Berenberg Telematics Conference
Telematics and insurance: building optionality for the future

London, 18 September 2014

Anthony J. Bradshaw, General Manager Allianz Italy
Agenda

1. Basic ideas
2. Case study Allianz Italy
3. Q&A
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2. Case study Allianz Italy
3. Q&A
Basic ideas: setting the scene…

- Good idea, or good business idea?
- Motor insurance: the 3 or 4 strategic trends
- New players, new competitors, new customers
- Insurance-plus-telematics, or telematics-plus-insurance?
- Where do you optimise, at the propriety solution level, or at the sector level?
- Not everyone is convinced. Who is right?
Market definition: Various entities have interest in development of Telematics-enabled services

**Political institutions**
- Road safety / fatalities
- Environment
- Traffic management

**OEMs**
- Remote diagnostics
- Quality control
- Customer relationship
- New revenue streams

**Insurance companies**
- Better risk selection, pricing
- Reduced claims costs
- Relationship with client, client retention
- Product design

**Technology company**
- New market opportunity
- Revenue streams

**Fleet arrangements**
- New charging structures
- Better asset management
- New services + revenues

New player: Telematics Service Providers (TSP)

Services provided by TSPs
- Receive data from vehicle and match with customer details
- Provide call centers for emergency and breakdown calls
- Route calls to emergency services and providers of roadside assistance
- Data services and analysis for their client (eg OEMs)
Players Strategy

OEMs

- Prepare for eCall and other regulation
- Provide in-car services, e.g. infotainment, assistance, ..
- Use TMX as remote diagnostics and maintenance tool
- Seek to sell data to 3rd parties, i.e. insurance companies

OEMs’ suppliers (e.g. Continental/VDO, Bosch)

- Provide line-fitted hardware (OBU)
- Extend content to management and provision of services
- Extend infrastructure to provision of service platform
- Enter the aftermarket business including installation

Insurers (Progressive Allstate, Unipol, AVIVA, etc.)

- Increase profitability from insurance portfolio
  - improved risk portfolio
  - improved customer relationship and retention
- Increase revenues through additional services

Telematics Service Providers (e.g. Octo Telematics)

- Sell services to insurers, OEMs and fleets
- Act as data provider

Data processors

- Some companies position themselves as providers for data analysis for risk selection

Telecom operators (Vodafone, Telefonica, T-mobile))

- Provide telecommunication services (mainly machine-to-machine)
- Extend range and revenues by moving upstream in value chain
- Provide additional offer and content to OEMs: billing, CRM

Technology companies (e.g. Intel / Google)

- Enter automotive business: sell internet car services to OEMs and end consumers
- Exploit value of customer data, sell data insights
- Participation in automotive technology innovation
  - Google built own autonomous driving
  - investment fund to accelerate adoption of new technology and services

Telematics encompasses:
- connected car
- emergency call & Assistance
- location-based services
- location/context based advertising
- “pay per use” insurance
- fleet/car management

Solutions:
- embedded box, line or retro-fitted
- self-installed box (OBD)
  - with full connectivity and data acquisition
  - or trimmed down data logger, blue tooth only (needs smart phone for connectivity)
- smartphone-based solutions: stand alone or combined with one of the above

Points of interest when considering market definition
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How we saw the world in May 2005…

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**New player: Telematics Service Providers (TSP)**
... and what we see right now...
Our experience to date:

- Great customer stories
- Better lapse rates
- Better cross-selling rates
- Size of addressable market larger than expected

But:

- implementation is trickier than expected
- depending on business model, new business strain needs to be managed
- don’t retrocede all the economic upside
Events managed in 2014 (data as of 31/8/2014):

1.642 car accidents with support
6,217 breakdowns with support
34,000 general requests for assistance or information (through bCall button)
614 real thefts managed (avg. 51.6% recovery)
700 Stolen Vehicle Trackings launched

Case #1    Stroke while driving at night, with incapacity to speak. Vehicle geolocalized from remote and ambulance sent. Customer hospitalized and saved (June 2014)
Case #2    Customer’s car runs over a pedestrian. Immediate request for medical assistance to the injured. Pedestrian saved (June 2014)
Case #3    Unexpected activation of car’s air-bags while driving. Customer injured requesting immediate assistance (June 2014)
Case #4    Car overturned in a drain, under water. Customer injured and blocked inside. Sent fire brigade, ambulance and tow truck with crane for the recovery of the car (May 2014)
Case #5    Theft at home. Car stolen with keyless at night. Vehicle found in 15 minutes (June 2014)
Case #6    Theft with chase, constant tracking of the vehicle. Car recovered and thieves jailed (March 2014)
Case #7    Armed robbery of car whilst stopped at the traffic light. Tracking launched, police sent. Car recovered (April 2014)

NPS as of 06/2014: 62.8% (vs NPS traditional products: 52.8%)
Good business idea…?

Vehicles on Platform (’000)
AZ Italy

TMX products growth…
…with sound lapse rate…
…and loss ratio neutral

Strong increase in last 24 months

Lapse rate (%)

NB L/R and Frequency (%)*

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<tr>
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<th>Frequency</th>
<th>Loss Ratio</th>
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<tr>
<td>Traditional</td>
<td>-35%</td>
<td>0%</td>
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<tr>
<td>TMX</td>
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<tr>
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<td>TMX</td>
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* H1-2013

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<th>TMX MTPL</th>
<th>TMX Road Assistance</th>
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<td>8/2012</td>
<td>8/2014</td>
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3-Y CAGR +98%
Competitive forces and opportunities

Traditional AZ Italy products
- Post code
- Bonus Malus level
- Age of Driver
- Cylinder Capacity
- Type of Fuel
- Policy limit
- Make/Model
- ...
How much risk discrimination do you obtain?

Impact on top of the “traditional” rating factors impact

Variable 1

Variable 2

Variable 3

Variable 4
In an “insurance-only” world, the addressable market is significant.
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