

Berenberg Telematics Conference

Telematics and insurance:
building optionality for the
future

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Agenda

- 1 Basic ideas
- 2 Case study Allianz Italy
- 3 Q&A

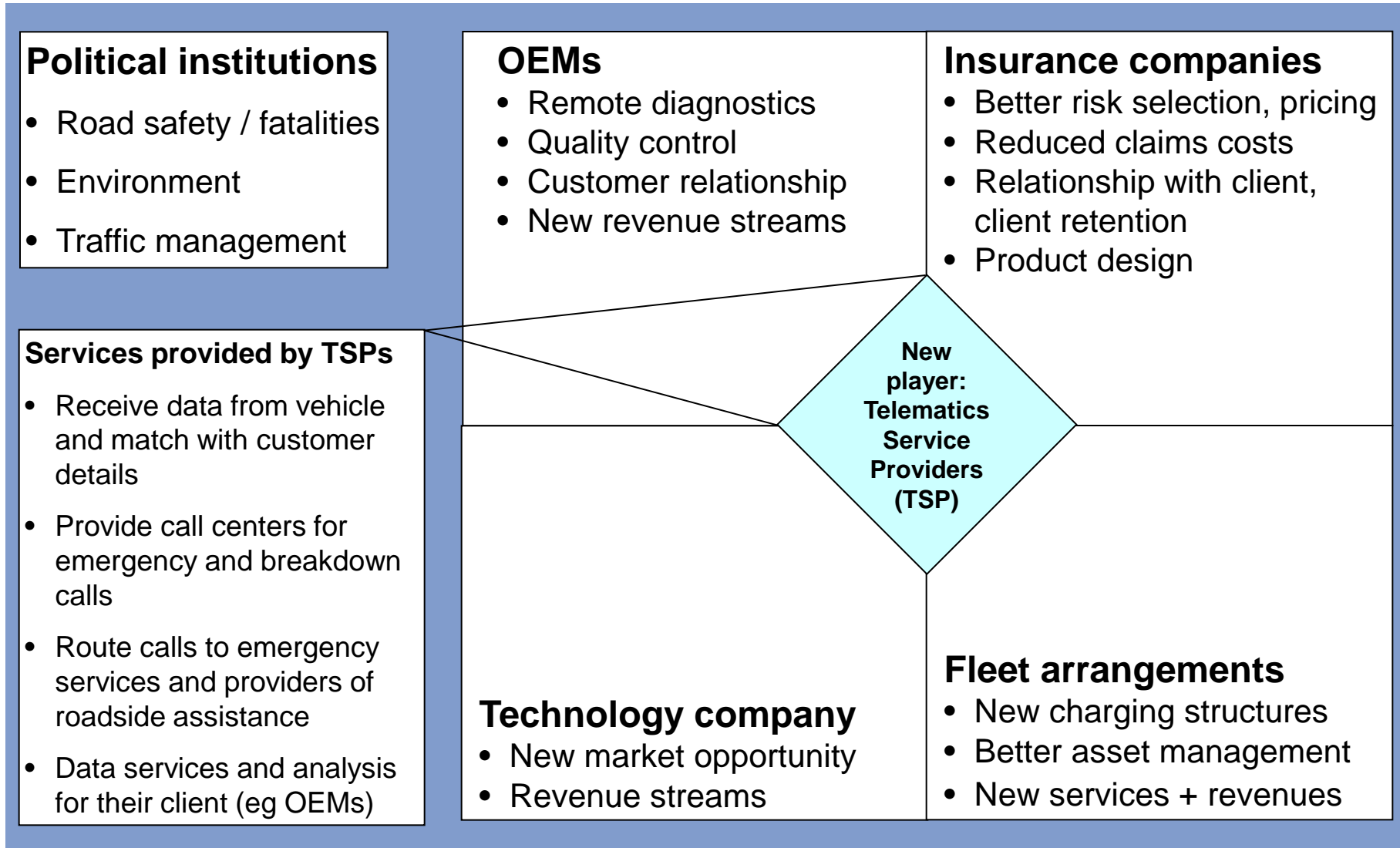
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Basic ideas: setting the scene...

- 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



Points of interest when considering market definition

Telematics encompasses:

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

Solutions:

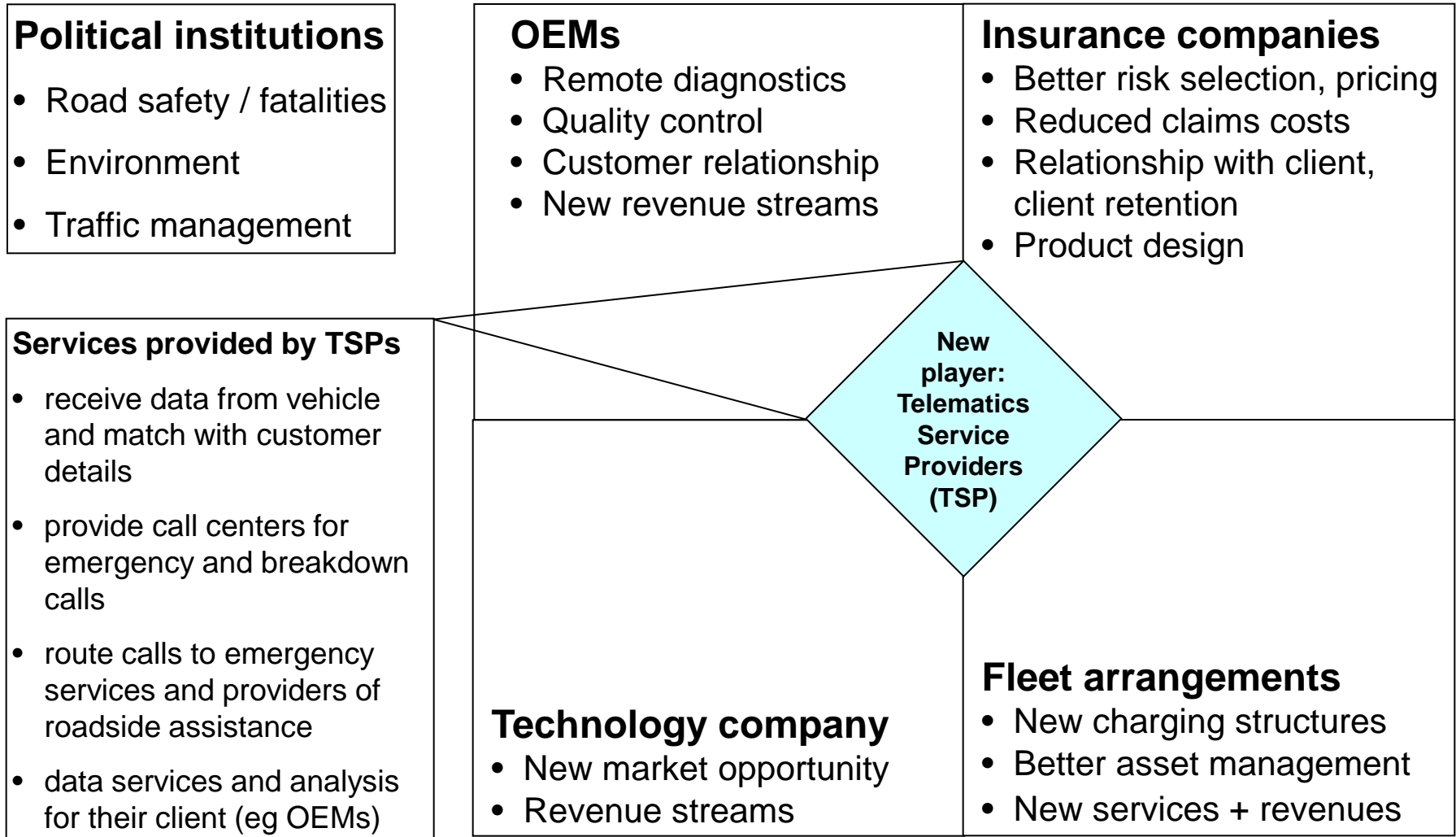
- embedded box, line or retro-fitted
- self-installed box (OBD)
 - with full connectivity and data acquisition
 - or trimmed down data logger, blue tooth only (needs smart phone for connectivity)
- smartphone-based solutions: stand alone or combined with one of the above

Players	Strategy
<ul style="list-style-type: none"> • OEMs 	<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • OEMs' suppliers (e.g. Continental/VDO, Bosch) 	<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Insurers (Progressive Allstate, Unipol, AVIVA, etc.) 	<ul style="list-style-type: none"> • Increase profitability from insurance portfolio <ul style="list-style-type: none"> - improved risk portfolio - improved customer relationship and retention • Increase revenues through additional services
<ul style="list-style-type: none"> • Telematics Service Providers (e.g. Octo Telematics) 	<ul style="list-style-type: none"> • Sell services to insurers, OEMs and fleets • Act as data provider
<ul style="list-style-type: none"> • Data processors 	<ul style="list-style-type: none"> • Some companies position themselves as providers for data analysis for risk selection
<ul style="list-style-type: none"> • Telecom operators (Vodafone, Telefonica, T-mobile)) 	<ul style="list-style-type: none"> • 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
<ul style="list-style-type: none"> • Technology companies (e.g. Intel / Google) 	<ul style="list-style-type: none"> • 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 <ul style="list-style-type: none"> - Google built own autonomous driving - investment fund to accelerate adoption of new technology and services

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How we saw the world in May 2005...



... 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...

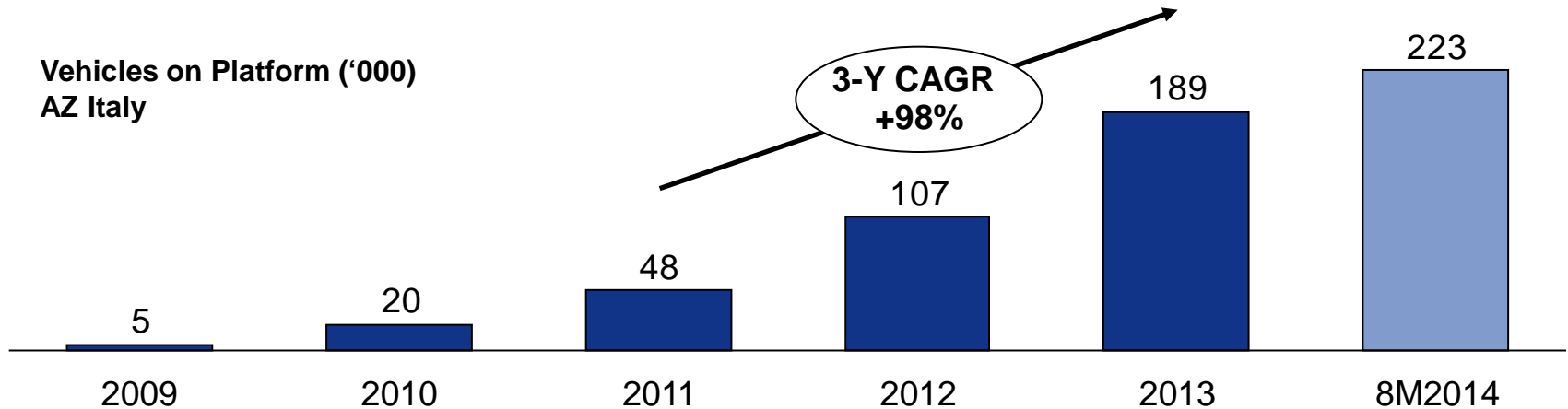
NPS as of 06/2014: 62.8%
 (vs NPS traditional
 products: 52.8%)

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 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... ?

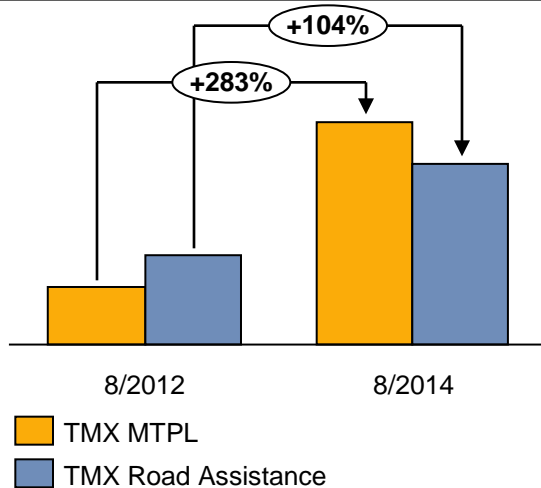


TMX products growth...

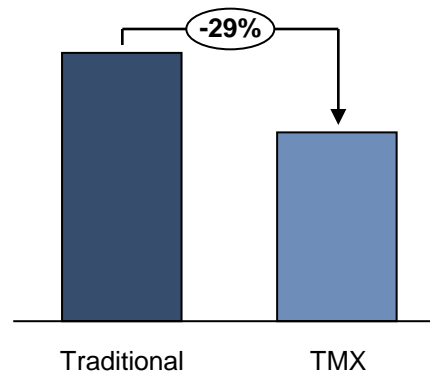
...with sound lapse rate ...

...and loss ratio neutral

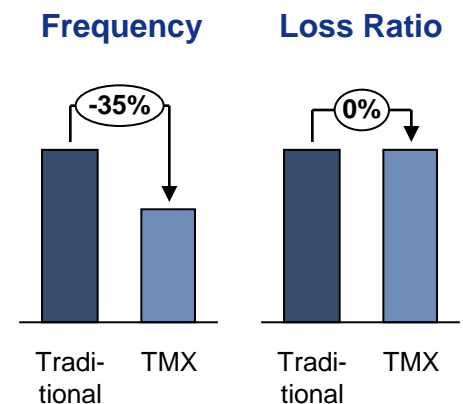
Strong increase in last 24 months



Lapse rate (%)

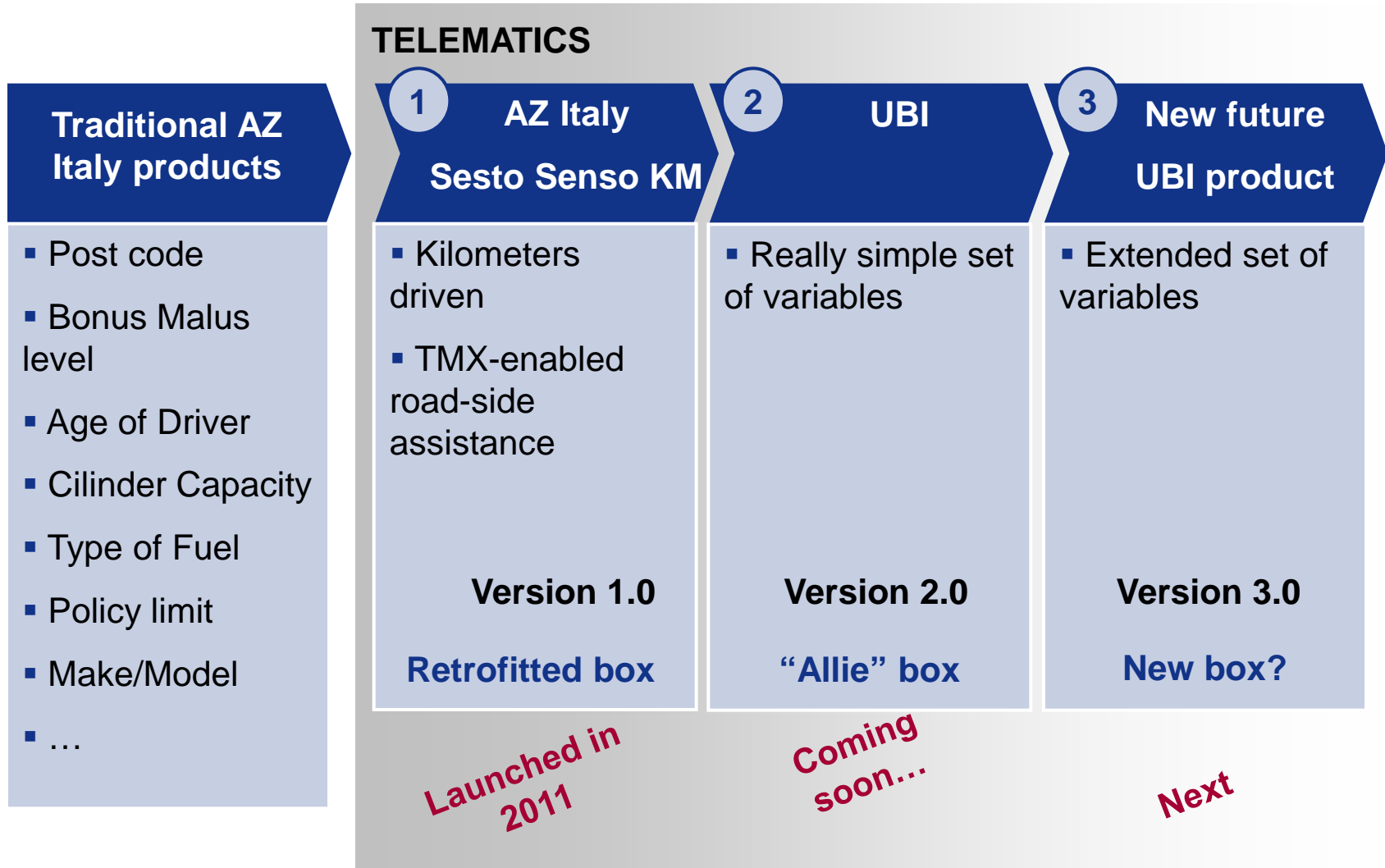


NB L/R and Frequency (%)*



* H1-2013

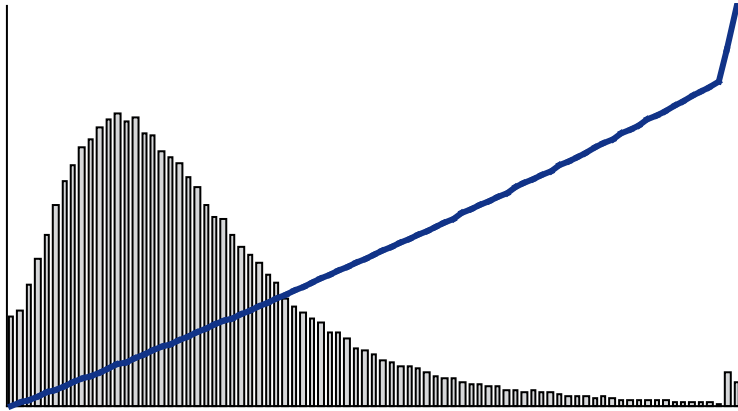
Competitive forces and opportunities



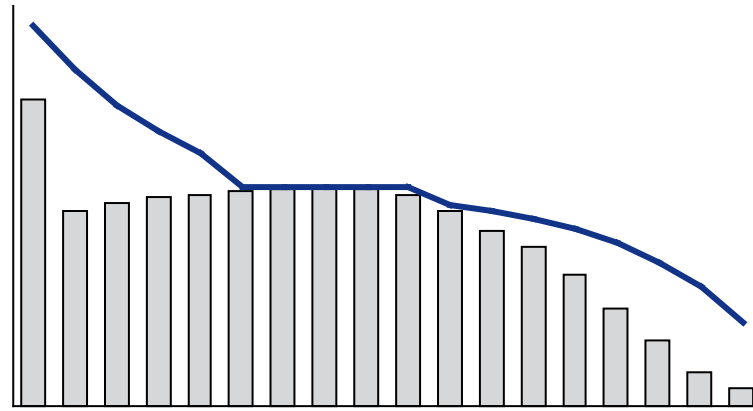
How much risk discrimination do you obtain?

Impact on top of the “traditional” rating factors impact

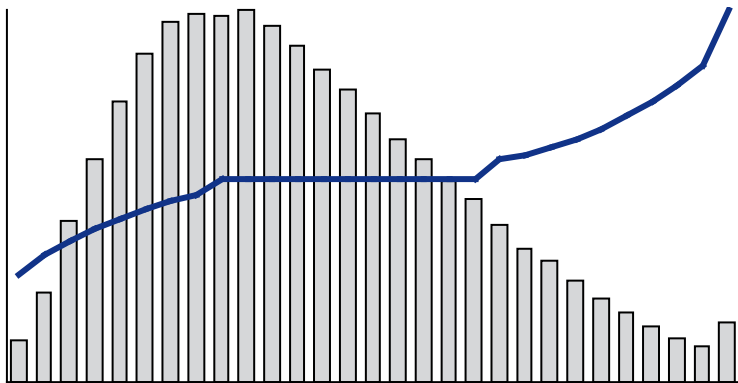
— Risk Premium Relativities
 █ Policies (%)



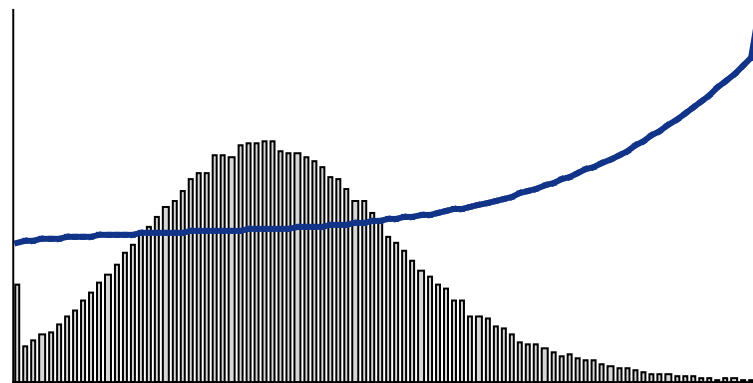
Variable 1



Variable 2

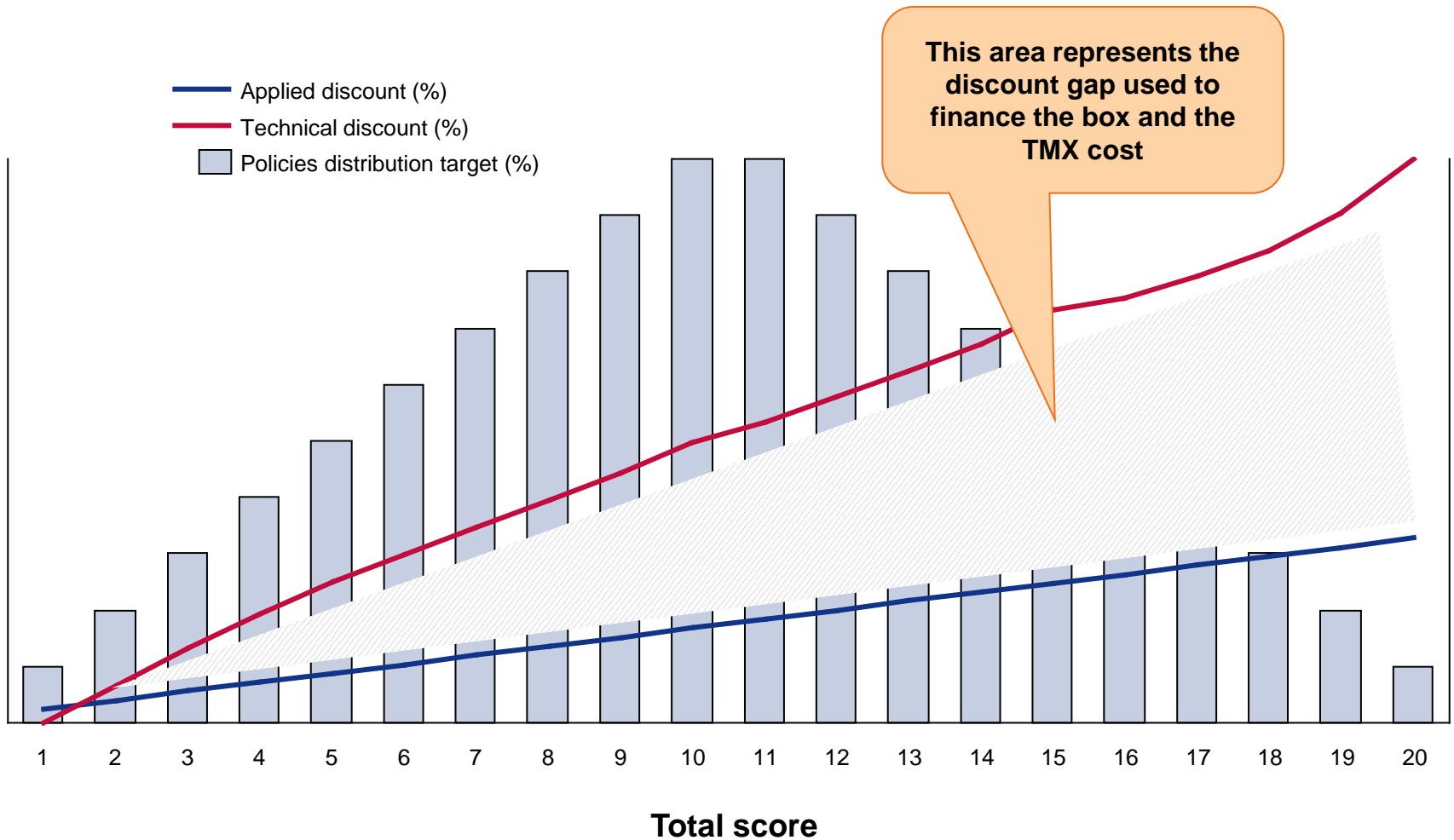


Variable 3



Variable 4

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



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