



Autonomous Automobiles

Making technology count with Europe's drivers

Manufacturers' hardware and software strategies are set to make or break their appeal in the technology-led market of the future. Keeping profit within the traditional manufacturing chain looks set to be the industry's defining challenge, with ancillary revenues becoming more important than ever.

Autonomy will set us free

Self-driving cars are part of an enduring image of our future. While commercial hover cars and teleportation devices may prove to be red herrings, the vision of seamlessly coordinated vehicles gliding around our roads has become much more easily foreseeable.

Letting go of the wheel completely is still likely to feel like an alien concept to today's motorists. Fortunately, with perfect autonomy throughout Europe's roads still some way off, a significant transitional period will need to be navigated, helping drivers shift from a dated 'Knight Rider'-informed fiction to a carefully orchestrated modern reality.



The road towards perfect autonomy is not an easy one. Manufacturers must pave the way brick by brick, considering the minutiae of hardware and software configurations while remaining mindful of the bigger picture – and the bottom line. EU Commission analysis² reveals the balance between automotive hardware and software is set to shift, from the traditional hardware focus towards a more even balance with software.

Technology firms are poised to become hugely influential in the production process, whether as contributing suppliers or as manufacturers and retailers in their own right. Imminent decisions on how best to integrate technology into the production process could mean the difference between success or failure for traditional manufacturers. This has become even more important with the disruption the Internet of Things (IoT) is causing, which demands greater technological sophistication as a result of increased interconnectivity. The process of connecting vehicles through IoT, including infrastructure and other vehicles, is the catalyst to reaching full autonomy on the roads.

“...the trends towards increased prevalence of e-mobility and CAV [connected and autonomous vehicle] technologies are poised to bring about significant opportunities to the traditional automotive Tier 1 supply industry if it is able to rapidly develop or acquire new capabilities, but severe risks are also presented to incumbent players who fail to adapt quickly enough.”

EU Commission, GEAR 2030 Strategy 2015-2017¹

The transition to complete autonomy will test the industry to its limits, meaning manufacturers will need to use every aspect of their commercial proposition to full effect.



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Insurance can engineer a smoother transition

There are many moving parts to consider during the transition phase. Regulators, the insurance industry, and society as a whole will adapt at their own speeds, while the automotive supply chain is already motoring ahead with design and development.

Each iteration of new automotive technology should serve to increase comfort with autonomous and connected functionality, offering 'on-off' switches so drivers always have the option to resume control. While autonomy remains partial or optional, and drivers experiment with autonomy as they see fit, the importance of insurance cannot be underestimated.

Clever insurance for clever cars.

During the transition phase, insurance can become a more valuable asset than ever, acting to support sales by smoothing over the concerns of end-customers and encouraging them to embrace the technology in its earliest forms.

To achieve this, manufacturers will need to seek out insurance expertise to make sure the cover they offer is constantly adapting to what's under the bonnet.

Running the risk with partnerships

Manufacturers are already striking up new insurance partnerships, as they anticipate changes to the nature and extent of motor insurance provision. Although it is essential to put a new risk management strategy in place, manufacturers need to be careful that these partnerships are appropriate and sufficiently scalable for widespread distribution. Significant time, investment, and due diligence will be required to ensure manufacturers choose an insurance partner that can truly meet the challenges to come, while keeping things affordable for drivers.

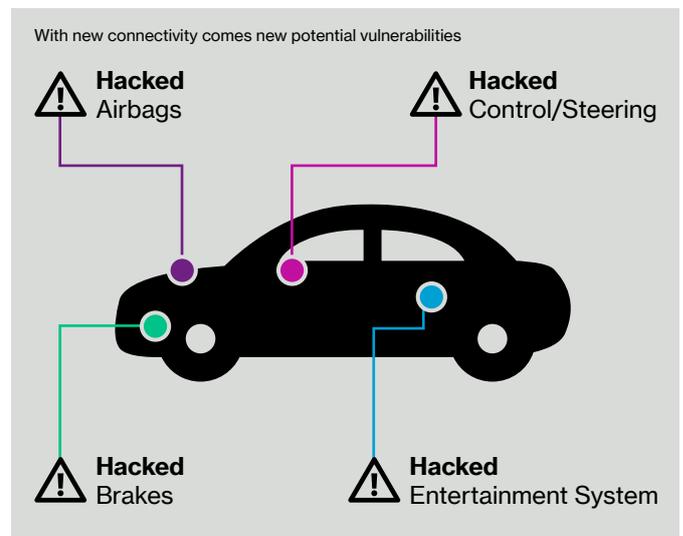
As cars become more advanced and complex in the eyes of drivers, blanket motor insurance policies with broad and standard cover will be less easily tolerated. Drivers will want to see a link between the technological improvements in the model they are driving and their insurance cover.

In this environment, manufacturer own-brand insurance has the potential to thrive. After all, no-one will be expected to know the intricacies of each new model like the manufacturer will.

The cyber threat looms large

When designing connected and autonomous cars, manufacturers will naturally hold cyber security as a core consideration. Although technology enhancements will be iterative, cyber security should be designed as a complete solution each time a new model hits the road. A more piecemeal approach could leave vehicles vulnerable to breaches.

Consultations with cyber security specialists, whether internal or external to the manufacturer, must be given priority in the design and planning stage. Manufacturers may well see fit to acquire cyber security specialism rather than relying on external support, as this will help to ensure cyber security becomes intrinsic to every aspect of the production process.



Even with a robust approach to cyber security, it will be near-impossible to provide cast-iron guarantees as to the cyber resilience of connected vehicles. This is where insurance comes in. Cyber cover will become an essential component of motor insurance and warranties, helping manufacturers and drivers to take confidence that protection is in place.

While insurers have had to adapt to the growing demand for cyber cover across all industries, connected cars with autonomous capabilities represent a completely unique underwriting challenge. The automotive supply chain must work in close partnership with the insurance industry so that each party can satisfy itself as to the cyber security standards employed. Only then can comprehensive, tailored cover be provided to drivers, enhancing the manufacturer's proposition.



Clean, clever, and commercial

Manufacturers will have a great deal to contend with during the quest for a completely autonomous range of vehicles. The existing pressure being applied by emissions targets will mean manufacturers must focus on the joint vision of cleaner and smarter vehicles as they progress through their design and development iterations.

Ultimately, manufacturers will come to bear an even greater duty of care for their drivers as autonomous technology sweeps through Europe's car parc. This will inevitably cause some concern, requiring greater investment into testing and cyber security, but this sense of duty can also be turned into an advantage.

Well-designed, own-brand insurance can help alleviate the pressures operating on manufacturers, encouraging sales by helping people feel confident and enthusiastic about advancements in technology. Getting insurance from the manufacturer will become naturally more appealing as drivers begin to perceive an enhanced level of protection in being covered by their car's one true expert.

In a world where technology and connectivity are as important as a car's performance, insurance has become a true commercial asset for manufacturers. Put simply, maximising the appeal of own-brand insurance will aid consumer adoption of these modern vehicles as society accelerates towards a fully autonomous future.

The commercial potential of own-brand insurance, unlocked.

Willis Towers Watson Affinity works in partnership with automotive clients to design bespoke end-to-end and segmented affinity insurance solutions that keep pace with the industry's modern advancements. Insurance solutions that offer reassurance to consumers during these technologically transformative times will be hugely valuable in gaining their trust and loyalty. These are enviable assets for manufacturers to possess as they contribute to providing a consistent revenue stream in the face of significant industry disruption.



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¹ EU Commission, GEAR 2030 Strategy 2015-2017, Comparative analysis of the competitive position of the EU automotive industry and the impact of the introduction of autonomous vehicles, published September 2017.



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