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## **KLARE: FAIRER, SIMPLER AND FULLY DIGITAL INSURANCE<sup>1</sup>**

*“Business has only two basic functions: marketing and innovation.” – Peter Drucker*

Only two years had gone by since Klare.cl market debut. Nicolas Pavez, CTO (Chief Technology Officer) and co-founder of the Chilean digital insurance broker start-up, which main shareholder was Santander group, reflected on the steps taken with mixed emotions. Memories of the “digital toast” with which Klare celebrated its formal opening through videoconference and social networks, were still fresh. It was April 2020 and, together with Nelson Segura, former CEO, and Oscar Henriquez, former CMO (Chief Marketing Officer), the trio of founders kicked-off the venture. Singular times to launch a digital insurance start-up, immersed in mandatory lockdowns due to quarantines imposed at the very beginning of the Covid-19 pandemic.

Klare.cl debut had been a success. With the premise of offering Chileans "fairer, simpler and more digital insurance", Klare already had 6 product-lines available in July 2022: Life Insurance, Life and Savings, Health, Oncology, Dental, and even Insurance for Bicycles. The start-up targeted young, digital customers who seek for peace of mind, with insurances that solved their concerns in a simple way and at low prices. To do so, the team had to develop both strong innovation capabilities and profound digital transformation capacities to transform “legacy” insurance companies’ processes.

But Pavez’s world was changing. In April 2022, Oscar Henriquez decided to take on a new professional challenge, taking his digital insurance experience to Southbridge Insurance Company. One month later, Nelson Segura followed a similar path, assuming the leadership for Latin America of the digital insurance business at Seguros Falabella. Both departures were signs about how the market valued the experience of Klare’s executives. For Nicolas, leading Klare 's auspicious path without his two founding partners and friends, opened a new chapter for the company.

Nicolas was clear that he needed to move forward as future challenges would only be greater. Pavez wondered how to evolve the business, as he believed Klare was reaching a bifurcation point. Should he focus on taking Klare’s digital insurance portfolio to the next level? Or was it time to broaden its business, becoming a provider of digital transformation services to “legacy” insurance companies? Finally, how would he manage talent attraction and retention, as Klare became a reference in the industry?

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## The Insurance Business in Chile

### About Chile

Chile, officially the Republic of Chile, was a country in the western part of South America. It was the southernmost country in the world, and the closest to Antarctica, occupying a long and narrow strip of land between the Andes to the east and the Pacific Ocean to the west. Chile covered an area of 756,096 square kilometers (291,930 sq mi), with a population of 17.5 million as of 2017. It shared land borders with Peru to the north, Bolivia to the north-east, Argentina to the east, and the Drake Passage in the far south. The country's capital and largest city was Santiago, and its national language was Spanish (see Exhibit 1 for a map of Latin America).

Chile was a developing country with a high-income economy and ranks 43rd in the Human Development Index. It was among the most economically and socially stable nations in South America, leading Latin America in rankings of competitiveness, per capita income, globalization, state of peace, and economic freedom. Chile also ranked high regionally in sustainability of the state, democratic development, and had the lowest homicide rate in the Americas after Canada. It was a founding member of the United Nations, the Community of Latin American and Caribbean States (CELAC), the Pacific Alliance and joined the OECD in 2010.

### Insurance in Chile

The insurance business in Chile was mature, with many consolidated and historical players on the side of insurance companies, and multiple options in the insurance brokerage side, ranging from large players in retail, banking, and insurance brokers, to small independent insurance producers. These actors needed an official license to sell insurance. 79% of the Chilean insurance market in 2017 was concentrated by insurance operators (insurance companies and brokers), while the remaining 21% was dominated by the Insurance Banking sector, where Banco Santander belonged.

In recent years, the insurance industry had evolved its product offering through digital channels, providing customers with the ability to compare between alternatives. However, until 2017, there was a lack of insurance products and players that were 100% digital, from pre-sale to post-sale processes. Actors in the insurance industry did not seem to be making innovative decisions to tackle the digital opportunity. The major challenge that digital innovation posed to traditional players was that of migration of legacy pre and post sales processes to online. The challenge involved high investments, technological developments, and cultural changes. Traditional insurance companies were in their “comfort zone”, maintaining the status quo of a business used to operating in an “analog” way—at healthy margins.

From the customers’ perspective, there were many areas for improvement in the insurance market. Customers indicated they were not fully clear about the nature of the products available and perceived that information available was complex and distant. Moreover, customers perceived lack of flexibility from insurance companies. Depending on “flesh and bones” customer service representatives, fixed service hours, or even the need to solve certain issues personally at branch offices, made the relationship “inconvenient”. In a nutshell, customers distrusted insurance companies.

Insurance customers in Chile showed great interest in establishing a digital relationship. In 2017, market research indicated that 41% of Chilean insurance customers were receptive to acquiring insurance online.

Additionally, the number of online searches for automobile insurance alternatives (over 575,000), health insurance (over 95,000), and life insurance (over 55,000) signified a growing trend.

Potential customers who were already searching for insurance on the Internet and were willing to acquire such insurance online, were mostly young men and women, under 45 years, with either no or small children, concerned about preserving their lifestyle. These customers were disenchanted, resigned to what already existed, and perceived insurance players as a necessary evil, too bureaucratic, complex, and distant.

## **Insurtech: A Growing Industry**

### **What is an insurtech firm?**

The “Latam insurtech Journey”, issued by the consulting firm Digital Insurance Latam in July 2022, defined an “insurtech” firm (a word that resulted from combining “Insurance” with “Tech” from technology) as a “technology start-up that innovates in the insurance value chain and its periphery”. In this definition, the concept of start-up referred to an enterprise, “a start of an activity that requires effort or work or has a certain importance or scope”. The concept of start-up implied the existence of “independence”, distinguishing why a business unit of a bank or an insurance company was not usually considered by the industry as an “insurtech”.

In the start-up concept, entrepreneurs and founders had a key role in success. On the other side, technology played a preponderant role in an insurtech, as well as innovation in the insurance value chain and its periphery, which included all the ventures that complement insurers, intermediaries and reinsurers that had a focus on innovation and that contributed to improving the insurance customer experience.

### **Industry profiling in Latin America**

By 2022, according to the Digital Insurance Latam report, there were approximately 430 insurtech firms in Latin America, 34% of which were in Brazil. This represented 7% of the global insurtech ecosystem, with Latin America being 3 years behind in its maturity, compared to regions such as the United States or Europe. Some characteristics of the most important markets in the region are detailed below (see Exhibit 1 for a map):

- Argentina: its ecosystem was in a consolidation stage, increasingly oriented towards internationalization and collaboration with insurtechs dedicated to insurance services.
- Brazil: it was the largest and most innovative ecosystem in the region (170 companies). However, investment during the first half of 2022 slowed down, compared to the same period in 2021 (USD 40 million vs. USD 303 million).
- Chile: it was the most attractive ecosystem in the region during the first half of 2022 in terms of investment (3 insurtechs in the top 5) and represented 75% of the total investment in the region. It stood out for producing the first Latin American insurtech “unicorn” (a company with a market valuation of more than USD 1 billion or 1,000 million): Betterfly.
- Colombia: it was the market with the highest insurtech growth in Latin America (+55% vs. previous year) and continued to be a pole of attraction for foreign companies (25% of insurtechs). Local entrepreneurs showed willingness to continue growing.

- Mexico: it was an important ecosystem (89 insurtechs), however being in a consolidation stage, integrating new business models and with good rates in attracting foreign companies (19%).
- Peru: with 20 insurtechs, the ecosystem appeared robust, with a growth of 25% vs. 2021 and an attraction rate of 45%.

The report indicated that the Latam ecosystem grew 20% annually in the first half of the year, with a mortality rate of 6%. Each semester, 50 new insurtechs were born in the region, while 12 disappeared. The internationalization index grew by 10%, going from 9.1% to 10% in annual rate, with 10% of all insurtechs being “multi-latins” (present in more than one country in the region). The regional expansion of insurtechs was driven by Betterfly, which entered Ecuador, Colombia, Peru, and Mexico through a partnership with the insurance company Chubb. Other regional expansion examples were the entrance of the Peruvian Zuru Latam and the Chilean Simplee Seguros in Mexico, or the Argentine Klimber in Brazil.

During the second half of 2022, many insurtechs aimed to scale their businesses faster, although they faced funding constraints that limited expansions to other markets. Another trend was that of B2B insurtechs (those providing services to insurers and brokers), which managed to develop new clients overseas serving them directly from their local headquarters, without deploying local sales teams, development teams, or subsidiaries.

Total accumulated investment in insurtechs in Latin America was estimated at USD 965 million, representing less than 2% of total global investment (and 7% in terms of the number of companies that received funds). During the first half of 2022, investment totalized USD 173 million, 49% more than in the first half of 2021. However, deducting the “mega investment round” received by Betterfly, investment for the period was only USD 48 million, -59% versus SPPY (same period previous year).

By July 2022, three markets accounted for 98% of the investment flow: Brazil (61%), Chile (27%) and Mexico (10%). The slowdown in investments was partially explained by the rise in interest rates and factors of global uncertainty such as the war between Russia and Ukraine, putting pressure on the liquidity of investment funds globally. Exhibit 2 highlights the companies that received the largest investments in 2022, according to the report “Latam insurtech Journey”.

## Types of insurtech businesses in Latin America

It was estimated that 14% of insurtech companies were dedicated to what were known as “New business models”. In a highly collaborative ecosystem, the number of “neo-insurers” was growing at a rapid rate (51% in 2022). In this segment, it was possible to identify insurtechs from the Brazilian “sandbox” (a term referring to a controlled environment in which companies can develop and test their innovative projects), along with Asistensi and the Mexican company Momento. The great leader was the unicorn Betterfly, but other actors such as Pelotea, also stood out. In Argentina, Mecubrom, Activar, Seguroporhoy and Wecover showed up. Complementary, the border between “healthtech” and “insurtech” was increasingly blurred, especially regarding health plans offering. Within this trend, companies such as Sofia or Zenda.la in Mexico, and Alice and Sami in Brazil, were growing rapidly.

On the other side, 41% of the companies were focused on the “Distribution” pillar. Half of the players were traditional intermediaries that became insurtechs. The distribution was mainly oriented to P&C (“Property & Casualty”, a term referring to coverage for fire, accidents, and other general risks). The “life and health” ecosystem was becoming increasingly relevant, in particular with actors from the MGA

(“Managing General Agent”<sup>2</sup>) model such as Amerins, Vivaexpres or Meddi. In addition, digital brokers such as 123Seguro, Aseguralo +, and Klimber in Brazil, or Klare in Chile, had a relevant presence. Some of these players were diversifying their business model "connecting digital platforms and insurers". 95% of distribution insurtechs were focused on final consumers (personal insurance), while only 5% of distribution insurtechs were oriented to the SME sector.

Finally, 45% of insurtech companies were classified as "Enablers", where the solutions supported the digitalization of the claims process. A relevant sector in the Enablers segment was automobile insurance. Complementary, the domain of technology platforms for brokers, insurers and health ecosystems continued to grow, with growing needs of technology and digitization of back-end processes. The arrival of 5G technology and the importance of connectivity to provide more value to customers and increase points of contact, drove the growth of IoT (Internet of Things) solutions. The “Insurtech-as-a-service” segment represented a bridge between insurers and digital platforms, a trend being followed, for example, by companies such as Sekure, Nubloq, Insurama, EmbedX, Fitinsur, Suthub, and 180°. The variety of value-adding technological services such as after-sales services, or improvements in digital conversions via technological tools, was very diverse and specific to each market.

For additional details about the types of insurtech firms in Latin America and Chile, see Exhibits 3 and 4.

### Open ended questions for insurtech firms

Insurtech firms in Chile joined in an industry association to strengthen and accelerate the development of the sector. InsurteChile was founded as “a Trade Association (non-profit) of entrepreneurs who love the insurance industry and who promote technological innovation in insurance to develop it faster and deeper”, counting with 23 insurtech firms associated, including Klare.

Despite the passion and rapid growth of many insurtech firms, industry specialists raised doubts about the consistency of the insurtech ecosystem, concerned about it might be a “bubble”. Questions about the feasibility of real disruptive innovations were still open. Market news supported the concerns. The Public InsurTech Index went down 62% in 5 consecutive quarters. Investment in insurtech dropped by 50% during the first quarter of 2022, with the same trend in the second quarter. The “tech” movement was laying off between 10% and 30% of its talent, a rate that was expected to accelerate in the future. Moreover, some relevant insurtechs were expected to go bankrupt, while the whole insurtech ecosystem suffered from a very unfavorable global economic context, with increased interest rates and the reduced liquidity of investment funds globally.

Industry experts from the Latin American Forum for Insurance Innovation, identified that key issues for the industry were related to i) reducing Customer Acquisition Costs (CAC), ii) lowering Administration Costs of insurance policies, iii) improving risk management with data, and iv) increasing Customer Lifetime Value (LTV). Many insurtech firms claimed to be successful in competing with traditional insurance companies for customer acquisition. However, this success was achieved with high CAC, generally exceeding USD 200, depending on the business segment.

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<sup>2</sup> The MGA (Managing General Agent) was a regulated distribution model existing in many markets. In this model, products were designed by insurance companies to be distributed exclusively by a broker, allowing almost no price comparison between competitors, and with insurance brand taking a secondary place.

There were also companies that fell in love with their technology more than with their customers problems, failing to demonstrate the advantages of their solutions. There were also players that claimed to be able to use the data to improve the offer to their customers but lacked the ability to capture new data or grow volume, facing a challenging business horizon. Many start-ups were convinced of their ability to improve customer experience and that this would imply a significant increase in Lifetime Value (LTV), a belief that has not yet been verified.

Critics of the insurtech wave referred to the "glamour" of using terms such as Machine Learning, Customer Experience, Web 3.0, Blockchain, while not necessary creating true value to customers. Many insurtechs adopted a rhetoric of criticism to the traditional insurance sector, branded as slow, archaic, "legacy", or not innovative, which in part was true in a mature, commoditized sector, but on the other hand generated mistrust in a sector where the collaboration between actors continued to be key. Even in the digital space, traditional actors—the insurance companies (owners of the "products"), and insurance brokers ("distributors" and often "owners of the customers")—continued to play a role.

As a highly regulated sector (in Chile, by the Commission for the Financial Market - CMF), in which firms could only operate with the authorization provided by the insurance broker registration, insurance was a business that presented opportunities for efficiencies, both in its acquisition costs, its administration costs and the multiplicity of participants. Despite these opportunities, the traditional insurance sector remained continued to dominate Latin America (with an estimated value of insurance premiums in the region exceeding USD 6 trillion) and had relatively little investment in insurtech (estimated at 10 times less than fintech or healthtech).

Future evolution of insurtechs was expected to go hand in hand with developments such as cybersecurity and crypto, the rise of IoT (Internet of Things), the economy of the elderly, or risk management for SMEs. Insurtechs had great opportunities ahead considering the potential of the insurance sector, working collaboratively in a B2B model with traditional insurance firms. However, challenges in the B2C (direct to consumer) model remained open. Big winners of the first insurtech wave in Latin America were insurance intermediaries who took advantage of online consumption trends boosted by the Covid-19 pandemic. Beyond current trends, two additional product innovation drivers appeared in the horizon: insurance inclusion and sustainability.

## Klare.cl

### Company origins

Since 2017, relevant players in the banking and insurance industry observed that they would have to face some changes in their business models. Given the maturity of the industry, increased commoditization of products, new trends and consumer concerns, and increased digital habits, traditional companies reflected on whether it would be feasible to serve customers in the future as they had been doing in the past.

Many big actors could not solve the integration of digital trends into their business structure and functioning. One of these actors was Santander, the multinational banking corporation, and leader in the Insurance Banking sector in Chile. After a long period of analysis, Santander decided to create a start-up firm separated from the parent company (a "spin-off"), that would be run by entrepreneurs from outside the insurance industry. This brought to life an entity that functioned independently, with the necessary freedom and flexibility to create a "new way of selling insurance", without the bureaucracy of the

corporation. Since the beginning, the consensus was unanimous about one thing: “it must be done digitally”. Santander’s insurance business did not have any relevant pressure or high expectations in this regard, both internally and externally, which resulted in a fertile land to "launch an adventure".

To begin with proper understanding of customers’ purchasing behaviors and preferences in the insurance business, Santander commissioned a specialized market research firm to carry out an in-depth market study, beginning 2018. In addition, the firm ran a second market research focused on competitors (incumbents: traditional insurers and brokers). These studies yielded relevant insights, confirming that customers expected “clarity” from insurance companies. Stated simply, people didn't understand what they were buying.

With consumers’ insights identified, Santander began to operationalize its spin-off. Nelson Segura, with a successful track record at Banco Santander, in Chile, Colombia, Peru, and Mexico, served as Head of Digital Personal Banking. Considering his relevant experience, Nelson was invited to take on the leadership of the start-up, which initiated operations as a venture, under the wing of the bank. Thus, the “Nautilus Project” was born, with the purpose of transforming the insurance industry.

Back in August 2018, the first challenge for Nelson, was to put an expert team together. Nicolas Pavez, assumed the leadership of Technology and Operation, and Oscar Henriquez, led the Marketing and Sales efforts. Nicolas was a Computer Civil Engineer from the Federico Santa María Technical University, with a Master in Management and Technological Entrepreneurship, and an MBA from the Adolfo Ibañez University. His career included roles in technology, consulting, project management and innovation. His experience in companies such as Microsoft, Ingelán, Latam Airlines, Entel, Innspirál, CityMovil, and Cumplo, provided him a deep understanding of the challenges that this new insurance "venture" would require, especially in digital terms. Oscar was a Commercial Engineer from the University of Chile, and held an MBA from the ESE Business School of the Universidad de los Andes. He brought to the team direct experience in Intel Consumer Marketing, and a sound expertise in developing digital start-ups, as he had previously founded Bwuit and Listoco.

This talented leadership team dealt with a wide range of issues, including those not “strategic” but central to entrepreneurs, such as acquiring services within Santander, requesting Internet access and buying computers... Gradually, they moved to more strategic topics, related to how to make the venture happen, how to design a process of disruptive innovation, all starting from scratch in an unknown industry. Relevant decisions included the selection of providers for “core” support systems (specific to insurance products), the definition of whether to register as a broker (which, for regulatory reasons, meant that the co-founders had to take a course on insurance brokerage), among many others.

Step by step, the start-up took shape. In July 2019, the team achieved operational independence by moving to new offices. The team sealed an alliance with a Dutch insurtech start-up called DIG (Digital Insurance Group), which provided the "core" systems to support marketing and administration processes (the "back-end"). In addition, the team in Chile led by Nicolas Pavez, led the development of the “front-end” customer experience, focused in pre- and post-sales processes. The company's legal constitution was finally approved in April 2020, during the Covid-19 pandemic. This is how Klare was born (derived from the word “klarecon” which in the Esperanto language meant “clarity”), a valid reason to uncork a sparkling wine and make a virtual toast for the firm’s market opening to the Chilean press (see original press coverage in Spanish in Exhibit 5).

## Klare 's value proposition

Klare's market debut meant that the co-founders had to define the firm's value proposition. The firm was born with a disruptive spirit and an ambitious goal: to offer insurance that people trusted, while challenging the status quo of the industry. Klare identified a simple problem: people didn't trust insurers. Even though Chileans were interested in purchasing insurance, this was not showing in actual revenues. Lack of clarity of information and little understanding of both the context and the habits of customers, were key factors of their low involvement with insurance.

Klare had a strong belief: to promote the value of protection. The belief was clearly stated in company communications: "we believe that insurance should make people feel safe by making their lives easier, taking life insurance as the first priority". Life protection was evaluated as the most relevant, but it had negative associations that made it one of the most distant to consumers. Using a fully digital approach, Klare focused on understanding the needs of the most demanding consumer, who sought for peace of mind for themselves and their families. Klare aimed to simplify, facilitate, and clarify the whole insurance experience. To this end, the firm established an intimate relationship with customers, positioning itself as an insurance expert, which was nurtured by a content blog on its corporate website.

Klare determined that its target customer would be a young, digitally savvy person, who needed to overcome one main purchase barrier: the clarity of insurance products. The firm was in essence a Digital Insurance Broker, offering "fairer, simpler and fully digital insurance" (see Exhibit 6 with an image of Klare.cl landing page). The promise was explicit: "Live more peacefully, we've got you covered". When expressing the reasons for choosing Klare, the firm stated that "our idea is to change the way you acquire insurance. That is why we reinvented everything to make the process 100% digital and easier for you".

In this sense, the company highlighted that they intended to "simplify the world of insurance to make it cheaper and more accessible", with "simple and digital" processes to acquire and manage your insurance "wherever you want and whenever you want". In this promise, Klare gave the customers the "power" over their insurance, allowing them to use and modify its characteristics, add beneficiaries, change payment methods, or request assistance, fully online, 24x7. For the company, the key was simplicity: making it easy, always speaking to a young customer in simple terms, "without strange words", inviting the customers to ask whatever they needed to understand their insurance, because "understanding what you acquire is essential" (for complementary understanding about brand communications and style, see Exhibit 7).

One of the central elements in the definition and materialization of Klare 's value proposition, was shopping experience, probably the most relevant barrier in the "analog" traditional insurance, a process of high bureaucracy. Klare defined and operationalized a 3-steps process:

1. *Quote the insurance*: "We give you all the information so you can make a decision and obtain insurance tailored to you".
2. *Acquire the insurance*: "You can do everything digitally speeding up the shopping process".
3. *Proof*: "Confirm your payment and that's it, the insurance is yours. Now you can manage your insurance from your private site".

Once the insurance has been purchased, Klare invited its customers to operate their insurance on the platform, giving them the tools to manage their products:

- *Review the status of all acquired products.*



- *Manage payments and do modifications on the platform.*
- *Collect the insurance or its coverage.*
- *Cancel the insurance.*

Finally, Klare put special emphasis on the importance of security when paying. To do this, the company decided to use Flow, an online payment platform, certified by Sitelock and PCI DSS (Payment Card Data Security Standard), so that customers could pay in a 100% secure environment with their credit, debit and prepaid cards.

## **The development of digital insurance**

Klare's value proposition statements needed to be operationalized in the business processes, the design of the product portfolio, and along the shopping experience. Being a Digital Insurance Broker offering simplicity, transparency, and personalization, involved reviewing and reconfiguring the whole customer's purchasing experience and the typical "analogue" sales process from the traditional insurance industry, from evaluation of alternatives until the customer got "the policy in hand".

To develop the right digital insurance products, Klare had a wide spectrum of work fronts, almost simultaneously. One of them was having a clear target market. About this, Oscar Henriquez reflected: "Our premise was clear... If we wanted to sell digitally, we had to target a segment that already bought digitally, that understood and operated digitally".

Once the target segment had been identified, the next decision was to decide which product should be the first in the development of the product portfolio. Based on customer analysis, the decision was to start with the product that people valued the most and understood the least: life and health. For practical reasons and a bigger market opportunity, the first development was a life insurance product, the least digitized product in terms of processes, and where the customers required the most of human assistance. The typical life insurance purchase was overloaded with analogue processes such as health forms, health checks and medical examinations, among others.

This determination raised new work fronts, with paths that forked. On the one hand, it was central to product development to determine the most suitable insurance company partner. Almost by chance, Klare managed to seal an overnight agreement with Mapfre, the Spanish insurance multinational, to develop the first 100% digital life insurance on the market that did not discriminate premium values and policies between genders. This was a typical burden for women in Chile, which for a variety of reasons, faced more expensive insurance policies. Such was the revolution that Klare's proposal generated in Mapfre, that the company's management immediately suspended an incipient digital development that they were piloting in Peru, to focus all their efforts on Klare.

The second path proposed to develop the life insurance product, was to define and design how each of the business processes was going to be carried out. Nicolas Pavez recalled: "It really was a quixotic process... We had to constantly evangelize all interlocutors used to the traditional insurance model. Klare had to get into the heart of the insurance company's processes, working closely with each of its business areas, in order to understand and rewire all the insurance development and management processes with a digital perspective".

The different business processes and transformations that Klare started leading were very different from those of a traditional insurance broker. Klare gradually became a digital partner for insurance companies, which over time enabled the development of several MGA relationships between Klare and its partners, where products were developed exclusively, while Klare managed a good part of the typical processes of the insurance company. The nature of the interventions enabled profound questioning of traditional processes in insurance companies. Countless details and inefficiencies in analogue processes that "were always done that way" and that no one in the traditional insurance business questioned, were transformed day by day by Klare into "low-hanging fruit", transforming them into small business innovations. Insurance companies were generally limited in their flexibility and very used to the historical way of managing processes but were also disincentivized to invest in changing things when the "business-as-usual" was enjoying of healthy margins.

Klare 's team, configured in agile cells, was central to designing the digital experience, determining the application of the technology, and guaranteeing front-end and back-end consistency that provided users with a seamless experience, either mobile (priority #1) or web based. Both the expertise and the work modality, as well as the digital mindset of the team, allowed Klare to move quickly in the second part of the process that needed to be modified. Pavez recalled: "Once product development had been reviewed, we had to figure out how to make a customer, who acquired insurance during his whole life in one way, do it in a completely different, fully digital way. This implied reviewing the whole funnel, from upper stages when customers started exploring alternatives, until they decided to purchase the insurance". In that sense, it was very relevant to configure product characteristics and conditions jointly with the insurance company, that were completely different from what already existed in their product portfolios. In addition, customer interactions demanded a new digital standard for transparency and conversational development.

Klare wanted to enhance the "insurtech" perspective of the business. What were the incentives for traditional insurers? How to make all the actors win? Customers, Klare, insurance companies, shareholders... During this process, it was important to build capabilities step by step, where the fresh look of an organization with a digital and entrepreneurial mindset, led by Segura, Henriquez and Pavez, made it possible to remove barriers and move swiftly. But then, it was necessary to accelerate the development of products based on a powerful "core" technology that would not fail. In consequence, Klare decided to move forward on its own, terminating the partnership with the global DIG service (which would ultimately have serious financial problems that put its continuity at risk). The firm decided to develop a 100% in-house "core" system, assuming the entire operation of the most valuable phase in insurance management: post-sale processes.

The last stage was related to the development of digital marketing communications, generating traffic to the site. One of the challenges faced by the Marketing team was how to attract attention with communication campaigns. Oscar Henriquez recalled: "The challenge was to reach that 30-year-old audience, but we were not sure if everyone was "there" with assuming the cost of life insurance". Henriquez emphasized the importance of the trial-and-error process, to be relevant to customers.

Another learning point was understanding what products required a more "conventional" proposal, versus others that were more "naturally digital". Henriquez highlighted that "digital allows you to experiment and micro-segment audiences to generate more specific products". In this sense, the team referred to a vision like Netflix: "we see it is feasible to think of a usability model first, and content later... That is, getting customers to become familiar with easy insurance acquiring, something that is not currently in their imagination, so that later, based on their interactions, we determine what insurance we can design,

by virtue of their behaviors. We want them to feel that the only one who can really tailor insurance for them is Klare”.

Klare 's product development process was intense and successful, exceeding the expectations of its business leaders. Nelson Segura reflected on this: “We never imagined that we were going to launch 6 products in 18 months. Many might have thought this was possible because we were a start-up backed by Santander. I must say that it was not like that, at least not in terms of technology, processes, products, communication”. Nelson recalled how much it cost to bring out the first product to life: “It was a very painful process... We started this path in a pre-social outbreak (in reference to Chilean social outbreak of October 18, 2019) and pre-pandemic world. Then everything changed... And with that, our buyer-persona changed, the sales arguments changed, everything failed... We moved to a second wave of products with sports in mind, and we hit the hardship of the quarantines”. These situations pushed the team to think about developing products for segments less impacted by context, which is why they continued working in the line of health products.

In July 2022, product development at Klare followed the logic of a typical agile process for software development. Work was carried out for 12 weeks, focused on the development of a minimum viable product (MVP), on which adjustments were then made. This period allowed improving web search positioning strategies in Google, which according to Klare 's experience required about 6 months to achieve correct indexing. Having completed each product market launch, the team focused on monitoring growth, following comparative metrics between products associated with visits, quotes, and sales (conversions), management of acquisition costs, and post-sale experience. Nicolas Pavez affirmed without hesitation: “The key to new product management lies in how we use the data”.

### **Future Challenges and Key Decisions to Foster Growth**

The only data that Nicolas did not have was the one anticipating the best path to continue growing the business. Still, he felt comfortable in that challenging territory. A territory that started with cultural and organizational challenges. With Klare becoming more and more a reality, changes in business management and active intervention from Santander management began to occur. In this regard, new priorities arose, such as cybersecurity standards and business accountability schemes.

Other challenges had to do with the future of Klare’s value proposition. Nicolas thought that customers and the market in general, still had a very traditional approach to the purchase (and sale) of insurance products. A recent experience had Klare assessing the impact of using a call-center to understand what was happening with customers who abandoned their quote and purchase process. Those customers who were not used to a digital process, required designing user education processes, while polishing strategies to influence new behaviors.

Pavez believed that they had not yet developed the right insurance products that customers were looking for. He still wanted Klare to be able to configure a product that was simple and powerful (but complex to develop), such as an “insure your whole life for USD 100” promise. Nicolas was convinced that in this business, the key was to polish the diamond of customer information, to develop a “perfect combination” which customers did not find yet. Nicolas wondered how to take Klare’s product portfolio to the next level. With these elements in mind, Pavez depicted some alternatives that needed to be discussed with his management team:

- **Alternative 1:** continue with the regular New Product Development strategy, focused on product line width, which would imply to focus on understanding customer needs and identifying opportunities for new insurance products.
- **Alternative 2:** pause the product line width expansion, and focus New Product Development on line extensions, developing new, more specific products within current insurance lines.
- **Alternative 3:** start a disruptive innovation process to develop a “one-insurance-for-all-liabilities” product.
- **Alternative 4:** a combination of 2 or more of the previous alternatives.

Nicolas was also eager about exploring new possible directions, particularly solutions for the industry. These solutions would mean bifurcating paths from B2C products (the “Distribution” role) to B2B solution (an “Enabler” role). Given the strong technological and development capabilities acquired by the team, hand in hand with a deeper understanding of insurance sales and fulfillment processes, Pavez wondered if it was about time to venture into a wholesale role of digital insurance solutions. The main advantage of this possibility was that Klare would start moving from the “seller” side, to focus on an expanded role by serving huge insurance companies, with a regional reach in Latin America, entering a bigger, less atomized business.

Nicolas hesitated about moving in parallel with both B2C New Product Development alternatives and the new B2B solutions. His main concern was talent. Segura and Henriquez leadership was no longer available, and Nicolas had talent decisions pending: how to replace his former partners. In a rapidly evolving industry, Pavez doubted which direction to follow, particularly if he was considering all possible alternatives. Despite it all, he could still remember the pleasant taste of that champagne opened for the first “virtual toast”, just 24 months ago...

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## Acknowledgements

Thank you to Nicolas Pavez, Oscar Henriquez and Nelson Segura for allowing me to share Klare business experience. Your trust and commitment to the process have been key to the outcome depicted in these pages.

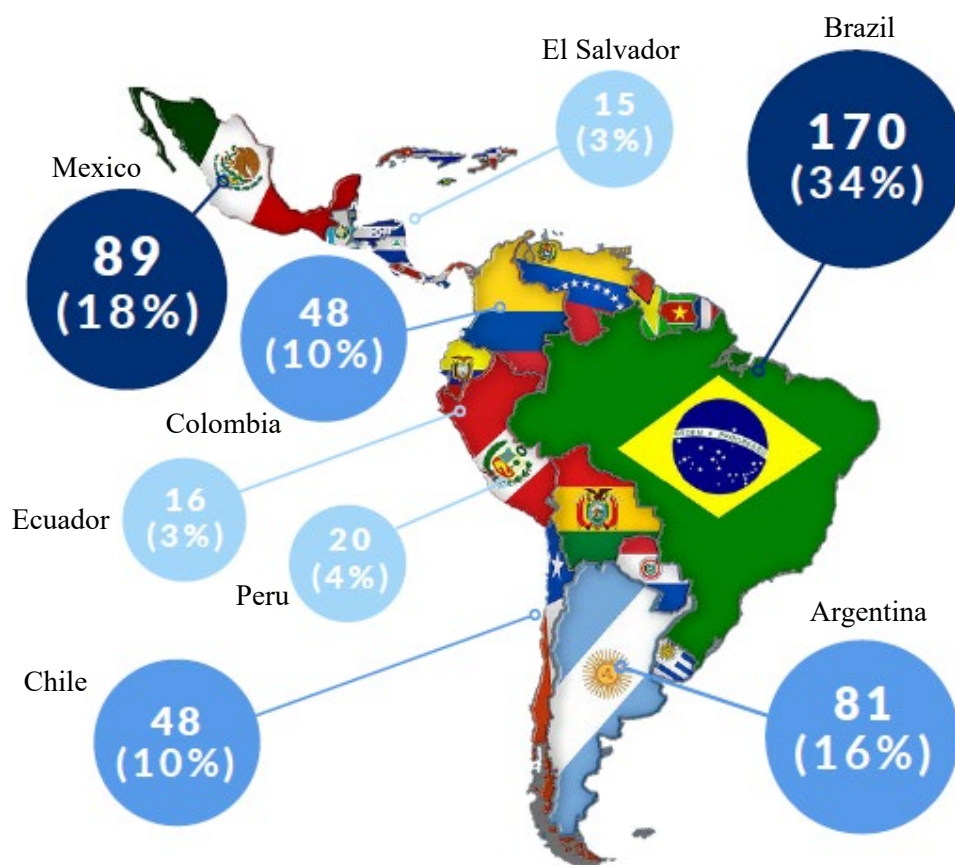
## Biography



Juan Manuel Harraca is a DBA student at University of South Florida. He is an associate professor in marketing and sales strategy in the ESE Business School at the Universidad de Los Andes in Santiago, Chile. He also serves as business advisor and board member. He is a seasoned executive with extensive experience in senior management roles across Latin America, having worked with companies such as Suez, Gillette, Procter & Gamble, Beiersdorf, Avon, The Nature's Bounty Company, and Grupo Polpaico for over 20 years.

## Exhibit 1: Number of Insurtech firms in Latin America

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Source: *Latam Insurtech Journey – Digital Insurance Latam, July 2022.*

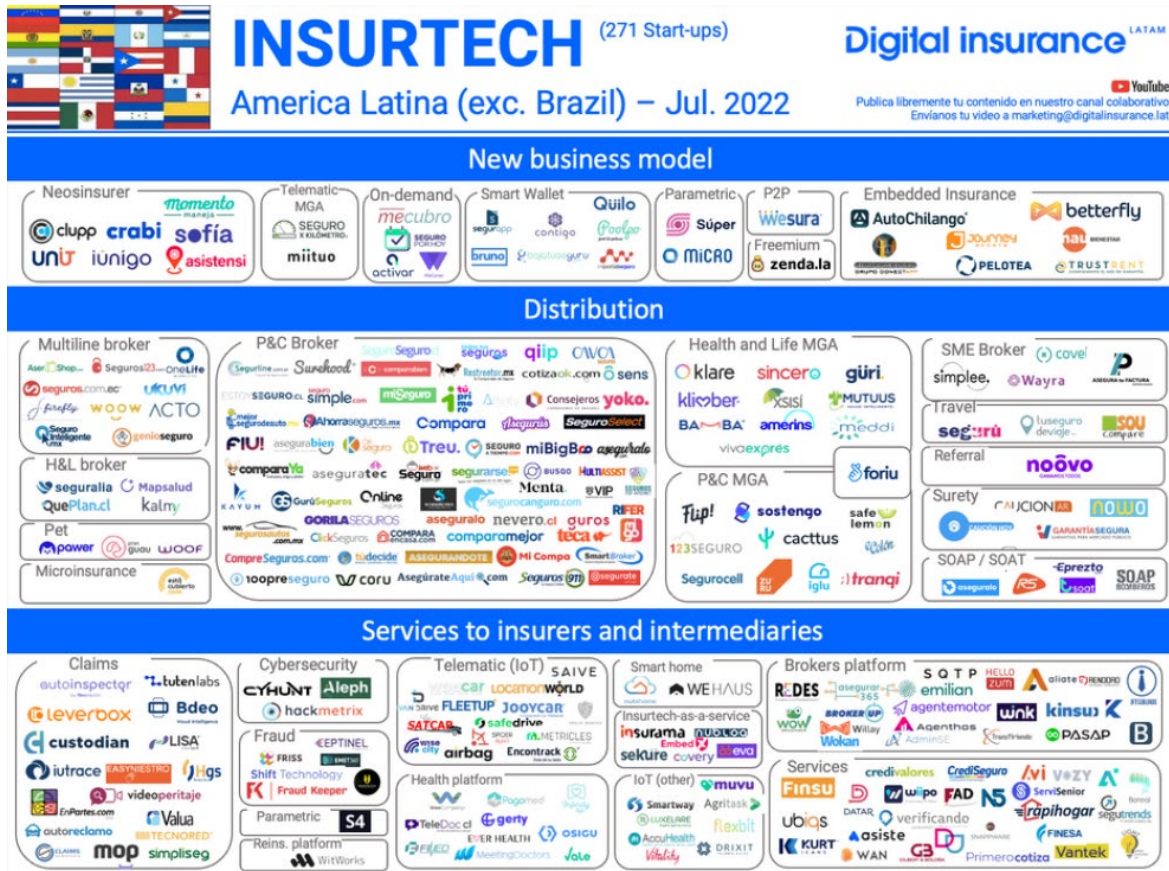
**Exhibit 2: firms and investments received – first half 2022**

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- Betterfly (USD 125 million): planning Latam expansion during 2022, USA, Spain and Portugal in 2023.
- 180° Seguros (USD 31,4 million): Brazilian insurtech-as-a-service.
- Azos (USD 6 million): life insurance expansion to Brazil.
- LISA Insurtech (USD 2,5 million): Insurtech AI and process automation.
- QuePlan (USD 1,5 million): health plan platform expanding business to international-health.
- Sostengo (USD 1,5 million): MGA model in El Salvador.
- Zipia (USD 1,5 million): accelerating digital sales in Brazil.
- Kinsu (USD 1,05 million): new distribution model in Mexico.
- Meddi (USD 0,5 million): Health MGA model in Mexico.
- Sekure (USD 0,5 million): Colombian insurtech-as-a-service.
- Simplee (USD 0,5 million): SMEs insurance expansion from Chile to Mexico.

*Source: Latam Insurtech Journey – Digital Insurance Latam, July 2022.*

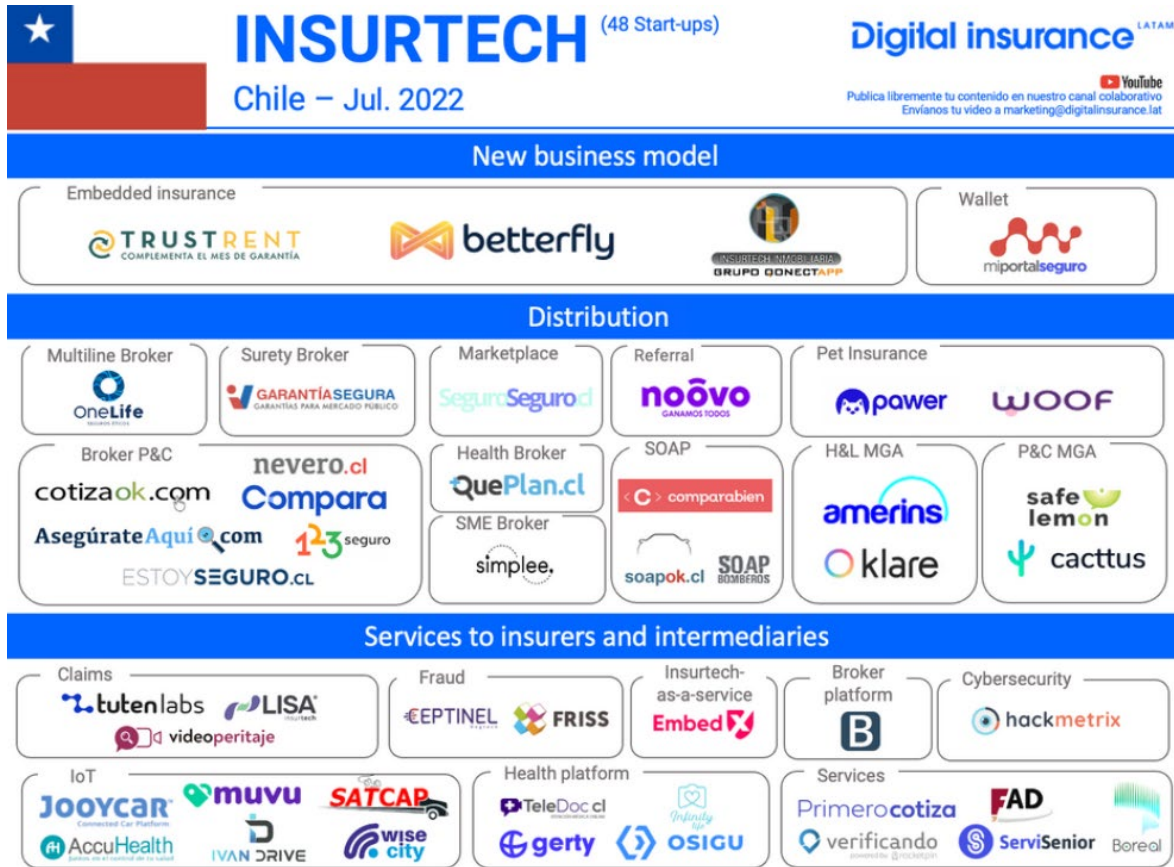
### Exhibit 3: Insurtech firms in Latin America by business pillar



Source: Latam Insurtech Journey – Digital Insurance Latam, July 2022.



**Exhibit 4: Insurtech firms in Chile by business pillar**



Source: Latam Insurtech Journey – Digital Insurance Latam, July 2022.

## Exhibit 5: Press coverage of Klare's market debut (in Spanish)

chocale | Portada | Billetera - Compras - Viajes - Actualidad - Más -

**KLARE**

### Klare: La nueva fintech de seguros respaldada por Santander

● ROSARIO CHOCALÉ - 27 DE ABRIL DE 2020 - 03 2 MIN DE LECTURA



La emergencia ni el distanciamiento social detienen los lanzamientos de las fintech en Chile. Hace unos días fue el estreno de Klare, la nueva plataforma digital de seguros que cuenta con el respaldo de Banco Santander y otros inversionistas. Y los miembros de su equipo a cargo lo celebraron con un champañazo digital por videoconferencia, el cual compartieron a través de las redes sociales.

Klare es una corredora de seguros 100% digital, que ofrece la contratación de seguros personalizadas de acuerdo con el perfil de cada usuario.

Respondiendo un cuestionario de preguntas, se puede cotizar y contratar una póliza totalmente en línea. Durante el proceso las personas pueden elegir qué protección necesitan, cuánto quieren pagar (lo que determina el monto de las coberturas e indemnizaciones en caso de un siniestro) y definir a los beneficiarios en caso de utilizar el seguro.

**43 DIARIO ESTRATEGIA**  
EL DIARIO DE NEGOCIOS INDEPENDIENTE DE CHILE

### Klare: startup chilena busca revolucionar la venta de seguros con plataforma 100% digital

Archivado en: Innovación & Emprendimiento - Startup - Klare - venta de seguros - online

Elaboración: On Line | Lunes, 6 de junio de 2020, 13:55

Compartir en: Facebook, Twitter

Klare nace como una corredora de seguros 100% digital. Esto significa que todos sus procesos se han digitalizado, de tal manera, de ofrecer una experiencia simple, personalizada y accesible para todos los usuarios, lo que les permite estar en funcionamiento las 24 horas del día, los 365 días del año y en todo Chile, solo teniendo una conexión a Internet, su cédula de identidad y tarjeta de crédito. Se trata de una propuesta innovadora respecto a los servicios ofrecidos actualmente en el mercado. El objetivo de Klare es acercar los seguros a aquellas personas que desean alguna protección, pero tienen desconocimiento y/o desconfianza de los productos o servicios que hoy ofrece el mercado. La idea principal es derribar las barreras que existen entre las personas y los seguros, con una propuesta que brinda la posibilidad de elegir los productos en función de sus propias necesidades y estilos de vida. La digitalización, además, permite a la startup Klare llegar a un rango mayor de público y ofrecer precios más convenientes que el mercado tradicional. Es la primera corredora que no discrimina por género o ingresos, eliminando el papeleo, la letra chica y la burocracia de la contratación, para enfocarse en entregar una mejor recomendación basada en las características del cliente, como su grupo familiar, sus gustos, cargas o gustos para otorgar las mejores coberturas y montos para el usuario. Además, permite hacer ajustes al seguro, como agregar beneficiarios, cambios medio de pago directamente desde el celular. Una propuesta innovadora respecto a los servicios ofrecidos actualmente en el mercado. Esto significa que todos sus procesos se han digitalizado para que el usuario tenga una experiencia simple, personalizada y accesible, lo que permitirá un funcionamiento 24/7, solo teniendo una conexión a Internet, cédula de identidad y tarjeta de crédito. Nosotros proyectamos para este 2020 a más de \$200.000.000 de pesos en Primas, pensando en que arrancamos con seguros de vida y durante el año hemos incorporado nuevos seguros, esto tomando el contexto del COVID-19 de este año". Señala Nelson Segura CEO de Klare. En esta primera etapa ofrecerán un seguro de vida, pensado especialmente para aquellas personas que desean tener una cobertura más completa, pero tienen algunas aprensiones respecto a los precios y la forma de adquirir un producto. De acuerdo a un estudio realizado por Klare, las personas que hoy tienen contratado algún seguro gastan una media de \$55.391 en estos productos. Los más demandados son los de vida, auto y degravamen. A la hora de elegir una aseguradora, en tanto, los clientes dicen que valoran la transparencia de sus productos y la facilidad de contacto, dos puntos que Klare fortalecerá. Además, la corredora buscará ser un punto de conexión entre las startups locales y las personas para desarrollar productos innovadores y que permitan incursionar en nuevas audiencias y negocios.



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Empresas

## Chilenos lanzan corredora de seguros 100% digital



Foto: Klare.

**elEconomistaAmérica.com | Chile**  
17:39 - 18/06/2020

Klare elimina el papeleo, la letra chica y la burocracia de la contratación, enfocándose en recomendar en base a las características de sus clientes las mejores coberturas y montos para el usuario.

El objetivo de Klare es acercar los seguros a aquellas personas que desean alguna protección, pero tienen desconocimiento y/o desconfianza de los productos o servicios que hoy ofrece el mercado. La idea principal es derribar las barreras que existen entre las personas y los seguros, con una propuesta que brinda la posibilidad de elegir los productos en función de sus propias necesidades y estilos de vida.

**La digitalización, además, permite a la startup Klare llegar a un rango mayor de público y ofrecer precios más convenientes que el mercado tradicional.** Es la primera corredora que no discrimina por género o ingresos, eliminando el papeleo, la letra chica y la burocracia de la contratación, para enfocarse en entregar una mejor recomendación basada en las características del cliente, como su grupo familiar, sus gustos, cargas o gustos para otorgar las mejores coberturas y montos para el usuario. Además, permite hacer ajustes al seguro, como agregar beneficiarios, cambios medio de pago directamente desde el celular.

Exhibit 6: Klare.cl Landing Page

The screenshot displays the Klare.cl landing page. At the top, the navigation bar includes 'Home', 'Productos', 'Nosotros', 'Cobrar Siniestro', 'Ayuda', and a 'Mi Klare' button. The main heading reads 'Bienvenid@ a Klare, tu corredora de seguros 100% digital'. Below this is a call to action: 'Elige tu seguro o plan y cotiza en minutos!'. A sidebar on the left lists insurance options: 'Seguro de Vida' (selected), 'Seguro Oncológico', 'Plan Dental', 'Plan de Salud', and 'Seguro de Vida con APV'. The main content area for 'Seguro de Vida' shows a slider for age (18 to 65 years) with a current selection at 40 years. It compares two plans: one from Zurich for \$6,942 (0.20 UF) and one from Mapfre for \$5,553 (0.16 UF). Below the comparison are icons for 'Declaración de salud 100% online', 'La activación es inmediata', 'Tu seguro sin examen médico', and 'Tres asistencias gratuitas'. At the bottom, there are buttons for 'IR AL PRODUCTO' and 'COTIZAR SEGURO'. The footer features logos for CONSORCIO, ZURICH Santander, MAPFRE, confuturo, IRAM, and IntegraMédica.

## Exhibit 7: Example of brand communications in Instagram

