



INSURTECH

The Funding Streak in Insurtech Continues

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Private capital continued to flood the insurance industry in 2021, driving total investments in insurtechs to new heights across all insurance types, investment stages, and regions. To meet the demands of customers seeking smarter and more efficient products and services—and to compete more effectively with insurtechs—many insurance incumbents are fast-tracking next-generation “bionic” operating models that combine the best of human and technological capabilities. The digital transformation of the industry appears to be in high gear.

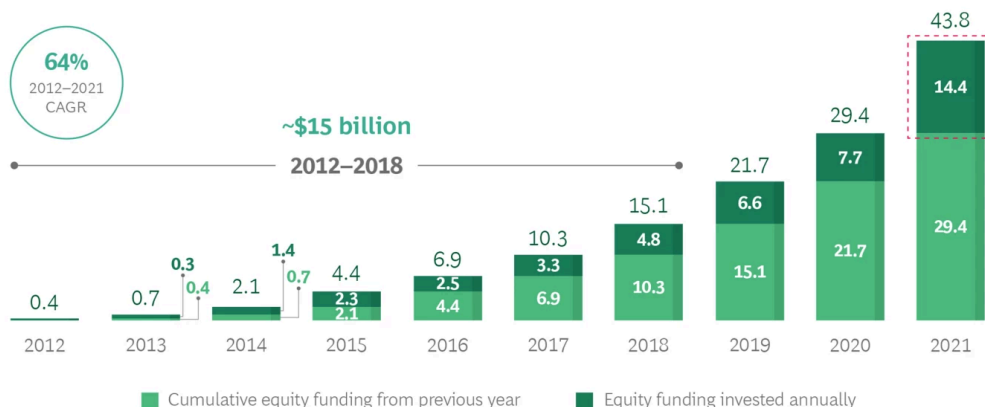
Those are some of the findings that FinTech Control Tower by BCG cites in its annual *State of Insurtech* report. However, some caution is warranted. Although the report paints a generally positive picture, it notes that many insurtechs that have recently gone public have dramatically underperformed the market, exposing a significant disconnect between private and public valuations. This holds lessons for investors who may need to rethink their valuation methodologies, for insurtechs positioning themselves prior to an IPO, and for incumbents engaged in their own complicated digital transformations.

Investments Rise Across Insurance Types

The lackluster market performance of newly minted public companies did not put a dent in private investment. Insurtechs raised \$14.4 billion across 644 deals in 2021, surpassing the total raised in 2020 by about 87% and reaching a cumulative ten-year total of \$43.8 billion from 2012 to 2021. To put that in perspective, it took them seven years (from 2012 to 2018) to raise \$15 billion. (See Exhibit 1.) Megarounds exceeding \$100 million remain a key growth driver, as approximately half of the capital invested in 2021 went to 37 companies.

Exhibit 1 - Since 2012, Funding Has Grown at About 64% CAGR, Accelerating Sharply in 2020 and 2021

Annual cumulative equity funding amounts from 2012 to 2021 (\$billions)



Source: BCG FinTech Control Tower.

Note: Because of rounding, not all bar segment totals add up to the figure given at the top of each bar.

Investments were up across all insurance types, but private investment continued to flow most strongly into the property and casualty (P&C) sector. Our report notes the following sector-by-

sector developments:

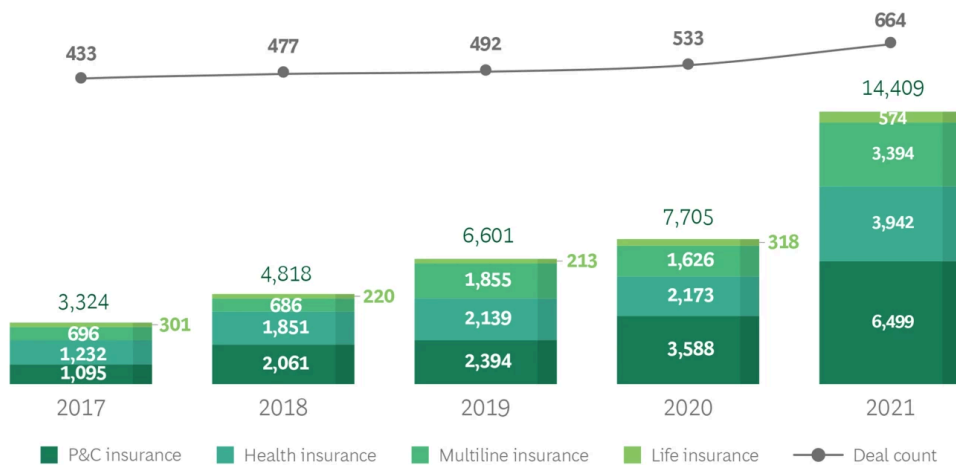
- **P&C Insurance.** This sector attracted the largest share of insurtech funding (\$6.5 billion, 45% of the total)—up about 81% year-on-year. Commercial P&C insurtechs raised \$3.3 billion of that total (up 83% year-on-year), fueled by firms offering cyber insurance products (\$1.1 billion, up 442% year-on-year), such as US-based Coalition (\$205 million, Series E+), US-based At-Bay (\$185 million, Series D) and China-based Yuanbao (\$175 million, Series C).
- **Personal P&C Insurance.** Insurtechs in this sector attracted \$3.1 billion (up 79% year-on-year), driven by investments in digital intermediaries offering General P&C products. These companies included US-based product protection and warranty platform Extend (\$260 million, Series C) and France-based digital insurance broker Leocare (\$116 million, Series B). Pet insurance dominated the Other P&C category, where leading companies included UK-based managing general agent (MGA) Bought By Many (\$350 million, Series D), Hong-Kong-based digital insurer OneDegree (\$28 million, Series B), and US-based digital intermediary Wagmo (\$12 million, Series A).
- **Health Insurance.** This sector followed suit with \$3.9 billion in insurtech investment—an increase of about 81% from 2020 and roughly 27% of the 2021 total. The General Health Care category accounted for about 69% of the total funding, up 600% from 2020. US-based Devoted Health accounted for approximately 43% (\$1.15 billion) of this category. The Patient Engagement category was up about 60 year-on-year driven by a small group of insurtechs, including US-based insurance payments platforms Cedar (\$200 million, Series D) and US-based Zipari (\$22.5 million, Series B).
- **Multiline Insurance.** The multiline insurance sector accounted for \$3.4 billion in insurtech investment, representing 24% of the 2021 total and doubling the amount raised in 2020. About 46% of the total went to the Life, Health, and P&C category. Companies that received funding within that category included China-based Datong (\$235 million, unattributed series) and India-based insurance broker Policybazaar (\$75 million, Series E+), both digital intermediaries; as well as Israel-based omnichannel solutions platform Kissterra (\$76 million, Series A) and Israel-based data-driven policy administration platform Novidea (\$30 million, Series B).
- **Life Insurance.** Insurtechs raised about \$600 million in this sector, accounting for 4% of the 2021 total. Investments increased by about 81% compared to 2020, driven by large rounds in the Term Life category, including US-based digital intermediary Ethos (\$300 million, Series D) and US-based digital insurer Ladder (\$100 million, Series D). The Group Life category was up 12% year-on-year driven by a small group of players, including UK-based MGA YuLife (\$70 million, Series B) and Australia-based life insurer Integrity Life (\$43 million, Series A).

The investments in insurtech were broad based, reflecting the wealth of opportunities in the industry for digital transformation. (See Exhibit 2.) “Our 2021 instech member survey revealed

that the potential to improve underwriting through automated and algorithmic underwriting is top of insurers’ priorities for new technology to support innovation,” said Matthew Grant, a partner at the UK-based research company InsTech. “The use of marketplaces and platforms to improve the ways to trade risk and to access data and analytics was a close second. The topics of emerging risks, climate change, and enhancements in data ingestion and extraction also made it into the top five. We found that there remain opportunities to meet demand for new tools and analytics to help assess emerging risks such as cyber, crypto, and supply chain.”

Exhibit 2 - Global Insurtech Investments Hit a New High, with P&C and Health Insurance Contributing About 72% of the Total

Equity funding amounts, by deal count and by cluster (\$millions)



Source: BCG FinTech Control Tower.
 Note: P&C = property and casualty.

Incumbents and Others Launch Products to Keep Pace

As private investment flooded into insurtechs, incumbent insurers kept pace by launching digital initiatives across the product spectrum. In February, Chubb announced the launch of “Blink by Chubb,” a cyber insurance product for millennials starting at \$5.28 a month. In March, in cooperation with Google Cloud and Allianz Global Corporate & Specialty, Munich Re announced a new project called “Risk Protection Program” that aims to provide customers with a higher level of security by covering technical and financial aspects of risk management. In May, Aviva launched DigiCare+, an app designed to help customers prevent, detect, and manage common health issues. In December, American Family partnered with Cambridge Mobile Telematics to create “MilesMyWay,” an auto insurance program that rewards drivers for driving less.

“Beyond the active development of our own innovative propositions, Munich Re also believes in building up those in the market who are leading the way in the insurtech scene,” said Lucinda Chow, innovation manager at Munich Re. “This is often achieved via the creation of long-term partnerships, where we support insurtechs and primary insurers through a ‘skin in the game’ approach that includes our backing as capacity providers. We additionally tailor our in-house expertise for our partners, which spans the value chain, such as professional actuarial pricing and claims consulting.”

Meanwhile, firms in industries adjacent to insurance are partnering with insurtechs and incumbents. In April, German digital bank N26 partnered with Germany-based Simpleurance to launch a new on-demand insurance product for smartphones. In September, UK-based money app Monese partnered with Belgium-based Qover to launch “Bills Protection,” a seamless safety net for paying regular bills. In October, Italian digital bank Buddybank teamed with Switzerland-based Zurich Connect to offer car and motorcycle insurance through its app.

Corporate giants also sought to capitalize on synergies between insurance products and their existing offerings in 2021. US-based electric carmaker Tesla extended the availability of its real-time data car insurance product to car owners in Arizona, Illinois, Ohio, and Texas after launching the product in California in 2019. India-based PhonePe received an insurance brokerage license from the Insurance Regulatory and Development Authority of India, becoming a direct agent authorized to sell life and general insurance. And US-based Amazon launched the “Amazon Insurance Accelerator,” offering sellers product liability insurance through a network of insurance providers, including Next Insurance, in the US.

Funding Increased Across All Investment Stages

In another sign of investment bullishness, private investments increased across all stages of development, including seed funding, early-stage VC, and late-stage VC.¹ In 2021, seed funding accounted for approximately \$572 million in insurtech funding—up about 100% year-on-year. Notable rounds include a \$22 million round in Israel-based employee benefit platform Healthee, \$15 million in US-based injury insurance provider Spot, and \$12 million in Australia-based home insurance intermediary Honey Insurance.

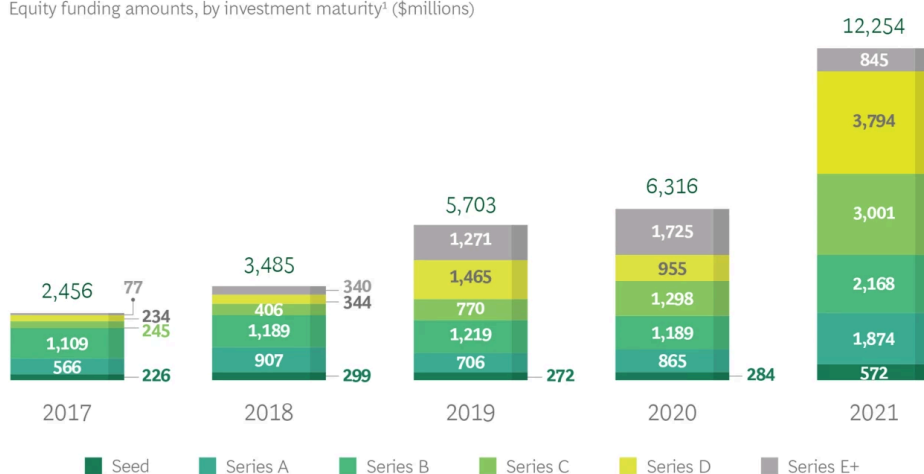
Early-stage VC accounted for approximately \$4 billion—up about 97% compared to 2020—driven by Series A funding (up 117% year-on-year). Notable deals included a \$210 million round in Singapore-based digital insurer Bolttech, a \$135 million round in US-based digital health insurance intermediary EasyHealth, and \$100 million round in US-based digital home insurance intermediary Slide.

Late-stage VC funding totaled approximately \$7.6 billion, up about 92% year-on-year, driven by 27 mega-rounds worth approximately \$6.2 billion—11 at Series C, 13 at Series D, and 3 at Series E+. (See Exhibit 3.) The largest three rounds of funding included two Series D and one Series C:

- Uprising and SoftBank Vision Fund 2 led a \$1.15 billion Series D round in Devoted Health. The company will use the cash to support its nationwide expansion. In line with that goal, it launched coverage in seven Chicago-area counties in October 2021.
- Target Global led a \$650 million Series C round in German digital insurer Wefox at a post-money valuation of \$3 billion, with participation from such existing investors as OMERS Ventures, G Squared, and Merian. Wefox plans to use the proceeds to expand to the US and Asia, while strengthening its presence in its existing markets.
- EQT Growth led a \$350 million Series D round in Bought By Many, with participation from CommerzVentures, FTV Capital, Munich Re Ventures, Octopus Ventures, and Willoughby Capital.

Exhibit 3 - In 2021, Funding Increased Across Maturities, with Series C+ Accounting for About \$7.6 Billion, Driven by 27 Megarounds

Equity funding amounts, by investment maturity¹ (\$millions)



Source: BCG FinTech Control Tower.

Note: Because of rounding, not all bar segment totals add up to the figure given at the top of each bar.

¹ Unattributed equity funding rounds have been excluded from the analysis.

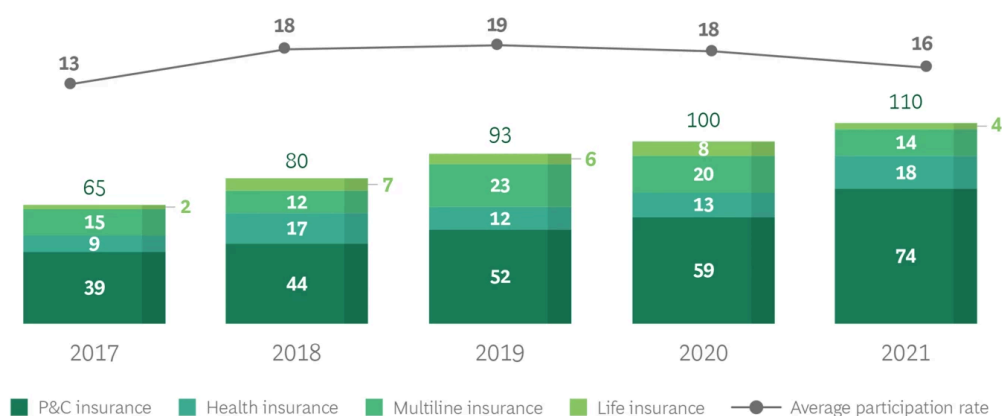
“To get a better sense of how innovation is going on in insurance, go in-depth and beyond the few megarounds that attracted most of the money invested last year,” said Florian Grailot, founding partner at Astorya.vc. “There is a lot happening alongside the value chain and toward every business line.”

As these numbers attest, VC firms have been the most active investors in the insurtech space over the past five years, accounting for about 76% of contributions in the P&C Insurance and

Health Insurance categories. Incumbent insurers ranked third, with a similar product mix. Although incumbents were involved in 110 deals in 2021, a year-on-year increase of 10%, their participation rate as a percentage of total deals has declined over the past two years as they focused their investments on fewer deals in established companies that they considered safer bets. (See Exhibit 4.)

Exhibit 4 - In 2021, Incumbent Insurers' Contributions Increased by About 10% Year-on-Year, in the Insurtech Space

Annual number of incumbent insurers' contributions by average participation rate¹ (%) and by cluster



Source: BCG FinTech Control Tower.

Note: P&C = property and casualty. Because of rounding, not all bar segment totals add up to the figure given at the top of each bar.

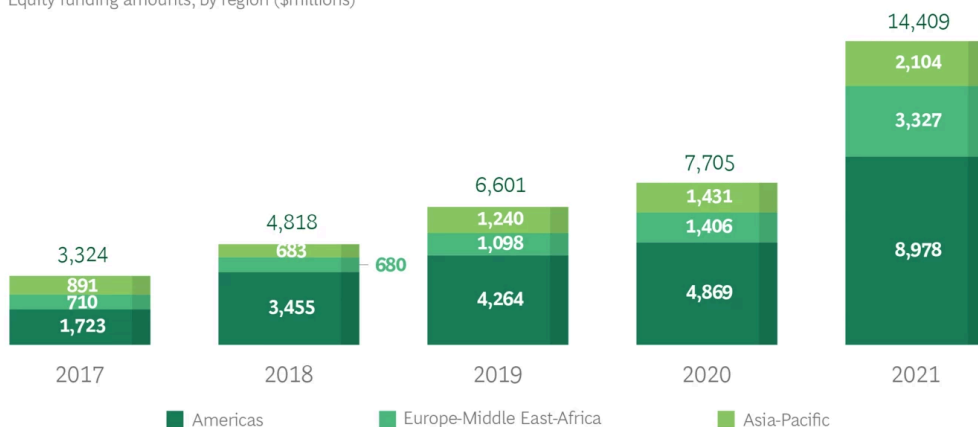
¹ Calculated as the ratio of number of rounds with at least one participating insurer and the total number of rounds for any given year.

All Regions See Record-Breaking Funding

Not only is insurtech financing up in aggregate, but it's also growing across all geographic regions. Insurtechs in the Americas attracted 62% of the global funding—approximately \$9 billion, up about 84% compared to 2020. (See Exhibit 5.) North America dominates the region—not surprisingly, given that the US is the world's largest insurance market and has a well-developed insurtech ecosystem thanks to favorable regulations, easy access to capital, and deep talent. Digital carriers and intermediaries raised 29 of the 39 megarounds in 2021.

Exhibit 5 - In 2021, All Regions Registered Record-Breaking Inflows, with the Americas Accounting for About 62% of the Total

Equity funding amounts, by region (\$millions)



Source: BCG FinTech Control Tower.

Note: Because of rounding, not all bar segment totals add up to the figure given at the top of each bar.

Latin America is a fast-growing region that saw \$190 million of investments in 2021, an increase of about 179% over 2020, driven in particular by Brazil, Mexico, and Chile. Notable rounds included a \$60 million Series B in Chile-based collective wellbeing platform Betterfly, a \$36 million Series B in Brazil-based telematics-powered digital insurer Justos, and a \$20 million Series B in Brazil-based general P&C full-stack digital insurer Pier.

"These investments in Latin America are expected, given the evolution of the region in recent years. After the fintech wave with cases like Nubank, Creditas, and Neon, now insurtechs are surging with better solutions for the customers," said Igor Mascarenhas, CEO of Pier.

Meanwhile, Europe, the Middle East, and Africa (EMEA) registered a record-breaking \$3.3 billion of capital inflows, surpassing 2020 funding by 137%. The region's share of global funding increased by 5 percentage points—from 18% in 2020 to about 23% in 2021—driven by large equity investments in insurtechs headquartered in Western and Northern Europe. These firms attracted \$2.9 billion, accounting for 88% of the regional total in 2021.

The three highest-funded countries in EMEA were the UK, Germany, and France:

- The UK received about \$1 billion in insurtech funding, including \$350 million in Series D for Bought By Many, \$150 million in Series C for usage-based commercial auto insurer Zego, and \$130 million in Series B for global specialty cyber reinsurance MGA Envelope Risk.
- Germany accounted for approximately \$900 million, including \$650 million in Wefox, \$89 million in digital insurer Clark, and \$63 million in Series B for AI-powered multiline MGA Getsafe.

- France collected around \$728 million, including \$220 million in digital health insurer Alan, \$220 million in P&C claim management and fraud detection platform Shift Technology, and \$116 million in Leocare.

The Asia-Pacific (APAC) region accounted for approximately \$2.1 billion of equity financing—up 47% compared to 2020—representing 15% of the global total in 2021. East Asia and South Asia were the main drivers, together attracting approximately \$1.6 billion, or roughly 77% of the APAC total. Among the notable deals were funding for digital intermediaries in China, including Datong and Yuanbao, and investments in digital insurers in India, including ACKO and Digit Insurance. Although the insurtech field remains nascent in Southeast Asia and Australia, they registered the largest percentage increases year-on-year in 2021—about 212% and 115%, respectively. Notable deals included a \$210 million Series A round in Singapore-based Bolttech, and a \$73 million Series C round in Australia-based embedded insurance platform Cover Genius.

Insurtech Exit Activity Maintains Momentum

Continuing a trend that we saw in 2020, a number of insurtechs were acquired or went public in 2021. Three M&A deals involving the purchase of an insurtech were especially notable:

- Incumbent US-based insurer American Family bought US-based Bold Penguin, a commercial insurance lead, for an undisclosed amount in January 2021. American Family agency owners will use the platform to access a suite of products specifically for them.
- US-based MassMutual bought US-based Blueprint Income, a retirement income platform, for an undisclosed amount in February 2021. The deal will help MassMutual accelerate its strategy of providing a simplified, digital, customer-centric user experience.
- US-based digital insurer Lemonade acquired US-based Metromile, a pay-per-mile digital motor insurance company, for \$500 million in November 2021, Lemonade aims to leverage its proprietary data and machine-learning algorithms to transform "Lemonade Car" with improved pricing, enhanced risk selection, and increased operational efficiency.

Meanwhile, some deals flipped the script, with insurtechs acquiring incumbent insurers. Among these M&A deals were the following:

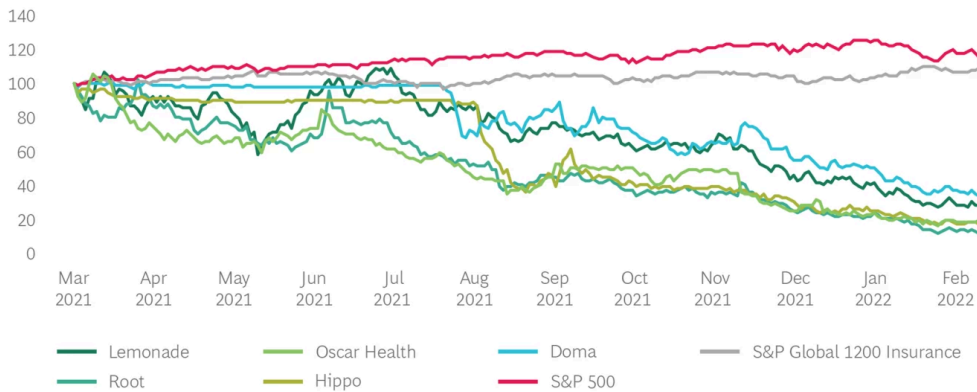
- Israel-based digital P&C insurer WeSure bought Israel-based Ayalon for \$110 million in June 2021. WeSure intends to add lines of business (such as health insurance) and to expand its overseas operations, including into the US.
- Cyprus-based digital motor insurer Hellas Direct bought Greece-based Mapfre Asistencia for an undisclosed amount in July 2021. Hellas Direct plans to consolidate its relationship with Mapfre (which is currently one of its reinsurance partners) and accelerate its expansion into the mobility and home ecosystems.
- US-based MGA Pie Insurance acquired US-based Western Select Insurance Company for an undisclosed amount in August 2021. Pie Insurance aims to accelerate its strategy to become a full-stack insurance carrier.

As for going public in 2021, ten insurtechs either had an IPO or were purchased by a special-purpose acquisition company, raising about \$6.7 billion in total. These were US-based digital health insurers Bright Health (\$924 million), Oscar Health (\$1.4 billion), Alignment Healthcare (\$490 million), and Clover Health (\$1.2 billion); China-based digital mutual platform Waterdrop (\$360 million); US-based digital home insurer Hippo (\$1.2 billion); US-based digital motor insurer Metromile (\$230 million); US-based title insurer Doma (\$645 million); India-based digital insurance broker Policybazaar (\$790 million); and US-based risk assessment platform Farmers Edge (\$125 million).²

Over the past two years, about 20 insurtechs went public across the globe. As part of the research for our report, we calculated the relative stock price performance of ten of them—five “disruptors” that are targeting the same revenue pools as incumbents, and five “enablers” that are geared more toward supporting incumbent players. All ten underperformed the S&P500 and the S&P Global 1200 Insurance indices from March 2021 to February 2022, and some of them lost half their market value. (See Exhibits 6 and 7.)

Exhibit 6 - Public Insurtech Disruptors Underperformed the General Stock Market, Irrespective of Their Product Lines

Relative stock prices for selected insurtech disruptors vs. S&P 500 and S&P Global 1200 Insurance indices¹



Sources: BCG FinTech Control Tower; S&P Capital IQ; BCG ValueScience Center.

¹We compared the stock performance of five public insurtech disruptors against S&P 500 and S&P Global 1200 Insurance indices, pegging their value at 100 from March 2021 to February 2022. We chose the companies that we deemed most representative of this category from among those with enough data points.

Exhibit 7 - The Public Performance of Insurtech Enablers Declined Steeply Against the General Stock Market

Relative stock prices for selected insurtech enablers vs. S&P 500 and S&P Global 1200 Insurance indices¹



Sources: BCG FinTech Control Tower; S&P Capital IQ; BCG ValueScience Center.

¹We compared the stock performance of five public insurtech enablers against S&P 500 and S&P Global 1200 Insurance indices, pegging their value at 100 from March 2021 to February 2022. We chose the companies that we deemed most representative of this category from among those with enough data points.

The performance of these ten companies stood in stark contrast to their funding activity and valuations in the private market. Many of the disruptors are coping with underwriting challenges, as evidenced by high and deteriorating loss ratios and an absence of profits. They are clearly struggling to justify their lofty valuations. Interestingly, the enablers have underperformed as well. They leverage SaaS business models, which gives them light infrastructures and little to no

balance sheets, which should theoretically make it somewhat easier for them to reach profitability.

It's worth noting that fintechs in general have underperformed after going public, so the problem is not confined to the insurtech sector. Nevertheless, investors, private insurtechs, and incumbents should ask themselves what the current gap between public and private valuations means for their businesses. Investors may need to reassess their methodology for evaluating private companies and for determining the magnitude of their investments. Insurtechs that are scaling toward their own IPOs might consider remaining private for a longer period or adopting alternative ways of exiting the market, such as through strategic acquisitions. Finally, incumbent insurers can learn from the experience of their digital competitors as they pursue their own innovation initiatives and digital transformation projects.

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¹ “Late-stage VC” refers to Series C, D, E+ rounds. “Early-stage VC” refers to Series A and B rounds.

² Metromile went public at the beginning of 2021 and was acquired by Lemonade at the end of 2021.