

In what capacity should Progressive continue with the pay-as-you-go auto insurance product?	What is the primary motivation for your response to Q1?	In what capacity should Progressive continue with the Homeowners insurance product?	What is the primary motivation for your response to Q3?
B	Differences in markets (state regulation, type of driving) which drive cost impact on customers	A	I don't believe customers value bundling as much as they think. The risk profile and customer analysis for homeowners don't draw on the same skills Progressive has in auto.
B	Texas is not typical and there could be other factors in play when tested with broader market	A	It is a area that requires total different set of skills and its economics is not attractive either
C	Cost competitiveness and better service	A	outside core competency
C	Great for data mining. Valuable for Consumers. Consumers are in control.	B	Risky to enter the new territory. Need huge efforts to educate consumers in home owner market.
A	To much variance in predicting revenue. Also, individuals will learn to "game" the system.	C	Will allow them to capture customers who want to hold their insurance accounts with one company.
B	Despite the cost savings, I'm not convinced there will be large enough interest to justify the upkeep and management costs of the program. People don't want to think about insurance every time they get in the car.	D	Customer/market education is not a core strength; having only high-priced homeowners' insurance doesn't correspond with their position/image in the current auto market.
B	only tried in one suburban market -- need to see what results and adoption would look like in other (urban) markets. also, not sure customers who drive a lot, or at night, or fast, will understand / like this plan	A	not progressive's core competency. can't data mine to predict losses (more erratic in this market). if wants to cross-sell, can offer through another company (Travelers).
B	Progressive should roll out in some additional states before going nationwide - Texas is a very unique state with individual requirements and laws.	C	Combined ratios are improving, and Progressive's pilots look promising - they've looked at multiple locations for pilots, more comprehensively than just Texas with autos.
B	You have the patent so no one else can start offering this option. More piloting will give you a better idea of how many new customers you can attract to offset the revenue loss this program creates.	A	Progressive knows how to complete claims quickly which is important but their data mining approach to offering more accurate premiums to win customers in the automobile space doesn't apply here. Until they have a differentiated method of pricing homeowners insurance, they need to wait.
B	I am concerned that 25% cost reduction for some drivers leads to a cost increase for other drivers. If we lose these drivers, then the risk pool may be less stable. We don't want to lose good drivers who occasionally drive in bad conditions. Also, I am concerned about how this changes driving behavior (having second thoughts about whether to take that late-night drive). I want the add'l testing to determine whether overall costs are decreasing or if costs are just being reassigned.	B	It seems like this product is necessary to compete against the major players who are offering both products. However, I think Progressive should make sure they have enough data for a competitive database before a national rollout.
A	The product has adverse selection built into it. Only consumers who qualify for lower insurance will opt for the product, thereby guaranteeing lower premiums.	A	Progressive has no experience in Homeowners insurance which is a fundamentally different product and based on a different business model. Progressive's service model and existing business model do not carry over to Homeowners insurance.
C	Because it sounds like a great program. What is there to test with additional pilots?	B	Trickier to gauge the financial impact of homeowners insurance because of the uncertainty with risk.
A	Logistical complications and potential approval issues	C	Customers find ease in bundling; potentially less logistical concerns
B	The preliminary results seem to be a function of a specific location and customer preference. I would be surprised to see this work nationally	A	Low margins, highly competitive and highly volatile - data driven competitive advantage would likely not hold
B	Houston not representative market for the entire US	A	Loss structure very different Need to do on-site evals which Progressive has not done before Competition
B	They should control for conditions that might be specific to Texas - rural and suburban driving. Try rolling out to a state like New York.	A	The reasons that make Progressive successful as a car insurance provider (sophisticated prediction using technology) does not apply to homeowner's, in which liabilities cannot be predicted at all.
D	Need state approval, states might find having legal implications infringing on right to privacy, not sure if systems are in place to do a national rollout. Seems to work in Texas, so try rolling out in Texas first. Too costly to implement (\$500 per car), so rolling out in Texas can give them a better idea if this is going to work in other states.	A	The model that Progressive is trying to follow is too costly in a market that is too competitive, volatile with little profits and higher expense ratios than car insurance.
A	It doesn't make financial sense - would lose about \$1B in 1999 with Autograph reducing premiums by 25%	A	It is even more costly than auto insurance (see exhibits 3 and 4) and company is going through rough patch in 2000.
B	I'm not sure Progressive can transfer pilot results in Texas to other states.	A	Too costly and the way of doing business w/ autos seems to be drastically different than w/ homes.
B	I would want to see the results of a couple of pilots in more urban areas where this program could result in much higher premiums for customers. This would allow Progressive to gauge broader consumer response and then make an educated decision as to whether it wants to effectively fire drivers who take more dangerous routes/drive a lot at night by pricing Progressive significantly higher than its competitors and effectively telling them that they drive in a "risky" manner when this may not be their perception or reality. I would also want to see customer responses to the possible use of the driving data for marketing purposes. I believe that this could create a significant backlash as it might make consumers feel like "Big Brother" is watching them a bit too closely.	A	Progressive finds itself in a precarious financial situation with its combined ration hitting a high of 107%. Homeowners' insurance is much more volatile business which is harder to model and subject to larger, single-event losses. Thus, I would discontinue this program first because I am concerned that this relatively low margin product could further impair the financial health of this company and might not be as appropriate for Progressive's data driven approach. Also, I am not sure that the "pilots" in 2000 and 2001 really even demonstrate the scaleability of this program since they relied on highly-trained, specially-selected independent agents and cost-prohibitive home visits prior to the insurance of each policy. With the tight margins in this business and the lack of large numbers of such superstar agents, is this really ripe for a national rollout? I am also not convinced that Progressive will necessarily lose out from the feared consolidation of consumers' insurance purchases all with one company. There are countless examples of best of breed firms which when faced with the prospect of industry consolidation are able to survive and thrive.
B	I have privacy concerns and would want Progressive to demonstrate it will limit the data collected.	A	Homeowners claims are based more on natural disasters and it doesn't seem Progressive can use its data mining expertise to write better policies for something that's unpredictable.
D	The successful pilot result Progressive did may be manipulated or location specific. Therefore, it should randomly pick several locations to test the market's reaction. And I also worry about it's expansion to non-cored insurance activities and competitor's reaction to this if profitable service.	D	Homeowner insurance is very different product comparing to auto insurance. The likely chance of the damage in home is less than auto. I don't think homeowners will be attractive to switch a company (high switching cost) because Progress's focus on replace value than market value. And Progressive needs to spend extensive time and money on educating the customers with less profitable homeowners insurance that Progressive is a new comer.
B	I think it has a lot of potential to gain market share however before betting the whole ranch on it I would get one more piece of data that it works.	A	I would focus on increasing my 4% auto insurance market share first. In order for them to have the same competitive advantage in the homeowner product as the auto product it requires a lot of data that they do not have.
B	Pilot is not representative enough for national roll-out yet, and additional trends are needed to validate increase in customer volumes as an offset to lower premium costs	B	Additional testing particularly in areas where the erratic nature of underwriting losses could be minimized and monitor customer acceptance to bundling auto and home insurance

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B	The test was only conducted in Texas, where the driving habits are not reflective of the majority of the US. I would do an additional pilot test in both the Northeast and Midwest.	D	Good Model with on-site evaluations of insured homes; however, I would choose a 'Southwest Airlines' business model and avoid insuring the disaster prone coastal regions where the probability of claims are higher.
B	Conditions in Texas may well be unique enough to create success. Also, concerned about the impact on profitability - need more analysis, but it seems that Progressive is simply lowering its average premium	A	Progressive has built a business around being the best at analyzing and estimating risk - it has no similar advantage in Homeowners insurance
B	Progressive is a data-driven company, and this will give them lots more data than their competitors, not just for those who opt for pay-as-you-go, but for those who opt to keep traditional insurance as well (as more specific trend models can be built for specific types of drivers). However, I'm a bit concerned about self-selection, if pay-as-you-go is made as an option for people (i.e. people who opt for it might be more responsible drivers). This might mean an increase in premiums for those who refuse to participate in pay-as-you-go. Additional pilot testing would help Progressive work the kinks out of its model.	A	Progressive is a data-driven company, and data doesn't seem to be a predictor for the major causes of homeowners claims. Fire, wind, water damage, freezing, etc. cannot be predicted better in the presence of additional data, which is Progressive's core competency. Ensuring its customers aren't under-insured seems to be the company's sole source of differentiation if it's to enter the homeowner's market, and that's easily imitated.
A	Privacy concerns - they seem to be gleaning a lot of customer information through the GPS tracking system, and would probably be tempted to monetize it, hence privacy issues. On the other hand, it is unclear that more generic data will be as valuable.	A	Limited ability to select customers - One of Progressive's key strengths is its ability to not serve the overly price conscious customers, but there is no guarantee that the customer segment that is valuable as auto insurers will also be of value as home insurers. In its eagerness to x-sell, Progressive may overlook this difference.
B	Should go forward as the service is in line of the company's culture of innovation and segmenting customers tightly. Also, if Progressive doesn't do it, other players might. However, if Texas is a particular market that could not be considered average, should conduct additional pilots.	A	Because losses in the homeowner market are more erratic, Progressive's competitive advantage, i.e. data collection, will not help them much
B	Their pilot program does not yet adequately represent their broader market; it's too risky at this point.	A	I don't think they can successfully extend their core competency of accurate pricing to this new product, which they have no experience.
B	Need to run the pilot test for the state which has different characteristics to make sure this model can be workable (can bring better rate for customer, and better profit for themselves) in other places.	A	though they're good at data mining, the data they can collect through the inspection can not cover the important factors causing the accident. (they can not predict the probability of earthquake or etc through this inspection.)
A	reduces revenues - high revenue customers (high premiums will go to competition)	D	Car insurance underwriting is AUTOMATIC - applying this to home insurance is (for now) impossible (to reliably estimate "replacement cost" or "mkt value")
B	Sounds like a potential next level of segmentation which has proved very successful for them so far, but need to confirm that it is effective across locations and that it won't self-select only infrequent drivers and thus drive down revenues.	A	Doesn't seem to require same segmenting skills, which have driven their success. Doesn't seem to be as linked as it looks to be - not as predictable. Also, not as significant a revenue stream, so wouldn't be a huge revenue loss.
B	It is in line w/ and enhances their differentiation strategy and customer service model, but it has not proven to be sustainably profitable.	B	Great opportunity to leverage data collection & analysis competency, but need to test more w/ out using Travelers product.
B	Seems like their pilot was too focused to substantiate rolling it out yet - e.g. Texas is more rural and has lower rates typically than other places. But the customer response to the option has been good, so I would test more to see if this holds in other circumstances. I am a little concerned if most customers are paying lower premiums that Progressive will have less to invest and thus put at risk their profitability.	B	There is good rationale to combine auto and homeowners insurance for ease of use for customers. However, I am uncertain whether Progressive can really add value/ have competitive advantage in the homeowners market. The business seems very different and much less predictable/data driven than the auto business, and thus they won't be able to use their strength/differentiation so much. I might continue to try the partnering if additional pilot testing is not promising.
B	I think the success of the pay-as-you-go auto insurance model in new areas is likely. Nonetheless, the capabilities and infrastructure required to support it are substantial and there are characteristics of new markets that could lead to the product being not as rapidly adopted as in Texas. The primary requirements are customer dissatisfaction with their current auto insurance and perceived value of a more-customized/ better risk-adjusted product. In markets like Texas in which people have multiple cars, it makes sense that they would want to shift the basis of payment, but that may not be true elsewhere.	A	Given the success and potential for growth in auto insurance, I think it makes the most sense to focus effort in that arena. The homeowners insurance market has several additional challenges that put the homeowners product at serious risk of failure. Primarily, it is the fact that Progressive may end up with higher rates, which would cover replacement value, but the process of educating customers to understand the benefit of paying higher rates (especially when it's hard to imagine that they will actually ever need to cash in on this) is extremely difficult and not something they have experience with given the less expensive auto rates they provide. Further, their core competency is in superior risk adjustment and homeowners insurance is less conducive to this, which means that they are less likely to see returns given how capital-intensive this new line of business is.
B	The program has only been tested in Texas. Progressive needs to have additional testing in more urban areas as well as additional demographics (median age, median income), etc.	A	The case states that Homeowners' insurance is a lot more volatile than auto insurance, so Progressive should continue to focus on auto.
B	I think they need to experiment more with the options, since Texas seem to have specific characteristics that may not correlate with the rest of the country. But I am skeptical of pilots, since they "always go well".	B	I think they need to be specific about the locations for this product, since their competitive advantage comes from their use of data, they need to find regions where they can gather data and determine if there are models they can follow.
B	The positive results of the pilot in Texas might be due to the specific features of the local market. I would test the product in other areas, less rural and suburban. In such markets, the pay-as-you go mechanism might translate into a loss on some very profitable customers for Progressive (low risk individuals who rarely use their cars). In that case, the average saving might be higher than 25% and the impact on the bottom line much bigger.	A	The homeowners' insurance market is too volatile and capital intensive and does not match Progressive competitive advantage (the detailed customer segmentation based on historical data). The same type of segmentation cannot be applied to the homeowners' sector, where the casualties are much more difficult to predict.
B	Texas may be a unique market and more information is needed with more geographic variability. Customers may value this option and it could help Progressive distinguish itself from competitors but it must be sure that it will not increase its combined ratio or find alternative revenue streams related to the GPS system to help fund this service.	A	Given the information in the exhibits, homeowner insurance is not as profitable as auto insurance and Progressive's strength in data mining is not as valuable in this market. As the percentage of safe drivers/standard clients increased, Progressive's loss ratio increased. Adding another customer base where data mining is not as valuable, may further increase the loss ratio. Increasing the premiums for "replacement costs" is different from segregating the market for risk, it will only result in high premiums which will correspond with higher payouts on claims.

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C	I believe the innovative, customer-oriented approach will: 1)Generate positive brand "buzz"; 2)Possibly increase customer acquisition, and though it may decrease premium-based revenue per customer, they are building a database of incredibly powerful and personal behaviors that can be used to create future strategies (and potential new revenue streams a la credit card companies).	B	Because the outcome of this product is a generally higher price, it may result in damage to the brand and its image in the auto space. I understand that this protects homeowners for the total cost of replacement, but given that most people never use their insurance, I'm not sure customers will see this as valuable enough to warrant the additional cost.
B	One pilot test is not sufficient for national roll out. Further tests are necessary to check the effect of different teams and locations on the project.	B	Same as in Q2
B	Because it is such a radically new technology, it would be useful to try it in different markets to study the responses of customers, the authorities, adoption rates, and cost of delivering this service.	A	Progressive has developed a competitive advantage in forecasting auto insurance needs but the homeowner market is so volatile that I do not think this capability transferable. Additionally it would be difficult to convince homeowners that they need additional insurance considering how unlikely home "accidents" are.
B	I would conduct additional pilot testing in geographic areas that have conditions disparate from those in Texas (i.e., that were more urban and therefore more expensive to insure). Progressive also needs to do more testing to see if there is a viable way for the company to make money - perhaps it uses the Autograph data to charge for each activity the technology is able to monitor (e.g., the wearing of seatbelts, breaking suddenly, etc.). Also, if I were Progressive, I would be interested to see what impact does this insurance system have on the behavior of drivers - are drivers as penalized for causing accidents, etc. as under the old system? If not, is Progressive inadvertently inserting more moral hazard into the system?	B	I think offering homeowners' insurance seems like a good idea as consumers increasingly desire more "one-stop-shopping" for all of their needs (presumably even insurance); however, before conducting a national roll-out, I would suggest conducting more pilots in disparate markets to ensure that they are able to collect enough diverse data from which to draw conclusions.
B	They need to check if the investment they make into this technology is really going to increase their market share (ie new customers)by required amounts to be profitable	A	At the end of the day people don't worry so much about replacement cost as this is constantly changing and therefore i don't think people will be willing to pay a premium for this added service/cover (ie its expensive to do such tailored quotes)
B	While this program dovetails with Progressive's reputation for innovation in a 'conservative' industry, there are 2 primary issues that I see with rolling out the program nationally without further pilot testing: 1) profitability-- without mandate for all customers to use pay-as-you-go, won't the heavy use/stealth higher risk drivers self-select out of the program, and light use drivers select it to realize the high savings seen in the Texas test? 2) Additional variables. Namely, if Progressive wants to institute 'info sharing' (selling driving info) or cross-selling with other services (lockout, roadside assist, trip planning) discussed in the case, these services should be tested first. They could completely change customer's perception and use of the pay-as-you-go service.	B	Progressive is still relatively unpenetrated in the auto insurance market, with <5% total share vs 12% for Allstate and 19% for State Farm, and the homeowners insurance market only 1/4 the size of auto. Further, Progressive has the afore-mentioned reputation for innovation and better serving its customer by 'knowing them' (better data, better analysis, better market segmentation). Per the case, homeowners data/losses and correlation with known demographic variables is more uncertain than in auto insurance, raising the question of whether or not they can play their strengths in the homeowners market. That said, Progressive MAY be able to use its competency of data-mining and segmenting to understand and better serve the customer to carve out a competitive advantage in the homeowner's market as well. However, more testing/refinement needs to take place to ensure that the data correlations CAN be found and effective market segmentation CAN take place before a nationwide rollout occurs. Also, although not addressed in the case, I would be concerned with the level of personal service required to implement the on-site evaluations taht are a part of the "
B	The pilot was voluntary and so 1,100 customers that signed up must have self selected joining the pilot. We don't know if all customers will like the program. Also, we don't know if the TX results will be hold in other markets.	C	The company has been taking a gradual approach (state by state). Also, this appears to be a great area of growth for the company.
B	They need to see the performance in a non rural/suburban environment. If successful in other urban environments, pay-as-you-go could yield even greater sets of data with which Progressive can segment future customers.	A	We already learned that cross-selling does not work (neither does pilot testing, but oh well). Homeowners insurance is too capital intensive, and data mining will not help you achieve significant competitive advantage. The weather is too unpredictable.
B	While it appears that customers like the program, I would want to do additional testing - in a location with lots of city driving - to make sure that customers would actually save money.	A	The competencies for auto insurance are not the same as for home insurance. Rates for auto insurance depend on demographics while homeowners insurance depends on factors that are difficult to predict.
B	Advertise aggressively and see if Autograph builds market share swiftly in another state. Since this program results in lower premiums paid, it has to build customer volume (not just convert existing customers) to make sense.	A	Progressive's competitive advantage is data collection and analysis to more accurately predict risk/loss. In homeowners, most of the risks are Unpredictable. Progressive has a good system for measuring the replacement value of property, but it does not seem to have a good system for predicting damage to that property. I don't think that they can profitably provide less expensive premiums than the competition without predicting true coverage risks.
B	Might make sense if they are facing additional competition (shrink total premium pie but take a larger share). concerned with privacy issues and how people really feel about their whereabouts being sold.	A	too volatile. their business is based on information arbitrage. unclear that their homeowners data tactics are that superior.
B	As this is state regulated, test out in a few more places first since Texas has some unique attributes. But definitely move forward. This brings consumer back into the insurance process--and helps them regulate (and hopefully decrease) chances of accidents by influencing their behavior. Differentiation will help market share, and data will be valuable long term.	A	This use of data does not help them manage risk and is a much more unstable business. Better to invest in auto more heavily and change the competitive landscape there first. Wait on homeowners..if consumers demand a one-stop shop from progressive then it may be necessary to enter this biz later.
B	after two years at HBS, I lost the certainty that Texas is part of the US. . .	C	I agree with the assumption that people prefer to bundle their car and home insurance. they need to try and cross-sell home insurance to their car insurance customers before the competition retaliates
B	The financial implications of the pay-as-you-go insurance for Progressive are not clear at this point, need to understand pricing, customer risk and product profitability better.	A	It seems that Progressive is losing money on Homeowners. Unless scaling this business can provide huge cost savings, or unless premiums can be significantly higher than competitor's, do not go forward.
B	Given the unique characteristics of the Texas market, Autograph should undergo further pilot tests to determine a more accurate estimate of the potential impact on consumer costs and on the company's profitability.	B	Although Progressive may be more effective than competitors in assessing the replacement cost of homes, I am concerned about their ability to assess and price the risk of major underwriting losses given their less predictable patterns compared to auto insurance. Further pilot testing will help Progressive determine whether they can compete effectively in homeowners insurance.

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B	Need to test in other, different markets than TX. Keep going forward, though, to stay on cutting-edge of technology/innovation in insurance market/products.	A	Business is even MORE dependent on the investment gain to make actual profit. Progressive should stay focused on their core competency of auto insurance and fix that (bad year in 2000) before moving to new/different/unknown products
A	If certain drivers are paying less under this plan, there must be an equal and opposite group that will pay more than they are currently paying. This group (the high-risk drivers Progressive has served for years) is likely to pursue other insurance options. Unless Progressive wants to make a major shift to serving ONLY low-risk drivers, I would not move forward with this option.	A	I do not believe that the price-conscious customers of Progressive's auto insurance will be easily convinced to pay more than they are paying elsewhere for homeowner's insurance, regardless of statistics on insufficient coverage. Furthermore, I don't believe that Progressive's advantage in segmenting auto insurance customers will be effective in the homeowner's insurance market.
B	It is an interesting product innovation that is consistent with the company's strategy of making the insurance more customer-friendly and transparent. However, should do additional tests to understand true impacts of such rollout. Might have some privacy concerns issues to take into account	A	Do not have the same understanding of customer base for home insurance as for auto, as their expertise in analyzing/data mining does not apply here - home insurance faces risks from random natural disasters
B	A good way for Progressive to offer super-segmented product and rebuild the differentiation that has been eroded, BUT they need to refine the economics and figure out customer comfort/behavior outside TX.	A	No real room for differentiation or segmenting according to Progressive model, and leaves them vulnerable to major disaster.
A	Because it would lower the amount of premiums paid up front that could then be invested.	B	They need to determine if they can segment the market effectively using information technology given the less predictable homeowners market.
B	They only have one experiment so far, and need to be systematic to control for different variables (geography, etc) to be more sure of success before a big rollout	A	The core competency of Progressive (data-driven pricing) is not an advantage in homeowners' insurance, which is unpredictable/volatile and highly capital intensive.
A	1. Not enough info - Out of millions of policyholders, only 1,100 policyholders in TX have been pilot tested. 2. Managing equipment is another business - (1) Inventory & (2) if 2 million policyholders wanted the equipment, @ \$500/unit the company would have to finance \$1 bn of inventory.	C	1. Pilot testing has been conducted in numerous regions. 2. Bundling services are proven winners w/ customers - thus higher revenues/profits 3. Although homeowner insurance claims/losses are more volatile than auto insurance's, Progressive's business has proven to be more cost-effective than its competitors.
B	I believe it is a good idea to differentiate itself from competitors and leverage its data analysis capabilities. But in no way success in one pilot test implies a successful nationwide rollout. They need to expand the pilot to other areas with different demographics and driving needs.	A	I don't think Progressive has the capabilities to deliver homeowners insurance, at least for now. They need dedicated agents that are knowledgeable about real state, who can assess properties and replacement costs. Their current process is highly automated and based on the analysis of data that follows predictable patterns. HO insurance is completely opposite to that.
B	Need to test in other markets and need further analysis on cost/benefit tradeoff (you must overcome the high cost of installation, etc.). Additionally, I feel we need to further evaluate customer response to having so much tracking.	D	I do not think Progressive has validated their assumptions on their ability to gain additional customers based on bundling, which is a main driver for the offering. They also need to evaluate whether their "data heavy" strategy translates well to homeowners (can you segment the same way you segment for auto?)
A	I think getting people to agree to let Progressive "track" their whereabouts is going to be a tough sell. Also the cost of \$500 per vehicle that Progressive is paying is a large investment and in larger cities the benefits may not outweigh the cost.	B	I think Progressive has the software to do the same thing to homeowners insurance as they did to car insurance. It is a little more risky since it is not as predictable so I recommend additional pilot testing to make sure they have the right financials in place to roll it out nationwide.
B	Need to figure out the size of the "Autograph" or "super good risk" segment at various profitability levels (i.e. how much of the LR reduction passed on to customer to entice switch, including MT to LT effect of behavioral change on risk-profile change). Autograph will segment the lowest-risk customers into the service, making the rest of the PRG "classic" insurance business unprofitable. The cannibalization level cannot be sustained in the "classic" product, despite the learning aspects, as pricing will need to be increased on PRG's remaining higher-risk customers, driving it out of the market on both ends. Autograph needs to become the next-gen insurance platform (i.e. above 50% customer acceptance at double net margins) for PRG to be able to phase it in. I.e. it is a "category killer" but the question is how large is the category at the time - can PRG afford to reorient completely and shrink itself to the size of this super-segment of super-good risk? This being said, the first mover with an acceptable product will likely hold the market as the type of data it will acquire should provide solid barrier	A	PRG's traditional strength in data processing is irrelevant. Customer behavior is not a variable in 95% of the LR, therefore eliminating both potential behavioral incentives inherent in the highly-mathematical auto insurance model, as well as the need to compute correlations etc, thus making PRG's skills irrelevant. Furthermore, their planned entry is at best ill-advised, as it will make the overall bundle more pricier, go against their core differentiated position in the auto market (cheaper for the right risk, expensive for the bad customer/risk). It will be very hard for an independent agent (majority of PRG's channel) to explain that the coverage is better etc - most likely it will lose the sale. Not to mention that unless synergies are substantial, the CR looks dismal on the homeowner business (most of the time above 100%)
D	I think this could be great for customers. Provides the service they want. But maybe as a subscription service (progressive should not foot the \$500 bill). Package it as something that does all this great stuff and will save you \$ on insurance. Do NOT do data mining. Very big brother.	A	Their core differentiator was that they were able to give rates based on traits that were predictors. The homeowners market does not allow for this. They focused on high-risk to start, that wont pay off in this market either.
B	I think it is a great way to connect a policyowner's risk with their actual behavior. However, I'm concerned that Progressive is starting to enter some dangerous territory with monitoring people's movement around the US. There could be governmental implications and privacy issues that would need to be sorted out.	A	It is highly volatile industry compared to the auto insurance industry. Since homes are more susceptible to weather conditions that can not be foreseen, despite how much data Progressive gets on a home, it will be harder to create accurate coverage estimates.
A	Will reduce fees generated and incur high fixed costs for Progressive. Also, could generate extreme BADwill from customers who are "dinged" for things like braking too fast or speeding.	C	More natural extension of auto insurance product. Nationwide rollout diversifies claim risks.
B	Pay-as-you-go is better for one segment of customers, but Progressive needs to understand the full range of customer reactions to its plans to make money (e.g., selling data to other companies), the impact on high-risk customers, as well as how users in other locales will use the service.	B	Progressive would need to go national to make this work (pooled risk), but they do not yet know whether consumers really care about replacement cost vs. market value.

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A	It can negatively affect their business model. Customers who drive a high number of miles/year and have a good history track of safe driving are likely to leave. Besides, customers who drive the most generally make less accident. The risk is to get younger and less experienced driver that could increase the combined ratio (expense as a percentage of premium)	A	Progressive cannot keep its competitive advantage (ability to analyze customer behavior and turn operational savings into VAS) in the homeowner business because of high volatility and high capital requirements. Note also that they would have to ask customers to pay more which would be inconsistent with their pay-as-you-go auto insurance strategy.
B	One pilot (in Texas) is not enough to realistically prove the potential success of the concept, as we have seen in other cases.	A	Although some customers may like to buy a bundle of products (auto + homeowner), the underwriting losses for homeowners is more variable than is auto and the fees will be less (smaller market). The "replacement cost" model that Progressive is offering encourages homeowners to actually pay higher fees, which is inconsistent with the 25% lower fees of the auto insurance. So the bundle can't work -- it is targeting different customers.
A	Privacy concerns and regulatory hurdles are an issue but it's mostly the high cost (at the time) of the GPS technology that motivates my "no go".	A	I guess homeowners is not a bad idea as Progressive uses correlations and may be able to data mine both types of insurance. But 2000 is not a good time to start experimenting with this new type given that homeowner losses are very lumpy (geographically concentrated) so you need to go in several states on top of having to build proprietary data ... don't think Progressive has required resources at the time to do it well.
B	1. Seems like it is essentially competing on price - offering lower premiums than your competitors. 2. Runs the risk of providing excellent "pre-buy" service, but nothing in place to prevent customers from getting that quote and having competitors to match it. 3. Reliance on independent agents- will they get less commission from your cheaper products?	A	1. Unsure if Progressive can be as successful in price segmenting and are homeowners as price sensitive? 2. Danger of cross-selling: Risk of attracting major home owner players into your auto insurance market.
A	Profitability – the costs required to implement nationally both in terms of infrastructure development (satellite networking with vehicle partners and time required for state-by-state regulatory approvals) as well as implementation (installation costs) are too high and the 25% lower earned premiums will both result in lower profit performance. Scalability – the adoption rate of a technology which makes driving habits so much more transparent will not be at the same rate in all cities and will likely be low given the novelty of the technology. Furthermore, it is unclear if people will get over the "Big Brother" syndrome in something that is so engrained into their daily lives like driving and they certainly won't want that information to be used to target them with unrelated products based on how/where they drive.	A	Profitability - home vs. auto is a lower margin business (2% vs. 5%) and requires significant investment both in time (training reps and developing assessment expertise) and money (conducting numerous, lengthy on-site evaluations). Competency - the skills required to assess cars vs. homes are not 100% transferable and are not enough to outweigh the benefit from bundling that customers "might" get, especially if expected service levels in either category could be negatively affected.
A	late payments from customers - easier to switch insurance carriers	B	Progressive has had continued growth with auto insurance and innovative ideas - this may be able to carry through with homeowners insurance
B	Texas appears to be the ideal market for Autograph - suburban drivers, relaxed regulatory oversight, etc. I think the true feasibility of the service must be tested in a more demanding market - urban drivers, high levels of insurance regulation, etc. This appears to be a case of a biased test pilot.	A	The unpredictability of the events that trigger homeowner losses does not enable Progressive to leverage its data-mining capabilities to create an advantage. By creating more specific coverage models for homeowners - they would generally require higher premiums. I think the education process to help the homeowners understand the increased premiums would be extremely challenging.
B	The pilot version only included mileage, time and location even though the patents track many more variables. Additional pilot testing should be based on the patented version. I suspect most customers would be unhappy to use a product that violates their privacy to such an extent.	A	Progressive has no relevant competencies for homeowner insurance due to the unpredictability of this market.
B	Too early to tell progress of initiative. Should try out services in other geographies before roll-out.	A	Seems like a pretty different loss/claims model. It seems like its more geography/weather/systemic than that of individual driving related incidences. Their strength of quantitative analysis and statistics is less of a competitive advantage is homeowners.
B	The initial pilot was done on a very limited subset with no control group and key learnings as adjustments. I would recommend additional pilots and analysis.	A	the data-driven emphasis of Progressive helps manage risk and assign premiums accordingly based on key predictors. This data driven approach does not work for homeowners insurance. It's risky and completely unpredictable. Progressive can't differentiate as much.
B	I am concerned that they are attempting to over-segment the market and will lose the overpaid funds. This is the same problem that Wal-Mart is running into now; they have driven costs so far down they don't know how to grow. I would use the excess funds to start something like...homeowner's insurance.	C	We have the best data systems around. We started auto insurance. We might not be good at this at first but it's a natural market where we can bundle two products and get an advantage.
B	The customers pay less but what about the money that the company makes with them? Is this profitable? They need more time to figure this out. And Texas is not USA - the driving environment is different.	B	They enter into a totally new field and they need to learn more before moving forward
C	Car insurance not a good business (p.2 auto insurers only make money by investing premiums). Very competitive. Non-standard market now competitive. Increasingly regulated (Proposition 103). Roll-out GPS and increase market share, then bundle with home service.	C	This industry seems to be getting very competitive. Go for market share and bundle homeowner and auto insurance.
B	Lower premiums and greater control for customer = customer satisfaction = greater retention and higher market share. Test in markets with more city driving to see if results are as effective as Texas pilot	A	1)volatile cash flows - spiky loss ratio 2)higher expense ratio relative to auto 3)capital intensive
B	i question the validity of the one pilot (even though it was statewide in Texas) and wonder what role the other benefits (Progressive covering the costs of the GPS, and equipment) had in generating the positive reception that the pilot received.	A	it seems to be a small market (only 22%) with one dominant player and there is only a small return in terms of net income for this industry.

In what capacity should Progressive continue with the pay-as-you-go auto insurance product?	What is the primary motivation for your response to Q1?	In what capacity should Progressive continue with the Homeowners insurance product?	What is the primary motivation for your response to Q3?
B	the texas market may be very different from other markets. they still need to iron the details around customer privacy, etc.. Also, states where their customers drive even less may result in greater revenue losses for Progressive as the reprice those customers	C	they've piloted homeowners insurance since March 2000 across multiple states with positive results. They should be able to bundle homeowners insurance w/ car insurance for their customers
B	To ensure that this concept will work in locations with varying characteristics than the ones in Texas.	A	Progressive's business model is built on data-driven prediction models. Homeowner's insurance claims are far less predictable than the ones in the auto industry.
B	Different driver behaviors, traffic conditions and state regulations.	A	It is more risky and I don't think data analysis software is providing much value as most people are probably only going to replace a house once in a lifetime, further what about the personal belongings inside the house?? I don't think the software can predict their value.
B	More research needs to be done to test if the product is financially viable	A	no additional value from progressive's data gathering prowess. also, low margins.
C	If it succeeds, they will gain profitable low-risk customers over from other insurers and lose unprofitable high risk customers to the competition, because they will be better able to fine tune pricing according to the amount of driving done.	A	Majority of risks seem to be natural disasters (exh. 3) such as fire, lightning, wind and hail. They will not be able to use their strengths in data analysis as effectively as in autos because these events are probably not as predictable.
B	Good idea, but need to test in a different market with different driving habits (e.g. Boston)	B	Need more testing to convince people to pay more for homeowners insurance
B	I would go forward, only when I know the potential for the new service to get tied up in regulation for privacy concerns. When it is well established that privacy is not an issue, then I would go forward.	A	There is a difference between segmentation-driven service and just plain-old service (where there is no ability to charge for it).
B	It seems like an interesting idea, but they need to further test the receptivity of customers to the concept. They should focus on people who are not Progressive "die hards"	A	B/c their data analysis strengths lead to systematically higher pricing in homeowners insurance, there is no incentive for customers to choose Progressive over other options. With auto insurance the accuracy led to price differentiation that was in the best interest of some customers.
B	Is there an adverse selection problem with the product (i.e. good drivers opt in) and so it skews the overall systems and profitability (not to mention their ability to profit with \$500 of equipment required). It is an intriguing product and if additional testing suggests it doesn't mess with the economic model --> roll it out!	B	Test of profitability of product. Can informational advantages be as effective in homeowners (especially when they need to sell 33% more coverage and so have a harder time being lower cost)
B	It clearly provides a competitive advantage by making underwriting more competitive, but it raises serious privacy issues.	A	Few synergies between the businesses, lower margins than auto.
B	Autograph leverages Progressive's strength of using data more and better, to formulate rates. However, concept should be tested beyond Texas before national rollout.	D	Progressive will not have advantage in homeowners insurance, but consumers like bundled auto and home insurance.
A	1. System to install / maintain devices in cars (how to fix, etc) 2. Customers who have to pay more will switch back to 'prepaid' system and company will lose the 500 3. Privacy concerns	B	Additional learning and data collection. Not sure if this is a great business due to the high volatility and low margins.
B	Although somewhat costly, further testing would allow Progressive to gauge customer interest and the impact on firm profits, as neither is clear yet from the Texas pilot.	A	Progressive does not appear to have any competitive advantage in predicting property-related risks (e.g., weather-related damages), which are very different than auto-related risks.
B	Privacy concerns related to knowing (and sharing) customers' whereabouts at any time may make the system hard to sell to consumers in more liberal states (and likely to face regulatory resistance).	A	The market they are in now is much larger than the homeowners market in terms of premiums. Further, the home market is fundamentally different in that the associated risks are governed by very unpredictable factors, making Progressive's skills acquired in its traditional market difficult to apply successfully.
B	As we have seen, a single pilot, especially where there are very distinct differences between market segments, is very dangerous. They need to test in a number of other states.	B	Same as answer to number 2.
B	Is it ok to say that we'd give too much power to our customers? The ones who are most profitable for us would pay less (they're happy and will stay). The ones who are least profitable to us, we'd charge more (they're mad and will leave). I'd still investigate some of the complementary services (theft recover, etc.) - they might have promise.	A	Data analysis is their competitive advantage - but that will only get you so far when dealing with Acts of God. Homeowners insurance payouts depend on flooding, fires, earthquakes, etc., which are not as easily predictable as car wrecks.
B	Make sure this solution successfully bridges the gap between price and costs for Progressive. With this system, in theory, the company has less revenues per customer but, they have better control and predictability of the "cost" (expense ratio) that same customer brings to the company and therefore, they could increase their profitability margin despite lower revenues.	B	Not bullish about this service. The company's competitive advantage (fast service, immediate response, price competitive quotes in autos and , in general, better information) may not be leveraged successfully with home insurance.
A	Unless there is a way to make higher margins on this service, seems like they will be losing too much money. The premiums on this service are 25% less, but I am not sure that the associated costs are lower, and they don't seem to have much room with their earnings.	B	They should continue if there is a way to charge higher premiums (based on replacement cost vs. actual cost?) and then actually make higher margins on this business. Otherwise, bleeding yet more \$\$\$ = bad situation.
B	To keep up with the momentum of being the first to use the technology while making sure the product works right.	C	With Progressive's data mining capability, it can help customers address the need for appropriate home insurance, which is often underestimated now. The bundled auto-homeowner insurance can also propel Progressive to become an all-rounded industry leader.
B	We learned earlier in the course that pilot testing doesn't typically work, but in this instance, I'd be interested in seeing if we can get the model to be profitable via the investment income stream (since it'll be hard under any model to be profitable with just the pure insurance premium model). Given the 25% premium cut, we'll need substantially more customers to make up the premium shortfall but it's worth a try in this mature mkt.	A	Progressive's strength is in finely segmenting the market. In homeowner's insurance, no amount of consumer insight is going to give you an edge in pricing for natural disasters/other huge events that impact entire areas vs. a single car accident.

In what capacity should Progressive continue with the pay-as-you-go auto insurance product?	What is the primary motivation for your response to Q1?	In what capacity should Progressive continue with the Homeowners insurance product?	What is the primary motivation for your response to Q3?
B	I would be afraid that this will lower our revenues too much, and we will be lowering the willingness to pay of the customer base and I don't see a clear benefit	A	Same reason as above
B	I don't like that it's only been tested by 1,100 users, but I do really like the program (very creative, very tech savvy, very ahead-of-the-game, and right in their competitive advantage wheelhouse). Another pilot could be used to bring costs of installation down and improve data capture abilities.	A	2% margins, and data capture is too manual (not Progressive's wheelhouse).
B	To determine if the reason it worked in Texas was that the roads are flat and safe.	A	Progressive's success seems to be due to their ability to price based on careful data analysis. The unpredictable nature of home losses would not give them the competitive edge they have in auto insurance.
A	I am concerned that this program will change the habits of drivers nationwide by encouraging them to drive less overall (much like high gas prices tend to do).	C	Progressive's competitive advantage (data analysis and market segmentation) in auto insurance will successfully translate to the homeowners market.
B	Need to test in more than one market. Texas is not the same as California, and consumers in TX may have different preferences than consumers in CA. Still, it is a potentially very good product with patent protection (even if it is a little big brotherish).	B	Homeowners is a tough call. It could be a good complementary product, but it may not be an area where there is sufficient data. Autos have regular events and data touchpoints; a car accident is more likely than a house burning down. If data cannot bring an advantage, then this should be a no go, since the financials look worse than the auto market.
B	Definitely something that would benefit the consumer, but unsure whether it can be profitable for Progressive. Due to its appeal to customers, it would probably attract more customers who each individually pay lower premiums. This expansion in # of customers would probably require even more claim reps which would further weigh down profitability. Furthermore, GPS would probably attract drivers who know they can save \$ bc they are safe drivers and would not attract the risky customer segment, which has historically been their customer base.	A	Homeowners does not utilize their skill of data mining/analysis bc homeowner insurance relies on natural disasters rather than predictable events. The only motivation for customers is if they are already an auto customer.
B	Think it fits within their core competitive advantages but they need to test out markets with different characteristics before it goes national, also monitor profitability impact in markets where it rolls out.	A	Doesn't fit within their advantage - data mining, customer segmentation. Major P&C insurers have invested millions in systems/staff to monitor and predict weather/natural disasters, which accounts for most homeowners claims.
B	Impact on customer profitability is unknown; justification for nation-wide rollout requires testing for additional variables that exist in Progressive's other markets (e.g., higher percentage of urban driving)	A	Fundamentally different business -- success hugely determined by uncontrollable variables. Low margin (~2%) business. Unclear whether customer's would value Progressive's "replacement cost" approach to homeowners' insurance and their higher associated premiums.
B	Do not think Texas is representative - unique conditions such as state laws, landscape, car ownership patterns	A	Different underlying business dynamics for home insurance - totally unfamiliar to Progressive
A	I'm concerned that only "good" drivers will opt into the program, neglecting the majority of Progressive's customers who are not "standard" or "preferred" but for whom Progressive is uniquely able to provide risk-adjusted premium pricing.	A	Progressive will not be able to effectively apply its core competence of data analysis and customer risk segmentation to the HOI product because loss events are far less predictable in the HOI industry.
B	- conditions in Texas (primarily rural and suburban driving) are vastly different from metropolitan cities such as New York, where the typical distances driven are shorter and nature of accidents are different - a successful pilot with 1,100 cars/users i	C	- although homes are different in different states, there are common metrics that can be applied across the US, such as home fixtures - the insurance product does not depend on customer "usage", rather on a stable component, the house - converse to auto
B	Concern about customer willingness to share that much detail about where and when they drive. But I like moving forward with the project because the transparency it offers could be very appealing to people fed up with insurance companies.	A	Does not leverage their competitive advantage of data mining on more subtle trends because most claims are made for weather reasons or random accidents that lie outside of patterns.
A	Progressive is not a company that differentiates itself through price but through service. The pay-as-you-go auto insurance product is a price differentiator not a service one. In my opinion is not in line with its strategy.	A	Homeowners insurance is a different business with very different risk patterns (much more variable) than auto. And from the case there is no clear advantage for Progressive in the way they are managing Homeowners insurance information. Also from the case there are no clear cross selling opportunities. At least there is no data showing that those opportunities exists.
B	I would want to see customers' experiences and responses in other geographical areas. I want to give more time to see how many customers leave Progressive because the service results in higher prices. I want to give more time for profitability analysis.	B	Progressive doesn't have the data yet to provide accurate pricing. Additionally, selling customers on insuring for accurate "replacement value" will increase premiums to those customers (above the prices of the competitors). Progressive needs more time to see customers' responses. On the positive side, more premiums can result in more capital for investing (the real profit-generator).
B	PGR's business model is driven by understanding customer behavior better than their competitors. The more data they can gather on driving behavior the better. But they need to make sure it is economically feasible given the \$500 cost of parts and installation and the 25% reduction in premiums. So they should test it in what they consider to be the least promising markets before rolling it out nationwide.	A	Unlike in auto insurance, data gathering will not make losses any more predictable. All they can offer the customer is a higher replacement value, which the customer will have to pay for in increased premiums and will most likely never benefit from due to the low likelihood of a total loss. It will be costly to develop new expertise in estimating house values, and this will be a wasted effort since most customers will not want to pay the higher premiums.
B	The whole system works on the premise of gathering as much data as possible and then using that data to more intelligently price auto insurance. Because they've only gathered a small subset of GPS units in a voluntary participant base, its unclear whether they have a good set of data that is applicable to a more diverse set of customers.	D	They need to better refine their underwriting abilities for home-owners insurance, and a partnership of some form seems like it might be the best way to do that without taking on too much financial risk.
B	I don't think that Texas pilot is a good representative for driving behavior in other areas of the country. I wonder if insurance premiums could possibly increase if driving in more densely populated areas.	C	I think that customers tend to prefer using one company for both homeowner and auto insurance.

In what capacity should Progressive continue with the pay-as-you-go auto insurance product?	What is the primary motivation for your response to Q1?	In what capacity should Progressive continue with the Homeowners insurance product?	What is the primary motivation for your response to Q3?
B	Presumably, all automobiles will eventually be equipped with GPS. As this happens, the cost of the PAYG approach will decrease, and wide use of the data by insurers will almost certainly follow eventually (because the data allows more accurate risk measurement, and insurers can gain cost advantage by measuring risks more accurately than competitors). If Progressive can learn how to use GPS data in ways acceptable to customers and build complementary businesses early, all while benefiting consumers and capturing market share, the firm should do well. However, the technology and business model seem to immature for an immediate nationwide rollout. More experimentation and learning seems warranted.	B	It does not yet seem clear whether Progressive's approach will work, so the model should be refined before rolling out nationally. However, the market is too strategic to abandon entirely (because customers prefer to buy a bundle), and even if Progressive decides ultimately to partner, the pilots will help it learn about the market.
B	Customer opt-in will make "standard" insurance more costly, since low-cost customers will opt for the "pay-as-you-go" model. You may need to raise standard prices. Need to measure effect on standard policies in pilot areas, market share gain, broad-based customer acceptance, etc. I think it's too niche and privacy issues are tough.	A	No competitive advantage carried over from auto insurance into new business (and bad industry economics and risk profile vs. auto for small insurer)
D	Will allow Progressive to gather more data, which is at the core of the company's competitive advantage. But not all users will like a pay-as-you go system (lack of transparency in pricing system, "big brother" fears, etc) There are variations that can be considered. IE: pay flat rates the first year, attach the device, and have next year's premium be based on the data. Partnership with On-Star.	B	Homeowners much more volatile. Needs to see if there is a data advantage that Progressive can take advantage of. Also, need to see if customers will take advantage of Progressive on-site evaluations and then purchase their policies elsewhere.
B	goes with Progressive's core skill of finding innovative ways to segment risk, which will allow them to offer consumer's cheaper insurance. this in turn, will help them to continue to grow market share. that said, i think the program is ambitious enough to warrant further testing before rollout.	C	though i do not think homeowners insurance fits with progressives core skills, i think it is a decent ancillary business that can provide for incremental revenue opportunities to their core customers.
A	the product is likely to be perceived by customers as encroaching on their privacy. having somebody control every turn you make in your car is scary. customers may fear to what purpose the data may be used.	A	progressive does not have the required skills to be successful in this business. progressive had never done house evaluations. risk of over-evaluating is huge. plus, the skills that progressive has (data collection and analysis) are not crucial here.
B	I am concerned that the "strictly voluntary" clause combined with the limited location of Texas makes the pilot test unreliable for national rollout.	C	It seems as if Progressive has done enough testing of this (4 states plus Travelers partnership) that it should be confident that it can roll it out nationally. Its superior use of data should transfer into better pricing of risk in homeowners' insurance market as well.
A	effort, additional costs, price cuts, privacy concern, high-touch customer interfacing, regulators, customer adoption	B	Customer acceptance, profit margins in different geographical markets (hurricane belt etc.), cross selling effectiveness.
B	Progressive needs more information before proceeding - the current pilot was limited to Texas, and was probably self-selecting (the volunteers were likely low-risk drivers who wanted to reduce their rates). The pilot should be expanded to other states and high-risk drivers before a decision is made.	A	Progressive's data-based pricing model has limited effectiveness in homeowners insurance, where claims are much more erratic and unpredictable. The company will be unlikely to earn better than the industry-wide low margins.
B	I am concerned with pay-as-you go that certain venues requiring more unsafe driving behaviors like NYC, will actually result in losses for them. If people find their rates are skyrocketing they will just go to other firms that spread the risk and cost of that risk really across drivers. Unless all firms are granular at the same time you may lose certain drivers.	A	If you look at exhibit 11 it is clear that the channels they want to use for the rollout (internet and telephone) only account for 17% of total sales and the profit on premiums for household is 2% whereas they are getting roughly 5% in net income or higher on average in the industry. Finally, if they are rolling out programs like pay-as-you-go their cash flows will be bumpier, and the homeowners losses and premiums are also more volatile. I just do not think this is the right space for them to be focusing their effort on at the moment.
B	Pay-as-you-go seems to give reasonable rationale for good actuary work, however Progressive's loss ratio has been increasing since 1994. Additionally such program might attract newer drivers (newer vehicles required), non-regular drivers (those who don't drive long distance to work, those who only need cars for recreation). These might not be safer drivers.	A	It is much harder to predict risks associated with home property. Progressive's work on calculating home replacement cost is not as correlated with natural disaster risks.
A	Pay as you go doesn't make sense from a business stand-point because you are losing revenues (unless you can show that you can make more profits with less revenues)	A	Homeowner insurance is something completely new to them so they do not know how to use their data driven approach to better assess risk (which appears to be based on "acts of god" type of disasters). The point of under-covering is irrelevant because most homeowners don't ever use their insurance so they don't know the risk of coming up 135K short for the value of their home.
B	Usage patterns may not be the same in different geographic regions as well as customer expectations and adoption to the new service.	A	I consider it a very tempting growth option for the company, but I also think that the skills and structure to serve the home insurance segment is different to what they have now.
B	I'm afraid that privacy concerns will be much larger than they think, particularly in other parts of the country.	A	Much riskier business, seems that they're core competitive advantage of superior data collection and algorithms is not as doable in homeowners insurance.
C	As long as Progressive can partner with other service providers to make up for an average 25% lower revenue from Autograph program, it will probably be very popular with customers.	B	Even with Progressive's data-driven approach, I have concerns about the unpredictability of the home insurance market.
B	* Point in case about Texas potentially not being a typical market. Idea sounds good, but let's test it more.	B	* Need to step back and ensure that goal of giving customers 'one-stop shop' will be satisfied by doing this. Case mentions partnering. Does this achieve objective?
B	Concerned about privacy and whether customer self-selection will repel certain segments (not sure which way this impacts profitability and I worry that they will no longer have sufficiently diverse data to continue their competitive advantage through better data-mining).	A	Tough business and no competitive advantage

In what capacity should Progressive continue with the pay-as-you-go auto insurance product?	What is the primary motivation for your response to Q1?	In what capacity should Progressive continue with the Homeowners insurance product?	What is the primary motivation for your response to Q3?
B	This may improve customer service and experience, but it may not be the most profitable business plan.	B	Progressive needs to be ready to respond to the possibility that most people prefer to consolidate auto and homeowners insurance with one company. It has a differentiated product (full replacement) and strong data capabilities, but it should be cautious in expanding this program now due to current market conditions and increasing combined ratio.
B	Would like to know whether the preponderance of rural and suburban driving in Texas totally explains the positive response to Progressive auto insurance.	A	Progressive does not have the credibility and the solid reputation for someone to feel comfortable entrusting his home. Emotionally, it's a bigger leap than your car. Plus, no one wants to pay premiums in line with replacement cost because they will be higher than what competitors are charging.
C	Lower-risk drivers will self-select into this system, reducing loss payments.	B	Progressive should move slowly in an area where data is necessary but erratic and unpredictable catastrophic events drive industry profit or loss in a given year.
C	Progressive's competitive advantage has been built on finding ways to provide customers with cheaper insurance. By further segmenting the market, Progressive will be able to charge more accurately, and therefore attract lower risk consumers.	A	Progressive has achieved their competitive advantage in insurance by segmenting the market to deliver lower prices to a sub-segment of that market. Because most homeowners are under-insured, this segmentation ability will actually lead to higher prices for consumers, and therefore they will be less likely to buy from Progressive.
B	They still need to put their feelers out there. I think there are a number of issues and concerns that haven't been cleared up after the Texas pilot. For example, are they making a return on the investments? While premiums have decreased 25% for consumers, has Progressive, actually seen a decrease in amount of losses to make up for the investments made. Also, concerned about privacy issues.	B	Smart to move into the market especially when consumers want bundling and other competitors are providing this. Important to understand though where Progressive can hold a competitive advantage. Test more to see where their data will give them advantages.
B	It is a good idea to not only increase the number of "good" drivers in your pool, but also to influence the behavior of the "bad" drivers who want to save money. However, Progressive will need to find a way to increase their combined ratio here: 25% lower premiums and the increased upfront costs of installation will not likely make sense unless a significant decline is seen in claims.	A	The combined ratio for homeowners insurance is higher than that of auto (due to lower premiums and more erratic losses). Although Progressive is strong in data mining, the erratic nature of homeowners claims due to factors beyond anyone's control (i.e., earthquake) will make subsegmentation of the market difficult.
D	If the average savings experienced by customers is not accompanied by some major cost reduction, Progressive will drive itself bankrupt expanding this program. Neither the non-insurance services nor additional customer information seem like reliable sources of funding for this new offering.	D	Homeowners insurance is NOT a natural extension to Auto insurance. The risk/revenue profile is very different, and Progressive's data-driven approach will not be able to adequately account for exogenous risks like natural disasters.
B	Autograph is too under-experimented for nationwide rollout. It is necessary to test that Texas's success was not a "noise" in terms of experiment (confirm that customers in urban area are also receptive to PAYG (such as the customer being comfortable having his/her personal info obtained by Progressive by being under surveillance 24/7)). Before rolling out nationwide, it is necessary to seek regulatory permission and confirm that PAYG can be rolled out.	A	Homeowners Insurance requires Progressive to acquire an ability to assess probability of natural disasters (it is more difficult to predict hurricanes, earthquakes, natural disasters and other unforeseen events), in addition to an ability to assess real estates' value. Since their core business's competitiveness coming from low cost is deteriorating due to higher combined ratio, they should focus on rebuilding their competitiveness in the auto-insurance. Without competitiveness in their core business and a concrete market share, cross-selling Home Insurance will not be possible.
B	The Autograph program provides Progressive with extremely valuable data that can help improve their data mining advantage over competitors. It opens revenue sources from products that can be added on to the Autograph service. However, they need to test for the effect that adverse selection will have on the overall profitability of a market, if Autograph is optional for Progressive customers. Customers that can reduce their expensive usage will enroll, and those that drive more or during dangerous times will not. Progressive needs to determine how or if to adjust rates for users that choose not to enroll in Autograph.	A	Progressive drives much of their advantage in auto insurance for their superior data mining ability that lets them better estimate risk than competitors, even for drivers that are typically considered too risky. In homeowners insurance, the source of risk is much more erratic than auto insurance, and much harder to accurately predict. Most auto insurance risk can be captured in driver behavior or demographics, but risk in homeowners insurance comes from events like natural disasters. The dramatically different kind of risk doesn't fit with the Progressive model.
A	These things cost too much, and Progressive is reducing the amount of premium received - the good drivers are no longer subsidizing the losses of the bad ones. Too radical a tool, too big brother.	A	Stick to what you do best. Plenty of room for growth in market share in core competency. Achieve dominance there and then consider product expansion.
B	Cost of system at \$500 / vehicle is prohibitive at this point in time.	A	Core competency in data mining does not help predict a catastrophe. Need a big balance sheet and reinsurance competency.
B	Texas driving behavior is not necessarily representative of other regions, and more testing would help determine any differences in usage and expenses.	B	While customers will value "replacement value" insurance, I'm still not sure Progressive will be able to make it a profitable business.
B	Need to try in multiple markets with different regulatory environment and a different driving environment	B	Homeowners insurance is a different type of product in that the claims processing is different and it is harder to get different information from competitors. On the other hand, this appears to be an important bundled offering
A	Adverse selection - those drivers who drive the most at the worst times of the day will not sign up Significant equipment cost - GPS and other computer systems Significant customer education required - those who are not tech savvy will not adopt the program	B	Conduct additional testing to: - Determine if there are clear revenue synergies through cross-selling - Determine if Progressive's expertise in data mining is relevant in pricing homeowners insurance.
D	To lead the technology trend and data mining efforts once again in the industry; Limit rollout efforts because of the cannibalization effect and possible privacy concerns;	C	A game changing method with very low downside risk given the sales agents being trained properly for the cross selling skills
B	The idea seems to make sense, but I can think of some what-ifs (privacy, fraud, measuring an actuarially wrong thing, etc.). Plus, Texas is a ...special state. To avoid a nationwide blunder, Progressive must expand its pilot geographically (i.e. California, NE, Midwest, SE, etc).	B	For same reasons as those I gave for my pay-as-you-go response above.
B	The incremental costs associated with accurate tracking to enable a further reduction in already low premiums (on relative scale) does not seem worth it especially when combined ratio is already nearly 100%. Only works if add-on services associated with location tracking lead to meaningful upsale opportunities	C	People probably do prefer to buy both insurance products together and bundled pricing that competitors are offering may appear to be a good deal relative to Progressive's low auto rates. Can't afford to lose that competitive advantage and the homeowners product is likely profitable in its own right if done well

In what capacity should Progressive continue with the pay-as-you-go auto insurance product?	What is the primary motivation for your response to Q1?	In what capacity should Progressive continue with the Homeowners insurance product?	What is the primary motivation for your response to Q3?
B	They should pilot test in other markets. "More efficient" pricing might be very bad for their P&L but better for consumers. Alternatively, it might end up forcing consumers to pay MORE, which would of course be very bad for their business (unless other ins. cos. followed suit).	B	They should wait until they have more data on HO insurance product so they have a sense of their own ability to measure risk/price accurately. If they are good, move forward, if not, mothball it.
A	Customer privacy is at risk!!	A	Higher risk/unpredictability for a smaller premium revenue market dominated by the major players (All State, State Farm)!
A	This program needs wide national acceptance to support this fine level of customer segmentation. I do not believe the true high-risk customers will accept it. Additionally customers will be concerned about privacy issue.	D	1. Highly capital intensive business (the might not have enough) 2. Higher volatility (customer data not as useful)
B	Progressive clearly benefits from innovating in the insurance industry and this unique strategy could be very successful. However, it is important to see how much policyholders save/do not save in other markets which typically have higher insurance premiums (e.g. Los Angeles). If consumers are not happy, negative word-of-mouth plus the expense of installing/uninstalling the technology could kill Progressive.	C	There is a clear value proposition with Progressive selling homeowners insurance - consumers can benefit from the company's sophisticated data analysis by more accurately estimating the replacement cost of their homes, and Progressive can benefit from the diversification since auto was >90% of its business in the late 90s. In addition, Progressive had already piloted this product in four markets at the time the case was written and the financial performance of the company, although challenged in 2000, appears to be relatively strong.
B	It is highly likely that the results in Texas are not applicable in other areas as a result of a number of factors, especially higher than average rural areas.	A	Homeowners insurance is costly to provide and carries a lower margin than their existing auto insurance products.
A	1. I think customer adoption might be slow over fears of privacy and intrusiveness 2. I think the company would just be giving away money to the customers that are happily paying full price. In order for this program to work, the company would have to acquire a significant number of customers to make up for lost revenue but because of point 1, I do not think this is feasible.	B	1. Their core competency lends itself to this product adjacency 2. Their competitors participate in this market indicating its a natural adjacency. 3. Customers would prefer to work with a single insurance agent if they were able to receive good pricing and service. But because I'm not 100% convinced on this point, I think further testing is required.
C	Successful pilot and high margins give them a competitive edge for market share. The GPS technology is a concern but cost should come down.	A	Not core competency. The house market is risky and hard to predict losses. Not easy to gain market share and the margins are slimmer.
B	We could be looking at another example of "CRM Hell" from a consumer perspective. I'd want to find out if people living in more urban areas (ie. beyond the initial rural Texas test) have any different response to the service than the initial test group.	A	fundamentally different use of data-intensive analysis here. With auto it's directed toward factors that identify frequency and severity of accidents/liability. With Home, it's directed towards assessing adequate (ie. full replacement) coverage levels and has nothing to do with risk selection. Hence, no competitive advantage can be derived here (at least in the same sense as with auto pricing).
B	Not all customers may respond well to the Big-Brother Autograph device which invades privacy. If this device is not mandatory, higher risks will self select out (esp. those who like speeding), leaving only the lower risks to sign on. This will lower overall average premiums without compensating for the riskier customers. Could worsen Progressive's loss ratio which has been increasing. IT systems and premium collection systems need to be revamped big time.	D	Higher premiums for higher replacement value may turn customers away especially since there is little product transparency and customers may not understand what they are buying. Higher replacement value increases Progressive's liability - but data does not enable Progressive to better predict housing losses (typically natural disaster related). Progressive's auto product is already sufficiently differentiated from competition to attract customers via bundling with home insurance even without the replacement cost feature.
B	Have not seen convincing data that it is in the best interest of Progressive.	B	Is the exhaustive data collection cost effective?
B	Another demographic might respond differently to the program for two reasons. 1) More liberal groups (which are typically found on the two coasts) might react negatively to the infringement of privacy. 2) The driving patterns and needs of a more urban group might find that it does not behoove them to participate in such a program.	A	I do not think that they should go forward because they do not have as compelling of a service product for homeowners. They would be better off focusing on the automotive segment and trying to capture more market share. Moreover, it is not clear that progressive users would bundle their home and auto insurance if Progressive's Comparison Quotes show that a competitor has a lower quote more than half the time.
B	1. It does not look like the business model is profitable as it is (with \$500 cost of installing the GPS device). 2. It has to be further tested to understand customer/regulatory response in each state. 3. Additional features have to be added to the policy in order to minimize "adverse selection" among the customer base.	D	1. Progressive did not develop capabilities to estimate the probability of "disasters" happening (first they outsourced it to Travelers, than they did not gather enough info to forecast probability of claims). 2. The homeowners business has lower profitability than the auto one, which would impact negatively in their overall margins. 3. However, they have an extensive customer base that would be willing to buy home policies from them, and it would be a shame not to take advantage of that --> they can outsource the risk and still keep part of the profitability (if they reinsure almost 100% and manage to price policies in their advantage, they can even increase their profitability).
B	This is a very large undertaking, which I assume is a big CAPEX investment. Therefore, before making a national commitment, the company should test it in different geographic regions and see how much it will cost. It seems like there are high variable costs. Moreover, the company should make sure that customers throughout the U.S. are willing to be "traced" and have a lot of information about them traced. As we learned in TOM, incremental testing is best and the company should test the concept over different variables.	C	This program is not as big of a risk as the "pat-as-you-go" concept. This is just a supplement to auto insurance and this package seems to be preferred by customers throughout the U.S. Additionally, this addition will promote cross-selling.
B	Given our nations current debate over 'Big Brother' having too much access to personal information, I feel the Autograph system could spark privacy concerns from consumers and maybe serious backlash - especially if the consumer information was given to the wrong third party. We all know TEXAS is not the best test state to obtain a good assessment of consumers' reactions to the system.	A	I am worried about their current combined ratio now at 107%. From Exhibit 5 of the (A) case, Progressive over the years has been able to bring their expense ratio down (and keep loss ratio quite low) most likely due to their investment in and execution of their superior service and data analysis model. By looking at their competitors, all their expense ratios are rising and many with larger loss ratios - furthermore, their profits are coming more from investments in securities versus Progressive it seems. Therefore, it seems crucial for Progressive to be able to use its premium income to better execute on its business model - from looking at the data in the (b) case, Housing is much less predictable and can have much more idiosyncratic risk (fires, earthquake)...so although I think Progressive's data analysis could add value to this market, I am concerned about housing leaving Progressive vulnerable to large losses and this it could compromise their ability to execute on their auto insurance business.

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C	It seems they can segment the market way more effectively than their competition if they do this, leaving the competition to serve the more "risky" customers while Progressive skims off those who drive less (or in less risky conditions).	B	I am not convinced that Progressive knows what it is doing in such a different insurance market. Also, the idea of offering coverage for the replacement cost of property could lead to higher premiums than the competition, whose valuations will be lower than Progressive's replacement costs.
C	I believe this would allow Progressive to retain "good" customers and discourage "bad" customers. Even though the premium earned would be lower by 25% range, the loss expenses would go down, allowing it to maintain similar Loss Ratio. In addition, it will allow Progressive to a) differentiate itself b) gain incremental revenues through selling marketing data.	C	Easier cross sell for Progressive; competitive differentiation. The performance could be improved by further analysis of data eg. geographical considerations etc which could improve margins.
B	They need to better understand the impact on customers and on their bottom line across different markets before a national rollout.	D	It's hard to say because there isn't much data in the case on the results of the pilots - however, they need more data to see if customers will be willing to pay more to insure for true replacement value, and they also need to do analysis to determine if and how their data-driven approach can add value in the homeowners market.
B	I am concerned that the customer adoption rate of the technology will be low because of privacy concerns. It is one thing for a GPS system to generate driving directions for a customer--it is quite another for a company to be storing and analyzing where an individual's car is parked at night and where he/she drives on a regular basis. I think additional testing is necessary to determine how customers in different parts of the country will react to these privacy concerns.	C	Although the homeowners product is more volatile than the auto insurance product, the key to profitability will still be excellence in data analysis. This is Progressive's major strength, and I believe they will be able to master the data analysis behind the homeowners product just as they did for auto insurance.
B	Self-selection problem could result in financial infeasibility; use additional pilot(s) to explore means of enrolling a wider and/or different range of drivers.	A	Mother nature is too difficult to predict, even with mountains of data; Progressive doesn't have the balance sheet to withstand tough times in the homeowners business.
A	Lowers profitability of the business: gives a larger share of value to customers, and system seems to be too expensive to be amortized in a short time (e.g. 2 years). Likely to generate privacy concerns among customers.	B	Progressive has to check if their ability to analyze data can be applied to better forecast variabilities in Loss Ratio. A hasty rollout without a solid and geographically diverse set of customers could have catastrophic consequences in case of unexpected events (e.g. hurricanes) on a concentrated area of customers.
B	Issue of averages: If portfolio is priced with thin margins, finer segmentation -> some pay less, but some must also pay more; ok to let higher risk driver defect to subsidized lower-cost option at competitors, but could create bad word of mouth; also privacy issues may be more sensitive outside of Texas	B	Auto easier to model than home, though home is not impossible, e.g., nat cat, weather, theft, accidents, etc.; need to test whether Progressive's models are more accurate than industry
B	Not sure TX pilot is completely representative of long-term profitability and manageability of program. Would want to test several other areas (e.g., CA, NY, midwest) to ensure customer satisfaction and adoption, and ability to profitably execute program on a long-term basis.	A	Not enough synergies between two businesses(would need larger direct sales force with appraisal skills, analytics less valued for home insurance, etc.)
B	Because licensing has a state-by-state component so I want to understand how difficult it is to customize the program by state before I roll it out nationwide. In addition, I want to understand whether people will still be willing to pay for this service in a more urban-based state (such as Massachusetts) where premiums will be higher for sure.	A	I don't think Progressive can truly apply its numbers-based knowledge to homeowners insurance given the sporadic nature of natural disasters which is difficult to predict and price into insurance. In addition, I think that it is not required to offer a bundled auto-home insurance in order to retain customers because I believe insurance is becoming a "best-in-breed" type business whereby customers are going to move more towards buying different insurance from the best provider in each category, rather than bundled insurance.
B	They have tested the product in a small market and long distance driving location. They have no data for large markets and/or large cities such as LA or NYC. Before they start they should gather more information.	B	They haven't proven that they will be able to cross sell products effectively. Get some more data.
B	Progressive's decisions are driven by customer needs. By providing pay-as-you-go insurance, they are allowing consumers to have more control over their premiums, and for good risks, potentially saving them money by basing their premium on their driving habits, rather than relying on historical data. This may allow Progressive to further increase its standard risk customer base if pay-as-you-go rates are more competitive than rates based on historical data. They should target their rollout in states where there are a lot of suburban and/or rural areas. They should also test a state that has major cities (where accident rates and thefts are higher, and traffic is more congested) to see if pay-as-you-go is economical for it customers. I would not suggest a nationwide rollout yet, for I see the potential for this option to be rolled out only in states where it makes sense.	A	Homeowners' is not their core market, auto insurance is and I would suggest they stick to that. Many other companies competing in the homeowners market have devoted a substantial part of their business to it and I don't think Progressive is prepared to do the same. Auto is a more profitable market, and because homeowner premiums tend to be very low, there is no incentive for consumers to switch companies, especially for those who have been insured by a particular company for years, unless the auto rate is extremely competitive and bundling discount is substantial. Progressive's success has been based on its collection, statistical analysis and use of data to price insurance. This may be very difficult in the homeowner market since underwriting losses are extremely difficult to predict and harder to plot since disastrous events are unforeseen.