

# Insurance Telematics in Europe and North America



**Insurance Telematics in Europe and North America** is a comprehensive strategy report from Berg Insight analysing the latest developments on the insurance telematics market.

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## **Highlights from this report:**

- **Insights** from 30 new executive interviews with market leading companies.
- **Comprehensive overview** of the insurance telematics value chain and key applications.
- **In-depth analysis** of market trends and key developments.
- **Case studies** of more than 30 insurance telematics initiatives.
- **Summary** of the involvement of vehicle OEMs and mobile operators.
- **New data** on vehicle populations in Europe and North America.
- **Market forecasts** lasting until 2019.



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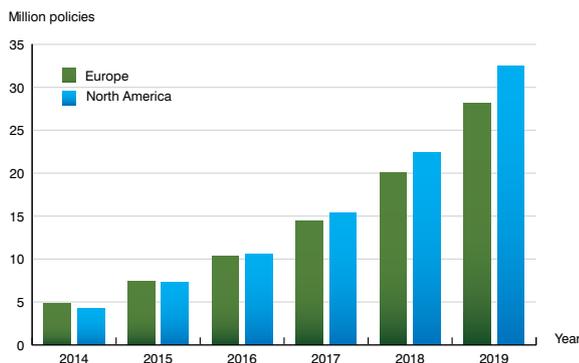


## Good times ahead for the insurance telematics market

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. ►



Insurance telematics policies in force (Europe and North America 2014–2019)

► 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, Telefónica, 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?

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**Glossary**

# About the Author



**Rickard Andersson** is a Senior Analyst with a Master's degree in Industrial Engineering and Management from Chalmers University of Technology. He joined Berg Insight in 2010 and his areas of expertise include car telematics, fleet management and location-based services.

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