

Innovation Is Not A Blank Check (Nor Does It Require A Blank Check)



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FINREP FLORIDA OCTOBER 23-25, 2023

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2023 FINREP Forum

Everything You Need to Know About Financial Reporting for Insurance Companies

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Ahh Yes- Post Lunch





my goals

1. Review the core mission of our industry
2. Share perspectives on 3 trends
3. A case study of exponential innovation
4. Share innovation best practices

Inspired


Exploring the beliefs shaping our world





Context: The Core Mission Of Insurance Of Insurance

- Enable economies by protecting consumers, and their assets from sudden, accidental, large losses, which enables economic growth through consumer spending and credit.
- Be an essential cash flow system by collecting millions of small payments with some figure approximating 110% of that capital subsequently flowing back into national and local economies.



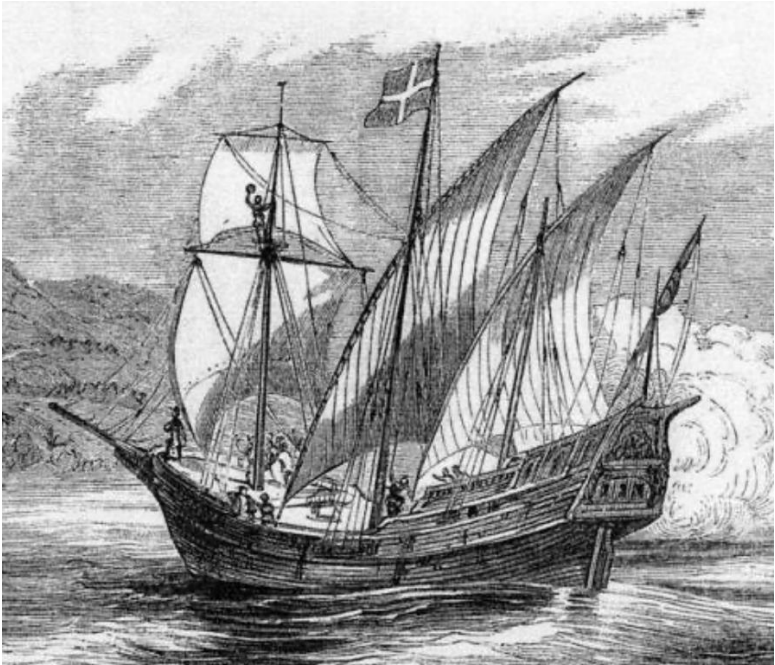
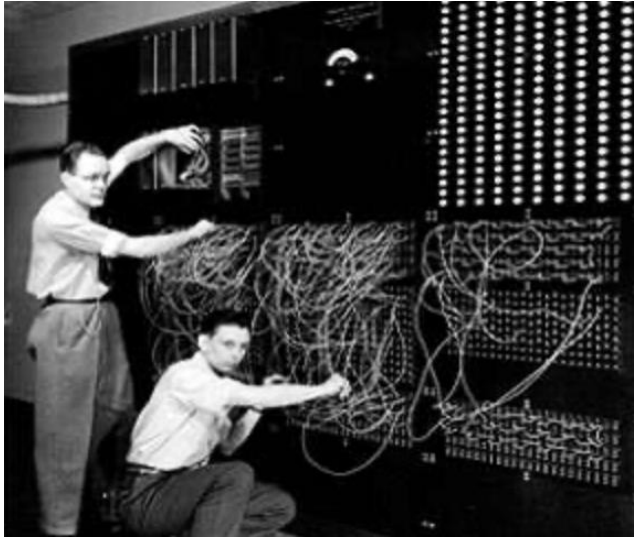
Fulfilling this
Mission Is
Contingent On Few
Absolutes


- Actuarial and underwriting capabilities quantifying loss frequency and severity calculations into risk selection and pricing.
- Sound regulatory oversight

As a result, consumers insurance protections are:

- ✓ Available,
- ✓ Adequate (including options & choices),
- ✓ Affordable,
- ✓ Reliable- provided by financially viable organizations.

When the industry fulfills this mission societies are transformed: Shipping, The 13 Colonies, Transportation, Consumer Credit, Real Estate, Wall Street, Computers





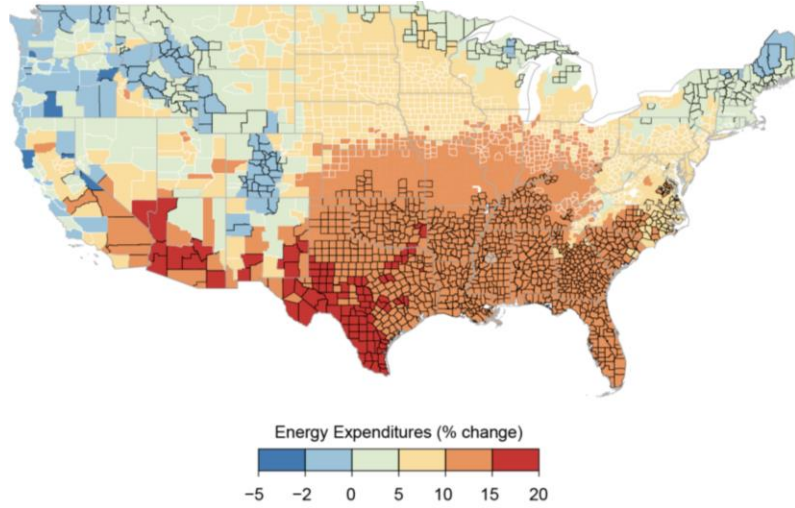
However, the insurance industry is at a crossroads of unprecedented forces:

- Climate Risks, Resiliency, Adaptation
- Technological Shift To Prediction & Prevention
- AI Driven Social Inflation, Manufactured Loss Costs

- From 2000 to 2016, wildfires in California utilities caused [\\$700 million in T&D-related damages](#).
- [Aging energy infrastructure](#) ranks “[the third-most common cause of wildfires](#)” ahead of arson, lightning, and campfires.

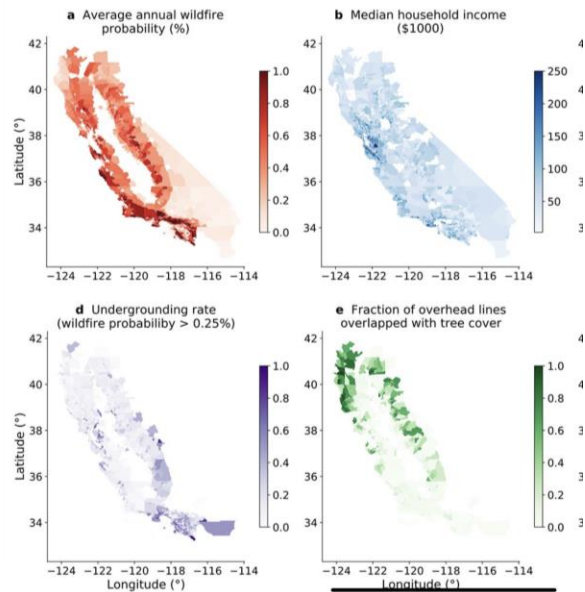
These infrastructure-caused fires can be some of the most deadly, such as the [2018 Camp Fire](#), which destroyed “150,000 acres, 18,830 structures and 86 lives.”

- California’s deadly Woolsey Fires, Oregon’s 2020 Santiam Fire, and Colorado’s 2021 Marshall Fire: Failure in the electric grid.
- Model scenarios suggest that fire damage to infrastructure [will far surpass this level](#) in certain regions



Climate Change Is Destabilizing Insurance Industry

Insurers face a “crisis of confidence” as global warming makes weather events unpredictable and increases damage



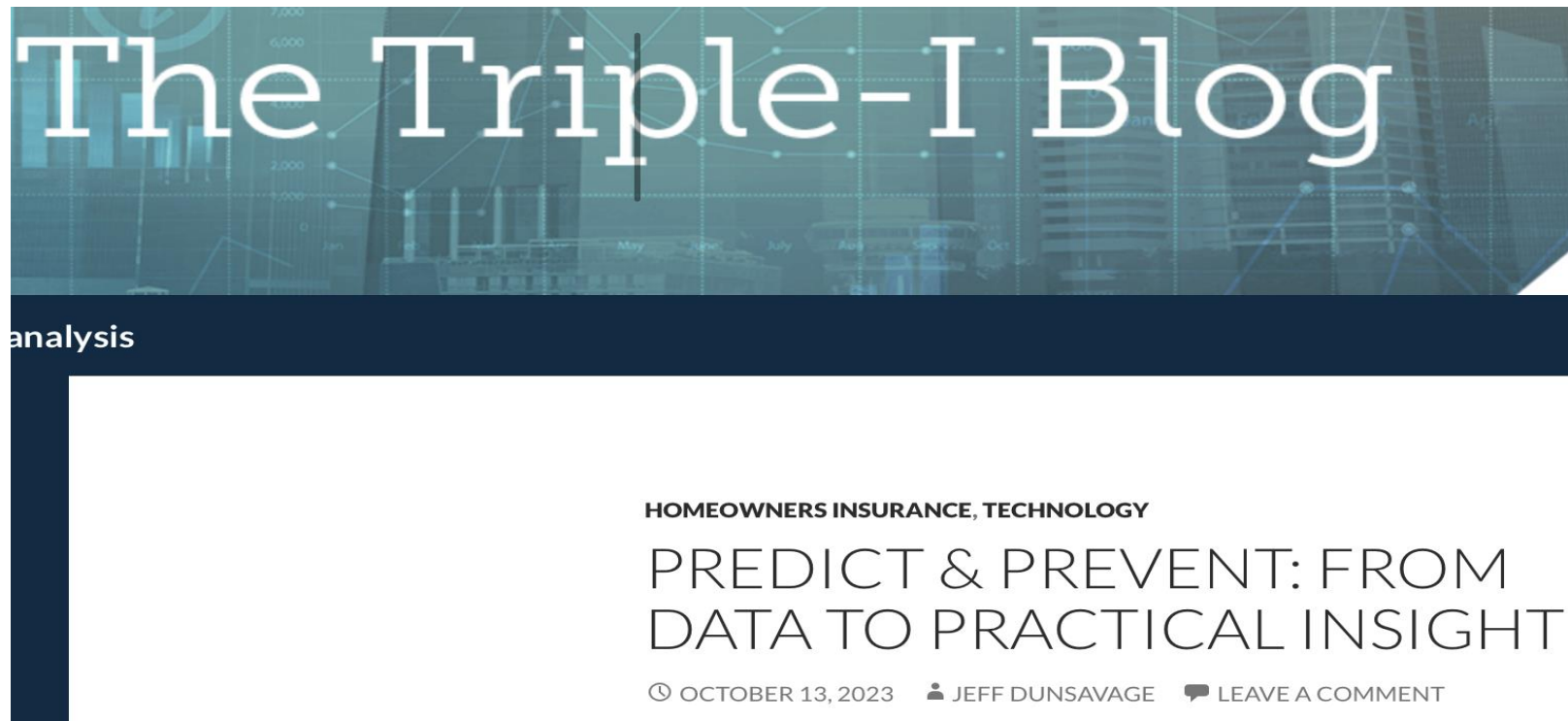


Assessment of Flood Risk

- the risk of flooding is likely to increase dramatically across the United States.
- The average 100-year floodplain is projected to increase 45 percent by the year 2100, while the annual damages from flooding are predicted to increase by \$750 million.

Safer Than Ever in a Risky World by Staying Connected

Modern insurance carriers are offering predict and prevent personalized products and services where being connected means being protected—and that’s good for the policyholder, the carrier and their relationship.



How auto insurers can grow as a decade of disruption approaches

- The most urgent issues in crash safety research have typically been identified by searching for high-frequency crash and injury types in retrospective....
- However, these retrospective analyses can highlight safety issues that have already been addressed by recent or anticipated safety countermeasures.

IIHS March 2023

Impact on PL auto market by 2035

↓ -20%

The DPWs for EV auto policies is expected reach ~\$84B by 2035, accounting for a 20% reduction of the share of ICE vehicles in the PL auto premium pool

↓ -7%


Reduced repair and replacement costs will lead to a 7% reduction in the overall PL auto market, accounting for roughly ~\$35Bn in DPWs

↓ -9%

Although the immediate impact is limited due to long vehicle lifecycles; there will be 2% reduction in accident rates by 2035, reducing DPWs by a further 9%


↓ -8%

Reduced reliance on personal vehicles will compress the PL auto market by 8% while increasing the commercial auto market by 18%



Lockton Re: Social Inflation: Include socioeconomic, legal and behavioral factors such as:

- A greater propensity for litigation across the U.S.
- A well-funded and organized plaintiffs' bar.
- Third-party litigation funding.
- Evolving and expanding theories of liability.
- Lax evidentiary standards
- Rising anti-corporate bias among prospective jury members and evolving theories of fairness.

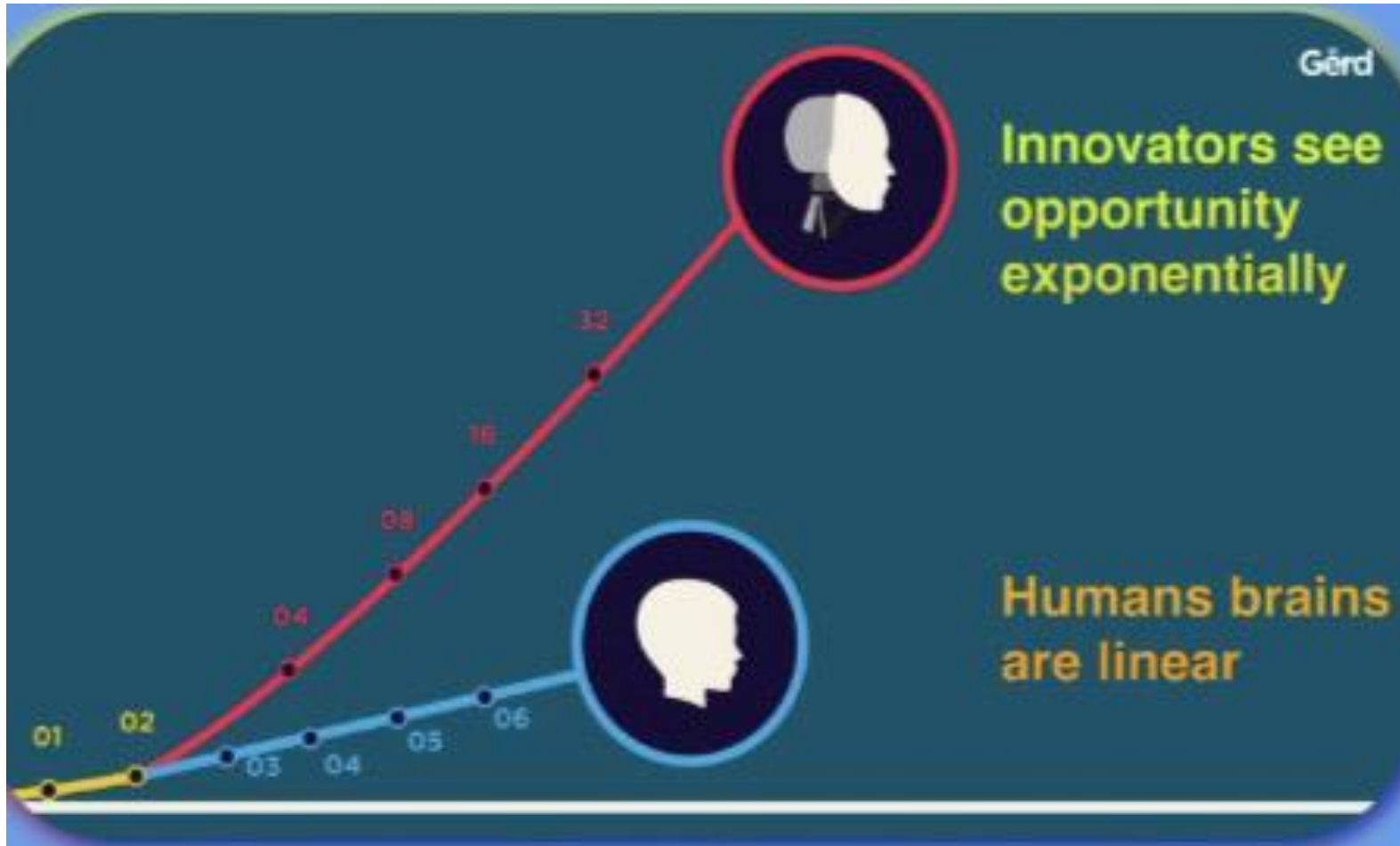


“YOU NEVER CHANGE THINGS BY FIGHTING THE EXISTING REALITY. TO CHANGE SOMETHING, BUILD A NEW MODEL THAT MAKES THE EXISTING MODEL OBSOLETE.”



- BUCKMINSTER FULLER

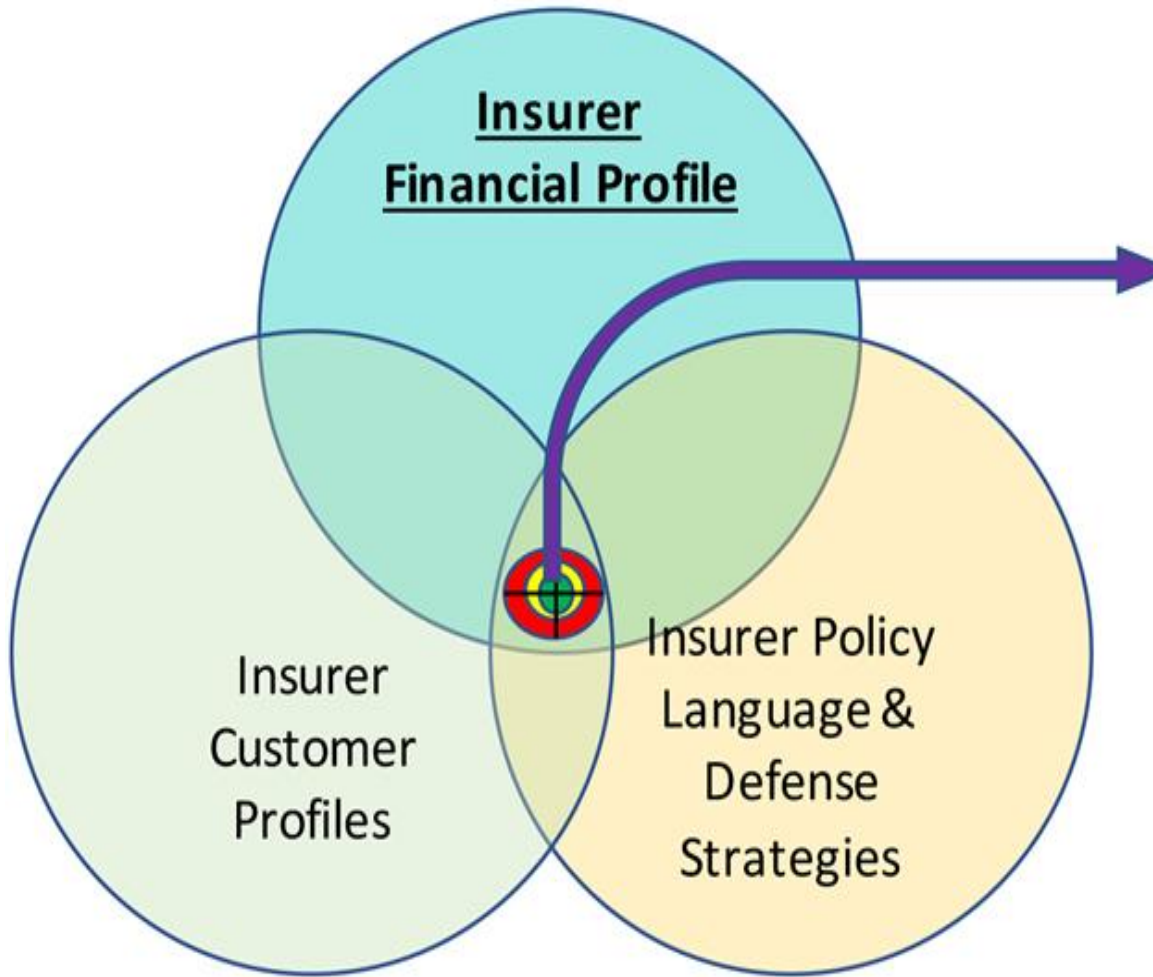
The importance of fresh eyes, safe havens, “What If’s?”



- Time Covered: 2016-2023
- Core Technologies: Data, Analytics, Predictive Modeling, AI,
- WIRED Magazine: “This New York based tech hub rivals any in Silicon Valley including Google X”
- Achieved a U.S. Marketshare of 86%-91% of all units (358,000)
- Generated an Estimated \$3.8B Annual “Revenue” 2020-2022
- Target Markets: property owning consumers, now growing in LA, TX, CA, MS

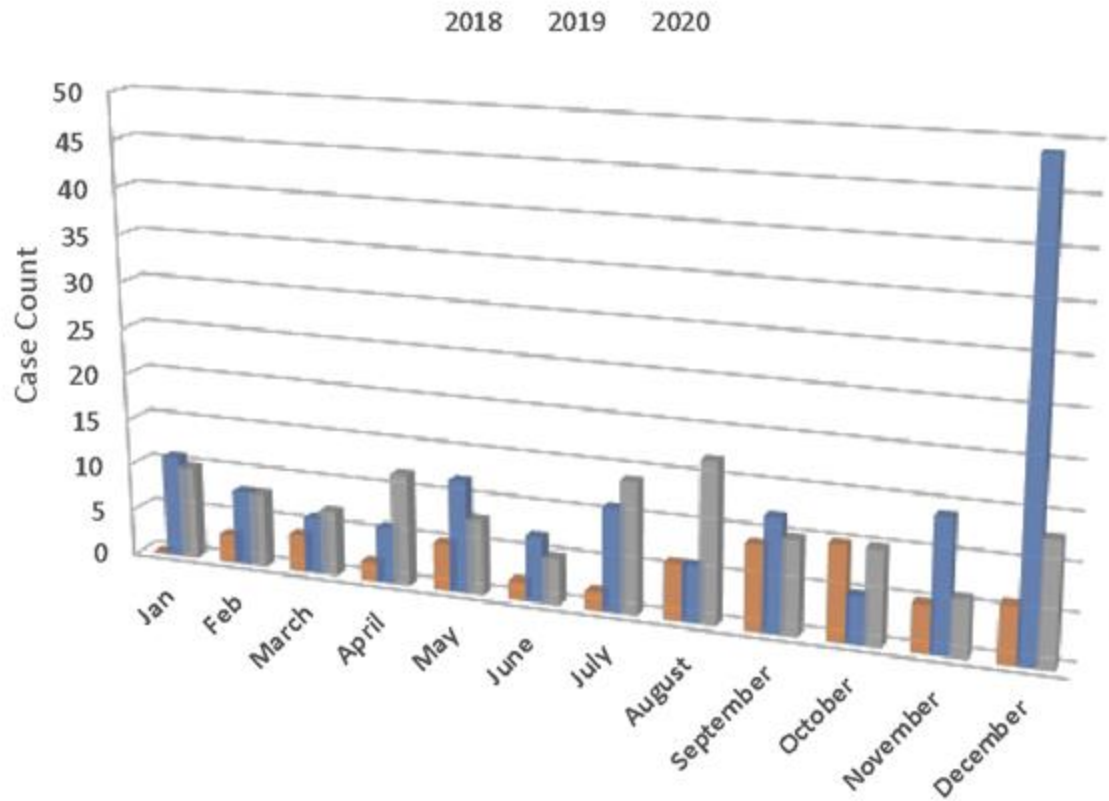


A Case Study Of Exponential Innovation

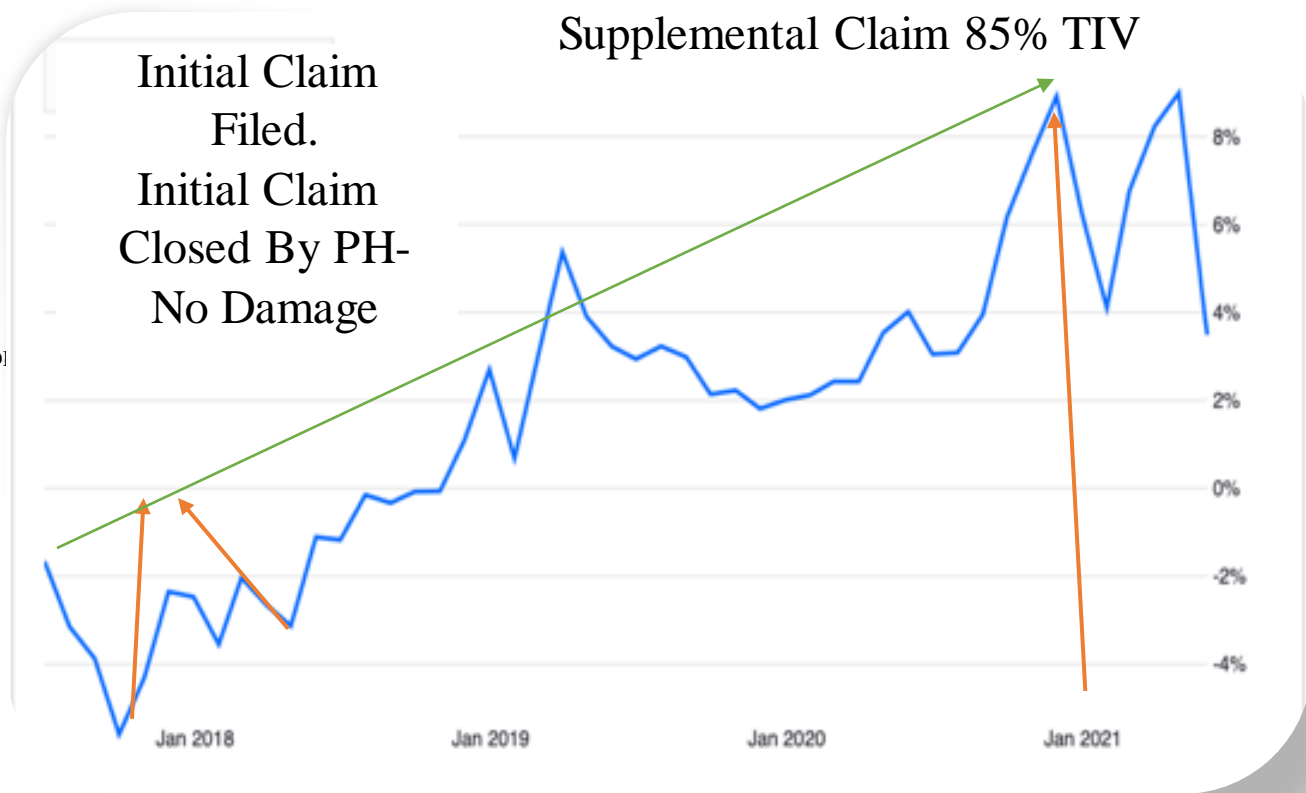


1. Insurer Financial Profile
2. Insurer's Customer Profile
3. Insurers Defense Profile

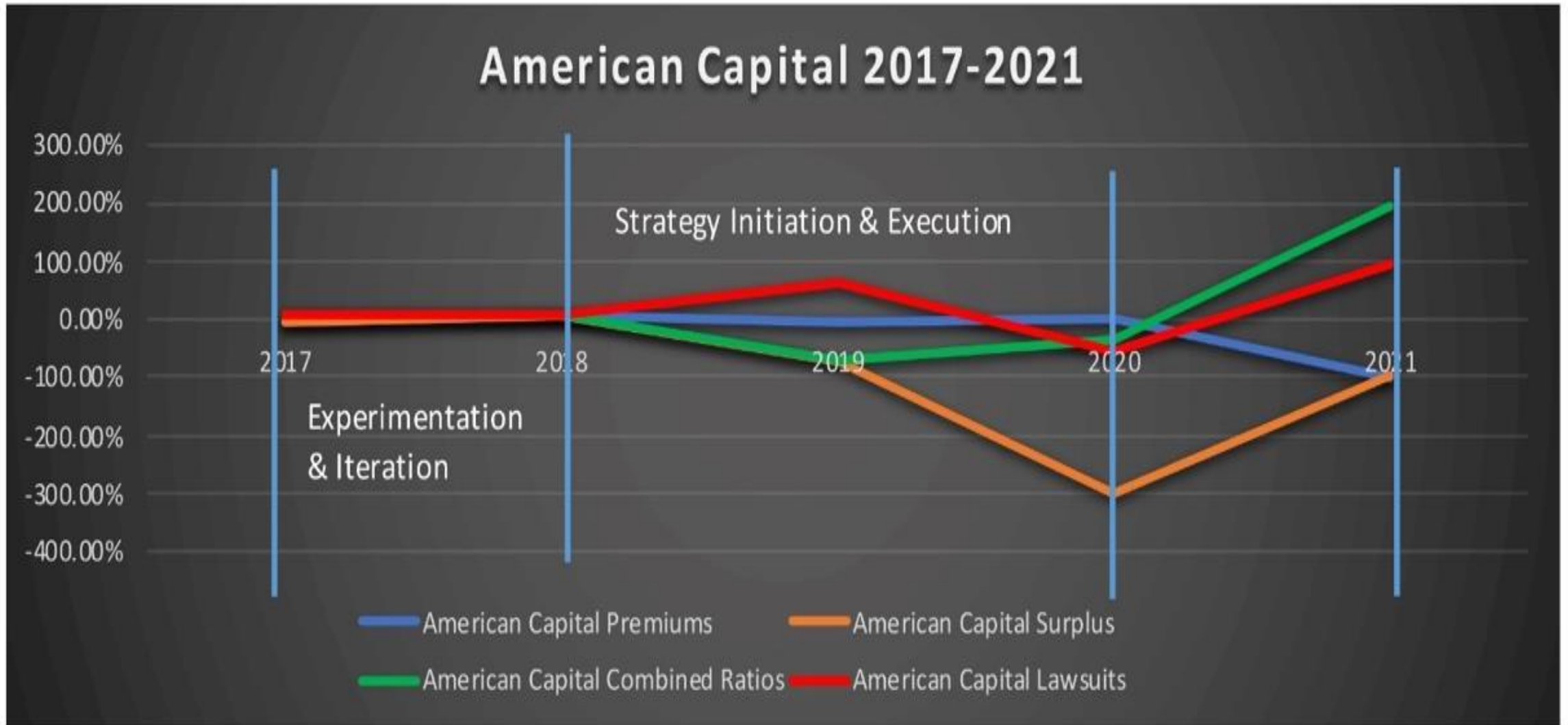
AmCap Lawsuits by month filed 2018, 2019, 2020



Source: "Civil Remedy Notice" (CRN Reports) Florida Department of Financial Services, 1 January 2018-31 December 2020; "LSO" Financial Services, 1 January 2014- 31 December 2020



Sampling Of Key Metrics



Gulfstream



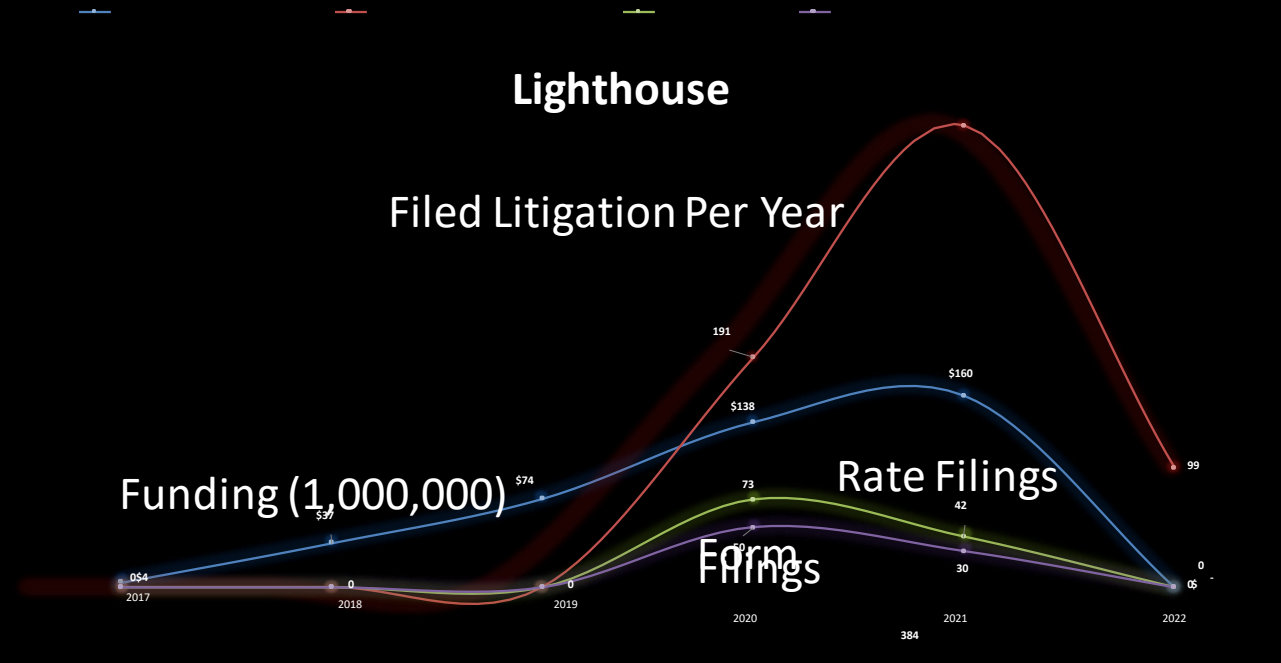
Lighthouse

Filed Litigation Per Year

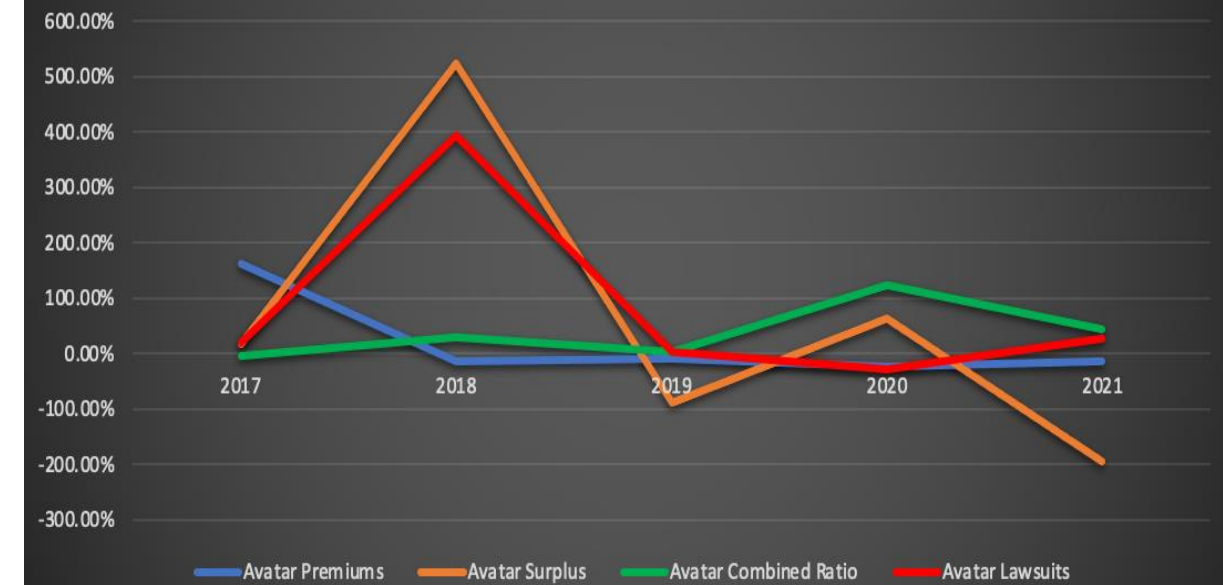
Funding (1,000,000)

Rate Filings

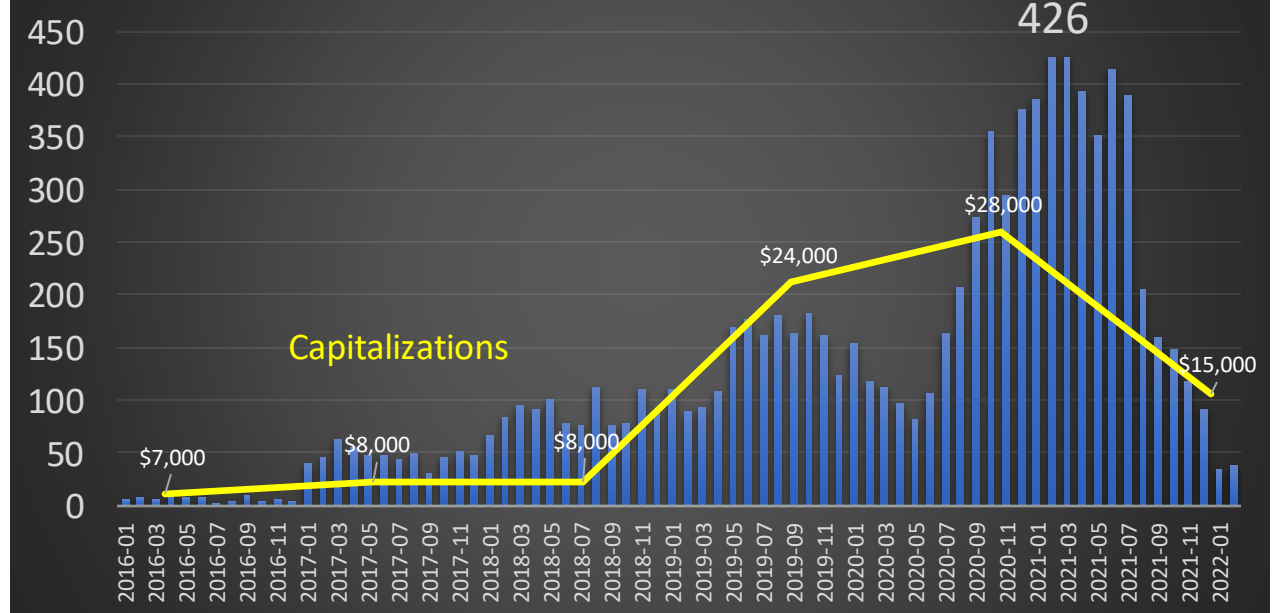
Forms



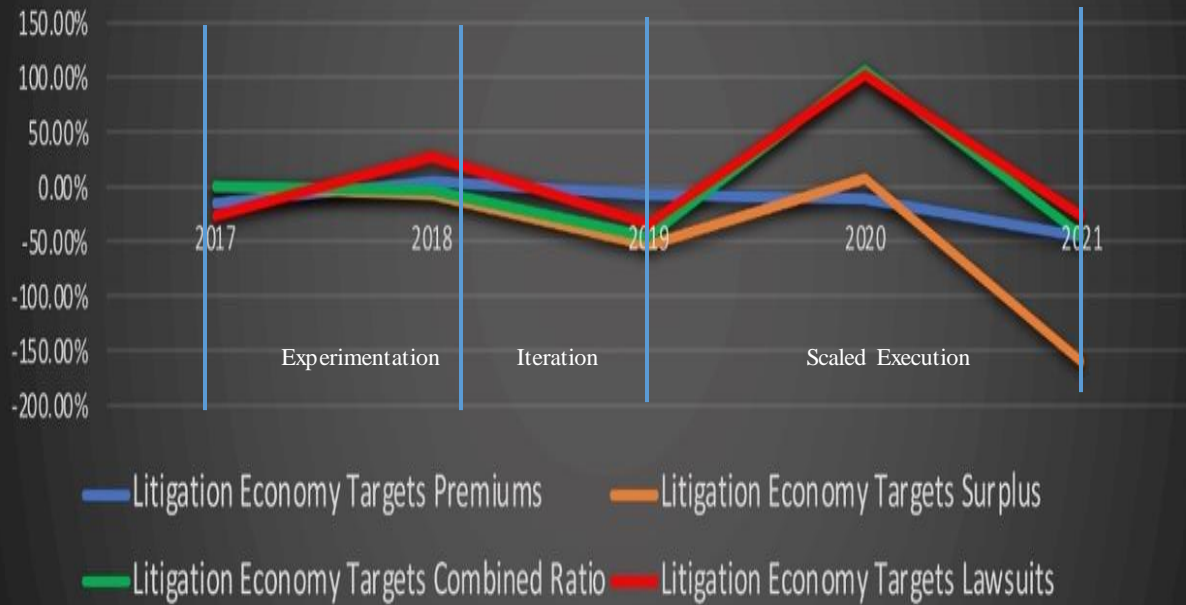
Avatar



St. Johns Lawsuits Filed Per Month 2016-2021



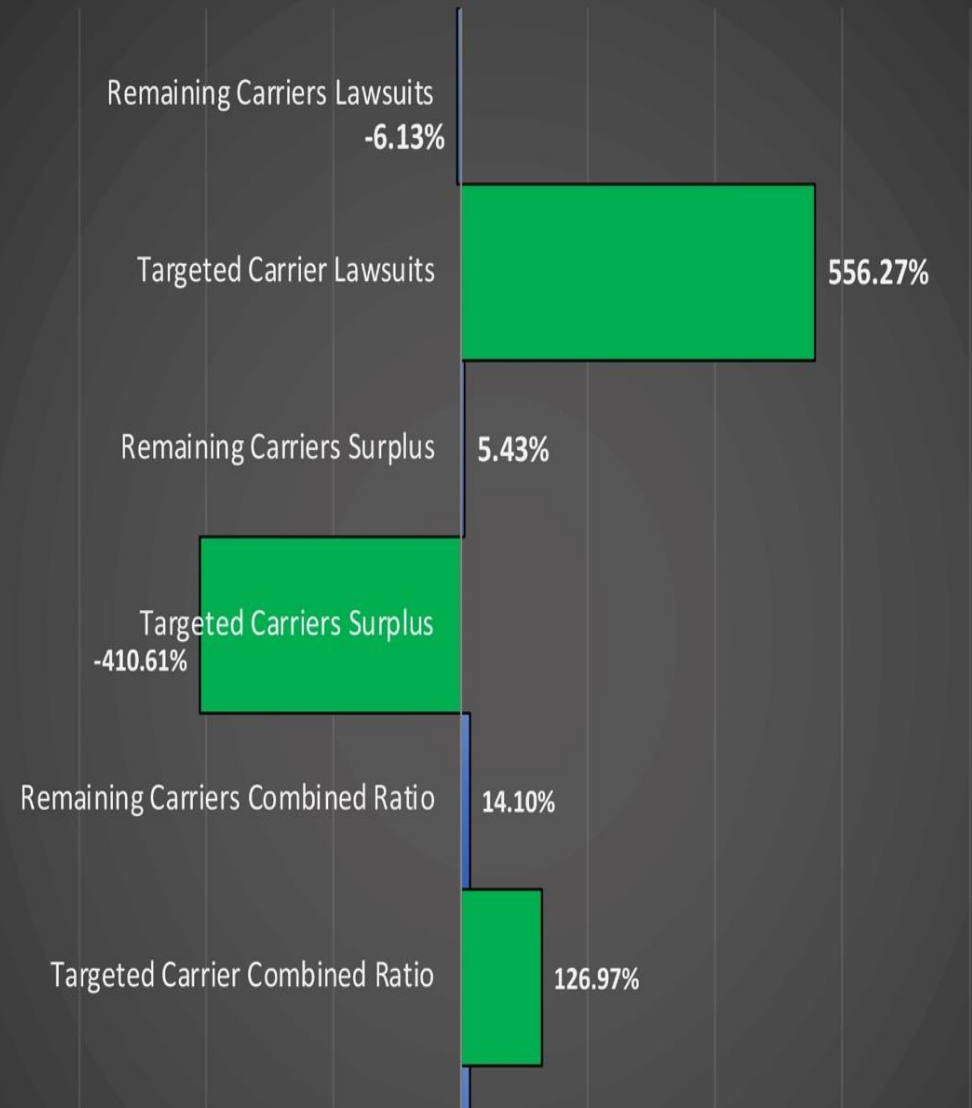
Targeted Carrier Control Group Market Share Changes Change in Combined Ratios 2017-2021



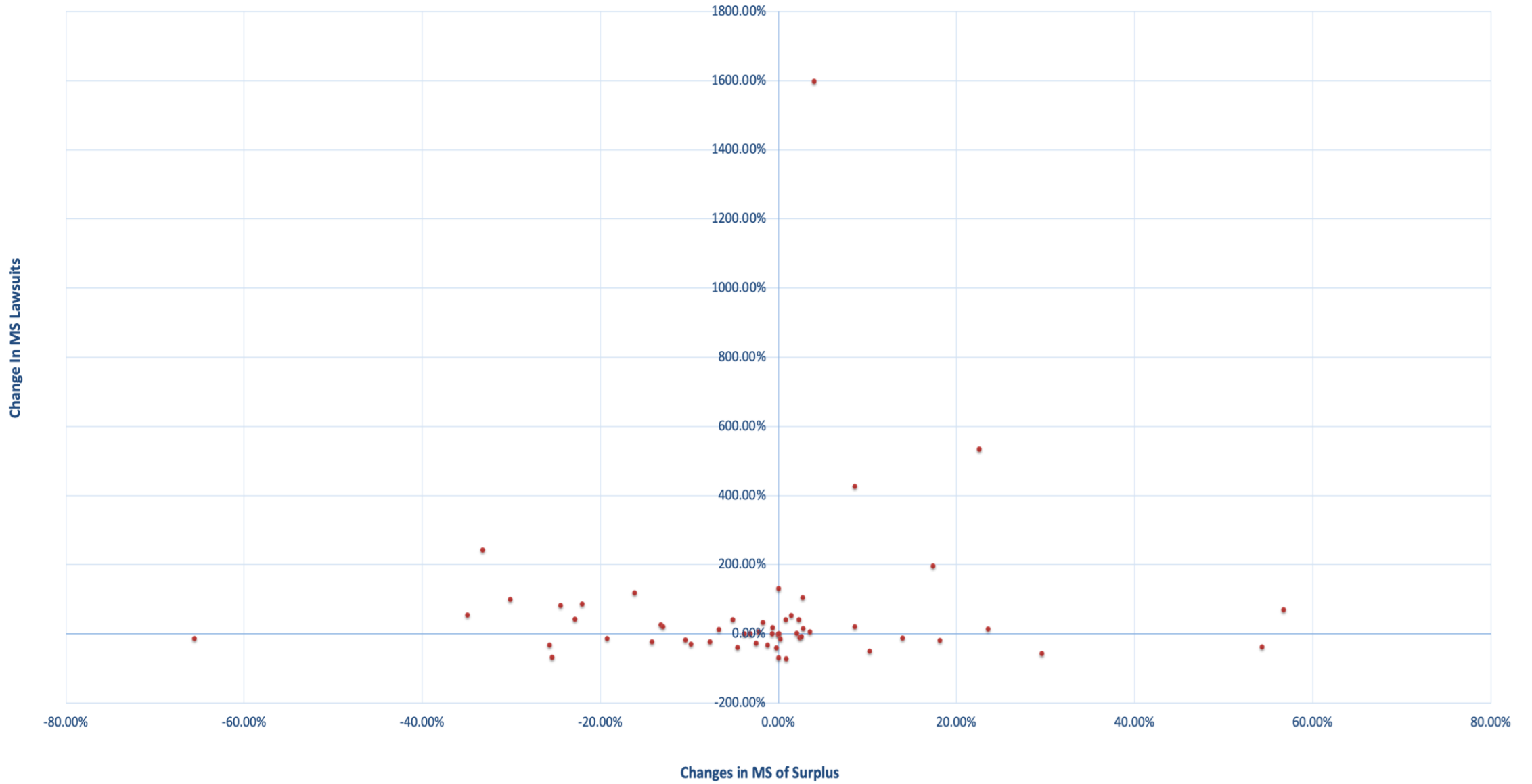
Change In Market Share 2017-2021;

Combined Ratios 2017-2021

Litigation Targeted Carriers VS Remaining Florida Based Carriers



Field: Changes In MS of Lawsuits appears highly determined by Changes In MS of Surplus.

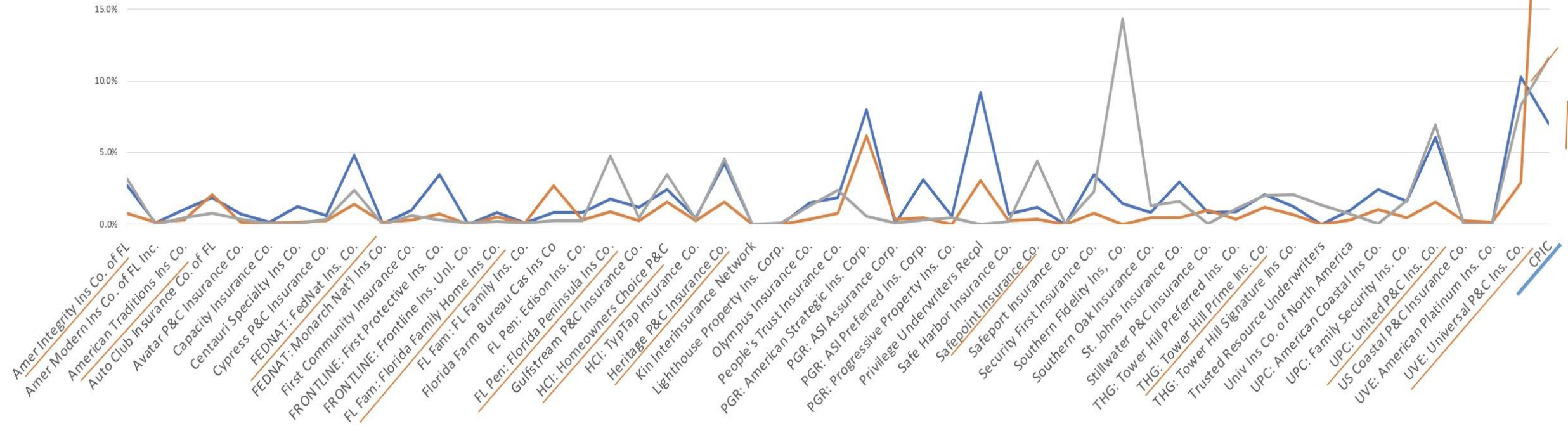


— DWP MS 2019

— MS 2019 Surplus

— Litigation Market Share 2020

Terms:
"DWP MS": Direct Written
"MS SURPLUS": Market Sh
"Litigation Market Share":
suits for that year, using p



Will “Take Out Business” Be A Growth Strategy?

Excerpt from interview w/AmCap Corp Exec:

“A case that went into appraisal included these facts: Policy

Limit / TIV: \$23.9m.

Proof Of Loss Demand: \$14.7m

Plaintiff Appraisal Demand: \$16.0m which was 67% of TIV for a community that never lost occupancy or had any residences displaced.

Defense Estimate: \$499k There are 404,200 total tiles on the roofs of these buildings. 1,307 were damaged that’s 0.0032% of tiles damaged. (Well under the code requirement of 25%) The Appraisal Award was \$10.9m or Full Roof Replacement.”

“The other plaintiff is based in Collier County and has 17 claims with us. We have paid \$49m on these claims and there are outstanding demands of three times that amount.”

The Core Mission Of Insurance

- Enable economies by protecting consumers, and their assets from sudden, accidental, large losses, which enables economic growth through consumer spending and credit.
- Be an essential cash flow system by collecting millions of small payments with some figure approximating 110% of that capital subsequently flowing back into national and local economies.

Fulfilling The Insurance Mission Was No Longer Securely Viable

- Actuarial and underwriting capabilities ~~quantifying loss frequency and severity calculations into risk selection and pricing.~~
- ~~Sound regulatory oversight~~

As a result, consumers insurance protections are:

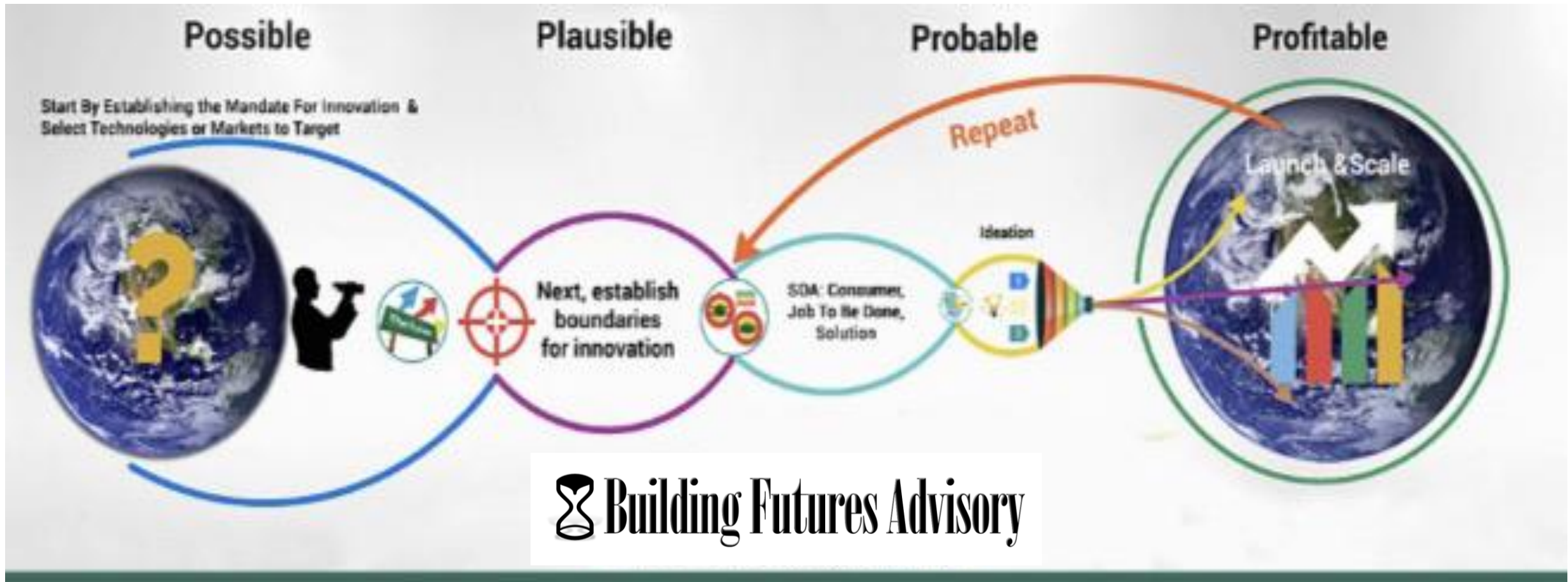
~~✓ Available,~~

~~✓ Adequate (including options & choices),~~

~~✓ Affordable,~~

 ~~✓ Reliable provided by financially viable organizations.~~

Innovation is size agnostic, and thrives on time + constraints.



50 InsurTechs
 \$640m Seed & Series A
 \$160m Series B



2013-2015: 5
 2016-2018: 32
 2019-2020: 10

THE FUTURE50 ACROSS
 THE INSURANCE LANDSCAPE

	DISTRIBUTION	PRODUCT DEVELOPMENT	UNDERWRITING	CLAIMS	CUSTOMER EXPERIENCE	MULTIPLE VALUE CHAINS
LIFE & ANNUITIES						
COMMERCIAL/ SME	 					
P&C	 		 	 		
CYBER			 			
HEALTH	 		 			
ACROSS INSURANCE LINES	 	 				







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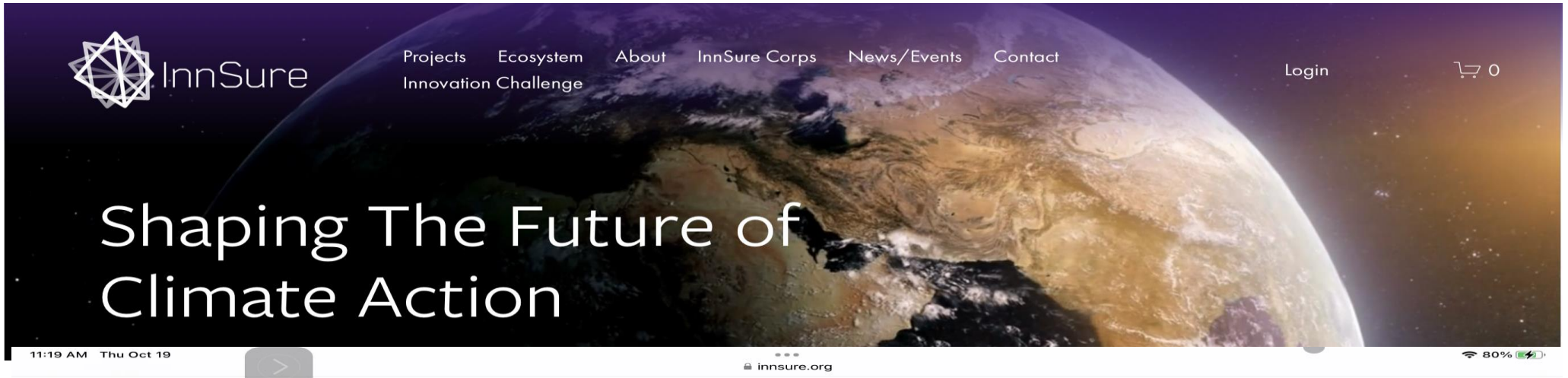


Fire Safety, Simplified.

Ting helps prevent electrical fires before they happen to keep your family and home safe.

[SEE HOW IT WORKS](#)





Our mission to combat climate change becomes a reality through our projects. Check out our public ongoing projects below, and **reach out** to learn more about how you can join us in this mission.

Climate Risk and Insurance Sandbox

DATA PROVIDERS ^

Need to correlate your data sets to Claim Frequency or Lost Cost? We provide you with a unique test environment where you can prove your data's merit to the insurance value chain and connect you with insurance innovators looking for vetted data sets that support development of climate-friendly insurance products and services.

INSURANCE PROVIDERS v



GET UPDATES ON CRIS

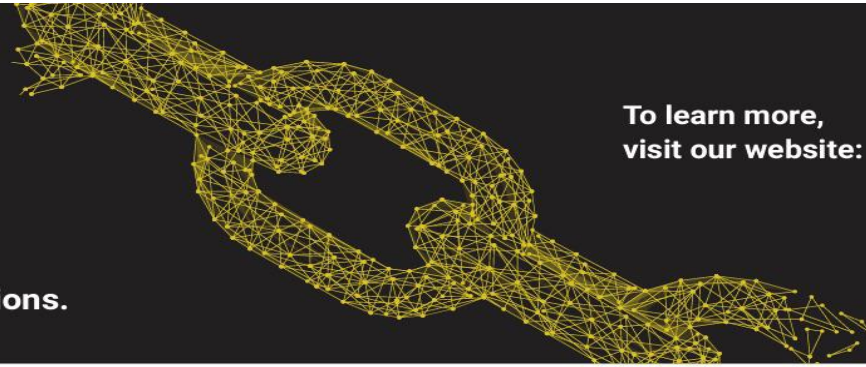


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