RAC ASSURANT®

Aftersales Proposition

How does remarketing handle an ageing vehicle parc

Presented by –
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Assurant

Combining the expertise of two leaders in the automotive industry to deliver a comprehensive proposition to dealerships across the UK.

ASSURANT®

A fortune 500 company with over 150 years' experience in the industry, with a presence in 21 countries.

Serving 300 million customers globally

Protecting 54 million vehicles

RAC

An instantly recognizable brand the RAC needs little introduction serving over 8 million members.

RAC Dealer Network

Together creating the RAC Dealer Network

Supporting over 1200 dealers across the UK with their used car propositions

What is happening to the used car parc?

WHAT DOES THIS MEAN?

Now and for the foreseeable future, used cars buyers are going to be asked to pay historically high prices for older vehicles at a time when they have much less flexibility to pay for unexpected repairs. It's a situation that alters the way in which consumers look at the overall used car proposition.

RECAP:

New car production difficulties mean shortages in the used market are leading to an ageing of the vehicle parc. This is happening at the same time as the cost of living crisis which is having a dramatic effect on personal finances.

What do consumers want as a result?

- Customers are looking for a high level of protection against the possibility of unexpected expenses.
- Buyers are very often actively looking and willing to pay for higher levels of protection.

*Based on Assurant Sales data 2019 – 2022

**Assurant Online Car Purchasing Research June 2021

7 years

The average vehicle age at point of inception of cover has increased by 1 year compared to 2019*

63%

Of car owners would feel anxious and/or financially stressed should they encounter an unexpected car repair bill**

40%

Percentage increase on average vehicle purchase price from 2019 – 2022*

How are dealers meeting these needs?

- Dealers are offering more comprehensive and longer warranties, either as standard or as part of a structured upgrade path.
- Ensuring each vehicle is prepared for sale to a high standard, as well as emphasising the comprehensive nature of each service history.

> *"We have seen the overall average warranty term increase from 9.9 months to 11.1 in 2022*."*

*Based on Assurant Sales data 2021-2022

What are consumers doing?

"Sales have remained strong and still some way above pre-pandemic levels – people will always need cars and our competitive pricing model has kept the showroom busy. This goes for value added products too, as the consumer has seen a tightening of their wallets the need to protect themselves from any avoidable future motoring costs, and to protect their investment, has risen concurrently.

In the last 6 months especially, we have seen a gradual increase in the sales of extended warranties and other value added products.

We have been able to navigate our way through the industry wide stocking challenges quite effectively, offering our customers quality cars without the sometimes scarily inflated prices."

George Manning
Hilton Garage

How are we supporting dealers?

Essentially, in response to the ageing car parc, we've moved our entire warranty range upwards.

- Entry level Silver warranty has been withdrawn because it was felt to no longer meet customer aspirations.
- Our Platinum Plus product is available on vehicles up to six years old with fewer than 60,000 miles on the clock, it extends cover to include claims from £500 to the vehicle's value
- Platinum Plus – highest level of cover sales up from 13.24% to 14.65%* by volume

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*Based on Assurant Sales data 2021-2022

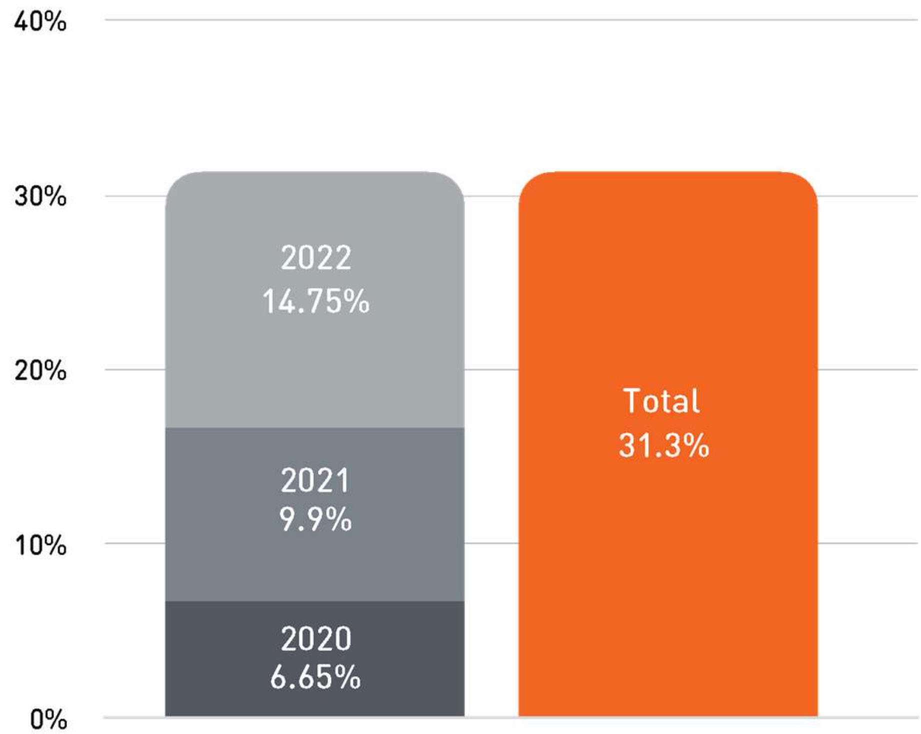
How are we supporting dealers?

We believe a consultancy approach is key to the success of our propositions. Our account managers will work with their dealerships to create a plan that works for their business

- Consultation with dealerships- understanding their business and goals
- In-depth understanding of the customer journey
- Product knowledge training
- Presentation skills
- Pre-launch group training plans
- Real time updates on products
- Continual 1:1 development sessions
- Partnerships to support

How is the current situation affecting claims?

- The past 3 years we have seen an increase of 31.30% in the average cost of parts.
- 2022 saw the largest rise increasing by 14.75%.
- Claims frequency is up by 18% for 2022



*Based on Assurant Sales data 2020 – 2022

Not just limited to motor warranties

- Customers are also increasingly buying products such as MOT cover, alloy wheel insurance, tyre insurance and smart repair cover.
- We saw a 55% increase in the purchase of cosmetic insurance products in 2022*.
- More customers are looking for a safety net in all areas of unpredictable motoring expenses.

*Based on Assurant Sales data 2021-2022

Other innovations: EV warranty

- Current market conditions are creating a demand for warranty innovation.
- 55% of consumers intend to purchase a EV or hybrid for next used car purchase*.
- We introduced the first EV specific warranty in 2020 covering all key components and charge system.

*Based on Assurant Auto Bundle Research May 2022

The future: What do we think will happen?

- Trend of ageing stock likely to continue for the foreseeable future.
- The other trends outlined here likely to continue, too:
  - Longer and more comprehensive standard warranties
  - Increasingly sophisticated upgrade paths
  - More product innovation
- Manufacturers could move to factory reconditioned used cars
- The most successful dealers will be those who understand customer needs.

Thank you for listening

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