



EMBEDDED INSURANCE
BUILDING CUSTOMER-CENTRIC
INSURANCE DISTRIBUTION USING APIS

INSURERS ARE TAPPING EXISTING POS TRANSACTIONS FOR NEW REVENUE FLOW

A distinguished VP at Gartner once said¹ that the single biggest challenge of selling today is not selling but rather our customers' struggle to buy. This revelation couldn't be more fitting to what's afflicting the insurance industry today.

Widespread digital innovation has given consumers more convenience to connect with insurers in multiple different ways, with access to an almost infinite number of online sellers and products. This is wonderful, but it also means the selection and buying process has been extended and is getting overly complicated.

From auto to property, travel, commercial, health, life, product guarantees, and more, there are as many insurance

policies and variations of them available as there are insurers to buy from. We all know buying insurance is hardly a gratifying experience. Most people would rather spend time searching for products that give them immediate benefits and happiness, and not just "peace of mind." That's why it's imperative to make insurance products highly visible and the purchase process as easy, frictionless, seamless, intuitive, accessible... as possible. The only way to do that is to embed insurance in customers' everyday transactions, upending the prevailing notion that insurance is sold rather than bought. And, to put it bluntly, allow customers to kill two birds with one stone effortlessly—right at the point of sale.



¹ [New B2B Buying Journey & its Implication for Sales, Gartner, 2019](#)

A LONE WOLF OR AN ECOSYSTEM COLLABORATOR?

Forward-thinking insurers have moved away from a DIY approach of selling insurance through agents or just relying on website sales, which only result in spaghetti integrations. They're working collaboratively with an ecosystem of partners to cater to underserved markets, gain access to new customer segments, increase brand recognition and cross-selling opportunities while building a foundation for customer lifetime value. Omnichannel is at the heart of their customer-focused strategy, and mutual synergy with high-revenue online retailers is what sustains it.

Since enticing customers to visit an insurer's website isn't easy these days, insurers are instead intercepting their target audience and meeting them where they spend their time. For product warranty providers, this will be popular online marketplaces and distribution channels such as Amazon, Alibaba, and the Apple App Store. (It's important to work with best-of-breed channels that attract many customer segments.) For example, before checkout, a buyer can be prompted to purchase an extended warranty to cover their newly purchased phone against damage, loss, and theft. One extra click or tap and the process is complete, bringing benefits to all parties. The website makes a sale, earns a commission on the insurance, and ensures its customer is well protected; the customer, in addition to completing the purchase, has additional coverage; and the insurer capitalizes on the transaction by piggybacking on the existing sale to jointly serve the customer, with the possibility of still

acquiring precious customer data. Threefold benefits where everyone wins.

This new business model and partnership approach to greater mutual value is not only meant for product warranties, though. Virtually any insurance product can be embedded in an existing sale as long as the insurance conditions don't require complex explanations—or invoke inquiries from buyers—which would put a kink in the transaction flow. Leading analysts predict the embedded insurance market will grow to \$3 trillion by 2030, as incumbent players scramble to find new sources of distribution to compete with digital InsurTech disruptors.

Prudential Financial launched a product embedding child life insurance in "signature moments," ones that leave a long-lasting memory, such as the birth registration process in the US. Parents can easily opt into the insurance plan when filling in their baby's birth registration form.

As another example, US-based Root Insurance joined forces with the online car-buying platform Carvana to offer an integrated auto insurance solution for car buyers that value speed of service. Now customers can enjoy fast, personalized insurance quotes when buying a car. The embedded concept can even be applied to claim reporting and roadside assistance services and wherever "uberized" business models exist.

INSURANCE HAS EMBRACED THE WORLD OF APIS

APIs are the reason why embedded insurance is possible, specifically open, or industrialized, APIs, as they've allowed insurers to expand their footprint in the digital ecosystem. Open APIs, due to their reduced dependencies on development teams, can be easily accessed and consumed by a multitude of collaborators for quick data exchanges and new e-commerce possibilities. What does that exactly mean? An insurer can embed its products in many different B2C or B2B2C channels, regardless of region, and not have to rewrite code for different software programs to communicate with each other. This incentivizes companies to form partnerships and revise business models in the hope of creating more enticing offers to customers.

Farsighted insurers will want to sell their products through more than one distribution provider. To go beyond just single integrations and embed products in multiple partners' customer transactions, they'll need a secure multilayer platform, preferably one with an API layer containing

pre-built open APIs. Since open APIs require only minor integration-related code changes, they can be reused as insurers add more partners to their ecosystems. Additionally, if there's a developer API portal with sandboxes available, it will make collaboration simple, as each partner can self-service their API integrations and tests, minimizing work and TCO. The benefits of a multilayer platform, however, don't stop here. The same platform could also be used for transaction management, volume management, consent management, CX delivery, and more.

Open API architecture provides and enables agility for insurers to bring new products to market fast as well as change existing products to meet evolving customer needs and create better business opportunities. And, although updating an insurer's legacy systems would be advantageous and a definite enabler to open insurance, it's not a requirement, which means there's no excuse to get started.

MAKING THE EMBEDDED INSURANCE PROMISE A REALITY

Embedded insurance should be treated as a new venture or business unit. Insurers embracing this radical business model shift will have to develop a vision and a strategy. There's no point in starting if the why and the how can't be clearly defined. A dependable partner can work with an insurer to do a comprehensive analysis of their product portfolio to identify which offers require the least amount of modification and are simple enough to be embedded instantly.

The discovery phase will also be extremely important in learning about the insurer's customer segments, possible channel partners, and category dynamics. In addition to creating a governance and operating model to coordinate partnerships, the right end-to-end provider can even supply a

turnkey open API platform with built-in use cases ready to go. This can ease the journey for insurers, helping them sidestep typical customization requirements and cut the deployment time to start creating value quickly for themselves, their partners, and customers.

Naturally, there will be some factors to consider, such as data privacy, cybersecurity, what to do about long-term vendor obligations, and how to prepare internal staff for this cultural change and new way of working. But if overcoming these hurdles gets products in front of more customers and they're now easier to buy, the challenges will seem less onerous. Sometimes how you sell something is more important than what you sell, and embedded insurance may just fall under this adage.

WILL THIS STILL BE THE HARDEST INSURANCE TO SELL?

A person buying an airline ticket doesn't have to worry about adding on life insurance to cover themselves for the flight. It's already embedded, with no option to opt out. However, if it wasn't embedded, would travelers go through the trouble to purchase it?

Most life insurance agents don't make it past the first year. A highly competitive market combined with people's unwillingness to spend time confronting their own mortality equals a hard sell. Selling online doesn't get any easier. Before a premium can be calculated, an insurer needs vital customer information—the coverage amount, the person's age, their health problems, tobacco/alcohol consumption habits, and the list goes on—before even getting to

the beneficiary section of a typical questionnaire. This is where the embedded insurance approach could help ease some complexity.

Studies in the US have revealed that people are more willing to share their personal information if they feel it will make life easier for them. An insurer gathering first-party data, as well as consented user data from their ecosystem partners, could use it to learn more about their customers, such as health-related aspects. Although it may seem far-fetched to say one day life protection plans could be proposed just as fast as product warranty extensions, it's something that definitely warrants further examination.

FIND. EMBED. SERVICE.

Successful companies we've worked with follow the cyclical 3-step process of finding best-of-breed partners, embedding their products in the buying journey, and offering top-notch customer service. As they build out their ecosystems, they move to a maturity level that sees them provide more interoperability and choice for customers while collaborating with carriers for value chain optimization.

Insurers that have risked the early adoption stage now find they need less field agents on staff, there's a stable flow of revenue and data coming from multiple sources, and they're making customers more aware of insurance products they would normally not even think to search out. It all comes back to the importance of high product visibility and smooth purchase flow.

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To stay ahead and drive customer-centric growth with Embedded Insurance, contact us at insurance@capgemini.com.





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