



Worldwide Attitudes Toward Connected Insurance

Understanding regional differences when deploying Usage-Based Insurance

Introduction

Usage-Based Insurance has evolved beyond a pricing tool and fraud-prevention mechanism. Demonstrating safe driving behavior for a discount is only scratching the surface of what recent advancements in telematics technology and insurance service provision can provide. “Connected Insurance” was born from the potent mix of innovative risk pricing and driver scoring, ultimately benefiting insurers, policyholders, and the overall safety of the world’s roads.

Cambridge Mobile Telematics (CMT) assessed the desire for new styles of insurance services and validated the soundness of mobile-centric insurance models in different geographical

markets based on independent surveys and research conducted in six countries.

In this white paper, we provide:

- A brief introduction to the evolution of the motor insurance provision models
- An analysis of driver distraction and behavior change in six countries
- A review of the general perception of Connected Insurance
- Suggestions on how to move past roadblocks that have impeded growth of telematics programs in the past

What is Connected Insurance?

Usage-Based Insurance (UBI) was developed from the idea of tracking a vehicle's use and pricing insurance based on the policyholder's driving behavior. This allows insurance companies to reward those who opt into safe driving programs, show fewer risky behaviors, and score well.

However, as technology matures, more robust business models continue to develop. This has been particularly noticeable since smartphone-centric insurance has introduced a brand new direct and constant channel of communication between the insurer and the insured. In what we call the age of Connected Insurance, insurance has evolved into a digital in-app service, complete with mobile sensor data that informs state-of-the-art analytics and feedback to the drivers.

Connected Insurance allows insurers to deploy a range of business models that expand beyond

basic priced-based, UBI. They include Try Before You Buy, reward programs, behavior-based insurance, safety and security programs, and automated claims services.

The technology at the heart of Connected Insurance is similar to the one used in UBI: telematics data from recorded trips in an insured vehicle. With the introduction of the smartphone, telematics data is suddenly richer and inexpensive to collect and manage.

As a result, Connected Insurance programs produce more than individual risk data analytics. They can now provide driver feedback, engagement tools, safety features, instant claims, and streamlined customer service.

We surveyed drivers around the world to find out how insurers could motivate their policyholders to change their risk profiles.

Telematics has evolved from a measurement and pricing tool to an engagement mechanism used to promote behavior change.

Perspectives Around Driving Behaviors

From April to July 2019, CMT conducted consumer surveys in Brazil, France, Italy, Mexico, the U.K., and the U.S. Along with consumers' thoughts on the state of the roads, we also measured their sentiment on today's insurance propositions and tomorrow's opportunities.

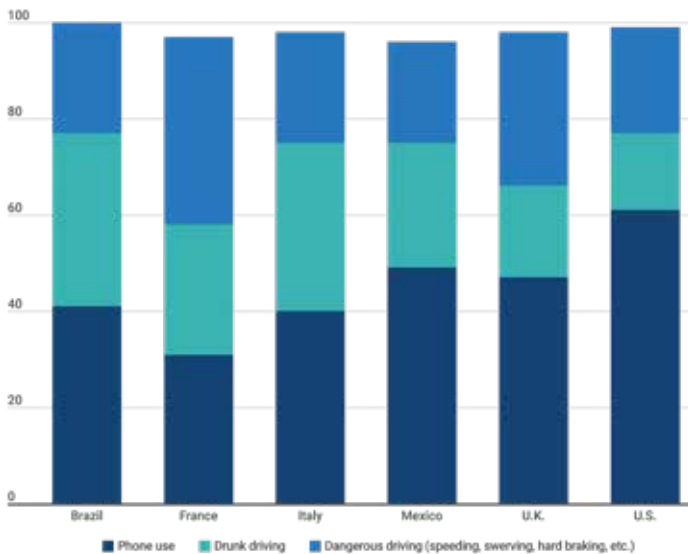
For a start, we asked them about the behaviors of other drivers on the road. Distracted driving was identified as the top concern, more so than drunk driving. In fact, all countries rated phone distraction as the highest safety concern, except for France which identified dangerous and aggressive driving as their biggest worry.

Europe has not treated distracted driving with the same focus and urgency that it has with drunk driving. There has yet to be any significant campaign on distracted driving in Europe, which may contribute to lower concerns in France and Italy in comparison to the U.S. In the U.S., drivers are acutely aware of the problem because distracted driving has become an increasingly prevalent issue at both the state and federal levels.

However, the danger of distracted driving is witnessed and understood by all. The survey results were unequivocal when asked how often drivers saw other drivers distracted while driving.

What worries you the most about other drivers?

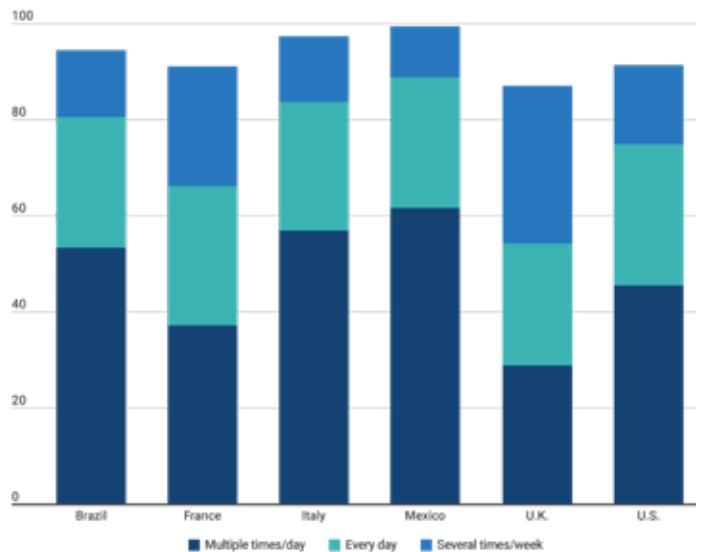
Percentage of respondents



These findings reflect the difference between countries where focus and policies on road safety have had various results. In the 90s, France went through an influential campaign to eradicate drunk driving. Many of its policy changes were then used across Europe.

How often do drivers see other drivers on their phones?

Percentage of respondents



In all countries surveyed, more than half the drivers reported seeing distraction on the road every day or more. The research suggests that the U.S. and Latin America are areas where phone distraction behind the wheel is the worst, but it

could also mean drivers there are more aware of the danger and thus witness it more. Again, Europe's low awareness of distraction is reflected in these results.

CMT's driving data shows the smartphone as the source of some of the riskiest driving behaviors. Throughout the U.S., distracted driving occurs on over one-third of trips. The relative risk of crashing increases by a factor of 23 if texting while driving.

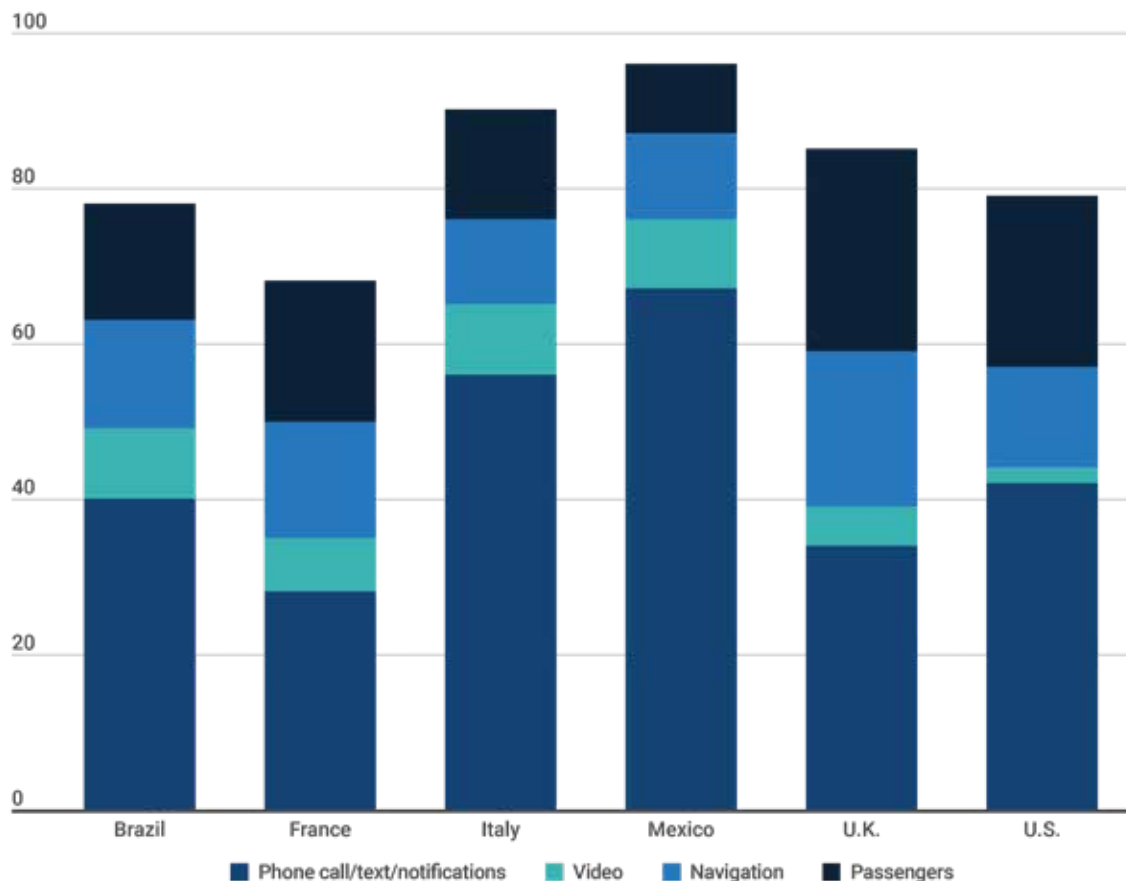
However, it is important to understand what drivers themselves feel distracts them in their cars. Again, the responses varied between countries, but drivers admitted to taking phone calls, sending text messages, watching videos, and interacting with navigation apps while driving.

As reported in the survey, the majority of distraction events come from one item: the smartphone. It is the source of the videos, calls, music, text, navigation, and social media that captivates us every minute of our lives. A simplified representation of what distracts us in our chart would look like: 80% smartphone and 20% additional passengers.

The vast majority of those surveyed are aware of their countries' laws on mobile phone use at the wheel. When asked if the laws impact their behavior, 10% to 30% of the European and American respondents admitted they ignored the law. In Latin America, 35% to 55% said they consciously ignored it. This is consistent with data CMT collected in the U.S. nationwide in 2019, in which 39.2 distraction events were recorded per 100km.

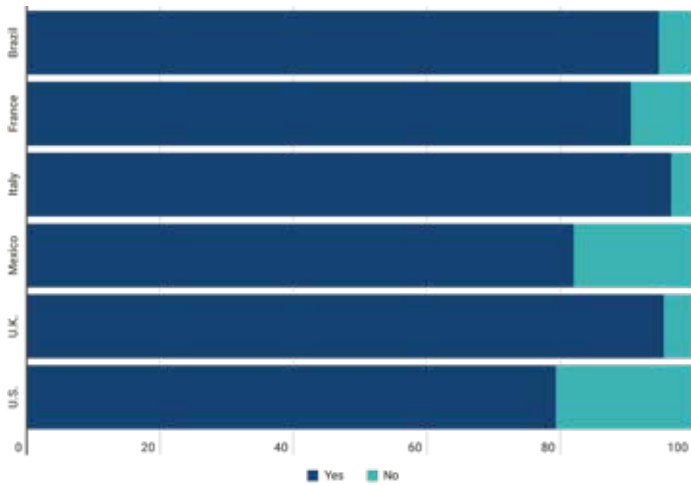
What distracts drivers?

Percentage of respondents



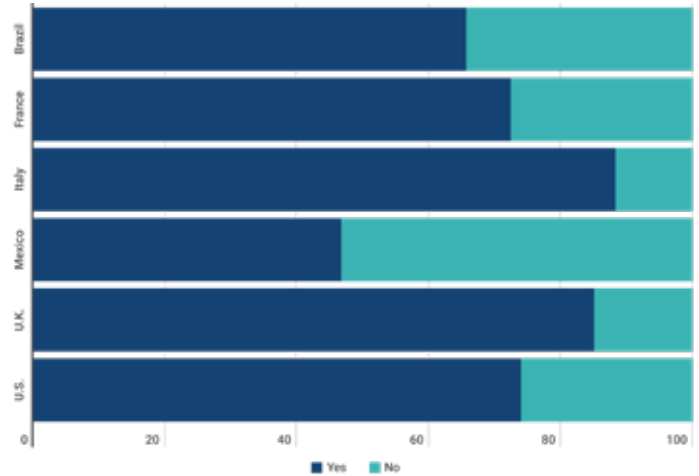
Do you know the law on mobile device usage while driving?

Percentage of respondents



Does the law against mobile device usage while driving impact whether you use your phone?

Percentage of respondents



Despite being the country with the most robust national communication on distraction, the U.S. is also the country with the most drivers admitting to not knowing about the laws. The disparity between the numbers may be a result of laws on distraction being enforced state by state, as opposed to nationwide. This adds a layer of complexity to regulations that penalize text distraction separately from other phone use. On top of that the definitions, measurement and

penalties often change, making these kinds of laws harder to follow, and enforce.

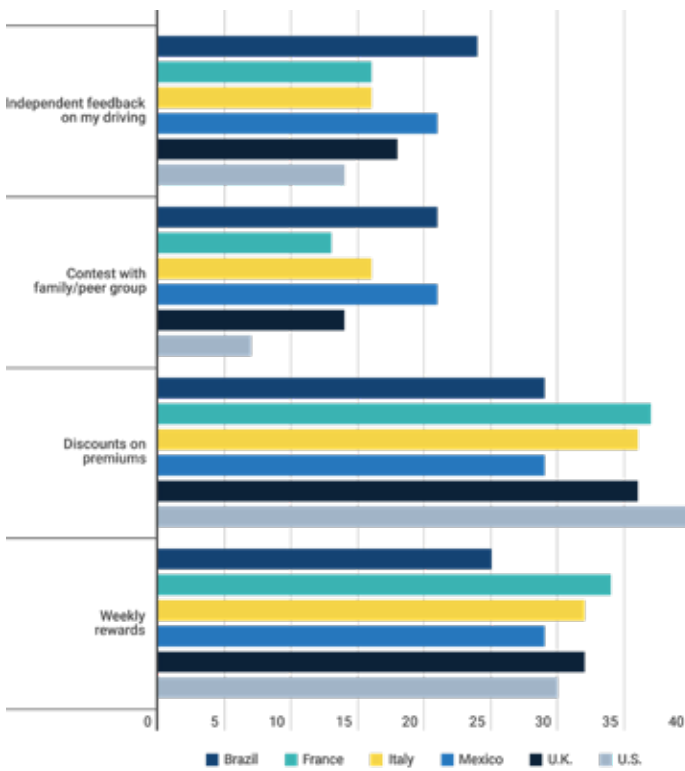
The large share of U.S. drivers (26%) that chooses not to follow the law could be linked back to this confusion. Worldwide, it transpires that drivers are well aware but choose not to obey the law. Reducing distraction will require much more than hefty fines.

Changing Driving Behavior

Changing distraction will not be a matter of banning or blocking functionalities on the device. It requires voluntary behavior change. So what would motivate drivers to change their behavior? Again, we posed the question to them directly using the extrinsic and intrinsic motivations models on the market today.

What would motivate drivers to become better?

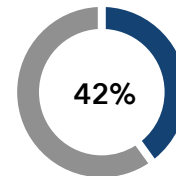
Percentage of respondents



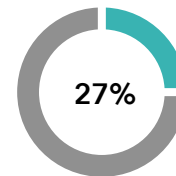
It is worth analyzing the results of what would motivate drivers to become safer coupled with their familiarity of UBI.

Are drivers familiar with Connected Insurance?

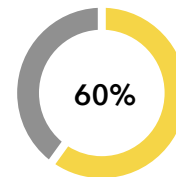
Percentage of respondents who said "yes"



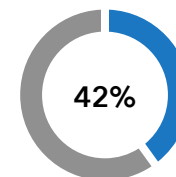
Brazil



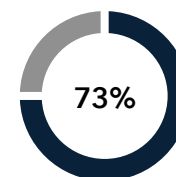
France



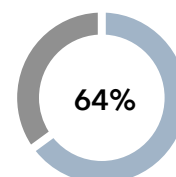
Italy



Mexico



U.K.



U.S.

In markets like the U.S. or Italy, 55% to 64% of drivers had knowledge of the concept of UBI. In the U.K., where the model is solely used to lower the price of young drivers' insurance, awareness was much higher at 73%.

In other markets, respondents clearly reflected what they understood Connected Insurance could be, while having never heard of it before.

The results illustrate how much past market offerings have modified people's opinions of what they can expect from an insurer. After years of price-based promotion and multimedia communication, the U.S. market expects tangible discounts or rewards for good behavior. With premiums averaging \$1,500 per year, it is perhaps not surprising.

In mature markets such as these, the concept of driver feedback and contests are less attractive due to past poor experience.

Rewards are however demonstrated to be an effective way to motivate behavior change. The survey clearly shows that drivers do not really understand what rewards can be and yet on average a quarter of respondents in Latin America chose rewards as a mechanism to change their behavior.

For markets that have had less exposure to price-based communication - especially in Latin America, where in some countries insurance has only become compulsory in 2019 - rewards are a great option. Additionally, discounts are less attractive when average premiums are low.

In Latin America, benefits linked to the family are more attractive, as well as a higher desire for safety products. 88% of Mexican respondents, for example, would choose an insurance product if it helped them monitor their family safety.

Together with increasing awareness, acceptance of the fundamentals of Connected Insurance will need to be ascertained before creating new telematics products.

Not enough consumers are offered Connected Insurance.

In 2019, only **27%** of U.S. drivers were offered the opportunity by their insurer or broker.

This is up from **22%** in 2017.

Acceptance of Connected Insurance

In 2014, Deloitte asked U.S. drivers if they are open to having their driving behavior monitored. Of those surveyed, 47% said no, but 27% said it would depend on the discount.¹ In 2019, CMT asked drivers if they would sign up for a car insurance program that prices them based on their driving behaviors. The percentages of those who said "yes" vary from 43% in the U.K. to 70% in Mexico and Brazil.

The U.K. response is symptomatic of the mistrust drivers have of telematics programs. This results from the restriction of the present offers to young drivers' policies. In the U.K., telematics insurance is sold as a pricing and monitoring tool for the insurer to penalize bad driving.

At the other end of the scale, offerings that could make insurance more attractive, meaningful, and fair are welcomed by Latin American policyholders.

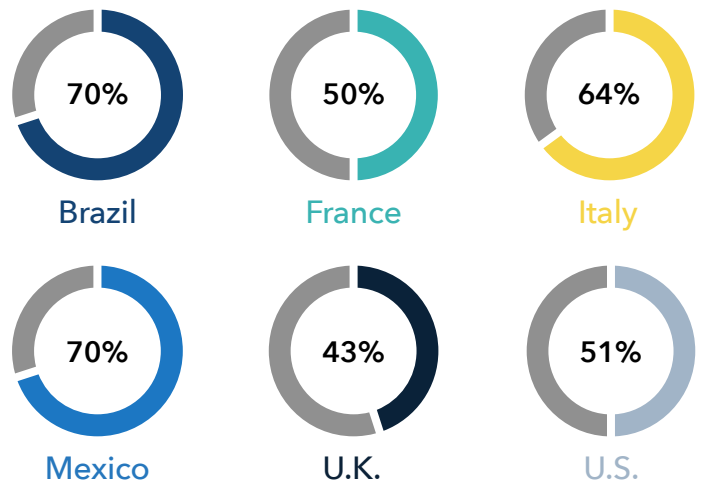
Clear communication around the program benefits will be key to driving the adoption of Connected Insurance. For example, we asked drivers if they would be willing to download an app that monitors their driving behavior for two weeks and then provides a personalized quote, also known as Try Before You Buy (TBYB).

In this instance, the focus is shifted from the insurance liability to the driver's own ability to impact their premium price. The result is very clear with an overwhelmingly positive response to the TBYB concept.

Would drivers sign up for Connected Insurance?

Percentage of respondents who said "yes"

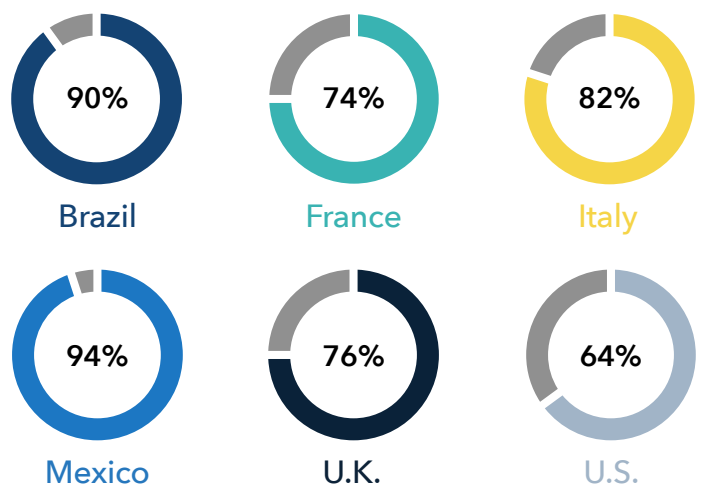
YES!



Would drivers participate in TBYB?

Percentage of respondents who said "yes"

YES!



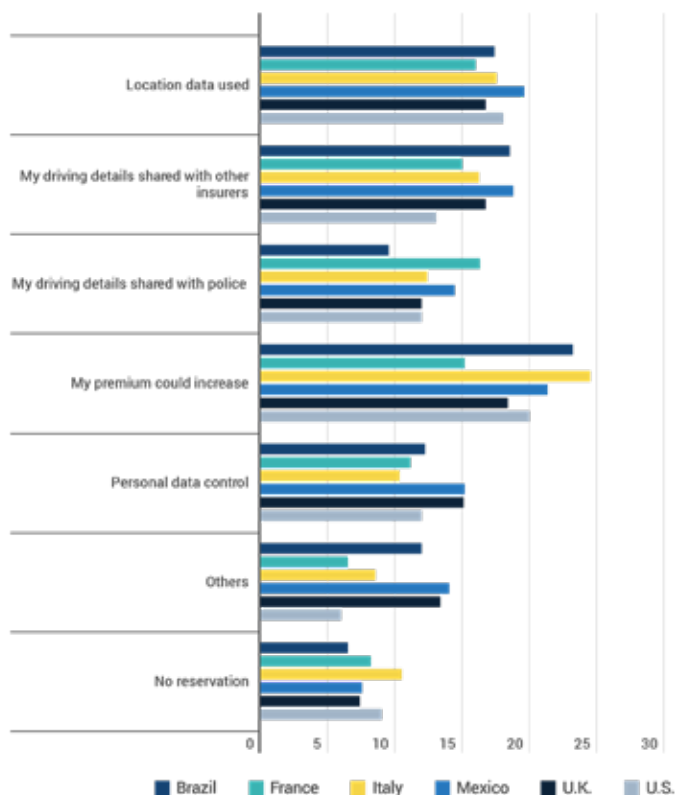
Consumers are ready for more than just coverage from their insurers, but propositions and communication are key. Insurers should view communication around new services and features as an opportunity to extend the value of the insurance cover.

For example, explaining the safety benefits of a rewards program to an existing or prospective policyholder is a more positive and exciting interaction than merely renewing a policy. Also, it shows policyholders that insurers care about their wellbeing and are taking active steps to help them improve behind the wheel.

It is also a great opportunity to dissipate fears largely linked to word-of-mouth, misunderstandings, and lack of awareness.

What would hold a driver back from having an insurance policy based on their driving habits?

Percentage of respondents; respondents could elect up to three answers



The survey shows that drivers' reservations are consistent across markets independent of their history with Connected Insurance products. Majority of the perceived concerns drivers have about sharing their driving data involve fears that their premiums may increase, or that the data will be shared with the police.

Perceived skepticism continues to exist around privacy concerns. However, the data shows that in fact many of those surveyed across the locations rank personal control over their data as lower than the reservation that their information could be shared among other insurers.

Addressing the fear that trip data could be shared with other stakeholders can be eased from the start of a Connected Insurance program with effective communication from the insurer. Transparency and abiding by the rules on data privacy can be a first step in righting misinformation that is perpetuated in the media and by word-of-mouth. For example, many programs show drivers their trips, allowing visibility into the kinds of data required to create the score.

The main reservation is then about price increases. In effect, this is exactly the point of a Connected Insurance program - risky drivers get the opportunity to improve through measurement and feedback and then earn a discount. Depending on the program's core value proposition, this fear can be alleviated by clearly targeting good drivers and/or giving drivers a chance to try the program before signing onto the policy.

New Insurance Business Models and Features Acceptance

It is estimated that policyholders using telematics auto insurance policies are 15% to 25% more profitable than those utilizing non-telematics policies.² So what can the industry do to make the model more attractive to the entire portfolio?

Insurers using mobile telematics now have the ability to expand from a one-size-fits-all approach. Innovations in artificial intelligence, mobile sensing, and IoT have advanced business models, creating even more value propositions and better products that consumers want.

At first glance, the motivations for signing up to such a program are price-led. Most countries

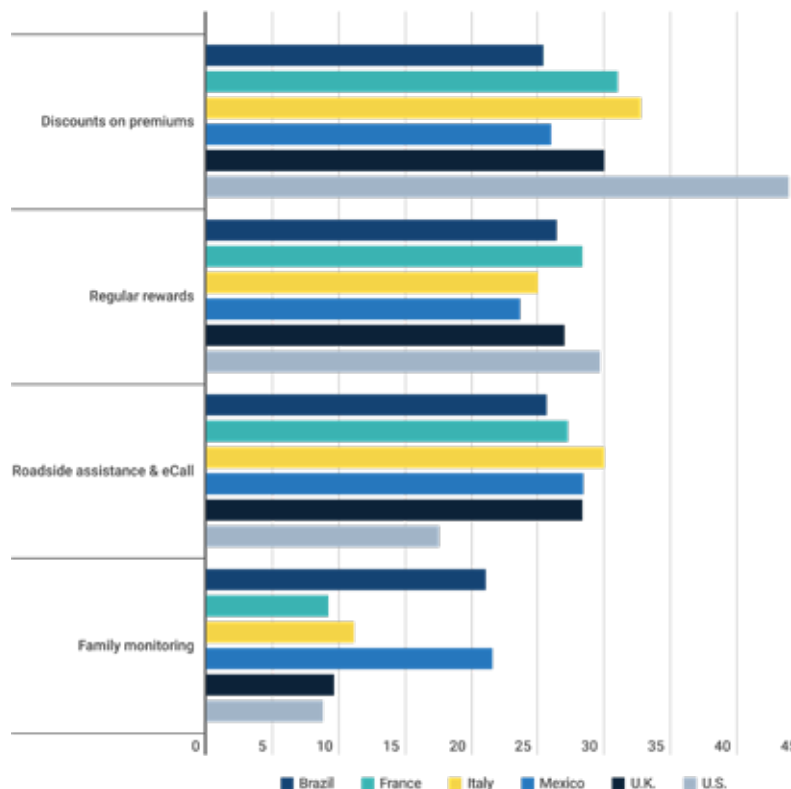
highlighted discount first, except Brazil. Yet again, 88% of the mobile insurance programs worldwide are based purely on a lower price, so a majority of respondents have not seen any other option.³

However, a closer look suggests the picture is not that simple, especially outside the U.S. When combining the two safety features (roadside assistance and crash detection/emergency alerts), it is clear that besides rewards, safety services are seen by most drivers as a very potent alternative to discounts.

Combining family safety into the safety services package is the most attractive proposition in all countries except the U.S.

What would motivate drivers to participate in a Connected Insurance program?

Percentage of respondents; respondents could elect up to three answers



Key Takeaways

Distracted driving impacts all motor insurers, everywhere

Phone use behind the wheel is a top contributor to the rising number of fatalities. In its 2018 Global Status Report on Road Safety, the World Health Organization said the number of annual road deaths remains “unacceptably high,” increasing to 1.35 million in 2016.

Connected Insurance can directly impact the global epidemic of distracted driving through driver feedback and behavior change. By measuring and analyzing driving data, insurers can give precise and personalized feedback about driving behaviors. In fact, within 30 days of using CMT’s DriveWell Platform, drivers see an average 35% reduction in phone distraction. Whether they are rewards- or discount-based, behavior change should be embedded in all programs.

The value proposition narrative does not need to only be price-centric

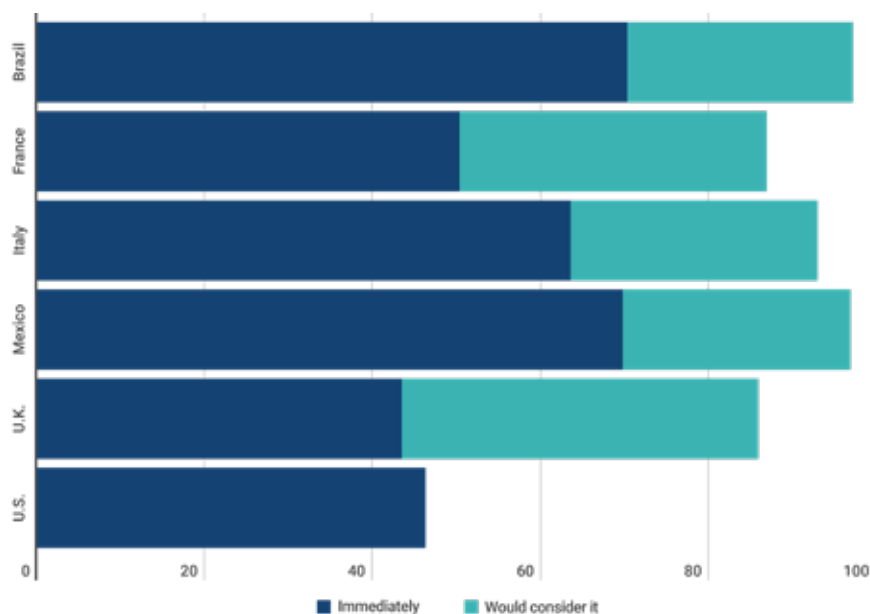
Consumers everywhere have shown clear interest in safety-based offerings. The models to deliver them efficiently involve small and recurrent rewards. Family safety exerts strong attraction, especially in Latin American countries. Discount alone may not be enough to drive wide-scale adoption.

There is a vast pool of drivers worldwide that are ready to buy in Connected Insurance

When consumers are offered telematics, the closing rate is in excess of 50% in all geographies. Most drivers would consider Connected Insurance and an even bigger proportion would participate in a TBYP program.

Would you sign up to a Connected Insurance Policy?

Percentage of respondents



Reluctance is based on history and fears that can be easily dissipated

Communication is key to overcoming reservations linked to the sharing of data with external stakeholders. Misgivings around data sharing and rising prices can be quashed from the start. However, it's important to keep in mind that on the whole, drivers are less concerned with the collection of personal data, and more concerned about who it is shared with.

Each market has a different level of maturity when it comes to Connected Insurance. The appreciation of the benefits and the attractiveness of the

model will change dramatically depending on the country's previous experience.

Telematics is generally not yet recognized or well understood

Drivers have a positive attitude towards the concept of Connected Insurance and are eager to learn more. With advancements in mobile sensing, IoT, and artificial intelligence, insurers are in the right position to offer their policyholders robust, user-forward Connected Insurance programs that go beyond measurement and pricing. The time is now for insurers to *change* risk - and see the benefits in their business and on the roads they are helping make safer.

Sources

- ¹ Deloitte (2014), https://www2.deloitte.com/content/dam/insights/us/articles/telematics-in-auto-insurance/DUP-695_Telematics-in-the-Insurance-Industry_vFINAL.pdf
- ² Credit Suisse (2019)
- ³ Ptolemus Consulting Group

How CMT can help you

New technologies have the power to open new business models. CMT's technology powers safety and engagement functionalities, alongside all models of Connected Insurance.

Carriers using CMT have implemented and scaled crash detection, First Notice of Loss, and crash reconstruction. They have monitored and improved the driving behavior of their customers through continuous engagement and feedback, demonstrating its positive impact on safety with reports of 15% - 30% less-severe claims and 12% - 24% fewer crashes.



CMT's team includes experts from the insurance, technology, and consumer engagement space.



Through understanding the dynamics of the driver, carrier, and distribution methods, CMT's collaborative team can help you design, build, and implement a Connected Insurance program that meets your business needs.

Get started

Our Customer Success group is constantly studying the evolving consumer behavior in Connected Insurance programs and is ready to help deploy these insights into results for our partners.

To learn more about implementing mobile telematics or to better understand how a telematics program can impact your customer experience and pricing methodologies, visit CMT's online resources or contact Ryan.



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Survey methodology

This report is based on six surveys commissioned by CMT to a neutral market survey agency. A total of 6,000 people were interviewed concerning their perspective on issues such as road safety, distraction, and insurance.

- Surveys conducted in Spring 2019
- Equal split in three age cohorts 18-29, 30-44, and 45-59
- Equal distribution across regions
- Equal split across genders

About Cambridge Mobile Telematics

CMT's mission is to make the world's roads and drivers safer. Since its first product launch in 2012 that pioneered mobile Usage-Based Insurance, CMT has become the world's leading telematics and analytics provider for insurers, rideshares, and fleets. CMT's DriveWell Platform uses mobile sensing and behavioral science to measure driving risk and incentivize safer driving, while its Claims Studio reduces the claims cycle time with real-time crash detection, crash reconstruction, and damage assessment using telematics and artificial intelligence. CMT has over 50 active programs with insurers and other partners, improving safety for millions of drivers every day around the world. Started based on research at MIT and backed by the SoftBank Vision Fund to fuel its rapid growth, CMT is headquartered in Cambridge, MA.

To learn more, visit **CMT.ai** and follow CMT on Twitter **@cmttelematics**.



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