



Insights

AVP Investment thesis Dayforward

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New York - London - Paris

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What got us excited about life insurance and Dayforward?

AVP recently announced that we co-led a financing round in Dayforward, a full stack life insurance start-up. Given what has happened to the insurtech sector, why did we get excited about this particular company?

Life insurance is a massive market in the US. While the industry generates ~\$150 billion of annual premium, there is a persistent life insurance gap that financial planners have been talking about for decades. Simply put, not everyone who should have life insurance has a policy or has the right policy. There are various reasons for this – people don't want to think about their mortality, reluctance to undergo medical underwriting, lack of knowledge about the product or how to go about buying one – the list goes on. A number of online D2C insurance agencies have made some progress in addressing this issue, but they are largely unable to address a core reason for lack of insurance purchase – people are confused by the traditional product designs and do not understand how best to match a typical constant face amount policy to their needs. Arguably, individuals need more coverage early in their life as they haven't had a chance to build up savings and also because they may have young families. The need for coverage decreases as an individual approaches retirement as there are fewer working years left to replace. Similarly, someone's need for insurance may increase if they have a new child or otherwise change as their life circumstances change. Dayforward's core product innovation is to create an insurance product that better matches the insurance coverage to an individual's need through an income replacement structure while allowing easy ways to change the coverage as life situations evolve. Not only does this structure provide more targeted coverage, it is also beneficial to carriers as the risk they are exposed to decreases over time as the individual ages.

Creating a new policy design is, however, only the start. In order to deliver on the promise of a seamless customer experience, Dayforward has to build a tech stack from scratch. This is for two key reasons – (1) Enabling a data driven underwriting approach that would enable most customers to purchase a policy nearly instantaneously without the need for medical exams, and (2) To support a flexible policy that can change coverage as the client needs change, often without needing additional evidence of insurability. Traditional insurers often struggle to innovate with new designs because they are held back by their legacy IT systems and, we believe, the modern, purpose built tech stack of Dayforward will be a source of differentiation and defensibility, going forward.

In order to fully control all aspects of the client journey and not have to rely on another carrier (fronting or otherwise), Dayforward decided to be a full stack life insurer. This was achieved through the acquisition of a shell entity that had the appropriate licenses to sell life insurance in most jurisdictions in the US. While Dayforward does reinsure its policies to one of the largest reinsurers in the world in order to better manage capital, owning a full-fledged carrier gives the company flexibility that is just not achievable in a MGA / MGU structure. Even the reinsurance treaty is structured in a way that minimizes capital drag in the initial phase of a policy.



We, at AVP, believe that this full stack approach will enable Dayforward to innovate at a faster clip than other startups in the industry and, ultimately capture a greater share of its target market.

Last, but certainly not the least, we are thrilled with the quality of the team that is at Dayforward and working day in and day out to tackle this market. We feel cracking the D2C channel will be an important part of the success here and think that the CEO, Aaron Shapiro, has a particularly strong background in digital marketing that will be incredibly useful here. Additionally, he is an experienced entrepreneur with multiple prior successful companies. The rest of the team has a unique mix of actuarial, product design, marketing and technology expertise ideally suited to solving the problem at hand.

We could not be happier being part of Dayforward's journey and wish them the best of luck!

We invest in great entrepreneurs.
We support outstanding companies.



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