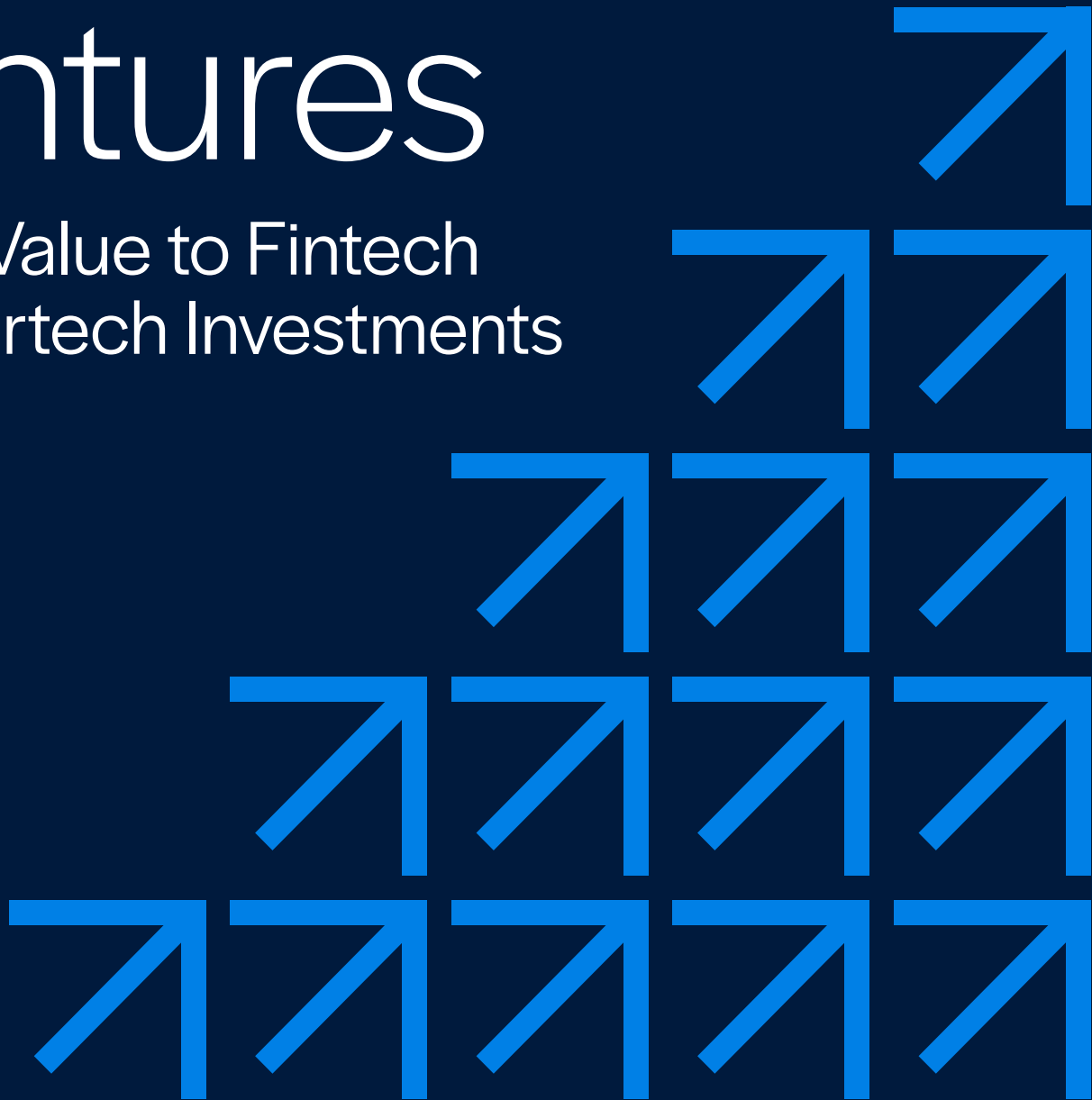


Member Profile

Brewer Lane Ventures

Adding Value to Fintech
and Insurtech Investments



In March, the Brewer Lane team closed Fund II at \$213 million – exceeding its \$200 million target. Given the 2024 fund-raising environment, an oversubscribed second fund for a young firm is worthy of celebration. But the team is busy deploying that capital to savor the moment, taking a fair amount of dry powder to create favorable terms while valuations are down from the historic highs of 2021-22.

Brewer Lane has already completed four transactions from the second fund, with more in the works. “Similar companies that we would’ve paid maybe 2x or 3x on a valuation perspective, we’re able to get at the current value, which is closer to 1x,” explains John Kim, Brewer Lane’s founder and managing partner. A veteran investor, Kim has seen his share of turbulent markets. While he thinks the jury is still out on the inflation picture, he recognizes an optimal time to invest robustly.

Based in Boston, Brewer Lane Ventures is an early-stage venture capital firm focused on financial services – specifically early-stage fintech and insurtech. But it’s not just about investing dollars into great tech-enabled startup companies. It’s about understanding the business model and the ecosystem in the verticals of each company the firm invests in. “Not only does that make for good investment selection, but post-investment, because of our deep and broad operating background and network, we’re able to bring these companies and make those introductions to the Fortune 500 companies in America,” Kim describes.

One of the opportunities for Brewer Lane portfolio companies lay with the old stalwart financial institutions. Many tend to be laggards in the adoption of new technology. While startups offer cutting-edge solutions, landing a contract with these titans is a lengthy process fraught with landmines. Brewer Lane looks to accelerate that process with a go-to-market strategy and works to get the startup in the room with the corporate decision-makers.

The firm adds value to its investments by leveraging its deep operating experience, robust network and investment insight. One such investment that has benefited from that expertise is EvolutionIQ (EIQ), a fully AI-driven disability and workers' compensation claims guidance platform for global insurance carriers. EIQ does AI to

enable the analysis of all these claims on a ledger of an insurer to determine which subsegment of the total claims population requires which degree of attention. One of EIQ's largest clients came by way of a relationship that the Brewer Lane team facilitated. "They're able to return 600-700% on investment in the first year," says Kim. "That's an example of an old-line industry that you overlay new technology on top for exponential growth opportunities."

“The venture-backed startup space within FinTech is exciting because you actually have an opportunity to take a massive part of our economy and help them with their change agency by selling into them.”



John Kim
 Founder and Managing Partner
 Brewer Lane Ventures

Leveraging Leadership

Before launching Brewer Lane, Kim held several leadership roles in finance. He served as CEO for Prudential Retirement, CIGNA Retirement and Investment Services, and Aeltus Investment Management. During his tenure at New York Life Insurance Company – which culminated in serving as President and Chief Investment Officer, Kim spearheaded the growth of the insurance giant's assets from \$213 billion to \$582 billion and navigated the challenges posed by the 2008 financial crisis. In 2012, he approached the insurer's CEO and board of directors and proposed the firm invest in venture capital.

Kim was essentially given full discretion to manage a portion of the New York Life general account portfolio as a standalone venture capital strategy – New York Life Ventures – which went on to achieve top-quartile performance over the next six years. “I felt we really needed to invest in venture capital because there was a big technology-enabled boom coming that is going to either enable or disrupt – probably some combination of both – financial services and asset management. And insurance is right in the epicenter of that potential enablement or disruption,” he recalls.

When he decided to retire after a storied 40-year career, Kim wanted to continue working in the VC space, this time as an entrepreneur. That decision led him to form Brewer Lane. His former employer, New York Life Insurance Company, jumped in as Fund I’s first institutional investor. But that is not to say the young firm didn’t experience its share of early challenges. Even during the bull market of 2019, many institutional investors were skeptical about allocating capital to inaugural venture funds lacking a stated track record. Then COVID decelerated the fund-raising effort. “There were moments in time I was wondering whether I could get this thing off the ground,” Kim recalls.

A Double-Edged Sword

Brewer Lane closed Fund I at \$172 million despite those trials. Though short of Kim’s admittedly aggressive \$200 million target, it was a solid close for an inaugural VC fund. While raising the capital and looking to identify the right talent that would fit with the culture the firm was looking to create, Kim realized that many of the mundane day-to-day tasks throughout his executive career had been delegated. This was a luxury he no longer possessed. He now had to take a hands-on approach to negotiating office space while operating out of a WeWork location, buying equipment, getting insurance, and such. “But in a way, it was kind of fun after 40 years in a large corporate world.”

While the team deftly weathered those early issues and has now completed 20 transactions from Fund I and another four from Fund II, new challenges remain. The same economic environment that allows the firm to identify prime investments at attractive valuations also impacts existing portfolio companies. “Deals that we did in 2021 or early 2022 at three times where we should have are going back into the market for financing, and a few of them are experiencing a down round,” Kim says. “But for them to successfully raise now is a good sign in my mind, even though we have to take a haircut.”

Kim maintains an optimistic outlook on the near-term business environment, citing improved VC activity but believing it will be some time before it returns to the pre-inflationary levels of 2022. “We’re still going through this push and pull in the whole inflation picture, so I think the jury is still out on that,” he says. While Kim expects the Fed to begin easing rates later this year, he doesn’t see a return to a 2% 10-year treasury yield. “But if the 10-year gets down to 3.5, I think that will open up many opportunities in the risk assets – real estate equity, private equity, and certainly venture capital.”