



New  
Direction



# **ANALYSIS OF THE CURRENT SITUATION OF THE LEGALTECH, INSURTECH AND WEALTHTECH SECTOR IN THE EUROPEAN UNION**

**Challenges and Future Prospects**



Founded by Margaret Thatcher in 2009 as the intellectual hub of European Conservatism, New Direction has established academic networks across Europe and research partnerships throughout the world.

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## INTRODUCTION AND PURPOSE OF THE STUDY

In recent years, we have witnessed an accelerated process of digitalisation in society, including in some of the most traditional sectors of the economy, such as the legal services sector, the insurance sector and advice on financial and savings products. This growth in these sectors has revolutionised the provision of legal and financial advisory services, generating differentiated business models, emerging sectors and greater professionalisation in this area.

To date, there are several reports that address the state of play of the Legaltech sector in different jurisdictions. However, so far no comprehensive analysis has been published which, taking as a starting point the existing regulation and practices in the European Union, presents an overview of both the advantages and the potential impact that the materialisation of a hypothetical uniform law of the legal services market could have on the different market operators, which could give rise to a possible percentage concern. However, in the area of financial advice, there has been progress in terms of common regulation and clearer lines of action, highlighting that the maturity of this sector is more developed.

The main objective of this study is to analyse the current situation of each of these sectors of activity by starting the analysis with a diagnosis of the legal market for the provision of legal services in the European Union, taking into account both the internal and external challenges it faces.

It also aims to present three possible future scenarios that could arise in relation to the regulation of this market in the legal sphere. These scenarios are as follows:

- **State of inaction:** in this scenario, the current rules would be maintained without major changes, with the exception of specific regulations affecting employers or professionals in this area. In this scenario, there would be no further integration of the regulation of legal services in the EU.
- **Integrated model:** the existing sectoral regulation would be eliminated and a common services regulation

would be established to govern this market. This option seeks greater harmonisation and simplification of existing EU regulations, seeking to facilitate the cross-border provision of legal services.

- **Harmonised framework:** a single reference for the legal market would be established within a general regulation. Greater uniformity in legal services regulations in the EU would be sought, which could facilitate the creation of a more efficient and competitive market.

Although it is undoubtedly one of the fastest growing economic sectors at present, despite being sociologically known as very conservative, the world of law, in many aspects at least, has begun to evolve at quite an intense pace over the last few years, which has meant serious transformations in the way it is practised and managed. Thus, access to and management of information in legal practice has been migrating from classic paper to electronic formats. Despite this high degree of development and penetration of the ICT world in the legal profession and the judiciary, this area is one of the most demanding in the different forums related to the sector in the search for technological developments, solutions and innovations.

With the innovative, revolutionary and, above all, disruptive attributes of the term, the so-called Legaltech is already being presented in various fields with multiple, imaginative and excellent technological solutions that provide security and efficiency in a series of services that until recently had little or no technological intervention. In line with what has just been mentioned, and as an example in the case of Spain, it should be noted that with 21% of the overall share of the national legal market, the ICT sector in the Spanish legal world already has a turnover of 900 million euros, with a strong growth projection for certain types of technological services. It mainly affects different companies related to the LexTech ecosystem, not only nationally but also internationally, thus helping their internationalisation.

## THEORETICAL FRAMEWORK OF THE STUDY AND CONCEPTUALISATION OF THE DIFFERENT SECTORS

As mentioned above, the new dynamics of the legal and financial advice market force us a priori to resort to new terms which, although they have a long history in other economic contexts, have so far played little or no relevant role in the legal and financial sphere. It is therefore necessary to establish clear definitions for an effective understanding of the presentation.

The first novel term we come across is the concept of disruption, which is the abrupt alteration of a previous situation or the alteration of the system in which it occurs due to the influence of external agents, and this concept is of vital importance for the object of study of this research, since one of the distinguishing characteristics of technological methodologies is that of acting disruptively in markets. Thus, it is proposed to radically change the way legal and financial services are provided and interact with citizens.

In turn, we will very often use the term disruptive technology. In this report we will refer to it not as a univocal concept, but as a wide range of technologies that share a common goal: to introduce innovations that sharply alter the hitherto prevailing parameters in the different market sectors, revealing a pressing interest in change. Today's Media Technology and Telecommunications companies have been immersed in a series of changes of incalculable impact for years, and it is essential to bear them in mind when making decisions. These technologies are in the process of sharply disrupting and altering new markets, most often through radical business model changes, and pose one of the greatest technological threats.

The implications of these new disruptive technologies are vast and difficult to summarise in a few words. It is undeniable that they are rapidly changing the legal and business landscape, forcing legal entities to adapt or be left behind. Technological disruption has enabled the emergence of new business models

### 2.1. Conceptualisation and Dimensions of the Legaltech Sector

The term «Legaltech», as the sum of «legal» and «technology», is used to refer to the use of technology, especially artificial intelligence-based technologies, in activities related to legal services. The economic-business dimension of the Legaltech sector in the European Union

and innovative legal practices, challenging traditional methods and shaking the foundations of established firms.

The impact of these technologies can be both positive and negative. On the one hand, they offer exciting opportunities to improve efficiency, productivity and decision-making in the legal field. On the other hand, they pose significant challenges in terms of security, privacy and ethics. It is essential to address these issues proactively and ensure that disruptive technologies are used responsibly and in accordance with legal and ethical principles.

In this regard, it is crucial that legal and financial advisory professionals are prepared to embrace change and adopt new technologies in their daily practice. This requires an open mind, a willingness to learn and experiment, and a deep understanding of the legal and ethical implications of disruptive technologies.

Moreover, it is important to note that technological disruption affects not only advice professionals, but also citizens and consumers in general. The increasing digitisation and automation of advice services is transforming the way people access justice and receive legal advice or, in another order of priority, financial and savings advice. This poses challenges in terms of access to justice, fairness and quality of legal services available to all.

In short, disruptive technologies are revolutionising the legal and financial advisory market, representing both an opportunity and a challenge for firms and professionals in these sectors. It is crucial to embrace change, develop new skills and capabilities, and adapt to this new technology-driven environment. Only in this way can we make the most of the opportunities that these technologies bring and ensure that they are used responsibly and ethically for the benefit of all involved.

is driven by the high price and the semantic and regulatory complexity of the content of contracts. Legal regulation shows that, on the one hand, there are contracts that are highly standardised and not susceptible to relatively sophisticated innovation.

The Legaltech sector is constantly evolving, with an increase in the adoption of technological tools that facilitate document management, process automation and improved communication between lawyers and clients. Legaltech platforms offer solutions ranging from contract management to online legal advice, allowing legal professionals to optimise their time and resources. In addition, the digitisation of legal services is transforming the way these services are provided, making them more accessible and efficient. The integration of artificial intelligence in the legal field promises to revolutionise the way legal tasks are carried out, improving accuracy and reducing associated costs.

Today, the Legaltech sector is witnessing exponential growth, with increasingly disruptive innovations and highly advanced solutions that are changing the entire legal industry. The adoption of artificial intelligence-based technologies has proven to be an invaluable tool in simplifying complex tasks and optimising the resources used by legal professionals.

One of the main advantages of Legaltech's platforms is their ability to manage and store large volumes of legal documents efficiently and securely. These solutions use intelligent algorithms that enable the rapid extraction and analysis of relevant information, making it easier for lawyers to find and access the data needed for their cases. In addition, process automation has streamlined previously time-consuming tasks, leading to a significant improvement in the efficiency and productivity of legal work.

Another area where technology has had a significant impact is in the communication between lawyers and clients. Legaltech

### 2.2 Conceptualisation and Dimensions of the Insurtech Sector

The rise of financial services provided through digital means, commonly known as fintech, is significantly fostering the emergence of a specific sub-sector that has gained relevance in recent years: insurtech.

This sub-sector focuses exclusively on the use of advanced technology to create new products, optimise processes and develop innovative business models within the insurance sector. Alongside these developments, new competitors are emerging that are not considered insurance companies according to the business classifications used to define the different economic sub-sectors.

In this way, insurtech is characterised not only by innovation in the market, but also by the growing importance that the use of technology is having among insurance companies themselves. Indeed, those companies that have focused their activity on the development of technological applications, covering both hardware and software, to facilitate the operations of insurers, as well as other intermediaries, such as insurance companies and various companies whose business models are based on

platforms have facilitated interaction and information exchange, allowing clients to access legal services more quickly and easily. In addition, these solutions offer online legal advice services, giving users the possibility to get answers to their legal questions immediately and accurately.

The digital transformation in the legal sector has led to greater accessibility of legal services. In the past, hiring legal services could be expensive and exclusive to certain sectors of society. However, with the advancement of legal technologies, more and more people have access to quality legal services at more competitive prices. This has democratised access to justice and enabled more individuals and businesses to effectively enforce their legal rights.

As for the integration of artificial intelligence in the legal field, it promises to revolutionise the way legal tasks are carried out. AI-based algorithms are capable of analysing large amounts of legal data in record time, which significantly improves the accuracy and efficiency of the results. In addition, these algorithms can identify patterns and trends in legal information, helping legal professionals to have a more complete and accurate view of the cases they work on.

In conclusion, the Legaltech sector is living proof of technological advances and their impact on the legal industry. The adoption of artificial intelligence-based tools has significantly simplified and improved the way legal services are delivered. As this industry continues to evolve, we can expect Legal-Tech solutions to continue to transform the legal world, facilitating the work of legal professionals and improving access to justice for all.

innovation and the use of the competitive advantages provided by digital technology, also fall within the scope of insurtech. This fusion of technology and insurance presents unique opportunities and has transformed the way insurance products are managed and distributed.

The existence of heterogeneous results in aspects such as the number of companies operating in this segment, the volume of investment received or the diversification of the businesses offered as differentiating characteristics of some markets compared to others, suggests that, in reality, the starting market for insurtech is the European market. This market is generally considered first when analysing, from an international perspective, the projections and trends of a growing sector such as insurtech. However, despite the fact that access to the insurance market has improved considerably for fintechs and new opportunities have been generated, it is generally observed that insurtech projects prefer to focus their growth and business development in their country of origin. This is partly due to the fact that the concept of insurtech is not yet fully consolidated among the various players in the insurance sector.

In addition, there is some disorientation as to exactly what elements are part of this emerging sector. Companies are still in the process of understanding how to integrate effectively into this new paradigm and how to make the most of innovations to offer more efficient and competitive services in the global marketplace.

The insurance sector is of high interest and significant relevance in the contemporary European economy. In particular, in the year 2022, the European Union had a notable share with 1.3 trillion euros, representing almost 33% of the huge global insurance market, and in addition, this sector generated employment for approximately 1.1 million employees throughout the region. For example, the case of Spain is relevant at the European level, the weight of the insurance sector in relation to GDP at year-end 2022 declined slightly over the 2022 financial year, from 5.1% at year-end 2021 to 4.9% in 2022.

Spanish GDP has reached €1,327,108 million, 10% more than in 2021 at current prices. Gross earned premiums increased by 4.6% in 2022 as a result of the gradual economic recovery at all levels. This recovery, however, has been uneven across the different lines of business.

Life insurance saw significant growth in 2022, but without reaching pre-pandemic levels. The non-life branch, on the other hand, has increased its turnover to 40,486 million euros, with a growth of 5.6% in 2022, thus underlining the importance of this sector within the general economic structure of the region. Likewise, the insurance sector in each EU country is established and regulated by the directives established by the European Union itself, which allows for a certain degree of harmonisation at a transnational level.

**Primas devengadas brutas y variación (Total sector, Vida, No Vida)**  
(Datos millones de euros. Variación en %)

	2021	2022
Total sector	62.004	64.861
Ramo vida	23.667	24.375
Ramo no vida	38.337	40.486
PIB a p.m.*	1.206.842	1.327.108
<b>Variación Total</b>	<b>3,1%</b>	<b>4,6%</b>
<b>Variación Ramos vida</b>	<b>2,3%</b>	<b>3,0%</b>
<b>Variación Ramos no vida</b>	<b>3,6%</b>	<b>5,6%</b>
<b>Variación PIB a p.m.</b>	<b>7,9%</b>	<b>10,0%</b>

\* Fuente: INE

The irruption of digital technology is causing a significant transformation in the supply of insurance in Spain, and this implies the entry of a new class of competitors that, until now, were not fully positioned in the profitable insurance market: the large technology corporations. It is a proven fact that the conjunction of an existing digitalisation gap in society, in relation to the technological advances available, together with a changing consumer who has become more critical, more informed and more aware of his or her rights, adds complexity to the panorama.

In addition, the current insurance offer is very conservative and there is a high level of consumer ignorance in terms of product transparency. This environment, where after-sales service has become more relevant than at the time of attracting new customers, has created a favourable and attractive breeding ground for the commercial entry of competitors from other sectors. These competitors see the insurance market as a clear

opportunity to make a positive impact and thus reverse the historically low or non-existent satisfaction among insured consumers.

In this particular context, the question arises about insurance banking: will it be a joint business with the banking sector, or will it operate in isolation? There are several strategies that could be considered, such as an own articulation with key outlets and distributors, or the use of insurance exchange platforms in Europe.

Alternatively, companies could choose to merge with other Insurtechs to strengthen their market position, or simply enter into a joint venture. Another viable option would be to engage a technology app as a strategic partner and key advisor for the development of projects related to technological innovation within the insurance sector, .

## 2.3 Conceptualisation and Dimensions of the Wealthtech Sector

The main concept addressed in this paper is that of innovation, interpreted under the premise of the transformation of the emerging expectations of investors who seek or desire homogeneous and integrated experiences in their relationship with financial institutions, and underpinned by the digitalisation of the processes themselves. It also emphasises the crucial importance of personal finance and Wealth Management in the current financial framework, as fundamental areas for the growth and diversification of the sector.

WealthTech has positioned itself in the market as a trusted benchmark for investors seeking innovative and efficient solutions. The field is a true source of innovation, driven by the rapid advances and improvements it requires, while at the same time opening up to new foreign players seeking to take advantage of the opportunities and challenges posed by this constantly evolving sector.

Given the strategic importance and historical influence of the European Union in asset management and personal finance, both in terms of volume and sophistication, it is particularly relevant to analyse the changes and challenges it faces. This is also due to the regulatory framework governing EU countries and the highest common denominator established by the supranational body to which they belong. In this sense, it is essential to understand and assess the implications of the financial regulations and guidelines in place, and to anticipate how they may affect the evolution and development of the WealthTech sector in the region. With a focus on identifying opportunities and overcoming obstacles, this study aims to contribute to a greater knowledge and understanding of this fascinating and dynamic financial field that is constantly changing and evolving.

Delineating the sector clearly and concisely is essential to understand its complexity and defining nature in the field of technology. Within this sector, we can find a variety of start-ups offering investment fund management solutions, impact investing, PFP, PSF, real estate, fund of funds, collective financial investment, as well as all types of alternative investment funds, managed portfolios, aggregation systems, financial and tax planning, and financial architecture firms.

In addition, there are different derived sub-sectors that deserve to be mentioned and are described below:

- **Robo Advisor:** In Europe, to date, only one project based on this management model has been developed. The Robo Advisor consists of providing automated investment advice without personal intervention. This is achieved through the use of algorithms that analyse and select the most suitable financial products for the user, taking into account their needs and the current economic context. .
- **Social Trading:** In Europe, there is also a unique project focused on tracking and copying trades made by different

investors, known as «children». These investors receive financial compensation or recognition compared to other users of the platform who do not manage a portfolio.

- **Crowdfunding:** So far, commercial real estate crowdfunding is the only regulated sub-sector in Europe. However, it is worth mentioning that each crowdfunding project lists the various aspects to be taken into account in each restructured sub-sector. Therefore, by analysing each start-up, we could obtain an estimate of the revenues associated with each of them.

The digitalisation and professionalisation of Wealth Managers has closed the gap with respect to private banking and this capital will eventually become saturated or change portfolios if it strengthens its relationship with the manager. The private banking model will continue to be the benchmark for premium service in savings management services. In specialised private banking, foreign investment services are a value offering that cannot be replicated by independent managers or robo-advisors, so they will be the only ones competing with the local offshore offering.

In the case of foreign owners of these types of institutions, it is paramount to encourage linkages with the home banks; the private banking model of local institutions is geared to the domestic objective of attracting and retaining equity, which will facilitate the completion of the sale for the current owners. WWI clients retain much of their banking relationships in their home country.

Local entities often have holdings in firms in all geographies of interest to such clients at the group level, allowing their offices to refer to the client's home entity when this is the case. Despite rumours about the beginning of the end of offshoreisation, the only certainty is that opacity fades or disappears if the entities obliged to report to their legitimate owners or third parties do so effectively and correctly.

In the specific case, many entities inform the Tax Agencies of their own criteria on their clients' assets, detecting and repatriating potential flows of clients who in turn begin to inform themselves about local regulations, automating the reporting of holders on international accounting reports. In addition, it is important to note that the implementation of advanced technologies in savings management processes has led to greater efficiency and transparency in the financial sector.

Furthermore, globalisation and the interconnection of financial markets have generated new investment opportunities in different countries and regions. This has led to an increase in the demand for wealth management services in the international arena, where private banking institutions have stood out for their experience and knowledge in handling foreign investments.

## LEGALTECH SECTOR

### 3.1 Current State of the Legaltech Sector in the European Union

On the other hand, it has been observed that foreign owners of private banking institutions have found it beneficial to establish links with local banks. This collaboration has allowed them to take advantage of the existing banking networks and infrastructure in the country, which facilitates the expansion of their operations and the attraction of new clients.

As for WWI customers, it has been found that most of their banking relationships are maintained in their home country. However, local entities have managed to establish participations in firms in different geographies, which allows them to serve their clients' needs and refer them to the corresponding banking entity if necessary.

Although there have been rumours about the end of offshoreisation, it is important to stress that transparency and accountability are crucial to maintain confidence in the financial system. Banking institutions are increasingly committed to effectively and correctly informing legitimate asset owners or interested third parties about the wealth status of their clients.

In this regard, there has been a trend towards the automation of international accounting reports, which allows for greater efficiency in the processing of information and a reduction of the associated risks. This has been achieved thanks to the implementation of advanced artificial intelligence and data analysis systems, which are able to identify and repatriate potential flows of clients seeking to comply with local regulations.

In short, digitalisation and professionalisation in the field of wealth management have brought about significant changes in the financial sector. Private banking continues to be a benchmark for high quality services and savings management, with a special focus on foreign investments. Collaboration between local entities and foreign owners has enabled international business opportunities to be seized, while transparency and regulatory compliance are increasingly important in the current context.

The rise of Legaltech is part of what is known as «new technologies», which seek to provide greater value than traditional technologies. In order to understand the evolution of Legaltech and to be able to identify how creative and disruptive regulatory innovation is being, it is important to analyse the current size of the sector in the European Union.

The current sector emerges defined by what is known as a niche market, originating from a set of companies that nurture Spanish start-ups, which are in the majority with 41 start-ups and 14 companies. Greece is the country with the lowest number of companies, with two. At the far end of the scale is the United Kingdom with 522 companies, followed by France, Germany, the Netherlands and Italy. The level of maturity of the companies varies considerably and shows the diversity of the market in terms of size and supply. Only five companies across the Union have reached B rounds or more of funding.

The arbitration sector is undoubtedly the sector with the highest number of brands, followed by general legaltech and business law, which is home to the largest number of brands. This technology is widely implemented in those states that are part of the Recommender and, consequently, in a large part of those belonging to European organisations, which totals 66 of the 118 companies present throughout the European Union. On the other side of the spectrum is the French AI organisation: only 4 of the 88 trademarks listed in its report exhibit industrial properties, and all of them are identified exclusively in that French organisation.

Today, the exponential growth of LegalTech has been evident around the world and especially in the European Union. These innovative technologies are revolutionising the legal sector by providing more efficient and practical solutions. To fully understand the magnitude of this rapid development, it is crucial to analyse the size and influence that LegalTechs have in today's market. Notably, Spain leads the pack with 41 startups and 14 companies, closely followed by countries such as France, Germany, the Netherlands and Italy. On the other hand, countries such as Greece have a more limited presence, with only two companies. However, it is the United Kingdom that stands out with 522 companies, demonstrating its dominance in this field.

Importantly, companies in this sector show a varied level of maturity, reflecting the diversity in market size and supply. Only five companies in the whole of the EU have managed to

achieve B funding or higher, demonstrating the potential and growing demand in this area.

In terms of areas of specialisation, arbitration ranks as the most influential and relevant among brands, closely followed by general legal services and corporate rights, which host the largest number of brands. These innovative technologies have been widely adopted by Member States and by many of the European organisations, representing the success and acceptance of LegalTech across the region.

In summary, the growth and evolution of LegalTech in the EU demonstrates its influence and effectiveness in the legal sector. With an innovative and disruptive approach, these technologies are transforming the way legal services are delivered and are being widely adopted across the region. As more companies continue to invest in this area and more countries recognise its importance, LegalTech is expected to continue to expand and make a lasting mark on the legal field.

The European Union plays a fundamental and extremely important role in the development and evolution of the legaltech sector in Europe. Its commitment to technological advancement and the protection of legal rights has led to the publication of a document that defines and details various strategies within the field of artificial intelligence. This document seeks to thoroughly analyse the current situation of the legaltech sector in Europe in order to boost its growth and maximise its potential.

After a thorough analysis of the European strategy on artificial intelligence, it has been concluded that there is an urgent need for all administrations to establish a clear and effective strategy to implement artificial intelligence in current and future programmes. This implementation is not only crucial for the development of the sector, but also essential for social progress and the improvement of the quality of life of European citizens.

In view of this, a more rigorous and detailed regulation of artificial intelligence in the legal field is called for due to its far-reaching importance. It is vital to establish clear and concise guidelines on the appropriate use of artificial intelligence in the legal field, as well as to address in depth the ethical issues that arise in its application. Ethics and transparency must be fundamental pillars in the development and implementation of legal technology.



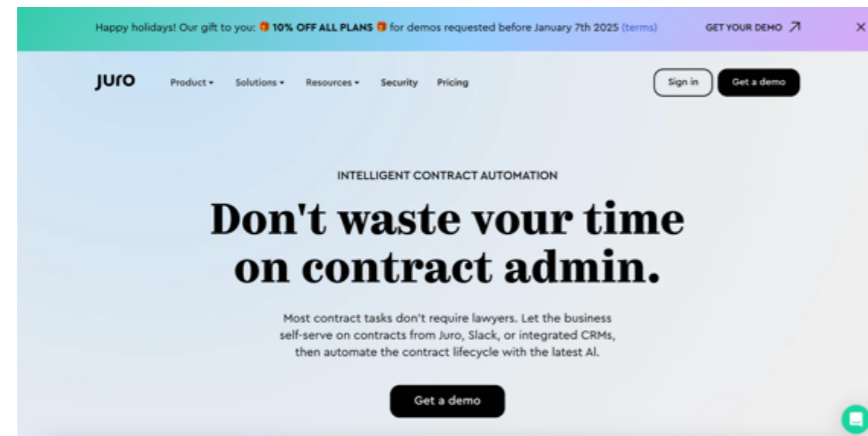
In this regard, it is highlighted that the UK leads the development of the legaltech sector, with significant investment in companies dedicated to this area. However, it is recognised that other countries such as France, the Netherlands, the Nordic countries, Spain, Germany and Switzerland also show great interest and potential in the creation and maturity of startups, as well as in the market and end users.

In the case of Spain, the level of investment in legaltech companies is still below €1 million. However, it should be noted that there has been a significant investment in a takeover bid to acquire the majority of the shares of a company belonging to the

Wolters Kluwers Group. It is also recognised that in the Basque Country there is an acceptable number of legal solutions and a consolidated community of users. Inter-company support in this region is highlighted, although there have been no significant movements in investment or market promotion by other actors, especially mutual guarantee companies and financial institutions.

Some of the most relevant concrete examples at European level, focusing on digital solutions that simplify complex legal processes, democratise access to legal services and make management more efficient for consumers and businesses, are analysed below:

### Juro (United Kingdom)

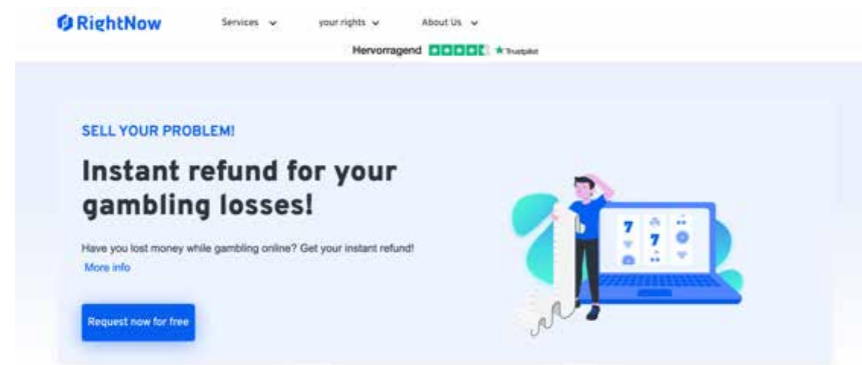


- **Value proposition:** A contract automation platform that enables legal and business teams to create, execute and monitor contracts from a unified space.
- **Business model:** Software as a Service (SaaS), with subscription-based licensing.
- **Products and services:** Contract management

and automation. Includes tools for the creation, negotiation and monitoring of legal agreements.

- **Impact:** Present in more than 65 countries, it has managed more than 400,000 contracts for clients such as Trustpilot, Deliveroo and Cazoo.
- **Web:** <https://www.juro.com>

### RightNow (Germany)



- **Value proposition:** Purchase of consumer legal claims, providing fast payments and avoiding lengthy legal processes.

- **Business model:** Consumer factoring, earning revenue by claiming the full amount of compensation purchased.
- **Products and services:** Resolution of cases such as compensation for delayed flights or defective services.

- **Impact:** Considered one of Germany's most successful legaltech startups, with a significant presence in Europe.

- **Web:** <https://www.rightnow.com>

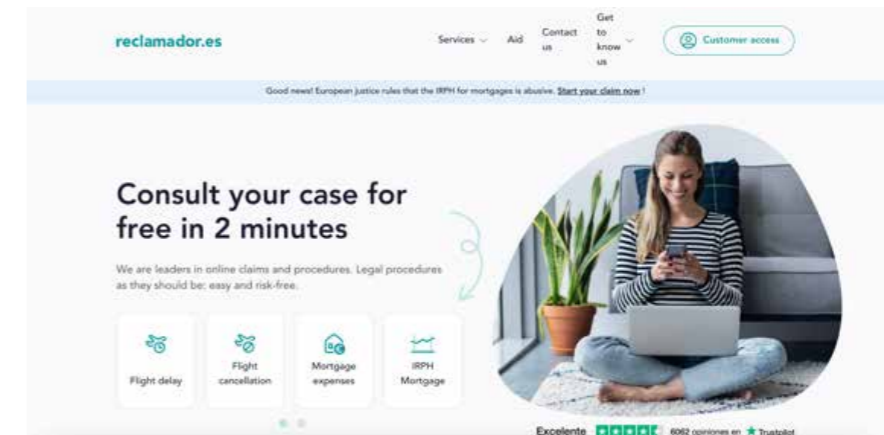
### Farewill (United Kingdom)



- **Value proposition:** Simplification of the will-writing and funeral planning process through easy-to-use digital tools.
- **Business model:** Affordable online platform for legal services related to estate planning.

- **Products and services:** Will drafting, funeral planning and associated services.
- **Impact:** Helped raise over 534 million euros in testamentary donations for charities, with a steadily growing client base.

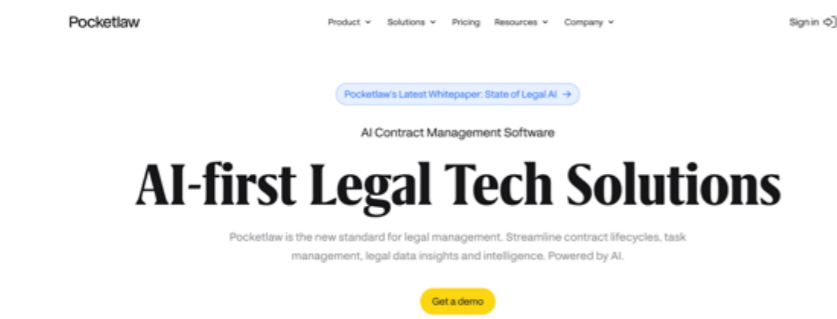
### Reclamador (Spain)



- **Value proposition:** A platform that facilitates legal claims in areas such as flight compensation, bank abuse or mismanaged taxes.
- **Business model:** On-demand legal services, charging commissions on amounts recovered.

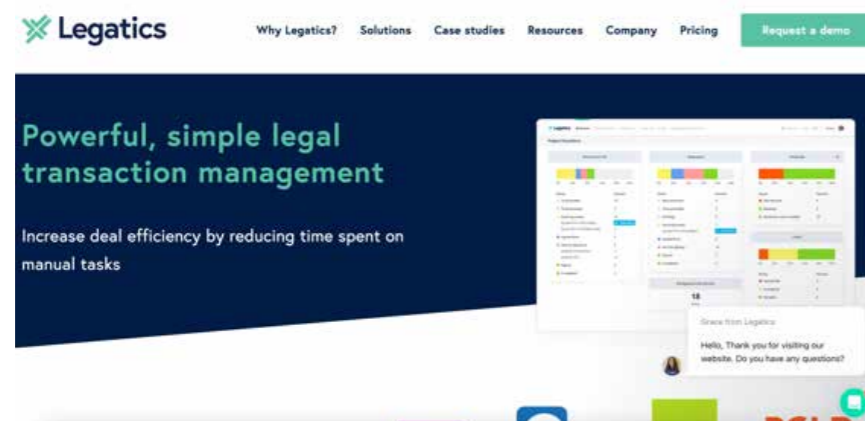
- **Products and services:** Management of consumer complaints.
- **Impact:** Over 50,000 cases resolved, with more than 25 million euros recovered for clients in Spain and Europe.
- **Web:** <https://www.reclamador.es>

## PocketLaw (Sweden)



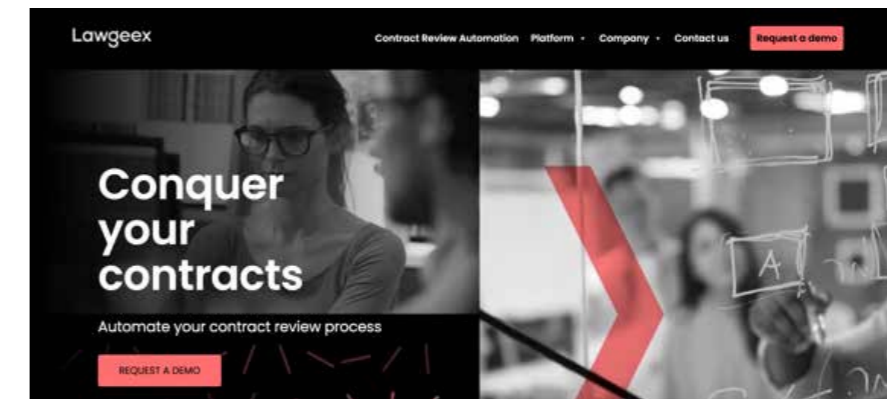
- **Value proposition:** Provides digital tools for small and medium-sized businesses, acting as a digital in-house lawyer that simplifies routine legal tasks.
- **Business model:** SaaS with subscription plans.
- **Products and services:** Drafting of legal documents, advice and management of internal legal processes.
- **Impact:** Helps companies across Europe to digitise their legal systems, improving the efficiency of their legal teams.
- **Web:** <https://pocketlaw.com>

## Legatics (United Kingdom)



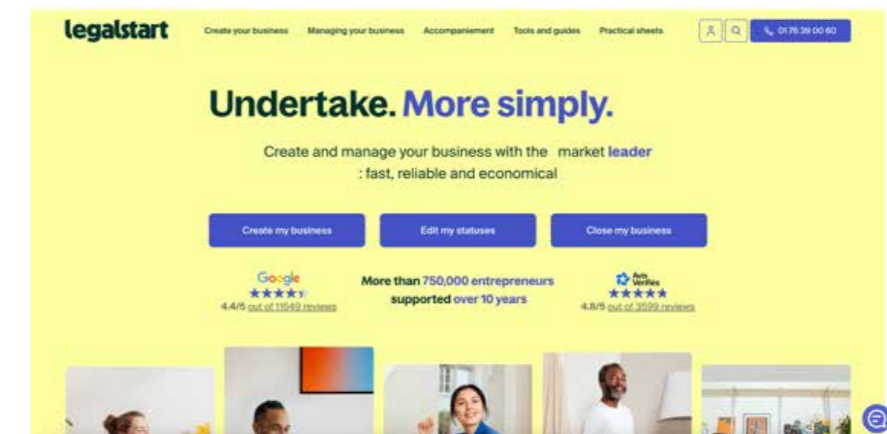
- **Value proposition:** Offers a secure platform that facilitates collaboration between lawyers and clients on legal documents and contracts, reducing time and costs in legal processes.
- **Business model:** Software as a Service (SaaS), aimed at law firms and corporate legal departments.
- **Products and services:** Automated document assembly, workflow management and legal project management tools.
- **Scope:** Mainly operational in Europe, working with major global law firms.
- **Web:** [legatics.com](https://legatics.com)

## LawGeex



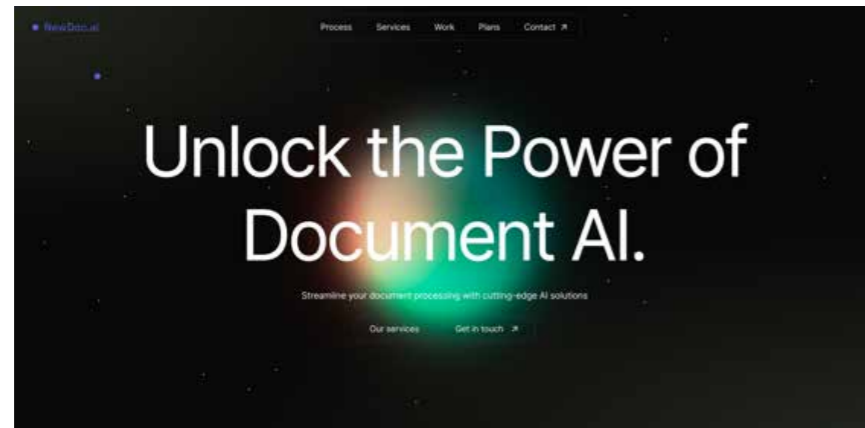
- **Value proposition:** Automates contract review through artificial intelligence, helping companies identify legal issues quickly.
- **Business model:** SaaS, focused on medium and large companies looking to streamline their legal processes.
- **Products and services:** Software for contract analysis and verification according to customer-specific regulations.
- **Scope:** Global, with a strong presence in Europe and North America.
- **Web:** [lawgeex.com](https://lawgeex.com)

## Legalstart (France)



- **Value proposition:** Online platform that allows entrepreneurs and small businesses to manage legal documents quickly and cost-effectively.
- **Business model:** On-demand services and monthly subscription for access to customisable legal templates.
- **Products and services:** Business start-up, employment contracts and tax advice.
- **Scope:** Mainly in France, with plans for European expansion.
- **Web:** [legalstart.fr](https://legalstart.fr)

## NewDoc.ai



- **Value proposition:** Artificial intelligence platform that extracts knowledge from complex legal documents in an automated way.
- **Business model:** SaaS for law firms and large companies with high volumes of contracts and documents.
- **Products and services:** Tools for risk analysis, compliance and document management.
- **Scope:** Presence in Europe and the UK, collaborating with major law firms.
- **Web:** <https://www.newdoc.ai>

## Della AI (acquired by Wolters Kluwer)



- **Value proposition:** Provides artificial intelligence solutions to help lawyers review contracts quickly through personalised questions and answers.
- **Business model:** SaaS, with customisation options for large corporations.
- **Products and services:** Contract review and automated legal reporting.
- **Reach:** Strong presence in Europe, collaborating with leading law firms and legal companies.
- **Web:** [dellalegal.com](https://dellalegal.com)

In short, the European Union plays an essential role in the growth and development of the legaltech sector in Europe. Through the publication of strategies in the field of artificial intelligence, it seeks to promote the effective implementation of this technology in the legal field. It is

crucial to establish comprehensive and ethical regulations, as well as to promote collaboration between member countries and to boost investment in the sector. This is the only way to achieve a prosperous and sustainable future for legaltech in Europe.

## 3.2 Current Challenges for the Legaltech Sector in the European Union

Although the Legaltech sector in the European Union can still be considered nascent, its rapid proliferation is creating a number of challenges for its proper development:

- **Fragmented regulation in the legal sector:** Currently, in the European Union, the transmission of knowledge in relation to the legal sector is regulated by each of the countries that make up the EU, and this regulation can be very varied. The lack of unification of the regulatory framework causes insecurity for end users in the use of Legaltech solutions.
- **Communication in open standards:** Another challenge facing the legaltech sector is the disparate communication between applications. The diversity of tools and lack of interoperability is one of the biggest problems in the sector. This challenge can be solved thanks to the use of open standards that enable communication between the different solutions offered by legal technologies. These standards would bring greater transparency, security, interoperability and privacy to applications.
- **Privacy and security:** In addition, the increasing adoption of technologies in the legal field has brought with it a new challenge in terms of data security and privacy. Currently, legaltechs generate a large amount of sensitive information that is stored on external servers. Therefore, advances in cybersecurity, blockchain and privacy protection are necessary to ensure trust in the use of these technologies.

The Legaltech sector in the EU is currently offering concrete solutions to the problems detected by the legal sector, a change driven by the socio-economic reality, the globalisation of resources and services, and technological progress itself.

On the other hand, the analysis of the legal regulation of legaltech shows a struggle between state and European regulation on issues such as free competition, even intervening on several occasions to prevent the existence of unjustified regulatory barriers that hinder the development of this type of technology.

The regulation of legaltech is a challenge for parliaments, given the constant evolutions in the legal and technological sphere that make it necessary to constantly update regulation. The legaltech regulatory model requires Member States to carry out a detailed analysis of a set of regulatory features that make up the model, in order to check whether their legal framework is favourable to the development of the technology in question.

In this case, the need is established to analyse the characteristics that emerge from their regulation, compare them with the model established by a pilot project and justify the various

parameters determined in relation to the regulation of the Member States, drawing up some final conclusions that will help to advance in the constant struggle to establish an adequate legal framework for the development of legaltech.

Finally, although competition authorities generally concede that regulation prohibiting regulatory barriers to competition is good in itself, the evaluation of pilot projects in various jurisdictions should assess performance against the societal goals of promoting competition, innovation, access to affordable legal services, and lawyer ethics and professional conduct to enhance consumer confidence.

In the EU legal sphere, there is an incipient growth of Legaltech, which is expanding rapidly and facing a number of challenges in its proper development. These challenges include fragmentation in the regulation of the legal sector, lack of communication based on open standards and the need to address privacy and security.

Currently, the transmission of knowledge in relation to the legal sector is regulated by each country of the European Union, which generates a great variability in the existing regulations. This lack of unification of the regulatory framework generates insecurity for end users in the use of Legaltech solutions. However, if a unification of legality is achieved to solve the drawbacks, the economic and social impact would be very positive.

Another relevant challenge faced by the Legaltech sector is the lack of effective communication between the different existing applications. The diversity of tools and the lack of interoperability constitute one of the main problems of the industry. To address this challenge, it is necessary to implement and use open standards that enable seamless communication between the different solutions developed by legaltech companies. These standards would provide greater transparency, security, interoperability and privacy to applications.

In addition to the challenges mentioned above, the increasing adoption of technologies in the legal sphere also poses challenges in terms of data privacy and security. Today, legaltechs generate a large amount of sensitive information that is stored on external servers. Therefore, significant advances in cybersecurity, blockchain and privacy protection are required to ensure trust in the use of these technologies.

In summary, the Legaltech sector in the European Union is experiencing rapid growth and is offering concrete solutions to the problems identified in the legal sector. This change is driven by socio-economic realities, globalisation of resources and services, and technological advancement. However, it is vital to address the aforementioned challenges to ensure proper development and to make the most of the potential of Legaltech.

### 3.3 Future of Legaltech in the European Union: Opportunities and Challenges

In Europe, the situation is different as the legal market is very fragmented from one country to another. Each member state has its regulating bar (or equivalent) and it is a very local business. National legislation is hard to harmonize given the different traditions that exist among the 27 member states. Consequently, the legislation implemented by each state is very different. Data shows the investment landscape weighted in favour of the American legal tech ecosystem has relevant implications.

The lower amount of resources fosters a reduced number of legal technology providers. However, with the pandemic, the game is not over. Europe lags behind in digitalization, which creates an opportunity for growth and development. In order to catch up, it is crucial for European countries to invest in digital transformation. Spain, as one of the countries receiving a substantial amount of recovery funds, has the potential to lead this transformation and become a powerhouse in the legal technology sector. With the help of these funds, companies in a variety of areas are going to launch in a more international market, expanding their reach beyond national borders. Moreover, a portion of direct investments and subsidy programs are aimed at public administration, which will further strengthen Spain's legal ecosystem. This budget would provide Spain with an exceptional opportunity to give a boost against the rest of the countries, capitalizing on our value proposition strengths. Aware of this, many regions within Spain are already designing strategies to attract those funds and support the growth of legal providers, especially startups, by providing them with access to additional funds and resources. The future of legal technology in Europe looks promising, and with the right investments and support, European legal providers can thrive and compete on a global scale.

On the other hand, the current digital era has greatly transformed the lives and development of individuals, as well as society as a whole. This transformation has led to the construction of what is known as the network society, a society in which all elements and people are connected through an extensive communications network. This phenomenon has generated significant changes in a wide range of areas and activities, altering both the way everyday tasks are performed and the creation of new innovative products and services.

The constant evolution of information technologies has enabled products and services to improve their quality significantly. These improvements are reflected in their faster development, higher levels of security and lower prices. The use of information technologies has not only led to the creation of new products and services in enterprises, but has also become

a major strategic challenge for developing the competitiveness of enterprises. As a result, small and medium-sized enterprises have increased their adoption of these technologies in order to keep up with and be competitive in today's market.

One of the most prominent trends to emerge from business digitalisation is the development of digital legal solutions. This has led to a significant increase in innovative small businesses looking to tap into the emerging market for these solutions in a sector that, to a large extent, has not yet fully embraced digital technologies: the legal sector. Until recently, the legal sector was mainly focusing on the implementation of digital transformation and the use of IT in its IT side. Companies specialising in software development were creating comprehensive, non-integrated management solutions that were incorporated into existing non-digital products, such as court process managers and docket managers.

However, this landscape is changing rapidly. More and more companies are adopting digital legal solutions that provide greater efficiency and effectiveness in the management and processing of legal information. These solutions include specialised software that automates and streamlines numerous legal tasks and processes, such as drafting legal documents, managing contracts and searching for relevant legal information. In addition, these solutions also offer advanced data analysis tools, enabling lawyers and legal professionals to make more informed and strategic decisions.

The adoption of digital legal solutions has opened up new business opportunities for innovative small businesses in the legal sector. These companies are using their technology expertise and legal domain knowledge to offer cutting-edge solutions that improve the efficiency and productivity of law firms and other legal professionals. With the continued growth of this market, more companies are expected to join this trend and contribute to the development and advancement of digital legal solutions.

In short, the digital era has brought about a revolution in society and business, driving the creation of an interconnected networked society. Information technologies have made it possible to improve the quality of products and services and to develop innovative digital legal solutions. These solutions have become a key enabler of business competitiveness and have opened up commercial opportunities for small businesses in the legal sector. As the legal sector continues its digital transformation, digital legal solutions are expected to play an increasingly important role in shaping the future of legal practice.

## 4

# INSURTECH SECTOR

### 4.1 Current state of the Insurtech sector in the European Union

The European market is in a moment of full development and growth in the insurtech segment, as this type of startups, defined as technological companies that offer innovative products through the network for the insurance sector, are increasingly in demand and sought after by both insurers and their various customers.

Moreover, in recent years we can see how some of the purely technological sectors that belong to the so-called «FinTech» have had a rapid and successful take-off. Some outstanding examples of success in this field are crowdfunding, virtual currencies, modern payment methods and payment gateways, as well as blockchain, robo advisory and insurtech.

However, the main problem that the insurtech sector is facing for the future is the complicated European legal and regulatory framework that is being created for these products, as European legislation aims to homogenise and standardise the insurance sector across the European continent.

Among the most interesting opportunities highlighted are so-called «P2P insurance» and other innovative initiatives such as «microinsurance», which represent an emerging trend in the insurance landscape. Currently, only one fifth of insurtechs are working directly with insurers, mainly because these insurers are very focused on their own internal platforms and systems.

The most important challenge facing this nascent collaboration is in identifying those insurtechs that are able to offer the product or service of interest that can be of real value to insurers. Importantly, a very large number of these emerging entities in Europe are seeking to exchange knowledge and experience with insurers themselves, or are doing so through an investment fund, investing in proactively adapting to the regulations and standards of the different countries from which each insurtech originates.

#### Recent Innovations and Trends in the Sector

Geolocation-based applications, although not a recent innovation, continue to play a crucial role in the Insurtech sector. This is because they allow insurers to obtain valuable information on the real-time behaviour of their customers. In this way, insurers are able to calculate risk more accurately, which in turn allows them to offer much more competitive and accessible prices to their potential customers.

For example, in the field of driving, the opportunities are vast, as more and more companies are opting to develop mobile applications that allow the creation of personalised policies based on the actual driving habits of each user. In addition, augmented reality applications are being developed that can be applied to various sectors of economic activity in Spain, opening up new possibilities for interaction and experience.

In the financial sphere, these applications are becoming extremely valuable tools, facilitating advice, distribution and portfolio management, as well as assisting in the analysis of contracts and the collection of economic and financial data. They are also useful for the learning and training of financial institutions' staff.

On the other hand, while the automotive sector has begun to adopt augmented reality in a significant way, its uptake in the insurance sector is still relatively limited, with few entities exploring this cutting-edge technology.

A clear example of the use of such technology in the insurance field can be seen in the so-called virtual home engines offered by some multi-risk insurances. Through this type of application, users have the possibility to virtually explore their home; in addition, by clicking on different areas of the property, they can access detailed information about the coverage contracted for each of these areas, which provides an innovative way to manage and learn about their policies.

#### Main Actors and Featured Companies

Among the most relevant and prominent insurtech companies worldwide are the following: Oscar, Lemonade, Friendsurance, Neosurance, Guevara and Trov. All of these companies have demonstrated their ability to develop a solid value proposition, while remaining within a regulatory and supervisory framework that is very similar to the current one in the European Union.

At the level of associations, the most relevant are: The IAIS. Created in 1994 and headquartered in Basel, the IAIS brings together regulators from 190 countries and is responsible for the supervision of 97% of the global insurance market. The International Insurtech Network, which, although not yet a year old, was formed by 11 of the most successful Insurtechs in response to the growing need to support each other in the face of ongoing market threats and challenges. At a regional

level, AEFI, the Spanish Fintech and Insurtech Association, was created in 2016 and brings together the main Spanish companies in different verticals in sectors such as: Fintech, Insurtech, Wealthtech, Crowdfunding and Lending Online, Paytech, Regtech, etc.

On the other hand, in the field of investors, those who are most relevant for having founded, promoted or invested in an insurtech are, in order of importance ranking, the following: Ribbit Capital, 500 Startups, Index Venture and Naval Ravikant.

Although these venture capital firms are fundamental in the evolution and development of this sector, another of the most

important agents are Corporate Venture Capital, which find it more difficult to adjust their profile to that of InsurTech when it comes to investing and acquiring, being a challenge to adapt and fight against the rapid evolution of technology and the environment; examples of these are Munich Re Digital Partners and Ping An Capital, among others.

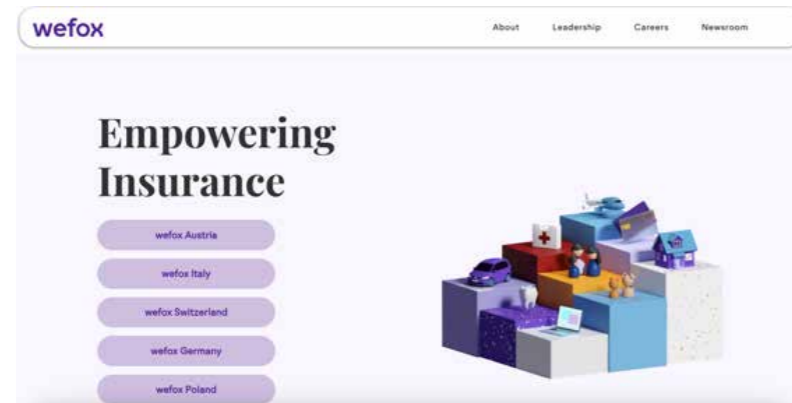
A large investment from the insurance industry was to be expected, but surprisingly, they are not investing enough or betting enough to fill the technology gap. At the Global Ecosystem level, the following are considered the most prominent in this area: Plug and Play, Anthemis Group, RGA Reinsurance Company and Zurich Insurance Company.

### Leading companies and startups in the Insurtech sector in the European Union

Below is a selection of leading companies and startups in the Insurtech sector, including their value proposition, business

model, products and services, and relevant data on their reach.

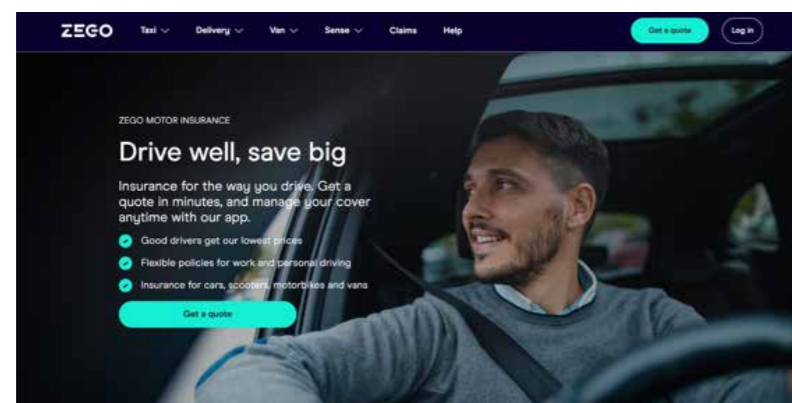
#### Wefox (Germany)



- **Value proposition:** Digitalisation of insurance intermediation, offering a platform that connects customers, brokers and insurers.
- **Business model:** B2B2C (Business-to-Business-to-Consumer) platform that generates revenue through commissions on policies sold through its ecosystem.

- **Products and services:** Digital insurance management, customised insurance solutions and broker tools.
- **Reach:** Serves more than 2 million customers in Europe.
- **Web:** <https://www.wefox.com/>

#### Zego (United Kingdom)



- **Value proposition:** Flexible and customised insurance for sharing economy drivers and commercial fleets.
- **Business model:** Offers on-demand insurance with usage-based rates for businesses and the self-employed.

- **Products and services:** Insurance for commercial vehicles and mobility platforms.
- **Scope:** Has insured more than 200,000 vehicles in Europe.
- **Web:** <https://www.lemonade.com/>

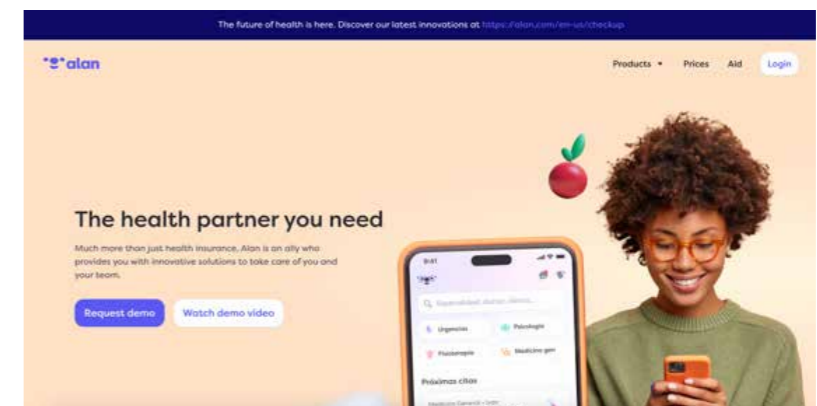
#### Lemonade (Netherlands/USA)



- **Value proposition:** AI-based and 100% digital insurance, with a strong focus on transparency and social responsibility.
- **Business model:** Charges fixed premiums and donates surpluses to charitable causes selected by users.

- **Products and services:** Renters, home, pet and life insurance.
- **Reach:** Presence in several European countries with a global customer base of more than 1.5 million.
- **Web:** <https://www.lemonade.com/>

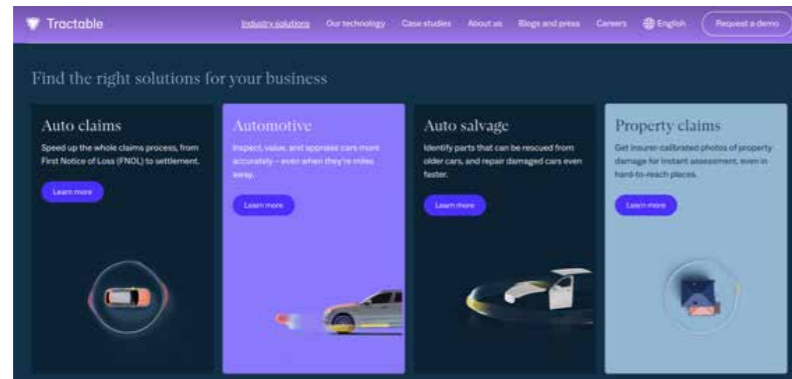
#### Alan (France)



- **Value proposition:** Digital health insurance with a simple and transparent user experience.
- **Business model:** Direct-to-consumer (D2C) platform with monthly subscriptions.
- **Products and services:** Health coverage

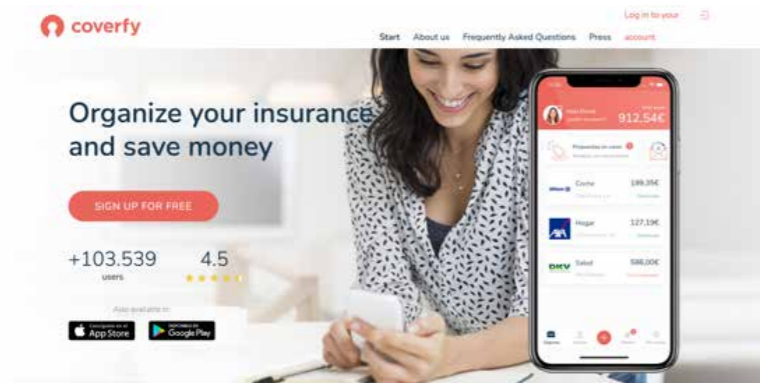
- for employees and the self-employed, with integration of wellness services.
- **Reach:** More than 400,000 users in France, Spain and Belgium.
- **Web:** <https://www.alan.fr/>

## Tractable (United Kingdom)



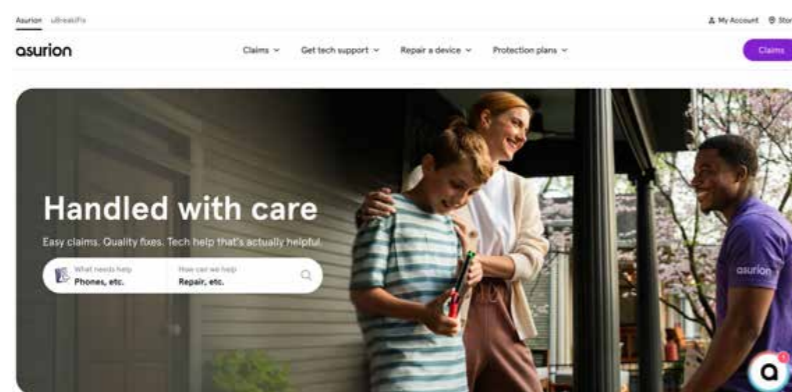
- **Value proposition:** Using AI to accelerate damage assessment in insurance claims.
- **Business model:** B2B solutions for insurers, charging for licensing and use of software.
- **Products and services:** Image-based damage analysis of automobiles and infrastructure.
- **Scope:** Partnerships with insurers in more than 20 countries.
- **Web:** <https://tractable.com>

## Coverfy (Spain)



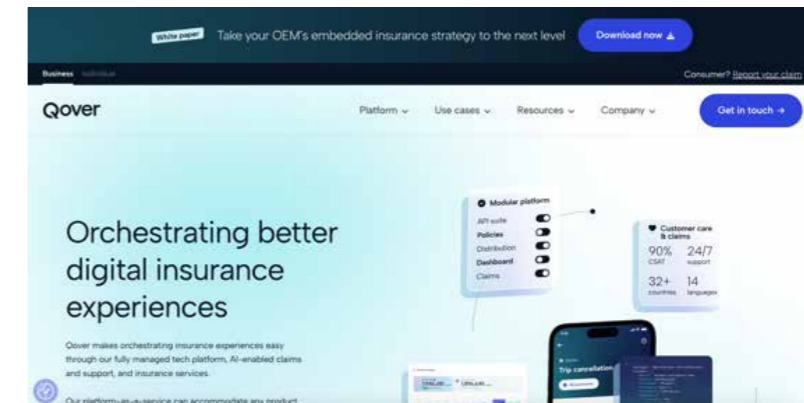
- **Value proposition:** Comprehensive insurance management through a mobile application that allows users to centralise, compare and optimise their policies.
- **Business model:** Generation of income through commissions for intermediation in the contracting of insurance and additional services.
- **Products and services:** Insurance comparison, personalised recommendations and customer service.
- **Reach:** More than 300,000 registered users in Spain.
- **Web:** <http://coverfy.com>

## Asurion (Belgium)



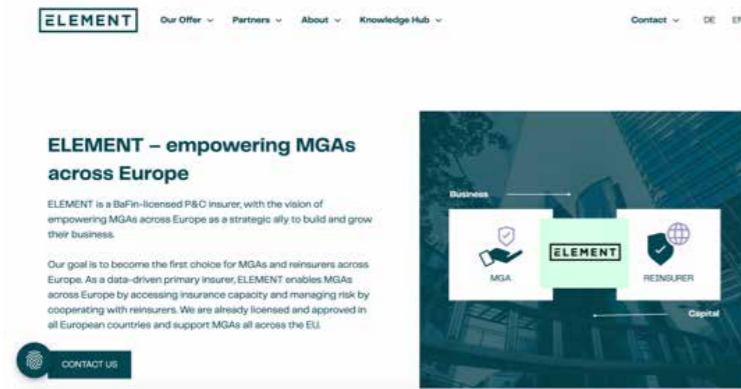
- **Value proposition:** comprehensive protection and support solutions for technology devices, helping users to protect and repair their equipment quickly and efficiently. Its primary focus is to simplify the customer experience by providing fast repairs, expert technical support and customised protection programmes for critical devices.
- **Business model:** Asurion's business model is based on offering monthly subscriptions for protection and repair plans, as well as generating revenue from repairs and technical support through its network of uBreakiFix shops and other associated services. It also works in partnership with telecommunications companies and retailers to integrate its services into their offerings.
- **Products and services:** Protection plans: Coverage for phones, appliances, smart home devices and electronics, including repairs or replacements in the event of damage, loss or theft.
- **Reach:** Asurion has a significant global presence and has repaired more than 13 million devices to date. Its network includes more than 700 uBreakiFix shops.
- **Web:** <https://www.asurion.com>

## Qover (Belgium)



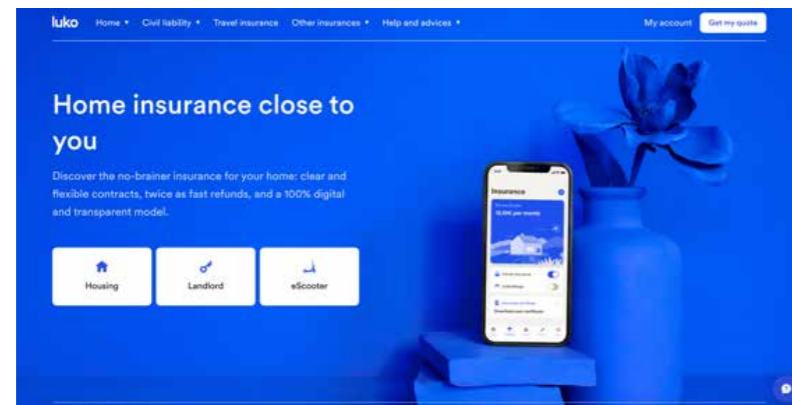
- **Value proposition:** Qover specialises in offering integrated and customised insurance that can be easily added to partner companies' digital experiences. Its approach simplifies insurance programme management and increases end-customer engagement and satisfaction through fast and transparent processes. It helps companies reduce insurance costs and scale their operations while offering innovative and customised solutions to users.
- **Business model:** Qover operates under a B2B2C model, where it collaborates with companies from different sectors to integrate insurance directly into their products or services. It uses an insurance orchestration platform that allows partner companies (such as Revolut, Deliveroo and Canyon) to choose, customise and manage specific insurance for their end customers. It generates revenue from agreements with business partners, charging for the use of its modular platform and associated support services.
- **Products and services:** Qover offers integrated insurance tailored to various industries, such as: mobility, collaborative economy (flexible on-demand insurance for delivery companies), finance and financial technology, real estate. Qover also uses advanced technologies, such as APIs, to personalise the insurance offering and enable a seamless digital experience for the end customer.
- **Scope:** Operates in 32 European countries, providing scalable solutions. More than 2.5 million users are covered through its partners. It has a wide network of partners, including companies such as Revolut, Monese, Canyon and Deliveroo, among others.
- **Web:** <https://qover.com>

## Element Insurance (Berlin)



- **Value proposition:** White Label digital insurance provider that enables other companies to offer customised insurance products under their own brand.
- **Business model:** B2B, collaborating with insurers and companies from various sectors to integrate insurance into their products and services.
- **Products and services:** They offer modular solutions covering a wide range of insurance products, such as home, travel and mobility, tailored to specific customer needs.
- **Reach:** Since its founding in 2017, it has raised over \$120 million in funding and operates in multiple European markets.
- **Web:** <https://www.element-insurance.com>

## Luko (France)



- **Value proposition:** Luko uses advanced technology to simplify and personalise home insurance. It offers a 100% digital experience, focused on agile processes, transparency in claims management and risk prevention through technological solutions such as smart home sensors. It is also committed to sustainability, investing part of its unused revenue in social and environmental projects.
- **Business model:** Luko employs a direct-to-consumer (D2C) model, eliminating intermediaries. It works through monthly insurance subscriptions, and any unclaimed financial surplus is donated to social causes selected by users. This reinforces its image of transparency and social responsibility...
- **Products and services:** Home insurance: Personalised coverage for homeowners and tenants. Integrated technology: Use of smart sensors for real-time monitoring and prevention of incidents in the home. Digital management: Completely online contracting, policy tracking and claims processing, with fast response times. Additional services: Education on home security and risk prevention through its platform.
- **Reach:** Luko has positioned itself as one of the leading insurtech startups in France, with more than 300,000 customers in Europe.
- **Web:** <https://www.luko.fr>

## 4.2 Current challenges facing the Insurtech sector in the European Union

The European Union faces a number of significant challenges if it truly intends to be at the forefront and maintain a strong leadership role in the development of Insurtech companies in Europe. Over the coming years, work must be done to design and implement specific support policies in each of the Member States, given the disruptive and changing context of this new emerging industry, which should include actively promoting collaboration between the Insurtech environment and incumbent companies, without undermining the customer protection that they currently enjoy and which is essential.

To achieve this goal, it is essential that EU regulation remains one of the key advantages for all Insurtech entities located in the EU, especially in comparison to those from third countries. The various shortcomings that have been identified in relation to the Insurtech environment, among which the current legislative instruments are neither clear nor specific, make it clear that a detailed clarification of the regulatory treatment of certain Insurtech products would be necessary. This process is vital, as their unbridled growth may be detrimental to the overall economy, although this does not mean that their potential to contribute to improving the performance and efficiency of the insurance sector in the European Union should be curbed or limited.

Furthermore, it is imperative to restore the internal character of the European single market and to work actively to improve legal competitiveness between member countries, rather than falling into an excessive consumer protection dynamic that limits innovation and development. On the other hand, just as the development of the different commercial strategies that emerge in this context must be allowed and encouraged, it is essential to apply an open mind on the part of the regulatory authority and to make a transition from the conservative logic of control to a more dynamic logic of encouraging and supporting growth.

### Cybersecurity and Data Protection

It is increasingly common and evident to observe in the InsurTech sector a growing use of advanced technologies such as artificial intelligence, machine learning, or machine learning.

Within this context, the use of techniques such as virtual assistants has become a fundamental pillar of customer service, facilitating the interaction of users with different insurers in a more efficient and effective way. All of these related technological elements mean that large volumes of data are collected and analysed on a large scale to optimise product or service offerings, but although artificial intelligence could drive the personalisation of highly innovative offers or facilitate the automatic underwriting process through chatbots, it is crucial to always bear in mind that these technological advances have important implications for the consumer.

Therefore, it must be ensured that actions that are carried out and have such consequences for users offer the highest possible security and comply with all current regulations. With regard to the protection of personal data in the Insurtech sector, the regulation known as GDPR ensures that the confidentiality and security of this data must be maintained. Therefore, any technology that uses personal data, either directly or indirectly, must strictly comply with all technical and organisational measures established by the regulation. As the regulation stipulates, it is of utmost importance that insurers are able to document their compliance with this essential aspect.

In addition, two technological threats are identified in the Insurtech sector that can be particularly damaging if a hacker gains access to confidential information stored within the company.

- On the one hand, ransomware has established itself as one of the most relevant threats along with the growth of this vertical.
- On the other hand, there is the increasing use of robots designed to perpetrate online fraud, commonly known as bots.

These technological risks also fall within the scope of cybersecurity, as cyber-attacks can not only affect the integrity of information, but also jeopardise the confidentiality and availability of data essential to the functioning of these organisations. It is essential that the industry is prepared to meet these challenges and safeguard its customers' information.

### Integration with the traditional insurance industry

When considering the scope in which to operate, the insurtech, when licensed to do so by being in possession of an appropriate licence, can operate directly with the customer, but also has the option of collaborating effectively with third parties, as well as integrating into the next value chain. The fourth industrial revolution also grants the possibility of third party access to certain operational chains that are essential in the sector.

The law allows a medical centre, in compliance with all relevant regulations, to report directly to an insurer, subject to the implicit or explicit consent of the client. Within this framework, the company is responsible for the management of the health insurance of a prosperous concert.

How do insurtechs operate in this competitive and changing environment? These four distinctive behaviours can also be seen in terms of the relationship they establish with respect to the innovative challenge of approach and their likelihood of market success. The insurtech boom leaves no one indifferent and is revolutionising the sector, as between 2013 and 2017,

insurtechs managed to fund projects worth an impressive \$19 trillion. So in Europe, for example, out of a total of 1,000 innovative start-ups, 17 are specifically dedicated to the field of insurance, which demonstrates the potential of this sector.

The most relevant trends highlighted in the Top Insurtech Hubs worldwide are: the attraction of start-up ecosystems, the bank as a strategic partner, the open innovation that is being implemented in traditional companies in the sector, the accelerators that promote growth, the establishment of innovative entities within the sector that offer new approaches, and finally, the arrival of large technology companies that have begun to enter this sector.

### Regulations and Legal Framework

Undoubtedly, one of the most significant hurdles that the Insurtech ecosystem must urgently address is the complex over-regulation of the sector, given the important social and economic role that insurers play in our society today.

Therefore, as a detailed summary, it could be stated that regulatory authorities, together with the legislation that

emanates from them, must understand and discern when and how to act, with sufficient speed and effectiveness, to be able to deal with all the disruptions that seriously impact this dynamic ecosystem. Even so, we have been able to see through this brief analysis the pressing need to adopt and sustain over time a more robust, secure, resilient and financially integrated European Union, in order to be able to successfully face this change that is already underway as a result of constant technological evolution.

A revolutionary Fintech Strategy is being implemented to be at the forefront of implementing and monitoring innovations, inspired by the latest technological developments, with concrete measures in both the short and long term.

On the other hand, the European Union has reaffirmed its intention to facilitate the development and viability of new Insurtech and Fintech companies by establishing a clear and efficient regulatory framework for the creation of European Innovation Initiatives in the use of virtual currencies, thus fostering joint collaboration including blockchain platforms for the transfer of value, and establishing a principle of proportionality that also provides for and adequately protects the customer.

## 4.3 Future of Insurtech in the European Union: Opportunities and Challenges

It is indeed encouraging to see, with great satisfaction, the insurance industry taking significant steps towards the adoption of modern technology. Thus, innovative and creative approaches are beginning to emerge in this much-needed market.

Insurtech companies in various parts of the world have already begun to create insurance that does not really exist in any traditional policy ever known, and are also changing internal processes significantly. Think about how these technological solutions are addressing service delivery effectiveness issues, increasing transparency to customers, and building greater trust among insurers, reinsurers and brokers.

When considering the impact of digital transformation on the insurance industry, it is possible to summarise it along eight clearly identified axes:

1. Strengthening the customer experience: this is achieved through the exhaustive analysis of big data, the use of telematics, or the implementation of a segmented newsletter that provides accurate information. There is a notable improvement in the application and subscription processes, as well as in contracting, which is carried out through accessible and effective digital channels.
2. Personalisation of insurance: the aim is to offer products that are developed on the basis of a better segmentation of the business; examples of this are parametric products for companies or temporary insurance that can be managed online, which is very attractive.
3. Attracting and retaining talent in the sector.
4. In addition, there is better risk and fraud management, which can be realised, for example, through sophisticated cyber security products, or in the comprehensive control of claims and their proper management.
5. It is notable that parametric products are becoming more and more important, as well as the implementation of technologies of things, which are making it possible to quantify many of the most representative risks of our time and to create an insurance offer that is so fast and flexible that it is no longer absolutely necessary to take out all the risk or claim that has been suffered.
6. Another of the innovations that have been implemented by insurers in the field of e-commerce are chatbots, which are designed to help consumers find the insurance product that best suits their particular needs. In addition, these automated systems allow users to make the contract with the insurance company at the same time as they find what they are looking for.
7. On the other hand, we find an innovative system that uses new technologies and advanced devices to measure in detail the customer's behaviour when interacting with insurance platforms. Based on their decisions and the information they choose to share, the amount of data they provide to the company increases proportionally and directly. The availability of more accurate and

correct information allows for a comprehensive analysis of the use of insurance by the parties involved, which significantly influences the structural definition of the organisation, the design of the products that are marketed, and the strategic decisions of the company's management. However, this rich database can also serve as a starting point for the creation of new and improved services for regular clients, as well as for the formalisation of agreements with third parties.

8. It is important to mention, although predictable, the growing use of mobile devices for small insurance purchases, a practice known as micro-payments. Although the insurer's website and its various commercial platforms are the major source of information acquisition and insurance purchasing, it is increasingly evident that a move towards a more distributed business model, including a wider range of services in external environments, is becoming apparent. A clear example of this is the various proposals that include insurance comparison aggregators, but this is where we are beginning to develop incipiently the proposals for product distribution through platforms that allow third parties in the technology sector to effectively complement the insurance offerings of insurers in the market.

### Opportunities for growth and expansion of insurtech in the EU

In comparison, the phenomenon known as Insurtech in the European Union is relatively lagging behind other more advanced regions. However, it is important to note that the adoption of technology by different companies is experiencing significant growth in a number of areas.

Similar to what is happening in other parts of the world, both aspirants and leaders in this sector have been trained. In this context, Belgium, the Netherlands and Germany have established themselves as the main nodes for most Insurtechs

within the European Union. Germany, in particular, has proven to be a true leader in the adoption of Insurtech and fintech within the European Union and ranks a prominent third globally in terms of Insurtech offerings. German Insurtechs, which mainly focus on areas such as software, finance and end-to-end solutions, constitute approximately 74% of the market offering, while Insurtech initiatives focusing on social and behavioural networks account for the remaining 26%.

In the case of Belgium, despite being a smaller market, a company called Asurion started a significant push towards the creation of an Insurtech in 2017, encompassing digital adoption, cybersecurity and regtech, all with the aim of modernising the sector. This effort is carried out by ensuring that its members collaborate with both local and international startups. To foster this development, various incubators and accelerators have been established, and in this environment, Insurtechs such as Qover or Luko have managed to attract significant amounts of investment.

Although the Netherlands is renowned for its early investment in technology and startups in various markets, the pace of adoption of the Insurtech sector in the euroregion has been relatively slow so far. It is only recently that significant amounts have started to be raised for Dutch Insurtechs.

The Technical University of Delft has also gained notoriety for the duration of the Blockchain Challenge; one of the biggest players in this field is precisely the Insurtech sector. Although the Dutch market does not currently stand out particularly for its startup proposition or disruptive technologies, it is clear that interactions and collaborations within the sector, both with foreign Insurtechs and with fintech companies that have a more insurance-focused approach, have seen a notable increase compared to previous years and are expected to grow steadily in the coming years. The Netherlands not only stands out for the growth of its Insurtech cluster, but also for the remarkable adoption rate of foreign startups across the EU region.

## WEALTHTECH SECTOR

### 5.1 Current state of the Wealthtech sector in the European Union

The Wealthtech sector belongs to the FinTech technology sector and is currently booming worldwide, although there are still divergences as to the exact scope of the term and its classification, characteristics and differences with other sectors and entities, which is why this study aims to clarify existing scenarios and situations. The term Wealthtech has been characterised, but at no time has an exact classification been proposed, using different general terms such as Wealth management, Assistive Finance or Digital financial advisor, among others.

Although there are differences in the conceptualisation of the term and some companies are sometimes referred to with the same characteristics, it can be said that the report presented included the Wealthtech sector in the consolidated FinTech sectors on the rise and with relevance. According to the conclusions of the report, the Wealthtech sector is growing, is attracting numerous investments and includes entities specialised in listed shares, tools for related recommendations and, in general, investment tools in the robo-advisors sector, within the Asset Management sector. Thanks to regulatory support, national initiatives and technological development, the European Union and its Member States, with their own technological alternatives, will play an important role in the global market and in the development of Wealthtech solutions, with an essential role in redesigning the financial sector.

Up to now, the analysis of the development of the wealthtech sector has been rather complex due to the scarcity of reliable sources of information. However, in 2019, several relatively recent reports such as the «WealthTech Landscape Report» (2019), the «European FinTech Report» or the «Wealth Management and Technology Trends» (2019) highlight various issues that are still topical today:

Investment in large Wealthtech companies has stabilised within the European Union, and each of the various private equity firms is devoting significant effort and valuable resources to identifying the most promising and attractive firms, with the clear intention of investing in them in the near future.

Over recent years, investment in Europe in innovative startups that use advanced technologies to improve and optimise various financial services has grown by a remarkable 2% compared to data reported in 2013, reaching an impressive cumulative total of €9 billion. It is crucial to note that investments made in

European companies within this sector are significantly higher than those made by foreign capital; in fact, these firms account for more than half of the entire Fintech market in the region. Investment focused specifically on technology for risk control, mitigation and management, so crucial in the current context, represents 38% of total technology investments, distributed diversely across various segments.

However, it is interesting to note that the total number of transactions has decreased slightly compared to 2014, reflecting a reduction of approximately -2%, considering that Europe currently comprises 57% of the global investment volume in this field.

In the area of Sales & CRM technology, it has been observed that this area represents a relevant 37% of technology investments in Europe, which implies a notable increase of 15% compared to 2014, thus consolidating itself as the technology area with the highest investment over the last few years.

On the other hand, financial advisory models, although interesting and with significant potential, are not as attractive in terms of overall investment, constituting only 14% of total investment in this specific area.

The average size of typical companies in the sector varies between 50,000 and 100,000 euros, reaching figures of 150,000, 250,000 or even more than one million million euros, which translates into a combined market valued at 2.02 billion euros. On the other hand, of the top 250 global institutions offering Wealth Management solutions, total assets under management grew significantly in recent years, reaching a growth of 12.5% to USD 95.4 trillion.

The strategic plans of the major players in the Wealth Management sector include making substantial investments in technology to create leaner and more efficient operations in their organisations, launching innovative digital marketing and advisory platforms, which may include both single-user and layered platforms that are capable of supporting both wholesale and retail banking.

In addition, artificial intelligence is being introduced into multiple internal and external services, including incorporating tools such as chatbots and virtual assistants into existing implementations, as well as offering advanced services

aimed at maintaining and growing the existing customer base and attracting and retaining emerging affluent customers. This trend especially includes millennial and generation Z customers, who are also emerging in this dynamic context. On this solid foundation, technology will be a key factor to compete effectively in a sector where new players are emerging, customer needs and preferences are changing, and margins remain under pressure, which will require innovative and adaptive strategies from all those involved in this environment.

#### Main Players and Business Models

The regulatory environment has contributed to the success of European wealthtech without the need for a European passport to cover the whole EU. The main countries that have driven the development of management companies and automated investment services are the UK, Germany, Switzerland and the Netherlands. The first two by quantity and the other two by the amount of investment raised. The most notable figure is Revolut, a London-based startup, which has raised a Series C funding round of €250 million.

Of the diverse set of companies or platforms offering automated investment services, three types of models stand out as being of particular relevance to the Wealth sector:

- Firstly, the automated management model is primarily aimed at the retail segment in the private banking arena. This model is highly attractive to investors seeking a more

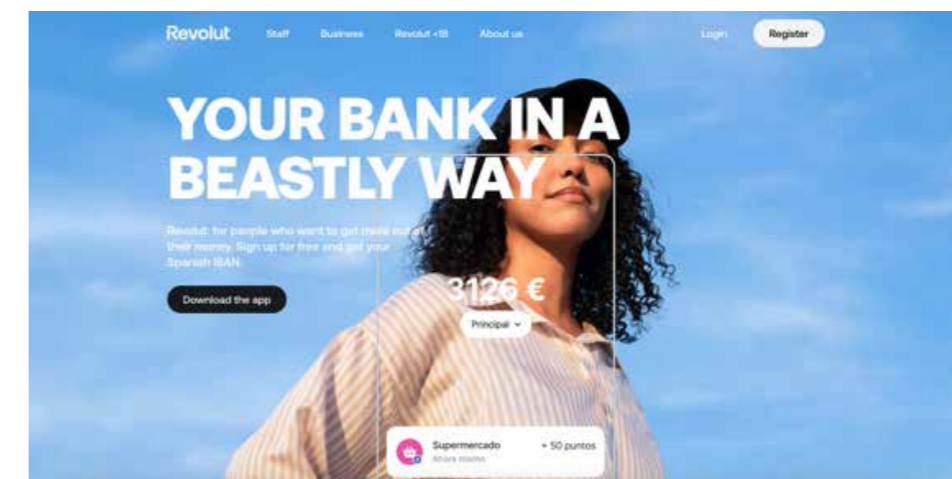
differentiated approach to asset management.

- Another model is geared towards attracting customers in the high affluent segment, those with considerable capital, starting from 100,000 euros.
- At the same time, it also offers a more accessible service that reaches a particular segment of young investors, offering opportunities from 20,000 to 100,000 euros for retail investors in each of these cases, thus allowing for greater financial inclusion and diversification of investment options.

In addition, the investor's profile is automatically provided with a mounted portfolio that facilitates the management of his investments, with the main operation structured in automatic transfers, orders that allow the change of profile or even locations where it is requested not to be contacted, and the possibility of making periodic contributions.

Returns can be annual or quarterly, depending on the preferences of each client. The predominant model in this sector is to pay a fee ranging from 0.60% for more complex management to 0.22% for passive management, the latter being a more direct approach and less costly in terms of maintenance. In addition, a number of management fees are included which can vary and range from 0 to 0.20%. This fee structure is reflected in the history of the client, who initially may perceive this excess in fees as a valuable capital gain intended to enhance his long-term investment and profitability.

#### Revolut (United Kingdom)



**Value proposition:** Revolut offers an all-in-one financial platform, allowing users to make international payments, exchange currencies, buy cryptocurrencies, manage investments and more, all from one mobile app.

**Business model:** Freemium model with premium options and monthly subscriptions. Offers financial services through bank accounts, debit/credit cards and investment products.

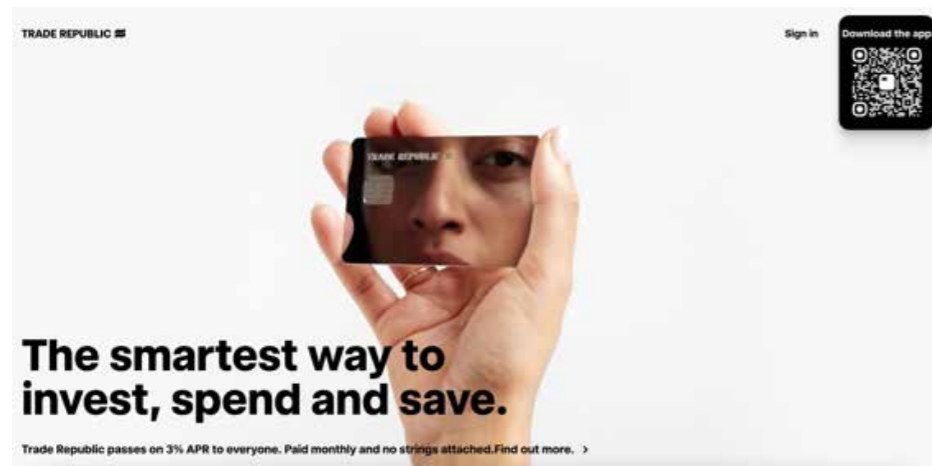
**Products and services:**

- Bank accounts
- Commission-free currency exchange
- Cryptocurrencies
- Equity investments and ETFs
- Personal loans and insurance

**Reach:** Global presence, operating in more than 35 countries, with a user base of more than 20 million.

**Web:** [www.revolut.com](http://www.revolut.com)

## Trade Republic (Germany)



**Value proposition:** Trade Republic allows users to invest in stocks, ETFs and derivatives without trading commissions. Its approach is to make investing accessible and affordable for all.

**Business model:** Minimal commissions and revenue model based on compensation for order flow and premium subscriptions.

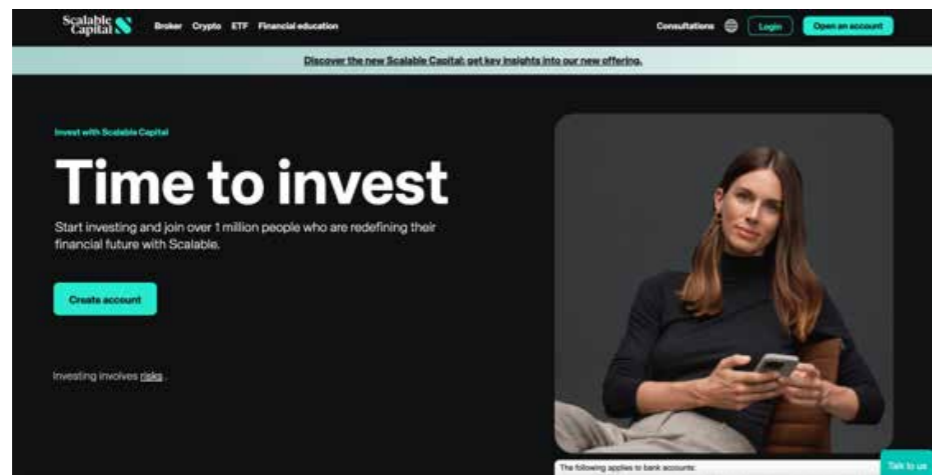
**Products and services:**

- Investing in equities and ETFs
- Derivatives trading
- Interest-bearing savings account
- Simplified financial products

**Reach:** It is mainly available in Europe, with more than 1 million users in Germany, Austria, France, and the Netherlands.

**Web:** [www.traderepublic.com](http://www.traderepublic.com)

## Scalable Capital (Germany)



**Value proposition:** Scalable Capital provides automated financial advice (robo-advisor) and personalised investment management, using artificial intelligence to create diversified and managed portfolios.

**Business model:** Management fee-based model and a fixed monthly fee for its premium services.

**Products and services:**

- Robo-advisor for portfolio management
- Customised investments
- ETF and fund investment platform

**Scope:** Operates in Germany, Austria and the UK, with more than 100,000 customers.

**Web:** [www.scalable.capital](http://www.scalable.capital)

## eToro (UK)



**Value proposition:** eToro is a social trading and investment platform, which allows users to copy the investments of experienced traders and diversify their portfolio across multiple assets.

**Business model:** Monetisation through spreads on trades and commissions on withdrawals and other transactions.

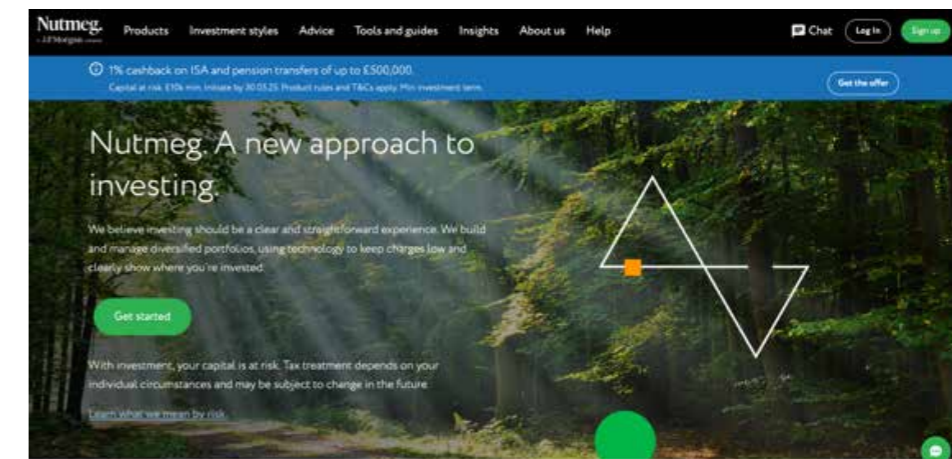
**Products and services:**

- Trading stocks, cryptocurrencies, forex, and other assets
- Social investment (CopyTrading)
- Investment accounts
- Cryptocurrencies
- CFDs

**Reach:** Operates globally in more than 140 countries, with more than 30 million users.

**Web:** [www.etoro.com](http://www.etoro.com)

## Nutmeg (United Kingdom)



**Value proposition:** Nutmeg offers automated investment management and digital financial advice, providing customised portfolios for a variety of investment objectives, from retirement savings to fund investing.

**Business model:** Based on management fees for invested assets and financial advisory fees.

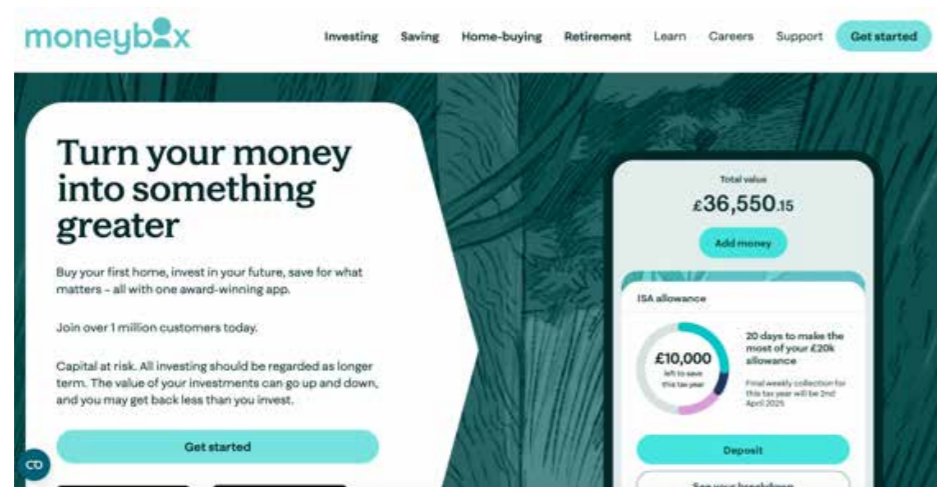
**Products and services:**

- Robo-advisor for investment management
- Portfolio of diversified funds
- Retirement planning
- Savings and investments for long-term goals

**Scope:** Focused on the UK, where it was acquired by JPMorgan in 2021. Now, as part of JPMorgan, it is expanding its services.

**Web:** [www.nutmeg.com](http://www.nutmeg.com)

## Moneybox (United Kingdom)



**Value proposition:** Moneybox is a savings and investment platform that automatically rounds up its users' purchases to invest the change in diversified investment portfolios. Its proposition is to make saving and investing easy and accessible to all.

**Business model:** Monetises through fund management fees and monthly subscriptions for premium services.

**Products and services:**

- Rounded savings (round-ups) for investments
- Diversified investment portfolio
- Planning for retirement
- Investments in ISAs (savings and investment accounts) and funds

**Reach:** Mainly in the UK, with over 600,000 users.

**Web:** [www.moneyboxapp.com](http://www.moneyboxapp.com)

## PensionBee (United Kingdom)



**Value proposition:** PensionBee is a digital platform that helps users consolidate, manage and grow their pensions through a simple and transparent interface.

**Business model:** Management fees and pension fund administration fees.

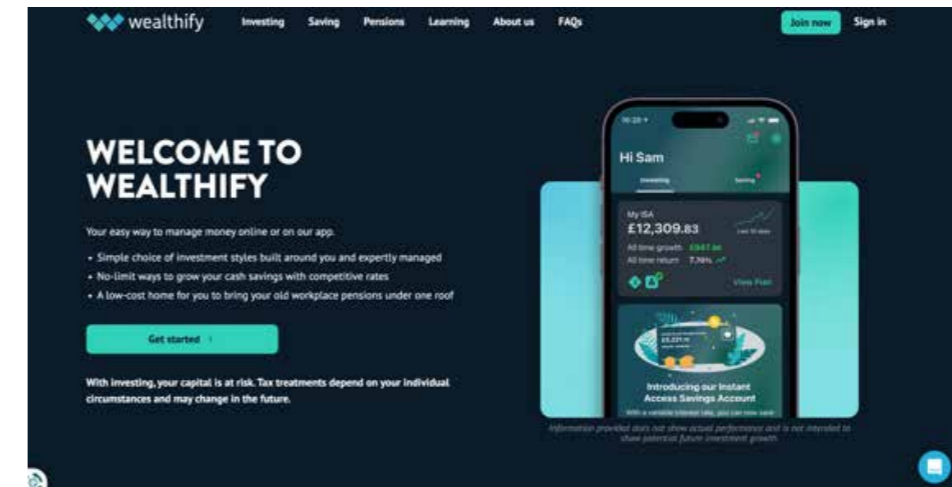
**Products and services:**

- Pension consolidation
- Investment in pension funds
- Retirement planning

**Reach:** Mainly in the UK, with over 700,000 users and over £3.5 billion under management.

**Web:** [www.pensionbee.com](http://www.pensionbee.com)

## Wealthify (UK)



**Value proposition:** Wealthify offers digital investment services through a robo-advisor, allowing users to invest in diversified funds with only a small amount of money.

**Business model:** Investment portfolio management fees. They offer various plans depending on the type of investment.

**Products and services:**

- Robo-advisor with diversified portfolios
- Socially Responsible Investment (SRI)
- Savings and investment accounts

**Reach:** Focused on the UK, with over 100,000 customers.

**Web:** [www.wealthify.com](http://www.wealthify.com)

## Regulation and Legal Framework

The regulation of WealthTech in Europe and in the domestic segment of each member state has been, and continues to be, one of the main barriers to the implementation and growth of this sector. This is why regulations have been created to encourage the entry and expansion of activities in the financial technology or virtual banking sector.

- GDPR: European Union data protection regulation.
- Markets in Financial Instruments Directive: MiFID II, which aims to ensure a high level of investor protection in the EU, has been in place since 3 January 2018. In other words, it enhances the current rules by ensuring that the EU is equipped to address the challenges of

the evolving market, and takes into account the worthy role that investment services play in capital markets.

- PSD2: this directive revises and replaces the 2007 Payment Services Directive with the aim of promoting more innovative and cost-effective payment solutions and enhancing favourable protection for payment service users. Directive involving all financial institutions without derivation of payment and financial reporting activities. It is the regulation that facilitates the birth of this technological revolution because it allows access to banking-related information. However, it has acquired enemies such as those entities that have not adapted or are not motivated to do so.

## 5.2 Current Challenges for the Wealthtech Sector in the EU

Throughout the above, the challenges and challenges facing the Wealthtech sector vary in nature and severity. They are broken down and detailed below through different dimensions and strategic, operational and regulatory aspects that are crucial for its development.

1. Strategic challenges of high relevance for the sector as a whole remain, including the notorious labour dependence on globalisation and the consequences on the business models and go-to-market strategies being used. In this respect, it is vital that companies adapt quickly to market changes and to

the new technologies that emerge over time.

2. On the operational side, the main challenge is to be prepared to respond effectively to the gradual massification of financial advice through digital channels, which have become increasingly important in the current era. In the current context of convergence of business models and services, the offer of wealth management services on electronic platforms is proliferating and diversifying, which implies separating the advisory and product distribution component from the actual custody and execution of investments.

3. The most obvious context of challenge and change is the regulatory context, in which there are increasing demands. After the early stages of liberalisation and financial stimulation of digital investment ecosystems by regulators, the coming years are expected to see a significant tightening of the rules of the game. This will be to redress the inequity and disadvantage faced by traditional competitors, for, while the former group starts out with all the conditions ironed out for them, the latter suffers from a strict supervisory and control regime, which has been articulated and developed over many decades. But it will also be to the extent that the risks become more evident with the entry into action of managers whose operating model has been forged and tested in an exceptional context of few physical interactions between manager and client, and who, consequently, have had far fewer opportunities to make mistakes that force them to identify, mitigate and correct the adverse situations that may arise in their management.
4. Data security and protection has become one of the main arguments for banks, and legislation is more than rigorous. The GDPR protects all personal information, and with the PSD2 directive it is necessary to add security and data protection to the customer authentication process before the transaction of data or the initiation of payment services begins. All this leads to very high data protection costs in the financial advice sector. In some cases it is more costly than the revenue it generates. WealthTech can be penalised for breaches of these directives if insufficient measures are taken to protect their clients' data. When it comes to international services and despite having a European regulation, there are differences in regulations at regional and national levels; if a company operates in several countries, even across the European Union, it requires some knowledge of these regulatory differences and compliance with the regulations of each state, as it is different whether the file will be stored in one country or another, being more costly in the first case. Combinations of different national regulations, as well as international ones, have created increasingly complicated risk management for traditional managers. In addition, AI that encourages competition can lead to serious regulatory difficulties, as it lacks transparency for current and future regulators and clients, and its complexity in doing so also makes it difficult to comply with new regulations. We want to ensure that we meet all of your obligations as a customer. Please take a moment to read these key documents which will provide key information about your relationship with us. It is becoming increasingly personalised, so the risk per customer/case must be estimated.
5. Wealthtechs differ above all in their global diversification of investments. In the post-financial crisis environment, Wealthtech startups (but also traditional private banks that recycled themselves by taking advantage of new technological developments) have benefited enormously from the profound regulatory transformation that has altered banks' profitability models. Some have called this transformation

the death of private banking, or the reinvention of personal digital banking. Digital because state-of-the-art technological tools have been adopted and personal because all these tools are implemented through personal advice so that, as an investor, you feel listened to and better understand each of the financial products that the digital entity makes available to you, through the digital transformation of the big banks.

6. The business plan-differentiation pairing is key to the success of the Wealthtech business model. The businesses commonly associated with Wealthtech are the development of investment solutions and advice-full financial services. Therefore, when analysing how the market is currently performing and what the successful companies are focusing on, it is essential to look at how they are differentiating themselves. Especially how they are differentiating themselves in terms of investment diversification, as this is what both investors and the Wealthtech companies themselves are looking for. To differentiate themselves, many Wealthtechs will focus on global investment diversification.
7. The replacement of paper and cash initially with money and finally with cards has led to a significant reduction in transaction costs, while allowing the development of multi-purpose cards, which are more solvent than cash. Less progress is being made in peer-to-peer payments, which would require the generalisation not only of mobile devices, but also of open positions for financial applications to facilitate transactions between different applications without necessarily going through validated accounts outside the ecosystem. The possible non-mainstreaming of the biometric element and its dependence on governments for the necessary identification to link the person to the card relies on the subjective validation of the person and their resources to increase the risk of the environment. The generation of the standard for oversight and management of digital currencies by central banks and corporate regulators increases the likelihood and immediacy of the widespread use of blockchain payments, which increases the demands on their anti-fraud procedures.
8. The immediacy and global availability of information provided by all digital sources and the analytics that can be built on them, with the generalisation of technology and predictive and prescriptive analytics with artificial intelligence, facilitate in-depth knowledge of needs, desires, expectations and behaviours, which should lead to constant innovation of relationship models, services and products, adding additional competitive pressure on providers of financial services and products and forcing their adaptation to the customer-centric model. At the same time, the generation of open APIs with the different levels of access required by regulation enables an open development and relationship environment, with which to generate ecosystems capable of creating a comprehensive partnership that reduces friction with the financial institution.

### 5.3 Future of Wealthtech in the European Union: Opportunities and Challenges

A possible shock caused by the United Kingdom's exit from the European Union, the crisis following the outbreak of the pandemic caused by the coronavirus and the loss of influence and weight of the European financial sector in recent years in favour of others such as the Chinese, American and Indian sectors, are elements that make the European Union not an easy environment for new companies in the technology sector and, in particular, for start-ups in the WealthTech sector. Therefore, from a purely macroeconomic level, it may seem that the last few years are a bad time to try to slow down competition from the UK, including in the WealthTech sector.

However, there are a number of reasons that may prove to be very positive drivers for the WealthTech sector in the short, medium and long term.

Firstly, it is well known that the number and volume of investment funds, private banking services and asset managers specialising in the European market are far lower than in other large and emerging areas. It will be essential to try to correct this factor if we want to prevent a large part of the savings managed and generated in EU member states from leaving the area.

Secondly, the demographic ageing of a large part of the continent, with high increases in life expectancy together with a birth rate that tends to be negative, is a constant in different member states. This point implies that the number of the population in which wealth decisions will have a significantly greater weight will grow exponentially.

Finally, the successive bank bailouts triggered by the onset of the financial crisis have generated growing concern among European citizens, with many deciding to diversify their savings in search of additional returns in the event of a worsening banking environment in their respective countries.

#### Innovation and Technological Disruption

We start from the crucial distinction between the first and second digital revolutions. At the moment, we can say with certainty that we are in the midst of the second of these digital revolutions.

Today, the Internet has become an integral and fundamental part of all spheres of our daily lives. The importance of the Internet continues to grow, especially due to the disruption and acceleration brought about by some highly disruptive technologies. Among these disruptive technologies, innovations such as Blockchain, the Internet of Things, virtual reality and augmented reality stand out. These technological advances have transformed not only how we interact, but also how we work and entertain ourselves. The concept of creative destruction was introduced to refer to major technological

changes that result in the obsolescence of entire industrial subsectors, while at the same time, new ones emerge to fill those gaps. This meaning becomes the basis for many of the terms that are now more frequently used in contemporary economic language: we speak of technological innovation and technological disruption.

Disruption, in this context, refers to the emergence of new products, new companies or innovative technologies that completely redefine an existing market and induce leading companies to adopt new and adapted corporate strategies.

There are currently eight technologies that are considered the most disruptive for the future of the sector, namely: Additive Manufacturing, which enables a more personalised and efficient approach to production; Biotechnology, which is revolutionising the healthcare sector; Advanced Motorisation, which drives mobility in new ways; Hyperconnectivity, which enables constant interconnectivity between devices; Machine Learning, which enables automation of data analysis; Advanced Robotics, which transforms industrial production; Advanced Materials, essential for innovations across multiple industries; and finally Augmented Reality, which is changing the way we perceive our environment. While these technological advances are leading companies to incur higher costs and face a payback period that may be more uncertain, it is also true that these technologies can represent a significant competitive advantage. At the same time, they force constant and uninterrupted technological development and, in parallel, provide institutions with more and better knowledge about their customers. This opens up new possibilities for value creation, facilitating not only business growth, but also sustainability and meeting increased customer demand for innovative solutions. In this dynamic environment, those companies that are able to adapt effectively will be best positioned to succeed.

#### Internationalisation and Collaboration

Today, most European companies tend to favour the international market, positioning their main geographical export destinations in an order that includes first the rest of the European Union, followed by the United States and, finally, Asia. This clear and noticeable trend towards internationalisation adopted by many companies not only reflects a desire to discover and seize new business opportunities, but also highlights the urgent need to diversify both their markets and their customer bases. This diversification is crucial to mitigate risks and foster sustainable growth in an increasingly competitive global business environment.

Additionally, it is confirmed that China has managed to establish itself as one of the main export destinations; in fact, it has been specifically cited in third place in terms of companies' internationalisation towards the Chinese market.

## CONCLUSIONS AND SUGGESTIONS FOR STRATEGIC ACTION

This highlights the enormous relevance of China in the overall growth and international expansion strategy of companies, which is crucial for their future success. The situation of the Chinese market, which has been characterised by its constant openness and the internationalisation of its currency, has generated great opportunities that allow easier and more direct access to Chinese capital. For their part, Chinese investors are also actively seeking opportunities to invest in companies outside their country, thus becoming key players in the financing of various international projects.

On the other hand, business-to-business collaboration has emerged as a trend that is expected to continue to grow; this is already evident in the increasing number of agreements between Fintech companies and asset managers. The latter offer technology or lease their balance sheet to Fintechs, generating highly productive synergies. In addition, there has been a notable increase in the number of companies that have created or are considering creating an in-house R&D lab, as well as a venture capital fund dedicated to investing in start-ups. This growth is a clear indicator that an environment highly conducive to innovation and entrepreneurship is developing. Also, the number of entries into venture capital funds, as well as accelerators and incubation programmes, has been surprisingly high. This phenomenon shows a considerable interest on the part of investors in fostering and encouraging the emergence of new ideas and innovative projects that can set the tone for the future.

Finally, it is encouraging to note that according to the latest published studies around half of the startups in this sector have been actively approached by more traditional companies, a remarkable fact that indicates intense activity in the sector, mostly to offer them financial services, technology platforms, blockchain-based solutions and strategic advisory services. This underlines the growing importance of strategic partners in today's business landscape.

### The importance of sustainability in the sector

A recent report related to the WealthTech sector in Europe is *FinTech Global's* analysis of industry trends in 2023. It highlights that investment in WealthTech continues to grow, driven by the search for integrated platforms, sustainability (ESG), and personalised solutions for clients, including the use of advanced tools such as artificial intelligence and the generation of more personalised digital experiences. In addition, regulatory challenges such as new SEC regulations affecting the reporting of performance data are mentioned, which has prompted firms to develop tools to improve operational efficiency and client experience.

Another publication of the *Wealth Solutions Report* highlights that key trends include the use of tools to scale efficiency in financial advisors through technology integrations. In addition, they highlight the growth in the use of alternative investment platforms and personalised services that link risk tolerance and tax optimisation. Solutions based on artificial intelligence, such as Morningstar's «Mo» chatbot, are gaining prominence in the industry.

Both reports agree that sustainability (ESG) remains a strategic priority to attract young investors, and integrated technology will be essential to compete in this evolving sector.

A number of other reviewed articles and reports present opportunities and issues to come in the Wealthtech arena:

- Big Data analysis is expected to be applied more comprehensively in order to more accurately anticipate and predict investor behaviours. This will allow for a better understanding of markets and more efficient advice.
- The application of artificial intelligence-based methodologies is emerging as a growing trend. These methodologies include Deep Learning, Machine Learning, Reasoning and Natural Language Processing (NLP). These techniques will be used to establish a more empathetic link with users and offer them quality services.
- A significant increase in the use of more complex automated, algorithmic and muscular systems is foreseen for both financial trading and personalised advice. These sophisticated systems will enable more accurate and efficient decision-making.
- The use of cognitive and emotional systems that provide closeness and sympathy to analysts, and that are able to empathise with users, are valued positively. This approach will seek to achieve a more enriching experience for users.
- Applications related to technologies associated with the Internet of Things (IoT) are expected to emerge with the aim of offering users a complete experience in real time and in a predictive and automatic way.
- There will be an increase in services targeted at the premium end of the market, such as versatile and adaptive family offices tailored to users' specific needs. This will ensure a higher level of personalisation of financial services.
- Integration of financial services with other non-financial services, such as collateral control or loans, is expected to take place. This will allow for greater convenience and ease in the management of financial services.
- It will seek to eliminate time and geographic barriers in terms of markets and trading hours. This will be achieved by taking advantage of new technologies that allow financial operations in real time and from any location.
- Although on a smaller scale than in FinTech services in general, blockchain technologies are expected to be increasingly applied in the WealthTech sector. This will allow for greater automation and simplification of processes, as well as capital optimisation through disintermediation and elimination of duplicate sources.

The main conclusion that emerges from this report, with respect to the Legaltech sector, is that new technologies are also reaching the legal sector in the European Union, albeit with some delay compared to other economic sectors and other geographical areas outside the European Union. National markets continue to play a very important role, which is not in line with a digital single market. The latter is particularly relevant in a transnational sector such as the legal sector, especially in terms of soft law, and at the same time in which the legal regime that regulates it is scarcely harmonised.

In fact, legaltech has been promoted and developed by national entrepreneurs who, with honourable exceptions, some of whom are tackling internationalisation, focus their efforts on boosting national markets to the detriment of promoting European convergence. This has led the European Commission, the Council of the European Union, the European Parliament, the European Economic and Social Committee, some national and regional governments, the European Bar and some associations of innovators to see the need to become involved in managing this innovation of the legal system in the interests of citizens, consumers and users of justice, in order to identify and overcome the relevant obstacles that are holding back this transformation of legal services in the European Union. On this basis, they propose to launch the corresponding policy initiatives to facilitate and accelerate the modernisation of the law and to use technology as a lever for change.

All this leads us to the conclusion that the implementation of technology in the EU legal sphere is essential to achieve greater efficiency and access to justice. However, concrete actions and policies are required to drive this transformation process and overcome existing barriers. Only through close collaboration between the different actors involved and an adapted regulatory framework can we achieve the full exploitation of new technologies in the EU legal sector.

With respect to the Insurtech sector, there is no doubt that the introduction of various innovative initiatives in the sector provides unprecedented commercial opportunities in insurance markets, as well as in related areas such as bancassurance, reinsurance, and brokerage. These opportunities are emerging significantly in response to the continued development of collaborative ecosystems where companies work together, and the integration of financial technology companies with traditional insurance and reinsurance entities, creating synergies that enhance their growth.

In addition, there is a clear trend towards specialisation in software prototyping, which facilitates the development of experimental models both operationally and commercially, which are based on advanced machine learning algorithms. This reform at the provider level can anticipate and facilitate the implementation of necessary reforms that impact both internal and external users in the insurance sector.

In this sense, a gradual and planned adoption of guaranteed products is foreseen, as well as an expansion in the offer of advanced services that are closely related to the Agent's role in this changing landscape. The market is responding to these trends through the creation of value-added propositions specifically designed for those companies seeking access to progressively more sophisticated services tailored to their needs. This includes a renewed focus on the analysis of the environment and the language of benchmarking, while also projecting the future development of technologies that are effective and supportive of this precise advancement.

There is no doubt that the introduction of various innovative initiatives provides unprecedented business opportunities in insurance markets, as well as in related areas such as bancassurance, reinsurance, and brokerage. These opportunities are emerging in response to the continued development of collaborative ecosystems and the integration of financial technology companies alongside traditional insurance and reinsurance entities.

In addition, there is a trend towards specialisation in software prototyping, which facilitates the development of experimental models in both operational and commercial terms, based on advanced machine learning algorithms. This reform at the supplier level can anticipate and facilitate the implementation of necessary reforms that impact both internal and external users in the sector. In this regard, a gradual adoption of guaranteed products is foreseen, as well as an expansion in the offer of advanced services related to the role of the Agent. The market is responding to these trends by creating value-added propositions specifically designed for those companies seeking access to progressively more sophisticated services. E

Finally, with regard to the Wealthtech sector, it should be noted that it has become a key and fundamental sector for investment in the European Union. This sector not only encompasses a complex and diverse ecosystem, but is also characterised by the wealth of innovative services it offers, which makes the market

highly attractive and competitive. This allows both retail investors and professionals to access a more digital, open and user-centric service offering, fostering a dynamic investment environment.

However, it is important to note that the companies that make up this sector generally have small investment volumes. These volumes, together with the negative impact on investment attraction, contribute to the fact that in the Old Continent there is less investment in the companies that are positioned as leaders in the sector. This situation is aggravated by the reduction of investment in the early stages and phases of development of emerging companies in this field.

As mentioned in various forums and discussions, a significant increase in both public and private investment towards innovative and emerging projects within the wealthtech sector is recommended. It is essential to remove tax barriers that slow down investment and thus incentivise a more dynamic flow of capital towards relevant and transformative initiatives.

In addition, the development and implementation of common rules and regulations that are applicable throughout the EU should be accelerated. Such an approach would not only ensure the removal of barriers that limit cross-border economic activities, but would also foster a more conducive environment for growth. This, in turn, would support the deployment and expansion of open and collaborative software platforms by financial institutions operating in the EU, creating synergies that benefit all actors involved.

Consequently, the comprehensive review of key aspects of the sector shows that it is undoubtedly an attractive and strategic sector, which also presents a number of significant challenges that need to be addressed quickly. It is essential to ensure its development and sustainability in order to achieve sustained growth, especially in the competitive context of global markets as a whole, which demand constant innovation and adaptive solutions.

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