

Insurance Telematics Market - Growth, Trends, Covid-19 Impact, and Forecasts (2023 - 2028)

Market Report | 2023-01-23 | 100 pages | Mordor Intelligence

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Report description:

The global insurance telematics market was valued at USD 2.75 billion in the current year and is predicted to reach USD 12.70 billion over the next five years, thus registering an increasing CAGR of 18.53% during the forecast period. As part of how telematics insurance usually works, a "black box" is installed in the car. This device keeps track of things like speed, distance, and the type of route taken.

Key Highlights

Additionally, this device tracks braking behavior and driving habits, which insurance companies use to determine a fair price. Insurance telematics can improve claims, risk selection, and fraud detection while changing the current motor insurance landscape.

Telematics can be understood as a combination of informatics and telecommunication. Telematics is helpful in the auto insurance sector for tracking, storing, and transferring driving-related data. This data is beneficial for understanding driving behavior and setting reasonable auto insurance prices. Consumers enjoy real-time services like crash assistance. These services support the growth of bold claims services and assist insurers in driving digital use.

The usage of cloud services in insurance telematics is being driven by the Internet of Things (IoT) integration in passenger and commercial vehicles. For instance, a parent can monitor their kids' driving behaviors. Cloud services may be incorporated into the customer experience with third-party applications, fueling the market's expansion throughout the forecasted period. The use of smartphones is growing, and its integration with cloud telematics enables real-time data exchanges that maintain track of vehicle operations and reveal insights and hazards associated with a driver's driving style. Better data and device management are made accessible by the cloud deployment of insurance telematics.

Usage-based insurance (UBI) is widely available for vehicles in developed countries, which is a driving factor for the insurance telematics market. In this UBI, the payable premium for the policy is directly linked with the insured product or service usage. For

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consumers, it will promote safe driving, resulting in the mitigation of accident severity and frequency. For the insurers, the claim-handling cost will be reduced by 55%, likely driving market growth over the forecast period. Many automobile industry firms have already begun investing in cutting-edge telematics systems to gain a competitive edge. Fleet managers can obtain a wealth of information about the condition of their cars from application-specific telematics and computer imaging. But the market may be limited by problems with data quality and compatibility caused by internal and external damage, installation time, and regular updates.

COVID-19 had a profound impact on the claims functions of insurance companies around the globe. On the one hand, the number of claims had increased significantly, with many relating to new or unusual situations in these unprecedented times. However, in the current conditions, the shift towards non-COVID claims has risen in the sectors of health and motor, according to ICICI Lombard General Insurance, which indicates the growing need for insurance in the telematics market.

Insurance Telematics Market Trends

Increasing Adoption of Usage-based Insurance

Usage-based insurance calculates the insurance premium depending on the driver's behavior rather than a fixed amount like conventional car insurance. The distance traveled and driving behavior are two important factors in determining the cost of car insurance. The insurer uses data such as driving speed, acceleration rate, braking pattern, and whether you use the phone while driving to calculate insurance premiums.

As the total cost of ownership for insurance telematics has decreased significantly over the last ten years and regulatory developments have enabled UBI, insurers worldwide have focused on telematics as the future of developing deeper client relationships. The main driving forces behind usage-based insurance are new data collection techniques, the development of embedded telematics solutions, the emergence of a new insurance ecosystem, a decline in accidents, and vehicle theft recovery capabilities, including those offered by mobile and hybrid solutions. These elements denote a shift in the market and are crucial for implementing UBI.

According to a US auto insurance study conducted between January and April 2022, usage-based automobile insurance programmes have seen a dramatic increase that could save up to 30% on the insurance premium, depending on the operator or provider. However, the most significant fall in customer satisfaction is due to price increases. This negative satisfaction can be decreased by proactively informing customers ahead of time if the price increases.

Through partnering with smartphone-based telematics companies that are industry leaders in big data to provide accurate results, UBI programmes analyze driving behavior accurately to offer fair discounts. For example, insurance SaaS providers like Zendrive use AI and machine learning algorithms trained by over 200 billion miles of driving data. To ensure that drivers are fairly evaluated and taxed, this data enables highly accurate scoring of driving behaviors such as hard stops, sharp acceleration, speeding, phone use, and hard corners, as well as the capture of overall mileage. Such technology advancements and partnerships drive the demand for the insurance telematics market.

The rising incorporation of the Internet of Things (IoT) into passenger and commercial vehicles is propelling the utilization of UBI along with cloud services in insurance telematics. The cloud makes it possible to access numerous device-related data sets when traveling. For instance, a parent can monitor their children's driving behavior. Furthermore, cloud services can be connected through third-party applications, enabling an enhanced customer experience and propelling market growth over the forecast period.

Europe Enjoys a Dominant Position in the Insurance Telematics Market

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The European insurance telematics market is primarily dominated by hardwired aftermarket black boxes, while self-install OBD devices represent the vast majority of active policies in Europe. However, several European insurers have recently shifted to solutions based on smartphones. The Italian insurers UnipolSai and Generali together accounted for over 50 percent of the telematics-enabled policies in Europe. Similarly, Admiral Group and Direct Line have strong adoption rates in the UK. Consumer engagement is now the focus of most insurance telematics programmes and will continue to be an essential topic in the near term in Europe. The European insurance telematics market is still controlled and dominated by insurers in Italy and the United Kingdom, with an estimated 4.3 million and 540,000 policies, respectively. All other markets have significantly lower uptake, with between 50,000 and 100,000 policies sold in Spain, Austria, and France, and between 10,000 and 20,000 policies sold in Benelux, Switzerland, Scandinavia, and Germany.

The insurance telematics value chain spans multiple industries, including a large ecosystem of companies extending far beyond the insurance industry players. In Europe, automotive OEMs such as General Motors, Honda, BMW, Daimler, Hyundai, Toyota, and Stellantis are showing an increasing interest in using data collected by their vehicles in insurance applications.

Smartphone-based insurance telematics solutions are now offered on a broad scale in Europe. Prominent players such as LBS and Telematics Technologies are creating insurance telematics solutions in Poland's market in the fields of technologies used in UBI (both private and fleet cars), crash detection and reconstruction, and VAS for drivers. The EU market is following this trend of smartphone-based insurance telematics programs.

Insurance Telematics Market Competitor Analysis

The insurance telematics market consists of several major players. In terms of market share, only some of the market players currently have significant dominance in the market. The major players with a prominent market share are expanding their customer base across foreign countries to stay on top. These companies leverage strategic collaborative initiatives to increase their market share and profitability. The companies operating in the market are also acquiring start-ups working on insurance telematics market technologies to strengthen their product capabilities.

In November 2022, OPES, a digital-only insurance firm, joined with IMS to offer app-based telematics insurance solutions called O-Car in Vietnam. OCar leverages the IMS One App SDK and IMS Wedge, a patented technology, to identify the insured's vehicle. With this app-based solution, OPES aims to target the country's 3 million car drivers.

In October 2022, Driven Telematics, a company that helps families with their auto insurance rates, partnered with Cambridge Mobile Telematics (CMT) to help teen drivers improve driving safety and save on auto insurance. The new free Driven app gives families insights into their driving behaviors and gives them a driving score so they can shop for insurers to keep rates low.

Additional Benefits:

The market estimate (ME) sheet in Excel format
3 months of analyst support

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