

Driving an insurance carrier ecosystem strategy

Transcript

JOHN WEBER

I'm John Weber for Best's Review magazine, and I'm speaking today with Matt Tierney, global head of Insurance Practice and Andrée Bourgon, Insurance Practice head of Strategy and Transactions, both for Grant Thornton. And we're talking about the insurance ecosystem strategy. And Matt, why don't we start with you today? What is an ecosystem strategy and why is it prevalent in the insurance industry?

MATT TIERNEY

Well, John, thank you for having us. It's an exciting time right now in insurance. The prevalence is all relative. I think when you look at the market right now, those carriers that are focusing on the ecosystem strategy, quite honestly, they're winning. So, from an insurer's vantage point, there is an opportunity now to create new pathways for revenue streams.

And we're going to cite a multitude of examples. But breaking it down into really three components: ... are there new ways to be able to get fee-based revenue from your customer base? Are there new products that can be launched to your customer base? Is there new service-based revenue that you could create to your customer base?

All of these intangibles are now being woven into an ecosystem strategy to help achieve more value for your customers. When you think about clients like ours that have taken a very purposeful approach to the customer ecosystem, what is the value that you can bring to your customer throughout the entire lifecycle, whether it's, you know, the ability to place a policy; to service the policy, but different ways to be able to ensure the underwriting risk on that policy is enhanced -- fee-based services that you can add that are part of a customer's day-to-day life?

How can you bolt those on but bolt those on to the customer's needs and desires as they go about their day -- how their family grows? There's different ways and approaches that have not been traditional for the insurance industry, that is a new pathway to revenue growth. And I think, from a customer standpoint, you know, we are a little bit fickle you know. There is a need and an expectation to provide more value to us.

You know, is there a way that we can have more from our relationships with carriers that provide more seamless components to the way that we want to live our lives? And maybe, in some cases, the way that we engage with our carriers and creating new synergies and ways to be able to engage with those customers provides more value to that customer base.

I think the other component, too, when we think about customer acquisition, there's big movements on the ability to go out and attract new customers. When you create a proper ecosystem that provides different value components throughout the chain, you're going to attract more customers. You're going to attract customers that you want to retain, from an underwriting standpoint, that are probably going to be a little bit more profitable.

But the cost associated to the acquisition, the cost to be able to retain those customers when you create the proper ecosystem, (there just) there creates more value to the carriers. So yeah, I think prevalence is all relative. I think the ability for carriers to be able to properly align ecosystems to value for their customers, those are the folks that are winning, yeah.

ANDRÉE BOURGON

It certainly has been an exciting few years from our vantage point. Right, Matt? Being in the insurance industry and being fortunate to do what we do, advising so many different

clients. John at A.M. Best, it's exciting to be here today. But Matt, I agree with you, right. Insurance companies are asking themselves, how can I become indispensable to my clients?

What adjacent services and products can I sell to achieve this? Right now, it long a center of focus within the health insurance industry, right? Probably really the pioneers in terms of thinking about how do we expand, what is our ecosystem strategy and how do we bring value to our clients? Right. Health insurance has contemplated. Transport services or partnering with a company like Uber, to bring patients to doctors' appointments to increase preventative care and decrease the claims associated with lack of maintaining good health. Owning primary care doctors' offices so that the health insurance companies are actually right there providing the services to their clients. Or more recently, with the increase in focus on helping with mental health issues, acquiring and running psychology practices to really provide those services upfront and early within the within the health insurance lifecycle.

We now see life insurance companies starting to expand into this. Right. Estate planning. Financial advisors. How do I help you plan to pay for college expenses for the kids on the property and casualty side? Right. Renter's insurance or homeowner's insurance? How can I offer dog walking services when I'm on vacation or moving services because I change my apartment every year or an increase in security to be able to mitigate the security services, to mitigate some of the increase in burglaries that we've seen over the last few years?

So, it is very exciting to see the different segments of the industry really start to contemplate how it is that they can grab services and products from outside of the normal carrier framework and start to offer that to clients and bring them the value that they're that they're looking for.

JOHN WEBER

So, Andrée, insurance organizations are known for their volumes of data, however, not well known for being able to harness that data. What role does data play in an ecosystem strategy?

ANDRÉE BOURGON

Yeah, it's a great question. Right. And, you know, having been in the insurance industry, for as long as I have been with many of the big players out there, insurance companies -- similar to credit card companies and banks -- have boatloads of boatloads of data. However, the insurance industry, as you said, (is) not always so good at being able to use it for intelligent analytics-based decisions in so far as how products are developed or clients are reached.

However, what we're starting to see is an understanding of this data and how it is the lever behind interconnected

services and products, right? So, this allows companies to sit down and really think about how they orchestrate their ecosystem strategy. Think about the days when the credit card companies first started using buyer data, (what bought) what their clients were buying to make decisions about incentives associated with their credit cards.

Right? I mean, we all have our airline travel benefit credit card or our cashback credit cards. All of these types of product decisions were made based on the fact the data was used to drive a lever to create products that meant more to the client base. Insurance companies are now using this data and starting to think about using this data to gain access to clients, whether it's through partnerships or whether it's through just really starting to understand how clients value and how clients use insurance. Think about the recent announcements of Nationwide partnering with Walmart for pet insurance and pet medications.

Who would have thought, right, five years ago, that you would have a partnership with Nationwide and Walmart whereby you could go right into your local WalMart and you can get your pet medication? Think about QBE partnering with Lease Lock, right, for renters insurance and security deposit insurance. The two companies coming together, using their client base on each side, to be able to now create the value.

Now everybody's clients are, you know, a much bigger, many more clients than they would have had before. Data really brings these distinct capabilities together and allows these partnerships to really be able to think about how that ecosystem of services and products can come together for the clients.

MATT TIERNEY

And the one thing that I'll lean in to, just to emphasize the proper execution of that data, you know, it has the ability to create new opportunities for carriers. It also has the opportunity to get lost. So, as Andrée had mentioned, all of those examples, capturing the right data, whether it's enhancing the underwriting model, whether it's going out and identifying new ways to attract customers and retain customers, ensuring that you have the appropriate strategy for that data that aligns to the overall ecosystem strategy will ensure better success.

JOHN WEBER

That being the case, Matt, how should an organization look at operationalizing an ecosystem strategy?

MATT TIERNEY

You know, John, I think the big piece, too, is sometimes (and what we've seen over the last several years) there would be stand-ups within organizations that would create insuretech hubs. And a lot of those investments actually have fizzled out for the foundational reason that it hasn't aligned to the

strategic priorities of the organization. And it actually hasn't aligned to the customer base that they're trying to attract and retain.

So, bringing your ecosystem strategy to life and aligning it to the organizational strategy, I'll just call it table stakes. You know, the big piece across the organization -- leaders have to stress test that alignment. There are some internal biases that may make certain leaders may feel there's value there. There are some internal biases where leaders may feel there is not value. You know, playing that devil's advocate scenario is important to really ensure the alignment is tapped to your strategic priorities and the ecosystem that you're going to invest in -- are those investments are going to be wise? You know, we've seen the ability to execute in the ecosystem there's a couple of different ways. You can go out and acquire businesses. insuretech start-ups-- Andrée talked about a lot of them. We talked about Bolt. You look at some of the others like Joyn that are that are going out and tackling new ways to hit the middle market and others. Are those acquisitions pinned back to your strategy from an organization, but also pinned back to the ecosystem strategy that you have that would enhance your product base, enhance your ability to attract and retain customers?

Make sure that those acquisitions are tied back. Partnerships -- look at partnerships. Andrée talked about, you know, Nationwide and PetSmart. There are certain partnerships (that are) that work. There are certain partnerships from a branding standpoint that don't work. Make sure that they're all cohesive. Investments -- think about things internally. There are ways that the insuretech hubs will work. Give your staff and your employees the opportunity to ideate certain things.

If you look at, Comcast and Xfinity: the entire security product that they rolled out, which, as Andrée mentioned, could be part of the ecosystem, was ideated internally. So, don't shed away from that. I think the other pieces are -- there are ways to do investments, seeds for startups that could potentially feed into the ecosystem strategy.

Think about ways to vet them. The bottom line is you have to make sure those investments tie back to what your overall strategy is and you're stress testing, the ways to be able to operationalize them. At the end of the day, you have to make

sure (that) that what you're investing in -- you're willing to stand behind it; your customers see value in you bringing that forward to them,

You know, both currently and potentially in the future and make sure that everyone internally and externally is very clear on how the strategy is going to help them.

ANDRÉE BOURGON

And I'll say, you know, as an industry that's based on risk and risk selection in terms of operationalizing an ecosystem strategy, there does come to be a question., (is) As a regulated business with very specific rules over how I operate, how do I now think about running a business that is so different than that? We have one of our clients that recently acquired a manufacturing company that makes plumbing equipment. And you'd say, "What is an insurance company doing buying (a) plumbing manufacturer?"

Right. And at the end of the day, it's a huge homeowner's book of business and they realized that when they are going in to repairing the homes, that it was much cheaper for them to own and operate a plumbing manufacturing company than to actually go out into the open market and buy it. Now, tell me in your mind, how do we think about an insurance carrier running a plumbing manufacturing company?

It just does not seem like something that makes a lot of sense. So, what does this do? This causes stress in our internal audit organization. This causes stress in our risk management organization. What does this mean for our risk control framework? So now we have to sit down and take time to think about as we invest in two disparate, very different businesses from what we do today, simply to build that ecosystem strategy there is some thought that has to go into that.

JOHN WEBER

Interesting. Andrée, Matt, thank you so much for taking the time to speak with us today. That's Andrée Bourgon, Insurance Practice head of Strategy and Transactions and Matt Tierney, global head of Insurance Practice at Grant Thornton. And I'm John Weber for A.M. Best's Review.



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