



THE ROAD AHEAD

THE BRITISH MOTOR INSURANCE MARKET

ABOUT ME



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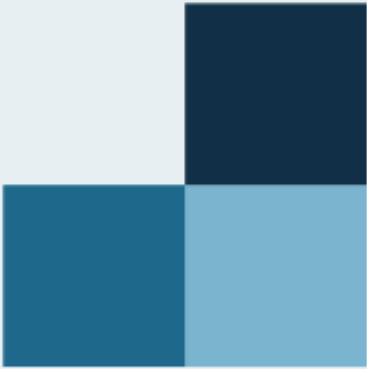

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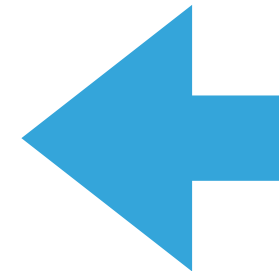
POINTS OF DISCUSSION

- Impact to the motor insurance market from:

ADVERSE TRENDS IN CLAIMS AND PPOS

DRIVERLESS CARS AND TECHNOLOGICAL ADVANCES
IN MOTORING

STRATEGIC CHANGE IN BUSINESS MODELS



POTENTIAL IMPACTS OF
REGULATORY CHANGES

**IN 2015, HOW MANY
REPORTED ROAD CASUALTIES
WERE THERE IN BRITAIN?**

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186,209

Department for Transport – 30 June 2016



ADVERSE TRENDS IN CLAIMS

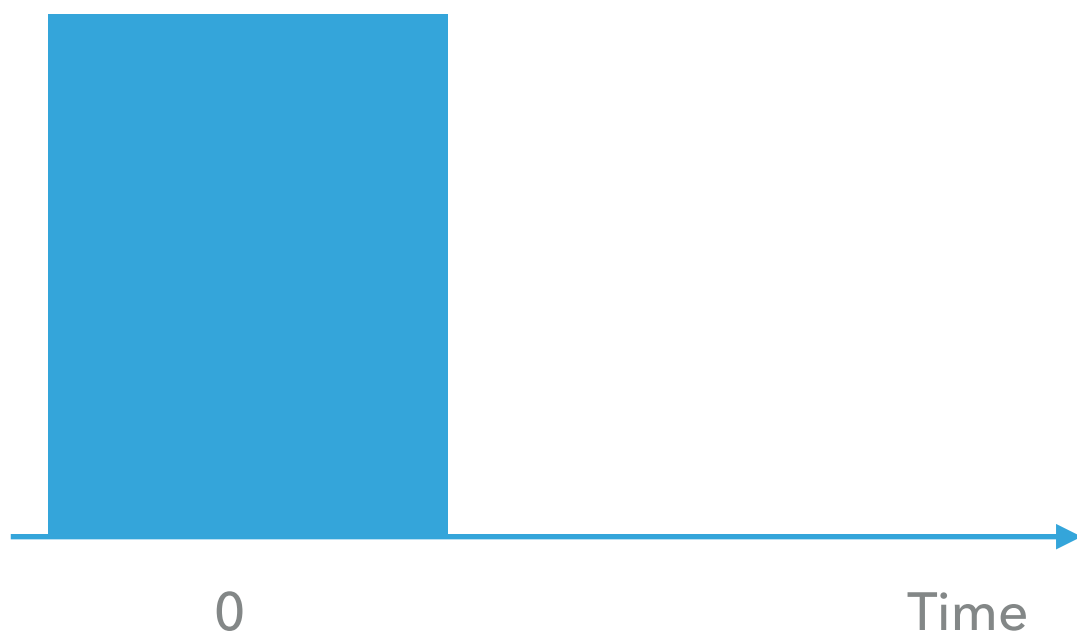
CASUALTIES AND LARGE CLAIMS

- ▶ What are Casualties?
 - ▶ Persons killed or injured in an accident, in particular, any injuries that require in-patient hospital treatment are known as serious injury.
- ▶ The majority of large claims are attributed to casualties.
- ▶ Those seriously injured may have their claim settled as a Periodical Payment Order (PPO).

WHAT IS A PPO?

- ▶ Applies to claimants who are casualties, seriously injured from road accidents.
- ▶ These can be settled as:

- ▶ Lump sums



- ▶ Annuities - paying for the remainder of the claimants life



CHALLENGES WITH PPOS

- ▶ Long duration liabilities
- ▶ Indexation to Annual Salary Hours and Earnings index
- ▶ Limited data on impaired life mortality
- ▶ Exposure to medical advancements
- ▶ Expensive reinsurance solutions



**HOW MANY REPORTED ROAD
CASUALTIES IN BRITAIN WERE
EITHER DEATH OR SERIOUS INJURY?**

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**23,869 – 13% OF REPORTED
ROAD CASUALTIES IN BRITAIN**

Department for Transport – 30 June 2016

FOOTAGE FROM BMW GROUP

PROGRESSION TO FULLY AUTONOMOUS DRIVING

- ▶ Modern Transport Bill - changes to insurance and the Highway Code
- ▶ Code of Practice for how testing driverless cars issued by Department for Transport (DfT)

2016
ASSISTED DRIVING

2018
**HANDS OFF SELF
DRIVING**

2021
**AUTOMATED
DRIVING**

2025
**FULL AUTONOMOUS
DRIVING**



DRIVERLESS CARS – WHAT'S DRIVING THEIR DEVELOPMENT?

- ▶ There were a total of 1,732 reported road deaths in 2015. The majority of these is believed to be attributed to human error. Driverless cars, presents an opportunity to address this.
- ▶ Cities like London are becoming evermore congested. In 2014, a total of 2.6m cars were registered in London, compared to a total 29.6m cars registered in the UK.

**DO YOU KNOW
WHO SAID WHAT?**

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ELON MUSK
(TESLA CEO)
CODE - JUN 2016

**"I REALLY CONSIDER AUTONOMOUS DRIVING A SOLVED PROBLEM, I THINK WE
ARE PROBABLY LESS THAN TWO YEARS AWAY"**

TRAVIS KALANICK
(UBER CEO)
TED - FEB 2016

**"IT'S LIKELY TO TAKE A LOT LONGER, I WANT MY SERVICE TO BE DRIVERLESS BY
2030"**

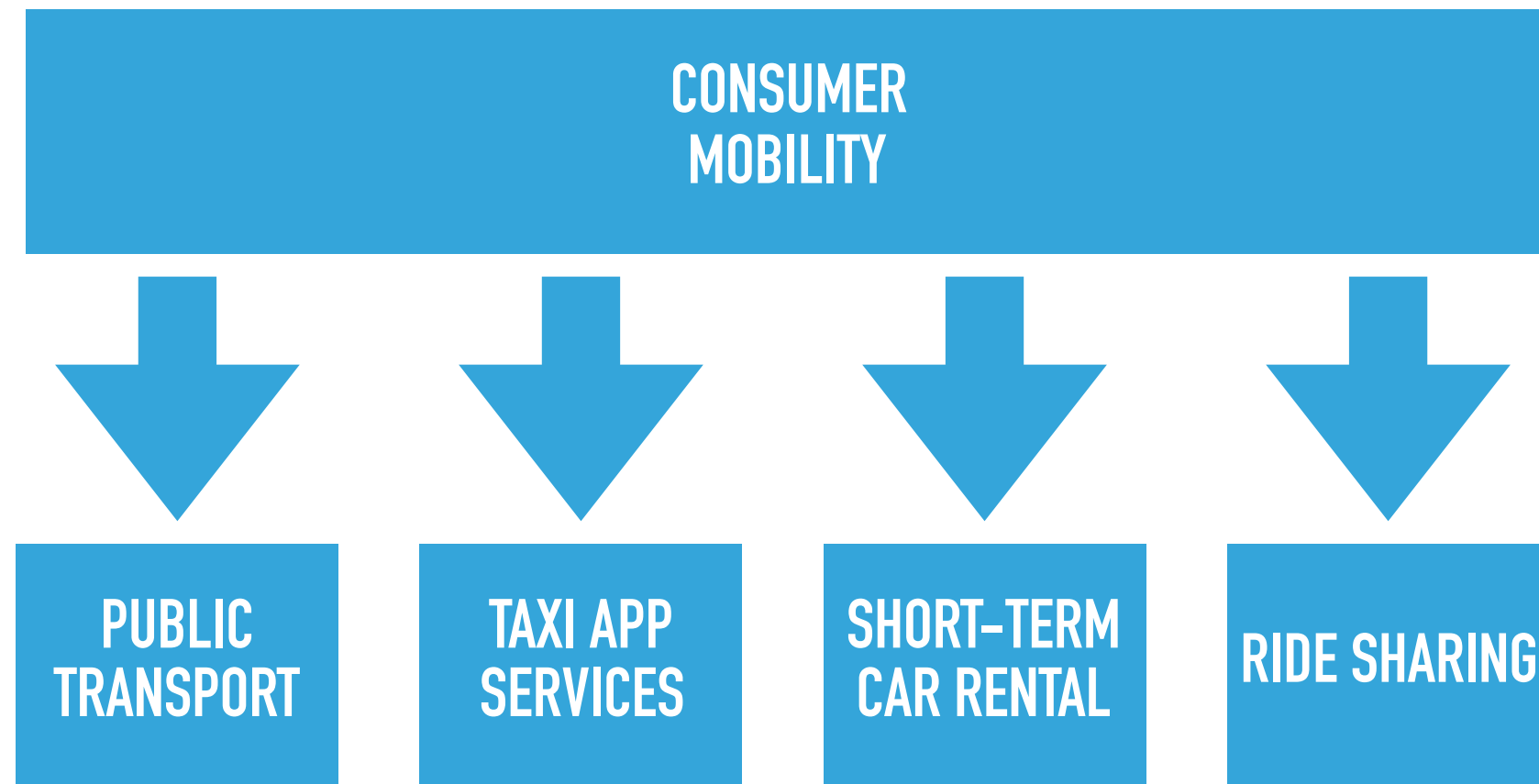
CHRISTOPH VON HUGO
(MERCEDES BENZ)
*DAILY MAIL - OCT
2016*

**"IF YOU KNOW YOU CAN SAVE AT LEAST ONE PERSON, AT LEAST SAVE THAT ONE.
SAVE THE ONE IN THE CAR. IF ALL YOU KNOW FOR SURE IS THAT ONE DEATH CAN
BE PREVENTED, THEN THAT'S YOUR FIRST PRIORITY"**

CAR OWNERSHIP AS WE KNOW IT

- ▶ Ownership of a car is an expensive proposition:
 - ▶ Cost of car
 - ▶ Insurance
 - ▶ Road tax
- ▶ An economy with shared cars will provide an alternative.

ALTERNATIVES TO CAR OWNERSHIP





STRATEGIC CHANGE IN BUSINESS MODELS

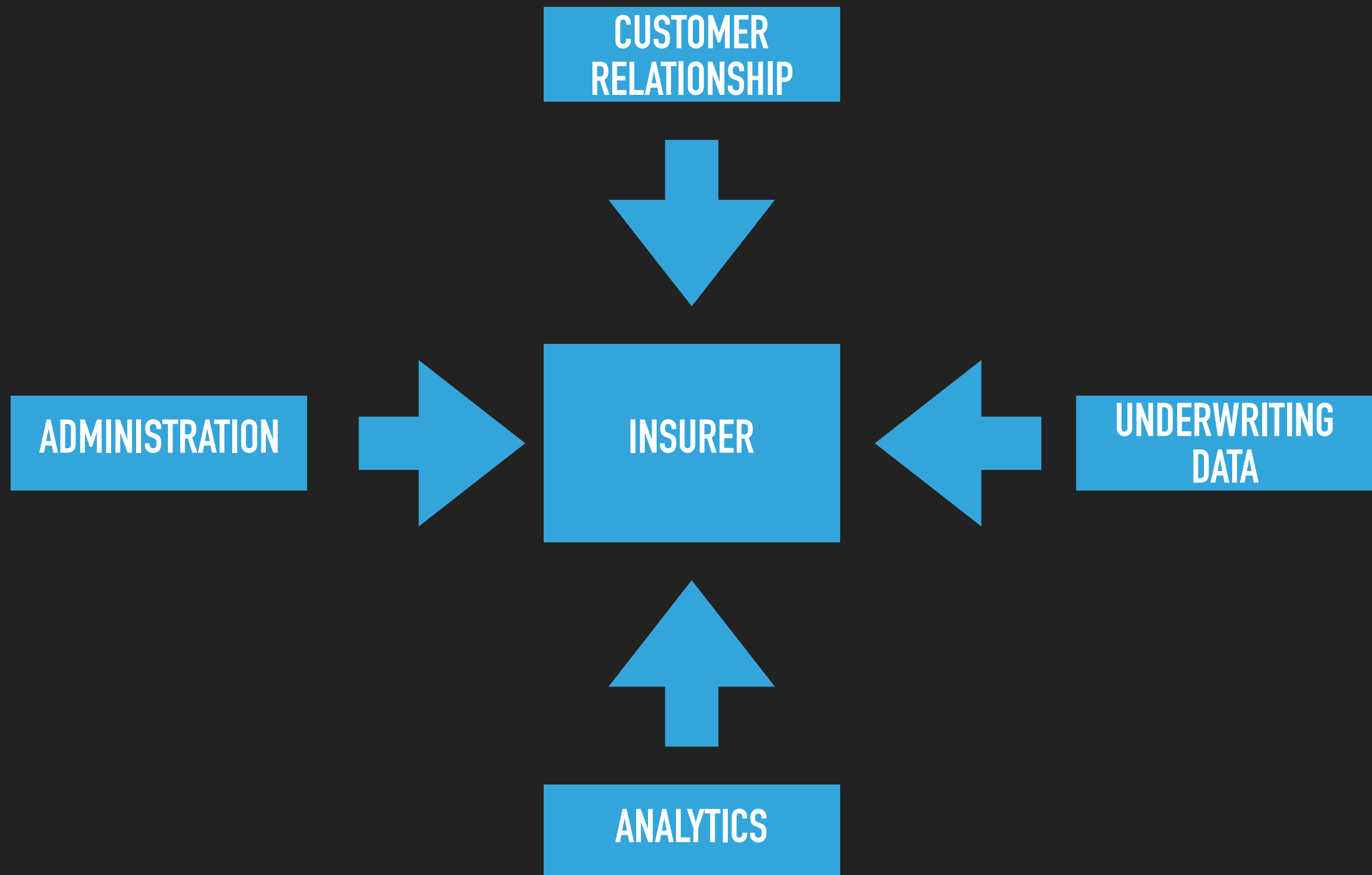
HOW INSURERS REACH THEIR CUSTOMERS



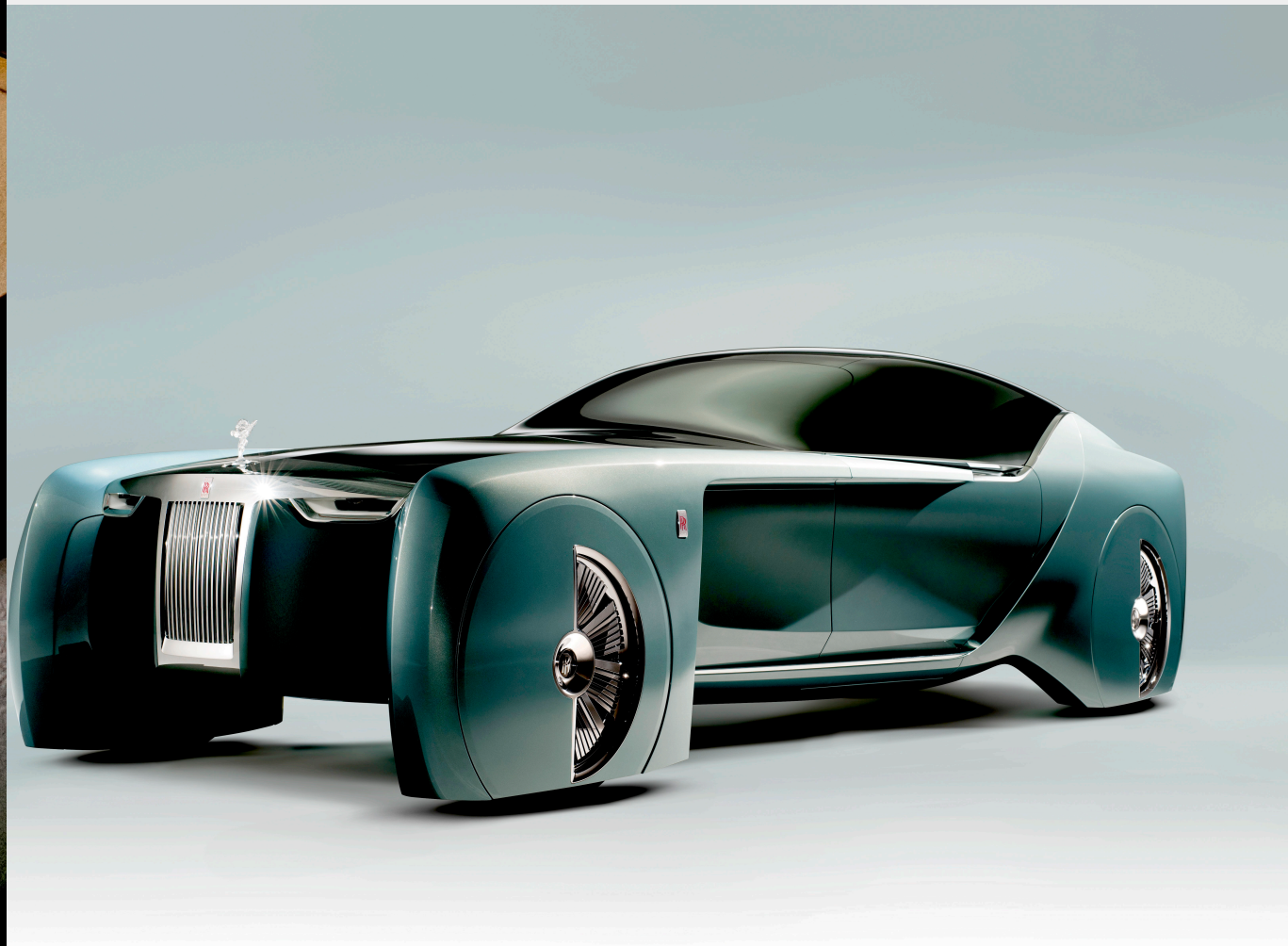
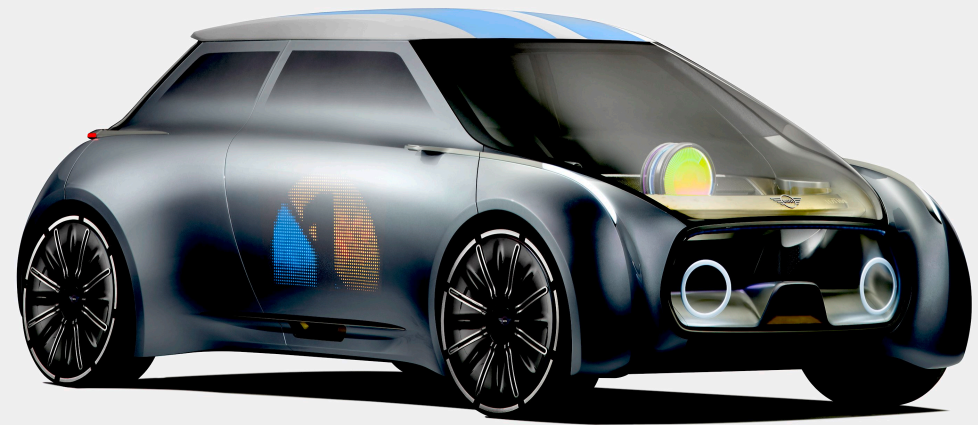
PRICE
COMPARISON SITES



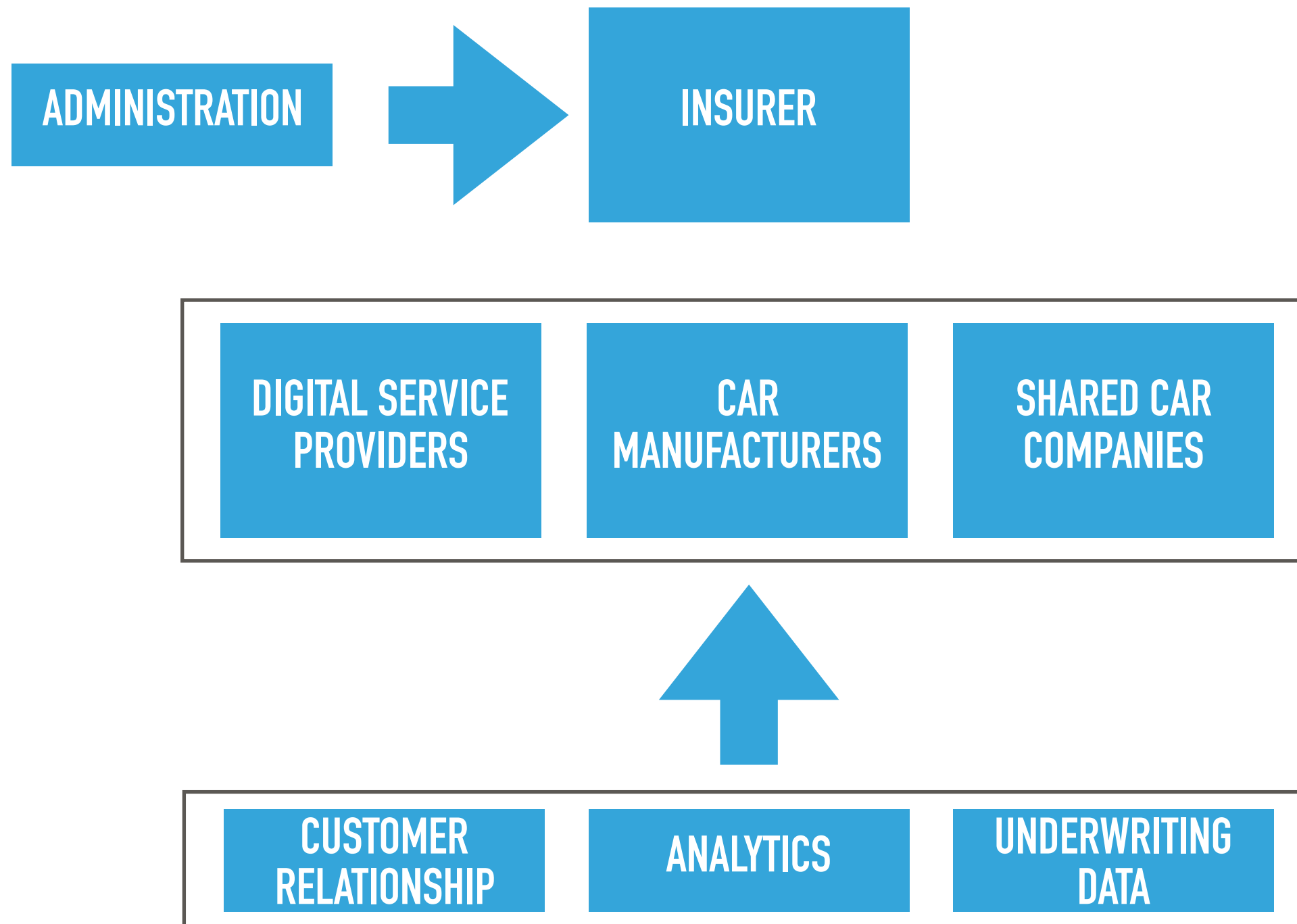
CURRENT BUSINESS MODEL



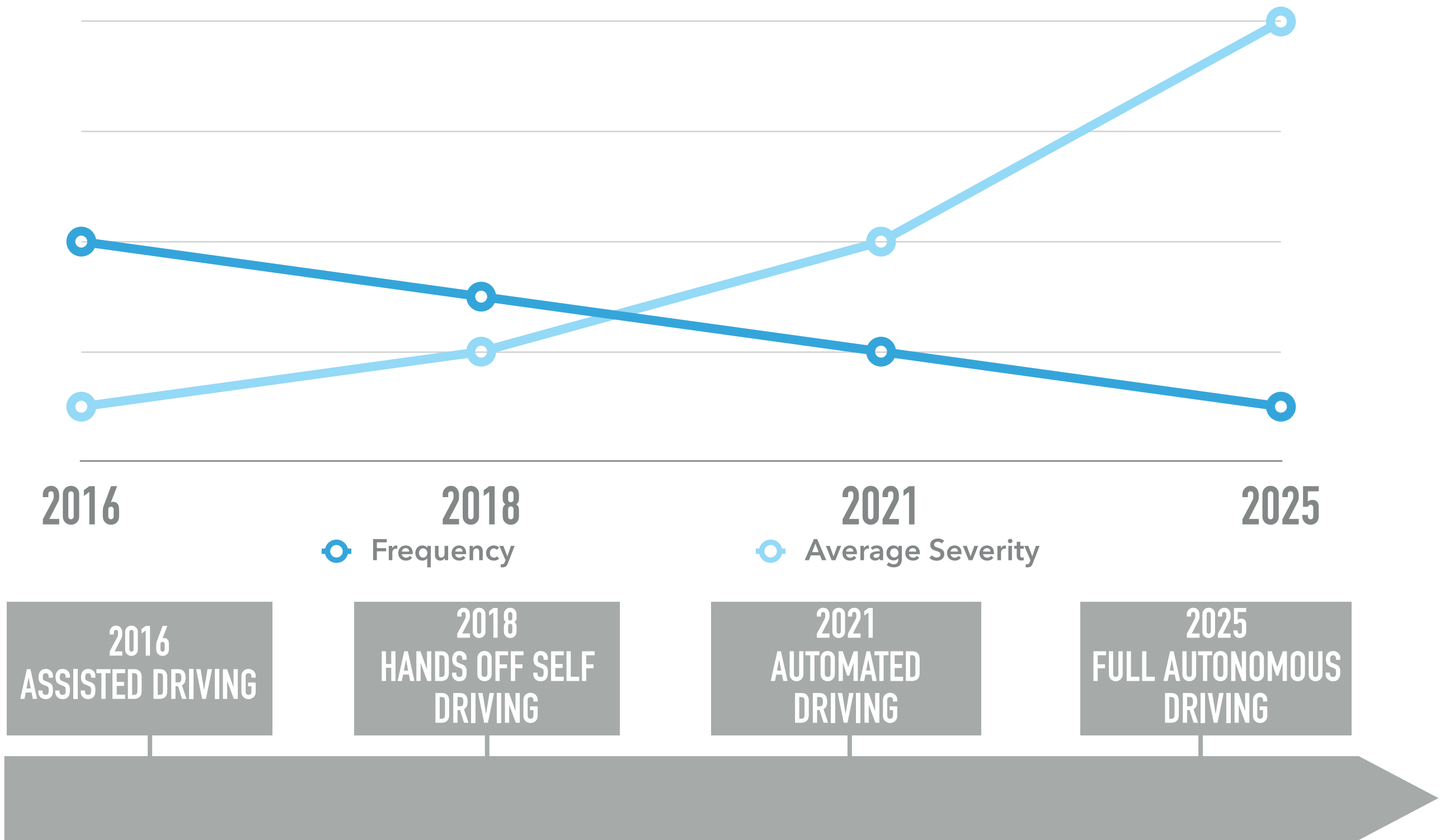
DISRUPTERS THAT MAY HAVE COMPETITIVE ADVANTAGE



FUTURE BUSINESS MODEL

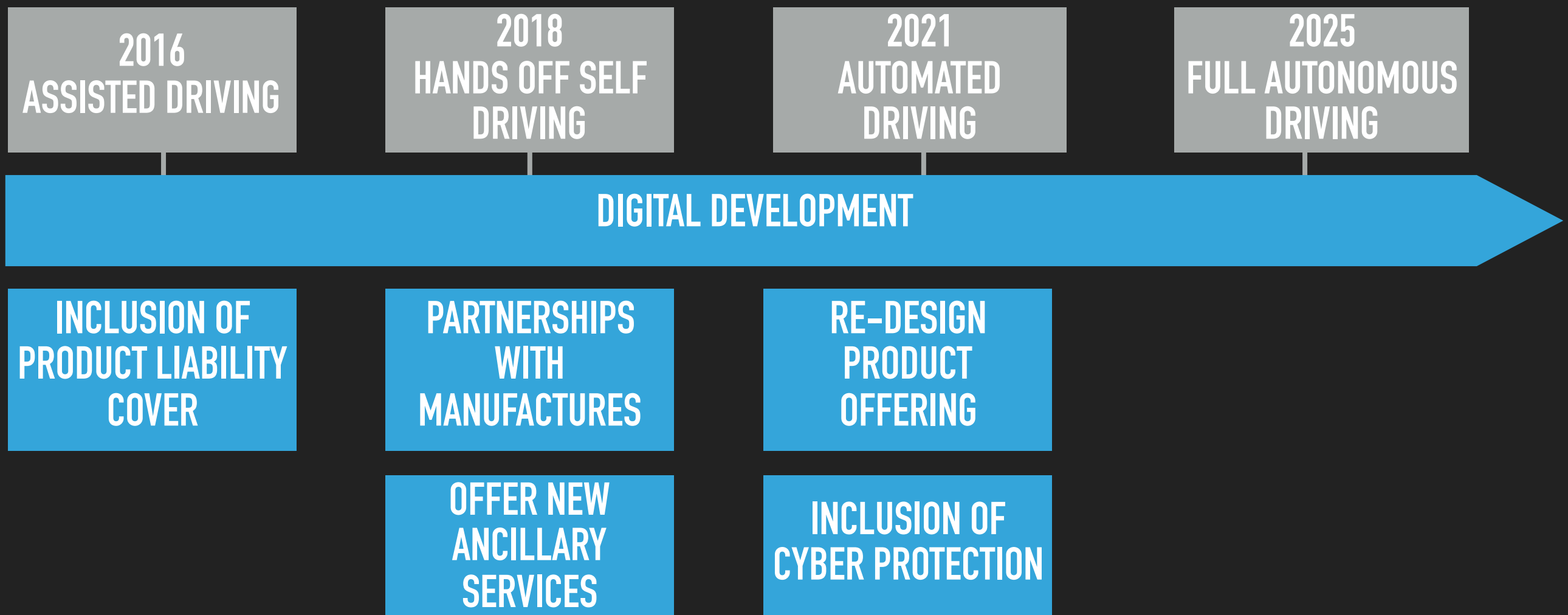


CHANGE IN CLAIMS AS WE PROGRESS TO AUTONOMOUS DRIVING

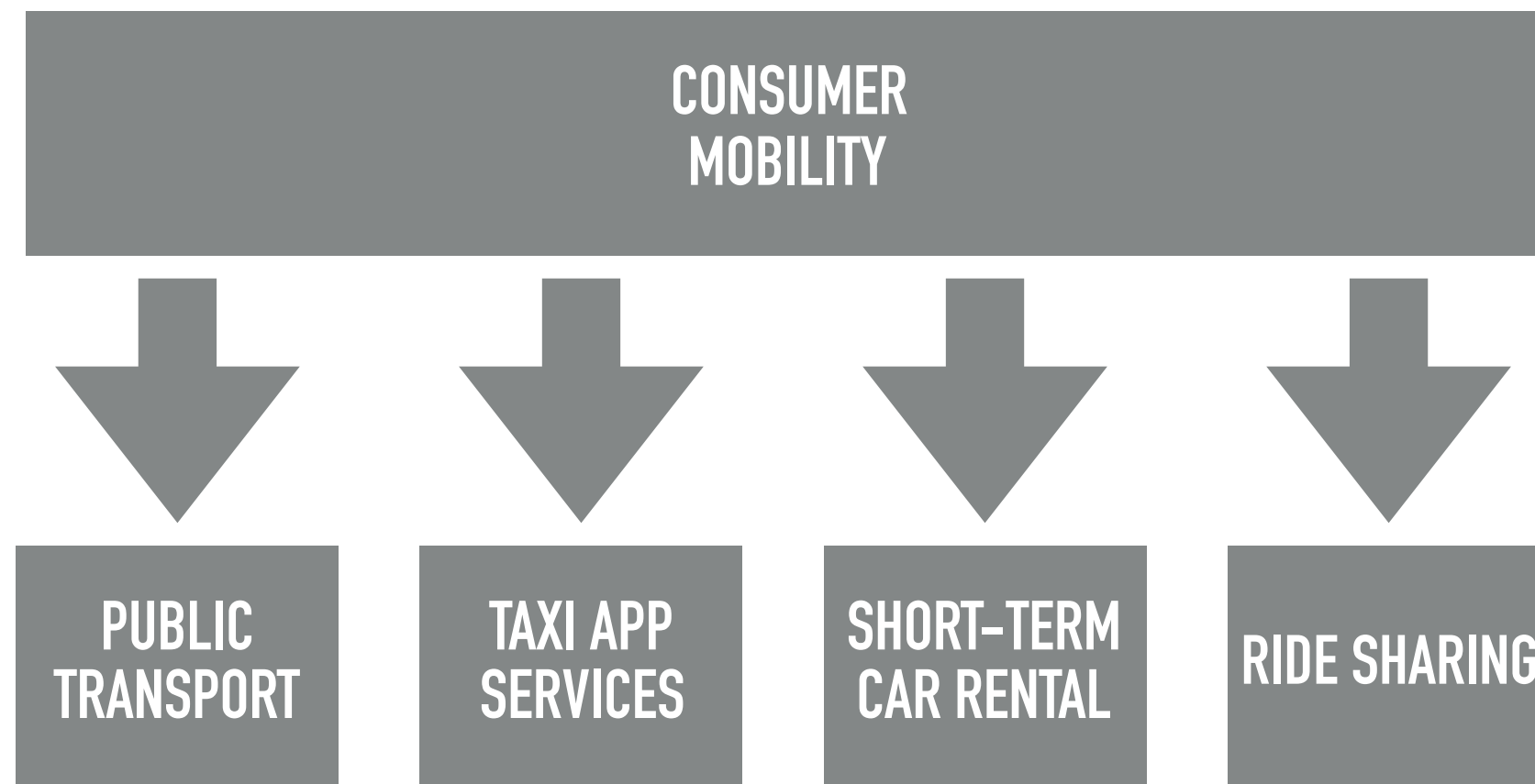


HOW CAN INSURERS ADAPT DRIVERLESS CARS?

► Driverless cars:



HOW CAN INSURERS ADAPT TO SHARED CARS?



DIGITAL
DEVELOPMENT

COMMERCIAL
PROPOSITION

PARTNERSHIP
WITH NEW
ENTRANTS

PAY AS YOU GO
INSURANCE

ANCILLARY
PRODUCTS

CONCLUSIONS

- ▶ Driverless cars may make traditional motor insurance redundant
- ▶ Shared cars will introduce new disruptors to the market
- ▶ Insurers need to adapt now

THANK YOU FOR LISTENING

QUESTIONS?

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- ▶ The opinions expressed in this presentation are my own and not those of Aviva or any of its affiliated companies.
 - ▶ Any errors or omissions are mine alone.
 - ▶ This presentation was first given on 1 December at Momentum 2016.