

PTOLEMUS Consulting Group

The Insurance Telematics Tsunami: a worldwide phenomenon

*Presentation offered to readers of the
Insurance Telematics Study abstract*



PTOLEMUS Consulting Group - Brussels - 8th March 2013

Exclusive intellectual property of PTOLEMUS

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

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

Our expertise is built on the diverse sectors we have served:

Telecom operators



OEMs & telematics vendors



Content & application providers



Telecom infrastructure providers



PTOLEMUS Consulting Group

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

Insurers & assistance providers



Consumer electronics makers



Positioning solution providers



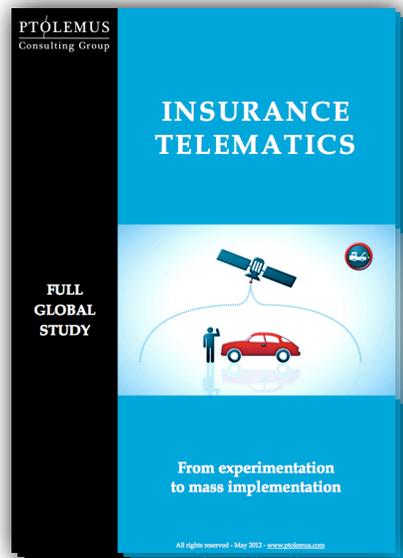
ITS operators & regulators



Financiers



We recently published the Insurance Telematics study: the most comprehensive report written on the subject



***More than a research study,
it is 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, Uniqa, Zurich
- **A handbook of suppliers' solutions** including our own evaluation & ranking
- **10-year market forecasts**
 - Countries' readiness to telematics
 - Forecasts for the US, Italy, the UK, France, Germany and Russia
- **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

In this report, we analyze UBI opportunities by countries:

I

Insurance Telematics in Europe

II

Insurance Telematics in Asia

III

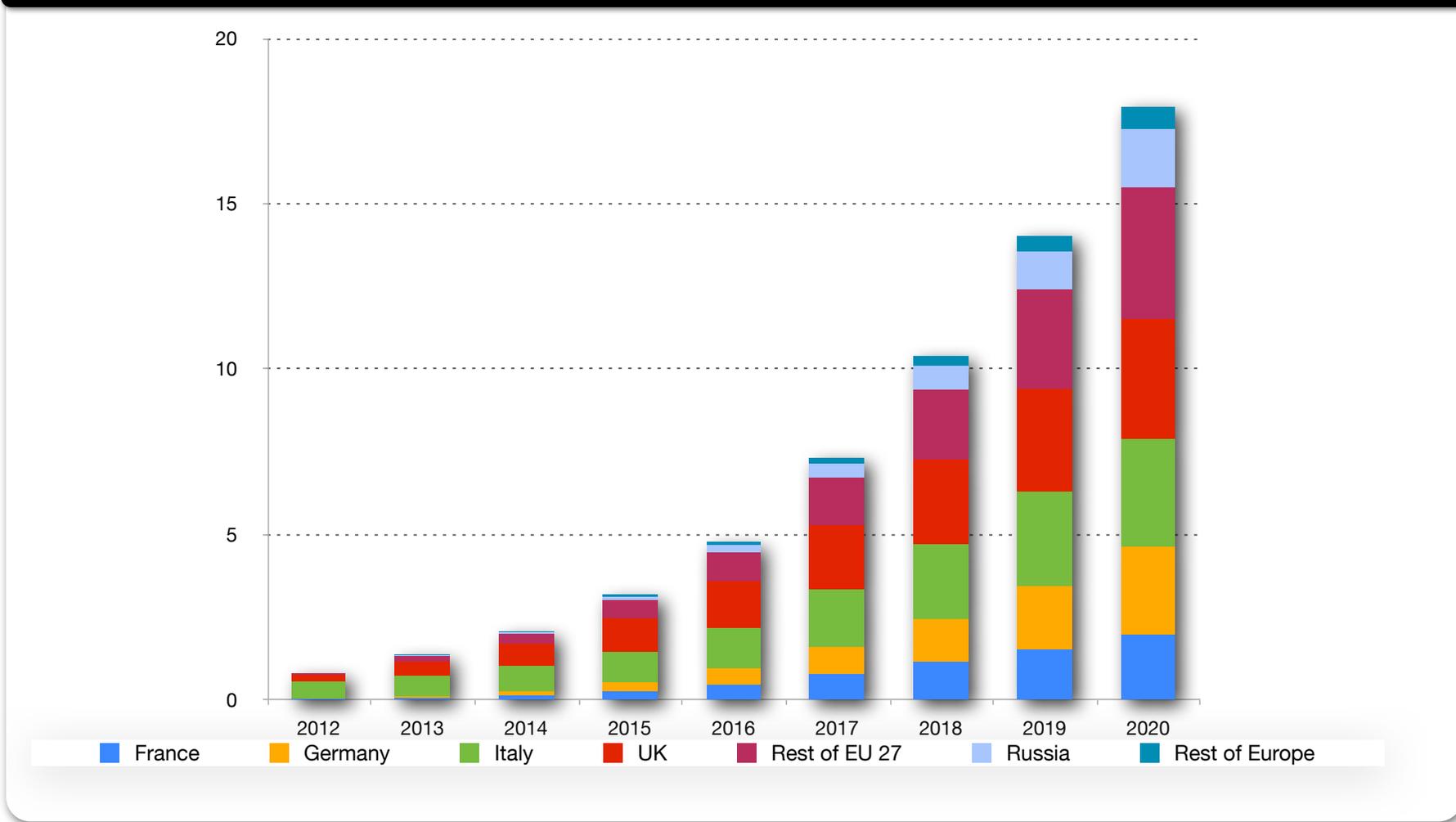
The new drivers of the takeoff

IV

Conclusion

All European countries will experience the UBI take off:

New telematics-enabled policies (in millions) in the European personal line market



In Europe, regulatory drivers are creating the spark that will initiate / accelerate the take-off* :



Several measures are combining to form a **chain reaction**:

- The deployment of the **eCall** telematic device in all new type-approved passenger cars and LCVs** in the EU by 2015 → will create a strong incentive for OEMs to leverage their investment to generate new insurance & diagnostics revenues
- The **gender ruling** , in place since January 2013 → creates a new major anomaly that insurers will be able to correct only with telematics
- The deployment of **ERA-Glonass***** Russia from 2014 → will have the same effect than the e-call, in Russia
- The **Monti law**, which could make telematics a mandated offering for Italian MTPL insurers → could boost the market by promoting early standardisation and bringing all insurers to telematics

Europe will remain the dominant UBI market in the personal line segment

Key local drivers

- **The Italian and UK markets clearly stand out as highly attractive breeding grounds for telematic models and companies**

- High levels of fraud & theft and high car penetration in Italy
- High level of fraud & churn, dominant role of the web channel and high car penetration in the UK



- **Numerous other markets also have attractive conditions eg.**

- High mileage and claims frequency in Germany
- High claims frequency in Austria
- High average claims in Switzerland, Sweden & Finland

Motor insurance fraud has become an organized crime business in the UK and in Italy

Crash for cash in the UK

As the car in front approached the zebra crossing, the road ahead was clear.

"There wasn't a pedestrian in sight and I couldn't see any reason for him to stop," said Carl.

"But out of nowhere he slammed on the brakes as I approached behind him."

Inevitably, Carl crashed into the back of the car in front and by doing so became an unwitting victim of car insurance fraud.

Stage one complete

Stage one of a 'Crash for Cash' scam – the crash – was complete.

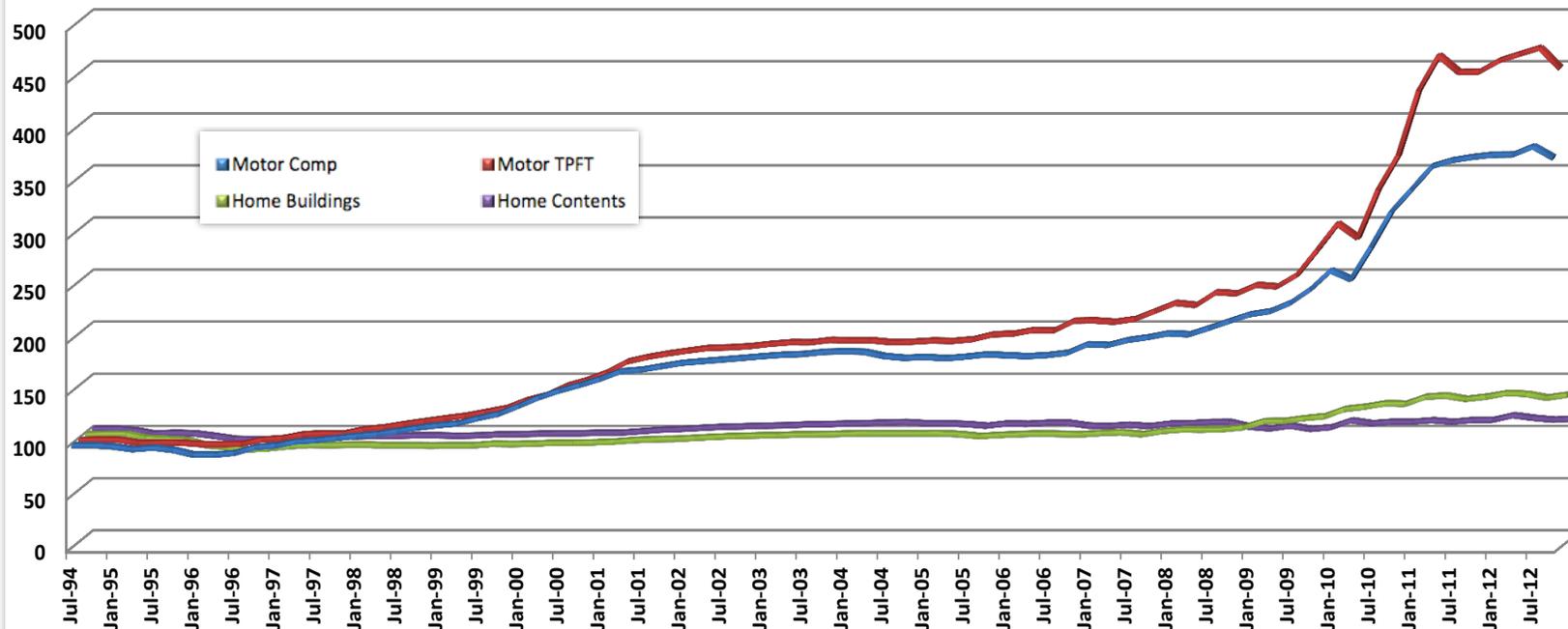
Now the fraudsters would set the wheels in motion to go for the cash.

- Italy is the country with the highest rate of motor insurance fraud in Europe.



The evolution of motor premiums in Italy and in the UK shows that markets are not efficient:

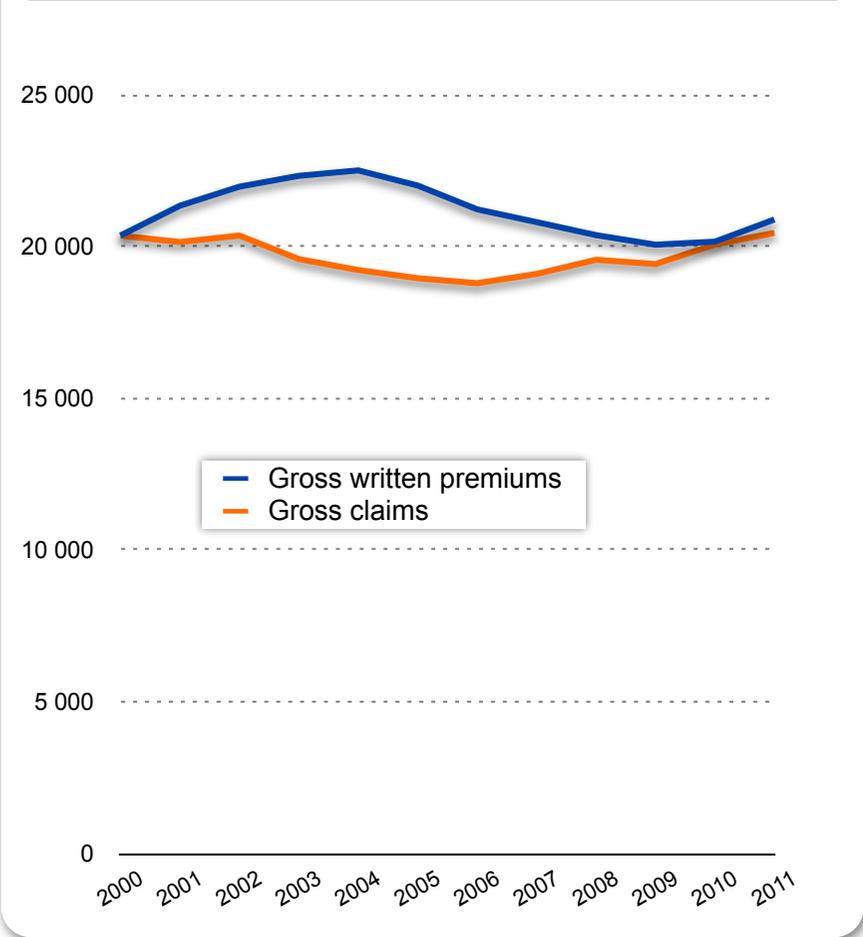
The 5 times increase in motor insurance premiums is a sign that the UK market is not efficient



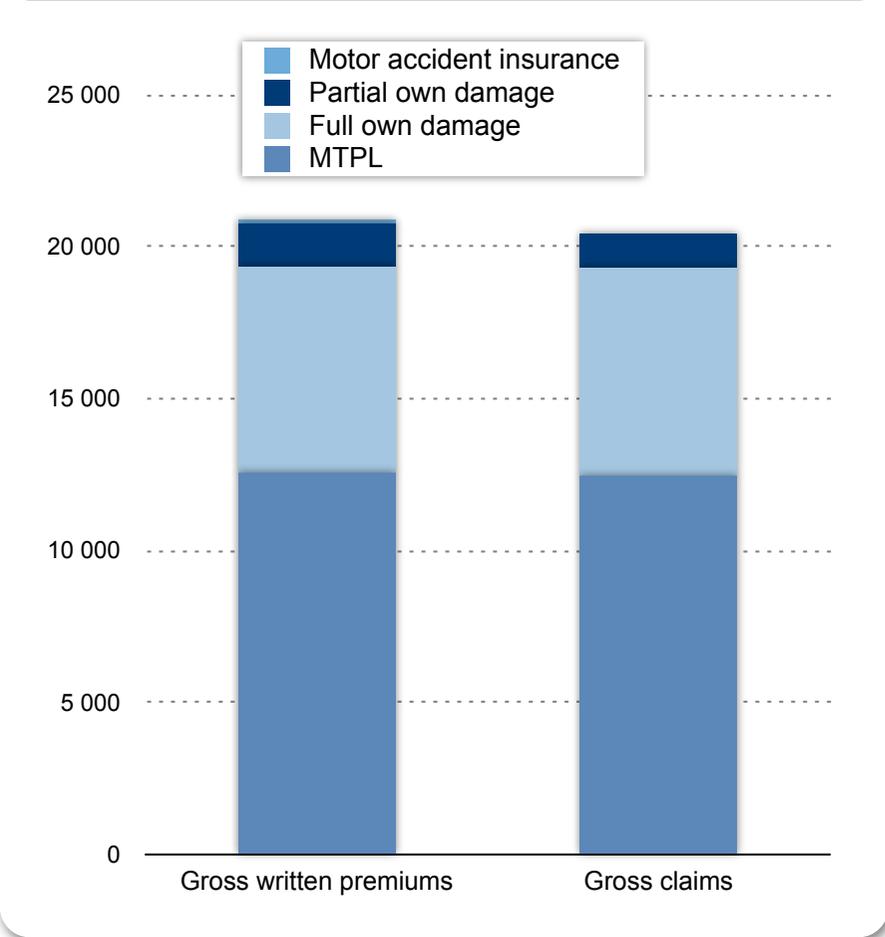
- In Italy, classical premiums are in average 58.1% higher than in the rest of the Eurozone (source: ANIA). This goes in line with a national average cost of claims far above the average, reaching 3658 euros. (Source: ANIA)

Germany has a very high claim ratio and claims are raising again

A very high claims ratio



Breakdown of premiums & claims in 2011



We identified pricing opportunities for telematics in all 4 major countries

Markets	Key rating factors	Key pricing anomalies identified	Pricing opportunities for telematics
UK	Age Gender Location NCD status	Increase of claims Pricing largely based on NCD status Growth of fraud Gender ruling Fronting Low mileage drivers / Second cars	Safe young drivers Safe female drivers 25-35 drivers Fraud detector Low mileage drivers
Italy	Age Gender Location	Increase of claims Growth of fraud & theft Gender ruling Fronting Low mileage drivers / Second cars	Safe young drivers Safe female drivers 25-35 drivers Fraud & theft detector Low mileage drivers
Germany	Age NCD status	NCD status does not reflect lower risk Gender ruling (Young women) Fronting High mileage drivers Theft	Safe young drivers Safe female drivers Safe 25-45 drivers with low NCD Low mileage drivers Theft detector
France	Age Gender NCD status	Gender ruling NCD status does not reflect lower risk High mileage drivers	Safe young drivers Safe female drivers Safe 25-45 drivers with low NCD Low mileage drivers

European insurers have already begun jumping on the bandwagon, starting with policies for young drivers:

Ich vertraue der ersten Autoversicherung, die Leben retten kann.

Gewählt zur vertrauenswürdigsten Versicherung Österreichs.

Most Trusted Brand 2012



45.000 Kunden vertrauen bereits UNIQA SafeLine.

SafeLine inkl. Haftpflichtversicherung für 1 Jahr gewinnen.



SICURCITY
dove la sicurezza è a misura d'Uomo

presenta **KMSICURI**
Polizza Veicoli a Motore

Andrea in questo momento non sta pagando la sua IC auto.

Luca è al suo primo incidente, ma non spenderà un euro in più di assicurazione.

Maria ha avuto un incidente e il soccorso stradale è già in arrivo.

Giulia ha ritrovato subito l'auto che le avevano rubato.

For magical insurance deals, girls get onto Sheilas' Wheels

Car Insurance

Sheilas' Wheels car insurance features:

- Handbag cover up to £300, with comprehensive cover
- Courtesy car when using our repairers, with comprehensive cover
- Female friendly repairers

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RSA  **coverbox**
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insure
the
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AVIVA 

Allianz 



MAPFRE

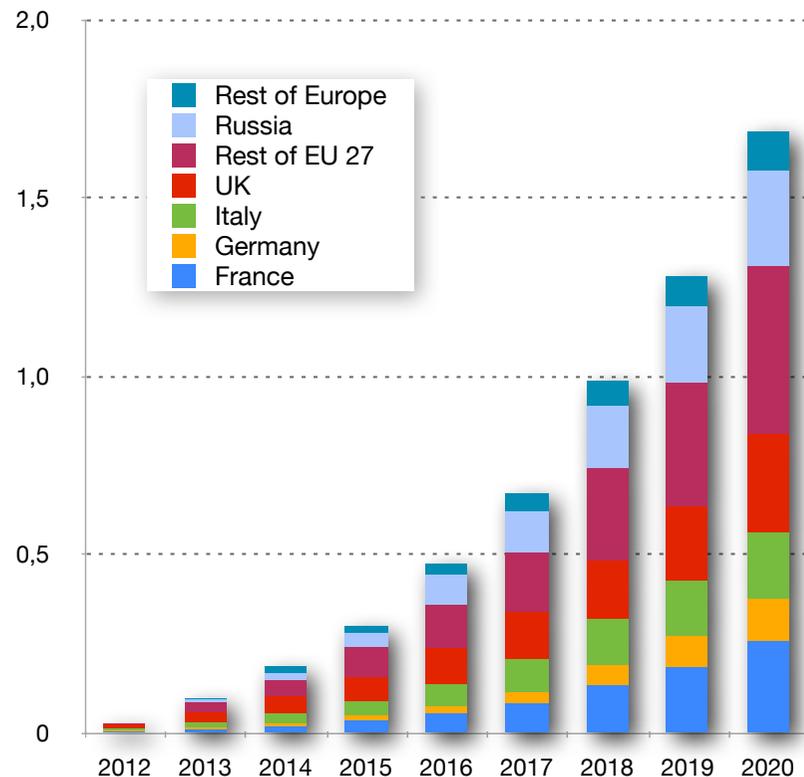
AXA 



Spürnase bewiesen.
Die Versicherungen der wgv.

We expect the growth of the European commercial UBI market to be slower

New telematics-enabled policies (in millions) European commercial line market

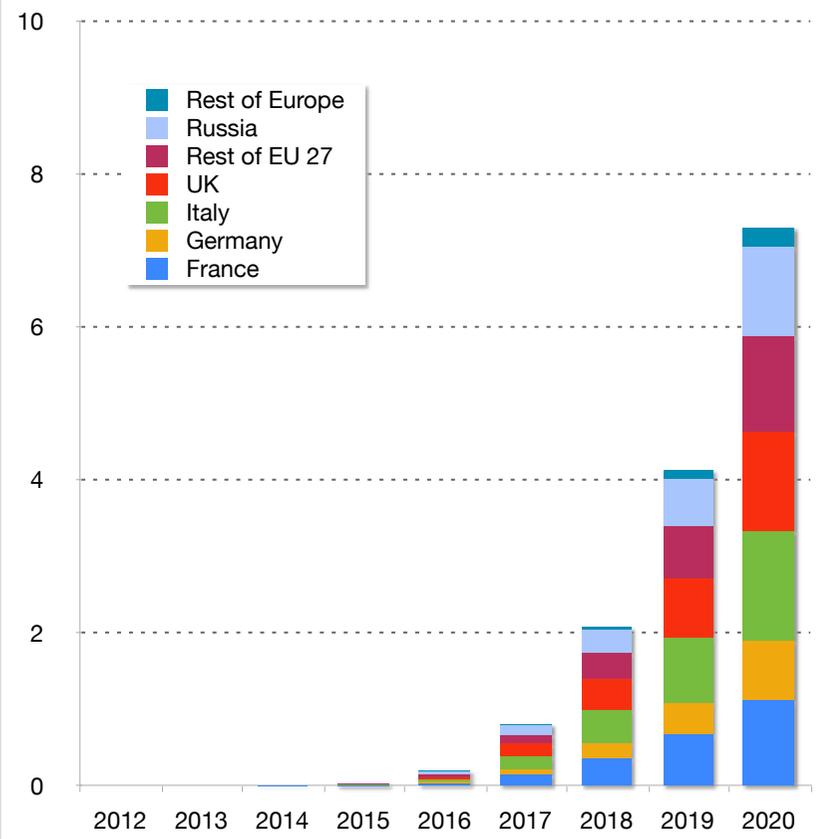


Key local drivers

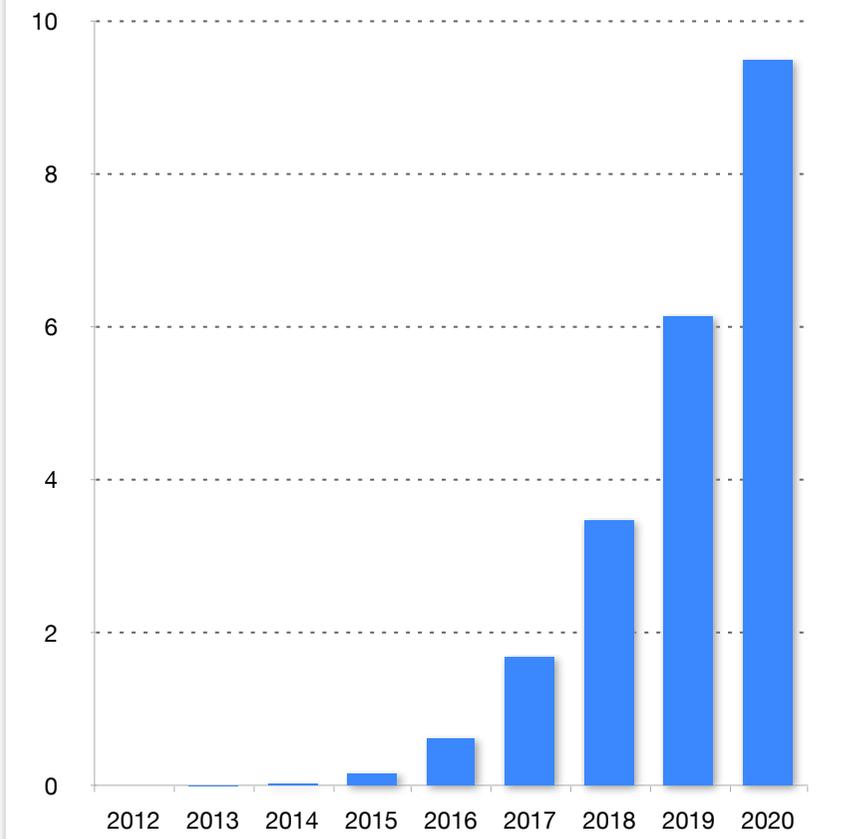
- **The most attractive markets for commercial UBI include**
 - The UK, which has the highest penetration of fleet management systems
 - Benelux, for the same reason
- **In Europe, regulatory drivers will also play a role**
 - The **eCall** mandate by mid 2015 will fasten the penetration of telematics in LCVs
 - The **ERA Glonass** mandate by 2014 will have an even bigger effect in Russia as it will apply to both LCVs and HGVs
 - As tachograph start being integrated with FMS, the **Tachograph** regulation will push truck telematics
 - The mid-term effects of HGV road charging programmes being rolled-out in numerous countries on UBI remain unclear
- **However, Europe also has several barriers to fleet UBI**
 - More constraining social laws, with trade unions often having a de facto veto right
 - Lower acceptance of driver tracking in a professional context
 - Lower penetration of FMS than in the US
 - Only one insurer, Zurich, has deployed a major programme

In Europe, OEM's UBI policies will grow rapidly at the end of the decade but represent less than 20% of all policies in 2020

**OEM-based cumulative UBI policies
Personal line - Europe (in millions)**

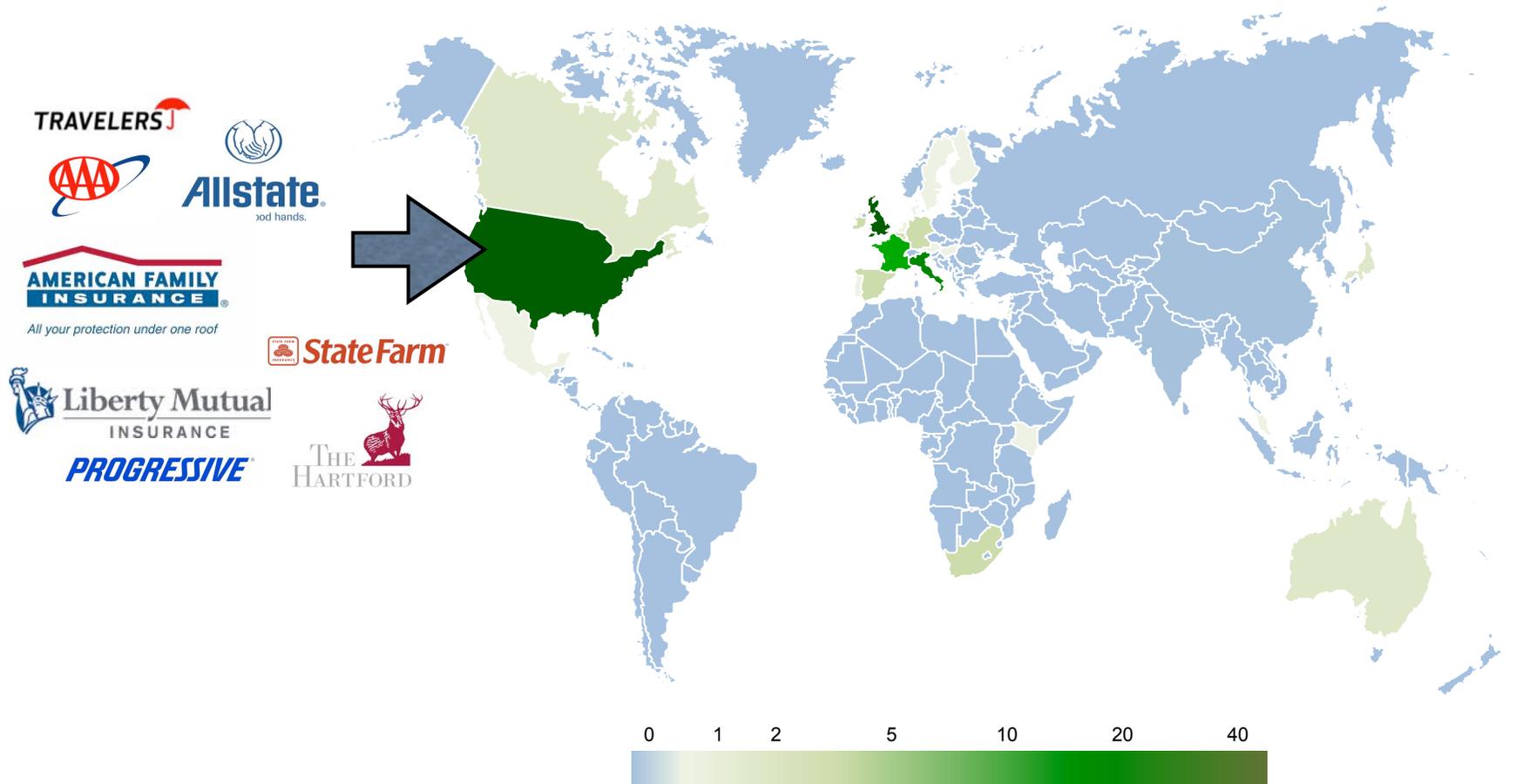


**OEM-based cumulative UBI policies
Personal line - USA (in millions)**



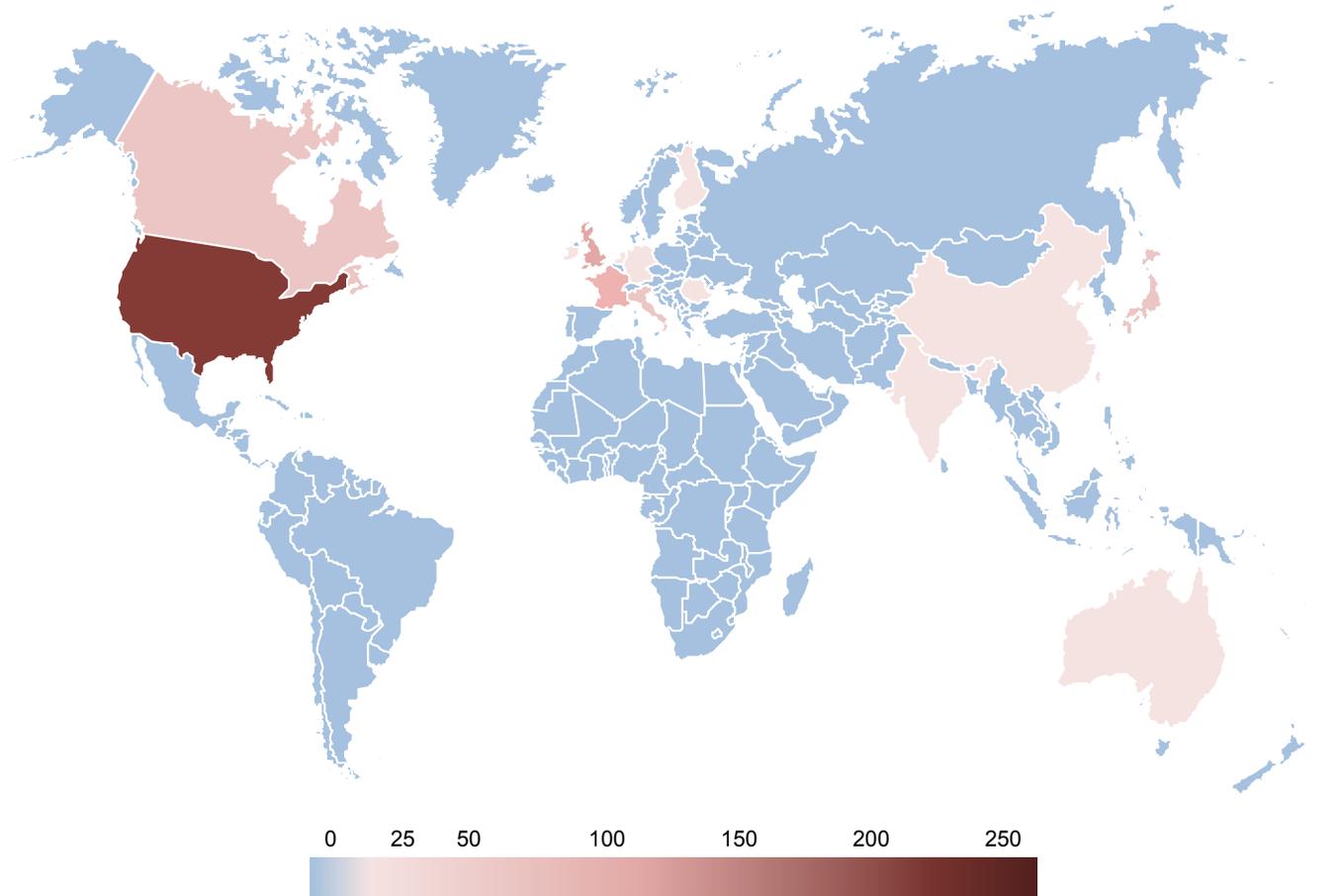
As to date, UBI launches have mainly been in Europe and in the United States

Location of the companies who already launched UBI offers

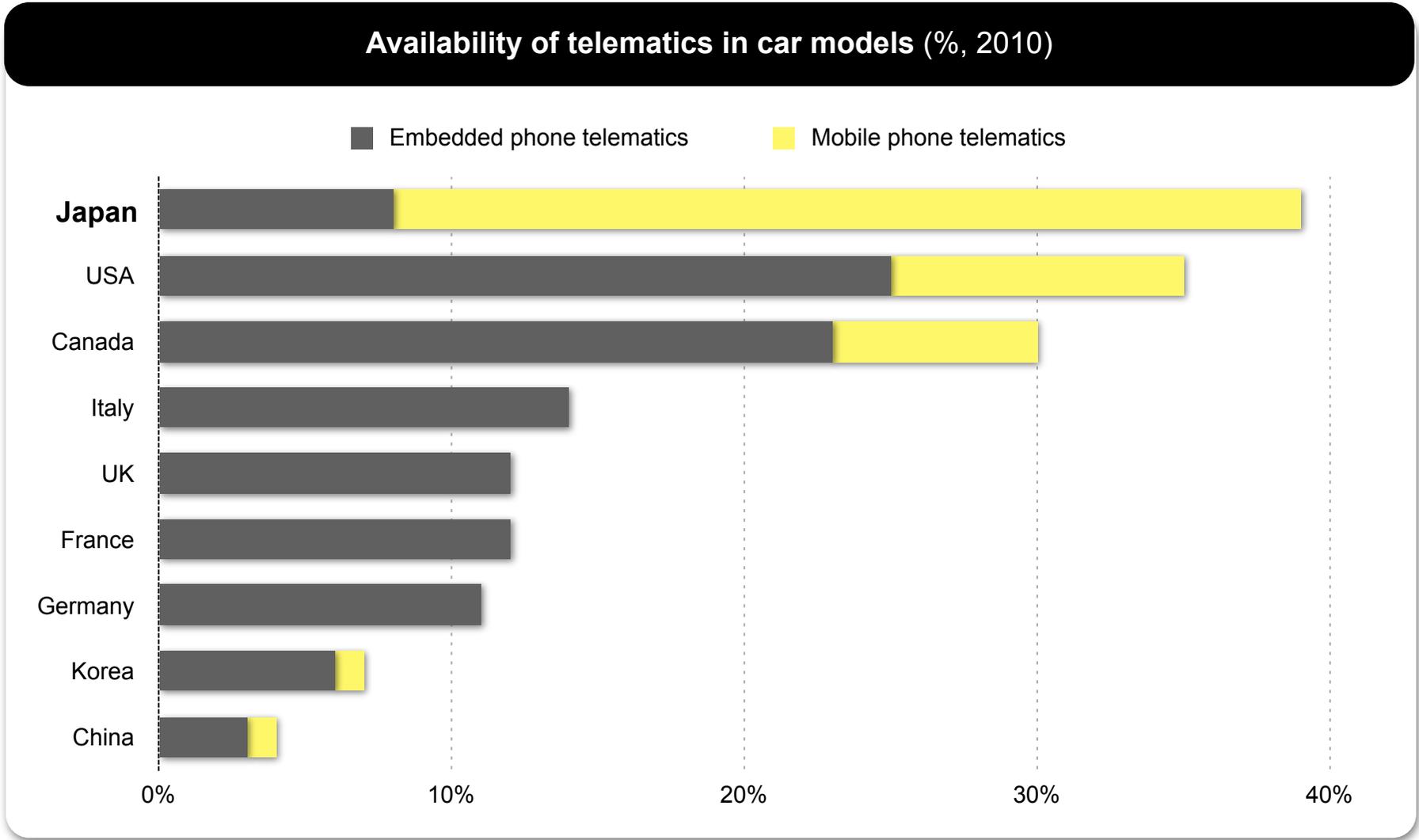


But Asia also has a rising interest in insurance telematics

Location of the companies that purchased the PTOLEMUS' insurance telematics study

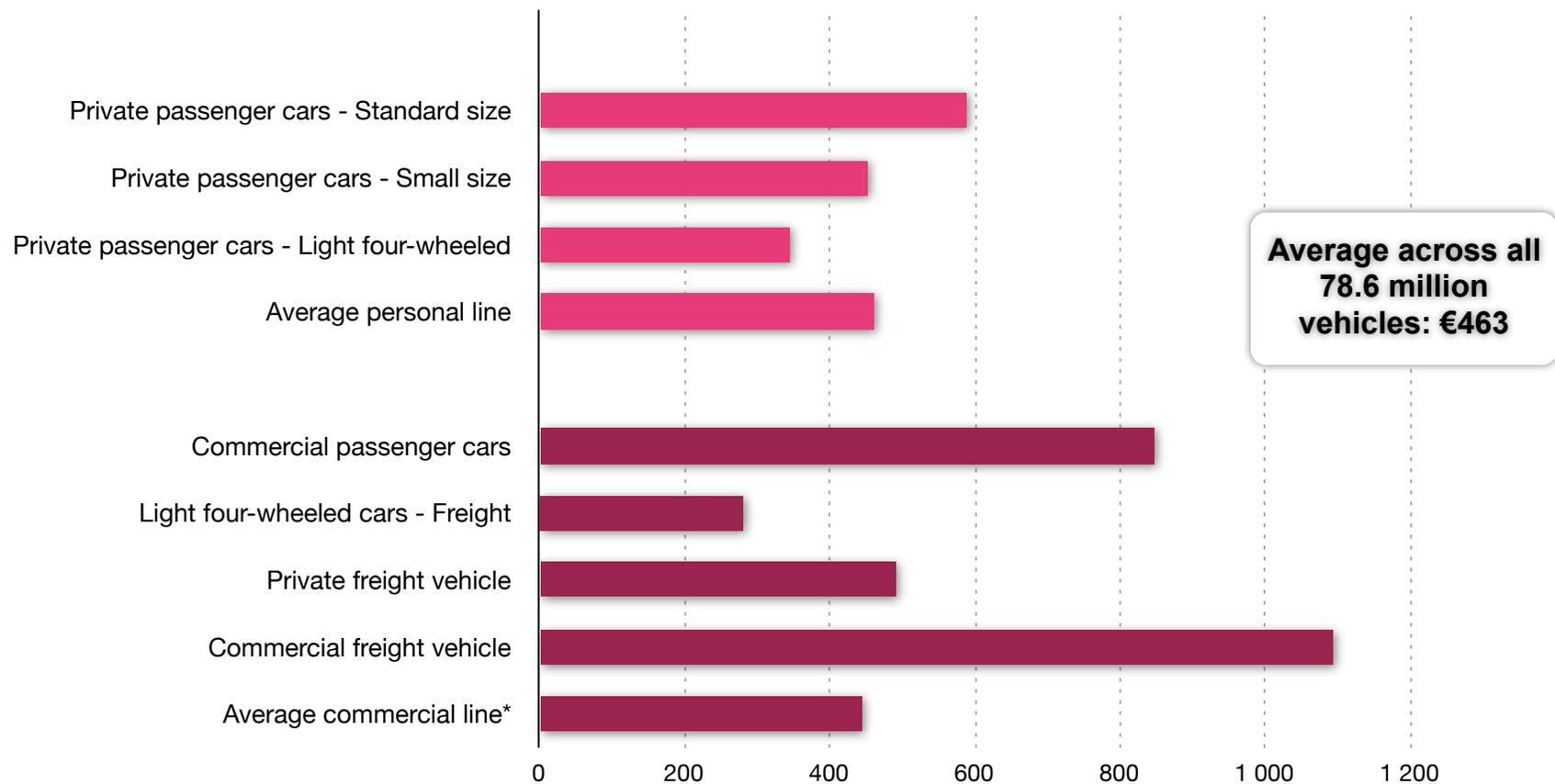


If we take the case of Japan: it is the world leader in terms of telematics penetration



And Japanese insurance premiums are relatively high

Average premiums for voluntary automobile insurance (FY 2011, in €)





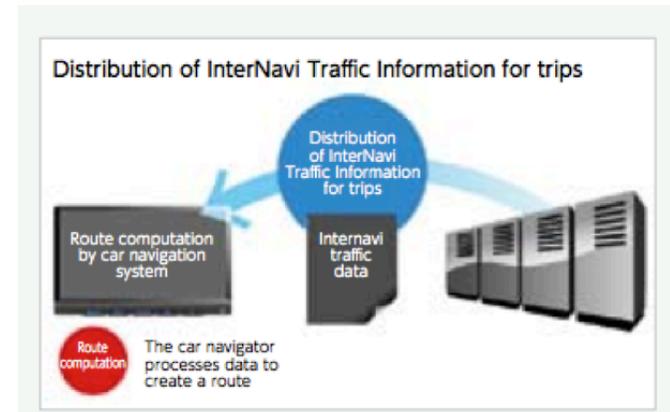
Car OEMs are increasingly embedding telematics; Honda is one of the examples:



- The Internavi Linc is a new service (2011) that uses the information network of the Internavi Premium Club: an information service for the company's vehicles, which enables its users to receive traffic information, maintenance information, a history of fuel cost, by using a PC, mobile phone or smartphone.

- **Services provided by Internavi:**

- Real time traffic (VICS&Probe)
- Traffic prediction
- Roadside assistance
- Real time earthquake and weather notification
- Yahoo and Google local search
- Eco driving information
- One to one direct message



Source: Honda and the IHS

A number of foreign competitors present in Japan have already launched UBI offers in other countries:

- 19 foreign insurers are present in the Japanese motor insurance market
- Several of them, such as Axa and Zurich play an important role, eg. Axa Direct is the number 7 direct insurer
- **Zurich** has already launched its *Zurich Fleet Intelligence* programme in the US, UK and Germany, together with telematic service providers such as Greenroad or Qualcomm
- **Axa** has performed many trials and recently redefined its strategy with the objective of **obtaining "telematic data"** to improve its underwriting

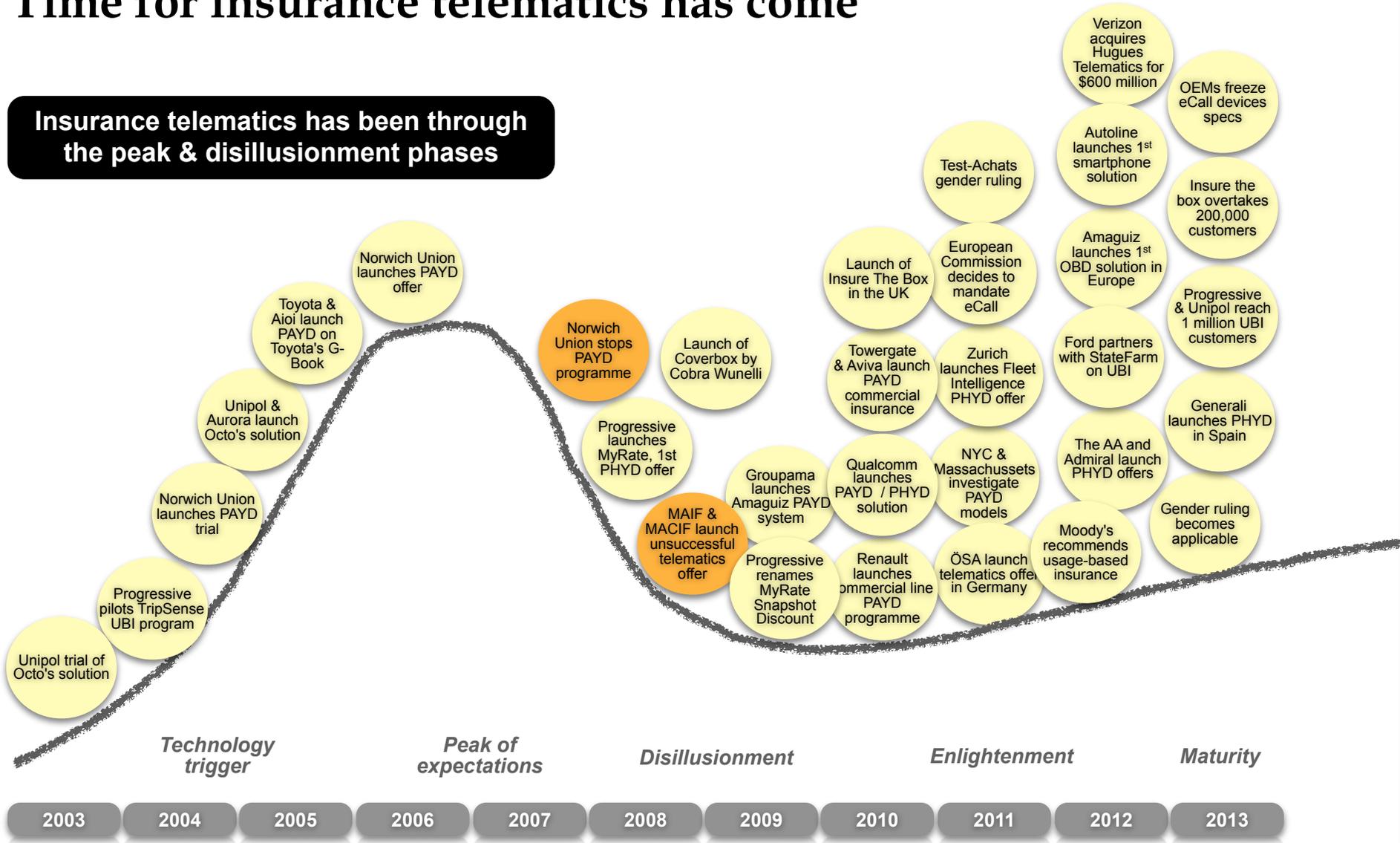


The tsunami* is coming worldwide. Uncertainty is only about time.



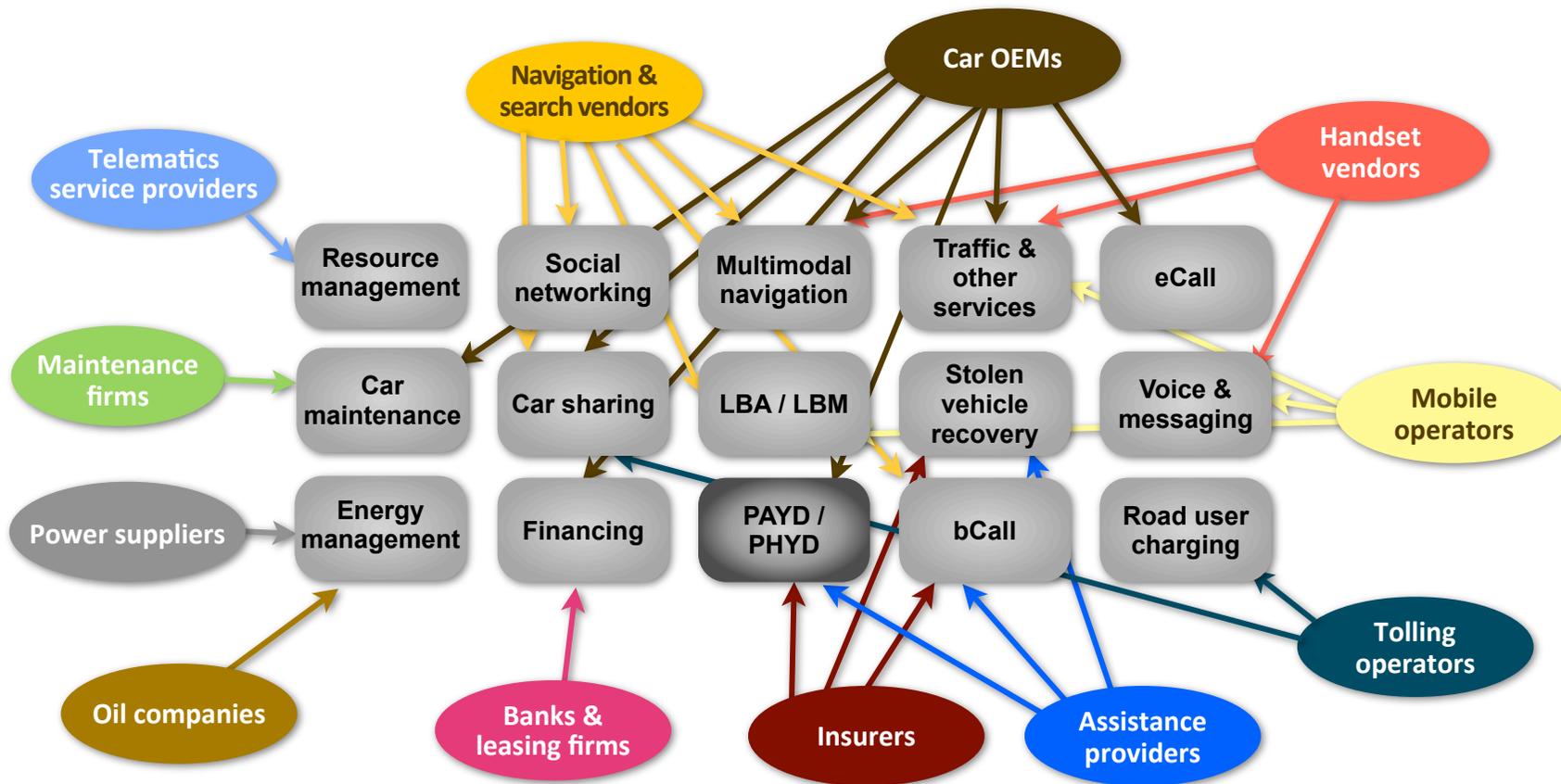
Time for insurance telematics has come

Insurance telematics has been through the peak & disillusionment phases

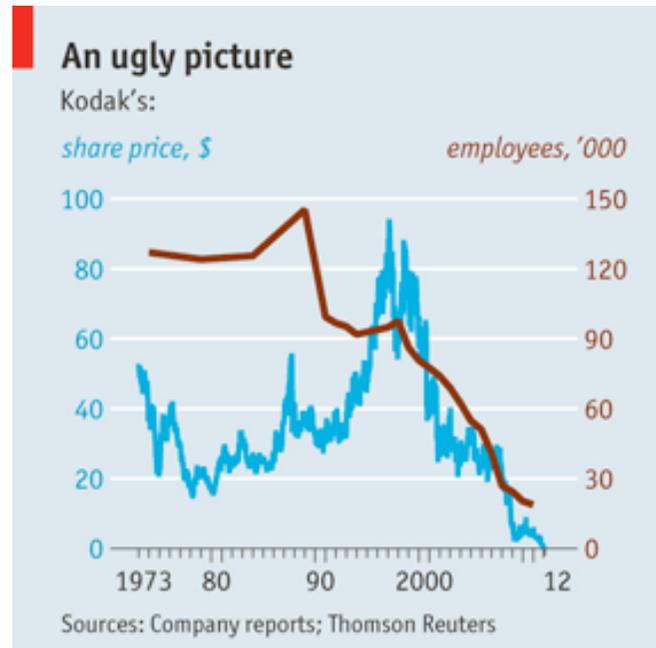


Insurers will not be the only one to offer connected services

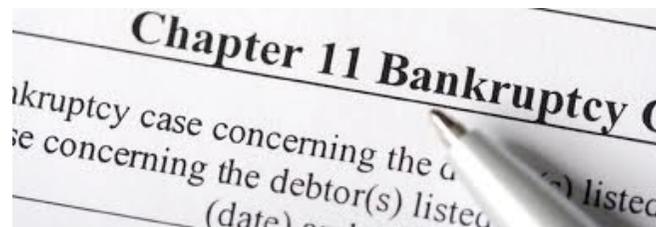
Numerous players will offer connected car services



Do you want to be the Kodak of your industry?

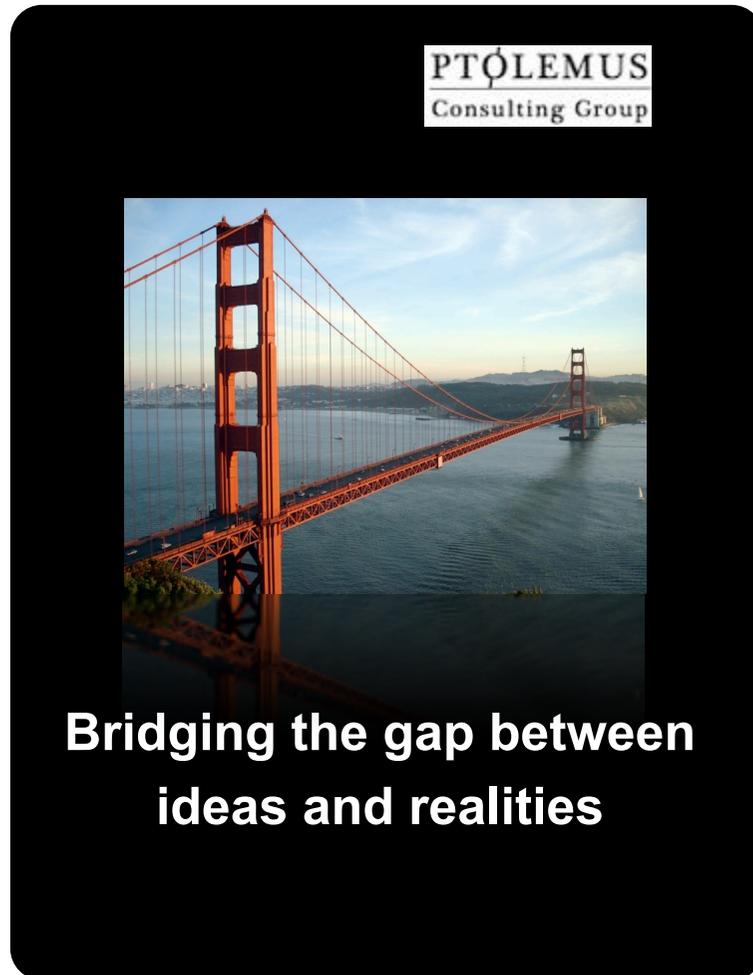


TOO BIG TO FAIL



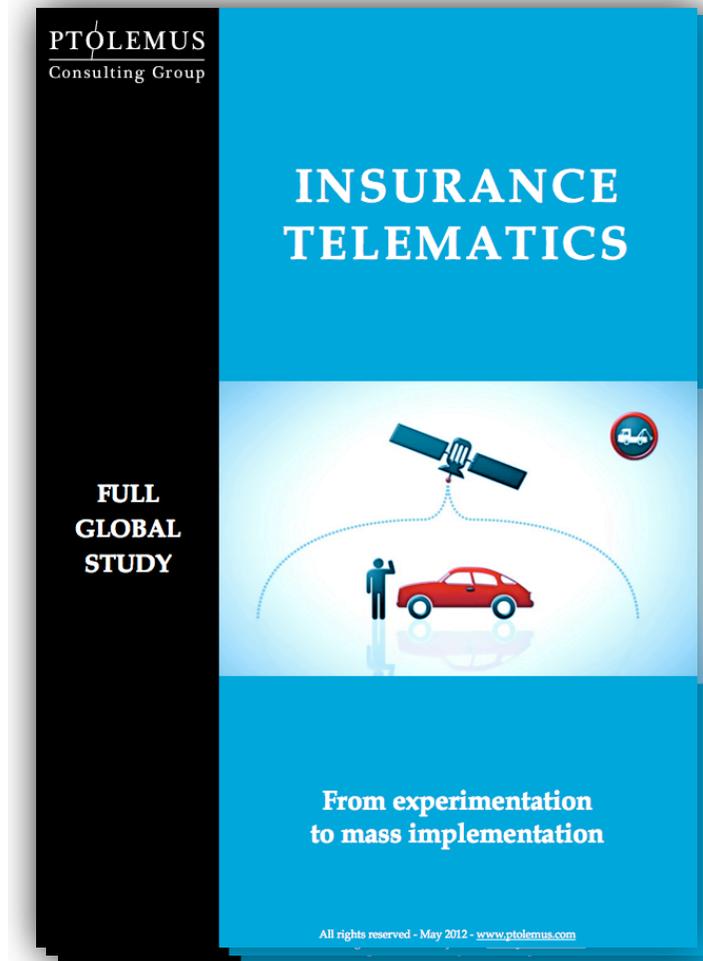
No one can afford ignoring the reinvention process of its own industry...

It is now time for all insurers & OEMs globally to prepare for the upcoming upheaval



- **Insurance telematics has reached its tipping point**
 - Gender ruling and eCall implementation in Europe
 - New technologies & business models
 - Chain reaction in one market after the other
- **This is just the beginning**
 - Panic will start with mass self-selection
- **OEMs can make their eCall business plan from insurance telematics**
- **For auto insurers, this is about mid-term survival**

Do react, now...



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