

Insurance Micro Report

2023

byld



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01

Insurance Industry Overview

Disruption won't stem from the startup world

Insurance is a hyper-regulated and, thus, difficult-to-access sector. While a few startups have joined in with innovative proposals, their services are often executed in alliance with traditional insurance companies.

The real future of the industry lies in the hands of businesses with the resources to develop complementary insurance services ...**Could that be your company?**

Consider the examples of vehicle manufacturers like Tesla and General Motors, banks, and Big Tech. Amazon, for one, is already licensed as a "house and household content" insurer in the UK.

These major companies are examining which assets are valuable to their clients first, and then addressing the possible future risks with tailored solutions. **Is your company ready to take the leap?**

The value that is not perceived

How many times does a person take advantage of what is included in their insurance policy?

The answer is very few times, or, in many cases, never.

Add to this the fact that providers of these services increase the value of premiums without having had prior claims, the unfitness of service during claims, the unending fine prints, and, lastly, the added alternatives that do not help users—like a bancassurance channel that links banking products to insurance that is **80% more expensive** than in the free insurance market and that is perceived as a revolutionary tax for the common consumer.



Generalized pessimism **a** is the new normal.

Almost 90% of Spanish businessmen predict an economic recession by 2023. European governments are planning aid and citizens are preparing for the worst. Uncertainty permeates all strata of society—a pandemic, increasingly scarce salaries, inflation, and natural disasters on every continent do the rest.

Interest in tragedies extends beyond the physical world, with digital media taking center stage for real-time reporting on incidents ranging from individual mishaps to countrywide catastrophes.

For insurance companies, it's becoming increasingly relevant to develop products and services that tackle these generalized worries and fears.

02 World macro trends

1 Coopetition

Value chains fragmented by technology make room for new niche competitors, with whom you will sometimes compete, collaborate, coexist, or even do all three simultaneously, depending on the end customer's needs.



Open banking

The integration of financial services through APIs in third-party platforms is gaining relevance as a way to attract new customers for banks and fintech.



Blurred Industry

Financial institutions such as banks, which had traditionally acted as intermediaries in the insurance business, have entered specific business verticals thanks to the economic climate and their deep knowledge of their customer base.



Shared scoring

The creation and sharing of lists and 'digital profiles' of defaulting clients—based on their activity across different applications—can be used to limit their access to certain products.



Ecosystems

In order to provide complementary insurance and reinsurance services on third-party services (embedded insurance), companies need to have a vision of the entire value chain.

2

Sustainable incentives

Leading insurers are adopting "hard metrics" to incorporate sustainability, social welfare, and sustainable governance principles into both their products and internal structures.

This will affect value propositions, value chains, and stakeholder relationships in the insurance ecosystem.



ODS Impact

The universal call to action to end poverty, protect the planet, and improve lives around the world impacts business management at several levels.



Ethical funds

These funds aggroup companies that meet social welfare, sustainability standards, and donate part of their revenue to social projects.



Niche finance

Most environmental services and products don't have sufficiently large or liquid markets and, therefore, experience difficulty accessing financing for growth.



Triple bottom line and B-corps

B-Corps (for-profit companies whose social and environmental performance receives a private certification) and Triple Bottom Line (the impact that a company's activity has on three dimensions: social, economic, and environmental) distinguishes companies that meet high standards of social welfare and sustainability.

3

Intellectual liquidity and liquid equipment

After the pandemic, there has been, unsurprisingly, an increase in professionals seeking to work when, where, and how they want. Younger generations have reconfigured the workforce's composition, and there is need for insurance that is flexible enough for this reality.



Teleworking

Refers to work that is not performed at a company's offices, but from any other location relying on an internet connection. The pandemic has consolidated this way of working, despite initial managerial reluctance.



Real work-life balance

Workers want to balance their personal and professional lives without compromising their health or well-being.



The great desertion

As a result of inflexible work demands and general disenchantment with them, numerous workers (especially in the field of software development) are leaving their jobs.



Struggle for talent

Companies are struggling to find candidates that meet the demands of increasingly complex and uncertain environments. Unemployment rates are unexpectedly high, and there's a widespread sentiment that 'talent is hard to find'.

4

Insurtech as a branch of Fintech

Insurtech is not a well-established sector yet, and only a few companies are entering this space. 'Wellness' remains a trending topic, while embedded insurance within broader services (e.g., carsharing) is gaining the most traction.



Sandbox

Designed as a testing ground for new financial products, it seeks to protect consumers from abusive practices disguised as financial innovations.



Robo-Allies

Robo-advisors, comparison tools, and passive management portfolios are some of the self-managed products that financial clients can access, and they are becoming increasingly popular with time.



Smart Contracts

These are computer programs designed to run automatically, facilitating the signing of terms of agreement for different purposes and/or industries.



Access to liquidity

There are new services supported by technological systems that target large customer segments previously underserved by traditional banking and loaning companies.



P2D2 insurer

Following EU regulations on payment systems, there are now plans to extend them to areas regarding the exchange of assets and data to protect consumers.

03 Challenges



What is "future risk"?

Every risk requires a different channel, message, and ecosystem of services. The insurer has to find a way to obtain customer data beyond what traditional underwriting allows, in order to **adapt existing products and design new ones around their needs**.

The next challenge is to create centralized 'hubs' offering integrated solutions.

The risks clients face must be framed as personalized and unique as possible, in line with our shift toward a more individualistic society.

New Risks, New Products.

At present, there is a polyhedral vision of risk: natural, biological, economic, financial, labor, chemical, and sanitary risks, among others. Modern attitudes and priorities have given way to risks previously unimaginable to insurers, and these concepts can now serve as inspiration for new products.

A few examples are:

- **Transformation of family units:** single parents, homoparental units, transgender identity, pets replacing children, coliving, etc.
- **Insurance of people instead of vehicles:** scooters, autonomous vehicles, vehicle rentals, co-driving, etc.
- **New financial products:** Crypto and risky investments, increase in computer crimes, cyber-stalking, insurance fraud, etc.
- **New labor horizons:** The Great Resignation, digital nomads, remote work, gap years, MBAs and postgraduate courses worth a fortune, etc.
- **Health:** shortage in medical care, increased consumption of health goods and services, new products and services based on individual health data, and transformation of the concept of health to include physical and mental health, general well-being, and quality of life.

Mutualization model transformed by personalization.

User experience can be hindered by outdated segmentation methods. Companies are currently working to redefine these clusters using more systemic, behavioral, and contextual criteria.

Consumption models are also being affected and changed by individualism and personalization. Insurance **clients want to pay only for what they consume, disregarding collectivism.**

The traditional insurance model, which groups large clusters of users so that those who never use their coverage compensate for those who do, will be challenged as **clients begin demanding products tailored to their individual risk profiles.**

Personalization based on client data can have very positive effects on customer experience, but it can also be discriminatory in price, service delivery, and even in the terms of insurance policies—potentially undermining the principle of data neutrality.



Digital footprint as a source of income.

Personalization will, in turn, force companies to **understand clients beyond the usual touchpoints (purchasing the insurance policy, filing claims, and requesting renewals).**

Insurers face a clear disadvantage compared to banks, telecommunication companies, or Big Tech firms with privileged access to data. Moreover, consumers are becoming increasingly aware of the economic value of their data, and are now willing to assert their rights over it.

Consumers provide new sources of revenue and knowledge with the data they share.

Where do agents stand?

Insurance is traditionally mediated by exclusive and non-exclusive agents or brokers. There is, however, an urgent need to transform distribution channels, since younger audiences prefer not to engage with physical agents. Furthermore, the complexity of newer products often exceeds the capabilities of most agents.

Insurers must find effective ways to transform their existing networks and business models while simultaneously creating new value for new stakeholders.



Services as solutions.

There is a clear opportunity to create value by developing service ecosystems around insurance in segments such as home, health, auto, seniors, youth, and funerals. In the funeral segment, for instance, interest is shifting toward farewell plans that offer a wide range of value-added services beyond burial. A few examples are living wills, inheritance planning, personalized funerals, farewell letters to loved ones, recovery of photos and memories from social networks, and deletion of digital footprint, among others.

Pivoting toward service will make insurance offerings more sustainable. Moreover, it will help build trusting relationships with clients throughout their entire lives, enabling access to valuable personal data and allowing companies to deliver personalized services at every key moment.

04 Opportunities

Key segments: Youth and Elders

45% of adults between the ages of 35 and 45 live alone without wishing to do so. Additionally, **25%** of households are single-person—a figure that is growing substantially as the population ages.

The elderly segment faces a similar reality: they are aging alone. There is a significant opportunity in addressing segments affected by 'unchosen solitude'.

Insurance companies can contribute by developing services that provide relational spaces to live in community without losing autonomy.



1. Youth Segment

This is the group that traditionally steers away from insurance. They do not perceive risks if they do not affect their "treasures": assets completely disregarded by traditional insurance such as laptops, smartphones, designer handbags, expensive sport gear, golf clubs, various collectibles, etc. They also fear missing out on experiences they already paid for: festivals, concerts, courses, trips, etc.

Young audiences also dislike paying for services they don't use. This segment would therefore benefit from a microinsurance model that can be activated or deactivated as needed.

2. Silver Economy

The proportion of the gray-haired economy is growing, and the real estate wealth of this segment in Spain is six times greater than the total value of the country's allocated pension plans. This presents a clear opportunity to leverage these assets and develop an ecosystem of services tailored to older audiences.

New services, designed to address existing needs and possible future risks, include medical escort services and assistance with managing appointments and daily life. A few examples are:

- Aid in the search for a new residence, co-living, or home.
- Help with digital operations (contracting internet services, performing banking and public administration transactions, among others).
- Tech help (teaching usage, repairing devices, among others) and
- In-person services (visits and leisure activities at home).
- Dedicated chauffeurs

The opportunity for insurance services lies in becoming a lifelong partner. This can be achieved by investing time and resources in understanding demographic shifts, consumer habits, and societal developments—enabling insurers to meet the needs of current and future generations.



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Let's Talk

Shall we explore ideas together?

Companies nowadays need an innovation model that serves as an engine for transformation and growth.

Our experience working with diverse corporations has equipped us with a deep understanding of multiple industries and the ability to connect insights across them. The key lies in aligning this cross-industry knowledge with a clear understanding of each company's unique needs.

We help unlock the full potential of both corporate and entrepreneurial mindsets to build businesses driven by genuine innovation, as co-founders, with a hands-on, results-oriented approach.

Discover what we've learned about this sector and how we can help turn those insights into actionable solutions that create real, long-lasting business value. **Let's talk.**



Javier Marín

Partner - Head of Growth &
Business Development

javier@byl.xyz

+34 616 083 706



Julia de Pedro

Partner - Head of Building & Strategy

julia@byl.xyz

+34 629 097 006

