

# What is the significance of Ecosystems for insurers?

11 February 2019 | Digital Transformation, Insurance | [Philipp Harrschar](#)

Reading time: 5 minutes

**Customers will be taking out insurance policies somewhere else in the future - at a car dealership, when shopping online or at a ticket machine. Insurance companies will therefore only succeed if they are part of the right ecosystem and offer the right products in this context. It is high time for insurers to act.**

It makes sense to look at things from the customer's perspective. [Ecosystems can be understood to be](#) "an interconnected set of services that allows users to fulfil a variety of needs in one integrated experience" - in other words, an ecosystem consists of interconnected services that allow customers to satisfy a wide range of requirements via a single, integrated experience. So, the focus is on the customers, who expect their individual needs to be fulfilled in the least complicated manner. This sense of entitlement is the result of globalisation and digitisation. Both have increased the availability of products and services enormously.

## Buying, copying or collaborating

The phenomenon of ecosystems does not exist in the insurance industry alone, but it is there that it is particularly visible at the moment. There are more and more InsurTechs, young companies that generally provide excellent solutions for specific usage situations, appearing. So far, these solutions cannot provide the universal remedy for customers. But InsurTechs are certainly shaking up the market. The situation is similar to the one of FinTechs in the banking world. Regardless of the sector, there are three prime alternatives for established companies: Buying, copying or collaborating.

In addition: The boundaries between industry sectors are becoming increasingly blurred, and where, today, there is considered to be a boundary between certain industries, tomorrow, we can expect to see a move in the direction of customers. The key words for the future are [customer situations such as mobility, living and health](#), and it will be the task of companies in all sectors to integrate themselves directly into these customer situations.

## New problems are appearing

[Due to these changes, there are many questions insurers need to consider.](#) Firstly, it is important to assess the significance of the ecosystem and the network complexity, and to develop a strategy: Which ecosystems are of interest and where is it worth getting involved?

Secondly, in addition to the increasing demands of customers, insurers need to be aware that business models also change when the world of value creation changes. This is something we have already seen in the world of car insurance, with policies being concluded directly when the vehicle is purchased – often integrated into a service package that includes other services as well as insurance.

The biggest danger for insurers lies in long-term disintermediation, in other words, the possible loss of the customer relationship. Because insurance companies would then mutate into organisations whose only focus is on the operations and settlement processes. Isn't that just doom-mongering? We are well aware of this situation from the telecommunications industry. It is now possible to change mobile phone or DSL providers almost at the push of a button. And it is worth taking a look in the direction of technology: The key technology that allows disintermediation is blockchain. So, those who have not yet found blockchain usage cases for their business will definitely find them in the area of ecosystems.

### **The disruption creeps up on you and is inevitable**

The potential consequences for insurers of not acting are obvious: Loss of turnover, customer relationships and market share, as well as a situation in which it is no longer possible to reach untouched customer groups and sell new products. This is without doubt quite a pessimistic view. The dangerous thing in this regard is that disruption does not come with a big bang and never announces its arrival, but instead creeps up on you slowly. Relevant examples, such as digital photography, are well known.

### **What should be done?**

Probably the most important thing is not to ignore the subject, but to actively address it. This is also confirmed by the [“Tech Trend Radar 2018” report issued by Munich RE](#). The topic of digital ecosystems went straight into the category “TRIAL”, which means that it jumped directly over the phases “HOLD” and “ASSESS”. In other words, it is time to act.

Key questions for insurers include:

- Which ecosystems currently exist or are appearing?
- Which ecosystems are relevant for me?
- What role shall I take?
- What does my (technical) roadmap look like, in terms of integrating myself into this ecosystem?

More from the “Future of Insurance” series:

- [What insurers must tackle in the next five years to stay ahead](#) – The pressure among insurers

to digitise their services is leading to changes in the industry.

- [Top three insurance customer needs in 2019](#) – Only if insurers are familiar with the needs of their customers can they withstand the digital tsunami.