

2022 Edition

EMBEDDED INSURANCE: EVERY COMPANY CAN BE AN INSURTECH COMPANY

Presentation for InsTech.ie

14 December, 2022

Table of Contents

- **Why embedded insurance**
- Insights from our researches
- The Open and Embedded Insurance Observatory

Framing the concept of “Embedded Insurance”.

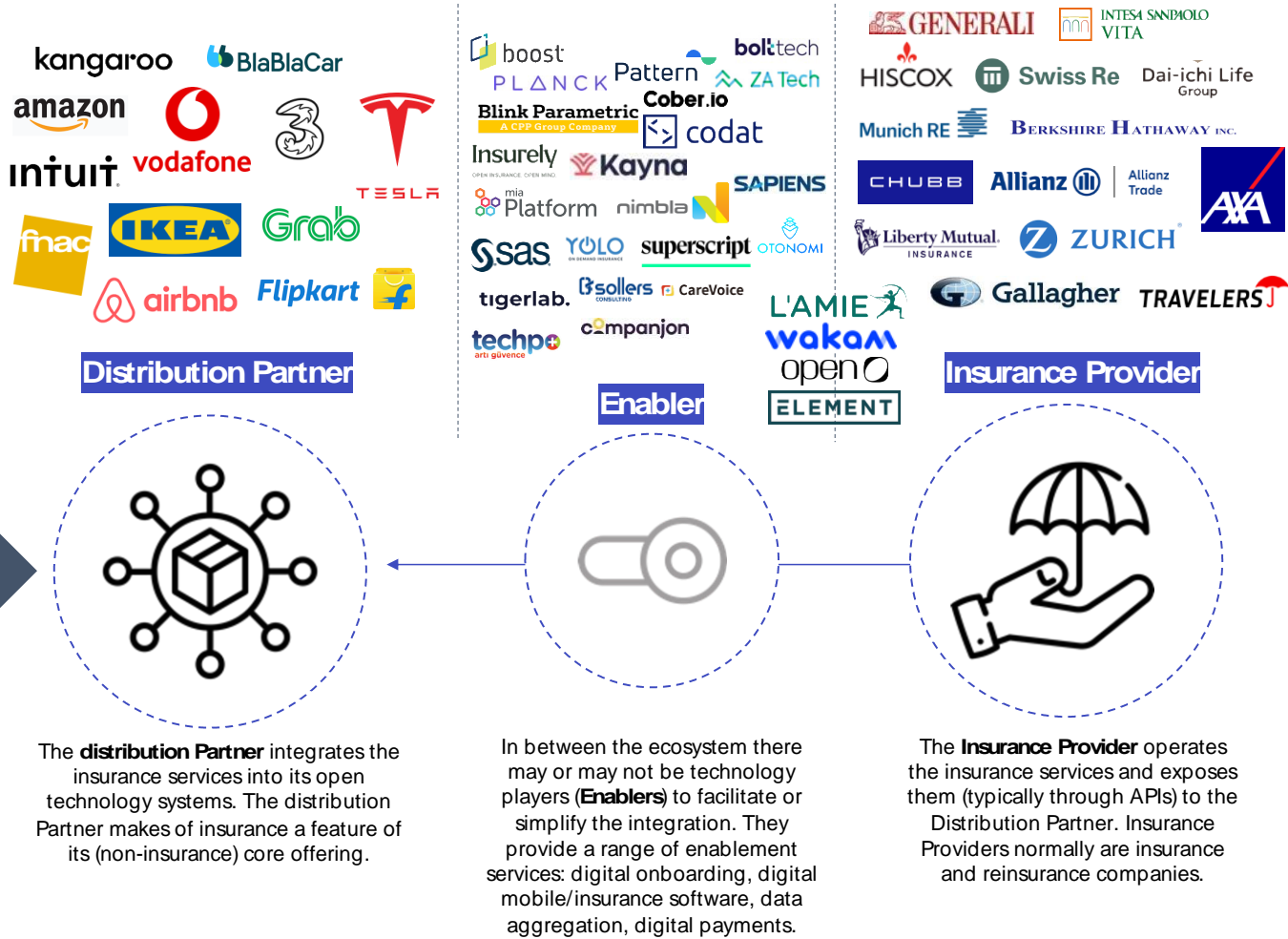
Embedded insurance

“ Placing insurance products and services in the day-to-day flow of customers’ lives and work. This creates contextual opportunities to provide the utility of insurance - protection- consumers and businesses need, when they need it.”

- The embedded insurance framework is made of three kind of players:
- Insurance Providers
 - Embedded insurance enablers
 - Distribution Partners

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Examples of organizations belonging to the three categories (non exhaustive)



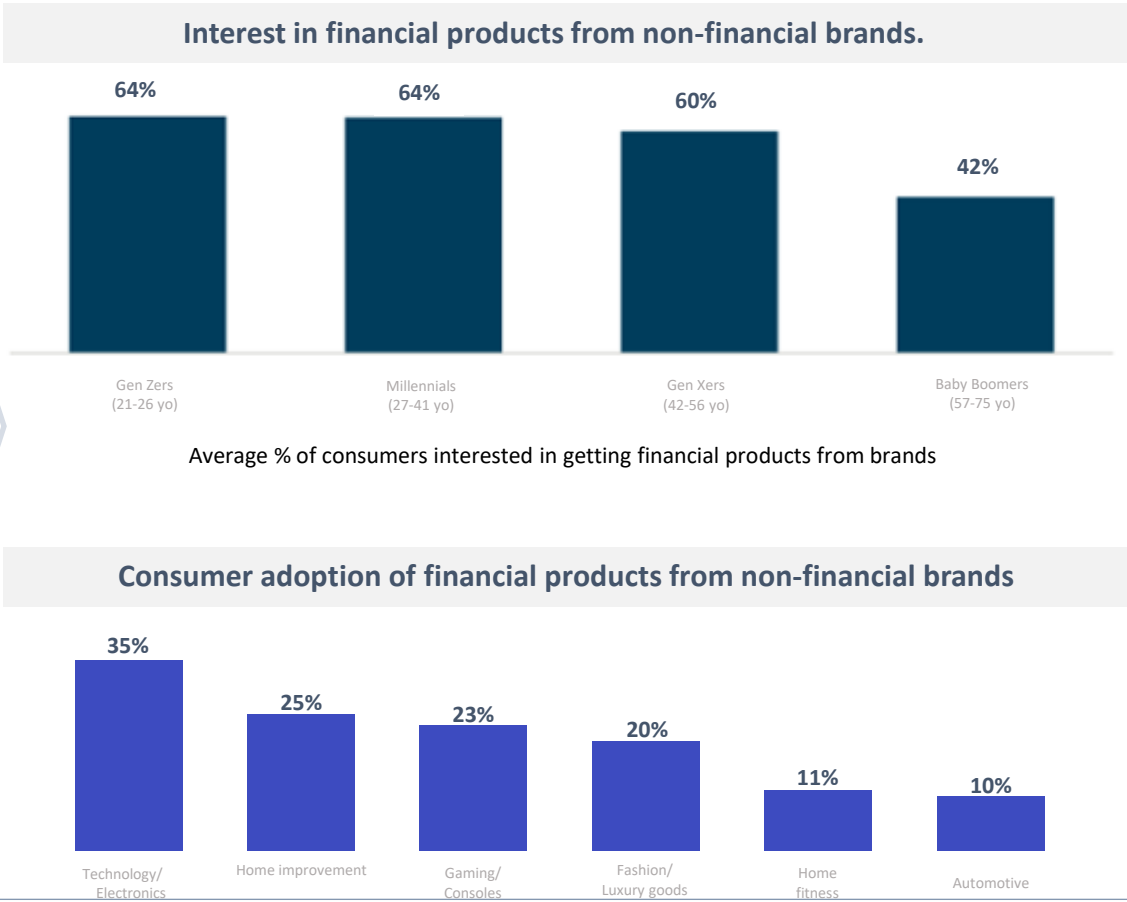
The approach to retail digital distribution adopted by insurers so far is expensive and don't let them meet customers' expectations.

Issues

- Insurance-related keywords are the most expensive (in Google AdWords Advertising it's \$54.91 CPC), higher than Loans and Mortgages.
- Today's new buyers do not necessarily associate with traditional affinity groups, and will look to buy insurance through other groups such gig economy groups, health and fitness organizations, large retailers, car manufacturers, tech brands, within their purchase/engagement journeys.

What is needed is a better way to communicate and ultimately establish the need for coverage. This needs to be done in a way that builds trust, which is also critical for converting clicks into sales.

Opportunity



Digital distribution in Commercial Lines is broken: too expensive, doesn't cope with the complexity of the products, don't let insurers leverage on data.

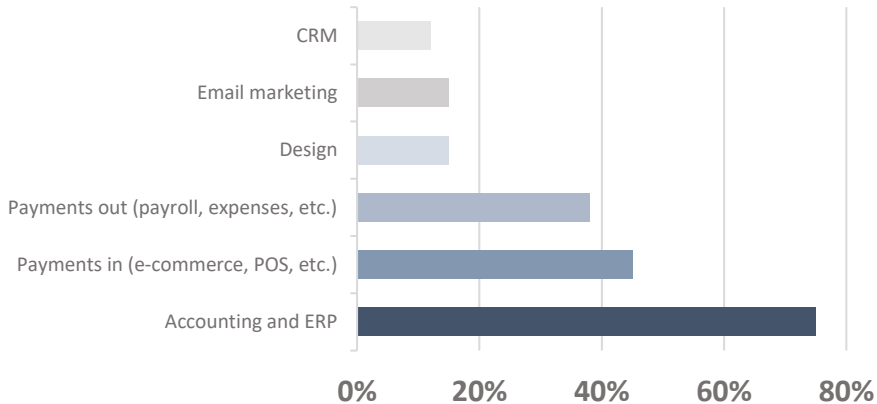
Issues

- The CAC of an SME online is very high (£200 on average in the UK for a micro enterprise).
- Insurers tried to approach digital distribution by simplifying the products they distributed via traditional channels. Yet this approach hasn't met consumer expectations.
- SMEs increasingly behave like individuals, but still need advice even when buying through a self-directed online process, and they increasingly need tailored products.

Opportunity

What about offering simplified commercial insurance together with the solutions SMEs use to run and simplify their business, at a lower cost?

To manage the most time-consuming tasks, SMEs use 40 pieces of software



Source: Codat 2022

These platforms offer huge embedded insurance opportunities

41%

of SMEs would be interested in using financial services from a digital service provider

47%

of SMEs would be willing to pay the same or more for embedded finance compared to traditional financial services providers

Source: Accenture 2022



In the SME segment, software companies are best positioned to positively affect both the Top and the Bottom line of insurers.

Where does embedded insurance come to the table?

- Increased distribution capabilities
- Elevate attach rates

- Better underwriting performances
- Lower CAC

Top line
<div>Examples (non exhaustive)</div> <ul style="list-style-type: none">• Top three financial software company for SMEs in the US• 10m SMEs and self employed clients• TAM: \$53b revenues from connecting customers with credit cards, loans and insurance• Works with: Hiscox, Next insurance, Cerity, Coterie, Coalition, Cover Genius.
Bottom line
<ul style="list-style-type: none">• Leading UK-based SMEs invoice insurance MGA• 40% QoQ GWP growth• 2022 Loss ratio without ERP integration: 50%• 2022 Loss ratio with ERP integration: 24%• Works with: Greenlight Re, Accelerant, Codat, Barclays, Starling Bank.



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Executive summary.

Embedded insurance is in a clear growth path. All the main metrics are steadily growing.

Embedded insurance is about placing insurance product and services in the day-to-day flow of customers' lives and work. This creates contextual opportunities to provide the utility of insurance -protection- consumers and businesses need, when they need it.

The concept is not new, but the increasing digitalization is creating a huge opportunity: potentially, every company can be an insurtech company and deliver protection integrated or embedded in their core products and services.

Embedded insurance players raised \$800m in 2021 (19% of the total insurtech funding), and it is estimated that up to 20% of the global insurance GWP can migrate to Embedded in the mid-term: that would make of embedded insurance one of the top three insurance distribution channels.

Insurers are eager to capitalize on embedded insurance and are making it a strategic priority.

Insurers see Embedded insurance as the biggest distribution opportunity after aggregators. Both established market leaders, as well as niche or local players, see in Embedded insurance an opportunity to pursue an organic growth. Embedded insurance is particularly seen as an opportunity to enter new markets and gain new untouched customer bases difficult to reach through other channels. A growing number of insurance Providers are making of Embedded insurance a strategic priority, creating business units and investing in tech and human capabilities to exploit this opportunity. Insurance Providers are approaching Embedded insurance in different ways, ranging from light, tactical approaches to M&A and creation of ad-hoc companies.

To exploit the full potential of Embedded insurance is paramount having large digital distributors onboard.

Digital platforms, marketplaces, super apps, vertical SaaS companies are the most desired Embedded distribution Partners, because of their untouched customer bases, wealth of customer data, and their ability to understand their customers and deliver the right products and services at the right time. In Embedded insurance, referral fees are still the monetization mode of choice for distribution Partners. In the short-mid term many of them will want to get more control and margins over their Embedded insurance business, and this will lead them to become licensed MGAs or even insurance Providers. Though, currently many of them look at Embedded Finance as a priority (particularly in the SME segment), but don't see Embedded insurance as a priority yet.



Embedded insurance is in a solid growth path

Investments in embedded insurance companies skyrocketed in 2021

\$15,4bn

Global investment in Insurtech
(2021)

\$800m

Global investment in
Embedded insurance
(2021)

\$130m

Global investment in
Embedded insurance
(Jan-Feb 2022)

Embedded insurance leverages on the embedded finance momentum

- In the US 8% of the payment volume migrated to Embedded payments. This is set to grow to 40% in the mid-term.
- Financial services embedded into e-commerce and other software platforms accounted for \$2.6 trillion, or nearly 5%, of total US financial transactions in 2021, and by 2026 will exceed \$7 trillion.

(data source: Bain Capital)

Largest Embedded insurance
rounds
(2021)

- Extend (US): \$260m
- Acko (India): \$255m
- Bolttech (hq Singapore, Global): \$247m
- Cover Genius (hq Australia, Global): \$100m



Investors are investing heavily in embedded insurance companies even in the actual challenging conditions. Partnerships are skyrocketing.

23 new relevant partnerships spotted in Sept-Oct 2022

Over Euro 530m investments in embedded and open insurance companies in Sept-Oct 2022

Illustrative
(non exhaustive lists)

Month/Year	Insurance/Reinsurance Company	Enabler/Insurtech	Distribution Partner	Distributor Type	Insurance Product	Geography	Description
Sept 2022	Hiscox		SeedLegals	Legal Services	Hiscox Business Insurance	UK	Hiscox Business Insurance for SeedLegals customers for immediate coverage and documentation which includes professional indemnity insurance, public liability insurance, and employers' liability insurance.
Sept 2022	Wakam	INSHUR	Amazon	Marketplace or Platform	Motor	France/USA	Amazon couriers can benefit from an embedded offer for the time they are working on the Amazon platform.
Oct 2022	Prudential Financial	Kimblar	Mercado Libre	Digital Wallet	Accident and Life Insurance	Argentina	In July, Prudential Financial announced a partnership with Mercado Libre, "the Amazon of Latin America," to distribute life and accident insurance in Brazil through the company's digital wallet Mercado Pago. Now, the companies are expanding the offering to Argentina, giving consumers the option to purchase coverage online and receive health benefits such as telemedicine, emergency dental assistance, and pharmacy discounts.
Oct 2022	Coalition		Bluevine	Fintech/BaaS	Cyber Insurance	USA	Last year, Bluevine, a provider of financial services for small businesses, announced a partnership with Next Insurance to provide customers with access to insurance. Now, the company is offering its user base a new product - cyber insurance - following a partnership with Coalition.
Oct 2022		Cover Genius	Turkish Airlines	Airlines, Travel And Leisure Companies	Travel Insurance	AU/Turkey	Cover Genius announced a partnership with Turkish Airlines, enabling passengers to purchase protection for international and domestic trips.

Company Name	Stage	Amount	Description
Planck	Venture Round	€ 23M	Planck, a leading AI-powered data and analytics platform, recently closed a \$23 million funding round to continue its mission of empowering commercial insurers with real-time and accurate insights. The financing, which brings the company's total to \$71 million, was led by Vintage Investment Partners and all existing financial investors, including Team8, Greenfield, Arbor Ventures, Viola, 3L Capital, HDI and Nationwide, alongside private angel investors.
Zopper	Series C	€ 75.1M	Zopper Raises \$75 Million in its Series C Investment Round
Boltech	Series B	Amount not disclosed (€ 1.5B is the total raised so far by them)	Singapore-based insurtech boltech secures Series B investment to continue the company's rapid global growth.
Otonomi	Seed Round	€ 3.4M	Parametric insurance startup OTONOMI has raised \$3.4 million in a round led by ATX Ventures, with participation from GSR Ventures, Greenlight Re Innovations, Punja.VC, Altari Ventures, Soundboard Venture Fund, Blackhorn VC, Bering Waters, REFASHIOND Ventures, and a number of angels and syndicates.
Cover Genius	Series D	€ 70M	Cover Genius today announced that it raised \$70 million in a Series D round led by Dawn Capital with participation from Atlas Merchant Capital, GSquared and King River Capital. Bringing the 420-person company's total raised to \$165 million, McDonald tells TechCrunch that the proceeds will be put toward "assisting business growth" and further expanding Cover Genius' insurance distribution services.

Total funding from January 2022 to October 2022: € 2 Billion +



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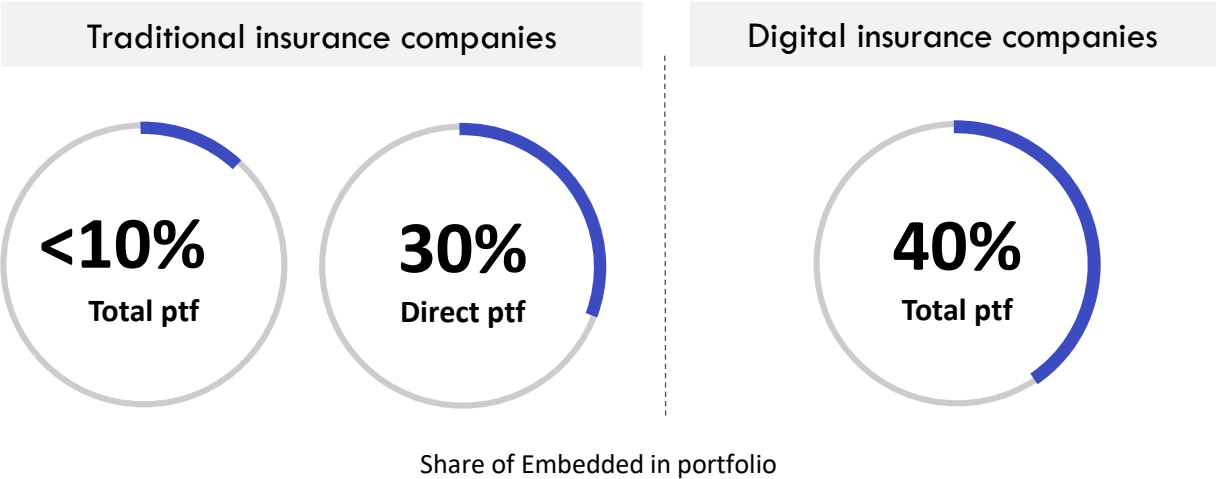
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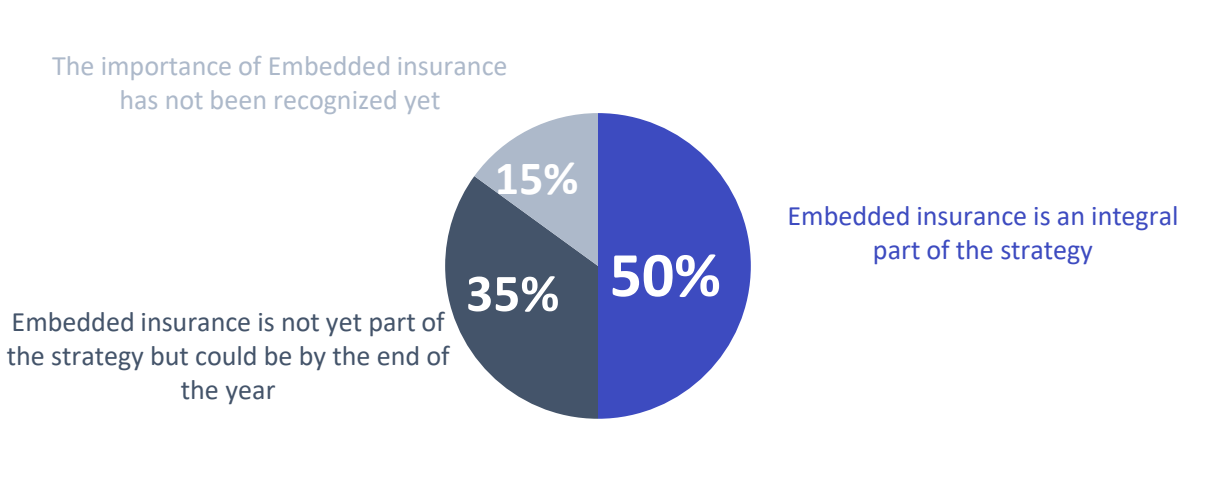
Insurance Providers are making of Embedded insurance a strategic priority

The GWP from embedded insurance increases as the insurer digitalization increases



- On average less than 10% for traditional insurers, 40% for digital insurers.
- Growing in some cases to 30% and even 50% if we look at the share of embedded in the Direct GWP.
- Some groups have companies with embedded-only business (one of them has a GWP of €1.2 bn).

Embedded insurance is, or is very likely to be, an integral part of the insurers’ strategy

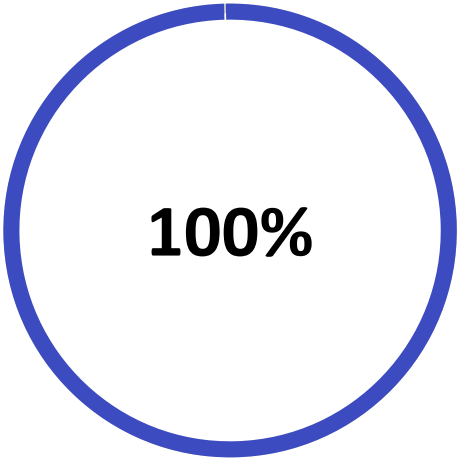


- Embedded insurance is often mentioned (with different names) in the strategic plans, with budgets allocated and the sponsorship of the Board.
- Some insurers don’t have embedded formalized in the global strategy, but are building best practices in specific geographies, even by creating new companies for it or acquiring portfolios and capabilities through M&A.



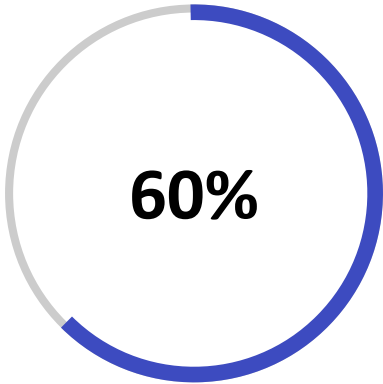
Drivers of Embedded insurance for insurance Providers.

Driver area:
GROWTH



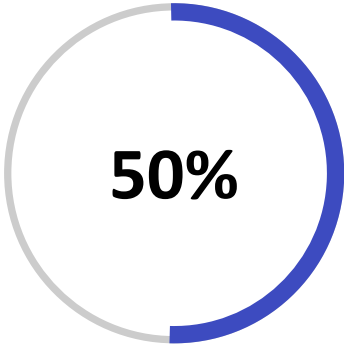
- Embedded insurance as the best option to gain customers that are difficult to reach with other channels
- Enter new markets that are difficult to reach with other channels through embedded insurance partnerships

Driver area:
DATA, DISTRIBUTION



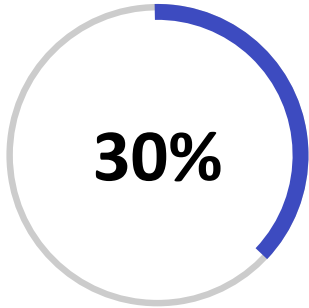
- Avail of the distribution partner's customer knowledge, to offer a better product/price/experience to customers
- Strategy to reduce the dependancy on legacy distribution channels

Driver area:
PROFITS, SERVICE



- Avail of a lower cost distribution channel
- A strategy to diversify the portfolio and increase sales of products with higher margins
- A way to better serve customers

Driver area:
CAPABILITIES, BRAND



- Strategy to develop new digital capabilities
- Leverage on strong digital brands, with many touch points with customers (also as a way of overcoming weak insurance brand)



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Embedded insurance is creating new markets and new opportunities in existing markets.

We have identified 20 macro-categories of distribution partners.

Examples
(non exhaustive)

Distribution partner categories

- Airlines, Travel And Leisure Companies
- Banks
- Car Dealers
- Car Manufacturers
- Cyber Security Service Providers
- E-Commerce
- Fintechs/Digital Wallets
- Fitness
- Gaming/Consoles
- Gig Economy Platforms
- Home, Proptech, Property Management, Real Estate
- Marketplaces
- Pharma
- Retail
- Ride Sharing Platforms
- Software And Saas Providers
- Schools, Professional Organizations, Affinity Groups
- Technology Manufacturers
- Telcos
- Utilities

Major brands currently offering embedded insurance



Distribution Partner



How shall an embedded insurance product be designed?

- 100% insurance Providers and Enablers say that the Embedded insurance product is or shall be co-designed with the distribution Partner.
- The value added of the distribution Partners: deep knowledge about the customers, the processes, and the painpoints they want to solve.
- Those that don't co-design yet don't do it because the distribution partners didn't have the capabilities for it or because the current embedded insurance offering is a test, and the next products will be co-designed.
- Co-design require several cycles of product validation with the distributor and eventually with the final customers.
- Co-design is seen by a few insurance Providers as a learning, that will enrich the know-how to offer, in the future, plug-and-play products designed by the insurer.

Embedded insurance requires to embrace a customer-centric approach.



Table of Contents

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- **The Open and Embedded Insurance Observatory**

The Open and Embedded Insurance Observatory is a global initiative.



Capture

The most **comprehensive multi-source and multi-market research** on the Open and Embedded Insurance domain, based on the ongoing **observation** and **decoding** of the global applications of Open and Embedded insurance.



Connect

We **analyze** the information captured, **connect** it to draw a coherent and meaningful view of the market, and deliver **actionable insights** on the **success cases** and **lessons learned** leveraging on our extensive advisory experience.



Share

The **know-how** is shared through **workshops** with the members, and discussed during the Observatory's **plenary meetings**.

Members of the Observatory.

We have a global reach. We aggregate over 44 organizations, to discuss, build and share knowledge on Embedded and Open Insurance

North and Latin America

baoba

boost

finansystech

kangaroo


OTONOMI

Pattern

stripe

Gallagher

PLANCK



Asia-Pacific

bolttech

CareVoice

open

Dai-ichi Life Group

ZA Tech

EMEA

Swiss Re

HISCOX

GENERALI

ageas

Munich RE

codat

ELEMENT

Admiral

Insurely

INTESA SANPAOLO VITA

Kayna

L'AMIE

mia Platform

BlaBlaCar

nimbla

Octamile

REALE MUTUA

SAPIENS

sas

sollers

superscript

TECHENGINES.AI

techpo

tigerlab.

wakam

Blink Parametric

YOLO

Cober.io

FIT2YOU

Beesafe

What we have done in 2022

- We have created the first "Embedded and Open Insurance Enablers Global Map».
- Last June we ran our first plenary meeting, an in-person event held in London where over 60 people representing 30 members of the Observatory met for a half day of keynotes, panel discussion, and networking.
- 4 one-to-one in-person workshops for global insurance and reinsurance companies.
- We have produced and shared market intelligence on an ongoing base
- Last July we published our first Open and Embedded Insurance Report, where 28 members of the Observatory have been featured with their company profiles, executive interviews, and case studies.
- Later this month we will publish our first white paper co-created and co-branded with one of our Partners. Co-created white papers are a core element of our offering for 2023 and we currently have 10+ white papers in the pipeline)
- Four online webinars and three online workshops with over 30 speakers from our members and advisory board.
- Our webinars and workshops captured the attention of over 1,200 people (registered) and we've had over 500 total unique participants live, plus a number of views of the recordings on our YouTube channel.
- More than 8,000 views of our LinkedIn page



Partnerships					
Year	Partner	Partner Type	Partner Role	Partner Impact	Partner Description
2022	AXA	Insurance	Global	Strategic	AXA is a leading global insurance company with a long history of innovation and excellence. The partnership will focus on digital transformation and data-driven insights.
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Investments			
Year	Investor	Investment Amount	Investment Description
2022	AXA	\$10M	Investment in digital transformation and data-driven insights.
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44

Members

1200

People registered to our webinars

2283

Linkedin followers (100% organic)

170k

Impressions of our Lin posts (100% organic)

877

People donwloaded our 2022 Report



Contacts.

Yuri Poletto

- ❖ Founder of the Open and Embedded Insurance Observatory | Advisor to Boards and Leadership teams on insurance innovation
- ❖ 20+ years' experience in the insurance industry
- ❖ Former Assicurazioni Generali, Reale Mutua and Aviva
- ❖ Keynote speaker and writer on embedded insurance and open insurance



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Thank you!