WHITE PAPER

The Future of P&C Insurance:

Lessons for Insurers from an Inflection Point in InsurTech

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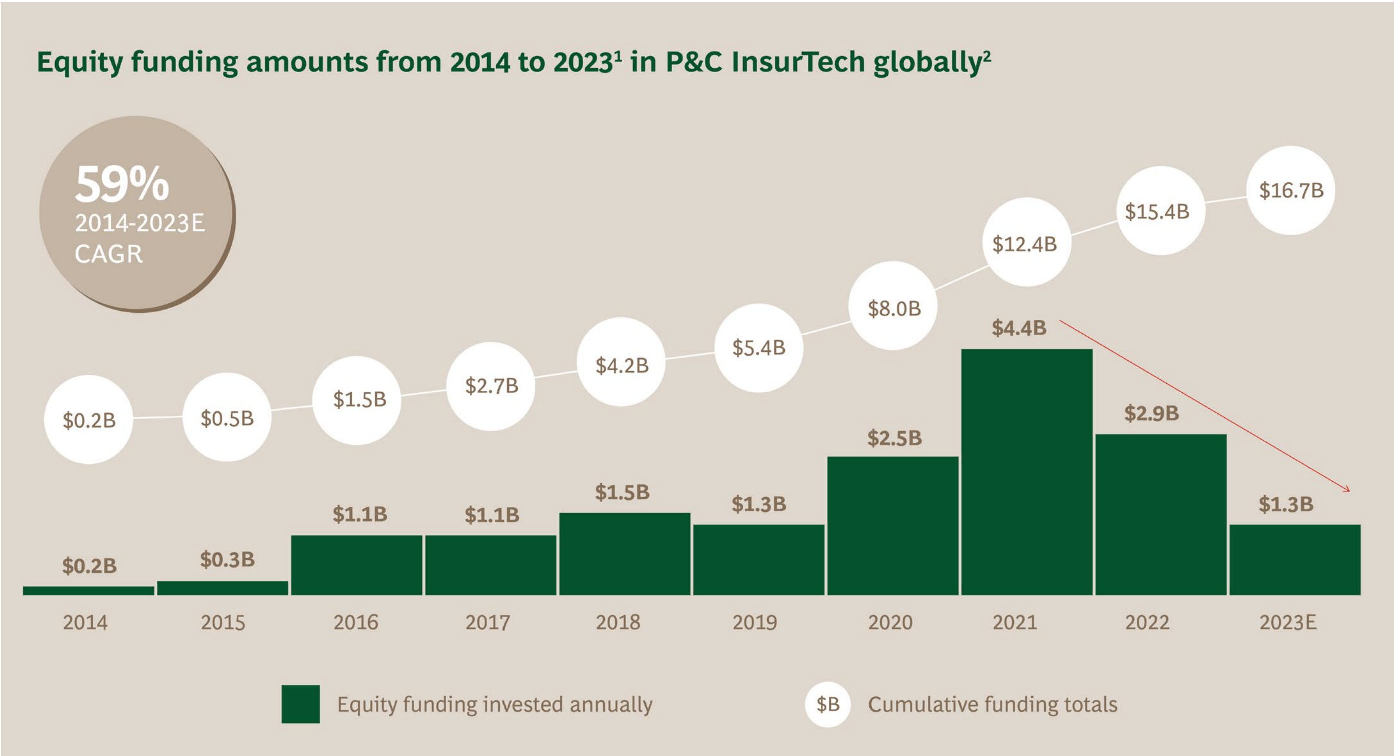
Introduction

The P&C InsurTech subsector stands at a pivotal juncture, with decreasing investments and heightened competition—but also a spark of hope in emerging ideas. In the last decade, P&C InsurTech funding grew at ~59% CAGR peaking in 2021, but declined 30% year over year in 2022 and is expected to drop a further 55% in 2023 **[Exhibit 1]**, mirroring a similar decline in technology-sector funding overall and prompting discourse about whether InsurTech's heyday has ended. It's a challenging market for emerging InsurTech startups that must compete with established technology players with deep capabilities and insurer relationships. Additionally, tech giants such as Google and Salesforce threaten to disrupt the market with cloud-native and data-driven capabilities.

Exhibit 1 - Funding for P&C InsurTechs grew at ~59% CAGR in the last decade with a massive surge in 2021 but declined 30% y-o-y in 2022 and is expected to drop a further 55% y-o-y in 2023, returning to 2019 levels.



1. Equity funding invested in 2023 is annualized based on H1 2023.
2. The analysis throughout the deck does not include the equity funding amounts invested in P&C full stack digital InsurTechs (e.g., digital insurers), since they compete with incumbent insurers.
Sources: BCG FinTech Control Tower

However, while funding has become more selective since its peak in 2021, investors continue to recognize the potential of ground-breaking ideas in InsurTech. Quality established and emerging InsurTechs are bringing new ideas and technologies to the insurance value chain and are continuing to garner funding during these trying times. Early-stage InsurTech investment (seed/angel, series A, and series B) experienced a gentler decline compared with the overall InsurTech funding landscape, showing investor preference for new and innovative ideas **[Exhibit 2]**. Even late-stage funding (series E+) increased, underscoring confidence in market-tested InsurTechs. Moreover, certain emerging themes and white spaces such as climate risk management and generative artificial intelligence (AI) are attracting increased funding, new entrants, and new waves of promising ideas.

Exhibit 2 - Earlier-stage funding (<=Series B) declined at a slower rate, indicating investments are still being made in new ideas

P&C InsurTech equity funding amounts by investment maturity[1]

1. Unattributed equity funding (i.e., undesignated funding not tied to a particular round) has been excluded from the analysis.
2. Equity funding invested in 2023 is annualized based on H1 2023.
Sources: BCG FinTech Control Tower

These trends have led to investigation into the trajectories of InsurTechs successfully navigating this complex landscape to uncover insight into the future of P&C insurance, prompting us to pose the following questions:

- Which InsurTechs, both established and emerging, have thrived in this challenging landscape and should be considered potential partners by insurers and brokers?
- What are the defining characteristics that set these InsurTechs apart, and how do they differ between established and emerging players?
- What value do these InsurTechs bring to insurers in specific segments of the insurance value chain?
- How has P&C InsurTech evolved? What will the next phase of P&C InsurTech look like, and what will it mean for insurers?
- What are the emerging and untapped white spaces within the P&C insurance industry, with growing activity or little competition, and what opportunities do they present for the industry's advancement?

To answer these questions, the BCG Insurance practice in collaboration with the BCG FinTech Control Tower team examined more than 1,400 P&C InsurTechs across the insurance value chain [**Exhibit 3**] to uncover current trends as well as emerging and white spaces, with the aim of shedding light on the evolving dynamics of the P&C InsurTech landscape and empowering insurers to both forge successful vendor strategies and capitalize on emerging opportunities.

Exhibit 3 - Methodology: The analysis included 1,409 active InsurTechs that have as a main focus Property & Casualty insurance, operating in North America, Europe, and Israel, acting as technology platforms, digital brokers, or analytics-based managing general agents.

A. Product Development	B. Sales & Distribution	C. Underwriting	D. Policy Administration	E. Claims Management
#: 200	#: 571	#: 374	#: 125	#: 139
$B: 1.7	$B: 4.1	$B: 5.7	$B: 2.3	$B: 2.2
Selected examples	Selected examples	Selected examples	Selected examples	Selected examples
earnix, Qover, AMODO, bolt, SURE	COVERHOUND, Kissterra, Policygenius, insureon, ZYWAVE	Concirrus, one concern, Cytora, zesty.ai	INSTANDA, socotra, insurity, Advantage	EvolutionIQ, CCC, Tractable

Note: The figures in the boxes represent the number of active InsurTechs and cumulative equity funding.
Source: BCG FinTech Control Tower

Disclaimer: InsurTech companies mentioned throughout this paper are meant to be examples only and should not be taken as recommendations or prescriptions for vendor strategy.

Part I. Trends in P&C InsurTech Across the Insurance Value Chain

A. Product Development

InsurTechs' product development features aim to enhance insurers' responsiveness and speed to market during product creation with three main capabilities: 1) providing customer and market analytics to help improve offerings; 2) offering product-building capabilities, with standardized term modules and digital experiences to reduce manual work; and 3) enabling automated pricing and ratings filing.

Established InsurTechs, such as INSTANDA and Earnix, often leverage their existing strengths in other value chain segments (such as policy administration or risk assessment) to solve product creation pain points. Emerging InsurTechs such as Qover and Sure tend to offer targeted solutions for novel product types, such as embedded insurance.

As insurers move toward increasingly modular architecture, how well will established end-to-end systems continue to meet their product development needs?

So far, many established and emerging product development solutions have come embedded in full suites of policy administration tools (for example, INSTANDA, Qover, Sure, and Insly). How much room will there be for insurers to mix and match vendors or plug in more nuanced point solutions for specific product types?

With trends toward increasing automation in product content creation and pricing, how will the next wave of InsurTechs accelerate product development?
Established InsurTechs such as Earnix and Wrisk are already automating pricing with AI and predictive models. How will Generative AI (GenAI) affect speed-to-market expectations for insurers?

B. Sales & Distribution

The sales & distribution InsurTech space is a broad and well-established category, comprising approximately 40% of P&C InsurTechs within our analysis.

Prominent players in this domain, such as The Zebra, EverQuote, Compare.com, and Coverhound, focus on digital distribution, alleviating the burden of research for customers through rate comparisons, personalized insurance recommendations, and the creation of cross-insurer bundles. Other InsurTechs in this space focus on enabling sales teams and brokers: Zywave aids brokers in lead generation and quote preparation; Broker Insights facilitates connections between insurers and brokers; and Kisstera streamlines lead generation and sales workflows through data and machine learning (ML).

Successful platforms have either grown to prominence and acquired other platforms (for example, Insurify acquiring Compare.com) or been acquired by brokers and insurers seeking to bolster their digital capabilities (for example, Brown and Brown acquiring Coverhound; Seeman Holtz acquiring Goji). This consolidation, coupled with higher closure rates and a decline in new entrants since 2017, points to signs of maturity in the personal lines segment of digital distribution InsurTechs. Nevertheless, emerging InsurTechs continue to carve out a niche by offering distinctive features such as MGA capabilities and loan refinancing to cater to evolving customer needs.

As consolidation is giving more power to leading comparison websites, it raises questions about what insurer participation will look like in the future. Is there a real benefit in a race to the bottom on price? For comparison, as InsurTechs aim to be more accurate with their pricing, including requesting third-party data earlier in the process, how will their economics be impacted?

C. Underwriting

InsurTechs in underwriting help insurers in the three following main ways:

1. InsurTechs such as Cambridge Mobile Telematics and Octo Telematics gather data from various sources (telematics, IoT devices, social media, and more) to help build better risk models. The data, predictive models, and decision support have helped underwriters more quickly and accurately predict risk.

2. InsurTechs such as Concirrus and Zesty.ai provide risk modelling tools and leverage AI and ML to improve efficiency and accuracy in risk evaluation.

3. InsurTechs such as Friss and Cytora support underwriting decision-making, using advanced analytics and algorithms to calculate premiums, and providing recommendations for underwriters.

As underwriting InsurTechs are already leveraging AI effectively, what is the potential impact of the next evolution of AI—GenAI—on underwriting? What if underwriters were supported by GenAI-powered co-pilots to provide a written response to support them with decision-making? Could underwriting for commercial insurance reach straight-through processing levels such as personal insurance?

Similarly, the increasing prevalence of connected devices is leading to a wealth of new data, which InsurTechs such as One Concern are gathering for insurers. **Will InsurTechs be able to take advantage of this to build more accurate risk models?** Will underwriting become more personalized and individualized? How will the real-time nature of this data impact policy writing and risk assessment?

D. Policy Administration

Large, established InsurTechs in policy administration such as Guidewire, Duck Creek, and Sapiens have expanded their reach beyond P&C and policy administration, ultimately becoming end-to-end, multi-line core insurance platforms. While the established players are ingrained in InsurTech architectures, emerging InsurTechs such as Socotra and Unqork are finding a way to compete by focusing on accelerated development cycles with low code/no code solutions and scalability with cloud architecture.

Modern policy administration InsurTechs are trending toward integration capabilities, reduced complexity and cost, fast go-to-market, and digitized omnichannel customer experiences.

Policy administration faces new entry threats from tech giants such as Google, Salesforce, and Microsoft, which are bringing a wealth of data and cloud-native capabilities. **How successful will they be, and how will their entry affect established policy administration systems?**

With increasingly modular architecture and smooth integrations, how could emerging InsurTechs augment or replace portions of legacy end-to-end policy administration systems?

E. Claims Management

Claims management has been an early and prominent application of digital technology in the insurance industry, and InsurTechs have grown to assist insurers throughout the entire claims life cycle.

Early InsurTechs focusing on claims provided customer-facing workflows to gather data during First Notice of Loss (FNOL). Over time, InsurTechs such as CCC Intelligent Solutions have built on that, growing into rich data-driven systems with insurer-specific rules and analytics to predict claim complexity and drive workflows. Using massive-scale analysis of historical claims data and external third-party data sets, InsurTechs such as Shift Technology help insurers reduce fraud. AI capabilities drive efficiency and consistency for claims adjusters, such as computer vision used for automatic damage estimation (for example, Tractable), NLP for document analysis (for example, Shift Technology), and ML-based recommendations (for example, EvolutionIQ). Finally, InsurTechs are providing claims chatbots that can provide updates and answer questions, creating an empathetic and personalized customer experience at scale.

How much will GenAI improve claims handling?
GenAI's image and unstructured data processing capabilities could improve abilities to assess damages, while its summarization capabilities could provide a helpful co-pilot in the adjustor workflow; InsurTechs such as Sedgewick are already leveraging this. However, human oversight will remain critical to ensure fairness in the claims resolution process.

To what extent will claims filing and processing become automated?
Established InsurTechs such as CCC Intelligent Solutions are already utilizing computer vision and telematics sensors in vehicles to automatically initiate a claim at the point of incident, and parametric insurance paradigms offer new possibilities for automatic payouts based on the incident rather than damages. As we move toward more automation in claims, what is the next level of speed insurers will reach?

In the ever-changing technology landscape, how will insurers detect new forms of fraud perpetrated by AI?
New technologies could be abused by fraudsters, such as with GenAI's image manipulation capabilities. Telematics and video assessments (for example, Tractable's remote damage surveys) may be a good defence against forged claims.

Part II. Emerging and White Spaces: What is the Next Frontier for P&C InsurTech

Amidst the decline in funding across the broader InsurTech landscape, certain themes stood out with increased funding and activity and captured our attention. Likewise, we noticed some nascent and underserved areas, foreshadowing opportunity for future entrants. Considering product lines, markets, and enabling technologies, we uncovered seven emerging and white spaces within P&C InsurTech that could present interesting growth and efficiency opportunities for both InsurTechs and insurers [**Exhibit 4**].

Exhibit 4 - Overview of the 7 Emerging and White Spaces

Product Lines

Cyber insurance

InsurTechs developing new models for monitoring and underwriting cyber risk are growing in number and funding

Climate risk

There is growing interest and investment in InsurTechs trying to better predict and underwrite natural disaster risk and/or natural assets

Underserved Markets

SMB to mid-sized commercial

Few but growing number of digital Sales and Distribution InsurTechs focus on commercial lines, with potential to unlock those markets for insurers

Embedded insurance[1]

InsurTechs focusing on embedding product insurance at point-of-sale have grown, unlocking ecosystem opportunities for insurers

Low-income/ Emerging markets[1]

Higher access to technology in emerging markets has made it possible to reach them in a cost-effective and scalable way with digital microinsurance

Reinsurance

Digital reinsurance marketplaces have made it easier for cedents to package reinsurance products and for reinsurers to diversify

Tech Enablers

Generative AI

Powerful large-language models have the potential to help InsurTechs improve insurers' efficiency and effectiveness across all parts of the insurance value chain

1.Emerging markets and embedded insurance may also present opportunities for new or enhanced product lines for many insurers.
Source: BCG FinTech Control Tower

Cyber Insurance

As cyber risk continues to become more prevalent and costly to insure, InsurTechs developing new models for monitoring and underwriting cyber risk are growing in number and funding. Modern InsurTechs are using AI and real-time monitoring to dynamically assess cyber risk and make recommendations for increased security. InsurTechs in this space are also experimenting with parametric insurance paradigms to reduce costs, as such insurance pays a fixed amount if a breach occurs, rather than attempting to cover the full damages.

Climate Risk

As climate change has caused increasingly volatile weather and costly damage, there is growing interest and investment in InsurTechs trying to better predict and underwrite natural disaster risk. Emerging InsurTechs are experimenting with AI-powered models, telematics, and satellite sensors to monitor weather, and parametric insurance paradigms that pay out based on the occurrence and magnitude of the weather event rather than the full damage amount.

SME Distribution

About one-third of the InsurTechs in digital distribution offer commercial lines, which is disproportionately low given the size of the market, indicating that there is room for new entrants. The small- to middle-market commercial segment often still requires manual effort from sales staff and brokers and offers lower premiums than large businesses do. AI's ability to automate sales workflows and help tailor insurance policies could enable insurers to reach the underserved middle market in a more cost-effective way.

Low-Income/Emerging Markets

Higher access to technology in, such as mobile penetration, has made it possible to reach emerging markets in a cost-effective and scalable way with digital microinsurance, which addresses small-scale risks (for example, bicycle theft) with affordable premiums.

Embedded Insurance

Embedding insurance purchases into non-insurance customer journeys offers insurers new opportunities for ecosystem play. InsurTechs focusing on embedded insurance can unlock, for insurers, new customer segments (for example, direct-to-consumer auto buyers) and niche markets (for example, appliance warranty market) that may not be accessible through traditional distribution channels. Many InsurTechs in this space feature no-code/low-code product builders or white-label embedded insurance products to help launch and scale quickly.

Reinsurance

Digital reinsurance marketplaces have made it easier for cedents to package reinsurance products and reinsurers to diversify. New automated and data-driven InsurTechs can help cedents quickly and accurately prepare submission packs, and brokers and reinsurers to create balanced risk portfolios, making this market more accessible to insurers.

Generative AI

Powerful large-language models have the potential to help InsurTechs improve insurers' efficiency and effectiveness across all parts of the insurance value chain—from enhancing risk assessment by incorporating unstructured data (for example, UnderwriteGPT) to interpreting policy document content (for example, Docugami) to serving as a co-pilot for adjudicators with its summarization and recommendation capabilities (for example, Sedgwick).

Part III. Next Steps for Insurers

As InsurTechs continue evolving in their capacity to automate, optimize, and augment functions across the insurance value chain, insurers must reimagine their goals to stay current in the digital age. How can insurers prepare to refresh their digital architectures and vision considering new InsurTech players and capabilities? Where is there untapped potential for insurers to optimize and differentiate?

We've compiled the following four key questions for insurance carriers to ponder to guide their next steps:

Are you delivering the speed and efficiency expected in today's digital age across both the value chain and lines of business?
Insurers must define their aspirations and assess capability gaps and then consider how InsurTechs could help close them. How can you transform unique functions (for example, Claims) across the value chain leveraging InsurTechs?

How are you thinking about digital strategies in terms of end-to-end vs. modular systems and build vs. buy?
Are your current systems, infrastructure, and data ready to integrate with new solutions in a multi-vendor world? What mix of large end-to-end systems, targeted point solutions, and homegrown systems can best help you capture value in the rapidly changing technology landscapes? Will established and emerging InsurTechs or tech giants provide the capabilities you need to transform your value chain?

As white spaces present themselves for InsurTechs, how can you partner strategically to capture these opportunities?
InsurTechs could help facilitate entry into niche markets (for example, embedded insurance, microinsurance, small business, etc.). Partnering with these organizations (for example, by providing capital) could launch these opportunities.

Are your incentives aligned with your goals and opportunities across the value chain?
How well will your talent, incentives, and structures across your organization drive digital change? Are your people and processes prepared to take these ideas from proof of concept to scale?

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