

Insights

Usage-based auto insurance: a new technological dawn? 2017 U.S. consumer UBI (telematics) survey

A Willis Towers Watson survey has examined how the spread of in-car technologies and connected cars is influencing U.S. consumers' buying behaviors and attitudes toward usage-based auto insurance (UBI).

With over 10% penetration of the auto insurance market, UBI product availability has already persuaded a substantial and growing number of U.S. drivers to allow their driving behavior to be monitored in return for the chance of policy discounts. Most policy sales to date have relied on customers agreeing to install, or have installed, an app or monitoring device.

But continuing innovation from auto manufacturers means that newer vehicles increasingly roll off the production line already equipped with the technology and connectivity for a whole host of applications, including UBI. Connected cars could therefore create a whole new dynamic and impetus for the UBI market in the next few years. We commissioned a survey of over 1,000 U.S. consumers to investigate further.

Among the questions considered were consumer buy-in to driving technologies, the technology features that consumers covet most when buying a new or pre-owned vehicle, attitudes toward UBI and sharing data for insurance purposes, and the features of UBI that most interest the driving public.

Over the next two years, 55% of all drivers surveyed (79% of millennials) say they are likely to buy a new or pre-owned vehicle equipped with new technology features.

It isn't just a millennial thing!

The survey shows that consumers of all ages are embracing new driving technology and its applications. Age matters, but not as much as you might think.

Figure 1. Consumer interest in buying a car with new technology*

	Millennials (1981 – 1992)	Generation X (1965 – 1980)	Baby boomers (1946 – 1964)	Older generations (1920 – 1945)
Likely	79%	66%	42%	36%
Neutral	12%	17%	19%	19%
Unlikely	9%	17%	39%	45%

*Wi-Fi, vehicle maintenance alert system, vehicle theft tracking, built-in entertainment system, automated emergency roadside assistance, driver coaching tools such as speed alerts, Apple/Android compatibility, assisted driving features or self-driving capabilities

Nearly half of millennials (those born after 1980), and 23% of all respondents, already drive cars that connect to the Internet, either through an in-car or self-installed system. And over the next two years, 55% of all drivers surveyed (79% of millennials) say they are likely to buy a new or pre-owned vehicle equipped with new technology features (Figure 1). When those drivers were asked to rank the technology services with the strongest appeal, 58% of respondents placed vehicle maintenance alert systems in their top three, followed by 55% who did the same for assisted driving features. There was then a bit of a drop-off to the 38% and 37%, respectively, who selected automated emergency roadside assistance and Wi-Fi access. Notably, interest in self-driving capabilities was the lowest of all the available options.

Figure 2. **Top-ranked technologies by age group**

	Millennials (1981 – 1992)	Generation X (1965 – 1980)	Baby boomers (1946 – 1964)	Older generations (1920 – 1945)
Vehicle maintenance alerts	#1	#1	#1 (tied)	#1
Assisted driving features	#2	#2	#1 (tied)	#2
Automated roadside assistance	#4	#3	#3	#3
Wi-Fi	#3	#4	#4	#5
Vehicle theft tracking	#5	#5	#5	#4

Furthermore, with the exception of older drivers (those born before 1945), there was very broad agreement on the top five feature rankings (*Figure 2*).

How nice is it to share?

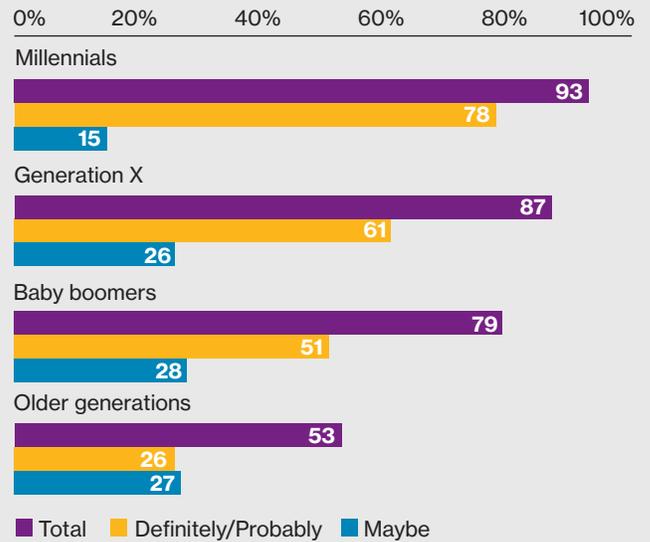
The key aspect of connected cars in relation to UBI is that they should enable policyholders to determine through a try-before-you-buy promotion or at the quote stage if a telematics policy will benefit them before they buy one. Carriers will benefit from being able to get earlier access to actual driving data in order to understand and price risk more precisely and also to offer the kind of digital customer experience to which consumers are becoming accustomed, without the cost and hassle of installing a dedicated telematics tracking device. But only if consumers are willing to share recent driving data (say from the past 30 to 90 days) to receive a personalized quote.

Encouragingly, 81% of respondents (93% of millennials) said they would be willing or open to sharing recent driving data, with broad acceptance of the various data transfer technologies (*Figure 3*). A similarly high number (84%) would be interested in or open to having a short trial to determine the discount they could get before buying a policy.

Attitudes toward UBI

Although willingness to share driving data is a prerequisite, consumers also have to buy into the principle of the cost of their auto insurance being determined by how they drive. According to the survey, resistance to that idea is very low, with only 7% of respondents disagreeing with the premise that UBI is a better way to calculate premiums than traditional methods. The driving-related activities that most people

Figure 3. **Willingness of different age groups to share recent driving data for personalized insurance quotes**



consider deserving of discounts are careful driving, low mileage, reduced speed and avoiding distractions (such as use of apps other than navigation).

Nonetheless, familiarity with telematics-based policies remains patchy, with only about a quarter of all respondents (rising to 38% among millennials) saying they are reasonably familiar with what they offer.

Thirteen percent of respondents said they currently have or have had a telematics policy, which tallies with overall estimates of U.S. market penetration. Of these, over 80% (over 90% of millennials) characterized their experience of such

policies as very or somewhat positive. Furthermore, within this subset of people, 76% agreed the policy had changed the way they drive, while 82% welcomed receiving tips about how to improve driving (Figure 4).

Also worth noting, of the 76% of people who said they haven't been or don't recall being offered a telematics policy, only 16% said they would probably or definitely rule one out.

However, important decision-making considerations for all drivers in the survey include the possibility that their premiums might increase (50%); concerns that premiums could fluctuate from year to year, making budgeting more difficult (38%); and how insurers might share data (38%). Millennials who were on the fence about whether they would be interested in a telematics policy were particularly likely to be swayed by a guarantee that their premium wouldn't increase, although it was also a significant factor for all other age groups. But at the same time, millennials also attach the most value to the additional features that could be available with a telematics policy. Nearly half said they would be willing to pay at least \$7.50 per month to receive them, compared to less than 20% of baby boomers (those born between 1946 and 1964).

UBI options

Of the additional features commonly available with UBI policies, the three most valued by all drivers in the survey were automated emergency callout (45%), theft tracking (38%) and breakdown notification (35%). The opportunity to earn rewards, such as gift cards and vouchers, also appealed to over a third of respondents.

Only 7% of respondents disagreed with the premise that UBI is a better way to calculate premiums than traditional methods.

One interesting anomaly is that only 18% cited distracted driving prevention in the top three additional features they would value the most, whereas two-thirds agreed it could be a very or somewhat attractive option in general. The conclusion therefore is that they want other drivers' distracted behaviors monitored, but not necessarily their own.

Parents comprise one group that falls into this category: 97% value being able to prevent their children from texting while driving, while 94% value being able to monitor their children's phone usage while driving. Nearly all parents also value options that would notify them and emergency services if their child were in an accident.

Next-generation UBI

The survey demonstrates that the idea that technology can be used to understand driving habits, make auto insurance premiums fairer and give individuals greater control over insurance costs has gained significant traction among U.S. drivers. There is also wide appreciation of the potential broader benefits to society (Figure 5).

Figure 4. How drivers who've had a positive experience with UBI describe that experience

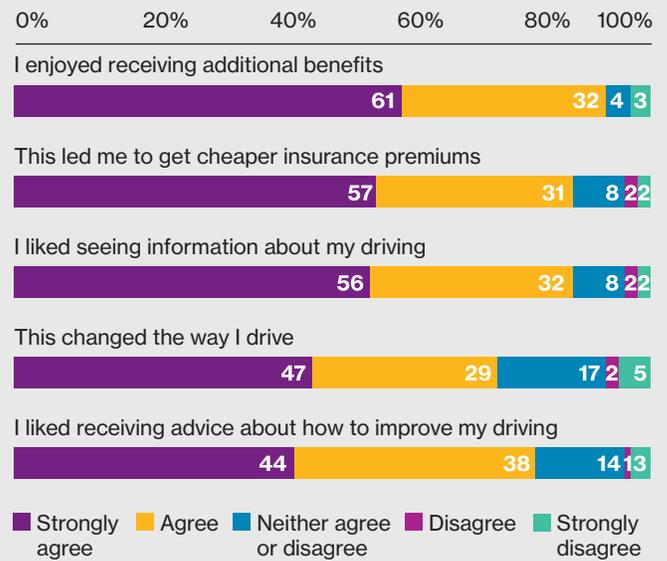
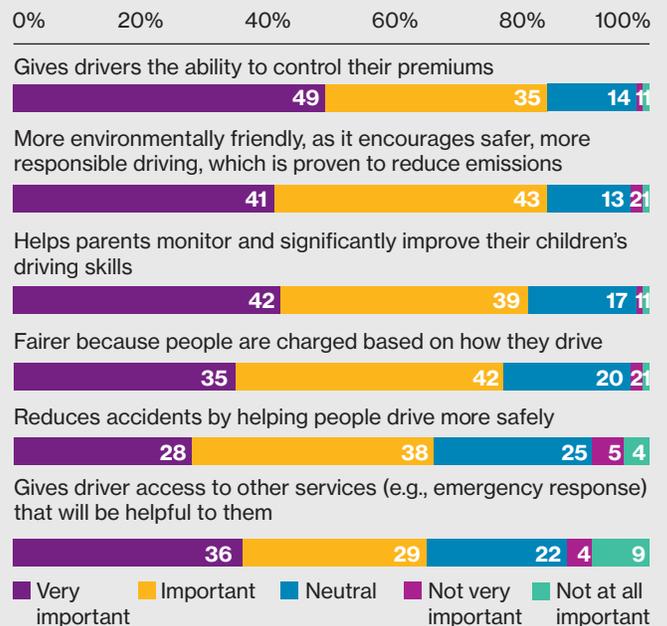


Figure 5. What drivers think are the most important aspects of being able to monitor driving behavior



Not everyone wants or will want a UBI policy. Nevertheless, the large majority of the roughly 10% of U.S. drivers who have, or have had, one to date are very positive about the benefits. But the fact that new technologies mean many consumers will have to do little else but agree to share their data to obtain one, while the cost to carriers of offering monitored cover will fall, should up the pace of market expansion.

The more that consumers buy connected cars and related in-car technologies, the more this is likely to become a reality. And many consumers, particularly among the younger generations, are leaning in that direction, with exciting prospects for U.S. UBI carriers that can find the right balance between cost, premium stability, rewards and range of benefits.

About the survey

Willis Towers Watson carried out a web-based survey of 1,005 U.S. drivers ranging in age from 18 to 65-plus during February 2017.

Further information

For more information about survey results or to discuss the findings and our observations, contact:

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