

Driving Excellent Customer Experience in UBI Programs

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Agenda

1. Overview of Consumer Behaviors & Risk
2. Customer Expectations of UBI
3. UBI Program Design



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Consumer Behaviors & Risks



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How would you rank your driving?

- a) Well below average
- b) Below average
- c) Average
- d) Above average
- e) Well above average



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Consumer research

- 17% of drivers admit to texting and driving
- 7% admit to browsing social media while driving
- 61% of drivers are most concerned about phone distraction when it comes to other drivers, ahead of drunk driving (16%), road rage (11%), and speeding (10%)

Based on a survey 1,000 U.S. drivers (conducted August 2019)



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What percent of trips in the U.S. includes phone distraction?

- a) 19%
- b) 32%
- c) 45%



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Phone distraction behind the wheel

- 32% of trips in the U.S. include phone distraction
- 33% of phone distraction events occur at speeds of more than 50 MPH
- When a driver is distracted, it's for an average of 23 seconds

CMT's take on significant distraction

1. Car is moving
2. Phone is moving
3. Screen is on

Excludes hands-free calls or navigation

Based on CMT driving data from 2018



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Distracted driving crashes are on the rise



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Distracted Driving Is Skyrocketing, Even With New Laws Limiting Phones in Cars

By Aaron Pressman April 10, 2018

Mobile phone use:
a growing problem
of driver distraction



2,745 views | Jan 25, 2019, 10:23am

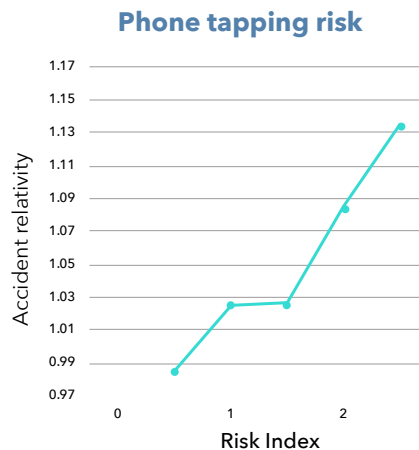
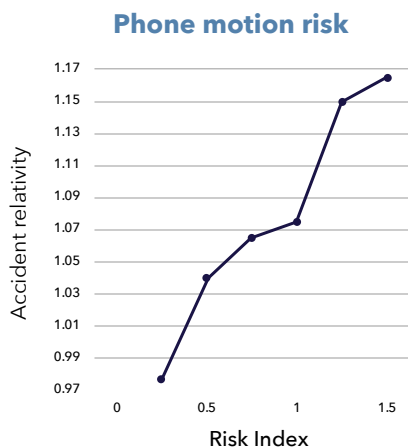
Distracted Driving Worsens As Drivers Use Phones In Riskier Ways

Risky phone use while driving is soaring, and it's killing Americans, IHS study finds



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Phone distraction & claims frequency (based on claims)



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What can insurers do?

Build a UBI program that promotes data-driven behavior change through feedback and engagement



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Feedback improves driver behavior

- Phone distraction is a coachable feature
- With mobile telematics, you can provide precise feedback on driving - number of distraction events & their locations
- CMT sees an average 35% reduction in phone distraction after 30 days



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Customer Expectations of UBI



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Do you think insurance companies should rate on distracted driving?

- a) Yes
- b) No
- c) Not sure



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Would you buy an insurance product that rates on distracted driving?

- a) Yes
- b) No
- c) Not sure



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How would consumers prefer their insurance rates be determined?

When asked this question, customers resoundingly said they prefer rates be based on how they drive

<i>How would you prefer insurance rates were determined?</i>	
How safely you drive	74.4%
Where you park or live	3.5%
Your credit score	5.2%
Your income	6.7%
The make and model of your car	7.3%
Your gender, age and marital status	2.9%

Based on a survey of 1,000 U.S. drivers (conducted August 2019)



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What are US consumers most worried about when it comes to enrolling in a UBI program?

Even though UBI is perceived as “more fair,” US customers have substantial privacy concerns when it comes to sharing this data

What, if any, privacy concerns do you have about a program that tracks your real-time driving performance and habits? (select all that apply)

Providing access to my location	57.2%
Sharing personal information	70.3%
Potential for trip and driving details to be tracked and shared with other insurers	51.1%
Potential for trip and driving details to be used by law enforcement	45.8%
I don't have any concerns	8.9%

Based on a survey of 1,000 U.S. drivers (conducted August 2019)



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Even with these reservations, customers are willing to enroll in a UBI program

But only if they believe it benefits them:

In a survey of U.S. drivers, 81% said the discount needed to be 20% or higher to participate in a program that monitored their driving in real time



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And their willingness to participate in a program was heavily tied to program design

What mobile apps would U.S. drivers download?

- 64% - assesses their driving for a more personalized quote (TBYB)
- 50% - verifies they are a safe driver so they can save money on insurance
- 49% - rewards them for not using their phones while driving
- 46% - rewards them for not excessively speeding
- 29% - rewards them for taking a break after driving long periods of time

Based on a survey of 1,000 U.S. drivers (conducted August 2019)



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UBI Program Design



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UBI is appealing to both customers and insurers

Customers

- Potential for lower premiums
- Intuitive control over premiums
- Being rated on driving skill seems fair
- Perceived as a social good, as it encourages people to be better drivers

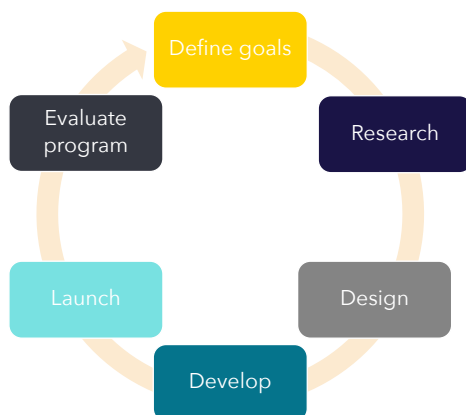
Insurers

- Provides additional rating segmentation
- Attracts new customers with a product offering
- Incentivizes safer driving habits among insureds, thereby reducing losses
- Auxiliary uses of captured data



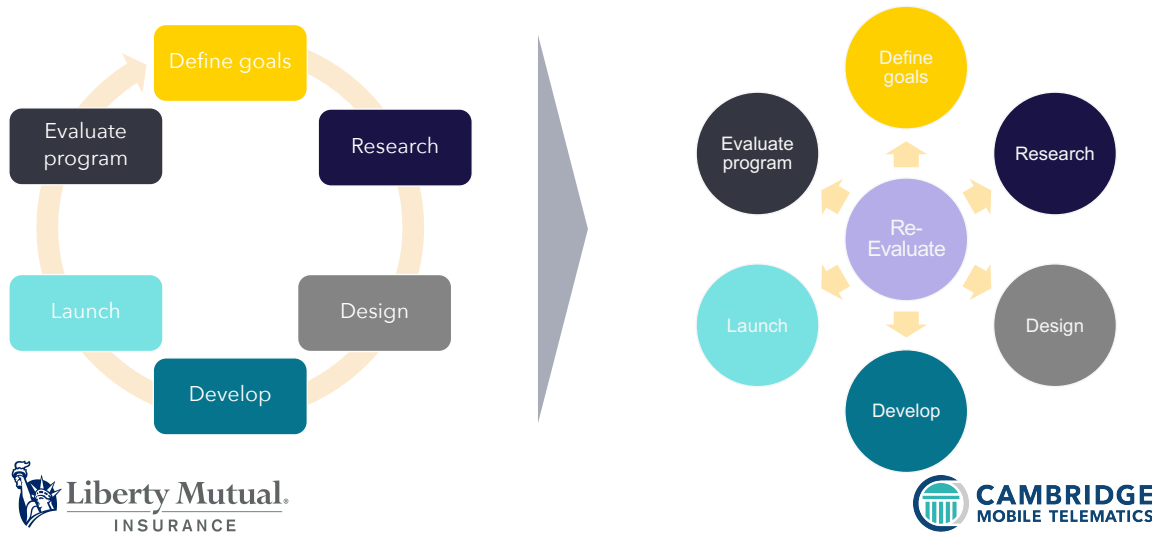
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On paper, UBI program design is a simple process...



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But in practice, program design is rarely linear or iterative. It's in a constant state of redefinition



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The first step in the program design process is to define goals of the product and the problem(s) to be solved

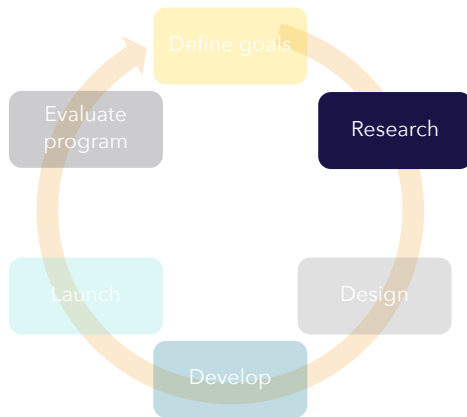


There are numerous potential goals a program could have:

- Minimize adverse selection
- Maximize segmentation at point-of-sale
- Attract a specific customer segment
- Reduce customer losses via coaching
- Non-pricing benefits of telematics data

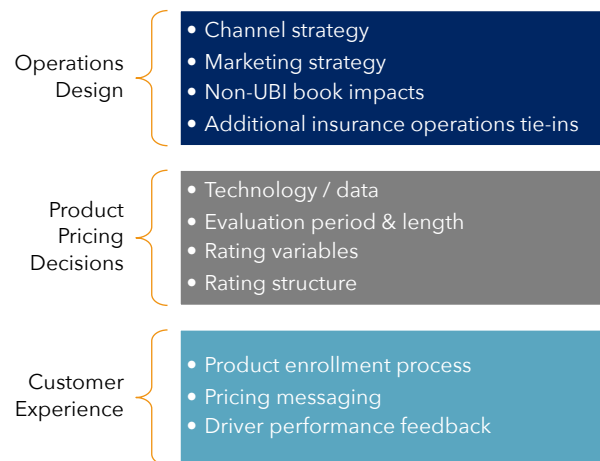
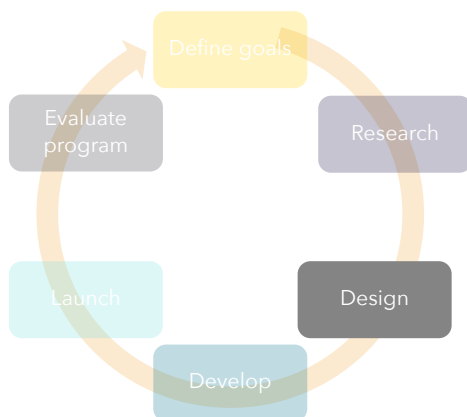
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Next, several bodies of research must be completed to inform both design and feasibility



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After the research is complete, findings are compiled to generate a product design





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Technology has implications on program cost, rating feature availability and accuracy, and customer experience

Technology	Evaluation Period	Rating Features	Rating Structure	Customer Experience	
Technology	Feature Availability	Technology Cost	Data Consistency	Expectations of Customers	Customer Engagement
Connected Vehicles					
OBD-II Dongle					
Mobile + Bluetooth Device					
Mobile* <small>*assumes no vehicle assignment</small>					

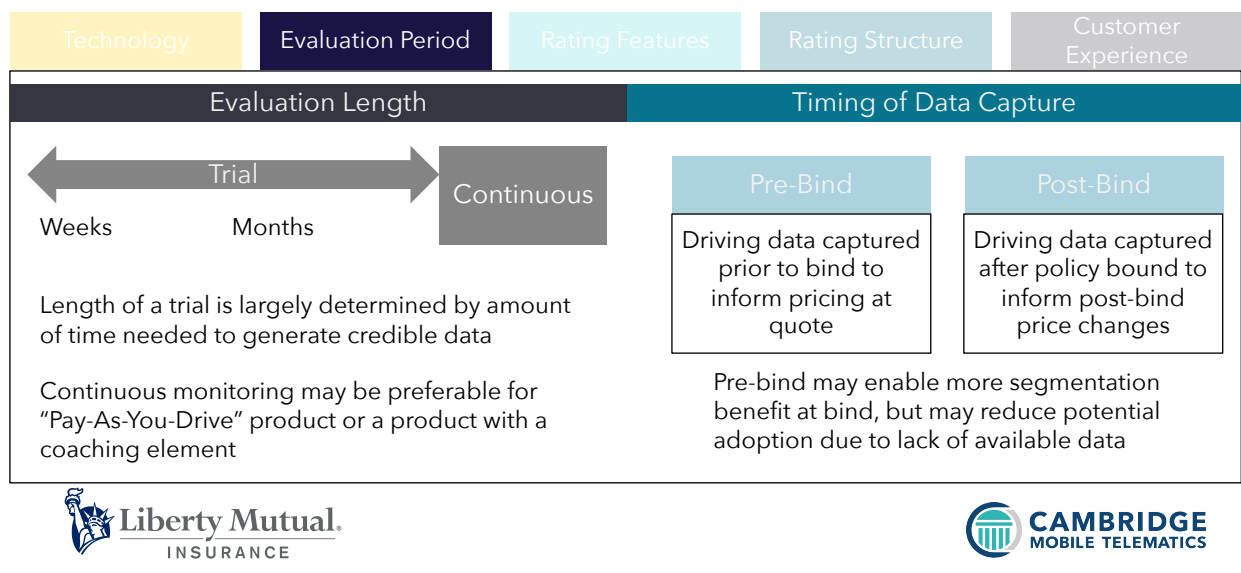
Vendor engagement adds additional layers of product ecosystem complexity

Poor Good

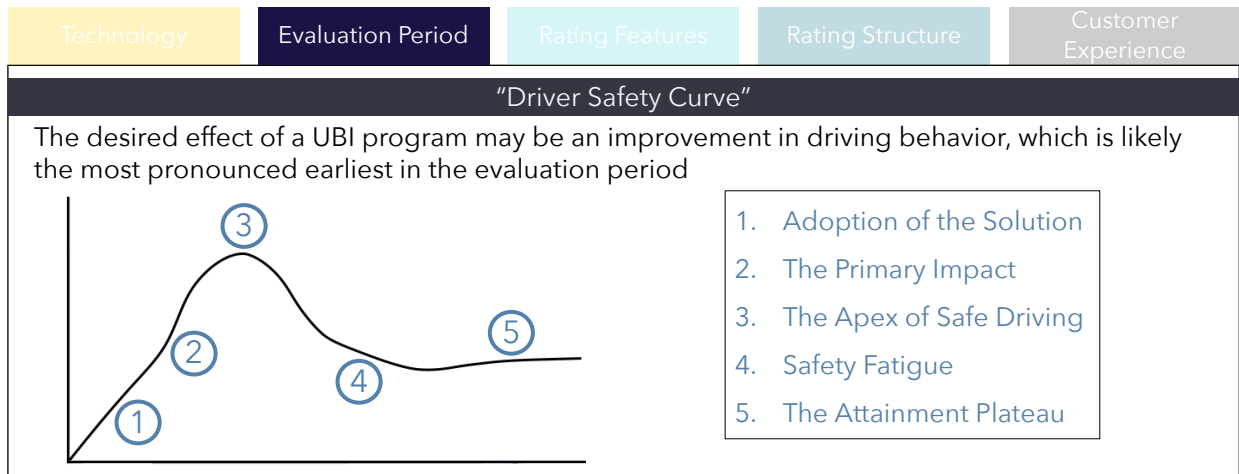
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Evaluation length and timing impact both pricing and customer experience of a program

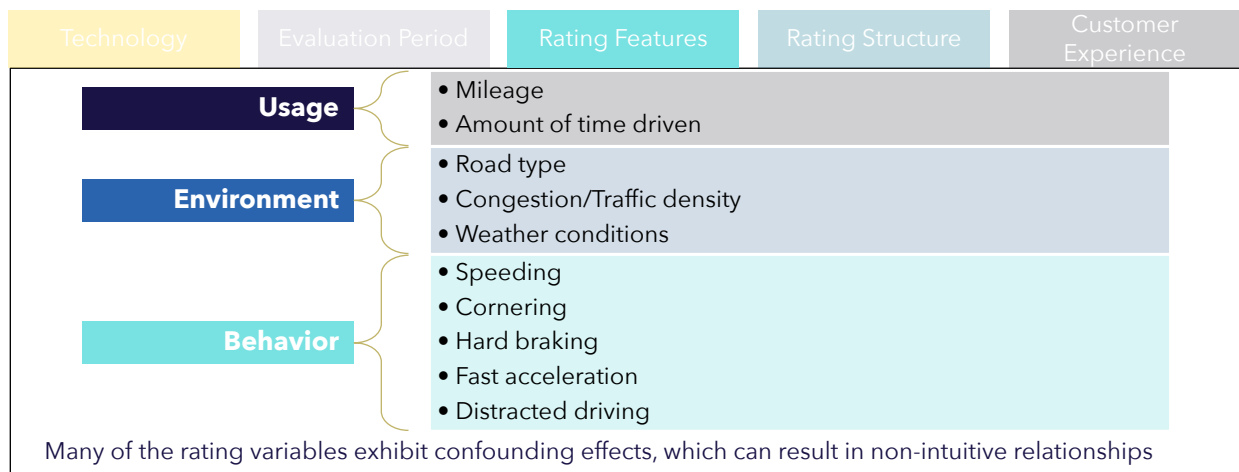


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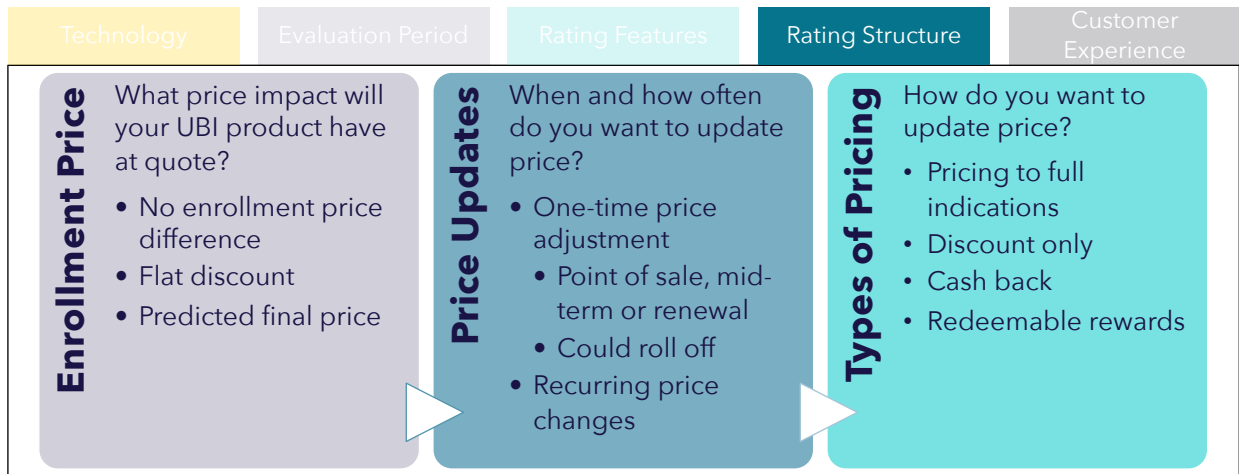
Evaluation period may also impact customer behavior patterns throughout the program



Numerous rating variables exist across three main categories

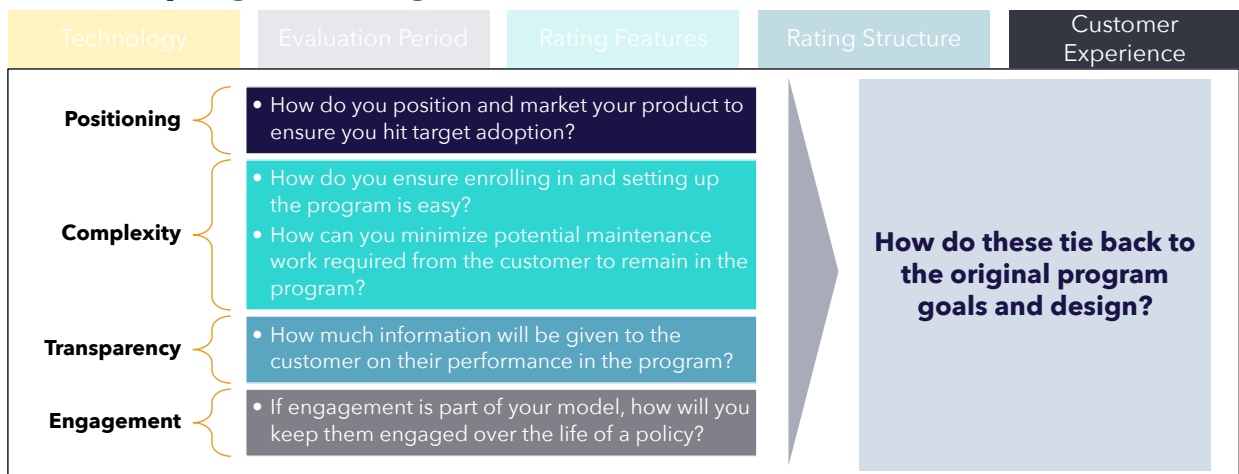


If driving data available at bind, UBI rating variables likely handled similarly to non-UBI rating variables; but if captured post-bind, rating structure can be more complex



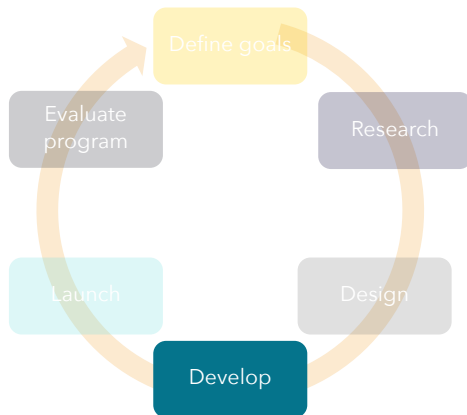
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Many customer experience elements are determined by earlier program design decisions

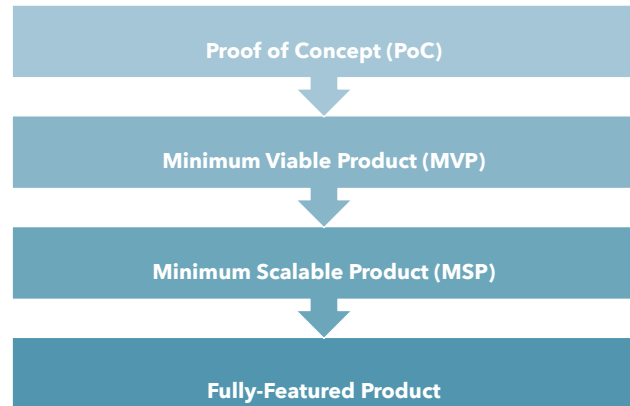


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Once these design elements are created, it's time to develop or build the product



As you iterate through the cycle, what is being developed evolves:



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Finally, the program is launched and evaluated for performance



Metrics will develop and emerge over time:

1. Program adoption rates and increase in conversion
2. Customer feedback on enrollment process
3. Customer experience at program milestones
4. Driving behavior and in-market analysis to measure actual vs. expected results
5. Program loss experience analysis



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Evaluation might expose problems with the program design...

After evaluating the program, you may find:

- Competitors have introduced a new rating variable, exposing your program to adverse selection
- The pricing group has identified new rating features that can improve your program
- There's a desire to add additional functionality or a more robust customer experience to enhance coaching
- Regulatory restrictions may require limiting or expanding your program design



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...translating into additional iterations of program design



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Driving Excellent Customer Experience in UBI Programs

- Phone use behind the wheel increases accident risk
- Insurers can build a UBI program that promotes behavior change through feedback and engagement
- From defining goals to evaluation, customer experience must be considered throughout the program design cycle

Questions?

