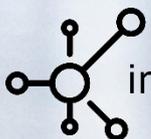


Insurtech: Enabler or disruptor?

An assessment of the Australian insurtech ecosystem



insurtechAustralia

EY

Building a better
working world



Foreword

The Australian insurtech ecosystem is here and growing, but it is still early days. Emerging from the thriving Australian Fintech ecosystem over the last five years, insurtech has finally earned its own identity. Since 2016, the number of Australian insurtechs and incumbent industry players participating in the global ecosystem has grown, fueled by targeted investment and partnerships.

This Australian growth has been buoyed by the increasing focus on insurtech globally from entrepreneurs, venture capital (VC) and corporate VC, looking into an industry that hasn't experienced disruptive consumer and technological change in years. In 2015, we saw the real turning point for insurtech globally, facilitated by a cooling of fintech investment and a number of multi million dollar investments into insurance technology, such as Zenefits and Zhong An.

Globally, we have seen incumbent insurers and new entrants collaborating together to create new models for insurance distribution, claims and underwriting. Enabling technologies have been a key theme of global insurtech to date, with a large proportion of insurtechs working to enable the existing insurance value chain - and a smaller portion focusing on disruptive technologies. In Australia, while echoing many of these themes, the nascent market has its own characteristics, which have yet to be documented - until now.

For the first time, this report, produced by EY and in collaboration with insurtech Australia, captures a holistic view of the Australia insurtech ecosystem. Drawing on data and insights from a survey of Australian insurtechs and informed interviews with incumbent insurance players, this report highlights the unique nature of our local ecosystem. It also identifies the actions we all need to take to sustain and grow insurtech in Australia to compete on the global stage.

We are off to a great start with the foundation of Australia's first dedicated member organisation, insurtech Australia. Since its launch, EY along with other founding members have supported more than 40 new members, working together to support the growth of the Australian insurtech ecosystem.

Australian incumbents are well placed to embrace the benefits of insurtech and to become leading players. However, as the following report notes, the sector needs much more collaboration between incumbents and new entrants.

We have in place the foundations of a strong insurtech ecosystem: local entrepreneurs with global connections; a highly supportive government with R&D incentives; and increasing access to global markets, accelerators, funding and talent. Now is the time to work together to make Australia a world leading market for insurtech.

Jamie Smith
Partner
EY

Brenton Charnley
Chairman & Co-Founder
insurtech Australia

Simon O'Dell
CEO & Co-Founder
insurtech Australia

Executive Summary



The insurance industry value chain is undergoing profound change, driven by new customer expectations, emerging technologies and sustained downward pressure on margins. We have seen insurtech players boom globally in 2015. However, insurtechs in the Australian market have had a slow start in launching and scaling so far and represent only 1% of the global insurtech community.

Insurtech is the application of technology innovation in the insurance industry value chain to solve known challenges, and discover unknown opportunities, in order to deliver value for customers.

EY and insurtech Australia collaborated together to understand the landscape of today's insurtechs in the Australian market and answer the following fundamental question:

Are insurtechs enabling the future of insurance or disrupting the sector?

A disruptor thrives to provide the risk transfer solution without reliance on any existing incumbents' value chain. New entrants are insurtechs competing in the part of the insurance value chain. An enablers' motivation is not about acquiring insurance customers but contributing to existing players and addressing the industry's challenges.

Our survey found:

- 65% of insurtech organisations are enablers of the value chain

- 25% are new entrants and complement the existing value chain

- 10% are disrupting and challenging the status quo

The majority of insurtechs exist to enable incumbents to drive new customer experiences and deliver more value. In the process, they are evolving traditional underwriting and pricing models, interpreting large sets of data to inform risk modelling and enhance portfolio performance.





Five primary themes from the data and insights will drive the agenda of insurtech Australia and EY as we pursue a common objective of aiding the successful transformation of the insurance industry.

1

Greater levels of collaboration is needed between insurtechs and incumbents

2

Insurtechs and incumbents need to identify and leverage their strengths when seeking partnerships

3

Insurtechs are bootstrapping their ventures, with short runways. This puts them at increased solvency risk, exacerbated by prolonged and drawn out sales cycles with B2C and B2B players

4

Insurtechs need to be effective people and economic managers to overcome internal challenges

5

The Australian ecosystem is young, growing very fast and represents a great launchpad into other regions

As with any emerging ecosystem, awareness and understanding are key to successful development. Greater levels of understanding of the value and the opportunity that insurtech represents for existing insurance players should be a priority for those with an interest in the Australian industry continuing on a competitive trajectory in the global market.

Now is the time for incumbents and insurtech players to think ahead and establish innovation strategies together to become a world leading insurtech ecosystem.





01

Introduction

The fundamental value of insurance continues to resonate with consumers. Insurtech is challenging the efficiency of value creation, the effectiveness of the value being generated and offering new models of risk transfer to insurance consumers.



Much of what is happening in the insurtech landscape is actually **enabling the future of insurance**, rather than disrupting the sector. Insurtechs are working with incumbent insurance players to challenge and test all parts of the insurance value chain. This collaboration among different players in the wider insurance ecosystem is resulting in new approach to products development and services.

The insurance industry value chain is undergoing profound change. Key drivers include the evolving characteristics of the consumer, sustained downward pressure on margins for insurance incumbents and the proliferation of technology and the technology sector.

Insurance incumbents recognise the need to innovate. Most executives have one or more of the 'Big 5' technologies on their radar: connected devices, AI & machine learning, blockchain, data analytics and platforms. However, insurance incumbents are finding it challenging to incorporate insurtech into their innovation strategy while also serving existing customers and sustaining value for shareholders.

Insurtech represents a new way of creating value for insurance incumbents and insurance consumers. Its formidable force draws from a different methodology for creating products and services - one that ensures solutions are customer centric, scalable, and align to the values of today's consumer.

Insurance incumbents are responding by embracing digital technologies that help transform business models and maintain resilience. They are also beginning to leverage the core strength of insurtechs: innovative application of technology, speed to move from ideation to a proof of concept and attitude to challenge the status quo.

Consumers are driving demand for more targeted and relevant offerings, with increased expectations of better interactions and a seamless experience using technology. To deliver on consumer expectations, insurers are rethinking their distribution strategies with partner relationships. At the same time, new players are actively seeking ways to engage with incumbents. With the rapid changes in the Australian insurance ecosystem, it is apparent that established players need to overcome internal organisation challenges and shift their focus from short-term resolution to solve known issues to discover the unknown opportunities.

Key Themes

The insights drawn from the survey data have formed 5 key themes.

1

A greater level of collaboration is needed between insurtechs and incumbents

65% of insurtechs exist to add value to the existing value chain, yet 81% of insurtechs disagree with the statement that incumbent players are doing enough to collaborate with insurtechs in driving innovation into the industry's practices. Insurtechs listed collaboration with incumbents as their #1 ambition for the coming 12 months.

2

Insurtechs and incumbents need to identify and leverage their strengths when seeking partnerships

Insurtechs and incumbents are very different. But, together they have the capabilities to develop a value creation vehicle to address the dynamic challenges in the insurance landscape.

- **Insurtechs** - bring an iterative and customer-centric approach that ensures new products and services deliver a great user experience.
- **Incumbents** - bring strength in their stores of valuable data, access to customers and ability to help scaling into new markets supported by traditional underwriting capability. Insurtechs listed these attributes as the top 4 they are seeking in a relationship with an incumbent.

3

Insurtechs are bootstrapping their ventures, with short runways. This puts them at increased solvency risk, exacerbated by prolonged and drawn out sales cycles with B2C and B2B players

81% of insurtechs are bootstrapped by their founders, 56% of insurtechs have a runway shorter than 12 months. The top 3 external issues all relate to customer acquisition or channels to market. This confirms the need for a greater understanding and collaboration between insurtechs and incumbent players.

4 Insurtechs need to be effective people and economic managers to overcome internal challenges

Insurtechs identify their top 3 internal issues as managing capital, attracting qualified and suitable talent, and product and market fit.

Using external capital to scale is a unique characteristic of a tech company and one that comes with challenges. Many insurtechs use an advisory board to fill acumen and experience shortcomings.

Product development represents the heart of insurtechs and is the central focus for founders as it also represents the largest single cost for early-stage insurtechs. Qualified and suitable product managers and developers are the most heavily demanded talent to attract for Australian insurtechs. Insurtechs may be striving to explore new ways of applying technologies in the insurance value chain. However, they may not be truly articulating and addressing the core of the industry challenges.

5 The Australian ecosystem is young, growing very fast and represents a great launchpad into other regions.

The average age of insurtech in Australia is three years. 24% have raised more than \$2m in capital and 40% have attracted a capital raise from overseas. 83% already operate in New Zealand and/or other overseas markets. Support from government funded programs such as the Landing Pad Program have contributed to this global success. Access to foreign accelerators and the general global nature of insurtech founders have also contributed to this impressive statistic.



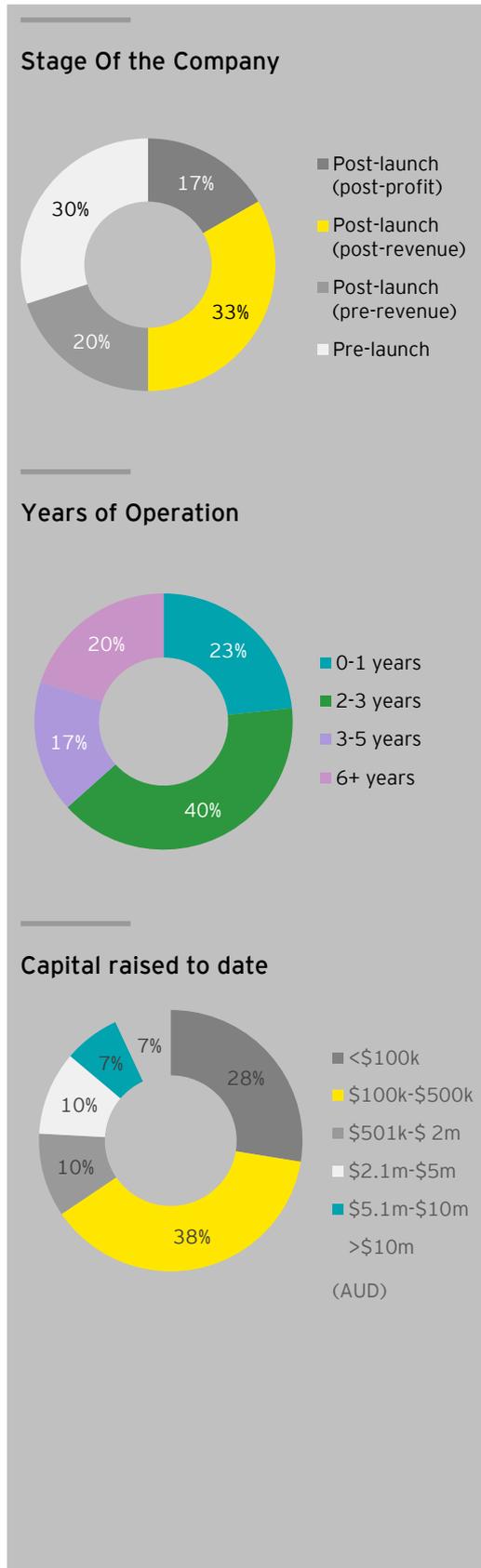
As the peak industry body, **insurtech Australia** will address these key themes in its agenda for the remainder of 2018 and into 2019.



02

The insurtech landscape and ecosystem framework

The Australian insurtech ecosystem is young, growing fast and searching for collaboration



Insurtech is doing the heavy lifting in driving industry collaboration and innovation.

Our survey found more than two-thirds of Australian insurtech companies are initially funded by their founders, with support from family and friends. Only 38% are at least partially equity-funded. Despite the Australian insurtech ecosystem being young, 1 in 4 companies have raised more than \$2M of capital to date. However, more than 50% of insurtechs have capital that will support them for less than 12 months.

In terms of strategy, 60% of insurtechs are already working with incumbents. This is being driven by the need for collaboration, not for economic partnership or capital provision. Insurtech players say they are reaching out to incumbents for:

- 1) Access to customers
- 2) Help to scale into new markets
- 3) Data sharing
- 4) Underwriting capability

Yet, 7 out of 10 insurtechs report incumbents are largely reactive in this process. A massive 81% disagreed with the statement that Incumbent players are doing enough to collaborate with insurtech players to drive innovation.

The following sections capture a snapshot of Australian insurtechs to help ecosystem partners understand the opportunities provided by emerging digital technologies and find new avenues to collaborate with each other.

TOP 5 External Challenges

- ▶ Building relationships with channels to market
- ▶ Clients/Prospects too slow to make decisions/long winded procurement process
- ▶ Customer acquisition
- ▶ A lack of funding/raising capital
- ▶ Getting through to the C-level decision makers

TOP 5 Internal Challenges

- ▶ Managing Capital
- ▶ Attracting Qualified & Suitable Talent
- ▶ Product & Market Fit
- ▶ Product Development
- ▶ Business Model Viability

The insurtech ecosystem framework:

Technology that insurtech is leveraging

The leading emerging technologies being used to reach these goals are:

Connected devices



A connected device is an item which has the capability to be connected to the internet via sensors, telematics, wearables, mobile telephone or the satellite network. This connectivity enables communication between connected devices and databases and platforms. Connected devices incorporate Internet of Things (IoT), telematics, drones and satellites.

AI & 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 & 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.

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 technology 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.

New business model



New Business Model is used to categorise those insurtechs who's differentiating proposition is a unique new business model. The incumbent industry offers the primary models for transferring risk, and has done so for centuries. Insurtech is offering new models for transferring risk that sit outside of the insurance value chain.

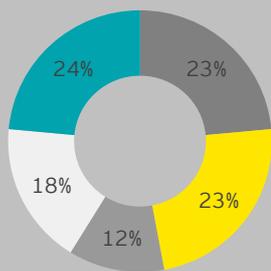
Platforms and other technology



The digital platform is an ecosystem whereby specialist services can be interconnected to ultimately generate maximum value for the end user. Other features of platform technology include 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.

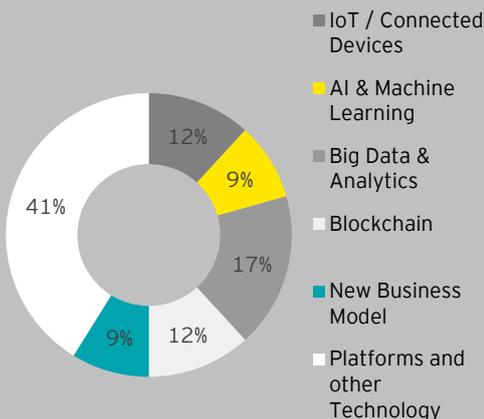
Where do Australia's insurtech companies play in the insurtech ecosystem framework?

Priority of value propositions for insurtech companies



- New products to address customer value proposition
- Innovative Marketing & distribution
- Pricing and Underwriting Agility
- Efficient Insurance Administration
- Smarter Loss prevention and remediation

Technologies that insurtech predominantly utilise



- IoT / Connected Devices
- AI & Machine Learning
- Big Data & Analytics
- Blockchain
- New Business Model
- Platforms and other Technology

Australia's insurtechs seek to solve the challenges that the insurance industry as a whole is facing, with a speedy, iterative and customer-centric approach.

Our survey found that insurtechs are covering most aspects of the insurance value chain, i.e. underwriting (including risk assessment, rating and reinsurance), sales and distribution (including brokers, aggregator, direct) and claims management.

Australia's insurtechs are forming their value propositions in response to a wide range of pain points communicated by insurance players and insurance consumers. We have attempted to understand where Australian insurtechs are positioned using the insurtech ecosystem framework defined on the previous page.

The top priority for insurtechs was smarter loss prevention and remediation followed by new products to address customer value proposition, and innovative marketing and distribution. As the predominant vehicle to drive the insurance value proposition, 41% are leveraging a digital platform, followed by big data & analytics, blockchain, connected devices (including the internet of things (IoT)) and AI.

The Australian Insurtech Ecosystem map was developed based on the result of our survey data and further conversations with representatives of each company, addressing the value proposition and emerging technologies that are most predominantly addressed / used.

This is the first approach to identify their strength, which will lead the way to promote the collaboration between insurtechs and incumbents.

We look forward to evolving the content and the format of the map to cater for both the increasing number of insurtechs coming online and also to cater for the complexity of insurtechs by featuring them across all areas to which they provide value.

Insurance value chain components where insurtech respondents are playing



The Australian Insurtech Ecosystem

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

Disclaimer:

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. The full scope of each insurtechs operations and proposition can be understood by visiting their website.





03

Insurtech trend by value proposition

New products to address customer value proposition



What is driving change in the market?

New offerings introduce entirely new business models to address customer needs and match product offerings to their expectations. In the case of P2P offerings, customers now expect direct access. Across the board, consumers are already digital and demanding truly tailored experience, including customised pricing and highly efficient service. For example, smart contracts, based on blockchain-enabled rulesets, can enable automatic settling of payments according to mutually agreed conditions.

What are insurtechs doing?

Insurtechs are using the full spectrum of technology to enable improved effectiveness of existing products as well as facilitating the development of new products that sit outside the traditional insurance value chain. New facilities are being built from the ground up using peer-to-peer (P2P) risk sharing, smart contracts (blockchain) and loss prevention services facilitated through connected devices to align with consumers' preferences for transparency and trust.

How can incumbents respond?

Accessible technology and evolving consumer expectations are driving incumbents to partner with insurtechs to develop new products with new characteristics: speed and agile policy submission processes, new policy coverage, dynamic pricing rules, dynamic underwriting and personalised experiences.

Just as 23% of insurtechs are focused on developing new products to address customer value proposition, the incumbents we interviewed also acknowledged that this is an important digital transformation area for their business. Armed with a new methodology for developing customer-centric experiences, insurtechs are acquiring a following of insurance consumers. Incumbent insurers and underwriting agencies have an opportunity to follow suit, if they can efficiently adopt dynamic underwriting and dynamic pricing capabilities.

Innovative products allow incumbents and insurtechs to quickly capitalise on the value of digital investments. However, being a first-mover does not always guarantee a true competitive advantage as innovation can be replicated by other players. Incumbents will need to be wary of losing market share to risk transfer solutions that sit outside of the existing value chain. Integrating new products into existing systems successfully and efficiently will create a competitive advantage in the market.

Survey data tells us....

insurtechs in this category have demonstrated the strongest capital raisings to date. A small number (10%) consider themselves as disrupting the incumbent value chain. In this category an even spread of technologies are being leveraged within insurtech solutions.

Innovative marketing and distribution



What is driving change in the market?

Incumbents already see a growing need to enhance their product offerings to make them competitive across distribution comparison platforms. This has always been the main battle ground for market share and continuously evolve their approach to innovative marketing and distribution methods.

What are insurtechs doing?

These insurtechs help align the consumers' insurance acquisition process to their needs and values, in-turn addressing traditional challenges and creating new markets. They fit into three sub-categories:

1. Enablers who use platform and / or blockchain technology to provide an insurance framework for capital risk holders, allowing them to attract niche portfolios of risk and facilitate insurance transactions.
2. Enablers who use data analytics and platform technology to provide inbound marketing and consumer-to-provider connection tools to drive organic business growth.
3. New entrants who use connected devices, data analytics, AI/ machine learning and platform technologies to offer insurance consumers a new insurance solution and experience.

Insurtechs are applying connected devices, big data and analytics to create nuanced terms and pricing aligned to an individual's risk profile. This leads to a new type of personalised relationship between insurers and insureds, rewarding consumers for behaviours that lower risk.

How can incumbents respond?

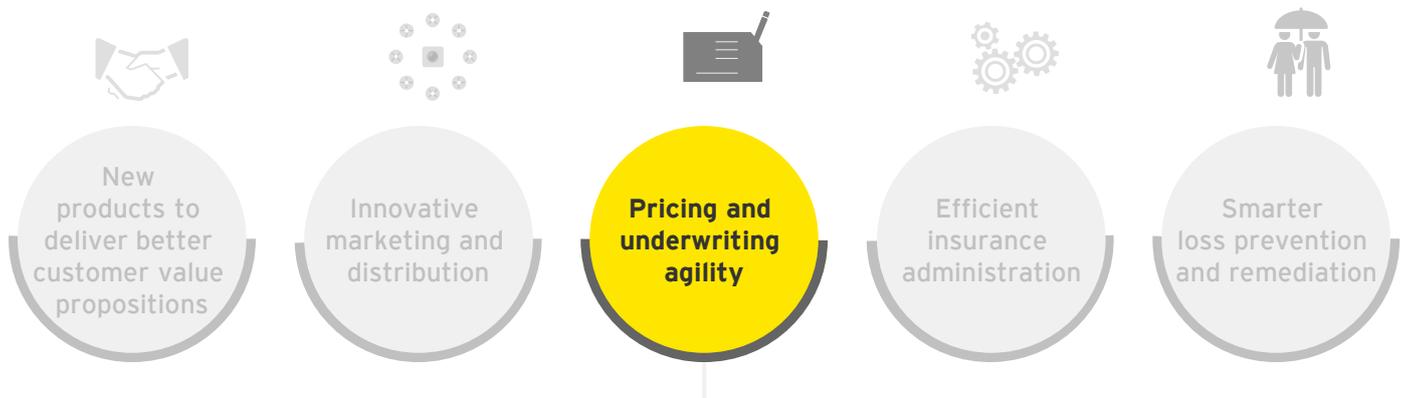
Insurers can now embed their model within a blockchain network, often assisted by oracles, which connect a blockchain with real world events. Blockchain insurance models come with inherent trust and security. They also enable efficiency in claims, policy administration, and negate the need for intermediaries where advisory services are not being offered.

Biometrics such as facial, voice and audio data are leading the consumer experience in driving distribution and innovation marketing. Leveraging such unstructured data has the potential of uniquely identifying consumers reliably and securely in their interactions.

Survey data tells us....

23% of insurtechs offer solutions in this category. By far the leading technology in this category is Platforms & Other technologies (70%) followed by Big Data (15%). They see the attitude of incumbents towards collaboration as mostly reactive rather than structured and strategic.

Pricing and underwriting agility



What is driving change in the market?

The volume of data being generated by connected devices is growing exponentially. Big Data technologies supported by analytics provides the capability to capture and interpret large data sets. The insights drawn from this process is highly effective in understanding both customer behaviour and inherent risks in product coverages.

What are insurtechs doing?

Australian insurtechs are working with incumbents to gain the deep insights that allow players to penetrate new market segments. These insights allow informed risk analysis from new data sources.

Collecting vast amounts of information will shift pricing strategies from reactive estimation models (exposure protection) to usage-based models (proactive exposure management), in turn driving dynamic underwriting strategy decisions that are reflected in pricing.

Micro-insurance strategies are using insights from data points, such as mobile location and visual information, to personalise policy coverage. The usage-based solutions enable pay-as-you-go insurance with flexible coverage terms. For example, data insights from telematics or wearables that monitor health and lifestyle choices will change premiums in the life insurance market. Equally, car insurance providers will look to offer pay-per-kilometre coverage.

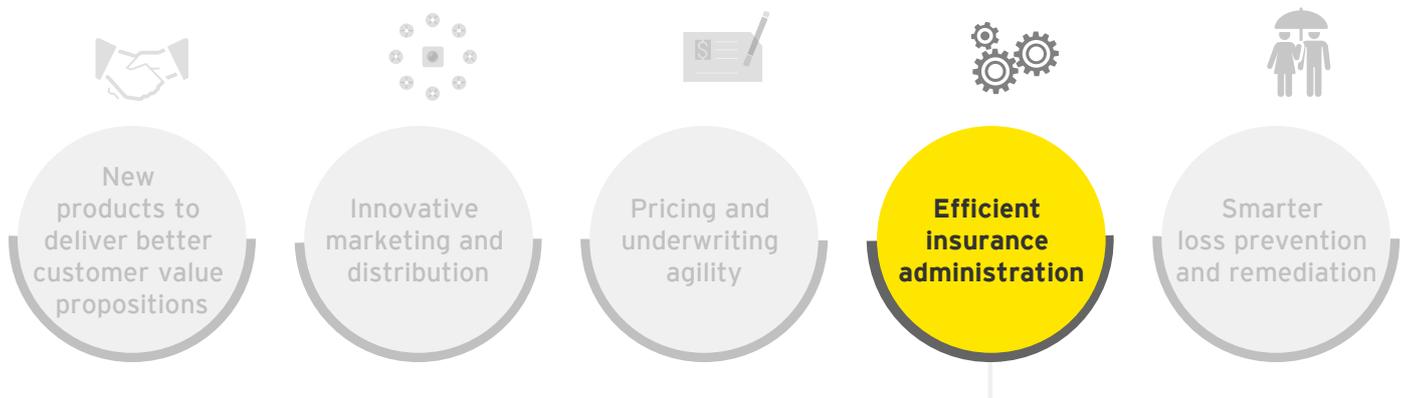
How can incumbents respond?

We expect insurtech-driven pricing and underwriting capabilities to grow significantly. New momentum will be created as more data points are leveraged. This may lead to some reduction in individual premiums or products that are increasingly personalised and relevant to the consumer.

Survey data tells us....

12% of insurtechs are focusing their solutions in this category. It is supported by a blended mix of emerging technologies, with the leading technologies being Big Data (30%), IOT / Connected devices (20%), Platforms (20%) and Blockchain (20%).

Efficient insurance administration



What is driving change in the market?

Increasing cost pressures are driving efficiency-related programs of work across the entire insurance value chain. Many insurers have used a series of point solutions to solve specific business problems. Unfortunately, these tactical solutions do not scale to drive significant operational improvements. As a result, insurers across the globe have, or are currently undertaking, core platform transformation programs to provide the foundations to improved technical and operational agility.

What are insurtechs doing?

While 7 insurtechs positioned their solutions primarily within this category to support efficient insurance administration, an additional 6 insurtechs position their product here as a secondary capability. The solutions had a fairly even spread across the insurance value chain, from sales and distribution through to claims and risk management. We can also see that 30% of these insurtechs consider their technologies are enabling new business models within the insurance landscape (disrupters), leaving the remaining 70% as predominantly enablers / enhancers for existing capabilities.

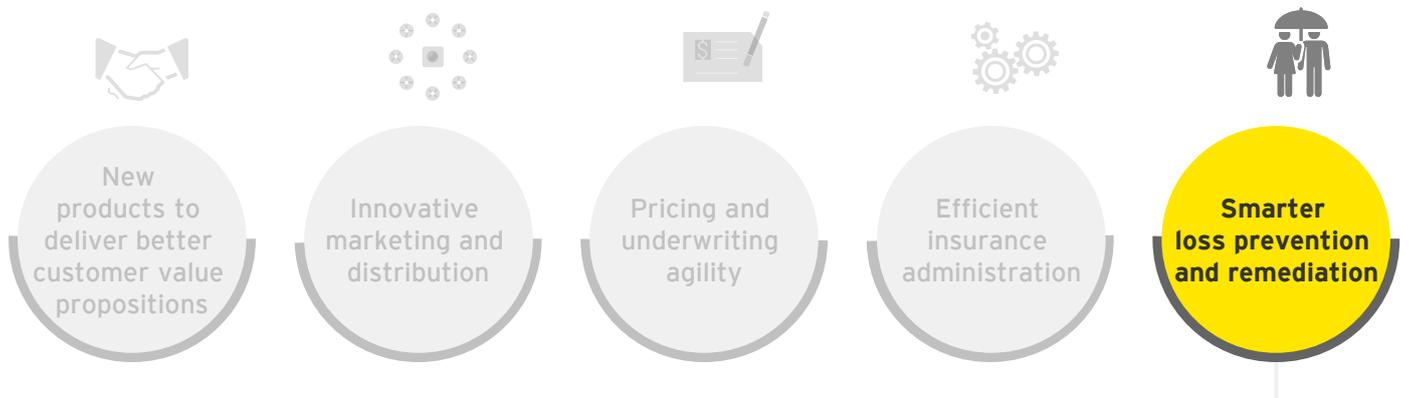
How will incumbents respond?

Local incumbents are becoming more focused and bold with their progress to digital transformation, and the capabilities of the core administration platforms are a key focus area to ensure the foundations of technical and operational agility are put in place. There is constant pressure on incumbents to drive product and service innovation by using their core administration platforms, and with the appropriate technical capabilities in place we expect many of the local incumbents to be in a position (have a technical capability) to partner with insurtechs to rapidly on-board new capabilities and generate near-term value.

Survey data tells us....

18% of insurtechs have solutions in this category supporting all insurance market sectors - GI, Life and Health. Not surprisingly 70% associate with Platform and Other technologies, with a distant second associated with Blockchain (17%).

Smarter loss prevention and remediation



What is driving change in the market?

Both customers and incumbents have an interest in making loss prevention and remediation smarter, as claims cost is a major premium driver.

Connected devices are enabling insurance players to notify insureds when risks increase with the goal of avoiding a loss. The application of this technology transcends property, bodily injury and product liability risk. It also includes health and life insurance lines. Through loss prevention services, insurers and underwriting agencies can move closer to the consumer in the value chain.

Loss prevention delivers benefits on both sides. Consumers can prevent predictable risks, obtain value beyond compensation and receive faster remediation. Insurers receive significant savings, particularly in areas where customers are exposed to life and permanent disability risk, such as construction, mining and manufacturing.

What are insurtechs doing?

The largest insurtech in this category uses platforms and other innovative technology to significantly reduce the average cost of a claim through smarter loss remediation. It also achieves high levels of customer satisfaction by restoring risk to its pre-loss position in reduced times. This enhanced portfolio performance is welcome after 15 years of soft pricing in the general insurance market.

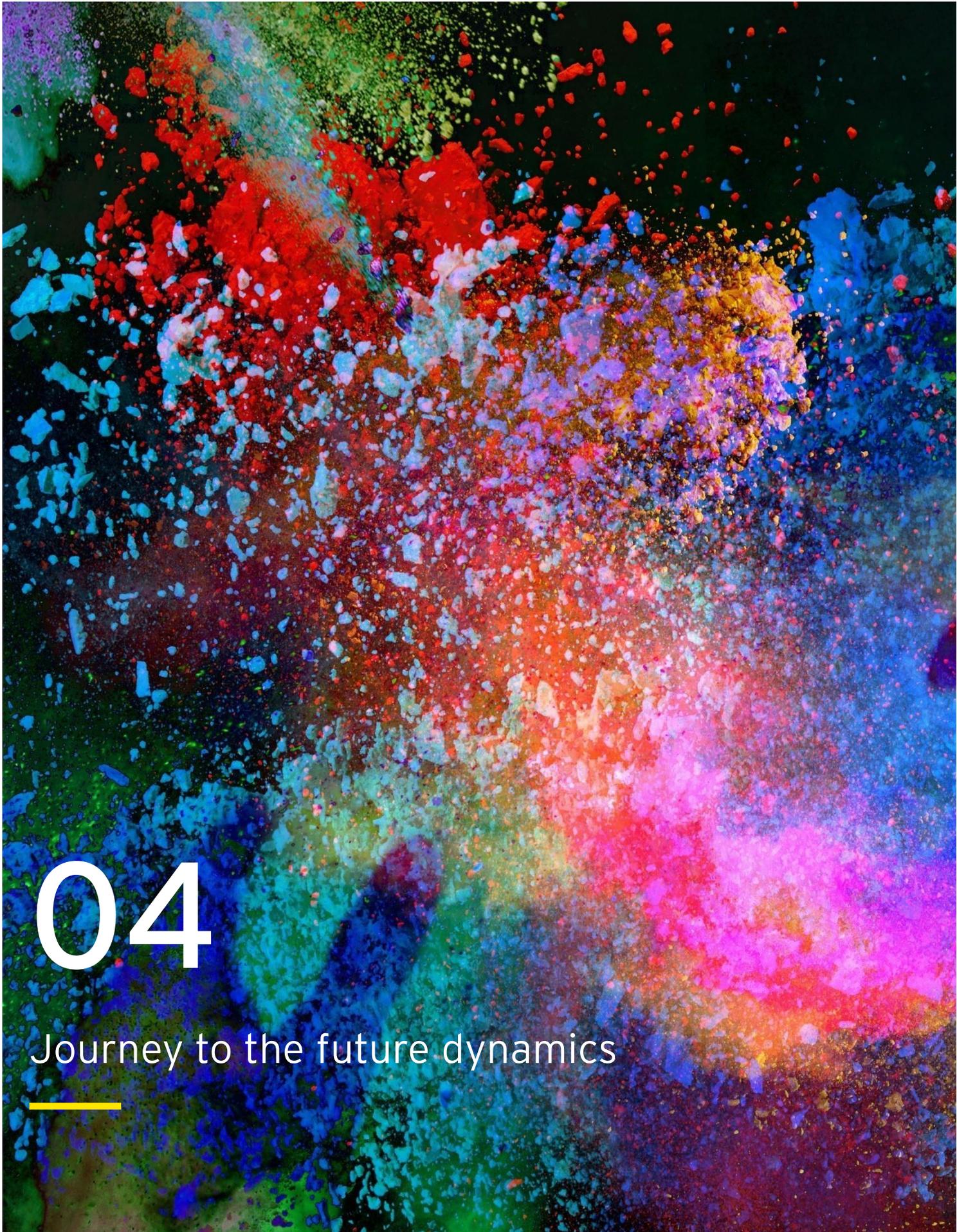
For example, augmented reality can be used to improve workplace safety, with automated customised risk assessments supported by machine learning and artificial intelligence. In travel insurance, real-time data combined with location information can help overseas visitors avoid danger.

How will incumbents respond?

This is an area where incumbents have an opportunity to leverage consumer-driven initiatives where smart home security / monitoring technology are being implemented in support of convenience. Insurers have an increasing awareness of the potential to leverage both consumer and commercial technology to provide pro-active monitoring and smarter loss prevention and associated remediation activities, having the potential of a lasting impact on risk and subsequently pricing. The question is whether insurers will embrace and fully incorporate these benefits, or whether they will be delivered separately by tech firms.

Survey data tells us....

25% of insurtechs have solutions in this category with the highest number in the stage of post-revenue and post-profit. The leading technologies are IoT/ Connected Devices (30%), AI and Machine Learning (30%) and Big Data (20%).

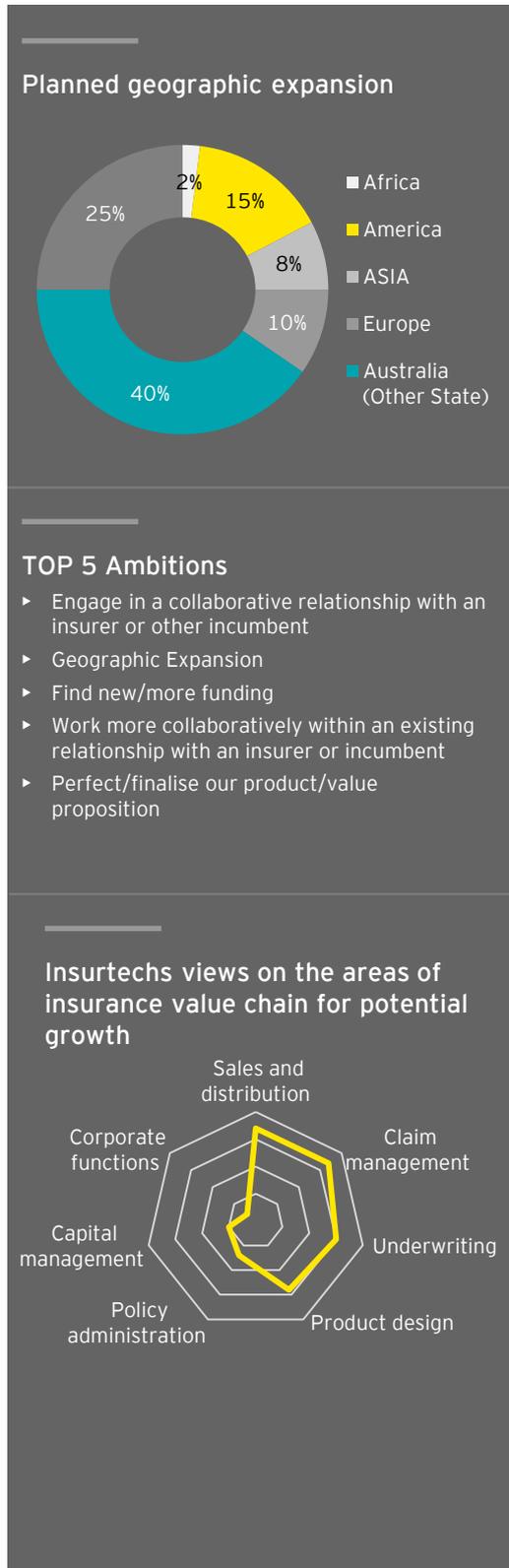


04

Journey to the future dynamics



Who will lead the way to embrace innovation to deliver business value through collaboration?



In today's Australian insurtech landscape, we found 65% of insurtechs are simply enablers for other players in the wider insurance ecosystem.

EY and insurtech Australia collaborated together to conduct a study to answer a simple question; are insurtechs in Australia enablers or disrupters? A disruptor thrives to provide the risk transfer solution without reliance on any existing incumbents' value chain. New entrants are insurtechs competing in the value chain. An enablers' motivation is not about acquiring insurance customers but contributing to existing players and addressing the industry's challenges.

Based on the survey data and our candid assessment through conversation with insurtechs, insurtechs in the Australian market are:

- Enablers of the value chain - 65%
- New entrants to the value chain - 25%
- Disruptors of the value chain - 10%

In recent years, incumbent insurers have started to partner effectively with insurtech players to build and rapidly scale innovative propositions. But most insurtechs see room for improvement and enrichment in industry collaboration.

Given both insurtechs and established players share the vision of technology-driven innovation in Australia:

- Should incumbents be more proactive in embracing digital innovation through collaboration?
- Should local insurtechs make more of an effort to differentiate themselves from growing numbers of other global players?
- Should facilitators such as insurtech Australia, Stone & Chalk, Tank Stream Labs and other advisors/collaborators such as EY accelerate building greater connectivity between local insurtechs and incumbents?

Yes, is the obvious answer to those questions. Gaining awareness and understanding is the start. The Australian ecosystem thrives only when players are accelerating the test and learn iterations, and allocating investment for growth.

What are the roles for ecosystem participants?

Incumbents

Under pressure to innovate and improve the customer experience, established players are seeking to create and implement an insurtech strategy. The scope of insurtech's capability to deliver innovative solutions across the value chain make them a very attractive partner for incumbents. Our interviewees report that insurtechs are often playing an enabling role, as a problem solver or innovation agent within the existing firms. Some, like Suncorp and QBE, have already started initiatives to collaborate with insurtechs and encourage innovation. However, our survey results demonstrate that insurtechs struggle getting in touch with large players and getting their messages across.

Many see Australia as an attractive but emerging ecosystem for insurtech. It can be a great testing ground for firms targeting the UK or the US. Established players are receptive to cooperate with global insurtechs wishing to test their ideas in the market. Talent is considered to be fairly available, especially with the potential to leverage a global workforce.

However, our interview with legal and regulatory professionals highlighted the obstacles such as tight regulations and high capital barriers to entry. Incumbents are particularly concerned about increasing data privacy and transparency compliance requirements. According to Charmian Holmes from The Fold Legal, "[Australian] regulation is not as friendly as in other locations where test and fail situations are encouraged, such as Singapore or China".

Insurtechs

Insurers may not necessarily know how to engage insurtech or understand their digital offerings. In principle, when two parties seek to enter a partnership, a minimum level of understanding of the other party's 'DNA' needs to be achieved. Insurtechs operate to a different rhythm to incumbents. Each brings differing and complimentary propositions to the table. The 'DNA' of each party needs to be understood and leveraged in the way the partnership is constructed and also leveraged in a commercial sense. Whilst some insurtechs enter the market to compete for market share, and some seek to disrupt, the majority (65%) are seeking to enable. Insurtechs should educate incumbents not only on what products and services they bring to the table, but their unique methodology for creating customer-centric, value-creating products and services. This is what sets insurtechs apart, and why the tech sector is now the largest global market in the world.

Survey data tells us....

What insurtech companies are seeking from incumbents are;

1. Access to customers
2. Help to scale into new markets
3. Sharing of data
4. Provision of capital / investment
5. Accelerator/Incubator program
6. Underwriting capability

Facilitators

Leaders in Government, in non-profit organisations and co-working communities such as insurtech Australia, Stone & Chalk, Tank Stream Labs, and advisory professionals such as EY continue exploring strategic partnerships and connecting incumbents with insurtechs to identify and help establish digital capability. Incubating a high impact environment for ideation with the right tools, resources and funding mechanisms may result in rapid designs and test solutions that reduce overall risk to an incumbent's business that would otherwise not be addressed.

insurtech Australia and other facilitators have a big role to play in education. Based on the surveys and interviews, further development in the levels of understanding of insurtech amongst key stakeholders is needed. Education and consequent knowledge will promote partnerships and inform a sustainable insurtech strategy. Insurtech and incumbents have a common goal of a competitive insurtech and insurance market in the global marketplace.

Australia's insurtechs display a high potential for rapid growth in the next few years. We hope this report helps to level the field for insurtechs and provides a map for established players to pursue their innovative potential.

Continued collaboration and joint work with enablers, such as insurtech Australia, will help drive sustained growth in the future.





About the Survey

In March 2018, EY and insurtech Australia designed an online survey comprised of 48 questions to form an understanding of the insurtech landscape, challenges, growth strategies and key market trends.

We reached out to members and non-members of insurtech Australia and requested participation. We also welcomed survey participation outside of existing networks through social media.

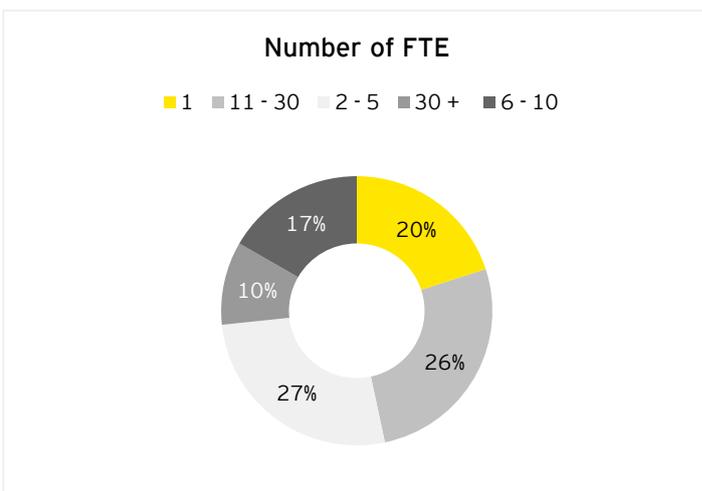
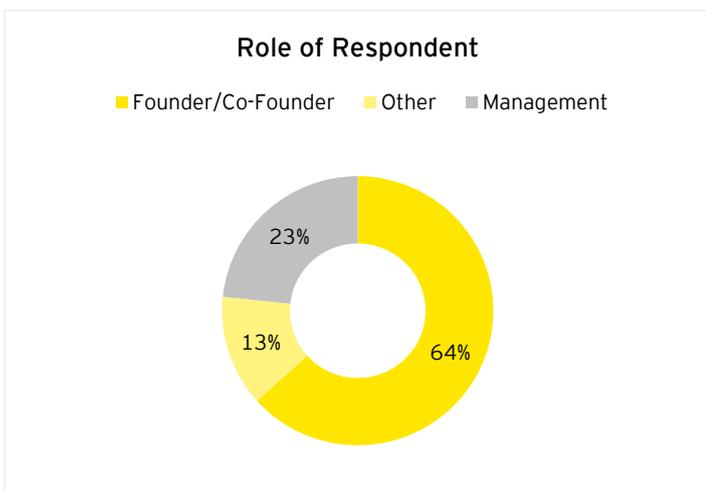
By April 2018, 30 valid responses from insurtech firms operating in the Australian market were received and 4 participants were added through individual interviews. We believe our reach into 34 insurtechs is a meaningful representation of active insurtechs making an impact on the insurance industry in Australia.

We also spoke to other industry ecosystem participants such as incumbents, legal and regulatory professionals, to understand challenges and opportunities from their point of view. Perspectives from Envest Investments, Munich RE, QBE, RAA Insurance, Suncorp, and The Fold Legal have been provided. This allowed for informed decisions about the optimal strategies required to succeed in this evolving ecosystem.

The survey provides a holistic view of the insurtech market covering both incumbents and insurtechs, and was completed by staff in management roles ranging from CEOs to COOs to company founders.

The majority of survey participants have been on average, in operation for 3 years, have already launched an offering and have fewer than 30 FTE.

Breakdown of insurance survey participants



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insurtech Australia

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.

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