

PTOLEMUS Consulting Group

Personal data protection & Pay as you Drive insurance

*Personal data protection & security aspects
related to ITS applications - ITS Action Plan*

Frederic Bruneteau, Managing Director, PTOLEMUS
Brussels - 12th June 2012



Who we are

PTOLEMUS Consulting Group

- **The 1st international strategy consulting firm specialized in telematics, location-based services & mobility**
- **Strategy combined with real industry expertise and operational experience**
- **A focus on achieving results for our clients**
- **Close links with the mobility ecosystem**
 - Advisory Board Member of EENA⁽¹⁾
 - Member of ERTICO's⁽²⁾ eSafety Forum and eCall HeERO Observers Group
 - Close connections to national ITS organisations, ACEA⁽³⁾, ASECAP⁽⁴⁾, GSMA⁽⁵⁾, etc.
 - Speakers at most leading industry events & conferences
 - Regular contributor to Telematics Update
 - Steering Committee Member of Mobile Monday (Brussels)



from Ptolemy, the Egyptian savant who built the 1st map of the world in the 2nd century

PTOLEMUS is the first management 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, weather, parking, etc.

Usage-based charging

PAYD / PHYD insurance, Road User Charging, PAYD car leasing & rental

Telematics & Intelligent Transport Systems

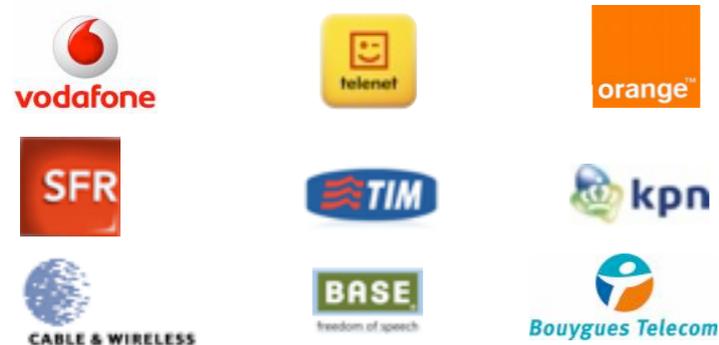
Connected car, tracking, fleet management, eCall, bCall, Stolen Vehicle Recovery, Car As A Service, connected train, etc.

Positioning / Location enablement

M2M & connectivity

We have acquired substantial experience in helping all players in the *geo-connected mobility* ecosystem

Telecom operators



OEMs & telematics vendors



Content & application providers



Telecom infrastructure providers



Consumer electronics makers



Positioning solution providers



PTOLEMUS Consulting Group

- Partners in Paris, Munich, Milan, Boston and Brussels
- +50 years of experience in mobile
- +50 years of experience in telematics

ITS operators



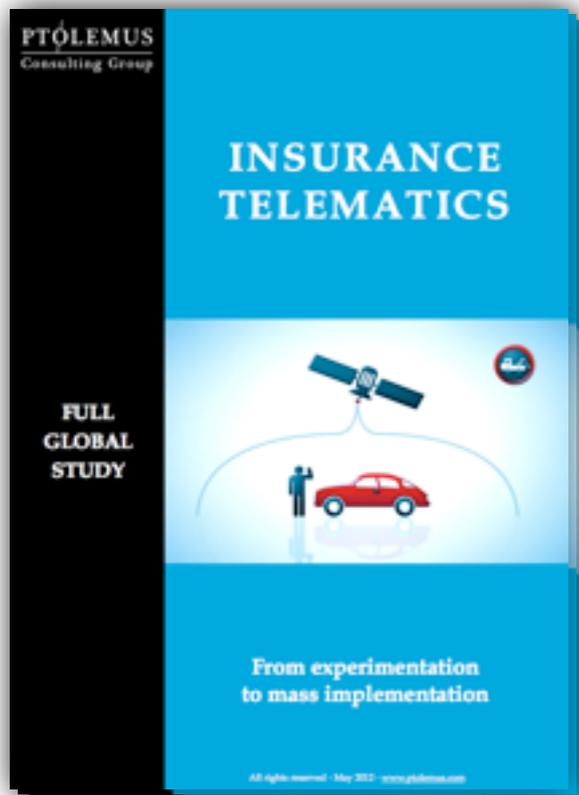
Insurers & assistance providers



Financiers



PTOLEMUS just published the Insurance Telematics study, the most comprehensive report on the subject



More than a research study, a real strategic market analysis

- **410 pages of analysis on the PAYD / PHYD market based on**
 - 85 interviews in 18 countries
 - 230 figures (charts, tables...)
 - 2 years of research
 - Our experience & vision of the ecosystem incl. OEMs and TSPs
- **Case studies & learnings from** ALD Automotive, Amaguiz, Coverbox, Discovery Insure, GM OnStar, Hollard Insurance, Insurethebox, Liberty Mutual, MAIF-MACIF, Norwich Union, Octo Telematics, Progressive, Solly Azar, State Farm, Unipol, Uniqa, Zurich
- **A strategic analysis of the value chain evolution including**
 - The impact of eCall
 - The impact of the smartphone
 - The impact of the Test-Achats / gender ruling
- **10-year market forecasts**
 - Country's readiness to telematics
 - Forecasts for the US, Italy, the UK, France, Germany and Russia - Based on bottom-up estimates of the number of policies for each insurer in EU countries, the USA and in South Africa
- **Insurer's telematics market model results in Italy, the UK, France and Germany**
- **A handbook of suppliers' solutions including our own evaluation & ranking**
- **A complete set of recommendations to underwriters, TSPs, OEMs and governments**

In this presentation, we will use several expressions interchangeably - Although they have slightly different meanings

- Pay as you Drive (PAYD) insurance
- Pay how you Drive (PHYD) insurance
- Insurance telematics
- Usage-based insurance (UBI)

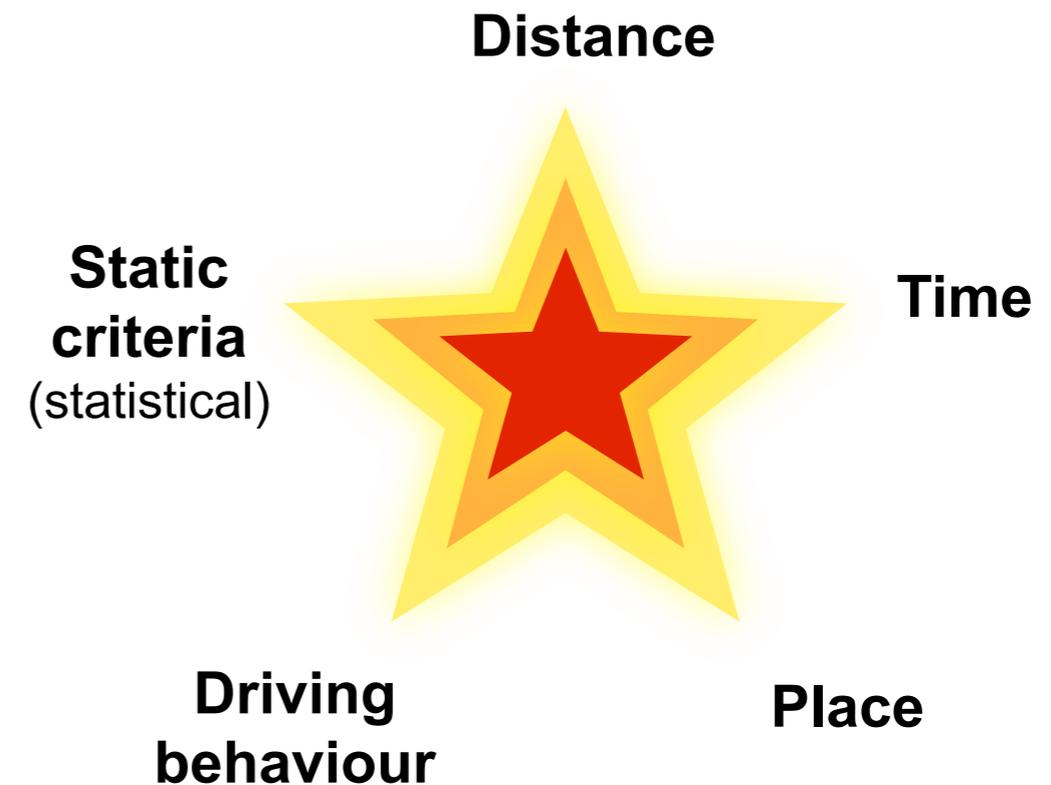


What is insurance telematics?

Its basic principles

- **Most current insurance policies use static / statistical criteria to evaluate drivers' risks** - Age, gender, vehicle make & age, place of residence, occupation, etc
- **Insurance telematics is a policy based on these criteria and 4 new dynamic parameters**
- It requires the customer's acceptance to obtain this data through a telematic device installed in the vehicle

The driving risk star



In the current motor insurance market, good drivers are paying for... dogs

On the Internet, nobody knows you're a dog



"On the Internet, nobody knows you're a dog."

©The New Yorker Collection 1993 Peter Steiner
From cartoonbank.com. All rights reserved.

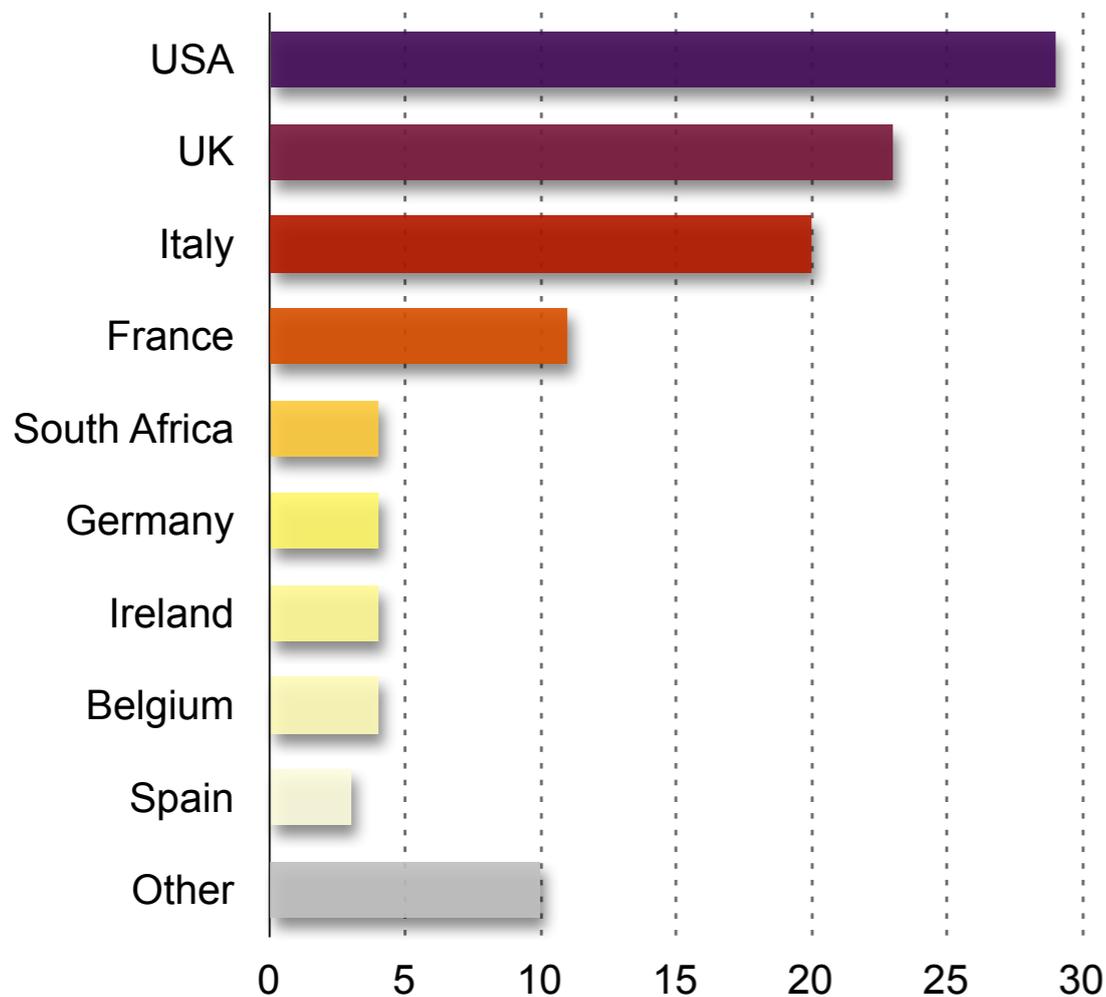
In the car, neither...



© J. No' www.mchumor.com

Despite insurers' concerns about user's acceptance of PAYD, it is gradually becoming mainstream

PAYD trials & launches globally



PAYD has passed the trial phase

- 94 trials and 54 commercial launches worldwide
- **Success stories in multiple countries**, notably Italy (Unipol) and the US (Progressive)
- Overall, we estimate **PAYD-equipped vehicles at 2.5 million worldwide**
- In Europe, the **Test-Achats / gender ruling** will give further impetus to the PAYD market

The rules over privacy are gradually becoming more transparent

In Europe

The **1995 Data Protection Directive** applies to PAYD and mandates that personal data shall be

- processed fairly and lawfully;
- **collected for specified, explicit and legitimate purposes;**
- adequate, relevant and not excessive in relation to the purposes for which they are collected/ processed;
- accurate and, where necessary, kept up to date;
- kept in a form which permits **identification of data subjects for no longer than is necessary** for the purposes for which the data were collected

One example: France

- In 2005, CNIL prevented MAAF from **launching a commercial PHYD trial** as its system was recording live speed, thereby verifying law enforcement, which is forbidden
- **In 2010, it issued a recommendation on PAYD, eCall and Stolen Vehicle Recovery**
 - It **clearly autorises PAYD and PHYD** but sets **clear limits**
 - Personal location data should not be kept longer than required to calculate the premium
 - The use of driving data to establish the premium must be done in a transparent and objective manner
 - Speed can be used if averaged over a certain period
 - The user should remain regularly informed of the fact that his vehicle can be located

With PHYD, the policyholder can have access to its driving behaviour data in real time

I RAZIONALI: COME SI CALCOLA IL QUALITY LEVEL

Sistema esperto basato su algoritmo proprietario che misura

Livello Prudenza	Livello Rischio	Livello Attenzione
		
% Km oltre i limiti di velocità: 2,0%	% Km oltre i limiti di velocità: 2,0%	% Km oltre i limiti di velocità: 2,0%
Il tuo giudizio: Molto Buono	Il tuo giudizio: Molto Buono	Il tuo giudizio: Molto Buono
Livello Prudenza: 323/450	Livello Rischio: 346/450	Livello Attenzione: 72/100

Livello Prudenza: km percorsi nel rispetto dei limiti di velocità previsti (con una tolleranza di 10 km/h)

Livello Rischio: km percorsi nei diversi tipi di strada (urbana, extraurbana, autostrada) durante le seguenti fasce orarie: mattino (dalle 5 alle 13), pomeriggio/sera (dalle 13 alle 22) e notte (dalle 22 alle 5)

Livello Attenzione: intensità/frequenza accelerazioni e decelerazioni durante la guida.

Il Quality Level è un sistema solo premiante e non assume mai valori negativi ma viene azzerato in caso di incidente con colpa

MORE TH>N® WE DO MORE

LOG OUT

My Green Wheels Reports

DEMO

SUMMARY JOURNEYS DRIVING PROFILE ADMINISTRATION HELP/FAQ

Your Green Wheels Rating

THIS MONTH

A B C D E F G

YOUR AVERAGE

The ratings explained

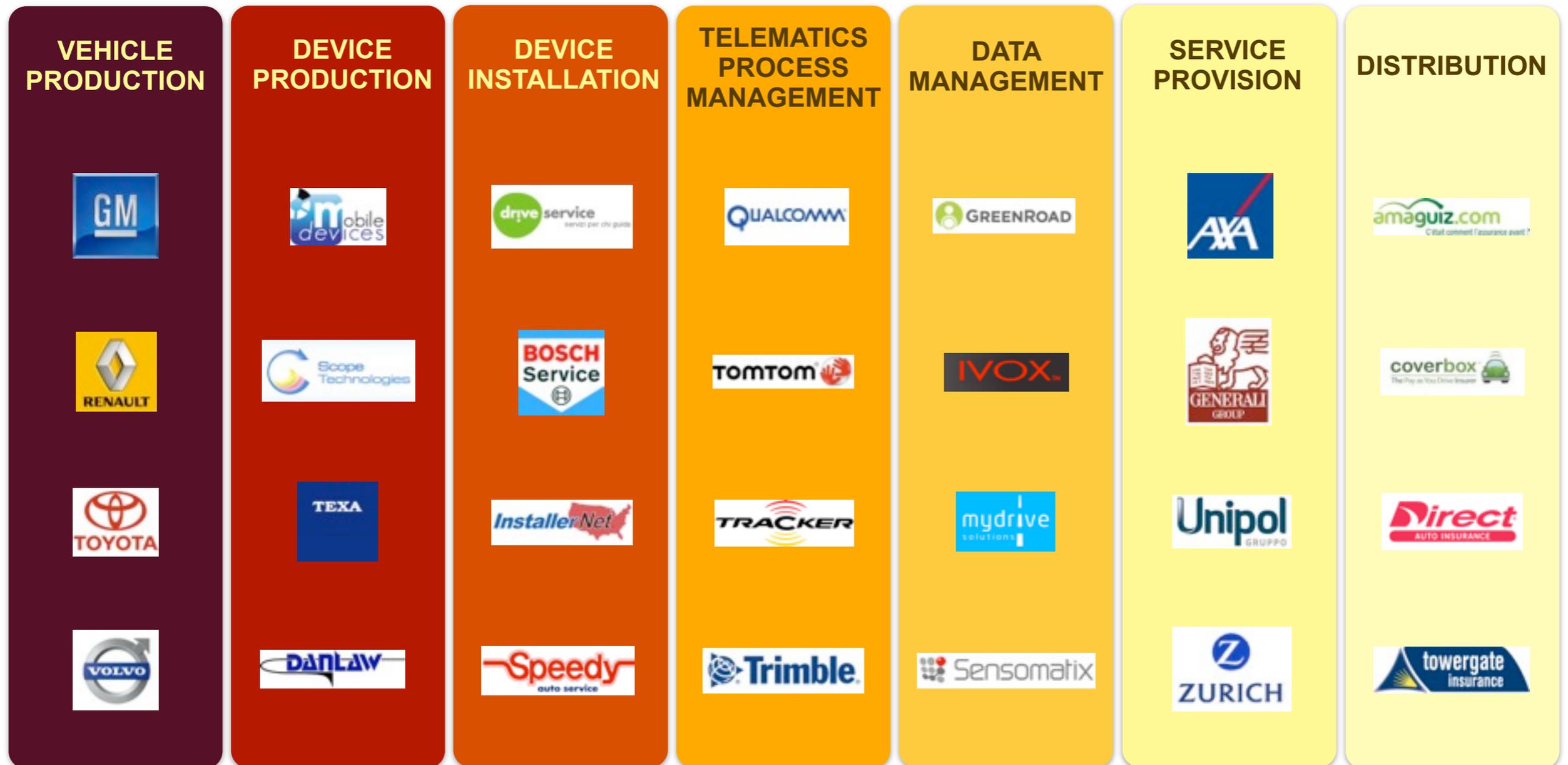
Welcome Demo User to your Green Wheels driving reports. These show your driving performance for a variety of factors that affect the amount of CO₂ emissions from your vehicle. Our Green Wheels rating system also allows you to compare your driving performance against our other Green Wheels customers.

An "A" rating means you are placed in the top group out of seven of all our Green Wheels customers and you have a green driving style.

A "G" rating means you are in the bottom group out of seven and your driving style could be contributing to higher levels of CO₂ emissions.

Personal data can be controlled & processed by several players

Insurance telematics - A complex value chain



It is in the insurers' interest to be seen as data protection friendly - Simply to attract customers to these new policies

- In 2008, **Norwich Union** failed - Notably due to privacy acceptance issues
- **Progressive Insurance**, the US leader of the PAYD market also made several attempts
- In 2010, it launched *Snapshot*, which
 - Reports mileage and driving behaviour but
 - Does not report the user's location (not GPS-enabled)
 - Allows the premium to be set after only 1 month of measurement
 - Stops the measurement after 6 months
- This is a **big success**, with around half a million customers



In our view, insurers and their suppliers need to take privacy and security even more seriously

- The **trust** that customers put on insurers' ability to guarantee personal data protection will be key to success
- We believe that certain insurers' data protection and security issues are not handled as they should
- Numerous schemes, notably in the US, let customers believe that they do not have **control** over their data
- Most insurers & suppliers have not proven their **ability to resist hacker attacks**

"Privacy is not just a right...
It's an emotion"

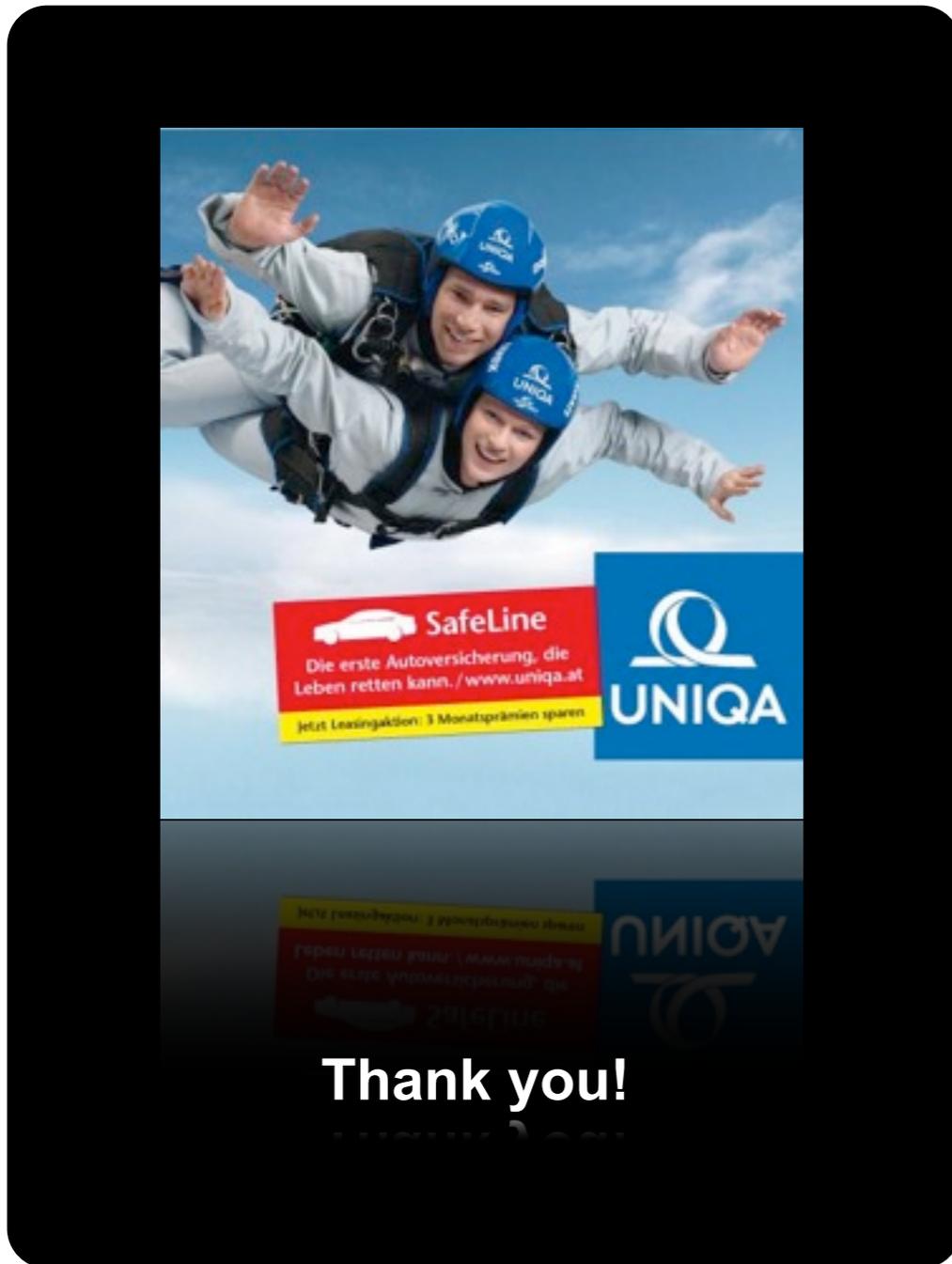


Simon Davies
Privacy International
January 2010

Key issues for regulators to consider

- Should they **promote PAYD** schemes as a way to reach currently unattainable CO₂ emissions objectives?
- Should there be **specific data protection stipulations on insurance telematics**?
 - How to give a **clearer guideline to insurers** about what is possible and what is not - eg. to obtain long-term statistical data on driving behaviour?
 - Should the driving behaviour **data formats be standardised** so that policyholders can bring their data to another insurer?
 - How to avoid **fragmentation** and ensure **interoperability** of privacy protection frameworks in 27 countries?
 - How to avoid the **flight of all data managers** to lower, less regulated non-EU countries?
- How to avoid **excessive or misplaced regulation**, which could prevent this revolution in the auto insurance market?
- How to **open up the car's network**, to enable third parties to access relevant data for insurers and other third parties?

Technology enables better and fairer auto insurance pricing. How to find the right balance?



- We expect **PAYD** to represent **60 million policies** in Europe by **2020**
- In this domain, market forces have pushed insurers to take personal data protection issues seriously
- However, in Europe, the sector suffers from **both unclear regulation- and privacy paranoia**
- Better regulation should clearly **approve PAYD/PHYD** while setting **clear limits**
- This is a topic for the **aftermarket** but also for the **OEM** channel - particularly due to the implementation of eCall

PTOLEMUS Consulting Group
Strategies for Mobile Companies

Brussels - Paris - Milan - Munich - Boston
contact@ptolemus.com
www.ptolemus.com

Frederic Bruneteau, Managing Director

fbruneteau@ptolemus.com

+32 4 87 96 19 02

@PTOLEMUS

