

THE EVOLUTION OF UBI: FROM NICHE TO MAINSTREAM

Basing premiums on how well and how much a customer drives—known as “pay-as-you-drive” or user-based insurance (UBI)—lets insurers more accurately aim discounts at careful drivers, and charge less cautious customers an appropriately higher amount.

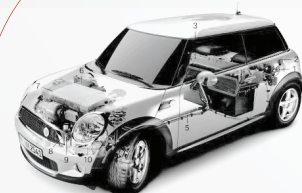
By tapping into telematics—the technology that allows a car to communicate over mobile data networks and satellites—insurers can track individual driver behaviors and use that information to set more accurate

pricing for those customers who opt into a UBI program. Assessing rates based on this relevant, up-to-the-minute data creates a larger pool of self-selecting, low-risk drivers. And safer drivers mean less accidents, which translates into fewer claims and deeper profits.

Drivers benefit, too, by gaining control over what they pay for premiums, since rates are based on their current driving habits rather than past driving records. Lower premi-

ums mean happier customers. Satisfied customers stay with their insurers. And it's easier and less costly to keep existing clients than it is to acquire new ones.

Insurers must have the capability to manage and analyze that large volume of data and then translate it into meaningful information. Launching a successful UBI solution requires the hardware, the software, the data environment and the wireless capability—and that's a major investment.



The ability to capture not just how many miles people drive, but how and when they drive as well, is a game changer for insurers and consumers alike. As a result, the UBI trend is poised to become the norm across the industry.



1 BIG DATA, BIGGER OPPORTUNITIES.

While market penetration for UBI is modest today, many insurers expect it to reach 36% by 2020. “2013 is a tipping-point year, and by 2014 you'll see a large number of players,” predicts Blair Currie, IMS vice president of marketing.

Big auto insurance companies are already racing to take advantage of usage-based insurance to set lower premiums and bring new products and services to their customers. State Farm, for example, offers user-based auto plans in nearly a dozen states. Customers using State Farm's In-Drive can receive premium discounts based on mileage, speed, acceleration, braking, and more. Safety services include one-touch emergency response, roadside assistance, diagnostic alerts, and parental monitoring tools.

As more regional and mid-sized insurance carriers look to enter the UBI market, one of the biggest obstacles they face is implementation. UBI may generate data at a previously unprecedented level. Insurers must have the capability to manage and analyze that large volume of data and then translate it into meaningful information. Launching a successful UBI solution requires the hardware, the software, the data environment and the wireless capability—and that's a major investment.

2 BUILDING END-TO-END SOLUTIONS SO INSURERS DON'T HAVE TO.

New deployment models are continually emerging that will help midsize carriers enter the market. Partnering with a company that provides the hardware, connectivity, and insurance-specific analytics means insurers don't have to build an end-to-end UBI solution—giving mid-sized carriers a chance to offer richer services on par with their larger competitors.

“Encompassing the data management and analytics will absolutely help to accelerate some of the efforts, especially of your smaller regional players who don't have the capital resources,” states Tom Kavanaugh, director in the financial services practice at PwC.

3 DOWN THE ROAD WITH TELEMATICS.

Usage-based insurance opens the floodgates for insurers to offer a wider range of new options that will make for a smarter vehicle and an even smarter driver—not just in times of crisis, but every day. Value-added services, such as GPS-based roadside assistance, remote diagnostics alerts, maintenance reminders, and family monitoring, both increase safety and expand insurer offerings.

“Using telematics to appeal to specific customer segments, to keep drivers safe, and to create different types of insurance products—that's where the real innovation will occur and how mid-sized carriers can leverage telematics to differentiate themselves,” Currie affirms.

UBI DEVICE SALES ARE EXPECTED TO SOAR FROM \$50 MILLION IN 2011 TO APPROXIMATELY **\$2.6 BILLION** IN 2015.

That's why Verizon has teamed up with industry leader Towers Watson to offer a turn-key usage-based insurance program that bundles telematics, data management capabilities and connectivity.

Everybody can benefit from UBI—the insurance carrier's business runs more efficiently, the customer sees lower premiums—and the roads are safer for everyone.

LEARN MORE ABOUT UBI AND TELEMATICS TECHNOLOGY AT VERIZON.COM/INSURANCE.

