

Incumbents vs innovators: Q1 InsurTech deal numbers reach record high

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LONDON, May 23, 2018 (GLOBE NEWSWIRE) -- 66 InsurTech investment deals in Q1 2018 marked a new high, as transaction sizes continued to increase and the line between InsurTech funding by incumbent (re)insurers and traditional venture capital was blurred by newer 'hybrid' investment funds. InsurTech investment volume of \$724 million in Q1 was 16% greater than the \$624 million recorded in Q4 2017, and up 155% from Q1 2017. These are the findings of the [latest Quarterly InsurTech Briefing](#) from Willis Towers Watson (NASDAQ:WLTW), the leading global advisory, broking and solutions company, produced in collaboration with CB Insights.

Seven \$30+ million investment rounds were completed during the quarter, as investors continued to make increased bets in selected companies. The Briefing finds that insurance sector incumbents prefer minority investments in start-ups developing technology which will ease their own commercial pressure points, including distribution costs, claims handling, and underwriting excellence. They seek improved processes, and focus on nodes within the value chain that present the biggest challenges. Achieving an outsized investment return is secondary to incumbent investors.

In contrast, traditional VC investors tend to focus on InsurTechs which address customer pressure points such as price, ease of access, and underserved markets through innovation. They tend to be product- not process-focussed, and look to developments in other sectors for ideas. Unlike incumbent (re)insurers, traditional VC InsurTech capital is likely to take majority positions and focus on integration across the industry value chain. Traditional VCs are solely driven by investment return. However, they often lack meaningful access to the insurance market, and therefore tend to pursue revolutionary ideas.

As InsurTech investment surges, companies are finding a third way. A subset of specialist insurance investors is creating a 'hybrid' model in which they seek to blend the best of both traditional and incumbent (re)insurer venture capital models. These 'hybrid' models are looking to combine the traditional VC investor mentality with the industry expertise of incumbents to create a more aligned model that targets both financial and strategic returns for its investors.

Rafal Walkiewicz, CEO, Willis Towers Watson Securities, said: "For InsurTech start-ups, the funding scene is more complex, and finding the right investment partner has become more difficult. Hybrid models will continue to evolve, and may be the ultimate answer for InsurTech entrepreneurs looking to balance industry expertise and the traditional VC value-creation mentality."

Paddy Jago, Global Chairman of Willis Re, said: "The incumbent market has actually been relatively receptive to taking a serious look at the digital innovation that is going on around us, and those driving it. Most of us know that to remain relevant, we need to embrace change. I have always believed that we cannot view change and not change ourselves."

Download a full copy of the report [here](#).

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