

COUNTRY PROFILE – AUSTRALIA

Young, healthy and globally connected



Insurtech Australia CEO **Simon O'Dell** provides a first-hand perspective of the fast-growing InsurTech scene Down Under.



The InsurTech community in Australia is young, healthy, globally connected – and growing quickly.

Insurtech Australia has realised the benefit of being a 'fast follower' itself. We have learnt from the experiences of other tech start-up ecosystem builders, like Fintech Australia, Instech London, InsurTech Munich and InsurTech Asia.

How it began

The start of Insurtech Australia began with modest aspirations. Early 2017, Mr Brenton Charnley, our most significant visionary, and Ms Sarah Fountain started meetup groups in Sydney and Melbourne respectively. The levels of participation from stakeholders led them to bring others in to help resource the formation of a national ecosystem builder under a not-for-profit, member association type model.

In October 2017, we officially launched Insurtech Australia in QBE's headquarters in Sydney, with over 200 in attendance.

Insurtech Australia is an agnostic insurtech ecosystem builder with a vision of creating a world leading InsurTech ecosystem in Australia. We are a connector, facilitator and educator. We bring together stakeholders, which includes InsurTechs, insurance

incumbents, investors, start-up hubs, accelerators, government and regulators.

Importance of interdependence

The degree to which we realise interdependence as an ecosystem goes a long way to determining our individual and collective success. We subscribe to ecosystem performance metrics offered by Global Entrepreneurs Network (GEN) and Startup Genome.

This sees us deploy our resources, for the purpose of servicing our InsurTech members and incumbent partners, to: local connectedness through events, thought leadership, educational pieces and an annual ecosystem report created in partnership with EY; global connectedness through an annual international InsurTech delegation and partnership with the Global Insurtech Alliance; attracting resources from local and international stakeholders; and advocating with government and regulators for a pro-innovation environment.

In May 2018, we released a report with EY titled 'Insurtech, enabler or disruptor?' The conversation in leading InsurTech ecosystems moved on from this simple question several years ago. Addressing this question head-on in Australia via this report allowed us to fast-track the conversation. The report concluded that leading insurance firms

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of the future will be those who partner successfully with InsurTech to create and implement a digital transformation strategy. The objective within incumbents then shifted from 'if' and 'why', to 'how' and 'what'.

Overseas links

We gave the ecosystem five months to digest the EY ecosystem report before sending an InsurTech delegation to London and Munich for a full five-day InsurTech programme, including two days at the Digital Insurance Agenda in Munich. The delegation, executed in partnership with Munich Re and Macquarie, consisted of 10 insurtechs and 30 insurance executives.

The proposition of the delegation was created to align with each group's needs. Insurance execs were seeking to learn from case studies of early adopters who have realised both success and failures through insurtech partnerships, understand what strategic models have been implemented, and create connections with players who can help them. We provided InsurTechs with opportunities to pitch to London's top investors, meet with prospective strategic partners, incubators and other players in the UK and European markets.

Sixty five per cent of InsurTechs in Australia seek to enable insurance incumbents. Given that our primary remit is to create value for InsurTechs, it is important that we bring the insurance industry along. The insurance value chain is complex, as are insurance products.

Immune to disruption

Therefore we have not seen the industry being disrupted in the same dynamic fashion as other industries. Insurance incumbents and InsurTechs make a complementary unit. Incumbents bring under-utilised, large data sets, customers, financial licenses, compliance frameworks and capital.

InsurTechs bring methodologies that are proving to be a formidable weapon in creating new products and services in alignment with consumers' needs, values and expectations, and in the process, dramatically transforming industries.

Partnerships between large, rigid corporates and small nimble InsurTechs, however, can be a challenge. Culture can be defined as 'the way things are done around here'. Think of the differences across decision making, perspectives on failure, alignment on vision and planning.

Research from Celent suggests that both parties need to address cultural misalignments proactively to optimise the opportunity for the partnership to thrive. Local connectedness, emphasising education, allows us to illustrate these differences to both parties and lay a foundation for collaborative relationships.

Ecosystem lifecycles

There exists a concept of an ecosystem lifecycle. Indicators suggest that we are progressing from phase one (of four), through to phase two, which is all about being well embedded in the global community/globalisation. We are seeing more capital and strategic players viewing Australia as a hunting ground for deal flow/InsurTech. Many of our founders have achieved international founder to founder relationships and connections with other stakeholders within other leading regions, including Singapore, Hartford, Munich, London, Berlin, Silicon Valley and New York.

In 2019, we are seeking to build on a few key areas within globalisation.

Attracting deep tech talent and founders

We are working with government and regulators on several fronts to create an environment that is pro-innovation. Australia already boasts a pro-innovation environment, although when we compare company tax rates, government entrepreneur 'concierge' services and other components that form our collective proposition, we have some work to do.

Singapore introduced proactive government policy, laying the foundation for attracting tech start-ups in the '90s. Singapore is now realising much of the benefit of this foresight and is known as a great place to launch an InsurTech. Australia boasts a great proposition, though we have the capacity to take it to the next level and compete with leading ecosystems.

Attracting international venture capital and strategic investors

In other tech start-up sub-sectors (e.g. AgriTech, FinTech, AdTech), venture capitalists generally represent over 50% of capital funding for tech start-ups. In the InsurTech sub-sector, it is the strategic investors (incumbents) who form the majority. VC are shy on InsurTech due to the general complexity of insurance. A vague understanding lends to higher risk decisions on investment.

Enabling global reach

Australia is a relatively small consumer market. As such, our founders think global from day one. It is important for Insurtech Australia to provide connection opportunities for our founders to international stakeholders.

This was why we collaborated with Instech London, InsurTech Asia, and Fintech NZ to create the Global InsurTech Alliance. We now have 10 leading InsurTech regions connected, creating an easier pathway for our InsurTech founders to scale into new markets and forge new cross-border partnerships.

Incubation

Whilst there exists many generic (sub-sector agnostic) incubator programmes globally, we are on the cusp of securing a partnership with a premium InsurTech specific incubator programme. The existing program is run out of one of our InsurTech alliance partner regions and has grown to become one of the globe's most effective and respected InsurTech incubators, bringing with it many placement facilities, capital, world class mentors and deep connections into the globe's markets. We are excited to see that they're launching in Australia very soon, enabling us to connect APAC's most exciting early stage InsurTechs with a world class facility.

InsurTech continues to rise. Our ecosystems are quite interdependent, which is seeing us realise an ecosystem that is truly globalised, with capital, ideas, talent and value flowing between regions, including Australia and Asia. ■

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