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
1 Basic ideas
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

**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)

**New player: Telematics Service Providers (TSP)**

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

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

May 2005
### Players

<table>
<thead>
<tr>
<th>Players</th>
<th>Strategy</th>
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<tbody>
<tr>
<td>• OEMs</td>
<td>• Prepare for eCall and other regulation</td>
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<td></td>
<td>• Provide in-car services, e.g. infotainment, assistance, ..</td>
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<td>• Use TMX as remote diagnostics and maintenance tool</td>
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<td>• Seek to sell data to 3rd parties, i.e. insurance companies</td>
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<td>• OEMs’ suppliers (e.g. Continental/VDO, Bosch)</td>
<td>• Provide line-fitted hardware (OBU)</td>
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<td>• Extend content to management and provision of services</td>
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<td>• Extend infrastructure to provision of service platform</td>
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<td>• Enter the aftermarket business including installation</td>
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<td>• Insurers (Progressive Allstate, Unipol, AVIVA, etc.)</td>
<td>• Increase profitability from insurance portfolio</td>
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<tr>
<td></td>
<td>- improved risk portfolio</td>
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<tr>
<td></td>
<td>- improved customer relationship and retention</td>
</tr>
<tr>
<td></td>
<td>• Increase revenues through additional services</td>
</tr>
<tr>
<td>• Telematics Service Providers (e.g. Octo Telematics)</td>
<td>• Sell services to insurers, OEMs and fleets</td>
</tr>
<tr>
<td></td>
<td>• Act as data provider</td>
</tr>
<tr>
<td>• Data processors</td>
<td>• Some companies position themselves as providers for data analysis for risk selection</td>
</tr>
<tr>
<td>• Telecom operators (Vodafone, Telefonica, T-mobile))</td>
<td>• Provide telecommunication services (mainly machine-to-machine)</td>
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<td></td>
<td>• Extend range and revenues by moving upstream in value chain</td>
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<td></td>
<td>• Provide additional offer and content to OEMs: billing, CRM</td>
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<tr>
<td>• Technology companies (e.g. Intel / Google)</td>
<td>• Enter automotive business: sell internet car services to OEMs and end consumers</td>
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<td>• Exploit value of customer data, sell data insights</td>
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<td></td>
<td>• Participation in automotive technology innovation</td>
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<td></td>
<td>- Google built own autonomous driving</td>
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<tr>
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<td>- investment fund to accelerate adoption of new technology and services</td>
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</tbody>
</table>

### 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 retrofit
- self-installed box (OBD) - with full connectivity and data acquisition
  - or trimmed down data logger, blue tooth only (needs smartphone for connectivity)
- smartphone-based solutions: stand alone or combined with one of the above

### Points of interest when considering market definition

- **Telematics encompasses:**
  - connected car
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How we saw the world in May 2005...

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**New player: Telematics Service Providers (TSP)**

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... 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
The most important slide…

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

NPS as of 06/2014: 62.8% (vs NPS traditional products: 52.8%)

Case #1 Stroke while driving at night, with incapacity to speak. Vehicle geo-localized 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)
Good business idea… ?

Vehicles on Platform (‘000)
AZ Italy

<table>
<thead>
<tr>
<th>Year</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>8M2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-Y CAGR</td>
<td>+98%</td>
<td></td>
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- TMX MTPL
- TMX Road Assistance

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

Strong increase in last 24 months

Lapse rate (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>TMX Traditional</th>
<th>TMX Road Assistance</th>
</tr>
</thead>
<tbody>
<tr>
<td>8/2012</td>
<td>+283%</td>
<td>+104%</td>
</tr>
<tr>
<td>8/2014</td>
<td>-29%</td>
<td></td>
</tr>
</tbody>
</table>

NB L/R and Frequency (%)*

<table>
<thead>
<tr>
<th>Type</th>
<th>Frequency</th>
<th>Loss Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal Traditional</td>
<td>-35%</td>
<td>0%</td>
</tr>
<tr>
<td>Normal TMX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TMX Traditional</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TMX Road Assistance</td>
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</tbody>
</table>

* H1-2013
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
- ...

TELEMATICS
1. AZ Italy Sesto Senso KM
   - Kilometers driven
   - TMX-enabled road-side assistance
   - Version 1.0 Retrofitted box
2. UBI
   - Really simple set of variables
   - Version 2.0 “Allie” box
3. New future UBI product
   - Extended set of variables
   - Version 3.0

Launching in 2011

Coming soon...

Next
How much risk discrimination do you obtain?

Impact on top of the “traditional” rating factors impact
In an “insurance-only” world, the addressable market is significant.
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