

Insurance Tech Trends 2013

Elements of postdigital





Insurance Telematics: The Time Has Finally Come

The auto insurance industry is on the verge of a quantum shift, as more companies launch Usage Based Insurance (UBI) and telematics programs to incorporate individual driving habits into their risk selection and pricing practices, moving away from a strict reliance on proxy measures of risk like credit scores and driving history.

UBI and telematics have been touted for years as ways to help insurers manage underwriting risks more effectively. After years of unmet hype, conditions are forming for telematics to emerge as a widely adopted and disruptive force in underwriting, policyholder engagement, and insurance industry innovation. Insurers are looking for ways to differentiate, while consumers are growing more open to new types of connected relationships with companies. Meanwhile, the cost of building a telematics program is falling and tools are emerging to address the complexity of managing massive and complex data sets. Finally, it is expected that three of the largest auto insurers will have countrywide telematics offerings on the market by late 2013 or early 2014.^{1,2,3} Thus, the barriers to launching telematics programs are falling rapidly while the pressure to get in the game is rising precipitously.

However, it is not a foregone conclusion that most U.S. insurers will rapidly launch insurance telematics programs. Significant technological, data, legal, and regulatory barriers remain that will likely prevent many small and midsize insurers from readily adopting telematics. Thus far, only the largest insurers have jumped into the telematics fray. These insurers are getting ahead of the game as their data volumes become sufficient for ratability.

This puts the remaining insurers between the proverbial rock and a hard place – stuck between mounting pressure to act and the need to keep their expense ratios in check. In the absence of other factors, this dynamic would threaten the viability of many insurers' businesses. Yet we see three trends emerging that will likely lower the barriers to entry for insurers across the industry and contribute to the wide-scale adoption of telematics:

1. Mobile devices will likely emerge as a cost-effective and dominant means of data capture
2. Insurers' adoption of cloud-based big data capabilities will likely enable them to develop and scale analytical models and truly understand how driver behaviors correlate to risk
3. Cooperative business models will likely emerge that enable small and midsize insurers to lower the remaining barriers to entry

These three trends will likely help drive adoption of telematics among auto insurers in the near future.

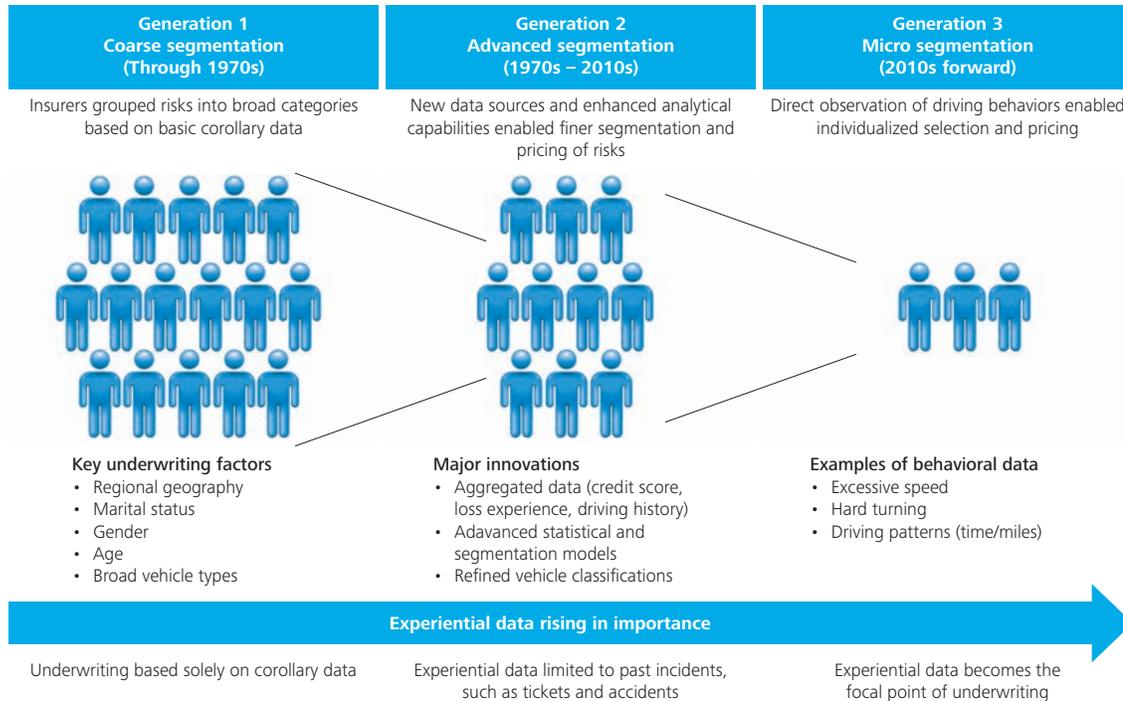
This chapter will explore the value that telematics data represents to insurers and will look into these three emerging trends in more depth. It will focus primarily on the technology trends and implications of insurance telematics and will not cover other business or strategic implications in great detail.⁴

Behavior-based data: unlocking hidden value

Current auto insurance risk models are based on corollary data. Drivers are grouped into classes of similar risks based on inferences made using data that is known to be correlated to risk and loss experience, though not directly related to risk and loss. Insurers have historically exploited innovative data sources and proprietary underwriting models (see Table 1) to maintain an underwriting-based competitive advantage. In the 1990s, credit score became a major factor in estimating risk, and early adopters saw significant improvements in underwriting by leveraging this new class of data. However, these gains have been eroded. The widespread adoption of sophisticated analytical tools, copycat pricing, and actuarial consultancies have leveled the playing field. Thus, insurers are looking for a new edge in underwriting.

Behavioral data captured via telematics may provide this edge. Insurance telematics gives insurers the ability to track, measure, and manage risks at the individual driver level on a trip-by-trip basis over long periods of time.

Table 1. Risk segmentation, selection, and pricing have become more refined with innovations in data and analytics



When correlated to losses, these individual observations allow insurers to conduct refined segmentation, risk selection, and pricing at the level of the individual, unlocking new value and opening opportunities for innovative business practices.

Yet underwriting and pricing represent just the beginning of what telematics promises to create. The insights gained from individualized behavioral data has the potential to revolutionize how insurers view and engage with their policyholders. By understanding individual policyholder behavior, insurers will likely be able to offer customized and valued services, such as safe-driving gamification, fuel saving tips, and teenage-driver feedback. The use of mobile apps will give insurers a way to interact directly with their policyholders, with driver feedback and other customized services always at their policyholders’ fingertips. Moreover, driver data will provide insights that will streamline claims processing, help insurers proactively identify fraud, and increase marketing ROI.

Insurers must react to the threat of disruption

It is expected that by early 2014, State Farm, Allstate, and Progressive will launch countrywide telematics offerings, driven by large marketing campaigns and discount programs that will disrupt this price-sensitive industry.^{5,6,7} As a result, we anticipate insurance telematics will enter the public consciousness and demand will begin to rise rapidly.

Insurers that do not adapt will face the likelihood of losing their best risks to competitors with telematics offerings. Given the industry’s low organic growth, persistently high combined ratios, and several years of poor investment performance, telematics could threaten the viability of many insurers across the industry.

The cost of inaction is not limited to lost market share. Insurers will miss critical learning-curve effects if they stall in launching an offering. Insurers must develop expertise around telematics processes, data management, and analytics to run successful programs. Analytical knowledge generated will create a sustainable competitive advantage that will be difficult to overcome if insurers fall behind.

In short, telematics has the potential to create significant benefits for those insurers that adopt early, allowing them to cherry pick the best risks, and may create a significant competitive disadvantage for those that are late to the market.

So what’s stopping insurers from going full steam?

Much of the attention on insurance telematics has been focused on pricing and discounts. Telematics can therefore appear to be a significant threat to margins as the best risks are discounted without a concurrent increase in rates for the worst drivers. However the insights enabling insurers to discount their best risks will inherently uncover risk-pricing

mismatches in higher risks as well, allowing insurers to raise rates broadly while preserving the equilibrium of industry economics. Moreover, telematics programs will likely reduce the frequency and severity of loss experience among participating drivers, thereby improving loss ratios. Lastly, the value of telematics extends well beyond volume growth through discounting to include a range of policyholder and operational benefits.

Uncertainties in the legal and regulatory environment, high operational costs, and complexity of the current telematics solutions have also slowed market entry. Additionally, insurers face the daunting task of launching programs to collect tremendous volumes of behavioral data, creating the models and capabilities to analyze this new data, and incorporating the output into their current underwriting and business systems (e.g., marketing, rating, underwriting, billing, and claims). These challenges have kept most insurers on the sidelines.

Methods for capturing driving behaviors

Today there are three groups of devices⁸ that are used to capture driver data from the vehicle:

- 1. Plug-ins/connected:** Plug-in devices connect to a vehicle's on-board diagnostic OBD-II port. Plug-ins have become the mainstream device for data capture because of their low technical complexity, high accuracy, and initial lack of suitable alternatives. However, plug-ins come with a downside. Insurers must pay for both the devices and the cost of cellular data transmissions. Additionally, insurers have to own and manage physical inventory, which requires the operation of a procurement network. Further, provisions must be made to have the devices installed and uninstalled in the car, and device malfunction can interfere with the car's systems.
- 2. OEM/embedded:** Original equipment manufacturer (OEM) platforms are built into cars by automakers at the time of manufacture and provide telematics and infotainment services. These platforms are attractive, as they eliminate device and data costs to the insurer. However, they pose challenges due to the high fragmentation of proprietary platforms across automakers. While a standard will likely emerge among automakers, this development will probably not occur quickly enough to allow OEM platforms to become a significant component of insurance telematics in the short run.
- 3. Mobile/disconnected:** Mobile platforms rely on software applications loaded onto smartphones or black-box devices that capture and preprocess observed behavioral data without directly connecting to the vehicle. Insurers are attracted to mobile platforms due to the low cost

– both device and communications expenses are borne by policyholders – as well as the services insurers can provide through the user interface.

Device types may soon begin interacting with one another to collectively provide data collection, data transmission, and a user interface. As an example of this “hybrid connectivity,” an OEM system may collect driver behavior data, which would then be transmitted via a Bluetooth-tethered smartphone, and the phone and OEM head unit would each serve as user interfaces to provide driver services. This integrated “connected car” would improve data quality by capturing data onboard while lowering telematics costs by shifting the costs for connectivity to the driver.

Three trends are likely to promote the adoption of telematics

In the coming months, three trends are likely to help accelerate adoption of telematics in the auto insurance industry:

A shift to mobile

The device that dominates in the short run will have mobile telematics apps, which meet data collection needs, have significant cost advantages, are not operationally complex, are simple to use, as well as provides opportunities for enhanced engagement with the policyholder. The latest smartphone and app-based technology uniquely provides this combination of characteristics. Mobile devices are therefore now in a position to make widespread adoption of insurance telematics a reality.

- First-generation mobile devices (Mobile 1.0) could not reliably collect ratable data, did not have auto-calibration (which distinguishes phone movements from true car movements), and rapidly drained phone batteries. They were primarily used by third-party app vendors as auto insurance ad-delivery platforms.
- Mobile 2.0 devices have evolved to enable the collection of high-quality data that is now sufficient for ratability (although it is not yet as accurate as plug-in sourced data). Mobile 2.0 also solves many of the technical issues typical of Mobile 1.0, such as auto trip detection, auto calibration, and battery use management.
- Finally, app-based device fulfillment is virtual, eliminating the need for inventory management. Thus, a shift to mobile will lower the barriers to entry and help small and midsize insurers launch telematics offerings.

Some insurers using plug-in devices have found creative ways to contain costs, like rating for the first policy period only and rotating device inventory from car to car. These insurers may ultimately be at a disadvantage, however, as insurers with mobile-based platforms reap the benefits of long-term data collection. Further, mobile provides a user

interface through the phone's screen, which insurers can use to deliver near-real-time driver feedback and other customized "concierge" type services to create a differentiated experience.

Mobile will also likely revolutionize pricing models as the data collection will be untethered from the car and tied instead to the individual. This will allow insurers to shift from car-based to driver-based underwriting, and pricing and will provide policyholder insights that may eventually impact other lines of insurance.

Increasing availability of analytics and big data tools

Regardless of device type, insurers collect two types of data: stream and event data. Stream data includes sampling and transmission of observed data such as speed, location, and time of day sent in a constant stream. Event data includes inferred behaviors that occurred throughout a trip, such as instances of hard braking, excessive speeds, and trip start and stop times. Insurers are therefore able to amass a tremendous amount of detailed driving behavior data and analyze driver performance on a trip-by-trip basis. Over time, this trip-level analysis reveals a unique behavioral "fingerprint" for each policyholder that becomes the basis of telematics-enabled underwriting.⁹

Like data collection, the data management and analytics required to identify driver fingerprints are also steep barriers for most insurers. Each trip a driver takes generates substantial quantities of raw data that insurers must absorb and process. In aggregate, insurers may need to collect billions of driving miles for national ratable. ¹⁰ Managing and analyzing these volumes of complex data requires sophisticated big-data tools.

While big data is key to unlocking value and building differentiated underwriting and customer engagement offerings, it creates IT complexity and will require the development of new capabilities. Only those with the very largest IT budgets have so far been able to justify the significant investments required to build big data capabilities.¹¹ Yet this trend is beginning to reverse. "Today, the growth of open-source platforms, cloud computing, social media, and analytics technologies has eroded much of the large-enterprise scale advantage" and implementing those solutions often costs on average 20% less than traditional systems.¹² Thus, the backbone systems of telematics solutions are becoming within reach of all industry players.

By gaining a deep understanding of driver behavior, insurers can again differentiate through advanced risk selection and pricing and by translating insights into valued offerings to policyholders. Insurers who can translate terabytes of driver

behavioral data into meaningful behavior-based driver portraits will likely be the firms that win with telematics.

Insurance telematics will evolve into a model of coopetition

Many insurers have launched insurance telematics pilots to experiment with behavioral data and explore the requirements of launching a full program. Given the cost, complexity, and amount of data needed, few insurers have launched full offerings, while most have taken a wait-and-see approach.

Yet a "do-nothing" approach is not an option. Insurance telematics will become an industry disruptor as the largest insurers siphon off the best risks with pricing discounts and leave other firms with the highest-risk, highest-cost insureds. At the same time, a "go-it-alone" approach will likely prove too costly and complex for many firms.

However, a third option may emerge in this insurance telematics arms race. Insurers may gravitate toward a cooperative standardization around data collection methods and will look to pool their data as a way to remain competitive. Differentiation will come from how an insurer leverages the data, not the gathering of the data itself. According to Gartner, "Advancements and consolidation in the solutions market, which today is fragmented and diverse, as well as future business process outsourcing (BPO) services, will allow small to-mid-size insurers to offer pay-as-you-drive products without these substantial infrastructure investments."¹³

Such an approach will parallel the industry's long-standing reliance on data agencies providing services such as motor vehicle records reports, loss-cost reporting, and FICO scores. A cooperative model has the potential to create significant scale economies, offload non-core functions to third parties, and help insurers overcome minimum data requirements. Insurers may also rely on shared resources to handle program logistics, such as management of the mobile app environment and rate-form filings.

With data management and program logistics handled cooperatively, insurers will use the insights generated to compete through differentiated underwriting, policyholder engagement, and innovation.

The shift to mobile can lower costs and pave the way for rapid consumer adoption of telematics, while big data will allow insurers to unlock the value in driver behavior data. If mobile and big data are the necessary conditions, a cooperative model will likely provide sufficiency and catalyze the industry, allowing the reality of telematics to meet its potential.

Driving change

	What were the challenges?	What's different in 2013?
Shift from plug-ins to mobile	<p>Plug-ins</p> <ul style="list-style-type: none"> The precision allowed by plug-in devices comes at a cost – often \$10 or more per month to the insurer Plug-in devices create fulfillment challenges. Consumers have been slow to adopt, in part due to the hurdle of having the device installed. Insureds using the devices are often slow to return them after the monitoring period, creating cost and logistics issues for insurers The use of plug-in devices requires a procurement and logistics network Plug-in devices may impact the functioning of the car <p>Mobile</p> <ul style="list-style-type: none"> Mobile 1.0 app-based platforms had critical limitations including: 1) rapid battery drain and 2) an inability to distinguish phone movements from car movement, and 3) an inability to auto-identify when trips started and ended 	<ul style="list-style-type: none"> Mobile 2.0 devices have overcome the technical limitations that previously prevented adoption. Advances include: <ul style="list-style-type: none"> Auto trip detection – on-board triggers that identify beginning and end of trips Auto calibration – the phone can distinguish between movements of the car and the phone Low battery drain – the phone manages processing and data transmissions to lower energy consumption Mobile platforms have significant cost advantages – the policyholder covers the cost for both the device and data transmission
Power of big data	<ul style="list-style-type: none"> Big data tools were in their adolescence and provided limited reliability and functionality The cost of managing big data was prohibitive to all but the largest insurers Massive data sets were complex and unwieldy Specialized talent needed to effectively analyze massive data sets was hard to come by¹⁴ Insurers had not built the capabilities to operate in a big data environment 	<ul style="list-style-type: none"> Big data is a maturing science, with the emergence of advanced, cost-effective tools to structure and manage massive data sets (e.g., Hadoop, MapReduce) Broadening availability of required data scientist skill sets required for analysis¹⁵ Storage and processing costs are falling Tools now exist to enable insurers to create policyholder fingerprints, which allow for the distinction between when an individual is the driver or passenger, or is taking public transportation
Cooperative data capture and management prevents wasteful arms race	<ul style="list-style-type: none"> Telematics was still an unproven entity, with insurers waiting on the sidelines for proof of concept Telematics environment characterized by a lack of standards and uncertainty as to which collection devices would prevail Insurers leverage shared underwriting data (e.g., credit scores, ISO data),¹⁶ but telematics data regarded as a trade secret 	<ul style="list-style-type: none"> Rising presence of telematics offerings by top insurers raises the threat and creates pressure for insurers to find a viable response Early signs of emergence of telematics-based data bureaus



Technology implications

Launching a telematics program will require CIOs to address complex issues that span multiple functions across the organization.

Topic	Description
Data capture and transmission	<p>Insurers using plug-in capture devices will have to build or outsource supply chain capabilities, including procurement, fulfillment, and device returns. Building this supply chain will create new challenges for insurers that typically have minimal supply chain infrastructure in place. Carriers must also consider product liability issues, given that the plugin devices integrate with the car's electrical and computer systems and have, in some instances, been reported to cause auto malfunctions.</p> <p>Integrating with automaker's OEM platforms such as GM's OnStar can eliminate the issues inherent with plugin devices, but may open up a new range of challenges, including partnership formation, multi-party systems integration, and data ownership issues.</p> <p>Mobile devices also come with their own set of opportunities and challenges. CIOs will need to partner with app vendors or build their own apps and algorithms in-house. While mobile is much cheaper and more flexible than plug-ins, its data is considerably noisier due to phone movements independent of the car. App-based platforms give insurers new opportunities for customer engagement, but also thrust insurers into the consumer sphere in new ways. This rapidly changing domain requires a pace of change unique to the insurance industry.</p> <p>Given the expected shift away from plug-in devices and toward mobile and potentially OEM, CIOs should engineer flexibility into their systems to accommodate multiple forms of capture devices.</p>
Data storage and processing	<p>Insurers must be prepared to receive and manage tremendous quantities of data. Infrastructure flexibility and scalability become crucial. CIOs will need to either build their own infrastructure or leverage cloud-based solutions. Most insurers will benefit by launching in the cloud, given its flexibility, rapid setup times, and low initial cost. However, insurers may consider an in-house solution so they can maintain control, address data security concerns, or realize cost economies as data volumes grow.</p>
Data analytics	<p>Firms will need to decide which analytics engine to leverage in order to handle the mountains of data they will amass. Traditional analytics platforms used by insurers may prove inadequate to deal with and scale to these high volumes of unstructured data.</p> <p>Moreover, sourcing analytics talent will be a key challenge for insurers. They will need to "make data science skills a priority in recruiting and training efforts"¹⁷ to ensure the development of effective analytical capabilities.</p>
Systems and process integration	<p>Driver behavior data is not expected to supplant traditional underwriting data for many years. Insights from telematics will likely augment existing underwriting models, requiring integration of telematics and legacy underwriting systems.</p> <p>Moreover, CIOs will need to stand up applications and database ecosystems that offer smooth communication across all functions in the organization. Telematics will likely impact various business functions in the following ways:</p> <ul style="list-style-type: none"> • Claims – Telematics will enable accident analysis to support claims settlement and assist in fraud detection • Customer service – Telematics will create new service requirements and call centers will need training on the telematics platform. Call center representatives will need access to telematics systems to troubleshoot problems and complaints • Billing – Telematics can create flexible billing options, such as premium rates that vary by month as miles driven fluctuate. Systems will therefore need to accommodate this flexibility <p>Other affected functions include policy administration, marketing, risk management, and policy development.</p>
Privacy and data security	<p>Although policyholder interest is rising in telematics and the "digital consumer" is growing increasingly more comfortable sharing personal data in exchange for perceived value, insurers must implement and communicate strong privacy policies and procedures.</p> <p>Further, insurers must implement leading-class measures to safeguard policyholder data from internal and external prying eyes.</p>

Lessons from the frontlines

Insurers have been hearing about the potential of telematics now for more than a decade. As far back as 2008, Forrester Research declared that pay-as-you-drive insurance was already “long overdue,”¹⁸ and yet, five years later, neither insurers nor consumers have adopted telematics en masse.

Multiple firms have piloted insurance telematics programs or developed limited offerings, yet only a select few have developed full telematics programs. Farmers Insurance Group, Liberty Mutual, Nationwide, Travelers, and American Family Insurance, collectively holding 19% of the market, have explored the space with pilots, focused offerings such as teen driver programs, or commercial offerings.¹⁹ Yet only State Farm, Allstate, and Progressive, with a just under 40% of market share, are thought to have full offerings either in place or on the near horizon.^{20,21}

Even Progressive’s telematics program – called Snapshot® – was under development in one form or another for 15 years before hitting the national market in early 2013.²²

But the early evidence in favor of insurance telematics is telling. By the end of 2012, the annual premium written through Progressive’s Snapshot® topped \$1 billion, besting the total personal auto premiums of all but 22 insurers.²³ Progressive has claimed that lifetime premiums on Snapshot® policyholders is 25% higher than average.²⁴ CEO Glenn Renwick calls telematics-based insurance the “most exciting breakthrough in rating in my career.”²⁵

Similarly, Hartford Financial Services has seen the impact of telematics through its TrueLane pilot program. Hartford President Andy Napoli has claimed that telematics data has “redefined the way we think about pricing auto.” According to Napoli, those companies that sit on the sidelines will eventually find they attract poor risks previously turned down by telematics-enabled competitors.²⁶

Progressive, State Farm, and Allstate are going to drive the telematics market when their programs are fully operational. These firms have among the highest marketing budgets in the industry, totaling 35% of all P&C advertising expenditures.²⁷ The pressure they place on the industry will force other players to band together and engage in cooperative business models to overcome the barriers of entry and quickly get telematics programs on the ground.



Flying car future

Insurance telematics and the connected car

Telematics fits within the broader currents of mobile telecom-based transformations that are reshaping traditional products and creating products and services previously unimagined. The automobile is a case in point. The car is undergoing radical re-imagining and emerging as a new hub of information and entertainment. Moving beyond basic navigation capabilities, the connected car integrates smoothly with the driver's digital life, providing social media services, rich media content, and a range of other infotainment and utility services.

In providing infotainment offerings, automakers are capturing the same location and driver-performance based services insurers rely on for usage-based insurance. Thus, the connected car creates a complimentary, but not entirely overlapping, set of interests between automakers, insurers, and mobile telecommunications providers. Automakers are capturing data to create services for drivers, insurers are looking for driver behavior data, and telecom companies are working "hand-in-glove with automakers to deliver on the potential of the wired vehicle."²⁹ This opens a space to create a common solution platform serving each industry's needs.

Each industry also faces a common challenge – determining who will pay for data transmission. If the burden of costs for telematics devices shifts to consumers, it has yet to be proven that consumers will want to pay for a vehicle-based data plan in addition to the smartphone plans they already own. It is likely that the smartphone as the data connection method will prevail, and smartphones will tether with the car's on-board systems to create hybrid solutions in which telematics "goes along for the ride", enabling widespread adoption.

Insurance telematics and the digital self

While telematics will be a major disruptive force within auto insurance, it is a small part of much larger movement toward the "connected consumer" and rapidly evolving customer expectations. Companies like Apple, Google, and Facebook are opening new channels for consumers to engage with firms, which is setting a new bar for how consumers wish to interact and transact with companies. Insurance is no exception. By launching a telematics platform, insurers will have the tools in hand to meet rising consumer expectations. Rich driver behavior data will enable new methods of engaging with policyholders that elevate the relationship with insurers beyond that of statutory necessity.

Yet the data collected through insurance telematics programs is but a singular example of the emergence of the overall digitization of day-to-day life. Technologies on the horizon will soon capture a multitude of individuals' data, from health monitoring to property sensors to consumption. The combination of insurance telematics data, emerging consumer data streams, social graphs, and traditional data sources (such as those provided by Neilson) provides a "digital introspection" into the way a person thinks, acts, and does. This confluence of data streams gives birth to the "digital self."

By participating in telematics, insurers become part of a trend that will provide value far beyond the boundaries of auto insurance. Knowledge of the digital self will impact other lines of insurance, including homeowner's and small business insurance in the P&C space, and life, disability, long-term care, and health insurance more broadly. In addition, it will provide consumer, telecom, auto manufacturers, and Insurers opportunities to launch new business models that monetize these insights across the multiple industries.

Where do you start?

Before launching a telematics initiative, insurers should determine how they intend to fit telematics within their broader strategy. Telematics can be used to promote three broad strategies – leadership in risk selection and pricing, customer experience, and product innovation. An insurer may gain the most from telematics by letting its corporate or product strategy dictate how it implements telematics, versus letting the benefits of telematics set the strategy. It is critical that telematics contributes to existing corporate objectives. Otherwise, resources, systems, and managerial attention will be mismatched, creating an increased risk of initiative failure.

Insurers should then assess their capabilities and ensure their operating models are optimized to support the telematics offering. Telematics gives insurers the opportunity to build relationships with policyholders in much the same way as modern technology and consumer products firms. Yet to operate effectively in the consumer space and

to build a big data or cloud-based business will require keeping pace with rapidly changing consumer expectations and technological capabilities. An insurer's organization therefore needs to be nimble, and the insurer must build new capabilities and attract new types of talent. Governance and decision-making policies may need to be amended to shorten turnaround times. The firm will also need to ensure ancillary business functions and technologies are enabled to support the telematics initiative. From claims to service to billing, telematics will place new demands on the organization and its systems.

Given the range of challenges and novelty inherent in a telematics offering, insurers will have to decide to what extent to build in-house or develop external partnerships to manage program development, launch, and execution. Many insurers will find the challenges of the "go-it-alone" approach too daunting and will likely rely on third-party resources, industry associations, and cooperative agreements to build and operate portions of their offerings.

Bottom line

Insurance telematics will unlock significant benefits across insurers' value chains. It will reintroduce the ability to differentiate through superior underwriting and will give insurers tools to create a rich, engaged experience with their policyholders. But insurers need to get moving. By late 2013 or early 2014, at least three of the top auto insurers plan to roll out national telematics programs which could drastically tilt the industry's economics in their favor. The question is no longer "if" insurers should enter telematics, but "how long" they can afford to hold out? The emergence of mobile app platforms and big data tools will lower the barriers to entry, while cooperative models will open the door to all insurers.

We anticipate that the firms that move early and take a meaningful stake in telematics will be those that are positioned to move the industry and capture value across multiple lines as insurance becomes a more consumer-driven business.

Endnotes

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