



Insurers: Go all-in on ecosystems

Accenture Strategy

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While disruption is rocking all industries, among the most vulnerable is insurance.

Accenture analyzed 20 industries and found that although insurance is currently experiencing a low level of disruption, it is the fourth most susceptible to future disruption.¹

Disruption is putting immense value at stake. It has been estimated that by 2022, carriers that are slow to respond to changes by agile, hyper-relevant competitors—we call them “living businesses”—could suffer market share erosion worth as much as US\$198 billion.² These living businesses adapt and innovate constantly—at speed and scale—to increase their relevance to today’s consumers who want it all.

More than half of insurance executives (51 percent) say their companies are already starting to experience some form of disruption from competitors that have partners in other industries.³ These disruptors are targeting the most valuable parts of the value chain. Insurance incumbents see the highest levels of disruption in the products and services offered (60 percent) and the way customers are serviced (57 percent).⁴

Strategies for managing disruption vary among the different players targeting the insurance market. For instance, the value chain focus, risk tolerance and level of investment are different among incumbents vs. private equity vs. technology companies (see Figure 1).

Ecosystems are a major cause of this wave of industry disruption. Rather than becoming victims of it, insurance companies can join or design and execute their own ecosystems to ensure they are the disruptors, rather than the disrupted.

Many have recognized this opportunity and are capturing value while tackling disruption head-on.

For example, the South African health insurer Discovery has made great strides in its bid to realize the full potential of its shared-value business model. By partnering with leading carriers around the world, each of which incorporates its Vitality platform into its business model, Discovery is confident that by 2023 its ecosystem can help improve the health of 100 million people globally.⁵

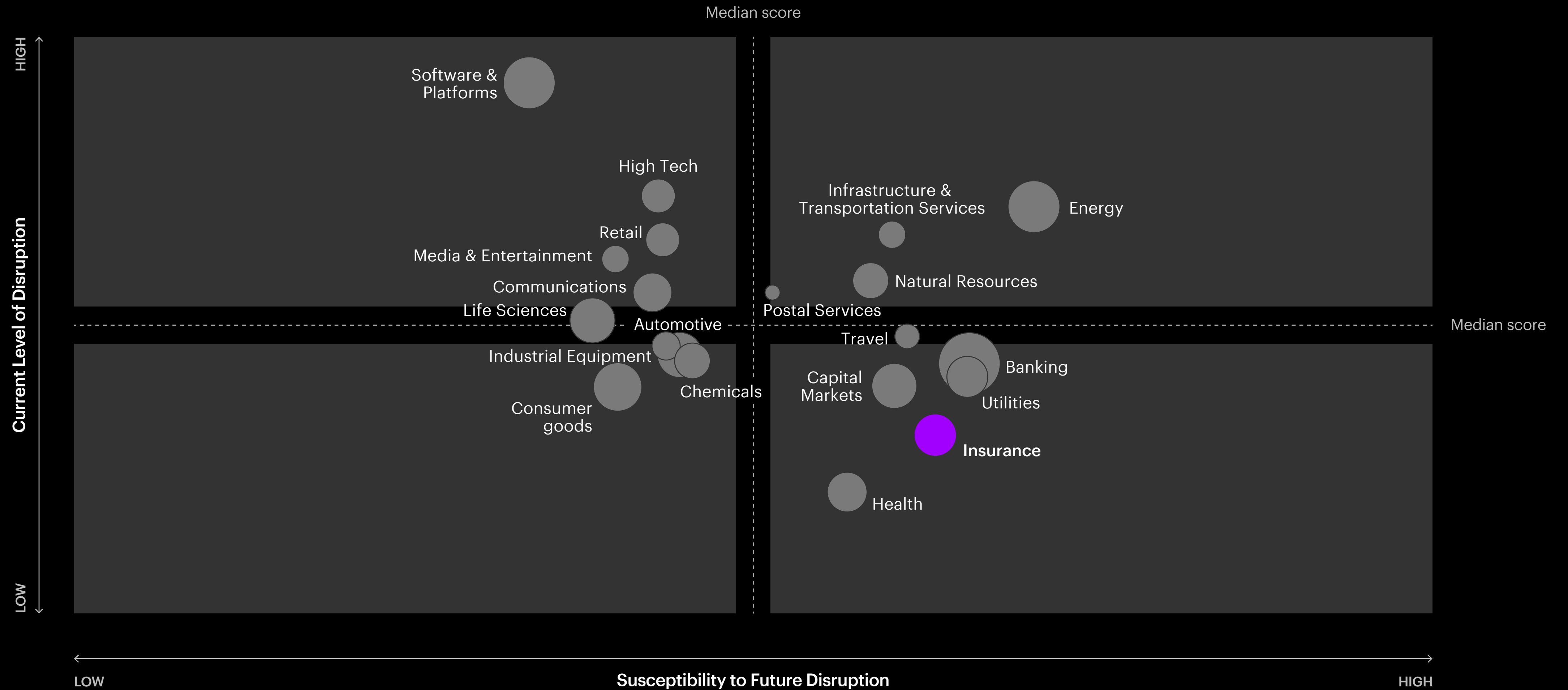
Most insurance executives (84 percent) say ecosystems are important to their strategy and more than half (54 percent) are actively seeking ecosystems—the highest of all the industries Accenture Strategy surveyed.⁶ Yet many insurers, by their own admission, don't have what it takes to lead an ecosystem.

So what's an insurer to do: Play it safe by conducting business as usual, or go all-in to seize the ecosystem opportunity?

Figure 1: The strategies for disruption differ among potential ecosystem players

	Insurance incumbents	Private equity / venture capital firms	Technology disruptors
Appetite for risk	Very low	High	Very high
Industry focus	Insurance	Insurance and other sectors	Cross-industry
Strategic goals	Improving the existing value chain, with a focus on cost and customer experience	Disrupting the end-to-end value chain, to create the next "unicorn"	Reinventing the highest value aspects of the value chain with a cross-industry approach

Figure 2: Insurance is highly vulnerable to future disruption



 Average enterprise value of companies in the study sample

Matching capabilities to ambitions

Strategically, insurance companies are interested in pursuing ecosystems, but their ambitions and capabilities don't always line up.

Nearly all of the insurers surveyed (97 percent) think they have what it takes to be an attractive ecosystem partner. Yet, when we look at the attributes of companies excelling at ecosystems, less than 5 percent of the insurers were identified as ecosystem masters, the second lowest of all the industries examined.⁷

Insurers undeniably bring a lot to the table. The depth and richness of the data they have is unmatched. For instance, a mobile service provider does not know a customer's gender— an insurer does. Technology companies looking to sell insurance across the 50 United States don't have the regulatory capabilities—insurers do. Insurers have longstanding relationships with customers, which fosters trust, and they have incredible potential to conduct frictionless business by partnering with the right players.

Where insurers often fall short is in having the right capabilities, culture and technologies to fully exploit the ecosystem opportunity (see Figure 3). They also face increasing competition for critical skills to harvest the massive amounts of structured and unstructured data at their fingertips. Talent can be hard to come by. A skilled data scientist might opt to work for a startup or a tech behemoth, rather than an insurance company that lacks both the general appeal and the modern technology.

As they pursue market-leading ecosystems, insurance companies will need to carefully assess their readiness and close the gaps—cultural, technological and other—to ensure they are an effective ecosystem player and the type of partner others are seeking.



What makes an ecosystem master?

We looked for companies that aim to disrupt their industry using ecosystems, plan to lead as many ecosystems as possible, and target 5 percent or more growth through their ecosystem initiatives.

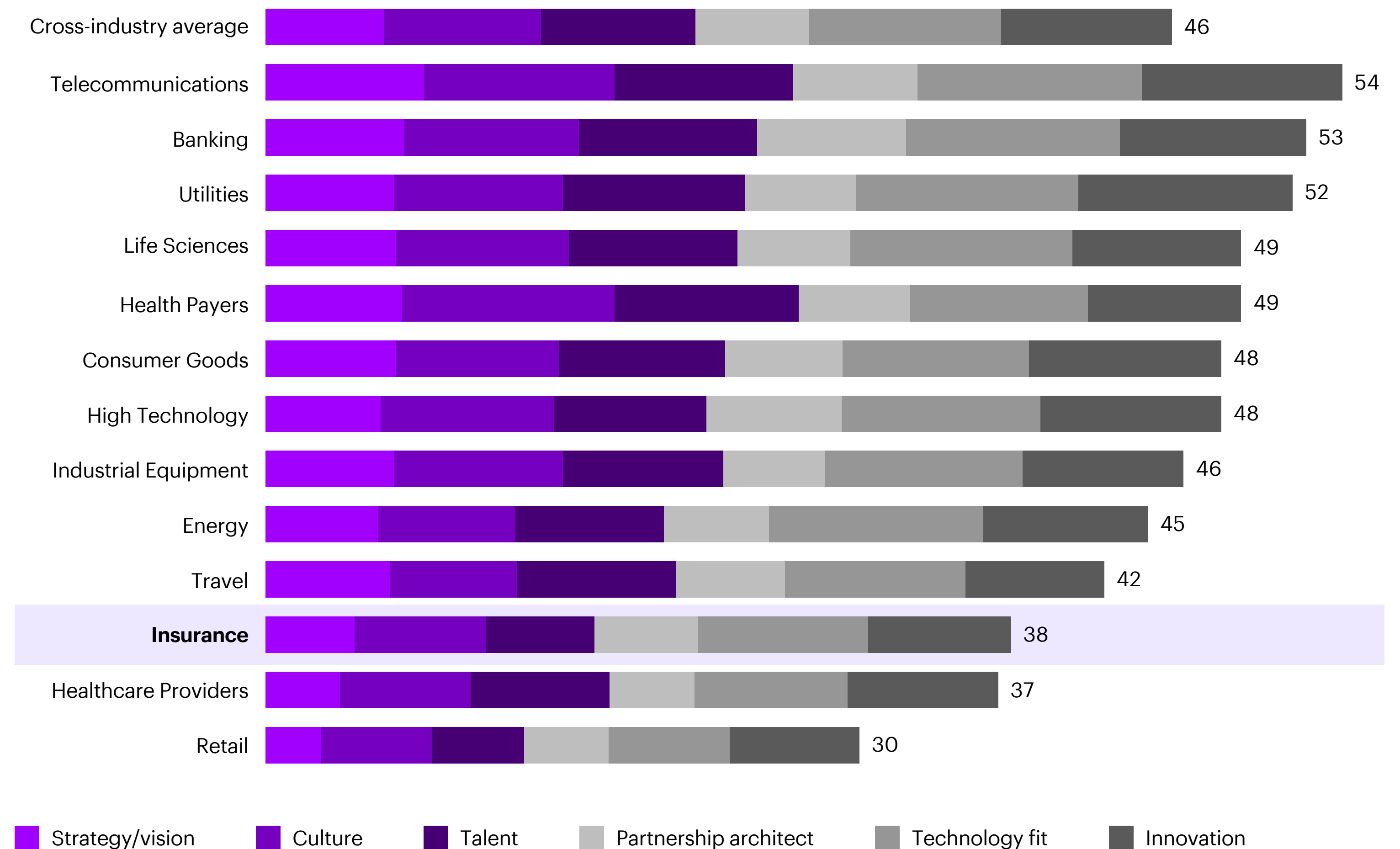
Source: [Three things ecosystem masters get right](#), Accenture Strategy, 2018.

Learning from industry leaders

Ping An Insurance aims to become a single source for financial, health and life services. Ecosystems are crucial to Ping An's strategy. Its majority share in Autohome allows it to mine valuable data and establish a foothold in the autonomous vehicle sector. Its property sales and investment ecosystem Haofang is helping Ping An create new revenue streams by providing distribution for its mortgages, wealth management and other related products. Good Doctor connects a vast network of hospitals and has assembled a large team of doctors dedicated to providing 24/7 free online consultations to patients. These ecosystem investments are paying off. In 2018, more than a third of Ping An's new retail customers came from its ecosystems, while operating profits per customer increased 18 percent.

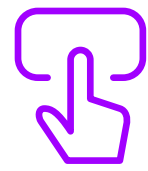
Sources: [China in-depth: Digital insurance ecosystems, The Digital Insurer](#). [Annual results 2018, Ping An Group](#), Ping An website.

Figure 3: Insurance lags on the Ecosystems Capability Index, measuring the ecosystem capabilities of companies across six dimensions.



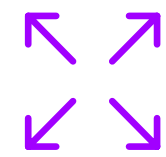
Don't gamble on the right partner

Insurers want a seat at the ecosystem table, but they must be careful about selecting who joins them there. The right partners—and partnership savvy—allow an insurer to successfully collaborate outside of its core business and achieve economies of skill, scale and scope:



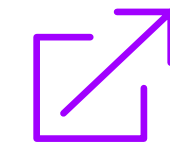
Skill

Insurers can gain access to a wider range of skills, capabilities and technologies they would not otherwise have had, ranging from customization and personalization, to facial recognition, machine learning and digital marketing.



Scale

The right ecosystem partners bring greater size, reach and cost advantage. A partner with scale may have vast amounts of data that can be used to inform better customer insights and experiences. Many leading ecosystems are effective data aggregators that clearly define how data is shared and leveraged among participants.



Scope

Insurance companies can expand their customer value proposition with the help of ecosystem partners whose capabilities can extend the variety of their offerings and introduce new services. For instance, Munich Re and Digital Partners are collaborating to change the way customers experience insurance. From a realtime flight interruption service, to pay-per-use insurance for on-demand workers and peer-to-peer insurance, Munich Re is using its ecosystem to develop a next generation of offerings that appeal to today's digital-savvy customers.⁸



Trust: the underpinning of all ecosystem relationships

A trust incident involving one player will affect the entire ecosystem. The Accenture Strategy [Competitive Agility Index](#) revealed that more than half (54percent) of the 7,000 companies analyzed have experienced a material drop in trust at some point during the past two and a half years. When a material drop in trust occurs, the average insurance company will experience a 2.6 percent drop in revenue growth and a 3 percent EBITDA growth decrease. For a US\$25 billion company, this equates to a US\$650 million decrease in revenue growth and a US\$750 million EBITDA growth decrease.

Source: [The bottom line on trust](#), Accenture Strategy.

Play to win in the ecosystem

To avoid value degradation and ensure relevance for the future, insurers need to go all-in and build market-leading ecosystems with trusted partners. Here's how:

01

Shape the market play

Forward-thinking insurance companies will set a clear ecosystem strategy: What role do they want to play in customers' lives? How bold will their aspiration be? What will be the market play? We see three major market plays for insurance:

- **Improving the existing value chain.** Insurtechs/ fintechs are being recruited around the core business to reshape economics and experiences. For instance, Allstate's QuickFoto Claim® app allows users to capture a picture of vehicle damage and submit it online, simplifying the process of filing an auto claim.⁹
- **End-to-end value chain disruption.** Insurers can look to monetize the potential of ecosystems through market adjacencies. Dai-ichi Life Insurance Company partnered with insurtech innovators to enhance the company's app that promotes healthy lifestyle choices and health management. The new agile, digital-driven, analytics-led app offers more personalized functions for Dai-ichi Life's policyholders and their families.¹⁰

- **Reinvent the highest-value aspects of the value chain.** Certain segments are looking at creating new living business models that create major revenue outside of their core business. One example is auto insurers and the sharing economy. Many car manufacturers don't have the actuarial capabilities to understand and model risk, so they are collaborating with those that can to offer insurance to car buyers. Generali Country Italia and the Fiat Chrysler Automobiles Group are forming a technological partnership which will develop innovative products and services for the automotive and connected vehicles sectors and offer them to the insurance market.¹¹

Next, winning insurers will define the vision, business case, priorities and roadmap for the market play(s). The roadmap should outline how the ecosystem will incubate, launch and scale ecosystem propositions, products and services that create benefits for all invested parties.

02

Take a look in the mirror

The 97 percent of insurers that believe they are attractive ecosystem partners can't all be right. Each should look inward to determine whether it can be effective in an ecosystem setting. Successful insurance companies will scrupulously take stock of their capabilities, culture and technology to identify the gaps they need to address and the strengths they can leverage to be a fully contributing ecosystem player. In doing so, their vision and future market priorities should inform the way forward.

03

Pick your partners

Forward-looking insurers will carefully select the partners required to deliver on the ecosystem strategy. Depending on the chosen market play, they will seek partners that bring the assets, domain expertise or technical capabilities required to implement the market play and create a frictionless customer experience.

Beyond these dimensions, potential partners should also have the right ethos, collaboration, customer focus and incentive to complement each other's desired positioning. And if partners have similar governance and security processes and standards—and see clear, mutual benefits to participating in the ecosystem—the combination will be differentiating and will breed trust.

Insurers need to offer consumers a wider, more relevant and appealing set of offerings and experiences, but they can't do it alone. The right partners can bring the skills, scale and scope necessary to help incumbent insurers lock in on a profitable ecosystem opportunity.

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