

16 April 2019 – InsurTech Emerging at Pace – EY Report

This report is aimed at helping those in the insurance sector initiate the right conversations with emerging technology businesses. At Cumulo9 we are pleased to be recognised as a key player in two of the four technology pillars covered in this report.

Businesses are starting to recognise that email has become the preferred channel for many customers. But in addition, Insurers need to be assured that their emails are not only compliant, but they are being delivered. Cumulo9 have developed solutions to meet this need including reporting dash-boards, so that everyone is always in control.

In addition, Cumulo9 represent Quadient, who according to Gratner, Forrester and IDC are a global market leader in customer communications. Quadient help insurance businesses around the world optimise their communication processes, future-proofing them as new technologies emerge.

Enjoy the report and feel free to [contact the team at Cumulo9](#) if you have any questions or need help with your essential digital communications.



InsurTech emerging at pace

An assessment of the
New Zealand InsurTech
ecosystem



Foreword

The international Insurance sector is undergoing profound challenges. Traditional insurers are facing increasing competition and more pressure on margins, compounded by the growing influence of new market entrants using new technology platforms.

The industry as a whole is also experiencing increasing disintermediation with the redefinition of the traditional insurer's dominance in the market facing declining consumer trust and engagement. This dynamic is amplified when comparing to other industries that have embraced digital engagement. The Insurance sector is not advancing at a comparable pace, meaning there can be a disconnect between the level of service being offered by insurers vis-à-vis customer expectations based on their experience in other sectors.

To understand the landscape of New Zealand's Insurance sector Ernst & Young LLP (EY New Zealand) and InsurTechNZ collaborated in a survey; adopting a similar approach to that conducted by InsurTech Australia and Ernst & Young LLP (EY Australia) in early 2018. The Australian survey focused on mapping InsurTechs and their own perspectives, while the New Zealand survey enquired more broadly, including incumbent insurers and InsurTechs, technology partners and industry bodies.

Our intention for this report is to initiate the right conversations and accelerate activity in the New Zealand Insurance sector in areas such as securing targeted venture funds, government grants, innovation labs, and expanding the talent pool, through increased collaboration and business partnerships between InsurTechs, technology companies and insurers.

We envisage conducting this research again (as is InsurTech Australia) to capture changes and insights over time.

We would like to thank all survey and interview participants for their valuable contribution to this survey.

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Executive Summary

EY New Zealand and InsurTechNZ collaborated to conduct a survey to understand the landscape of New Zealand's Insurance sector. This report is based on the insights from the survey and targeted interviews conducted between September and November 2018. The findings have been supplemented by the authors' local and global observations.

The New Zealand Insurance sector is gaining a voice and achieving market momentum, and benefiting from recent overseas and local InsurTech developments.

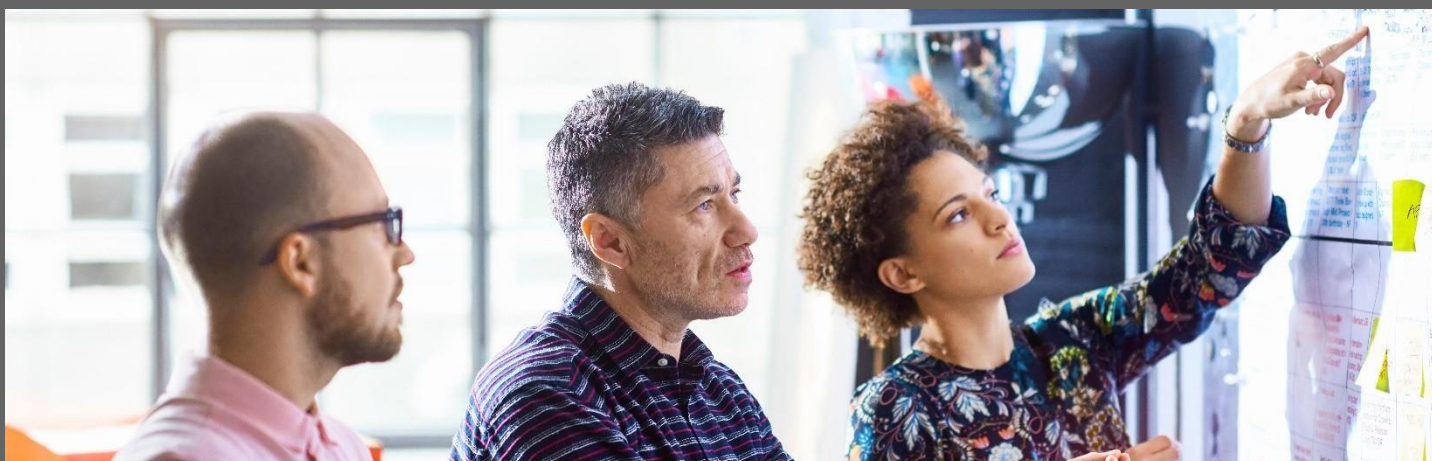
Key findings from the survey show:

- ▶ 82% of InsurTechs, or an innovation division within an organisation, were established less than five years ago.
- ▶ 72% of InsurTechs are already working with an established insurer, broker or services provider.
- ▶ Yet 63% disagree there is enough collaboration between established insurers, brokers and other insurance providers (incumbents) and InsurTechs to realise a successful transformation to the ecosystem.
- ▶ Concerns about the difference in organisational culture, InsurTechs' ability to scale, the use of IT / technology systems and data security are the main barriers for incumbents to engage with InsurTechs.

Our survey shows the New Zealand InsurTech sector is growing fast. There is a need for reciprocal cross-sector collaboration, particularly between InsurTechs and incumbents. Together, they could deliver improved customer engagement and experience in a market that is challenged from intermittent engagement with their customers.

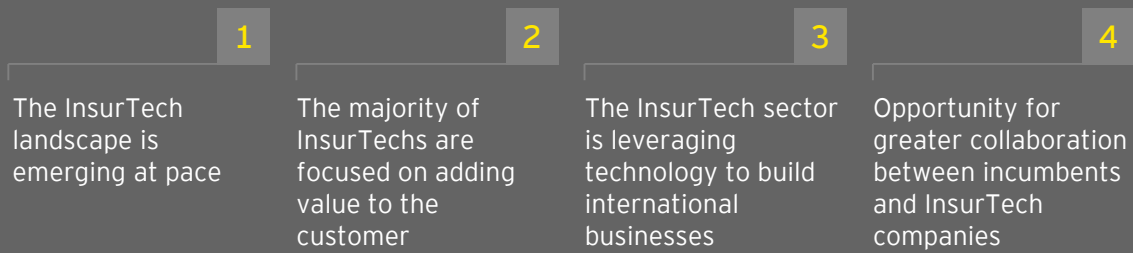
Our survey found little evidence of InsurTech start-ups and technology companies seeking to compete with traditional incumbents. New companies are addressing underlying problems, and leveraging opportunities through innovation and increased use of technology to reduce friction points, which has the potential to benefit traditional participants and customers.

Finally, consideration needs to be given to the government-operated and international insurers which have their own approach towards InsurTech innovation. While most survey participants are focusing on technology and customer engagement solutions, there are several challenges and barriers for InsurTechs and incumbents in partnering successfully. These need to be addressed to improve overall collaboration in the New Zealand ecosystem. Our report suggests practical approaches to addressing those barriers (and opportunities) which will influence the level of partnership and collaboration in the New Zealand ecosystem to create 'best-fit' services made in NZ for NZ.





Four primary themes from the data and insights will drive the agenda of the InsurTech ecosystem.



As with any emerging ecosystem, awareness and understanding are key to successful development. For the New Zealand industry to continue its competitive trajectory in the global market, greater understanding of the value and opportunity that InsurTech represents for existing insurance players should be made a priority.

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



A man with a beard and glasses, wearing a blue suit and a light blue shirt, is holding a tablet. He is looking off to the side with a thoughtful expression. The background is a blurred cityscape with warm, golden light, suggesting a sunset or sunrise. The overall mood is professional and contemplative.

01

Introduction

The core value of insurance has remained unchanged and continues to resonate with customers. However, the way of delivering insurance products and services to customers is changing rapidly.

InsurTech organisations are challenging the efficiency of value creation, effectiveness of generating value and re-thinking the approach to risk transfer.



The global Insurance sector is facing challenges to deliver more efficiently and effectively along the industry value chain due to key drivers such as evolving consumer characteristics, sustained downward pressure on margins for insurance incumbents and increased use of technology.

Using a similar structure to the InsurTech / EY Australia process allowed us to compare the Australian and New Zealand experiences. While there are similarities, which is in line with international experience, this report focuses on the New Zealand experience gained from participants in the New Zealand InsurTech ecosystem.

As a sector, the concepts of collaboration are considered crucial for sector-wide development in the face of growing market disruption.

There is no simple answer to how collaboration should occur, nor which approach will be best to create future opportunity. Working with partners and learning to manage uncertainty is important for a traditional and generally risk adverse sector to adapt to change.

Seeking to develop a stronger and more vibrant InsurTech ecosystem with the engagement of incumbents, InsurTechs, regulators, technology companies, industry bodies and organisations will help develop a growing industry opportunity for all - but also helps shape services best befitting New Zealand's needs.

Key Themes

The insights drawn from survey data have formed four key themes and future trend indicators:

1

The InsurTech landscape is emerging at pace

Since 2017 there has been significant growth, with 17 new InsurTech companies / innovation divisions being established in New Zealand, tripling the previous high in 2015. Core drivers included the use of innovative insurance technologies (and platforms) focused on improving customer engagement and experience. These initiatives are seen as a pathway approach to increasing sales conversion and/or persistence in the short-term, and then delivering fit-for-purpose and customer-centric offerings and services in the mid-term. InsurTech development is challenged by New Zealand's small population, an emerging funding ecosystem and limited access to the New Zealand marketplace - but the rate of growth is positive. It suggests incumbent insurers should see appreciable value in greater collaboration with InsurTechs.

About half the InsurTech companies indicated they were focused on expansion within New Zealand and/or scaled growth, seeking access to larger (mostly Australia and wider Asia-Pacific) markets.

2

The majority of InsurTechs are focused on adding value to the customer

The majority of InsurTech companies consider differentiation of product and service as key to improving customers' engagement and experience.

New, or the more refined use of existing, technology is helping to create improved products. Wearables and telematics investment in technology (such as AI chat bots, object recognition or voice biometrics) are leading to more accessible and personable channels, while generating back-end business benefits for insurers for processes such as claims management and policy administration.

3

The InsurTech sector is leveraging technology to build international businesses

InsurTech innovation is increasingly coming from New Zealand-owned InsurTechs, some of which do not necessarily consider themselves insurance companies but, rather, technology companies with specific insurance offerings and/or platforms. Additionally, there is a growing range of FinTech-enabling platforms and/or technology providers which may offer better use of emerging technology to assist with traditional insurance products. Examples include the focused use of artificial intelligence, big data analytics, Blockchain and new broker platforms and/or solutions.

Increasingly, InsurTechs are founded by domain knowledge experts working outside the incumbent framework. They typically start with software and technology experts addressing industry challenges, resolving unmet needs and exploiting market opportunities.

Customer engagement and experience is a significant driver for solutions that focus on the customer journey, but InsurTechs are increasingly addressing back-end systems and processes that service both the customer and insurer. The emergence of end-to-end replacement platforms can help incumbents offer new products and services without necessarily having to address the complexity (and cost) of modifying traditional, back-end legacy systems and processes.

In New Zealand's Insurance sector the majority of insurers (by market share) are part of larger international insurance companies, with decision-making on significant investments and innovation being driven out of headquarters outside of New Zealand. This is one of the factors driving InsurTechs' plans to expand overseas to be closer to decision-making and accessing a wider customer base.

4 Opportunity for greater collaboration between incumbents and InsurTech companies

Three quarters of InsurTechs indicated that partnerships with incumbents are important to their survival and growth, with InsurTechs seeking access to the incumbents' customers and data.

With speed to market a primary driver, these insights and initial offerings not only support product refinement, but also assist in scaling solutions to fit new markets.

In return, incumbents want to share insights, access new customer segments and new market verticals with the help of InsurTechs and FinTech enablers, but have their own challenges collaborating with early stage companies.

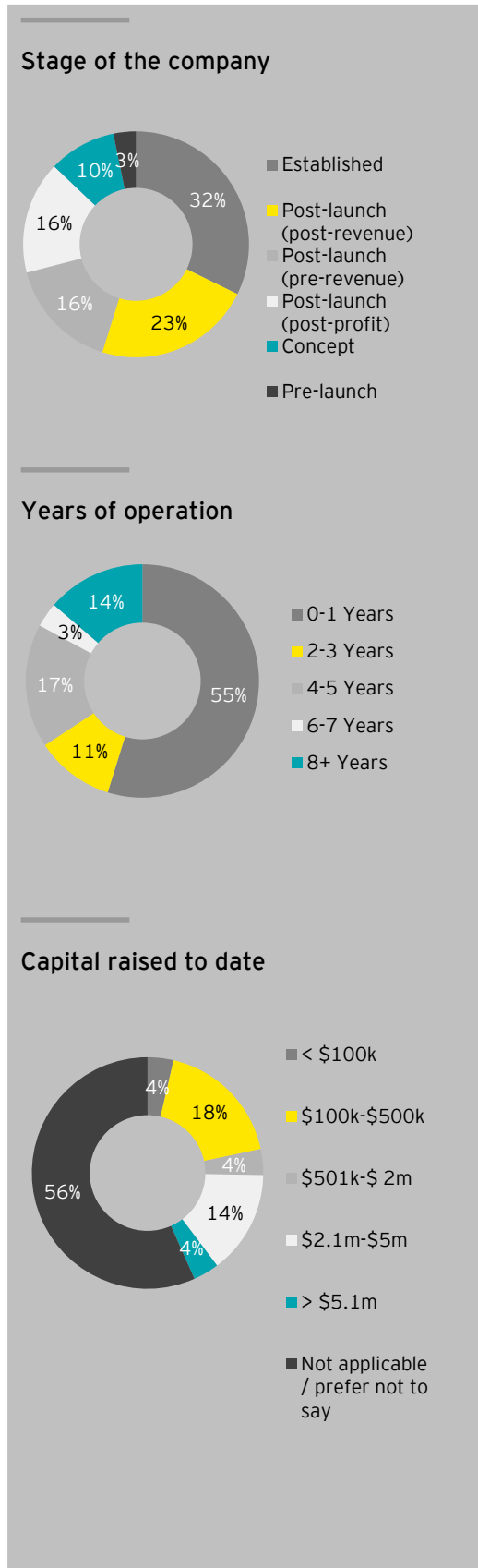
This is a particular challenge for the small New Zealand market place where the competitive landscape is dominated by single player entities, by duopolies in underwriting and broking groups, and/or internationally owned incumbents. These environments create a bias towards incumbents maintaining the status quo and lead to questions on whether there is a role for regulators to do more to stimulate collaboration and technology adoption via incentives.

New Zealand is not a focus for international InsurTechs, yet they have a direct impact in the New Zealand marketplace and particularly in some sectors - notably broking. This may be an issue of scale and market incentives in a competitive landscape.

Increased collaboration provides an opportunity for the entire ecosystem, to improve customer engagement and experience, and to offer more choice in New Zealand's derived products and services. The challenge is to bridge the gap and explore a 'By NZ, made for NZ' sector-wide opportunity.

As an industry body, InsurTechNZ will focus on these key themes, as a part of the fast maturing agenda for the future of insurance

InsurTech is a vibrant ecosystem seeking increased collaboration



New Zealand InsurTech is driving sector innovation, business change and adoption of new technology.

Our survey found nearly half of New Zealand InsurTech companies were initially funded by their founders, with support from family and friends. Interestingly, equity-funding and government grants are low, reflecting the developing maturity of the sector. This represents an opportunity for investment and growth.

The New Zealand InsurTech ecosystem is not as well developed as its Australian counterpart. One in four companies has raised up to \$2 million capital to date. This reflects the sector's early development and growth, with companies focused on technology to improve customer engagement and experience. About 40% of InsurTechs have capital to support them beyond the next 12 months.

In terms of strategy, 72% of InsurTechs are already working with an established insurer, broker or services provider. InsurTech players and incumbents share a common ambition to access customer market segments and gain insights to data. Some 83% of respondents believe InsurTech companies will be competitive globally. However, 63% do not believe there is enough collaboration between incumbents and InsurTechs to realise a successful transformation to the ecosystem.

The following sections capture a snapshot of New Zealand InsurTechs to help ecosystem partners understand the innovation to date and find new avenues for collaboration.

TOP 5 external challenges

- ▶ Customer acquisition
- ▶ Building relationships with channels to market
- ▶ Building partnerships with financial institutions
- ▶ Getting through to the C-level decision makers
- ▶ Client / prospects too slow to make decisions / lengthy procurement processes

TOP 5 internal challenges

- ▶ Raising or managing capital
- ▶ Managing internal processes / operational running of the business
- ▶ Product development
- ▶ Attracting talent (81% in engineering IT, software and design / user experience)
- ▶ Internal politics

The InsurTech ecosystem framework: Six opportunities where InsurTech is driving innovation

By leveraging emerging technologies, organisations can address industry issues and add value to end customers.

Our analysis identified six key areas where InsurTech could innovate and challenge the approach to, and efficiency of, value creation, effectiveness of value being generated and offering new models of risk transfer to insurance consumers. However, having a fit-for-purpose technology platform and infrastructure as well as data readiness are critical factors to leverage and drive innovation.



Technology that InsurTech is leveraging

The leading emerging technologies being used to leverage these opportunities include:

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 large sets of data to find patterns not apparent to humans, thus creating insight on how variables interact and how relationships develop over time. 18% of survey respondents indicated that AI, especially virtual assistants, and chatbots are the technologies which predominantly enable their solutions and offerings, whilst 8% indicated machine learning is key to them. 39% of respondents expect AI to be used to improve customer engagement, risk and claims management, and to have the most significant impact on the Insurance industry.

New business model



This is used to categorise those organisations whose 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 the insurance value chain. 24% of survey respondents indicated their organisations use a new business model combined with existing technology.

Platforms and other technology



The digital platform is an ecosystem where specialist services can be interconnected to generate maximum value for the end user. Other features 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. Efficiently servicing the traditional and newer online channels at the same time remains a key challenge for the Insurance sector where 18% of survey respondents have indicated they use multi-channel and omni-channel integration. 13% of survey respondents say digital marketing technology is important while this applies to 11% of the respondents for robotic process automation or self-services.

Connected Devices



A connected device is an item with the capability to connect 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. 8% of survey respondents say IoT / telematics is key to their businesses, while 10% expect it to have the most significant impact on the Insurance industry.

Blockchain



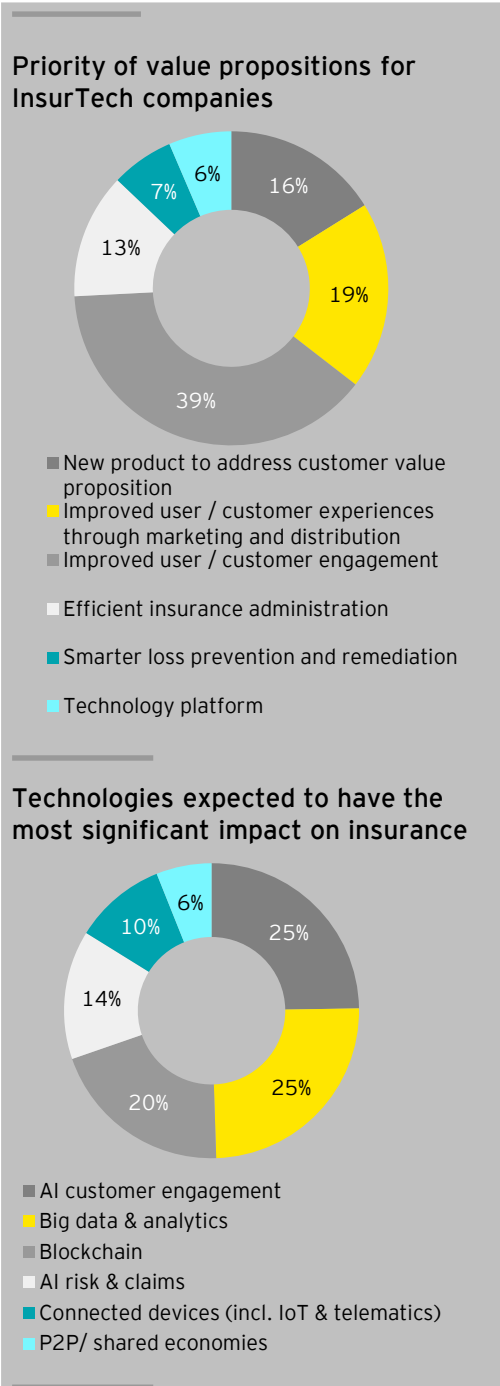
Blockchain is a shared, distributed ledger that facilitates the process of recording transactions and tracking assets in a business network. This technology could have a significant long-term impact on the Insurance industry. Blockchain technology can be integrated with the insurance value chain to enhance transparency, fraud detection, risk prevention, claims management and product development. It is also spawning new distribution and payment models, and more effective reinsurance. While none of the respondents are currently focusing on Blockchain, 20% expect it to have the most significant impact on the Insurance industry.

Big data & analytics



Big data incorporates high-volume, high-velocity and/or high-variety information assets. Using analytics to process these substantial data sets leads to enhanced insight, decision making and process automation. While none of the respondents currently indicate a focus on big data and analytics, 25% expect it to have the most significant impact on the Insurance industry.

Where do New Zealand's InsurTech companies play in the global ecosystem framework?



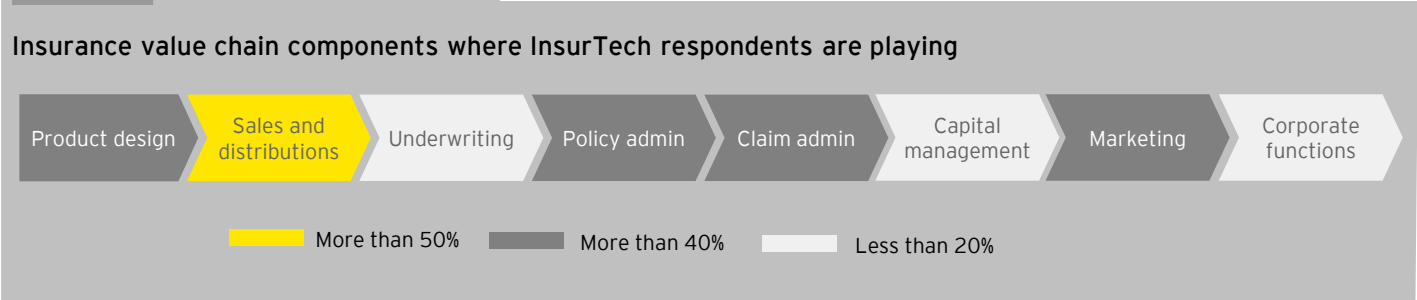
New Zealand's InsurTechs seek to solve the challenges the Insurance industry as a whole is facing, with a focus on improving customer experience. External challenges in customer acquisition, building relationships and partnerships with direction from decision makers continue to challenge the sector.

Our survey found InsurTechs are converging technology, platforms and data. There is a focus on product design to improve policy administration and claims management. Unlike Australia, underwriting (including risk assessment, rating and reinsurance) and back-end processes are yet to be addressed.

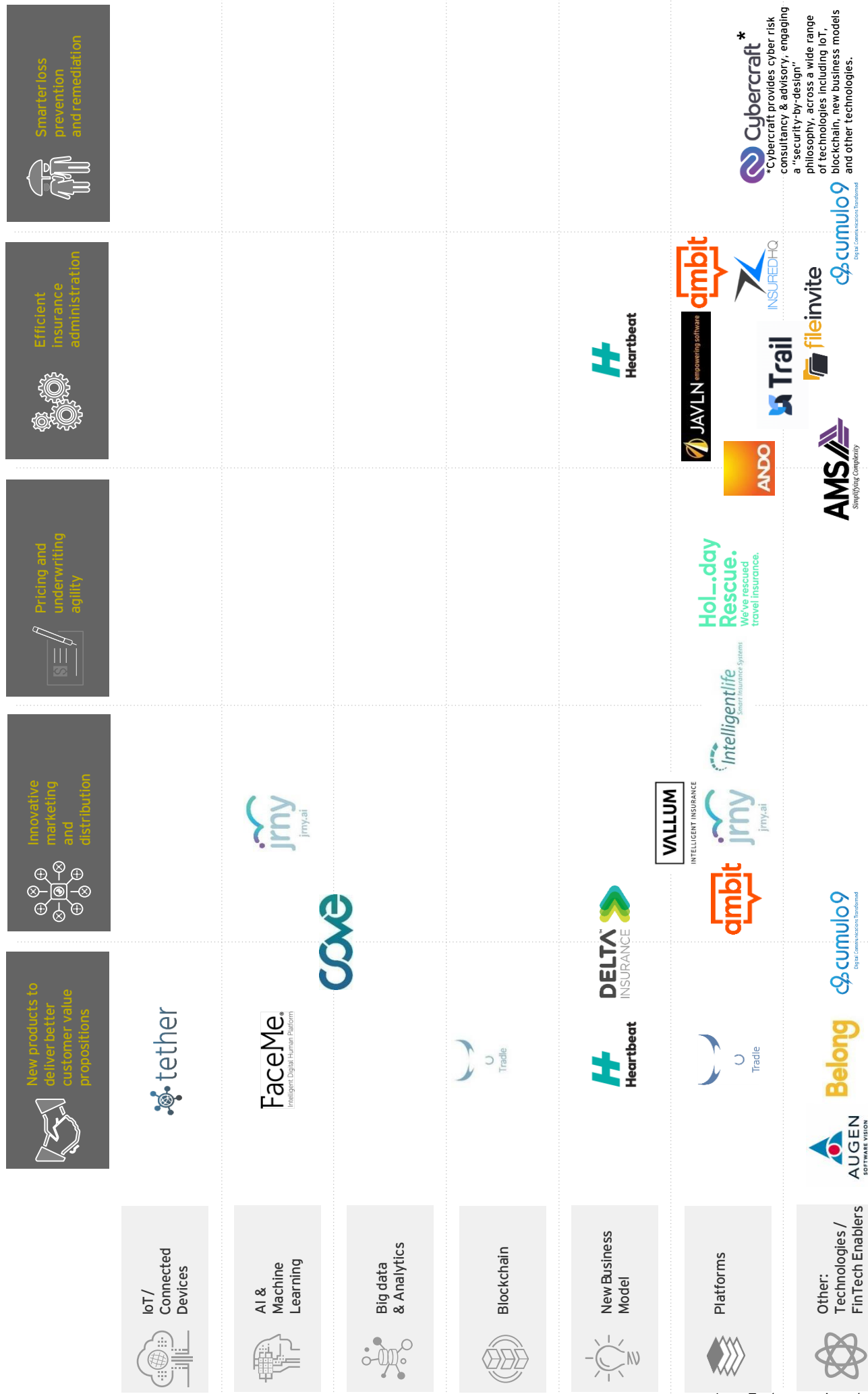
New Zealand InsurTechs are prioritising their value propositions in response to a wide range of pain points communicated by insurance players and insurance consumers. Their focus is therefore on improving user / customer engagement and experience through marketing and distribution, followed by efficient insurance administration, and new products to address customer value propositions. As the predominant vehicle to drive the insurance value proposition besides the technology platform in general, 25% see AI having the most significant impact on customer engagement, while 25% favour big data and analytics. This is followed closely by Blockchain (20%), AI for risk and claims (14%) and connected devices (including the internet of things (IoT), 10%).

The main drivers New Zealand InsurTechs are focused on are 'customer centricity' and longer term strategic decision making. This is in line with Australian and international trends. Our survey shows improving conversations to establish a solid business and customer base is a gap to be filled. Particularly through building relationships and partnerships with incumbents and other financial services, and effectively combining value propositions and emerging technology offerings.

We look forward to collaborating with InsurTech Australia in the coming months to establish a common approach to highlight ways to improve collaboration and interaction through better partnerships. This will cater for both the increasing number of InsurTechs coming online and map out the areas in which they provide new opportunities for the sector as a whole.



The New Zealand InsurTech Ecosystem



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 InsurTech's operations and proposition can be understood by visiting their website.



03

Top 4 value propositions
trending

Focus on customer engagement and innovative marketing and distribution



Improved
user /
customer
engagement

What is driving change in the market?

The NZ Insurance sector is under increased pressure to move from being product-centric to being customer-centric while simplifying insurance products which deliver fair value to the customer and are fit-for-purpose.

What are InsurTechs doing?

InsurTechs are leveraging technology to enable better customer insights and improved customer interaction and engagement along the value chain from product design through to claims management.

How can incumbents respond?

Knowing customers and their needs is key to improving customer engagement. Defining relevant data, leveraging the existing data and collecting the information required needs to be supported by efficient and effective use of technology.

Survey data tells us....

For 79% in this category the InsurTech / innovation division was established less than five years ago. This category has demonstrated the strongest capital raising to date. 50% perceive insurers, brokers or other insurance service providers as their main competitors and 29% use a new business model using existing technology, while 25% are leveraging AI.



Innovative
marketing and
distribution

What is driving change in the market?

Supplementing the need for enhanced products, as described above, insurance companies are under pressure to continuously evolve their approach to innovative marketing and distribution methods.

What are InsurTechs doing?

InsurTechs help customers buy the products best suited to their needs. Traditional challenges are addressed by creating new markets through improved customer experience aligned to their risk profile. This is delivered by new platforms, leveraging technology such as AI / machine learning for improved customer experience or applying connected devices, big data and analytics.

This changes the relationship between insurers and insureds by rewarding consumers for low risk behaviours. Further, integrated technology platforms and/or Blockchain can support capital risk management, for example, attracting niche portfolios and increasing efficiency in insurance transactions.

How can incumbents respond?

Insurers can leverage data analytics for customised marketing and distribution, better leverage technology platforms or Blockchain networks to increase efficiency in claims and policy administration and use biometrics (facial, voice or audio data) to identify customers reliably and securely and improve customer experience in their interactions.

Survey data tells us....

77% of players align to this category, compared to 23% in Australia. 33% use a new business model using existing technology, while 25% are leveraging AI compared to Australia, where platforms and other technologies (70%) and big data (15%) were predominantly enabling the service offering.

Efficient insurance administration and new products



What is driving change in the market?

Increasing cost pressures and fair value are driving efficiency-related programmes across the Insurance sector. Often insurers apply a series of isolated tactics to solve specific business problems. Unfortunately, these are seldomly efficient in driving operational improvements at scale. Subsequently, established insurers worldwide ran, or are running core platform transformation programmes to support improved technical and operational agility.

What are InsurTechs doing?

Four organisations positioned their value proposition primarily within this category whilst a further eight positioned it as their secondary value proposition. Their service focus is spread across the insurance value chain, mainly covering sales and distribution through to claims and risk management, as well as technology platforms.

How will incumbents respond?

Incumbents are under pressure to increase administration efficiency and reduce cost to remain competitive in the NZ market. This leads to a revision in approach to focus on product and service innovation. Delivered through developing and actioning a digital strategy, and setting a foundation by addressing the capabilities of the core administration platforms.

Survey data tells us....

77% of players are finding solutions to improve the efficiency of insurance administration, 33% use a new business model and existing technology, 29% focused on integrating multi-channel and omni-channel and 25% on AI, compared to Australia where platforms and other technologies and Blockchain were the focus.



What is driving change in the market?

New products introduce new business models to address customer needs and meet changing expectations. Customers increasingly expect direct access and an experience tailored to their needs, including customised pricing and highly efficient service.

What are InsurTechs doing?

InsurTechs are using technology to improve the effectiveness of existing products as well as facilitating the development of new products that sit outside the traditional Insurance sector. This enables peer-to-peer (P2P) risk sharing, smart contracts (Blockchain) and loss prevention services facilitated through connected devices to align with consumer expectations of transparency and trust.

How can incumbents respond?

Changing customer expectations and the need to leverage technology are increasing pressure on incumbents to develop products and a value chain which supports simplified products, speed and buying policies, new policy coverage, dynamic pricing rules, dynamic underwriting and personalised experiences. The challenge is to integrate new products with the existing product portfolio. There is an opportunity to partner with InsurTechs to achieve this.

Survey data tells us....

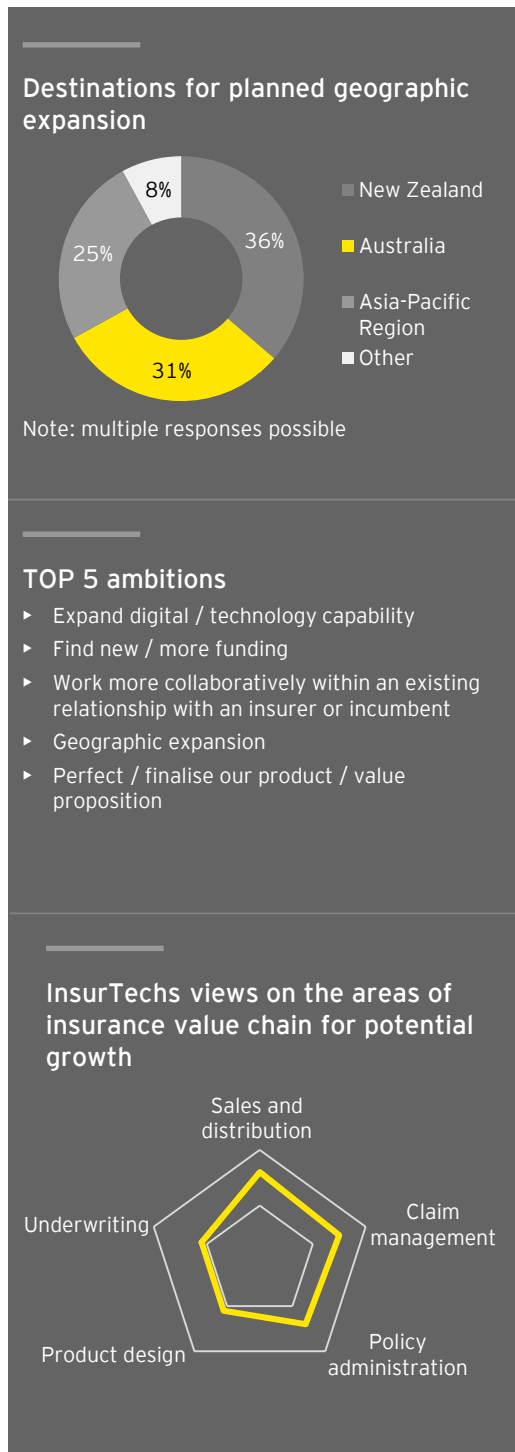
77% of players are finding solutions to deliver better customer service, 29% use a new business model with existing technology, while leveraging AI and the integration of multi-channel and omni-channel was prioritised by 25% respectively. In Australia organisations in this category leveraged the different technologies evenly.



04

Journey to the future
dynamics

How can we encourage collaboration to deliver on a shared vision of technical innovation?



In New Zealand's current InsurTech landscape, 66% of survey respondents highlighted collaboration between incumbent insurers or brokers and InsurTechs as being critical to enabling a successful transformation of the industry.

In the Australian InsurTech ecosystem survey, 65% of InsurTechs were identified as enablers, where the focus is contributing to existing players and addressing the industry's challenges. The New Zealand survey shows there is clearly room for improvement in industry collaboration, with 65% of incumbent insurers and brokers admitting they are not proactively engaging with InsurTechs. By comparison, 90% of InsurTechs are proactively working to form partnerships with other InsurTechs.

Developing a partnership with an insurer, broker or other services provider was highlighted as the most significant barrier to InsurTech growth in New Zealand (25%). Given the challenges in collaborating with incumbents within New Zealand, it is not surprising to see 67% of InsurTechs are planning geographic expansion outside of New Zealand in the next 12 months.

InsurTechs and established incumbent insurers both share the vision of technology led innovation in New Zealand. Given this common goal:

- ▶ Should incumbent insurers be more proactive in embracing digital innovation through collaboration with InsurTechs?
- ▶ Should InsurTechs have better conversations about their value propositions with incumbent insurers to encourage mutually beneficial partnerships?
- ▶ Should facilitators such as InsurTech New Zealand and other advisors / collaborators help to build greater connectivity between incumbent insurers and local InsurTechs?

The simple answer to these questions is yes. Gaining awareness and understanding is the first step. The New Zealand ecosystem will only thrive when players are open to collaboration, and allocating investment for growth.

How can we develop a dynamic and collaborative ecosystem for sector growth?

Taking an ecosystem view, this report seeks to identify the core challenges and opportunities for improving industry and participant outcomes with the aim of creating better cross-sector collaboration.

While the dynamics of sector innovation are certainly not unique to insurance, the New Zealand InsurTech ecosystem has the opportunity to benefit from the alignment of financial services companies (particularly retail banking). Key observations include:

Bridging the Gap. Understanding the issues that will improve InsurTech and incumbents' collaboration

- a. Un-bundling / re-bundling - the changing DNA of insurance through partnering
- b. Competition or co-opetition - a healthy tension in delivering what is best for the customer

Noting the themes above, we have identified some core observations for each group that may assist in generating more collaborative opportunities.

These core groups are:

- 1. New Zealand InsurTechs and other technology and technology-enabling companies
- 2. Incumbent Insurers, broker groups

And facilitators such as:

- 1. Member organisations (for example InsurTechNZ / FinTechNZ, ANZIIF), innovation hubs and private funders or groups
- 2. Government agencies and regulators and public funders
- 3. Professional services organisation (such as EY)

To answer the question "How can we develop a dynamic and collaborative ecosystem for sector growth?", approaches to bridging the gap and implications for ecosystem participants need to be reviewed.



How does the sector bridge the gap between incumbents and InsurTechs?

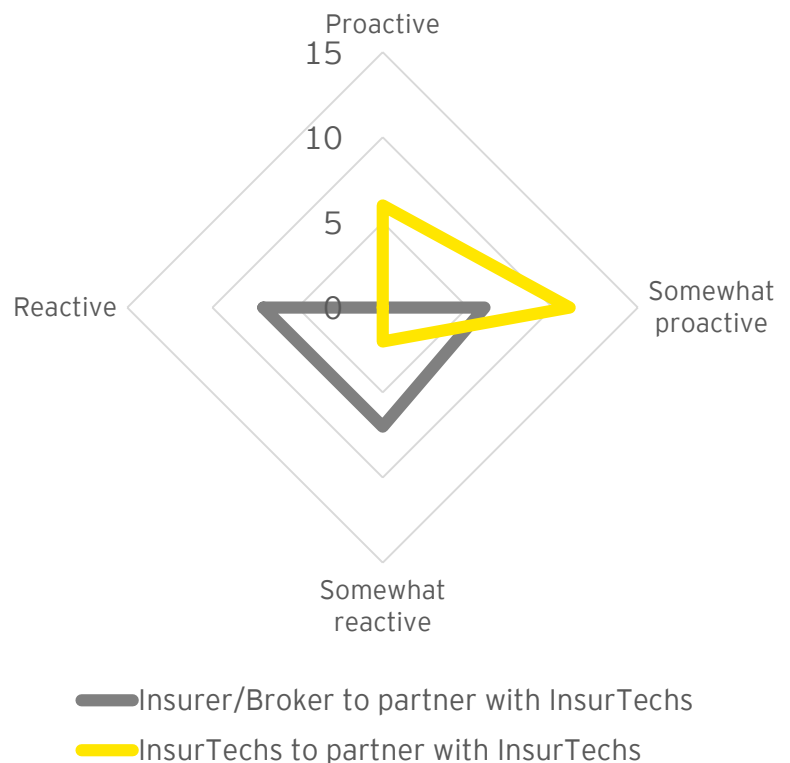
As outlined in section 2 of the report, 72% of InsurTech respondents are working with incumbents, yet this does not necessarily reflect a sector-wide openness. Based on the survey data, there are a number of barriers to effective collaboration.

Collaboration between InsurTechs is characterised as mostly proactive, while collaboration between insurers, brokers and other insurance service providers and InsurTech organisations is somewhat proactive at best. 38% of InsurTech respondents indicated they have attempted to form a partnership with an insurance incumbent between five and 20 times to date, indicating the effort required to achieve the relative success of InsurTechs in engaging with established companies can be significant.

International experience indicates that cross-sector collaboration accelerates innovation where the 'health' of the ecosystem is usually observed in multiple dimensions including: improved services delivery, the emergence of innovation centres, expansion of commercial partnering across the value chain and the support of thriving funding / investment sectors.

Incumbent organisations are increasingly identifying the need for innovation. The key drivers in New Zealand are customer demand and/or changing customer expectations (55%) and internal drivers such as organisational strategy (32%). This is further impacted by external factors, which include new technology, new competitors or policy and regulatory changes, such as Robo-Advice - drivers could better align the ecosystem participants. However, based on experience, incumbents' traditional response is directed towards self-owned innovation, or on taking a hybrid approach, such as employing innovation roles or self-owned innovation hubs.

Proactivity of engagement



Un-bundling / re-bundling: the impact of collaboration

While InsurTechs may focus on areas of the traditional incumbents' business, most seek collaboration. As we have seen within the FinTech sector, leveraging local and international partnerships, InsurTechs create new opportunities for incumbents and are generating innovation. Through collaboration, investment and acquisitions, incumbents can leverage their market strengths and offer new services.

Competition or co-opetition behaviour?

While InsurTechs are able to help incumbents in areas of competitive advantage, such as customer acquisition / retention and back-end functions to improve margins, there is currently limited engagement. Two primary reasons are driving this, firstly trust, with some incumbents not considering InsurTechs mature enough and therefore, posing a potential risk. Secondly, being used as a stepping stone for InsurTechs to gain national and international market access to secure the scale they need to succeed.

Recent innovations in platforms that enable wearables, artificial intelligence and mobility are creating opportunities to transform certain classes of insurance, especially in the health / life / employer-oriented services.

There would be real benefit from active cross-sector collaboration between major participants such as public and private insurer incumbents, InsurTechs, technology companies, and other technology and health providers. However, this implies supporting emerging companies to access the market and gain scale to achieve the best outcome for the New Zealand ecosystem. This could be delivered through forming alliances, joint venture or even merger and acquisitions.

New Zealand has some way to go to achieve cross-market collaboration when compared internationally. A New Zealand focus could be on higher engagement between InsurTechs, technology companies, industry/ member groups and incumbents to deliver better outcomes for customers. There is clearly a role for non-partisan sector facilitators like InsurTechNZ which can walk the 'middle ground'.

What does this mean for the ecosystem participants?

For InsurTechs and technology companies

InsurTechs experience internal and external start-up challenges. Our survey data identifies InsurTechs generally seek to add value to incumbents rather than compete head-on, while incumbents are seeking help to scale into new markets and to access customers' data. Only 5% of InsurTechs were seeking access to capital.

While many InsurTech companies have been founded by domain knowledge experts they can still be perceived as higher risk by incumbents or complicated to deal with. This is primarily driven by trust issues arising from differences in organisational culture, concerns about InsurTechs' ability to scale and the increased reliance on IT / technology systems and their ability to securely manage data.

InsurTechs could address these trust issues by improving their understanding of the complexity of established processes and insurance administration systems, by attracting talent to provide the breadth and depth of capability incumbents expect to see and by demonstrating their capability to integrate with existing IT systems.

Separately, transparency and trust issues may arise from the style of engagement. Incumbents may perceive InsurTechs as following an internally motivated agenda and as having a tendency to overstate their capability.

InsurTechs need to find ways to better align with incumbents' business drivers and focus efforts on building mutual trust and confidence by expressing, demonstrating and qualifying the way they tackle underlying issues for incumbents, whilst addressing the critical concerns and key differences outlined above. This can be a challenge for InsurTechs in the early stages of business as they build their credibility and portfolio.

For incumbents and broker groups, insurance technology vendors and enablers

In general, incumbents seek innovation from InsurTechs and their ability to respond to core business or customer engagement challenges. InsurTechs' comparative flexibility enables incumbents to partner with InsurTechs and technology companies, so they can quickly mobilise and close-down a new offering with limited brand risk and without inheriting complicated back-end administration, legacy or platform challenges.

If incumbents seek to innovate through external engagement, they will need representatives who can work alongside InsurTechs and construct pathways for open dialogue, achieving a mutual understanding of strategic priorities and building trust.

Large corporate procurement practices are challenging and expensive for local InsurTechs who might struggle with short funding runways, making winning in the market difficult. In addition, InsurTechs might not always know their way around legacy (or separate vendor) systems. Faster collaboration may be achieved with more accessible roles, easy engagement processes, and faster decision-making and procurement processes.

Trusted Partners: There is an important role for trusted intermediaries, particularly technology enabling companies and software integrators that can help build the technology and capability bridge between platforms and technologies in a trusted and secure manner.

For several incumbents in New Zealand, IT decision-makers (and service delivery departments) are located overseas. Consequently, priorities tend to be towards group decisions, not necessarily focused on New Zealand. This is one of the factors driving InsurTechs' plans to expand overseas, as outlined in 1. Introduction to this survey and 4. Journey to the future dynamics.

Regulation and facilitation for member organisations, incubators and funders

The role of government bodies and agencies has been instrumental in providing operational boundaries for new ways of working.

Overall, 29% of survey respondents indicated that regulation is not keeping pace with innovation, while 29% perceive that regulators are embracing InsurTech innovations. Certainly, recent changes (such as the exemption to allow Robo-Advice) have been instrumental in improving customer service options. This change has not only stimulated new product and customer offerings, but also provides opportunities for new InsurTech and technology companies. Based on the feedback from a cross section of survey respondents, there is an opportunity for regulators to actively keep pace with innovation to further develop the New Zealand InsurTech ecosystem. Several public and private organisations help emerging InsurTechs with funding and support to develop and grow. Without this, many small companies would struggle to turn their idea into a business.

As a working group of FinTechNZ, InsurTechNZ has been a facilitator in creating an initial non-partisan focal point to connect, promote and advance InsurTech issues with an overall interest in improving customer outcomes.

Strategic partnerships are instrumental in helping shape and assist sector innovation. Education is another key factor in raising awareness and increasing active participation from member groups such as the Australian and New Zealand Institute of Insurance and Finance (ANZIIF), Insurance Council of NZ (ICNZ) and others all who can assist sector development.

Finally, without a developing infrastructure it is challenging for the sector to attract venture capital, either from within New Zealand or overseas, while New Zealand has a small network of incubator hubs, there is an opportunity for an innovation 'Centre of Excellence' that works at the intersection of insurance, funding, education, technology, wealth and health.

Key trends in the next 12 months

Incumbents will continue to be under pressure to reduce cost while increasing spending on digital channels that must integrate into legacy systems to meet future customer wants and needs. As a first step, incumbents and InsurTech organisations have leveraged robotic process automation (RPA). RPA and self-service primarily enable the service offering of 11% of the survey participants. However, the key trends indicate the focus is expected to shift further towards AI, Blockchain and internet of things.

There is an increasing number of InsurTechs that focus on health / InsurTech offerings, driven by a convergence of technologies, platforms and data. There is a strong opportunity for insurance incumbents to change customer experience by changing the claims narrative to a positive and proactive wellness story by leveraging technology and partnerships.

The development of platforms as a service that link different applications continues to be a focus. It reflects the operational model of incumbents, along with the overall focus of the InsurTech ecosystem on sales and distribution, claims management and policy administration.

Incumbents and InsurTechs are expected to increase AI spend, focusing on speedy customer response and leveraging available and new data to gain additional insights and increase customer engagement and improve experience.

Internet of things is emerging, with many categories from wearable technology to telematics - for example, in cars and other transportation or the health sector - expected to enable a greater degree of product customisation.





About the Survey

In September 2018, a working group including representatives from EY New Zealand, Ministry of Business, Innovation and Employment and InsurTechNZ designed and distributed New Zealand’s first InsurTech market survey. This was modelled on a similar project completed jointly by InsurTech Australia and EY Australia in early 2018.

The aim of the survey was to achieve a deeper understanding of the InsurTech ecosystem within New Zealand. This survey outlines the foundation for future comparisons between New Zealand and Australia and facilitates the tracking of developments over time.

In a similar fashion to our Australian counterparts, we set out to understand the InsurTech landscape by targeting the broader market participants in order to identify key trends, challenges and opportunities which will continue to shape insurance innovation in New Zealand.

We reached out to members of the FinTechNZ customer database and asked for their participation. To cater for New Zealand being a relatively small market place, we also sought insights from other industry ecosystem participants, such as incumbents and technology companies who facilitate InsurTech.

By October 2018, 48 valid responses from firms operating in the New Zealand market were received. To supplement the survey EY and InsurTechNZ also conducted interviews with an additional 8 companies to provide further qualitative data and insights.

The survey provides a broad 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.

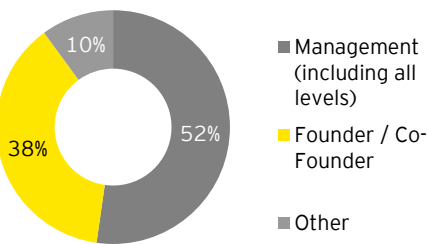
The majority of survey participants have been in operation for less than a year on average and have fewer than 9 FTE.

We have also included some additional commentary that has come from engagement outside this survey with other InsurTech activities and other engagements across the broader ecosystem.

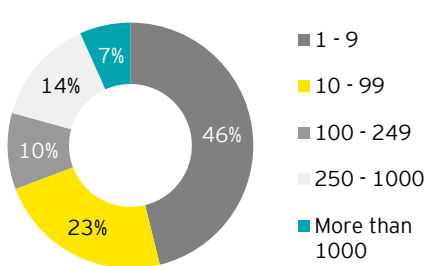
Future surveys will likely keep the same format for both New Zealand and Australia to enable comparison and map trends over time.

Breakdown of insurance survey participants

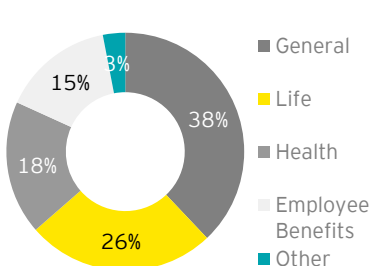
Role of Respondent



Number of FTE



Segments of Operation



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InsurTech New Zealand

About InsurTech

InsurTechNZ is a member focused, 'not-for-profit' organisation initially formed and operates as a division of FinTechNZ which is run for the benefit of our shared FinTechNZ and InsurTechNZ members across NZ.

InsurTechNZ is also the co-founder of GITA (Global Insurtech Alliance) with a focus on actively engaging with other sector leaders, member bodies and companies around the globe.

InsurTechNZ seeks to 'advance insurance innovation for customer benefit' and sets out to achieve this by collaborating with start-up and early stage InsurTech focused companies, insurance incumbents, technology vendors, funders, industry bodies, the NZ government and industry regulators. We believe in fostering an engaging environment that creates opportunities for cross-sector learning, debate and business development for New Zealand.

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