

**2016  
EDITION**

# **CONNECTED INSURANCE ANALYTICS**

## **Interviews**

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abstract**



***From copper to gold: transforming telematics into predictive analytics***

The most comprehensive research on the UBI analytics market

## INTERVIEW WITH

LARRY THURSBY

VICE PRESIDENT

## NATIONWIDE MUTUAL INSURANCE



**Dear Larry, could you please tell us briefly about Nationwide's SmartRide programme history?**

Nationwide launched *SmartRide* in Virginia during 2010 as a way to reward members with a new discount to make their insurance even more affordable. At that time, we didn't have all the tools necessary to personalise rewards for safe driving habits.

However, since then we've built a program offering **discounts of up to 40%** in most states. What's really exciting is how we've made the program evolve through new technologies.

Originally, we started by asking drivers to plug an OBD dongle in their car, but now we're also

offering a smartphone app that accomplishes the same thing. **Nationwide is also able to use driving data collected by new GM vehicles** through OnStar to calculate a *SmartRide* discount for customers who are interested in receiving a quote from Nationwide.

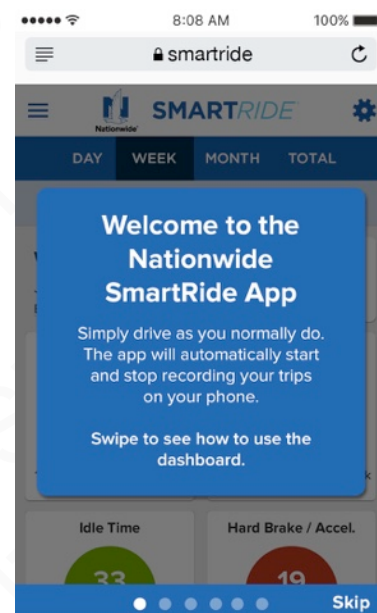
**Where does it stand today? In particular, how many vehicles do you get the data from?**

About **one-third of Nationwide's new customers** are enrolling in SmartRide across all eligible states, which means over a **quarter of a million vehicles** send us data. What's been most surprising is that our percentage of applicants has continued to grow each and every year despite the fact that we've done very little to market this program directly to consumers.

**Your model relies on taking a snapshot of drivers' data for 4-6 months. How predictive has become the score derived from it of actual losses?**

Nationwide began by using a vendor scoring model that could justify driving discounts of up to 25%. However, we've now built our **own proprietary scoring program** that supports discounts of up to 40% - higher than most other competitors. And it's not just a small group of our members who earn these large discounts: Nationwide expects one-tenth of all drivers to earn the

maximum 40% discount and for the average *SmartRide* discount to be just over 20%. These **discounts directly reflect the expected improvement in loss ratios.**



**Do you find that there is a significant self selection effect and that SmartRide drivers are much more prudent than other comparable customers?**

*SmartRide* provides participants a **10% enrolment discount** for both our device and mobile programs before we've collected even one mile of driving data. We can do this because drivers who choose to participate in *SmartRide* have been consistently proven to have fewer claims than drivers who don't participate in the program.

As *SmartRide* grows in popularity, Nationwide will continue to monitor these results so that participating members are rewarded appropriately.

**SmartRide has been using only 4 factors: mileage, harsh acceleration, harsh braking and night driving. Is this sufficient?**

Nationwide's proprietary discount model considers fast accelerations and harsh braking as a single driving habit that we refer to internally as "**change in speed.**" Indeed we then consider night driving and mileage.

The fourth element of driving behaviour that we use in developing a *SmartRide* discount is "**idle time.**" Idle time measures the length of time drivers are stopped at a signal or in traffic. We've found that operating a vehicle in frequent stop-and-go traffic is riskier than driving in smooth flowing traffic.

One of Nationwide's strategic goals with telematics is to improve our members' safety by providing them with feedback and coaching on their driving habits. As a result, we're only using measurements in our *SmartRide* program that are **intuitive and can be controlled** to some degree. And we display detailed results for each driver/vehicle on our member web portals so that participants can learn and adjust as they go.

**How predictive are your driving scores in predicting losses? To what extent are you able to calibrate your scoring with real claims losses?**

We've found that driving behaviour is more predictive of future claims than most of the

other considerations insurers have typically used to differentiate price such as the **number of violations** (aka: "tickets").

This shouldn't be too surprising given that violations are relatively infrequent compared to how telematics works. For instance, most drivers have less than one violation on their record in the most recent 3 - 5 year period, but telematics tells us how their vehicle is being driven **during every trip** taken.

**Event-counting and thresholds are now often described as**



**insufficient. What could be your recommended next step to rating driving behaviour?**

One of the most fascinating aspects of telematics is how much there is to learn. Nationwide is constantly examining the driving information that members generate to find new and different ways to make *SmartRide* even more useful. And it's not just data analytics teams working on this - as we stated earlier, Nationwide believes that observations are only meaningful if we can

communicate those findings back to our members in a way that allows them to become a safer driver and, as such, we also have **marketing and consumer behaviour experts** looking at how drivers respond to the new types of information we could provide.

**What are the biggest analytics-related challenges that you are facing today?**

Certainly the volume of data generated by telematics is like nothing we've ever dealt with before: we're receiving data from nearly **every second of every trip**

**that our participating members take.**

However, the biggest challenge Nationwide is currently dealing with is understanding how the data we receive from different vehicles and collection methodologies varies.



yet to reach this efficient cost frontier.

**Metromile, which just raised almost \$200 million, has indicated they want to use the data from their dongles to better manage the claims process? Would you see this as a future direction for Nationwide too?**

We see a role for telematics in the claims management process and envision solutions being built to better support our member experience. We're not certain whether that might mean **dispatching emergency or towing services** directly to the geo-coded location of a claim or helping avoid fraudulent injury claims from third parties. The key will be to create enough value that members are interested in having their insurer receive driving data on an ongoing basis.

**Some statistics show that driver distraction is the number 1 factor in fatal car accidents. Is your upcoming app solution a way to address this problem?**

Our belief is that "distracted driving" comes in many varieties: It may mean making a call using hands-free technology, texting at a stop signal, or surfing the internet while your car is in motion. Nationwide's plan is to **monitor many of these scenarios** with the intention of collecting enough data that we can then begin to **develop an informed opinion** on how each impacts our members' safety. We'll then work with members to determine how those insights can and should be deployed - whether this means altering discounts, enabling functionality that blocks the riskiest behaviours, or other

solutions to improve the customer experience.



**Do you expect to introduce a permanent telematics device so that you can provide real-time driver feedback across the lifetime of the policy?**

Nationwide has always believed that the cost of telematics data collection will reach a point where we'll be able to provide this service to our members on a permanent basis. And although in-vehicle device costs have come down - and app data collection solutions are lower still - **we have**

**Is telematics really effective at reducing losses in the long term? What kind of reduction have you been able to achieve?**

It's not clear to us how feedback from *SmartRide* changes a driver's in-vehicle habits over the long-term because we are still collecting only a single time period of driving data. What we do know, is that members are regularly accessing their driving data via our proprietary *SmartRide* dashboard. This tells us that they are highly motivated to change their behaviours, not just because of the discounts Nationwide offers, but also with the intent of becoming a safer driver.