

**2016
EDITION**

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The most
comprehensive
research on the
UBI analytics
market

CONNECTED INSURANCE ANALYTICS

Interviews



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

INTERVIEW WITH

PAUL STACY

FOUNDER, WUNELLI

DIRECTOR, LEXISNEXIS



Paul, could you please tell us about Wunelli and LexisNexis?

Wunelli was acquired by LexisNexis Risk Solutions, a data analytics company, two years ago. Most of LexisNexis Risk Solutions insurance activities are in the US, branching out to other markets over the last few years, in contributory data services, delivering insurance insight through a single point of entry into insurers, for example, motor vehicle records in the US.

I was interested in selling the business to LexisNexis because I felt that they had the capital as well as the insurance contacts in the US to make telematics a mass market proposition.

Wunelli, who is responsible for much of the R&D and UBI innovation, has predominantly been a UK focused company has been taken around the world by LexisNexis Risk Solutions. We have set up operations in China, Brazil, and Spain. We were already in Australia but have made more progress there, and are rapidly becoming a big global player in telematics data and analytics.

LexisNexis is owned by a dual-listed Dutch / UK FTSE100 company called RELX.

How is the acquisition going? What have you achieved together in the last 2 years?

Today, we have 18 UBI programmes globally, and a lot of them are concentrated in the UK. We are actively operating in 4 large markets around the world, and we will add another 3 next year. In the last 3 years, we have seen rapid growth in data, connections and revenues in telematics.

Initially, we were focused on providing a solution via the traditional black box to young drivers or high-risk drivers in markets such as the UK. However, in the last several years, we have taken the smartphone route and have got a smartphone only solution as well as a tethered smartphone solution that sells very well in EU, Brazil and China. In the future, we will leverage data



directly from OEMs and use our global platform to deliver rating points into Insurer systems via an existing single point of entry.

2Bn
Miles recorded with claims exposure

250k
Number of smartphone downloads

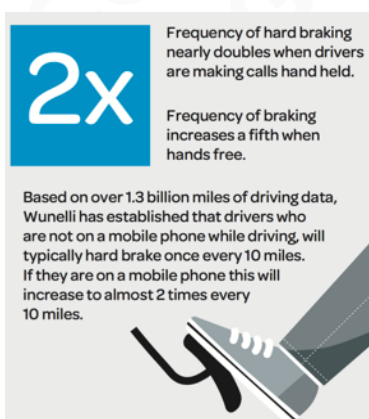
161
Stolen vehicles recovered

To what extent does LexisNexis Risk Solutions' insurance background help you today?

LexisNexis brings the **scale of analytics mindset, resources** and a **big data platform** to the table. To execute leading edge analytics, you need servers, software, a platform to run analytics from, and also good human capital in the form of PhDs or data scientists who can create insights from big data. LexisNexis has that big data perspective in mind.

In telematics many people fail not because of the technology or

their relationships with the market, but because **they fail to deliver the last mile**; they are not able to get the project into the insurance companies and get the insurers integrated. LexisNexis has already works within the point of quote process for more than **300 insurers** in the US; they use our products to complete quotation processes as well as rate their business. We also handle filings for a lot of US insurers. So in my mind, for telematics to be a success it needs to be a success in the US. The UK is always going to be a niche young driver market for telematics until it becomes mass market.



Today are you positioning yourself as a TSP or as an analytics provider? How do you differentiate from others?

We are both; I would describe LexisNexis Risk Solutions as a telematics service provider because we have invested in the end-to-end supply chain. We have our own platform, our road speed limit, database our system, and we are even developing our own hardware - the 12V dongle, in China.

We are a classic TSP, but also very much an analytics partner

following the Wunelli acquisition. We hold all of our partners' telematics data, policy data as well as claims data. Moreover, to derive insight from these datasets we often do analytics for insurers.

We do analytics because it is self-fulfilling. Telematics is not a mass market product in most of our partners' portfolios. So for them committing their resources to this niche product is not going to happen. So we often step in and do the analysis for them.

Do you expect that in 10 years time all insurers will have their own analytics capabilities, or will they still rely on companies like yours?

Insurers want to own the algorithms and want to understand how to use them for rating. None of our partners wants a black box solution from Wunelli or LexisNexis. They want to know how we turn GPS data into a driving score and why we do it the way we do it. There is no secret there, we give them the formula.

However, **there is no way an insurer can keep up with the growing variety of aftermarket and OEM data sources**. We are heading into a future where we are going to see an increase in data exchanges, particularly solving problems with data from OEMs and insurers will not play in that space.

Our role is to effectively provide this data to the insurers so that they can use it in their ratings. We are very well positioned to take telematics to the next level because we have got very strong last mile point of quote capability. Our recent announcement regarding the acquisition of

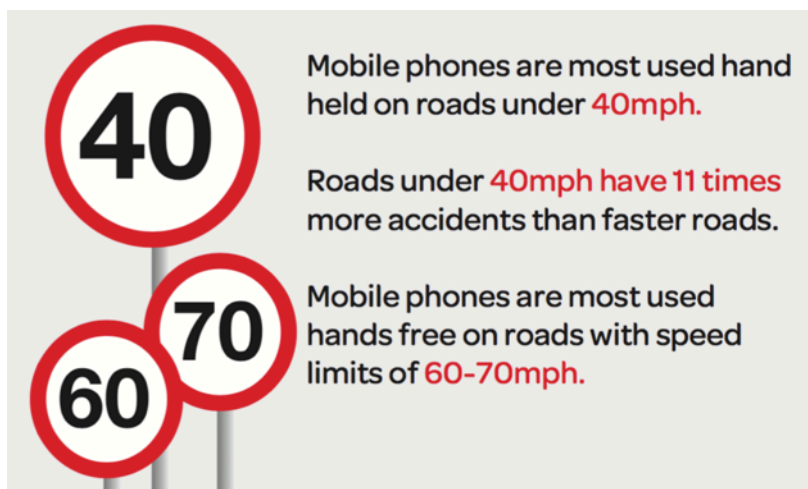
Insurance Initiatives Ltd (IIL) in the UK will give us a tremendous point of quote capability in the UK now.

The UK has been a disappointing market for UBI in the last 2 years, as it seems to plateau at around 4-500,000 policies. How can analytics help insurers go to the mass market?

The penetration of telematics data in the UK is capped because most of the data comes from expensive black box aftermarket solutions that effectively restricts telematics to be available only for premiums that are above £1000 a year. Quite simply, we need to deliver the same quality of data at a much lower cost to go to the mass market. It is not a function that telematics is not working; it is just that **the cost of data offsets the benefit it offers in rating and self-selection**.

That is why we are working on **12-volt cigarette lighter** dongle with Bluetooth. We want to bring down the cost of data significantly but increase the quantity of smartphone data recorded as well as deliver high-resolution crash data. Plus, we need to give something to the customer that they see value in. That is why we put USB charger on the top of it.

This device is specifically designed to bring the telematics market share in the UK up from 3%-4% to 15% in the next 2 to 3 years. **Analytics will help tremendously in showing insurers how to better use crash data**. The next battleground is the quality of accident notification and accident reconstruction reports.



How efficient are your driving scores in predicting losses?

Telematics impact (related to losses) is as good as all our different products (Credit (NFC / Attract), C.L.U.E. Auto, MVR, and Current Carrier Auto) combined.

We have 2 billion miles of driving data along with the loss exposure.

Telematics is quite orthogonal and tells us something new compared to traditional rating practice.

It does not replace other products, but enhances the rating and give new insights about the risk. The best way is to combine it with traditional rating practice.

We had some successes that have been published by Co-operative, our partner in the UK, regarding the reduction in frequency and severity in their telematics book.

In my view, **telematics offers a 30 points reduction in frequency.**

Most of that is largely made out of self-selection, but also more and more around using the actual data to improve rating at renewal.

Event-counting and thresholds are now often described as insufficient. What is your recommended approach to rate driving behaviour?

Contextualising the data is important. For example, if you are using speeding data, you need to ask yourself if the person is speeding on a motorway or in a residential area and based on that context you penalise him/her.

Filtering and normalising GPS data is also critical. We have learned that people can score differently just based on the type of handset they use. We have around **half a billion miles recorded from smartphones** through which we can learn, using analytics, how each phone behaves.

Another secret to driving behaviour profiling is to **choose factors that drivers can control.** We choose the traditional factors such as braking, acceleration and speed and then filter and validate that data to produce a fair score that accurately shows their driving behaviour and is good enough to use for an insurance discount.

From our data, we know that factors like driving in congestion, driving in rain or making lots of short journeys also contribute to claims but we do not want to penalise our driving scores for those factors because people can't control them. **We learned from lots of implementations that it is 80% science and 20% art** i.e. getting it right for the customer and choosing factors that they have got control over.

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

Not having enough human capital; Winning the war for talent to stay on the cutting edge of analytics is very difficult. Data scientist are in high demand at the moment, but it is not just about getting data scientists but also about being able to create knowledge managers who understand where the analytics resources need to be applied and can take the insights into the business.

Some statistics show that driver distraction is the number one factor in fatal car accidents? What are your thoughts and planes to address this epidemic problem?

We have learned a lot about what distracts drivers. It **comes back to the art of changing behaviours.** In our products, we reward drivers for not using their phone as opposed to penalise them for using it. It takes time to create that awareness and discipline in people to not use the mobile phone. The temptations are very high; I think average person touches his/her phone 2000 times a day, whether they are driving or not. We have the technical capability, with our Bluetooth solution, to effectively