



Pay-as-you-drive startup threatens car insurance dinosaurs

Founder Freddy Macnamara launched his disruptive model in 2015 after spending two years convincing underwriters and investors to take a chance

Mark Smith

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Freddy Macnamara came up with the idea for Cuvva in 2013 while in a bar, chatting about lending his car to a friend.

“It was ridiculous that you couldn’t borrow a car for an hour, because of the difficulty of getting short-term cover,” he says. “I could order an Uber or a Deliveroo to my house, but I couldn’t buy insurance for a short period quickly.”

Founded in Edinburgh, Cuvva allows customers to buy pay-as-you-go insurance via an app, rather than

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According to Clyde & Co's Insurance Growth Report, 94% of insurers expect digital transformation to have the biggest impact on how they do business with customers over the next five years.



Freddy Macnamara, founder of Cuvva

But there is a reticence by the established insurance players to embrace digital innovation. A study by Pricewaterhousecoopers revealed the majority (74%) of insurance companies see technological innovation as a challenge for their industry, but few are actively seeking out collaboration opportunities or developing their own offerings in-house.

Only 28% have explored partnerships with fintech companies and 14% have actively participated in ventures and/or incubator programmes. Less than half (43%) claim they had fintech at the heart of their own corporate strategies.

While the idea came from humble beginnings, Macnamara had already built and exited a hospitality and education business, and built a profitable renewable energy consultancy by the time he decided to reimagine the car insurance industry. But convincing underwriters to take a chance on Cuvva was still a tall order, even for an experienced entrepreneur.

“Getting an insurance company to underwrite Cuvva from the beginning was a big hurdle to overcome,” Macnamara says. “Insurance is known to be a rather slow industry and there hasn’t been any innovation in this category since Admiral brought out Admiral Multicar nearly 10 years ago. [But] to start a new proposition, you must have several years of data before you can price a product competitively.

“Short-term policies had never been sold for less than 24 hours in length and never before on an app. [It] required rethinking how car insurance was sold.”

Because of the disruptive nature of the idea, the first thing Macnamara did, even before raising money, building a team or developing the platform, was to spend a year talking to underwriters and building the relationships that would support the business.

“In order to get [the underwriters] on board, we had to demonstrate we could protect against the problems inherent in selling an hour of insurance,” he says. “On the whole [you both must] be prepared to take a loss to start a new venture, while the pricing model is refined. That is quite a difficult sell.”

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Their offering has since developed as they have grown. As well as short-term policies (from one hour, up to 28 days), they also provide insurance to those learning to drive (from £12.73 per hour), to van drivers, and have a low-tariff policy that can be topped up when the car is being used (as opposed to parked in the driveway). In the latter case, members pay £10-£30 per month subscription, plus from £1.20 per hour when they drive their car. They can also build up a transferable no claims bonus after a 12-month subscription.

Cuvva takes a commission and a £1.20 fee from every policy sold, but claims their subscription model can save infrequent drivers up to 70% of the cost of an annual premium, which recently rose to £462 a year. By-the-hour drivers save because they're only paying for what they need. Macnamara predicts customers will demand more of this as technology makes personalisation possible and the reach of the sharing economy expands.

"Before Deliveroo launched, the options for eating at home were to cook for yourself or ring up for a Chinese or pizza, wait an indeterminate time and have to swallow any incorrect orders," he says. "Now you can choose between a hundred restaurants and do it all from your mobile at the touch of a button.

"We think that Cuvva will deliver the future of car insurance [because] people will want to insure themselves only when they are driving, both on their own cars and on other people's, [especially] as we move [towards] a shared-asset future."

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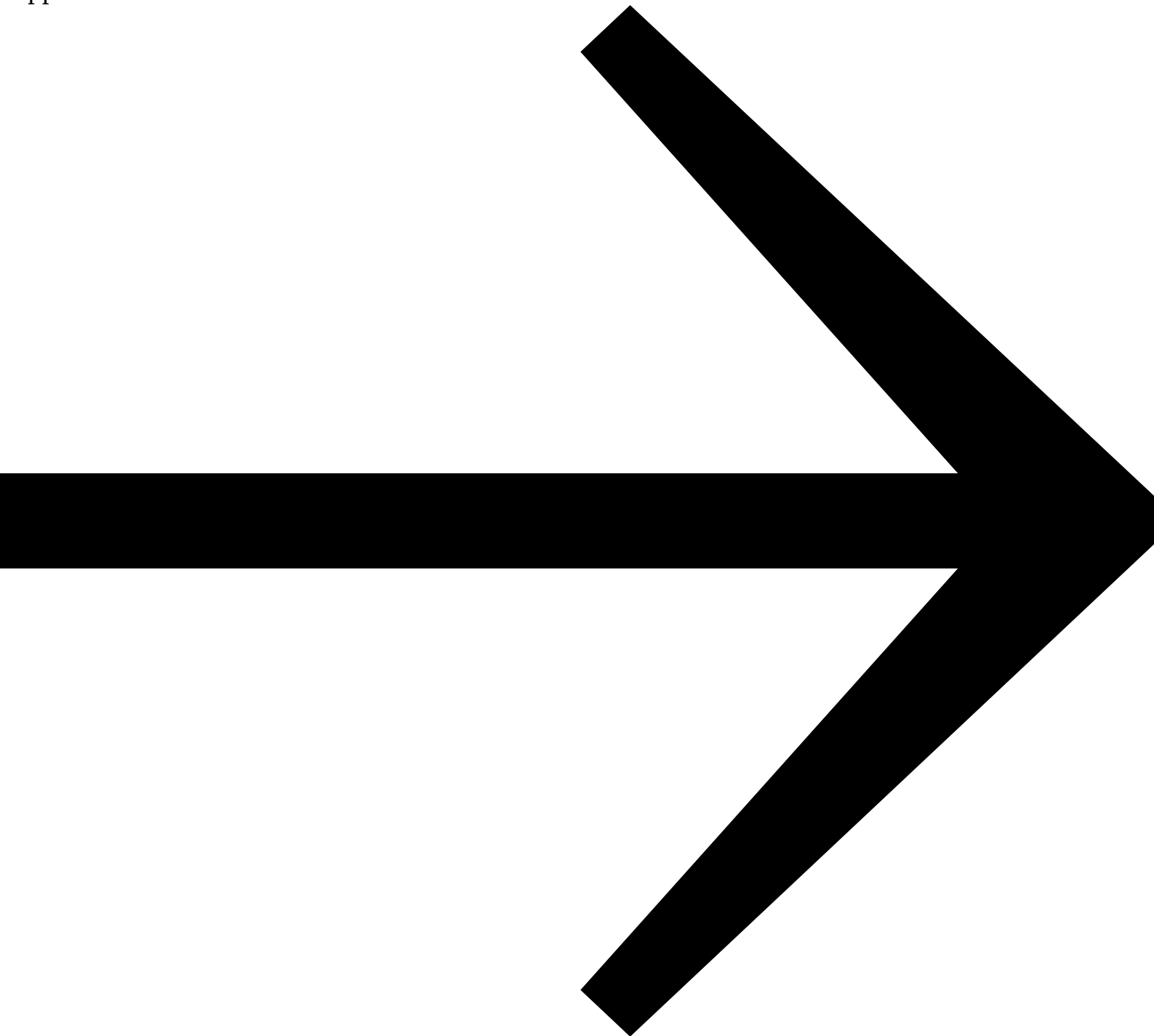
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