

Insurance Startups – A New World of Ideas for Brokers



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Most of us are familiar with the concept of the sharing economy now that tech firms such as Uber have become popular in many countries around the world. Uber, of course, popularized the “sharing” of peoples’ personal cars to transport passengers around cities, in place of taxis and established forms of transportation. How can the sharing economy be applied to the insurance industry? It has taken longer for tech startups to disrupt the insurance space perhaps because of the slow-moving nature of our industry and the regulatory hurdles that often hinder the development of rapid innovation. But 2016 is perhaps the year for tech startups to begin disrupting the insurance industry in a big way, presenting brokers with opportunities to engage in this space and complement these innovative new companies.

Peer-to-Peer Insurance

Various startups based on a peer-to-peer (P2P) insurance model have appeared over the past year or two and many of them are still in the pre-launch phase, such as Lemonade, based in New York, and besure, based in Calgary. What exactly is P2P insurance? Rather than strangers being grouped together by a large insurance company to share risk, smaller groups of policyholders (often friends or people with shared interests) pool together instead. In this way, customers leverage social media connections to identify others with similar insurance needs and create policies specifically for that group.

The main advantages of this model are that premiums and deductibles are often cheaper

with P2P insurance, and friends tend to be more honest with each other, making insurance fraud less likely. Friends are also more likely to know whether or not someone in their group has a history of risky behaviour that could lead to insurance claims. By picking the people you want in your pool, you reduce the chances of a claim occurring, thereby saving you money.

Friendsurance, based in Germany and established in 2010, was one of the first P2P insurance startups. This startup even rewards the people in its insurance pools by offering a cash-back bonus each year if their group remains claimless. When asked how she thinks the P2P insurance concept affects independent brokers, Eva Genzmer, Head of Corporate Communications at Friendsurance, replied, “We cooperate with insurance brokers who want to profit from the advantages of our business model such as increased customer satisfaction as well as access to a young target group and social networks.”

besure is also based on the P2P insurance concept, described as combining “social networking, cooperation and the sharing economy to empower individuals to come together to protect the things that matter most.” Michelle Priest, Marketing Manager at besure agrees that independent brokers can play a role in P2P insurance. “P2P insurance can help fill a gap in the market because everyone needs auto insurance but not everyone can afford the deductible. As a broker, if I had clients on a tight budget and a policy with a \$1,000 deductible, to help them from paying out-of-pocket, they could join a besure auto deductible pool, and therefore reduce their overall insurance cost,” says Priest. “P2P insurance can also be a great relationship building tool for brokers to use with clients, e.g., there could be a bike pool specifically for cyclists. The people in this pool feel that they have common interests and connect with each other more than under a traditional insurance policy.”

“Mobile First” Insurance

According to a 2015 survey from Forrester, 68% of Canadians now own a smartphone and 69% of mobile owners access the Internet weekly on their device. Recognizing this trend, some insurance startups are focusing entirely on the mobile space. One example is US-based Trōv, to be launched this year, that “will let you insure just the things you want – exactly when you want – entirely from your phone.” With the app, users will be able to upload pictures

of their receipts, track the market value of their possessions and connect to opportunities to insure, and even submit claims.

More brokers should start thinking about the ways in which mobile apps can be used to accommodate an insurance exchange. Knip, a Swiss startup, provides a mobile app allowing customers to track and access all their insurance policies in one place. After signing a Broker of Record letter, the app can even act as that user’s insurance broker, recommending where they should increase or decrease cover and who they should insure with.

Insurer Startup Incubators

Certain insurers are being very proactive about engaging in the startup world, launching their own accelerator programs. European insurer Allianz has a program called Digital Accelerator, which provides financial support and business development to insurance technology (“InsurTech”) firms – startups specializing in the insurance space. Allianz brings entrepreneurs together with its existing teams to prototype, develop and validate new business concepts that have the potential to impact the insurance sector.

In 2015, Aviva launched its Aviva Ventures arm, focused on providing venture capital to early-stage startups that exhibit the potential to make insurance easier for customers through digital innovation. The program will target investment in a number of innovative areas, including startups focusing on the “internet of things”, data analytics and new sharing economy platforms.

Although most brokerages may not adopt the P2P or mobile-based insurance startup concepts as their primary operational models, brokers can nonetheless leverage these innovations to strengthen their competitive edge. Visit the Advisory Services section of CSIO.com to read about other technology solutions that can benefit your brokerage. ■

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