CITY OF LONDON

THE GLOBAL CITY

Powering the fintech revolution

Innovating insurance

Foreword

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The Rt Hon the Lord Mayor of the City of London

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UK innovation continues to go from strength to strength despite the global challenges of this year. Overall, venture capital investment into UK fintech topped £5.7 billion in the first half of 2021, showing continued confidence in the UK's position as a fintech hub. Our strong ecosystem is bolstered by appropriate regulation, and access to talent, providing building blocks for success.

As we look at the scale and breadth of UK innovation, there are many strengths to highlight. The UK has long been a global powerhouse for insurance, and we are fortunate to have a developed cluster of innovative firms that are solving challenges across this space. There are over 180 insurtech startups in the UK, operating across diverse areas such as life and pensions, cyber security and reinsurance, with a diverse and talented workforce employed across the sector.

The UK has a longstanding tradition of insurance sitting at the heart of the financial and professional services sector, and it is energising to see innovation taking place in partnership with incumbent firms. This, and access to talent, are two key strengths of our UK insurtech offer. With thanks to our partners at Insurtech UK - who provide support and representation for the sector, we invite you to look in more detail at the innovative UK firms that are driving the pace of innovation in insurance.

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180+

insurtech businesses call the UK home

Introduction by James York and Luisa Barile, Co-chairs Insurtech UK

James York
Co-chair Insurtech UK

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> "UK insurtechs raised €728 million so far in 2021 across 21 deals, over 1/3 of all European investment.

Digitisation is more than just a buzzword. From publishing to banking, it is disrupting sectors around the globe, throwing up challenges for businesses but also delivering new services and better deals for consumers.

Insurance is no different. It's just that, compared to some other sectors, the digital revolution in insurance has much further to go. Legacy systems of the big insurers are decades old and incompatible with new technologies such as AI and machine learning. Some commercial insurance lines still require a paper trail and wet signatures on transactions which means deals that should take minutes can take weeks. Claims processes are often conducted entirely over the phone which can be painfully time-consuming.

The potential benefits and opportunities of digitisation in insurance are therefore huge. Whether through artificial intelligence (AI), big data, machine learning, wearables, drones or apps, insurtech – the umbrella term used to describe how technological innovation is being adopted to improve existing insurance models – is helping transform the insurance sector.

The UK, already a global leader in fintech, is becoming a global leader in insurtech too. The UK boasts 189 insurtech businesses – including 4 insurtech unicorns. UK insurtechs raised €728 million so far in 2021 across 21 deals, over 1/3 of all European investment.

Insurers need to embrace this revolution. While some insurtechs are providing competition to legacy insurance companies, many more are working in partnership with the industry, helping it modernise and improve. Technologies offered by insurtechs can, for example, help the wider industry move to a world of straight through processing where no human intervention is needed, enabling significant cuts to operational costs, improved customer service and the creation of new product offerings.

Clearly, technology is not the panacea to everything. But a willingness to look at new solutions and technologies can really make a difference and change perceptions of an industry where perceptions need changing: a YouGov study in 2019 suggested that 68% of people believed that insurers would do whatever they could to avoid paying out a claim.

It does not have to be this way. And nor should it be. Insurance underpins our societal resilience, rebuilds communities and protects loved things and loved ones. By embracing technology, insurtechs and insurers working in collaboration with insurtechs can improve their service offerings and start to turn the corner on negative customer perceptions. The winners will be insurtechs, the wider insurance sector and millions of customers all around the globe.

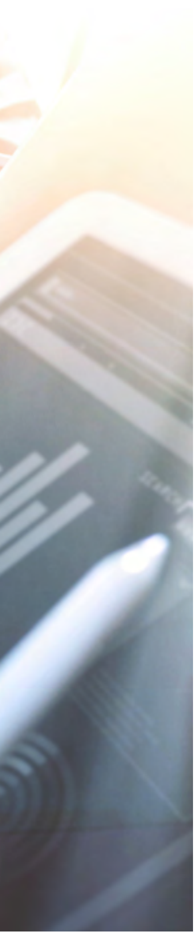
Using technology to revolutionise insurance

In terms of money invested, the global insurtech market has never been as hot as it is right now.

The UK lies at the centre of these investment flows. Since 2015, $2.38 billion has been invested into the UK insurtech community and, in the first ten months of 2021. UK insurtechs have now more than doubled the amount of investment in 2021 it received in 2020.

There are strong reasons for this. With its 335-year history, the UK is the birthplace of insurance and the 4th largest insurance market in the world. Through Lloyd's of London, it hosts the world's largest specialty insurance and reinsurance market operating in over 200 countries worldwide.

Add to that world-leading regulation via the Financial Conduct Authority (FCA) and natural advantages of timezone and geographic location and it is easy to see why many insurtechs, like their fintech cousins, are choosing to be based in the UK.



The talent is here too: over 300,000 people work in the UK insurance industry and London alone has over 350,000 software developers, more than any other European city.

UK insurtechs themselves employ an estimated 6,500 people and the companies attracting investment are as diverse as they are numerous. From reverse auction marketplaces and insurers using AI and machine learning to better analyse risks to insurers offering refunds on no claims, the services offered by UK insurtechs vary widely. These will only continue to grow. Despite the inherent risks with start-ups and scale-ups, the sector has proven itself to be remarkably resilient so far. 99% of Insurtech UK's members came through the pandemic.

It is clear we are at the beginning of an exciting journey for the insurance sector. Technology will enable insurers to streamline existing processes and gather and analyse data more rigorously to revolutionise underwriting practices or to provide hyper-personalised cover.

Longer term, insurtech has the potential to help the insurance industry reconnect with its existing customers and to gain many new ones through services tailored to increasingly demanding consumers.

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Case study: **Flock**

Being based in the UK, in the City of London, has been instrumental in the growth of Flock

FLOCK

Ed Leon Klinger and Antton Peña set up Flock, a digital insurance company for connected and autonomous vehicles, in 2016 with just one employee. The two entrepreneurs set out to offer tailored insurance solutions using real-time data, much of which was captured from connected vehicles such as drones and fleets of cars.

Five years later, the company now insures tens of thousands of vehicles for firms including elmo, Virtuo and Jaguar Land Rover's The Out. Its pioneering drone product was used as a testing ground for the commercial fleet product and gained traction in its own right, protecting pilots flying for the BBC, Netflix and the UK's National Health Service. Flock now has 28 employees and is planning to hire another 60 over the next 18 months.

With the commercial fleet market worth $160bn a year, the insurtech firm sees motor as a key driver of its growth into new segments and markets. For Flock, being based in the UK, in the City of London, has been instrumental in its growth - not least because of what it describes as a "huge melting pot of incredible talent across tech and insurance" and "those long-established networks through the City of London". This location is important as Flock works with hundreds of insurance brokers to distribute its products. One of its earliest partnerships was with Allianz, a relationship made all the easier as the German insurer had its London office less than a 10-minute walk from Flock's base in Liverpool Street in the City.

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Case study: **Bought By Many**

The UK has been an excellent location from which to launch Bought By Many's global business

BOUGHTBY**MANY**
Pet Insurance

Bought By Many started life in 2012 as a digital introducer, helping consumers secure better deals from insurance companies through bulk buying. In 2017, it launched its own-branded pet insurance products, capitalising on what it saw as widespread customer dissatisfaction with existing pet insurance plans.

The company has differentiated itself through its product which has been designed following extensive customer and data feedback. Further, using technology from underwriting right through to claims handling, the company has kept operating costs low, allowing it to pass on cost savings to customers. Yet, while its core platform is digital, Bought By Many maintains an extensive customer service operation, allowing customers to speak directly with representatives when they prefer.

It is a formula that appears to be working. Within four years the company has moved from zero to a 20% market share of new business. It now has over 500,000 customers and has achieved annual revenue growth of in excess of 100% every year since launch.

In 2019 it launched in Sweden and early in 2021 it started operating in the United States. Today Bought By Many counts over 350 employees and is part of a growing number of UK-based insurtechs with unicorn status.

> "It now has over 500,000 customers and has achieved annual revenue growth in excess of 100% every year

With the UK at the intersection of the insurance and technology sectors, Bought By Many says the UK has been an excellent location from which to launch its global business. Over coming months, as well as continuing to expand in its 3 core markets, the company plans to launch additional services to help its customers improve the health of their pets.

Case study: **Agvesto**

Being based in London has also made it easier for the company to attract talent to both the insurance and capital markets sides of its business

AGVESTO

The negative impacts of climate change are already being felt in many sectors around the globe. One where the negative impacts are expected to become particularly severe is agriculture. In some countries, farming capacity is predicted to fall by 25%. In others, it could become non-existent resulting in external reliance.

> “The company seeks to make the agricultural value chain more resilient and more sustainable over the long term

This is where Agvesto steps in. It operates a simple to use insurance platform for farmers and agricultural businesses so that they can protect their agricultural assets against perils such as drought, hail, flood or heatwaves. The company also provides coverage beyond production for logistics and health.

The company seeks to make the agricultural value chain more resilient and more sustainable over the long term, acting as an intermediary between farmers, capital markets and insurers so that value chain businesses can get insured against natural hazards. It also provides intermediary services to issuers of green/sustainable bonds and debt such as municipalities and companies both in the pre- and post-issuance stage.

Based in London, Agvesto has subsidiary operations in Mumbai in India. But the company cites its UK base as having been key to its growth. The UK’s strengths in technology, insurance and green finance have helped Agvesto attract investment, the company says. Being based in London has also made it easier for the company to attract talent to both the insurance and capital markets sides of its business.

Going forward, Agvesto wants to expand further into the US market where it already has partnerships with major insurance companies.

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