

Pie Insurance approved to acquire carrier to make full-stack push

Article

The news: US-based insurtech **Pie Insurance** acquired carrier **Western Select Insurance Company**—which is licensed in Illinois, California, and New York—for undisclosed terms from **Premia Holdings Ltd**, [per](#) Reinsurance News. [Pie](#) offers insurance to SMBs, including workers' comp and cyber coverage.

Why did Pie acquire a carrier? This is the first step toward becoming a full-stack insurtech across the US—Pie can now underwrite its own policies and take a larger slice of the premiums in three key markets.

- Pie clocked some impressive user and premium growth in the past year: **It grew its user base 82% and achieved \$185 million in annualized run rate premium** just seven months after reaching the **\$100 million milestone** in May 2020.
- Pie relies on other insurers to underwrite its insurance, and they consequently take the lion's share of the premiums. **Given its rapid premium growth in the last year, it's unsurprising Pie doesn't want to share the spoils.**

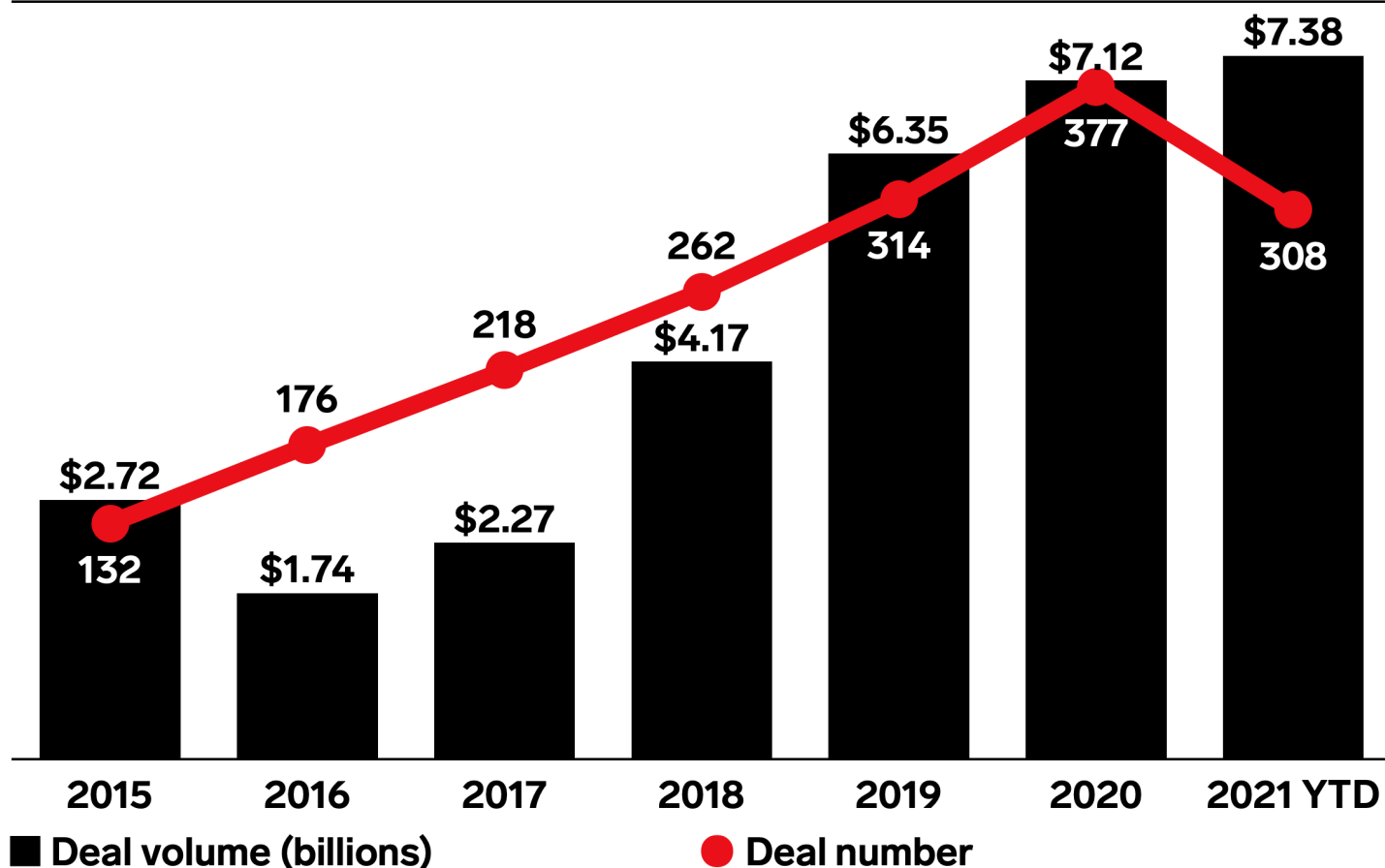
What does this mean for incumbents? Pie's progress toward becoming a full-stack player will have caught the eye of incumbents, as this gives the insurtech license to chip away at their bottom lines.

- **Small businesses in the US are dissatisfied with incumbents' offerings.** "The largest declines in [satisfaction] are among customers who had workers comp coverage or commercial auto policies," **said** Robert M. Lajdzia, senior consultant of insurance intelligence at J.D. Power. And Pie is plugging this gap by offering flexible coverage, expedited applications, and digital customer service with its workers' comp and other insurance offerings.
- **Incumbents need to move away from their one-size-fits-all approach.** Incumbents can customize their offerings to the needs and preferences of this customer segment by meeting demands for lower prices and flexibility. Incumbents can enhance policyholder satisfaction by offering usage-based coverage and using a digital-only model to drive down the cost-to-serve, which can be passed on to SMBs in the form of lower premiums.

Pie is not the only SMB-focused insurtech that has scored stellar premium growth: Next Insurance notched a run-rate gross written premium of more than **\$200 million** in 2020. Given that Next is also awash with funds, it could be the next SMB insurtech to pursue a full license.

For a deeper dive: *The pandemic prompted two years of decline in US small businesses' satisfaction with insurers. Check out our coverage of this phenomenon from 2020 and 2021—where we explain why insurers' communication efforts aren't working.*

Annual Global Insurtech Funding



Source: Willis Towers Watson, "Quarterly InsurTech Briefing Q2 2021," July 29, 2021
Methodology: This data is reported quarterly by Willis Towers Watson.

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