

Declining insurtech funding and deals also bring M&A opportunities

Article

The trend: Funding for insurtech firms in the third quarter of 2022 fell to its lowest level in more than two years amid a wider slowdown for insurance investment and deals.

CB Insights' Q3 [State of Insurtech report](#) found that:

- In Q3, insurtech firms raised \$2.3 billion for the weakest quarter since Q220.

- **Funding dipped by just 4% quarter-over-quarter (QoQ)** but was still well below the record-high levels of 2021.
- Despite the decline, insurtech funding for 2022 is projected to reach \$9.6 billion, the second-highest level on record.
- Based on the first three quarters, the number of deals involving insurtechs is projected to hit 595 for the year, an 11% fall from 2021 but comfortably above the preceding three years.

What this means: Much like [funding and deals for fintechs](#), the insurtech market has entered a period of consolidation characterized by sliding valuations and a harsher funding climate. This could mean that weaker insurtechs will struggle to raise investments while others are forced into down rounds. Companies must prove the sustainability of their business models if they are to attract financial backers and some will have to trim costs and downgrade their plans to avoid raising cash.

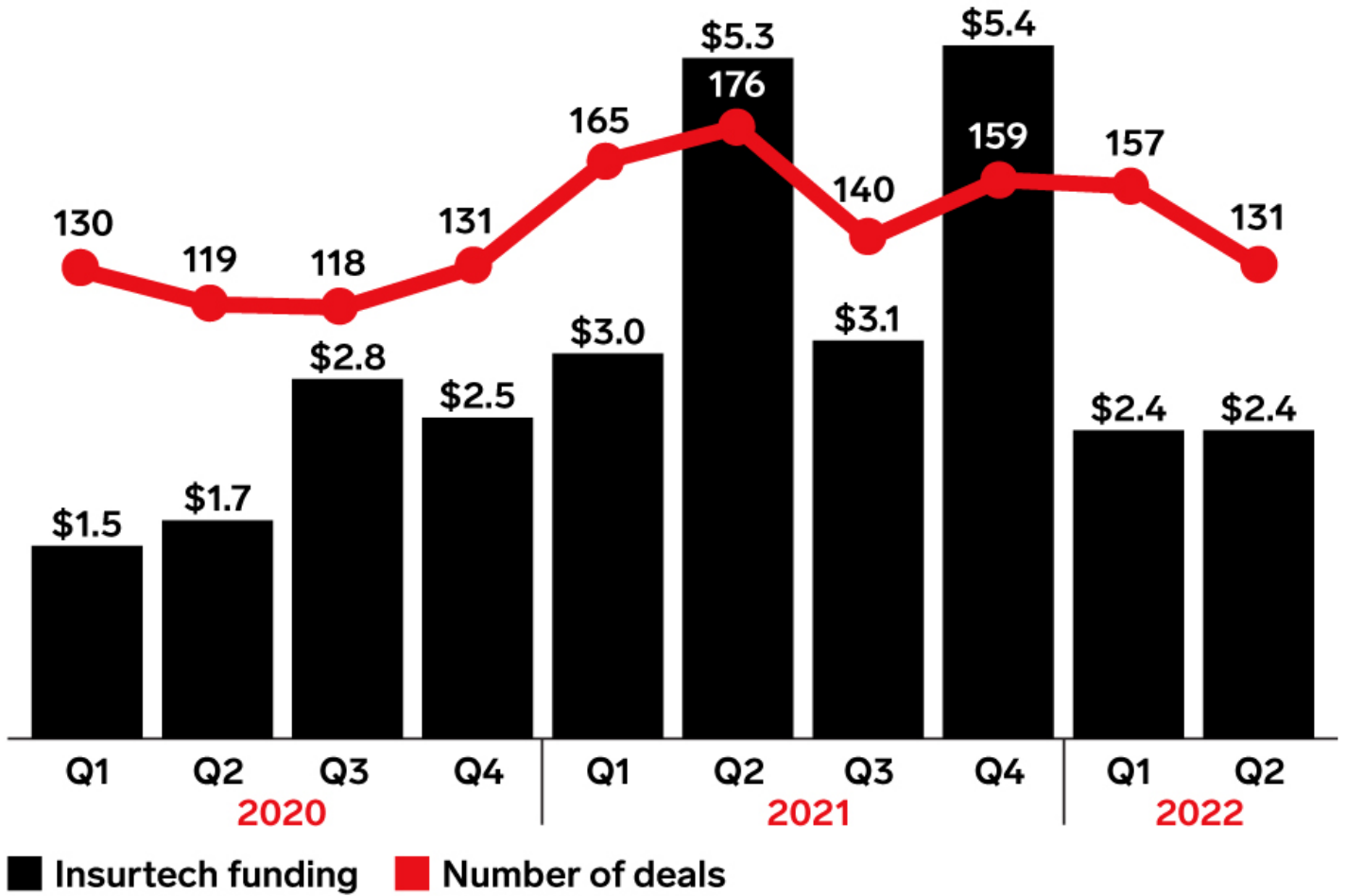
However, the drop in deals, lower valuations, and decrease in funding rounds could prove to be the ideal climate for firms eyeing insurtech acquisitions at a bargain. Expect to see deals in the next year as companies armed with healthy cash reserves look for cut-price insurtechs to buy.

The bottom line: Insurtechs will look to narrow costs to weather the ongoing economic storm. Those that can't may have to seek funding; and some weaker firms will inevitably not survive.

However, that presents opportunities for strong companies. Some that raised money at realistic valuations over the last couple of years won't be greatly affected. Looking ahead, though deals and funding could easily drop further, the insurance sector is in better health than many others in the face of the looming global recession.

Insurtech Funding Worldwide, Q1 2020-Q2 2022

billions and number of deals



Source: CB Insights, "State of Fintech Q2 2022," July 19, 2022

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