



EMBEDDED INSURANCE SOLUTIONS FOR OEMs:

Creating value-based relationships
for the drivers of tomorrow

Introduction

OEMs and car dealerships are forging powerful relationships with insurance brokers to provide protection solutions for motorists at their point of need. Evolving technologies in both the car industry and the insurance industry are converging to allow for seamless insurance solutions and highly tailored protection products that meet new customer expectations, drive vehicle sales, and bring cost savings for car owners and sellers alike.

This white paper takes a look at the current and developing status of embedded insurance within the global OEM space, assesses the multitude of benefits for all parties of providing embedded insurance at the point of sale, and reveals how to optimize the integration of insurance solutions into your OEM business.



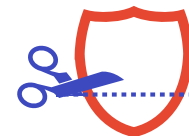
Innovative OEMs are strengthening their brand reputation and building relationships with customers that last long after a car sale has been completed by fully integrating a customer-first insurance offering into their sales journey.



OEMs can now offer personalized, data-driven insurance products that harness dynamic risk assessment and pricing – which are extremely attractive to car buyers.



OEMs are able to quickly integrate insurance across their digital sales channels by working with brokers, who have established relationships with insurers, using product and regulatory knowledge, and cutting-edge insurance technology platforms.



By harnessing data from telematics, OEMs can differentiate themselves from competitors by creating tailored, value-added offers to customers.

The challenges of offering insurance in the OEM space

Definition of embedded insurance:

Embedded insurance places the offer of protection products seamlessly into the customer journey – or includes it with the core product or service sold. It takes place when insurers or insurtechs partner with non-insurance brands to offer insurance products and insurance-powered value propositions to their customer base.

In the OEM space, embedded insurance refers to protection policies – such as comprehensive motor insurance or extended vehicle warranties – offered during the purchase or lease of a vehicle, thus eliminating the need for customers to separately search for insurance providers once the sale or lease agreement is complete.



OEMs face a shifting and complex landscape when it comes to consumer needs and expectations around insurance. Today's insurance offerings from OEMs need to incorporate digital-first purchasing and servicing capabilities, take into account new forms of vehicle ownership and financing models, and cover emerging risks related to the evolving specifications of modern vehicles.

But insurance is a growing source of revenue for OEMs, and customers expect – and want – to be offered insurance as part of their car purchase or lease. And, so, insurance solutions for customers are a key area of focus for OEMs today.

But how do OEMs choose the right insurance partner to complement their business expertise? How do they use their

detailed customer data to help create tailored insurance solutions at the right price? And how do they ensure their brand integrity is upheld throughout the entire lifecycle of a customer's experience with the insurance they provide?

Flexible insurance solutions that rely on data from telematics, real-time risk assessment, and dynamic pricing are all key components of many of today's innovative motor insurance offerings. Not only do OEMs need to keep up with such innovations in insurance, but they need to ensure they're working with an insurance partner who offers the flexibility and agility to continually adapt their insurance solutions as customer expectations and in-car technology continue to develop.

How embedded insurance provides the perfect solution for OEMs

Definition of 'phygital':

The combination of physical and digital experiences. In the car buying experience, this could refer to – for example – a customer in a physical dealership being offered the opportunity to digitally sign up for instant insurance protection for their purchase.

Embedded insurance allows car dealerships to offer the protection of insurance to customers digitally – or phygitally – at the point of sale. The insurance is completely integrated into the sales pathway, offering a seamless purchasing experience as part of a customer's car buying journey.

By integrating into an OEM's framework and harnessing data already collected during the vehicle sales process, embedded insurance avoids lengthy application forms, and instead pre-populates fields or offers a very simplified insurance application process. This use of data and technology provides a quick and convenient purchasing experience, as well as enabling insurance offers that are accurately tailored to the individual driver.

Such insurance products are not only personalized, but continued integration with the automaker's in-car telematics means that ongoing insurance premiums can be adjusted in line with driving behavior and vehicle usage. This flexibility enables embedded insurance offers, premiums and cover options to be adjusted in real-time to fit the needs of OEMs and their customers, while keeping costs to a minimum.

And by fully integrating a customer-first insurance offering into their sales journey, OEMs are able to strengthen their brand reputation and build relationships with customers that last long after a car sale has been completed.

\$703 billion

The global embedded insurance market is projected to grow at a **CAGR of 35% from 2022-2029**, reaching approximately \$703 billion by 2029.

Research and Markets report



Embedded insurance in the OEM space: charting an upward trajectory

Insights on this page from the Open and Embedded Insurance Observatory, Global Market Insights, Allied Market Research and the International Energy Agency.



As of 2023, **20% of automotive OEMs globally had already partnered with insurtech companies** to offer embedded insurance solutions directly to their customers, and this percentage is expected to grow rapidly as digital transformation in the automotive industry accelerates.



Usage-based insurance, largely driven by automotive OEMs partnering with insurers, is expected to grow significantly. By 2027, **UBI is projected to account for \$125 billion globally.**



The telematics-enabled car insurance market is projected to grow at a **CAGR of 19.5% globally to 2030.**



\$22.5 billion from software and subscription services that multinational vehicle manufacturer Stellantis expects to generate in revenue by 2030.



By 2030, nearly 60% of all new vehicles sold in major markets are expected to be electric vehicles, many of which will come with embedded insurance tailored specifically to EV-related risks, such as battery warranties and charging infrastructure.

Drivers of embedded insurance growth in the OEM marketplace

Shifting consumer demands

Today's insurance purchasers are increasingly **digital natives** – used to embedded insurance experiences in other areas of their lives – such as purchasing travel insurance when booking a holiday online or ticket protection when buying concert tickets. So, they expect the same convenient, digital, and easy insurance purchasing experience at the point of sale when buying a car.

Consumers are also more used to using technology in all parts of their daily life and are **happy to share their data in order to receive personalised offers of insurance.**³

By using data from connected devices within vehicles, embedded insurance solutions can create highly customized insurance offerings based on individual driver profiles.

Cost pressures are also greatly influencing consumer behavior around car buying. The global economic climate, including interest rates that have been steadily rising until very recently, has led to **more people having concerns over the cost of purchasing a car.** In one recent survey, an overwhelming 71% of buyers said they were grappling with car-cost concerns.¹

Younger generations are feeling economic pressures even more, due to ongoing student loans, rapidly rising housing costs, and a hyper-competitive work environment. But embedded insurance solutions are helping to reduce the lifetime cost of car ownership through significantly lower monthly premiums.

Developing technology

Modern telematics capabilities are changing the game in the motor insurance space. The rise of connected cars, equipped with telematics systems – including numerous sensors and GPS – allow OEMs and their insurance partners to collect real-time driving data.

These in-vehicle technology stacks are adding **multiple data points** that measure not only driver and vehicle behavior, but also contextual data, such as the proximity of other vehicles. Connected cars can even communicate with each other – and other smart devices and infrastructure – to help prevent road-based accidents.

This technology, and the data flowing from it, enables embedded insurance providers to **assess risk more accurately** and in real-time. This allows for the proliferation of innovative insurance models where individual premiums are based on accurate driver behavior and vehicle usage.



83%
of consumers surveyed would
be interested in purchasing
insurance from an OEM.²

CONTINUED: Drivers of embedded insurance growth in the OEM marketplace

Insurance innovation

The insurance industry's ability to innovate, work closely with OEMs and harness technology and data analytics to respond to consumer demands and meet the changing protection needs of car buyers has led to the significant and continuing growth of embedded insurance in the OEM space.

OEMs can now offer personalized, data-driven insurance products that harness dynamic risk assessment and pricing – which are extremely attractive to car buyers. This includes insurance policies based on mileage – Usage-Based Insurance (UBI) – and vehicle type, including specific cover for electric vehicles (EV), where EV-specific repairs and charging infrastructure protection are a core part of the solution.

UBI and such data-driven insurance products can prompt immediate feedback or policy adjustments, so the amount paid by the driver each month, directly correlates to how much their vehicle was driven. According to a study by Guidewire, over half of consumers can see the value in a usage-based policy.

Custom pricing and coverage based on individual risk profiles, rather than the generalized and static motor insurance policies associated with more traditional insurance – provides the flexibility, peace of mind and lower costs that are driving embedded insurance growth for OEMs.

A challenging market environment for OEMs

Post-COVID, OEMs are still facing supply chain issues for certain car parts and, ultimately, problems with vehicle availability. This has, in some cases, negatively impacted the car buying experience for customers – whose **choice of vehicle is also influenced by the cost of auto insurance**. The cost of such protection is also set to impact future car-buying decisions, especially among younger consumers.¹

With the annual cost of vehicle ownership up more than 13% from 2022, OEMs are harnessing embedded insurance solutions to help consumers combat the affordability crisis and **reduce the overall cost of ownership** by making sure customers can access relevant insurance for their new car, at the right price.

In fact, a recent survey showed that car buyers are prioritizing affordable insurance over new car technology. A significant **63% of survey respondents said the cost of car insurance was very important**, while having the latest technology lagged behind at 55%.¹

OEMs are also dealing with changing models of car ownership, as customers seek to switch from outright car ownership to subscription-based models, such as vehicle leasing, car-as-a-service or car sharing. Each comes with new opportunities to offer tailored, embedded insurance support, included in the subscription or leasing agreement. Customers prefer to have such one-stop-shop solutions for their driving needs, as it removes the need for them to juggle multiple financial contracts and instead pay a single monthly fee.

Integrated insurance services, then, are enhancing the car buying experience and leading to cost savings for customers, while at the same time helping OEMs to meet current market challenges head on.

20-30%
savings made on insurance premiums by Tesla drivers in California, compared to traditional auto insurance policies.⁴

56%
Millennials and Gen Z;
51% all respondents – percentage of car buyers who are less comfortable buying a new vehicle due to the economy.¹

Current state of play of embedded insurance via OEMs

Partnering for progress

Forward-thinking OEMs in all parts of the world are partnering with insurance providers and insurtechs to offer embedded insurance solutions – at the point of sale and beyond. Partnerships between automakers like Volkswagen and Ford and embedded insurance providers, have made it easier for OEMs to offer tailored insurance directly to consumers.

OEMs like Tesla, General Motors (GM), Mercedes-Benz and BMW harness their in-car telematics to offer personalized insurance, adjusting premiums based on individual driving habits, and thus offering reduced premiums for safe or infrequent drivers. Mercedes-Benz also accepts liability for their vehicles when autopilot is engaged – requiring agile insurance cover that dynamically adjusts when control of the vehicle switches between human and machine.

In addition, OEMs are offering fully integrated, subscription-based solutions for car ownership, such as Volvo's 'Care by Volvo' service, which includes embedded insurance, allowing consumers to pay a flat fee that covers the vehicle, maintenance, and insurance in one package.

Global developments

North America is one of the largest and fastest-growing regions for automotive embedded insurance, led by UBI offerings from Tesla, GM, and Ford. The region's mature insurance and car markets are facilitating rapid integration of insurtech solutions into vehicle ecosystems.

Europe is another prominent region for embedded insurance growth. Here, Volkswagen, BMW, and Volvo are

working with insurers to integrate insurance directly into their vehicle sales and leasing models.

In Asia-Pacific, embedded insurance via OEMs is also growing rapidly, driven by countries like China and Japan, where the adoption of EVs and connected cars is expanding. Chinese OEMs including NIO and XPeng Motors are adopting embedded insurance solutions tailored for EV buyers, often bundling insurance with vehicle financing or leasing arrangements. In Japan, meanwhile, Toyota has partnered with insurers to offer telemetry-based insurance, embedded directly into vehicle sales.

The adoption of embedded insurance is expected to accelerate across all major automotive markets – in line with consumer expectations, evolving technology, and emerging models of vehicle ownership.



\$6 billion

annual increase in insurance revenue expected by GM by 2030

– General Motors press release, 2021

Benefits for OEMs of embedding insurance in the sales path

The benefits for OEMs of incorporating insurance into customers' purchasing journeys are numerous and far-reaching. From enhancing the customer experience (CX) to creating real financial benefits, OEMs are reaping rewards from embedded insurance in two major and interconnected ways:

Enhanced CX and customer loyalty

- The cost savings on motor-related insurance, available through embedded solutions – as well as the smooth, hassle-free process of opting into the insurance – provides a good buying experience, which cultivates brand loyalty and word-of-mouth referrals.¹
- Embedded insurance provides excellent value, especially through UBI and via bundled services – boosting CX.
- Not only is the insurance purchasing journey easier with an embedded solution, but claims are faster too, thanks to automation – where real-time vehicle data can help verify claims instantly and process payouts without lengthy investigations.
- Customers feel more cared for, thanks to the shift from protection to prevention, afforded by embedded insurance solutions – where not only is the protection there when something goes wrong, but the insurance solution is proactively helping to prevent incidents occurring in the first place.
- Customers favor building relationships with brands they recognize and trust, so car brands can leverage existing connections with their customer base to successfully offer embedded protection solutions.

Increased sales and revenue growth

- OEMs can capture a significant share of the motor-related insurance market, opening significant new revenue streams.
- Insurance embedded within purchase-service bundles or monthly subscriptions – creates predictable, long-term income.
- Helping customers to save money while purchasing their vehicle – such as making significant savings on monthly insurance through embedded protection solutions – can encourage customers to complete their vehicle purchase.¹
- Money saved on car insurance at the dealership often gets spent on additional protection products offered at the point of sale.¹
- Dynamic policy adjustments and proactive interventions, a key feature of embedded insurance, reduce the likelihood of high-cost claims.
- Differentiation in a hard insurance market – and a competitive OEM space – is aided by the offer of cost-effective, personalised and innovative protection products, embedded at the point of sale.
- Embedded insurance, especially when tied to telematics or offered via a subscription model, offers more customer touchpoints – increasing an OEM's opportunity to grow brand loyalty beyond the car purchase, and creating opportunities to increase share of wallet by offering additional services such as extended warranties, maintenance packages, or new insurance products as customer needs evolve over time.

71%

of Millennials and Gen Z would feel better about their car purchase experience, refer a dealership to friends and family, or return for maintenance and repairs if they had an embedded auto insurance experience.¹

64%

of Millennials and Gen Z claim they would consider buying additional dealer protection products with a potential saving of \$60 per month on auto insurance.¹

+10%

of new vehicle registrations for private and corporate customers in Europe's five core markets are expected to be subscription-based by 2025.

– Deloitte

How OEM-insurance broker partnerships are changing the game with embedded insurance

OEMs and tech-led insurance brokers are leaning into each other's strengths, tapping into each other's networks and creating **powerful customer-centric partnerships** – through the offer of embedded insurance solutions.

OEMs are able to **quickly integrate insurance across their digital sales channels** by working with brokers, who have established relationships with insurers, product and regulatory knowledge, and cutting-edge insurance technology platforms. This ready-to-go infrastructure is saving OEMs time and resources in developing and maintaining such systems themselves.

Leveraging brokers' strong negotiating status with insurers and their ability to access a range of cover options and preferential terms from numerous insurers, OEMs are benefitting from these deals without needing to engage directly in complex negotiations themselves. And they are provided with the **flexibility to adapt their insurance offerings as customer needs and technologies evolve** – without having to invest in developing new insurance products themselves.

Brokers are also navigating compliance, licensing, and reporting obligations for their OEM partners, and aligning their embedded insurance offerings with industry best practice. They also provide valuable market intelligence and analytics to OEMs, helping them to understand customer behavior, insurance trends, and pricing dynamics. Meanwhile, OEMs are sharing a plethora of valuable driver data with their broker partners to allow for the creation of customized and innovative insurance solutions.

Together, these partnerships are enabling data-driven decisions and improving insurance offerings for today's vehicle owners and leaseholders. **OEMs are able to focus on their core competencies**, such as manufacturing and selling vehicles, without needing to lock up capital for the embedded insurance offerings, while the broker handles the complex and highly regulated insurance side of the business. Ultimately this results in providing customers with seamless, omnichannel access to desirable protection solutions when they need them most.

OEMs and tech-led insurance brokers are leaning into each other's strengths, tapping into each other's networks and creating powerful customer-centric partnerships – through the offer of embedded insurance solutions.



Elements for success when embedding insurance via OEMs

The right insurance products at the right time

- Car buyers are increasingly seeking a digital insurance purchasing experience at the point of sale, which is where embedded insurance allows this need to be met.
- The data-led nature of embedded insurance enables insurance offerings tailored to individual driver profiles.
- UBI avoids discriminating against people who may belong to a high-risk group, such as young drivers, new drivers, drivers with a new car, or infrequent drivers/low mileage drivers, or makes with high theft rates such as Jaguars and Land Rovers.
- By harnessing data from telematics, OEMs can differentiate themselves from competitors by creating personalised, value-added offers to customers, and be proactive in offering solutions to driver problems before or as they arise.
- By seamlessly integrating the offer of insurance across all sales channels – such as within dealerships, online, via an app, or even via a car's configuration system – OEMs ensure they are meeting the customer in the right place at the right moment.

We believe there were **31 million connected vehicles** actively sharing data in 2022.

– LexisNexis Risk Solutions - 2023 US Auto Insurance Trends Report

Technical capabilities

- The future of automotive insurance will be defined by capabilities to accurately capture driving data from connected cars – to create innovative new insurance products and value-added services – and also enhance security, safety and provide convenience to travelers.
- Powerful data analytics play an important part in the embedded insurance space.
- When first notification of loss (FNOL) is provided via telematics, the data is embedded into the workflow, giving claims handlers the information they need to move the claim along swiftly.
- Brokers' existing relationships with insurers speed up time to market for new insurance products.
- Tech-led brokers have cutting-edge tech stacks to enable quicker implementation and integration via APIs.
- OEMs need to work with insurance providers who have the infrastructure that allows them to make instant changes to pricing, or policy details. This also sets them up to cater for the real-time liability shifts required in the autonomous era.

Network of providers (for repairs, servicing, roadside assistance, etc)

- Competitive insurance offers with strong value-add, such as emergency assistance and regular servicing – drive customer loyalty.
- OEMs can either choose to steer insureds in-network for repairs, where this is feasible or preferable, or leverage the broker's vast network of potentially more cost-effective repair centers – either way, the cost of the claim is known, and customers receive swift repairs and, in turn, a great claims experience.

Partnering with the right insurance provider

- Working with a broker stops OEMs having to make resource-heavy investments in creating their own insurance captives or limiting themselves to working with one insurer partner.
- Instead, brokers offer flexible, data-led insurance offerings that can be adjusted via constant feedback from multiple data sources, such as the cost of repairs or new car technology, allowing OEMs to continuously improve their insurance offerings.
- Broker partners are the key to providing innovative, digital and customer-centric insurance solutions for the drivers of today – and tomorrow.

By 2028, 60% of auto insurers will spend 30% more on trusted data exchange technologies to become preferred partners of OEMs bundling insurance, increasing auto coverage revenues and IP monetization.

– IDC FutureScape: Worldwide Insurance 2024 Predictions

How Fit2You is helping OEMs to prosper via embedded insurance offerings

With over 30 years' experience of working with OEMs, dealerships and fleet management companies, Fit2You is a specialist automotive insurance broker that integrates cutting-edge technologies and processes to provide flexible and value-led insurance solutions in the automotive sector.

From our digital insurance platform that handles insurance policy management, including insurance quotations and customer support - to our onboarding and training resources. And from our real-time geolocation, roadside assistance services, and long-standing relationships with repairer networks - to our ability to create a range of innovative insurance products via our panel of insurers, Fit2You provides a complete solution for offering today's car buyers the insurance experience they're looking for.

Air

Air - Connected Mobility

Fit2You's sister company, providing a full range of mobility services - from insurance to real-time assistance, geolocation, and emergency management. This allows insurtech broker partners to enhance their offerings and better serve their clients, adapting quickly to ever-evolving market needs.

In addition, through Fit2You's shared platform with Air - **the DataLab** - we use big data to automate and streamline processes such as underwriting, claims, and customer service.



30%

increase in revenue reported by dealers and OEMs offering embedded insurance working with Fit2You Group

How it works

18,000
policies sold by Fit2You



Final thoughts

OEMs are at a pivotal point where embedded insurance offerings are becoming a business necessity, rather than a nice-to-have option for customers. Customers are actively seeking the protection of insurance when purchasing a vehicle, and they expect the offer and purchase process to be friction-free and relevant.

By working with a data-driven specialist motor insurance broker like Fit2You, OEMs are unlocking the vast benefits of embedded insurance – for their customers and for their business. Perfectly poised to offer the technological integrations, dynamic insurance and protection solutions, and regulatory and security requirements of modern embedded insurance, brokers like Fit2You are driving growth in the OEM space, while creating the necessary environment for OEMs to future-proof their business to meet the shifting expectations of today's drivers – and the drivers of tomorrow.



90%
of new US vehicle sales
by 2025 will be connected cars.

- McKinsey Center for Future Mobility



Fit2You Broker Srl is uniquely positioned in the insurance market today, also thanks to the Valandro family's 30+ years of insurance sector experience. Through dealers, Fit2You provides car owners with access to the most effective and efficient combinations of insurance products from different companies to meet their unique needs. This is one of the reasons that Fit2You stands out from its competitors, along with innovative affinity market sales processes and ad hoc insurance packages. Fit2You mediates the distribution of leading international companies' insurance policies by designing products with them. Fit2You partners are AXA Insurance, UCA, Tua Insurance, and Sogessur (Société Générale). With Fit2You, it is also possible to select specific guarantees from different companies, tailoring the selection according to price, features and product quality.

fit2you.it



The Open and Embedded Insurance Observatory is a global organization aimed at delivering the value of embedded and open insurance. The Observatory performs research and market intelligence on the global applications of embedded insurance and open insurance and provides its members with actionable insights to best position them in making their business decisions. Based on the ongoing observation and decoding of the global applications of open and embedded insurance, we analyze the information captured, connect them to draw a coherent and meaningful view of the market, and deliver actionable insights on the success cases and lessons learned, leveraging on our extensive advisory experience.

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Air – Connected Mobility brings mobility technology to life: with its connected vision of data, Air's products revolutionize the automotive experience for drivers, optimize vehicle management for corporate customers and realizes new ways of interpreting space and mobility for public bodies.

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