

ADVISORY CONSULTING

# THE FUTURE OF EMBEDDED INSURANCE

WILL IT BE A DISRUPTOR  
OR A DISTRACTION?



## A ReSource Pro Research Report

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### ReSource Pro INSIGHTS

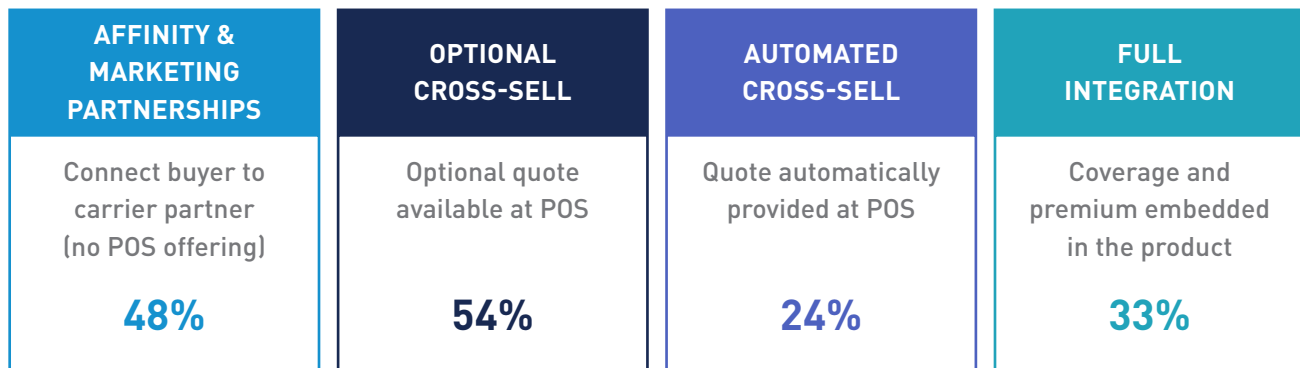
ReSource Pro Insights offers a broad range of research and observations on the insurance industry. We provide substantial studies, analysis, and perspectives on business and technology strategies and plans across the P&C ecosystem, covering retail agencies and brokers, MGAs/wholesalers, carriers, and tech vendors. Our coverage includes distribution, underwriting, policy servicing, billing/payments, and claims business areas, as well as cross-enterprise areas such as strategic initiatives, digital transformation, innovation, customer experience, and talent.

## IS EMBEDDED INSURANCE REALLY SOMETHING NEW?

The concept of embedded insurance has been around for decades. No one really considers warranties or travel insurance innovative, but they are, in fact, representative of a true form of embedded insurance. Yet the term and the concept have taken the industry by storm in recent years, maybe most notably in the media, social media, and industry event universes. Consider that a Google search of the term yields approximately 233 million articles.

With all the noise surrounding embedded insurance, it's unsurprising that there are also varying perspectives on what it means. To gain insight into this question, ReSource Pro recently asked carrier executives for the top two ways they define embedded insurance within their organizations. Figure 1 below shows their responses with the options ordered left to right according to complexity.

Figure 1. How Insurers Define Embedded Insurance Within Their Organizations (Percent of insurers citing)



POS = Point of sale

Source: 2024 Strategic Initiatives Survey (n=56)

As highlighted above, the scope is broad, ranging from affinity and marketing partnerships (least complex approach) to full integration where the coverage and premium are embedded in the product (most complex approach).

Resource Pro defines embedded insurance a bit differently in an attempt to bring clarity to the concept:

### ReSource Pro's Embedded Insurance Definition

Insurance purchased in conjunction with a related non-insurance product or service during the same customer experience.

Two key differentiation points set embedded insurance apart from more traditional insurance distribution. First, the insurance solutions are integrated into non-insurance products and services. Second, the purchase is made as part of the same customer experience (via the same or a secondary transaction). Let's look at personal auto insurance as an example. Traditionally, consumers buy their new vehicle from a dealership and then purchase their auto insurance separately via an insurance carrier, agent, broker, or an online insurance marketplace. With embedded auto insurance, the process is rooted in the car-buying experience – the consumer has the opportunity to buy their insurance through the dealership. Regulation remains one of the barriers to the insurance purchase being bundled into the cost of the vehicle.

With the full integration approach, the insurance coverage and premium are bundled into the cost of the non-insurance product or service. It is not an optional add-on. While less common than other embedded approaches, full integration is used with adjacent insurance products and some micro-risks. Major vacation rental companies provide host liability insurance as a fully integrated solution. There is no separate purchasing decision or premium charged. Instead, the coverage is automatically established when a property is rented at no additional cost to the owner or renter.

Having defined and explored the different approaches to embedded insurance, the remainder of this report will take a closer look at the following questions:

1. Why has embedded insurance become so popular in recent years?
2. What approaches is the industry currently taking?
3. What does the future look like for embedded insurance solutions?
4. Will this approach disrupt insurance distribution, or will its scope be limited?

Broadly speaking, ReSource Pro's view on the final question is that embedded insurance will fall somewhere in the middle of the transformation continuum. But this is a large chasm, so we will also provide our predictions for how embedded insurance will affect different lines of business, the scope of adoption, and the trajectory we may expect in terms of industry impact.

As part of our analysis of the future of embedded insurance, we will look ahead to 2030 and provide predictions on the adoption of embedded insurance solutions across key industry segments and lines of business.

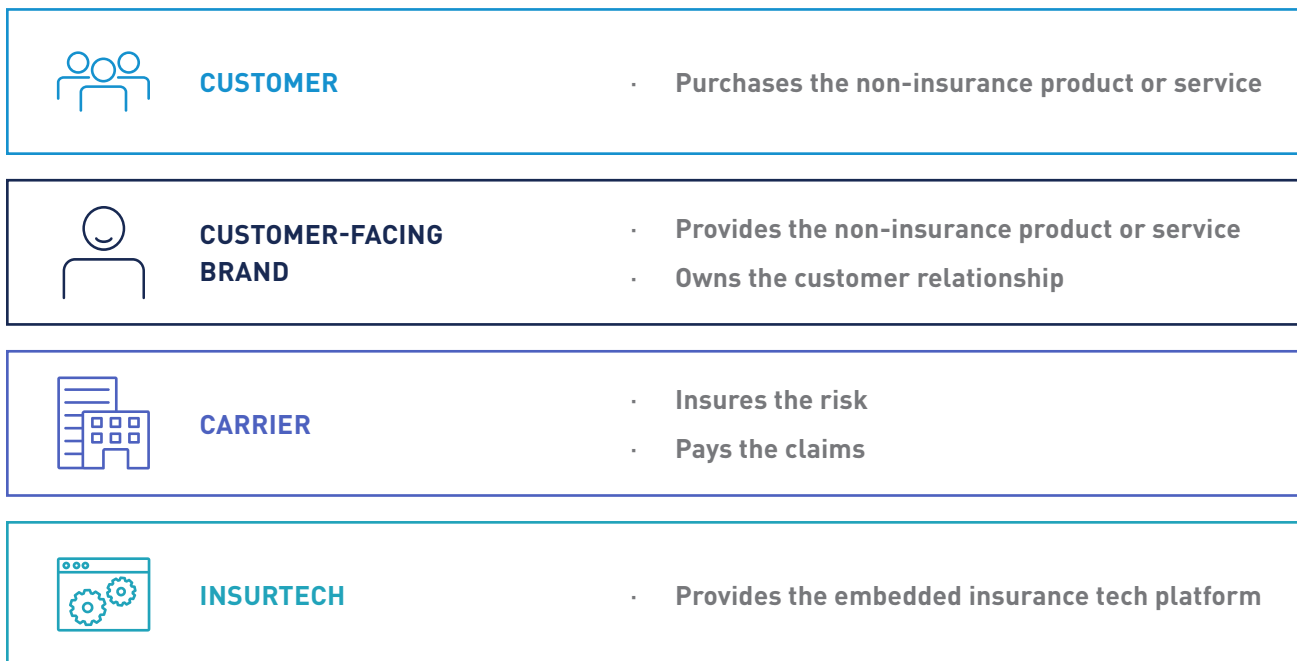
## EMBEDDED INSURANCE – A CURRENT VIEW

Before delving into the future of embedded insurance, it's important to understand the current landscape. This section will examine the key stakeholders, the dynamics fueling the rise of embedded solutions, and lastly, the tangible impact it has already had on insurance distribution. With this context, the subsequent section will explore what the future might hold.

### THE KEY STAKEHOLDERS

Every embedded insurance solution will have at least three stakeholders: the customer-facing brand, the carrier, and the customer. A fourth stakeholder, the insurtech, may be involved with tech-centric solutions. Figure 2 below outlines their roles.

Figure 2. Key Stakeholders in Embedded Insurance



To quickly recap, the customer is the individual or business that is purchasing the product and insurance protection. The customer-facing brand sells the non-insurance product (such as a flight or computer) and owns the customer relationship, whereas the carrier insures the risk and pays covered claims. And lastly, the insurtech partner provides the platform that offers insurance quotes. There is variability in who facilitates the insurance coverage; sometimes it is the insurtech partner, sometimes that is the role of the carrier. Cover Genius, Assurely, and Boost are well-known examples of insurtech partners in the embedded ecosystem.

It's important to note that embedded insurance solutions do not have to be delivered via tech solutions. For example, a customer can be at a physical location buying a computer and purchase the extended warranty while in the store. With this approach, an insurtech partnership is likely not needed. However, with technology quickly advancing and adoption expanding across the industry, it's likely that tech-centric solutions that offer ease, speed, and efficiency will see the most growth in the years ahead.

## THE DYNAMICS FUELING DEMAND FOR EMBEDDED INSURANCE SOLUTIONS

What is fueling the increased demand for embedded solutions? And how are the dynamics at play impacting the key stakeholders discussed above? While there is a confluence of factors fueling the recent demand, we are highlighting five.

- **SHIFTING CUSTOMER EXPECTATIONS**

Consumers, now more than ever, expect a convenient and seamless buying experience that integrates into their daily lives. A one-size-fits-all approach no longer suffices. Rather, customers are seeking personalization and options. With insurance, they want solutions that are tailored to their individual needs and the ability to purchase them where they are already spending time. Furthermore, customers are increasingly comfortable with new purchasing models, such as subscriptions, which provide them with both flexibility and convenience.

- **CHANGING BUYER DEMOGRAPHICS**

Shifting customer expectations are also heavily impacted by the changing demographics of insurance buyers. As millennials and Gen Z consumers buy cars, purchase homes, and start businesses, they are bringing their tech-savvy and digital-first expectations with them. Polly, an embedded insurance platform provider, recently surveyed over 1,000 Americans over the age of 18 who had bought a car in the past 12 months. Eighty-one percent of millennial and Gen Z respondents wanted a comprehensive dealership experience that included insurance options. And 82% wanted to be able to compare those options and make a buying decision on their phone.<sup>1</sup> While only one example, it is illustrative of what potentially lies ahead.

- **ADVANCING TECHNOLOGY**

Both changing buyer demographics and shifting customer expectations underscore the importance of digital experiences and reinforce the need for insurers to adapt their distribution strategies to meet buyers where they are, often on their phones. Fortunately for insurers, advancing technology is empowering them to do just that. APIs, machine learning, advanced data analytics solutions, and artificial intelligence (AI) are all increasing the reliability and access to embedded insurance solutions. The broad availability of technology and declining cost curve make it affordable to process embedded insurance transactions, even those that include micro-insurance with very low premiums.

- **DATA SHARING**

Given that data sharing is foundational to embedded insurance, customers must be comfortable with platforms accessing and sharing their information with other parties. This can be a sticking point for many customers. However, some are becoming more comfortable with secure information sharing in exchange for cost savings and better protection. Or, at a minimum, they are willing to sacrifice their comfort. The use of telematics within personal auto insurance is a prime example. Insurers are encouraging the use of telematics to gain better insights into driver behavior and encourage better driving practices. And some customers are opting in due to the cost savings.

- **DESIRE FOR NEW MARKETS**

Carriers recognize that changing buyer demographics, shifting customer expectations, and advancing technology are all transforming how consumers buy insurance. With these shifts, carriers also recognize the need for new markets and customers and new ways to reach them. Embedded insurance is one such way.

<sup>1</sup> "The 2024 Polly Embedded Auto Insurance Study." DealerPolicy Inc. Polly Insurance Agency, LLC. DATE Retrieved from <https://www.polly.co/embedded-car-insurance-study-2024>

It's important to remember that embedded insurance is primarily a distribution concept today – it involves the integration of an insurance solution with a non-insurance product or service, which customers can purchase jointly at the point of sale. In many cases, the insurance solution is a traditional product, such as homeowners or auto. However, over time, we expect more innovative embedded solutions to enter the market. In short, carriers' reasons for pursuing embedded insurance are not all that different than other approaches to distribution –market reach, competition, and profitability are all key drivers.

## THE AREAS OF GREATEST IMPACT...THUS FAR

Having explored the dynamics that are currently fueling embedded insurance, what impact has this distribution approach had thus far? As previously discussed, embedded insurance is not new, having been around for over a century in various forms. What is new, however, is the approach and accessibility of embedded solutions. The industry has expanded well beyond warranties and travel with solutions now spanning the P&C industry. Examples include personal lines risks, such as auto and homeowners, as well as key commercial segments, such as small and mid-sized businesses (SMBs), the sharing economy, and others.

For customers, the benefits of embedded insurance are numerous. To start, it delivers a seamless and convenient experience. By offering an insurance solution as part of the overarching customer experience, carriers and customer-facing brands have an opportunity to educate consumers about their risks and provide a convenient way to mitigate them. For example, rather than purchasing a new piece of equipment and then shopping for insurance separately, the customer's insurance-buying experience is embedded in the product purchase. It's holistic and integrated rather than fragmented.

For carriers, this seamless experience provides three potential financial benefits: broader market reach, lower customer acquisition costs, and higher conversion rates. At the crux of embedded insurance solutions is meeting customers where they are and offering an insurance solution as part of an existing (non-insurance-related) buying experience. This mitigates two common purchase barriers that plague other carrier distribution channels: awareness and accessibility. Customers don't have to find or research the insurance product. Instead, they are educated about their risk exposures and offered a solution in real time. As a result, carriers can reach more customers and spend less on customer acquisition costs. Furthermore, conversion rates for embedded insurance are higher than traditional distribution approaches at 10-20% as opposed to 1-3%.<sup>2</sup> Greater adoption of insurance solutions will, in turn, help decrease the insurance gap (individuals or businesses that are uninsured or underinsured).

Lastly, a unique area where embedded insurance solutions are having a significant impact is with micro-risks. These are risks that have historically been self-insured. Examples range from less consequential risks, such as automatic payment for lounge access during a flight delay (Baoba), to more consequential risks, like tuition reimbursement if a student has to drop out of school due to a covered reason (GradGuard).

### Use Case: Intuit and Next Insurance

Intuit, a leading accounting software used by SMBs, partnered with Next Insurance to bring digital-first insurance solutions to its QuickBooks ecosystem.

Through this partnership, QuickBooks' SMB customers are able to purchase general liability, professional, and workers' compensation coverage directly through the QuickBooks platform. This is critical as SMBs are commonly uninsured or underinsured.

<sup>2</sup> "The Keys to a Profitable, Productive Insurance Ecosystem." PropertyCasualty360. August 2022. Retrieved from <https://www.propertycasualty360.com/2022/08/18/the-keys-to-a-profitable-productive-insurance-ecosystem/>

## A MUST-HAVE DISTRIBUTION CHANNEL FOR CARRIERS?

There are many opportunities with embedded insurance, but there are also numerous pitfalls and challenges. With any new opportunity, carriers must fully assess how it aligns with their existing business strategies. Diving in because it's "popular" or out of fear of missing out can be highly detrimental. While reading the following sections, evaluate the potential pros and cons through the lens of your key business strategies, such as distribution partnerships, product/risk expertise, customer experience, technology investments, and more.

### GENERATING NEW OPPORTUNITIES

The use of embedded insurance solutions is undoubtedly on an upward trajectory and has the potential to be transformative in many areas. Executives seeking to explore this approach in greater detail should note the following key areas of opportunity:

- **ADDS A NEW REVENUE STREAM**

Forming an embedded insurance partnership is an exciting option for carriers looking to expand their market reach via a new distribution channel. Demand for embedded solutions is on the rise, and advancing technology is increasing accessibility and decreasing startup costs, making it a viable approach for many.

- **SUPPORTS AN OMNICHANNEL EXPERIENCE**

Customers, by and large, desire an omnichannel experience, meaning they can shop for insurance through various methods (digital platform, website, phone, retail store, etc.) and have a cohesive and convenient experience while doing so.

- **REDUCES SALES FRICTION**

An embedded insurance solution simplifies the insurance buying process and, as a result, reduces sales leakage. Simply put, it's convenient. In both personal and commercial lines, customers commonly lack a true understanding of their risk exposures and insurance needs, resulting in gaps in coverage and widespread underinsurance. Embedded insurance is an opportunity to bridge this gap via access and education.

- **STREAMLINES THE CUSTOMER JOURNEY**

Embedded insurance solutions facilitate an integrated and seamless customer journey by connecting with insureds and prospects when they are already purchasing a product or service. And perhaps most importantly, providing instant coverage access.

- **PROVIDES COST-EFFECTIVE DELIVERY FOR MICRO-RISKS**

As touched on in the prior section, providing insurance solutions for previously uninsured micro-risks is a burgeoning area that is being spearheaded by embedded technology. There are numerous potential applications for these solutions as consumers seek to minimize the potential of financial loss while also having a quick and easy way to purchase protection.

- **INCREASES INTERNAL OPERATIONAL EFFICIENCIES**

Incorporating tech-centric distribution solutions has the potential to significantly streamline operations and automate key distribution processes, such as rating, issuing quotes, and binding coverage. However, to capitalize on these efficiency gains, carriers must first have the necessary technology infrastructure in place (a challenge that is explored in the following section).



## POTENTIAL PITFALLS AND CHALLENGES

Although embedded insurance has significant potential upside for carriers, this is only half the picture. Even though the concept of embedded insurance has been around for the better part of a century, digital embedded solutions are still in their early days. As a result, there are numerous key considerations, including the following:

- **LOSS OF CONTROL**

Embedded insurance relies on B2B2C and B2B2B business models, effectively removing the direct line between the carrier and the customer. While most carriers have used this model in the past via partnerships with agents/brokers, the embedded approach can pose challenges to brand awareness and protection. Carriers largely need to accept that the company providing the non-insurance product or service is the face of the solution (for better or for worse). However, they should work in concert with the customer-facing brand to monitor the customer experience. This could include customer surveys, platform tests, and tracking purchase frequency to identify any sudden dips.

- **CUSTOMER EXPERIENCE AND RETENTION**

An extension to the loss of control is the potential for inconsistent customer experience and challenges with customer retention. The customer-facing brand and insurtech platform will drive the overarching customer experience, which could result in an inconsistent brand experience for the carrier and less customer loyalty. Although embedded insurance presents a significant near-term opportunity to attract new customers, carriers cannot be complacent with retaining customers. Executives must continually examine the competitive landscape and pinpoint where embedded insurance poses the greatest upside.

- **TECHNOLOGY NEEDS**

Launching a digital embedded insurance solution while still relying on manual hand-offs and redundant data entry to process quotes and policies. Automation is central to embedded solutions, so carriers must have the necessary systems and processes in place to support such an endeavor.

- **PRIVACY AND DATA SECURITY**

Any time you integrate platforms and share customer data across platforms, data privacy and security risks increase. This not only applies to breaches but to unauthorized or misuse of customer data as well. There is also a customer experience imperative for the buyer to feel confident that their data is protected.

- **REGULATORY CHALLENGES**

Given that the pace and scope of digital embedded insurance are growing, carriers must be prepared for the regulatory requirements to evolve as this model matures and be willing to respond accordingly. Areas such as licensing, data (collection, protection, and use), privacy, and advertising are all likely to be impacted.

- **FINANCIAL CONSIDERATIONS**

Like any insurance program, an embedded insurance solution must be profitable for both the carrier and the customer-facing brand. The revenue split will be an important negotiation point and will vary based on solution/coverage type. Some solutions, such as Tint.ai, are taking an innovative approach by allowing the customer-facing brand to share in the potential underwriting profit by retaining some of the risk.

- **CONFLICTS OF INTEREST**

With embedded insurance, carriers are involved with another important stakeholder - the customer-facing brand providing the non-insurance product. And their interests may not be fully aligned. Potential areas of conflict include revenue sharing, risk mitigation, policy servicing, claims handling, and more.

In sum, embedded insurance has significant potential, but determining if it is a “must-have” channel will vary by carrier. Executives must analyze their target markets, areas of expertise, technological infrastructure, and existing operations to answer two key questions: Is my organization currently equipped to implement an embedded insurance solution? And how would an embedded insurance solution help us achieve our business objectives today and in the future?

## WHAT IS ON THE HORIZON

In many cases, projected growth for embedded insurance is sky high, with some predicting that as much as one-third of all insurance distribution will be through embedded channels by the end of this decade. As with digital distribution 10-15 years ago, many expect that embedded insurance will completely transform and revolutionize the industry. However, at ReSource Pro, we believe this is an overly optimistic view.

To be clear, there is significant potential, and this approach is all but guaranteed to grow. The question is by how much and in what segments. In this section, we will examine the technology, trends, and industry changes that are likely to shape the future of embedded insurance. We will conclude with our predictions for the next decade and identify the key industry segments and lines of business that have the most potential.

## TECHNOLOGY ADVANCEMENTS SHAPING THE FUTURE OF EMBEDDED INSURANCE

Even though embedded insurance was around long before the advent of the computer, we cannot underscore enough how advancing technology will continue to revolutionize how customers buy insurance. Facilitating digital onramps for prospective insurance buyers will be integral to the future of embedded insurance.

Foundationally speaking, technologies such as APIs, machine learning, data analytics, and cloud computing are all core to embedded insurance today. Ongoing technological advancements in these areas will surely fuel greater automation, more robust data insights, and improved decisioning capabilities. This isn't true for embedded insurance only but for the insurance industry at large.

Carriers should be asking themselves: how can we connect to the expansive digital world and meet our prospects where they are already spending time? Key technologies that will drive these connection points and interactivity include:

- **GENERATIVE AI**

The potential applications are numerous, including tailored coverage recommendations based on customer inputs, an enhanced customer experience via natural conversational AI, more responsive pricing, and greater risk mitigation.

- **INTERNET OF THINGS (IOT)**

There are many implications for IoT across the insurance ecosystem, including within embedded insurance solutions. For example, IoT sensors in homes can monitor for risks, such as fire, flood, and break-ins, and send alerts to authorities. Within commercial lines, sensors on equipment can be used to both assess and mitigate risks for business owners and their insurers. For embedded insurance solutions, specifically, these insights will foster greater connectivity between carriers and insureds, which will allow both parties to manage their risk exposures proactively.

### Use Case: Shayp and bsurance

Shayp is a Belgium-based startup that focuses on increasing water efficiency in residential and commercial buildings. Its device monitors water consumption and identifies anomalies that may indicate an undetected water leak.

Business customers such as property managers, hospitals, and universities that equip 100% of their buildings with Shayp devices are eligible to automatically add insurance through the bsurance platform that covers them in the event a device fails to detect a leak. bsurance will cover the resulting excess water bill.

This partnership brings together cutting-edge technologies such as AI and IoT while also providing an insurance solution for a micro-risk (excess water bill) that previously went unprotected.

- **WEARABLES AND CONNECTED DEVICES**

This is a burgeoning sector with the use of wearables, such as fitness trackers and smartwatches, and connected devices, including smart thermostats and in-home sensors, becoming more commonplace. These solutions can alert customers to an issue in real time, allowing them to mitigate or even avert a potential loss. For example, wearables can help prevent on-the-job injuries by alerting employers to dangerous conditions, improving employee mobility, and providing training. Within the embedded insurance ecosystem, these devices could enable more accurate risk insights, dynamic pricing, and risk mitigation, which, in turn, could increase pricing adequacy and underwriting profits.

- **TELEMATICS**

The industry has been using telematics for many years, most notably in personal auto. In this case, carriers receive data on vehicle usage and driver behavior and use these insights to assess risk, determine pricing, and personalize insurance solutions, including embedded approaches. Consumer adoption of telematics has been increasing in recent years, but from an embedded insurance standpoint, there is still the issue of many opting out after the trial period. This remains an area to watch as companies and carriers explore different models.

- **MARKETPLACES FOR EMBEDDED INSURANCE**

Just as API technology fueled insurance marketplaces for personal auto, homeowners, small commercial, and other lines, the same technology could be used to create embedded insurance marketplaces. Rather than a non-insurance product or service integrating a single insurance company's coverage offering, APIs integrate multiple insurance coverage options from different carriers. This provides prospective policyholders with more diverse insurance options while still offering a seamless customer experience.

Another important note is that integrating telematics, wearables, and IoT into embedded insurance solutions can also serve as digital onramps. And their potential extends well beyond driving sales. These tools will also provide robust insights into customer behaviors and offer mechanisms to mitigate threats, allowing the industry to become more proactive in managing and preventing risk.

## OTHER IMPORTANT AREAS TO WATCH

The continued advancement and adoption of technology will be critical to the success of embedded insurance solutions, but it's not the only factor. Growth via embedded distribution also hinges on successful partnerships, a holistic customer experience, and broad accessibility. Below are other key areas to watch over the next decade:

- **EXPANDED LINES OF BUSINESS AND INDUSTRY SEGMENTS**

While embedded insurance has made notable inroads in certain industry segments, such as travel, product warranty, and, more recently, personal auto, broad adoption will require expansion into more complex segments. Although this expansion is certainly foreseeable, it is not guaranteed. Solutions are already emerging in more complex segments like workers' compensation, cargo/freight, and management liability. But it's in the early days of adoption.

- **INCREASE IN ACCESSIBILITY TO INSURANCE SOLUTIONS**

As new embedded insurance solutions emerge, access to insurance solutions will expand as well. By meeting customers where they are, the industry has an opportunity to narrow the insurance gap through both education and access. According to an October 2023 report from Hiscox, 75% of small businesses are underinsured.<sup>3</sup> The picture isn't much better in the personal lines segment, with Nationwide claiming approximately two-thirds of US homes are underinsured.<sup>4</sup> Embedded insurance solutions could help change this landscape.

- **EMBEDDED FINANCE**

The term "embedded finance" refers to embedding financial services/products in non-financial products. In fact, embedded insurance falls under this umbrella in addition to banking, lending, investing, credit cards, and more. While there has always been a synergy between insurance and other financial-related products, this is likely to expand as embedded solutions become more common. A prime example would be the option to purchase/embed homeowners insurance at the time of the mortgage transaction.

- **PROFITABILITY**

As with other approaches to distribution, embedded insurance must be profitable for all stakeholders. Otherwise, it is doomed to fail. For carriers, risk selection, commission splits, claims experience, and profit sharing will all be important considerations as they enter into partnerships with companies providing non-insurance products/services.

## OUR PREDICTIONS FOR THE NEXT DECADE

So, what will the next ten years hold for embedded insurance? This strategy will undoubtedly expand and become more of a mainstay in insurance. But will this be evenly felt across the industry? Likely not. Certain industry segments and lines of business are better positioned to be distributed through embedded solutions. These include risks and coverages with robust data insights available, less risk complexity, a broad customer base, and mechanisms to connect with these customers via non-insurance channels.

Beginning on page 16, we share our predictions for which lines of business are best positioned for embedded distribution and the potential connection points to customers. It should be noted that this is a broad list. Many coverage types can likely be sold through embedded insurance solutions. However, as seen with digital distribution, the complexity of the risk and the associated exposures will be critical determining factors.

<sup>3</sup> "The 2023 Hiscox Underinsurance in Small Business Report." Hiscox. October 2023. Retrieved from <https://www.hiscox.com/underinsurance>

<sup>4</sup> "Underinsurance: Is your home covered for all it's worth?" Nationwide. Retrieved from <https://www.nationwide.com/lc/resources/home/articles/underinsurance>

## WHAT EMBEDDED INSURANCE COULD MEAN FOR AGENTS AND BROKERS

For years, as technology has advanced, agents and brokers have been told that the need for their role may diminish or even outright disappear. However, time and time again, that has proven untrue. But what has been proven is the need for distributors to be nimble and willing to adapt to changing customer needs and expectations.

Although agents and brokers will undoubtedly continue to play a role in distribution, they cannot put their blinders on. Embedding insurance into the cost of a vehicle, the purchase of a home, or into a company's payroll is likely to cut the agent/broker out of the process for some insureds. And as with prior industry innovation, smaller and less complex risks are most exposed. Distributors may find that revenue from these risks will move to non-insurance product and service providers as they seek to deliver a comprehensive buying experience for their customers. As embedded insurance expands into new areas, especially micro-risks, agents may determine these aren't areas they want to address or aren't able to address profitably.

For distributors looking to navigate the rise in embedded insurance solutions proactively, ReSource Pro recommends the following:

- **INCREASE SPECIALIZATION**

As the industry has seen in the past, less complex risks are well-positioned for digitization and automation. Embedded insurance is no exception. Where agents/brokers will certainly continue to be needed is with more complex risks. Distributors that specialize in and focus on complex insurance solutions are the most likely to succeed as the scale and adoption of embedded insurance solutions increase.

- **SERVE AS A TRUSTED ADVISOR**

Continue to be a trusted advisor but with an expanded knowledge of digital solutions. Customers often still want to be able to pick up the phone and speak with someone they trust about their insurance needs and potential solutions. Agents and brokers can continue to be this resource.

- **EXPAND VALUE PROPOSITION**

It's imperative for agents/brokers to look beyond the insurance transaction and examine how they provide value beyond coverage placement. Acting as a trusted advisor for customers' insurance needs is a great start, but it cannot be the end. Having a clear value proposition and customer experience that spans risk management, claims, and servicing will help distributors differentiate themselves from other agents/brokers and digital insurance solutions (including embedded).

- **SHORE UP DIGITAL AND OPERATIONAL INFRASTRUCTURE**

Regardless of industry, customers expect a holistic and omnichannel experience. Delivering this will require many distributors to upgrade their technology and processes/procedures. Real-time communication and quick turnaround times for requests have become "must-haves" for many policyholders, and agents/brokers must adapt accordingly.

Lastly, we encourage distributors to think creatively about how they can navigate and respond to emerging industry trends, such as embedded insurance. How can they innovate and better meet the needs of their customers?

**Spotlight: Is embedded insurance an option for distributors?**

While this report has examined embedded insurance through the lens of the insurance carrier, it's important for distributors (agents, brokers, and MGAs) to recognize that embedded insurance is a potential option to reach and serve customers as well. Tarmika Insured, an Applied Systems solution, went live with a commercial lines embedded insurance solution for agencies in 2023. Other insurtechs, such as Penni.io and Boost, also offer embedded platform solutions specifically for distributors.

## CALL TO ACTION

As carrier executives examine the future of insurance distribution and assess how they can drive sustained growth, they would be remiss not to consider embedded insurance. Changing customer expectations, advancing data insights capabilities, and increased automation are all setting the stage for new approaches to distribution. For carriers considering embedded insurance as one such approach, ReSource Pro recommends the following:

- **ANALYZE THE MARKET OPPORTUNITY**

This report examines the market opportunity embedded insurance poses for carriers at large. Take these insights and assess the opportunity it presents for your organization through the lens of your customers, insurance products, and growth plans.

- **IDENTIFY YOUR TARGET MARKET(S)**

As seen in the final section of this report, the potential lines of business and connection points are vast. Based on your analysis of the market opportunity, consider which product lines and customer bases are best positioned for success. Factors to consider include risk complexity, data/underwriting insight capabilities, internal processes, pricing, and claims volume.

- **ENSURE ALIGNMENT WITH STRATEGIC ROADMAP**

As you identify potential opportunities, ensure they are included in your strategic roadmap. Partnering with a company to provide an embedded insurance solution is not an easy endeavor. It will not only require significant time and investment but will also necessitate examining your process and procedures, staffing, infrastructure, and resources.

- **INVEST IN TECHNOLOGY INFRASTRUCTURE**

While offering embedded insurance solutions at physical locations such as a car dealership or store is a viable approach, the greatest growth in this channel will be via tech-centric solutions. As a result, it's critical to examine your current technology infrastructure to ensure it is compatible with embedded insurance platforms and is capable of delivering a holistic and seamless customer experience.

- **VET POTENTIAL PARTNERS**

As with other vendor partners, you must conduct thorough due diligence. In the case of embedded distribution, there are two partnerships to consider: the customer-facing brand offering the non-insurance product or service and the insurtech providing the embedded insurance platform. Key considerations include the revenue split, servicing and claims handling processes, and risk selection. As with any insurance program, it must be profitable for all parties.

Finally, it's important for executives to clearly define their success metrics and continue responding to changing market conditions. There is no doubt that more and more insurance will be sold through the embedded approach. The big question for the industry is how broad the scope of solutions will become and the pace of adoption. Other important questions, including the implications for agents/brokers, regulatory requirements, and price/revenue sharing, will be answered over time. Fortunately, there are successful companies leading the way and pioneering new solutions using the embedded approach.

## 2030 EMBEDDED INSURANCE PREDICTIONS

This list includes ReSource Pro's projections for embedded insurance adoption by line of business through 2030, including potential customer connection points. Please note that these are aggregated projections. Adoption will undoubtedly vary based on the size and complexity of the risk, with the personal lines and small commercial lines segments likely to see the most growth.

### 2030 LINE OF BUSINESS PROJECTION KEY (BY GROSS WRITTEN PREMIUM):

Low = Less than 5% of GWP

Medium = 5-15% of GWP

High = Greater than 15% of GWP

LINE OF BUSINESS	POTENTIAL CUSTOMER CONNECTION POINT	2030 PROJECTION (LOW, MEDIUM, HIGH)
Auto Rental Insurance	Car Rental Companies, Car Rental Marketplaces, Travel Platforms	High
Builder's Risk	Construction/Project Management Platforms, Contractor Scheduling Platforms, Contract Software Solutions, Equipment Management Solutions	Low
Business Owners Protection (BOP)	SMB Digital Platforms, Banks/Lenders, Insurtech/Startup Solution Providers	Medium
Cargo (Land, Ocean, etc.)	Transportation Management Platforms, Transport Marketplaces, Digital Freight/Logistics Solutions	Medium
Commercial Auto	Commercial Car Dealerships, Car Manufacturers, Banks/Lenders, SMB Digital Platforms	Low
Commercial Property	SMB Digital Platforms, Banks/Lenders, Insurtech/Startup Solution Providers	Low
Commercial Umbrella	SMB Digital Platforms, Banks/Lenders, Insurtech/Startup Solution Providers	Low
Crime	SMB Digital Platforms, Insurtech/Startup Solution Providers	Medium
Cyber	SMB Digital Platforms, Job/Freelancer Marketplaces, Insurtech/Startup Solution Providers	Medium
D&O	Capital-Raising SaaS Platforms, Insurtech/Startup Solution Providers, SMB Digital Platforms	Low
E&O/Professional Liability	M&A Marketplaces, Legal Platforms, Design/Manufacturing Solutions, Job/Freelancer Marketplaces, Insurtech/Startup Solution Providers	Low



LINE OF BUSINESS	POTENTIAL CUSTOMER CONNECTION POINT	2030 PROJECTION (LOW, MEDIUM, HIGH)
Employment Practices Liability	HR SaaS Solutions, Payroll Solutions, Insurtech/Startup Solution Providers	Medium
Equipment Breakdown	SMB Digital Platforms, Banks/Lenders, Equipment Manufacturers/Sellers	Medium
Event Liability	Special Event Platforms, Event Venues, Rental Companies	High
Event/Ticketing Protection	Ticketing Platforms, Entertainment Venues	High
Extended Warranty	Manufacturers, eCommerce Platforms	High
Fine Arts	Digital Art Marketplaces, eCommerce Platforms, Banks/Lenders, Art Curation Platforms, Gallery Owner Digital Platforms	Low
General Liability	SMB Digital Platforms, Banks/Lenders, Job/Freelancer Marketplaces, Insurtech/Startup Solution Providers	Low
Homeowners	Banks/Lenders, Mortgage Companies, Real Estate Companies, Online Real Estate Marketplaces	Medium
Host Liability	Short-term Rental Platforms	High
Inland Marine/ Equipment (Owned and Rental)	Equipment Manufacturers, Suppliers, Sellers	Low
Jewelry Insurance	Jewelry Retailers, Assessors, eCommerce Platforms	Medium
Landlord Insurance	Property & Tenant Management SaaS Solutions, Platforms and Marketplaces, Tenant Services Providers, Showing Coordination Solutions	Medium
Liquor Liability	Special Events Platforms, Event Venues, SMB Digital Platforms	Medium
Medical Professional	Digital Health/Telehealth Platforms, Patient Portal Platforms, Health Records Solutions, HR Platforms	Low
Moving Insurance	Moving Services Platforms/Marketplaces, Review Platforms, Moving Companies	High

LINE OF BUSINESS	POTENTIAL CUSTOMER CONNECTION POINT	2030 PROJECTION (LOW, MEDIUM, HIGH)
Personal Auto	Dealerships, Online Used Car Platforms	High
Pet	Pet Supplies/Food Retailers, Virtual Pet Care/Telehealth, Animal Rescues/Associations, Dog Training Platforms	High
Project-specific bonds (Construction)	Construction/Project Management Platforms, Contractor Scheduling Platforms, Contract Software Solutions, Equipment Management Solutions	Low
Purchase Protection	eCommerce Platforms, Credit Cards, Digital Payment Providers	High
Recreational Vehicles (RV, Boat, Motorcycles, ATV, Snowmobile)	Sales Platforms, Financing Companies, Servicing/Repair Providers	High
Renters Insurance	Property Management Companies/Platforms, Banks, Online Rental Marketplace	High
Shipping/Delivery Protection (Damage or Loss)	eCommerce Solutions, Courier Platforms	High
Travel Health	Travel Booking/Planning Platforms, Airlines, Cruises	High
Travel Interruption/ Delay	Airlines, Cruises, Travel Booking/Planning Platforms, Credit Cards	High
Tuition Insurance	Universities, Student Loan Providers	High
Water Damage (Flood, Water Backup, Water Leak)	Bank/Lenders, Smart Home Device Providers, Water Meter Solutions	Medium
Workers' Comp	SMB Digital Platforms, Accounting, Bookkeeping, Payroll SaaS Solutions	Medium

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