Global UBI market trends & best practices

Insurance Telematics USA Conference

Chicago - 4th September 2013 - PTOLEMUS intellectual property
PTOLEMUS is the first strategy consulting firm focused on telematics and geolocation

Our consulting services

**Strategy definition**
New market entry, business plan development, board coaching and support

**Evaluation of investment**
Strategic due diligence, market assessment, feasibility studies

**Procurement strategy**
Specification of requirements, launch of tenders, supplier negotiation & selection

**Innovation management**
Product & services development, roadmap definition, project management & launch, patent strategy

**Business development**
Partnership strategies, response to RFPs, lobbying

**Implementation**
Project & programme management, risk analysis & mitigation strategy

Our fields of expertise

**Mobile content and social networking**
Application stores, crowd-sourcing, etc.

**Navigation & location-based services**
Maps, traffic, fuel prices, speed cameras, parking, etc.

**Usage-based charging**
Usage-based insurance, Road charging, PAYD car leasing & rental, etc.

**Telematics & Intelligent Transport Systems**
Connected car, tracking, fleet management, eCall, bCall, Stolen Vehicle Recovery, Car As A Service, etc.

**Positioning / Location enablement**

**M2M & connectivity**

For enquiries, contact thomas@PTOLEMUS.com
PTOLEMUS in a nutshell

We help all ecosystem players

- **Telecom operators**: vodafone, O₂, TIM, Bouygues Telecom, SFR, Sprint, kpn, BASE, Tele2, Cable & Wireless, Orange
- **Telecom infrastructure providers**: Nortel Networks, Ericsson, TeleBilling, Orga Systems, andrex, Alcatel-Lucent
- **Consumer electronics makers**: Nokia, Connecting People, Vizio, Motorola
- **Positioning solution providers**: CNES, Andrew, TechnoCom, TruePosition, ThalesAlenia Space, SySNAV, Navizon, IX Networks, Thales
- **OEMs & telematics vendors**: TomTom, Toyota, Qualcomm, Evoxi, Philips, Marelli, Lysanda, Dallav, Peugeot, Valeo, FleetMatics, Siemens, Gtn, Qoros, Oto, Cobra
- **Content & application providers**: ESRI, Oracle, Commedic, McDonald’s, ArchiFiles, BMJ Group, INTERMAP, RoadPilot, Michelin, NAVTEO
- **Insurers & assistance providers**: Axiom, Aon, Assicurazioni Generali, RSA, Zurich
- **Determining solution providers**: ARVAL, Montezemolo, Partners
- **Financiers**: Goldman Sachs, H&F, Cinven, Montezemolo & Partners

- **PTOLEMUS Consulting Group**
  - Partners in Brussels, Paris, Hamburg, Milan and the UK
  - +50 years of experience in mobile
  - +100 years of experience in telematics
There are many flavours of telematic insurance models

- **No telematics**
  - Current motor insurance

- **Behaviour-based**
  - PAY-PER-MILE (Self-reporting-based policies)
  - PAYD
  - PHYD

- **Telematics**
  - INSURANCE TELEMATICS
    - STOLEN VEHICLE RECOVERY
    - SAFETY SERVICES (eCall / bCall)
    - CRASH FORENSICS

No behaviour
Telematics has reached all the most mature insurance markets

Source: PTOLEMUS - Note: Trials and launches in personal line & commercial lines
Italy, the most advanced country in the world, just reached 5% penetration...
We expect it to reach new markets, notably in Asia

Insurance Telematics Study - Worldwide sales
The 5 leading countries are all high premium markets

Penetration of UBI in total auto insurance policies (%)

Share of total auto policies

25%

Source: PTOLEMUS
In all markets, there are specific challenges to telematics

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<tr>
<th>Challenges faced by insurers to launch UBI</th>
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Source: PTOLEMUS - Note: * Or perception of privacy-related issues
The number of European insurers that have launched telematics is growing fast

Source: PTOLEMUS - Note: Only distributors of telematic policies are mentioned here (not all underwriters)
Due to these varying market conditions, insurers are responding differently.
We will present 7 successful practices

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<thead>
<tr>
<th>Market</th>
<th>Issue</th>
<th>Best practice</th>
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<tbody>
<tr>
<td>Italy</td>
<td>High fraud &amp; theft</td>
<td>Inventing the future</td>
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<tr>
<td>Europe</td>
<td>Unknown customer acceptance</td>
<td>Testing different business models</td>
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<tr>
<td>Italy</td>
<td>Selecting the good risks</td>
<td>Launching new business models</td>
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<tr>
<td>UK</td>
<td>Entering a loss-making market</td>
<td>Winning online</td>
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<td>Ireland</td>
<td>Addressing the Y generation profitably</td>
<td>Developing new, innovative solutions</td>
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<td>UK</td>
<td>Providing affordable insurance to young drivers</td>
<td>Involving car makers</td>
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<tr>
<td>South Africa / UK</td>
<td>Reduce claims</td>
<td>Providing driver feedback</td>
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Unipol has entirely designed the model that suited its market conditions

• The Italian market is strongly affected by fraud and a high level of vehicle theft

• Unipol co-invented insurance telematics in Europe, together with Octo Telematics, in 2003

• It launched an offer that addressed the market key issues:
  - A professionally-installed black box that can offer stolen vehicle recovery
  - A crash analysis capability to fight against fraud

• Also proposes automatic crash notification and a location-based breakdown service

• Despite its complexity, the project was backed by the company's CEO all along and Unipol now has over 800,000 telematic customers

Source: Unipol, PTOLEMUS
Unipol is able to publish positive results

Key KPIs - Unipol Motor Third Party Liability insurance

- Number of policies
- Average premium
- Number of claims

Graph showing changes in key performance indicators from 2011 to 2012:
- Number of policies: -20%
- Average premium: -16%
- Number of claims: -12%
- Number of policies: -8%
- Average premium: -4%
- Number of claims: 0%
- Number of policies: 4%
- Average premium: 2011
- Number of claims: 2012

Source: Unipol
Allianz has tested several telematic models on European commercial line markets

- Created its own telematic business unit at a global level
- Specifies & purchases a black box directly from its technology suppliers, notably MetaSystem
- Launched a simple fleet management service (Mileage, time & trips, Pay per use model) in Italy, France, Germany, Spain, the Netherlands, Switzerland, Greece and the Czech Republic
- Also proposes eCall, bCall and SVR
- Sells it directly to its fleet customers through its commercial network

Source: Allianz, PTOLEMUS
Allianz has also launched Allie, a smart online assistance proposition, in Italy

Allie, an OBD dongle, sold with an assistance service and a smartphone application

Sold for €129 with a 2-year subscription to assistance services
Overall, Allianz has launched telematics in 9 countries, reaching 100,000 customers*
Genertel, the evidence that a new business model can succeed

- In 2010, the Italian telematic market was dominated by
  - Anti-fraud & anti-theft telematic models
  - Proposed by Octo Telematics
  - Sold through agent networks

- In 2011, Generali, the market leader, decided to
  - Build a new, online unit, Genertel
  - Launch the first PHYD service, using 3 synthetic scores: A Prudence score based on speed; A Risk score, based on time & place of driving; A Care score based on harsh accelerations & braking
  - Call on a new supplier, Cobra Automotive Technologies

- Today, Genertel is a major success and Generali is broadening telematics to all its Italian units

- Most Italian insurers are now evaluating the possibility of launching PHYD offers

Note: PHYD: Pay How You Drive insurance, i.e. driving behaviour-based insurance
Generali is now broadening its PHYD strategy to Southern Europe.
Online insurance and UBI fit well together
Insurethebox is the most successful online start-up worldwide
All steps of the purchasing process have been brought online
Combined, UBI and online revolutionise the user experience

"The service model is completely different. The traditional model is to avoid customers; with telematics it's the opposite. We worked out that we have 200 customer touch points in our business model. Building trust is paramount – customers are giving us private information and we are the guardians of that data – the relationship is far more intense and intimate than before. Getting it right is vital because retention is key in the telematics model – to recoup the initial investment and to benefit from our ability to understand who are the best risks."

Mike Brockman, CEO, Insure the box

Possible approach for insurers

- The relationship with customers is permanent, which could lead to very high running costs
- The only way to succeed is to develop highly automated CRM processes and tools including
  - Electronic signature for contract acceptance
  - e-mail as the main communication channel (Phone only as a second level channel)
  - A highly detailed web customer dashboard including account management, settings management (privacy), driving profile & statistics, messages, detailed FAQ, etc.
  - A replica of this dashboard for smartphones & tablets (at least iOS and Android)
  - The ability to file a claim entirely online
  - Automatic response messages that are customised for the customer case
Insure the box proves that online insurers can also succeed in selecting risks and reducing claims

- Launched in June 2010, insure the box focuses on PHYD insurance
- It has sold around 125,000 policies, entirely online
- Its incentives for safe driving have reduced accidents among 17–21 year olds by 35–40%
- It indicates that 95% of its customers get reductions on renewal averaging 34% based on their driving experience
Using a smartphone for insurance data collection is not science fiction any more

Smart phone, smart insurance?

- In June 2012, Autoline, a Northern Ireland broker, was the first worldwide to use a smartphone application to
  - Record driving behaviour data
  - Calculate drivers' score on a scale of 100

- The application is developed by MyDrive Systems, which has also developed the rating algorithm

- It promises users discounts of
  - Up to 40% for App users
  - Up to 50% for safe drivers

- The policies are underwritten by a panel of insurers
Young Marmalade is bringing the insurance and the car purchase processes together, aiming at young drivers

Company’s approach to telematics

- Young Marmalade is trying to solve the conundrum of finding insurance for young drivers
- Its approach is linking insurance to the purchase of a new, safer car, with a small engine size
- Its process is entirely focused on reducing risks
  - Web dashboard with green, amber, red indicators
  - Alerts are sent to both driver and parents in case of a dangerous event
  - Repeat dangerous events can lead to policy cancellations
  - Drivers can receive online tuition courses from the Institute of Advanced Motorists
- Supplier is FMG, which is used to help corporate drivers improve their driving behaviour
- Underwriter is Covea
Several OEMs participate to the plan
Discovery proves that it is possible to manage risks thanks to driver feedback.

![Graph showing number of high risk driving events per day for Discovery Insure (South Africa).](image-url)

**Policy-holder:** Parent
**Driver:** Au pair (under 25)

**Source:** CTrack
In all markets, the barriers to enter telematics are diminishing

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What you have seen represents 0.01% of what you will find in the UBI Global Study, the reference report on the subject

- 720 pages of in-depth analysis on the UBI market based on
  - 200+ interviews in 25 countries
  - 3 years of research performed by 6 consultants in 4 countries
  - The learnings from 15+ consulting assignments for insurers, OEMs, TSPs, investors, etc.
  - Our experience & vision of the ecosystem incl. OEMs and TSPs
  - 350+ figures (charts, tables, etc.)
  - 60 relevant patents listed

- Case studies & learnings from ALD Automotive, Autoline, Allianz, Amaguiz, Carrot, Coverbox, Discovery Insure, Generali, GM OnStar, Hollard Insurance, Ingenie, Insurethebox, LeasePlan, Liberty Mutual, MAIF-MACIF, Norwich Union, Octo Telematics, Progressive, Solly Azar, Quindell, State Farm, Unipol, Uniqia, UK aggregators and Google, Young Marmalade, Zurich

- Detailed profiles of
  - 20 insurance markets
  - 20 leading UBI insurers

- A handbook of 40+ suppliers' solutions including our own evaluation & ranking

- 10-year market forecasts
  - Country's readiness to telematics
  - Forecasts for the US, Canadian, Latam, European, Russian, African, Indian, Chinese and Japanese markets
  - Personal line / commercial line
  - Aftermarket / OEM

- Insurer's telematics market model results in 5 markets

- A complete set of recommendations to carriers, TSPs, OEMs, MNOs and governments

- A strategic analysis of the value chain evolution including
  - The impacts of EOBR, eCall, CONTRAN 345, ERA Glonass, the Monti law, the gender ruling, etc.
  - The impact of the smartphone
  - Managing Big Data

Note: A free 80-page abstract can be downloaded from www.ptolemus.com/insurance
Across the world, telematics is rewarding insurers who have a well designed strategy that fits their market conditions

- The UBI growth has just started
- There is no closed door to telematics in any market
- Insurers need to find the right door by
  - Innovating, not simply copying & pasting
  - Testing different solutions and business models
  - Be patient - Success does not always come immediately but through iterations
- In the US, the current OBD dongle roll-over model is proven but
  - It does not fully reduce insurers' costs
  - It is not very adapted to high premium segments
  - It does not bring a long-term connection with the customer
  - It is exposed to IPR issues until 2015!
- We believe it is possible for American insurers to invent new models, inspiring themselves from successes across the world*

Thank you!

Note: * PTOLEMUS Insurance Telematics Study brings an analysis of over 20 countries worldwide