Deloitte.

European Motor Insurance Study

The rise of digitally-enabled motor insurance

November 2016

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Foreword

Welcome to this Deloitte report on digitally-enabled motor insurance.

We are pleased to present you with the second edition of our European Motor Insurance Study. In last year's edition, we explained how technology was disrupting modes of distribution, predicting that it would ultimately increase the churn rate for insurers. In this edition we explore how new types of digitally-enabled insurance services could provide a way for insurers to escape from an increasingly commoditised market.

Telematics products have flourished in some countries and have achieved disappointing results in others. Despite being digitally-enabled, these products currently focus on risk measurement and price discount rewards.

In this European study, we explore how insurers could develop a new type of relationship and product offering with their policyholders, through digitally-enabled insurance products.

Our findings indicate that customers are ready for a new insurance offering, where insurers would be more than just a risk carrier.

Our conclusion is that insurers who follow this path could emerge as winners in a redistribution of the market for motor policies.

We hope that the ideas and data we have set out in this study will be thought-provoking and useful.

Our teams welcome the opportunity to discuss these market trends and possible solutions with you in more depth. Thank you for your interest.

Our findings indicate that customers are ready for a new insurance offering, where insurers would be more than just a risk carrier.

David Rush
Partner, Audit
EMEA Insurance co-leader

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Introduction

Connected devices are becoming a prominent part of our daily lives, and many businesses are trying to figure out how they can exploit this trend to create a deeper relationship with their customers. Motor insurers are not immune to the changes that are happening, especially as they operate in an increasingly competitive market.

In last year's study we described how technological advances in the digitisation of distribution channels and increased access to data are exposing the motor insurance market to a major increase in overall churn.

Our follow-up survey this year shows a significant increase among customers in willingness to switch compared to last year, with a 15 per cent shift in answers from 'unlikely to switch' to 'very likely to switch'. This is a clear indication that momentum is building, although the big switch is still to come.

This year, we explore how digitally-enabled motor insurance products could provide insurers with a great opportunity to increase the contact points with their customers and improve dramatically the understanding of their needs. How big might this market for digitally-enabled motor insurance become? Who are the potential customers? How can they be engaged? Why have telematics - which is the first example of digitally-enabled motor insurance – not yet been adopted more widely across Europe? How can insurers leverage this opportunity to extend their value proposition?

To help answer these questions, Deloitte surveyed around 15,000 customers from Austria, Belgium, France, Germany, Ireland, Italy, Poland, the Netherlands, Spain, Switzerland and the United Kingdom. Based on our survey, we estimate that by 2020 the market share for digitally-enabled motor insurance issued in these eleven countries could reach 17 per cent.

This represents a market in excess of €15bn.

This report highlights areas of opportunity that we have identified. Interestingly, we found a significant correlation between respondents declaring that they are likely to switch and those willing to share their driving data with their insurance company. It suggests that customers in search of a new insurance provider might be interested in subscribing for digitally-enabled motor insurance.

This report summarises our key findings. Do not hesitate to contact us for more information about our detailed country-specific analyses.

We estimate that by 2020 the market share for digitally-enabled motor insurance issued in Europe could reach 17 per cent.

Arthur Dutel
Manager, Deloitte Conseil

Market

Customer

Insurer

Big switch is coming

15% of the total population **changed their answers** from "unlikely to switch" to "likely to switch"

Insurer is **one of the top 3 actors** that people **trust** in to share their personal data.

Today

offers discount

Need to find a way out of commoditization

Tomorrow

offers services

Potential solution: **digitally-enabled** motor insurance

Potential size: more than **15bn€** Europe-wide by 2020

50% of customers are willing to **share their driving data** in exchange for **additional services**

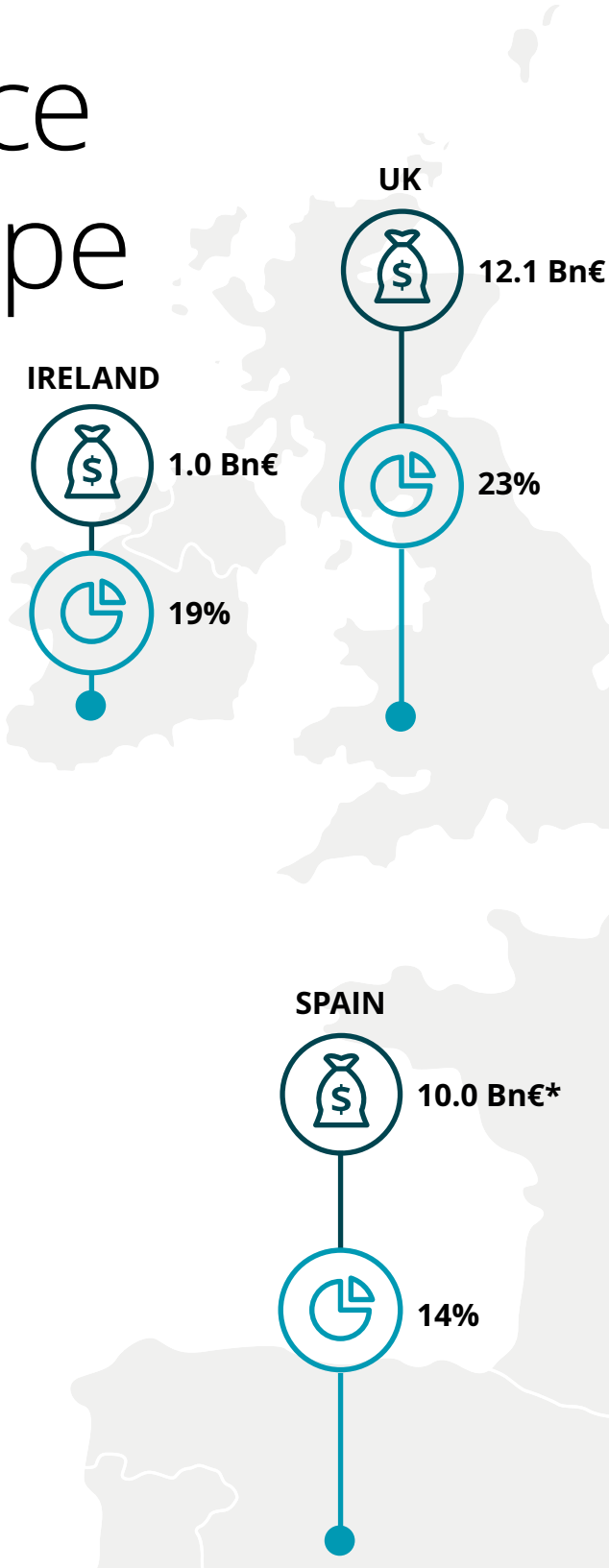
Day after tomorrow

orchestrator of the mobility ecosystem

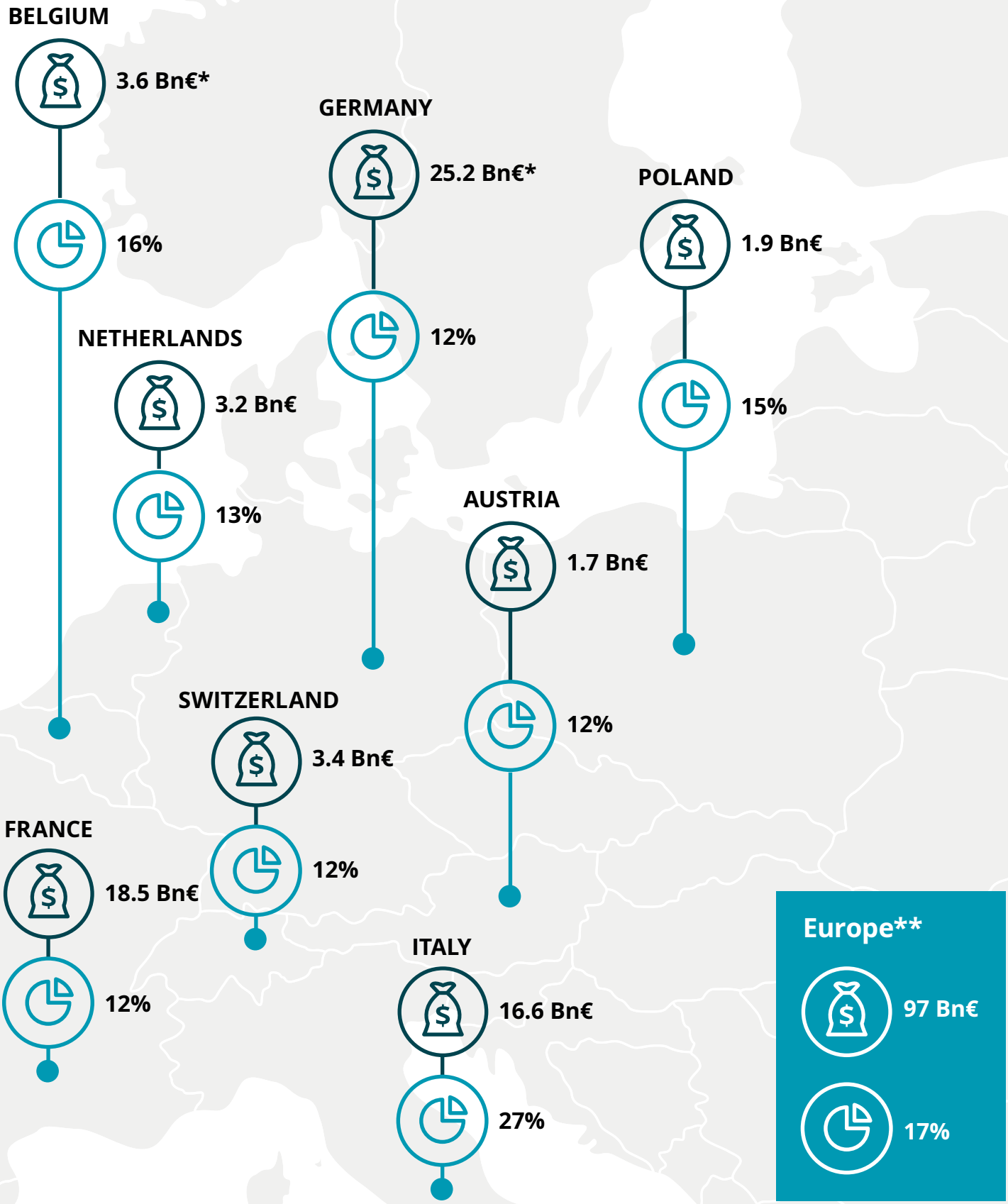
State of the motor insurance market in Europe

For each country, we have estimated the market share for digitally-enabled motor insurance to be achieved by 2020. This estimate assumes that insurers will develop and sell such products, and it reflects the expressed willingness of customers to share data and the projected churn rate in each country. We estimate that the potential market size in 2020 could exceed €15bn in the 11 countries in our survey.

When the respondents were asked to rank their willingness to switch their insurance provider (0 being very unlikely and 10 being very likely), the European average has jumped from 3.7 in last year's survey to 4.5 this year. While the big switch has not yet taken place, appetite is building up.



Map of Europe. Figure 1.



Motor Insurance Personal line - excluding fleet - GWP 2015 (€Bn)

Estimated target market share of digitally-enabled motor insurance for 2020 (%)

*We display the total market motor insurance market size (personal and commercial).
**The figure reflects the sum of the eleven surveyed countries and it includes commercial segments for some countries.

Summary table. Figure 2.

	Austria	Belgium	France	Germany	Ireland	Italy	Netherlands	Poland	Spain	Switzerland	United Kingdom	Europe
Motor insurance personal line (excluding fleets) GWP (2015,€bn)	1.7	3.6*	18.5	25.2*	1.0	16.6	3.2	1.9	10.0*	3.3	12.1	**97**
Number of telematics policies (actual) 31/12/2015	-	-	Less than 20,000	Less than 20,000	-	Over 4.5 milion	Less than 20,000	-	-	Less than 20,000	Over 450,000	**-**
Estimated market share of digitally-enabled motor insurance for 2020 (%)	12%	16%	12%	12%	19%	27%	13%	15%	14%	12%	23%	**17%**
Average switchability[1] 2016	3.5	3.3	3.5	4.2	6.0	5.8	3.8	4.6	4.8	3.2	6.2	**4.5**
Average switchability[1] 2015	2.8	2.8	2.8	3.3	5.4	3.8	2.8	4.4	3.8	2.8	5.5	**3.7**
Percentage of customers willing[2] to share data with their insurer	28%	40%	28%	25%	34%	34%	30%	30%	27%	29%	35%	**28%**

Source: Deloitte Analytics

*We display the total market motor insurance market size (personal and commercial).

[1]Switchability: Answer given by customers when asked to rank their willingness to switch their insurance provider: 0 being very unlikely and 10 being very likely.

[2]Willingness to share: Percentage of people answering 7 or more when asked to rank how comfortable they are sharing data with their insurer: 0 being very uncomfortable and 10 very comfortable.

Austria

Austria has been added to the European motor insurance study this year. It displays **a profile similar to the one observed in Switzerland and Germany** with regard to both switchability and willingness to share data.

Belgium

Belgium is also a new addition. While the market dynamic in terms of switchability is similar to France and Germany, **the market in Belgium shows a greater degree of willingness to share data**. In addition, there is a high level of interest among insurers for developing innovative solutions. Major players have already launched telematics proof of concepts in the previous two years.

France

In France, switchability has increased in line with the European average. While the Hamon law[1] has not yet shown its full effect, **the fall in profitability of the market should trigger a price increase that will accelerate the transition towards a more liquid market.** First initiatives in telematics have been launched but we consider that the full potential of the market is yet to be seen.

Germany

Data sharing is a sensitive topic in Germany. Nevertheless, assuming this issue is tackled, given the size of the domestic market and the level of willingness to switch, our projections point to it being one of the biggest European markets for digitally-enabled motor insurance.

Ireland

Our **estimate of the penetration rate in Ireland is above the European average.** This reflects a willingness both to switch (greater than last year) and accept data sharing.

Italy

In Italy, the telematics market share is already 15 per cent, and our projection indicates that by 2020 **digitally-enabled motor insurance could represent as much as 27 per cent of the motor insurance market.**

Netherlands

The Netherlands is another new addition to the study. Although several niche players have been offering telematics-based car insurance products for a couple of years, large Dutch motor insurers have entered the telematics market only very recently. **Switchability is below the European average; however willingness to share data is relatively high.**

Poland

Poland displays the lowest increase in willingness to switch, compared with last year, but it is nevertheless above the European average. We estimate that even though no digitally-enabled motor insurance products have yet been launched as we write this study, **the market share in future could be significant.**

Spain

In Spain, where willingness to share data is among the highest in Europe, the market shows good potential for digitally-enabled motor insurance. **We estimate that the penetration rate for this product could be as high as 14 per cent by 2020.**

Switzerland

In Switzerland willingness to switch is increasing, but not as fast as the European average. Although the market is not as dynamic as others, **there is still a significant portion of respondents looking for alternative cover and willing to share their data.**

United Kingdom

Along with Italy, the United Kingdom is the only country with sizeable telematics solutions that are up and running. Although **telematics remain a niche market for the time being, we estimate that there is a huge potential for digitally-enabled motor insurance.** A prerequisite would probably be to move to value added services and away from price-oriented offers, in order to avoid becoming trapped in the highly commoditised motor insurance market in the United Kingdom.

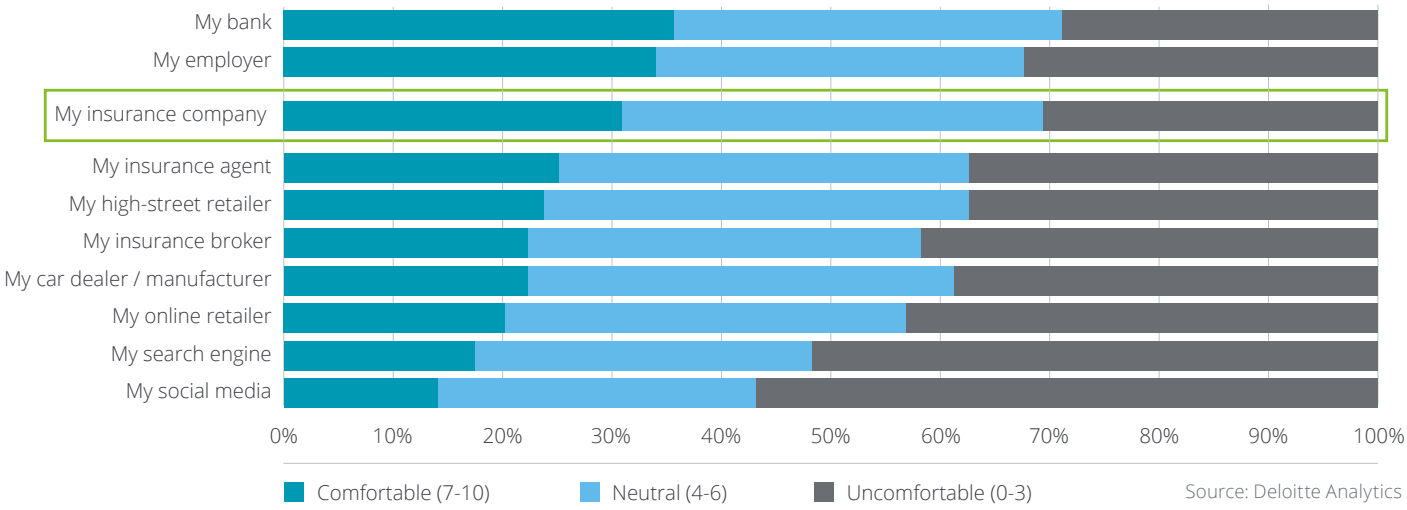
[1]See note 1 page 32

The big switch is coming, digitally-enabled motor insurance is a key differentiator in an increasingly commoditised market.

Data sharing

Our market projections reflect the data we gathered from customers' feedback on their likelihood to switch and willingness to share data. Our survey found that in comparison with customers' attitudes to sharing data with different sectors and industries, insurance companies fared well.

Figure 3. Who are you comfortable sharing your data with? (At European level)



Respondents rated on a scale from 0 to 10, 0 being very uncomfortable and 10 being very comfortable.

These results show clearly that an opportunity exists for insurers to explore the possibilities of data sharing with their customers. Given the size of the potential market for digitally-enabled motor insurance products, insurers should investigate how to adapt their offerings in order to take advantage of this opportunity. By doing this, insurers would also create a different type of relationship with their customers in a market that is currently continuing its move towards commoditisation.

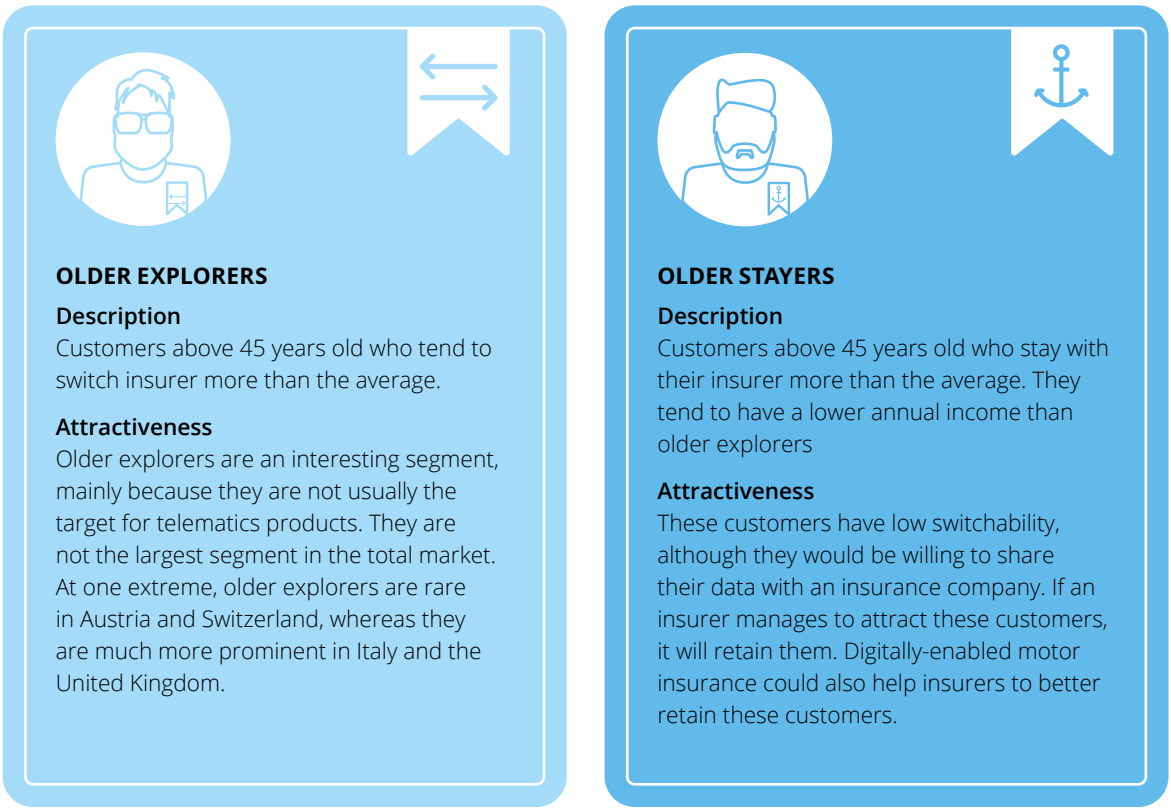
Using digitally-enabled motor insurance to move away from commoditisation will require insurers to differentiate themselves by offering more than just a policy with an attractive price. This represents a step away from most of the current telematics propositions in the market, which focus almost exclusively on potential premium discounts. As we observe from the results of our study, there may be other benefits or services that could be offered to make a digitally-enabled motor insurance product sufficiently attractive to persuade a customer to switch insurance provider.

Another key trend in the motor market is the move towards a data-driven market. Insurers continue to build their analytics capabilities in order to be competitive in an environment where insights are being generated by leveraging 'big data' to help gain a competitive advantage. Insurers should recognise that the collection and analysis of data shared by their customers through digitally-enabled motor insurance is a valuable way of developing analytics capabilities as the transition to a data-centric market continues.

Who is the digitally-enabled motor insurance customer?

Historically, the target of insurers for their telematics product has been young drivers paying high premiums. However, these customers are not the only group who may be interested in digitally-enabled motor insurance. For the purpose of our survey we have categorised the population into the following six market segments.

Figure 4 . Market segments



OLDER UNRECEPTIVES

Description

Customers over 45 years old who do not demonstrate any specific behaviour in terms of churn. When asked if they are keen on sharing their data with an insurance company, they refuse.

Attractiveness

These customers will not share their data. This segment is bigger in countries where data privacy is a sensitive issue.

YOUNG SWITCHERS

Description

Customers between 18 and 45 years old who churn more than the average.

Attractiveness

Young switchers have traditionally been targeted by insurers for telematics. They are easy to attract but also easy to lose. Since younger drivers usually pay higher premiums, obtaining data about their driving behaviour will help insurers to select the good risks among this customer group.

YOUNG LOYALISTS

Description

Customers between 18 and 45 years old who stay with their insurer more than the average.

Attractiveness

While their lifetime value may be higher than for young switchers, due to their tendency to stay with their insurer, young loyalists are reluctant to share their data with an insurance company.

PREMIUM MARKET

Description

Customers paying higher motor insurance premiums. This segment contains either younger customers with a high premium or elderly customers with expensive cars.

Attractiveness

The size of the premium market varies between countries. In Switzerland, Austria and Belgium there is a sizeable premium market, while for the Netherlands, Spain or Poland the premium market is smaller. These customers are willing to share their data with an insurance company, but their potential as a target market depends on their numbers.

Figure 5. Information on market segments

	Austria	Belgium	France	Germany
OLDER EXPLORERS				
Likelihood to switch	Med/High	Med/High	Med/High	Med/High
Willingness to share data	Medium	High	Med/High	Low/Med
Market share	9%	13%	13%	18%
Smartphone rather than device	Low/Med	Very low	Low	Very low
Keen on using a self-driving car	Low/Med	Very low	Low/Med	Low
OLDER UNRECEPTIVES				
Likelihood to switch	Low/Med	Low	Low	Low/Med
Willingness to share data	Very low	Very low	Very low	Very low
Market share	14%	11%	20%	26%
Smartphone rather than device	Very low	Very low	Low	Very low
Keen on using a self-driving car	Low	Very low	Very low	Low
YOUNG SWITCHERS				
Likelihood to switch	Med/High	Med/High	Med/High	High
Willingness to share data	Low/Med	High	Medium	Medium
Market share	12%	12%	17%	17%
Smartphone rather than device	Low	Medium	Medium	Low/Med
Keen on using a self-driving car	Medium	Low	Low/Med	Low/Med
PREMIUM MARKET				
Likelihood to switch	Low/Med	Low/Med	Low/Med	Medium
Willingness to share data	Low/Med	Medium	Low/Med	Low
Market share	35%	22%	10%	8%
Smartphone rather than device	Low/Med	Low	Medium	Low/Med
Keen on using a self-driving car	Low/Med	Very low	Low/Med	Low/Med
OLDER STAYERS				
Likelihood to switch	Very low	Very low	Very low	Very low
Willingness to share data	High	High	Med/High	Med/High
Market share	13%	28%	24%	17%
Smartphone rather than device	Low	Very low	Very low	Very low
Keen on using a self-driving car	Low/Med	Very low	Low	Low
YOUNG LOYALISTS				
Likelihood to switch	Low	Very low	Low	Low
Willingness to share data	Very low	Very low	Very low	Very low
Market share	17%	14%	17%	14%
Smartphone rather than device	Low/Med	Low/Med	Low/Med	Low/Med
Keen on using a self-driving car	Low	Very low	Low	Very low

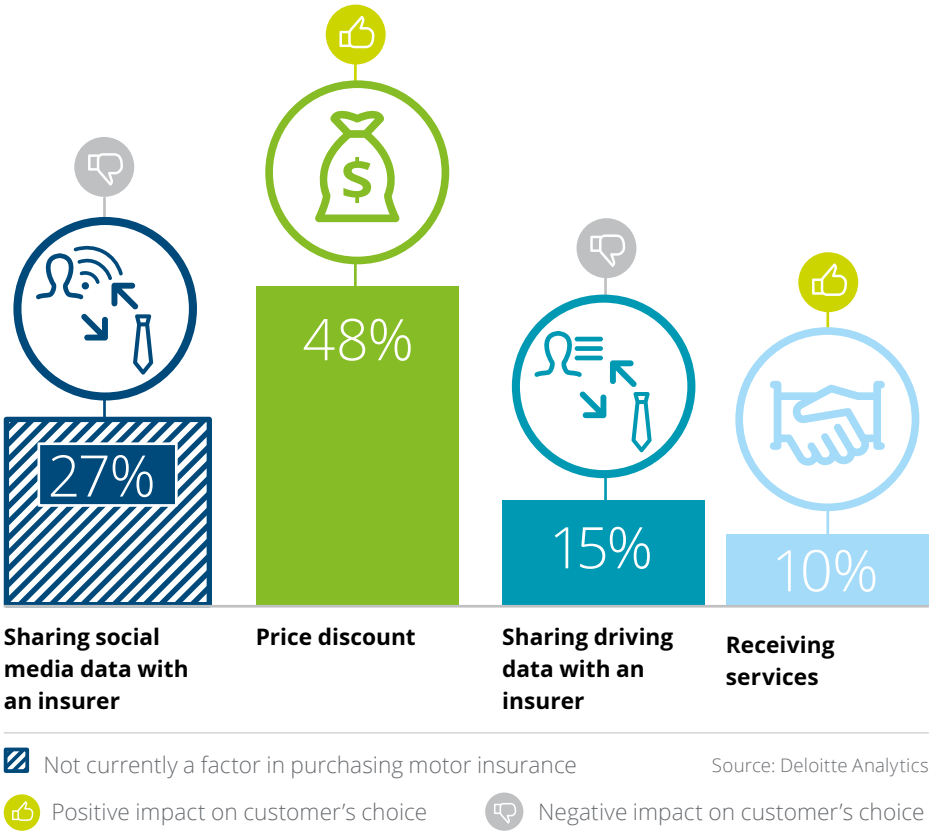
Ireland	Italy	Netherlands	Poland	Spain	Switzerland	United Kingdom
High	High	Med/High	Med/High	Med/High	Med/High	High
Med/High	Med/High	Med/High	Medium	Medium	Medium	Medium
29%	31%	19%	19%	21%	8%	34%
Low	Low	Low/Med	Low	Low/Med	Low	Very low
Very low	Low/Med	Very low	Medium	Medium	Very low	Very low
Medium	Low/Med	Low/Med	Low/Med	Low/Med	Low	Medium
Very low	Very low	Very low	Very low	Very low	Very low	Very low
15%	16%	21%	19%	16%	18%	18%
Low	Very low	Low	Low	Low/Med	Very low	Low
Very low	Low/Med	Very low	Medium	Low/Med	Very low	Very low
High	High	Med/High	Med/High	Med/High	Med/High	High
Medium	High	Med/High	Med/High	Medium	Medium	High
30%	28%	18%	24%	29%	11%	25%
Medium	Medium	Medium	Medium	Med/High	Low/Med	Medium
Very low	Medium	Very low	Medium	Medium	Low/Med	Very low
Medium	Medium	Medium	Medium	Medium	Low/Med	Med/High
Medium	Medium	Low/Med	Low	Low	Low/Med	Medium
14%	8%	4%	7%	4%	29%	12%
Medium	Low/Med	Med/High	Low/Med	High	Low/Med	Med/High
Low	Medium	Very low	Med/High	Med/High	Low	Low
Very low	Very low	Very low	Very low	Very low	Very low	Very low
High	High	High	High	High	Medium	Med/High
6%	9%	22%	12%	11%	20%	5%
Low	Low/Med	Low/Med	Low/Med	Low/Med	Very low	Very low
Very low	Medium	Very low	Low/Med	Low	Low	Very low
Low	Low	Low	Medium	Low/Med	Very low	Low/Med
Very low	Very low	Very low	Very low	Very low	Very low	Very low
7%	8%	16%	20%	19%	14%	6%
Medium	Low/Med	Medium	Medium	Medium	Low	Med/High
Low	Low/Med	Very low	Low/Med	Medium	Low	Very low

Source: Deloitte Analytics

What does the customer for digitally-enabled motor insurance want?

In our survey, we tested a series of scenarios to determine how respondents value four different elements when considering a digitally-enabled motor insurance product.

Figure 6. Factors influencing the purchase of telematics policies



- The higher the value placed on driving data privacy, the more reluctant customers are to share it.
- The higher the value for social media data privacy, the more customers are reluctant to share it.
- The higher the value for services, the more likely customers can be convinced by additional services.
- The value of price acts as a filler. The less important the other factors are, the more price becomes the only decision driver. Unsurprisingly it is the undisputed leader in all countries surveyed.

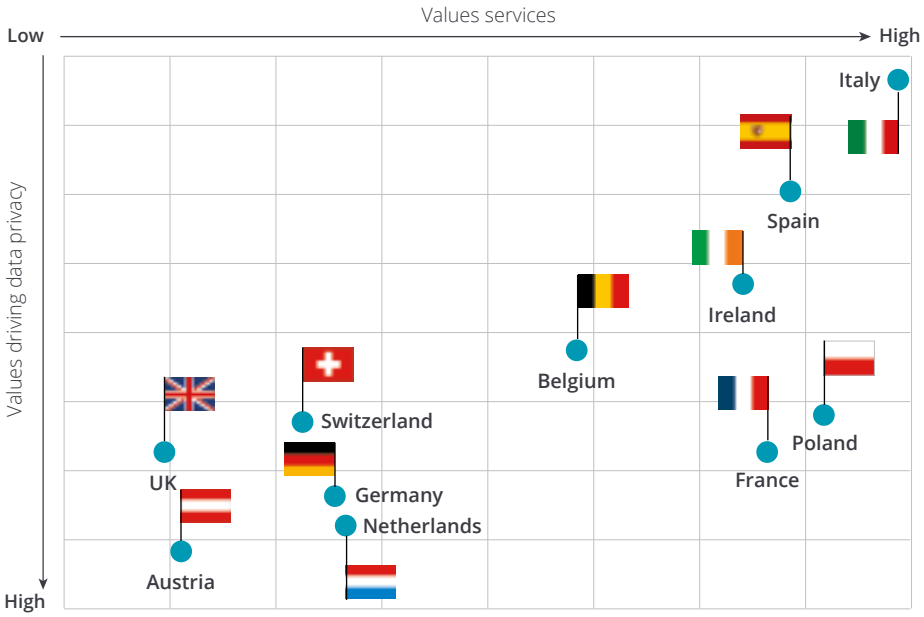
The influence of data privacy on purchasing decisions by customers is quite significant but varies across Europe. Interestingly, customers appear to be much more comfortable sharing driving data than social media data. This suggests that at present it may be difficult for insurance companies to collect and use social media data, in spite of its potential for creating new contact points with existing customers.

Unsurprisingly, price is the largest driver of customer's purchase decisions. Other than price, what else makes a difference to customers? Since sharing social media data is not currently a factor in purchasing motor insurance, we investigated the relationship between the value respondents placed on services and their appetite for sharing driving data. These are two factors that insurers can influence over the medium term.

We investigated the relationship between the value respondents placed on services and their appetite for sharing driving data.

Figure 7 shows how European countries compare in terms of potential trade-offs between data sharing and services provided.

Figure 7. Services versus data privacy – country overview



Source: Deloitte Analytics

Surprisingly, despite Italy and the United Kingdom having relatively well-established telematics offerings our survey found big differences between them with regard to perceptions about data sharing and provision of services (see Figure 7). In Italy, the strongest telematics market in Europe, customers are much less reluctant than in the United Kingdom to share their driving data.

In the United Kingdom, although it is the second-largest telematics market in Europe, reluctance to share driving data is similar to less mature markets such as France and Switzerland. One possible explanation is that the nature of the United Kingdom market prevents telematics solutions from being seen as digitally-enabled motor insurance, because their value proposition relies mostly on price discounts. The United Kingdom is a highly commoditised and fluid market, in which discount-based telematics offers have so far been targeted at niche markets, such as young drivers with high premiums.

Our survey indicates that customers in Spain, Belgium, Ireland, and Poland place less importance on driving data privacy and, compared to the rest of Europe, have a greater appetite for services.

The local telematics market in these countries is either emerging or even non-existent, but digitally-enabled motor insurance is expected to achieve a breakthrough. We estimate that the market share for digitally-enabled motor insurance market share will reach between 14 per cent and 19 per cent by 2020.

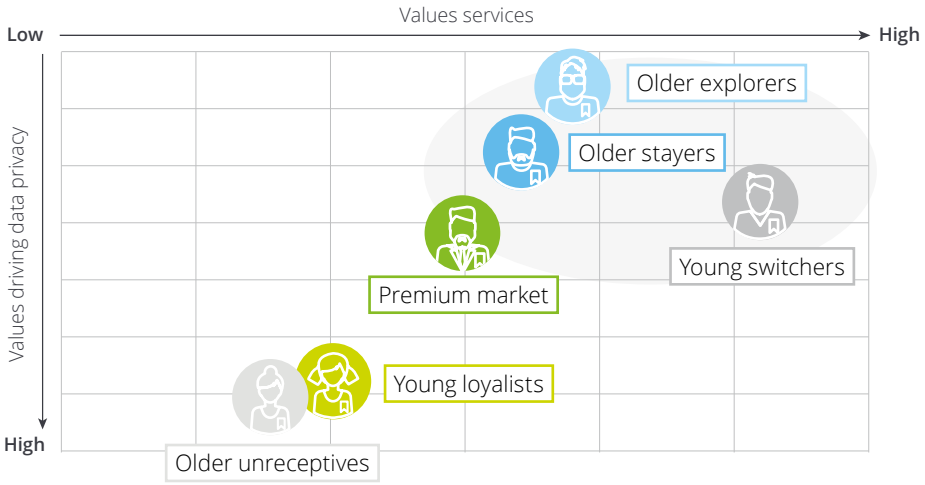
In France, as the Hamon Law1 comes into effect, especially with regard to potential premium increases in 2017, we expect the churn rate to increase in the foreseeable future. This will bring to the market customers in search of new solutions for whom a digitally-enabled motor insurance could be an interesting offer.

The greatest reluctance to share data can be found in central Europe where data privacy seems to matter more. This is not surprising, as data privacy is a societal and political issue that is frequently raised by politicians, regulators and the local press in these countries. If insurers want to succeed in selling digitally-enabled motor insurance in these countries, they will have to find a way to offer features that change the negative perception of data sharing. If insurers can find a way to address this problem, the potential market share in these countries is significant.

[1]See note 1 page 32

Figure 8 shows how in Europe, as a whole, market segments compare in terms of potential trade-offs between data sharing and services provided.

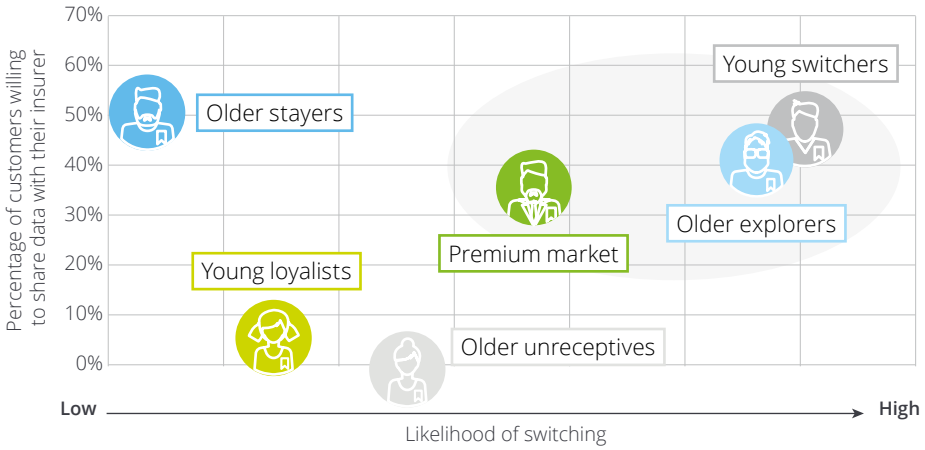
Figure 8. Services versus data privacy – market segment overview



Source: Deloitte Analytics

Figure 9 shows how in Europe, as a whole, market segments compare at European level in terms of switchability and the proportion of customers that are comfortable sharing data with their insurer.

Figure 9. Attitude of customer towards sharing data versus likelihood of switching – market segment overview



Source: Deloitte Analytics

From a demographic perspective, older stayers seem an ideal target for insurers, given their potentially higher lifetime value. However, their inertia makes them difficult to attract.

On the other hand, young switchers and older explorers combine high willingness to share data and a reasonable likelihood of switching with a higher-than-average appreciation of services.

Older explorers value services almost as much as data privacy, which suggests that they might be willing to share their data with their insurer in exchange for services. They are also an interesting segment of the market to consider, since elderly drivers are a growing proportion of the total driving population.

While these conclusions apply at the European level, some differences emerge when looking at specific individual countries.

Young switchers and older explorers combine high willingness to share data and a reasonable likelihood of switching with a higher-than-average appreciation of services.

Digitally-enabled motor insurance could be the opportunity for insurers to start a new type of relationship and product offering with their policy holders.

How to best serve your customers?

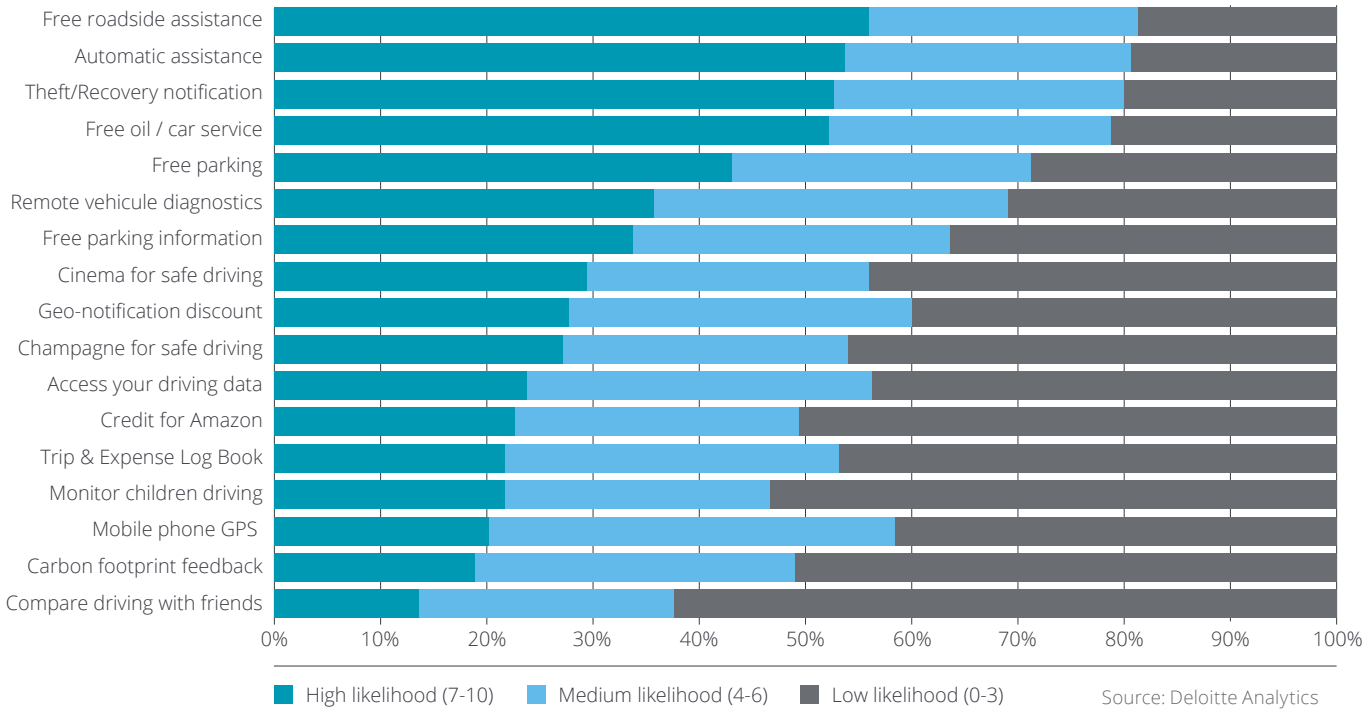
We have attempted to identify services that might convince customers to share more data with their insurer. Respondents to our survey were asked to assess whether they would agree to share their data in order to benefit from 17 different services, grouped into three broad types:

Car-related services
(free roadside assistance, automatic emergency assistance, theft/recovery notification, free oil /car services, free parking, remote vehicle diagnostics, information on free parking, mobile phone GPS)

Services non related to car
(geo-notification discount, goodies for safe driving, credit for e-commerce websites)

Data analytics and driving behaviour related services
(trip and expense log book, monitor children driving, carbon footprint feedback, compare driving with friends, access your driving data).

Figure 10. Data sharing for services



Source: Deloitte Analytics

Respondents rated on a scale from 0 to 10, 0 being very unlikely and 10 being very likely.

More than half of the respondents across Europe said they were either 'likely' or 'very likely' to agree to share their data in order to benefit from one of the following car-related services:

- **Free roadside assistance** (for example, towing and mechanics in case of a breakdown)
- **Automatic emergency assistance** (for example, having a 'black box'installed in a car which would enable the insurance company to automatically call for help automatically in the event of an accident: all new cars will be equipped with e-Call technology in 2018)
- **Theft / Recovery notification** (installing a fixed tracking device can which would enable the police to track a person's car in the case of theft)
- **Free oil / car services** (bonuses such as free oil changes or other car services in exchange for point earned for safe driving).

Some of these services, such as automatic emergency assistance and free roadside assistance, may be popular with customers as they complement the insurance company's reputation for protection.

On the other hand, respondents were less attracted to unrelated car services or the data analytics and driving behaviour-related services.

The limited popularity of unrelated car services could be explained by customers being unfamiliar with the concept of an insurance policy offering benefits that have traditionally been offered with non-insurance products.

"Customers are increasingly aware of the value of their data. They expect tangible benefits in exchange for the data they provide."

Godefroy de Colombe, CEO AXA Global Direct France

With regard to data analytics and driving behaviour-related services, their limited popularity may be explained by the fact that these services do not provide instant rewards. Instead, they offer information, which is less tangible and therefore conceivably less attractive for customers.

However, some of these features could potentially be popular in the future if they address societal issues, like monitoring driving by senior citizens. The level of awareness and interest in these services could increase over time, giving insurers the opportunity to embed them into their offerings through digitally-enabled motor insurance products.

Free roadside assistance and automatic assistance are generally the most popular services provided, but there are differences between countries. For example, theft / recovery notification is valued quite highly in Poland, Italy and Spain, where it ranks as the most preferred service.

Customer preferences also differ between market segments as well as between countries. For example, free oil /car services are more popular with young switchers than with older explorers.

In this survey we have explored existing services within a short-term time horizon. Over the longer term, changes in mobility ecosystems (see Deloitte's study: **Insuring the future of mobility**[2]) will create opportunities for insurers to offer product innovations, such as easy car sharing, easy ride sharing, and smart car insurance.

[2]See note 2 page 32

A key consideration for insurers wanting to launch a digitally-enabled motor insurance product is the preferred product delivery channel.

Figure 11. App or device – country overview

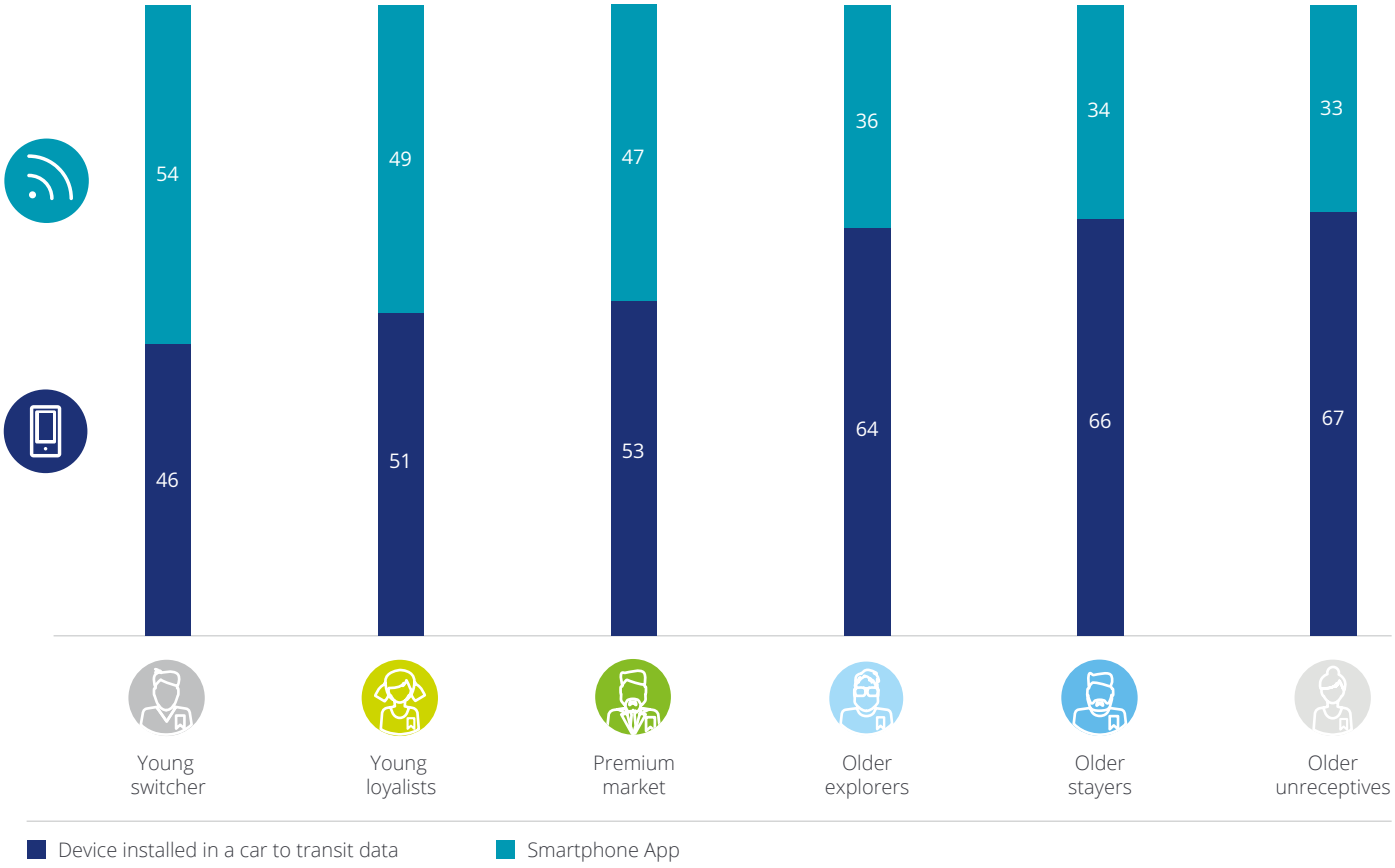
Source: Deloitte Analytics

When asked whether they would prefer sharing their data through a smartphone app or through a device installed in their car, the majority of respondents indicated they would prefer the device option.

However, current preferences differ between market segments. Young switchers, for example, tend to prefer an app. This same preference is shown by premium markets in France, Ireland, the Netherlands, the United Kingdom and Spain.

The majority of respondents indicated they would prefer a device rather than a smartphone app to share data with their insurer.

Figure 12. App or device – market segment overview



Source: Deloitte Analytics

Smartphones are the preferred way of transmitting data for the majority of young switchers in most of the countries in our survey. This is good news for insurers.

First of all, they are one of the biggest market segments in Europe and one where digitally-enabled motor insurance is expected to achieve a breakthrough. Secondly, with the use of smartphones for data monitoring, the insurer avoids the costs associated with device distribution and retrieval, as well asdata transmission.

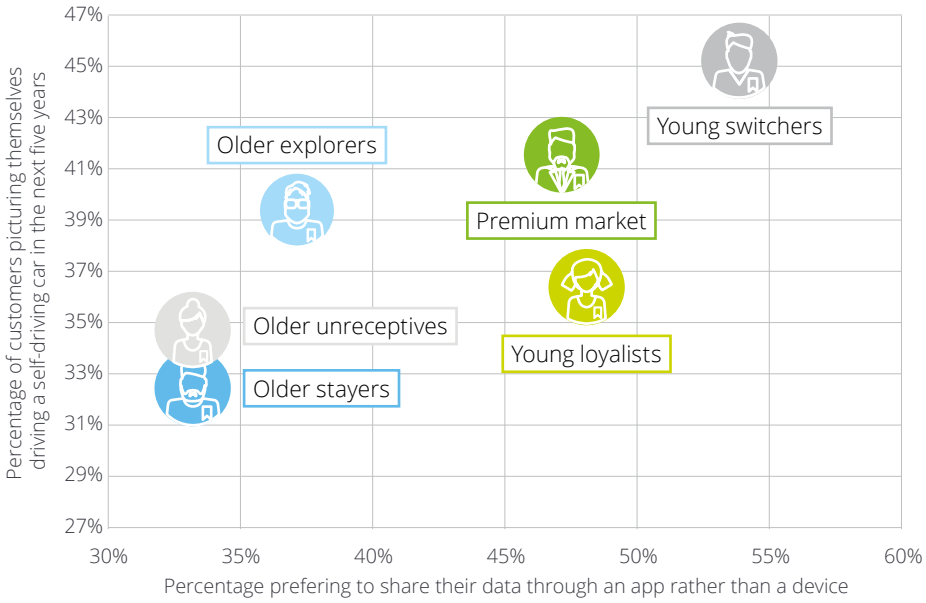
It can also increase the level of interaction between the insurer and the policyholder, through features such as instant rewards and immediate feedback.

However there are also drawbacks in using smartphones for data transmission. They prevent insurers from offering popular services such as theft/recovery notification and are less precise than a "black box" in capturing driving data.

Smartphones can increase the level of interaction between the insurer and the policyholder, through features such as instant rewards and immediate feedback.

Looking into the future, our survey found a clear correlation between respondents more likely to prefer an app and those more inclined to picture themselves in self-driving cars in the next five years.

Figure 13. App versus self-driving car



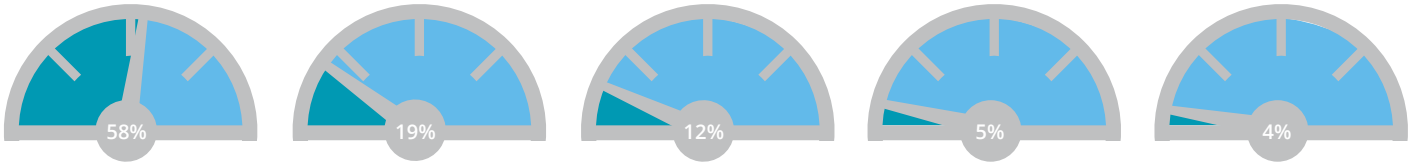
Source: Deloitte Analytics

Insurers will have to choose which segment of the market to focus their efforts on. Will they go – as they currently tend to – for young switchers using an app? Or will they try to go after the older explorers?

Through the launch of value added services linked to digitally-enabled motor insurance products, insurers finally have the opportunity to differentiate their products and engage their customers in new ways, thereby helping to change their perceptions of insurance products and providers. Even if there are clear signs that customers across Europe would value a telematics offering, insurers will have to carefully study the different service preferences of each market segment, country-specific data sharing channel preferences, and the technologies and solutions available in order to create a strong service offering for the local market. Tailoring offerings to address specific customer needs will be a key to success.

While customers may be interested in sharing their data in exchange for more value, there is still some reluctance to do so, as illustrated by the survey results summarised in (Figure 14) below.

Figure 14. Data sharing concerns



Data privacy
Lose control over my data which could be sold or used for other purposes than intended

Price increase
Premium increases or being denied insurance

Data safety
Data leakage / failure to keep my data safe

Aversion to technology

Data being used by the police

Source: Deloitte Analytics

Unsurprisingly, in each country in our survey the overwhelming message with regard to sharing driving data is that customers are concerned about data privacy. They are concerned as much by future premium increases or the ability of insurers to keep their data safe. Rather, their concerns relate to the fact that they do not know what their data will be used for. They also fear that they will lose control or ownership of their data, and that their data may be sold to third parties. Respondents also indicated a reluctance to share with insurance companies what they perceive to be information about their personal lives. However, this barrier does not seem insurmountable, and insurance companies should consider ways of educating customers and putting data policies in place to alleviate their concerns.

For insurers wishing to put corporate social responsibility issues at the core of their strategy, three related issues should be taken into account:

- The ethical dimension of the use of data;
- The possibility of nurturing a new kind of relationship with customers;
- The consideration of risk prevention.

Legal issues aside – who owns the data and who is transferring it; ethics guidelines around data sharing will be a key issue for building trust with customers. We believe it is preferable to establish a clear code of ethics for data use that is simple, accessible and widely shared. In order to achieve this, insurers should consult with their customers and other relevant parties (such as supervisors and customer protection associations).

"When we launched YouDrive, it was evident from day one of the project that we should be fully transparent with our customers about how we use their data."

Godefroy de Colombe, CEO AXA Global Direct France

Data sharing should also be used as a tool to empower customers. Whilst services based on peer-to-peer data sharing (such as comparing driving score with friends) are probably not sufficient to attract the customer on their own, they constitue a valuable tool for helping customers to gather in communities, which will allow collective actions and mechanisms that have a long-lasting positive impact on claims.

Finally, it should be clear that collected data are to be used for risk reduction, not just for risk selection. Our survey found a strong appreciation for services that relate to security issues. It shows that customers are expecting the insurer to protect them. If they provide data to the insurer, it should somehow be used for their protection.

Data sharing raises ethical issues which should be addressed by insurers. Failure to deal with these could damage the relationship with customers in the long run.

Extending the value proposition: network orchestration

For many years, insurers have had access to digital technology, but they have not always been able to leverage its value potential. Today, the unrelenting pace of innovation requires that in order to stay relevant, insurance products and service strategies should be more dynamic and fluid than ever.

Digitally-enabled motor insurance may be the technology that finally allows insurers to innovate in the insurance market, as it enables insurers to create a near-to-real-time interface with customers. Insurers are now able to communicate, interact and provide services based on customer actions, current needs, location, situation and circumstances. Our survey shows that potential applications can go well beyond the most common current market practice of simply granting price discounts.

In consequence, insurers need to recognise and understand the wider ecosystem of car insurance, shifting from the delivery of pure insurance cover towards provision of meaningful services around mobility and cars. Some insurers have already started to provide integrated services such as car repairs and extended roadside assistance. Extending their scope via interactive technologies and digitally-enabled motor insurance products will enable insurers to regain control over the customer interface which many of them lost in the course of digital evolution.

It will also enable them to:

- Leverage a high frequency customer touchpoint;
- Reposition their value proposition to deliver a better customer experience and convenience;
- Become relevant for customers in a wider range of scenarios, not just when a claim is made;
- Leverage insights gained from data shared by customers to monetise them through various business models.

Digitally-enabled motor insurance opens up a window of opportunity for motor insurers to extend the value proposition from claims-related services to a larger scope of services related to mobility.

Start-up, tech companies and businesses in converging industries have already identified insurance products centred around mobility and connected car services as lucrative profit pools. It will only be a matter of time before motor insurance products become even more commoditised than they are today. Going forward, insurers have two choices. First, they may choose to ignore the new competition but become increasingly overwhelmed by digital possibilities hence being forced into a position as a pure-play insurance partner, covering risks and handling claims for others (even non-insurers) who control the customer interface. Alternatively, they might integrate proactively with new partners, and orchestrate their services through a frequently-used -customer interface.

When customers trust insurers with their data, insurers have the opportunity to become an orchestrator, acting as the integrative element of mobility and connected car services. Insurers could lead and orchestrate meaningful partnerships with safety/remote maintenance operators, fleet management systems, mobility services, payment systems, car sharing providers, car dealers, navigation services and infotainment systems. In such an ecosystem, insurers can provide a trust-based interface, remaining top in the mind of customers through frequent interaction, and in doing so generate additional revenues.

There is substantial upside potential in an orchestrator-based business model. Among the S&P 500 companies, network orchestrators have achieved revenue and profit growth[3] of nearly triple that of pure service providers.

"In the future, we will no longer insure risks, but become a service company driven by data"

Patrick Vandoren, General Manager P&C, KBC Insurance

There are well-known examples for network orchestrators outside the insurance industry such as eBay, Uber, Visa, Red Hat and TripAdvisor. These companies disrupted their industries by leveraging the strengths of their orchestration-based business models, operating asset-light businesses which adjust quickly and flexibly to customer needs. Consequently, their product and service offerings can be extended or reduced in direct response to their success in the market.

Applying these best practices to digitally-enabled motor insurance would evolve the current offering into a customer-centric digitally-enabled mobility platform. By developing such a platform, insurers would not only tap into new sources of growth but would also gain relevant insights for their overall digital strategy.

There are several guiding principles for becoming an insurance network orchestrator. Insurers need to define their service offering, bundle it with the services of their network partners and integrate them into a holistic platform-based service ecosystem.

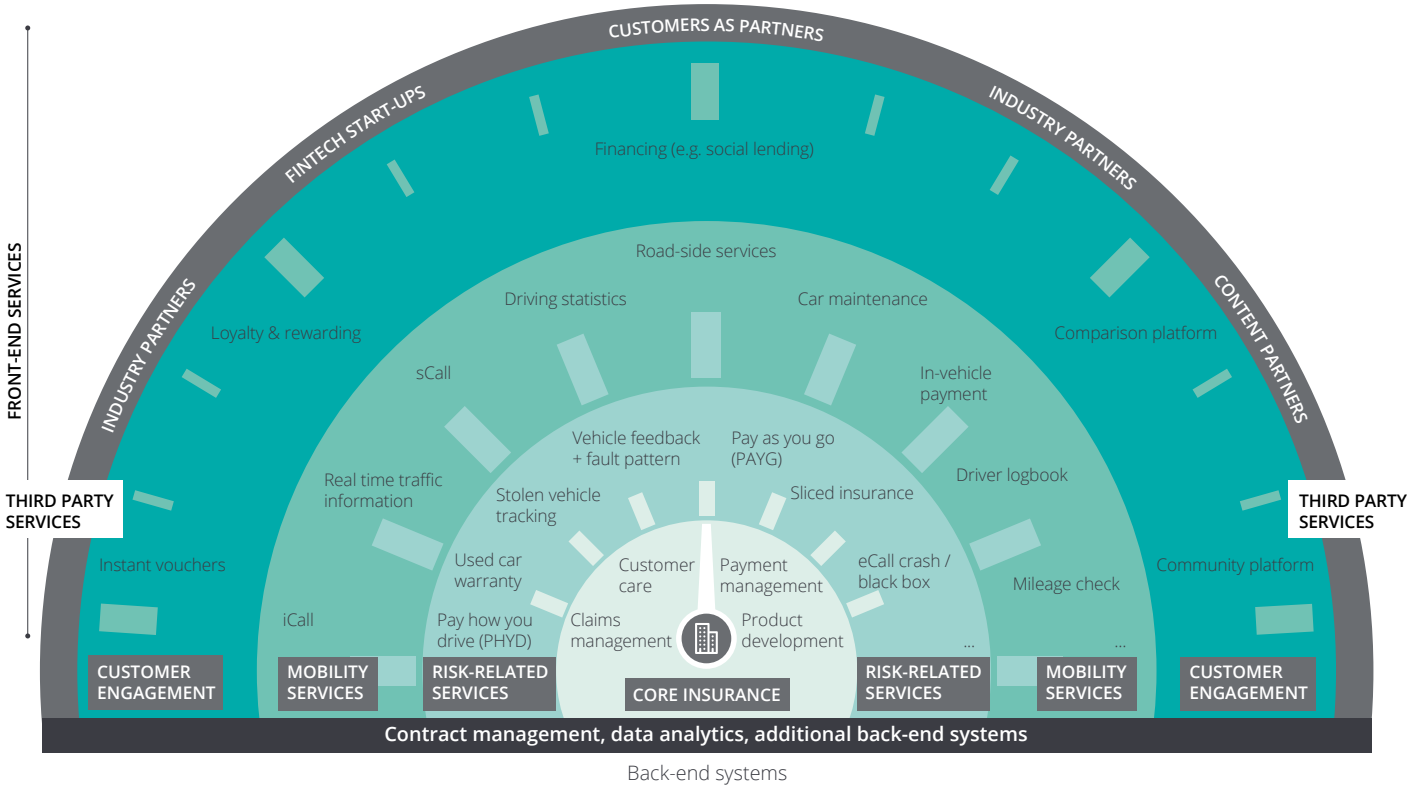
Insurers should make a strategic decision quickly about whether to leverage their digitally-enabled motor insurance beyond common mobility services, enriching their related services and provide access to a partner network that engages with customers. There will be advantages for early movers and early followers.

Motor insurance will be one of the first branches of general insurance for which insurers will experience big changes in the way they operate. However, changes will not be limited to motor insurance. Transformative forces are at work throughout the general insurance industry. We explore scenarios for the future of general insurance in a separate dedicated study: **Turbulence ahead, The future of general insurance**[4].

[3]See note 3 page 32
[4]See note 4 page 32

Figure 15. Network orchestration

An insurer who decides to become a network orchestrator in motor insurance goes beyond providing core insurance services such as product development or claims handling (at the center or the image). Network orchestrators connect to multiple partners who provide them with additional services that are outside the typical scope of insurance services. Including these partners in for example via the insurers mobile app.



Conclusion

Digitally-enabled motor insurance is on its way to becoming an important offering in all European countries, beyond Italy and the United Kingdom which have led the way with telematics.

Price is currently the major sales argument for telematics insurance. This continues to position motor insurance as a commodity. Discounts are used as the main incentive for customers, while value added services are rarely considered as part of the offering. Consequently, insurers in many countries are holding back from introducing telematics, as it may well result in lower premiums among some customer groups.

Our survey shows that momentum is building for increased market commoditisation. To overcome this trend, we believe that insurers need to shift their current discount-based offering towards a value-based product and service offering, by putting customer needs at the core.

In providing digitally-enabled motor insurance, insurers will be able to put a price tag on value-added services and avoid the 'discount trap' that telematics has fallen into in the past.

In such a world, insurers might go beyond selling risk-related services. Mobility services, for example, could be used to attract customers to the services of potential service partners, through an insurer-owned telematics-enabled ecosystem.

Digitally-enabled motor insurance also provides an opportunity for insurers to strengthen their position in areas that will become increasingly important, such as data sharing ethics, customer centricity and big data infrastructure.

In our view, these are issues that insurers will have to address regardless of whether digitally-enabled motor insurance becomes the next model for motor insurance products.

We hope that this study provides useful ideas about telematics for insurance practitioners to reflect on, and we look forward to discussing these issues, and sharing more of our data, with those who are interested. Please do not hesitate to get in toucah with us.

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Digitally-enabled motor insurance also provides an opportunity for insurers to strengthen their position in areas, such as data sharing ethics, customer centricity and big data infrastructure.

Appendices

A1

This report presents the high-level findings from our survey. We also have access to data and analysis at a much greater level of detail. As an example below, we show a snapshot of the dynamic report we created. Please contact us for more details.

A2

Survey methodology

Our survey was designed to better understand the current attitudes of customers towards data sharing with insurers, and how it might evolve in the future. The survey was conducted by Researchnow between June the 15th and July the 15th and programmed by Sociotrend. The responses came from motor insurance customers in Austria, Belgium, France, Germany, Ireland Italy, the Netherlands, Poland, Spain, Switzerland and the United Kingdom. The respondents were selected at random from a base sample.
The profile was derived from census data or from industry-accepted data where census data was not available.
Sociotrend provided summaries for each question as well as the responses from each individual, in Excel files for each country. The individual responses were cleaned, removing any individuals without a valid driving licence or a car.
Figure 17 below shows the cleaned data split between country, gender and age group.

Figure 16. Respondents to the ResearchNow survey

Country	Total	Male	Female	18-24 years	25-34 years	35-44 years	45-54 years	55-64 years	Above 65 years
Switzerland	**697**	349	348	64	119	127	140	108	139
Austria	**1,047**	509	538	144	178	217	187	163	158
United Kingdom	**1,345**	687	658	127	198	240	270	263	247
Italy	**1,400**	677	723	84	216	292	301	247	260
France	**1,428**	697	731	151	221	245	279	269	263
Belgium	**1,436**	716	720	107	213	263	297	233	323
Poland	**1,454**	746	708	165	291	287	233	286	192
Ireland	**1,474**	717	757	126	282	327	286	222	231
Germany	**1,478**	725	753	116	210	228	355	270	299
Netherlands	**1,485**	714	771	98	211	258	304	274	340
Spain	**1,485**	747	738	161	252	355	325	245	147
Total	**14,729**	**7,284**	**7,445**	**1,343**	**2,391**	**2,839**	**2,977**	**2,580**	**2,599**

Clustering methodology

Respondents have been clustered using the variables: age, premium, likelihood of switching (rated from 0 to 10) and willingness to share data with insurance companies (rated from 0 to 10). Each respondent was categorised into one of six distinct clusters, using the k-means clustering algorithm.
Other variables such as annual income and age of car were considered in the clustering analysis, however, they did not efficiently discriminate betweeen individuals in respect of the two main variables of interest, which were the likelihood of switching and willingness to accept data sharing.

A3

Note to text

[1] The Hamon Law (applied from first of January 2015) allows motor insurance customers to switch their insurance provider at any given time after they have spent one year with their current insurance provider.

[2]Insuring the future of mobility

[3]Libert, Wind & Beck, What Airbnb, Uber and Alibaba have in common, Harvard Business Review

[4]Turbulence ahead. The future of General Insurance

Note to Figure 1

Figure 1 contains the Gross Written Premiums for personal motor insurance for Financial Year 2015. Data has been sourced from the following:

- Austria: AAII
- Belgium: Assuralia
- France: FFSA & GEMA
- Germany: GDV
- Ireland: CBI
- Italy: ANIA
- Netherlands: DNB
- Poland: KNF
- UK: ABI
- Spain: ICEA
- Switzerland: SVV

Swiss, UK and Polish premiums have been converted using their following respective exchange rates as at 30 June 2016: 1.09, 0.87 and 4.35 to the euro.

A4 Glossary

Technical terms

GWP Gross Written Premium

Regulatory and Association bodies

AAII Austrian Industry Association(1)
ABI Association of British Insurers(1)
ANIA Italian National Association of Insurance Companies(1)
Assuralia Association of Belgium insurers(1)
CBI Central Bank of Ireland(2)
DNB Dutch Central Bank(2)
FFSA French Federation of Insurance Companies(1)
GDV German Insurance Association(1)
GEMA Groupement des entreprises mutuelles d'assurance(1)
ICEA Association of Insurance Companies in Spain(1)
KNF Polish Financial Supervision Authority(2)
SVV Swiss Insurance Association(1)

(1) Association of insurers (2) Regulator/Supervisor

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