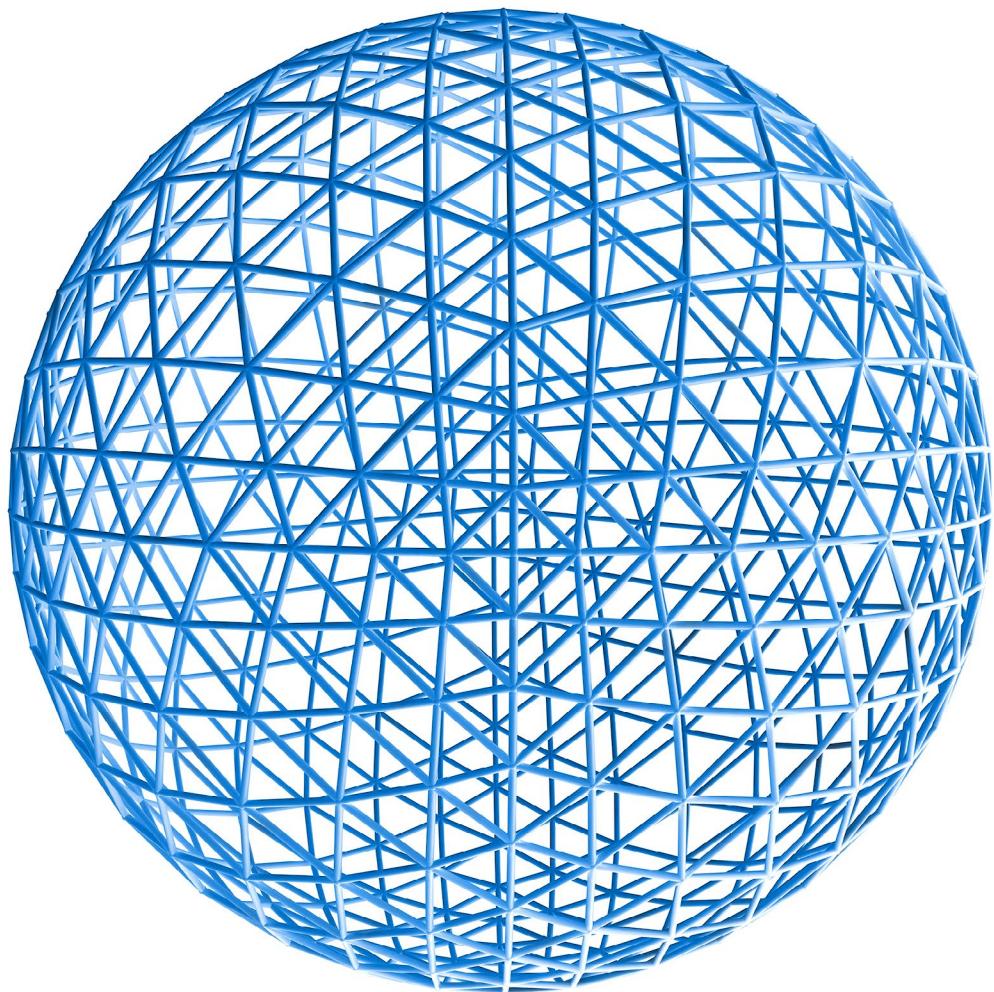


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Digital ecosystem connectivity:
Creating a competitive advantage
for group insurance carriers

Key messages

Advances in technology continue to impact group insurers (carriers) as they look for new ways to meet customer expectations and enhance experiences for employers and employees. As benefits administration transactions move from paper-based to digital, there's a strong push toward building out a connected ecosystem of benefit administrators, employers, and other partners to create competitive advantages and efficiencies via real-time connectivity.

- In today's competitive market, creating a group insurance ecosystem is essential as industry players in varied stages of developing these networks race to deliver enhanced customer experiences and reap the rewards of new and renewed business.
- Greater connectivity, driven by APIs and microservices among ecosystem players, will present new opportunities to digitize and speed up processes across the group insurance value chain.
- To evaluate these opportunities, insurers should consider the elements needed to develop a holistic ecosystem, including objectives, prioritized business capabilities, evaluation and selection of key partner platforms, and supporting technology architecture to deliver on the desired outcomes in a sustainable manner.
- In doing so, carriers can create exceptional, frictionless experiences for stakeholders; achieve growth by transforming into a customer-centric and digitally enabled business; increase new sales and persistency; simplify the administrative burden on plan administrators by eliminating highly manual data feeds through automation; and maximize value generated from accurate data to enable analytics for improved profitability.
- Further, the digitally connected ecosystem makes it easier for carriers to expand to adjacent, complementary markets and products/services to capture new growth opportunities.

While defining and executing on an ecosystem connectivity strategy can be a significant undertaking, it's likely the industry will adopt real-time connectivity. Eventually, this strategy will become table stakes. Therefore, carriers that lead the charge can obtain a competitive advantage for the near term and get in front of the next trend ahead of competitors.

What is ecosystem connectivity?

Ecosystem connectivity is a network of interconnected stakeholders (i.e., employers, employees, partners, insurance carriers) enabled by data integration and exchange capabilities. The goal of such an ecosystem is to share information quickly and efficiently across key areas of the value chain to deliver enhanced experiences in a cost-efficient manner and collectively increase profitable growth. Connectivity across group insurer stakeholders is being driven by leading carriers responding to three key forces:



Competitive environment

Carriers are making investments in **building strategic partnerships and deeper integrations** with their ecosystem partners (e.g., benefit administrators, HRIS platforms, and TPAs).



Innovation and technology

Carriers are **recognizing the need to transform and revolutionize their internal and external integrations** as InsurTechs, and new entrants without legacy debt are targeting new business models (e.g., products, services, distribution).



Customer expectations

Employer and employee behaviors are increasingly being **shaped by their experiences with consumer technologies** and their **desire for an integrated modern buying and servicing experience** that is commensurate with that of other industries.

Drivers in the group insurance market

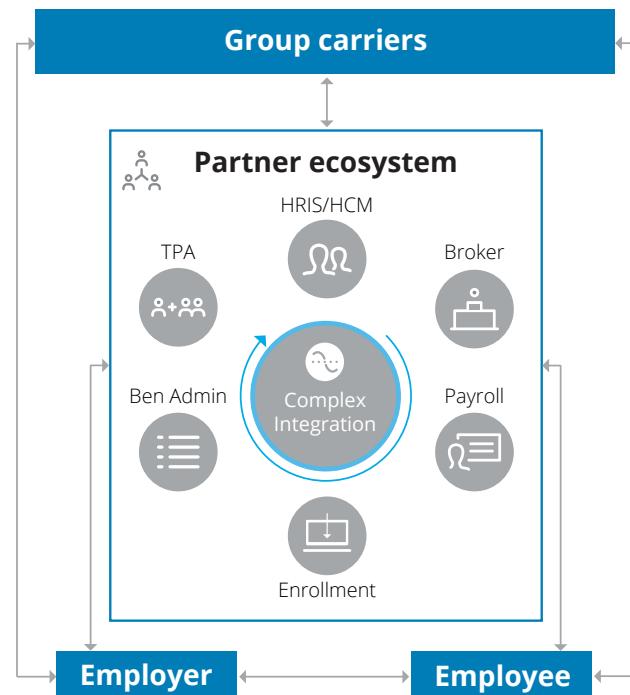
Carriers continue to face elevated service expectations from both employers and employees that demand seamless, technology-driven customer experiences. Carriers may be eager to adopt new technologies and become digitally enabled organizations but often bear debilitating technical debt from legacy technology that strains maintenance budgets and limits business agility. Carriers will likely need to reimagine the scope of what they offer to customers while reconciling how to deliver on the promise of new digital-first products across the value chain.

To compete in this new era of insurance, carriers are driven to conceive an **ecosystem connectivity strategy** that aligns their prioritization of value chain efficiencies with their broader ecosystems (i.e., benefit administrators, HRIS platforms, TPAs) and customer expectations.

Carriers should ask themselves: Based on our connectivity strategy, how do we prioritize partnerships with ecosystem players? How can we achieve and expand our desired frontier? How do we drive value for customers and partners in a sustainable and scalable manner?

How do we prioritize and select the right partners in a crowded market and across varying market segments/case sizes?

In building a connectivity strategy, carriers should think through the big picture—designing a sustainable strategic program with a clearly-defined and measurable value proposition, a comprehensive opportunity evaluation and prioritization mechanism, and a robust test-and-learn approach. The implementation program will need to consider a scalable architecture and repeatable delivery approach rather than one-off partnership opportunities.



Carriers should strive to answer the following questions as they start developing or advancing their ecosystem strategy:

- *What are the objectives for the ecosystem strategy, and what does success look like?*
- *How do we determine which business capabilities to target in alignment with our value proposition to the market, our business case, and desired customer experiences?*
- *How can we evaluate and select key partner platforms to realize strategic goals and enable the desired value proposition?*
- *What should the target architecture be, and can it be built?*
- *What is the execution roadmap, and how do we manage our capacity, team structure, and governance to deliver on the desired outcomes in a sustainable manner?*

The following sections describe how to approach these questions in more detail.

Expected outcomes from the ecosystem strategy

Carriers should attempt to drive the following strategic outcomes from an ecosystem strategy, in alignment with the overall business strategy and priorities, by creating:

- A seamless customer experience via integrated strategic partner platforms
- A set of strategic partnerships with key technology platforms grounded in mutual value creation
- A robust platform and set of standard APIs underpinning ecosystem connectivity, in alignment with any planned future-state business and technology strategies
- Operational efficiencies achieved through simplified and digitized processes
- Ongoing opportunities for growth enabled by key capabilities that make doing business easier

Focusing on enabling business capabilities

Understanding how to create exceptional and frictionless experiences for brokers, employees, and employers will influence the process of reimaging the business and identifying the digital capabilities needed to excel in the marketplace, both today and in the future. The organizational agility resulting from implementing ecosystem connectivity should improve time-to-market and allow carriers to take advantage of new market opportunities. It may also potentially drive efficiencies at key steps in the process (e.g., seamless case installation and plan setup, automated enrollment and eligibility processing, claims tracking, and real-time communications).

Prioritizing and sequencing value chain capabilities

Based on their strategy, organizational constraints, and business case, carriers must prioritize capabilities within the value chain that will help enable an ecosystem strategy that drives maximum value.

Carriers should review current capabilities, partnership offerings in the marketplace, and current internal in-flight initiatives to identify gaps and opportunities and prioritize key functionalities and use cases. If a carrier hasn't already, it is important to start and put a stake in the ground to begin learning. Enabling real-time connectivity with the network for plan details and policy information, enrollment, or Medical Evidence of Insurability are all a win and steps in the right direction.

Prioritizing the right partners

Prioritizing the right partners in the ecosystem is important to maximize the value generated by ecosystem connectivity.

Considering the diversity of capabilities provided by various potential partners (e.g., benefits administrators, HRIS solutions, payroll processors, third-party enrollers), carriers should consider a few key factors when evaluating potential partnership opportunities:

- **Value proposition:** The alignment of the partner's capabilities to the carrier's desired capabilities, and the partner's ability to create and sustain competitive advantage, including the scale to drive growth and market share, and willingness to invest in the relationship
- **Technology maturity:** The partner's skills and flexibility to fit with the carrier's current and planned architecture, the ability to develop integrations, and the alignment of strategic roadmaps for future technology capability enablement
- **Win-win business case:** The partner's ability to enable the carrier's business case with respect to both new and in-force blocks, and to drive enhanced experiences for all stakeholders
- **Partnership decision-making and delivery:** The carrier's ability to influence how opportunities will be prioritized, decisions will be made, and the delivery of plans with the partner will be structured

Building modern and scalable connectivity architecture

A future-state connectivity ecosystem architecture should focus on driving greater agility through thoughtful integration capabilities. Key factors to consider include finding the right technical fit of proposed solutions and patterns, understanding efforts to date around API-enablement within existing architecture, and determining alignment to the future-state design.

Additional consideration should be given to emerging capabilities in the market with third-party solution providers working to enable connectivity with the ecosystem. This will support future scale and speed-to-market objectives. To enable this, carriers should:

- Define the platform and tiered API strategy and develop guidelines to aid in design of the target state
- Understand the ease of developing, replicating, or repurposing existing integrations and determining alignment to the current and future architecture
- Identify forward-looking complementary digital solutions to accompany and accelerate connectivity efforts

Enabling and executing the connectivity strategy

Carriers should have a structured approach to plan and execute their strategic vision and accelerate value realization through their connectivity strategies. This will help overcome some of the structural, operational, and technology challenges (e.g., inability to support increased volumes due to inflexible core applications) that

can impede enablement of a seamless, digital ecosystem. Carriers need to define the overall operations and technology strategy and roadmap that align with their connectivity strategy.

Instead of planning one-offs for each partner, a thorough execution plan should be established with dependencies, constraints, and accountabilities identified across various activities identified as part of an integrated strategic roadmap, technology architecture, and operating model redesign. To drive and efficiently govern the program, carriers should establish a cross-functional operating team that provides executive management and reporting; monitors financials and key metrics as a part of value assurance and impact tracking; maintains a program-level view of talent and resourcing requirements across initiatives within the program; and undertakes communications and change management activities, including socialization programs for partners, employers, and employees.

Risks to consider

While developing a holistic connectivity ecosystem strategy, carriers should keep in mind that as market conditions and technology innovations continue to evolve, additional opportunities and challenges may emerge. These considerations should continue to inform the strategy and its execution:

- While the industry has yet to fully evolve and adopt data exchange standards (e.g., LIMRA/LDEx), carriers should continue to be involved in such efforts to influence the standards and their adoption. Standards will enable a strong technology architecture across the benefits ecosystem to be quickly adapted and maximize speed to market. However, they may also reduce the ability for carriers to differentiate themselves.
- Carriers should consider advanced AI capabilities to automate, streamline, and optimize data processing and analysis (e.g., Google's DocAI) to reduce the need for complex integrations, as any inputs could be handled by an AI solution. In this case, carriers will need to prioritize use cases that incorporate such capabilities along with those that cannot be easily handled by such AI solutions (i.e., complex, high-touch processes).
- Given the significance of an execution effort to enable connectivity, there is a risk of losing momentum due to delays across phases. To mitigate this risk, carriers should carefully select key capabilities and partnerships for minimum viable products (MVPs) and organize efforts to achieve quick wins and sustain momentum.

Looking ahead

Defining and executing an ecosystem connectivity strategy is challenging and complex. It entails prioritization from multiple ecosystem partner options, making informed if imperfect decisions to get the ball rolling, and complicated legacy technology and process adaptations. At the core, it requires careful planning. With prioritized capabilities, thoughtful architecture integration design, and execution rigor, carriers can make the leap to building the connected insurance ecosystem of the future.

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