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Agenda

• **Industry Challenges:** Hurdles to overcome

• **Connected Capabilities:** The art of the possible

• **Engaging the Future:** Changing how Insurers prepare for tomorrow

• **The End State:** What it will look like
IoT describes the **connection** of everyday objects and devices to the Internet, making it possible for them to capture, send and receive data.
Insurance Industry Challenges
2017: A Tough Year for Losses

Net Underwriting Losses:
2017 = $20.9 billion
2016 = $1.7 billion
(9-month period)

Loss and Loss Adjustment Expenses (LLAE):
2017 = 11.3%
2016 = 7.6%
(9-month period)
Making sense of the data

Predicting market leaders
Venture capital is available for this market, and start-ups pop up daily.

A complex connected ecosystem
Identifying sources of data can be difficult when multiple players are involved: hardware manufacturers, platform owners, etc.

Variety of devices
Technology is changing the way we live our lives. Analysts estimate 50 billion devices will be connected to the Internet by 2020.

Big data
Depending on the volume, variety, and velocity of data, insurers could expect over 10MB of data per household per day.

Unwieldy and unstructured
Understanding data from multiple sensors and how it correlates to future loss is a moving target that requires expertise.

Source: Cisco
How can insurers capitalize on the growth of the Internet of Things? 

Start by collecting data.

Challenge:

Individual partnerships are likely to result in insufficient data to generate actionable insights.
### Actionable Insights: A common challenge

#### Industry Problems

- **Many to Many Problem**
  - Obtaining data at scale is difficult because of fragmented IoT Solution Provider market—Many to Many Problem
  - Existing **affinity partnerships** are not producing enough data
  - Insures want data to **feed multiple workflows** (Underwriting, Pricing and Claims)

- **Insurers Seek Insights**
  - **Data is unfamiliar**, unstructured, and inconsistent making insight creation difficult, lengthy and costly
  - **Predictive variables are yet to be identified** most companies don’t know what variables to collect
  - IoT Solution Providers **presume data is valuable**, but have not proven the case
Connected Capabilities
# Internet of Things and Insurance

**Data-driven examples by stages across the insurance value chain**

<table>
<thead>
<tr>
<th></th>
<th>Customer Engagement</th>
<th>Underwriting</th>
<th>Pricing</th>
<th>Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Connected Properties</strong></td>
<td>Proactive Loss mitigation</td>
<td>Home connectivity discount verification</td>
<td>Home-usage rating plans and scoring models</td>
<td>Sensor-initiated claim reporting and triaging</td>
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<tr>
<td><strong>Connected Vehicles</strong></td>
<td>Real-time driving behavior feedback and alerts</td>
<td>Driving location/ odometer verification</td>
<td>Driving-usage rating plans and scoring models</td>
<td>Sensor-initiated claim reporting and triaging</td>
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<tr>
<td><strong>Connected Industry</strong></td>
<td>Real-time weather alerting for re-routing cargo</td>
<td>Equipment condition and process monitoring</td>
<td>Sensor enabled rating plans and scoring models</td>
<td>Contents validation</td>
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<tr>
<td><strong>Connected People</strong></td>
<td>Healthy living incentives and rewards</td>
<td>Automated biometric health screening</td>
<td>Activity-based rating plans</td>
<td>Sensor-informed loss data and indices</td>
</tr>
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Data drives engagement, especially during disasters

**Challenges**
- Fragmented market, fractured times—so many data providers, all dealing with disaster
- Data is inconsistent and unstructured, making insight creation difficult, lengthy, and costly
- Inability to use data and insights in workflows
- Cost and time it takes to manage claims and policyholder satisfaction

**Resolution – Data Exchange**
- Independent party; experience with state-by-state insurance regulations; and rating, loss costs; and claims driven by insurance data analytics
- Build/manage integrations between the many telematics solutions providers
- Standardize, normalize, analyze, and deliver data to provide intelligence for insurers and their underwriting and claim workflows
Our Vision: Internet of Things Data for Insurers

Verisk Data Exchange™

Solving the many to many problem
Value of the Exchange by Perspective

1. **Consumer**
   - Customer opts in, protecting their right to privacy
   - Improves experience, especially at time of claim

2. **Telematics/IoT Companies**
   - Unlocks revenue from existing data with scalable, industry-wide model

3. **Insurers**
   - Combats premium leakage through timely access to data
   - Operational efficiency gain through automation
   - Improves customer experience and engagement opportunities
Verisk Data Exchange powers UBI & Claims

For the first time ever, insurers can know the driving history before the policy is written or vehicle leaves the scene of the accident.
By The Numbers: Verisk Data Exchange Today

- 29 billion miles of data
- 10 million trips per day
- 3 million vehicles in the Verisk Data Exchange and growing
- 10,000 new vehicles added each day
- 90% adoption rate
- 70% may be eligible for a discount

Working with Insurers
Piloting with top and mid-tier insurers on at least one use case in Verisk Data Exchange & more
Evolution of Insurance Claims Telematics

**Current**

**Crash Notification (ACN data)**
- Driving and vehicle data
- Event notifications

**Evolving**

**Crash Event with Contextual Data**
- Vehicle sensor data
- Detailed Electronic Data Recorder data (black box)
- Event replay

**Future**

**No-touch Claims and Proactive Loss Mitigation**
- Machine Learning (i.e. training the models)
- Artificial Intelligence
- Timely data-driven decisions
- Strategic partner enablement
What can automation do for claims?

Claim Instant Notice of Loss

Policyholder Collaboration

Artificial Intelligence Cognitive Engine

Loss Type

No-Touch Automated 20%

Low-Touch Desktop 30%

Conventional Adjusting 50%

Loss Type

Claim Instant Notice of Loss

Policyholder Collaboration

Artificial Intelligence Cognitive Engine
No-Touch Claim: How *does* it work?
Engaging the Future
Claims Automation: Impact on Policyholders

- Expedited claims with timely data
- Greater accuracy
- Greater consistency
Claims Automation: Impact on Insurers

- Address privacy concerns
- Improve data usage transparency; when and how used
- Build trust with policyholders
Claims Automation: Impact on Claims Processing Staff

- Shift workload toward complex claims
- Evolve talents
- Right data at the right moment... to better serve customers
The End State
Automating claims for the Future

Collaboration with partners

- Automatic crash detection and resolution
  - Fraud detection
  - Damage triage and resolution
  - Injury triage and resolution
  - Liability analysis
  - Adjudication and closure
Claim Events combined with IoT
Questions?

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