

# What New York Life Has Learned from Six Years in Corporate Venture Capital

By Pamela Bump, Staff Writer

Over the past 170 years, New York Life has grown into America's largest mutual insurance company. With more than \$500 billion under management and 11,000 employees, the company likes to say it has helped protect its clients through ["wars, pandemics, and financial crises."](#)

More recently, since 2012 New York Life has been amping up its investments in frontier technologies that may be able to improve the client experience, streamline its own internal operations, and help continue growing the business for the future.

It was six years ago that [Joel Albarella](#) was asked to launch what is now [New York Life Ventures](#), a corporate unit charged with scouting, testing, and investing in new technologies that could hold potential for the core business at New York Life. Since then, the company has committed \$200 million in funding for New York Life Ventures; made 29 investments; and worked with more than 100 startups to run proof-of-concept tests.

We spoke with Albarella recently to get the story behind the launch and growth of the ventures unit. He will also be among the speakers at [Innovation Leader's New York Field Study](#) later this month.

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## THE IMPORTANCE OF POCs

Albarella previously served as the chief of staff to New York Life's head of investments from 2008 to 2012.

"The outside environment was at a point where technology was advancing pretty quickly," he says. "You had a lot of things going on, whether it was cloud computing or e-commerce. We thought that maybe we should get a little bit more externally focused. The time was right for New York Life to start to have an external presence in the startup ecosystem."

When the unit was first started, there were no immediate investment targets or set expectations, according to Albarella. "There were internally driven expectations on my part, but there was a lot of effective aircover from the beginning."

Albarella said the small team began making opportunistic investments, while still communicating with the core of New York Life in order to develop a "strong strategic alignment."

"To actually plug into the business and pull the core along whenever we had the opportunity to was the route that we chose," he notes.

The team began searching for new opportunities by exploring the value propositions startups offered, and screening for those that they might want to conduct a proof of concept (POC) with.

Albarella explains that “[POCs] are meaningful tests by business leaders...where [New York Life] is actually spending time and money on testing a startup technology that we’ve sourced. We’re highly transparent with the startup, and [we] let them know why exactly it works and why it doesn’t. We were committed to that in the beginning. That helped us build our reputation in the market, and it helps us build our trust in the startup community as a good place to go to.”

In addition, “We see how they engage with a potential customer, which is us,” he says.

By involving New York Life leadership in the POC process, Albarella says that the ventures unit is able to get an idea of how business leaders at other companies are likely to react to the technology. “We can say, ‘It was a really easy startup to sell to our Chief Security Officer. ...The insurance vertical is huge. If he responded so positively, I’m sure others will as well,’” he says.

POCs have become “a really good component or cornerstone of our due diligence on the investing side,” Albarella notes.

### INNOVATING CAN FEEL LIKE ‘AN IRRATIONAL DECISION’

Similarly to other innovation initiatives at big corporations, Albarella explains that strong communication and company-wide networking was needed to gain early understanding of the Ventures unit. However, he explained, New York Life’s long-term mindset and innovation-embracing company culture helped him gain support quickly.

“[Our challenges were] nothing out of the ordinary. Clay Christensen has done some work on this. ... A lot of times, approaches [with big companies] become very business oriented. In other words, ‘Let’s just start an innovation business and hire somebody to run our innovation business. That’ll solve the problem.’ I think there is a very real dilemma there,” Albarella explains.

“When it comes to innovation, [the big company is] the incumbent,” Albarella observes. “...You don’t have to disrupt anybody because you’re an incumbent. ...You built the unicorn and then some,” he says.

“But you need to make a different type of decision—an irrational decision—to try to be innovative. ...That was always a macro challenge, but there are two advantages of New York Life. One is how we take the natural long-term view. Another is our people. ... When we were trying to introduce new technologies, sure, people were like, ‘No, I’m busy. What are you doing Joel? I’ve got real work to do.’ But it quickly still ramped up exponentially. They were embracing what we were trying to do.”

On the investment side, Albarella says his team has also had to pay close attention to the climbing valuations of startup companies in some sectors.

“Over the last five years, we’ve seen certain areas get significantly over-valued in our opinion,” he says. “There have been times where we’ve just stepped back. We never throw fundamentals out the window; it’s still an important aspect of our due diligence.”

### OPENING AN R&D LAB

Shortly after the venture unit’s creation, Albarella’s team had begun to get its arms around “the main challenges, as well as opportunities, throughout the insurance value chain,” Albarella says.

There was a desire to use that knowledge not only to help guide New York Life’s startup investing, but also to fuel the company’s own product prototyping, testing, and research. So the next step was opening an R&D lab.

“We said, ‘Let’s start testing some things. Let’s see what we can build,’” Albarella explains. “We got the support of New York Life and we were able to operate autonomously. We built some really cool technologies that we’re looking to leverage back internally.”

The lab builds prototypes using “frontier technology,” runs a sandbox technology environment, and seeks to bring in new talent to New York Life. The ultimate goal is to spin its projects back into the core business.

When it opened, its key sponsors were New York Life’s President and its Chief Investment Officer, according to Albarella.

“[We received] broad support at the top of the organization, but the president allowed for the first few years to be ‘ramp up years,’ where there wasn’t a microscope. ... The [R&D lab] had the senior aircover.”

While Albarella was reluctant to go into detail about the lab’s current slate of projects, he hints that they’re “focused on leveraging the cloud in new ways to [benefit] the entire insurance value chain.” Albarella adds that the lab also “routinely focuses” on themes like the Internet of Things, augmented reality, virtual reality, and blockchain.

## DEFINING SUCCESS

In January 2018, New York Life Ventures [announced that it had surpassed \\$200 million](#) in committed capital for investing in startups. And outside of the company, Albarella says they have gained additional credibility in the startup ecosystem.

“We’ve introduced startups back into the business, so we have a very clear mission of driving strategic value for early-stage companies. We also have a fully-functioning R&D lab where we build new things and try to deliver value back into the business.”

While the group has attained roughly a 30-percent internal rate of return for the last five years, Albarella says they’ve also screened over 1500 startups, moving over 150 into the POC stage. He adds that the company has also implemented solutions from more than 30 of these startups.

[That includes work with technologies](#) such as Captricity, a data capture system that combines machine-learning with human verification to pull data from paper documents; Netscope, an enterprise cloud security platform; and Vlocity, a cloud and mobile customer relationship management (CRM) software for insurance and other industries.

Of the technologies that New York Life Ventures has implemented, “Those are new technologies we’re using within the core that have been driven by business decisions.”

But other times, the value added by a new technology can be difficult to pinpoint. One example that Albarella gave was fraud protection technology.

“That’s where it starts to get a little bit less financial,” he says. “But when I stop and think about it, that actually could be one of the most valuable aspect of what we’re doing.”

The unit’s work has also helped it build its reputation with other venture funds around the United States. “I think that our model has been acknowledged as unique in the marketplace,” Albarella says. “... That’s [generated] a lot of inbound [interest] from VCs. They’re not looking for capital for their fund, but they’re looking to work together in sourcing insurtech [deals] and to get our perspectives. That helps us with deal flow. Our strong relationship with the VC community is a key

driver of our success today.”

Although Albarella admits to having a “love-hate relationship” with the word innovation, he does view his team’s role as “changing hearts and minds” throughout the company, and exposing his colleagues to new concepts and technologies. He also sees enormous benefit in increasing the speed at which New York Life can learn about how customers are changing and how technology is evolving.

“The only sustainable competitive advantage for an organization is the speed at which it can learn,” he says. “That implies a high level of humility about what we don’t know, but confidence in what we do.”

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