

Can insurtech be Iowa's next startup wave?

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(Photo: Brian Powers)

When Burch LaPrade was preparing to launch a startup based around insurance, he didn't know there was an industry already for "insurtech." [Fullscreen](#)

"I didn't even know that was a thing," LaPrade said.

Photos: InsurTech Week in Des Moines

Now, though, his company Gain Compliance has joined a growing wave of insurance-technology startups.

The insurtech industry has emerged and grown, particularly over the last two years, as more investors and entrepreneurs look to alter the entrenched ways of U.S. insurance firms.

"There's a lot of money that is looking for attractive places to put it, (and) there are a tremendous number of areas in insurance that could improve," LaPrade said.

Investment in insurtech companies reached \$580 million to \$740 million in 2014, according to reports from CB Insights and Financial Technology Partners. It topped \$2.6 billion in 2015.

Insurtech startups have focused on new forms of insurance, such as on-demand products, to changing distribution and underwriting systems, to applying data to better estimate premiums.

And, in central Iowa, it may represent a new wave of startups similar to the slate of financial technology firms that emerged over the last decade, such as Dwolla, Banno and Smarty Pig.

"If you in the last 10 years got excited about what those companies were doing, we're going to start to see some of those same affects in the insurance space," Brian Hemesath, the managing director of the Global Insurance Accelerator, said.

Gain Compliance is one of at least two insurtech startups that have launched in the Des Moines area since August. Founded by three ex-Workiva employees, it is developing software to help insurance companies improve data quality used in compliance reporting.

The second local startup, Denim, has developed a social media advertising platform for companies to use to promote their agents.

"I think we're at one of these points in time where the insurance industry is figuring out, 'Hey, we can't continue to sit on the sidelines'" of new technology, Denim co-founder Gregory Bailey said.

Bailey and LaPrade both pointed to Des Moines' insurance hub as a benefit for growing their startups in Iowa.

Hemesath and Iowa Insurance Commissioner Nick Gerhart said its likely the hype of insurtech will fade and many startups will fail.

"Hype never lasts. There will be companies and technologies that will thrive on the hype and those will fade, but the companies building solid businesses will survive," Hemesath said.

Even so, Gerhart said insurance companies can't ignore the emergence of new technology.

"You can't put your head in the sand and say 'that's not going to happen here, it's not going to happen to my company.'" Gerhart said.

And, consumers still need to know what they are buying, he said. For example, the collection of data on driver behavior could lower individual car insurance premiums. It could also make them rise, though, if providers find worrying behavior.

"The data can help you. It can also hurt you. People need to be digitally aware of how that can be used," Gerhart said.

Silicon Valley has a grip on a large number of insurtech startups, a report from Financial Technology Partners shows. But, the field has found traction in central Iowa.

Economic developers and local insurance companies, for instance, will point to the Global Insurance Accelerator. The GIA was announced in 2014, before "insurtech" became a more common term.

"We were insurtech before insurtech was a thing," Hemesath said.

Slice Labs, a New York-based startup, came to Iowa to test an on-demand insurance product for hosts that rent out their homes on sites like AirBnB.

"Ten years ago to do insurance by the day, I'm sure it existed ... but technology has made that so much more feasible," Hemesath said.

Other recent developments in Iowa's insurtech world include:

- The Global Insurance Accelerator hosted 12 startups during an "Insurtech Week" last week.
- Serious Social Media, a startup in the GIA's second cohort, announced Monday it had raised \$700,000 in investment backed by Grinnell Mutual Reinsurance Co. and The IMT Group.
- In August, Liberty Mutual Insurance started providing home-sharing insurance coverage in Iowa and six other states.
- That same month, Farmers Insurance began offering insurance policies in Iowa for ride-hailing drivers, like those who work for Uber.
- The GIA also recently announced two new investors, EMC Insurance and Markel Corp.

With new backers on board, Hemesath said the accelerator is considering offering future cohorts subsidized housing when they come to Des Moines. That would come in addition to the \$40,000 in seed money the GIA provides in exchange for an equity stake.

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