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The United Kingdom: The Nexus of Insurtech

What is the key to the success of the UK insurtech sector—and where does the sector go from here?

by Edward Allanson, Andrea Comina, Pietro Richelli, and Leda Zaharieva

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$20bn+
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1/3
Of firms are based outside London

~30%
See international expansion as the most promising opportunity

2/3
Of staff are below 40 years old

No. 1
UK has the highest density of insurtechs among major economies

1/3
Of firms highlight access to funding as their key challenge

Executive summary

London has been the global epicenter of innovation in the insurance industry since the 1600s, when Lloyd's of London was established. Today, the United Kingdom is positioned as a global leader in the field of insurtech. A flourishing ecosystem of start-ups, investors, and incumbents is working together to drive innovation and growth in the industry, from AI and machine learning to the Internet of Things.

London has the same number of insurtech unicorns as the rest of Europe combined and globally is second only to Silicon Valley. Indeed, of the estimated 3,000 insurtech firms in the world, approximately 280 are located in the United Kingdom—the highest number of insurtechs per capita among all major world economies.

However, the United Kingdom's insurtechs have not been immune to the recent global tightening on valuations. The multiples of some of the most successful publicly listed insurtechs fell from 15 times those of traditional peers to below the level of incumbent insurers, according to McKinsey analysis, and private capital funding decreased 32 percent compared with the peak in 2021. Competition from Big Tech and other non-insurance companies has also accelerated. Amazon launched the Amazon Home Insurance comparison site in the United Kingdom, and Tesla Insurance reached $300 million in premiums by the end of 2022,[1] leveraging Tesla's data availability and large customer base for better underwriting and distribution.

Despite these global challenges, the UK insurtech sector has remained resilient, employing around 14,000 full-time-equivalent workers—almost 4 percent of the total UK insurance workforce, according to our estimates. We estimate the sector brings in £2 billion to £3 billion in revenue per year—though we calculate its full (direct and indirect) impact on UK GDP to be closer to £5 billion and 60,000 jobs. Not all of these jobs are in London: we found that 31 percent of the country's insurtechs are outside the capital.

Insurtechs also help increase diversity and inclusion in insurance through their young, diverse, and well-educated employee base. Approximately 39 percent of staff are non-British, and about two-thirds are younger than 40, according to our research.

The industry still faces key challenges that need to be addressed to ensure continued success, including protecting and enhancing the United Kingdom's innovation ecosystem, especially access to talent and capital. Through a thorough review of the UK insurtech landscape, this report

[1] "Tesla Q4 2022 Earnings Q&A," Say Technologies, January 25, 2023.

aims to provide context, new survey and research findings, and practical, actionable insights for all stakeholders. These recommendations can serve as a road map to drive success for insurtech firms, insurance industry incumbents, and investors, with a particular focus on addressing the industry's biggest challenges: access to capital and talent, scaling, and the current macroeconomic climate.

Undoubtedly, insurtechs have the potential to ignite transformative change within the insurance industry. One CEO we surveyed described the insurtech sector as the "grit in the oyster": just as irritants provoke oysters to produce pearls, insurtech firms have the power to disrupt the status quo, stimulating traditional insurers to embrace innovation, foster product development, and extend coverage to previously underserved population segments. This dynamic interplay encourages healthy competition and pushes the industry toward a more inclusive and customer-centric landscape.

Introduction

This report seeks to provide a comprehensive overview of the current insurtech landscape in the United Kingdom and the lessons that can be learned. Our research details the major segments of the industry, emerging trends, opportunities, and challenges, drawing on insights from approximately 50 UK insurtech firms and interviews with more than 20 CEOs, founders, investors, and other thought leaders across the industry (see sidebar “About the research”).

The report is intended to provide value for a variety of audiences:

— **Insurtech firms and entrepreneurs** can benefit from increased awareness of the opportunities and challenges unique to the UK ecosystem. They can also learn from the experiences of leading insurtechs.

— **Industry incumbents** can explore the potential for insurtech to unlock the next wave of transformation across the industry. By learning about technological and pioneering propositions across products, services, and other benefits, incumbents can benefit from a greater awareness of the opportunities for deeper collaboration and partnership.

— **Investors** can gain a deeper understanding of the scale, diversity, and potential of the insurtech sector. We highlight emerging opportunities and areas in which value and activity are concentrated to help investors make informed decisions.

By understanding the challenges and opportunities in the industry, stakeholders can work together to drive innovation and growth, leading to a stronger and more vibrant insurtech ecosystem in the United Kingdom and around the world.

About the research

The research was carried out by McKinsey in the first half of 2023 with support from Insurtech UK. It focused on three primary sources of information: a survey of British insurtech firms,[1] a series of more than 20 interviews with industry leaders, and the construction of a detailed database of UK insurtechs based on data from several sources.

With the help of Insurtech UK, we distributed the survey to all of the organization’s members. We received responses from 49 member firms, representing nearly half of the membership. The sample provided a representative set of responses from insurtechs across the industry, including insurance carriers, managing general agents, other distributors, and technology and service providers.

Our database of UK insurtechs represents a consolidated single view of all key firms in the industry based on a range of sources, including major industry databases, the membership bases of major industry bodies (including Insurtech UK and national and regional fintech associations across the United Kingdom), and proprietary research by McKinsey.

Insurtech UK is the trade association for the community of insurtech firms in the United Kingdom, with a membership base of more than 100 insurtechs.

[1] UK Insurtech Survey, McKinsey, March 2023.

The UK insurtech sector: An emerging world leader

The United Kingdom could arguably be seen as the birthplace of insurtechs, with the first major website for comparing insurance prices launched in the early 2000s, even before the term “insurtech” began to have meaning. Today the United Kingdom’s insurtech sector has ample access to talent, sophisticated customers, financing, underwriting capacity, and a supportive regulatory environment.

Our research identified about 280 UK insurtech firms in current operation, which gives the United Kingdom about a 10 percent market share of the estimated 3,000 insurtech firms globally. The UK cluster is the world’s second largest, exceeded only by the United States with about 1,300 firms.

Though many UK insurtech firms are still in their infancy, we estimate the total revenue of all UK insurtech firms reached £2 billion to £3 billion in 2022. This represents a sixfold increase over 2015 estimates,[2] which placed the sector at a total estimated market size of about £400 million. UK insurtech firms now employ an estimated 14,000 employees across the United Kingdom, around 4 percent of total employment in the country’s insurance industry. In addition, we estimate that a further 23,000 UK jobs are supported indirectly through either the supply chain of insurtech firms or the consumer spending of the sector’s employees.

In this section, we highlight the key findings of our research.

The value of UK insurtechs

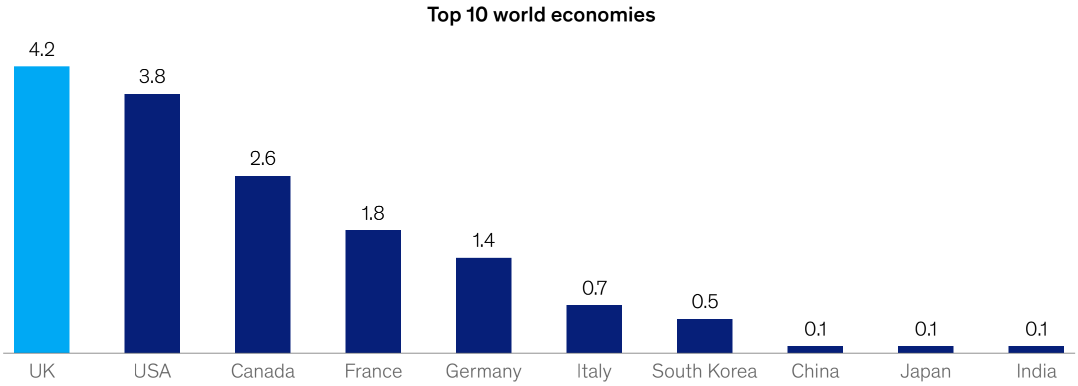
Overall, we estimate that UK-based insurtechs have a total enterprise value of about $21 billion, which puts the country third behind only the United States (approximately $100 billion in global value) and China (about $28 billion). However, adjusting for the size of the population, the United Kingdom has the top concentration of insurtechs among all major world economies (Exhibit 1).

[2] McKinsey analysis of Tanguy Catlin, Johannes-Tobias Lorenz, Björn Münstermann, and Valentino Ricciardi, “Insurtech—the threat that inspires,” McKinsey, March 1, 2017; “Insurtech—market drivers and forecast from Technavio,” *Business Wire*, November 24, 2016.

Exhibit 1

London has more insurtechs per capita than any other major economy.

Estimated number of insurtechs per million residents, 2021[1]



[1]World Bank population data, 2021.
Source: Dealroom.co; Insurtech UK; PitchBook; World Bank; McKinsey analysis

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At the time of writing this report, London was home to five insurtech unicorns[3]—the same number as in the rest of Europe combined. Across the pond in New York, another global center of finance and insurance, just three insurtech unicorns are in operation.

But insurtech progress isn't limited to the nation's capital (Exhibit 2). Indeed, insurtechs are based in every one of the United Kingdom's regions and nations—and we estimate that two-thirds of the insurtech workforce is located outside London, thanks to hybrid work. Three UK insurtech unicorns are headquartered outside London. Emerging clusters in both the northwest and the south of England are of particular note, as is the Welsh industry, which has a particular focus on price-comparison websites, such as Confused.com, or insurer Admiral Group, the only FTSE 100 company based in Wales.

Value by sector

In general, insurtechs can be organized into four categories: life and health (such as DeadHappy and YuLife), property and casualty (P&C) personal (such as ManyPets and Marshmallow), P&C commercial (such as CFC), and value chain enablers (such as

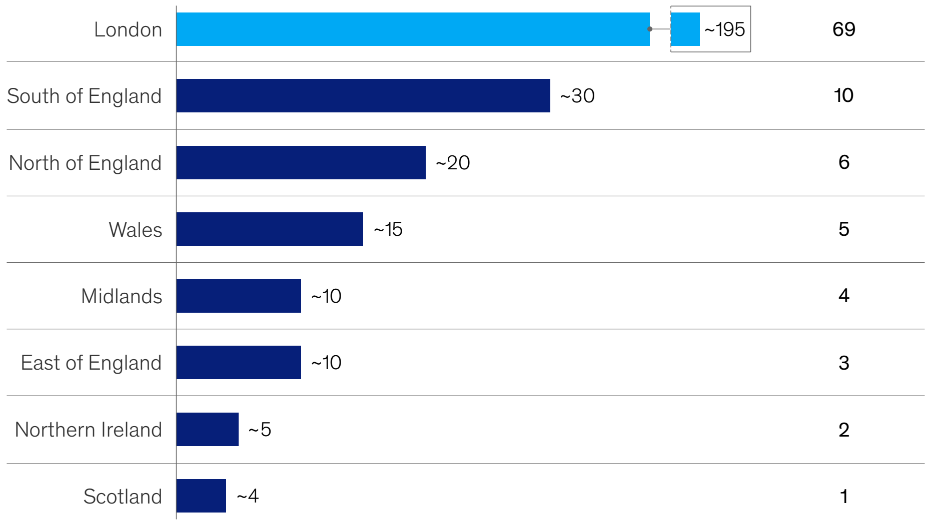
We estimate that two-thirds of the insurtech workforce is located outside London, thanks to hybrid work.

[3] Companies with valuations above $1 billion.

Exhibit 2

One-third of UK insurtechs are based outside of London.

Number of insurtech firms identified, by headquarters location[1] **Share of total,** %



Source: Companies House; Coverager; Crunchbase; Dealroom.co; Insurtech UK; LinkedIn; McKinsey Global Insurance database; PitchBook

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Tractable). In the United Kingdom, approximately 60 percent of firms are focused on value chain enablement, and these firms account for about 40 percent of the insurtech sector's total value (Exhibit 3). These firms service a specific point in the value chain, such as distribution (for instance, price-comparison websites), pricing and underwriting, claims services, or data and risk modeling. Behind the unicorns and a small number of highly valued firms, the segment contains a long tail of smaller firms.

P&C commercial lines account for only about 13 percent of identified firms, but they hold a significant portion (approximately 25 percent) of the sector's total value. This category is particularly relevant for the United Kingdom because of its connections with the Lloyd's market. CFC Underwriting, for instance, started with an early focus on emerging risks associated with the internet and technology sectors and small and medium-size enterprises. It eventually expanded to cater to various industries and risk types across 90 countries, thanks to Lloyd's reach with licensed rated insurance capacity.

Increasing diversity

Ample research has shown that a diverse workforce has enormous benefits for businesses,[4] and insurtechs are no exception. Our survey of UK insurtechs found that the industry is more gender-diverse, more international, and younger than the London labor market overall (Exhibit 4).

About 47 percent of the insurtech workforce is either female or nonbinary, a more even split than the approximately 40 percent estimated by Statista

[4] Sundiatu Dixon-Fyle, Kevin Dolan, Dame Vivian Hunt, and Sara Prince, "Diversity wins: How inclusion matters," McKinsey, May 19, 2020.

Exhibit 3

‘Value chain enablers’ represent about 60 percent of firms and about 40 percent of total sector value.

Insurtech archetype	Estimated total value of insurtech firms, per archetype, $ billion[1]	Count of firms[2]	Average FTEs[3] (2022)	Typical annual revenue (2022, £ million)
Life and health	~2	~25	~60	9
P&C personal	~4	~50	~45	10
P&C commercial	~5	~35	~55	10
Value chain enabler	~9	~170	~50	11
Total	~21	~280		

Note: Figures may not sum, because of rounding.
[1]Calculated as sum of latest post-money valuation from deals since 2016 plus market cap of major publicly listed firms. Total could be higher because some firms do not disclose values of deals. Small number of material firms excluded where economic value or market cap not publicly available; eg, Ki Insurance and Acturis.
[2]Count of firms includes all UK firms identified, not only firms that have had a deal.
[3]Full-time-equivalent employees.
Source: Companies House; Coverager; Crunchbase; Dealroom.co; Insurtech UK; LinkedIn; McKinsey Global Insurance database; PitchBook; McKinsey analysis

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Ample research has shown that a diverse workforce has enormous benefits for businesses, and insurtechs are no exception.

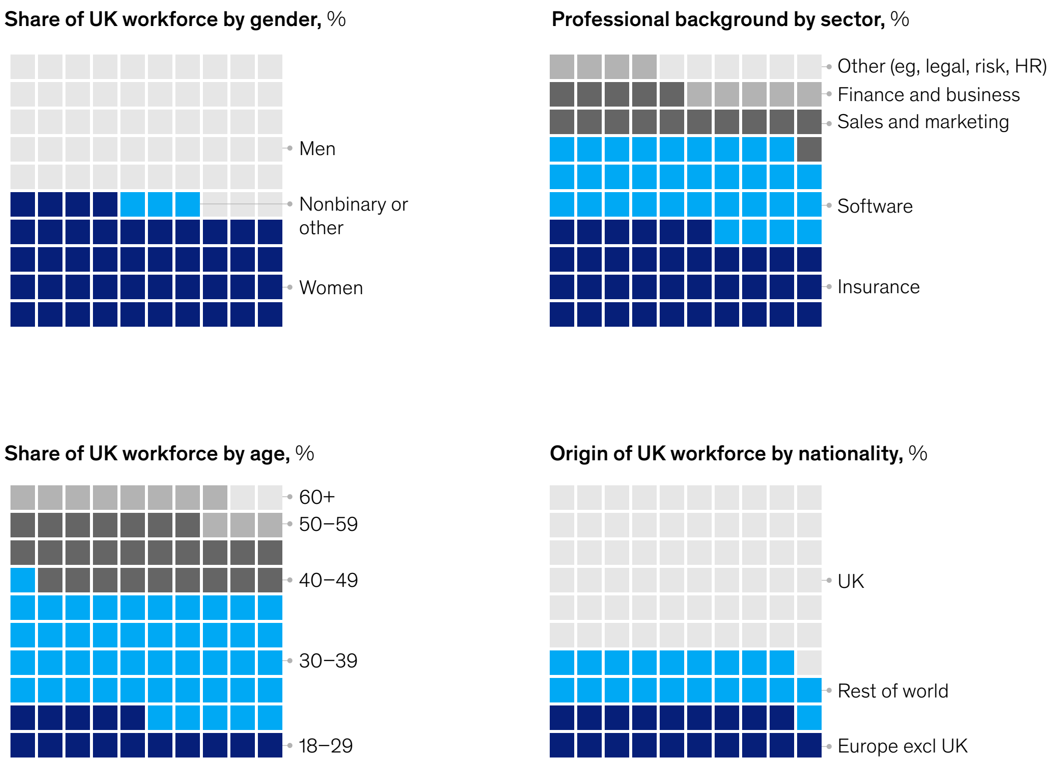
in the wider insurance industry.[5] Insurtech workers are also younger: approximately two-thirds are under 40 years old. This is not unexpected given the youth of the industry itself and the propensity of start-ups to attract young talent. By comparison, in the London market, less than 50 percent of the workforce is under 40.[6]

In addition, just 7 percent of UK insurance industry employees are from outside Europe, compared with 20 percent of insurtech employees, demonstrating a much more international workforce. This diversity gives the industry access to a wider pool of the best global talent available. Reflecting this, about one-quarter of the founders of the United Kingdom's most valuable 25 insurtechs are not from the United Kingdom.

[5] Statista numbers for full-time employees in the UK finance and insurance sector as of May 2023 show that women represent about 40 percent of the workforce; see "Number of full and part-time employees in the financial and insurance sector in the United Kingdom (UK) as of 2022, by gender," Statista, October 2022.
[6] *London Matters 2020,* London Market Group, 2020.

Exhibit 4

UK insurtechs employ a diverse, young, highly qualified, and international workforce.



Source: *London Matters 2020*, London Market Group, 2020; UK Insurtech Survey, McKinsey, March 2023, n = ~25 respondents with a UK-focused presence, representing ~1,100 full-time-equivalent workers (8% of insurtech industry total)

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What lies ahead: Reaching the industry's full potential

As part of our research, we surveyed approximately 50 members of Insurtech UK's network about the opportunities and challenges facing the industry (Exhibit 5). When it comes to opportunities, global expansion and financial health were the clear priorities. Indeed, many companies find fertile ground in the United Kingdom thanks to the factors described above—but ultimately, the desire to scale larger than the UK market pushes firms to expand into new geographies.

And of course, insurtechs are focused on profit optimization and cost reduction to build a clearer path to profitability—as well as to give burgeoning firms a longer runway to sustain operations and fund their own growth. Respondents also highlighted the role of insurtechs in developing proprietary technology tools for players across the insurance value chain, as well as the importance of partnerships for distribution.

On the challenges side, leaders broadly agreed that accessing funding and acquiring customers are the two biggest challenges their firms face. While insurtechs have comparable access to earlier-stage funding in the United Kingdom and in other countries, UK founders have typically faced challenges accessing later-stage funding to support the scale-up and growth of their firms. These challenges could be caused by UK-based venture capital (VC) and private equity (PE) investors having less capital than US investors or expecting profitability earlier in the growth process, as well as by the current economic cycle potentially limiting VC money available to invest globally.

Meanwhile, acquiring new customers is another priority challenge—particularly in a constrained funding environment, when the focus needs to be on profitability, unit economics, and maintaining

Exhibit 5

Founders and CEOs highlight a common set of opportunities and challenges facing the industry.

% of survey respondents highlighting as top opportunity or challenge — 30%+ | 20–29% | 10–19% | < 10%

Opportunities		
1	Expanding into new geographies	27
2	Increasing margins and profitability	27
3	Developing and deploying new technologies	13
4	Partnerships	10

Challenges		
1	Access to funding	30
2	Achieving scale and acquiring new customers	30
3	Macroeconomic climate	10
4	Access to talent	7

Source: UK Insurtech Survey, McKinsey, March 2023 (n = 30)

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that runway. In response to changing market conditions, particularly the tightening funding landscape, insurtech players are starting to evolve their KPIs. Forty-five percent of firms have changed their top three metrics since 2020. While growth remains the main mantra, about one-third of insurtechs also have metrics focused on margins or profitability (Exhibit 6).

What can insurtechs do to reach their full potential? In this section, we offer examples of insurtechs that are finding inroads into new markets, successfully launching new products, and gaining a competitive edge in a rapidly evolving market.

Reevaluate investment strategies, business models, and technologies

As both insurtech leaders and incumbents navigate this dynamic ecosystem, it becomes increasingly vital to reevaluate investment strategies, business models, and technologies.

Investment strategies

The past decade has seen smooth and steady growth in investor interest in disruptive technology companies, including insurtechs—until recently. In 2021, investor interest peaked across all tech verticals. Total funds invested in insurtechs reached $16 billion globally,[7] an increase of approximately 120 percent over 2020. At their peak, publicly listed insurtechs saw gross written premium (GWP) multiples in excess of ten times.

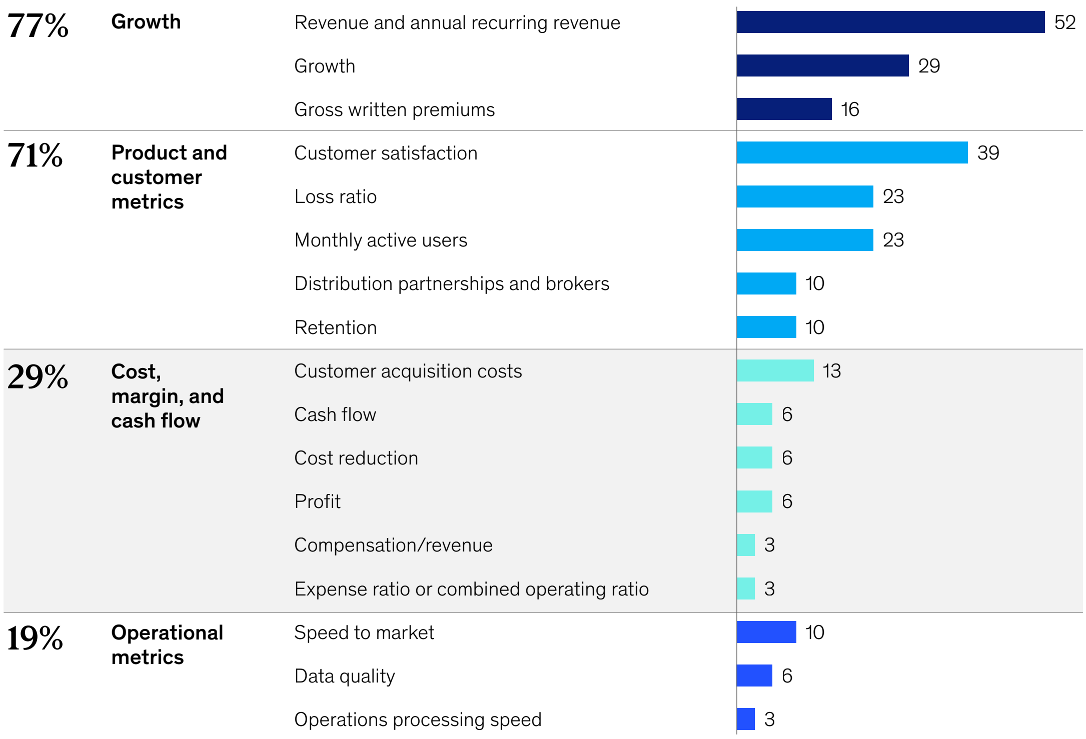
Toward the end of 2021, however, the cycle started to turn. Total insurtech funding dropped an estimated 40 to 50 percent in 2022, with continued quarter-over-quarter decreases. The “Tech Winter” had set in, with fewer company launches, less growth, more layoffs, and an increasingly difficult funding environment. Today, investors are investing at lower valuations and placing increased expectations on their investments to generate cash and shift faster toward attractive unit economics.

[7] *Global InsurTech Report for Q1 2023*, Gallagher Re, May 4, 2023; Giovanna Bellotti Azevedo, “Silicon Valley Bank collapse to dry up InsurTech venture debt lifeline,” *Inside P&C*, March 15, 2023.

Exhibit 6

The insurtech industry remains focused on growth and customer outcomes over cost.

Proportion of insurtech players that have a KPI of this type in their 'North Star' metrics,[1] %



[1]31 members responded to this question.
Source: UK Insurtech Survey, McKinsey, March 2023 (n = 31)

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Publicly listed insurtechs suffered particularly from the change in investor sentiment. According to McKinsey analysis, at their peak, publicly listed insurtechs were valued at significantly higher multiples (ten times their annual premiums) compared with traditional insurance companies, which are typically valued at around one time their premiums. Some insurtechs achieved valuations as high as 25 times their annual premiums. Between their all-time high and March 2023, most publicly traded insurtechs saw valuations decline, on average, by approximately 89 percent. Indeed, some are now trading at a discount to the multiples enjoyed by traditional insurers.

These dramatic shifts in valuation should not be interpreted as a total cooling of investor interest in the sector—in the United Kingdom or around the world. (For more on why, see sidebar "Insurtech as the 'grit in the oyster.'") Rather, investors' expectations are shifting to include not just top-line growth potential but also profitability, unit economics, and predictability. Investors are increasingly expecting companies to demonstrate a longer, lower-risk runway and are undertaking more thoughtful due diligence. As a result, deals are taking longer.

Insurtech as the ‘grit in the oyster’

The insurtech sector can act as a catalyst for wider change in the industry: “the grit in the oyster,” as one UK CEO we surveyed described it. Like the grit that irritates an oyster and causes it to create a pearl, insurtech firms can create disruption that spurs traditional insurers to innovate, develop new products, and expand coverage to new segments of the population.

Beyond technological innovation, insurtechs can also help identify new risk areas and show how technology-based products can expand coverage. Whether these firms ultimately scale and become giants or are acquired by an incumbent, they can force the industry to evolve and close coverage gaps.

A prime example is Zego, which provides insurance to delivery and gig-economy drivers. Recognizing an opportunity in Zego’s success, several major players have launched competing offerings. Other insurtechs are similarly expanding coverage for underserved areas, such as flood insurance, using Internet of Things tools unfamiliar to most incumbents.

In addition, insurtechs can disrupt entire marketplaces with radically new business models. Price comparison websites had this effect, helping to dramatically reshape the distribution of personal lines insurance over the past 20 years—increasing penetration, reducing prices, and driving efficiency in the market.

And a larger, better-functioning insurance industry also directly benefits all consumers. Access to affordable, quality insurance can help people achieve their life goals, whether that be homeownership or starting a family (for example, GAIA, a start-up focused on fertility care). Similarly, insurance can help businesses grow, invest, and make decisions with more certainty. Finally, as the insurance industry grows, so does the amount that it invests in businesses across the country, helping raise the overall productivity of the global economy.

Business models

We are also seeing a shift of interest toward services-focused business models—for example, increased investor enthusiasm for B2B insurtechs with a recurring revenue model over B2C customer-facing players with high customer acquisition and marketing costs, such as managing general agents. Investors also show continued interest in firms that identify and innovate in new risk classes or find new ways to address underserved segments.

For instance, usage-based products that offer affordable premiums based on behavior and usage patterns are gaining traction, with companies such as Zego and Flock leading the way. Firms are also using gamification to encourage positive habits. For instance, YuLife is an employee benefits app that rewards users for healthier living, leading to improved risk profiles and premium discounts.

Insurtechs such as Companjon and Qover are exploring embedded insurance propositions, which integrate insurance products into non-insurance services such as ride-sharing apps or e-commerce platforms. Insurtechs such as FloodFlash and Blink are offering parametric insurance, which bases payouts on pre-agreed parameters. This approach is also gaining popularity, as are AI tools for pricing, underwriting, claims processing, and fraud detection.

The focus on profitability, unit economics, and cash generation over pure growth metrics has also provided an important impetus for the shift in business models.

Generative AI

As of mid-2023, the insurance industry in the United Kingdom and around the globe is actively exploring the emerging capabilities of generative AI and their potential impact. These capabilities include generating insights and informing decision making by synthesizing and summarizing unstructured data—a challenge the industry has long struggled to overcome.[8] Generative AI can also help insurers interpret and generate code and documentation, create personalized marketing copy, and enhance clients' interactions and customer journeys.

The most innovative players in the industry are exploring solutions across the entire value chain. In claims management, for example, generative AI can extract key insights and make recommendations from unstructured data to assist adjusters. It can also provide day-to-day support, training, and coaching for adjusters. Similarly, in underwriting, generative AI can prepopulate relevant information, synthetize pertinent exposures and private or public data for risk assessment, generate draft communications for commercial quotes, and provide training to underwriters.

However, realizing the value of generative AI requires much more than the underlying foundational models. It requires leveraging pre- and post-model capabilities—such as query engineering, data engineering, teaching, and change management—to drive significant impact. Furthermore, companies that adopt a comprehensive business approach, foster an intentional culture of experimentation, and demonstrate openness to partnering with innovative players are likely to be better positioned to source the right capabilities and assets.

Approach geographic expansion strategically

Despite the density of valuable firms in the United Kingdom, the country has yet to count a firm among the global top ten by valuation. Five of the global top ten are based in the United States, and three are Chinese. For UK firms to reach the valuation heights of these players, they will likely need to expand beyond their home market and seek larger customer bases globally.

Insurtech CEOs we surveyed expressed optimism about the future of the sector and identified geographic expansion as the most exciting opportunity. Firms tend to consider a common set of factors when choosing where to expand, including market size, customer expectations, and regulatory landscape. These factors can help explain the prevalence of UK insurtechs launching into countries with close cultural and historical ties to the United Kingdom.

It's crucial to tailor the market entry approach to the needs of the local market and find ways to use existing strengths. Today, the United Kingdom has one of the largest pet-insurance markets in the world, with penetration at around 23 percent.[9] When expanding to the United States, ManyPets knew that penetration there is much lower (less than 5 percent) and that the company needed to apply lessons learned in markets where new users are unaware of the product and can be educated on the benefits of pet insurance.

For its part, YuLife has sought to increase its application of best practices from Big Tech such as event hosting, web scraping, and building out the sales development team. In addition to using brokers, the company is growing a large and mature sales team and marketing function, which has helped the company increase the number of corporate clients tenfold between 2021 and 2022 to more than 500 businesses, with new customers accounting for close to 50 percent of the 2022 customer base.

Tractable, a UK unicorn that uses artificial intelligence to process insurance claims based on photos, positioned itself as an AI company first—even before choosing insurance as its industry. As a result of its international expansion, 90 percent of the company's revenues now come from abroad (with core markets in Japan, the United States, the United Kingdom, Southeast Asia, and Western Europe). To secure initial partners and customers, the company identified key stakeholders in target companies who would bet their career on using AI (for example, chief technology officers of insurance companies). It was especially important to find such people when expanding to the United States, where many tech companies already exist, making it harder to import tech from the United Kingdom and Europe. Meanwhile, the company found that some other geographies, such as Germany, had a lower propensity to adopt AI technologies in insurance, making these countries more difficult to target.

[8] For more, see Ramnath Balasubramanian, Khushpreet Kaur, Ari Libarikian, and Paolo Moretti, "The advance of analytics," McKinsey, March 1, 2017.
[9] Oliver Staley, "How America's love for its cats and dogs built the pet industrial complex," *Quartz,* January 10, 2021.

Partnerships can offer another good way of getting to market without spending too much on customer acquisition. US-based insurtech Lemonade has repeatedly leveraged partnerships to expand beyond its initial focus on the underserved renters insurance market in the United States, both internationally and into other lines of business. A partnership with BNP Paribas Cardif expanded the company's access to customers in France, and a partnership with Chewy helped to extend offerings in the pet insurance market. Importantly, all partners must work to maintain the quality of customer experience to continue delighting users while growing the customer base.

Supplement organic growth with timely acquisitions

ManyPets developed many products and technologies in-house (for example, they built an automated claims system that they report processes close to 50 percent of claims). However, acquisitions were sometimes a better investment than organic growth. These strategic M&A deals allowed the company to strengthen and differentiate specific capabilities and accelerate international expansion plans faster than if it built everything in-house. In 2021, to extend the value proposition beyond insurance into preventative care, ManyPets acquired VetBox, which had already created bespoke pet care products. To gain independence in underwriting its own policies, ManyPets acquired the US-based insurance carrier Digital Edge Insurance Company in 2022. And Lemonade acquired Metromile to gain data and AI capabilities and access the motor line of business.

Attract the right talent

The United Kingdom has a deep well of talent, both from world-class universities and business schools and from the domestic insurance industry, including the world-leading Lloyd's market. The UK has also long been an attractive place for international entrepreneurs to launch businesses. According to our research, 25 percent of the United Kingdom's top insurtechs have non-British founders. One major investor described the United Kingdom as the best place in the world "to build, test, and validate" a proposition.

And yet in interviews with McKinsey, UK insurtech CEOs and founders said that it's becoming more difficult for UK-based companies to attract European talent. It's still possible, but insurance talent is often more expensive in London than in other UK cities, with firms struggling to match the packages of incumbents, especially in the tightening economic environment.

The right talent can make or break a start-up. Attracting high-quality people, especially when they already have an excellent corporate package, can be challenging. Employee-benefits provider YuLife focused on building a distinctive company culture that not only seeks to attract outstanding people but also aligns the organization's values with its products.

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YuLife's app provides clients' employees with a range of tools to support their financial, emotional, and physical well-being. Similarly, the working culture at YuLife aligns with the value of "well-being." For example, weekly all-company calls feature music, a brief introduction from a different member of the firm each week, and a shared corpoate culture vocabulary. The company's values are clear, and its success in the employee-benefits space (YuLife says its clients report 181 percent higher ROI compared with other employee-benefits providers) has opened up the opportunity to expand into other adjacencies, such as dental, health, and financial insurance.

Listen to the customer

UK insurance consumers are some of the most sophisticated in the world. One study found that British consumers have the fourth-highest insurance literacy score among a survey of customers in 22 major economies,[10] and they consume the fourth-highest amount of insurance globally.[11]

In the large and competitive UK insurance market, differentiation can be crucial—and customers can often be the best guides. ManyPets started as a digital broker aggregating demand for niche insurance products and negotiating better terms for groups with similar needs. However, the company's leaders realized that by focusing on pet insurance—the one specific customer need that emerged again and again among the more than 320 groups of insurance—they could have an outsize impact in one segment and differentiate themselves better.

The company used customer feedback to design features missing in competitor products (such as dental, preexisting conditions, and telemedicine) and to provide a great customer experience. After launching pet insurance in 2017, ManyPets launched two more supplementary products but eventually shut them down because they were a distraction keeping the company from becoming the best in its key core offering.

[10] Global Consumer Study 2022–23, ReMark, a SCOR Group Company, 2023.
[11] "Life and non-life insurance penetration in selected countries and territories worldwide in 2020 and 2021," Statista, October 2022.

Conclusion

Five of the United Kingdom's eight insurtech unicorns achieved unicorn status after the peak in the market in 2021. Furthermore, six of the ten most valuable UK insurtechs were founded after 2016. Insurtech is no longer a curiosity on the fringe of the UK insurance industry. It is a driving force for growth and innovation—employing thousands, expanding coverage to underserved segments, and benefiting society as a whole. The UK insurtech ecosystem has the potential to help the whole industry transform.

To reach their full potential, insurtechs can focus on creating "painkillers, not vitamins" by offering new products that cover underserved segments or cater to new risks. Identifying these opportunities is not easy, but it can be done by closely observing the changes in technology and living habits and proactively identifying those new risks.

UK insurtechs can also take advantage of the factors that make the United Kingdom, particularly London, one of the best places in the world to test, iterate, and prove new products: the confluence of risk and equity funding in one place provides a fertile ground for growth at various scales. UK customers are engaged, curious, sophisticated, and selective. And the regulatory environment supports innovation, meaning products that are certified will "travel well" and require less effort to be certified in other geographies.

However, navigating the UK ecosystem will require creativity. Later-stage funding may be more challenging to access than in other countries, which may require pivoting to meet investor expectations or proactive efforts to find international investment. Specific, hard-to-find talent could be accessed by forming deeper partnerships with incumbents or through international hiring. Finally, due to a high bar of customer expectations, the B2C space is becoming very competitive with few gaps; however, the B2B space provides many areas for innovation.

Through continued effort and innovation, the insurance and insurtech ecosystem can thrive and evolve and help pave the way to the insurance industry of the future.

Edward Allanson and **Pietro Richelli** are consultants in McKinsey's London office, where **Leda Zaharieva** is a partner. **Andrea Comina** is an associate partner in the Milan office.

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