

Insurance Practice

# Five themes from InsureTech Connect 2021

Innovation in design and transformation in internal operations and IT expected as the industry heads into 2022.

*by Grier Tumas Dienstag, Doug McElhaney, Galen Shaffer, and Katka Smolarova*



**After going virtual** in 2020, InsureTech Connect (ITC), the largest gathering of insurance industry professionals in the world, returned in person to Las Vegas this year. The exhibit halls were full of more than 5,000 attendees representing a broad swath of the insurance industry, including investors, insurtech start-ups, solutions providers, brokers, distributors, and established carriers.

As we talked with clients, listened to expert panelists, and walked from booth to booth, a number of discussion themes emerged that had exciting implications for incumbents and start-ups:

1. ***Debating the risk-reward balance in emerging and specialized risks.*** The industry is paying more attention to emerging and specialized risks, from cyber (as seen in some big news this week) to K–12 youth sports. A spectrum of first movers is coming into view. At one end, managing general agent (MGA) start-ups are hustling to build track records of appropriately pricing specialized risks and avoiding overexposure in the event of a major loss. At the other, some incumbent carriers are pulling back capacity while also trying to compensate for this by using data and analytics to make sophisticated investments in a wider variety of technical, analytically driven products and services.
2. ***Stitching together the most effective underwriting and claims analytics and workflow.*** We were struck by the continually increasing number of [point solutions across underwriting and claims](#). As an example, we saw lots of new property-intelligence companies that use images and other data to develop insights about property risk. In the past, homeowners and small commercial insurance were thought to be slow to innovate. Now, homeowners insurance is experiencing rapid change and may even be out in front of other lines. In claims, consumers can now use technologies provided

by their carriers to capture images of a loss, automatically share them with the carrier, and receive payment more quickly. Still, it is not yet clear to what extent carriers will stitch together the solutions offered by these innovators into a connected underwriting and claims workflow or how investors will look to assemble a platform of them to resell.

3. ***Taking sides in a brewing software battle.*** Several big companies that offer software for core business functions—such as for accounting, marketing, and sales—were notable for their presence at ITC 2021. No doubt attracted by the growing [investment in insurtechs](#), these “horizontal” software players see an opportunity in insurers’ persistent use of manual processes. Can these players use their cross-industry perspectives to beat the smaller insurance-focused software specialists? Time will tell. As the competition heats up, we would expect some consolidation. One thing is for sure: the winners here will be consumers and insurers, who can look forward to innovations in the customer experience and increasingly frictionless processes.
4. ***Harnessing the power of low code and no code for business innovation.*** Now more than ever, business teams can innovate without significant custom code development from internal IT teams. ITC 2021 showcased a number of low-code and no-code platforms focused on insurance that teams can use to rapidly build solutions that fit their workflow using flexible templates. Decentralizing the design-and-build process and using functional teams can significantly speed up innovation and lead to improvements in both experience and efficiency. On the other hand, this opportunity comes with challenges: IT organizations must think through how to own the platform but not necessarily the ultimate end product.

# One thing is for sure: the winners here will be consumers and insurers, who can look forward to innovations in the customer experience and increasingly frictionless processes.

## 5. *Expanding parametric insurance solutions.*

Many panels featured product-design innovation centered on parametric insurance solutions. For the unfamiliar, a parametric insurance policy pays a predetermined amount when a calamity such as a flood or an earthquake exceeds a measurable threshold (for example, windspeed or rainfall). The savings on the expense-ratio side can be significant, but at-scale offerings require carriers to closely examine geographical diversification and exposure. Given the bicoastal concentration of US risks, careful design and underwriting would be critical for product viability.

We left ITC inspired and excited about the year ahead. While 2021 has been another record

year of new capital going into insurtechs, we also saw many insurtechs suffer declining valuation after they went public. To date, few if any of the insurtechs have achieved the financial performance of leading incumbents. However, we were struck by the confidence attackers have in their ability to close the gap by not only leveraging modern tech stacks and using analytics to a greater degree but also innovating the core-products offering.

2022 promises to be a year of refined appetite for specialized risks, innovative product design, and transformation across internal operations and IT. Opportunities abound for insurtechs and carriers interested in disruption, [partnership](#), and acquisition. We're already looking forward to ITC 2022.

**Grier Tumas Dienstag** and **Katka Smolarova** are associate partners in McKinsey's Boston office; **Doug McElhaney** is a partner in the Washington, DC, office; and **Galen Shaffer** is a consultant in the Los Angeles office.

Designed by McKinsey Global Publishing  
Copyright © 2021 McKinsey & Company. All rights reserved.