Master's Degree in Professional Insurance Management

Academic year 2022-2023

Master's Thesis

Analysis of the Embedded Insurance opportunity in Europe. Current situation and future development

Author: Pablo Colvin Díez

Tutor: Juan Antonio Costa

This report is the property of the author. No part of this document may be reproduced in whole or in part without mentioning the source. The contents of this document are the sole responsibility of the author, who declares that no plagiarism has been committed and that all references to other authors have been included in the text.

In case of obtaining a grade equal to or higher than 8.0, I authorize the publication of this work in the ICEA documentation centre, which is freely accessible on the Internet.

- **Yes, I authorize its publication.**

- No, I reject its publication.

Signed

To my wife, children, and family; without them.

I would not have been able to complete it

INDEX

1. INTRODUCTION

In an increasingly interconnected and digital world, markets and industries are evolving at an astounding pace, and the insurance sector is no exception in this context of constant transformation. One of the most prominent and promising phenomena to emerge in recent years is *Embedded Insurance* as a component of the *Embedded Finance* movement with a potential global opportunity of $3 trillion market opportunity by 2032[1] . This concept refers to the integration of insurance solutions directly into products or services which creates a remarkably valuable and differentiated experience for consumers (to see an example, please visit here: https://covergenius.com/available-at-amazon/).

It is within this environment that this master's thesis seeks to address this potentially significant business opportunity. The primarily purpose of this research is to conduct an exhaustive analysis of the current and future viability and the necessary strategies that are needed to realize this advantageous possibility in the European market.

First, a detailed analysis of the European insurance context will be performed to discern whether there is, in fact, a genuine window of opportunity for digitalized models such as *Embedded Insurance*. Subsequently, a common understanding will be established of the foundations of the this business, unravelling its essential features and its customer interaction model. The magnitude of this opportunity will also be measured in terms of expected growth, efficiency, profitability, payback period, and probability of success.

In addition, the formulation of competitive, corporate, and international strategies to extract the maximum potential of this opportunity (both in terms of growth, profitability and risk reduction) will be addressed for the various players in the *Embedded Insurance* value chain. Finally, the potential risks associated with this business will be identified and discussed.

The author humbly hopes to be able to contribute new knowledge to the general reflection of the great thinkers and managers of this business opportunity in order to materialize the desired business and social impact.

[1] **Reference:** Torrance, S. (2020). Linkedin.com. Retrieved November 2, 2023, from https://www.linkedin.com/pulse/embedded-insurance-3-trillion-market-opportunity-could-simon-torrance

2. OBJECTIVE AND SCOPE OF THIS WORK

The main objective, secondary objectives, and scope of the work are stipulated below.

2.1 MAIN OBJECTIVE

The main objective of this master's thesis is to analyse the business opportunity offered by *Embedded Insurance* in the European market and to propose which strategies will allow this opportunity to materialize.

2.2 SECONDARY OBJECTIVES

The following points are proposed as secondary objectives:

- Analyse the insurance context and determine whether there is an opportunity for Embedded Insurance.
- Establish a common understanding of its key business drivers.
- Analyse the customer relationship model by identifying key aspects and impacts.
- Estimate the materiality of the business opportunity in terms of expected growth, efficiency, underwriting and investment results, payback period, and probability of bankruptcy.
- Analyse and propose how the competitive strategy of this business should be articulated.
- Analyse and propose current and future growth strategies, their growth models (organic and/or inorganic), and assign the appropriate corporate strategies to extract additional value (in terms of growth, profitability, or risk reduction).
- Analyse and propose a successful international strategy for the expansion of the opportunity for orchestrators.
- Identify and assess the potential risks of this business to help managers design their action plans.

2.3 SCOPE

The scope of this document is as follows:

- **Business:** The business opportunity that is analysed is what is known as the insurance embedded in a product or service in an indivisible and customizable way. It is also understood in the industry as *Embedded Insurance* 2.0 and/or 2.5 (for more details, see Chapter 4: What is Embedded Insurance?).

- **Industry:** Life and non-life business.

- **Client:** Retailer who has a need for insurance protection attached to an insurable object or service.

- **Distribution channels:** Banking-insurance and non-traditional distributors (retailers, telcos, online travel agencies and similar, etc.) in a business to business to consumer (B2B2C) model.

- **Geography:** The geographical scope is limited to Advanced Europe which is made up of the following main countries:

✓ United Kingdom	✓ Switzerland	✓ Israel
✓ France	✓ Luxembourg	✓ Austria
✓ Germany	✓ Sweden	✓ Portugal
✓ Italy	✓ Denmark	✓ Liechtenstein
✓ Netherlands	✓ Belgium	✓ Greece
✓ Spain	✓ Finland	
✓ Ireland	✓ Norway	

3. INSURANCE MARKET CONTEXT

3.1 CHALLENGES

In order to make a proper analysis of the *Embedded Insurance* business opportunity, it is essential to have a general understanding of the challenges in the sector.

In summary, the following challenges are faced:

- **Clients[2] :** The client's perspective on insurance is that, although it is unpleasant, it is needed, i.e. "a necessary evil"[3] (i.e. 72% of them respond that this is valid). If analysing the customer experience in depth, the primary conclusion is that insurance covers the most functional elements satisfactorily with the following points for improvement:

  - ✓ A need to reinforce the sense of promise and purpose around the brand.
  - ✓ Generate a more emotional and not purely transactional experience.
  - ✓ Provide faster and smoother (i.e. automated and digitized) functionality.
  - ✓ Strengthen engagement with the insurer as, in most situations, a customer has no points of contact between renewal periods except for the declaration of a claim.

- **Growth[4]** : If analysing the insurance sector in terms of ratio to GDP, it can be concluded that it lacks vigour especially in Life (-2.7 p.p.) and stagnates in Non-Life (0.8 p.p.). More specifically, acceptable growth rates of premiums vs. GDP (+1.2 p.p.) in Europe can be observed, but not in Life where the situation has deteriorated more than the global measure (-1.2 p.p.). The lack of vigour of this growth is not due to a lack of opportunities but quite the opposite. This is a sector with a significant gap between supply and demand that has continued to widen year after year. It is currently estimated that it is $USD100bn for Europe of which $USD43bn is due to the lack of mortality risk mitigation and $USD27bn to Non-Life excluding catastrophic claims[5] .

[2] **Book:** Naujoks, H., Schwedel, A. and Brettel, T. (2023): "Customer Behavior and Loyalty in Insurance: Global Edition 2023". Bain & Company.

[3] **Book:** Old Salty, Little Wing and Google (2019): "The Future of Insurance, UK". Google.

[4] **Book:** Bernard, P-I., Nayves, H.C, Binder, S., D'Amico, A. and Strovink, K., Ellingrud, K., Kotanko, B., Klais, P. (2022): "Creating value, finding focus: Global Insurance Report 2022". McKinsey.

[5] **Book:** Aizpun, F.C., De Souza Rodrigues, C., Fan, I., Frey, A., Guo, J., Holzheu, Dr.T., Krueger, F., Lechner, R., Raturi, Dr. M., Rischatsch, Dr. M., Saner, P., Staib, D., Tamm, K., Wong, C. (2020): "Global economic and insurance outlook 2020". Sigma Swiss Re Institute.

The primary factors that are generating this difference are the following:

Table 1. Analysis of the causes of the mismatch between insurance supply and demand

DEMAND	OFFER
▪ Emergence of new risks not covered: digitalization, cyber risks, climate, etc. ▪ Products with a high degree of complexity that the customer does not contract (i.e. cyber) or is not fully satisfied with the degree of customization (i.e. SMEs and self-employed). ▪ Poor customer experience, customers expect shopping experiences with the high standards set by the big tech giants (i.e. ~50 net promoter score (NPS) Digital Giants vs 20 NPS *best in class* insurance market).[6] ▪ New markets: Ecosystems will change the way we engage with customers and generate value in the future. It is estimated that 15% of all global sales in 2025 will be generated through ecosystems with synergies with the insurance realm[7] .	▪ Lack of agility of execution in finding a business opportunity, e.g. partnerships, especially with digital companies, new business models based on open insurance, etc. ▪ Products not sufficiently flexible to adapt to the customer's insurance needs (e.g. one-stop digital shopping) and, in other cases, problems of profitability in new business models (i.e. insurtech). ▪ Data to be more precise in what is offered to whom and what return is expected (especially generated by new risks or parametric insurance) given the limited use of AI.

- **Efficiency:** The insurance sector has low productivity ratios compared to other sectors. In order to gain productivity and competitiveness, Life and Non-Life insurance companies have been investing heavily in digital transformation programmes[8] . However, despite these substantial investments, efficiency ratios are stagnating between 25-30%,[9] and only 45% of insurers have managed to reduce their expense ratios with strong differences occurring per geographical area[10]. In addition, it can be seen how the size of the company does not necessarily increase the value of insurance companies mainly because the synergies obtained in the markets are local and not global[11] .

[6] **Reference:** ICEA (2019). NPS survey. ICEA

[7] **Book:** Catlin, T., Deetjen, U., Lorenz, J-T., Nandan, J., and Sharma, S. (2020): "Ecosystems and platforms: How insurers can turn vision into reality". McKinsey.

[8] **Book:** Kotanko, B., Münstermann. B, Patiath, P., Ouwerkerk, J., and Vogelgesang, U. (2019): "The productivity imperative in insurance". Mckinsey.

[9] **Reference:** Galbraith, R., CPCU, CLU, ChFC (2021). Inspiring & Leading Innovation in the insurance industry. EFMA Essential Course.

[10] **Book:** Bernard, P-I., Combles de Nayves, H., Binder, S., D'Amico, A. and Strovink, K., Ellingrud, K., Kotanko, B., Klais, P. (2022): "Creating value, finding focus: Global Insurance Report 2022". McKinsey.

[11] **Book:** Bernard, P-I., Combles de Nayves, H., Binder, S., D'Amico, A. and Strovink, K., Ellingrud, K., Kotanko, B., Klais, P. (2022): "Creating value, finding focus: Global Insurance Report 2022". McKinsey.

- **Profitability** [10 y 12,] : This growth and efficiency problem has a more direct consequence in that 50% of insurers do not outperform the CoE (Cost of Equity) globally over the last 10 years (i.e. ROE – Return on Equity - of 9.2% in Western Europe vs. CoE of 11.5%) with high volatility in results between them.

  This situation makes it all the more relevant that growth does not necessarily imply a greater amount of profits (45% of companies that grow destroy value) which invites being cautious about the high growth generated by companies both organically and inorganically and the value that is generated.

  However, when analysing the top quartile of the best companies, a common characteristic can be observed which is that they have a strong digital component contributing an additional 5% annual return compared to those that are still far away from this transformation.

- **People**[13] : The insurance industry is facing a challenging situation not only at the business level but also at that of people. For example, the high average age of the workforce (i.e. in the United States, 50% of the insurance workforce will retire in 2028[14]) is of immense concern to executives concerning company growth[15] .

  The main challenges facing the sector in this regard are listed below:

  ✓ The market differential between supply and demand (especially more noticeable in the younger generations) generates a significant degree of misunderstanding of the role and usefulness of the sector in the new generations[16,17] and therefore of the opportunities it may represent in the future. This perception is contradicted by the large number of prospects in the future not only because of the upcoming retirement of workers but also because of the new chances for future growth in the sector.

---

[12] **Book:** Bellizia, N., Corradi, D. and Bohrmann, J. (2022): "The 2022 Insurance Value Creators Report". BCG.

[13] **Book:** Catlin, T. Chester, A., Goran, J., McConnell, M. and Rutherford, S. (2020): "Transforming the talent model in the insurance industry". McKisney.

[14] **Reference:** US Bureau of Labor Statistics and AARP analysis (2021). Bls.gov. Retrieved November 2, 2023, from https://www.bls.gov/opub/mlr/2021/.

[15] **Reference**: Walker, A. (2022). New research finds 55% of insurance brands see talent shortage. Insurance-edge.net; Insurance Edge. https://insurance-edge.net/2022/09/02/new-research-finds-55-of-insurance-brands-see-talent-shortage/

[16] **Reference**: Theinstitutes.org (2012). Millennial Generation Attitudes About Work and the Insurance Industry. Retrieved November 2, 2023, from https://www.theinstitutes.org/doc/Millennial-Generation-Survey-Report.pdf

[17] **Reference:** AmtrustFinancial (2023). Insurance industry talent crisis. Retrieved on 2 November 2023, from https://amtrustfinancial.com/blog/agents/the-aging-insurance-workforce

- ✓ The need to improve employee training, especially in the technological field, and the incorporation of new critical profiles to favour the company's growth (i.e. data scientist, digital marketing, etc.).
- ✓ The need for change in order to increase diversity that improves company performance.
- ✓ Transform work organizations to make them more attractive (risk appetite, agility, internal collaboration, trial and error, and external orientation).

Therefore, as noted, without a specific focus of the company's people strategy to solve these challenges, no business approach to solving the market gap will be successful. Fortunately, there are many examples in the sector that demonstrate that an active role is being taken for addressing these challenges (mainly companies that are developing highly digitized models), although there is no doubt that there is still much more that needs to be accomplished.

- **Sustainability:** The field of sustainability will shape the future of the insurance sector and will face multiple challenges in the future from different perspectives:

  - ✓ Business: The impacts that the environment will have on the technical basis of insurance products[18] . For example, the impact of climate on property business or changes in life expectancy due to environmental effects such as in health or life business.
  - ✓ Shareholders: Company shareholders demand not only a return but also a commitment from the companies in which they invest. For example, Laurence D. Fink, CEO of BlackRock (one of the world's TOP3 largest asset managers) announced a series of initiatives to put sustainability at the heart of the investment approach while 80% of investors consider environmental, social, and corporate governance (ESG) risks important in their investment decisions[19] .
  - ✓ Regulators, governments, and supranational institutions: All of them are concerned and engaged in improving the governance and transparency of companies as well as actively contributing to the millennium goals set by the United Nations.
  - ✓ Consumers: The rise of the activist movements, environmentalism, consumer concerns about the way we consume, the pursuit of an increasingly diverse and egalitarian society, and factors that are conditioning our consumer habits.

These challenges are an opportunity for which many companies inside and outside the insurance sector have managed to add value while advancing the sustainability of their business models. For

[18] **Book:** Rachlin, Dr. S., Cassidy, S., Gage, K., Ghamen, E., Boosam, K. and Russignan, K. (2022): "World Property and Casualty Insurance Report". Capgemini Invent.

[19] **Book:** Mitchell, J., Crepon, X., and Carr, M.: "ESG: A growing sense of urgency". PWC.

example: Companies that are growing, profitable, and integrate sustainability into their strategy generate an extra 2% more profitability than their comparables[20] .

3.2 CONCLUSIONS

The challenges facing the insurance industry are fundamental to understanding the complexity and dynamics of this evolving business opportunity. In summary, these challenges include:

- **Demanding clients.** Customers are searching for a more emotional and less transactional experience. The need to reinforce a company's long-term promise and commitment as well as provide a more rapid and seamless experience are key.

- **Weak growth.** The insurance sector faces weak growth compared to the GDP, especially in Life. This situation is exacerbated year after year by a gap between supply and unmet demand for insurance. Factors such as the lack of flexible and innovative products that adapt to the new risks demanded by customers definitely contributes to this disparity.

- **Stagnant efficiency:** Despite investments in digital transformation, efficiency ratios in the insurance sector remain in the range of 25-30%. Synergies are mainly achieved locally and not globally which limits efficiency gains.

- **Disparate profitability:** Growth does not automatically guarantee higher profitability, in fact, it has been ascertained that half of the insurers have not outperformed their cost of capital over the last decade, yet digitized companies are clearly outperforming.

- **People:** The insurance industry faces challenging demographics with a high average age of workers, a lack of understanding of it, and appeal to younger generations. Technology training and the incorporation of new profiles are essential for the industry's growth.

- **Sustainability:** Sustainability has become a crucial factor in the industry with implications for business, shareholders, regulators, consumers, and society as a whole. Companies that incorporate sustainability into their strategy can generate significant additional value.

These challenges represent not only obstacles but also opportunities for the insurance industry. Companies that develop differentiated value offerings and address fundamental aspects such as emotions and a vision of purpose will achieve returns far in excess of the CoE. To achieve this

[20] **Book:** Doherty, R., Kampel, C., Perez, L. Rehm, W. (2023): "The triple play: Growth, profit, and sustainability". McKinsey.

ambition, it is essential to attract the right talent, deploy new ways of working teams that are more diverse and inclusive and implementing highly agile and efficient processes and technology that will revitalize the social impact of insurance.

However, insurers must be prudent and smart in the way they grow and scale their business so as to not destroy value for shareholders and society.

Finally, and more concretely, it can now be concluded that there are already highly digitalized business models for which speed and adaptation to customer needs are generating differential profitable growth. These companies not only offer better results but also grow and provide memorable customer experiences using new operating models (processes, people, tools and organization) that contribute definitively to closing the gap between supply and demand.

For all of these reasons, it is extremely interesting to approach new digital business models, such as *Embedded Insurance*, in order to understand the impact, they can have on the customer and the insurance sector as a whole as well as to determine their attractiveness and potential from the investment side.

4. WHAT IS EMBEDDED INSURANCE?

.

4.1 DEFINITION

Embedded Insurance is understood as the integration of insurance in a timely and personalized manner into the products and services that are used in the daily lives of individuals and companies thus making the function of insurance visible and revitalizing for customers[21,22] .

It is important to remember that this business already exists in insurance companies, for example, travel insurance in credit cards or home and life insurance in mortgages. The difference is that the more traditional business model is transformed into a totally different business model focused on customer needs thanks to technology and data.

The discussion regarding the business model includes all the fundamental processes of the value chain and how to functionally understand they are currently performed. The following table details the most significant differences between models:

[21] **Reference:** Torrance, S. (2020). Linkedin.com. Retrieved November 2, 2023, from https://www.linkedin.com/pulse/embedded-insurance-3-trillion-market-opportunity-could-simon-torrance

[22] **Reference:** The Open & Embedded Insurance Observatory (2023). Reports - the open & embedded insurance observatory. The Open & Embedded Insurance Observatory - Enabling the Open & Embedded Insurance Ecosystem by Gathering Leading Companies to Network and Collaborate; XKnaqwpk. https://openinsuranceobs.com/reports/

Table 2. Comparative analysis between the traditional Alliances and Agreements model and the Embedded Insurance model.[23]

Features	Models of Partnerships and Agreements	Embedded Insurance
Commercial purpose	Distribution of profitable products through non-traditional channels.	To satisfy a demand that is not met by the insurance supply.
Clients	Non-digital customers with large customer base.	Digital companies of all sizes and large digitized corporations.
Products	Risk transfer products.	Risk mitigation, prevention, and solutions for risk transfer, adjacent products, services, and experiences.
Brands	Promotion of the insurer's brand on its products.	White label, product agnostic.
Data	Underwriting models based on static, historical and asymmetric data.	Real-time data for brands and customers, new customized underwriting models for selection, pricing, marketing, and claims management.
Costs	High claims handling costs, expenses, and capital intensive.	Better risk selection with lower marketing costs and lighter capital consumption.
Technology	Slow and expensive legacy development.	New connectivity architectures and product-agnostic microservices.
Monetization	Commission income.	Variable or pay-as-you-go model or assets under management.
Metrics	Traditional analytical metrics.	Customer Lifetime Value and cost acquisition metrics.
Competences	Underwriting, regulation, compliance.	Insurance, digitalization, user experience design, data science, digital marketing, open insurance, regulation, compliance, rapid testing, and learning from innovation.

[23] **Book:** Torrance, S. and Leblanc, D. (2022): "Embedded Insurance Peer Group Report". Embedded Finance & Super App Strategies.

This is why the *Embedded Insurance* value proposition therefore aims for better capabilities than other current insurance value propositions.

4.2 EMBEDDED INSURANCE MODELS[24,25]

There are different models of *Embedded Insurance* integrated in the purchase management process and the management of the subsequent service in the event of a claim. Three basic models can be distinguished:

Table 3. Comparative analysis of the different models of Embedded Insurance

Scope	Basic	Advanced	Sophisticated
Selling	Insurance is offered as an option or is integrated in a traditional manner, i.e. with little differentiation in the customer value proposition.	Insurance is embedded in a product or service in a way that forms an indivisible part of the value proposition A certain degree of customization is identified by using the distributor's key customer data and, at most, some modularization per product.	Insurance is indivisibly embedded in the value proposition but is personalized through increased data sharing by the distributor. This is done in order to use it as a key lever of differentiation over the product or service being sold because it is commoditized or because new sources of material value are identified. The product design is so sophisticated that it is very complex to structure and operationalize in an insurance contract.
Servicing	Highly transactional, limited to service provision. The distributor and the insurer are perceived separately by the customer with very little integration.	Customer service is conceptualized in a broader context where the service is explained to the customer, and they are invited to use it. The customer experience is integrated into the value proposition so that the	Personalized, value-based customer experience that makes it possible, for example, to manage the benefit beyond the limits set out in the insurance contract if the customer's value justifies it. The insurance is fed back to the

[24] **Reference:** Stice, S. (2022). Embedded insurance: a brief overview. Insurance Blog | Accenture; Accenture. https://insuranceblog.accenture.com/embedded-insurance-brief-overview

[25] **Book:** Qorus & Roland Berger (2022): "The Embedded Insurance Opportunity". Quorus & Roland Berger.

		distributor is perceived by the customer as the single point of contact.	data provided by the customer via the distributor.
Customer management	Customer experience management is understood as a mere transactional component for which compliance with basic metrics (i.e. service-level agreements (SLAs) and/or satisfaction) is ensured and is completely opposite from the overall management of the retailer's customer experience.	Customer experience management is fully integrated. The retailer manages the experience as a point in the customer *journey* using advanced metrics (i.e. transactional and experiential NPS) with actions taken after the point of interaction.	Customer experience management is circular, i.e. as much information as possible is collected on the insurance touch points in order to use the metrics obtained to take action in real time.
Examples	Card-integrated travel insurance.	Collective insurance attached to a product.	Mobility insurance (i.e. collects data from the device while in use)

As anticipated in the scope, during the development of this work, the focus will be on the estimation and development of the forward model, also known in the market as *Embedded Insurance* 2.0/2.5.

4.3 VALUE CHAIN AND MAIN ROLES [26,27,28]

This is shown below in the high-level value chain resulting from the market analysis that was performed:

Within this value chain, the following actors are ascertained:

- **Distributors: Distributors** are those who have ownership, legitimacy, and control of the customer's *journey.* They take advantage of their control and high degree of knowledge to offer, at the proper time, insurance that is customized to the protection needs of the good or service that the customer would like to acquire. The most important distributors are:

  - ✓ Banks
  - ✓ Retailers
  - ✓ Bigtech and E-Commerce
  - ✓ Mobility
  - ✓ Travel and leisure
  - ✓ Telecommunications
  - ✓ Energy

- **Factory:** Fundamentally, they are in charge of creating and deploying the protection solution that the distributor needs for its client. It can then be identified that the manufacturer function is shared between the insurer and the reinsurer to ensure the viability of the opportunity. As with all insurance business, it is essential that reinsurers and insurers work collaboratively to build the technical and actuarial foundations[29] .

- **Orchestrator:** This is one of the key pieces that create the opportunity as it will be understood in the future, otherwise, the classic alliances of affinities or partners mentioned in the Chapter 4.1

[26] **Book:** Open & Embedded Insurance Observatory (2022): "Open and Embedded Insurance Observatory Report 2022" . Open & Embedded Insurance Observatory.

[27] **Book:** Torrance, S. and Merttens, R. (2021): "Insurance to Embed, or not Embedded". Intech London.

[28] **Reference:** González, J., Vila, C., de la Cuesta, B., Fuentes, P., Jausas, A., & Munguía, E. The future of digital bancassurance sales. Adlittle.com. Retrieved November 6, 2023, from https://www.adlittle.com/en/insights/viewpoints/future-digital-bancassurance-sales.

[29] **Book:** ICEA (2022-2023): Book 1 Master's Degree in Professional Insurance Management (2022-2023), p. 26. ICEA.

Definition will remain Normally these agents are placed between the distributor and the factory with the idea of channeling and closing the gap between the distributor's needs and the factory's capabilities. This layer has a material value leveraged on the intensive use of technology and data. These enablers embody a number of core foundational principles that define their success:

- ✓ They provide a seamless and memorable customer experience through an intensive use of technology.
- ✓ Their operating model (processes, people, technology, and organization) is highly agile and scalable.
- ✓ They are able to deploy advanced analytics models (predictive, prescriptive, or cognitive) to exploit the opportunity (i.e. technical sophistication or fraud).
- ✓ They comply with security and data protection requirements.

The following roles can be determined in a more disaggregated manner:

- **Platform as a service:** In this context can basically be found new digital *players* that build a platform and put it at the service of distributors so that they can choose the most suitable manufacturers or help them to exploit this market. These providers give customers all types of technological components (i.e. new CORE, digital marketing, etc.) in which the architectures are highly scalable and open using the latest available technology (i.e. API Rest) and take the form of a Managing General Underwriter (MGU).

- **Partner:** Due to their volume and capacity, they can provide the protection solution sought by the distributor for their clients normally under the figure of underwriting agents (MGA) and/or brokers (these roles can interact complementarily, i.e. brokers can be equipped with the appropriate technology and distribution capacity, and underwriting agencies can be enabled to develop the specific solution for the market and needs in a model of proximity).

It is important to note that the coexistence of these roles along the chain is not without fault as there is a competitive tension to lead the entire end-to-end value chain in terms of size, profitability and positioning of the opportunity with the customer (e.g. Tesla controls the end-to-end value chain). At the same time, there is a need for collaboration and trust to drive the business forward.

These points will be elaborated in Chapter 7. Competitive strategy where there will an analysis of the different strategies pursued by each to position themselves for the opportunity in the long term.

4.4 BUSINESS VERTICALS[30]

Currently, different insurance products embedded in the market can be ascertained. In this context is an illustrative table of the most common ones, analysing their degree of maturity and market penetration:

Table 4. Analysis of embedded products (non-exhaustive)

Product or Service	Maturity	Penetration	Type of insurance
Loans	High	High	Accident and life insurance
Travel ticket	High	High-Middle	Accident and travel insurance
Payments	High	High	Payment protection insurance in the event of accident or theft
Invoice	High	Medium-Low	Unemployment and accident insurance
Electronic devices	Medium	Under	Accidental risk
Mobility	Medium-High	Under	Insurance for scooters, bicycles, etc.
Property rental	High	Medium	Payment protection insurance
Drones	Under	Under	Drone Insurance (RC+ Damage)
Mascot	Medium-High	Under	Pet insurance + assistance services
Protection of workers	Medium	Medium	Accident and health insurance

[30] **Book:** Qorus & Roland Berger (2022): "The Embedded Insurance Opportunity". Qorus & Roland Berger.

4.5 CONCLUSIONS

In conclusion, *Embedded Insurance* represents an innovative and promising business opportunity that transforms the traditional conception of insurance by integrating insurance in a personalized way with everyday products and services. This approach seeks to revive the perception of insurance in the minds of customers and to satisfy an unmet demand in the market.

This new business model differs significantly from the traditional alliances and agreements approach in several key aspects such as business purpose, target customers, nature of products, branding, use of real-time data, and operational efficiency. This difference fundamentally leverages technology and data to deliver a more personalized, seamless, and memorable customer experience.

Subsequently, three models of Embedded Insurance have been identified, i.e. basic, advanced, and sophisticated, with each having a greater degree of integration and customization in the insurance offering. These models range from simply offering insurance as an option to fully embedding insurance into the value proposition backed by comprehensive customer experience management.

Regarding the participants in the *Embedded Insurance* value chain, it has been seen that it involves distributors, manufacturers, and orchestrators collaborating to offer customized protection solutions to customers. Orchestrators play a crucial role in facilitating the connection between distributors and manufacturers using advanced technology and data to enhance the customer experience (a key aspect as mentioned above).

In terms of business verticals, embedded insurance products can already be observed in various sectors such as lending, travel, payments, property rental, and more. These products vary in terms of maturity and market penetration but demonstrate the potential of Embedded Insurance to diversify and enrich the insurance offering.

5. CUSTOMER RELATIONSHIP MODEL[31]

In order to analyse the success or otherwise of any competitive strategy, it is necessary to be aware of the ultimate value it brings to the customer. In this sense, the insurance sector is not exempt from this premise, therefore, it is important to understand the fundamentals and general impacts in order to better understand a more specific business within this sector, such as *Embedded Insurance*.

Customers demand the proper protection solutions for their needs at the right time and in the right channel[32] and demand higher shares of purpose from their insurers. When the latter are able to meet these expectations and provide a memorable customer experience, they create value that differentiates them from their competitors.

A couple of examples of this effect are illustrated below:

- Those companies that score better in two or more key aspects of the customer experience in insurance are rewarded with gross premium growth of an 11% compound annual growth rate $(CAGR)_{2018\text{-}2021}$ in Non-Life compared to -2% for those that only manage to work on one key aspect of the experience.
- Those companies that are leaders in the NPS achieve 2.3 times higher revenues in Non-Life than the industry average or 0.9 times higher revenues in Life [33].

Having understood the rationale and evidenced the impacts, the following points will be discussed in this section:

- What customer experience dynamics and attributes does *Embedded Insurance* provide and how does the customer value them?
- What overall impacts can it provide to the business?
- What considerations should be taken into account by the different actors in this business model?

[31] **Book:** Naujoks, H., Schwedel, A. and Brettel, T.(2023): "Customer Behavior and Loyalty in Insurance: Global Edition 2023". Bain & Company.

[32] **Book:** Capgemini: "World Insurance Report (2020)". Capgemini and Qorus.

[33] **Book:** Rob Markey (2020): "Why Customer Loyalty Beats Quarterly Earnings". Bain & Company.

5.1 DYNAMICS AND ATTRIBUTES[34]

Embedded Insurance is in demand because it is a convenient, easy, and reliable purchase that turns a perceived tedious and complex consumer habit into something simple, immediate, and transparent[35,36] covering the functional aspects of insurance.

It is inevitable that, when the customer demands convenience, the experience is delivered digitally as part of the transaction process. This demand does not imply the non-intervention of other face-to-face channels but simply suggests that immediate and convenient experiences are necessarily linked to a digital process. However, it should be noted that it is true that younger segments (18-19 years old) are more interested in purchasing insurance through a pure digital channel[37] .

It should also be borne in mind that *Embedded Insurance* offers much more than a functional purchase to the customer due to the change in the distributor paradigm. When faced with the need to seek protection solutions, the customer not only goes to his specialist provider ("If I need protection against an event, I go to my broker or insurer") but is willing to purchase it directly at the point of sale whether or not it is an insurer[38] . This agnosticism allows non-traditional distributors with processes, organization, and technology and, above all, a strong culture of purpose to benefit from this opportunity.

The most relevant example is the banking retailer (origin of the *Embedded Insurance* trend through *Embedded Finance*[39]) from which customers are more likely to buy embedded insurance ("45% of customers would be highly interested in at least 1 of the 13 types of embedded insurance

---

[34] **Reference:** González, J., Vila, C., de la Cuesta, B., Fuentes, P., Jausas, A., & Munguía, E. The future of digital bancassurance sales. Adlittle.com. Retrieved November 6, 2023, from https://www.adlittle.com/en/insights/viewpoints/future-digital-bancassurance-sales.

[35] **Reference:** PYMNTS.com (2021). The embedded insurance report. "Convenience is the top reason consumers would be interested in Embedded Insurance offers and was cited by 49 percent" pag. 6 | Pymnts.com.

[36] **Reference:** Embedded insurance survey results (2023). Top 3 takeaways. "50% had already bought Embedded Insurance at least once, at the point-of-sale in a related transaction". Boostinsurance.com. Retrieved 2 November 2023, from https://boostinsurance.com/blog/embedded-insurance-survey-results-what-we-heard-from-consumers/

[37] **Reference:** Embedded insurance survey results (2023). Top 3 takeaways. "59% they'd be more likely to buy insurance if it were offered digitally, as part of a related transaction. Younger consumers were more likely to be enthusiastic: nearly 70% of respondents aged 18-29 were interested in buying insurance directly through a transaction on a retail website". Boostinsurance.com. Retrieved 2 November 2023, from https://boostinsurance.com/blog/embedded-insurance-survey-results-what-we-heard-from-consumers/.

[38] **Reference:** Staehle, T. (2023). Insurance consumer study shows trends for 2021. "Customers are increasingly willing to consider insurance purchases while shopping for other needs. Some 40% would consider buying insurance from a car dealer, for instance, while 30% might choose a retailer or supermarket, and 29% would consider online service providers". This applies across all insurance products, including auto, home, and life". Accenture. https://www.accenture.com/ch-en/insights/insurance/guide-insurance-customers-safety-well-being.

[39] **Reference:** Torrance, S. (2020). Linkedin.com. "Embedded Insurance, part of a broader movement towards Embedded Finance, is about getting more affordable, relevant and personalised insurance to people when and where they need it most". Retrieved November 2, 2023, from https://www.linkedin.com/pulse/embedded-insurance-3-trillion-market-opportunity-could-simon-torrance "

coverage"[40]) due, among other things, to strong positioning on values that go beyond the functional thereby building strong bonds of loyalty and expertise.

5.2 IMPACTS[41]

As a consequence of the above impacts on the customer experience, material demand pull rates and conversion rates are achieved:

- **Conversion rate:**
  - ✓ Traditional conversion (2-3%) increases by 20-50%[42] .
  - ✓ 48% of consumers would make more purchases if they were offered insurance coverage at the time of purchase.
  - ✓ 93% of the above would choose to buy from distributors that sell insurance.
- **Demand:**
  - ✓ 60% of consumers would purchase insurance if it was offered to them with their online purchases.
  - ✓ 83% of the above are likely to repeat the purchase of *Embedded Insurance* in future acquisitions.

5.3 KEY ISSUES[43,44]

Previous sections have already pointed out some aspects to be taken into consideration in the relationship model, and this section includes key aspects in the implementation of these business models from a customer's perspective:

- **Convenience and expertise.** If there is one attribute that is critical to the success of the *Embedded Insurance* business, it is personalized selling at the right time and providing a seamless and memorable customer experience.

[40] **Book:** Cover Genius and PYMNTS: "Embeded Insurance Report (2021)". Cover Genius and PYMNTS.

[41] **Book:** Qorus & Roland Berger (2022): "The Embedded Insurance Opportunity". Quorus & Roland Berger.

[42] **Reference:** Qorus and Roland Berger (2022). The Embedded Insurance opportunity. "When customers buy an item and then search separately for insurance, the conversion rate is between 2-3% - if insurance is offered as an add-on in the purchase process, the conversion rate increases to between 20-50%. Confundadore &CGO of Bsurance, Franz Burner (2022). Qorus and Roland Berger.

[43] **Book:** Naujoks, H., Schwedel, A. and Brettel, T. (2023): "Customer Behavior and Loyalty in Insurance: Global Edition 2023". Bain & Company.

[44] **Reference:** González, J., Vila, C., de la Cuesta, B., Fuentes, P., Jausas, A., & Munguía, E. The future of digital bancassurance sales. Adlittle.com. Retrieved November 6, 2023, from https://www.adlittle.com/en/insights/viewpoints/future-digital-bancassurance-sales.

- **Purpose.** The paramount importance of touching on emotional elements which are those that lead to life change and imply a social impact in order to have a relevant effect on the value proposition (for more detail, see Chapter 3.1 Challenges)

- **Face-to-face:** The human factor is still key in the relationship with the customer in the most complex moments of the *customer journey* (i.e. product purchase) while a greater digital presence is required for the simpler ones (i.e. changing the payment method). In any case, seamless cross-channel interaction is expected.

- **Data and security:** It is imperative that customer data flows in order to offer a differential value proposition[45] , otherwise, customers are very restrictive about sharing information.

- **Customer strategy:** *Embedded insurance* has a significant impact on customer strategy for both distributors and manufacturers as insurance is diluted within insurance, reinvigorating the distributor's value proposition and reducing the perceived value of the brand. This situation should raise fundamental questions regarding the customer strategy of the different players, especially manufacturers (i.e. how does this opportunity coexist with a vision and mission, and do we want to remain close to the customer by following a customer centric strategy?).

  This last aspect and others will be dealt with in greater depth in the challenges faced by the different actors in the competitive strategy and value offer.

[45] **Reference:** Staehle, T. (2023). An insurance consumer study shows trends for 2021. "Approximately 7 out of 10 consumers (69%) would share significant data on their health, exercise and driving habits in exchange for lower prices from their insurers, an increase of 19% from two years ago. More consumers (66%) would also share significant data for personalized services to prevent injury and loss-up 54% from two years ago". Accenture. https://www.accenture.com/ch-en/insights/insurance/guide-insurance-customers-safety-well-being.

5.4 CONCLUSIONS

In conclusion, *Embedded Insurance* meets an unmet demand by offering the proper protection solutions at the correct time. However, as indicated, not only does it provide functional coverage, but it provides better customer experience through the non-traditional distributor. Both of these effects can generate substantial growth over that of competitors through increased demand attraction, an improved conversion rate, and increased cross-selling.

In addition, in terms of cross-selling, it would be expected that second-round effects for the client would be achieved as insurance is more present in their lives, questioning and wondering about their protection needs, but this has not been empirically demonstrated.

Finally, it is important to have some fundamental key aspects in the relationship model such as the convenience, values, and purpose behind what is sold, the importance of face-to-face in an omni-channel model, that the customer is willing to share data only if they see a value and are protected, and that this business model implies a higher reflection on customer strategy and its impact on the different agents in their corporate and competitive strategy.

6. OPPORTUNITY ANALYSIS

This section will analyse the potential *Embedded Insurance* business opportunity for both Non-Life and Life under five dimensions:

- **Growth.** The potential growth offered by this new business model in Europe, breaking down the prospects by country and by channel.

- **Efficiency.** Identification and estimation of the sources of value in terms of the operating model.

- **Return.** Approximation of the expected return in terms of underwriting and investment results taking into consideration the calculated efficiencies and a contrast model.

- **Probability of bankruptcy and break-even.** Estimation of the probability of bankruptcy and break-even of the business model.

In this exercise, it is assumed that there is a single agent acting along the value chain (distributor, orchestrator, or manufacturer).

It should be noted that the exercise has a high degree of uncertainty as it is an embryonic business. To mitigate this risk, the best and most reputable market sources, a comparative analysis of business experiences, and the author's own experience have been used to arrive at the best possible approximation.

Finally, the Appendix contains the hypotheses and sources used for the reader's reference:

- 12.3 Methodology for estimating market size
- 12.5 Methodology for efficiency estimation
- 12.6 Methodology for the estimation of the underwriting and investment results

6.1 GROWTH

The Embedded Insurance market[46] in Advanced Europe is currently estimated to be ~USD18 billion and representing approximately ~1% of the insurance market share.

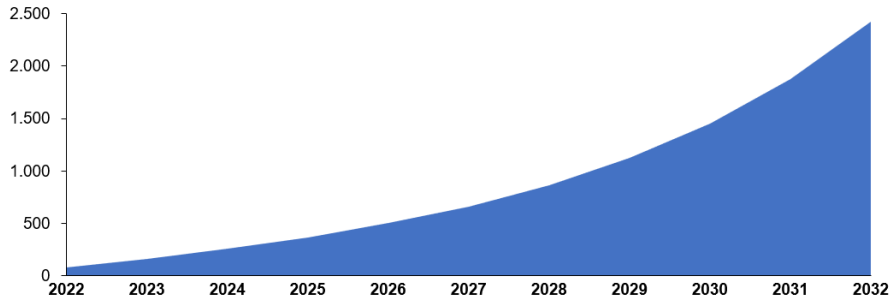
This market will multiply x4 to reach ~USD110 billion in 2027 (~4% of the total market share) with USD46 billion for Non-Life and USD66.5 billion for Life.

By 2032, this business opportunity is expected to reach USD 436 billion (10% of the total market share), with USD 179 billion in Non-Life and USD 257 billion in Life.

This growth is underpinned by four key factors:

- The growing demand for this type of protection solution through new distributors.
- Those businesses with high customer legitimacy focused on a customer centric strategy that leverages digital capabilities and data intelligence to maximize their business opportunities.
- High business agility and scalability due to highly digitized and industrialized models.
- Private equity investors are looking to the insurance sector for investments with stable returns that are decoupled from traditional assets (e.g. Kohlberg Kravis Roberts & Co. L.P.'s -KKR's- acquisition of Global Atlantic or Blackstone's acquisition of Allstate).

Illustration 1. Global *Embedded Insurance* market size ($k). Period 2022-2023



Regarding distribution channels, it is expected that approximately 10% of the total market share in 2027 will be distributed by new non-traditional distributors who will displace mainly agents and brokers. This share is expected to reach 20% by 2032[47][48].

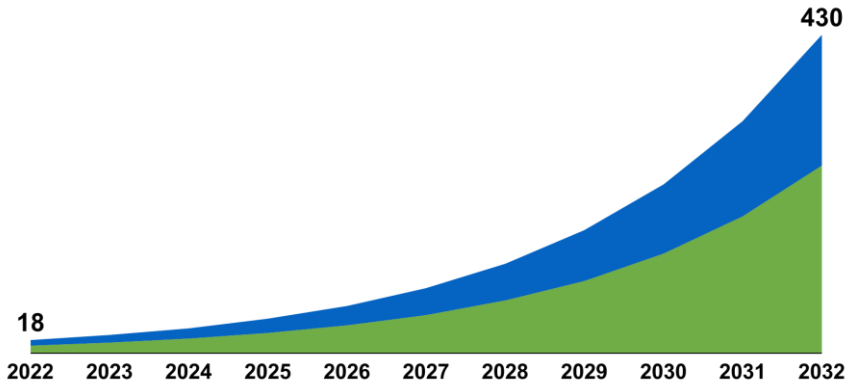
[47] **Book:** Open & Embedded Insurance Observatory (2022): "Open and Embedded Insurance Observatory Report 2022". Open & Embedded Insurance Observatory.

[48] **Book:** Torrance, T. and Leblanc, D. (June 2022): "Embedded Insurance Peer Group Report". Embedded Finance & Super App Strategies.

Of the new distributors, banks will be the most favoured which seems logical as the business idea of *Embedded Insurance* emerges as one of the most material opportunities in Embedded Finance.[49,50]

Below are the market shares for Life and Non-Life for Advanced Europe and the market shares per country (for more details, please see the Appendix 12.4 Embedded Insurance Market Share Tables).

Illustration 2. Size of the Advanced Europe market for Life and Non-Life ($M). Period 2022-2032.



The main conclusions of the market shares in Advanced Europe for the year 2032:

- The United Kingdom remains the most important market (17%), and France (14%) is the third most important, but they reduce their share compared to 2022 due to expected growth (-5 p.p. and -3 p.p., respectively).
- Germany is the second most important market (17%) and gains market share due to expected growth (+ 1 p.p.).
- Denmark gains share due to its high level of digitization and growth (6% share, up +4 p.p.)
- Finland (3% market share) and the Netherlands (8% market share) increased their market share due to their level of digitalization and close-to-average growth (+1 p.p. and +3 p.p., respectively).
- Italy loses market share due to its low level of digitization and expected growth (4% share; down -6 p.p.).
- Ireland (7% share), Switzerland (5% share), and Luxembourg (5% share) gain share by growth rate (+4 p.p., +1 p.p. and +2 p.p.).

[49] **Reference:** Torrance, S. (2020). Linkedin.com. "Embedded Insurance, part of a broader movement towards Embedded Finance, is about getting more affordable, relevant and personalised insurance to people when and where they need it most". Retrieved November 2, 2023, from https://www.linkedin.com/pulse/embedded-insurance-3-trillion-market-opportunity-could-simon-torrance "

[50] **Book:** PYMNTS and Cover Genius (June 2022): "Embedded Insurance report". page 6. PYMNTS and Cover Genius

- Spain (3% share) slightly loses share (3% share; down -1 p.p.) from current share due to below average growth.

The main conclusions of the Non-Life market shares of the Advanced European countries for the year 2032 are stipulated below:

- Germany leads the ranking (24%), slightly gaining market share due to growth (+1.2 p.p).
- The Netherlands will be the second most important market (16.5%) due to its growth rate and significant amount of digitalization (+5.6 p.p.).
- France and the United Kingdom will vie for the third largest market (11.9% and 12.5, respectively), although they will reduce their market share compared to their competitors due to their expected growth rate (-3.9% p.p. and -2.7 p.p, respectively).
- Denmark is gaining share compared to today due to its high level of digitization and growth (3.8% share, up +2.3 p.p.).
- Italy reduces market share compared to the current ones due to its growth rate and level of digitalization (2.6% market share, down -3.8 p.p.).
- Ireland (2.6%), Switzerland (6.4%), and Luxembourg (3.9%) gain share by growth rate (+1.3 p.p., +1 p.p. and 1.8% p.p., respectively).
- Spain reduces its share due to the growth rate (5% share, down -1.3 p.p.).

Finally, the primary conclusions of the Non-Life market shares of the Advanced European countries for the year 2032 are presented:

- The United Kingdom is the largest market (21.3% market share), and France is the second largest market (15.1% market share), however, they are losing market share to their competitors due to expected growth (-5.9 p.p. and -2.6 p.p., respectively).
- Germany is the third most important market and gains market share due to expected growth (11.5% market share, up +1 p.p.).
- Denmark is the fifth most important market due to its high level of digitization and growth (8.3% share, up +5 p.p.).
- Finland (4.1% market share) and the Netherlands (2.1% market share) increased their market share because of their level of digitalization (+1.7 p.p. and +0.8 p.p., respectively).
- Italy loses market share due to its low level of digitization and expected growth (5.9% market share, down -8.1 p.p.).
- Ireland (11%), Switzerland (3.5%), and Luxembourg (6%) gain share by growth rate (5.7%, 1.1% and 2.9%, respectively).
- Spain slightly lost share due to below average growth (2.2% share, down - 0.5 p.p.).

Therefore, based on the analysis, it can be concluded that there is an attractive growth potential for European insurers committed to *Embedded Insurance*. However, it is the companies themselves in their *bottom-up* analysis of the business plan*, who will be able to determine the final expected value.

6.2 EFFICIENCY

As a preamble, it is useful to clarify the concept of operational efficiency. When referring to operational efficiency in this paper, it means the application of four distinct and interconnected models: Functional model[51] , processes[52] , organizational and operational management[53], and governance and control[54] . These models, in turn, have two levels of application, i.e. local and international.

This clarification is important because, after the analysis of the different businesses, a specific result (i.e. automation) cannot be attributed to the application of a specific efficiency lever without discussing the governance and control systems that allow these synergies to materialize (i.e. dashboards, change management, etc.).

Therefore, efficiency improvements will be approached by classifying potential improvements (i.e. claims) for each of the lines of business by destination and by leverage assuming full implementation. Additionally, these are calculated at the local level without international synergies (as stated in the introduction, material and verifiable synergies are achieved at the local level) and from which it is expected that not all companies will be able to achieve the maximum value of the levers.

The following are the levers of improvement to be deployed in the operational model:

- **Loss ratio:**

  - ✓ **Technical Sophistication.** Use of micro-segmentation statistical models, enrichment with new variables (i.e. socio-economic level in RV), and external variables (i.e. reputation) as they are widely used in the auto sector.

  - ✓ **Claims processing.** Increasingly simpler, intelligently automated (i.e. RPA + AI), and self-service processes that enhance the customer experience.

[51] **Definition:** The functional structure in quantitative (i.e. sizing) and qualitative (i.e. competencies) terms to meet the operational needs of the company.

[52] **Definition:** The optimal execution of a sequence of activities that maximizes staff productivity.

[53] **Definition:** Optimal organizational design and structure that enables the smooth execution of company processes, as well as achieving synergies through the application of economies of scale (i.e. outsourcing or centralization).

[54] **Definition:** Governance, coordination, and monitoring systems that ensure compliance with impacts and enable decision-making.

- ✓ **Fraud.** Increased anti-fraud culture (i.e. suppliers) and increased ability to identify, analyse, and take action by monitoring the behaviour of each customer touch point (i.e. application of AI in analytical models).

- ✓ **Prevention.** Preventive actions against possible occurrence of claims (i.e. proactive communication of weather events) and/or reward programme (i.e. -5% discount on health and wellness programmes).

- **Acquisition costs.** Lower distribution costs due to distribution models that are more efficient (i.e. more digitization, fewer distributors to manage, etc.).

- **Overheads:**

  - ✓ **Operational excellence.** Same levers as in claims handling but applied to the remainder of the macro-processes (i.e. demand attraction, contracting, and portfolio and payments) and processes (i.e. financial supplements, non-financial supplements, cancellations, etc.).

  - ✓ **Technological scalability**. Lower technological costs resulting from a technological renewal of the applications that support the company's main processes (IT operating costs, development costs, application and infrastructure costs, and service costs). However, a negative effect of technological renewal such as the increase in OPEX (i.e. pay-per-use licences) for insurers that have not decoupled their legacy (not applicable to a *greenfield* company) cannot be forgotten.

Having addressed the levers for improvement, the main sources of value for Non-Life and Life are stipulated (please see 12.5 Methodology for efficiency estimation for more details).

Illustration 3. Efficiency contributed by the different levers to the Non-Life *Embedded Insurance* business (in percentage).

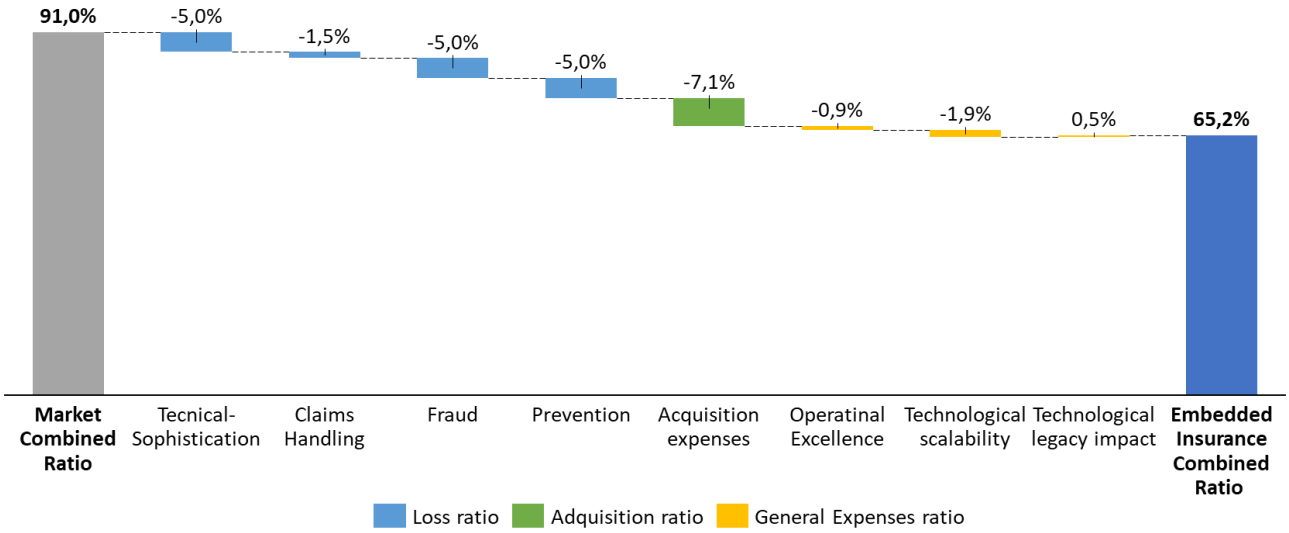


Illustration 4. Efficiency contributed by the different levers to the *Embedded* Life-Savings business (in percentage).

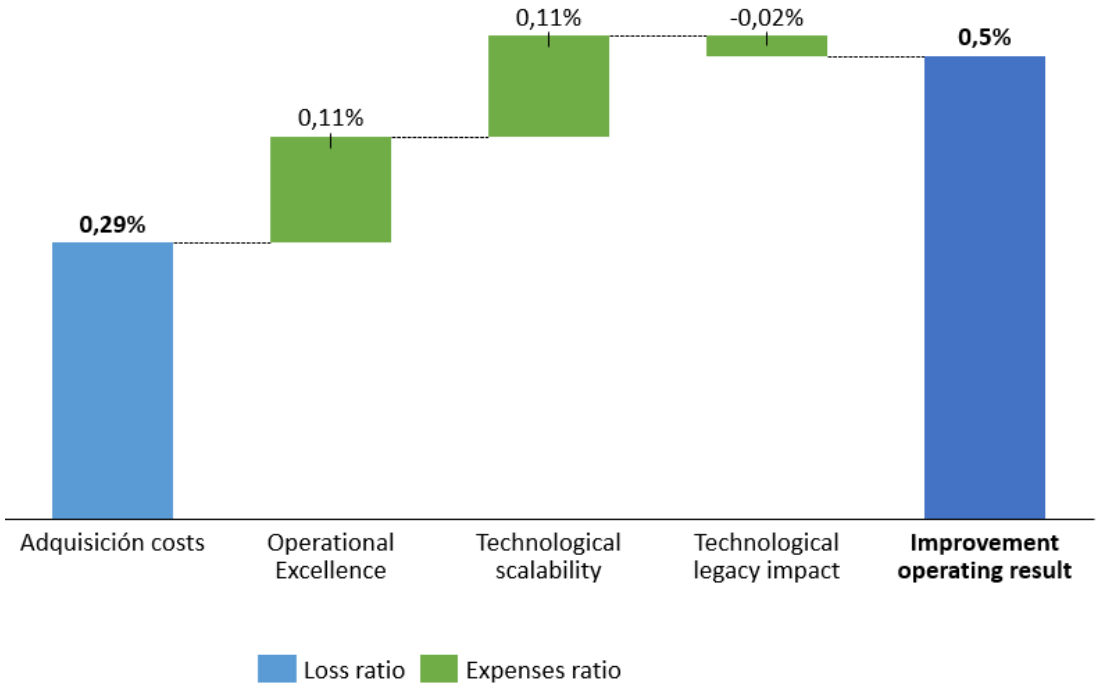
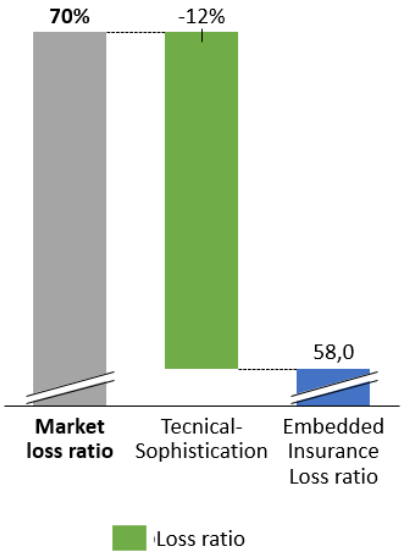


Illustration 5. Efficiency contributed by the different levers to the *Embedded* Life-Risk *Insurance* business (in percentage).



Finally, there are potential synergies from vertical integration under the assumption of a single agent operating along the value chain where ~13% ROI[55] can be expected which will be the subject of reflection in Chapter 8.2 Vertical Integration.

6.3 UNDERWRITING AND INVESTMENT RESULTS

As mentioned above, given the immaturity of the business model, a model has been used to compare the efficiency found in the Non-Life business (maximum model) to determine an average underwriting and investment results. For the Life line, the expected improvements in savings and life risk were included assuming an adjustment to the potential.

In addition, and for the purpose of simplifying the exercise, potential synergies have not been taken into account as this is a company-specific exercise.

Having mentioned these points, these are the underwriting and investment results:

- **Non-life insurance.** Underwriting and investment results of 15%.
- **Life business.** Underwriting and investment results on provisions above 4% (3.5% investment result estimated at the end of 2022).

[55] **Reference**: Buzzell, R. D. (1983). Is Vertical Integration Profitable? Harvard business review. https://hbr.org/1983/01/is-vertical-integration-profitable

6.4 PROBABILITY OF BANKRUPTCY AND BREAK-EVEN POINT

Calculating the probability of bankruptcy and the break-even point of a particular business requires a detailed analysis of the opportunity and the means necessary to achieve it. However, this document proposes an approximation that allows first having an understanding of what the probability of bankruptcy could be (in the case of a *stand-alone* undertaking and not within the umbrella of a long-term corporate financing strategy) and an investment recovery horizon.

To begin with, there must be a return to the premises of *Embedded Insurance* in order to establish some lines of comparison:

- Highly specialized (high know-how) and regulated business.
- Business in an embryonic stage, therefore, at the beginning of the definition of the life cycle curve (introduction).
- It needs to anchor strategic business processes and key metrics.
- Highly digitalized business that requires a strong technological investment.
- Given the rates of return found, a high risk business (probability of loss and long term) can be expected.

With these premises, the possible probability of bankruptcy can be framed in the same way as that for a start-up where, in general, the probability of bankruptcy would not exceed 60%[56] . Additionally, a *" winners-takes-all"* effect could be expected which is very typical of the digital world. It has been replicated in the insurance business where only a few players per country take a high risk by innovating in products and services and reinventing the value chain. They consequently obtain high profitability while the rest of the competitors are below the cost of capital or at a loss[57] (i.e. HUK24 in Germany, Linea Directa in Spain, or Progressive in the USA).

From a break-even perspective, a range of 5-8 years could be expected when using highly digitalized business models as comparables that revolve around insurance such as direct insurers, ecosystems[58], and insurtech.

[56] **Reference:** Zaballa, N. (2017). 90% of startups fail? Forbes Spain; Forbes. https://forbes.es/empresas/29230/el-90-de-las-startups-fallan/

[57] **Book:** Catlin, T. and Lorenz, J-T. (2017): "Digital disruption in insurance: Cutting through the noise" p. 14 and analysis of the car for the Spanish market.

[58] **Definition:** A platform led by an orchestrator who holds the legitimacy and customer data where the exchange of goods and services is facilitated between consumers (controlled by the orchestrator) and suppliers (partners with whom the orchestrator has an alliance AND/OR agreement).

However, it cannot be forgotten that the managers of these emerging business models must skillfully manage the growth and profitability trade-off by reconciling the interests of the different stakeholders (financial shareholders, industrialists, debt holders, founder, employees, etc.) without denying the business the potential to capture the opportunity. This is why, in order to align management, it is essential to achieve consensus on and meet the key management indicators expected for the different maturity periods while limiting the company's probability of failure.

6.5 CONCLUSIONS

This Chapter has analysed the *Embedded Insurance* business opportunity in Europe, both in Non-Life and Life, from several dimensions. Here are the main conclusions from each section:

- **Growth.** The *Embedded Insurance* market in Europe is currently estimated to be approximately USD 18 billion, representing about 1% of the overall insurance market. By 2032, the market is expected to reach USD 436 billion, with USD 179 billion for Non-Life and USD 257 billion for Life. This growth is based on the increasing demand for protection solutions through new distributors, adopting digital models, and investor interest in the insurance sector.

- **Efficiency.** Operational efficiency is achieved through various levers such as technical sophistication, process automation, anti-fraud management, prevention, and reduced procurement and overhead costs.

- **Underwriting and investment results:**

  - ✓ For the Non-Life business, an underwriting and investment results of 15% is expected based on improvements in claims, acquisition expenses, and efficiency.
  - ✓ For the Life business, an underwriting and investment results of 4% is projected, taking into account investment returns in advanced markets and efficiency improvements.

- **Bankruptcy Probability and Break-even Point:** The probability of bankruptcy of *Embedded Insurance* is compared to that of a start-up and estimated at a maximum of 60% due to the highly specialized and high-risk nature of the business. The break-even point is expected in the range of 5-8 years compared to highly digitized business models.

In summary, *Embedded Insurance* presents an attractive growth opportunity in Europe that is underpinned by the growing demand for protection solutions and operational efficiencies. However, it also comes with significant risk, especially for start-ups, and requires a period of equilibrium that varies according to the business model and effective management of key indicators.

7. COMPETITIVE STRATEGY

In this Chapter, the key aspects that need to be taken into account to assess the overall competitive positioning will first be framed. The value proposition of *Embedded Insurance*, its viability, key attributes, strategy, and where the competitive advantages lie that enable it to provide a superior customer value proposition for the players operating in the value chain will then be analysed.

To reach these conclusions, an analysis of the business models and the relevance of the value chain operators and particularly the orchestrators who take on the most disruptive role in the value chain will be conducted. In order to do so, qualitative and quantitative information has been collected from 40 companies[59,60] and enriched with information that the author has gathered in specific sessions. To perform the competitive analysis, the following fields have been captured for each company when possible.

- ✓ Company
- ✓ Web
- ✓ Launch
- ✓ Employees
- ✓ Company valuation
- ✓ Equity ($M)
- ✓ Role
- ✓ Sub-Rol
- ✓ Bouquet
- ✓ Detailed description
- ✓ Remarks
- ✓ Geography
- ✓ Major shareholders
- ✓ Series of actions
- ✓ Description
- ✓ Shareholders
- ✓ Sales ($M)
- ✓ Relevant customers
- ✓ First Benefit
- ✓ Inorganic

[59] **Reference:** Dealroom.Co (2023). List of Embedded Insurance. Retrieved 2 November 2023, from https://app.dealroom.co/lists/19590

[60] **Reference:** Crunchbase (2023). Discover innovative companies and the people behind them. Retrieved November 2, 2023, from https://www.crunchbase.com/

7.1 COMPETITIVE GLOBAL POSITIONING[61,62]

First and foremost, any *player wishing* to attack the *Embedded Insurance* opportunity must answer a number of key questions along three axes:

- **Values:**
  - ✓ What is the mission and vision of our company?
  - ✓ What does the customer perceive as different about our value proposition?
  - ✓ What is our impact in terms of sustainability with respect to the challenges of the current world?
- **Capacities:**
  - ✓ Where do our strengths lie?
  - ✓ Where do we deploy our competitive advantages?
- **Opportunity:**
  - ✓ What is the market demanding?
  - ✓ Who is offering it and how?

From the intersection of these three axes, companies must determine what value proposition they must articulate to generate profitable growth. This value proposition, following the father of business strategy, M. Porter, would be framed in a focus or niche strategy, i.e. products and services are created to respond to the specific needs of consumers.

This is therefore a strategy that addresses a market that is comparatively smaller than the total insurance market, is large enough to be profitable, and has potential for growth (for more details, see Chapter 6.1 Growth). However, it must not be forgotten that *embedded insurance* is part of a distributor's higher value proposition and cannot be decoupled from the product or service (for more details, see Chapter 4.2 Embedded Insurance Models). Therefore, there are two subcategories that will be selected depending on the distributor's value proposition in which it is integrated: differentiation (the product or service has a unique quality that allows a higher price to be charged) or cost leadership (the product or service has a lower cost structure than that for a similar product or service in terms of quality).

Having framed the general discussion, it is necessary to analyse the impact of such a strategy by the operator in the value chain:

[61] **Book:** Porter, M. (1980): "Competitive Strategy: Techniques for Analyzing Industries and Competitors". Touchstone.
[62] **Book:** Porter, M. (1985): "Competitive Advantage: Creating and Sustaining Superior Performance". Touchstone.

- **Orchestrators and manufacturers.** As was able to be contrasted during the competitive analysis that was performed, this still an emerging phase of product/service consolidation, therefore, a substantial level of competitive intensity is to be expected in order to achieve a preferential relationship with distributors for orchestrators and manufacturers. Therefore, they will have to firmly commit to innovation and generate different attacking and defensive strategies that allow them to preserve and expand their relationship with customers and suppliers.

  Orchestrators and manufacturers will subsequently have to decide whether they are capable of deploying value offers oriented towards differentiation or cost leadership simultaneously or specializing in only one of them. The author proposes that these *players* act simultaneously in the emerging stage of the product/service life cycle so that, once the business model has been established, they can decide in a univocal manner to develop a strategy in the growth phase of the product or service.

- **Distributors.** In this analysis process, the key role played by the distributor cannot be forgotten. The first step is to understand whether, for their strategic customer segments, the integration of insurance with unique characteristics improves the competitive capacity of their value proposition.

Finally, and in conclusion, it is imperative that operators in the *Embedded Insurance* value chain are able to respond and formulate their own strategic principles to attack the market opportunity, otherwise, they will be doomed in advance to failure in this business venture.

7.2 VALUE PROPOSITION STRATEGY

Defining the overall competitive positioning of the value proposition is a first step towards a better chance of business success. However, it is necessary to narrow down the positioning to the five key aspects of the value proposition by remembering a fundamental principle: Entities that choose to be differentiated in all attributes of relevance to the customer tend to over-invest and fail[63] .

Based on the analysis that was performed, the attributes of the *Embedded Insurance* value proposition that distributors should work on as the main entity responsible for customer relations by segment are attached below.

[63] **Book:** Stoffelsen, T. and Heinen, M. (2015): "Capgemini Customer Experience Relevancy". Capgemini Consulting.

Table 5. Analysis of the attributes of the Embedded Insurance Value Proposition

Attribute OV	Description	Cost Leadership	Differentiation
Product	• Range, innovation, and depth of products/coverage available within the company		X
Price	• Competitiveness and price transparency in relation to the product offered	X	
Distribution	• Commercial distribution drive/capacity and incentive received per completed sale	X	X
Service	• Expertise in end-to-end service management in the customer relationship (e.g. policy and claims management) in terms of agility, transparency, and simplicity	X	X
Brand	• Emotional connection to the brand and sense of belonging		

The following section will delve into what capabilities should be deployed for each of the competitive positioning, however, it should not be forgotten that the brand attribute is not substantive for any of the strategies, i.e., after the analysis conducted, the distributor does not add value to superimpose an insurance brand of the manufacturer or orchestrator on top of its own. This indicates a potential conflict of interest between the agents in the value chain (i.e. especially manufacturer-insurer as indicated in the relationship model).

7.3 KEY ATTRIBUTES IN THE VALUE PROPOSITION

During the analysis, a number of fundamental principles in the construction of the value proposition that must be achieved in order to ensure competitiveness on the part of distributors, orchestrators, and manufacturers were concluded:

Table 6. Guiding Principles of Value Provision

Guiding principles	Role Implementation	Description
Accessibility	Distributor	• Ensuring materiality in terms of turnover or cross-selling capabilities
Time to market	Distributor, orchestrator, and manufacturer	• Understood as the ability to deliver the insurance product or service fully integrated into the distributor's value proposition. Also measured as the ability to react quickly to changes proposed by the market.
Scalability	Orchestrator and manufacturer	• Have the ability to deploy the solution simultaneously in different locations and distribution channels ensuring that the customer experience is seamless and suitable.
Speed, simplicity and straightforwardness	Distributor, orchestrator, and manufacturer	• Being able to provide a clear, transparent, and rapid insurance experience where the customer appreciates the value differential provided by the insurance product embedded in the value offer. This point is particularly important in the efficient and effective management of the claim as this is the key moment of truth in the customer's expectations.
Fully compliant	Distributor, orchestrator. and manufacturer	• Since this is about an insurance product, it is necessary that all legal (i.e. General Data Protection Regulation (GDPR)) and regulatory (i.e. supervisory) requirements are fully met.

7.4 FEASIBILITY ANALYSIS OF THE VALUE PROPOSITION[64]

Once the competitive strategy, the value proposition strategy, and the key attributes have been defined, it is necessary to generally reflect on the viability of the value proposition in order to understand its degree of success for those companies that opt for this business model. To conduct this analysis, the SPACE methodology will be followed.

[64] **Reference:** ICEA (2022-2023): Master in Insurance Management, Marketing and Sales Management - Jose María Corella (2023), ICEA.

Table 7. Assessment of the viability of the value proposition

Attribute	Lace	Description
Sustainable	Medium-Low	Currently, the volume of business generated by *Embedded Insurance* is not very substantial. This means that manufacturers break down their most comprehensive and complete insurance products (i.e. multi-risk, health, or accident) into coverages or sets of coverages that collide with customers' other protection solutions (i.e. overinsurance in the Non-Life business). This situation makes it difficult to differentiate those between orchestrators and therefore the contribution of insurance value to the distributor's value offer.
Progressive	High	There is a beneficial set of market examples (i.e. Qover-Revolut) for which the progressivity and scalability of the value proposition can be tested.
Triggerable	Medium-Low	It is actionable because it is an independent business that operates outside of the current restrictions (i.e. technological legacy manufacturers). However, for those players who want to develop it with their current operational and technological model, it is highly complex due to its technological maturity, dynamic pricing, integration with other third-party solutions, etc.. However, due to the current size of the opportunity, it presents a conflict of priorities with the CORE business of manufacturers.
Able to stimulate	High	It mobilizes the customer and responds to a genuine need of maximizing the value of the interaction.
Evolutiva	Medium-High	The value offer can evolve in response to possible changes in the environment, although it is inevitable that, being a regulated sector, the evolution may not be as rapid as customers would wish.
Global Assessment	Medium-High	Although there are inherent risks in the value proposition, the overall fit can be defined as medium-high. However, the success of the value proposition will be determined by the implementation work by distributors, orchestrators, and manufacturers.

7.5 SHIFTING THE INSURANCE VALUE CHAIN PARADIGM

During the competitive analysis, the importance of technology and the use of data in the insurance value chain in *the Embedded Insurance* business became apparent. This occurred in such a way that it could be questioned whether IT and advanced analytics are genuinely supporting activities in the value chain or whether they actually generate value in themselves and are therefore primary activities (i.e. distribution or service delivery).

The author's conclusion is that, without the right technology and analytical capabilities, no company can access and develop the competitive advantage that allows it to develop this opportunity in the different key processes. Without being exhaustive, two examples are developed at the value chain level[65] :

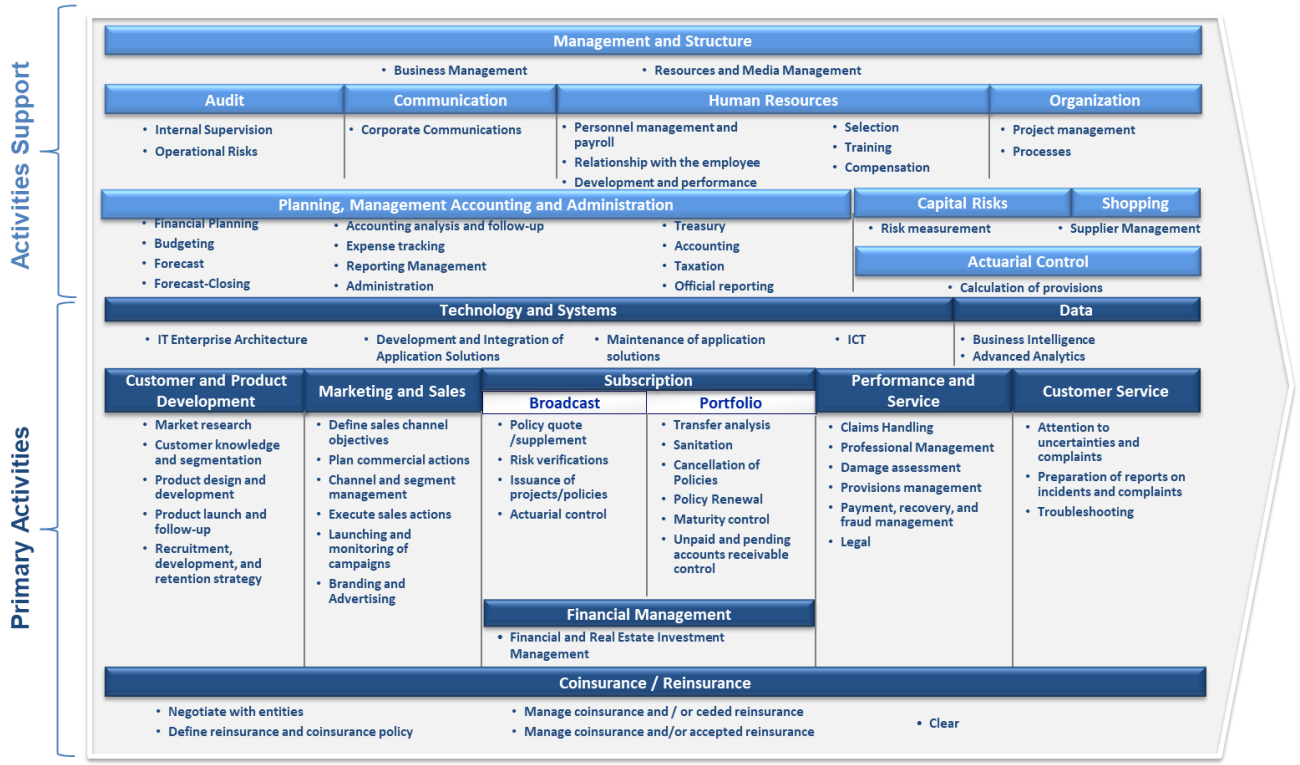
- **Issuance.** Design a contracting process fully embedded in the distributor's processes that is simple, agile, and transparent where the capture of potential customer information by the distributor is fundamental for configuring a good product definition that allows the business to be profitable. At the same time, it allows the minimum exclusions to achieve the required levels of satisfaction and expectations (Grab).

- **Benefit:** That the insurer is able to anticipate without the need for customer communication due to existing devices that raise the appropriate signal or information provided by third parties with the vocation of paying 100% of the claims. However, at the same time, they possess the necessary intelligence to prevent fraud (i.e. Wakam, Floodflash, or Ping An).

The author then proposes the new value chain using M. Porter's conceptual framework:

[65] **Book:** Qorus & Roland Berger (2022): "The Embedded Insurance Opportunity". Qorus & Roland Berger.

Illustration 6. Embedded Insurance Value Chain



For each role, the primary activity identified in the analysis is then identified. However, this approach will be enriched in Chapter 8 Corporate strategy.

Table 8. Analysis of competitive advantages by role in the insurance value chain

Primary Activity	Role			
	Distributor	Orchestrator[66]	Manufacturer	
			Insurance	Reinsurer
Customer, product and brand development	X			
Distribution	X			
Subscription		X	X	
Service provision		X	X	
Customer service	X			
Investment Management			X	X
Coinsurance and reinsurance			X	X
Technology	X	X	X	X
Data	X	X	X	X

Next, the necessary high-level capabilities are identified that the different agents must take into account in their technological model in order to make these activities primary in the value chain. However, it must be remembered that process management, appropriate organization, and the use of new work methodologies (i.e. Agile and Be Agile) are fundamental support activities for the successful implementation of these key levers:

- **Technology**[67] . The technological capabilities required have been structured according to the role.

[66] **Note:** At this level of the strategic analysis, there is no difference between the partner orchestrator and the technology platform, however, when delving deeper into the partner's capabilities, it is more equipped than the platform. The latter is more focused on a more operational management around the policy supported by very advanced technology and data management.

[67] **Book:** Open & Embedded Insurance Observatory (2022): "Open and Embedded Insurance Observatory Report 2022". Open & Embedded Insurance Observatory (2022).

Table 9. Survey of technological capabilities by role

Role	Description
Distributors	• Provide a simple, transparent, and streamlined user experience across digital and face-to-face channels (i.e. single transaction website for customers and employees). • Have open connection and integration capabilities that allow for a scalable and agile model (i.e. API Rest). • Analytical capabilities to systematize and industrialize customer experience management (i.e. analytical and business environments). • Depending on the development of the distributor's business model: ✓ Digital Marketing Tools. ✓ CORE Insurer modules (i.e. Underwriting, Portfolio Management, Claims, etc.) in a simplified version vs. an insurer.
Orchestrators	• Insurer CORE (Underwriting, Portfolio, Claims, Receipts and Reinsurance/Coinsurance) and ecosystem (i.e. Digital Marketing) to provide a complete service to the insurer. • Have open connection and integration capabilities that allow for a scalable and agile model (i.e. API Rest) for the distributor and the manufacturer. • IT Governance and prioritization.
Manufacturers	• Insurer CORE (Underwriting, Portfolio, Claims, Receipts and Reinsurance/Coinsurance) and ecosystem (i.e. Digital Marketing) to provide complete service to the insurer. • Have open connection and integration capabilities that allow for a scalable and agile model (i.e. API Rest) for the distributor and the manufacturer.

- **Advanced analytics.** With regard to the technological capabilities of the data, those most relevant for the role of the distributor have been located that have legitimacy with the customer and whose data and management tools become strategic assets (advanced analytics platform). However, these capabilities could also be provided by the orchestrator in SaaS mode or other hybrid models.

  These technological capabilities are organized into four layers:

Table 10. Survey of technological capabilities for the use of data

Layer	Description
Informational	It contains specific characteristics that are key to the company's decision-making and management (certain, transparent, traceable, reliable data, etc.). Given the sensitivity of this information, standardization and control processes are necessary to guarantee the quality of the information at the highest level of detail. The following sources of information are essential for this: ✓ Policies ✓ Claims ✓ Receipts ✓ Clients ✓ Risk ✓ External
Management	The application environment where data scientists store, model applying the different methodologies (predictive, prescriptive, and machine-learning or deep-learning), process the data from the models and visualize the information. These models use new programming languages such as Python and R. The information must have the appropriate level of depth and agility (real time, near real time, or batch).
Operationalization	Ability to embed the models defined in the company's processes with the agreed processing speed (real time, near real time, or batch) that feed back into the analytical models and are conveniently stored.
Integration	Have the necessary integration capacity with the data sources that communicate with the storage of analytical and processed data, and the general platform of Advanced Analytics has the necessary connections for information exploitation.

7.6 REGULATORY IMPACT ON THE USE OF PERSONAL DATA[68]

As one of the key value generation capabilities in the value chain, it is important to analyse how the agents in the *Embedded Insurance* value chain comply with current legal regulations on personal data protection. In order to reach the following conclusions, experts in the field of regulatory compliance and advanced analytics have participated in ad-hoc interviews with the author.

In this context, operators use anonymization techniques using complex encryption (i.e. the distributor shares its customer BB.DD data with the orchestrator-partner for product configuration with a special focus on pricing) which does not allow identifying personal data, therefore, the General Data Protection Regulation (GDPR or Data Protection Act 2018 in the United Kingdom) does not apply.

However, some operators are using borderline processing techniques with the idea of extracting maximum value from the opportunity which could be subject to future regulation with potential material impact on the *Embedded Insurance* opportunity.

7.7 CONCLUSIONS

This Chapter on competitive strategy has provided the following strategic framework for addressing the opportunity:

- **Global competitive positioning.** It is important to answer a series of key questions that are organized along three axes, i.e. values, capabilities, and opportunity. This action will help to define a value proposition that should be oriented towards a focus or niche strategy.

- **Value proposition strategy.** The importance of defining the strategy of the value offer is emphasized, and the attributes to be worked on are identified according to the approach of cost leadership (price, distribution, and service) or differentiation (product, distribution, and service). The brand is an element of little relevance in the value offer that generates a complex strategic discussion in insurers with a customer-centric strategy.

- **Key attributes in the value proposition.** The following guiding principles have been identified to build a competitive value proposition: Accessibility, time to market, scalability, speed, simplicity, straightforwardness, and regulatory compliance.

[68] **Reference:** Aepd.es (2021). Anonymisation and pseudonymisation. Retrieved 2 November 2023, from https://www.aepd.es/es/prensa-y-comunicacion/blog/anonimizacion-y-seudonimizacion

- **Analysis of the viability of the value proposition.** The viability of the value proposition has been positively assessed, highlighting that, although there are inherent risks, the overall fit is considered to be medium-high.

- **Shifting the insurance value chain paradigm.** The importance of technology and data mining in the insurance value chain is discussed in Embedded Insurance, and it is proposed that technology and data analytics capabilities are primary activities that inherently generate value.

- **Impact of personal data protection regulations**. It is mentioned that some operators use anonymization techniques to comply with personal data protection regulations, but it is noted that borderline processing techniques that form an essential component of the competitive advantage of this business could be affected by subsequent regulations.

8.CORPORATE STRATEGY

First of all, it is important to align what is meant by corporate strategy. This ensures the creation of value in addition to the sum of the parts. More concretely, it:

- Defines the logic that explains why a particular set of businesses are together under the same ownership node;
- Defines the role of each business unit in the company's overall value creation strategy;
- Generates value through the pursuit of synergies and corporate governance that make the company the best owner of its particular set of businesses;
- Monitors the correct evolution of the business units over time to ensure continuous and sustainable value creation; and
- Establishes the financial policies and management actions necessary to optimize the value that a company derives from its business.

As the reader will understand from the definition, corporate strategy is a broad and deep discipline that requires a company-specific analysis. However, with the idea of enriching the corporate strategy of companies in the context of the *Embedded Insurance* business opportunity, the main current and future growth strategies and their growth models (organic and/or inorganic) will be developed. Additionally, the appropriate corporate strategies will be assigned in order to extract additional value to that calculated in Chapter 6: Analysis of the Opportunity by increasing the growth potential, profitability, and/or reduction of business risk.

8.1 GROWTH STRATEGIES AND MODELS

The following is an analysis of the different attacking and defensive growth strategies that have been deduced from the analysis that was performed as well as the current and future growth models in view of the business opportunity represented by Embedded Insurance.

Note that the analysis is based on current market realities and those that the author foresees as this business thrives in a rapidly changing competitive environment. The most likely actions based on the author's analysis are highlighted in bold.

Table 11. Attacking and Defensive Strategies by Role and Growth Model

Role	Attacking strategy	Defensive strategy	Growth model	
			Current	Future
Distributor	• **Create your brokerage and/or underwriting agency (MGA) to create a differential value offer and sell it to your clients.** • Registration as a complementary mediator (figure plus, i.e. premiums not exceeding EUR 600)	• Basic model or Embedded 1.0 through distribution agreement.	• **Exclusive or non-exclusive alliance with orchestrator.**	• **Acquisition of orchestrator** • Internal **development** • JV with manufacturer
Orchestrator	• **It creates its brokerage and/or underwriting agency (MGA or MGU) to create a differential value offer and make it available to distributors and their customers.**	• Not applicable given that the orchestrator is born as a disruptor in the market.	• **Alliance with distributor and manufacturer on an exclusive or non-exclusive basis**. • Customer/supplier agreement with manufacturer. • Customer/supplier agreement for an AMS with an MGU.	• **Acquisition of orchestrators to acquire capabilities**. • **Acquisition of brokerages with exclusive distribution agreements with distributors**

				• Acquisition of small insurers
Manufacturer-Insurer	• Create a start-up (brokerage and/or MGA) with a new technology platform or partner with an orchestrator. • **Invest as an industrial partner in the capital of an existing orchestrator**.	• **Evolve the business line from agreements/partnerships and partnerships to Embedded 2.0 supported by an alliance with an orchestrator.**	• **Acquisition of orchestrator**. • Alliance with exclusive orchestrator.	• JV with distributor.
Manufacturer-Reinsurer	• Invest as an industrial partner in the equity of an orchestrator	• **Risk sharing in its different modalities (proportional or non-proportional)** • **Invest as a financial partner in the equity of an orchestrator**	• **Acquisition of orchestrator** • Alliance with non-exclusive insurer	• JV with distributor and insurer

8.2 VERTICAL INTEGRATION[69,70,71,72]

Vertical integration is the integration of the different parts of the value chain of a business under a single owner to obtain an incremental benefit that is greater than all of those parts considered separately. This corporate strategy has the following advantages and disadvantages.

- **Advantages:**

[69] **Book:** Singh, H. (2022): "Competitive and Corporate Strategy". Wharton University of Pennsylvania.

[70] **Book**: Buzzell, R. D. (1983, January 1). Is Vertical Integration Profitable? Harvard business review. https://hbr.org/1983/01/is-vertical-integration-profitable

[71] **Book**: Hayes, R. H., & Abernathy, W. J. (2007, July 1). Managing our way to economic decline. Harvard business review. https://hbr.org/2007/07/managing-our-way-to-economic-decline

[72] **Book**: Porter, M. (1980): "Competitive Strategy", Chapter 14.

- ✓ Reduced operational costs through the application of economies of scale, scope, control and reporting, distribution, and certainty.
- ✓ Greater control over the quality of the product/service.
- ✓ Secure supply.
- ✓ Generates barriers to entry for new entrants.
- ✓ Access to innovation.

- **Disadvantages:**

- ✓ Significant investment of resources with impact on the cost of capital.
- ✓ Need to adjust production to changes in demand.
- ✓ Potential regulatory conflicts

Finally, the organic, hybrid (agreement, alliance or JV), or acquisition model can be used as a developmental model.

Therefore, having gained a general understanding of the concepts, the following is an analysis of possible vertical integration movements (forward or backward), what would be the catalyst for it, and what value chain objectives it could pursue.

Note that, although some market movements are timidly taking place, it is likely that a wave of corporate role moves will be experienced for those who want to lead the market once the business opportunity begins to consolidate.

Table 12. Analysis of vertical integration strategies by role

Role	Type of vertical integration	Growth mode	Catalyst	Value Chain Objective *(ordered from highest to lowest priority)*
Orchestrator	• Forward or backward vertical integration.	• Inorganic • Hybrid	• Need to control intermediaries (i.e. brokers or underwriting agents) to accelerate distribution, especially in international development in the short term. • Differentiation of the value proposition to the	• Brokers or Underwriting Agents • Small insurers

			distributor from other competitors to achieve economies of scale and increase customization.	
Insurance	• Vertical forward integration	• Inorganic • Hybrid	• Not to lose relevance to customers and alliances, partners, and agreements. • Diversification of business sources. • Participation in new sources of growth.	• Orchestrators-Partner

Finally, this strategy does not achieve its full global potential if it is not framed within the possibilities offered by vertical integration as a key strategy for international development which will be developed in Chapter 10, Internationalization strategy.

8.3 DIVERSIFICATION[73]

The objective of the diversification strategy is to broaden the potential market in which the company operates of which there are three types:

- **Horizontal.** When new products or services are acquired or developed that are complementary to the value offer.

- **Concentric.** One that has synergies generated from the operational perspective.

- **Conglomerate.** When the products or services are totally different from the value offer.

The diversification strategy has the following advantages and disadvantages:

- **Advantages:**
  - ✓ Providing new sources of growth by participating in new markets.
  - ✓ Diversify risks by obtaining greater stability in the company's business and profit figures.

[73] **Book:** Singh, H. (2022): "Competitive and Corporate Strategy". Wharton University of Pennsylvania.

- ✓ Increasing the profitability of the owner node by sharing resources and capabilities through the application of economies of scope, control and information, distribution and certainty or by generating a framework of greater competitive tension between the different business units.

- **Disadvantages:**
  - ✓ Significant immobilization of economic resources.
  - ✓ Reduced flexibility and agility in the face of market changes.
  - ✓ Agility in management.
  - ✓ Coordination and governance complexity to implement economies of scope in an executive manner.
  - ✓ Reaching the optimum of diversification to generate value[74] .

Having stated that, as in the previous opportunity, as the business opportunity consolidates, different movements for each of the roles will be ascertained.

Table 13. Analysis of diversification strategy by role

Role	Type of diversif.	Growth mode	Catalyst	Value Chain Objective *(ordered from highest to lowest priority)*
Distributor	• Horizontal	• Organic • Hybrid • Inorganic	• Strategic attribute in the customer relationship model. • Differentiation of the value offer to the customer mainly in terms of price-quality or costs (for quality, a high margin may not compensate for the cost of capital). • Related diversification strategy to gain more margin.	• Orchestrator - Partner • Insurance
Orchestrator	• Horizontal • Concentric	• Inorganic • Hybrid	• Differentiation of the value proposition to the distributor from other competitors in markets where service delivery is paramount to the customer.	• Assistance companies • Orchestrators - Platform-as-a-Service

[74] **Book**: Palich, L. E., Cardinal, L. B. and Miller, C. C. "Curvilinearity in the Diversification-Performance Linkage: An Examination of over Three Decades of Research". Strategic Management Journal 22 (2000): 155-74.

			• Purchase of differential technology to differentiate the operating model.	
Reinsurer	• Horizontal or Conglomerate	• Inorganic • Hybrid	• Faced with the erosion of margins due to natural catastrophes[75]. • Reinsurers tend to diversify their business.	• Orchestrator - Partner • Orchestrator - Manufacturer • Distribution

8.4 RECOMMENDATIONS FOR AN EFFECTIVE IMPLEMENTATION OF THE DIVERSIFICATION AND VERTICAL INTEGRATION STRATEGY

The following recommendations are made for managers who choose to implement the vertical integration and/or diversification strategy.

- **Alignment of the value proposition with the investment and cost of capital.** It is crucial to implement a verticalization and/or diversification strategy whereby the value proposition aims to gain a competitive advantage over the customer and not just as a simple financial exercise. Without this prior reflection, it may be found that the implementation of this strategy destroys value.

  When the customer is searching for a price-quality or cost-differentiation value proposition, vertical integration is more likely to be successful than a differential value proposition (based on differentiation attributes such as quality). The rationale is that, if the value proposition rests on extensive supply chain margins and not so much on production, a backward vertical integration operation will generate value destruction in terms of cost of capital. On the other hand, a differential value offer enriches the value proposition with additional products/services that increase the value perceived by the customer due to the legitimacy of the relationship with them.

- **Competitive concentration and market maturity.** One of the great opportunities of vertical integration is to find mature markets where a significant market share can be controlled as it allows extracting greater value both in price control towards the customer and in the operation. Failure to do so implies a significant increase in the likelihood of failure in value generation.

[75] **Book:** Reber, C., Moore, N., Troitzsch, R., Palmer, J., Corradi, D., and Bohrmann, J. (2022): "The 2022 Insurance Value Creators Report". BCG

In the case of the diversification strategy, this may or may not be the case as the catalyst in this case is the need to expand markets or diversify risks to increase value.

- **Consideration of alternatives.** When considering vertical integration or diversification, it is important to understand whether there are alternatives that can bring the benefits of such strategies without tying up large capital costs or sacrificing flexibility in the value proposition. For example, using long-term strategic alliances executed through contracts can extract value from vertical integration or diversification in many cases (i.e. typical of the food retail world).

- **Pursuing operational efficiency. A** continued commitment to the pursuit of operational efficiency[1] in both strategies is essential to further enhance the value of the operation.

  For example, vertically integrating a factory and applying outsourcing/offshoring measures for certain processes does not dilute the ability to control the quality of the operation if the exercise of differentiating processes (those that are key to the customer relationship vs. low value) has been done well and control is maintained in the appropriate manner (i.e. comprehensive understanding of the processes and control through strong SLAs).

- **Limits.** There is a greater likelihood of success when vertical integration is end-to-end as opposed to partial or cold integrations (taking a minority stake, loans, collaborations between value chain agreements, i.e. cross-selling, etc.).

  On the other hand, regarding a diversification strategy, there is a threshold at which diversification does not add value or reduce risk versus the cost of capital. It is also worth noting that the diversification strategy does not necessarily seek to share resources to extract synergies. It is possible, as mentioned above, that the application of the diversification strategy serves to stress the different businesses to determine who will be the winner, not sharing resources because they are separate companies, and generating more value by competing with each other for the same market (i. e. this could be the situation if an insurance company has a different business). This could be the situation if an insurer chooses to develop the *Embedded Insurance* opportunity within its Alliances, Agreements and New Partners Business Unit and invests in Venture Building or Corporate Venture Capital to seize the opportunity at the same time. This situation has happened in the past when insurers have attacked the digital channel from their CORE business and created their specialist direct units in the same market).

- **Monitoring the strategy and the value generated.** Cautiously monitoring the value added in the customer value proposition and the "mark-to-market" of integrated companies' accounts with appropriate cost analytics is essential for understanding whether the profitability of the operation is above the cost of capital.

- **Management and specialist teams.** For a vertical or diversification strategy to be successful, it is essential to have the proper management teams and specialists as it requires specific skills and abilities. Having a management and work team that is capable of working and achieving excellence in one part of the value chain (i.e. manufacturing) does not imply that it has the capabilities to manage others (i.e. distribution) or other different businesses. Therefore, this is a significant risk that must be taken into account in order for the integration operation to bring the expected benefits.

- **The coexistence between vertical integration and diversification and the sale of products/services on the open market generates value.** The fact that a company is vertically integrated or diversified does not imply that it cannot sell its products/services to the open market and generate greater added value by selling extra and maximizing economies of scale or scope or even that the different business units compete with each other.[76]

  - ✓ Sales. As long as the products or services are sold to other non-threatening competitors and differential competitive advantages are maintained.

  - ✓ Operating Model. Provides greater flexibility and exploitation of economies of scale (i.e. avoids bottlenecks) by having the opportunity to open up to greater demand.

[76] **Book:** McKisney Quarterly, (2020): "Using ecosystems to reach higher: An interview with the co-CEO of Ping An". McKinsey

8.5 CONCLUSIONS

Value chain players are adopting both offensive and defensive growth strategies to secure their competitive positioning. The tension between the orchestrators-partners that arises when both wish to control the insurers' value chain and the insurers' ambition to assume control over the orchestrators' position via organic development or equity investment (i.e. acquisition of Trov by Travellers) is accentuated. On the other hand, distributors will vertically integrate backwards by taking control of the entire value chain (e.g. Tesla or Apple), and reinsurers will diversify business risk by taking a financial position in shareholding and assuming underwriting risk (e.g. Swiss Re).

As the market consolidates, it is believed that the strategy of vertical integration and diversification will be essential to add additional value to a business (in terms of growth, profitability, or risk reduction) through a more customer-facing value proposition and a much more efficient end-to-end operating model. However, during the execution of this strategy, the author has made a number of recommendations to extract the desired value.

In addition, a number of effective recommendations for successful implementation have been made to managers. These include aligning the value proposition with investment and cost of capital, considering competitive concentration and market maturity, exploring alternatives, seeking operational efficiencies, establishing clear boundaries in strategy, and closely monitoring the value that is generated. In addition, it is essential to have the right management team and specialists and not forgetting that vertical integration or diversification does not prevent a company from selling its products or services on the open market and being able to generate additional value.

9.INTERNATIONALIZATION STRATEGY[77]

This Chapter will complete the strategic vision with the internationalization strategy focusing on the orchestrators' efforts as the most emerging and disruptive role in the value chain. It is important to note that this strategy is a catalyst of the expected growth due to the penetration in the different markets (it materializes the opportunity found in Chapter 6: Opportunity Analysis and reduces the business risk due to regional diversification (reducing the probability of bankruptcy).

Having stated that, for examining the following areas in this business, these aspects will be analysed:

- **Development model.** The current typology of international development according to the competitive advantages of the orchestrators' value chain.
- **Entry model.** What current entry model in the different markets is being implemented.
- **Sequence of development.** What sequence of development is currently being implemented.
- **Legal forms:** Which legal formula is the most appropriate to accompany the objective development sequence.

Finally, the conclusion will focus on the suitability of the current model and its future evolution.

From a methodological perspective, this has been done using the quantitative and qualitative information collected during the analysis of the competitive strategy.

[77] **Book:** Guillén, M. (2022): "Managing a Global Firm". Wharton University of Pennsylvania.

10.1 DEVELOPMENT MODEL

First of all, it is important to highlight the importance of implementing an internationalization strategy in order to identify the primary activities in the value chain that are key to a solvent competitive positioning in the market. Without this reflection exercise, any internationalization strategy is doomed to fail.

That stated, three models of international development can be theoretically distinguished (they can be combined with off-shoring strategies):

- **Vertical.** One that selects a specific set of parts of the value chain.
- **Horizontal.** One that fully replicates the value chain in all markets.
- **Hybrid.** One that replicates a vertical or horizontal development according to the market.

Based on the value chain analysis, it can generally be concluded that the current international development model is one of vertical integration but is deployed as a partial model with the following main activities being implemented:

Table 14. Analysis of the orchestrators' internationalization model

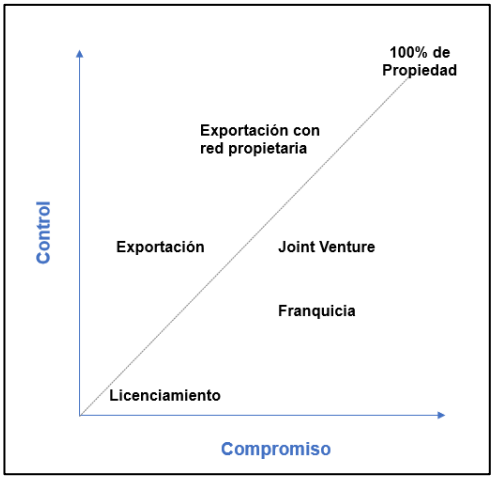
Primary Activity	Role		
	Orchestrator		Conclusions
	Platform	Partner	
Customer, product and brand development	X	X	Partially deployed in the local market with business development teams working simultaneously in several geographic areas in Europe.
Distribution	-	-	No distribution network.
Subscription	-	X	It implies having a material ability to modify risk conditions in the local market; this is typically identified for underwriting agencies (MGA).
Service provision	-	X	Partially developed in the local market; they have the capacity to be underwriting agents (MGA). However, the service provision is purely compensatory.
Customer service	-	-	Depends on the distributor
Investment Management	-	-	Not applicable
Coinsurance and reinsurance	X	X	Understood in an MGA model as the relationship with the insurer(s).
Technology	X	X	There are one or more international hubs (international shared service centres) serving all local markets with small teams that travel to local markets to do specific implementations. These are actually the most relevant parts of the value chain and are exported to the markets.
Data	X	X	

10.2 ENTRY MODEL

There are numerous entry models that vary according to the degree of the value chain's control of the core activities to be developed in the local market and the degree of investment commitment.

A matrix with the different models is shown below:

Illustration 7. International market entry model



From the analysis, it can be concluded that the orchestrators generally use the export entry model. That is, they have developed a new business model in their local markets and seek to replicate or extend it to other local markets with a high level of control by the parent company with a controlled investment risk.

The rationale for such a model is based on the following:

- **Control.** As mentioned above, technology and data capabilities over which there is full control in the international hub/s with some customization of the protection solution if done in a partner (MGA) format are primarily exported.
- **Commitment.** Investment in the local country is limited in the absence of its own distribution network.

Characterizing the export model, it can be stated that it is the least complex model of international development and not necessarily optimal for penetrating the target market (image, customization, etc.). In addition, it can be concluded from the analysis that there are currently no relevant movements of vertical integration (i.e. probably due to the maturity of the business).

10.3 SEQUENCE OF DEVELOPMENT

Conceptually, there are two types of development that are characterized by five dimensions:

Table 15. International development sequence typologies

Typology	Dimension				
	Need for local adaptation	Willingness to purchase solution	Competitive dynamism	Economies of scale	Entry barriers
C-shaped - accelerated	Baja	High	Short	High	Baja
S-shaped - traditional	High	Under	Long	Small	Altas

Analysing the behaviour of the sample, it can be concluded that companies are assuming a C-shaped development sequence. However, when examining the different dimensions framed within the insurance business development, the sequence is not so evident and appears to be more like a hybrid model.

Table 16. Analysis of the sequence of international development of orchestrators

Dimension analysis	Evaluation and rational	
	Evaluation	**Willingness to purchase solution**
Need for local adaptation	Media	• Protection solutions are currently highly standardized (except in the customer experience) with a greater need for customization to differentiate from both competitors and non-traditional distributors.
Willingness to purchase solution	Under	• It is still an emerging market without significant demand.
Competitive dynamism	High	• It is still an emerging market without significant demand. There are many new start-ups (considering the size of the market) competing for European and local market leadership.
Economies of scale	High	• Coincident.
Entry barriers	Media	• Need for local adaptation (i.e. operational adaptation to insurance legislation). • Insurers want to remain in control of their agreements/partnerships. • Resistance from traditional intermediaries putting pressure on insurers.

Later, in the conclusions, together with the rest of the variables of analysis of the internationalization model, it will be analysed what this means.

10.4 LEGAL FORMS[78,79,80,81,82]

To maximize the value of the internationalization strategy effectively and efficiently, it is necessary for the orchestrators to choose the legal formula that is most appropriate for the development model, the entry model, and the entry sequence.

This Chapter focuses on the most common legal formulas being used by orchestrators in Europe, with a particular focus on the AMSs and the MGUs:

- **Underwriting Agents (MGA).** The underwriting agency is not an insurance intermediary but the insurer(s) direct distribution instrument as it does not directly assume the risk (i.e. normally there is only one for reasons of operational simplicity). In addition, the underwriting agency can operate directly with the insurer(s) through a parent, subsidiary, branch, or free provision of services model.

  The characteristics of the Subscription Agency facilitate the development of the orchestrator-partner business model in the following manner:

  - ✓ It gives legal capacity to the model so that the business is able to personalise protection solutions to the client's needs and to provide a differential service due to the delegation of capacities made by the insurer without being one of them.
  - ✓ There is greater control of the operation compared to other legal formulas (i.e. brokers).
  - ✓ It allows competing effectively with insurers in this new market because of the extensive powers of delegation.
  - ✓ Although it needs to be accepted by the regulator, the requirements for acceptance are less restrictive than those for an insurance company.
  - ✓ It is a legal model that is combinable with different options (i.e. brokers).
  - ✓ There is a focus on vertical forward and backward integration with the objective of fundamentally competing with insurers or other MGAs.

[78] **Legislation:** Insurance Distribution Directive 2016/97 of 20 January 2016 and DIRECTIVE 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).

[79] **Reference:** RiskPoint (2023). What is an underwriting agency? -. Riskpoint.eu. Retrieved on November 2, 2023, from https://www.riskpoint.eu/es/about/what-is-an-mgu/

[80] **Reference:** Lightico (2023). Managing general agent vs managing general underwriter. Retrieved on November 2, 2023, from https://www.lightico.com/blog/managing-general-agent-vs-managing-general-underwriter/

[81] **Reference:** Ayaxsuscripcion.com (2023). Subscription Agency. Retrieved on November 2, 2023, from https://www.ayaxsuscripcion.com/agencia-de-suscripcion/

[82] **Reference:** ProWriters (2023). Managing general underwriter. Retrieved December 3, 2023, from https://prowritersins.com/services/digital-insurance-distribution/mgu-insurance/managing-general-underwriter

- **MGU (Managing General Underwriter).** An MGU is a figure specific to Anglo-Saxon law and is assimilated to an underwriting agent in the EU. It is a specialist figure who provides the operational model necessary to support the operation of agents (i.e. marketing, issuing, billing, claims, management, premium collection, risk management, etc.). Stated otherwise, they are in charge of the entire insurance operation behind the sale of a policy.

  This legal form is ideal for orchestrators-technology platform for the following reasons:

  - ✓ It is perfectly adapted to the needs of its potential clients, agencies, and insurers.
  - ✓ There are fewer competitive tensions in working with MGAs and insurers as customers rather than competitors. Their aspirations for vertical integration are lower and focus on the two key aspects of technology and data.
  - ✓ They allow deploying the insurance opportunity with a high "Time To Market" without substantial investments by operating primarily on a commission or fee basis.
  - ✓ They are specialists in providing customized solutions for their clients under risk control.

- **Brokers.** It is common to find orchestrators who are both brokers and MGAs. This option is primarily due to the need to order the business activity according to the appropriate legal form as some underwriting agents were taking a position as distributors which is an action prohibited by law and on which the regulator has been clear and is proactively taking action to intervene.

10.5 CONCLUSIONS

It has been observed that the orchestrators' internationalization strategy pursues an action plan of partial verticalization for which their entry into the various markets employs an export model, opting for a very rapid sequence of development with the objective of taking a dominant position in most markets. The most commonly used legal forms accompanying this development are the MGA, MGU, and brokers.

However, based on the analysed sample, a certain degree of decoupling between entry sequence and market maturity that puts this strategy at risk because it assumes two assumptions can be ascertained:

- **The markets are highly homogeneous.** Regarding this first hypothesis, it has been concluded in the analysis of the insurance context that this is not the case and that the insurance market is local in nature. In fact, and due to the nature of non-traditional distributors, they will increasingly need more customization in accordance with the evolution of their CORE (i.e. retail) value offer.

- **The distance[83] between the domestic market where the orchestrators operate and the international markets is small.** It can be concluded that the distance between the Anglo-Saxon, Asian, and European markets (the main markets with the optimal combination of growth, depth and profitability) is not nearly yet united (i.e. especially with the current geopolitical tensions between China and the United States/Europe). This element is particularly striking because the largest and most promising orchestrators come from Asia or have one or more shareholders in Asian companies (i.e. Japan).

Based on this evidence, therefore, the author expects the growth of this market at the international level to be accelerated at first. However, at some point, it will need to adjust to local needs for a while in order to continue to grow exponentially (in those markets in which depth and profitability justify it). In such a case, the internationalization strategy will have to shift towards a more aggressive vertical integration or even horizontal integrations (i.e. insurance company) may be seen, the entry model will have a greater level of commitment (i.e. local distribution network with a branch or subsidiary) and, therefore, the entry sequence will be hybrid (between a "C" for accelerated growth and an "S" adhering to an international model).

[83] **Definition:** understood as the difficulty of entry into a country in terms of legal, social, demographic, economic, political, cultural, regulatory, geographic, and linguistic.

Additional evidence of this movement can be found in the change of expectations that investors have had towards insurtechs in recent years. They have suffered strong punishment in valuation produced not only by valuations that are more demanding due to the change in interest rates but also by the inability to achieve technical profitability and stabilize operating expenses.

10. RISKS TO MANAGE

At this point, the opportunity, the value offer, and the necessary capabilities and strategies for corporate development and internationalization have been analysed. It is now imperative to accompany the analysis with a survey of the risks with the greatest potential impact that must be taken into account by the managers of this opportunity in order to establish the appropriate mitigating actions that will allow them to achieve the desired business success.

This section lists the most relevant risks to be addressed by company managers using the analysis that has been performed of the companies and the author's experience in distribution sectors such as telecommunications and banking as a sample.

The primary conclusions of the analysis are as follows (for further details, please see section 12.7. Table of business risk analysis by role).

- **Legitimacy and control of the customer relationship.** There is a risk of losing legitimacy and control over the customer relationship due to disintermediation in the value chain. It is higher for insurers which suggests that they should be particularly careful in this respect, especially those insurers that are committed to a customer-centric strategy.

- **Coordinated implementation of innovative capabilities.** The implementation of innovative and disruptive capabilities requires coordination of all actors in the value chain. This represents a significant risk for all roles, especially for orchestrators who must lead this coordination.

- **Risk standardization**. For a risk to be insurable and profitable, it must meet certain standardization requirements. This risk is higher for insurers and reinsurers which indicates the importance of properly managing the homogeneity of risks.

- **Economies of scale and localization.** Achieving sustainable cost structures and developing geographic specificities are challenging, especially for orchestrators that must operate in multiple geographic locations.

- **Growth, profitability, and risk aversion.** Achieving exponential growth rates and profitability above the cost of capital entails high risk for all roles in the value chain.

- **Channel conflict.** Traditional distributors (brokers and agents) may resist or react in their relationship with insurers of this new business model.

- **Leadership and talent.** Having the right leadership and talent is essential, but it is especially challenging for insurers and reinsurers.

- **Culture and values.** Alignment of culture and values with strategy is critical for success. This risk is particularly high for insurers and reinsurers.

- **Work methodology and processes.** The lack of agile working methodologies and adequate processes may represent a risk in the implementation of this business model that has a high *time to market*. It is especially significant for insurers and reinsurers that are not yet adapted to this working model.

- **Adaptation.** The ability to transform the business model as the opportunity evolves is crucial for all actors.

- **Regulatory compliance.** Compliance and regulatory compliance is a high risk for all roles, and regulation is expected to evolve more slowly and may decelerate the development of the opportunity.

Having listed the most relevant risks and gained a more comprehensive understanding of the challenges that accompany a large business opportunity, it can be concluded that this business opportunity will require an immense degree of skill and training for managers and teams as well as a prudent maturity time to be successful.

11. CONCLUSIONS

In summary, this master's thesis has provided a comprehensive and detailed overview of the business opportunity represented by *Embedded Insurance* in the European market. The main conclusions are the following:

- **Digital business models.** Highly digitized business models have been identified within the insurance sector that stand out for their ability to adapt quickly to customer needs. These companies not only outperform their competitors but also experience significant profitable growth that far exceeds the cost of capital. Their success is based on new operational approaches that include highly efficient processes, people, tools, and organizational models.

- **Customer relationship model.** *Embedded Insurance* represents a significant change in the way insurance is conceived and delivered thereby providing opportunities to personalize, enhance, and expand the customer relationship model by addressing key aspects such as convenience, values, purpose, and presence in an omni-channel model. This leads to a growing demand, improved conversion rates, and increased cross-selling that all support substantial business growth.

- **Market growth.** The current *Embedded Insurance* market in Europe represents almost 1% of the overall insurance market with a value of approximately USD 18 billion. This market is projected to reach USD 436 billion by 2032 with a split of USD 179 billion for Non-Life and USD 257 billion for Life. These projections vary between countries due to expected growth rates and levels of digitization.

- **Profitability.** A positive underwriting and investment results of 15% for Non-Life and 4% for Life is expected. These results are based on the implementation of key improvements such as technical sophistication, process automation, anti-fraud management, and a reduction of distribution costs as a result of disintermediation. There is also a decrease in administration expenses due to the use of technology that is more modern and the application of data.

- **Probability of failure and break-even point.** *Embedded Insurance* has been identified as high risk with a probability of bankruptcy estimated at a maximum of 60%. The break-even point is expected to be reached between 5 and 8 years.

- **Competitive strategy.** The author has provided a competitive strategy framework to address the *Embedded Insurance* market. This includes defining the competitive positioning (focus or niche

strategy), designing the value proposition strategy, identifying key attributes for success (accessibility, time to market, scalability, speed, simplicity, and full compliance), validating the viability of the value proposition (SPACE methodology), and reiterating the importance of complying with personal data protection regulations for which anonymization is crucially relevant. Additionally, the change in the insurance value chain is accentuated where technology and data are considered as primary rather than secondary activities.

- **Corporate strategy.** Value chain players are adopting both offensive and defensive growth strategies in order to secure their competitive positioning. The tension is emphasized between the orchestrators-partners to control the insurers' value chain and the insurers' ambition to take over the orchestrators' position via organic development or equity investment (i.e. acquisition of Trov by Travellers). On the other hand, distributors will vertically integrate backwards by taking control of the entire value chain (e.g. Tesla or Apple), and reinsurers will diversify business risk by taking a financial position in shareholding and assuming underwriting risk (e.g. Swiss Re).

  As the market consolidates, it is believed that the strategy of vertical integration and diversification will be essential for adding more value to the business (in terms of growth, profitability, or risk reduction) through a more customer-facing value proposition and a much more efficient end-to-end operating model. However, during the execution of this strategy, the author has made a number of recommendations for extracting the desired value (for more details, please refer to Chapter 8.4 Recommendations for an effective implementation of the diversification and vertical integration strategy).

- **International strategy.** During the research, it is suggested that initial growth may be rapid however, it may be necessary to adapt to local needs as the market expands. Therefore, the current internationalization strategy may require a greater level of depth such as creating local branches or subsidiaries rather than lighter models such as the MGA or the MGU. It also highlights the importance of considering a hybrid entry strategy combining accelerated growth approaches and the traditional one. Failure to do so can lead to over-investment and thus failure as the market does not develop at the expected pace.

- **Risks to be managed.** It is recognized that the business opportunity in *Embedded Insurance* is promising but also carries significant risks. Success in this evolving market will require strong leadership, coordination, adaptation, and cultural management. In addition, it is emphasized that it will take time for demand response to be as expected and for regulation to adapt nimbly to customers’ and businesses’ needs.

Finally, the author hopes that the findings and recommendations presented here will contribute to the understanding of a dynamic and evolving business opportunity with the potential to reshape the insurance industry in Europe and beyond. He also hopes to have added value to future research discussions and actions by managers in this exciting field of *Embedded Insurance*,

12. ANNEXES

12.1 TABLES

12.2 ILLUSTRATIONS

12.3 MARKET SIZE ESTIMATION METHODOLOGY[84,85,86]

The following methodology was used to make the projection:

- **Embedded Insurance market size in 2022.** The current base of the *Embedded Insurance* market in Advanced Europe has been calculated by applying 1% to the total premiums earned in 2022 (USD 1,820 billion in total) resulting in a market size of USD 18.2 billion.

- **Calculation of market share by country and projection.** The 2022 market size of the *Embedded Insurance* market has been apportioned taking into account the market share of each of the Advanced Europe countries at the end of 2022 for each of the Lines (it is assumed that this business is more developed in deeper and more liquid markets). Subsequently, the market share to 2032 has been projected taking into account the following levers:

  - ✓ **Embedded Insurance** Growth**.** A $CAGR_{2023-2031}$ is assumed for each of the countries based on their historical GDP 2004-2020 (a long period has been taken to avoid distortions in growth by assuming both recessionary and expansionary periods). To the inertial growth of each country, 100 p.p. has been added, attributing part of the closing of the differential between supply and demand in the future to this model.
  - ✓ The *Embedded Insurance* business has a high digital component. As not all countries have the same level of development, not all will be able to grow at the same speed (intuitively, those that are more digital will have a greater expansion in this market). Therefore, a homogeneous indicator has been identified that adjusts the desired growth as the Digital Economy and Society Index (DESI Index) that takes four dimensions into consideration: Human capital trained to carry out digitization, connectivity, technology integration, and digitization of public services. To apply this adjustment, the sample has been divided into three blocks:
    - ➢ **Those that exceed the mean by one times the standard deviation.** They are allocated an additional 1% growth differential between the supply and demand gap each year ($CAGR_{2023-2031}$ of 32%).

[84] **Book:** Torrance, S. and Leblanc, D. (June 2022): "Embedded Insurance Peer Group Report". Embedded Finance & Super App Strategies

[85] **Book:** Swiss Re Institute (2022). "World insurance: inflation risk front and center". p. 35. Swiss Re Institute.

[86] **Reference:** Digital Economy and Society Index (2023). Shaping Europe's digital future. Retrieved 2 November 2023, from https://digital-strategy.ec.europa.eu/es/policies/desi

- **Above average.** They are allocated an additional ~0.5% growth differential between the supply and demand gap each year ($CAGR_{2023\text{-}2031}$ of 15%).
- **Below average.** No downward correction coefficient is applied due to low sample dispersion.

Each country's share of *Embedded Insurance* in 2022 has been multiplied by its adjusted growth (inertial plus the 1% Embedded Insurance differential) by applying the accelerator coefficient to estimate the market size in 2032.

Finally, to divide the size of the market between Life and Non-Life, the market share at the end of 2022 has been taken and a difference exercise has been done with the total size.

- **Gap analysis.** An analysis of the quotas of each country between the year 2022 and the 2032 result has been carried out with the most relevant conclusions.

12.4 EMBEDDED INSURANCE MARKET SHARE TABLES

Table 177. Life and Non-Life earned premiums and market share by country Embedded Insurance business. Comparison period 2022-2032

Country	*Embedded Insurance* Premiums 2022 *(million $)*	% Advanced Europe	*Embedded Insurance* Premiums 2032 *(million $)*	% Advanced Europe 2032	Δ Quota 2022-2032
United Kingdom	4.098	23%	74.616	17%	-5%
France	3.043	17%	60.291	14%	-3%
Germany	2.831	16%	71.844	17%	1%
Italy	1.976	11%	19.252	4%	-6%
Netherlands	955	5%	34.909	8%	3%
Spain	755	4%	14.458	3%	-1%
Ireland	664	4%	32.199	7%	4%
Switzerland	593	3%	20.310	5%	1%
Luxembourg	496	3%	22.101	5%	2%
Sweden	492	3%	13.304	3%	0%
Denmark	465	3%	27.543	6%	4%
Belgium	455	2%	3.444	1%	-2%
Finland	318	2%	12.628	3%	1%
Norway	269	1%	6.154	1%	0%
Israel	231	1%	5.394	1%	0%
Austria	228	1%	4.715	1%	0%
Portugal	163	1%	2.763	1%	0%
Liechtenstein	62	0%	2.215	1%	0%
Greece	56	0%	482	0%	0%
Malta	36	0%	713	0%	0%
Other	15	0%	0	0%	0%
TOTAL LIFE AND NON-LIFE ADVANCED EUROPE	**18.200**	**100%**	**429.335**	**100,00%**	

Table 18. Non-life earned premiums and market share by country Embedded Insurance business. Comparison period 2022-2032

Country	*Embedded Insurance* Premiums 2022 *(million $)*	% Advanced Europe	*Embedded Insurance* Premiums 2032 *(million $)*	% Advanced Europe 2032	Δ Quota 2022-2032
Germany	1.702	23%	43.198	24%	1%
United Kingdom	1.179	16%	21.472	12%	-4%
France	1.139	15%	22.567	13%	-3%
Netherlands	810	11%	29.610	16%	6%
Italy	477	6%	4.649	3%	-4%
Spain	468	6%	8.951	5%	-1%
Switzerland	336	4%	11.505	6%	2%
Belgium	252	3%	1.912	1%	-2%
Austria	161	2%	3.342	2%	0%
Luxembourg	159	2%	7.102	4%	2%
Sweden	120	2%	3.239	2%	0%
Denmark	117	2%	6.910	4%	2%
Norway	110	1%	2.521	1%	0%
Israel	108	1%	2.529	1%	0%
Ireland	97	1%	4.697	3%	1%
Portugal	69	1%	1.164	1%	0%
Finland	59	1%	2.321	1%	1%
Liechtenstein	41	1%	1.455	1%	0%
Malta	28	0%	562	0%	0%
Greece	27	0%	237	0%	0%
Other	10	0%	0	0%	0%
TOTAL NON-LIFE ADVANCED EUROPE	**7.470**	**100%**	**179.942**	**100%**	

Table 19. Life premiums earned and market share by country Embedded Insurance business. Comparison period 2022-2032

Country	*Embedded Insurance* Premiums 2022 *(million $)*	% Advanced Europe	*Embedded Insurance* Premiums 2032 *(million $)*	% Advanced Europe 2032	Δ Quota 2022-2032
Germany	1.129	11%	28.646	11%	1%
United Kingdom	2.918	27%	53.144	21%	-6%
France	1.904	18%	37.724	15%	-3%
Netherlands	145	1%	5.299	2%	1%
Italy	1.499	14%	14.603	6%	-8%
Spain	288	3%	5.507	2%	0%
Switzerland	257	2%	8.805	4%	1%
Belgium	202	2%	1.531	1%	-1%
Austria	66	1%	1.373	1%	0%
Luxembourg	336	3%	14.999	6%	3%
Sweden	372	3%	10.065	4%	1%
Denmark	349	3%	20.632	8%	5%
Norway	159	1%	3.633	1%	0%
Israel	123	1%	2.864	1%	0%
Ireland	567	5%	27.502	11%	6%
Portugal	94	1%	1.599	1%	0%
Finland	260	2%	10.306	4%	2%
Liechtenstein	21	0%	760	0%	0%
Malta	8	0%	151	0%	0%
Greece	28	0%	245	0%	0%
Other	4	0%		0%	0%
TOTAL NON-LIFEADVANCED EUROPE	**10.730**	**100%**	**249.393**	**100,00%**	

12.5 EFFICIENCY ESTIMATION METHODOLOGY[87,88]

The exercise has been divided into:

- **Non-Life business. The** various efficiency levers have been applied to the combined European market ratio for Non-Life business with these assumptions and sources:
  - ✓ Technical sophistication: 5 p.p. improvement in the claims ratio.
  - ✓ Claims processing[89] : 20% Improved by: higher level of self-service, process automation, and application of AI.
  - ✓ Fraud[90] : 5 p.p. improvement of all claim payments.
  - ✓ Prevention: Assumes the same percentage as technical sophistication.
  - ✓ Acquisition cost[91] :50% improvement on acquisition costs.
  - ✓ Operational excellence[92] : 15% improvement on the administrative expense ratio.
  - ✓ Technological scalability[93] : 21% IT expenses on total expenses and an average efficiency of 30% for technology platform modernization are applied.
  - ✓ Technology cost: Increased overall IT cost due to increased BAU while coexisting with legacy.
- **Life - Savings business. The** different efficiency levers have been applied to the combined European market ratio for the Non-Life business with these assumptions and sources:
  - ✓ Acquisition cost[94] : 50% improvement on acquisition costs.
  - ✓ Operational excellence[95] : 9% reduction on total expenses.
  - ✓ Technological Scalability[96] : - 1% savings on total gross premium expenses.
  - ✓ Technology dyssynergy[97] : Increased overall IT cost due to increased BAU while living with legacy.
- **Life-risk.** Competitive analysis carried out by the author on an international company specializing in VR with technical sophistication and prevention models in place.

[87] **Reference:** Insurance Europe (2023). Retrieved 2 November 2023, from https://www.insuranceeurope.eu/statistics
[88] **Book:** Naujoks, H., Mueller, F. and Kotalakidis, N. (2017): "Bain and Google Digitalization in Insurance Report 2017". Bain.
[89] **Book:** Lansing, J. and Vogelgesang, U. (2021): "Will your insurance IT investment pay off? McKinsey.
[90] **Book:** Catlin, T. and Lorenz, J-T. (2017): "Digital Disruption in Insurance". McKinsey.
[91] **Book:** Torrance, S. and Leblanc, D. (June 2022): "Embedded Insurance Peer Group Report". Embedded Finance & Super App Strategies
[92] **Book:** Lansing, J. and Vogelgesang, U. (2021): "Will your insurance IT investment pay off? McKinsey.
[93] **Book:** DeMaster, B. (2013): "The Digital Insurer: Reducing cost and time to market through life platform modernization". Accenture.
[94] **Book:** Torrance, S. and Leblanc, D. (June 2022): "Embedded Insurance Peer Group Report". Embedded Finance & Super App Strategies
[95] **Book:** Upadek, K., Edelman, C., Kellum, B. and Zefara, L. (2020): "Global Wealth Management Report". Morgan Stanley and Oliver Wyman.
[96] **Book:** Lansing, J. and Vogelgesang, U. (2021): "Will your insurance IT investment pay off? McKinsey.

12.6 METHODOLOGY FOR ESTIMATING THE UNDERWRITING AND INVESTMENT RESULTS

- **Non-Life[98] .** To estimate the profitability of this model, Spain has been taken as the base market on which to project Embedded Insurance. The rationale is that it is one of the primary markets in Europe, demonstrates business with above-average returns, and has a strong banking association which are all elements that can be assimilated to the operating requirements for a business such as Embedded Insurance. In addition, given the diversity of the Non-Life business, two sources of profitability have been differentiated**:**

  ✓ **Claims ratio** which is subsequently divided into two levels:

  - **CORE** that contributes 70% of the profitability based on a business that reflects the principles of the customer relationship model such as health insurance (high frequency and contained average cost). Therefore, this would be a business with a underwriting and investment results of approximately 4.86% (70% business weight x 6.94% underwriting and investment health results).
  - **Opportunistic:** it is a business with lower frequency and higher average cost that complements CORE with a weight of 1% (i.e. 50% accidents and legal defense) that maintains contact with the client. Here, it would be a business with a potential underwriting and investment results of 9.67% [(15% x 42.17% - underwriting and investment results accidents - +15% (relative weight) x 22.28% - underwriting and investment results legal defense -)].

  Therefore, a model with an underwriting and investment results of 15% could be expected.

- **Life[99] .** For this model, it is preferred to use the investment performance that would be expected from the most developed and advanced markets (G8) in a situation of normalized interest rates applying the potential efficiency gains calculated for both Life-Savings and Life-Risk adjusted by a coefficient of around 4% (3.5% financial result).

[98] **Reference:** ICEA (2022): Historical archive results 2013-2022, ICEA.

[99] **Book:** Swiss Re Institute (2022): "World insurance: inflation risk front and center". p. 30. Swiss Re Institute.

12.7 BUSINESS RISK ANALYSIS TABLE BY ROLE

In the attached table, each risk is assigned a description and the net impact, i.e. the probability of the expected impact assigned to each role. Note that, given the diversity of sectors that may operate in the *Embedded Insurance* business, those considered to be most impacted sectors.

Table 20. *Embedded Insurance* business model risk analysis by role

Risks	Description	Role (Probability x Impact)			
		Distribution.	**Orq.**	**Secure.**	**Reinsurance**
Customer strategy	Losing legitimacy and control of the customer relationship primarily through disintermediation of the value chain.	Under	Under	High	Under
Implementation capacities and coordination actors	Building new innovative and disruptive capabilities in coordination with the different actors. Capabilities mean all of the primary activities of the value chain (for more details, see the following section).	Medium	High	High	High
Standardization of risk	For a risk to be insurable and profitable, it must meet a series of basic premises[100] : ✓ Be homogeneous, both quantitatively and qualitatively. ✓ Be presented in sufficient number and quantity (exhibits) to make it cost-effective in terms of economic means. ✓ Be displayed in such an arrangement that no clumping can occur and consequently result in the simultaneous	Under	Medium	High	High

[100] **Book:** ICEA (2022-2023): Book 1 Master's Degree in Professional Insurance Management p.15, ICEA.

	disappearance of all or most of the exhibits.				
Economies of scale	Achieve a differentiated cost structure that is sustainable over time.	Under	High	Under	Under
Location	Develop specificities explicit to the insurance business in the different geographical locations that transversally affect both the standardization of risk and the achievement of economies of scale.	Under	High	Medium	Medium
Growth, profitability and risk aversion	Achieve the expected exponential growth rates for this business, achieving a return above the cost of capital with an appropriate level of risk tolerance.	High	High	High	High
Channel conflict	Traditional distributors such as agents and brokers will be mainly affected by this model by strongly resisting it or reacting competitively.	Medium	Under	High	Under
Leadership and talent	Having the appropriate leaders and talent in place to mobilize opportunity	Under	Medium	High	High
Culture and values	Without the right culture and values aligned with purpose, any competitive strategy is doomed to failure.	Medium	Medium	High	High
Methodology of work	Having the agile working methodologies to deliver the value proposition in time, form, and quality.	Medium	Under	High	High
Processes and organization	To have the appropriate processes and organization in place to respond quickly and adequately to customer needs.	Under	Under	High	High

Adaptation	Understood as the ability to transform the business model by identifying key priorities and executing them in terms of time, budget, scope, and quality.	Depends on the sector	Medium	High	High
Compliance and regulatory	Regulations should accompany the development of the opportunity in time as well as appropriate compliance of the different actors with the legislation, especially with regard to data.	High	High	High	High

12.8 BIBLIOGRAPHY

- Aizpun, F.C., De Souza Rodrigues, C., Fan, I., Frey, A., Guo, J., Holzheu, Dr.T., Krueger, F., Lechner, R., Raturi, Dr. M., Rischatsch, Dr. M., Saner, P., Staib, D., Tamm, K., Wong, C. (2020): "Global economic and insurance outlook 2020". Sigma Swiss Re Institute.
- Bellizia, N., Corradi, D. and Bohrmann, J. (2022): "The 2022 Insurance Value Creators Report". BCG.
- Bernard, P-I., Nayves, H.C, Binder, S., D'Amico, A. and Strovink, K., Ellingrud, K., Kotanko, B., Klais, P. (2022): "Creating value, finding focus: Global Insurance Report 2022". McKinsey.
- Bernard, P-I., Combles de Nayves, H., Binder, S., D'Amico, A. and Strovink, K., Ellingrud, K., Kotanko, B., Klais, P. (2022): "Creating value, finding focus: Global Insurance Report 2022". McKinsey.
- Buzzell, R. D. (1983, January 1). Is Vertical Integration Profitable? Harvard business review. https://hbr.org/1983/01/is-vertical-integration-profitable
- Capgemini: "World Insurance Report (2020)". Capgemini and Qorus.
- Catlin, T. Chester, A., Goran, J., McConnell, M. and Rutherford, S. (2020): "Transforming the talent model in the insurance industry". McKisney.
- Catlin, T. and Lorenz, J-T. (2017): "Digital disruption in insurance: Cutting through the noise" p. 14 and analysis of the car for the Spanish market.
- Catlin, T. and Lorenz, J-T. (2017): "Digital Disruption in Insurance". McKinsey.
- Catlin, T., Deetjen, U., Lorenz, J-T., Nandan, J., and Sharma, S. (2020): "Ecosystems and platforms: How insurers can turn vision into reality". McKinsey.
- Cover Genius and PYMNTS: "Embeded Insurance Report (2021)". Cover Genius and PYMNTS.
- DeMaster, B. (2013): "The Digital Insurer: Reducing cost and time to market through life platform modernization". Accenture.
- Doherty, R., Kampel, C., Perez, L. Rehm, W. (2023): "The triple play: Growth, profit, and sustainability". McKinsey
- Hayes, R. H., & Abernathy, W. J. (2007, July 1). Managing our way to economic decline. Harvard business review. https://hbr.org/2007/07/managing-our-way-to-economic-decline
- ICEA (2022-2023): Book 1 Master's Degree in Professional Insurance Management (2022-2023), p. 26. ICEA.
- ICEA (2022-2023): Book 1 Master's Degree in Professional Insurance Management, p.15, ICEA.
- Kotanko, B., Münstermann. B, Patiath, P., Ouwerkerk, J., and Vogelgesang, U. (2019): "The productivity imperative in insurance". Mckinsey.
- Lansing, J. and Vogelgesang, U. (2021): "Will your insurance IT investment pay off? McKinsey.
- Guillén, M. (2022): "Managing a Global Firm". Wharton University of Pennsylvania.

- McKisney Quarterly, (2020): "Using ecosystems to reach higher: An interview with the co-CEO of Ping An". McKinsey
- Mitchell, J., Crepon, X., and Carr, M.: "ESG: A growing sense of urgency". PWC.
- Naujoks, H., Mueller, F. and Kotalakidis, N. (2017): "Bain and Google Digitalization in Insurance Report 2017". Bain.
- Naujoks, H., Schwedel, A. and Brettel, T. (2023): "Customer Behavior and Loyalty in Insurance: Global Edition 2023". Bain & Company.
- Old Salty, Little Wing and Google (2019): "The Future of Insurance, UK". Google.
- Open & Embedded Insurance Observatory (2022): "Open and Embedded Insurance Observatory Report 2022".Open & Embedded Insurance Observatory.
- Palich, L. E., Cardinal, L. B. and Miller, C. C. "Curvilinearity in the Diversification-Performance Linkage: An Examination of over Three Decades of Research". Strategic Management Journal 22 (2000): 155-74.
- Porter, M. (1980): "Competitive Strategy: Techniques for Analyzing Industries and Competitors". Touchstone.
- Porter, M. (1980): "Competitive Strategy", Chapter 14. Touchstone.
- Porter, M. (1985): "Competitive Advantage: Creating and Sustaining Superior Performance". Touchstone.
- PYMNTS and Cover Genius (June 2022): "Embedded Insurance report". pag 6. PYMNTS and Cover Genius
- Qorus & Roland Berger (2022): "The Embedded Insurance Opportunity". Quorus & Roland Berger.
- Rachlin, Dr. S., Cassidy, S., Gage, K., Ghamen, E., Boosam, K. and Russignan, K. (2022): "World Property and Casualty Insurance Report". Capgemini Invent.
- Reber, C., Moore, N., Troitzsch, R., Palmer, J., Corradi, D., and Bohrmann, J. (2022): "The 2022 Insurance Value Creators Report". BCG
- Rob Markey (2020): "Why Customer Loyalty Beats Quarterly Earnings". Bain & Company.
- Singh, H. (2022): "Competitive and Corporate Strategy". Wharton University of Pennsylvania.
- Singh, H. (2022): "Competitive and Corporate Strategy". Wharton University of Pennsylvania.
- Stoffelsen, T. and Heinen, M. (2015): "Capgemini Customer Experience Relevancy". Capgemini Consulting.
- Swiss Re Institute (2022): "World insurance: inflation risk front and center". p. 30. Swiss Re Institute.
- Swiss Re Institute (2022). "World insurance: inflation risk front and center". p. 35. Swiss Re Institute.

- Torrance, S. and Leblanc, D. (2022): "Embedded Insurance Peer Group Report". Embedded Finance & Super App Strategies.
- Torrance, S. and Leblanc, D. (June 2022): "Embedded Insurance Peer Group Report". Embedded Finance & Super App Strategies
- Torrance, S. and Merttens, R. (2021): "Insurance to Embed, or not Embedded". Intech London.
- Torrance, T. and Leblanc, D. (June 2022): "Embedded Insurance Peer Group Report". Embedded Finance & Super App Strategies.
- Upadek, K., Edelman, C., Kellum, B. and Zefara, L. (2020): "Global Wealth Management Report". Morgan Stanley and Oliver Wyman.

12.9 REFERENCES

- Aepd.es (2021). Anonymisation and pseudonymisation. Retrieved 2 November 2023, from https://www.aepd.es/es/prensa-y-comunicacion/blog/anonimizacion-y-seudonimizacion
- Ayaxsuscripcion.com (2023). Subscription Agency. Retrieved November 2, 2023, from https://www.ayaxsuscripcion.com/agencia-de-suscripcion/
- Buzzell, R. D. (1983). Is Vertical Integration Profitable? Harvard business review. https://hbr.org/1983/01/is-vertical-integration-profitable
- Crunchbase (2023). Discover innovative companies and the people behind them. Retrieved 2 November 2023, from https://www.crunchbase.com/
- Dealroom.Co (2023). List of Embedded Insurance. Retrieved 2 November 2023, from https://app.dealroom.co/lists/19590
- Embedded insurance survey results (2023). Top 3 takeaways. "50% had already bought Embedded Insurance at least once, at the point-of-sale in a related transaction". Boostinsurance.com. Retrieved 2 November 2023, from https://boostinsurance.com/blog/embedded-insurance-survey-results-what-we-heard-from-consumers/
- Embedded insurance survey results (2023). Top 3 takeaways. "59% they'd be more likely to buy insurance if it were offered digitally, as part of a related transaction. Younger consumers were more likely to be enthusiastic: nearly 70% of respondents aged 18-29 were interested in buying insurance directly through a transaction on a retail website". Boostinsurance.com. Retrieved 2 November 2023, from https://boostinsurance.com/blog/embedded-insurance-survey-results-what-we-heard-from-consumers/
- ICEA (2019). NPS Survey. ICEA
- Galbraith, R., CPCU, CLU, ChFC (2021). Inspiring & Leading Innovation in the insurance industry. EFMA Essential Course.

- González, J., Vila, C., de la Cuesta, B., Fuentes, P., Jausas, A., & Munguía, E. The future of digital bancassurance sales. Adlittle.com. Retrieved November 6, 2023, from https://www.adlittle.com/en/insights/viewpoints/future-digital-bancassurance-sales.
- ICEA (2022): Historical archive results 2013-2022, ICEA.
- ICEA (2022-2023): Master in Insurance Management, Marketing and Sales Management - Jose María Corella (2023), ICEA.
- Digital Economy and Society Index (2023). Shaping Europe's digital future. Retrieved 2 November 2023, from https://digital-strategy.ec.europa.eu/es/policies/desi
- Insurance Europe (2023). Statistics. Retrieved 2 November 2023, from https://www.insuranceeurope.eu/statistics
- AmtrustFinancial (2023). Insurance industry talent crisis. Retrieved November 2, 2023, from https://amtrustfinancial.com/blog/agents/the-aging-insurance-workforce
- Lightico (2023). Managing general agent vs managing general underwriter. Retrieved 2 November 2023, from https://www.lightico.com/blog/managing-general-agent-vs-managing-general-underwriter/
- ProWriters (2023). Managing general underwriter. Retrieved on December 3, 2023, from https://prowritersins.com/services/digital-insurance-distribution/mgu-insurance/managing-general-underwriter
- PYMNTS.com (2021). The embedded insurance report. "Convenience is the top reason consumers would be interested in Embedded Insurance offers and was cited by 49 percent" page 6 | Pymnts.com.
- Qorus and Roland Berger (2022). The Embedded Insurance opportunity. "When customers buy an item and then search separately for insurance, the conversion rate is between 2-3% - if insurance is offered as an add-on in the purchase process, the conversion rate increases to between 20-50%". Founder &CGO of Bsurance, Franz Burner (2022). Qorus and Roland Berger.
- The Open & Embedded Insurance Observatory (2023). Reports - the open & embedded insurance observatory.The Open & Embedded Insurance Observatory - Enabling the Open & Embedded Insurance Ecosystem by Gathering Leading Companies to Network and Collaborate; XKnaqwpk. https://openinsuranceobs.com/reports/
- RiskPoint (2023). What is an underwriting agency? -. Riskpoint.eu. Retrieved 2 November 2023, from https://www.riskpoint.eu/es/about/what-is-an-mgu/
- Staehle, T. (2023). Insurance consumer study shows trends for 2021. "Approximately 7 out of 10 consumers (69%) would share significant data on their health, exercise and driving habits in exchange for lower prices from their insurers, an increase of 19% from two years ago. More consumers (66%) would also share significant data for personalized services to prevent injury and

loss-up 54% from two years ago". Accenture. https://www.accenture.com/ch-en/insights/insurance/guide-insurance-customers-safety-well-being.

- Staehle, T. (2023). Insurance consumer study shows trends for 2021. "Customers are increasingly willing to consider insurance purchases while shopping for other needs. Some 40% would consider buying insurance from a car dealer, for instance, while 30% might choose a retailer or supermarket, and 29% would consider online service providers". This applies across all insurance products, including auto, home, and life". Accenture. https://www.accenture.com/ch-en/insights/insurance/guide-insurance-customers-safety-well-being.
- Stice, S. (2022, August 19). Embedded insurance: a brief overview. Insurance Blog | Accenture; Accenture. https://insuranceblog.accenture.com/embedded-insurance-brief-overview .
- Theinstitutes.org (2012). Millennial Generation Attitudes About Work and the Insurance Industry. Retrieved November 2, 2023, from https://www.theinstitutes.org/doc/Millennial-Generation-Survey-Report.pdf
- Torrance, S. (2020). Linkedin.com. "Embedded Insurance, part of a broader movement towards Embedded Finance, is about getting more affordable, relevant and personalised insurance to people when and where they need it most". Retrieved November 2, 2023, from https://www.linkedin.com/pulse/embedded-insurance-3-trillion-market-opportunity-could-simon-torrance"
- Torrance, S. (2020). Linkedin.com. Retrieved November 2, 2023, from https://www.linkedin.com/pulse/embedded-insurance-3-trillion-market-opportunity-could-simon-torrance
- US Bureau of Labor Statistics and AARP analysis (2021). Bls.gov. Retrieved November 2, 2023, from https://www.bls.gov/opub/mlr/2021/.
- Walker, A. (2022). New research finds 55% of insurance brands see talent shortage. Insurance-edge.net; Insurance Edge. https://insurance-edge.net/2022/09/02/new-research-finds-55-of-insurance-brands-see-talent-shortage/
- Zaballa, N. (2017). 90% of startups fail? Forbes Spain; Forbes. https://forbes.es/empresas/29230/el-90-de-las-startups-fallan/

12.10 LEGISLATION

- Insurance Distribution Directive 2016/97 of 20 January 2016 and DIRECTIVE 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).