Looking into the crystal ball: the future of marine insurance

CBMU Spring Conference – May 2018
Andy Yeoman (CEO)

Ex-Trimble Inc., and GM of Commercial Vehicle Insurance Telematics and significant experience in Personal lines. Andy has significant start-up and M&A experience.

Jonathan Kalman

Experienced investor with over 20 years experience in investing in FinTech and Insurance

Outstanding track record of driving investor returns including two unicorns and multiple exits

Jonathan has significant experience operating and growing start-ups
The current market is NOT sustainable
“The 2017 results are proof, if any were needed, that business as usual is not sustainable.”

- Bruce Carnegie-Brown, Chairman Lloyd’s of London
There is a Tsunami of data and technology coming at us
Learn to surf or get ready to drown
In 2012, insurers or reinsurers completed just one strategic investment to a private tech company.

In 2016, they completed 100.

CB Insights
Who needs more data?
In the future...

- More or less data?
- More or less accurate?
- Increase or decrease in frequency?
- Diverse or harmonised?
- Ignored or integrated?
The future is....

If you could have known you should have known

...only technology can save us
But can we trust these technology sorts?
Insurance
InsureTech?
Today we'll explore
What the future could look like
What can we learn from other industries
What we can do today
Marine Insurance
Areas of change
The 3 pillars of change

1. Pricing driven by demographics
2. Policies are global and few exclusions
3. Placement is offline and manual
The 3 pillars of change

1. Pricing driven by demographics
2. Policies are global and few exclusions
3. Placement is offline and manual
“Everything that can be digitised in our industry will be digitised.” – Maersk
Every aspect of insured marine risks is being monitored in real-time - hull, machinery, cargo, contents.

It’s forecast that there will be 50 billion sensors connected to the internet by 2020.
We now live in an age where much of what was unknown or unknowable can now be known.

This changes the fundamentals of commercial marine insurance.
What we derive:
- Routes
- Port visits
- Mileage
- Speed
- Accumulations
- Exposures

What the data shows
Seeing behaviour in real time means we gain new insight into risk...
Developing a ‘score’ and weaponizing the data

Static Demographic Factors
... Class Flag Year built Yard built Tonnage ...

Behavioural Data
Historical, Real-time & Predictive...
Area of Operation
Port Activity
Owner Performance
Benchmarking...

Behavioural correlations & risk indicators
Good Risk
Poor Risk
Avoidable Risk

Commercial in Confidence
Global Benchmarking

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Quest Marine is able combine the last ten years of global data to produce a global ranking of operators that includes additional features to demonstrate size and vessel type.

Using our Global fleet ranking, Concirrus is able to benchmark a client’s portfolio, identifying missing accounts that would be a suitable fit and poorly performing accounts that could be replaced.

Due to the large number of operators, only the top 30 are shown.
Pricing models can undergo a seismic change...

**YESTERDAY**
Risk assessed and priced on historic declared, articulated demographics

**TODAY**
Risk assessed, priced and managed based on live observed, even anticipated behaviour
Active Risk Management becomes possible
Precrime becomes Preclaim
The 3 pillars of change

1. Pricing driven by demographics
2. Policies are global and few exclusions
3. Placement is offline and manual
Policies are global, annual and few exclusions....but why?

Alternatives:
1. Continuous coverage
2. Fractional policies
3. On demand
Power-as-a-service
Data will uncover risks that are not insured today.

Only 10% of the World’s risk is uninsured.
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Commercial in Confidence

Placement moves from offline & manual to real-time and electronic
“Insurance transactions are currently far too tedious and frictional. Blockchain technology has the potential to facilitate the desired development that is long overdue.”

Lars Henneberg, Maersk’s head of risk and insurance
Wins across the value chain – certain functions are redundant

- Owner/Operator
- Broker
- Insurer
- Reinsurance Broker

Risk transfer and capital deployment

- Quest Marine
- Targeted and connected cover
- Identifying account attributes
- Portfolio optimisation
- New reinsurance types
In Play betting
Size of the online gambling market from 2008 to 2018

Source: Statista.com
Summary Conclusions
Marine insurance future:

1. Risk is rated by demographics + behaviour
2. Policies are elastic and fractional
3. Placement is online and automated
How does this benefit insurers?

1. More premium and new target markets
2. Improved loss ratios and better risk
3. Active risk management in real time
4. New, elastic policies

= more profit
“The internet has not been a ‘disruptive technology’...”
“It is difficult to think of a single example in which an internet company has supplanted a major ‘old economy’ firm”
“The internet does not represent a revolutionary new business model”
“We always overestimate the change that will occur in the next two years and underestimate the change that will occur in the next ten.

“Don’t let yourself be lulled into inaction.”

- Bill Gates
We need to work together...
The future belongs to those who create it

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