

Usage Based Insurance – The future (and the present) of Motor Insurance in Asia

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26 May 2016 – Singapore



8th SAS General Insurance Conference

Data, Data Everywhere

26th 27th May 2016

Resorts World Sentosa

Agenda

What is UBI

Benefits and Challenges of UBI program

Development of UBI in Asia

Case Study

Success Factors of UBI program

Discussion



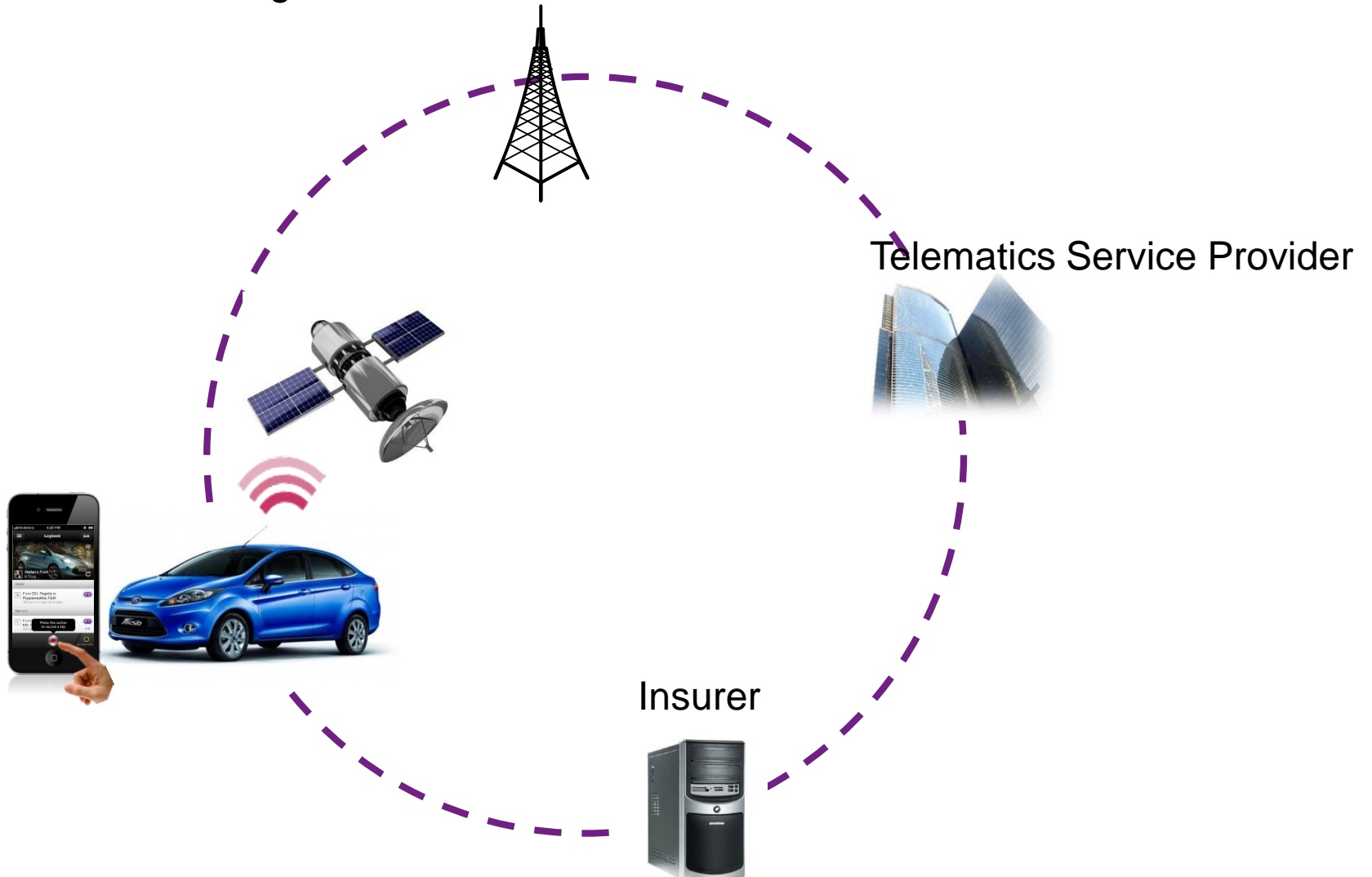
What is UBI?

- The term UBI or Telematics based insurance - Broadly speaking, how can insurers utilize telematics technology and the data captured to enhance their business?
- It is not about offering a device or smartphone app to the insured. That is the technology enabling the insurer to offer value to its customers



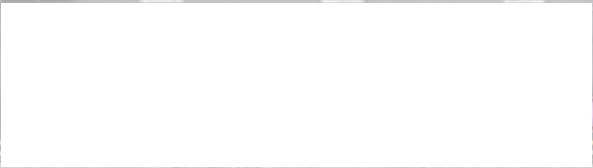
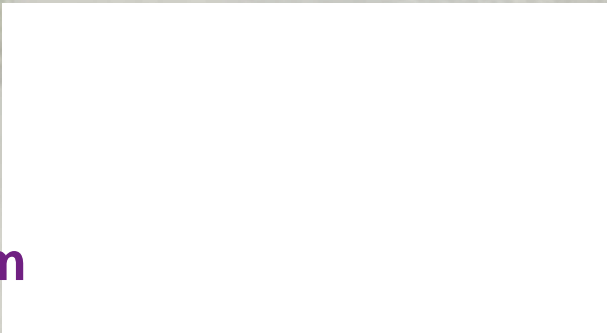
Data Transmission

How does the data get sent?

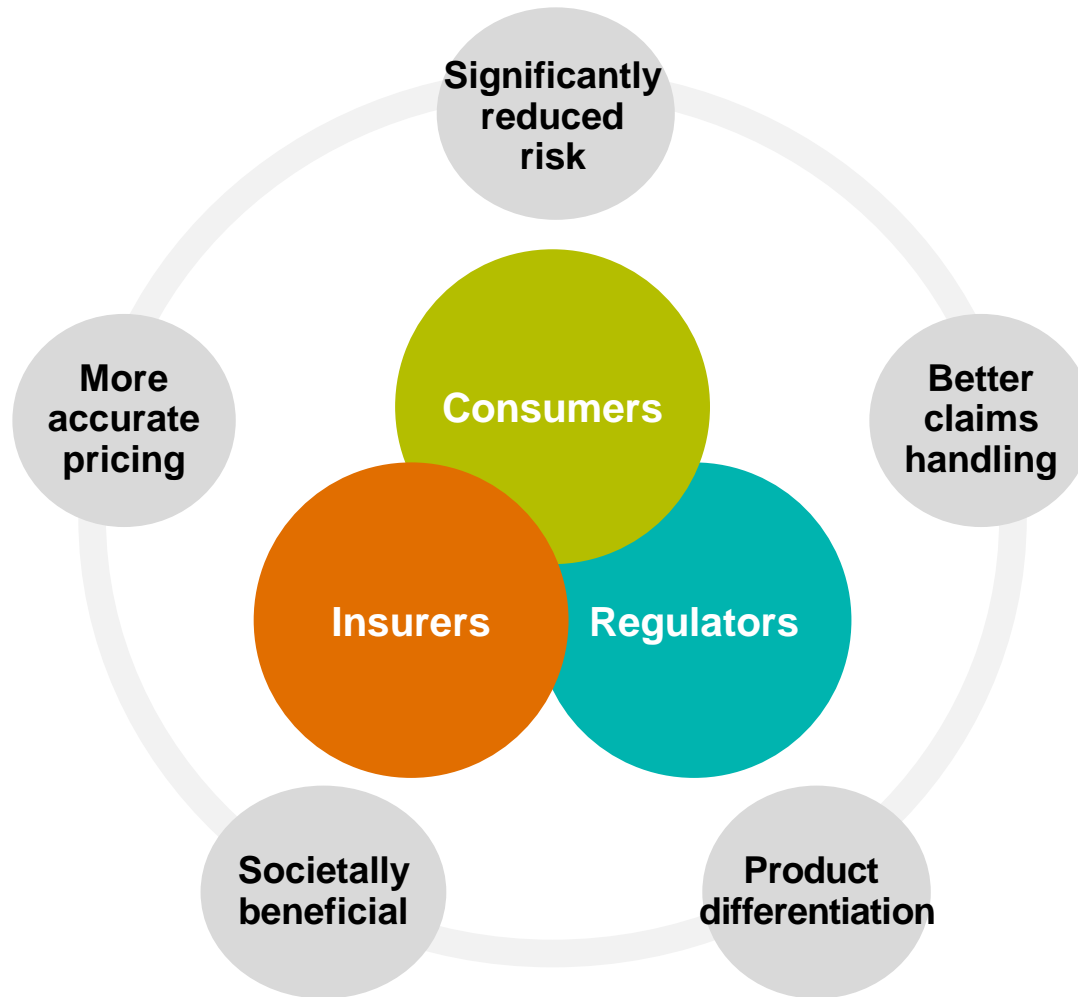


Benefits and Challenges of UBI program

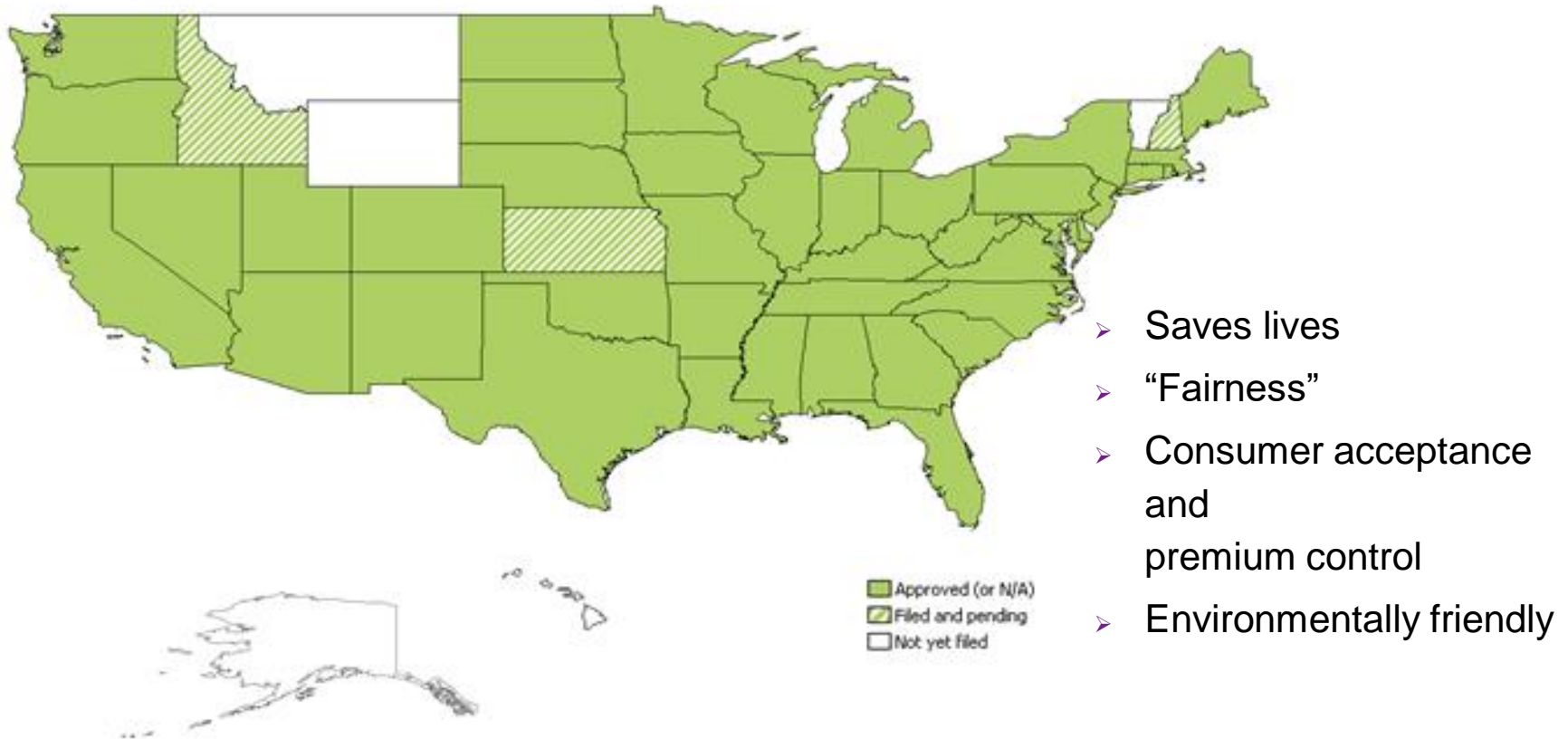
All stakeholders



UBI Everybody wins



Widespread acceptance by U.S. regulators



Willis Towers Watson RSO Status (a/o December 2015)

Over 40 states have at least 10 programs showing widespread acceptance

How Will This Impact Companies?

Benefits

- Step change in pricing accuracy
- Product differentiation and brand awareness
- Reduced loss costs
- Improved consumer satisfaction and retention
- Access to broader range of prospects
- Better info during the initial underwriting process
- Embedded technology makes on-boarding easier
- Greater potential to improve driving behaviors

How Will Consumers Benefit?

- Consumers, especially younger ones, are comfortable providing information **in exchange for something of value**:
 - Charged “fairer” premium for UBI or traditional policies
 - A broader range of insurance choices with clear price comparisons
 - Access to a portable driving score before agreeing to a policy
- Likely more comfortable being tracked by telecoms, OEMs, etc., that give them side benefits

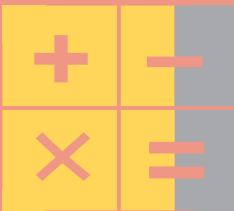


Population Statistics

25% Millennials

16% Digital Natives

24% Baby Boomers



Millennials are enthusiastic because they're believers:

72% think UBI offers a better way to calculate premiums

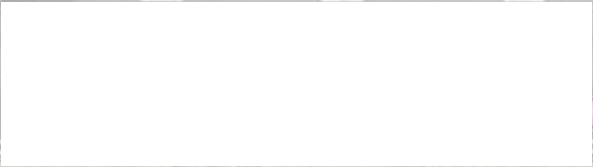
90% is willing to try UBI

Barriers to UBI policy adoption

- Business case
 - Cost of viable enabling technology given average premium
- Consumer proposition
 - Faffing around with devices
 - Concern over
 - Data privacy
 - Claims being denied
 - Frequent premium changes
 - Reliability and safety of devices
 - Portability of data / score
 - Development and acceptance of value-added services
 - Overall consumer motivation - "can I be bothered?"



Development of UBI in Asia



Insurers are realizing the UBI benefits and launching rapidly

U.S. and Canada

Significant UBI penetration and established programs

Europe

Many business models. Design varies significantly by country

Asia

Active development and pilots by many major insurers (particularly China)

South America

Companies beginning to develop UBI

Africa

Wide use in South Africa where telematics sensors prevalent due to theft

Australia

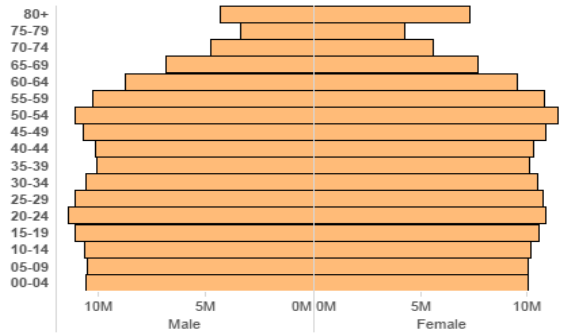
Increasing activity and launch by a few insurers

Large potential customer segment to embrace UBI

Population Dynamics by Country and Group 2014

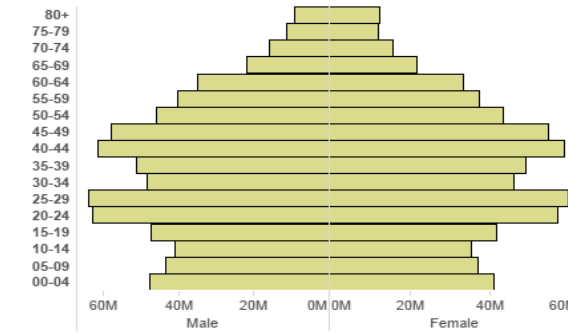
Select a country / group :

Population pyramids



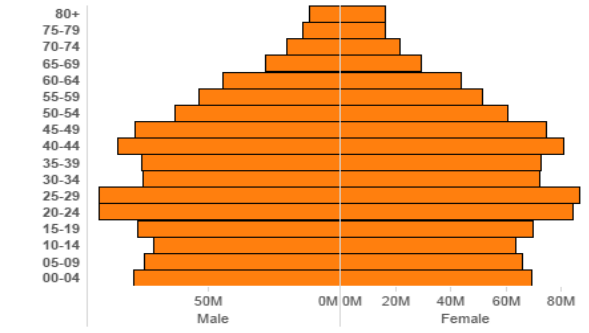
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Population pyramids



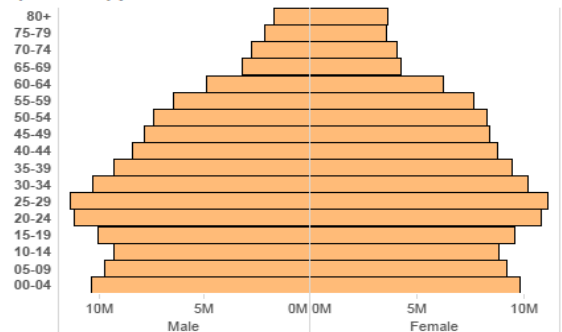
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Population pyramids



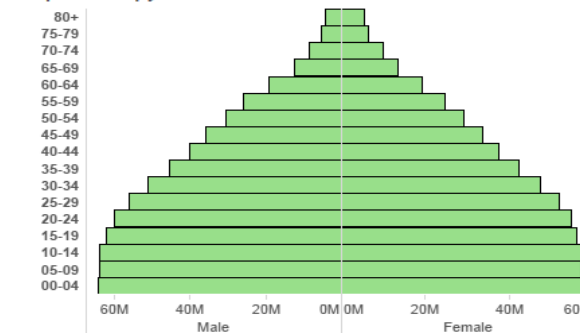
Select a country / group :

Population pyramids



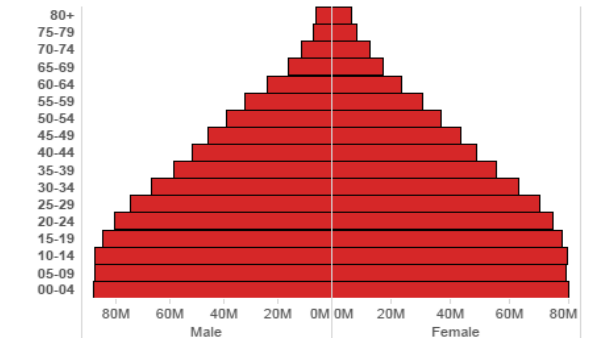
Select a country / group :

Population pyramids



Select a country / group :

Population pyramids

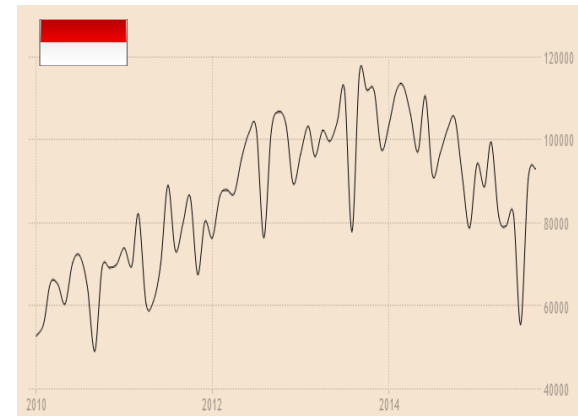
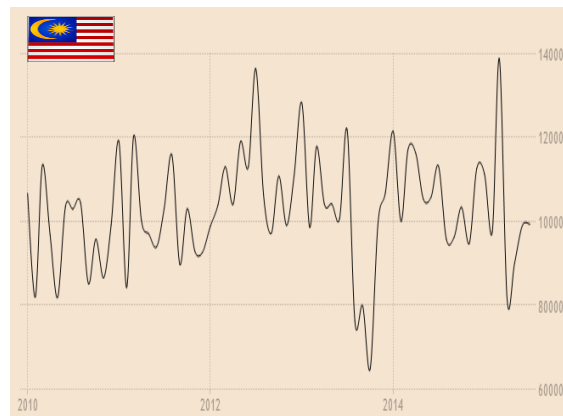
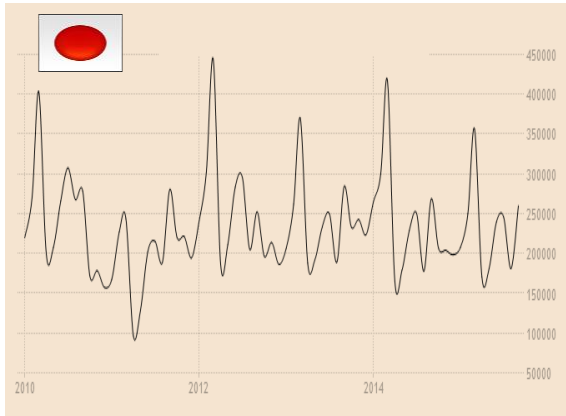
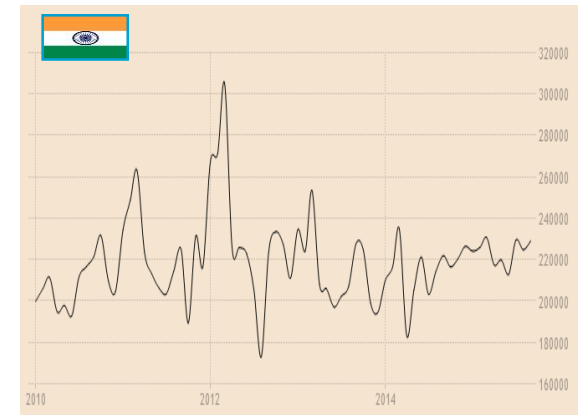
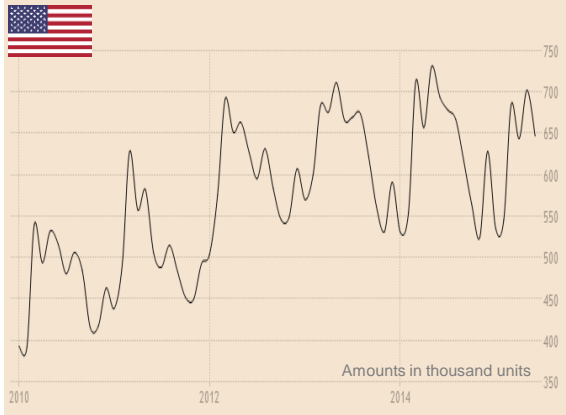


Source: The World Bank

In China and India only, 10x Millennials than USA...

...more and more “smart-cars”

New Passenger Car Registrations (2010 - Jul 2015)

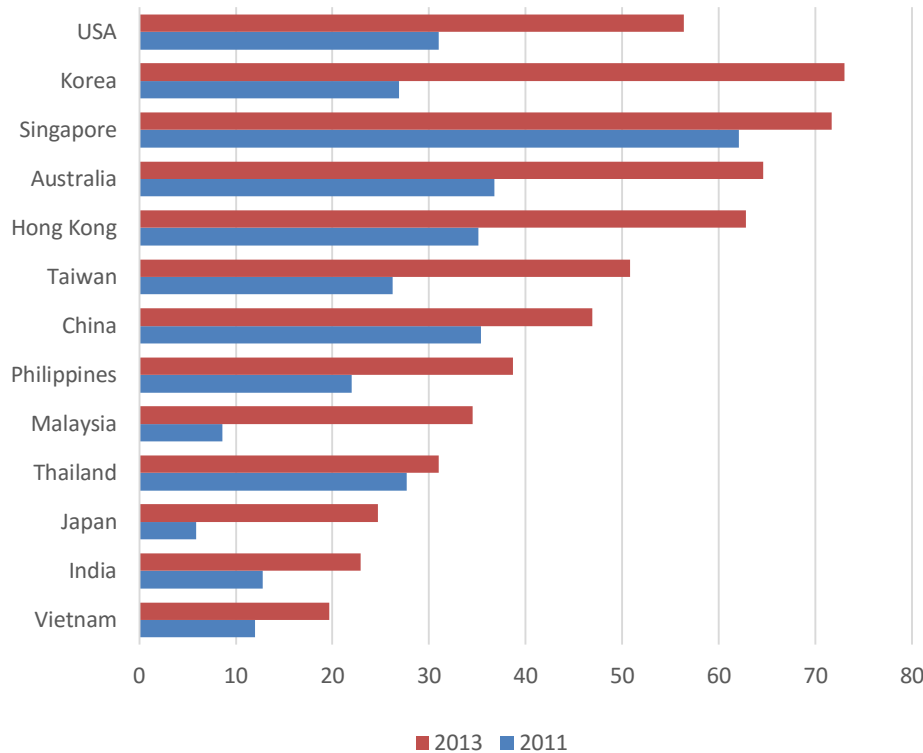


Source: Trading economics

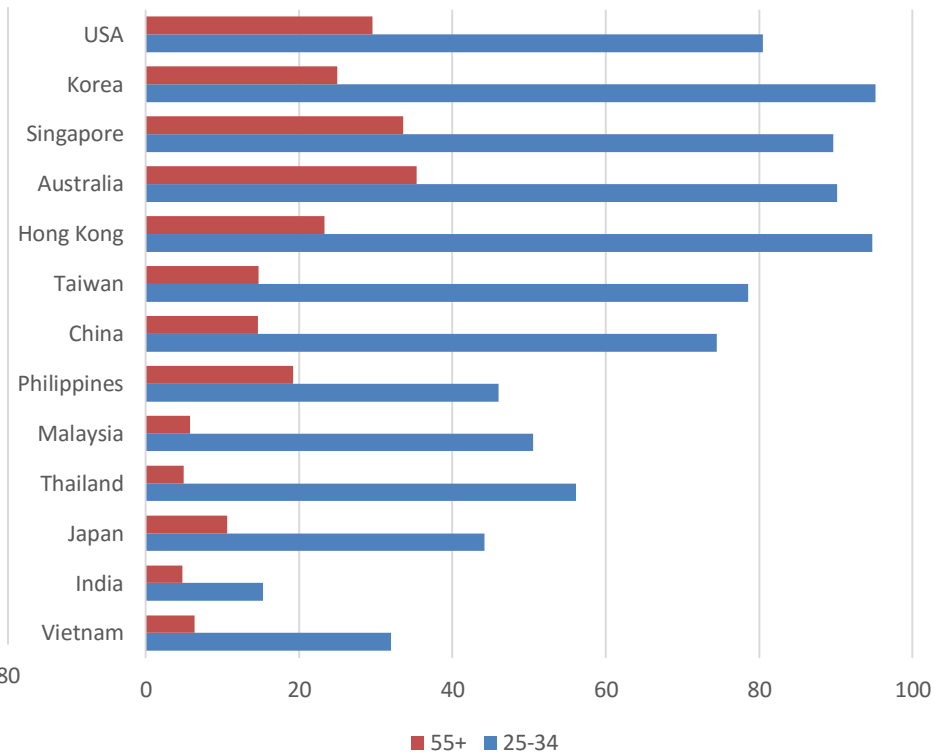
In China and India only, 3x new car registrations than USA...

...more tech-savvy consumers

Smartphone penetration



Smartphone penetration 2013 - by age segment



Share of new Smart Phones handsets sales in Q2 2015

- India – 45%
- China – 90%

Percentage base: Total population
Sources: Our Mobile, We are social Singapore

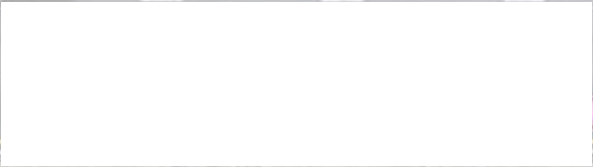
...so, will Asia leapfrog USA/Europe with UBI implementation?

- Insurance market liberalisation
- Huge potential market-segment
- More and more “smart” vehicles
- Higher technology penetration

- ...is it enough?
 - Scalable solution
 - Value added customer proposition
 - Consumers and regulators acceptance

- Forward looking companies and first movers may seize the opportunity...

Case Study



All Stakeholders are actively searching for opportunities



Insurers

Many insurers have started pilots in different ways, exploring product forms, building up processes and systems, learning about new technologies and devices, and collecting and analyzing customer feedback.



Telematics Service Provider

Manufacturers are actively selling their telematics services to insurance industry. Some of these manufacturers have possessed basic **UBI technologies** and **channel resources**.



BAT

Baidu, Alibaba, and Tencent are actively exploring the value of telematics platform through their rich **customer platform resources**.



Telecommunication

The top mobile carriers in China are aiming to become the value pivots in the supply chain of telematics.



Auto Manufacturer

Actively developing **Connected Cars** to be the core suppliers for UBI data and services.



There is no dominant party in the domestic telematics market

Tencent: LuBao



January 2014

- **January 2014** APP offers all-around travel services, including: driving behavior evaluation; fuel consumption assessment; smart route planning basing on real time road situation in order to avoid road congestion, traffic enforcement and traffic control; fuel-efficient route recommendation; and free voice navigation

- **May 2014** Lubao 2.0 and Lubao box help users to conduct security check on their vehicles

- Lubao APP, together with Lubao box, could implement functions such as smart instantaneous fuel consumption analysis, fuel cost calculation, historical travel cost analysis, vehicle fault detection, etc.

PICC P&C, China Grand Auto, and Autonet: JiaBao



October 2014

- If customers purchase their vehicles through China Grand Auto and choose to insure with PICC P&C, they would get an Autonet JiaBao box for free.
- Under the credit program of JiaBao box, vehicle owners can redeem 4S store's gas card and vehicle maintenance fee, and the data and service fee for the next year.
- PICC P&C will provide every high-quality client selected by JiaBao box with insurance premium rebate of 20-100 RMB per year.

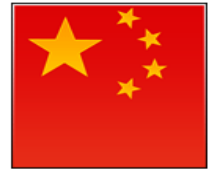
Ping An, Baidu, and Launch Tech: go



January 2015

- Clients who have successfully reserved and purchased Ping An insurance through Baidu Map will be given a 1-year right to use go (Baidu Map version) for free and a free 60MB data per month.
- Except for navigation and radar detector services, go can also provide all-in-one services which combine vehicle insurance purchase, roadside service, and claim investigation.
- Ping An, together with Baidu, awards safe-driving vehicle owners with credits. Vehicle owners with good driving behavior will be given matching Baidu credits, which can redeem prizes.

“Wool out of Pig”



只需安全开车 天天有收益

车宝会评估您每次驾驶安全性
根据安全性高低，您会
获得不同金额收益

(激活车宝即有收益，无需充值，购买车险等限制条件)

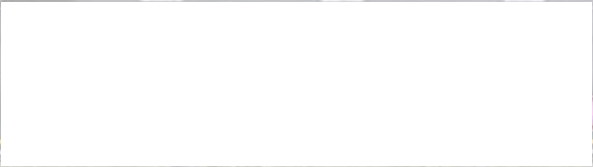


收益可抵 车险保费

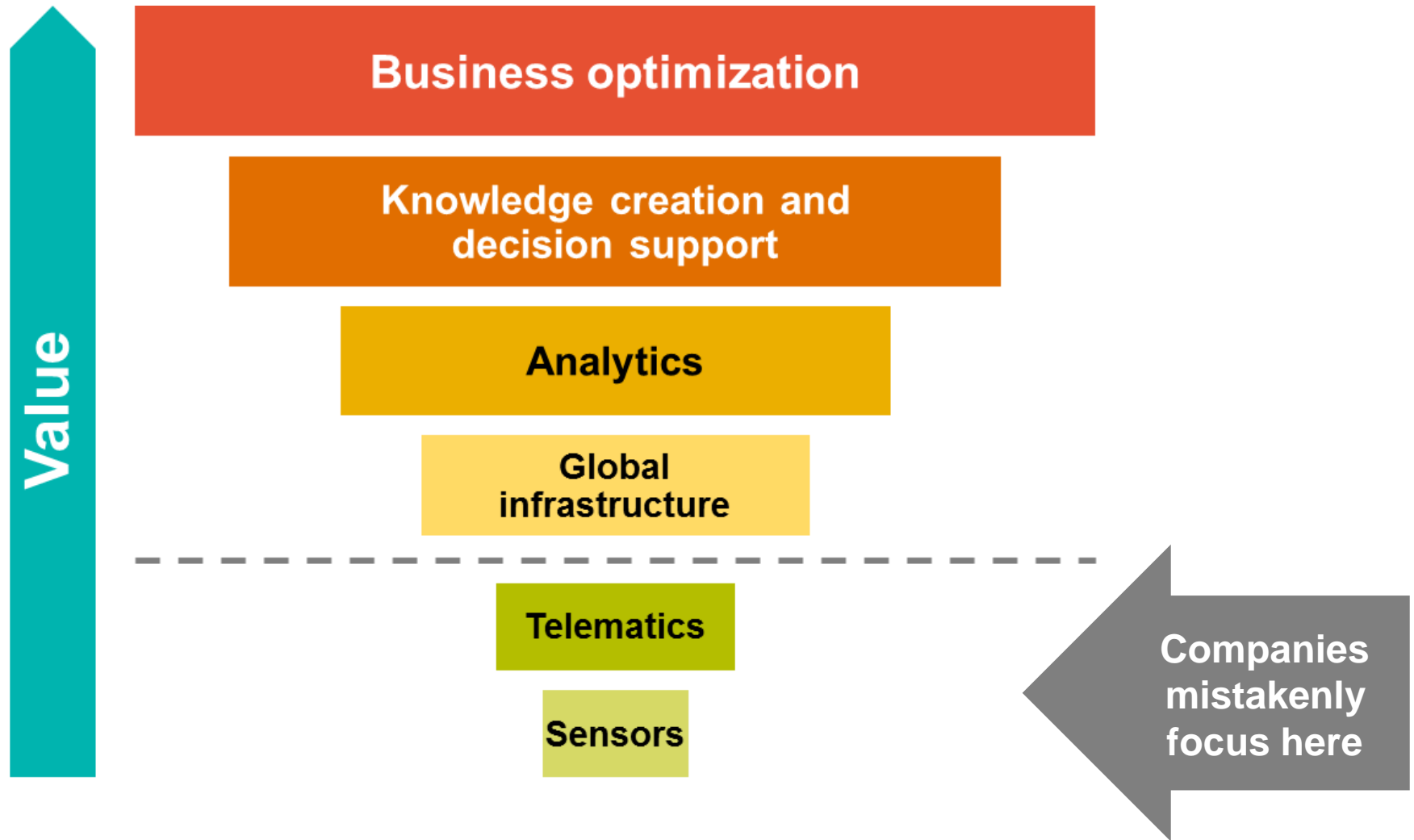
33家保险公司通用
最高可抵69%

- CheBao includes: CheBao UBI driving award service, CheBao No. 1 OBD, CheBao APP, and Chebao big data cloud platform.
- Through collecting and analyzing driving data, CheBao assesses a vehicle owner's driving behavior, converts the daily driving behavior to earnings, and these earnings may be used as a direct deduction from the premiums charged by many Chinese and foreign vehicle insurance companies.

Success Factors of UBI program



Focus on the “right” part of the value pyramid



Proliferation of options leads to “widget paralysis”



And, technology changes fast so “today’s device” may not be tomorrow’s



What does success look like...



What should you do?

Companies should act now...

- ✓ Implement a UBI product, learn and optimise
- ✓ Implement a scalable and flexible technology solution
- ✓ Collect granular data to maximize flexibility in the future
- ✓ Study the interaction of telematics data with existing rating plans
- ✓ Follow market developments with emerging technology and data sources

Thank you!

Any questions, please contact:

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