



October 2020

2020 Connecticut insurance market brief

Insurance Now: Ready and Resilient

The eighth in a series on the Connecticut insurance market





About PwC

With approximately 900 partners and staff in our Hartford and Stamford offices, PwC is committed to serving Connecticut and its many thriving industries, including insurance.

As a leading provider of assurance, tax and advisory services to insurance companies, we have extensive experience helping this rapidly-changing industry innovate for growth and profitability. We help insurance companies innovate from ideation through execution, and help InsurTech companies accelerate adoption and scale their businesses to reach their full potential.

Globally, our network has more than 276,000 people in 157 countries. Our specialists have a proven record of helping insurers, in Connecticut and around the world, to look beyond the traditional boundaries of the insurance business, embrace new ways of working and interacting with customers, and develop new possibilities for what their business can deliver.

Learn more at www.pwc.com.

About Connecticut Insurance & Financial Services (CT IFS)

Connecticut Insurance and Financial Services (CT IFS), formed in 2003, is a statewide initiative of the MetroHartford Alliance comprised of 27 member companies in Connecticut's insurance and financial services sector. CT IFS' Board of Directors engages around a shared vision: to create competitive advantages in business attraction and retention, to sustain recruitment and education of a trained workforce and to increase public awareness of the industry's critical economic importance.

Learn more at www.connecticutIFS.com.

A message from PwC

This *2020 Connecticut insurance market brief* (Brief) is the latest in a series of reports on the insurance industry in Connecticut and its connection to the global insurance ecosystem. Additionally, this Brief is a companion document to the Insurance Capital Summit (Summit) held on October 22-23, 2020.

When we first began planning this year's Brief and Summit, we shifted our timeframe from Fall 2018 to Summer 2020 to align with the Travelers Championship and showcase Connecticut from an insurance and community/sports perspective. Little did we know that the COVID-19 pandemic had different plans for us, forcing the world into quarantine, postponing the Brief and Summit and playing the Travelers Championship without on-course spectators.

During this time, COVID-19 has changed many things, but not the importance of insurance or the innovation and resilience that have sustained the Connecticut insurance industry for over 225 years. As we wrote in our very first Brief "Connecticut's insurance industry enjoys a rich history of innovation, challenges and success. From our early days as industry pioneers

to more recent corporate mergers, acquisitions and divestitures, Connecticut's insurance sector continues to prosper. With each new challenge comes a new growth opportunity."

Therefore, as you read this year's Brief, we hope you see perseverance and potential in the face of current challenges and that continued innovation and growth of our InsurTech ecosystem is more important than ever.

It has been a pleasure working with Connecticut Insurance and Financial Services on the Brief and Summit and our sincere thanks goes to all who have participated. Through continued teamwork and investment in the industry, we can all play a part in helping move Connecticut forward.



A handwritten signature in black ink, appearing to read "Paul V. Veronneau".

Paul V. Veronneau
Principal and Hartford
Advisory Leader
PwC

A message from CT IFS

The essence of work has changed across all industries and so has risk management and risk tolerance. Global issues of health, new consumerism and demographics, regulatory pressures and the digital economy have forced industry shifts and the insurance industry has had to adapt quickly to those changes. Innovation and agility are the new norms. Robotics, AI, IoT, and virtual work platforms are the new models.

The Brief explores and explains the new normal in our daily lives, in the way we work, and how that's impacting risk and innovation for the global insurer of today. Thank you, PwC and Connecticut's insurance industry, for providing a glimpse into the future of insurance and how the Insurance Capital is in the center of it all.



A handwritten signature in black ink, appearing to read "Susan C. Winkler".

Susan Winkler
Vice President and
Executive Director
CT IFS



A handwritten signature in black ink, appearing to read "Eric Galvin".

Eric Galvin
Chairman of the Board, CT IFS,
Executive Vice President, Chief
Growth Officer, EmblemHealth,
and President, ConnectiCare



A handwritten signature in black ink, appearing to read "David Griggs".

David Griggs, CEcD
President and Chief
Executive Officer
MetroHartford Alliance



In honor of and with dedication to:

R. Nelson "Oz" Griebel, former CEO and President of the MetroHartford Alliance, whose vision and passion for Connecticut's insurance and financial services industry helped to sustain its economic importance in the State and establish for all of us, a strong foundation for the future. "Onward and Upward."

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What makes Connecticut a great place for insurance?



Glendowyn Thames
Deputy Commissioner,
Department of Economic and
Community Development

In partnership with some of the leading U.S. insurers located in Hartford, we are using the power of innovation and providing linkages between industry experts and technology pioneers to help shape the future of the insurance industry. Our notable InsurTech ecosystem continues to thrive, and will solidify Hartford's position as the Insurance Capital.



Mike Haylon
Head of Conning North
America, Conning

We have a tremendous pool of talent and expertise in insurance and financial services in Connecticut that has developed over decades, and represents a significant competitive advantage.



Anurag Shah
Chief Executive Officer and
Co-Founder, Aureus Analytics

In our quest to find a home for our business in North America, Connecticut offered us the best mix of access to potential customers, insurance talent and investors who understand our space. It was an obvious choice! I would highly recommend it to anyone who wants to focus on the insurance industry!



Duncan Stuart
President,
New England Market, Aetna

Aetna has a longstanding relationship in the Hartford community as a valued provider since the early 1850's and since Connecticut's economy is driven largely by the insurance industry, providers have a unique opportunity to continue to deliver innovative health solutions. Aetna is committed to transforming our services and product offerings to ensure the best consumer experience.

Recent insurance happenings in Connecticut

Insurance has been a dominant industry in the state of Connecticut and in the city of Hartford for about 225 years. Below is a timeline of recent events that are shaping the future of insurance in Hartford and around the state. Please refer to previous editions of the Connecticut insurance market brief for key events prior to November 2018.



Timeline of events*

November 2018

- CVS Health (NYSE: CVS) completed its acquisition of Aetna (NYSE: AET).
- The City of Hartford joined the City Innovation Ecosystem Program hosted by the National League of Cities and Schmidt Futures. The program aims to support 50 cities that have made commitments to local entrepreneurship, STEM education, or innovation.¹
- Hartford InsurTech Hub, powered by Startupbootcamp, announced the 2019 cohort of startups for its second acceleration program. The chosen startups cover a wide range of abilities, from property insurance claims to peer-to-peer Insurance.²

December 2018

- Cigna completed its combination with Express Scripts Holding Company.
- The Hartford purchased Y-Risk, a company specializing in insurance for the sharing and on-demand economy.
- The Connecticut Department of Insurance announced its participation in a pilot program to test a web-based platform that applies machine learning to determine if it improves the regulatory reviews of insurance company filings and ultimately moves approved products more quickly to the market for greater consumer choice.³

January 2019

- CT IFS held its annual Get Hired career fair for college students on January 11. Get Hired showcases the dynamism of the insurance and financial services industry in Connecticut while generating talent attraction and retention. A record of 355 students and recent graduates from 75 colleges and universities in Connecticut and across the U.S. attended the event.
- Eric Galvin, President of ConnectiCare was named Chairman of Connecticut Insurance and Financial Services.
- Hartford InsurTech Hub hosted a panel discussion, *Actuarial Science for the InsurTech Perspective*, which focused on the changing field of actuary research.⁴
- The Connecticut Insurance Department recovered nearly \$8 million for policyholders and taxpayers in 2018, helping individuals, families and employers with their claims and complaints.⁵

*Provided by companies/organizations listed, except where noted.

February 2019

- Hartford InsurTech Hub and BlockchainCT hosted, *Blockchain in Connecticut*, which focused on blockchain and how regulations may need to be structured to best support blockchain use cases with the insurance industry.⁶
- Andrew Mais named Commissioner of the Connecticut Department of Insurance.⁷
- ConnectiCare rebranded Care Management Solutions, Inc. subsidiary as WellSpark.

March 2019

- Harvard Pilgrim Health Care celebrated its 50th anniversary.
- Luminant Analytics, a B2B company from Switzerland that provides analytical insights and predictive models for insurance companies relocated to Hartford.⁸

April 2019

- Covr Financial Technologies, an Idaho-based provider of digital life insurance platforms opened a second corporate office in downtown Hartford.⁹
- Hartford InsurTech Hub, powered by Startupbootcamp, hosted its second Demo Day and showcased the technologies and achievements of the 10 InsurTech startups that went through the 12-week program.¹⁰

May 2019

- Sureify, a leading digital platform for life and annuity insurance companies, headquartered in Silicon Valley opened an office in Hartford.¹¹
- Bouvier Insurance celebrated its 60th year in business.
- ConnectiCare formed a strategic partnership with Silver Fern Healthcare, a startup based in West Hartford.
- The Connecticut Captive Insurance Association hosted its eighth annual Collaborative Event, *How Captive Owners Get the Most Value from their Service Providers* in Hartford.¹²

June 2019

- InsurTech Hartford hosted *Data in Insurance*, which focused on how insurers are discovering ways to harness the power of the data they hold, and how insurers are innovating with data, and the opportunities and challenges it creates.¹³
- CT IFS moderated a panel of national and global insurers at the *InsurTech Insights' Global InsurTech Leaders' Summit* in NYC.
- Hartford InsurTech Hub hosted *Making Innovation Happen in a Big Company*. The program focused on common obstacles and enablers of innovation in big companies; offered examples of who is doing what, and helped participants understand what stage of innovation "evolution" their company was at.¹⁴
- As part of an economic development partnership, CT IFS and the Department of Economic and Community Development (DECD) exhibited at the annual National Association of Commissioners' Innovation Symposium in Kansas City, Missouri.

July 2019

- The Travelers Tower celebrated its 100th anniversary in the summer of 2019.
- Bouvier Insurance acquired The Marcucilli Agency, Inc. in Bethel, Connecticut.
- Lincoln Financial Group hosted high school and college students for an Actuarial Boot Camp in Hartford, sponsored by CT IFS, providing a glimpse into the actuarial profession, actuary-led math instruction, career guidance and networking opportunities.

August 2019

- Harvard Pilgrim Health Care and Tufts Health Plan signed a definitive agreement to combine the two organizations.
- CT IFS, DECD and CT Captive Insurance Association hosted a business development meeting to recruit captive insurance companies to Connecticut at the Vermont Captive Insurance Association's annual conference.
- The Hartford announced a loan repayment plan to help reduce employees' student debt.

September 2019

- Combined Ratio, an InsurTech services provider specializing in maximizing the value property-casualty insurance companies opened in Hartford.¹⁵
- The DECD, Launc[H], Hartford InsurTech Hub and CT IFS exhibited at InsureTech Connect in Las Vegas on September 23-25. Over 600 visitors learned about innovation at the insurance capital's booth.

October 2019

- Prudential Financial acquired Assurance IQ, Inc., a fast-growing direct-to-consumer platform.
- Harvard Pilgrim introduced SmartStart, a program they created to seamlessly onboard and engage new members.
- Pineapple, a South African developer of a peer-to-peer insurance app, won the top \$1.5 million prize at Connecticut Innovations' (CI) fourth annual VentureClash pitch competition. The Pineapple app enables users to insure almost any individual item in under a minute with the snap of a mobile phone camera.¹⁶

November 2019

- Lincoln Financial Group celebrated their 50th anniversary on the NYSE.
- Hartford InsurTech Hub, powered by Startupbootcamp, announced its 2020 cohort of startups. The 11 startups selected possessed a wide range of capabilities supporting health and property-casualty insurers.¹⁷
- CT IFS co-hosted a trade mission to Hartford with the U.K. Department of International Trade. Startups from the U.K. met with chief officials, other startups and insurers.
- The InsurTech Hartford Symposium was held on November 5-6 and brought together insurance professionals, technology providers and InsurTech startups to identify the biggest challenges facing the insurance and InsurTech industries and how they can be addressed.^{18 19}

- The first case of someone in China suffering from COVID-19, the disease caused by the novel coronavirus, can be traced back to November 17, 2019.²⁰

December 2019

- The Connecticut Insurance Commissioner created an Advisory Council on Technology to share information to consumers and other stakeholders, including the industry, regulators, technology companies and InsurTechs to help shape the future of how insurance will be managed and marketed to consumers.²¹
- Cigna expanded access to behavioral telehealth in partnership with MDLive, followed by additional providers in 2020.

January 2020

- Twenty-eight insurance and financial services companies joined CT IFS for Get Hired 2020 on January 3, ready to meet students and recent graduates seeking internships and full-time roles. The career fair attracted 300 talented future leaders to Connecticut's insurance and banking industries.
- The first confirmed case of novel coronavirus in the U.S. was reported on January 20, 2020.²²

February 2020

- Digital Health CT, powered by Startupbootcamp held its Demo Day on February 10 at The Bushnell to celebrate the accomplishments of 10 innovative companies that spent 14 weeks working together to transform healthcare by applying technology to improve access, quality, safety and the patient/customer experience.²³
- InsurTech Hartford hosted a pitch night competition and provided new startups and entrepreneurs an opportunity to connect with incumbents, insurers, brokers, venture capitalists, regulators and advisors and present their ideas to a panel of judges with expertise in the field of start-up development, insurance and technology.²⁴

- Delta Dental of Connecticut, Inc.'s fully-insured group dental covered members grew by 30% over the past two years.
- Travelers announced the Travelers Paying it Forward Savings Program to help its U.S. employees save for retirement while tackling student debt.

March 2020

- HSB launched a new brand powered by technology.
- Delta Dental of Connecticut, Inc. has almost 5,000 Individual and Family Dental Plans in only three years since it launched.
- Hartford InsurTech Hub launched Hartford InsurTech Hub 2.0, a new initiative focused on providing innovative solutions to Life, Annuity, Retirement, Long Term Care and Employee Benefits insurers and providers.²⁵
- The Governor of Connecticut announced the first positive case of novel coronavirus involving a Connecticut resident.²⁶
- CVS Health announced several actions to support Aetna members in response to COVID-19 including waived cost-sharing for diagnostic testing related to the virus, waived member cost-sharing for any covered telemedicine visits, delivery of Aetna's Healing Better care packages to members diagnosed with COVID-19, and an extension of its Medicare Advantage virtual evaluation and monitoring visit benefit.

April 2020

- The Governor of Connecticut announced a 60-day grace period for premium payments, policy cancellations and non-renewals of insurance policies beginning April 1 to help those who have been furloughed, laid off or fired during the coronavirus crisis and were unable to make insurance payments. This includes life, health, automotive, casualty and other types of insurance plans.²⁷
- Hartford InsurTech Hub's Virtual Demo Day was held on April 28 and showcased the 11 startups and celebrated the transformation they went through and the results they achieved since the beginning of the program in February. After the program ended, Hartford InsurTech Hub announced that they will be closing offices as the programming moving forward is under consideration.²⁸

- The Connecticut Insurance Department announced an initiative to work closely with accounting firms in the state to expand their presence in the captive insurance company market. The state feels that accounting firms, as the "trusted advisor" to most mid-sized businesses, are best positioned to assist in the education and communication of the benefits of captive insurance companies to these businesses.²⁹

- The Governor of Connecticut and the governors of 5 other states (New York, Rhode Island, Pennsylvania, New Jersey and Delaware) announced the formation of a multistate council to get people back to work and restore the economy.³⁰
- The Connecticut Insurance Commissioner asked insurers to consider lowering personal vehicle premiums and adjust commercial hired and non-owned auto insurance in light of the disruption caused by the COVID-19 pandemic.³¹
- The Connecticut Insurance Department expedited approval of front-line healthcare worker 'No-Cost' life insurance coverage during the COVID-19 pandemic.³²
- Cigna Foundation launched the Brave of Heart Fund to support families of healthcare workers who die fighting COVID-19.

May 2020

- Cigna launched several virtual services to support mental and emotional health and address COVID-19.
- Governor Lamont's Reopen Connecticut Advisory Group was disbanded on May 20, when the state's first phase of the new normal began.³³
- As part of the company's comprehensive efforts to help slow the spread of the virus, CVS Health opened more than 2,000 COVID-19 test sites at select CVS Pharmacy drive-thru locations across the country, including 34 sites in Connecticut.

June 2020

- InsurTech Hartford held its annual Innovation Challenge virtually on June 18 and crowned four winners. Winners included New Jersey-based Infiniquo Inc., which makes virtual training simulations; Tide Foundation, an Australian IT and tech services company; Cambridge, Massachusetts-based Hosta Labs Inc., which uses artificial intelligence to create floor plans; and Sigo Insurance Services LLC, a New York-based mobile-first car insurance company.^{34 35}
- The Connecticut Insurance Commissioner and the Commissioner of Economic and Community Development reminded businesses of the importance of checking to make sure their insurance coverage accurately reflects any changed circumstances as they move to comply with the State of Connecticut's reopening guidelines during the COVID-19 pandemic.³⁶
- Aureus Analytics, a global artificial intelligence technology company that provides customer experience solutions to the insurance industry, and Insuritas, a provider of white-labeled insurance agencies for financial institutions, announced that Insuritas has selected DONNA to improve their customer experience.³⁷
- This year's Travelers Championship was a TV-only event, with no spectators permitted on the grounds at TPC River Highlands due to the ongoing effects of the COVID-19 pandemic.³⁸

July 2020

- CT IFS moderated a panel of U.S. rating agencies and insurance regulators.
- CT IFS and Vantis Life Insurance Company presented the first, virtual Actuarial Boot Camp from July 20-24. Twenty-two high school students/college freshmen were selected to participate. The camp included a five-day virtual lesson in probability, 13 guest speakers from property-casualty, life and health insurance companies. Vantis Life also sponsored the students' fees for their first probability actuarial exam offered by the Society of Actuaries.
- Connecticut is among three states with the lowest COVID-19 positivity rates in the U.S.³⁹
- Cigna announced a comprehensive, five-year initiative to combat systemic racism and advance equity and equality.

August 2020

- The Governor of Connecticut announced that more than one million COVID-19 PCR-based diagnostic tests have been recorded in Connecticut – a major accomplishment that has helped the state remain one of the few in the nation to keep the virus contained to low levels of transmission throughout the summer.⁴⁰

September 2020

- Governor Lamont extends Connecticut's state of emergency in response to the COVID-19 pandemic to February 9, 2021 in order for the state to effectively respond to the unprecedented and ongoing global pandemic.⁴¹
- As part of the InsureTech Connect (ITC) Global conference, ITC also hosted an "ITC World Tour" which consisted of start-up pitch events in 35 major insurance cities across the globe. InsurTech Hartford, CT IFS, and Launc[H]artford partnered to bring this event to Hartford. This event brought recognition to our Hartford entrepreneur ecosystem and showcased the strength of insurance companies, startups, and insurance professionals.
- As part of their five-year celebration, Innovation Destination Hartford hosted panel discussions during the week of September 14, including one on Insurance/InsurTech.⁴²

October 2020

- The DECD and CT IFS represented the Insurance Capital at the annual ITC Global conference, which was held virtually this year on October 19-21.
- CT IFS presented its eight annual Insurance Capital Summit virtually on October 22-23 and collaborated with PwC to publish the *2020 Connecticut insurance market brief*.

CEO Action for Diversity & Inclusion™

PwC co-founded and launched CEO Action for Diversity & Inclusion™ — the largest CEO-driven business commitment to advance diversity and inclusion within the workplace in 2017. Today, CEO Action for Diversity & Inclusion is the largest CEO-driven business commitment to advance diversity and inclusion within the workplace.

This commitment is driven by a realization that addressing diversity and inclusion is not a competitive issue, but a societal issue. Recognizing that change starts at the executive

level, more than 1,200 CEOs of the world's leading companies and business organizations, including several CT IFS member companies, are leveraging their individual and collective voices to advance diversity and inclusion in the workplace.⁴³

Learn more at
<https://www.ceoaction.com/about/>



1,200
signatories



85+
industries represented



13M
employees represented



1,000+
actions shared



21
categories of learning



100+
Examples of how companies are
standing up to racial injustice

Connecticut's insurance industry

Insurance by the numbers

Insurance has been a mainstay in Connecticut's economy dating back some 225 years. Today, Connecticut's insurance industry continues to be a very important economic driver to our local economy and nationally as evidenced in the rankings below:



And, 1 new job in the insurance industry on average adds 4.4 jobs to the Connecticut economy through induced and indirect effects.⁴⁸



Connecticut ranks **#3 in the U.S.** in direct written premiums and is home to **1,478** domestic and non-domestic insurance carriers including accredited reinsurers, U.S. and foreign excess and surplus lines carriers, fraternal benefit societies and title companies.⁴⁹ Collectively, these insurers write **\$39.1 billion** in direct written premiums for the Connecticut market and **\$193 billion** in premiums written in all markets.⁵⁰ The insurance industry ranks **#1 nationally** in gross state product as a percentage of total gross state product and contributes **7.76%**⁵¹ or **\$22.3 billion** to Connecticut's GSP.⁵²



By sector, Connecticut ranks **#1 in the U.S.** in direct written **health** insurance premiums and has **41** domestic and non-domestic health insurers in the state writing **\$11.6 billion** in direct written premiums. The state ranks **#6** in the U.S. in direct written **life** insurance premiums with **344** domestic and non-domestic life insurers in Connecticut writing **\$4.1 billion** in direct written premiums. With **782** domestic and non-domestic property-casualty insurers in the state, writing **\$3.5 billion** in direct written premiums, Connecticut ranks **#6 in the U.S.** in direct written **property-casualty** premiums.⁵³



At **2.99%**, **Connecticut ranks first nationally** in insurance carrier employment as a percentage of total employment and provides annual average wages of more than **\$146,725** for approximately **70,396** insurance carrier and related full-time employees. At 6%, the state also leads the nation in insurance payroll as a percentage of total payroll.⁵⁴



Moreover, with **1,350** actuaries working in the state, Connecticut has the highest concentration of actuaries in the U.S.⁵⁵

2020 representative sample of insurance company employees in Connecticut

Company	Number of CT employees
Aetna, a CVS Health company	5,246
Amica Mutual Insurance Company	147
Bouvier Insurance	120
Cigna	4,520
ConnectiCare	650
Delta Dental of Connecticut, Inc.	8
The Hartford	6,500
Harvard Pilgrim Health Care	25
Lincoln Financial Group	600
HSB	558
Prudential Financial	1,398
Symetra Financial Corporation	200
Travelers	7,400

Source: Provided by companies listed.

Insurance regulation in Connecticut

The Connecticut Insurance Department

Commissioner Andrew N. Mais leads the 150-year-old Connecticut Insurance Department (CID), whose core mission is consumer protection. With an annual budget of \$31.4 million, the Department judiciously regulates most of the largest insurers and works to foster market competition and growth consistent with state law. The agency provides outreach and education to help consumers make informed buying decisions and ensures they are treated properly. The Department is responsible for regulating insurance companies to maintain financial solvency and administers state-based oversight relevant in a global economy.

The COVID-19 impact

Connecticut has seen consumers and insurers face unprecedented challenges during this difficult time. The COVID-19 pandemic has forced businesses and regulators across the country to change the way they operate to meet the needs of their customers and employees. The CID is no different, having successfully transferred 90% of its staff to telecommuting within a week's time. Simultaneously, the CID drafted bulletins to allow regulated entities the ability to better operate remotely. Carriers also stepped up to meet this challenge. Some notable consumer-focused actions included payment parity and waived cost sharing for telemedicine. Carriers processed customer premium rebates, credits and reimbursements due to fewer drivers on the road and a consequent reduction in the miles being driven. The CID will continue providing the ongoing support, vigilance and advocacy consumers need as a result of this pandemic.

Ongoing issues highlighted by the pandemic include the cost of insurance and consumer inclusion. This pandemic has put a spotlight on the need for people to have access to insurance at a reasonable price. The insurance industry can help lead the charge in making insurance more accessible and inclusive, possibly through products like microinsurance or through technology solutions with InsurTechs. CID is here to help foster InsurTech and remove regulatory barriers for sensible microinsurance products.

Last year, the Department recovered nearly \$4.4 million for policyholders and taxpayers by working with individuals, families, and employers to settle their claims and complaints.

Source: Connecticut Department of Insurance

A Connecticut insurance regulatory perspective



Andrew N. Mais
Commissioner
Connecticut Insurance Department

Q: What are the top three issues your staff is focused on in 2020?

A: CID's charge is consumer protection and that will always be our top priority. In addition to addressing the impact of COVID-19, the main issues we are focused on for 2020, (not in order of importance) are healthcare, innovation and inclusion/equity. We want to make sure the health insurance marketplace is accessible to all consumers. We also work closely with InsurTechs, consumer advocates and industry experts through our recently established advisory councils to better understand the regulatory roadblocks they face as startups or in the implementation of new products. Through these interactions, we can better support their efforts to provide consumers access to innovative products. Another important area of focus is inclusion in the marketplace and in the industry. Consumers and industry alike can benefit from having a more diverse workforce, through the incorporation of differing experiences to aid the creation of products able to address the needs of all members of our state's diverse population.

Q: How does CID collaborate with insurance companies and InsurTechs on regulatory matters?

A: We have a Governor and Lieutenant Governor committed to expanding economic opportunities for all and driven to make Connecticut the most innovative and easiest state in which to do business. We are available to insurance companies and InsurTechs for cooperative discussions. CID closely collaborates with the vibrant and successful InsurTech

CID's charge is consumer protection and that will always be our top priority. In addition to addressing the impact of COVID-19, the main issues we are focused on for 2020, are health-care, innovation and inclusion/equity.

community in Hartford and across Connecticut. InsurTech startups need to understand the role of the regulator so they can avoid any pitfalls that may unnecessarily delay their product launch. This year, I created two advisory councils made up of consumer advocates, industry representatives, and academics, one on regulation and one on innovation, with the same ultimate goal – making the insurance industry work better for the consumer in Connecticut.

Q: Do you see a marketplace for microinsurance in Connecticut?

A: I see many possibilities, and that's what's particularly intriguing – new products serving needs we may not even be aware of now. Connecticut has some of the largest wealth discrepancies in the country, insurance needs to be more inclusive and accessible to help bridge the gap. Microinsurance may help. As we explore the possibilities, there are likely regulatory issues with permitting microinsurance in Connecticut that need to be looked at more closely. To be successful, different distribution networks may be needed with adjusted rules to be profitable and to attract new entrants into that market. A few examples of microinsurance products that could work in Connecticut address issues around rent, mortgage, lodging displacement and large medical bills.

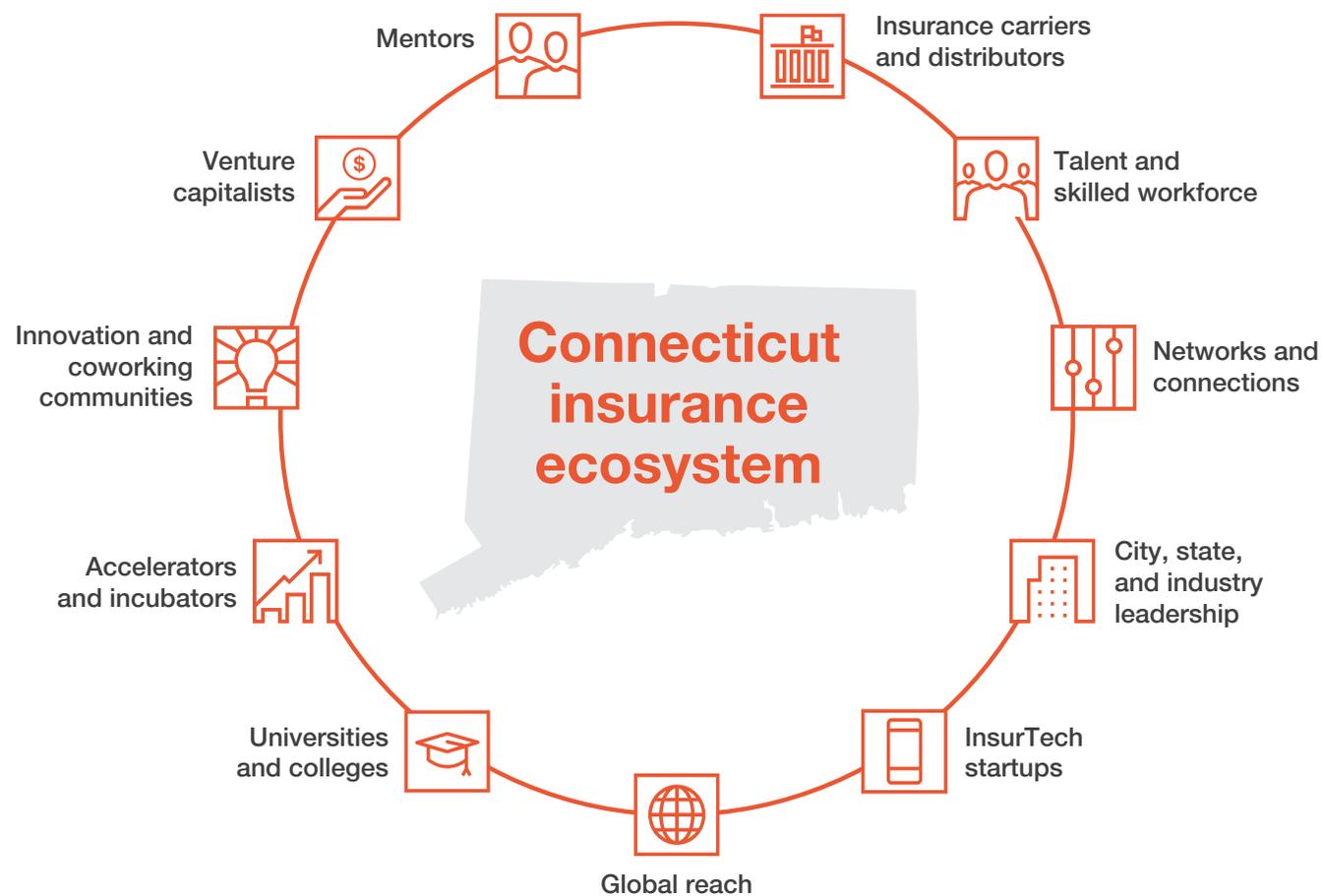
Q: Does CID need a regulatory sandbox?

A: The U.S. state-based system offers tremendous opportunity and flexibility. We don't need sandboxes because we already provide the opportunity to innovate and it is working. Each state is already its own laboratory of insurance regulation. Here, we have set up an advisory council on technology which is already providing innovative ideas. Through our current statutes we have the landscape necessary to test and bring to market new products here in Connecticut. Come to Connecticut with your new products, we will work closely with you to help you be successful. Our doors are always open.

Insurance and innovation are changing Connecticut's landscape

Moving insurance forward in the state

Hartford has long been known as one of the earliest centers of insurance in the U.S. Today, many of the largest insurance companies are headquartered or have operations in Hartford and the surrounding areas. In addition, the insurance landscape in the capital city has changed over the last few years with the consolidation of insurance companies and the emergence of a robust insurance ecosystem that includes property-casualty, life and retirement and health insurance carriers and distributors, InsurTech startups, innovation and coworking communities, accelerators and incubators, talent and skilled workforce, networks and connections, universities and colleges, global reach, venture capitalists, mentors and city, state and industry leadership.



Over the last few years, several organizations in Hartford focused on building a vibrant InsurTech ecosystem and positioning Hartford for future growth and success in today's rapidly-changing insurance environment. These organizations include:

Hartford InsurTech Hub

Based at the core of one of the world's leading insurance centres, from June 2017 to June 2020, Hartford InsurTech Hub was a collaboration of insurance carriers, City of Hartford representatives and community stakeholders all focused on industry evolution through collaboration and innovation. At the heart of the InsurTech ecosystem, Hartford InsurTech Hub provided entrepreneurs from around the world with the support and resources designed to ignite powerful growth while driving investor connections and opportunities and helping existing insurance corporations to evolve with innovation at the center of their business.⁵⁶

Aggregate total for Hartford InsurTech Hub's performance from June 2017 to June 2020



Source: Hartford InsurTech Hub's analysis of key metrics from June 2017 to June 2020.

Why is Hartford a great place for InsurTech startups?

"Break the rules, advised one of Hartford's most famous residents, Mark Twain. He also encouraged us to "go out on a limb—that's where all the fruit is." At Hartford InsurTech Hub, we take these words to heart—taking a fresh look at insurance in order to innovate and discover new solutions to issues that aren't yet fully articulated. Breaking rules for fruitful outcomes—it's happening here in Hartford."

Dawn M. LeBlanc
Managing Director
Hartford InsurTech Hub, Startupbootcamp/ Rainmaking



The InsurTech space is filled with good ideas, and many young companies have outstanding people and technology. Traditional insurance carriers can learn from these startups.

Source: PwC, *This is InsurTech's moment. Will insurers seize the opportunity?*

Launc[H]artford

Launc[H]artford (formerly known as the Hartford Innovation Place Program) is a community-led effort to make Hartford a visible and vibrant hub of innovation and entrepreneurship. Launc[H] partners are helping turn start-up dreams into reality by providing connections to industry experts across the Hartford region in the fields of InsurTech, Advanced Manufacturing and MedTech, and helping to make Hartford a great place to work, live and play.⁵⁷

"It's wonderful to see the momentum surrounding InsurTech innovation continuing to build in Hartford. In just the last year, we've seen new engagement in innovation from life, annuity, retirement and employee benefits providers in our community, in addition to the standing commitment of our founding property-casualty and health partners. The concentration of insurance companies, as well as industry expertise available here, makes Hartford a great place for companies looking to break into the U.S. market, and grow. We're looking forward to helping our local anchors keep pace with changes in the marketplace and develop capabilities that help them create new value for their customers."

Michelle Cote

Director of Launc[H], Instructor and Director of Strategic Partnerships
at Connecticut Center for Entrepreneurship & Innovation



InsurTech Hartford

InsurTech Hartford is a grassroots organization, founded and run by local insurance professionals. The community-focused part of the organization works to incubate a robust InsurTech ecosystem by bringing people together, educating and promoting startup growth in the region. InsurTech Hartford also offers professional services to help industry organizations innovate.⁵⁸

Upward

Upward is a global incubator with a vision to re-invigorate cities through a generation of innovators with ideas that are fostered through connection, learning and experience. It's foundation city, Hartford CT, is already host to one of their flourishing integrated communities.⁵⁹

An innovative state

Over the last few years, Connecticut's innovation ecosystem has grown and is attracting entrepreneurs, innovators, startups and growing companies in adjacent industries, including manufacturing, bioscience, medtech/digital health, health and well-being, and technology. This innovative community provides insurers with opportunities to collaborate with other industries, and share leading practices that can be applied to expand their value chain. In addition, this past summer the Governor of Connecticut launched a new website that will serve as a one-stop source of information for entrepreneurs looking to set up shop in Connecticut.⁶⁰

Why are entrepreneurs coming to CT?



Amazing opportunity and quality of life



Central location between Boston and New York



Innovation communities



Growing business environment



Quality of education



Diverse workforce with wide variety of skills

Source: ChooseCT | AdvanceCT

InsurTechs are calling Hartford home

In November 2018, Mayor Luke Bronin announced that Hartford joined the City Innovation Ecosystem Program hosted by the National League of Cities (NLC) and Schmidt Futures. This program supports 50 cities that have made commitments to local entrepreneurship, STEM education, or innovation. In addition, the City of Hartford and Hartford's insurance industry leaders committed to growing the InsurTech ecosystem by attracting new companies and talent to the city.⁶¹

Over the last two years, several InsurTech companies have opened offices in Hartford, including:

- Luminant Analytics, a B2B company from Switzerland that provides analytical insights and predictive models for insurance companies relocated to Hartford. The startup improves insurance pricing by including quantitative future predictions about key external trend changes instead of simply relying on internal historical loss data.⁶²
- Aureus Analytics, founded in India, participated in Hartford InsurTech Hub's first cohort in 2018, and opened an office in Hartford.⁶³
- South Africa-based peer-to-peer insurance app Pineapple, participated in Hartford InsurTech Hub's second cohort in 2019, and also established an office in Hartford.⁶⁴
- Covr Financial Technologies, an Idaho-based provider of digital life insurance platforms opened a corporate office in downtown Hartford.⁶⁵
- Sureify, a leading digital platform for life and annuity insurance companies, headquartered in Silicon Valley opened an office in Hartford.⁶⁶
- Combined Ratio, an InsurTech services provider specializing in maximizing the value property-casualty insurance companies have invested in existing IT infrastructure and opened in Hartford.⁶⁷

Insurance companies and InsurTechs are working together

A few years ago, insurance companies tended to look at InsurTechs as a competitive, disruptive threat. Now, they tend to see a growth opportunity. Over the last few years, InsurTech has become a powerful driver of change in the insurance industry around the world and right here in Connecticut, especially in Hartford. Recently, insurers have started paying much more attention to newcomers. They've become some of the largest funders of these startups, recognizing that teaming up with technology firms can be a game-changer. And, we've seen a shift toward collaboration, as both startups and legacy insurers realize that they gain from combining the former's technology with the latter's customer knowledge, understanding of risks, and capital strength.

37%

of insurance CEOs plan a new strategic alliance or joint venture to help drive growth.

Source: PwC, 23rd CEO Survey, January 2020.

A few years ago, insurance companies tended to look at InsurTechs as a competitive, disruptive threat. Now, they tend to see a growth opportunity.

Source: PwC, *This is InsurTech's moment. Will insurers seize the opportunity?*

The InsurTech space is filled with good ideas, and many young companies have outstanding people and technology. Traditional insurance carriers can learn from these startups. And, speed matters more than ever. People want next day delivery and credit decisions in 60 seconds. Naturally, they also expect speedy underwriting decisions, claims adjustment, service requests, and even product development. InsurTech companies can often help insurers deliver these benefits to customers and prospects.⁶⁸

Below we highlight how insurers with operations in Connecticut have collaborated with InsurTechs in the last two years. As you can see from the list below insurers are partnering with InsurTechs or making strategic investments to apply advanced technologies to help solve an insurance industry problem. In addition, some insurers partner with incubators or have set up innovation or research and development labs.

Aetna supports and provides mentoring to several InsurTech startups to improve their customers' experiences in pharmacy benefits, mental healthcare, at-home testing, and the rapidly evolving virtual care space.

Amica Mutual Insurance Company partnered with HOVER to provide the option of completing home inspections through smart phone technology, enhancing customer service.

Cigna supported the Infosys Delivery Center, UST's Global Step It Up America, the Hartford InsurTech Hub and GalaxE.Solutions' 2019 move to Hartford.

ConnectiCare made a strategic investment in MediKeeper, an InsurTech company based in San Diego that is providing the underlying technology for WellSpark's digital engagement platform.

Delta Dental of Connecticut, Inc. partnered with startup, Streamlit to develop analytical applications for their call center and AI-based programs.

28%
of insurance CEOs plan to collaborate with entrepreneurs or startups to help drive growth.

Source: PwC, 23rd CEO Survey, January 2020.

70%
say they are allocating capital dollars or creating venture fund.

Source: Poll of CT IFS Board of Directors on talent attraction, May 2020.

77%
say InsurTech is budget supported and part of overall innovation strategy.

Source: Poll of CT IFS Board of Directors on InsurTech, May 2020.



In 2019, **The Hartford** expanded its Internet of Things (IoT) Innovation Lab and capabilities, bringing together the latest network-connected technology with the company's expertise, data and risk management to improve workplace safety and help prevent or reduce property damage for its customers. The lab also collaborates with a variety of vendors to equip workers with wearable technology that generates data about workers lifting, bending, getting fatigued and their proximity to hazards as well as other factors that can be analyzed to implement safer workplace practices and potentially improve operational efficiency.

Harvard Pilgrim Health Care partners with MassChallenge Health Tech, a digital health incubator, to mentor, pilot and support emerging health tech startups and solutions.

HSB co-led cyber insurance startup At-Bay's \$34M venture round. In addition, HSB partners with Zeguro to provide market leading cyber risk services designed for small businesses.

Lincoln Financial Group is using the R&D Lab at Upward Hartford to review new technology, product ideas and engage with the Hartford InsurTech community.

Prudential Financial acquired Assurance IQ, Inc., a fast-growing direct-to-consumer platform.

Symetra Financial Corporation partnered with several startups to execute proof of concepts around AI for document digitization and personal assistants. In July 2020, Symetra announced a partnership with the Nassau Re/Imagine InsurTech incubator. In addition, they participated in Plug and Play's InsurTech program as an anchor member via their parent company, Sumitomo Life.

Travelers made a majority investment in Zensurance, a Toronto-based digital provider of online insurance solutions for small businesses. They also invested in Kittyhawk, the market leader in enterprise drone operations software, to settle claims quickly and efficiently. In addition they partnered with HOVER to assist in assessing property damage, transforming photos of any property into a 3-D model to gather precise measurements of a building's exterior.

Travelers also partnered with Groundspeed Analytics to simplify new business and policy renewal processes using artificial intelligence (AI). Finally, they also offered independent agents industry-leading, real-time customer alerts through the EZLynx Management System to help streamline and simplify processes.



The insurance workforce of the future

Insurers are modernizing their technology systems, boosting innovation, automating to drive down costs, and enhancing the user experience to meet rapidly-changing customer expectations. Yet no amount of digital investment can help carriers attain their new financial and productivity goals if their workforce is stuck in analog.

Many insurers are proactively equipping their workforce to meet current and longer term skills requirements and trying to be a more attractive employment option for outside talent. Some initiatives that have had positive results include:

- **Changing the role of the claims adjuster** — As more of its claims-handling processes have become automated, a leading property-casualty company is helping adjusters focus more closely on customer service and analytics. To provide a supporting talent infrastructure, the company is redefining roles, reconstructing job families around future capabilities, and designing more flexible career paths. To attract new talent, company leaders are contemplating how they can offer a digitized employee experience in line with broader digitization efforts taking place in the claims function.
- **Digital fitness** — A leading reinsurer conducted a digital fitness assessment of its workforce to establish a baseline of technological acumen. As part of the same program, it's enabling employees to acquire the skills they need for an increasingly digitally enabled business. These and other efforts are helping the company establish its credentials as a digital innovator and magnet for tech savvy talent.
- **Equipping the internal audit role to support digitized operations** — A large insurance group recognized the need to upskill its internal audit function to identify, monitor and advise on potential risks within its digitized frontline operations. Both training and new ways of working were necessary to make use of new surveillance and visualization tools. An initial digital fitness assessment provided the foundations for a digital upskilling strategy, which now can draw on a variety of inputs, including learning and development, talent management and culture.
- **Navigating the future of work** — A Fortune 500 life insurer is modernizing its ways of working through a dedicated future of work program. It has launched strategic programs in diversity and inclusion, decision making, governance, and technology innovation. It also is establishing a common language for digital concepts in the workforce. Its comprehensive digital strategy includes a digital fitness assessment for employees, an upskilling effort focusing on workforce capability, and a complementary change management effort to shift mindsets and behaviors.⁶⁹

No amount of digital investment can help carriers attain their new financial and productivity goals if their workforce is stuck in analog.

Source: PwC, *The digital insurance workforce: Going beyond aspirations.*

Ready and resilient: Insurance companies weather the storm

Insurance strategy for a COVID-19 world

With the arrival of the COVID-19 pandemic, insurance companies found themselves in the center of the storm. In a matter of hours and days (not weeks), many carriers had to take their entire operations remote. At the same time, they were fielding calls about changing coverage, answering questions about business interruption policies, continuing to pay claims for life, health, disability insurance, and more.

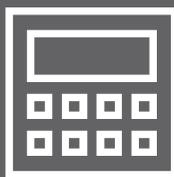
Insurance companies are designed for this. Risk analysis and crisis planning are at the core of their business. With policyholders — individuals and businesses — suffering as a result of the crisis, regulators and legislators expect insurance companies to live up to their responsibilities. Those that don't will face enormous reputational consequences. Getting it wrong is not an option.

So far, insurance companies have weathered the crisis exceptionally well, largely due to investments they'd already made in networks, applications, laptops, and more. The crisis did expose a number of gaps and vulnerabilities, and it reinforced the need for additional technology investments. But overall, industry leaders can feel secure in the knowledge that the battle is being managed and the near-term path forward, while precarious, is one they know how to navigate.

The big question now facing leading carriers is this: How do we adapt our business strategies to accommodate the new normal? In our conversations with insurance clients, three topics come up time and again as the industry looks to the future:



The need to accelerate digital transformation



How to bolster the balance sheet



Transitioning to the office of the future

Commitment to work-at-home arrangements doubles

Flexible work was far from the norm and remote work was the exception for most financial institutions before COVID-19 forced shelter-in-place orders in March.

 Before COVID-19
29%

of financial services companies had at least 60% of their workforce working from home at least once a week.

 After COVID-19
69%

of financial services companies expect to have at least 60% of their workforce working from home at least once a week going forward.

Source: PwC, *Financial services firms look to a future that balances remote and in-office work.*

The need to accelerate digital transformation

Insurance companies were nimble in deploying remote technology in response to the crisis. But many have delayed investments in additional technology (e.g., customer data and technology to integrate mobile apps, websites, and call centers) due, in part, to concerns over employee resistance. It's now evident that an incremental approach to technology adoption won't be sufficient to thrive in an industry that's rapidly moving toward virtual operations.

How COVID-19 could drive permanent changes in consumer behavior

In planning for the long term, carriers must understand some of the lasting changes that the crisis will bring, such as shifting customer attitudes toward physical distancing; a renewed consciousness about health; permanent shifts in the use of e-commerce, and concerns over privacy. Some customers could become more risk adverse, making them more likely to buy insurance products. And because consumers are becoming more willing to share data today, there will be greater potential to leverage AI, analytics, and new data from telematics and wearables.



Preparing for a virtual future

The current crisis has accelerated the trend toward automation and digitization, both of which were previously fueled by changing demographics, customer expectations, and competitive pressures. The current situation has forced many insurers to rely on virtual conferences and meetings. Many are now realizing that telework is working quite well in most circumstances. As a result, we foresee that remote work may remain the norm at many firms. In fact, virtual interactions may open up new opportunities for servicing, selling, and building customer relationships. We anticipate that conversations with customers that are supported by technology will lead to greater efficiency, more informed decisions, and better outcomes for both buyer and seller.

Most respondents agree maintaining a virtual workforce is a strategic priority.

Source: Poll of CT IFS Board of Directors on Talent Attraction, May 2020.

Accelerating toward digital

Before the crisis, many insurance companies were already pursuing a digital transformation roadmap. Now they're trying to accelerate the process, compressing implementation from ten years to two in order to move ahead of competitors and deliver sustainable profits.

In the years ahead, we expect leading carriers to leverage technology to reduce costs, improve data analysis, streamline claims and underwriting, bolster customer service, and drive efficiency. Companies will transition to digital documents, leverage AI, and implement other “bionic” capabilities to help employees make better-informed decisions and focus on higher value work.

Evolving the operating model

The pandemic has revealed gaps and vulnerabilities in operations, and that’s likely to speed the evolution of insurer operating models that focus increasingly on digital technology. We anticipate greater adoption of online and omnichannel distribution, more robust analytical capabilities for improving products and underwriting, and growing involvement with InsurTech and new partnerships to refine core customer services. Some firms will also pursue improvement through acquisitions or divestitures.

Helping the workforce adapt

We know that returning to the office won’t mean returning to work as it was before. Some jobs will change, and not all employees will feel comfortable with the new, more digital ways of working. Insurers will want to help their existing workforce adapt, by providing relevant technology training for their teams. This includes employees involved in delivery as well as those who handle service and operations. Recruiting additional tech-savvy employees may also be key to the success of any digital transformation.

How to bolster the balance sheet

While carriers routinely monitor capital and liquidity, their main focus now is ensuring their balance sheets are strong. Some companies may seek to acquire new businesses to bolster the balance sheet, and many may find that valuations could become quite reasonable in the near term. Others may want to identify non-core assets that could be divested. Some will need to divest properties in order to fund the acquisitions they seek.

Whatever their strategies, company leaders are asking the same questions: What should my business look like in the future? How can we best position ourselves for success in the new normal?

Upskilling for a digital world

Insurance CEOs have made progress on retraining workers and leaders in the skills that will drive future growth, but they still face challenges.

How much progress has your organization made in the following areas related to upskilling? (Showing only “Significant progress” responses.)

Building employee engagement through open communication on skills of the future

29%

Implementing a diversity and inclusion strategy to attract a wide range of talent and ensure inclusiveness in how we work

24%

Defining the skills needed to drive our future growth strategy

24%

Improving our workers’ and leaders’ knowledge of technology and its potential implications

15%

Establishing an upskilling program that develops a mix of soft, technical and digital skills

13%

Collaborating with academic/government institutions on the skills needed for the future

7%

Source: PwC, 23rd Annual Global CEO Survey
Base: Insurance respondents (2020=179).

Hot topic: Business interruption insurance

Business interruption insurance has gained a high profile as the crisis has evolved. With business interruption at the center of P&C losses, there will be pressure on carriers to cover claims. As such, several states have proposed legislation that would require insurance companies to cover business losses caused by COVID-19. If we start to see lawsuits related to business interruption, policies which don't specifically exclude "virus"-related damages could take center stage.

Many in the insurance industry would prefer the federal government to back an insurance plan that would support businesses that suffered Business Interruption losses due to COVID-19. This is what happened after September 2001 with terrorism insurance. While the idea of federal pandemic insurance has gained some momentum, we're not likely to see much progress in the near future, given the substantial effort required.

Stay tuned.

Reviewing assets and liabilities

To address these questions, insurance companies should take a close look at their assets and liabilities. Among other things, they'll have to determine whether they have sufficient high-quality liquid assets and have properly valued their liabilities. Government lending programs set up in response to the current economic situation may also give insurers access to alternative capital sources. Insurers will want to think through which program(s) to access, which assets might be eligible, the regulatory requirements involved, as well as the accounting and tax implications. At the same time, margin pressure has some companies considering higher risk investments in search of performance.

Taken together, companies will need to reassess asset/liability management (ALM) strategies to balance yield with risk-based capital (RBC) requirements.

Carriers should also assess their cost structures and return on assets, especially in non-core businesses and product portfolios. That includes evaluating the performance of business units, divisions, and portfolios, and posing hard questions: Which businesses are weak and should be shed? Which businesses are performing well and should be scaled? In the midst of an uncertain environment, now is a good time for insurance companies to focus on generating returns on their own businesses.

Examining real estate

We think now is also the time for insurance companies to review their investments in real estate, including both the office space they lease and the buildings they own. Most companies are considering less office space as they shift more toward a work-from-home model. This will be partially offset by the need for more space per employee to ensure physical distancing for onsite workers. Still, the net cost of office space could decline.

For companies that own commercial property, we may see reduced occupancy rates economy-wide as companies shift toward work-from-home strategies they implemented during the crisis. This could result in a substantial excess of office capacity and transform the commercial real estate landscape.

Because this is a particular concern for life insurance companies, which traditionally have invested heavily in commercial real estate, we suggest that carriers pay particular attention to their real estate portfolios.⁷⁰

Transitioning to the office of the future

A flexible work-from-home model is likely to become the norm, and everybody benefits. Employees avoid lengthy commutes and spend more time with their families. Employers have access to talent regardless of location, improve resiliency through a distributed workforce, and reduce expenses by optimizing their real estate footprint. Even the environment gets a break thanks to fewer people commuting, less business travel, and less heating and cooling of office space.

As a result, the corporate office is on the brink of a major renovation and companies will need to figure out their own path, given the scale of potential changes. Organizations should consider the following four steps to navigate changes to the workplace:

- 1. Redefine the role of the office** — whether it's a space for creating work products, collaborating and communicating, or building community and corporate culture, companies will need to define the purpose of the office for their organization.
- 2. Define work-from-home guidelines** — evaluating employee activities, requirements, and propensities for home or office working, and developing guidelines based on specific roles will be key for creating workweek flexibility for employees.
- 3. Remodel the office** — companies will need to optimize office space to serve its new and more specific purpose of enabling collaboration and community building.
- 4. Update your ways of working** — deliberately establishing ways of working that allow for serendipity will help companies make an office-wide shift to flexible work.⁷¹

Investing in the future

The insurance industry is facing enormous challenges as a result of COVID-19. It's time for carriers to develop new business strategies, prioritize investments, rethink what industry verticals and customer segments to target, and develop products, services, and pricing strategies for prioritized segments. Doing so can help to drive revenue.

We believe the right strategy for carriers, if they believe their roadmaps are directionally correct, is to invest in the future—in the digital capabilities, talent, and other strategic resources needed for long-term success. Companies that invest today in their capabilities and strengthen the bond with their customers have the potential to emerge from the crisis ahead of their competitors.⁷²

What we're seeing in the insurance industry

COVID-19 has compelled many insurers to shake up operations and business strategy, including adjusting to new ways of working and interacting.

We expect deal activity to return in the coming months as companies use divestment to adapt to record-low interest rates and buyers with ample capital seek out new opportunities.

The Federal Reserve, seeking to spur a recovery, may hold down interest rates for an extended period. Low rates would crimp yields across the insurance industry, especially for life insurers and annuities that hold long-dated assets. Companies seeking to sustain shareholder value will probably explore alternative strategies, including deals. Some insurers may consider divesting capital-heavy, long-tail blocks of business that they no longer see as core to their strategy.

Record levels of deployable capital among private equity and corporate buyers, along with healthy insurance company balance sheets due to better than expected results through the first half of the year, will likely fuel a rebound of deals during the second half of 2020.

In addition, expectations that rates will rise in property-casualty, reinsurance, and specialty lines will probably spur investment and drive deals.

Moreover COVID-19 has changed the way policyholders interact with insurers, brokers, and agents, accelerating the need for digital solutions. After reassessing their internal capabilities, some companies may try to close any service or product gaps through dealmaking with InsurTech firms.⁷³

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Source: PwC, *Deals insights: Mid-year 2020*.

Here's a closer look at trends for each subsector.

Impact on life and group insurers

The strength of insurance company balance sheets is at risk if mortality significantly shifts, if liability is assigned where coverage was not intended, and by disruptions to financial assets and real estate. Regulatory scrutiny and the looming threat of downgrades by rating agencies could drive weaker players out of the market.

Given the uncertainty about the long-term impact of COVID-19, many life insurers have had to underwrite without the traditional blood tests or limit their appetite for larger risks. And this comes at a time when there continues to be a demand for life insurance; because of the pandemic, 15% of the customers in PwC's COVID-19 Consumer Insurance and Retirement Pulse Survey from June 2020 said they anticipate buying life insurance.

With unemployment at historic highs, group insurance revenue is declining, putting pressure on profitability. Meanwhile, operational and service transactions have increased, driven by COVID-19 disability claims and payouts for Family and Medical Leave Act (FMLA) policies. Over the summer, many states experienced spikes in COVID-19 cases as local economies reopened. As winter approaches, potential spikes could add to the pressure that carriers face.⁷⁴

Property-casualty challenges

While stay-at-home orders dramatically cut traffic accident rates, many auto insurers are returning portions of policyholder premiums in a "fair deal" to reflect the decrease in exposure. Housing starts were at a near standstill in the first quarter, further depressing revenue and profits in the property-casualty sector. Declining payrolls are shrinking workers' compensation premiums, even as a spike in claims is likely due to business interruptions.

Certain industries are feeling the impact of the pandemic more than others (such as airlines, oil and gas, and entertainment/hospitality), and so are their property-casualty carriers. Lines that follow the economy's trajectory are seeing reduced premiums, so the pressure to keep expenses in check is strong. (To be fair, it's not so bad because, in comparison to other industries — where when revenue drops, virtually all costs-of-goods-sold" remain — in insurance, when premiums drop so do commissions and losses, mitigating the pressure that one might expect on expenses.)

As job losses mount, individual consumers may rethink their property-casualty needs and cut their coverage. In PwC's June 2020 survey, we found that 32% of respondents plan to shop around for different insurance providers specifically to save money. In the commercial property-casualty space, we may see increased demand, especially from small- and medium-size enterprises as they reassess risk and recognize the need for additional coverage, including business interruption insurance. This could drive price increases across the board.⁷⁵

Key considerations for health insurers

As unemployment rises and consumers struggle to pay COBRA premiums, Medicaid and Marketplace enrollments have increased while Commercial volumes have decreased. Transactional volumes continue to be low, with some health insurers experiencing 60-70% of prior year volume, with others reporting an uptick in volume heading into Q3. Already for this year, initial estimates published in mid-April by the Kaiser Family Foundation point to 2020 rebates nearly doubling those in 2019, which had reached a record \$1.4 billion.⁷⁶

Operationally, health insurers look to continue extended telehealth coverage beyond COVID-19 pandemic, weighing concerns on quality, experience, billing/claims, documentation, and audits. From a financial standpoint, health insurers have extended waivers for out-of-pocket member costs, services for certain product lines, e.g., COVID-19 treatment, 90-day refills, telehealth, behavioral services. Additionally, health insurers have provided premium refunds to some policyholders to correct imbalance in utilization.

Consumers have raised a number of concerns regarding COVID-19 including access to testing and affordability. The lag between testing and results has created disincentives, and the lack of widespread testing has been a concern as individuals contemplate returning to work and re-entering society. Individuals are not seeking treatment and testing due to high costs and lack of coverage. Furthermore, inefficiencies in payer systems and processes have added to members' frustrations during the pandemic. As a result, health insurers are staying focused on member experience, communications, and systems, as highlighted below.



Member experience

- **Closely monitor customer response times through reporting and analytics;** prevent customer dissatisfaction leading to dip in quality scores
- **Invest in tools and technology** to enable effective and timely issue management, member access, and virtual care
- **Train staff on recent policy changes and covered benefits;** have procedures in place for customer service to relay correct information to members



Member communication

- **Provide clear and concise communication** on virtual care access mechanisms
- **Clearly highlight member out-of-pocket expenses** to avoid complaints of surprise billing
- **Suggest alternate providers** in vicinity in case current provider has limited capacity to attend to the member or there is a long waiting period



Automation and system reconfiguration

- **Invest in automation to free up staff from administrative tasks;** enable better integration between systems to provide customer service representatives access to correct information
- **Perform root cause analysis of member complaints** to fix recurring issues
- **Assess existing change, release management processes for downstream implications** to functions, teams, architecture when changes are made to existing benefit or configuration structures
- **Be prepared for a significant uptick in claims/appeals volumes** post COVID-19

Rethinking customer service models in the insurance industry

With the increasing need for more people to work remotely, shop remotely and socialize remotely, we have become accustomed to digital interactions and virtual communications in our daily lives. Customers now expect to transact normal-course business digitally. To address these challenges and prepare for a very different future, carriers of all stripes should rethink their customer service models — how they interact with current and prospective customers, including distributors, employers and consumers. These models include processes, channels and even the culture that defines the customer experience. Historically, carriers built traditional models where services were defined. Then they executed to that service level and measured performance. However, you can no longer plot out exactly what you need to do because the future state is unknown. Traditional service models don't provide enough scale to keep up with changing customer needs. Insurers should rethink their service models and plan to adjust to a moving target, both in the short and long term.⁷⁷

As carriers navigate from their initial response to a longer-term strategy, they'll need to adjust their approach based on shifts in consumer behavior. Financial stress correlates with dissatisfaction — but insurance carriers can improve customer satisfaction by introducing alternative pricing, bundling plans and upping their digital game.

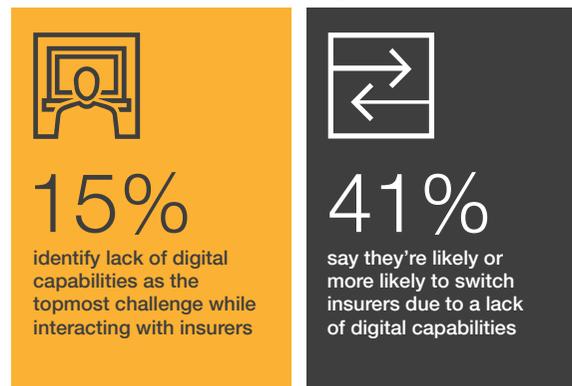
Difficult times, changing preferences

As the COVID-19 pandemic and resulting economic crisis continue, we're learning more and more about their effects on insurance customers. PwC surveyed 6,000 U.S. consumers from May 22 to June 6 to get a snapshot of their attitudes about and experiences with insurance. The survey uncovered how the pandemic is influencing service preferences, loyalty to carriers, and attitudes toward auto, homeowner, life, dental and vision coverage, and retirement products.

COVID-19 impacts on customer perspectives



Recent insurance customer challenges



Source: PwC, COVID-19, consumers and coverage: Survey shows what insurance buyers want now.

Digital gets it done: Apps gain new acceptance in the insurance industry

PwC's COVID-19, consumers and coverage survey indicates that as customers looked for alternate ways to update accounts, renew policies or resolve issues, online options came up short. Of those who expressed difficulties in dealing with their carriers during the crisis, 41% said they would be likely to switch providers due to a lack of digital capabilities.

When traditional channels shut down because of the pandemic, 19% of customers said they anticipated more interaction with their insurer through video chats with agents or chats via a website. They also planned to make more use of email and, especially for younger users, mobile apps.

Young consumers were most vocal about expecting digital options. Among the 18- to 24-year-olds surveyed, 53% said they were likely to use digital channels to engage with their insurers within the next 90 days, 49% were likely to purchase usage-based insurance and 49% were likely to shop around to save money on insurance.

Takeaways

Having digital capabilities has emerged as a differentiator as insurance customers are increasingly expecting to conduct business digitally. The pandemic's early uncertainties have given way to both setbacks and a chance to operate differently. Insurers that examine customer pain points and life changes and accelerate their digital adoption have an opportunity to gain share and build loyalty.⁷⁸

The need for digitally skilled talent is not just for the short term, as new and augmented skills will become requisite as technologies evolve. This requires that insurers foster a culture of innovation that develops skilled professionals internally, attracts them from the outside and helps retain them for the long haul.

Source: PwC, *The digital insurance workforce: Going beyond aspirations*.

70%

of insurance CEOs surveyed say they will prioritize or invest in customer experience in the next 12 months.

Source: PwC, 23rd Annual Global CEO Survey.

Investing in the local communities

Making Connecticut a better place

Each year, hundreds of volunteers from insurance companies in Connecticut donate their time, creativity, expertise and passion to various organizations in the communities where they live and work. They also make financial contributions to support organizations and people to make Connecticut a better place.

 <p>Volunteerism</p>	<p>Amica Mutual Insurance Company's Connecticut employees spent their annual Volunteer Day supporting numerous organizations, including Dress for Success, Habitat for Humanity, and United Way.</p>
	<p>The Bouvier Brigade participated in 12 civic events in 2019, including the Uniting for United Food Drive, a Habitat for Humanity project, Healing Meals Community Project, and many more.</p>
	<p>Prudential's Connecticut employees logged over 2,800 hours in 2019 and donated over \$17k, with a corporate match amount greater than \$320k. In 2019, the Prudential Foundation donated \$331,501.</p>
	<p>During their annual giving campaigns Symetra Financial Corporation volunteers made blankets, collected money, toys, warming items, food and sundries for donation to local organizations.</p>
 <p>Community Development</p>	<p>Cigna supports Waterbury's Police Activity League, whose programs help young people reach their full potential as productive, caring, responsible citizens. In addition, through funding and volunteer involvement, Cigna helps Hartford's Keney Park Sustainability Project enable families become more self-sustainable and environmentally conscious.</p>
	<p>Since 2018, The Hartford has provided an annual contribution of \$3.3 million to the City of Hartford to support Mayor Luke Bronin's comprehensive and sustainable plan for the City. The monetary commitment has been used for community institutions like the Hartford Public Library.</p>
 <p>Health and Wellness</p>	<p>For World Children's Day, Cigna employees helped students at Hartford's Milner Middle School pack 20,000 nutritious meals to feed hungry families. They also supported and participated in the Governor's Prevention Partnership's virtual sessions on mental health for children and parents during COVID-19 pandemic. Cigna supports Team Impact, which tackles social isolation among children with serious illnesses by matching them with local college athletic teams.</p>
	<p>Delta Dental Foundation contributed \$250,000 to Connecticut health centers/clinics, hospitals and universities to support access to dental care for children, seniors, veterans and developmentally disabled.</p>
	<p>In 2019, Harvard Pilgrim's Foundation invested almost \$450,000 in Connecticut organizations, many of which focus on increasing access to healthy food.</p>
	<p>HSB partnered with Foodshare on Giving Tuesday Now, in response to the COVID-19 crisis, to match critical funds for food security in the Hartford region.</p>
	<p>In addition to ConnectiCare's \$1 million in annual giving, the company donated \$260,000 to FoodShare, Connecticut Food Bank, Healing Meals, and the Red Cross to help Connecticut residents with food security and blood supply during the pandemic.</p>

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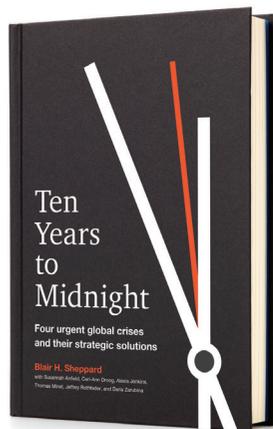
PwC Thought Leadership

We invest in developing timely insights on business trends, strategic issues, challenges and opportunities facing insurers. Some of the publications listed below are about much more than insurance, but we included them because they are insurance related.

- *23rd Annual Global CEO Survey: Navigating the rising tide of uncertainty*
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- *Actuarial and finance modernization - Including LDTI and IFRS 17*
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- *CARES Act provides tax relief to insurers*
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- *FASB proposes a one-year deferral to the LDTI effective date: How will insurers react?*
- *Fast, simple, streamlined: How insurance and financial-services firms facing disruption can innovate to compete*
- *Fit for Growth: Creating the office of the future*



- *Fit to Compete: Accelerating digital workforce transformation in financial services*
- *Global top health industry issues: Defining the healthcare of the future*
- *High concentration: 3 crises, 100 days, 10 takeaways for business leaders*
- *Medical cost trend: Behind the numbers 2021*
- *Payers grapple with rebates for 2021 amid COVID-19 uncertainty*
- *Ready and resilient: Insurance strategy for a COVID-19 World*
- *Reboot: Return to the Workplace*
- *Social determinants of health*
- *The digital insurance workforce: Going beyond aspirations*
- *The Future of Risk: The insurance Risk Function of the future*
- *This is InsurTech's moment. Will insurers seize the opportunity?*
- *Why insurance carriers should rethink their customer service models*



Ten Years to Midnight

Four urgent global crises and their strategic solutions by Blair Sheppard and his team examines the root causes of the crises and suggests a few strategic solutions that could begin to fix them.

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S+B publishes ideas from the PwC network and from outside: chief executives, business thinkers, and academics. It has a global audience of more than one million people across print, digital, online, and social channels. The magazine has won more than 100 editorial and design awards, and Forbes named it one of the Top 25 Websites for CEOs. Visit: www.strategy-business.com.



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Endnotes

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