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Democratisation of Insurance



May 2024

“Democratisation of finance empowers both consumers and businesses, unlocking the gateway to insurance accessibility. Through innovation and inclusion, it fosters a landscape where protection becomes not just a privilege, but a fundamental right, fortifying individuals and enterprises alike against the uncertainties of tomorrow”

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INTRODUCTION

Financial services touch large aspects of our lives, from routine day-to-day activities such as simply taking the bus or getting lunch, to longer-term objectives protecting our futures through savings and insurance. The union of finance and technology, better known as fintech, has increased the pervasiveness of financial services into our daily lives by embedding financial services into activities not traditionally associated with financial services.

The democratisation of financial services is expected to open new pathways to cover previously underserved customer segments through new products and channels (i.e., platforms, applications, etc.). Specifically, the democratisation of insurance provides a way to lower the barriers of entry for a historically complicated and expensive means to manage risk which portends meaningful value for individuals and businesses alike.

While the democratisation of financial services is large, this paper focuses on how the democratisation of insurance will impact the end-customers, and how the whole value chain has to adapt its technological capabilities to meet the new demands. It will explore key developments in the insurance sector, touching on user behaviour and demographic shifts, to technology and key regulatory changes, and their impact of these developments to the insurance industry. It will also discuss how these changes are affecting business models in the insurance space from a cost, availability, distribution and risk management perspective, and touch on opportunities in the space.

This paper is a subset of a larger white paper on the democratisation of financial services. In this paper, we will explore (1) key trends; (2) business model implications; (3) why it represents a great source of investment opportunities.

We hope you will enjoy reading our thought leadership piece as much as we have enjoyed researching and developing it.

Matteo Stefanel



Udayan Goyal



Summary of the insurance value chain

Value chain	Key functions	Primary actors
Product development	<ul style="list-style-type: none"> • Market analysis • Product profitability simulation • Customer segmentation / value analysis 	<ul style="list-style-type: none"> • Insurers • Brokers • Regulators
Distribution	<ul style="list-style-type: none"> • Bancassurance/ distributor process/ activity improvement • Sales distribution planning and implementation • Sales process improvement 	<ul style="list-style-type: none"> • Insurers • Brokers • Aggregators • Managing General Agents (MGAs) • Independent Financial Advisors (IFAs)
Underwriting	<ul style="list-style-type: none"> • Insurance underwriting • Price optimisation 	<ul style="list-style-type: none"> • Insurers • Reinsurers
Claims	<ul style="list-style-type: none"> • Fraud assessment • Claims assessment and processing • Payment processing 	<ul style="list-style-type: none"> • Claims handlers • Third party administrators
Customer service	<ul style="list-style-type: none"> • Customer relationship management (CRM) • Customer engagement & experience 	<ul style="list-style-type: none"> • Policy management • Third party administrators (TPAs)
Capital and risk management	<ul style="list-style-type: none"> • Risk evaluation • Capital management 	<ul style="list-style-type: none"> • Insurers • Reinsurers

I. KEY TRENDS IN THE SUB-SECTOR

A. Secular shift in demographics and consumer behaviour

Change in user demographics

As mentioned in Apis' previous papers, there have been two critical population shifts over the past decade: (i) a gradual ageing of the population (particularly in developed markets), and (ii) the emergence of a large and digitally-savvy middle class.

Between 1980 and 2021, the global population aged 60 and above more than doubled from 400 million to 1.1 billion, with its proportion increasing from 8% to 14%¹. As the population aged, it increased the economic strain on governments and families through higher public healthcare expenditure, which, in turn, increased claims on insurance carriers in the life and health segments. This trend will only continue as the population continues to age, motivating insurers to enhance efficiency in their operations to offset this impending rise in costs.

The second shift, a rise of a large middle class, especially in emerging markets, presents a significant growth opportunity. Emerging markets represent nearly 60% of global GDP² and are expected to grow at 4% per year in the near term, outpacing the growth in developed markets at 2%³. This growth is powering a record number of new entrants into the middle class and an attendant increase in spending, with the middle class's consumption expected to increase from today's 33% of global demand to 40% by 2030 (with emerging countries representing an increased share of 65%)⁴. This opportunity to serve a previously underserved and potentially new-to-insurance segment presents a significant market opportunity for the insurance sector.

1. United Nations (July 2022): World Population Prospects 2022

2. Lazard Asset Management (2018): The Long-Term Case For Emerging Markets

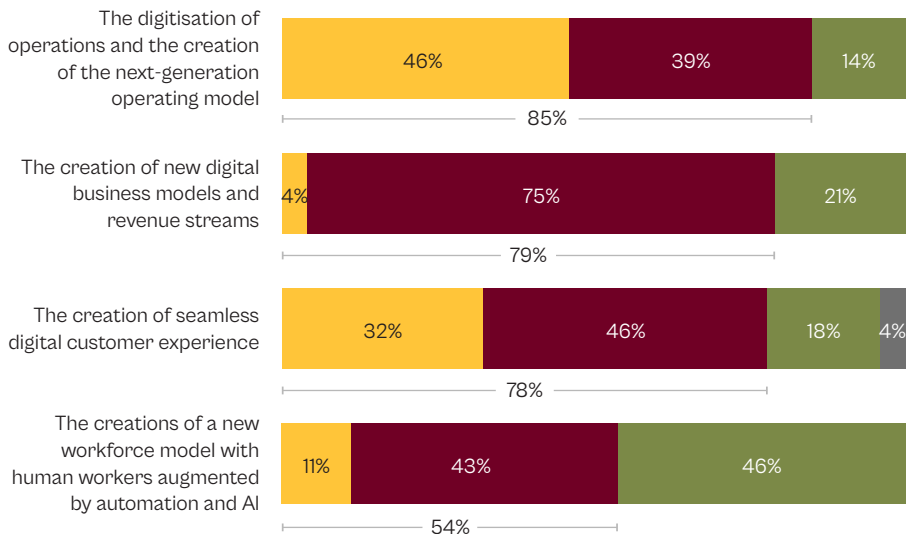
3. EIU (2022): Emerging markets: will the economic catch-up continue?

4. CaixaBank Research (2019): The emergence of the middle class: an emerging-country phenomenon

Rising demand for digital and hybrid engagement

The pandemic and resulting shutdowns impacted all parts of society, and the insurance industry was no exception. As commerce shifted toward digital channels, insurers invested heavily to accelerate their digital agendas. In a survey of global insurance CEOs conducted by KPMG, 85% lauded the pandemic with accelerating the digitalisation of their operations, and close to 80% agreed that Covid-19 catalysed the creation of new digital business models and revenue streams⁵.

Survey conducted by KPMG on whether Covid-19 has catalysed the creation of new business models⁶



- Progress has sharply accelerated putting us years in advance of where we expected to be
- Progress has sharply accelerated by a matter of months
- Progress is the same as before the pandemic
- Progress has lapsed

5. KPMG (2020): The COVID-19 catalyst: Insurers race to digitize

6. KPMG (2020): The COVID-19 catalyst: Insurers race to digitize

What has emerged in the wake of COVID-19 is a shift towards digital and hybrid models of distribution that improve the customer journey. By applying analytics to data observed within the sales process, insurers can better match people to the coverage, services, and purchasing experience they want. The resulting products have not only made the insurance process more streamlined and accessible, but also improved risk management.

Future of work and rise of the gig economy

The pandemic has also been transformative for the future of work: the abrupt closure of offices and workplaces ushered in an era of remote work, with employees and employers alike adapting to and coming to the realisation that remote or hybrid work is feasible for a large number of jobs. In a study of US adults conducted by Gallup⁷ in 2022, the proportion employees working in a hybrid environment increased 32% pre-pandemic, to 42% in February 2022, with 53% of employed adults preferring a hybrid work environment in 2022 and beyond to be able to work remotely, signalling a potential paradigm shift in the way we think about work and employment. As a hybrid working environment becomes increasingly normalised, businesses will need to rethink their traditional approach toward employee benefits such as health insurance, including the type of insurance provided and approach toward benefits administration.

Another key trend accelerated by the pandemic is the rapid rise of the gig economy. Many individuals turned to the gig economy to survive following the loss of jobs during the pandemic. However, as the gig economy is a flexible and short-term model of work, it does not provide the same benefits and protections (such as insurance) that usually come with traditional full-time employment. This insurance and protection gap exposes the gig economy workforce to significant risk, and presents a great opportunity for the insurance industry to provide insurance products tailored to this fast-growing segment.

7. Gallup Research (2022). The Future of Hybrid Work: 5 Key Questions Answered with Data

B. Improving technology

Technology driven innovation is fundamentally reshaping the insurance industry. Emerging capabilities, such as telematics, artificial intelligence, machine learning and automation have transformed nearly every aspect of the insurance value chain and continue to create new and improved omnichannel experiences for customers. The Covid-19 pandemic saw a “decade in days” acceleration in digital uptake. In turn, the frequency of interactions and the level of personalisation have dramatically changed, and insurers have needed to ensure they stay relevant and can craft truly personal, needs-based contextual experiences.

This situation provides tailwinds for Insurtechs who are driving digital innovation and disruption in the industry, with investments in Insurtechs worldwide growing from US\$1.0 billion in 2004 to US\$7.2 billion in 2019 to US\$14.6 billion in 2021⁸. To fend off the threat, insurers have ramped up their investments in technology to digitise and automate their processes, a trend which we will discuss in greater detail.

Advancements in artificial intelligence (AI) and distributed ledger technology (DLT)

Data has always played a key role in insurance, since the very nature of insurance is to aggregate and spread risk across larger population pools, with quantification of risk playing a pivotal role in pricing of premiums. Notwithstanding this, insurance companies have been known to be slow in adopting newer technologies such as AI – a 2018 study conducted by Accenture found that most insurance companies process only 10–15% of the data they have access to⁹. This has changed over the course of the last 3 years as Covid-19 forced consumers and businesses to embrace virtual transaction modes, with insurance companies accelerating their digital footprints and increasing partnerships with digital ecosystem players. This in turn drove more digital touch points and curated data, with insurance companies

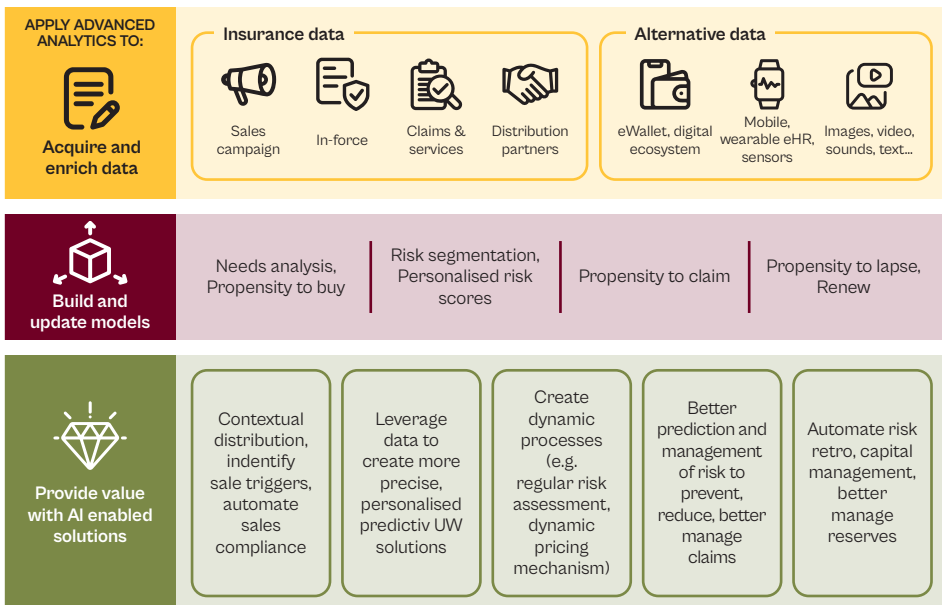
8. McKinsey (2022): Creating value, finding focus: Global Insurance Report 2022

9. Accenture (2018): Machine Learning in Insurance

increasingly embracing AI-driven technology to facilitate data-driven risk decisioning and customer insights.

A subset of AI, deep learning leverages artificial neural networks to imitate how humans think and learn, with key applications across image classification, as well as text and speech recognition. This has significant applications to insurance from a workflow perspective, including claims (cost assessment based on images), fraud (risk assessment through images, text and speech) and customer experience (customer engagement, faster quotations). This could potentially be enhanced by causal AI, which utilises causality to go beyond narrow machine learning predictions and achieve more robust and explainable decisioning.

How advanced analytics is transforming customer touch points and data into key insights¹⁰



10. Swiss Re (2022): Machine intelligence in insurance

Case Study: Shift Technology's AI-native decision automation and optimisation software

Shift
Technology

Business description

- Founded in 2014, Shift Technology delivers AI-native decision automation and optimisation solutions built for the global insurance industry.
- The company's products enable insurers to automate and optimise decisions from underwriting to claims, resulting in faster and more accurate claims and policy resolutions, superior customer experiences, increased operational efficiency, and reduced costs.

Key metrics¹¹



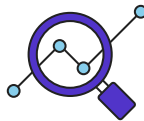
>110

claims fraud detection customers globally



25

countries served



>200

insurance focused data scientists



US\$5 billion+
claims fraud identified
in 2021 alone

Shift Insurance AI-based Decision Platform

Property
& Casualty
Solutions

Healthcare
Solutions

Life & Disability
Solutions

Shift Insurance Digital Platform

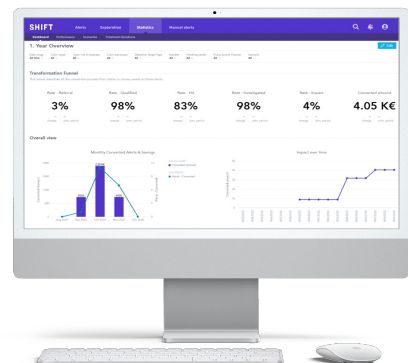
Digital Engagement

Single
Secure Data
Environment

AI Decision
Engine

API
Connectivity

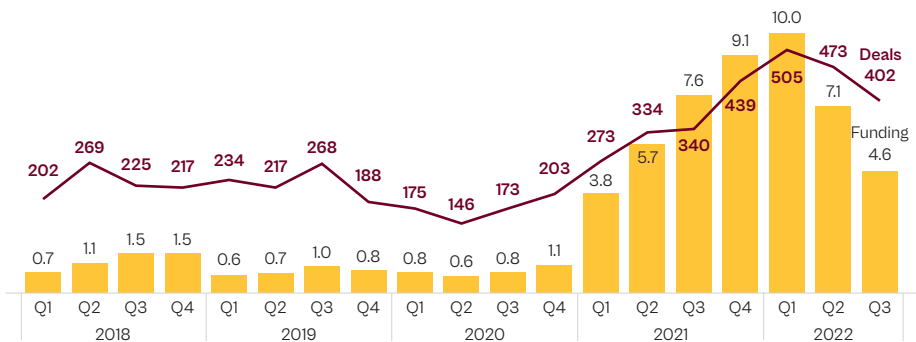
SaaS
Architecture



11. Shift Technology website, April 2024

The growing interest in DLT has potential implications to insurance as well. Since the launch of Bitcoin in 2009, there has been growing interest in cryptocurrency and its underlying blockchain and DLT technology, cumulating in blockchain funding peaking at >US\$26 billion in 2021. Despite the funding slowdown in 2022, blockchain funding levels remain elevated when compared to 2020 and before, with YTD 3Q 2022 funding of US\$21.7 billion representing a 8-9x increase when compared to the same time period in 2019 and 2020¹².

Blockchain funding (US\$ billion) and number of deals¹²



The value of blockchain and DLT stems from its capacity to share data in a digital, fast, secure, and permissioned basis across entities and users, without a single entity taking responsibility of safeguarding data or facilitating transactions. This ability to improve efficiency, build trust and remove friction has businesses and enterprises taking note - in a survey by Deloitte in 2021, about 40% of enterprises expressed an interest to invest US\$5 million or more in new blockchain and DLT initiatives, while over 50% indicated that the technology had become a critical priority for their organisations¹³.

12. CB Insights (2022): State of Blockchain Q3'22 Report

13. Deloitte (2021): Deloitte's 2021 Global Blockchain Survey

In the case of insurance, there are a myriad of possibilities in which blockchain could change how insurance companies do business. With smart contracts and decentralised applications, blockchain and DLT has the ability to automate claims and payment functions, thereby lowering administrative costs. It could also facilitate the sharing of digital evidence for underwriting, which has an impact on pricing and product development.

Increasing prevalence of open Application Programming Interfaces ('APIs') and microservices

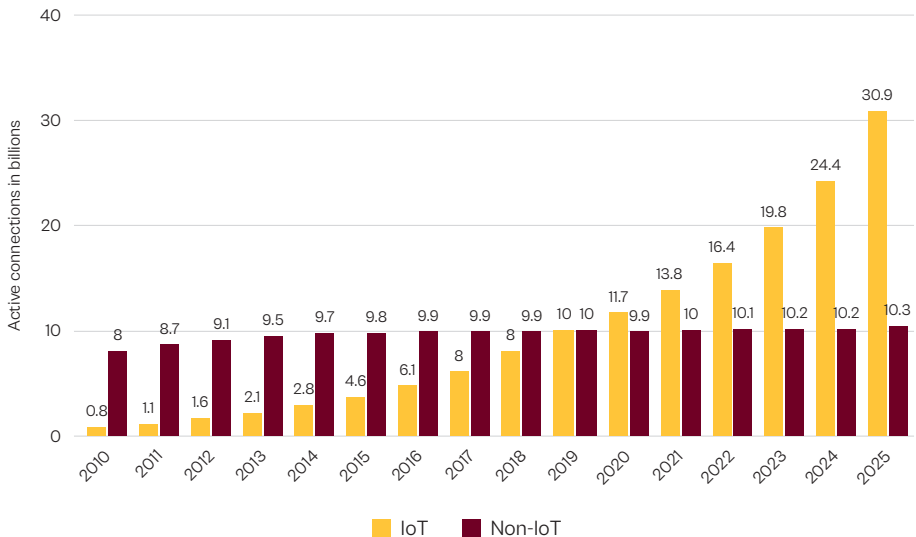
As with many industries, there has been growing emphasis on customer experiences considering the improving technology and 2020 pandemic. Partnerships between companies in the ecosystem enable increased access to data, more personalised products, and new marketing opportunities. However, the biggest hurdle is on the technological front - most legacy business systems in use today are unable to support such partnerships, as they were built in silos and were intended to only operate within each business.

Microservices break up legacy applications into smaller, independent business processes, following which APIs can be used to open up and draw on data from legacy systems to create digital partnerships. Applications in the P&C housing insurance includes risk assessment for optimised pricing (drawing data from property data vendors, geolocation data for determining flood and fire risk), claims management (integrating to self-service claims vendors, enabling sharing of picture and videos), and even risk mitigation (partnering with smart-home IoT platforms to offer services such as water leak detection). Microservices architectures in insurance are fast becoming critical elements given their ability to solve problems linked to security, complexity and integration that has bogged down the industry for years.

Explosion of data from connected devices

The number of Internet of Things (IoT) connected devices grew 14 fold over the past decade, from 800 million in 2010 to 12 billion in 2020, resulting in an avalanche of new data created by these devices. Combined with technology developments discussed above (advancements in AI, increasing prevalence of APIs and microservices), this massive increase in data produced has enabled insurance carriers to understand their clients more deeply, enabling the creation of new product categories, offer personalised pricing, and increasing real-time service delivery. Through the continuous monitoring of IoT-delivered data, insurers can further derive value through real-time pricing and policy terms, while managing liability such as mortality and morbidity risks, over time.

Internet of Things (IoT) and non-IoT active device connections worldwide from 2010 to 2025 (billions)¹⁴



14. Statista (2022): Internet of Things (IoT) and non-IoT active device connections worldwide from 2010 to 2025

C. Changing regulations

Insurance is a highly regulated industry, and it is this high degree of regulatory complexity that can partially impede innovation in the sector. While there is a myriad of insurance-related regulations across countries and jurisdictions, we will explore one key development which, in tandem with rising digitisation in the insurance sector, has the potential to open new pathways to serve previously underserved customer segments and democratise insurance access.

Open finance as a means to democratise access to insurance

Through the sharing of financial information in a secure and permissioned manner, open finance allows third-party players to get a more accurate picture of a customer's financial situation and risk level. This enables better decisions on their financial needs and to provide customised products.

While the trend is taking up different forms globally, with the European Union and United Kingdom being more regulator-led while the United States and China are more market-driven, there is undeniable benefits that open finance can bring to competition and choice.

Pace of adoption of open financial data by country¹⁵

Initial steps (e.g. industry consultations, draft regulations)		Transpose to national law		Grant licenses		
Nigeria	Indonesia	Hong Kong	Japan	UK	India	Australia
USA	Saudi Arabia	Brazil	Malaysia	Germany	Finland	Sweden
Canada		Mexico	Turkey	France	Ireland	Hungary
Colombia		Singapore		Spain	Czech Republic	Denmark
				Italy	Norway	Belgium
				South Korea	Netherlands	

15. McKinsey (2021) - Financial services unchained: The ongoing rise of open financial data

II. IMPACTS OF THE CHANGES ON THE SUB-SECTOR

The changes mentioned in the earlier section have in turn influenced the evolution of the market environment and business models in insurance. We discuss some of these changes below, before delving into the evolution of business models.

A. Rising risk environment and rising cost of protection

The Covid-19 pandemic made the world more aware and sensitive to risks from future epidemics and health emergencies. Combined with an environment of increasing climate risks and an ageing population, the world is entering into a period of heightened turbulence. This rising risk environment places higher costs on insurers across life, health and P&C and, particularly in instances where there is insufficient insurance coverage, imposes a greater burden on society.

As risks increase, insurers will need to undergo a paradigm shift to reduce this cost. On the other hand, developments in technology which we have discussed earlier could potentially help in this endeavour. Technologies such as IoT and AI, coupled with massive data sets on human behaviour and other trends enable insurers to directly partner with customers to identify, prevent and mitigate risk events before the associated costs materialise or grow.

B. Growing interest in emerging markets

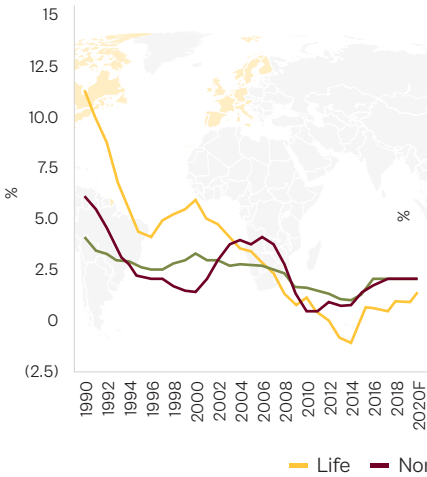
Over the past two decades, insurance premium growth in emerging markets has outpaced that of developed markets primarily driven by fast-growing middle-class population and economic growth in these markets¹⁶. Notwithstanding this, insurance penetration in emerging markets remain low at about 2-4% as of 2021, significantly below that of developed markets at >8-11%¹⁷.

16. Insurance Information Institute (2021): Background on: microinsurance and emerging markets

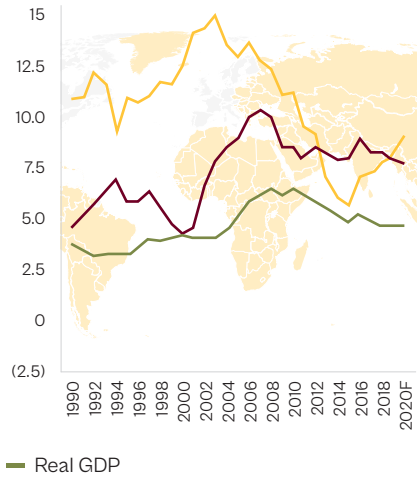
17. Swiss Re (2022): World Insurance: Inflation risks front and centre

Life and non-life premium growth, and GDP growth¹⁸

Advanced markets



Emerging markets



— Life — Non-life — Real GDP

Consumption of insurance – top 10 countries, from 2015 to 2020 and 2023 (PPP, constant 2011 US\$ trillion and global share)¹⁹

2015			2020			2030		
Country	Insurance consumption (US\$)	Share of global premiums (%)	Country	Insurance consumption (US\$)	Share of global premiums (%)	Country	Insurance consumption (US\$)	Share of global premiums (%)
US	4.7	13	US	6.8	16	US	14.3	22
China	4.2	12	China	4.7	11	China	10.7	17
Japan	2.1	6	Japan	3.7	9	Japan	4.7	7
India	1.9	5	India	2.1	5	India	2.4	4
Russia	1.5	4	Russia	1.6	4	Russia	2.1	3
Germany	1.5	4	Germany	1.5	4	Germany	1.6	3
Brazil	1.2	3	Brazil	1.3	3	Brazil	1.5	2
UK	1.1	3	UK	1.2	3	UK	1.3	2
France	1.1	3	France	1.2	3	France	1.3	2
Italy	0.9	3	Italy	1.1	3	Italy	1.2	2

18. Swiss Re (2022): World Insurance: Inflation risks front and centre

19. Global Economy and Development at Brookings (2017): The Unprecedented Expansion of the Global Middle Class

While these conditions present a significant commercial opportunity for insurers, they also come with a host of challenges such as inadequate distribution channels, poorly designed products not suited to the market context, and / or a general lack of education. Technology advancements highlighted above could potentially aid insurers to overcome these challenges, benefiting not only insurers in capturing an economic opportunity but also the wider population in achieving access to protection.

C. No-code / low-code movement by insurers

Insurtechs and technology players continue to disrupt the insurance market through their stronger digital distribution capabilities and their ability to provide greater customer experience. Meanwhile, traditional insurers are under increasing pressure to modernise and keep pace with their customers' digital expectations, though they are struggling to keep up on account of their legacy systems that complicate launch of new products.

Along with an increasing prevalence of open APIs and microservices, insurers have started to explore no-code / low-code technology - solutions which enable users to build applications using a visual interface, development toolkits, and reusable components, with little need for coding. Such is the popularity of no-code / low-code technology that the market is estimated to grow to US\$150 billion in revenue by 2030, representing a CAGR of 28% over the coming decade²⁰.

In the insurance context, no-code / low-code platforms enable insurers to unlock the benefits of microservices more easily which in turn simplifies the launch and scaling of new products. No code / low code tools can also facilitate the rapid deployment and iteration of digital-first processes including rating,

20. Straits Research (2022): Low Code Development Platform Market

quoting, issuance, endorsements, and renewals in a quicker and more productive manner. Such initiatives, when combined with the right business models, could potentially give rise to cheaper and better designed products that support the democratisation of insurance.

Case Study: Duck Creek Technologies and its insurance-focused core system software



Business description

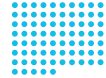
- A leading SaaS player for the P&C insurance industry, Duck Creek combines >20 years of deep domain expertise with differentiated SaaS capabilities and low-code configurability, to offer an end-to-end suite of enterprise-scale core system software.
- Built upon modern technology foundation, Duck Creek's technology improves the operational efficiency of carriers' core processes (policy administration, claims management and billing), while enabling clients to be agile, and simultaneously reducing their total cost of technology ownership.

Key metrics²¹



>250

Content kits spanning integrations, to 3rd party services and solutions



>2,600

Number of APIs available across Duck Creek applications



>1

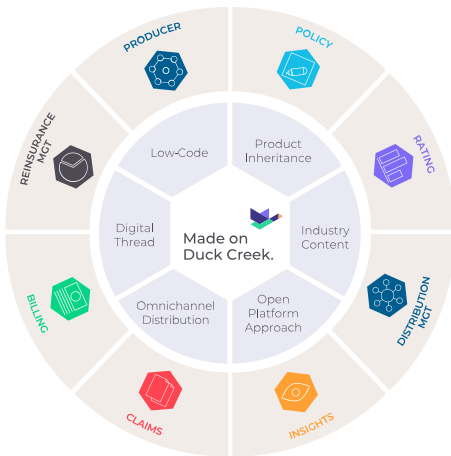
Number of days to configure a rate of change or claims workflow rule changes



>100

Partner integrations

Enterprise-grade, open platform - build for confident, rapid change



The Duck Creek Platform consist of low-code configuration tools, integrations with the insurtech ecosystem, open APIs, and a commitment to keep the Duck Creek software code separate from client IP, which creates future-ready solutions that put enterprises in control of change.

Duck Creek's low-code tools shrink development cycles and let carriers capitalise on new market opportunities and evolving customer expectations faster.

- Enable business users, not just IT, to make system changes without having to modify underlying code.
- Make changes to product and user experiences quickly in a single place, with changes perpetuated cross applications or systems.
- Intuitive screens and drag and drop tools to easily adjust common content for all users.

21. Duck Creek Technologies website, April 2024

III. BUSINESS MODEL IMPLICATIONS GOING FORWARD

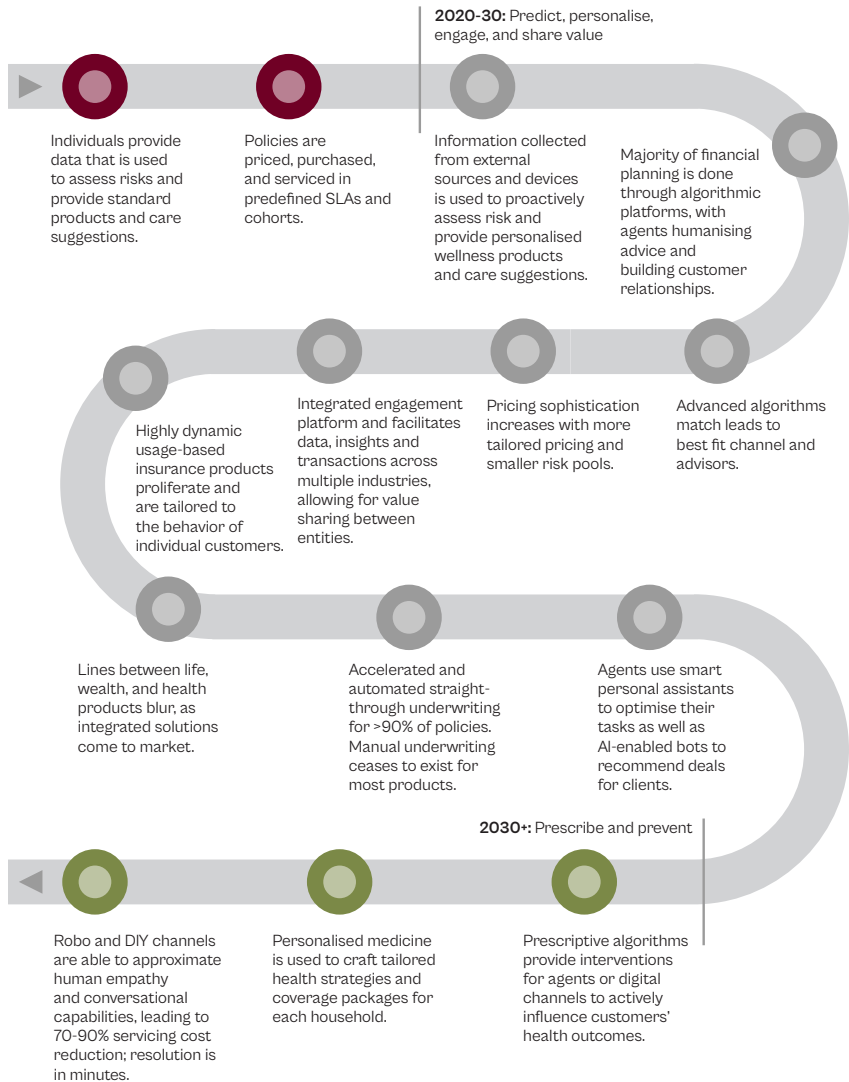
The democratisation of the insurance industry will open new pathways for consumers and businesses alike to interact with and gain access to insurance. Ongoing technological innovation means significant changes are yet to come and will continue to shape business models within the industry. We believe that actors within the insurance value chain will have to adjust their business models to tackle the numerous changes affecting their industry to remain competitive.

A. Shift from risk transfer to risk prevention

As the risk environment changes, we believe that insurers, especially life and health insurance providers, will be increasingly motivated to engage customers in the shared-value economics of healthy living, to optimise costs.

This shift will be aided by the increasing prevalence of IoT-capable personal products and devices which generate large amounts of data that can then be analysed by insurers to get insights into activities of their individual customers and to potentially avert incidents that increase risk. The convergence of different data types along with advancements in machine learning will allow insurers to better monitor their customers, making it possible to reduce their risk ratings. This is expected to reduce premiums and costs to users which will provide a competitive edge to the relevant insurers and also broaden access to more users.

Transition from the traditional “assess and service” insurance model toward customer centric “prescribe and prevent”²²



22. McKinsey (2020): The future of life insurance: Reimagining the industry for the decade ahead

Case Study: Vitality and its model of shared value economics



Value proposition	Business description
<ul style="list-style-type: none"> Through its leading wellness and healthcare platform, Vitality provides life and health insurers globally with its shared value and health management capabilities, to meaningfully engage members in a program that contains health risks, improve health outcomes, boost ecosystem performance and improve member experiences. 	<ul style="list-style-type: none"> Launched by Discovery Group in South Africa in 2004, Vitality pioneered the model of shared value economics in its product and pricing, leading to the creation of a leading wellness and healthcare ecosystem. The platform currently covers 22 markets, reaching 2.3 million members globally.

Pioneers of Shared-Value Insurance



35%

Lower aggregate turnover rate for engaged members



4%

Reduction in medical and Rx claims



91%

Clients satisfied with engagement results



The model provides clients with access to a range of pathways and incentives to lessen the personal risk and improve their behavior.

Independent research validated the model for its positive impact on reducing healthcare costs, resulting in improved profitability - a portion of which is channelled back into funding the incentives that drive positive behaviour change.

The model creates ongoing shared-value between clients, the business and society. Insurance and financial risks are no longer a function of a person's circumstances when taking up the product, but rather a result of how they manage their behaviour across health, driving and financial management.

B. Hybrid engagement models

In a survey with German consumers conducted by McKinsey in 2020²³, 84% indicated that they had used digital channels to engage insurers, though 55% said they would not buy insurance online. Underlying this seemingly contradictory message is a picture in which consumers are increasingly open to digital engagement yet view frontline sales professionals as an important conduit to close the transaction, an environment where a hybrid engagement model can potentially succeed.

Through the incorporation of technology, value can be enhanced not just for consumers, but also for agents and insurance carriers. For example, by leveraging data to better understand a customer's profile, insurers can funnel leads to an agent best suited for a customer from both an experience and proximity perspective. A digital continuous engagement format can also help agents cross-sell products, provide reminders for premium renewals, and also facilitate claims processing. Put together, a hybrid engagement model offers consumers the best of digital and human interactions – with the self-service digital component giving customers access to relevant information and price comparison on-demand, while the human interaction with advisors allows for more complex discussions about policy fine prints and costs, facilitating distribution and conversion.

23. McKinsey (2020): The multi-access (r)evolution in insurance sales

Case Study: RenewBuy and its hybrid engagement platform



*Apis portfolio company

Business description

- Founded in 2015, RenewBuy is one of India's fastest growing insurance distribution platforms, offering consumers a simple, transparent and seamless way to compare, buy, manage and renew their general and life insurance policies.
- Its hybrid engagement model combines a digital first approach with a human touch, with transparency of choice among 30+ insurance carriers and customised expert advice based on individual requirements.

Key metrics²⁴



4m+
policies issued to-date



100,000
strong POSP advisor network



35
insurance partners



750+
districts covered in India

Customer journey of RenewBuy's hybrid engagement platform

RenewBuy Digital Advisor connects to customer



Advisor → Customer

Delivery quotes to instantly help customer decide



App collects data → Insurers → App shows latest quotes across insurers

Conclude sales. Instant policy to customer & lifelong service



Digital purchase and fulfilment → Instant policy insurance

Initiate

Online + Trusted Advisor

Evaluate

Choice + Transparency + Efficiency

Purchase

Swift + Convenient

← Evaluate & purchase in >10 mins →

C. Personalised, demand-based insurance

Covid-19 had accelerated digitisation, resulting in a hyper connected world where digital innovation has supported personalised, on-demand services across industries, from banking, transportation, commerce, delivery, and services. While initially slower to adapt, insurers are waking up to the reality that potential customers are also demanding the same for insurance products.

The advancements in technology including IoT, AI, and predictive modelling have enabled this transformation by powering nearly instantaneous risk assessment, policy issuance and claims handling. This flips the traditional risk assessment model, replacing broad demographic and geographic data with individual usage data that supports products better suited to everyone.

The rise of this model is likely to be most prominent for microinsurance policies which feature heavily in the coverage of smaller risks such as travel or event insurance. This type of insurance enables the customer to cherry-pick features that offer the right amount of financial protection for a relevant period of time. Microinsurance, through low premiums and personalisation, can also provide a safety net for the low-income market at very minimal cost to avoid debt traps that may imperil their livelihoods.

Target segments and drivers for personalised, on-demand insurance²⁵

“Digital natives” generation

- Expects rapid delivery of goods and services as they are used to it.
- Rising disposable incomes allow them to look at coverages beyond basic life and health.
- Need to personalise insurance given their highly diverse individual lifestyles → ‘One size fit all’ cover will not suffice.
- Social media and influencer marketing will play a key role in marketing insurance.

Gig economy

- Needs are constantly shifting, and so does their protection.
- Tend to be tech-savvy and self-directed consumers → Expects to get insurance in a simpler fashion.
- Digital on-demand insurance that can be turned on and off from an App matches their work schedule.
- COVID-19 was a boom time for gig workers as more companies turned to “agile” working practices → Premiums should protect these companies and match this short-term setup.

Low-income / underserved segment

- Especially in rural areas, on-demand insurance is one of the most viable channels for the low-income / underserved segment to gain access to insurance.
- Many work in the informal economy where there is a lack of distribution previously s to reach them.

Case Study: Qoala – on-demand, microinsurance



*Apis portfolio company

Value proposition

- Founded in 2018, Qoala is a fast-growing insurtech with a presence across Indonesia, Malaysia and Thailand. The company distributes insurance products to consumers for car, bike, home and health through its omnichannel approach.
- Through its advanced technology platform, Qoala co-creates innovative parametric and micro-insurance products, while offering instant pricing and industry-leading speed in policy issuance.

Key metrics²⁶



>1 hour

Time taken for Qoala to issue a policy



115,000

Claims processed in 2023



>5 million

Customers served to-date



>60,000

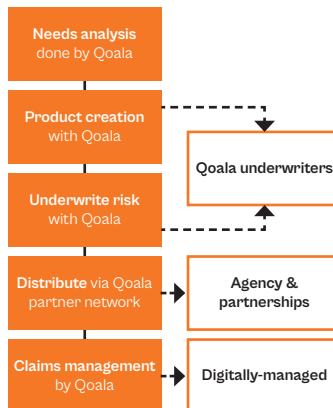
Insurance marketers and agents on platform

Personalised microinsurance with parametric claims

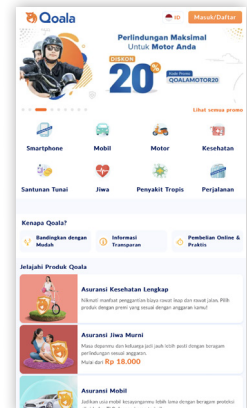
Insurance partners



Product structuring process



Qoala app



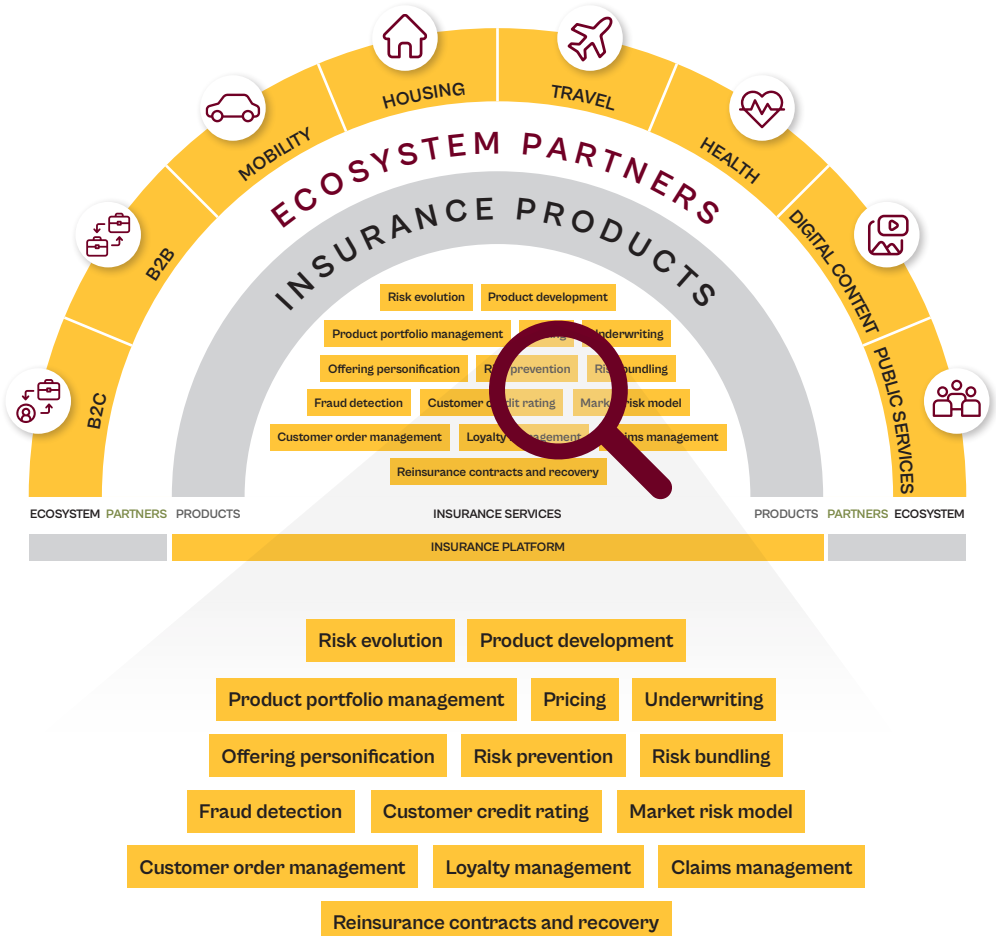
26. Series C press release by Paypal Ventures, April 2024

D. Ecosystem partnerships and embedded insurance

The increasing prevalence of APIs and microservices has opened up a pathway toward ecosystem partnerships and embedded insurance, as platforms connect offerings from previously disparate industries. In the case of insurers, ecosystem partnerships, especially with vertical specific providers, enable insurers to embed insurance products seamlessly into the customer journey, which not only facilitates generation of leads and lowers distribution costs through a captive and better-defined customer segment, but also enhances conversion through its embedded nature. In addition, the aggregation across insurance providers enables the presentation of a consolidated insurance portfolio view, helping users identify gaps in insurance coverage.

The rise of open finance further propagates this, presenting a multitude of possibilities for insurance companies to explore. By leveraging third party data, insurers can gain access to more information for a detailed assessment of a users' financial situation, lifestyle and habits. This can accelerate underwriting and improve risk management, resulting in costs savings which could potentially be passed on to consumers. Taking this a step further, what this means is anyone serving a customer well, with rich customer data and defined customer journeys, could become an insurer by partnering with an underwriting / pricing software vendor and a license provider. Collectively, this evolution of an ecosystem approach democratizes the provision of insurance services to consumers by not only broadening access and reach, but also by lowering costs and providing targeted use cases.

Insurance products being delivered as part of an ecosystem strategy²⁷



27. Adacta (2020): Digital transformation in insurance: APIs, platforms, and digital ecosystems

Case Study: Bolttech – a leading global embedded insurance enabler



Value proposition	Business description ²⁸
<ul style="list-style-type: none"> Bolttech's proprietary platform provides businesses inside and outside the insurance industry with everything they need to offer insurance products to meet their customer' evolving insurance and protection needs in the digital age. This connectivity enables Bolttech's partners to reimagine their business models and find new revenue streams, accelerate digital transformation, and deepen customer relationships. 	<ul style="list-style-type: none"> Singapore based Bolttech is one of the world's leading embedded insurance providers, which leverages its pioneering insurance exchange to connect insurers with distributors and their customers. Since its inception in 2020, the company now quotes approximately US\$50 billion worth of premiums annually through its technology-enabled insurance exchange, the largest in the world. Globally, Bolttech connects over 700 distribution partners with >230 leading insurance providers across >30 markets, and offers in excess of 6,000 product variations.

Hybrid engagement platform offering life and general insurance policies

Add insurance	<p>Deliver a better customer experience Offer the right products at the exact right time</p>	<p>Increase lifetime value of customers Deepen customer engagement and loyalty</p>	<p>Unlock new revenue streams Maximise the potential of your customers and leverage new opportunities within our network</p>
	Expand your insurance offering	<p>Expand into new products outside your risk appetite Provide your customers with the products that best meet their needs, without incurring additional risk</p>	<p>Build a 360-degree offering Expand your product range with our white-label technologies</p>
Sell your insurance products		<p>Multiply your reach Expand your customer reach with more product offerings through our network of distribution partners</p>	<p>Transform less profitable business lines Benefit from the economies of scale by unlocking low-value, high-volume businesses</p>

PARTNERSHIPS CHANNELS

Telcos	Super apps	e-commerce	Banks	Insurers	Retailers	Consumer finance	Electronics	Hearing aid and eyewear

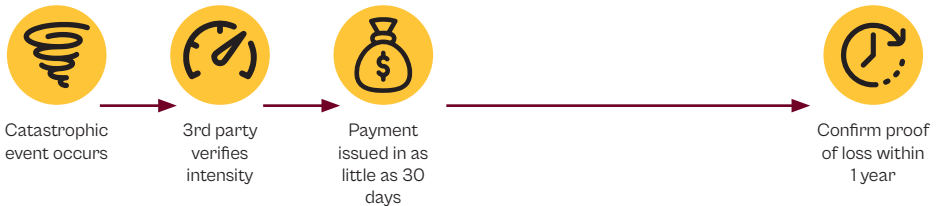
28. Bolttech website, April 2024

E. Parametric insurance

Compared to a traditional, indemnity-based insurance model that reimburses a policy holder for damages sustained or costs incurred after a specified incident, parametric insurance provides pay-outs based on an objective measure of a trigger event. This benefits both insurers and the policy holder alike, with faster pay-outs, less uncertainty as well as availability of coverage for difficult-to-model losses for policy holders. For insurers, benefits accrue in the form of cost savings to in relation to damage assessment and fraudulent claims.

Comparison between parametric insurance and indemnity-based insurance²⁹

PARAMETRIC INSURANCE



INDEMNITY-BASED INSURANCE



29. Amwins (2020): How Parametric Products Benefit Catastrophe-Driven Risk Transfer

One key use case of parametric insurance is in microinsurance, a product category which tends to have low-pricing and low-coverage, aimed at protecting the lower-income segment against specific risks. Given this required price point and customer segment, microinsurance products are often designed to be simple, accessible, with an efficient delivery process – elements that can effectively be met via parametric insurance.

The availability of IoT and sensor data, as well as greater use of AI and ML for risk model development and assessment, have expanded the scope for insurers to offer parametric insurance. Combined with its ability to effectively complement indemnity-based insurance, demand for parametric solutions has been on the rise, with Swiss Re reporting a 40% increase in parametric product sales in 2022³⁰. This growth momentum is expected to persist, with premiums of the global parametric insurance market projected to reach US\$30 billion by 2031, growing at a CAGR of 10% over the coming decade³¹. This growth will help fill protection gaps left by indemnity-based insurance, thus democratising access to insurance.

30. Swiss Re (2022): Parametric insurance – a long history, a bright future

31. Allied Market Research (2022): Parametric Insurance Market – Global Opportunity Analysis and Industry Forecast

IV. WHERE DOES APIS THINK THIS ALL ENDS AS PART OF OUR INVESTMENT THESIS?

The confluence of a secular shift in demographics and consumer behaviour, rapidly evolving technology, and changing regulatory environment is reshaping the insurance industry. Combined, these factors could potentially render parts of the insurance value chain obsolete (e.g. total disruption to the TPA market through the digitalisation of the insurance value chain) or irrelevant over a time (e.g. traditional insurance brokers that are slow to meet the rising user demand for hybrid engagement potentially becoming outmoded), while potentially creating disruptive new business models to the insurance value chain (e.g. aggregation of "Anything-as-a-service" (XaaS) solutions to compete with legacy insurers and brokers).

This present risk to incumbents that are slow to digitalise, operate merely as middlemen with no clear value-add, or in spaces that are increasingly being commoditised. Value will accrue to players that are able to build economic moats through technology and data, especially in areas of product development and underwriting, while playing a vital and long-lasting role in their customer lives on the distribution and engagement front. These developments will also enhance access to insurance in a more efficient and affordable manner, thus driving a positive change for individuals and businesses alike, through the democratisation of insurance.

We believe that the insurance landscape can support a broad range of business models, and the evolving environment creates compelling opportunities across the insurance landscape. Our thesis includes investing in technologies that use advanced technologies and build strong capabilities in particular areas within the insurance value chain. These will include the following types of companies: technology-enabled life and non-life insurance carriers; new types of distribution channels; data analytics and customer engagement; micro-insurance; and claims management companies.

We foresee that technology will continue to play a key role and act as an enabler for traditional companies within the ecosystem through substantial modularisation and expansion of offerings, but also lead to new digitally-native entrants which will use technology to disrupt the industry.

CONCLUSION

A shift in the market and evolving user demands have created significant opportunities in the insurance industry across the value chain. Insurance carriers will need advanced and emerging technologies to support a shift toward risk reduction, more personalised insurance products and a partnership-driven approach to customer engagement. Brokers and agents will also use data analytics to optimise lead generation, upsell and cross-sell, conversion, claims management and relationship management in order to enhance revenue and reduce costs.

Going forward, industry winners will be the ones who are able to drive these changes in their business models while staying agile enough to incorporate evolutions in the marketplace, including rapid digitisation, evolving regulatory environment, changing technology infrastructure, and emerging ecosystem partners.

ABOUT APIS PARTNERS

The Apis Group (“Apis”) is an ESGI-native global private equity and venture capital asset manager that supports growth-stage financial services and financial infrastructure businesses by providing them with catalytic growth equity capital. Collectively Apis, through its team of around 40 professionals with deep industry expertise, manages or advises on total committed capital from investors (including drawn and invested capital) of c.US\$2 billion.

Including its headquarters in London, Apis has representation in eight countries across Europe, Asia, and Africa. Apis is highly conscious of the developmental impact that the provision of growth capital for financial services and financial infrastructure businesses in growth markets can achieve, and as such, financial inclusion is a core tenet of Apis’ approach and investment mandate.

<https://apis.pe/>

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GLOSSARY

Term	Definition
AI	Artificial Intelligence
APIs	Application Programming Interfaces
CAGR	Compound annual growth rate
CRM	Customer Relationship Management
DLT	Distributed ledger technology
IFAs	Independent Financial Advisors
IoT	Internet of Things
MGA	Managing General Agents
P&C	Property & Casualty
TPA	Third Party Administrator
XaaS	Anything-as-a-service
YTD	Year-to-date

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