

Driving Speed-to-Market Through Cloud Agile Technology

A Compelling Lever for
Business Growth

A Coretech Insight Study Commissioned by Socotra



Insurance leaders recognize they must invest in technology to pursue new market opportunities. However, they are challenged to quantify the business value of speed-to-market and justify the cost of new systems.

Coretech Insight modeled new product scenarios common in the industry in order to:

- Compare results of deploying incumbent systems vs. core agile platforms
- Quantify the business value of faster speed-to-market
- Assess the potential of core agile platforms to support business growth

Executive Summary

Insurance leaders know that speed and agility are essential for business growth. They also know their current core systems are inadequate – often serious handicaps with crippling constraints and delays. The need to invest in new technology is apparent. However, they struggle to quantify the value of speed-to-market and justify the cost of deploying new technology.

To address this challenge, Coretech Insight conducted a study to quantify the economic value of speed-to-market by modeling new product opportunities.

We developed the following three scenarios and modeled results that could be achieved with incumbent systems vs. results from accelerated product launches with cloud agile platforms:

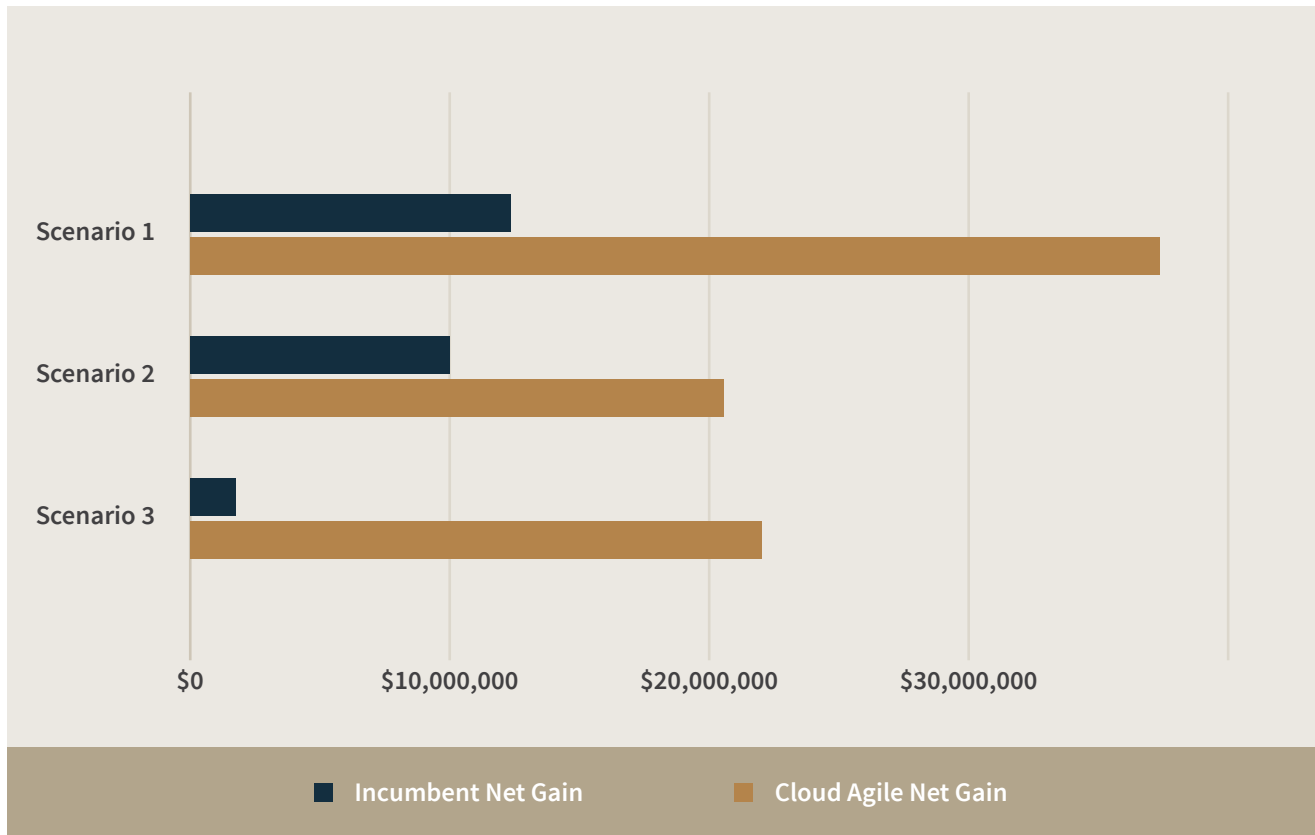
- \$100M DWP personal lines insurer expands into personal auto
- \$500M DWP personal lines insurer adds small commercial/BOP
- \$1B DWP multi-line insurer introduces cyber insurance nationwide

These hypothetical examples were based on common, real-world scenarios using industry and government data sources, analyst research, and publicly-available company data (e.g., annual rankings and financial reports). We reviewed our models and findings with a select group of senior industry practitioners representing carriers, core technology providers, and insurtechs for validation and further refinement.

Results

New products are a compelling path to growth – opening markets that can significantly expand an insurer’s book of business. However, our scenarios show that insurers are forfeiting millions of dollars in new premiums due to delays and extended launch timeframes common with incumbent systems. Cloud agile platforms accelerate product launches and enable insurers to capture revenue that would otherwise be lost. The benefits of shorter time-to-market are significant – exceeding implementation and system costs by a wide margin. In fact, within the scenarios we modeled, **cloud agile platforms yielded a net gain over five years as high as \$25M more than incumbent systems** – 40x the cost of implementation. ([See Chart 1](#)).

Chart 1. Scenario Results, Net Gains Over 5 Years



Source: Coretech Insight (September 2022)

Our findings underscore the importance of speed-to-market, the severe cost of delay, and the strong potential of cloud agile platforms to accelerate product launch timeframes. Cloud agile platforms provide insurers with an invaluable lever for business growth.

Recommendations

- Make speed-to-market a primary decision factor when evaluating core solutions for new products. With market opportunities of any significance, speed has a far greater impact on net benefits than differences in technology and implementation costs.
- Insurance leaders facing delays or extended product launch timelines should evaluate cloud agile platforms. These platforms are establishing an impressive track record of rapid implementations in support of new products.
- For maximum speed, use the flexibility of cloud agile platforms to deploy only components necessary to launch and manage a new product. Integrate with existing systems for other core functions, such as billing and claims.

Introduction

The Speed-to-Market Challenge

“There must be a better way.” This has been voiced in countless conversations by P&C insurance leaders. They have great ideas, but outdated core systems stand in their way.¹ They can’t act quickly on market opportunities because it commonly takes a year or more to deploy a new product on an incumbent core system.² New products may be blocked from the start if incumbent systems are unable to process business in new markets, or if they cannot support key capabilities (for example, integration of third-party data sources or advanced analytics).

These challenges have driven many insurers to replace their outdated core systems with new core platforms that promise to, eventually, provide more flexibility. For too many, though, “eventually” can be a long time. In a recent review of go-live announcements, we found **the average time to go-live was 25 months**.³ Many of these go-lives were only partial deployments – covering just a subset of products – so these insurers still had many months or even many years to go before they would finish. They will have more flexible product capabilities in the end, but waiting three or four years is a steep price to pay.

What if it were possible to roll out a new product on a platform alongside current systems, and go to market in a matter of months instead of waiting for two, three, or four years?

Launching new products in months instead of years is one of many compelling use cases for the latest breed of cloud agile platforms. Unlike other platforms that have evolved from on-premises models, cloud agile platforms were “born in the cloud.” They have cloud-native architectures which provide flexible, out-of-the-box capabilities for rapid product configuration, support for complex workflows, and ease of integration. In recent years, cloud agile platforms have achieved an impressive series of rapid go-lives for new products.

The promise of getting to market in a few months is attractive, but there are costs and complications associated with any new enterprise vendor and its platform. **How can insurance leaders know whether the use of a cloud agile platform is really a viable option?** Insurance leaders need a way to validate the economic value of a cloud agile platform.

Our study provides examples that quantify the benefits of cloud agile platforms vs. incumbent systems to inform critical decisions around product launches and supporting technologies.

1. 90% of survey respondents indicated their product development capabilities would be insufficient for the next three to 5 years per “**Speed to Market**,” Deloitte.
2. The general consensus among interviewees was that new products take 12 to 18 months to create and roll out per “**Modernizing Insurance Product Development**,” Deloitte.
3. “**How Long Do P&C Core System Implementations Really Take?**” Coretech Insight.

Our Approach

We started with the following three scenarios that reflect real-world challenges common in the industry:

- \$100M DWP P&C insurer seeks to add personal auto, but its current core system vendor does not support this LOB.
- \$500M DWP personal lines insurer seeks to expand into commercial lines with small commercial/BOP. However, its incumbent system only supports personal LOBs.
- \$1B DWP multi-line insurer seeks to offer cyber insurance products nationwide. However, it's in the middle of a 2.5-year implementation of a new core platform.

We modeled each scenario using a series of key inputs ([See Note 1](#)) to define the market opportunity; estimate time, resources, and cost to enter the market with incumbent systems vs. cloud agile platforms; and qualify the business value realized through faster speed to market.

The key inputs reflect policyholder and financial data from actual P&C insurers with similar profiles and incorporate data from industry and government sources on market and consumer trends and demographics. These inputs also reflect key assumptions on the cost of resources ([See Note 2](#)) and assumptions on costs for licensing, hosting and IT infrastructure ([See Note 3](#)).

We developed our estimates for the time required to launch new products for incumbent systems and cloud agile platforms in these scenarios based on consensus timeframes cited in analyst research², Coretech Insight research into implementation trends³, press releases on new product launches ([See Reference Projects](#)), and observations of specific vendors and insurers.

These scenarios (including inputs, assumptions, and estimates) were reviewed and refined with input from select senior industry practitioners representing insurers, coretech solution providers, and insurtechs.

2. The general consensus among interviewees was that new products take 12 to 18 months to create and roll out per "[Modernizing Insurance Product Development](#)," Deloitte.

3. "[How Long Do P&C Core System Implementations Really Take?](#)" Coretech Insight.

Scenario 1 : \$100M DWP

P&C Insurer Adds Personal Auto

Insurer #1 currently offers homeowners, farmowners, and small commercial products to policyholders in eight states. It does not offer personal auto, but it would like to expand and offer auto to the homeowners that make up the bulk of its policyholders.

The insurer has identified a market opportunity of nearly \$59M DWP with its current policyholders who would bundle home and auto if this were offered ([See Note 4](#)). It estimates 6.4% of its policyholders would convert per year and generate additional annual premiums of \$14.7M after five years.

Insurer #1's core system, however, does not support personal auto. This is on the vendor's product roadmap, but support for personal auto will not be available for another year and a half. Given this delay, the insurer is considering a new, cloud agile platform.

Required Core System Components

- Agent and policyholder portals
- Policy management module
- Third-party integrations (e.g., VIN lookup, MVR, prior claims, etc.)

Implementation Costs

The incumbent vendor will offer support for personal auto for no additional licensing fees – after it is released in 18 months. The insurer's internal resources will perform the bulk of the implementation, but some professional services will be required for guidance. The first state will go live in Q9, after nine months of implementation, with the remaining states live in Q12. Total time required would be 30 months, at a cost of \$663K ([See Table 1](#)).

The cloud agile vendor will implement its solution with a team consisting of a PM, BA, and QA analyst working with two business SMEs from the insurer. The first state will go live in four months in Q2, with the remaining states going live and finishing mid-quarter, in Q3. Total time required would be 7.5 months, at a cost of \$617K.

Table 1. Implementation Costs, Scenario 1

Scenario 1	Incumbent	Cloud Agile
Implementation Timeframe	<ul style="list-style-type: none"> • 18 months to release support for auto • 12 months to implement, Q7 - Q10 	7.5 months to implement, Q1 - Q3
Go-live	Q9	Q2
Vendor/SI Resources	PM & BA	PM, BA, & QA
Insurer Resources	PM, BA, QA, & 2 SMEs	2 SMEs
Vendor/SI Fees	\$126K	\$444K
Insurer Resource Costs	\$537K	\$173K
Total Implementation Costs	\$663K	\$617K

Source: Coretech Insight (September 2022)

Use and Access Fees

The incumbent vendor charges a SaaS hosting fee of 1.5% of DWP per quarter.

The cloud agile platform vendor charges a SaaS hosting fee of 1% DWP, with a minimum fee of \$25K per quarter. The cloud agile platform will integrate with the incumbent platform for billing and claims, and the incumbent vendor will charge 1.5% of cloud agile DWP for this support.

(See Table 2 for an overview of fees).

Table 2. Use and Access Fees, Scenario 1

	Incumbent	Cloud Agile
SaaS Hosting Fee	1.5% of DWP, billed quarterly	<ul style="list-style-type: none"> • 1.0% of DWP, billed quarterly. Min \$25K • 1.5% of DWP for use of incumbent platform

Source: Coretech Insight (September 2022)

Results

Vendor professional services fees are higher for cloud agile than the incumbent. Cloud agile also has higher SaaS hosting fees of 2.5% of DWP for use of both the cloud agile platform (for policy) and the incumbent (for billing & claims).

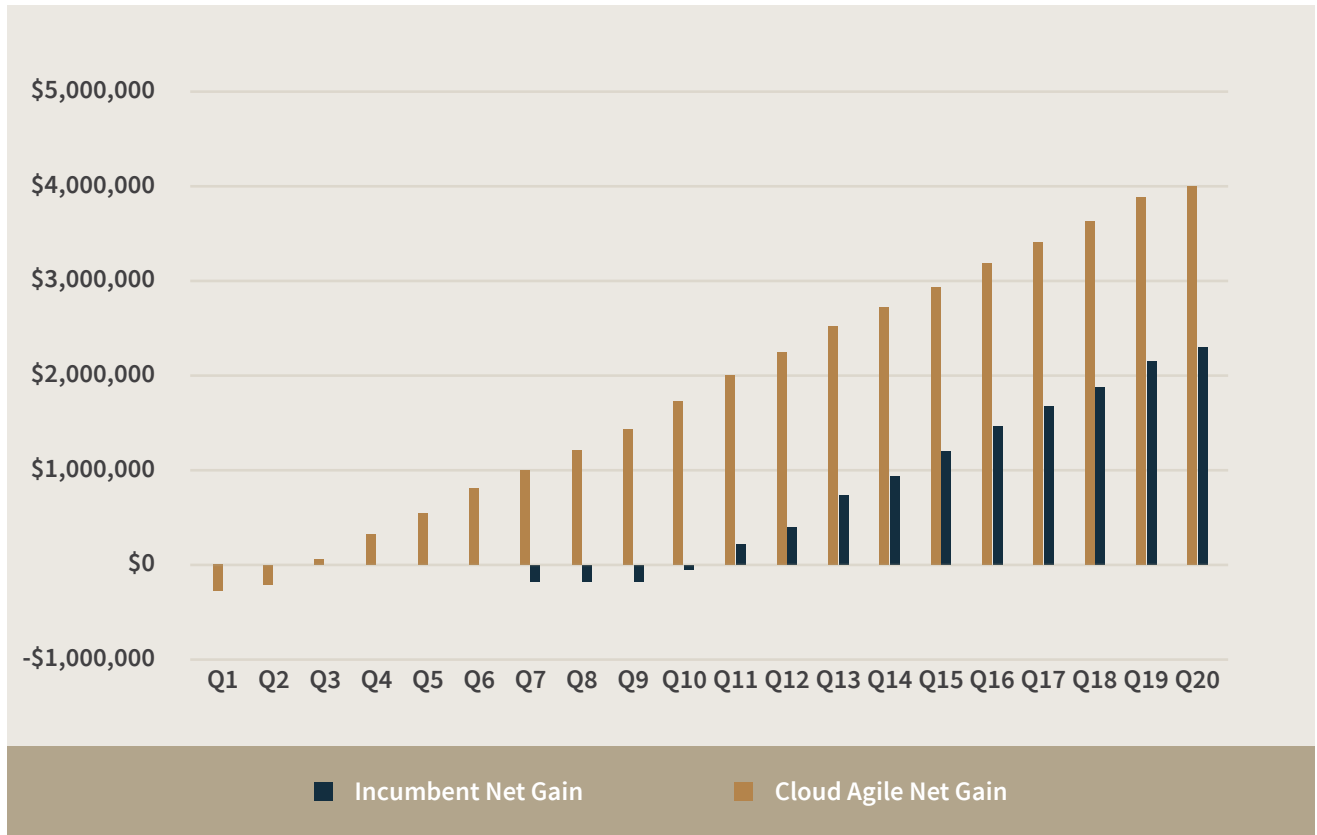
However, these higher costs are offset by the benefits of faster speed-to-market. Cloud agile would begin generating new premiums in Q2 (vs. Q9 for the incumbent) and achieve break-even in Q5. As [Chart 2](#) and [Table 3](#) show, with a nearly two-year headstart, **cloud agile would generate \$25M more in net premiums over five years** than the incumbent.

Table 3. Scenario 1 Net Benefit

Scenario 1	Incumbent	Cloud Agile
Year 1 Gain / (Loss)	0	(\$113K)
Year 2 Gain / (Loss)	(\$352K)	\$3.7M
Year 3 Gain / (Loss)	\$468K	\$7.4M
Year 4 Gain / (Loss)	\$4.2M	\$11.1M
Year 5 Gain / (Loss)	\$7.9M	\$14.8M
Total Gain / (Loss)	\$12.2M	\$37.0M
Benefit of cloud agile over incumbent		\$25M

Source: Coretech Insight (September 2022)

Chart 2. Scenario 1 Quarterly Results



Source: Coretech Insight (September 2022)

Scenario 2 : \$500M DWP

Insurer Adds Small Commercial / BOP

Insurer #2 is a personal lines insurer specializing in homeowners and outdoor equipment (boats, snowmobiles, etc.). With increasing numbers of freelancers and small business owners, it sees an opportunity to offer small commercial products (CGL/Professional Liability and simple BOP) to its policyholders.

Insurer #2 has identified an opportunity of \$25.4M in additional premiums just within the ranks of its current policyholders ([See Note 5](#)). It estimates that 8% of its target policyholders will convert per year at current industry churn rates and generate annual premiums approaching \$10M after five years.

The IT department estimates 18 months to build support for the new products on the incumbent system – an old, on-premises system that will require extensive custom development. Given this extended timeframe, the insurer is considering a cloud agile platform.

Required Core Components

- Policyholder and agent portals
- Policy management module
- Third-party integrations (e.g., credit scores)

Implementation Costs

Implementation using the incumbent system would require 18 months. 90% of the IT budget goes to maintenance – “keeping the lights on” – so IT resources are only available part-time. Total time required would be 18 months, at a cost of \$711K ([See Table 4](#)).

The cloud agile vendor will implement its solution with a team similar to Scenario 1 consisting of a PM, BA, and QA analyst and two business SMEs from the insurer. It plans to go live with all products in 5 months, in Q2. Total time required would be five months, at a cost of \$460K.

Table 4. Implementation Costs, Scenario 2

Scenario 2	Incumbent	Cloud Agile
Implementation Time	18 months, Q1 - Q6	5 months, Q1 - Q2
Go-live	Q7	Q2
Vendor/SI Resources	N/A	PM, BA, & QA
Vendor/SI Fees	N/A	\$348K
Insurer Resources	PM, BA, 2 Devs, 2 QAs, & 2 SMEs	2 SMEs
Insurer Resource Costs	\$711K	\$112K
Total Implementation Costs	\$711K	\$460K

Source: Coretech Insight (September 2022)

Use and Access Fees

There are no additional licensing or infrastructure costs for use of the incumbent system. The cloud agile vendor charges 1.0% DWP per quarter with a minimum of \$25K per quarter. (See Table 5 for an overview of fees).

Table 5. Use and Access Fees, Scenario 2

	Incumbent	Cloud Agile
Hosting Fee	N/A	1.0% of DWP, billed quarterly. Min \$25K

Source: Coretech Insight (September 2022)

Business Operations

With the incumbent system, the small commercial products would be supported by existing portals and quoting processes, which require some manual processing. Customer acquisition/premium growth will be less efficient (estimated at 15% slower). One new FTE will be required

in business operations to support the manual processing of new policies. ([See Table 6 for a comparison of business operations impact](#)).

Table 6. Business Operations Impact, Scenario 2

	Incumbent	Cloud Agile
Business Operations	1 Additional FTE @ \$30.7K per quarter	N/A

Source: Coretech Insight (September 2022)

Results

The incumbent implementation requires no professional services, but it will take a year longer to build out support for the new products. Due to system and processing limitations, business operations will be less efficient, and customer acquisition will be slower.

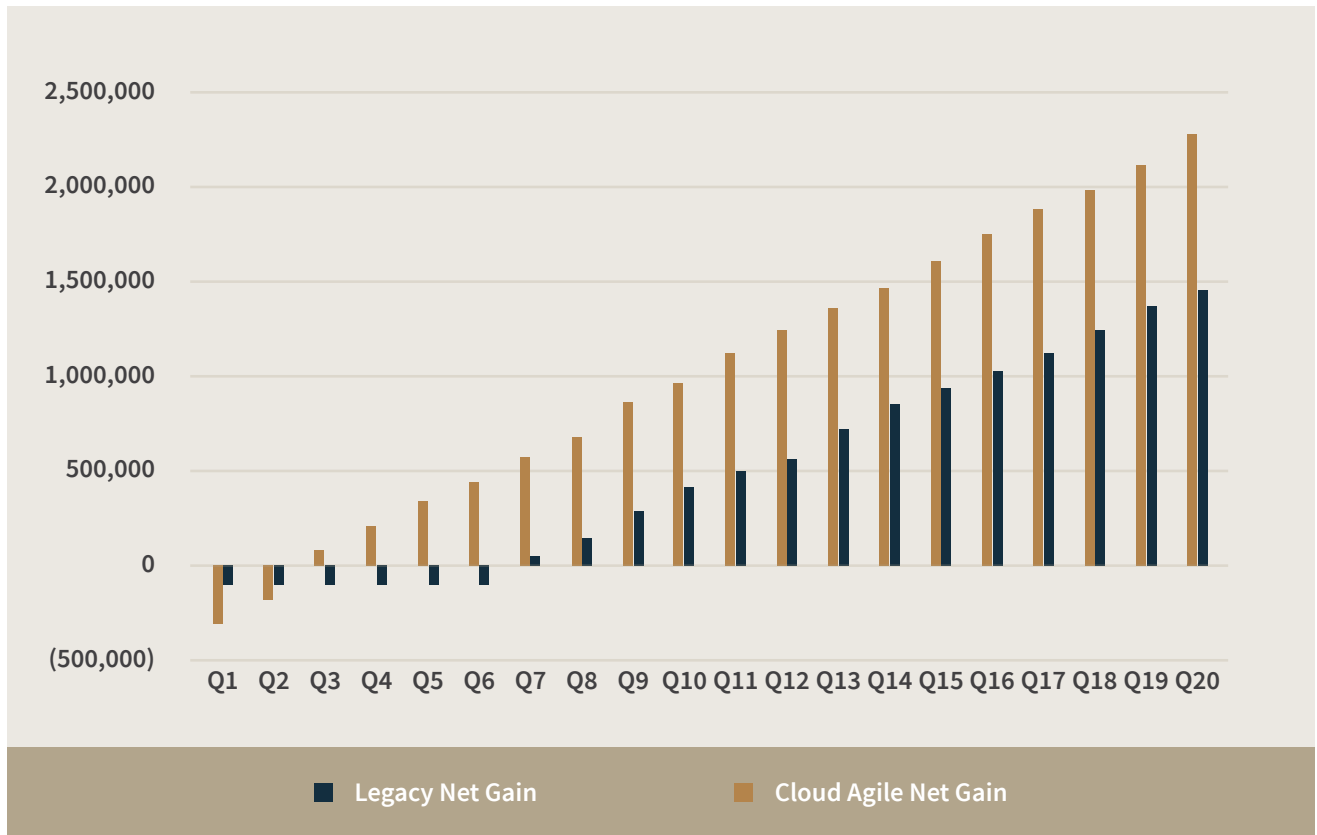
The cloud agile platform has significant advantages in implementation speed and efficiency. [Chart 3](#) and [Table 7](#) show how cloud agile will **generate \$11M more in net premiums over five years** than the incumbent.

Table 7. Scenario 2 Net Benefit

Scenario 2	Incumbent	Cloud Agile
Year 1 Gain / (Loss)	(\$474K)	(\$202K)
Year 2 Gain / (Loss)	(\$98K)	\$2.1M
Year 3 Gain / (Loss)	\$1.6M	\$4.1M
Year 4 Gain / (Loss)	\$3.3M	\$6.2M
Year 5 Gain / (Loss)	\$5.1M	\$8.2M
Total Gain / (Loss)	\$9.4M	\$20.4M
Benefit of cloud agile over incumbent		\$11M

Source: Coretech Insight (September 2022)

Chart 3. Scenario 2 Quarterly Results



Source: Coretech Insight (September 2022)

Scenario 3 : \$1B DWP

Multi-line P&C Insurer Adds Cyber Insurance

Attracted by the rapid expansion of the cyber insurance market, **Insurer #3** would like to roll out new cyber insurance products nationwide. The insurer estimates its market opportunity to be \$13M in additional annual premiums in five years ([See Note 6](#)).

However, the insurer is in the middle of a multi-year “rip and replace,” moving from outdated systems to a new, on-premises P&C core platform. The core platform vendor says it could easily support cyber insurance, but the implementation won’t finish for 2.5 years.

Given these timeframes, the Scenario 3 insurer is considering a cloud agile platform.

Required Core Components

- Agent and policyholder portals
- Policy management module
- Third-party integrations (e.g., predictive analytics)

Implementation Costs

There is a knowledge transfer component to the “rip & replace” implementation that will equip the insurer to be self-sufficient, so implementation of cyber insurance on the new P&C core platform would require only internal resources. Work on the cyber insurance products would begin in Q11 (after the new platform is implemented and live) and finish after six months. Total time required would be 36 months, at a cost of \$235K ([See Table 8](#)).

The cloud agile vendor will implement its solution with a team similar to the previous scenarios working with two business SMEs from the insurer. This is a simple cyber insurance product, so implementation would be two months, with go-live in Q1. The cloud agile platform would initially be integrated with the incumbent system for billing and claims. The same team would do additional work in Q11 to integrate with the new P&C core platform after it is live. Total time required to go live would be 2 months (excluding integration in Q11) and total cost \$283K.

Table 8. Implementation Costs, Scenario 3

Scenario 3	Incumbent	Cloud Agile
Implementation Time	<ul style="list-style-type: none"> • 30 months to finish the rip & replace • 6 months to implement cyber ins 	<ul style="list-style-type: none"> • 2 months to implement cyber ins • 1 month Q11 - integrate w/new core
Go-live	Q7	Q1
Vendor/SI Resources	N/A	PM, BA, & QA
Vendor/SI Fees	N/A	\$210K
Insurer Resources	PM, BA, 2 Devs, 2 QAs, & 2 SMEs	2 SMEs
Insurer Resource Costs	\$711K	\$73K
Total Implementation Costs	\$235K	\$283K

Source: Coretech Insight (September 2022)

Use and Access Fees

There are no additional licensing or other costs for integration and use of the incumbent system and the on-prem P&C core platform. As in previous scenarios, the cloud agile vendor charges a SaaS fee of 1.0% of quarterly DWP, with a minimum of \$25K per quarter.

(See [Table 9 for an overview of fees](#)).

Table 9. Use and Access Fees, Scenario 3

	Incumbent	Cloud Agile
Hosting Fee	N/A	1.0% of DWP, billed quarterly. Min \$25K

Source: Coretech Insight (September 2022)

Results

In Scenario 3, our insurer is implementing a new, on-prem P&C core platform that will enable it to roll out new products quickly (within six months) on its own. However, it must wait 2.5 years for the implementation to finish before it can begin adding new products.

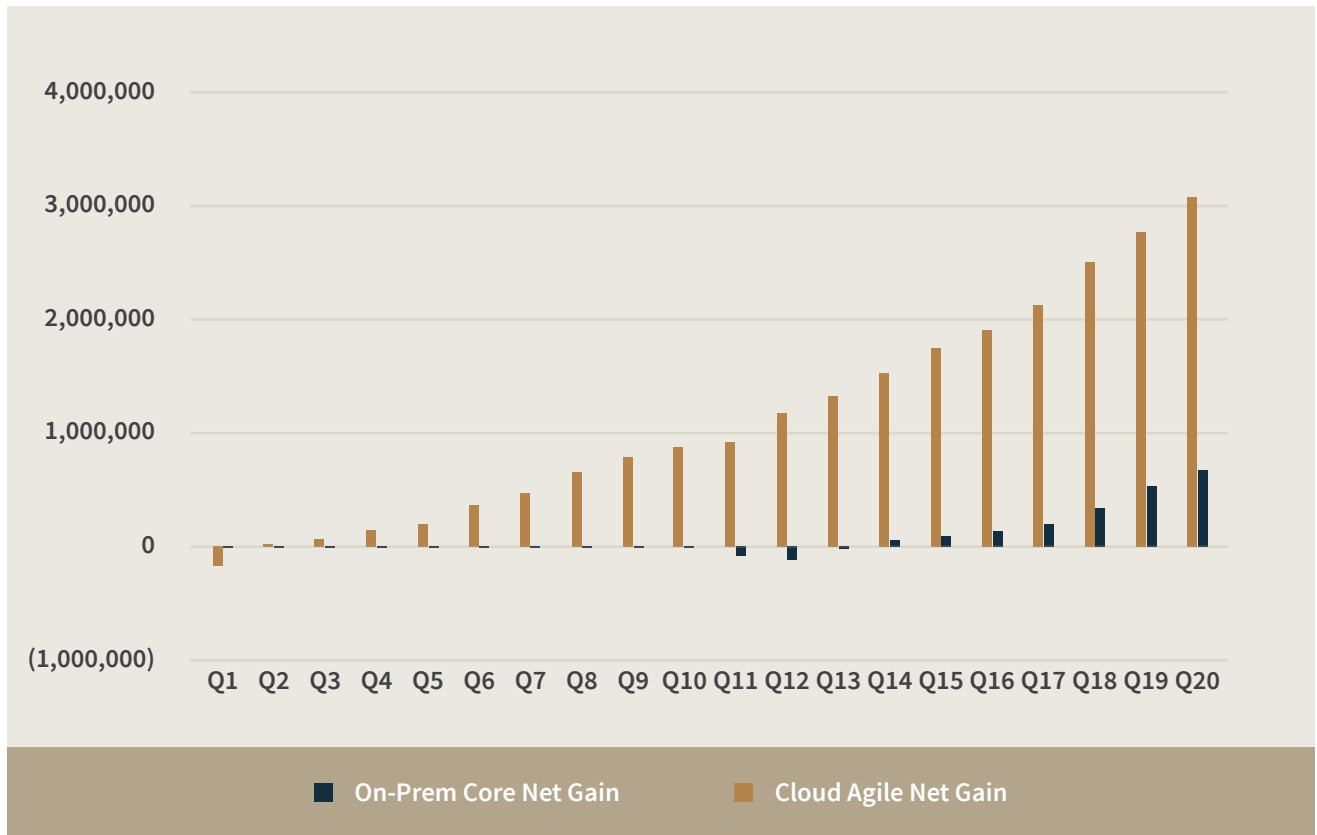
Deploying a cloud agile platform in the middle of this implementation adds cost and complexity, but this enables the insurer to go to market with the new cyber insurance products in a matter of months – nearly three years earlier than waiting for its new core platform. The accelerated launch with cloud agile will enable the insurer to generate **\$20M more in net premiums over five years** than the incumbent (See [Chart 4](#) and [Table 10](#)).

Table 10. Scenario 3 Net Benefit

Scenario 3	Incumbent	Cloud Agile
Year 1 Gain / (Loss)	0	\$95K
Year 2 Gain / (Loss)	0	\$1.6M
Year 3 Gain / (Loss)	(\$235K)	\$3.5M
Year 4 Gain / (Loss)	\$381K	\$6.4M
Year 5 Gain / (Loss)	\$1.7M	\$10.5M
Total Gain / (Loss)	\$1.8M	\$22M
Benefit of cloud agile over on-prem		\$20M

Source: Coretech Insight (September 2022)

Chart 4. Scenario 3 Quarterly Results



Source: Coretech Insight (September 2022)

Speed-to-Market Through Cloud Agile is a Compelling Lever for Growth

These scenarios illustrate the importance of speed-to-market and the high cost of delay. With a strong (and sometimes fleeting) market opportunity, the key question is not, “How much will this supporting technology cost?” but, “How quickly will this get our product to market?”

Regardless of the incumbent system, even with relatively new core platforms or well-maintained older systems, insurers will encounter challenges that block new market opportunities.

The system limitations, resource constraints, and timing issues we illustrated in the scenarios above are examples of common challenges that can greatly extend the launch of new products – delays that can quickly grow to millions of dollars in lost premiums.

A technology solution that enables insurers to launch new products months or years sooner into strong market opportunities will provide tremendous gains by capturing revenue that would otherwise be lost. With their speed, flexibility, and operational efficiencies, cloud agile platforms offer an alternative to the challenges and costly delays with incumbent systems and provide insurers an essential lever for growth.

About Coretech Insight

We serve P&C insurers and coretech solution providers who need to grow their business and want to find vendor partners and insurer customers they can be wildly successful with. Coretech Insight is an independent advisory firm that provides research, frameworks, and insights on insurance industry adoption of core technologies.

Coretech Insight was founded by Jeff Haner, a former Gartner analyst. Prior to Coretech Insight, Jeff served in senior IT and advisory roles with Deloitte, Oliver Wyman, NJM Insurance Group, Gartner, and BriteCore. His experience as a customer, analyst, and vendor provides a unique perspective that enables him to cut through the noise and find ideal matches between insurers and coretech solution providers so that, together, they can accomplish great things.

About Socotra

Socotra brings unparalleled speed and ease to insurance technology. With Socotra's modern core platform, global insurers and insurtech MGAs can accelerate product development, reduce maintenance costs, and improve customer experiences. Socotra provides open APIs, a product-agnostic data model, and out-of-the-box capabilities to manage the entire policy lifecycle, making insurance innovation faster, easier, and more affordable.



Note 1. Key Inputs for Modeling

What is the size of the market opportunity?

- Target new policies/additional premiums?
- Likely rate of customer acquisition?

What core platform components and capabilities are required?

- Portal(s) for customers? Agents?
- Core modules? Policy? Billing? Claims?
- Data/analytics?
- Integration with third parties?

What is the cost and time required for implementation?

- What implementation resources will be required? What are their costs? (Include both internal and external resources as appropriate.)
- Are there resource availability constraints?
- How much time will be required to implement these capabilities?

How much will it cost to access and use the supporting technology?

- Licensing fees?
- Hosting costs?
- IT infrastructure costs?

What are the projected gains after the product is released?

- How much in new premiums will be generated over years 1 through 5?
- Will the new product require additional resources to support business operations after it is released?

Note 2. Key Resource Assumptions



The rate for vendor / SI resources is \$250/hr

The rates for internal resources vary by role as follows:⁴

- Project manager (PM): \$101/hr
- Developer (Dev): \$101/hr
- QA Analyst (QA): \$96/hr
- Business Analyst (BA): \$90/hr
- Business SME (SME): \$90/hr
- Business Operations (Ops): \$64/hr

Note 3 Key Licensing/Hosting/IT Infrastructure Assumptions



SaaS Hosting Fee for cloud agile platforms

- Covers all licensing and hosting fees. There are no other fees.
- For a “policy, portal & product” implementation (no billing and claims modules) this fee is 1% of DWP per quarter.
- There is a minimum fee of \$25,000 per quarter.

SaaS Hosting Fee for full P&C core platforms

- Covers all licensing and hosting fees. There are no other fees.
- For an end-to-end platform (portals, policy, billing, claims, and reporting/analytics) this fee is 1.5% of DWP per quarter.
- There is a minimum fee of \$37,500 per quarter.

For incumbent systems and on-prem platforms in these scenarios, new products are covered by existing licensing / pricing and require no additional IT infrastructure.

4. Internal resource rates calculated using national averages for each role from [glassdoor.com](https://www.glassdoor.com) multiplied by 1.75 for indirect costs.



Note 4. Market Opportunity Calculations for Scenario 1

The insurer estimates the market opportunity to be \$58.6M in additional premiums among just its own policyholders based on the following:

54,500 x 90%	Total homeowners policies
49,000 x 78%	Homeowners policyholders with personal automobiles ⁵
38,000 x 1.9	Homeowners policyholders that would bundle home and auto ⁶
72,000 x \$1,070	Personal autos to be insured ⁷
\$77M	Gross premiums at an average of \$1,070 per policy ⁸
(\$11.6M)	Less a 15% discount on auto policies (\$77M x 15%)
(\$6.8M)	Less a 15% discount on homeowners policies at an average premium of \$1,190 per homeowners policy (38,000 x \$1,190 x 15%) ⁹
\$58.6M	Net premiums

The average annual churn for auto policies is 12.8%.¹⁰ The insurer estimates it will convert 6.4% of its homeowners policyholders to bundled home & auto policies each year (50% of the 12.8% switching auto insurance carriers). At this rate of customer acquisition, after five years the new bundled policies would generate additional annual premiums of \$14.7M.

5. Conservative estimate based on 9% of households without cars in 2017 per “[The Geography of Transport Systems](#),” transportgeography.org.
6. Overall bundling rate of 78% per “[Gen Y Consumers More Likely to Split Their Policies across Multiple Insurers than Any Other Generation](#),” J. D. Power.
7. 1.9 vehicles per household per “[Household, Individual, and Vehicle Characteristics](#),” Bureau of Transportation Statistics.
8. Average auto policy annual premium of \$1,070 per “[Facts + Statistics: Auto insurance](#),” Insurance Information Institute.
9. Average discount of 15% for home and auto bundles per “[Best home and auto insurance bundle for 2022](#),” Insurance.com.
10. Quarterly switch rate of 3.2% (12.8% annually) per “[Quarterly Shopping List Report](#),” J. D. Power.



Note 5. Market Opportunity Calculations for Scenario 2

The insurer estimates the market opportunity to be \$19.9M for a CGL/Professional Liability bundle and \$5.5M for a simple BOP product for a total of \$25.4M in additional premiums among just its own policyholders. The insurer has 330,000 homeowners policies. Of these policyholders, 251,000 (76%) are under age 65.¹¹

With this as a starting point, the market opportunity has been estimated as follows:

251,000 x 12%	Homeowners policyholders under age 65 (working age)
30,100 x 60%	Homeowners policyholders with solo businesses ¹²
18,060 x \$1,100	Solo businesses with insurance ¹³
\$19.9M	Gross premiums at \$1,100 per CGL/Professional Liability policy

251,000 x 3%	Homeowners policyholders under age 65 (working age)
73,00 x 60%	Homeowners policyholders with small businesses with employees ¹⁴
4,400 x \$1,250	Small businesses with insurance ¹⁵
\$5.5M	Gross premiums at \$1,250 per simple BOP policy

Annual churn rates are 12% - 25% across the industry.¹⁶ The Scenario 2 insurer estimates it will sell small commercial/BOP products to 8% of its target policyholders each year. This pace will generate an additional annual premiums of \$9.1M at the end of 5 years.

11. "Who is the New Face of American Homeownership," Brookings.
 12. 12% calculated by dividing 25.67M solo businesses (per "Frequently Asked Questions About Small Business, 2020," US Small Business Administration) by 207.5M (per "Working Age Population: Aged 15-64: All Persons for the United States," Federal Reserve Bank of St. Louis).
 13. 60% of small businesses insured per "Study: Do Freelancers Need Business Insurance?" FreshBooks.
 14. 3% calculated by dividing 6.02M small businesses with employees (per "Frequently Asked Questions About Small Business, 2020," US Small Business Administration) by 207.5M working age population (per "Working Age Population: Aged 15-64: All Persons for the United States," Federal Reserve Bank of St. Louis).
 15. "Study: Do Freelancers Need Business Insurance?" FreshBooks.
 16. 12.8% annual churn per per "Quarterly Shopping List Report," J. D. Power; 25.4% annual churn per "The US CallMiner Churn Index 2020," CallMiner.



Note 6. Market Opportunity Calculations for Scenario 3

The insurer estimates its market opportunity to be \$13M in additional annual premiums in five years. This is based on industry projections of 25% CAGR for the US cyber insurance market that will see it grow from \$2.75B in 2020 to a \$13B market in 2027.¹⁷ Our insurer intends to launch its products in 2023 and capture 0.1% of the US market by 2027 (year five).¹⁸

Assuming an average annual premium of \$684 per policy¹⁹ the insurer estimates premium growth over the next five years as follows:

Year	US Market	Target Market Share	Target # of Policies	Premiums
2023	\$5.4B	0.02%	1,570	\$1.1M
2024	\$6.7B	0.04%	3,930	\$2.7M
2025	\$8.4B	0.06%	7,360	\$5.0M
2026	\$10.5B	0.08%	12,270	\$8.4M
2027	\$13.1B	0.10%	19,170	\$13.1M

17. US cyber insurance market \$2.75B in 2020 per “[Report on the Cybersecurity Insurance Market](#),” NAIC. CAGR estimated at 25.3% per “[Cyber Insurance Market to Register Stunning CAGR of 25.3% during 2021-2028](#),” Fortune Business Insights.

18. The top 20 insurers writing cyber insurance in 2020 have an 83.3% market share, with the smallest of these having a 0.9% market share per “[Report on the Cybersecurity Insurance Market](#),” NAIC.

19. \$2.8B DWP divided by 4M policies per “[Report on the Cybersecurity Insurance Market](#),” NAIC.

Industry Resources

The following industry resources were also reviewed in support of this research:

- **“Annual Report on the Insurance Industry,”** Federal Insurance Office.
- **“The Next Five Years: Cyber Insurance Predictions Through 2025,”** Forbes.
- **“Small Commercial Insurance: A Bright Spot In the U.S. Property-Casualty Market,”** McKinsey.
- **“Direct Online Small Commercial Insurance Is Growing,”** AiteNovaria.
- **“Insurers must rethink the SME segment: Lessons from the United Kingdom,”** McKinsey.
- **“How to Reinvent the Small-business Insurance Market for a Digital Economy,”** Deloitte.

Reference Projects

The following projects are examples of rapid implementations in support of new products:

- **“Alpha Secure Launches Cyber Insurance Offering On Socotra’s Cloud-native Platform In Less Than Two Months,”** AI Technology Insights.
- **“Vouch uses Socotra’s cloud-based platform to launch insurance products tailored for high-growth startups,”** Socotra.
- **“Australia’s largest insurer partners with Socotra to power newly-launched direct-to-consumer product,”** Socotra.



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