



Fostering innovation in insurance

Research summary

Technology and innovation is driving transformative change. The latest advances in artificial intelligence and related innovations have signalled the need to embrace digital transformation with increasing urgency.

Innovators in the insurance industry must now anticipate threats with ever-greater acuity. They are required to keep up with changing customer expectations and offer new preventative solutions to evolving and emerging risk; rather than just merely offering and repeating cover for historic types of loss.

Innovations are being developed across the insurance supply chain, and for different product areas. Over the last decade, the insurance sector has seen unprecedented investment that aim to streamline the insurance value chain.



In 2022 alone, \$7.9 billion was invested across 521 deals completed globally, while **almost \$50 billion has been invested globally since 2012¹.**

Figure 1: A global map of “InsurTech” deals in 2022



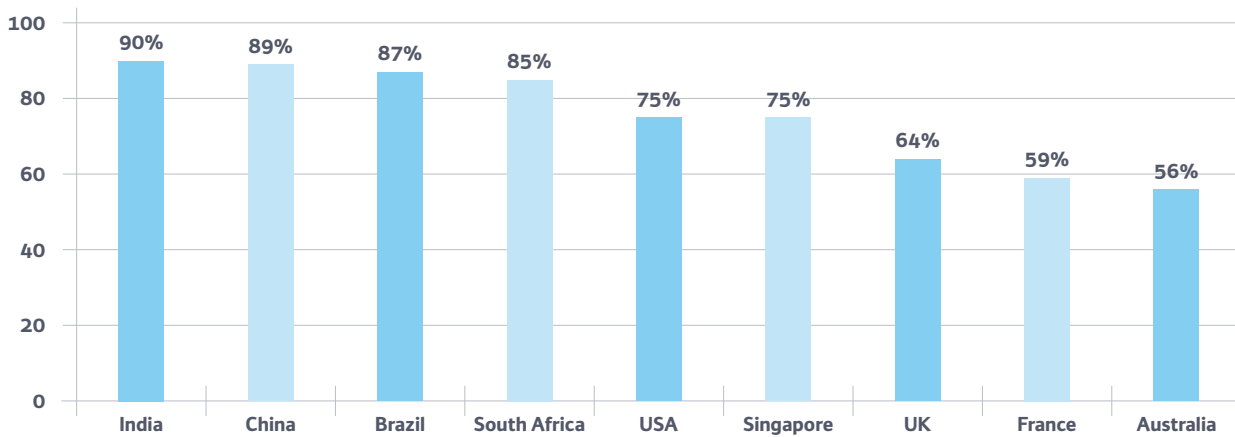
Number of investments in 2022



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¹ [Gallagher RE Global Insurtech report for Q4 2022](#), February 2023

Figure 2: Markets where consumers positively factor in a technology offering to enhance customer experience when purchasing a policy



Emerging markets: where are the green shoots of growth?

The insurance technologies market is expanding in regions across the world with the potential to reach new customer bases. So long as a firm has sound insight into potential legal risks and the evolving regulatory landscape, our findings present an opportunity for firms looking to expand globally.

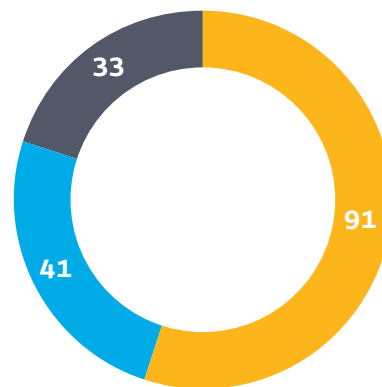
There is a noticeable difference in consumer perspectives regarding the usage of technology in emerging markets when compared to more mature markets. These perspectives underline where new growth phases are occurring for insurance firms that are experimenting with innovative techniques when selling insurance products.

AI and the regulator: where are the pressure points

Insurance regulators are playing catch up on the legal issues arising from technologies that have the potential to bring innovation to insurance - including concerns around data privacy, bias and discrimination.

As such, the regulatory regimes globally remain heterogenous in their approaches, with many waiting to see how the first mover will attempt to define a prudent regulatory regime that remains attractive to innovation. While the EU is arguably leading the way with the EU AI Act, elsewhere, the approach is focused on providing guidance and principles, as in Singapore.

Figure 3: Percentage of respondents who would take action against their insurance company for tracking and using their personal data without their knowing



- Take some action
- End contract with insurer
- Complain to the regulator

Use of data and data privacy is a pressure point in how consumers view insurance innovation. Where insurers are seen to have overstepped the mark, our research showed that consumers are willing to act – with a significant minority threatening to turn to the regulator.

Innovation value creation for the customer

The insurance needs in the B2B space are complex, with a growing array of emerging risks across different jurisdictions. Companies see themselves as needing to be insured on multiple new fronts - with business interruption, cyber risk and the enhancement of D&O coverage taking centre-stage.

Historically, innovation in insurance has largely been focused on the high-volume products, aimed typically at consumers. However, the market distinctions between insurance product lines should be encouraged to blur. Systems being used to make underwriting decisions for consumer products could hypothetically be used for B2B insurance products, such as financial lines.

AI and insurance: what's new?

Across the insurance sector, after a decade of start-up disruptors, market consolidators are now experimenting with different methods to test the capabilities of innovative approaches. These experiments are typically conducted in 'innovation hub,' series, laboratories, or short-term programmes, such as the Lloyd's Lab accelerator programme. These initiatives intend to find areas where innovation can bring the greatest scalable value across the insurance value chain.

Spotlight on QBE Group - international insurer and reinsurer

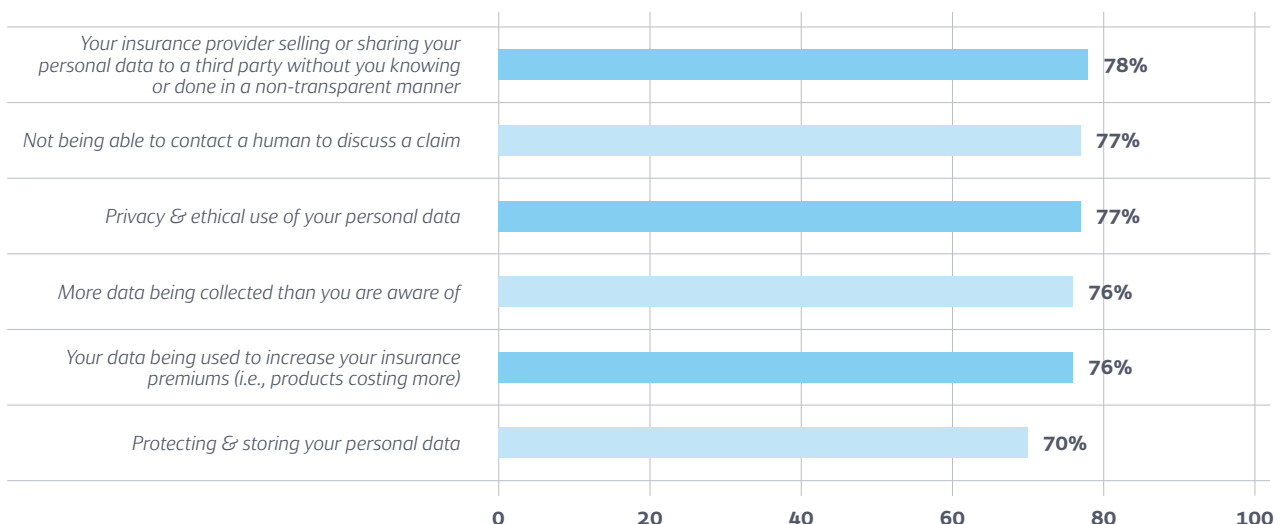
QBE Group are both a B2B and B2C offering. The company formed their Digital Innovation Laboratory in 2016 through their U.S. subsidiaries. The Lab provides full research and development capabilities for the purpose of implementing innovative data-driven approaches into their internal structure.

This year's partnership between QBE North America and Guidewire is developing a data-driven approach to QBE's property and casualty claims offering due to the SaaS model offered by Guidewire Cloud, which analyses claims management and loss management.

Overcoming wider sectorial challenges

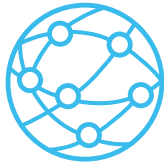
Insurers find themselves facing increasing scrutiny around how much customers trust, and want, them using their personal data to reach decisions. Concerns around what tracking and use of data are top of mind for consumers.

Figure 9: Percentage of consumers saying "concerned" to the following factors in relation to insurance companies collecting customer data or automating services



Conclusions and recommendations

Levelling the playing field



Innovation in the insurance industry is starting from different baselines globally. Understanding this variation in the maturity of the market, and the regulatory and policy landscape, will shape how businesses are able to innovate across different countries.

Market growth



For those markets that have been traditionally under-insured, innovation is bringing new insurance products to those that previously could not access insurance, such as in Latin America.

Expansion into new lines



Innovations to the insurance industry over the last decade have been ad hoc, predominantly targeting high volume product lines at different stages in the insurance supply chain. Taking time to review holistically what the potential learnings and applications are for other product lines could help improve chances of success in implementing successful innovations.

A balancing act



While innovation in insurance is providing new solutions, it is also creating new challenges for regulators. Regulators globally are trying to strike the balance between ensuring adequate safeguards are in place to effectively protect the customer while not stifling the market appetite for enabling new innovations.

Customer first



Questions are increasingly being asked about what the motivation around future innovation in the insurance industry is. In the UK at least, businesses will now be challenged by the regulator to demonstrate how innovation is supporting improved customer outcomes.

Attracting talent



Finally, while the prospect of innovation remains enticing, it requires the right skillset to be successfully implemented at scale. For the insurance industry, the ability to attract and retain the right talent poses a real threat to being able to deliver on the promise of innovation.

Methodology

H/Advisors Cicero conducted proprietary research on behalf of Kennedys, exploring the changing insurance market globally and the role innovation plays. This included the following:

- An online survey of 4,681 consumers across nine markets globally (Australia, Brazil, China, France, India, Singapore, South Africa, United Kingdom, United States) between May and June 2023.
- A series of in-depth interviews with both Kennedys partners globally, and key stakeholders within the insurance market.