

# How will Google, Apple shake up car insurance industry?

22 December 2014, by Becky Yerak, Chicago Tribune

Car insurance industry, meet potential disrupters Google and Apple. Currently, nearly all mainstream insurers that offer driver-monitoring programs use relatively expensive devices that plug into a portal under the dashboard. Usage-based insurance programs, also called telematics, are a small but growing segment of the auto insurance business.

Developing Android and iPhone smartphone apps, in contrast, would cut carriers' up-front costs when they offer telematics [insurance](#) programs, which track policyholder habits such as mileage and braking in exchange for potential savings on insurance.

The prospect of smartphones becoming the central nervous system of usage-based insurance could disrupt the property and casualty industry, which historically has gathered its own loss data and kept that information in-house.

Google and Apple also have other advantages, including being ubiquitous in the lives of many consumers and having been accepted as big data collectors.

"Because of what Google and Apple can do, they are in the position to gather so much data, and that data may be more insightful than traditional variables," such as credit scoring and motor vehicle records, said Sandeep Puri, a Deloitte consulting director and co-founder of D-rive, the firm's auto insurance telematics business. He offered his insights while participating in Telematics Update panel discussion titled "Big Impact Disrupters Enter the Market" in Chicago.

The balance of power in driver-monitoring programs could shift to Google and Apple if smartphones catch on as usage-based insurance policies, Puri and other speakers at the event suggested. They also raised questions such as: What happens when, say, Google has the data about losses to insurers? Does it charge insurers

for it? That also could possibly make obsolete or minimize the importance of underwriting criteria that insurers, whose major players include Northbrook-based Allstate and Bloomington-based State Farm, have used for decades.

"Insurance companies do stand a risk of being somewhat disenfranchised from activities they've more or less controlled" at a time when the industry's economic model is also pressured by such trends as safer cars and an aging population, Puri said.

Google and Apple didn't respond to requests for comment.

To be sure, the percentage of consumers who have or have had usage-based insurance policies is small: 8 percent as of July 2014, according to a survey of 1,000 U.S. consumers by Towers Watson, a consulting firm.

Still, that's nearly double the percentage in February 2013, Towers Watson said.

The growing appeal of telematics coincides with the waning of drivers' privacy concerns. Over the same 17-month period, the percentage of drivers who say they're uneasy with insurers monitoring their driving locations has fallen to 35 percent from 42 percent, Towers Watson said.

Meanwhile, about 80 percent of smartphone owners said it's acceptable to download apps on to their phones that would track their driving, the Towers survey said.

"Google represents a huge opportunity for the insurance industry" because the Android smartphone will help insurers launch usage-based insurance programs faster and cheaper, Ryan Morrison, chief executive of True Mileage, said on the telematics update disrupter panel.

True Mileage makes devices that collect mileage and other driving information by connecting to an outlet just below the steering wheel.

For the past two years, attendees at Telematics Update in Chicago have debated whether the future of usage-based insurance should hinge on stand-alone gadgets or mobile apps. One reason: Devices such as Allstate's Drivewise and Progressive Corp.'s Snapshot are considered more accurate barometers of driving behavior than any available apps.

But cellphones are getting smarter and more sensitive, lessening the need for a plug-in device.

At Chicago's auto show this year, Progressive announced a contest for developers of mobile apps that sense driving habits. The Mayfield Village, Ohio-based company said it would compare results of the mobile app with data gleaned from the Snapshot device in the same car to see how consistent they were.

"It's progressing well and we're pleased with the results we're seeing," Progressive spokeswoman Amanda Lupica said. She didn't elaborate.

Allstate also this year began testing a smartphone app called Drivewise Mobile, which is available in 19 states and Washington, D.C., company spokesman Justin Herndon said.

"We will continue to expand that footprint in 2015," Herndon said. Drivewise, including the plug-in device, is available in 47 states and has logged 5.3 billion miles of driving data, Herndon said.

Google and Apple have their own programs to get their technology into cars. Apple in March announced CarPlay, which gives iPhone users the ability to easily make calls, use Apple Maps, listen to music and access messages by touch or voice commands. Drivers connect their iPhones to their cars through a cable. They can then control CarPlay from their car's built-in display or by pushing and holding a button on the steering wheel to activate Siri, Apple's iOS voice system. Certain third-party apps also work.

A few months later, Google, which owns the rival Android operating system, came out with Android Auto, which also has steering wheel controls and voice actions.

Several major automakers, including Audi, Honda, Nissan, Subaru, Jeep, Dodge, Chrysler, Chevrolet, Mazda and Volvo, have said they will support both CarPlay and Android Auto, the Los Angeles Times has reported.

Catherine McCullough, executive director of the Intelligent Car Coalition, said at the Chicago conference that programs such as Apple CarPlay will bring the conversation about connected cars to the kitchen table.

"A lot of tech companies are geniuses at getting people to give them enormously personal information by clicking through a contract that no one reads and doing with it pretty much what they will," said McCullough, whose coalition is a proponent of connected cars.

In December 2013, Ford - in conjunction with State Farm and the University of Michigan - unveiled an "automated" research vehicle. The goal is to incorporate technology into vehicles to enable them to "communicate with each other and the world around them to make driving safer" and reduce congestion. State Farm recently declined to provide an update.

In October 2014, an analyst asked Allstate why it doesn't strike a deal with an automaker to work on connected cars.

"The average age of the fleet is 11 years old," Chief Executive Tom Wilson responded. "So there are a whole bunch of people out there driving that we would like to offer them the opportunity to get more sophisticated pricing as opposed to waiting until they buy a new car."

But Wilson said Allstate is "actively in conversations with everybody," including automakers and telecommunications companies, about driver-monitoring programs.

Loretta Worters, a spokeswoman for the

Insurance Information Institute, an industry trade group, acknowledged that Apple and Google, which also has a driverless car program, could disrupt the car insurance industry. "But so could everything else," she said.

"If we're talking about the future and new technology, if you have a self-driving car, who cares what the behavior is?" she said. "There would be a diminished reliance on human behavior because of self-driving cars as well as changes in our infrastructure with highways of the future."

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APA citation: How will Google, Apple shake up car insurance industry? (2014, December 22) retrieved 16 June 2019 from <https://phys.org/news/2014-12-google-apple-car-industry.html>

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