

GAP Insurance for New and Used Cars in Europe

Report Prospectus

October 2013

Expertise in financial services

Prospectus contents

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What is the research?

Finaccord's report titled *GAP Insurance for New and Used Cars in Europe* provides comprehensive and in-depth research covering 25 countries in Europe among which GAP insurance in a stand-alone format was found to be present in 19, namely: Austria, Belgium, Czech Republic, Denmark, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Poland, Portugal, Russia, Slovakia, Spain, Turkey and the UK.

Based on a survey of 1,350 dealers in these countries and an investigation typically covering between 30 and 40 automotive brands in each territory (albeit with a maximum of over 50 in Russia), the study delivers unique insights into the market for stand-alone GAP insurance for new and used passenger cars bought by consumers. Moreover, the research also generates data describing the size, in terms of gross written premiums, for the market for GAP insurance for new and used cars in each country.

In addition to this unique market data, the survey results are also used to measure the extent to which automotive dealers and manufacturer brands actually organise and intermediate GAP insurance in each country, to calculate average customer take-up rates for GAP insurance at the point of sale, and to understand relationships between manufacturers or importers and external GAP insurance providers for branded or endorsed programs.

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What is the rationale?

The automotive manufacturing market, globally as well as in Europe, has long been highly cyclical and prone to low or non-existent profitability as a consequence of the tough competition that exists between manufacturers.

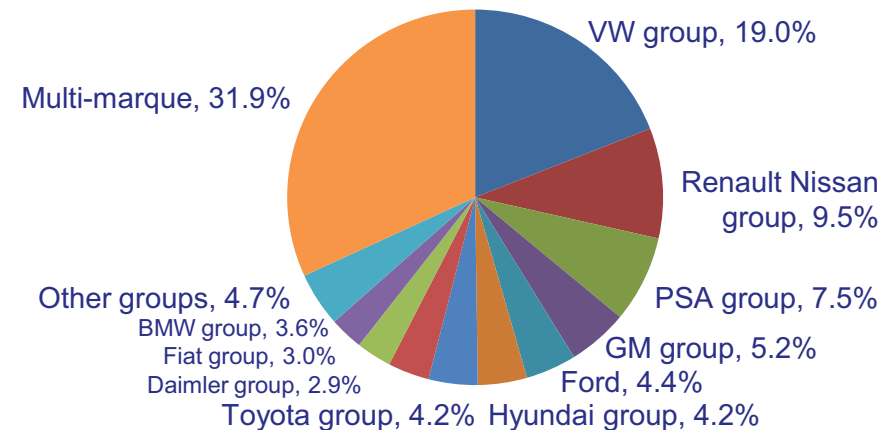
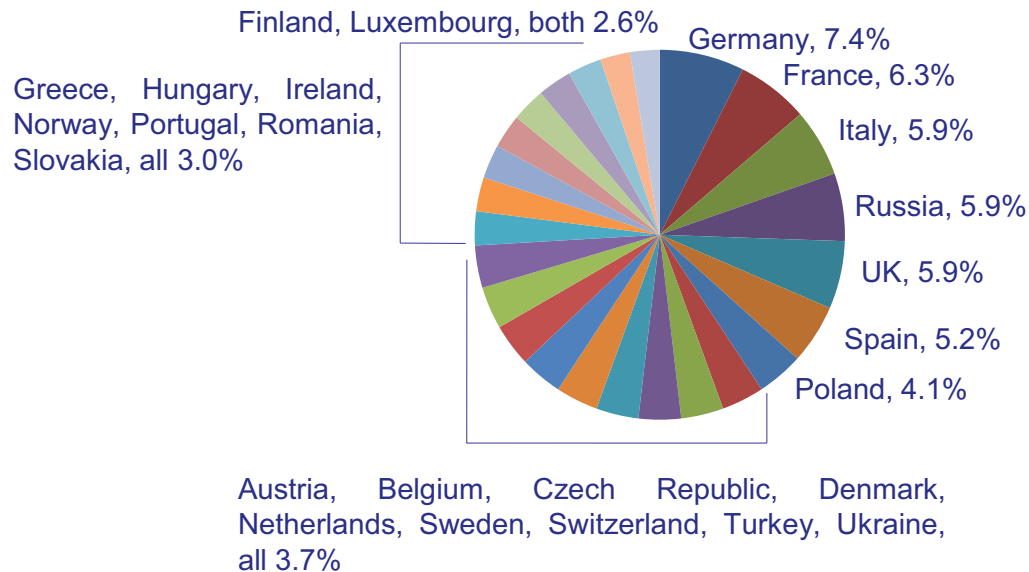
As a result, a key issue for automotive manufacturers is to increase the value of revenues that they extract from customers through the provision of ancillary services, including GAP insurance.

Furthermore, the thin margins that car dealerships and importers can secure on vehicle sales in isolation can be boosted by cross-selling related services, most importantly financial services such as GAP insurance.

The market for GAP insurance for new and used cars, which Finaccord's research indicates to be worth about EUR 879.6 million in gross premiums and other revenues across Europe, is therefore a significant battleground. This study and its accompanying PartnerBASE™ database and market data file represent systematic, published research on the subject across Europe providing unrivalled insight about it.

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How do dealerships surveyed break down?



Finaccord's universe of dealerships includes 1,350 respondents in total spread across 25 countries in Europe including manufacturer-owned dealerships, franchised dealerships, multi-marque dealerships and new and used car supermarkets. For a full list of the organizations contacted for the research and included in PartnerBASE™, please contact Finaccord.

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Which manufacturer brands have been investigated?

Manufacturer brands investigated through the local offices of the manufacturers themselves or those of their importers in at least one of the countries covered in this report are as follows:

AIXAM	FAW	Lamborghini	Opel	TagAZ
Alfa Romeo	Ferrari	Lancia	Perodua	Tata
Aston Martin	Fiat	Land Rover	Peugeot	Tesla
Audi	Ford	Lexus	Porsche	Toyota
Bentley	Geely	Lifan	Proton	UAZ
BMW	Great Wall	Lotus	Renault	Uz-Daewoo
Bogdan	Haima	Maserati	Rolls-Royce	Vauxhall
BYD	Honda	Mazda	SEAT	Vaz
Cadillac	Hyundai	Mercedes-Benz	Škoda	Volkswagen
Chery	Infiniti	MG	Smart	Volvo
Chevrolet	Jaguar	MINI	SsangYong	Vortex
Chrysler	Jeep	Mitsubishi	Subaru	Wiesmann
Citroën	Kia	Morgan	Suzuki	ZAZ
Dacia	Lada	Nissan		

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What is the report structure?

0. *Executive Summary*: providing a concise evaluation of the principal findings of the report.
1. *Introduction*: offering a rationale, a detailed description of methodology and definitions.
2. *European Overview*: comprising an overview of the market for GAP insurance for new and used cars across the 25 countries. Analyses include: trends in sales of new and used passenger vehicles; comparison of key metrics describing the behaviour of dealers in this market; comparison of average customer take-up rates for stand-alone GAP insurance; and calculation of the market size, in terms of gross written premiums and other revenues in each country, for GAP insurance for new and used cars in Europe.
3. *Austria*: an in-depth analysis of the market for GAP insurance for new and used cars in Austria including: an overview of the market for new and used passenger cars; dealer survey results including analysis of the use of GAP insurance programs branded or endorsed by manufacturers (tied providers) as opposed to contracts provided by independent insurers (non-tied providers); manufacturer / importer survey results, including partners used for branded or endorsed GAP insurance schemes; and combined analysis of implied provider market shares.
- 4 - 21: *the other 18 countries (for all, contents as for Austria)*.

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What are the key features of the research?

Key features of this report include:

- comparable and standardised data concerning GAP insurance for new and used cars covering a total of 25 countries in Europe ranging from mature territories, such as France and the UK, to fast-developing markets, such as Russia and Turkey;
- provision of market size and segmentation data for all of these markets generated from Finaccord's proprietary *European Automotive Financial Services Model*;
- analysis of the average number of providers of GAP insurance used by dealers and the degree to which they collaborate with non-tied companies in addition to tied partners;
- data showing the average take-up rates for GAP insurance at the point of sale among buyers of both new and used cars;
- in both the report and the accompanying PartnerBASE™ database, identification of both leading and secondary non-tied providers of GAP insurance used by dealerships plus relationships between manufacturers or importers and external companies for branded or endorsed GAP insurance schemes.

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How can the research be used?

You may be able to use this report plus the PartnerBASE™ and market data file that accompany it in one or more of the following ways:

- understand the current size and future potential of the market for GAP insurance for new and used cars on a Europe-wide basis;
- appreciate the extent to which dealerships favour promoting manufacturer-branded GAP insurance as opposed to policies sourced from non-tied insurance providers;
- benchmark the degree of competitive intensity recorded by the research for distributing GAP insurance through the point of sale;
- evaluate the potential for establishing partnerships with manufacturer brands or their local importers for branded or endorsed GAP insurance programs;
- track the involvement in this field of leading national and international competitors including Aioi Nissay Dowa, Allianz, AutoProtect, BNP Paribas Cardif, Crédit Agricole, Genworth Financial, MAPFRE Asistencia, PSA Insurance, QBE and Vienna Insurance Group.

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How can the PartnerBASE™ be used?

Select country		Distinguish between provision for new and used cars		Identify product partners			
Country	Dealer	GAP insurance offered with new cars?	GAP insurance offered with used cars?	Product source	Total number of partners	Number of non-tied partners	Identity of non-tied partners
Poland	Plichta (Gdańsk)	Yes	Yes	Manufacturer / importer	1	0	
Slovakia	POCAR (Prešov)	Yes	Yes	Dealer (non-tied)	1	1	Allianz
Romania	Poliserv (Ploiești)	No	No				
Poland	POL-MOT Auto (Warszawa)		Yes	Dealer (non-tied)	1	1	Benefia
Hungary	Porsche Buda (Budapest)	Yes	Yes	Dealer (non-tied)	1	1	QBE

Look up specific dealers

Choose product source

Note: for this report, PartnerBASE also covers all manufacturer brands researched across 25 countries

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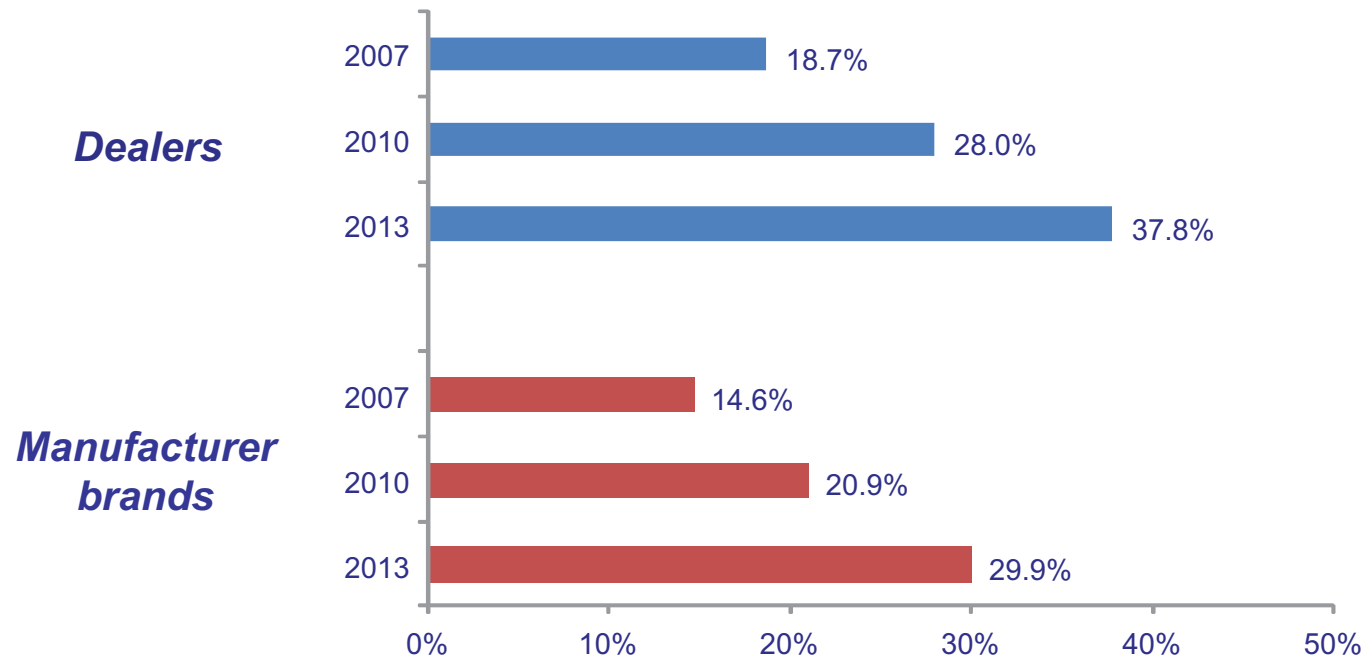
Who can use the research?

1. *Automotive manufacturers:* this research provides a wealth of unique and valuable benchmarking data allowing you to assess objectively the status of GAP insurance for new and used cars on a Europe-wide basis;
2. *Underwriters and brokers of GAP insurance:* what are the opportunities to increase or build market share within the GAP insurance markets of each country by means of distribution alliances with manufacturer brands, importers or dealers?
3. *Finance and leasing companies:* in some countries, it is common for GAP insurance to be embedded in consumer finance and leasing packages hence it is important for providers in these areas to comprehend fully the apparent opportunities;
4. *Management consultancies:* are you helping a manufacturer or insurance provider with its strategy or evaluating how it can develop its business in GAP insurance for new and used cars in Europe? Understand the current status of this market across 25 countries, saving time and effort on researching the subject yourself.

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What are some of the key findings?

1. Across Europe as a whole, provision rates for GAP insurance among both dealers and manufacturer brands in 2013 were double those recorded in 2007



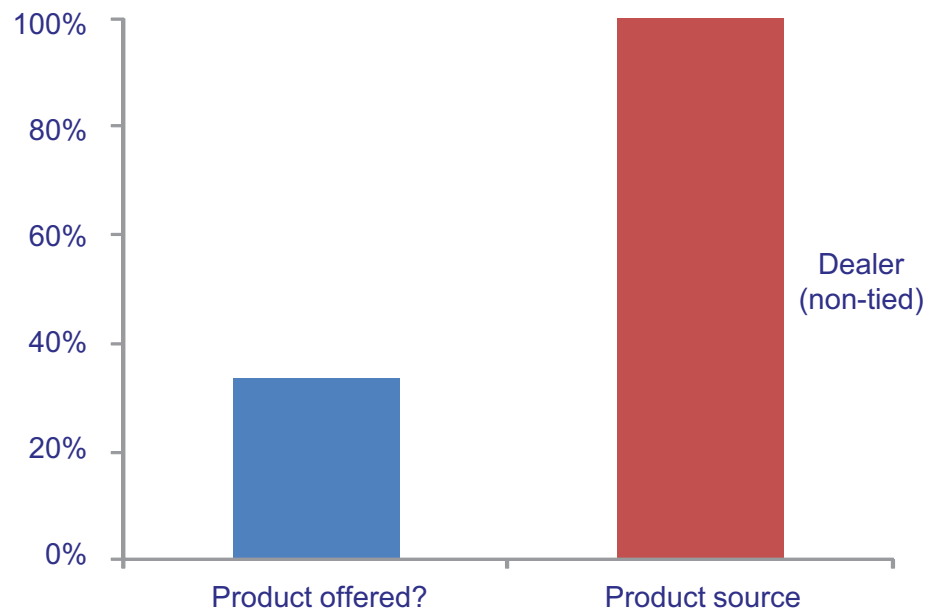
Source: Finaccord Automotive Financial Services in Europe Survey

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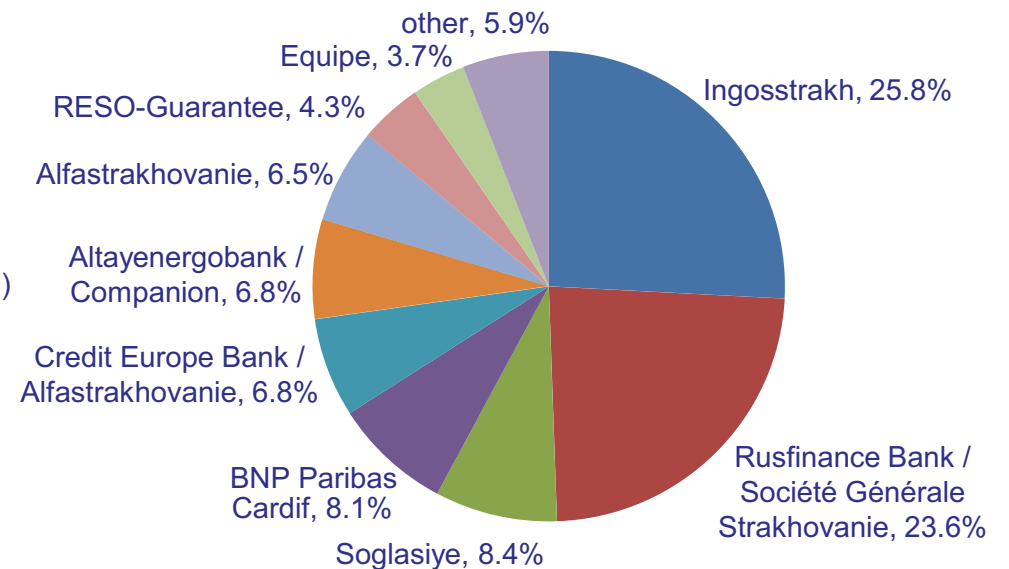
What are some of the key findings? (cont.)

2. In Russia, stand-alone GAP insurance has developed rapidly in recent years to the point that over a third of dealers were selling it in 2013

% of dealers offering GAP insurance and product sources



Provider share of non-tied partnerships

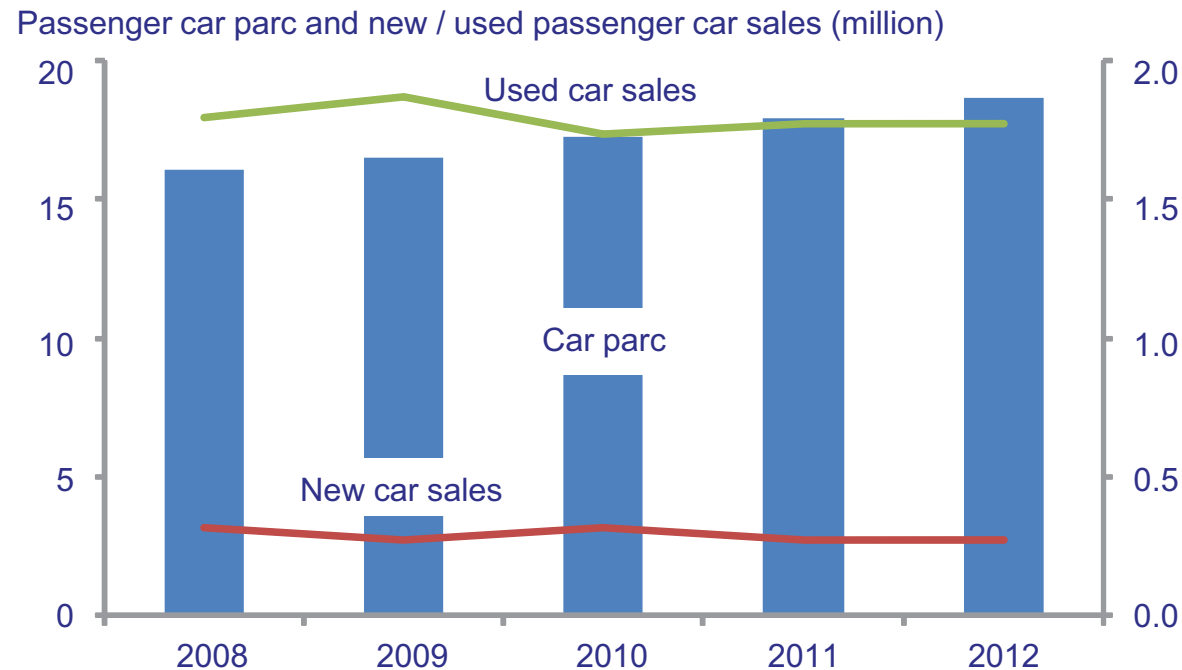


Source: Finaccord European Automotive Financial Services Survey

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What are some of the key findings? (cont.)

3. In Poland, sales of used cars each year consistently outnumber sales of new cars by a factor of over five or six times



Source: PZPM, SAMAR, Finaccord estimates

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What are some of the key findings? (cont.)

4. Key findings from the executive summary include:

- Finaccord estimates that the market across all 25 countries was worth EUR 879.6 million in 2012 and that while growth in recent years may have been held back by falling sales of new cars in most countries, it will have been boosted by increasing provision via dealers and manufacturer brands;
- according to the survey, provision rates for GAP insurance rates among dealers are highest in France, the UK and Germany at 94.1%, 92.5% and 87.0%, respectively, followed by Slovakia (85.0%), Poland (83.6%), Italy (68.8%) and the Czech Republic (66.0%);
- across countries in which at least one dealer reported offering GAP insurance and calculated on an unweighted basis, 69.2% worked only with tied providers, 25.5% sold only non-tied products and 5.2% distributed GAP cover from both sources;
- with involvement in the GAP insurance markets of 11 countries, Allianz (sometimes via Allianz Global Assistance) is present in the most followed by BNP Paribas Cardif (in seven), PSA Insurance (in six) and Genworth Financial (in five).

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