

If you thought your mother in law in the backseat was a challenge to your driving skills, consider this: auto Insurance companies are plunging headfirst into the world of telemetrics. Telemetrics is the measuring of data regarding your driving habits with the goal of providing you with auto insurance rates that more accurately reflect your true driving risks.

It has always been the goal of insurance industry executives and underwriters to try to better understand exactly which clients will cause losses on their insurance policies. In the world of auto insurance, the tools that insurance companies have had at their disposal in the past have been relatively crude. They can make judgments about your driving abilities based on the kind of car you drive, your age and number of years driving, your past traffic violations and past auto insurance claims. I've often thought that charging higher rates for speeding tickets for instance seemed a bit misdirected and inaccurate. I've seen quite a few clients with a high number of speeding tickets who never had an accident or filed an insurance claim. Another good example of how crude these measurements are can be seen in the huge rate increases that everyone has to pay when their sixteen year old child first gets his or her license and is added to the parent's policy. Not every new driver has accidents, but the insurance company has no way of knowing which child has a greater risk so they all just have to pay enough to cover each other. But what if the insurance company could watch this young driver every time he or she drives? Would they then be able to make better decisions about which young driver is most likely to cause an accident?

Enter telemetrics, the newest underwriting science in auto insurance rates. While some smaller insurance companies have nibbled around the edges of this concept, recently the adoption of telemetrics by State Farm Insurance, one of the largest auto insurers in the country is bound to push this trend amongst all auto insurers much more quickly. That is, assuming it works well for State Farm. Telemetrics is the gathering of data about your driving habits via small telemetric devices which plug into the car's diagnostic ports. This data is then sent to the insurance company and analyzed to determine if the driver deserves a discount refund for safer driving. Right now most of these programs are focused on offering cash back discounts for good driving behaviors but are not designed to generate additional rate increases for the drivers who don't make the grade. That approach is almost certain to change should this form of auto rating, often referred to as usage rating become more commonplace. For now, this new technology is still in a testing phase and insurance companies would be hard pressed to get people to sign up if they risked higher rates for doing so.

So what are insurance companies that use telemetrics looking at in your driving data? Generally speaking they are monitoring your speed, the number of miles driven, the time of day that you drive, your acceleration and deceleration habits and how hard you take turns. Most

also claim not to monitor your seat belt usage, the exact location of your car or your speed relative to the posted speed limit at that location.

Critics of telematics as a car insurance rating device focus primarily on the privacy aspects of data. Collecting this much data on U.S. drivers certainly puts insurance companies in a powerful position. While they don't currently plan to collect detailed data about where you have traveled, as telematics become more commonplace it can be assumed that more and more data will be collected. Over time your insurance company could build quite a detailed record of the routes you have taken and when. And once the data is compiled and collected, it might fall into the hands of law enforcement or even your separated spouse's divorce lawyer or some other civil liability suit attorney. In addition, as more and more people accept the loss of privacy in order to try for more discounts; this will almost certainly leave those with privacy concerns having to pay much higher auto insurance rates just to maintain their privacy. This is a slippery slope in a world where we are all losing more and more of our privacy each day.

If you need any help with your auto insurance or your home insurance, please feel free to call my office, toll free, at 877-687-7557.