Insurance Everywhere All at Once

Why now is the time for insurers
to embrace open technology

Nikola Djokic

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INTRODUCTION

The paths that govern the insurance market are splintering before our eyes. With new routes to customers, changing product expectations and mounting commercial pressures, insurers are facing a radically different industry.

To navigate this landscape, insurers must pivot towards an 'insurance everywhere' approach, prioritizing customer experience, convenience, and service—areas where only 30% have achieved meaningful digitalization. Whether they succeed or sink will come down to their ability to change with the times, embracing connectivity, hyper-personalization and partnerships.

Insurance everywhere

Despite being one of the world's largest industries, insurance has long lagged behind other sectors when it comes to digitalization.

In recent years, insurers have put significant effort into updating their offerings, making more products accessible online and purchasable through their own channels. However, as the industry evolves, the challenge extends beyond mere digital delivery.

More stakeholders are now entering the insurance arenas, with platforms playing a crucial role in connecting parties. This is particularly relevant when it comes to embedded insurance—the integration of insurance products into third-party experiences such as travel or retail—as it allows consumers to access coverage through a new range of channels and across a new convergence of different customer touch points.
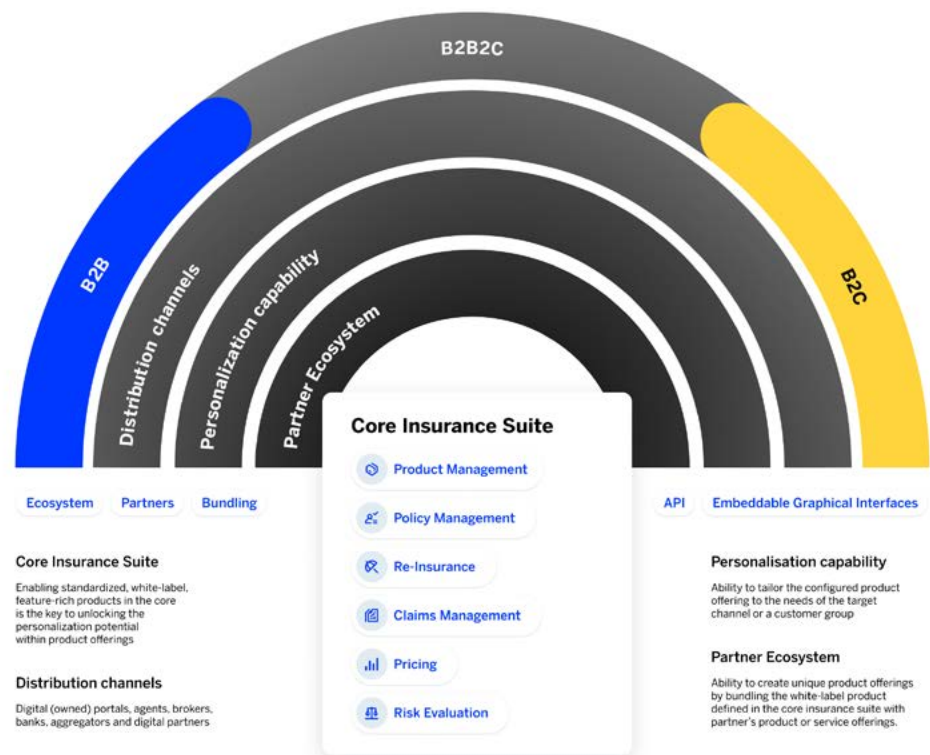
All of this means that the market is increasingly distributed, collaborative and hyper-personalized, with a range of factors combining to push the industry forward:

- **Competition in coverage**. The digitalization of the industry has created new opportunities for challengers to take on market share, with funding for insurtechs in the embedded-insurance space growing by **36% per year from 2019 to 2021**.

- **The growth of platforms and ecosystems**. The move to cloud data storage and online servicing has opened up the market to new collaboration models, with platforms and ecosystems **projected to account for 30% of global revenues by 2025**.

- **Personalization at source**. Online and embedded insurance sales have circumvented the role of agents and insurers in policy creation, requiring automated personalisation at point of sale. [68% of insurance buyers want to conduct transactions online](#), but fewer than 50% of insurers can digitally provide a product or service quote.

Traditionally, buying insurance has been seen as a necessary evil—a way to mitigate risks rather than a desirable or engaging experience. This perception stems from the nature of insurance products, which are often sold in piecemeal, covering various aspects of a consumer's needs separately, like different components of a trip or various household items, but new models provide a new, value-first path forward.

The opportunity for change

With increased integration between financial and policy-creation systems, insurance is becoming a key element in many industries and processes. This opportunity for change lies in the embrace of technology, allowing insurers to offer comprehensive, tailored policies that cover multiple needs under a single, seamless package.

This approach not only simplifies the buying process but also makes it more relevant and less onerous for the customer. Key to this transformation is the utilization of next-generation technologies like AI and real-time actuarial calculations that quickly assess risks and create personalized policies almost instantaneously, allowing for rapid and efficient scaling.

Here we explore how we got there, what this means and how to win in an open future.

"Insurance is changing fast. In order to succeed—or even survive—insurers need to connect and adapt their core insurance systems rapidly to the new embedded revenue opportunities and digital products demanded by consumers."

Nikola Djokic
Managing Director Insurance

**WHAT DOES
THE INSURER
OF THE FUTURE
LOOK LIKE?**

in times of change, businesses that can adapt faster have an opportunity to distinguish themselves. However, for large incumbent players, this can be a complex and costly process — this is why the right tools and partnerships will play an ever greater role in the future of insurance.

Adapting to contemporary consumer preferences and business models is not just optional but necessary for survival. Insurers that fail to evolve risk being overshadowed by more agile and technologically advanced competitors.

We're already seeing new business models emerging, including Ecosystem Orchestrators, who integrate insurance with third-party services. The 'Insurance in a Box' model, where B2B2C platforms distribute multiple insurers' products via e-commerce integrations, is another example of this evolution, showing how insurers can bring their products to market via new routes.

Partnering with B2B2C platforms offers insurers strategic initial distribution channels, with the potential for developing their own platforms to better utilize customer data. B2B SaaS Enablers also play a crucial role, linking insurers to distributors through APIs, catering to varying technology capabilities, and enabling direct customer interactions for those with advanced tech.

These approaches mark a move away from traditional insurance methods towards more dynamic, integrated, and customer-focused solutions. Large insurers may bundle various coverages for direct customer offerings, while smaller insurers might embed their services in others' packages.

This landscape opens avenues for insurers to get closer to customers and assume new roles, from ecosystem orchestrators to embedded insurance providers, in an increasingly open and integrated insurance ecosystem. But making the most of this shift requires engaging with the fundamentally transformative trends reshaping the market.

1. The age of the ecosystem

Insurance has always been a complex, multi-stakeholder process. Now, the rise of the ecosystem brings insurers to a stark crossroads: embrace a connected, integrated set of services through partnerships or risk obsolescence.

By proactively positioning themselves within these ecosystems, insurers can redefine their role, offering value that transcends traditional risk mitigation and becomes part of a comprehensive customer experience. This shift marks a departure from the past where insurers were the sole gatekeepers of this domain. With the dismantling of data silos and the advent of open technologies, the field has widened, enabling new players to craft innovative solutions.

Ecosystems, characterized by their interconnected and integrated services, provide a platform for users, such as consumers and businesses, to access a multitude of services seamlessly. It's estimated that ecosystems will account for

"The next generation of customers will have entered the market within five years. These digital natives expect seamless, efficient, and innovative services. In traditional markets, it's a race against time, and we cannot afford to let legacy systems become an even greater burden."

Holger Rabe
Managing Director MEE

[30% of global revenues by 2025](#), as sectors shed borders and create cross-industry opportunities.

Seamlessly integrating insurance value

As ecosystems grow, insurers must seamlessly integrate their offerings. They can augment existing ecosystems or establish their own, embedding their services within other industries such as travel, housing, health, wealth protection, and B2B services.

All of these could be ecosystem areas of their own, and all require a degree of risk mitigation. In this scenario, an insurer could integrate their systems with those of a travel provider, for example, within a holiday booking experience that also includes flights, activities, car rental and accommodation—all insured within a single journey.

The raw material of ecosystem relationships is data. The value of a connected system is in achieving a seamless customer journey, based on secure data exchange and collaboration. This needs to be reflected in the way insurers build and maintain their core systems, including:

- **Event-driven architecture** that can respond to state changes, allowing for real-time processing and immediate action upon various events, such as claims submissions or policy updates.

- **Open platforms** that can easily integrate with a range of technologies and services using standardized interfaces, for a modular approach that supports innovation and collaboration.

- **Secure APIs** that ensure data exchange and connectivity between internal systems and external partners, while maintaining compliance with data protection regulations.

- **Scalable infrastructure** that can scale up or down as demand changes, ensuring cost-effectiveness and the ability to handle peak loads without service degradation across partners.

The more streamlined and integrated an insurer's products are, the broader the markets and opportunities they can access.

While connections between systems are nothing new, this usually meant building one-to-one APIs. In a world where scale and speed determines success, insurers need to plan with connectivity first in mind. This means investing in core systems that include the ability to integrate as standard, opening up new partnerships, markets and opportunities.

Through this strategy, insurers can transform their role in the ecosystem, moving from traditional risk mitigation to becoming integral, value-adding components in a variety of consumer and business services.

2. New business models with embedded insurance

One of the most significant consequences of an increasingly open insurance industry is that, moving forward, many insurance products will be sold, not by insurers, but by third-parties, through embedded insurance.

In this route to market, insurance is linked to an existing non-insurance product, with the option for the user to purchase at various points in their journey.

The global embedded insurance industry is expected to grow steadily in coming years to reach a value of $3 trillion by 2030. Depending on your point of view, this could be seen as highly destabilizing or as a drastic expansion of the target addressable market for insurance.

In a sense, this is similar to the old agent model, albeit with the shift to using vendors that potential customers are already visiting, and aligning the purchase of insurance with a product they have proven they care about. However, this requires a new approach to the way products are created and tailored, including:

- **Seamless integration**. Application Programming Interfaces (APIs) that allow for easy integration of insurance products into various non-insurance platforms, as well as plug-in solutions that can be easily embedded into partner websites.

- **Customizable digital interfaces**. Front-end user interfaces that can work as part of an external customer journey, including mobile apps and web experiences.

By updating these technological capabilities, embedded insurance can make insurance products more relevant, accessible, and tailored to the modern consumer's needs to open new avenues for growth and innovation.

Opportunities for embedded insurance integration

INDUSTRY	USE CASES
Smart Home Technology	Integration of insurance for theft protection and natural disaster safeguards within smart home devices.
Financial Services	Travel and emergency health insurance for credit card holders; insurance linked to loyalty programs.
Consumer Electronics	Point of sale insurance for valuable, sensitive goods, that can cover transport, delivery, warranties and manufacturing issues.
Automotive	Insurance for theft, accidents, and roadside assistance within the car purchasing process.
Travel and Hospitality	Travel insurance included directly in booking platforms for flights, accommodations, or holidays.
Retail	Product insurance at checkout for high-value items like jewelry, electronics, and appliances.
Healthcare	Health and accident insurance within fitness memberships or wellness app subscriptions.
Real Estate	Home and property insurance as part of mortgage or leasing agreements.

While the idea of bundled insurance is not new, the key chance is the route to market and service model. Typically, this has been delivered in a clunky and often manual way, with the occasional bespoke system integration between two suppliers. With the new technology available, insurance can be offered in a seamless, integrated, and digital way, driving an improved user experience and, therefore, conversion.

3. Making insurance personal

Whether working with a B2B or B2B2C sales model via embedded insurance, or automating the sales processes, there is increasing demand to deliver the most seamless sales journey possible. To capitalize on the sales potential, the process of choosing an insurance product must be simple, intuitive and personalized enough to convert customers without adding friction.

With more instances where there may be no sales agent or insurance expert involved, insurers need to create products that can be sold as simply as possible, whether via their own digital channels or by a third-party like partner or aggregators. This means that products must be:

- Highly personalized to the specific needs of the consumer.

- Conceived and tailored at speed to fit in with the existing purchasing experience.

- Integrated with the sales and data systems of the embedding partner to leverage customer data to deliver the right product at the right time.

- Real-time risk assessment for the right offer and price.

This will require not only the ability to connect seamlessly, but also the capacity to leverage large data sets, both from within the insurer's own core systems and external views, to generate appropriate product offerings at scale.

- **Driving insights from existing data.** Using machine and/or deep learning algorithms to create detailed customer profiles based on behavior, preferences, and needs, then provide tailored insurance product recommendations.

- **Expanding the customer view with alternative data.** Bringing together new data from social media, credit scores, and online behavior, in combination with internal data to enhance the understanding of customers.

- **Smart underwriting.** Using data analytics for more accurate and dynamic risk assessment, leading to more personalized pricing and coverage options.

- **Embracing IoT and Telematics.** Syncing data from Internet of things (IoT) devices and telematics to offer insurance products that are tailored to individual usage patterns and behaviors.

- **Dynamic pricing models:** Implementing dynamic pricing models based on real-time data from connected devices and updated macroeconomic context, offering more personalized and fair pricing.

While these models foreground the partner more so than the insurer, there is a trade off in terms of scale. By working within these ecosystems, insurers can compensate for a lack of direct customer touch points and gain data to understand and address the needs of their customers more effectively across a wider market

4. Expanding the channel mix

As data and customer interactions move increasingly into the digital realm, the scope for meeting customers where most suits them expands. Modern consumers and businesses are increasingly looking to a seamless omni-channel experience throughout the entire value chain.

Delivering modern user experience on digital channels requires the ability to connect data from every part of the insurance journey, spanning from quotations to policy servicing and claims management. However, many insurers still operate with legacy technology stacks that have been built up piecemeal over years, leading to data silos and manual data transfers to maintain back end systems.

In line with the trend towards open data and access, insurers will need to prioritize systems that can offer a consistent, seamless experience no matter the channel, be it through online, app, third-party or agents.

- **Integrating an omni-channel approach**. Leveraging a range of channels, including online, mobile apps, third-party platforms, and traditional agent networks with a connected data flow for enabling consistent and informed interactions with customers regardless of the touch point.

- **Enhanced data analytics.** Using real-time data to understand customer preferences and the effectiveness of different channels to optimize customer experience.

By focusing on these technological strategies, insurers can effectively expand and diversify their channel mix, meeting modern consumers and businesses where they are most comfortable and engaged.

5. Leveraging the full potential of the cloud

AI has become a trend of every industry over the last two decades, the more data becomes available, the faster processes and products evolve.

This is being driven by the cloud which has proven to be a major accelerator for insurance. There are parallels to classic free-market economics—as new players can access the raw materials for production (customer data, underwriting models, consumer relationships), innovation spikes.

Despite early reluctance in adopting cloud-based core solutions due to regulatory and data security concerns, interest is growing.

- [Research from McKinsey in 2022](#) found that 81% of insurers had less than 25% of their environments on public cloud.

- 54% planned to move over half of their infrastructure onto the cloud within five years.

- 25% were aiming to have over 75% of their environments on public cloud within that time frame.

"The cloud, data analytics and AI and new business models are transforming how insurance is delivered and consumed. The rise of new ecosystems is exciting, potentially benefiting both insurers and their customers."

Chirag Shah
Managing Director
JAPAC Digital and Core Insurance

Insurers in an open world

The cloud brings a range of advantages for insurers who can move away from legacy systems, including:

- **Enhanced Security.** Cloud technology provides advanced security with robust encryption and continuous updates, protecting against cyber threats and safeguarding sensitive data.

- **Scalability and Adaptability.** Offers scalable solutions, enabling efficient resource allocation and real-time adaptability to changing business and risk management needs.

- **Centralized Risk Monitoring.** Features unified dashboards for comprehensive risk monitoring, improving visibility and facilitating faster response to threats.

- **Compliance and Governance Support.** Includes built-in compliance frameworks and governance tools, aiding in regulatory adherence and reducing penalty risks.

- **Resilience and Disaster Recovery.** Offers faster recovery time-boosting redundant architectures for minimal downtime –with more flexibility and tools to support resiliency.

Future-proofing core systems for insurers will require moving to infrastructures built for integration, with **open APIs** as standard.

By putting connectivity at the heart of their systems, insurers can reduce the cost of integration and increase the scope for partnerships, whether with selling partners, value-add tools or third-party data sources or open banking providers to streamline underwriting.

In this way, integration will be the new standard for competition – insurers who can move faster, add new partners, integrate products and work in agile frameworks will have the chance to reduce costs and improve service, moving ahead of competitors relying on slow, expensive legacy systems.

The SaaS potential of insurance

As cloud tools become the default choice for insurers, the market will be divided into firms that stay with their legacy solutions—along with the technical debt, on-premise legacy technologies and manual workarounds that these bring—and those that embrace cloud and connectivity.

In a fast-evolving market, insurers need the ability to add partners, tools and data sources quickly and efficiently. Legacy core systems are not built for this kind of agility. But by moving to a cloud core system, insurers will be able to mix-and-match SaaS solutions to fit the needs of their market, adding new capabilities or even launching new brands to market without the need for large scale, expensive refactoring.

Moving to a SaaS model enables:

- Lower cost of maintenance and updates for core systems

- Improved agility through the ability to add and remove tools as needed

- Flexible partnerships and collaboration with insurtechs, embedders and data providers

- Reduced work for new market entry by integrating local partners and providers

6. AI and the next frontier

The rise of AI in the public sphere has been one of the defining events of 2023, with businesses and consumers alike discovering new use cases and efficiencies from this rapidly developing technology. However, while 32% of software and internet technologies have begun investing in AI, only **1.33% of insurance companies have** done the same.

Reimagining the customer journey

1. **Policy Generation.** AI can leverage large data sets to accelerate the creation of personalized insurance policies through automated policy drafting and scenario simulation to improve efficiency and ensure comprehensive coverage tailored to specific customer needs.

2. **Risk Assessment and Pricing.** Through risk scenario modeling and predictive analysis, AI provides insurers with advanced tools for more accurate risk assessment and the development of insurance products that proactively cover emerging risks like climate change and technological advancements.

3. **Customer Service and Support.** AI-powered virtual insurance advisors can transform customer service by offering personalized recommendations and financial planning advice, tailored to individual customer profiles and needs. This can provide more autonomy for customers by helping them understand the various factors that affect their coverage and lead to more informed decisions.

4. **Claims Processing and Management.** The integration of AI in claims processing allows for automated damage assessment and scenario analysis, streamlining claims management, and ensuring policies remain relevant and effective against actual claims scenarios. This also frees up human agents to spend more time on complex claims and customer care.

These systems will require clean, structured data and clear channels, combined with human agents that can leverage these tools to improve customer relationships and internal efficiency.

**THE NEW RULES
FOR SUCCESS**

The insurance industry that emerges at the end of this evolution will be one that will look fundamentally different from the one we know today. It will be one that offers more value and expands the role of insurance in the day-to-day life of businesses and consumers.

This new tech-first environment changes the rules for winning in the insurance game:

- **Experience beats brand.** It will be the products that can be most easily and conveniently accessed—at the moment when the consumer needs them—that will win.

- **Winning together.** Collaboration and partnership therefore become a key route to market—access and conversion is a matter of integration and connectivity—whether with the right tools/partners/data sources—insurers win as a team now.

- **Technology will determine the victors.** Accessing this world of opportunities starts with insurers' open technology approach—connectivity needs to be a part of any infrastructure foundation and it is the insurers that build this into their business now that will succeed in the future.

**FUTURE-PROOFING
YOUR INSURANCE
BUSINESS WITH
SAP FIONEER**

In the face of rapid digitalization and evolving consumer habits, insurers have to change with the times. This means embracing emerging technologies and finding their place in the emerging ecosystems that will play a larger role in supporting, distributing, and enhancing their products.

To make the most of this opportunity, technology and strategy must work together. As we've discussed, connection and integration are key to driving value throughout the modern insurance chain—but collaboration is only possible with the right tools.

SAP Fioneer is a global leader in building next generation financial capabilities, helping firms be fast, agile and open to the ecosystems around them, no matter their core insurance system. With advanced technologies like cloud computing, alternative data analytics, and artificial intelligence included out of the box, SAP Fioneer's solutions empower insurers to move with the times and take their customers with them.

SAP Fioneer's Cloud for Insurance

With cloud-native features, this platform offers unparalleled scalability and flexibility, allowing insurers to innovate and adapt swiftly to market changes.

• Fully managed service for reliability, scalability, enhanced security

• Ecosystem enabled to new partners

• Intuitive UX and easy-to-use

• Enhanced visibility and financial reporting

• A cloud native, modular, service-based architecture

• Pre-configured Insurance Products & Processes

• Cloud based Document Management Solution

• Real time Payment Integration with 3rd party

• Conversational AI based Virtual Agent Chat bot

SAP Fioneer's Engagement Hub

A modern platform for managing insurance distribution, the Engagement Hub streamlines the coordination between insurers, agents, and customers.

Tailored product packages

Curate a unique range of insurance packages (Standard, Premium, Ultimate) to offer concise, customer-centric digital insurance propositions for the end-customer.

Customizable coverages

Selectively include, exclude or make coverages optional, with the added granular capability to fine-tune various coverage attributes.

Versatile system integration

Embrace flexible distribution, with use-case-driven APIs, widgets, or microsites for seamless integration with distribution partners.

Consistent, connected brand

Configure proposition aesthetics and flow with distributors' corporate identity while retaining full control over your brand representation.

Bundle products with services

Bundle insurance products with insurance and non-insurance products and services of your distribution partners to create holistic propositions.

Live preview editor

Shape your customer experience in real time with our WYSIWYG (what-you-see-is-what-you-get) editor at each stage of the proposition design journey.

Data-driven insights

Leverage lightweight analytics tools to craft more profitable insurance offerings and make fully-informed business decisions.

Integrated KPI dashboard

Clear visualization of historical data, key performance indicators, and vital ecosystem insights.

To find out more about SAP Fioneer's solutions, **get in touch** with our team today.

GET IN TOUCH

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Nikola offers over 15 years of IT implementation expertise within the insurance sector, including General, Life, and Reinsurance. As the former Co-CEO of Hedwell, recently acquired by SAP Fioneer, he brings a rich background in market trends and digital transformation strategies.

Nikola is devoted to fostering synergies, ensuring win-win outcomes by marrying SAP Fioneer's innovative technologies with his extensive insurance knowledge to spearhead significant industry progress. His leadership is pivotal in integrating cutting-edge solutions with a nuanced understanding of the insurance industry, facilitating transformational initiatives across EMEA, APJ, and the Americas.