



Actuarial
Innovation and
Technology

InsurTech and Venture Capital Survey

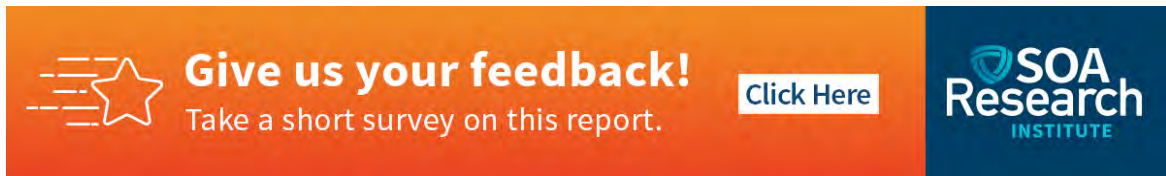






InsurTech and Venture Capital Survey

AUTHOR R. Dale Hall, FSA, CERA, MAAA, CFA

SPONSOR Actuarial Innovation and Technology
Strategic Research Program Steering
Committee

A horizontal banner with an orange-to-red gradient background. On the left is a white star icon with motion lines. To its right is the text "Give us your feedback!" in white, followed by "Take a short survey on this report." in a smaller white font. Further right is a white rectangular button with the text "Click Here" in orange. On the far right is the SOA Research Institute logo on a dark blue background.

 **Give us your feedback!**
Take a short survey on this report. [Click Here](#) 

Caveat and Disclaimer

The opinions expressed and conclusions reached by the authors are their own and do not represent any official position or opinion of the Society of Actuaries Research Institute, the Society of Actuaries or its members. The Society of Actuaries Research Institute makes no representation or warranty to the accuracy of the information.

Copyright © 2021 by the Society of Actuaries Research Institute. All rights reserved.

InsurTech and Venture Capital Survey

CONTENTS

- Introduction and Summary of Respondents 4**
- Potential for InsurTech Revenue Growth in 2022 5**
- InsurTech Initial Public Offerings..... 5**
 - Volume of IPOs in 2022 5
 - Markets for IPO Activity in 2022 6
- Impact of InsurTech on Traditional Insurance Markets..... 6**
- Growth Opportunities and Market Saturation for InsurTech Companies 7**
- InsurTech Company Needs for External Advisement 7**
- InsurTech Time for Incubation and Development..... 8**
- Flexibility of Regulation for InsurTechs in World Insurance Markets 8**
- Use of Special Purpose Acquisition Companies 9**
- Acknowledgments 10**
- About The Society of Actuaries Research Institute 11**

Introduction and Summary of Respondents

InsurTech is commonly described as providing insurance protection and services through new technology innovations, often with a goal of producing savings and efficiency from the traditional insurance industry model. InsurTech is seen as a growing place where the actuarial profession provides expertise and services.

The SOA launched an Insurtech initiative in recent years that includes:

- “Inside InsurTech” - an online meet up covering topics from the world of InsurTech
- “Get Plugged In” - podcast interviews with InsurTech leaders
- ElderTech Conference - a conference focused on the use of InsurTech in elder care

The SOA collaborates with Plug and Play to deliver a breadth expertise to its members. More details on the full set of events and professional development opportunities can be found on the SOA website here:

<https://www.soa.org/programs/insurtech/>

Two key events in fall 2021 provided an opportunity for the Society of Actuaries (SOA) Research Institute to collect information from survey participants in the InsurTech space on the current and future opportunities in InsurTech, especially on how it interacts with venture capital companies and investors.

- An “Inside Insurtech” webinar and networking event is being held on Thursday September 9 (<https://www.soa.org/prof-dev/webcasts/2021-inside-insurtech2/>) that will cover a variety of perspectives on the venture capital process for InsurTechs through hearing from a company that has been through the process, a venture capitalist and an accelerator. Speakers include Drew Aldrich, Managing Director of American Family Ventures; Eugenio Gonzalez, Principal at Plug and Play Ventures; and Stan Smith, Founder & CEO at Gradient AI.
- In addition, the SOA is an official partner of the InsureTech Connect 2021 event occurring in early October in Las Vegas, Nevada. The SOA will be networking at the event to highlight the results of this survey and also promote the actuarial profession as a key part of the growing InsurTech industry. More information for this event can be found through the meeting’s joint page with the SOA at <https://partner.insuretechconnect.com/2021-Society-of-Actuaries>.

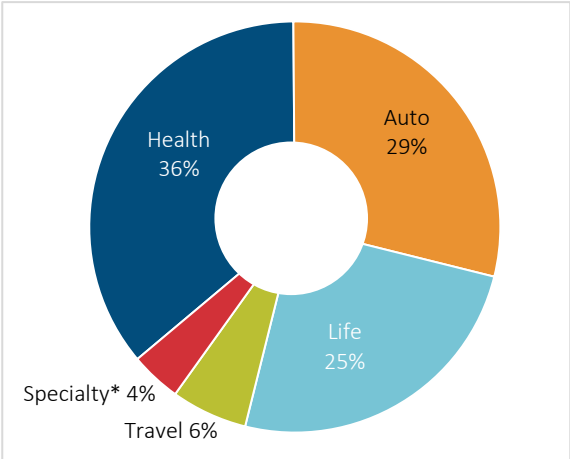
To understand the impact of venture capital and insurtech, a survey was released in July and August to 2021 for key members of both actuarial profession and the InsurTech industry to respond. 74 responses were collected across 10 focused questions posed in the survey about current opportunities and the potential for InsurTech and venture capital coming in 2022.

Potential for InsurTech Revenue Growth in 2022

Survey participants were asked “What insurance line of business do you see having the strongest potential for InsurTech revenue growth in 2022?”

Figure 1 highlights the results of survey respondents. Health insurance lines of business were most commonly selected for the best potential for revenue growth next year at 36% of respondents, followed by Auto Insurance (29%) and Life Insurance (25%) lines. Travel and specialty lines of insurance each had small representation from the survey responses.

Figure 1
STRONGEST POTENTIAL FOR INSURETECH REVENUE GROWTH IN 2022

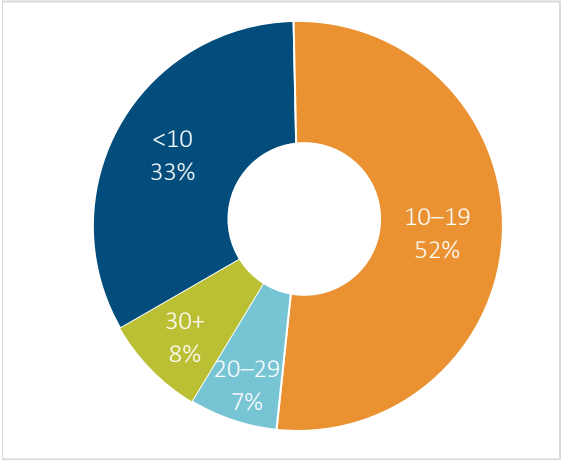


*Marine, Flood, Liability, etc.

InsurTech Initial Public Offerings

VOLUME OF IPOs IN 2022

Figure 2
EXPECTED NUMBER OF WORLDWIDE INSURETECH INITIAL PUBLIC OFFERINGS (IPOS) IN 2022



Survey participants were asked “How many worldwide InsurTech companies do you expect to do an Initial Public Offering (IPO) in 2022?”

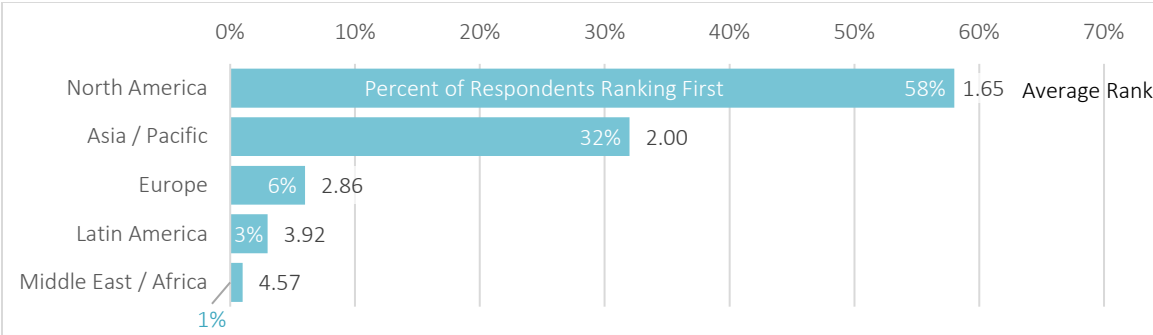
Global InsurTech Initial Public Offerings (IPOs) have been on a recent uptrend. After some slowing in 2018 and 2019 seeing a dozen or less IPOs each year, the market refreshed in 2020 even despite the worldwide COVID-19 pandemic with 20 new IPOs emerging.¹ Figure 2 highlights that survey respondents indicated they see a small drop-off anticipated in 2022, with a majority of respondents seeing between 10 and 19 IPOs in 2022 (52%), and under 10 IPOs in 2022 (33%) being the second most common response. Some respondents who noted higher levels of IPO activity indicated they were anticipating mergers with Special Purpose Acquisition Companies (SPACs) and including those events in their total estimates.

¹ “InsurTechs lift global insurance sector’s IPO total to \$3.83B in FY’20”, S&P Global Market Intelligence. January 19, 2021. <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/insurtechs-lift-global-insurance-sector-s-ipo-total-to-3-83b-in-fy-20-62151515>

MARKETS FOR IPO ACTIVITY IN 2022

In addition to being asked about the volume of IPO activity, respondents were asked to “Rank from highest to lowest the international market you expect to be most active for new InsurTech IPOs in 2022. (with “1” being highest and “5” being lowest)”. In recent years, North America has been a main site of activity with the markets such as the United States, Bermuda and Jamaica being places that saw IPOs take place. A majority of respondents saw North America continue as the most active markets for IPOs in 2022. The Asia/Pacific region was notably second, continuing some recent activity seen in markets such as South Korea, Indonesia and Nepal. Europe, Latin America and the Middle East / Africa regions seen as being least active.

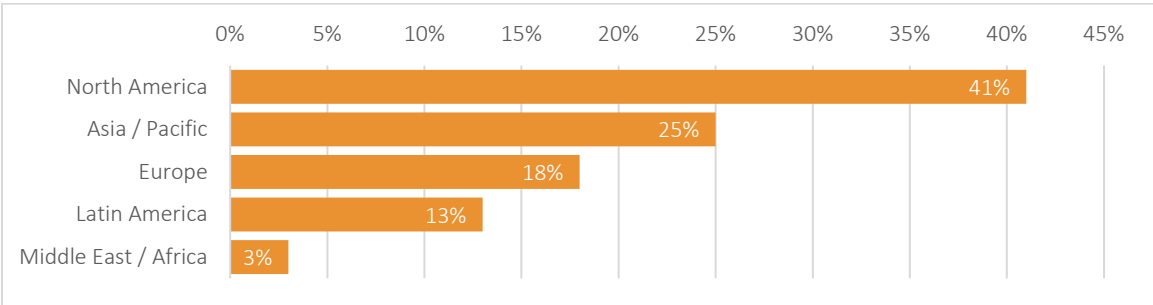
Figure 3
PERCENT OF RESPONDENTS RANKING MARKETS AS EXPECTED TO BE MOST ACTIVE FOR NEW INSURETECH IPOs IN 2022 (1=MOST ACTIVE, 5=LEAST ACTIVE)



Impact of InsurTech on Traditional Insurance Markets

Traditional insurance companies have been seeing new InsurTech company models begin to take market share for new business. Respondents were asked to “Rank from highest to lowest the international markets you expect to have the largest loss of traditional insurer/reinsurer market share due to new or recent market entrants in 2022. (with “1” being highest and “5” being lowest)”. Similar to the anticipated growth in new IPOs anticipated to be seen, North American markets are expected to be the leading markets when InsurTech companies become more prominent. Notably there is some anticipation across the survey group that insurers or reinsurers in Asia/Pacific, Europe and Latin American markets may also see some erosion of market share in the coming year.

Figure 4
PERCENT OF RESPONDENTS RANKING MARKETS AS EXPECTED TO HAVE THE LARGEST LOSS OF TRADITIONAL INSURER/REINSURER MARKET SHARE IN 2022 DUE TO NEW OR RECENT MARKET ENTRANTS (1=MOST LIKELY, 5=LEAST LIKELY)



Growth Opportunities and Market Saturation for InsurTech Companies

InsurTech companies and the use of venture capital are always looking for new opportunities, but also are cautious about entering into areas where there may already be market saturation. Survey respondents were given a list of industry services and trends that InsurTechs have been active in recent years and use the set of services to **Choose two (2) trends where you expect to see growth in InsurTech concepts in 2022**. The same set of services was also presented and survey respondents were asked to **Choose two (2) trends where you sense there is market saturation for InsurTech concepts in 2022**.

Results seen in Figures 5 and 6 note that parametric insurance products appear to be a growing trend in 2022 (22% of respondents choosing it among their top two choices) and with low market saturation (5%) on this particular InsurTech concept. Customer acquisition is seen to continue to grow (21%), though 23% of respondents also noted that there may be growing market saturation on the concept. Claim processing was seen as a place where growth is expected to occur, and cloud computing was seen as a service that may also be starting to have some market saturation.

Figure 5
PERCENT OF TRENDS RANKED IN TOP TWO TRENDS EXPECTED TO GROW IN 2022

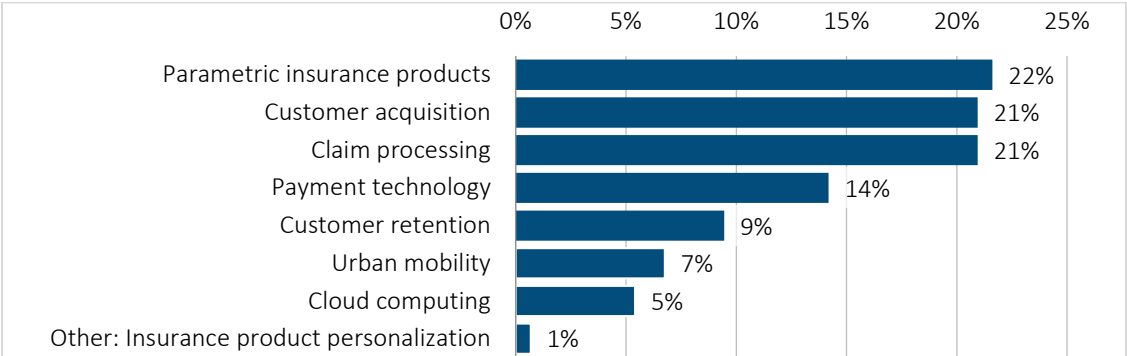
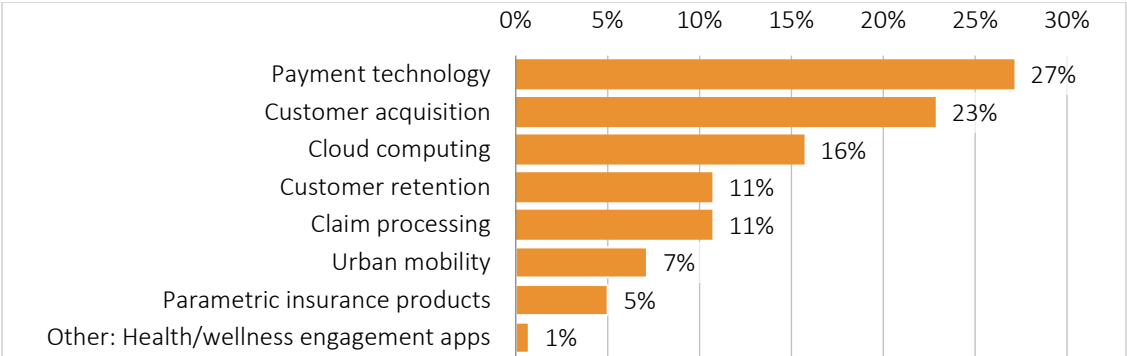


Figure 6
PERCENT OF RESPONDENTS SENSING THERE IS MARKET SATURATION FOR INSURTECH CONCEPTS IN 2022

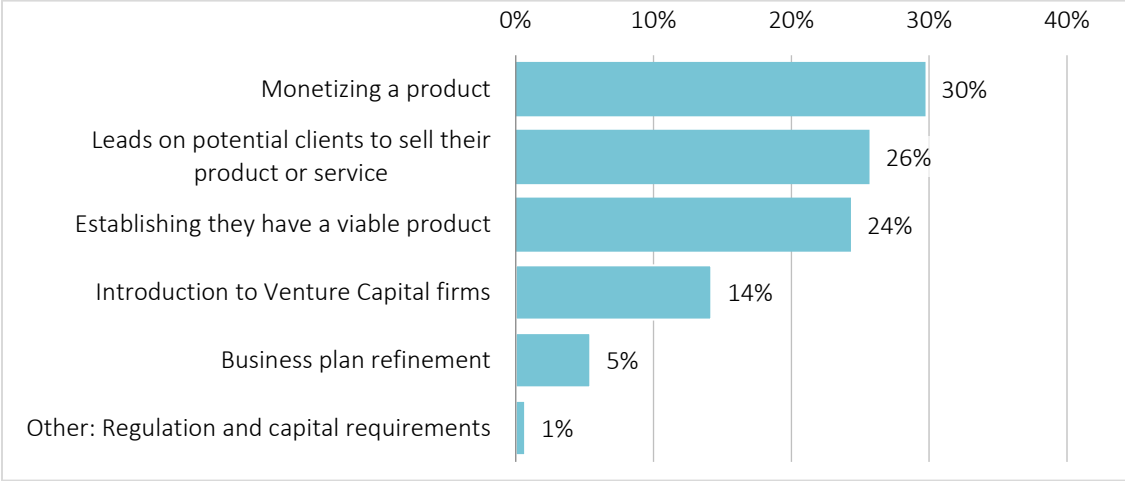


InsurTech Company Needs for External Advisement

While InsurTech companies often bring a new technology or unique perspective in the insurance value chain, they often can have advisement needs of their own. InsurTech firms may often be small operations at the start of their development and can benefit from external advisement. We asked survey respondents to choose from a provided list of commonly requested services to **“Choose two (2) services you see InsurTech companies looking for growing**

advisement on in 2022.” Figure 7 identifies that the top services that InsurTech companies can benefit the most from in 2022 include monetizing a product (30%), leads to potential clients (26%) and validation that their product is viable to be useful to industry (24%)

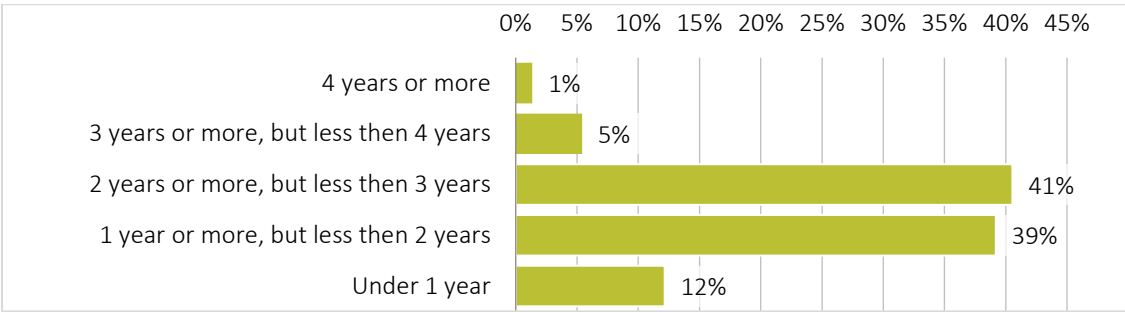
Figure 7
PERCENT OF RESPONDENTS ANTICIPATING THAT INSURTECH COMPANIES ARE LOOKING FOR GROWING ADVISEMENT ON SERVICES IN 2022



InsurTech Time for Incubation and Development

Respondents were additionally queried on their thoughts on the time that is taken or needed to move a product or service from an idea to reality. Survey participants were asked “What is your perception of the average amount of time an InsurTech company spends incubating and developing their product or service?” Figure 8 shows that development times between the 1 and 3-year timeframes were the most common grouping of responses, with a 1 to 2-year timeframe at 39% and the 2 to 3-year timeframe at 41%.

Figure 8
PERCEIVED AVERAGE AMOUNT OF TIME AN INSURTECH COMPANY SPENDS INCUBATING AND DEVELOPING THEIR PRODUCT OR SERVICE



Flexibility of Regulation for InsurTechs in World Insurance Markets

The level of flexibility that local markets allow for new ideas and concepts can often vary, as some markets may be perceived to allow more of an “insurance sandbox” approach to permit new and innovative approaches with others

perceived to be more rigorous. We asked survey participants “For the following market regions, how flexible do you sense that insurance regulation/supervision is to new innovations and establishing InsurTech products or services?” Figure 9 shows the responses, with ratings for each regional set of markets along a range of “challenging” to “flexible”. Asia/Pacific, Latin American and Middle East / African regulations was seen to be more flexible, with North American and European markets more challenging. Note that a higher percentage of survey respondents has “No Opinion” on markets outside of North America.

Figure 9

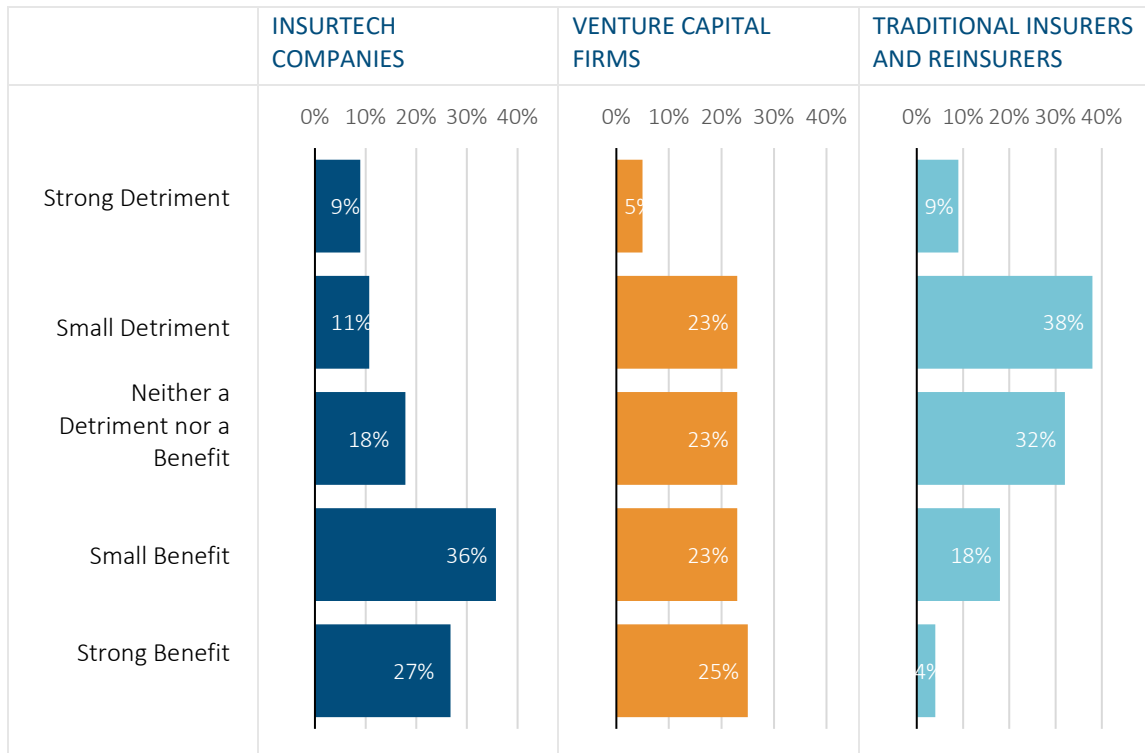
FLEXIBILITY OF WORLD MARKETS IN WORKING WITH INSURTECH INNOVATIONS

Question	Very Challenging	Challenging	Neither Challenging nor Flexible	Flexible	Very Flexible	No Opinion
North America (United States, Canada, Caribbean)	12%	50%	15%	16%	5%	1%
Latin America	7%	18%	18%	22%	8%	28%
Asia / Pacific	4%	15%	12%	41%	9%	19%
Europe	22%	34%	15%	9%	3%	18%
Middle East / Africa	9%	15%	11%	22%	8%	35%

Use of Special Purpose Acquisition Companies

Finally, with the growth of Special Purpose Acquisition Companies (SPACs) in the last few years leading to the merger of evolving and innovative ideas with publicly traded companies, we asked respondents what the impact of SPACs may be in coming years. Survey participants were asked “Is the growing use of SPACs (Special Purpose Acquisition Company) a long-term benefit or detriment to the following market participants?” with categories including insurtechs, venture capital firms and the traditional insurance/reinsurance market. The impact of SPACs on Venture Capital Firms had the most neutral overall response with response generally spread out among responses; only the “strong detriment” category for Venture Capital firms was low (5%). InsurTech Companies were perceived to generally have some benefit to the market’s use of SPACs, with 53% of respondents noting there was a small (36%) or strong (27%) benefit. The impact on traditional insurers and reinsurers was more slanted toward the SPACs being a detriment, with small detriment being the choice of 38% of respondents.

Figure 10
LONG TERM BENEFIT OF THE USE OF SPACS




Acknowledgments

The SOA’s gratitude goes to those who responded to the survey and to the following SOA Research Institute staff who developed the survey, analyzed the results and created the graphical figures from the survey data.

Korrel Crawford


R. Dale Hall, FSA, CERA, MAAA, CFA

Lisa A. Schilling, FSA, EA, FCA, MAAA



Give us your feedback!
 Take a short survey on this report.

[Click Here](#)



About The Society of Actuaries Research Institute

With roots dating back to 1889, the [Society of Actuaries](#) (SOA) is the world's largest actuarial professional organization with more than 31,000 members. Through research and education, the SOA's mission is to advance actuarial knowledge and to enhance the ability of actuaries to provide expert advice and relevant solutions for financial, business and societal challenges. The SOA's vision is for actuaries to be the leading professionals in the measurement and management of risk.

Serving as the research arm of the Society of Actuaries (SOA), the SOA Research Institute provides objective, data-driven research bringing together tried and true practices and future-focused approaches to address societal challenges and your business needs. The Institute provides trusted knowledge, extensive experience and new technologies to help effectively identify, predict and manage risks.

Representing the thousands of actuaries who help conduct critical research, the SOA Research Institute provides clarity and solutions on risks and societal challenges. The Institute connects actuaries, academics, employers, the insurance industry, regulators, research partners, foundations and research institutions, sponsors and non-governmental organizations, building an effective network which provides support, knowledge and expertise regarding the management of risk to benefit the industry and the public.

Managed by experienced actuaries and research experts from a broad range of industries, the SOA Research Institute creates, funds, develops and distributes research to elevate actuaries as leaders in measuring and managing risk. These efforts include studies, essay collections, webcasts, research papers, survey reports and original research on topics impacting society.

Harnessing its peer-reviewed research, leading-edge technologies, new data tools and innovative practices, the Institute seeks to understand the underlying causes of risk and the possible outcomes. The Institute develops objective research spanning a variety of topics with its [strategic research programs](#): aging and retirement; actuarial innovation and technology; mortality and longevity; diversity, equity and inclusion; health care cost trends; and catastrophe and climate risk. The Institute has a large volume of [topical research available](#), including an expanding collection of international and market-specific research, experience studies, models and timely research.

Society of Actuaries Research Institute
475 N. Martingale Road, Suite 600
Schaumburg, Illinois 60173
www.SOA.org