



The Insurance
Institute of London
Chartered Insurance Institute

The Insurance Institute of London

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The Embedded Insurance Revolution

Panel Members



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Learning objectives:

- Understanding embedded, subscription-based and risk management as a service insurance products and market size
- Understanding the underwriting, pricing, and claims requirements
- Appreciating the industry and regulatory challenges





Embedding Insurance

Importance and meaning – it's not a new idea

- It could be defined as a business model that allows expanded revenue potential **combining non-insurance products** and (usually associated) **insurance** so it is sold as a **single product**
- Embedded insurance is a well established business model
- e.g. motability scheme: people with disabilities can obtain insurance bundled with the lease of vehicles
- Deployment is increasing, in part due to the growth of new commercial business models, especially within sharing economy
- It can provide a compelling service proposition with reduced friction for users
- Digital natives and technology backed business models fuel demand to embed insurance for an increasing numbers of use cases

Broker Perspective



- To be efficient and effective products rely on technology and digital distribution to enable **seamless deployment**, optimal pricing and **customer experience**
- Key challenge: transparency of the insurance product and its price
- Care not to fall foul of regulators: consumers know they are buying insurance, or how much they are paying for their insurance
- Services need to be offered in a way that do not restrict choice, impacting on competition rules in some territories

It represents an opportunity to help clients grow, provide customer value and reduce the protection gap

Forecast Growth

From 2% of market
in Advanced
European Markets
to 24% by 2030*

Estimated CAGR of
20.7% 2022-29**

Forecast Value

Up to \$140 billion*

Grow from \$57
million in 2022 to
\$161 million by
2029**

Other forms of flexible insurance



On demand insurance: allows customers to purchase coverage when they need it and only for as long as they need it



Usage based insurance: individualised pricing where the customer premiums is based on how they act or how they use the insured asset



Pay as you drive ("PAYD"): premiums based on how far you drive

Pay how you drive ("PHYD"): monitoring the driving style and behaviours of customers using a telematics device to price based on risk profile



Manage how you drive ("MHYD"): Using connected vehicles and devices by bundling other value-added services in with their insurance policies e.g. road side assistance, fuel/EV charge cards, rewards

* Simon Torrance: "Embedded Insurance: a \$3 Trillion market opportunity" December 10, 2020 <https://www.simon-torrance.com/>

** Extract from Global Embedded Insurance Business and Investment Opportunities Q1 2022 (researchandmarketing.com)



Supporting digital and sharing economy clients

Why sharing economy clients look for innovative insurance products

Benefits to clients

- Builds trust and safety/customer confidence in platform
- Supports customer retention and value add – retain through loyalty and grow revenue
- Insurance distribution (compliance) can be a barrier
- Must be the right product to fit into customer journey seamlessly
- Leverage customer captured data – not asking for new questions/information
- Products with definable losses/ identifiable triggers - fast and frictionless resolution

Challenges for clients

- Leveraging their brand beyond transaction – not known for insurance
- Insurance regulation and complexity – outside of appetite and business model
- Consumer brands is a big opportunity but premium levels are small but have to be deployed at huge scale
- Suits microinsurance model not core to their platform

Key Question

What is the client's objective in buying insurance?

Examples

Working with new and incumbent OEM's, affinity schemes linked to car sale, leasing and finance that seek to embed robust insurance and other value add services

Platforms are exploring value add and revenue generation with bolt on product offerings, enhancing cover or providing tailored solutions based on customer profile

Platforms are bundling insurance in product offerings so that coverage is part of the service and incorporated in the service price. Non-revenue generating model but creates value and customer confidence

Delivery platform buys EL and PL cover for its riders. This policy responds first mitigating contingent liability of platform for the rider not having adequate insurance

Partner Ecosystem to Execute for Clients

Working together

- Interpreting regulation and ensuring compliance
- Trusted partners to execute

Bringing capacity and markets together

- Aon's role bringing new capital pools to clients
- Providing credible products with transparent pricing
- Sustainability in market and rates
- Rated markets for customer brand protection and security

Understanding role of technology

- Valuing the role of clients' technology and flex to client
- Frictionless digital experience
- Value add insight based focus using data and analytics

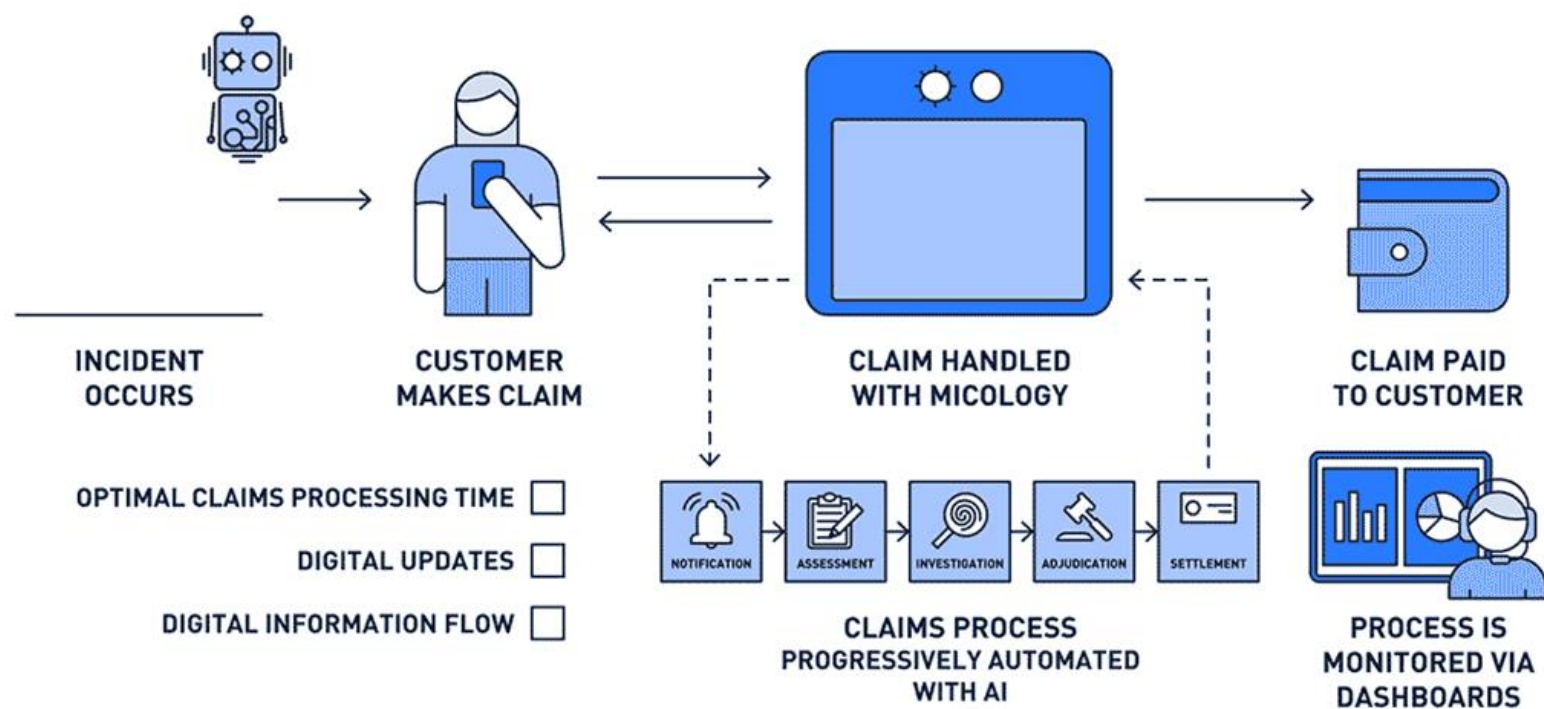
Enabling scaled distribution

- Optimised framework necessary to be cost efficient and distribute large volumes
- Utilise global knowledge and expertise to help deploy in new markets
- Technical knowledge



Embedded Insurance (R)Evolution







Digital Insurance
Product & Technology
Enablement

for Distribution Partners



Underwriting
Capacity

for Insurtechs



Insurance
as a Service

for Enterprise





What we have covered:

- Proposed a definition and debated what ‘counts’ as embedded insurance
- Examples of embedded insurance products
- The size and drivers of growth of the embedded insurance market
- Outlined product development, underwriting, pricing, and claims in the embedded insurance market
- Identified the regulatory and insurance market challenges around embedded insurance





Q&A session





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