



## Insurance Telematics: My take

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As the former head of MetLife's Auto & Home business, I have been watching with interest the role that telematics data may play in the auto insurance business. While we have long realized driving behavior information has the potential to fundamentally change risk selection, the high cost of data collection and analysis, coupled with the requirement to enroll drivers, presented significant and prohibitive challenges.

Auto insurers that have entered telematics have done so in different ways. Some companies have been amassing and analyzing driving behavior data to understand its ability to predict loss. Many others have collected modest amounts of data to better understand the requirements of working with this information, but have not used it to change their business models. Most companies, however, have done very little – waiting to see what impact telematics will have on the market before making the decision to invest in their own programs.

For companies that have been patiently watching, the waiting game is over.

The insurers that have the most experience with telematics data are convinced of its power. They are attracting the preferred risks with discounted pricing and are modifying their business models to bring new products and services to the market. It will become increasingly difficult to compete against these companies.

Further, I anticipate consumer adoption will begin to rapidly rise. Consumers have begun to understand that this data can translate into value for them. A recent

Gartner study found that 52% of consumers were interested in learning more about usage-based insurance offerings.<sup>28</sup> Further, agents are receiving inquiries from their clients about these programs and whether they are suitable. I am convinced that the predictions of widespread adoption will come true.

Fortunately for insurers, technology innovations are bringing down the cost of capturing and managing the vast quantities of driver data needed to compete effectively. Auto insurers need to begin accumulating and analyzing data now. They need to understand how this information impacts their businesses and assess how they will adjust their business models to compete effectively. Regardless of how a company intends to use this information – to retain its key customers through pricing actions, to attract new business, or to create a more intimate customer experience – auto insurers need a playbook. They must understand how this data will change their businesses and how they will respond if they begin losing market share to those companies that use telematics data most effectively.

Based on how the auto insurance market will change with the use of telematics data, I believe the time to act is now. It takes time to accumulate a sufficient amount of data to conduct meaningful analysis. It also takes time for companies to adjust their business models to reflect the changes needed to compete in this new environment. The risk of remaining on the sidelines has become too great. As consumer and agent demand rises and more insurers bring telematics-enabled solutions to the market, companies not able to offer competing products risk losing a large segment of their most profitable customer base.

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