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<http://www.intelligentinsurer.com/news/nexassure-and-peak-re-partner-on-extended-warranty-in-asia-9938>

NexAssure and Peak Re partner on extended warranty in Asia

There is huge potential for the growth of extended warranty insurance in Asia, Dermot Reilly, principal officer for Hong Kong-based NexAssure Agency, told EAIC Today.

NexAssure and Peak Re have entered into a managing general agency (MGA) agreement that will create a new partnership in the area of extended warranty.

NexAssure is a specialist in the extended warranty business in Asia-Pacific and will now work with Peak Re to provide capacity within this rapidly expanding area.

While the extended warranty market is still in its infancy in Asia, the partnership will allow both parties to capitalise on the opportunities in this growing sector.

“If you consider the prediction that by 2020 there will be 30 million new cars sold in China, you can see that opportunity for extended warranty to be absolutely huge,” said Reilly.

Harj Sandhu, director of NexAssure, said that dealerships in Asia are starting to recognise the profit that could result from extending their relationship with each customer beyond the initial sale.

“They have now arrived at what the UK and US found many years ago, which is that consumers are wanting more from them: they want to get the car repaired, for instance. Dealers and manufacturers are recognising that there is a missed opportunity here: rather than coming to them for servicing, people are going to the guy down the road who uses secondary parts

“Repair work and genuine parts sales are where 40 percent of dealership profits come from in the US and Asian dealers have not been capitalising on that—they have been relying on the margins in new car sales, which have been eroded over time,” Reilly aid.

He added that the timing of NexAssure’s agreement with Peak Re comes at exactly the right time.

“We are starting this at a point where the dealers are starting to think about doing something different to capture some future profit. They need to give people a reason to come back to the dealership, and a warranty means you have to get the car serviced by them. It’s another opportunity to give good customer service.”

NexAssure brings real depth of experience to this space, Reilly added. Between them, he, Sandhu and their underwriters have around 75 years of experience, and their new entity is the only extended warranty MGA in the region.

“We’ve been in the region for five years now,” he said. “Not only do we have knowledge outside the region but we have considerable experience and contacts within the region. Peak Re knows the market and wants to capitalise it, and our expertise enables NexAssure to grow that business.”

Through its administration company, NexAssure Management, NexAssure also looks after the management of customer relationships, providing an online claims service backed by a call centre of mechanics.

“They are local so they can talk to the dealers and the customers and help them through the claims process. Having a local solution for local risks with local expertise is a real winning point for us,” said Sandhu.