

# Ania

Associazione Nazionale  
fra le Imprese Assicuratrici

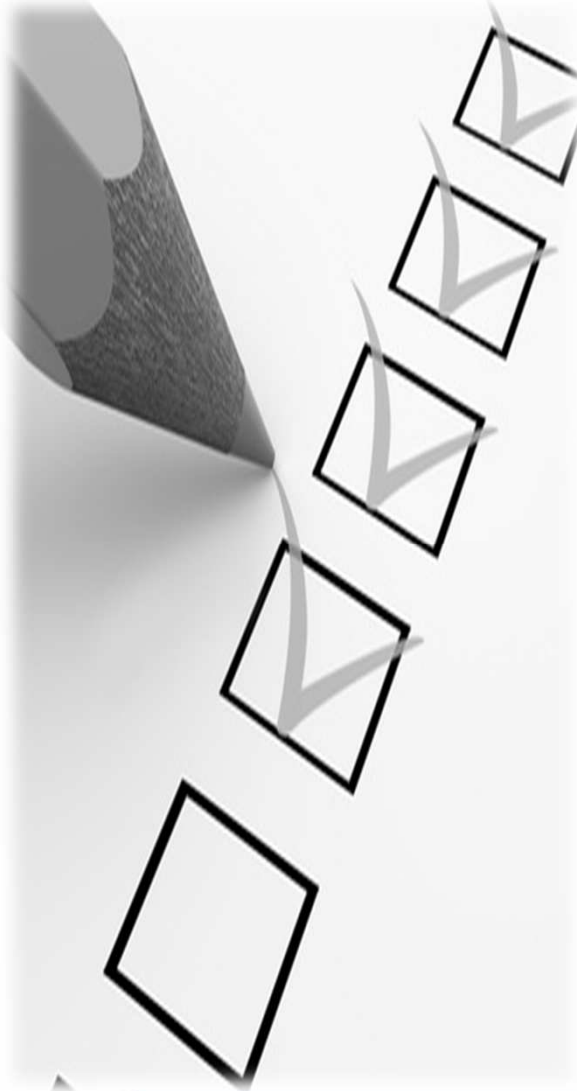
## Observatory on Telematics, Connected Insurance & Innovation

Matteo Carbone

Principal, Bain

Founder and Responsible of the Connected Insurance Observatory

# The Observatory



- **Data provided by Internet of Things** represent an extraordinary opportunity for Companies in order to:
  - Improve risk selection
  - Innovate pricing definition processes
  - Sell additional services (following to the de-risking process on several lines)
  - Move from just paying claims to a more proactive role, fundamental element for profitability improvements
  - Engage customers (enhance communication frequency and value)
- **The approach has been concretely used** (in Italy but also within other markets) **in car insurance business** (black box)
- **Italian insurance market, pioneer in motor business:**
  - Has a relevant experience either in terms of penetration (~16% penetration) or in defining the approach to the market
  - Is going into the next innovation wave with home (>60.000 insurance contracts with a gateway and sensors) and health telematics offering definition
- **Telematics, Connected Insurance & Innovation Observatory** is aimed at spreading innovation culture over the insurance market with the associates, allowing them to get a great opportunity

# We created an unique think tank for the insurance sector

**BAIN & COMPANY**  **Ania**  
Associazione Nazionale  
fra le Imprese Assicuratrici



**OSSERVATORIO  
CONNECTED  
INSURANCE**

## Insurers

30 Insurers part of  
Insurance Groups  
representing 66% of the  
P&C Italian insurance  
market

**30**

## Reinsurers

3 primary International  
Reinsures

**3**



**More than 45 international players joined this first edition of the Observatory**

## Joined the top European Insurance Groups

- Generali Group and Europ Assistance
- Gruppo Poste Vita
- Axa Group
- Allianz Global Assistance
- Gruppo Reale Mutua
- Groupama
- Sara
- Credit Agricole Assurance
- Swiss Re
- Munich Re
- RGA
- Helvetia
- HDI
- ITAS
- RBM Salute
- Ageas
- IMA
- Aviva
- Cardif
- AIOI NISSAY  
DOWA
- ACE
- Filo Diretto
- La Parisienne

# We started from the Italian insurance telematics experience...

## Black-box

4,8 Millions of insurance black boxes fitted in the cars are going around Italy any day

4,8

## Penetration

Telematics represent 16% of the auto insurance contracts sold and renewed at Q4 '15

16%

## Best practice

One of the main Italian insurance Groups reached a penetration greater than 40% on his auto insurance portfolio

>40%

## Insurers

26 Insurers are offering a motor third part liability cover telematics based on the Italian market

26

65%

**NOW!**

65% of the Insurers at the Connected Insurance Observatory have already seen a material impact of telematics on the Italian auto insurance market

Source: Bain estimations based on "Observatory on telematics, connected insurance & innovation" data

# ...an unique experience worldwide

ITALY



US



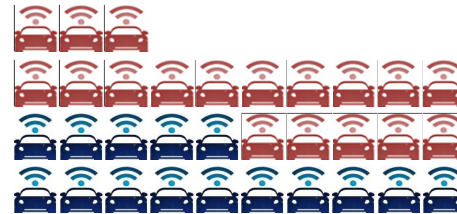
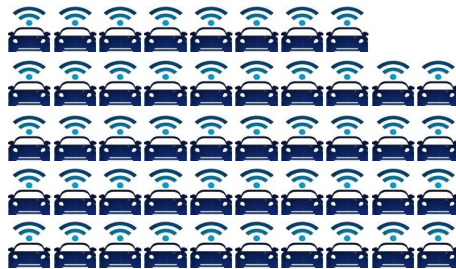
UK



2012



2015



**4,8 M connected cars on'15**

**3,3 M connected cars on'15**

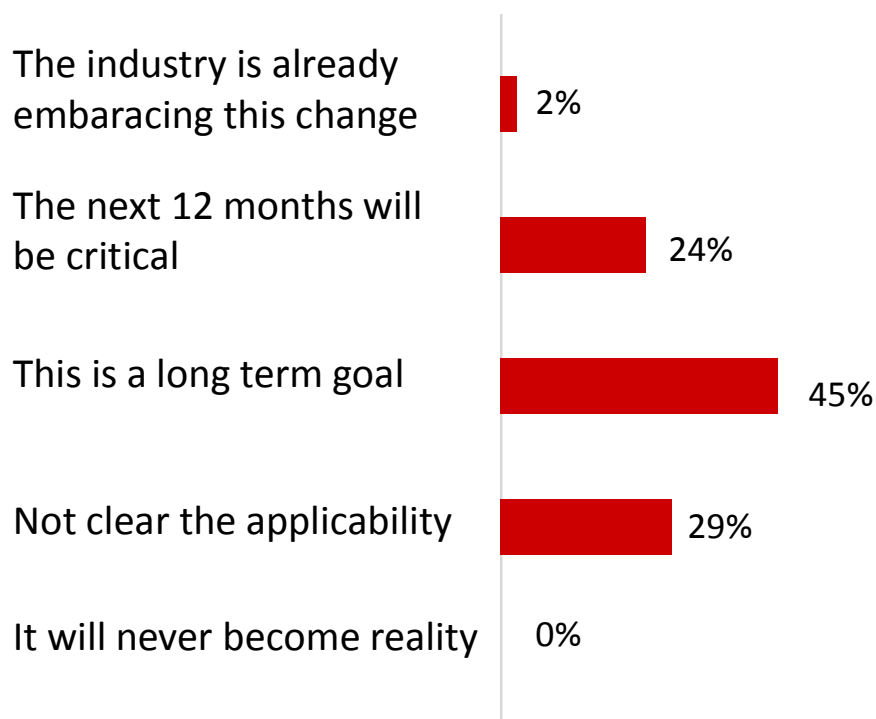
**0,6 M connected cars on'15**

Source: Connected Insurance Observatory estimates

# Italian Market is starting the insurance IoT adoption (survey to the Insurers joined the Connected Insurance Observatory)



***Where do you think the sector is so far in the race towards IoT implementation?  
(business lines different from auto insurance)***



- 5 HOME INSURANCE TELEMATICS PRODUCTS ALREADY EXISTING AND 3+ ONGOING PILOTS
- 2 HEALTH INSURANCE TELEMATICS PRODUCT ALREADY EXISTING AND 3+ ONGOING PILOTS

Source: Connected Insurance Observatory

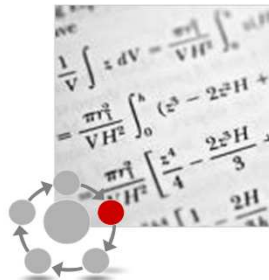
We strongly believe that the **successful experience** on motor telematics can be **extended to other business lines**

## Value creation levers

**Risk selection**



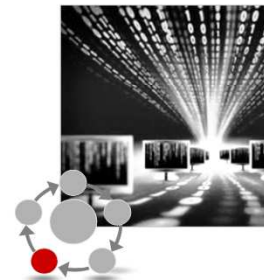
**Risk-based pricing**



**Value-added services**



**Loss Control**



**Loyalty and behavioral steering**



## Product area



**Motor...**



But also **Home...**



**Health...**



**Life...**



**Industrial risks**



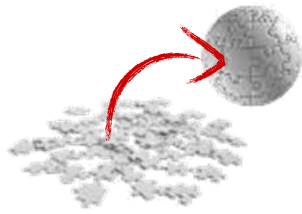
## Connected insurance:

any insurance solution based  
on sensors for collecting data on the  
state of an insured risk  
and telematics for remote transmission  
and management of the data collected



# The goal of the Observatory is to spread the innovation culture over the insurance market

## Objectives



Rationalize the knowledge and represent the state of the art innovation

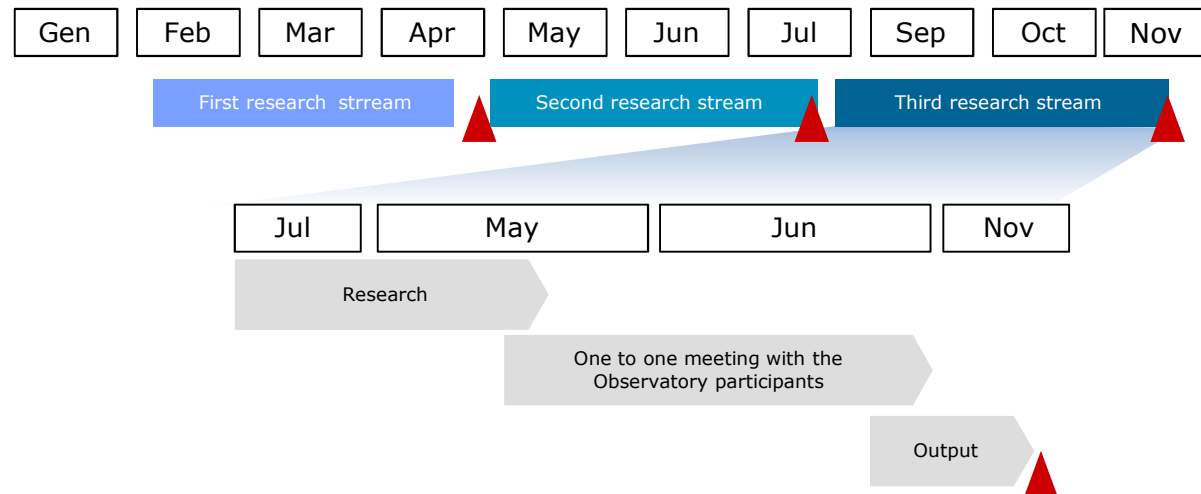


Give a critical reading of the key trends and spread the culture of innovation



Stimulate the discussion on the key challenges common across the industry

## Activity plan

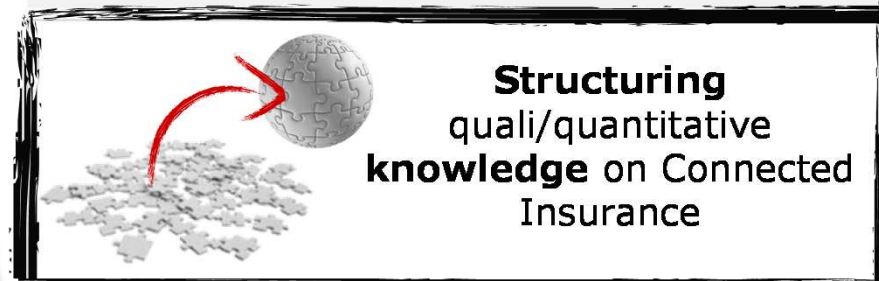


# The Observatory is available to share with Connected Insurance's Stakeholders an innovative think tank

## Observatory's topics

1. Collection of **quantitative evidences** concerning connected insurance sector in the Italian market
2. **Consumer Research** and activities focused on **commercial mystery shopping**
3. Best practice analysis with market **benchmark** and international **innovation scouting**
4. **Three collegial events** in order to share with Observatory's Stakeholders ideas and experiences on connected insurance
5. **1to1 deep dive meetings with each Company** on Observatory's topics

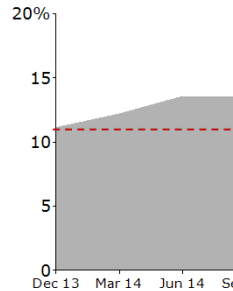
## Objectives





# Rationalize the knowledge and represent the state of the art innovation

## Insurance telematics is growing

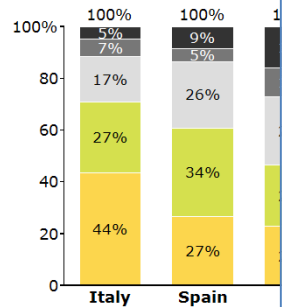


Note: Cars personal line (not included motorcycle, boats, t...  
Source: Bain elaboration on "Clause sulla Black-Box: tre connected insurance & innovation"

Ania BAIN & COMPANY

## Telematics Customer acceptance

*How likely would you be willing to agree to have a Blackbox fitted in your car or a driving app on your smartphone tracking position and driving behaviors in order to receive services and a discount on your auto insurance premium?*



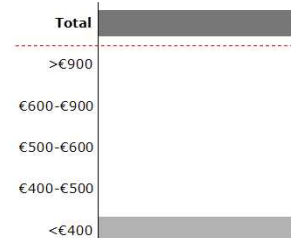
Source: Connected Insurance Observatory, Bain, SSI

Ania BAIN & COMPANY

## Telematics is not only for the highest premiums



### Market breakdown by MTPL premium

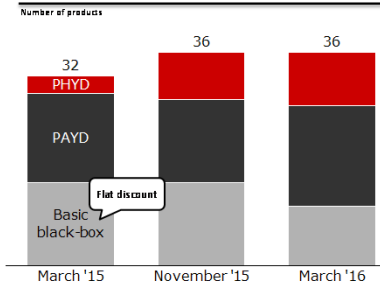


Note: Cars personal line (not included motorcycle, boats, t...  
Source: Bain elaboration on "Clause sulla Black-Box: tre insurance & innovation"

Ania BAIN & COMPANY

The market was not focused on pricing telematics-based, but the approached are becoming more sophisticated

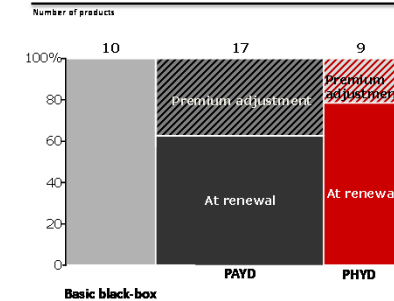
### Market offer evolution



Source: Observatory on telematics, connected insurance & innovation

Ania BAIN & COMPANY

### Tariff benchmarking – March '16



# The Observatory is available to share with Connected Insurance's Stakeholders an innovative think tank

## Observatory's topics

1. Collection of **quantitative evidences** concerning connected insurance sector in the Italian market
2. **Consumer Research** and activities focused on **commercial mystery shopping**
3. Best practice analysis with market **benchmark** and international **innovation scouting**
4. **Three collegial events** in order to share with Observatory's Stakeholders ideas and experiences on connected insurance
5. **1to1 deep dive meetings with each Company** on Observatory's topics

## Objectives



**Structuring**  
quali/quantitative  
**knowledge** on Connected  
Insurance

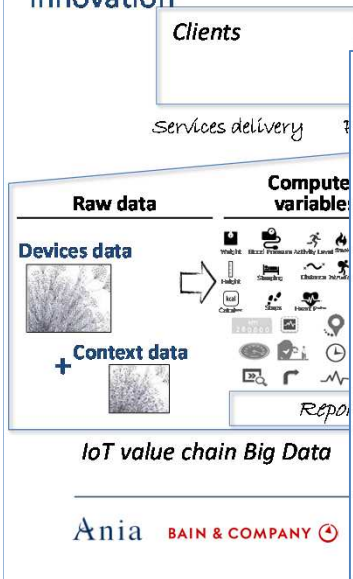


Sharing a **critical point of view** of **key trends** and spreading **innovation culture**



# Give a critical reading of the key trends and spread the culture of innovation

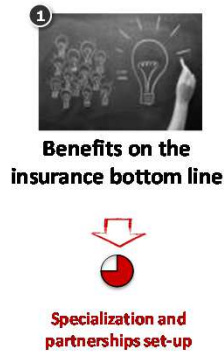
Raw data isn't smart...based on the Italian experience, the strategic partnership with a TPS is key to enable the Insurer's innovation



Connected health: radical innovation of the traditional Health insurance business model

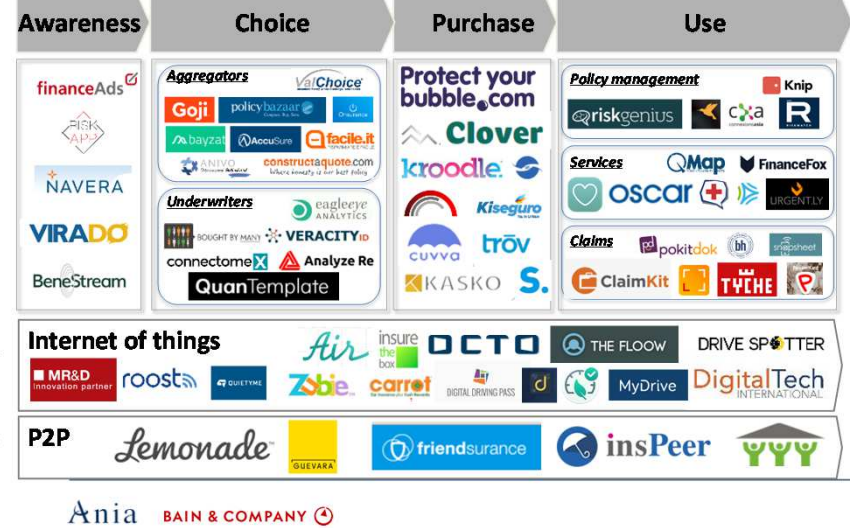


Target (who)  
Insurance telematics opportunities  
Italian Market review



Is the software eating the insurance?

InsurTech map



# The Observatory is available to share with Connected Insurance's Stakeholders an innovative think tank

## Observatory's topics

1. Collection of **quantitative evidences** concerning connected insurance sector in the Italian market
2. **Consumer Research** and activities focused on **commercial mystery shopping**
3. Best practice analysis with market **benchmark** and international **innovation scouting**
4. **Three collegial events** in order to share with Observatory's Stakeholders ideas and experiences on connected insurance
5. **1to1 deep dive meetings with each Company** on Observatory's topics

## Objectives



**Structuring**  
quali/quantitative  
**knowledge** on Connected  
Insurance



Sharing a **critical point of view** of **key trends** and spreading **innovation culture**

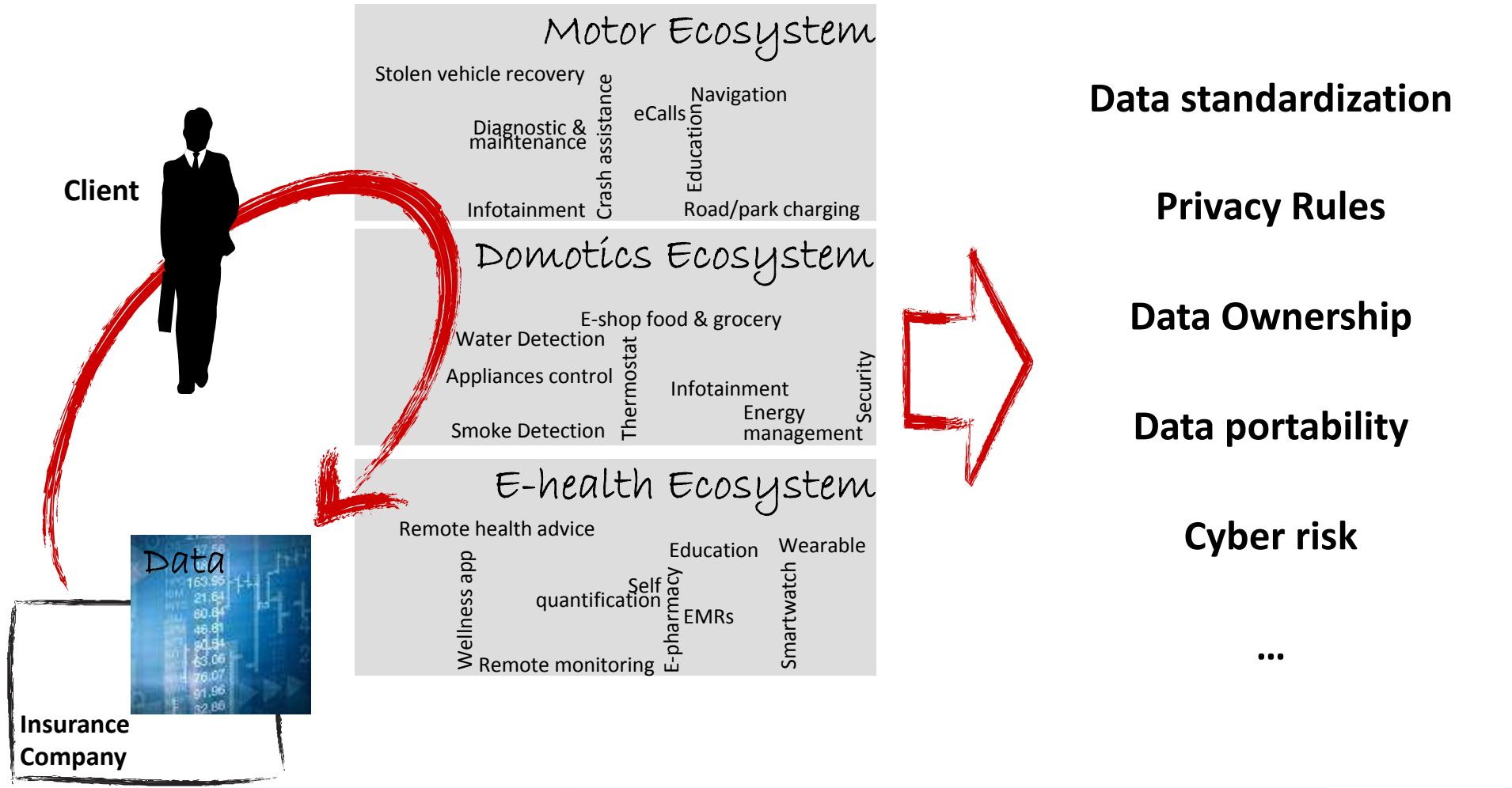


**Encouraging**  
**stakeholders to share**  
common sector **challenges**  
that could be **deeply**  
**analyzed and discussed**



# Stimulate the discussion on the key challenges common across the industry

## Connected insurance landscape





# We address **four thematic areas** in each of the three plenary meetings

1



## **The new challenge of connected insurance**

- Scoping of the connected insurance interest
- Representation of the state of adoption
- Analysis of the challenges and opportunities , in place and in perspective , of all the main business areas

2



## **The impact of connected insurance on risk selection and claims**

- The impact of innovation:
  - on selection processes of differentiation and customization of risks
  - on risk-based pricing approaches
  - on loss control through the mitigation levers of risk and optimization of claims management processes

3



## **Connected insurance: customer relations and customer engagement**

- The connected insurance can:
  - change the relationship with customers
  - improve understanding between contracting parties by reducing the mutual information asymmetries
  - provide value-added services
  - increase loyalty and insured's empowerment in favor of behaviors and lifestyles more aware and responsible

4



## **The risks of connected insurance: privacy, data ownership, cyber risk**

- Focus on the critical issues, constraints and operational tests that the connected insurance foresees in terms of :
  - compliance
  - information technology
  - operational risks relating to managing security and confidentiality of processed data

# Some quotes from the participants to the first edition



*The Observatory created more value month by month...it is really useful have a systematic representation of topics we deal with daily but we was missing to rationalize*

Insurer

*The initiative provided though-provoking contents. The deep dive sessions were clear and stimulated great engagement within the organization*

Insurer

*Great platform for engage and discuss a wide range of topics and ideas that will impact all of us in the insurance industry soon.*

Reinsurer

*Thank you for providing a space where lots of insightful ideas about our industry could be shared and discussed openly. I found the sessions very interesting!*

System Integrator

*Relevant opportunity to approach unique contents about connected insurance – both from actuarial angle and customer angle - and to discuss them with Insurance Executives, Associations and the Regulator*

IT provider

# Contacts

## Matteo Carbone

Principal in Bain & Company's Financial Services

Founder and Responsible of the Connected Insurance Observatory

Top 50 InsurTech Influencer



[Matteo.carbone@bain.it](mailto:Matteo.carbone@bain.it)

+393346220378

# Ania

Associazione Nazionale  
fra le Imprese Assicuratrici

**BAIN & COMPANY** 

 **OSSERVATORIO  
CONNECTED  
INSURANCE**