



An assessment
of the Australian
Insurtech
ecosystem



EY 2019 Australian insurtech ecosystem report is developed in collaboration with Insurtech Australia as part of our ongoing commitment to help insurers embrace digital transformation. We hope it helps the industry to understand the art of the possible and guides insurers to create immediate value and ignite long-term growth.

Foreword

Our 2018 report found Australian insurtechs are predominantly enablers rather than disruptors of transformation. In 2019 we ask: “Where are insurtechs enabling transformation along the insurance value chain?” and “What’s stopping incumbents from taking advantage of these exciting opportunities?”

Australia’s insurtechs are maturing and growing. They are playing an ever more important role in the future of incumbents, especially in the health and life insurance markets. Focused on supporting product and distribution innovation, pricing and underwriting agility, smarter loss prevention as well as organisational efficiency, insurtechs hold the key to helping incumbents accelerate their transformation to become digital insurers.

Whilst incumbents understand the potential of insurtech innovation, uptake remains inhibited by operational constraints, legacy systems, technological readiness, compliance issues and concerns over customer privacy and security.

Reinforcing the view of last year’s report, the clear majority of insurtechs are focusing their business on enabling incumbents, with relatively fewer attempting to disrupt the industry. More and more active partnerships are springing up between industry incumbents and insurtechs, yet 82% of insurtechs believe incumbents can do more to collaborate and truly drive innovation.

This report looks at what’s inhibiting stronger collaboration and the broadening areas of the incumbent value chain where insurtechs are focusing. It paints a picture of an industry with substantial opportunities to disrupt itself with innovative products, compelling customer experiences and deeper sources of value. However, without considerable effort on both sides, the needed collaboration to achieve these goals will continue to be stymied. Incumbents must proactively remove the barriers to working with insurtechs and insurtechs need to better understand the realities of operating compliantly in Australia’s insurance industry.

We hope this report offers incumbents, founders and advocates of the insurtech community new insights that will help galvanise the market into becoming more agile and innovative – in the process driving value creation.

Thank you to everyone who completed our survey. This report would not be possible without your continued support.



Jamie Smith
Partner, Ernst and Young



Simon O'Dell
CEO & Co-founder, Insurtech Australia

Executive summary

Our findings



Growth and evolution

The insurtech ecosystem is evolving and growing to meet the demands of a changing insurance landscape. In the last 12 months, the number of insurtechs operating in Australia has grown by 53%.

Collaboration increases

Our research also found a 75% increase in active partnerships between incumbents and insurtech, driving greater levels of collaboration. Insurtechs have responded by increasing their focus on new business models to innovate customer service right along the value chain.

Global ambitions

The ecosystem has moved from activation to globalisation. Alongside thriving homegrown insurtechs, an increasing number of overseas insurtechs are strengthening our reputation as a leading hub in the region, with 30% of the 2019 ecosystem having been launched in geographies outside of Australia. At the same time, an increasing number of local entrants are planning to go global from day one.

Improved financial stability

The market is maturing. In 2018, almost 50% of insurtechs were in pre-revenue phases, compared to 29% in 2019. The investment landscape is also improving, with a third of respondents taking their capital raising beyond the \$2m mark, compared with 24% in 2018. But there is still work to be done to ensure that access to capital does not limit the growth of both early-stage start-ups and the wider ecosystem. For almost two-thirds (59%) of insurtechs, more than half of their current capital was contributed by founders.


Insurtechs are helping incumbents to develop innovative insurance products and deliver services that better align with customer expectations.

Historically, incumbents have used technology defensively. The uplift in collaboration suggests incumbents are starting to embed insurtech innovation in targeted parts of their operations to create value in new ways. We also expect incumbents seeking to leverage emerging technologies as a defensive strategy to meet the demands on the Hayne Royal Commission that they demonstrate they are providing the right product, to the right customer at the right price.




New products to deliver better customer value propositions

Insurtechs have developed digital platforms with strong customer engagement capabilities that enable incumbents to quickly define, build and launch products into new markets. Delivered as-a-service, these platforms are enabling insurers, brokers and new entrants, like retailers, to either improve the customer experience of traditional insurance products or rapidly bring to market new products.



Innovative marketing and distribution

Insurtechs are helping incumbents to distribute their products through new channels and mediums, getting products to clients at the right time and through the right medium. Supported by virtual assistants and backed by machine learning, these channels enable efficient cross and up-selling and remove friction costs from the customer acquisition process.




Pricing and underwriting agility

Insurtechs are developing sophisticated analytical and modelling platforms that consolidate and aggregate internal and external data sources, including social media and IoT sensors. Combining this data with actuarial science capabilities improves underwriting to support flexible pricing for new or enhanced products.



Efficient insurance administration

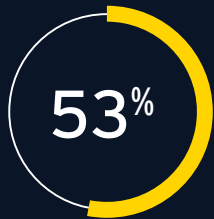
Insurtechs are not only improving operational efficiency and effectiveness in policy and claims administration processes. An analytics overlay is also providing actionable insights to support advanced workflow capabilities. Insurers can now extract and orchestrate data from previously disconnected systems, reducing friction costs, allowing customers and suppliers to self-serve and providing administrative transparency.



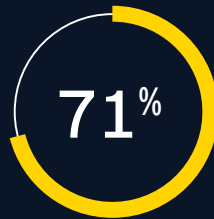
Smarter loss prevention and remediation

Insurtechs are leveraging the power of connected devices to give customers security and peace of mind beyond underwriting and claims. Connected devices that passively monitor the home, individual health statistics or vehicle usage mean incumbents can provide feedback loops to their customers and recommend behavioral changes to reduce risk. Insurtechs are also using video scanning to support remote risk and claims assessments, making acquisition and claims processes faster and more convenient for customers.

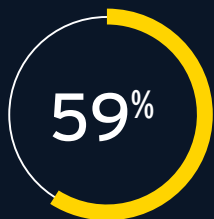
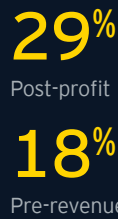
1 About our insurtechs



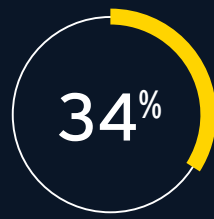
Our insurtech ecosystem has grown by 53%



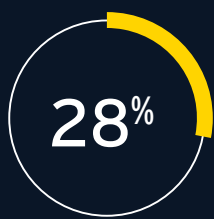
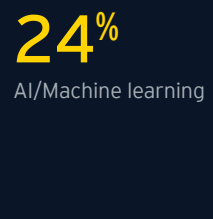
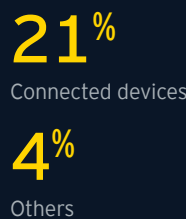
of businesses are in the post-revenue stage



of businesses say more than half their current capital was contributed by founders

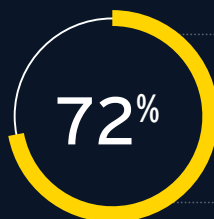


use big data and analytics to underpin their value proposition



have significant operations outside of Australia

Insurance value proposition breakdown:



collaborate with an insurance industry incumbent

However, only **18%** believe insurance industry incumbents are doing enough to collaborate with insurtechs in driving innovation in the industry

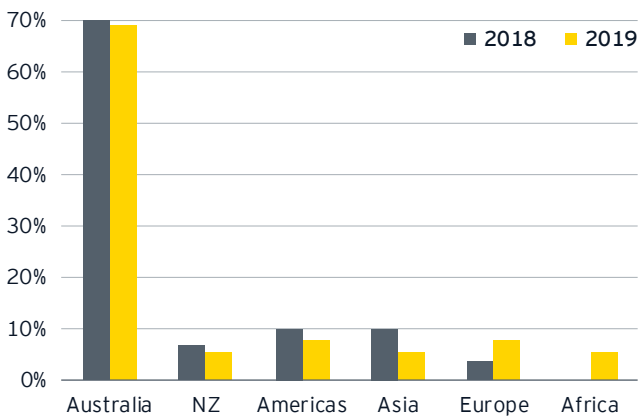
Comparison with 2018 data

The insurtech ecosystem continues to grow and thrive.

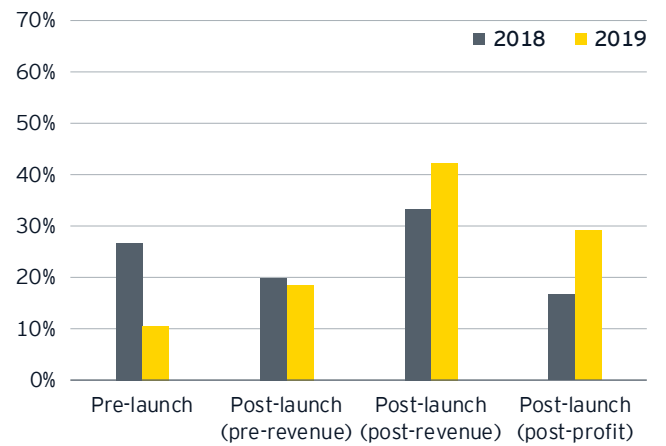
The number of insurtechs contributing data to our latest survey increased by 30% from 2018. While a large proportion of new entrants are Australian-based organisations, more global players are also coming into the market, particularly from Europe and South Africa. Those dropping out since 2018 are predominantly international organisations who have decided to concentrate building their footprint in their local markets rather than spreading themselves too thinly across other jurisdictions.

The growth of insurtechs playing across the five components of the insurance value chain is fairly evenly spread from 2018. Several insurtechs have moved their primary capabilities into another component of the value chain. This highlights the fact that insurtechs are repurposing their technology to build a variety of business capabilities that support multiple components within the value chain.

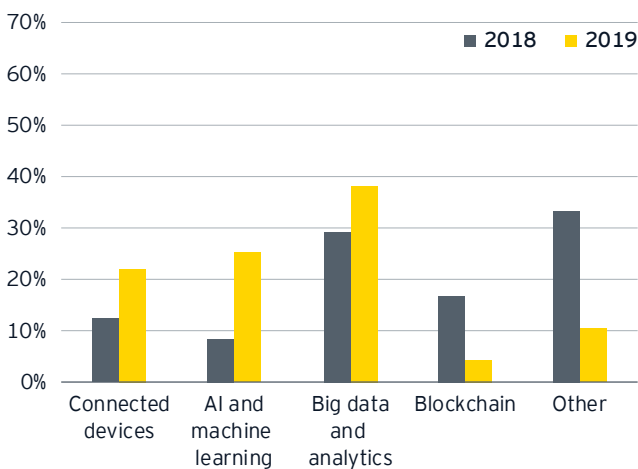
Insurtech launch location



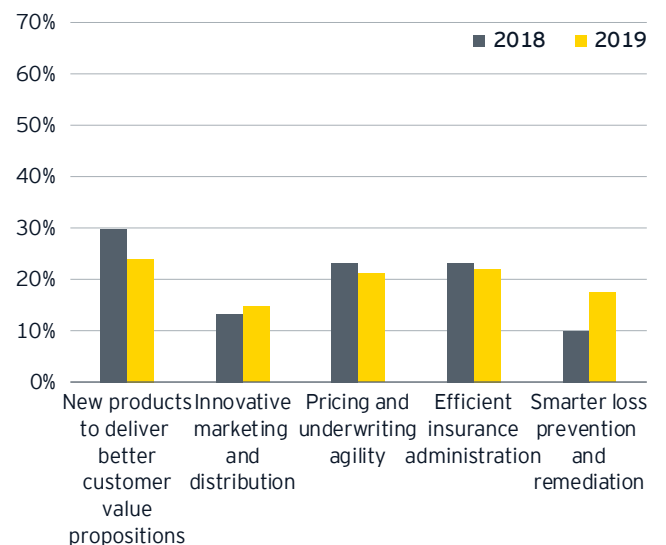
Insurtech development stage



Predominant insurtech technology

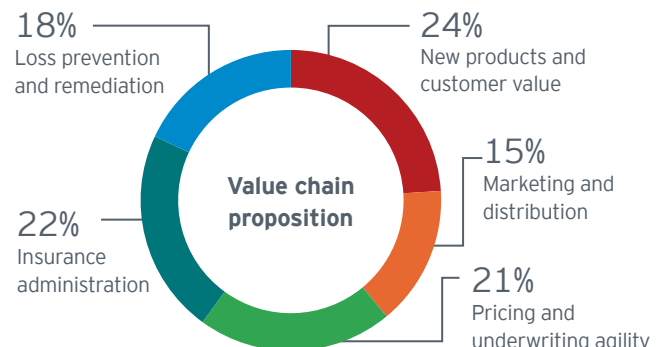
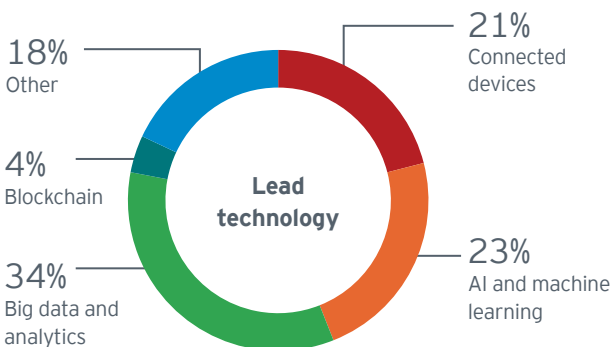
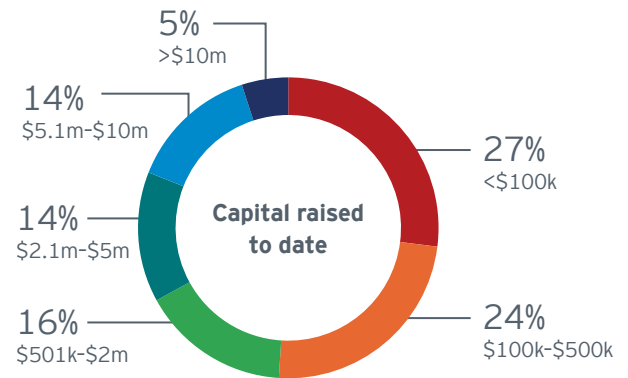
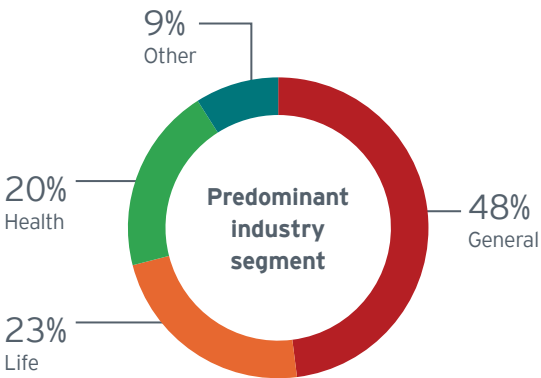
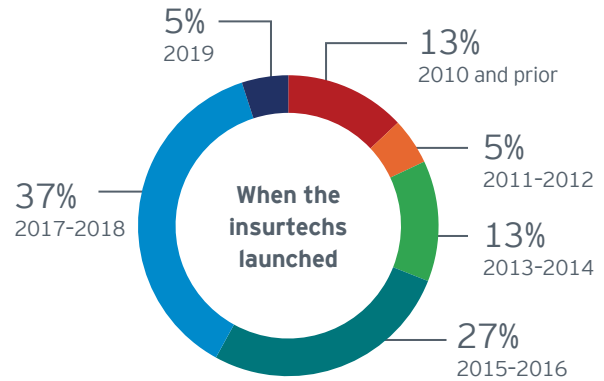
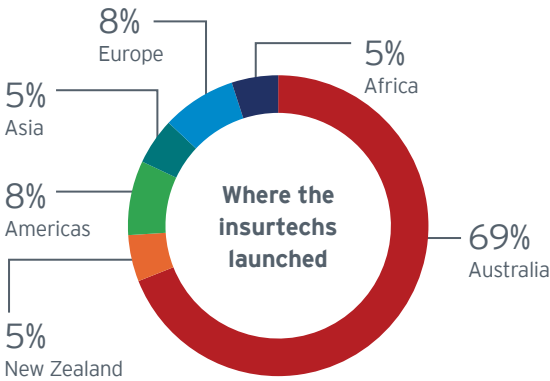


Key Value Proposition



Our survey respondents offer a broad spectrum view of the Australian insurtech ecosystem in February and March 2019. They represent varying degrees of maturity, different geographical origins and a wide variety of lead technologies.

Breakdown of insurtech survey participants



The Australian and New Zealand insurtech ecosystem

	New products to deliver better customer value propositions	Innovative marketing and distribution	Pricing and underwriting agility	Efficient insurance administration	Smarter loss prevention and remediation
IoT/ Connected devices					
AI and machine learning			 		
Big data and analytics			 		
Blockchain	 				
New business model	 				
Platforms and other technologies	 	 		 	

Notice:

The position of the insurtechs on this ecosystem map only represents where the insurtech is primarily operating. The full scope of operations would see many represented in multiple areas on the map.

2 Our framework

Revisiting our insurtech ecosystem framework, there are five areas where insurtech can maximise customer value.



Insurtechs are leveraging emerging technologies to solve a broad scope of industry issues.

We believe the digital insurance agenda is best seen, not by the type of emerging technology, but by the opportunities catalysed by its application. The five primary, near-term opportunities where insurtechs are innovating and challenging the efficiency and effectiveness of value creation, and offering new models of risk transfer to insurance consumers, are:



Insurtechs are leveraging

AI and machine learning

Machine learning is an application of artificial intelligence (AI) that enables systems to automatically access data and use it to learn for themselves. This new breed of software can compute very large sets of data to find patterns not apparent to humans, shedding new light on how variables interact, and how relationships develop over time.

Big data and analytics

Big Data incorporates high-volume, high-velocity and/or high-variety information assets. Using analytics to process these massive data sets leads to enhanced insight, decision making and process automation.

Digital platforms

The digital platform is an ecosystem interconnecting specialist services to generate increased value for the end user. Platforms enable a seamless integration of multiple services, high levels of customer service at a low cost, and the ability to return data in real time to a safe and secure database.



Connected devices

Devices that connect to the internet – via sensors, telematics, wearables, mobile telephone or the satellite network – and can communicate with each other, databases and platforms. Connected devices include IoT sensors, telematics, drones and satellites.

New business models

Some insurtechs are creating new business models that utilise emerging technology to improve distribution and engagement. Others are being more innovative in digitising risk transfer mechanisms and defining the risk pool.

Blockchain

Blockchain is a shared, distributed ledger that facilitates the process of recording transactions and tracking assets in a business network.

This technology stands to have the most significant long-term impact on the insurance industry. Blockchain can be integrated with the insurance value chain to enhance: transparency, fraud detection, risk prevention, claims management and product development. It is also spawning new distribution and payment models, and more effective reinsurance models.

3 Value proposition

New products to address customer value proposition



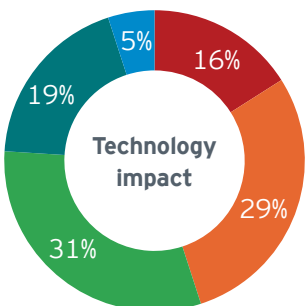
2019 survey results

New products is the fastest growing and most popular segment in 2019, with 64% of all insurtechs operating in this area and 71% already working with an incumbent. Of these insurtechs, 31% are using advanced analytics to gather deeper customer insights to develop or enhance their book of business, with 29% using AI.

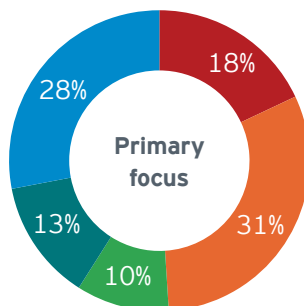
A significant proportion have a primary focus on developing tools, including platform technology, analytical dashboards, and back-end tools that support faster decision making. However, 27% of our respondents said the inability to adapt to a changing business model is the biggest inhibitor to delivering new products. Hence, these innovations may be constrained by the general appetite for change within our industry.

What does our survey data tell us?

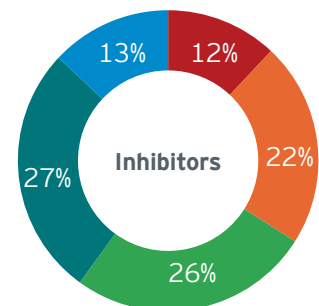
Product providers are becoming increasingly digitally-enabled, offering highly personalised experiences, from marketing and customer acquisition through to servicing, communications and operational support. Such digital capabilities often with customer acquisition, which inevitably highlights the need for simplified products with increased service agility. Not surprisingly, many insurtechs are focussing their solutions on this area of the value chain, where the associated key technologies of analytics and AI enables customer interactions to be relevant, timely and highly focussed on customers' needs and preferences.



- IoT/Connected devices
- Artificial intelligence
- Advanced analytics
- RPA/Intelligent automation
- Blockchain



- Digital enablement
- Process improvement
- Data analytics
- Industry partnerships
- Customer experience



- Operational costs
- Understanding consumer needs
- Technology readiness
- Changing business model
- Compliance

Innovative marketing and distribution



2019 survey results

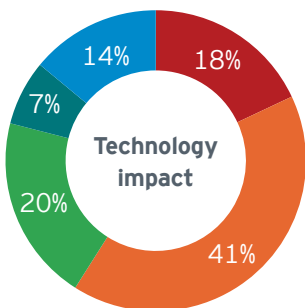
Although only 11% of insurtechs are positioned in this component of the value chain, more than 40% have capabilities to operate in this area.

Our respondents said the biggest inhibitors to better marketing and distribution of insurance products are operational processes and systems, which need to be more customer centric. Other major inhibitors are transparency and the high friction costs associated with multiple distribution channels.

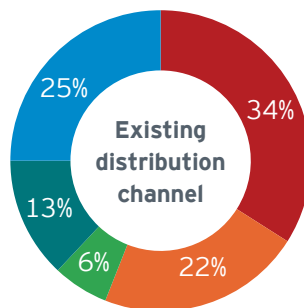
What does our survey data tell us?

Marketing and distribution is a focus area for incumbents and insurtechs alike, being the coal face of customer acquisition and engagement. Logically, the underpinning technologies centre on leveraging the increased availability of rich, context-sensitive data and providing the tools to enable customers to engage when and how they choose.

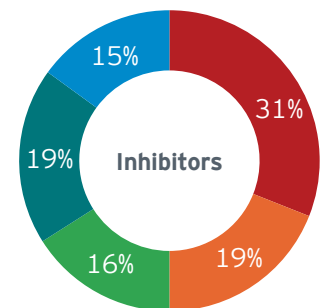
Script-based chat and advice capabilities, supported by advanced analytics, are also gaining traction in customer service, particularly in the life and health insurance industries where product coverages and options can be complex. Linking machine learning into these automated support services is the ultimate goal. As machine learning matures it is receiving increased interest from regulators keen to ensure service outcomes are in the best interest of the consumer.



- Chatbots and robo-advisors
- Advanced analytics
- Machine learning
- Blockchain
- Other



- Direct channels
- Brokers and agents
- Online aggregators
- Professional bodies
- White-labelling



- Customer centricity
- Transparency
- Compliance
- New channels
- Other

Pricing and underwriting agility



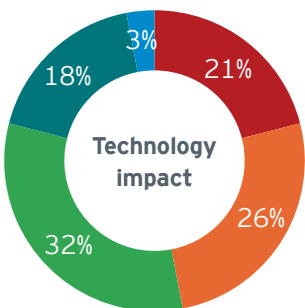
2019 survey results

Almost three in five respondents are working on improving pricing and underwriting agility, underpinning new product development, innovative marketing and efficient insurance administration.

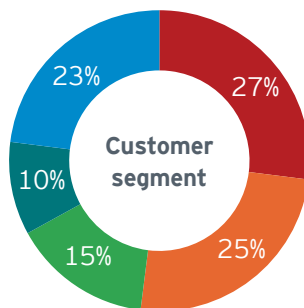
More than two-thirds of respondents believe their customers would be happy to share their personal data for more accurate pricing, as long as the appropriate security measures are in place to govern and protect it. They attribute incumbents' relatively low uptake of such opportunities to low technology readiness, operational constraints and inadequate understanding of consumer needs.

What does our survey data tell us?

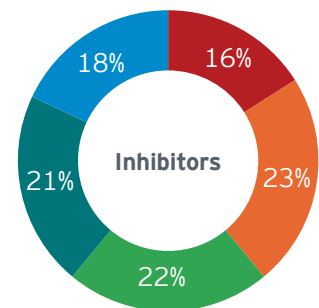
Insurers are striving to improve pricing and underwriting efficiency to drive more effective risk acquisition and accurate risk pricing. Although data privacy and security remain concerns, consumers appear to be increasingly willing to share personal data to get a more personalised experience along with more tailored products and pricing. Some incumbents are building a win:win philosophy of data sharing by providing customers with feedback loops that highlight opportunities to improve health or driving habits to mitigate personal risks. But despite recognising the power of data-driven analytics in achieving improved pricing and underwriting efficiency, insurers are burdened by the changes required to transition to individual risk-driven decision making. The answer may lie in insurtech platforms that harmoniously harness big data, advanced analytics, AI, machine learning and IoTs.



- IoT/Connected devices
- Artificial intelligence
- Advanced analytics
- RPA/Intelligent automation
- Blockchain



- Home and contents
- Motor
- Health
- Life
- Commercial



- Privacy considerations
- Technology readiness
- Operational constraints
- Understanding consumer needs
- Compliance

Efficient insurance administration



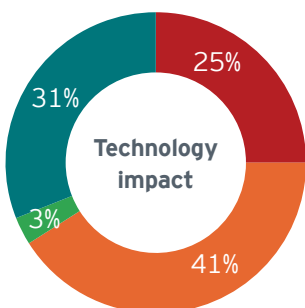
2019 survey results

Just under 62% of respondents are focusing on efficient insurance administration. More than a third of insurtechs are offering platforms based on open scalable architecture to provide an open framework in which other capabilities can be leveraged. The remaining two thirds are focused on streamlining existing operations; for example, using robotics to automate low value, tedious tasks.

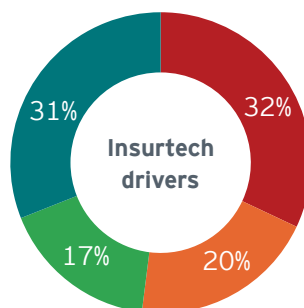
Almost half of our insurtechs (46%) believe the current state of technological readiness is a major inhibitor for incumbents improving their back-office operations. A further 21% believe incumbents need to adapt to new business models to improve their existing administrative processes before embarking on technology refreshes.

What does our survey data tell us?

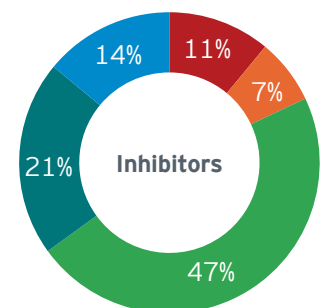
The efficiency and effectiveness of insurance administrative processes are highly reliant on an insurer’s core administration platforms. Insurtechs are providing a range of capabilities to augment these core platforms. But whether an incumbent can use these capabilities depends on the adaptability of their administration platforms and the agility of their business. Two key strategies are being used to improve these capabilities: implementing API management or robotics to enable integration into existing, legacy platforms; or initiating transformation programs to entirely replace legacy systems with more open and agile solutions. Putting aside the non-trivial technology challenges, the survey highlights current business models, processes and decision-making structures are in themselves ‘legacy’. There’s no question that incumbents need to adapt to enable a more agile, adaptive approach to business operations and customer interactions. For example, corporate knowledge needs to be stored in open and accessible repositories before incumbents can embrace chat bots and AI to support customer and operational service.



- AI, Analytics & Machine learning
- Platforms and innovative technology
- IoT/Connected devices
- Automation



- Improve customer service
- Product development agility
- Changing business models
- Need for operational agility/efficiency



- Operational costs
- Understanding consumer needs
- Technology readiness
- Changing business model
- Compliance

Smarter loss prevention and remediation



2019 survey results

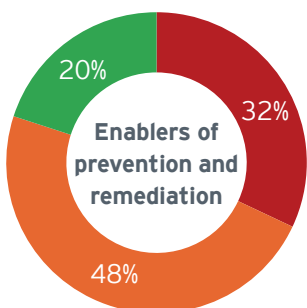
Loss prevention and remediation is the focus of 30% of insurtechs, with an additional 15% having capabilities to support this component of the value chain. The survey found almost 80% of respondents primarily focused on loss prevention, with 48% using technology and 32% educating the consumer base.

Asked about their biggest concerns around using technology to prevent loss, more than half of our respondents identified data security or privacy considerations. Almost a third said they need to make data collection more transparent to the customer. In Home & Contents and Commercial insurance, technology readiness (36%) and changing business models (34%) were strong inhibitors to using technology for loss prevention.

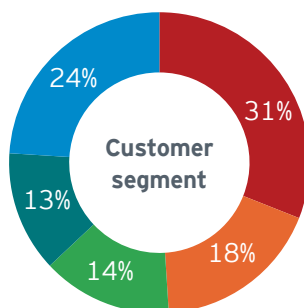
What does our survey data tell us?

Insurers recognise that improving loss prevention can boost the bottom line. Historically, incumbents have focused on client education for personal lines, including risk survey questions and risk assessment and mitigation plans for commercial lines. Incumbents also recognise the importance of resolving claims as quickly as possible to minimise costs and maximise customer satisfaction, but speed needs to be balanced with accurate estimates and appropriate levels of fraud monitoring.

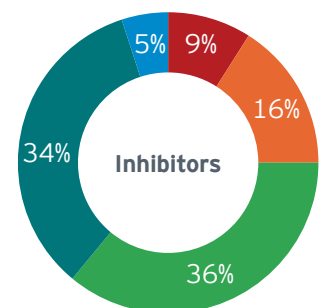
The potential for low-cost IoT devices to provide real-time data offers incumbents the opportunity to be more proactive in their approach to preventing claims or mitigating against losses. However, the vast array of data needs to be analysed and then ingested into administration systems and associated processes to enable the data to be used in a timely manner. Incumbents are also concerned about the privacy and security issues around collecting sensitive customer data on the back of the Royal Commission and high profile data breaches.



- Education
- Technology
- Customer incentives



- Home and contents
- Motor
- Health
- Life
- Commercial



- Operational costs
- Understanding consumer needs
- Technology readiness
- Changing business model
- Compliance

How can ecosystem participants play their part in driving value creation?

Incumbents

Incumbents have an important opportunity to embrace the insurtech community to deliver innovative solutions across the value chain. Incumbents should look to remove the inhibitors that prevent them from fostering insurtech partnerships and embedding innovation into their digital strategies. Although incumbents are risk adverse and subject to strict regulatory oversight, they need to stay focused on growth and drive innovation by leveraging the insurtech ecosystem.

Insurtechs

Recognising the legacy and regulatory challenges incumbents are facing, insurtechs need to be patient and stay focused on enabling business outcomes within the value chain. Insurtechs have an important opportunity to engage industry influencers to help incumbents overcome their business challenges to taking up enabling technologies. To assist this, insurtechs should be transparent about the maturity of their technology and service capabilities to foster trust in their partnerships.

Facilitators and influencers

Leaders in government, non-profit organisations and co-working communities, such as insurtech Australia along with advisory professionals, must continue exploring strategic partnerships and connecting incumbents with insurtechs to identify and help establish digital capability. The industry needs a high-impact, incubation environment to support ideation, supported by the right tools, resources and funding mechanisms. For example, we need a space where new insurtech use cases can be rapidly tested at low risk to an incumbent's core business.



4 Looking abroad

Worldwide interest and investment in insurtech and insurtech start-ups is at an all time high, with more than 250 deals and \$4b of funding. Country-based insurtech ecosystems are converging, bringing together start-ups, investors, incumbent insurers and reinsurers on a global scale to create an environment for growth. Globally, as in our local market, insurtechs are mobilising to enable rather than disrupt incumbent players.

UK

Removing barriers to aid collaboration

Insurtech investment in the UK attracted \$1.7b through 2018. To make it easier for insurtech start-ups to forge commercial relationships with incumbent players, the insurtech board has invested in a suite of tools to assist such collaboration.

Europe

Investments aiding innovation

Europe continues to be an insurtech mecca, continuing to grow from 2017. Despite the Brexit uncertainty, the UK continues to emerge as Europe's insurtech capital.

USA

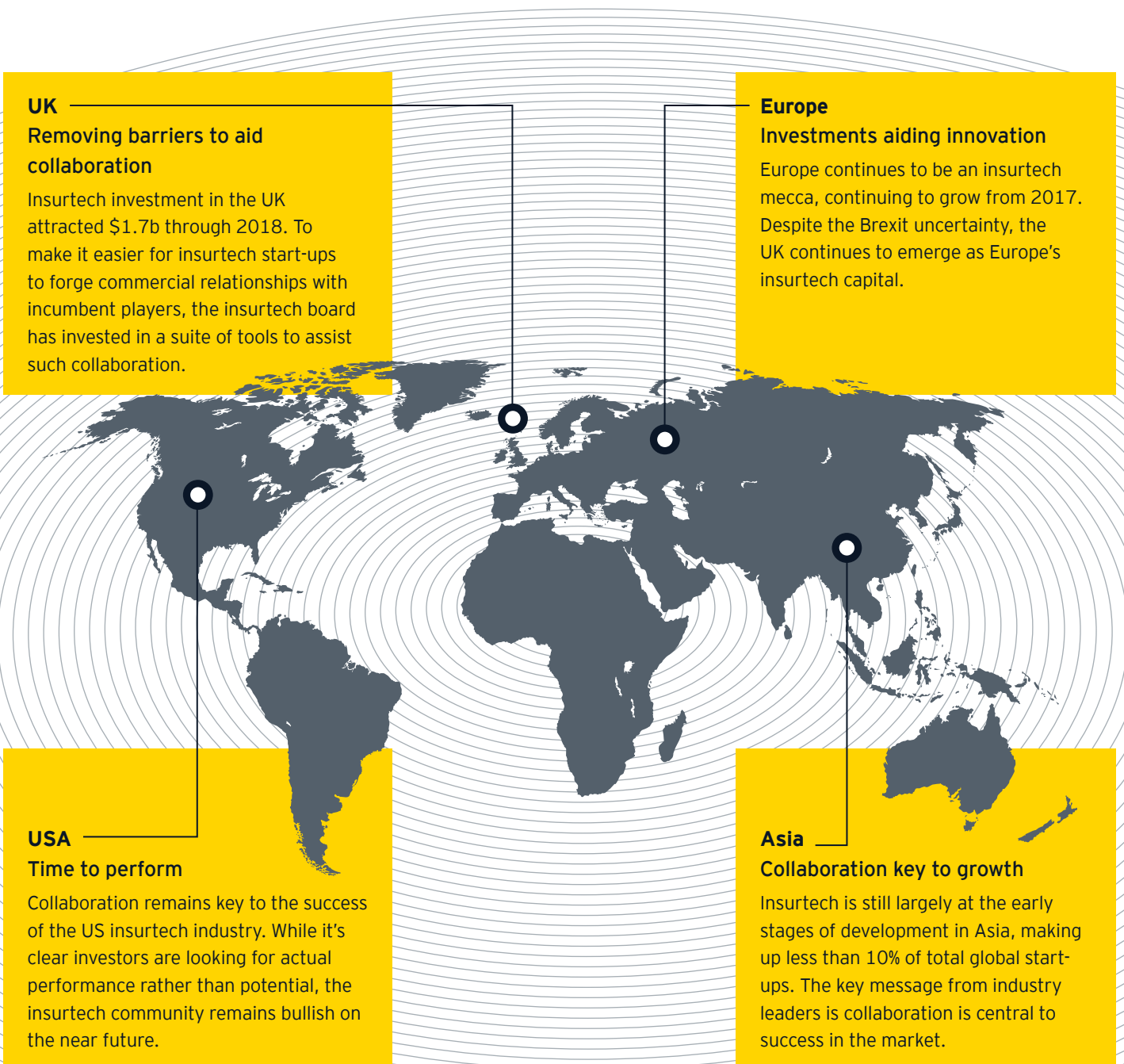
Time to perform

Collaboration remains key to the success of the US insurtech industry. While it's clear investors are looking for actual performance rather than potential, the insurtech community remains bullish on the near future.

Asia

Collaboration key to growth

Insurtech is still largely at the early stages of development in Asia, making up less than 10% of total global start-ups. The key message from industry leaders is collaboration is central to success in the market.



About the survey

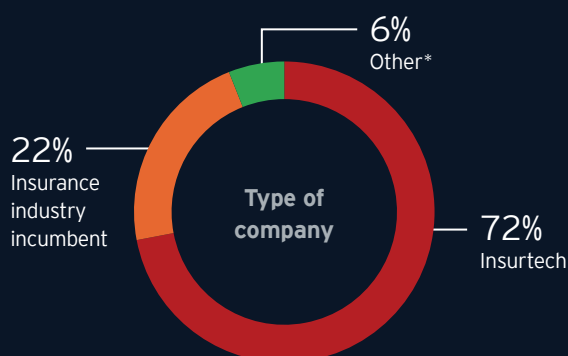


This year's Insurtech Report Survey was launched at the 2019 ANZIIF Insurtech conference in Sydney. The survey comprised a mixture of multiple choice and free form text questions to gather responses from Australian insurtechs, insurers, brokers, agents and service providers.

Ernst and Young leveraged our collaboration with Insurtech Australia to gather responses from Australian insurtechs, and also welcomed responses from the wider insurance industry in the region. Our survey respondents is comprised of insurtechs, insurers, brokers/agents, and service providers.

The 2019 Insurtech Survey was open for approximately five weeks. During this time, 54 respondents completed the question set: 39 insurtechs, 12 industry incumbents and 3 intermediaries or service providers.

Breakdown of all survey participants



* IT companies that operate in a range of industries

Contacts

Jamie Smith
Partner, Ernst and Young
+61 418 197 906
jamie.smith@au.ey.com

Andrew Parton
Partner, Ernst and Young
+61 404 810 676
andrew.parton@au.ey.com

Robert Tepe
Associate Partner,
Ernst and Young
+61 419 893 284
robert.tepe@au.ey.com

Jacky Song
Consultant, Ernst and Young
+61 423 318 747
jacky.song@au.ey.com

Simon O'Dell
CEO & Co-founder
InsurtechAustralia
+61 401 100 606
simon@insurtechaustralia.org

EY | Assurance | Tax | Transactions | Advisory

About EY

EY is a global leader in assurance, tax, transaction and advisory services. The insights and quality services we deliver help build trust and confidence in the capital markets and in economies the world over. We develop outstanding leaders who team to deliver on our promises to all of our stakeholders. In so doing, we play a critical role in building a better working world for our people, for our clients and for our communities.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. For more information about our organization, please visit ey.com.

© 2019 Ernst & Young, Australia.
All Rights Reserved.

APAC no. AU00003543

BMC Agency
GA 1011250

ED None



In line with EY's commitment to minimize its impact on the environment, this document has been printed on paper with a high recycled content.

This communication provides general information which is current at the time of production. The information contained in this communication does not constitute advice and should not be relied on as such. Professional advice should be sought prior to any action being taken in reliance on any of the information. Ernst & Young disclaims all responsibility and liability (including, without limitation, for any direct or indirect or consequential costs, loss or damage or loss of profits) arising from anything done or omitted to be done by any party in reliance, whether wholly or partially, on any of the information. Any party that relies on the information does so at its own risk. The views expressed in this article are the views of the author, not Ernst & Young. Liability limited by a scheme approved under Professional Standards Legislation.

ey.com/au

InsurtechAustralia

About Insurtech

Insurtech Australia is a national, not-for-profit organisation, run for the benefit of our members and partners across all corners of Australia. Insurtech Australia is a division of FinTech Australia. We are all about supporting and growing the Australian insurtech community including insurtech startups, Insurers, Hubs, Accelerators, Investors and advocating on behalf of our members and partners.

Insurtech Australia aspires to make Australia one of the world's leading markets for insurtech and insurance innovation. We do this by collaborating with insurers, startups, regulators and investors to create the best possible regulatory environment, and by fostering an ecosystem of supportive partners and networks so insurtech can thrive and grow in Australia.

insurtechaustralia.org