#RiskConversations webinar

THE GENEVA ASSOCIATION

INSURANCE FOR A BETTER WORLD

Digital Entrepreneurship and the Supportive Role of Insurance

23 November 2021

Digital Entrepreneurship and the Supportive Role of Insurance

Welcome

THE GENEVA ASSOCIATION
INSURANCE FOR A BETTER WORLD

Gisele Sirot

Director Innovation & Sharing Economy

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Speakers

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INSURANCE FOR A BETTER WORLD

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Director Innovation & Sharing Economy
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Moderator

Olly Betts

MD Fintech
Founders Factory

Karl Gray

Director, Head of Insurance, EMEA
Uber

Chris Moore

Head of ibott
Apollo 1971

Darren Pain

Director Evolving Liability
The Geneva Association

Agenda

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- **Welcome & housekeeping**
- **Key findings of GA report**
- **Moderated panel discussion**
- **Q&A with the audience (30’)**
- **Closing remarks**

Zoom: housekeeping

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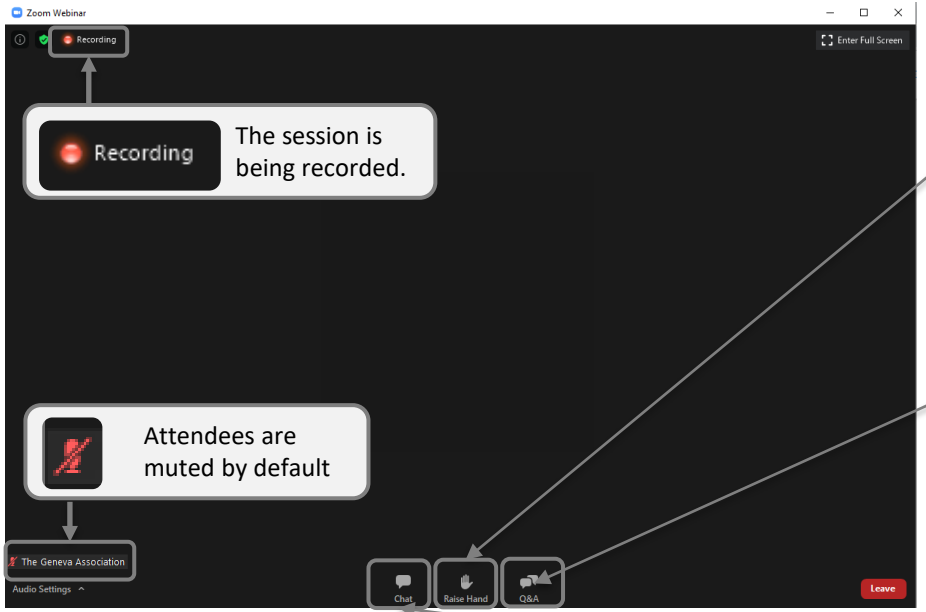
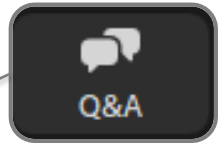


Two ways to ask your question:

1) ALOUD

Click the 'Raise Hand' button. Moderator will unmute you during the Q&A.



2) TYPED

Click the Q&A button and write your question during the webinar.

Technical issues:

Write to support on chat.

Digital Entrepreneurship and the Supportive Role of Insurance

Introducing the research report

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Director Evolving Liability

The Geneva Association

Digital Entrepreneurship and the Supportive Role of Insurance

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Report and summary can be downloaded at:
www.genevaassociation.org

Digital entrepreneurs

Who are they?

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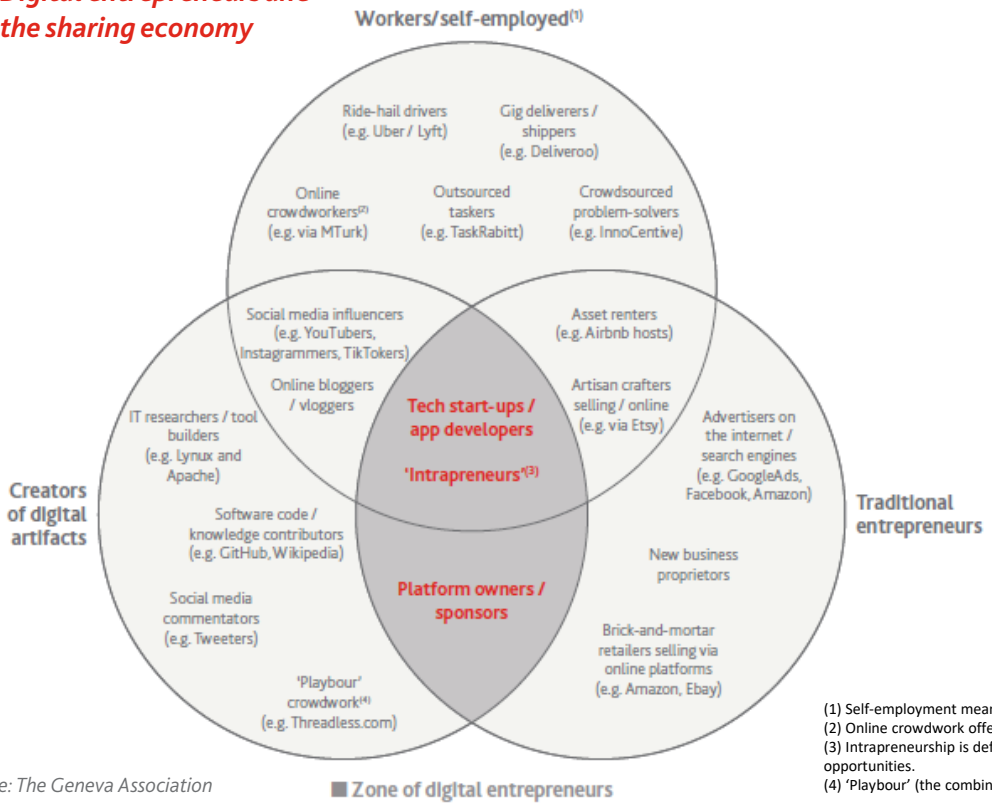
Digital entrepreneurs and the sharing economy



Source: The Geneva Association

- Digital entrepreneurs are distinct from users of platforms. They produce and trade in digital artefacts – items stored on digital/electronic media that offer functionality and value to the end-user
- Three broad groups:
  - **Tech start-ups** (i.e. innovators in software and hardware, including app developers)
  - **Owners** of new or established platforms
  - **'Intrapreneurs'** within existing companies deploying new digital business models (e.g. 'everything-as-a-service' (XaaS))

(1) Self-employment means that you are the sole proprietor of the business, a member of a business partnership or an independent contractor.
(2) Online crowdwork offers paid work (sometimes subject to requester satisfaction) for specified tasks and the initiating actor is the requester.
(3) Intrapreneurship is defined as entrepreneurship within an existing organisation whereby employees undertake innovation and pursue business opportunities.
(4) 'Playbour' (the combination of play and labour) crowdwork is based on speculative or non-paid work and the initiative lies with the requester.

Mapping digital entrepreneurship

Where is it happening?

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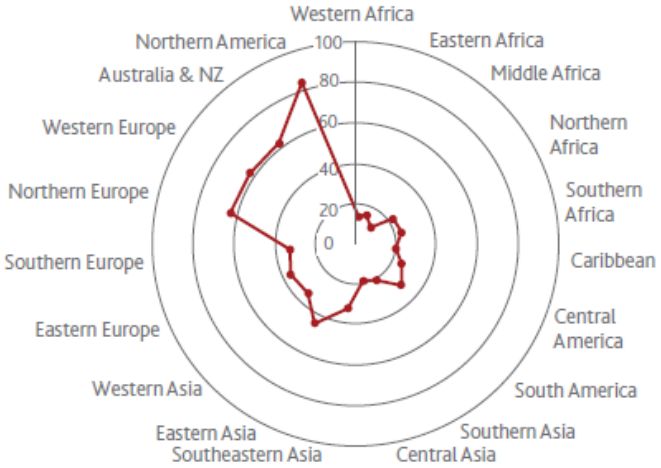
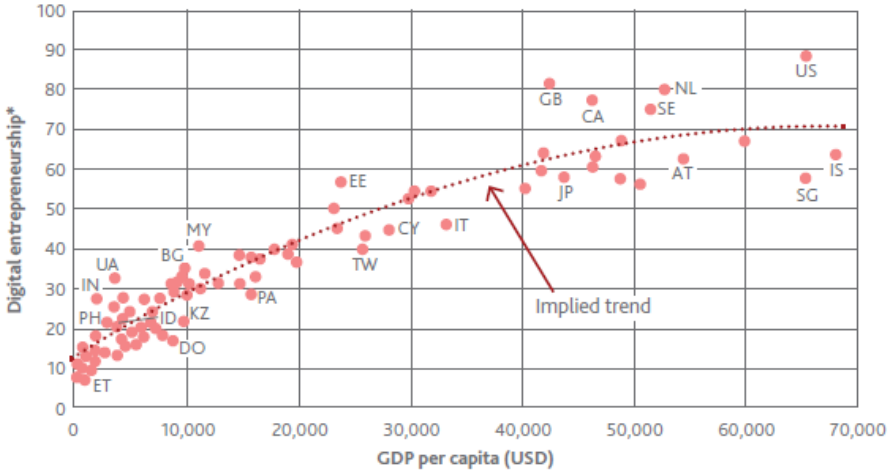
Digital entrepreneurship* by region



Digital entrepreneurship* and economic development



* A composite index based on selected national indicators in 116 countries. Simple average of indices for digital multisided platforms and digital technology entrepreneurship.

Source: The Global Entrepreneurship and Development Institute, IMF and The Geneva Association calculations

- Developed nations lead the way for digital entrepreneurship
- Close correlation between digital entrepreneurship and economic development, perhaps linked to physical, financial and educational infrastructure
- But some cities in developing nations, especially in China, have emerged as important start-up ecosystems

Going digital: implications for firm value

Intangibles now dominate

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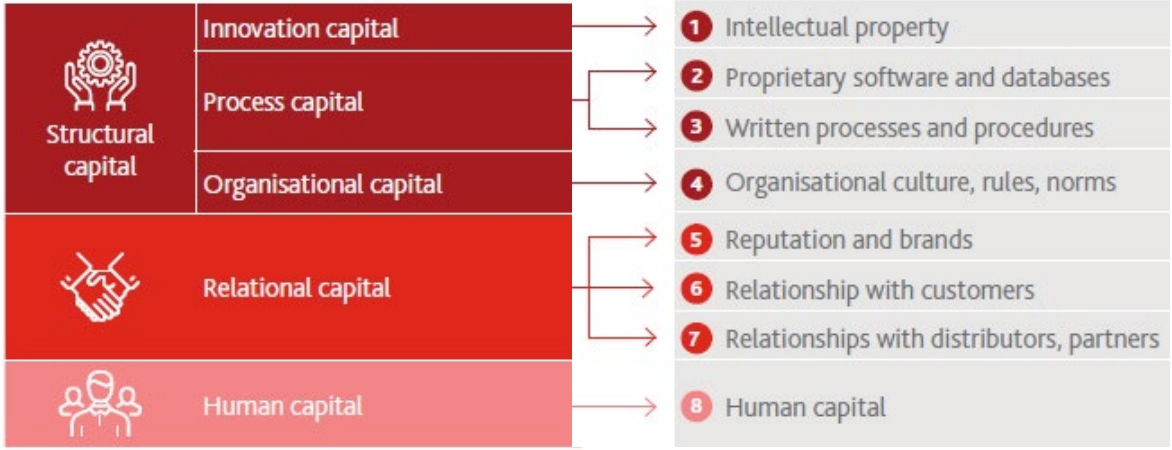
Categories of intangibles



Source: Lloyd's of London/KPMG4

- An important corollary of the proliferation of digital business models is the shift in the major source of enterprise value towards intangibles
- Intangibles cover human, relational and structural capital. They reflect assets (which create value) as well as liabilities (contingent obligations that detract from value)
- Digital businesses face key operational and commercial intangible risks. In particular:
  - Cybersecurity/privacy breaches
  - IP protection/infringements
  - Indirect liability for third-party torts of platform users
  - New sources of professional and product liability
  - Reputational harm
  - Potential anti-trust violations

Why do start-ups fail?

Mostly due to limited customer demand

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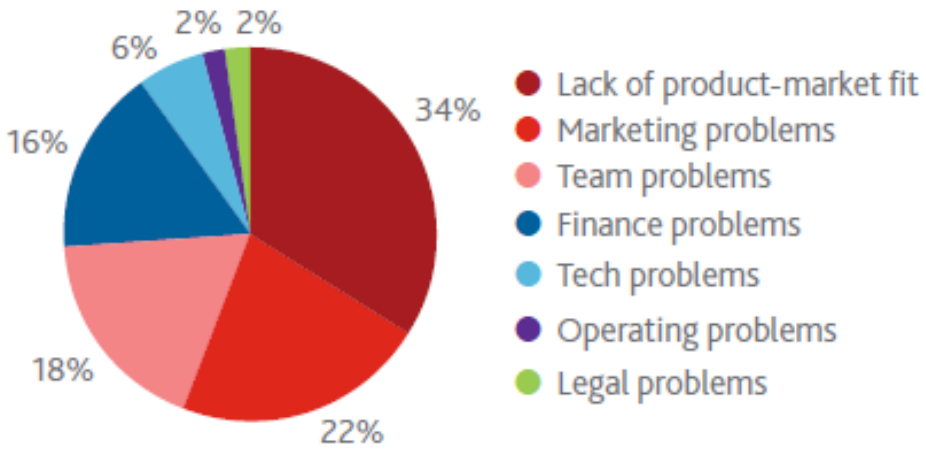
Common reasons for start-up failure (% of failures)



Source: Failory

- Lack of insurance coverage is seldom the major cause of a new business failure
- Start-up post-mortems indicate that in more than 50% of cases the product did not fit the market or the firm made marketing mistakes
- Insurance can help avoid operational setbacks, including meeting the costs of defending against litigation, which in some cases can be catastrophic
- Yet surveys indicate SMEs are underserved by insurance:
  - 44% of U.S. SMEs who have been operating for at least a year have never had insurance
  - More than a third of U.S. SMEs experienced an event that could have led to an insurance claim

Innovation in insurance

How can insurers better support digital entrepreneurs?

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Source: The Geneva Association

- Some entrepreneurial risks cannot be transferred to insurers and appropriately reside with founders of a firm/investors who receive compensation in the form of profit. This reflects:
  - Intrinsic uncertainties (e.g. unknown customer needs)
  - Information asymmetries, which create adverse selection and moral hazard issues (e.g. inability to monitor entrepreneurial skill and effort)

- A portfolio of insurance innovation will nonetheless help cement the supportive role insurance plays in fostering entrepreneurship:
  - *Marketing*: raise awareness and increase take-up
  - *Product*: broaden insurance cover
  - *Process*: improve distribution
  - *Organisational*: boost product development

Panel discussion

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Q&A

THANK YOU FOR PARTICIPATING IN

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#RiskConversations webinar series

Kindly provide your feedback in our short pop-up survey!

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