

PTOLEMUS Consulting Group

Transforming auto insurance thanks to telematics



Discussion with Philippe Marie-Jeanne & Gilles Mongis, AXA

25th July 2012 - Strictly confidential

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Who we are



- **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, 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 help all players in the *geo-connected mobility* ecosystem

Telecom operators



Telecom infrastructure providers



Consumer electronics makers



Positioning solution providers



OEMs & telematics vendors



PTOLEMUS Consulting Group

- Partners in Brussels, Paris, Munich, Milan and Boston
- +50 years of experience in mobile
- +100 years of experience in telematics

Insurers & assistance providers



Content & application providers



ITS operators & regulators



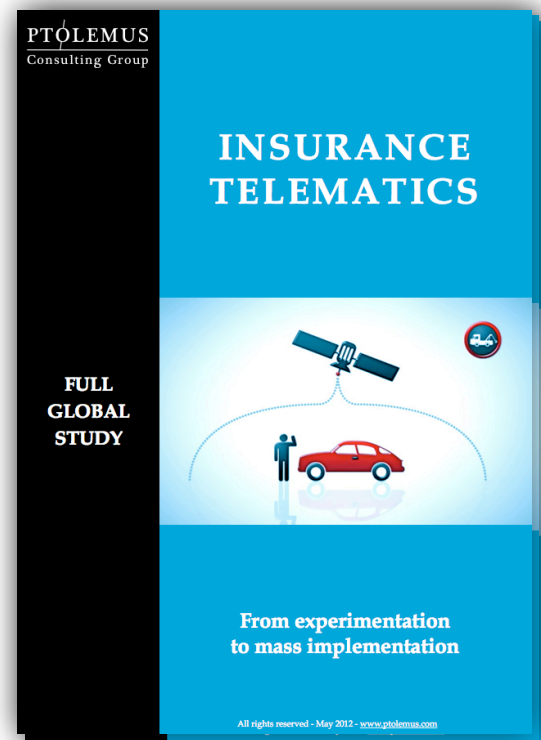
Financiers



We bring a comprehensive understanding of the insurance telematics landscape



Our Insurance Telematics study is the most comprehensive report written on the subject



***More than a research study,
a real strategic market
analysis***

- **410 pages of analysis on the PAYD / PHYD market based on**
 - 83 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, Uniq, Zurich
- **A handbook of suppliers' solutions** including our own evaluation & ranking
- **10-year market forecasts**
 - Country's readiness to telematics
 - Country forecasts for the US, Italy, the UK, France, Germany and Russia
 - Bottom-up estimates of the number of policies for each insurer in the US, the EU and in South Africa
- **Insurer's telematics market model results in 4 markets***
- **A complete set of recommendations** to underwriters, TSPs, OEMs, MNOs and governments
- **A strategic analysis of the value chain evolution** including
 - The impact of eCall
 - The impact of the smartphone
 - The effects of the gender ruling

PTOLEMUS has built one the best UBI market models globally

- A 10 year market model (2010-2020)
 - Built bottom up (over 1 500 lines)
 - Using latest available market figures
- A comprehensive **analysis & decision-making tool**
 - 4 technologies (embedded OBUs, aftermarket OBUs, OBD, smartphones)
 - 8 areas: USA, France, Germany, Italy, UK, rest of EU, Russia, Rest of Europe
 - 2 channels (aftermarket / OEM)
 - 2 markets: personal / commercial line
- Provides **market size** (volumes & revenues) for insurers, TSPs, TTPs, OEMs and MNOs



We have also tracked all trials and launches

Global register of UBI /PAYD trials & launches



- Over 115 trials and launches currently listed (approx. 100 insurers)
- Europe, North America, South Africa, Japan
- 11 fields: Country, Company, TSP (when available or non-confidential), Trial / Launch, Status (On/Off), Target (Personal/Commercial), Type (PAYD, PHYD, Safety, Security), Device (OBD/Fixed, Smartphone, Embedded), Estimated customers, Start date
- Excel file

Global register of insurance telematics trials & launches - Subscription service



- Same features
- Excel file updated every 6 months with new trials & launches
- Minimum 3-year subscription
- Geographic coverage to expand to emerging markets

Our insurer PAYD business models are simple decision-making tools that can help find the right commercial strategy

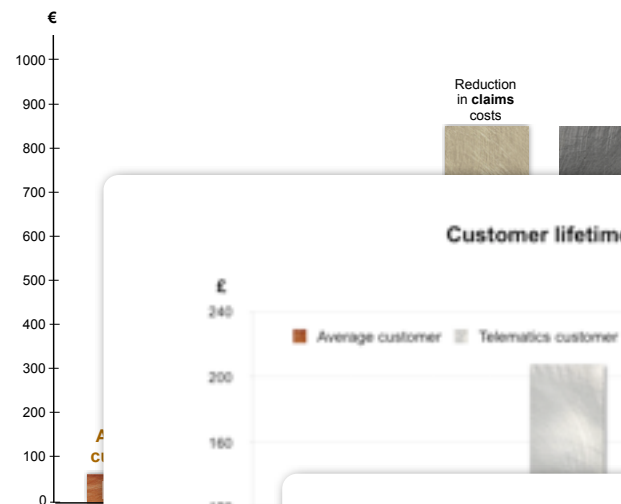
Four PAYD insurer business models

- UK, Germany, Italy & France -

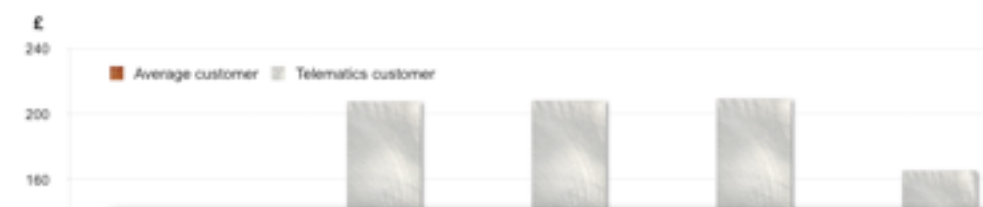


- 12 year-customer lifetime
- With local inputs, outputs, calculations and charts
- Revenues, costs, cash flow & NPV per customer
- Hand-over session to client and availability for questions afterwards

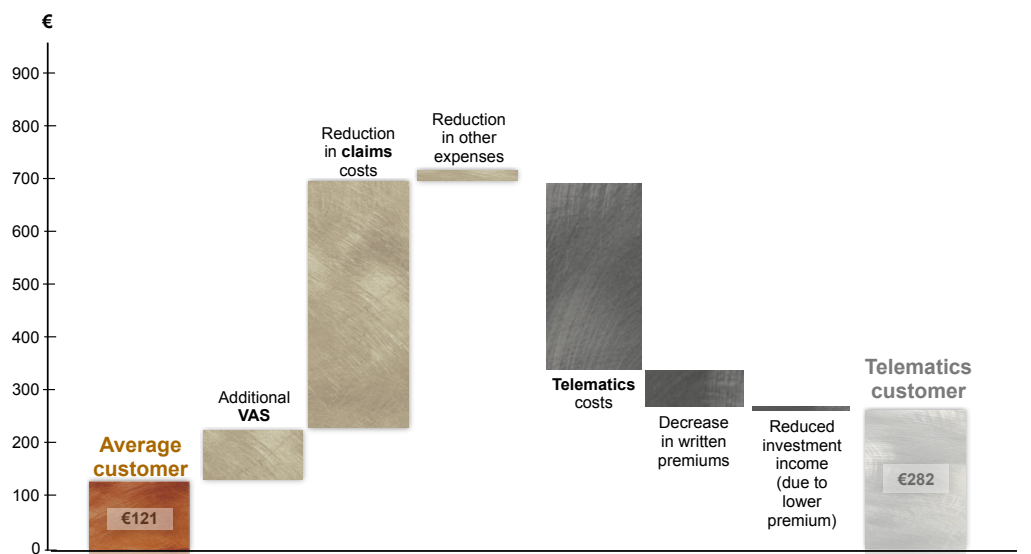
The telematics customer NPV explained - Italy



Customer lifetime cash flows for the insurer - UK



The telematics customer NPV explained - France



Assisted a major tier-1 automotive supplier in sourcing a driving behaviour database

- This tier-1 supplier needed to obtain a large driving behaviour database to develop its own service but wanted to preserve the confidential status of this plan
- **PTOLEMUS** identified and contacted several potential data providers in Europe and **held close discussions with one Telematics Service Provider (TSP)**
- Using a sample dataset, we **evaluated the quality of its database and its relevance for our client**
- We successfully negotiated the terms of a **data licensing agreement for 10,000 vehicles**



For 2 private equity firms, performed the due diligence of Octo Telematics (Europe)



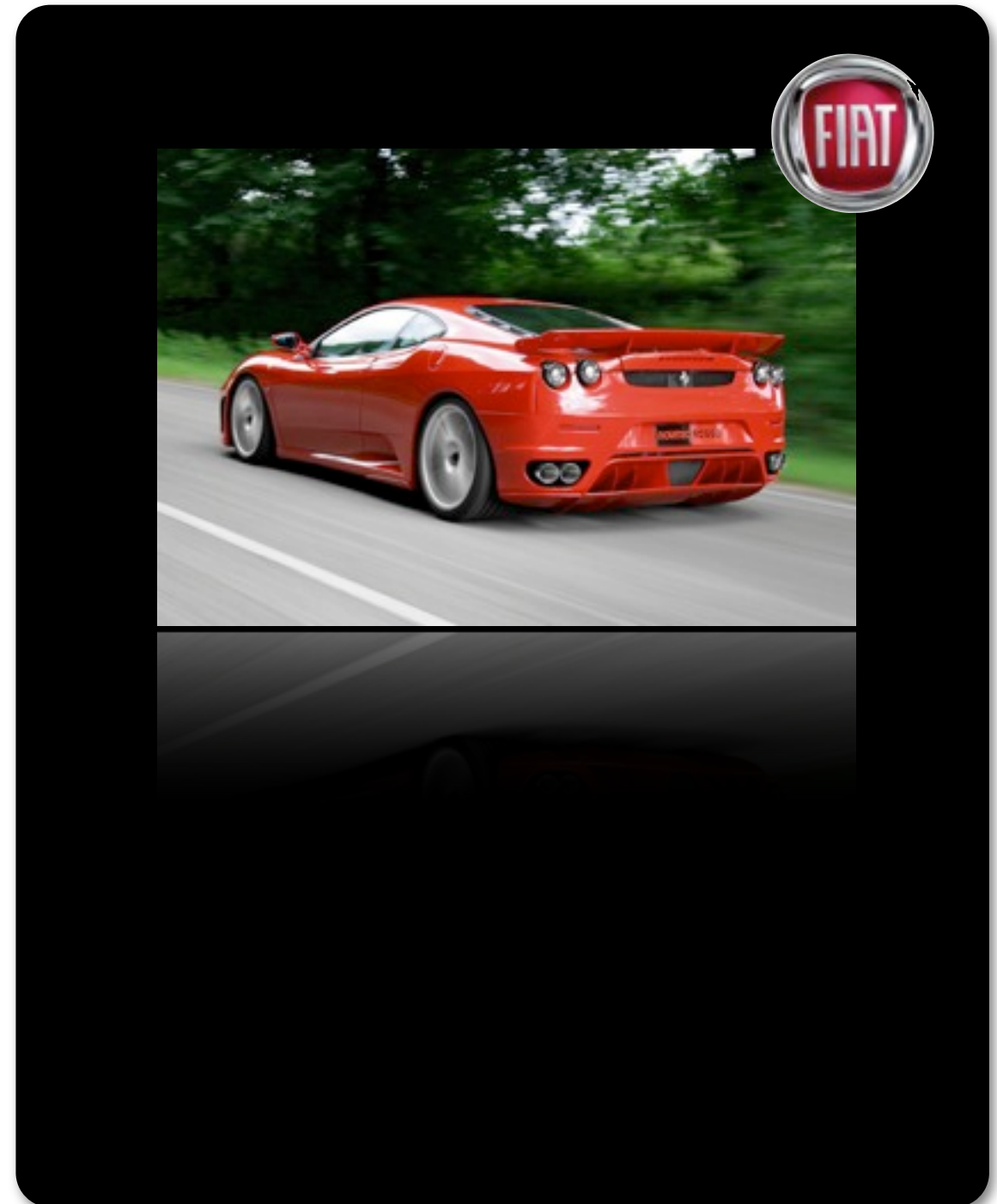
- These 2 private equity firms were looking to **acquire Octo Telematics**, the leading provider of PAYD solutions worldwide
- In 2 weeks, we conducted a **pan-European review of the PAYD insurance and PAYD solutions markets**
- We assessed the **trends affecting the nascent PAYD market in Europe**, thanks to a detailed investigation of commercial trials / launches and interviews with leading insurers
- Evaluated the **validity of the company's business plan** and proposed revised assumptions for a number of key inputs
- **We recommended the investment**, based on the company's differentiated product and strategic lead



For Cobra Automotive Technologies, led the business development relationship with the Fiat Group



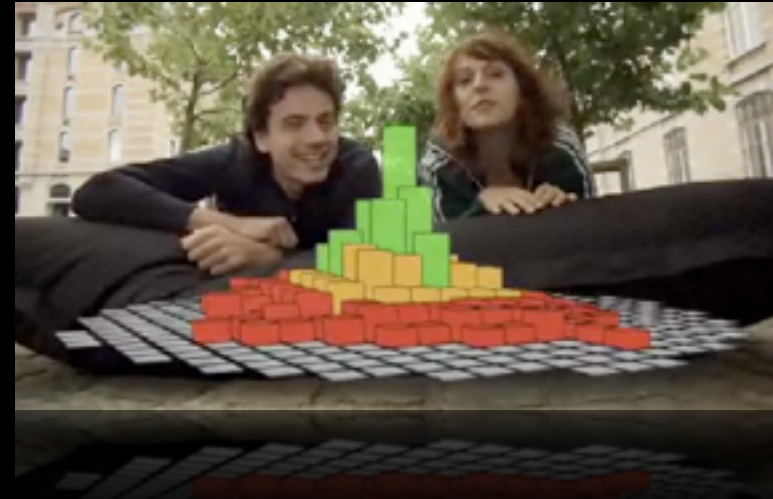
- For Cobra Automotive Technologies, led the business development relationship with the Fiat Group
- Designed and managed the development of a low cost Stolen Vehicle Recovery system for Fiat's Blue&Me navigation platform
- As a result, Cobra was qualified for receiving request for quotation in the parking sensor field



For Qualcomm, conducted a pan-European survey of the European PAYD / PHYD insurance market



- Qualcomm Enterprise Services is the world's largest provider of fleet management services
- Identified 15 target insurance groups in 6 countries
- Identified and contacted management level executives
- Obtained meetings to assess PAYD progress and needs
- Defined lessons to be learned to improve Qualcomm's PAYD system offering



Assisted Magneti Marelli in developing its usage-based charging telematics business



- Managed different telematic businesses both in service provision and in hardware
- Supported the management in starting-up the business and setting-up the logistics platform to supply the insurance telematics business
- As a result, achieved the successful **launch of an automotive grade black box**
- **Negotiated the contract with Octo Telematics**, notably its technical, logistical and business terms
- Supported the adaptation process of the first supply to Octo Telematics
- Supported the initial business model for **Autostrade**

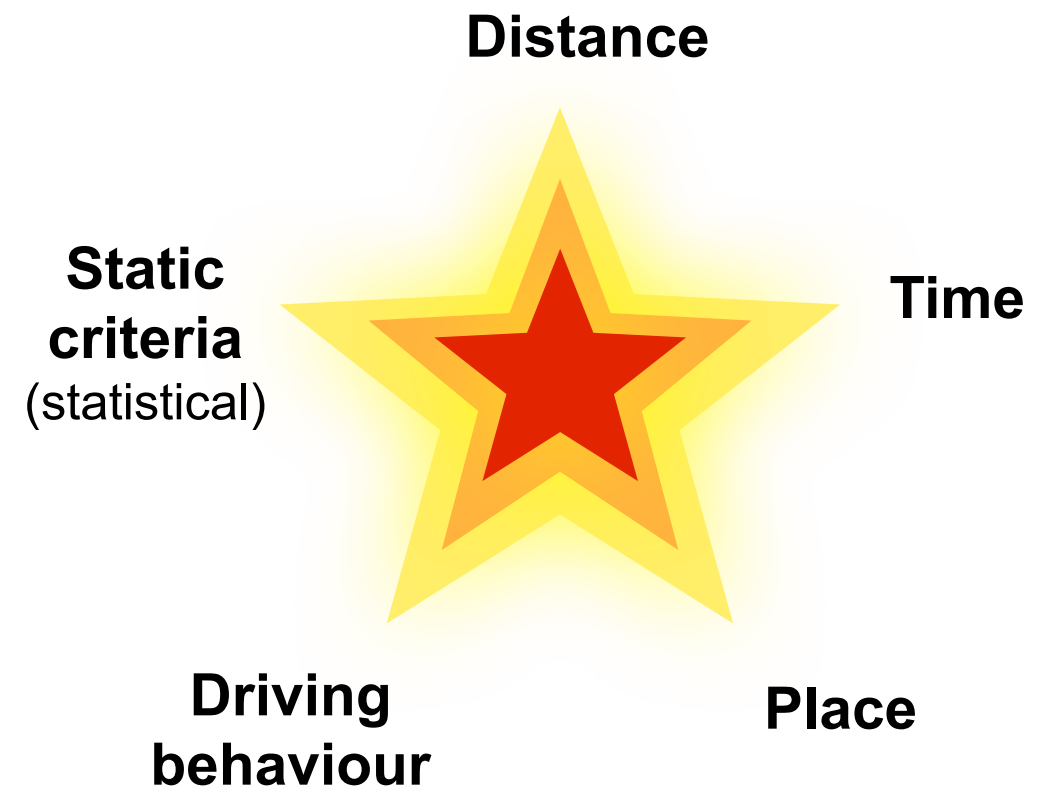


What is insurance telematics?

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."

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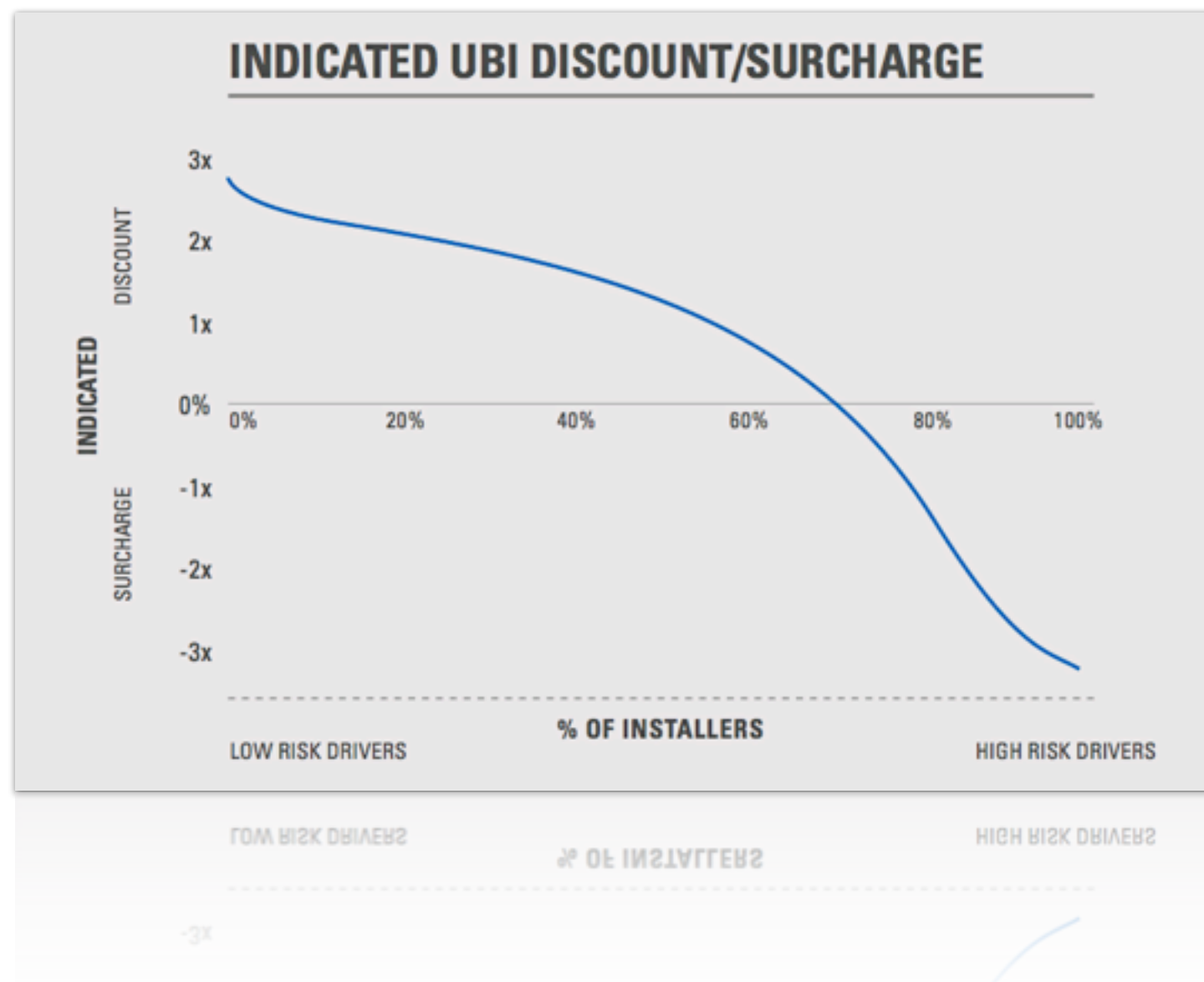
In the car, neither...



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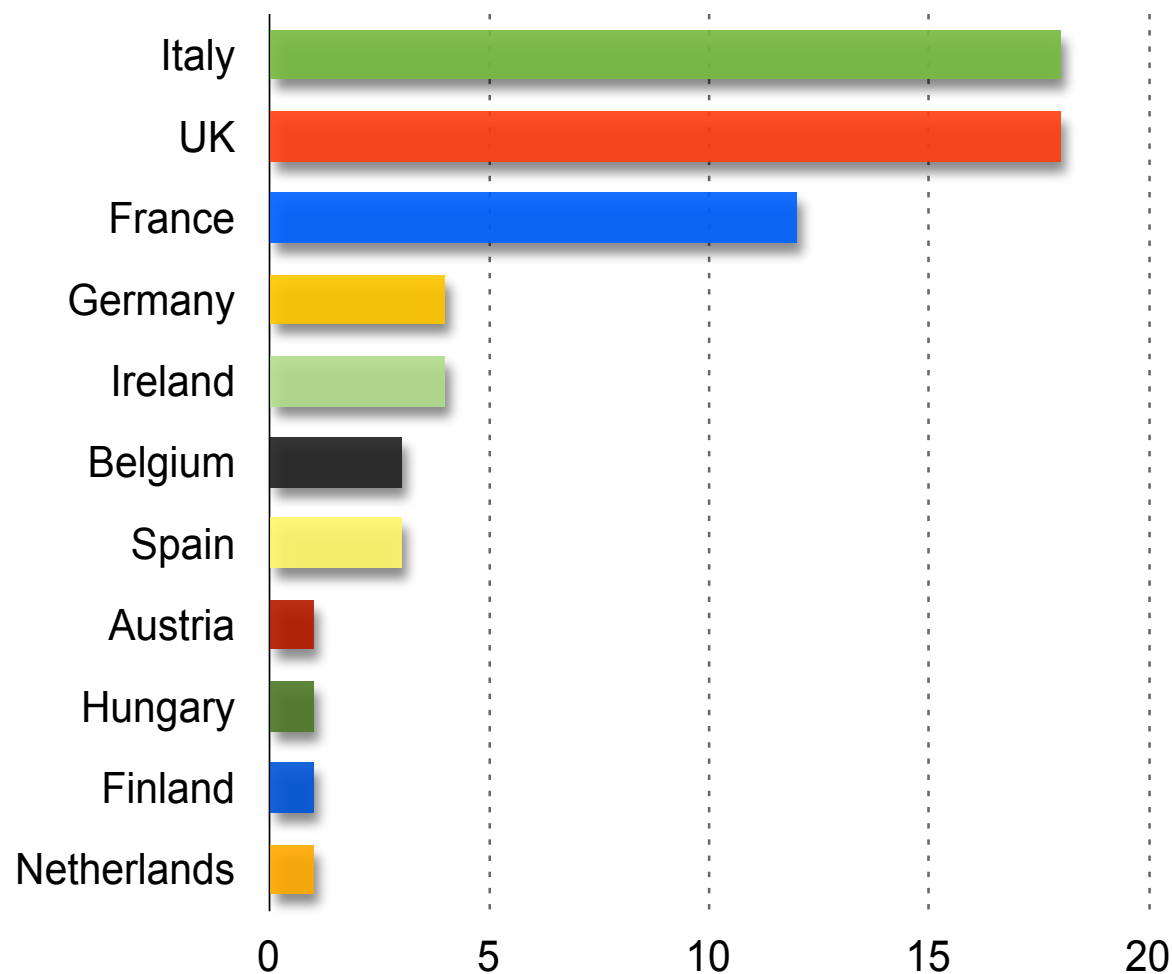
This is confirmed by the most advanced telematic insurers

Progressive's experience in the US



Insurers are becoming more mature about PAYD

PAYD trials & launches in Europe

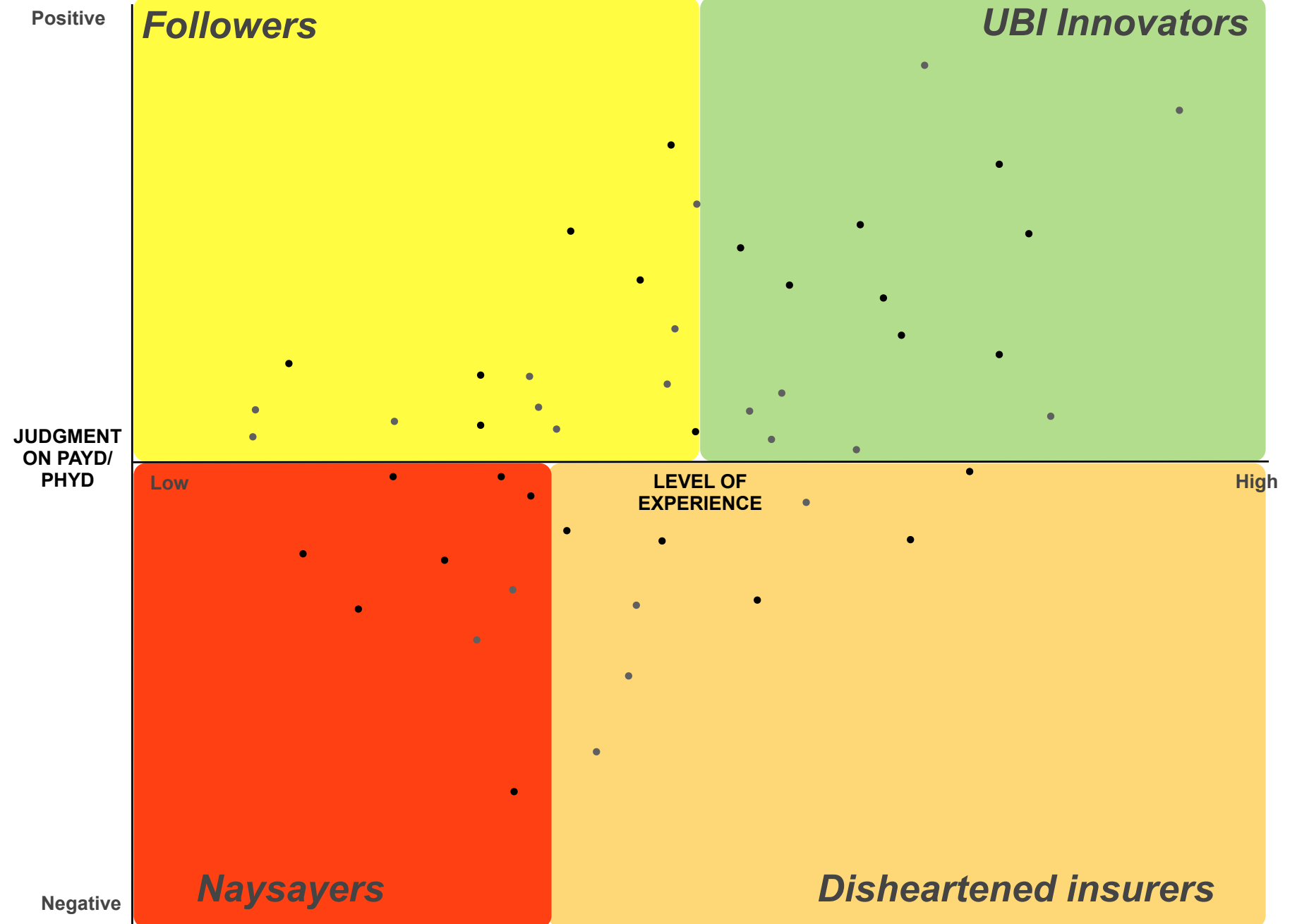


PAYD has passed the trial phase

- 94 trials worldwide (67 in Europe)
- 54 commercial launches (40 in Europe)
- **Success stories in multiple countries**, notably Italy (Unipol), Spain (Mapfre), France (Amaguiz), the UK (Insure the box), Austria (Uniqa) and the US (Progressive)
- Overall, we estimate **PAYD-equipped vehicles** at over **2.5 million** (worldwide)

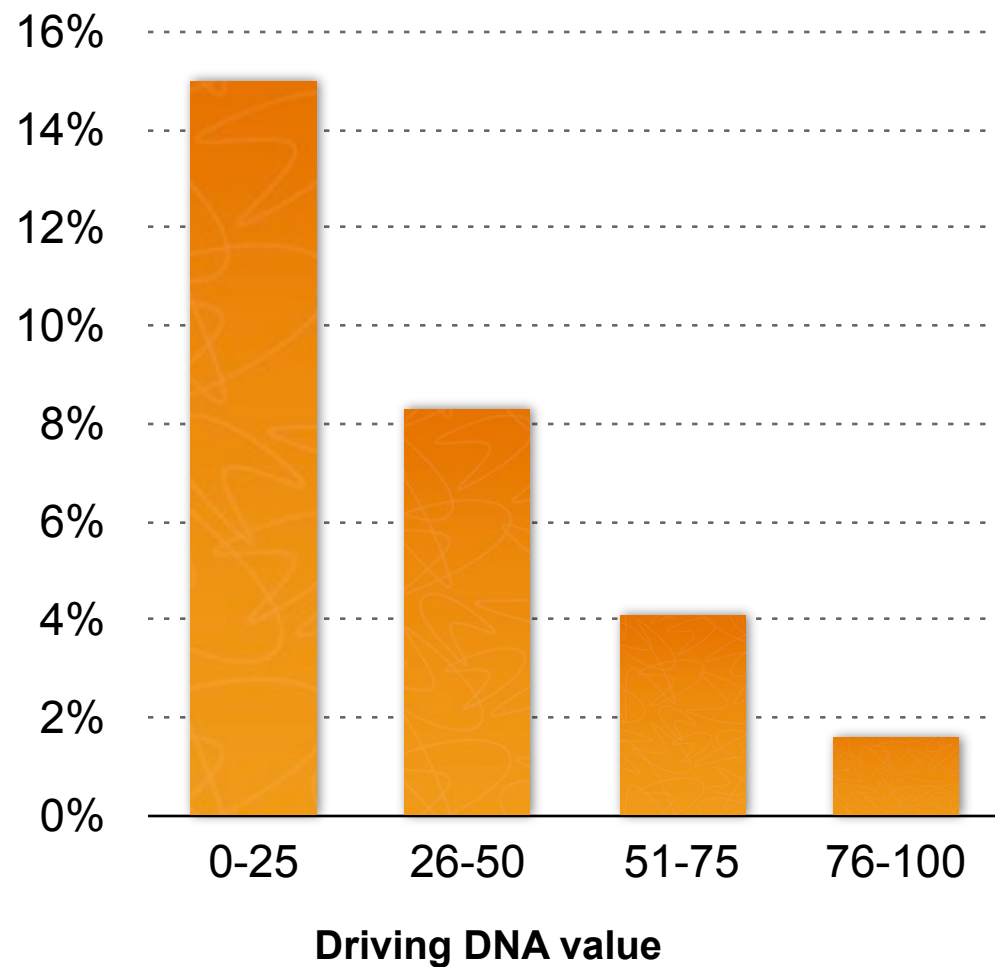
European insurers have reached different stages of understanding and success

Insurers' position
on PAYD

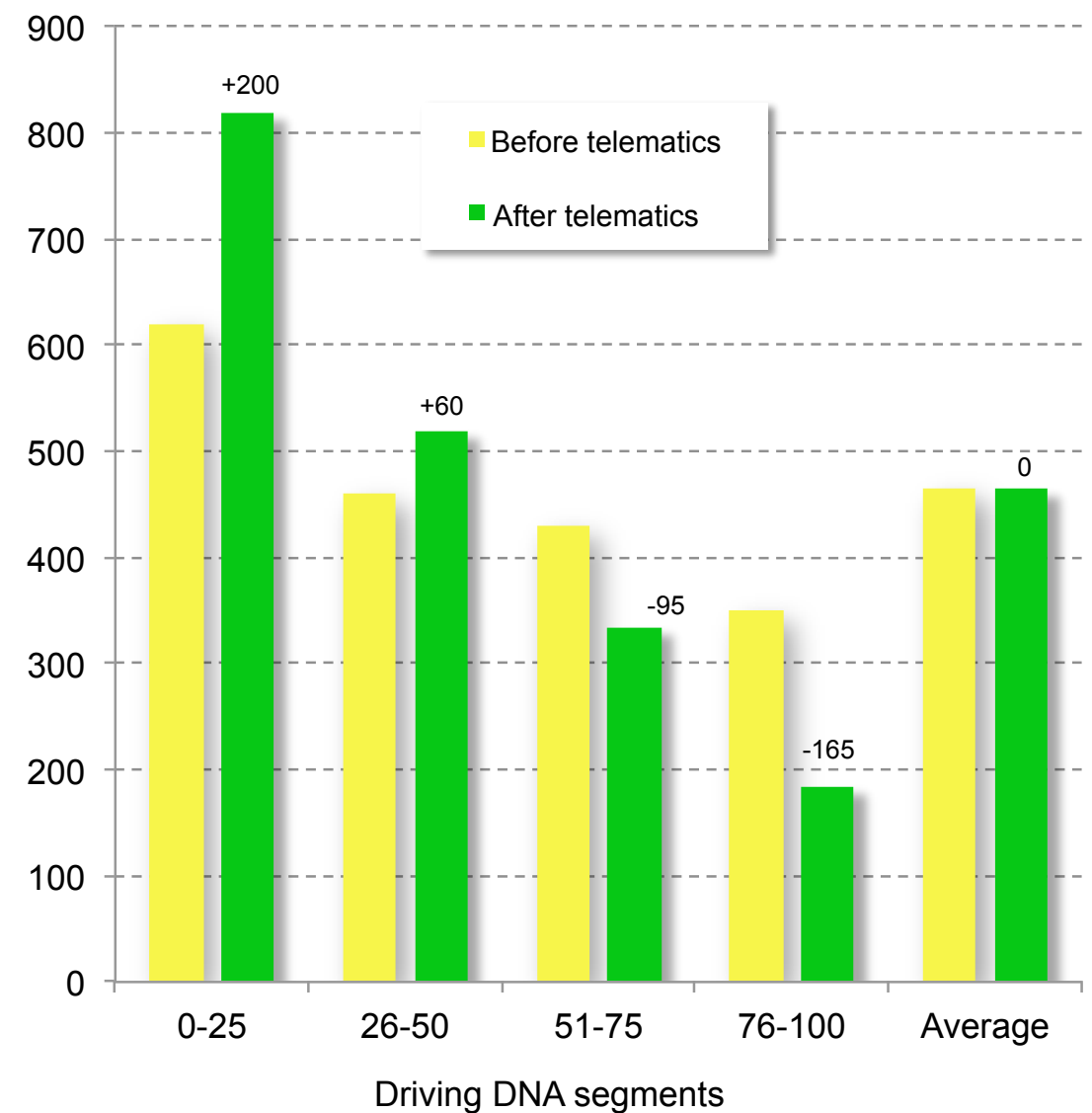


Telematics brings a new transparency to risk rating & pricing

Probability of fault accident (%)



Average premium (in £)

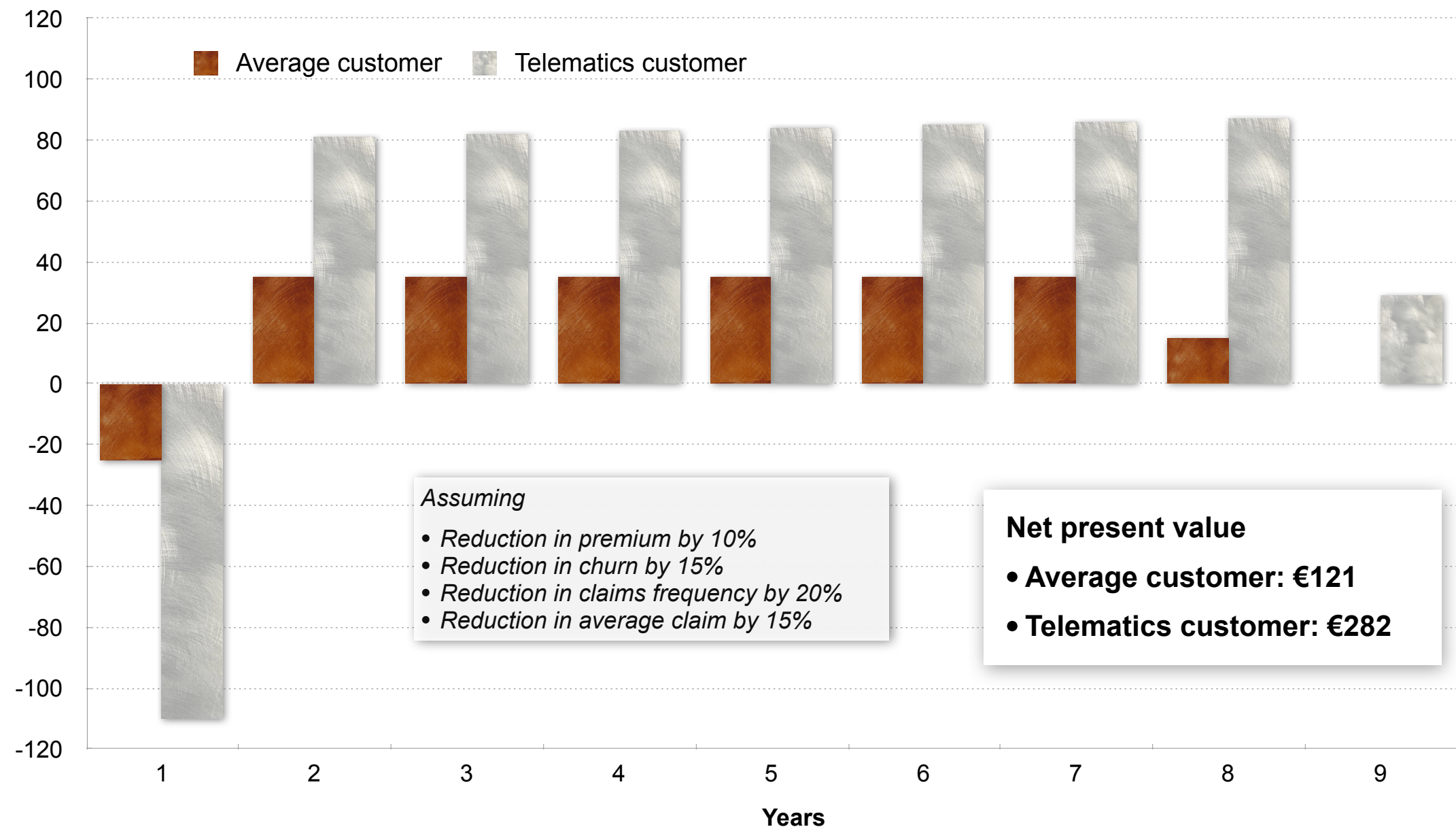


With PHYD, customers can *influence* their level of risk and their premium

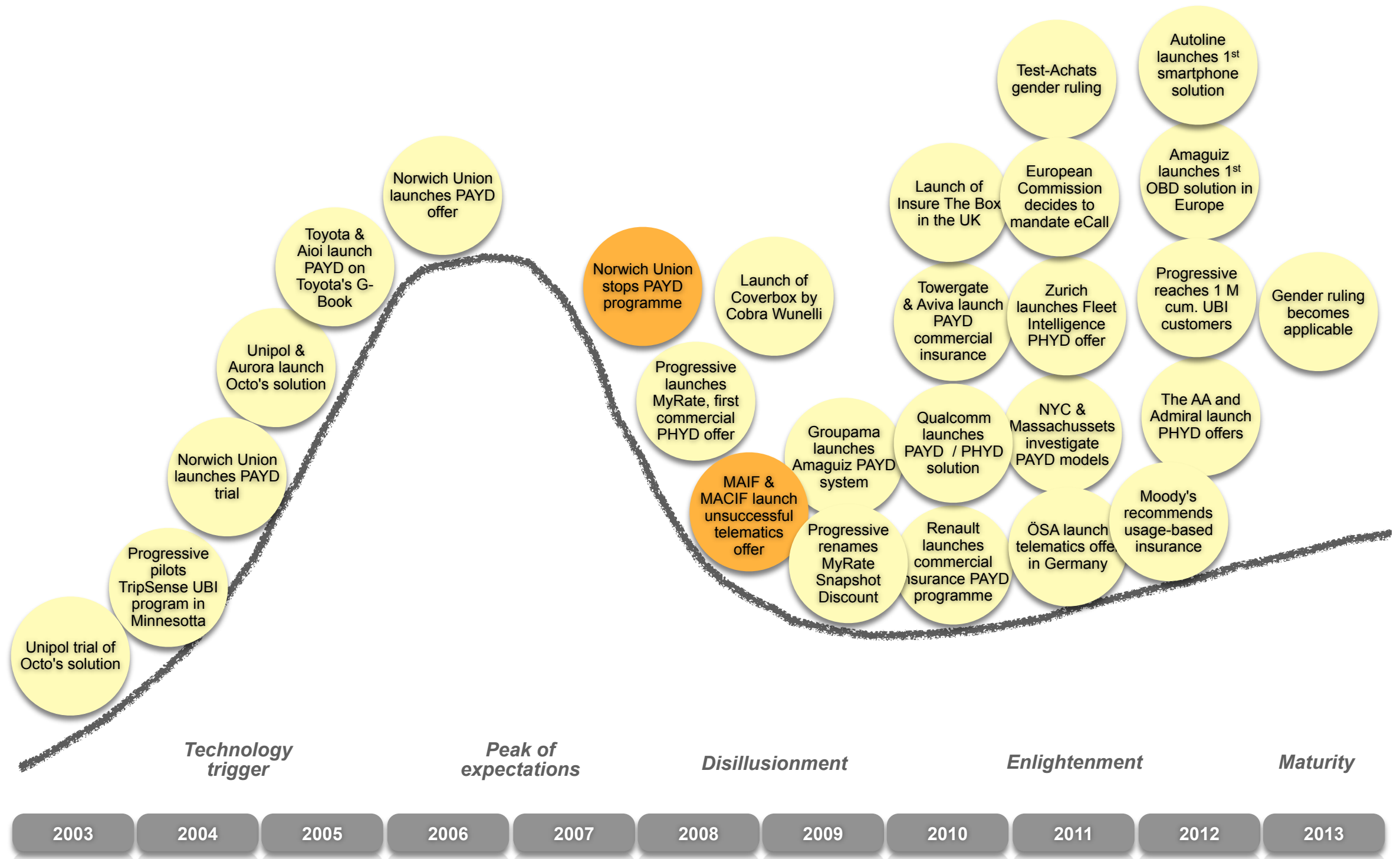


The telematics business case primarily relies on a reduction in costs that exceeds the premium discount

Customer lifetime cash flows for a French insurer (€)

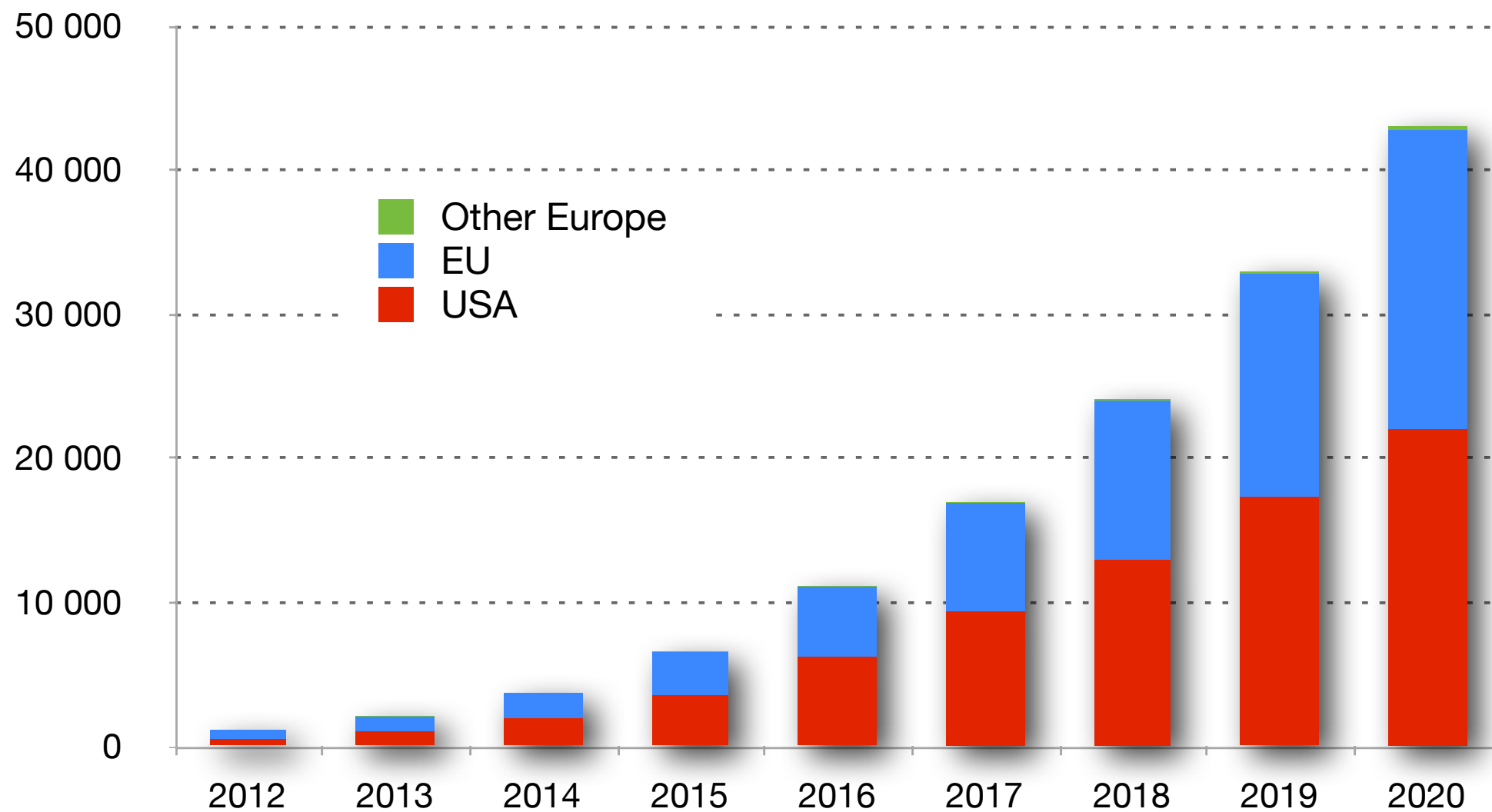


The time has come for insurance telematics

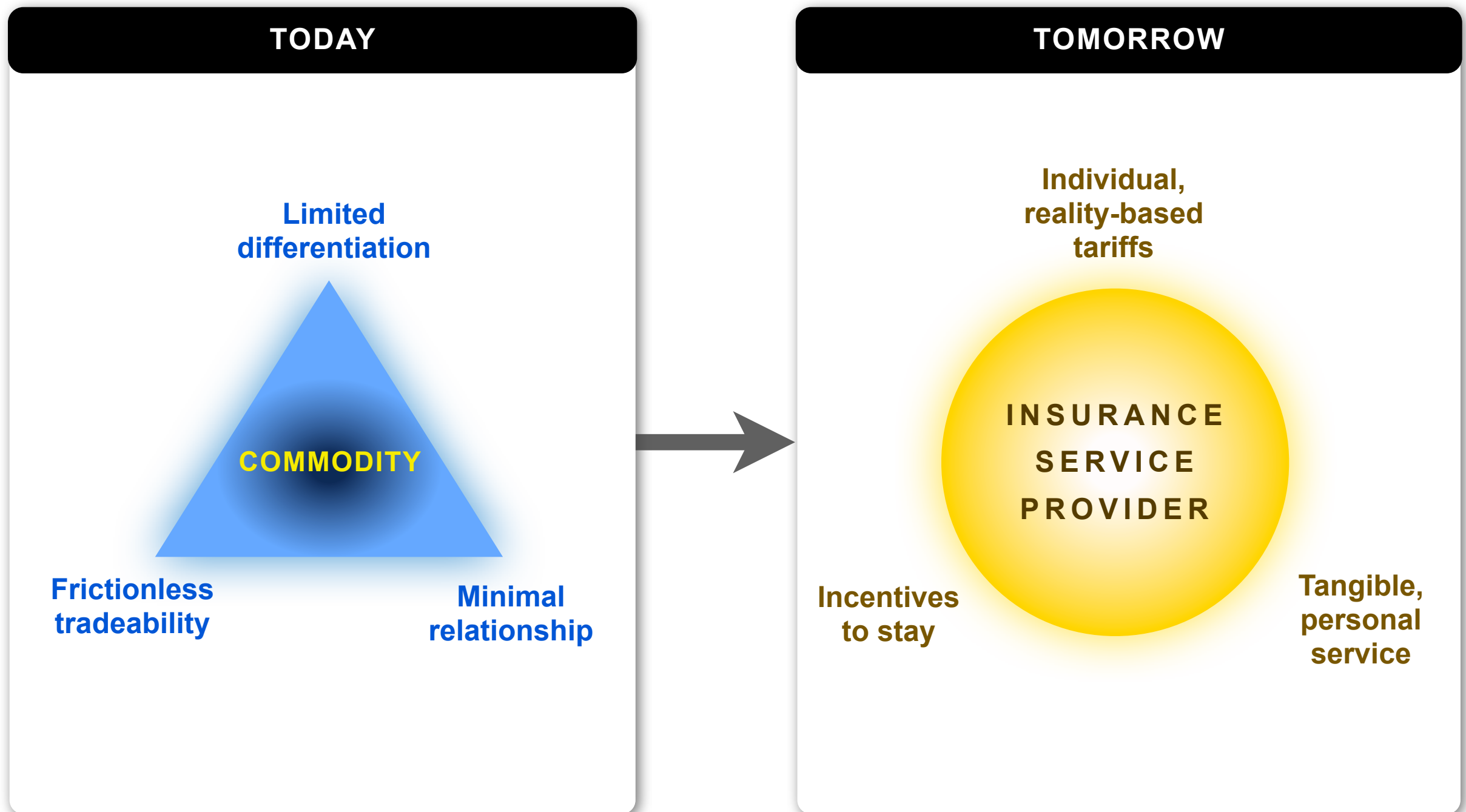


Telematics is the fastest growing segment of motor insurance

Motor insurance premiums from telematics - Personal line market (Euros in millions)



PAYD will radically transform the auto insurance business... and its economics



The telematics war will also be won on technology...

Possible technologies to provide telematics

Aftermarket

Black box



OBD device



FMS port-attachable box



Self-energised modules



PND



Smartphone



Line-fitted

Embedded system



Semi-embedded system



Vehicle keys



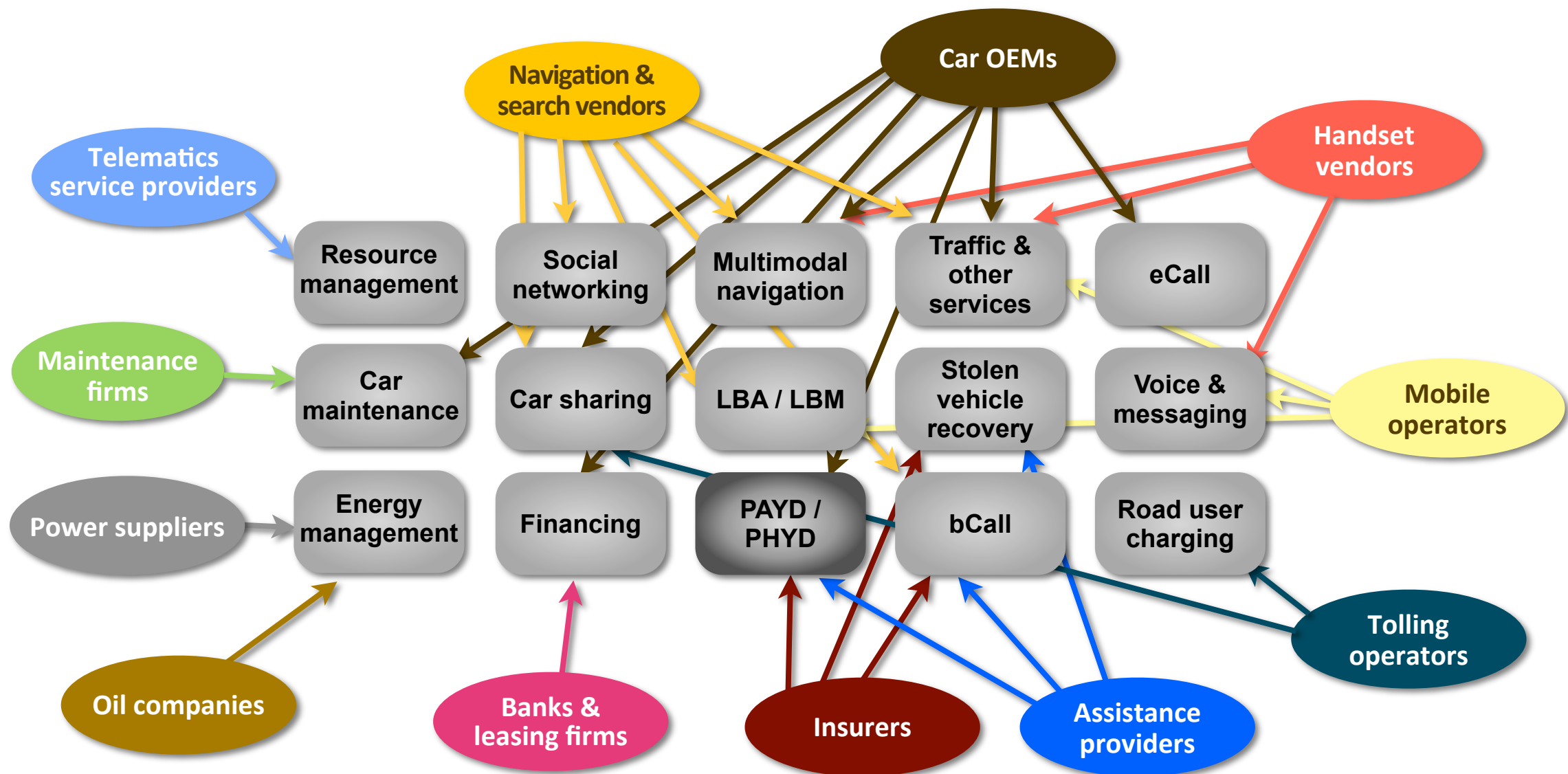
Fixed

Removable

Portable

... And partnerships

Numerous players will offer connected car services



It is now time for AXA to execute a global telematic strategy



**Bridging the gap
between ideas
and realities**

- **Insurance telematics has reached its tipping point**
 - Gender ruling
 - eCall implementation start
 - New technologies & business models
 - Chain reaction in one market after the other
- **PTOLEMUS is the most experienced consulting firm in insurance telematics**
 - State-of-the-art responses to most challenges
 - A global vision to make each local case work
- **PTOLEMUS can assist AXA in its strategy & implementation to reach success right from the beginning**

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Strategies for Mobile Companies

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