

Mitch:

Hi everybody and welcome to Insuretech Connect 2020. My name is Mitch Doust from Cover Genius. I'm here with Mauricio Comi from Intuit. We're here to have an open discussion today about the use of data and its ability to drive personalized insurance offerings for small medium-sized businesses. I think we can probably open this up Mauricio with a kind of a question to you around Intuit's strategy with regard to insurance. Obviously you're not a business that was born in the insurance space but you've been making some pretty serious kind of inroads into that more recently. It'd be great to hear kind of the genesis of that and kind of what led your business to start thinking about insurance as something that's important to your customers and where you see kind of the bigger opportunities and needs in that space.

Mauricio:

Sure thank you for having me Mitch. Really excited about this conversation. So Intuit as some of you might know has been a company that has been around for about 35 years and we have been focusing on solving financial problems for both individuals and small businesses for a while. We have always looked at solving the most interesting big problems that these customers have from a let's call it back office administration perspective, and we have a number of offerings that do this really well. Our key product Quickbooks is at the core of it from an accounting perspective and then we have a number of other solutions that complement it. We are one of the largest payroll providers in the country. We have a payments business as well to help small businesses collect money and we also started more recently a lending business to help small business with short-term capital loans so that they could you know start their businesses and grow it over time. In the last

two years we have been looking at other problems that small businesses might have that we potentially have an edge to to play in the space and insurance really bubbled up for a number of reasons. The first one is that small businesses pay an outsized portion of their revenue in premiums for their small business policies. The second one is that experiences for the most part are really terrible. If you look at the technological evolution of the insurance industry. It's still somewhat behind what other financial service providers are out there and even within the insurance world you could argue that the consumer world has moved faster than the small business world and you could say that is because you know on the one hand maybe the policy sizes are not that big. On the other hand there's so much differences between small businesses that it's a really fragmented space and I don't think there's any player out there that has really cracked how to solve this. So here at Intuit as we as we look at the the implications that this has for small businesses, on the one hand small businesses have to pay a lot of money on their policies. On the second one they actually spend an outsized amount of time managing this insurance policies and products. That is wasted time that they should be using for producing their core products or selling out there. This is not it's not a value-added service that helps them be a a better business owner so we think that we have an opportunity to come in offer them a better recommendation, better insurance products by partnering with the right companies that offer really great solutions out there and over time. And here's where it gets really interesting, we think we can use our data so that small businesses get better products and potentially get better prices and looking forward to going into a little bit deeper there as well.

Mitch:

I think you touched on some really important points so I think the first one and just to speak kind of from my experience in the insurance industry is that all the major insurance companies look at the small business segment as being one of the biggest in the market right? And I think it's been one on their priority list for some time. I think the challenges with that is given you know the existing distribution models and the limited amount, the unlimited ability or capability, for those insurance companies to actually customize offers. It's been very difficult to kind of meet the needs of those customers because they really aren't a one-size-fits-all customer base right? They may have similar needs like when you look at like you know business owner policies and liability and stuff like that but all of their businesses are slightly different enough to make the provision of those policies really challenging. And so I think the key to kind of building better solutions and a better experience as you kind of alluded to before is really about finding accessing leveraging granular data about those businesses in a seamless way to take a lot of that burden off those customers and then you know let them get back to doing business and growing their business.

Maricio:

Exactly. Exactly.

Mitch:

So let's talk a little bit about the data and the technology needs. So obviously Intuit has a number of different products that you talked about they obviously touch small businesses across a number of different activities they undertake. Where do you see from a data perspective some of the biggest opportunities with regard to kind of offering insurance, customizing that experience and giving your customer base a better insurance solution?

Mauricio:

Yeah I think we we we can break that down into probably three big areas. The first one and the one that is more short term for us is in understanding who the customer is and using it more from a marketing perspective. If we know what type of business you are if we know roughly your business cycle then because we have this product that you use every day it allows us to have a conversation with you about insurance in a hopefully non-intrusive way that gets you on the first point aware that intuit has an insurance offering but that it's an insurance offering that is also crafted for you so from a marketing perspective, from an attraction perspective that would be number one. The second one which I think has enormous opportunities is if you look at the average application of a insurance policy product usually there's anywhere between 40 and 80 questions. And if you look at the detail of those questions depending on the insurance product Quickbooks might have a lot of that data. So you know imagine right now if that application form could be simplified and only you could only get asked the questions that we don't have answers to all of a sudden the throughput to get to a quote should be much higher. There is a vision of going into the future that we might be able to plug in third-party data or that we working with the carriers can get to a point where we eliminate some of the questions that might not be as important so that you could get to click to buy. And I think that that would be pretty revolutionary in the small business space. And then the third one which I think is more of a long-term one is if we start finding measures of responsibility within the books that is data that insurance carriers have never seen before, could we get to a point where you could use the Quickbooks data for pricing. So that is what my team is focused on investing is those three pillars. With a time horizon of the first

one as being the easiest one. We're gonna start using it more from a marketing perspective building that interaction to that simplified application helping you with fulfilment and that throughput. And then third offering better insurance products that might be priced at a better level because of the data that we have. And one last thing on that third point is that data is dynamic so you know could we be at a point where this becomes a telematics of small business insurance and right now it's a question mark but I'd love to see that in the medium term happening.

Mitch:

I can totally see a version of insurance for your customer set that's responsive to things like seasonality you know rapid or dramatic increases in volume or decreases, kind of making sure that these businesses have the right amount of coverage all the time and an anticipatory kind of function that can see their business change or identify very niche elements of it that you know they may not even be able to find or they may not even have identified the right products for those risks out in the market but leveraging the data can actually allow you to target and offer the right thing at the right time and actually broaden the resilience of that customer base all of those things. And the things you just described obviously require a very sophisticated amount of technological capability is one thing and I think secondarily access to a very broad range of insurance products and I think you know it's fair to say that if you look at the insurance industry up until this point you don't really see a lot of providers in the market who could give you access to that level of sophistication on either one of those two fronts right so as a technology company what does Intuit look for when they go out to market and think about who they partner with? And how they can start to bring some of that stuff to life.

Mauricio:

That's a super interesting question and a super interesting challenge and one that I have to say we haven't fully figured out. We're constantly working on it and I think you know it's probably good breaking it down into two key components. One is the insurance part of it and the second one is the the technology part and they both have to be great otherwise it doesn't work. So from where we stand we have a an important relationship with this customer. For many activities you know it's accounting payments payroll etc we can't compromise. That is our brand. That's a reputation as we start looking at insurance partners we want to make sure that we offer the most important insurance needs that these customers might have as well as potentially exploring new innovative products that might be interesting and unique in the market. And then the second part is can we offer them in a modern high confidence inspiring way so that the customer when they are interacting with these products they feel like we are actually standing by them and offering them a good service. So those are the key things and you know as we navigate the insurance industry it's very hard to find somebody that has those two capabilities right. What are the most important insurance needs for our broad population. For those of you that don't know Quickbooks is a product that can be used by any business so you know we're not vertically focused but we are more horizontal. And then from a technology perspective you know are we integrating at the right level within the insurance value chain? Can we offer the right customer experience not just for getting a quote which is what offering insurance carriers have focused on in the past, but it's way beyond that. Can we you know bind the policy, do the payment service, the policy over time in a great way? And the partners that do those two things really well

that can stitch those two together are going to be partners that we're very interested in talking to.

Mitch:

I think that's a really important kind of thing to highlight. I think you know Intuit is a great example of where you know a partner who has you know a lot of data and a lot of customers and an insurtech that has technological capability and one or many insurance carriers who have different product value propositions can all kind of come together to make things work. Another thing that you just highlighted as as part of that question was that it doesn't just sit with the ability to deliver a quote right and referral models have been around for a long time. But really using that data to get more integrated is very important. But then it also applies to the claim side of the business as well right? And I think that that data is equally as important in creating a high quality customer experience during claim time. How do you see kind of the technology and the data being able to be leveraged to create a better experience for your customers and to keep them resilient and give them really quick access to fulfilment when it comes to clients?

Mauricio:

Yeah when insurance actually proves its worth is when something bad happened to the business owner. They're trying to navigate that challenge and then they have to deal with a second problem which is filing that claim and getting hopefully some of their money back so that they can keep being in business. We've heard stories of lots of people that have either gone out of business or have put their future at risk because of just how complicated things can be and an insurance partner or company can really save the day. And here the innovations that we think about is basically speed and confidence. Could you have buy insurance products that you have the

confidence that when things go wrong you have confidence that you're going to get paid. So do you have that clarity in the way that product is sold to you with hopefully not a lot of fine print on all of the possible exceptions. But then when that event does happen how can you get your money quickly? So you know parametric insurance products are, I think, a very interesting niche that is growing of using this publicly available data to potentially pay these claims out very quickly. You know the the example that you guys are working on which is a very interesting and you know for us living in California close to home, if an earthquake happens could you get some cash on hand within 24 hours and help you cover your short term? Because it's not meant to replace earthquake insurance. But it is help meant to support you in those days where where you might have problems right? If i have to run payroll at the end of the week and for some reason I don't have cash on the bank, like what do I do as a business owner? So these are the type of challenges that small businesses have to deal with every day. Many of these businesses have a very tight cash flows and any disruption can be outsized in the impact that they can have. So I'm really excited to see how this is going to evolve. Some products are going to be easier. Earthquake has lots of good public data. But imagine we could extend that to any natural disaster. You know snowfall, rain, hurricane, fire. Here right now in California we're getting lots of business, housing businesses, having to shut down because of fires that are going on. And maybe even something bigger and closer to home. Pandemic insurance right? If a certain threshold is met could we get business owners that are having to shut down be able to have some cash on hand to meet at least their short-term obligations? Most business insurance policies have pandemic exclusions and many small businesses learned that the hard way over the last six months. Most of them didn't expect it. Yeah and I think you know it's an important point. I think it's really important that the insurance industry generally looks at its responsibilities and the role that it can play to support businesses as things like this happen and not just in their reaction to what's

currently going on but in how we can innovate in the product space and the customer experience space to actually make sure that in future circumstances whether it be a pandemic or some other unforeseen event that we can really respond in the right way. And so I think there's huge opportunities there I think. And I think you know what you'll potentially see over time is things like parametric insurance. Whilst at the moment they always well, they appear to be standalone policies. Like how those mechanisms and benefit types can actually get built into more holistic coverages. I think to your point right like small businesses have such short runway and a quick response and a quick outcome. You know as crude as that may be in certain circumstances can really be the difference between whether they can make it through right? And so I think diversity of mechanisms to actually serve customers in those circumstances is going to be really important and you're talking about an interesting point right? Today products are bought on a one by one basis, risk by risk basis if somebody took the time and effort to craft the right coverages for you based on knowing really well who you are and what your needs should be and inserting some elements off of the more traditional risks as well as some of these new ones. And it's the insurance policy for Mitch Doust's small business to be successful and you do that once, I think it could be a real big enabler. For the you know tens of millions of small businesses out there that today are underinsured, uninsured, or if they are insured they don't even know what they're insured for.

Mitch:

Yeah totally and I think you know if you think about it from an insurance carrier's perspective these businesses are also very large. They have their own risk profiles to manage so it doesn't necessarily make sense that any one carrier would want to or could take all of the risks associated with the different products that you might want to bundle into that for every small business right. So then it really becomes around you know, how can you have a technology

platform or a value chain that is constructed such that you can actually pick and choose the coverages and hopefully blend them together for any individual customer to make sure they've got exactly what they need but it doesn't necessarily have to all come from one insurance company at the end of the day. So I feel like that's where that's obviously where we're trying to kind of encourage the industry to go and I think you know using the data that you guys have there's definitely an opportunity to do that so just on the pandemic question I think you know is there anything else that you've learned I guess through this period that you would think could apply to insurance and how we might be able to be better prepared or better serve those customers in a future circumstance like this?

Mauricio:

It's amazing how unsure businesses are of what they have or what they don't have. I remember when we started this this initiative a couple of years ago the California fires in paradise had just happened and as we were interviewing small businesses going through that crisis some small businesses had insurance that covered for damages like that and they were surprised and they're like wow this is actually going to save my business. I'm actually going to be able to get back on my feet and there were other businesses that didn't have it or might have bought insurance but it didn't cover for damages like that and they were out of business they were done. So I think the one common thread with that event and this one is small businesses are in a very precarious situation. They are dealing with tight cash flows, they're fighting for survival every day, they're trying to produce high quality products and services, and they're trying to find customers every day. Dealing with insurance is something that is painful you know nobody wants to get the cold call of the person selling insurance but at the moment of need it has to be there. It has to be available and it has to be reliable and hopefully it has to be something that they can understand. And I think there's a big opportunity in

simplifying what these offerings are so that small businesses know if they want to have a certain risk profile that they have confidence that is the right one for them or not. That would be my you know my one meta insight from this event as well this past month

Mitch:

So that brings us to the end of our talk. Thanks very much for making the time I really enjoyed the conversation. Really excited about what you guys are doing and looking forward to seeing more

Mauricio:

Thank you Mitch. It was a pleasure chatting with you and also really excited about the stuff that you guys are working on. You're investing on some really interesting innovative products and I'm looking forward to seeing them being rolled out in the market and seeing which ones of them are going to be great fit for our customers.

Mitch:

Me too looking forward to it. Thank you