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INSURANCE
IRELAND

Set the Disruption Agenda

Irish Insurance in 2021

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By governing innovation extensively, Irish insurers can survive and thrive in an uncertain future

Key takeaway: It's time to set the disruption agenda yourself

At a glance

Accenture and Insurance Ireland set out to map the state of innovation in Irish insurance and answer two key questions.

1. Is there a case for greater insurance innovation in Ireland?

2. And – if so – how do Irish carriers best approach this?

In the following report we present our findings.

In two snapshots, taken before and during the Covid-19 pandemic (July 2019 and December 2020), we surveyed a sample of 35 senior industry leaders, predominantly CEOs and other C-suite executives from all sectors of the Industry. Respondent companies came from across the size spectrum, with the largest employing 1,000+ people in Ireland and the majority underwriting over €100 million of business annually in the country.¹

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Senior industry leaders, predominantly CEOs and other C-suite executives from all sectors of the Industry.



In recent years, Irish insurers have mostly been spared the profound disruption suffered by many other industries, from retailers and print media to taxi and hospitality operators.

The result? Not surprisingly, as reflected in our survey results, insurance leaders do not consider the competitive threat from digital challengers to be as acute as their counterparts in some other industries. Indeed, many regard new regulations as posing a bigger challenge to the industry than Insurtech start-ups.

Such views help to explain another key finding of our survey: Irish carriers have been investing only modestly in innovation, and plan only modest further investments over the next few years. **But will this be enough? There is no guarantee that the Irish insurance sector will remain in its current state:** global research into disruptability by Accenture has shown consistently that few other industries are more vulnerable to sweeping change than insurance. Indeed, the most recent edition of Accenture's *Disruptability Matrix* rates insurance as the industry most susceptible to future disruption out of 18 industries tracked.

At present though, insurers have a window of opportunity to build up their defences against future disruption – as well as a chance to take the initiative and act as disruptors themselves.

For Irish carriers, the question is not if but rather how to set up your innovation effort for maximum advantage. And, as carriers emerge from the initial shock of the coronavirus pandemic, there is momentum to run with for the remainder of 2021 and beyond.

To support the sector as it makes the leap, Insurance Ireland is currently developing its own Insurtech ecosystem bringing together its members, professional services firms, government agencies and start-ups, and entering partnerships with academic institutions. The ecosystem will – among other things – offer members access to accelerator and pilot programmes, as well as mentoring and networking events.

Whether you see the future in terms of disruptive threats or disruptive opportunities, this is not a challenge that can be addressed through innovation investments alone. Nor is there a single technology that can guarantee success. Instead, our wider research recommends an approach centred on “innovation readiness”: the ability to innovate fast and effectively in response to whatever constellation of threats and opportunities the future brings.



1. State of play

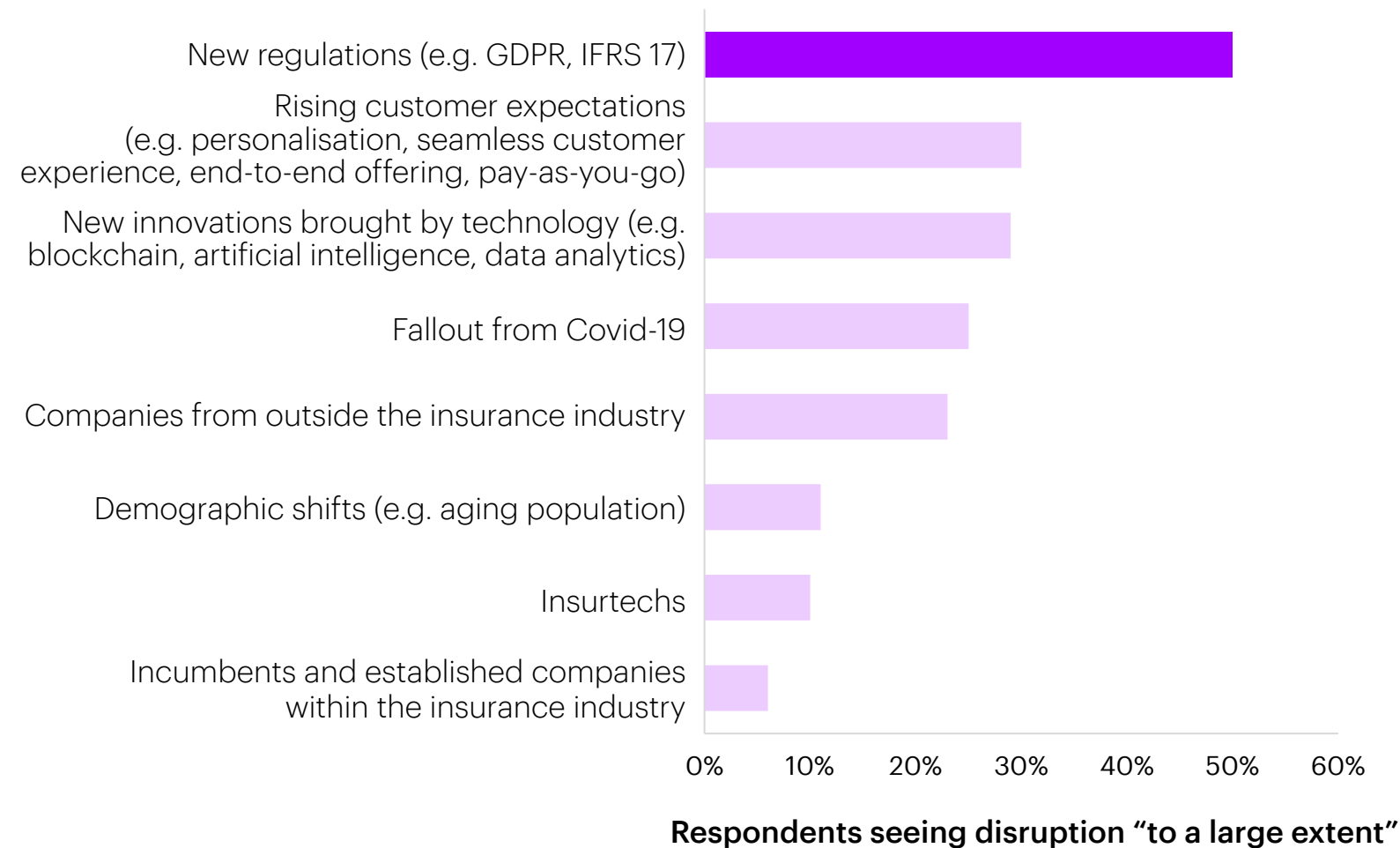
Innovation as a hedge against disruption

One way to look at innovation is as a hedge against disruption and rapid industry change. By innovating – that is, continually building out new capabilities and rolling out new products and services – companies can keep pace with fast-evolving competitors, customers and technologies, without getting left behind. So the state of Irish insurance disruption seems like a good place to start for understanding the state of Irish insurance innovation.



Figure 1: Meet the Disruptors

In 2020, Irish insurers viewed new regulations as a greater source of large-scale disruption than competition from Insurtechs and incumbents



Source: Irish Insurance Innovation Survey 2020 (Accenture and Insurance Ireland)

We began by asking our survey respondents to rank the main sources of disruption to their businesses.

In 2020, we found that new regulations were viewed as the biggest disruptive force that Irish insurers faced, topping not just Insurtechs but also Covid-19 fallout (Figure 1).

Indeed, 76% of respondents considered themselves well - or very well - prepared for the post-pandemic business climate.



The view that Insurtechs present only a minimal threat is widely held across the Irish insurance sector.

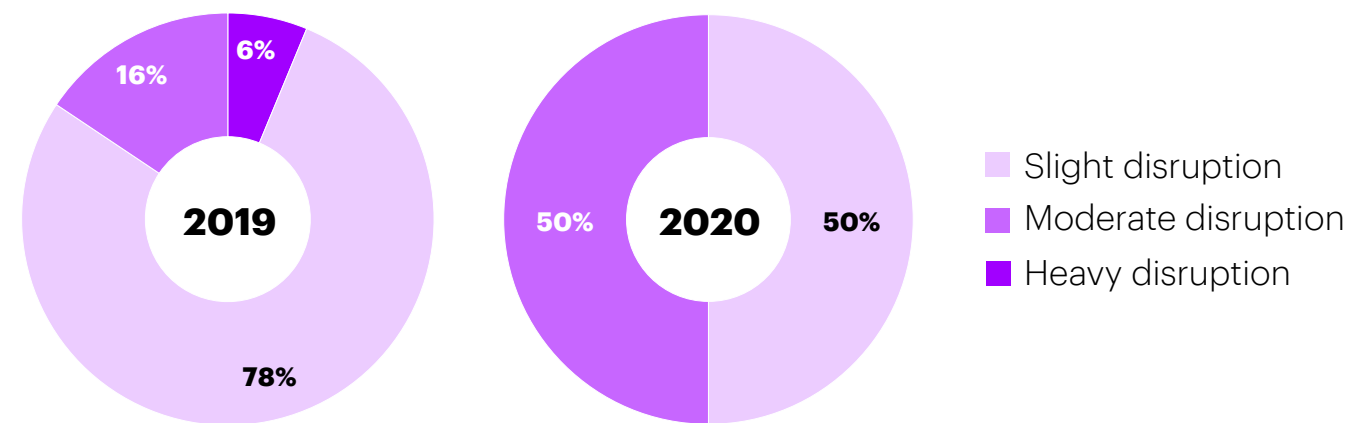
In 2019, less than one in ten respondents thought start-ups could “play a major role in solving the industry’s challenges”.

In 2020, the majority of respondents believed less than one fifth of the industry would be at risk from Insurtechs by 2023.

This forms part of an overall picture of limited disruption in Ireland, as we see in Figure 2. In 2019, 16% of respondents said that disruption was “**slight**”, 78% said it was “**moderate**”, and 6% said it was “**heavy**”. Excluding the direct impacts of Covid-19, this level actually fell in 2020, with a 50-50 split between those characterising disruption as “**slight**” and those characterising it as “**moderate**” – potentially due to the indirect effects of the pandemic subduing industry activity overall.

Figure 2: No alarm bells

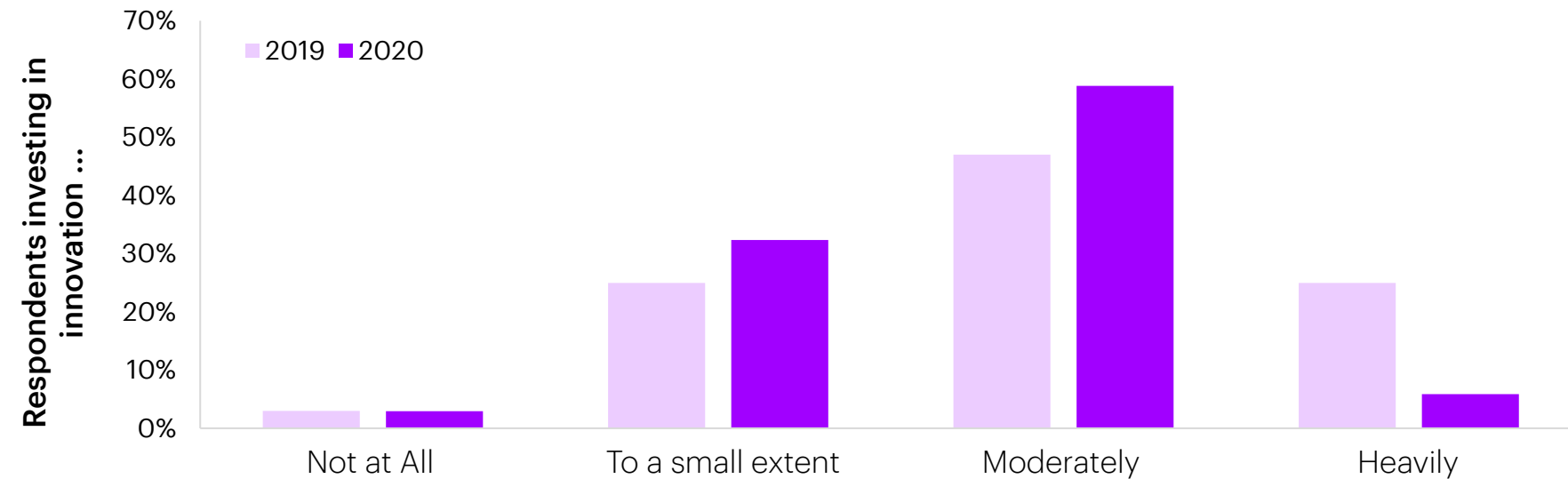
Excluding Covid-19, Irish insurers experienced low levels of disruption in both 2019 and 2020



Source: Irish Insurance Innovation Survey 2019, 2020 (Accenture and Insurance Ireland)

Figure 3: Staying in the middle lane

A majority of Irish insurers are investing moderate sums in innovation, but few are investing heavily



Source: Irish Insurance Innovation Survey 2019, 2020 (Accenture and Insurance Ireland)

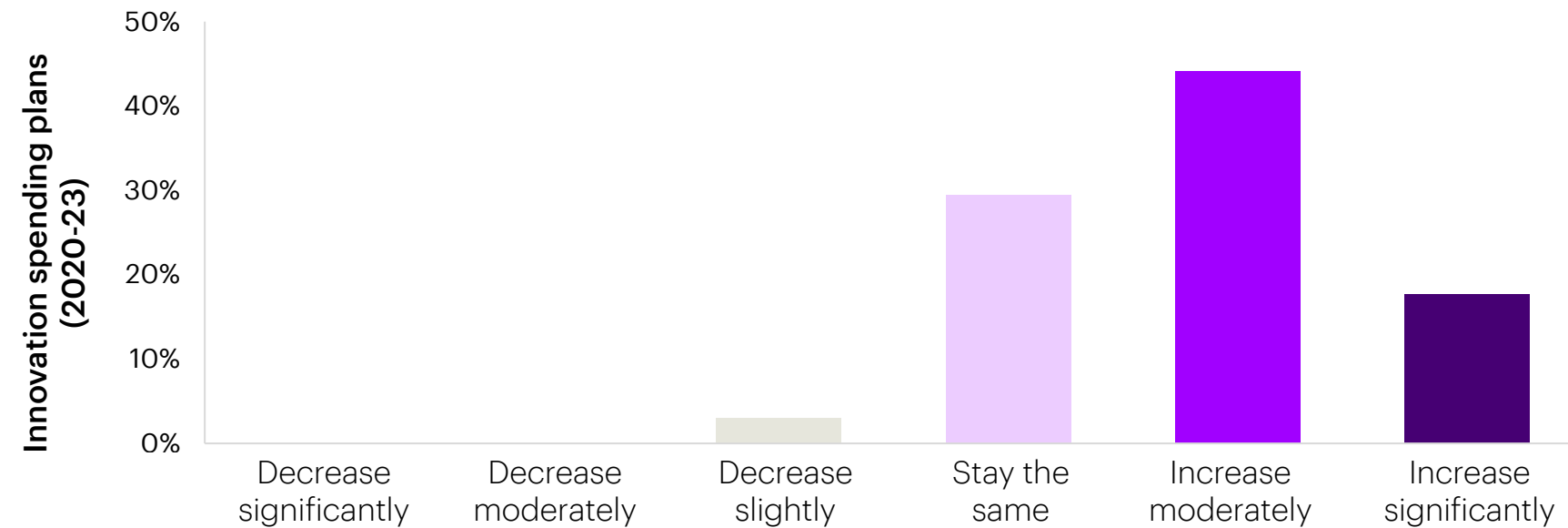


Given these responses, it comes as little surprise that Irish insurers have been investing, on average, only moderately in innovation.

As Figure 3 shows, in 2019, nearly 50% of respondents invested “moderately”, and 25% invested “heavily”. In 2020 by contrast, while comparable numbers invested “moderately”, far fewer invested “heavily” – a year-on-year drop in innovation spending due, in part at least, to the ongoing coronavirus pandemic.

Figure 4: Modest expectations

From 2020 to 2023, 75% of Irish insurers plan either no increase in innovation spending or only a moderate increase



What's more, Irish insurers are not planning any major increase in innovation investments over the next few years either.

Figure 4 shows that, while around 60% of 2020 respondents expected to increase spending on innovation in the period through to 2023, less than 20% intended to do so significantly. Meanwhile, 30% planned to hold spending steady.



2. Don't wait for disruption – because disruption won't wait for you

The state of play revealed in our surveys – a combination of moderate current investment in innovation, and moderate investment growth over the next three years – is arguably in tune with today's low-key disruption environment in Irish insurance. This could imply that there is no case for further innovation in Irish insurance at present.

However, given recent experiences of disruption in other industries, how confident should Irish insurers be that the status quo will continue?

Disruption comes in many forms. Often, it is what Accenture calls “**Big Bang**” **disruption**, where a new entrant upends an entire industry at a rapid pace: think Uber’s transformation of the taxi industry². Yet, to date, Big Bang disruption has been rare in insurance across the world. Indeed, start-ups are generally choosing to collaborate with incumbents; only 4% of the Insurtech firms we track globally compete directly, as digital carriers, with established players.³

Another potential threat comes from what Accenture terms “**compressive**” **disruption**.⁴ This occurs when small innovations accumulate up and down the value chain, largely carried forward by established firms rather than easier-to-spot new entrants. These innovations compress the revenues of laggard companies – namely those that fail to innovate – thereby progressively reducing their capacity to invest in new capabilities. Once that capacity to innovate is exhausted, the companies affected enter a tailspin from which it is difficult to escape.

“**Big Bang**”
Disruption

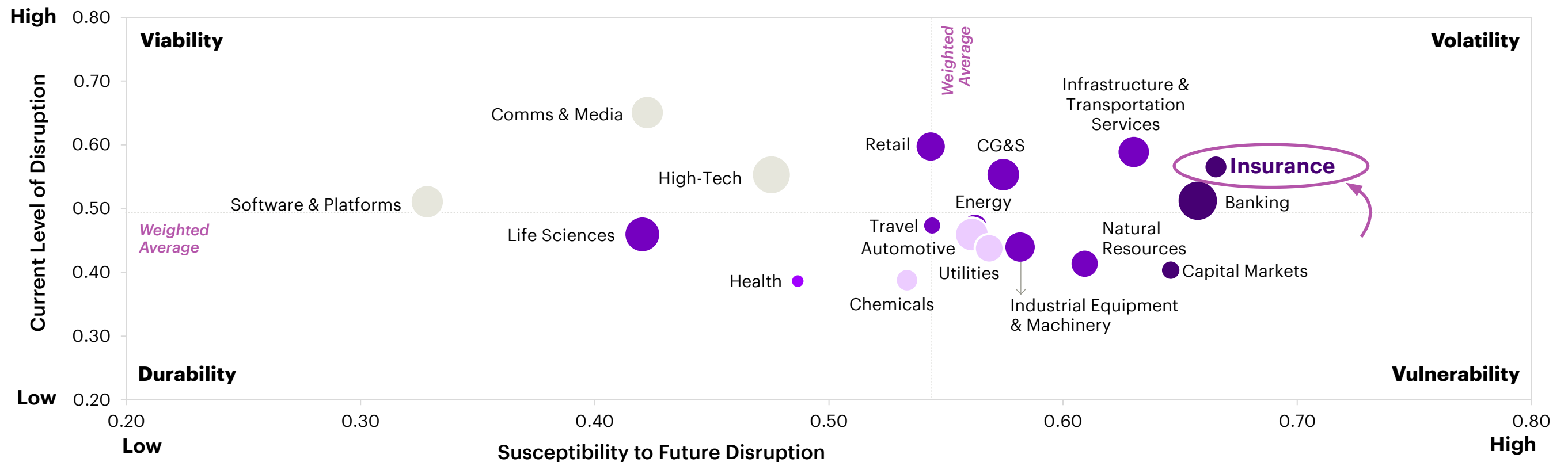
“**Compressive**”
Disruption

To quantify and track disruption more accurately across a range of industries, Accenture has developed the “**Disruptability Matrix**” (Figure 5). Set up a decade ago, the matrix has tracked more than 60 common measures of upheaval in 18 industries since 2011. In 2018,⁵ the global insurance industry moved from the “**vulnerability**” quadrant (which meant it was particularly vulnerable to future disruption) to the “**volatility**” quadrant (which meant it was particularly vulnerable to both current and future disruption).

Figure 5: Accenture Disruptability Matrix

In 2018, the most recent year for Accenture's global Disruptability Matrix, the insurance industry received the fourth highest disruptability score out of 18 industries

Industry Sector Matrix - 2018 Results | 18 Industry Sectors



Notes: To quantify disruption levels in 18 industry sectors, Accenture Research considered 62 indicators, analysing over 10,000 companies in 100 countries based on aggregated company-level analysis and statistics from reliable external sources; bubble size represents the total Enterprise Value (EV) of companies in the industry sample.

Sources: Accenture Research Disruptability Index 2.0

If we drill into the figures behind the Disruptability Matrix for the years up to and including 2018, we find incumbent insurers worldwide in a consistently secure position: good revenue growth, few Unicorns (i.e. private start-ups valued at over US\$1 billion) and low levels of venture capital funding relative to the other 17 industries tracked. So, what happened in 2018 to boost the insurance industry's disruptability score?

Under closer inspection, it becomes clear that 2018 saw the culmination of various below-the-radar trends. Unicorn valuations shot up, and insurance experienced the largest annual percentage increase in venture capital funding of all our tracked industries – bringing the potential for “Big Bang” disruption. It also saw “compressive” threats from within the established industry, with an increasing share of the insurance market being taken by digitally native and smaller-sized players.

This all goes to show how “Big Bang” and “Compressive” disruption can be hiding in plain sight, despite apparently positive industry performance and the absence of obvious challengers.



So, while Irish insurers' moderate innovation spending is easily justified, two key points should be considered by incumbents.

- 1. Insurance disruption could materialise rapidly and in an unexpected form – this could even be relayed from elsewhere in the ecosystem if, for example, a carrier's distribution partners are affected by disruption.**
- 2. Innovation doesn't exist solely as a bulwark against disruption. It is, of course, the way to become a disruptor yourself.**

Around the world, insurance leaders and markets overwhelmingly back innovation as a path to growth. Recent Accenture analysis of publicly announced innovation initiatives at the world's top 30 carriers (by total premiums) revealed a strong positive correlation between digital innovation and higher year-on-year growth in revenue, profitability and share price.⁶

This positive view of innovation is a sentiment that is also shared by Irish insurers. Across our 2019 and 2020 surveys, respondents exhibited upbeat attitudes towards innovation overall – including widespread acceptance of iterative and fail-fast approaches. And, even if they are yet to fully put theory into practice, they expressed a near-unanimous ambition to move from disrupted to disruptor.

The message is clear: whether for defensive or offensive reasons, Ireland's insurers may soon find themselves with a need to innovate faster. The question is, are they ready for this?



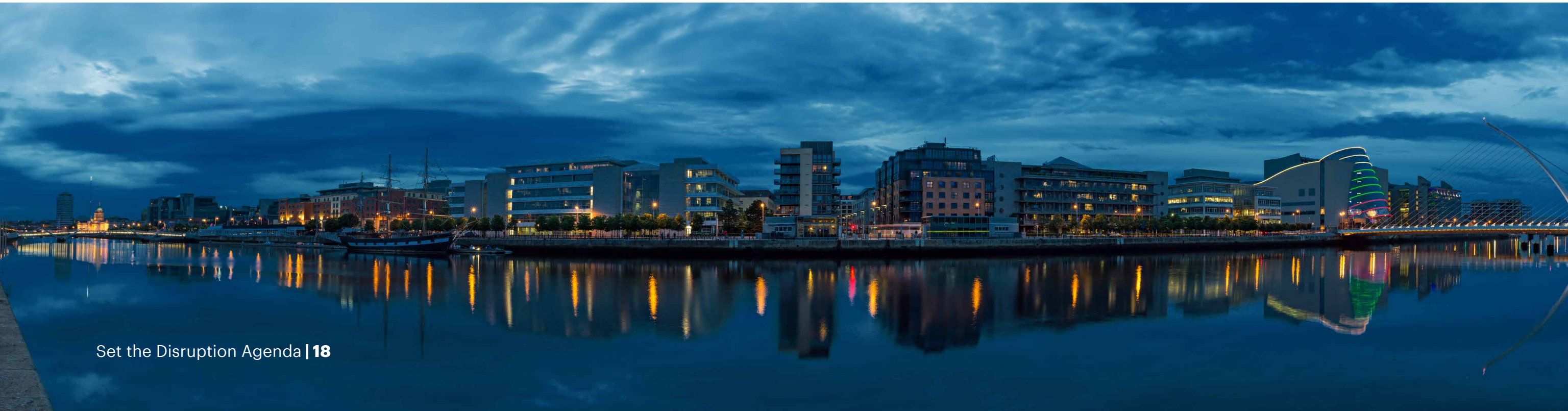
3. Just how innovation-ready are Ireland's insurers?

It's difficult to be prepared for a future that is so fundamentally uncertain – fraught with unknown threats and unknown opportunities alike. For this reason, innovation readiness cannot be about emphasising any one technology or approach.

Rather, being innovation-ready means having the agility to respond to the full range of market conditions you may face going forwards – selecting, testing and scaling the right solution for the situation at hand.

Innovation readiness is distinct from innovation spending. Some firms may invest heavily in innovative capabilities but nevertheless have limited readiness to innovate if, say, they're unable to change their speed or direction in response to a new turn of events. These organisations run the risk of being wrongfooted if the future deals them an unexpected hand.

In our surveys across 2019 and 2020, we evaluated Irish insurers on three key organisational capabilities to help us determine their levels of innovation readiness: **(1) innovation structure and strategy**, **(2) talent** and **(3) start-up engagement**. Our findings suggest that Irish insurers are performing well in some regards but could build out their capabilities further in others.



(1) Innovation structure and strategy

On innovation structure and strategy, our respondents generally favoured a single innovation function, complete with its own leadership and investment authority – as opposed to small teams of innovators embedded in different business units across the company. This preference for a centralised innovation function mirrors the global trend; in 2019, a cross-industry, cross-market Accenture study found that **84% of large corporations direct their innovation centrally in this way.**⁷ So far, so good.

However, the same global study also showed that this centralised innovation function tends to sit with a Chief Innovation Officer or dedicated innovation committee. Yet these structures remain relatively rare in Ireland, with only 3% of respondents signalling that they have a Chief Innovation Officer and only 6% a dedicated innovation team (Figure 6).

Figure 6: Leading the way

At Irish insurers, CEOs are most likely to be responsible for innovation



Instead, the most popular seat of innovation among Irish insurers was, as Figure 6 shows, the CEO. **It's unclear whether the CEO's office is the best place for innovation to reside – or whether many initiatives end up there by default because organisations don't know where else to put them.** This structural uncertainty is mirrored in Irish respondents' mixed assessment of their firms' innovation strategies, with roughly equal numbers opting for “well developed” and “poorly developed” in both 2019 and 2020.

(2) Talent

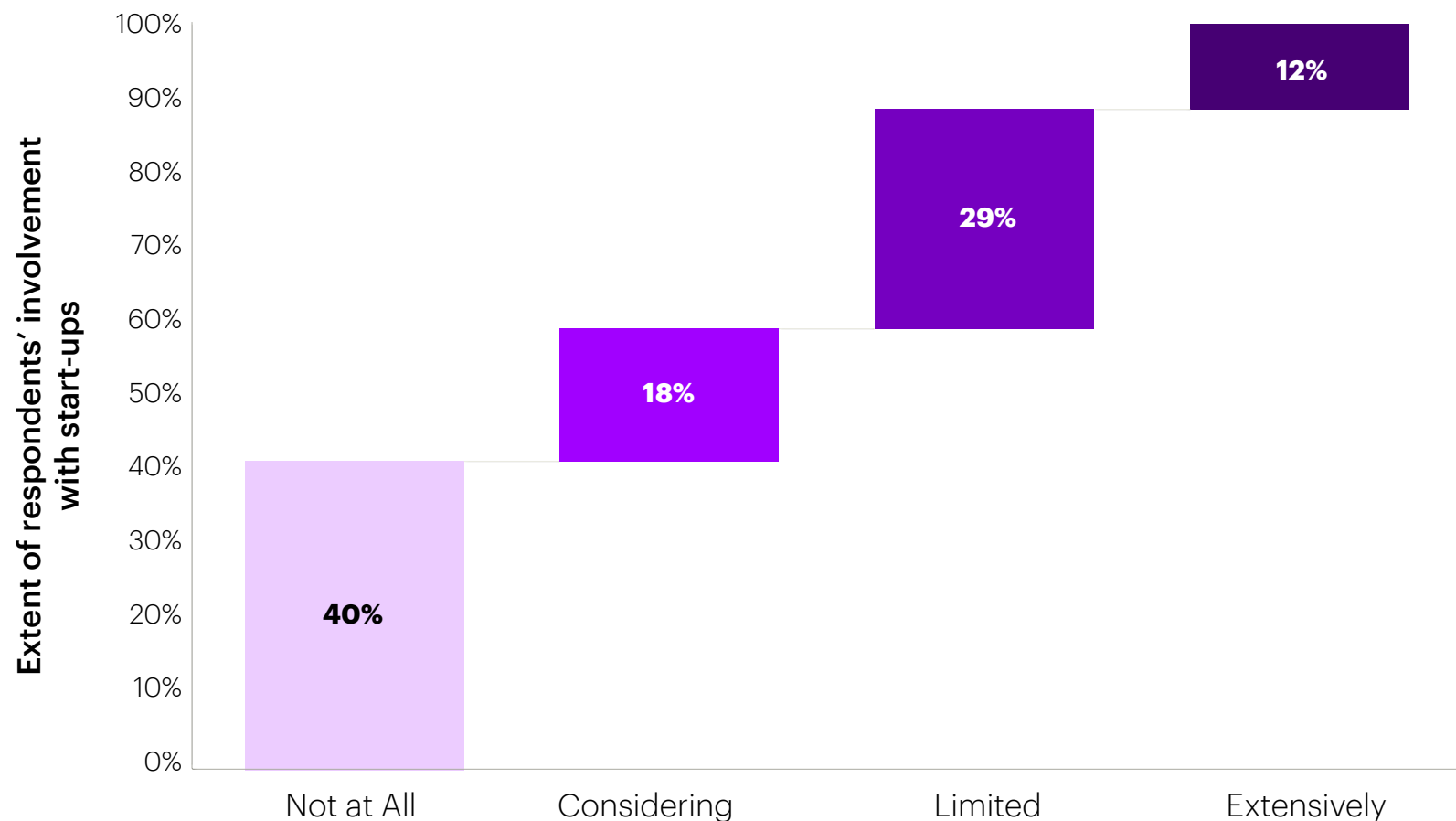
On the question of talent, over half of respondents reported an innovation talent gap in 2020, to go with nearly half in 2019. The most sought-after skill was “critical thinking and analysis”, which outranked technical skills like “data analytics” and “customer engagement”. This underscores the fact that innovation readiness is more about overall organisational agility than specific technologies. Different opportunities will create different technology needs, and these can generally be staffed for. What is scarcer though are the skills to interpret ever-changing market conditions and determine the right opportunities to pursue in the first place.

(3) Start-up engagement

Few things expand a firm's innovation capacity like having direct access to people, business models and tools outside its own four walls. In 2020, nearly 60% of our respondents said their companies were either actively involved with start-ups already or were thinking about it: 12% had extensive involvement, 29% had limited involvement, and 18% were considering getting involved (Figure 7).

Figure 7: Start me up

In 2020, nearly 60% of Irish insurers said they were already involved with one or more start-ups or were considering becoming involved with them



Source: Irish Insurance Innovation Survey 2020 (Accenture and Insurance Ireland)

There are many examples of successful start-up collaborations involving Irish insurers. Take Irish Life's partnership with Plug and Play, a start-up accelerator that brings it access to the wider Insurtech, Healthtech and Fintech sectors.

"These start-ups are thinking about the same people and potential customers that we think about and coming up with new ways and technologies to serve their needs," explains Susan Gibson, Irish Life's Chief Digital and Innovation Officer. "We have run a number of proofs of concept in our Business, plugging in start-ups to solve problems or harness opportunities. Some work, some don't – but we're learning lots along the way that is bringing value to our Business."



Susan Gibson
Chief Digital & Innovation
Officer, Irish Life



4. Hacking innovation-readiness via a governance-based approach

While our surveys reveal some promising signs for Irish insurers in terms of their innovation readiness, there's more they can do to maximise this. In our experience, greater structure yields better results. For this reason, we recommend that Irish insurers consider governing innovation more, not less.

A previous global cross-industry research initiative on innovation enabled Accenture to identify 12 innovation governance practices that help companies support innovation activities across four stages: Inspiration, Ideation, Experimentation and Scaling (Figure 8).

In that study, we found that only 12% of our global cross-industry sample of corporates were governing innovation⁸ extensively, defined as having adopted at least half of our key innovation governance practices. Interestingly, those firms had grown their revenues twice as fast as their peers over the preceding five years.

Comparing our Irish insurers to this global benchmark, we find many innovation governance practices well established, with one-fifth of 2020 respondents already governing innovation extensively – putting the Irish insurance sector on solid footing.

Figure 8: Faster out of the gate
 Irish insurers have higher adoption rates for many of our 12 innovation governance practices than the global cross-industry sample, especially at the ‘Inspiration’ and ‘Ideation’ stages

Source: Accenture Governing Innovation – The Recipe for Portfolio Growth (2020)

Grey bars indicate that Irish insurers trail the average
 Purple bars indicate that Irish insurers are in line with, or beat, the average

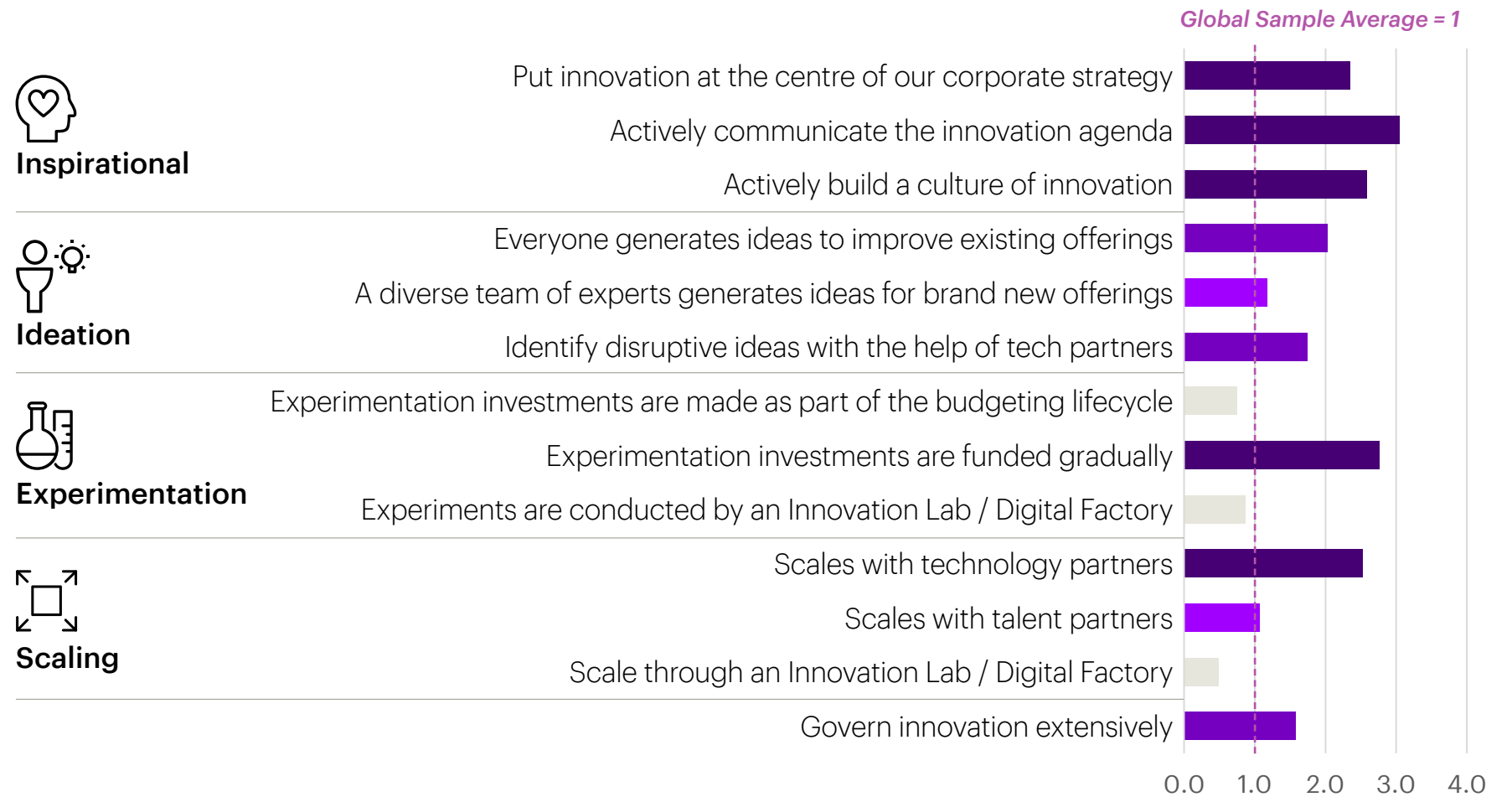


Figure 8 compares adoption rates for innovation governance practices between Irish incumbents in 2020 and the global cross-industry sample from our earlier study. As it shows, Irish insurers are most focused on the ‘Inspiration’ stage. Their adoption rate is two to three times higher than the global cross-industry average for these practices, which include putting innovation at the centre of the corporate strategy, actively communicating the innovation agenda, and building a culture to support it.

By contrast, when it comes to the ‘Experimentation’ and ‘Scaling’ stages, Irish insurers’ innovation governance adoption is more selective. **While they do invest incrementally in experimentation and partner with technology providers, Irish insurers are less likely than the global average to set aside formal budgets for experimentation, or to test and scale ideas through a specialised entity (such as an innovation lab or digital factory).**

However, even for those innovation governance practices that are less popular with Irish insurers (such as establishing an innovation lab) Ireland still boasts some promising examples. Irish Life, for instance, created its ExO Innovation Hub in 2018. “The hub embraces advances in technology, experimenting with new propositions, business models and digital experiences,” comments Susan Gibson from Irish Life.



Insurers don't necessarily have to build their own lab either – there are many other ways to reap comparable benefits. Beyond the ExO Hub, Gibson points to Irish Life's local engagement with research centres and universities, as well as innovation networks like IRDG. Irish branches of multinational insurers, such as AXA and KBC, can also leverage resources from their wider group.

As Ben Deans, AXA Director of Pricing and Underwriting, notes:

"At a wider group level, innovation is a key element of the strategy, with an annual €250m invested in start-up technology companies and university research grants." Among other initiatives, the French multinational has invested €100m in Kamet Ventures, a global incubator with a mandate to disrupt AXA's business model. To date, the incubator – comprised of scientists, academics and industry veterans – has tested some 400 original ideas and scaled 18 companies."



Ben Deans

Director of Pricing and Underwriting, AXA

John Gethin, Branch Manager at KBC Life and Pensions, points to digital investments at both local and group level:

"The upgrade of our core infrastructure in 2020 has enabled us to accelerate the pace of innovation to better serve our customers – bringing a unique Life Insurance offering to the Irish Market," he explains. "Meanwhile, KBC as a group has taken enormous steps to digitally transform its business, in the company itself and in the way it serves its customers. Building on that progress, in February 2021 KBC Group announced that they want to invest €1.4bn into digitalisation over the next three years."



John Gethin

Branch Manager,
KBC Life and Pensions

At present, Ireland's insurers are well positioned from an innovation governance perspective and have already laid down a solid foundation for future innovation. But it's essential that they sustain their momentum in implementing key practices.

Indeed, this is the direction of travel in the corporate world more generally – and the pace of progress is accelerating. Our research revealed that, while only one in ten companies in the global cross-industry sample practised extensive innovation governance today, eight in ten expected to do so by 2024.

Implementing more extensive governance doesn't necessarily mean spending more. Rather, it's about actively adopting behaviours and habits within your organisation to help select, test and scale ideas into commercial reality – so that, when the need to innovate faster arises, you will be ready to do so. Therefore, Irish insurers can still make boosting innovation governance a priority for 2021, all the while continuing to exercise whatever financial prudence is required to weather the storm of Covid-19.



Key takeaway

It's time to set the disruption agenda yourself

As an Irish insurer, you will likely be facing relatively low levels of disruption right now. But this shouldn't give you cause to deprioritise innovation.

What it does give you is a window of opportunity to set the disruption agenda yourself rather than having others set it for you. By using this time to bolster your innovation readiness, you put yourself in a win-win situation: not only safeguarding against disruptive threats but also gaining the freedom to seize disruptive opportunities.

But this window won't stay open forever. When it closes, insurers without effective offensive or defensive capacity for innovation risk being caught out by disruptive change. So, get ahead today by laying a robust governance-based foundation for your innovation efforts.

As we move deeper into a future that has seldom been so uncertain, you'll be glad you did.



Vicky Godolphin

Head of Insurance,
Accenture in Ireland

vicky.godolphin@accenture.com



Moyagh Murdock

CEO, Insurance Ireland

moyagh.murdock@insuranceireland.eu

Contributors

Susan Gibson, Irish Life

Ben Deans, AXA

John Gethin, KBC Life and Pensions

Report Author

Alexander Cherry, Accenture Research

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About Insurance Ireland

Insurance Ireland is the voice of insurance in Ireland, we represent the general insurance, health insurance, life assurance, reinsurance and captive management sectors. We represent 135 companies providing insurance domestically and internationally from Ireland. Approximately 28,000 people are employed by the sector, directly and indirectly, with one in four jobs in financial services being in insurance. Our members pay out more than €250 million in claims and benefits to Irish customers per week and contribute over €1.6 billion in tax to the exchequer each year. Visit us at www.insuranceireland.eu

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Footnotes

¹ About the Irish Innovation Survey 2019-20

Of the 32 Insurance Ireland members surveyed during 1 – 12 July 2019, 41% were CEOs and 78% held C-suite positions. Respondents represented both domestic and international groups, including Life insurers (19%), non-Life insurers (72%) and companies offering both Life and non-Life Insurance (9%). Of the 34 Insurance Ireland members surveyed during 26 November – 8 December 2020, 56% were CEOs and 76% held C-suite positions. Respondents represented both domestic and international groups, including Life insurers (21%), non-Life insurers (62%) and companies offering both Life and non-Life Insurance (18%). Non-Life includes General lines, Health lines, International lines and Re/captive.

² [Strategy in the Age of Devastating Innovation: Big Bang Disruption \(2013\)](#)

³ Accenture Research Insurtech Observatory 2020

⁴ <https://sloanreview.mit.edu/article/the-big-squeeze-how-compression-threatens-old-industries/>

⁵ About the Accenture Disruptability Matrix

To quantify disruption levels in 18 industry sectors, Accenture Research considered 62 indicators, analysing over 10,000 companies in 100 countries based on aggregated company-level analysis and statistics from reliable external sources.

⁶ [Where’s the Payback on Digital Innovation in Insurance? \(2020\)](#)

⁷ [Governing Innovation: The Recipe for Portfolio Growth \(2020\)](#)

⁸ About Accenture’s Innovation Governance Research

To explore the link between innovation governance and company growth, Accenture Research surveyed 1,090 large firms across 15 geographic markets and 11 industries, combining this information with separately sourced financial data.