

Insurance Practice

Digital ecosystems for insurers: No one size fits all

Digital ecosystems are gaining relevance in insurance, and there are five lessons that insurers have learned so far.

by Ulrike Deetjen



Digital ecosystems dominate headlines—as online worlds of experience that offer seamless access to a diverse set of products and services, as digital integrations of providers from different industries, and as real opportunities for insurers looking to expand their customer bases. By 2030, digital ecosystems will account for around €60 trillion in revenue worldwide, and the hopes attached to them are as vast as their potential.

Meanwhile, insurers are still questioning their role in and the impact of this transition. The German trade publication *Versicherungsmonitor* recently ran a story with the headline “Farewell to ecosystem dreams,” which says that many auto insurers have resigned themselves to playing only a marginal role in digital mobility worlds.¹ Similarly, in a survey conducted among healthcare insurers, respondents saw themselves in the middle of the pack compared to other, more proactive ecosystem adopters.

But taking advantage of digital ecosystems is not an all-or-nothing prospect. While some companies will shape the customer interface as the ecosystem’s primary orchestrator, others will participate in discrete aspects or areas of the ecosystem. But there are more than these two extremes; the spectrum of attractive possibilities is more colorful and nuanced.

Five lessons learned by insurers on the path to ecosystem orchestration and participation will help ensure that their digital-ecosystem efforts are effective:

1. *Basic principle: Improve the value chain from the customer's point of view.* Addressing customer needs skillfully and quickly not only creates value but also provides cross-selling opportunities and strengthens customer loyalty. For example, Prudential's Pulse ecosystem offers health services for everyone—but 70 percent of users are not yet Prudential

customers. With just one mouse click, they can become one. Almost two million policies have been issued in the first year alone to health-conscious and digitally oriented customers.

2. *Prerequisite: Establish skilled digitization in the core business first.* If there are problems in the core business, ecosystem approaches will also fail to have the desired effect. For example, customers shouldn’t have to enter their data and log-in information again after agreeing to advertising and checking cookies. Such inconveniences kill success. Additionally, data silos make it difficult to measure the benefits of digitization. Discovery has integrated its core business with appropriate ecosystem services in the Vitality One platform and has found that its users’ health costs are as much as 14 percent lower compared with those who don’t use these ecosystem services—a combined effect of higher loyalty, changed habits, and an enticing customer experience.
3. *Impact: Build from core to ecosystem.* It can take time for ecosystem services to become financially relevant alongside the core insurance business. After all, the priority is growth, not direct monetization. Of course, the business model should be sustainable in the long term, but in the short term, the benefits are often more indirect. Chinese insurer Ping An now generates one-third of its customers from its 700 million ecosystem users—even if the business alone is not necessarily profitable and is hardly comparable to other countries such as Germany in regulatory terms.
4. *Scaling: Don't do it alone.* Expanding ecosystems requires a mix of three things: making, buying, and partnering. The last element is particularly challenging because it requires ensuring ecosystem participants don’t offer the same or similar products or services to the

¹Christian Bellmann, “Abschied von den Ökosystem-Träumereien,” *Versicherungsmonitor*, September 2, 2021, [versicherungsmoonitor.de](https://www.versicherungsmoonitor.de).

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ecosystem's customers. Therefore, successful models are better thought out. Take, for example, the recently launched "WELL" ecosystem, which combines the offerings of Swiss insurance companies CSS and Visana with telemedicine provider Medi24 and online pharmaceutical company Zur Rose. All participants target different customer segments for their core business, but together, they can reach two million users—a quarter of Switzerland's population.

5. *Vision: Expand on specific strengths.*

Insurers often think they have no chance in the ecosystem world—and the hesitance is understandable. Leading tech companies have built ecosystem empires on loyal customer bases that use their products and services in everyday life. Other industries also have inherent competition; some companies already sell insurance along with their core product. Tesla, for instance, recently launched its own

stand-alone insurance provider with rates it says will be 20 to 30 percent below the market average. However, insurers can counter these developments with their own customer data and resources, such as health insurers' medical billing data and motor insurers' driver and vehicle data. By focusing on leveraging these strengths, insurers can continue to develop their digital customer interfaces and value chains in a targeted manner.

Ecosystems are here to stay—one way or another. For digitally savvy insurers, ecosystems offer the opportunity to create cost-efficient value in a connected world and stay ahead of competition in the long term. There are attractive opportunities for everyone, and no strategy is always the worst strategy. So for insurers, ecosystems are not only a safe bet for next year but also a promising path to success in the next decade.

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