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Digital Solutions and Mobility Patterns Herald New Opportunities for Profitable Growth in Motor Fleet Insurance

Munich, March 2018: Motor fleet insurance has traditionally been a difficult area for insurers to be involved in. Indeed, policies aimed at meeting car users' end needs, coupled with the sheer negotiating power of fleet owners, have combined to turn the business into a major loss-maker for insurers. But the latest Roland Berger study, *Rethinking motor fleet insurance* (Download study here), shows that changing mobility patterns and new technologies will create numerous opportunities for insurers over the next five to ten years, helping to turn motor fleet insurance into a profitable business again. With digital technologies such as car connectivity able to precisely record how safely people drive, insurers can now offer tailored solutions to meet actual needs in the new mobility arena.

More than half of the world's population already lives in large cities, and by 2050 the figure will likely be two-thirds. In an unstoppable trend that is changing the face of urban mobility, we are seeing people, mainly the young, increasingly opting for car usership over car ownership. "The number of vehicles owned by fleet operators is ever-growing as more and more private individuals use them to meet their mobility needs," says Christophe Angoulvant, Partner at Roland Berger.

Consequently, motor fleet insurance is set to assume growing relevance for car insurance providers. But the policy structures they currently offer are unsuitable: for one thing, policies in the motor fleet business are largely derived directly from those otherwise sold to end customers, and for another, the negotiating clout of fleet owners serves to keep the achievable premiums low. All of which makes it an unprofitable business: In France, for example, the costs incurred by insurers are up to 34 percent higher than the income they can earn from motor fleet insurance; in Germany, the same figure is 7 percent.

Digital solutions minimize losses for car insurers

One of the reasons why these policies are loss-making lies in the way car-sharing or company-car users drive, which leads to more damage claims being made. However, the use of digital technologies can change this: By 2020 almost 100 percent of new private and commercial vehicles are expected to be sold with built-in connected-car technology. As such, insurers will be able to make a much more precise assessment of each individual driver's level of risk and price their policies accordingly.

"OEMs will have the capacity to offer their customers complete mobility packages as a result of these developments. And end customers will be able to benefit from individualized offers of insurance that reward careful driving," explains Victor Zambrana, Partner at Roland Berger.

Adapting insurance offerings to exploit the possibilities of digital

If motor fleet insurers want to profit from the opportunities offered by cutting-edge technologies, they will need to tailor their underwriting and service models to the way vehicle users drive. Doing so will enable them to develop new value propositions.

It will also be important to partner with tech firms to fully grasp the potential of the new digital developments. Without this knowledge, it will be impossible for insurers to continually optimize the policies they sell – a crucial success factor in the highly competitive market. And finally, insurance companies should also work closely with fleet owners to jointly develop tailored packages for end customers. "The motor fleet insurance market is going to see further growth," forecasts Angoulvant. "But that alone is no guarantee of profits for insurers. What they need to do is act now to make sure that they are in a position to benefit in the years to come."

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