Insurance Telematics: The Road Ahead

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**Session Description:**
By year end, more than 50 percent of U.S. drivers will have access to a telematics program from their current insurance carrier. Does your company have a plan to stay ahead of the competition? Join industry experts to understand what lies ahead in insurance telematics and get an update on D-drive, Deloitte’s mobile-based, end-to-end telematics solution developed in collaboration with NAMIC.
Top Three Session Ideas
Tools or tips you learned from this session and can apply back at the office.

1. __________________________________________

2. __________________________________________

3. __________________________________________
Insurance Telematics:  
The Road Ahead

September 18, 2014

Discussion Topics

1. The Market Inflection Point
2. How to Get Started
3. Discover D-rive
4. The Power of Data
5. Develop a Strategic Response
The trend towards using telematics mirrors the reality of today’s quickly evolving technological environment, and taps into the increasing public demand for direct user interface, real-time data, and transparency in transactions.

– New York State Department of Financial Services

May 2014

The Market Inflection Point

With over a year of traction in the market Deloitte is seeing the conversation change

Our Conversations…

… demonstrate how the market is changing

The conversation has shifted from if to when and how

Growing demand for value added services

Increasing number of telematics offerings spanning OBD, Mobile, Hybrid, Advanced Analytics and end-to-end solutions

Consumers are ready and willing to adopt telematics

Increasing acceptance of mobile technology
Telematics adoption is at an inflection point, requiring a strategic response

Insurance telematics has been steadily gaining traction over the last 3 years as telematics enables a more precise view of risk than previously possible...

...and a convergence of factors will drive rapid adoption in the next 4-5 years:

- Technology Sophistication
- Consumer Demand
- Cross-industry Adoption

Estimated Telematics-Based Auto Insurance Policy Growth in North America

D-rive: An End-to-End Telematics Solution

Telematics mass market penetration is expected to mirror other disruptive technologies

Adoption Rate of New Disruptive Technologies

Consumers are willing to trade personal data for perceived value

1. Gartner Tablet Forecasts, 2012
2. The Associated Press “Number of Active Users at Facebook Over the Years”
3. Estimated size of North American market is 160M auto insurance policies
4. Estimated size of North American market is 160M auto insurance policies
Mobile telematics delivers a solution in line with the evolving and connected lifestyle

1. 73% of people said it would be easier to adopt a UBI program if it used a smartphone app
2. 56% of American adults are smartphone owners
3. 72% of smartphone owners are within 5 feet of their devices the majority of the time
4. 74% of U.S. consumers use location based services on their smartphone

Mobile Offers…
- Improved data capture
- Reduced costs
- Engaged drivers
- Innovation opportunities

A significant consumer segment is ready to test-drive telematics auto insurance programs now

50% of respondents are open to UBI telematics - January 2014 Deloitte Survey

Eager Beavers 25%
Fence Sitters 25%

Would allow telematics monitoring without stipulating any specific minimum discount in return
Might get on board with UBI if the price is right, given a high enough discount to make it worth their while

Age is a Factor in Openness Towards Telematics

62% of those aged 21-29, expressed interest in telematics, more than any other demographic
Targeting Millennials is the way to build a successful telematics program and increase your share of a growing and evolving market

US Census Data June 2014

Millennials: Demystified

- Demand Information
- Require Transparency
- Expect Connectivity


Mobile telematics allows insurers to attract and retain desired segments of millennial consumers

<table>
<thead>
<tr>
<th>Millennial Values…</th>
<th>…Are Aligned with Mobile Telematics</th>
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<tr>
<td>Experience Seekers</td>
<td>• Customer engagement</td>
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<td>Digital Natives</td>
<td>• Gamification</td>
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<td>Lifelong Learners</td>
<td>• Real time feedback</td>
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- 80% are more likely to prefer brands active in social1
- 87% state that item price is the most influential brand selection2
- 86% share their brand preferences online3
- 70% of Millennials will be loyal to brands they like4

1. Edelman Digital “8095 Exchange” 2010
3. SymphonyGroup “SymphonyIRI Shopper Sentiment Index” 2012
4. 2014 NAMIC Connect Differently - Gandhi & Mullaney
The market has evolved, requiring insurers to act now

1. The Market is at its inflection point
2. Consumers are ready to test-drive telematics
3. Mobile is emerging as a desirable data capture technology
4. The Millennial segment can be captured through mobile telematics

How to Get Started
The Telematics Ecosystem

- **Data and Data Collection**
  - What method of data capture will you use?
  - How long do you collect data from drivers?

- **Customer Engagement**
  - Who is your target market?
  - How will you drive adoption and enrollment?

- **Leveraging the Data**
  - What data do you collect and how much?
  - What will the data tell you about your business?

- **Analytics and Predictive Modeling**
  - What insights can be drawn from data patterns?
  - How will insights drive improved business performance?

Insurers are taking a combination of three approaches to enter the telematics ecosystem:

- **Limited Market Launch**
- **Pilot Program**
- **Full Market Launch**
Through each approach you can gain valuable insights by **testing** a mobile solution, **analyzing** the data and applying your **learnings**

**Test** the accuracy of data capture, ease of enrollment, organizational readiness, and opportunities to enhance customer engagement

**Analyze** data to reveal insights on existing risk tiering and understand customer feedback to identify necessary capabilities to support a launch

**Learn** what capabilities exist and what needs to be developed and tested prior to your telematics launch

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Go beyond testing technology to assess operational readiness and evaluate opportunities to enhance customer experience

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<thead>
<tr>
<th>Mobile Technology Assessment</th>
<th>Operational Readiness</th>
<th>Customer Experience</th>
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<td>Data Accuracy</td>
<td>Functional Alignment</td>
<td>Enrollment</td>
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<td>Smartphone Impact</td>
<td>IT Dependencies</td>
<td>Customer Support Model</td>
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<td>Data Compatibility</td>
<td>Training &amp; Development</td>
<td>Communications Strategy</td>
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<td>Scalability</td>
<td>Analytics Requirements</td>
<td>Associate &amp; Agent Alignment</td>
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The learnings developed can allow your organization to create a strategic business plan for launching a successful telematics solution
Operationalizing a telematics program will require engagement from key areas of your business

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<thead>
<tr>
<th>Telematics Ecosystem</th>
<th>Product Development</th>
<th>Marketing</th>
<th>Distribution</th>
<th>Underwriting</th>
<th>Customer Experience</th>
<th>Claims</th>
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<td>Data and Data Collection</td>
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Discover D-rive

“We sought an end-to-end solution that was built with insurers in mind and would allow members to launch their own telematics programs. D-rive provides members with a powerful and cost-effective solution.”

Chuck Chamness, NAMIC CEO
April 2014
D-rive: An innovative end-to-end mobile telematics solution

What Your Drivers Will See and Experience

What an Insurer Will Access

Mobile App

Driver Portal

Insurer Portal

D-rive’s end-to-end solution allows you to quickly and cost effectively test, analyze, learn and build your mobile telematics solution

D-rive delivers an innovative end-to-end solution through three core design principles

Ease of Use

Depth of Information

Flexibility to Configure

Increase driver adoption and ongoing data collection

Provide value to drivers and insurers through education and transparency

Modify scoring algorithms and branding to what matters most
Next Generation Data Capture:
D-rive offers reduced impact to your drivers and their smartphone

**Auto Trip Detection: Start and Stop**

**Auto Calibration**
- Cup Holder
- Car Seat
- Bag on Floor

**Reduced Battery Drain**
- Approximately 10% drain per driving hour and 0.5% per non-driving hour

**Reduced Monthly Cellular Data Plan Usage**
- D-rive provides the option to transmit trip data via Wi-Fi to reduce data use

D-rive can capture a trip no matter where YOU are or your PHONE is while providing real time feedback after each trip

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1. Per Deloitte Analysis
Discover D-rive: Dynamic Insurer Portal

Monitor
Enrollment, Usage,
and Driving Activity

Analyze
Individual
Drivers

Configure
Algorithm and
Branding

Improve
Customer
Support

The Power of Data
Predictive Analytics:
A behavioral profile generates weekly and cumulative scores

Cumulative Driver Score
Weekly Score
Scoring Engine
Fingerprinting

D-rive’s end-to-end solution is a one-stop shop providing everything from data capture to advanced predictive analytics

Driver Summary:
Scratching the surface of D-rive’s analytical capabilities

What does this tell us about Raju?
Meet Raju:
Data reveals a correlation between phone usage and driving behavior

Name: Raju
Gender: Male
Age: 26 – 45
Vehicle: BMW X5
YTD Miles: 2,791
Driver Score: 99

Identified stream data patterns... ...reveal driving behavior insights

- Increasingly erratic driving behavior based on acceleration
- Increased phone movement
- Data illustrates a consistent pattern revealing Raju calls his wife every day when he is 5 minutes away from home
- Raju's driving behavior is negatively impacted by phone activity

Develop a Strategic Response
It's time to get in the game...starting now

50
US States with at least 4 UBI programs

35
US States with at least 8 UBI programs

9/10
Top insurers offering telematics solutions

Your Strategic Response

☐ Start testing a telematics solution
☐ Begin collecting data
☐ Discover the power of data driven insights

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