# EMBEDDED INSURANCE IN THE AGE OF CX:

How advanced data analytics
and digital transformation
are changing the game for insurers

OPEN & EMBEDDED INSURANCE OBSERVATORY

sas

# Embedded insurance in the Age of Customer Experience:

## How advanced data analytics and digital transformation are changing the game for insurers.

## EXECUTIVE SUMMARY

Of the enablers we surveyed:

**50%**

believe their embedded business will grow by somewhere between 50% and 200% in the next five years.

Of the insurers we surveyed:

**59%**

believe their embedded business will grow by between 5% and 20% in the next five years.

Current annual premiums from embedded among our enabler respondents is predominantly up to $5m (58%), although 12% report annual premium of over $200m.

Among the insurers, 35% report annual premium over $100m, with 29% of those reporting annual premium of over $200m.

The Open and Embedded Insurance Observatory estimates that approximately 20% of global GWP will migrate to embedded within the next 10 years[1]. Our survey results show that 53% 'agree' with this figure, and 23% believe the migration to embedded 'could be even greater'.

Based on the survey results, we recommend that insurers:

- Enable better data sharing to allow for the creation of very tailored coverage for target customers, in preparation for the growth in embedded insurance business.
- Enhance their process automation capabilities to better meet clients' and customers' expectations.
- Ensure they are working with partners who will optimize their embedded offerings.

# Introduction

SAS and the Open and Embedded Insurance Observatory recently conducted a survey* among their members, partners and a wider network of insurers and tech enablers – to track current trends in the embedded insurance space. The key aims were to identify levels of data sharing between parties, the impact of process automation, and how customer experience (CX) is measured.

## The rise in CX maturity in insurance

Advancing technologies and powerful data analytics are changing the way consumers and brands interact. From targeted marketing to personalized product design, and from frictionless sales to 24/7 servicing – consumer expectations are shifting – and rising. And savvy brands are using the tools now at their disposal to not just meet these expectations, but to exceed them.

The most successful brands understand their customers and know how to engage – and delight – them. And the insurance industry is no longer an exception. With the wider transition to an 'experience economy', innovative insurers are investing in technology – and creating partnerships – that are allowing them to differentiate themselves and gain market share in an increasingly customer-centric environment.

The pandemic was certainly a push factor towards greater CX maturity in insurance, but the momentum isn't slowing. International Data Corporation predicts global IT spending in insurance will grow at a CAGR of 6% by next year, reaching $135 billion – with CX accounting for 37% of this investment[2].

## Embedded insurance and CX - The business case

One of the most important shifts in global insurance in recent times is well underway – and that's the seamless integration of insurance offers into customer journeys. Non-insurance brands are increasingly embedding insurance offerings into their digital ecosystems – increasing customer confidence, driving sales, and raising customer satisfaction.

The Open and Embedded Insurance Observatory estimates that approximately 20% of global GWP will migrate to embedded within the next 10 years. With our survey results showing that 53% 'agree' with this figure, and 23% believe the migration to embedded 'could be even greater' – the importance of such solutions can no longer be ignored by insurers who want to remain relevant.

**ENABLERS:** Companies providing insurance-as-a-service infrastructure; for example, insurance platform providers, insurtech MGAs and digital brokers.

*For a full breakdown of the survey respondents, see page 9.*

**20% OF GLOBAL GWP WILL MIGRATE TO EMBEDDED WITHIN THE NEXT 10 YEARS.**

**53%** AGREE

**23%** Think it could be EVEN GREATER!

In terms of the impact of providing embedded insurance solutions on their business, it's also encouraging to report that none of our survey respondents said it had had a 'negative' effect on their business. And no insurers agreed that their embedded solutions were cannibalizing their standard insurance lines – with only a very small minority saying it was doing this to 'a certain extent'.

**0%**

REPORTED A 'NEGATIVE' EFFECT ON THEIR BUSINESS

They agreed that their embedded solutions were NOT 'cannibalizing' their standard insurance lines.

In fact, 50% of insurers reported that providing embedded insurance has already led to lower loss ratios. And 70% of respondents said that providing embedded insurance had had a positive effect on their business – with 22% saying it has been a 'game-changer'.

**50%**

"EMBEDDED INSURANCE HAS LED TO LOWER LOSS RATIOS"

**70%**

"A POSITIVE EFFECT ON THE BUSINESS"

**22%**

"A GAME CHANGER!"

# The power of CX – and the role of automation in insurance

## Good customer experience encourages brand loyalty, improves customer retention, and increases sales. And the bedrock of good CX today – in almost any industry – lies in automation.

Customers want access to product information at the touch of a button, they want assistance with queries without having to wait, and they want seamless interactions with the brands they connect with.

Automation is enabling insurers to simplify policy administration, process claims more efficiently, make faster payouts, and assess risk more quickly. It also enables insurers to provide 'always on' customer service in the form of next-generation chatbots, digital assistants, and self-service options – which are now the preferred method of interaction for younger generations, across the customer journey[3].

In the insurance industry, artificial intelligence (AI) is automating – and improving – almost every step in the customer journey, allowing insurers to streamline their processes, improve business efficiencies, and enhance their product offering.

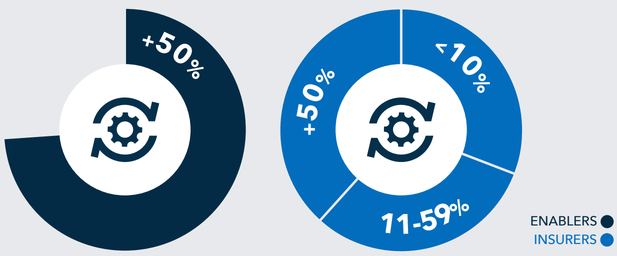
With embedded insurance, consumers have access to friction-free, transparent and easily accessible cover. Being offered the cover they need, at the moment when protecting their purchase is front of mind. And benefiting from a simple claims process that is, in some cases – thanks to parametrics – 'claim-free', turning a good customer experience into an exceptional one.

## Still room for improvement

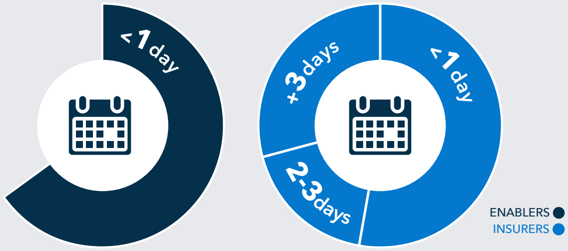
Despite investments, friction remains. We asked our survey respondents what percentage of their customer applications were fully automated. Of the enablers we surveyed, 74% said that over half of such applications were automated. Insurers, on the other hand, were fairly equally split between offering either 'less than 10%', '11-50%' and 'over 50%' automation – although the latter category was slightly higher at almost 39%.

For those applications that are not automated, 65% of enablers said it took less than a day, on average, to reach a decision on the application. Whereas insurers generally take slightly longer, with around 53% saying they take less than a day, 18% saying they take 2-3 days, and 29% saying they take, on average, over three days.

What % of customer applications were fully automated?




Decision time for those applications that are not automated



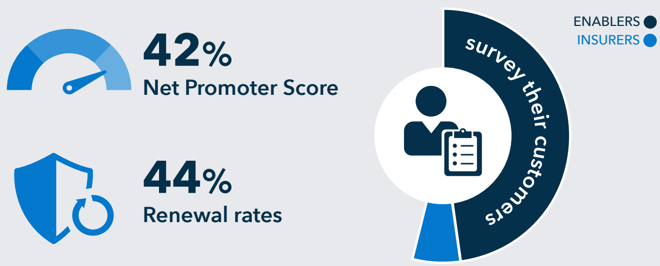

During the application process, **40% of the enablers said they are allowed to underwrite submitted business. However, 83% of the insurers said they do not permit their distribution partners to modify the premium based on customer attributes.**

This shows a clear difference between the levels of automation provided by enablers and insurers, and highlights the scope of opportunity available to insurers when it comes to increasing their automation capabilities.

At the same time, allowing enablers to have more control over underwriting and the setting of premiums could help them to provide more agile products and services that better meet the needs and expectations of their customers.

In terms of how our respondents evaluate customer satisfaction, the most popular ways are Net Promoter Scores (42%) and renewal rates (44%) overall. But, interestingly, 26% of enablers and 31% of insurers said that evaluating customer satisfaction is something they don't do; but rather they leave this to their partner companies. Another observation is that enablers are much more likely to directly survey their customers – with 48% saying this is something they do, compared to 6% of insurers.

How do you evaluate customer satisfaction?




Considering the power of good customer experience to elevate a brand, provide customer retention, and increase sales – this data shows that there's plenty of room for enablers and insurers alike to dedicate more resources to monitoring customer satisfaction. The insurers and enablers who are best able to provide exceptional CX – through understanding what best meets their customers' expectations and desires – are the ones who are going to quickly gain market share in the competitive insurance landscape.

CASE STUDY

# SBI General Insurance maximizes customer lifetime value with SAS® Customer Intelligence 360

## For insurers that provide everything from home, life and auto insurance to crop insurance and cyber-risk protection, the opportunities to personalize promotions for every customer can be overwhelming.

SBI General Insurance, one of the largest general insurance organizations in India – with nearly 1,000 branches and 4.5 million policyholders – has a lot of customer data to manage. At such a scale, it was difficult to access the information needed to create personalized journeys for its customers.

SBI identified a need for personalized and contextualized marketing to reduce policyholder churn, increase revenue and improve customer engagement. Unfortunately, SBI didn't have the technology to bring this vision to life. Its data was siloed, and the marketing team had limited visibility. The company couldn't access customer information like policy lifecycles, channel engagement and products used. Because the data resided in a variety of places across the organization, it often took up to three weeks to merge analytical insights with customer data.

In response to these challenges, SBI began seeking a comprehensive solution. The company wanted a single view of its customer base to streamline customer data and address marketing challenges.

## Hybrid cloud solution meets goals and regulation requirements

SBI and SAS implemented an enterprise customer engagement hub built on **SAS Customer Intelligence 360**. With this SAS solution in place, SBI streamlined its marketing technology into one platform and provided advanced features like open data models, predictive models, streamlined marketing planning and more.

The enterprise customer engagement hub provides a unique end-to-end solution to manage personalized customer experiences across SBI's channel ecosystem, including mobile apps, online visits, call centers and direct mail.

Overall, SBI has infused analytics capabilities and intelligent business planning into its standard business processes. This significantly reduced the previous lead time of nearly three weeks and has improved time to market for all campaigns by about 400%.

SBI's marketing team uses a custom solution from SAS to orchestrate campaigns in real time across various touchpoints. Providing contextualized campaigns to SBI's 4.5 million policyholders is expected to drive operational improvements and revenue growth.

*"The SAS Customer Intelligence 360 suite gave us the platform to build and use our 'customer one-view' and marry it with analytical insights to develop hyperpersonalized engagements with our vast customer base to maximize the customer lifecycle value. The unique ability of the platform to mesh the new-age digital journeys and our traditional engagements through agents, call center, messages and more in real time will give us the ability to initiate a contextual engagement when the customer is at our channel, and not offer them something ex post facto. This is a positive step in driving higher ROI from this program going forward."*

Sujatha Aroon, Head of Business Transformation and Strategic Projects, SBI

Current predictions suggest that SBI will see a 4%-8% increase in conversions, a 20%-25% improvement in customer engagement and retention increases between 4%-7%. Additionally, projections predict a fourfold increase in operational efficiencies thanks to the centralization the solution provides. Combined, these changes are expected to produce a 50% increase in core revenue within one year of implementation.

# Bridging the gap between data analysis and CX

## Powering automation and fuelling AI is, of course, data. Without the ability of insurance distributors and providers to gather customer data, and process it using dynamic analytics tools, the insurance industry would not be evolving in the way it now is.

This access to rich customer data – in combination with AI and automation tools – is allowing insurers and insurance enablers to reimagine the customer experience – from marketing, through policy administration, to claims processing and customer support.

The good news here is that people today are more willing to share their personal data with non-insurance brands in order to obtain protection products[4]. And they are also happy to share their personal information with digital assistants in return for prompt and effective resolutions to their queries[3].

This allows insurers and insurance sellers to engage customers with tailored communications, offer them personalized protection products, and provide the seamless, omni-channel purchase journeys they now expect.

It was encouraging to see that 82% of the respondents to our survey said they use customer data to customize sales campaigns for different groups of customers.

By offering customers products that fit their purchase and lifestyle needs – through intelligent use of their personal data – insurance sellers are creating a very positive customer experience, while increasing their conversion rates.

**82%**

of survey respondents said they use customer data to customize sales campaigns for different groups of customers.

Topdanmark

CASE STUDY

# The power of CX – and the role of automation in insurance

## Like many companies, Topdanmark – Denmark's second largest insurance company – needs to tackle an increasingly digitized business reality of multiple channels and touchpoints.

With a market share of 17%, insuring both private, business and agriculture clients, Topdanmark covers everything from complex industries to home insurance for the student who just got their first apartment. It is crucial to find the right marketing set-up to ensure that potential and existing customers are met with the right message at the right time, and are guided on a consistent customer journey – no matter where they encounter Topdanmark.

*"We have a vision that the customer should feel recognized and understood across all touchpoints. To ensure this, we need a hybrid marketing approach that lets us combine our online and offline touchpoints in the same workflows. For example, plans around personal and phone meetings need to combine seamlessly with the newest digital possibilities."*

Jens Green, Corporate Marketing Director at Topdanmark.

## A delivery model based on data insight

Topdanmark's challenge was that the digital channels and direct channels had developed separately and were not sufficiently linked to databases. This created siloes and channels and systems were not in sync. It was multichannel – not omnichannel. It prevented Topdanmark from creating a good flow of touchpoints and communication across channels, making for a disjointed customer journey.

The SAS Customer Intelligence 360 platform was considered for a revamped customer experience approach. During the process, the SAS team demonstrated how Topdanmark's use cases would be handled in the new set-up, assigning tasks according to value streams in the customer journey. The functionality and ability to process workflows convinced the Topdanmark team to go ahead.

Sanne Thomns, Omnichannel Manager at Topdanmark, headed up the digital transformation project leading to the new hybrid marketing approach. She said: **"We really see the CI 360 platform as a quantum leap as compared to the previous platforms.** It is amazing how much this has evolved from marketing automation. We have great expectations of the planning module and the workflows it should give us. For example, when data is ready, copy should be getting ready – and really, it all starts with data. **The modules will guide the process forward and help us orchestrate the work along the different parts of the marketing process, from data scientist to copywriter."**

## Prioritizing effort and budget

In terms of marketing management and overview, the system will help identify bottlenecks: Where is the process stuck? What data are we missing? Every specialist function has its own manager so there might be different priorities. The tool will help the insurer to plan and prioritize, both in terms of time but also marketing spending.

*"The CI360 platform itself has been a real 'wow' experience, but just as important, SAS has shown respect for our reality. For example, that the direct sales process is integrated into the platform. This has been a real differentiating factor compared to other vendors. And the fact that analytics is the foundation, as channels converge, means we can do real-time intelligent decision making."*

Sanne Thomns, Omnichannel Manager at Topdanmark

# Data sharing and the future of insurance

## Data allows insurers to have a greater understanding of the individuals they serve. It gives insurers a clear picture of a customer's preferences and needs, allowing insurance providers to optimize communications, product offers, and customer journeys – at an individual level.

Data analytics and machine learning gives insurance providers the opportunity to test where best to place an insurance offering within a customer journey for maximum conversion, and how to differentiate these offers throughout the journey. It empowers underwriting, allowing for real-time offers of personalized – and hyperpersonalized – insurance protection. And it provides opportunities for up-selling and cross-selling to increase wallet share.

Consumers are now actively seeking this personalized experience when buying insurance. And through the sharing of data between insurers and their tech and distribution partners – CX in this sector will continue to be transformed.

Beyond seamless and intuitive CX, predictive analytics is now taking the customer experience to another level – allowing insurers to proactively offer customer support and solve CX problems in real time. By anticipating customer behaviours, insurers can better connect with their customers, improving satisfaction rates and boosting revenue per customer.

Among enablers, the most popular distribution channels:

- **82%** Websites/app, e-commerce, or retailers
- **65%** Banks, fintechs and payments providers
- **36%** Telcos, tech companies and utilities
- **29%** traditional agents and brokers

Among insurers, the most popular distribution channels:

- **72%** Websites/app, e-commerce, or retailers
- **56%** Banks, fintechs and payments providers
- **50%** Traditional agents and brokers
- **39%** Online bookings
- **33%** Telcos
- **33%** Utilities
- **33%** Software providers
- **28%** Tech companies

## Sharing is caring

Encouragingly, our survey showed that 83% of enablers have access to data from their distribution partners that is generated from their embedded partnership. However, 54% don't have access to partner data that isn't related to the embedded insurance activity.

This shows a clear opportunity to work more closely with distribution partners to establish greater access to wider data pools that would benefit both parties and, ultimately, customers. Explaining to customers the value of sharing their data, and how it would improve their experience is a valuable process – as is explaining the services and offers they wouldn't have access to by opting out of data sharing.

In terms of the most popular channels for distributing embedded insurance products, our survey showed a wide variety.

Among enablers, the most popular channels are websites/app, e-commerce, or retailers – which together total 82% of respondents. Followed by banks, fintechs and payments providers (65%), telcos, tech companies and utilities companies (all at 36%), and traditional agents and brokers (29%).

Among insurers, the most popular distribution channels are – similarly – apps/websites, e-commerce or retailers (72%), followed by banks, fintechs and payments providers (56%), traditional agents or brokers (50%), online bookings (39%), telcos (33%), utilities companies (33%), software providers (33%), and tech companies (28%).

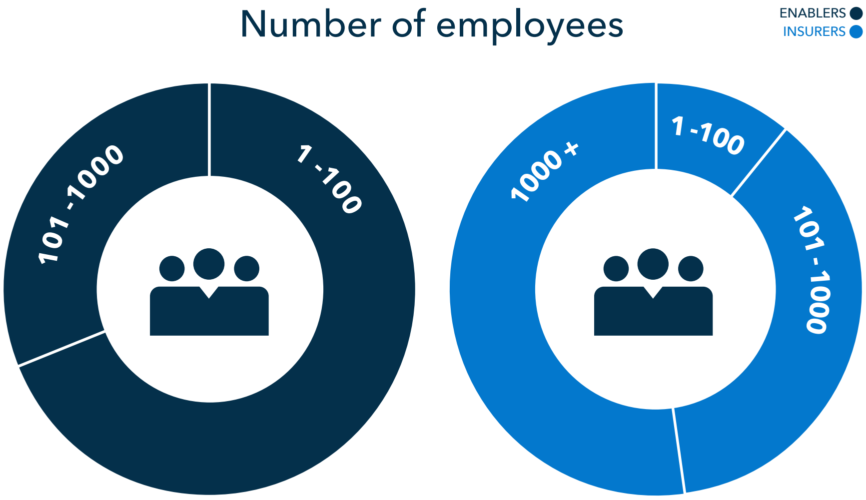
*Some of the other channels used by both enablers and insurers are manufacturers, educational organizations, associations, NGOs, superapps, and software providers.*

This illustrates the broad spectrum of non-insurance businesses that are now adding insurance as a core part of their value proposition. By bridging existing data gaps, we'll see yet more organizational types embedding insurance solutions – and we'll see growth in the percentage of existing non-insurance sectors creating protection products that very specifically meet the needs of their valued customers.

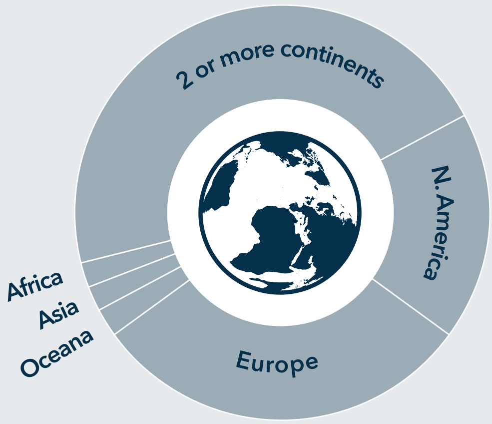
# Survey respondents

## Type of company

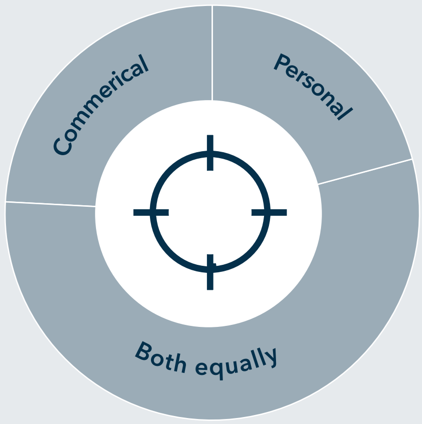

## Number of employees




## Geographical area of operation

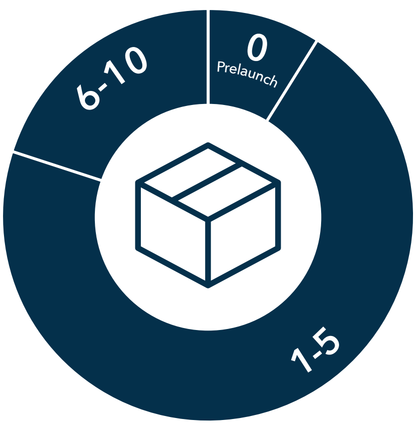



## Business focus



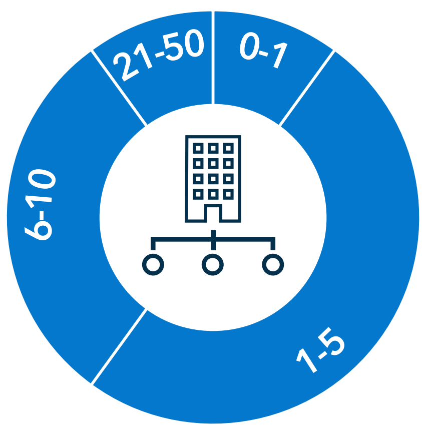

## Enablers:

Number of embedded products launched

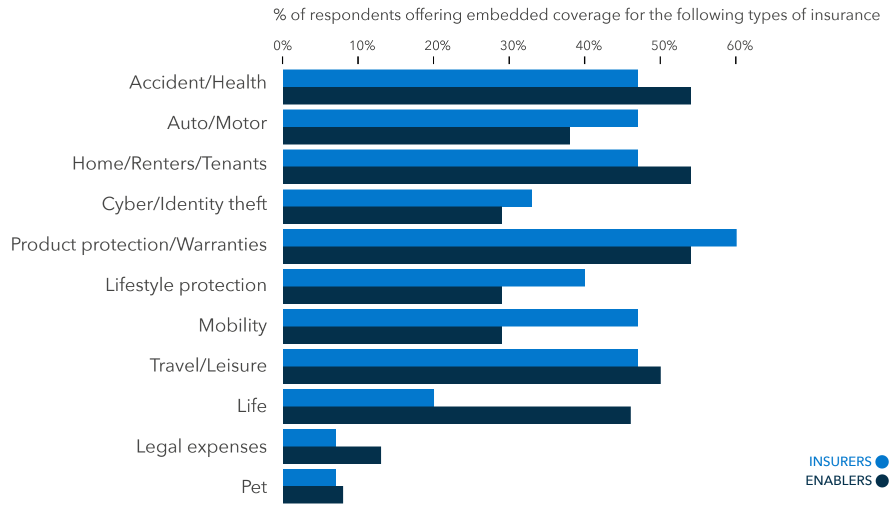



## Insurers and Reinsurers:

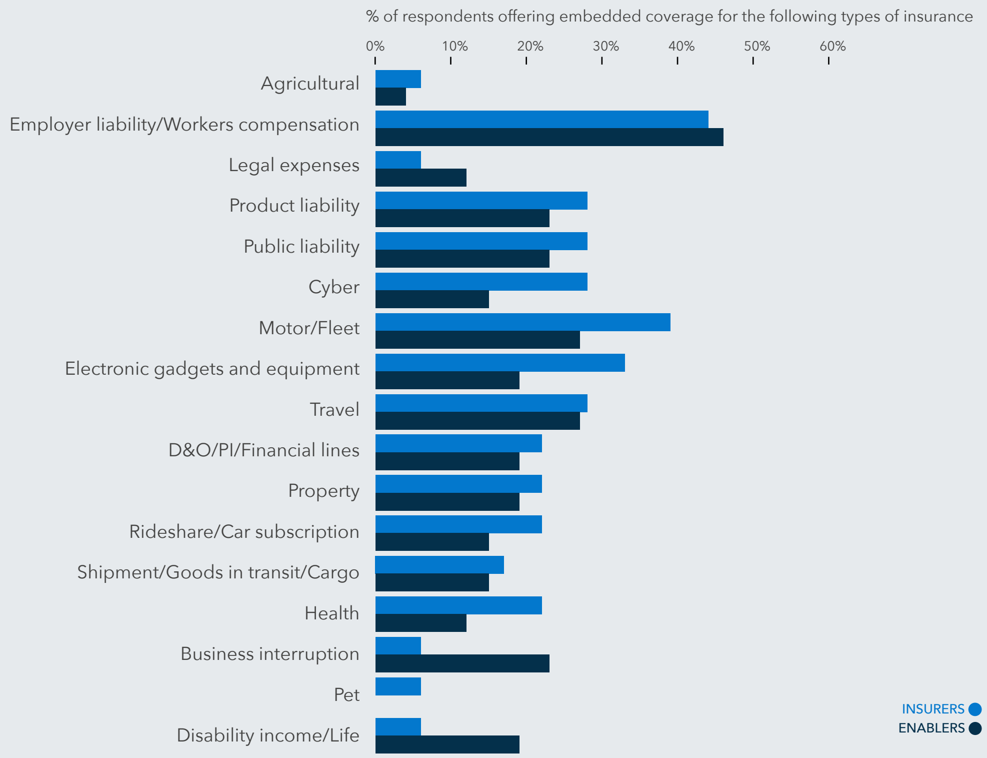
Number of distribution partners



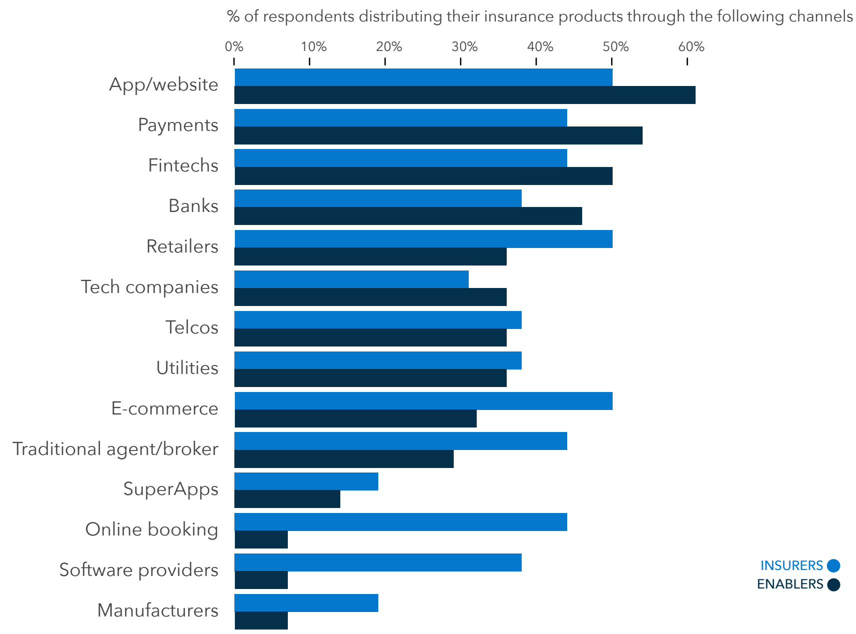
# Personal insurance:




# Commercial insurance:




# Distribution channels:



# Future developments

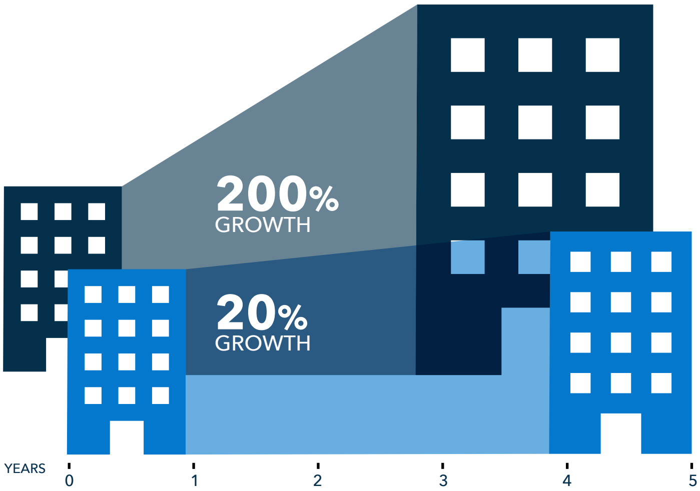
## Embedded insurance carries all the hallmarks of the new age of insurance – and it's no wonder that this type of insurance is proliferating.

Like in other industries, a one-size-fits-all approach no longer works in insurance. Different customer demographics have different needs, wants, and expectations – and these are being met by forward-looking brands that harness the power of digital transformation and data analytics.

Of the enablers we surveyed, 50% believe their embedded business will grow by somewhere between 50% and 200% in the next five years; and 59% of insurers believe their embedded business will grow by between 5% and 20% in the same time period.

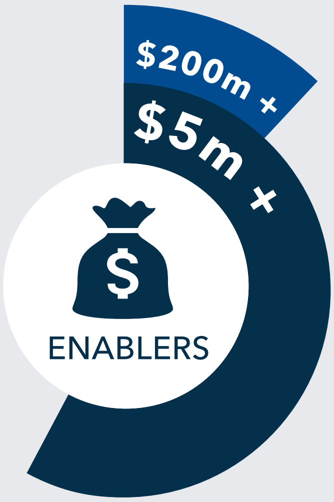
Current annual premiums from embedded among our enabler respondents is predominantly up to $5 million (58%), although 12% report annual premium from embedded of over $200 million.

Among the insurers, 35% report annual premium from embedded of over $100 million, with 29% of those reporting such annual premium of over $200 million.




Current annual premiums from embedded insurance:


Among the insurers, 35% report embedded premium over $100m, with 29% of those reporting embedded premium of over $200m.




Enabler respondents report annual premium from embedded predominantly up to $5m (58%), although 12% report such annual premium income of over $200m.

**$3tn**

market value of embedded insurance in the next decade

Open and Embedded Insurance Observatory

This confirms projections that embedded insurance will continue to gain market share. And that the value of the embedded insurance marketplace will continue its impressive trajectory. But what's next when it comes to providing an even more immersive and engaging insurance experience for the customers of tomorrow?

# The digital advantage

## In the near future, we'll see:

- An increasing shift towards customers actively seeking a mobile-first insurance purchasing experience.
- A rise in subscription-based insurance services.
- Web 3.0 developments leading to more insurance offerings created in the metaverse.
- The Internet of Things creating more opportunities for embedding insurance protection.

## Each of these provides the opportunity for insurers to:

- Create unique and differentiated protection products.
- Realise business efficiencies and cost savings.
- Design memorable experiences for those interacting with their business.
- Increase the lifetime value of insurance customers.
- Develop ever more relevant insurance offerings, thanks to a multitude of additional data sources.
- Deliver opportunities to build deep and direct customer relationships.
- And, in turn, create better CX and customer loyalty.

*"Businesses are realizing that their first-party data is a valuable asset they need to be investing in. As businesses and insurers gather increasing amounts of data, and use it to create exceptional customer experiences – underpinned by intelligent automation and customized products – the benefits to all parties and their customers will grow in significance."*

Alena Tsishchanka, Head of Business Development EMEA at SAS.

Data-driven decision making and digital innovation are reshaping the insurance landscape. As such, embedded insurance solutions are leading the charge when it comes to meeting expectations in the Age of Customer Experience. Those insurers who create partnerships with companies that can help them to manage their data and make it work for them – and their customers – will be the ones who have a significant advantage.


**20%**

predicted share of global insurance sales that will come from embedded offerings in the next 10 years

Open and Embedded Insurance Observatory

SAS, established in 1976, is a global company providing business analytics software and services. Through innovative analytics and AI, SAS helps customers in 150 countries and at more than 80.800 sites to transform data into intelligence.

For more information, visit www.sas.com

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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## SAS is a Leader in Insurance

**47** number of top 50 largest global insurers relying on SAS

**90%** the Fortune Global 500 insurance companies are SAS customers

**>1400** Insurance customers worldwide

Gartner
SAS cited as a Leader in 2021 Gartner Magic Quadrant for Data Science & Machine Learning Platforms

Aite
SAS earned best-in-class title in Aite-Novarica Group's Aite Matrix: Leading Fraud & AML Machine Learning Platforms

Aite
Leader in The Forrester Wave™: Customer Analytics Technologies, Q2 2022.

Forrester
SAS named a leader in anti-money laundering solutions, Q3 2022

## Summary

### THE CHALLENGE

Insurers continue to be challenged with radical change. New regulations, data privacy, ever-changing actuarial and financial risks, and regulatory compliance technologies are all playing a part.

### THE IMPLICATION

Surviving insurers will have to be hyperintelligent, AI-driven organizations that can provide personalized, trusted customer experiences while meeting risk and compliance mandates.

### WHAT SAS OFFERS

Using analytics, AI, and market-leading solutions, SAS delivers trusted insights to help you grow, innovate, and form deeper connections with your customers.

## References


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3 – Beyond the Metaverse: CX Predictions for 2023 – ACXIOM
4 – Do consumers want insurance from retails brands? – Boost