

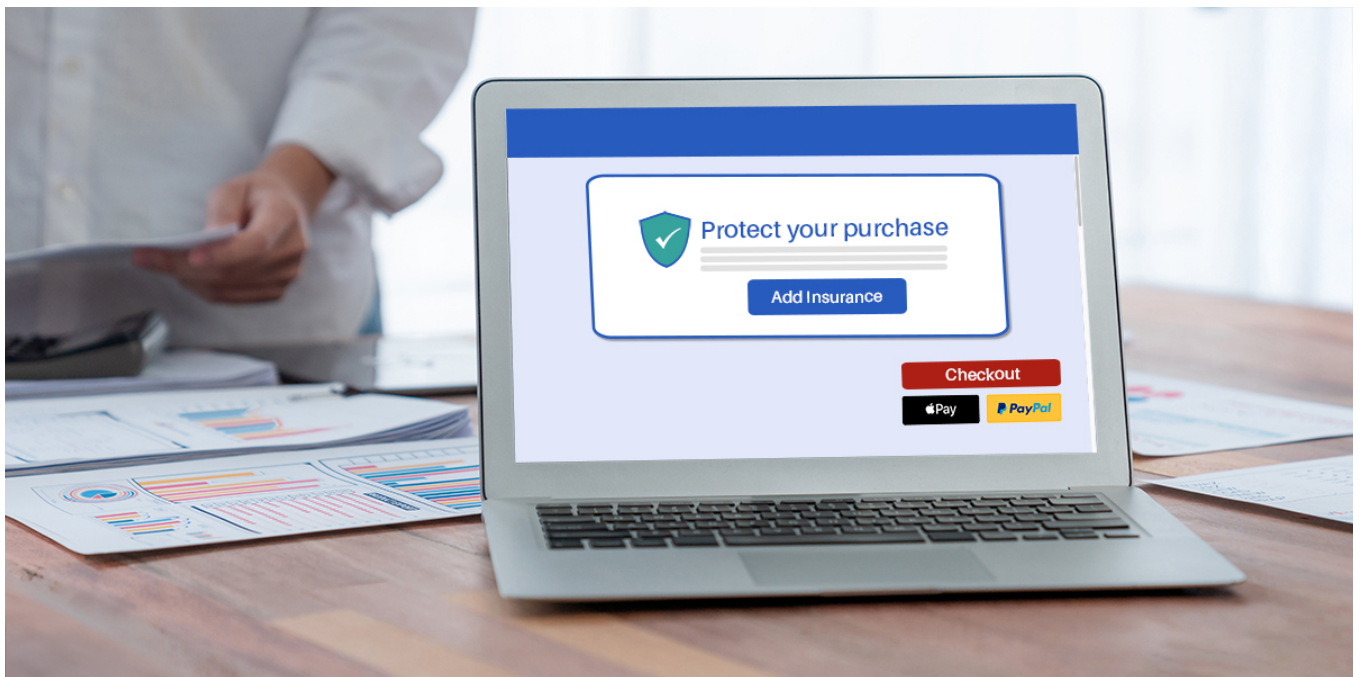
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# Embedded Insurance: A Game-Changer or Just Another Hype Cycle?

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As customer journeys become more complex and the lines separating products and practices continue blurring, many insurers are integrating their coverage into non-traditional purchase experiences: an approach known as **embedded insurance**.

With a [projected CAGR north of 35%](#) and [growth from \\$13B to over \\$70B](#) in gross written premiums between now and 2030, embedded insurance could be an industry-wide transformational shift. Alternatively, it could be one of many hype cycles and fizzle out in the near term. This article will help to determine which scenario is more plausible, and which course you should pursue.

## Key Takeaways

- **Embedded insurance is more than hype, but not without risks.** While the market potential is significant, success depends on balancing investments with realistic growth expectations.
- **Technology and talent are the critical enablers.** Modern platforms, APIs, and AI capabilities must be paired with leaders who can bridge insurance, digital, and partnership strategies.
- **Clear strategy determines long-term advantage.** Companies that address regulatory, trust, and distribution challenges head-on will be best positioned to turn embedded insurance into a competitive differentiator.

## What Is Embedded Insurance?

Embedded insurance is the seamless integration of insurance coverage into non-insurance products or services at the point of need; for example, travel insurance or electronic device protection. By embracing this model, traditional insurers can increase conversion rates, stabilize their business models, and, over the long term, [help to build a thriving economy](#).

## What Is Embedded Insurance's Actual Market Potential?

Right now, the embedded insurance market trends toward growth; the exact scale of that growth, however, is up in the air. Some sources claim that by 2032, the market will [grow to \\$800B](#), while others suggest a more modest [\\$232B by 2029](#). Likewise, the projected CAGR ranges from 18% to as high as 27% by some accounts.

These details matter. If the market ranges on the higher end, those who underinvest will miss a significant growth opportunity. If the market ranges on the lower end, companies who overinvest could fail to realize their expected returns.

That said, several factors indicate embedded insurance to be more than hype:

- [Major protection gaps](#), with only 25-33% of damage from natural disasters covered by insurance by 2030 and even lower coverage rates for mortality risks. This signals the insufficiency of traditional insurance models and the need for complementary products.
- Targeted [market penetration](#) with different dynamics in each market. For example, North American growth will likely be fueled by digital transformation within existing insurance markets, while [Latin American](#) growth will be fueled by the expansion of the insurance markets themselves.
- Benefits aren't evenly distributed across sectors, with automotive, fintech, and travel presenting natural use cases for embedded insurance implementation; whereas it may not be as effective in other sectors.

Embedded insurance implementations, innovations, and market expansions require detailed strategy, deep data and insights, and the ability to quickly adapt to changing conditions.

## How Should Insurance Companies Think About Embedded Insurance?

Embedded insurance excels in areas where customers need quick, simple, context-aware protection. This is especially true in areas where user friction is high, and where the traditional partners in selling those insurance products (e.g. travel companies, airlines, and car dealerships) are shifting toward digital selling experiences.

To avoid the risks mentioned above, [insurance executives](#) must give careful consideration to the following areas.

### Business Model Shifts

One of the reasons for embedded insurance's popularity among retailers, fintech companies, and other digital platforms is the ability to maintain control over the entire customer journey

rather than outsourcing to traditional insurers. While unlocking new revenue streams for these companies, it puts traditional insurers on the back foot, forcing them to cede control of a key part of their value chain.

As such, insurers who want to pursue embedded insurance need to consider this as not just a new product type, but a shift in their business models. Instead of selling to individual customers (B2C), insurers sell through business partners who own the customer relationship (B2B4C). This model means customizing coverage for each partner's specific ecosystem and user needs, reaching new audiences at lower acquisition costs.

Success in B2B4C demands real-time, modular products and dynamic pricing, which requires insurers to build robust API connectivity and flexible platforms.

### **Technology & Operational Imperatives**

If insurers want to succeed with embedded insurance, technology stack modernization is non-negotiable. It is critical to replace or "unbundle" legacy core systems and instead pursue modular apps, cloud-based services, and APIs allowing for dynamic coverage, instant quoting, and real-time pricing.

Advances in AI, big data, and digital claims management can help to improve underwriting efficiency and enable personalized coverage. However, it's important not to overstate the case. AI and automation are an important piece of the puzzle, but they also require significant talent investments to fully realize their potential, as is the case when adopting [AI in underwriting](#).

### **Talent Implications & Recruitment Strategy**

To that end, embedded insurance changes the key talent insurance companies need to achieve their strategic outcomes. For executives, critical skills include:

- Cross-functional knowledge of digital products in addition to insurance expertise
- Proven skills in negotiation and partner management
- Ability to adapt strategies and pivot based on real-time, contextual data
- Experience with ecosystem-driven sales strategies

Insurers must prioritize whether developing these skill sets in-house is the best option, or whether it's a better idea to recruit them externally.

## How Do You Mitigate the Risks of Embedded Insurance?

As with any new tactic or channel, success with embedded insurance requires companies to be clear-headed about both risks and benefits. Here are some tactics companies can use to mitigate the former and maximize the latter.

### Regulatory Scrutiny

Current regulatory frameworks still largely align with traditional insurance models. This creates obstacles for embedded offers, especially with regard to licensing, product suitability, disclosure rules, and compensation structures. Many jurisdictions will require embedded insurance participants, tech platforms and retailers included, to have proper licenses. This can sometimes lead to reluctance from non-insurance brands to bear additional compliance responsibilities.

### Customer Misunderstanding

Customers may not fully grasp what coverage is included, how to claim, or whether coverage is optional vs. default. It's true that rapid, "at checkout" insurance may increase policy uptake. However, a lack of clear and consistent disclosures can increase the risk of complaints and mis-selling and potentially erode customer trust.

### Trust Issues

The reputation of an embedded insurance product is often tied to the reputation of the retailer or platform. If claims experiences begin to slip or there is a lack of transparency, it's easy for trust to break down quickly. Consumers may also distrust "automatically added" insurance (sometimes seen as upselling), especially if claims handling is poor or complex.

### Legacy Constraints

Incumbent insurers often struggle to deliver truly seamless embedded products because of their overreliance on monolithic IT systems and poorly documented APIs. Integrating with modern, API-first commerce platforms can thus be expensive and time-consuming, leaving traditional insurers lagging behind digital natives.

### Distribution and Complexity Risks

While embedded insurance works excellently for simple, context-driven products (e.g., travel, ticket cancellation), it underperforms in highly complex or heavily regulated lines (e.g., health or workers' compensation), where bespoke underwriting and adviser input are critical. Manufacturers or tech platforms may lack the underwriting sophistication of insurers, which can pose systemic industry risks.

## Final Thoughts on Embedded Insurance

Embedded models are reshaping how and where coverage is delivered. By [committing at the executive level](#) to hiring cross-functional talent that bridges insurance, tech, and digital partnerships, companies can move from chasing the hype to realizing a real advantage.

What new strategies or tactics are you implementing to remain competitive in this evolving environment?