

Insurance customisation in the age of telematics

By Netstar

Silver linings are a rare commodity these days, but if there's one thing that Covid-19 has provided us, it's the opportunity to relook outdated business models and products.

Many of our insurance partners have approached us for advice on product innovation through the use of technology, with the aim of insurance customisation. In other words, the hyper-personalisation of insurance products.

Each client drives differently, so why are they being provided the same cover at similar premiums? The lockdown quickly laid bare the inadequacies in blanket insurance policies. How can we use the granular data provided by telematics and mould this into usable information that would benefit everyone in the insurance value chain?

The latest Netstar Connect Report showed a significant reduction in driving during the lockdown period, and with this a reduction in crime. An increase in crime accompanied an increase in movement. Our data, gathered from 300 000 vehicles, reflected a 71.8% drop in vehicle crime during the hard lockdown when all but essential workers were permitted to be on the roads.

The movement of privately owned vehicles almost came to a complete standstill. Insurance policies of yore quickly seemed outdated by circumstance. The obvious need to relook the insurance business model became glaringly obvious with last year's events, and this will only intensify as client behaviour continues to change.

Risk elements have also evolved. In adapting to these changes, insurers will have to customise their value proposition to clients while lowering the cost of delivering value. Those who don't will continue to feel the pressure on their balance sheet.

CLIENTS WANT TO PAY FOR COVER THAT IS RELEVANT TO THEIR NEEDS

The entire insurance ecosystem can benefit from the use of data. For example, if a client buys a vehicle through a dealership, that dealer has an interest in retaining the customer. Telematics can provide the dealer insights into how this vehicle is being driven, and the dealer can even identify if the vehicle needs to come in for a service before its original service date due to aggressive driving.

The insurer of the vehicle also has a vested interest in how the vehicle is being driven, along with detailed insights about the driver profile. All this is easily obtainable using telematics. Even the original equipment manufacturer stands to benefit. Vehicle diagnostics relaying information on engine performance, for example, provides parts manufacturers with insights they can use to better the driver experience in the long run. Financiers can also see when payments on the vehicle is coming to term and whether there is an opportunity to offer financial assistance for future purchases.

It must be stressed that the custodian of this data is the end-client, who decides what information to share with which stakeholder. Telematics should ultimately serve to enhance value, nothing else.

THE VALUE OF DATA

Telematics allows for the sharing of information wirelessly and offers insurers and clients the opportunity to:

- improve safety
- reduce risks
- boost fleet efficiency
- and enhance insurance effectiveness

The above is achieved by providing insurers insights into each policyholder's driving behaviour and vehicle usage. This includes information on the frequency of vehicle use, which has a bearing on the wear and tear of the vehicle, but also on the propensity of risk to the vehicle insured. Other risk factors, such as distance travelled and destination are also communicated, which is especially relevant to the insurance of fleet vehicles. This information, in combination with detailed data on driver behaviour and driver health, can give insurers the tools to create products that are tailored specifically for each client. By the end of 2021, it is expected that 30 billion Internet of Things (IoT) devices will be connected globally, with a \$15 billion spend on IoT by 2025. The richness and granularity of the data will push insurance customisation to new levels.

The mobility leaders of the future will be organisations that can apply data insights for the benefit of drivers, organisations, and society. The successful insurers will be those who can hyper-personalize and customize their offering to clients.