

# NAIC Risk Classification Meeting

## September 2010

### Usage Based Insurance



# Usage Based Insurance



The concept is to determine a customized insurance rate based on actual data from the vehicle.



**How much?** Mileage. To some this is “pay as you drive”.



**How?** Fast acceleration; Hard braking; Turning; Cornering.



**When?** Time of day or night.

**Where?** Territory; Road type. Progressive does not measure. No GPS.

Driving data is integrated with traditional rating factors:  
claims history; vehicle make and model; financial stability;  
demographics

# Usage Based Insurance – Why do it?



- It changes the way insurance is priced.
- It's more fair.
- New product and services which gives consumers choice.
- It has the potential to reduce negative stuff in our lives.



# Usage Based Insurance – Who benefits?



- Safe Drivers
- Personalized
- Low Usage
- Parents of teens
- Greens



# Usage Based Insurance – Challenges?



- Technology
- Consumer acceptance
- Profitability
- Regulation
- Intellectual property



# UBI = Telematics



1999



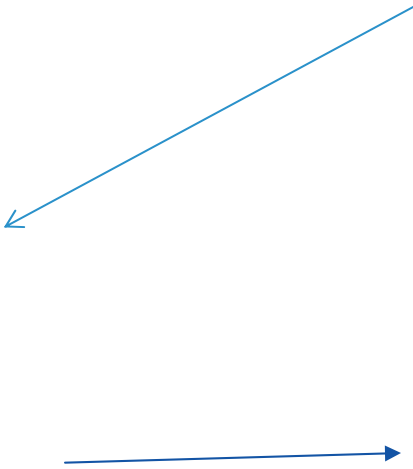
2004



2007



2009



# How Does It Work



## USAGE-BASED INSURANCE



Customers install sensor in OBD slot



Customer driving data automatically uploads via wireless transmission



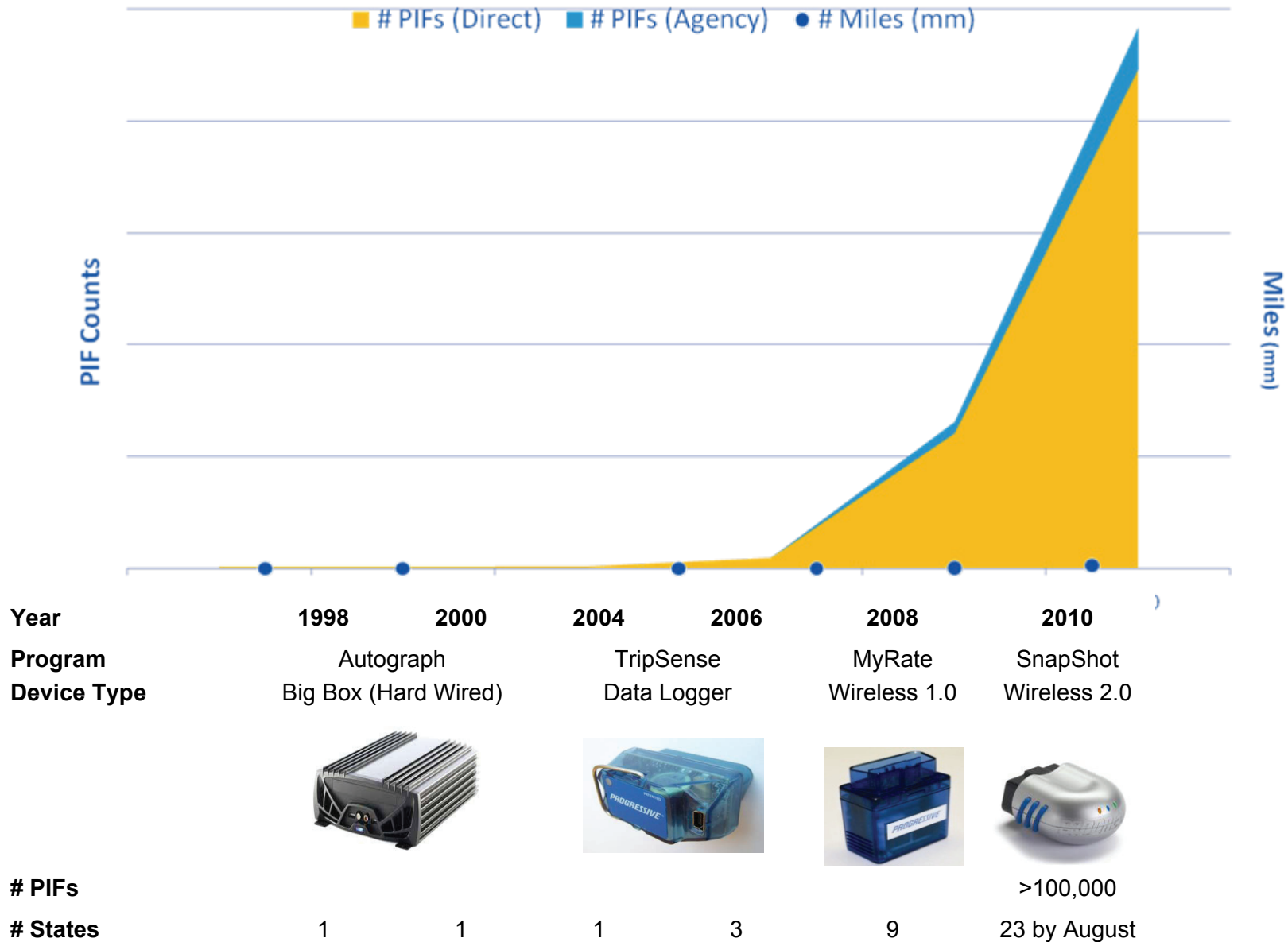
Data collected on Progressive's server and posted online for secure access



Customers access driving data online, creating positive changes in driving behavior



# UBI Evolution





# Snapshot Discount Model



## New Business and Renewal offer:

- Never pay more than traditional product.
- No surcharge.
- No tech fee (embedded in rate).
- Discount only after device install.
- 0% to 30% usage based discount :
- Lock in the discount for the future terms, until re-audition.
- Partial monitoring model. All return device after first term.
- \$50 device non-return fee.

# Advertising



- Familiar concept which helps explain a transformative pricing approach.

Snapshot<sup>SM</sup>  
discount



# Quoting and Sales



**PROGRESSIVE**

Insurance Choices

Claims Center

Customer Service

Search/Keyword



1-800-PROGRESSIVE

## Snapshot Discount:<sup>SM</sup> Savings in a snap

Your safe driving could save you  
up to 30% more on car insurance

> Sign up for Snapshot today

## Quote and Buy Online

Zip Code

Auto

Get a Quote

> Quote with a Local Agent > Retrieve a Quote

### Manage Your Policy

Username

Password

Log In

Save ID

Register

Login Help

### Car Insurance and More

#### Auto Insurance

Enjoy our concierge level of claims  
service and 24-hour support.



### Great Discounts for Everyday Drivers

With our [discounts](#), things you do daily—  
like driving safely and paying in full and on  
time—could help you save on car insurance.

>> Compare Auto Insurance Quotes

# On-line Reports



**PROGRESSIVE**

07/11/2010 - 01/11/2011  
Gold Membership

[Edit Your Profile](#) | [FAQs](#) | [Contact Us](#) | 1-877-280-8418 | [Log Out](#)

[Welcome](#) / [Policy](#) / [Billing](#) / [Documents](#) / [Claims](#) / [Discounts & Programs](#) / [Vehicle Center](#)

## MyRate Program

### » Discounts & Programs

### » Progressive Products

### » Coverages and Costs

### » MyRate<sup>SM</sup> Program

[Reports](#)

[Overview](#)

[Support](#)

[Enroll](#)

[Terms and Conditions](#)

### » Loyalty Rewards Program

#### Current Discount

\$43.00 (7%) savings	2005 Toyota Corolla Ce/4d
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#### Projected renewal discount

\$31.00 (5%) savings	2005 Toyota Corolla Ce/4d
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#### MyRate Vehicle(s)

<a href="#">2005 Toyota Corolla Ce/4d</a>	Last device contact 08/10/2010
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#### Keep your e-mail up to date.

You can [change your e-mail address](#) on your E-mail Preferences page.

#### Keep an ID card available at all times.

We provide a way to order [ID cards](#) when proof of coverage is necessary.

#### Increase MyRate savings

See which factors could improve and increase the discount.

[View](#)

#### Common Questions

- » Why isn't all of my customer's data available?
- » When can I view my premium status online?
- » Will taking my MyRate Device out of one vehicle and plugging it into another affect my discount?

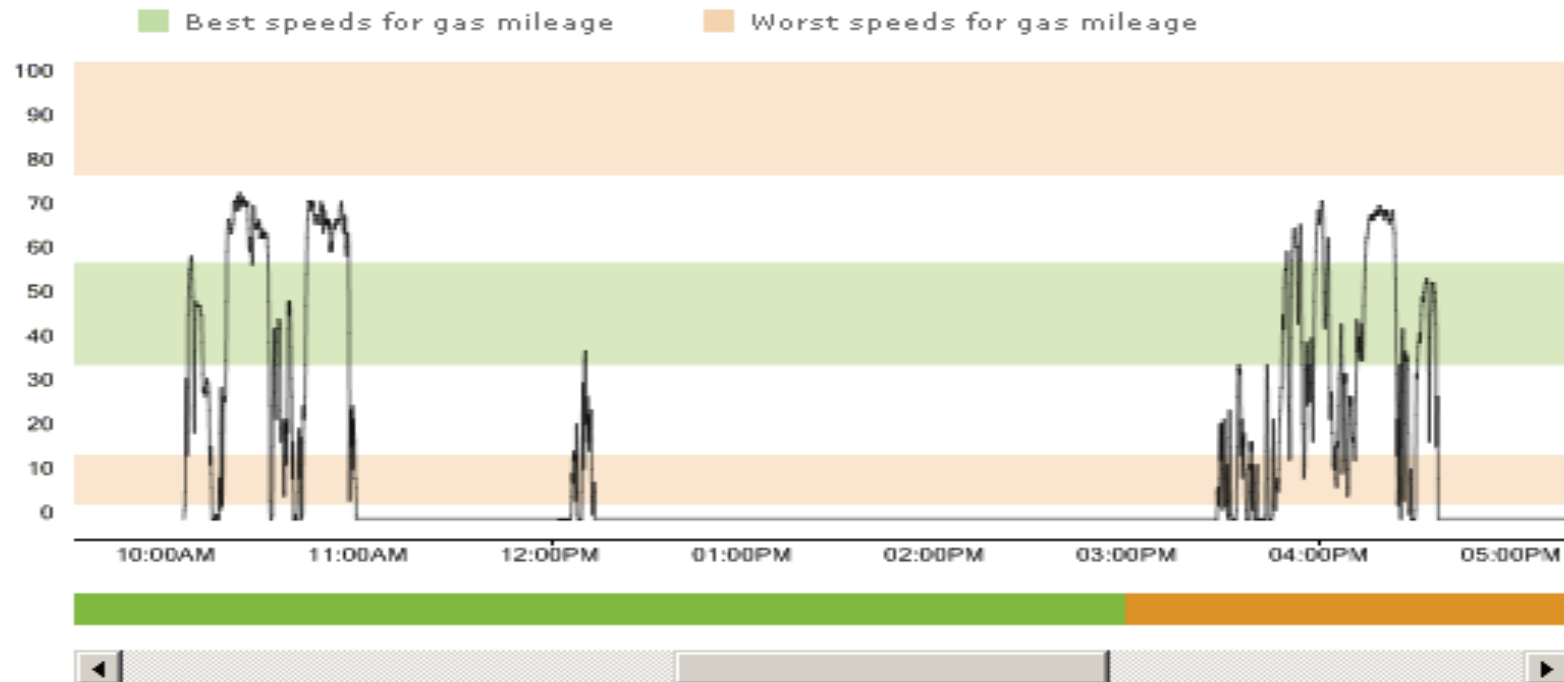
# On-line Reports



## Your Trip Speed Chart

### All Trips Taken on Thursday

[◀ Back To Trip Details Log](#)



#### ■ Low Risk Times

Weekdays: 9 a.m.-3 p.m.,  
6 p.m.-9 p.m.

Weekends: 6 a.m. -9 p.m.

#### ■ Medium Risk Times

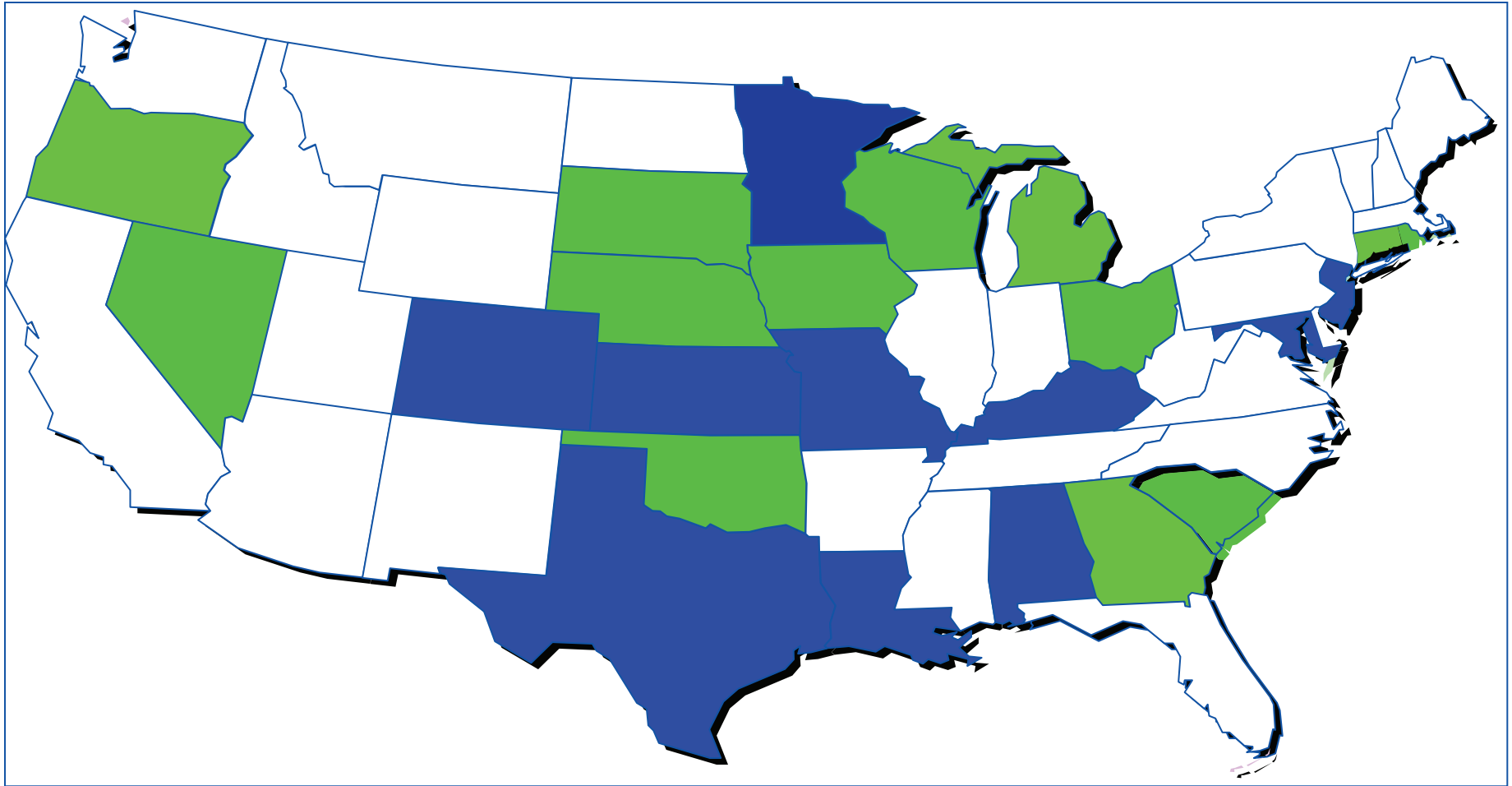
Weekdays: 4 a.m.-9 a.m.,  
3 p.m.-6 p.m.,  
9 p.m.-12 a.m.

Weekends: 4 a.m.-6 a.m.,  
9 p.m.-12 a.m.

#### ■ High Risk Times

All days: 12 a.m.-4 a.m.

# 2010 UBI States



■ Agency + Direct

■ Direct channel

Available in 23 states as of August 2010

# Snapshot Program Summary



1. Eligible customer signs up for the program – optional; participation discount
2. Simple, easy process: customer self-installs device; wireless transmission of data
3. Transparency: customer views trip history and detailed driving reports online  
- Includes the projected discount for their next policy term
4. Opportunity for significant discounts: at renewal, the rating factor is calculated based on trailing 6 months of data.
  - Maximum discount amount is 30%
  - majority of policies receive a discount; and average discount is 10%- 15%.
5. UBI classification levels, rating factors and actuarial support for our rating factors.
6. Key requirement is trade secret protection of the algorithm. We have proprietary knowledge derived at considerable expense. Glad to share with DOI.

# Next Gen: Motional Axes of the Car



Determine 3-D accelerations in vehicle from device



# UBI in the USA



## U.S. Competitive Landscape for Usage Based Insurance

	Market Test (with employees and existing customers, not affecting rates)	Mass Market Offerings (Launched product)	Segmented Offerings (Launched product for teens)	Other Offerings (Commercial, asset recovery, etc.)
Years of Experience				
< 2 Years	(~500) (~500) (~500)		(~1,000)  (~4,000)	(Powersports)  (commercial)
2-5 Years	(~3,000)  	(~20,000)	(~2,000)	
> 5 Years		(~100,000)		

Source: AT Kearney