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Influencing Insurance Customer Behavioral Risk Factors

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February | 2020



Carriers facing numerous challenges

- Loss ratios under pressure
- Constrained growth
- Rising acquisition costs



- Manage frequency and severity
- Policyholder retention

What to do?

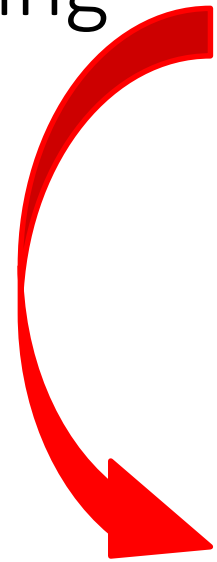
The quest for control

In control

- Enhanced underwriting
- Narrow appetite
- Traditional risk mitigation

Not in control

- Policyholder behavior
- Weather / natural disasters



Enhanced risk mitigation

Enhanced risk mitigation fundamentals

- Telematics
- Advanced data analytics
- Communication



Enhanced risk mitigation overview

Actions

- Educate
- Coach
- Warn
- Intervene

Activities

- Sending preventive messages
- Virtual presence
- Advanced consultation
- Direct intervention

Sample enhanced risk mitigation activities

	Educate	Coach	Warn	Intervene
Preventive messages	Hosting a safe summer BBQ		Boarding up windows in face of natural disaster	
Virtual presence		Smartphone-monitored driving behavior	Home-based telematics devices that alert	
Advanced consultation	Advice on where to locate business		Book of business reviews (for carriers)	
Direct intervention				Telematics that prevent (water shutoff, denial of phone access)

Enhanced risk mitigation ... not just for lower loss ratios

- More interaction
- Purchase or subsidized purchases of devices
- Advice to be safe



*Potentially deeper policyholder engagement =
Potentially deeper policyholder retention*

Will policyholders embrace enhanced risk mitigation?

Incentives

50% interested in sharing driving data for an incentive

47% interested in sharing home data for an incentive

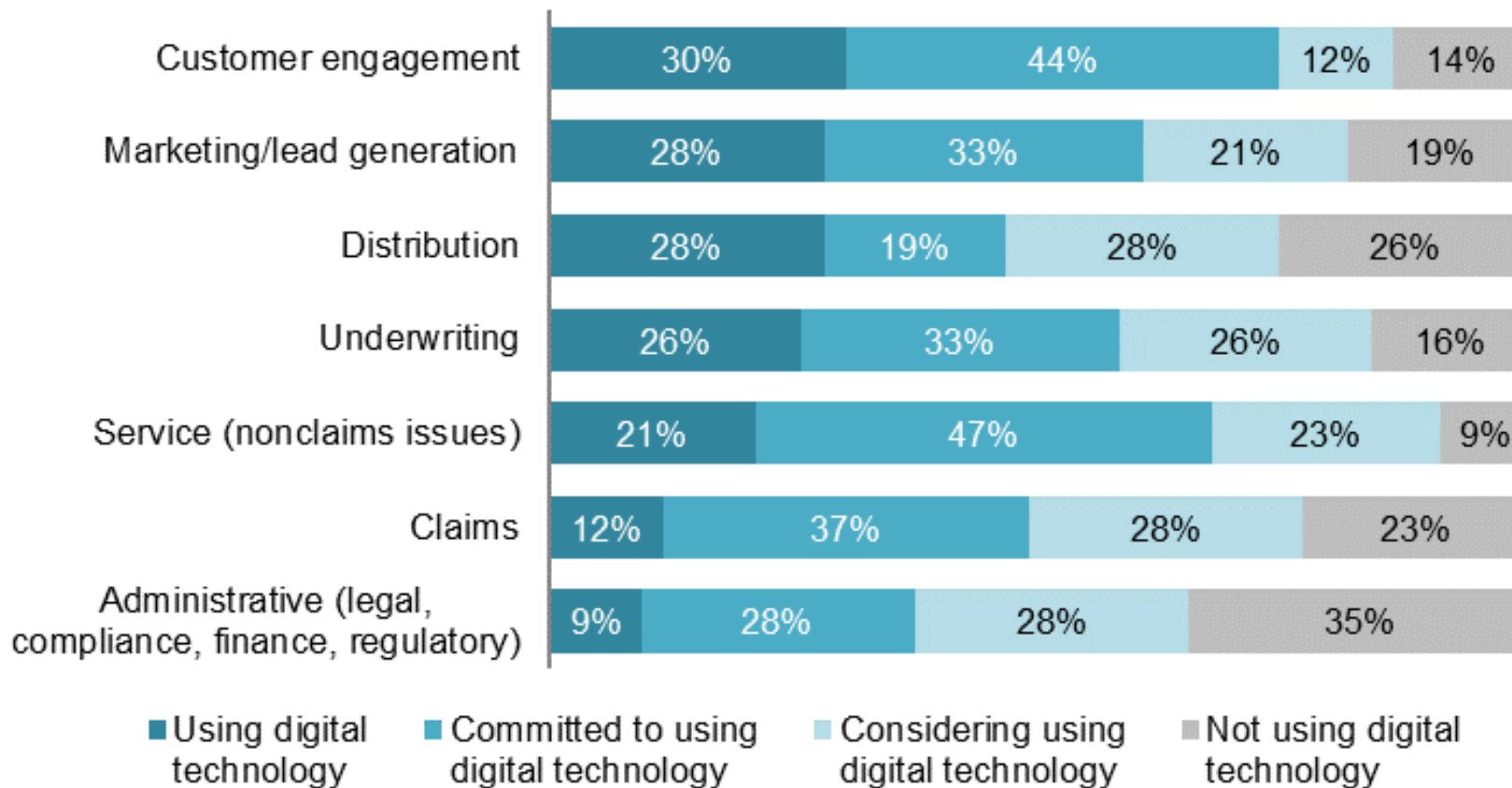
Advice

39% interested in sharing driving data for advice

47% interested in sharing home data for advice

Will carriers embrace enhanced risk mitigation?

Q. Please select the statement that best fits your company's use of digital technologies or tools within the core operational areas. (N=48)



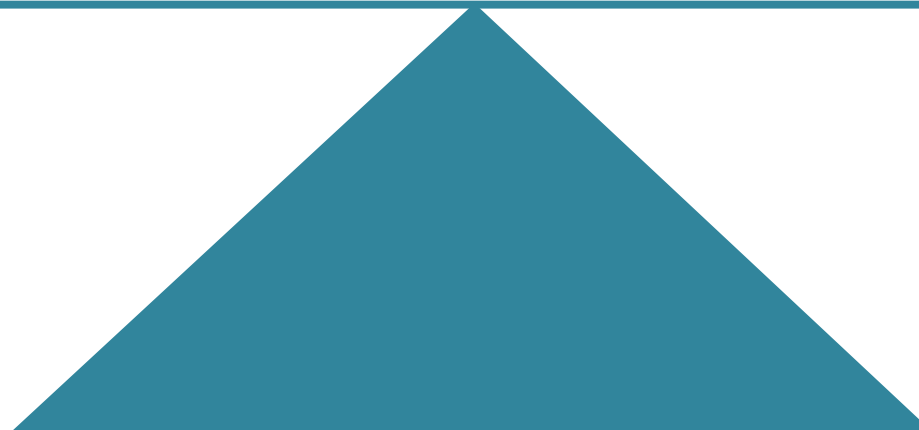
Potential challenges and how to overcome them

Enhanced risk mitigation challenges

- Perceived intrusiveness
- Failure of policyholders to perceive the benefit
- Limited/discontinued usage
- Unproven/not enough data
- Cost
- Internal coordination

Ways to overcome enhanced risk mitigation challenges

- Align communications
- Show the benefit
- Better marketing and messaging
- Encourage, do not admonish
- A/B test pilots



Summary

- Carriers facing more challenging environment
- Can potentially gain more control through enhanced risk mitigation techniques
- These techniques rely heavily upon telematics, data, and communication
- Consumers seem open to sharing data for either a financial incentive or advice
- To be successful, carriers have to strike a balance (being “there” v. being intrusive; guiding without admonishing)



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