

# 60SECS



INTERVIEW #2

JULY 2021

Quick-fire insurance  
thought-leadership

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Hear from leaders driving  
change in your industry

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**FOUNDER & DIRECTOR, IOT INSURANCE OBSERVATORY**

**MATTEO CARBONE**

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GREETINGS



COMRADES

After Italy's recent success in the European Championship, could I ask anyone else but the country's leading authority on insurance innovation, Matteo Carbone for an interview? What a pleasure it was to catch up with the champion of IoT, to separate fact from 'fake news' and to hear Matteo's take on our industry's key strategic goals. It never fails to impress me just how passionate and determined this man is. Matteo has taken it upon himself to increase IoT literacy and education to all members of the insurance ecosystem, and with good reason. This is an enabling technology, that when implemented wholeheartedly benefits insurers, customers and society as a whole. I hope you enjoy the interview.

Stay safe.

Graham Proud

Founder, The Lighthouse Collective

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Matteo Carbone, Founder & Director, IoT Insurance Observatory

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**Graham Proud (GP): There has been a lot of talk about accelerated digitization since the pandemic took hold. What is the reality from your point of view?**

Matteo Carbone (MC): We have certainly seen insurers use more digital tools in the last 18 months. I would say carriers are making decisions faster and committing to pilot projects more readily. The pandemic has also forced businesses to find new working solutions for their employees with many successes. However, the other part of the digital shift narrative; summarized as 'customers' appetite for digital is increasing' is indeed 'fake news!' Progressive showed that within personal lines their direct channel quota has increased by 1% each year (between 2017-2020). This reflects a structural long-term trend, without any pandemic impact. If there had been a digital shift in the U.S. insurance market due to the pandemic, it would have impacted the book of a major player such as Progressive beyond the established pattern. I see a continuation of a trend here (in terms of customers' propensity to interact with digital channels) as opposed to a dramatic upturn in behavior.

**GP: IoT adoption across insurance remains low. However, in any business line there are examples of positive initiatives that are clearly benefitting the business, the customer, even society as a whole. What is now required for the industry to seize the available opportunities with IoT?**

MC: You are right. The journey is continuing, and we have seen great improvements in the last ten years. Presently, the level of maturity in terms of total understanding is not there. Insurers must encourage the narrative and build ubiquitous literacy on this topic. This is a personal mission of mine. In the US we are reaching an inflection point however and many players stand to gain. The market leaders are forcing the rest of the insurers to follow suit. It is my opinion that in auto for example, those that fail to utilize telematics will inevitably fall behind and eventually disappear. The time to invest in telematics was yesterday, today and tomorrow. I think the industry will continue to develop organically in the sense that we are driven by competition and the obvious benefits the technologies bring.

**GP: People have never been more connected. Research shows that the average home in the UK has anything between 7-10 internet-powered devices. Yet, IoT in the context of home insurance is not gaining the same amount of traction as Auto. What's your view on this? What is the challenge for insurers here?**

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MC: Auto has one single device, an app usually, and a lot can be done with this alone. The means of putting together the entire process is far less complex than a situation in-home. In this scenario you have different exposures, many devices, inaccessible data etc. The likes of Google and Amazon are not sharing data readily. And so, there is a complex picture there to resolve. There are concrete opportunities however. The first step is to be extremely focussed on solving a particular problem. Then you must find the correct balance between the solution you are introducing and the benefits. A couple of years ago LexisNexis demonstrated how an in-house device drastically reduced flooding scenarios by 96%. With that of course came reduction in claims, and in the long-run substantial cost-savings were predicted. The problem was the up-front cost per house for the device which meant that an insurer would have to wait many years for the investment to be returned. This is the challenge. But, if you are in a situation where the benefits make sense, in a timeframe that is acceptable, then there is a lot to gain.

**GP: Imagine you are in a room with the transformation leaders from the top 5 US carriers. What action would you encourage them to take to fast-track their innovation plans and achieve additional successes?**

MC: When we as an industry discuss barriers to innovation, it is common to hear that the 'right' technology is missing, or regulatory issues stunt progress. My point of view is that these points do not constitute actual barriers. If you can execute, you can deal with the choices presented. The real barrier is people, and the way organizations are built, particularly large ones. Imagine the multitude of people involved, across multiple states, and the resistance that comes with that inside a major organization. How do you organize your innovation structure internally? That is the question. This must be effective if a change culture can occur.

**What are you excited about currently Matteo? What have you been working on?**

MC: I have just published a paper on risk prevention with the Geneva Association which demonstrates some real success stories involving IoT. It is my intention that this piece will act in building the literacy around potential opportunities in the space. The report is called 'From Risk Transfer to Risk Prevention: How IoT is reshaping business models in insurance.' For more information on the report visit the Geneva Association website: <https://bit.ly/3x2HYk8>

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A big thank you to Matteo Carbone for participating in this interview. You can connect with Matteo and follow his latest work on LinkedIn.

For more information on the IoT Observatory, visit their company website:  
<https://iotinsobs.com/>

For more information on The Lighthouse Collective:  
<https://thelighthouse-collective.com>

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