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Interviews

From copper to gold: transforming telematics into predictive analytics

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INTERVIEW WITH

JONATHAN HEWETT

GLOBAL CHIEF MARKETING OFFICER

OCTO TELEMATICS

OCTO

Jonathan, could you please tell us briefly about where Octo stands?

Our mission at Octo is to help transform how insurers understand risk, manage and pay claims and help them to have better relationships with their customers.

We believe that giving choice of enabling technology and devices is important; whether it is smartphone app, OBD II, black box, or connected vehicle.

The real value for all stakeholders is in the data and the ability to understand and interpret that data and turn it into actionable insight.

We have 14 years of operating history, and have very significant datasets that allow us to continually improve our algorithms and our outputs.

We have **4.4 million connected users**, which means billions of

miles of driving data as well as **data on more than 340,000 collisions**.

When we talk about analytics at Octo, we span the entire insurance value chain. It isn't just about risk.

It is about understanding when a crash is a crash, understanding the dynamics around that crash which increases the claims.

It is also about analysing the data to help insurers improve their relationships with their end customers. It is also a differentiating point in the US market for Octo.
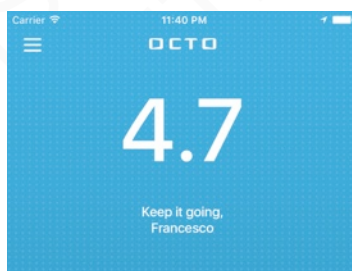
We say regularly that telematics should be a financially based game for the insurance companies.

It is a combination of risk pricing and managing and paying claims to drive down the combined ratio, which is ultimately the success factor for what we do.

We put substantial financial investment in growing our capabilities in analytics.

We see ourselves as a business who is at the forefront of transforming auto insurance through behavioural, contextual and driving analytics. This is the heart and soul of what we do.

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

We are the pioneer in this industry as an **end-to-end data and analytics provider** for insurance companies. We have always been able to stay ahead of the curve, ahead of our competitors.

When the market was reliant on device technology, we were there with many different form factors. We have been able to substantiate the cost to increase the address of the market.

Directional travel wise, we believe that now is the age of analytics. We are interested in data purely in terms of accuracy and context that allow us to provide analytics services to our customers.

We also see this happening in the area of car manufacturing and

insurance where OEMs and insurers are increasingly looking for partners to drive and increase value out of data analytics.

This is what Octo is able to provide based on the highest possible quality of data.

The key advantage that we have over our competitors is our combination of analytical skills, big data platform, knowledge of the different geographical markets along with the capability to combine and use driving behaviour data and crash data, which is used in scoring, pricing and predictive models.

Do you expect all markets to become analytics-driven like the UK market? Will that come to Italy for example?

Yes. I think it is on the C-level agenda now to understand how data science or data analytics can help improve insurers financial results.

From an insurer's perspective, data is a great opportunity to

transform the business, increase shareholders' value, delight and retain customers. Then it is about partnering with people who can support them in this journey.

And, **this is a global game**. We see this happening in all the markets, whether it is US, EU or East Asia. All insurers are interested in data analytics. Then, of course comes the local market dynamics. **Depending on the problem that you have, be it reducing frauds, improving claims process, or expanding an underwriting footprint, the answer is in the data analytics.**

I think, Italy is one of the countries where telematics insurance is the most mature, yet most of the programmes are related to mileage. But, this is going to change very rapidly as we are observing an increase in insurance companies interests for new driving behaviour methods and more complex solutions.

How efficient are your driving scores in predicting losses? To what extend are you able to calibrate your scoring with real claims losses?

This is confidential between our individual partners and us but it is delivering material benefits because we have a mix of capabilities in analytics and data. Our scoring algorithm is not just based on customer profile; it is based on predictive modelling technique.

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

Our approach is not only based on event-counting and thresholds but also on a combination of

different metrics. We take into account different contextual information: which can include weather condition, traffic, road condition, risk classification condition and vehicle classification information. We calibrate the rating on the type of vehicle.

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

One big challenge is to **move insurance partners and the insurance industry from a world of static data and reactive processes to a world, which is informed by dynamic data**.

That could be in terms of raising capabilities around driving behaviour analytics, where the provider like Octo could do the heavy lifting for the insurer but also in terms of processes. For example, the process of determining the type of contact to be made with the customer from understanding the business rules and seriousness of a crash was historically a reactive process. But now, it is becoming a proactive process by guiding the end customer to the repair shop or providing roadside assistance.

However, these things are of varying levels of complexity and the point of moving from static to dynamic data is where analytics players need to gain experience and capabilities to help insurers make the change.

One challenge will also be **managing video analytics**, whether it is for crashes, pricing or contextual data. However, to do that, you don't just need to have the right analytics skills but also to have a right platform to manage that data.