

Unlocking the potential of embedded insurance

A guide for non-insurance companies

“20% of global insurance sales could come from embedded offerings in the next 10 years”



wakam

 **OPEN & EMBEDDED INSURANCE
OBSERVATORY**

Introduction

This playbook provides an **introduction to embedded insurance for non-insurance companies**. It explores the myriad benefits of including an embedded insurance offering into your **value proposition for your customers**. And reveals how to easily get set up with an embedded insurance offering that will meet – and exceed – your customers' needs.

It gives **insights into the different models** of embedded insurance, details real-life use cases, and defines a strategy to ensure the successful implementation of your insurance solution.

And it explains how embedded insurance **has a real impact on societal trends** and consumer needs.

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The shift to embedded insurance: Meeting changing consumer needs

Embedded Insurance places the offer of insurance protection seamlessly into your customers' purchasing journey – providing personalised, simple and transparent cover that is presented at the moment it is front of your customers' mind.

Virtually any business can bring real benefits to their customers by offering embedded insurance.

If your organisation offers a product or service that your customers might consider protecting with insurance, embedding an insurance offering into your online or in-person sales process can be greatly beneficial – for your customers and your business.

Embedded insurance works by harnessing your rich consumer data

and leveraging technology – to present your customers with an insurance offering that is perfectly tailored to the core item they are purchasing. Right at the point at which they will most likely be considering how to mitigate the risk of their purchase.

It provides a convenient, friction-free user experience, where clear and transparent insurance protection is arranged in real-time – all within your website, app or in store.

This protection could even be event-based – i.e. parametric insurance – creating additional positive benefits for customers and even more transparency, in particular during the automatic claim process. For example, a ticket seller could embed insurance that pays out automatically if an event gets cancelled, or a flight seller could offer cover that gives automatic compensation if a flight is delayed or cancelled. These types of insurance differ from traditional insurance in that they use real-time data to automatically trigger claims.



In the age of convenience, embedded insurance is fulfilling consumer expectations.

Today, consumers of all ages expect the 'Amazon experience' of finding, purchasing and acquiring goods and services quickly and within just a few clicks – and insurance is no exception. With growing numbers of digital natives and customers comfortable with online insurance purchasing, insurance providers have responded by developing digital products and services that are simple and convenient.

Technology has revolutionised people's experience with insurance and helped to change the way it is perceived. Demand for insurance is growing, with the pandemic further shifting insurance purchasing online. There has never been a better time for companies that haven't traditionally offered insurance, to include it in their value proposition.

Consumers will increasingly buy insurance from non-insurance companies. They will look to purchase cover from the organisations they know, like and trust – those they already interact with in their daily lives. Thankfully, embedding insurance into your non-insurance business has never been simpler – and has never before afforded such significant opportunities.

\$500 Billion
estimated value of the
new business (GWP)
that will be generated
by bridging the
protection gap with
embedded insurance
in the next 10 years'

Open & Embedded Insurance Observatory



What does embedded insurance look like in practice?

The insurance of the future.

Insurance will increasingly be embedded – so that almost all products and experiences are sold with insurance protection as part of their core offering².

In this way, customers will be more widely protected – by insurers and brands that genuinely care about their customers' experience.

Embedded insurance allows businesses to offer insurance that is perfectly aligned with their core product or service offering – providing customers with the option to purchase cover that is relevant and easily accessible. The customer-centric nature of offering insurance in this way also extends to the speed at which it can be purchased, the transparency of the product offering, and the affordability of the cover. As well as to the way in which quoting, purchasing and claims all take place seamlessly within a businesses' online portal, app or physical store.



“Embedded insurance allows businesses to offer insurance that is perfectly aligned with their core product or service offering”

Integrated or optional

There are various ways to embed an insurance offering into your digital sales process. But the core tenant of embedded insurance today relies on keeping as many of the insurance processes as possible within your brand's ecosystem. So that customers don't have to leave your website or app to complete the insurance purchase or even make a claim. Making for a friction-free user experience.

Making insurance a pleasure

All models of embedded insurance are designed with easing the experience of the end user in mind, and creating a positive experience for them.



+60%
of online shoppers say
insurance options offered at
checkout would increase their
odds of making the purchase³

PYMNTS Retail Product Insurance Study



Embedded insurance models: Something for everyone

Insurance can be embedded in a variety of ways, across almost any industry. There are three overarching models for embedding insurance – each gaining popularity as insurers and non-insurance companies increasingly work together to meet changing customer needs:

Soft embedded

In this model, customers ‘opt in’ to purchasing insurance that is presented to them at the Point Of Sale (POS) or a relevant point in their digital buyer journey, within the brand’s customer journey and experience. This can often be as simple as selecting a tick box at the online checkout to opt in to purchasing the cover on offer.

For example, car rental companies offering insurance for damage to rental vehicles or theft cover offered when purchasing a new bike.



Koala

French travel insurtech Koala partnered with Wakam to offer an event-based – or ‘parametric’ – flight delay insurance, allowing for insureds to be compensated automatically and in real-time, with a predefined lump sum, in case a flight is delayed. The insurance is offered by airlines and travel agencies and is integrated into the flight booking process as an optional purchase.

Hard embedded

Here, insurance is automatically added as part of the sales process and customers need to actively 'opt out' of purchasing the cover if they do not want the insurance. Although this model is not allowed in the UK or France, it is used in several other EU countries.

An example of hard-embedded insurance is when an extended warranty is included in the purchase of an electrical appliance – and a customer may wish to opt out of paying for the protection of the warranty.



Bundled

This model takes a number of forms, but essentially involves products or services where there is no choice to opt in – or out – of the insurance protection, as it fully contained within the purchase or use of that product or service.

For example: Rideshare, food delivery companies, car subscription platforms and e-scooter rental firms automatically covering drivers/riders for personal accidents; car manufacturers including insurance coverage as part of the purchase cost of the vehicle; high-value jewellery purchases including theft cover.

TIER **dott** **voi.**

E-bike, scooter and moped hire companies Tier, Dott and Voi all partner with Wakam and Zego to ensure all riders have third party liability cover automatically included as part of their rental. Riders do not need to 'opt in' to the insurance, as it is bundled into the cost of the vehicle hire and they are therefore always protected.



The benefits of embedded insurance – Adding value for all stakeholders, starting with your customers

Embedded insurance creates a virtuous circle of benefits for all stakeholders – customers, non-insurance companies, and insurers.

Through sharing their data, each player feeds into an ecosystem that creates new opportunities for customer satisfaction and increased revenue creation.

Here's how those opportunities are created for each stakeholder.



Your customers

- Traditionally, insurance can be complex and hard to understand. But the nature of embedded insurance means only very specific and simple cover is offered to the customer at the POS.

This makes **embedded insurance more transparent** and makes it easier for the customer to understand what they are covered for.

- **The convenience** of an embedded insurance product is also a great benefit for customers, who don't need to shop around to obtain the cover they need. With parametric insurance, customers don't even need to file a claim, as the claim payment is made automatically.
- **Embedded insurance is also usually more affordable** than insurance bought through traditional channels. This is because policy prices are calculated in real-time, based on data known about the customer and the product they are purchasing. In this way, the customer is only

offered **relevant cover at the level of protection they need** – at the relevant price, not more.

- Last but not least, enabling insurance to be added at the POS means there are no gaps in coverage for the customer – they are **protected straight away**.

The new types of insurance cover being created by embedded insurance solutions also means that certain population segments that were previously hard to cover – or unable to obtain cover – now have insurance protection available to them, further **closing the protection gap**.

Your business

One of the key benefits of embedding an insurance programme into your business is **increased value creation** – namely, through additional revenues, enhanced customer loyalty and elevated brand image. Some interesting points to note here:

- **By using the knowledge and data** you have about your customers, you can create – and offer – fit-for-purpose insurance solutions that perfectly match your customer profiles.
- **When well designed, these programmes offer businesses new, recurring revenue streams**

- **Conversion rates are relatively high** with embedded insurance. One of the reasons for this is that it offers a more ‘complete product’, so it automatically appeals to customers looking for protection as part of a purchase. A good example of this is Tesla’s success in providing a bundled insurance and assistance package as part of its car sales.

Another reason conversion rates are high is because the insurance is offered at the time and place when customers are most likely considering protecting their purchase.

Other ways an embedded insurance programme can enhance your business in the long run – sometimes more important than generating additional revenues:

- It helps you to build a **unique and enhanced value proposition** that will allow you to differentiate yourself from competitors.
- By standing out in your marketplace in this way, you **attract new customers** – often with much **lower customer acquisition costs**.
- Embedded insurance programmes allow you to build closer, more positive relationships with your customers, thanks to an increased number of positive experiences customers have with your company – such as through well-handled claims experiences – **increasing customer loyalty**.



Your insurance partner

Embedded insurance is a growing market, presenting a field of new opportunities for insurers. **Those who are ready to embrace these new insurance trends are required to make major changes** in the way protection products are designed (e.g. simple products, explained in plain language), in the way pricing is adapted to new usage (e.g. pricing per minute), and in the way claims processes work, to make them easy and friction free for customers (e.g. parametric insurance).

Beyond tapping into a growing market that will be worth billions of euros in a few years' time, embracing an embedded insurance journey is also a **unique opportunity for insurers to play a key role as an economic and social stabilizer, supporting consumers through times of new trends** and meet their changing needs.

Thanks to well-designed embedded insurance partnerships, insurers can open up new and broad market segments – and benefit from lower customer acquisition costs, lower distribution costs and also better loss ratios.

These benefits should invariably, however, be passed on to the end customer by way of lower premiums, so that the virtuous circle of mutual benefits for all stakeholders can continue and accelerate.



Getting set up to embed insurance into your business offering

It isn't as complicated or time consuming as you might think. With the right partner, getting set up to offer insurance can be made simple. Before you know it, you'll be bringing your high-quality insurance product to market – in a cost-effective manner and with the ongoing support you need to make it a success.

1

Identify what type of insurance you'd like to offer

Consider what type of protection your customers might need for the products or services they buy from you. Use your existing customer knowledge and data – and perform additional research, such as surveys or focus groups, to really understand your customers' needs. Foster a design thinking approach to co-create the right insurance product with your chosen partner – a product that has the right deductibles, exclusions, warranties, and price – that protects against your customers' concerns.

2

Decide how you want to offer the embedded insurance

Will you offer a soft-embedded, hard-embedded or fully bundled insurance product? Will your insurance offering be phygital – i.e. offered digitally at a physical POS – or purely online? What will your revenue model be? Different levels of embedded insurance require different levels of investment and capabilities – so determine the level of embedded engagement your company is willing to explore.

3

Choose the right technology

Embedding insurance requires some level of investment in your front and back-end systems to ensure you have the technical capabilities to power and service your insurance offering.

Today, a key part of getting set up with the right technology will involve choosing the right APIs to ensure the integration runs exactly as you'd like it to.

Examples of popular APIs include 'getprice' and 'getpolicy' – which enable the capture of customer data and subsequent creation of a quote,



Key enablers needed across the insurance value chain

Choose a partner with all the relevant capabilities to offer a seamless distribution and customer journey.



CREATE the product

Digital onboarding to ease tailor-made product creation in a short time to market with maximum agility (with design thinking methodology)



DISTRIBUTE the product

Pricing and policy real-time APIs easily integrated within the distribution ecosystem
Personalised B2C white-label subscription funnel



MANAGE policies & claims

White-label policy management system to handle the portfolio lifecycle of simple products (incl. front-end capabilities)
Claims and policy admin handled internally or externalized to TPA for more complex products



RUN the partnership

Digital portal to monitor the products portfolio in full transparency
Data collection and quality management (EDI)
Audit anti-fraud
Cyber rating

and the creation of the policy contract if the customer chooses to purchase the cover. These APIs can be part of a more sophisticated front end in terms of underwriting the insurance product, especially for more complex products, such as motor or home.

You'll also want to make sure you're equipped with technology that allows you to define and shape your policy administration and claims management tools – or you can work with a partner who knows how to operate these tools or who can help you adapt your own customer relations centre to handle insurance claims.

4

Choose an embedded insurance provider partner

that will complement your existing in-house capabilities and provide the right level of support based on your needs. Partners vary from insurance brokers to full-stack insurance and technology providers and insurtechs. A broker can provide insurance products, but if you need assistance with regulatory issues and registration with local authorities, you will need a more rounded partner.

Your strategy for success

Work with an agile and experienced embedded insurance provider

who has the technical expertise to seamlessly deliver bespoke insurance products through APIs for your customers, build front ends and back ends, and ensure the insurance offering is set up properly and compliantly.

Work with a partner who fits with your current capabilities. For non-insurance distributors, this often means working with a partner offering fully embedded insurance capabilities.

Work with a partner who has a culture of innovation, with a taste for continuous risk-taking. This includes learning to be audacious, curious, willing to experiment, fail and learn – fast. Also look for a partner with similar values to your own – so you bolster each other's brand identity.

Work with a supportive partner.

Someone who can advise you along your journey to setting up an embedded insurance offering. Who brings strong IT capabilities, concrete knowledge of regulatory requirements, and has a robust co-creation methodology that leverages design thinking.



Appoint a dedicated company representative to lead the implementation of your embedded insurance offering. This person will need to:

- **Work with your insurance partner** to design your tailor-made insurance solution.
- **Help ensure the customer journey is seamless** and the insurance offering supports sales of your core product.
- **Handle matters of insurance regulation**, based on the support of your insurance partner.
- **Monitor the insurance programme** to ensure ROI is met and customer satisfaction is high, making adjustments where needed and working on the next opportunity to cross-sell insurance. It helps if your insurance partner gives you access to a monitoring tool to assess the technical results of your portfolio (margins, claims, key insurance indicators like loss and core ratios).



“It helps if your insurance partner gives you access to a monitoring tool to assess the technical results of your portfolio”

Do you need regulatory approval to offer embedded insurance products?

Depending on the insurance products you decide to distribute, you may need to go through a regulatory approval process. But this needn't be complicated. With the right partner at your side, you'll be fully supported and guided through the regulatory journey. The benefits of gaining regulatory approval are that you'll be able to offer a wider scope of insurance coverage to your customers, bringing them real added value.

Things to note about distributing insurance in Europe

1. The distribution of insurance products and services in Europe is [regulated by Directive \(EU\) 2016/97](#).
2. Although the key principles of this regulation are the same across Europe, some countries may have made adaptations. Your legal advisor can explain the differences, or you can contact the relevant local authority directly (for example, [Orias](#) in France, [DIHK](#) in Germany, [DGSFP](#) in Spain or [IVASS](#) in Italy). In the UK, there are additional differences, but the [FCA](#) website is a good resource.
3. Once you have identified the insurance products you intend to distribute, check with your legal advisor or insurance partner as to whether you need to register as a broker with the local authorities, or whether you are exempt.
4. There are many instances where the Directive does not apply, meaning you will be exempt from registering as a broker. Such instances include where insurance is 'complementary to the good or service supplied' and where the premium is under €600 when calculated on a pro rata annual basis.
5. However, it's important to note that registering as a broker also requires some obligations, such as professional capacity, regular professional training, professional insurance and financial guarantees, and often membership of a professional association that the intermediary and/or its employees need to be able to justify.



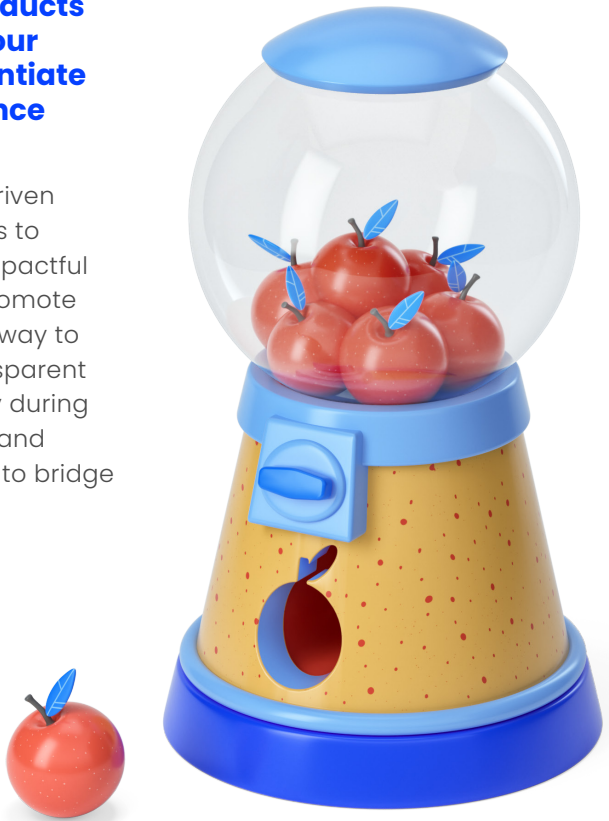
Partnering with Wakam

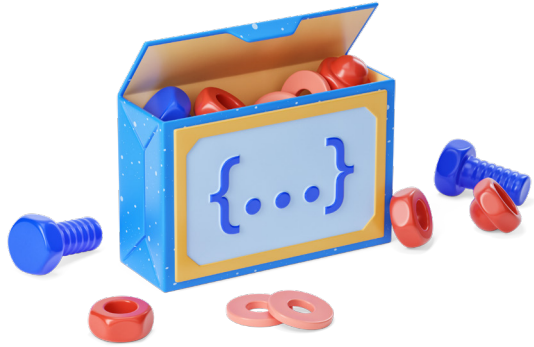
Wakam is a **digital B2B2C insurer** that creates white label bespoke and embedded insurance products for insurance specialists and non-insurance companies across Europe.

Around 40% of their estimated €600M+ 2022 revenues (Gross Written Premium) comes from embedded insurance.

As an experienced embedded insurance provider, Wakam creates protection products that make sense for your customers and differentiate you from other insurance providers.

Wakam is also a mission-driven company, whose purpose is to 'enable transparent and impactful insurance'. As such, they promote embedded insurance as a way to make insurance more transparent to consumers – particularly during the subscription process – and more impactful, by helping to bridge insurance coverage gaps.





Wakam can provide a dedicated team to help create your tailor-made insurance solution within just a few weeks using their Play&Plug® platform.

Delivering compliant insurance programmes that provide your customers with simple cover at an affordable price. And can support you at each stage of the regulation process, have full-stack technical expertise and use their experience to advise on where to embed insurance for maximum conversion.

Working with Wakam, you benefit from their API portal, as well as their **white-label front-end subscription funnel and**

back-end Policy Management Portal

in order to underwrite insurance policies and manage contracts. Wakam also works with trusted claims partners if you don't want or need to develop your own claims system.

Their secure data exchange (file exchange and/or API)

enables the optimal flow of data between all parties. And their Play&Plug® platform allows you to build your insurance product online (with built-in functionality such as pricing, document generation, electronic signatures and payment processing), and **monitor your insurance programme's performance in real time and in a transparent manner.**

Whatever your insurance product or processing needs, Wakam offers a range of in-house capabilities, providing non-insurance companies with a complete and seamless insurance offering.



Embedded insurance in action

 WAGESTREAM





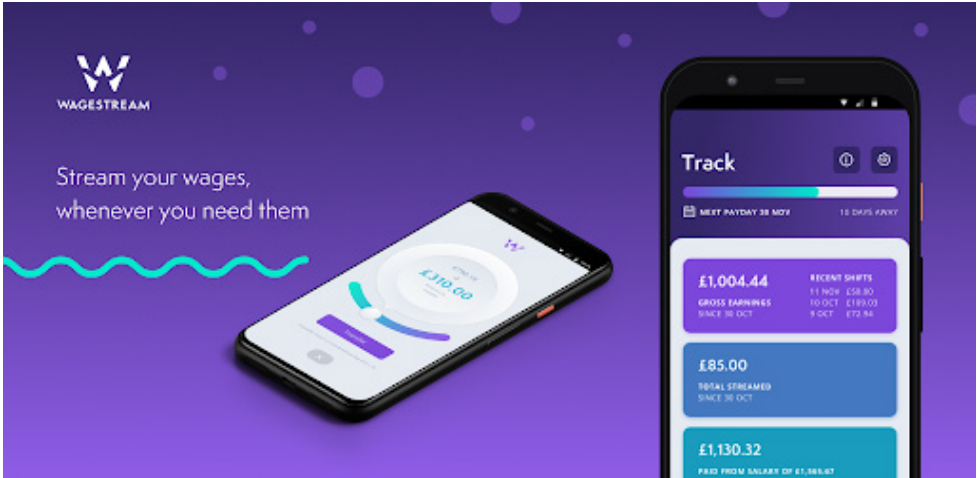
Wagestream is a complete financial wellbeing platform built around pay, which makes work more rewarding for more than two million frontline workers.

Through its set of fair financial products and services, people can manage their budgeting, choose their own pay cycle, build up a rainy day fund, chat to a money coach, save money on their bills, and more – all in one app. Employers who offer Wagestream benefit from faster recruitment, better retention and greater engagement. Over 300 organisations use the solution to make work more rewarding for their staff, and the company has raised funding from a group of social impact funds, venture capital and institutional investors to bring financial wellbeing to more workers globally.

The challenge: Wagestream found the UK's statutory sick pay to be among the lowest in Europe, with many UK employers citing the system as broken and workers left struggling financially if they were unable to work. This non-insurance company was thus looking to embed a new insurance offering into its app, to give users easy access to fair and affordable cover during periods of sickness.

The solution: Wagestream and Wakam co-designed a daily sickness insurance product, providing workers with affordable income protection. Using Wakam's pricing and policy APIs, the insurance offer is embedded in the app, allowing for a seamless customer journey for those subscribing to the insurance. They also co-designed the policy and claims administration system.

**2 real time
APIs**
(getprice / getpolicy)
to allow seamless UX



+2 million
frontline workers
use the app

The benefits: Workers can purchase fair and affordable cover within the app, with personalised pricing using their actual income. In-app notifications and automated validation make the claims process simple, with related payments made weekly into the user's bank account. In this way, Wagestream is helping to tackle a real pain point for frontline workers, and offers additional value within its app.



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Embedded insurance in action

boltttech



BackMarket

boltttech is an independent international insurtech powering connections between insurers, distributors and customers to make it easier and more efficient to buy and sell insurance and protection products. boltttech's ecosystem serves as a gateway to the world of insurance, with a proprietary insurance exchange platform enabled by boltttech's extensive partner network, leading-edge technology, and product innovation capabilities.

Back Market is a leading digital marketplace for refurbished electronic devices and appliances. It was founded in 2014 and has customers in 16 countries.

The challenge: Back Market needed an independent insurtech partner that would create consistency across its existing device protection solutions by building an omni-channel customer experience platform that could be deployed across Europe in a short timeframe.

The solution: boltttech worked with Back Market to develop an effective end-to-end customer journey, focusing on the key stages of the device purchase and making sure all customer touchpoints were developed to embed the service offering organically in the flow.

By embedding it within the online device purchase flow, conversion rate is maximized and optimized to achieve optimal growth results and customer experience is enhanced by a digital-first approach to claims via a dedicated platform that works 24/7, where customers can make their service requests with a high focus on repairing devices whenever possible. The service is backed up by a worldwide logistics network and multiple customer service channels integrated via a single API into the boltttech icon platform. boltttech and Back Market continuously conduct regular online testing to optimize

the online sales funnel according to customers' needs. With the existing embedded flow, changes and optimizations allow for quick iterations and change, which ultimately improves the overall customer experience.

bolttech was able to deploy an insurance agnostic and omni-channel platform via a fast and seamless tech process and was able to provide Back Market with new strategies to drive customer engagement, retention and enhance their customer experience post purchase.

The benefits: Back Market customers have access to protection at their point of need while purchasing a new device. Service requests are very fast, easy, and convenient to make online, and repairs are carried out locally, where possible. This level of customer support makes for a positive customer experience and reduces potential concerns around the risk of buying a pre-loved gadget.

2 weeks
deployment time
per country

95%
of service requests
made online



Dr Jens Schädler

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The future of insurance is embedded. Easy, fast and transparent access to relevant protection products is meeting a variety of customer expectations and aligning with new attitudes to consumption.

Non-insurance companies now have the perfect opportunity to build on their value proposition by creating unique protection products that complement their core business offering.

By working with agile and experienced embedded insurance partners, **almost any business can deliver valuable benefits to their customers** through the offer of tailored protection products.

The technology that is now available – and that has been developed by innovative insurtechs and insurers – provides the key to creating cover products and distribution methods that are allowing people to experience insurance in new and exciting ways.

With new patterns in consumer purchasing and product usage, particularly with the rise of the sharing economy, embedded insurance is the perfect partner to accompany customers – however they use or purchase products and services.

“Customer-centric embedded insurance products will increasingly become a native part of ‘non-insurance companies’ value proposition, creating a society in which insurance is an automatic part of almost any purchase.

We’re delighted to work with these businesses to help bring their insurance offerings to life, create added value for their customers, and be part of their business growth.”

Franck Pivert
VP Revenue, Wakam



If you want to explore the benefits of embedded insurance further, Wakam would love to talk to you.



Wakam is a European digital insurer providing embedded insurance products to its distribution partners in a B2B2C white-label model. Wakam is an international company, operating in 32 countries, and serves more than 150 distribution partners, including insurance specialists (brokers, MGAS, insurtechs) and non-insurance companies (retailers, marketplaces, etc.). With a 24% average annual growth rate since 2017, Wakam's turnover stood at €455M in 2021 and is estimated at €600M+ in 2022. Wakam is a member of the Open and Embedded Insurance Observatory, and since 2021 has been a mission-driven company whose purpose is 'enabling transparent and impactful insurance'.

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**OPEN & EMBEDDED INSURANCE
OBSERVATORY**

The Open and Embedded Insurance Observatory is a global organization aimed at delivering the value of embedded and open insurance. The Observatory performs research and market intelligence on the global applications of embedded insurance and open insurance, and provides its members with actionable insights to best position them in making their business decisions. Based on the ongoing observation and decoding of the global applications of open and embedded insurance, we analyze the information captured, connect them to draw a coherent and meaningful view of the market, and deliver actionable insights on the success cases and lessons learned, leveraging on our extensive advisory experience.

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