

Insurtech Deals: European Investor Insights

Market update

2023

>4,700



Global Insurtech transactions
Since 2016

1,334



Transactions where European Investors participated
Since 2016

4



Mega deals (>USD1bn) in last two years globally

USD 22.1bn



Reported deal value where European Investors participated
Since 2016

8



years of transaction data

3rd



Edition since 2021

Methodology & Limitations:

- We use publicly available information as well as data from top-tier data providers such as CB Insights and Mergermarket to compile a comprehensive list of transactions and deal-related information on targets and investors. The nature of transactions is highly confidential, and often not all details or transactions are fully disclosed. We therefore do not claim that the data presented is complete. However, we do believe that the data represented in this report provides a basis for understanding historical trends in the Insurtech market.
- To ensure the reliability and relevance of our dataset, we have used our experience and judgement to prepare the data and determine the appropriateness of inclusions or exclusions of transactions in the dataset.
- In cases where more than one investor was involved in a deal, it was not possible to separate the individual amounts invested by individual European investors. Therefore, where deal values are presented from the perspective of European investors, they represent the value of deals in which European investors were involved.

Welcome to the third edition of our PwC Switzerland Insurtech Deals Market Insights. Our 2023 Market update examines how the appetite for Insurtech transactions has evolved over the past two years and whether the current lull in Global M&A activity through Q3 2023 is reflected in the Insurtech transaction space.

We also assess the current and future states of Insurtech IPOs in comparison to the high expectations set in 2020 – one of the most successful years to date featuring now household industry names such as GoHealth, Root, Duck Creek and Lemonade.

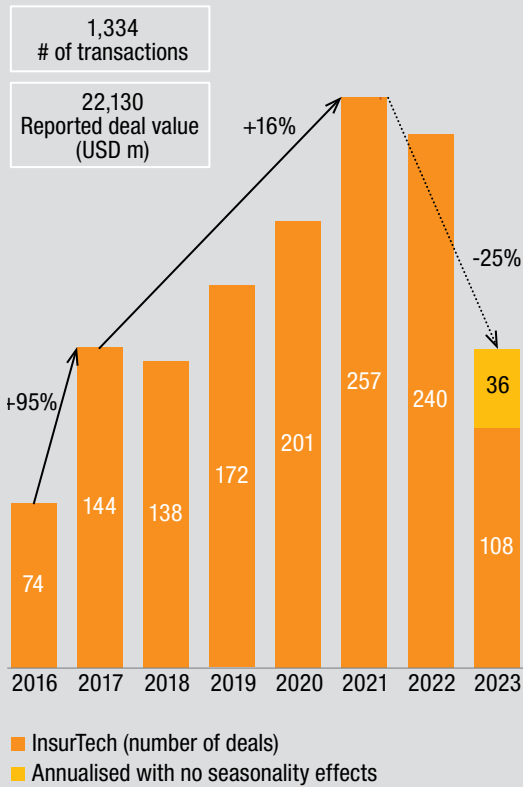


Rising interest rates have marked the beginning of the end of a decade long era of so called “free money” and an abundance of capital once being available to Insurtechs. We have seen investor expectations increase over the last two years and the demand for more mature technologies and a proven track record of cash generation has been established.”

Christoph Baertz

Please note that the focus of this market update is limited to European-headquartered investors and relates to transactions where European investors have participated on a global level.

Graph 1: Development of Insurtech transactions from European investors – 1/1/2016 – 30/09/2023



Reported deal value (in USDm):

854	1,373	1,207	2,454	3,213	7,137	4,669	1,223
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The global rise of Insurtech transactions peaked in 2021 at 257 transactions, totalling a reported deal value of USD 7.1bn – Has this fortuitous period ended?

In our 2021 report, we highlighted the tremendous rise of Insurtech transactions from 2016 onwards and expected the bolstering trend to continue through 2022 and beyond.

Upon reflection over the last two years, it is clear that this expectation has not materialized. 2021 now stands as a hallmark year, peaking at 257 transactions with a total reported deal value of USD 7.1bn. In 2022, the market continued to experience an abundance of transactions, with a total of 240 transactions and a reported deal value of USD 4.7bn relating to European investors, remaining poised for continued growth. Nevertheless, a palpable deceleration has been noted in the year-to-date figures for 2023. As at 30 September 2023, there were only 108 deals, less than half of the number of transactions observed throughout 2022. While we anticipate additional deals to materialise by year-end 2023, our outlook remains tempered, and we do not foresee a significant shift in this trajectory.

One undeniable factor is the current global macroeconomic climate, marked by ongoing geopolitical and economic uncertainty, which have had adverse effects on international markets. Concerns such as rising interest rates resonate across the industry, presenting both opportunities and challenges. Insurance carriers seem to have adopted a more conservative approach to investing in Insurtechs, with higher interest rates also affecting the degree and ease of funding available to other non-traditional investors. The market has seen increased investor caution with an interest in performing more in-depth due diligence as they gravitate towards more demanding value propositions.



Outlook

Although M&A activity in the Insurtech space fell short of expectations in 2023, we expect the slowdown to be short-lived, with activity expected to return over the next twelve to eighteen months, albeit on a more sustainable level than previously experienced in 2021.

With the emergence of AI disrupting all areas of technology and society at large, the transformational capabilities are already changing the landscape for Insurtechs and we anticipate that AI-based technologies and solutions will play a key role in shaping the future of Insurtech.



European investor appetite remains concentrated to Insurtech targets based in the US and UK

Our observations from 2021 highlighted the strong affinity of European-headquartered investors to invest in US- and UK-based targets. From 2016 to Q3 2023, the US alone accounted for 23% of the total number of transactions, with a staggering USD 10.4bn (47%) of the reported deal value, with the UK ranking second, accounting for a total of 21% and USD 2.7bn (12%) of the reported deal value. However, this purview is expanding, with nations such as France and Germany emerging prominently in the Insurtech sector, ranking 3rd and 4th, respectively, in the Top 10 (Table 1).

While the US continues to be a primary hub for Insurtech deals, European investors are increasingly turning their attention to companies in Europe as well as Asia. This shift may be influenced by challenges faced by notable US Insurtech firms like Lemonade, Root and GoHealth, who went public in 2020/2021. These companies have since experienced share price drops of up to 97% from their initial public offering values. Such trends, while concerning, are not uncommon in the wider Fintech sector, but likely contribute to increased investor prudence and contribute to the downturn we have observed since 2021.

Graph 2: Continental split of Insurtech transactions from European investors by number of transactions – 1/1/2016 – 30/09/2023

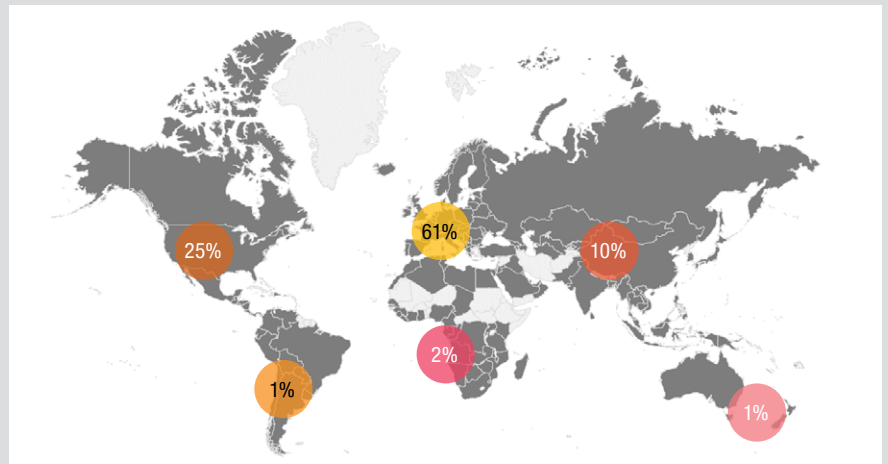


Table 1: Top 10 country split of Insurtech transactions from European investors by number of transactions – 01/01/2016 – 30/09/2023

Continent	Country	# of transactions	% of total transactions	# of transactions with reported deal value	Reported total deal value (USDm)
North America	United States	309	23.16%	263	10,381
Europe	United Kingdom	282	21.14%	215	2,737
Europe	France	128	9.60%	102	2,014
Europe	Germany	115	8.62%	70	1,940
Europe	Sweden	46	3.45%	37	363
Europe	Spain	44	3.30%	39	195
Europe	Switzerland	39	2.92%	22	126
Europe	Italy	38	2.85%	26	61
Asia	India	35	2.62%	27	601
Asia	Israel	30	2.25%	28	534
Total		1,334	100.00%	1'034	22,130



Outlook

Deal activity from territories outside the premier Insurtech hubs based in the US and UK alone is expected in the future. This comes as the race for technology solutions remains high globally and has once again been flagged on the agenda by top insurance CEOs around the world. Our PwC Insurance Banana Skins 2023 highlights the top risks facing the insurance industry worldwide for the next 2–3 years, where technology represents both friend and foe (<https://www.pwc.co.uk/industries/insurance/insights/insurance-banana-skins.html>).

Furthermore, globalisation continues to diminish geographical boundaries as investors seek the latest promising Insurtech with the potential to attain unicorn status. At the very least, the focus is on the most compelling value proposition for the industry, irrespective of the geographical location of the Insurtech.

Funding of Insurtech companies is typically linked to venture capital investments, given their early-stage position in the business life cycle

In our 2021 report, we observed that the majority of Insurtech transactions primarily involved venture capital (“VC”) investments, including Early Stage and Later Stage VC funding. This was attributed to a competitive landscape and the risk of becoming obsolete or being left behind, motivating investors to engage with Insurtech companies at an early stage.

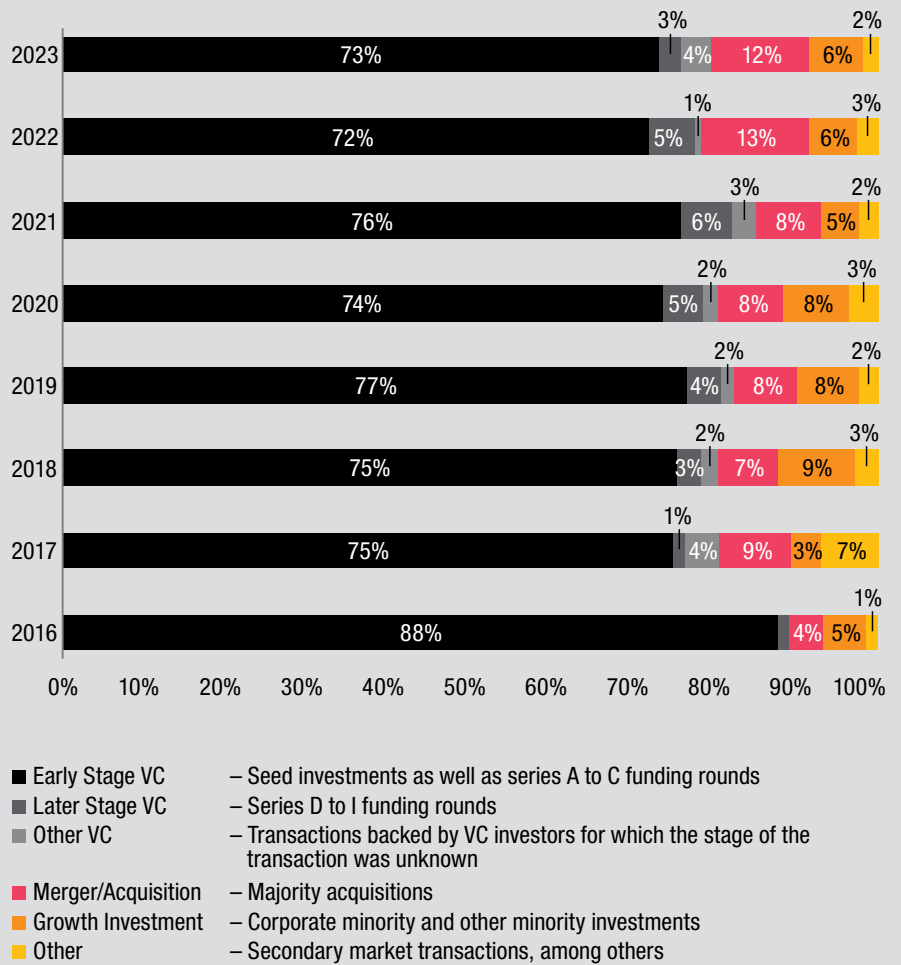
Fast forward two years, and we observe a growing preference for more established Insurtech firms. With nearly 20% of 2023 (2022: 22%) transactions involving mergers/acquisitions (‘M&A’) and growth investments, the trend continues towards more established Insurtechs. This shift seems to also be indicative of a deeper commitment and interest from investors in Insurtech companies with more mature technology, as well as highlighting some investor caution. Economic uncertainties that followed the deal surge of 2021 have led investors to reduce risks and focus on technologies with a proven track record.

It’s worth noting that this trend aligns with that from the perspective of global investors as well.



Outlook

Graph 3: Funding of Insurtech transactions from European investors by deal stage and year – 1/1/2016 – 30/09/2023



The vast majority of transactions are funded through Early Stage and Late Stage VC funding rounds. However, as we observe some of these Insurtechs maturing through the business life cycle, we anticipate a greater trend towards growth investments and M&A transactions, where majority stakes are being acquired. IPOs have not been included in our dataset as transactions.



The Top 5 largest transactions in 2022 and year-to-date September 2023 are all in excess of USD 190m, but they do not reach the magnitude we observed back in 2021 where the top 5 transactions were all in excess of USD 300m, with WeFox securing the largest ever funding round at USD 650m (Series C) in June 2021.

Although 2022 and 2023 have not reached the scale of 2021, we have witnessed significant transactions with the largest relating to a Series D funding round of US-based Pie Insurance with a deal value of USD 315m in September 2022, which almost doubled the company’s total equity raised at the time. Pie Insurance is an Insurtech company focussed on providing workers’ compensation insurance for small businesses. The round was led by Centerbridge Partners and Allianz X and constituted the largest round for financing for US-based P&C Insurtech company in 2022.

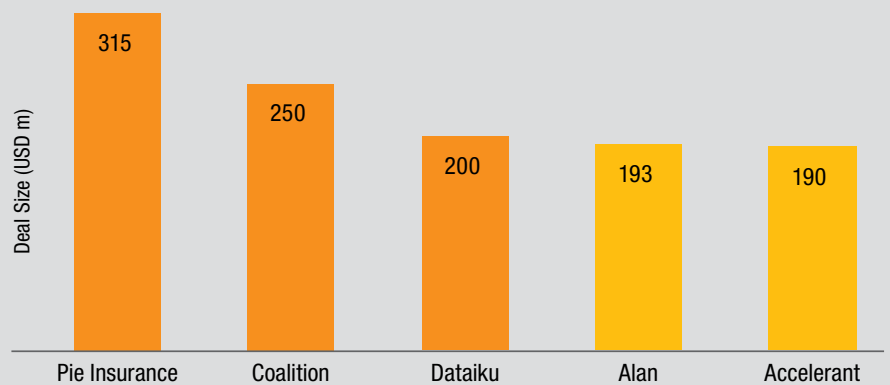
Coalition, the San-Francisco-based cybersecurity company, saw the second largest Insurtech transaction since 2022, with a USD 250m Series F funding round.

Dataiku, the artificial intelligence and machine learning platform that assists insurers with their data journey, previously achieved success by raising a USD 400m Series E round in 2021, earning them a spot in the Top 3 with a USD 200m Series F round in December 2022.

What is particularly noteworthy is that each of the top five deals involved target companies with distinct areas of focus. In addition, the four largest transactions were all by way of Later-Stage VC investments, underpinning investors looking towards more established Insurtechs for larger investments.



Graph 4: Top 5 largest transactions for the last two years 01/01/2022 – 30/09/2023



Company	Continent	Focus	Deal Date	Value Chain	Deal Size (USDm)
Pie Insurance	United States	Pie Insurance operates a platform specialising in workers' compensation insurance.	21.09.2022	Full Stack	315
Coalition	United States	Coalition is dedicated to addressing cyber insurance and security services.	08.07.2022	Services	250
Dataiku	United States	Dataiku focuses on aiding insurers in their data journey, spanning from analytics at scale to enterprise artificial intelligence (AI).	12.12.2022	Services	200
Alan	France	Alan specialises in developing subscription-based software tailored for insurance.	05.05.2022	Full Stack	193
Accelerant	United Kingdom	Accelerant offers insurance underwriting services.	12.01.2022	Services	190

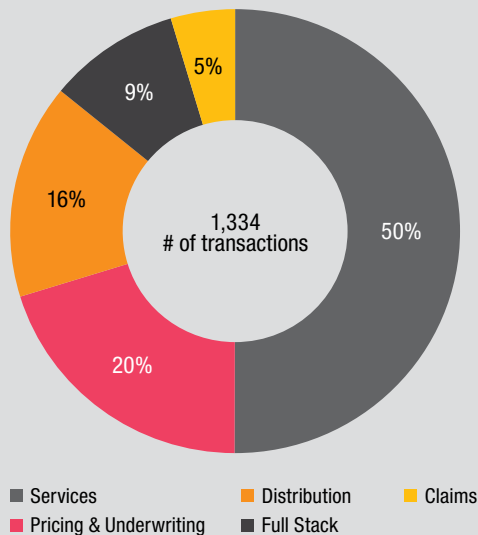


Outlook

Successful companies continue to drive innovation, pursue growth and expansion and deliver on their value proposition. We expect that with stabilising interest rates over the medium term, the deals market will see a resurgence in appetite for larger transactions.



Graph 5: Target Insurtech companies from European investors by subsectors by number of transactions – 1/1/2016 – 30/09/2023



Deal Size (USDm)	Services	Pricing & Underwriting	Distribution	Full Stack	Claims	Total
Not disclosed	137	51	45	26	11	270
< USD 5m	216	81	63	35	22	417
USD 5m - USD 10m	66	31	16	14	6	133
USD 10m - USD 20m	67	24	34	11	8	144
USD 20m - USD 50m	57	30	13	9	2	111
USD 50m - USD 100m	26	15	7	7	1	56
> USD 100m	16	4	5	9	4	38
Total # of transactions	585	236	183	111	54	1'334
Total Reported Deal Value (USDm)	8'436	3'593	2'326	2'738	1'259	22'130

1) The total above includes 165 transactions and USD 3.7 bn total reported deal value unallocated to a value chain category.

The majority of Insurtechs aim to add value by way of providing services along the value chain, with 50% of disclosed transactions in this space and accounting for almost half of the deals seen above USD 100m (16 of 38).

The Insurtech sector, at its core, continues to exhibit a steadfast commitment to optimising the insurance value chain. With half of the reported transactions rooted in the Services sector, it's clear that the primary objective for many in this space is to enhance the value proposition for policyholders. By providing key services such as risk management and financial advice, Insurtech firms are strategically positioning themselves as indispensable partners to traditional insurance carriers.

Full Stack Insurtechs, which represent a more holistic approach to digital insurance provision, have been the pacesetters in terms of transactional value. Their continued prominence, as demonstrated by the increasing average deal values in both our 2021 and 2023 reports, highlights the industry's shift towards more integrated, end-to-end digital solutions.

While the sheer number of transactions below USD 5m attests to the start-up nature of Insurtechs, the presence of 16 transactions surpassing USD 100m remains a positive sign.



Last words

Despite the recent lull observed in Insurtech deal activity in 2022 and year-to-date 2023, we believe the pressure on traditional (re)insurers to stay relevant and abreast with technological development, develop new capabilities as well as reduce costs and inefficiency in legacy systems and platforms, will continue to fuel innovation for Insurtechs. This, coupled with generalist investors, private equity and venture capital funds all showing keen interest, will surely foster an environment for future Insurtech transactions. The desire to simplify claims, improve communication with clients, together with the ability to implement automation as well as make use of AI solutions will drive the Insurtechs of the future.

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