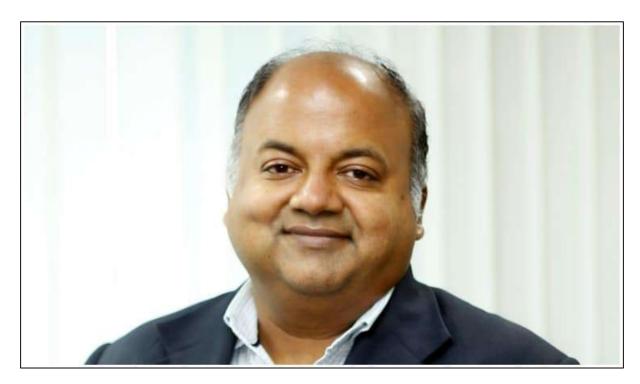
Date: 05.05.2023 **Publication:** Express Computer

The Rise of Embedded Insurance and How Technology Can Play a Big Role



By KV Dipu, Senior President & Head-Operations & Customer Service, Bajaj Allianz General Insurance

Insurance has always been essential to our lives, protecting us against unforeseen events. Embedded insurance has made purchasing insurance products that fit their specific needs even more convenient. Embedded insurance is the integration of insurance into another product or service, making it easier for consumers to buy insurance without seeking insurance products actively. We insure our homes, cars, and health to protect ourselves against unexpected events that could jeopardise our financial security. However, the traditional insurance model has its limitations. It requires consumers to seek out insurance products actively and can be complicated and time-consuming.

Embedded insurance makes this easy by blending insurance with another product. For example, when you purchase a flight ticket, you can buy travel insurance to your booking with just a few clicks. Or, when you buy a new smartphone, you can opt for device protection insurance at the point of purchase. This insurance integration into other products and services is convenient for consumers and provides a new revenue stream for businesses.

The global embedded insurance market is growing at an unprecedented rate, with a CAGR of over 40% from 2021 to 2028. According to a report by Allied Market Research, the global embedded insurance market was pegged at \$5.54 billion in 2020 and is projected to reach \$111.60 billion by 2028. This growth is driven by several factors, including the increasing demand for personalised insurance products, the rise of digital channels, and the need for businesses to differentiate themselves in an increasingly crowded market.

So, how can technology play a significant role in the rise of embedded insurance? There are several ways by which technology can help to facilitate the growth of embedded insurance, including:

Data Analytics: With the help of advanced data analytics, insurance providers can gain valuable insights into customer behaviour and preferences. For example, insurance providers can use data analytics to determine the risk of insuring a particular vehicle based on the driver's age, driving habits, and other factors. This information can be leveraged to create personalised insurance products that meet each customer's specific needs.

Artificial Intelligence: Artificial intelligence (AI) can automate many of the processes involved in insurance, such as underwriting and claims processing. This can help reduce costs and improve efficiency while providing a more seamless customer experience.

Internet of Things (IoT): The Internet of Things (IoT) can collect data from various sources, such as connected cars and smart homes. This data can create personalised insurance products considering a customer's circumstances and behaviour.

Blockchain: Blockchain technology can create secure, transparent, and tamper-proof insurance contracts. This can help to reduce fraud and improve trust between insurance providers and their customers.

One of the main benefits of embedded insurance is that it makes insurance more accessible to consumers. A study by Deloitte found that 85% of consumers would like to buy insurance if it were offered at the point of sale. Integrating insurance into products and services that people are buying eliminates the need for consumers to seek out insurance products actively.

Embedded insurance also provides a new revenue stream for businesses. Traditionally, insurance has been viewed as a necessary cost for businesses, but with embedded insurance; businesses can now generate revenue by offering insurance products to their customers. For example, a travel company can provide travel insurance to its customers and earn a commission on each policy sold.

This not only helps offset the insurance cost but also provides a source of revenue for the business.

Embedded insurance can expand to other sectors as technology evolves and data privacy concerns are addressed. This could streamline the purchasing process for customers and provide them with greater peace of mind by ensuring that they have insurance coverage in place for their purchases.

In conclusion, embedded insurance is a growing trend in the insurance industry that offers numerous benefits to consumers and businesses. Using technology, insurance providers can create personalised insurance products that meet each customer's specific needs. This not only makes insurance more accessible but also provides a new source of revenue for businesses. As the demand for embedded insurance grows, it can expand to other sectors, making insurance more convenient and accessible. As the famous quote by Peter Drucker goes, "The best way to predict the future is to create it."