

Lesson 9: InsurTech

Module 1: FinTech Fundamentals

Digital Finance

Insurance Industry Challenges

Legacy Problems

- Manual underwriting
- Slow claims processing
- High operating costs (25-30%)
- Customer experience gaps

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Lemonade Case Study

AI-First Insurer

- Founded: 2015
- 90 second policy purchase
- 3 minute claims (simple)
- Behavioral economics model

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Lemonade Business Model

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Giveback Program

Behavioral Innovation

- Flat 25% fee
- Remaining to causes
- Reduces fraud incentive
- Community alignment

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AI Jim

- Computer vision analysis
- Anti-fraud detection
- Instant approval (40%)
- Human escalation

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Usage-Based Insurance (UBI)

Telematics Revolution

- Pay-per-mile models
- Driving behavior tracking
- 30-50% savings potential
- IoT sensor integration

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Progressive Snapshot Program

UBI Pioneer

- 14M enrolled drivers
- Average 16% discount
- Hard braking penalty
- Mileage-based pricing

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Index-Based Payouts

- Predefined trigger events
- No claims adjuster needed
- Weather derivatives
- Instant payout automation

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Flight Delay Insurance

Automated Payout

- Delay > 2 hours = trigger
- Flight data API integration
- Instant payment via app
- No claim form required

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Point-of-Sale Integration

- E-commerce checkout
- Travel booking sites
- Ride-sharing apps
- Device purchases

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New Channels

- Digital brokers (PolicyGenius)
- Aggregators (Compare.com)
- White-label platforms
- API-first models

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Regulatory Challenges

Compliance Burden

- State-by-state licensing
- Capital requirements
- Rate approval process
- Data privacy constraints

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Digital Transformation

- Partnerships with startups
- In-house innovation labs
- Acquisitions (MetLife → Versicherix)
- API platform development

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From Reactive to Proactive

- IoT risk prevention
- Health wearable integration
- Smart home monitoring
- Dynamic pricing

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- **Lemonade:** Behavioral economics + AI reduces costs to 25%
- **UBI:** Telematics enables 30-50% personalized discounts
- **Parametric:** Automated triggers eliminate claims process
- **Embedded:** Point-of-sale integration captures moments
- **Future:** Predictive prevention over reactive coverage