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InsurTechNZ

State of innovation in the insurance industry

Australia & New Zealand (ANZ)

NOVEMBER 2024

Foreword

Innovating together: Bridging traditions and tech for a resilient future in Australasian insurance

The Australian and New Zealand insurance market is at a critical point: adapt or fall behind.

Traditional Insurers are under pressure to address emerging risks while keeping products affordable, despite legacy systems and strict regulations. InsurTechs, meanwhile, are making their mark but face their own challenges. This prompts the question: how can the industry use innovation to drive growth and profitability?

While innovation is widely recognised as essential, significant barriers hinder its adoption across the sector. Collaboration between Traditional Insurers and InsurTechs is key, as combining legacy expertise with fresh, tech-driven perspectives offers the greatest potential for industry-wide transformation.

Innovation must be approached as a discipline, with measurable targets and a culture that supports change. The call for innovation needs to become a collective mandate, embraced by all stakeholders, from C-suite to customers.

This report explores these shifts and advocates for cooperation and innovation to position the industry for future success.

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About this study

Deloitte recently completed in depth research to understand how the Australian and New Zealand insurance ecosystem is innovating

Survey coverage and key focus areas

In 2024, Deloitte conducted a survey across the Australian and New Zealand insurance ecosystem to understand the current level of innovation within the region

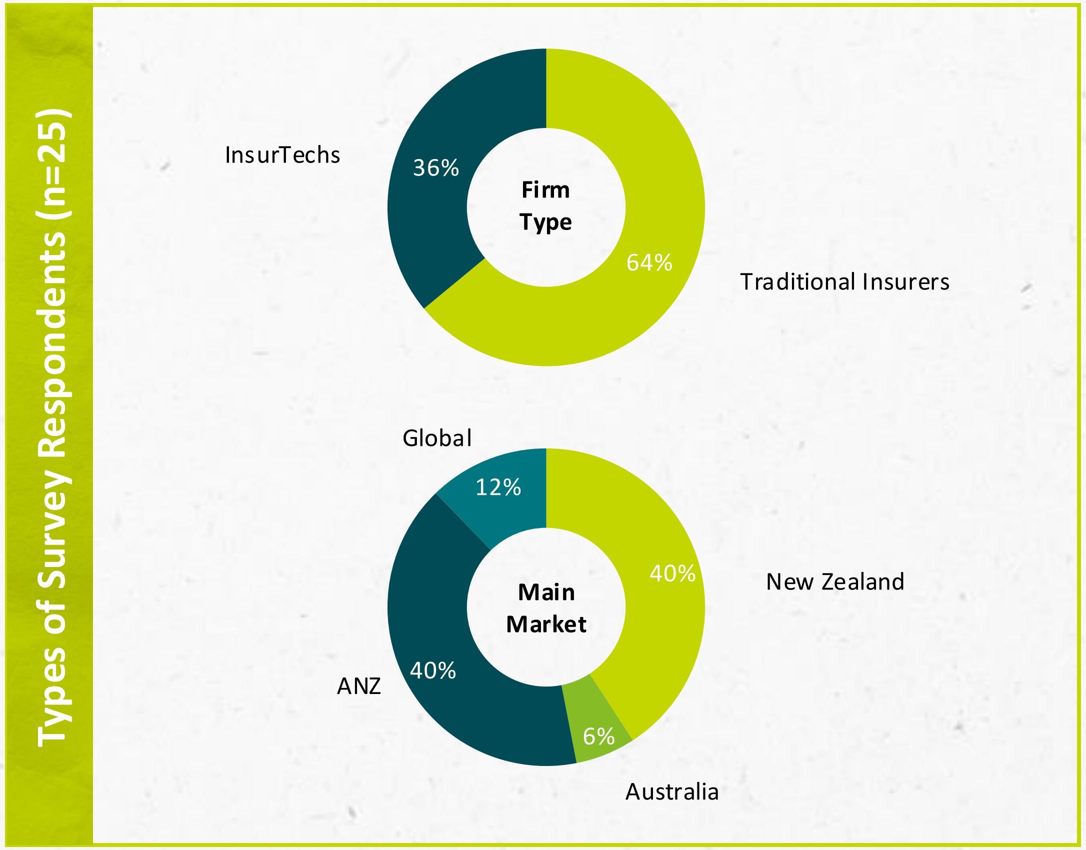
- The survey was completed by 25 participants across both countries.
- Respondents included InsurTechs and Traditional Insurers covering health, life, general insurance and reinsurance. The Traditional Insurers range from new and relatively small entrants to large established businesses and represent approximately 33% of the Gross Written Premium across Australia and New Zealand.

Within this short report we aim to answer the following key questions:

- What are the main trends and challenges faced by the insurance ecosystem?
- How does the ecosystem collaborate to drive innovation?
- What is hindering innovation across the ecosystem?
- How to accelerate innovation within ANZ's insurance industry?

To answer these questions, we have assessed how innovative the Traditional Insurers and InsurTechs perceive themselves to be, relative to their industry peers, but also to each other. We further dig into the insights of our survey across the various questions asked and highlight notable examples from the industry itself where innovation and collaboration is showcased.

Survey Participants



Key insights from the survey

Areas of focus

01 What are the main trends and challenges faced by the insurance ecosystem?

02 How does the ecosystem collaborate to drive innovation?

03 What is hindering innovation across the ecosystem?

04 How to accelerate innovation within ANZ's insurance industry?

Key insights

01
- **Industry at a crossroads:** Insurers face rising cybersecurity threats, rapid tech advancements, and changing customer demands, all amid climate and economic uncertainty.
- **Pressure points:** Traditional Insurers struggle with growth due to cost constraints and regulatory changes, while InsurTechs focus on customer acquisition and market acceptance.
- **Innovation as a strategic imperative:** Insurers and InsurTechs are driving innovation through internal efforts and strategic partnerships, leveraging new technologies to streamline operations, meet customer demands, and drive long-term growth.

02
- **The innovation catalyst:** Collaboration is key to drive innovation across the ecosystem, Traditional Insurers seek expertise, cost-efficiency, and tech gains, while InsurTechs chase rapid innovation, expanded reach, and customer growth.
- **Enabling faster tech adoption**: Over the last few years, Traditional Insurers and InsurTechs have been collaborating more strongly to harness AI and IoT to revolutionise offerings and redefine customer engagement.

03
- **Legacy weighs down insurers**: Traditional Insurers need to navigate rigid legacy systems, competing priorities for resources, skill gaps, and a rapidly evolving regulatory landscape.
- **Speed of change within the industry hinders InsurTechs**: InsurTechs' primary obstacles relate to capital scarcity and ability to gain momentum within the ecosystem due to slow industry adoption of new tech.

04
- **Innovation culture and tech literacy:** Embedding innovation at the core and upskill teams to harness new technologies effectively
- **Smooth partnerships:** Cutting red tape and enabling sandbox trials will ease collaboration between Insurers and InsurTechs.
- **Coopetition for impact:** Driving collective innovation by pooling industry resources to solve shared challenges.
- **Pro-innovation regulation:** Leveraging regulatory sandboxes to reduce uncertainty, fuelling investment and tech adoption.

Innovation imperative

Innovation is much wider than creating new shiny things - when done right, innovation can fuel the next generation of growth.

Innovation imperative

Embracing innovation is critical to drive resilience, competitiveness and profitable growth within the Australian and New Zealand insurance industry

Innovation outcomes

Resilience

Competitiveness

Profitable growth

Innovation goals

Enhance customer experience

Improve customer engagement by offering personalised, seamless, and digital-first experiences. This includes faster claims processing, more intuitive products, and tailored services that meet evolving customer expectations.

Foster new revenue streams

Develop new products and services. For example, usage-based insurance, on-demand policies, and parametric insurance products cater to changing customer needs, creating additional revenue opportunities.

Improve operational efficiency

Leverage automation, artificial intelligence (AI), and data analytics. Insurers can streamline internal processes, reduce administrative costs, and improve overall efficiency. This allows for faster decision-making and a reduction in manual tasks.

Address emerging risks

Better assess and mitigate emerging risks such as cyber threats, climate change, and pandemics. New technologies allow for more accurate risk modeling and proactive responses to these challenges.

Enhance regulatory compliance and flexibility

Build systems that adapt to regulatory changes while maintaining compliance in a cost-effective manner to help navigate and comply with complex regulatory requirements more effectively.

Innovation imperative

There are many innovation levers within insurance companies. Doblin's ten types of innovation offers a useful framework to diversify their innovation strategies to drive the greatest tangible business impact rather than pursuing innovation for its own sake

Doblin's ten types of innovation helps companies to think about innovation more broadly by identifying ten distinct types of innovation across three categories:

- **Configuration innovations** apply to profit models, networks, structures and processes. This comprises the 'back of the house' activities needed to develop the offering.
- **Offering innovations** apply to product performance and systems. This relates to the creation of new, or improved products, services, or customer experiences to unlock additive value.
- **Experience innovations** apply to services, channels, brands, and stakeholders. This is the various ways a company engages with its customers and stakeholders.

Traditional Insurers and InsurTechs need to diversify their innovation focus to consider the full business value chain, using the ten types of innovation as a guide or benchmark.

Ten types of innovation

Network
Collaborating with other organisations to explore or advance innovations

Process
Advancing and improving organisational functions (e.g.back-office operations and claims)

Product system
New or improved complementary products and services

Channel
Developing new ways and partnerships to deliver offerings to customers

Stakeholder and customer engagement
Distinctive interactions fostered across the value chain, from policy to claims

Profit Model	Network	Structure	Process	Product Performance	Product System	Service	Channel	Brand	Customer Engagement

CONFIGURATION | OFFERING | EXPERIENCE

Profit Model
Adjusting underlying profit mechanisms, or methods of managing capital reserves

Structure
Aligning capabilities and operating models to support greater innovation across the organisation

Product performance
Leveraging new data sources to improve pricing or develop distinguishing features

Service
Support and enhancements that surround the offering

Brand
Re-engineer the brand personality or acquisition approach

Innovation imperative

Our survey results indicate that InsurTechs consider themselves as drivers of innovation across all levers when compared to Traditional Insurers – Traditional Insurers seem to focus predominantly on brand, services and structure

InsurTechs perceive themselves as more innovative compared to the industry benchmark across the board, scoring themselves on average over one point higher.

InsurTechs, as agile and technology-driven startups, have embraced innovation in key areas such as customer experience services, efficiency in internal processes, product system and product performance. On the other hand, Traditional Insurers , with their established market presence and deep industry knowledge, have recognised the importance of product performance, brand strategy, and customer engagement within their sphere.

While InsurTechs bring fresh perspectives and disruptive approaches to the industry, Traditional Insurers have the advantage of existing customer bases, established brands, greater access to capital and extensive industry networks.

Nevertheless, both industries face more challenges with innovation in their distribution channels and profit models with half of the Traditional Insurer respondents acknowledging that their profit models were not at all innovative in comparison to the industry standard.

To bridge the gaps identified, InsurTechs can benefit from adopting more robust profitability models that align with their innovative offerings and exploring strategic partnerships to leverage external expertise and resources. While traditional insurers can embrace digital transformation and streamline their internal processes to foster innovation and adapt to changing market dynamics.

Areas in which innovation is more prominent

"To what extent does your company actively focus or prioritise in these areas of innovation?" scale from 1 (not at all) to 5 (completely) (n=25)

Trends and challenges

What key trends and challenges is the insurance ecosystem aiming to address through innovation?

Trends and challenges

Major global trends and challenges are redefining the insurance sector, creating an impetus for innovation to find new opportunities for growth and enhance operational efficiency

Major global trends

Cybersecurity risk
There has been a significant increase in cybercrimes from 2023 to 2024. Breaches resulting from vulnerability exploitation have increased by 180%, and cloud environment intrusions have increased by 75%.

Evolving regulatory environment
Due to the high costs and compliance inconveniences, there has been a slow down in product development, innovation, and competition. This is particularly notable now with the implementation of IFRS 17 and the increased reporting of non-financial risks stemming from the ESG agenda.

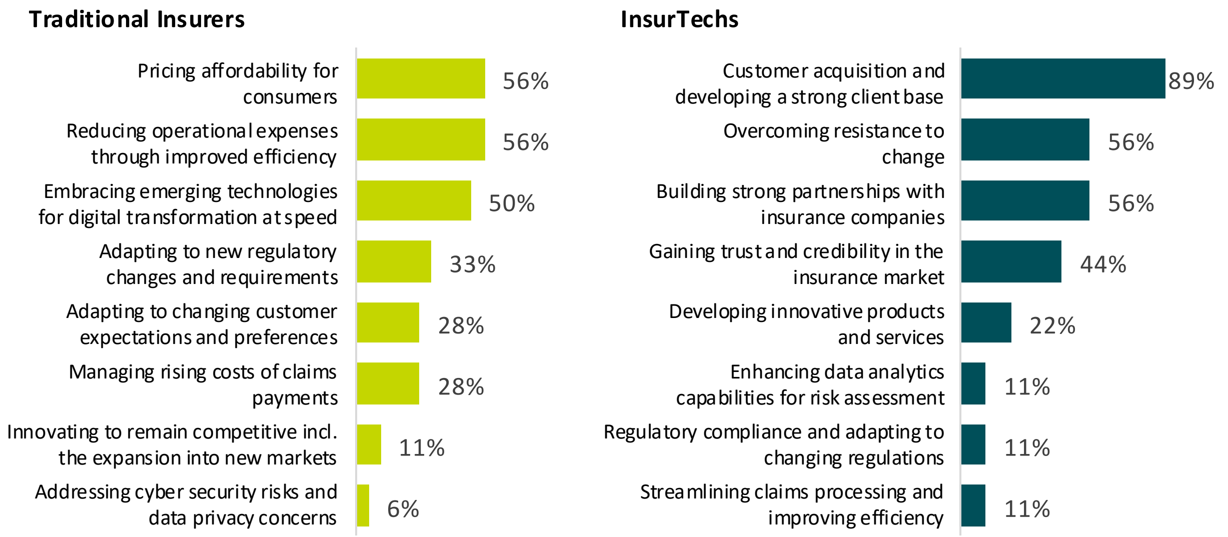
Disruptive technologies
The speed at which new technologies are being developed and adopted has increase significantly over the last decade. Over the last 12 months, AI has been the main disruptive technology – over 70% insurance companies are currently using, plan to use, or plan to explore using AI/machine learning in their operations.

Climate change and catastrophic events
It is forecasted that by 2040, property damages from natural disasters caused by climate change may rise by more than 60%. As a result, premiums are projected increase by 5.3% p.a.

Inflationary environment
Inflation has led to house insurance premiums rising by over 30% in certain areas of New Zealand, prompting some home insurers to withdraw their online quotes for the entire region. Meanwhile, in Australia, insurance prices have experienced a 16.2% increase over the past year, marking the highest annual rate since 2001.

Key challenges for the insurance ecosystem in ANZ

"What key challenges is your organisation currently focusing on tackling? (up to 3 selected)



- The majority of Traditional Insurers are most concerned about cost pressures impacting their products' affordability, driven both by operational costs that they are trying to control as well as the frequency and severity of recent natural catastrophic events driving up claims volumes predominantly for general insurers. These cost concerns are closely followed by their constant challenge in adapting to regulatory changes.
- However, InsurTechs are more concerned about their ability to acquire customers, their credibility and the industry's adoption of new solutions – this can be explained by their business model which typically requires them to partner with Traditional Insurers.

Trends and challenges - Traditional Insurers

For Traditional Insurers, innovation is a key tool to address the industry's challenges, specifically those associated to customer experience and operational efficiencies

Use of innovation by Traditional Insurers to address challenges

"Which specific challenges are your organisation aiming to address through innovation, either now or in the future?" (up to 3 selected)

	% Respondents
Adapting to changing customer expectations and preferences	50%
Reducing operational expenses through improved efficiency	50%
Innovating to remain competitive including the expansion into new markets	39%
Embracing emerging tech for digital transformation at speed	33%
Managing rising costs of claims payments	28%
Pricing affordability for consumers	17%

Traditional Insurers believe innovation is best suited to help adapt to rapidly changing customer expectations and preferences, to optimise their internal operations and to expand into new markets.

However, fewer respondents seemed to leverage their innovation capabilities to focus on supporting price affordability or adapting to regulatory changes and requirements – which were two of the top challenges faced by Traditional Insurers.

Tower Parametric Insurance embraces emergent technologies to enhance its Cyclone Response Cover IT platform

To address the 'embracing emerging technologies for digital transformation at speed' challenge, Tower collaborated with global InsurTech company CelsiusPro Group to enhance its IT platform for the Cyclone Response Cover, which is a parametric insurance product that offers policyholders a swift cash payout in the event of their property, or any insured location, being affected by a high wind-speed cyclone, irrespective of the extent of damage. This collaboration aims to improve access to insurance against severe weather perils in the region, with a focus on low operating and payment costs. During testing, Tower simulated 700,000 cyclone events for the solution, which is currently operational in three Pacific countries.

Tower's parametric insurance product was recently presented at the International Conference for Inclusive Insurance 2023 in Ghana, in collaboration with the United Nations Capital Development Fund (UNCDF).

Dai-ichi Life accelerates innovation through its Innovation Fund

Dai-ichi Life has taken a step to solve the 'innovating to remain competitive' challenge. In 2021, the Dai-ichi Life Innovation Fund (DLIF) was established to offer adaptable financial support for innovative concepts benefiting the Group companies (including TAL and Partners Life in Australia and New Zealand respectively) and to facilitate proof-of-concept (POC) trials.

The fund conducted two funding rounds in 2021, receiving 29 submissions from eight countries. Out of these, 16 ideas progressed to the initial selection stage and were showcased at a pitching event attended by over 130 internal and external stakeholders. Ultimately, eight ideas were chosen to receive funding. This initiative enabled the company to assess numerous bold and disruptive concepts, leading to significant progress in achieving innovation and synergies within the Group.

In 2023 the fund was split into 2 – Pre-seed and Seed fund, allowing Dai-ichi to back innovation ideas both in their early stages, and those approaching product-market fit. Innovation applications can be submitted monthly and 6-monthly respectively.

QBE investment in Snorkel AI to push further into Gen AI

QBE has ventured into 'embracing emerging technologies for rapid digital transformation' and has invested in Snorkel AI, a preeminent platform for developing AI models focused on data. This strategic move is driven by Snorkel AI's effectiveness in addressing real-world problems. By incorporating Snorkel AI, QBE is actively adopting machine learning (ML) and Generative AI within the insurance sector, with a commitment to ethical and data-informed practices.

Trends and challenges - InsurTechs

For InsurTechs, innovation is a core part of their business and is used to develop new products and gain credibility across the ecosystem

Use of innovation by InsurTechs to address challenges

"Which specific challenges are your organisation aiming to address through innovation, either now or in the future?" (up to 3 selected)

	% Respondents
Developing innovative products and services to stay competitive	67%
Gaining trust and credibility in the traditional insurance market	56%
Overcoming resistance to change and adoption of innovative technologies	44%
Building strong partnerships with traditional insurance companies for collaboration and growth	44%
Customer acquisition and developing a strong client base	44%
Enhancing data analytics capabilities for better risk assessment	33%

Given innovation is the core of their value proposition, it is unsurprising InsurTechs overwhelmingly view the development of innovative products and services as their top priority to maintain competitiveness (67%). Equally important to them is ensuring that these innovative offerings gain trust and credibility within the Traditional Insurance market, which may be hesitant to embrace new innovative approaches.

While Traditional Insurers had appeared to place greater emphasis on efficiency-related challenges, for InsurTechs improving operational efficiency, such as streamlining claims processing, ranks as one of the least pressing concerns (11%). This divergence highlights a strategic focus on innovation and market positioning over operational optimisation for InsurTechs which is already a given baseline of their innovation.

Simfuni - the software modernising insurance premium management to save administrative time and costs

Simfuni, the Australian and New Zealand Institute of Insurance and Finance's Insurtech Start-up of the Year winner for 2024, is tackling the technical challenges faced by the traditional insurance sector. Their modular software solution is designed to streamline the most common and repeatable tasks across insurance distribution and is accelerating transformation on both sides of the Tasman.

Launching in 2022 with an innovative approach, using electronic payment experiences for premiums as an initial client introduction to a full end-to-end digital experience. Simfuni's platform offers comprehensive features, such as a customer self-service portal, digital credit control, document creation and storage, and operator dashboards recording policyholder engagement. Their modules enhance customer experience and operational efficiency while delivering practical automation for core workflows.

Simfuni continues its rapid expansion in the ANZ market, effectively meeting the diverse demands across the entire insurance distribution channel. Their unique delivery approach allows independent software modules to be deployed to suit specific requirements or integrated as a full end-to-end solution. Simfuni has enabled life insurers, brokers, MGAs and third-party administrators to solve challenges quickly and optimise transformation projects.

Honey Insurance Leveraging Smart Technology to Enhance Home Safety

Honey Insurance is addressing the challenge of "Developing innovative products and services to stay competitive" by revolutionising the home insurance market with its innovative approach to household risk management. As the sixth fastest-growing tech company in Australia according to the Deloitte Fast 50, Honey Insurance has swiftly carved a niche for itself by minimising household risks through smart technology. Launched in 2020, this Sydney-based InsurTech company has rapidly grown its market presence achieving an impressive annual recurring revenue of $40 million after 3 years of operations and setting up partnerships with major companies such as ALDI and RACQ. Honey Insurance distinguishes itself by integrating smart technology into its offerings, providing customers with advanced home sensors that prevent avoidable accidents such as fire, water damage, and theft. These smart sensors, included as part of Honey's insurance packages, sync with a smartphone app to monitor the home environment in real time, offering customers peace of mind and reducing the likelihood of insurance claims. As Honey continues to expand its reach in the ANZ market, the company remains focused on scaling its distribution, enhancing its product offering, and maintaining its commitment to superior customer service, setting the stage for further growth and innovation in the home insurance sector.

Collaboration across the ecosystem

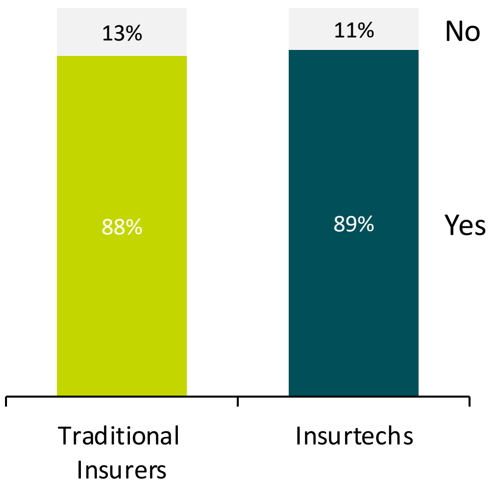
How does the ecosystem collaborate to drive innovation?

Collaboration across the ecosystem

Collaboration is key to drive innovation across the ecosystem, there are a number of opportunities to collaborate and Traditional Insurers and InsurTechs are approaching this differently

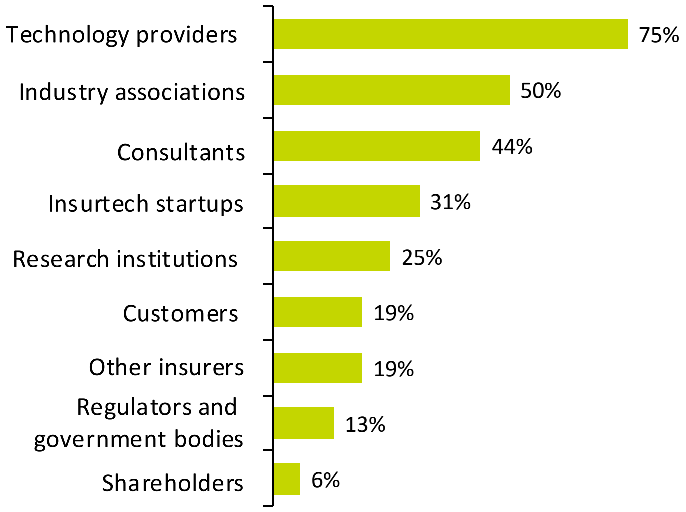
Degree of collaboration and drivers of innovation

"Are you currently collaborating with others to solve these challenges?" % (n=25)

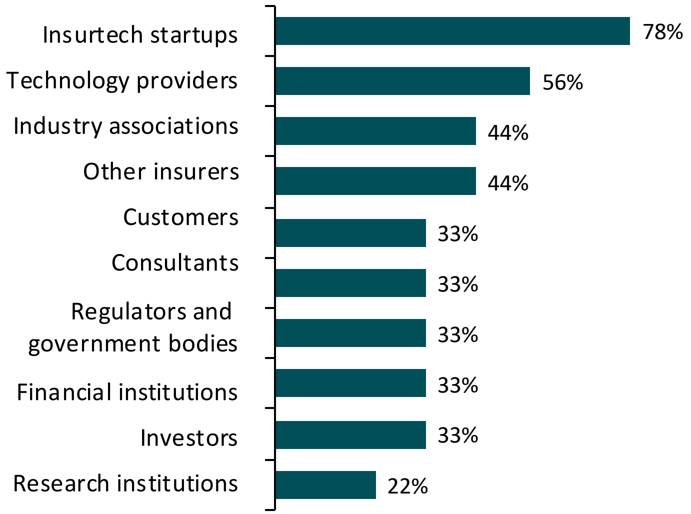


There is a very high degree of collaboration across the insurance ecosystem in ANZ to drive innovation across both Traditional Insurers and InsurTechs.

Traditional Insurers - "Who are you collaborating with?" % (n=14)



InsurTechs - "Who are you collaborating with?" % (n=8)



There are differences on who players collaborate with depending on whether they are Traditional Insurers or InsurTechs. Both groups tend to partner significantly with technology providers and industry associations to take on their challenges, but Traditional Insurers are more likely to collaborate with consultants while InsurTechs are more likely to collaborate with other partners within their ecosystem, mainly other InsurTechs but also Traditional Insurers.

Collaboration across the ecosystem

Ecosystem players collaborate for different reasons. For insurers, it is mostly to access expertise and for InsurTechs, it is to access expertise, leverage new channels and staying ahead of competition

Collaboration within the industry happens for many reasons. Knowledge share seems to be biggest reason for both Traditional Insurers and InsurTechs with at least half of each group's respondents agreeing. Specialisation of knowledge allows for more in depth expertise and collaboration allows both Traditional Insurers as well as InsurTechs to harness that knowledge base.

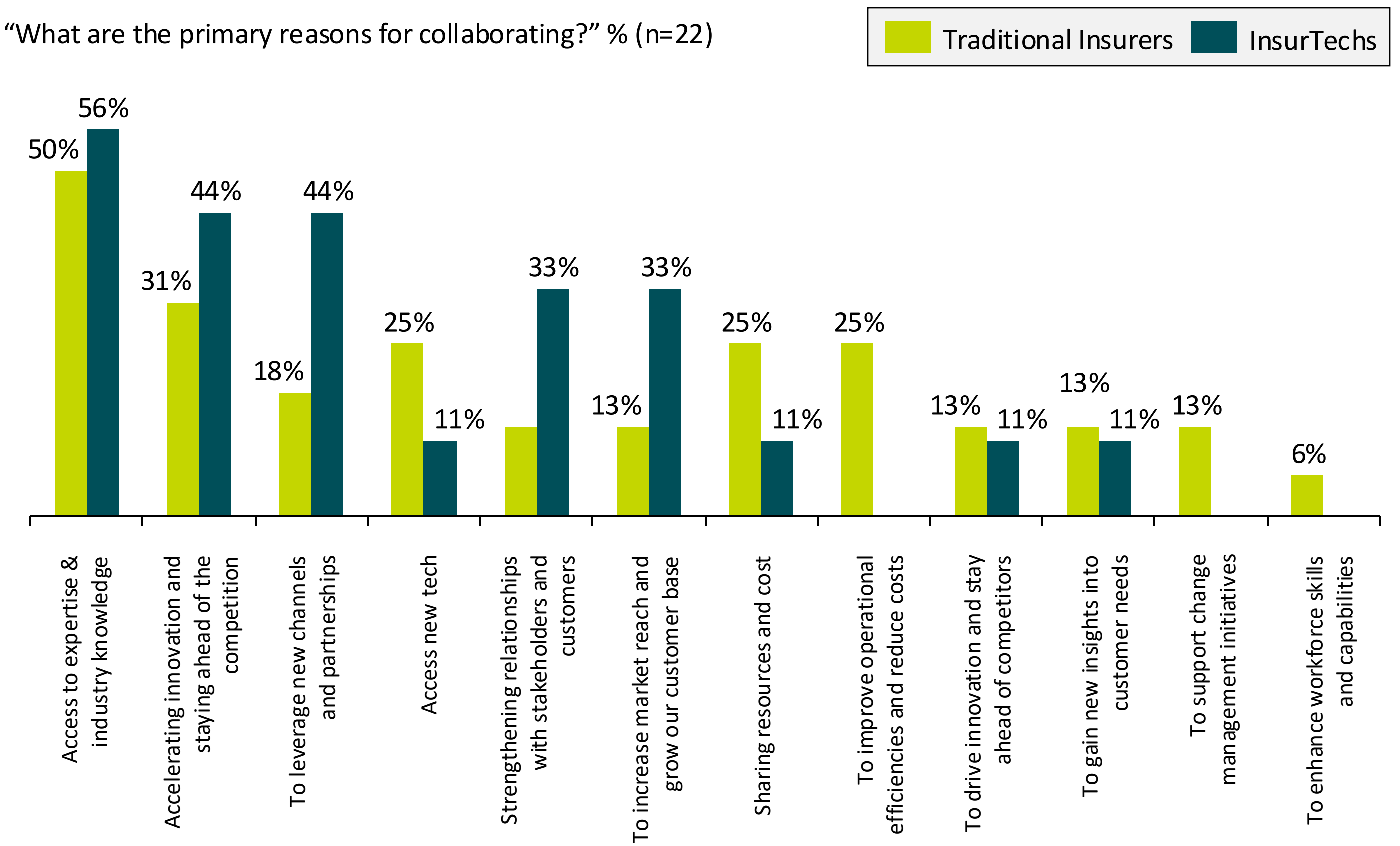
Beyond this, the reasons for collaboration for Traditional Insurers are a lot more varied. The next largest reason, staying competitive and accelerating innovation, only resonated with less than one third of respondents.

The InsurTech responses are more concentrated around competitiveness and leveraging channels and partnerships as well as strengthening relationships and increasing market reach. These reason were less prominent for Traditional Insurers as they generally already possess an established brand, existing Industry relationships and customer base.

In contrast, as InsurTechs are inherently technology driven, forward thinking and confident in their technical capabilities, they are much less concerned with reasons like accessing new technologies or improving operational efficiencies through collaboration; compared to Traditional Insurers who may be entrenched in traditional practices with many areas that could benefit from new technologies and practices accessed through collaboration.

Reasons to collaborate

"What are the primary reasons for collaborating?" % (n=22)



Barriers to innovation

What is hindering innovation across the ecosystem?

Barriers to innovation

Players within the ecosystem face various sources of barriers to innovation and collaboration that can be internal or external to their organisation

Driving innovation in the insurance industry has always been challenging.

Traditional Insurers grapple with internal barriers deeply embedded within their extensive history. Their legacy systems serve as both an enabler of established stability and a challenge that rebuffs technological integration. They change slowly, with organisational inertia curbing the rapid pivot towards innovation. Risk aversion is inherently systemic, taking precedence over unproven, albeit potentially transformative ventures. Talent retention and acquisition also reflect this conservative stance, often resulting in a lack of in-house advocates for disruptive technology.

The external front presents its own unique challenges with regulatory pressures necessitating a cautious approach, as any misstep could reverberate through the market. Furthermore, customer trust, built over decades, places Traditional Insurers in a delicate balancing act between innovation and reliability. At the ecosystem level, the sheer volume of capital required for material advancement presents a challenging barrier, often hindering brisk progress.

InsurTechs, conversely, stride the path of innovation with inherent agility. Internally, their structural DNA fosters an embracing of modern technology and novel methodologies. However, the struggle for InsurTechs often lies in scaling their business models and securing the talent that can champion industry-specific know-how alongside tech prowess. Externally, they navigate through a regulatory maze that was not designed with such agile adventurers in mind. Winning customer trust can be especially challenging for these new entrants against the established backdrop of their traditional counterparts.

In the broader ecosystem, InsurTechs vie for capital and strategic partnerships within a competitive landscape, seeking to carve out niches that allow for sustainable growth. The technological advancements that InsurTechs chase are persistent and rapid, imposing a relentless pursuit to not only keep pace but also to remain relevant.

Barriers to innovation

Internal barriers

- Limited budget or resources
- Lack of clear strategy
- Legacy systems
- Lack of leadership
- Insufficient analytical capabilities
- Risk appetite
- Inadequate skills
- Organisational culture

External barriers

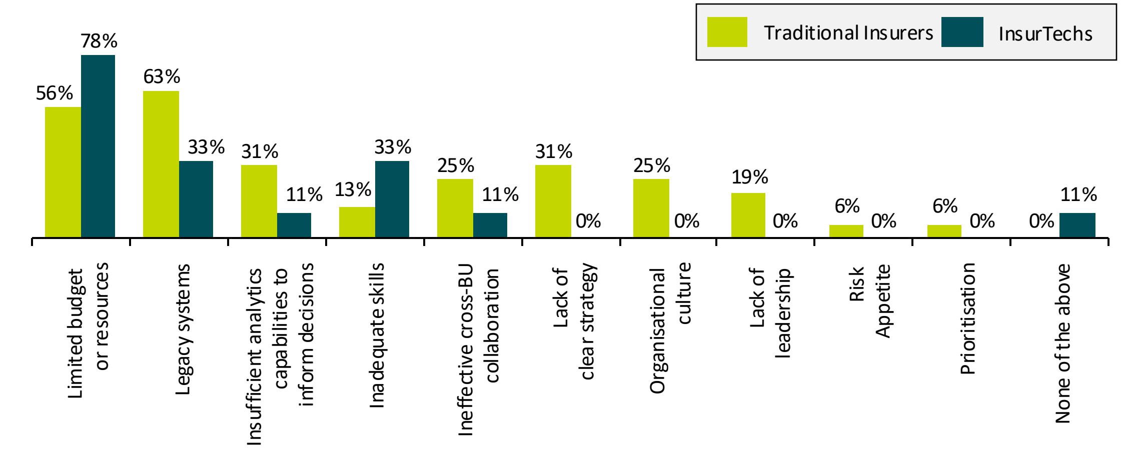
- Regulations
- Cyber security threats
- Slow adoption of new tech
- Strong competition
- Limited access to funding

Barriers to innovation

InsurTechs and Traditional Insurers alike face significant internal barriers to innovation, including limited budget or resources (a more acute issue for InsurTechs), outdated legacy systems, and a lack of necessary talent and skills

Internal barriers

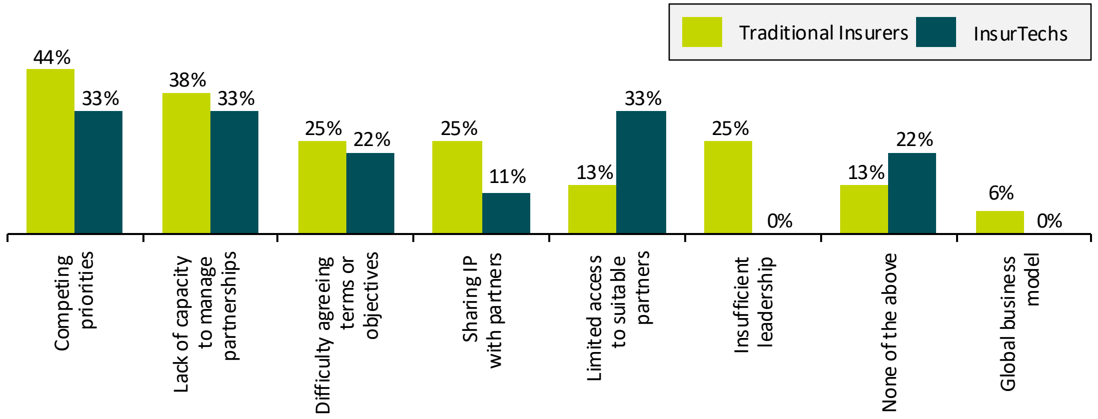
"What internal factors are hindering your organisation from driving innovation in the industry?"



- Limited budget/resources is a theme that was mentioned mostly in responses. Traditional Insurers and InsurTechs expressed difficulty in allocating sufficient funds and resources to drive innovation within their organisations. Limited budgets may hinder the adoption of new technologies, implementation of innovative ideas, and investment in research and development.
- Many respondents also identified legacy systems or outdated infrastructure as a significant barrier to innovation. These systems may not be compatible with new technologies or may require significant investment to upgrade. The presence of legacy systems can slow down the implementation of innovative ideas and hinder agility in responding to the changing needs of the industry.

Blockers to collaboration

"What is blocking your organisation from collaborating with industry partners to drive innovation?"



- Competing priorities are a significant challenge for both Traditional Insurers and InsurTechs within the ecosystem. The daily demands placed on employees make it difficult for them to effectively incorporate innovation into their workload.
- This struggle is compounded by the limited resources available to handle or assign employees to manage partnerships, creating additional obstacles for both parties in advancing innovation. Without dedicated advocates for progress in innovation, tracking the company's advancement becomes increasingly challenging.

Barriers to innovation

The largest external barrier to innovation facing InsurTechs in ANZ is the industry's slow adoption of new tech, while both InsurTechs and Traditional Insurers consistently grapple with regulatory complexity

The largest external barrier faced is regulatory complexity and compliance burden with over half of InsurTechs and Traditional Insurers highlighting the challenges posed. Compliance with regulations can be time-consuming and costly, potentially impeding innovation efforts, while regulatory constraints may limit the flexibility of insurance organisations to adopt new technologies and practices.

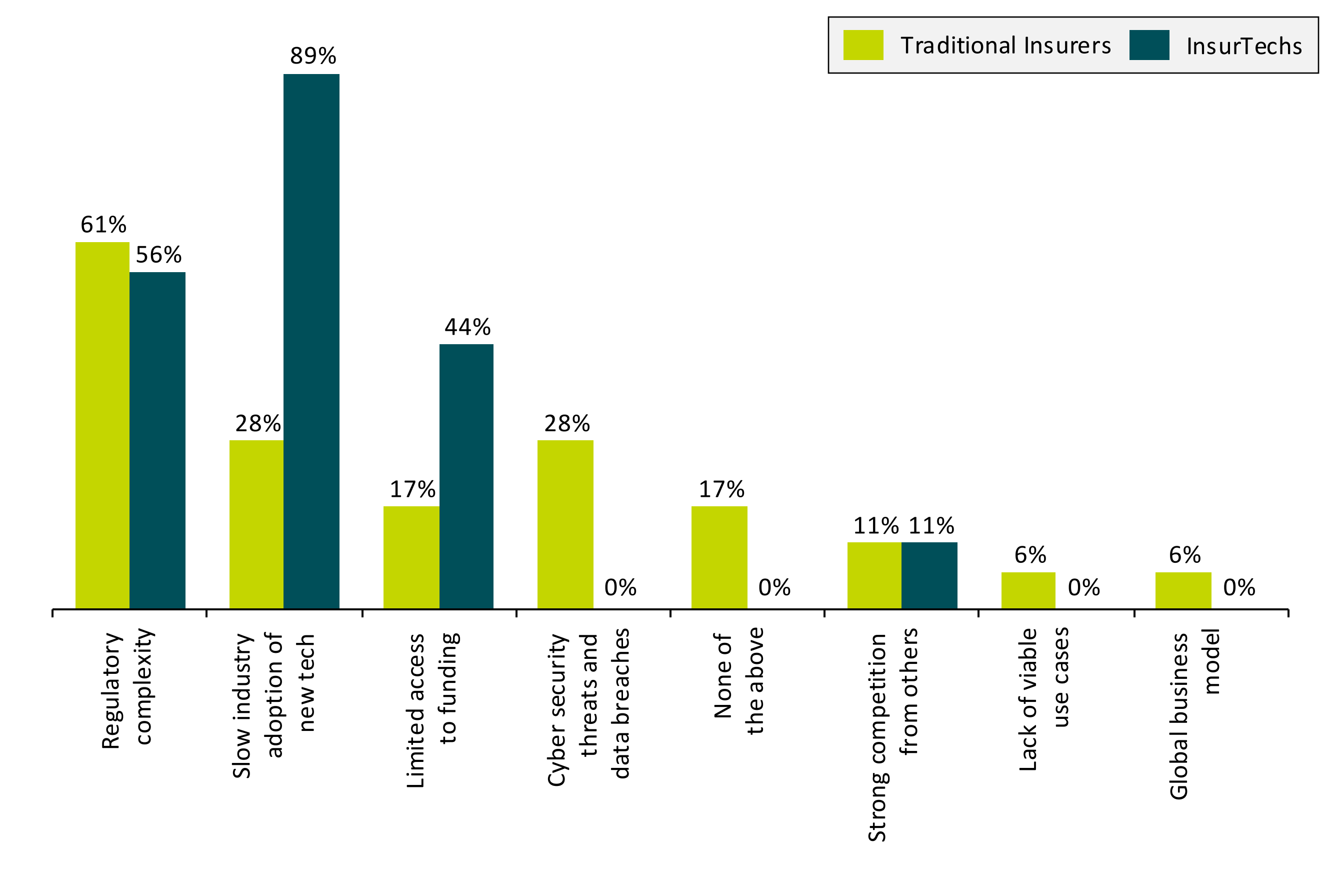
Many respondents acknowledged the slow industry adoption of new technologies and practice as a barrier to innovation, hindering their organisation from keeping up with evolving customer needs and expectations. 89% of InsurTechs expressed frustration with the slow pace of technology adoption within the industry.

While the responses from Traditional Insurers were more varied beyond this point, the final external barrier to driving innovation that most InsurTechs are concerned with is the limited access to external funding and investment. Insufficient financial resources may restrict an organisation's ability to invest in innovative initiatives, research and development, or partnering with startups or technology providers.

Although other themes were also mentioned by Traditional Insurers in the survey responses, such as strong competition from other players in the industry and cybersecurity threats, these three themes emerged as the most salient and frequently mentioned by the respondents.

Addressing these external barriers to innovation requires industry collaboration, proactive engagement with regulators, exploring alternative funding sources, and advocating for a culture that promotes technology adoption and experimentation.

External barriers



Driving innovation across the ecosystem

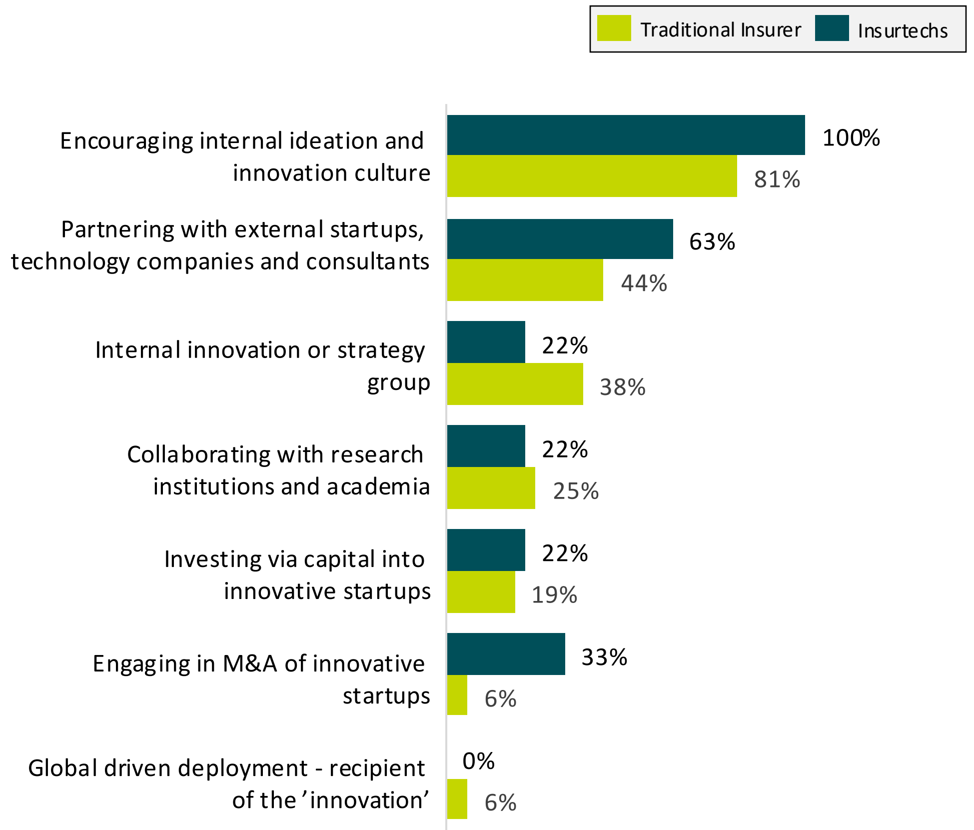
How to accelerate innovation within ANZ's insurance industry

Driving innovation across the ecosystem (1/2)

Various levers exist to drive innovation within an organisation – encouraging internal ideation and partnering with providers are the most commonly used

Driving innovation inside organisations

"How do you drive innovation initiatives within your organisation?"



Similarities between Traditional Insurers and InsurTechs

Encouraging internal ideation and innovation culture

- Both InsurTech and Traditional Insurers highly prioritise "Encouraging internal ideation and innovation culture." InsurTech companies rank this initiative highest among all responses, with 100% of respondents emphasising its importance. For Traditional Insurers, this initiative ranks second highest, with 81% of respondents recognising its value.
- The majority of Traditional Insurers concur that encouraging internal ideation and innovation culture is a pivotal initiative for driving innovation. It promotes a mindset of continuous improvement and creativity among employees, leading to the generation of innovative ideas and solutions. This approach is often seen as a "must have" or at least a "must try", as it is within the company's control – however these initiatives can be difficult to fully realise for large organisations due to complexity and existing embedded culture. For example, Suncorp fosters a dynamic innovation culture with initiatives like reskilling partnerships with the University of NSW, automation training, and hands-on events such as Sensorthon. Their fully digital Brisbane head office further embeds this forward-thinking ethos.
- For InsurTech companies, the emphasis on fostering an internal ideation and innovation culture is even more pronounced, as it aligns closely with their foundational principles. Startups in the InsurTech sector are often driven by a need to differentiate themselves from traditional players through innovative solutions and technologies which enables them to disrupt the market with novel insurance products and services.

Partnering with external startups, technology companies and consultants

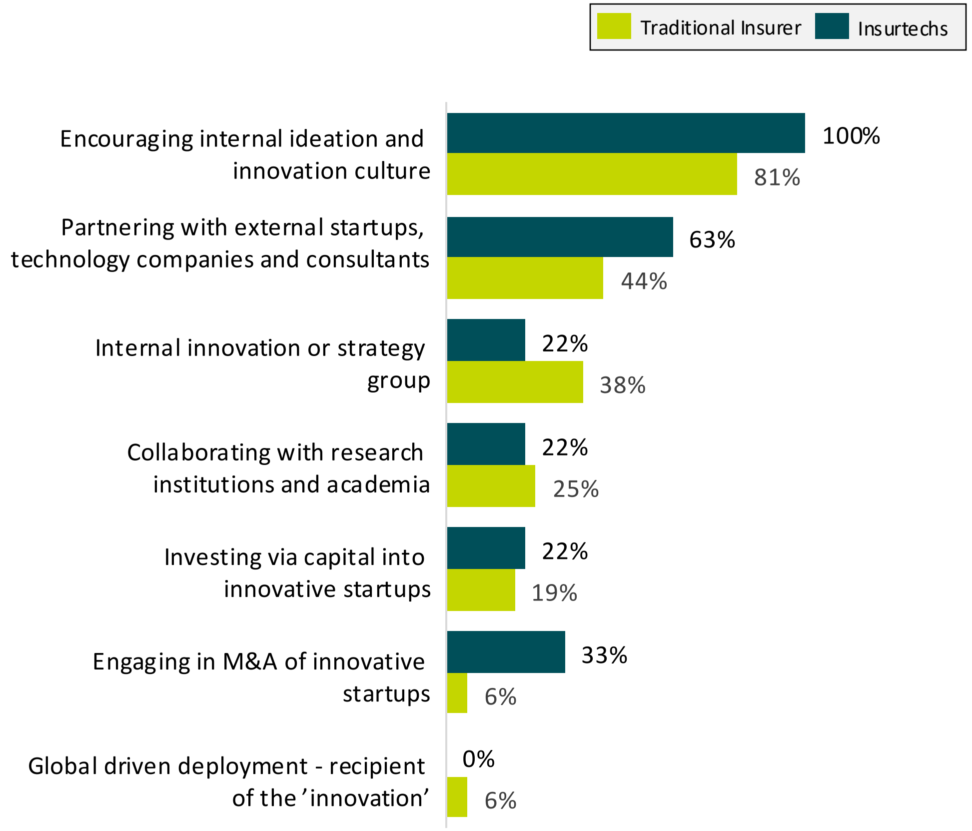
- Fostering innovation can also be done by collaborating with external parties. Just over half of Traditional Insurers and InsurTechs surveyed agreed that partnering with other InsurTechs and tech providers is an effective initiative to foster innovation. For Traditional Insurers, these partnerships can bring access to cutting-edge technology, data analytics, and artificial intelligence solutions that they may not have in-house. This can enable them to improve their operational efficiency, develop new products and services, and enhance customer experiences.
- For InsurTechs, partnerships within the startup ecosystem are equally valuable. Collaborating with other innovative companies allows InsurTechs to share knowledge, combine expertise, and leverage complementary technologies, accelerating their development processes and enhancing their ability to bring disruptive solutions to market swiftly. These alliances also enable InsurTechs to expand their reach, access new customer segments, and remain agile in a highly competitive environment.

Driving innovation across the ecosystem (2/2)

Various levers exist to drive innovation within an organisation – these levers are not equal between Traditional Insurers and InsurTechs

Driving innovation inside organisations

"How do you drive innovation initiatives within your organisation?"



Differences between Traditional Insurers and InsurTechs

Internal innovation or strategy group

- A notable difference in approach between Traditional Insurers and InsurTechs in driving innovation inside the organisation is the emphasis on establishing an internal innovation or strategy group. Traditional Insurers place a higher importance on this initiative, with 38% of respondents ranking it as the third highest priority. This reflects the structured approach these companies take to drive innovation within their established frameworks. In contrast, InsurTechs assign a lower priority to forming such groups, with only 22% considering it significant, and being ranked as one of the three least dominant approaches. This lower emphasis reflects their agile, startup culture, where innovation is often embedded across all roles rather than confined to a specific group.
- Most often used by large incumbents, this initiative serves as a 'catalyser' as the dedicated group can focus solely on identifying, developing, and implementing innovative ideas and strategies within the organisation and continuously exploring emerging trends, technologies, and opportunities within the insurance industry. For instance, IAG is on the hunt for new, unconventional talent to turbocharge their Innovation team, focusing on graduates with diverse experiences to enrich their department's dynamic. Meanwhile, TAL is buzzing with its own brand of workplace innovation, hosting the Annual Innovation Challenge that drives employees to create groundbreaking solutions for better customer service, with the previous year's victor delivering an app that significantly improved claims processing and notably enhanced the customer journey.

Engaging in mergers and acquisitions of innovative start-ups or companies

- Engaging in M&A reveals a significant difference in the inclinations between InsurTechs and Traditional Insurers. InsurTechs rank this initiative third, with 33% of respondents considering it a key strategy for driving innovation. In contrast, Traditional Insurers place much less emphasis on M&A, ranking it the lowest with only 6%.
- This disparity likely reflects the differing strategic approaches of the two groups. InsurTechs, as newer entrants to the market, appear more open-minded to mergers as a strategy to quickly access innovative technologies, acquire talent, gain market share, and create synergies.
- On the other hand, Traditional Insurers, with their established market presence and complex organisational structures, may view mergers and acquisitions as less central to their innovation strategies. These companies often prioritise internal innovation initiatives and partnerships with consultancies to drive growth, reflecting a more cautious approach to risk management. The challenges associated with M&A, such as integrating startups into larger, more complex organisations, can be significant. As a result, Traditional Insurers may prefer more controlled and incremental approaches to innovation, focusing on leveraging existing capabilities and fostering in-house talent development.

Driving innovation and growth across the ecosystem

We have identified six potential avenues to help the insurance ecosystem overcome existing innovation and collaboration barriers to drive growth and resilience

Easing bureaucracy associated to setting up partnership
Many insurers expect partners (including InsurTechs) to go through rigorous cumbersome legal and procurement processes before formalising a partnership. Setting up sand box environments with streamlined processes to test partnerships could enable smaller organisations to partner with large insurers driving new ideas and innovation.

Investing in technology adoption to enable innovation
To drive innovation, the insurance industry should invest in modern technologies such as AI, Cloud, and big data analytics. Additionally, investing in staff training to increase tech literacy is essential. By developing these skills, insurers can create a more innovative and agile workforce, better positioned to leverage new technologies and remain competitive.

Industry "coopetition" to tackle Industry wide challenges
Many of the challenges faced by the insurance industry are not yet fully understood and do not have clear solutions (e.g. cyber risk, climate change). For these major challenges, setting up ecosystem-wide project groups (combining involvement and funds from multiple companies / organisations) can support finding industry-wide solutions to ensure the continuous sustainability of the sector.

Redefine risk management frameworks to allow for innovation to occur
Risk management frameworks need to be redefined to create a safe environment for experimentation and learning. By allowing for calculated risks and embracing a mindset that supports failure as a learning opportunity, employees can feel more secure to test new ideas and approaches. This shift can drive creativity and innovation, enabling the development of groundbreaking solutions that can keep the industry competitive and resilient.

Dedicating to fostering an innovative culture
To truly drive innovation, an organisation must be obsessed with integrating innovative practices at every level and embracing innovation as part of its DNA. This could include holding regular company-wide meetings focused on innovation, where employees are encouraged to think differently and challenge the status quo. Innovation needs to not only be encouraged but actively pursued as a central component of organisation's culture.

Easing regulatory and compliance barriers
While regulatory authorities are often seen to be at odds with regulated entities when it comes to innovation, in recent times regulators have become more proactive, anticipating and encouraging innovations. By creating a favourable policy environment and utilising a range of direct and indirect tools, regulators can effectively encourage investment in innovation.

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