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Status of the Canadian Insurtech Landscape and the Future of Insurance

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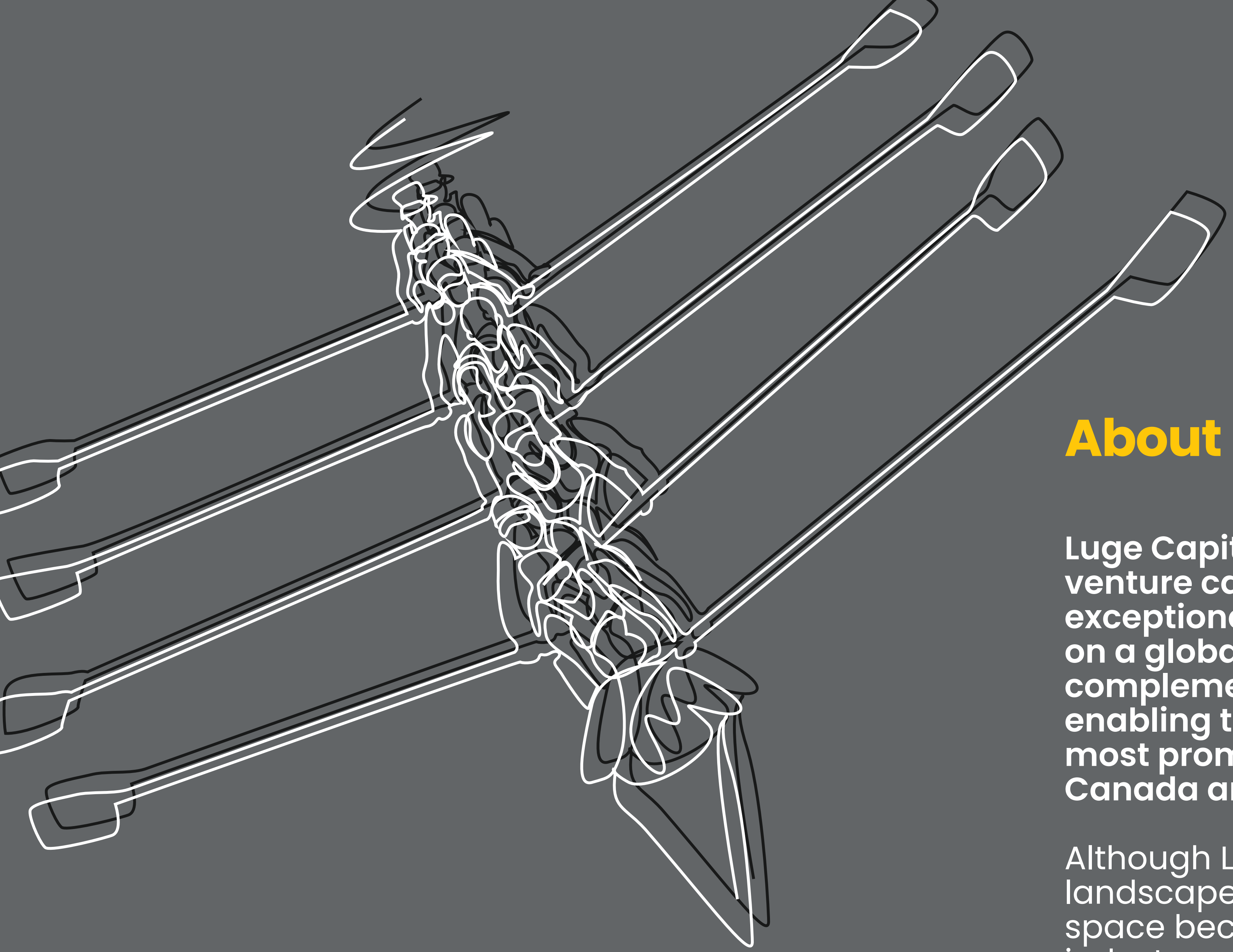

About Luge

Luge Capital ("Luge") is an early-stage, fintech-focused venture capital firm, uniquely structured to support exceptional founders with a drive to affect change on a global stage. Luge has a diversified team with complementary skill sets and decades of experience, enabling the firm's strategy to invest in, and support, the most promising financial technology companies across Canada and the United States.

Although Luge's investment thesis covers the entire fintech landscape, we dedicate significant efforts to the insurtech space because of its importance within the financial services industry, and because of our close partnership with large insurance carriers, such as Desjardins, Sun Life Financial, Industrial Alliance and Beneva.

Executive summary

In this report, we highlight some of the drivers and macro forces impacting the insurance industry, especially through the lens of innovation

To show a comprehensive view of the landscape, we begin by outlining current industry trends, emerging risks and shifting demographics. We then explore vertical-specific insights, use cases and key players in the Property & Casualty (P&C) and Life & Health (L&H) industries. Next, we highlight the key metrics to garner a better understanding of insurtech startups across the industry value-chain and investments. And finally, we share actionable insights about insurtech's future risks, challenges and opportunities.

250+

INSURTECH STARTUPS TRACKED

We have been actively tracking 250+ insurtech startups working within the Canadian insurance industry, and continue to monitor new entrants as they arise. These ambitious companies, all founded between 2000 and 2023, are either headquartered in Canada or serving the Canadian market. We have also paid close attention to incumbent insurers, whose large market presence, breadth of industry knowledge and troves of historical data are essential to fuelling progress.

In 2020, we published the first edition of the Status of the Canadian Insurtech Landscape to provide the insurance and insurtech community with a comprehensive overview of Canada's growing startup ecosystem. Given the stellar response and feedback from the community, we now present our second report.

Since our first report, the Canadian Finance and Insurance industry has continued to expand.[1] In 2022 alone, it contributed **$152 billion - or 7.4% - to Canada's Gross Domestic Product**, growing at 3.65% CAGR between 2019 and 2022, and **employing nearly 1 million people across the country.**[2] Moreover, between the Property & Casualty and Life & Health markets, the Canadian insurance industry wrote over **$216 billion in premiums in 2021, increasing by a CAGR of 7.7%** between 2019 and 2021.[3] These two sub-sectors also paid $150.8 billion in combined benefits and claims in 2021, representing a CAGR of 2.16% between 2019 and 2021.[4]

Although the insurance industry has evolved slowly over the last century, we expect that it will look dramatically different in the next hundred years. Insurtech startups and their collaboration with forward-thinking incumbents will play a crucial role in shaping that future.

As an investment firm with deep connections in the global insurance industry and the backing of several large Canadian insurers, Luge is committed to propelling that change.

[1] North American Industry Classification System (NAICS) [code 52]

[2] Statistics Canada. Table 36-10-0434-03 Gross domestic product (GDP) at basic prices, by industry, annual average (x 1,000,000); Statistics Canada. Table 14-10-0023-01 Labour force characteristics by industry, annual (x 1,000)

[3] Data from the 2022 Facts of the Property and Casualty Insurance Industry in Canada by IBC and the Canadian Life & Health Insurance Facts 2022 Edition by the Canadian Life & Health Insurance Association. Includes property, auto, commercial, liability, specialised, accident & sickness, life, health, annuities and segregated funds markets.

[4] Data from the 2022 Facts of the Property and Casualty Insurance Industry in Canada by IBC and the Canadian Life & Health Insurance Facts 2022 Edition by the Canadian Life & Health Insurance Association and our 2020 insurtech Report

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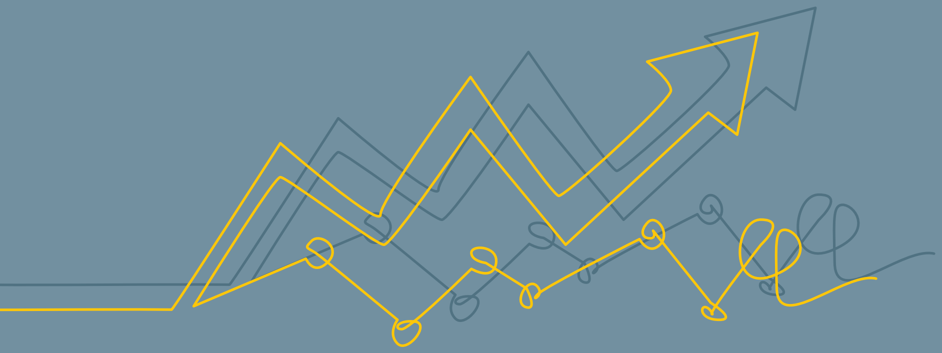

10 Key Insurtech Trends

Given the insurance industry's historically slow pace, some of the technology and innovation trends mentioned in our 2020 report still hold true today.

Based on our conversations with Canadian and American insurers, we have found each carrier to have differing priorities and to be at varying stages of their digital transformation journeys. While one might be working on creating a fully digital home insurance purchasing experience, another may be breaking down siloed databases across multiple business lines, or achieving claim review process efficiencies.

Despite those variations, we have observed some important macro trends and insights that are paving the way for insurtech's next big leaps. Here are 10 that stand out.

1 Incumbent and insurtech collaboration is a priority for the majority of insurance players

2 Third-party data is proving essential to increased conversion, efficiency and accuracy

3 Modernising UI/UX is still a top priority

4 Connected technologies are bolstering value, efficiency and loyalty

5 Emerging and evolving risks such as cyber risk are changing customer needs

6 Changing lifestyles and demographics are shifting expectations

7 Holistic, multi-channel distribution strategies are winning the race

8 Small changes can create big impacts in direct distribution

9 Digital customer experience through the broker channel is lagging behind expectations

10 Embedded distribution opportunities are still hindered by technical complexity

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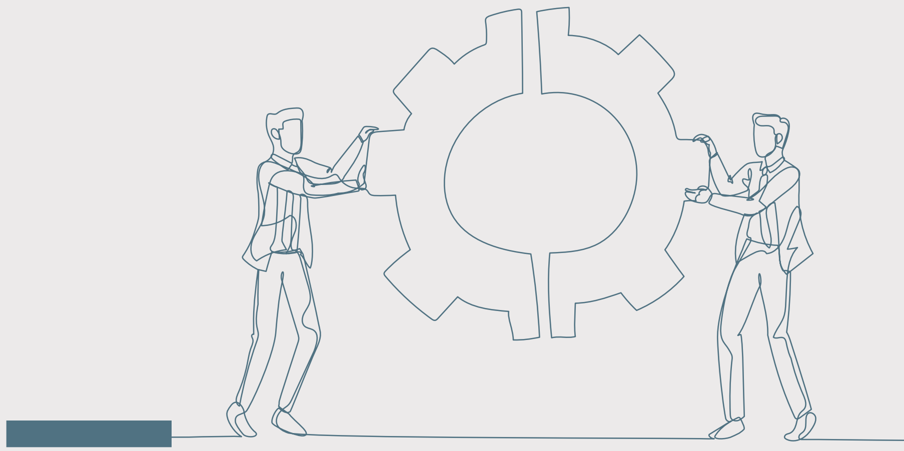
10 Key Insurtech Trends

Incumbent and insurtech collaboration is a priority for the majority of insurance players

Over the past few years, industry participants have continued to invest in technology, both internally and through partnerships, in order to gain a competitive edge. While there is still massive room for further adoption, we have observed a growing interest in using new technologies to (i) improve client experiences, operational efficiency and risk management accuracy, (ii) offer more choice, (iii) shift focus on client servicing rather than on administrative tasks and (iv) retain talent.

Our research demonstrates that many of the incumbent carriers' innovation mandates have prioritized a combination of (i) existing IT infrastructure uplift and (ii) client-facing digital front-ends in order to enable everything from policy purchasing to claim servicing. As a result, an increasing number of insurers are embracing cloud technology by partially or fully migrating their operations and core systems to the cloud. Though the benefits of these complex cloud transformation projects may take a few years to emerge, they will provide a crucial bedrock for incumbents and insurtechs to transform customer experience and collaborate on new technologies, such as artificial intelligence. Public examples of such initiatives include multiple transitions to the **Guidewire** Cloud Platform, including Definity's digital brands **Vyne's** and **Sonnet's** core insurance activities and **Wawanesa's** digital underwriting and claims support operations.[5]

In the industry's quest to keep up with ever-evolving customer needs, we are seeing a growing number of symbiotic relationships develop between insurers looking to boost their technological capacity and innovative startups hoping to broaden their reach.



With these cloud transformation projects completed, we expect to see increased collaboration between incumbent carriers and insurtech startups, where the former brings its higher market share and existing book of business to the table, while the latter brings more modern technology and AI capabilities.

[5] Definity Becomes the First Canadian P&C Insurer to Transition Core Insurance Platform to Guidewire Cloud; Wawanesa selects Guidewire Cloud for digital business growth.

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10 Key Insurtech Trends

Third-party data is proving essential to increase conversion, efficiency and accuracy

As carriers look for simple ways to streamline the consumer purchasing process, improve underwriting efficiency, detect fraud, reduce loss adjustment expenses and automate claim management, intelligent use of alternative data has become key.

For example, in the case of property insurance, a data provider like **HonestDoor** † could allow carriers to easily pull information about the year a property was built or the number of units in a building, and pre-fill an application form without the need for manual entry. Additionally, Google APIs and publicly available data can determine whether a business operates in a residential or commercial building, further reducing friction in the application process.

In the case of life insurance, access to health data, with the consumer's consent, could accelerate underwriting and facilitate more personalized product offerings.

We believe that incorporating these sorts of external data elements can have a meaningful impact on conversion for digital application flows by removing friction from the experience. Moreover, as carriers leverage AI models to identify high-risk activities, increase underwriting accuracy and offer customized products, third parties will provide essential data for the development of new and alternative assessment models.

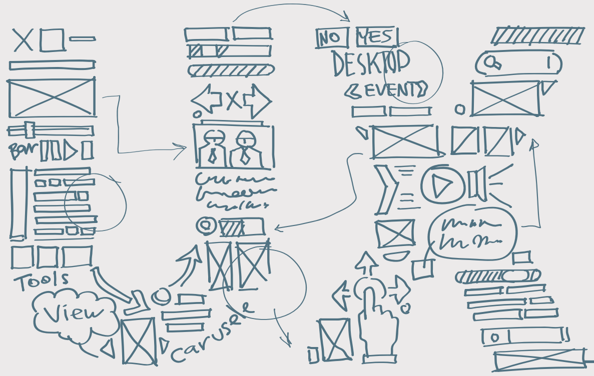
We believe that incorporating external data elements can meaningfully improve the digital customer experience by removing friction.

† | LUGE PORTFOLIO COMPANY

3

10 Key Insurtech Trends

Modernising UI/UX is still a top priority



Offering digital quoting capabilities and a client portal where customers can view their policy documents are now considered the bare minimum offering for any traditional or "full-stack" insurtech carrier. **That said, there are still many large insurance players lagging behind when it comes to offering a modern e-commerce type shopping experience.**

After testing several digital purchase flows for products like condo, car and tenant insurance, we found that many Canadian carriers still do not provide a comprehensive digital-based needs assessment (a well-established analysis to determine which products are suitable for each consumer) or allow customers to complete a full transaction online. In many instances, after receiving an initial quote, buyers are prompted to call a number in order to complete the transaction. While, in certain cases, this may be required by regulations or to further validate the applicant's information, it introduces additional friction that may discourage clients who are looking to purchase directly online. Many other verticals within financial services, such as wealth robo-advisors and cross-border money transfer platforms, have long figured out ways to validate a customer's identity and other important information in a digital environment. Regulations and insurers' verification processes need to adapt with the current times to offer an experience that is on par with other financial services. Moreover, to optimize conversions, carriers will need to offer customers true omni-channel experiences with the choice of buying their policy online, speaking to an agent directly or a combination of both.

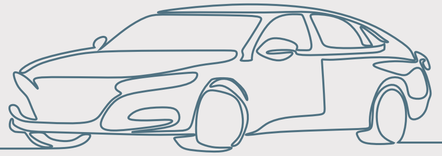
Over the past few years, insurers have significantly improved the claims experience by allowing customers to submit claims online, and be notified when it is settled.

Backed by cloud infrastructures and with the use of technologies such as APIs, connected devices, third party data and artificial intelligence, carriers stand to achieve further modernization of their customer UI/UX from purchase to claims.

4

10 Key Insurtech Trends

Connected technologies are bolstering value, efficiency and loyalty



Many Canadian insurers are already leveraging or exploring internet of things (IoT) and mobile technologies to incentivize risk reducing behaviour, provide continuous support and encourage preventative actions.

In auto insurance, there is an increase in demand for enrollment into telematics programs (installed physical devices and/or mobile applications), which often allow for discounted premiums. **RATESDOTCA,** an online financial product comparator, saw an 18%+ Y-o-Y increase in Usage-Based Insurance (UBI) quotes in January 2023 and a 55% M-o-M increase in drivers opting in for a UBI discount.[7] Given that telematics programs have been available from some carriers like **TD Insurance** for many years, this is not particularly surprising, but **the surge in living costs, including insurance premiums, and consumer appetite for cost-saving options is driving adoption.[8]**

In the home insurance space, some carriers are exploring new ways to help policyholders better maintain, manage and monitor their home. **Desjardins**, for example, has partnered with **Roost** to facilitate the purchase of affordable, easy-to-install and wireless home security systems that detect and alert customers to potential fires, water leakage, freezing temperatures and break-ins. For an additional subscription fee, policyholders can opt-in to a professionally managed monitoring service capable of connecting to Desjardins' Home-Auto mobile application and sending out emergency services if necessary.

Connected technologies and their associated mobile applications will provide the foundation to create an ecosystem of value added services, allowing insurers to differentiate their brands and build loyalty.

In the life & health space, on the other hand, wearable technologies are being leveraged by some insurers to promote healthy lifestyles amongst members. **Manulife's** Vitality program, which offers premium discounts and rewards to customers for participating and logging healthy activities, is an example of this. It is worth noting, however, that privacy concerns have largely prevented insurers from using wearables data for underwriting purposes.

[7] As insurance premiums rise, quotes for usage-based auto insurance increase by nearly 20%.
[8] Be better prepared for extreme weather with new digital Severe Weather & Safety Alerts from TD Insurance.

5

10 Key Insurtech Trends

Emerging and evolving risks are changing customer needs

As insurers and insurtechs deepen their understanding of our changing world from autonomous vehicles to extreme weather events, we expect to see a lot more activity around the creation and improvement of new underwriting models, with the use of AI, and products to meet emerging needs. Insurtechs can play a key role here by developing expertise and solutions to help insurers understand and quantify new areas of risk.

Cybersecurity risk

As global cyber attacks continue to increase, we expect the market for cyber insurance to grow quickly over the next few years. Between 2021 and 2022 alone, international cyber attacks increased by 38% and Canadian net written premiums reached $372 million in 2022.[9] **In response to some large losses in recent years, insurers are changing their underwriting criteria and sharply increasing premiums.**[10]

As this space evolves, we believe underwriting cyber insurance will continue to evolve, especially as insurers develop ways to more accurately assess an organization's cybersecurity posture. To control losses, carriers will use solutions like **Flare Systems** † to continuously monitor cyber threats, such as corporate credential leakage. To help mitigate these risks, we expect to see more partnerships between insurers and cybersecurity solution providers. In time, these solution providers may even develop and launch their own warranty programs to increase loss protection.

[9] Check Point Research Reports a 38% Increase in 2022 Global Cyberattacks; How the cyber liability loss ratio fared in 2022.
[10] Five factors impacting cyber insurance costs in Canada.

$3.1B

IN INSURED DAMAGES CAUSED BY SEVERE WEATHER IN 2022 IN CANADA

Climate risk

With extreme weather events increasing in frequency and severity, it will become imperative for insurers to use data and AI models to predict and underwrite climate-related risks. In 2022, severe weather caused $3.1 billion in insured damages in Canada.[11] Moreover, July 2023 was the planet's hottest month on record and an unprecedented number of wildfires continue to burn in Canada as of the time of writing this report.[12] What's more, a 2019 report spearheaded by Environment and Climate Change Canada concluded that Canada's climate has been warming at double the global rate.[13] Of course, these severe weather events and global climate change are, and will continue to, impact both insurers and the insured.

For insurers, global climate change will affect not only the profitability of their existing book of business, but also their future ability to underwrite insurance in certain areas. For Canadians, these changes will influence their ability to buy insurance at reasonable prices or, in some areas, be insured at all.

As a result, data and AI models will prove crucial to understanding the risk of an existing book of business, repricing renewals, managing claim payouts for parametric insurance and advising policyholders on preventative measures. In response, climate intelligence-focused startups around the world have been launching their solutions and raising significant capital, with many of their major use cases in insurance.[14]

Given the threat posed to some of their primary lines of business, such as property and auto insurance, this is top of mind for P&C insurers.

Cyber, climate and other emerging areas of risk, and the opportunities surrounding them are discussed further in the: *Tomorrow's Insurtech Opportunities Section.*

[11] Severe Weather in 2022 Caused $3.1 Billion in Insured Damage -- making it the 3rd Worst Year for Insured Damage in Canadian History.
[12] This month is the planet's hottest on record by far – and hottest in around 120,000 years, scientists say Canadian wildfires burning land at record pace.
[13] Canada's Changing Climate Report.
[14] Investors Rain Funding Down On Climate Prediction Startups.

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10 Key Insurtech Trends

Changing lifestyles and demographics are shifting expectations

Increased desire for remote work and travel, delayed parenthood and homeownership, shifting rental markets, ageing populations, evolving immigration policies and increased pet ownership, are just some of the customer realities that will shape future insurance offerings

Much like the external environment around us, people's preferences and lifestyles are also changing to adapt to their new realities.

Travel, digital nomads and remote teams

Following the Covid-19 pandemic, we have seen pent up demand for travel and increased flexibility around remote work, effectively driving a global rise in the number of digital nomads. Although the dust has yet to settle on remote and hybrid work setups, we believe that this transformation may drive market growth and increased adoption of comprehensive travel health and trip interruption/ cancellation insurance.

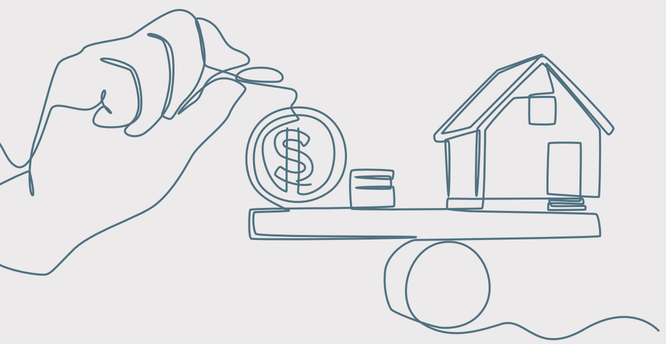
Furthermore, with some companies hiring entirely remote or globally distributed teams, especially in the technology industry, insurers may need to rethink group health insurance and benefit products.

Delayed parenthood

For various reasons, Canada's birth rate has been steadily declining for the past decade, with many people choosing to delay or seek alternative options for starting a family.[15] This has resulted in increasing demand for expensive fertility treatments such as in vitro fertilization (IVF), which can require multiple cycles to succeed and can cost up to $20,000 per cycle, including fertility drugs and consultations.[16]

Although most Canadian provinces offer some level of financial assistance or tax credits, fertility treatments can still present an unexpected financial burden for many.[17] Consequently, some large enterprises and tech companies such as **Sun Life** have introduced or boosted employee fertility benefits in an effort to promote diversity, equity and inclusion.[18] **Pacific Blue Cross** also recently announced fertility coverage within personal health insurance plans for British Columbians who do not have coverage under an employee-sponsored group plan.[19] As they rethink the future of group benefits and compensation plans, we expect more employers, employees and insurers will incorporate inclusive fertility coverage in their benefits packages.

[15] Statistics Canada.Table 13-10-0418-01 Crude birth rate, age-specific fertility rates and total fertility rate (live births).
[16] As more Canadians seek IVF treatment, advocates warn about infertility 'crisis'; Surrogacy and IVF in Canada: What you need to know.
[17] Publicly Funded IVF and IUI Programs Across Canada.
[18] A diversity, equity and inclusion focus: our new Family Building program.; A Review of Fertility Benefits in Canada
[19] Pacific Blue Cross launches new Personal Health Insurance in partnership with BC Women's Health Foundation



Delayed homeownership and tight rental markets

As access to homeownership continues to decrease across Canada and rental markets continue to tighten, we believe several factors may lead to increased adoption and growth in the tenant insurance marketplace.[20]

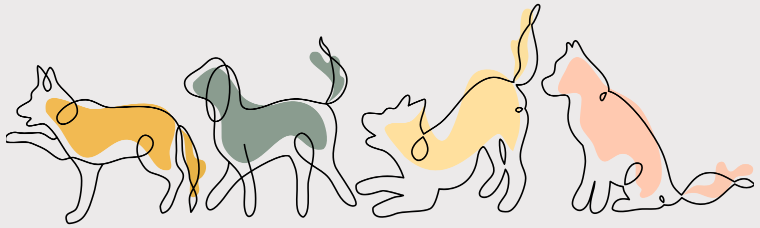
Increasingly selective landlords are more frequently requiring leaseholders to purchase tenant insurance policies as part of their lease agreements.

In addition, skyrocketing costs of living have hiked up the replacement costs of personal belongings and the increased frequency of extreme weather events have made the additional living expenses covered by most tenant insurance policies more and more relevant.

Today, nearly half of Canadian renters do not have tenant insurance, with many being under the impression that coverage requires high premiums, that they do not have many items to insure or that they are covered by their landlords' policies.[21] **This presents a substantial opportunity for insurers and brokers to increase awareness about coverage gaps of tenants and the benefits of tenant insurance for an average cost of $23/month.[22]**

Embedded distribution through property management softwares and lease signing platforms could be a great, low-touch way to distribute tenant insurance at a precise trigger event, such as signing a lease. For example, in 2022, Cooperators-backed **Duuo** launched an embedded tenant insurance feature within the property management software **Tenantcube** and announced the upcoming launch of a tenant insurance API.[23]

$374 M



CANADA'S PET INSURANCE INDUSTRY GREW AT AN AVERAGE RATE OF 20% PER YEAR SINCE 2018, GENERATING $374 MILLION IN GROSS WRITTEN PREMIUMS IN 2022.

Pets

As of 2022, the pet cat and dog population in Canada was 16.4 million (not including other types of pets), growing by 3.7% compared to 2020.[24] Yet as of 2020, only 2.74% of them were insured.[25] Part of this low adoption rate is due to a lack of awareness about pet insurance products and what is covered by such policies. In addition, many of the current products on the market charge high premiums and deductibles, making them less affordable.

With increased awareness of pet insurance products, easier access through digital and embedded channels, and pet owners' desire for protection against increasingly costly emergency vet visits, we believe Canadian pet insurance adoption rates will increase substantially in the medium term.

In fact, according to the North American Pet Health Insurance Association, Canada's pet insurance industry grew at an average rate of 20% per year between 2018 and 2022, generating $374 million in gross written premiums in 2022.[26] During that same time period, the average annual growth rate for insured pets was 17.1%, indicating a much faster insurance adoption rate than the overall pet population growth.[27] Although these premium numbers are dwarfed by traditional products like home and life insurance, pet insurance can be a great option for cross-selling, upselling, embedded distribution or even as add-on to group benefits. For example, **Emma** †,which creates and distributes life insurance products online, partners with **Fetch** to cross-sell pet insurance directly within their platform.

[20] Majority of Canadians who don't own a home have 'given up': poll; Posthaste: Canada on cusp of rental housing crisis, says RBC, as population growth sets record.

[21] Canadian renters at risk of expensive repair or replacement costs of important personal belongings following a loss; Tenant insurance too expensive at $15 per month, renters say.

[22] How Much is Average Renters Insurance?.

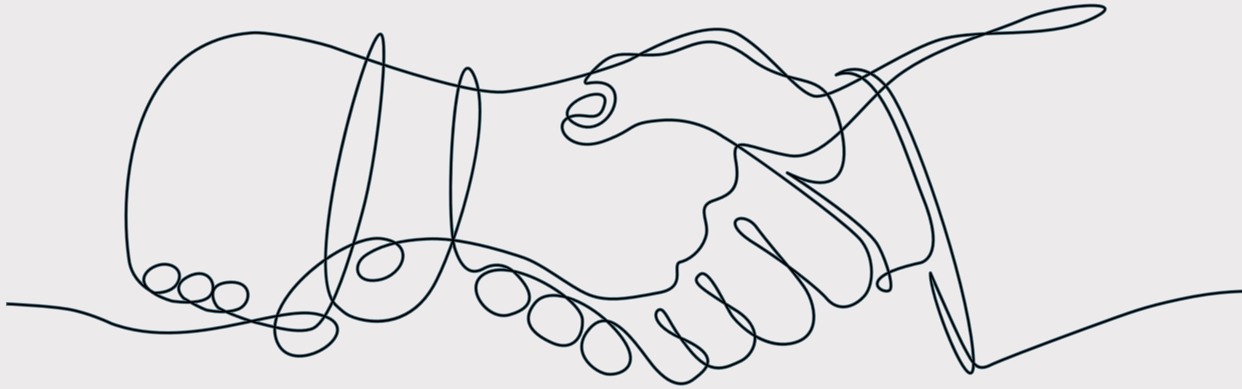
[23] Duuo introduces embedded tenant insurance feature; Duuo by Co-operators Launches Embedded Insurance Platform.

[24] Latest Canadian Pet Population Figures Released.

[25] Is pet insurance worth it? Experts say 'it's all in the details.

[26] State of the Industry 2023 Highlights Section #1: Gross Written Premium.

[27] State of the Industry 2023 Highlights Section #2: Total Pets Insured.



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10 Key Insurtech Trends

Holistic, multi-channel distribution strategies are winning the race

Though most insurtech MGAs and full-stack insurtechs (fully licensed, tech-enabled insurance companies) originally launched tools to serve customers directly online, **we have noticed an important uptick in the number of startups building mutually-beneficial distribution relationships with third-parties.**

In order to scale customer acquisition in a cost-efficient way, insurtechs should consider leveraging incumbent channels with established market presence. When combined together, direct-to-consumer offerings, broker distribution and embedded partnerships can all be part of a winning growth strategy for innovative insurtechs and carriers.

For example, **Foxquilt** † uses a mix of direct-to-consumer, broker and embedded partnerships (e.g. Jiffy) to underwrite and distribute general liability insurance for small businesses. Another example is **Emma** †, which offers term life insurance policies that can be purchased completely online without speaking with an agent. However, if a prospective customer does not fit their product's underwriting criteria, their agents are also able to introduce them to one of their insurer partner's products.

As each distribution channel continues to innovate and evolve, industry leaders must learn to seamlessly connect the dots and play to each of their strengths.

Today's distribution strategy must include a combination of direct, broker and embedded channels to acquire customers at scale.

8

10 Key Insurtech Trends

Small changes generate big impact in direct distribution

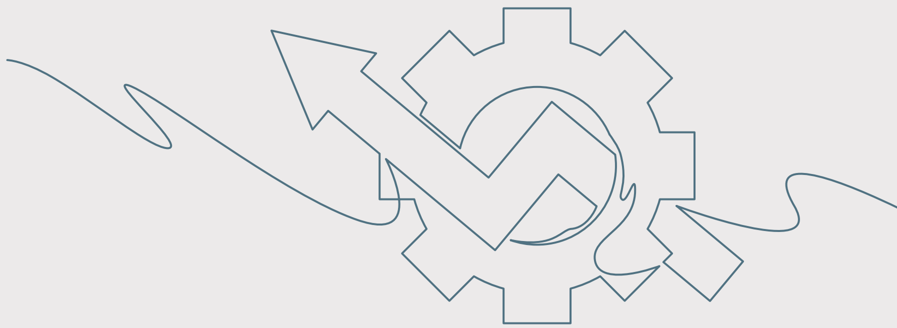
For direct distribution, there is still plenty of room for improvements to the buying experience through data enrichment, such as automated form-filling, and omni-channel capabilities.

In the past few years, most insurers, and some brokers, have made significant improvements to their online purchase flows. However, many carriers still do not allow a full quote-and-bind online, often requiring the customer to call a number in order to verify details and complete the transaction. This introduces unnecessary friction and consumer frustration in the sign up process, especially since customers would have already invested time to enter information themselves through the online flow. Based on our research, there is still plenty of room for improvement when it comes to offering a better buying experience through data enrichment, such as automated form-filling, and omni-channel capabilities.

Building consumer knowledge, autonomy and confidence is also key to increasing sales conversion. For example, when a home insurance buyer receives an online quote proposing $1M in liability coverage and $50K in insurance against theft, they may find it difficult to know whether that is the ideal level of coverage for them. **To help, an insurer could use the customer's profile details such as age range, property value, neighbourhood and lifestyle information to provide data-driven recommendations on required coverage amounts and behaviours of other similar customers.**

Carriers could take inspiration from Amazon's "Frequently bought together" recommendation system and provide insights into the levels of coverage frequently purchased for specific risks.

When well executed, this kind of strategy may reduce the number of prospective buyers dropping off a carrier's online sign up flow or calling an insurer's contact centre, resulting in reducing the insurer's customer acquisition cost.



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10 Key Insurtech Trends

Digital customer experience through the broker channel is lagging behind expectations

As brokers become more open to collaborating with insurtechs and increase technology adoption, we expect them to invest more resources to improve their client experiences.

Brokers continue to represent a major distribution channel and create a lot of value for the insurance industry, especially when advising clients on the right coverage, shopping for renewal rates and providing overall risk guidance. However, when it comes to offering customers a modern experience for buying and managing insurance, the majority of incumbent brokers still provide a mostly-manual approach.

While larger brokerages have introduced digital applications, online appointment booking capabilities and chat-based communication, many smaller brokerages have yet to incorporate such basic technologies. In fact, according to a 2021 Applied Systems survey conducted across Canada, Ireland, the UK and the U.S., only 29% of brokerages allow clients to submit applications electronically and 38% have client portals.[28]

Today's customers expect omni-channel communication with their brokers. For example, a customer might want to search for products online, be advised by a broker by phone or video call, then resume their application online and complete the transaction themselves. This requires integrations between their digital application forms, agency management systems and carrier portals.

29%

OF BROKERAGES ALLOW CLIENTS TO SUBMIT APPLICATIONS ELECTRONICALLY

38%

OF BROKERAGES HAVE CLIENT PORTALS

[28] Applied Systems Reveals 2021 Digital Technology Adoption Survey Results Among Canadian Insurance Brokerages.

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10 Key Insurtech Trends

Embedded distribution opportunities are still hindered by technical complexity

The concept of embedded distribution is to offer personalized insurance products to customers when and where they need it the most, often along with the purchase of other products through partners. **Since our 2020 report, embedded distribution has continued to gain traction with full-stack and MGA insurtechs, thanks to a unique combination of two crucial elements that can drive policy sales conversion: customer intent and attention.**

While the industry has been excited by the possibilities of embedded distribution in the past couple of years, we are still far from seeing seamless execution. In Canada, there is a lack of API-enabled quote-and-bind capabilities. In addition, many insurers' online applications today are not set up to fully underwrite customers whose profiles or circumstances deviate from that of a typical policyholder, requiring customers to complete their transactions offline. These key components need to be addressed to unlock the value of an embedded insurance experience.

An example of a startup building infrastructure for embedded insurance is **Walnut Insurance**, which offers a whole ecosystem of embeddable insurance products for businesses.

Today, insurers and insurtechs are developing the foundation for embedded insurance and, with the right product, partner, sign-up flow and compliance framework, we believe this opportunity can prove to be a cost-efficient distribution channel for many insurers.

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Diving Deep: Vertical-Specific Insights

The Luge database of insurtech startups has been segmented to further examine two broad insurance verticals: Property & Casualty (P&C) and Life & Health (L&H). In the following subsections, we discuss specific trends within these industries and highlight a select few insurtechs worth tracking.

Property & Casualty

"In the Property & Casualty insurance sector of Desjardins, we have already partnered with various insurtechs to integrate their solutions at different steps of our value chain ranging from telematics to home IoT. We continue to believe this is an accelerator to bring value to our clients and are looking for further opportunities to simplify the life of our members and clients while participating in their prevention efforts. Those efforts will continue over the next years with the advent of newer technologies and the explosion of external data sources. With the current level of innovation maturity higher on the auto side, we are looking forward to an acceleration of opportunities on the property side as well"

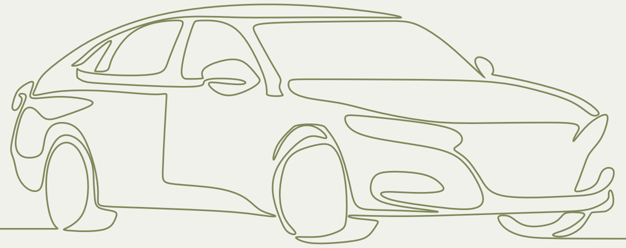
- Tarek Bouaabdalli, Director of Strategy, Organizational Performance and Innovation, Desjardins General Insurance Group

1. Auto
2. Property
3. Liability

Diving Deep:
Vertical-Specific Insights

Property & Casualty Insurance
Auto Insurance

Trends to Watch



Insurers are increasingly using external data to streamline the application process.

Tech-enabled brokerages are paving the way for a better customer experience.

Modern insurance providers are building better underwriting rules into the online application process to accept a wider array of driver profiles without needing to escalate to a human underwriter.

As OEMs and car dealers sell more and more online (such as Tesla) there is an opportunity to embed insurance at the point of sale.

Telematics are offering insurers an opportunity to create an ecosystem of value-added services such as crash detection, roadside assistance, automated First Notice of Loss (FNOL), discounts for car safety and maintenance tips.

As a cost reduction strategy, insurers are prioritizing AI solutions for streamlined auto claims processing and fraud detection.

$26 B

IN DIRECT WRITTEN PREMIUMS IN 2022

Diving Deep:
Vertical-Specific Insights

Property & Casualty Insurance
Auto Insurance

Industry Numbers

In 2022, the auto insurance sector wrote almost $26 billion in direct written premiums and private passenger auto continued to contribute a significant part of that premium volume.[29] During the same year, auto insurers incurred approximately $16 billion in direct claims (including adjustment expenses).[30]

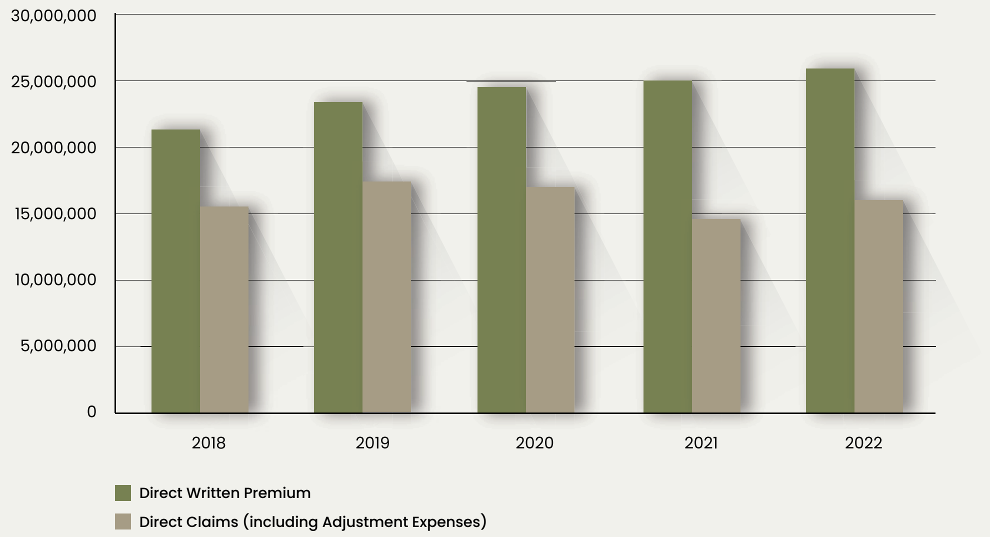
Over the last five years, auto's direct written premiums have increased, but that rate of increase slowed down in 2020 and 2021 due to the Covid-19 pandemic when insurers provided various discounts to support customers. During the same period, given the fewer number of vehicles on the road, loss ratio was lower than pre-pandemic levels. In a post-pandemic world, auto insurance rates are expected to increase by high single digits as cars have now returned to the roads and replacement costs increase.[31]

Challenges

Inefficient transactions: While carriers can now extract some external data points such as VIN verification and soft credit score checks, most purchase experiences still require extensive manual input and, in many cases, a call to the insurer to complete a transaction.

Vague regulations creating barriers for embedded distribution: Enabling the quote-and-bind process directly at the point of car purchase through dealers and OEMs is a prime example of what embedded insurance could become. As things stand, although dealers in certain jurisdictions are allowed to promote certain types of insurance coverages (such as credit protection insurance and gap insurance), industry regulations prevent them from offering traditional auto insurance such as liability and collision.

Auto Insurance in Canada (in '000s)



[29] Data from IBC Facts 2022, OSFI, SCOR and company public filings; 2022 Facts of the Property and Casualty Insurance Industry in Canada by IBC.

[30] For those familiar with our 2020 insurtech report, it is worth noting that we have since broadened our data sources, leading to a difference in the numbers previously reported for 2018 and 2019. Previously reported ($25 billion for 2018 and $27 billion for 2019) vs. $21 billion and $23 billion reported now for 2018 and 2019 respectively).

[31] Auto insurance outlook for Canada in 2023.

Diving Deep:
Vertical-Specific Insights

Property & Casualty Insurance
Auto Insurance

OPPORTUNITIES

Mobile telematics applications can provide a platform for direct and regular connection between the insurer and policyholders, therefore creating great opportunities for insurers to provide increased value and retain customers. Value-adds such as crash detection, instant family notifications, roadside assistance, reward programs and car maintenance tips such as reminders to install their winter tires are a few examples. Beyond customer perks, these data points can also help carriers speed up claim processing, detect fraud and reduce loss adjustment expenses.

Intelligent damage detection, estimation and claims platforms are being explored or are already in use by a number of Canadian insurers we interviewed to improve the claim experience and reduce loss adjustment expenses.

Did you know?

In Quebec, dealers are only able to provide clients with contact information for an insurance broker and must hand off the relationship.[32] In this scenario, the dealer may receive a lead referral fee but is not allowed to receive commissions from closed sales because they are not typically licensed agencies. On the other hand, Canadian agencies have not yet invested in the technology to be able to embed the insurance buying experience within dealers' websites.

This is a missed opportunity for auto insurance distribution Canada-wide. In the U.S., insurtech startup Polly (formerly DealerPolicy) has made strides in this space by embedding the insurance purchase experience within dealerships and was serving 1,200 U.S. dealers as of early 2022. We believe similar opportunities exist in the Canadian market.

[32] Automobile dealers and insurance: What you need to know.

Diving Deep:
Vertical-Specific Insights

Property & Casualty Insurance
Auto Insurance

Updates from players on our radar

Onlia is offering brokerage services entirely built on the premise of using modern technology.

Aviva joined the telematics bandwagon in 2022 with its Aviva Journey application, launched in partnership with **IMS**, a global vehicle and driving data enterprise.[33]

Sharp Dealer's Edge, offered by a brokerage called Sharp Insurance, allows dealers in Alberta to refer auto insurance leads and submit a request for a quote. A broker from the firm then contacts the customer directly and, once the transaction is completed, they instantly provide the dealer with a Certificate of Insurance (COI) and pink slip.[34]

Intact's MyDrive telematics app is creating an ecosystem of value-add solutions and offers a range of add-on features such as roadside assistance.

Tractable is a UK-headquartered insurtech that has teamed up with **Mitchell**, a San Diego-based software company, to offer straight-through, low-touch claims processing in just a few minutes across Canada and the U.S.[35]

Industrial Alliance Auto and Home Insurance Inc (iAAH) is an **iA Financial** subsidiary that has partnered with **Mitchell** for claims workflow management and collision damage appraisal solutions,[36] and **Shift Technology** to identify suspicious behaviour and fraudulent claims.[37]

Gore Mutual has rolled out Solera Canada's **Qapter** solution to improve damage detection, estimating and claims.[38]

Examples of Auto Insurtech Startups in Canada

aha insurance
mojio
Onlia Insurance
Allegory
SHIFT
Foresight Analytics
baseline
Qapter
Tractable
KONNEKO

[33] IMS partners with Aviva Canada to launch 'Aviva Journey'.
[34] Sharp Dealer's Edge Program.
[35] Tractable, Mitchell launch "straight-through" processing solution.
[36] iA Financial subsidiary taps Mitchell International to enhance claims process.
[37] Shift Technology Selected by iA Auto and Home Insurance to Identify Suspicious P&C Claims.
[38] Gore Mutual Insurance Company Becomes First Canadian Insurer to Rollout Solera Qapter® Estimating Platform.

Luge CAPITAL

Diving Deep:
Vertical-Specific Insights

Property & Casualty Insurance
Property Insurance

Trends to Watch

Skyrocketing costs of property repairs and more frequent weather events have led to increasing home insurance premiums and requirements for higher reserves.

Tech-enabled brokerages are increasingly using external data to help auto-complete application forms and provide a good user experience, no matter the device used.

More insurers are adding water leak detectors, home security systems and weather alerts to their offering.

Insurers are increasingly exploring AI solutions for assisted property claims processing and fraud detection.

As consumer demand for advanced products such as expensive e-bikes and recreational vehicles increase, insurers are having to assess such technologies and adjust the coverage provided by their current policies.

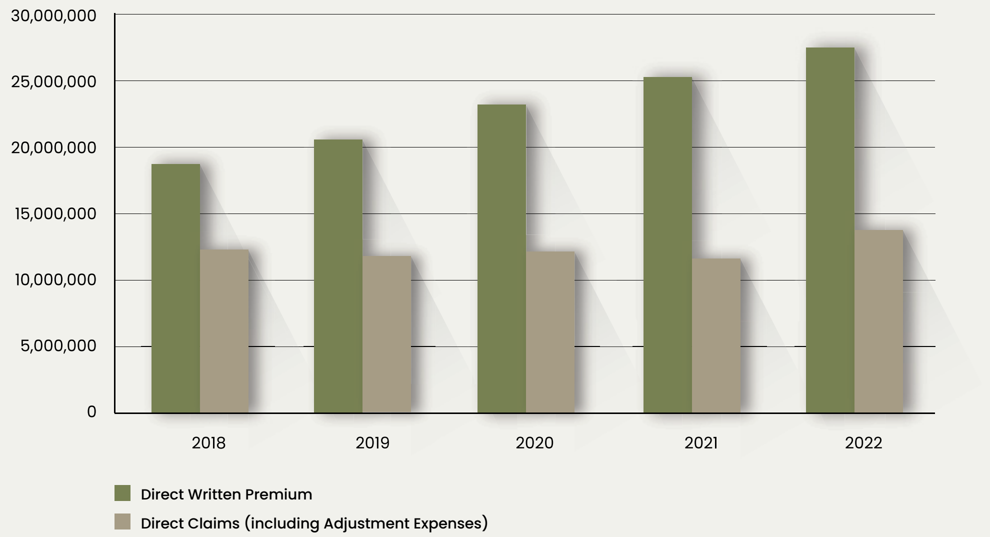
Diving Deep:
Vertical-Specific Insights

Property & Casualty Insurance
Property Insurance

$27 B+

IN DIRECT WRITTEN PREMIUM IN 2022

Property Insurance in Canada (in '000s)



Industry numbers

In 2022, the property insurance sector wrote more than $27 billion in direct written premium and incurred more than $13.6 billion in direct claims (including adjustment expenses).[39]

Since 2018, direct written premiums in property insurance have increased at a CAGR of more than 10%. A big contributor to these increases has been the rise in average policy premium costs, which is explained by the rising cost of renovations and rebuilds, labour shortages and global supply chain issues encountered over the past couple of years. On the other hand, carriers steadily reduced loss ratios between 2018 and 2021, before increasing again in 2022. This reversal may be partly explained by severe weather events such as Hurricane Fiona, which led to 2022 being one of the worst years for insured losses in Canadian history.[40]

[39] Data from IBC Facts 2022, OSFI, SCOR and company public filings. For those familiar with our 2020 insurtech report, it is worth noting that we have since broadened our data sources, leading to a difference in the numbers previously reported for 2018 and 2019.

[40] IBC reveals how much severe weather cost Canada in insured damages.

Diving Deep:
Vertical-Specific Insights

Property & Casualty Insurance **Property Insurance**

Challenges

Poor online purchase experience: More so than in auto insurance, the purchase experience for property insurance still requires extensive manual data input often asking the customer questions that they may not have immediate answers to (for example, "how many units are in the condo building?" or "what year was your water heater installed?")

Home insurance complexity prevents true embedded distribution: Unlike in auto, (i) the additional complexities of home insurance applications and (ii) the lack of homogeneity among each property make it challenging to provide a sleek, embedded purchasing experience despite mortgage brokers and lenders providing a great potential channel for embedded distribution.

Lack of predictive accuracy: AI models for adjusting claims and underwriting properties need more training data and may initially be less precise than in the auto space, making it more likely that these technologies will assist rather than fully automate such processes.

Opportunities

Improving the buying experience can be done by pre-filling forms based on external data sources, such as geo and municipal data, or by using historical similar customer coverages to assist the buyer in better understanding what coverage is right for them.

Tenant insurance is a much simpler product to underwrite and sell (as it mainly covers tenant's contents and liability), making it an immediate candidate for venturing into embedded distribution through leasing and property management softwares.

Referral links or codes incorporated within the User Interface (UI) of partners, such as mortgage brokers and lenders, help insurers and insurtechs take the first step towards embedded distribution.

Insurers can help customers better maintain and manage their homes through connected devices, mobile applications, reward programs and merchant discounts, building a deeper connection.

Intelligent property claim automation technologies can allow carriers to collect photos, videos and satellite imagery of damaged property, therefore enabling AI to conduct preliminary loss assessments, triage, and assist in remote adjuster inspections to help reduce loss adjustment expenses and faster claims processing.

The use of monitoring device data, user submitted content and third-party data could create a seamless claim experience that will automatically set off a chain of events before or during a loss event including proactive homeowner outreach, AI-assisted adjudication, scheduling a contractor, reservations for temporary stays, support for policyholders returning home and direct contractor bill settlement to avoid out-of-pocket expenses.

Luge CAPITAL

Diving Deep:
Vertical-Specific Insights

Property & Casualty Insurance
Property Insurance

Updates from players on our radar

Youset's online application uses external data to pre-fill forms and offers an omni-channel experience where customers can self-serve their purchase or opt to communicate with an agent via text or phone.

Sonnet has partnered with **Homewise**, a mortgage-focused fintech startup, to promote home insurance client referrals.[41]

Duuo now enables embedded tenant insurance distribution through leasing and property management software.

Opta (acquired by Verisk) is a property intelligence and loss control services company that announced a partnership with **Hover** to develop an inspector-assisted and validated virtual solution that uses Hover's mobile application to guide the homeowner through a data and photo capturing process.[42] Verisk has also announced a new partnership with Hover since the acquisition.[43]

SiniSTAR, founded in 2017, has created a temporary rental platform that pairs local hosts with insurance companies to support customers dealing with lost or damaged homes.

Ecopia AI, a geospatial mapping company, helps insurers with property risk assessment, underwriting, and claims management. In 2022, they announced a partnership with Sustainable Development Technology Canada to create a high-precision map of Canada.[44]

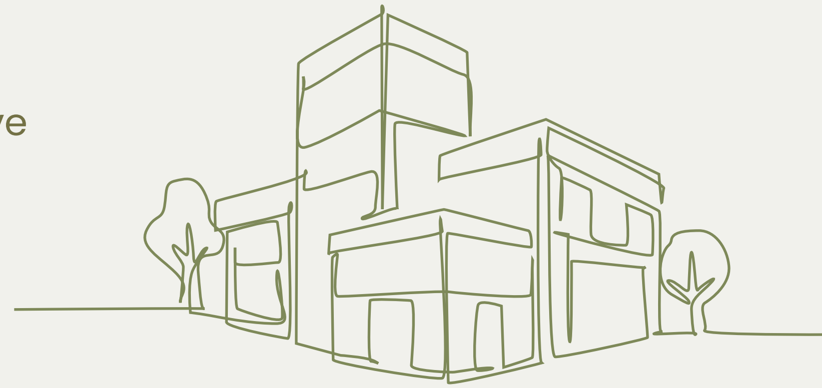
Homeprint.io launched an application through which homeowners can manage documents related to their home, maintain records, schedule timely maintenance and apply for insurance.

Examples of Property Insurtech Startups in Canada

YouSet, sinistar, square one, Mitigateway, ORBISEED, alana, homeprint, aha insurance, SingleKey, Ecopia, HOVER

[41] What is a Home Insurance Policy?.
[42] Opta partners with HOVER to Deliver a New Virtual Inspection Service.
[43] HOVER and Verisk Collaborate to Enable a Faster and More Efficient Claims Solution.
[44] Canadian Government Commits $8 Million for Ecopia AI to Create a High-Precision 3D Map of Canada to Support Net-Zero Initiatives.

Property & Casualty Insurance



"We see the value in ongoing technology investment. Over the past few years we have transitioned to a new policy management system and are now converting from our legacy systems. Next, we are focusing on Small Commercial API connectivity to the broker business management systems to support our brokers with a more efficient quoting process in small commercial. In addition, we are investing in Automated Intelligence solutions for those submissions that cannot go through the API Path."

– Laura McDonald, VP National Distribution – Business Insurance, Travelers Canada

Trends to Watch

Carriers are beginning to build more digital interfaces for their small commercial insurance offerings, selling direct to businesses and through brokers via APIs.

Insurtech brokers and MGAs are paving the path for more modern customer experiences through the use of dynamic digital applications, alternative data, APIs, customized products and embedded distribution.

Traditional brokerages and MGAs are beginning to adopt tools to improve their workflows.

Diving Deep: Vertical-Specific Insights

Property & Casualty Insurance
Liability Insurance

$11 B

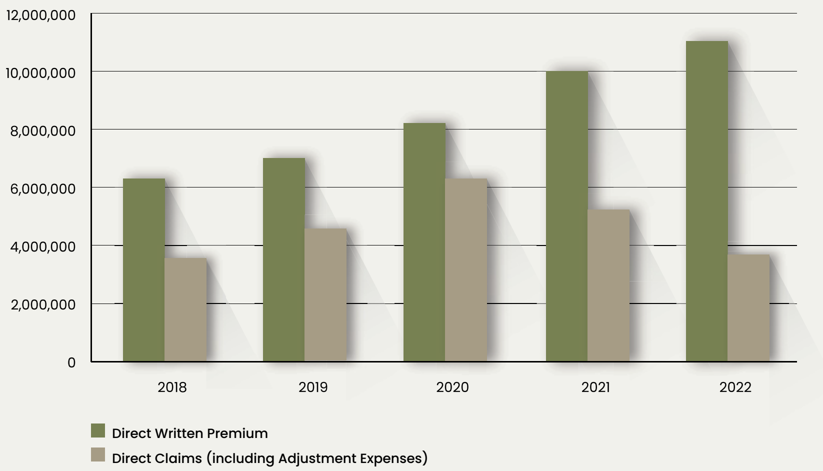
IN DIRECT WRITTEN PREMIUM IN 2022

Industry numbers

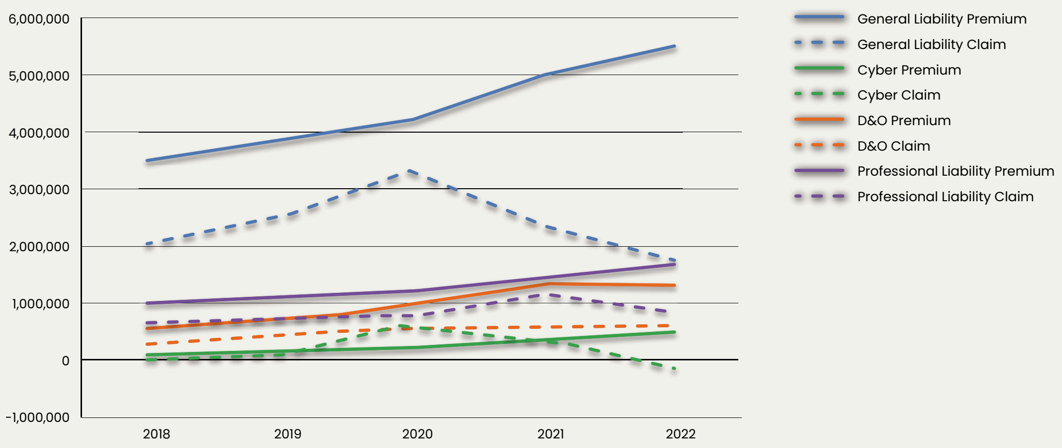
In 2022, the liability insurance sector generated $11 billion in direct written premiums and incurred close to $3.7 billion in direct claims (including loss adjustment expenses).[45] For the most part, this segment of the insurance space consists of various types of business-related products such as General Liability (GL), Directors' & Officers' Liability (D&O), Professional Liability (PL) and Cyber Liability. Other categories include Umbrella Liability (typically personal policy), Excess Liability and Pollution Liability. As such, this section focuses on commercial or business insurance.

As the chart demonstrates, 2022 figures are in stark contrast with the industry's 2020 performance, when underwriting profit margins were much lower due mainly to a spike in losses in general liability and cyber liability insurance. In the case of general liability, a portion of the increase can be attributed to the carrier's voluntary customer relief measures and catastrophe losses during Covid-19. Moreover, in that same period, there was an increase in cyber-related claims and class action lawsuits filed against carriers in reaction to the lack of business interruption coverage.

Liability Insurance in Canada (in '000s)



Major Products within Liability Insurance*



[45] Data from IBC Facts 2022, OSFI, SCOR and company public filings; For those who read our 2020 insurtech report, it is worth noting that we have since broadened our data sources, leading to a difference in the numbers previously reported for 2018 and 2019.

Diving Deep:
Vertical-Specific Insights

Property & Casualty Insurance
Liability Insurance

Challenges

Insurers' heavy focus on home and auto modernization: As most insurers have been highly focused on innovating in home and auto insurance, customer experience in commercial insurance is lacking and needs improvement. This is changing, slowly.

High level of human involvement: Placement processes for commercial insurance remain complex requiring a high level of human touch and advice of brokers.

Archaic front-ends: Many brokerage front-ends are often ill-adapted to digital buying experience with old-fashioned lead intake forms, lacking a modern ecommerce-like experience.

Opportunities

The use of external data such as NAICS code classifications, Yelp reviews (e.g. through Verisk), Google Places and company website information could help carriers prefill forms for a more streamlined application process, identify high-risk activities during underwriting and continuously monitor policyholders to reduce losses.

API-driven quote-and-bind capabilities can facilitate cost-efficient distribution of small commercial insurance directly and via brokers and embedded partnerships.

Brokers can significantly improve their businesses by adopting innovative solutions such as modern looking front-ends and dynamic forms that adapt to different types of business customers. Further examples include quoting tools that exchange information with carriers' underwriting systems and collect multiple rates, and AI tools that generate proposals and suggest coverage recommendations.

Property & Casualty Insurance
Liability Insurance

Updates from players on our radar

Summit is an insurtech broker that provides a digital shopping experience for commercial insurance that launched in 2022.

Relativity6, which provides SIC and NAICS classifications to assess and monitor existing policy portfolios, launched Hazard Flags in March 2023 - the tool helps insurers identify hazards in insurance submissions.[46]

Zensurance expanded the availability of their commercial auto and fleet vehicle insurance products to Atlantic Canada.[47]

Quotey, a commercial insurance marketplace, added health and beauty products from **Sports & Fitness Insurance Canada** to their platform. This gives brokers access to quotes for 30+ business types including spas and salons.[48]

BOXX Insurance announced the expansion of their BOXX Digital Wellness product (cyber protection-as-an-employee benefit) to the U.S. after previously launching in Canada and Spain.[49]

Revau (formerly GroupAssur) is implementing Guidewire's cloud solution to enable analytics and AI modelling by building a data lake that unifies data from different legacy systems.[50]

Calefy was spun out from **Fuse Insurance**, a digital brokerage, and has built a fully embeddable quoting experience for commercial insurance brokers and MGAs.[51]

Relay Platform (acquired by At-Bay), which allows brokers to shop and bind cyber insurance policies, launched their Relay Management Liability API solution via an API integration with **Counterpart Insurance**.[52]

Foxquilt † recently launched an eCommerce insurance product which is general liability insurance targeted towards online business owners selling on platforms like Amazon, Shopify, and eBay among others.[53]

Examples of Commercial Insurtech Startups in Canada

Quotey
foxquilt
BOXX INSURANCE
Relativity6
ZENSURANCE
Briza
Calefy
revau
summit COMMERCIAL INSURANCE SOLUTIONS

[46] Relativity6 launches tool to detect risk in commercial insurance submissions | Insurance Business.
[47] Zensurance extends commercial auto and fleet insurance availability | Insurance Business.
[48] Quotey adds Sports & Fitness Insurance Canada to its marketplace | Insurance Business.
[49] BOXX Insurance exapnds its cyber "Digital Wellness Employee Benefit" to USA.
[50] GroupAssur's CIO, Frederic St-Jean-Mercier, talks digital transformation, technology stacks and the ecosystem.
[51] Calgary's Next Economy: Calefy driving digital innovation in commercial insurance.
[52] Relay Platform rolls out new digital quoting solution.
[53] Foxquilt on LinkedIn.

Life & Health

"The Canadian life insurtech space has grown increasingly robust over the past few years, particularly in the distribution space. At Reinsurance Group of America, Incorporated (RGA), it's been exciting to help our carrier clients think outside the box and collaborate with startups to expand into new distribution channels to reach underserviced pockets of the market. RGA's focus on innovation, and its expertise in underwriting and product development, helps bridge the gap between an insurtech's vision and a direct carrier's risk appetite and capabilities, enabling a successful partnership."

- Max Kraus, Director, Ventures & Partnerships, Reinsurance Group of America, Incorporated (RGA)

1. **Life & Annuities**
2. **Health & Group Benefits**

Diving Deep:
Vertical-Specific Insights

Life & Health Insurance
Life & Annuities

Trends to Watch

Accelerated underwriting is on the rise since the pandemic as insurers had to quickly adjust and offer digital, no-contact purchase experiences. The first step was to increase age and coverage limits allowed to be underwritten online without medical tests.

Digital-first insurtech underwriters and distributors are offering more streamlined buying experiences.

Insurers are increasingly offering health and wellness solutions to policyholders to increase engagement and drive tangible value to customers including living healthier lives.

Emerging technologies in wealth management are helping carriers offer robo-advisory services, equip advisors with modern digital tools, and offer more efficient and holistic financial planning solutions.

Diving Deep:
Vertical-Specific Insights

Life & Health Insurance
Life & Annuities

$25 B+

IN PREMIUM IN 2021

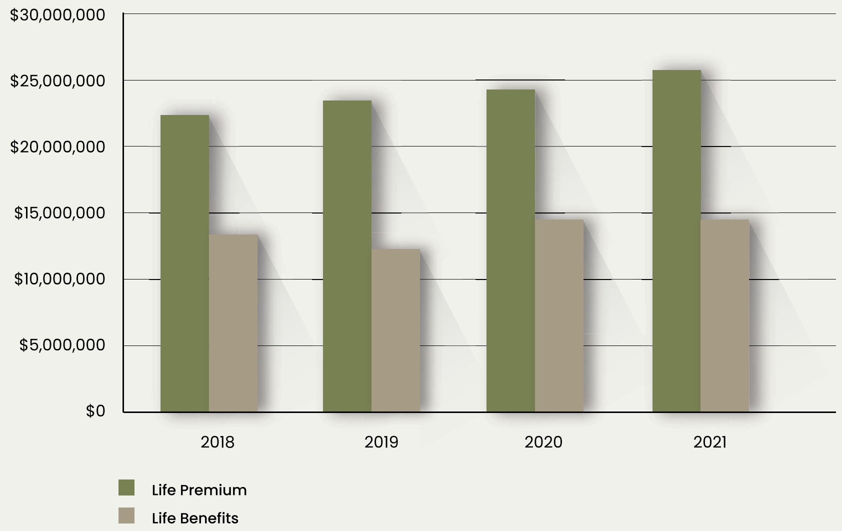
Industry numbers

Data from 2021 shows that 22 million Canadians owned $5.3 trillion in life insurance coverage and paid $25.6 billion in premiums.[54] Since 2018, premiums have been growing at a CAGR of 4.8% while coverage has been growing at a CAGR of 3.4%.[55] The higher rate of growth in premiums is likely explained by the sharp rise in the cost of living seen over the past couple of years.

Within that same year, carriers paid $14.3 billion in either death or disability benefits, cash surrenders or dividends benefits to living policyholders. This was up from $13.2 billion in 2018, growing at a CAGR of 2.7%. [56]

In 2021, 83% of life insurance policies were purchased by individuals (up from 80% in 2018,) with the remainder distributed as part of group plans.[57] This growth in individual policy purchases can be explained by several factors including an increase in online purchasing capabilities as well as growing consumer interest during the Covid-19 pandemic.

Life Premium and Benefits (in '000s)



[54]Industry numbers from 2022 were not yet available at the time of writing.
[55]Data from Canadian Life & Health Insurance Facts 2019, 2020, 2021 and 2022.
[56]Data from Canadian Life & Health Insurance Facts 2019, 2020, 2021 and 2022.
[57]Data from Canadian Life & Health Insurance Facts 2019, 2020, 2021 and 2022.

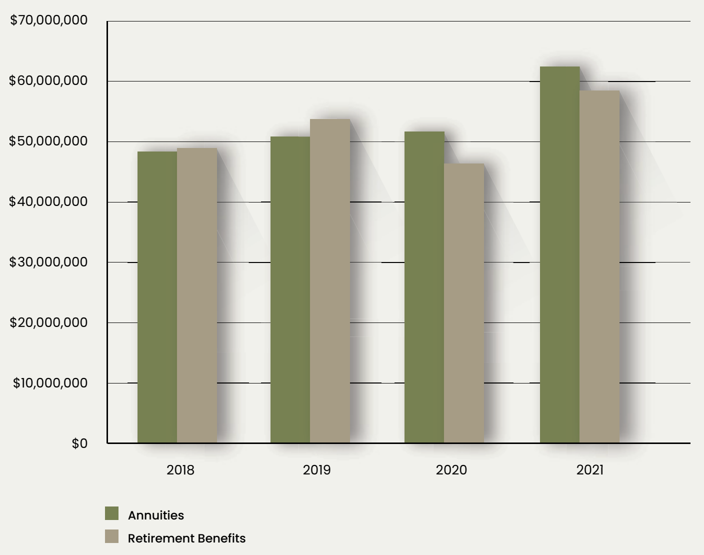
Life & Health Insurance
Life & Annuities

Industry numbers

As for annuities (contracts sold by life insurers that guarantee a regular income in exchange for an upfront lump-sum contribution), in 2021, carriers received more than $62 billion in annuity contributions and paid more than $58 billion in retirement benefits. Group plans contributed to 66% of annuity purchases.

Despite the low annual growth rates during the 2018-2020 period, in 2021 the market experienced a whopping 21% of growth. Potential contributing factors include the stock market volatility during the pandemic leading to people looking for more guaranteed distributions, a growing retiring population, rising interest rates which in turn increased annuity payouts, and rising costs of living and longevity - both of which raise the risk of a person outliving their savings. The continuation of many of these factors may lead to further growth in annuity sales over the next few years.

Annuity Contributions and Retirement Benefits (in '000s)



Challenges

Underwriting complexities lead to a poor online purchase experience: While term life insurance buyers with very low risk profile (e.g. young non-smoker with no medical conditions) may find it relatively easy to complete their purchase online, this is not the case for those with a higher risk profile that could require a test or an Attending Physician's Statement (APS).

Data access difficulties: Electronic health records and other consented health data are difficult to access in Canada, handcuffing insurers from leveraging it for accelerated underwriting. Fragmentation among electronic medical record (EMR) providers and a lack of standardisation among provinces have led to challenges of data interoperability.

Providing value to the policyholder and building a relationship with the beneficiary: Unlike in other types of insurance, the life insurance policyholder pays premiums for a product that ultimately protects other people (i.e. beneficiaries). During a claim event, it is not the policyholder rather the beneficiaries who need to interact with the carrier, often during bereavement. This dynamic creates a disjointed experience for all parties such as a policyholder discontinuing premium payments during periods of financial instability or the insurer lacking any type of relationship with future beneficiaries.

[58] Data from Canadian Life & Health Insurance Facts 2019, 2020, 2021 and 2022.

Diving Deep:
Vertical-Specific Insights

Life & Health Insurance
Life & Annuities

Did you know?

An important metric in life insurance is the "persistency ratio," which refers to the ratio of life insurance policies receiving timely premium payments in a year and the number of net active policies. It indicates how many policyholders are paying the due premiums regularly on their policies with an insurer, which is ultimately a reflection of the customer's satisfaction with the insurer and perceived value of the product.[59]

Online sale of life insurance, which presents a great opportunity for growth, also comes with the threat of lower potential persistency ratios as the customer may lack a deeper relationship with an insurer's agent. It is therefore paramount for insurers to build a deeper digital relationship with policyholders and demonstrate some tangible value to the living policyholder.

[59] What Is Persistency Ratio In Insurance?

Opportunities

Consented access, aggregation, structuring and orchestration of an individual's data such as electronic health records (EHR), lab tests, medical claims notes, prescription history from pharmacies and biometric data can significantly accelerate underwriting, possibly eliminating medical tests.

Product innovation is key for insurtech underwriters and distributors looking to differentiate their offering especially as incumbents adopt more online distribution. These new entrants need to bring more innovative products to the market, beyond simple term life insurance, to meet the needs of changing customer demographics.

Embedded distribution continues to be a promising distribution opportunity, though the industry currently lacks the infrastructure to offer a frictionless experience. Businesses such as mortgage brokers and lenders, or those serving expecting parents, could embed life insurance distribution at trigger life events such as buying a home or having a child. We expect to see tech-enabled distributors to make headway in this space over the next few years.

Health and wellness solutions are a great way to increase revenue while providing tangible value to policyholders, helping them live healthier lifestyles and increasing policyholder retention.

Agents continue to need tech tools to better sell to and service clients. Examples include (i) digital storefronts, (ii) e-applications, (iii) financial needs assessment tools, (iv) online appointment booking, (v) chat messaging capabilities, (vi) infrastructure for online quote-and-bind, (vii) a single point of access to embedded distribution partners, (viii) customer life event monitoring and (ix) commission tracking.

Supporting policyholders with end-of-life planning tools could bring value to the living policyholder, create early relationships with beneficiaries and increase claim efficiency, while building long-term generational loyalty. It could also result in the insurer retaining the claim payout as assets to be invested on the behalf of beneficiaries.

Insurers need to offer modern wealth management and financial planning tools to advisors and clients, a crucial step to creating a holistic digital experience across the board from insurance to wealth.

Diving Deep:
Vertical-Specific Insights

Life & Health Insurance
Life & Annuities

Updates from players on our radar

PolicyMe recently partnered with the **Canadian Premier Life Insurance Company** to announce the launch of a critical illness coverage product that claims to cover 44 conditions, which is approximately 10-15 more conditions than the average Canadian carrier.[60]

Walnut Insurance offers a whole ecosystem of embeddable insurance products for businesses, including life insurance.

Marble API has already created an API that allows application developers to access and leverage patient-authorised digital health data in the U.S. It is currently building a similar solution for the Canadian market.

Clear Estate allows insurance advisors to initiate legacy planning and end-of-life conversations in order to help clients with guided, tech-driven estate planning.

ReadyWhen offers a digital legacy management system for estate planning and has announced a partnership with **Prospr**, **Sun Life**'s new digital platform.[61]

Foresters Financial announced a partnership with **dacadoo** to launch Foresters Go, a wellness platform that integrates app-enabled wearable technology and behavioural sciences to inspire and reward healthy lifestyles.[62]

OneVest † launched to help financial institutions modernise their wealth management services with a wealth-as-a-service solution that includes a fully automated robo-advisor as well as an advisor-based digital platform.

Conquest Planning forged partnerships with **Sun Life** and **Canada Life** to offer an intelligent, AI-based financial planning software that allows advisors to build highly tailored and dynamic financial plans at scale.[63]

Wealthica launched its white-labelled B2B product for financial institutions to offer their customers a comprehensive financial management platform which can serve as their primary financial hub with a dashboard integrating all of their financial accounts.[64]

Examples of Life Insurtech Startups in Canada

dacadoo
policyadvisor
Optimity
marble
owl.co
walnut
MICRUITY
PolicyMe
emma

[60] PolicyMe Launches Most Complete Critical Illness Insurance Offering.

[61] ReadyWhen launches a tech partnership with Prospr by Sun Life, a first-of-its-kind hybrid advice platform that offers Clients protection and proactive digital legacy management.

[62] Foresters Financial partners with global insurtech dacadoo to launch innovative well-being technology platform.

[63] Sun Life forges wealthtech partnership with Conquest Planning ; Canada Life partners with Conquest Planning, plans to roll out capability this summer.

[64] Wealthica Announces Enhanced B2B and Wealth Data Solutions.

Diving Deep:
Vertical-Specific Insights

Life & Health Insurance
Health and Group Benefits

Trends to Watch

Carriers are improving their portals to allow customers to easily look up their coverage details, submit claims and communicate with policyholders for any questions regarding claims.

Telemedicine-as-a-benefit continues to be a big focus with many major Canadian carriers now offering virtual care and telemedicine solutions as an add-on to their group benefit plans.

More and more insurers are building partnerships with health & wellness businesses to give policyholders timely offers and discounts. We expect these types of marketplaces offered by insurers to become more mainstream in future.

Insurtechs are building innovative claims solutions, especially around disability. These solutions help process medical forms faster, streamline the collection of Attending Physician's Statement (APS), facilitate claimants returning to work faster and detecting possible fraud.

"Health is a top concern for Canadians and for those taking medications daily, it shouldn't be complicated. Whether our clients are juggling the demands of a young family, taking care of elderly parents or working long hours – we want to make it easier to access the care they need so they can live healthier lives."

- Dave Jones, President, Sun Life Health.

Diving Deep:
Vertical-Specific Insights

Life & Health Insurance
Health and Group Benefits

$51 B

IN PREMIUMS IN 2021

Industry Numbers

In 2021, 27 million Canadians paid $51.1 billion in health insurance premiums - a steady 90% of which continued to be purchased through group plans.[65] After a slight contraction in health insurance premiums in 2020, the industry bounced back with 8% growth in 2021.[66] This growth was driven by several factors including an increase in the number of insured individuals, a rise in the costs and usage of healthcare services and premiums, and employers striving to offer competitive benefits during the period of "Great Resignation".

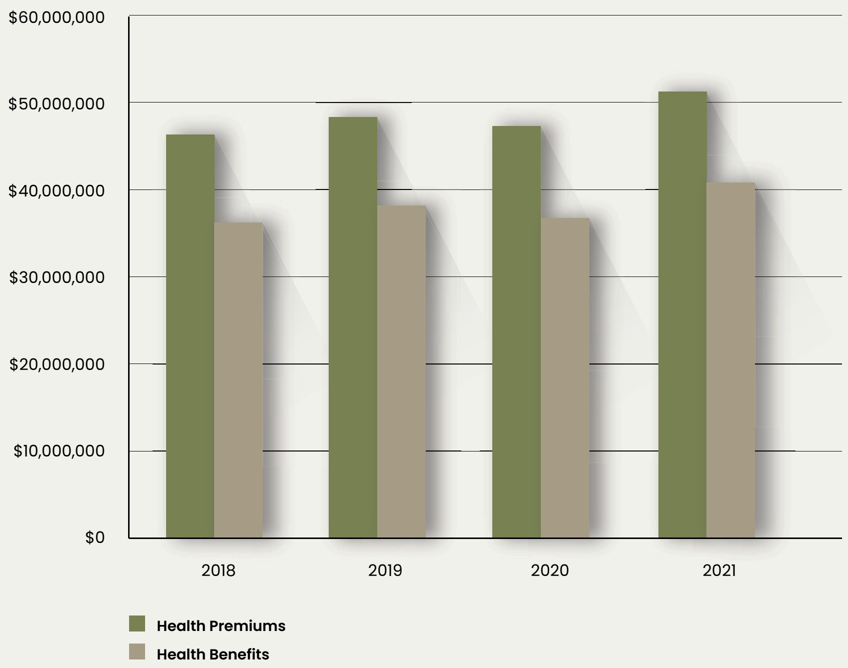
During the same year, carriers paid out $40.8 billion in benefits with 74.5% allocated to supplementary health (e.g. drugs, dental, vision, hospital, massage, paramedical, etc), 21.5% to disability (short and long term) and 4% to accident and other coverage (e.g. critical illness, accidental death and dismemberment, etc).[67]

Challenges

Insurance advisors need better tools: Advisors, who are a key distributor in group benefits, need better technology to serve plan administrators including self-serve digital applications and automated workflow tools for proposals, quoting and renewals, and solutions for data-driven market insights and benchmarking.

Indirect relationships with plan members: Group insurers tend to lack deeper relationships with and understanding of individual plan members, and often lose that customer if the plan member (e.g. employee) moves to another employer. With the use of technology, carriers may be able to gather more data on an individual plan member, establish a better direct relationship, cross-sell products and even retain them through certain "portable benefits" which stay with the individual even if they change employers.

Health Premiums and Health Benefits (in '000s)



[65] Data from 2022 was not yet available at the time of writing.
[66] Data from Canadian Life & Health Insurance Facts 2021 and 2022
[67] Data from Canadian Life & Health Insurance Facts 2022.

Diving Deep:
Vertical-Specific Insights

Life & Health Insurance
Health and Group Benefits

Did you know?

According to a study conducted by Angus Reid Institute and the Canadian Medical Association (CMA), 1 in 5 Canadians do not have a family doctor and a large portion of those that do have one find it difficult to receive timely access to care. The extent of this shortage of family physicians varies by region with Ontario having the lowest figure (i.e. only 13% lacking a family doctor) and Atlantic Canada having some of the highest shortage rates (e.g. Nova Scotia, where the figure is 26%).[68]

As Canada's healthcare system continues to be overburdened and strained, the role of health insurers is more important than ever. With mounting wait times, a lack of enough family physicians, mental burnouts and other forces at play, insurers have an opportunity to use technology and product innovation to play a larger role to help customers.

Opportunities

More modern UI/UX and workflow automation can simplify the group insurance buying, renewal and administration process for advisors and plan sponsors.

Data, analytics and AI could help advisors scale the consulting component of group insurance sales. For example, using data across different clients to (i) help employers benchmark their benefits offering against others in a specific industry and (ii) provide recommendations on coverage and areas of improvement.

AI-backed virtual assistants within portals could help members navigate their plans better. For example, a member might want to know if they are covered for braces or out-of-country emergency medical expenses. Rather than reading through a large policy booklet or contacting customer service, an AI-based chat assistant could provide quick answers. **Healthee** is a U.S.-based startup that has developed a virtual assistant that provides personalized answers to help policyholders navigate their benefits. The Canadian market would benefit from similar solutions.

Expanding the scope of virtual healthcare from only physician and therapist consultations to add access to psychiatrists, pharmacists, dental care, vision care, physiotherapists and other major supplemental benefits will become the next verticals for innovation and differentiation.

Increasing interest in holistic wellness means more insurers may partner with financial wellness focused fintechs such as Health and Wellness Spending Account (HSA and WSA) applications, debt repayment solutions, and budgeting and financial planning platforms.

The facilitation of consented electronic data sharing between physicians and carriers such as to collect an Attending Physician's Statement (APS) for underwriting and adjusting claims for disability and certain critical illness insurances could significantly fast-track insurance processes.

Insurers can leverage technology to help disability claimants return to work faster by offering tools for policyholders to better track and manage their health-related challenges, providing access to rehabilitation platforms and using data to proactively advise policyholders.

[68] After a 'decade of decline' in health care, Canadians not convinced that money is enough to solve the crisis.

Diving deep:
vertical-specific insights

Life & Health Insurance **Health and Group Benefits**

Updates from players on our radar

Segic, a SaaS platform that offers digital onboarding, client portals, administration and claims management solutions for Third Party Administrators (TPAs) and brokers, added **Medzy**, a digital pharmacy in Quebec, to its benefits marketplace.[69]

Sterling Capital Brokers, a tech-enabled benefits brokerage, partnered with Empire Life to offer a digital suite of life, disability, and health benefits using API-enabled technology.[70]

Simply Benefits launched an all-in-one digital benefits management platform for advisors, employers and employees in September 2020.[71] Their technology facilitates accelerated digital onboarding, plan designs, online quotes, claim processing and AI-powered keyword search.

Carrier **Humania Assurance** selected New Zealand-based Sentro's core group insurance policy administration platform.[72] **Sentro** allows carriers to configure and administer group insurance products and plans, manage billing and offer member portals.

Dialogue and **Maple**, both virtual healthcare platforms, launched new mental health platforms as extensions to their telemedicine platforms.[73]

Inkblot Therapy (acquired by Green Shield Canada), **Cognito Health**, **Felix Health** and **MindBeacon** (acquired by CloudMD) also offer virtual mental health platforms that may see increasing carrier interest.

Sun Life Financial recently launched **Lumino Health Pharmacy by Pillway**, which provides access to pharmacists, medication delivery, usage tracking and refills.[74]

StrAIberry and **SnapSmile** are both building platforms for personal oral care solutions that help with oral hygiene, get personalized plans and access to dentists.

myHSA, **Aya Payments** † and **Tedy** are allowing employers to provide additional dollar amounts for miscellaneous health and wellness expenditures.

Marmot Benefits (formerly Yr Plans) offers an employer-assisted student debt repayment solution. In 2021, they announced a pilot with Sun Life Financial to provide access to their platform to a certain number of Sun Life clients.[75]

WiseDocs, which uses proprietary Intelligent OCR and machine learning technologies to understand unstructured medical records (such as clinician notes, medical briefs, reports and discharge summaries), recently launched its AI Medical Summary Platform, which uses generative AI to quickly summarise and provide insights into thousands of pages of medical records.[76]

Owl.co †, which provides explainable, AI-driven fraud detection solutions for disability carriers, announced collaboration with Munich Re to help insurance companies make quicker and more accurate claim decisions.[77] Owl's technology uses external information regarding a claimant's activities and behaviours in order to provide an carrier's claims team with tangible insights and actionable evidence, therefore allowing them to focus on at-risk cases.

Opifiny and **Redeo API** are building workflow tools to help facilitate information collection between insurers and doctors for disability insurance.

PocketHealth is a healthtech startup working on a no-network medical image sharing platform that offers a solution called Record Retrieval through which imaging records can be digitally requested and retrieved by email or fax, allowing the provider or patient to upload them through a secure link.[78]

ManagingLife helps clients on disability for chronic pain track their pain and potential causes through a digital pain management platform. They can share this data with their healthcare providers for more effective treatments, as well as with their disability insurance case manager to help with the claim process.

Beneva announced a partnership with **BiogeniQ** to provide pharmacogenetic testing to members currently on disability leave due to therapy-resistant disorders. **BiogeniQ**'s genetic testing provides patients and their doctors with the information they need to create more personalized treatment plans.

Examples of Health Insurance and Benefits Insurtech Startups in Canada

HUMI | League | opifiny | Wisedocs | aya | cloudAdvisors
PocketHealth | SimplyBenefits | Tedy | myHSA | redeo | ManagingLife

[69] Medzy and Segic partner to deliver virtual health and wellness services on the Segic's Benefits Marketplace.

[70] Sterling Capital Brokers Enters New Agreement With Empire Life.

[71] Simply Benefits Announces Launch with First Clients.

[72] Innovative Sentro platform picked by Humania Assurance for customer-centric group insurance administration.

[73] Dialogue launches Mental Health+, responding to evolving mental health challenges in organizations; Maple launches online mental healthcare.

[74] Living healthier lives - Sun Life Health introduces new online pharmacy app.

[75] YR PLANS PARTNERS WITH SUN LIFE ON STUDENT DEBT REPAYMENT PILOT.

[76] Wisedocs Launches Medical Record Summary Platform Powered. by State-of-the-Art Generative AI.

[77] Owl Partners with Munich Re.

[78] PocketHealth launches Record Retrieval: First patient-consented, network-free tool for sourcing prior diagnostic imaging from any provider, anywhere.

[79] Beneva adds 'revolutionary tool' to group insurance offering.

Luge CAPITAL

† | LUGE PORTFOLIO COMPANY

The Insurtech Startup Database

We are tracking 250+ private insurtechs which are either headquartered or are operational in Canada. In this section, we analyzed how these companies are distributed across their role in the insurance value chain, the line of business they serve, when they were founded, and the geography they are headquartered in.[80]

Since 2013, these companies have raised a total of $4.31 billion of disclosed funding.
As part of our analysis, we also looked at how this funding was distributed and at some key investors in the insurtech space.

[80] Companies founded before the year 2000 were not included given the focus of our research was on start-ups in the insurance space. Most incumbent carriers and brokers were founded well before then and well before the insurance industry even began to be digitized at large.

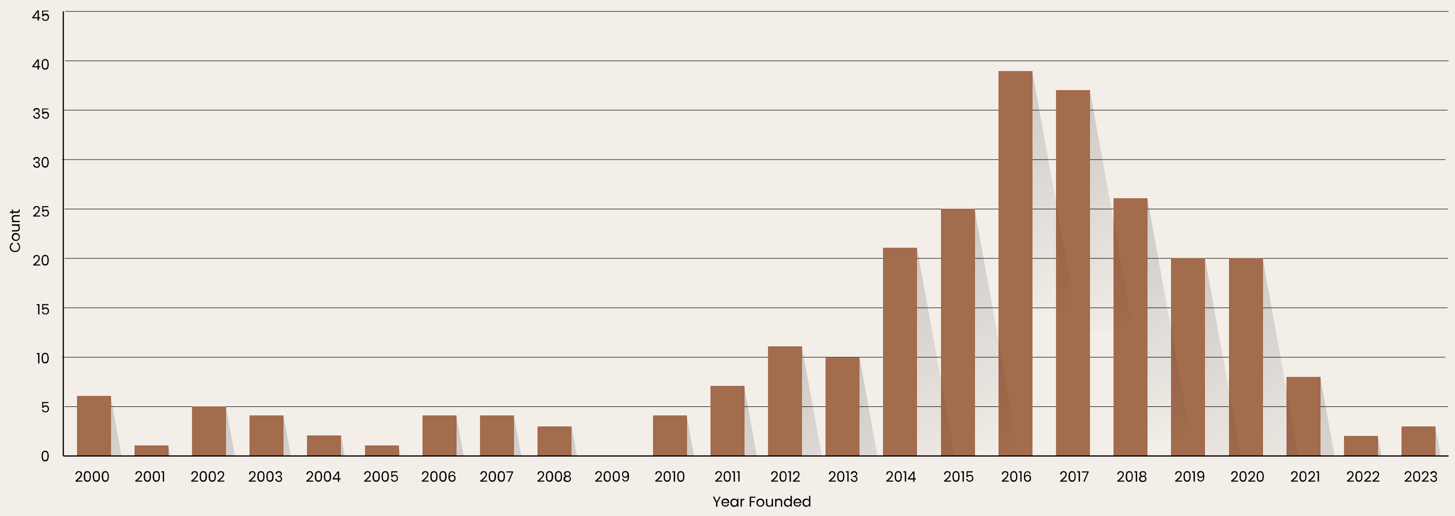
The Insurtech Startup Database

Insurtech Startups by **Year Founded**

250+

COMPANIES IN OUR DATABASE INCLUDING BOTH FRESHLY FOUNDED STARTUPS AS WELL AS MORE MATURE COMPANIES. THE CHART BELOW SHOWS THE DISTRIBUTION OF WHEN THESE INSURTECH STARTUPS WERE FOUNDED.

Number of Insurtech Startups by Year Founded[81]



The data reflects the general boom of financial technology startup activity between 2016-2017 that we discussed in our previous report.

Increased expectations from customers for more digital experiences, growth in capital available for the sector and the urgency for digitalization introduced by the pandemic were all factors that contributed to the momentum of startups being founded between 2018 and 2020.

Generally speaking, data is biased towards older companies given that newer, more-recently founded companies are sometimes in stealth mode and are less discoverable in the early days. This may partly contribute to the low number of startups shown in the chart between 2021 and YTD 2023.

In recent years, markets have reconsidered how they assess technology companies, especially insurtechs. There is a significantly higher focus on capital efficiency over fast growth at all costs and this is particularly more pronounced for direct-to-consumer focused insurtechs.

At the moment, the market is in flux due to factors such as rising interest rates and a slowdown of venture funding.[82] Once the dust settles, we expect to see another wave of insurtech startup activity on the back of more advanced AI technologies, emerging risks that require insurance and the number of innovations still needed in the insurance industry.

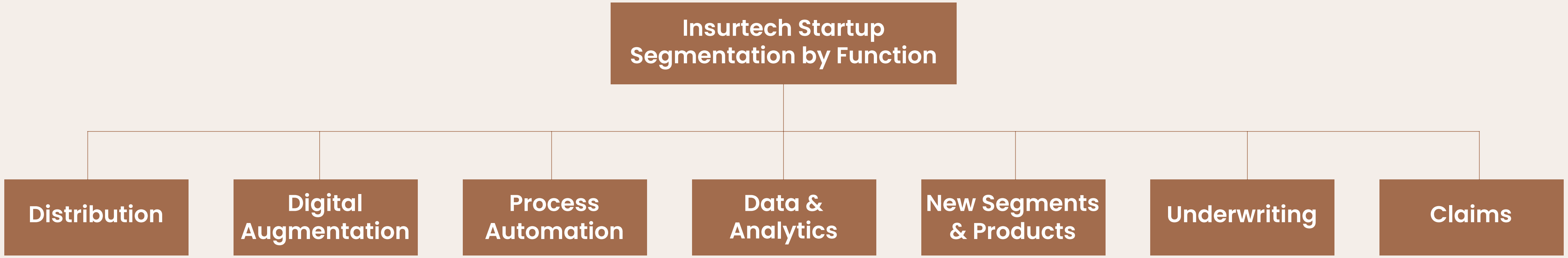
[81] Including 25 inactive firms and excluding firms where the year founded was unknown.

[82] Canadian fintech investment drops to pandemic-era levels in H1'23.

Insurtech Startup Segmentation by **Function**

Insurtech Startup Segmentation by Function

For the purpose of analysis, we categorized our database of insurtechs based on the role they play in the insurance space via the following seven categories:



The descriptions of each of these categories with example are provided between **Pages 46** and **48** of this report.

While these classifications are not exhaustive or mutually exclusive, we did our best to pick a single category for each company in our database although some startups could be categorized in multiple ways.

We also categorized the companies by line of business:

- Property & Casualty (P&C)
- Life & Health (L&H)
- Both - startups serving both P&C and L&H

Note that for some of these companies, insurance or protection products are just one part of their product suite. Canadian start-up **Hopper**, which is a travel booking platform with a suite of protection products such as protection against flight cancellations, is an example of this. **Hopper** notes that the flexible travel services they offer are not insurance, and encourages travellers to purchase trip insurance.[83] However, we see these guarantee products (such as their Missed Connection Guarantee and Flight Delay Guarantee) as having certain protection characteristics comparable enough to insurance to include them in our analysis.

[83] Are any of the flexible travel services insurance | Hopper.

The Insurtech Startup Database

Insurtech Startup Segmentation by **Function**

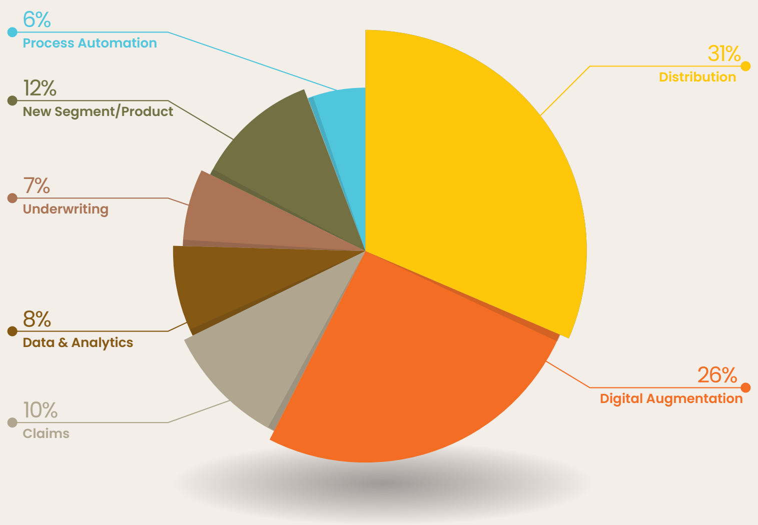
$4.31 B

IN CUMULATIVE FUNDING RAISED BY INSURTECH STARTUPS HEADQUARTERED OR OPERATING IN CANADA OVER THE LAST DECADE.[84]

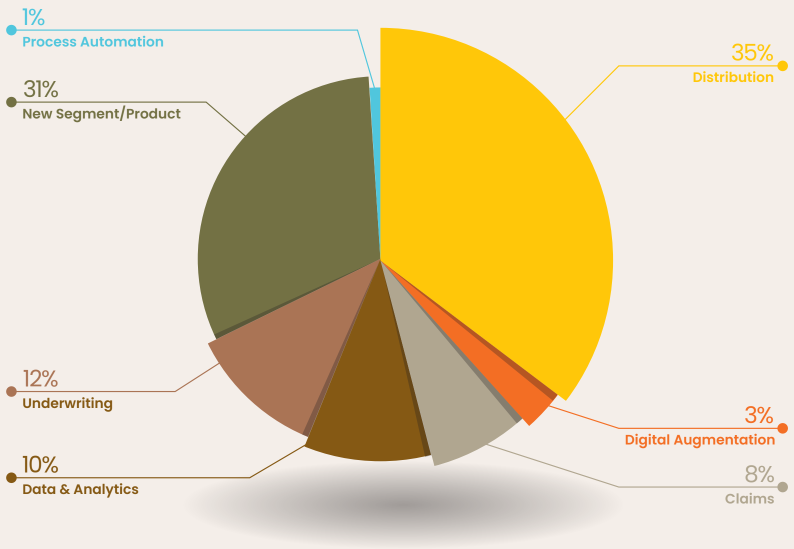
This cumulative figure is skewed by several mega rounds and some of the more recent mega round transactions are discussed on **Page 52** of this report.

In this section of the report we dive deeper into how Canadian insurtechs are distributed across the categories we defined and the flow of funding to each over the last decade..

Insurtech Startups by Segment[85]



Insurtech Startup Funding by Segment[86]



[84] Data as of August 20, 2023. Given money was raised by companies in both USD and CAD, the average exchange rate for this period was used.

[85] Excluding inactive firms.

[86] Includes inactive firms.

Insurtech Startup Segmentation by **Function**

Distribution

Definition	Examples	Insights on Startup Activity	Insights on Funding
Startups that distribute traditional insurance products like home and auto insurance directly to consumers typically using a digital brokerage / MGA model.[87]	**Boxx Insurance** offers cyber insurance and cyber protection solutions. **PolicyMe** offers life and critical illness insurance for purchase online. Startups that act as digital brokers distributing existing carriers' products such as **Youset** and **Onlia**.	**% of insurtechs in the database: 31%** **Distribution is the largest category of insurtech startups.** As the insurtech space was taking off, this was the first segment to be disrupted by new, digital-first startups. As distribution is one of the key drivers for growth in the industry, we expect to see continued startup activity here. The key will be for entrepreneurs to identify unique growth strategies and capture a high enough portion of gross written premiums to be able to build technology-first, sustainable and long-term differentiated businesses.	**% of funding: 35%** **Distribution is also the highest funded category;** however, several megarounds make up a majority of that funding. For example, **Coalition**, which underwrites and distributes cyber insurance, represents a large portion of the funding received in this category. Outliers aside, the general trend of insurtech distributors receiving a large proportion of the capital aligns with the fact that early insurtech activity was focused around distributors looking to offer consumers a better and more digital buying experience. That said, much of the hype around tech-enabled distributors has slowed down in recent times as these companies now receive valuation multiples closer to pure insurance companies rather than high-growth tech companies.

Digital Augmentation

Definition	Examples	Insights on Startup Activity	Insights on Funding
Refers to companies that digitally augment the distribution capabilities and front-end operations of incumbent brokers or carriers.	**CompareHealth** enables advisors to compare health plans and create quotes for **personal health plans.** **Trufla** helps brokers digitize their customer experiences with self-service portals, e-applications, AI-driven communication tools, insurance website launching capabilities and automated renewals.	**% of insurtechs in the database: 26%** Given the strong foothold of incumbent insurers and brokers on the market, **Digital Augmentation is the second largest group of insurtech startups.** On the back of insurers being increasingly open to working with insurtechs we expect to see more startups in this area over the next few years.	**% of funding: 3%** **Digital Augmentors received only a small share of insurtech funding** since 2013 as earlier investors were focused more on Distribution innovation. With the industry's growing need for strong customer experience, we expect to see a steady pace of funding towards Digital Augmentation startups.

[87] Startups offering their own unique insurance products were included in the New Segments & Products category.

The Insurtech Startup Database

Insurtech Startup Segmentation by **Function**

Process Automation

Definition

Includes startups that help bring efficiency to existing insurance processes through workflow tools, artificial intelligence and Robotic Process Automation (RPA).

Examples

ProNavigator † is leveraging generative AI to capture institutional knowledge from seasoned staff and incorporating into its knowledge management system for applications in sales, customer service, underwriting and claims

Quandri automates repetitive processes via digital workers (bots) e.g. to assist with comparing policies at renewal and standardizing document naming conventions.

Insights on Startup Activity

% of insurtechs in the database: 6%

The Process Automation category consists of the smallest number of insurtech startups. This is not surprising, as some process automation technologies are provided by larger technology vendors which are not included in our database. In addition, insurers often use their own tech teams to address some of these needs internally.

As insurers complete their cloud transformation projects over the next few years, and given the current market environment, we expect them to next turn their attention to achieving operational efficiencies, especially with the advancements in AI and increased API-capabilities. This means we might see higher growth in startup creation in Process Automation.

Insights on Funding

% of funding: 1%

Although **Process Automation received the lowest amount of funding**, we expect startups building AI-driven solutions for process automation in the insurance industry to receive more investment in alignment with the recent boom in AI-startup funding.

New Segments & Products

Definition

Startups bringing new, innovative types of insurance products to the market (often targeted towards specific groups) or new tools that insurers can offer to their customers.

Examples

Player's Health specifically targets athletes and sports organizations, offering a range of insurance products from general liability insurance to athlete medical coverage.

Armilla Assurance provides testing and validation services for AI models. They are now planning to offer insurance against losses due to AI performing below assessed levels.[88]

SureBright offers embedded warranty for e-commerce merchants and credit cards.

Dialogue and **Maple** offer digital health platforms for insurers to roll out as benefits.

Insights on Startup Activity

% of insurtechs in the database: 12%

New Segments & Products represents the third largest category of insurtech startups.

While still relatively early, we expect growth in this category to accelerate owing to advancements in underwriting allowing for more customized policies, the emergence of new risks and the use of AI to launch new products faster.

Insights on Funding

% of funding: 31%

New Segments & Products was the second highest-funded category over the last decade and investments continue to grow.

Companies in this category are introducing new products into underserved or unserved markets. They are also bringing new products or tools that incumbent insurers can offer to their customers. There is no better example of this than the whole suite of digital health companies that have exploded in the past few years fuelled by factors like Covid-19.

Given the propensity for venture money to follow innovative ideas with large market potential, it is no surprise that this category has attracted a large amount of investments over the past 10 years and we expect this trend to continue.

† | LUGE PORTFOLIO COMPANY

[88] Betaworks goes all-in on augmentative AI in latest camp cohort: We're rabidly interested.

The Insurtech Startup Database

Insurtech Startup Segmentation by **Function**

Underwriting

Definition	Examples	Insights on Startup Activity	Insights on Funding
Despite the proprietary nature of underwriting functions within insurance companies, startups are continuing to emerge in this area to support incumbents and help them understand existing risks in new ways or underwrite new risks entirely.	**Orbiseed** has built an AI platform that standardizes and summarizes unstructured commercial property data for risk engineers to reduce operating costs, manage risk better and improve win rates. **GeoMate** helps estimate vehicle-pedestrian collision risk.	**% of insurtechs in the database: 7%** **The Underwriting category has a smaller number of insurtech startups but this figure is growing.** Insurers are turning more of their attention to ways to improve underwriting capabilities and profitability using technology. As such, we expect to see more startups emerging in this space.	**% of funding: 12%** **Underwriting is the third largest category by funding** given that it is a key area of innovation within the insurance value chain. As the industry grows, we expect investments from both insurers and investors to continue flowing into this segment.

Claims

Definition	Examples	Insights on Startup Activity	Insights on Funding
Includes insurtechs helping insurers with innovating their claim processes through workflow tools, AI technologies, value-added services and fraud detection.	**Owl.co** † provides an AI-powered claims monitoring platform which offers insights on claimant activities and behaviour in order to detect irregularities and settle claims faster. **Redeo** is focused on streamlining data exchange and workflow automation between insurers and primary care providers for disability insurance.	**% of insurtechs in the database: 10%** **The fourth largest category by number of insurtechs**, the Claims segment is growing. There are plenty of opportunities for startups to help insurers achieve greater claims efficiency, provide a delightful customer experience and detect fraud.	**% of funding: 8%** **Startups in Claims are the fifth highest funded**, with funding to the category having significantly grown from our last report in 2020. We expect momentum to continue in this sector for startups bringing unique solutions to insurers.

Data & Analytics

Definition	Examples	Insights on Startup Activity	Insights on Funding
All the insurtech startups that are either providing access to alternative data, improving data collection, or offering tools for more efficient data usage and analysis to help insurers with risk assessment.	**Optimity**'s member engagement platform offers insurers a real-time stream of data to help with underwriting and identify upsell / cross-sell opportunities. **Riskthinking.ai** provides climate risk analytics and intelligence data to insurers. **Mitigateway** enables insurers to understand their claim history, uncovering subrogation and better pricing opportunities.	**% of insurtechs in the database: 8%** Many different types of insurtech startups have the potential to become data & analytics providers to insurers over time as they service their customers and identify data that can be useful for the industry. Although this is the second **smallest insurtech startup category today**, with emerging areas of risk and increased ability for insurers to use data & analytics post-transition to the cloud, we expect higher growth in startup creation in this category.	**% of funding: 10%** The **fourth largest category by funding**, we expect the Data & Analytics category to continue garnering investor attention and funding as insurers look to leverage new data sources to help them underwrite an expanding array of risks including cyber and climate.

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The Insurtech Startup Database

Insurtech Startup Segmentation by **Function**

The 2023 Canadian Insurtech Space Market Map

Distribution

Coalition, emma, foxquilt, PolicyMe, BOXX Insurance, summit, YouSet, blankit health, Onlia Insurance, square one, HUMI, aha, myHSA, ZENSURANCE, surex., Allegory, PolicyMe, Goose

Digital Augmentation

walnut, Briza, SimplePin.com, APOLLO, JAUNTIN, aya, Calefy, DREAMPAYMENTS, nude solutions, hellosafe, riskDX, Goose Digital, Sentro, BROKERLIFT, Quotey, CompareHealth, segic

Claims

owl.co, Tractable, Encircle, Wisedocs, painworth, redeo, opifiny, SiftMed, PocketHealth, SHIFT

Data & Analytics

baoba, FarmersEdge, Mitigateway, MINDGRADIENT, Optimity, ClearRisk, baseline, HOVER

Process Automation

PRONAVIGATOR, Daylight, SortSpoke, trufla, GhostDraft, Quandri

New Segments & Products

League, Dialogue, SAMOS, maple, Slice, CurvHealth, Mind Beacon, PLAYERS HEALTH, SingleKey, SureBright, sinistar, ARMILLA, hopper, Tranquility, MICRUITY, RocketDoctor

Underwriting

ORBISEED, pledgX, Vaultie, brickeye, riskthinking.AI, marble, GEOMATE, Foresight Analytics, Ecopia, Relativity6, LYDIA.ai

Created by: Luge Capital

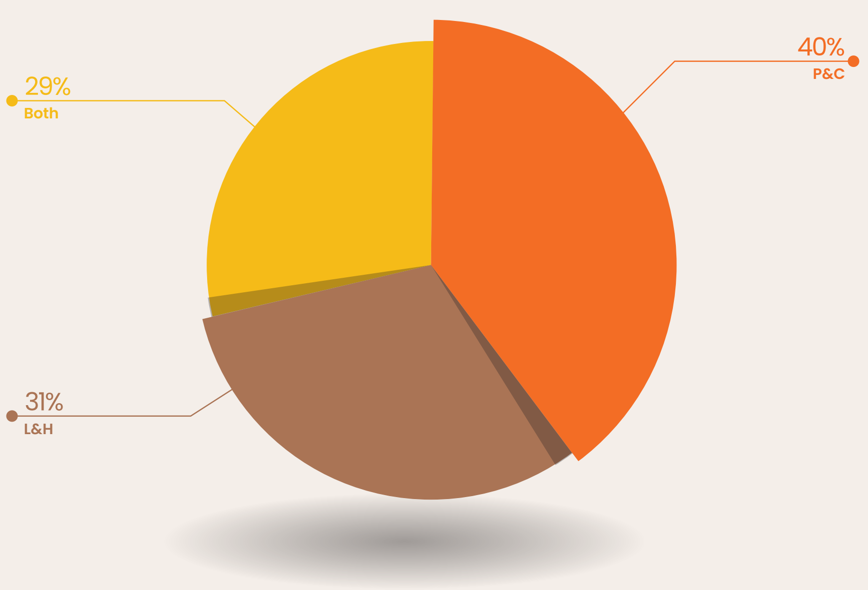
Luge Capital

Insurtech Startup Segmentation by **Line of Business**

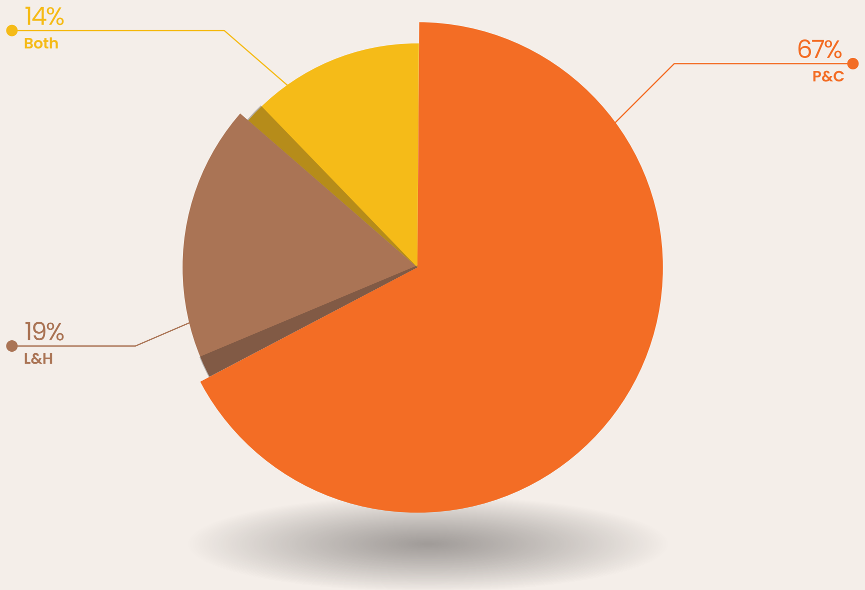
Insurtech Startups by Line of Business

Below is a breakdown of Canadian insurtech startups in the Property & Casualty (P&C) space versus Life & Health (L&H) space.

Insurtech Startups by Line of Business[89]



Insurtech Funding by Line of Business[90]



Insurtechs serving the P&C segment continue to outnumber those serving the L&H segment. A slightly smaller number of startups are serving both the P&C and L&H segments.

This trend makes sense - life and health insurance markets tend to be more highly regulated than property and liability, and products can often be more complex. As the insurtech industry itself matures over the next decade, we expect to see more startups emerging in L&H as well.

The funding amount flowing to P&C was disproportionately higher when compared to L&H and businesses that serve both lines. Auto and home (P&C), and some parts of health (L&H) insurance were the first lines of business to get attention from insurers in terms of digitalization, whereas business and life insurance areas have yet to see the same level of innovation. The startup activity and funding data are generally in line with this industry trend.

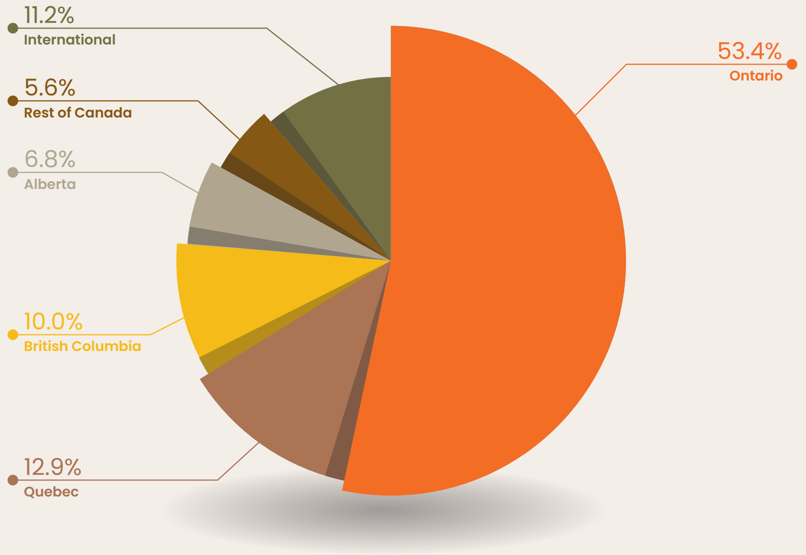
[89] Excluding inactive firms.
[90] Includes inactive firms.

The Insurtech Startup Database

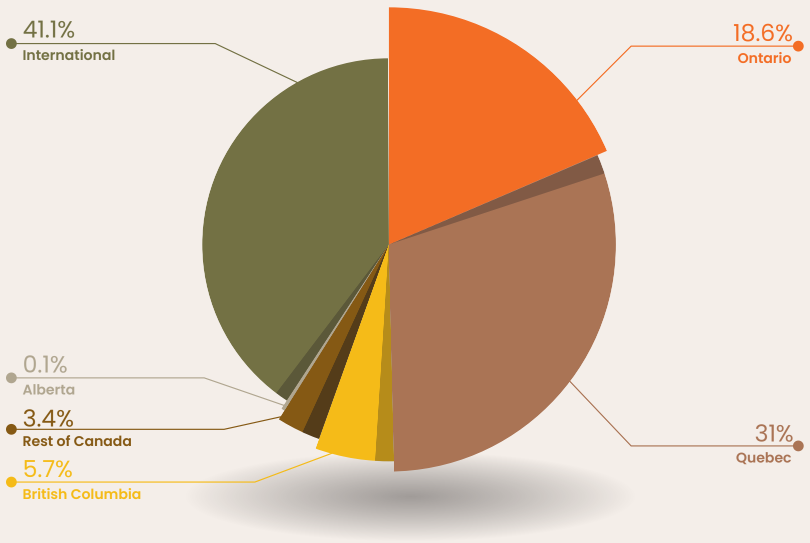
Insurtech Startup Segmentation by **HQ Location**

Insurtech Startups and Funding by HQ Location

Insurtech Startups by HQ Location[91]



Insurtech Funding by HQ Location[92]



Select insurtech startups that have raised significant capital

International: **Coalition, Hover**

Quebec: **Hopper, Dialogue, ElementAI**

Ontario: **League, Maple**

Ontario: The province of Ontario is home to the largest number of Canadian insurtechs (over 100). This makes sense as many large Canadian insurers such as **Intact**, **Manulife** and **Sun Life** are based in Ontario, which is also a very large market for insurance in Canada.

Quebec: With many insurers such as **Desjardins**, **Industrial Alliance** and **Beneva** being headquartered in Quebec and increasingly prioritising innovation, we expect insurtech startup activity in the province to continue growing.

Looking ahead, as the global insurtech market matures, and given the size of the Canadian insurance industry, we expect to see a higher number of international insurtech startups enter the Canadian market.

The split in flow of funds between international companies operating in Canada and those that are headquartered in Canada was about 41% and 59% respectively.[93]

Within Canada, Quebec (31%) and Ontario (19%) accounted for half of all insurtech startup funding. As we mentioned earlier, this is likely correlated to these provinces being the largest markets by population as well as having better access to capital (a major driver of startup creation in any industry).

Given the vibrant venture capital ecosystem in both Ontario and Quebec, we expect for these provinces to continue to drive innovation within insurance.

[91] Excluding inactive firms.
[92] Includes inactive firms.
[93] Includes inactive firms.

The Insurtech Startup Database

Insurtech Mega Rounds

Checking in on mega funding rounds since our last report

Global startup funding surged throughout 2021 only to rapidly decline from early 2022. Insurtech funding was hit particularly hard by that drop, with publicly listed insurtech stock prices undergoing a deeper price adjustment than their broader technology and fintech counterparts. With continually rising interest rates and reduced access to capital, market focus has shifted from pushing high-growth at all costs to rewarding those building with capital efficiency.

Despite this, between August 1, 2020 and August 31, 2023, a total of $2.6 billion CAD has been raised by 50 companies that are headquartered or operational in the Canadian market. Some of the largest rounds of funding raised by these companies are listed below.[94]

Name	HQ	Description	Disclosed Funding[95]	Select Investors
Coalition	United States	Coalition is a provider of cyber insurance and security, combining comprehensive insurance and proactive cybersecurity tools to help businesses manage and mitigate cyber risk.	$250M USD Series F (July 2022) $205M USD Series E (Sept. 2021) $175M USD Series D (Mar. 2021)	Allianz X, Kinetic Partners, Valor Equity Partners, Durable Capital Partners, T. Rowe Price, Whale Rock Capital Management, Index Ventures, Ribbit Capital
Hopper	Canada	Hopper is a travel app that uses predictive analytics to make travel recommendations. Specific to insurance, they offer parametric insurance-like products such as a Flight Disruption Guarantee and other types of protection around trip planning and pricing.	$96M USD round (Nov. 2022) $175M USD Series G (Aug. 2021) $170M USD Series F (Mar. 2021)	CDPQ, Inovia Capital, Capital One Ventures, Westcap, GS Growth, GPI Capital, Citi Ventures, Brightspark Ventures, BDC Venture Capital
Resilience	United States	Resilience helps companies stay secure with an all-in-one platform for assessing, measuring, and managing cyber risk.	$100M USD Series D (Aug. 2023) $80M USD Series C (Nov. 2021)	Lightspeed Venture Partners, General Catalyst, Founders Fund, Intact Ventures
League	Canada	League is a leading enterprise health OS - a data-driven platform designed to provide a single access hub for employees to engage with their health, lifestyle and benefit programs	$95M USD Series C (Feb. 2022)	TDM Growth Partners, BDC Venture Capital, OMERS Ventures, Real Ventures, TELUS Ventures, Portage Ventures, Workday Ventures, RBC Ventures, Manulife, Wittington Ventures.
Tractable	United Kingdom	Tractable develops artificial intelligence products focused on visual inspection and appraisal including damage appraisal after car accidents and property appraisal.	$65M USD Series E (July 2023) $60M Series D (Jun. 2021)	Insight Partners, Softbank Vision Fund, Georgian, Ignition Partners, Plug and Play Ventures, Entrepreneur First
Hover	United States	Powered by deep learning and computer vision, HOVER transforms smartphone photos of properties into accurate, interactive 3D models. With HOVER, homeowners and contractors can receive exact measurements, design their home with different products and colours, and purchase materials directly through the app. Insurers use Hover for adjusting property insurance claims	$60M USD Series D (Nov. 2020)	Google Ventures, Menlo Ventures, Nationwide Mutual Insurance, State Farm Ventures, Travelers, Guidewire, The Home Depot, Alsop Louie Partners
Maple	Canada	Maple provides a telemedicine platform.	$75M CAD Series B (Sept. 2020)	Loblaw Companies, Actow Capital, Mars Investment Accelerator Fund, RBC
Owl	Canada	Owl is an AI-driven insurance claims monitoring platform that detects fraud in insurance claims.	$30M USD Series B (Nov. 2021)	Luge Capital, Impression Ventures, FUSE, Cota Capital
Player's Health	United States	Player's Health is an insurance agency focused on athletes and sports organizations.	$28M USD Series C (Mar. 2022)	Mastry Ventures, SiriusPoint, RPM Ventures, Eos Venture Partners.
Humi	Canada	Humi is an HR software platform that features tools for core HR tasks, onboarding, recruiting, employee benefits and business insurance distribution.	$25M CAD Series B (May 2022)	Kensington Capital Partners Limited, Tribe Capital, TELUS Ventures, Struck Capital.

[94] Data for our last report was collected as of July 31, 2020; Given money was raised by companies in both USD and CAD, the average exchange rate for this period was used.

[95] All funding data is from Crunchbase.

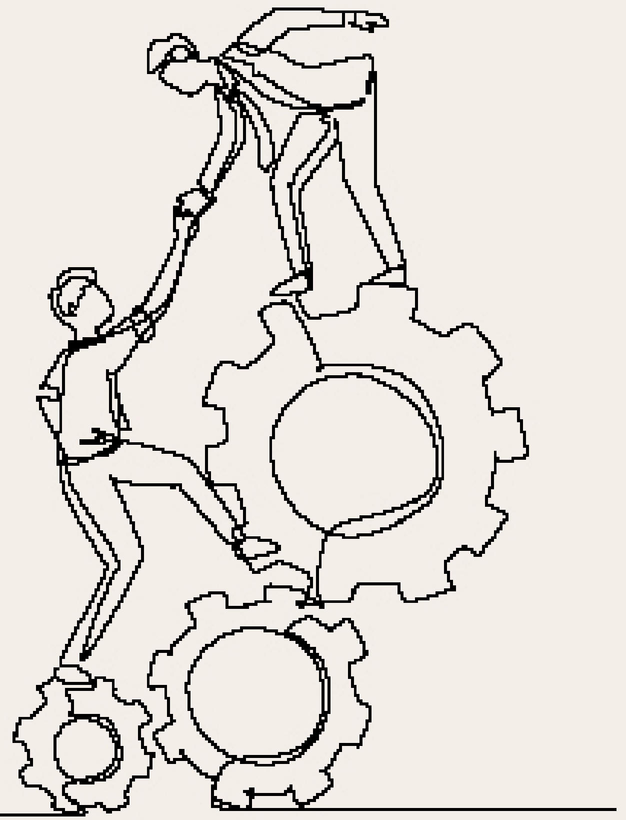
Insurtech **Mega Rounds**

Funding Spotlight:

It is not just insurtech startups raising funding. Incumbent software providers continue to innovate in order to grow their market shares and stay relevant.

Equisoft, which offers a range of tools for the insurance industry including a CRM, policy administration system, agency management system, e-applications and claims management platform, recently raised $125 million USD in a private equity round in March of 2023.[96] This included $70M from Investissement Québec and the Government of Québec who came in as new investors. The funding will be used to help the company continue to expand internationally, including through acquisitions, after having grown consistently over the past 10 years.[97]

Takeaway: While new startups fresh in the market may be making a lot of noise, there are several incumbents like Equisoft with a history of consistently delivering strong growth that are attracting fresh funding.



[96] Software provider Equisoft raises $125mn to fuel expansion.
[97] Equisoft Secures $125 Million in Funding, Strengthening its Position as Global Tech Leader.

Insurtech **Investors**

Investors

Access to capital remains crucial for insurtech startups and a growing number of venture capital (VC) firms have been investing in this vertical over the past several years. In fact, we have observed a much deeper appreciation, among the VC community, of the complexities of this industry and opportunities for innovation. With increasing participation from more generalist funds as well as continued support of firms with sector expertise, we expect the insurtech funding market to bounce back strongly along with the general recovery of the VC funding landscape in the near future. With active corporate VCs like Intact Ventures and Co-operators Corporate Venture Capital making direct investments into startups, as well as insurers like **Sun Life**, **Industrial Alliance**, **Intact** and **Desjardins** investing indirectly through VC firms like Luge Capital and Portage Ventures, large carriers also have a seat at the table. These investments not only unlock financial return opportunities to insurers but also bring them much closer to young innovative insurtechs.

Here is a non-exhaustive list of investors who invest in insurtech.

Canadian Investors with Insurtech Startup Investments

Luge Capital, Portage, Inovia, White Star Capital, Information Venture Partners, OMERS, Impression Ventures, Diagram, Framework, CDPQ, Panache Ventures, Brightspark, Graphite Ventures, Golden Ventures, Telus Ventures, Co-operators, Georgian, Relay Ventures, RBCx, Tactico, bdc, Investissement Québec, Sun Life, Kensington, The Holt Xchange, GreenSky Ventures, Intact, Manulife Investment Management

Luge Capital

Insurtech M&A

Within the past few years, M&A activity has picked up some momentum as the insurtech space continues to mature.

A few notable transactions between 2021 and 2023

Company	Year Founded	Year Exited	Acquirer
Dialogue	2016	2023	Sun Life Canada[98]
Prodigy Labs	2014	2022	UST[99]
Breathe Life	2017	2022	SE2[100]
Opta	2012	2022	Verisk (NASDAQ: VRSK)[101]
Global IQX	1999	2022	Majesco[102]
Naborly	2016	2022	SingleKey[103]
Surex (majority stake)	2012	2021	iA Financial Group (TSE: IAG)[104]
Relay Platform	2019	2022	At-Bay[105]
Ratehub.ca (majority stake)	2010	2022	Novacap[106]
MicroTraffic	2017	2023	MioVision[107]
NexJ Systems	2003	2022	Harris Computer Systems[108]
MindBeacon	2017	2021	CloudMD[109]
Tranquility Online	2017	2021	Green Shield Canada[110]
Inkblot Technologies	2015	2021	Green Shield Canada[111]
Brovada	2003	2021	Acturis[112]

98 BetaKit.
99 UST acquires Canadian fintech Prodigy Labs.
100 BetaKit.
101 Verisk Press Release.
102 Insurance Canada.
103 BetaKit.
104 Insurance Canada.
105 BetaKit.
106 Novacap Acquires Majority Stake In Canada's Largest Online Marketplace For Financial Services.
107 Microtraffic acquired by Kitchener firm.
108 NexJ Systems to be Acquired by Harris | Newswire.
109 Press Release | CloudMD to Acquire MindBeacon, One of North America's Leading Clinically-Validated iCBT Solutions.
110 BetaKit.
111 Green Shield Acquires Inkblot Technologies, Canada's Fastest Growing Virtual Mental Health Platform.
112 Acturis to acquire Brovada from Willis Towers Watson.

The Insurtech Startup Database

Insurtech **M&A**

Notedly different from when we looked at M&A activity back in 2020 is the number of acquisitions of companies later in their journeys. We expect this momentum around strategic acquisitions to continue as insurtech startups continue to mature, reaching the level of traction required for large insurance players to make a bet on them.

This should also attract international players looking to enter the Canadian market. **Acturis**, a UK-based insurance software provider, for example, entered the Canadian market via their acquisition of Zycomp in 2019 for their Power Broker platform[113]; and Brovada (digital tool for brokers and insurers) in 2021.[114] We expect to see more entries-via-acquisition from international players especially as the Canadian insurtech market grows over time.

Spotlight: Digital health leads the way in recent insurtech M&A

Canadian telehealth company **Dialogue** was recently acquired by **Sun Life** at a fully-diluted valuation of $365 million.[115] The two companies had a close relationship prior to the acquisition.

In March 2020, **Dialogue**'s solution was made available to **Sun Life**'s group benefits clients under the brand **Lumino Health Virtual Care**.[116] The company subsequently raised $43 million of fresh capital led by **Sun Life** in July 2020.[117] After raising a total of over $100 million in venture capital funding, the company went public in March 2021 and was acquired in July 2023.

Similarly, benefits carrier Green Shield Canada (GSC) acquired both **Inkblot Technologies** and **Tranquility Online** in 2021 to offer virtual mental health platforms to their clients.[118] These acquisitions were strategic additions to their **Greenshield**+ platform, a digital health and benefits ecosystem that promotes more convenient and integrated access to care.

The Covid-19 pandemic undoubtedly created a tailwind for adoption of these tools and inspired many carriers to double down on their telemedicine offerings to best support their clients. Seeing the strategic nature of these solutions, insurers are now making acquisitions in this space. Further, this highlights the importance for insurtechs to build partnerships with insurers who may eventually become acquirers.

113 Press Release. Note that this acquisition was not included in the M&A table above given Zycomp was founded in 1992 and we only tracked startups founded after 2000 in our analysis.

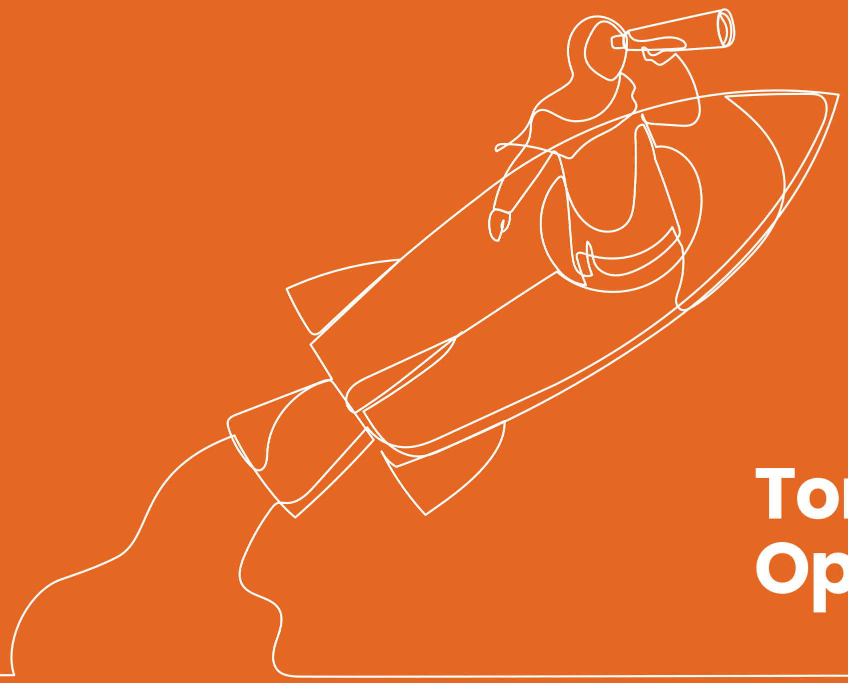
114 Acturis to acquire Brovada from Willis Towers Watson.

115 BetaKit.

116 Sun Life Canada to acquire Dialogue Health Technologies.

117 Sun Life Leads $43 million round of financing in telehealth startup Dialogue.

118 BetaKit.



Tomorrow's Insurtech Opportunities

"Fostering innovation within the insurance industry is about so much more than just originality and creativity. I think the most important ingredient to any innovative project is to fulfil previously unmet needs and to look for solutions within untapped markets. Finding the gaps and addressing them by testing old and new solutions, regardless if they're proven-to-work business models, is where true innovation begins."

- Ryan Spinner, VP of Emerging Business Models, Cooperators

Tomorrow's Insurtech **Opportunities**

Section Summary

Climate Risk: Global climate change and evolving ESG policies have important implications for insurers' ability to predict losses.

Parametric insurance: A type of insurance contract that pays out a pre-specified amount based on "trigger" events, is becoming more common in the global insurance community and leveraging the availability of alternative data for real-time claims adjudications.

Open Insurance: Consumer-permissioned, data portability can unlock strong value propositions for consumers, carriers and innovators alike by simplifying re-shopping experiences, unlocking access to alternative data and fostering an ecosystem of innovative startups.

Emerging and evolving areas of risks: Cyber threats, autonomous vehicles and AI introduce new risks that technology providers have started to address, and insurance carriers are now partnering with those providers to enhance their capabilities.

Artificial Intelligence:

AI can be leveraged for nearly every function in the insurance value chain, including claims processing, fraud detection, underwriting, sales and new product development.

Generative AI can be used to scale operations in unprecedented ways, from enabling customers to ask questions on their policies, an AI-assistant creating summaries of documents such as adjustor notes or fraud investigation reports, generating synthetic data to test underwriting models to creating new product ideas.

AI is introducing new risks and liabilities requiring carriers to understand and adapt their insurance products. It is also important for insurers to be aware of the risks of using AI within their own operations or malicious actors using it to create new threats.

Tomorrow's Insurtech **Opportunities**

Climate Risk

Proprietary predictive modelling solutions

As discussed in the 10 Key Insurtech Trends section, climate risk continues to be top of mind for carriers in every vertical as the increased frequency and severity of catastrophic events can reduce a carrier's ability to predict losses, properly price premiums and ensure overall insurability for certain regions. **Therefore, companies using various data sources to predict acute climate risks (i.e. event-driven climate risks such as wildfires, hurricanes, heat waves, floods, etc.) will prove valuable to the insurance industry.**

Carriers need help determining which data points to use and understanding how such data drives prediction. The key will be to forecast future natural catastrophes that cannot be determined by historical patterns. Companies will need to account for the varying availability of high quality data across different regions and explainability of predictive models will be essential for adoption.

Environmental, social and governance protection

Another climate-adjacent topic that is gaining traction is the role of ESG in the insurance space. Given their significant investments in assets, carriers are expected to play a key role in the energy transition movement. ESG-scoring capabilities, especially built with a framework of insurance, will be important for insurers.[119]

Above and beyond the incorporation of ESG metrics within investment portfolios, carriers' core businesses will be affected by ESG considerations. For example, **as climate and diversity & inclusion-related litigation continues to rise, carriers can expect to see added risk to their Directors & Officers Liability (D&O) insurance portfolio**, creating new opportunities for startups to address those evaluation and protection needs.

[119] Lawsuits Challenge Corporate Diversity Pledges After Floyd.

Tomorrow's Insurtech **Opportunities**

Parametric Insurance

Product innovation is expected to continue in parametric insurance - a type of insurance that covers a predefined, triggering event and where a pay-out is made based on the occurrence of the event. Essentially, parametric insurance decouples claim payout from the magnitude of the loss (e.g. the cost of roof damage reparations) and, instead, ties it to the magnitude of the event (measured using a pre-specified parameter, e.g. earthquake of a certain magnitude).

This type of coverage is relevant when an individual or business has not suffered a physical loss, but instead suffered other types of losses not covered by a typical insurance product. For example, standard business interruption insurance covers income lost due to events such as natural disasters causing actual physical damages, but it does not provide coverage for loss of output if employees cannot show up to work due to a weather event.

Although there are many types of events warranting parametric insurance, increased weather variability in recent years presents a growing opportunity in areas such as construction (projects being delayed due to weather events), agriculture (damage to crops due to weather events), flood insurance, earthquake insurance or flight disruption.

The beauty of parametric insurance is how easy and quick the claim adjustment experience can be. Using various types of weather data, a parametric carrier can instantly pay out a claim when the predefined parameter has been exceeded, making it ripe for adoption either as a stand-alone policy or as an add-on to existing policies, such as standard home insurance. To take it a step further, insurtechs that have access to data and proprietary climate risk models may even build their own stand-alone, parametric insurance business.

Tomorrow's Insurtech **Opportunities**

Open Insurance

In their whitepaper, the European Insurance and Occupational Pensions Authority (EIOPA) defines the concept of open insurance as "accessing and sharing insurance-related personal and non-personal data usually via APIs." [120] This concept is similar to that of open banking, which allows financial service providers to securely access consumers' banking data in order to expedite and simplify onboarding processes and access customer insights. Ultimately, what underpins the concept of open data is the premise that data belongs to customers, not organizations.

A similar concept of consumer-permissioned open data sharing in insurance is now being explored in different parts of the world as a potential accelerator for future innovation. An ideal open insurance ecosystem would allow carriers to consume external data while also sharing their customer-related, consumer-permissioned data with other organizations. Potential use cases and advantages span across sales, claims, underwriting, distribution, digital augmentation, and more.

Here are just a few examples:

A faster insurance purchasing journey - During the insurance reshopping or broker switching process, an individual could share their existing policy data via an API to pre-fill parts of an online application and show current coverage information. This can help shorten long application forms and reduce drop-off rates. Open insurance could significantly increase the speed of quote-shopping from multiple carriers. It could also solve the poor experience of customers receiving a quote online which changes later during the closing process.

Improved coverage advice and personalized insurance policies - Customers could choose to share their information, such as genetic or wearable data, to help generate more personalized quotes. In commercial insurance, for example, the collection and disclosing of exposure data for policy renewal could be improved by a constant and secure information flow between customers and carriers. Moreover, a third-party such as an insurtech startup could access customer coverage data to develop new and innovative insurance products in the market and help address any gaps.

Leveraging insurance data to improve third party solutions -Third-party applications providing proactive health, home, car or cybersecurity-related solutions could access a customer's insurance policy and claims data to further personalize recommendations. Further, an insurer could distribute these services as additional value to their customers and earn referral revenue.

Smarter embedded insurance offerings - Open data could facilitate embedded insurance capabilities by sharing specific information about insured perils with the carrier at the point-of-sale for better and faster underwriting. For example, imagine an auto lender who embeds the auto insurance purchase journey within their online environment. First, the customer is prompted to share their current insurance data via a secure connection. The lender then automatically collects, via APIs and with the customer's consent, driver-related data points such as their driving record from the government, credit score and AutoPlus report (a widely used database by CGI that provides claims information on individuals using their drivers' licence numbers).[121] The lender then sends updated information on the driver and their new car to receive new offers suited to the new vehicle.

[120] Open insurance - EIOPA.
[121] Why many brokers need to change their auto quoting process.

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Tomorrow's Insurtech **Opportunities**

Emerging and Evolving Areas of Risk

As the insurance industry prepares for what will undoubtedly be a dramatically different risk landscape in the next few decades, here are a few emerging areas that present unique opportunities for innovation and growth.

> "We've doubled down on investing in areas within insurtech where incumbents don't have long-standing competitive advantages brought on by historical data and robust supply chains. One example is within cyber insurance where the nature of the risk is constantly evolving, requiring deep cyber security expertise and rare technical talent. Our investment in Resilience Insurance is a perfect example of what we strive for at Intact Ventures, investing in a top-tier tech company and bridging it with Intact's prowess in insurance to bring a wholistic cyber resilience platform to market."
>
> *- Justin Smith-Lorenzetti, Head of Investments at Intact Ventures*

Cyberattacks -When it comes to corporate clients, carriers and cybersecurity companies will work together to better underwrite a company's cyber risk and continuously monitor their existing portfolio. Down the line, some cybersecurity companies may also team up with capacity providers and fronting partners to introduce their own insurance programs, expand their revenue streams and provide added confidence regarding the strength of their security solutions.

On the personal protection side, there are opportunities to increase awareness about individual risks and distribute policies as an add-on to home insurance, an employee benefit or a credit card perk.

Autonomous vehicles (AV) -Vehicles are increasingly incorporating autonomous features and cutting-edge technologies that can help reduce collisions. The question to ask with respect to autonomous vehicles is not "if?" but "when?". While fully autonomous vehicles - especially non-commercial ones - may not be widely adopted for years to come, carriers need to be ready to issue policies when those very first purchases are made.[122] Underwriting, claim processing and liability can vary significantly depending on the car's level of operational autonomy (e.g. Level 2 having some autonomous features and Level 5 being fully autonomous), making it that much more important for carriers to fully assess and understand the impact of AVs on the traditional auto business. Insurtechs will be well-positioned to create new AV-specific products and help carriers evaluate new risks.

Rapid technological advances -From breakthrough biomedical advancements to ground-breaking industrial robotics, the pace of innovation has sped up and shows no signs of slowing down. To stay relevant, carriers need to incorporate potential impacts of these technological advancements into their underwriting models and insurance products in order to accurately price risks.

Case in point: the use of AI not only introduces new risks within existing product lines such as in cyber and product liability insurance, but also creates new liabilities for businesses shifting their decision-making from humans to machines.[123] In their whitepaper on this subject, Zurich and Microsoft refer to this as "algorithmic liability."[124]

Examples of this could include a lawyer who uses AI assistance to review legal documents and advise their clients, or an AI-savvy financial advisor that recommends client investments. If this AI's advice results in some form of direct loss to the client, who is liable for that misguided advice? Traditionally, such risks may be covered by professional liability due to an error of the service provider. But in this case, the algorithm might be liable. There is an opportunity here for startups with AI expertise to help carriers understand different algorithmic models at scale, then help them create and distribute algorithmic liability insurance products. **Armilla Assurance**, a startup working in this space, offers a service for assessing the quality and reliability of AI systems. The company then offers insurance against losses due to AI performing below its assessed level.

[122] How self-driving cars could change auto insurance in Canada.
[123] Is AI Risk Insurance the Next Cyber for carriers?.
[124] Artificial intelligence gives rise to 'algorithmic liability'.

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Artificial Intelligence

As things stand, carriers have begun using or exploring the potential of AI for everything from claims adjudication, in-force policy analysis and underwriting. However, while larger insurance incumbents may have more resources, their size and competing priorities can often make it difficult to be agile and experiment. Meanwhile, smaller insurers do not always have the budgets or the team to run regular and fast iterations of experiments with AI. This, we believe, is where insurtechs can help.

Function	Examples of Use Cases
Claims automation AI solutions can be used to increase staff efficiency, reduce loss adjustment expenses, improve customer experience and automate claims processing - be it with straight-through processing or by supporting claims adjusters and call centre staff.	• Generate summaries from First Notice of Loss (FNOL) notes for claims adjusters • Triage high priority and complex claims intelligently • Assist adjusters in their decision-making using policy information, claims history data and predictive analytics • Iteratively improve AI-assistance capabilities by streaming claims decisions back into algorithms • Generate explanations for settled or disputed claims to be shared with the policyholder
Fraud detection AI can play a major role in fraud detection efficiency and accuracy.	• Model historical data to identify fraudulent patterns • Identify new predictors of fraud using AI and historical data • Generate risk scores and flag cases that need further investigation • Generate synthetic fraudulent transactions and scenarios to train AI models for better fraud detection
Underwriting AI has the potential to dramatically streamline, scale and innovate underwriting processes.	• Identify new risk factors and correlations from historical data • Process and transform large amounts of unstructured data - from regulatory filings to company reviews, news articles and medical records for smarter risk underwriting • Generate improved or entirely new underwriting models using conventional and unconventional data sets • Create customized policies and fine-tune premium pricing based on a person or business' particular risks and exposures
Sales and Distribution AI has the potential to enable sales by, amongst other things, providing highly personalized policy recommendations and assisting brokers.	• Use predictive modelling and policy analysis to identify cross-sell and upsell opportunities • Enable real-time recommendations during the purchase process • Segment customer profiles for more scalable marketing strategies • Create and optimize content marketing campaigns • Automate policy reviews, error identification and data entry into multiple systems • Automate the renewal process by identifying coverage gaps, reshopping rates and engaging clients
Product Innovation AI technologies can also be used to speed up product innovation.	• Identify customer coverage gaps and changes in the risk landscape by analysing data on existing customers and policies • Generate new product ideas and policy documents • Generate synthetic data and models to test and predict new product performance

[122] How self-driving cars could change auto insurance in Canada.
[123] Is AI Risk Insurance the Next Cyber for carriers?.
[124] Artificial intelligence gives rise to 'algorithmic liability'.

Tomorrow's Insurtech **Opportunities**

Artificial intelligence as a source of new risks

Although AI creates opportunities for efficiency, it also introduces new risk categories for carriers and their customers. **One of these risks is deepfakes - fake, hyper-realistic images and videos that leverage deep learning algorithms to mimic individuals and portray fake scenarios.** These could include fake earning news that affects a company's stock price and reputation, or synthetic identities, biometrics and ID information used to bypass multi-factor authentication layers. Until now, these types of scenarios and capabilities were inaccessible to the general public, but advances in AI technology and accessibility have made them a daily reality.

Even the most diligent and tech-savvy employees are not immune to potential attacks. These deepfakes and synthetic identities can compromise security through phishing attacks that are far more complex than classic suspicious email traps. For example, an employee might receive an information request via email, then a follow up phone call from someone pretending to be their supervisor. Remote-first organizations that rely on digital tools for almost all communication are especially vulnerable to this.

Carriers in cyber and business insurance need to take this risk into account to protect organizations against potential loss or legal action resulting from AI-generated or AI-assisted attacks. Today, it is believed that many companies have gaps in their existing policies for protections against reputational damage and financial losses due to a malicious actor posting a deepfake video or image, as they were not caused by a traditional systems breach.[125]

At the individual level, we may also see coverages for public figures like politicians and actors evolve due to similar risks. This type of risk requires deep knowledge and may result in insurers and startups collaborating.

Organizations also need tools that can help them monitor and verify image and video authenticity. These could be offered by a carrier to its cyber insurance customers as a condition to their coverage.

[125] How the new deepfake reality will impact cyber insurance.

Conclusion

Insurtech is not merely a buzzword but a force that is redefining customer experiences, insurance operations and business models. In Canada, we have observed a steadily growing ecosystem of domestic and international insurtech startups, and continued momentum in partnerships between traditional insurers and technology firms. However, the path to insurtech integration is not without its hurdles.

Insurers are transitioning out of legacy systems, have data privacy concerns and need to instill cultural shifts within their organizations to experiment faster. The pace of change will continue to accelerate, requiring insurance companies to be agile, innovative, and adaptive. Those who embrace this transformation will thrive in the ever evolving world of risk and protection.

Glossary of Insurance Terms

The following definitions are from RSA Canada's list of common insurance terms unless otherwise stated.[126]

Accelerated Underwriting: A process that uses advanced technology and data analytics to assess the risk of insuring an individual. Rather than relying on traditional underwriting methods, such as medical exams and lengthy questionnaires, accelerated underwriting uses data from a variety of sources to make a determination about the individual's risk profile.[127]

Appraisal: A valuation of property made for determining its insurable value or the amount of loss sustained.

Assurance: Insurance

Broker: An independent person or firm who acts on behalf of the insured in placing business with the insurance company. Responsible for the collection of premiums but having no authority to give coverage on the insurance company's behalf without their specific agreement. Compensation is on a commission basis.

Cancellation: Termination of an insurance coverage during the policy period by the voluntary act of the insurance company or insured, effected in accordance with provisions in the contract or by mutual agreement.

Carrier: Insurer

Claim: Notice to an insurer that under the terms of a policy, a loss may be covered.

Coverage: Insurance

Deductible: The portion of a loss that you are required to pay before your insurance coverage will respond. Deductibles can be used to reduce your physical damage premiums

Endorsement: Amendment to the policy used to add or delete coverage. Also referred to as a "rider."

Exclusions: Certain causes and conditions, listed in the policy, which are not covered.

Expiration: The date upon which a policy will end.

Financial Needs Analysis: The financial needs analysis, commonly called the "FNA," is an essential process that the financial security advisor must complete to properly advise their client and cover their insurance needs.[128]

First notice of loss (FNOL): the initial report submitted to the insurance provider after damage, theft, or loss of some insured asset. [129]

Floater policy: A policy under the terms of which protection follows moveable property, covering it wherever it may be.

Grace period: A period after the premium due date, during which an overdue premium may be paid without penalty. The policy remains in force throughout this period.

Indemnify: To restore the victim of a loss, in whole or in part, by payment, repair, or replacement.

Insurability: Acceptability of an applicant for insurance to the insurance company.

Insurance policy: Legal document issued to the insured setting out the terms of the contract of insurance.

Insured Peril: a peril is any event that can cause damage or loss. An insured peril is a risk that is covered under the policy, while an uninsured peril is not.[130]

Limit of liability: The maximum amount which an insurance company agrees to pay in case of loss.

Loss Adjustment Expenses: the expenses incurred during the investigation and handling of insurance claims. These investigations are conducted as part of the insurance company's due diligence effort in establishing the veracity and accuracy of a claim.[131]

MGA: A managing general agent (MGA) or a managing general underwriter (MGU) is a specialized type of insurance agent or broker that has been granted underwriting authority by an insurer, according to the International Risk Management Institute (IRMI), and can administer programs and negotiate contracts for an insurer.[132]

Policy limit: The maximum amount a policy will pay, either overall or under a particular coverage.

Policy period (or Term): The period during which the policy contract provides protection, e.g., six months or one or three years.

Policyholder: The person (or persons) whose risk of financial loss from an insured peril is protected by the policy.

Quote: An estimate of the cost of insurance, based on information supplied to the insurance company by the applicant.

Rate (see also "Premium"): The per unit cost of insurance.

Reimbursement: Payment of an amount of money related to the amount of the loss to or on behalf of the insured upon the occurrence of a defined loss.

Reinsurance: (1) A contract of indemnity against liability by which the insurance company procures another insurance to insure it against loss or liability by reason of the original insurance. (2) Insurance by one insurance company of all or part of a risk accepted by it with another insurance company which agrees to reimburse the insurance company for the portion of the claim reinsured

Settlement: Usually, a policy benefit or claim payment. It connotes an agreement between both parties to the policy contract as to the amount and method of payment.

Underwriting: The process of evaluating a risk for the purpose of issuing insurance coverage on it.

[126] All definitions are from RSA Group's list unless otherwise noted.

[127] ProtectYourWealth.

[128] Chambre de la sécurité financière.

[129] Fincash.

[130] Nedbank.

[131] Insuranceopedia.

[132] Insurance Business Canada.

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