



A wake-up call from the Far East: Platform ecosystems in the insurance industry

How insurers can gain new customers and stay on top of the game.

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Insurance companies in Germany, Austria and Switzerland are increasingly investing in ecosystems and platform solutions, but many initiatives are still experimental in nature. The example of Ping An shows how to work without compromises. Within ten years, the Chinese market leader has rebuilt its entire business on the foundations of the platform economy.

So far nobody has managed to seriously “uber” the insurance industry. For the time being, actuarial and regulatory barriers seem high enough to protect the traditional industry from potential disruptors. Even InsurTechs, which are popping up in many places, are still years away from competing with the dominant players of the insurance industry. For the time being, the function of the start-ups is limited to complementing the portfolio of established market leaders, with services whose development requires a degree of agility and speed that the IT organizations of the big players are not yet able to achieve despite all their DevOps efforts.

But from the point of view of strategy departments, is it really enough to just look at the innovators in one's own industry and integrate them according to their abilities? Might the real danger be lurking in a completely different corner? It is essential, especially for insurers, to take a broad perspective. After all, things become particularly interesting when domains appear that create additional business value and have the strength to open up completely new ways of doing business. Old certainties can be extraordinarily deceptive. This applies



in particular to the development of any ecosystems that reinvent – at least to a certain extent – previous forms of management, communication or interaction. Examples are the platform-driven ecosystems Smart City, Smart Home, Telemedicine or Industry 4.0. Will the stakeholders of these growth fields continue to make use of the services of the established insurance industry? Or will they increasingly be on the lookout for ecosystem players who are able to develop coherent offers in a much shorter time and, above all, to scale them?

Ecosystems promote a continuous innovation process

One insurance group that already has answered these questions is the Chinese company Ping An. Ping An has worked hard to transfer all its existing business to cloud-based platforms. Each of these platforms offers the company a variety of options for building ecosystems that go far beyond the current insurance business. This creates significant opportunities for opening up new value-added options. This is something that the Ping An management team knows how to exploit. In the past three years alone, profits have risen from 8.7 to 13.9 billion US dollars. Thanks to this large-scale growth strategy, the Ping An Insurance Group is now one of the ten largest companies in the world – and the only insurance company on this list.

However, this categorization is now only partially correct. The Group has grown and developed into value-added areas that are already quite far from their core business. At the same time, each step in the company's development expands its opportunities to deepen interactions with its customers. A complete list of Ping An ecosystems would go beyond the scope of this article, however even a brief look at the areas of health care and mobility shows the extent to which the company is increasing its efficiency in the economy, and opening up new growth areas based on this.



In the health care industry, Ping An operates a network of platforms with which it addresses various stakeholders directly with the information and interaction requirements that are most important to them. This lets Ping An provide them with specific added value. In return, the Group acquires increasingly in-depth knowledge about the interests and characteristics of the various health care reference groups. At the center of this platform ecosystem is Ping An Good Doctor. With around 250 million registered users, it is the world's largest telemedicine platform. In addition to this, they also have a hospital platform that supports about half of China's private clinics with IT services. However, there is also a focus on the state health insurance system. Here Ping An offers a service platform, with analytics solutions, which contributes to the fight against fraud, and investigates excessive drug prescriptions.

Mobility platform shares information with competitors

The company has achieved a similarly deep market penetration in the transport sector. The starting point was the AutoHome trading platform, which currently handles around 30 percent of Chinese car sales. In 2016, Ping An acquired half of the shares in AutoHome, and has since then been pushing ahead with expansion of the platform.

There is a particular focus on the integration of suitable financing and insurance solutions. Once again, the Chinese are taking paths that may initially seem surprising. Despite the fact that the company has a banking license and a wide range of its own financing products, it also promotes lending through third parties. To this end, Ping An has become involved with the Lufax peer-to-peer awarding platform, and integrated it into the automotive portal. Probably the most important asset of this initiative is an integrated scoring platform that provides information on the creditworthiness of individual car buyers. Through its ecosystem, Ping An shares this information with other capital



providers, including more than 200 banks. The company reports that the credit rating platform now has access to 700 million consumers. As well as the reach, the informative value of the credit check also increases with each of these customers. In an [interview](#) with the industry service “Digital Insurance Agenda”, which was published in February, Head of Innovation at Ping An, Jonathan Larsen, states that the accuracy of predictions has improved by 30 percent since information sharing with third parties begun. In addition to this, the scoring solution is now based on more than 6,000 decision variables.

Insurer bundles IT know-how in service subsidiary

With solutions such as this, Ping An has developed into a diversified technology group that supplies large sections of the Chinese insurance and financial industries with appropriate services. According to its own figures, the group employs 80,000 people in the IT department alone. These competencies are marketed primarily through the subsidiary OneConnect, which at the beginning of 2018 had 30 insurance companies, 450 banks and 2,100 other financial institutions among its customers.

OneConnect has based its services on an SaaS cloud platform, which is unique in its ability to fully meet the compliance requirements of the state financial regulator. Within this framework, the IT subsidiary brings a broad portfolio of industry-specific front, middle and back office services to the market. These range from biometric solutions for facial recognition to a blockchain platform for bank-to-bank payment transactions.

In a similar way to Amazon Web Services, OneConnect has set out to become the most important growth driver in its parent company. According to a [Bloomberg news agency report](#), the value of the subsidiary is already estimated at 7.4 billion US dollars. In order to make the best possible use of increasing demand, Ping An OneConnect is



expected to float on the Hong Kong Stock Exchange in the second half of the year.

Initiatives in the DACH region are solidifying

The question of whether marketing of industry-related IT services on open platforms can also yield sustainable competitive advantages in Germany will be shown in particular by the example of Allianz. At the start of 2018, the Munich-based insurance group [announced](#) that it would make some of its "Allianz Business System (ABS)" freely available as an open source solution. The aim is to create a cross-sector cloud platform on which other insurers can receive all the services and functionalities that they need to optimally set up and automate their products.

It's an ambitious plan. Especially because the willingness to innovate and cooperate is still regarded as rather limited, especially in the German-speaking market. <Reading recommendation: [Many insurance companies are missing out on digitization](#)>

At the launch of the platform, Managing Director of Syncier GmbH Andreas Nolte emphasized the need to provide the offering as an open source solution. Despite all the advantages, Nolte noted that the company was well aware of a certain reluctance on the part of the market to use the system of a direct competitor. His company was therefore prepared to make the core of the system available to the general public so that anyone can check the code.

"It's better to combine the intelligence of an entire industry than have each company working on it alone," emphasized Andreas Nolte as the main motivation for opening up the ABS system. The reinsurer Munich Re is also convinced, and is moving forward with construction of ecosystems. In contrast to Allianz, however, its focus is on the InsurTech and FinTech sectors. With this in mind, at the start of 2017, Munich Re



founded the start-up company Digital Partners. Its primary objective, [according to its own statements](#), is "to establish contacts with young, pioneering companies that are in the process of revolutionizing the customer experience in the insurance industry."

There is no question that the industry must open up, if only because pioneers from the Far East seem to be moving closer. Head of Innovation at Ping An, Jonathan Larsen, concluded the previously mentioned [interview](#) with the comment that his company was now at the point of internationalization. After all, the leading position of Ping An is based on "genuine competencies that are an interesting starting point for internationalization," Larsen continues. Given the resounding success that Ping An is achieving with these competencies in the Chinese market, the European insurance industry would be well advised to explore and exploit best practices and their intrinsic mechanisms before others do.