



Your next now

July 2022

# Expanding Channels for Insurance

A Spectrum from Traditional to Affinity and Embedded

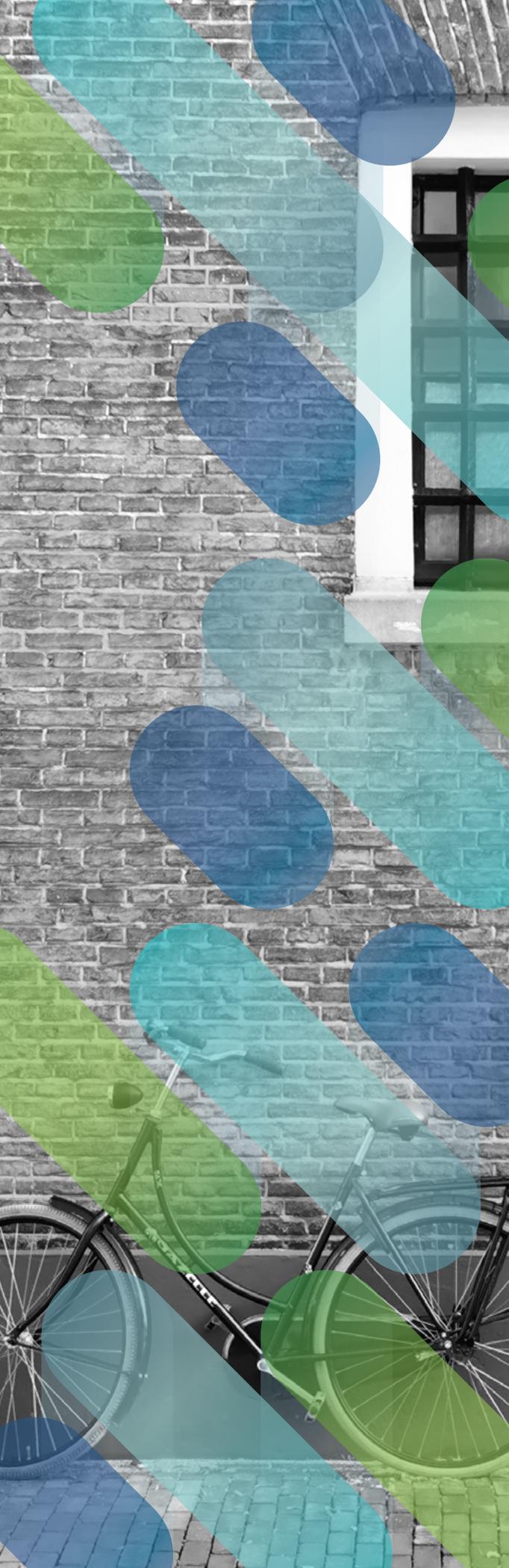


## Confidentiality Statement

This document contains proprietary and confidential information and data of Majesco. This document is provided, on the express condition that such information and data will not be used, disclosed, or reproduced in any form, in whole or in part, for any purpose (other than solely for evaluation purposes by authorized representatives with a need to know), without the express written approval of Majesco. The right to use, disclose, and reproduce such information and data shall be governed by the service agreement between the client and Majesco.

### Warnings and Disclaimer

The information provided is on an “as-is” basis. Every effort has been made to make this book as complete and as accurate as possible, but no warranty or fitness is implied. The authors and the publisher shall have neither liability nor responsibility to any person or entity with respect to any loss or damages arising from the information contained in this book. Screenshots and data used within are for illustration purposes and may vary from the actual application.



# Contents

Executive Summary	4
The Channel Spectrum	6
PIMA Community Distribution Spectrum Use	7
Life, Annuity and Health	10
Products Offered	10
Channels Used	11
Market Opportunities	13
Property and Casualty	15
Products Offered	15
Channels Used	16
Market Opportunities	18
Other Products & Services	20
Products Offered	20
Channels Used	21
Market Opportunities	23
A Multi-Line Channel View	24
Conclusion	26
About the Authors	28
References	29

“With the increasing competitive challenges to attract and retain customers, insurers have an opportunity to develop and utilize a broader distribution ecosystem that engages customers when and how they want ... putting the customer first.”

## Executive Summary

Today's insurance process can be difficult, complex and time-consuming. Many InsurTechs and existing insurer innovations are refocusing to a “buying” over “selling” approach, through a multi-channel strategy that meets customers where and when they want to buy. If distribution channels are easy to use with products that are easy to understand, then insurance has an opportunity to grow through a friction-free multi-channel distribution.

With the increasing competitive challenges to attract and retain customers, insurers have an opportunity to develop and utilize a broader distribution ecosystem that engages customers when and how they want...putting the customer first.

Insurers looking to compete may find it challenging to do it alone. Creating an ecosystem of interconnected channels, using a range of digital capabilities and connecting with customers when and how they want to, requires collaboration.

In the traditional distribution model, insurers fight for share of mind, so people think of them when they need insurance. Large insurers like GEICO, Progressive, and State Farm spend millions of dollars on advertising – not

to cause people to drop what they're doing and begin the buying process, but to stay top of mind for the times when important events cause people to think about the need to buy or update their insurance.

The traditional B2B2C affinity and program business concept offered insurance products through non-insurance or non-financial organizations such as associations, non-profits, employer groups, and more. However, today's buyers do not necessarily associate with some of these traditional groups and will look to buy insurance through other groups such as Gig Economy groups, health, and fitness organizations, large retailers, auto manufacturers, and more – where the purchase is part of a strong relationship or buying transaction they are doing.

In today's interconnected world, insurance must play across a distribution spectrum of channel options, expanding channels and partners to reach customers when, where, and with whom they want to buy insurance. These options form a distribution ecosystem that expands reach, but requires a partnership approach, particularly for embedded channels. Embedded insurance completely changes this paradigm. With it, insurance is no longer sold, because it is bought as a part of something else.

In the embedded approach, the insurer receives in-the-moment top of mind awareness because the offering is placed directly in the path of purchase of another product or service...at the right time and in the right place. This is a great strategy for well-known brands and new startups alike. A startup insurer won't have the same brand equity as the major advertisers, but it can get some equity as a featured option by a trusted ecosystem partner from whom the customer is purchasing the product or service.

In a recent AM Best paper, they noted that embedded insurance is gaining interest across the whole distribution chain and companies are working on facilitating its implementation in the U.S. market. They further note that embedded insurance fosters financial inclusion and enhances insurance culture in less educated or low-income segments of the population by normalizing and promoting insurance coverages in goods that most view as essential. Eli Sanchez, associate director, AM Best stated "To support fast purchasing decisions, coverage should be easily understandable, its price affordable and its enforcement clear. For insurers, it should help diversify distribution channels profitably, while helping them develop specialization in standardized insurance products."<sup>1</sup>

**With the increasing competitive challenges to attract and retain customers, insurers have an opportunity to develop and utilize a broader distribution ecosystem that engages customers when and how they want.**

A distribution ecosystem can rapidly reach more markets, potential customers, and current customers with more purchase and service options by tapping into a growing array of channels, particularly embedded insurance. While this is a concept and practice that has been around for some time, evolving customer expectations and technological capabilities are expanding product and distribution partner options and changing how embedded insurance is done.

In 2020, Majesco's and PIMA's joint research leveraged Majesco's 2020 Strategic Priorities with a broad swath of insurers and compared those views with PIMA member insurers and distributors in the affinity and program business market. We identified a gap between traditional and new, innovative relationships that are becoming increasingly important to be competitive in our rapidly changing industry. Leveraging Majesco's new 2022 Strategic Priorities research, along with 2022 consumer and SMB research, in 2022 we assessed PIMA's Community of insurers and distributors to focus on partnerships and the distribution spectrum, with a focus on embedded insurance.



The research assesses the levels of alignment on partnerships, the distribution spectrum, and embedded insurance, and surfaces insights about key issues in distribution strategies:

- What distribution programs are companies using, by product? How do they align with what leaders are doing? How do they align with what customers are expecting?
- Are companies focused on traditional models or expanding out to new, innovative embedded models? Which level of embedded are they using? Are they developing new products specifically for these options?
- Are companies developing an ecosystem of partners that are digitally connected and enabled?

This research provides a market assessment to help insurers and distributors determine where the market is heading, where they are, and where whitespace opportunities exist.

# The Channel Spectrum

We all interact with a wide array of different entities, businesses, and individuals on a regular basis. Many of these entities have earned our loyalty and trust, providing a platform for future engagement. At the same time, we are seeing partnerships form within the insurance industry – insurers selling each other’s products, leveraging new marketplaces to expand reach, and strengthening the traditional agent/broker channel with new digital capabilities.

Together they represent a powerful distribution ecosystem that places insurance directly in the path of a customer’s life journey event, where insurance is relevant and needed. Ecosystems provide a greater impact on sales because they are an “outside” customer approach instead of an “inside” product/process approach. This is the shift from selling to buying that is so crucial to today’s insurer growth. It’s an approach that naturally reduces infrastructure, operational, and capital expenditures while at the same time brings in more business.

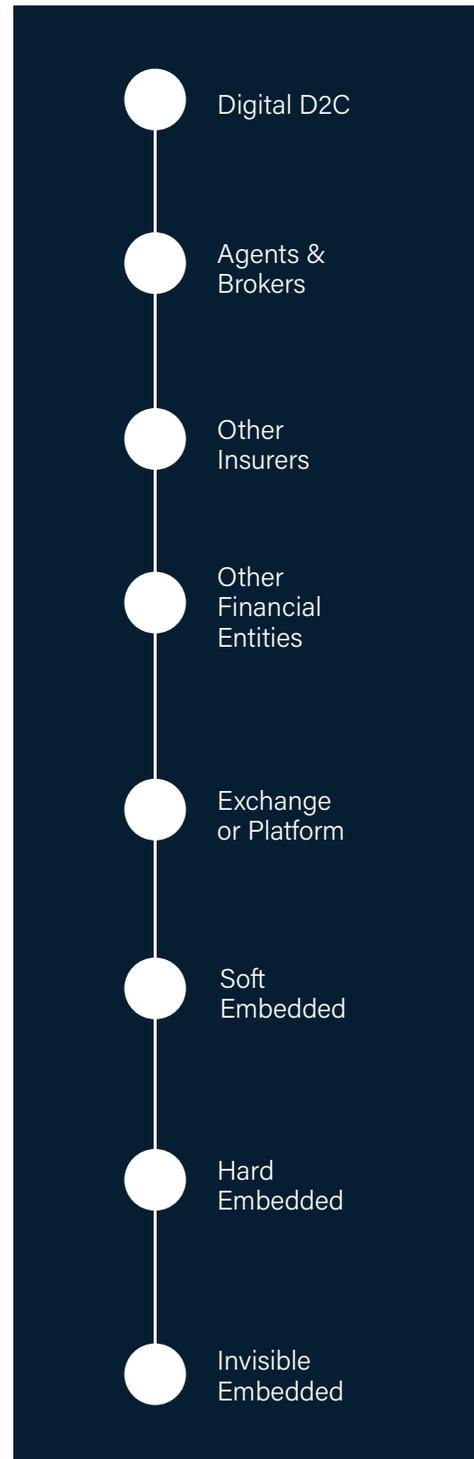
Distribution options fall across a spectrum of channels, including direct to customer, agent/broker, other insurers, marketplace exchange or platform, and embedded as depicted to the right. Embedded insurance is among the newest options and expands the traditional affinity model leveraging technology and an ecosystem of partnerships. Numerous interesting examples of partnerships between insurers and other industries are popping up on this end of the spectrum, including GM, Ford, Tesla, SoFi, Petco, Airbnb, Uber, Intuit, and more. Embedded is offered through three different modes:

- **Soft Embedded:** Coverage offered at the point of purchase that the customer must opt-in to buy.
- **Hard Embedded:** Coverage included at the point of purchase that the customer must opt-out of if they do not wish to buy.
- **Invisible Embedded:** Coverage that is automatically included with the purchase and cannot be removed/opted out.

Why is it important to expand your distribution strategy to encompass a broader swath of the channel spectrum? Here are just a few reasons:

- **Buyer Expectations** - Today’s buyers do not necessarily associate with traditional channels and will look to buy insurance through other channels or entities.
- **Trusted & Loyal Relationships** - Entities like Gig Economy groups, health, and fitness organizations, large retailers, auto manufacturers, and more have strong relationships with the buyers and embedding makes sense, as it ties to what they are buying from them.

- **Multi-Channel Ease of Buying** - If distribution channels are easy to use with products that are easy to understand, then insurance has an opportunity to grow through a friction-free multi-channel distribution.



## PIMA Community Distribution Spectrum Use

Overall, the PIMA Community uses more options across the channel spectrum to offer L&AH products as compared to P&C products and other products & services. In many ways this is not surprising, given the L&AH segment has been operating in a growing multi-channel world for decades – B2C, Agents, Broker/Dealers, Banks, BGAs, and more. As seen in Figure 1, among those offering L&AH products, 72% are using D2C/B2B, which is 13% more than P&C products, and 30% more than other products and services. The largest gaps are in the use of an Exchange or Platform, where L&AH leads by 19% and 27% over P&C and Other products and services.

PIMA Affinity Relationships, which are part of the Embedded category, are heavily used for all products and viewed as a target-rich area. Each of the three

product groups (L&AH, P&C, Other Products & Services) have the highest percentage offerings through Affinity relationships, reflecting a vital distribution role. But even so, L&AH products lead in leveraging this channel.

Digital and agent/broker channels are likewise strongly used. In particular, digital channels reflect a similar approach as embedded, using digital technology to get in front of customers at the moment they want to buy. Interestingly, partnerships with other insurers are under-utilized with less than 30% usage, offering an opportunity to retain and own the customer relationship as well as revenue growth. With more customers seeking a wider array of products, insurers can seek partnerships to meet these new expectations if they do not offer a similar product.

Figure 1

**Net current channel usage by companies offering L&AH, P&C or Other Products & Services**

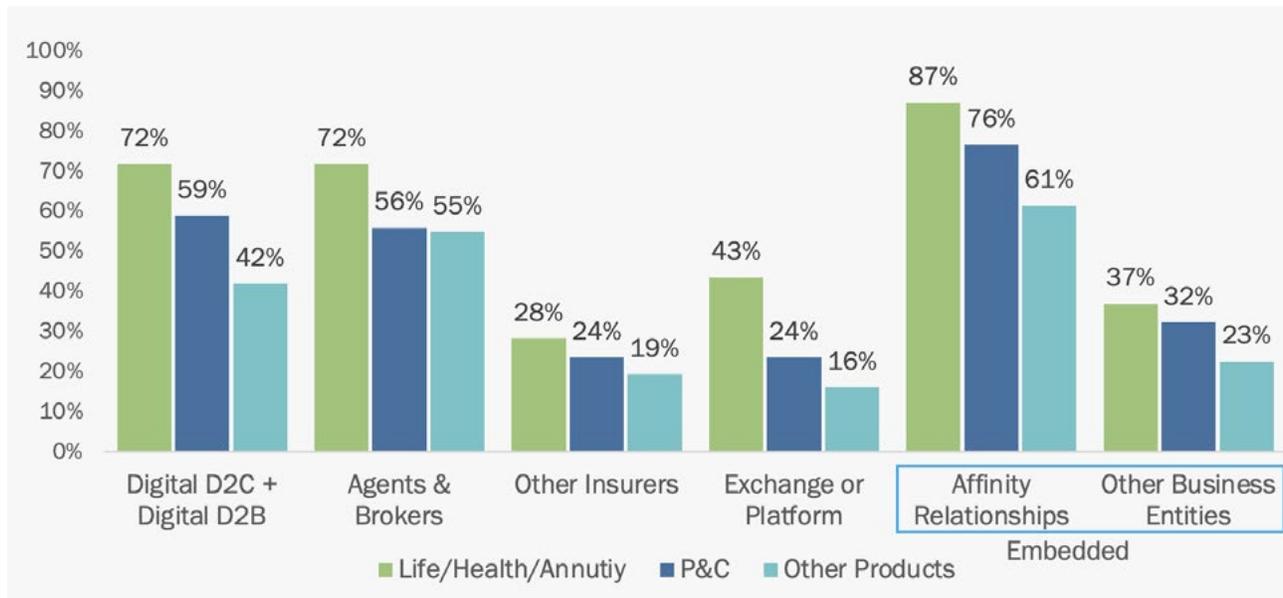
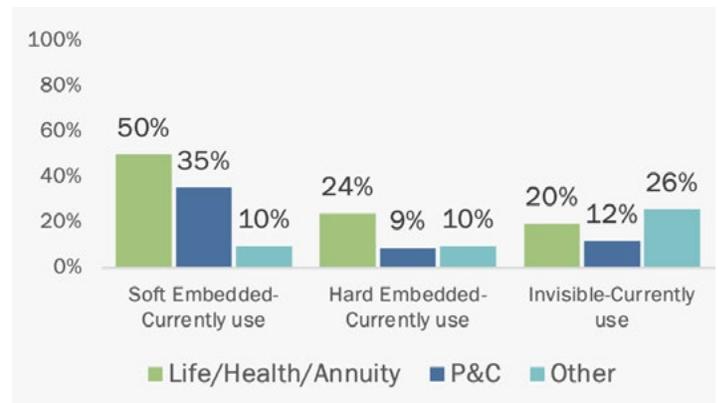


Figure 2

**Net current embedded usage by companies offering L&AH, P&C or Other Products & Service**

Overall, L&AH substantially leads in the use of embedded. Of the three embedded options, Soft Embedded is the most widely used for L&AH (50%) and P&C products (35%), as the “opt-in” strategy is similar to traditional affinity marketing (Figure 2). Interestingly, Invisible Embedded is the second most used option for L&AH and P&C, but the most used for other products. Hard Embedded, with the exception for L&AH, lags behind both embedded options.

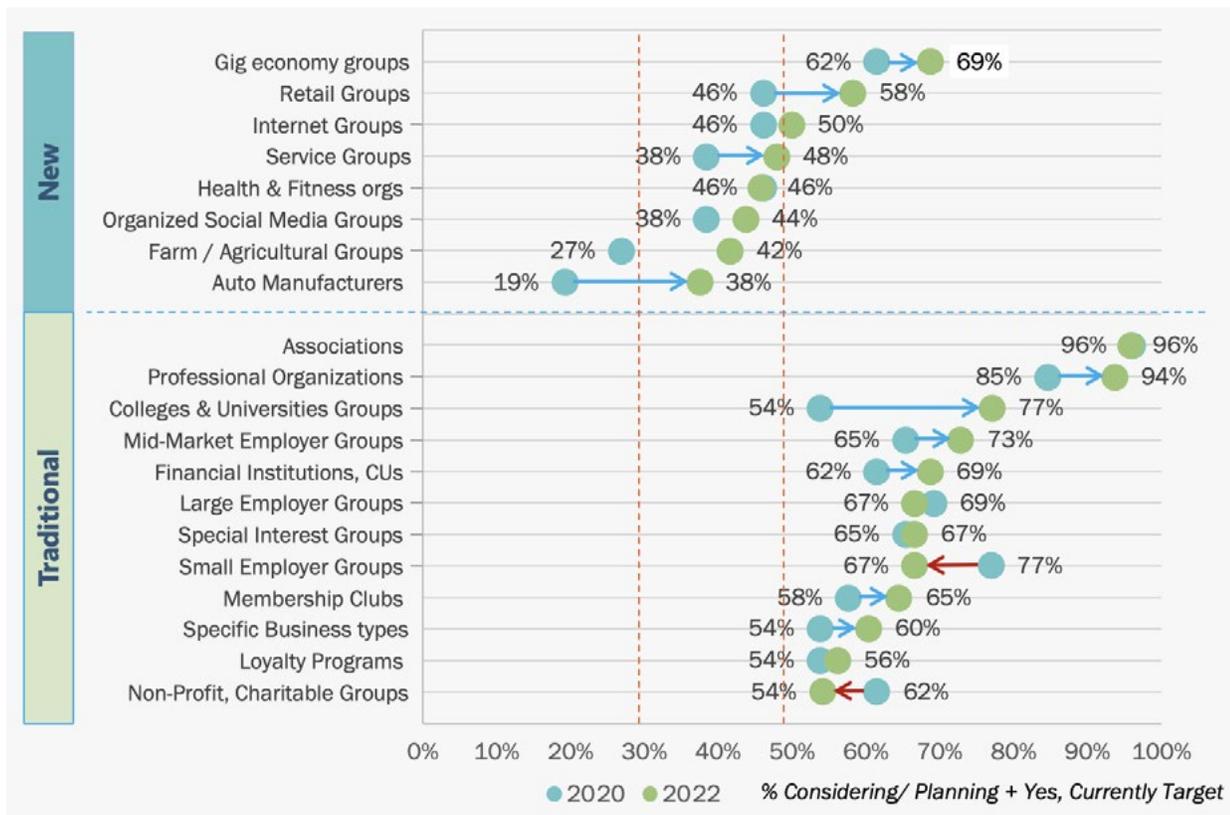


“Some of the largest increases are in “new” relationships with increases of 7% or more. Relationships standing out are Auto Manufacturers (+19%), Farm/ Agricultural Groups (+15%), and Retail Groups (+12%).”

A key finding in this year’s research is the significant acceleration in the use of a larger array of groups or organizations compared to the 2020 survey, as seen in Figure 3. Some of the largest increases are in “new” relationships with increases of 7% or more. Relationships standing out are Auto Manufacturers (+19%), Farm/

Agricultural Groups (+15%), and Retail Groups (+12%). These increases reflect growing partnerships with companies like Ford, Amazon, IKEA, and more who are working with insurers to offer insurance at the point of purchase.

Figure 3  
**Changes in distribution through groups and organizations, 2022 vs. 2020**



Interestingly, “traditional” relationships saw little to no movement and in some cases had declines, such as Non-Profits (-8%) and Small Employer Groups (-10%). The one exception with strong growth was through Colleges & Universities Groups with an increase of 23%.

Setting reference lines at 30% and 50% establishes “zones of adoption.” In this illustration, anything 50% or higher is Table Stakes, 30%-49% is Approaching Table Stakes, and less than 30% is considered Incubating. Using these zones, Traditional relationships continue to be table stakes. However, three new relationships have moved to Table Stakes: Gig economy, Retail groups, and Internet groups. Likewise, other New relationship options are rapidly moving toward the Table Stakes zone.

This rapid movement of New relationships is a notice for companies that have not begun developing partnerships. The timeframe is closing for these partnerships, potentially putting those not actively developing relationships out of the game.

In Majesco’s 2022 Strategic Priorities research, significant gaps between Leaders and Followers (19%) and Laggards (27%) in their use of partnerships and ecosystems were identified. While this view was product agnostic, when looked through the lens of the three products in this research, those offering L&AH products stand out as the leaders in using partnerships and ecosystems, as seen in Figure 4. While the gaps are much smaller, the results are directionally consistent.

Figure 4

**Use of partnerships and ecosystems by companies offering L&AH, P&C or New Products & Services**



“This rapid movement of New relationships is a notice for companies that have not begun developing partnerships. The timeframe is closing for these partnerships, potentially putting those not actively developing relationships out of the game.”

# Life, Annuity and Health

## Products Offered

L&AH products were the most offered by the PIMA Community members surveyed. That said, there is a wide range in products offered. The “adoption zones” were refined into four segments: Dominate, Growth, Niche, and Incubate. Interestingly there is a nearly even split in the number of products in the first four segments as shown in Figure 5.

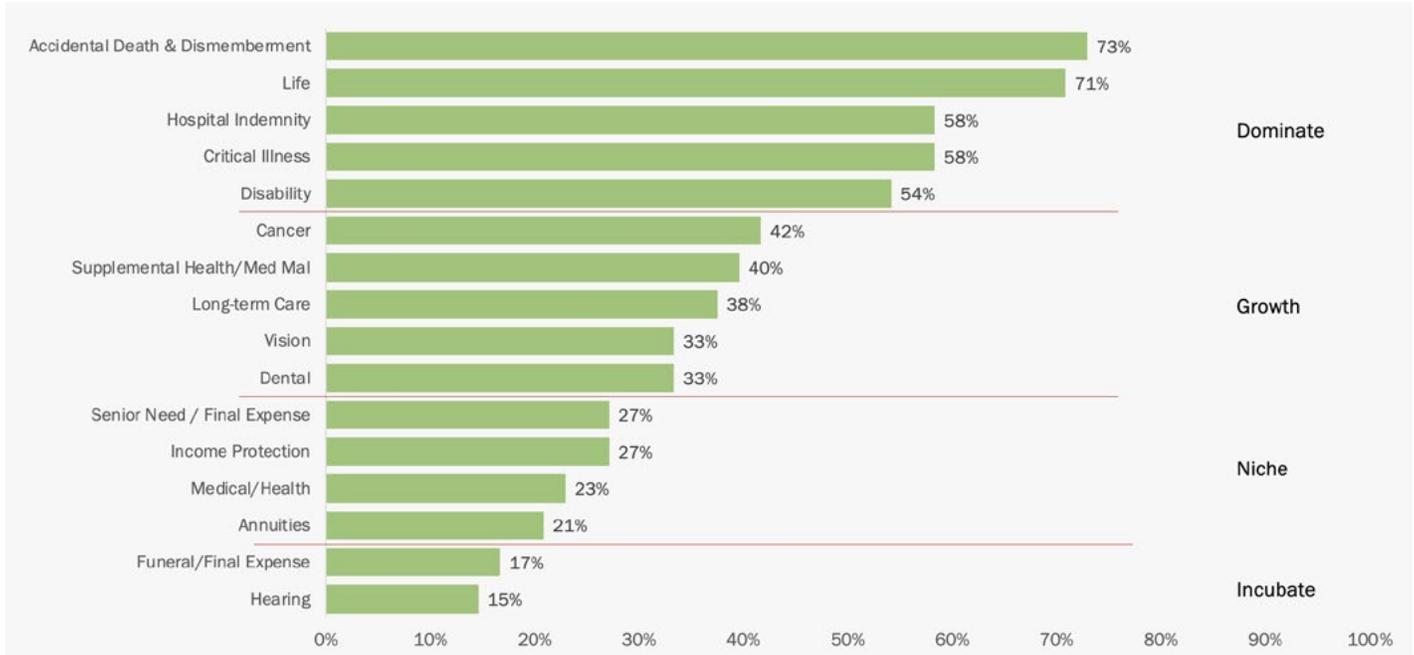
While the Dominate segment highlights the most popular offerings, it also reflects the products with the most competition. The other segments, especially Niche and Incubate represent “blue ocean” opportunities, especially if companies can take advantage of a broader, differentiated distribution channel strategy reflected in the channel spectrum.

These segments have L&AH products that are increasingly important to Boomers and Gen X as they

move into retirement and want to retain insurance products they had as part of employment or to help them generate income in retirement. According to Pew Research, the COVID-19 recession and gradual labor market recovery has seen an increase in retirement among adults ages 55 and older. As of the third quarter of 2021, 50.3% of U.S. adults 55 and older said they were out of the labor force due to retirement. As a comparison of the acceleration of retirement, between 2008 and 2019, the retired population ages 55 and older grew by about 1 million retirees per year. In the past two years, the ranks of retirees 55 and older have grown by 3.5 million.<sup>2</sup>

Meeting the needs of this growing population who are retiring earlier offers significant growth opportunities, but only through distribution relationships they trust.

Figure 5  
**L&AH products offered by PIMA members surveyed**

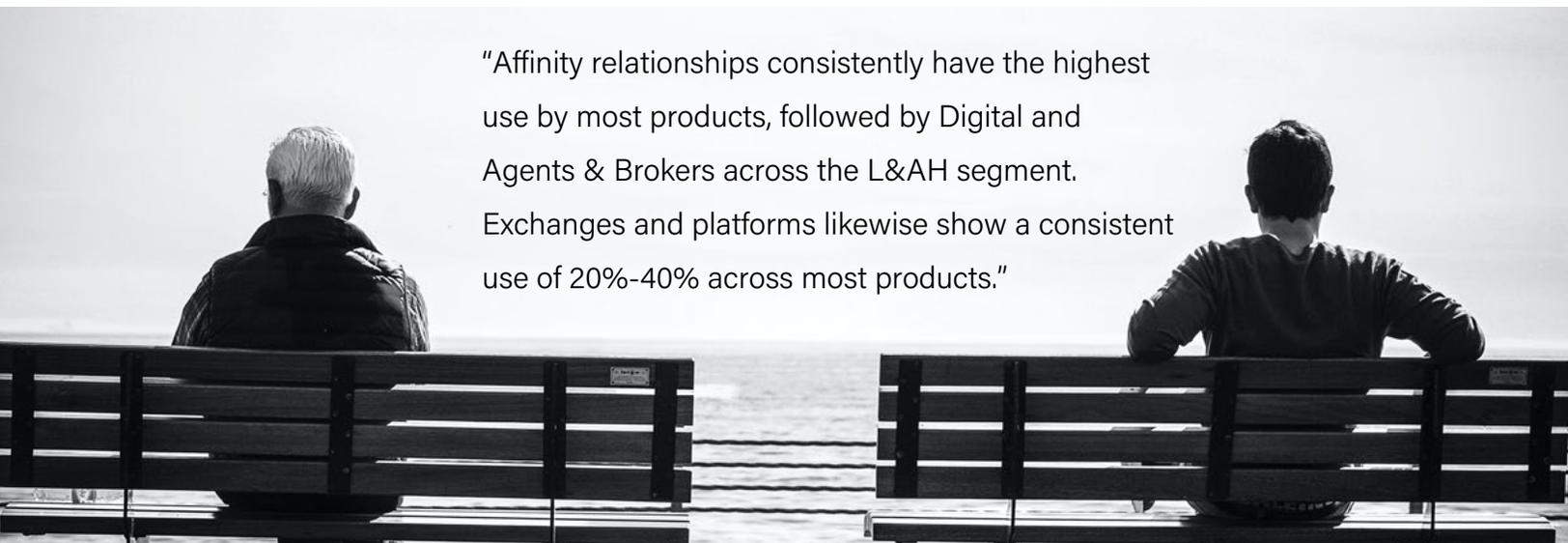
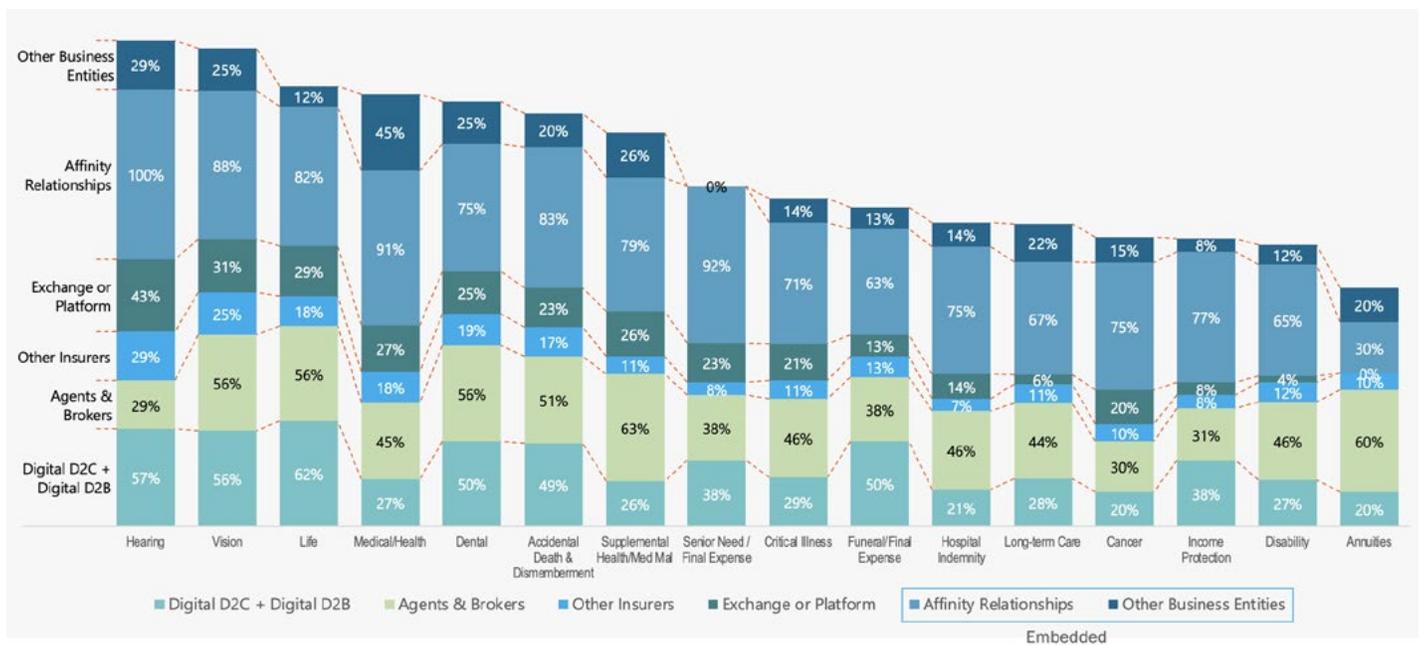


## Channels Used

As we highlighted in Figure 1, L&AH showed the largest use of channel options across the spectrum. However, specific products show variations in popularity of these channel options as reflected in Figure 6. The general pattern that emerged suggests that simpler products, like Hearing, Vision, and Life, are offered through more channels, while more complex ones requiring more information and specialized knowledge, like annuities, are offered through a smaller variety of channels. Not surprisingly, Agents and Brokers are the dominant channel for annuities.

Affinity relationships consistently have the highest use by most products, followed by Digital and Agents & Brokers across the L&AH segment. Exchanges and platforms likewise show a consistent use of 20%-40% across most products, reflecting the growing use of these for purchasing insurance, particularly for health-related products that may be purchased along with medical insurance. Interestingly, Hearing and Vision are offered in more channels than Life (Dominate zone), even though not offered by many companies.

Figure 6  
**Channels used to distribute L&AH products**



“Affinity relationships consistently have the highest use by most products, followed by Digital and Agents & Brokers across the L&AH segment. Exchanges and platforms likewise show a consistent use of 20%-40% across most products.”



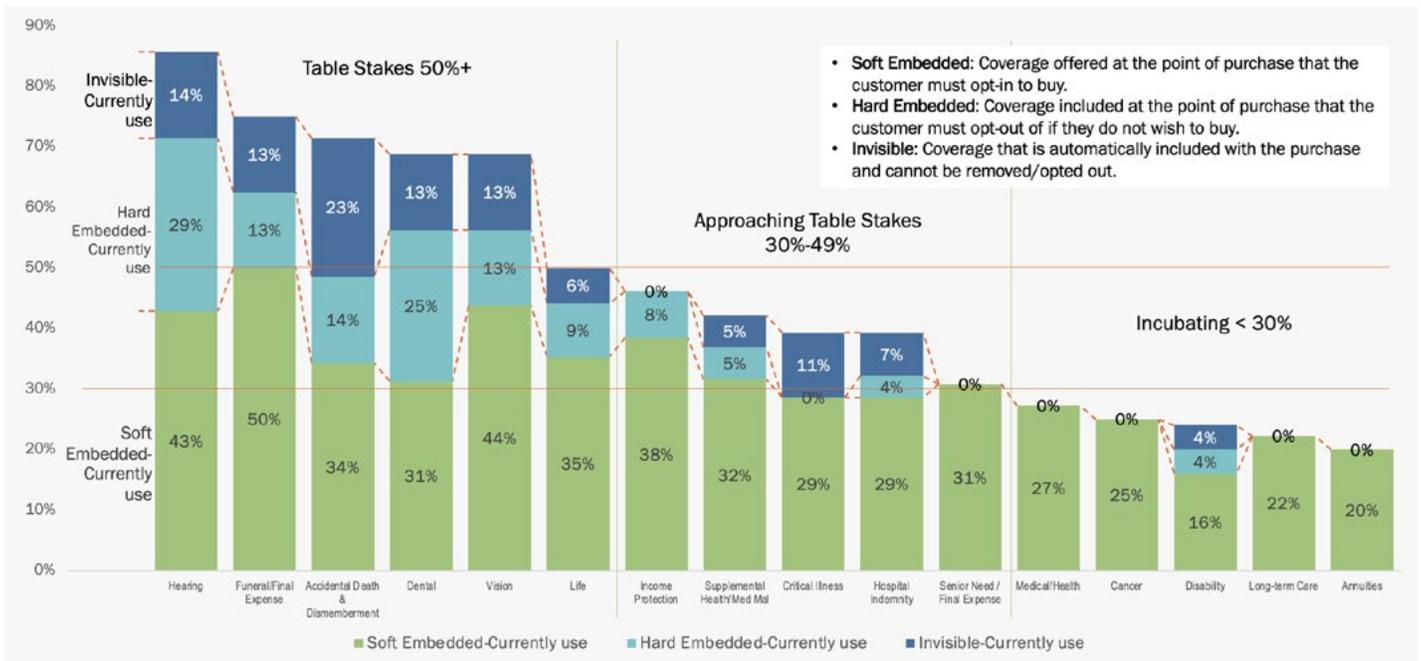
“Soft Embedded is consistently used for all products. When Hard and Invisible Embedded are added, three adoption zones emerge as represented in Figure 7. Nearly 70% of the products are Table Stakes (50%+) or Approaching Table Stakes (30-49%), reflecting a strong use of embedded overall.”

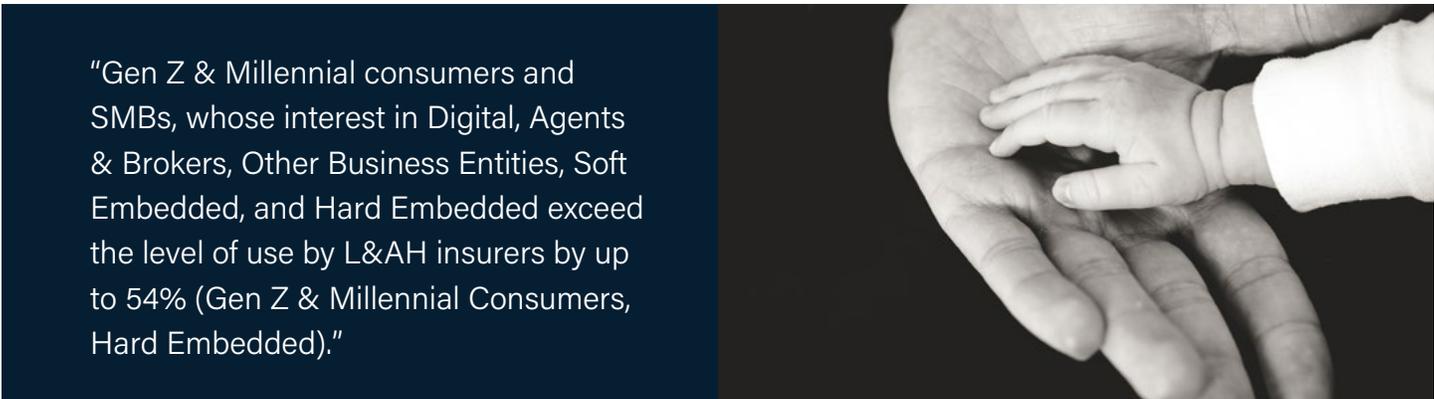
Soft Embedded is consistently used for all products. When Hard and Invisible Embedded are added, three adoption zones emerge as represented in Figure 7. Nearly 70% of the products are Table Stakes (50%+) or Approaching Table Stakes (30-49%), reflecting a strong use of embedded overall. While Soft Embedded dominates, Hard Embedded has strong use with Hearing (29%) and Dental (25%)

(25%), and Invisible Embedded is popular for Accidental Death & Dismemberment (23%).

Companies like Ladder Life, The Guarantors, and Bestow are examples of startups that are establishing embedded insurance partnerships to capture the market.

Figure 7  
**Embedded options used with L&AH products**





“Gen Z & Millennial consumers and SMBs, whose interest in Digital, Agents & Brokers, Other Business Entities, Soft Embedded, and Hard Embedded exceed the level of use by L&AH insurers by up to 54% (Gen Z & Millennial Consumers, Hard Embedded).”

### Market Opportunities

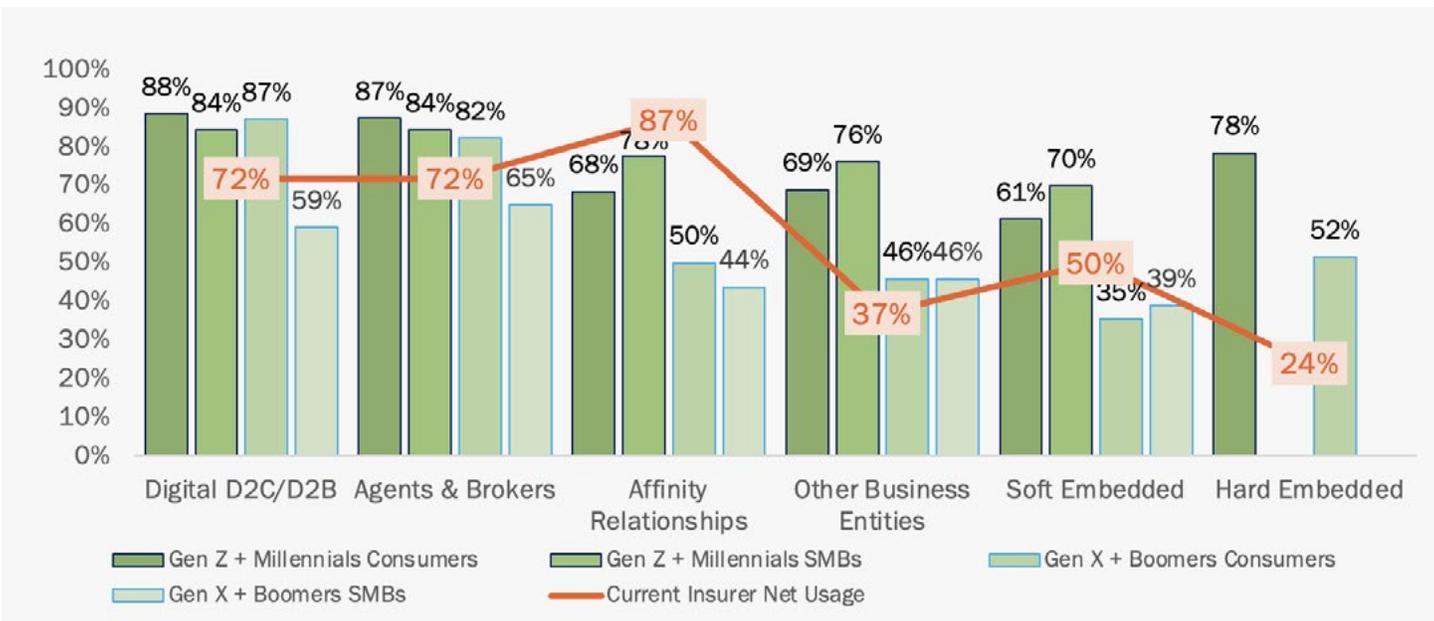
While there appears to be strong use of a range of channels, including embedded for L&AH, this segment still is not aligned with insurance customers – consumers and SMBs – when it comes to their channel spectrum preferences based on Majesco’s consumer and SMB research as reflected in Figure 8.

Gen Z & Millennial consumers and SMBs, whose interest in Digital, Agents & Brokers, Other Business Entities, Soft Embedded, and Hard Embedded exceed the level of use by L&AH insurers by up to 54% (Gen Z & Millennial

Consumers, Hard Embedded). This gap between customer expectations and what channels insurers use, offers an opportunity to expand reach and drive growth into new channels, in particular embedded options.

Strategically, companies should ask themselves: What channels do I use in comparison to where customers want to buy? Should we redefine our channel strategy? How do we leverage new relationships to expand our reach?

Figure 8  
**Customer channel preferences for L&AH products compared to company channel usage**



In analyzing the data, we looked at a combination of channel and Embedded usage by L&AH products to identify potential market opportunities as reflected in Figure 9. The graphic reflects L&AH product offering popularity (the size of each circle), channel variety (the vertical axis), and use of embedded options (the horizontal axis). The result is four potential options for growth:

**1. Reach New Markets with Popular Products by Leveraging More of the Channel Spectrum**

In the lower left and middle segments, Long Term Care, Cancer, Disability, Critical Illness, and Hospital Indemnity are offered by a large number of companies, but through few channels, including embedded. Companies that offer these products or are considering offering them, can distinguish themselves from the competition and reach new customers by expanding channel options, including embedded.

**2. Expand Product Offerings in Less Crowded Spaces and Low Embedded Use**

Income Protection, Senior Need/Final Expense, Medical/Health, and Supplemental Health/Med Mal are currently offered by relatively fewer companies, and those that

doare limited in using embedded. With the rise in retirees and growth in Gig workers that increase interest in some of these products, there is an opportunity to gain market share by leveraging more channel and embedded options.

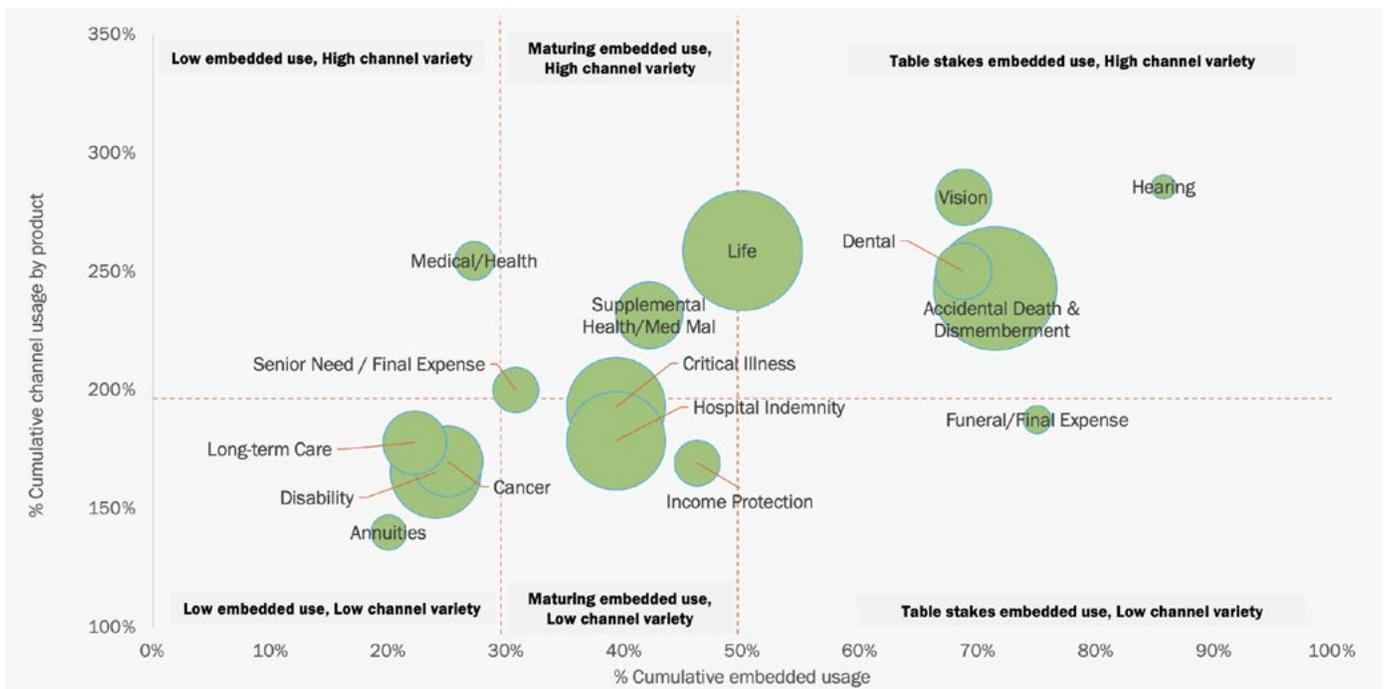
**3. Expand Product Offerings in Less Crowded Spaces**

In the far right mid to upper corner, Hearing, Vision, Dental and Funeral/Final Expense have strong embedded use and medium to high channel variety but are offered by relatively few companies. There is a growth opportunity for these products, given high interest by generational groups, ensuring channel variety and embedded use is at least as good or better than current offerings.

**4. Avoid Crowded Spaces**

Life and Accidental Death & Dismemberment are high in all three dimensions: offered by many companies, use high channel variety, and are Table Stakes for embedded. While this suggests lower growth opportunities, the constant shifting of trusted and valued companies by customers offers new, innovative partnerships to grow market share. To do so, companies can develop and execute more effective embedded strategies that align with the changing lifestyles, preferences, and demographics of customers.

Figure 9  
**Market opportunities for L&AH products based on product popularity, channel variety and embedded usage**



# Property and Casualty

## Products Used

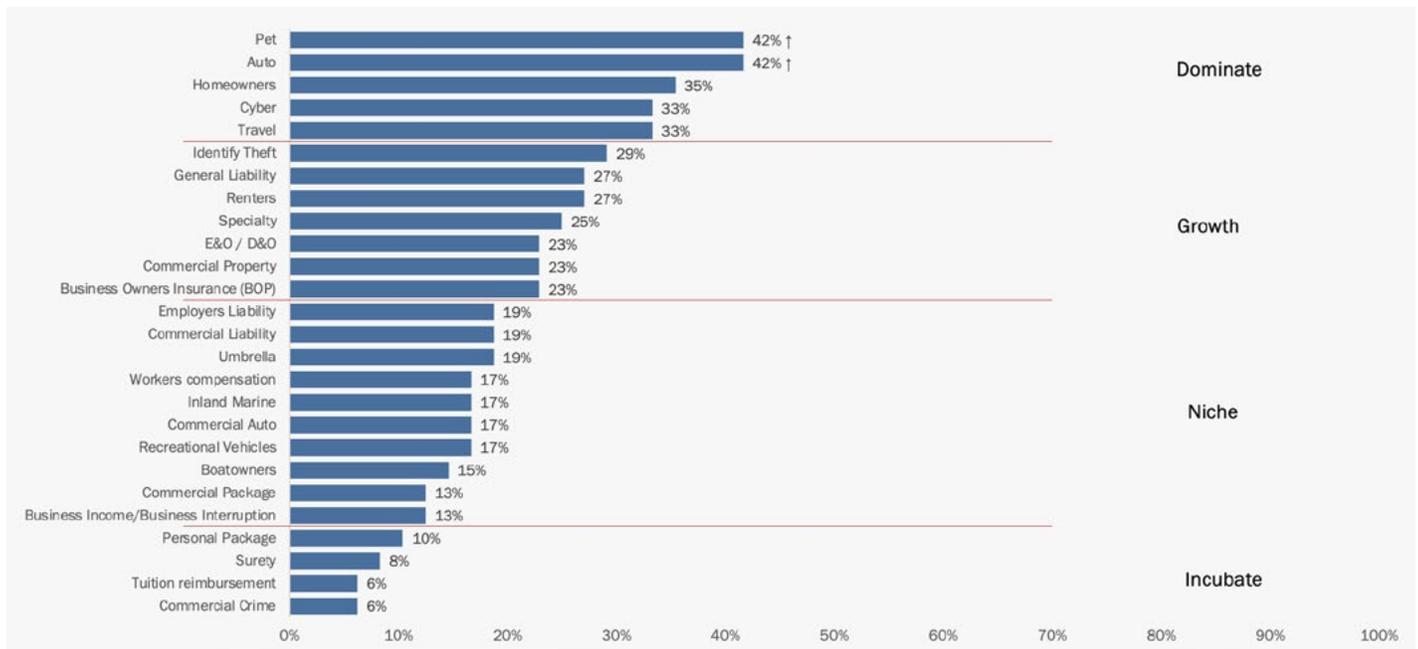
As noted previously, P&C products were offered by fewer respondents as compared to L&AH products. Because of this, we realigned the four categories to represent the use within the P&C segment. The two most popular products, Auto and Pet are each at 42%. This is 30% behind AD&D and Life, the top two for L&AH category.

Not surprisingly, many of the P&C products in the Dominate segment are individual products, while

the Growth and Niche segments are dominated by commercial or specialized personal products such as umbrella, boatowners, and recreational vehicles.

Startup companies like Outdoorsy, Porch, Root, and others are actively offering insurance products through embedded channels. Next, a startup focused on SMBs, is likewise doing it for commercial insurance.

Figure 10  
**P&C products offered by PIMA members surveyed**



“Startup companies like Outdoorsy, Porch, Root, and others are actively offering insurance products through embedded channels. Next, a startup focused on SMBs, is likewise doing it for commercial insurance.”



## Channels Used

As noted previously in Figure 1, P&C and L&AH channel usage follows similar patterns and varying levels of channel variety, with P&C at lower levels, but with tighter range differences. Again, the general pattern is that for P&C simpler products are offered through more channels, while more complex ones are offered through a smaller variety of channels.

Across all products, Affinity Relationships or Agents & Brokers are the most used channels, with the latter having a 16 to 9 edge in the highest use (see Figure 11). Digital ranges between second, third, and fourth with each product, never achieving the top spot.

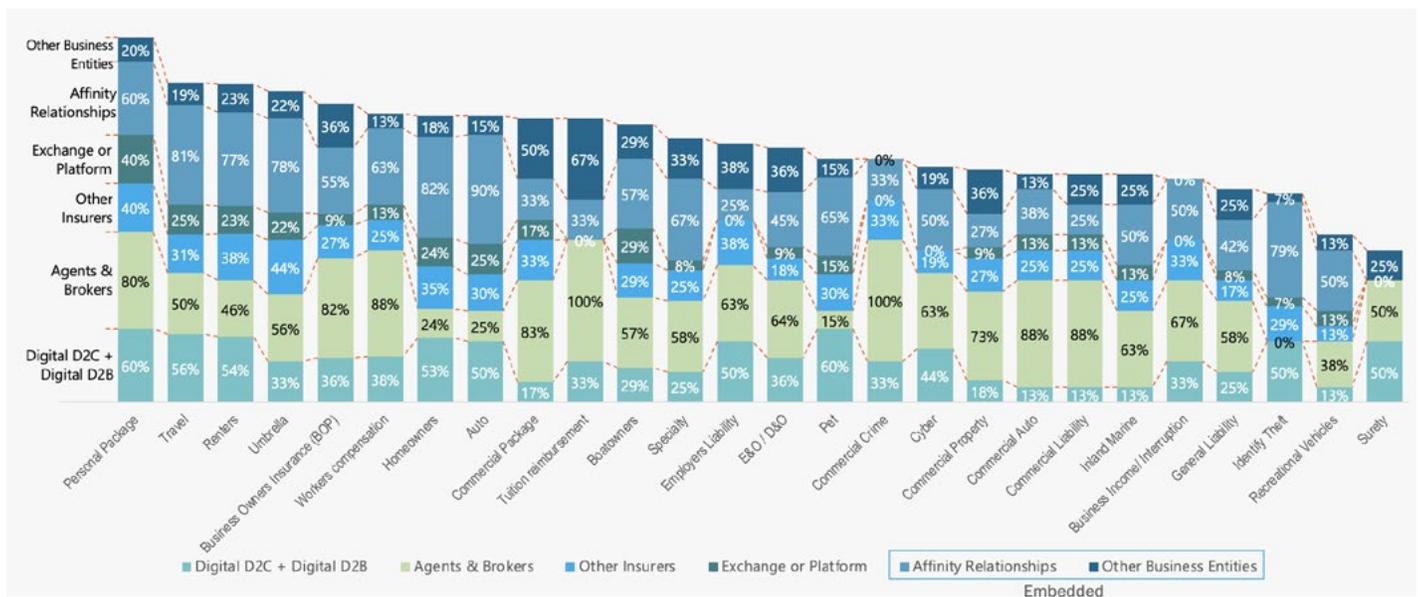
Unlike the L&AH segment which has operated in a multi-channel world for decades, the P&C segment remains

heavily dominated by the Agent & Broker channel. The Digital channel growth has been dominated by the large direct insurers. Marketplaces and exchanges have emerged as growing options over the last five to seven years with options like Bold Penquin, Bolttech, and others.

Agents & Brokers and Affinity Relationships dominate some of the more specialized products like cyber, specialty, commercial package, commercial auto, EO/DO, and others, reflecting the need to understand and position these products appropriately at the right time.

In another similarity to the L&AH channels, Personal Package led all other products in the variety of channels used, even though this product is in the Incubate zone, and only offered by 10% of companies.

Figure 11  
Channels used to distribute P&C products



“Embedded travel insurance has been around for some time, which is why it has gravitated to Invisible Embedded and represents the largest usage of invisible embedding for any product.”

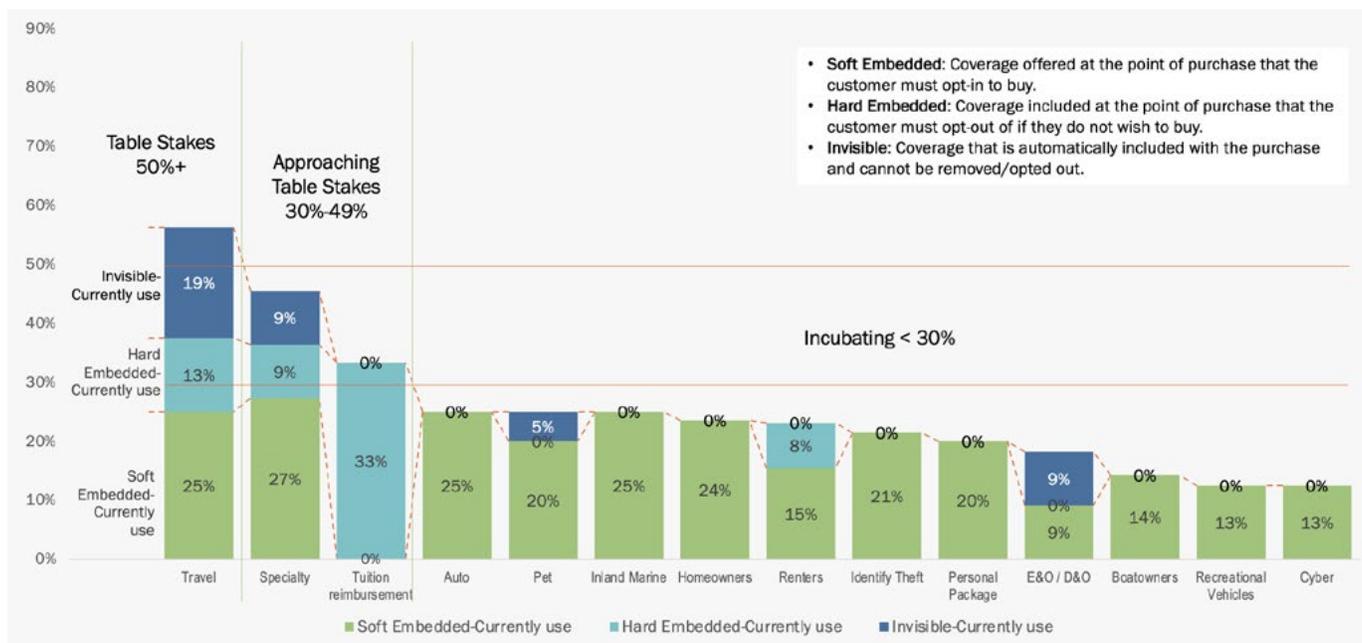
P&C has been at the forefront of digital transformation, outpacing L&AH over the last decade. However, they are not outpacing in terms of channel breadth and use, putting P&C well behind L&AH in using embedded options. Twelve of the 26 (46%) P&C products had no reported embedded usage.

Only one of the remaining 14 products, Travel, made it to the Table Stakes segment of 50%+ usage. Embedded travel insurance has been around for some time, which is why it has gravitated to Invisible Embedded and represents the largest usage of invisible embedding for

any product. Specialty and Tuition Reimbursement are in the Approaching Table Stakes segment. Interestingly, Tuition Reimbursement is only offered by respondents through hard embedding.

With only one product at Table Stakes, this highlights a major gap and opportunity for P&C products to reach more customers through embedded insurance. This, added to the gap in comparison to L&AH, provides P&C insurers an opportunity to increase customer satisfaction and capitalize on growth opportunities.

Figure 12  
**Embedded options used with P&C products**



## Market Opportunities

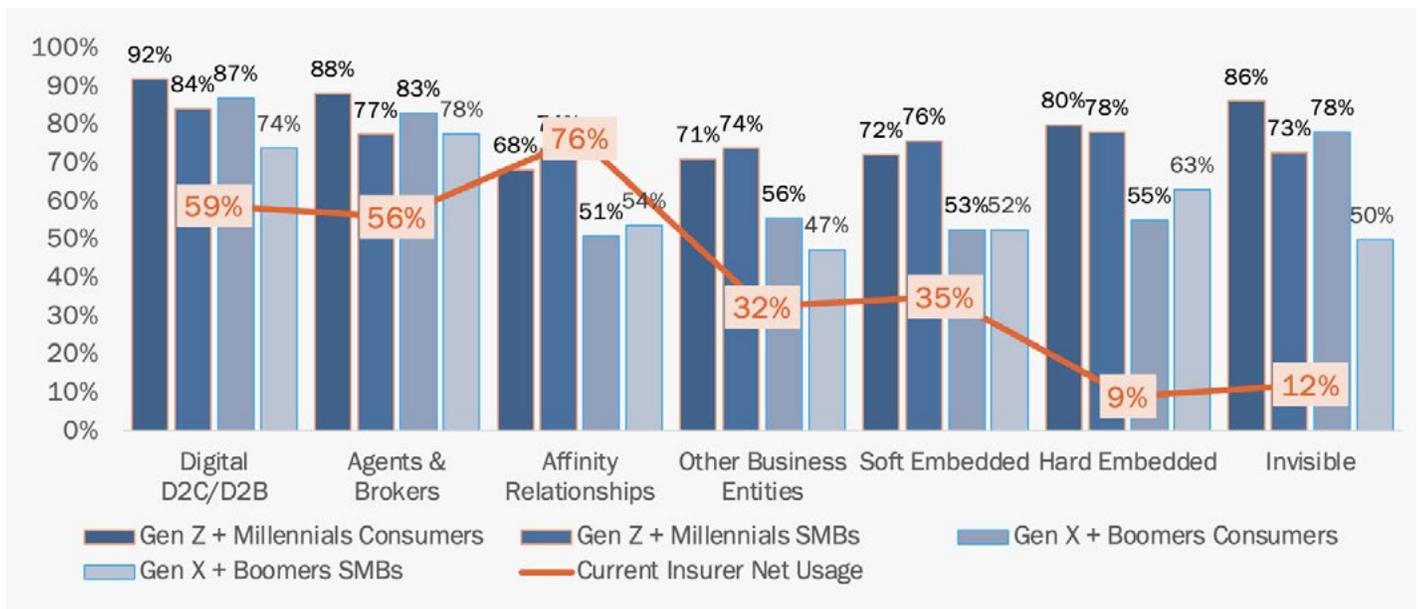
The interesting assessment of the results is that market opportunities are abundant for those willing to capture them.

There are a wide array of opportunities in P&C when comparing channel usage relative to consumer and SMB customer interest. There is already strong alignment with Gen Z & Millennials in Affinity Relationships as reflected in Figure 13. In particular, the most significant opportunities include Digital (33%+); Agents & Brokers (32%); Other Business Entities (42%); Soft Embedded (41%); Hard Embedded (71%); and Invisible Embedded (74%).

Closing the gaps in the Digital and Agent & Broker channels could be achievable, shorter-term wins. The sizable gaps in the embedded options signal significant market opportunities to reach more customers, increase revenue and grow market share for those willing to invest in and experiment with partnerships and ecosystems.

With new InsurTech startups and innovative incumbents actively leveraging these channels, those who do not are increasingly at risk of being left behind and unable to establish partnerships because they are already secured.

Figure 13  
**Customer channel preferences for P&C products compared to company channel usage**



What options do insurers have to close the gap? We have identified three market opportunities based on channel and embedded usage dimensions represented in Figure 14. The dimensions within this graphic represent product offering popularity (the size of each circle), channel variety (the vertical axis), and use of embedded options (the horizontal axis).

**1. Move off Zero**

Based on survey respondents, Commercial Property, Commercial Crime, Commercial Auto, Commercial Liability, Business Income/Interruption, General Liability, and Surety have no use of embedded options as well as having low channel variety. Five more products also have no embedded usage, but have high channel variety: Umbrella, BOP, Workers Comp, Commercial Package, and Employers Liability. Most of these products are limited in the number of companies offering them. Regardless, companies could grow and gain share by leveraging more of the channel spectrum, and in particular, embedded options.

**2. Reach New Markets with Popular Products by Leveraging the Channel Spectrum**

Cyber, Pet, Identity Theft, and E&O/D&O, in the lower middle of the chart, are offered by a larger number of

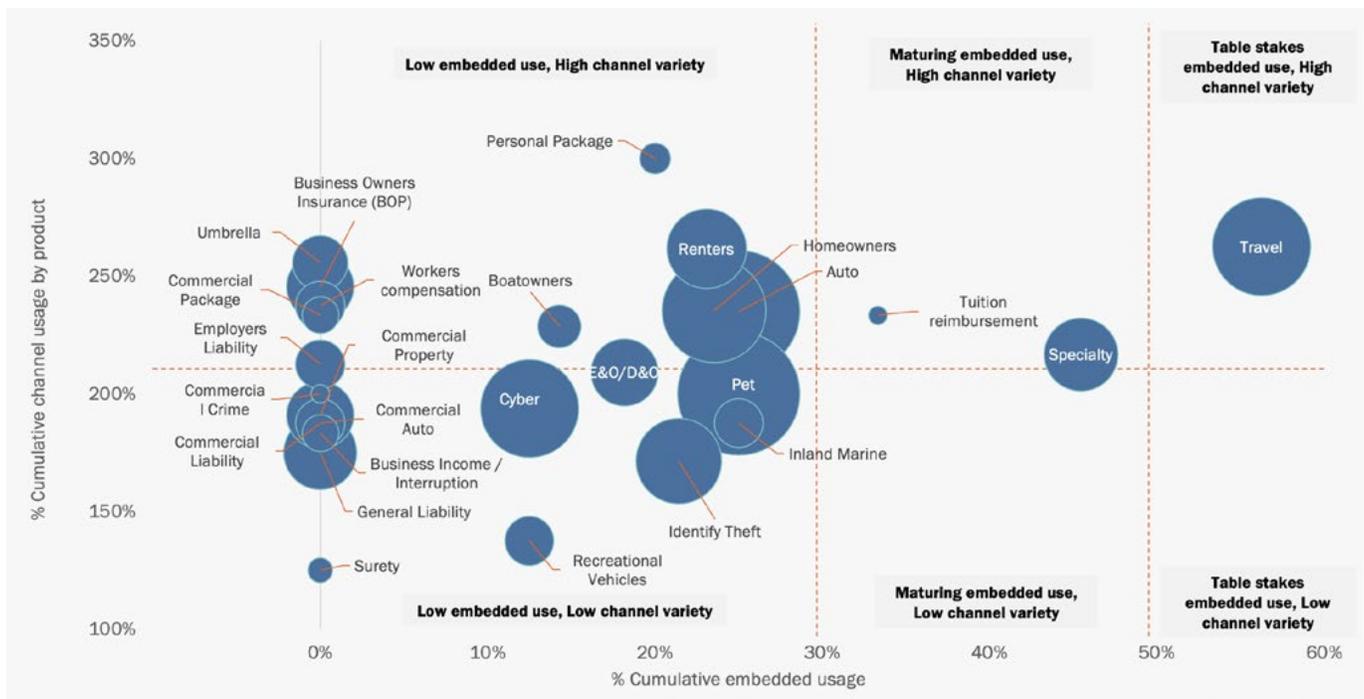
companies, but have very low levels of channel variety and embedded use. Likewise, just above them are Renters, Homeowners, and Auto which are also popular products but with low embedded use but higher channel variety. These popular products are limited by the few channels and limited embedded use, restricting growth opportunities. Many of these products are already being offered via embedded options by companies through partnerships with other entities like Microsoft, Petco, Paypal, and others.

**3. A Crowded Space with Room to Grow**

Not surprisingly, Travel is relatively high in all three dimensions, with a relatively high offering rate, high channel variety, and Table Stakes embedded use. Compared to the other products in the chart, Travel appears to have fewer growth opportunities. However, only 33% of companies are offering this product, giving room for growth. In particular, seeking other opportunities to embed Travel beyond the traditional airlines to other travel or vacation-related companies such as hotels, pre-ordered national park tickets, amusement park tickets, and more, offers a broader market opportunity given the high costs of many of these options. Coupled with these options, is assessing the broader use of channel spectrum to meet customer’s needs, particularly for Hard or Invisible Embedded offerings.

Figure 14

**Market opportunities for P&C products based on product popularity, channel variety and embedded usage**



# Other Products & Services

## Products Offered

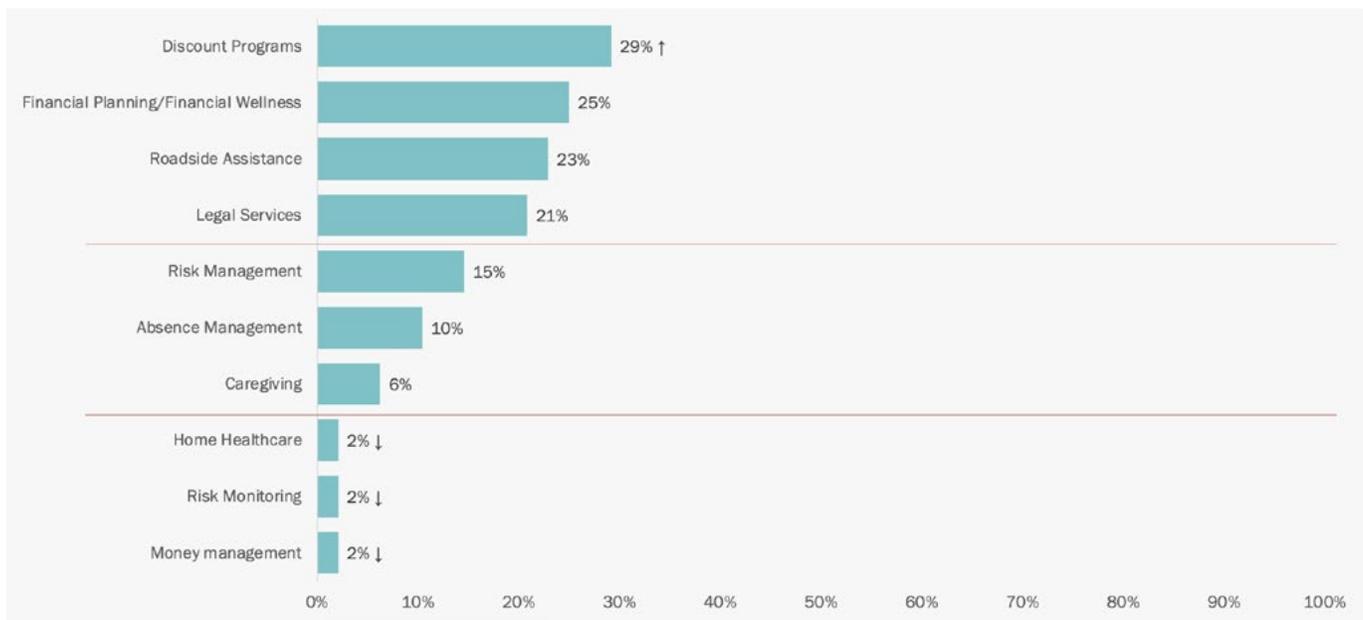
Other Products & Services were offered by the fewest number of the PIMA Community members surveyed. Some of these are striking, and suggest opportunities for growth as well as meeting customer expectations. Majesco’s consumer and SMB research has consistently found these value-added services have high interest. The definition of a product has shifted beyond just the risk product to include value-added services and customer experience. Offering these extends the customer relationship and potential revenue growth.

important service as “financial well-being” expectations and needs continue to grow. In particular, it is likely underutilized by the Gen Z & Millennial generation, providing an opportunity to establish a long-term relationship. Likewise, Caregiving is increasingly important and part of the “financial well-being” concept as people age, and the sandwich generation gets caught between planning for their retirement and caring for their parents. Bottom line, this is a vastly untouched opportunity for insurers to extend customer value, loyalty, trust, and revenue.

As an example, Financial Planning is an increasingly

Figure 15

**Other Products & Services offered by PIMA members surveyed**



“Majesco’s consumer and SMB research has consistently found these value-added services have high interest. The definition of a product has shifted beyond just the risk product to include value-added services and customer experience.”



## Channels Used

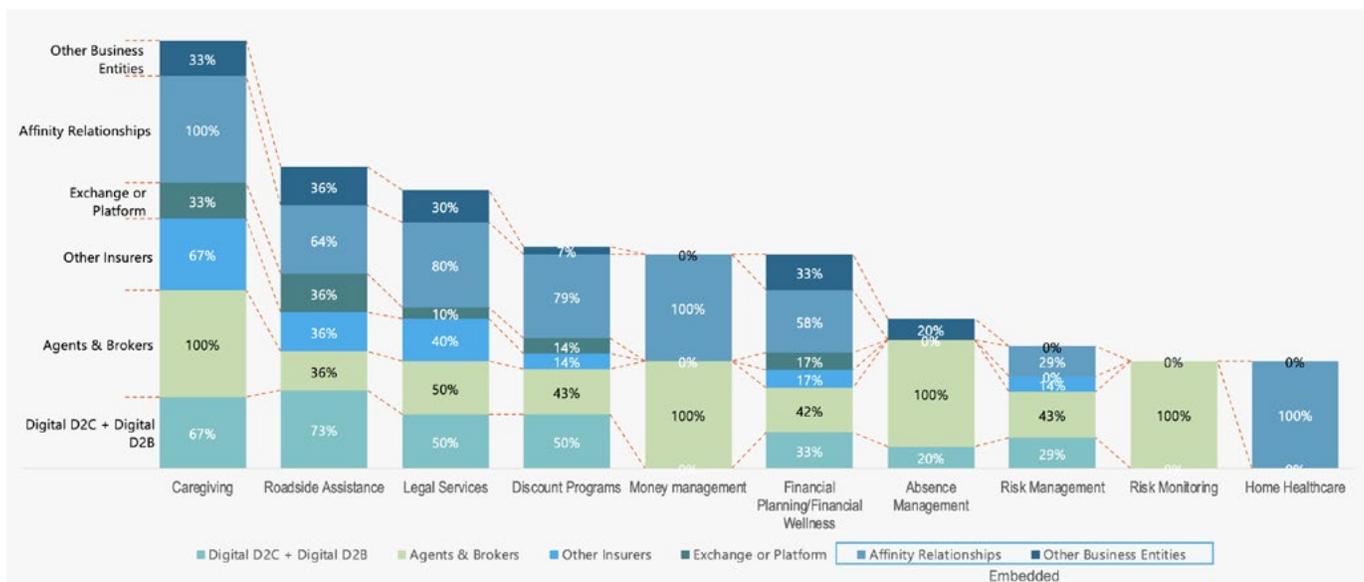
Consistent with the other two product groups as noted in Figure 1, the most used channels are Affinity Relationships (61%), Agents & Brokers (55%), and Digital (42%). Despite this similarity, the actual levels of use vary as compared to L&AH and P&C. Overall as shown in Figure 16, Other Products & Services are 17% to 30% lower than in L&AH and compared to P&C, 17% lower for Digital, and 11% lower for Affinity Relationships.

Other similar patterns in channel usage continue with the Other Products & Services group, including varying levels of channel variety for specific products. In general, simpler products are offered through more channels while more complex ones are offered through a smaller number of channels. As an example, one of the least-offered

products, Caregiving (just 6% offer this product) has the highest channel variety. In comparison, three of the most-offered products (Discount Programs, Roadside Assistance, and Legal Services) have the lower channel variety, limiting reach.

Because other Products & Services are not a risk product, they lend themselves to alternative channels, particularly Digital, Affinity Relationships, and Embedded options. As companies seek to expand these offerings, they should consider aligning them with a broader array of channels as well as aligning them to be purchased with risk products through the channels they are sold, increasing reach, and driving growth.

Figure 16  
**Channels used to distribute Other Products & Services**



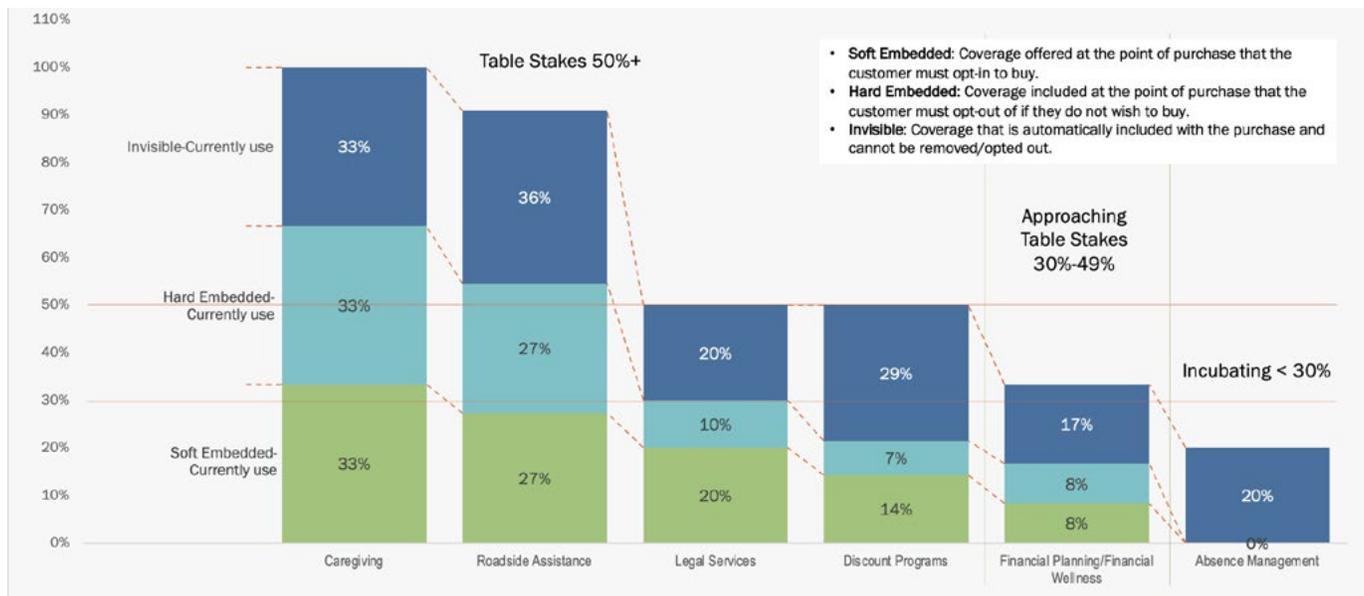
“Caregiving (just 6% offer this product) has the highest channel variety. In comparison, three of the most-offered products (Discount Programs, Roadside Assistance, and Legal Services) have the lower channel variety, limiting reach.”



Similar to the P&C products, very few of the Other Products & Services are offered through embedded options. However, Other Products & Services are using embedded options more than P&C products (Figure 12), with five of the six using all three options (Soft, Hard, Invisible – Figure 17) compared to only two of the 14 P&C

products. Interestingly, Other Products & Services had the highest net usage of 26% for Invisible Embedded as compared to 20% for L&AH and 12% for P&C. Once again, this indicates an untapped product and channel market to drive customer engagement, loyalty, value, and revenue.

Figure 17  
**Embedded options used with Other Products & Services**



“Similar to the P&C products, very few of the Other Products & Services are offered through embedded options. However, Other Products & Services are using embedded options more than P&C products.”



## Market Opportunities

We used three dimensions to help identify market opportunities for Other Products & Services: product offering popularity (the size of each circle), channel variety (the vertical axis), and use of embedded options (the horizontal axis) as shown in Figure 18. We uncovered three potential growth options.

### 1. Move off Zero

Once again, four products & services have no embedded options and have lower channel variety including Risk Management, Home Healthcare, Risk Monitoring, and Money Management. Absence Management could also be considered with its low embedded use and channel variety. Even though most of these are relatively small to moderately sized in the number of companies offering them, leveraging more of the channel spectrum, especially embedded options, could lead to growth opportunities. It also opens up opportunities for those who do not provide these products and services to expand reach, value, and revenue.

### 2. Reach New Markets with Popular Products by Leveraging the Channel Spectrum

Compared to the other products and services, Financial Planning/Wellness, Discount Programs, and Legal

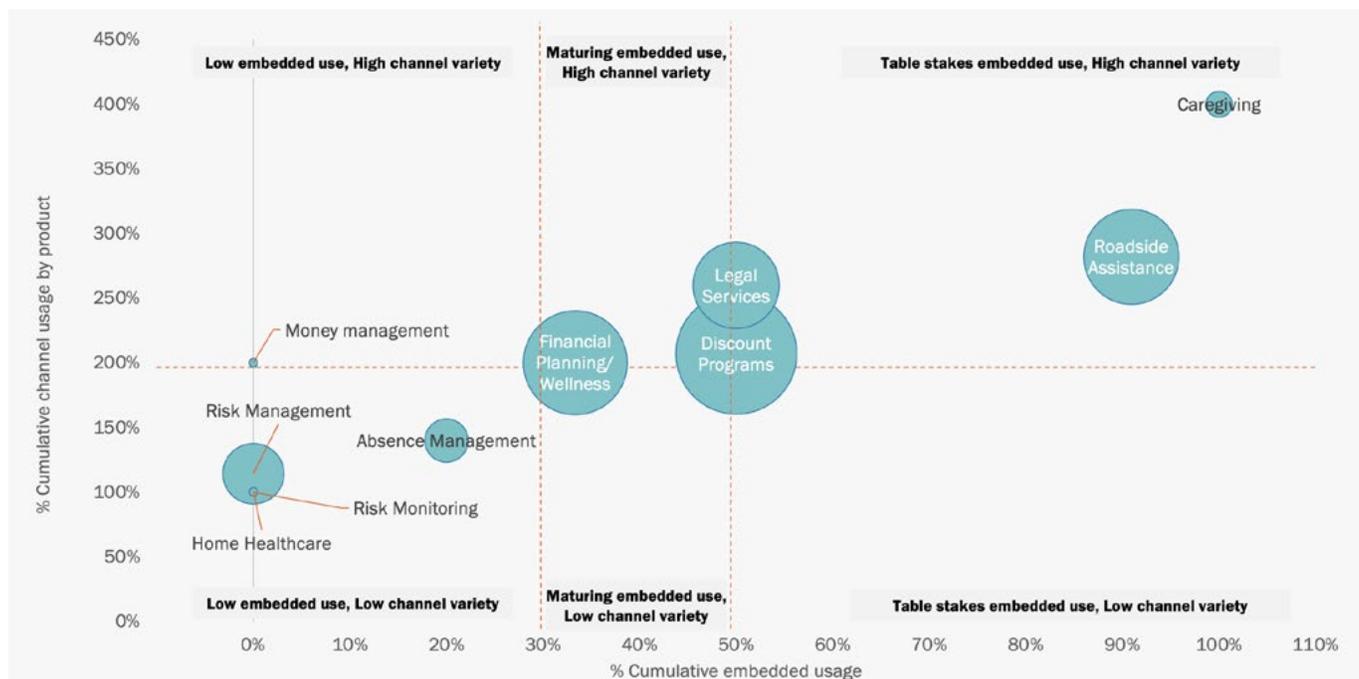
Services are offered by a larger number of companies, yet they have lower embedded use and have not leveraged the breadth of channel variety. Growth opportunities with these popular products can be accelerated by expanding to new channels, particularly embedded options.

### 3. Two Ways to Grow

Not surprisingly, Roadside Assistance has a high offering rate, high channel variety, and Table Stakes embedded use, given its value and inclusion for many auto products. While this could suggest a crowded market with limited growth, surprisingly only 23% of companies offer it. In Majesco’s consumer and SMB research, this offering was considered to be of great interest and value, suggesting it is an unmet market need offering growth opportunity.

In addition, even fewer companies are offering Caregiving (only 6%). Those that do are using high channel variety and embedded options. As a point of reference on market opportunity, the American Association of Retired Persons estimates that about half of all people over 65 will need some kind of long-term care, such as in-home care, an assisted living facility, or a nursing home.<sup>3</sup> Given the potential growing interest with the aging of Boomers and Gen X, future growth opens new market opportunities.

Figure 18  
**Market opportunities for Other Products & Services based on product popularity, channel variety and embedded usage**



# A Multi-Line Channel View

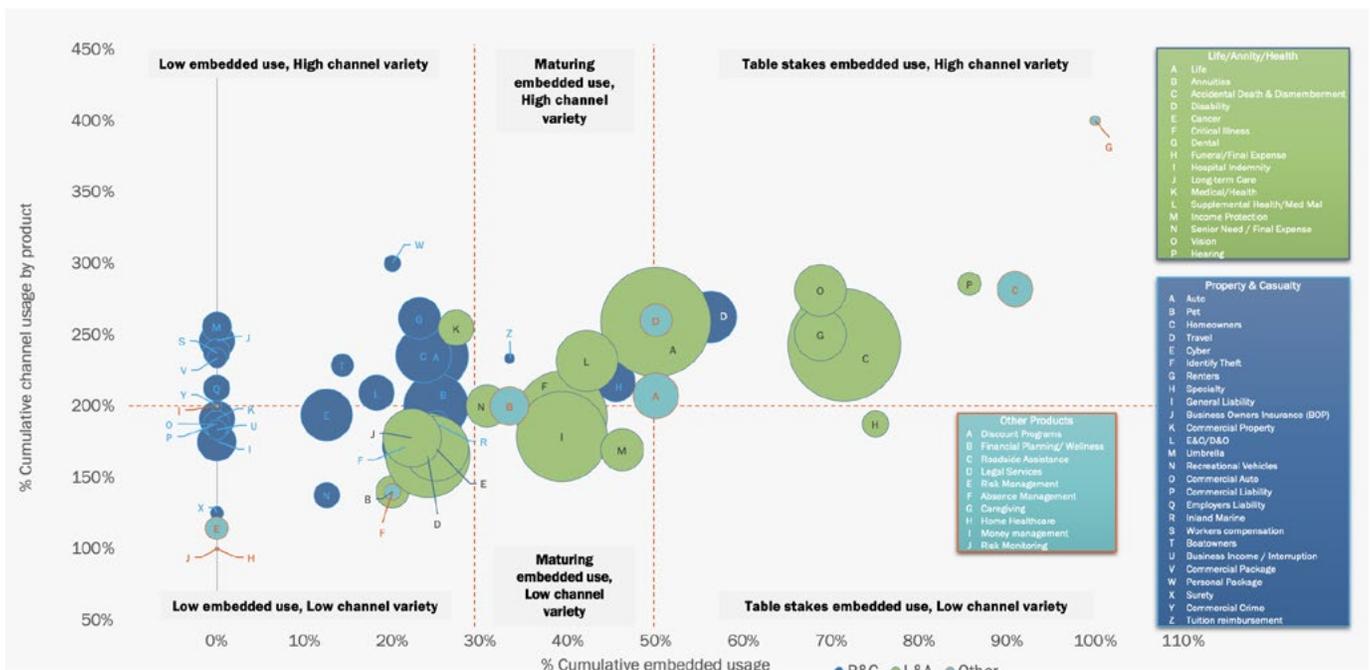
Looking at the three different products separately provided a view of market opportunities within those segments. However, many companies are multi-line, or have partnerships with others to offer products they do not create. More importantly, looking at a multi-line view provides a customer lens perspective given they likely buy a range of products within those three segments.

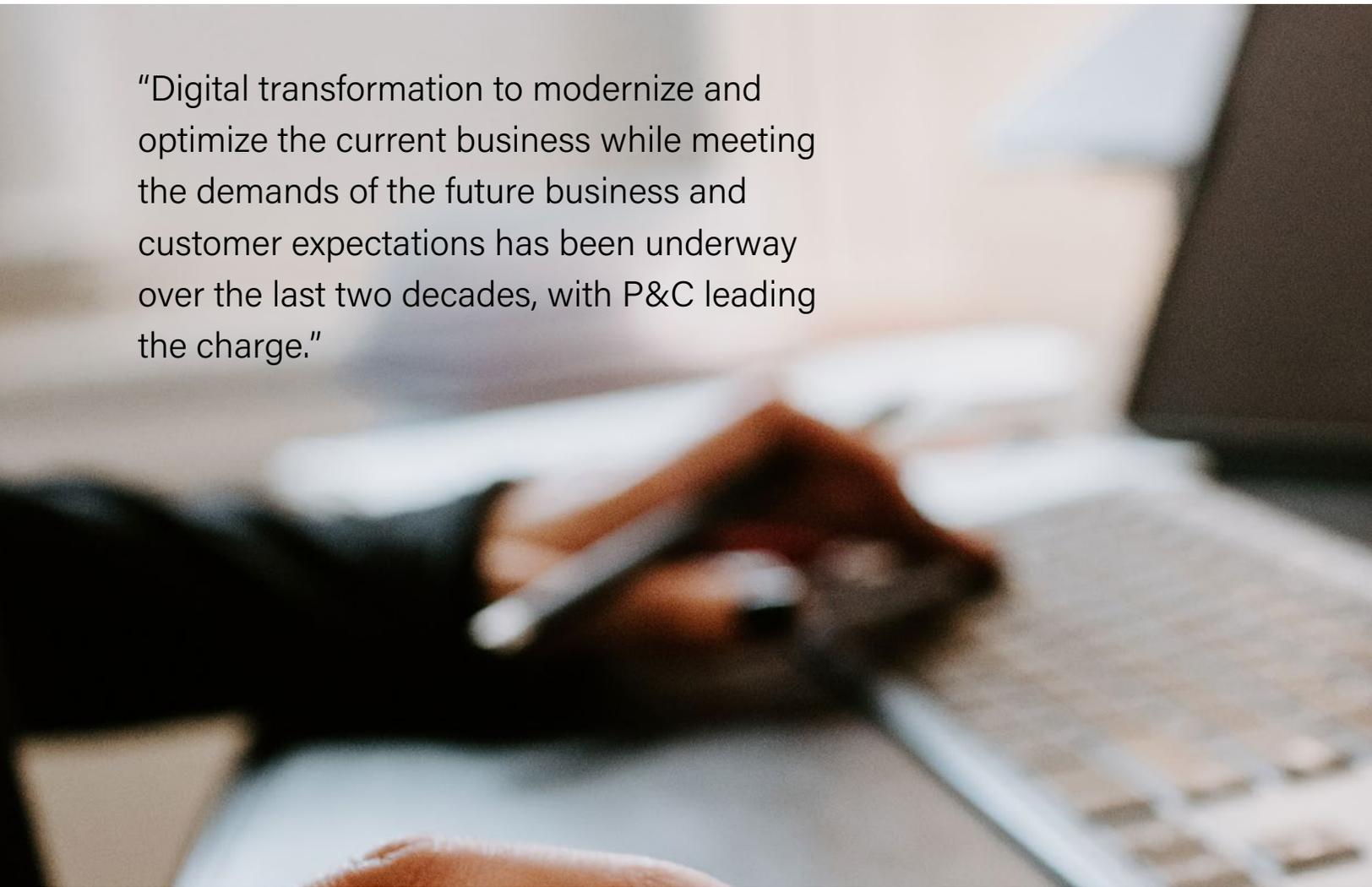
We combined the three product groups in Figure 19 to provide a multi-line view. Some interesting macro insights emerge:

- L&AH commands a compelling lead over P&C both in terms of most offered products, channel variety and embedded options used.
- Other Product & Services likewise falls behind L&AH but has some products that are ahead of or even with P&C. The one exception is Roadside Assistance, which outpaces all products in all segments.
- L&AH dominance in multi-channels and Affinity Relationships has provided a strong foundation to experiment and embrace embedded channels, putting them at an advantage overall. Building and retaining that advantage through other partnerships, including insurers, to provide a wider array of products, could create a new business model for growth that can capture a large portion of the anticipated embedded insurance market.

- This view highlights the potential of new offerings that combine different products to create new customer experiences that drive growth. For example, the combination of home, caregiving, disability insurance, or long-term care insurance could provide an elderly homeowner with IoT based home devices the ability to not only get a discount for homeowners but also the ability to provide alerts to take meds, monitor falls, reminders for doctor appointments and more – combining products to meet a broader need and providing value.
- In general, there is a wide-open opportunity to expand into more channels for all product segments given the mid to low channel variety. At the same time, some of those channels can be leveraged to accelerate further embedded options. Together this would expand the market reach for products that offer customers more options to buy when, where, and how they want to buy.
- Majesco’s Consumer research highlighted strong interest in bundled products that offer a broad, holistic solution to customers’ health/wealth/wellbeing, for which many combinations could be created between the three product segments. Likewise, Majesco’s SMB research found the same demand for a holistic, broad combination of products that meet new expectations.

Figure 19  
**Multi-line market opportunities based on product popularity, channel variety and embedded usage**





“Digital transformation to modernize and optimize the current business while meeting the demands of the future business and customer expectations has been underway over the last two decades, with P&C leading the charge.”

Digital transformation to modernize and optimize the current business while meeting the demands of the future business and customer expectations has been underway over the last two decades, with P&C leading the charge. L&AH has been slower to respond, stymied by the complexity of the business with closed blocks of business as well as new business operating on different systems. Regardless, L&AH embraced a multi-channel world well before most P&C companies, putting them at a disadvantage as customer expectations to buy have shifted.

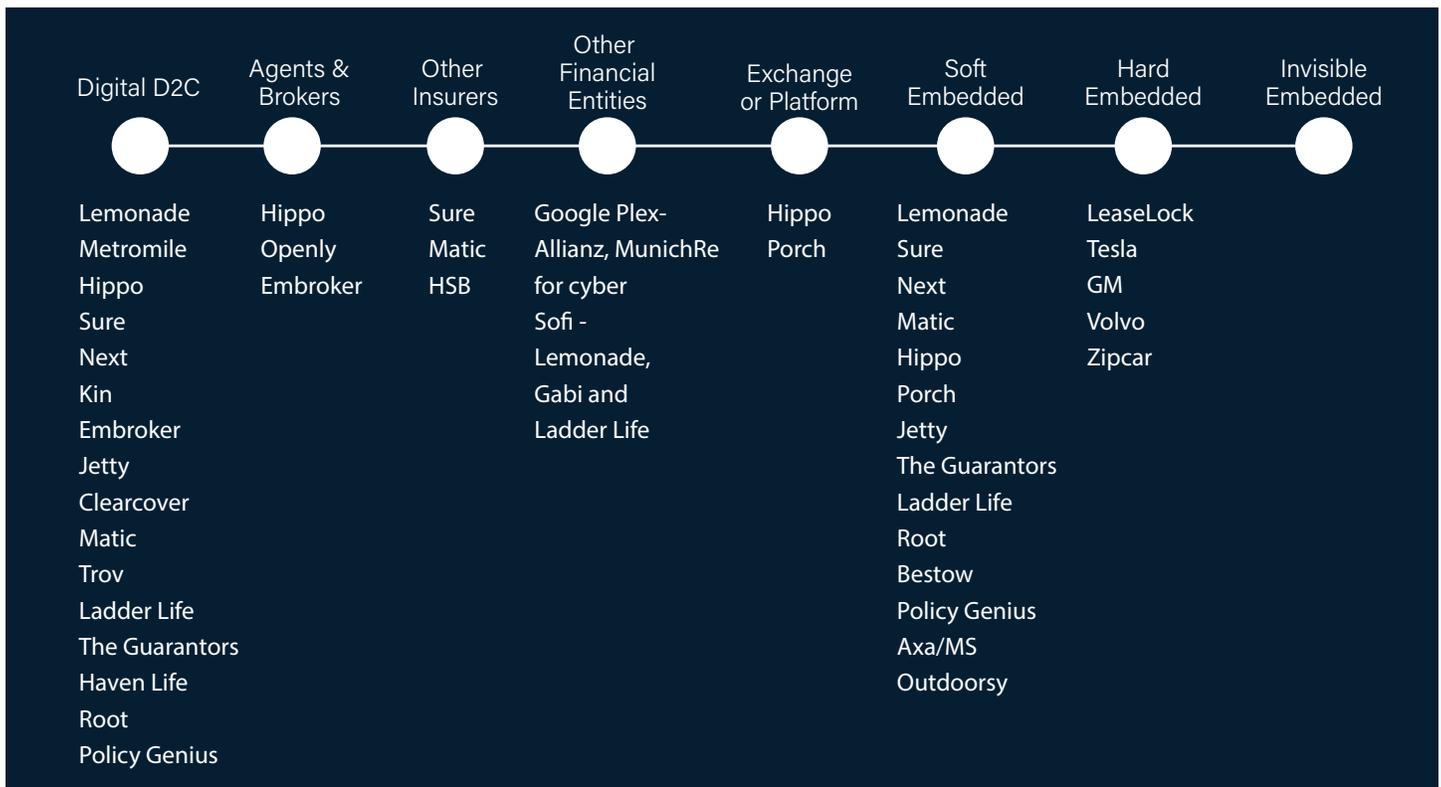
With customer expectations changing, companies need to create distribution advantages that give them a unique and competitive advantage to acquire and retain customers. This advantage is rooted in leveraging a broader array of the channel spectrum, including embedded insurance that is built into the customer experience and leverages the trust of other brands.

## Conclusion

Traditional distribution channels have served the insurance industry well for hundreds of years. They still work and are vitally important. Yet People, Technology and Market Boundaries have changed dramatically in just the past few years, and insurance distribution must also change to keep up. The new and growing spectrum of channel options now available, especially the exciting opportunities for embedded insurance, will give innovative insurers and their partners tremendous opportunities for growth, with new markets, new offerings, satisfied and loyal customers...and growing books of business.

We see big bets being made in new business models, products, and services from FinTech, InsurTech startups and incumbent insurers who are focused on capturing customers when and where they want through a broader market network of partners and channels. The result is a new competitive market as represented in Figure 20. Unfortunately, those not embracing a broader channel spectrum will have decreasing opportunities for partnerships the longer they wait, limiting their market reach and growth opportunities as a new generation of buyers increasingly turns to alternative channels including embedded options.

Figure 20  
**Companies leveraging the Channel Spectrum**



“Fundamentally, it challenges the assumption that the insurance balance sheet and capital that underpins an insurance product does not have to come from a traditional insurance provider.”

Embedded insurance provides coverage bundled with a product or service purchased from another brand and could begin to address the protection gap for both L&AH and P&C insurance. It has been estimated that embedded insurance is a \$3T market opportunity that could close the protection gap across P&C and L&AH.<sup>4</sup> Swiss Re Institute estimated the protection gap doubled from 2000 to 2020 driven by global trends in digitization, urbanization, climate change and a lack of effective innovation.

Embedded insurance has the potential to redefine roles in insurance. With a broad array of channels, and in particular, embedded insurance distributed or bundled with other products through other brands, it challenges traditional thinking. Fundamentally, it challenges the assumption that the insurance balance sheet and capital that underpins an insurance product has to come from a traditional insurance provider. Instead, the products can come from a wider array of entities that are backed by capital purchased from reinsurers or insurance linked securities.

What actions should insurers consider?

1. Establish new partnerships and channels encompassing the emerging startup-fueled distribution, embedded, and partner services landscape to extend reach before they are tied up.
2. Stake out your position by either commanding more of the total value proposition or becoming a specialist in someone else's ecosystem.

3. Refocus to a “buying” over “selling” approach – through a multi-channel strategy that meets customers where and when they want to buy.
4. Use a blended focus on product & business needs, value-added services and channel preferences. It is crucial to consider all of them to innovate and meet different generational needs and expectations to drive growth and engagement.
5. Invest in Next-Gen platforms and capabilities that embrace openness by investing in talent and technology and adopting an open, API-centric, cloud, AI/ML, microservices platform.

The attraction of the broader array of channel options, and in particular embedded options, is aligned to what customers want and expect. They want to buy insurance when, where and how they want --- with convenience and speed.

The question is...can you meet these new expectations? Do you offer your products through multiple channels? Do you have a distribution strategy that broadens your market reach?

If not, you are leaving options on the table. More importantly your customers are waiting.

## About the Authors



**Denise Garth** is Chief Strategy Officer at Majesco, she is a widely regarded InsurTech and industry thought leader and recognized InsurTech Top 50 Influencer and Top 50 Women Leaders in SaaS, Denise Garth is the Chief Strategy Officer at Majesco. Majesco is a global leader of cloud insurance software solutions with products that empower insurers to modernize, innovate, and connect their business at speed and scale. Garth began working at Majesco in 2015 as a Senior Vice President in Strategic Marketing, Industry Relations, and Innovation. Garth leads the company's strategy, marketing, industry relations, and innovation in support of Majesco's client-centric strategy. With both P&C and L&A insurance experience, Garth has also authored research and articles grappling with the key issues and opportunities facing the insurance industry.

Prior to Majesco, Garth's extensive leadership career has spanned both business and IT across the insurance industry such as Century Companies, CUNA Mutual Group, Mutual of Omaha, Bowne Global Solutions, ACORD, Innovation Group, and Strategy Meets Action. A renowned strategic thinker, innovation leader, international speaker, and author, Garth has deep international ties across North America, Asia and Europe. She is active in the InsurTech space, is an Advisory Board Member for the Silicon Valley Insurance Accelerator, and a Mentor for the Global Insurance Accelerator. Garth holds a bachelor's degree in math and computer science from Central College in Iowa.



### **Ann Dieleman, MBA, CEC**

As a growth strategist, leadership advisor and board member, Ann specializes in working with CEOs and executives across the globe to grow and sustain profitable businesses. With 20+ years of executive leadership working with startups, small businesses and the Fortune 100 she understands the day-to-day demands organizational leaders face.

In addition to serving on the Board of Directors and as the Executive Director of PIMA, she serves on the Global Insurance Accelerator Board of Directors and advises for Goldman Sachs 10,000 Small Businesses Initiative. A certified coach from the Center for Executive Coaching, she received a BA from Simpson College and a MBA from Drake University.



**Glenn Westlake** is VP of Strategic Marketing at Majesco. He is responsible for supporting Majesco's client-centric strategy by bringing information and insights to Majesco customers about consumer behaviors and marketplace trends, and their implications for insurance. He has over 20 years of experience in market research and insurance, with 13 years serving as the Director of Consumer Research at American Family Insurance in Madison, WI.

# References

- 1 "Best's Commentary: Embedded Insurance Gradually Gaining a Foothold," Business Wire, June 6, 2022, <https://www.businesswire.com/news/home/20220606005938/en/>
- 2 Fry, Richard, "Amid the pandemic, a rising share of older U.S. adults are now retired," Pew Research Center, November 4, 2021, <https://www.pewresearch.org/fact-tank/2021/11/04/amid-the-pandemic-a-rising-share-of-older-u-s-adults-are-now-retired/>
- 3 Foley, Katherine Ellen, "Here's how we can prepare for an aging population," World Economic Forum, February 3, 2020, <https://www.weforum.org/agenda/2020/02/population-growth-high-demand-caregiving/>
- 4 Torrance, Simon, "Embedded insurance: a \$3tn market opportunity, that could also help close the protection gap," Fin-tech Futures, January 4, 2021, <https://www.fintechfutures.com/2021/01/embedded-insurance-a-3tn-market-opportunity-that-could-also-help-close-the-protection-gap/>