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Solution Brief

THE PROMISE OF A FULL STACK ECOSYSTEM PLATFORM: EY NEXUS FOR INSURANCE

Accelerating New Initiatives

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WHAT IS EY NEXUS?



EY Nexus is a full stack ecosystem platform

EY Nexus is a cloud-based platform designed to allow firms in a broad set of industries to rapidly launch new initiatives. These initiatives could range from new products to new solutions to new companies to new business models.

EY Nexus is **full stack** in that it contains a range of front end and back end accelerators (e.g., a design studio), components (e.g., an API Gateway), and connectors (e.g., to data sources). All of these components are integrated by the Nexus Fabric, which utilizes Microsoft Azure’s Infrastructure as a Service (IaaS) components, such as computing, network, and data storage capabilities.

A broad, industry-specific, EY-curated **ecosystem** provides the range of capabilities, systems, and solutions to support these initiatives. The breadth of these capabilities allows Nexus to replace or complement core systems, workflows, data sources, and analytic capabilities.

What’s in the EY Nexus for Insurance Ecosystem

- Core Systems (>12)
 - e.g., Guidewire, EIS, Duck Creek, FAST, etc.
- InsurTechs (>130)
 - e.g., Claim Genius, Sureify, Snapsheet, etc.
- Data Sources (>20),
 - e.g. Clue, Vehicle/Wearables/Building sensors, etc.

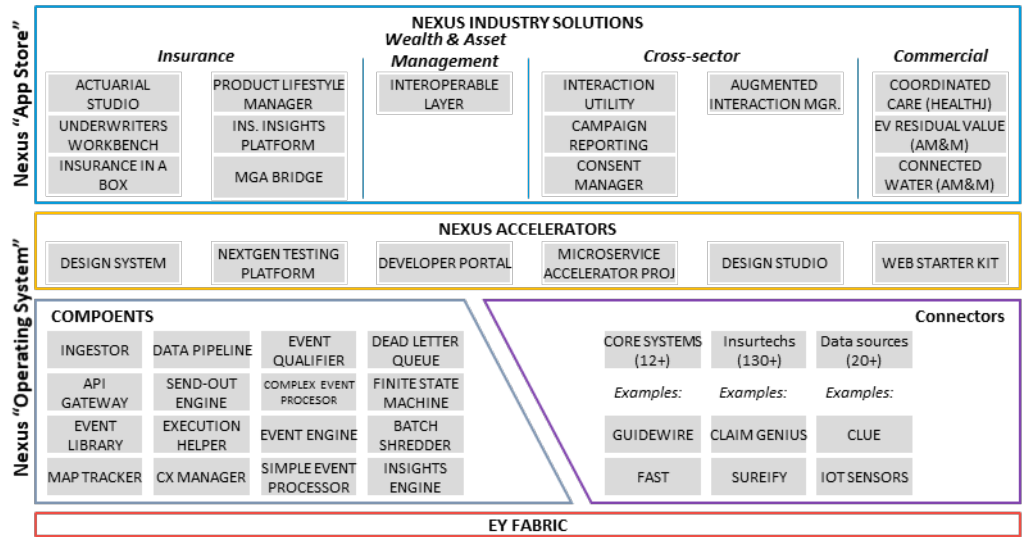
EY Nexus for Insurance includes an EY-developed set of insurance-specific applications.

What’s in the EY Nexus for Insurance App Store

- Insurance in a Box
- Underwriter’s Workbench
- MGA Bridge
- Actuarial Studio
- Product Lifecycle Manager
- Insurance Insights Platform (providing BI and analytic capabilities)

Figure 1 illustrates the Nexus **platform** of products and assets in two groups: the range of industry solutions built by EY, and a more detailed view of the four elements in Nexus’s technical architecture. The technical architecture assets are accelerators to facilitate rapid development of Nexus solutions, components which are the building blocks of Nexus solutions, connectors to ecosystem solutions and systems, and the fabric which provides IaaS components.

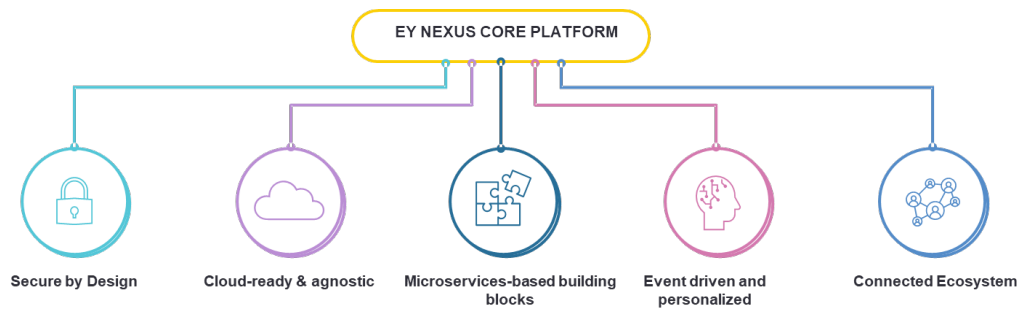
Figure 1: Nexus Products and Assets



Source: EY

Figure 2 illustrates Nexus’ design principles. Given the current level of cyber threats, the emphasis on security is not surprising. Although Nexus’ fabric is built in an Azure environment, Nexus can be deployed in any of the major clouds. Nexus has created a library of microservices specifically for insurance. Nexus is event-driven in the sense that it strives to provide data-driven timely and personalized offers to target customer. And Nexus broadens its range of capabilities through an extensive curated and continuously refreshed ecosystem of solutions, insurtechs, and providers of data and analytics.

Figure 2: Nexus Design Principles



Source: EY

NEXUS USE CASES AND VALUE PROPOSITIONS FOR INSURERS AND NON-INSURERS



Insurer Use Cases

Insurers’ financial goals include some combination of growth, expense control, and managing losses. Most have additional goals such as diversifying revenue streams, improving relationships with policyholders and distribution partners, and managing their public image. Nexus is designed to support the achievement of many of these goals.

For example, an insurer could achieve a greater speed to market for new products by accessing Nexus core systems or broad range of insurtech solutions. An insurer could also expand its existing ecosystem by accessing point solutions, such as fraud mitigation systems to reduce payments of fraudulent claims. Figure 3 shows a subset of the insurance products supported by Nexus.

Figure 3: Examples of Insurance Products Supported by Nexus

“Nexus-ready” Insurance Products (Non -exhaustive list)			
Property & Casualty: Commercial Lines		Property & Casualty: Personal Lines	
Commercial Package	Professional Liability	Personal Auto	Recreational Vehicles
Excess and Surplus	General Liability	Homeowners	Voluntary Auto
Farm	Product Liability	Dwelling Fire	Condo
Workers Compensation	Commercial Property	Personal Motorcycle	Mortgage
Business Owner’s Policy	Surety	Personal Watercraft	Usage-based Insurance
Cyber	Errors & Omissions	Personal Umbrella	Personal Auto
Ocean Marine	Inland Marine	Flood	Mobile Homes
Energy	Credit & Bond		Renter’s
Legal	Crop		

Source: EY

More broadly, an insurer could launch a new company or brand, such as an insurer distributing solely through independent agents creating a direct-to-consumer start-up. An insurer could even use Nexus deployments in other industries to create a set of adjacent offerings to its policyholders, such as credit, vacation planning, or college savings.

Non-Insurer Use Cases

Companies outside of the insurance industry are also using Nexus to offer insurance products to their own customer bases. Some examples are fairly straight-forward, such as vehicle manufacturers offering commercial fleet and personal lines auto insurance to those purchasing their vehicles, or mortgage providers providing homeowners insurance to their borrowers. Other examples could be more innovative: pharmaceutical companies offering health insurance, or office building owners offering business interruption coverage to their tenants. In all of these cases, a number of Nexus components (such as the API Gateway) and accelerators (such as the Design Studio and Web Starter Kit) will play key roles.

Case Study:

A Manufacturer of Commercial and Personal Use Vehicles

Vision

- Deliver a differentiated and connected experience that creates customers for life
- Offer a market-leading, telematics-enabled insurance product
- Move from being a mobility solution to becoming a holistic business protection solution

Realization

- Improved fleet utilization and safety
- Lower operating costs with usage-based insurance
- Customizable digital sales and service experience
- Ecosystem-based, open technology architecture supporting data-based differentiated insurance offerings

Nexus elements utilized

- API gateway, data pipeline, event engine, next-gen testing platform, microservices acceleration, and others

Source: EY

Many of these non-insurance companies prefer being a distributor of insurance (becoming an insurance agency or broker). In these cases, they may want to use the Nexus MGA Bridge or various insurtech solutions. Nexus can also support a much larger step for a few non-insurance companies: becoming a licensed insurer. Nexus can support this new business model through connectors to its Insurance in a Box solution or its core systems solutions (see Figure 1).

NEXUS GROWTH STRATEGY AND MARKET RECEPTION

How EY Broadens Its Nexus Portfolio

As a platform, Nexus can support a variety of initiatives—some within existing industry sectors and some adding new industry sectors. Demands for new initiatives can come from identification of a new sector (e.g., pharmaceutical), an ecosystem partner, or an existing EY client. EY evaluates the potential initiative along several dimensions (ultimate demand, feasibility to develop, and projected profitability). At the end of the process, potential initiatives are sorted into four buckets: go, no-go, revise, or defer.

Commercial Arrangements

In general EY charges fees for implementing a specific Nexus solution; receives licensing fees for applications it has built (such as the Actuarial Studio or the Insurance Insights platform); and is compensated for managed services and hosting for Nexus solutions that have been launched.

Market Reception

There are currently over 75 companies using Nexus solutions. Property/Casualty insurance represents the largest segment. Other segments include life insurance, banking, wealth management, and healthcare providers.

ENGAGING WITH NEXUS FOR INSURANCE – PRICE:VALUE AND OPPORTUNITY COSTS

Engaging with Nexus

As described in an earlier section, there are several reasons an insurer or non-insurer could engage with EY Nexus. These include speed to market, diversification of distribution channels, expanding the depth and breadth of relationships with customers, and more. Given that at least some of these motivations are widely held, there are the two kinds of analysis that should be undertaken by a prospective Nexus for Insurance client.

Price:Value

Like any firm, EY sets fees for any given Nexus initiative that it believes will provide an adequate return over time. And for an insurer or non-insurer engaging EY, the acceptability of those fees depends on the projected level of benefits that initiative will provide. In general, larger insurers engage EY to build a Nexus solution. Other types of firms engaging with Nexus (such as insurtechs, data providers, and analytic solutions) range from start-ups to established industry participants.

Opportunity Costs

The second consideration for firms considering engaging with Nexus are the opportunity costs (financial and especially non-financial) for undertaking a Nexus initiative. In many cases, a Nexus initiative will represent a venture into adjacent or new product/customer domains. Or the initiative will represent an alternative to significant investments in new or replacement technologies. These types of decisions require senior leaders to carefully balance these competing uses of corporate resources.

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