



Auto insurance telematics
The three-minute guide





Why it matters now

Telematics is upending the auto insurance world

After considerable industry buzz, telematics and usage-based insurance (UBI) are becoming a reality. Auto insurers are adopting telematics programs at a rate that exceeds expectations.

However, the barriers to entry are still substantial. Insurers must capture and analyze massive amounts of real-time driving data, overcome potential regulatory hurdles, and address policyholder privacy and security concerns—all while managing program economics and maintaining margins.

Will the early adopters gain an insurmountable head start, establishing distance between them and competitors? Or can insurers who adopt a “wait and see” strategy still come out ahead?

Why telematics?

Evolve from educated guesses to hard facts

Telematics is a potential game-changer for auto insurers, allowing them to decrease reliance on proxy-based measures—such as demographics and credit scores—and incorporate real-time driving behaviors to more accurately measure driver risk.

For insurers still on the sidelines, barriers to entry for deploying telematics and analytics technologies are dropping as third-party vendors enter the market. However, not all telematics solutions are equal.

Several vendors offer data capture options, while others add basic trip analytics. However, few providers are capable of offering a comprehensive solution that delivers real-time data capture and advanced predictive analytics in a cost-effective manner.

The benefits

Manage risk more effectively

Real-time driving data allows insurers to gain a more accurate picture of a policyholder's risk profile while reducing reliance on corollary information such as demographic data and credit scores.

Retain lower-risk drivers

By capturing a critical mass of pertinent data, analytics can help improve insurers' ability to identify policyholders with safer driving behaviors. This information can be used to develop products that reward and retain lower-risk policyholders.

Attract new market segments

By adding usage-based products to existing offerings, insurers can target new demographic segments and create more innovative and customized product offerings.

A recent survey shows that 53 percent of U.S. consumers are open to allowing their driving to be tracked by a mobile device.

"Overcoming speed bumps on the road to telematics"
Deloitte Research, 2014

What to do now

Collect driver data

Determine the preferred method of data capture and the period of time necessary to gather a sufficient amount of data that will provide meaningful insights into driver behavior.

Assess third-party vendors

Verify that potential vendors provide advanced data collection technology, industry-leading data security standards, systems reliability, advanced analytics, knowledgeable advice, and features that align with your organization's growth plans.

Protect your base

Whether you decide to offer UBI policies or wait on the sidelines for now, you will need a strategy for protecting your lower-risk policyholders from competitors who will want to cherry-pick them with their own UBI offerings.

Time's up



Level the playing field

If you think telematics is an area of interest for your business, we can help you get up to speed fast.

To learn more about how your business can benefit from auto insurance telematics, contact us or visit www.deloitte.com/d-rive for additional information.

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