Insurance at the point of need: How banks can profit from insurance

Bancassurance: a great idea a few years early

On the face of it, banks selling insurance, e.g. bancassurance, makes perfect sense. Banks know what their customers are purchasing and therefore what insurance they might need.

But despite some success in the life and accident market, bancassurance has never quite fulfilled its potential since its ideation in the 1980s.

There are a number of reasons for this, like a lack of market cut through over regular banking products and a host of compliance and data issues. But primarily, it's down to its famously sluggish sales model. E.g. Banks passing customer data onto an insurance agent to follow up with a cold call.

With this model, the gap between the purchase of the product consumers want - their car, flight, ski pass etc - and the purchase of the product they need, the cover, is too wide. Insurance is not seen as the vital add-on it is. It is seen as an afterthought. An extra cost that consumers are unlikely to need and if they do, it's because something has gone wrong.

It is no surprise there is an estimated trillion dollar protection gap worldwide.

Bancassurance's time is now

All this doesn't mean bancassurance was a bad idea. In fact, it was a great one. The technology just wasn't there.

But now it is. Fintech has transformed banking and insurance. Last decade, the emergence of tech-first challenger banks like Revolut, Starling and Monzo sent traditional banks scrambling to update their outdated infrastructure. Due to this, most national and global banks are now tech focused enough to justifiably consider themselves fintech businesses too.

Insurtech startups have had the same impact on insurance.

Thanks to this, banks are now in a position to offer their customers deeply personalised insurance products right at the point of need through embedded insurance - sometimes known as Insurance-as-a-Service (IaaS). Initiatives like Open Banking and Open Insurance have opened vast tranches of increasingly reliable data.

Innovative insurance product companies like AAZZUR and bsurance have built Insurtech ecosystems that come with pre-approved compliance. Banks can now utilise this data and the ecosystems to improve their own offerings and profit in the process.

But what does this look like for the end user? Imagine payment or buyer protection that's offered as soon as a vehicle or home appliance is bought or sold or short term extreme sports insurance after a ski-pass is booked. There are literally hundreds of options.

How and where it is offered differs from client to client but primarily it's about providing fair and relevant insurance at the point of need based on digital touch points and purchases.

As stated by Simon Torrance, *the potential of this market is estimated to be up to $3 trillion. The EU P&C market alone is set to be worth $140 billion by 2030.*

Bank Channels

Branch Office

Integrated in front-end for bank employee or in terminal

Geo-Location Push

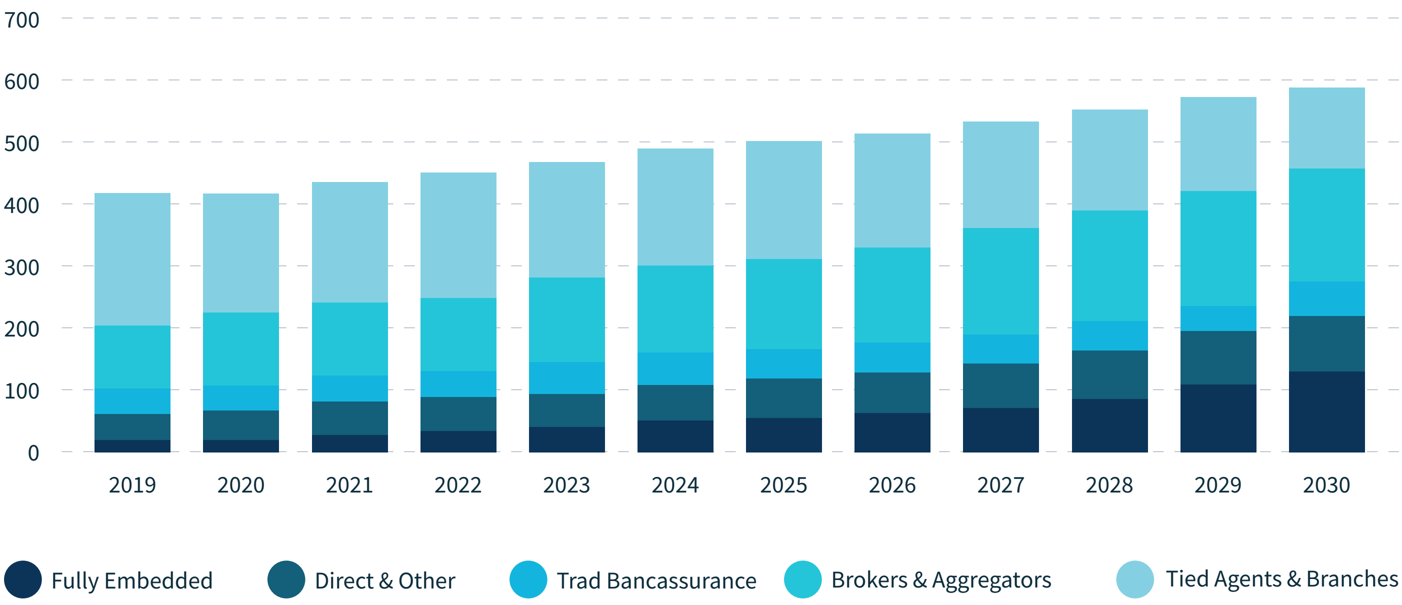
Based on geo-location or fencing and pushed through app

Transaction-Driven Push

Based on transaction analysis and pushed through notification

Embedded Feature

As part of card offering, account package or subscription model



Modern consumers expect ecosystems

Amazon. Apple. Google. Facebook. Ecosystems of different products are becoming the new norm and modern consumers now expect something similar from their financial providers.

One on hand, they are not too concerned with who operates those ecosystems. According to one report from Cornerstone Advisors, most consumers under the age of 55 would be willing to open an Amazon checking account if it came with benefits such as travel insurance.

However, research still suggests consumers have more trust in traditional banks. In fact, one major problem the challenger banks face is getting customers to use their accounts as primary bank accounts.

This market is prime for banks to take advantage and the work we're doing at bsurance and AAZZUR allows any bank - challenger or incumbent - to build these ecosystems. Now the most innovative finance and insurance products in the world can be offered to customers as and when they need them.

Exhibit 1

How Customers Want to Interact with Their Banks

Sources: BCG Retail Banking Advisory survey; BCG analysis.
Note: n=1,026. Because of rounding, the percentages don't add up to 100.

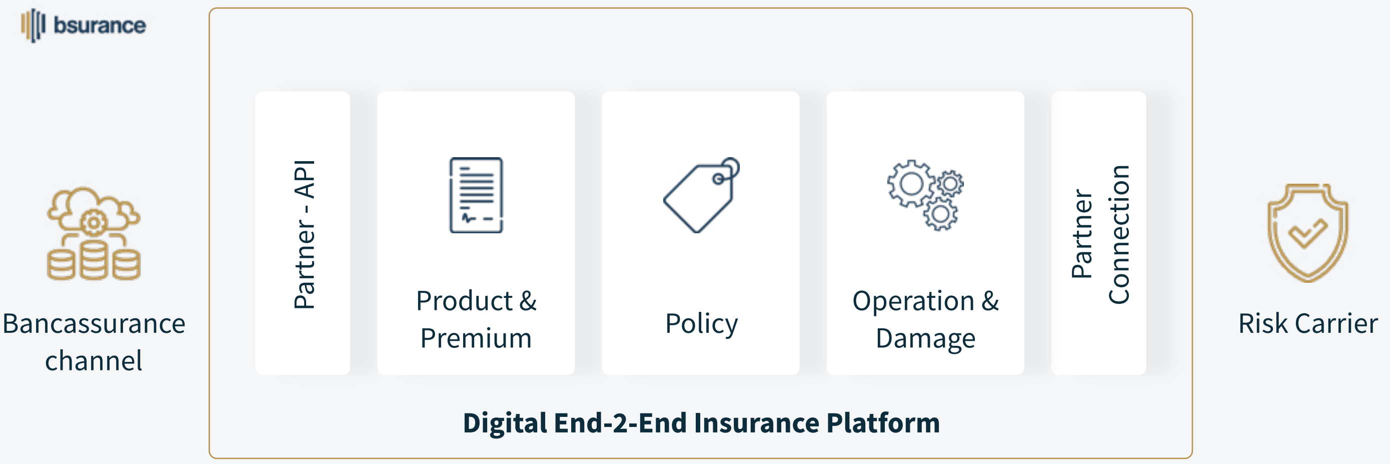
Why is embedded insurance so profitable for banks

There are a number of reasons embedded insurance and IaaS are so profitable. At its most simple point, banks earn commission on every policy that is taken out. But our system is designed so that pick up is high.

We have built an ecosystem of policies that banks can seamlessly offer customers based on their banking activity. Triggers include online and offline purchases, customer location and life events like getting married or buying a home. A lot of these are small, low cost, one off policies that are of particular value to the customer. It's for this reason, we tend to see a 10% closing rate on policy offers.

Our data-driven platform enables banks to better understand their customers and offer them services they actually need when they need them. This can all be done with one integration as we have already integrated with the necessary providers.

Traditionally, cultivating these partnerships would be expensive and time consuming. Now banks can start offering these products within as little as six weeks of our first meeting.



A proven profit driver for banks is offering multiple products all in one place. Among the challenger banks, Starling is the only UK one that is consistently profitable. When it finally broke even in 2020, just 45% of its revenues came from card transaction fees. The other 55% from a huge mix of financial products and the incorporation of its own services into others' systems.

As we have said, modern consumers want these ecosystems and are willing to move to find them. Banks that have them in place can expect to see an increase in retention too. On average, bsurance partners see a compound annual growth rate (CAGR) 2x higher per customer and 44% less churn.

How to get started?

If you're a bank looking to embed insurance, we'll work with you to create an nexus of insurance services that protect your customers and earn you revenue.

- We talk to you about your customers. What do they do? What patterns are there? What sort of policies might they like?
- We then create data triggers that would identify potential insurance sales.
- You connect your core banking to our platform and you're able to offer personalised insurance from some of the biggest and innovative names in insurance all on a white label basis.

Get in touch on:

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About AAZZUR

AAZZUR was founded in Berlin in 2017 with the goal of making everyone's financial life better through intuitive banking and financial services. We have the strategy, the experience and the know-how – and, most importantly, the desire – to build better banking and empower consumers to make better informed financial choices.

We also believe in the personal touch and our team will work alongside yours to build the perfect banking app for you and your customers.

About bsurance

bsurance makes insurance easy by giving consumers access to relevant, simple digital insurance products right at the Point of Sale.

The Austrian insurtech company was founded in 2017 by co-founders Lorenz Gräff, Franz-Xaver Burner, Manfred Schmiedl and Andreas Struggl in a bid to help businesses create customer-centric insurance propositions and promote growth.

bsurance has established operations in Austria, Netherlands, Belgium, Germany, Spain and Italy; company's strategic partners include Allianz, Amodo, AXA, UNIQA, and key clients - Cashpresso and Refurbed Zizoo, and Playbrush.

Our Partners