Taking the “I” out of insurance distribution
Are you partnering fast enough?

By Steven Gunderson, Ravi Malhotra and Talbert Thomas
New entrants—more customer-centric and digitally sophisticated than most established carriers—are transforming the way insurance is bought and sold. Their scalable, digital platforms, augmented by analytics, threaten the traditional distribution model. And at the core of the new operating models, powerful multi-industry partnerships are redefining the insurance distribution ecosystem.

In short, they are taking the “I” out of distribution, and replacing it with the “we” of effective, broad-based partnerships.

Established carriers urgently need to form such partnerships—and Accenture research shows that 72 percent have already done so, or plan to.¹ But attractive alliances are, by definition, limited in number. Leading players are already inking the best deals, leaving the laggards with fewer options.

In short, it's essential to move quickly—and gaining a first-mover advantage starts by understanding the new entrants' true intentions.
They don't want it all—but they are taking more and more.

Approximately US$4.9 billion has been invested in 196 insurance tech companies since the second quarter of 2011, with no less than $2.6 billion coming in 2015. Targeting the lucrative distribution portion of the insurance value chain is a no-brainer for the new entrants. According to CB Insights & Accenture Analytics, 56 percent of the recipients of these investments are focused on the distribution part of the value chain (see Fig. 1).²
For the most part, these players aren't interested in underwriting and taking on risk—it's just too commoditized, requires too much capital, and is too heavily regulated. But they do want to own the customer experience. In fact, they promise to deliver a much better one—more attuned to the personalized service and tailored product offerings that 76 percent of consumers say they would switch providers for and 38 percent would even pay more to receive.3

Delivered at low cost via digital channels and convenient, point-of-purchase touch points, the new entrants' value propositions not only appeal to insurance consumers hungry for a simplified, transparent and personalized buying experience. They also provide an opportunity to gather a wealth of customer data, build customer loyalty, and establish robust residual revenue streams. Consider, for example, how many auto dealers and manufacturers now offer insurance as part of a car-buying or car-sharing package, or the number of retailers that link insurance purchases to reward programs. As customers' shopping habits shift from a linear to a non-stop path, the savviest new entrants are steadily raising their game (see Fig. 2).4

Some are leveraging their superior understanding of the customer base to influence product design to align with their overall Brand. Case in point: the UK retailer, John Lewis—whose insurance products are underwritten by a panel of leading British carriers—now incorporates the famous John Lewis brand promise: “never knowingly undersold.”5

Others are using their platform models to disrupt existing markets. The online US broker insureon, which serves more than 800 industries, can give customers a personalized quote in 15 minutes—a fraction of the time it takes traditional commercial brokers.
<table>
<thead>
<tr>
<th>Segment Description</th>
<th>FinTech Platform</th>
<th>Retail</th>
<th>Auto Dealers &amp; Manufacturers</th>
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<td>Entrants that leverage cutting edge and industry-leading technology to create disruptive product and service offerings.</td>
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<td>Entrants that leverage point of sale convenience and brand promise to increase wallet share.</td>
<td>Entrants that leverage convenience, complementary goods and ability to better serve the customer to add revenue stream in an increasingly competitive industry.</td>
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**Case Example**

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<th>Case Background</th>
<th>insureon</th>
<th>John Lewis</th>
<th>Allianz &amp; BMW</th>
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<td>A company built on a digital platform is able to quote customers in less than 15 minutes—a process that can take more than a week with a traditional commercial broker. Moving beyond placement, insureon has moved up the value chain and is beginning to design and develop products that their panel of carriers are underwriting—which allows them to provide specialized/customized customer services to their 800+ industries.</td>
<td>The UK-based retailer whose insurance products are underwritten by a panel of leading British carriers, now incorporates the famous John Lewis brand promise: “never knowingly undersold” into the services, pricing, packing, and grouping of the products.</td>
<td>After purchase of a BMW vehicle, Allianz provides a customer with 7 days of complimentary car insurance. The mileage is tracked via BMW ConnectedDrive, and the customer receives the option to continue the insurance agreement with Allianz on FlexiMile or Unlimited Miles insurance.</td>
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Still others are forming powerful, cross-industry partnerships. BMW, for instance, has worked with Allianz to form a truly integrated partnership in which Allianz-designed products are tailored to fit BMW's brand promise. BMW advertises the high-end performance of their vehicles. Driver behavior-based telematics are not consistent with BMW's core message. Instead, BMW and Allianz partnered to create a usage-based insurance product true to BMW's brand promise. BMW Aftersales is also part of the agreement, which aims to generate global synergies by distributing some 50 joint products across 27 markets.

You won't win tomorrow by continuing to do what you do today.

The industry is starting to rise to the new entrants' challenge. Accenture research shows that 59 percent of carriers are prioritizing a more customer-centric distribution model, and 48 percent have already built a customer-centric hub that leverages data and analytics for an improved service experience (or plan to do so in the near future).

But the established carriers still hesitate to take bolder steps. Fewer than half (43 percent) are planning or have completed the acquisition of startups or innovative competitors, for example.
Carriers that have partnered with new entrants are already reaping the rewards, leveraging their natural advantage as underwriters to strengthen their own customer relationships.

Since the start of their global partnership in 2009, Allianz and BMW, for example, have tripled their customer insurance business. Furthermore, the recent inclusion of a telematics tracking package for BMW’s electric cars—the hardware is pre-installed but only becomes operative if the driver also takes out Allianz insurance—puts the big German carrier at the forefront of digital innovation in the auto market.

AXA, similarly, has significantly boosted its digital capabilities by forming a strategic partnership with Facebook. The deal gives the French multinational insurance firm access to dedicated Facebook resources in innovation, analytics and mobile, thus furthering its ambition to become what AXA Group COO calls “the leading digital and multi-access insurer”. Facebook, for its part, furthers its ambition to build major partnerships with international companies, and expands its footprint in the French market.

**Act now, or lose out.**

So how can you create customer experiences that are at least as good as those the new entrants are offering—ideally, better?

The experience of the leaders suggests that you need to develop more customer-centric business and operating models, execute multiple models simultaneously for both the core and the digital businesses, and integrate the lessons learned about customer centricity from new partners, broadly, across the enterprise.
The following considerations will help get you started:

- Pick your spots in alignment with your overall market approach. Determine your strategy and start by defining which customer segments are most attractive to you. Develop tailored value propositions and identify new product or service offerings, and then evaluate which non-traditional partnerships and business models will complement them. If your target customers are high-net-worth individuals, for example, you might seek out a luxury goods retailer.

- Rethink your product design approach to enable personalization at scale. Develop capabilities that enable faster product deployment, tailoring to specific partner value propositions, and modular product architecture supported by analytics at a granular level.

- Develop a supporting digital strategy that aligns to customer expectation, business vision and IT platforms to fulfill 4 fundamental objectives of customer experience:
  - Execution of fully-informed and real-time interactions
  - Expansion of awareness and extension of reach
  - Delivery of highly personalized experiences
  - Creation and distribution of rich, interactive content

- Build cost-effective and flexible back- and middle-office operations. Support them with a flexible technology infrastructure to make the economics work.

- Define a win-win partnership model. Define the role you want to play in the ecosystem. Align on the key success factors upfront through clearly articulated success metrics, well-defined customer segments, and one brand promise.

By beginning now to reshape products and services, expand distribution channels and re-imagine the way you engage with customers—all within the context of non-traditional partnerships—you will maximize your chances of becoming a leader in the new, and increasingly collaborative insurance distribution ecosystem.
About the research

Accenture leveraged leading market insight companies CB Insights and CrunchBase to identify FinTech insurance firms (from 55 companies in 8 industries) and aligned each firm’s business model to the impacted portion of the insurance value chain. We also interviewed more than 6,000 insurance customers across 11 countries to identify what sort of experience they want and their switching preferences. Our 2015 Distribution and Agency Management Survey polled more than 400 senior distribution executives at large and medium-sized P&C and multi-line carriers in 20 countries to gain a comprehensive perspective of insurers’ responses to the disruption of their business and operating models. In addition, the Accenture 2014 Digital Innovation survey polled 141 C-level executives charged with driving their companies’ digital agendas.
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