

# Usage Based Insurance

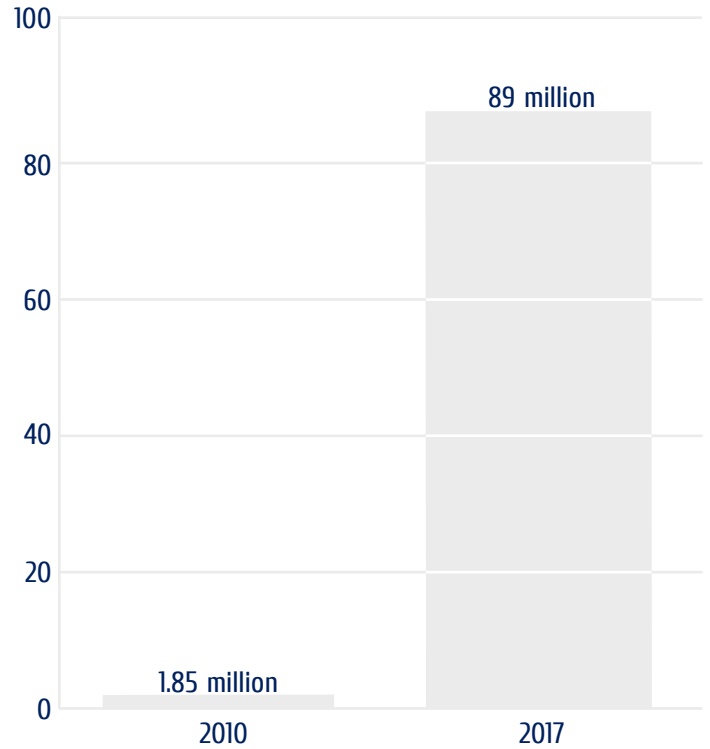


# Usage Based Insurance

Although Usage Based Insurance (UBI) has been around since the 1990's, a number of lingering barriers have prevented most insurers from fully embracing such programs. But a new generation of more affordable technology and the proven profitability and effectiveness of similar commercial fleet programs are prompting insurers to reconsider UBI as the likely future of personal auto insurance.

In fact, a recent study by ABI Research projects a dramatic swell in the number of global insurance telematics users from 1.85 million in 2010 to 89 million in 2017, for a compound annual growth rate of 90%.

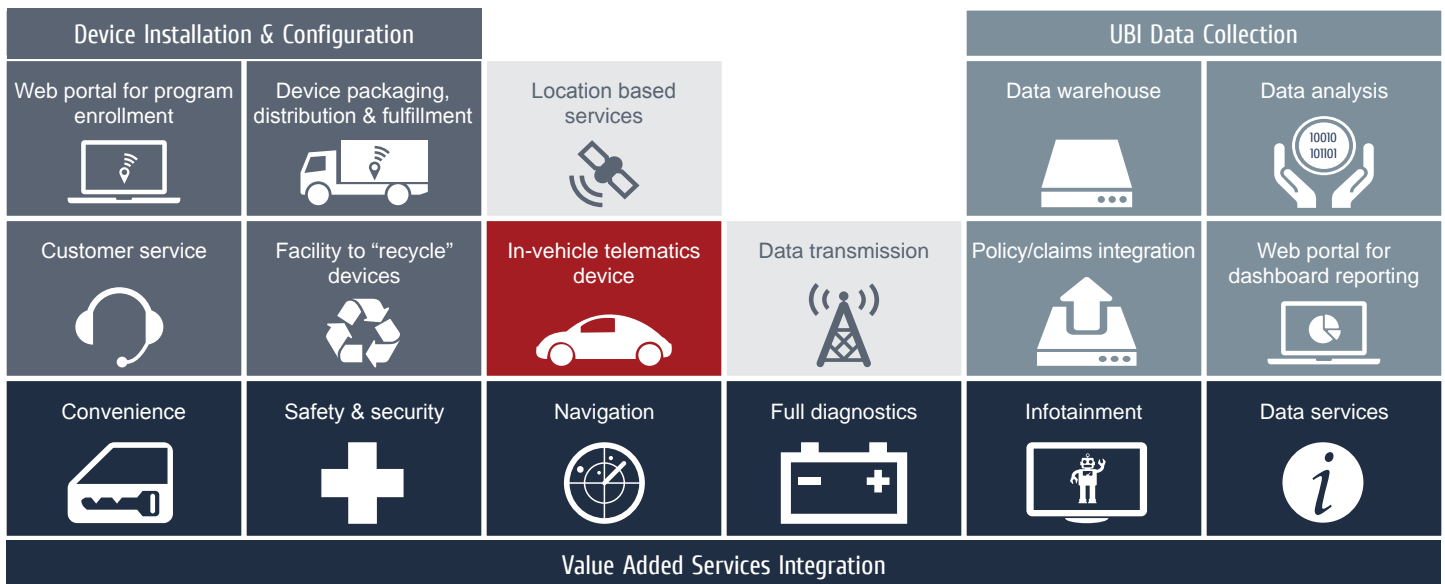
Early adopters of UBI will have a distinct competitive advantage by developing the abilities to better classify risks, implement more favorable selection, encourage safer driving and improve loss ratios through better classification. To do so, insurers must first understand the key benefits of - as well as the inherent challenges and available solutions for - a successful UBI program.



Compound annual growth rate for the number of global insurance telematics users (in millions)

## THE TELEMATICS ECOSYSTEM

The technology necessary for a usage based insurance program extends well beyond the in-vehicle telematics device. To be part of a true telematics/UBI solution, the device must either be sourced by or be capable of being utilized within a complete telematics ecosystem that includes:



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Insurers that implement UBI programs are able to better compete on price and product differentiation, improve risk assessment through better segmentation, optimize their business portfolios and reduce claims costs. Further, the negative impact of UBI discounts on loss ratio are offset by the positive impact of better classification.

Insureds also benefit from reduced premiums and discount offers, improved safety options and protocols, and by being empowered to directly affect their rates by taking responsibility for their day-to-day driving habits.

But to reap the benefits of a successful UBI program, insurers must first face a number of new challenges. Technologies must be vetted, selected and optimized to fit within an entirely new ecosystem. Product development is made unduly difficult by a lack of existing data to support filing and pricing models. And an exponential increase in the amount of data generated by consumers will force insurers to adopt new data management techniques, models and advanced analytics.

Perr&Knight provides a complete, end-to-end solution for any insurer's UBI challenges by supplying the necessary resources for:

- Product development and actuarial analysis
- UBI rate filings and competitor analysis
- Strategic/marketing plan development
- Business and technical requirements elicitation – inclusive of desired UBI features/functions and policy/claims systems integration
- UBI solutions vendor analysis, selection and oversight
- Pro-forma/business case development, including feasibility and expected ROI
- Project management, implementation planning and support model definition
- Data aggregation, archival, and modeling/analytics

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**Perr&Knight helps early adopters of UBI to gain a distinct competitive advantage through better risk classification, more favorable selection, the encouragement of safer driving and improved loss ratios that result from better classification.**

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## ABOUT US

Perr&Knight is a leading provider of insurance support services and a strategic resource that companies utilize to reduce their fixed costs while increasing the efficiency and value of their insurance operations. Perr&Knight's insurance support services include Actuarial Consulting, Competitive Intelligence, Data Services, Insurance Technology, Regulatory Compliance and Risk Services.

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