Connected-car data is a barely tapped resource that grows every second. But like most raw materials, it needs refining to make it useful. For insurers, this means preparing data to fuel the models that underpin usage-based insurance (UBI) programs.

The National Association of Insurance Commissioners (NAIC) projects that the percentage of new cars for sale in the United States with embedded telematics will reach 80 percent by the end of 2018. According to Statista, connected cars are projected to increase from 4 million in 2014 to 32 million in 2020.

In short, the market is primed with connected cars and eligible consumers, while growing numbers of insurers are pursuing UBI programs, if they’re not already well entrenched. That universe continues to expand, and with it the penetration of UBI in the U.S. auto insurance market. One insurer operates a UBI program big enough to be ranked among the largest personal auto insurers.

For insurers that are still developing their UBI programs, or just beginning to consider this market, the journey begins with usable data—and the Verisk Data Exchange™ has it. The exchange is the single hub for driving history powered by telematics data. (See Figure 1.)

**About Model-Ready Data**

Premium and loss information can be appended to data from the exchange, which is then validated, normalized, and anonymized. With this model-ready data, insurers can:

- validate existing data and models
- study new use cases and variables
- develop new scoring models and products
- isolate the “lift” of telematics from all other variables

For modeling purposes, Verisk can also perform the analysis or upload the data to a secure cloud environment where insurers can access servers, storage, databases, and application tools for their own research and development. (See Figure 2.) Overall, Model-Ready Data from the Verisk Data Exchange can strengthen underwriting, rating, and research.
Figure 1:

Telematics data provides clear segmentation of risk

Vehicles with the riskiest scores are **6 times more likely** to have claims than vehicles with the safest scores.

*Source:* 2018 Verisk Exchange Scoring Model Lift Study.

Figure 2:

Model-Ready Data: How It Works

- Data from insurer
  - VIN-based premium and loss info
- Verisk R&D platform
  - VIN-based driving data
- Data from Verisk and insurer combined
- VINs and PII removed
- AWS/Azure Anonymized Model-Ready Data
- Insurer’s:
  - Data scientists
  - Actuaries
  - Product managers

Vehicles with the riskiest scores are 6 times more likely to have claims than vehicles with the safest scores.

*Source:* 2018 Verisk Exchange Scoring Model Lift Study.