Insurance Telematics in Europe and North America

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- **In-depth analysis** of market trends and key developments.
- **Case studies** of more than 30 insurance telematics initiatives.
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Good times ahead for the insurance telematics market

The integration of telematics technology constitutes the latest revolution for the automotive insurance industry. The concept of telematics is a portmanteau of telecommunications – long-distance communication – and informatics – the science of information. Telematics in general thus refers to the collection of information related to remote objects such as vehicles via telecommunication networks. The introduction of telematics technology in the context of automotive insurance is commonly referred to as usage-based insurance (UBI) or insurance telematics. Solutions of this type generally enable automotive insurers to improve pricing mechanisms based on actual driving data, gain better control of claims and differentiate their offerings to current and prospective policyholders. Variants of insurance telematics which have been popularised over the years include behaviour-based pricing models such as Pay-As-You-Drive (PAYD) and Pay-How-You-Drive (PHYD) as well as the more recent Manage-How-You-Drive (MHYD).

The addressable market for insurance telematics is significant. A total of around 278 million vehicles were in use in EU23+2 in 2011, including over 241 million passenger cars. In North America, an estimated total of around 269 million vehicles were in use in 2012, out of which passenger cars and light trucks are estimated to represent almost 256 million vehicles. Some kind of basic automotive insurance is mandatory in most developed countries and there are moreover a number of subcategories of insurance that provide coverage for different types of unforeseen events involving motor vehicles. Motor gross written premiums in EU23+2 reached a total of over € 124 billion in 2013. The North American auto insurance market is moreover estimated to around € 172 billion annually.

The nascent insurance telematics market is currently in a phase of strong growth which is expected to accelerate in the coming years. Europe and North America so far represent the vast majority of all insurance telematics programs and active policies from an international perspective, and the front-running national markets include the US, Italy and the UK. Berg Insight estimates that the total number of insurance telematics policies in force on the European market reached 4.8 million at the end of 2014. Growing at a compound annual growth rate of 42.4 percent, the number of insurance telematics policies in force in Europe is estimated to reach 28.1 million by 2019. In North America, the total number of insurance telematics policies in force is forecasted to increase from an estimated 4.2 million policies at the end of 2014 to reach 32.5 million policies by 2019, representing a compound annual growth rate of 50.6 percent.

The insurance telematics value chain spans multiple industries. Insurers with notable presence in the insurance telematics market include Progressive, UnipolSai, State Farm, Allstate, Generali, Allianz and Insure The Box. Insurance players can either develop telematics programs independently or rely on partners to varying degrees. Renowned telematics suppliers active in the insurance field for example include Octo Telematics and Cobra Automotive Technologies as well as Intelligent Mechatronic Systems, Baseline Telematics and Scope Technologies. Wunelli, Modus, MyDrive Solutions and DriveFactor are also notable players in the market. Automotive OEMs are increasingly taking an active part in the ecosystem. Examples include BMW, Fiat, Citroën, Renault-Nissan, General Motors and Ford. In addition, mobile operators such as Vodafone, Telefonica, Verizon and Sprint have started offering insurance telematics solutions, commonly working with telematics partners. The insurance telematics market has seen significant M&A activity in recent years, involving diverse players from many parts of the ecosystem. Notable deals in 2014 include Vodafone’s acquisition of Cobra, Renova Group’s purchase of Octo Telematics, ANDIE (MS&AD) which acquired Insure the Box and LexisNexis’ acquisition of Wunelli.

The future market growth is expected to be driven by a number of trends. Differentiated telematics offerings are predicted for a broader range of segments, and insurers are increasingly expected to embrace usage-based pricing as well as claims-related insurance telematics and various value-added services. Key influencers that will boost the market include the proliferation of smartphone-based solutions and the connected car trend which pave the way for mass-market deployments. Positive developments are also expected in the field of data ownership and transferability. Berg Insight anticipates a future scenario where data portability is supported, enabling policyholders to bring their driving data and associated risk scores to a new insurance provider similarly to a credit score.

This report answers the following questions:

- What types of insurance telematics products are offered on the market?
- Which are the leading providers of insurance telematics technology?
- What business models are available for insurers entering the insurance telematics space?
- Which are the most successful insurance telematics programs today?
- How are mobile operators approaching the insurance telematics market?
- How are the vehicle OEMs involved in the ecosystem?
- Which are the major drivers and barriers for insurance telematics adoption?
- Which are the key future trends in the industry?
Executive summary

1 The automotive market
1.1 The automotive market in Europe
1.1.1 Vehicles in use and car parc density
1.1.2 New car registrations and leading manufacturers
1.2 The automotive market in North America
1.2.1 Vehicles in use and car parc density
1.2.2 New car registrations and leading manufacturers
1.3 Automotive insurance
1.3.1 Basic insurance terminology and categorisations
1.3.2 The fundamentals of automotive insurance
1.3.3 Traditional automotive insurance risk rating and pricing criteria
1.3.4 Developments of the actuarial toolbox for motor insurers
1.4 The European automotive insurance market
1.5 The North American automotive insurance market

2 Insurance telematics solutions
2.1 Introduction to insurance telematics
2.1.1 The rationale for telematics-based insurance policy pricing
2.1.2 Brief history of insurance telematics offerings
2.2 Usage-based insurance and related concepts and applications
2.2.1 Manual reporting
2.2.2 Insurance telematics – PAYD, PHYD, MHyD, TBYB
2.2.3 Continuous and time-limited telematics data recording
2.2.4 Usage-based pricing vs. claims-related insurance telematics
2.2.5 Personal lines and commercial lines insurance telematics
2.2.6 Value-added services related to insurance telematics
2.3 Insurance telematics infrastructure
2.3.1 Vehicle segment
2.3.2 Insurer segment
2.3.3 End-user segment
2.3.4 Network segment
2.3.5 GNSS segment
2.4 Business models
2.4.1 In-House development
2.4.2 Leveraging telematics partners
2.4.3 Underwriting without direct client interaction

3 The European insurance telematics market
3.1 Regional market characteristics
3.1.1 Italy
3.1.2 United Kingdom
3.1.3 Rest of Europe
3.2 Insurance telematics case studies
3.2.1 Italian insurer UnipolSai has reached an installed base of 2 million blackboxes
3.2.2 Generali works with Cobra, Octo & Viasat and has 600,000+ telematics policies
3.2.3 Allianz’s dedicated Telematics subsidiary serves several European operations
3.2.4 Insure The Box has sold almost 500,000 blackbox-based policies in the UK
3.2.5 UK-based Ingenie is expanding to North America starting in Ontario
3.2.6 Towergate’s iKube and Fair Pay policies are powered by TomTom Telematics
3.2.7 Marmalade has over 50,000 customers in the UK, signs deal with Trakm8
3.2.8 Direct Line in the UK offers blackbox, OBD and app-based telematics
3.2.9 More Than Smart Wheels is a blackbox-based offering for young UK drivers
3.2.10 UK insurers offer UBI for youths and women powered by Wunell and Quartix
3.2.11 Coverbox was started by Wunell and later divested to DriveStyle
3.2.12 MyDrive customers Autoline and AXA Ireland transition to smartphone UBI
3.2.13 Citroën offers standard-fitted insurance telematics solution powered by Teletrac
3.2.14 BMW’s ConnectedDrive enables UBI powered by Allianz in the UK
3.2.15 German insurer Signal Iduna launches UBI based on TomTom OBD device
3.2.16 R+V’s insurance telematics pilot did not lead to a commercial offering
3.2.17 German UBI pilot launched by Telefónica, Masternaut and Sparkassen
3.2.18 UNIQA SafeLine powered by Dolphin Technologies has a focus on safety
3.2.19 Groupama in France offers PAYD insurance powered by Scope Technologies
3.2.20 Chipin’s Fairzekerings offers OBD-based UBI on the Dutch market
3.2.21 Spanish MAPFRE Group has also launched insurance telematics in the US
3.2.22 RSA’s Codan has launched a TBYB app in Norway powered by The Floo

4 The North American insurance telematics market
4.1 Regional market characteristics
4.1.1 United States
4.1.2 Canada

4.2 Insurance telematics case studies
4.2.1 US-based UBI pioneer Progressive has reached 2.5 million participants
4.2.2 State Farm works with Verizon Telematics, supports GM & Ford OEM systems
4.2.3 Allstate’s Drivewise program is expanded across the US market in 2015
4.2.4 Esurance’s DriveSense and DriveSafe programs are powered by Modus
4.2.5 Desjardins has 70,000 UBI clients, works with fellow Canadian supplier IMETRIK
4.2.6 Industrial Alliance’s early Canadian UBI offer Mobiliz is powered by Baseline
4.2.7 18 insurance customers in North America have chosen MS UBI technology
4.2.8 Metromile offers UBI and VAS for consumers, extends offering to Uber drivers
4.2.9 Telogis has partnered with Travelers and Liberty Mutual for fleet insurance
4.2.10 Sprint’s ecosystem of UBI expert partners includes Agnik, IMS and Modus
4.2.11 True Mileage uses NFC technology, works with Ohio Mutual Insurance Group
4.2.12 VOXX’s Car Connection dongle now also supports insurance telematics

5 Market forecasts and trends
5.1 Market analysis
5.1.1 Insurance telematics policies and penetration in Europe and North America
5.1.2 Form factor developments in Europe and North America
5.2 Value chain analysis
5.2.1 Insurance industry players
5.2.2 Telematics industry players
5.2.3 Automotive industry players
5.2.4 Telecom industry players
5.2.5 IT industry players
5.2.6 Mergers and acquisitions in the insurance telematics space
5.3 Market drivers and barriers
5.3.1 Macroeconomic environment
5.3.2 Regulatory environment
5.3.3 Competitive environment
5.3.4 Technology environment
5.4 Future industry trends
5.4.1 Continued broadening of the insurance telematics concept is expected
5.4.2 Insurers will embrace both UBI and claims-related insurance telematics
5.4.3 Form factor shift to favour mobile devices in the medium term
5.4.4 Connected cars pave the way for mass-marketisation of insurance telematics
5.4.5 Privacy concerns are softening across customer segments
5.4.6 Big Data: Ownership and portability of telematics data to be scrutinised
5.4.7 Commercial applications to grow alongside personal lines insurance telematics
5.4.8 Special cases such as ridesharing demand its own UBI products
5.4.9 Autonomous cars after the playing field for motor insurance

6 Company profiles and strategies
6.1 Agnik
6.2 Baseline Telematics
6.3 CalAmp
6.4 Cobra Automotive Technologies (Vodafone Automotive)
6.5 Ctrack (DigiCore)
6.6 Dolphin Technologies
6.7 DriveFactor
6.8 DriveProfiler (Scope Technologies)
6.9 Geotab
6.10 HIMEX/Evogi (Quindell)
6.11 IMETRIK Global
6.12 Intelligent Mechatronic Systems
6.13 Masternaut
6.14 Modus
6.15 MyDrive Solutions
6.16 Octo Telematics
6.17 Quartix
6.18 Telesic
6.19 Telogis
6.20 TomTom Telematics
6.21 Towers Watson
6.22 TRACKER
6.23 Trakm8
6.24 Verisk Analytics
6.25 Wunell (LexisNexis)

Glossary
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