

CLEPA Aftermarket Conference in Brussels, 28 November 2013

## **The connected vehicle – view of HUK-COBURG and current challenges**

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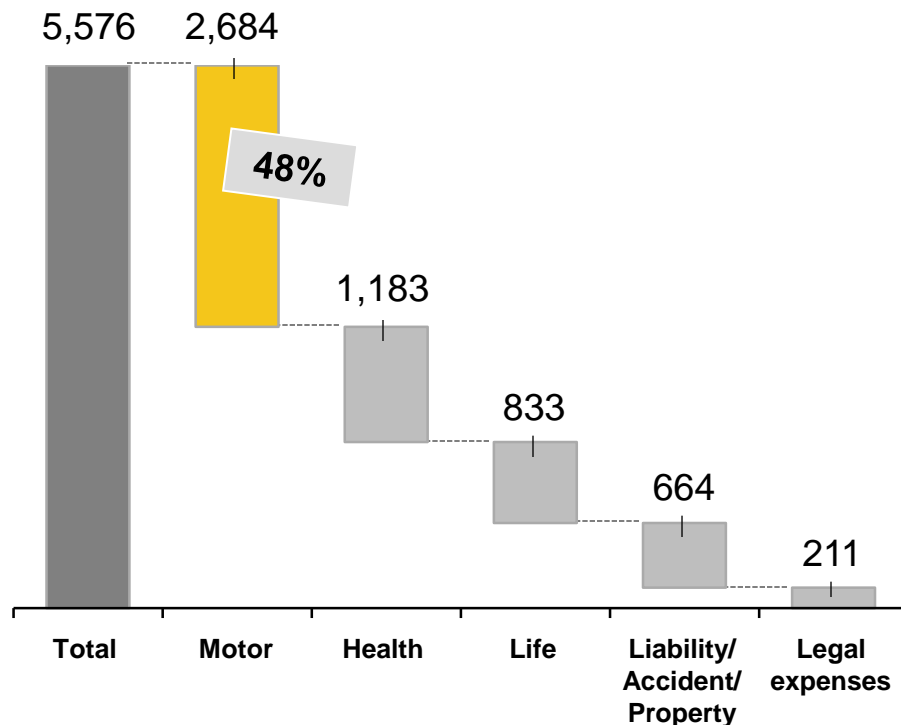


## Agenda

1. HUK-COBURG: *about us*
2. eCall and the connected vehicle: *relevant?*
3. Tariff models Payd / UBI: *promising?*
4. Conclusion and responses of HUK-COBURG

HUK-COBURG: as a “mutual insurance company” we are committed exclusively to our customers – our focus is on motor insurance

### Premium income 2012 (in million €)



- HUK-COBURG is a “mutual insurance company”:
  - HUK-COBURG is “owned by” its customers
  - Members take the place of shareholders
- Profits and advantages gained are directly passed on to the customers:
  - Profits and advantages are passed on through premium reductions/refunds
  - All advantages are for the benefit of the premium payers

**Our philosophy: long term partnerships for the good of our customers and business partners**


Our approach:  
We offer a superior price/performance ratio

**Price  
leadership**



**Convincing  
performance**

- Outstanding cost position among competitors:  
→ Low administration and sales costs
- All cost advantages are passed on to the customers
- High-performance products tailored to suit the requirements of customers
- Excellent claims service
- Innovative product concepts (e.g. *Kasko SELECT<sup>1)</sup>*)



**According to product comparisons HUK-COBURG is the most competitively-priced insurer in the market**



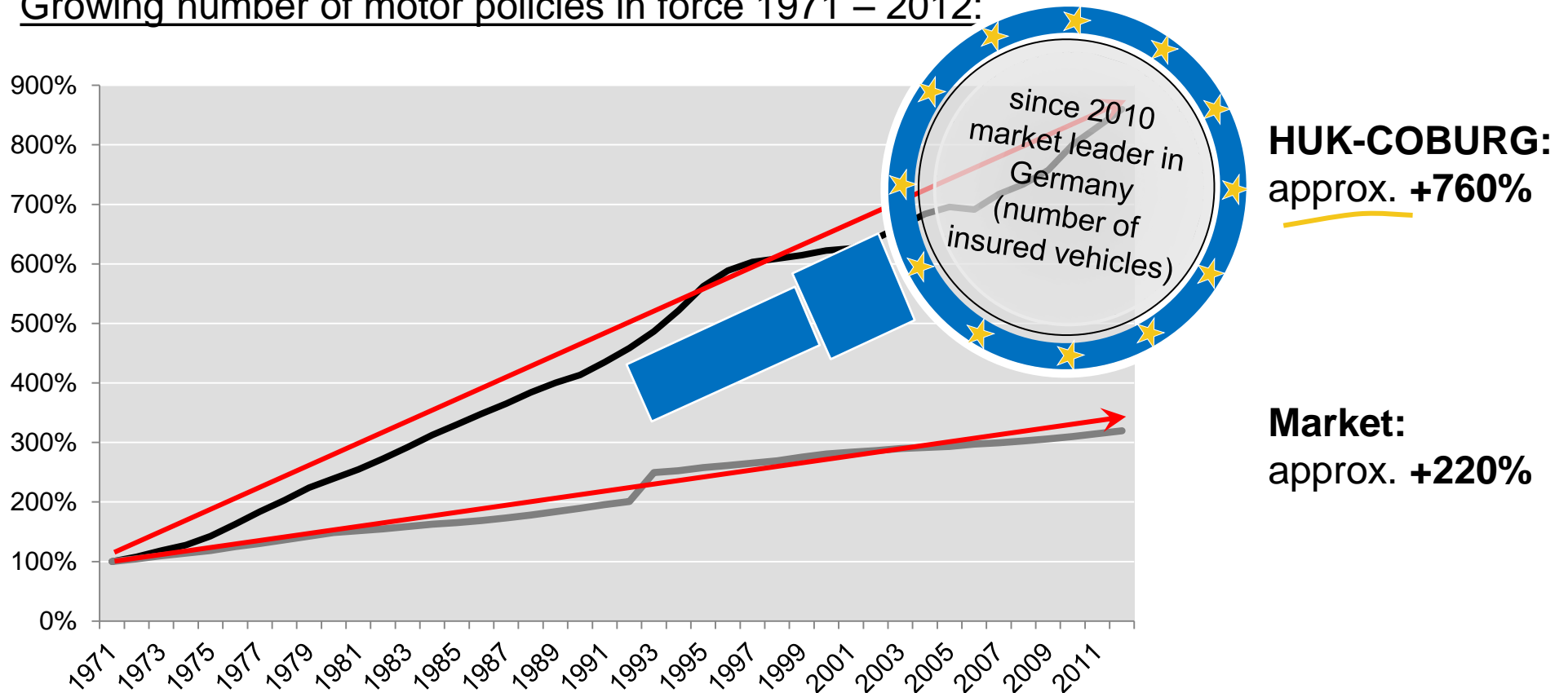
**High level of customer satisfaction and willingness to recommend**

**Price/performance leadership as a strategy of HUK-COBURG**

<sup>1)</sup> The customer takes out a policy with a repair shop tying arrangement and receives a 20% premium discount in return.

Products tailored to suit the requirements of customers as a cornerstone of HUK-COBURG's success

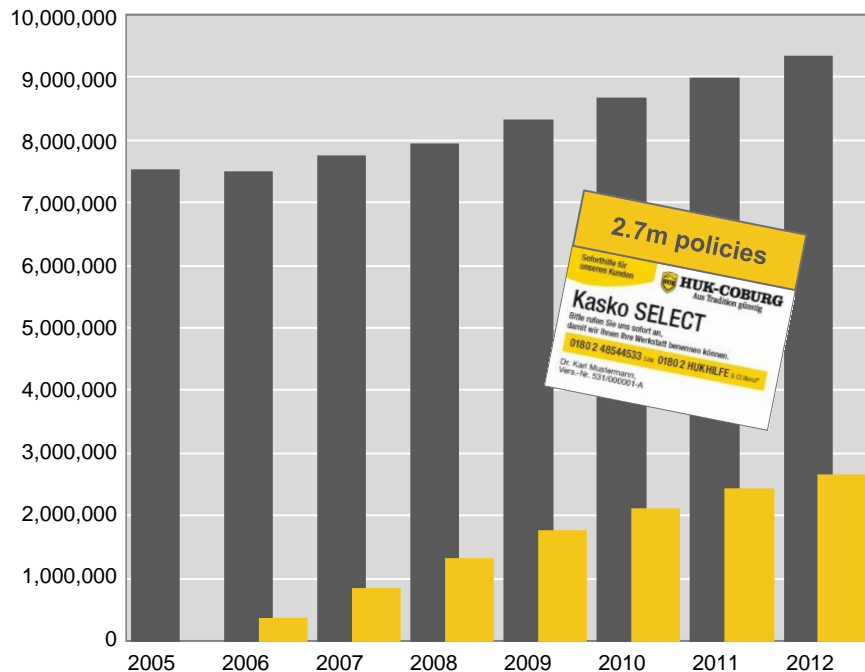
Growing number of motor policies in force 1971 – 2012:



**Sustained and above-average growth of HUK-COBURG compared to the market**

Products with repair shop tying arrangements provide partner repair shops with large volumes of business: in 2012 for the first time more than 200,000 managed claims

## HUK-COBURG records solid growth of *Kasko SELECT*



## The network is used by other insurers: potential of 16 million vehicles

**Schadenservice**  
Partnerwerkstatt



Zertifiziert von:  
**DEKRA**

Exklusiv für Versicherungskunden von:

 <b>HUK-COBURG</b> Aus Tradition günstig	 Versicherer im Raum der Kirchen <small>Bruderkette - Pax - FamilienGenoss</small>
 <b>HUK 24</b> <small>DIE ONLINE-VERSICHERUNG</small>	 <b>VHV</b> VERSICHERUNGEN
 Aachen Münchener	 <b>Gothaer</b>
 <b>GENERALI</b> Versicherungen	 <b>asstel</b> <small>Lebensversicherer der Gehörten</small>
 <b>CosmosDirekt.</b>	 <b>janitor</b>
 <b>CONCORDIA</b> Versicherungen	 <b>Debeke</b>

**Products with repair shop tying arrangements are highly successful: focus on guaranteed capacity utilisation for partner companies**

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## Interconnectedness – an issue for the German motor insurers?

### Technology



Services everywhere and at any time:  
→ Cloud technology, mobile devices etc.

### Society



Generation “Evernet” – “always available, always connected”: → being online everywhere and at any time

### Technical basis

„It works!“



### Individual requirement

„It is in demand!“



### New or innovative products and business models...

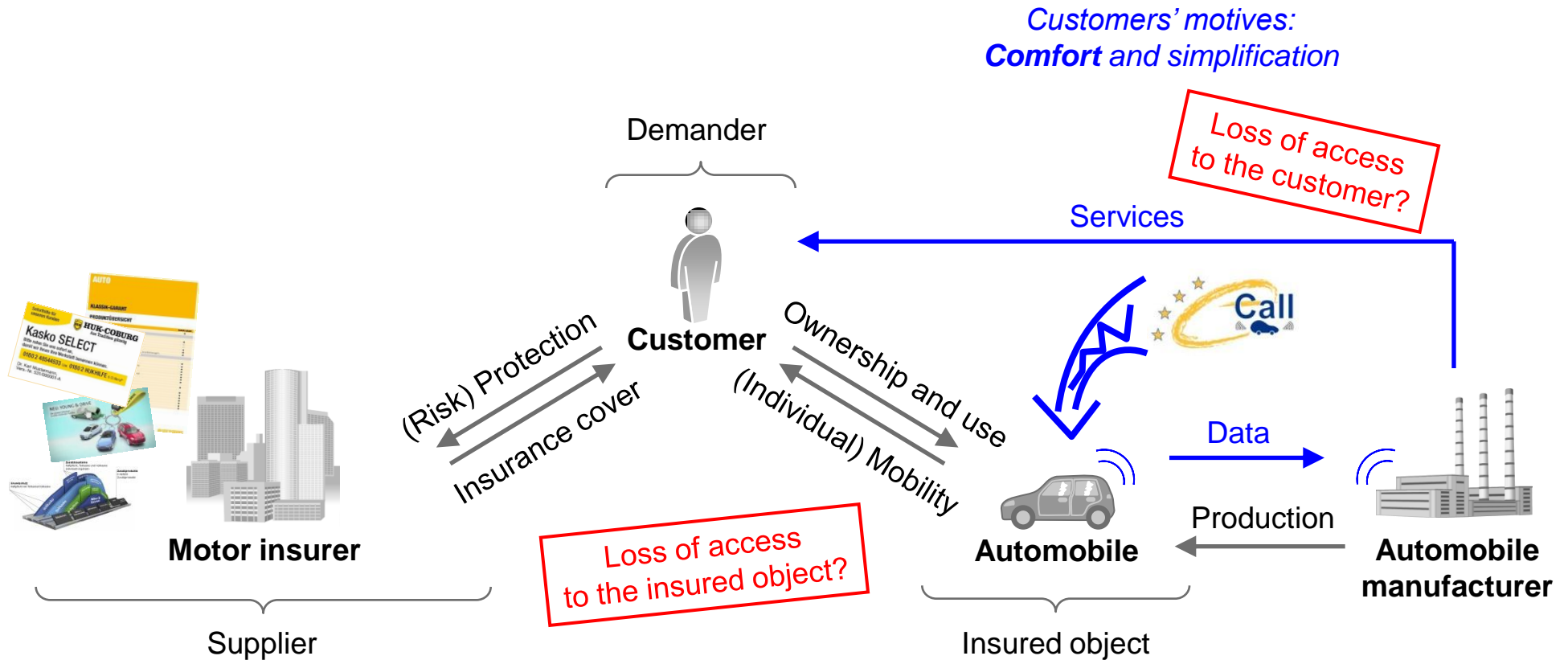
among others in the fields of (automobile) mobility and financial services

... on the basis of extensive data and information

**The generation “Evernet” in particular is strongly driving the demand for interconnectedness.**

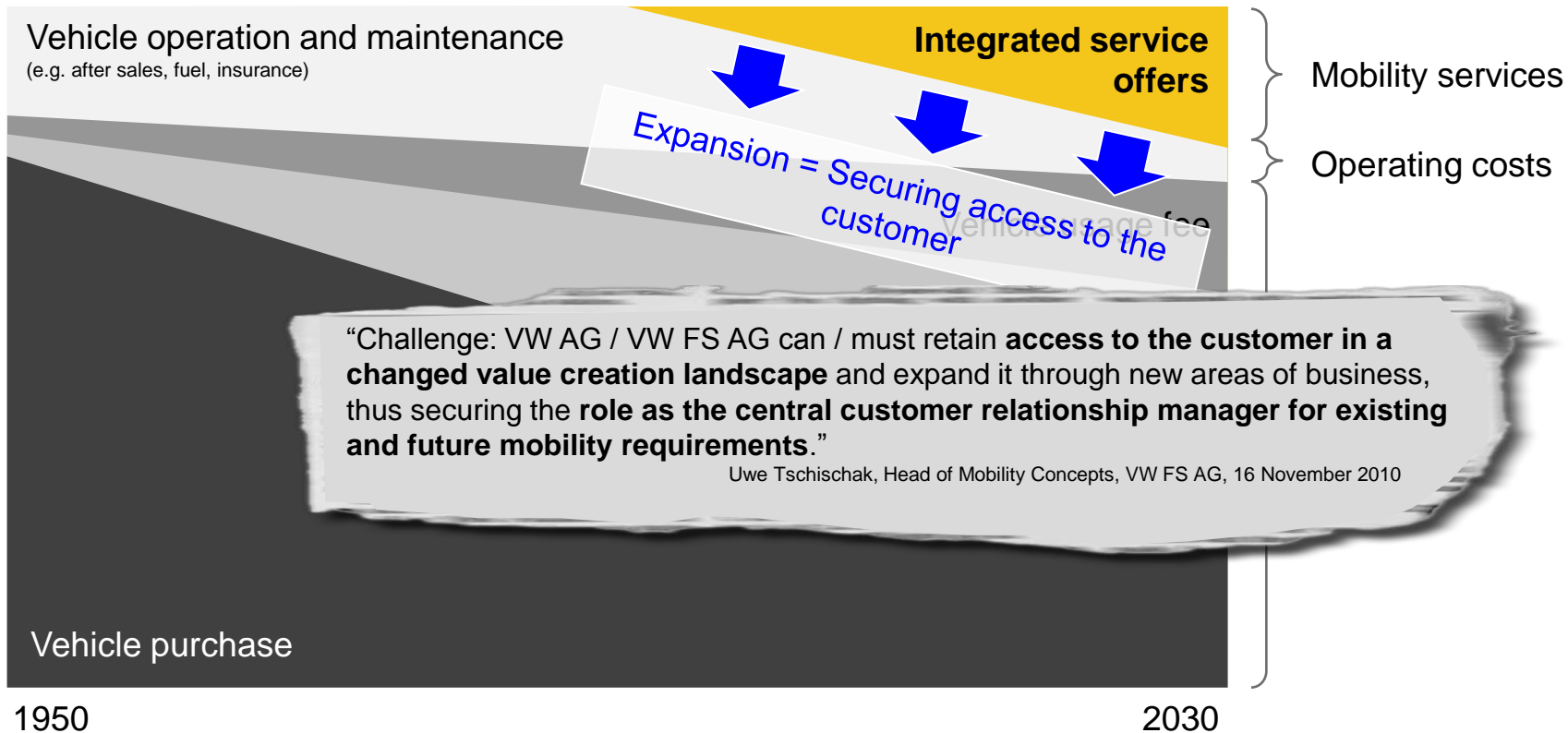


Beautiful old world – what will be next: beautiful new world or nightmare?



**Market conditions are undergoing a significant change – in this process industry boundaries are becoming increasingly blurred.**

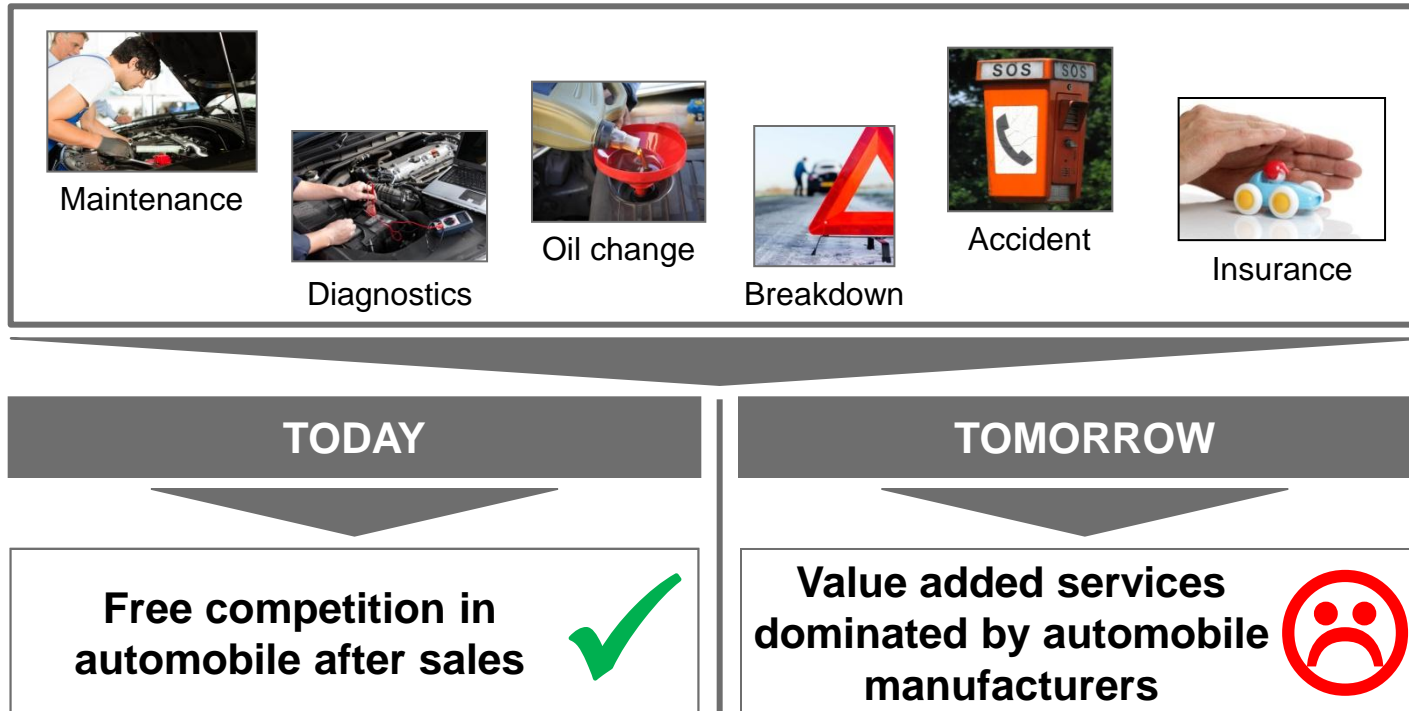
What is the motivation of automobile manufacturers in relation to the connected vehicle?  
– customer expenses 1950 - 2030<sup>1)</sup>



## Change in the automobile industry as a driver of the development of telematics (mobility) services

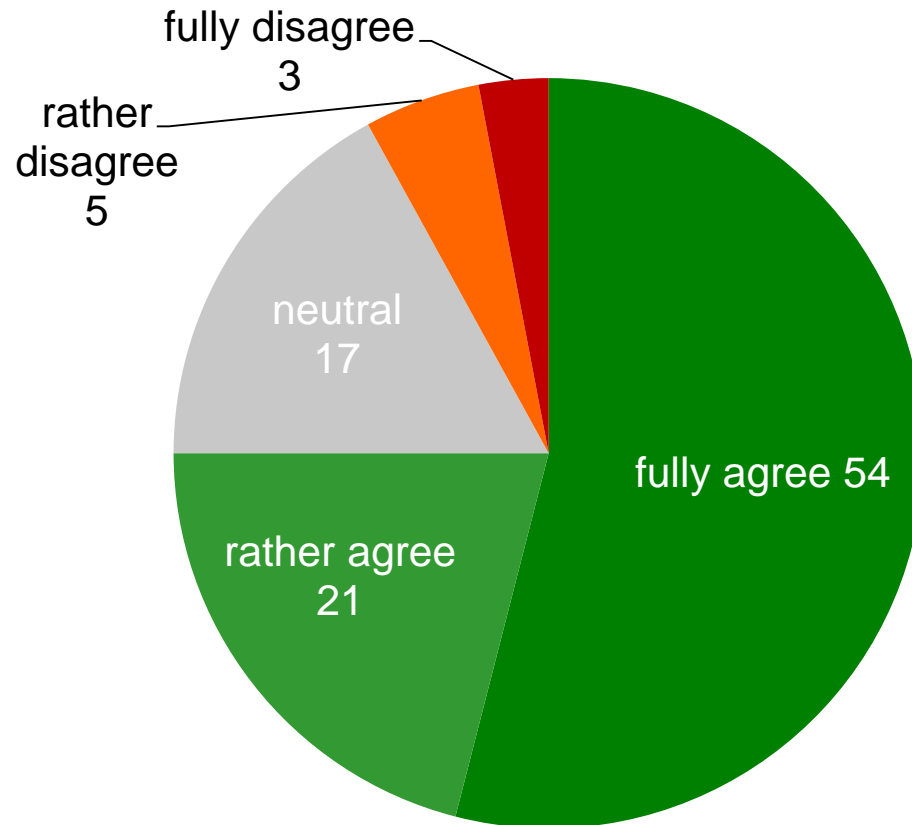
<sup>1)</sup> Source: Oliver Wyman, “Mobility services in 2030”, 2010.

“Dedicated line” into the vehicle gives automobile manufacturers a clear competitive advantage over many other industries



**Significant restriction of the consumer’s freedom of choice – leading to disadvantages for the downstream markets**

Clear desire: Consumers want to decide for themselves what will happen with their vehicle usage data



**Answers to the question:**

To what extent do you agree with the following statements:  
*“My vehicle usage data belong to me. I want to decide for myself who will get access to them.”*

This question was asked **after** the questions regarding the acceptance of eCall and value added services in order to avoid any influence upon the latter.

**Consumers have a great desire for data autonomy – protection of privacy is considered as a valuable good.**

<sup>1)</sup> Result of a current study of the Institute of Insurance, Centre of Research on the Insurance Market at the Cologne University of Applied Sciences (n=1,021)

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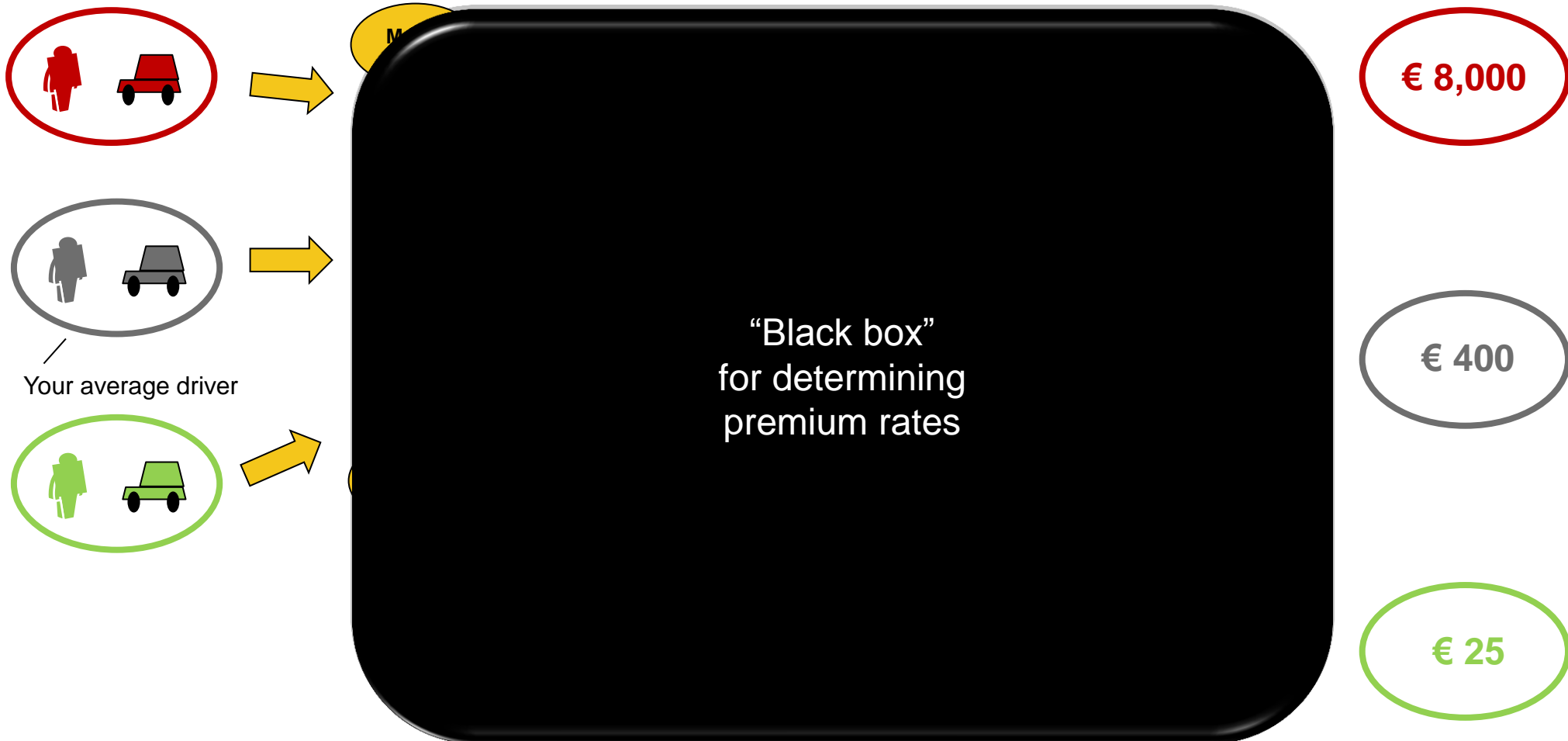
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## System for determining motor insurance premium rates



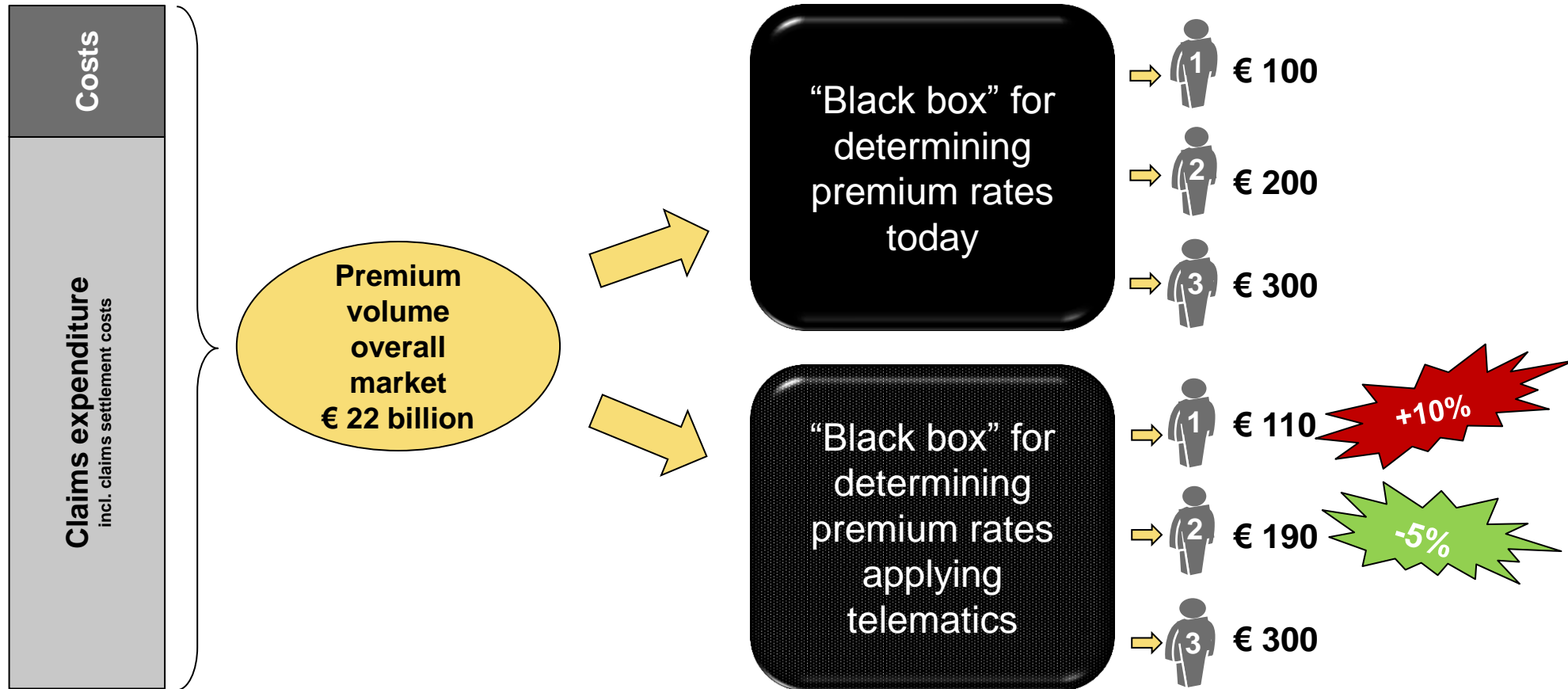
**The mechanism of the “black box” is little known to the public.**

... and this is what it looks like inside the box:



**Fine-tuned rating of customers, taking into account aspects of risk, leads to a wide range of different premiums.**

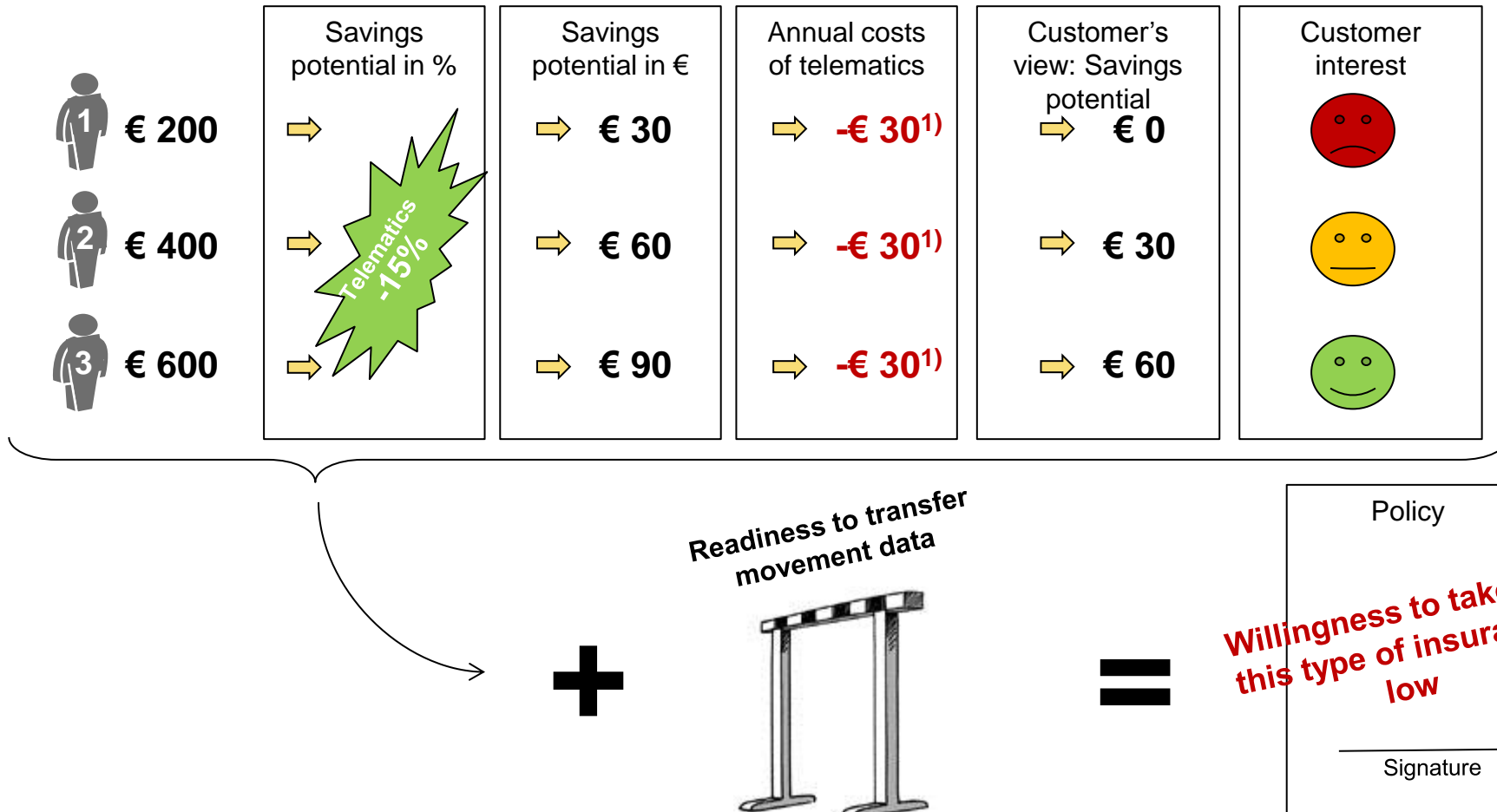
Telematics can complement but not replace the current system of determining premium rates



**Evaluation: PAYD / UBI have the potential to create an additional gap of approx. 10 to 20 % in individual segments.**



## Barriers in Germany: low amount of premiums and data sensitivity

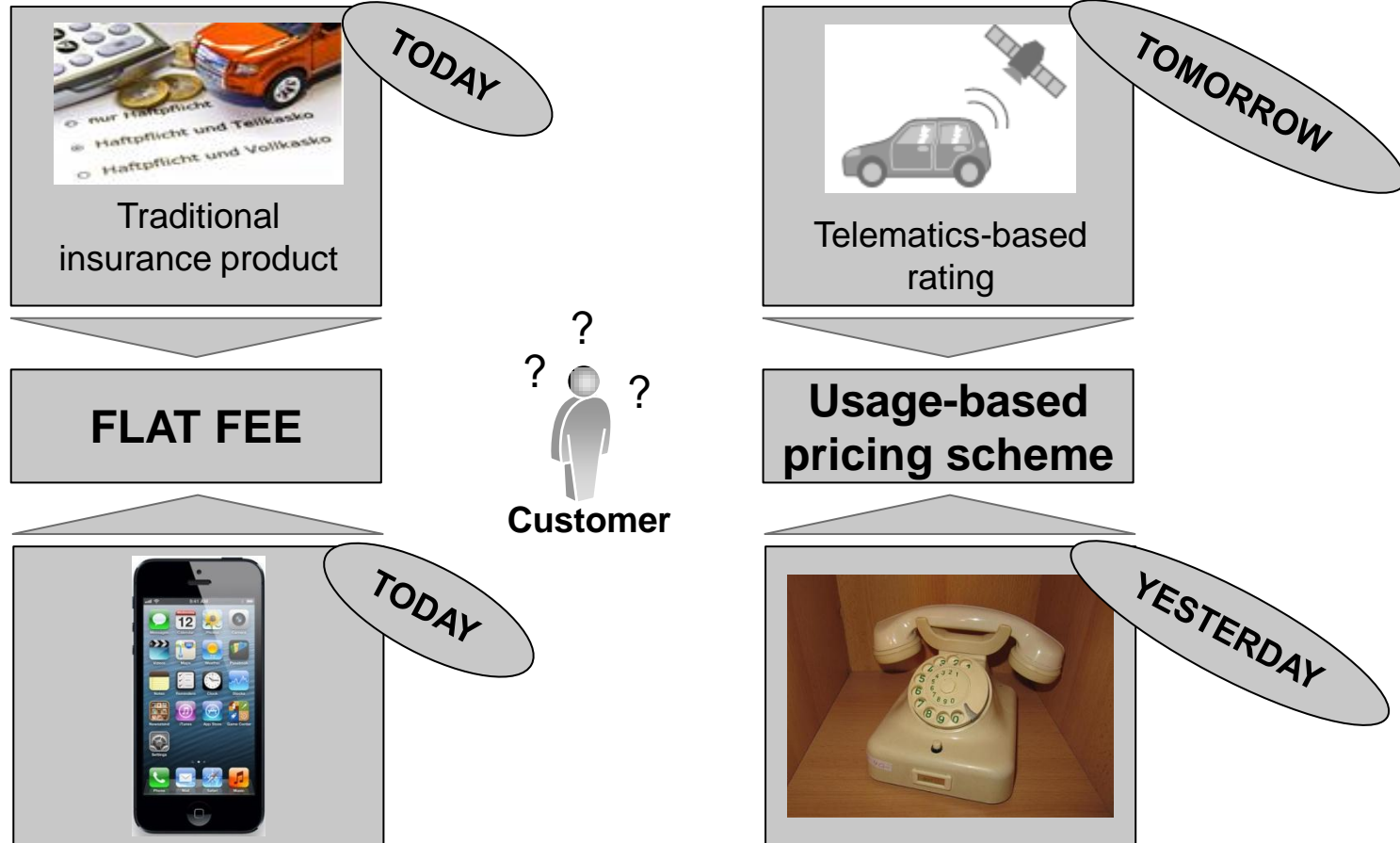


**Suitability for the mass market in Germany doubtful**

<sup>1)</sup> exemplary indication of costs

But: What do customers actually want?

Regress instead of progress? From flat fees to uncertain usage-based pricing schemes?



**Conclusion: The success of telematics-based rates in Germany remains uncertain.**

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## eCall with far-reaching consequences?



Telematics devices will be installed in all vehicles from 2015 (at the latest):  
→ **The triumph of smartphones** fires the imagination of automobile manufacturers



Automobile manufacturers will make intensive use of this key technology:  
→ Danger of **(re-)monopolisation of the after sales processes**



The compulsory introduction of eCall speeds up this tendency:  
→ Previous **efforts of the EU (e.g. MVBBER) are thwarted**

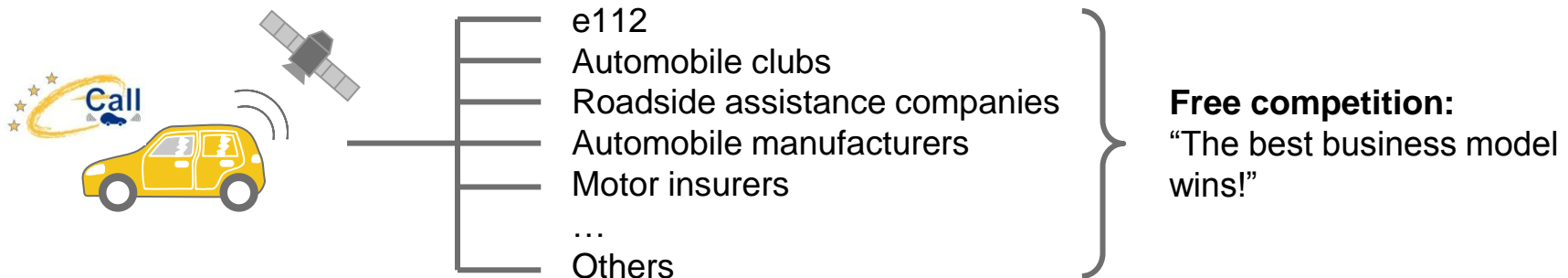


Introduction of telematics-based rating in Germany already being discussed. But:  
→ **High barriers to success in the mass market** (low premiums, data sensitivity)

**Access to data collected in cars will be crucial for the success of business models around the vehicle – “level playing field” must remain intact!**

Simultaneously: active support in lobbying at association level – demands of the German insurance industry

- ✓ **Protection of the consumer** against economic disadvantages due to the imminent (re-)monopolisation of the after sales processes
- ✓ Safeguarding the **consumer's** actual **freedom of choice**:  
→ The customer decides for himself what data from his vehicle are placed at whose disposal
- ✓ **Non-discriminatory access to data and customers** on the basis of open and standardised interfaces between the vehicle and the outside world, illustrative:

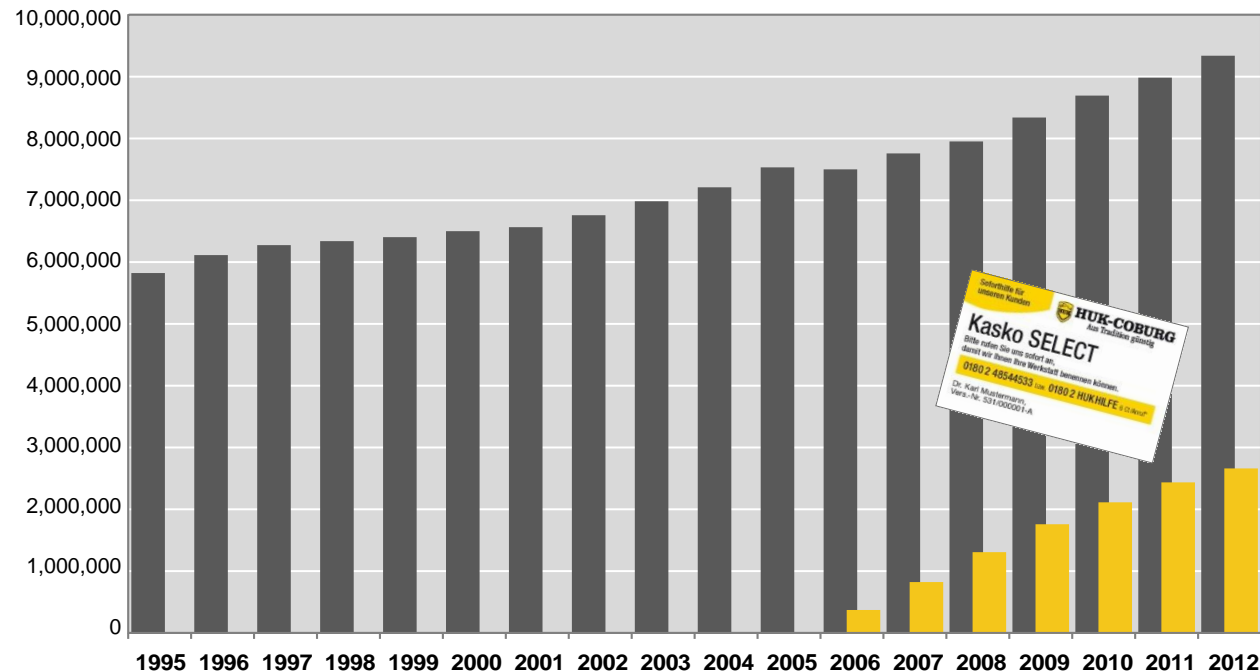


**Principles of data protection and free competition must also apply to the connected vehicle – the consumer remains the “master of his own data”!**

Backup

The HUK-COBURG insurance group records solid growth of the product with a repair shop tying arrangement

Number of third party liability and *Kasko SELECT* policies:



In 2012 for the first time more than 200,000 managed claims

approx. **9.4 million** policies

approx. **2.7 million** *Kasko SELECT* policies

**Today more than half of all comprehensive insurance customers opt for the product with a repair shop tying arrangement.**