

# Insurance telematics: reducing risks, cutting costs

A changing insurance landscape is enabling businesses to keep a lid on costly fleet insurance premiums. The following white paper examines the emergence of insurance telematics and how companies can promote driver safety to reduce their risk profile and realise substantial cost savings.

## Road risk: the consequences

Every year, almost 30,000 lives are lost on Europe's roads and a million and a half people are reported as being injured in road traffic accidents<sup>1</sup>.

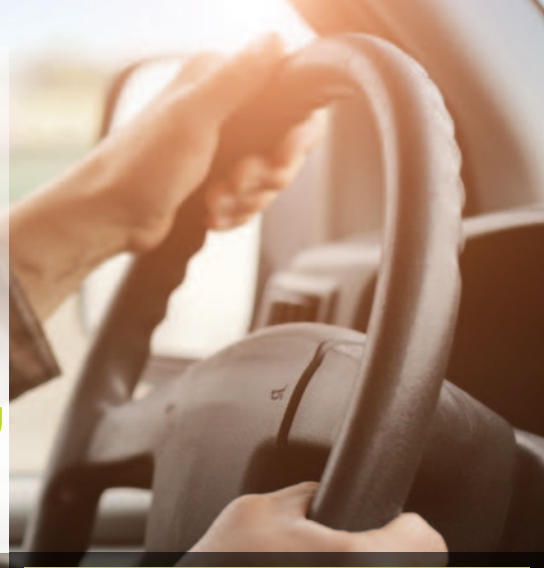
With up to a third of all road traffic accidents believed to be work-related<sup>2</sup>, the associated crash repairs expenses – combined with other inflationary pressures – have led to increasing cost pressures on commercial motor insurers.

## Business paying the price

The rising cost of road traffic accidents are being passed on to insurance companies' fleet customers, with soaring premiums increasing the financial burden they face.

Businesses running fleet vehicles have to contend with numerous operational overheads – and for large corporate businesses in particular, with sizeable mobile workforces, motor insurance adds a significant expenditure to their considerable fuel and maintenance costs.

Steps can be taken however to help keep a lid on insurance premiums. These require having systems in place to control claim costs, enabling businesses to demonstrate a reduced risk profile to their insurers.



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## The route to insurance savings

Motor insurance companies are increasingly recognising the impact of fleet management technology on the safety of mobile workers and their propensity for accidents. The data these systems impart is being used to more accurately assess risk and underwrite policies.

Businesses with appropriate fleet management systems in place can more easily identify drivers that might pose a higher risk and address dangerous driving styles before they become a liability. They can also use the technology to monitor hours spent behind the wheel, a key factor in influencing levels of driver fatigue.

These operations have a clear, transparent risk profile and have the tools available to them to reduce the number and size of motor claims. From an insurance company's perspective, this allows for more exact rating and underwriting and, in turn, offers the potential for more competitive premiums.

Although telematics-based insurance requires an investment in fleet management solutions to monitor and improve driver behaviour such as harsh braking, cornering or speeding, the possible returns on investment are substantial.

This driver behaviour data imparted by appropriate technology is relayed to managers via fleet management software, allowing them to incentivise their workforce to meet achievable performance benchmarks. It can also put employees at the heart of improvement programmes by feeding live performance information and warning alerts back to their navigation devices, enabling them to change their driving behaviour in real time.

A company with 119 vehicles, for example, benefited from fleet insurance savings of £78,000 in just two years. It achieved this by simply demonstrating an improved risk profile to its insurer, having slashed its claims costs to the tune of £136,000.

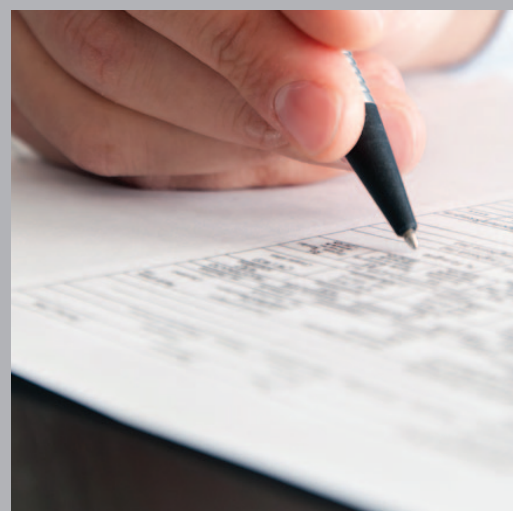
Moreover, fleet management technology will also help companies realise thousands of pounds worth of fuel and efficiency savings across other areas of their business, while boosting customer service standards, productivity and their green credentials.

## Insurance innovations herald a new era

While simply having the technology in place may be sufficient for companies to negotiate preferential rates with brokers and insurers, innovations in insurance products are seeing dedicated policies being developed, underpinned by telematics, to offer transport, finance and operation directors further options for reaping financial rewards.

These policies signal a new era for the insurance industry. Zurich, for example, is helping corporate fleets mitigate risk and control premiums with a scheme that offers much more than basic liability coverage. It has selected TomTom fleet management to provide the telematics capability for integrated service, Zurich Fleet Intelligence (ZFI), which combines vehicle telematics, reporting, driver development tools and risk engineering support.

Numerous other insurance partnerships have also been established to help companies cut costs and promote safer driving.



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## Protecting and empowering drivers

Fleet management technology adopted by companies for efficiency, productivity, CSR and legislative compliance has long been welcomed by employees, and for good reasons – from reducing stress behind the wheel to reducing their administrative burden.

While sharing driver performance data with third party insurers may meet with some resistance from employees, in most cases it is likely to be accepted as another step to improving their safety, the company's balance sheet – and, in turn, their job and salary prospects.

A fleet management system can also help companies protect employees against false insurance claims brought against them by third parties by providing irrefutable evidence of precisely where, when and how a vehicle was being driven at the time of an alleged incident.

Insurance telematics continues to evolve but is widely regarded as the future for managing road risk, for both consumers and businesses – and the larger a company's vehicle fleet, the more momentous the potential rewards.



Insurers working with TomTom to reduce premiums for customers include:

### Zurich

Zurich Fleet Intelligence (ZFI) is an integrated service aimed at corporate fleets, combining vehicle telematics, reporting, driver development tools and risk engineering support.

### Equity Red Star

Equitrack is a tailored package enabling companies employing fleet management technology to manage risk and reduce premiums.

### Towergate

Fleetcare+ helps businesses use telematics data to reduce risk and premiums by providing expert support and consultancy.



1 European Commission, Road safety trends, statistics and challenges in the EU 2011-2012

2 European Road Safety Observatory, 2007



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