



Insurtech hits its stride

KPMG insurtech predictions 2018

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Insurtech looks set to gather serious momentum over the next year, as proof of concepts are scaled to production.

Insurers move up a gear

KPMG insurance and fintech professionals predict 2018 will be the year that insurtech moves from proof of concept to production as minimum viable products are proven and scaled for wider launch. The past few years have seen considerable activity within this burgeoning sector, with insurtech start-ups garnering both investor interest and market attention with proof of concept technologies that promise to boost customer engagement, reduce risk, and improve quality through automation. In the coming year, our teams expect to see even greater focus on fully realizing the opportunities for related benefits and cost savings offered by these technologies.

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Blockchain continues to heat up

Blockchain consortia such as B3i gained real momentum over 2017. Consortia will continue to expand throughout the coming year as a growing number of firms decide to become involved and put in further use cases for development. KPMG professionals also expect to see more entities making independent progress under their own steam.

Venture capital confidence increasing

Insurtechs depend on investment, and KPMG's fintech practice have already seen strong investment flows from corporate venture capital funds backed by traditional insurers. Corporate investment will continue to ramp up in 2018 as more firms jostle to get involved. This is a hugely positive development for insurtech firms, for whom insurer backing not only provides a route to market, but also places deep insurance expertise at their disposal.

Segments in the spotlight

Several segments are becoming increasingly attractive for investment and development, including:



Autonomous vehicles have already seen a significant increase in investment in recent months. Regulators and governments are keen to develop this area (such as through incentives like those seen in the UK Budget in November¹), and the biggest insurance companies want to position themselves as the insurers of choice.



Cyber insurance products have also come to the fore, with a plethora of cyber insurance insurtechs spawning out of Israel and other markets. There is, however, plenty of room for improvement: many current products in the market are inadequate, poorly priced and not offering the coverage or service that companies need.



Aviation and drone insurance, while a more niche market, is nonetheless an important area for future growth. A few drone-related insurtechs are already attracting interest. Drones themselves are also of increasing interest for insurers, such as for remote inspection of claim sites and areas affected by natural disasters.

Source: KPMG International

¹ Chancellor gives GBP400 million to boost the number of electric vehicle charging points and says they will pave the way for driverless cars on UK roads by 2021. <http://www.dailymail.co.uk/sciencetech/article-5108051/Autumn-Budget-includes-540-MILLION-electric-cars.html>

Rise of connected insurance

While connected insurance, which aims to make the insurer an integrated part of the customer's day-to-day life, may not come to maturity during 2018, KPMG insurance team expects to see continued movement in this direction. The connected insurance concept relies on a range of technologies, from consumer-focused health trackers and IOT-enabled appliances to telematics, to make the insurer a trusted partner in the customer's everyday choices. To achieve this bold vision, insurers will need insurtech support to not only integrate systems but create value from the wealth of new data such an approach creates.

Additionally, our insurance professionals believe there will continue to be more partnerships and collaborations between traditional financial services players, big tech firms, and fintechs as the industry increasingly shifts to a greater customer focus and established players look to technology to help increase agility, efficiency and effectiveness.

Point solutions will stay as the default mode

Insurtechs tend to provide specific point solutions to parts of the insurance chain — and this is unlikely to change. While the industry may see one or two insurtechs in core markets such as Lemonade and Chinese insurtech Zhong An becoming full stack insurers, the failure of Guevara in 2017 demonstrates the challenge of breaking into the insurance market on a large scale. Insurtechs will remain an important part of the ecosystem as both suppliers and enablers: a situation with which most are comfortable, given their choice to stay just below the level at which increased regulatory authorizations are required.

From the traditional insurer's perspective, integration of insurtech innovation into their core technology strategy will likely become an important focus as the hype around the technology is replaced with a focus on monetization.

International competition on the rise

KPMG insurance professionals predict that in 2018, a growing number of countries will ramp up their efforts to develop insurtech hubs and attract external players. The established markets will have competition: some countries, such as Singapore, have already made huge progress in the last couple of years alone. Amongst the best new contenders are likely to be countries as diverse as Belgium, Bermuda and India. Meanwhile, big city wars will intensify, with Paris particularly keen to attract insurtechs away from London, whose position is potentially undermined by Brexit uncertainty.

The power of combining technologies

Our fintech professionals are often asked which new technology is 'hot' for insurtechs. While blockchain is right up there, the real answer is in 'all of them'. It is the potential created by combining the power of each new technology that makes insurtech so compelling. Telematics, robotics, virtual reality, machine learning and AI, internet of things, drone tech: all are going to be part of the mix. As we look forward to 2018, the whole really is greater than the sum of the parts.

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