



The Rise of Embedded Insurance: Driving Growth & Innovation

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By One Inc

In this report, we discuss the rise of embedded insurance, the impact of evolving mobility trends, strategies for insurer success, and opportunities to drive growth, innovation, and increased customer value.

● Introduction


In recent years, the insurance industry has undergone a significant transformation with the rise of embedded insurance. From ride-sharing platforms to e-commerce websites, companies are now embedding insurance products directly into the purchase journey of other goods and services, providing consumers with a more seamless and convenient experience. This approach is not only revolutionizing how insurance is bought and sold but is also spurring product innovation and driving growth across the industry.

● The Familiarity of Embedded Insurance

Embedded insurance has been a familiar concept for quite some time. Traditionally, travel and warranty insurance have been prime examples of this. Tourists often add travel insurance when booking flights, and consumers frequently choose extended warranty coverage when purchasing large appliances. In recent years, rental insurance coverage has also become increasingly embedded.

Real-World Examples

Assurant and Updater: Assurant, a global provider of risk management solutions, offers a variety of embedded insurance options for renters. In addition to collaborating with property



managers to combine monthly premiums with rent, they've partnered with Updater, a moving app, to offer embedded insurance products to those relocating. Through this collaboration, Assurant provides renters insurance directly within the Updater platform, simplifying the process by allowing users to seamlessly purchase insurance as part of their moving experience.¹

Rhino and Cover Genius: Real estate technology company Rhino Insurance also partners with property managers to offer renters insurance embedded within the rental process. In collaboration with Cover Genius, they provide the Rhino Rental Insurance Program, which not only offers policyholders the convenience of managing policies through a single, easy-to-navigate self-service dashboard, but also provides proof of insurance credentials.²

Cover Genius and Skyscanner: After the pandemic caused many trip cancellations, Cover Genius collaborated with travel marketplace Skyscanner to offer a suite of travel protection products covering trip cancellation with no exclusions for COVID-19 or airline insolvency. Benefits include 24/7 emergency medical assistance, repatriation and expense coverage.³

Alliance and Bolttech: Global insurer Allianz and insurtech Bolttech partnered to provide embedded device and appliance protection insurance across Asia Pacific and the United States. This collaboration leverages Allianz Partners' global presence and underwriting expertise with Bolttech's technology and servicing capabilities. The partnership aims to offer seamless insurance solutions for

electronic products and household devices through various business partners, including retailers, telecommunication providers, and banks.⁴

● The Rise of Embedded Insurance

Embedded insurance is expected to account for a significant portion of the insurance market.

EY estimates that by 2028, more than 30% of all insurance transactions will likely occur through embedded channels.⁵

Per Deloitte, the volume of insurance premiums for major lines expected to be built into other types of third-party transactions, circumnavigating traditional distribution channels, is rapidly evolving.⁶ Embedded sales of property and casualty (P&C) insurance are forecast to reach \$70 billion in premiums in the United States alone by 2030.⁷

The rise of embedded insurance is driven by several factors:

- **Customer Convenience:** Consumers appreciate the simplicity of obtaining insurance without additional steps.
- **Distribution Partnerships:** Insurers collaborate with non-insurance entities (e.g., e-commerce platforms, automakers, ride-sharing apps, etc.) to embed coverage and leverage synergies.

- **Technological Advancements:** Application Programming Interfaces (APIs) enable insurers to easily integrate their products within various purchasing processes and service ecosystems.
- **Data-Driven Insights:** Access to customer data allows insurers to tailor products effectively to provide greater personalization.

● Addressing Insurance Industry Growth and the Global Protection Gap

The Open and Embedded Insurance Observatory, whose member organizations include Swiss Re, Marsh, EY, and Travelers, among others, is a global research and advisory center. It focuses on building and sharing knowledge on the applications of shared insurance-related data and capabilities that enable data-powered embedded insurance solutions. Per Yuri Poletto, the Observatory's Founder and Director, the insurance industry faces a growth challenge. He reports that based on data from the Organization for Economic Co-operation and Development (OECD), the insurance market in major western economies grew (net of inflation) at an average annual rate of only 0.25% in the last 11 years.

“The less a society and an economy are insured, the less they are resilient and capable to innovate. Embedded insurance is poised to change this, by making insurance closer to customers and more easily accessible.”⁸

The Open and Embedded Insurance 2024 Insight Report suggests that while cross-selling is a common strategy in the insurance industry, it does not significantly boost sales due to high customer loyalty. Although loyalty contributes to profitability, it does not substantially drive growth. The report argues that insurers have ample opportunities to increase insurance penetration, particularly by focusing on micro, small, and medium-sized enterprises (MSMEs). These businesses are the backbone of the global economy, representing over 95% of all businesses and more than 50% of employment worldwide. Despite their importance, MSMEs are highly underserved by the insurance industry, leading to a protection gap estimated between 50% and 70% globally.

In 2022, Aon partnered with PayPal to simplify insurance access for millions of PayPal's small business customers in the U.S. Through Aon's CoverWallet solution on the PayPal Commerce Platform, these 35 million MSMEs can easily purchase insurance online. By sharing transaction information with Aon, PayPal enhances the accuracy of insurance quotes via CoverWallet.⁹

As consumers rapidly adopt new technologies, and micro and small-sized businesses increasingly seek seamless access to insurance services, the embedded insurance model has become more crucial than ever. Digital transformation is making it easier and more cost-effective to integrate insurance into non-insurance offerings, allowing these solutions to be deployed at scale.

● Opportunities Offered By Embedded Insurance

1. Enhanced Customer Experience

Embedded insurance enhances customer experience by providing coverage at the point of sale, reducing friction and making the process more intuitive. For example, Amazon's partnership with Next Insurance allows sellers to easily purchase tailored business coverage, leading to higher adoption rates and a smoother experience.

2. Increased Market Penetration

By embedding insurance into everyday transactions, insurers can reach new customer segments. Uber's partnership with Aon offers on-demand insurance to drivers, expanding coverage to a previously underserved market and increasing market penetration.

3. Improved Risk Management

Embedded insurance leverages real-time data for dynamic pricing and improved risk management. ADT's collaboration with Hippo Insurance integrates home insurance with security systems, offering tailored policies and discounts based on real-time security data, leading to more accurate risk assessment and pricing.

4. Operational Efficiency

Integrating insurance into existing platforms streamlines operations and reduces costs. IKEA's partnership with iptiQ by Swiss Re offers home insurance directly through its website and stores, lowering marketing and sales infrastructure costs and simplifying the purchasing process for customers.

● Challenges Existing in Embedded Insurance

1. Technological Integration

Embedding insurance products into various platforms requires robust APIs and system compatibility, which can be complex and resource intensive. Successful partnerships, like Amazon and Next Insurance, depend on seamless technological integration, demanding significant investment and expertise.

2. Regulatory Compliance

The regulatory landscape for insurance varies across jurisdictions, making compliance challenging. For example, Uber and Aon had to navigate different regulatory requirements in various markets to offer on-demand insurance, which can slow implementation and increase costs.

3. Data Privacy and Security

Embedded insurance relies on sharing customer data between platforms and insurers. Ensuring data privacy and security is crucial for maintaining trust and complying with regulations like the General Data Protection Regulation (GDPR) in Europe and the California Consumer Privacy Act (CCPA) in the United States. Integrating real-time data from ADT's security systems with Hippo Insurance raises concerns about data use and protection, requiring stringent data privacy measures.

4. Customer Education and Awareness

While embedded insurance offers convenience, customers may not always understand the coverage they are purchasing. Educating customers about the benefits and limitations of embedded insurance policies is essential to avoid misunderstandings and ensure customer satisfaction.

The Connected Revolution and Mobility

Although disruption within the auto insurance industry is nothing new, rapidly evolving mobility trends, advancements in connected technology, and rising customer expectations are contributing to increased volatility. Per the McKinsey Center for Future Mobility, connected cars are expected to account for 90% of all new U.S. vehicle sales by 2025.¹⁰ Advancements in connected car technology are not only reshaping insurance products and distribution but also redefining consumer relationships and expectations. Original equipment manufacturers (OEMs) like Tesla and Toyota now embed insurance directly into new car purchases. According to the 2024 Embedded Car Insurance Study by Polly¹¹, 81% of Millennials and Gen Z desire the option to purchase auto insurance as part of their car buying experience. In fact, 83% of these cohorts reported that they bought some type of embedded insurance with a recent purchase.

The rise of autonomous, connected, electric and shared (ACES) mobility options is projected to reach 40% of the automotive market share by 2030, per Capgemini research.¹² **Urban adoption of multi-modal, micro-mobility, and shared modes of transportation is forecast to double from 29% in 2023 to 58% in 2025.** Although consumers aren't ready to replace their personal vehicles quite yet, 42% of policyholders expect a single policy that covers them regardless of transportation modes.

With the growing interest in incorporating new mobility options, insurers will eventually need to pivot from covering assets to protecting mobility journeys (“mobility-as-a-service”), necessitating stronger partnerships and greater collaboration with trusted ecosystem partners.

● Embedded Insurance Is Driving Mobility Forward

Real-World Examples

Tesla's Integrated Coverage: Tesla cars come with built-in insurance features. The software adjusts rates based on driving habits and vehicle health. It's insurance as dynamic as the electric vehicles (EVs) themselves. As of YE 2023, Tesla Insurance had close to \$500 million in written premiums, a 115% year-over-year increase.¹³

Toyota and Toggle: Toyota Auto Insurance, underwritten by Toggle, a digital and embedded insurance company that is part of Farmers Insurance, provides coverage for rideshare drivers and even non-Toyota vehicles in customers' households.¹⁴ Managing Director of Toyota Insurance Services Europe, John Laing explains why he feels that embedded auto insurance will continue to rise: "As customers move from 'ownership' to 'usership', their expectations are starting to change – with an increasing focus on 'ease of use' and 'value' that make embedded insurance products very appealing."¹⁵

Carvana and Root: The e-commerce platform Carvana and insurtech carrier Root entered into an exclusive partnership in 2021 to develop integrated auto insurance solutions for Carvana's online car buying platform, with Carvana investing approximately \$126 million in Root. Per Root President and Chief Technology Officer Matt Bonakdarpour: "Meeting customers where they are in their moment of need is far more efficient and delightful for the customer than having them come to an insurance website to get a quote and a bind."¹⁶

Uber and INSHUR: INSHUR's partnership with ride-sharing service Uber, formed in 2018, embeds insurance directly into Uber's platform, providing on-demand drivers with streamlined, personalized insurance coverage that adapts to driving schedules.

Turo and Liberty Mutual: Turo, a peer-to-peer car-sharing platform, collaborates with Liberty Mutual to offer embedded insurance for its users. Renters receive comprehensive coverage for the duration of their rental, ensuring peace of mind and compliance with legal requirements. This partnership not only enhances convenience for Turo users but also strengthens the relationship between Turo and its customers.

Trov and Waymo: Waymo, a subsidiary of Alphabet Inc., Google's parent company, develops self-driving technology and autonomous vehicles. Their fully autonomous rideshare robo-taxi services are currently offered in San Francisco, Los Angeles, and Phoenix. Trov, an on-demand mobility insurance solutions provider acquired by Travelers Insurance in 2022, provides on-demand insurance coverage for Waymo's passengers, included at the point of purchase. Tailored to the unique needs of autonomous vehicle passengers, the protection covers damaged or lost property, trip interruption benefits, and potential medical expense reimbursement to Waymo riders during their trips.

Autonomy and Liberty Mutual: Autonomy, the largest EV subscription company in the U.S., has partnered with Liberty Mutual to offer integrated, month-to-month auto insurance as part of its subscription service. This arrangement streamlines the mobility experience, allowing consumers to manage their car subscription and insurance needs seamlessly through one platform. As explained by Scott Painter, founder and CEO of Autonomy: "For the first time, consumers can pay for car insurance on a month-to-month basis through an Autonomy subscription on their smartphone. Integrating auto insurance into our month-to-month subscription bundle solves yet another consumer pain point in the mobility experience."¹⁷

Bird and Marsh: Bird, a leading electric scooter-sharing company, partnered with Marsh to provide embedded insurance for its e-scooter riders. By integrating insurance directly into their platform, Bird ensures that riders are automatically covered during their trips without needing to purchase separate policies. This embedded insurance covers various aspects of the ride, including accident and liability coverage, promoting the adoption of micro-mobility solutions. efficiency.

● Cloud Technology and Product Innovation

In an InsurTalk podcast interview with Guidewire's Laura Drabik, Chris Raimondo, Americas Insurance Technology Consulting Leader at EY, discussed best practices for achieving success in embedded insurance based upon EY's experience in the space: "Cloud connected, open API capabilities and a microservices architecture are really just table stakes for entering the embedded insurance sector with a viable offering."¹⁸ Insurers must develop entirely new methods for engaging in solution design and development by utilizing modern platforms that offer pre-built capabilities, facilitate seamless partner integration, and enable fast, secure data exchange.

According to Raimondo, "Insurance carriers must be willing to innovate and more aggressively self-disrupt, defining new product offerings and financial models specific to the embedded channel."¹⁹

Raimondo challenged insurers to honestly assess the levels for innovation and disruption within their organizational cultures, define capabilities necessary for bold innovation, and then work to develop them throughout the enterprise. These would include skills for creative ideation, rapid prototyping, and data-driven product management.

● Success Factors for Embedded Insurance

To garner more value and realize the full benefits of embedded insurance, insurers should take strategic action in these six key areas: partnership alignment; digital, cloud-based infrastructure; a seamless customer experience; innovative and scalable product design; competitive pricing; and trust development.

Partnership Alignment

- Define the compelling mutual value proposition across the insured-partner value chain. Will it be a novel product offering not currently available in the market? Is it a differentiated technology platform that can enhance the experience and foster increased customer loyalty?
- Explore new business models based on multiple collaboration options, including B2B2B (commercial lines) and B2B2C (personal lines). Will the protection product be built into the existing product, or sold as an add-on? Will the product be co-branded or white-labeled?

Digital, Cloud-Based Infrastructure

- Invest in modern cloud-based infrastructure that provides pre-built capabilities, makes it easy to integrate with partners, and supports fast and secure data exchange.

Seamless Customer Experience

- Utilize design thinking to set elevated standards for customer experiences, ensuring personalization, seamlessness, and high-impact outcomes.

- Integrate embedded products into a clearly defined customer journey with a focus on simplicity, ease, and convenience.

Innovative & Scalable Product Design

- Increase utilization of advanced analytics to better understand the drivers of new product adoption.
- Use design thinking to prototype and continually innovate, setting higher standards for personalized customer experiences.
- Ensure scalability for the intended customer segments, as well as flexibility for changing customer preferences.

Competitive Pricing

- Leverage diverse data sources, largely based on actual usage patterns and real-time risk insights, to price products and dynamically adjust premium levels.

Trust Development

- Boost consumer confidence in both the product and the partners by helping customers reach a secure understanding of what will be provided as part of their purchase.
- Provide transparency around pricing, terms, and conditions.

- Educate customers about the benefits and limitations of embedded insurance policies. Building awareness is crucial to avoid misunderstandings, foster trust, and ensure customer satisfaction.

Per Chubb's Amy McNeese, Head of Partnerships for Digital Consumer and Small Business: "Even though we live in a digital age and even though we're talking about selling insurance in this digital ecosystem, you still have to be able to trust the person on the other side. The number one item that I lean into every day is that it still comes down to relationships. It still comes down to real face-to-face human interaction, listening, collaboration, strategic alignment and building trust."²⁰

The Future of Embedded Insurance

The rise of embedded insurance presents significant opportunities for insurers to not only enhance the customer experience, but also to increase market penetration, reduce the protection gap, and improve risk management. However, the journey is not without its challenges, including technological integration, regulatory compliance, data privacy, and customer education. By addressing these challenges head-on, insurers can unlock the full potential of embedded insurance and transform the way insurance is bought and sold. As technology advances, embedded insurance will continue to blur the lines between insurance and everyday transactions, ultimately benefiting consumers and insurers alike.

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● About One Inc

Ranked as 'Best-in-Class' for non-bank disbursements platforms by Datos Insights for its digital platform capabilities, vendor stability, and client service strength, One Inc is modernizing the insurance industry through a unified and frictionless payment experience. Changes in consumer behavior toward digital demand will persist and grow. Future-focused insurers have eliminated paper-based workflows and paper checks, investing in more robust digital payment platforms that drive a superior experience for their customers, vendors and other third parties.

At One Inc we deliver a full-stack inbound-outbound payment solution that includes customer engagement functionality, integrated reporting with real-time data, and flexible integration with insurer core systems – be they legacy or modern. Our fully hosted, scalable, and PCI-compliant platform reduces risk and increases data security and safely stores tokenized data. Our comprehensive end-to-end digital payments platform delivers emergent payment methods, multi-channel digital communications, premium reimbursement capabilities, and rapid digital claim payments, even for the most complex insurance use cases.

The One Inc comprehensive solution enables insurers to deliver on their brand promise to provide a secure and superior customer experience in any situation. Focusing only on the insurance industry, we help carriers transform their operations by reducing costs, increasing security, and optimizing customer experience. As one of the fastest growing digital payment platforms in the insurance industry, One Inc processes billions of dollars per year in premium and claim payments.

One Inc provides carriers with the ability to give their customers what they want and expect: control, convenience, consistency, and continuity. That's the strength derived from the **Power of One™** – a cohesive and seamless experience for both inbound and outbound digital payments.

To discuss your digital payment needs,
please call **(822) 209-1688** or email inquiries@OneInc.com

Endnotes

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