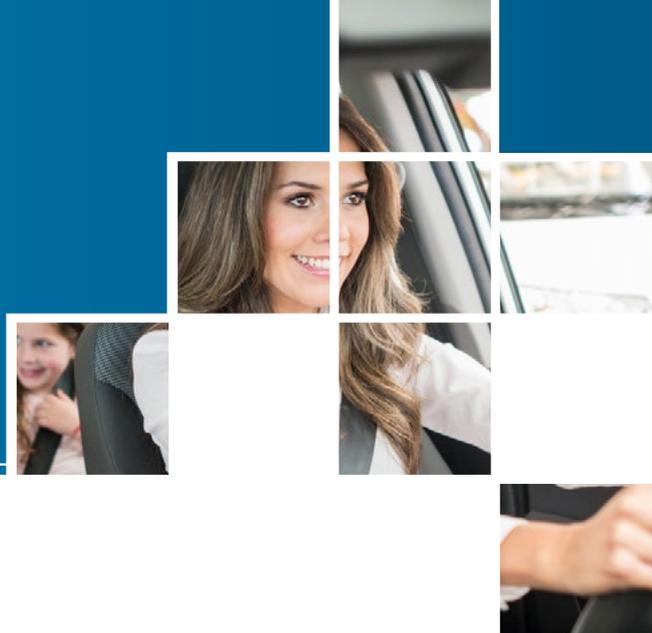


Insurance Telematics in Europe and North America



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

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- **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 40 insurance telematics initiatives.
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How will the insurance telematics markets develop in Europe and North America?

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), Pay-How-You-Drive (PHYD) and Manage-How-You-Drive (MHYD).

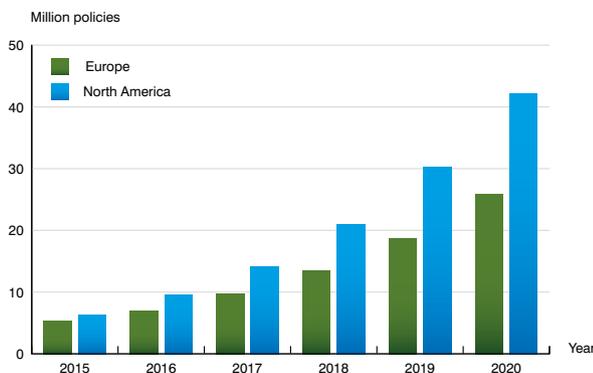
The addressable market for insurance telematics is significant. A total of around 282 million vehicles were in use in EU23+2 in 2014, including over 246 million passenger cars. In North America, an estimated total of around 276 million vehicles were in use in 2014, out of which passenger cars and light trucks are estimated to represent almost 263 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 € 125 billion in 2014. The equivalent number for North America was US\$ 215 billion (€ 162 billion) in 2014.

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 programmes 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 5.3 million at the end of 2015. Growing at a compound annual growth rate of 37.2 percent, the number of insurance telematics policies in force in Europe is estimated to reach 25.8 million by 2020. In North America, the total number of insurance

► telematics policies in force is forecasted to increase from an estimated 6.3 million policies at the end of 2015 to reach 42.1 million policies by 2020, representing a compound annual growth rate of 45.8 percent.

The market penetration of UBI in Canada has previously been considerably lower than in the US. However, the number of telematics-based auto insurance policies in Canada has seen tremendous growth during the past year and is now estimated at 450,000. In the US, the top three insurers in terms of UBI policies have all introduced or announced plans to launch smartphone-based solutions to supplement or replace the previously used OBD dongles. The European insurance telematics market is still dominated by insurers in Italy and the UK, with an estimated 4.3 million and 540,000 policies respectively. Uptake on all other markets are considerably lower, with between 50,000 and 100,000 policies in Spain, Austria and France, and between 10,000–20,000 policies in Benelux, Switzerland, Scandinavia and Germany.

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, Intact and Insure The Box. Insurance players can either develop telematics programmes independently or rely on partners to varying degrees. Renowned telematics suppliers active in the insurance field for example include Octo Telematics, Vodafone Automotive and LexisNexis Risk Solutions. Intelligent Mechatronic Systems, Cambridge Mobile Telematics, The Floop, Modus, Baseline Telematics and DriveFactor are also notable players on the market. Automotive OEMs are increasingly taking an active part in the ecosystem. Examples include General Motors, Ford, Renault-Nissan, BMW, Daimler and Fiat. In addition, mobile operators such as Vodafone, Telefónica, Verizon and Sprint are 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. In 2015, Generali Group acquired the UK start-up MyDrive Solutions and in early 2016 the Canadian insurance company Intact made an investment in San Francisco-based Metromile.



Insurance telematics policies in force
(Europe and North America 2015–2020)

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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