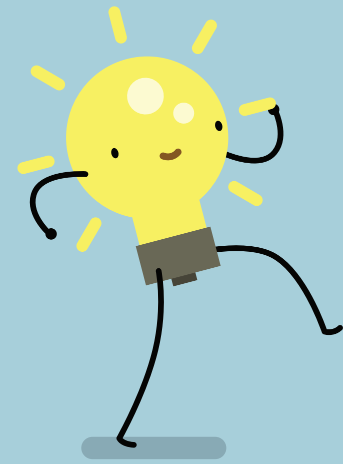
Stepping on the Gas



THE GROWING POPULARITY OF ACCELERATORS ARE 'DRIVING' INSURANCE COMPANIES' INNOVATIVE EFFORTS.

LAUREN ANDERSON

Not much has changed about the concept of insurance since Benjamin Franklin founded the **Philadelphia Contributionship** in 1752. However, with the recent rapid growth of insurtech startups, the centuries-old industry is ripe for disruption. Insurance carriers are champing at the bit to adopt innovative technologies that better serve customers and identify, mitigate, and eliminate risk. And now with the help of accelerators, they can do just that.

"Insurance is not the sexiest industry," admits Ali Safavi, global head of insurtech at Plug and Play, a Silicon Valley-based accelerator. "But since a few people came up with new ideas over the past three or four years, I feel like [accelerators] came under the spotlight with the amount of funding that went into [startups] and the amount of attention they got from insurance companies."

A third of today's insurtech accelerators by line of business are property/casualty focused, according to a 2017 report from Celent and **Guy Carpenter**. Although relatively new to the insurance industry, accelerators have been around for some time. They provide corporations and investment firms early access to startup companies developing the latest innovations and technologies in their respective fields. In many cases, the technology has improved the overall customer experience, driven operational efficiencies and expense savings, fueled growth and revenue, and created innovative products for their businesses.

Bob Mozeika, innovation executive at **Munich Re**, was one of the first to recognize the massive opportunity accelerators could offer the insurance industry. During a visit to Plug and Play in 2014, he suggested the accelerator add insurtech to its list.

"Silicon Valley operates so fast on its decisions," Mozeika says. "I was talking to Saeed Amidi [the CEO of Plug and Play] in the hallway for a half hour, telling him the reasons they should [start] an insurtech accelerator. And I got an email back at 1:30 in the morning saying, 'Ok we're going to do it.'"

Plug and Play was already a powerhouse accelerator before launching its insurtech program in May 2016. It provides business development and mentorship to more than 10,000 startup companies worldwide. The startups involved with accelerators are mostly technology-based companies. Plug and Play currently focuses on 14 industries, including brand and retail, the internet of things, mobility, health care, and cybersecurity.

So, when it comes to insurance, the startups that carriers work with may not fit a conventional definition of an insurtech company. "We look at everything as insurtech because we think everything somehow affects risk," Safavi says. "We work with different industries, and we think on some level that they all touch on insurance. That's why it really matters to have a line of sight into every industry."

A Mutually Beneficial Relationship

Both large and small insurance carriers can benefit from a relationship with an accelerator, especially if they don't have the resources to scan thousands of startup companies to find a solution to improve their services.

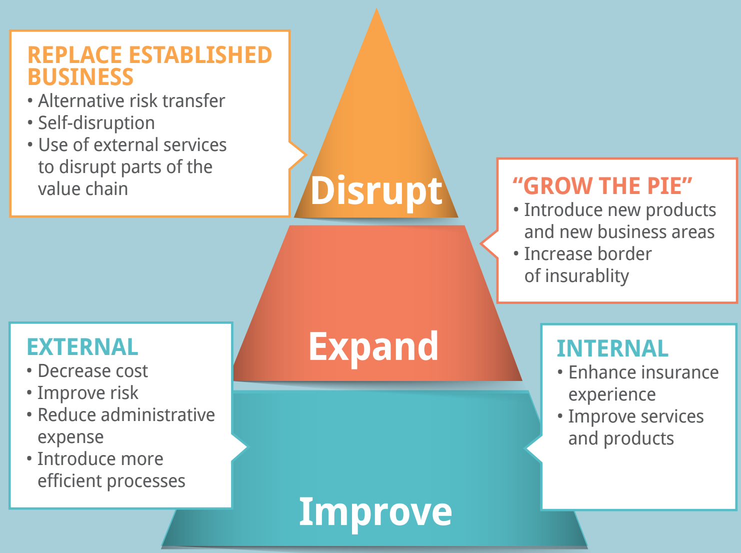
"I look at [accelerators] almost as outsourcing this scouting and due-diligence function," says Mozeika. "I will tell them [as an insurance carrier], 'These are the types of new companies I would potentially like to see.' And [the accelerator will] go find those insurtech companies and potentially invite them into their program."

Mozeika says it's important for insurers to know what problems they're looking to solve prior to getting involved. Thoughtful communication is important to reap the advantages of an accelerator partnership.

"It's a two-way street," says Mozeika. "We have to let them know what we're looking for. That's what makes the partnership much more valuable ... when I am able to tell [an accelerator] what my wants and needs are and not just say, 'Bring me the coolest things that you see out there.'"

And there are a lot of cool things out there. Take the startup Extraordinary Re for example.

Entrepreneurs came up with the novel idea of using blockchain technology to create a trading platform run by Nasdaq for investors to trade assets tied to insurance liabilities. Plug and Play saw the potential



Source: NAMIC Insurtech & Innovation webinar

and made an investment after the company participated in its 12-week accelerator program.

Throughout Plug and Play's program, startups benefit from valuable industry expertise and mentoring as well as assistance with speeding products to market. Insurtech startups pitch their ideas to dozens of insurance executives and get feedback on ways to improve their innovations and possibly receive funding to pilot them. It's a model commonly used in Silicon Valley to help startups get through some of the more difficult early growth stages.

"Silicon Valley can sometimes turn into a 'petting zoo' where people come out just to see [what startups are developing]. Sometimes it's a waste of time for startups that want to meet with potential investors," Safavi says. "So, we decided to filter through a lot of people who just have an interest to [get to] people who actually want to do something."

The cliché "You get out what you put in" has some truth to it, which is why Plug and Play asks insurers to become corporate partners and invest in the program to make sure they're garnering its full benefits. In 2017 alone, Plug and Play accelerated more than 425 startups across all the industries it works with. Safavi says this has supported Plug and Play's effort to create the largest global ecosystem around insurance technology and innovation.

"For us, we try to innovate more and more in terms of how else we could play a role in the innovation journey and how else we could help [the startups and insurance carriers]," Safavi says. "That's one of the reasons why we've been growing at rocket speed."

Not All Accelerators are the Same

While Plug and Play represents a massive network of investors and startups, there are smaller accelerators that are more narrowly focused. In 2014, Global Insurance Accelerator launched — with modest expectations — as the first accelerator in the world with a dedicated insurance focus. Located in Des Moines, Iowa — an insurance hotspot with more than 60 companies headquartered in the metropolitan area — leaders quickly discovered interest in the accelerator stretched far beyond the Midwestern city.

"Each of these companies gets something different out of participating with us," Brian Hemesath, managing director at Global Insurance Accelerator, says. "Not every startup is going to be applicable for every investor, but the hope is that we've helped our investors discover some early innovations that can do all the things that a startup can do, which is move quickly, pivot, listen, and solve problems faster than their internal processes or vendors could."

Hemesath acknowledges GIA's program is very different from Plug and Play's, which allows both to operate in a healthy, noncompetitive environment.

"Shared investors have told me that the Plug and Play experience is more about seeing a whole lot of companies and then maybe picking a couple to work with," says Hemesath. "Whereas with our accelerator, we have eight companies in our equity-based program and we try to go deeper with all of them. In my opinion, we're investing more time and energy into a smaller group of companies."

Each of the eight startups invited into the program's annual cohort receive a $40,000 seed investment in exchange for 6 percent equity in its company. Then, the startups will travel to Des Moines to participate in GIA's 100-day equity program for one-on-one mentoring and development with hundreds of industry executives.

"That's another big difference between us and Plug and Play," Hemesath says. "They don't take equity right out of the gate, which gives them more flexibility. So, while they will attract more applicants to their programs because it's no loss for the startup, for us, it's a heavier decision for that startup to say, 'Okay, I want to be in Des Moines, Iowa, for one hundred days. I want to give up six percent of my company.' It's a different commitment."

GIA's insurer-funded model gives a carrier a seat at the table as a board member. It also gives a unique vantage point to participate in investment decisions as insurers experience the struggles of a startup firsthand. Not only that, insurers are paying it forward by providing startups with invaluable mentoring and coaching.

"The whole thing that brings us all together is the one-hundred-plus insurance professionals who have all raised their hands to volunteer their time to interact and support these startups," Hemesath says. "It's a chance to meet and work with these innovative thinkers who bend the rules. They change the way people think.

"Our program within our investor circle has been credited with starting to make cultural changes within companies," he continues, "which is a next-level benefit that comes out of participating with us."