

▶ M&A market report 2H 2019

# Insurtech





# INSURANCE SOLUTION PROVIDERS



## Emerging technologies

Beyond witnessing disruption within vertical markets, over the past three years solution providers in the industry have seen emerging technologies penetrate the insurance mainstream. Typically, these new technologies offer solutions to underserved markets, enhance business models, or create new markets altogether. Usage-based insurance in connected homes, for instance, has been possible through the introduction and adoption of IoT. In fact, insurtechs are taking advantage of global trends in smart home device tech to shift towards proactive risk management for homeowners, rather than reactive risk assessment, in this new disruptive business model.

## Cybersecurity

Unsurprisingly, the use of more real-time connected devices has led to the growth of cybersecurity insurance. Munich Re estimates that the market value for cybersecurity insurance will grow to \$9 billion by 2020 – double the value of 2017. In the near-to-medium term, growth in this space is driven by several factors, including the potential cyber-exposure of

smart homes or connected cars and devices at the heart of P&C policies. Businesses also increasingly understand the insecurities and system vulnerabilities of IoT given the recent series of high-profile cyber-hacks. However, this market is still in a white space, as reflected in the limited number of cybersecurity insurance solution providers.

## Big Tech

Just as Big Tech companies have challenged traditional players in other industries, so too have they expressed a keen interest in entering the insurance market. In August 2018, Google invested \$375 million into health insurance start-up Oscar Health, which has been selling health plans under the Affordable Care Act since 2013. In January 2018, Amazon, JPMorgan Chase and Berkshire Hathaway announced they would form an independent healthcare company which will use technology to cut healthcare costs for their employees in the US. Both Google and Amazon have focused almost exclusively on personal lines in insurance, given consumers constitute their target market.



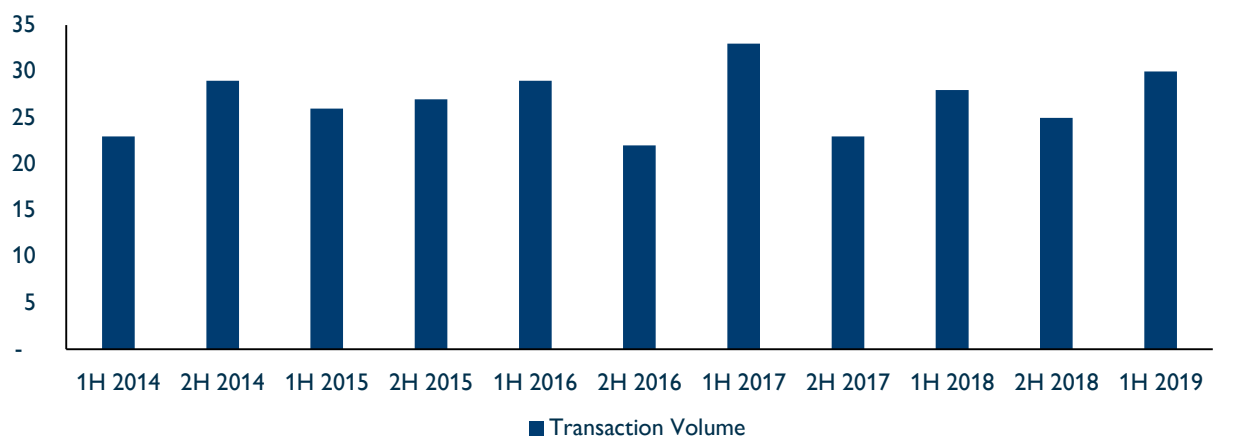
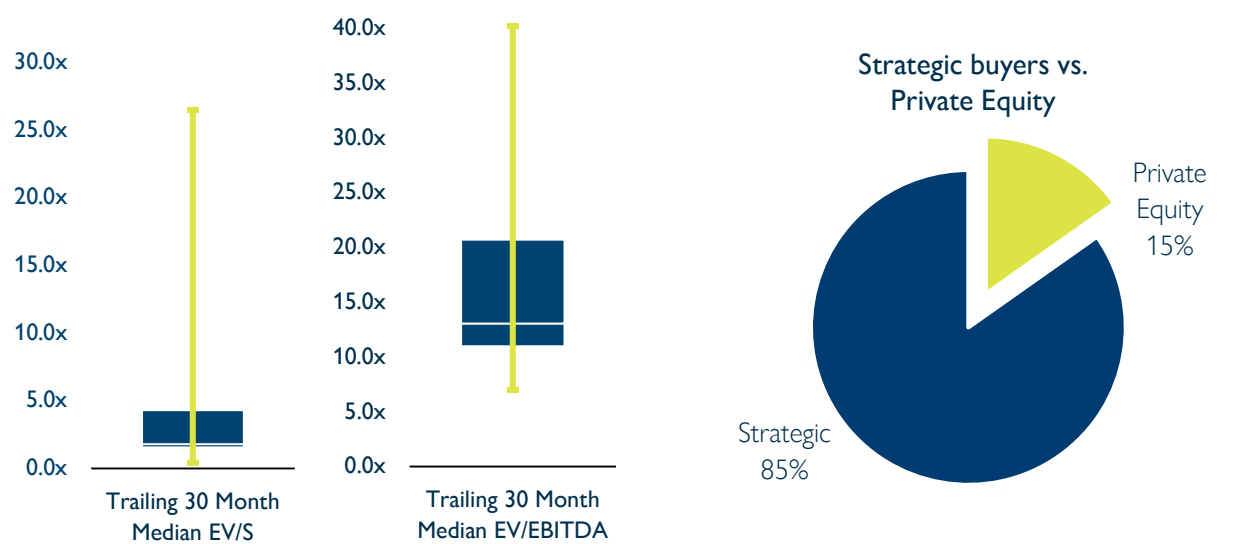
# M&A SUMMARY

## Sector maintains momentum

In this high-growth sector, global M&A activity has remained stable over the last five years, with transaction volume hovering around 25 deals inked every half-year.

There is only a limited number of disclosed deal metrics to provide conclusive remarks or trend lines. Instead, available data is best represented through a range which illustrates the large variance of multiples. Though the trailing 30-month median EV/EBITDA range has remained stable, there has been a marginal easing of the median multiple this year from 16.0x to 13.3x.

Financial buyers remain active, as the proportion of private equity acquisitions came in at 15 per cent, squarely in line with the 13 to 15 per cent share observed over the past few years. Financial buyers have acquired solution provider veterans in need of modernisation. They have also displayed their understanding of market movements, and provide the capacity for incumbents to keep up with tectonic technology and market shifts. For example, in June 2019 GI Partners acquired Insurity Inc for an undisclosed amount, with a rationale to improve innovation within the company.







# TOP ACQUIRERS, 2017-2019

Number of buyers with  
more than 1 acquisition

Number of  
acquisitions since 2016



Acquirers	Acquisitions in 30 months	Three most recent acquisitions
 <b>Verisk</b>	6	Sequel Business Solutions UK-based insurance & reinsurance software Validus-IVC insurance claims management SaaS & service Moore Stephens International pricing, underwriting & broking management
 <b>PIPELINE</b> INNOVATION UNLEASHED	5	Alpha Trust Corp electronic signature process automation TCP LifeSystems insurance policy administration SaaS BlueSun Inc sales performance management software
 <b>Prima Solutions</b> THE DIGITAL INSURANCE PLATFORM	3	Tricast insurance market intelligence SaaS ICOD Inc life & health insurance management SaaS Effisoft SAS risk management & reinsurance SaaS
 <b>Sotera</b>	3	Enservio Inc property insurance valuation SaaS Colimbra Holding B.V. data management software & services In4mo Oy property claims management SaaS
 <b>APPLIED</b>	3	ISIS Technology Solutions Microsoft .NET-based e-trading Software Dynamis Software Corp employee benefits management SaaS TechCanary salesforce-based insurance analysis SaaS
 <b>GUIDEWIRE</b>	3	FirstBest Systems Inc property & casualty insurance SaaS ISCS Inc insurance management software Cyence risk analysis and analytics SaaS
 <b>EquiSoft</b>	3	Kronos Technologies investment & insurance SaaS Solutions AGEman Inc. Canadian insurance management software Big Brain Works Inc wealth management & CRM SaaS
 <b>tia</b>	3	Appconsult A/S tech consultancy services and solutions for the insurance market Assurator ApS TIA insurance software integration goBundl ApS online peer-to-peer insurance communities
 <b>SAPIENS</b>	3	Adaptik Corporation insurance management SaaS KnowledgePrice.com financial systems integration StoneRiver Inc claims processing software & SaaS



# FUNDRAISING SUMMARY

The number of insurtech fundraises worldwide has seen promising growth. Over the past seven years, deal count has increased steadily, growing 27 per cent from 2017 to 2018. Annual value raised by insurtech firms almost doubled from 2017 to 2018, reaching a record \$4.2 billion in 2018 from \$2.2 billion in 2017.

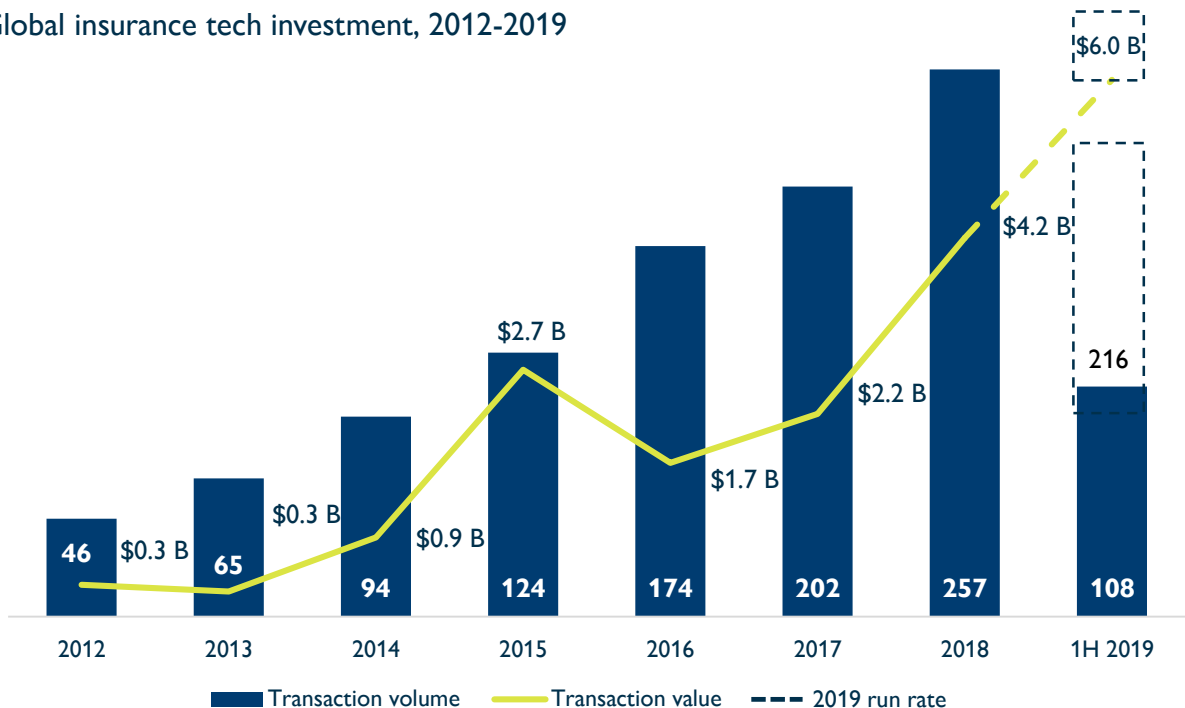
In 2019, volume of fundraising transaction has decreased, while growth in value has continued. As per CB Insights and Reinsurance News, a handful of large insurtech funding deals in the first two quarters of 2019 brought the total amount raised so far this year to almost \$3 billion. This reflects the maturation of fintech unicorns; rising valuations; higher burn rates, as sophistication and market penetration advance; and the resulting need for significant capital.

There is also evidence of a growing shift towards financing larger deals, as the “spray and pray” approach to venture funding (including from insurance and reinsurance industry investors) has dampened

significantly due to poor returns. This will translate into more write-offs for re/insurers that invested substantially in start-ups in recent years with low success rates. In contrast, 2019 has demonstrated an improvement in investment returns, with a greater concentration of VC funding being funnelled into larger- and higher-valuation deals that have already shown success. SoftBank, for instance, has been behind some of the largest insurtech fundraises in 1H 2019, including a \$300 million Series D for Lemonade, a \$205 million Series E for Collective Health and a \$152 million Series F for Policybazaar.

One third of insurtech investments targeted European companies, with Europe's global investment share growing from 23 per cent to 31 per cent. Recipients of funding have been insurtech hubs in Germany, the UK and France, with half of the ten largest insurtech investments in 2018 flowing into companies based in Berlin.

## Global insurance tech investment, 2012-2019





# CONNECTED ANALYTICS & VALUE CHAIN SOFTWARE

This subsector is made up of central players in the insurance industry – that is to say, the collectors and processors of data now generated by a series of innovative technologies breaking into the mainstream.

With the exception of 1H 2017, M&A transaction volume has been stable, hovering around a median of 15 deals closed per half-year.

## Telematics

Telematics has swept through the insurance industry, acting as the biggest underwriting breakthrough since credit scoring. Data collected by connected devices in homes, cars, smartphones provides a detailed profile of consumer habits and activities, thus enabling insurers to accurately risk-adjust tailored insurance packages for every individual. Currently, smartphone usage-based insurance or UBI is one of the biggest strategic priorities among insurers.

Wearable tech gadgets, meanwhile, act as the telematics solution for life insurance: consumers' daily physical activity stats can be linked to their health insurance, allowing consumers to pay lower premiums the more exercise they record. If companies fail to adopt telematics early on, this could seriously impede their business model in the future.



## Drones

Besides the need to insure a drone when it is sent somewhere on a mission, drones themselves aid insurers in processing claims. American insurance provider Allstate, for example, has shown interest in using drones to evaluate insurance claims. Drone flights can improve claims efficiency after extreme weather events or a natural disaster, as often physical access to the property is restricted by local authorities or debris. Drone imaging can offer a complete picture of the situation quickly.

## Solera acquires in4mo Oy

In February 2019, in4mo was acquired by Solera. Founded in 2007 in Helsinki, Finland, in4mo is a leading property claims solution provider in the Nordics, providing an end-to-end property structural claims adjustment platform to insurers through its scalable mobile-first platform. The acquisition adds to Solera's asset management and risk protection technologies for the automotive industry and property insurance marketplace. Solera is indeed accelerating its expansion from the garage into the home, building on innovative digital solutions and thus rapidly becoming the global leader in innovative home solutions.

**Solera**

07 Feb 2019

**ACQUIRED**

**in4mo**



## SALES & BACK OFFICE TOOLS

Sales, marketing and data management have always been a focus in the insurance industry. In this subsector, we have grouped the transactions involving vendors serving the needs of insurers in these areas. Currently, serving and reaching customers in highly efficient ways via new channels has been the focus of start-ups and innovative insurers, driving the previously discussed momentum in fundraising, as well as increased volume in related M&A.

### Zurich Insurance acquires Sea Pine Technologies

In February 2019, Illinois-based insurer Zurich North America acquired Sea Pine Technologies, a Dallas-based company specialising in digital applications for the marketing of vehicle protection products. Founded in 2016, Sea Pine offers several proprietary digital applications designed to enable dealers to meet the growing consumer demand for automotive Finance & Insurance (F&I) products, retain customers and increase their bottom lines.

This strategic move further expands Zurich's automotive F&I capabilities and strengthens its

innovative offerings to both auto dealers and car owners.







### Willis Towers Watson acquires TRANZACT

In March 2019, Willis Towers Watson (WTW), a NASDAQ-listed leading global advisory, broking and solutions company announced its acquisition of TRANZACT, a marketing solutions vendor that links customers to US insurance carriers. The acquisition, worth \$1.2 billion, will accelerate WTW's direct-to-consumer strategy and facilitate its outreach to the entire US Medicare market and its 50 million beneficiaries. TRANZACT will

also help WTW create an end-to-end consumer acquisition platform. With 1,300 employees, including 850 licensed agents, TRANZACT will now operate as part of WTW's benefits delivery and administration business.



### Other notable transactions

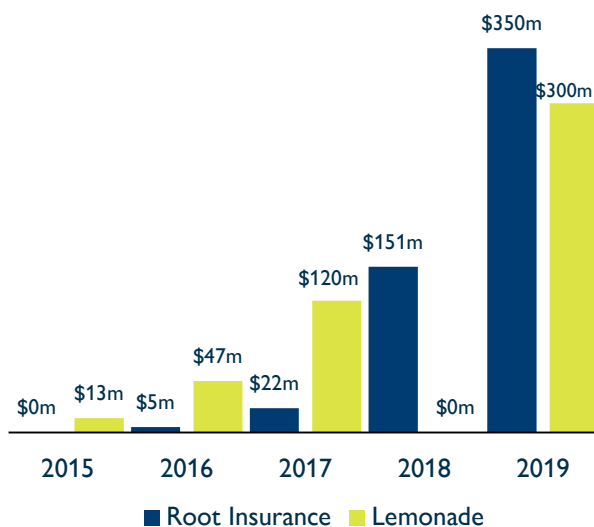
Acquirer	Target	Abstract
		Validus-IVC was established in 2007 to provide claims management and analysis services to the UK motor insurance industry. Since then, the business has evolved significantly, with a proprietary software platform, verify™, now providing settlements for a sizeable volume of motor repair and mobility claims in the UK and overseas.
		Bluesun is a leading provider of software solutions to the life insurance and financial services industry in Canada. Its software products automate core business processes for MGAs, national accounts, mutual fund dealers, banks and insurance companies. Their client base includes nearly 70 per cent of all Canadian life insurers and agencies.
		TechCanary is a Milwaukee-based tech company that developed a customer-relationship management system for insurance agencies, brokerages, carriers and wholesalers on the Salesforce.com platform.



# DISRUPTIVE INSURERS

This subsector includes new digital, tech-savvy insurers with low-cost, highly efficient and disruptive business models – that is to say, the Lemonades and ROOTs of the insurance industry.

## Total known funding of Root Insurance and Lemonade, as of August 2019



However, many players also offer new, non-mainstream products which incumbents find too expensive to cover. Swedish mobile micro-insurer BIMA, for instance, provides small-ticket insurance in emerging markets where mobile penetration is relatively high and insurance coverage very low.

Although the disruptive insurers subsector still has a long way to go until it reaches maturity, current prospects are very promising. Meanwhile, all are poised for the investment landscape to continue to ripen into exit opportunities through acquisitions, with only the larger unicorns opting for IPOs.

### Peer-to-peer insurance

Peer-to-peer (P2P) insurance has evolved in several waves since 2010, starting with a distribution model in 2010, moving into carrier models from 2014 onwards, and 2016 witnessing self-governing models. A new model should therefore be approaching the market soon, and we are yet to determine what this is.

### Acquisition

Established in 2015, Roadzen offers insurers AI-based underwriting and claims management solutions and its 10 million customers in the US, China and India. In April 2019, Roadzen acquired a minority stake in Societe Generale's incubated start-up, Moonshot Internet, which develops usage-based insurance products and services dedicated to e-commerce. Roadzen and Societe Generale have formed a strategic alliance to build Europe's leading digital and contextual insurance player.

**roadzen**

04 Apr 2019  
**ACQUIRED**

(minority stake)

**MOONSHOT**  
internet

**SOCIETE GENERALE**

### Investment

In August 2019, Root Insurance raised \$350 million in a Series E round led by Coatue Management and DST Global, outpacing Lemonade's funding for 2019 so far. This round brought this rising star's valuation to \$3.65 billion. Unlike traditional insurers, Root applies AI to data gathered by drivers' smartphones to determine how safe a person's driving is and therefore calculate the driver's insurance. The data includes behaviours such as braking, route regularity and speed of turns.

**COATUE DST**

Aug 2019  
**INVEST IN**  
\$350 million

**ROOT**





## CONCLUSION & CONTACTS

“M&A volumes are stable for now at almost 50 transactions per annum in the insurtech space. We are certain this will go up in the medium term as many of the hundreds of well financed start-ups mature and become attractive targets for insurers and solution providers. A very small number of the start-ups will eventually IPO. A number, of course, will fail. A good chunk of the rest will find a new home at companies with broader product or service portfolios, or in the hands of innovative insurers who wish to own and control the technologies they use.”



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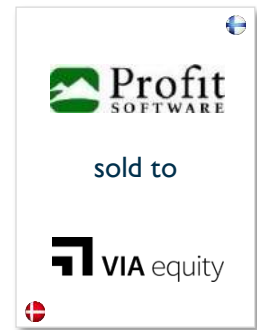
### Selection of Hampleton insurance industry transactions



Bright Box provides a turn-key Connected Car platform that links drivers to their cars, and the vehicles to car manufacturers (OEMs), dealerships and 3rd party service providers. solution has already been successfully deployed by several automakers, including Honda, Infiniti, Kia, Toyota, Hyundai, Mitsubishi and Nissan. Bright Box was declared one of the top five vendors in the Connected Car market from 2017 to 2021 by Technavio, and one of the top 300 companies in the Internet of Things field according to Berg Insight.



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Profit Software provides software solutions to financial and insurance industry in Finland, the Baltic states and Scandinavia. The company provides policy management software that incorporates insurance policy lifecycle from sales through underwriting, invoicing, servicing, and changes, to claims and exit processing; and insurance software package that manages the process chain of the property and casualty insurance industry.



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