

Peer-to-Peer (P2P) Insurance: What Is the Hype About?

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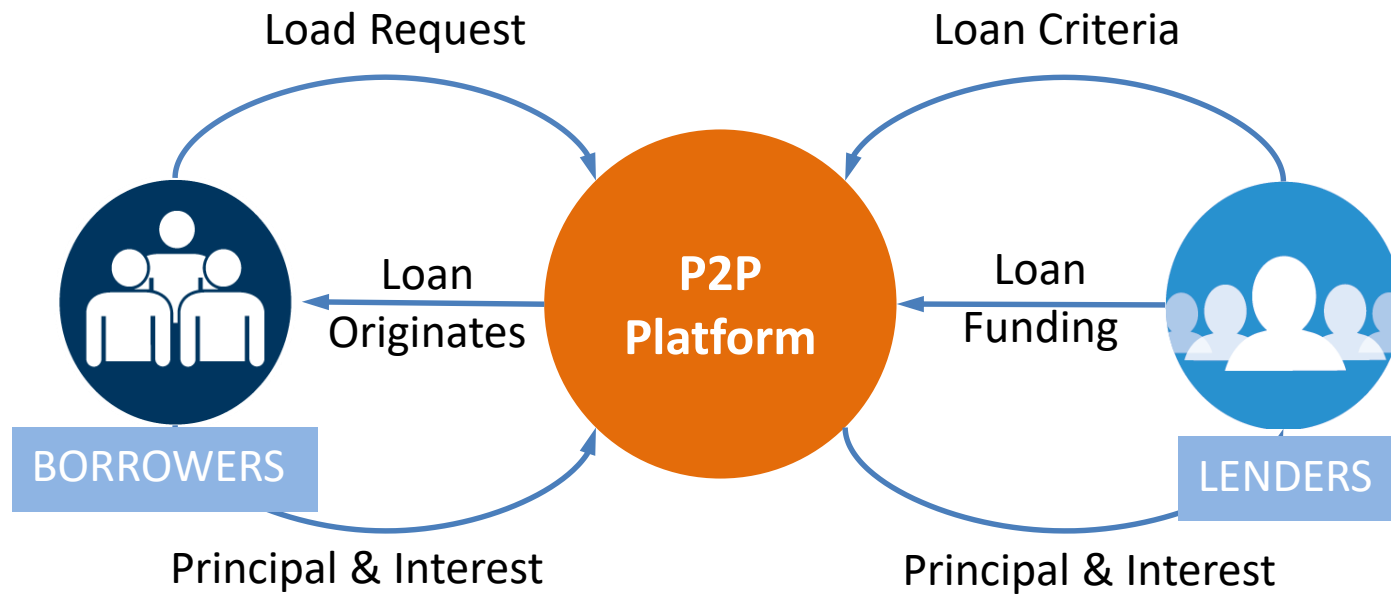
**Insurance-Canada MGA Symposium
November 2018**



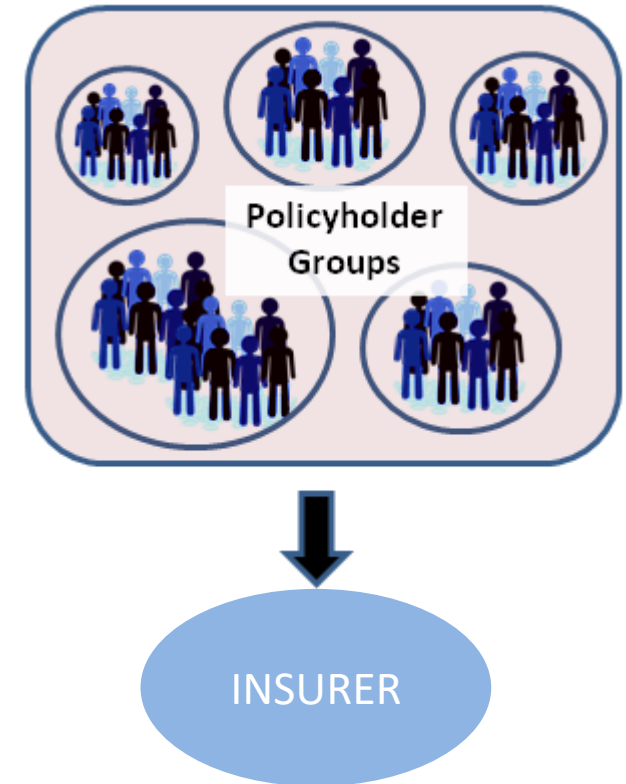
Introduction

- What is peer-to-peer (P2P) insurance
- Major players in the marketplace
- Regulatory environment
- Impacts on traditional insurance companies
- Consumer acceptance
- P2P applications to MGAs
- Conclusions

What Is Peer-to-Peer (P2P) Insurance



Peer-to-Peer Lending



Peer-to-Peer Insurance

Major P2P Players in the Marketplace



Various Business Models



Broker

*Lemonade*TM

Carrier



VERSICHERIX[™]



Self-governing

Regulatory Environment

- The innovative nature of P2P insurance has presented some challenges for insurance regulators
- There are no specific regulations for P2P insurance in Canada
- In US, NAIC is closely monitoring the development of P2P insurance
- Some platforms label them as non-insurance in order to bypass the potential regulatory mandate

Impact on Traditional Insurance Companies

- Compared to traditional the insurance model, P2P insurance offers:
 - Greater transparency
 - Reduced moral hazard
 - Reduced premium
 - Greater sense of belonging to a community
- Behavior economics indicates that group rewards will drive group behavior
- Traditional insurers stand to make great gain through adopting P2P platforms

Consumer Acceptance

- Education – once educated, consumers widely adopt P2P insurance concept
- Peer group management details – Who is responsible for governance of the peer group? How should credit be calculated? Change in claim payment process?
- Hesitance for adoption/change

P2P Applications to MGAs

- Offering P2P insurance will demonstrate:
 - Innovation
 - Excellence in underwriting
 - Adoption of leading technology
- Increased business stickiness
- Better market penetration
- Increased profitability

Conclusions

- P2P insurance is a relatively new concept that is still in its early stage of development
- When used properly, P2P insurance can offer greater benefits to both consumers and insurers
- There is no specific regulation on P2P insurance in Canada
- Many MGAs can offer P2P insurance as part of their value-added services to their carriers and brokers