

DEALER PRINCIPAL

ARTIFICIAL INTELLIGENCE

Revolutionizing the automotive industry and creating opportunity for dealers

Dealers make more profit with
**Zurich's Direct
Marketing program**

ZURICH UNIVERSITY
Interactive, online training platform
for your employees

F&I Online
Consumer education that empowers
customers, helps facilitate the F&I sale

**PROTECTING
CUSTOMER DATA**



Editor's Letter

Dear Leader,

In this issue of Dealer Principal, we take an in-depth look at artificial intelligence (AI) and the ways AI technologies continue to revolutionize the automotive sector and drive unprecedented transformation. We also share insight into how you can harness its power to connect with your customers and grow your business.

Our article, "Protecting Customer Privacy" explores the urgency to upgrade technology to protect customer information. And in this issue we showcase Zurich's Regional Income Development Executives (RIDE) and the important role they play in driving stronger results for you.

We also look at Zurich's F&I Online and Direct Marketing programs and how they help dealers achieve more profit in and beyond the F&I office.

You'll find these feature stories and much more inside. I hope you enjoy this issue! Please let us know if there are topics you'd like to see covered in the future.

Regards,



Vince Santivasi
Senior Vice President, Head of Direct Markets
Zurich North America

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OUR PEOPLE



RIDE

ZURICH'S REGIONAL INCOME DEVELOPMENT EXECUTIVES HELP DEALERS MAXIMIZE INCOME

Zurich's Regional Income Development Executive (RIDE) plays a critical role supporting Zurich's mega dealer customers. The RIDE specializes in dealership income development, making them uniquely successful in helping dealers achieve big results. The RIDE is part of the larger Zurich team, which typically includes the National Account Manager, Area Finance and Insurance (F&I) Manager and the National Reinsurance Executive. The RIDE complements the larger Zurich team by delivering the disciplined tactical training that ensures Zurich's selling system is implemented in the dealership.

"My PVR has increased \$350 per deal. I've told competitors we are so happy with Zurich that I will not entertain any meetings for the foreseeable future."
- John Gross, COO Firkins Automotive Group

"The RIDE brings a tremendous amount of value to our dealer customers," noted Patrick Branner, Zurich's Area F&I Manager. "They implement and support Zurich's Streamlined Selling System in the dealership – and help Zurich's dealer customers achieve improved results. A key piece of the income development strategy is organic growth. The RIDE aligns perfectly with this strategy, by focusing solely on development of PVR."

Training the dealership team on Zurich's Streamlined Selling System is crucial to achieving success. Zurich's RIDEs spend their time and focus training the dealership team on building value, delivering a presentation tailored to the car-buyer's individual needs, and sharing ideas on how to overcome customer objections. All of this is measured and reviewed to ensure that the dealership delivers an excellent customer experience and achieves their F&I goals.

Each element of the RIDE's work is essential to ensuring success, and includes:

- One-on-one training and demonstration
- Observing, coaching, giving feedback and retraining
- Motivating and instilling discipline
- Verifying and validating proper execution of the system
- Thorough documentation, including expected and actual results
- A comprehensive, systematic review and analysis of results with the dealership team

DEALER PERSPECTIVE: THE IMPACT OF ZURICH'S RIDE FOR THE DEALERSHIP

"Making the decision to move our business to Zurich started from a conversation I had with Dick Garber, the owner of Garber Management Group," said John Gross, Chief Operations Officer of Firkins Automotive Group in Bradenton, Florida. Dick was very happy with and had such great things to say about Zurich, so I agreed that I would find an opportunity to meet with someone from Zurich to learn more about what they could offer."

Zurich RIDE Jason Todd stopped by and really impressed Gross. "Jason is very competitive, and I loved that spirit! He described what Zurich could offer us, exactly how they could help us make more money. I love Jason's winning attitude." said Gross.

As Gross started giving more serious consideration to making the change, there were subsequent discussions with the larger Zurich team. Gross was impressed with everyone he met from Zurich. After some discussion about Zurich's system and Zurich's commitment to deliver on Gross's stated goals, they shook hands and made the deal.

When Gross announced to his finance staff that he was making a change, there was some skepticism. Change can be challenging for employees, especially if things are already going well. Gross brought Todd in to help give the team an understanding of what they could expect to achieve, to describe the system and the transition, and answer questions; Todd put everyone at ease. He asked the team to have faith and to see what happened in the first 30 to 60 days.

"Fast-forward to now, we're eight or nine months in and all of my people are making more money," said Gross. "My PVR has increased \$350 per deal. It's truly amazing. Our employees are making more money, our owners are so happy."

Gross explained that Jason and Bob hold a monthly meeting during which the entire team goes through each team member's numbers, conducts training, and shares relevant information about the auto industry. This discipline, and the ongoing analysis of the results, keeps everyone focused and motivated.

"The success we've had has taken a lot of hard work by Zurich, and a lot of hard work by my team. Much credit goes to Randy Stull, our Finance Director. Randy does a great job of onboarding new products, training his team, and achieving success in the store." Gross noted too that, "Bob Firkins is a fantastic owner." His support of the entire team, and his backing and support of these types of strategic decisions, is what ensures the dealership continues to grow and achieve tremendous success."

Zurich's Service Lane initiative has also delivered big results for Firkins. A tablet, with presentation of the service contract in the drive and the option for the customers to make their payment on the spot, has helped sell a significant number of additional contracts. Gross explained. "This is really important. Zurich hasn't just helped us grow sales, the service area is growing now, too! Zurich, for my service claims, pays my door rate. This helped grow revenue for my Service department. You can have the best products in the world, but you need the right people and process in the service drive to sell them."

Gross said, "You're taking a risk when you move your business. I was taking a risk, but it has been a home run!"

"The RIDE brings a tremendous amount of value. They implement and support Zurich's Streamlined Selling System in the dealership – and help Zurich's dealer customers achieve improved results."
- Patrick Branner, Zurich Area F&I Manager

ZURICH F&I ONLINE

Educating and empowering car buyers
expedites the F&I purchase

Zurich is committed to improving the customer experience and helping dealers maximize their F&I opportunities. Research indicates that one of the biggest barriers to purchasing F&I products is the lack of information available to consumers. A Cox Automotive study shows that nearly two-thirds of consumers are more likely to purchase F&I products if they can learn about those products on their own time.¹

Zurich F&I Online, one of the Zurich Advantage programs, helps give customers the product education they want, whether at home, on a mobile device or in your dealership. It integrates easily into your dealership's website, helps generate leads and gives customers quick, easy-to-understand information through animated videos and interactive brochures. In addition, website analytics help you track effectiveness.

Why Zurich for F&I Online?

INFORMATIONAL - Outlines the features and benefits of each F&I product

ENGAGING - Holds the buyer's interest with narrated videos and interactive brochures

CONVENIENT - Accessible to the car buyer at their convenience

EMPOWERING - Instills confidence in the buyer's F&I decision

FLEXIBLE - Compatible with any dealership website

RESPONSIVE - Works on desktop and mobile devices

DEALER-BRANDED - Displays your company logo and address

MEASURABLE - Tracks engagement of your landing page



Features of the program include:



Integrates quickly and easily into your dealership website for seamless user experience



3D-animated videos and interactive brochures



Desktop and mobile friendly



Website analytics

Results **DRIVEN** by Zurich.

THE ZURICH ADVANTAGE INNOVATIVE

Backed by the strength of a global organization, we embrace the opportunity to inspire the growth and success of our dealer customers. We are focused on driving technology and services that can keep your business evolving and thriving in a dynamic industry.

Bring Zurich's innovation to your dealership.

Visit www.zurichna.com/automotive.



**ZURICH INSURANCE.
FOR THOSE WHO TRULY LOVE THEIR BUSINESS.**



This is intended as a general description of products and services available to qualified customers through the individual companies of Zurich in North America and is provided solely for informational purposes. Nothing herein should be construed as a solicitation, offer, advice, recommendation, or any other service with regard to any type of insurance or F&I product underwritten or distributed by individual member companies of Zurich in North America, which include Zurich American Insurance Company and Universal Underwriters Service Corporation (1299 Zurich Way, Schaumburg, IL 60196). Certain restrictions may apply. All products and services may not be available in all states. Please consult with your sales professional for details.

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HOW F&I PRODUCTS ON YOUR WEBSITE BENEFIT YOUR DEALERSHIP

#1 Increases Your Product Sales

83%

OF CAR BUYERS SAY THEY WANT TO RESEARCH F&I PRODUCTS ONLINE BEFORE THEY BUY.¹ HOW DOES PROMOTING F&I PRODUCT INFORMATION ON YOUR WEBSITE HELP YOU? *Let's explore . . .*



Nearly 1 in 4 car buyers are not aware of your F&I products before walking into your dealership,² yet the purchase of F&I products is much higher among consumers who come in with that awareness.

Awareness of F&I Products³

	Extended Warranty	Maintenance Plan	GAP Insurance	Service Contract	Tire and Wheel Protection	Theft Protection	Lost or Stolen Key Replacement
Aware	62%	40%	36%	35%	24%	19%	16%
Not Aware	38%	60%	64%	65%	76%	81%	84%

66%

NEARLY TWO-THIRDS OF CONSUMERS ARE MORE LIKELY TO PURCHASE F&I PRODUCTS IF THEY CAN LEARN ABOUT THOSE PRODUCTS ON THEIR OWN TIME.⁴



Sharing F&I information online gives buyers more opportunities to *develop product awareness and the desire to buy* — no matter where they are in the sales cycle.



HAVING F&I PRODUCT INFORMATION ONLINE MAKES IT EASIER TO EXPAND YOUR PRODUCT OFFERING AND AVOID ASSUMPTIONS AND BIASES THAT CAN COME WITH THE TRADITIONAL SALES MODEL.

Sources:

1. Dealertrack, May 17, 2018. F&I for the age of the customer.
2. Car buyer journey 2018. Cox Automotive. 2018.
3. Ibid.
4. Dealertrack, May 17, 2018. F&I for the age of the customer.
5. JD Powers. 2015 U.S. Sales Satisfaction Index Study.
6. "New report: In-dealership transaction times improving, but most dealers believe they should be shorter." eLEND Solutions™. 29 November 2016.
7. "Rev the engines of online auto researchers with engaging and relevant content." The Nielsen Company LLC. 23 January 2018.

#2 Improves Customer Satisfaction Scores

Give customers the experience they want and not only will they be more likely to buy, it will also be reflected in your customer satisfaction scores.

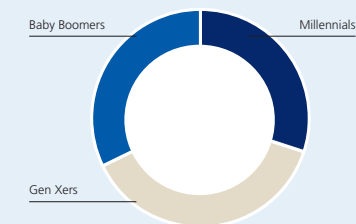
AMOUNT OF CUSTOMERS WHO FEEL IT SHOULD TAKE NO MORE THAN TWO HOURS TO COMPLETE A PURCHASE AFTER ENTERING THE SHOWROOM,⁵ AND F&I CONTINUES TO BE A DRAG ON THAT TIME.

62%

AMOUNT OF CUSTOMERS IN ONE STUDY CITED TIME SPENT IN F&I AS THE BIGGEST SLOWDOWN.⁶

68%

IT'S NOT JUST ABOUT PLEASING MILLENNIALS. Of the 22 million Americans who did online research before they bought a car in 2017, the generational breakdown is nearly even.⁷



EDUCATING CUSTOMERS ON F&I PRODUCTS AHEAD OF TIME TAKES UNWANTED SALES PRESSURE OFF CUSTOMERS and helps you build a more authentic, long-term relationship.

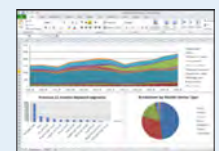


Talk to your Zurich representative today about the benefits of implementing Zurich F&I Online on your dealership website!

#3 Improves Efficiency and Increases Net Profits

RETURN RATE

LOST REVENUE COULD BE RECAPTURED AFTER HAVING ONLINE CONVERSATIONS (i.e., email, social media or website comments) about F&I products and following up after a customer declines a product.



PLUS, YOUR ONLINE F&I PRESENCE ALLOWS FOR DATA GATHERING and web analytics for better sales insights.

#4 Helps You Stay Compliant



HAVING CLEAR, CONSISTENT F&I EDUCATIONAL MATERIALS IN A DIGITAL FORMAT ALLOWS FOR FULL DISCLOSURE and less likelihood the product will be misunderstood or misrepresented.

Zurich's Direct Marketing Program

ZURICH'S DIRECT MARKETING PROGRAM HELPS

DEALERS CAPITALIZE ON MISSED OPPORTUNITIES



ONE OF ZURICH'S
ADVANTAGE PROGRAMS

Planning for continued growth and profitability for your operation doesn't always come down to selling more cars. In a competitive market, continued success is not always a function of the number of vehicles sold. "Selling more cars is great, but you can't always do that," said Galal Hamdy, National Account Specialist for Zurich North America. "It can be a challenging strategy to execute in a competitive climate. So we started thinking, 'How do we help our dealer customers do more with what they already have?' And what we found is the opportunity is huge!"

Capitalizing on Missed Opportunity

There is tremendous opportunity to sell F&I products after the vehicle sale. A significant portion of people who purchase a new or used vehicle from a dealership do not leave with a Vehicle Service Contract (VSC) in hand, but once the customer leaves the dealership, it can be challenging to connect with them again. The dealer is best-suited to make the connection, however, the dealership team has other priorities and may not have time or resources to focus on F&I follow-up. Third parties may be brought in but may not necessarily offer a high-quality product, or the brand is not well known to customers. In addition, some manufacturers or competitors could try to capitalize on the F&I sale and compete directly with dealers for the business. Zurich's innovative Direct Marketing program helps extend a dealer's opportunity to sell VSCs beyond the finance office.

Zurich's complete solution

After an extensive search to find the right program administrator, Zurich chose a direct-to-consumer company with a high-quality call center to provide a turnkey solution to sell F&I products to customers after the vehicle sale. "The program administrator is built to handle direct-to-consumer sales, allowing us to focus on driving the interaction," Hamdy said, noting that Zurich takes a dealer's customer data, including information on sales and service customers. "Our program administrator analyzes the data to exclude those who have already purchased a VSC, or those who do not qualify," Hamdy said.



"The customer receives a dealership-branded letter prompting them to call for more information, then the program administrator delivers a dealership-branded call experience. Marketing to people that have a need for protection, but who have no service contract means we're getting the right message to the right person at the right time," Hamdy explained, "In our experience, mailings drive about 1% response rate. Of the 1% that call, 20% will buy coverage. The success comes down to a highly effective marketing campaign using good data practices and a high-quality call center."



THE DIRECT MARKETING PROGRAM DELIVERS HUGE BENEFITS TO THE DEALER

Zurich's Direct Marketing program is available to Zurich dealer customers at no cost. Zurich offers the dealer a commission and contracts sold through the program are eligible for reinsurance. Zurich's dealer customers drive revenue through these submissions, improving loyalty and retention; by keeping their name in the messaging, they deepen their relationship with the customer.

Hamdy added, "We're seeing our performance scale, regardless of dealer size or geography. We know this formula works. And we've seen a really cool effect that we weren't expecting: A large number of customers are walking in to the dealership with the letter in hand. When the customer purchases at the dealership, the dealer keeps the entire sale at full commission! For some of our customers, we are seeing the same number of call center sales as we're seeing walk in!"

Zurich is committed to delivering innovative ideas and superior financial results for its dealer customers. The Zurich Advantage was developed as part of this commitment and includes income-generating programs that can impact more than the F&I office. When dealerships implement one or more of these programs, they can see real results – for example, 13 months of profit in 12 months – without relying on increasing PVR by one dollar or selling one more vehicle. The Direct Marketing program is just one of the many Zurich Advantage programs that help customers achieve 13 months of profit in 12 months.

 The success comes down to a highly effective marketing campaign using good data practices and a high-quality call center. 

 A large number of customers are walking in to the dealership with the letter in hand. When the customer purchases at the dealership, the dealer keeps the entire sale at full commission! 

 Zurich's Direct Marketing program is available to Zurich dealer customers at no cost, offers a commission, helps improve loyalty and retention, and drives future sales. 

ARTIFICIAL INTELLIGENCE

The Power of Artificial Intelligence to Transform Your Business

Do you enjoy movie recommendations from streaming services or requesting a ride from a ride-hailing service? Do you control your home's temperature through an app on your phone? If so, then you've experienced the power of artificial intelligence (AI) - providing accurate and personalized, real-time service. AI is quickly being deployed across all industries and transforming how marketing, sales, operations and service create deeper customer relationships and higher revenues.

Automotive manufacturers use AI on the assembly line to automate tasks and to help predict machine failure. In the vehicles themselves, AI-powered advanced driver-assistance systems increase safety for drivers with features such as automatic braking, driver drowsiness detection, and lane departure warnings. Advances in AI may make it possible for complete autonomous driving not that far in the future.

Scientists and mathematicians have understood the concept of AI for decades. But what makes AI more powerful today are the advances in computer software, data storage, and algorithms. Today's AI-embedded software programs can rapidly process massive amounts of data to identify patterns, develop insights, and give businesses the confidence to take actions.

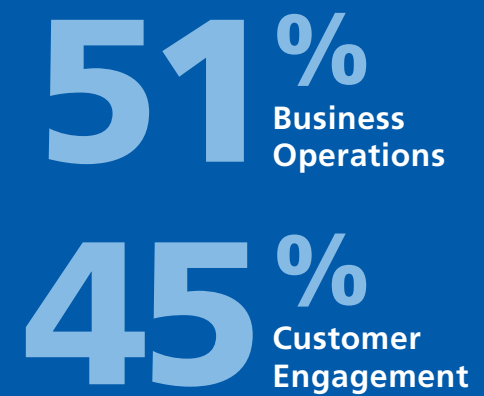
The best way to understand AI is to think of it as a set of technologies that can perform cognitive functions more associated with human intelligence, such as reasoning, learning, and problem-solving. Because of AI's immense potential, its impact has been compared to the invention of electricity, creating in essence the Fourth Industrial Revolution.



THINK AI IS ONLY FOR BIG BUSINESSES?

In a 2018 survey of Vistage members, CEOs of small and medium-sized businesses said they expect AI to have the greatest impact on their business of all new technologies.¹

Those already using AI indicated the two top uses:



MODELING THE FUTURE FOR BETTER DECISIONS

Like most businesses, your dealership probably collects extensive data from multiple sources. It's likely you use some form of business intelligence to help understand what happened in the past and how these patterns will play out in the future. AI is different in that it can go deeper with the data, telling you why things happened and giving you models to predict the impact of future actions.

"The predictive and prescriptive nature of AI can make any organization's data much more insightful and useful," says Sumeet Bhatia, Head of Innovation for Zurich North America. "AI has truly revolutionized the process of identifying, analyzing, and leveraging all forms of data to make quicker and better decisions," he explained.

For Zurich, AI has improved the speed at which underwriters can collect the data necessary for an application, eliminated the manual input of data, and reduced the amount of work for customers and brokers in providing information. "AI gives us the insights and predictive analysis we need to provide each customer with the best insurance solution for their specific risk," Bhatia said. "I think the same benefits that AI provides to Zurich apply to all businesses—the opportunity to provide more personalized offerings and a higher level of customer service."

ARTIFICIAL INTELLIGENCE



AI CREATES A COMPETITIVE ADVANTAGE IN MARKETING AND SALES

In a comprehensive research study of AI, global consultancy McKinsey discovered that the adoption rate of AI is lowest in the automotive sector compared to all other major industries, particularly adoption of AI in the marketing and sales functions.² McKinsey's report suggested that automotive retailers "can capture massive value if they can translate AI's potential into concrete change."

AI can be deployed in all areas of your marketing and sales to increase customer acquisition and decrease costs:

- Targeted messaging: Instead of trying multiple ads across different channels, AI can target your high-potential customers with the right messages at the right time. This can help cut through the noise of your competition and achieve a better return on marketing investments.
- Increased personalization: Consumers have come to expect a personalized experience, and want to be recognized as individuals through the purchase journey. AI-driven marketing platforms can provide specific and relevant information to your customers, whether they are in the buying process or in vehicle ownership. Personalized messaging creates a stronger brand loyalty with your dealership.
- Maximized lead generation: AI is now being infused into customer-relationship management (CRM) systems, and can automate communication activities such as email and social media. You can generate more high-quality leads with the same level of marketing spend, improving ROI and the customer acquisition process.
- Predicting a buyer's needs: AI can identify every consumer in a geographic marketplace by analyzing both public information and your dealership's data. Software programs can use this data to anticipate a buyer's needs, help the sales staff predict questions and determine opportunities to upsell and cross-sell.
- Building stronger relationships: Adopting all AI-enabled approaches mentioned above gives your salespeople more time to do what they do best — create stronger personal relationships with potential customers and better serve existing clients.

INTRODUCING AI TO YOUR DEALERSHIP

Although it may feel daunting to begin the AI transformation journey, the first thing to realize is that you shouldn't feel the pressure to hire additional data or marketing experts in-house. There are experienced AI providers that have created use cases for dealerships of your size, and can bring their collective knowledge to your organization.

"Before worrying about underlying technology, it's important to have a clear picture of your sales and marketing strategy," said Bhatia. "Then determine a test pilot that will support your strategy and measure how AI adds value."

Think of the AI transformation in three phases: data identification, test pilot of a use case, and organizational rollout.

The first phase requires identifying all the data sets within your dealership that can be combined to provide a holistic view of your customer base. For example, this could be historical purchase data from the sales department and website analytics and campaign response rates from marketing. In addition, you should identify the other data you may need such as publicly available demographics. These data sets can then be combined with your CRM platform to provide a robust view of all your potential customers.

The second phase is selecting a use case to develop as an AI test pilot. Some examples of a use case:

- Personalized marketing messages
- Lead management automation
- Upselling and cross-selling through marketing channels
- Programmatic advertising to automatically target audiences
- Dynamic pricing offers




Once you've tested one or more use cases and have measured a positive impact, your dealership is ready for a full rollout across all marketing and sales activities. According to the McKinsey report, companies that make the best use of AI in their sales process typically see revenue growth of 5% to 10% with the same or improved margins.

AI AS A FUTURE-PROOFING STRATEGY

No one can predict what the future will bring with regard to new products, innovative digital channels, or customer trends. But one thing remains clear: Companies looking to expand market share, grow their revenue, and reduce costs need to leverage their data to identify market opportunities and stay relevant with customers. Data is the lifeblood of every organization today, and leveraging AI is a way to analyze all sources of data and generate the insights to seize future opportunities.

AI'S TRANSFORMATIVE ROLE IN MARKETING

McKinsey's report on the role of AI in the automotive industry highlighted three areas where it is transforming marketing capabilities:

-  **Automation:** Providing direct product, pricing, and promotional information to a car buyer based on their preferences and behaviors
-  **Forecasting:** Predicting customer behavior by learning and adapting to new and ongoing data
-  **Personalization:** Using a wide range of customer data to carefully target products, promotions, and price offers

1. Artificial Intelligence for Small and Medium Business, Vistage 2018 <https://www.vistage.com/wp-content/uploads/2018/09/Artificial-Intelligence.pdf>
2. How to Win Tomorrow's Car Buyers: Artificial Intelligence in Marketing & Sales, McKinsey, February 2019 <https://www.mckinsey.com/~/media/mckinsey/industries/automotive%20and%20assembly/our%20insights/Winning%20tomorrows%20car%20buyers%20using%20artificial%20intelligence%20in%20marketing%20and%20sales/how-to-win-tomorrows-car-buyers-artificial-intelligence-in-marketing-and-sales-final.aspx>

WHY DATA PROTECTION IS EVERYONE'S JOB

THE USE OF DATA IS BECOMING MORE PERVASIVE AND COMPLEX IN DEALERSHIPS. EVERY EMPLOYEE NEEDS TO BE VIGILANT IN LOOKING FOR THREATS — BOTH INSIDE AND OUT.

Dealerships leverage data in every aspect of their business. Sensitive customer information is being stored in dealer management systems and customer relationship management systems, in finance and insurance (F&I), sales and service databases, and even shared with third-party providers. Failure to secure this data can leave your dealership vulnerable, and result in significant financial and reputational damage.

"The threat landscape is evolving and more active than ever," said Adam Page, Chief Information Security Officer for Zurich North America. "Massive data breaches affecting millions of customers of big retailers and banks make headlines, but the majority of breaches happen to smaller companies."

According to a recent report by RiskBased Security,¹ the first six months of 2019 have seen more than 3,800 publicly disclosed breaches that exposed approximately 4 billion records, an increase of 54% compared to the first six months of 2018. The report also revealed that the majority of breaches affect companies with 10,000 or fewer records, indicating that no business is too small to be on a cyber criminal's radar.

"Cybercriminals may consciously seek out smaller organizations instead of the Fortune 500s because they think the data will be less protected," explained Nikki Ingram, a Zurich North America Cybersecurity Risk Engineer who works closely with dealerships to identify their data vulnerabilities. "Smaller companies can also be more susceptible to ransomware attacks, which is when a company's computer system is blocked by a hacker until a sum of money is paid either due to lack of security controls or a backup strategy."



Keeping up with data security and privacy regulations

Dealerships collect and maintain a significant amount of personal information, including customer names, addresses, phone numbers, dates of birth, Social Security and driver's license numbers, credit reports, credit card account numbers, financial account information, financing application data, and proprietary sales information. That's why dealerships are subject to many of the same data security and privacy regulations required of banks and credit card companies.

The regulatory landscape on both the federal and state level is changing rapidly, and dealerships are facing more stringent security and privacy protection requirements. Some key regulations either proposed or already in effect include:

- The Federal Trade Commission (FTC) proposes amendments to the Gramm-Leach-Bliley Act's Privacy Rule and Safeguards Rule, which will require more expansive cyber controls for financial institutions. Since car dealerships store consumer financial information, they are considered financial institutions, and would be required to comply if these new regulations go into effect.
- The California Consumer Privacy Act, which went into effect on January 1, is one of the most sweeping pieces of consumer privacy legislation and is expected to influence more regulatory actions by other states.
- The Fair and Accurate Credit Transactions Act's Red Flags rule requires dealerships to develop programs to detect the early warning signs of identity theft in day-to-day-operations.
- The Payment Card Industry Data Security Standards were established by the major credit card brands to secure credit and debit card transactions against data theft and fraud. It's crucial to stay compliant with these standards if your dealership accepts credit or debit cards for payment.
- Some states, such as California, Massachusetts, and Oregon require dealers to train their employees in data security awareness. Connecticut, Florida, Maryland and impose only general requirements for reasonable safeguards.

"Regulations are going to continue to grow, and there is the potential for steep regulatory fines for dealers. Owners should continually examine their security protocols to avoid both legal consequences, as well as customer and revenue loss, if a breach does occur," said Page.



SMALLER BUSINESSES LOSE MORE IN DATA BREACHES

A data breach can hit businesses with less than 1,000 employees with disproportionately higher costs when compared to organizations with 25,000 or more employees.

This can make it more challenging for smaller businesses to recover financially from a data breach.

LARGER ORGANIZATIONS AVERAGED \$5.1 MILLION, OR \$204 PER EMPLOYEE

SMALLER ORGANIZATIONS AVERAGE \$2.65 MILLION, OR \$3,533 PER EMPLOYEE.²

DATA PROTECTION IS CRITICAL TO CUSTOMER PERCEPTION



84% PERCENT OF CAR BUYERS SAID THEY WOULD NOT RETURN TO A DEALERSHIP WHOSE DATA HAD BEEN BREACHED, and nearly a third lack confidence their personal data is being protected during vehicle purchase.

YET DEALERS ARE BEHIND ON ADOPTING BASIC PROTECTIONS:



70% OF DEALERS ARE NOT UP TO DATE ON THEIR ANTI-VIRUS SOFTWARE leaving consumer data at risk of being exposed during a cyberattack.³

EMPLOYEES ARE YOUR FIRST LINE OF DEFENSE AGAINST ATTACKS

For most companies, it's not a software program or firewall malfunction that leads to a data breach. It's employee error that occurs across all departments in an organization. "That's why one of the key strategies to minimize the risk of a data breach is to focus on training the people who use and collect customers' personal information," explains Daryl Allegree, a Regional Risk Engineer and member of Zurich's Alternative Markets Risk Engineering team.

Employee errors can happen while handling data in the most basic ways, such as:

- Taping passwords to a computer terminal
- Neglecting to lock a file cabinet containing sensitive customer information
- Failing to shred paper or online copies of credit applications
- Misplacing a mobile device and having it picked up by a "bad actor"
- Opening emails from an unknown sender that instigates a phishing attack which results in a malware infection, theft of sensitive customer information, or fraudulent wire transfer
- Approving an invoice submitted online from a cyber criminal posing as a vendor that results in thousands of dollars in lost funds

"One of the most basic levels of security starts by securing physical paperwork," said Allegree. "I see dealers storing financial paperwork in boxes on shelves that are not locked or secured in any way. At minimum, shred financial paperwork that is no longer needed." Current physical financial files, especially those found in the F&I office, should be kept in offices that are locked and accessible to only a few employees.

While some of these errors can be innocent in nature, what is more damaging is when a disgruntled employee downloads customer data on a USB stick to sell to a competitor or cyberthief. "Unfortunately, internal employee threats are a very real problem, and if an employee is seeking revenge, they can do a lot of damage to a dealership and its data," said Page.



CREATING A CULTURE OF DATA SECURITY

Every organization's culture starts at the executive level. It's the responsibility of the people at the top to establish an awareness of data security as a companywide priority, not just an IT priority. To do so, a member of the senior management team should be assigned to oversee development and maintenance of a cybersecurity program and company policy. This cybersecurity leader should consider creating a cross-functional team to monitor security awareness, education, and compliance throughout the organization.

"At the core of a cybersecurity program is employee training," said Ingram. "Awareness training with employees has shown to have very good return on investment, much more than some of the technology solutions which require ongoing management to keep effective." She recommended educating employees on the current threats and attacks, and best practices on how to maintain the confidentiality, privacy, and security of sensitive customer data. A company's cybersecurity policies and procedures should be reviewed; if the policies are violated, employees should be made aware that disciplinary actions will be taken.

Ingram recommends that training should be held at least annually. Cybercriminals are constantly adopting new tactics to breach data, and if your employees aren't aware of the latest methods, attacks can go undetected for months within an organization and create widespread damage. If your dealership experiences frequent staff turnover, training should be integrated as part of new employee onboarding.

Page recommends taking employees through specific attack scenarios to practice incident response capabilities where systems become unavailable, and how to spot phishing emails.

REBOOTING YOUR CYBERSECURITY PLAN

Considering how to best manage the latest cybersecurity threats along with the changing regulatory landscape may require reassessing your data risks and deciding what the best mitigation strategy should be.

"It's tempting to look for a quick-fix solution by hiring an external consultant or a full-time cybersecurity employee," explained Allegree. But the most effective starting point for an objective third party with dealership and cyber security experience is to conduct a baseline risk assessment for the organization. If your dealership has a cybersecurity policy with Zurich, this assessment can be conducted at no cost by the insurance company's risk engineers. The benefit of using risk engineers with dealership experience is that they understand the unique operations of vehicle sales, financing, and service, and where the likely data vulnerabilities could occur.

Allegree emphasized the risk assessment should be conducted from multiple angles that address people, processes, and technology. Looking across all users of data (i.e., employees, contractors and vendors) to find the vulnerable points is critical to minimizing the risk of a data breach.

"The assessment helps an organization determine what to prioritize when developing their cybersecurity strategy, and a six to 12 month roadmap to focus efforts moving forward," Ingram said.

Protecting your dealership has historically meant acquiring coverage for vehicle inventory, physical facilities, and business income loss. With the increasing amount of data handled by employees and the threat environment becoming more intense, a cybersecurity policy may become the additional protection your dealership needs to survive a data breach and its potential multimillion-dollar costs.



USING ARTIFICIAL INTELLIGENCE TO AUTOMATE SECURITY

Artificial intelligence (AI) is transforming marketing for dealerships (see article on p.12), but it also performs as an automated security solution. According to research by the Ponemon Institute, breach costs in organizations with fully deployed automation were 95 percent lower than those without.⁴ AI can identify threats early on, one of the factors leading to lower breach costs.



ADDITIONAL CYBERSECURITY RESOURCES



National Auto Dealers Association (NADA)

National Institute of Standards and Technology (NIST)

1. 2019 MidYear Data Breach QuickView Report, Risk Based Security
2. Cost of a Data Breach Report 2019, Ponemon Institute/IBM Security
3. "84 Percent of Buyers Would Shun Their Dealership After Data Breach," Auto Remarketing, June 20, 2016 <https://www.autoremarketing.com/trends/84-percent-buyers-would-shun-their-dealership-after-data-breach>
4. Cost of a Data Breach Report 2019, Ponemon Institute/IBM Security



COMMUNITY IMPACT
WORKING WITH DEALER CUSTOMERS TO
MAKE THE WORLD BETTER A BETTER PLACE

Dedication to the community is one of the reasons employees are proud to work for Zurich North America. Our Direct Markets employees participate in a wide variety of projects that support nonprofit initiatives and work to help make the world a better place. Our passion and commitment to helping others and the communities in which we live and work often includes working alongside our dealer customers. Not only does this collaboration help foster strong relationships with customers, it also brings us together as we work toward a mutual goal of contributing to help our communities.



Kingston Bowen, Zurich F&I National Account Executive, coordinated a community event in Bucks County, Pennsylvania, to raise money and mobilize volunteers to produce and package 10,000 meals for Generosity Feeds, an organization that provides food to help end childhood hunger. Zurich customer Reedman-Toll Auto Group of Langhorne, Pennsylvania, participated with Bowen in his efforts.

“Kingston’s caring approach to business partnerships is only exceeded by his commitment to making the world a better place!” noted Reedman-Toll President, Bill O’Flanagan.

Working with our customers to drive action in the community is a great representation of collaboration and teamwork. “Recognizing that giving back is more than a material act is huge! Just as we are leaders in our industry, we should be leaders in our communities,” Bowen said.



ZURICH NORTH AMERICA IMPACT



**WE ARE PASSIONATE
ABOUT WORKING
TOWARD A
BRIGHTER FUTURE.**

Zurich is committed to supporting the communities where we live and work.

[zurichna.com/
community](http://zurichna.com/community)



**ZURICH INSURANCE.
FOR THOSE WHO TRULY LOVE THEIR BUSINESS.**





EXPANDS YOUR TEAM'S KNOWLEDGE

ONE OF THE ZURICH ADVANTAGE PROGRAMS

Zurich is committed to helping dealers maximize their F&I opportunities. We help dealerships make the most of learning opportunities that empower each team member to perform at the highest level. Zurich University, part of the Zurich Advantage programs, brings education and training to the dealership through an interactive video-based platform.

For our customers, it's the best of both worlds: Dealerships continue to receive the same in-store training and development they are accustomed to while benefiting from a robust online training experience. Dealership employees have access to training on a variety of topics, including F&I sales, negotiation, presentation, objection handling, compliance, human resources topics and Service Advisor training. Plus, every module can be assigned, measured and documented to maximize efficiency.

Sample training modules include:

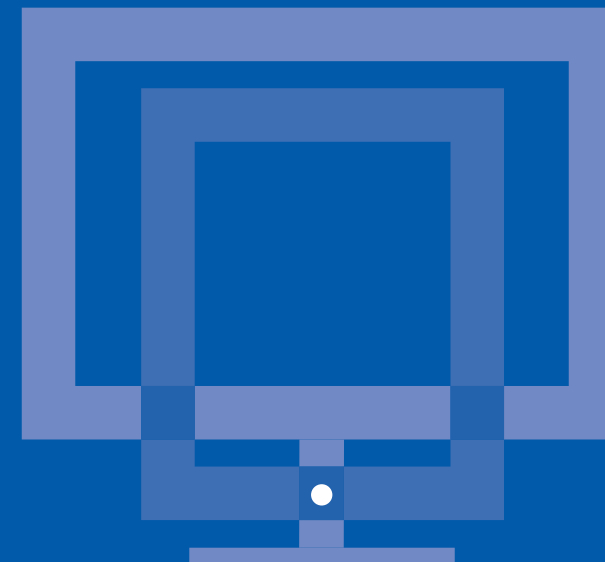
- F&I Sales and Lease Presentations Skills
- Objection Handling
- Compliance
- Harassment and Discrimination
- Service Advisor Training
- And more!

Training is continually updated to keep pace with changing regulations, customers' buying styles and relevant automotive industry topics.

One of the most appealing features of Zurich University is its convenience. Dealership staff can take training at their own pace, when and where it works best for them. Plus, the portal can be accessed on multiple devices, including desktops, tablets and smartphones.

DOES YOUR DEALERSHIP HAVE THE ZURICH ADVANTAGE?

IT'S ALL HERE.



F&I TRAINING

- ROAD TO THE SALE
- INVERTED SALES PYRAMID
- BEST PRACTICES
- THE MEET AND GREET
- THE NEEDS ASSESSMENT
- LEARNING STYLES
- THE DEMO RIDE
- CUSTOMER TURNOVER
- CUSTOMER INTERVIEW
- PRODUCT PRESENTATION
- HANDLING OBJECTIONS
- SKILL DEVELOPMENT
- WORD TRACKS

SERVICE ADVISOR TRAINING

- CLOSING RATIO
- WHY CUSTOMERS BUY
- LIKE AND TRUST
- VALUE PROPOSITION
- FEATURES AND BENEFITS
- MULTI-POINT INSPECTION
- INFLUENCE WORDS
- ABC'S OF EDUCATING
- ASKING FOR THE SALE
- AN AMAZING PRESENTATION

COMPLIANCE AND HR TRAINING

- SEXUAL HARASSMENT
- DISCRIMINATION
- MILITARY LENDING ACT
- CONDITIONAL DELIVERY
- CREDIT APPLICATIONS
- ETHICS
- FAIR CREDIT REPORTING
- SAFEGUARDS
- GAP
- PRIVACY RULE
- MAGNUSON-MOSS WARRANTY
- NEGATIVE EQUITY

Talk to your representative today about Zurich University and all of the Zurich Advantage programs.



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