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SYMPOSIUM ON MILEAGE-BASED USER FEES: TECHNOLOGY WORKSHOP

Session 3: Nexus of Road User Fees and In-Vehicle Technologies

Speaker 1: Dave Huber, Kairos Solutions

“Insurance Telematics”

As President of Kairos Solutions, an insurance telematics consulting company, Huber explored what relevance automobile insurance has to the MBUF conversation.

Eight of the top 10 insurers have usage-based insurance (UBI) programs in the field; 26 states have more than four programs available. Of the 250 million passenger automobiles in the U.S., 1-2 million are participating in UBI programs.

Insurance companies use telematics solely as a means to gain the most predictive data about drivers: how, when and where they drive, which is more predictive than all the traditional data (gender, age, driving records, credit history, etc.).

The expenses for UBI are known: hardware devices, data transmission, and discounts from traditional plans. The benefits are less obvious, and so many insurers are still piloting the concept to see if the benefits outweigh the costs.

UBI programs differ from insurer to insurer. The dominant UBI program is Progressive’s Snapshot program. Progressive installs a device for a period of 90 days and collects data, from which rates are set. State Farm offers a menu of value-added services which require a data logger installed for as long as the service is desired. Telematics available in factory-installed systems such as OnStar and Ford Sync can also provide data – including mileage – to insurers for rating purposes. Because of these differences in how UBI programs are administered, not all platforms will support MBUF implementation.

Consumer telematics and specifically telematics for auto insurance purposes will continue to evolve. In the future, consumers will likely be able to purchase an OBD device from a retailer to collect telematics, calculate a driving score (much like a credit score), and then shop that score around for the best car insurance rates.

Similarities exist between UBI and MBUF, including the need for transparency, simplicity, privacy and choice. But there will always be market competition among insurers offering a variety of telematics and value-added services alongside non-UBI options. For this reason, it is unlikely that one UBI platform will ever be adopted or that UBI will ever be mandated. For this reason, UBI will not likely be the primary means by which MBUF is implemented.