

PRESS RELEASE

Europe's 'neo-banks' open new opportunities for the distribution of creditor insurance

- *About 40 million people in Europe have an account with a neo-bank*
- *So far, these banks offer fewer insurance products than established banks, although partnerships are developing*
- *Creditor insurance is the leading opportunity for distribution through neo-banks*

London, 30 June 2023 –

A multitude of 'neo-banks' have been formed in recent years, offering a range of banking services through digital channels and especially mobile banking apps. Despite the rapid proliferation and growth of these organisations, however, Finaccord's research into European bancassurance has found that they remain a largely untapped channel for insurance distribution – and one that deserves insurers' close attention.

Finaccord's recent study of 379 banks and lending institutions in Europe included 31 neo-banks, applying two key criteria:

- they must be primarily digital, and are in most cases mobile-led;
- they must be new, or at least have come to prominence recently. For example, Orange Bank was excluded from this list because of its age – while it was one of the original mobile banks, it cannot be described as new anymore.

On the other hand, they don't have to be full-service banks, and a number of them offer a more limited range of services chiefly focused on payments.

Finaccord researched 50 country-specific operations of these institutions across 15 European countries. While most are active in only one country, a few are active in many places, notably N26 and Revolut. These two also have the most customers, with estimated 7.5 million and 10 million customers for the operations that were researched, respectively.

Other leading neo-banks in this study are MyInvestor and Starling Bank (3 million customers in Spain and the UK respectively), Atom, Lunar and Lydia (each with about 2 million customers in the UK, Scandinavia and France respectively), plus FinecoBank and Hype (with about 1.5 million customers each, both in Italy). There are an estimated 38 million customers in total for the 50 banking operations included in this study.

Key findings include:

- **Neo-banks currently have many fewer bancassurance partnerships than more established banks**, in part because they are so new that such partnerships have not been a priority while they have been building up their core technology, banking products and customer base.

For example, only 8% of these neo-banks offered home insurance compared to 39% of Finaccord's total survey, though the difference was less for travel insurance (14% compared to 25%), in keeping with the appeal that neo-banks have to consumers who are often internationally mobile.

- In keeping with this channel's under-developed nature, only two of the partnerships held by neo-banks are run by a captive underwriter, compared to nearly a quarter of all bancassurance partnerships in place with banks and other lenders, making neo-banks potentially **more open to working with external insurers**.
- **The opportunity that stands out is for creditor insurance.** If a customer takes out a credit card, consumer finance or mortgage from a neo-bank, then their relationship for creditor insurance is just as strong as it is for conventional banks – this is about a direct up-sell, not just using a bank's customer base and brand to get unrelated sales. Yet only 21% of neo-banks that sell consumer finance offered creditor insurance with it, compared to 67% across all of the banks and lenders that were studied.
- **The difference was even greater for credit cards and mortgages:** just 6% of neo-banks that sell credit cards and none of those selling mortgages offered creditor insurance with these products, compared to 25% and 67% for all banks and lenders, respectively.

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Notes to editors:

Finaccord is part of Aon's Strategy and Technology Group. It provides market research, data and consulting services on insurance, with a particular focus on marketing and distribution topics such as affinity marketing, bancassurance and strategic alliances, as well as commercial lines insurance.

Finaccord's series of reports on bancassurance in Europe is about the distribution of insurance products through banks and other lending institutions in 15 European countries. Based on a survey of 545 organisations, it identified a total of 2,188 bancassurance distribution partnerships in place for 15 separate insurance products, and highlights the operating models and product providers used. The study also provides data on gross written premiums for life, non-life and creditor insurance, the distribution channel share held by bancassurance, and outstanding balances for the consumer lending market.