

Mobility 2030: A shake up for insurance



The mobility ecosystem that is taking shape will bring significant disruption – and therefore opportunity – for the insurance industry. In the face of the huge changes coming, insurers need to start acting and planning for it now.

With the development of Autonomous Vehicles (AV) and Mobility as a Service (MaaS), individual ownership of vehicles will decline. The emphasis will shift from providing individuals with cover to providing insurance for fleet owners and AV manufacturers. This B2B emphasis will mean that entirely new business models are needed. Insurance will become integrated into other services such as AV rental on a pay-per-use basis. Insurers will need to develop far more agile, responsive and real-time offerings that are wrapped into the connected mobility ecosystem.

The migration away from personal insurance towards commercial will represent a fundamental change in how risks are managed by the insurance industry. We expect the balance of personal to commercial premiums to shift from 80%/20% today to 40%/60% by 2040.

At the same time, we expect traditional insurance premiums to fall by as much as 40% by 2040 due to higher road safety through AVs. This alone is a fundamental challenge to the traditional business model. Nonetheless, as the commercial insurance pool grows so economies of scale will start to improve, while cover for new risks such as cyber security, product liability and infrastructure (cloud servers, sensors, signals etc.) could be worth £900m annually. Ultimately, we expect those insurers that get it right to increase profitability by over 30% by 2040 after experiencing a dip along the way.

Changing dynamics across the landscape

If we consider the present day insurance landscape across its five traditional components, we can see a picture of change:

Distribution – will move from aggregators and brokers in the personal market to commercial policies for fleet owners. New relationships and ways of working will therefore be needed as insurance becomes an integrated B2B service.

Product – will become wrapped into other services and solutions (Insurance as a Service). There will be an emphasis on pay-per-use (e.g. driver pays per mile) and product liability for high value vehicle components. Instant cover will need to be available for immediate journeys through connected tech platforms. At the same time, the risks needing to be insured against will change – with a lower emphasis on parts, damage and theft and a greater focus on security and data. Cyber liability will be a big growth market in this context. Mobility service providers – OEMs, fleet managers, ride-hailing companies – will become even more focused on insuring against supply chain risk.



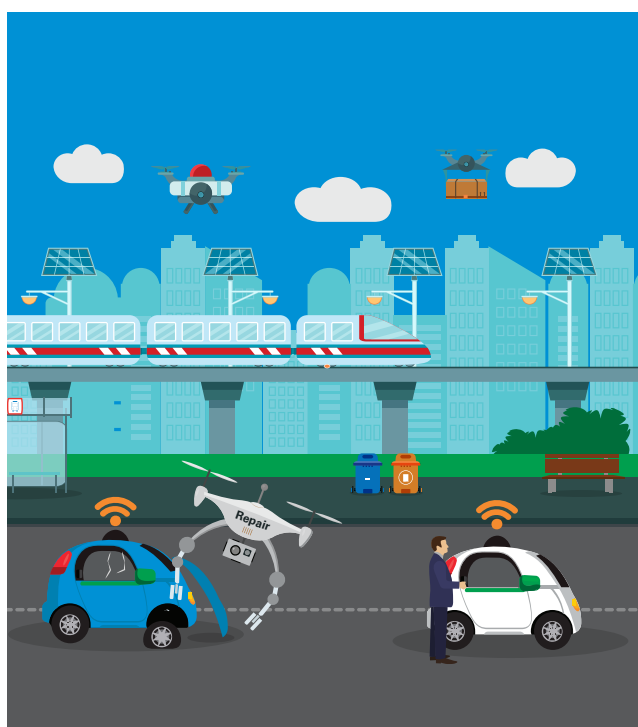
Underwriting – will become increasingly automated through telematics and AI. One of the key challenges will be the race to develop the best AI for underwriting, and to make the best use of the vast amounts of data generated to increase income (for example, selling add-ons and premium services that are genuinely attractive to users).

The rise of AVs could lead to perhaps 30-50% fewer accidents, driving the 40% fall in premiums by 2040.

Meanwhile, big liability questions, such as who is responsible if an AV vehicle malfunctions and crashes, are still to be resolved – this will be an evolving area as case history, regulation and industry experience develops.

Reinsurance – it is possible that a central pool will be needed to cover catastrophic risks such as terrorism, cyber hacks and total outages of service and systems. The costs from such risks are likely to be too high for insurers to cover individually, meaning a reinsurance mechanism will be needed. There are precedents for this in some areas already today, such as terrorism.

Claims – today customers expect the process to be quicker, simpler and more intuitive. This expectation will accelerate. For example, if a user's vehicle breaks down, they are likely to expect the provider to arrange for a new one to self-drive to them straightaway rather than enter into a protracted claims process. Vehicles will become increasingly able to self-diagnose faults and automatically place an order for replacement parts of a vehicle.



Back to basics for the business model

In the face of such fundamental changes, new business models will be needed if insurers are to thrive. Every insurer faces a number of fundamental questions that go to the heart of who they are and how they operate, which they need to begin asking themselves now:

- What will you be famous for? What role will you play in commercial clients' operations and in individual customers' lives?
- Are you ready for the shift to commercial insurance? Many insurers have very separate personal and commercial lines – big cultural and organisational changes are going to be needed to manage this transition as the boundaries blur.
- What will you specialise in? Will you become a pure protection/underwriting player? An end-to-end player providing solutions from prevention to resolution? Or will you become an 'ecosystem player', expanding with Insurance as a Service into adjacent opportunities such as payments?
- Can you partner with other players? What opportunities will there be to align with car rental companies, ride hailing providers, travel companies, payment platforms, data hub owners to exploit new opportunities?
- How will you maximise and leverage data? There will be vastly greater amounts of data generated in a mobility ecosystem and, as an insurer, you are likely to have data that can be helpful. How will you leverage this, and what data sharing or monetisation opportunities will it bring – how will you balance these against issues of data privacy and permissions?
- Are you ready for medium term pressures? Many fleet owners may self-insure their fleet and only look to insurers for catastrophic or major accident cover – combined with the significant likely fall in premiums in the medium term, how could this affect your business?

The future starts now

The changes to the current insurance model are too large to simply 'leave for later'. Organisations have to start thinking intensively about the future challenges now. While the changes will bring threats to the unprepared, they also bring huge opportunities for those that look ahead and are willing to participate. The players that get it right could take a pivotal role in the new mobility ecosystem, forging powerful partnerships, collaborating to produce innovative new services, driving up the quality of the customer experience and successfully creating new revenue streams.

To do this, organisations will need to start testing scenarios and placing some bets now. One thing is clear: it is going to be a much more inter-connected ecosystem than we have today. Exploring collaboration opportunities with OEMs, car rental companies or other mobility service providers is more important than ever.

Modest incremental change is not going to be enough: those who are bold and show real ambition for the future are likely to be the ones that ultimately succeed.



Find out more here:

kpmg.com/uk/Mobility2030FS

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