, with coverage lasts for the duration of the flight.
- A final sub-category includes companies that are using connected devices as a basis for pricing (MetroMile, where customers only pay per mile) and gamification and discounts in the case of John Hancock Vitality and Sureify.

Diagram E



De Novo Options and Impact

The impact of these de novo activities on the insurance industry will be profound, pivotal, and game-changing. Never before has such a breadth and depth of technology advancement had as much influence as what we are experiencing now. The list of breakthrough technologies and the advances in their use continue at a rapid pace of experimentation and implementation, creating new businesses, challenging existing ones, and building a new portfolio of products and services and innovative partner ecosystems.

Helping to fuel this are an array of new partnerships, accelerators, incubators and innovation labs within the industry and individual companies. They are creating “new” solutions, products, services and business models — de novo options.

The time is ripe to experiment with de novo solutions and to be *part of the disruption unfolding, rather than being the disrupted.*

As we just saw with the new life and commercial writer examples, existing, traditional insurers are slowly but surely investing into their own greenfields, start-ups and incubators to launch new companies and business models. Their goal is to reach new market segments and introduce new products and services outside of the traditional brand, current distribution channels and existing business operations. It is an array of experimentation and de novo options happening within insurance companies to respond to these challenges and opportunities.

While a similar response occurred in the early 2000’s with new startups and insurance company models like Progressive, Esurance and Homesite who started and embraced the e-business model concept, this era is different. It not only includes new startups like Heritage Insurance, but also greenfields like Assurestart (now part of Homesite) funded by American Family, and Haven Life, funded by Mass Mutual, both well-established traditional insurers. In addition, there are a growing number of insurance companies, MGA’s, underwriting firms and others incubating new products and reaching new market segments through new distribution channels and platforms like BOLT and Compare.com.

The impact of these de novo activities on the insurance industry will be profound, pivotal, and game-changing.

Diagram F below outlines the scope for greenfields, start-ups and incubators as well as their needs for a business solution / platform that enables their unique needs and characteristics. Based on Majesco’s experience with all three categories, modern core insurance systems are critical to success. But what is even more fundamental, given the increasingly data-driven and regulatory nature of the business, are pre-built content, data sources, channel options and best practices that can jump start the business rapidly, sometimes within weeks to months, not the years that most business transformation projects require.

Diagram F

	Greenfield	Start-Up	Market Test/Incubator
Market Background and Identifiers	<ul style="list-style-type: none"> Market not commercially exploited & can define market New Products and Channels New Operations 	<ul style="list-style-type: none"> Go after existing market in a new way New Products and Channels New Operations 	<ul style="list-style-type: none"> Target new or Existing Market New Products to test in market New / Existing Channels Minimalist operations extended from exiting for market testing
Objectives	<ul style="list-style-type: none"> Create and define a market to capture and grow Establish new business model Time to market for innovative products, processes & channels Low CapEx and OpEx 	<ul style="list-style-type: none"> Define new business model and process Time to market launch Agility and speed to expand geos, products and channels Low CapEx and OpEx 	<ul style="list-style-type: none"> Minimalist model to market test / incubate new products, segments, ideas Low cost / low risk Agility and speed Ability to expand operationally
Needs	<ul style="list-style-type: none"> Modern Core Platforms Pre-built / integrated content and data sources Pre-built best practices & products Low IT costs 	<ul style="list-style-type: none"> Modern Core Platforms Pre-built / integrated content and data sources Pre-built best practices & products Low IT costs 	<ul style="list-style-type: none"> Modern Core Platforms Pre-built / integrated content and data sources Pre-built best practices & products Low IT costs

Even more fundamental is the need for low IT costs because investments must be focused on the business, products and channels, not in the capital and operational expenditures for the traditional infrastructure or bricks and mortar. This is where cloud solutions can become the differentiating factor and make a critical business impact.

So to avoid being “uberized” more insurers of all tiers are actively exploring, establishing or preparing to launch de novo options.

Just look at other industries where infrastructure was eliminated or challenged. Music sold through iTunes and streaming music; books fulfilled by Amazon (many of them digitally); taxis and taxi offices and garages replaced by Uber; and hotel rooms replaced by private residences through Airbnb. In all of these cases, new business models eliminated the traditional assumptions and embraced cloud, digital, mobile and modern technology to disrupt industries, create new customer experiences and capture significant market share.

So to avoid being “uberized” more insurers of all tiers are actively exploring, establishing or preparing to launch de novo options. Many of them see a window of opportunity to shift market share as well as capture new markets. The question for insurers not exploring these options is: How are you preparing for a different market dynamic made up of non-traditional competitors?

Building the De Novo Business

According to research firm IDC, by 2018, one-third of market share leaders in virtually every industry will be disrupted by both new and established competitors who will leverage emerging technologies to innovate product and service offerings, how they engage with customers and reach new markets.^{xiv} They will disrupt legacy business models, including operational processes, cost structures, revenue and profit models, and seek new partners to reach and expand their market presence and opportunities. For established insurers, the window of opportunity exists to create a de novo business that leverages technology to create a new business model and redefine insurance.

One-third of market share leaders in virtually every industry will be disrupted by both new and established competitors

A key component of many successful greenfield, startup or incubator companies in today's digital age is a modern platform, where technology levels the playing field for the new breed of competitors, breaking down traditional boundaries and age-old business assumptions about doing business. The platform is a robust set of technology, mobile, digital, data, core, and more in the cloud that provides the ability to launch and grow a business rapidly and cost effectively.

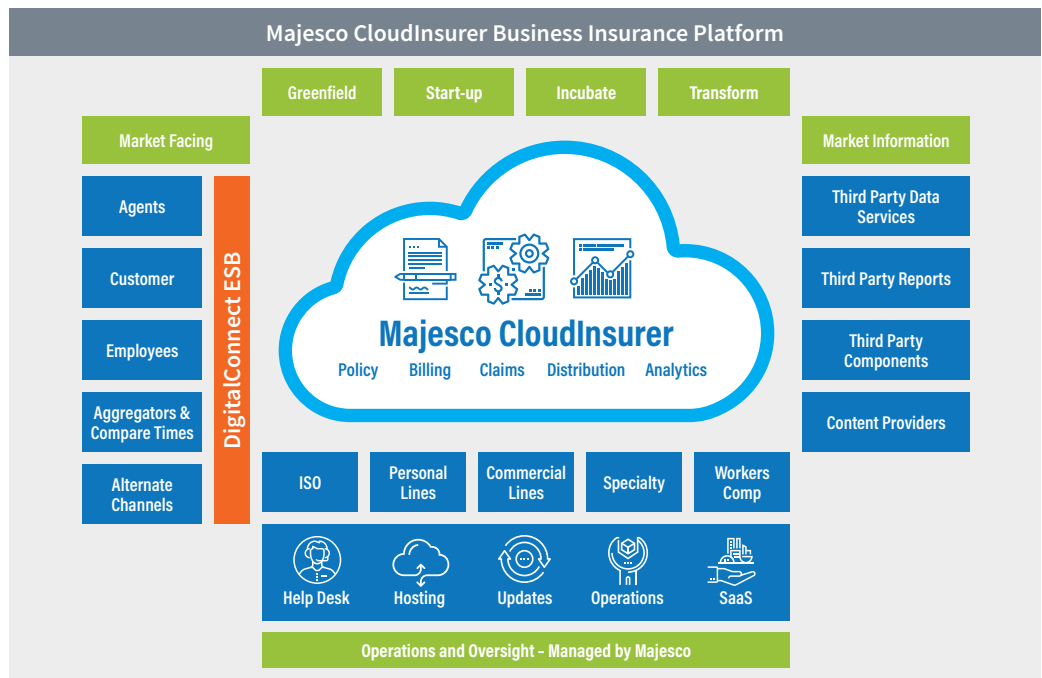
This is how companies like Uber, Airbnb and others have challenged the traditional players on customer experience, price, value, speed and cost. Pundits initially underestimated Uber's ability to revamp an entire industry due to regulation for taxis, but that has now been proven false. No wonder insurance (another highly regulated industry) is no longer seen as too high to hurdle and is now positioned at the top of the list of capital investment in new models.

As Majesco has worked with some of the new generation of greenfields, startups and incubators, we learned that a different business platform is needed to enable the innovative ideas and rapid market launch of these companies. This includes four key components:

- Insurance business solutions
- Market facing capabilities
- Ready access to market information
- Operations and oversight

Diagram G

A key component of many successful greenfield, startup or incubator companies in today's digital age is a modern platform, where technology levels the playing field for the new breed of competitors



Many existing insurers who may be looking to bring new products to market, expand to new segments or look at a new startup or greenfield operation are locked into legacy core systems that were not designed to rapidly adapt to change or to handle the complexities of today's business, making it operationally and competitively challenging.

In today's digital shift, new access points to customers are rapidly growing beyond the traditional agent and broker as new entrants focus on the front end of the value chain.

Insurance Business Solutions

In today's new market paradigm, modern core insurance business solutions are "table stakes" to enable innovation and speed to market for new products, channels, and processes. Modern core solutions will effectively respond to changing customer expectations, needs and risk profiles, as well as supporting a growing array of distribution channels. The challenge is slightly different for existing insurers versus new venture capital-backed firms.

Many existing insurers who may be looking to bring new products to market, expand to new segments or look at a new startup or greenfield operation are locked into legacy core systems that were not designed to rapidly adapt to change or to handle the complexities of today's business, making it operationally and competitively challenging. At the same time, venture capital-backed startups and greenfields need and want options that do not require investment in significant infrastructure and therefore invariably seek a "**platform solution**" in the cloud to maximize options and minimize costs and capital outlay.

For both situations, a modern core insurance solution portfolio that enables the entire value chain including policy, rating, underwriting, billing, and claims for all lines of business is foundational. A portfolio built on a common configurable platform that empowers both IT and business users with a rich variety of built-in content such as pre-defined products, ISO-specific products and state variations is critical as a launch pad for the business.

The portfolio must also include distribution management and analytics capabilities. As products get increasingly commoditized, the distribution landscape is where carriers can create and sustain a competitive edge, but it can also create complexity in the way distribution channels are managed. A modern distribution management solution will enable insurers to expand to new intermediaries and new distribution models with unique hierarchies and compensation requirements. In addition, modern distribution management solutions can include data management and analytics capabilities that provide enhanced reporting and visualization to improve decision making speed and quality.

Access to each of these solutions (policy, billing, claims, distribution and analytics) in the cloud offers insurers the ability to quickly launch while minimizing costs, providing an "insurance business platform" that can quickly adapt to change and respond with rapid deployment. It will be one of the key differentiators in their quest to seize market opportunities that drive growth and competitiveness.

Market Facing Capabilities

In today's digital shift, new access points to customers are rapidly growing beyond the traditional agent and broker as new entrants focus on the front end of the value chain. Aggregators, online agencies/brokers and online comparison sites are growing rapidly because they address the consumer expectation for transparency, in the form of apples-to-apples price comparisons of insurance options and anytime/anywhere/any way access via digital and mobile. Aggregators ask site visitors to provide basic information about themselves, then sell these as leads to participating companies who follow up to provide quotes. Online agencies work with select groups of carriers to provide quotes and allow customers to close the sale with an agent or online, depending on availability and customer preference.

As described previously, insurers are expanding distribution into other industries and models to reach customers in innovative ways. Retailers such as Walmart, Overstock.com, Alibaba, and Costco are examples of non-traditional insurance channels. Almost anywhere a traditional or new retailer has significant customer reach, there is the potential for an insurance product to be offered. While insurance agents and brokers view these as competition (and they should), new, innovative channels continue to emerge.

Integral to this insurance platform is a strong ecosystem of partners to leverage and integrate innovative solutions and data sources that will creatively cultivate new business.

The power of the insurance business platform is allowing companies to step out of traditional models and thinking to engage customers, channels, partners, and others — meeting the needs of today with a platform for today and the future.

It is all about market-facing capabilities, to provide a multi-channel option and experience for customers. To stay relevant and competitive, insurers must take a proactive and integrated approach to transform and bridge to this new multi-channel, digital world that empowers new customer experiences and relationships. The ability to reach new markets by quickly connecting a new channel seamlessly is critical, requiring an open architecture platform that easily integrates with core insurance business solutions and an ecosystem of content, channels and technology, including mobile and portal capabilities.

Access to Market Information

Integral to this insurance platform is a strong ecosystem of partners to leverage and integrate innovative solutions and data sources that will creatively cultivate new business. Technology advances have made new sources of data available to pioneering competitors that are developing novel ways to interact with customers, evaluate risk, offer innovative products and reach customers via new channels.

In 2014, BCG and Morgan Stanley envisioned a worst case scenario for traditional insurance companies. The scenario envisions new competitors entering the market by leveraging consumer frustration with their insurance experience and utilizing new data sets to better evaluate and price risk. Though the scenario is considered a “worst case,” every aspect of it is possible and in some cases, currently happening.^{xv}

Access to pre-integrated market information and the ease to integrate new data sources with a new insurance platform becomes a competitive opportunity and advantage for insurers including traditional data sources like NCCI, ISO, Lexis Nexis and others, to new data sources such as telematics, internet of things and more. Ease of access and integration is critical to rapidly respond to new market opportunities, and is foundational in this new business platform. This is accomplished via integration directly with the core insurance portfolio and / or via the market-facing platform described above.

Operations and Oversight

Rapidly establishing a new company, new portfolio of products, channels or other elements of a new business model is just the first step. Maintaining and managing the business platform to seize new opportunities, innovate with new products and reach new market segments becomes critical to grow the business.

This is the power of cloud — allowing insurers to maximize their investment into the new business with a variable cost model that offers a lower total cost of ownership. This model provides implementation and post production services to not only support the initial launch but also to support ongoing business needs, updates and expansion. This will allow insurers to focus on the business rather than the infrastructure, creating speed to value for companies.

Technology is now an embedded, foundational layer across our economy and society. The new platform economy is rapidly shifting business and market dynamics, driving change and transformation. The power of the insurance business platform is allowing companies to step out of traditional models and thinking to engage customers, channels, partners, and others — meeting the needs of today with a platform for today and the future.

How it's Done: Profiles of Successful De Novo Companies

In researching and reviewing the numerous articles and reports on different de novo companies, we identified three that looked at the entire insurance value chain for specific market segments and defined new business models to meet these segments in new and engaging ways. Two of the case studies highlight the rapid growth potential when focused on these market segments.

As a new entrant into this business, starting with a clean slate, the company realized that it required technology that would support its appetite for growth and efficiency. They sought a technology strategy that would give them superior end-to-end functionality and a solution that was deployed on the Cloud.

From zero policies and no employees in 2012, the company has realized rapid growth. The company has also availed themselves of acquisition opportunities that aligned with their growth strategy.

New P&C Carrier

The Business Opportunity

As a business entity, this company has a distinct DNA — identifying opportunities, assessing fit, and then making decisions quickly. Fueling this DNA was an ambitious business goal; to selectively assume policies from a state-supported insurer, through participation in a legislatively-established “depopulation program” designed to reduce the state’s risk exposure by encouraging private companies to assume insurance policies from the pool. In line with its business goal, the startup defined its insurance strategy that centered around the following:

- Increase policies in force through strategic policy assumptions and expansion of the voluntary market share
- Opportunistically diversify product offerings
- Optimize its reinsurance program
- Efficiently manage losses and loss adjustment expenses
- Expand to new geographic markets

The Business Model

As a new entrant into this business, starting with a clean slate, the company realized that it required technology that would support its appetite for growth and efficiency. They sought a technology strategy that would give them superior end-to-end functionality and a solution that was deployed on the Cloud. Developing and orchestrating the seamless delivery of such a platform necessitated an enterprise agile model that encouraged continual dialogue and collaboration between IT and business in order to align with shifting business priorities, helping create a platform that would allow for mid-course IT/Business plan realignment.

How They Did It

The company partnered with Majesco in the successful delivery of the platform. They actively embraced Majesco’s enterprise agile model that included assigning a Client Partner to the account, thereby ensuring that risks and expectation mismatches were minimized from day one. On an ongoing basis, the Majesco Client Partner and Delivery team would engage with the company’s project team, understand how priorities might have shifted, jointly discuss the impacts and make ‘game time’ decisions so that the program would keep pace with the executive team’s view of the marketplace.

In addition, the company also tapped into the experience and expertise of the Majesco Center of Excellence organizations for identifying and implementing best practices in program engagement and delivery. The number and size of the joint scrum teams varied based on the scope being delivered within a particular program phase. However, on an average, the joint teams supported 4 scrum teams of about 7 people each along with a scrum of scrums program organizational level. This gave the company the benefit of the following:

- Best of breed End-to-End Solution: The Majesco suite deployed on the cloud enabled rapid implementation while accommodating growth – a single platform to meet the needs of multiple lines of business and growth across geographies
- Knowledgeable People: Excellent domain experience from both Majesco and the startup helped this partnership produce demonstrable results
- Growing expandable solution: The solution enabled growth to new offerings including mobility, business intelligence and analytics while expanding to new geographies, making underwriting and claims processing seamless across the operations.

Results

From zero policies and no employees in 2012, the company has realized rapid growth. Starting with takeout business from the state fund, it now offers insurance for homeowners as well as commercial residential property (CRP) and will also be supporting commercial general liability (CGL). The company has also availed themselves of acquisition opportunities that aligned with their growth strategy.

Life insurance has two related issues regarding perception. First, it is not a top-of mind product. Second, it is mysterious and complicated for most customers, regardless of age, when they do actually interact with it.

Haven Life deliberately chose a “think big but start small” strategy, targeting 18-45 year olds, and focusing on young, digitally-savvy families.

Haven Life

The Business Opportunity

Life insurance has two related issues regarding perception. First, it is not a top-of mind product. It seems to only gain relevance when someone is experiencing a key life event like marriage or the birth of a child. Second, it is mysterious and complicated for most customers, regardless of age, when they do actually interact with it. For young people, however, each of these issues is especially acute.

Yaron Ben-Zvi, the founder of Haven Life, is just such an example of this. As he and his wife were preparing for the birth of their first child, he became aware of the responsibilities this life change put on him and how life insurance would help meet this critical need. However, his experience in learning about life insurance, researching the options and navigating the application process was frustrating and time consuming. Drawing on his background in financial services startups and marketing, he was convinced there was an opportunity to make the experience better for all people.

The Business Model

Wholly owned by Mass Mutual, Haven Life is a timely example of a greenfield approach to insurance innovation. Haven Life’s business model is designed to address both of these problems. First, they set out to create a totally new and simpler way to get life insurance, as outlined on their website, in three steps:

1. Determine what you need
2. Apply in 20 minutes
3. Start coverage right away

The process can be completed online or with the help of a live agent. With Millennials in mind as the target customer, the emphasis on simplicity and transparency is carried out throughout the process via the use of simple, plain language and ability to see competitors’ quotes.

They also set out to demystify life insurance and make it more acceptable to think and talk about on a more frequent basis, not just when people are in the midst of or are preparing for a significant life event. Their strategy for this consists of creative, tongue-in-cheek, but somewhat “in-your-face” advertising, coupled with content marketing via original blogs, videos and partnerships with influencers.

How They Did It

Mass Mutual’s backing provides ample resources for building the business and being able to meet all claims obligations. The workforce of about 40 (and growing) was intentionally chosen for its diverse backgrounds in financial services startups, software development, public relations, consulting, and other fields, to ensure fresh thinking to solve the two key life insurance problems discussed above.

While the market for life insurance covers nearly all demographic groups, Haven Life deliberately chose a “think big but start small” strategy, targeting 18-45 year olds, and focusing on young, digitally-savvy families.

The company’s single offering so far is a simplified term product, with many of the features of regular term insurance stripped out. The maximum face amount is \$1M, with a 30-year maximum term.

Consumers can educate themselves, compare rates with other companies, then complete an application in 20 minutes, get underwritten and buy the policy online, though they still must complete a medical exam within 90 days. The application is in simple, plain language and uses a “Mad-Lib” like, fill-in-the-blank approach to ask applicants for information.

For underwriting Haven collects user-supplied data such as name, address, family and medical history, and tobacco and alcohol use, and pulls from other databases like prescription history and motor vehicle records and the Medical Information Bureau. They employ algorithms to provide the applicant with a real-time underwriting decision.

Distribution is online with live call center support. The company purposely chose simple term and online distribution to avoid conflict with the Mass Mutual agent channel.

Haven Life uses humorous print and outdoor advertising to grab readers' attention about life, death and the importance of life insurance, such as "In case you die..." and "YOLO. Literally". They also use content marketing which leverages partnerships with influencers who already have the ears and eyes of the target audience, such as parenting sites/bloggers.

Results

As of January 2016, the company is supplying coverage in 42 states. The average customer age is 36, average term is 21.5 years and average face value is \$580,000.

Haven continually studies clickstream data, such as the time spent on each question and where people drop out, to improve the customer experience.

In planning next steps, the company is looking at the next set of offerings to up sell/cross sell to its current target as well as to potentially appeal to an expanded market. In an effort to continually streamline and simplify the application process, they are also looking at ways to use additional data sources and modeling to do away with the medical exam.

"Now that we are taking customers and have algorithms running, we can see how to improve the process. There is enough data we can pull from and get a good idea of mortality risk." ^{xvi}

New Direct Online Small Business Insurance Company

The Business Opportunity

A large regional multi-line insurer had a traditional captive agent force that was strong in personal lines, particularly auto. The company was seeking to decrease reliance on personal auto, an increasingly commoditized LOB with strong price-based competition, to other product lines. However, the inconsistent experience and selling skills/capabilities among the agent channel force for more complicated products like commercial lines made the direction difficult to achieve. Further factors inhibiting their goal were siloed data and legacy systems with limited flexibility for product enhancements, new product development and pricing.

Like all established traditional carriers, this company was also feeling the impact of shifting customer preferences to digital/online shopping, sales and service — driven by experiences delivered by companies like Amazon, Zappos and Apple. While the industry was making progress in digital/online auto insurance sales and service, the company recognized that a similar approach would be demanded and unmet in other product lines as well. One market in particular was the 28 million small businesses in the U.S., the smallest of which had long been underserved in their desire for fast, easy access to commercial insurance.

The Business Model

The company realized there was a tremendous opportunity to provide this market with simple and inexpensive but high quality BOP and GL coverage through an efficient, quick, paperless online portal. Simply stated, the strategy was to focus on the direct sale and servicing of high quality insurance products without the burden of costly systems and support infrastructures.

How They Did It

The company created a new startup insurer and was given the freedom to use new resources and infrastructure. They implemented a cloud based insurance platform consisting of Majesco's P&C Suite to support the unique business model. Included in the project was a customer digital front-end which featured a policy recommendation with the ability to immediately bind coverage online and conveniently download a certificate of insurance. The process was supplemented by call center support.

"Now that we are taking customers and have algorithms running, we can see how to improve the process. There is enough data we can pull from and get a good idea of mortality risk."

Like all established traditional carriers, this company was also feeling the impact of shifting customer preferences to digital/online shopping, sales and service — driven by experiences delivered by companies like Amazon, Zappos and Apple.

The new company was up and running in eight months. They created a pioneering business model that empowers small business owners through direct to business insurance sales and service.

Our responsibility as an industry is to continually observe the changes that are happening within and outside the industry, adapt to those changes with innovative products and services that meet changing customer needs, and do it with speed — to capture the opportunities in this new Renaissance unfolding before our eyes.

Results

The new company was up and running in eight months. They created a pioneering business model that empowers small business owners through direct to business insurance sales and service. The company has been able to dramatically lower the cost of policies for small business owners without compromising quality. They have eliminated the overhead costs of things like paper and postage, a field sales force, outdated technology and they pass those savings on to their policyholders.

By leveraging new technology, a paperless process, and more efficient distribution, the company has avoided many of the expenses that often saddle traditional insurance companies. It allows them to focus their efforts on what's important: saving small business owners' time and money on the policy that best suits their needs.

Embracing the New Renaissance with De Novo Strategies

During the start of the Renaissance, Florence was in the midst of a trading boom that brought new money, goods and ideas into the region from Western Europe, Greece, Arabia, Egypt, Persia and China. Banks grew. Florence became the financial center of Italy and the broader region. Trade routes reduced provincial barriers. Shipping improved. A system of insurance was even in practice, protecting Italian cargoes on their voyages as early as 1300.

These cultural crossings (networks!) resulted in leaps forward in art and science. Ideas were currency just as important as textiles and spices. Innovations were funded by profitable business and trade.

Today, we are seeing a similar influx of money and a new class of insurance technology investment ... de novo opportunities that are part of today's InsurTech community. Where insurers previously may have had great ideas, they now have ideas + technology (InsurTech) + financial resources + people/talent to pursue their ideas.

At the same time, with no barriers to access, no legacy systems to hold them back, and access to robust insurance cloud platforms, startups and greenfields from within and outside the industry are becoming new, innovative players. For organizations that wish to remain competitive, the questions then become:

- How do we adapt with ease to the change and disruption?
- Can we reimagine the possibilities of doing things differently?
- What do we need to do technologically to seize the opportunities in a shifting market?
- Are we looking at greenfield, startup or incubator models?

The Renaissance in insurance will change the needs of companies and individuals as they embrace new market trends and technologies and reshape their preferences. This will likely mean a decrease in demand for some traditional products like auto insurance or individual life insurance, but at the same time open up the opportunity for new coverages and services. For observant insurers that grasp the way financial and business models are changing, there will be excellent opportunities to supply new, innovative products and risk preventive services. The key will be to test and incubate those ideas.

Insurance is the economic foundation for economies, businesses, families and individuals, enabling them to operate or live life fully and with confidence. Our responsibility as an industry is to continually observe the changes that are happening within and outside the industry, adapt to those changes with innovative products and services that meet changing customer needs, and do it with speed — to capture the opportunities in this new Renaissance unfolding before our eyes.

About The Authors



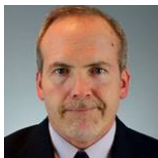
Denise Garth is Senior Vice President Strategic Marketing responsible for leading marketing, industry relations and innovation in support of Majesco's client centric strategy, working closely with Majesco customers, partners and the industry.

She is a recognized industry leader with both P&C and L&A insurance experience as a CIO and business executive with deep international ties in Asia and Europe through her ACORD leadership role. Denise is an acknowledged strategic thinker, innovation leader, international speaker, and author of thought leadership and articles regarding the key issues and opportunities facing the industry today to prepare for the future.



Sri Ram Chandrasekharan is responsible for Marketing for Majesco in the India and Asia Pac regions, developing, implementing and executing marketing initiatives across Majesco's offerings for these geographies.

Having worked with financial services and IT companies for over 20 plus years in a variety of functions, Sri Ram is a keen student of the strategies and approaches that organizations deploy to manage the internal and external forces that have an impact on their day to day functioning in dynamic business environments.



Glenn Westlake is Manager of Market Research and Content Management at Majesco. He is responsible for supporting Majesco's client-centric strategy by bringing information and insights to Majesco customers about consumer behaviors and marketplace trends, and their implications for insurance. He has 16 years of experience in market research and insurance, with 13 years serving as the Director of Consumer Research at American Family Insurance in Madison, WI.

References

- ⁱ "Early-Stage Insurance Tech Deals On Pace For Quarterly Record," *CB Insights*, March 8, 2016
- ⁱⁱ <https://www.crunchbase.com/organization/maxwell-health#/entity>
- ⁱⁱⁱ "Auto Insurance Customers Disappointed in Their Insurers' Websites: J.D. Power," *Insurance Journal*, May 20, 2016
- ^{iv} *Simplification Study*, Harris Interactive and Nationwide Insurance, 2013
- ^v *Technology Device Ownership: 2015*, Pew Research Center
- ^{vi} *Digital Marketing Report: Q3 2015*, Merkle
- ^{vii} xAd/Telmetrics Mobile Path to Purchase Study: Understanding Mobile's Role in the Insurance Path to Purchase, 2013
- ^{viii} Arthur, Charles "Tech giants may be huge, but nothing matches big data," *The Guardian*, August 23, 2013
- ^{ix} Stagg-Macey, Catherine and Fitzgerald, Michael, *InsureTech Has Arrived: A Primer*, Celent, May 2016
- ^x *Ibid*
- ^{xi} "Insurance Technology Funding by Category," *Venture Scanner*, February 4, 2016
- ^{xii} "Insurance Tech Rising: 135+ Insurance Startups Across P2P, Life, Commercial & More in One Chart," *CB Insights*, March 22, 2016
- ^{xiii} Liew, Ruth, "Insurers brace for mega fintech shake up," *The Sydney Morning Herald*, March 24, 2016
- ^{xiv} Gens, Frank, *IDC Predictions 2014: Battles for Dominance — and Survival — on the 3rd Platform*, International Data Corporation, 2013
- ^{xv} *Evolution and Revolution: How Insurers Stay Relevant in a Digital Future*, Morgan Stanley and Boston Consulting Group, September 8, 2014
- ^{xvi} Groenfeldt, Tom, "Haven Life Takes Life Insurance Online," *Forbes.com*, March 16, 2016