



Usage-Based Insurance 2015

SERA Conference – Charleston, SC

April 30, 2015

TOWERS WATSON 

“

“May you live in interesting times”

”

— Purported Ancient Chinese Curse



“

“May you live in interesting times”

”

— Purported Ancient Chinese Curse



Agenda

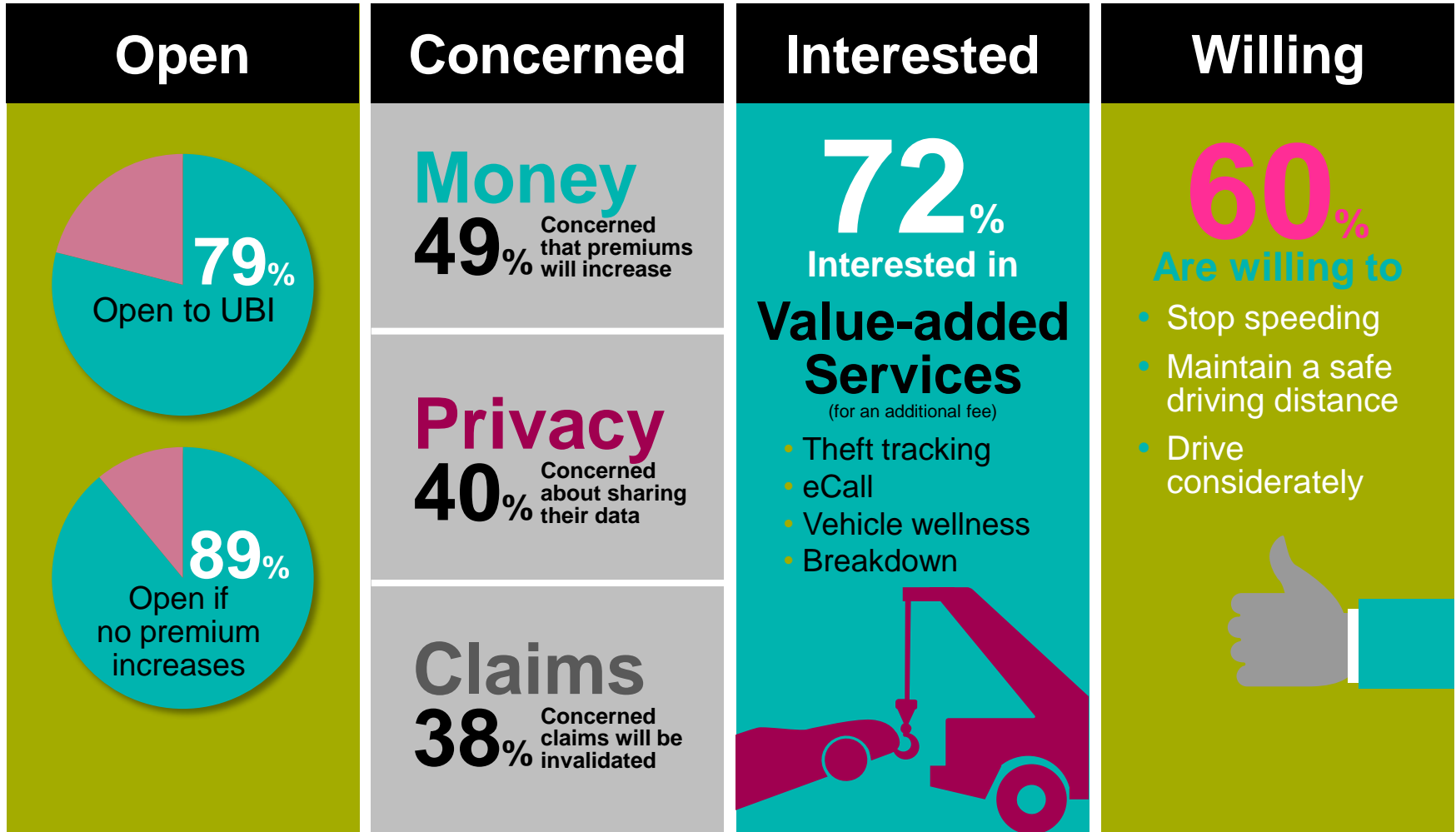
- **Introduction to Usage-Based Insurance**
- **UBI Marketplace**
- **Related Topics**
- **Towers Watson Services**

Introduction to Usage-Based Insurance

What is usage-based insurance (UBI)?



Consumers are...



Source: TW 2014 Consumer Survey

UBI has societal benefits appreciated by regulators

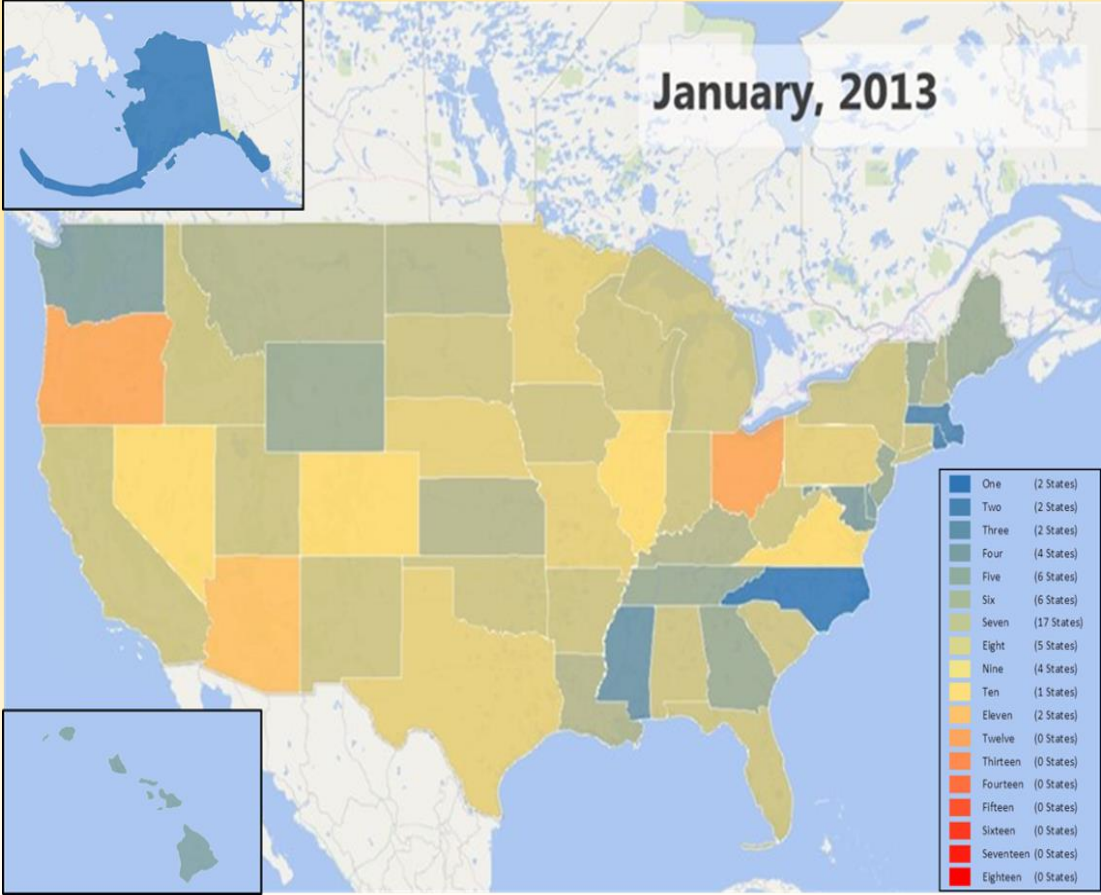
- Reduces accidents and can save lives
- Pricing is “fair”
- Contributes to green initiative
 - Reduces miles driven
 - Safer driving reduces emissions
- Helps affordability by giving control to consumer



UBI Marketplace

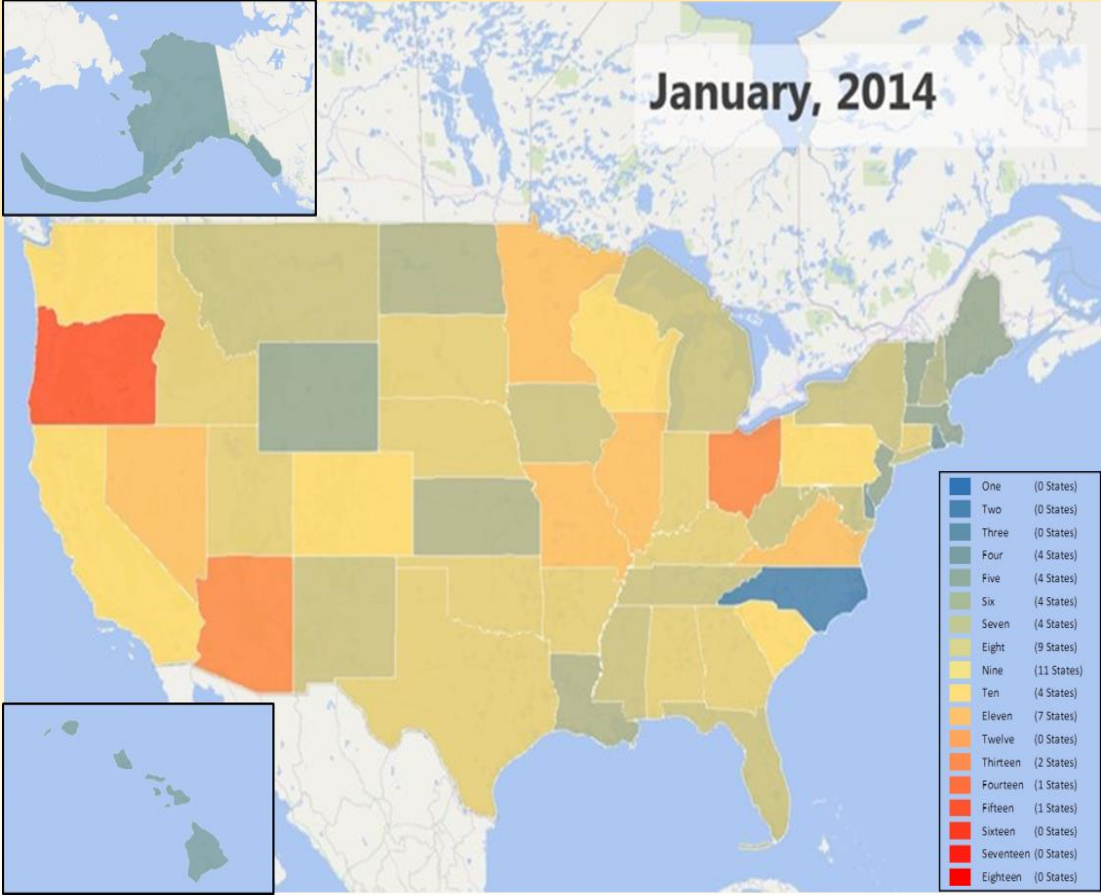
Availability of UBI

United States



Availability of UBI

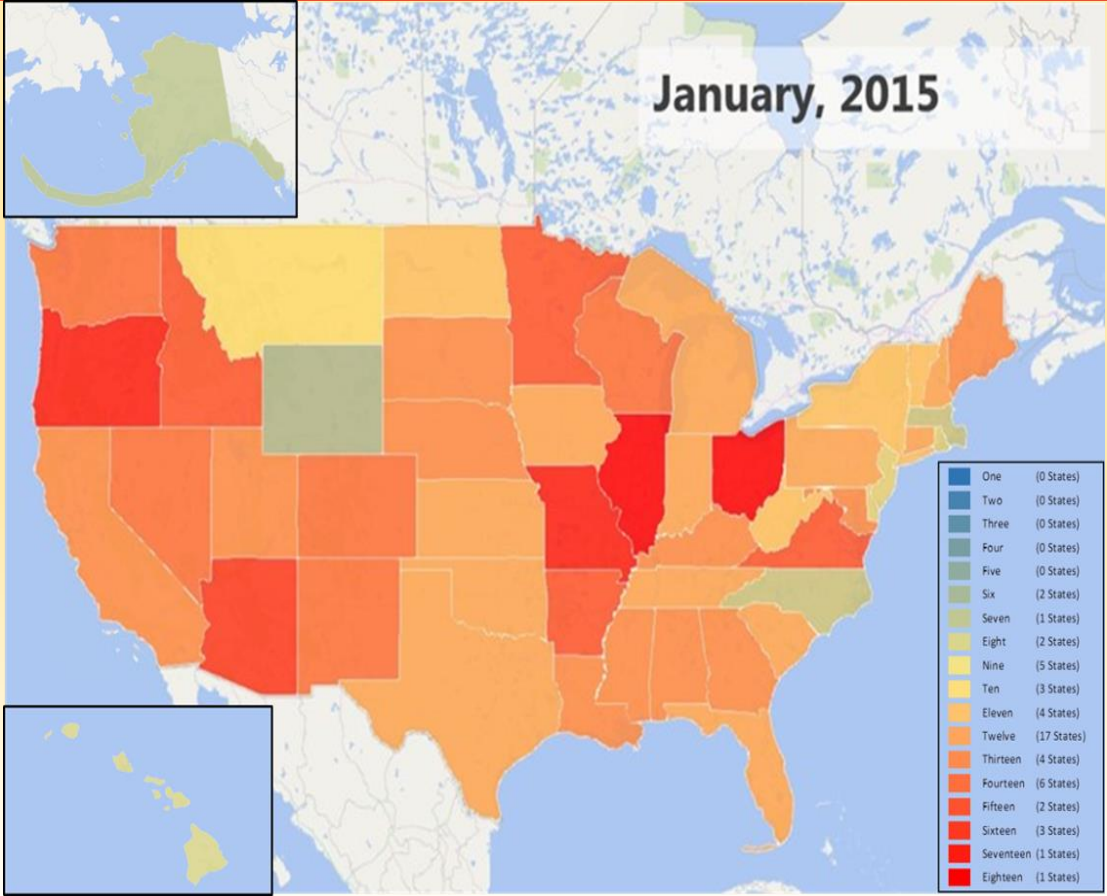
United States



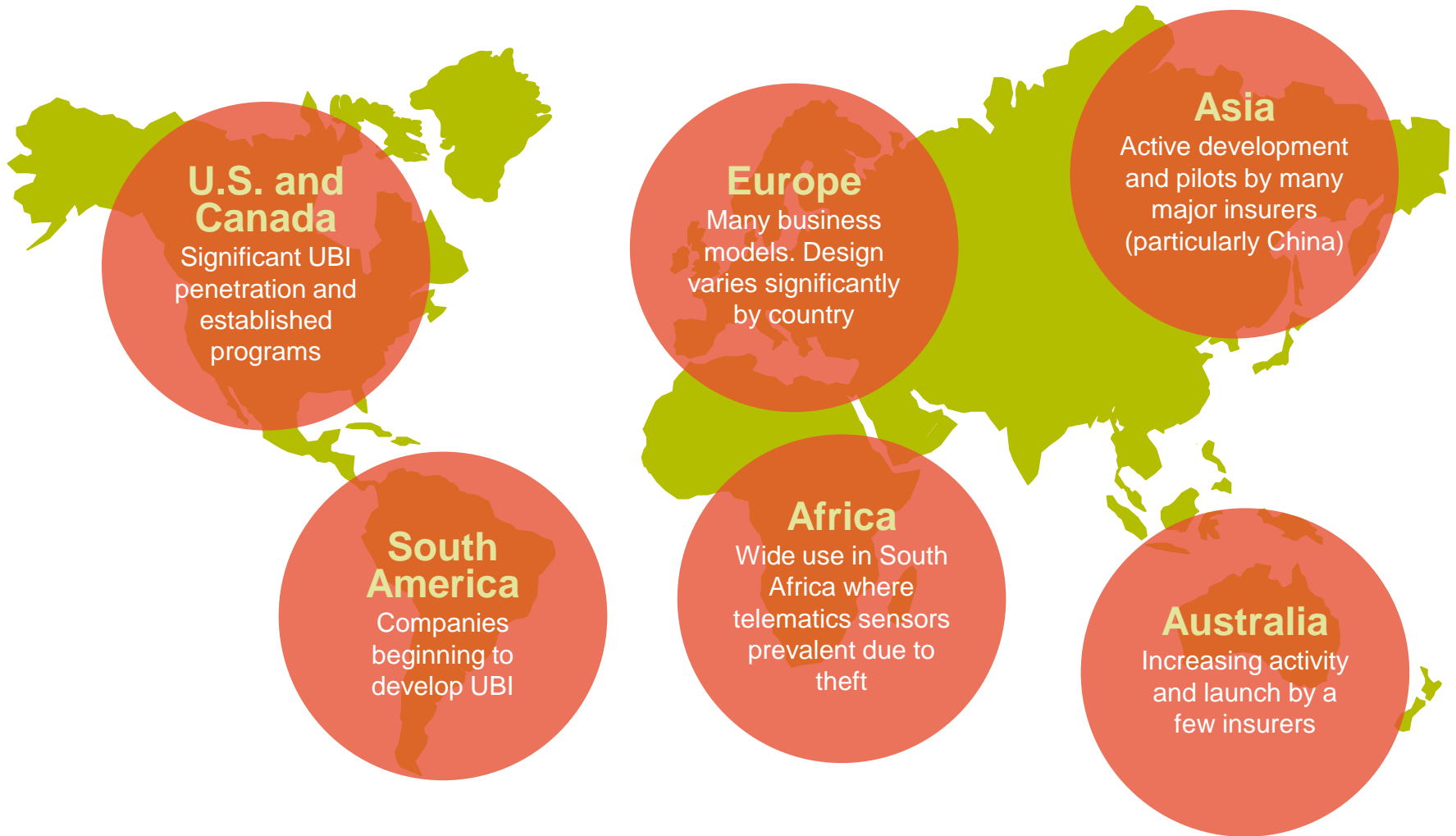
Availability of UBI

United States

January, 2015



Insurers are realizing the benefits and launching rapidly



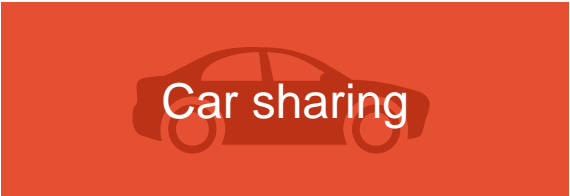
Evolution of technology



Technology	Description	Status
Hard install device	After-market 'black-box' device - requires professional installation.	Available
On-Board Diagnostics (OBD) device	After-market device in the vehicle's OBD port. Can be installed by the customer.	Available
Smartphone app	A smartphone application capturing driving data.	Available , consumer issues being addressed
Smartphone with tethering	Smartphone application tethered (often via Bluetooth) to a device connected to the vehicle.	Available , consumer issues being addressed
Connected car	Technology for data connection is factory installed.	Limited based on geography & manufacturer

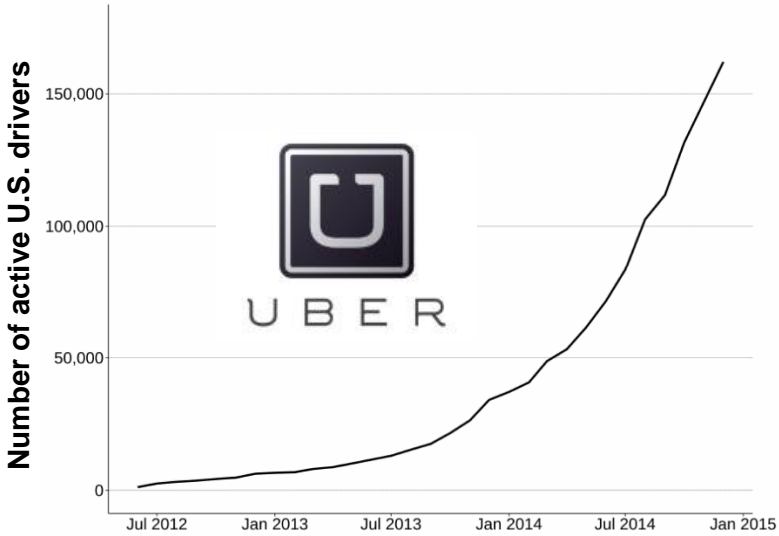
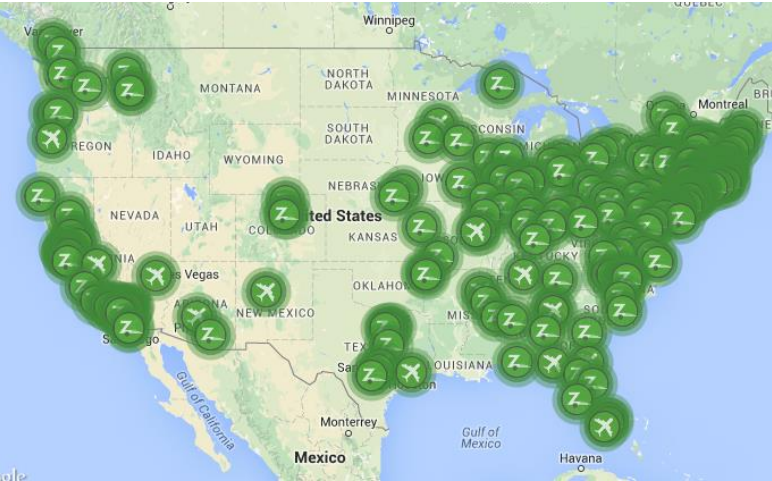
Related Topics

Significant trends



4 simple steps to zipcar freedom

- 
 1. join
- 
 2. reserve
- 
 3. unlock
- 
 4. drive

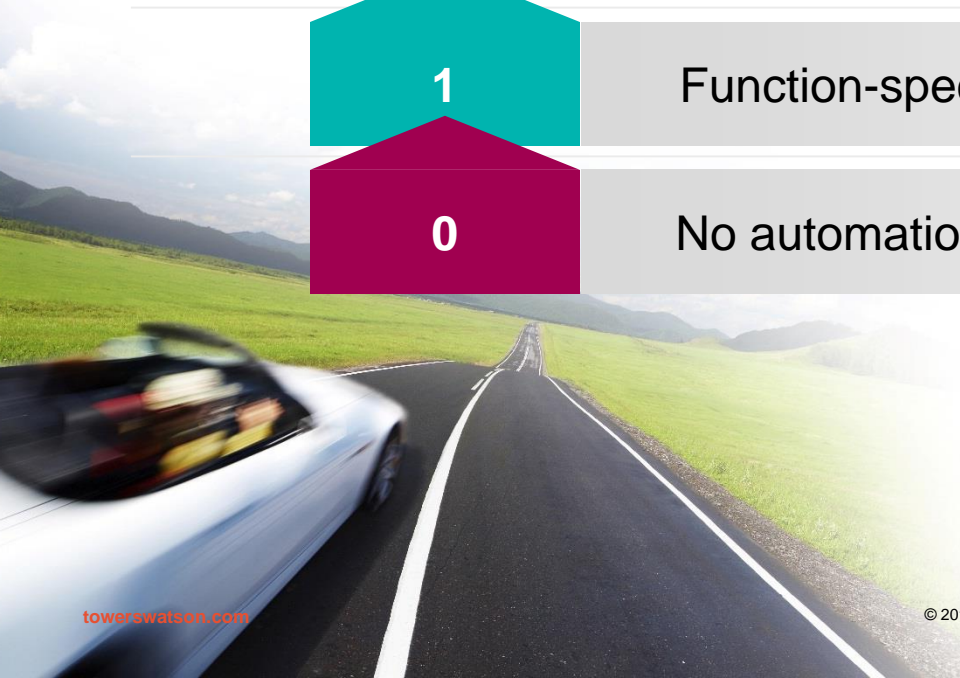
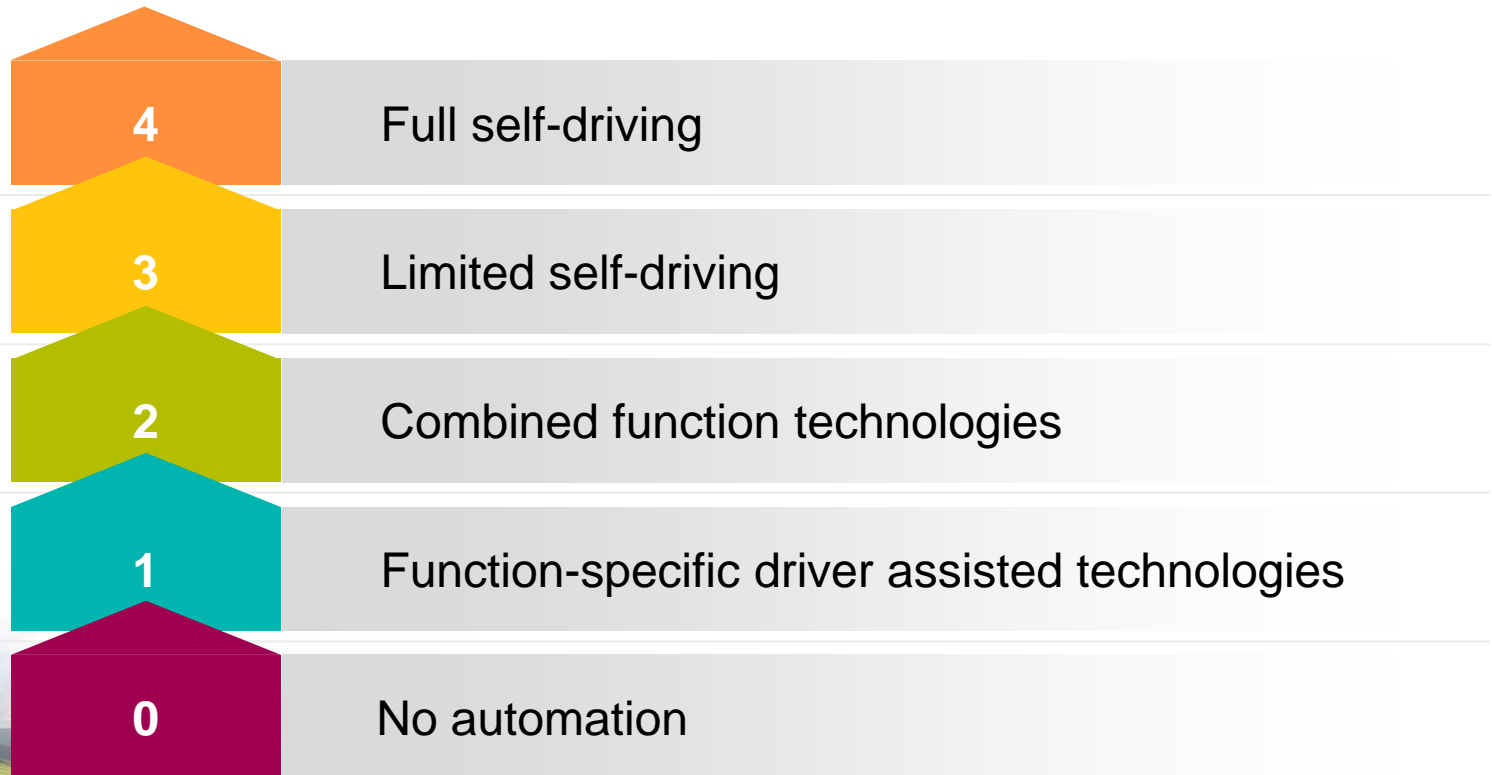


Source: An analysis of the labor market for Uber's driver-partners in the US, Hall & Krueger 22/1/15

Saturday Evening Post, 1950s



Levels of vehicle automation (defined by NHTSA)



Consumer acceptance

66%

of Americans are **moderately or very concerned** about riding in a vehicle with **self-driving technology**¹



55%

are not willing to pay a penny more for the technology

10% will pay \$5,800¹

By **2020**, **84%** of Americans expected in urban areas²



25% of the population are **Millennials**

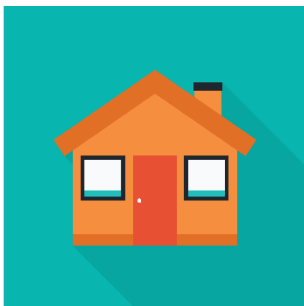
16% are **under 14, digital natives**

24% are **baby boomers**

¹ University of Michigan Transportation Research Institute, August 2014

² World Urbanization Prospects, United Nations Department of Economic and Social Affairs, 2011

Behavior Analysis Not Limited to Auto Insurance



Property

- Smart Home data measures risk
- Allows for loss prevention and mitigation
- Vacancy, equipment maintenance and failure, and emergencies



Workers Compensation

- Vehicle operation is already a huge portion of exposure
- Fleet tracking services have direct application to risk



Benefits, Health, Life

- Personal fitness trackers free to employees
- Healthy choices rewarded with benefit credits
- Discounts for life insurance

Towers Watson Services

Towers Watson UBI credentials



Towers Watson has established a global team and invested in infrastructure to develop and manage telematics service propositions for our clients.

These individuals have gained significant experience while delivering consulting and services for Towers Watson clients, as well as leading the launch and operations of UBI programs while working at major insurance companies, including Progressive, Norwich Union (now Aviva), Hollard, AAA, Travelers and Allstate

UBI Consultancy

- Supported over 50 insurers on six continents
- Advised OEMs, retailers, TSPs, and aggregators
- Consulting services range from educational workshops to strategic advice to our comprehensive DriveAbility product

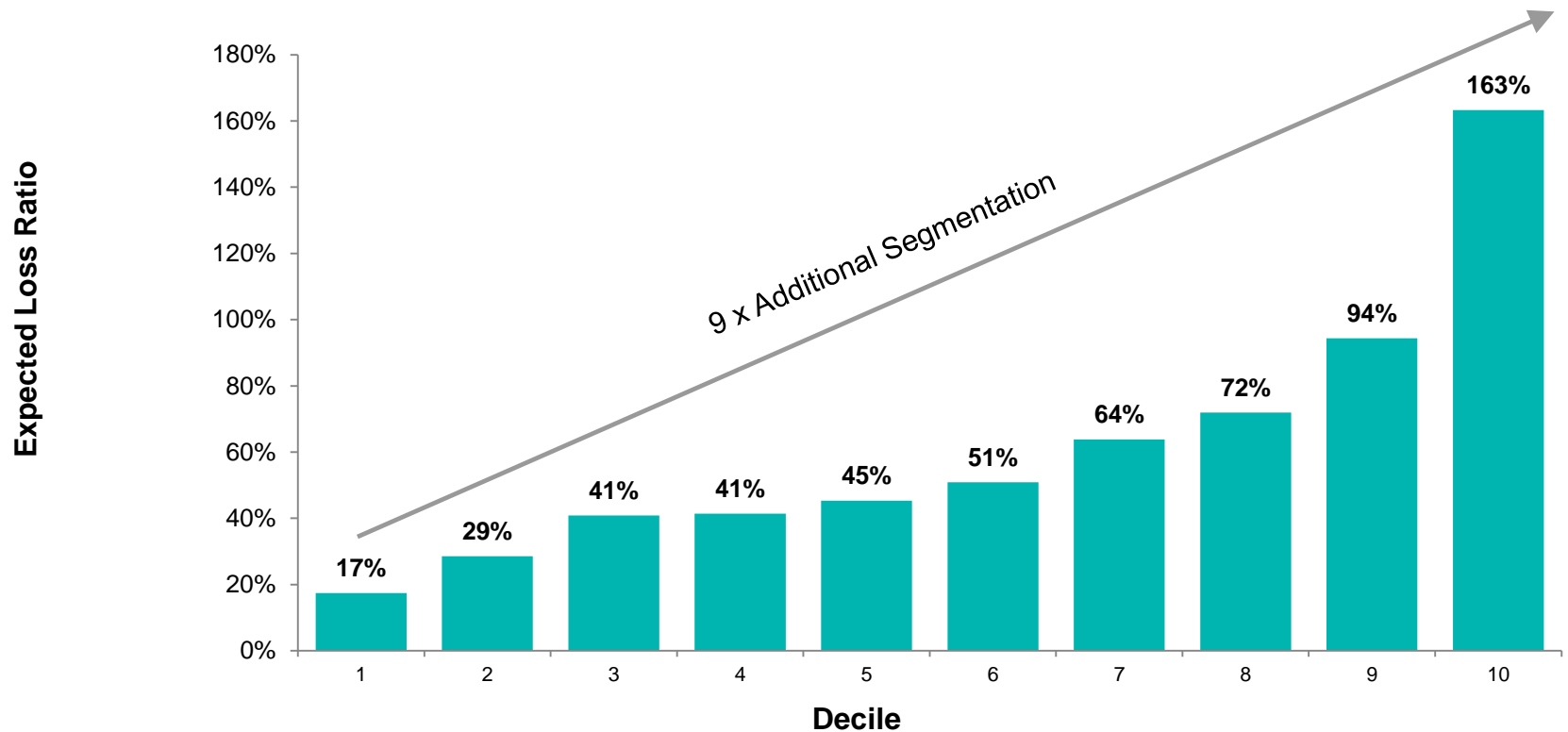
UBI Analytics

- Dedicated team specializing in analysis of telematics data
- Large pool of telematics and insurance data collected since 2010
- Proprietary predictive modeling software, Emblem XE, handles large volumes of telematics data
- Developed special techniques to increase lift

DriveAbility Program

- Hosted infrastructure: collect, scrub, host, pool and analyze granular data - since 2010
- The only active program of aggregated telematics and insurance data
- DriveAbility score is three times as powerful as any existing rating factor
- Rate Service Organization to file score for our clients in the USA

The power of the Towers Watson DriveAbility[®] score



Expected loss ratio shows tremendous lift allowing insurers to fairly price and advise current and prospective insureds

DriveAbility Score Components

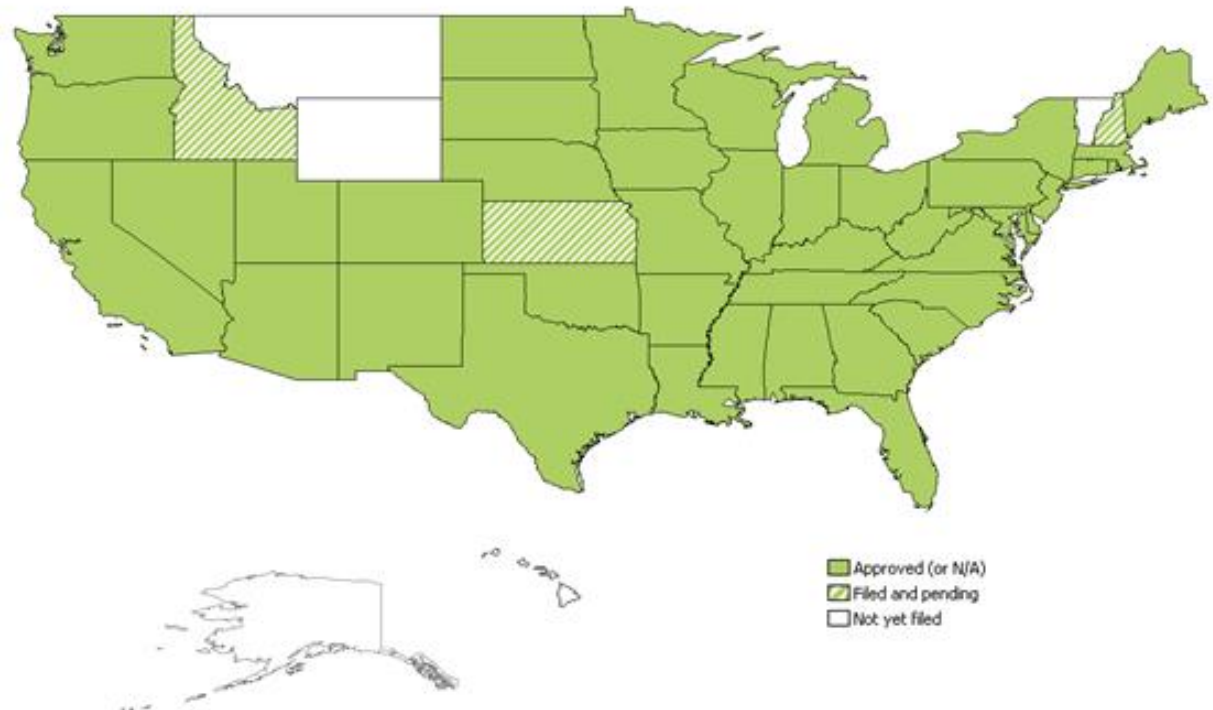
Illustrative

- Summarized factors in the DriveAbility score for consumer view
 - Help consumers understand their score
 - Answer customer questions about score
- Improves transparency and driver coaching



Rate Service Organization status (December 2014)

- Standard filing process
 - Towers Watson gains approval for score
 - Companies must make a filing explaining how the score will be used
 - Some exceptions exist
- Currently licensed in 45 states and DC



Contact Details



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