

SPECIAL SECTION ON PERSONAL LINES: AUTO & HOME

Automobile Insurance: A Look at Where Technology Is Taking Insurance Agents

By: *Matt Masiello*

Innovative technology is a moving target that will impact the independent insurance industry for as long as the industry exists. Mobile technology, the Internet of Things, artificial intelligence, drones, technologically advanced automobiles, big data and analytics come into play for the insurance industry frequently. So, how can independent agents prepare their businesses as new technology is unveiled nearly every day?

Let's look at some examples in the auto industry, which is being disrupted by technology constantly — from how people drive their cars to ride sharing. Ride sharing encourages people to use transportation without owning a car or to share their car with someone else to reduce costs. These technological advancements have spawned changes in the auto insurance industry allowing policyholders to buy short-term auto insurance, among other things.

Untraditional Insurance

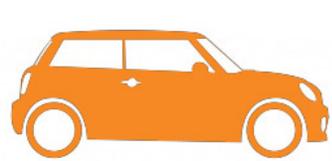
Traditional types of auto insurance are expanding. Telematics are being installed into new cars across the globe,

transforming cars into computers on wheels that collect driver safety information. Statista reports that 80% of vehicles in North America will be equipped with telematics by the original manufacturer as of 2020. Telematics data can help insurers rate risk more accurately and better determine insurance premium pricing. Telematics and usage-based insurance (UBI) translate data-driven habits of drivers into premium discounts for the safest drivers and rate hikes for the riskiest. As drivers adapt to telematics, they will either conform to safety standards and save money or pay more for their behavior.

Ride sharing companies like Uber and Lyft are also changing the marketplace. From an insurance perspective, the owners of private vehicles who are driving for Uber and Lyft need more coverage than just for the primary owner. As you can see, a longer menu of products is needed for auto insurance clients of the future. As people take advantage of these innovative ways to get around, insurance agents will have to understand the additional risks for their clients and offer a range of flexible policies that

meet their needs. The auto insurance industry in Europe is experiencing these changes as well. For example, customers there can now purchase pay-as-you-go insurance by the hour if they are borrowing a friend's car or taking a Lyft or Uber. For these customers, this option works out to be more cost-effective than owning a car and paying for insurance in a large city.

Another option technology has introduced that's changing the auto insurance industry is the smart car. Whether electric or hybrid, they are more fuel efficient, environmentally responsible and easy to park in small spaces. Smart cars carry a lower replacement cost than larger cars with more bells and whistles. In response, insurers have had to offer policies with lower insurance premiums. And then there is another class of "smart cars" on the way, which, in the future, will be highly automated and maneuver autonomously, having the ability to see around corners and know their 360-degree environment within "smart cities." For these self-driving cars, insurance options continue to be the subject of much discussion.



With the growing desire to have a car on demand, automakers like Volvo, Ford, and Cadillac, among other brands, are now offering car subscription programs from 12-24 months in larger markets. Subscriptions bundle the monthly payment together with insurance, maintenance and replacement of parts that wear out. For example, Volvo Momentum starts at \$600 per month for 24 months and is available nationally. According to a recent CB Insights article, “The emergence of new car subscriptions could have a significant impact on the property-casualty insurance industry, depending on the longer-term adoption and scale of such programs.”

In an in-depth study about the future of the mobility ecosystem, Deloitte Insights report that driver-driven shared and autonomous vehicles will require new forms of liability coverage. “Shared mobility and autonomous vehicles introduce new stakeholders that will need the protection of auto insurance but do not conform to today’s auto insurance model.” The article also states that, “These models of mobility create the opportunity — and need — to unbundle today’s all-in-one, vehicle-centric policy that predominates and provide coverage specific to the unique needs of stakeholders in [the future].”

A More Dynamic Market

With all the changes afoot, the auto insurance market will be quite dynamic, and companies, as well as agents, will have to think strategically to create and provide the coverage motorists will need. Consider this: autonomous car

insurance will generate over \$80 billion in new revenues nationally from 2020 to 2025, according to Accenture. The new trends will lead to fewer privately-owned cars being insured. There will be more shared driver-driven cars, along with some privately-owned autonomous cars and an increasing number of shared autonomous cars being insured. Carriers — and the independent agent — will have no choice but to innovate in order to stay in the game.

With the ability to offer competitive rates from multiple insurance carriers, independent agents will have the upper hand in this sector. Understanding and embracing the wave of new technology is not only smart, it’s the only way forward. Soon, insurance carriers will be able to gather and use data and share that information with independent agents. New ways to measure, control and price automobile risk will expand options in the auto insurance market for policyholders and their agents.

Four Steps to Keeping Up With It All

1. Independent agents can keep up with technology by investing in their own office technology, and keeping it on the cutting edge to increase efficiency. According to Pew Research, millennials are projected to overtake baby boomers as America’s largest generation by 2019. Millennials and their use of technology has vastly changed the face of insurance. The more digitally responsive the agent’s office is, the more it will attract the

millennial client.

2. Offering traditional and usage-based auto insurance for clients will increase business for the independent agent. Cater to those who want to drive the old-fashioned way, as well as those who live in the city and are beginning to use ride-sharing technology. Agents will need to understand their clients — get to know their preferences and provide more individualized products to suit their needs.
3. Following the autonomous market closely will enable agents to offer the correct insurance products to their clients. Still in question is how much insurance is needed by the car manufacturer, the car owner and the occupant.
4. Agents should keep on top of technological advances and know how their insurance carrier partners are using the new data to develop new products. Agents should be transparent with their clientele about industry trends so they can provide the best coverage and be a vital resource when the new products come to market.

Some may find technology a burden, but if approached correctly, it can be a boon to the insurance sector. It is not just coming down the pike, it is here. Either embrace it and get engaged or get out of the way. ■

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