

Innovation in transport calls for equally innovative change in vehicle insurance

 By Cari Van Wyk

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We spoke to Rudolf Britz, chief actuary at Momentum Short-term Insurance, about how market changes, new technology, and innovative companies in the transport industry are disrupting the insurance industry.



Rudolf Britz

The way motorists are using cars, influenced by industry disruptors such as Uber, has changed the industry significantly. How has this impacted on the insurance industry?

Rudolf Britz: They haven't taken away a great proportion of vehicles from our roads. The average consumer who uses Uber services usually owns or uses their own vehicle as well. Although there are very few consumers who rely solely on Uber for their daily transport, this number could rise in the foreseeable future.

Uber will reduce traffic congestion and accident rates on our roads, which will contribute to the decline in insurance costs. Uber operators will require more specialised insurance packages for their services and will need to handle this type of service delivery. Insurance policies could increase in this regard in terms of business-to-business services.

What has been the major disruptor for the short-term insurance industry?

Britz: In 2016, there were no major disruptors to the short-term industry, in particular. However, captive/specialised distribution models are still practised by many short-term insurance companies. These companies will do much

better than those who do not use new methods of distribution models.

In terms of weather, 2016 has actually treated short-term insurers well: Up until mid-October, there weren't any major catastrophic weather events, severe earthquakes or other events, only a small spike in unexpected mid-winter rains in July.

Telematics is another innovative disrupter in our industry. The marketing of products to clients is becoming more streamlined and focussed on the client's needs, rather than on selling policies alone.

■ ***According to a report released by the National Association of Automobile Manufacturers in South Africa, new vehicle sales has shown a year-on-year decline of 10.1%. What are the key factors influencing the drop in sales and what does this drop in sales mean for the vehicle insurance industry?***

Britz: Reduced growth in the economy was a big factor influencing the drop in car sales. Economic uncertainty, as a whole, made it difficult for consumers to plan ahead effectively. The subdued growth has put pressure on consumers' disposable income, which has, in turn, put pressure on sales. It also negatively affected policy lapses and made the growth of insurance business very challenging.

Another key influencer in the drop in sales is the rise in household debt, which has left consumers desiring fewer assets, requiring them to spend large amounts of money over a short period of time.

The drop in new vehicle sales resulted in a severe reduction in one of the traditional sources of new insurance business.

■ ***Any notable trends regarding commercial vehicles and how business needs in terms of insurance are changing?***

Britz: On a commercial vehicle level, we are seeing a slightly different trend, compared with retail vehicles. Some of the segments are showing an increase in heavy commercial vehicle sales. The reason for this could be that large corporates have invested more in the logistics element of their businesses to further increase productivity levels in our volatile economy.

Lack of forecasted growth will put pressure on commercial vehicle sales and commercial insurance sales in the next two months.

■ ***How should insurance companies and policies change and innovate to meet the needs of policyholders in a changing transport landscape?***

Britz: Insurance companies need to use client information and insights better. This can be anything from capturing customer information properly (client services) to following up with clients on a one-on-one basis. Insurers should focus on treating existing clients with a personalised approach, rather than mass customer care. They should also put more thought and effort into customising insurance policies, based on a client's needs and where the client is in their life financially.

Insurers should start thinking about how they will overcome the consumerism trend to own less. Traditionally, insurance is written off the back of an asset, and with fewer assets in the hands of consumers, this will be cumbersome. For example, insurers should start thinking about – for the future – insuring vehicle trips or rides, rather than the actual vehicle. I think this would be a real challenge for the industry to overcome.

ABOUT CARI VAN WYK

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