



Usage-Based Insurance: Transparency Through Telematics

March 2022



Who we are

Founded by The Allstate Corporation, Arity is a technology company that leverages software, data and analytics to help businesses make better decisions and create safer, smarter driving environments.

What we do

We create models and applications that turn data from sensors in cars and mobile phones into actionable insights.



Why we were built

Arity was built to leverage the power of the connected car by providing a platform that helps customers protect what matters most through partnerships with companies across different industries (insurance, mobility, sharing economy).

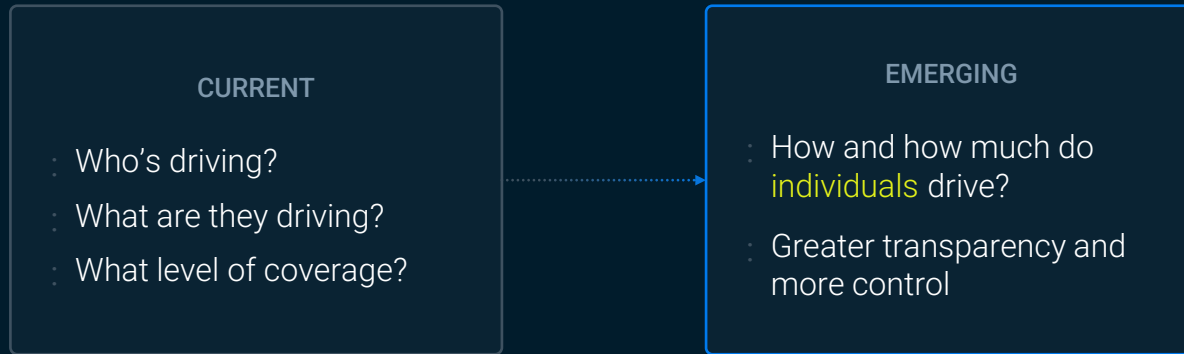
How we help insurers

We support appropriate data collection and, as a licensed rating services organization across the US, enable the efficient use of risk insights while subject to DOI oversight.

Arity turns driving data into insights that reduce risk and enhance driver safety, connectivity and value.

Telematics Intro

Usage-based insurance - the evolution of auto insurance pricing



USAGE BASED INSURANCE

Measuring risk based on how you drive, not just who you are

HOW

- : Rapid acceleration
- : Sudden braking
- : Travelling at high speeds/
speeding
- : Hard cornering
- : Distracted driving
(phone use)
- : Trip regularity

HOW MUCH

- : Distance driven
- : Duration driven
- : Daily usage patterns

WHEN

- : Time of day
- : Day of week

WHERE

- : Miles driven on various
road classes (e.g.
highway, residential)
- : Dangerous intersections

Data collections methods



OBD-II devices

Accurate source of vehicle-based data collected via attached dongle, including GPS, accelerometer and other performance sensors



Embedded systems

Comprehensive source of vehicle systems and diagnostic information in addition to other vehicle-based sensors captured from connected cars



Mobile application

Easily available, low-cost driver-based source which provides distracted driving information in addition to GPS, accelerometer and other sensors. Also facilitates customer interaction

Telematics Benefits for Auto Insurance

Benefits of Telematics



More accurate premiums



Greater transparency
& controllability



Safer drivers



Ancillary services

Benefits of Telematics

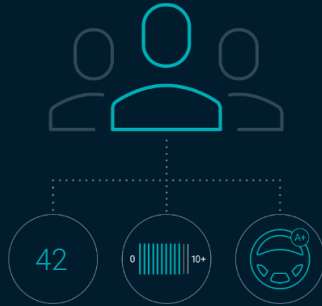


More accurate premiums

Individualized measures of actual driving behavior that are more predictive of risk

Two drivers look alike on paper, so we offer similar products and price.

Tracy's 2018
Semi-annual Premium **\$452**



Vehicle: 2014 CT 200H

Liability Coverage: 100/300/100

Years Licensed: 26-30

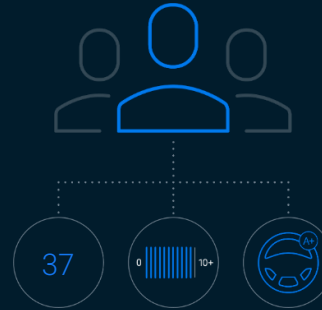
Zip Code: 942XX

Marital Status, Gender: Married Female

Driving Record: No violations

Claims History: No accidents, no claims

Heidi's 2018
Semi-annual Premium **\$465**



Vehicle: 2015 Prius V

Coverage: 100/300/100

Years Licensed: 21-25

Zip Code: 942XX


Marital Status, Gender: Married Female

Driving Record: No violations



Claims History: 1 fender bender, not submitted

Things aren't always as they appear

Tracy's 2018
Semi-annual Premium ▼ **\$371**
\$452



42



Vehicle: 2014 CT 200H

Liability Coverage: 100/300/100


Years Licensed: 26-30 Zip Code: 942XX

Driving Score: 93



Speeding: 86 Distracted Driving: 92

Sudden Braking: 98 Mileage: 97

Heidi's 2018
Semi-annual Premium ▲ **\$479**
\$465



37



Vehicle: 2015 Prius V

Coverage: 100/300/100

Years Licensed: 21-25 Zip Code: 942XX

Driving Score: 64

Speeding: 60 Distracted Driving: 63

Sudden Braking: 62 Mileage: 72

Benefits of Telematics



More accurate premiums

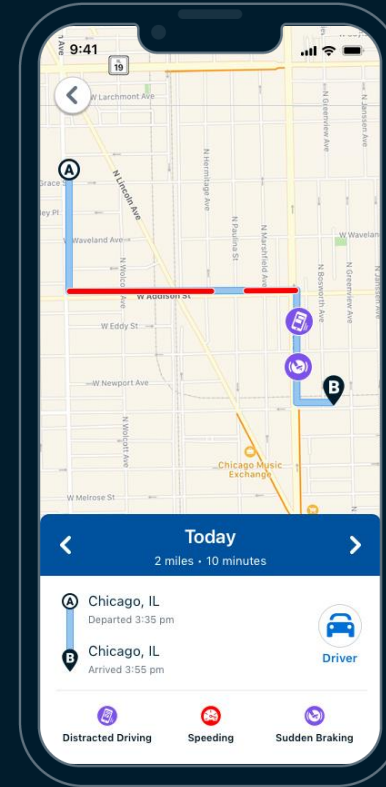
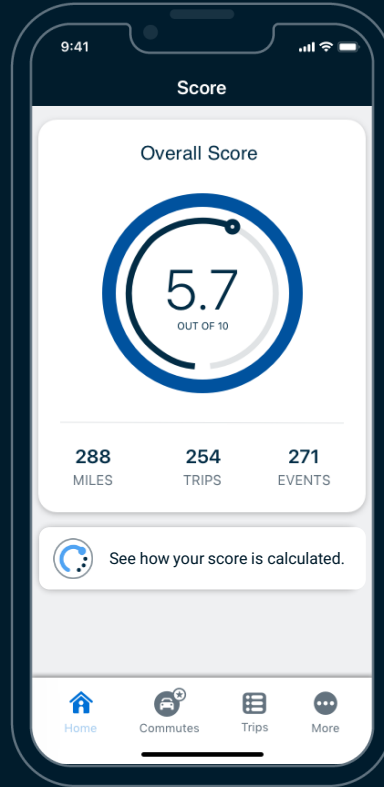
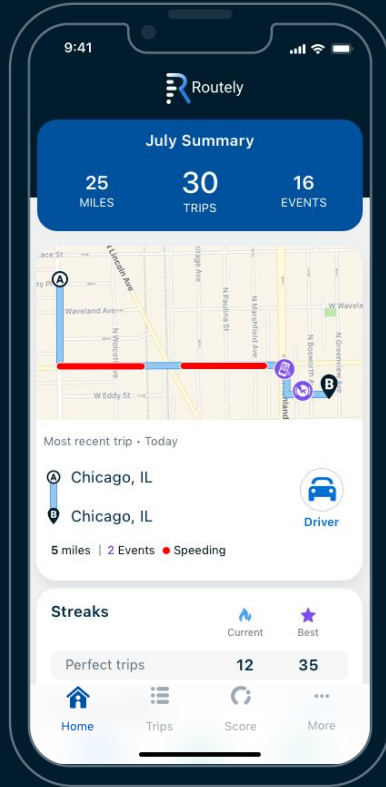
Individualized measures of actual driving behavior that are more predictive of risk



Greater transparency & controllability

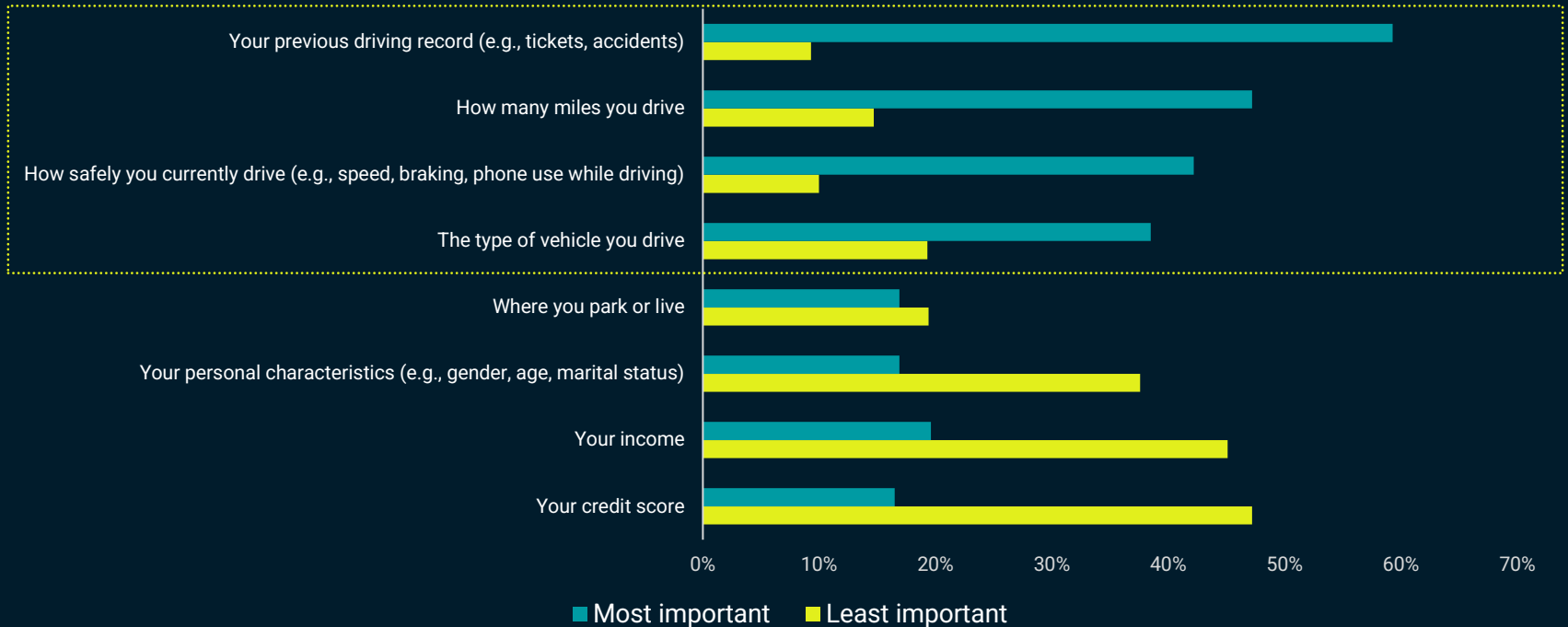
Educate drivers on how their behaviors contribute to risk and premium

Greater transparency and controllability



CUSTOMER SENTIMENT AROUND TRADITIONAL RATING IS SHIFTING

Customers think driving behavior should be more important in pricing auto insurance



Source: Arity Omnibus Research; October 2021

Base: 782 insured drivers

Question: Which factors do you think should be [most / least] important in determining the price you pay for auto insurance? Select up to three.

© 2022 Arity. All rights reserved. Proprietary and Confidential.

Benefits of Telematics



More accurate premiums

Individualized measures of actual driving behavior that are more predictive of risk



Greater transparency & controllability

Educate drivers on how their behaviors contribute to risk and premium



Safer drivers

Provide just-in-time feedback and financial incentives to motivate safer driving

Driving safety

Forbes

Feb 28, 2021, 07:24pm EST | 2,471 views

Rising Death Toll From Distracted Driving Prompts Action



Tanya Mohn Contributor @Travel

I cover road safety and consumer travel.

The fallout from distracted driving is not while driving, his or her eyes are off the road. At 55 miles per hour, that's like driving the car blindfolded. The result of such behavior? In 2019, nearly 10% of traffic deaths killed 3,142 people in 2019, nearly 10% more

The New York Times

Vehicle Crashes, Surging

Traffic deaths are surging during the pandemic.



By David Leonhardt

USA TODAY

NATION

Soaring US traffic deaths becoming a 'public safety crisis' as fatalities hit 15-year high in first half of 2021

Tom Krisher and Hope Yen Associated Press
Published 8:02 p.m. ET Oct. 29, 2021

DETROIT — The number of U.S. traffic deaths in the first six months of 2021 hit 20,160, the highest first-half total since 2006, the government reported Thursday, a sign of growing reckless driving during the coronavirus pandemic.

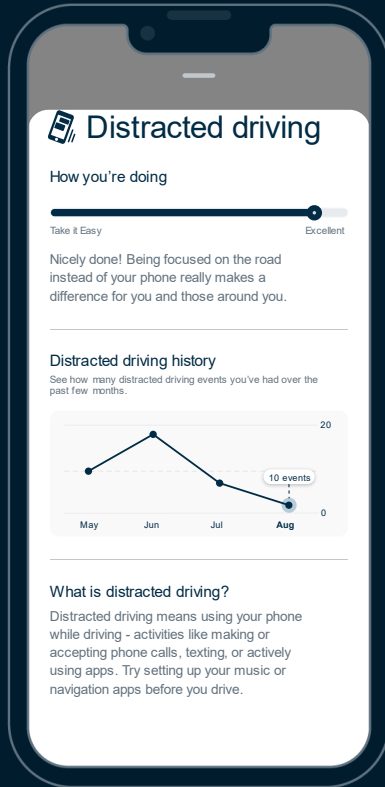
The estimated number was 18.4% higher than the first half of last year, prompting Transportation Secretary Pete Buttigieg to call the increase an unacceptable crisis.

That percentage increase was the biggest six-month increase since the department began recording fatal crash data since 1975.

during its most severe increase in traffic

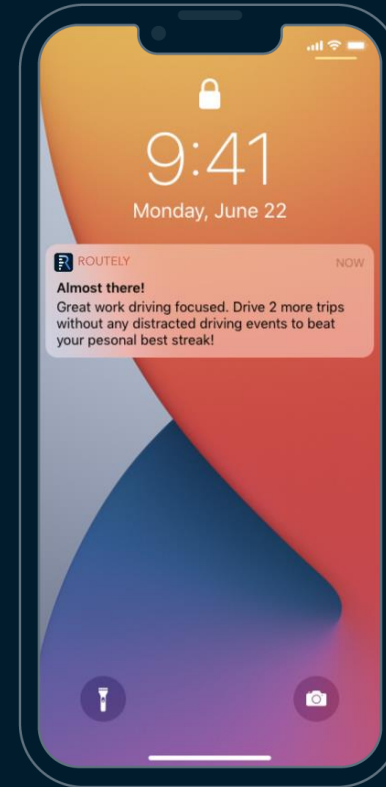
from the recent norm, too. Deaths from vehicle accidents have been falling since the late 1960s, thanks to lower speed limits and declines in drunken drivers. By 2019, the annual death rate from traffic accidents had fallen to its lowest level since cars became a mass item in

Encourage and incentivize safer driving



Educate

Provide drivers information and coaching on the observed behavior



Motivate

Provide drivers with the gestures and nudges to communicate safe driving

Benefits of Telematics



More accurate premiums

Individualized measures of actual driving behavior that are more predictive of risk



Greater transparency & controllability

Educate drivers on how their behaviors contribute to risk and premium



Safer drivers

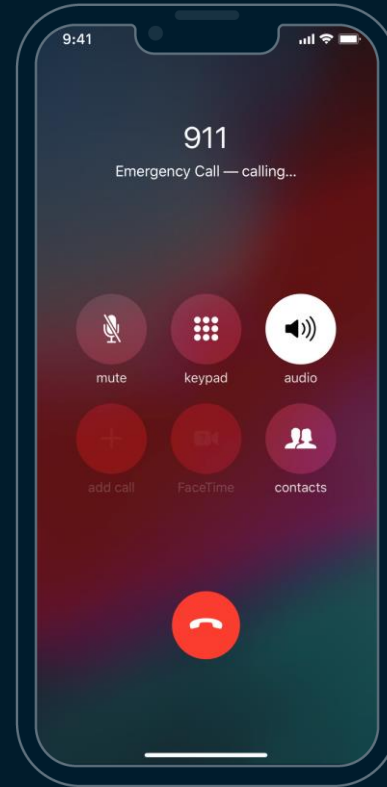
Provide just-in-time feedback and financial incentives to motivate safer driving



Ancillary services

Telematics platforms allow insurers to provide additional services to protect insureds

Provide additional services



Wrap-up

Questions?