



# Consumers & Usage Based Insurance

2013 Consumer Research Results

A representative sample of auto insurance consumers were interviewed.



**Conducted March 2013**

**2,072 consumers**

**Age 21 to 74**

**Insured drivers**

**Policy decision makers**

LexisNexis commissioned Lynx Research, an independent consultant, to conduct the research.

LexisNexis was not identified as the sponsor.

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## Consumer Viewpoints Regarding UBI

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# What is Usage- Based Auto Insurance (UBI)?

## **Definition of UBI shared with consumers.**

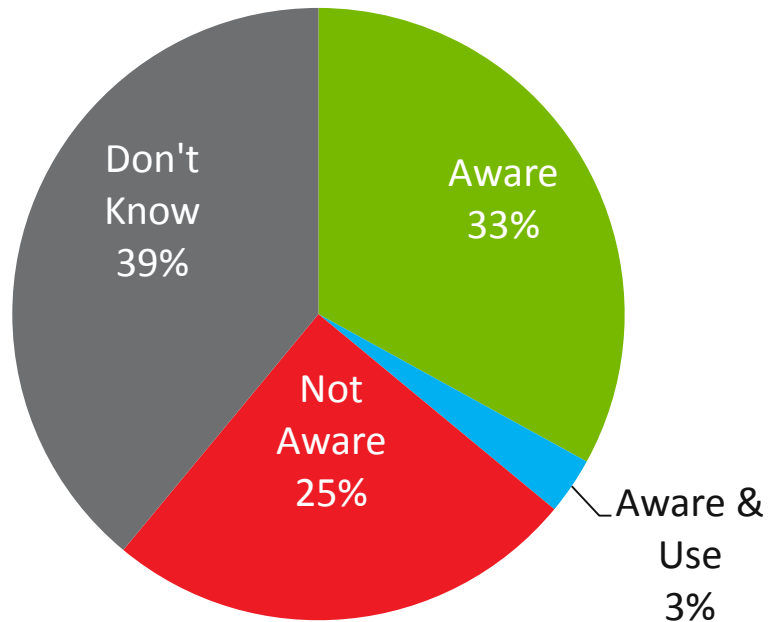
Usage Based Insurance (UBI) is an insurance program that allows you to share information about when, how much, and how your car is driven. This information is automatically collected and stored and is available for your insurance company to review in order to determine if you are eligible for discounts on your premiums.

Driving data is transmitted to the insurance company using an on-board telematic device. To participate in UBI, you plug this collection device in your car. This device will monitor driving behavior such as speed, time of day, and number of miles the car is driven and then transmit this information to the insurance company.

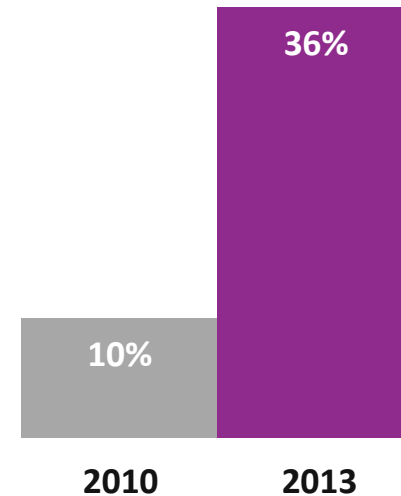
Insurance discounts are based on this transmitted information. You can also access your driving information through an easy-to-use web site that allows you to monitor your driving patterns and make needed adjustments in your driving behavior to improve your eligibility for discounted rates.

# Consumer knowledge of UBI has grown significantly, but it is still a relatively new concept for many consumers.

One in every three consumers are aware of UBI.



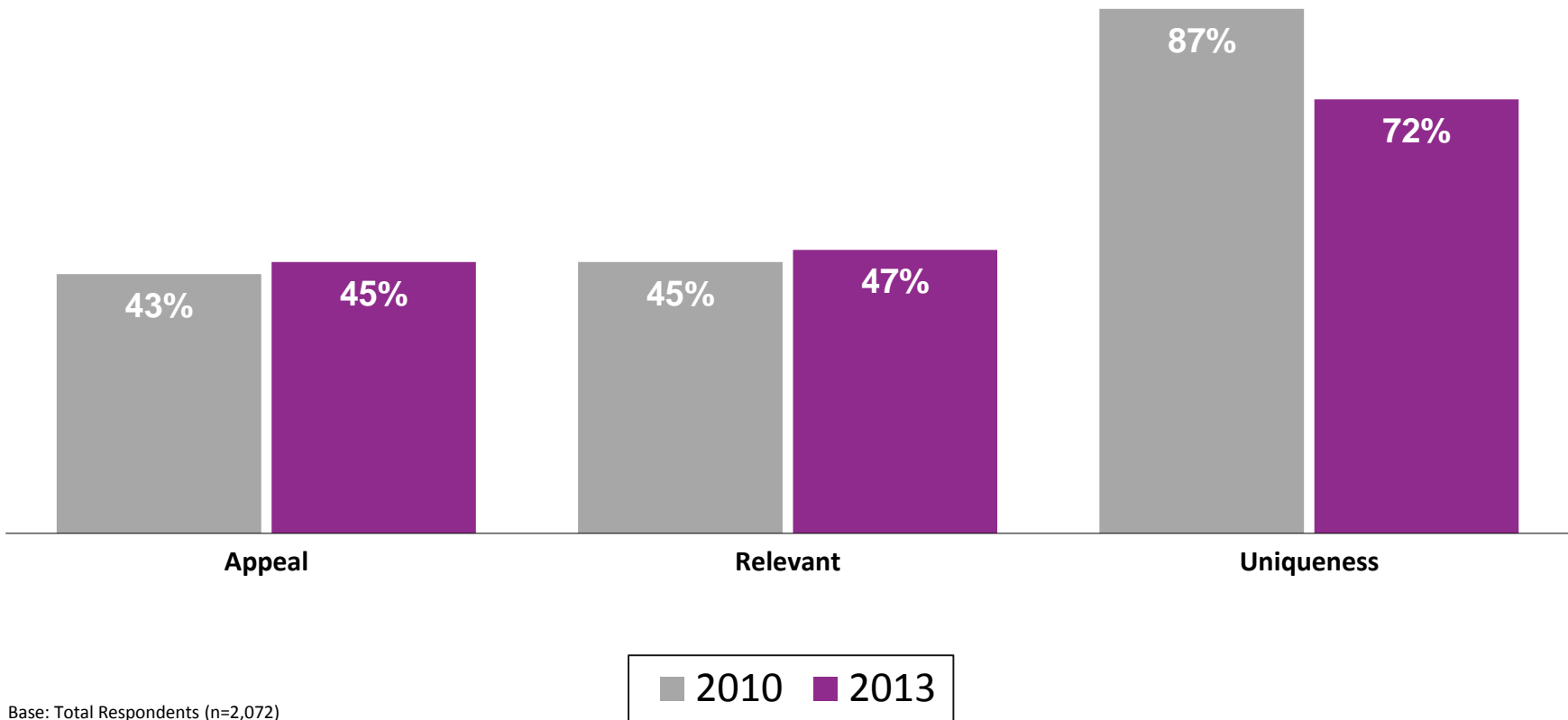
Awareness has more than tripled since 2010.



Consumers are most aware of Progressive (78%). Allstate (8%) and State Farm (6%) are also known.

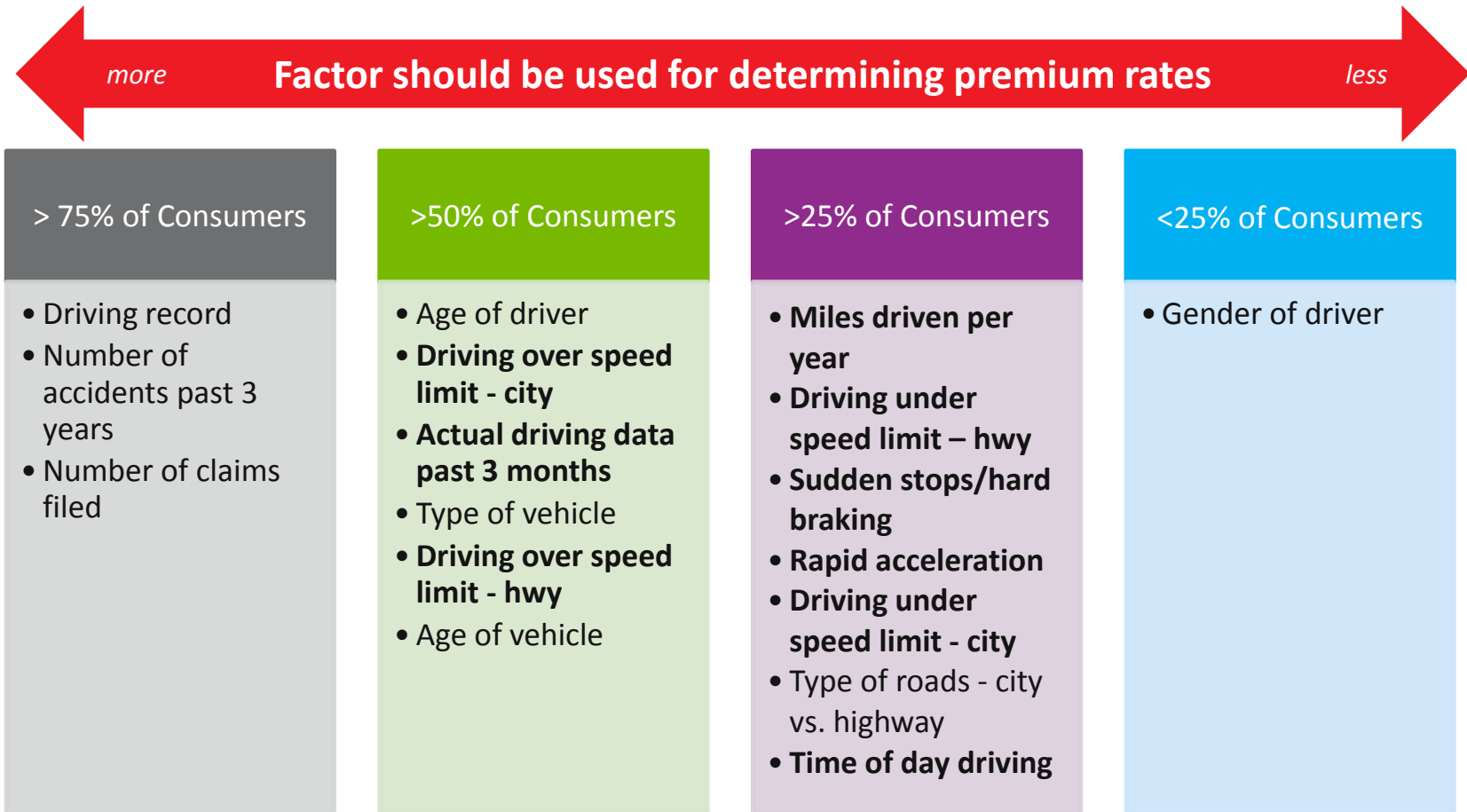
Base: Total Respondents (n=2,072)  
Base: Aware of UBI Programs (n=750)

Consumer appeal and relevance of a Basic UBI program have remained consistent over the past few years as UBI becomes more mainstream.



Base: Total Respondents (n=2,072)  
% 5,6,7 on a 7-pt Scale

Some consumer receptivity to actual driving data for rate determination is evident. However, consumers still lean toward the traditional factors.

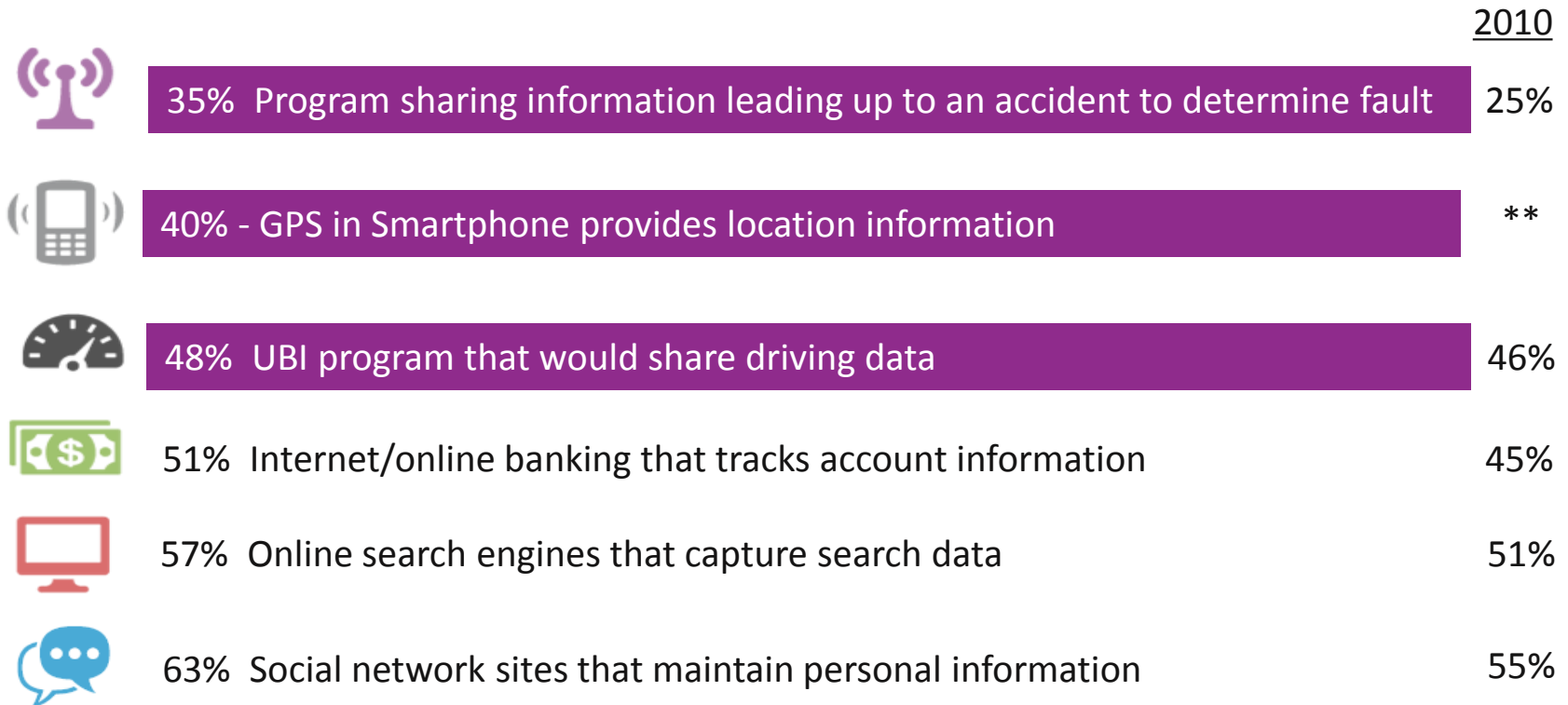


**Bold denotes data that could be collectible under an UBI Program**

Base: Total Respondents (n=2,072)  
% 5,6,7 on a 7-pt Scale Use Intent Scale

# Consumers have greater discomfort sharing personal information on social networking sites than UBI-related information.

## % of consumers “uncomfortable”



Consumers are less comfortable with information sharing than 3 years ago.

Base: Total Respondents (n=2,072)  
% 1,2,3 on a 7-pt Comfortable Scale



Consumers are beginning to view a UBI program as less difficult to use and are less concerned that a UBI program would give too much information.

**Similar in 2013**

Opportunity to Reduce Rates – 76%  
More Control over Rates - 63%

**Less Concerning in 2013**

Difficult to  
Use  
35%

(42% in 2010)

Gives too  
much  
information  
70%

(77% in 2010)

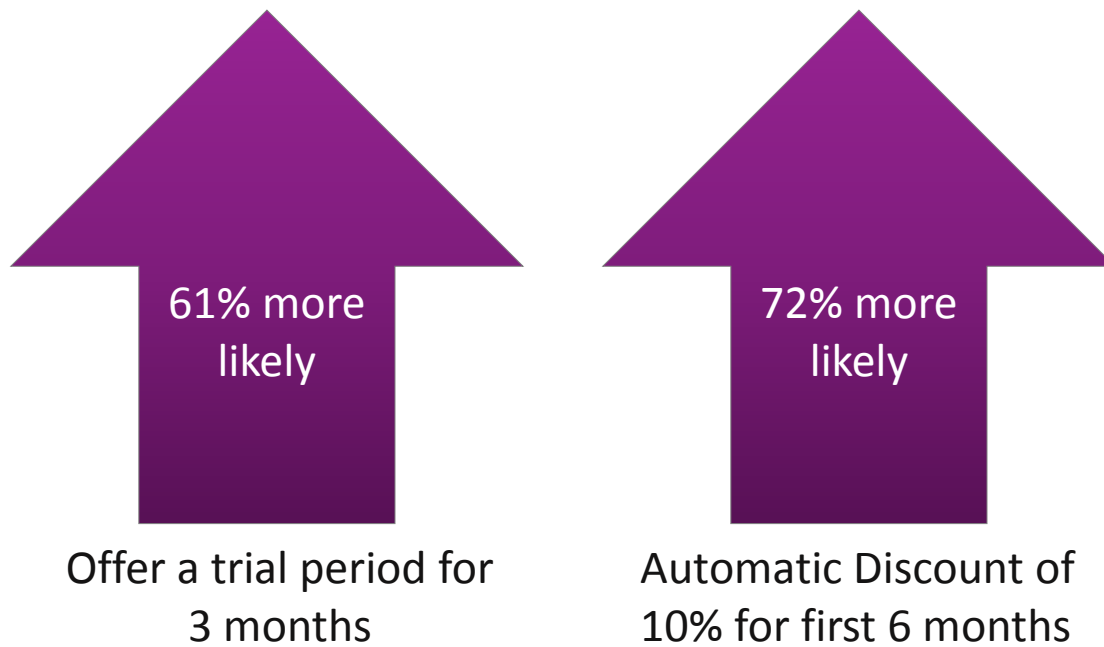
**Increased consumer acceptability for UBI**

Base: Total Respondents (n=2,072)  
% 5,6,7 on a 7-pt Agreement Scale

Offering a trial period and automatic premium discounts increases consumer likelihood to try UBI.



## Increased consumer acceptability for UBI

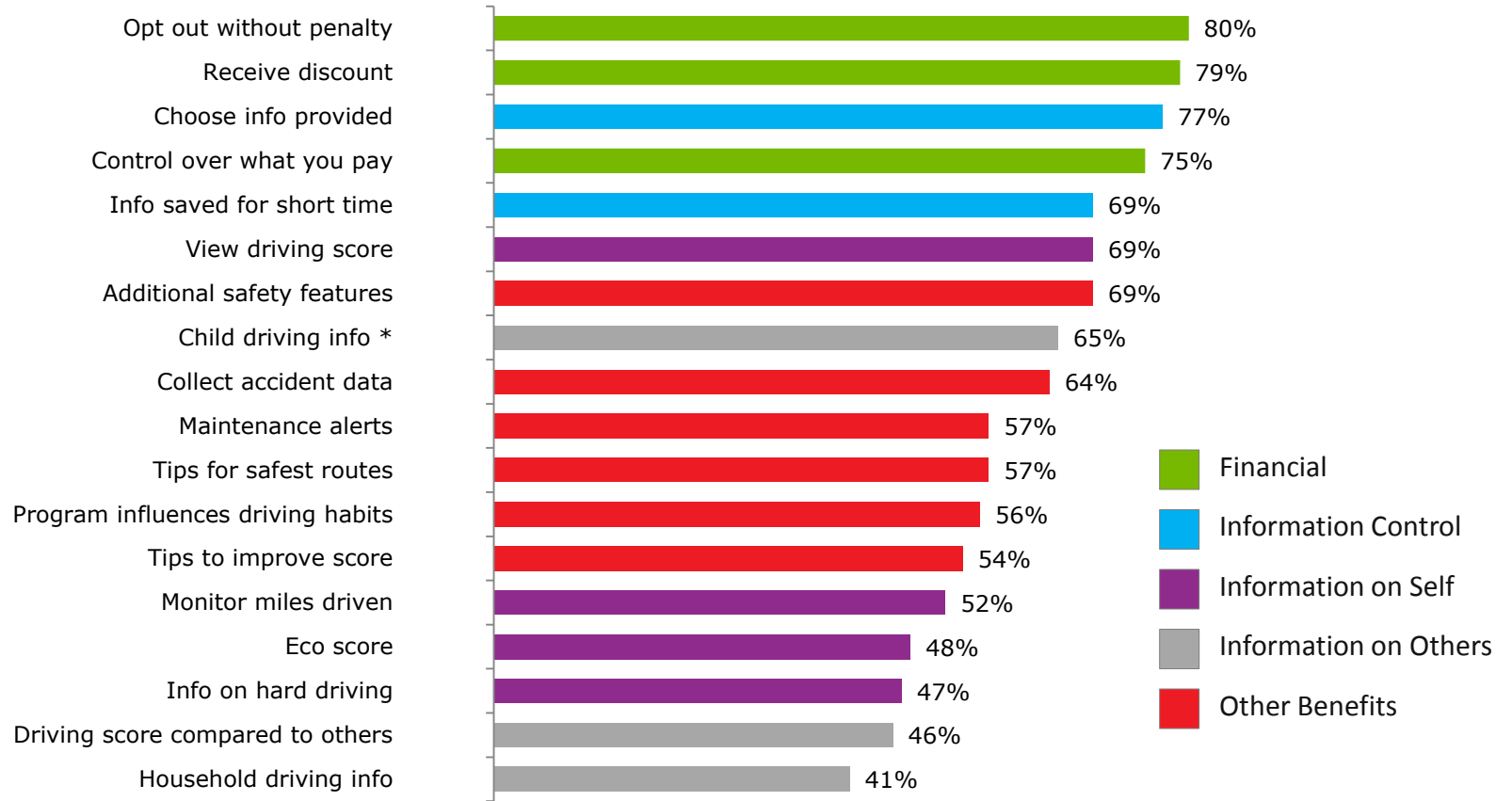


Base: Total Respondents (n=2,072)  
% Much More/Somewhat More Likely

Additionally, financial benefits and information control hold the largest potential to further encourage enrollment in UBI.



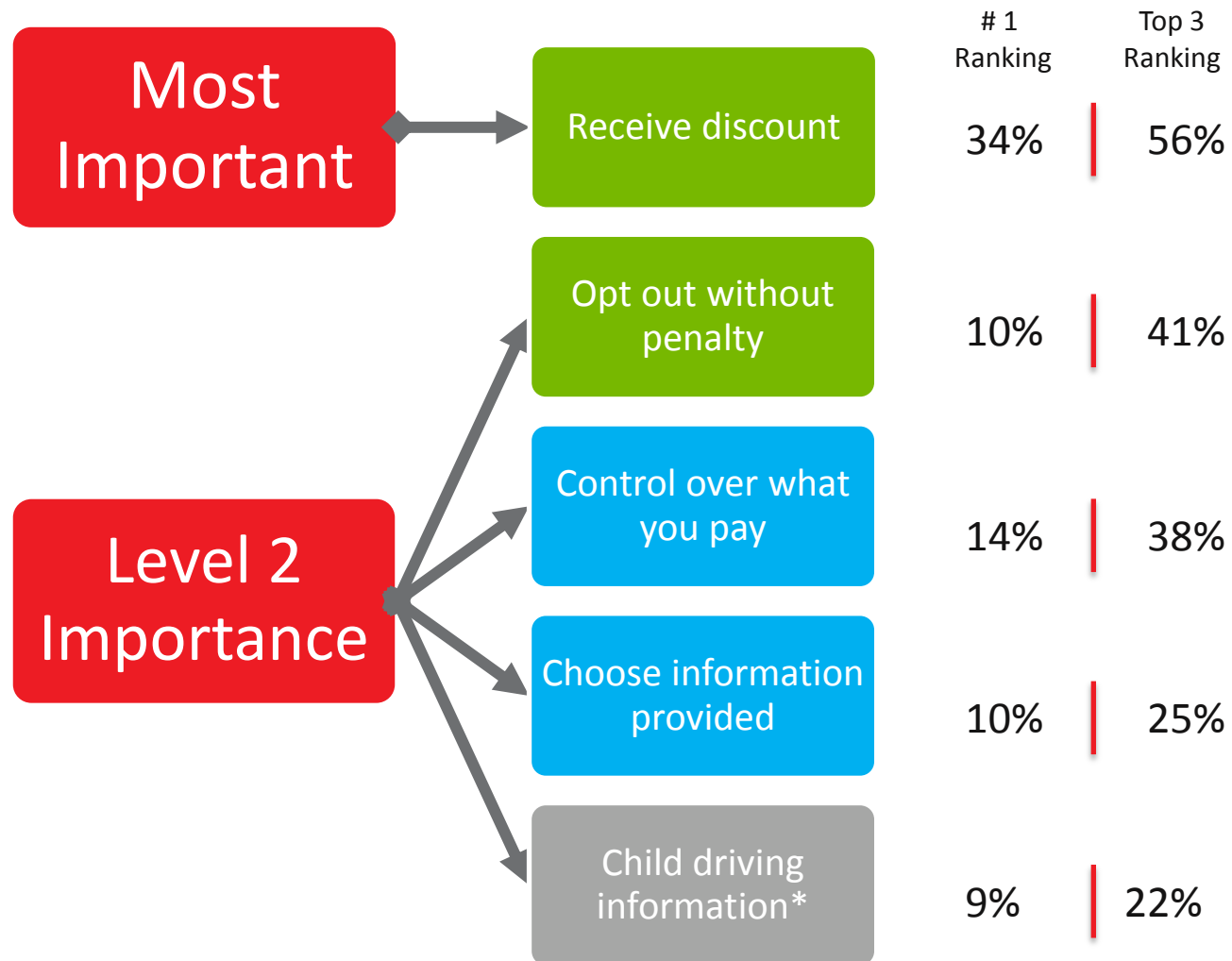
### Factor would increase UBI Interest



Base: Total Respondents (n=2,072)

\* Based on respondents with young driver (age 16 to 25) on their policy.  
% 5,6,7 on a 7-pt Interest Scale

# Discounts are the number one driver for UBI enrollment.



Base: Total Respondents (n=2,072)  
 Based on respondents with young driver (age 16 to 25) on their policy.  
 % are Top/Top 3 ranking

Consumer interest in UBI remains steady. As before, the level of discount has a sizeable impact on interest.



### Likelihood to Sign Up for UBI



Base: Total Respondents (n=2,072)

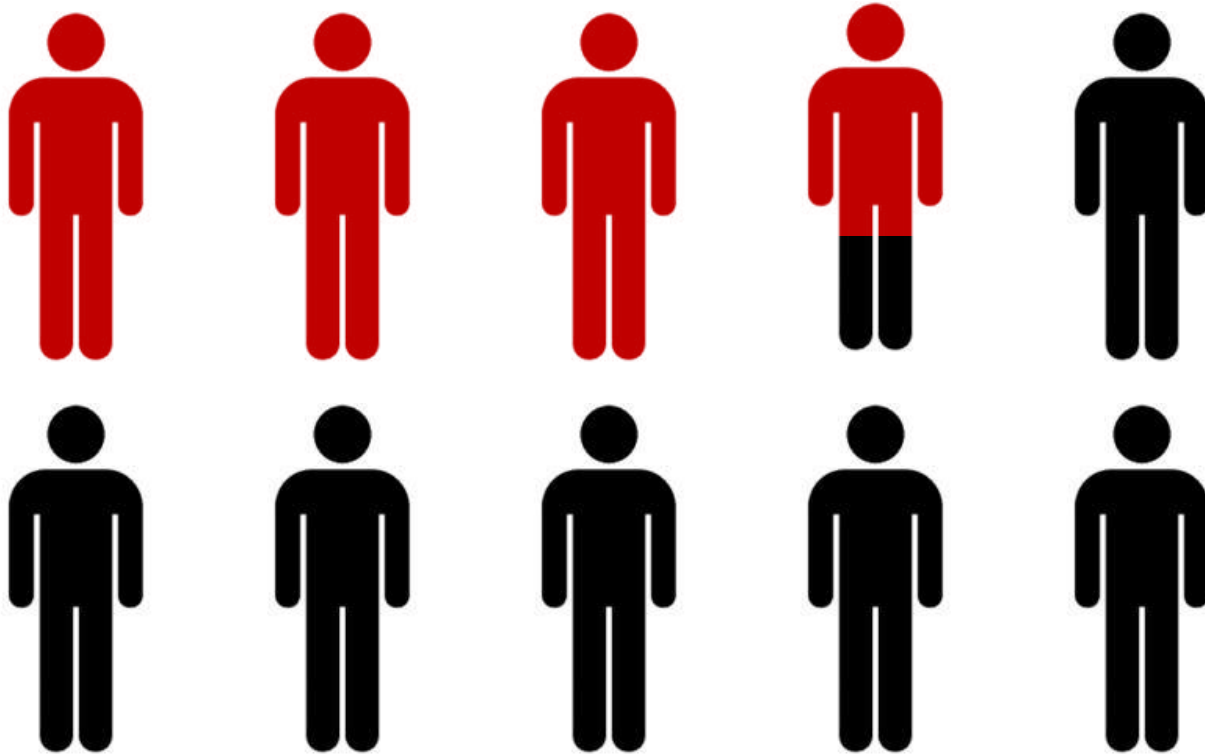
% 5,6,7 on a 7-pt Likelihood Scale

Take Rate: function of appeal, believability, uniqueness, relevance, likelihood to sign up, value

UBI holds potential for carriers to attract new customers in addition to being a retention tool.



36% of customers would consider changing carriers if they could save 10% by participating in a Telematics program.



Base: Total Respondents (n=2,072)  
% 5,6,7 on a 7-pt Scale

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## UBI and Mobile

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# What is Mobile UBI?

## Definition of Mobile UBI shared with consumers.

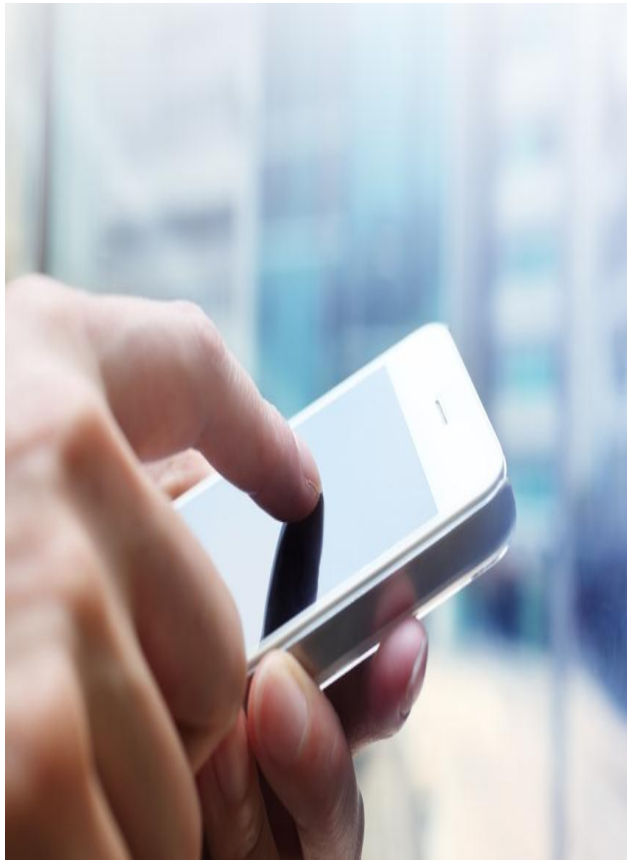
### *A Mobile App Puts UBI at Your Fingertips – Anywhere, Anytime*

Another way to collect the driving information for the Usage-Based Insurance (UBI) program is to use an app on your iPhone or Android smart phone. This app not only identifies the vehicle but also the actual driver when collecting the necessary data.

To set this up, you simply plug in a collection device in your car and download the mobile app. When you turn your vehicle on, this app will automatically start to record when, how much, and how you are driving – and automatically stop once you exit your vehicle.

To send this information to your insurance company, the data collected on the smart phone is compressed and automatically uploaded whenever a WiFi connection is established in your home or elsewhere, minimizing use of your phone's data plan. The app takes minimal battery power to operate.





**The majority of households already own a Smartphone...**

2014: ~ 81% of households with a Smartphone

2013: 75% of households have Smartphones

2013: 63% of respondents have Smartphones

**It's an extension of themselves...**

95% *almost always* have their phone with them  
when they leave the house

**Ownership wouldn't be a barrier for the Mobile App**

15% would consider getting a smartphone  
*if a UBI program required it*

Base: Total Respondents (n=2,072)

Base: Smartphone in HH (n=1,557)

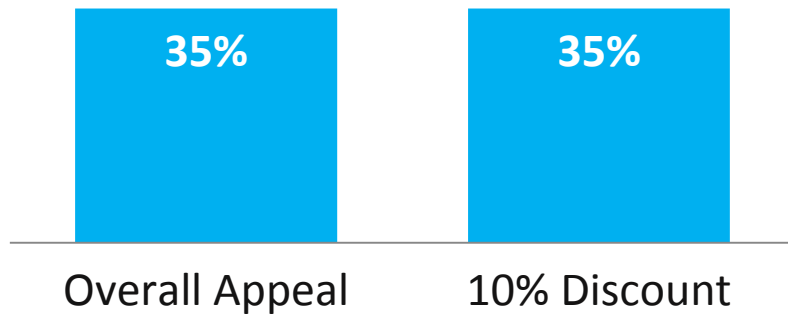
Base: No Smartphone (n=750)

Consumer interest is promising for Mobile UBI, especially considering that there has been no market promotion around what the solution has to offer.

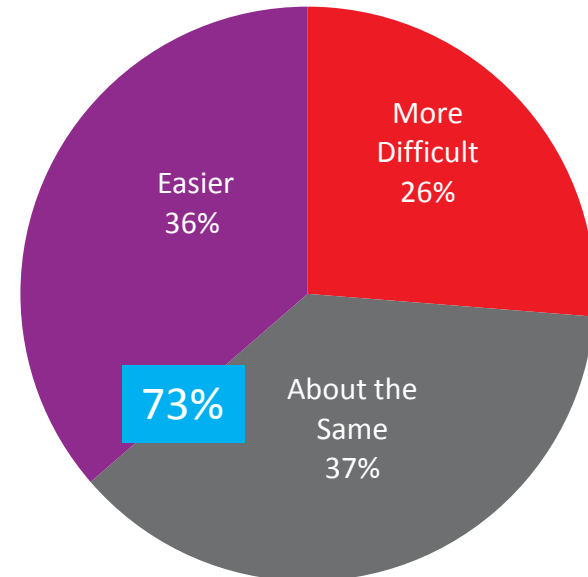


One in every three consumers are interested in Mobile UBI

Three in every four consumers view Mobile UBI as similar or easier to use



Ease of Using Mobile App



Base: Total Respondents (n=2,072)

Base: Smartphone in HH (n=1,557)

Take Rate: function of appeal, believability, uniqueness, relevance, likelihood to sign up, value

Consumers are interested in the emergency-related features that a Mobile UBI program can offer, followed by features that enhance everyday driving.



### Emergency Protection

- Stolen vehicle tracking & recovery
- Automatic emergency crash response
- Emergency roadside assistance

60% +



### Everyday Driving

- Real-time traffic updates
- Car finder
- Fuel consumption/ efficiency updates
- Vehicle maintenance alerts/diagnostics

50% +



### Vehicle Health & Safety

- Remote vehicle diagnostics
- Vehicle health services
- Remote vehicle management
- Teen tracking
- Disable texting while driving
- Safety scoring
- Receive driver-specific rpts

40% +



### Extras

- Access driving data via Smartphone
- Eco route
- Real-time driver feedback
- Smartphone supplied with app
- Driving score gaming

25% +

Most Interesting

Less Interesting

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## Evaluating Consumers for a UBI Program

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# Factors point to younger consumers to be the best initial targets for a UBI program.



‘Sweet Spot’ for a UBI Program



	Younger		Middle		Older	
	21 to 25	26 to 34	35 to 44	45 to 54	55 to 64	65+
<b>Telematics Acceptable/Recognition</b>						
Accept Additional Factors into Rates						Except age
Higher Awareness of Telematics						
Higher Appeal of Telematics						
Enrolled Currently in Telematics						
Likelihood to enroll at 10%						
<b>Proclivity towards Telematics</b>						
Sharing of personal information	Accident	Driving				
See benefits of lowering rates/having more control						
<b>Persuadable towards Telematics</b>						
Interest in UBI Benefits to drive participation						
3 month trial/6 month discount increases interest						
<b>Mobile Receptive</b>						
Smartphone Owner						
Interest in Mobile Telematics Features						
Likelihood to enroll in Mobile at 10% discount						

Consumers that evaluate risk and accept risk are targets as well.



‘Sweet Spot’ for a UBI Program



**Avoiders** = Want full coverage regardless of age/value of vehicle

**Evaluators** = Coverage depends on age and value of the vehicle

**Acceptors** = Only want minimal coverage regardless of age/value of vehicle

	Avoider	Evaluator	Acceptor
<b>Telematics Acceptable/Recognition</b>			
Accept Additional Factors into Rates		Red	
Higher Awareness of Telematics			
Higher Appeal of Telematics			Red
Enrolled Currently in Telematics			
Likelihood to enroll at 10%			
<b>Proclivity towards Telematics</b>			
Sharing of personal information			
See benefits of lowering rates/having more control		Red	Red
<b>Persuadable towards Telematics</b>			
Interest in UBI Benefits to drive participation		Red	Red
3 month trial/ 6 month discount increases interest		Red	Red
<b>Mobile Receptive</b>			
Smartphone Owner	Red	Red	
Interest in Mobile Telematics Features		Red	
Likelihood to enroll in Mobile at 10% discount			Red

# The road ahead for UBI is promising.



## **Market interest in UBI continues to grow.**

- Awareness is increasing while uniqueness is shrinking.
- Nearly one in 2 consumers find UBI appealing.
- A third of consumers would consider changing carriers for UBI.

## **Carriers can motivate participation.**

- Provide discounts and information control.
- Offer trial period and automatic discounts for trials.

## **There are targeted “sweet spots.”**

- Younger consumers (<age 35)
- Risk acceptors and evaluators

Mobile-based telematics is well positioned for the future, especially when balanced against carriers' cost of program development and management.



- Smartphones are ubiquitous. Consumers don't leave home without it.
- Consumers are open to using a mobile app for UBI – 1 in every 3 consumers say they are likely at a 10% premium discount.
- Carriers have the ability to personalize and extend the customer relationship with the additional features that a mobile telematics app provides. Consumers desire these features.
  - Emergency features.
  - Features that enhance the everyday driving experience.
- Demonstration must be made that the use of the smartphone will be easy and non-invasive.

For more information, call 800.869.0751 or fill out our [contact form](#).