# Unlock the Potential of Embedded Insurance with Guidewire Cloud

Introduction

The convenience of embedded insurance is making it one of the most desirable forms of insurance distribution for all parties involved. On the demand side, consumers' appetite for convenience — and their willingness to conduct transactions online — are both higher than ever. The technologies involved in embedding insurance coverage into other products and services have been perfected. As a result, insurers are uniquely positioned to benefit from the rise of embedded insurance.
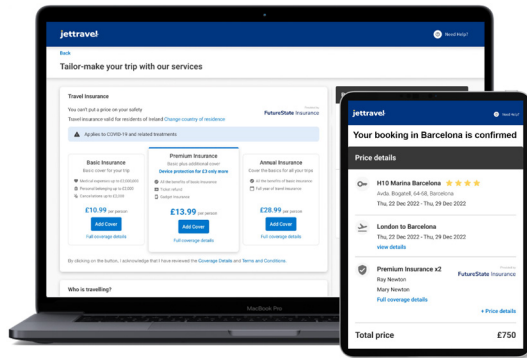
Guidewire's Embedded Insurance Solution enables insurers to serve their customers from quote to claim with specialized coverages and a consumer-friendly UI.

Embedded insurance is rapidly becoming one of the hottest trends in the industry. As Guidewire Chief Evangelist Laura Drabik [pointed out](#) in her Connections 2021 keynote, as much as 25% of all insurance premiums could be coming from embedded insurance by 2030, according to McKinsey.

Because embedded insurance products are offered and sold when people purchase other products or services, the potential applications are practically limitless. Extended warranties offered when purchasing electronic devices, and adding travel insurance when booking a trip, are well-known examples. More recently, however, insurers have been embedding a wide variety of coverage into all kinds of products and services.

For example, Vodafone Germany offers cyber insurance to its customers to protect them against monetary damages from online fraud and identity theft. Even businesses themselves are being presented with embedded insurance offerings. Business clients of some Microsoft products are being offered cybersecurity insurance provided by AXA XL.

There is also a wide variety of distribution channels to tap — banks may offer insurance coverage to their clients based on their transactions, and home repair companies can suggest that clients add more protection to their homes and belongings. Any transaction in which there is an element of risk can potentially benefit from embedded insurance, with online purchases being especially suitable.

Demand and Supply

It is, in fact, precisely the expansion of online transactions that is one of several factors behind the increased demand and focus on embedded insurance. On the demand side, the pandemic has caused online commerce to skyrocket, and even the most reluctant consumers have had to become comfortable with digital channels, making it more attractive for insurers to embed their products in online consumer journeys. There is also a heightened consumer appetite for convenience, a key trend of the 2010s that has been greatly accelerated by the pandemic. Finally, increased volatility and unpredictability in the world (for instance, the significant travel disruptions experienced in the summer of 2022, mostly in Europe but also elsewhere) are also making it more essential than ever to insure many risks.

On the supply side, technological advances such as the following are making embedded insurance easier:

- The growth of cloud technology and the flexibility that it provides

- Open APIs to make interactions between systems seamless

- Improved mobile commerce and payment processing

- Alternative distribution channels that reach more customers and grow insurers' books of business

Advantages and Disadvantages of Embedded Insurance

Consumers and insurers alike derive many benefits from embedded insurance, the most significant of which is convenience. To be sure, embedded insurance is a welcome convenience for people who frequently purchase insurance. However, the biggest benefit comes for the previously uninsured or underinsured, who are being convinced to add protection for risks that they would not have otherwise insured had the coverage not been offered to them during the purchase process. Underserved markets and risks, with customers who may not always consider or know that insuring their transaction is possible and easy, stand to benefit the most from the added convenience.

Embedded insurance therefore results in more risks being protected, contributing to decreasing the protection gap — the difference between the level of coverage that is beneficial to society at large and what is actually insured. The protection gap is a significant vulnerability in today's society and economy. In 2021, natural catastrophes resulted in economic losses of US$270B, only 111B of which (40%) were insured, according to estimates by Swiss Re. With the climate emergency worsening, it will be critical to minimize the protection gap.

Of course, removing barriers to insurance access and purchase is also clearly beneficial for insurers, who are reaching more consumers and tapping into new markets in this way. Still, there are potential drawbacks to consider. Some in the insurance industry have raised concerns about insurers ceding at least some control of the purchasing experience. Although insurers are partnering with all sorts of companies to embed insurance offerings into the buying journey for their products, and may have some influence over the resulting customer experience, this is not comparable to the total control of the purchase journey that they have when policyholders buy directly from them. It is the companies they partner with that ultimately own the customer interface.

A related drawback is the potential loss of brand recognition. Depending on how the purchase process has been designed, the prominence of the insurer's brand may be diminished. Some insurers fear that this can make their brands seem to be indistinct white labels rather than the prominent online destinations they enjoy when policyholders buy direct.

Nevertheless, most insurers are more than happy to increase their book of business, tap into new markets, and embrace these newer forms of distribution. They can focus on their area of expertise and what they do best — which is insurance — and leave the distribution and customer experience details for their partners to sort out. Furthermore, the concept of insurance ecosystems, which encompass many related products and services with the insurance company at the center, is becoming more and more prominent in the industry. Many insurers are seeking to position themselves as hubs of these ecosystems of interconnected services. Those insurers that use flexible, adaptable, and cloud-first technologies will be the best positioned to act as a connecting hub between policyholders, retailers, service providers, and other parties.

The good news is that this is a prime time to join the embedded insurance revolution. Consumer appetite for both convenience and greater safety and protection from risks has never been greater, and the technology to support embedded insurance is now sufficiently advanced. Let's now explore how Guidewire's modern, cloud-based, P&C-focused innovation platform can help.

Ride the Wave of Embedded Insurance with Guidewire Cloud

Enabling our customers to tap into new market trends faster and more easily is a top priority for Guidewire. The flexibility and power of Guidewire Cloud enables both us and our customers to stay on top of the market, and embedded insurance is a prime example. Guidewire has released a new Embedded Insurance Solution that provides all the necessary ingredients to build compelling embedded insurance products quickly and effectively.

The Embedded Insurance Solution is the latest in a series of end-to-end Guidewire Solutions that focus on solving specific market needs for insurers (such as Usage-Based Insurance) and deliver all the building blocks required to quickly release new products. When launching a new insurance offering, many decisions must be made, resulting in drawn-out processes and increased time-to-market. Guidewire Solutions are prebuilt with details such as specialized coverages, limits, deductions, and UI component interfaces to streamline decision-making and enable our customers to do more with fewer IT resources. Solutions are rapidly deployable, with a guided implementation approach that includes a fully functional solution, industry best practices, a cloud-ready deployable codebase, and a comprehensive set of tools.

Guidewire's Embedded Insurance Solution enables insurers to easily embed insurance products into other channels, such as travel websites. Insurers can leverage it to go from having no embedded insurance offerings to releasing a complete embedded insurance product in as little as three months.

For Guidewire Cloud customers, getting started is as easy as accessing the Guidewire Marketplace and downloading the relevant Guidewire GO product model. We currently support a wide range of lines of business that are highly suitable for embedded distribution, such as pet coverage, high-value personal items, event tickets, extended warranty, and differentiated travel offerings for US and European markets. Customers can tweak the final policy details of the GO product model by leveraging Advanced Product Designer (APD), Guidewire's intuitive tool for nontechnical users to create and edit insurance products. Next, they can autogenerate the relevant REST APIs and finalize the UI details — the compelling, user-friendly interfaces can be easily tweaked and customized with Jutro, our design system and UI framework.

More lines of business are being added to the Guidewire Marketplace on an ongoing basis, enabling Guidewire customers to easily add to their portfolio of embedded products. Our clients are quickly embracing embedded insurance by leveraging the power of Guidewire's P&C-specific technology:

- InsuranceSuite delivered via Guidewire Cloud

- The convenience of our solutions

- Our intuitive digital capabilities

- The agility of an open and extensible Cloud API that enables custom development and seamless integration

- Added insights from our data and analytics products

All of these come together to equip our customers with all the necessary tools and empower them to fully ride the embedded insurance wave.

Guidewire is the platform P&C insurers trust to engage, innovate, and grow efficiently. We combine digital, core, analytics, and machine learning to deliver our platform as a cloud service. More than 520 insurers in 38 countries, from new ventures to the largest and most complex in the world, run on Guidewire. For more information, please visit www.guidewire.com and follow us on twitter: @Guidewire_PandC.