

# Automotive Lifestyle Protection:

The optional extra at the heart of the strategy

CAAREA

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Compagnie Automobile d'Assurance et de Réassurance Associées



Clean, technological or connected vehicles have made their mark on the daily lives of insurers, bankers and car manufacturers. However, to focus solely on vehicles would be to forget the essentials. Inside these cars are drivers, owners or renters, whose objectives are to preserve their mobility, capital, person and property, beyond any possible attachment to a brand. Caught between reduced loyalty and a gloomy economic context, players in the automotive world are seeing their traditional market under attack. The evolution of uses, technologies and competition calls for a change in strategy, making what was once considered as an accessory the new spearhead of customer conquest and profitability.

Insurers, bank-insurers and automobile manufacturers share many common points. Faced with a mature market, marked by the acceleration of digital technology and a drop in sales, all have begun to reflect on their offers. If the problems they face are similar in many aspects, so are the solutions to be provided. Positioning Automotive Lifestyle Protection as the central hub of their offers to users enables these organisations to increase their business, while providing the protection and services customers are looking for. So much so that for a large majority of distributors, being able to offer a complete range of services is their main challenge (see graph). In addition, affinity insurance solutions represent an opportunity for insurers and bank-insurers to innovate with their partners, particularly manufacturers and new distributors.

#### Main strategic challenges for dealerships



While brand loyalty is declining, it must be replaced by loyalty to the service provided. It will only be possible to generate it by proposing affinity offers, far from monolithic models. Automotive Lifestyle Protection is deployed according to the needs and profiles of policyholders, while supporting a global development strategy. This strategy must meet multiple challenges, because the upheavals experienced by the automotive industry in recent years have been compounded by the consequences of a health and economic crisis. Automotive Lifestyle Protection therefore responds both to customer behaviour and to the economic and business imperatives of the sector as a whole.

## Protecting the insurers' portfolio

The insurance industry is being challenged by a new-look competition. Traditional competitors are now being joined by new market entrants, while new distribution models are being introduced. For insurers, the challenge is twofold: consolidating their current portfolio and winning customers. The only possible answer is to enrich historical services, such as Casco, assistance or legal protection, in order to offer global solutions that protect mobility.

Whether included in premium offers or as an option in entry-level portfolios, these offers aim to extend the protection of motorists' assets, while enhancing their customer experience.

No more assistance that stops at the dealership gates and breaks the link with the policyholder. With the inclusion of a mechanical breakdown, the same solution, and therefore the same player, organises repairs and covers the costs. The Casco becomes a true "comprehensive" solution. Even better: it is up to the insurer to define the scope of the protection offered in its packages. For example, some insurers prefer coverage against "hard knocks" and the total loss of a vehicle, while others choose to cover the everyday worries of motorists. Offered as up selling, cross selling or remarketing, these solutions adapt and evolve according to the insurer's new distribution strategies.

The insurer's role with its policyholder is growing, the policyholder's experience is improving and so is his or her loyalty.

While the benefits are numerous for the policyholder, CAAREA's Automotive Lifestyle Protection also benefits the insurer. Our experience shows an increase in the average basket through the enrichment of the most profitable coverages - the damage coverages - and a churn rate reduced by 2% on average.

## An indispensable commercial differentiation

In addition to preserving the existing portfolio, Automotive Lifestyle Protection is obviously a flagship tool for winning customers. It enables insurers to counter new entrants to the sector on a level playing field: innovative offers that are monitored and managed with the use of new technologies.

Moreover, insurers are not the only ones to use Mobility Protection to stand out in a highly competitive market. Funding agencies are seizing this opportunity to enrich their credit-related offers with a strong differentiating bias. The offer is in fact based on the service and no longer on the rate.

This commercial opportunity has proved its worth. In Asia, captive car companies that have used this strategy implemented by CAAREA have obtained an optional penetration rate of more than 50% of loans, generating an immediate additional margin. Credit volumes also increased by 5%. Proof that mobility protection meets customer expectations, some customers take out credit solely to benefit from it, or extend the duration by an average of 6 months to benefit from it for longer. Another effect was a 10% reduction in delinquency. Proof that by protecting the customer's capital and economic contingencies - particularly in times of crisis - Automotive Lifestyle Protection also protects the portfolio and financier's interests.

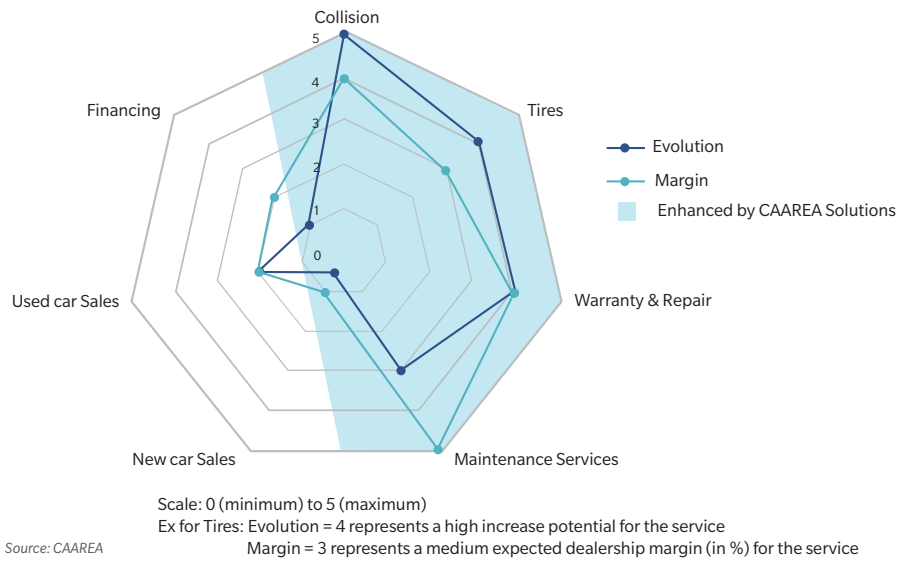
## Improving sales: a concern shared by automakers

Market shares under attack, customer volatility, new mobility behaviours... manufacturers are not so different from insurers in the challenges they face. Once again, it is an experience, a service, that the customer is looking for, whereas the product - in this case the vehicle - is no longer sufficient on its own.

Thanks to their experience in services and their understanding of the effects of comprehensive mobility protection, insurers can establish themselves as the manufacturers' partners of choice in the coming decade. They are best placed to support manufacturers in the implementation and monitoring of these affinity services.

Just as comprehensive mobility protection enables insurers to win new customers, such services also increase vehicle sales. They generate additional margins directly with commissions and indirectly by encouraging traffic in workshops, the buy-back of vehicles after a total loss or by improving the residual value of used vehicles. These indirect margins, generated by affinity products, are expected to grow between now and 2025, becoming a major component in distributors' profitability (see graph). All these advantages can be achieved without the manufacturer losing control of its networks, thanks to technological tools deployed in its own system, and without bearing any financial risk.

**Dealerships profit evolution forecast 2020-2025**



**Digital and technology at the heart of the business**

Automotive Lifestyle Protection is inseparable from new technologies, at least that's how we at CAAREA have always conceived it. In order to provide its full potential, we are leveraging seamless API integration to deliver our business value and our products, directly through our partner's digital ecosystem. Thanks to automation and artificial intelligence, more than just a product offer, mobility protection can be conceived and used as a global and controlled strategy, at the service of the business.

The customer experience is also improved, with increased use of digital technology. Automobile distribution networks also find in affinity marketing offers an opportunity to strengthen customer satisfaction and therefore customer commitment. This is evidenced by the 10-year partnership between CAAREA and a leading player in digital distribution, which has enabled the latter to increase its sales by an average of 10% each year.

Automotive Lifestyle Protection is emerging as a global response to the common challenges facing the automotive world: increased competition, new customer behaviours and expectations, mature market, technological innovations. CAAREA deploys a solution that guarantees its partners financial, insurance and technological security, while enabling them to retain control of their networks, data and, above all, their customers, who are more important than ever to retain.



**About CAAREA**

For nearly 15 years, CAAREA has been a pioneer in the use of new technologies in the service of the insurance industry. Both MGA and Insurtech, CAAREA designs and manages Automotive Lifestyle Protection solutions for the automotive world.

The company federates the entire insurance engineering chain and boosts the offer of its customers - insurers, manufacturers, financiers and distribution networks - thanks to a strong technological base. Its ecosystem of solutions is revolutionising the distribution of motor affinity insurance products, offering motorists comprehensive protection for their mobility.

Present on four continents, CAAREA has the support of the best international reinsurance signatures: Scor, Munich Re and Swiss Re. This exceptional technical support provides the security necessary for the sustainability of clients' strategies and enables CAAREA to accompany them in all their markets.