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Sønr Insurtech Briefing

Q3 2021

Analysis:
Q3's key trends and a deep-dive into LATAM insurtech

Market perspective:
Interviews with Stefano Bison, Generali & Rob Schimek, bolttech and a look at embedded insurance

Company profiles:
Spøtlights on 3 of Q3's hottest startups

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Foreword

"It is no surprise that embedded insurance continues to be a mainstay of our commentary ...this quarter we have taken a deeper dive into this transformative area of the market."

Another quarter, another briefing. For those of you who read our new-look Q2 Insurtech Briefing, welcome back to our Q3 edition.

And for those of you joining us for the first time, hop aboard and prepare for your journey through the latest global trends from the insurtech market.

As with our previous edition, we'll again be shining a spotlight on those investments into start and scaleups directly impacting the insurance market, including those becoming increasingly important players.

One of the key trends we've seen this quarter is an increasing maturity across the industry, with a continuing uptick in acquisitions and high-level partnerships that are helping to accelerate growth and open up new markets.

It is therefore no surprise that embedded insurance continues to be a mainstay of our commentary, and that is why this quarter we have taken a deeper dive into this transformative area of the market.

This includes detailed interviews with two exceptional companies - Generali and boltech, both exploring embedded from very different perspectives. A big thanks to Stefano Bison and Rob Schimek for taking the time out to talk with us.

Other areas covered include the ever-growing health insurance sector and an increasingly attractive property market. On the commercial side we have also delved into the world of cyber insurance, taking a look at a growing number of investments in a space that is rapidly making a push for the mainstream after a number of years as a niche product area.

And as always, we always like hearing what people have to say here at Sønr, so please do get in touch with any comments, questions or feedback. In the spirit of partnerships we really do want to know what you'd like to see in these reports.

The next time you'll hear from me in one of these Briefings we will have moved on to 2022. So if I don't speak to you before then have a fantastic Christmas, and a happy New Year.

Matt

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Market Overview

Q3 overview

While investments have dipped over the third quarter of 2021, we have still seen more than $17B in insurance-focused start-ups globally.

This may be 6% down on Q2, but still represents a significant increase on Q1, which saw just under $6B was invested into insurtechs, globally.

The volume of deals in the sector stayed similarly high, with a total of 285 deals completed over the third quarter. This compares to 317 over Q2 2021, but again represents significant growth that Q1 (136 deals).

Similarly to previous quarters, early stage investments make up around a half of all deals and around 17% of the total amount invested in insurtechs over the three months, equivalent to $2.9B. Late stage deals, comprised more than two-thirds of the total investment made over the period, with a value of $10.8B.

North America continues to be the most-invested-in region of the market, accounting for 166 deals over the quarter, with total investments of more than $11.5B – this is equal to more than two-thirds of investments globally, and is broadly in line with trends seen across the rest of the year so far.

Other notable regions for investment deals include Europe (20% of all deals) and Asia (16%).

Big $$ investments

Given the significance of the US market, it was unsurprising to see the three biggest deals of the quarter coming from across the pond. The largest of these was a $550M post-IPO equity raise from Hippo Insurance. The fact that the two biggest deals of the quarter came in the form of post-IPO equity raises should come as no surprise as the market reaches new levels of maturity and insurtechs continue to scale.

Hippo

$550M

Hippo is a California-based home insurance venture leveraging big data and IoT to offer users quick home insurance that can be embedded into the mortgage process., and its equity raise was the quarter's biggest deal solely focused on general insurance.

sharecare

$425M

The second-largest insurance-focused deal of the quarter came from Sharecare, a health and wellness engagement platform providing consumers with personalised information, programs and resources to improve their mental health.

The company, based out of Georgia in the US, brought in funding worth $425M as part of a post-IPO equity raise in July led by Koch Strategic Platforms.

Olive

$400M

Rounding off the top three investments of the quarter is the $400M Series H funding round completed by Olive in July 2021. It was led by Vista Equity Partners, taking the company's total funding to $889M and leading to a $4BN company valuation.

Olive is an AI and RPA company built specifically for the healthcare sector, and integrates directly with insurance portals, EMRs and other healthcare applications to speed up communications and processes safely and accurately.

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Embedded changing the face of insurance

The fact that embedded insurance topped the list of not only the biggest motor insurance deal of the quarter, but also the biggest overall insurance deal, should come as no surprise to industry observers, with open finance and embedded insurance having been a growing trend for some time now.

What may be surprising, however, is the seismic change that embedded insurance could bring to the insurance industry (particularly worrying for incumbents given that insurance has changed so little in the last 100 years).

At its heart, embedded insurance is all about making life easier for the customer, integrating insurance buying and admin, as well as the claims process, into other areas of the consumer's life.

For many, insurance is seen as something of a grudge purchase (something that holds particularly true in the highly competitive motor market) so making the purchase journey as effortless and streamlined as possible is resonating well with policyholders.

With the rise of the likes of Amazon and Deliveroo putting seemingly everything only a click or tap away (and in many cases delivered straight to your doorstep in a matter of hours) it is easy to see how the wave of consumerism is sweeping into the insurance industry.

There are already a number of startups and new entrants disrupting the market with insurance products embedded into things like bank accounts and online purchases.

This move into the sector from new businesses will force incumbents to go beyond just digitising their existing business model to creating new and innovative products and services, and providing them to customers in a way that is easy to buy in places they already are.

Ultimately, this will serve to drive innovation across the sector. And to innovate you have three options: build, buy or partner.

The large incumbents often struggle with building for themselves, with market dynamics meaning that they often need to move quicker than their size allows them to.

This means that buying specialists or partnering with third parties is often a more successful and appealing route.

But this approach is not just limited to the big traditional players, and we are beginning to see more scale-ups buying startups to boost their growth.

A great example of this is French health insurance scale-up Alan's $20M purchase of Jour in September, a deal which is set to be the foundation of a new service called Alan Mind (recognise that health angle again?).

Interestingly, the new service extends Jour's consumer mental health app to incorporate a B2B offering sold to employers which can then recommend Alan Mind to their employees.

The app asks users questions to evaluate their current state of mind and then presents them with a variety of tools to improve their mental health, including appointments with health professionals.

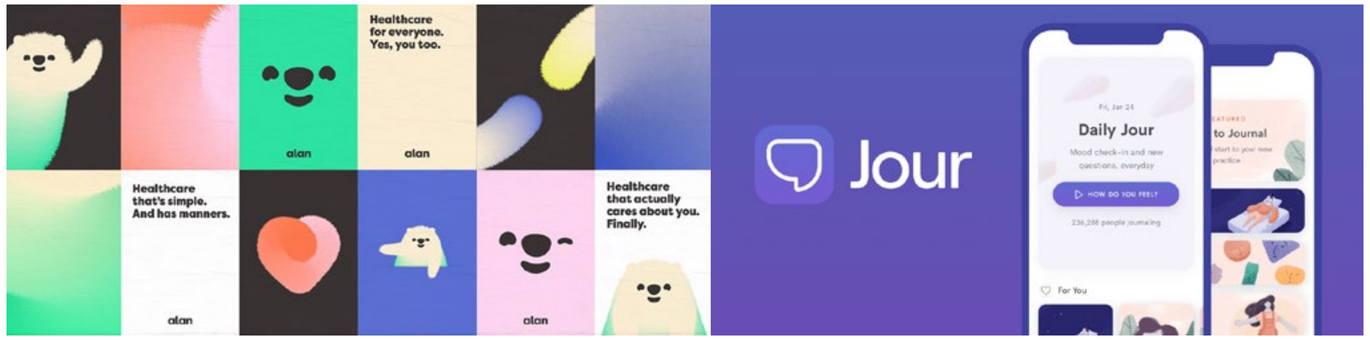
This trend of scale-ups snapping up their smaller counterparts is expected to continue to grow over the coming years and months (Lemonade's acquisition of Metromile will undoubtedly make an appearance in our Q4 report), and this presents a problem for incumbents in the market.

With increased competition in the acquisition market, those incumbents that play the wait-and-see game will be left trailing behind others in the sector and will find themselves left with less appealing options for acquisition.

For many such a blow will prove almost impossible to recover from. This means that the real competition going forward will not be from insurtechs that are already in the marketplace today, but from those outside the industry looking to make a move into the market through embedded insurance and from the incumbents and scale-ups who are taking innovation (and their acquisitions) seriously.

Partnerships with these new entrants will, of course, still be a viable and potentially fruitful option for many established players, but this will mark a departure from the normal way of doing things for a large portion of the market.

So change most certainly is on its way, and next steps must be chosen carefully.



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Interviews

GENERALI

Stefano Bison

Group Head of Business Development, Partnerships & Innovation, Assicurazioni Generali Group

Can you tell us a little more about you and your role at Generali?

I'm a Financial Services manager now serving one of the oldest institutions in the FS space – just this year we turned 190… can you imagine!!? Moreover, I was born in Venice, hence I have a special bonding with Generali and the St. Mark's winged lion.

I've been in Generali for almost exactly 8 years, covering different roles, and now I take care of the Group BD&Innovation team; our mission is to actively secure the Group's growth opportunities and Business Development, through the launch of new business initiatives such as development of new distribution channels (e.g. B2D2C – Business to Distributor to Consumer), innovative value propositions and service models, as well as promoting and managing strategic partnerships at Group level - including those with InsurTech or FinTech StartUps. Moreover, we push and scale Innovation activities across the whole Group, with the mantra "Innovation everywhere, for everyone", including the management of Generali Innovation Fund.

In my (too little) spare time I try to leverage on my profound passion for Innovation and StartUps acting as serial angel investor, mainly within the Italian ecosystem.

> *The new growth engine for our mature industry, as simple as that.*

What do you see as the significance of embedded insurance for the industry?

The new growth engine for our mature industry, as simple as that.

As a caveat, I will use the terms Embedded Insurance and B2D2C equivalently from now on, privileging the channel side of the concept, even though some nuances are present.

That said, and back to your question, similarly to what BancAssurance has been in 2000s and Direct and Aggregators from 2010s, B2D2C (or Embedded Insurance) will be the new engine for growth in both more and less mature markets. Insurance distribution is progressively and inexorably moving towards alternative channels, and digitally enabling its seamless integration in other distributors' sales processes.

Pushed by the raise of "ecosystems", embedded insurance is, in fact, expected to almost double in the next 10 years, growing from ca. 6% of global distribution channel weight in 2020 to 11% in 2030[1]. The Retail B2D2C market will grow quicker than any other channel, more or less across geographies and product lines (motor, travel…) and, despite being Auto (OEMs, dealers), Retailers and Telecoms the main premium pools today, it will be e-commerce and the sharing economy players pushing the growth further up in the coming years: digital marketplaces and specialized StartUps will become insurance distributors in search for richer margins and, by leveraging on the trust for their brands, to ultimately better serve their customers, increasing retention.

And what does this mean for customers?

All this is sustained by shifting customer behaviors and expectations (they are asking for convenience, speed, transparency, and flexible + tailored products), increasing propensity to buy insurance from non-insurance intermediaries (even new entrants such as Tech companies), and willingness to share their personal data with providers of insurance-related services.

As a matter of fact, both incumbents (primary carriers and brokers) and specialized StartUps (with insurance, brokers, or MGA licenses) are launching their innovative solutions in the market, with different focuses and nuances, but - even though simplifying - always focused on enabling the digital sales of insurance seamlessly through other platforms. Just to name a few, Next Insurance, Chubb Studio, Qover, Swiss Re's iptiQ, ELEMENT, BoltTech, ZhongAn, and Yolo - where we recently invested.

How are you at Generali approaching it?

We have been studying thoroughly the market globally and are increasingly active in the space, with sustained traction, steady growth YoY, and some successful "flagship" partnerships.

Just to name some of the most notable recent ones, we have just announced a parametric product with Telepass in Italy, we are partnering with Samsung in Argentina (through our company La Caja Seguros) and many others in the EU and Asia.

In France only, Generali Partnership (including: L'Équité) is the market leader, and outperforming the competition, partnering with more than 100 distributors, including specialized brokers and InsurTechs in both Life&Health and P&C business.

As mentioned earlier, Generali Italia entered the capital of Yolo earlier this year, one of the most important Insurtech companies on the Italian market, accelerating its capabilities and readiness for this segment.

Centrally and locally we are building a solid set of skills, competencies, and platforms to best serve our partners internationally and across lines of business. As an example, my team has some great Biz Dev specialists for the different lines of business providing account management and partnership development capabilities for our affiliates and partners across the globe, in constant liaison with our local nuclei of B2D2C experts (partnership managers, dedicated actuaries, and so on).

What are the challenges to realizing the opportunities?

Providing real customer delight when selling complex (and often still complicated – for many reasons) products is always quite a challenge, especially in a strongly regulated industry like ours, and with the need to integrate into somebody's else processes, UX and legacies. However, digital is allowing all this, even in low-code environments nowadays.

As insurers, we need to keep in mind that our distributors don't want our products / services complexities on their side; it is then our responsibility to keep that complexity fully on our side and de-problematize the selling for them. This is a priority for us at Generali, and we always have our customers-partners in mind – it's a natural part of our "Lifetime Partner" mission, that applies of course also to B2B. Simplicity is key to them as well as to end customers.

> *We need to keep in mind that our distributors don't want our products / services complexities on their side.*

Maybe the main source of challenges are the IT/Tech platforms: enabling this new business model -embedded insurance is in fact not only a distribution channel but a real and full business model- requires excellent time-to-market of new products, similarly to the best pure digital players in the market, hence the flexibility of product factories, agile operations, modular IT architectures (API's, API's, API's!), and scalability of platforms to accommodate different products, LoBs, customer segments and even geographies. Complexity can become exponential, hence unmanageable. And it's not the core legacy systems that can deliver all this.

Last, but not least, it is worth mentioning the need to develop an ecosystem of partnerships with other product/service providers to bundle in the sold solutions (e.g. IoT devices, payment systems) that can enable and enrich the overall proposition but make things even more difficult for B2D2C business "architects".

Of course, doing everything well at the same time is impossible, hence the need for clear strategic thinking/ positioning, prioritization of products and segments of focus to start with.

How do you see embedded changing the role of the incumbents?

Incumbents will be, time by time, sector by sector, LoB by LoB, deciding their role in the embedded insurance ecosystem: leveraging on BCG definition, they will need to decide if being Orchestrators (seldom), Partners (more often), or just Enablers (e.g. pure capacity providers – hence getting at least partially disintermediated and commoditised). Each role brings different priorities and challenges, as well as diverse competition dynamics with the other ecosystem participants.

InsurTechs focusing on embedded insurance, for example, are small but quickly gaining traction and their growth is compounding, hence they should not be undervalued. Not always they will be pure "enablers" of tech platforms, as often they are positioned as digital brokers and hence access gates to Distributors. Also, they have the luxury of not having old and rigid on-prem legacy systems jeopardizing growth, nor the burden of possible channel conflicts to manage. At the same time, some reinsurers are entering the space with determination.

> *Insurtechs focusing on embedded insurance… are small but quickly gaining traction and their growth is compounding.*

As a new market for insurers, B2D2C is still not a fiercely competitive one, but is indeed a potentially revolutionary one, that could over the medium- to long-term transform insurance as we know it, moving from products that are mainly "push", i.e. sold – through specialized intermediaries, to "pull", i.e. solutions that are bought - often digitally embedded in other ones and right at the moment of need. It will definitely be fun times ahead of us!

[1] Source: SwissRe Institute, McKinsey Global Insurance Pools

bolttech

Rob Schimek

Group Chief Executive Officer, bolttech

For those who aren't already familiar with bolttech, could you provide a quick overview?

Launched in 2020, bolttech is a high-growth international insurtech with a vision to connect people with more ways to protect the things they value. We currently serve over 7.7 million customers in 26 markets across three continents.

bolttech achieved unicorn status with an oversubscribed Series A funding round totaling US$210 million, the largest ever Series A for an insurtech globally, valuing us at over US$1 billion.

Our mission is to build the world's leading, technology-enabled ecosystem for protection and insurance.

To enable this, we have built the world's largest insurance exchange with more than US$5 billion in premiums on the platform, offering more than 5,000 insurance products working with more than 150 insurance providers.

> *“Our mission is to build the world's leading, technology-enabled ecosystem for protection and insurance.*

> *“We have built the world's largest insurance exchange with more than US$5 billion in premiums on the platform, offering more than 5,000 insurance products.*

We complement the exchange with our own insurance and protection products, underwriting, brokerage and reinsurance capabilities – plus our proprietary SaaS technology. This means that working with our partners, we provide the know-how of a traditionally complex industry, not just technical expertise.

bolttech has seen phenomenal growth since its launch, not even two years ago. What do you put this down to?

A large part of this is down to who we are at our very core.

We don't see ourselves as a disruptor or a competitor. Instead, we think of ourselves as an enabler to all participants – we work hand in hand with our partners to offer insurance distribution for any kind of business. We work alongside established insurers, insurtechs and non-insurance players alike across multiple sectors including telecommunications, e-commerce, retail, banking and financial services to reach out to new or existing customers across digital touchpoints sparking wider industry business model transformation.

Our highly talented team, who are formed of both technology and insurance experts – some of whom are fully licensed and expert agents – have made it possible for us to combine advanced cloud-based technology with insurance expertise and create a dynamic, digital marketplace that can be scaled globally.

Equally as important is the tremendous support we have received and continue to receive from our shareholders, strategic investors and partners.

Last but perhaps most significantly, it is important to recognise that the industry is ripe and ready for a new way to distribute insurance. Traditional customer acquisition models are expensive and inefficient. Digital marketplaces are proving to be a much-favoured alternative, offering consumers more choice, easier access and usability. For product providers and distribution partners, digital marketplaces can be highly beneficial too, offering them opportunities to reach customer segments that they could never have easily reached on their own, particularly when their products are sold by non-traditional distributors with large consumer bases.

> *“It offers the potential of being a high-margin and high-growth revenue generator.*

How do you see the opportunities presented by embedded insurance changing today's insurance landscape?

Embedded insurance is picking up pace globally and it isn't hard to see why.

It offers the potential of being a high-margin and high-growth revenue generator. Pair that with the fact that insurance continues to be a largely under-penetrated market globally and we have a recipe for success – enabling non-insurers the opportunity to become part of the insurance industry. We are essentially creating a new distribution model for an old industry, one that hasn't been fundamentally changed in years.

When products are bundled together with insurance coverage, customers stand to benefit from a great deal of value from their purchases. For insurers and product providers, embedded insurance platforms open a gateway to new customer segments through new channels. For distribution partners, embedded insurance platforms allow them to generate additional income when selling risk protection with their product or service.

Our exchange offers just that, bringing benefits for all participants.

1. Insurers that integrate their products into our exchange can achieve instant scale by tapping into new distribution channels and markets and reaching newer customer segments that they may not have had access to previously.
2. Businesses wanting to distribute insurance – whether they are insurers, brokers, agents, or all kinds of non-insurance businesses – can complement their existing journeys with a vast array of insurance products.
3. Last but not least, this network of ecosystems offers more choice, convenience, and access to insurance for millions of customers around the world at the point of need.

Embedded insurance offers a win-win-win scenario for all parties involved. It is no wonder then that industry research is referring to 2021 as the largest and most active year ever for insurtech financing, with US$10.2 billion in volume raised.

The insurtech industry is definitely just getting started. The increasing need for digitisation of insurance services will only propel the market forward and we are excited to be able to tap into these growth opportunities alongside our partners to offer more value to their customers.

> *“We are very proud of our latest milestone, achieving unicorn status... just a little over a year after bolttech was born.*

This quarter we saw you raise, in total, a $210 Series A. What are the plans for the money and what can we expect from bolttech over the coming 12 months.

We are very proud of our latest milestone, achieving unicorn status with an oversubscribed series A funding round – that too just a little over a year after bolttech was born. Our Series A funding amount is the largest ever for an insurtech, which further cements our belief that we can play a significant role in shaping the future of insurance.

The capital we have raised to date will be used to accelerate growth and strengthen our technology capabilities as we expand our footprint internationally. We are also looking to add new carrier and distributor partnerships to deepen our product offerings and improve customer reach, access, and satisfaction across markets.

We have ambitious growth plans on the horizon for the coming months so do watch this space!

You also acquired Germany's i-surance in July. What can we learn specifically with respect to your European ambitions?

Our acquisition of i-surance earlier this year represents the next stage of our international growth strategy and acceleration of our European build-out.

At present, we operate in 15 countries in Europe including Italy, Ireland, Austria, Belgium, France, Germany, Liechtenstein, Luxembourg, Monaco, Netherlands, Poland, Portugal, Spain, Switzerland and the United Kingdom.

Our ambitions for the European markets are similar to what we have done in the United States and Asia – to continue to build out our market-leading insurance exchange capabilities in the region by providing partners and customers with more choice through our B2B2C insurance exchange.

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Data Analysis

Driving change in motor

Rising up the ranks as one of the industry's hottest investment areas is motor insurance, which accounted for 23% of deals and 13% of the total amount invested over Q3.

The biggest of these deals came from the UK, with Warwick-based Onto securing $175M as part of a Series B funding round in July led by Alfvén & Didrikson.

Onto is an electric vehicle subscription service that offers a range of new electric cars, available for one fixed monthly fee. The fee includes insurance, power and servicing, with subscription terms of just one month.

The entirety of the user journey can be completed in-app, making this deal one of the biggest embedded insurance deals of the quarter.

In February 2021 it was announced that insurtech Greater Than was deepening its collaboration with Zurich through an agreement with Onto.

As part of the collaboration, Onto and Zurich will obtain predictive risk data, facilitating their joint mission to improve road safety and enable dynamic insurance solutions via Greater Than's Enerfy AI Risk Portfolio Tracker.

The collaborating companies plan to launch new customer-centric features in the future, including a loyalty program and rewards.

The deal is also a sign of changing vehicle ownership in many areas of the world, with subscription-based ownership models and alternative fuels and power methods being seen much more frequently.

Indeed, electric car sales were up 160% over the first half of 2021 compared to the same period a year earlier according to Canalys, with 2.6 million electric vehicles sold globally.

This will have large implications for the insurance industry, with these new types of vehicles presenting a different (and expensive) claims experience for insurers to grapple with.

The third quarter also saw the announcement of a very interesting three-way partnership between Swiss Re, community-based travel platform BlaBlaCar, and motor insurance specialist L'olivier Assurance – the French branch of Admiral Group.

The trio came together to launch BlaBlaCar Coach, an app-based platform that offers drivers personalised coaching and tips for safer driving and is available with an annual car insurance policy.

% OF INVESTMENTS

Q3 INVESTMENT

$2.2B

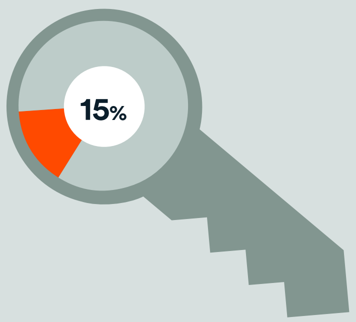
Q3 DEALS

42

The app is activated when a new driving journey starts, and analyses the journey and driver's behaviour behind the wheel as well as distractions without the need for additional in-car hardware. At the end of the journey, the app provides the driver with recommendations to develop a safer driving style.

Swiss Re says this collaboration will advance innovation in the French mobility market, with the aim of improving road safety and making mobility more sustainable.

% OF INVESTMENTS



Q3 INVESTMENT

$1.9B

Q3 DEALS

27

Property Partnerships

Keeping with the partnership theme, and property insurance experienced the third highest number of deals, with 27 deals worth almost $2B completing in the three months to the end of September.

The sector saw a number of important partnerships announced, including the likes of Zesty.ai joining forces with Amica Insurance to introduce wildfire predictive analytics into the insurer's home insurance product line, and QBE partnering with Flyreel to help homeowners avoid common water damage losses.

And in a sign of the changing nature of risks facing insurers, Pikl, a specialist insurer providing cover for people who rent out their home, teamed up with GoCompare to help bridge the insurance gap facing many homeowners in Pikl's target market.

The partnership sees GoCompare become the first price comparison website to ask home insurance customers if they rent out part of their home, and is another sign of effective partnerships opening up new routes to market.

Health growth continues

In a continuing trend from last quarter, health insurance continues to be the most-invested-in sector, accounting for 63 deals worth more than $3B around 18% of all investment.

One of the major trends we have seen across Q3 deals is a sharp focus on mental health. This is not surprising given the way the pandemic has changed the world as well as a more holistic definition of 'wellbeing' to encompass both mental and physical health.

With this comes a number of opportunities for insurers creating their customers' lives. One deal from the quarter that epitomises this trend is the $50M secured by mental health network Alma as part of a Series C funding round led by Insight Venture Partners in August.

Alma is a membership-based network for mental health care providers that aims to improve access to high-quality, affordable mental health care.

Its platform enables providers to accept insurance and also provides a member directory, client-matching service, scheduling, and billing functions, as well as education, training, and a community for support.

In 2020 the company revealed it was focusing on making it financially rewarding for providers to accept insurance, with 95% of its providers now offering in-network services.

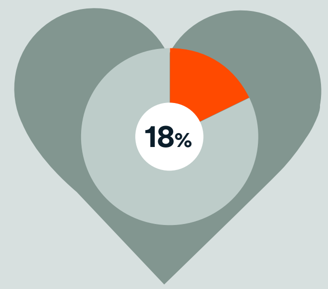
LifeSpeak, meanwhile, has taken the decision to focus on education around mental health, offering thousands of micro-learning videos, podcasts, "Ask the Expert" chat sessions, and tip sheets covering topics from mental health and financial well-being to marital relationships and eldercare.

The company has also partnered with insurance companies to offer its tools as an embedded service.

LifeSpeak has completed a number of recent acquisitions, including a $15M deal for LIFT Digital, an online wellness company focused on increasing overall health through digital wellness and fitness solutions.

This makes good on LifeSpeak's stated ambition of accelerating growth through acquisitions following its $125M IPO in July 2021.

% OF INVESTMENTS



Q3 INVESTMENT

$3B

Q3 DEALS

64

Eleos Health's $6M seed funding raise is another example of how health insurance continues to be a major player in the insurtech space.

Based in the US, Eleos provides automated health tech solutions that accelerate clinicians' decision-making via an AI-powered Speech-to-Insights system.

Cyber tops the commercial list

% OF INVESTMENTS

Q3 INVESTMENT

$931M

Q3 DEALS

9

In commercial lines, cyber insurance was the most active market for investments, accounting for nine deals worth almost $1B in total.

This means that while it accounted for just 5% of overall deals, the value of these deals equated to 10% of total investments. This is a sign of some serious maturation of a market that has threatened to break into the mainstream for some time, with several deals posting up some big numbers.

The biggest cyber investment of the quarter came from BitSight, which raised $250M in September. BitSight is a platform that rates companies' security effectiveness on a daily basis using a data-driven, outside-in approach. Since 2019 it has partnered with specialist reinsurance broker BMS Group to provide cyber risk analysis services to BMS's clients across all lines of business as part of its consultancy offering.

Other notable investments in the cyber sector include the $205M Series E funding round from Coalition and the $185M Series D funding round for At-Bay. Coalition is a US-based cyber insurance provider, with more details of the company and its service offering available on page 27.

Meanwhile, At-Bay is a cyber insurance carrier with the intent to provide tailored insurance products and security insights based on company IT systems and vulnerabilities. Brokers can generate reports on the security and financial exposure of their client, which can then be used to assist in matching cyber products to a customer's needs. At-Bay monitors and manages IT systems, providing businesses with security reports, alerting customers of new vulnerabilities and helping fix them. Furthermore, when a business has an incident, its experts provide assistance in managing the problem, all included in the price of the policy.

Data Analysis

The following diagrams illustrate some of the key investment trends in the insurance sector including:

1: Quarter on Quarter changes of total investments and deals - we can track the relative growth in the market and overall context to our investment commentary.

2: % of investments by region - the US still dominates, but we're seeing ongoing maturation of other global markets, so it's important to understand where this is happening.

3: % of 'early stage' deals* - by looking at the proportion of up-and-coming startups entering the market we can understand the future growth potential in the market. They represent the future competition, partners and M&A targets and new exemplar businesses.

*defined as Series A and lower

Q1-3 INVESTMENTS & DEALS

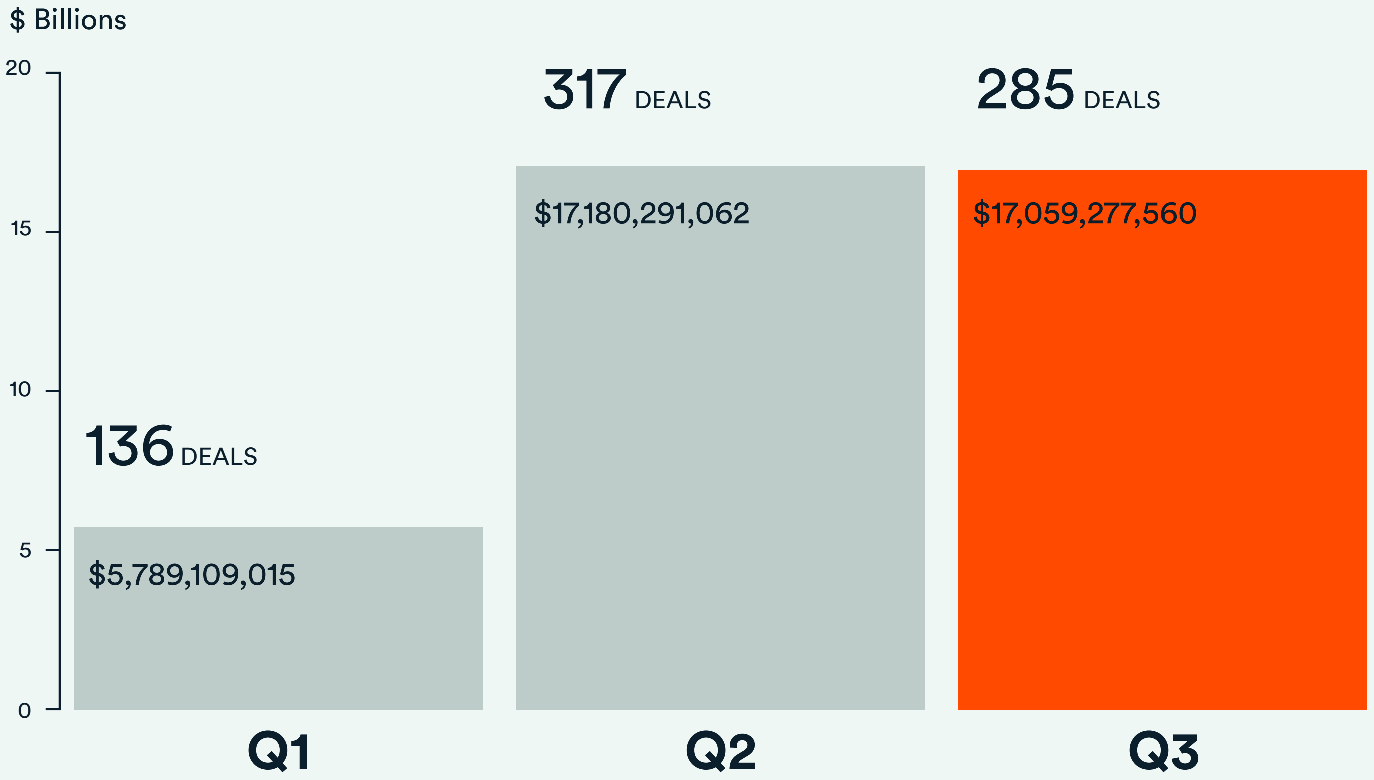
TOTAL INVESTMENT

$39B

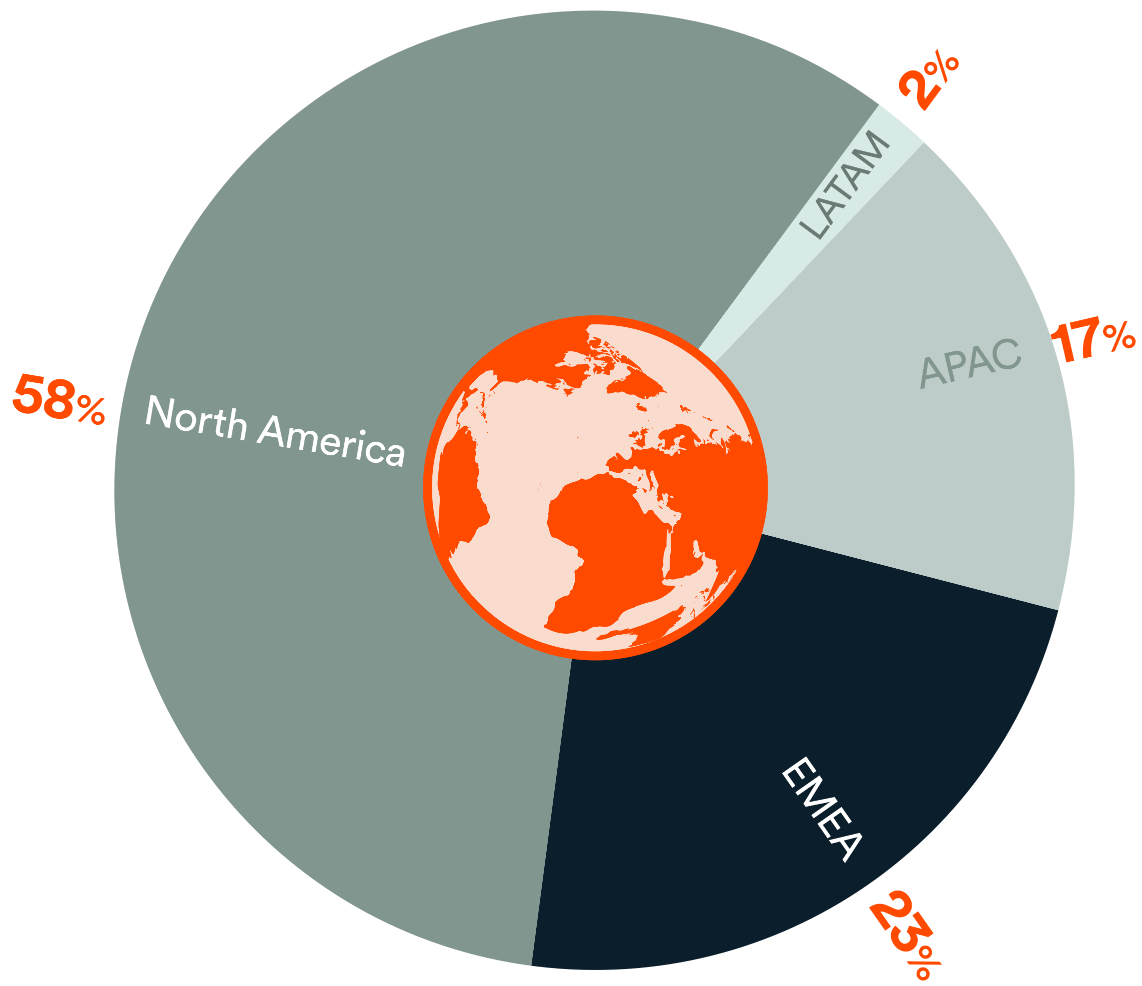
$39,143,677,637

TOTAL DEALS

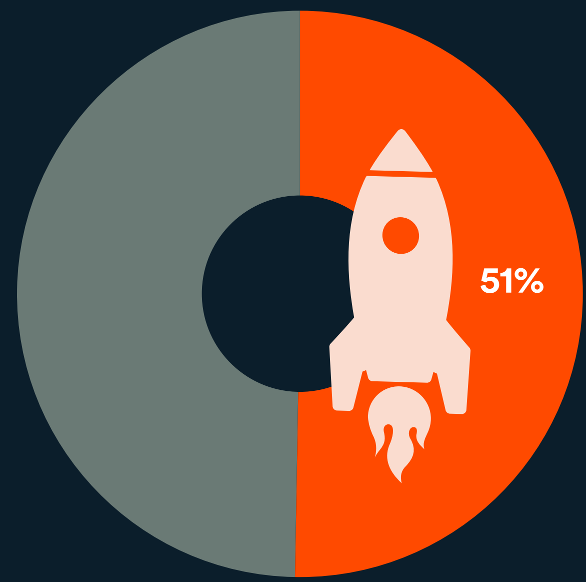
735



Q3 % OF INVESTMENTS BY REGION



Q3 % OF DEALS IN EARLY STAGE VENTURES



51%

OF DEALS WERE IN STARTUPS WITH **ANGEL, PRE-SEED, SEED OR SERIES A** INVESTMENTS

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Global Focus

As well as bringing you insight on global innovation activity, we'll also be bringing you news and updates on key markets around the world.

This quarter we're looking at LATAM - a region with a large, underserved, underinsured market but also a fascinating evolving regulatory environment, not to mention a growing number of full-stack insurtechs.

This is brought to you by our LATAM partner, Samy Hazan.

Samy Hazan

Insurtech Disruption Leader in Latin America
& Digital Transformation Advisor

LATAM

The Latin American insurance startup ecosystem is having a great year and has a lot to celebrate. As in other parts of the world, LATAM has also seen record levels of insurtech investments (early stages predominantly), with rounds being announced at speeds never seen before.

It's a region ripe for growth, especially in the fintech and insurtech sectors, due to the significant underserved and uninsured population in the region. Structural factors such as strong digital penetration (super accelerated by the current pandemic), quick e-commerce growth and an emerging middle class are among the key reasons Latin America is breaking venture capital records this year.

The number of insurtechs is growing on average 30% a year

Consumer markets in Brazil, Mexico, Chile, and Colombia are growing rapidly thanks to a fast-growing middle class and digital technology changing behaviour and becoming part of everyday lives. This has spurred demand for digital offerings, which has led to more startups, and consequently, investor interest.

There are approximately 400 Insurtechs mapped in the region, the main markets being Brazil, Mexico and Argentina, with respectively about 35%, 20% and 19% of the total number. This number is growing on average 30% a year, driven by a new friendly and pro-innovation regulatory environment and the new technologies and digital transformation of the society.

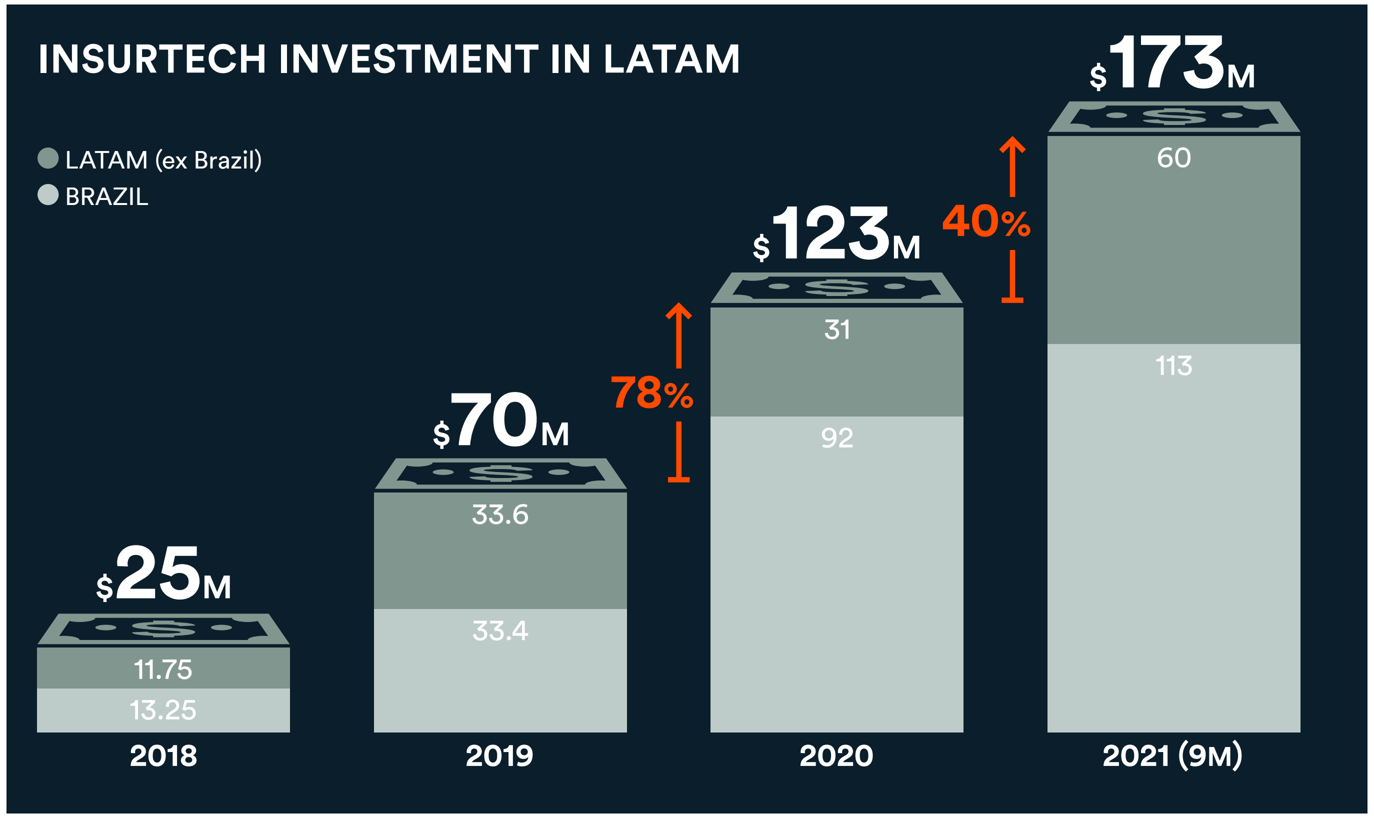
Since 2012, more than US $560 million have been invested in Insurtechs in the region, with 55% of this amount raised in the last 24 months.

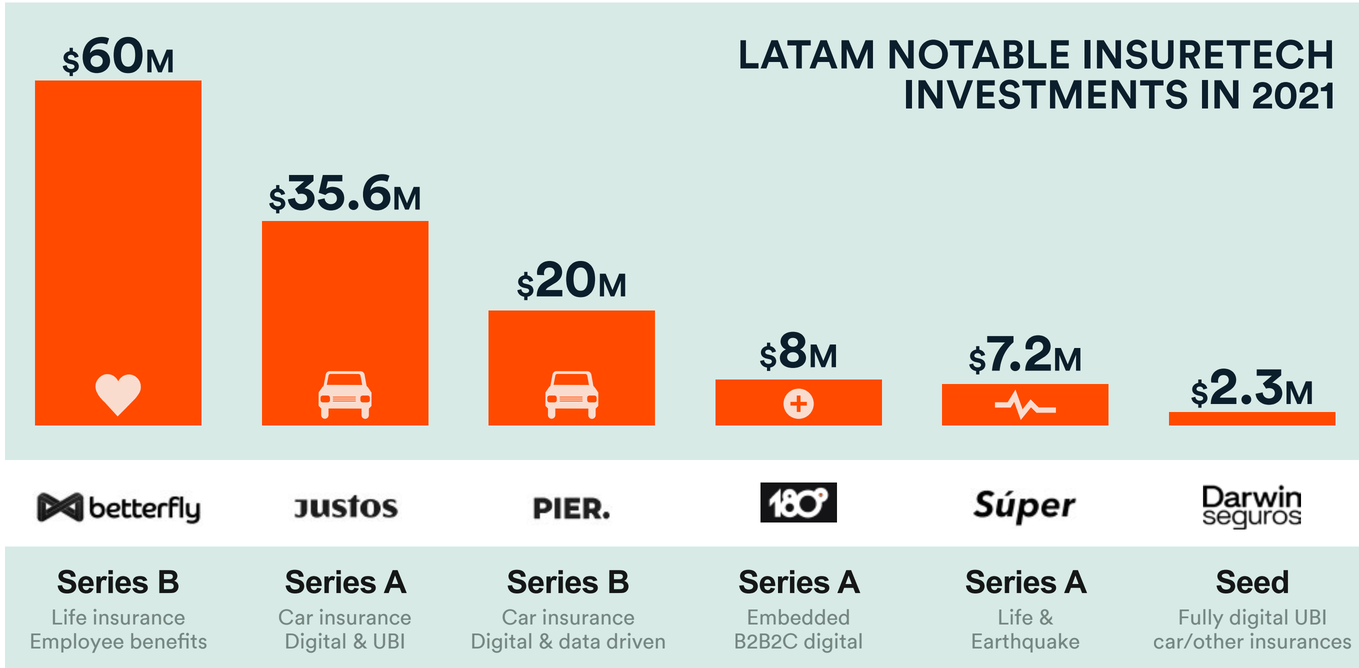
An underserved and underpenetrated market

The low penetration in all business lines of the insurance sector in Latin America and still millions of underserved consumers contribute to the segment's challenge to expand and grow faster. Most start-ups are aiming to provide solutions and innovative technologies to increase financial inclusion and democratisation of both asset and income protection. Insurtechs are developing new distribution channels and new business models driven by strong and fast digitalisation, advanced data analytics, open APIs, mobile applications with seamless customer experience in the whole journey.

It's a region ripe for growth, especially in the fintech and insurtech sector

These start-ups are also attracting the best talent in the region, including scarce resources like experienced data scientists and senior developers. As in other parts of the world, attracting the best talent has always been a big challenge due to the conservative nature of the insurance industry, a scenario that is being changed thanks to a more customer centric approach of the insurtechs.





Regulatory Sandbox: 31 "full-stack insurtechs" in 2021

The regulatory sandbox is an experimental regulatory environment to enable the implementation of innovative projects (with lower capital requirements) that present products and/or services to be offered in the insurance market and that are developed or offered based on new methodologies, processes, procedures, or existing technologies applied in different ways.

The main driver of the Brazilian regulatory Sandbox is to double insurance penetration in the economy in the next five years (currently 4% of Brazilian GDP) by promoting more competition among incumbents with innovative insurance solutions that can reach segments of the population that today do not have access to insurance protection or are underserved by the traditional face to face distribution channels.

In 2021, 31 insurtechs were approved to operate as a full stack insurance carrier under the regulatory Sandbox. These insurtech carriers are offering asset and income protection through innovative distribution channels, fully digital customer journeys, embedded insurance platforms, providing less costly alternatives – the result so far is that almost 70% of these neo-insurers customers are first time insurance buyers, promoting financial inclusion and democratizing access to products and services that were not available before to the segment.

Brazil – a pioneer in the Open Insurance regulation

One may think as Latin America is still far from reaching the levels of insurance disruption and innovation of other regions of the word. Well, it is not the case for Brazil's Open Insurance new regulation to be in place in 2022.

In a simple way, a Brazilian consumer will be able to access via a mobile app, all their historical financial products, insurance, his or her behaviour as a banking and insurance customer, his mortgage balance, all in one single place, and he or she will be able to take decisions and purchase financial and insurance solution at one single click. SMBs should also benefit from this open financial services platform where they will have accounting, finance, property and other insurances all in one place and in a seamless click to purchase process.

Another objective of the OPEN environment is to encourage innovation and market competition within the financial services. Of course, the new regulation of the OPEN environment in the insurance sector has generated numerous criticisms from the most conservative wing of the industry, especially intermediaries who see in this environment a threat to its relevance as the main distribution channel.

The implementation of Open Insurance in Brazil will begin in December 2021 for insurance carriers and in September 2022 for consumers (individuals and SMBs)

Historical drivers and digital transformation are all leading to more startups, and consequently, investor interest.

Conclusion

Overall, the outlook for the Latin American InsurTech scenario is incredibly positive with most locals and foreign investors bullish on the region. Strong currency devaluation has left Latin American assets cheap vis-à-vis other geographies. Historical drivers like a huge underpenetrated and underserved market (including underserved businesses), combined with a digital transforming society demanding digital offerings is all aspects of their lives, all is leading to more start-ups, and consequently, investor interest.

Of course, the region has long terms challenges such as social and economic disparity, the most critical one for insurance growth. The good news, as mentioned in this report, is the innovative and inclusive lens of some Governments and Regulatory bodies in the region that are doing everything to leverage the power of new digital technologies, making insurance much more inclusive and democratic than ever before.

contents

Sønr

Q3 Spøtlights

$23.4M
Series B funding
in Q3 2021

2016
New York
taxi & limousine commission

2019
Uber partnership
specialist drivers insurance

INSHUR

Inshur's $23.4M Series B funding round completed in July 2021, taking the company's total funding to $35M

The mobility market is changing. Hybrid and electric vehicles are becoming much more commonplace, and with this comes changing customer needs.

In the UK, the likes of LV= have launched products fully focused on the EV sector and many more incumbents, as well as new disrupters, are likely to follow suit.

Vehicle ownership is also changing, with millennials and Gen Z less likely to own a car or even learn to drive.

This means that shared mobility solutions, such as car share clubs, ride-share apps such as Uber, and short-term insurance cover, are likely to become more popular than they already are over the coming years and months.

Inshur first launched in October 2016, initially focusing on the commercial TLC (taxi and limousine commission) market in New York, but it has since changed its focus in response to these changing market dynamics.

The company now has operations in the UK covering private hire drivers, having first established a London office in 2018 – a move designed to target ride-share platforms such as Uber, Lyft, Gett and Via.

The Inshur app allows private hire drivers to scan their license using the camera on their smartphone, which combines with user input data to deliver a range of quotes from different insurance carriers.

Inshur has also increased its focus on strategic partnerships as a way of fuelling further growth.

In 2019, the company announced its first partnership with ride-hailing giant Uber to provide a range of insurance services to drivers who use the Uber app. The fully-digital service looks to address the difficulties that private hire drivers have when purchasing specialist insurance, while at the same time rewarding safe driving.

A year later, Inshur partnered with Uber again, this time in the Netherlands, to offer flexible digital insurance to its drivers. And in September 2020, it partnered with Wakam to launch a new insurance product for Uber/private hire drivers across The Netherlands, which enables drivers to quote and buy insurance online, with cover starting immediately.

$100M
Series D funding
in Q3 2021

10mins
to purchase policy
with no blood tests
or medical exam

3.5K
alliance
Franklin Maddison

ETHOS

A July 2021 Series D funding round raised an additional $100M for Ethos, just two months after it raised $200M, with total funding in the company now reaching $407M

Ethos has tuned into the health and well-being trend to offer 'modern, ethical life insurance' that is quick and simple to purchase.

The digital insurer says that users can apply and qualify for a policy in around 10 minutes, without having to go through medical or blood tests. Instead Ethos uses data science and predictive analytics to estimate factors such as an individual's life expectancy.

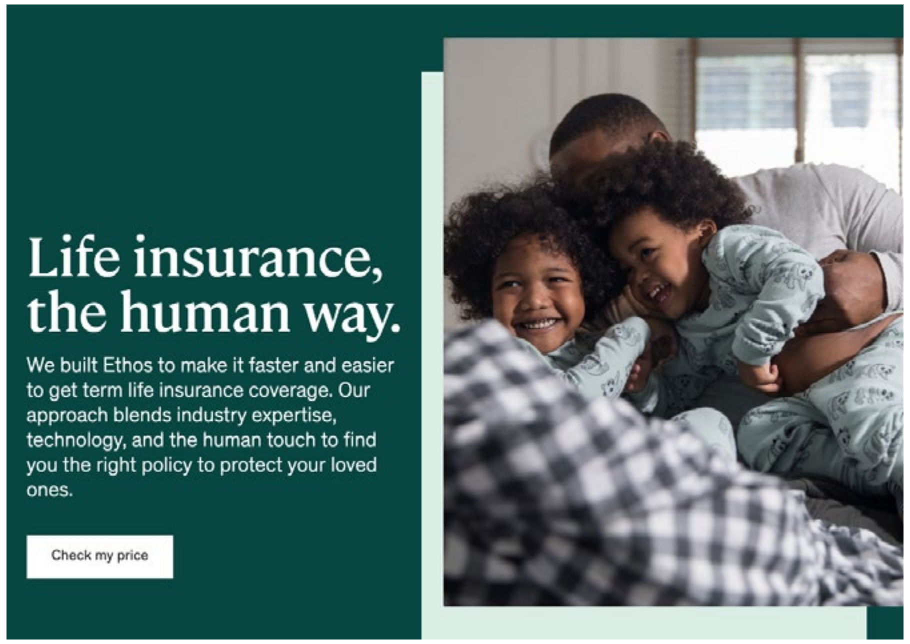
In a step aimed at furthering its commitment to its customers and the industry industry, Ethos launched Ethos for Good, a platform to partner with others to help the communities that need it most.

And partnerships are a cornerstone of Ethos's strategy.

In June 2018, Ethos announced it had partnered with Assurity Life and Munich Re to continue their mission of making life insurance more accessible for American families. And in 2019, Ethos formed an alliance with Franklin Madison that would see them offer their term life insurance product to the 3,500+ financial institutions that Franklin Madison serves.

Five years after it was founded, Ethos reached a reported valuation of $2BN after raising a $200M Series D round in May 2021. The company revealed its revenue and users had each grown by more than 500% year-over-year, and that it expects to issue $20BN of life insurance coverage this year.

The company raised a further $100M for its Series D funding round in July 2021, bringing Ethos's valuation to $2.BN.



$205M
Series E funding
in Q3 2021

24/7
cyber insurance
alerts, guideance & tools

Acquired Attune
Commercial broker platform

Coalition

A Series E funding round in September raised $205M for Coalition, and took place only six months after a $175M Series D round to take total funding in the company to $520M.

The $205M raised by Coalition in September 2021 was the second largest cyber investment of the quarter, marking out the company as one of the leading providers in the market.

Coalition has established a number of successful partnerships with the likes of Argo and Swiss Re to provide businesses with up to $15 million of cyber and technology insurance cover, which demonstrates the strength these partnerships can bring to new entrants.

The insurance provider's cyber products protect against a number of risks, including first and third party liabilities, and business interruption losses.

Coalition's cyber risk management platform also provides automated security alerts, threat intelligence, guidance, and cybersecurity tools to help businesses remain proactive in the face of cyberattacks.

Coalition's partnership with security experts Coronet, announced in November 2019, was the first of its kind to protect the full spectrum of small and mid-sized business cyber risks.

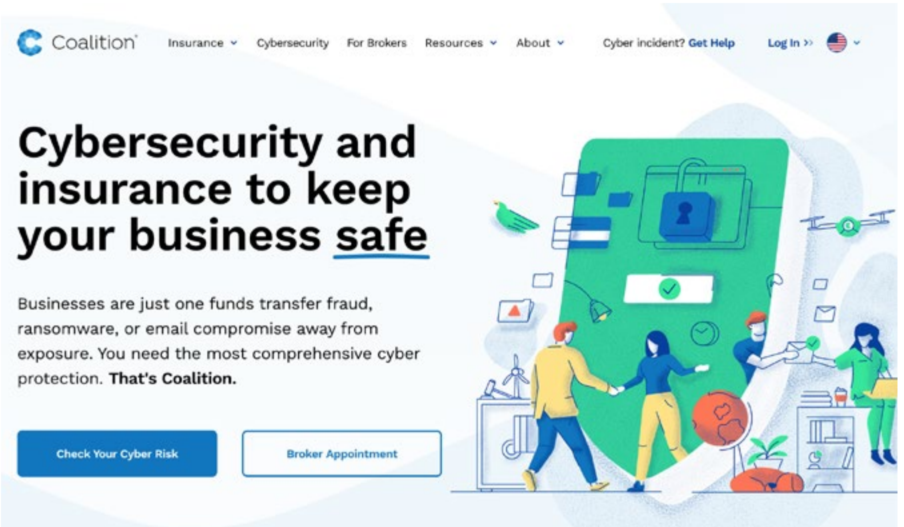
This offering was enhanced further in January 2020 when Coalition acquired cybersecurity company BinaryEdge.

The integration of BinaryEdge's technology enables Coalition to offer SMEs 24/7 security monitoring as well as insurance coverage for cyber-attacks and technology failures.

And in October 2021 Coalition acquired Attune, a tech-powered broker platform for commercial insurance. The combined company now serves over 130K customers, and is already delivering over $500 million in run rate GWP.

Coalition will now look to expand the reach of its cyber insurance to more policyholders through the Attune marketplace, and will also apply their analytics and machine learning insights to an expanded set of Attune's insurance offerings over time.

Coalition's latest funding round valued the company at $3.5B after the California-based insurance provider doubled its customer base during the past year.



And so we come to an end of another Insurtech Briefing and so a quick summary of what we've covered:

- 2021 continues to see strong growth - around 290% investment growth between Q1-3.
- Despite a QoQ reduction in total investment, the Health sector remains strong with particular focus on digital mental health provision.
- The auto sector is hotting up - fuelled by evolving vehicle ownership models, a growing EV market and IoT enabled digital propositions.
- Interest in the property sector continues to build through partnership activity in particular - enabling rapid delivery of capability to combat natural disaster, pro-active alerts and serving under-served markets.
- A rapidly maturing cyber market, with a number of key startup players gaining traction, becoming increasingly well capitalised with a view to scaling further. Incumbents are surely starting to take note?
- Embedded insurance - it's here, it's here to stay! It will continue to become a key source of revenue as well as means to better engage with customers in the future.
- LATAM - a market seeing tremendous growth and a hotbed for insurtech talent. A market to keep an eye on for the future.

We're here to help

If there's one consistent theme across such a complex, not to mention massive landscape, is the pace of change. It's our job to help you understand it and the opportunities it presents.

There's only so much we can cover in a short space and so, if you have further questions on how these trends relate more directly to your needs, use cases or challenges (or headaches?) then please get in touch.

We're always happy to chat and share further insights, which are all driven by Sønr - the most comprehensive source of intelligence on Global insurance innovation out there. Or if you can't wait, then you can always sign up for a free 14 day trial here.

Thanks for reading and get in touch if you'd like to know more.

Until next time!

Matt

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