Pivot

Business plan

Introduction

Insurance is not generally known as flexible. Insurance companies are large, and often relatively slow adapters to changes in the environment, even though the world and more specifically the financial sector is changing. An increasing amount of insurance customers is looking for a more personalized experience, and Pivot is looking to give it to them.

On-demand insurance is a new trend in insurance gaining traction in the USA, and is now slowly coming to Europe. It is a form of insurance where customers have a lot of flexibility in deciding when they want and need to be insured. For some insurances there is no need anymore to be insured all year round: a phone insurance for instance can be turned on for a day, when going on a kayaking trip, and turned off as soon as you get home. This way, consumers who feel that they do not always need insurance will have a smaller barrier to insure valuables, resulting in more customers for insurance   providers.

This document contains an executive summary, where the whole document is summarized in a non-technical understanding manner. Then our objectives are listed. Furthermore the product and service offering is explained, a marketing plan and analysis is described. The document ends with the financial plan and a spin-of plan for future steps.

Executive summary

80% of insurance customers are looking for a more personalized experience. At Pivot we want to add flexibility to the insurance domain, by introducing on-demand insurance to the European market.

Partnership
In order for Pivot to succeed, a partnership with an existing insurance provider is needed. Pivot needs the insurer to cover the insurances offered in the app, and the insurer needs Pivot to reach customers that are not interested in traditional phone insurance.

Product   and   service
Pivot is an intuitive mobile application for on-demand insurance. On-demand means that users can turn their insurances on and off with a simple toggle button, and pay by the hour. Advanced users can add rules for when they want to be insured, based on GPS or calendar events.

Marketing
During our market entry we want to reach the widest millenial target group, for the largest groups of items that are least insured, with our limited marketing resources.

Financial
Rough estimates are setup that showcase the potential profitability of the business model. The setup estimates indicate PIVOT will be profitable in year three. The predictions of profitability range from 331.000.- to 2,400,000.- .

Objectives

We want to personalise insurances in the future. It is our vision to usher in the trend for on demand insurances in Europe. The trend of on demand insurances is emerging, we want to be part of it now the market is still unsaturated. Millenials are our target group because they are quick to adapt to new technologies. We start out in our domestic market, the Netherlands. There are roughly 3.2 million millennials in the Netherlands, and roughly 201 million in Europe.

By examining the growth of Vigi, the only Dutch provider for on demand insurances, we found that we want a market penetration of roughly 4,9% in 24 months. Vigi has gained 13000 users in 13 months, we want 157.000 users in 24 months. Vigi's user base grew by roughly 50% per month for 13 months long. We want to grow our user base with 60% per month on average for a year. After the first year, we expect a smaller monthly growth. Hence why, we determined that our user base will grow with 20% per month on average.

"Our mission is to add flexibility to the insurance domain"

"Insurance where you want it, when you want it"

Competition

When using the Vigi app it becomes apparent that some functionalities are not working right. In the media Vigi's last statement was from december 2018. After that, no activities can be found. Seven months later, the app has some obvious bugs and the company has only five employees on LinkedIn who also have a job at parent company VIVAT. This indicates that the company is inactive at the moment. We want to do it better. We want to have a quicker market expansion because we want to target existing insurance providers who in turn will sell our product for us.

We will introduce our app to the market as quickly as possible so that we can start developing expertise in on-demand insurances as quick as possible. By partnering up with existing insurance firms we want to target their current user base and potential new customers. By targeting their current users, we want to use the loyalty they yield towards the insurance firm. We want to target new customers by backing the product with the well known reputation of larger insurance firms. We start out with a pilot with some of the insurance provider's customers to get initial feedback of customers when they use our app.
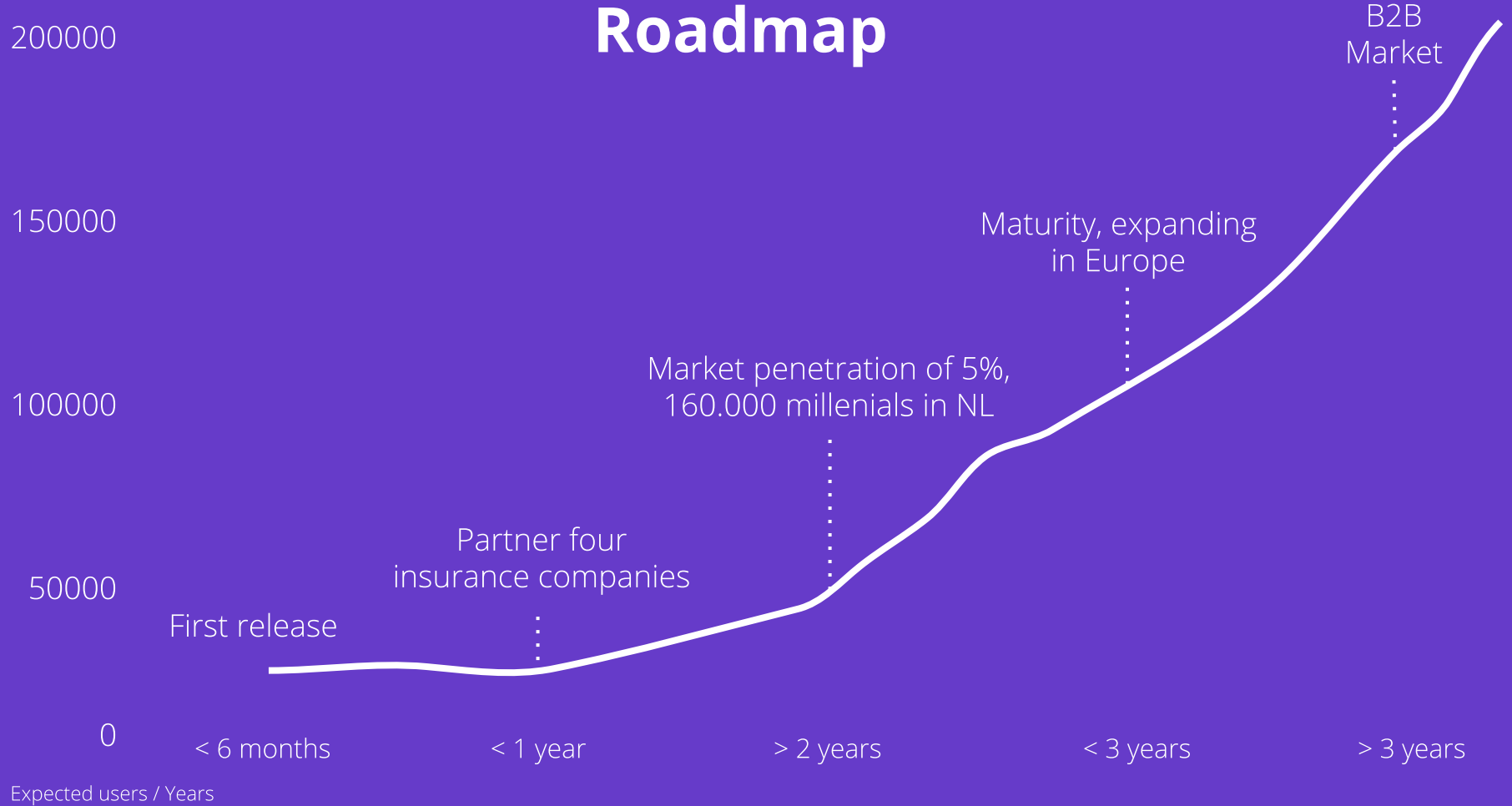
"We want to do it better"

Partnerships

Our first partnership is crucial create public recognition for our product. Together with our first partner we will launch a marketing campaign, we want to ensure that the market knows about on-demand insurances. After the first deployment, we will start contacting other insurance firms to start more partnerships.

By showcasing deployments of our app, we want to convey the notion that the insurance providers are missing out on a new trend in the insurance domain. Failing to follow the trend will mean a loss in market share for the insurance provider and a win in market share for competitors. In this way we want to start a domino effect in the insurance market.
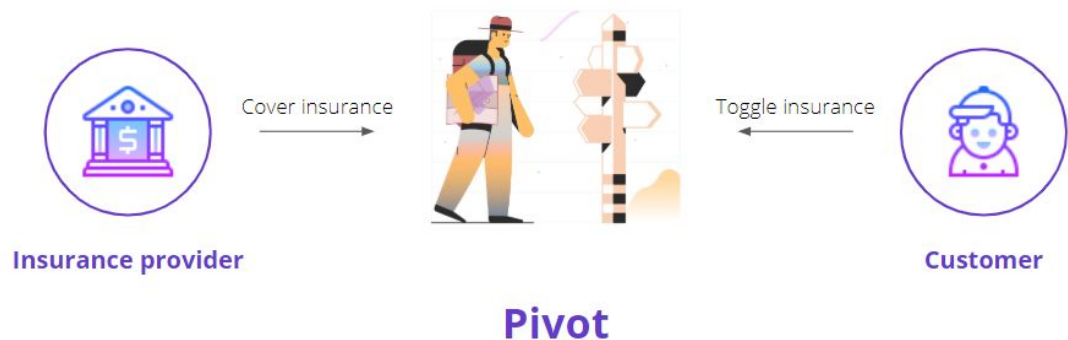
When multiple partnerships are established, we will expand the functionality of our app to suit the B2B market. Aiming at small enterprises who carry around expensive equipment and are occasionally exposed to risk, like photographers. Additionally, we want to expand foreign markets to further usher in the trend for on-demand insurances.

Cover insurance

Toggle insurance

Insurance provider

Customer

Pivot

Roadmap

200000

150000

100000

50000

0

B2B
Market

Maturity, expanding
in Europe

Market penetration of 5%,
160.000 millenials in NL

Partner four
insurance companies

First release

< 6 months   < 1 year   > 2 years   < 3 years   > 3 years

Expected users / Years

Product and Service

Pivot aims to provide value to both the insurance provider and the customer. The customer is offered a flexible form of insurance where costs can be kept low. The value is in allowing users control of their costs, and adding flexibility to an often rigid industry in the eyes of a consumer.

For the insurance provider, the value proposition is in customer acquisition. Many millennials do not currently have insurance for their valuables, because they think continuous insurance is not worth it. However, this group of users can be seduced to try on-demand insurance, which amounts to extra customers to the insurance provider they otherwise would not have had. These new customers have the potential to grow into long-term customers for other products the insurance provider offers later on.

"Pivot aims to provide value to both the insurance provider and the customer"

On-demand
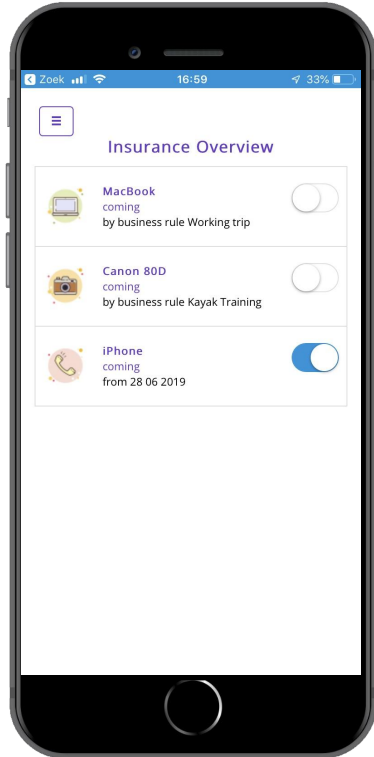
- The first step to on-demand insurance with Pivot is adding an item to insure to the application, for instance a smartphone. After some relevant information is added, the item can be selected for on-demand insurance.

- To turn insurance on, a toggle button is flipped on. After toggling, the user is prompted to take a picture of the item. In this way we know the state of the item once it has been toggled, helping to prevent fraud. If the smartphone itself is being insured, a picture in the mirror using the front camera is needed.

- When the user no longer wants to be insured, the toggle button for the item can be turned off, and insurance stops.

"Pivot is a service offered as a mobile application. The application can be used by customers to make flexible short term insurance contracts for valuable items"

Business rules

Business rules are rules that a user can set for the on-demand insurance for their items. When a business rule triggers, the user is prompted to turn on insurance with a single click. There are two types of business rules: based on location or calendar.

Business rules based on location work using the GPS data from the smartphone running the application. Users can set a specific location on the map, choose what they want to insure for how long when the rule triggers, and save it. When the rule triggers, the user is prompted to turn on the insurance with one click.

The agenda business rule can be used to insure items during an event in the users' calendar. In the future, there can be templates for business rules. For example, at large events many people might want to activate the same insurance. Users could select from often used business rule templates.
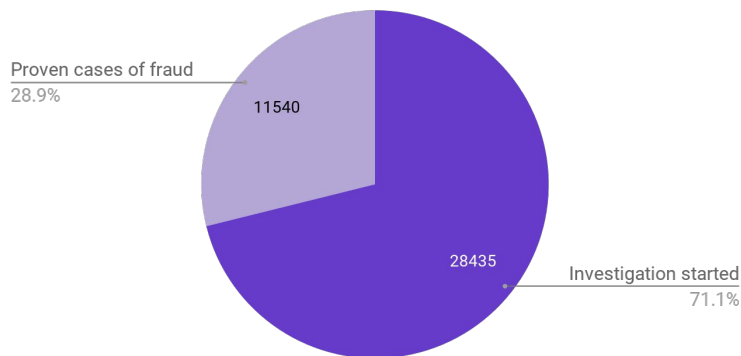
Claims
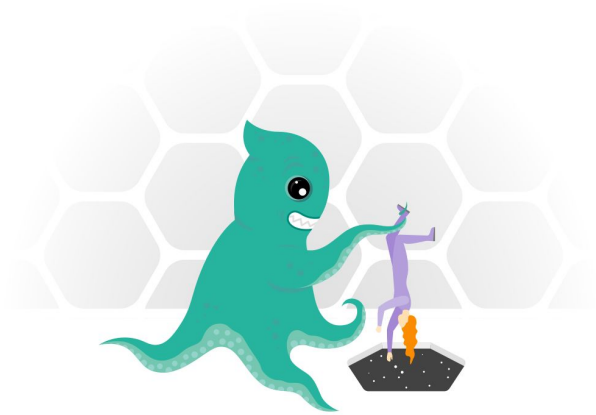
- Claims could be handled using a chat function inside the application, with the possibility of using a chat bot. A chat bot is a possibility because the same basic information is needed every time.

- An alternative to this is to use a static form, where all needed information is to be entered by the claimant, and passed to the insurance provider.

- To help prevent fraud, pictures can be added to the Pivot application at any point. Users can be prompted to take a picture of the item to be insured when they toggle on the insurance, when they toggle it off, and when making a claim.

There are multiple options on how to handle claims. The Pivot application can be adapted to fit into existing systems and practices.

Fraud

Insurance fraud in the Netherlands

Proven cases of fraud
28.9%

11540

28435

Investigation started
71.1%

Fraud is a recurring problem in the insurance sector. Only a small percentage of insurance customers commit fraud, and the consequences of committing fraud are heavy. Individuals caught with fraudulent claims are listed in a database by Centrum Bestrijding Verzekeringscriminaliteit (CBV), and will have trouble getting any further damage insurances.

Insurance providers continuously get better at detecting fraud. Around a third of all investigations into fraud leads to a proven case of fraud. In 2017, this lead to around 11.000 individuals being caught with insurance fraud in the Netherlands.

"Insurance providers continuously get better at detecting fraud"

Technology

To create Pivot as an application, Mendix is used. Mendix is a low code application development platform used to enable model driven development. Using the Mendix system a smaller team can create high quality applications in a short period of time, allowing a short time to market. If more flexibility and performance is needed, the choice can be made to switch to a different technology.

One option is to use a native framework such as React Native. This type of framework makes use of Javascript to enable the use of one code base for multiple platforms. The developer hours needed for creating an application are somewhat higher than when using Mendix, but higher performance and flexibility can be expected in return.

Creating native applications is the most expensive option, but also the one with the best performance, as the application is programmed directly in the native language of the operating system. For IOS, applications are developed in Swift, for Android in Java. This means that multiple code bases will need to be maintained, which adds to cost.

Marketing

"What to market"

Frist, there is **target marketing**. The objective is to target the social groups that fit the background and ambition of our company: young, progressive and flexible.

Secondly, there is **relations marketing**. Sustainable relations need to be set up with partners and insurance 'suppliers'. It is important to radiate trust and an understanding of business. This is will be an utmost important and fragile bridge between new and conventional, business and IT, incumbent and newcomer. Highly business and organization oriented information and communication academics will have to take up this role.

Strategy

During our market entry we want to reach the widest millenial target group, for the largest groups of items that are least insured, with our limited marketing resources. Therefore we should first enter the market offering phone, laptop and camera on-demand insurance and market on these technology items. In the future we should remain aware of market needs and expand to other objects and subjects that can be insured, and offer specific marketing regarding the new functionality.

Promotion

- Focus on sustainable business relationships with incumbent insurers.
- Target existing customers of the partnered insurance firm
- Target the millenials at places where they gather such as festivals
- Pricing of our policies should be kept low for rapid market penetration

Distribution
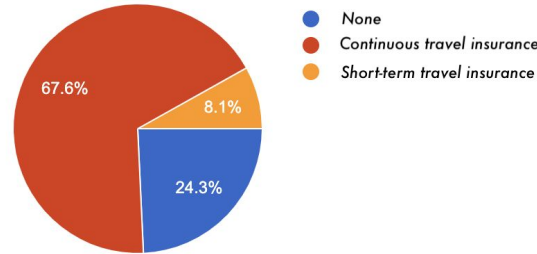
Apple "App" Store and Google Play

Marketing

Market knowledge

Understanding the market helps to reach the full market potential of the new product. In this case, numbers are important. In order to gain proper market insight an analysis of policies, competitors and customers is made. Market knowledge that was not available is gathered ourselves by setting out a survey.
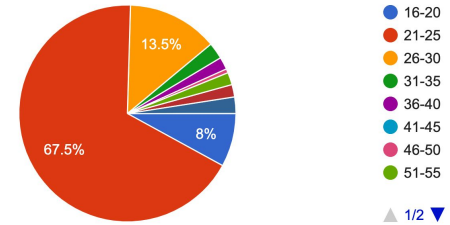
Marketing action

For example, there are 3 million millennials, and 13% of them have their phones insured. This means that there are at least 87% of the millenials, resulting in 2.6 million potential customers for on-demand phone insurance. Knowing 20% of the phone users have a damaged phone, at least 500.000 uninsured people have phone damaged. These people will likely be interested in a short term phone insurance policy.
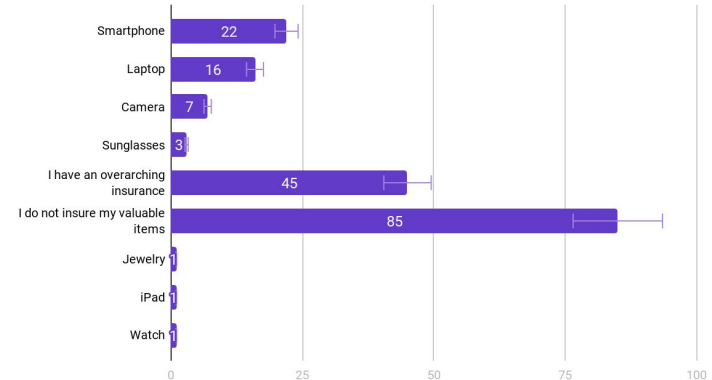
Kind of travel insurance

- None
- Continuous travel insurance
- Short-term travel insurance

67.6%
8.1%
24.3%

Age distribution among our respondents (175)

- 16-20
- 21-25
- 26-30
- 31-35
- 36-40
- 41-45
- 46-50
- 51-55

△ 1/2 ▽

13.5%
8%
67.5%

What kind of insurance do consumers have?

Smartphone	22
Laptop	16
Camera	7
Sunglasses	3
I have an overarching insurance	45
I do not insure my valuable items	85
Jewelry	1
iPad	1
Watch	1

Marketing

Insurers that target the same customer segment
Brand awareness is a crucial aspect when it comes to the consumers choice of product. There is always a manner of competition with insurers who target the same segment. Even when the policies of manner of insurance differ, customers like to choose a brand that they think they trust the most. Therefore we need to differentiate and excel in our marketing in comparison to competitors that target the same segment. Insurers do not specifically target Millennials yet. ZIlveren Kruis is however on point with social media marketing.

Five kinds of competitors

Non   insurers
There is always a tradeoff whether to insure your valuable items or to have them repaired once they are broken. This is of course excluded from loss and theft. These repairing companies also target Millenials, e.g. *The Phonelab.*

Tech-companies
Technology centered companies have the ability to copy our work. This is not likely now. However, tech giants like Google or Amazon have the resources to provide financial services and they have particular interest in smart insurance services.

Insurers that offer continuous policies for similar objects and activities
There are 89 travel insurances offered by 36 insurance providers.
There are numerous phone insurances. Insurers also offer bundle insurances for valuable items.

Insurers that offer on-demand policies for similar objects and activities
This category of competitors is not directly prevalent in the Netherlands but might appear in the Netherlands or move to the Netherlands at any time. Also, similar kinds of insurers might restrain our market access.
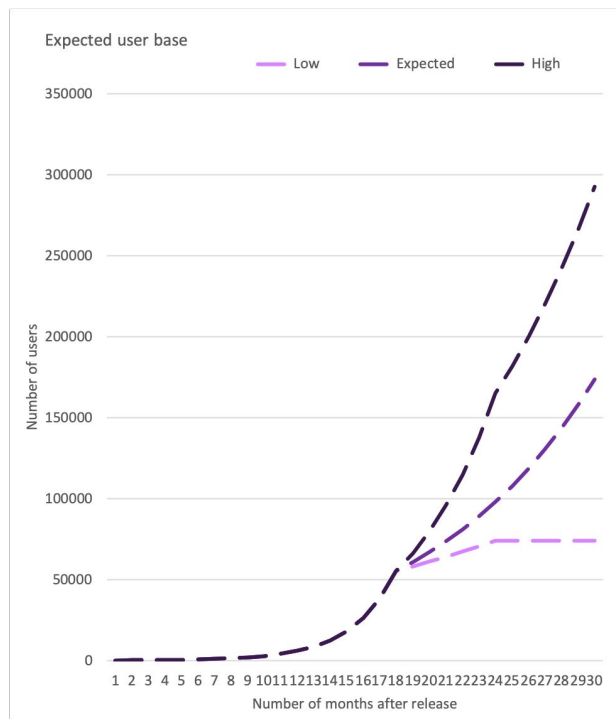
Growth
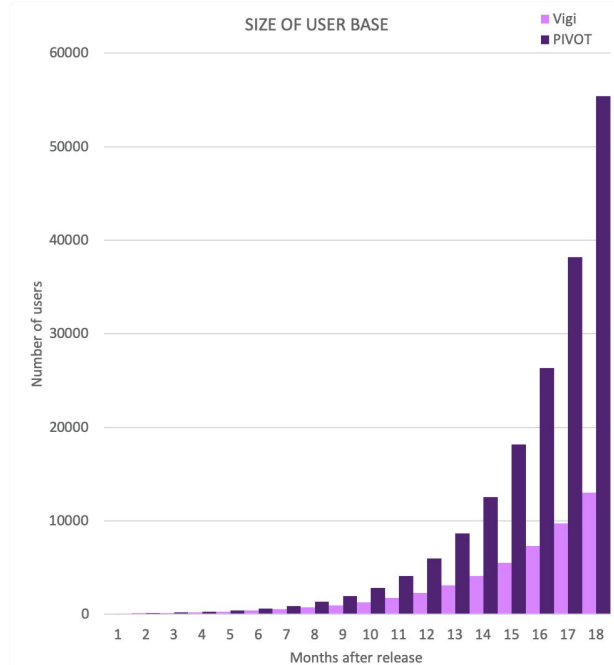
The size of PIVOT is determined in the number of users to use the PIVOT app, called the user base. The expected growth is based on Vigi's known growth. In December 2018, Vigi stated that they had 13.000 users 18 months after their release. This encompasses a average monthly growth of roughly 33%. PIVOT is expected to outperform Vigi and thus an average growth percentage for the first 18 months of 45% is maintained. From month 19 to 24 the monthly average growth is expected to decline to 20% and from month 25 to 30 to 10%.

These growth figures are estimates based Levitt's product maturity curve. We expect a lag in growth due to difficulties attracting early adopters. the decline in growth of the user base is expected after year three because PIVOT will keep expanding its markets internationally.

Two years after the release of the app, the size of the user base will be 98.000. The growth figures are setup so that the absolute differences in user base don't differ drastically per month.

Scenarios

Expected user base

Number of users — Number of months after release

Due to the uncertainty, different estimations are made. Resulting in:

1. Scenario low, which has a lower growth in user base,
2. Scenario expected, as described in the previous paragraph,
3. Scenario high, which has a higher growth in user base.

The growth figures are shown below. These scenarios are used in the financial calculations further on.

When the envisioned market penetration of three percent is expanded to Europe. A user base of over three millions users is generated. This will mean that the user base will increase by 43% per month on average for three years in a row.

Months after release	Scenario low	Scenario expected	Scenario high	Scenario Europe
1-18	45%	45%	45%	43%
19-24	5%	10%	20%	43%
25-30	0%	10%	10%	43%

Pricing

PIVOT will generate revenue in three manners.

Development fee

By engaging in a partnership, development costs are paid upfront. These development costs amount to €75,000.

These costs are paid upfront to assure commitment from insurers. When insurers are not financially involved, their interest will diminish.

Signing bonus

For every new customer, we want to receive a signing bonus of €5. This will incentivize PIVOT to promote the app.

This revenue stream might limit the marketing efforts of insurers, as they are charged for gaining additional customers for their app and thus they are charged for successful marketing efforts. Incentivizing acquisition of new customers by PIVOT is desirable since marketing efforts should be dual.
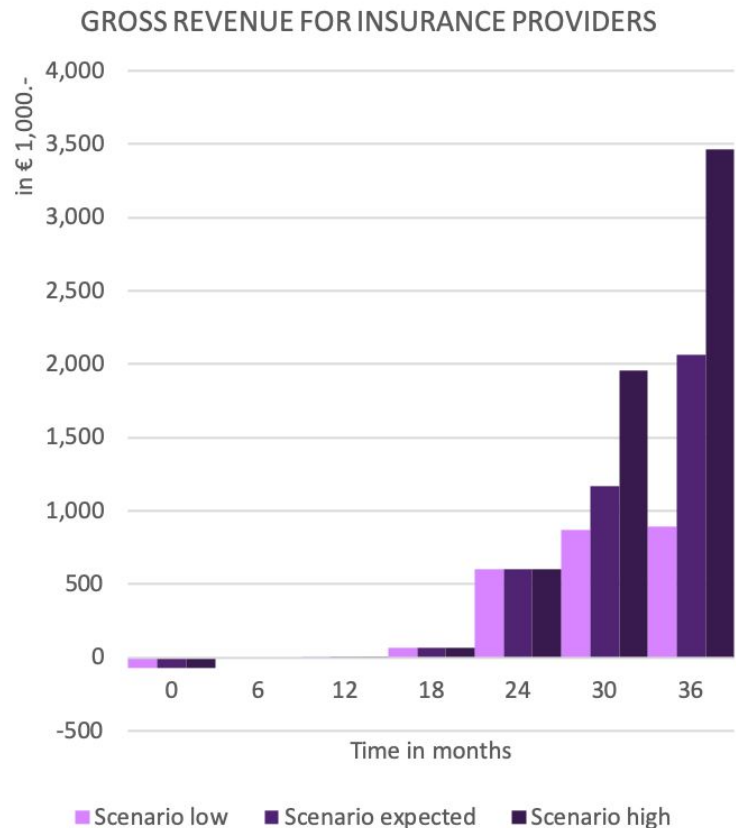
Percentage of premiums

For all paid premiums, PIVOT will receive 10% as payment.

This pricing plan is set up according to the rates offered in a confidential affiliate contract at a well-known business to business insurance firm. These rates can differ, insurance comparison websites receive varying fees up to 20% of the paid premium for different types of insurance.

Fees and income for insurers

The gross profit for insurers is calculated based on the revenue sources on the previous page. The development costs paid upfront are €75,000. Signing bonuses are charged at €5.- per new user. The revenue generated by the product is divided in two, 10% of the total earnings are for PIVOT, 90% of the total earnings is for the insurance provider.

When interpreting these numbers, it must be understood that the stated expenses are not the only expenses fur insurers. These figures refer only to transactions between PIVOT and insurers.

GROSS REVENUE FOR INSURANCE PROVIDERS

in € 1,000.-

Time in months

■ Scenario low ■ Scenario expected ■ Scenario high

Revenue

The Revenue table shown above shows the revenue for PIVOT in scenario expected. Alternative scenarios provides different revenue. The total revenue at the end of year three for scenario low is €1.933.160,32. For scenario high, the expected total revenue at the end of year three is €4.002.673,85.

The expected costs for the first three years are calculated based on expensenses displayed on the next page. On page 23 the revenue versus the expenses are displayed.

Income	0	6	12	18	24	30	36	Total
Development fee	€75.000,00	€75.000,00	€150.000,00	-	-	-	-	€300.000,00
Signing bonus	€0,00	€0,00	€3.204,87	€26.581,53	€247.051,82	€42.719,51	€75.680,23	€395.237,96
Percentage of premiums	-	-	€3.845,84	€35.743,68	€332.205,86	€588.522,94	€1.042.604,30	€2.002.922,62
Total	**€75.000,00**	**€75.000,00**	**€157.050,71**	**€62.325,21**	**€579.257,68**	**€631.242,46**	**€1.118.284,52**	**€2.698.160,58**

Costs

Office space at Spacesworks: Working space for seven employees. Estimated at €1,700.- per month, price provided online at www.spacesworks.com

Developer back-end   €53,495.- per year, average annual salary at www.glassdoor.com

Developer front-end   €59,948.- per year, average annual salary at www.glassdoor.com

Marketing communications manager   €74,256.- per year, average annual salary at www.glassdoor.com

Hosting   The cost of 3-Tier Auto-scalable Web Application Solution is €763.90 per month. This is converted from the rate of us dollars at the 27th of june.

Laptop x 5   Estimated budget at €1,500.- per laptop for standard issue high-end laptops.

Workspace electronics x5   Includes peripherals. Estimated budget at €500.- employee.

Workspace infrastructure   Includes routers, servers, etd. estimated budget at €4,000.- .

Software licences: For required software packages for developers. Software licences: Estimated at €20.- per employee per month.

Expense coverage   Monthly salary to provide as income for founders and owners. Set at €1,500.- per founder per year.

Marketing campaign   Budget estimated at €250,000.- per year.

Overhead: Unexpected costs.   Calculated at 10% of total annual costs.

Profits vs Expenses

Profits vs. Expenses		year 1	year 2	year 3
Scenario low	Profits	€304.486,81	€641.582,89	€984.526,72
	Expenses	€587.092,88	€653.092,88	€653.092,88
	Total	**-€282.606,07**	**-€11.509,99**	**€331.433,84**
Scenario expected	Profits	€304.486,81	€641.582,89	€1.749.526,98
	Expenses	€587.092,88	€653.092,88	€653.092,88
	Total	**-€282.606,07**	**-€11.509,99**	**€1.096.434,10**
Scenario High	Profits	€304.486,81	€641.582,89	€3.054.040,26
	Expenses	€587.092,88	€653.092,88	€653.092,88
	Total	**-€282.606,07**	**-€11.509,99**	**€2.400.947,38**

BUILDING THE FUTURE OF INSURANCE

www.pivotverzekering.nl