



The Influence of Telematics on Customer Experience: Case Study of Progressive's Snapshot Program

Progressive has been a pioneer in the industry's adoption of usage-based insurance, or UBI. The company has raised awareness of telematics technology through advertising for its Snapshot product and by offering the product over a wide geographic area of the United States. At the time of this analysis, Progressive offers Snapshot in 43 states and has more than 1 million participating customers. J.D. Power conducted a case study on the Snapshot program through analysis of a series of new questions in the *J.D. Power 2013 U.S. Insurance Shopping StudySM* (ISS) regarding the influence of Snapshot in the shopping process and in the *J.D. Power 2013 U.S. Auto Insurance StudySM* (AIS) to gauge the impact of Snapshot in the broader context of customers' ongoing relationship with the insurer.

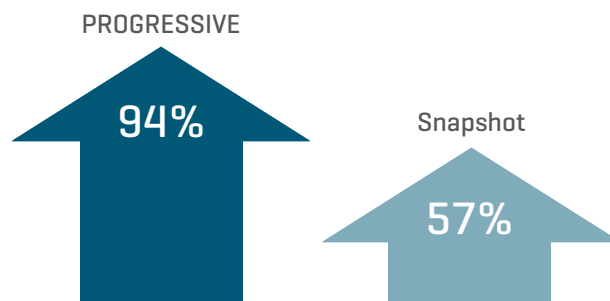
Snapshot's Impact on the Purchase Funnel

Progressive already achieves near-universal awareness among shoppers of auto insurance, with 94% of shoppers in the 2013 ISS recognizing the brand. In part, this is due to Progressive's spending more

than \$500 million annually on advertising. With a number of commercials targeting the Snapshot program, the 2013 ISS finds that 57% of shoppers are aware of Progressive's offering. Awareness of the Snapshot program increased after July 2012, when Progressive rolled out the trial version to non-customers. The inclusion of non-customers also increased the insurer's performance in the upper funnel, as both consideration and quoting increased significantly by 2 percentage points each (47.4% and 39.3%, respectively) when comparing customers who shopped prior to July with those who shopped after July.

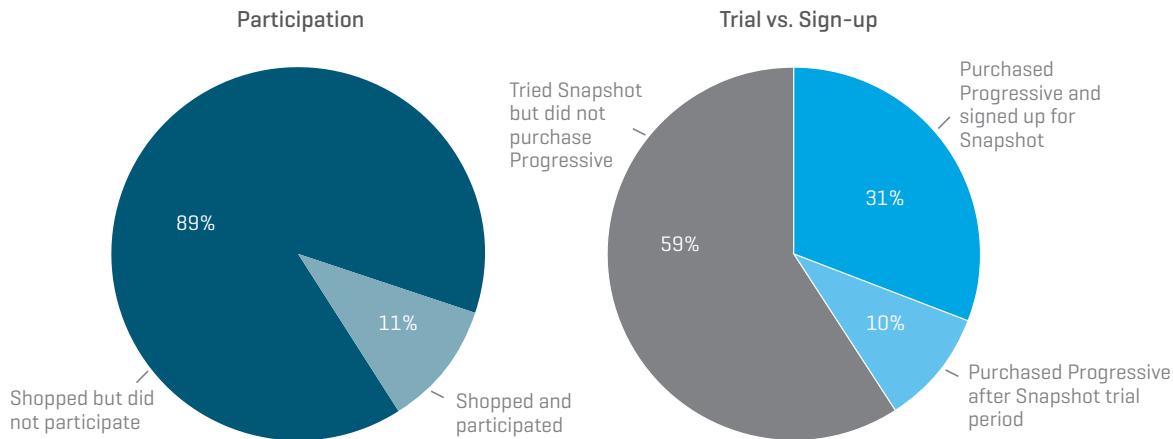
"Progressive has raised awareness of telematics technology through advertising for its Snapshot product and by offering the product over a wide geographic area of the United States."

AWARENESS OF SNAPSHOT OFFER



Source: *J.D. Power 2013 U.S. Insurance Shopping StudySM*

SNAPSHOT OFFER ACCEPTANCE



Source: J.D. Power 2013 U.S. Insurance Shopping StudySM

More than one in 10 (11%) customers who shopped Progressive opted to participate in Snapshot. The majority of these customers tried out the program before purchasing a policy (69%), while the remaining customers purchased a policy and signed up for the program simultaneously (31%). Among the 69% of shoppers who tested the program on a trial basis, 15% were closed by Progressive and ultimately purchased a policy, compared with 10% of policies closed by Progressive when Snapshot was not involved. Thus, there is a significantly higher close rate among customers who tried out the program.

With participation in the program providing a notable increase in the rate of closing new business, the obvious goal becomes increasing the participation rate beyond the 11% of those shopping Progressive. Customers who did not participate cite two primary reasons for avoiding the program: 1) privacy concerns regarding perceived visibility of their driving habits; and 2) reservations regarding the amount of potential savings. To increase participation in UBI, Progressive, as well as any company considering expanding their telematics-based program, needs to address those customer concerns by better educating them on how the program works and the benefits of participating. For example, among non-participants, 74% indicate they believed the program would have tracked their speed, and 43% indicate they believed GPS would have tracked their location. Progressive has stated publicly that speed is not used in calculating insurance discounts and that the devices are not equipped with GPS.

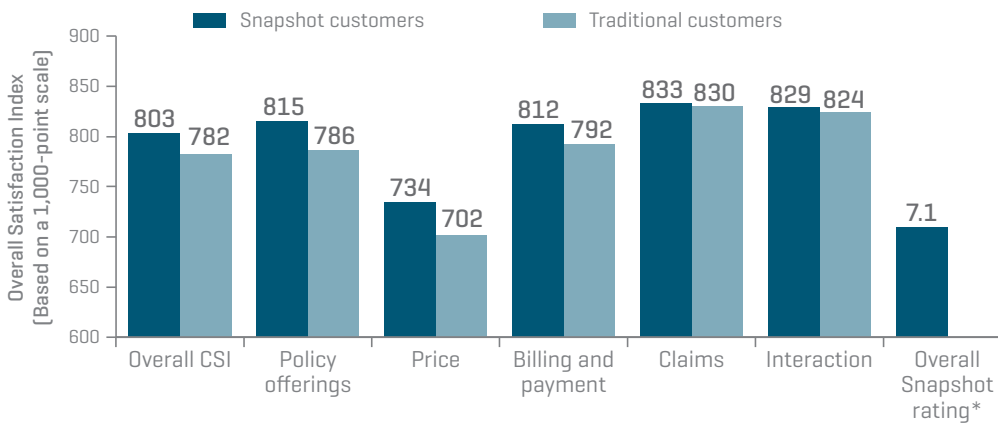
Snapshot's Impact on Customer Satisfaction

Findings of the 2013 U.S. Auto Insurance Study show overall customer satisfaction is a significant 21 points (on a 1,000-point scale) higher among Progressive customers who use the Snapshot program than among those who do not use it. Satisfaction with both Price and Policy Offerings is significantly higher among customers who use Snapshot than among those who do not, with Price satisfaction increasing the most (32 points) among all the factors. Expectedly, satisfaction levels in the factors that are less related to Snapshot—specifically, Claims and Interaction—are comparable across both of these customer groups.

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While customers' overall satisfaction ratings of Progressive are notably higher among those using Snapshot than among those not using the program, their ratings for their experience using Snapshot—7.1 on a 10-point scale—suggest there is room for improvement. These findings are corroborated in the *2013 Insurance Shopping Study*, in which both prospective and new customers of Progressive rate their experience with Snapshot only 7.1.

INDEX SCORES AMONG PROGRESSIVE CUSTOMERS



* Only includes customers who participated in Snapshot in the past 12 months.

Source: J.D. Power 2013 U.S. Insurance Shopping StudySM

Differences between the expectations of cost savings and actual savings influenced the overall rating of the program. Analysis of customer verbatims indicates that hard braking is the most common area needing improvement in the Snapshot program. Customers express considerable frustration at getting penalized for braking when it was a necessity due to driving circumstances—insurers should be aware of this when providing customers with real-time driving feedback. Customers who did not purchase a policy through Progressive comment most often on the need for better communication and understanding of how the program works and how it calculates discounts.

Overall, the Snapshot program appears to be serving its purpose in providing a unique product offering that is widely available to both customers and prospects of Progressive. Snapshot positively impacts satisfaction among customers who are able to demonstrate they are safe drivers and who realize extra cost savings. Furthermore, customers' concerns regarding having their driving monitored as well as a perceived lack of savings remain obstacles to increased participation in the program. These are issues the industry as a whole faces as other insurers develop and refine their own UBI offering.

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