



The changing relationship between insurers and insurtechs

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English



How do we define insurtechs as the sector changes and expands?

Insurtech is a very broad term nowadays. We commonly think of insurtechs as companies that offer digital insurance using technology, selling insurance products directly to the customer and hence competing with traditional insurers. However, startups that create solutions to accelerate underwriting and improve claims automation, processes, sales and distribution are also part of the insurtech ecosystem – and these are B2B solutions offered to (re)insurers. Healthtech startups are also considered insurtech, as they develop and sell innovative solutions to insurers.

How do you interact with insurers and insurtechs?

I constantly exchange with (re)insurers and insurtechs at a global level. This gives me a macro view of what is available and what is needed. Digitalisation and innovation are moving at a different pace in different parts of the world. Some regions have a lower penetration of insurtech solutions, others are more mature. Hence, there is

room to help local insurers to innovate and to support startups entering new markets. It is a little bit like match-making, as well as supporting the research and development processes of insurance.



Why do insurers need insurtechs?

As B2B providers supporting digitalisation, insurtech startups are agile and can dedicate full-time the necessary energy and resources to develop innovative insurtech solutions that insurers can plug into their own solutions. Insurers, by contrast, would need huge resources and a lot of time to disrupt their own legacy technology. Another good reason is that insurers can test and learn with insurtechs, either with a specific product or in a specific market. This way, they can build experience about what works and what doesn't in conjunction with their own business.

Insurtechs that sell directly to consumers and corporates provide healthy competition and influence insurers to speed up their digital transformation and their brand "coolness" to sell products to younger generations.

Where are the friction points?

Firstly, a lack of understanding of each other's business is probably the biggest one. This gap is shrinking as insurers gain insurtech experience and insurtechs grow their insurance expertise – either over time or in-house. With several startups proving successful, joining a well-funded insurtech is now a more appealing career opportunity for many experienced people in the established insurance industry.

Secondly, the inability to move fast, which is probably the most frustrating aspect for the insurtech startups. They have to convince each insurer of the viability of their solution – and each insurer will have their own viewpoint on the insurtech solution and their own needs and future strategy. But convincing an insurer means convincing all the relevant departments of an insurance company, and there is sometimes no "one size fits all" approach. It is very important to get things moving in parallel – as much as possible – in order to achieve faster results.

The experience of the insurer's team leading the project will be crucial. There is an interesting learning curve for both sides to navigate before they officially start working together.

Do insurtechs and insurers operate at different speeds?

It's a David and Goliath story, although when David partners with Goliath, it's a win-win for the industry. Insurers are changing the way they interact with innovation and the startup ecosystem. The situation is becoming more fluid. Most insurers have already partnered with startups, have gone through the test-and-learn phases and in the process learned from the mistakes made by both sides. These shared experiences matter for both sides. The potential slowdown factor is that highly technical solutions require both proof of concept and investment, so we're never going to see fast implementation.

How has the relationship changed?

Seven years ago, insurers would look at friendly local insurtech solutions they would like to test and inspiring founders they would like support. Today, as insurers work with more insurtechs, they are more structured in their approach. Big insurance groups create an ecosystem of startups to work with depending on the specific needs in each region/country/business unit.

As insurtechs acquire more expertise and insurers gain greater experience of working with startups, they will look to support each other in new ways.

Lara Varjabedian, Kojo

This more integrated approach is driving a fuller understanding of what each market requires in its innovation process. It is also where headquarters can support their branches through the startups they work with, and harvest the benefits of experience gained working with them in other countries.

The improved understanding between insurers and insurtechs has raised expectations of collaborations. As insurtechs acquire more expertise and insurers gain greater experience of working with startups, they will look to support each other in new ways.

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