UBI – A Global View

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The Big Picture

- Companies of all sizes worldwide are aggressively implementing telematics programs to gain the competitive advantages of early adoption.

- Developments differ by region. In the U.S., there are 45 states that have more than 10 UBI programs.

- Companies who do not implement soon will be at a major disadvantage and have difficulty catching up.

- Act now, but take it one step at a time.
Agenda

- Introductions
- UBI is a worldwide phenomenon
- U.S. UBI taking hold
- Summary
Towers Watson’s DriveAbility® Offering

Expert Advice from Consultants Experienced with UBI
- TW understands all aspects of UBI from strategy to implementation
  - Our team members have experience implementing UBI programs at insurers
  - Strategy and implementation tools and templates

Vehicle Scoring and Data Analytics
- Large existing pool of telematics, external, and insurance data
- Proprietary software and techniques that enable unparalleled analysis of big data
- 10x segmentation above existing rating plans
- DriveAbility score is three times as powerful as any existing rating factor

Rate Filing Services
- Most U.S. states require UBI programs to be filed in the majority of states
- Developed very good working relationships with state DOIs and are a Rate Service Organization (RSO) in all states required by our clients
- File our score in states, as required, so our companies do not have to do so

Partnership and Integration with Proven TSPs
- TW partners with selected TSPs to provide a scalable, market-defining UBI solution
- Technology solutions and infrastructure are device agnostic (devices will change over time)
- TSPs provide additional customer services
- If the insurer prefers, TW will work with other TSPs

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More than 50 insurance companies on UBI projects around the world, including U.S., Canada, Asia Pacific, South Africa, South America, and Europe.

These carriers include top 10 U.S. auto insurers and large multi-nationals.
UBI is a worldwide phenomenon
Insurers are realizing the benefits and launching rapidly

**U.S. and Canada**
Significant UBI penetration and established programs

**Europe**
Many business models. Design varies significantly by country

**South America**
Companies beginning to develop UBI

**Africa**
Wide use in South Africa where telematics sensors prevalent due to theft

**Asia**
Active development and pilots by most major insurers (particularly China)

**Australia**
Increasing activity and launch by a few insurers

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Notable Global Developments

Canada

- Six Canadian insurers have launched products to-date. Others to come.
  - Desjardins Ajusto
  - Industrial Alliance Mobiliz
  - CAA Connect
  - Intact
  - The Co-Operators Group
  - SGI (Motorcycle)
  - Economical actively preparing, but not ready to launch.
Example 1: Desjardins — Ajusto

- Goal: acquire safe drivers with initial discount (5%), continue to monitor and reward safe driving (25%)
- OBD device
- Measures:
  - Distance travelled, which can contribute up to 10% discount
  - Frequency of hard braking and acceleration, accounting for up to 10%
  - Time of day driven, contributing up to 5% rate decrease

Source: Canadian Underwriter, 13 May 2013.
Results

- 50% said they are safer drivers. 2/3 pay more attention to acceleration and braking
- 50k new UBI policies in the first 15 months
- Launched in Ontario and Quebec, expanding to Alberta
- Increase premium +5.4% vs YA
Example 2: CAA Insurance - Connect

- Goal: similar, but with additional focus on value added services.
- OBD device
- Value added services: track vehicle's health and fuel efficiency, as well as set service reminders.
- Phase 2: Vehicle diagnostic capabilities. Enhance roadside assistance calls using GPS location services and remote service capabilities.
Example 3: Industrial Alliance - “Mobiliz”

- Goal: Improving driving behavior for youthful drivers
- Hard-installed device
- Lots of feedback and reporting. Premium varies monthly (25% discount).
Others

- Intact Automerit: 5% participation discount, up to 25% renewal discount.
- Co-Operators En-route: 5% participation, up to 25% renewal.
- Even motorcycles!
Notable Global Developments

Asia

- **China**: Very active market. Most top insurers are piloting with significant volume.
  - Pricing
  - Marketing
  - Value added services

- **Japan**: top insurers are starting to prepare for pilot using OEM data or commercial fleet data.
  - Pricing
  - Risk control

- **Thailand**: Bangkok Insurance
  - April 2015
  - Focusing on teen and commercial fleet
  - Goal is to reduce loss ratio by 15% points
Notable Global Developments

Australia and New Zealand

- A few insurers launched and others are actively preparing. Multiple technologies used.
  
  - QBE - Insurance Box
    - Pricing, premium could go up or down
    - OBD device, charging small one time fee
  
  - AI Insurance - Smart-Box
    - Rate reduction. Theft tracking, accident assist, claims handling
    - Hard installed device
  
  - Tower Insurance New Zealand - Smart Driver
    - Marketing
    - Smartphone app
    - Discount up to 20% applied to new policy or existing policy
Notable Global Developments

Brazil

- Porto Seguro
  - Teen product, discount up to 30%
  - Hard installed device
  - Speed, time of driving, training programs
Notable Global Developments

South Africa

- More than 50% of the insurers have launched UBI.
- Telematics widely installed in vehicles already due to high theft rate.
Hollard – Pay as You Drive

- Includes a minimum fixed premium (covers 417 kilometers, non collision) and a variable monthly premium by distance.

“You can thus control how much you spend on vehicle cover premiums”
Discovery’s Vitalitydrive

15% Improvement in driving behaviour in the first 12 months

UBI insureds claims cost is 2/3 of non UBI insureds

40% of UBI drivers earned special status within 3 months
Other UBI Products

**Outurn**

Driving safely can save you money
Get a Quote

**Safe_Driver@OUT**
If you're a safe driver, this one's for you!
U.S. UBI is taking hold
Proliferation of U.S. UBI Programs
Proliferation of U.S. UBI Programs
Insurers in Texas

Nine have telematics programs:

- Allstate
- Auto Club
- Esurance
- National General
- Liberty Mutual
- Nationwide
- Progressive
- State Farm
- USAA
Act Now: Doing nothing is not an option

- Early adopters quickly picking off self-selected low risk customers.
- Late adopters face adverse selection.
- UBI is sticky.
- It’s not reversible as with insurance credit score.
- Long lead time to market entry:
  - Impacts all areas of your organization.
  - Consider time for product design, test, program, data collection, analysis, regulator filing.
  - Understanding and working with telematics technology is not trivial.

U.S. insurers that don’t currently offer a UBI product are probably already beginning to experience adverse selection that will only get worse with time.
Towers Watson recommends an incremental approach to launching UBI products

Companies who have successfully launched full-scale programs tend to follow a similar launch runway.

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Act now, but one step at a time

- Inflection points are reached as processes change from manual to automated, and training/support expands from a small team to full call center support.

- Each stage of the implementation involves greater degrees of automation and sophistication.
In Summary

- Companies worldwide have launched UBI to gain the competitive advantages of early adoption.
- Companies who do not implement soon will be at a major disadvantage and have difficulty catching up.
- Act now, take incremental steps.
Thank you. Questions?

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