State of the UBI Market

The latest trends in the personal auto insurance market, the connected car environment (telematics, autonomous vehicles, etc.) and their impact on insurance products.

Commitment Beyond Numbers

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About Presenters

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Outline

• Introduction
• Usage Based Insurance – Consumer Sentiment Update
• Safety Features / Connected Cars Update
• Conclusion
What do you think will be the peak adoption rate for the UBI product in the personal auto space?

- A 0-25%
- B 26-50%
- C 51-75%
- D 76-100%
Most people do not listen with the intent to understand. Most people listen with the intent to reply.

~ Stephen R. Covey
Progressive Snapshot
What Progressive is Saying...

- **Agency Messaging**
  - Increased agency engagement
  - Expectation management
  - Participation discount
  - Discount at Renewal
  - Surveys

- **Consumers**
  - No specific talk of discount amount
  - Drive normally
  - Warns drivers up front of beeps for hard brakes (‘‘friendly chirp’’)
  - Communication of personalized rate earned (or lack thereof)
  - ‘‘Game-changing’’
Snapshot – Customer Reaction

Progressive Snapshot - Customers with Negative Reactions

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage Negative</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>67.7%</td>
</tr>
<tr>
<td>2015</td>
<td>81.8%</td>
</tr>
<tr>
<td>2016</td>
<td>82.0%</td>
</tr>
<tr>
<td>2017</td>
<td>82.5%</td>
</tr>
</tbody>
</table>
Customer Reactions

• Positive
  – Savings
  – Excited about starting the program – potential for savings
  – Recommendations – because they saved money

Top 4 Customer Complaints

- Evaluation: 9.6%
- Savings: 12.5%
- Hard Brake: 13.9%
- Beeping: 22.4%
Customer Reactions

Sorry @Progressive I am giving up on #SnapShot. The beep has me yelling "THAT WASN'T MY FAULT!!" far too much. It was a good try.


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@Progressive Please call one of our consultants at 877-329-7283, and they'll let you know what options are available to you. ^PM

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@Progressive Before giving up, we'd like to see if you're on track to earn a discount. If so, we can have the sound turned off for you.
State Farm Drive Safe and Save
What State Farm is Saying

- Sync/OnStar customers – “game-changing” discount
- Instant 5% discount for signing up
- Set up instructions with the beacon
- Technical issues
  - Odometer reading update
  - Beacon replacement
Customer Reaction: Drive Safe and Save

State Farm Drive Safe and Save

- 87% Positive
- 13% Negative

Negative  Positive
State Farm – Negative Customer Reactions

State Farm Drive Safe and Save - Negative Customer Reaction

- Technical Issues: 19.1%
- Increased Rates: 12.8%
- Grade: 10.6%
- Beacon: 8.5%
- Battery: 6.4%
@StateFarm your drive safe and save app requires location to ALWAYS be on....so my phone battery drains way too fast. App is garbage

10:20 AM - 8 Jul 2017

@c/o ERIK™ @Finally_Erik

Sorry about the app frustrations. If you’ll give our tech support team a call at 1-888-559-1922 they can help troubleshoot.

@c/o ERIK™ @Finally_Erik - Jul 8

Lol it costs more / month to pay electric bills for charging my phone than what I actually save
Allstate Drivewise
What Allstate is Saying

• Customer benefits
  – Cash back rewards
  – Allstate reward points
• Performance – discounts, rewards points, cash rewards
• Technical issues – device not working
Customer Reactions: Drivewise

- Positive
  - Savings
  - Rewards
  - Recommendations

- Negative
  - Technical issues
  - Evaluation

80% Positive
20% Negative

Allstate Drivewise
Customer Reactions: Drivewise

Allstate Cares @Allstatecares · 22 Jul 2015
Replying to @reakhajiB
@reakhajiB Hmm, let me check on this for you! Could you DM us your full name and policy number? ^Liz
What is the biggest hindrance to UBI adoption?

A. Privacy concerns
B. Inconvenience
C. Fear of increased rates
D. Lack of understanding of product

Polling Question #2
Consumer Sentiment

1. Despite providers’ highlighting their UBI programs’ benefits, consumer sentiment remains overwhelmingly negative.

2. Customers’ key satisfaction with UBI is the cost savings.

3. Most negative customer reactions relate to the negative driving feedback and inadequate cost savings.

4. Given this continuing trend, should providers continue trying to convince customers that UBI makes sense, or should they focus on the positive incentives?
The Insurance Product – Key Hurdle to Adoption

- Fundamentally, the insurance experience does not lend to continued engagement between company and policyholder
  - Active Points of Contact
    - Conversion
    - Change in Vehicles on Policy
    - Claims
  - Passive Points of Contact
    - Billing and Renewals
    - Notices

- A policyholder typically engages meaningfully with the insurance company about auto insurance 3-5 times every 10 years
What Consumers’ Reactions Imply

• Two major categories of reactions point to desire for insurance to remain a passive experience
  – Savings
  – Technical inconveniences
Response Approach – Savings Focused

• Build the product to work in the background, with a focus on seamless operations
• Focus on savings
  – Ease and well defined savings structure
  – Preferred policyholder treatment
    • Accident/violation forgiveness
    • Deductible reduction
Response Approach – Driving Coach

• Focus on periods of time when policyholder is most receptive
  – Teen driver
  – Post accident/violation period
• Be wary of the fine line between coaching and nagging
Response Approach – Increasing Touchpoints

• Supply additional services on top of the insurance product
  – Roadside assistance
  – Maintenance and repair services
To improve your rating plan would you rather have more driver information or more vehicle information?

A  More driver information
B  More vehicle information
What Does This Mean for Autonomy?
Today’s Smart Features

• Safety Features Available:
  – Electronic stability control
  – Park assist and backover protection
  – Adaptive cruise control
  – Blind spot detection
  – Adaptive headlights
  – Lane departure warning/lane departure prevention
  – Autobrake/Automatic emergency braking
  – Forward collision warning/front crash prevention
Rate of Adoption - Electronic Stability Control

Figure 3: Predicted percentage of registered vehicles with available ESC

Figure 3 shows the percentage of predicted registered vehicles by calendar year with either standard or optional ESC. It is predicted that ESC will be standard or optional on 95 percent of registered vehicles in 2032.

Highway Loss Data Institute (HLDI) Bulletin Vol. 32, No. 16 : September 2015
Rate of Adoption – Front Crash Prevention

Figure 9: Predicted percentage of registered vehicles with available front crash prevention

Figure 9 shows the percentage of predicted registered vehicles by calendar year with either standard or optional front crash prevention. It is predicted that front crash prevention will be standard or optional on 95 percent of registered vehicles in 2045.

Highway Loss Data Institute (HLDI) Bulletin Vol. 32, No. 16 : September 2015
Benefits of Autonomy

Figure 11. Crash Rates in MY 2014-16 Tesla Model S and 2016 Model X vehicles Before and After Autosteer Installation.
Utilizing Supplemental Data

• Two great sources of crashworthiness and crash avoidance research
  – Highway Loss Data Institute (HLDI)
  – National Highway Traffic Safety Administration (NHTSA)

• In addition to the research, both provide ratings that can themselves be considered features for the data
  – NHTSA: 5-Star Rating
  – HLDI: Top Safety Pick
Utilizing Supplemental Research

• Insurance Losses – Comparison of electric vehicles and their conventional counterparts while adjusting for mileage (HLDI Bulletin Vol 33, No. 4: April 2016)

• Tesla Model S has higher insurance losses than other large luxury cars (HLDI Status Report, Vol 52, No. 4: June 22, 2017)
Vehicles without Autonomous Features

- Vehicles without autonomous features remain popular

Tesla S and Jeep Wrangler
Sales and Market Share
Distracted Driving

• 16% of fatal vehicular crashes and 28% of vehicular crashes involve distracted driving
• A person on a cell phone is 4 times as likely to be involved in an injury-causing crash than a driver who is not on a cell phone
• 3 out of 4 drivers who have committed a traffic violation were on the telephone at the time
What will things look like in the future?

• With vehicle automation the distinction between Driver information and Vehicle information is blurring

• Opportunities for
  – Vehicle System Scores
  – Enhanced Symbols
Questions
Join Us for the Next APEX Webinar

State of the Florida Homeowners Market

Join Pinnacle Principals Derek Freihaut and Art Randolph as they examine the implications of recent events in the state’s homeowners market on ratemaking and reserving and discuss what lies ahead for the industry.
Final notes

• We’d like your feedback and suggestions
  • Please complete our survey

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Thank You for Your Time and Attention

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