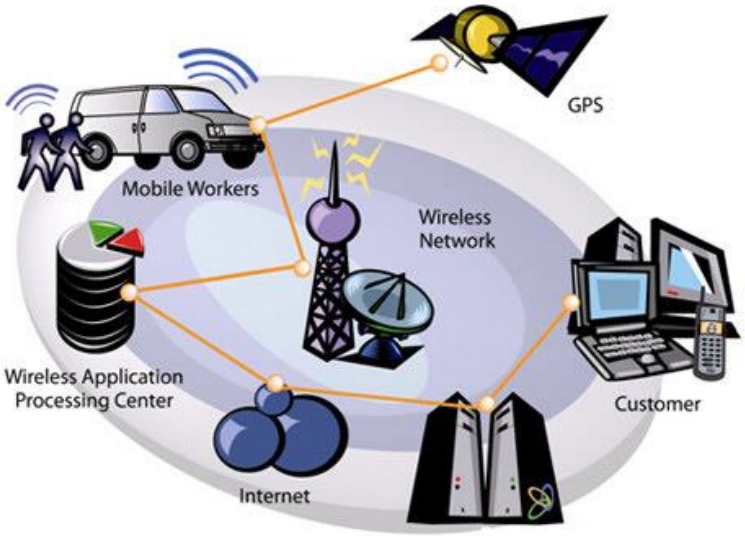
AXA GLOBAL DIRECT FRANCE
PAY HOW YOU DRIVE

28/09/2015

CONFIDENTIAL

What is Telematics ?

- Telematics is the integrated use of **tele**communications and infor**matics**, for application in vehicles. In simple words, it is the **use of a device in a vehicle** (black box or smartphone) to record and transmit data linked to the position or movement of the vehicle
- Insurance telematics is the use of telematics by motor insurers in order to **adjust the premium to the actual risk**, instead of relying on common statistical segmentation criteria such as age, gender, address and claims history. This can enable:
  - Usage-Based Insurance (UBI) such as Pay As You Drive (PAYD) (based on the number of kilometers driven) or Pay How You Drive (PHYD) (based on the driving behaviour)
  - Ancillary value-added services such as stolen vehicle recovery, remote vehicle diagnostic or automatic crash detection and immediate assistance



Telematics strategy : be the 1st movers in the French market

July 2014

1

YOUDRIVE LITE APPLICATION - Gaming

Free application allowing to assess and improve driving behaviour

→ Raise awareness to driving score and PHYD

→ Start collecting driving behaviour data

March 2015

2

PILOT PHYD - Test

Insurance contract based on driving behaviour

Limited to 500 policies – young drivers

→ Test systems & processes

→ Create a community / co-construction with FANVOICE

Sept 2015

3

APPLICATION – Try before you buy

Free application allowing to assess and improve driving behaviour, while **getting an estimate of the potential discount available with PHYD product**

→ Acquisition channel

→ Keep collecting driving behaviour data

PRODUCT - PHYD

Insurance contract based on driving behaviour

General launch – target young drivers

→ Be the first movers in the French market and become the reference for the PHYD market

In March 2015, launch of the 1st PHYD offer in France

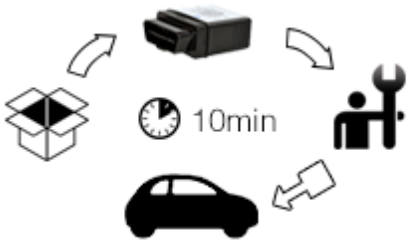
YouDrive

Description of YouDrive offer

How does it work?

Online subscription on a dedicated portal

OBD device in self-install

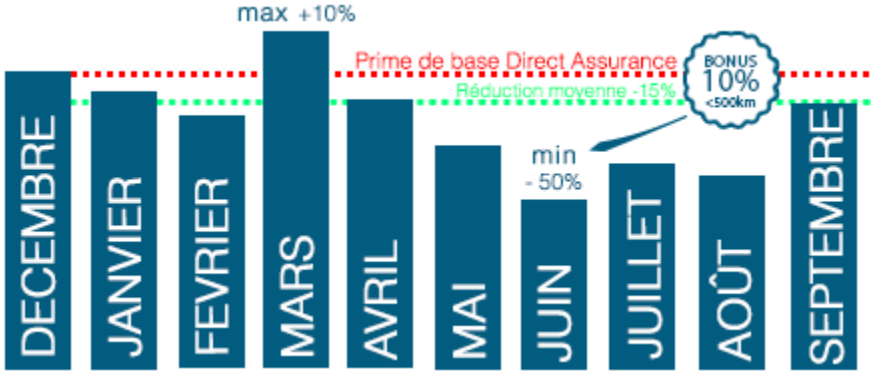


Real-time analysis of driving behaviour

Monthly adjustment of the premium

A monthly discount

- Base premium = premium AGDF
- 3 formulas: 2 TPL + 1 full cover & 1 ancillaries pack
- PHYD discount between -40% and +10%
- Discount based on last month's driving score
- Additional PAYD discount if <500km during the month



A new customer relationship

100% web

Subscription / Amendments / Client portal

100% chat

Help / Q&A / Complaints

Regular interactions

Weekly report on driving behaviour

Mobile application

Try before you buy *(soon after launch)*

Admission conditions:

- A driving licence for less than 7 years

or

- No insurance history

and

- A gasoline car > 2002 or a diesel car > 2004

Driving score

After each trip, YouDrive calculates a driving score

4 risk factors + distance driven

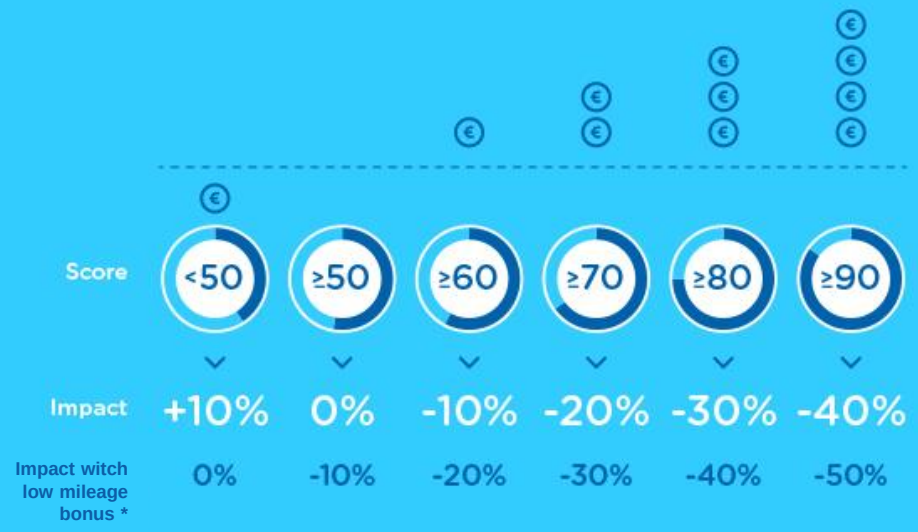
- Acceleration
- Braking
- High speed cornering
- Speed
- Mileage

Contextual data

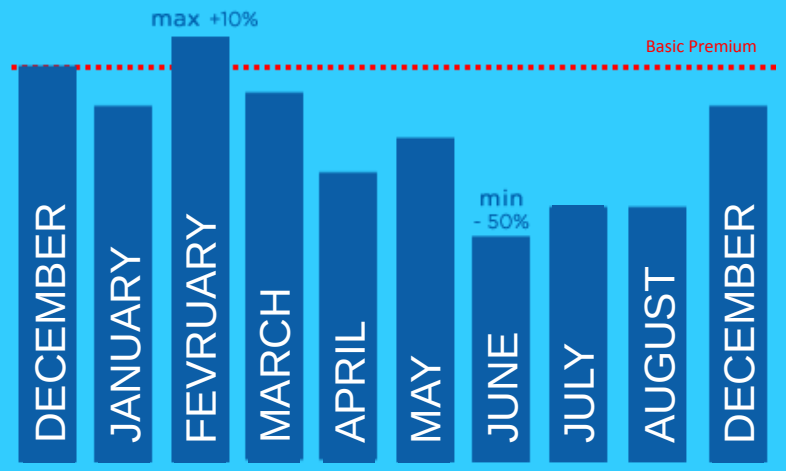
- Road type
- Traffic
- Weather

Transparent and simple

Clear correlation between score and monthly savings



Monthly evolution of the premium



Drive your car insurance…

…and manage your budget at the same time!

** Low mileage bonus = extra bonus of 10 % if < 500km / month*

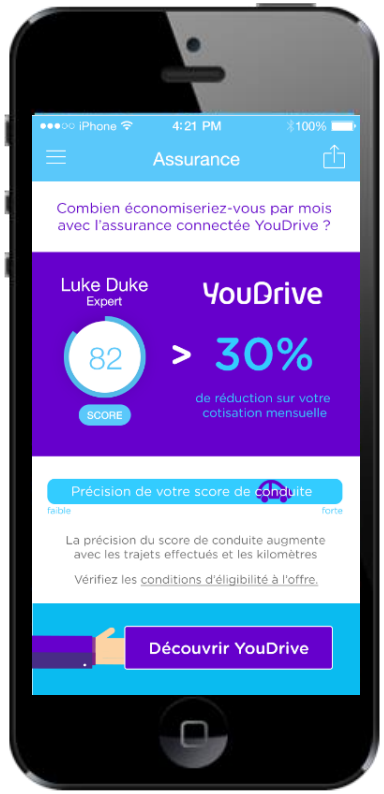
YouDriveLite

A free mobile app to try before you buy

Statistics

Trip history

Score try out



Medals

Ranking

Telematics both monitor and influence drivers

Telematics can both better predict risk..

- **Telematics-based premiums can contribute a lot to insurers' bottom lines:**

"Our data shows that the vast majority of our customers are responding to our "carrot" rather than "stick" approach and are improving their driving skills because they are rewarded for doing so."

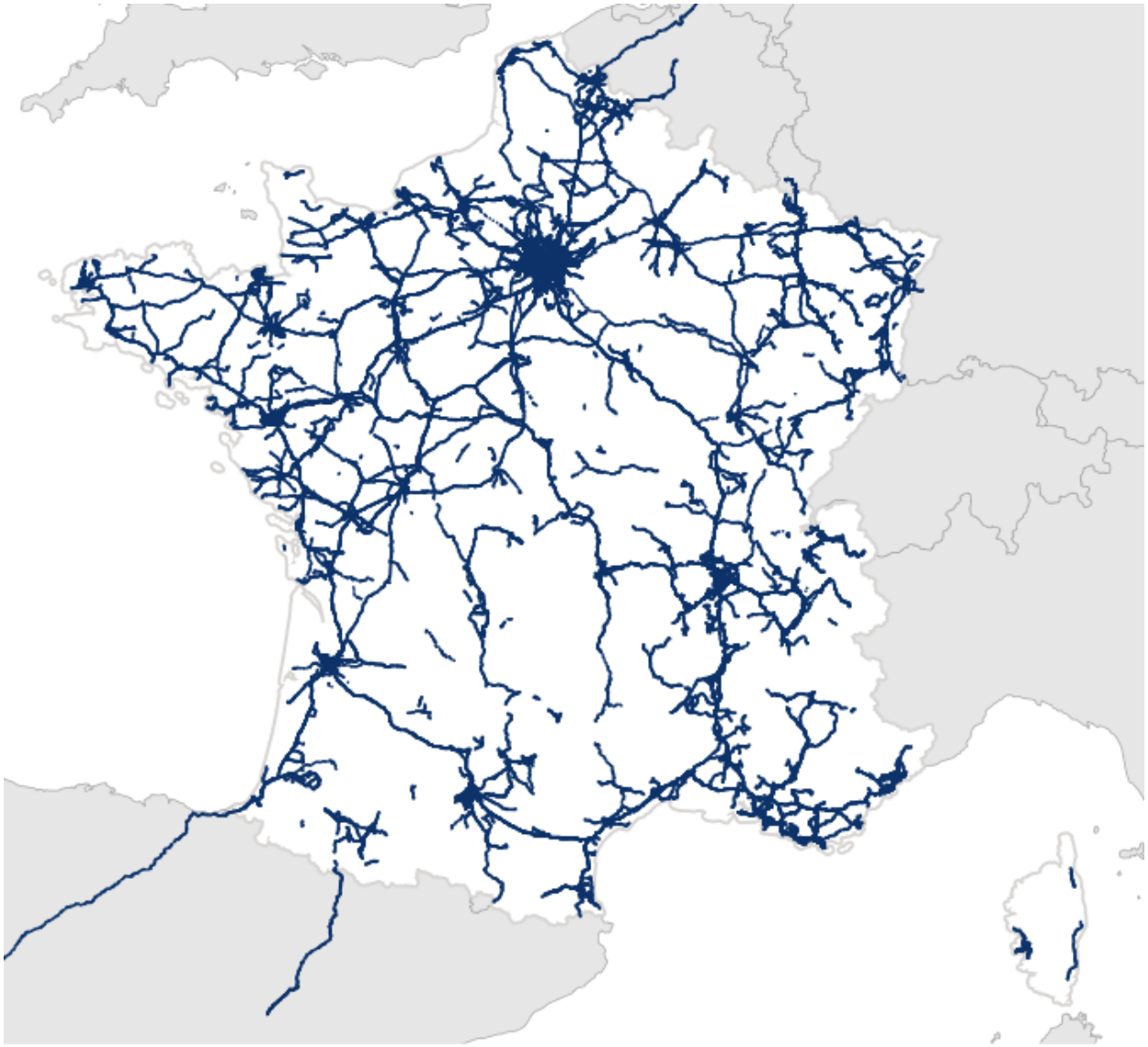
David Neave, Director of General Insurance, The Co-operative Insurance, Nov 2011

… And reduce technical costs

POSITIVE SELECTION	PLACEBO EFFECT	FEEDBACK EFFECT	CLAIMS MANAGEMENT
Naturally attracts better drivers	Conscience of being monitored influences driving behaviour	Regular feedback Driving tips and personalized advice Positive experience	Automatic data sharing, FNOL Faster processing Fraud reduction

Total impact on technical costs is expected to reach c. 40%

Data collected : 4 million kilometers



A new pricing paradigm

From traditional underwriting criteria to full PHYD pricing mainly based on driving behaviour to accelerate convergence towards true risk pricing

	1 Traditional Pricing	2 Discount based pricing	3 Full PHYD pricing
New Business	Past claims history	Driving behaviour	Driving behaviour
	Socio-demographic data	Past claims history	
	Vehicle data	Socio-demographic data	
		Vehicle data	Vehicle data
	Other data (parking…)	Other data (parking…)	Other data (parking…)
Renewal	**Slow** convergence towards true risk pricing	**Fast** convergence towards true risk pricing	**Immediate** convergence towards true risk pricing
	Driven by: 1. Socio-demographic data 2. Past claims history	Driven by: 1. Socio-demographic data 2. Past claims history 3. Driving behavior	Only driven by Driving behavior
	Current	Q1 2015	2016-2017

Rapid transition to driving based pricing

1. Traditional pricing protecting AGDF from **standard anti-selection from competition**
2. Discount based pricing partly based on **customers' driving score**. Pricing is still mainly driven by traditional criteria but starts to take into account how people drive. Thus, pricing is closer to the true risk especially at renewal providing AGDF with a competitive advantage
3. **Revisit the Motor pricing paradigm through a full PHYD pricing.** It will optimize AGDF's competitive advantage both for new business and renewal. Also, AGDF will benefit from an accrued protection against possible future regulation change (gender, age…)

Key message

Discount based pricing will enable AGDF to gain confidence in the driving score ability to replace most traditional underwriting criteria

MENTION DE CONFIDENTIALITÉ

Telematics pricing – New methodologies and Big Data

How to identify the most important risk factors ?

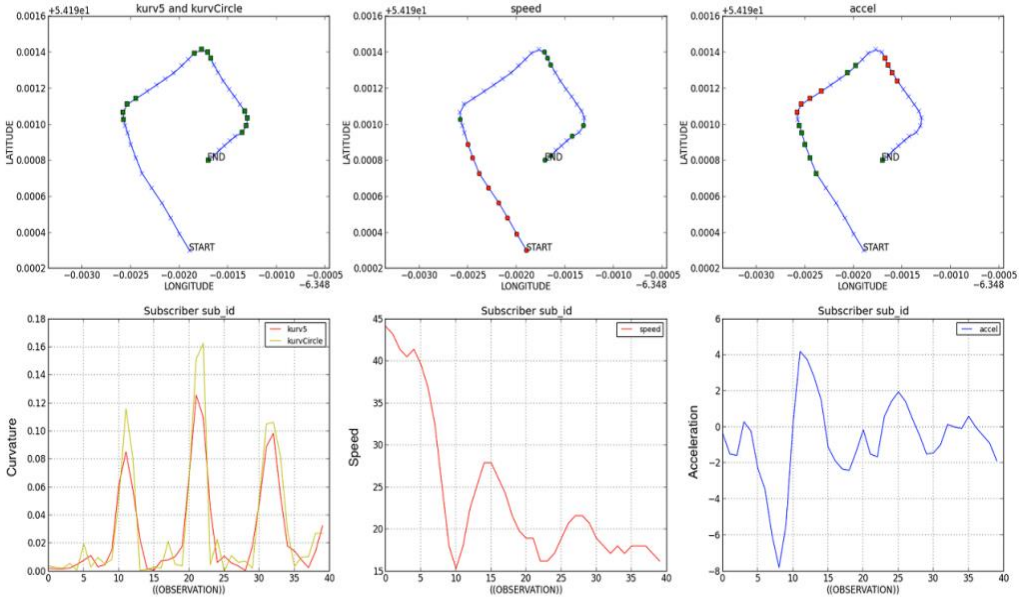
New Risk Factors

- Acceleration
- Braking
- Cornering
- Speed

New Available Data

- Collected data
- Contextual data
- Vehicular data

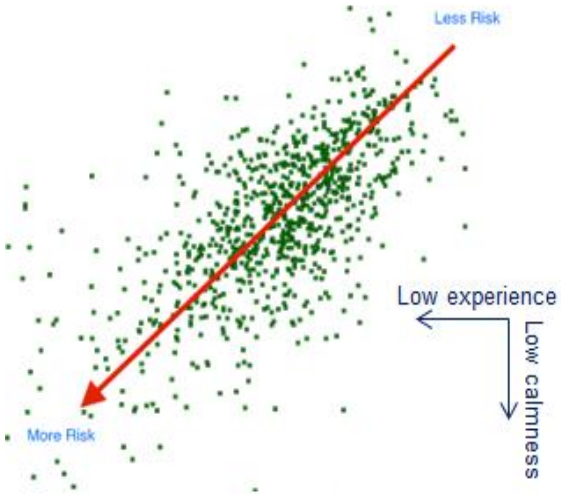
Behaviour of a customer during a curve



Based on acceleration, speed and curvature profiles at critical points such as junctions, we are able to calculate scores of driving experience, brutality and exposition to bad weather

The PHYD product must conciliate two apparently contradictory objectives :

- Find the most efficient features to give the most precise score possible
- Remain transparent for the user



YouDrive Lite – Key figures as of Sept 18th

Launch on July 1st 2014

150k Downloads
- *125k iOS*
- *25k Androïd*

50% Transformation rate
: 74k accounts created

20 000 Users >3km

200 Users/day

7 200 Users > 5 trips

7 300 Users > 100km

4 110 000 Kilometers collected

170 000 Trips >3km