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PLANNING4LIFE FIELD LAB IN ENTREPRENEURSHIP

Subtitle 1 (Anna Brumund): INDUSTRY ANALYSIS

ANNA BRUMUND

TOBIAS KARL ALEXANDER KLUG

GONCALO RIEFF MONTALVAO

Work Project carried out under the supervision of:

Prof. Euclides Major

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ABSTRACT

This paper examines the current migration to new business models in the insurance industry by analysing the case of Planning4Life, a Portuguese start-up developing software for insurance brokers. The study is based on a review of existing literature, semi-standardized verbal interviews, and a written online survey.

The results indicate that the industry increasingly leverages new technologies and, to not become obsolete, insurance brokers are facing both the necessity to offer personalized products and to use a digital toolset. Planning4Life's business model can capitalize on these needs by creating awareness for digitalisation and offering the right features to cope with it.

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KEYWORDS: Insurance broker, insurance, insurtech, business model, business model innovation, strategy, tactics, digitalisation, broker needs, CRM system

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Table 1: Abbreviations

Abbreviation	Term
API	Application Programming Interface
BM	Business Model
BMI	Business Model Innovation
CAC	Customer Acquisition Cost
CE	Customer Experience
CRM	Customer Relationship Management
P4L	Planning4Life
P4LPRO	Planning4LifePRO

1.0 Introduction

Insurances have played an essential role in the prosperity of modern societies. They can be defined as a financial mechanism that spreads the costs of future potential losses across the community of insured individuals (Dorfman n.d., 2). Today, the global insurance industry generates around \$5 trillion in annual premium revenues and has more than \$15 trillion in assets under management (Lewis 2017, 492).

During the last years, two developments could be observed: on the one hand, increasing amounts of data are available, and on the other hand, data capturing technologies have improved significantly. These advancements affect nearly every industry, and thus also the insurance industry. For instance, 90% of stored data in 2017 was produced only in the two years before (Ibid. 493). Such ubiquity of data gives room for new and more powerful risk management technologies which improve underwriting models and, ultimately, the profitability of insurance companies (Ibid. 500-502). In turn, the industry has been investing heavily in new data analysis technology to match data processing capabilities to the novel data sources (Ibid.). Furthermore, apart from data analytics, large investments have also been directed to the digitalisation of processes within the industry, namely customer relationship and sales processes, documentation handling and lead generation (Ibid.).

Such shifts in the industry resulted in entrepreneurial momentum that led to the entry of hundreds of new, smaller, and more agile players to the market – so called “insurtechs”. These start-ups focus on the digitalisation of various stages of the traditional insurance value chain, driving the adoption of digital solutions in the market and making many processes much more efficient (McKinsey & Company 2019).

More than \$36 billion have been invested globally in insurtech companies during the last four years, enabling them to grow and challenge established insurers (Statista, 2019 – Appendix Fig. 7). At the same time, there are two other important trends in most Western societies: income

inequality is rising (OECD 2020) and the private sector, especially banks and insurances, are increasingly powerful (Cairo and Sim 2020, 1 / D. Mendonca, personal communication, October 3, 2020).

For instance, income inequality in OECD countries is currently at its highest level compared to all 50 years before: On average, the income of the richest 10% of the population is 9 times the income of the poorest 10% across all OECD countries (OECD 2020). Major drivers of this inequality are globalisation and skill-based technological change (Ibid.).

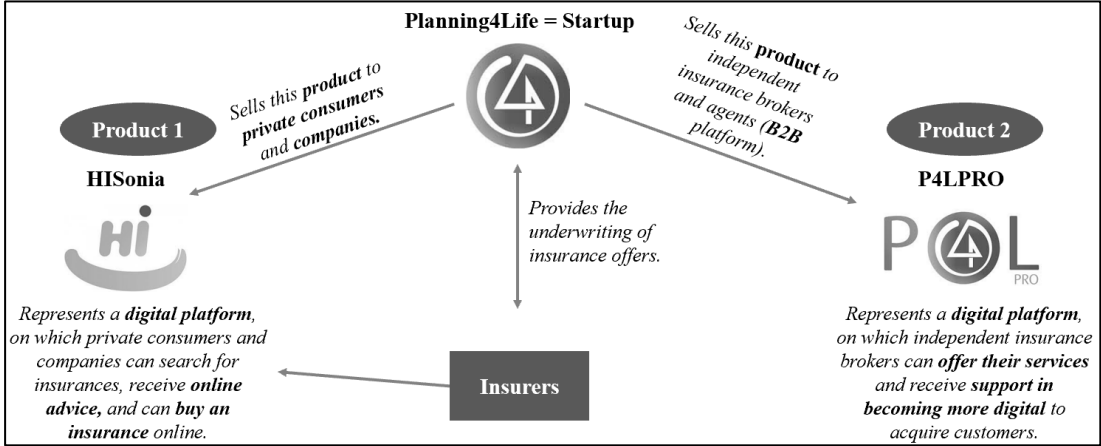
Additionally, one of the key drivers of financial inequality is financial illiteracy. According to the S&P Global Finlit Survey (2014), on average only 52% of adults in the European Union are financially literate. Furthermore, financial literacy rates are much higher in the north of Europe than in the south: Denmark, Sweden, Germany, and the Netherlands have the highest literacy rate with at least 65% of adults being financial literate, whereas Portugal and Italy have some of the lowest rates with only 25-34% of adults being considered as financial literate (Global Financial Literacy Excellence Center (GFLEC) 2014).

One company that has the vision of fighting these inequalities and allowing everyone to have control about their finances and insurances is “Planning4Life” (in the following referred to as “P4L” or “start-up”), a start-up based in Lisbon, Portugal. For now, P4L is focussed on the Portuguese market, although it plans to expand to other European countries in the next years (I. de Brito, personal communication, September 7, 2020).

To start with, the start-up offers two products: HiSonia (already on the market) and Planning4LifePRO (to be launched in spring 2021 and in the following referred to as “P4LPRO”) (Ibid.). P4L represents the mother company and can be best described as a financial advisory firm (Ibid.). In contrast, HiSonia and P4LPRO are two of the company’s products focused on the insurance market: The former operates a website on which individuals or companies can purchase insurances, thus it serves as an online insurance broker (HiSonia n.d.).

The latter operates a software, comparable to an advanced Customer Relationship Management (CRM) system, targeted to independent insurance brokers (P4LPRO n.d.). Since both products of P4L are focussed on the insurance market, the authors refer to the start-up as an insurtech. For a detailed overview of P4L’s business logic, please view the figure below:

Figure 1: Business Logic of Planning4Life



Currently, the main focus of the start-up lays on P4LPRO, which aims to digitalise the process of insurance brokerage (I. de Brito, personal communication, September 7, 2020).

The P4L founding team is convinced that the field of insurance brokerage will be subject to radical change within the next years (Ibid.). Today, insurances are mainly distributed in a rather “traditional” way: insurance policies are sold by an insurance agent or independent insurance broker, who conducts sales talks physically or via phone and is responsible for ongoing account management (Ibid.). Contracts and other paperwork are printed out and exchanged via mail or on site (Ibid.). Very few digital means are used, showing that the insurance brokerage is lagging in terms of digitalisation (Ibid.).

The start-up’s founders believe that due to changes in consumer behaviour and data usage the work of insurance brokers is about to undergo a radical transformation (Ibid.). Hence, the process of selling insurances and the ongoing management of customers and their claims will unavoidably become more digital in the next years (Ibid.). P4L predicts that customers will expect to buy insurances via mobile app or on webpages and, with more and more insurance

start-ups offering such solutions, brokers will be forced to generate leads and manage customer relations on digital platforms (Ibid.).

Therefore, P4L wants to offer insurance brokers a digital toolset, which will be the “P4LPRO” application, that helps them to smoothly move to the digital age so they can keep up with future trends in the industry (Ibid.). This tool will be further described at a later stage of this report.

Unlike P4L, many insurance brokers are not aware of the potential impact of digitalisation on their performance. Therefore, the company aims to gain a deeper understanding of why traditional brokers seem to use digital solutions less intensively – and how to change this. The consulting project the start-up passed on to the authors is centred around the question:

What is required for P4L to be able to convince traditional insurance intermediaries (brokers and agents) to move to digital customer acquisition and account management?

The main expectations communicated by P4L are the development of a deeper understanding of the needs of the target group as well as an overview of potential solutions that meet these needs.

The authors decided to make use of the case of P4L to demonstrate the current migration to new business models in the insurance industry. Hence, this report is aiming to answer the following research questions:

- 1. How are business models in the insurance industry changing?**
- 2. What does this change mean for insurance brokers in terms of needs and tools?**
- 3. How can the business model of P4LPRO benefit from the changing needs of brokers?**

The following case study is the result of four months in the Nova SBE Entrepreneurship Field Lab and aims to answer the research questions in three steps:

1. Giving a broad overview of the current and expected changes in the insurance industry with a focus on business model innovation.

2. Presenting an in-depth analysis of the needs and respectively the requested features of insurance brokers in Portugal as the target group of P4LPRO.
3. Based on these insights, evaluating the business of P4LPRO considering the aspects of strategy, business model and tactics as well as its innovativeness in general.

The research conducted for this report, is not only of importance for P4L but also to the area of insurance brokerage and the insurance industry in general. It indicates that the changing needs of consumers and the simultaneous emergence of new business models from insurtechs accelerate the need for traditional insurers to adapt their business, e.g., becoming more digital to acquire customers, in order not to be forced out of the market in the long run.

As mentioned before, P4L is also developing a mobile application for the buyers of insurances, meaning individual private consumers or corporate customers, with the goal of capturing customer data and making it available to brokers. This is referred to as “lead generation”. This case study-report, however, will not look in detail at P4L’s lead generation, and hence it will not focus on the second target group of P4L, which are the insurance policyholders. The current changes in consumer behaviour regarding the purchases of insurances have been extensively investigated in the past (e.g., Accenture 2017) and are well understood by P4L. Meanwhile, little has been researched on the current changes regarding the needs of insurance intermediaries, and so far, P4L has only been operating on general assumptions regarding their needs. This once again proves the importance of a deeper investigation.

Finally, to avoid any misunderstandings, terms frequently used in the report as well as abbreviations are defined and listed (Table 1 and 2).

2.0 Literature Review

As described above, this paper aims to not only analyse the ongoing transformation in the insurance industry from a practical perspective, but also from a more theoretical point of view through the exemplary examination of the business model of P4L. Special attention is paid to

the degree of innovativeness of the start-up's business model. Hence, it is necessary to first define the term "business model" (BM) and, secondly, to explain what is meant by "business model innovation" (BMI). Looking at existing academic literature in the field of BMs and BMI it becomes clear, that there are plenty of different definitions for the respective terms. For this paper, the authors decided to follow the logic from Casadesus-Masanell and Ricart (2010, 197-199). Casadesus -Masanell and Ricart base their BM definition on the understanding developed by Baden-Fuller, MacMillan, Demil and Lecocq (2010, 143-145): a BM represents the logic of the firm, the way it operates and how it creates value for stakeholders.

In specific, a BM consists of two sets of elements:

- The concrete **choices** (e.g., compensation practices, assets employed) made by the management about how the company should operate and,
- The **consequences** (e.g., the willingness of employees to put effort at work) of these choices

(Casadesus-Masanell and Ricart 2010, 198).

Looking in more detail at these two sets of elements, it can firstly be differentiated between three types of choices, these are:

- **Policy choices:** courses of action that the corporation adopts for all aspects of its operations, e.g., locating offices only in large cities close by airports.
- **Asset choices:** decisions made about tangible resources, e.g., acquiring specific software.
- **Governance choices:** structure of contractual arrangements that define decision rights about policies and assets, e.g., contracts defining if a truck fleet is bought or leased.

(Ibid. 198)

Secondly, there are also two different sorts of consequences:

- **Flexible** consequences, which are highly sensitive to the choice generating them. For instance, if a company chooses to increase prices (choice), this will result in lower volume (consequence).
- **Rigid** consequences, which do not alter significantly with the choices generating them. For example, a company chose a generous company culture emphasizing the value of each employee to the business (choice). This culture will not be immediately affected if some company policies are introduced that cut the budget for certain activities, e.g., business class flights or hotel nights, (consequence).

(Ibid. 199)

Resulting from this logic, BMs have the potential to lead to so called “virtuous cycles”, which are understood as feedback loops that improve some parts of the BM at every iteration (Ibid. 199-200). During this process, rigid consequences become more visible and important resources and capabilities can be developed (Ibid.).

However, there is also the danger of generating vicious cycles, representing the direct opposite of the positive case described above.

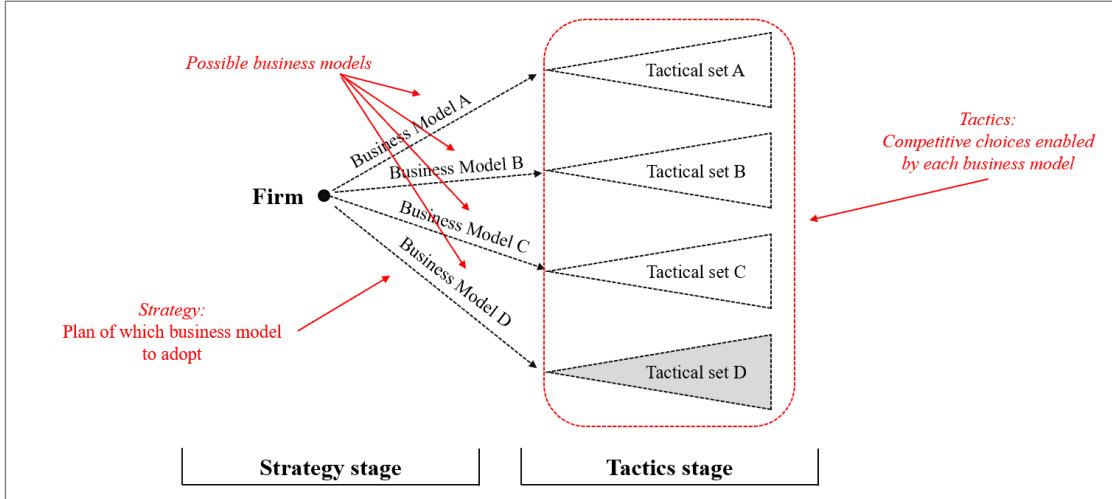
Another implication of the presented BM definition is that every institution has a business model since every institution makes some choices, that lead to some consequences (Ibid. 200-201). However, it needs to be pointed out that this does not imply that every organisation follows a successful BM (Ibid.).

When reading academic and non-academic literature, the authors realised that the terms strategy and BM are quite intertwined – which makes it even more important to present a clear definition as well as differentiation of these terms.

Again Casadesus-Masanell and Ricart (2010, 196) offer guidance on how to clearly differentiate between a strategy and a BM (see figure below). Additionally, they introduce the area of “tactics”. For them, a strategy refers to the choice of the BM through which the company

will compete in the market (Ibid. 204). As stated above, a BM describes the logic of the firm, the way it operates and how it creates value for stakeholders. Finally, tactics refer to the residual choices open to a company by the virtue of the BM employed (Ibid.). Looking at these concepts from a slightly different perspective, a strategy describes the contingent plan in terms of which kind of BM a company is to use – it represents the process of designing BMs (and redesigning them when certain contingencies occur) (Ibid.). In turn, BMs can be classified as reflections of the realised strategy (Ibid.). Relating to that, tactics are action plans which are executed within the boundaries set by the BM (Ibid.).

Figure 2: Relationship of Strategy, Business Model and Tactics

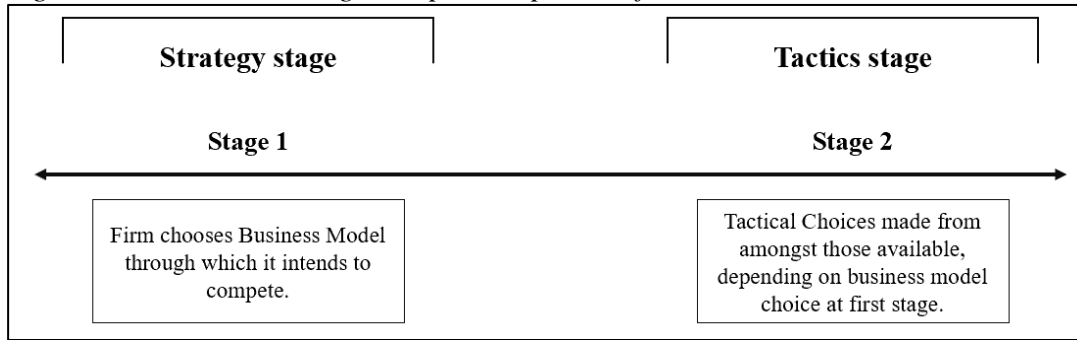


Hence, the competitive process of a corporation has two-stages (see figure below):

1. **Strategy stage:** the company chooses the BM through which it plans to compete in the market.
2. **Tactical stage:** the company makes tactical choices from those options available depending on the chosen BM.

(Ibid. 196)

Figure 3: Generic two-stage competitive process framework



However, to stay competitive in the globalized economy of today, innovation, in specific BMI, becomes increasingly important. Amit and Zott (2015, 39) have identified three ways for a company to innovate its BM:

1. By adding novel activities, which is called “**new activity system content**” and describes the selection of activities performed.
2. By linking activities in novel ways, referred to as “**new activity system structure**”, which shows how activities are linked and in which order.
3. By changing one or more parties performing any of these activities, which represents a “**new activity system governance**” and depicts who performs activities.

(Ibid. 39)

But why exactly is BMI important? Again, Amit and Zott (37) state three main reasons:

1. It represents an often underutilised source of future value since only a few managers understand the full sustainable performance advantage BMI can lead to.
2. Competitors might find it more difficult to imitate or replicate an entire novel activity system than a single novel product or process (e.g., through product or process innovation).
3. Since BMI can be such a powerful competitive tool, managers must be attuned to the possibility of competitors efforts in this area.

(Ibid.)

However, innovating an existing BM is quite a challenging task. To increase the probability of success, a company should focus on four key factors and value drivers of BMs. These are **novelty, lock-in, complementarities and efficiency** (Ibid. 40).

Novelty incorporates the degree of innovation that is inherent to the new activity system (Ibid.). Adding to that, **lock-in** describes those BM activities that create switching costs, leading customers or partners to stay within the activity system of the specific company (Ibid.). Moreover, the **complementarities** component represents the value enhancing effect of the synergies between individual BM activities (Ibid.). Finally, the **efficiencies** factor refers to cost savings achieved through the combination of all activities in the system (Ibid.).

According to Amit and Zott (41), the presence of these drivers increases the value creation potential of a BM significantly. Hence, whenever a company starts the process of innovating its BM, it should pay special attention to these factors.

But how does the process of BMI look like? According to Chesbrough (2010, 360-361), mainly three processes matter: **experimentation, effectuation, and organisational leadership**.

Regarding **experimentation**, a company should aim to develop processes of high fidelity as quickly and cost-efficient as possible to achieve important learnings, also from failed experiments, and finally, discover viable innovative BMs (Ibid. 360). Furthermore, the process of **effectuation** simply means that companies are encouraged to conduct less theoretical analyses on the market and instead take action to gather data or new information needed (Ibid.).

Lastly, Chesbrough (361) emphasizes the importance of **leading change in the organisation**, requiring managers to obtain certain skills regarding the perception of the environment, maintaining unity within the leadership team as well as the ability to allocate resources effectively to new business areas. These three processes represent a guiding path for corporations on their way of innovating their business model.

In conclusion, defining a functioning BM is a crucial step on the way to success for every company. However, to stay competitive in the long-term, it is required to constantly innovate the respective BM(s). Consequently, corporations as well as industries are required to continuously adapt.

3.0 Methodology

This case study relies on three different research methods: a review of existing literature, semi-standardized verbal interviews, and a written online survey. For the literature review, different literature is analysed concerning its relevance regarding the insurance industry, especially focusing on the impact of insurtechs and the ongoing industry change. Used literature is classified in three different blocks: The first type of literature concentrates purely on the insurance industry, its status quo, ways of working and possible challenges in the near future. The second type refers to the insurtech industry, explaining what these new types of business are focussing on and how they influence the traditional insurance companies. The third type of literature discusses BMI approaches since this paper aims to evaluate emerging innovative BMs in the insurance industry and if insurtechs like P4L can develop sustainable BMs. The literature search focused on specific, well known international journals, for example, the Journal of Business and Social Sciences. Additionally, consulting company research reports, newspaper or blog articles were used to bring in more present developments from the intersection of new technologies and the insurance industry.

Furthermore, and to complement the insights generated through the literature review, interviews with two experts for the insurance industry from Germany as well as eight insurance intermediaries (brokers or agents) from Germany and Portugal were conducted to include the current opinions and expectations apparent in this industrial sector. The concentration in Germany and Portugal in terms of interviewees resulted from the facts that the authors had personal contacts to leverage in these geographies and that the contacts from P4L were all based

in Portugal. The authors conducted so called “focused interviews” (Yin 2009, 107), which means that interviewees were interviewed conversationally for approximately 30 minutes. The authors prepared questions relating to three broad categories which are “Consumers”, “Products/Processes” and “Market/Ecosystems”. Depending on the answers of the interviewee, they changed the directions of questions to get the best insights (Ibid. 107). For the analysis of the collected interview data, the approach suggested by Ryan, Coughlan, and Cronin (2009, 5) was followed:

1. Data reduction: collected data is transcribed, simplified, and focused
2. Data display: data is visibly presented, e.g., in a graph/ matrix to show possible relationships or similarities
3. Verification: potential conclusion and explanations are derived from the data

Relating to the first step - data reduction - interview protocols were written by using the “constant comparative method” (Thomas 2011, 171).

In terms of data display, the authors read through all interview protocols to determine important sub-topics in each of the three broader topic categories. A sub-topic was added to the list if it was discussed in depth in the interview, meaning that a significant amount of time of the interview was spent on the discussion of the respective issue. For the Consumer bucket, four sub-topics were identified, for the Product / Processes category seven and for the Market / Ecosystem pillar three further sub-components were added.

To rate the importance of each topic discussed deeply in the interview, the authors counted the times of “in-depth conversations” about each sub-topic and divided the result by the total number of conducted interviews. The maximum possible rating is 1. The results of this analysis can be found in the appendix (Fig. 19). The authors are aware that the results of these qualitative interviews are influenced by the knowledge and personality of the selected interviewees as well as to their home markets being Portugal and Germany. Thus, these qualitative insights can only

cover a part of the reality in the business of insurance brokerage. Nevertheless, the most interesting and important sections were selected to contribute to the discussion in this paper. In total ten interviews were conducted (Table 4).

Moreover, the authors interviewed different employees from P4L to better understand the organisation, operational activities, and future plans of the start-up. A list with the interviewees can be found in the appendix (Table 3).

Additionally, and to present more objective results, the authors got the opportunity to further test and verify their findings from the qualitative interviews through an online survey conducted with the Portuguese Insurance Broker Association (APROSE). For this, the standard survey research process was followed, consisting of four stages:

1. Survey design
2. Survey instrument development
3. Survey execution
4. Data analysis and reporting

(Glasow 2005, 18)

Regarding the survey design, the sample was pre-determined since the survey is based on the collaboration with APROSE, thus the sample is all brokers united under the umbrella of APROSE and is targeted to the Portuguese market only. In total, 144 valid responses were recorded. In terms of distribution, the survey was distributed through an email from APROSE and accessible for two weeks. Looking at the survey instrument development, the authors were conscious to fit the questions to the educational level of the respondents, to not use any biased wording and to obey to all ethical guidelines. Mainly, different variations of closed-ended questions were asked. In total 20 blocks of questions were included in the survey. In the survey execution stage, again best practices were applied: Firstly, the survey was tested among the authors regarding its functionality and secondly, a small field test was conducted with two

insurance brokers / experts, whose results were excluded from the analysis. Finally, all collected data was analysed using Google DataStudio (the full report can be accessed via shorturl.at/pSZ05).

In the discussion section, the authors recommend distinct features, that could be beneficial if included in the application P4LPRO. For this, various possible features were rated along three dimensions: ease of implementation, potential value, and differentiation. The rating is based on the knowledge of the authors and was verified with the CTO of P4L. The respective perceptual map can be found in the appendix (Fig. 15).

4.0 Analysis of the Insurtech Industry with Focus on Planning4Life

In the following sections, this paper provides an overview of the insurance industry and its status quo complemented by an analysis of the rise of insurtechs. In specific, the background of the increasing success of insurtechs as well as the new industry's driving forces are examined. Moreover, a detailed overview of leading new BMs in the industry is given. This is then contrasted with the BM of P4L.

4.1. Overview of the Insurance Industry

The global insurance industry is among the top six industries in terms of revenue and profit – based on 2018/19 data (GlobalData, 2019). Hence, it represents a very important sector of the global economy. According to a Statista market study (2020 – Appendix Fig. 8), gross premiums of the insurance industry worldwide amounted to \$5.3 trillion in 2018. But how do insurances earn premiums? Generally, the concept works as follows:

An insurance can be described as a “paid safeguard against loss” (Lewis 2017, 492) - the policyholder pays a certain amount of money - the premium - to the insurance company, which in turn pays for a potential loss of the policyholder, depending on contractual clauses both parties have agreed on (Ibid). The price of the premium is determined through underwriting,

which is a systematic process of measuring risks and assigning monetary values to them (Ibid.). Hence, a premium varies based on how likely an individual is to experience adverse effects as compared to the average insured party. Therefore, policies are pooled with other policyholders' premiums, such that those in the risk pool cross subsidize each other (Ibid.). The generated cash from premium payments that are not spent on pay-outs, reinsurance, or operating costs of the insurance is kept as profit (Ibid.). Consequently, the insurance industry's profitability depends primarily on the accuracy of the underwriting process (Ibid.).

Looking at the market in more detail, the countries with the highest premium writings are the U.S., China, Japan, and the UK with values of \$1.800 billion, \$617 billion, \$459 billion, and \$366 billion in 2019, respectively (Statista 2020 – Appendix Fig. 9). Related to that, the leading insurance companies are mainly located in the U.S. (Marsh and McLennan Cos. Inc) and the UK (Aon PLC; Willis Towers Watson), which have reached revenues of \$8.9 to \$16.7 billion in 2019 (Statista 2020 – Appendix Fig. 10). Over the last years, the industry experienced slow but constant growth (Binder and Mußhoff 2017, 7).

In addition to the slow growth, the insurance industry is facing several other challenges, which might become even more severe in the future. According to Binder and Mußhoff (2017, 7) the continuing low interest rate environment, tighter regulatory regimes as well as changing consumer behaviour, especially in developed markets, represent the most impactful challenges for the industry. Each of these factors as well as the ongoing digitalisation of the economy have the potential to influence the insurance industry sustainably.

Moreover, due to the Covid-19 pandemic, an overall revenue decline of ~2% between 2019 and 2020 is expected (GlobeNewswire 2020). Assuming that the pandemic is managed successfully, a compound annual growth rate (CAGR) of 6% is forecasted for the insurance market between 2021 and 2023, indicating recovery from the crisis (Ibid.).

Nevertheless, it is evident that the pandemic is accelerating the need for change in the insurance industry. According to market studies from KPMG and Ernst & Young (2020), the most significant adaptations will happen in the way insurances are sold and serviced as well as in the use of customer data.

Looking at the sales process, the pandemic has forced insurances to rely more on digital channels, since brokers or agents were often not able to conduct any in-person visits (KMPG 2020). This trend is expected to continue, and many insurers now plan to switch to online advice for certain products as the standard process (Ibid.). Moreover, as the demand for certain insurance products is increased through the pandemic, insurances need to optimize their distribution channels (Ibid.). This will lead to an intensified use of digital distribution means (Ibid.). Thus, traditional insurances, including their agents and independent brokers, will be forced to use new technologies if they aim to meet customer expectations (Ibid.).

Additionally, it seems that the pressure of the pandemic initiated a change in the mindsets of consumers regarding sharing their private data (Ibid.). They seem to be more willing to work collaboratively with insurances to obtain the products and services they need (Ibid.). Hence, these new sources of consumer data will enable insurances to design more personalized products and services, aiming to improve the customer experience in general (Ibid.).

Concluding, the insurance industry is on the edge of a deep transformation – which started much before the COVID-19 pandemic. However, crises tend to emphasize the weaknesses of existing operations. These weaknesses represent an opportunity for improvement and new players in the market. In the case of the insurance industry, they gave rise to the so called insurtechs. What these new companies are doing differently, and how they affect existing players is examined in the next section.

4.2. The Rise of the Insurtech Industry and its driving Forces

Adding to the challenges for the insurance industry presented above as well as the unexpected acceleration of many of those due to the COVID-19 pandemic, recent research states that, currently, there are three megatrends observable in the insurance market.

Firstly, new attacker models are forming, meaning that new players are entering the market (McKinsey & Company 2019). These new players come from three angles: either they are companies, which have very digitalised processes in general, or they are insurtechs, or they are large technology companies like Google and Amazon (Ibid.).

Secondly, and matching the first trend, market incumbents are increasingly digital (Ibid.). For instance, their business models aim to be digital across the whole value chain, which enables these companies to achieve significant process efficiencies (Ibid.).

Thirdly, it can be observed that the insurance value chain becomes more and more disaggregated, implying that new players frequently focus on changing only a distinctive section of the value chain, but not on offering all services traditional insurances provide (Ibid.).

Looking at these trends from a holistic perspective reveals that industries undergo a global shift: traditional sector lines are breaking up and instead ecosystems are emerging, which are shaped around distinct human needs (Ibid.). For the insurance industry, the most important areas are mobility, health, housing, wealth and protection, and B2B services (Ibid.).

These developments in the insurance industry set the stage for the rise of so called “insurtechs”, which are defined as “technology-led companies that enter the insurance sector, taking advantage of new technologies to provide coverage to a more digitally savvy customer base” (Catlin et al. 2017, 2). According to Catlin et al. (2017, 3), one of the most important reasons for the rise of insurtechs, in addition to the reasons mentioned before, is the societal and economic transition from the Baby Boomer to the Millennials generation, who tend to be much more willing to use technology and are at the same time less company loyal. Hence, most

insurtechs (~75%) are focussed on the retail (B2C) market and only a few are specialized on servicing the business-to-business (B2B) sector (~25%) (Ibid., 3-4). Back in 2012, insurtechs received an annual global funding of \$3.7 billion, which grew to more than \$12 billion in 2016 and reached \$6.6 billion by the second half of 2019 (Statista 2020 – Appendix Fig. 7).

According to Cappiello (2020, 2), the main characteristics that distinguish traditional insurance companies from the new insurtechs are attributable to the go-to-market approach, the way of interaction between the policyholder and the insurance company as well as the features of the services provided.

For instance, the marketing approach of an established insurer can be described as product-oriented and maintains a rather indirect relationship to the customer (Ibid., 2-3). Contrary to that, insurtechs are process-oriented, emphasizing the best customer experience (Ibid.). Through the digitalisation of most processes, insurtechs implement a direct customer relationship (Ibid.).

As already pointed out before, data availability and analysis, as well as the accuracy of underwriting, are key to success in the insurance industry (Lewis 2017, 493-494). Therefore, technological advancements in the field of Machine Learning, Big Data, Artificial Intelligence the Internet of Things (IoT), Robotic Process Automation (RPA), and Blockchain, to name a few, represent valuable opportunities for insurers (Lamberton, Brigo, Hoy 2017, 13-18).

By leveraging these technologies as well as the fact that ever more data is available, traditional insurance companies could improve their underwriting significantly, especially regarding risk mitigation, personalization, and fraud detection (Lewis 2017, 493-497).

Currently, nearly all insurtechs make use of such new technologies, but only a few traditional insurers apply them (Catlin et al. 2017, 6-11). Interestingly, most of these start-ups do not aim to disrupt the insurance industry but rather want to collaborate with large insurance players: 9% of insurtechs state they plan to disrupt the full value chain, 61% of surveyed insurtechs want to

enable the value chain, that is, creating a more digital experience and focus on collaboration, and the remaining 30% aim to disintermediate the customer, emphasizing on increasingly including the customer in all processes (Ibid. – Appendix Fig. 11-13).

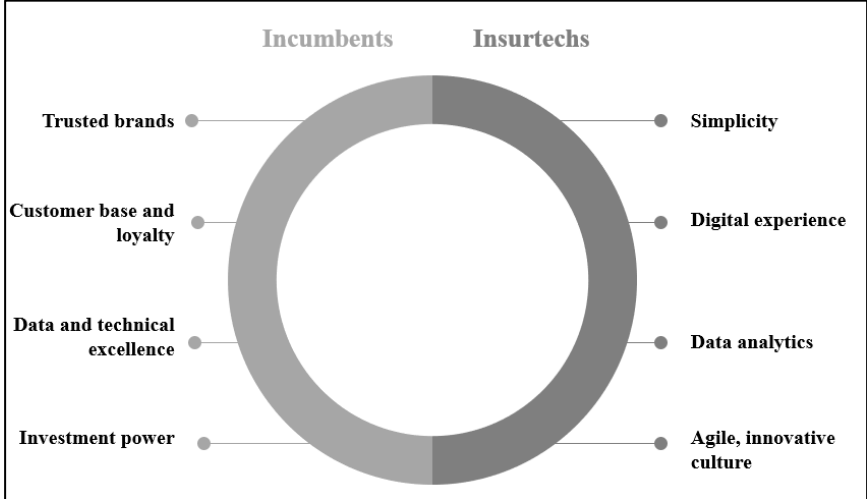
Since its emergence around 2012, also the insurtech sector is constantly adapting to new market developments, technology advancements and customer needs. However, like in the insurance industry in general, there are clear trends shaping the activities of the players. These are:

- **Diversification:** insurtechs create digital solutions across the full value chain.
- **Professionalization and Maturity:** with increasing maturity of the market, patience, and careful planning as well as an appropriate go-to-market strategy become more important.
- **Collaboration:** as stated above, most insurtechs aim to collaborate with traditional insurances since both parties can potentially benefit.

(McKinsey & Company 2019)

The following graphic gives an overview of the strengths each party in such collaborations would bring to the table:

Figure 4: Overview of strengths of traditional insurance companies and insurtechs (Source: McKinsey Analysis, 2019)



Currently, it is difficult to project which type of collaboration model between established insurers and insurtechs will be the most successful one. However, it is expected that insurtechs

will continue to put pressure on the insurance market, forcing traditional players to innovate and potentially collaborate with them.

4.3. Leading innovative Business Models in Insurance Brokerage

Resulting from the transformation that the insurance industry is currently undergoing, new BMs have emerged. Looking at innovative BMs, which potentially influence the insurance broker industry, the authors identified three main types. Using the logic from Casadesus-Masanell and Ricart (2010) to define a BM and the approach of Amit and Zott (2015) to determine its innovativeness, as described in the literature review, the following three BMs stand out as a construct of, especially innovative choices.

The first type is a BM that focuses on selling new varieties of insurance products – hence, these companies create “new activity system content”. In this case, the main innovative choices are firstly, the design of insurance policies having an extremely high fit to the needs of customers, that is, regarding which claims the policy covers as well as the speed of the claim management. Secondly, flexible contracts are provided. For instance, these contracts allow changing policies on a monthly base. Thirdly, all products can be purchased fully online, thus the necessity for an intermediary is eliminated.

The main consequences of this new combination of choices are higher conversions regarding younger clients as well as higher margins as no provisions must be paid to brokers. Hence, these BMs are not only novel, but they also achieve high customer lock-in potential and cost efficiencies. An example for successful companies focusing on this type of BM are Surround (Sourround Insurance 2020), DeadHappy (DeadHappy 2020), Oscar Health (Oscar Health 2020), and Coya (Coya 2020).

The second innovative type of BM is focusing on providing holistic CRM tools, hence, building a system that integrates all kind of data and communication channels allowing the broker to only work with one software. It puts a strong emphasis on user experience, aiming to make the

tool as intuitive to use as possible. From a theoretical perspective, this BMI type fits best in the category “new activity system structure”, since it links already existing structures, like CRM systems, in novel ways (to improve the broker’s sales and administrative processes). Moreover, this BM could potentially lock-in customers very well and offer efficiencies.

The main consequences of this new choice combination are an increase in efficiency in the broker's sales and account management processes as well as improved customer experience for the broker's clients. Examples for successful companies focusing on this type of BM are Adacta (Adacta Fintech, 2020), Aventus (Aventus Platform 2020), and Broker Buddha (Broker Buddha 2020).

The third new type of BM focuses on lead sourcing and distribution. It uses new technologies to connect consumers, brokers, and insurance providers. Thus, this new BM also belongs to the category of “new activity system structure” – it combines activities of existing stakeholders in the market more efficiently. Here, the most important new choices are first, the creation of a digital insurance marketplace that consumers are led to by digital marketing tactics, for example by content marketing or social media advertising. Secondly, the generation of prequalified leads is introduced, by having consumers passing a digital process to find the right broker for the needed insurance. Finally, this BM also aims to provide a platform that allows clients and brokers to manage contracts and interactions. Resulting from these choices, a constantly better understanding of policyholder needs is achieved, especially by gathering their data. Adding to that, the customer experience is improved by matching clients with the appropriate brokers. Lastly, a variety of revenue streams are leveraged such as lead selling, traditional provisions as well as offering insights on consumer needs to insurance companies. Thus, this BM bears large lock-in potential, achieves efficiencies and complementarities. An example of a successful company focusing on that type of BM is Wefox (Wefox 2020).

Having analysed innovative BM trends in the insurance industry, the next sections explain the overarching strategy of P4L in detail.

4.4. The Strategy of Planning4Life

To start with, P4L is currently situated in the first stage of the competitive process, the strategy phase: the start-up is finalizing the choices around its BM. Hence, some consequences regarding decisions are only based on assumptions made by the organisation and the authors.

To prevent the negative externalities described in the introduction, e.g., social inequality, and financial illiteracy, from becoming worse, P4L envisions a more social and accessible global financial advisory ecosystem. The start-up's mission is to make the infrastructure and underlying tools available to foster the development of such financial advisory ecosystems (D. Mendonca, personal communication, October 3, 2020).

. These strategic foundations are formulated in the following value proposition: “Creating a marketplace where you can find help on which financial products to buy, advising you within your life goals context, and connecting you to the right people, always aiming to increase transparency” (Ibid.).

Thus, P4L positions itself as a transparent, more social, and moral alternative to the established financial and insurance companies in the market. From a strategic management perspective, P4L is pursuing an integrated cost-leadership / differentiation strategy. As a first step, the start-up is planning to gain market share in the Portuguese insurance market (Ibid.). The Portuguese insurance market is dominated by small to medium-sized brokers (Ibid.). Therefore, P4L plans to gain market share by designing tools that help these brokers to stay competitive and move to the digital age (Ibid.).

At the corporate level, P4L is strategically partnering with other insurance mediators who already capture a significant market share (Ibid.). The envisioned go-to-market strategy of P4L aims at leveraging these partnerships. By collaborating with other brokerage firms and building

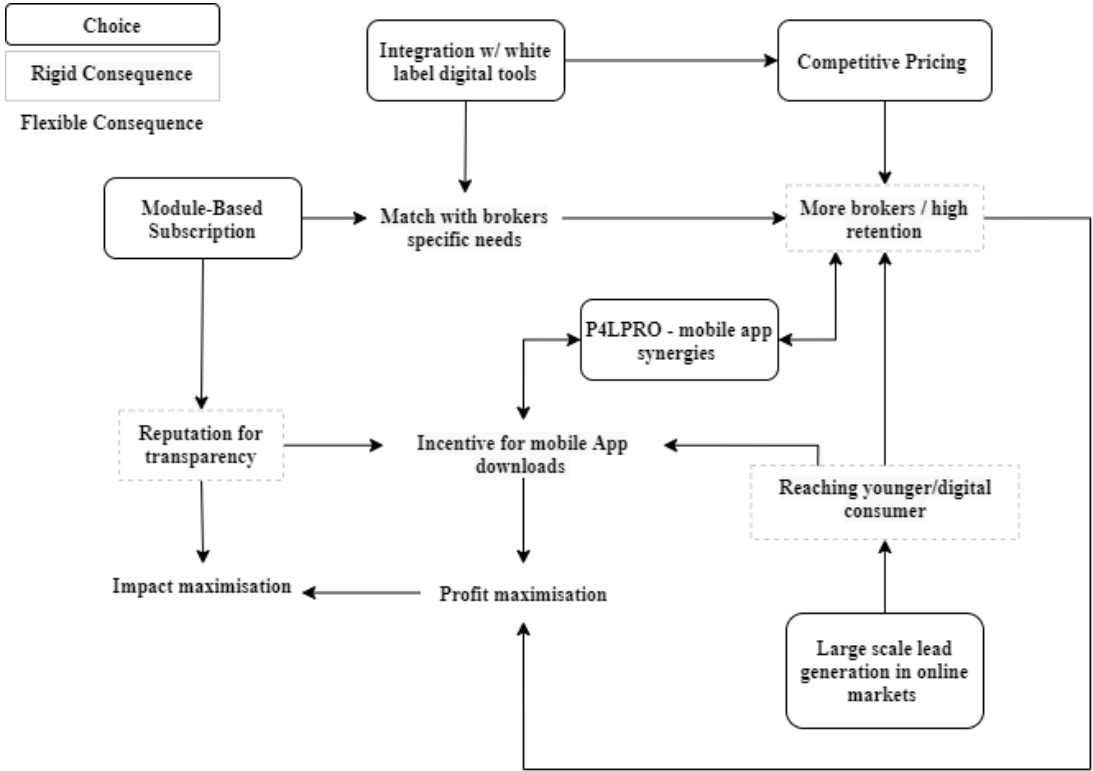
distributed corporate-level structures, P4L will, on the one hand, attract many policyholders, as its insurance offering will be very diverse and fitting to individual needs (Ibid.). On the other hand, the contracted brokers can be transferred to P4LPRO to test the platform, and ultimately, have most brokers use the services offered by P4LPRO (Ibid.). In terms of international expansion, P4L hopes to leverage the personal network of its founders, who have many years of experience in the European insurance sector, for instance, to gain access to other European markets quicker and have better chances for a successful market entry (Ibid.).

4.5. The Business Model of Planning4Life

To reach the strategic goals highlighted in the previous section, P4L, under the scope of P4LPRO, chose to use a model that matches the third example from section 4.3., aiming at the creation of a marketplace that connects policyholders with insurance brokers.

Figure 5 illustrates the BM of P4L, following Casadesus-Masanell and Ricart (2010) framework:

Figure 5: Simplified representation of P4L's Business Model



To be able to create value efficiently, P4L is planning to capture a substantial share on the end-consumer market (I. de Brito, personal communication, September 7, 2020). With small brokers holding a large share of this market, the creation of value for these stakeholders is essential. Therefore, P4L decided to opt for a dual-channel BM, with two development levels: The broker level, which consists of the P4LPRO software for insurance brokers, and the policyholder level, which is represented by the P4L mobile app. The P4LPRO software can be described as a CRM-like desktop platform with a broad set of features that leverage different technologies (Ibid.). The goal is to facilitate all common types of sales and policyholder management processes, such as lead generation, conversion, and customer relationship management (D. Mendonca, personal communication, October 3, 2020). In parallel, the P4L app will serve not only as the marketplace for all financial products P4L is offering but also as a channel for advising consumers on the purchase of such. Moreover, it will also offer insurance policy management tools, such that policyholders can update and be updated on their policies in real time. By exploring synergies between the mobile app and the P4LPRO software, the BM aims at giving life to a marketplace where the end-consumers can easily and transparently analyse, be advised and invest on financial mechanisms through their smartphone. In parallel, it offers powerful features for brokers to become more digital, receive pre-qualified (digital) leads, gain market share, and efficiently manage their relationship with policyholders. These two streams of value represent the Customer Value Proposition (CVP).

As a dual-channel BM, P4L has two distinct target groups. For the P4L mobile app, the start-up is targeting young professionals aged between 25 and 35 years, being the end-consumer. This segment can be represented by a persona that is highly familiar with online purchasing and often looks for advice through digital channels (I. de Brito, personal communication, September 7, 2020). The app will be deployed following a “freemium” model, giving the possibility to

have access to a limited number of features for free. Various types of premium accounts will be created to fit different needs. For instance, customers having a premium account do not need to pay certain fees and receive better advice on the offered products. In terms of distribution, P4L will rely on large scale lead generation through digital marketing, mainly blog posts and landing pages, to incentivise downloading the app through the AppStore (D. Mendonca, personal communication, October 3, 2020). Additionally, as previously mentioned, the company aims to explore synergies between the app and the P4LPRO software that will also serve as an incentive for downloading the app once a certain broker establishes a sale with a new customer. For the P4LPRO platform, P4L plans to mainly target older (i.e., around 50 years old) and less digital brokers with a total number of clients of around 5,000 and a commission wallet of around €1 million per year (I. de Brito, personal communication, September 7, 2020). For this group, the start-up's value proposition is based on a SaaS (Software as a Service) model that incorporates several innovative features, e.g., providing the brokers with pre-qualified leads and enabling them to move their complete pre-sales, sales, and after-sales process to one digital tool.

The start-up chose a pricing strategy based on various semi-personalised subscriptions, allowing brokers to personalise their accounts according to their specific needs by choosing additional modules on top of the basic subscription (Ibid.). In combination, these innovative features and various subscription modules serve different needs of brokers along their entire journey. They empower them from the beginning to the end of the sales/customer management process with digital tools that allow for their digital transformation (see broker journey on Appendix Fig. 14). Regarding the distribution of the P4LPRO software, brokers will be able to access it online, through P4L's website. Yet, by taking advantage of its corporate structure, P4L intends to distribute the software through its partner brokers (i.e., HiSonia and others) in a first phase, allowing for its testing and refinement (Ibid.).

From a technological and operational perspective, the team decided to develop the technology internally, but with an open space application programming interface (API). This will allow the platform to be coupled with other white-label tools that will complement various features such as the automation of emails and personalisation of landing pages. By partnering with these providers, P4L expects to be able to run on relatively low operating costs, supporting its cost competitive strategy (D. Mendonca, personal communication, October 3, 2020). In fact, once full development is achieved, P4L anticipates sitting on a relatively light cost structure, with marketing being the largest expense followed by human resources, and IT infrastructure (especially regarding scaling up operations) (Ibid.).

The company will focus its resources on an aggressive growth strategy. Therefore, P4L's main activities will be centred on sales and quality maintenance, including application development and customer support (Ibid.).

Finally, the main revenue streams will be purchases of premium app accounts and P4LPRO subscriptions (Ibid.). However, additional revenues will be generated from the partnerships with white label suppliers by charging a mark-up to brokers on such services (Ibid.). Eventually, an important revenue stream will also arise from the sales of solely digital products such as car, travel and other insurances that will not require human assistance on the sales process. This revenue stream will take the form of a commission payment from the insurance provider.

Since understanding and serving the needs of insurance brokers represents a crucial part of the BM of P4L, the individual sections analyse this target group in more depth.

5.0 Discussion

Having analysed the insurance market including upcoming insurtechs and their different BMs, as well as the positioning and challenges of insurance brokers, this discussion section aims to connect these individual analyses with the original research questions.

Firstly, it is discussed how BMs in the insurance industry are changing. Secondly, the authors evaluate the implications for insurance brokers and their respective needs. Thirdly, it is discussed if P4L's offer has the potential to address the most pressing developments in the insurance industry. Special focus is put on the innovativeness of the start-up's BM applying the BM definition of Casadesus-Masanell and Ricart (2010) and the BMI approach of Amit and Zott (2015) and Chesbrough (2010).

5.1. Discussion of Business Model Change in the Insurance Industry

Based on the analyses from this case study it is evident that the insurance industry is currently undergoing a deep transformation. Relating this change to the first research question on how business models in this industry are changing, the following observations have been made:

BMI in the insurance industry is driven by the ongoing low interest environment, the availability of new technologies, changing consumer needs and new players entering the market. Additionally, there is the overarching trend of digitalisation. Many of these factors are accelerated through the current Covid-19 pandemic. As pointed out before, BMI in the insurance sector is mainly focused on creating **new activity system content** and **new activity system structures**.

BMs leveraging **new activity system content** mainly include the sales of new insurance products or new insurance product combinations. BMs focussing on **new activity system structures** frequently offer more advanced (and convenient) CRM tools for insurance brokers and provide more efficient ways of lead sourcing as well as distribution.

The underlying choices of these new BMs, thus, emphasize customer centricity (either insurance broker or policyholder), apply new technologies, and aim to digitalise search, advisory, sales, and customer management processes. In parallel, they incorporate most of the important success factors for BMI, namely being novel, locking-in customers and providing efficiencies. Related to this, these new BMs depict innovative choices regarding the go-to-

market strategy, the interaction between stakeholders (e.g., policyholder and insurer) and the introduction of new services and products. For instance, the insurtech “DeadHappy” is very focused on leveraging social media for their go-to-market approach and offers easy to understand and to personalize life insurances through completely digital channels. This insurtech represents BMI very clearly.

Hence, it can be stated that BMs in the insurance industry are changing from, on the one hand, being product-focused to being more process-oriented, and, on the other hand, from holding customers outside the loop to achieving direct customer relationships.

Especially the relevance of the latter development - direct customer contact - is reflected by the fact, that 30% of insurtechs focus on disintermediating the customer and including them in as many process steps as possible. But also, the trend to create an improved and seamless digital experience for the customer, be it insurance broker or end-consumer, is taken up by the majority of new players in the insurance market.

From the perspective of the authors, it is evident that these developments will continue to transform the insurance industry in the next years, pushing traditional insurers to adapt their BMs and to eventually collaborate with fresh players like insurtechs. As pointed out in the beginning, being ready to constantly innovate one’s BM due to market changes represents a necessary condition to remain competitive. The next years will show, which insurance companies have this ability and who will lead the change in the industry. Concrete recommendations for traditional insurers on how to innovate their BMs can be found in the appendix – Table 5.

5.2. Discussion of the Implications for Insurance Brokers

Relating these industry changes with the implications for insurance brokers in terms of needs and tools, it generally can be concluded that the role of insurance brokers is fundamentally changing - a process which is accelerated by the Covid-19 pandemic, too.

This transformation is affecting all essential parts of a broker's working spectrum: client acquisition, client interaction, product offering and administrative work. Due to the shift of consumer behaviour and the growing digital offer provided by insurtechs, the authors expect that the process of selling standardized and conventional products will continuously be moved to digital platforms. In the long term, a large number of insurance brokers will, thus, become obsolete in their current function. The brokers who will survive are those who understand early that their role must change: From a typical salesman with a standardised offer to a **problem solver**. This implies offering personalized products and services as well as having the right toolset at hand that enables the desired customer experience.

Looking at this future role, various needs will have to be met to make the change possible for the individual broker. The following needs were identified by the authors:

The conducted survey indicated that **client acquisition** is one of the biggest challenges that brokers are facing. Hence, from the evolving trends in consumer behaviour and the conclusions drawn from the qualitative and quantitative analyses, one distinctive need becomes clear: Brokers must be enabled to generate leads online.

Regarding **client interaction** the authors are convinced that the only future-proof approach is a hybrid model, allowing clients to have both a rich digital and interpersonal experience. Hence, brokers need proper tools that enable them to communicate and exchange documents more efficiently, putting the client's needs at the centre of a digital and seamless process, which is enriched through personal advice at the right places.

Moreover, brokers must provide a smart, easy to personalize, and regularly **updated product offering**. The more insurtechs sell insurances online, the more it is necessary to specialize in complex products. Consequently, brokers need to be enabled to analyse for which products or policy buying decisions their personal consulting adds the most value.

One pain point stated by many brokers was the time consumed by **administrative tasks** like handling legal requirements, bureaucracy or claim management. According to the conducted survey, a majority of the brokers claims that they already use the right digital tools, even though they spend more than half of their working time on administrative activities. Therefore, brokers need to be educated in the usage of digital tools that can automate administrative tasks and save valuable time that could be converted into more sales.

At a first glance, these predicted changes and the associated needs may sound very radical, especially since the profession of the insurance broker is still lucrative in its current state. Still, 90% of the brokers stated that they feel ready to face up to the digitalisation of the insurance industry but very few indicated the right actions to keep up with the industry transformation. The authors are convinced that now is the right time to invest resources in transitioning towards more digital and specialized brokerage to remain competitive in the future.

5.3. Discussion of the Strategy, Business Model and Tactics of Planning4Life

5.3.1. Strategy

Whenever the set-up of an industry is changing, this creates opportunities for new businesses to strive. P4L could be one of the potential beneficiaries of this change in terms of addressing the new needs of brokers.

The most important finding should be stated at the beginning: like other successful start-ups, P4L has a clear and reasonable strategy. The founding team is currently finalising the last decisions about the BM, thus, defining how P4L should compete in the market. The previous analyses revealed that the start-up aims to position itself as a transparent, more social, and moral alternative to established insurers and banks. To achieve this positioning, P4L decided to use a BM, which main choices focus on differentiating its offering from competitors as well as partly on cost competitiveness. Generally, the start-up chose to provide solutions that deliver value to

both ends of the insurance's value chain: brokers and policyholders. From the authors perspective, these choices address quite well the overarching problem, which was pointed out during the interviews and other analyses: the lack of transparency in the insurance industry in terms of product-client fit. Most clients are not informed about which specific insurance coverage they need and what a reasonable price for such protection would be. Many insurance companies make use of this unknowingness and try to sell overpriced policies, that might not even deliver the needed coverage. Hence, many policyholders end up being exposed to unnecessary costs and risk, which is why many consumers lost trust in the insurance business. P4L's positioning as a partner for transparency, thus, represents a strong core value, and, if marketed successfully, can become an important differentiator to achieve a competitive advantage. Furthermore, P4L chose insurance brokers as a target group for P4LPRO as this will allow them to gain market share relatively quickly. On average, 80% of life insurances are sold through brokers (Insurance Information Institute 2020), thus, this seems to be a reasonable strategy. Looking at further recommendations to enhance its strategic positioning, the authors would suggest P4L to emphasize efforts on choices that improve the differentiation aspects rather than on competitive pricing. This is due to the fact, that differentiation rather allows for higher profit margins and that their offered products and services are quite innovative. Therefore, P4L can be considered as stand-out from the average insurer or CRM provider. In terms of concrete suggestions, P4L should emphasize the high-quality of its services and products, maybe even introducing some premium lines always focused on the distinct needs of its customers.

In conclusion, P4L has chosen a well-fitting strategy based on relevant industry problems and consumer needs. If implemented smoothly through its BM, P4L has the potential to become an important player in the Portuguese insurance market, and eventually also in international markets.

5.3.2. Business Model

Having discussed P4L's strategy, this section focusses in detail on its BM (more detailed BM graphic in the appendix – Fig. 16). The analysis presented here underlines the BM's alignment with the start-up's goals as well as its self-reinforcement and robustness. In parallel, distinct components of the BM, that could lead to very positive consequences as well as potential risk factors are examined.

In terms of the strategical alignment, it can be stated that the model presents fair consistency with the overarching business goals from P4L. Firstly, the chosen commission-free pricing model plays an important role in the construction and maintenance of P4L's purpose and future reputation. Secondly, creating partnerships with white label digital services is expected by P4L to lead to a lighter cost structure, which supports its competitive pricing ability.

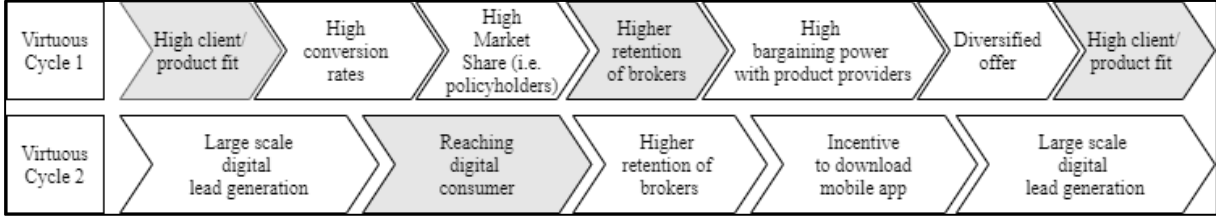
Looking at the BM's innovativeness, P4L creates **new activity system structures** as it links the insurance sales, advisory and data-management activities as well as the interaction between stakeholders in novel ways. Additionally, through the components discussed in more detail below, the BM bears large customer lock-in potential and offers both, increased efficiencies and complementarities – as recommended for sustainable and innovative BMs.

Moreover, the authors have identified the following key consequences that could potentially result in self-reinforcing virtuous cycles, contributing to the long-term robustness of the BM (highlighted in grey in the figure below):

- High client-broker and client-product fit (i.e., high transparency and effective matching)
- High retention of brokers
- Reaching the digital consumer (i.e., clients that look for policies online)

Figure 6 illustrates how these consequences could contribute to P4L's BM:

Figure 6: Virtuous cycles within Planning4Life's business model



Results from the authors’ primary analysis pointed out that a common challenge among brokers is to find the right product for the client while matching clients’ expectations on different dimensions such as price, customer support, claim management and others. Similarly, figure 6 suggests that it is essential for P4L to ensure that the platform allows for a good match not only between the client and the product, but also the client and the broker. Effective matches result in higher conversion rates which lead to a higher market share, ultimately attracting more brokers to use the software. With more users, P4L will be in a better negotiating position with product providers, eventually leading to a more diversified offering and higher margins.

Similarly, the ability to reach a more digitally affine audience is intertwined with achieving higher retention rates of brokers. In this virtuous cycle, leveraging lead generation and app synergies play an important role.

Yet, the start-up must be careful in balancing the trade-off between the development of its own innovative features and its cost competitive positioning in the market. This lack of focus, at least now, might lead to some negative consequences or even vicious cycles. In specific, the authors would name the following risks:

- **Inefficient allocation of resources:** When building up a new business with limited resources, it is common practice to start developing one specific product, solving one customer problem, and only once product-market fit is reached, further features or products are developed and integrated. P4L’s current BM, however, implies the creation of various complex features, from lead generation over lead-broker matching to CRM features and white-label integrations right at the beginning. Adding up to other

expenses, like customer support, which will be essential in the launching phase, the start-up might therefore be pushed to compromise the quality of its offering. Developing various solutions at the same time in a start-up environment with limited resources might lead to delays, reduced product quality or low user experience. In the long term that could cause churns, low retention, and low revenues. Furthermore, without a proper analysis on the cost of white-label tool integration, P4L might be misjudging the fact that this strategy leads to lower operating costs. The authors, therefore, propose to set specific key performance indicators (KPIs) based on strategic goals, for example gaining a fixed market share of a specific target group. Focusing on these indicators, feature development, as well as other business activities like marketing, should be prioritized.

- **No clear value proposition:** A broad positioning also bears a second risk: for a first mover in the market, with a broad and complex offering, the market entry might be slow and costly. It is difficult to design a go-to-market strategy and the corresponding marketing campaigns for a so far unknown product if it is not possible to advertise with a clear value proposition. Hence, the authors recommend defining specific target groups (for example young, digitally affine brokers) and communicating and delivering a clear value proposition to them (for example “P4L is the best tool to generate leads digitally”). Moreover, the authors propose launching the P4LPRO application focusing only on the core features (for example lead creation and broker-client matching) to then build more features step by step around the growing customer base, through which new components can be tested and validated.
- **Broker attraction and retention:** The main value proposition of P4LPRO is the offering of pre-qualified leads to brokers. However, this report revealed that brokers are generally not aware of the impact digital lead generation can have on their conversion

rates. Offering the option to buy leads might therefore not be a sufficient asset for P4L to acquire, and most importantly, to retain brokers. If brokers are not interested in buying leads, that could result in a large number of users opting for the basic subscription model of P4LPRO (i.e., not buying leads). If the value perception is not increased as brokers do not make use of the lead buying feature, that could result in higher-than-expected churn rates. Therefore, the authors recommend free trials of the most value generating features for brokers and a certain amount of “free-leads”, such that brokers can experience the value generated by lead acquisition.

- **Open space API / Integration of white-label tools:** The Open space API represents a potential risk. On the one hand, this choice supports the differentiation goals by allowing diverse tools to be added to the features list at minimal efforts. On the other hand, it must be considered that such relations with white label partners could represent a threat of substitution once the clients and the partners establish a relationship. Generally, P4L should make sure these white label tools can be completely customisable so that they can be aligned with the P4L brand. The tools must look like they belong to the platform otherwise they might induce switching behaviour.

In conclusion, P4L has built its BM on valid assumptions as the analyses above have shown and thus, achieved to create a robust and innovative BM. This BM has the potential to benefit from different virtuous cycles if the risks are taken care of appropriately.

5.3.3. Tactics

Combining the knowledge that was gathered during conducted research on the target group of P4L (i.e., brokers) with the key strategic and BM factors identified above, this section evaluates the residual choices open to the start-up to react to certain contingencies. Firstly, specific recommendations regarding the P4L’s go-to-market approach are given. Secondly, the authors

identified distinct features, that could be included in the P4LPRO application, to further strengthen the BM (complete list in appendix – Table 9).

In terms of the go-to-market approach, P4L must firstly design and implement an effective market-entry (i.e., make brokers sign up to P4LPRO) and secondly deliver the promised value to retain brokers (i.e., prove brokers the advantages of P4LPRO).

Using appropriate tactics allows P4L to target the right pain points of a distinct segment with the most suitable sales and marketing process. Based on the insights provided in this report, it can be stated that P4L mainly targets two types of segments: On the one hand, there is the smaller segment of brokers, who are already quite digitally affine and actively looking for tools to position themselves more digital (segment 1). Presumably, they do this either because they know that it is necessary to reach higher conversion rates or simply to keep up with current trends and to make their business robust for the future. Within this segment P4L's unique selling proposition is that P4LPRO is providing the best digital broker tool available in the Portuguese market. Targeting this segment is expected to be comparably easy, as P4L can sell brokers a tool that they are looking for. Marketing activities should hence focus on showcasing the most relevant features. Based on the survey questions regarding lead purchasing, the authors locate 30% of Portuguese brokers in this segment. The authors expect these brokers to be valuable first customers as they can be engaged in a feedback loop allowing P4L to constantly evaluate the application.

On the other hand, to gain significant market share, it is necessary for P4L to win a big share of the most dominant segment of brokers: Brokers who are currently well off and not aware of the risks of digitalisation or are convinced that they are already well positioned in the digital market (segment 2). Here the market entry strategy is more complex, as P4L needs to sell these brokers a tool that they are not yet looking for. The APROSE survey did not provide clear indicators for an active demand for software like P4LPRO. Hence, as a first step brokers must

be made aware of the current changes in the insurance industry and the threats they represent for the traditional mediation of insurance. To put it simply: This segment must be convinced that their job is at risk if they do not adapt to digitalisation. Once brokers are persuaded that the future of brokerage is based on generating leads online and digital client management, P4L must show that P4LPRO is the proper solution to face the challenges.

The P4L team stated that their focus will be on the second segment, considering it as their mission to help brokers keeping up with challenges of digitalisation. However, the authors recommend considering the targeting of this segment as a rather long-term objective. In the short-term it might be cheaper and faster to win more digitally affine brokers as users, and hence, focusing on the first segment increases the chances to quickly gain traction. The authors, therefore, propose a specific set of marketing tactics for each segment: The tactics for segment 1 focus on quickly winning this target group as users (list of tactics in appendix – Table 6). The tactics for segment 2, however, firstly focus on educating the brokers about the industry changes (list of tactics in appendix – Table 7). One example would be a landing page where brokers can do a short test on how future-proof their broker business is (example questions in appendix – Table 8, example design in appendix – Fig. 17). Of course, at a later stage, P4L also needs to convince segment 2 brokers to download and try the application. One tactic proposed by the authors is to send out physical letters that include a QR code leading to the app store (template in appendix – Fig. 18). In general, the authors see it as essential to make use of the different marketing tactics at the right point of time (matrix with timeline in appendix – Fig. 19).

Once the broker's interest in P4L is aroused, they must be channelled into a smooth sales process. The authors are convinced that a suitable sales tactic is based on a hybrid model: Brokers should be able to access the tool digitally and self-onboard in the least complex way. Meanwhile, P4LPRO should set up an onboarding-team that offers brokers personal phone

support where needed, for example when it comes to integrating data from formally used CRM tools.

To retain brokers after signing up to P4LPRO, the tool must deliver sufficient value, meaning offering the right features. Therefore, a feature analysis was conducted to evaluate which potential features of P4LPRO could lead to the highest competitive advantage for P4L. The four most relevant features are examined below and are divided into short-term (features that need to be included for the product launch in Spring 2021) and long-term (features that only become relevant after all short-term ones are implemented and tested sufficiently) activities:

- **Insurance communication integration (short-term):** it was concluded from primary research that communication with insurance companies often represents a struggle. However, integrated communications can be quite complex to implement. A simple alternative could consist of a standard report that could be automatically filled up, upon brokers' request, with the most relevant information on the policyholder and its policies, in the context of the communication with insurance companies. In case brokers experience a problem that requires the involvement of an insurance company, brokers could send "issues" to the respective insurance company attached to such reports.
- **Creation of lead market (short-term):** the creation of a lead market is an innovative tactic that P4L has been working on. Considering the brokers' challenges that were previously highlighted, this feature could add great value. Nevertheless, it is of extreme importance that leads are well identified (i.e., scored) and are handled by brokers that can match the expectations the client has on future policies. Essentially, P4L must ensure an efficient fit between the leads and the brokers to drive customer satisfaction to the desired levels. The following feature could be a solution to this issue.
- **Bidirectional lead scoring (long-term):** Most CRM solutions include a basic and unidirectional lead scoring feature. However, our analysis revealed that different

brokers have different preferences for different leads, depending on their expertise areas. A bidirectional lead scoring feature would allow brokers to set “lead preferences” and adapt lead scoring to their core competencies. The quality of the lead would this way be adjusted to each broker depending on their preferences, contributing to a more efficient match between the broker and the policyholder.

- **Advice on new policy products (long-term):** To keep up with customer’s needs and expectations, P4L could implement a product screening feature that allows brokers and possible traditional insurance companies to be informed on new market trends and products.

In summary, P4L has quite a few tactical moves available to optimize its go-to-market approach as well as to adjust its service and product offering. Thus, the start-up could achieve a large impact on the insurance sector.

6.0 Conclusion

Concluding, this case study has examined how the insurance industry is changing and how this affects the BM of companies in this sector. This examination has revealed that the industry is becoming more customer-centric, more process-oriented and starts to leverage new technologies and digitalisation. Consequently, new players are entering the market and new business models are emerging, emphasizing the factors mentioned before. These developments are accelerated by the current Covid-19 pandemic.

Furthermore, through qualitative and quantitative analysis, it was evaluated how this industry transformation influences brokers in terms of their needs and distinct tools. Currently, most brokers’ use of digital tools is quite limited as well as their knowledge in this area. However, many clients will require a seamless digital sales process in the near future. Thus, there might arise a gap between supply and demand, since brokers cannot reach the majority of their clients

through traditional, non-digital, sales channels anymore. Through the conducted analyses, it was clearly shown that brokers are only partially aware of this threat. Additionally, distinct needs, that must be fulfilled to enable brokers to compete in a digitalised market, have been identified. Among others these are that brokers need to be enabled to generate leads online, they need to offer a hybrid customer experience using both, personal-advice, and digital tools, emphasizing their strengths, and brokers need to regularly update their product offering always focusing on personalisation.

In parallel, this report investigated if and how the offer of the start-up P4L can address these new broker needs. With its product P4LPRO, the start-up aims to be one of the first movers in the Portuguese market to offer brokers a more digital sales, advisory and data management experience, that is convenient and promises to increase their sales through digital channels. However, the brokers who P4L is targeting mostly did not realize yet that, firstly these industry changes might represent a threat to their business very soon, and secondly that their work processes could be much more efficient using more digital tools. Hence, in a first step, P4L needs to make these brokers aware of their current and expected pain points to build up the need for its product/services. To achieve this awareness and in a second step enough sales, P4L needs to develop a careful and precise targeting strategy as well as develop the core features of P4LPRO in high-quality before focusing on broadening its offer. To find its original product-market fit, the start-up should further leverage its existing customer base to test features and understand their needs and behaviour. Currently, it is difficult to project how the insurance industry will look like in ten years from now. But it can be assumed that it will have transformed fundamentally, and many established insurers will have joined forces with insurtechs. Generally, taking up the ongoing trends and having an innovative BM like P4L will be crucial to drive the change and maybe even be ahead of it.

Furthermore, looking at limitations of this case study, the authors must point out that the findings from the qualitative interviews are based on subjective opinions of the interviewees and that the comparability of the interviews is limited. This is because the questions partly varied due to the different expertise of the interviewees.

Another limitation is that the feature evaluation is only based on a broad CRM benchmarking and the judgement of the authors on the assumed ease of implementation, achievable impact, and differentiation potential. Although the results were verified with the CTO of P4L, this evaluation might not always reflect reality. Additionally, the authors would like to emphasize that all given recommendations are only based on the limited data-set available, which is the interviews and the survey. Hence, other studies with more data or in other geographies might come to different results. The last limitation refers to the fact that P4L, to the knowledge of the authors, did not test any hypothesis on its target group or product offering yet by itself. Therefore, this case study tried to investigate reasonable hypotheses for the business of P4L and to draw a valid conclusion from it. However, this investigation might not include all relevant hypotheses, that need to be tested, to ensure that the start-up achieves an appropriate product-market fit. An additional scenario planning analysis with different scenarios for the go-to-market approach of P4L was out of scope for this case study.

Finally, in terms of areas for further research, the development and the effectiveness of lead buying and selling in the insurance industry could be investigated in more depth. Additionally, it could be examined if, from an IT architecture perspective, small agile but discrete services would be easier to maintain and innovate than monolithic all-in-one solutions like the offering of P4L. The authors hope to have contributed with this research to a clearer picture on how the insurance industry is transforming, how the job of being an insurance broker is changing and how P4L could benefit from these developments.

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Appendix

Table 2: Definitions

Term	Definition
CRM system	With this expression the authors refer to the organized interaction between the broker and his clients. CRM systems are provided by technology companies and help to manage customer data (e.g., mail-address) and external interactions with customers (e.g., sent e-mails) in one platform.
Fintech	There is no clear definition of the concept of a fintech company. Combining the words “financial services” and “technology”, fintech companies are commonly understood to be young undertakings that provide specialised and in particular customer-oriented financial services using technology-based systems. (FFSA, n.d.)
Insurance agent	In contrast to an insurance broker, an insurance agent offers the products of only one company. (insurEYE, n.d.)
Insurance policyholder	A person, a company, or group of people, who own an insurance policy. In the case where a person is seeking for a policy in the future, the term “client” or consumer” is used.
Insurtech	There are similar difficulties in defining Insure-techs as it is the case for Fin-techs. Generally, the term refers to innovative (start-up) companies, which specialize on digitalising certain insurance (or financial) services. It consists of the two words “insurance” and “technology”. (Gabler Banklexikon, 2018)
Lead	As a lead the authors understand a set of data from a person that may potentially become a client. Receiving a lead means receiving the relevant contact data of a potential buyer to start a sales interaction. (Investopedia, 2020) If the data set contains only the contact details of such a person, it is referred to as a cold or unqualified lead. If the data set contains more information relevant to influence the purchasing decision, it is called a warm or qualified lead.
Insurance broker (broker)	Insurance brokers are licensed to sell insurance and typically work with multiple insurance companies offering a variety of products to their customers. A broker is able to compare numerous products of the companies they work with and thus is often seen as a more consumer-friendly option when compared to insurance agents. (insurEYE, n.d.) In this paper the authors refer to “Traditional” Insurance Brokers as individuals who are established on the insurance market and tend to sell their products via less digital ways than insurtechs, e.g., by conducting phone calls and sending physical letters.
Insurance company	A business that provides coverage, in the form of compensation resulting from loss, damages, injury, treatment or hardship in exchange for premium payments. The company calculates the risk of occurrence then determines the cost to replace (pay for) the loss to determine the premium amount. (Investopedia, 2020) In this paper the authors refer to “Traditional” Insurance Companies as institutions that are established on the insurance market and tend

Term	Definition
	to sell their products via less digital ways than insurtechs, e.g., by employing a physical sales force.

Table 3: Contact persons at Planning4Life

#	Name of P4L employee	Position	Meetings
1	Igor de Brito	Founder / CEO	07.09.2020 18.09.2020 22.09.2020
2	Rui Ribeiro	CTO	07.09.2020 18.09.2020 22.09.2020 Weekly Touchpoint (September – December 2020)
3	Diogo Mendonca	COO	06.10.2020 03.11.2020
4	Sonja Botelho	Broker for HiSonia	26.10.2020

Table 4: List of interviewees (incl. company, position, and date)

#	Name of Interviewee	Company	Position	Date
1	Thorsten Schröder	INASCO GmbH	Insurance Broker	06.10.2020
2	Christian Betz	St. Gallen Research Institute (University)	PhD Candidate / Assistant Researcher	07.10.2020
3	Tim Klopsch	Baden-Württembergische Landesbank	Head of Innovation	16.10.2020
4	Luis Catarino	Catatino Seguros	Managing Partner	01.10.2020
5	Rita Freytag	Self-employed / no company	Insurance Broker	06.10.2020
6	Rui Leite	Tranquilidade	Insurance Agent	07.10.2020
7	Robin Wittke	Self-employed / collaboration with AXA	Insurance broker	14.10.2020
8	Lukas Becklas	Self employed	Sales Trainer for Insurance Brokers and Agents, former Agent at HDI Versicherung	19.10.2020
9	Paulo Leal	Murges Seguros (self-employed)	Insurance Broker	22.10.2020
10	Tobias Worm	Self employed	Insurance Broker	23.10.2020

Table 5: Strategic BMI recommendations for insurance companies

#	Business model innovation recommendations
1	Conduct client surveys to better understand the needs and pain points of policyholders in current processes. For instance, do policyholders feel they have an overview about their insurance coverage?
2	Create departments focused on investigating new technologies and how they could be applied to the insurance business.

#	Business model innovation recommendations
3	Create own start-ups to test new business model approaches and refine them before applying them to the large business.
4	Move from waterfall-project management to more agile approaches to enable quicker testing of new business model approaches.
5	Enter partnerships with more agile players in the market to benefit from its capabilities and increase the willingness of own employees to adapt.

Table 6: Tactical go-to-market recommendations for P4LPRO for segment 1

#	Tactics to address segment 1 (digitally affine brokers)
1	Free Trials upon download: Brokers can try the “pro-version” for a month when downloading the app.
2	Free leads for inviting a friend: Brokers receive a certain number of leads if they recruit another broker
3	Video “walk through P4L Pro”: YouTube Video with influential Broker who tries out all features of P4LPro.
4	Social Media Ads: Targeted adds that focus on digitally affine brokers.

Table 7: Tactical go-to-market recommendations for P4LPRO for segment 2

#	Tactics to address segment 2 (less-digital brokers)
1	“Digi-Check”: Landing page where brokers/agents can do a short test on how future-proof their broker business is. A questionnaire tests the digital knowledge of the broker, followed by questions that make him/her get aware of the threats of digitalization. After finishing the test, there is a call to action to try the app or get in touch with P4LPRO.
2	Webinars on “how to win digital”: Free webinars with an “P4L expert” who talks about the changes in the industry and how to keep up with them.
3	Testimonials: Showcasing the stories of “traditional” brokers who faced their problems, changed their business with P4LPRO and are now more successful. The goal would be for other brokers to identify with these examples.
4	Content marketing: Interviews, blog articles, reports around the topic of digitalising the broker journey and potential threats of digitalization.
5	Vouchers for free leads: Campaigns like “sign up to our newsletter, receive 50 leads for free, and test P4LPRO today”.
6	Letters with QR Code: Sending an offer (e.g., free premium month or 50 free leads) via a letter that includes a QR code that leads to the app-store.
7	First month with coaching: Onboarding month where the broker gets support on setting everything up (e.g., create landing-page to receive leads, migrate data etc.)

Table 8: Potential questions for “Digi-check”

#	The form on the landing page could include the following steps
1	Which of the following tools do you use to win new clients? (Landing-page, I buy leads, Newsletters, Social Media)
2	What type of insurance are you specialized on? (Different options that get a scoring based on complexity, e.g., life insurance=10; car insurance = 4 etc.)
3	How much time do you spend on administrative tasks per day? (scale 1-8 hours)
4	Which of the following tools do you use to interact with your clients? (DocuSign, Drive, Video Call, CRM software)

#	The form on the landing page could include the following steps
5	Basic Result + Call to action (“enter your e-mail address to receive a full report & tips on how to become more digital”)

Table 9: Feature recommendations for P4LPRO application

#	Feature recommendations – short-term implementation	Feature recommendations –long-term implementation
1	Filters by indicators (i.e., age, location, household, income, interests, assets, etc)	Bidirectional lead scoring
2	Insurance communications issue reports	Life events time frame
3	Lead generators	Data migration
4	Automated Email Sending	Product info and client fit
5	-	Bank integration

Figure 7: Value of capital invested in insurance tech companies worldwide from 2012 to H2 2019 (in billion \$US)

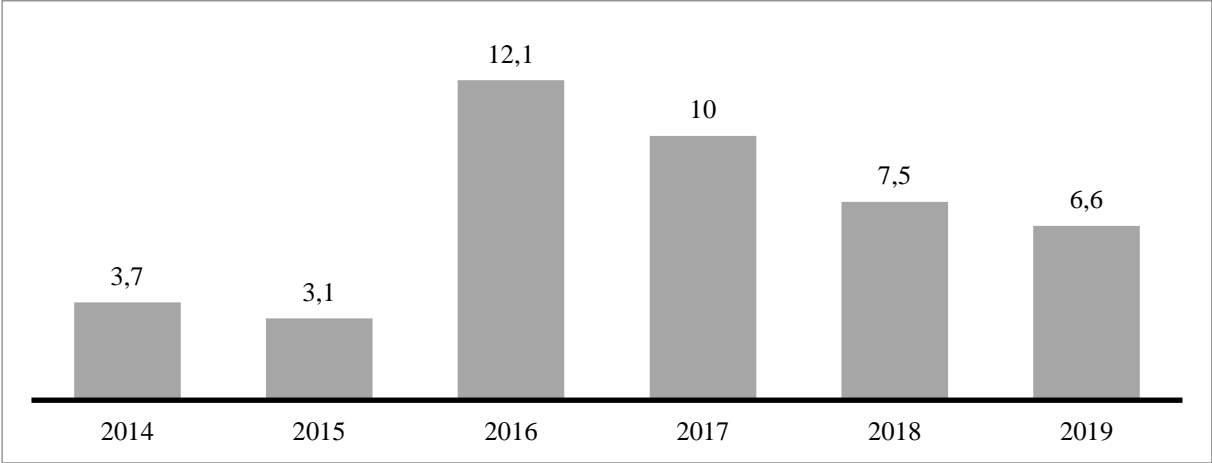


Figure 8: Gross premiums generated by the insurance industry worldwide 2000 to 2018 (in trillion \$US)

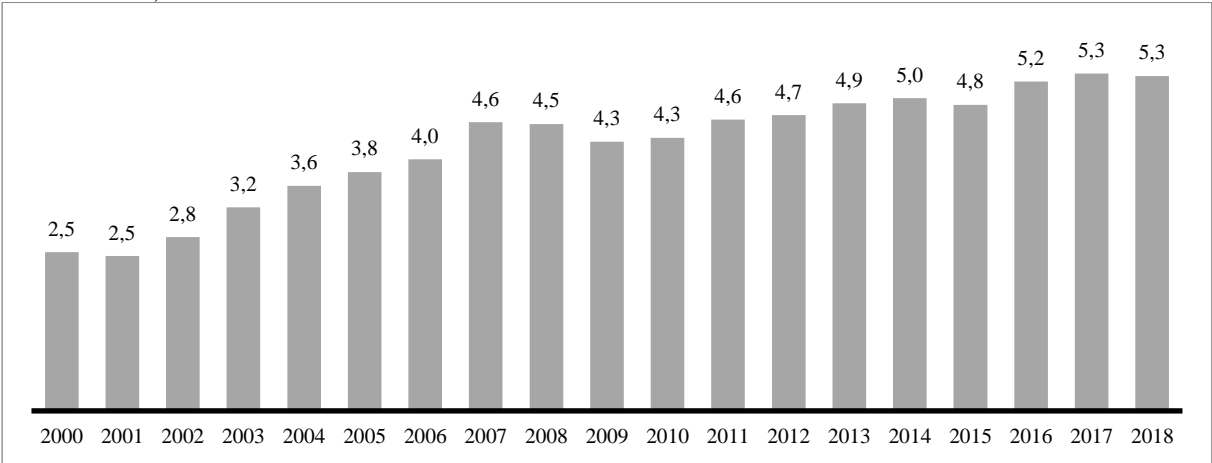


Figure 9: Leading life and nonlife direct premium writing countries globally in 2019, by value of premiums (in billion \$US)

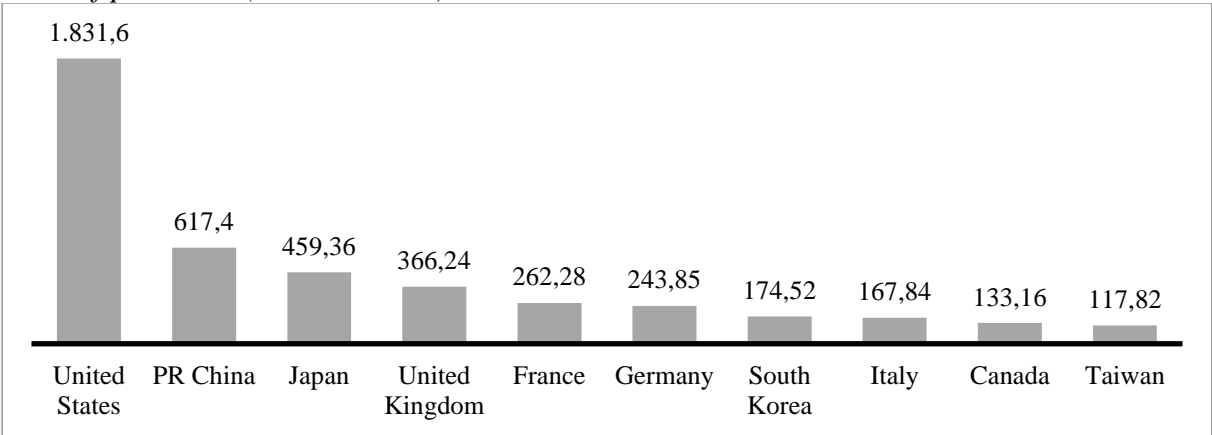


Figure 10: Leading insurance brokers globally in 2019, by revenue (in billion \$US)

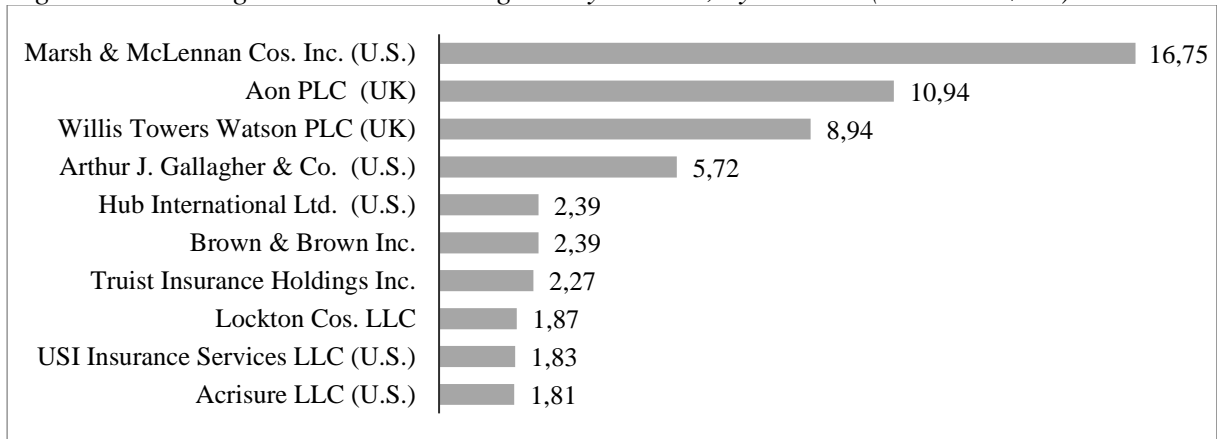


Figure 11: Insurtech adoption of new technologies and concepts (% of insurtechs applying these new technologies – based on McKinsey Panorama Insurtech Database, 2017)

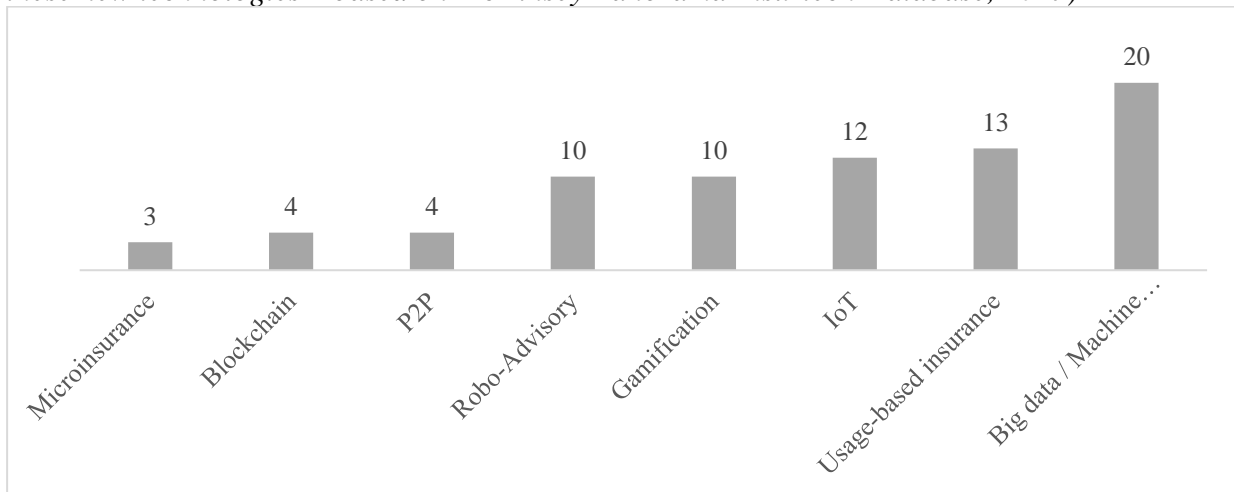


Figure 12: Insurtech value drivers (based on McKinsey Panorama Insurtech Database, 2017)

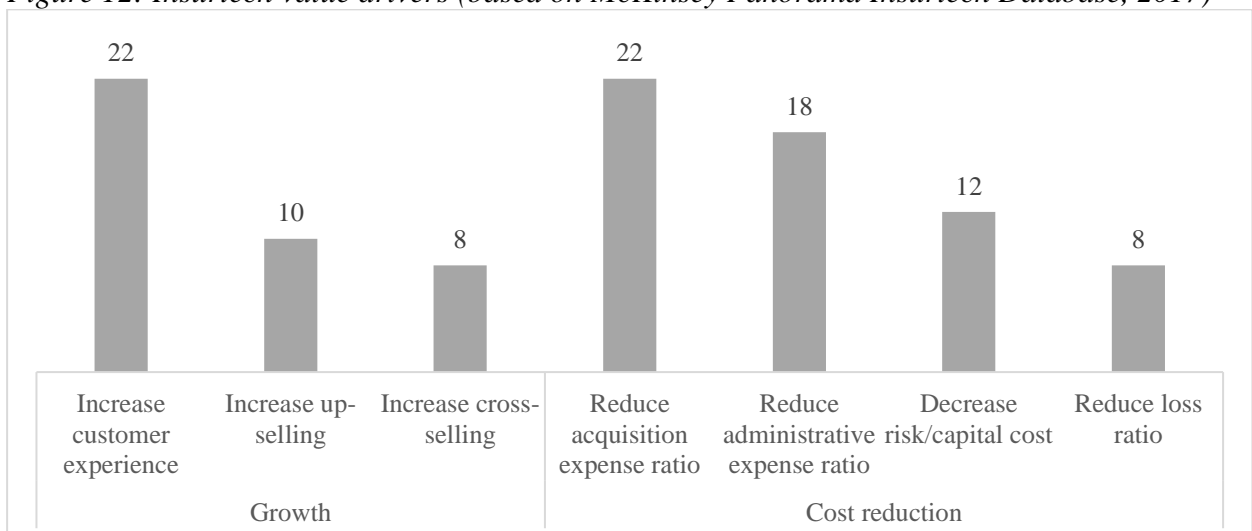


Figure 13: Insurtech's role in the insurance value chain (based on McKinsey Panorama Insurtech Database, 2017)

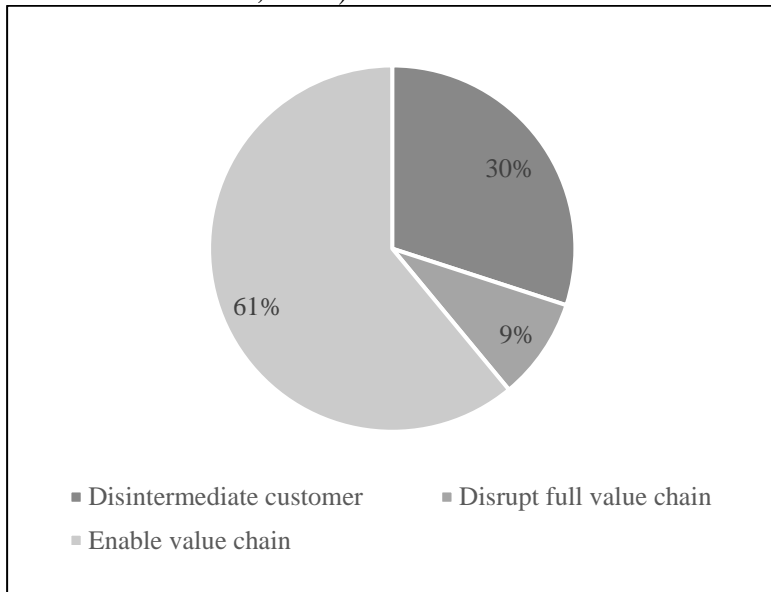
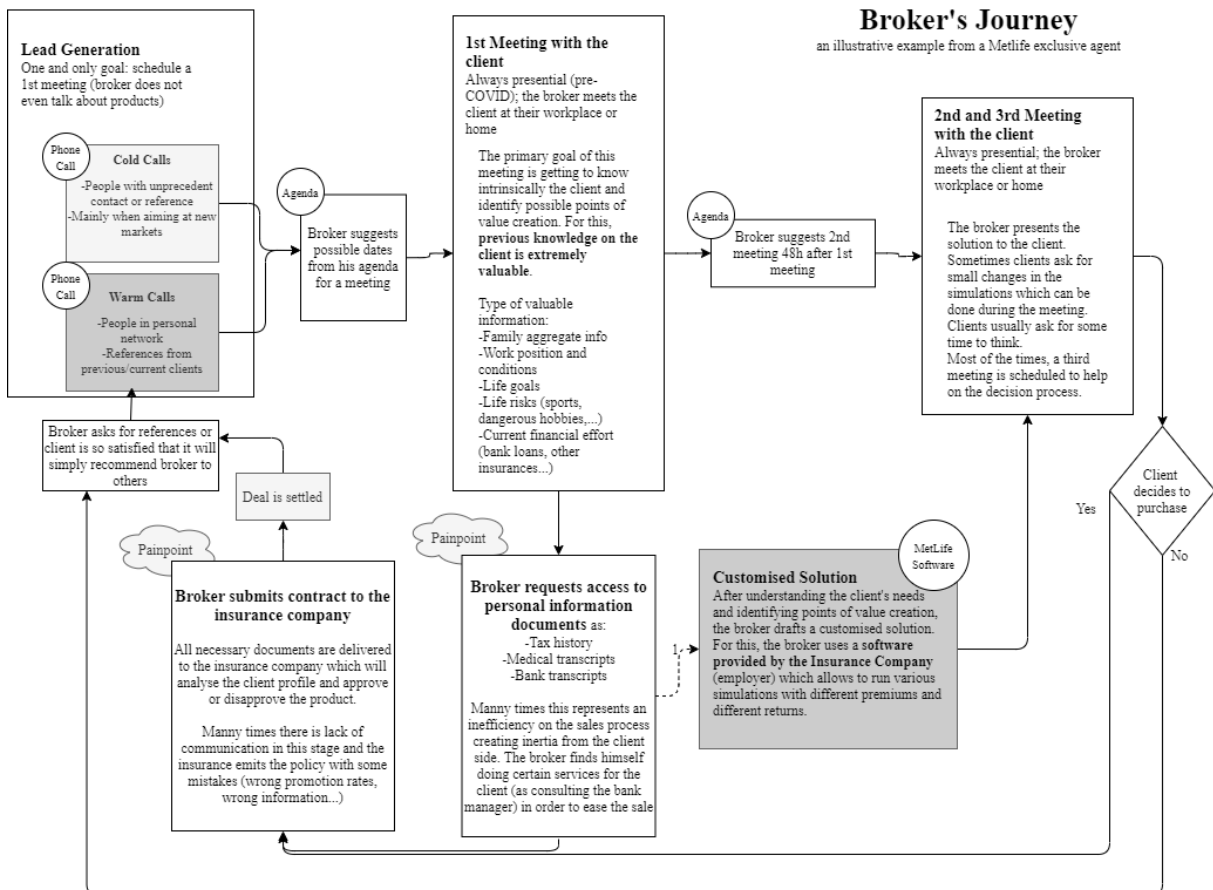


Figure 14: Traditional Insurance Broker Work Processes



Notes:
1. Many times the client will not provide access to this information promptly. In this case, the broker asks for rough estimations (e.g. the average salary over the last years) that clients can think of without having to resort to historical documentation. Additionally, the medical transcript has been an extreme challenge to overcome due to COVID restrictions. Access to documentation is perhaps one of the biggest painpoints for brokers.

Figure 15: Feature analysis - Perceptual map

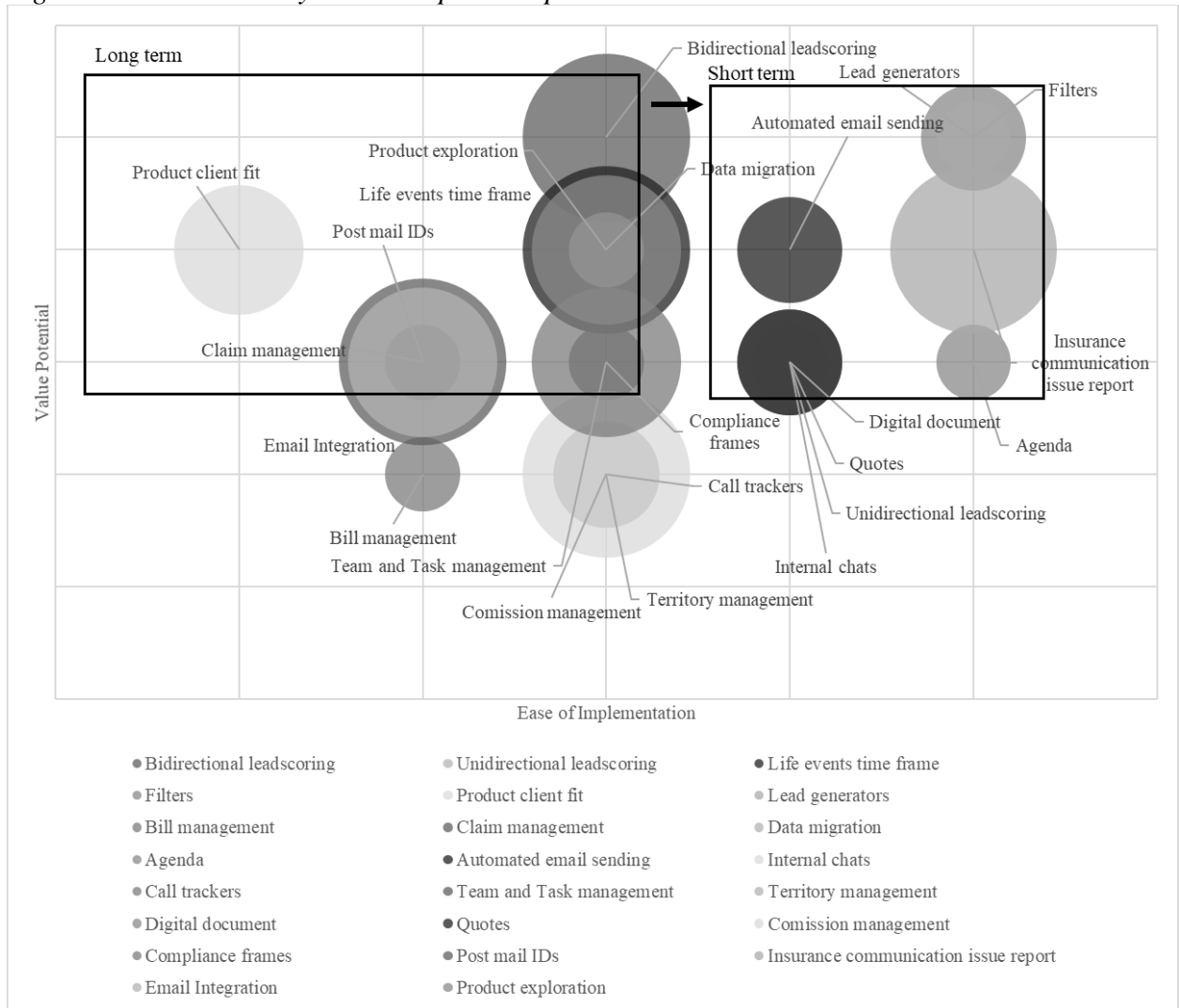


Figure 16: Detailed representation of Planning4Life's business model (following the logic of Casadesus-Masanell and Ricart)

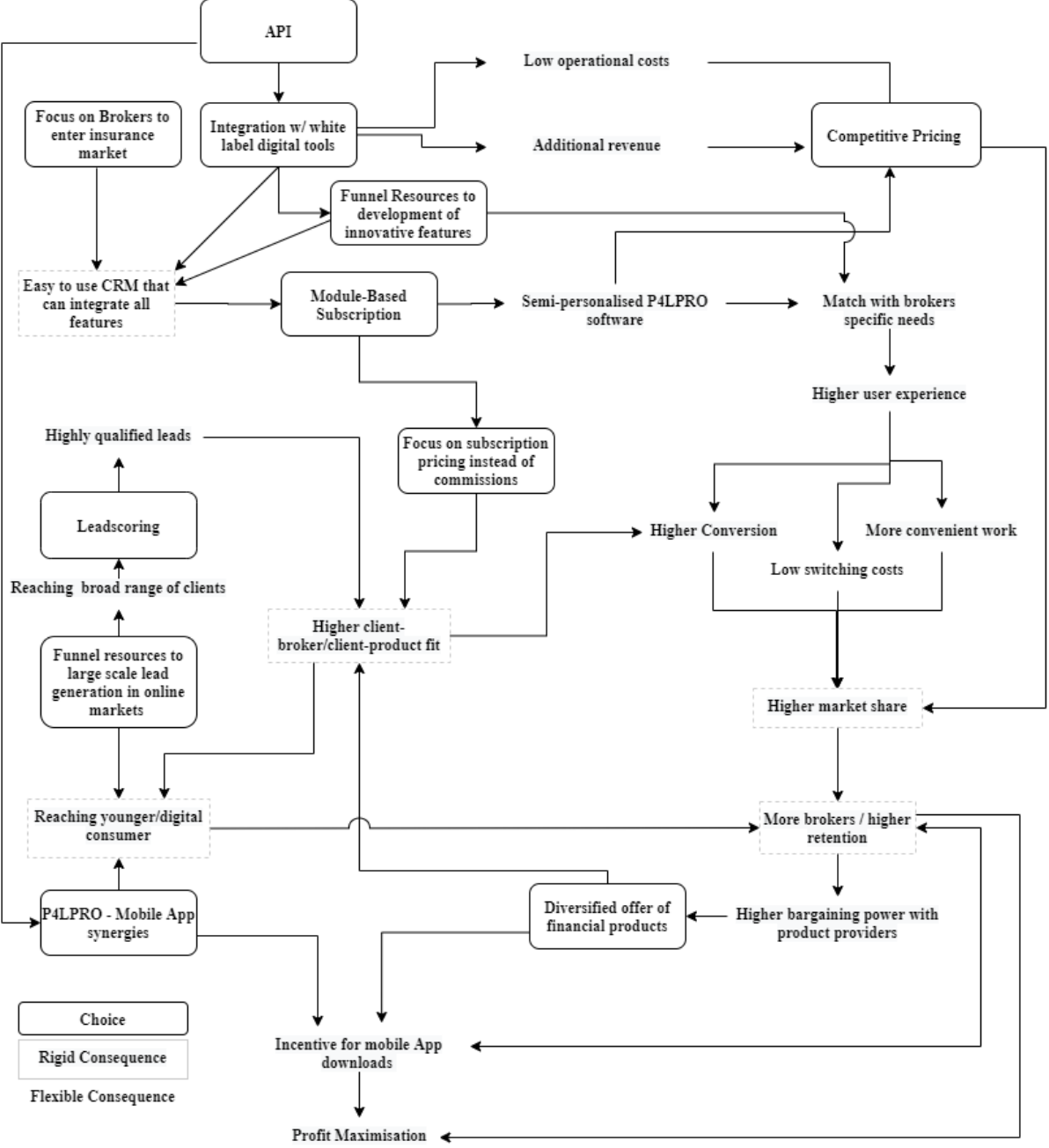


Figure 17: Example landing page for “Digi-check”

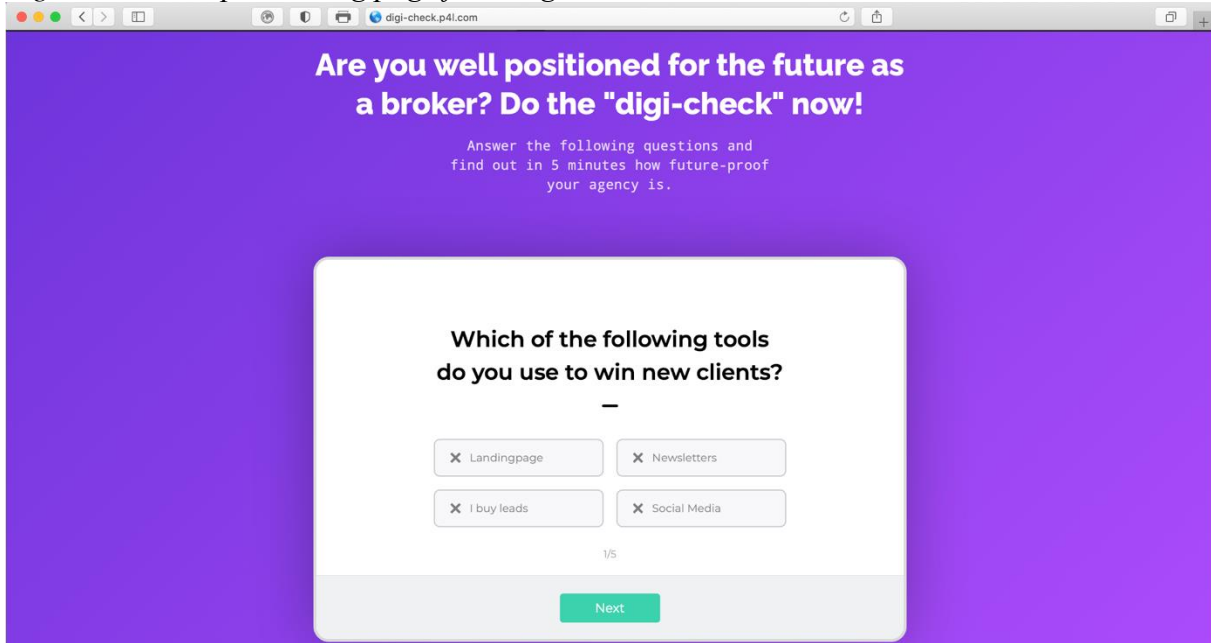



Figure 18: Template for QR code letter



“Go digital and take your broker business to the next level”.

<<firs_name>> <<last_name>>
<<street>> << house_number >>
<<city>>
<< postcode >>


Dear <<title>> <<last_name>>,

my name is Igor De Brito, CEO of Planning4Life, and I have personally set myself the goal of bringing the insurance industry in Portugal into the digital age.

P4LPro is the leading software for brokers in Portugal who want to increase their turnover and work more efficiently.

In order for you explore the added value of our broker application, we offer you a free trial month of P4LProPremium and 50 free client contacts (leads).

All you need to do is scan the QR code and download the app...



...and enter your personal promotion code: YZ65HksQ

After the trial month, your account will automatically be switched to the limited freemium version of P4LPro, hence,there are no costs.

You can find further information on our website: **p4lpro.com**

If you have any further questions, our team is there for you:
Call us at **250-342-8923** or email us at **info@p4lpro.com** for further advice.

Become part of the movement and shape the future of the insurance industry!

Sincerely,

I.D. Brito

CEO, Planning4Life Inc.

Figure 19: Overview of proposed marketing tactics

