A close-up photograph of a person's hand writing on a small, white, rectangular sticky note. The hand is holding a pen, and the writing is in cursive. The sticky note is placed on a dark, textured surface, likely a desk. In the background, a portion of a silver laptop is visible, slightly out of focus. The overall lighting is soft and natural, suggesting an indoor office environment.

# INSURTECH STARTUPS

How to get the most from  
your insurer relationships



## In the last year the insurance industry has woken up to the innovation challenge, as InsurTech startups swell in number and attract unprecedented funding.

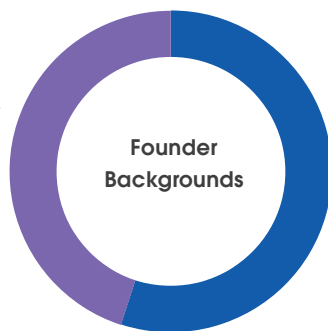
Feeling the pressure, insurers are scrambling to engage with startups. Working with startups does not come naturally to many of them, but the rewards are too great to be ignored. Similarly, startups have misgivings about working with insurers. However, they are keen to benefit from their experience and capabilities.

**We asked 25 InsurTech startups** about their experiences of creating something from scratch, and identified five key actions they can take to get the most out of their interactions with insurers.



# WHY START A STARTUP?

“We are a tech company - if you ask my guys if they're in insurance they'll laugh at you.”



**Insurance Industry Outsider**

Source: Oxbow Partners analysis of startups interviewed, Jan-Mar 2016

“We're not a tech startup in the way people think about them. What's needed is a new insurance business. Tech is an enabler.”

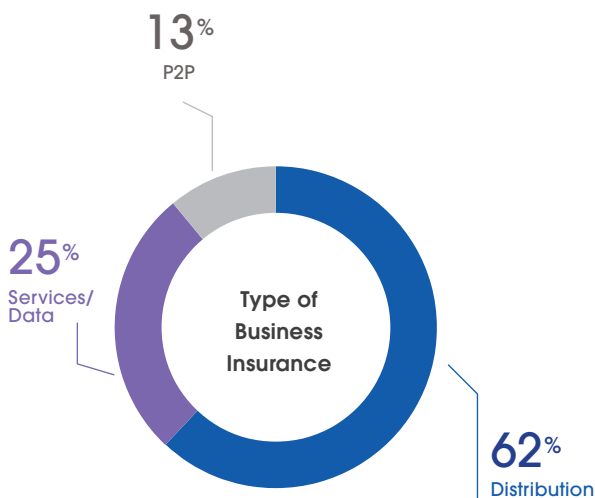
Nearly half of the founders we spoke to are “outsiders” to the industry, spurred on to found an insurance business by their own poor customer experiences. Entrepreneurial and technically adept and often with a background in FinTech – they see huge potential in applying innovation to a “broken market”.

Other founders are focusing on less visible parts of the value chain, for example data and analytics. These founders are often driven by the frustration of failed attempts to innovate as employees. One founder never had his ideas approved and another watched his project “fail miserably” due to poor execution.

Founders with insurance backgrounds are even more frustrated with the industry. They've worked in insurance companies or brokers and are embarrassed by the industry's reputation as old-fashioned, over-priced and sometimes even dishonest. One founder describes his mission as “restoring confidence in the insurance industry”.

Despite talk of “revolutionary” models and “disruption”, most startups are making incremental changes to the industry. In fact, founders from all backgrounds want to partner with insurers because they know that, for all their faults, they can provide certain capabilities like claims handling and capacity faster and more cost effectively than they could build them themselves.

Many of these founders are focused on distribution. One describes himself as an “advocate of the customer”. From price comparison sites through mobile apps to robo-brokers, these startups aim to fundamentally improve the customer's experience.



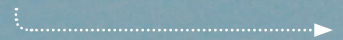
**Distribution Services/Data P2P**

Source: Oxbow Partners analysis of startups interviewed, Jan-Mar 2016



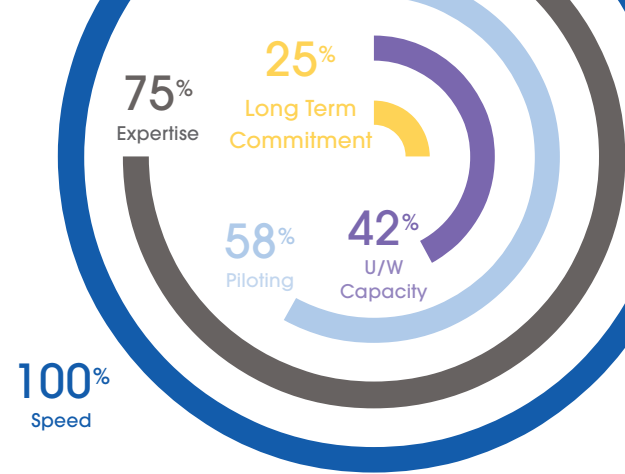
# WHAT DO STARTUPS NEED FROM INSURERS?

During our conversations with founders we identified five needs common to all startups in their interactions with insurance companies. Funding isn't covered as we see it as an enabler rather than a core need.



### Startups' top needs from insurers

(Proportion of interviews in which need was raised by founder)



#### 1. Action in hours not months

Speed came up again and again. "They don't understand what startup time is – we need to get things built, to get revenue", one founder complained pointing to a fundamental difference in culture between startups and insurers. To work with startups, insurers need to make their processes as simple and quick as possible. Simply having an innovation team with some modern tech won't cut it if they still just "give you the run-around for a while". Indeed, one founder suggested that in his experience in-house innovation teams could slow down engagement because they "add an extra layer of bureaucracy."

#### 4. Technical advice from insurance experts

Startups may have insurance expertise on board, but the chances are they could do with external input in at least one area. For example, a major complication for founders is regulation, seen as "a ball-ache", a "minefield". Insurers have a wealth of experience in this area and others as well as "hard assets" like licences. Startups get frustrated that this expertise is "locked away"; a little more support would go a long way to helping their businesses.

Source: Oxbow Partners analysis of startups interviewed, Jan-Mar 2016

“For an insurer to work with a startup, there's a complete disconnect in culture. Speed is the biggest part of that”

“We need compliance people with the right mindset – they try and find a way to say yes”

#### 2. Accept that piloting precedes profit

As one founder put it, "version one is going to be messy". Great products and great companies emerge from countless experiments. To work with startups, insurers need to accept that they are initially enabling an experiment, not investing in a profitable business with foreseeable cashflows. Their governance needs to change accordingly, shifting from strict rules to rigorously tracking startups' progress against stated goals. For startups, a limited amount of underwriting capacity to enable pilots is the "be all and end all".

#### 5. Commitment to the company's growth and success

Last but not least, founders emphasised that long-term success depended on a long-term partnership. After surviving the first couple of years (a hard enough task in itself), startups need a reliable partner to help them quickly scale up volumes, build new product lines, and reach new (often international) markets.

#### 3. API-friendly data-sharing

One problem founders face is the lack of customer data on which to test their models. One European founder complained that "UK insurers are terrible at giving startups access to their data". Insurers need to open up their data – securely but accessibly – to allow startups to back-test their hypotheses.






# OXBOW PARTNERS TOP 5 TIPS FOR STARTUPS

## The good news is that it's getting easier to engage with insurers.

Founders agree that in the last year insurers have become more willing to listen: "the intent is absolutely there, we're in the pathfinder phase". The next stage is to reliably access solid, applicable help and advice. Based on our experience with both insurers and startups, here are five ways for startups to get better results from their interactions with insurers.



### 1. Get an insurance expert to help you navigate incumbent organisations

Even if a founder has met an enthusiastic executive, it's still hard to get a large company to deliver the goods when it's often nobody's day job to do so. Startups founded by someone from the industry undoubtedly make easier progress because they know the internal dynamics of insurers and can read between the lines. If you're new to the industry, bring in an insurance expert – even a part-time advisor – who knows who to talk to, and what to say to make things happen.

### 2. Look for a track record

Many insurers talk the talk but few genuinely walk the walk. Find insurers who have cooperated with startups effectively already – it proves that they have the capability and willingness to take risks and make things happen, rather than grinding to a halt after some positive but ultimately fruitless meetings. If there's not yet solid evidence for success, look out for indicators like an innovation team that can point to concrete successes and C-level support.

### 3. Start with the bare minimum

On the one hand, startups need to paint a vision of their business which makes them stand out in the InsurTech landscape. On the other hand, the more things an insurer needs to deploy to facilitate your proposition, the less likely it is that they will. Ensure that you have sold the vision, then ask the insurer for the minimum requirements needed for you to design your MVP. This will allow you to start building mutual confidence with the insurer and will quickly indicate if you're on the path to a fruitful, potentially long term relationship.

### 4. Structure your partnership carefully

Many founders fear that partnering early on with an insurer will create conflicts of interest, limit their freedom to experiment, and limit their brand development. Founders are right to be wary, but this need not be so. The right partner will be willing to support experimental products, and will have the tech and balance-sheet authority to do so. More importantly, they will think flexibly, not imposing their brand, products and mindset but instead helping you to develop your business and expecting to benefit from your success.

### 5. Start early in building relationships

It will take time to build trust between an incumbent and a startup. If you sense that you're going to need input from an insurance company, put out feelers early. Even if a meeting doesn't lead to instant action then you'll be in mind by the time it matters.

## View from Munich Re

### Digital Partners



**Andy Rear** is CEO of recently-launched Munich Re Digital Partners. It will partner with disruptors who are changing the way insurance is experienced by customers.

It's clear from these interviews that startup founders know what they need from the industry – there's no excuse not to act on it. The insurance industry has underwriting capacity, technical expertise and customer data in spades. We have to get our heads round how to apply it to new products, small but quickly growing volumes, modern systems and a highly agile approach.

How we deliver is just as important as what we deliver, and I'm not surprised that the issue of speed came up again and again. This is why Munich Re Digital Partners will be built from scratch based on founder feedback. The new, dedicated team will be motivated and empowered to get results fast, not held back by legacy tech and burdensome processes.

Despite these differences, it's startling – and reassuring – to see from these interviews just how much startups and insurers have in common. Startup founders and insurance executives want the same thing: to win the trust and business of consumers by offering the accessible and competitive service they expect. Here insurers, clearly, have an opportunity to learn from the startups!



## View from Oxbow Partners

**Greg Brown** is a Partner at Oxbow Partners focused on insurance technology and innovation.

An interesting feature of the European "InsurTech" landscape is that most startups are building propositions which require them to partner with insurers. Nobody is, so far, taking on the balance sheet challenge.

But startups and insurers are uneasy bedfellows. During the courtship phase, it is easy for both sides to get excited about what the other can bring, but things quickly become difficult during implementation.

At Oxbow Partners, we have deep expertise in facilitating these relationships. We have successfully helped several startups shape their propositions and navigate the insurance landscape.

We also advise insurers to define their innovation strategy, identify partners and implement relationships. We call our approach to implementation "Agile Strategy". We use our experience of working in insurers, consultancies and startups to combine the rigour of strategy consulting with the rapid execution of "agile" development. In this way, we help our clients make real progress quickly. We hope you find this report interesting.

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