

Accelerating insurtech innovation: Should I form an advisory organization?



Many insurtech startups are collecting and processing new types of data that could transform how insurers price and measure risk. Often, regulatory approval and review can be costly, slow, and subject to significant uncertainty for an insurer that wants to incorporate an innovative product into its insurance rates.

Milliman Appleseed solves this problem as an insurance advisory organization authorized to file loss costs, rating factors, and risk scores in advance so that insurers can quickly adopt them.

Alternatively, some insurtechs form their own advisory organizations. Which is right for you?

Milliman can help you make an informed decision, taking into account cost, time to market, risk, expertise, resources, support and maintenance, and more.

	Form new advisory organization	Appleseed
Speed to market	One to 12 months are needed to form entity, apply for licenses in each state. Some states require background checks and initial list of company subscribers.	Already licensed in 48 states + District of Columbia.
Starting investment	Time/expense to develop and file application materials, plus state application fees.	Low annual vendor fee
Ongoing costs	Time/expense to file renewal applications, plus state application fees.	Low annual vendor fee
Filings	Internal staff can submit filings and work with regulators for approvals if they have necessary insurance/actuarial/regulatory experience.	Experienced Milliman consultants submit filings and work with regulators for approvals.
Intellectual property	Insurtech owns product IP and filings.	Insurtech owns product IP, and Appleseed owns filings.
Subscribers	Vendor must enroll individual insurer customers as advisory organization subscribers to adopt approved filings.	Vendor can contract with any insurer subscribers of Appleseed who wish to adopt approved filings.
State reporting	Must submit monthly/quarterly reports to states.	Appleseed manages state reporting.
Market conduct	Must agree to examinations every five years. Scope determined by examiners (actuarial, IT, operations, governance, etc.) and cost of exam paid for by the advisory organization. Poor exam performance may result in fines, further investigations, or legal actions.	Market conduct exams are managed/paid for by Appleseed.
Subscriber fees	Fees to cover advisory organization costs can be included in product fees.	Insurers pay separate fees to Appleseed.

Contact us to learn more

Peggy Brinkmann FCAS, MAAA
Principal, Consulting Actuary
peggy.brinkmann@milliman.com
milliman.com/appleseed

