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Disrupting the motor fleet
Technology that was once the preserve of the largest hauliers is now available to fleets of all sizes, bringing about better communication and management of complex motor risks – and making vehicles more productive and drivers less risky p24

Driving change
Deborah Ritchie speaks to Roger Ball, Director of Motor, UK & Ireland Retail, QBE European Operations about the huge shifts that are taking place in the motor fleet market p26

Motor fleet risk

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Disrupting the motor fleet

Technology that was once the preserve of the largest hauliers is now available to fleets of all sizes, bringing about better communication and management of complex motor risks – and making vehicles more productive and drivers less risky

The largest hauliers have been using GPS to track HGVs for many years. More recently, they have been combining GPS with mobile software, Internet of Things (IoT) and machine learning (ML) to form fleet telematics. These new systems not only provide a vehicle's location, direction of travel and speed, but can also monitor the operation of engines and hardware, the behaviour of drivers, as well as the condition of goods-in-transit.

As vehicle manufacturers, tech giants and start-ups make it easier for cars, vans, coaches and trucks to connect both to the Internet and to the new breed of ML-based fleet management applications, a new market is opening up to small and medium sized businesses that hitherto have been excluded from the operational, safety and analytical benefits of fleet telematics.

Possibly the greatest of these benefits is in the area of driver behaviour, where telematics is bringing unexpected benefits for fleet cost and risk management. Poor driving performance can often mean fuel inefficiency and increased vehicle maintenance costs. Improving driving styles across a fleet can also lower the risk of accidents. When incidents do occur, fleet telematics systems can gather a detailed understanding of who was at fault – all of which improves insurance risk and national regulatory compliance.

By understanding performance, drivers can be empowered and encouraged to improve their skills, avoid driving-related health issues, saving time, money and possibly lives.

Perhaps the most obvious operational benefit of fleet telematics is its ability to connect route navigation and dispatch systems with driver dashboards. It can identify vehicles running ahead, on-time or late, and help remedy difficulties as they arise. By delivering traffic and job updates, it improves arrival times. By capturing the detail of completed deliveries and automating driver logs, timesheets and other paperwork, telematics can also save hundreds of hours of driver-time and ensure compliance with Drivers' Hours regulation.

Using the sensors already installed in the millions of engines, diagnostics can now be run remotely to stop small problems becoming bigger ones when a vehicle becomes faulty. That connectivity can be even be extended to the equipment that vehicles are carrying, giving fleet managers an unprecedented amount of information about what's happening on the road. Fleet telematics can also make a fleet operate more fuel-efficiently – an area of distinct importance to fleets of any size. The number of miles travelled can be reduced by comparing plans to routes actually taken. Idling can be spotted and stopped. One telematics provider in the United States claims that by reducing idling time by just one hour a day per truck, a fleet of just 20 trucks could save more than US$25,000 (£18,000) a year.

The impact on insurance

IoT and telematics are also pushing the boundaries of fleet management when it comes to insurance. Personal car insurance has led the way in this area for several years, with high-risk drivers being asked to install simple telematics systems to reduce their insurance premiums. The commercial fleet insurance sector is catching up now, with a select few insurers capable of understanding the risks that telematics can solve, and the new risks that telematics might invite.

As a global commercial fleet specialist, QBE has been involved in the development and deployment of large scale fleet telematics for many years across the UK and Europe. As a result, it has actively developed the insight necessary to help smaller fleets prevent and offset risks too.

Just as businesses around the world are digitizing their workflows and investing in ML analytics capabilities, QBE has developed a series of sophisticated tools that look at the information it holds on policies and claims, and extract meaning from it for its customers.

"Improving driving styles across a fleet can also lower the risk of accidents. When incidents do occur, fleet telematics systems can gather a detailed understanding of who was at fault"

Roger Ball, Director of Motor, UK & Ireland Retail, QBE European Operations, explains.

"Mid-way through a customer's policy period, we can analyse the claims data on our systems to look for how many have been made, what types of accidents are re-occurring, and then suggest what they might do to improve that risk exposure in the future," he says.

"We can look at which vehicles are causing the most accidents, what they are being used for, down to capturing a code to show which locations are generating the most claims. If a customer has similar types of vehicles, they can then quickly focus their attention on those locations.

"If there are particular drivers that have got prominent claims, we capture that information too. Multiple claims don't make a given driver a bad driver. What it helps fleet managers do is investigate whether they are working really long hours, or have an illness they are not aware of. We can often share information with customers that they don't capture themselves."

Add the advantages of real time telematics to this kind of data capture and assistance, and a holistic, 360 degree approach to fleet risk management emerges. It can even include industry benchmarking. With all of this data flowing through QBE's systems, the company is able to compare information from across its portfolios to give customers an indication of how they are faring at managing risk in relation to others running similar operations.

"It's all about turning data into information, sharing it, and working with customers to reduce their risk and manage premiums," Ball continues. "We can do this as frequently as a customer likes. We have the information extracts built into our system and can run them as and when required – monthly, quarterly, half yearly, annually – whatever they want, at no charge."

As these technologies are adopted and the risk landscape changes for small- to medium-sized fleet managers, no insurer is more prepared to support the fleet market than QBE.

Innovation at heart

QBE is committed to innovating to reduce risk for the insured. The motor fleet market is benefiting enormously from the application of new technologies. One such application is the QRisk tool. QRisk is designed specifically for smaller fleets. This online self-assessment tool asks a series of questions that pinpoint where claims are likely to arise within a business. It provides an overview of a firm's risk management activities, and helps managers assess controls against best practice standards, monitor risk improvements, and access guidance on the latest risk management thinking. QRisk's Knowledge Centre hosts a wide range of publications on best practice and guidance on current industry hazards, claims, legal cases and emerging risks.

QBE is set to launch a programme with another provider, Cambridge Mobile Telematics (CMT) , using its smartphone-based DriveWell telematics and behavioural analytics software for fleets of between 10 and 50 vehicles. The emphasis here is on improving drivers' awareness and reducing distraction to mitigate risks on the road.

"These programme are a learning journey for us as much as they are for our customers," Ball says. "We talk to people, work out whether they think this kind of technology makes sense for them, and test it out with them. There is no one-size fits all solution,

"Our experience is that a fleet of 100 vehicles will typically see some 30-35 claims on average. The claims offering is therefore of greater significance"

and we aren't demanding that customers use it. But we do want to help our customers reduce their risk. And this is one way of doing that.

"Commercial fleet operates in stark contrast to private motor, where most policy holders will shop around at most renewals. Policyholders think that they are unlikely to have a motor accident. The value of claims services or risk services is therefore of minimal interest to many of these buyers.

"For a fleet of vehicles, however, it's highly unlikely they won't be involved in an accident. Our experience is that a fleet of 100 vehicles will typically see some 30-35 claims on average. The claims offering is therefore of greater significance, and risk prevention is more material. What if they could have 20 accidents instead of 30? It is not just about the cost of the insurance claim, it is also about the disruption, employee wellbeing and possible impacts on lost business. That's much more valuable than considering the cost of the premium alone.

"At QBE we are determined to support our policyholders to help them achieve their business goals by helping risk to be controlled and managed."

To find out more about how QBE can help your business, and to get your copy of QBE's free practical guide on Fleet Risk Management, email Roger Ball at roger.ball@uk.qbe.com

qbeeurope.com/innovation

Driving change

Deborah Ritchie speaks to Roger Ball, director of Motor, UK & Ireland Retail, QBE European Operation about the huge shifts that are taking place in the motor fleet market

The motor insurance market has undergone a great degree of change in recent times – producing both positive and negative outcomes. What is your perspective on these developments?

The vehicles that we insure today are quite different to those that we were insuring ten years ago.

A vast amount of technological change over that time has had enormously positive and recognisable impacts, but there are some downsides which need to be understood from a cost perspective.

Among the positive impacts, a number of these changes include improvements that have reduced the likelihood of an incident occurring – such as better security to prevent thefts, improved braking and steering technologies, and improved capacity for controlling vehicles while on snow, ice or in water to avoid collisions, for instance. All these features are beneficial to reducing the incidence of a claim occurring and helping to keep people both safe inside and outside the vehicle.

At the same time, when incidents do occur they're more expensive than they used to be. The cost of a claim is significantly higher in a shunting incident, for example, where rear sensors may be fitted in bumpers; or in a collision that damages a windscreen with cameras fitted, as these new parts have to be taken into account. Vehicles today are manufactured with a variety of materials, with the objective of absorbing the shock impacts of accidents, whilst protecting road users both inside and outside the vehicle. Additionally, the vehicle may need to go to a specialist garage for these repairs, which comes at a higher cost in terms of both parts and labour.

So, whilst the motor market may see a reduction on the number of accidents, the claims costs of the ones we do see are higher.

What other factors are currently affecting the market?

The issue I have already mentioned of availability of parts is also affected by another, arguably more complex issue around FOREX. The recent decline in the value of sterling creates additional costs because the majority of the parts in question are imported, creating their own inflationary pressures.

There are other knock-on effects that result from repairs being more difficult and more time consuming to carry out. If vehicles are off the road for a longer period of time, the costs of storage, labour and in hiring replacement vehicles will be consequently higher. Credit hire funding is also a key part of the insurance spend and there are increases there, too. These costs are significantly higher than underlying inflation of around 2.5 to three per cent and most insurers are seeing hikes significantly higher than that.

Aside from the aspect of vehicle damage, claims costs relating to injuries to third parties (relating to passengers, persons in other vehicles, pedestrians or cyclists) are increasing because individuals that have been seriously injured in an accident are more likely to survive thanks to the aforementioned improved vehicle build specifications, as well as advances in medical practice.

So, unlike a decade ago, we have the additional costs relating to care – sometimes many years of care – to take into account. This is only a positive for everyone involved, but it comes with extra financial cost attached to it. As we have seen higher numbers of road users, particularly cyclists in urban areas and more congestion, the risks of injuries are increased.

The government's March 2017 change to the discount rate dealt a blow to the market. What are your thoughts on the Ogden saga?

As we know, the discount rate was reduced to -0.75% just over a year ago. This has had a significant impact on large loss costs for both motor and liability classes. The government's recent draft Civil Liability Bill reflects the expected position that the discount rate will be set by reference to expected rates of return on a low risk diversified portfolio of investments rather than on very low risk investments as at present. The rate will be reviewed after the legislation comes into force and, thereafter, at least every three years. Even when a judgement is reached on a more sensible outcome, it's extremely unlikely that it will go back to the level of 2.5 per cent. The impacts are not just limited to pricing. In the last few years, a number of UK insurers have exhibited a reduction in appetite in the motor market, with some notable exits and a number of other insurers exhibiting less appetite particularly in the logistics and passenger carrying segments.

Disruption in the motor fleet sector is forcing fundamental changes to the pricing of the risks. In which areas is this most apparent?
Amongst the key fundamental changes to have occurred is the mix of vehicles on the roads and the purpose for which they are used. For instance, ten years ago the UK logistics sector was dominated by large goods vehicles operating on motorways; but an explosion in internet trading and more Just in Time deliveries has led to the use of more and smaller vehicles operating in cities, with a particular increase in deliveries for online businesses.

Telematics – and vehicle technology more generally – has at the same time helped improve efficiency of vehicle usage. The fact that many operators have a device that provides a continuous view of the location of the vehicle and data relating to how that vehicle is being driven means that they can make better use of each vehicle and drive higher rates of utilisation. That's a double edged sword in insurance for motor, of course, which is another factor for us to weigh up.

Another changing dynamic exists around the use of external data and data science. Though this is pretty well advanced in the private motor space, it is less well developed in commercial motor and we are investing a lot of time and money in data analytics to help us to understand and differentiate risks in a better way, charging more equitable pricing to reflect risk exposure. Data analytics can also result in the insurer asking fewer questions but having more detailed results at the end of it.

What makes QBE's underwriting process unique in this segment – particularly when it comes to the needs of small businesses?
The customer is at the heart of our business and we are an organisation that listens. Rather than requiring customers to match a particular product scope, we seek to understand our customers' needs and tailor programmes to meet these objectives, requiring us to think quite laterally each time as part of that process. For larger customers especially, we are very happy to bespoke programmes where we consider different levels of deductible, for instance, or look to reward the insured if the risk performs very well.

We are presently supporting one large public sector customer on a funding exercise to introduce camera and telematics devices into vehicles, and to help them to understand how behaviours have contributed to an incident. That information then goes straight into our claims function to help us manage the claims effectively – both in terms of cost and moral basis. We aim to behave promptly and fairly, which makes both financial and ethical sense. Our claims model includes the use of proactive rehabilitation services to help injured third parties to get back on their feet as quickly and as effectively as possible.

We also work closely with our risk management team, whose remit is to give advice and support in how risk can be avoided or mitigated. We offer a wide range of services in terms of on- site support and training, extending to being involved in risk committees to talk about predominant and emerging issues and developments. The conversations we have in today's market are very different to those of a decade ago. Businesses are under more pressure than they were then. There is a greater shortage of skilled drivers today, so customers want to know how to find and recruit drivers that are happy to stay with the company for a long time but also have the right risk culture. The team is taking these conversations even further by getting involved with Cranfield University in a programme around risk control and prevention which has been attended by a number of our larger policyholders. We cannot personally meet with all of our policyholders so we have developed an innovative online risk assessment tool, QRisk, which identifies key areas of risk and provides practical guidance for their management and enables our customers to benchmark their performance against others in their sector and beyond.

The theme is one of partnership.
Yes. An insurance arrangement needs to work for all parties. There is a risk that motor insurance is seen as a transactional mechanism. It should be a lot more of a partnership.

Customers also want consistency; they don't want an insurer that regularly changes risk appetite. They want consistency in pricing and stability, and an insurer they can work with so that if they manage risk effectively, that's recognised in the terms they're being offered. They also want an insurer that helps them work through the challenges that they face. Through this partnership, the customer receives more than just a financial transaction; they're receiving support. Of course, for us as an insurer, we need to balance this by reflecting changes in risk exposure, loss costs and the legislative environment. We try at all times to be open and transparent in these areas.