



Pressures on Distribution Property-Casualty Insurance

October 24, 2018

Target Markets Summit

Pressures Forcing Change in Distribution ...



- **Changing buyer behaviors and attitudes**
- **Technology**
- **New products**
- **Consolidation**
- **Expense pressure**
- **Challenged growth**
- **New entrants**

Prepared by Conning, Inc.

Pressure #1: Changing Buyer Behaviors and Attitudes

- **Generational evolution (millennials)**
- **Increase in online research and shopping**
- **Impact of peer reviews and influencers**
- **Increased use of mobile**
- **Demand for 24/7 access**
- **Demand for personalization/customization**



Pressure #2: Technology (example: AI Opportunities in Distribution)

Prospecting



Quoting



Underwriting



Servicing



Pressure #3: New Products

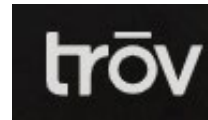
Sharing Economy



Gig Economy



On-demand Insurance



Choose Your Limit
Select \$1 million or \$2 million policies.

Built for You
Cover many types of work for one low price.

Instant Prices
See estimates by the hour, day, and month.

Tailor Your Policy
Decide when your policy starts and stops, down to the hour.

Add-Ons
Bundle extra activities with your policy in a few taps.

Additional Insureds
Add them instantly and get professional-grade ACORD certificates.

Download on the App Store | GET IT ON Google Play

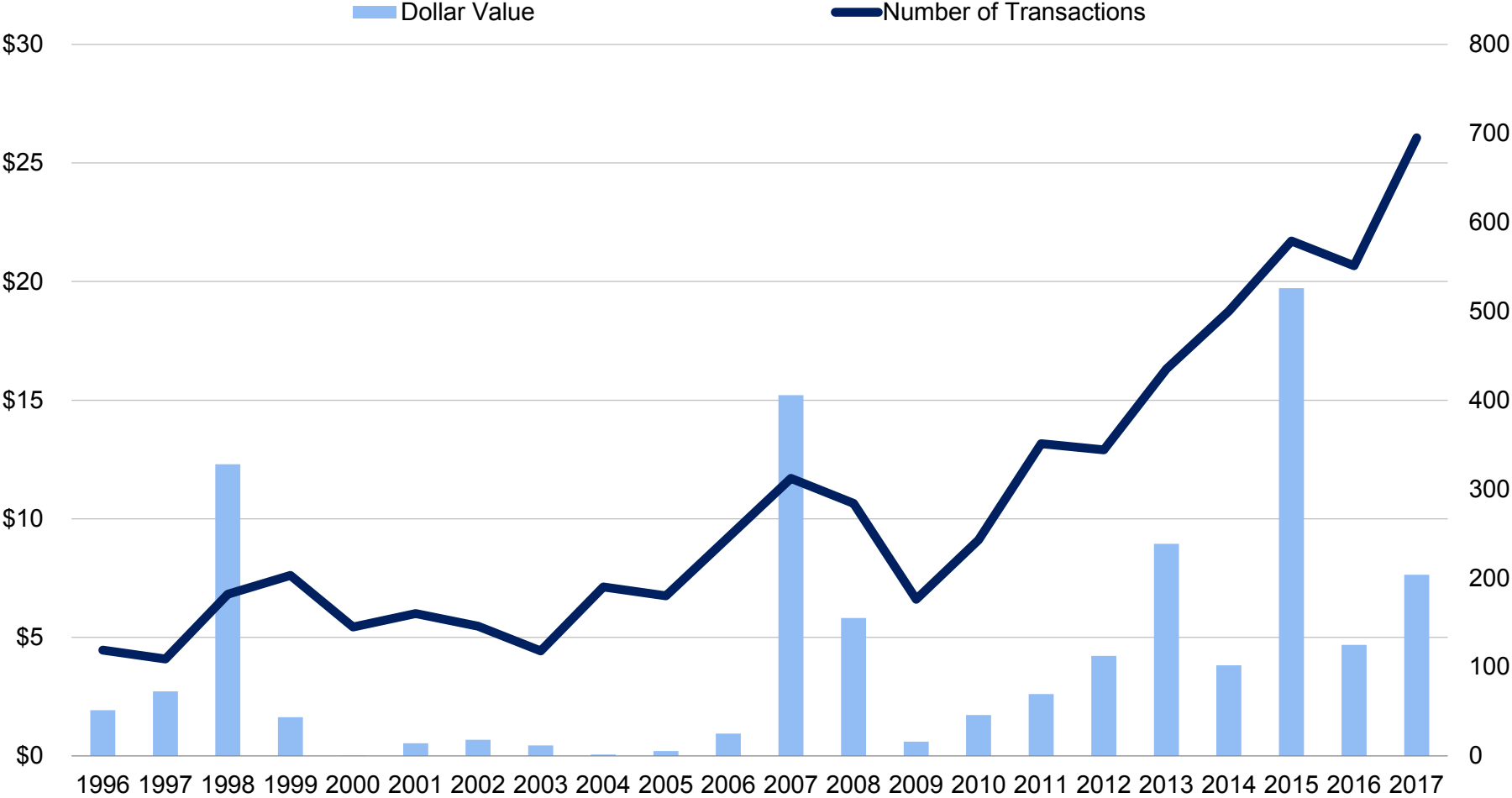
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Pressure #4: Insurance Distribution M&A Off the Charts

Number and Volume of Insurance Distribution-Related Mergers & Acquisitions

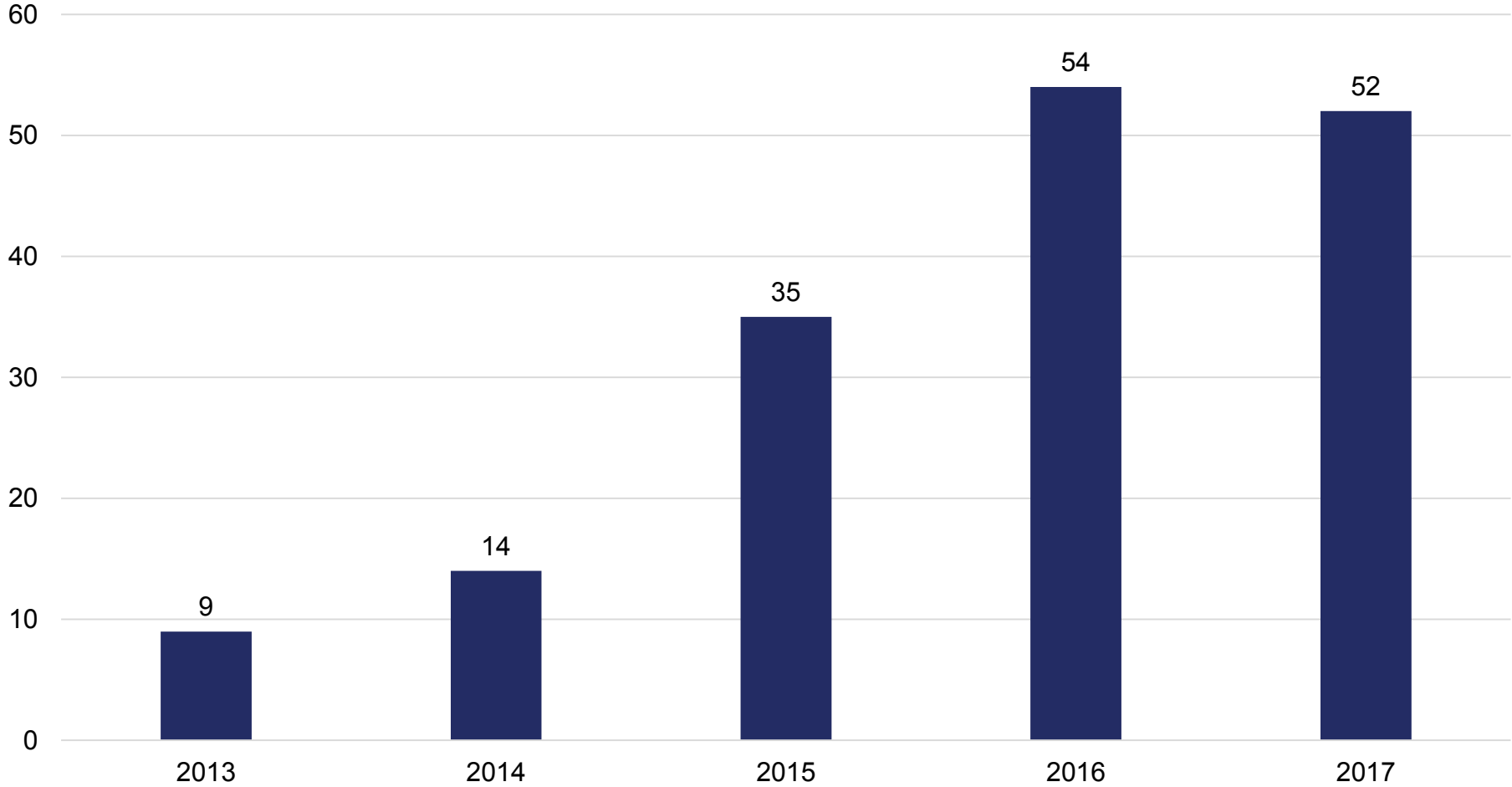
Global, \$ in billions



Prepared by Conning, Inc. Source: Company press releases and news articles

Pressure #4: Insurance Distribution M&A Off the Charts

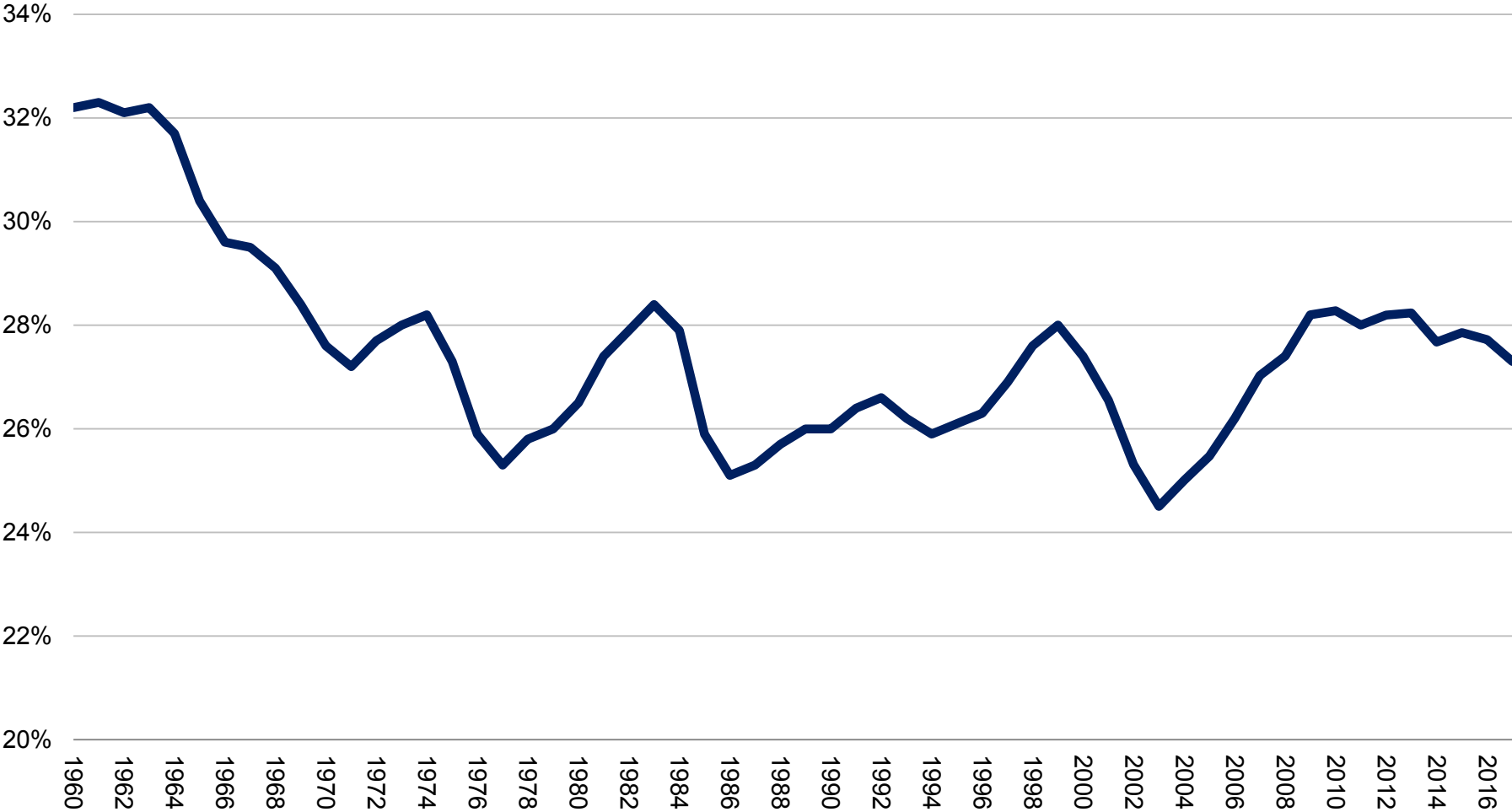
Steady Interest in Acquiring MGAs/MGUs/PAs



Prepared by Conning, Inc. Source: company press releases, public filings, and news articles

Pressure #5: Stubbornly High Expense Ratio

Property-Casualty Industry Expense Ratio



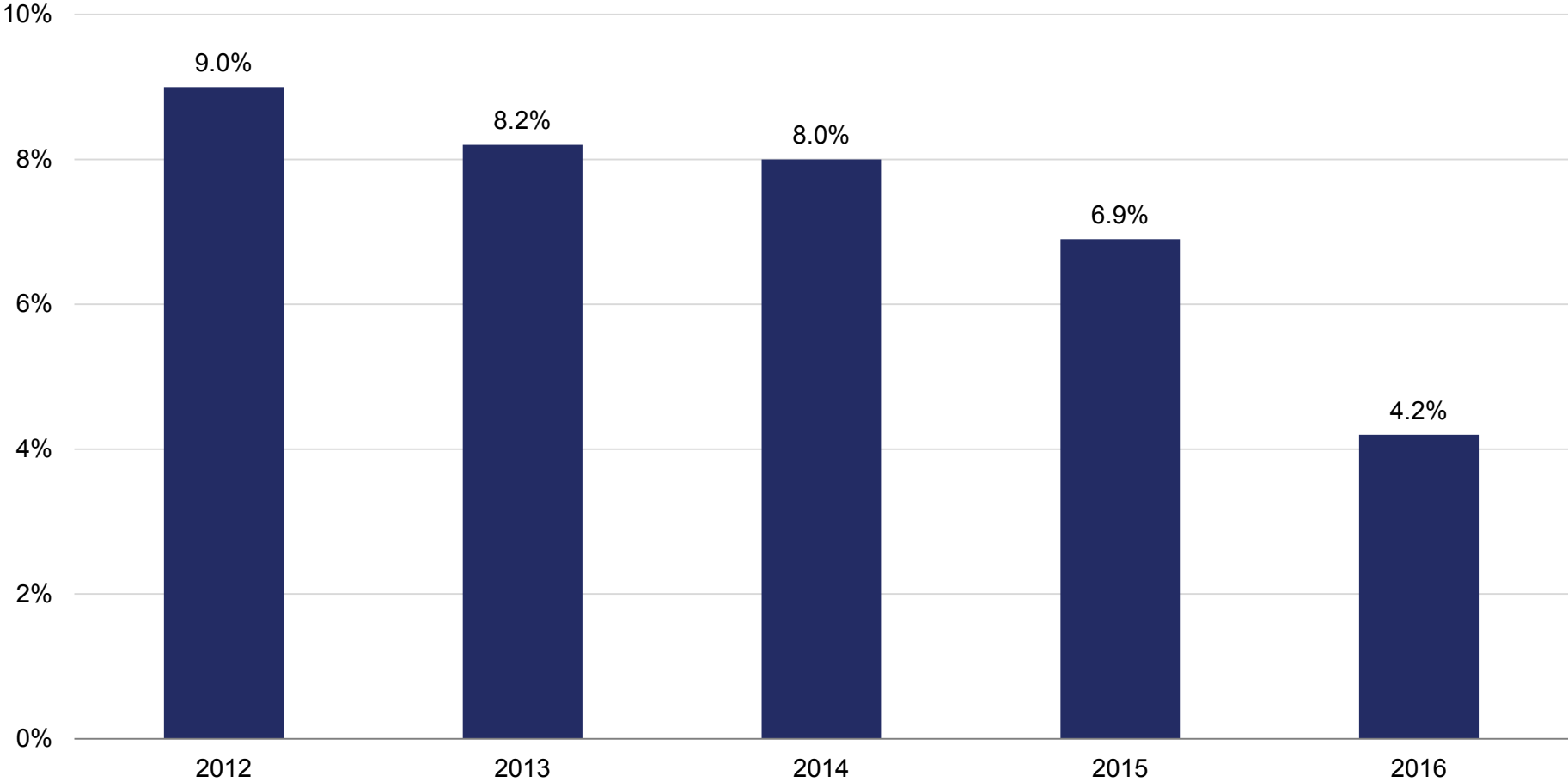
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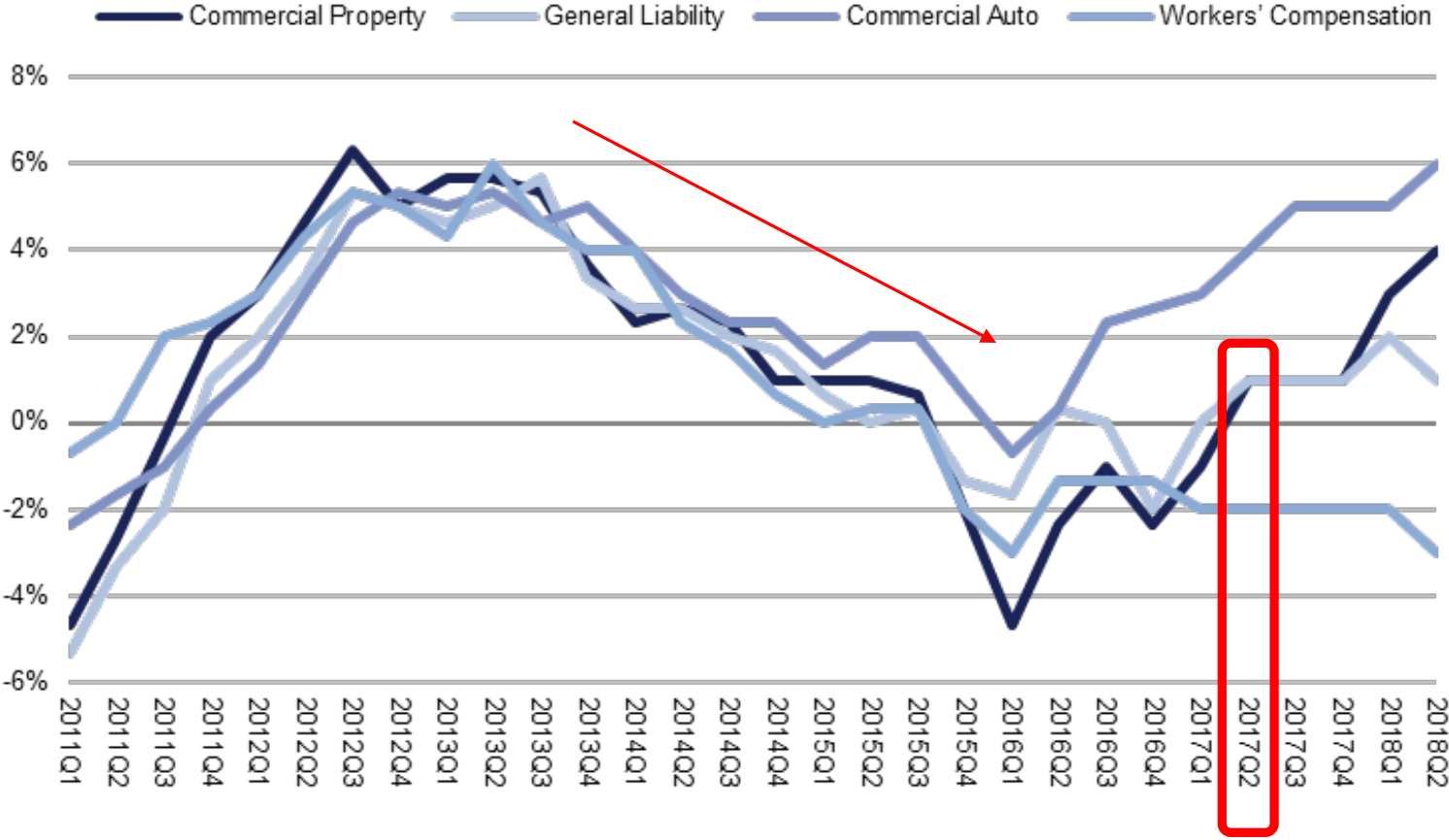
Pressure #6: Halting Growth

Organic Growth—Best Practice Study Agencies—Total Agencies



Prepared by Conning, Inc. Source: Best Practices Study, 2017, IIABA/Reagan Consulting

Pricing Trends Turning Positive, Should Help Organic Growth



Prepared by Conning, Inc. Data source: MarketScout

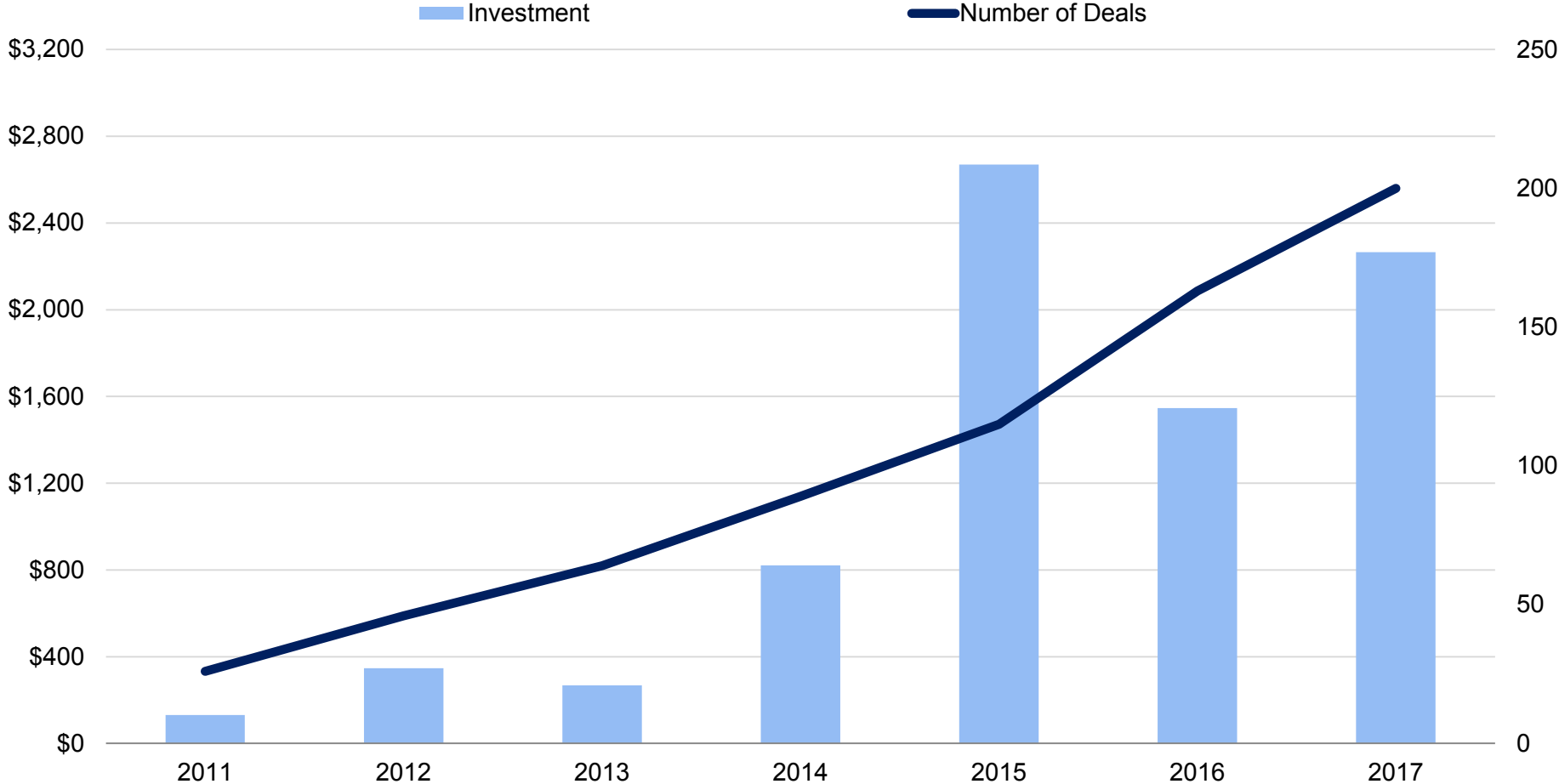


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Pressure #7: InsurTech Invasion Introduces Numerous New Entrants

InsurTech Investment

\$ in millions



Prepared by Conning, Inc. Source: Willis Towers Watson, CB Insights, "Quarterly InsurTech Briefing", CB Insights InsureTech Connect presentation

Pressure #7: New Entrants

New Business Models



Direct Small Commercial



Digital MGAs



Agents/Brokers, Insurers, and Investor Responses

Agents/Brokers

- Joining networks/clusters
- Enhancing services & capabilities

- Tech upgrades
- M&A
- Partnerships with InsurTech

Digital agencies

Digital marketing

Digital MGAs

- Going direct
- Diversifying product offerings

- PCWs
- Lead generators
- New points of sale

Investors/ New Entrants

Insurers

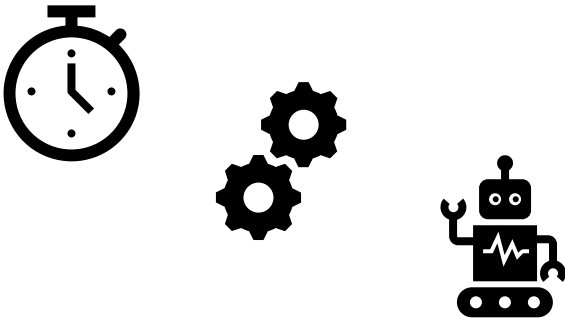
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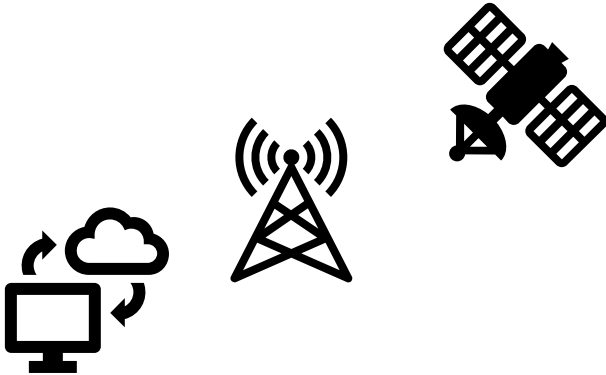
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Success Drivers

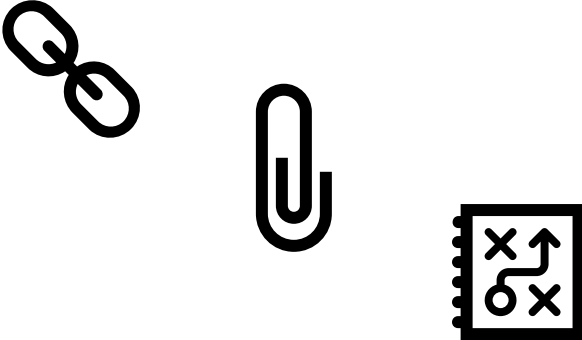
1. Efficient Process and Cost Management



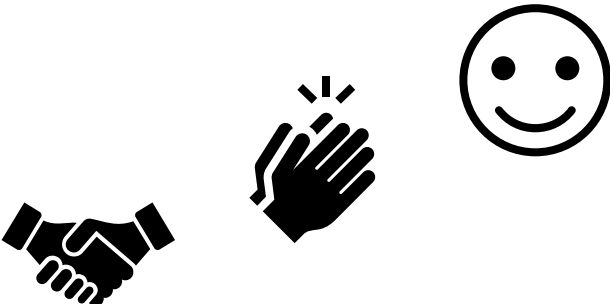
2. Incorporating Outside Data



3. Value-Added Services



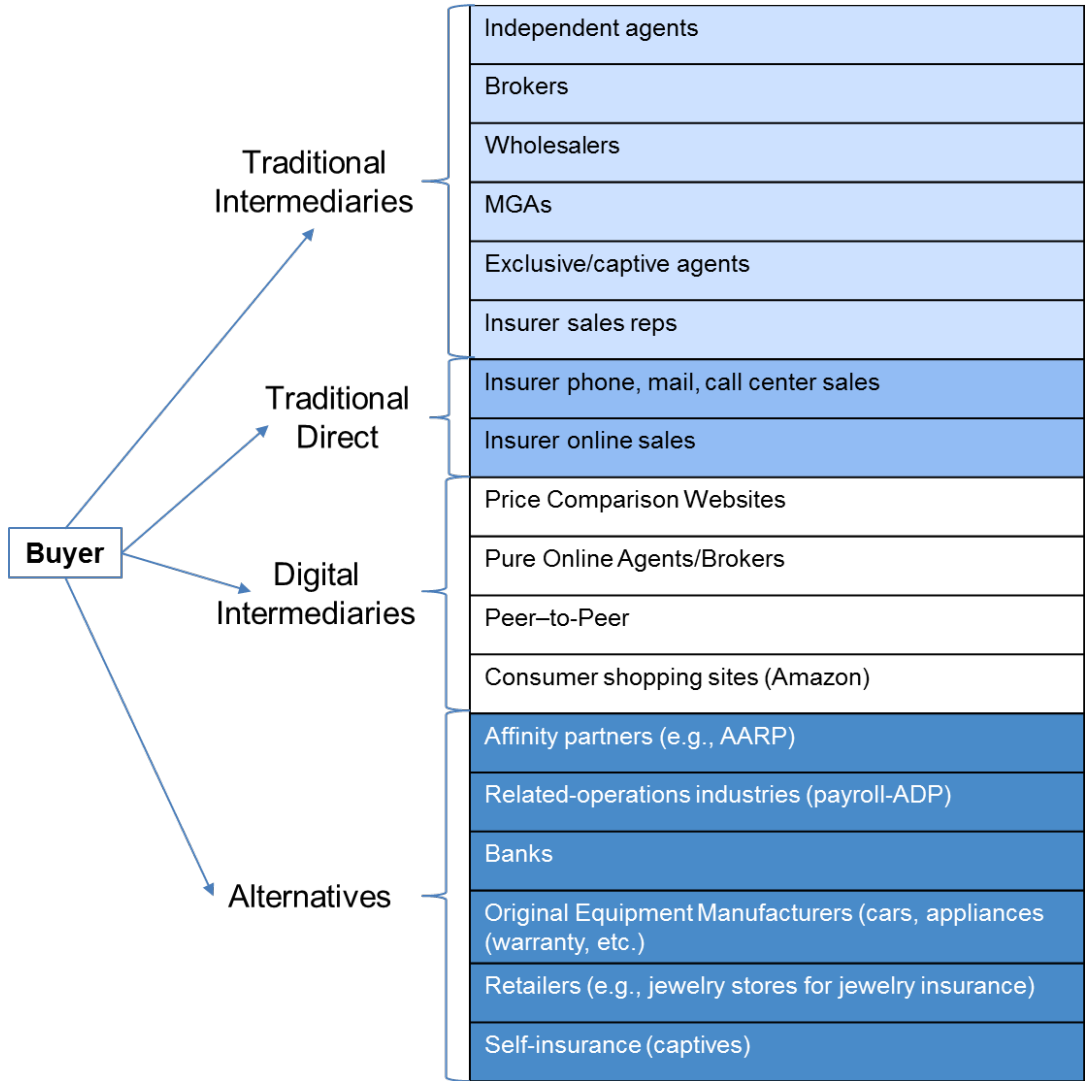
4. Enhanced Customer Experience



THANK YOU !!!

APPENDIX – ADDITIONAL SLIDES

Insurance Distribution Channels Expanding

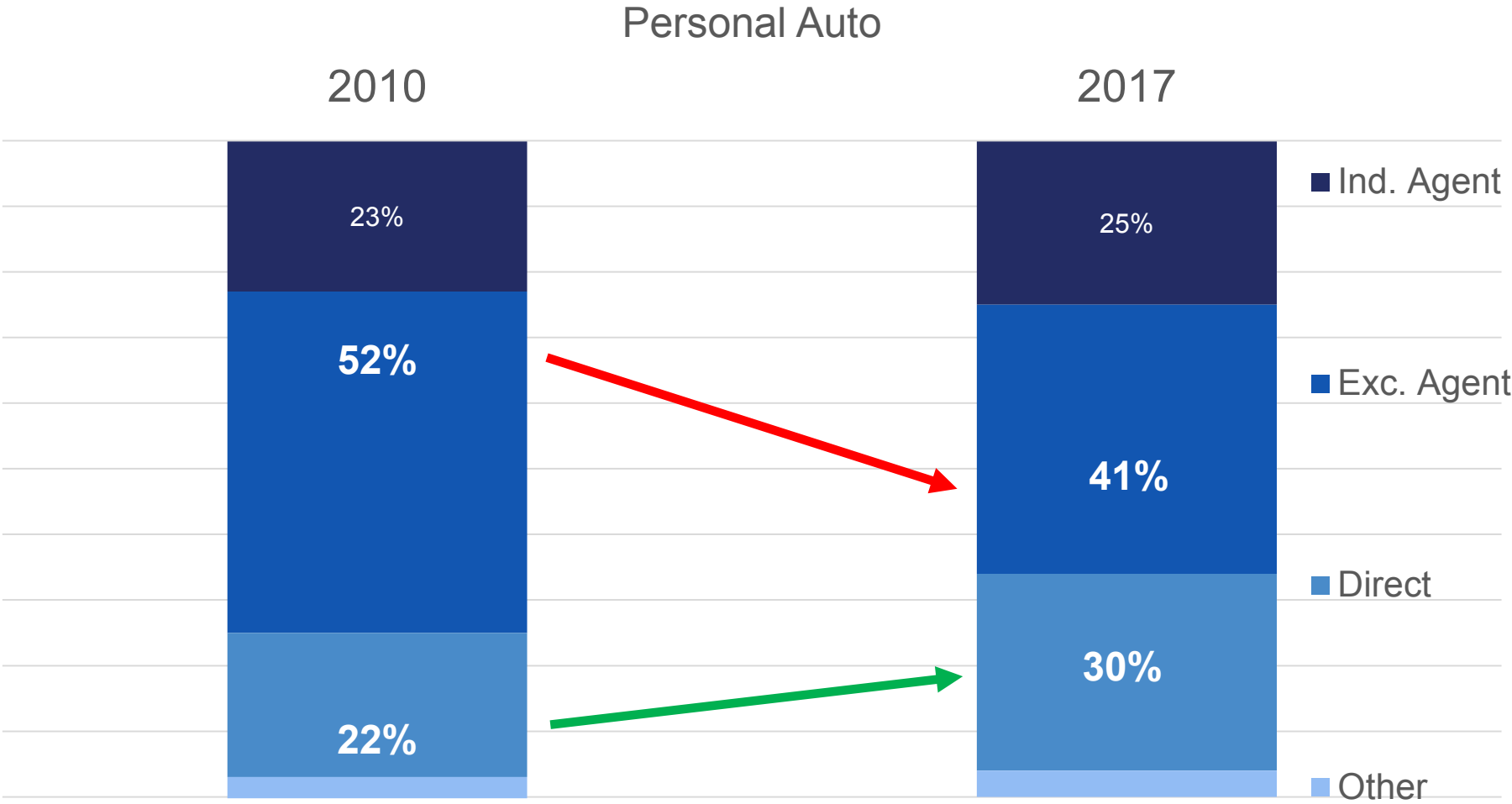


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Personal Auto Big Shifts in Channel Mix



2017 Personal Auto DPW: \$231.3 billion
8% shift = \$18.5 billion

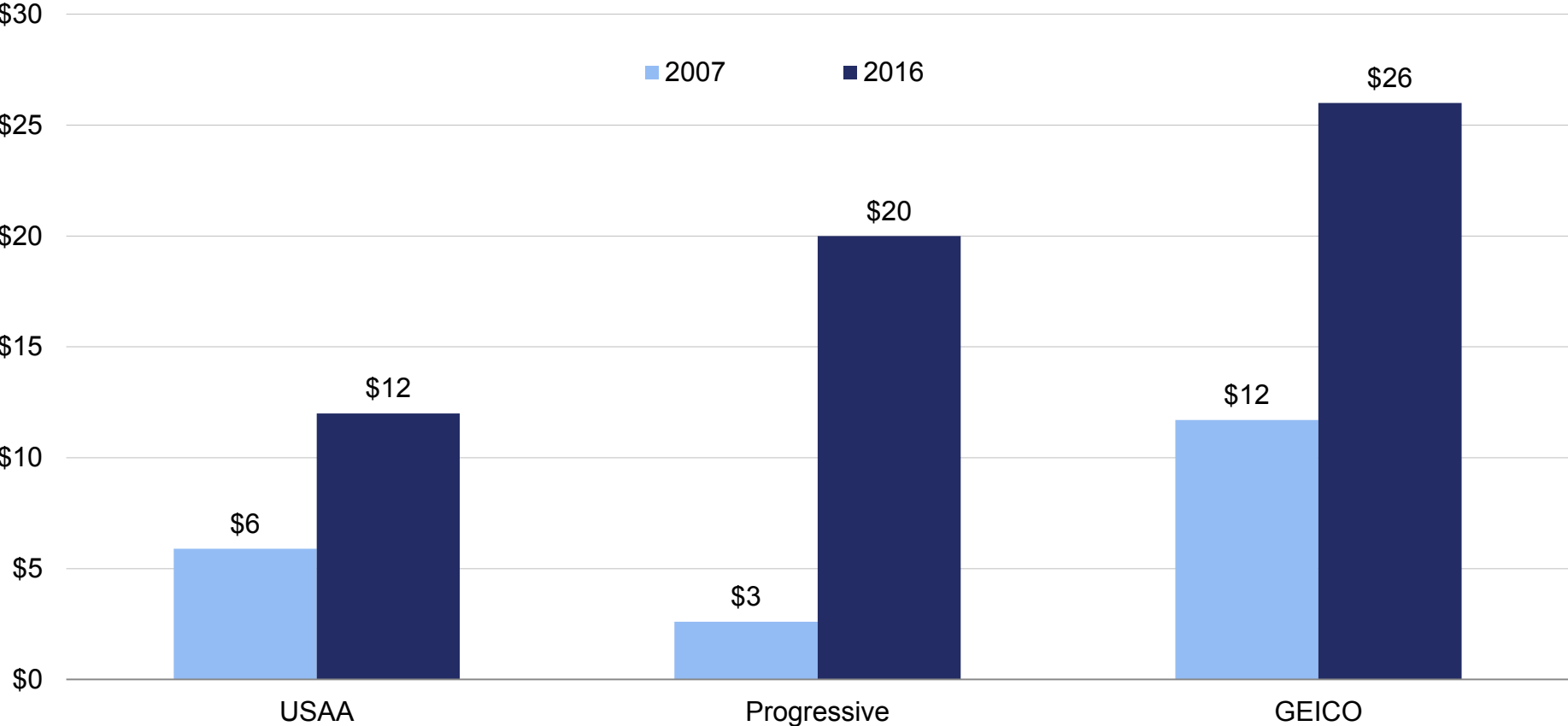
Note: The graph reflects a revised methodology for analyzing distribution channel market share. Conning’s methodology uses the following sources: A.M. Best, company statutory filings, company GAAP filings, investor presentations, and company news releases.

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Change in Direct Led by Major Writers

Direct PPA Premium Growth at Progressive, USAA, and Berkshire Hathaway

\$ in billions

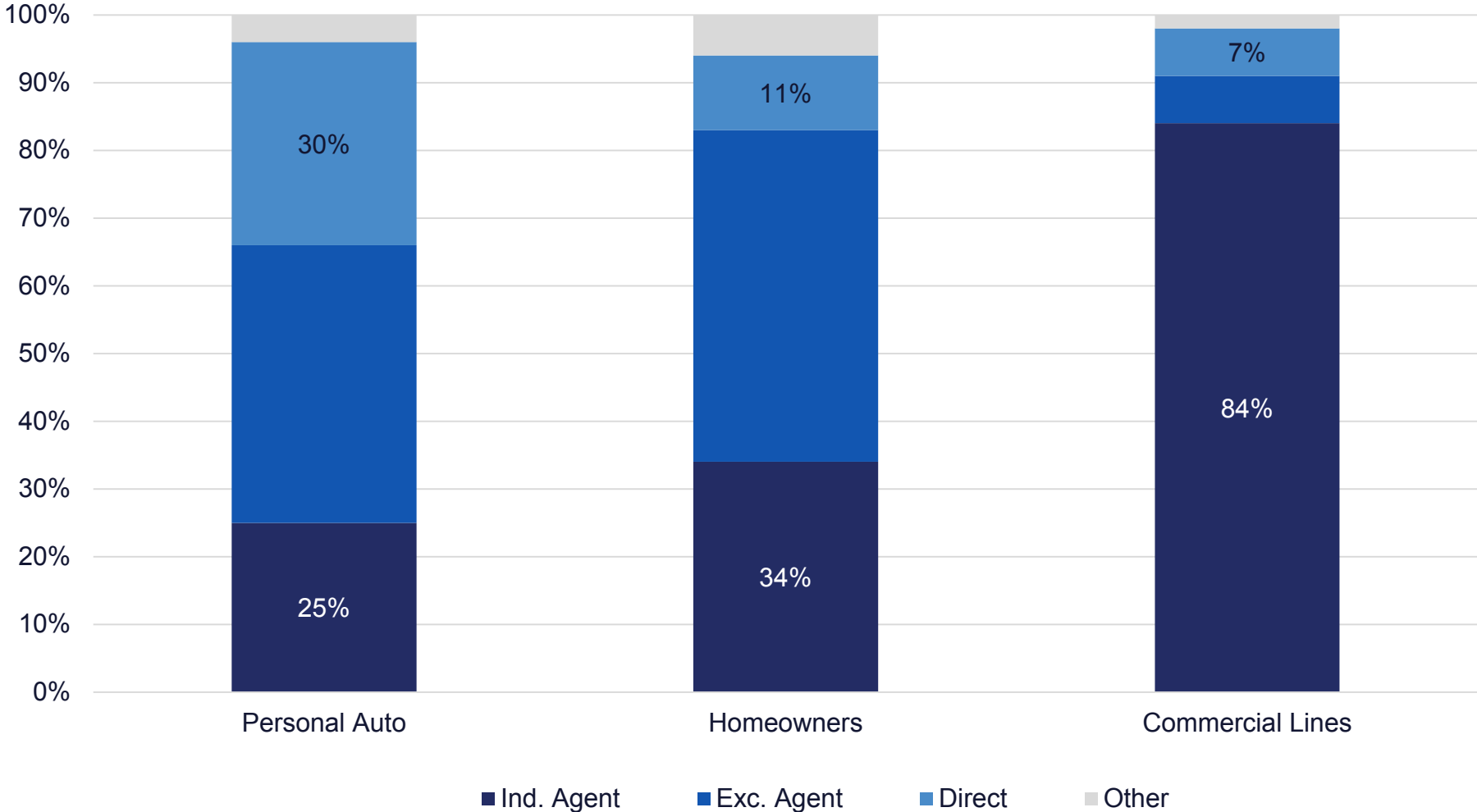


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Personal Lines Leading Shift To Direct Distribution

2017



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