Insight Report: Technology in Action - A Roadmap for Insurance Telematics

Description: The report covers in-depth analysis of the insurance telematics market, and provides:
- A roadmap for the growth and development of insurance telematics during 2013–2018
- Details of trends and developments in the insurance telematics market around the world
- Insights into key insurance telematics markets
- Detailed analysis of various growth drivers and challenges
- Details of products offered by leading insurance telematics providers in key markets

Summary
Telematics has redefined the way motor insurance products are designed and marketed. As a disruptive technology in the insurance industry, insurance telematics offers huge growth potential as well as many challenges for motor insurers. It has brought the pricing of motor insurance to the discretion of customers, redefining the customer experience. Although insurance telematics is mostly used as a niche product to target high-risk drivers such as young motorists, its popularity during 2009–2013 has brought it into the mainstream of motor insurance business. Insurers, as well as government and vehicle manufacturers, are promoting initiatives to make telematics a mass-market product. Insurance telematics is widely seen as the future of motor insurance.

Demand for insurance telematics expected to soar over 2013–2018
The insurance telematics market is in a nascent stage. The US, Italy and the UK are the early adopters of insurance telematics products, and Italy is currently the most mature market with a penetration rate of 4% at the end of 2013. The estimated global sale of insurance telematics products increased to 4.5 million as of December 2013, with an estimated market size of US$4 billion in terms of gross written premium. The potential of telematics technology to offer a win-win business relation between insurer and policyholder is driving rapid growth of insurance telematics products in the European and US markets. Global sales of insurance telematics products are projected to grow at a CAGR of 80.20% over 2013–2018, and the subscriber base is expected to reach 85.5 million in 2018. The growth in the insurance telematics market over 2013–2018 is expected to be driven by increased adoption of telematics products in the UK, the US, and Italy.

Value-added services expected to define the future insurance telematics offerings
Initial growth in the insurance telematics market will be mostly driven by price discount models. However, with growth in the market and mass adoption of insurance telematics over 2013–2018, price discounts will no longer be helpful in differentiating insurance telematics products. In countries where premium rates and profit margins are low, insurers will not be able to offer great discounts on usage-based insurance products. Insurers are expected to offer telematics-based value-added services for a minimal fee, or free of charge, to attract customers and differentiate products from those of their competitors. Key value-added services that can packaged with insurance telematics products include provision of driving feedback and professional driving instructions, automatic eCall (alert call to emergency services in case of vehicle collision) and bCall (breakdown call) facilities, roadside assistance, emergency services, theft-tracking, remote vehicle monitoring and diagnostic services, traffic and navigation services, fleet management, and infotainment services.

Government initiatives to mandate the use of telematics expected to fuel growth of insurance telematics
Concerns over road safety and increasing rates of auto theft have forced governments in Europe, the US, Brazil and Russia to take initiatives to make it mandatory for vehicle manufacturers to equip vehicles with factory-fitted telematics devices. Key initiatives include the eCall initiatives in Europe, the Contran 245 legislation in Brazil, mandatory event data recorder legislation in the US, and the Era–Glonass projects in Russia. The European Commission's eCall initiative, which is expected to be implemented across Europe by the end of 2017 or early 2018, will make it mandatory to provide the telematics-based eCall system in all passenger cars and light commercial vehicles. Similar to eCall are the Era–Glonass projects in Russia, where the government made it mandatory for all cars built in Russia to be equipped with the Era-Glonass satellite tracking system by January 2017. Both initiatives are taken to improve road safety and provide immediate emergency services in emergency situations or serious traffic accidents.
In the US, it has been made mandatory to equip event data recorder systems in all new cars, light trucks, vans and SUVs sold in the US from September 1, 2014 to improve road safety in the country. However, the
Mario Monti legislation in Italy and the Contran 245 legislation in Brazil have been introduced primarily to address the very high rate of auto theft. The Mario Monti legislation came into effect in June 2012, whereas the Contran 245 is expected to be implemented from January 1, 2016. Insurers can use the mass adoption of telematics technology to offer low-cost insurance telematics products in the respective countries.

Disruptive technological innovations the biggest challenge for insurance telematics
Technological innovations in the field of connected car systems and automation in driving are expected to revolutionize driving in the future. Vehicle manufacturers and technology providers have collaborated to develop and manufacture self-driven or driverless vehicles; companies such as Google, Volvo, General Motors, Mercedes Benz, Audi, Ford, BMW, Volkswagen, Toyota and Nissan are investing in driverless car technology. The technology is primarily aimed to increase road safety and reduce the rate of traffic accidents.

Google claims to reduce the rate of traffic accidents by 90% with its driverless car technology, and Volvo claims that it will provide an accident-free driving experience with its new cars by 2020. Drivers’ roles in driving these cars are expected to be very limited, or even non-existent, leaving little scope for insurers to track driving behavior and, therefore, making telematics redundant. However, driverless technology is still in a development phase, and it will take around two decades for driverless cars to come to the mainstream of the automobile industry and have a significant impact on insurance and telematics.

Scope
- This report covers current market size and growth potential of the global insurance telematics market during 2013–2018
- The report discusses how the global insurance telematics market will shape up during 2013–2018
- The report analyzes the use of telematics beyond motor insurance
- The report provides a comparative analysis of key insurance telematics markets: Italy, the US and the UK
- The report provides a comparative analysis of products offered by leading insurance telematics providers in Italy, the US and the UK

Reasons To Buy
- Gain insights into the global insurance telematics market.
- Know the growth potential of the insurance telematics market.
- Understand various factors driving the growth of insurance telematics in the market, and key challenges faced by insurers.
- Gain insights into key insurance telematics markets.
- Gain information on various products offered by insurance telematics providers in key markets.

Key Highlights
- The estimated size of the global insurance telematics market as of December 2013 is US$4 billion in terms of gross written premium, with 4.5 million subscribers
- Italy is currently the most mature insurance telematics market with a penetration rate of 4% at the end of 2013
- Insurers are expected to offer telematics-based value-added services bundled with insurance services to attract customers and differentiate products from those of their competitors
- Mandatory use of telematics in vehicles, enforced by various governments, is expected to increase the penetration of insurance telematics during 2013–2018
- Innovations in connected car systems and automation in driving are expected to shorten the lifespan of insurance telematics

Contents:
1 Executive Summary
2 Roadmap for Telematics Revolution
2.1 Global Adoption of Insurance Telematics
2.2 Market Size and Growth Potential
2.2.1 Motor insurance market
2.2.2 Insurance telematics markets
2.3 Telematics Beyond Motor Insurance
2.3.1 Provision of value-added services
2.3.2 Telematics in home insurance
2.4 Innovations in Insurance Telematics
3 Comparative Analysis of Countries
3.1 The US
3.2 The UK
3.3 Italy
3.4 Adoption in Other Markets
4 Growth Drivers and Challenges
  4.1 Growth Drivers
  4.1.1 Decreasing costs of operation
  4.1.2 Smartphone penetration and apps
  4.1.3 Favorable regulatory developments
  4.1.4 Benefits for insurers
  4.1.5 Benefits for customers
  4.2 Challenges
  4.2.1 Data collection and analysis
  4.2.2 Generating consumer demand
  4.2.3 Privacy issue
  4.2.4 Technological innovations
5 Appendix
  5.1 Methodology
  5.2 Contact Timetric
  5.3 About Timetric
  5.4 Timetric’s Services
  5.5 Disclaimer

List of Tables
Table 1: Insurance Industry Definitions
Table 2: Motor Insurance – Gross Written Premium, Gross Claims and Loss Ratios in Key World Markets, 2013
Table 3: Valued-Added Services Offered through Insurance Telematics Platforms
Table 4: Usage-Based Insurance Products in the US
Table 5: Usage-Based Insurance Products in the UK
Table 6: Usage-Based Insurance Products in Italy
Table 7: Insurance Telematics – Benefits for Insurers
Table 8: Insurance Telematics – Benefits for Policyholders

List of Figures
Figure 1: Adoption of Insurance Telematics in Key Countries, June 2014
Figure 2: Global Motor Insurance Gross Written Premium, 2009–2018
Figure 3: Number of Insurance Telematics Subscribers in the UK, 2009–2013
Figure 4: Insurance Telematics – Key Growth Drivers
Figure 5: Global Smartphone Subscriptions, 2013–2018
Figure 6: Insurance Telematics – Key Challenges

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