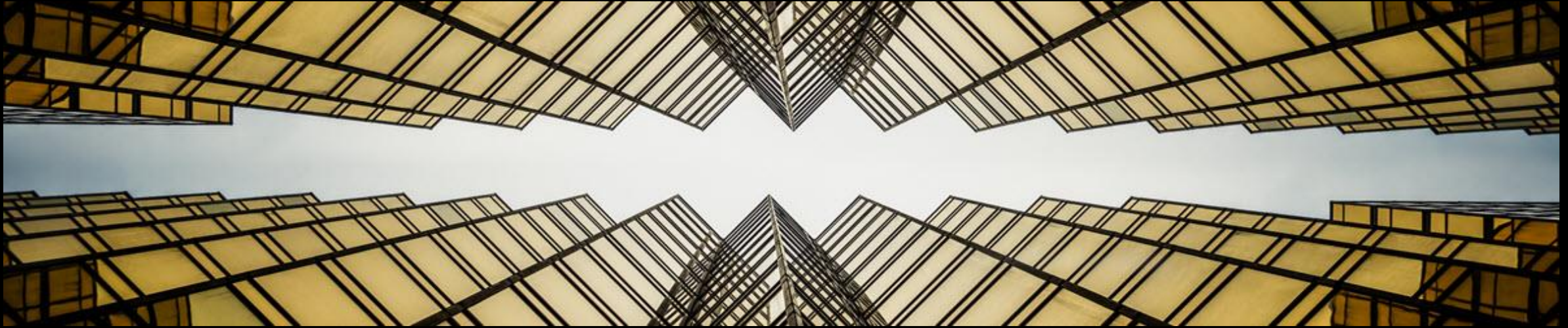


Embracing Embedded Finance: How Banks and Insurers are Finding New Ways to Reach Customers



June 13, 2023

S&P Global
Market Intelligence

Today's Panel



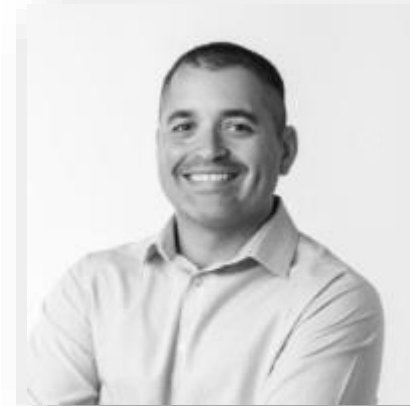
Chris Winter (Moderator)
North America Insurance Solutions Lead
S&P Global Market Intelligence



Tom Mason
Senior Research Analyst
S&P Global Market Intelligence



McKayla Wooldridge
Research Analyst, Fintech
451 Research, a part of S&P Global Market Intelligence



Isaac Espinoza*
Strategy & Reinsurance
Root Insurance

Today's Agenda

- 1) Background, history, and types of embedded products
- 2) Future of embedded products
- 3) Impact on customer experience
- 4) Challenges using embedded products
- 5) Q&A

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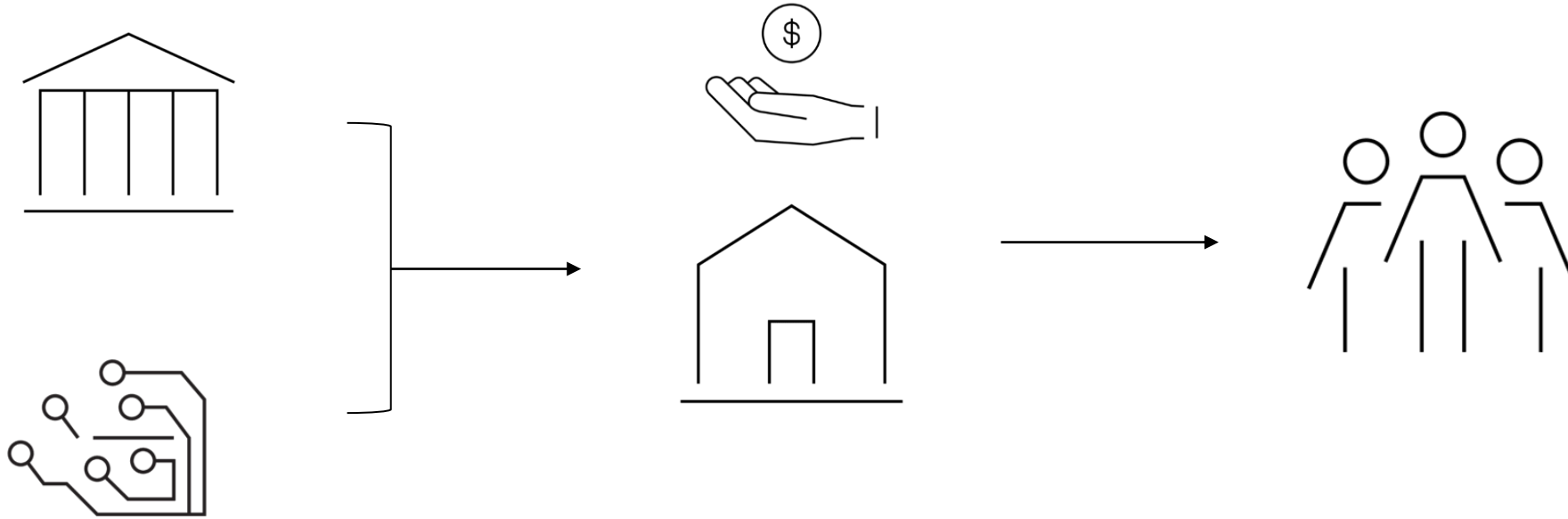
5) Q&A

Embedding can mean many things

- Brick-and-mortar
 - Auto dealer asks if the car buyer wants a quote. If so, the buyer receives a text, scans license and receives a bindable quote from the insurer that the algorithm recommends.
 - Add warranty policy during in-store checkout, e.g., electronics.
- White-label partnerships
 - Partner with original equipment manufacturers on white-label programs.
- E-commerce
 - Offers a big opportunity.
 - Retail consumer goods ecommerce will have a nearly 22% share of total global retail sales by 2024, per the International Trade Administration.
 - The electronics and media category is expected to comprise 19% of the 2024 total sales.*
 - That said, some of the largest retail-focused insurance lines are auto and home.

1 Source: eCommerce Sales & Size Forecast, International Trade Administration, U.S. Department of Commerce. <https://www.trade.gov/ecommerce-sales-size-forecast>

Embedded finance is reshaping the distribution model for financial services



Fintechs and partnering financial institutions can increase distribution and scale

B2B and B2C companies embedding financial services into their products can:

- increase revenues
- enhance customer experience
- increase product stickiness

End users get streamlined access to financial services from brands they use and trust, at the moment of need

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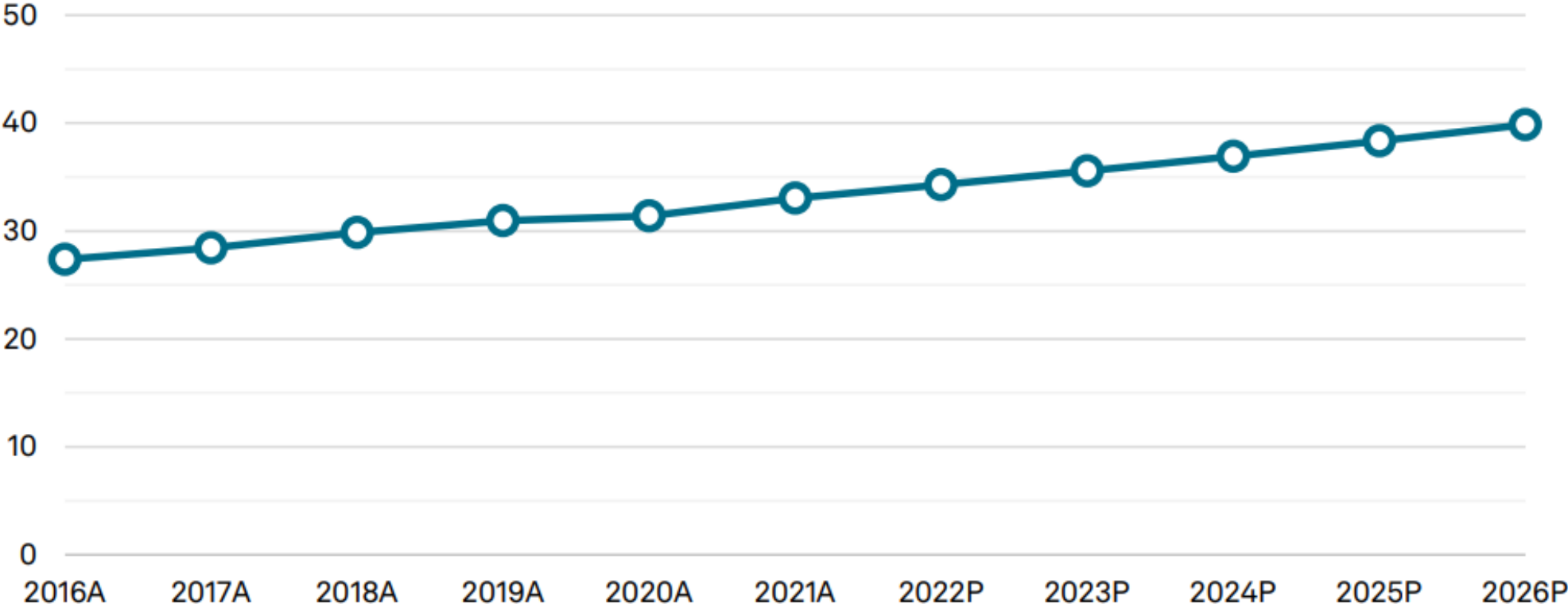
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Proportion of personal auto premiums sold directly in US

Estimated U.S. private auto direct premiums written via the direct channel (%)



Data compiled June 29, 2022.
Based primarily on an analysis of data reported by U.S. P&C insurers in the Insurance Expense Exhibit, Part 3, of annual statutory filings submitted to the NAIC.
Sources: S&P Global Market Intelligence, proprietary estimates

Speed of quoting and binding is key

- Increase speed using alternative data and transaction data
 - Alternative data
 - Consumer reporting agencies
 - State DMVs
 - Census
 - IRS
 - OpenStreetMap
 - Wikidata
 - Open Data portals from US cities
 - Transaction data: Data from the application for the product
 - Name
 - Date of birth
 - Location

Speed of quoting and binding is key

- APIs are essential for developers
 - Good documentation
 - Code examples in multiple languages
 - Foster community
 - Respond to questions on stackoverflow.com
 - Social media, blog posts, newsletters (Medium, Substack, etc.)
- Other services
 - Widgets
 - White-label sites and apps
 - Co-branded sites and apps
- Key considerations for insurers
 - Build versus buy
 - Branding

Embedded finance use cases are expanding across verticals



Demand for financial services embedded within software is apparent among SMBs



54%

Agree that they would like to see their software partners offer integrated financial products.



57%

Agree that their organization would run more efficiently if the financial services they used were better integrated with their business software/applications.

Q. To what extent do you agree with the following statements? - We would like to see our software partners offer us integrated financial products (e.g., payment processing, business banking).

Q. To what extent do you agree with the following statements? - Our organization would run more efficiently if the financial services we use were better integrated with our business software/applications.

Base: Respondents from businesses with fewer than 1,000 employees, excluding don't know (n=171-180).

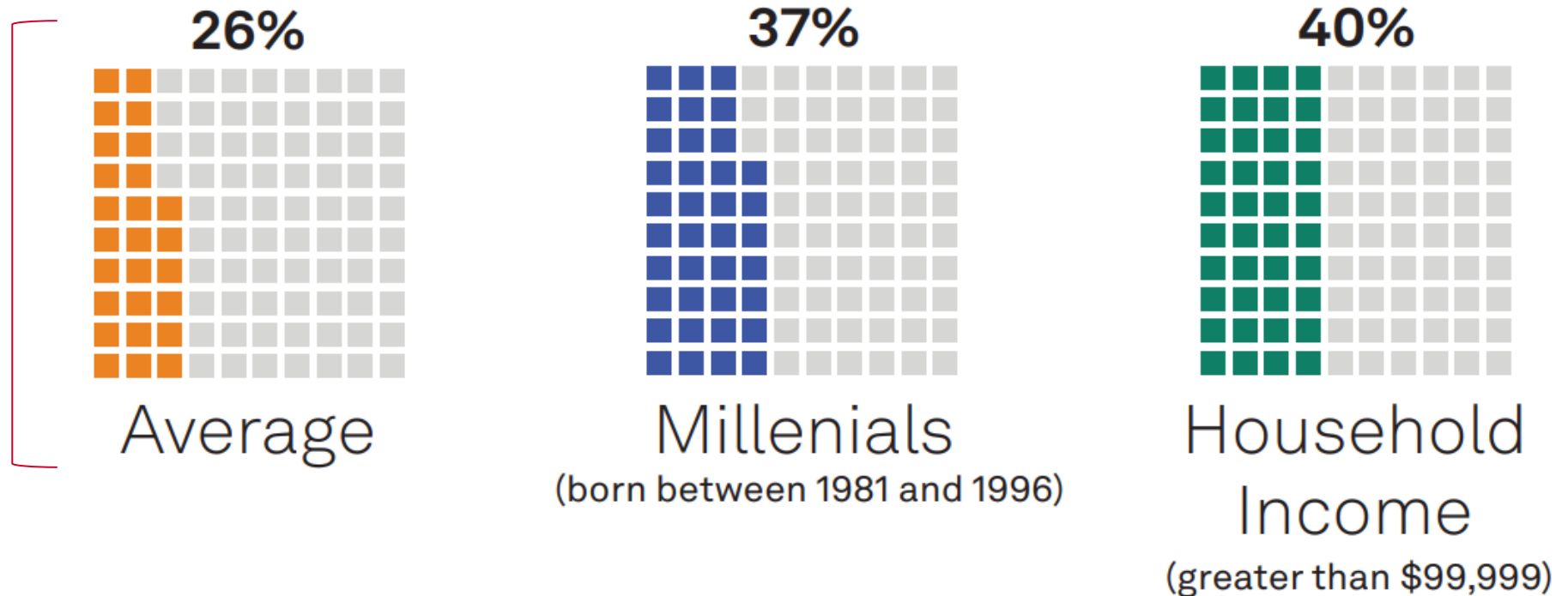
Source: 451 Research's Voice of the Customer: Macroeconomic Outlook, SME Tech Trends, Fintech.

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Consumers show strong appetite to use banking products from non-financial brands

Over one quarter of consumers are extremely interested in using banking products from non-financial brands.



Q. On a scale of 0-10, please rate how interested you would be in accessing financial services (e.g., credit card, bank account) from your favorite non-financial brand/retailer if they began offering them, where 0 is not at all interested and 10 is extremely interested. - Interest in accessing financial services (e.g., credit card, bank account) from your favorite non-financial brand/retailer?
Base: All respondents (n=1,684).
Source: 451 Research's VoCUL: Connected Customer, Fintech and Holiday Experience 2022.

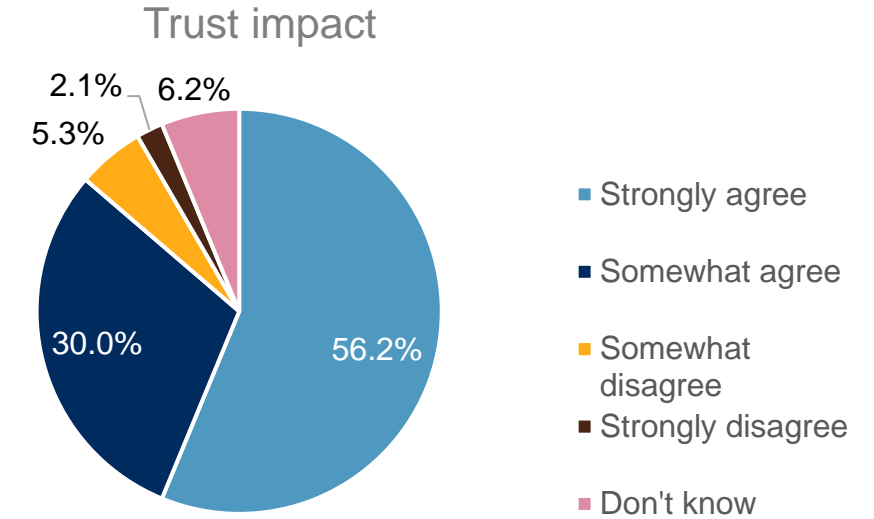
Trust and a strong digital experience are important financial service attributes for consumers

56%

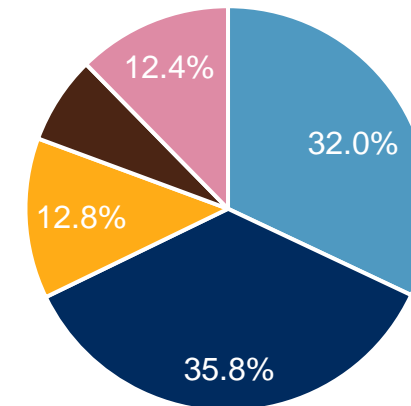
of consumers surveyed strongly agree that they are more likely to use financial services from a brand they trust

32%

of consumers surveyed strongly agree that a strong digital experience is essential when it comes to financial services



Digital experience impact



Q. How much do you agree with the following statements? - I am more likely to use financial services from a brand I trust
 Q. How much do you agree with the following statements? - When it comes to financial services, a strong digital experience is essential
 Base: all respondents
 N = 1,684
 Source: 451 Research's Connected Customer, Fintech and Holiday Experiences 2022 survey

Covering embedded finance trends and vendors across verticals

S&P Global
Market Intelligence

Technology & Business Insight
Market Map
March 2023



Embedded Finance and Fintech as a Service Market Map 2023

Jordan McKee, Research Director

Fintech is evolving from stand-alone products and services targeted at end users to an infrastructure layer that companies embed into their existing offerings. This trend, widely referred to as embedded finance, is dramatically expanding the size of the fintech market opportunity and reshaping the distribution model for financial services.

To learn more or to request a demo, visit spglobal.com/marketintelligence.

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Coverage Initiation: Unit aims to help companies streamline their entry into embedded finance

February 28 2023 by Jordan McKee

Coverage Initiation: Brankas wants to help banks embrace the world of embedded finance

February 6 2023 by Sampath Sharma Nariyanuri

Money20/20 US returns in full force with a major emphasis on embedded finance

November 7 2022 by Jordan McKee

Coverage Initiation: YouLend aims to streamline SME funding with B2B embedded lending platform

January 19 2023 by McKayla Wooldridge, Jordan McKee

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What if non-insurance companies do it themselves?

- Some companies outside insurance are acquiring carriers and starting brokerages.

Strengths	Weaknesses
Non-insurance-focused companies have an established brand, customer base and distribution channel. They also have insight into their own products and services.	Non-insurance-focused companies lack in-depth insurance industry knowledge and experience. Areas like reserving require deep expertise.
Opportunities	Threats
Insurance can offer a new and diversified revenue stream to companies in other sectors. Companies can gain additional insight and data on customer experience.	The insurance industry is highly regulated by a complex state-based system. A carrier requires a large amount of regulatory capital and insurance margins might be slimmer than the company's native sector.

Q&A



Chris Winter (Moderator)
North America Insurance Solutions Lead
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Tom Mason
Senior Research Analyst
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McKayla Wooldridge
Research Analyst, Fintech
451 Research, a part of S&P Global Market Intelligence



Isaac Espinoza*
Strategy & Reinsurance
Root Insurance

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