The Executive Guide to Embedded Insurance – Part 1

A high-level guide to implementing embedded insurance partnerships and the integrations required to enable them

Introduction

Integrating carriers and marketing partners since 2013, LeadCloud has held a unique vantage point into the carrier/marketing partner relationships we've enabled. Many of our partners have asked what we think about the efficacy of embedded insurance, and several have selected us as their preferred partner to enable their embedded experiences, so we thought it made sense to develop a series of white papers covering the topic in the coming months. This first installment will cover the basic terminology and an overview of the integrations required to enable an embedded experience. The second will highlight existing and potential use cases for embedded insurance. The third, and final, installment will cover the potential impacts on the digital insurance marketplace as embedded insurance becomes ubiquitous.

What does 'embedded insurance' mean, why does it matter and how will it change the insurance marketing landscape?

What is embedded insurance? It's important to clearly define what 'embedded' means because it's tossed around quite a bit and at times improperly. It is known by several names ranging from native bind, end-to-end, quote to bind, and even Rate Call 3.

Before we dive in, let's add some context to what technology and information is needed to deliver a true 'embedded' experience. A Rate Call is a request for data that will ultimately lead to a rate displayed for a customer. It's important to understand how 'embedded' is built upon a series of Rate Calls. Below is the progression of Rate Calls in the context of auto insurance:

Rate Call 1 (RC1) is the minimum amount of information needed to generate a rate for a customer: address, vehicle make/model/year, credit band, prior coverage, prior carrier, limits, deductibles, etc. Typically, Rate Call 1 does not necessitate the ordering of reports, but some carriers do so to deliver a more accurate rate upfront. Here's an example of what RC1 looks like for a consumer:

Source: Compare.com

Rate Call 2(RC2) is where carriers collect Personal Identifiable Information (PII) like full name, license number, VIN and/or social security number, to order reports like credit, additional driver discovery, MVR and others. This is the point where a carrier would begin incurring report ordering costs and will often run 3rd party data validations to ensure they aren't wasting money pulling reports for 'Seymour Butts' while he's out having a drink and comparing quotes at Moe's.

Rate Call 3(RC3) is where payment is taken, final underwriting checks are made, and the policy is bound. This is a more complex rate call because it will require the collection of credit card or banking information and, depending on the payment vendor, it could require jumping through some compliance hoops on the part of the partner (PCI most likely).

Now that we've explained the nuts and bolts of how an embedded insurance experience would function, let's discuss what the consumer would see. A true embedded experience is where a customer starts and ends a transaction entirely on a partner's site. No bridging, no popups, just a smooth ride all the way to a bound policy. Think about the last screen when you are trying to buy a plane ticket on Delta Airlines, and they offer a travel insurance policy to you in their purchase flow – that's how smooth and simple embedded insurance aims to be.

Is there anything I should consider before launching an embedded insurance partnership?

-Cost Sharing and Monetization

The cost of ordering reports (Credit, Driver Discovery, MVR, etc.) makes it an even higher priority that the customer ends up with a bound policy, whether it is with the originating carrier or not. It would be safe to assume that to take a customer all the way to Rate Call 3 could cost anywhere from $25 to $50 depending on the state and what reports are ordered in the process. This cost would be incurred whether or not the policy is bound, increasing the importance of carriers and marketing partners to develop in-stream monetization engines and recover at least a portion of the report ordering cost when a consumer does not purchase a policy.

This also raises another consideration: who pays for the report ordering? If that consumer ultimately purchases a policy from a different carrier, can the original carrier recover the report ordering costs from their marketing partner? This more tightly integrated quoting process poses new questions that carriers and partners alike will have to reconcile as embedded partnerships become more popular.

-The Right Data Drives the Right Price

Embedded experiences only work if all the necessary data is available in the right format, in the right place, at the right time. Do you know what your roof is made of? What is your VIN is? What trim level is your Honda Accord? Expect the reliance on third party data to continue to grow as embedded insurance matures.

The data collected by even the best marketing partners today lacks validated information 100% of the time, which will lead to incorrectly underwritten policies. For example, a consumer could provide a VIN for a BMW 328i when they drive a BMW M3; a car that is $30k higher in MSRP but may appear as a '3 Series' if the VIN information is not validated. To avoid time consuming underwriting reviews, carriers use a number of different sources to develop 'symbols' (pricing benchmarks developed against the cost of a vehicle, repair costs, etc.) that drive their pricing algorithms. Symbols can vary between trims and models, which makes having the correct information vital to providing an accurate rate. As well, marketing partners will need to gain access to contributory databases that include loss and driving infraction experiences from carriers because today, they do not collect that information, nor do they have access to them as a marketing partner or digital agency.

-Set Clear Expectations with Your Partners

Launching an embedded insurance relationship will feel remarkably similar to an agent appointment experience but embedded partners have far deeper access and distribution than the brick-and-mortar agency on the corner. Quickly responding to unprofitable policies sold by a single agent is easy and the impact is limited to a small geographic area. Whereas an embedded partner has national distribution and hundreds of thousands of marketing dollars deployed to send customers your way. Ensuring that your marketing partners understand your underwriting appetite and you communicate any changes to targeting will be key to ensuring a successful embedded insurance partnership.

Why choose LeadCloud to enable your embedded insurance partnerships?

We hope that this first installment of 'The Executive Guide to Embedded Insurance' has helped you better understand the work and level of complexity that goes along with implementing an embedded insurance partnership. In the next installment, we'll cover examples of live embedded insurance experiences, potential use cases and how LeadCloud can help you test the waters of embedded insurance for your business.

LeadCloud has delivered embedded experiences for Top 10 P&C carriers since 2016. As a data integrations company, we understand how to deliver the right information, in the right format, to the right place, at the right time; which is the lynchpin of building a successful embedded insurance integration. We've served as the underpinning of a significant portion of rated consumer experiences since 2013 and have the expertise to help guide you to the best solution for your organization.

After spending over a decade hyper-focused on data integrations, we bring subject matter expertise to our clients, which is best in class in the industry. Whether it is advising on a path forward through an everchanging landscape, building new relationships between connected partners, or helping relieve the bottleneck of complicated system integrations, we feel confident that we are prepared for today's market and have the foundation to combat the challenges of tomorrow. Be on the lookout for Part II: existing embedded insurance experiences and potential use cases.

Contact us:
Devin McLaughlin
Director of Marketing
devin.mclaughlin@leadcloud.us
Marketing@leadcloud.us