Telematics: Friend or Foe?

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Telematics: Friend or Foe?
Friend?
Or Foe?
What is Telematics?

Telematics Technology
• In-vehicle telecommunications devices
• Generally self-installed devices
• Event Data Recorders
What is “Driving” Telematics?

• Early 2000’s: Texas “experiment”
• 2013: Usage Based Insurance (UBI)
  – Company feedback to consumers on how to become better drivers and how to lower their risk.

Goal: Align rates with actual driving behaviors.
Traditional Approach

Based on:

• Odometer Readings
• Tickets
• Accidents
UBI with Telematics

- Driving Behavior Data Tracked
  - Mileage “Plus”
  - Hard Breaking
  - Cornering
  - Weaving Across Lanes

- Varies From Company to Company
What’s Involved?

Customers install sensor in OBD slot

Customer driving data automatically uploads via wireless transmission

Data collected on Aggregator’s server and posted online for secure access

Customers access driving data online, creating positive changes in driving behavior

Big Data Capture and Analysis
UBI in the US

Source: Towers Watson, December 2013
Adoption Rate

Companies
- 9 of the top 10 personal auto insurers have UBI
- 75% of the Market – Companies have or are actively pursuing UBI programs

States
- 49 states have approved at least 4 UBI programs
- Ohio has more than 10

Source: Towers Watson, December 2013
UBI Company Benefits

• Enhanced Pricing
• Better Risk Mitigation
  – Improved driving behavior
• Product Differentiation
  – Brand awareness
  – Consumer Satisfaction/Retention
• Ancillary Services Value-Add
  – Vehicle maintenance reports
  – Fuel management
  – Concierge services

Fewer Miles = Fewer Accidents
Reduced Claims = Reduced Loss Costs
Company Concerns

• **Transparency**
  – What data is collected
  – How data is used to determine premiums
  – “Reduction” and “Discount” programs
  – Potential for surcharges
  – Premium redistribution

• **Data Uses**
  – Beyond auto rating
  – For accident/claims investigations
  – For marketing/sales purposes

• **Data Privacy Responsibility**
UBI
State Regulator
Benefits

• Greater Consumer Control
• Higher Consumer Satisfaction
• Better Insurance Rating
  – More accurate rating variables available

Happy Consumers = Fewer Complaints
Regulatory Concerns

• Rates and Forms Processes

• Consumer Privacy Protection
  – Minimum standards needed
  – Limit data sharing and use
    • Pricing
    • Loss mitigation

• Monitoring Protected Class Impact
  – Ensure no harm based on race, gender, income
Regulatory Considerations

• Do laws require notices associated with premium increases or discount removal?
• Will data be available to consumers for use in the claims settlement process?
• How will this work?
  – How frequently will data be transmitted?
  – How long must device be used to provide a valid data sample?
  – Where is data stored? How long? Who has access?
  – What combination of data results in a discount?
• Company Market Conduct Examinations
UBI

Consumer Benefits

• Driver Discounts
  – Incentives for improved driving

• Greater Control over Premiums
  – Link between driving behavior and policy pricing
  – More flexibility for low income drivers

• Fuel Conservation

Better Driving = Better Pricing

Lower Miles = Lower Cost
Consumer Concerns

• **Competitive Advantage for Companies**
  – Rewarding safe drivers
  – Penalizing others

• **Data Privacy Concerns**
  – How will data be used?
  – How will data be protected?
  – Who has access?
  – Will data be shared with law enforcement?

• **Data Ownership**
  – Availability to consumers for claims settlements
ACORD Telematics

Data Messaging Standards

• Transmission from telematics service providers to insurers
• Reduction in number of telematics data formats and data interfaces
• Less complexity and cost
Questions?