



# Making embedded insurance a profitable business model for insurers

Embedded insurance offers the potential of a rich seam of new business and lower-cost distribution. But, as a recent roundtable hosted by Insurance Post in association with Duck Creek Technologies revealed, insurers are still figuring out how to get comfortable with their new partners. **Eleanore Robinson** reports

The embedded insurance market is predicted to grow six-fold to £606.8bn (\$722bn) in GWP by the end of this decade, according to insurtech community, InsTech.

By integrating insurance into the products of third-party providers, particularly those purchased online, customers can benefit from a simple and seamless journey, often at a lower cost.

In this seemingly win-win scenario, could embedded insurance be the 'secret sauce' providers have been seeking to achieve improved margins and customer satisfaction?

### The customer proposition

General manager at Toyota Insurance, Mark Bennett, began by saying his firm defined this type of insurance as a product 'embedded' into the purchase of a vehicle or finance proposition through Toyota.

The product "...provides the customer with motor vehicle insurance at a price point that is attractive and hopefully allows us to retain that customer for long periods," he said.

Zanele Sibanda, head of internal markets at Towergate Health & Protection, offered an alternative perspective from the health and wellbeing space.

"Initially, when I looked at embedded insurance, it was more about the value-added product, because the insurance product will do what you need it to do but it is [included in] things like digital GP and digital healthcare," she explained.

"What is interesting for me is that the insurance industry either needs to shape up or ship out. If you don't get involved with embedded insurance, you will get left behind. It is that simple."

Colin Shillito, business development for UBI at Vodafone, added that disruption is being driven by companies with connected customer bases. They have seen connected companies

like Uber and Airbnb "exploding from nowhere". "Insurtech was the proverbial flea on the back of a dinosaur," he said. "But the game is definitely changing, you are now seeing the hyperscalers coming to market. Amazon launched motor insurance in India last year, twelve months ago Google launched in the US, and Tesla are now providing fully underwritten insurance. It's all about connected customers. Customers are more tech savvy and open to sharing data if there is a benefit to them."

Critical to getting the embedded insurance recipe right is putting the customer at the heart of any arrangement.

Nicola Richmond, head of Churchill expert flexible fleet partnerships at Direct Line Group, believes the goal should be to make things simpler for the customer.

She said: "Traditionally, insurance has been a task for all of us. An embedded insurance model is either a simple purchase journey or, as we do, providing insurance as part of motor propositions."

"As an embedded part of that motor proposition, it is about making it simple and easy for the customer and, ultimately, if we can do that, it will be successful."

### Growing the market

Head of product at RSA, Kevin Hunn, pointed out that embedded insurance has been around for some time but hasn't always been delivered as seamlessly as it could be in the future as technology evolves and digital capabilities grow.

"The interesting bit is whether it is going to be a natural evolution of how we engage customers with insurance," he added. "How do we learn from things that have happened in the past where it has been embedded into journeys, but not in the way all of us would want it happening in the future?"

Chris Moore, head of ibott at Apollo

Underwriting, argued that the key factor is how embedded insurance revolutionises the distribution model.

He said: "If you think about [big-name distributors'] purchasing power, it's not just about an affinity programme where we can make a bit of additional revenue... They are saying 'By [embedding an] insurance product, I actually build trust for my business to grow'.

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Zanele Sibanda

"Nobody who owns a property is going to put it on Airbnb without knowledge that there is insurance. The customer journey is difficult when buying insurance like that, so if you can take that purchase off and embed it, all of a sudden, I'm not selling to every [renter], I'm selling to one commercial platform.

"I think that's where, as an industry, you put that client first and see why embedded insurance is actually an opportunity. Rather than marketing to the millions and the masses, I can have one client that captures all the data of a bundled market. I don't have to worry about adverse selection. There are benefits, but that takes a very strategic partnership and shifting our distribution model. That is the real secret sauce."

### Fine-tuning

Sibanda said insurers needed to consider – when bundling – that one size does not



**Mark Bennett,**  
general manager, affinity, Toyota Insurance



**Chris Gingell,**  
global head of affinity, Willis Towers Watson



**Andrew How,**  
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**Chris Moore,**  
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**Andrew Holdway,**  
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**Kevin Hunn,**  
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**Tomas Sinicki,**  
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**Andrew Tolman,**  
head of business development, Allianz Partners



automatically fit all for everybody involved in that deal.

She explained: "There will be certain products [where the insurance product] being built in... will be suitable, but there will be certain situations where a little bit more – or a little bit less – is needed.

"Some insurances will need a degree of advice, and others are fairly straightforward, transactional purchases. We have to be careful what we embed."

Andrew Holdway, co-head of strategic partnerships, EMEA, at Swiss Re Services, agreed but said that was the "beauty of embedding with a third party who has access to data and understands better than we do right now, and understands the profile needs and buying in their core customer journey".

He added: "Is it a car, is it a travel ticket, or is it something else, that enables us to offer a more relevant proposition at the right time, in a very efficient manner? When you are looking for efficiencies across the value chain, distribution across the same platform, higher conversion rates, lower acquisition costs, and maybe higher retention, if that product is so relevant for the customer and that need continues, they are going to renew the policy as well.

"All the different stakeholders benefit from this. We all need to evolve embedded insurance as a new distribution channel and benefit from the rewards that it gives us."

This is where partnerships are going to be key, said Hunn, because "...ultimately, does any one company know it all in how this is from start to finish of that product value and

that product construct and how it delivers value to the customer?"

He added, "If any of us go in individually thinking we know it all, I'm pretty sure we won't."

#### Building trust

If working with a partner is essential to the success of any embedded insurance offering, how can insurers ensure it is a mutually beneficial relationship?

Andrew Tolman, head of business development at Allianz Partners said the benefits were threefold.

He explained: "It is right for the customer because you are getting that data and

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presenting them with a relevant product. From the insurer perspective, you are getting to the right customer, probably at cheaper cost. From a partner perspective, it is all about [whether you are] giving them value. Is the customer more likely to purchase that product because they have got the right insurance behind it?

"It is a win for all three sides, so why wouldn't you want to be part of it?"

Chris Gingell, global head of affinity at Willis Towers Watson, added that one of the trends his firm has seen is companies saying,

"... 'this is brilliant for our customers, improves customer retention, improves the customer offering, and keeps clients in our eco-system', but then they want to do it themselves."

He said: "They think that they don't need the insurance industry. These products are relatively low limit. They are not that volatile when you have huge amounts of data. As Elon [Musk] did, we will do it in house.

"We have to keep thinking how we can evolve our products – from making the underwriting process easier through to new products. This will be a great opportunity, but it will leave the insurance industry behind if we are not careful."

Any strategic partnership has to be aligned across the value chain, argued Holdway.

He said: "If you think of the distribution partner, it is a reputational risk for them offering third-party services to their customers. So, if they have not got reputable service providers, that is not adding to the core brand. Why should they partner with us?"

"When I look at embedded insurance it very rarely moves the needle financially. But can it be a value-add to the core proposition? Absolutely."

Moore added that there are many platforms embracing embedded insurance on a mass scale. There are those that want to work with insurers and are willing to take some level of risk on their own balance sheet.

He said: "This, hopefully, will get an insurer saying, '...There is some trust now that you are going to do the right thing, but can we work together so that everyone is protecting their brand?'"

"What I have found in these relationships is they are so open to better management, they are so open to better telematics. As soon as there is risk on their balance sheet, it does become a strategic partner."

#### Future partnerships

With a strategic partner on board, could insurance move away from being a grudge purchase and improve its own brand by aligning itself with another business?

"I think it is a two-way street as to which brand does the customer trust and why," said Sibanda.

"If they come to me and say, 'We've partnered with insurer X', I know that insurer and it tells me that business must be a good insurer as they have done their due diligence. I think, subliminally, that insurers would also benefit from all my other insurance purchases as they have partnered with a brand that I trust."

Tolman argued: "I think it is okay when you are talking about the big brands, but when you have got up-and-coming brands

that can use the known-brand insurers, I think that is a great benefit to them from a customer and trust perspective as well."

Moore added: "We are seeing embedded insurance in the [usage based insurance] space. The usage space is almost an enabler. If you said, 'I'm going to lease a vehicle', and it is embedded in the cost of a monthly lease, that is where it can empower a much bigger business model. Especially since the pandemic, this is where people want to go."

Churchill is one of the insurers taking this path. Richmond explained: "Churchill Expert is working with partners to include insurance as part of a usage-based motor proposition, from subscription providers and so on. From all the research we have done, 27% of the [respondents] said they were interested in a subscription because it includes the car maintenance, breakdown and insurance all in one."

However, Gingell said more of Willis Towers Watson's clients wanted to be able to offer a choice of carrier.

He explained: "Some of the customers feel they are getting value if they see a range of quotes. Whereas other companies want to select something and make the whole customer journey as painless as possible and make customers feel like they are endorsing one preferred product."

#### Secret sauce

With all these factors to consider, what is the "secret sauce" to making a success of embedded insurance?

### Embedded insurance the Duck Creek way

**Andrew How, Duck Creek Technologies:** "We found the embedded insurance discussion very interesting; from our experience, this a growth area that is only going to get bigger. At Duck Creek we enable insurers and distribution partners to address the embedded insurance market with products that include pre-configured line of business content with dynamic product selection, dynamic coverage recommendation, artificial intelligence and machine learning led pricing.

"Insurers are able to deliver self-service across quote & bind, policy change and claims, headless implementation to embed the solution within a distribution channel of choice, and modern communication between stakeholders to deliver an outstanding insurance purchase experience at the point of sale.

"We also have an ecosystem of partner solution integrations available to deliver cutting edge data and analytics that insurers need to stay ahead of competition, achieve operational efficiency and grow market share."

**Learn more:** [www.duckcreek.com/embedded-insurance-emea](http://www.duckcreek.com/embedded-insurance-emea)

Shillito said that: "From a connected customer perspective, they can rely on immediate assistance in case of an accident and the digitalisation of facts and formalities via first notification of loss, which is an obvious opportunity, reducing the reliance on 'he said, she said' of who was to blame for an accident, and also the time it takes for claims to be paid.

"That's a simple move for insurers who have not yet embraced embedded insurance. If that could be an entry point, then that could be the start to their secret sauce."

Top of the priority list for Bennett is the ability to utilise, organise, and analyse data.

He said: "If you don't master that, then embedded insurance can only go so far.

I think we have to move away from the terms we might traditionally associate with insurance and have data at the top of the conversation when it comes to strategy."

Holdway, however, believes a combination of factors will determine success: "I don't think there is one silver bullet. It is who you partner with, how you partner, and how you manage those relationships. There are many things we need to do to make it a successful business model." ■