EXECUTIVE INSIGHTS

Partnerships, Not Policies: The Future of Insurance Innovation

Remember the song "Same as It Ever Was" by the Talking Heads? That's insurance in a nutshell. The industry remains locked in outdated buying processes and stale products. But customers aren't just comparing insurers anymore — Amazon, Apple and fintech disruptors have raised expectations. A sleek interface and a streamlined claims process? Those are table stakes.

Innovation must center on improving customers' lives. But for companies trapped in "this is how we've always done it," building a compelling value proposition will be an uphill battle. Outdated models cannot deliver next-gen experiences and service. Strategic partnerships can be the engine to close innovation gaps, but only if insurers move beyond transactional relationships to true collaboration. Partnerships should be about co-creating solutions that enhance the entire value chain, not just outsourcing to reduce variable costs.

Innovation and technology represent part of the answer, but they need to align with a future-state strategy to be effective. Traditional companies continue investing heavily in artificial intelligence and technology, but few are building use cases that transform the current insurance model. Newcomers are hungry to disrupt the market. Those that stand pat risk inefficiency, decreased revenue or irrelevancy.

The future of insurance isn't about selling policies. It's about seamlessly improving customers' lives, delivering solutions to their problems with a frictionless experience.

> "Leading insurance companies are shifting from a trading partner to a strategic partner mindset. This is a teaming mentality, with all parties focused on driving better customer outcomes."
>
> — David Hitsky, L.E.K. Insurance practice leader

But with great partnerships comes great responsibility. Customers look for a single point of accountability when something goes wrong, not finger-pointing. Insurers must continuously monitor whether collaborations deliver intended value. Customer impact is the ultimate measure of success.

The path forward cannot work without better partnerships. An interconnected, customer-first ecosystem will define the next era of insurance. Those who fail to truly innovate around the customer risk obsolescence.

Here, L.E.K. Consulting presents a structured framework for evaluating partnerships, balancing risks and rewards, and leveraging ecosystem alliances to stay competitive in a rapidly evolving market.

"And you may ask yourself, 'Well, how did I get here?'"

Insurance companies have historically treated partnerships transactionally. They would bring in a partner to execute a stand-alone task and send back the results. Now, these companies must reimagine a future state where you work collaboratively to innovate and deliver an experience that wows customers. Models that prioritize simplicity, predictability and usability will gain traction — eliminating activities that no longer add value.

With distinct partnership models and archetypes to pursue, insurers must consider several factors, including resource availability, risk appetite, and technology and partnership orchestration capabilities. These archetypes span organizations that range from "traditionalists" that want to maintain the status quo and compete independently to "ecosystem maestros," where the company aims to build and manage a network of partnerships to provide a broad and holistic set of services to customers (See Table 1).

Table 1

Partnership archetypes

Dimension	Capability extender	Ecosystem participant	Platform orchestrator
Overall strategy	Optimize existing operations by filling capability gaps through targeted partnerships	Expand reach and relevance by embedding into broader ecosystems	Lead and shape ecosystems by integrating services and managing partner networks
Role	Tactical partner focused on enabling specific functions or digital upgrades	Strategic collaborator within a multiparty value chain	Central orchestrator coordinating multiple partners to deliver holistic, customer-centric solutions
Features	• One-off or function-specific partnerships	• Embedded or white-labeled insurance	• Owns customer interface and data
	• Tech/vendor focused	• Cobranded offerings	• Offers bundled services (insurance + adjacent services)
	• Low integration depth	• Medium-to-high integration with platforms	• High coordination and governance

Partnerships can progress from initial value chain integrations to full cocreation driven by success and/or customer needs.

The partnership playbook: Strategy, value and long-term fit

Finding a partner isn't enough — it's about choosing one that can fast-track the institution's strategic goals and foster a long-term collaboration. Defining the strategy with a revamped operating model is the first step. Finding a partner that complements the insurer's capabilities, aligns growth pathways and enables a win-win relationship is key.

Effective partnerships fuel long-term goals. In our experience, any potential partnership should consider the following.

First, can the partnership help your organization meet specific objectives, and do the partner's approach and long-term goals align with these objectives? To assess this, determine how well the partner's offerings align with or complement the insurer's core services and operations. Without this alignment, the partnership cannot reach its full potential.

Any partnership should help the insurer build a unique value proposition by reinforcing the company's strengths and enabling distinctive and resilient new offerings.

Balance of power dynamics and tradeoffs are important when selecting partners. Institutions shouldn't fall into the trap of focusing only on bigger and more-established partners; emerging players can often deliver longer-term value opportunities. Without these considerations, the partnership may pay dividends only in the short term.

Regional partnership spotlight: Ping An (China)

"Ecosystem orchestrator"

Ping An has set the benchmark for ecosystem orchestration, creating a vast digital platform that seamlessly integrates financial and lifestyle services across insurance, banking, real estate and auto. By embedding insurance within a broader suite of interconnected offerings, Ping An has redefined what it means to be a modern P&C/life carrier. Its tech-driven strategy harnesses data across the ecosystem to tailor products, enhance customer experience and manage risk more effectively.

Lastly, the insurer should consider sources of value, including strategic, product, sales and distribution, and capability areas. These can diverge and converge over time. Partnerships designed to prioritize one source of value may grow into others as organizations intertwine. This increases the need to be holistic, forward-looking and flexible when defining agreements.

Balancing benefits and risks

The benefits of strategic partnerships should align with company imperatives and aim to improve one or more of the following:

- **Growth:** How does the partnership help to address new customers and markets, improve the customer proposition or create value?
- **Market positioning:** Can the alliance help differentiate the insurer from competitors, improve brand reputation or create a competitive advantage? Can this advantage be sustained, or is it easily replicated?
- **Customer experience and affinity:** Can this partnership fill product and service gaps and elevate the customer experience? Remember, it's not just about the insurer's success but also about providing easily accessible, customer-centric solutions that anticipate and address their needs.
- **Operational efficiency:** Can the partnership quickly improve the insurer's ability to make data-driven decisions, streamline internal processes and promote operational efficiency (e.g., underwriting and claims processing)?

Strategic partnerships can introduce risks that insurance companies must manage carefully. When priorities, timelines or strategies diverge, misaligned goals can derail success. What's more, the growing need for data sharing requires a strong third-party risk management and compliance program to reduce operational and financial risks. Without stakeholder trust and transparency, partnerships will fail.

Culture and technological incompatibility can also derail partnership success. Insurers may be hesitant to partner or lack the digital maturity of potential partners (e.g., insurtechs and third-party administrators). To mitigate this, ongoing communication and shared understanding are key.

Monetizing partnerships will be challenging without carefully considering revenue models and timelines. Partnership plans need to balance different cost elements and revenue expectations. Unaddressed power imbalances between partners can quickly sour a partnership.

In the era of personalization, data sharing is critical. This can blur the lines of end customer ownership, particularly with distribution partners. Clear boundaries must be set to avoid conflict.

The partnership should also be scalable. A partner may be able to accommodate the transaction volume and customer types today, but can they enable future growth and innovation?

To thrive in today's fast-evolving ecosystem, insurers must move beyond the traditional "build, buy, partner" to "partner, build, buy." As stand-alone entities, they can no longer deliver innovative products and services fast enough.

Companies that fail to embrace partnerships will see competitors steal market share and customers and risk irrelevancy. Any partnership should deliver joint partner value and be customer focused.

When goals clash, partnerships crash: Lessons from failed insurance alliances

Strategic misalignment can undermine success. Below are two recent examples of insurance partnerships that failed for this reason:

- In 2016, AIG launched a joint venture with Hamilton Insurance and data science firm Two Sigma to modernize small commercial insurance. The goal was to simplify the broker experience through data-driven underwriting and a streamlined digital platform. However, the venture soon faced challenges: The complexity and variability of small commercial insurance across industries and states made automation and scale difficult. Strategic misalignment among partners, shifting priorities within AIG, and growing competition from insurtechs further hindered progress. Ultimately, the platform was acquired by cyber insurer Coalition in 2021.

- Google attempted to enter the U.S. auto insurance market through its Google Compare Platform. Though the program had earlier success in the U.K., efforts in the U.S. fell flat. The initiative struggled with limited carrier participation, regulatory complexity, channel conflict and low conversion rates. Most important, it underestimated the difficulty of commoditizing insurance in a trust-based, highly regulated environment. It's a cautionary tale for tech companies aiming to disrupt the sector without deep industry integration.

The building blocks of partnership success

Partnerships take work. Some bring instant success while others fall short. Objectives, key results and key performance indicators are critical to fostering success. Defining them early ensures both sides have a clear roadmap to track progress and pivot when necessary. Open and frequent communication is critical, and a proper feedback loop enables the partnership to improve processes and optimize value.

Insurers should understand that not all partnerships are created equal and that short-term wins may not translate into long-term success. Consulting firms like L.E.K. bring a fresh, impartial view to partner evaluations and help design frameworks and governance models that amplify partnership impact. They know what works, what doesn't and the red flags to watch for. Rather than chasing quick fixes, advisors help you build a strategy for enduring profitability and success.

Strategic partnerships are a significant weapon in the race to innovate and compete. It's time for the insurance industry to evolve and innovate. Customers expect a great experience, and insurers must reengineer operating models and build alliances to meet the needs of today and beyond. This future state will allow insurers to increase efficiency and prevent revenue leakage by playing in their new ecosystem lane.

So, why L.E.K.?

At L.E.K., our Financial Services practice is built for the moments that define the future of your business, not just maintain the present. We work with leaders navigating disruption, transformation and growth — helping them move with clarity and conviction in high-stakes situations. Our teams are senior-leaded and deeply engaged, bringing a sharp understanding of both strategic and financial realities.

What sets us apart is how we show up: We don't rely on frameworks. We co-create tailored strategies with our clients and bring a best-in-breed mindset to every engagement — drawing on external expertise when it's in the client's best interest.

Whether you're rethinking a business model, targeting new markets or positioning for long-term value, we're here to help you lead with focus, agility and impact.

For more information, please **contact us**.

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David Hitsky is a Managing Director and Partner in L.E.K.'s New York office, where he is a leader in the firm's Financial Services practice, specializing in Insurance. David brings over 25 years of experience advising senior executives and boards in areas including corporate strategy, M&A, market assessment, operating model design, and digital and operational transformation.