

Advisory topic: Peer-to-Peer Insurance

Industry Maturity Index: *Short-term* (1-2 years)

Why this is important: The ACT Changing Nature of Risk workgroup feels that peer-to-peer insurance has the potential to impact insurance from a number of perspectives, including sales, underwriting and fraud prevention.

What is it? Peer-to-peer (also referred to as 'P2P') insurance is new terminology for an old idea. Entities with commonality have been banding together to defray their risks financially for many years. Some of these approaches are known as Risk Retention Groups, Safety Groups and Risk Pools. The major differentiator in these new efforts is the innovative use of new technologies that improve the customer service, product distribution and deliver to reduce costs.

Peer-to-peer insurance takes affinity groups, for example drivers of a certain make of car and then provides insurance products that are tailored to the members of the affinity group. The potential is that the relationships between the members makes it easier to sell the product, provide improved risk selection, and reduce the potential losses.

Broad Implications / Uses: Peer-to-peer insurance could materially affect the industry if it becomes a widespread risk transfer mechanism for the better risk segments of the general population.

- Members of the affinity group recommend other potential prospects to the carrier and provide testimonials of the value of the offering which improves sales penetration.
- Due to sharing of losses among members, the members of the affinity group have a vested interest in recommending the best (most loss free) new participants, thereby easing underwriting efforts.
- The knowledge that insured losses will impact members of your social circles through loss sharing will moderate the propensity to report both nuisance and fraudulent claims, resulting in reduced claim payments.

As the concept gains acceptance the traditional insurance marketplace may lose the most loss averse customers to peer-to-peer offerings, leading to smaller books of business and contingency payments for agencies and higher combined ratios for insurance carriers.

Economic Impact(s):

- Development of new segments of insurance purchasers
- Coverage for potential losses that are uncovered at present
- Reduced profitability for insurance agencies and companies writing traditional products
- Reduce product delivery costs
- Bringing into the industry, non- traditional providers

Insurance Industry Implications: Peer-to-peer insurance can have positive and negative impacts to many areas of our industry;

- Positive Impacts
 - Social and community based affinity groups may develop appetites for new and unmet insurance needs

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- New insurance products provide additional market size
- Underwriting efficiency and reduced claims improve profitability
- Others?
- Negative Impacts
 - Reduced profitability for insurance agencies and companies writing traditional products
 - Potential fallout from inappropriately developed products or unscrupulous providers
 - Create some marketplace disruption to agencies until they can adjust to these new type of players
- Indeterminate Impacts (if required)
 - Does providing different products to existing markets help or hurt consumers and/ or the industry
 - Developing new delivery platforms that may be more cost-effective

Recommended Actions:

Agents -

Ensure you are keeping current on peer-to-peer initiatives in your sales territory.
Inquire with contracted carriers as to whether they have any peer-to-peer offerings

Carriers -

Investigate opportunities to develop products for social communities.

Vendors -

Ensure management, quoting, and contact systems have the ability to handle peer-to-peer coverages and unique underwriting as specialty products.

Examples/Resources:

The world's first peer-to-peer insurance carrier, [Lemonade](#)
[FinTech Genome](#) - where you can engage in existing conversations and initiate new conversations.
They are creating a P2P Knowledge Platform for the global Fintech community and seeking insights.
The [Friendsurance Concept](#)

Directory of Peer to Peer Insurance Startups:

- [Besure P2P Insurance Broker](#) – Peer-to-peer risk sharing for property insurance, not currently launched.
- [Bought By Many P2P Insurance Broker](#) – Long-Tail Works with insurers to develop policies and negotiate discounts for long-tail insurance needs like pet insurance, cyclist insurance, etc.
- [Broodfonds P2P Insurance](#) – Crowdfunding Group of freelancers crowdfunding each other's sick leave
- [CommonEasy P2P Insurance Broker](#) – CommonEasy is a peer-to-peer insurance platform that utilizes the power of the crowd to collectively insure and protect material possessions, homes, and livelihoods.
- [Cycle Syndicate P2P Insurance Carrier](#) – Cyclists Bike insurance shared over a small group. Insurance held by cycle syndicate.
- [Friendsurance P2P Insurance Broker](#) – Pools users into small groups. Brokers with 60 insurance partners.
- [Gather P2P Insurance Broker](#) – Business insurance shared across a group/community.

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- Guevara P2P Insurance Broker – Auto Pools friends and acquaintances, or other small groups, for car insurance.
- Inspeer P2P Insurance Broker – Users form small groups for auto, motorcycle, and home insurance. Users pledge to cover up to a certain amount.
- Lemonade P2P Insurance Carrier – Lemonade is peer-to-peer insurance and one of the only carriers, but they've yet to launch. Groups of policyholders pay premiums into a claims pool, and if money is left at the end of the policy period, they get refunds.
- PeerCover P2P Insurance – Crowdfunding Join group, pay fee upfront, users decide if claims are fair and can get up to 5x your balance to cover claims. 'Crowdfunded cover'
- SafeShare P2P Ins Broker – Share Econ Develop insurance products and partner with sharing economy businesses to offer users and providers insurance solutions. Work to fill in the gaps of insurance for Sharing Economy providers and users.
- Tong Ju Bao – P2P Broker TongJuBao is a P2P insurance platform that helps its users manage risks. TongJuBao was developed by QiBao Investment Consulting (Shanghai) Co., Ltd, a WOFE (wholly owned foreign entity) and is ultimately controlled by its French founder, Tang Loaec. (CB Insights)
- Uvamo P2P Insurance Carrier – Uvamo, which plans to launch by the end of the year, aims to cut administrative costs by offering property and casualty insurance direct to consumers online. Those policies can then be diversified and grouped into a pool, which collects all the premiums paid by the policyholders.

Evolving Technology Caution:

The possibility of over-promising but under-delivering to the client.
Untested technology that may not work as designed.

Call to Action:

- Educate yourself on this topic
- Educate your staff on this topic
- Pay attention to new technology that is developing
- Realize that our industry is changing, do not resist change, find a way to embrace it, use it to your advantage

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