

AUTO INSURANCE REPORT

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Verisk Telematics Data Exchange Prepares for September Launch

Seven months after announcing the birth of a Telematics Data Exchange, Verisk and General Motors are now planning to launch by September 2016. The exchange will initially enable owners of 26 million General Motors vehicles that have connected capabilities to send information to a central source from which insurers can draw to make offers of usage-based insurance.

The goal is to eventually empower all automakers to have their cars report data directly to the exchange. What is more, the exchange should serve as a data repository for any vehicle data-reporting device, including devices plugged into a vehicle's on-board diagnostic (OBD) port, or a smartphone running software to track and reporting driving data.

For now, no other automakers have signed on to the exchange, preferring to see the initial performance, but Verisk, GM and many insurers are hoping other car brands will come along relatively quickly, perhaps as early as 2017. Also, as of this writing, no insurers have stated publicly that they will be drawing from the exchange, although we have confirmed that a number of large insurers are prepared to do so once the exchange is up and running.

It is important to realize that as much as other car makers might proclaim the wonders of their connected car offerings, General Motors and its OnStar connected car service are far in advance of the field as it relates to reporting data

to a third party. A senior executive from OnStar spoke to our 2007 Auto Insurance Report National Conference, soliciting partnerships with insurers. In the ensuing years, GM has worked to provide data, with its customers' permission, to a number of insurers, including State Farm, Progressive and Liberty Mutual. As successful as those programs have been, it was never practical for GM and OnStar to build a connection to hundreds of different auto insurers, thus the push for the exchange.

Speaking to our 2016 conference last month, Greg Ross, GM's director of Business Development and Alliances, Global Connected Customer Experience, said OnStar has 7 million paid customers. General Motors also has 23 million vehicles on the road in the U.S. capable of producing mileage remotely. These older cars cannot on their own report a full set of data for a UBI program, but they offer basic mileage and are prime candidates for third-party data collection tools.

Ross said GM has 3 million newer vehicles on the road today capable of producing event-based data suitable for current and future UBI programs. OnStar, now 20 years old, previously disconnected cars if a customer allowed the subscription to lapse. But Ross said GM believes so much in the importance of connectivity that even without an OnStar subscription, GM is paying to keep the cars connected for five years or longer if the customer agrees. So far, 98% of customers



have agreed to GM's proposal to stay connected. Thus, the number of cars available for participation in the exchange is no longer limited to On-Star customers, but to almost any GM customer with a car that has connection capabilities.

Presenting alongside Ross at the conference, Neil Spector, president of Underwriting Solutions at Verisk, said that by the end of the year the exchange will have full telematics data on 1.3 million GM cars, a number growing by 200,000 a month, plus mileage on another 4.5 million cars.

That's quite a head start. Even if Ford, Toyota and other automakers are fully committed to joining the exchange, we suspect it will take some time for their cars to start sending data to Verisk.

It will also take a while for other companies that have been collecting driving data on behalf of insurers to report to the exchange. Progressive, the 800-pound gorilla in the UBI business, is the least likely player to willingly surrender the enormous competitive advantage it has built over the years as the owner of much more driving data intelligence than any other source. Progressive's relationship with smartphone software developer TrueMotion is likely to keep TrueMotion out of the Verisk fold for a while.

Other examples abound. LexisNexis, which had hoped to win GM's support for its own telematics data exchange, will have a hard time deciding to send data from its own growing telematics business to a Verisk-hosted database. OctoTelematics, too, might see Verisk as too much of a competitor. Driveway Software already has a number of partners (working closely with Deloitte and others) and might not want one more.

But if the Verisk exchange succeeds and becomes the go-to source of driving data, everyone will eventually have to join in. It is just as well that the evolution of Verisk's Telematics Data Exchange won't happen overnight, because the size of the project is enormous. Verisk is well suited

to the task. Largely through its ISO subsidiary, the company has a long track record in managing "contributory" databases for the insurance industry. Verisk also has two analytics tools for usage-based insurance programs, one focused on behavior data that has been approved in more than 40 states, and one based on location data that has been approved in more than 30 states.

For several years we have argued that insurers and vendors will not be able to keep collected

It will take time for the Telematics Data Exchange to find its footing, but once established it will be hard to stay outside.

driving data to themselves, and now more than ever we are convinced the future of shared data is clear.

(Though happy we've been accurately predicting the arrival of shared data for some time, we must confess a dismal lack of skill in predicting its arrival date. At our 2015 conference, one of our "Twenty Trends" proclaimed "Driving Data Clearinghouse/Bureau Inevitable, But Still Far Off." Unless "far off" meant 12 to 15 months, we were right on concept, wrong on timing, which is a regrettable pattern of ours.)

Right now, insurers in the usage-based insurance game, including Progressive, Allstate, State Farm and more, collect data from their customers and keep it to themselves. If you want to shop around for a UBI product from another insurer, you need to start from scratch, installing that insurer's device, sharing your driving with them, and waiting for the discounts to appear, or not.

In other words, if you are enjoying a Progressive Snapshot discount, there is no way to know if Allstate will give you a better rate without a great deal of time and trouble.

This has worked fine for the early days of UBI, but we have always seen it as an untenable long-term position. Consumers, and ultimately

their elected representatives and insurance regulators, will demand that consumers have some control of that data, that there be transparency and portability. Insurers will not be able to own driving data. It will be “owned” by the consumer, through a bureau, with shopping options.

We have always used credit information as an analogue, and though it is an imperfect comparison, the concepts are the same. There will need to be an independent repository of driving data, much like a credit bureau, to which all data collectors will report. The consumer can vet that data to ensure that it is accurate and can allow access to that data by other enterprises with which they want to transact business.

The data exchange will differ from a credit bureau in that consumers will have more control over making their data available. The only way to keep your credit information out of a credit bureau is to not have credit. Consumers generally must allow credit information to be reported to a bureau and shared in order to qualify for credit cards and home loans. In the Telematics Data Exchange, consumers can drive a car and buy insurance without sharing their driving data. If that changes – and anything is possible – it will be years in the future.

“To us it is the customers’ data, and we are custodians of it,” GM’s Ross said. “We are making a commitment to the customer that the data will only go where you want it to go.”

There will need to be privacy controls, rules on the longevity of the data, methodologies for correcting mistakes, etc., all along the lines of a credit bureau.

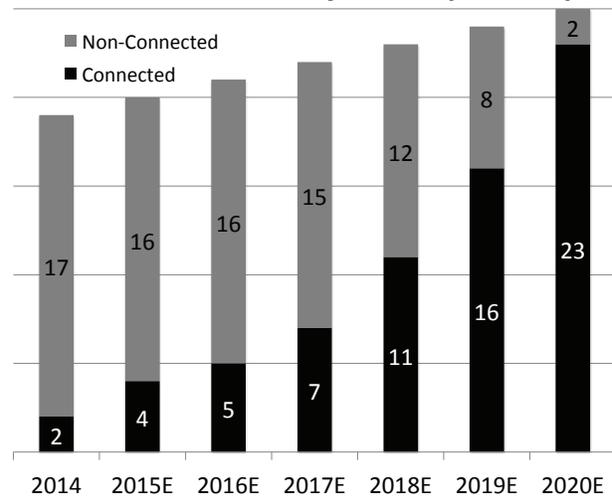
Verisk’s Spector said it was his hope that Verisk would do such a great job with its exchange that no other would need to emerge. We suspect that, as with credit bureaus, there is room for more than one exchange, and that insurers would be happy to see some competition. LexisNexis – which is also a leader in complex contributory databases, and has its own full-fledged UBI business complete with hardware, software, analytics

and data management – is a likely candidate to launch a competitor at some point in the future should the concept take hold.

One of the most important factors forcing the creation the exchange is the need to standardize reporting of data. Automakers cannot arrange to send data to each insurer or data vendor. Hundreds of connections simply won’t be manageable. An exchange needs to exist, if for no other reason than to enable each car maker to create one or two connections to a clearinghouse from which anyone working with driving data can draw.

In the early days of UBI this was not a big

**Connected Cars Are on the Rise:
North American
Connected Car Shipments (millions)**



Source: General Motors

factor, since automakers were not yet certain they wanted any part of sharing their information with insurers. There were reasonable fears that consumers would balk at the idea of a car maker sharing data with a third party. Indeed, consumers were upset just at the thought of the car maker harvesting driving data. When a Ford executive spilled the beans on what the company knew about how people drove, it sparked a two-day media kerfuffle that landed the editor of

Auto Insurance Report on the nightly news.

But the fuss quickly blew over, as often happens with consumer outrage over data privacy. Drivers accept that they're being tracked one way or another through the phones and cars, and they seem willing to trade their privacy for something in return.

In the case of insurers, it would be the hope for a safe driver discount. Though privacy concerns are hardly gone, there seems to be general consensus that eventually they will fade. Car makers are no longer fearful.

Part of this centralized reporting process will be the creation of basic standards for data transmission and storage. That doesn't mean everyone reporting to the exchange will need to do so in exactly the same format with exactly the same information. The exchange will start life having to accept different data sets from older GM cars, which have more limited capabilities; current GM cars, with far more expanded data collection; and future GM cars, which will certainly require flexibility to respond to new data sets and formats.

That experience will inform the work to accept data from other automakers and from other devices that are not built into the connected car. Some data sets will include only mileage, others will include vehicle behavior such as speed, others will include GPS coordinates and time of day, and all the way up to 100% of the data technology can deliver today.

For even more nuance, a sensor in one car or another car might measure the change in velocity slightly differently, no matter how hard automakers work to calibrate hardware and software to similar standards. The database will have to enable builders of computer models to fairly compare a driver of a GM car, a driver of a Ford car, the user of a LexisNexis device mixing a smartphone tethered to the car via Bluetooth, and the user of a purely smartphone device like one from Driveway or TrueMotion, plus the many other tools already in the market or developed in the future.

In case you haven't figured this out by now, it won't be easy. And we haven't even discussed the volume of data. Spector told the conference that one hour of driving can generate 30GB of data. Multiply that by 190 million vehicles driving an average of 300 million hours a year, and storing that for months or years, and you start talking about numbers that could eventually reach yottabytes (a real word).

To help address this challenge, Verisk is proposing that it host the private models of insurers and others, so it can transmit to insurers and other users the output of the models, rather than shipping yottabytes of data to each modeler. We're not sure the modelers will be in love with this idea, but the weight of the data challenge might change a few hearts and minds on this idea.

As with many advances in data availability, we believe the success of Verisk's Telematics Data Exchange will benefit small insurers more than large insurers. State Farm, Allstate, Progressive and their fellow market giants can all afford to develop programs, collect data and store it, work with modeling firms, cut deals with hardware vendors, and deliver the kind of marketing clout necessary to convince customers to give UBI a try. Small insurers can do almost none of these things on their own.

But with the exchange, there is certainty for the creation of third-party turnkey UBI solutions. Small insurers will simply sign on to a white-label program, put their brand on it and be on their way.

The large insurers will always enjoy an advantage in analytics, but the gap between the big and the small will shrink dramatically once the exchange is up and running. **AIR**

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