Building the "open" insurance company of the future

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An operating model perspective on orchestrating an ecosystem

pwc

About this paper

Ecosystem-based business models have emerged across different industries. Ecosystems are networks of organizations that collaboratively offer their customers a portfolio of propositions, centered around a specific customer need. The interest in these ecosystems is widely spread in the insurance market and has significantly grown over the last years and is formed by both defensive and offensive arguments.

Defensive, because insurers face severe **challenges in their traditional business model** (strong competition, low interest rates and limited options for growth). For this reason, insurers need to focus on a new sustainable business model as margins on the current business model are under pressure and profit margins from the lucrative life books are running dry. Also, insurers see limited options at hand to outperform competitors in terms of pricing while keeping their profitability at the desired level.

Offensive, because these business models provide insurers with **new opportunities** to go beyond the conventional insurance product and increase their relevance for customers, thereby strengthening their relationships with these customers.

In this paper, we discuss **the impact of becoming an ecosystem orchestrator on the operating model.** This impact is profound and requires serious efforts and investments. Given our focus, we assume there already is a strategy in place. In that strategy, the insurer states the ambition to orchestrate one or more ecosystems. For our analysis, we developed an operating model framework that is structured along the Business, eXperience and Technology axis, based on PwC's BXT approach. We outline best practices and discuss how an insurance company needs to adapt its operating model. Additionally, we look into the (key) challenges they face in realizing the required changes and how they can avoid common pitfalls while doing this. The basis for this paper is the experiences that we have gathered while supporting various insurance companies on their ecosystem journey.

This paper is **the second in a series of publications around the topic Ecosystems** in Financial Services. PwC's first paper regarding partnerships in Banking can be found [here](). We wish you an interesting reading experience that we hope will deliver fresh and actionable impulses for your business.

Figure 1: Number of newly formed partnerships (based on public announcements) of Dutch Insurers 2014-2019
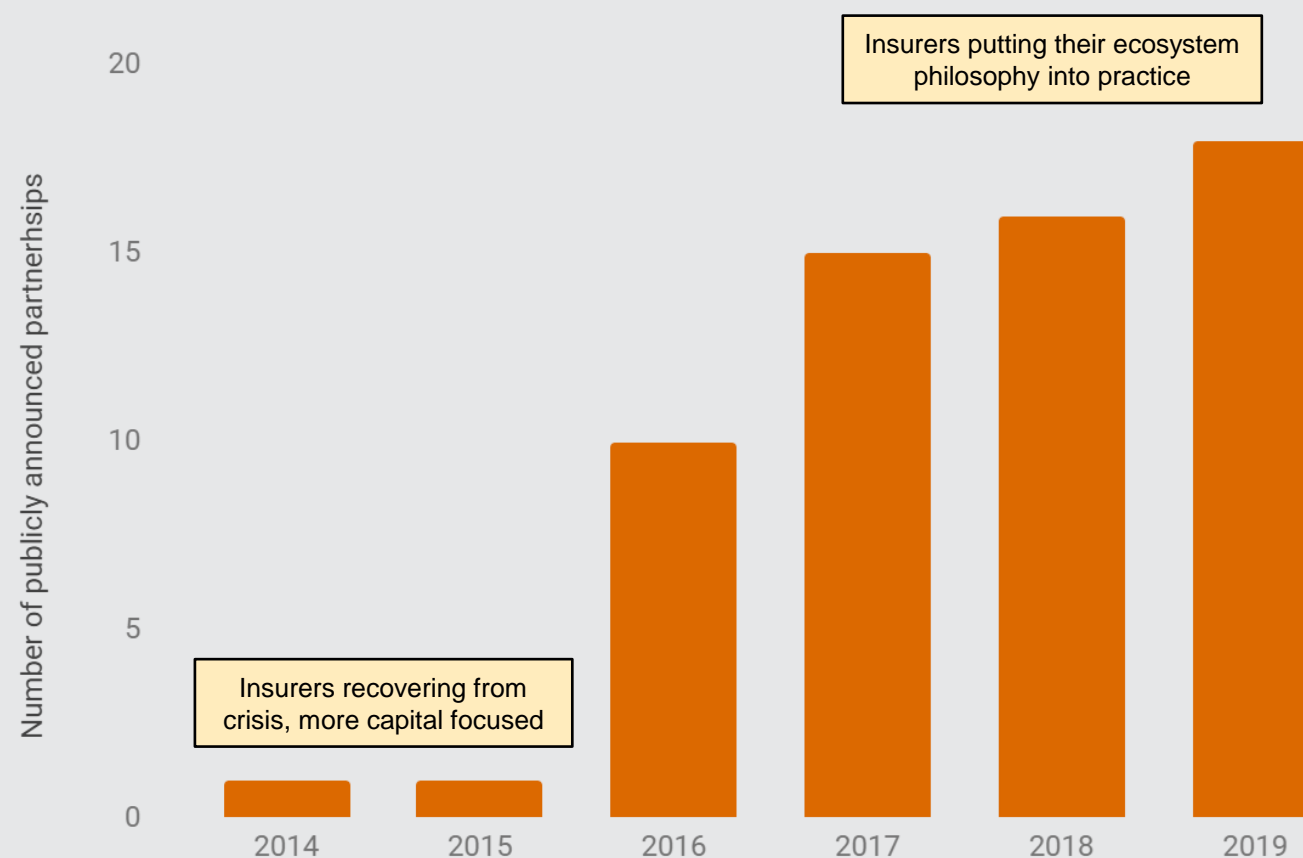
Source for graph: PwC analysis based on public announcements.

Ecosystems are happening: significant growth in the number of partnerships established by Dutch insurers during 2015 - 2019

In search of competitive advantages, insurers more than ever consider partnerships and ecosystems as part of their changing business model. This development is also called 'open insurance' and by many seen to be the key to future success.

As recent PwC research (summarized in figure 1) shows, **Dutch insurers are taking steps to realize their ecosystem strategy by forming partnerships**. The number of newly formed partnerships by Dutch insurers has increased tremendously over the past years (see figure 1).

In the first years we analyzed, the number of announced partnerships between Dutch insurers and Third-Party Providers (TPPs) showed fast growth. We see a substantial rise in the number of partnerships in 2016 and 2017. **From 2018 onwards, the number of newly announced partnerships seems to stabilize**. A possible explanation for this is that insurers that have formed quite some partnership in these years are currently focused on optimizing those alliances, before venturing into new ones.

It is worth to note that the real number of partnerships will even be higher as not all partnerships are publicly announced.

Key findings and insights of our study

Rethink your business model and seek new sources of growth

For insurers, most existing market are saturated, with margins under pressure. Whether a renewed business model is needed, to remain competitive, is no longer a question but a given. The potential benefits of ecosystems are very promising, but very few European insurers have figured out how to adapt their operating model successfully as they require a fundamentally different interaction with the environment of the insurer.
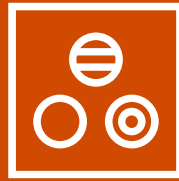
Prepare your organization for changes ahead

Define your ecosystem strategy and craft a plan on where and how to play. Start changing your operating model to prepare it to function in an ecosystem environment. Use an outside-in perspective and define your proposition and organize your operation around customer and partner needs.

Find the right partners and create a winning team

The effectiveness of the ecosystem depends on finding and managing the right partners. Partners that fit in the ecosystem you try to build or vice versa. When engaging with a partner; various forms of collaboration can drive significant benefits that complement and support your ecosystem strategy.

Build up new capabilities as ecosystem are demanding

Orchestrating an ecosystem requires fundamentally different capabilities than running a traditional insurance business (e.g. partner management, third-party risk management, cross-organizational data management). To build these capabilities, time and effort are required; this precedes potential benefits.

Introduction: Organizations with platform-based business models have come to dominate the global markets; a similar trend is starting in the insurance industry

What is an ecosystem?

An ecosystem can be defined as a group of partners, who collaboratively provide a services bundled in a proposition, centered around a specific customer need. Most commonly, these services are provided through a digital platform. Examples of successful models can be found in various industries. Music, for instance. Spotify and the artists (represented through music labels) form a group of partners, who collectively offer musical services to their clients through the Spotify platform. The success of the ecosystems is mainly driven by the rapid development of technological possibilities, and their ability to address a customer need.

Why should insurers adopt an ecosystem-based business model?

Successful ecosystem-based business models generate a larger and more loyal customer base than any other traditional business model. Also, the partnership aspect allows partners to leverage each other's capabilities, and innovations, and learn from each other.

For insurers, this leads to more and more relevant interactions with clients allowing them to build a stronger relationship and increased attractiveness in the market. Of course, in the long run this adds to strategic goals, to higher retention and margins, often at lower capital costs.

Relevant ecosystems for insurers:

(Smart) Mobility
All services related to transport people from A to B. Including telematic insurance, car sellers, assistance services, car-sharing providers, and telecom providers

(SME) Business services
All services related to running a SME business. Including lawyers, tax or regulatory consultants, HR service providers, cyber security service providers, reinsurers, niche insurers and document tools

Work & Retirement (Carefree Future)
All services related to financial well-being, including banks, asset managers, fund companies, depot service providers, FinTechs and Robo-Advisors

Wellness and Well-being
All services related to physical and mental well-being, including elder care. Including assistance providers, medical services, gyms, wearable producers, sport clothing brands and IoT tech providers

Security
All services related to individuals or organization safety. Including theft insurance, data protection services, tracking apps and other safety gadgets
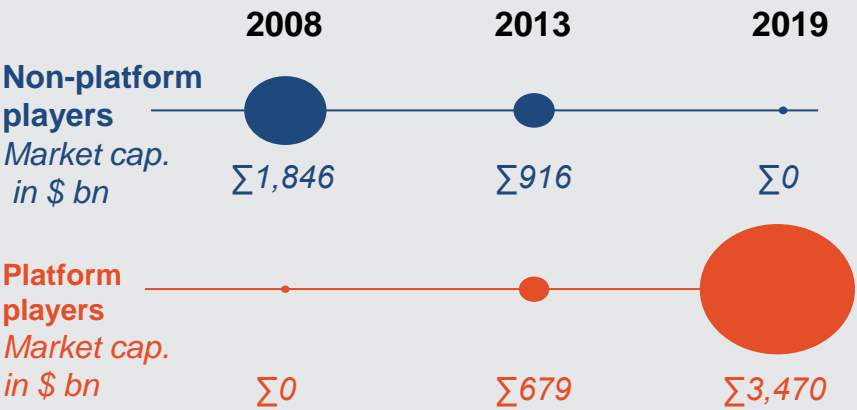
Home
All services related to living in a smart home. Including IoT tech and services providers, device retailers, streaming providers and real estate brokers

Figure 2: Organizations with platform-based business models have come to dominate the global markets

Market capitalization of platform-based business models vs. non-platform-based business models

	2008	2013	2019
Non-platform players *Market cap. in $ bn*	Σ1,846	Σ916	Σ0
Platform players *Market cap. in $ bn*	Σ0	Σ679	Σ3,470

Top 5 organizations with the largest market cap

2008	2013	2019
1. ExxonMobil	1. Apple	1. Apple
2. Petrochina	2. ExxonMobil	2. Alphabet
3. General Electric	3. Google	3. Microsoft
4. Gazprom	4. Berkshire Hathaway	4. Amazon
5. China Mobile	5. Petrochina	5. Tencent

Orange = platform-based business models
Blue = non-platform-based business models

Source: PwC Top 20 Companies Report 2008, 2013 and 2019

Different roles within an ecosystem - Insurers can take the role of ecosystem orchestrator, partner or engage in a combined approach

An ecosystem holds various roles for the organizations within it. Roughly divided, organizations within an ecosystem have either the role of orchestrator or partner.

As the orchestrator, you are the leader and shaper of the ecosystem. The orchestrator acts as the connecting hub facilitating and encouraging customer interaction while managing the web of partner organizations. **Delivering an optimal customer and partner experience** comes with the orchestrator responsibility. This position within the ecosystem allows insurers to change their role from product supplier or risk carrier to (for example) provide a solution around 'Health' and puts them in the frontline towards the customer.

The orchestrator defines the customer experience and the terms and conditions, including service levels, under which the partners operate in the ecosystem. Therefore, it is a very interesting role to pursue. However, **an insurers ability to claim this role is directly correlated with its ability to attract a sufficient number of active customers to the platform**. This is mainly driven by the level of the customer experience, the strength of the brand and the quality of the offering. Orchestrators play a true balancing act by keeping both customers and partners happy at the same time.
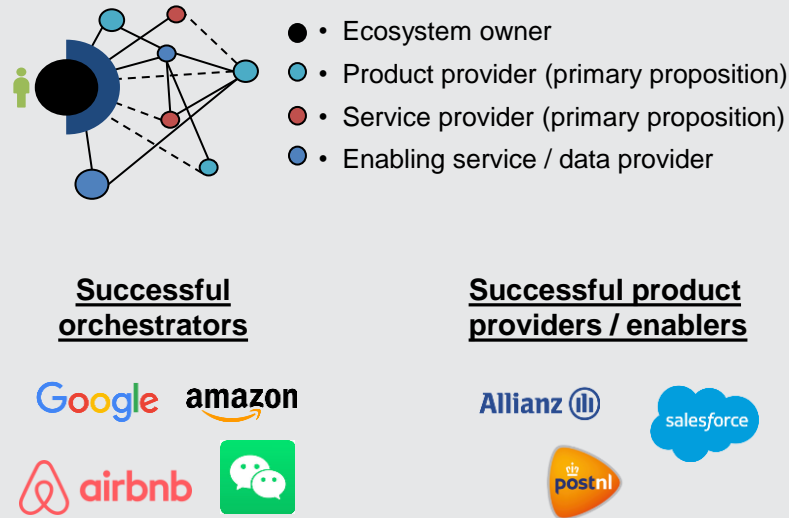
A partner provides a service or product to the customers of the ecosystem. A partner needs to integrate its service with the orchestrator platform and with the services of the other partners, to provide one seamless proposition. For a partner, engaging in an ecosystem enables him to quickly scale-up his business through the customer base of the ecosystem. Being a partner within multiple different ecosystems allows an organization a certain level of flexibility. **Through engaging in different ecosystems, it can access a wider variety of markets and possibly test or offer new services, products, features and pricing**. For a partner, there is no or only a limited investment needed to join an ecosystem, but they can still benefit from the brand position and customer base of the ecosystem. However, it might be required to adapt to the service levels and business model of the specific ecosystem.

Insurance companies **with multiple business units or operating in various geographic areas have the option to build a portfolio of ecosystems**. Those insurers have the option to take on different roles in different ecosystems. This approach of taking various roles across different ecosystems is referred to as the hybrid approach.

> "Being an orchestrator is often a new and yet undiscovered role for insurers. It has a strong appeal though: taking on the role of orchestrator has the most potential upside in terms of client relationships and revenue."

Figure 3: Various roles and players in an ecosystem

- • Ecosystem owner
- • Product provider (primary proposition)
- • Service provider (primary proposition)
- • Enabling service / data provider

Successful orchestrators

Google amazon

airbnb WeChat

Successful product providers / enablers

Allianz salesforce

postnl

Examples of insurers that ventured successfully into ecosystem business model can be found in multiple territories, for instance China. Two of the most innovative insurers, Ping An and Zhong An, have a different strategy when it comes to their role within the ecosystem. Whereas Ping An fully orchestrates five ecosystems on which it sells its products, Zhong An sells its more than 240 non-traditional insurance products via its network of over 300 partners. Both of them partner up with successful digital platforms such as e-commerce players or social apps.

Market examples: Existing ecosystems have demonstrated that it is possible to successfully build a partner network around insurance products

Figo is a US-based software company founded in 2015 that constructed (as an orchestrator) an ecosystem focused around **taking care of pets**. The customer benefits from the convenience of having **all pet-related services in one place** (with no additional costs), via the 'Figo Pet Cloud' app. Besides orchestrating the ecosystem, Figo still provides pet insurance.
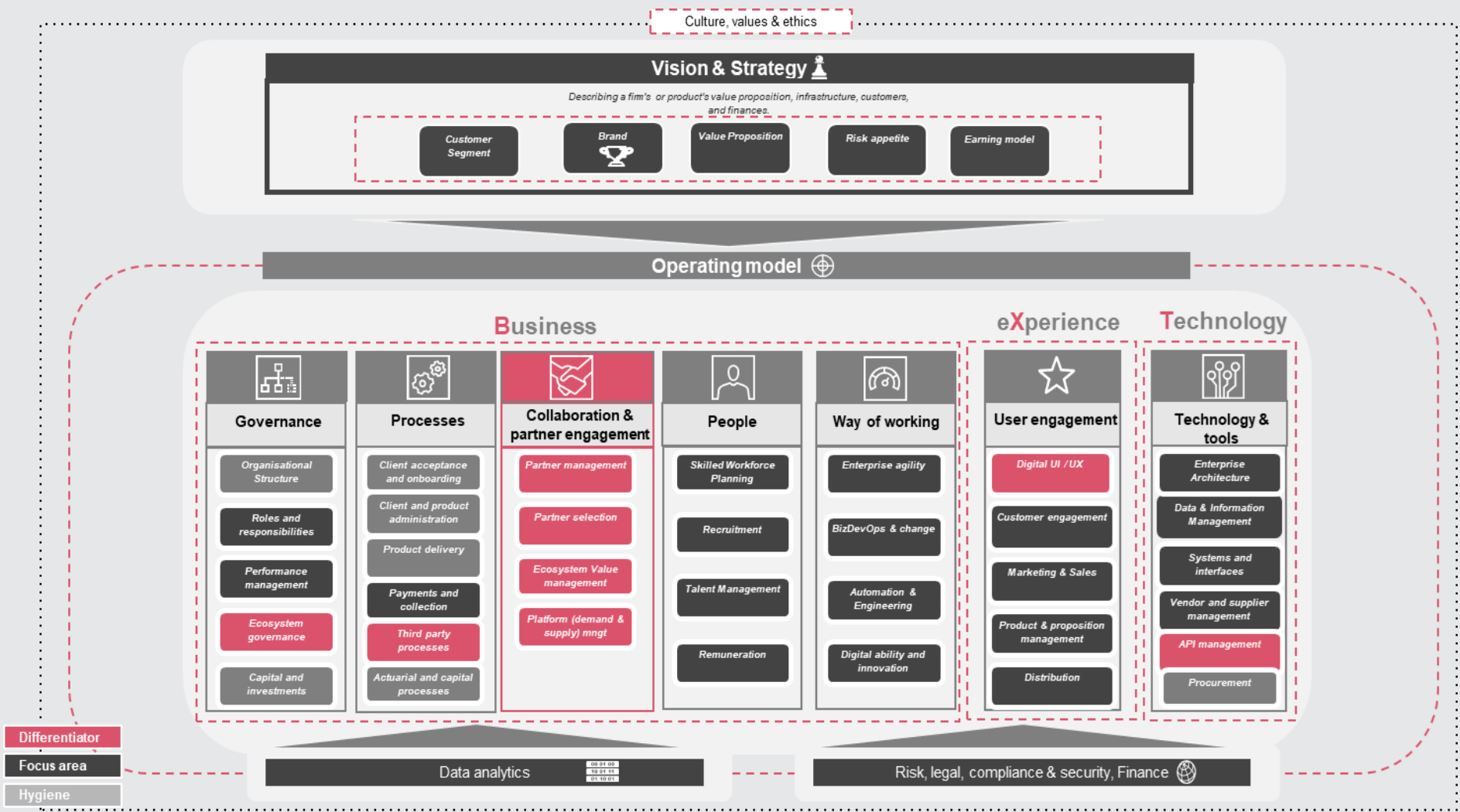
To illustrate the portfolio of propositions, take Jon and his dog Dax. With the Figo Pet Cloud app, Jon can search for nearby dog parks to walk his dog and connect to other dog owners. When Jon is busy with work, he uses the app to find a dog daycare or a dog walker. If Dax becomes sick, Jon contacts a vet via the app for remote aid and he searches for a nearby vet to further take care of Dax. At the vet, Jon uses the "Inbox and Docs" tool to organize Dax's medical records, adoption records, and vet bills. This information is used to send Jon reminders on when Dax needs a new vaccination or other medical care. After a speedy recovery of Dax, Jon uses the app to submit a claim for the vet bill.

Inbox partner
Insurance
Live Vet
Customer
FIGO PET CLOUD Platform
GPS partner
Cloud partner
Playdates Service

Fitness and sports
Activity tracking
Customer
Healthy food
Mind and Care
Health checks
Travel and recovery
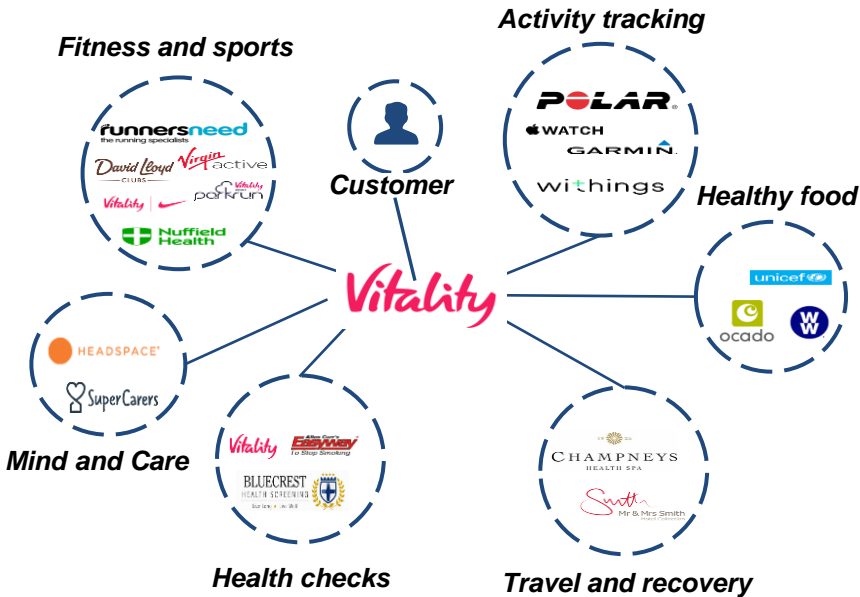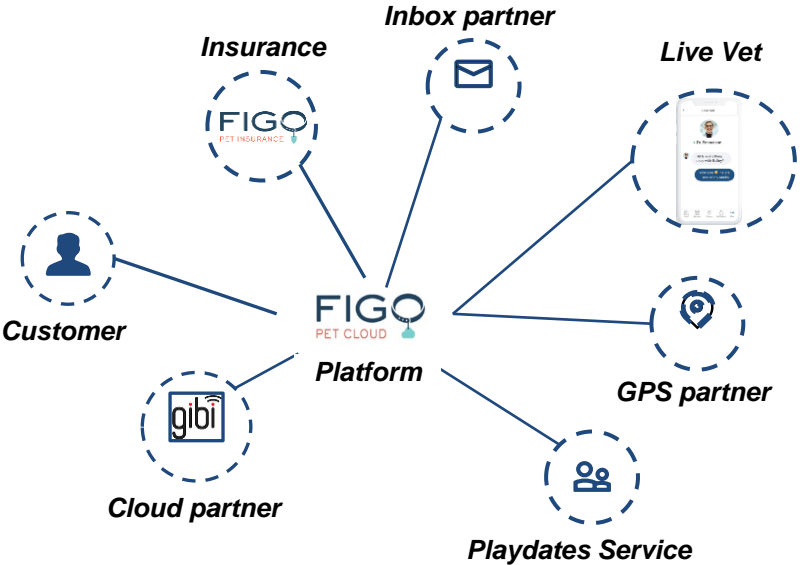
Vitality is an orchestrator of a health ecosystem. It aims is to help its users to better understand and improve their health and to enhance their lives. To reach its goal, Vitality established a partner network with various partners in the area of food, sport, mind and travel. Vitality customers automatically benefit from the discounts offered on products of these partners, who are all contributing to their customers' health. Vitality launched it's proposition in the Netherlands, together with insurance company a.s.r., at the end of 2019.

Take Betty, who buys her life insurance at Vitality. With her Vitality policy, she gets three trial lessons at a gym near her house and a discount if she ultimately decides to become a member. Betty gets enthusiastic after three trials, buys the discounted membership and starts to work out more often. As a result, the ecosystem creates a win-win-win situation: The gym has a new member, the customer enjoys discounts and increased health, and Vitality has a healthier policyholder which might affect the number of claims submitted to Vitality. By orchestrating this ecosystem, Vitality translated its vision to reality.

Figure 4: Operating model framework for an ecosystem orchestrator

The target operating model of an ecosystem orchestrator

The key components of an operating model are business, experience and technology. The operating model is the vehicle through which an organization puts its strategy into practice. In the framework we specifically developed for the transformation from insurer to ecosystem orchestrator (shown in figure 4), we combine business expertise (Business), a customer-centric approach to thinking (eXperience), and technological know-how (Technology).

As a starting point, we used the traditional insurance operating model and focus on identifying the key capabilities required for insurers aiming to become an ecosystem orchestrator. We divided these capabilities in those that will remain relevant, but are hygiene factors for the orchestrator role (light grey), those that most insurers have but should be the focus of (significant) improvement or change (dark grey) and capabilities that, potentially, would allow you to differentiate your ecosystem from others (pink).

The components of the operating model are grouped by each component of BXT. These capabilities are supported by the functions of data analytics, risk, legal, compliance & security and finance.

The next slides will elaborate further on each component of the BXT, and what will change in the operating model when an insurer opts for the orchestrating role within an ecosystem.

Deep Dive: Business

Ecosystem orchestrators should optimize their partner management capabilities and look for partners with competitive products that fit the vision and values of the ecosystem.

The strength and attractiveness of an ecosystem depend on its ability to address a customer need. Finding a sharp and distinguishing proposition to address that need is at the start of every ecosystem development. Without it, there is very limited chance of survival. However; to launch and scale the proposition orchestration is required. To do that, partner selection & management and risk, legal and compliance are (new) fundamental capabilities.

Partner selection & Management:

The orchestrator needs to find the best suitable partners, to deliver the most valuable portfolio of propositions. Most likely, a variety of partners will be needed to build the ecosystem (for instance to provide a certain geographical coverage). The selection of the optimal partners depends on multiple aspects; a partner should add complementary and scalable products and services to the portfolio (at a competitive price or with a competitive advantage) and the brand identity and vision should match that of the orchestrator.

The orchestrator constantly manages its network of partners and integrates their products, services and supporting processes. Therefore, it continuously monitors the performance of all partners and their ongoing fit with the vision and strategy of the ecosystem. To do so; a suitable legal structure supporting their operations, together with a common governance framework (that has a strong focus on IT security) is required.

Risk, Legal and Compliance:

Within existing insurance companies, internal risk and compliance are usually quite mature and professional. However, when developing the role of an orchestrator, new dimensions are added to these functions (as a results of various forms of partnerships). Ecosystems differ from the traditional way of working, as insurers depend on a partner (or many partners) to deliver a part of their service or product directly. So, the focus of the risk, legal and compliance functions needs to shift to the whole ecosystem. Third party risk management will be more important than ever as parties should only be allowed to enter the ecosystem once they accept the way of working in the ecosystem.

Second, data sharing within the ecosystem is essential to perform well and gain a competitive edge in the market. Privacy statements need to cater for this and need to be aligned and reviewed in the ecosystem. Mistreatment of data or a data breach somewhere in the ecosystem (remember Cambridge Analytica) affects the entire ecosystem. Thirdly, it is not unusual for an orchestrator to have a stake in a partner company. This leads to a set of new financial or investments risks and legal matters that need to be addressed and managed.

Figure 5: Types of partnerships, and market examples

A example of a distribution-oriented partnership is the bancassurance deal between ING and AXA, in which AXA distributes its products through the ING platform. Together, AXA and ING aim to offer personalized services regarding Living, Mobility and Wellness to their clients. In this story, AXA acts as the partner within the ING ecosystem, making the bank the orchestrator.

The AXA partnership allows ING to offer insurance products to its customers in various territories. However, in other territories ING has other partnerships with insurance companies, such as long standing partnership with NN in the Netherlands and Belgium, to broaden it's local offering.

Achmea; one of the largest insurers in the Netherlands offers a full/broad service to maintain and improve the homes of consumers. It's called "Klushulp" (or Handyman). It's services range from minor renovations work to the installation of solar panels.

Achmea acts being the orchestrator (responsible for UX and attracting customer); managing a national network of partners on which it relies to provide the requested services..

Deep Dive: eXperience

Acting on the basis of customer needs requires changing your product and proposition management accordingly and substantially.
Central in this domain is the eXperience of those using the products and services. This can be either consumers, partners or employees. When acting as a an orchestrator of an ecosystem, an easy-to-use and seamless User eXperience (UX) is a hygiene factor. UX, however, is a topic in which yet quite some (but not all) insurers have invested. There are already numerous apps and sites that are easy to navigate and that have easy to use buy, service or claim customer journeys.

The most impactful change in the eXperience domain is customer engagement. Here, a true mind shift is needed; **from optimizing journeys and conversion of visitors of your website or app through various (online) channels towards making sure your full community uses your products and services on a daily basis**. Or at least every time they need a product like yours. They need to come back to your platform, time and time again.

To do this, relevant and personal communication with users is key. This can be done by building a rich data profile of each user (a unified customer view) and hyper-personalize each touchpoint, something we also call the 'Customer of One' (or segment of one) approach. Among other this, an advanced data analytical capability is needed to create this. New technologies and products allow for this approach (due to their modular set-up), in sharp contrast with the more traditional customized policies and agreements that some insurers now have to deal with in their legacy environment.

In other sectors, there are examples of companies that have focused on personalizing their offering such as Spotify (personalized playlist) and Netflix (recommended for you). Of course, their advantage is the fact that streaming services more naturally allow for daily use. In the insurance industry, **companies such as FWD (an Asian insurance company) have mastered this skill**. FWD developed a customer engagement platform called FWD Moments filled with personal offerings (delivered by partners) and relevant insights and notifications; ranging from participation in health programs to insights delivered by financial advisors. Their service is fully digital and is used by it's clients on a continuous basis.

In short, developing the desired customer engagement program requires a rich, individual data profile and a (part of the) proposition that naturally facilitates high- frequent contact. To operationalize this, highly mature marketing and data analytics functions are key, supported and automated by the technological infrastructure in place.

Figure 6: Market example (PINGAN)

Ping An insurance evolved its **business ecosystems** around five themes: finance, auto, health, real estate and smart city. To fully engage with customers and have presence at the very first possible moment of the customer journey, it created digital platforms that suffices Chinese people in the needs within these themes. House seekers can find one on Ping An's **Real Estate platform** named Ping An Haofang. For customers that want to buy an auto, their Automotive platform **Ping An Auto Owner** is the place to go.

Its most successful strategic platform is called **Good Doctor** and is the go-to platform for medical issues. The AI based app offers various medical service including 24/7 free consultation from (human) medical experts, referrals and online medicine purchase with a delivery time of maximum one hour. The platform matches **70 million monthly active users** with almost 100.000 medical parties as hospitals and pharmacies.

Least to say that Ping An is at front of the client interaction with this app. Data from these platforms enables Ping An to create **534 unique customer profiles** to which they can target their products to.

Deep Dive: Technology

An ecosystem orchestrator should implement tools that allow for quick change, API management and integration, and Data & Information management

When entering the world of digital ecosystems, the IT landscape is fundamental. It supports the development of the capabilities required to excel in an ecosystem and should enable experience and tooling that can leverage an ecosystem-based business model (using intelligent platforms like Salesforce or MS Dynamics) while being in control of security and technical risks. We identified three elements that are essential to realize the required landscape: Way of working, API Management and Data & Information Management.*

Way of working:

Although not a purely Technology element of the operating model (but a Business one), an agile mindset, setup and DevOps practices facilitate the ability to quickly adapt to changes. Challenges with existing legacy systems, such as non-scalability and issues in external connectivity must be overcome by modernizing legacy systems. Moving to the Cloud gives organizations the flexibility to respond rapidly. Additionally, making use of collaboration tools like Jira/Confluence (amongst others) may foster digital collaboration and communication on the operational level.

Being an orchestrator, you're speed of change (driven by the way of working) and ability to plug and play third-party products and services sets the pace for the ecosystem and -partially- determines the success of the ecosystem. Sharing knowledge and best practices through the ecosystem (on both strategic, tactical and operational level) supports the quality of services across the ecosystem, but needs to be supported by high-quality technical connections.

API Management and integration:

A well functioning API framework and enablement process, as well as matching integration capabilities support the connection to external parties, such as your customers and partners. The figure on the right displays an exemplary API framework for a digital orchestrator organization. Using modern systems (in-house or SaaS), which offer out-of-the-box integration capabilities, and at the same time exploring best fit solutions for 'exploiting' the power of legacy systems enables seamless exchange of information across the ecosystem value chain.

Data & Information Management:

State-of-the-art data management programs, robust data storing and exchange platforms, analytical applications and mature analytical capabilities fuel data-driven decision making and discovery. This setup enables companies to strengthen the capabilities that leverage the ecosystem, while remaining 'in control' (of risk, legal, security and compliance matters).

Figure 7: Digital orchestrator organization, technical perspective
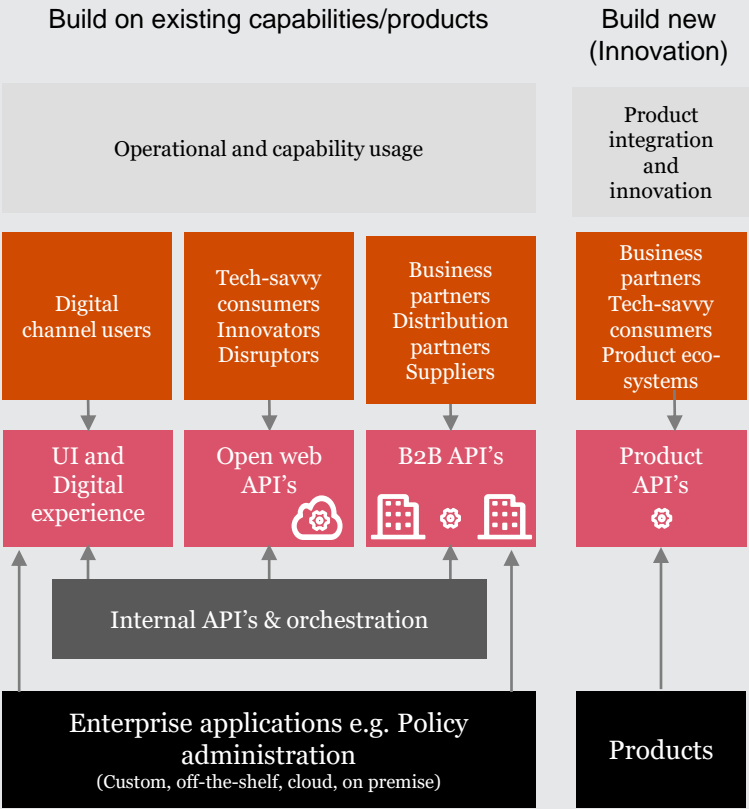
API framework that supports both: incremental innovation and fundamental innovation e.g. developing new products from the scratch.

*PwC has various alliances with market leading parties that can help you with the technological enablement. Examples are Data Republic, Cloudera, SAS etc. for data and information management capabilities and MuleSoft for setting up your API framework (amongst others in a broad range of partnerships).

Challenges

Most insurers struggle on their journey of building and expanding into new ecosystems. We assumed at the start of this paper the existence of a clearly defined strategy. To develop a competitive position as an ecosystem orchestrator, one must overcome various hurdles first. Few would disagree that these are small hurdles; this is a demanding job. For instance, It is all too easy to get on the 'wrong side' and miss the sweet spot in terms of developing a clear value proposition. This can lead to a lack of genuine added value or under par customer experience.

Also, **it is a common pitfall to focus on developing a proposition internally**, before opening up conversations with partners. Starting scanning for partners and building relationships early on, or even co-creating possible propositions, is a good practice. Keep in mind that an average insurers brand is associated with trust and stability. Using the qualities of the brands of potentials partners (and their compatibility to yours) might help you in sending the right message to potential customers.

Be aware that the transformation into ecosystems requires, besides from the discussed changes in the operating model, optimizing your technical infrastructure. **Most companies will have to reform their underlying technology to satisfy both customer and partner relationships**. In that movement; legacy systems potentially hamper the scalability and agility.

From the start of their journey, insurance companies must pay special attention to the potential lack of support within their own organization. Conflicting internal priorities or visions on the future of the company severely slow down the pace in which changes can be realized, thereby significantly lowering the chances of success.

For insurers that want to tap into the opportunities of becoming an ecosystem orchestrator, **a smart move could be to first test the water -as a partner- in a number of small ecosystems in focused target groups**. That way, you can create some initial successes, but it also enables you to learn in a safe environment. By doing so you build the capabilities that enable you to go for the big deal well prepared.

> It is all too easy to get on the 'wrong side' and miss the sweet spot and then, unfortunately, there is a lack of a genuine added value and customer experience.

Figure 8: Typical pitfalls & challenges

Value proposition
Designed proposition lacks customer engagement, scale, options for revenue model and satisfaction (value-add below expectation)

Partnering
Closing of partnership deal lacks agility, quality and speed while driving high costs, too much focus on identifying the opportunity, too little focus on growing the partnership

Support
Lack of support within own organization, limited 'own' resource and unsatisfactory, long internal discussions with regards to rules, principles and policies
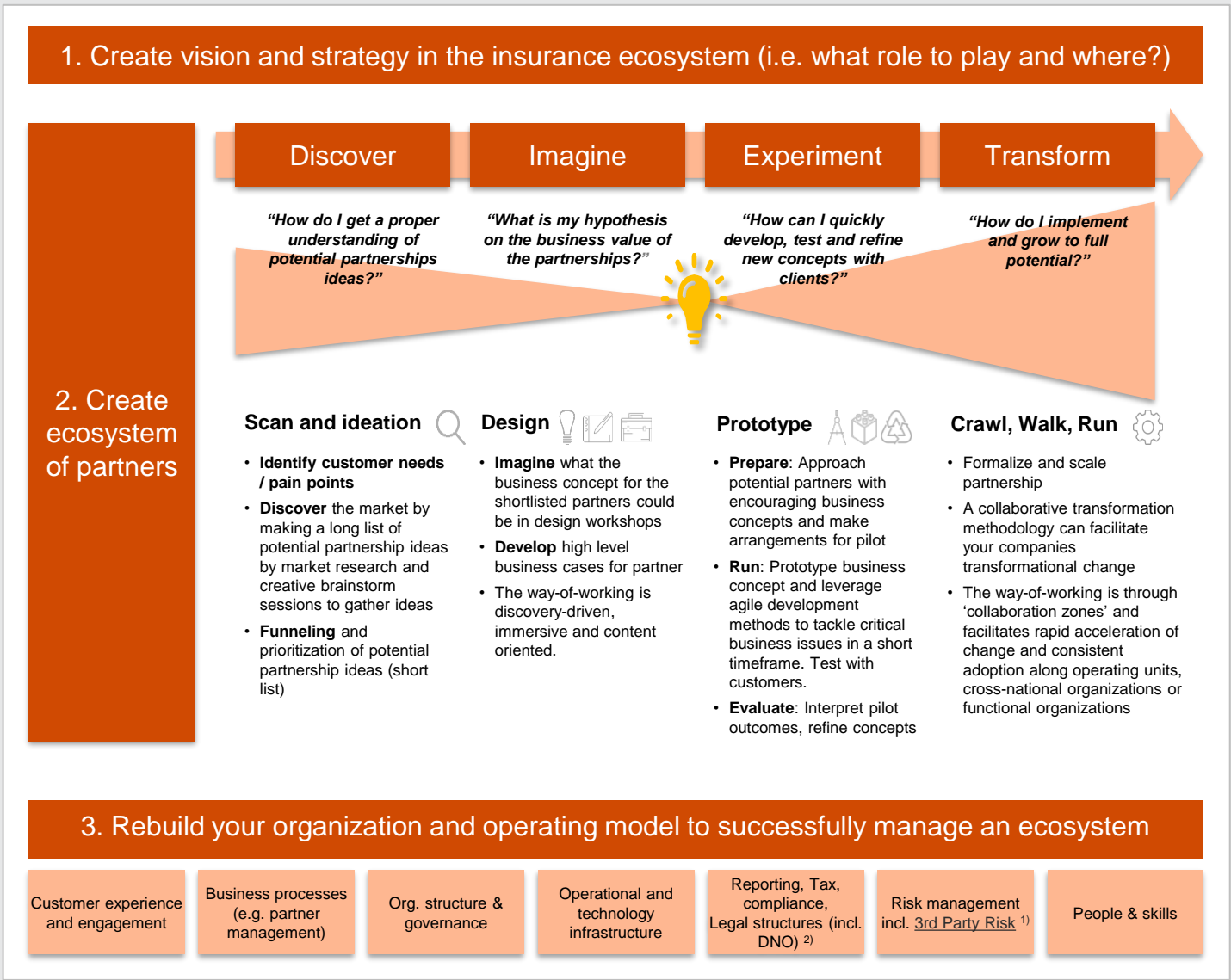
Technology
Challenges with existing system: non-scalability and lack of agility, issue in external connectivity

Change management
Inability to realize the required implementations and change in culture, mentality, capability and way of working (operating model) within the existing organization

Figure 9: PwC's ecosystem approach in 3 steps

1. Create vision and strategy in the insurance ecosystem (i.e. what role to play and where?)

Discover	Imagine	Experiment	Transform
"How do I get a proper understanding of potential partnerships ideas?"	*"What is my hypothesis on the business value of the partnerships?"*	*"How can I quickly develop, test and refine new concepts with clients?"*	*"How do I implement and grow to full potential?"*

2. Create ecosystem of partners

Scan and ideation
- **Identify customer needs / pain points**
- **Discover** the market by making a long list of potential partnership ideas by market research and creative brainstorm sessions to gather ideas
- **Funneling** and prioritization of potential partnership ideas (short list)

Design
- **Imagine** what the business concept for the shortlisted partners could be in design workshops
- **Develop** high level business cases for partner
- The way-of-working is discovery-driven, immersive and content oriented.

Prototype
- **Prepare**: Approach potential partners with encouraging business concepts and make arrangements for pilot
- **Run**: Prototype business concept and leverage agile development methods to tackle critical business issues in a short timeframe. Test with customers.
- **Evaluate**: Interpret pilot outcomes, refine concepts

Crawl, Walk, Run
- Formalize and scale partnership
- A collaborative transformation methodology can facilitate your companies transformational change
- The way-of-working is through 'collaboration zones' and facilitates rapid acceleration of change and consistent adoption along operating units, cross-national organizations or functional organizations

3. Rebuild your organization and operating model to successfully manage an ecosystem

Customer experience and engagement	Business processes (e.g. partner management)	Org. structure & governance	Operational and technology infrastructure	Reporting, Tax, compliance, Legal structures (incl. DNO) [2]	Risk management incl. 3rd Party Risk [1]	People & skills

1) Link: https://www.pwc.com/us/en/services/governance-insights-center/library/risk-oversight-series/overseeing-third-party-risk.html
2) Partnerships in the vital part of institutions might require a DNO (declaration of no objection) from the regulators.

Getting started: building the target operating model of an ecosystem orchestrator

To be fit for growth, insurers should let go of the - disrupted - idea of a vertically integrated insurer and view their business as part of various ecosystem of partners. This automatically means you venture into a rapidly changing, tech-filled environment. It can be tough, and requires constant adoption. During this journey, leaders should consider at least the following three perspectives:

1. Is your overall **vision and business strategy** in line with the new ecosystem development? What role do you want to play, and with which partners?

2. How to create an ecosystem of partners? Which type of (innovative) partnerships fits best with what you want to achieve and who are **potential partners** to team up with?

3. Are your **organization and operating model** (people, skills, structure, processes, technology) ready to build an ecosystem of partners in order to gain full advantage?

The growing traction in the number of partnerships shows that the market is moving towards ecosystem business models. To be successful we see three key steps to take:

1. Insurers needs to sharpen their strategies on where to play in their ecosystem;

2. Start creating ecosystems to learn from these experiences and;

3. Rebuild and constantly adapt your organization and operating model to invest in the (new) required capabilities to manage an ecosystem successfully.

No-regret moves

Although a lot of change and work is needed to get there, quite some of that change can be labeled as "no-regret moves". In other words; the work you do, lessons you learn and capabilities you build along the way can be reused in other parts of the organization and help deliver on the overall strategy. For instance, structurally managing and modernizing your legacy is one of such no regret moves. Your legacy environment will be an inhibitor to digitization in general, as well as becoming a ecosystem player. PwC has a proven legacy modernization proposition and approach, through which we help our client in structurally managing such "burning" platforms and realize target platforms.

Concluding thoughts

Ecosystems are here to stay and offer ample opportunities for insurers who adapt their operating model appropriately and proactively build and join ecosystems

Given the current market conditions, such as pressure on margin, limited options to differentiate and the fear of new (high-tech) entrants, there is a need for insurance companies to change.

Change is happening: We see an increasing number of insurance companies stressing the importance of ecosystems and digital partnerships in their strategy. With that ambition, they effectively state they aim to undergo a shift in their role. Embracing ecosystems into their strategy, either as orchestrator, partner or through the hybrid approach, will become fundamental. To successfully develop an ecosystem, insurers require an operational model that functions within a network of strategically aligned partners that collectively turn a proposition into customer value.

Prepare your organization: Start changing your operating model that will function in an ecosystem and set-up a dedicated ecosystem team that understands and pushes the needs within the organization. Before doing so, ensure you have the right C-level support and the right partnerships from the start.

Rethink your value proposition: Look through the customer lens when generating, evaluating and prioritizing new ideas. "Open" up and think outside the boundaries of the classic insurance industry to find relevant services to add to your proposition. Build prototypes and boldly pivot or stop development based on market feedback.

Set-up partner management: actively search an attract potential partners. Cluster partnership opportunities (strategic must-have vs. tactical revenue upside) and manage & develop accordingly. Second; really strengthen the partnership management function, to be in control of the various partnerships and capture the added value of those for the users and the ecosystem.

How PwC can support your journey: It is our firm's ambition to support our clients on their journey towards open insurance from the beginning to the end. In doing so we can ensure that our clients are not only prepared for what lies ahead but also positions them to lead their industry. We aim to help you to bring your ecosystem from paper into reality.

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Endnotes

Glossary of Terms

API
Application programming interface

Agile
Agile enables organizations to adopt quickly, move fast and learn rapidly. It is the ingredient towards a dynamic, fast delivery and value creating IT unit.

Big Techs
Largest and most dominant companies with established technology platforms e.g. Alibaba, Apple, Google, Microsoft.

DevOps
DevOps is a combination of development (Dev) and operations (Ops). By adopting a DevOps culture supported by the right tools, an automated software delivery pipeline is created that enables teams to better respond to customer needs, to be more efficient and shorten time to market.

Ecosystem
Ecosystems are networks of organizations who collaboratively offer their customers a proposition, centered around a specific customer need through both competition and cooperation.

Platform
A platform is a strategy, run by a shaper, to mobilize and help an ecosystem in creating value, with the aim of capturing part of this value. It creates value by facilitating exchanges between two or more interdependent groups, usually consumers and producers.

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