

Designing a Commercial UBI Program

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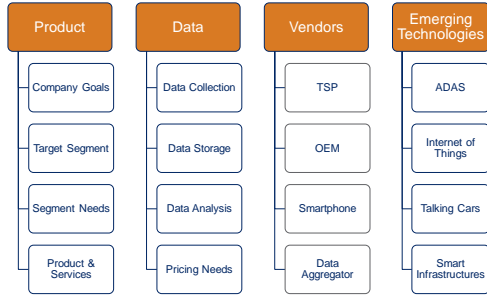
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So you want to design a UBI product?

There are a lot of questions that need to be answered first....

- What customer segment to target?
- What do those customers want in a telematics based product?
- What does your company want to gain?
- How are you going to handle the data? How is it going to be used?
- How much are you going to rely on vendors? Which ones?
- What new technologies are coming? How will they impact the product?
- And many more...

UBI is a mixed system of conventional and non-conventional insurance strategies



Product Strategy

UBI can be what you want... Keep it simple!

Company Goals

- Improved loss experience
- Growth
- Retention
- Customer Experience

Target Segment

- Industry
- Small Business
- Large Commercial

Segment Need

- Reduce Accidents
- Save Money
- Improve Safety
- Save Time

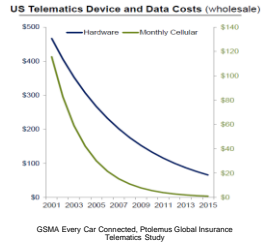
Product & Services

- Risk Management
- Discount Based
- Other Value-Added Services

The telematics market is growing

Growth projections vary, but most expect significant increases in adoption over the next few years

- 20% of the commercial vehicle market has been penetrated with telematics systems¹
- Fleet management is estimated to grow at a rate of 22% CAGR until 2018, driving the demand for commercial telematics system and services²
- Trends driving growth:
 - Lower costs
 - Increased consumer awareness and adoption
 - Technological advances/solutions (smartphones, OEMs)
 - Diminishing legal barriers
 - Government requirements



1. Telematics Update Connected Fleet Report, 2014
 2. ABNewsWire, January 13, 2014

The telematics market is changing

- Large commercial telematics market more saturated
 - 36% of fleet operators already using a GPS system¹
 - 25% with fewer than 50 vehicles, 50% with more than 100 vehicles
 - One third of these are receiving an insurance discount²
 - Discounts not given for data sharing, but because telematics is an indicator of control and efficient fleet management
- Smaller fleets are rapidly adopting telematics³
 - 20% have telematics, compared with 4.3% in 2011
 - Top reasons: improved driving behavior and fuel savings

¹ Huff, 2014, based on a C. J. Driscoll survey of 508 fleet operators (42 percent operate Class 6-8 trucks)
² Stappert, 2013
³ Dorsten, 2013

Market Opportunity by size

Most commercial telematics offerings are focused on larger fleets with higher adoption rates....

Employee Size	# of Entities	# of Vehicles	Auto Premium (\$M)	Average Fleet Size
<5	3,859,355	2,201,817	2,312	0.6
5-9	1,042,931	1,900,334	2,314	1.8
10-19	635,099	2,240,797	2,775	3.5
20-49	376,617	2,623,590	3,491	7.0
50-99	120,131	1,599,623	2,384	13.3
100-249	73,069	1,791,692	2,323	24.5
250-499	23,726	1,056,681	1,103	44.5
500-999	13,544	907,032	838	67.0
1,000+	26,860	9,803,587	642	365.0
Total	6,171,332	24,125,153	18,184	3.9

Telematics Adoption ~ 5% for fleets < 20
 73% of total market premium

Telematics Adoption above 40% for fleets > 500
 4% of total market premium

....but they don't represent the largest opportunity

Business needs vary significantly by size

SMALL

- Owner operated, very few commercial vehicles
- Similar to personal lines customers
- No interest in investing in telematics services
- Expect discounts in exchange for using telematics/sharing data
- Device agnostic

MIDSIZE

- More sophisticated; depending on fleet size may employ a fleet manager
- Limited interest in investing in telematics services
- Expect discounts or value added service in exchange for sharing data
- Strong interest in controlling insurance costs

LARGE

- Sophisticated customers; employ risk manager
- Increased interest in telematics services to reduce operating costs (route optimization, fuel savings, accident reduction)
- Mostly on rating plans; retain at least some risk
- Insurance carrier needs to be able to work with the company's selected devices

Business needs vary significantly by industry

TRUCKING

- High mileage; operate over long distances
- Driving is the job! Managing driver performance is important
- Efficiency is key; strong interest in controlling fuel costs

CONSTRUCTION

- Low mileage
- Mostly local travel between job sites
- Fuel efficiency/routing can be important, but most likely not the biggest concern

RESTAURANTS

- Tend to have very few vehicles compared to other industries
- Local deliveries
- Route planning may be important

Telematics data comes in many formats and can be difficult to work with

Raw Data

- Sec-by-sec data collected in vehicles
- Processed and compressed
- Raw form sent to the insurance company

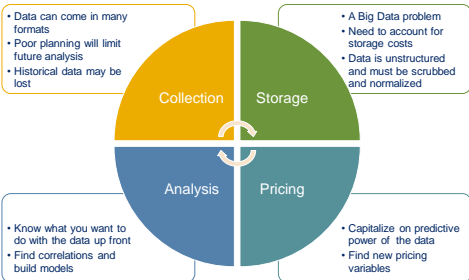
Event Data

- Data collected in vehicles and processed into variables
- Variables sent to the insurance company

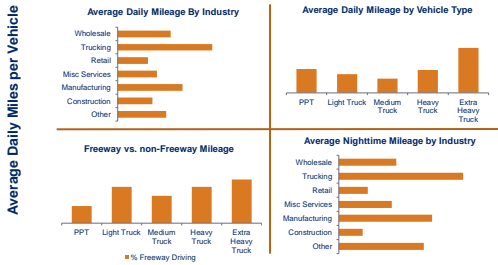
Configured Data

- Granular data collected in vehicles
- Using predefined thresholds to trigger collection
- Raw form sent to the insurance company

Planning is key...need to have a data endgame

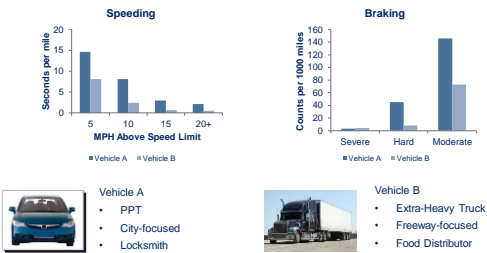


Not all commercial vehicles are created equal



All factors must be considered

Context drives accuracy...



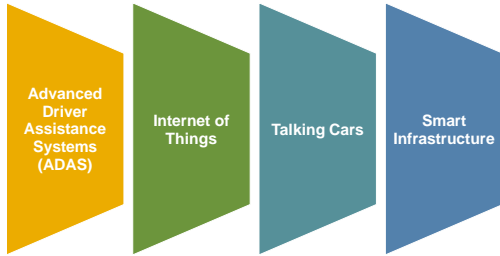
Vendor Strategy

There are many choices to make

TSPs <ul style="list-style-type: none"> Software service Devices OBD II Hard installs 	Smartphone <ul style="list-style-type: none"> Ubiquitous An app for everything Constant contact 	OEMs <ul style="list-style-type: none"> More and better data Near term issue with mixed fleets
Data Aggregators <ul style="list-style-type: none"> Collection Standardization Storage Processing 	Other Vendors <ul style="list-style-type: none"> Speed Mapping Traffic Weather 	

Emerging Technologies

Expect rapid changes in vehicle safety and connectivity



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