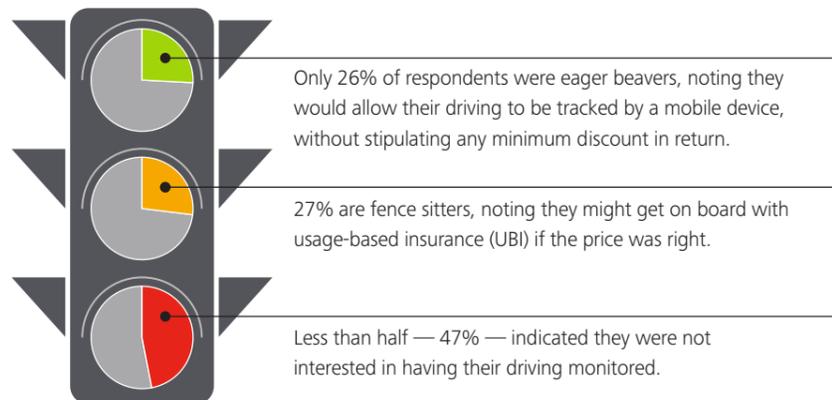


Overcoming speed bumps on the road to telematics

Challenges and opportunities facing auto insurers with and without usage-based programs

Telematics by the numbers

Deloitte surveyed more than 2,000 respondents about their experiences with consumer mobile technology. We've categorized the respondents into eager beavers, fence sitters, and naysayers. Here's what we found:

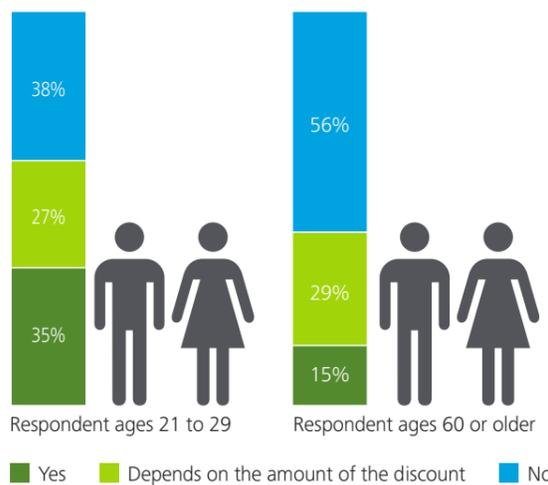


Early adopters of telematics are rapidly collecting data that can be analyzed to reveal driver behaviors that provide a basis for greater precision in insurance underwriting. How are consumers reacting to UBI, what should carriers consider on the path to telematics, and what are potential speed bumps to implementation?

Age is a differentiator

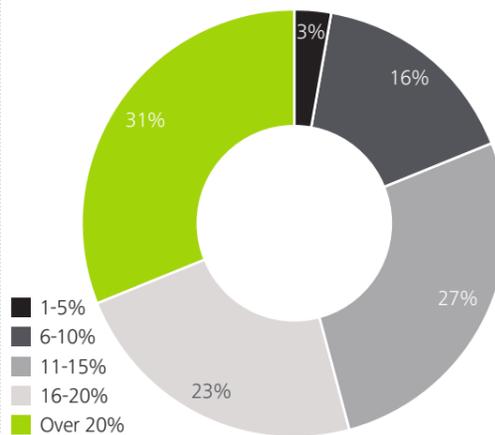
Nearly two-thirds of those between 21 and 29 were willing to give UBI a go, compared to only 44% for those 60 or older.

Younger respondents were also less likely to expect a discount of over 20%.



Size of discount required to allow driving behavior to be monitored

Nearly one-third of survey respondents said they would need to save more than 20% on auto insurance to have their driving behavior monitored.



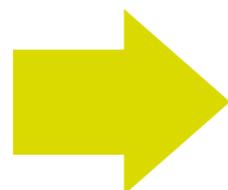
Income
of the survey respondents was not as big a factor in buying into the idea of telematics as one might expect, given that the question involved the possibility of getting cheaper insurance.

Overcoming the roadblocks: How might insurers differentiate themselves with telematics?

While discounts may be a way to get customers in the door, insurers will have to think more broadly and creatively to offer value-added, telematics-based services.

Moving beyond the price focus

Insurers can consider offering value-added features such as:



Providing immediate feedback on how customers could drive more safely

Alerting drivers about potentially hazardous road conditions or traffic slowdowns

Facilitating roadside assistance or claim notification in case of an accident or vehicle malfunction

Targeting niche interests, such as how "green" a driver is based on their carbon footprint

Geo-fencing to allow parents to monitor a teenager's location and driving behavior

Locating lost or stolen vehicles



Gamification

Insurers can consider creating games, such as providing rewards for improvements in driving behavior, to incentivize UBI.



Overcoming privacy concerns

Insurers can reassure consumers by providing full disclosure of cybersecurity measures and providing proactive communication and education.



The numbers game: Telematics depends on gaining actionable insights



Instead of collecting data from technology installed in a vehicle, insurers may look to mobile applications to track driving behavior. Apps are cost efficient, track data in real-time, and are easy for consumers to install.



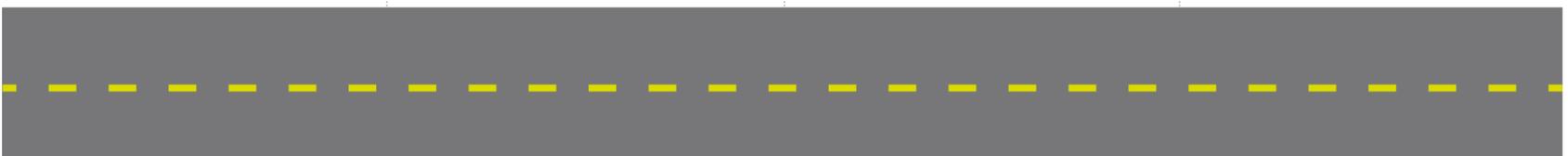
Insurers will need to collect a substantial volume of data to achieve a critical mass in order to identify potential correlations and create predictive models that produce reliable underwriting and pricing decisions.



Insurers should consider how telematic data points might translate into a valid predictor of risk, while determining that no adverse selection would result if the data is eventually used for pricing.

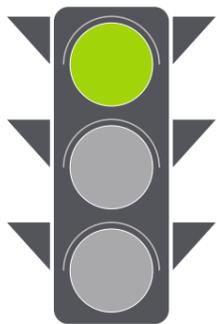


There's more to UBI than monitoring a policyholder's driving behavior — including data collection, data management, predictive models, pricing systems, accident investigation, customer service, privacy and security, and regulatory concerns.



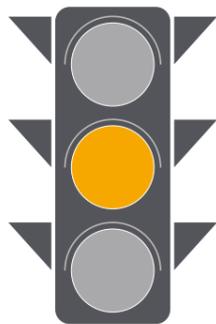
Next steps: Where should insurers go from here?

Just as telematics-based underwriting might not be for all consumers, UBI may not be for all carriers, either. But whether a carrier is an eager beaver, a fence sitter, or a naysayer, the goal will be to somehow remain competitive in a society where behavioral monitoring may eventually become the rule rather than the exception for a growing number of insurance companies and policyholders alike.



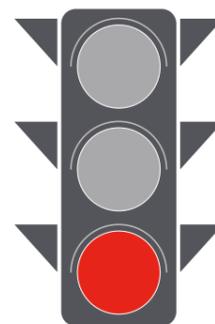
Eager beavers

- Enjoying benefits of getting a head start and access to a critical mass of data
- Early adopters likely are leveraging monitoring devices installed in vehicles, but may want to transition to smartphone applications



Fence sitters

- Some may feel it prudent to observe and learn from mistakes made by early adopters
- May consider working cooperatively with third parties to generate sufficient data



Naysayers

- Even though they won't offer UBI, they still likely may be impacted by telematics
- May risk losing better drivers to UBI players
- Non-UBI carriers could end up being niche players catering to consumers who simply don't want insurers in their proverbial back seats



Contact

To learn more about the Deloitte Center for Financial Services, its solutions, thought leadership, and events please visit:

www.deloitte.com/us/cfs



Subscribe

To receive email communications, please register at:

www.deloitte.com/us/cfs



Engage

Follow us on Twitter at:

[@DeloitteFinSvs](https://twitter.com/DeloitteFinSvs)

Deloitte Center for Financial Services

The Deloitte Center for Financial Services offers actionable insights to assist senior-level executives in the industry to make impactful business decisions.



About the survey

In January 2014 Deloitte surveyed 2,193 respondents representing a wide variety of demographic groups, broken down by age and income, split evenly in terms of gender, to understand consumer mobile technology experience, perception, and expectations in financial services.

As used in this document, "Deloitte" means Deloitte LLP and its subsidiaries. Please see www.deloitte.com/us/about for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.