Deloitte.

Reinventing the insurance customer experience for loyalty

The intersection of auto insurance and the future of mobility

Congratulations! You've just bought a car. Prices haggled, papers signed, hands shaken. But don't get too comfortable basking in "new car smell"—you still have to sort out your insurance.

Even the typical two-week grace period most policies provide, which extends coverage from your old car to your new one, won't save you from being on hold with your carrier at some point in the next few days.

Assuming you've done your comparison shopping, you need to call your provider with your personal and vehicle information, including the make, model, color, year, and vehicle identification number (VIN). Depending on your financing situation, you then need to call your lender for approval and to ensure they don't saddle you with an expensive force-placed insurance bill. They'll probably want to see liability, comprehensive, and collision coverage, which means you best read the fine print on your grace period coverage to ensure those are included.

Instead of driving right off the lot, it's not unusual to spend half a day at the dealer orchestrating insurance and financing transactions like these. And when you want to buy a new car or change your plan, you'll have to do it all over again.

This is the just a glimpse at the fragmented auto insurance customer experience, one of many kinks in the value chain that prevent original equipment manufacturers (OEMs) from locking in customer loyalty—which reached an eight-year low in 2023.

But this collection of fits and starts also represents an opportunity: **By spearheading partnership around a more seamless insurance customer journey, OEMs and their captives could create a mutually beneficial relationship with insurers and customers to build loyalty, boost profitability, and define the future to secure competitive advantage—before electric and autonomous vehicles force change upon the industry at large.**

"Agent… agent… AGENT."

That's not the conversation OEMs want customers to have during the most satisfying brand moment of the journey.

David and his business partner purchased a luxury vehicle for their rental business. After nearly two weeks of insurer snafus—from failing to properly transition his coverage to surprise duplicate credit card charges—the vehicle was still stuck in the dealer lot. Due to its high value, his lenders would not approve financing without new insurance. It was Monday, and David's first client booking was just three days away.

After multiple frustrating phone calls and an entire day at the dealership arranging faxes between the insurer and lender, David was finally able to drive the vehicle away.

David's story and countless others like it underscore the missed opportunities for OEMs, captives, and insurers to collaborate on better customer experiences that build brand loyalty. drive the results that technology leaders are aiming for.

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THE NEED FOR CHANGE
Why auto insurance innovation is inevitable

On top of declining loyalty, the future of mobility raises considerable implications for auto insurance and liability. If OEMs, captives and insurers don't start collaborating around a new insurance customer experience now, they could risk taking a backseat to regulators, new market entrants and competitors.

Automated driving: The elephant in the garage

Based on the International Energy Agency's (IEA) Stated Policies Scenario in its Global EV outlook 2024, every other car sold globally in 2035 is set to be electric, given today's energy, climate, and industrial policy settings.[1] From 2022 to 2023, permitted autonomous vehicles in California test drove a record 9 million miles, over a third of which were driverless, according to the California Department of Motor Vehicles.[2]

From there, it's easy to see a future where most cars are fully electric and autonomous, as car companies continue to strive toward what General Motors coined as a "zero crashes, zero emissions, and zero congestion" world.[3] In the interim, some cars will host human drivers, but one day, people may not even be allowed behind the wheel on certain roads. Once highways are filled with autonomous cars, human-operated cars will likely go the way of the horse-and-buggy.

What does this mean for OEMs, captives, and insurance carriers?

Auto insurance will likely need to adapt to the potential onset of autonomous driving regulation down the road. Liability could shift from drivers and owners to OEMs, captives, and system partners (e.g., software companies). To prepare, companies should understand these emerging developments and risks and act on the associated insurance needs. Joining the mobility-insurance value chain now could give OEMs, captives, and carriers a chance to dictate how change happens and secure market share and competitive advantage as the future of mobility unfolds.

Other forces of change

New market entrants

In any customer experience, if you don't solve the points of friction, someone else will. Entering the automotive value chain are several unusual players, including the likes of NVIDIA[4] and CISCO[5] to improve in-cabin and connected experiences across the vehicle and customer life cycles.

More cost-effective electric vehicles

As more people adopt electric vehicles (EVs), customer expectations for connected experiences will likely rise as a result. OEMs have an opportunity to captivate early adopters within their walled gardens.

Data ethics and consumer trust

While electric vehicles can generate thousands of data points about customer behavior per second, the New York Times states there is increased scrutiny around the ethics of collecting and sharing that data.[6] According to the ISBA, customers who believe their data is handled responsibly are more likely to trust and develop loyalty, positive word of mouth, and enhanced brand reputation.[7] OEMs, captives, and insurers would need to prioritize the ethical treatment of data-sharing as a foundational element of insurance customer experience transformation.

The loyalty imperative

OEMs face eroding loyalty levels

While the automotive sales experience can have its challenges, the post-sale experience gets even less attention from OEMs, despite the fact that customers form strong bonds with their vehicles over daily use. With little to show for engagement and retention efforts, it's not hard to see why S&P Global Mobility reports that loyalty continues to decline despite increasing volume levels.[8]

Compounding the challenge is the global rise of used car buying and direct-to-consumer, online-only sales, fueled by an increasingly cost-conscious and tech-savvy consumer market. Global used car sales are up 5% to 6%,[9] and Astute Analytica reports the global online car-buying market was projected to reach $885.1 billion by 2032 at a CAGR of 12.58% from 2024 to 2032.[10] Trends like these further shift influence away from brands and dealers, who lose control over the experience after the second or third sale of a vehicle.

To recapture loyalty and stay competitive, OEMs should seek to create a cradle-to-grave loyalty experience with each car—**a walled garden of helpful services and interactions that span multiple customer and asset life cycles to keep people within the brand ecosystem**. The payoff? Increased customer lifetime value and profitability: Research by Deloitte shows that managing a vehicle asset across multiple life cycles can be **1.4 to 1.6 times more profitable** than the traditional one-time sales model.[11]

Insurers are also fighting customer turnover

The proliferation of digital tools has made it easier to comparison shop for policies, and with few interactions throughout the insurance customer life cycle and little differentiation in the experience, it doesn't take much for people to abandon their providers. Certain customer segments have brand loyalty, but the rest of the market routinely faces significant churn: According to the J.D. Power 2024 U.S. Insurance Shopping Study℠, half of insurance customers are currently shopping for new policies—more than ever before—driven in large part by lackluster customer satisfaction.[12]

Of US auto insurance customers

49%

have actively shopped for a new policy in the past year—more than ever before.

Traditional policies would need to evolve to meet rapidly changing customer needs and expectations, as people look for cost savings and greater flexibility in pay-as-you-go and shorter-term arrangements.

EVs and claims are concerns for churn

J.D. Power goes on to report that EV owners are especially dissatisfied with the auto insurance purchase experience, showing a 16-point lower-average satisfaction score compared to owners of gas-powered vehicles—a glaring problem, given their rapid growth as a customer segment. According to the aforementioned IEA Global EV outlook 2024, electric car sales continue to rise and could reach 17 million in 2024, accounting for more than one in five cars sold worldwide. In the first quarter of 2024, they grew by nearly 25% compared with the same quarter in 2023.

29%

of active shoppers switched carriers.

The claims experience seems to be another area of growing dissatisfaction. According to J.D. Power's 2023 paper, "Five forces influencing insurance shopping," satisfaction with auto claims has declined since 2021 overall and for all aspects of the claim journey other than the rental experience—a phenomenon that appears to be causing more consumers to shop: J.D. Power Loyalty Indicator and Shopping Trends (LIST) shows that Q4 2023 had the highest rate of customers citing a poor recent claim experience as their main reason for shopping in the more than two years since J.D. Power has collected LIST data.[13]

THE WAY FORWARD
Collaboration: A pathway to loyalty

Why focus on insurance?

Boosting lifetime value means addressing loyalty directly to increase metrics like purchase frequency, purchase value, and the number of years a customer is actively purchasing with a company. Digitization has unlocked countless ways to improve those metrics across the asset life cycle, but insurance partnering may be a salient place for OEMs and captives to start. Here's why:

- **It's convenient for the customer.**
  OEMs are already leading a robust customer conversation as part of the dealer vehicle purchase process, offering options like financing and extended warranties. It could be a natural and convenient progression for OEM captives to offer insurance at that time as well.
- **It's a way to stay connected throughout the customer life cycle.**
  People often need auto insurance over the course of their lifetimes, so when you control the insurance experience, you control lifetime value.
- **It's ripe for reinvention.**
  Sometimes viewed as a disjointed and cookie-cutter car-buying experience, the auto insurance customer journey can greatly benefit from ecosystem collaboration, offering OEMs, their captives, and insurers a strong opportunity to differentiate.

It's already a shared customer experience.

OEMs, captives, dealers, and insurers have to pass the ball back and forth at many points along the customer journey. At point of sale, the OEM and dealer own customer satisfaction. When there's an accident, the insurer takes the wheel. Collaborating on seamless experiences could benefit all stakeholders.

A new era of mutually beneficial brand moments

To offer customers a seamless and compelling experience across their life cycles, OEMs, captives, dealers, and carriers should consider integrating personalized insurance offerings into a set of streamlined purchase, leasing, and repair processes that incent customers to stay within the brand.

The insurance customer journey holds plenty of opportunity for such integration. To start, many insurer-led moments today are not only missed opportunities for OEMs—they could put business in jeopardy.

Take an accident claim, for example. Insurers often offer cheaper, third-party replacement parts to customers, preventing OEMs from capturing that sale and potentially voiding the customer's warranty. That customer then procures their own loaner car for the repair period—and just like that, they could be sitting in a competitor's vehicle, eroding brand consideration with every mile driven. Moreover, EV owners don't have control over whether they receive an EV or internal combustion engine (ICE) loaner, exacerbating an already high level of dissatisfaction with the claims experience.

Imagine instead an OEM or captive partnering with the insurer to serve with empathy and provide the customer with a rideshare to a dealer, where an upgraded, same-brand loaner vehicle awaits them. Meanwhile, with better post-pandemic supply chain visibility, the OEM knows which original parts are damaged, where the replacement parts are in its network, and how long it will take to reach the shop, improving service delivery for both insurer and customer.

These are the types of opportunities that arise when OEMs and captives join in on the insurance customer journey.

Building the walled garden

Collaboration could allow insurers, OEMs, and captives to banish pain points and invent new, desirable outcomes for customers—effectively building a one-stop shop through undeniable convenience.

What auto insurance customers want

- **Convenient, personalized, end-to-end experiences.**
  Think one-stop shopping, flexible payment plans, and rewards.

- **Flexibility and cost-savings amid increasing prices and interest rates.**
  Think subscription models and bundled in-life services (e.g., maintenance and accident management).

1 in 3

US consumers are interested in purchasing “embedded” insurance directly from the manufacturer, citing cost, convenience, and streamlined purchasing as primary benefits—with even greater interest globally.[14]

60%

Of US consumers want connected vehicle features such as maintenance updates and vehicle health reporting, with similar levels of interest in safer routing, collision prevention, and maintenance forecasts based on driving habits.[15]

+26%

Amount that full-coverage auto insurance rose from 2023 to 2024 according to Bankrate[16] further driving consumers to seek cost-savings.

Auto insurance reimagined

TODAY	TOMORROW
Siloed, analog customer interactions that underdeliver Today, it's on the customer to connect the policy to the vehicle, gathering the information; muddling through a frustrating call center process; and waiting for lenders, insurers, and dealers to send documentation—sometimes even through fax.	**A holistic digital-first mobile experience.** Tomorrow's user experiences streamline personalized shopping, accident management, and more into just a few clicks.
Disparate front- and back-end purchase and payment processes The lease payment to the OEM, the insurance payment to the carrier, the prepaid warranty payment, etc. are all paid through different methods: apps, websites, and mailed checks.	**Bundled warranty, lease, and insurance services** Every insurance interaction could be co-branded or white labeled and delivered via existing in-life apps (e.g., subscription-based auto services or mobile app) for a seamless, cohesive experience.
Fixed six- to 12-month policy products Today, static data elements are collected and evaluated to produce policy quotes, which are only reassessed upon renewal.	**Shorter-term or usage-based continuous policies** Connectivity, AI, and real-time telematic data about driving behavior, vehicle usage, etc. could enable personalized, dynamic pricing, in which customers dial up or down coverage based on situation (e.g., going on a longer road trip versus regular daily driving).
Undifferentiated offerings with little reason to stay Outside of niche customer segments, there is little loyalty among insurance customers, many of whom are shopping to switch.[17]	**Personalized offerings and rewards to boost acquisition and retention** Building on existing discounts for people who stay within speed limits or bundle home and auto, think bespoke plans for rideshare drivers, pet passengers, and other niche customer segments.
Disjointed maintenance and accident management Typically, insurers use third parties to provide cheaper parts that often void the vehicle warranty. As customers are left to procure their own loaner vehicles, they could end up in a competitor's car, which could leave a lasting impression in a time of need and open their consideration to other brands in the future.	**Bundled warranty and service contracts (VSC & GAP) at purchase** Add-ons such as loaner car service and tire management could save customers money and effort down the line while increasing transaction value at the outset. Global supply chain and inventory network improvements mean OEMs could provide better parts servicing compared to small, third-party auto repair shops. Doing so would allow them to capture revenue from the sale of additional parts and shorten repair time in the claims experience.
Inefficient sharing of driving and behavioral data = untapped savings and dangerous driving An ounce of prevention is worth a pound of cure. The insurance carrier objective to shift from "detect and repair" to "predict and prevent" may save lives in addition to costs.	**Ethical data-sharing to proactively help customers** With the ability to capture 10,000 bits of vehicle information every second, OEMs, captives, and insurers can offer customers safer driving routes and other behavioral ways to save on insurance while reducing price risk, adverse selection, and claims.
Every car rental is an opportunity to lose your customer Today's rental car experience is a third-party-dominated experience mired by a swathe of vague choices and a separate stream of confusing coverage options.	**Subscription models keep customers within the brand ecosystem everywhere they go** Imagine a US auto insurance policy allowing a customer to obtain vehicles of the same make wherever they travel—no need to make additional coverage or brand decisions on the road.

SHIFTING TO DRIVE
Where to begin

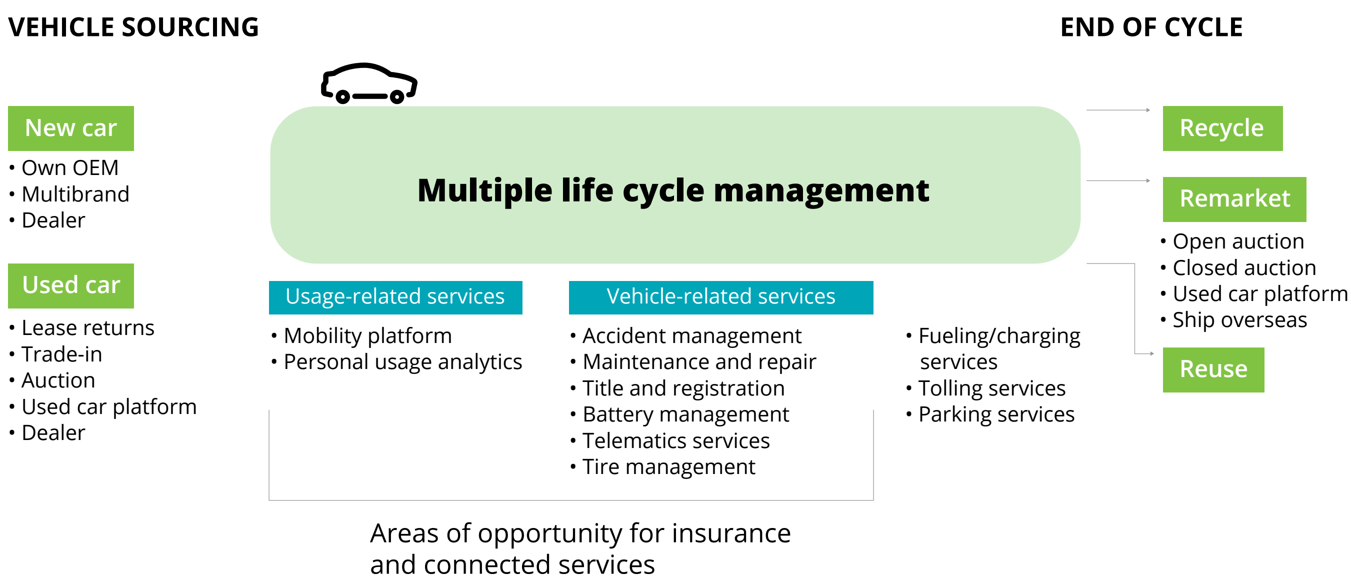
Entering the insurance value chain could put OEMs and their captives in the driver's seat of the insurance customer experience. By capitalizing on the good experiences and stepping in to address unmet needs, they could increase access to new profit pools and unlock potential savings in the process. Success would require collaboration with carriers to share data, reduce friction, and personalize across multiple vehicle ownership life cycles.

Moving forward

These are a few initial steps OEMs and captives could take as they reconsider the auto insurance customer experience.

1. Identify opportunities to streamline the experience across vehicle and customer life cycles.
OEM-captive-insurer collaboration could put many more moments along the joint insurance customer journey up for grabs, especially as the mobility ecosystem evolves. Use this chart to identify such opportunities across the life of a vehicle (at purchase, warranty repair, upon accident, etc.) and brainstorm how to solve or otherwise own those key moments.

Figure 1. The mobility value chain of the future



2. Understand the spectrum of go-to-market options available.

Whether it's becoming a lead-generating affinity partner or building a captive insurance business, there's more than one way to go to market. But no matter which they choose, OEMs would likely stay involved throughout the entire insurance customer journey.

Partnering with an insurance provider may be the fastest way to deliver a seamless experience with a certain level of control, but the right approach will depend on the OEM's appetite for scale, risk, and investment, as well as its technology and operational prowess.

Deloitte has identified four mutually inclusive archetypes showing how OEMs could offer insurance experiences, with the ability to flex from one to another or adopt several at once. Successful OEMs and their captives would participate in several at the same time to serve customers while derisking the complexities of building and running an OEM-owned insurance business.

Carrier next steps

Carriers would need to invest in their tech stacks, data infrastructure, and operating models to effectively work with OEMs, becoming "partnership-fit" and leveraging large volumes of OEM data to personalize products, proactively understand risk, and move toward prevention from "detect and repair."

Figure 2. OEM insurance operating model archetypes

Offering archetype	Broker	Product partnership	Managing general agent (MGA)	OEM/captive insurer
Approach	• OEM insurance broker that routes car owners to exiting Tier 1 insurance carriers • Insurance carrier's distribution, services, and claims channels • Value-add services to car owners with limited influence over product and experience	• Product partnership with insurance providers that underwrite the policies • Carrier partner's sales, distribution, and claims operations with some input from OEM • OEM-brand-oriented insurance product with some limitations due to Tier 1 carrier's scale and complexity	• A new company or existing MGA that has direct product partnership with Tier 1 auto insurance provider • MGA and carrier partner's sales, distribution, and claims operations • Fully connected, in-brand experience to car owners with some product innovation limitations due to Tier 1 carrier's scale and complexity	• A new insurance company as a subsidiary of the OEM underwrites the policies • In-house sales, distribution, and claims operation, leveraging top industry vendors • Fully connected, in-brand experience for car owners with high flexibility for tailored product innovation

As OEMs and captives build a go-to-market approach, they would need to evaluate the timing and investments required over the near and long term, including key contractual terms and capabilities:

- Customer experience – What experiences do OEMs wish to create, and which technologies, capabilities, and partnerships are necessary to make them modern and seamless?
- Time to market – What is the timing with consideration to legal, financial, and operational hurdles?
- Control and investment burden – What is the appetite for creating a full-stack insurance product versus exploring partnerships to lower cost and shorten time to market?
- Revenue play – What revenue target should the OEM set, and what is the payback period for the investment?

3. Build an ecosystem to support your proposition.
Getting into insurance is not just about appointing vendors for certain capabilities. OEMs and captives would need to forge a cadre of industry and technological partnerships to create the ethical data and analytics engine that would underly their offerings in the space. As a result, they would need to identify best-fit partners, define governance, and orchestrate a shared technology architecture.

Early movers

Rivian + Nationwide (Broker archetype)
The partnership between Rivian and Nationwide Insurance aims to provide a simple and seamless ownership experience in which customers can purchase, finance, and insure vehicles as a one-stop shop for convenience.[19]

Even before they pick up the car, customers can sign up for insurance as part of the purchase process in the Rivian app. The benefits of embedded collaboration extend to maintenance as well: When they need a replacement part, Nationwide already knows the cost, thereby streamlining the repair process.

Toyota + Farmers (Broker archetype)
Toyota Insurance Management Solutions (TIMS) has partnered with Toggle, part of Farmers Insurance Group, to offer personalized insurance rates based on usage, including coverage and plans for rideshare drivers and pet passengers. Customers may receive discounts for good driving, paying premiums in full, bundling policies through QR codes at the dealer, having certain vehicle safety features, or being a good student. In addition to saving agency broker fees, Farmers benefits from learning additional household information based on OEM data, such as how many other drivers there are, what kinds of cars they drive, and how open they are to conversion.[20]

General Motors (Subsidiary archetype)
GM Insurance Services leverages its understanding of GM vehicles to offer a secure, fully integrated, personalized and easy-to-use digital insurance experience for drivers. Using in-vehicle technology to leverage the vast amounts of data generated by automated and connected cars, the subsidiary tailors rates and offers discounts based on driving behavior and vehicle safety system usage. Policies are underwritten and issued by GM National Insurance Company, which is fully owned by General Motors.[21]

More collaboration, more consumer wins

Other forces of change

New market entrants
In any customer experience, if you don't solve the points of friction, someone else will. Entering the automotive value chain are several unusual players, including the likes of NVIDIA[4] and CISCO[5] to improve in-cabin and connected experiences across the vehicle and customer life cycles.

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