XR for Insurance Market Sizing + Pricing Analysis

Final Project Briefing

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Briefing Structure

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XRI Market Assessment + Pricing Overview

PURPOSE| Provide detailed analysis to estimate market size and pricing of Talespin's Extended reality for Insurance (XRI) training platform

KEY QUESTIONS| The project provides analysis to assess the following:

- The size of the addressable market for each XR training user group

- The key pricing and ROI factors for enterprise adoption of XR as a practical training alternative

- Training cost and delivery assumptions and constraints to guide XRI package pricing

- Based on the identified assumptions and constraints, the most appropriate pricing model and market strategy for each XR training

OBJECTIVE| Provide detailed market analysis and price modeling to develop pricing strategies for each XR training package

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The project developed two dynamic "tools" and supporting reference guide to support analysis

DELIVERABLES [hyperlinked to shared files]	PURPOSE	KEY FUNCTIONS
XRI MARKET SIZING DASKBOARD	Provide a quantitative estimate of the total addressable market based on detailed Bureau of Labor Statistics (BLS) workforce data and user group-specific characteristics	i. Provides detailed sizing of market by Primary, Secondary and Tertiary user groups ii. Provides structured BLS data by job category iii. Allows for user assignment of user group for each of 289 job codes iv. Allows for user identification of key market sizing assumptions (e.g. tech adoption rate)
TRAINING COST ESTIMATION PRO FORMA	Provide a structured framework to estimate cost of training based on the composition, method(s) of delivery, location of training and training frequency	i. Provides an estimated cost of training for a user-specific packages ii. Allows selection of modules from a defined module list iii. Allows for identification of module-specific delivery method, location of training and frequency of training iv. Estimates total module training cost based on user-validated cost assumptions
REFERENCE GUIDE	Provides a curated resource to present analysis and support use of the provided resources by Talespin staff	i. Presents detailed data from analysis ii. Provides instructions for use and refinement of the developed resources

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Overview of Training Pricing

This task focused on estimating the size of the total addressable market (TAM) for XR insurance training in persons

Estimated TAM based on a range of factors:
- Occupation group
- Type + frequency of use
- Expected tech adoption rate
- Workforce growth + turnover rates

Due to industry sensitivity to training cost, package pricing could significantly affect adoption rates and the resulting TAM

✓ 1.1. Establish specific description of each training package (Core, Core Plus and Bespoke)

✓ 1.2. Review and revise existing Total Addressable Market (TAM) assessment methodology

✓ 1.3. Collect qualitative data to identify / verify key market assessment factors

✓ 1.4. Collect and apply quantitative data to estimate of key market assessment factors

✓ 1.5. Finalize TAM assessment calculations for each package

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SME input led to revision of primary user job titles

	Group Description
PRIMARY USERS	Occupations for which XRI replicates key tasks that the user is required to maintain proficiency in and execute as part of routine job functions
SECONDARY USERS	Occupations for which XRI does not replicate key job tasks, but does provide information (e.g. data, task models, etc.) to inform key tasks the user is required to execute
SUPPORTING USERS	Occupations that require access to XRI in order to provide technical support, training administration or other enabling support
Not Applicable	Occupations that will not use, support or otherwise interact with the XRI platform

BLS Job Code	Job Title
13-1031	Claims Adjusters, Examiners & Investigators
13-1032	Insurance Appraisers, Auto Damage
41-3021	Insurance Sales Agents
43-9041	Insurance Claims and Policy Processing Clerks
11-1000	Top Executives
11-0000	Management Occupations

Added job codes based on SME input

- Revised BLS job categories included as primary users based on subject-matter expert (SME) input from Farmers' Insurance

- Reclassified three job codes as secondary users:
  - Appraisers and Assessors of Real Estate, Insurance Underwriters and Actuaries

- Primary user group now includes management personnel that will require use of XRI primarily to develop "soft skills"

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Key Implications of Market Sizing

While the primary user group is relatively narrow based on specific task proficiency needs, the secondary user group could be quite large based on the XRI feature set and platform capabilities

Penetration rates could vary significantly based on a range of factors, especially perceived comparative costs and benefits

- **Knowledge Retention:** reduced training time and
- **Job Performance:** reduced task execution time, increased accuracy
- **Brand Value:** Company perception by customers
- **Recruitment:** Company perception potential employees
- **Retention:** Company perception by current workforce

Due to existence of a rapidly aging workforce, workforce turnover is likely a much larger factor for P-C insurance than workforce growth

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Overview of Training Pricing Pro Forma

This task focused on designing a framework to systematically assess current cost of training to guide XR package pricing

Pro forma allows users to define a range of inputs

- User-defined module sets
- Costs based on training delivery method
- Costs based on training location
- Frequency of module instruction

Pro forma provides a dynamic resource to estimate current training costs and prioritize modules for XR replacement

SPECIFIED TASK 2 ACTIONS

✓ 2.1. Identify existing cost estimation structures and methodologies

✓ 2.2. Review available info on current training and associated costs

✓ 2.3. Identify and classify of package-specific pricing factors

✓ 2.4. Develop draft proforma framework

✓ 2.5. Review and validate pro forma and assumptions based on stakeholder input

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Farmers' SME input greatly expanded the number and range training modules in the pro forma

Insurance Training Pricing Pro Forma

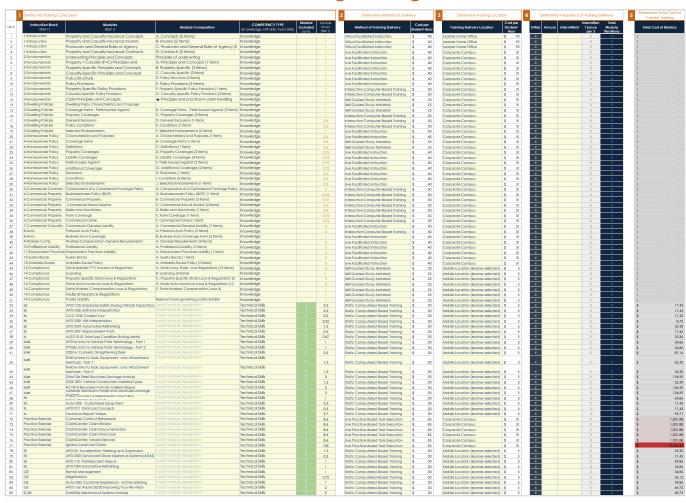Farmers provided information listing their current onboarding training modules with associated times

The pro forma now includes 202 discrete modules for possible inclusion in pricing estimates

The pro forma can be used to estimate pricing for various training delivery packages and methods

The accompanying Reference Book provides detailed pro forma information and instructions for use

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SME input also resulted in revision of estimated delivery costs upward based on observed costs

Farmers provided some anecdotal information to refine cost assumptions associated with training delivery methods

Pro forma cost estimates are likely conservative estimates of the total cost of training

- Current assumptions are based on Zylter analysis, but likely represent the low end of the potential range

Cost Assumptions by Training Delivery Method*

		ESTIMATED TOTAL COST PER TRAINEE-HOUR	ASSOCIATED DIRECT COSTS			ASSOCIATED INDIRECT COSTS		
			Instructor / Facilitator	Content Development	Learner Support	Learning Management System	Operations + Hosting	Dedicated Facilities
1	Live Facilitated Instruction	$ 90	High	Moderate		Low		Moderate
2	Virtual Facilitated Instruction	$ 47	High	Moderate		Low	Moderate	
3	Self-Guided Study Materials	$ 25		High		Low		
4	Static Computer-Based Training	$ 35		Moderate	Low	Moderate	Low	
5	Interactive Computer-Based Training	$ 50		High	Low	Moderate	Moderate	
6	Live Practice-Based Task Execution	$ 85	Moderate	Low	High		High	High
7	Live Social / Group Interaction	$ 20	Moderate	Low		Low	Moderate	Moderate
8	Virtual Social / Group Interaction	$ 40	Moderate	Moderate		Moderate	High	
9	Virtual Interactive Training Simulation	$ 65		High	Low	Moderate	High	
10	Blended Training				*situation dependent*			

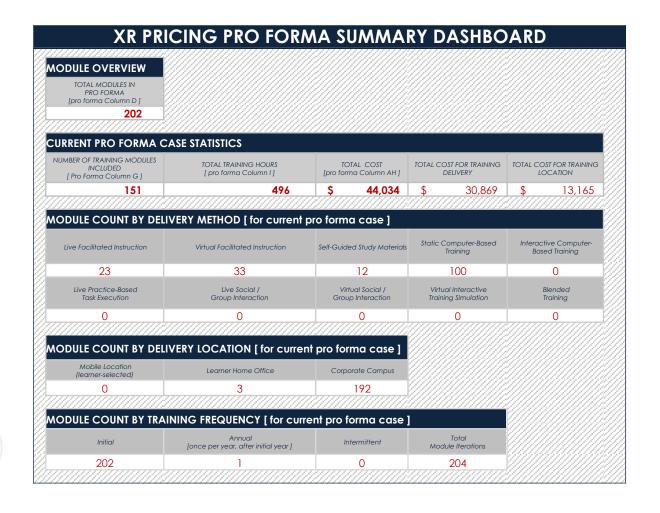** Based on summary analysis and anecdotal evidence*

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The training pro forma provides summary data based on user-defined inputs

The pro forma can be used to replicate and compare "cases" with differing modules, delivery methods and delivery locations

The pro forma provides a useful framework to capture training cost information from a potential client

■ Will allow Talespin to systematically show the total cost of ownership (TCO) for current training versus XRI

XR PRICING PRO FORMA SUMMARY DASHBOARD

MODULE OVERVIEW

TOTAL MODULES IN PRO FORMA [pro forma Column D]
202

CURRENT PRO FORMA CASE STATISTICS

NUMBER OF TRAINING MODULES INCLUDED [Pro Forma Column G]	TOTAL TRAINING HOURS [pro forma Column I]	TOTAL COST [pro forma Column AH]	TOTAL COST FOR TRAINING DELIVERY	TOTAL COST FOR TRAINING LOCATION
151	496	$ 44,034	$ 30,869	$ 13,165

MODULE COUNT BY DELIVERY METHOD [for current pro forma case]

Live Facilitated Instruction	Virtual Facilitated Instruction	Self-Guided Study Materials	Static Computer-Based Training	Interactive Computer-Based Training
23	33	12	100	0
Live Practice-Based Task Execution	Live Social / Group Interaction	Virtual Social / Group Interaction	Virtual Interactive Training Simulation	Blended Training
0	0	0	0	0

MODULE COUNT BY DELIVERY LOCATION [for current pro forma case]

Mobile Location (learner-selected)	Learner Home Office	Corporate Campus
0	3	192

MODULE COUNT BY TRAINING FREQUENCY [for current pro forma case]

Initial	Annual [once per year, after initial year]	Intermittent	Total Module Iterations
202	1	0	204

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Key Implications of Training Pricing

Insurance training delivery methods (and likely costs) vary greatly among industry leaders

The Total Cost of Training (TCT) is likely not well understood by companies due to the range budgeting lines often used

Due to the potential of XRI to greatly decrease a range of secondary training costs Talespin should focus potential clients on TCT→

Building the pro forma with a potential client can help them better understand the TCT of current training and best areas to apply XRI

TOTAL COST OF TRAINING (TCT) FACTORS	
Training personnel	Trainee time (opportunity cost)
Training facilities	Trainee Travel + Per Diem
Instructional design + development	Other Expenses
Training materials	

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Key observations + recommendations from Zylter analysis (1/2)

TOPIC	OBSERVATION	RECCOMENDATION
ABSENCE OF DETAILED TRAINING DATA AN OPPORTUNITY	Lack of definitive data on training curriculums and associated costs is a challenge for pricing, but also an opportunity for marketing	**TaleSpin should frame the discussion of costs in terms of Total Cost of Training (TCT), to include:** ▪ Training personnel ▪ Trainee time ▪ Training facilities ▪ Travel ▪ Instructional design + development
USE OF "TOTAL COST OF TRAINING" TO APPROPRIATELY COMPARE TRAINING COSTS	Capturing the full set of primary and secondary costs for training is challenging, but important to provide a fair comparison with XRI	**Use the Training Pricing Pro Forma as a structured resource to collect information on how companies currently deliver training and frame a more complete consideration of XRI ability to improve efficiency, effectiveness and brand value**

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Key observations + recommendations from Zylter analysis (2/2)

TOPIC	OBSERVATION	RECCOMENDATION
PRIMARY USER CURRICULA SHOULD FOCUS ON "HARD" SKILLS	For primary users, the greatest value of XRI is likely in object-focused technical skills (rather than general knowledge)	**XRI core offerings should prioritize technical modules that addressing changing objects (e.g. car models) due to the need for and disproportionate cost of maintaining currency**
VALUE-ADDED FEATURES PRESNET AN OPPORTUNITY TO ACCELERATE SECONDARY USER ADOPTION	The potential market for secondary users of XRI not well defined but can present a significant opportunity based on the features and content	**Maximizing the potential market and adoption rate for secondary users will require prioritizing and optimizing the additional features compatible with core features for primary users** ▪ Example: Generalized management and customer engagement "soft" skills

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Recommended Next Steps to Support XRI Development

1. Build a product roadmap to prioritize modules for inclusion in XRI and development based on the benefit, cost of development and other factors

2. Coordinate working sessions with current or potential customers to build pro forma "cases" that describe their current training and estimate associated costs

3. Use the *Training Cost Pro Forma* to estimate and compare the total costs of different sets of modules and methods of training delivery

   ▪ Due to the intricacy of the *Training Cost Pro Forma*, some additional support is likely required to guide familiarization and use

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[titles hyperlinked to section]

PROJECT OVERVIEW

XRI MARKET SIZING SUMMARY

TRAINING PACKAGE PRICING PRO FORMA

SUMMARY

Additional Information

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Create. Technology. Zylter.

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