

Telematics, or the concept of gathering data on your driving habits and transmitting them to your insurance company is no longer just an idea that may happen someday. This new technology is gaining acceptance and traction and as such promises to have impacts on our society far beyond just insurance rates. Telematics may just save your life one day.

Telematics for car insurance, also known as pay as you drive, or usage-based insurance rating has been something that the insurance industry has been eyeing for a long time. Originally the hope was that the insurance companies could determine how many miles a year that you drive and use this information to provide you with a car insurance rate that more accurately reflects your driving risks. But with the development of technology, telematics will go far beyond that original goal.

Telematics and car insurance have had several hurdles to jump over the years. The biggest of these are cost, data management, and privacy. In the early years, the cost to install a device in the vehicle that could transmit data to the insurance company only really made sense at the corporate fleet level. But over time the costs have come down and the devices are now very affordable in a one car installation situation. Data management was a problem until recently. With the expansion of smart phones, more and more bandwidth has been created which allows the flow of the huge amount of data that any car will collect on its driver. Privacy is still the last hoop to jump through, but that problem may be fading. This is because today's youth seem to not have a great a concern or desire to protect their privacy. This is already evident in the number of phone apps that track your location and post them publicly to others.

Telematics can allow the insurance company to adjust your car insurance rate based on your driving habits. The data collected is now so rich that they can track how fast you accelerate, how fast you drive, how hard you brake or take corners. All of this data can much more accurately predict your likelihood of causing an accident than can your credit score or the number of speeding tickets that you have been issued.

Trucking companies that have installed telematics in their fleets, almost universally report that accident rates go down right away. It seems that once drivers know that everything they do and everywhere that they go is being measured and monitored, suddenly they become safer drivers. Can this effect be extrapolated out for the population as a whole if everyone were to have a telematics device in their car? We don't know for sure but there seems to be evidence that this may be true.

Of course telematics won't benefit everyone. If the car insurance world has inadequate information on which to base their rates today, then that means that some people are subsidizing others. If the insurance company doesn't know for sure if you are a safe driver or a risky one, then you can be sure that the safe drivers are subsidizing the riskier ones. Knowing this, you know that telematics will mean that as some drivers save money as a reward for their safe driving habits, then other drivers, or those that refuse to use telematics will have to pay more to make up the difference. This is why I believe that eventually telematics will be ubiquitous in the insurance world and in fact, cars may soon come equipped with the telematics devices as a standard part of the vehicle. It will one day just be too expensive to purchase a car insurance policy that is not based on telematics. The insurance company will feel like the old fashioned rating system blinds them from seeing the bad risks and as such will charge a much higher rate for those policies. Eventually no one will be able to afford a policy not based on telematics.

If telematics do change our behavior behind the wheel and force us to drive as though our insurance agent were in the back seat watching us, then I think that this technology will be a game changer. Just how long it will take for this technology to be the standard way car insurance rates are calculated remains unknown. But don't be surprised if it all happens faster than you thought it would. Just watch a TV show or a movie from before 2006 or so and see how strange it seems that no one has a smartphone. Telematics could make this jump into ubiquity just as quickly.

While none of our insurance companies is currently offering rates based on telematics, that probably has more to do with the way NC auto insurance is regulated. I look for this to change in the very near future. If you would like any help with your home or auto insurance, I hope you will call Clinard Insurance Group, toll free, at 877-687-7557.