



Insurtech
Insights

Roundtable

Why life insurers are embracing partnerships and ecosystems



In partnership with



Introduction

In October 2020, Insurtech Insights and EIS published research that showed that two in three (66%) of insurance industry professionals were actively partnering with non-insurance businesses, and a further 26% were planning to do so.

As a follow-up to the above research Insurtech Insights and EIS hosted a virtual roundtable of eight leaders in the UK, Europe and the US in April 2021 to understand the benefits and best practices of such partnerships, with a specific focus on life insurance. Representing a mix of established life carriers and newer challengers, our participants comprised a broad cross-section of the life-insurance industry.

Our leaders shared the following tips for how life insurers can benefit from partnerships and ecosystems:

- Participation in broader ecosystems helps to make life insurance more relevant to customers and increases engagement between insurer and insured.
- Think carefully about core competencies that need to stay within the wheelhouse, versus what can be done by partners with specialist capabilities and/or reach.
- Data and analytics from third parties present many opportunities to improve underwriting and customer experience, but managing sensitive personal information is a complex area that requires close alignment between partners to get right.
- Products must be redesigned to suit new methods of distribution – the product must be tailored to the channel.

With thanks to



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Foreword by EIS



I was delighted to have had the opportunity to participate in this roundtable to debate what is probably the hottest topic in insurance today. While high-profile distribution partnerships are particularly visible in property and casualty lines at the moment, the potential for life carriers is no less significant.

As public awareness of health and wellness continues to grow, the role life insurers play is being re-framed. The role of the insurer is not simply to offer monetary payout in the event of loss, but to support people in enjoying long, healthy and active lives. Participation in wider health and wellness ecosystems presents new opportunities for life insurers to tackle the problem that has vexed the industry for generations: how do I build relationships and be relevant to customers?

Other than health and wellness, other types of partnerships present new ways for life insurers to target customers and deliver genuine value beyond the purchase and claims transactions. Affinity channels help reach customers at opportune moments. To take full advantage insurers must be able to tailor their propositions to the partner, channel and customer – and in doing so maintain a portfolio strategy, not one size fits all.

And to be able to do this requires upgrading core underwriting capabilities as well as product-development processes. I love the quote from one of my fellow roundtable participants – simply putting “digital lipstick” on a traditional product will not be successful.

Fortunately, incumbents don’t have to rebuild from the ground up to be able to transform. Bringing in no/low-code based platforms enable carriers to deliver highly personalised experiences based on open APIs, at the fraction of the time and cost needed to rip and replace legacy systems.

I hope will enjoy this report and that it gives you some food for thought to inspire your own journey into partnerships and ecosystems.

Samantha Chow
LAH Markets Lead at EIS

¹ <https://www.capgemini.com/gb-en/news/world-insurtech-report-2020/>

Why do platforms and ecosystems matter?

Ecosystems are here to stay. According to McKinsey & Co¹, 12 new ecosystems organised around human and organisational needs will account for \$60tr (£42tr) in revenues by 2025, approximately 30% of all revenues.

These ecosystems supersede traditional industries, instead bringing together participants from different sectors which collaborate and complement each other. For example, where telecom services might have been considered an industry in its own right, it is now one asset within the wider “digital content” ecosystem. The estimated total sales in the digital content ecosystem will amount to \$3.3tr (£2.3tr) by 2025.

Insurance does not reside in a single ecosystem: instead, opportunities exist for insurers in multiple ecosystems.

Historically insurers have concentrated on being vertically integrated entities with all requisite expertise housed within their four walls. In today’s era of partnership, they must open their doors and collaborate. There are benefits of doing so everywhere in the insurance value chain, from marketing and distribution to operations and underwriting.

Inevitably there creates tension in incumbent organisations: between legacy culture, which is protected



and closed, and the open and collaborative mindset required to participate in ecosystems. This was referenced multiple times in our roundtable discussion: tensions between old and new, between risk takers and the risk averse, between near-term and longer-term interests.

Where and how do platforms and ecosystems create the greatest impact in life insurance?



Stefaan Dekezel

When your customers don't go to a bank branch any more or are less inclined to talk to a broker, you need to develop digital skills and to collaborate with people who are really good at that. You can of course upskill your own people and become good at digital marketing, but it makes a lot more sense to partner with people that have the reach and have the capabilities where you don't necessarily have them.



Sean O'Reilly

Where the power of ecosystems is really going to come in is embedding products, as insurance moves from reactionary to preventative. If we can embed ourselves into digital systems that are offering medical advice and medical care, we'll get more touchpoints from potential customers.



Josh Hart

There is an enormous opportunity if we can get society to improve lifestyle decisions. If we are able to bring down the propensity for someone to die, or to claim on a policy, it's a win-win. They don't die, they don't claim, we're all much happier. Engagement is the key. If you don't have a relationship with someone, you can't help them live longer.

¹ <https://www.mckinsey.com/industries/financial-services/our-insights/insurance-beyond-digital-the-rise-of-ecosystems-and-platforms>

Implications for product strategy and distribution

As insurance becomes more embedded via partners, providers must operate a portfolio strategy, tailoring their offerings to the channel and to the customer segment.

Our panel pointed out that while ecosystems create opportunities to sell simple propositions direct to consumer, intermediaries will continue to play an important role for more complex products.



Stefaan Dekezel

This requires much more than taking your traditional product and marketing approach and putting digital lipstick on it. You have to rethink and redesign to compete in this space and it makes a lot of sense to partner with players that have the reach and the capabilities where you don't necessarily have them.



Saumya Gupta:

You have to change the product to support that channel. If it's a direct-to-consumer online channel, you want the product to be relatively simple because the customer may not have the time or the patience to understand a more complicated product.



Yaron Ben-Zvi:

I believe in direct and that it will continue to grow. I also believe that it will always be only part of the pie and not all the pie. If you look at the direct-to-consumer market in the US, simple term products were up last year versus a generally flat market. That being said, there still is a long way to go.



Stephen Katz:

Underwriting in life is mostly concerned with the mortality and overall health of potential customers, but it should also be aligned with the products being offered and understanding when and why the potential customer is buying life insurance.



Josh Hart

There's a naïveté within the tech world that says digital interfaces have replaced intermediaries, as if intermediaries don't add any value. That is incorrect. Anyone that goes into the market will very quickly find out that ignoring how distribution happens in insurance is to make a mistake. If it weren't for intermediaries, you wouldn't have Yulife coming to the front.

Are insurers moving quickly enough to embrace partnerships and ecosystems?



Yaron Ben-Zvi

Often in life insurance things are happening, but slowly. There's a lot of complexity. You can put a nice front end or API on top of an old system, but ultimately that doesn't fix the issue. There has to be the core transformation first and that takes time.



Samantha Chow

There are things happening, but we want them to happen faster. Legacy tech challenges are holding incumbents back.



Stefaan Dekezel

Change is so widespread that different companies make bets in different places. Some of it is above the surface, some of it is under the surface. People tend to see what is above the surface. There are quite a lot of things happening, even if it's not always visible.

Using partner data to improve customer engagement

The core idea underpinning the concept of ecosystems is the bringing together of adjacent products and services rooted in consumer needs. Participation in ecosystems helps insurers be more relevant to customers and to collect a broader array of data through partnerships.

Doing so, virtuous circles are created: more and better data allow insurers to deepen their understanding of customers and develop more personalised offerings, which attracts engagement from customers.



Sean O'Reilly

We're in an era where most of the population are far more health-conscious than ever before. Wearables are huge now and allow you to touch actual health data points rather than having to go out and ask the customer to take a health test or a urine sample. If we could build partnerships and ecosystems to collect that data, it streamlines the process.



Josh Hart

It's not necessarily about reducing the pain but increasing the pleasure. It's not about reducing these long customer journeys, but reducing the agony of providing data with nothing in return. And how can we enhance that experience to make it more meaningful and pleasurable?



Saumya Gupta:

Underwriting is one of the areas which has expanded in terms of usage of data and analytics. Across the entire value chain there are opportunities to work with vendors, including in modeling, testing, implementation, retesting, or back-testing.



Samantha Chow

On the underwriting side, data enrichment has traditionally come from sources of financial risk such as LexisNexis and TransUnion. More and more we're starting to see more reinsurance algorithms being brought

Several of our panel highlighted the need for sensitivity and customer-centricity when collecting and deploying data.



Josh Hart

If we're seen as doing anything negative as a result of having people's data, we will no longer be entitled to it or even deserve them giving us access to it. We talk about data in the context of how do we help people live longer? If we're looking at data to say, how do we help ourselves pay less risk, we're looking at data the wrong way.

in. We're getting more demand for that to go through carriers' actual systems rather than pushing the information out to the reinsurer to run through their systems.



Yaron Ben-Zvi:

In our experience, a customer who isn't required to take a medical exam is three to four times more likely to end up with an issued policy than the one who does need a medical exam to finalise their application.



Participation in ecosystems helps insurers be more relevant to customers and to collect a broader array of data through partnerships



Stephen Katz

The lifeblood of these ecosystems is data, and being able to have a codified data ecosystem creates a one source of truth for your company. One of the major considerations in this flow of data is how third party partners treat data. That is so critical because they often are dealing with people's personal and identifiable information. They have to have well thought-out mechanisms to deal with the variety of personally identifiable information issues that may arise.

What are the success factors when working with third parties?

Our panel pointed to a number of common success drivers for insurers when working with external partners: identifying and agreeing goals up front, aligned culture and values, and a commitment to overcoming legacy.

Cultural fit



Stefaan Dekezel

We are a company where partnerships are part of our DNA. What we seek is a common understanding, a similar culture, and a willingness to identify together the solution that brings a win-win to both parties. It has to work both ways. It's easy to say, less so to do.

Overcoming legacy



Samantha Chow

A lot of the 'outside in' approach that has been taken thus far, the layering of APIs on top of the old legacy solution is causing more downward issues. For us, it's about finding carriers that truly understand that difference, and the value of starting at the core. Who are looking for a solution that's going to be flexible and give them that opportunity to integrate with partners and ecosystems?



Your partner has to be willing to stand up and say 'Hey, this is not the direction I think that we should be going'

Finding partners that offer advice, not just implementation



Tassie Blackstone

We bring in all these different systems and different processes, and then we personalise it or customise it to get to the point that you can't even tell what it was to begin with and we've deviated so far away from what that end goal is. Your partner has to be willing to stand up and say 'Hey, this is not the direction I think that we should be going'. And don't just focus on the impact on the consumer, or the impact on the agent. How is this impacting your operational staff? Are they feeling that they're being brought along, that they can contribute?

Understanding core activities



Saumya Gupta

I'd like to add another lens for how to view working with other parties because this question keeps coming up. What are your core capabilities that you want to develop, versus non-core activities? And what's within your wheelhouse versus not? Do you want to build it, outsource it, or achieve the outcome working with another party? There are many functions within our industry where companies are already asking these questions: product, pricing, actuarial activities, admin and claims.

Contact

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