

Insurance Practice

Exploring ecosystem maturity in Latin American insurance

Latin American insurers will struggle to meet their full ecosystem potential unless they take a comprehensive approach.

This article is a collaborative effort by Ulrike Deetjen, Carlos Fucci, Jorge Garate, Salomon Spak, and Imre Szilvacsku, representing views from McKinsey's Insurance Practice.



The rise of technology and changes in customer behaviors are causing industry boundaries to fade and ecosystems to rise. By 2030, ecosystems could account for 25 percent of the global economy. Integrated offerings are increasing the relevance and growth of ecosystems across industries, and insurance is no exception.

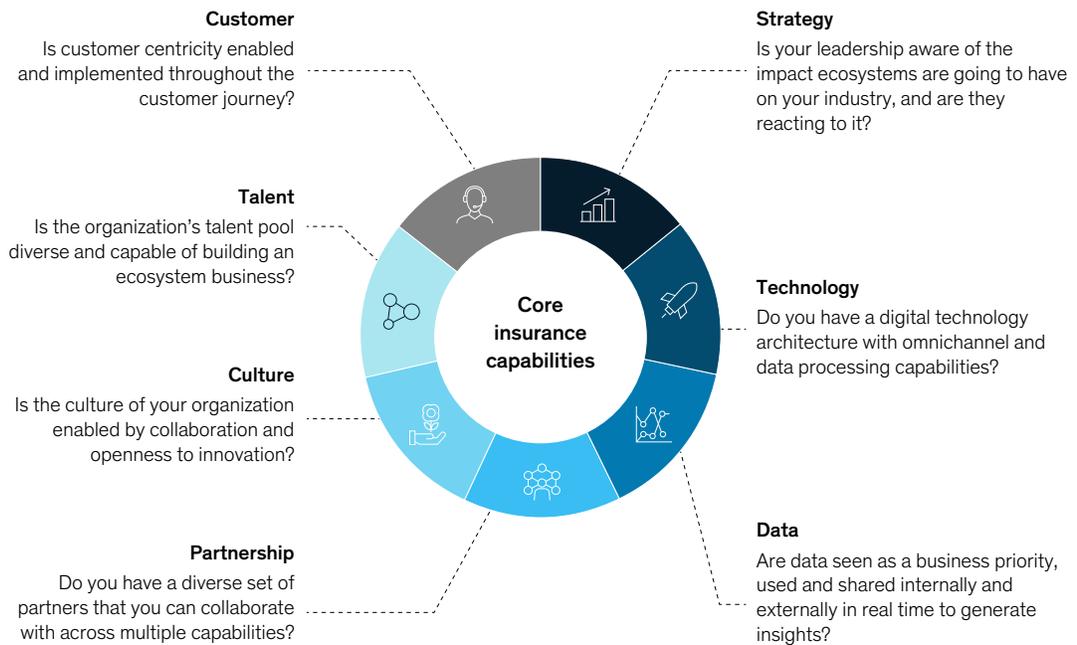
An analysis of insurer investments over the past two decades shows significant investments across several ecosystems: insurers invested 32 percent of start-up financing into health, 21 percent into wealth and protection, 20 percent into B2B services, and

10 percent into mobility. These integrated network economies provide enticing opportunities for insurers to strengthen their core business, explore new revenue streams beyond traditional insurance, and increase customer touchpoints.

However, many insurance executives find it difficult to make their ecosystem vision a reality. To understand why, we surveyed 13 Latin American P&C and life insurers across six countries: Argentina, Brazil, Chile, Colombia, Mexico, and Peru. We ranked their ecosystem maturity across seven critical ecosystem capabilities (Exhibit 1) on a scale of one to five and

Exhibit 1

Our survey assessed how Latin American insurers consider ecosystem opportunities across seven dimensions.



13 Latin American insurance companies



6 countries: Argentina, Brazil, Chile, Colombia, Mexico, and Peru

assessed their readiness compared with global benchmarks from Asia and Europe. The results indicate that Latin American insurers have the most significant capability gaps in strategy, tech, data, and customer centricity, especially compared with international benchmarks.

Ecosystems are an essential part of Latin American insurers' strategic agendas

While maturity levels differ among insurers, all survey respondents recognize the importance of ecosystems and their relevance in the customer journey. In fact, 81 percent of Latin American insurers surveyed are already taking steps to be more present in their customers' day-to-day lives through an ecosystem offering. Some insurers, for instance, developed offers related to their core insurance product, such as transportation and parking partnerships and lifestyle apps. Sixty-nine percent of respondents are investing in services that add value for customers; the same percentage has also reported improved engagement metrics. However, only 13 percent of insurers believe they have comprehensive integrated product and service offerings throughout the customer life cycle in their target ecosystems.

Investments in partnerships and customer centricity are often the first steps in an ecosystem strategy

Establishing partnerships can help insurers better engage customers along their ecosystem journey and further develop core capabilities. Fifty-six percent of respondents have developed deep partnerships, such as with insurtechs, to expand their ecosystems. However, many of these partnerships lack a structured and comprehensive approach, making it challenging to explore the full potential of ecosystem integration.

Most insurers surveyed are already moving toward customer centricity, with 80 percent of respondents offering some omnichannel experience. But 53 percent of respondents have yet to develop a cohesive vision and approach to meet their consumers' needs. Latin American insurers also have yet to exploit automation opportunities in customer service. None of the insurers surveyed have successfully deployed digital technologies such as AI channels or chatbots to track conversion rates across channels. Having access to these metrics could help insurers make targeted (and quicker) improvements to their customer engagement approaches.

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Latin American insurers are catching up, but there is still room for improvement in data and technology.

All companies still lag in some data and technology dimensions ...

Dependence on legacy systems is still high for all respondents, with only

13%

having already migrated most of their core services off the legacy platforms

81%

still depend heavily on brokers and internal manual processing to take care of core services

... but top performers already show distinctiveness in multiple dimensions

Technology

Agile teams

67%

of top performers have agile teams able to deliver features end to end without involvement of other groups

vs

8%

for the rest of the base

Data

Internal data availability

100%

of top-quartile companies overall have their data available for internal consumption via APIs—and, in some cases, for external consumption, too

vs

15%

of Latin American insurers

Critical digital-marketing technology

100%

of top performers have critical enabling technology for digital marketing (eg, customer relationship management platform, digital marketing API)

vs

8%

for the rest of the base

Data management roles

100%

of top-quartile companies overall have formalized data management roles across the organization

vs

30%

of Latin American insurers

Emerging technologies

100%

of top performers are leveraging emerging technologies (eg, IoT, automation, and AI) as a key differentiator

vs

23%

for the rest of the base

Capability gaps remain in data and technology

Data and tech capabilities are critical facilitators of ecosystem development, yet most Latin American insurers surveyed have yet to adopt modern infrastructure and make data available for consumption by internal and external teams.

Just 13 percent of respondents have migrated some of their core services off the legacy platforms that restrict their ability to implement ecosystem use cases, such as connecting with insurtechs to increase distribution. And 81 percent of respondents depend heavily on brokers and internal manual processing to complete core services such as claims

processing. This dependence means insurers are missing out on the opportunity to improve operations through tech solutions (Exhibit 2).

When we look at top global performers, 67 percent have technology in place that allows agile teams to deliver features end to end without involving other groups, compared with 8 percent of Latin American insurers. And all the top performers are using emerging technologies such as automation and AI to enhance their offerings and create points of differentiation, compared with 23 percent of Latin American insurers.

On the data side, all leading global insurers have an API-based data-sharing strategy that enables partners to quickly access quotation services or data lakes to build use cases. Yet only 15 percent of Latin American insurers have this capability in place.

Culture and talent are facilitators of ecosystems and their technology

An excellent internal culture that promotes agile and independent ways of working can make it easier for insurers to scale new technology systems and quickly roll out features and products. Unfortunately, Latin American insurers have the most significant capability gaps in culture and talent.

When comparing the cultures of insurers at the top and bottom quartiles, there is a 1.9-point gap in maturity. On the talent side, 86 percent of

respondents believe they do not have suitable mechanisms such as structured feedback channels or processes to capture innovative ideas. Without these capabilities, building a test-and-learn environment (a hallmark of agile) will be a challenge. And many insurers report experiencing difficulties with their external partners: only 25 percent of respondents believe their providers and vendors have the necessary training to deliver essential services with minimal intervention.

The ecosystem vision requires a comprehensive approach

There is no one-size-fits-all approach to pursuing ecosystems. And while it might be tempting to double down in the areas that are the least mature, we've found it's generally the lack of a comprehensive approach to capability building that holds insurers back from realizing their full ecosystem vision. Consider the combined influence of technology and culture on ecosystem development. Insurers recognize the value of investing in partnerships but can find it hard to scale partnerships or share essential customer data with trusted partners without modernized technology or API enablement. This low-tech maturity often affects the potential of those relationships.

Discovery found success in its ecosystem journey by launching a well-being loyalty program, Vitality, that rewards customers who practice healthy behaviors such as regularly exercising. Over time,

Data and tech capabilities are critical facilitators of ecosystem development, yet most Latin American insurers surveyed have yet to adopt modern infrastructure and make data available for consumption by internal and external teams.

the insurer shifted its business models to focus on risk reduction: for instance, customers with a good health status would get better prices on health or life insurance products. As a result, health claims for high-status members were as much as 25 percent less compared to new members. Participating in ecosystems helped Discovery attract new members and reduce lapse rates.

As customer engagement grows, more data can be gathered about what incentives effectively promote good health behavior. This wealth of data can be used to partner with insurance companies in new markets and expand those programs' reach and customer base. Discovery's loyalty program also helped it tap into opportunities in other industries such as finance and auto by expanding its rewards and increasing customer interactions. For instance, the insurer saw a 79 percent increase in customer interactions on its loyalty app one year after providing new offerings.

Of course, pursuing ecosystems is a long-term initiative. But insurers that invest in the long view, take a comprehensive strategic approach, and establish a firm ecosystem vision can realize the full value of the ecosystem business model.

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