



Accelerating innovation

In conversation with bolttech CEO Rob Schimek

Laura Hay, Global Head of Insurance, KPMG International and Partner, KPMG in the US

Rob Schimek, CEO, bolttech (pictured)





With a fast-growing global presence spanning 30 markets across three continents, bolttech has the world's largest insurance exchange — a next-generation platform that's seamlessly connecting insurance providers, distributors and customers. Laura Hay, KPMG's Global Head of Insurance, talks to CEO Rob Schimek to get a better understanding of the game-changing trends driving today's booming insurtech space and what it all means for insurers and their customers.

Thanks for your time today, Rob. bolttech continues to experience impressive growth. Why do you say that today is 'the perfect time' for emerging insurtechs?

It's absolutely the perfect time for insurtechs, and I see three crucial trends impacting the insurance industry that show us the time is right for insurtech success. The first involves *macroeconomics*. Today's investors are pursuing yield and the opportunity to outperform, which is attracting significant capital to this space, allowing insurtechs to grow and innovate. The second key trend is the

acceleration of *digitization* following COVID-19 and its tremendous global impact. Digitization in insurance has never been more important and this drive is creating huge opportunities for insurtechs. The third is the rise of the *sharing economy*. As we connect participants across our technology-enabled insurance distribution ecosystem, we harness the spirit of today's sharing-economy environment to meet the diverse needs of consumers with expanded choice and convenience. This is also inspiring product innovation for new risks in our daily lives. So those are the three major trends that I believe make today a great time to be an insurtech like bolttech.



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US treasury yield curve



Source: *Daily Treasury Par Yield Curve Rates*, US Department of the Treasury, September 2021.

<https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield>



Can you break down these significant trends to illustrate their impact?

Taking a closer look at macroeconomics, it's clear that economic conditions in the global marketplace are creating significant challenges for insurers today. Look at interest rates in 1990 compared to early October 2021, for example. Back in 1990, you could put your money in the bank for 1 year and obtain a 7 percent return — and almost 8.5 percent over 10 years. Today you will get almost nothing by putting money in the bank for a year — while over 10 years you will get a return of about 1 percent.

Yet insurers typically make money via underwriting and investment portfolios. In the event of an underwriting loss in 1990, you could ideally cover it with investment returns. Not today! In this environment, many new players are looking at the industry and saying: 'Hey, I see the problem here — and maybe I can do this differently.' This impact has attracted

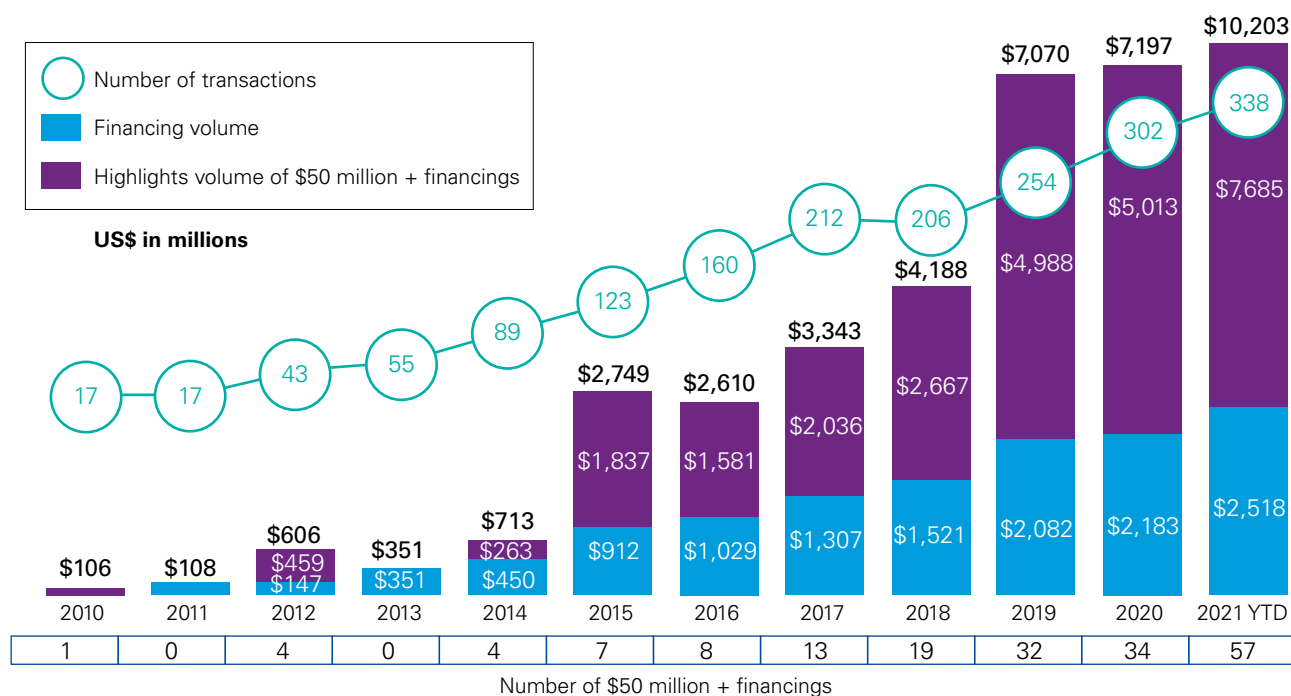
investment dollars to businesses that want to disrupt the industry and participate in it for the long term. The first three-quarters of 2021 alone saw 338 total insurtech funding transactions, generating a higher financing volume as in all of 2019 and 2020 — which was a record year. So, 2021 has become another record year for insurtech funding. Some big names we have seen in the IPO space include Lemonade and Root, and SPAC mergers involving Hippo, Metromile and others.¹⁷

As insurers fight today's battles, they recognize that they can't control the macro environment and interest rates and returns, so they need particularly accurate underwriting. They also know that they can't compete simply on price to drive performance and profitability. Therefore, insurers need to innovate to survive. Others are recognizing this too, and that brings us to the new business models that are emerging.

That's a revealing look at the macroeconomic trend. What impact is the second key trend of accelerated digitization having on the industry today?

The pandemic has really super-charged the need to transform, and nowhere has that been bigger than in the area of digitization. For example, your recent KPMG report notes that 96 percent of today's insurance CEOs cite an acceleration of digitization due to the pandemic¹⁸ and I would absolutely agree with that — and add that digitization is really helping insurtechs pick up speed. A 2021 Gartner report notes that worldwide IT spending has increased by 9 percent to hit US\$4.3 trillion in 2021,¹⁹ while a Forrester's report predicts that 83.4 percent of new motor, property and travel insurance sales will be digitally influenced by 2023.²⁰

Q3 2021: Insurtech financing activity annually



Source: Q3 2021 Quarterly Insurtech Insights: Global Financing and M&A Statistic, FT Partners Research, October 2021.
<https://ftpartners.docsend.com/view/86nscvzau25gb5ew>, Page 6.

¹⁷ Home insurance company Kin to go public via SPAC merger, CNBC Fast Money, 19 July 2021.

¹⁸ KPMG 2021 CEO Outlook Pulse, KPMG International, March 2021.

¹⁹ Gartner Forecasts Worldwide IT Spending to Grow 9 percent in 2021, Gartner, 14 July 2021.

²⁰ The State of Digital Insurance, 2021, Gartner, 9 February 2021.



What are you seeing regarding the third trend, the sharing economy, and its impact on the business?

Well don't get me wrong — I recognize that the sharing economy itself is changing today and that companies have experienced ups and downs and changes over the past year or two in how they do business. But if I mention popular brands such as Uber, Airbnb, Amazon, Etsy, Kickstarter and others, you can probably identify ways in which your life has been impacted. The range of services and their rapid emergence and adoption is remarkable.

As the sharing economy grows, how would you compare the bolttech exchange to Lloyd's?

I would view Lloyd's as an exchange but not a technology-driven exchange. Let me give you an example to illustrate what I mean. In the US, we work with a leading and established auto insurer marketing bundled auto-and-home coverage packages. To do that, they are offering property insurance from many other insurers to their customer base, through the bolttech platform. We are accomplishing this in a very technology-driven manner, so that generally speaking, after the first five questions are asked of the insured, we can identify a list of potential insurers. We use technology and third-party data sources to provide precise underwriting details — such as the customer's home location, construction details, distance to police and fire services — and connect that information with the underwriting engines of various potential insurers to provide quotes on coverage. And this all takes place in a matter of seconds!

We also provide access to access to insurance to businesses outside of the industry wanting to add insurance products relevant to their own customer journeys — like device protection for telcos and electronics manufacturers, extended warranties

for e-commerce, or travel insurance for airlines. The digital nature of the platform is essential for embedded insurance to happen.

Can you talk about bolttech and where you fit into today's dynamic environment?

Well as I noted at the start, these three trends that we've looked at have been really big drivers of why today is truly an exciting time to be an insurtech. Our mission is to build the world's leading technology-enabled ecosystem for insurance. We are currently a team of 1,400 people serving 30 markets across three continents — giving bolttech the greatest global reach of any insurtech on the planet.

We have the world's largest insurance exchange, with US\$5 billion in premiums on platform, which is connecting more than 700 distribution partners to more than 150 insurance providers and more than 5,000 products. We are helping our partners provide a fast, easy, customer-centric experience. In addition, we have celebrated becoming a 'unicorn' last year — having completed the largest Series A funding ever for an insurtech.

Was there skepticism in the insurance market as bolttech got off the ground over the past 20 or so months?

No doubt about it — and it's logical that any insurer would ask 'Why share my customer base with another insurer if I can provide services and products myself?' At the same time, it can take just a few forward-looking partners to help change the mindset of the industry. Many of our partners have come in knowing exactly the type of customer they want to own and ready to do whatever it takes to keep those customers — even if that means selling someone else's products and co-existing with others in the market. Their success has been evident, and the momentum continues to grow.

You say that bolttech is really transforming the way insurance is being bought and sold by enabling all industry stakeholders to meet their needs in new ways. Can you talk about the impact you are having today among various stakeholders?

We like to think of the exchange as enabling value for all participants. For customers, we are delivering unprecedented convenience and choice — the ability to choose from insurers to meet their needs. This includes individual customers, and we are growing in the small- to mid-size enterprise space. In terms of our distribution partners, we are delivering new revenue sources, and ways to engage and retain their existing customer base. For example, we are working with telcos that are providing the connectivity individuals and businesses rely on today to insure things like customer phones and home electronics — and while they are at it, they can offer the option of extending coverage to include auto, home or travel insurance. So, we are helping those businesses unlock new opportunities to drive revenue and, at the same time, customer loyalty. As for today's insurance carriers, we are providing unprecedented access to new markets and potential customers that they might not otherwise see and helping them provide lifetime customer value.

Does the bolttech platform enable cross-border business or primarily domestic transactions between customers and insurers?

We are currently focused on providing in-country transactions, but we are seeing interest among investors amid the potential opportunity to connect buyers and sellers across geographies. At the same time, the industry is highly regulated and nuanced across



markets, and we need to pay very close attention to the array of insurance laws and regulations in place. But we are certainly working with multinational partners to take the offerings of one market into others to scale.

With bolttech's success and growing global footprint, are there plans to expand your presence in the southern hemisphere, including Africa?

We definitely have our sights set on expanding geographically, but we also want to ensure that we have established the right partnerships for success in specific geographies. We generally follow our partners into a geography with business already established.

You say there is a myth in today's marketplace — the notion that no one will make big-ticket purchases such as home or life coverage online. Can you explain?

I really do want to dispel that myth and you only need to look at how consumers are embracing the

ability to purchase everything from cars to diamonds online today. For example, I believe one major player in the diamond market sold more than US\$450 million in diamonds last year with just a few hundred employees. So, don't be fooled. What we are seeing is that insurers can successfully break into this industry and become a powerhouse by eliminating elements of the traditional value chain that create little significant value while adding to operating costs and customer premiums.

Ultimately, I think there's no doubt that the future is about delivering the convenience, cost and reliability of online capabilities and services, supported by the human skills and expertise that customers want and expect. We are using today's technology to power tomorrow's insurance and the opportunities are both exciting and unprecedented. There truly is no better time than today for insurtechs and the remarkable advantages they are delivering worldwide.

Note: The views and opinions expressed herein are those of the interviewee and do not necessarily represent the views and opinions of KPMG International Limited or any KPMG member firm. ■

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