AUTO INSURANCE REPORT

The Authority on Insuring Personal and Commercial Vehicles

GM Changes UBI Game, Sharing OnStar Data With Verisk Exchange

General Motors has upended the usage-based insurance business, agreeing to work with **Verisk** to share driving data from its OnStar telematics customers with multiple insurance companies. In Verisk's "Telematics Data Exchange," GM's OnStar customers will be able to opt into the Verisk exchange and allow insurers to use the data to price auto insurance policies. The new program has a June 2016 launch date.

Perhaps the most important differentiator of the new Verisk database is the power it gives to consumers. By simply authorizing their car's manufacturer to share their driving data, consumers will not only be immediately eligible for discounts from their insurers, but for the first time they will be able to enable multiple insurers to look at their data, calculate a price and compete for their business.

OnStar, launched in 1996, connects GM to the cars it sells, enabling the car maker to track the car's location, provide emergency response, share diagnostic and maintenance information with the car owner, and even unlock the car remotely (something that happens hundreds of thousands of times a year). Recent advances allow car owners, using their smartphone, to manage their vehicle without contacting OnStar directly.

The contract is a major win for Verisk, which has been fighting for a foothold in the UBI marketplace. The company has a goal of including multiple data sources into the exchange. The second-largest U.S. carmaker, **Ford**, is chasing GM in connected car technology, so it stands to reason it would be the next target.

> *The key to success for Verisk is bringing more data providers into the fold. Ford is the most logical next target.*

The Japanese and Korean car makers are also rushing into the connected car space, and might take advantage of the Verisk program to raise consumer awareness of their connected car skills. The luxury brands have varying degrees of connected technology (See **Mercedes** mbrace for a good example), but as their customer lists are relatively small, and these drivers are the least likely to care much about a discount on their insurance, they're less important than the mainstream automakers.

In addition to the automakers providing data directly from vehicles, the telematics exchange is also designed to include driving data from devices attached to the car's diagnostic ports or software on smartphones. If Verisk can't persuade data sources to join the program, this becomes a nice little niche exercise. But if it succeeds in attracting the other data providers to the exchange, this will be a revolutionary deal.

The GM/Verisk program has a number of

significant benefits. For starters, using OnStar eliminates the costly data-gathering devices insurers have been relying upon, instead pulling data directly from the car's systems. The costs of data gathering almost disappear.

Just as importantly, the quality of the data is unmatched. Data from the vehicle has a profound advantage over the mobile phone devices that most insurers are planning to adopt in 2016. Mobile phone software is far less accurate than data from OnStar. In addition, mobile software's ease-of-use advantage over third-party hardware devices is wiped out by vehicle-based systems, which are the easiest, lowest cost and most accurate solution of all.

There's just one hitch: very few cars are connected today. Depending on which study you read, fewer cars on U.S. roads today have connected features, and only about 20% of new cars sold have them. But within a few years virtually all new cars will have connected features. That starts the clock: after full introduction, it takes 15 years or so for a new technology to fully penetrate the fleet. Thus, we're looking at about 2035-2040 for a fully connected fleet. Over the next two decades, any telematics data exchange will need to integrate information from multiple sources, including smartphones and third-party devices plugged into vehicle diagnostic ports.

The resulting plurality of data sources means the Verisk telematics exchange will be highly complex, requiring an understanding of the source of the data before putting it to use. For some customers, such as those using OnStar, an insurer can utilize accurate mileage, literally charging for every mile driven, and eventually, for the time of day, speed, etc., for each trip.

For other customers using a smartphone software tool, the data will provide a powerful measurement of the general driving behavior of the customer. Rather than paying for each mile driven, drivers will be charged based on their broader behavior. This is the model being used by Progressive's Snapshot program, far and away the leader in UBI with more than 3 million customers.

Both concepts will work well for establishing an insurance price based on usage and behavior, but they're very different approaches with profoundly different technical challenges. Anyone who thinks this will be solved quickly and cleanly hasn't been paying attention.

We've been arguing for some time that driving data would eventually need to go into a bureau of some sort, similar to credit data. In the May 12, 2014, issue we suggested **LexisNexis** and Verisk were the likely homes for such a bureau. (We incorrectly gave LexisNexis the lead in the race. No shame there — it was 16 months ago.) The key is to have skills in contributory databases, skills in data sets regulated by the **Fair Credit Reporting Act** (FCRA), and an existing data pipeline with most, if not all, insurers. Verisk is able to deliver on all those fronts.

It never seemed possible to us that insurers would be able to collect data on their customers and own it forever. Consumers will demand the right to take their data with them to another insurer, and we suspect politicians and regulators will eventually support this desire. Insurers late to the UBI game will also support portability because they'll want to carve into the business of incumbents such as Progressive and **Allstate**, so everyone might as well get started now.

Several prominent data vendors were vying for the GM contract once the automaker expressed its willingness to share, but Verisk won the prize, and along with it an undisclosed period of exclusivity. You can be sure the losers are licking their wounds and preparing arguments urging automakers to share information with more than one vendor when the exclusive period ends. This is hardly a unique concept: There are multiple credit bureaus (**Equifax**, **Experian** and **TransUnion**), and insurers have been willing to contribute to multiple claims databases (A-PLUS

from Verisk and CLUE from LexisNexis) and coverage databases (Current Carrier from Lexis-Nexis and Coverage Verifier from Verisk).

One reason why there are likely to be multiple databases is to create some competition on pricing. Verisk's Telematics Data Exchange works on a revenue sharing model. The insurance companies that want to see the driving data will pay Verisk for the privilege, and then Verisk will share part of that revenue with the data source (in the beginning, OnStar). With more than one exchange, both insurers and data sources will have some leverage, just as they do with credit bureaus, claims and coverage databases.

> **We don't expect Verisk to have this space to itself forever, but it has won a significant advantage as the pioneer.**

Regardless of whether other vendors come into play, Verisk has gained a very valuable role in establishing the foundation of how a telematics data exchange will work. In addition to a head start in building customer lists and relationships, it will be defining terms, establishing protocols and creating the template for how information is transmitted from organizations that collect data, including carmakers and third-party hardware and software vendors. Verisk has even worked to trademark "Telematics Data Exchange."

Why didn't a telematics data exchange happen sooner? After all, at our 2007 Auto Insurance Report National Conference, an OnStar executive practically begged insurers to partner with them. **Nick Pudar**, now vice president of planning and business development at OnStar, outlined for the conference attendees a scenario very similar to what has finally developed.

But insurers were just getting started with UBI, and automakers were very wary of sharing information in a way that would upset customers. If an automaker was worried in the slightest that custom-

ers would be angry about data sharing, it wanted no part of the idea. Indeed, sharing vehicle data has always been terrifying for automakers fearful of class action lawsuits over vehicle safety issues and more. Only now, with customers beginning to demand more connectivity — and with usage-based insurance a reality — are automakers becoming comfortable with working so directly with insurers.

The direct relationships GM and OnStar have had with multiple individual insurers helped pave the way for the development of the Verisk Telematics Data Exchange.

OnStar started a decade ago with a program in which GMAC Insurance, a former GM subsidiary, offered discounts to OnStar customers who shared their mileage information. GM got out of the insurance business (GMAC is now part of **National General**), but OnStar now partners directly with several insurers to offer the same kind of discount plan. Current OnStar partners include **State Farm**, **Liberty Mutual**, National General, **Plymouth Rock** and **21st Century**. In none of those programs can consumers easily take their driving data from one carrier and share it with another to seek a competitive price.

The success of those programs — and lack of customer pushback — was no doubt central to GM's comfort level that led to the deal with Verisk.

One of the features of credit data bureaus is the ability of consumers to see their credit scores and challenge adverse reports. Verisk confirms that it sees a need to provide a way for consumers to access their driving data and some method for them to challenge negative information. Verisk has a goal of having some form of consumer engagement ready to go next June. As with so many parts of this pioneering effort, the challenges are substantial.

It is one thing to allow consumers to see all of their credit card charges and payments. That's pretty straightforward. But consider a consumer who has a bad score for late braking. Do you enable that consumer to look into the database

and see every instance of late braking, complete with time and GPS coordinates? How in the world do you manage access to so much data on such a granular level?

Given how sensitive that information will be (where you were, when and how you were driving), how do you verify the identity of the person seeking to access the data? We've seen very detailed online verifications for the purposes of seeing credit data, but will that be enough for driving data? Be very grateful that it is not your job to figure all this out, and our condolences to those at Verisk charged with the task.

The bottom line: GM has opened the floodgates to shared driving information; Verisk has won a major victory that gives it a significant lead in the UBI data marketplace; consumers are soon to enjoy unprecedented shopping opportunities with their data. But don't forget that all this is going to be extraordinarily hard to accomplish, so patience will be critical for all. AIR