New Developments in Product Recall and Warranty Insurance

Michael Stankard
Automotive Industry Practice Leader
Aon

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Product Recall Insurance
Supplier Buying Influences

I. Operational/Growth

Contractual Compliance
- Primarily European supply / OEM contracts
- Increasing trend in U.S. contracts

II. Financial

Earnings Stability / Balance Sheet Protection
- Smaller Tier I's and all Tier II's
- Concern over recent emphasis by OEMs of intended chargebacks
- Interested in Risk Transfer at a low attachment point

Catastrophic Protection
- Mid-Large Tier I's
  - Pursuing high limits (50-100M) excess of high deductible (5-50M)

Balance Sheet Funding for Expected Losses

III. Strategic/Enterprise

M&A related
Board Governance
Common Misperceptions of Automotive Product Recall Insurance

- It is a limited marketplace with little competition
- The coverage is narrow and does cover the most significant cost categories of a recall
- The program offerings are “off the shelf” not very flexible to fit my business situation
- The limits available are immaterial to my balance sheet
- The coverage trigger is only for NHTSA safety related incidents.
- The pricing and overall value makes me non-competitive.
- The underwriting process to obtain a quote is too thorough
New Opportunities to Improve Warranty Risk Management

• We Predict/Munich Re approach
  – Predictive Analytics
  – Automotive Industry Experience
  – Balance Sheet Management

• OEM and Supplier Benefits
  – Greater Certainty over Warranty Accrual
  – Volatility Transferred to Third Party
  – Potential for Immediate Balance Sheet Improvement
  – Supportive to an M&A Transaction
Contact

Michael Stankard
Automotive Industry Practice Leader
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mike.stankard@aon.com
248-936-5353