

# RECREATIONAL MARINE INSURANCE WHITE PAPER (2)



**BOATFIX**

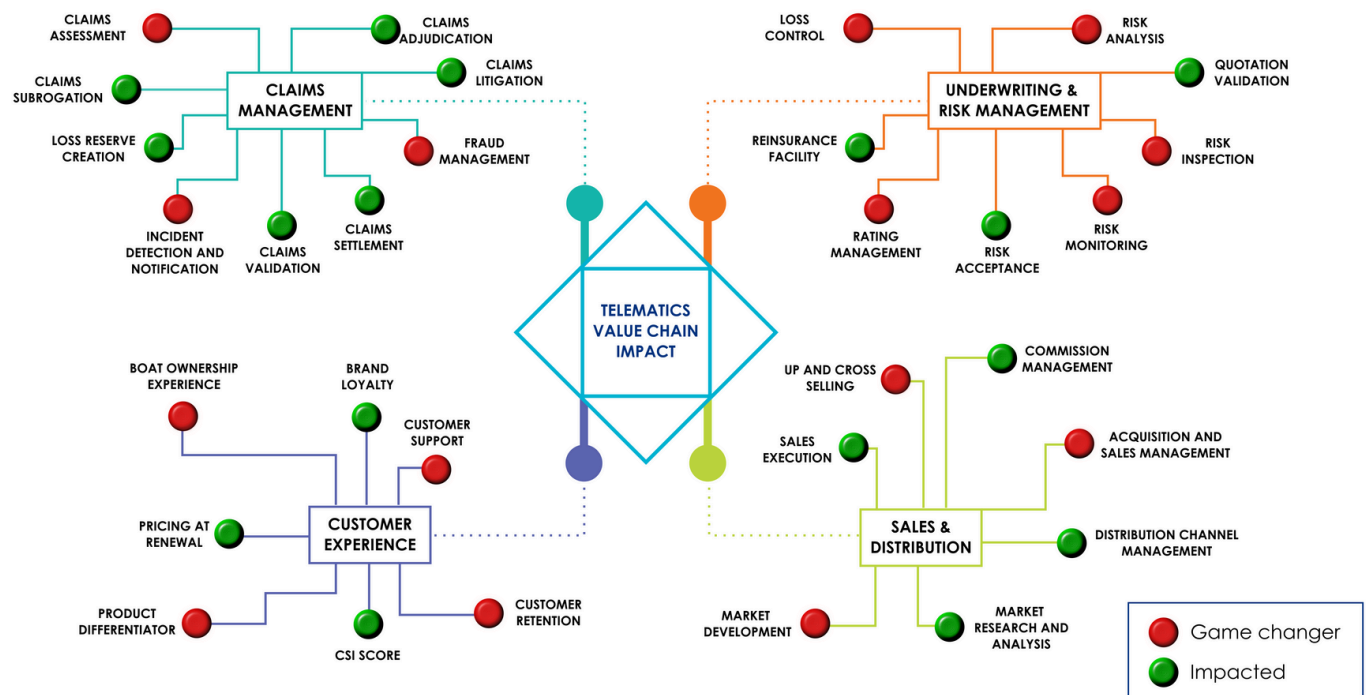
# IS RECREATIONAL MARINE INSURANCE COMPETITIVE WITHOUT TELEMATICS?

The recreational marine insurance industry remains one of the last bastions not to adopt telematics. In a risk-averse business that is hampered by legacy technology, narrow margins, and diverse product offerings, perhaps this is understandable. Additionally, it is the agents that are the trusted advisor to many consumers. As such, they are key stakeholders in the speed of adoption and long-term success of some of these new telematics capabilities.

The commercial advantages of telematics have now proven results for insurers, particularly across home, health, and auto. While rec marine can hold itself out to be an insurance channel with unique challenges and needs, there are four undeniable areas where telematics provides commercially meaningful solutions.

1. Underwriting and risk management
2. Claims management
3. Sales and distribution
4. Customer experience

## TELEMATICS IMPACT ON PERSONAL LINES RECREATIONAL MARINE INSURANCE





# CONTENTS

- 01 Underwriting and Risk Management ... p.4
- 02 Claims Management ... p.5
- 03 Sales and Distribution ... p.6
- 04 Customer Experience ... p.7
- 05 The Future of Recreational Marine Insurance ... p.8
- 06 About Boat Fix ... p.9



# UNDERWRITING AND RISK MANAGEMENT

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By applying algorithms to the telematics data, there are clear case studies where both proactive and reactive risk management can be applied against almost all categories of risk from sinking, grounding, collision to theft, personal injury, named storms and hurricanes.

Filtered telematics data provides the Underwriter with multiple tools to control risk starting from rating management through to analysis, acceptance, inspection and monitoring.

In the early days of telematics in auto insurance, Progressive referred to the term “the statistics of one” whereby the individual policy holder’s profile can be adjudicated against the average of the total data set. The high risk boat owner or the bad actor soon become apparent.

## BOAT FIX PERSONAL LINES RISK MANAGEMENT STUDY

LOSS CATEGORY	TYPICAL SAVINGS
Hurricane/Named Storm	25%
Theft	50%
Sinking of Unattended Vessel	25%
Excessive Speed	10%
Towing and Salvage	40%
Personal Injury	5%

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Source: Boat Fix Case Studies 2023

Tokio Marine’s real-time risk mitigation approach through telematics is the foundation of the PHLYSENSE program. The service is based on small battery-powered devices that constantly monitor the temperature and detect the presence of water on the floor of commercial properties. The data, captured through the cellular network, is sent to the cloud, where algorithms detect anomalies (such as low or high temperature, or water detection), and a 24/7 support center monitors the anomalies detected, dispatching alerts (emails, SMS and phone calls). These alerts allow policyholders’ frontline employees to intervene, limiting the damage that can occur. Since 2020, Philadelphia Insurance has offered this solution at no cost to policyholders with commercial property coverages. Growth has been substantial, especially in the SMB space, where building management systems are less common.

In some cases, telematics can detect and notify at the time of the incident. That data does not lie and it is delivered in real time. In all cases, historic telematics data is available to assist in all stages of the claims process and protect Underwriting capital against fraud and unreasonable claims.

A List of events				
Time beta (sec)	Event	Speed (mph)	Boat Battery (volts)	Position
16:55:43 15-Apr-2022	LOCATION	0	14.43	<a href="#">26.8527 - 81.3022</a>
16:56:42 15-Apr-2022	LOCATION	0	14.36	<a href="#">26.8527 - 81.3022</a>
16:57:42 15-Apr-2022	LOCATION	0	14.36	<a href="#">26.8527 - 81.3022</a>
16:58:42 15-Apr-2022	LOCATION	0	14.36	<a href="#">26.8527 - 81.3022</a>
16:59:42 15-Apr-2022	LOCATION	0	14.36	<a href="#">26.8527 - 81.3022</a>

[illegible]

**Speed, location, and heading every 60 seconds.**

[illegible]

# SALES AND DISTRIBUTION

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Telematics provides new ways to acquire customers, most of whom are used to—and prefer—services easily delivered with the latest in technology.

An example of this is the use of an app. 90% of boat owners use apps regularly for services that are useful to them. A telematics app is viewed on average once a week by 75% of customers. In contrast, a non telematics insurance app is usually viewed only at time of renewal or a claim. Similarly app downloads figures are dramatically higher for a telematics app.

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Consumers expect an experience delivered in a fashion as seamless and elegant as an Apple product, that understands them as well as Google, and is delivered as efficiently and cost-effectively as Amazon, all in a curated Netflix-style queue.

– **Hayden Kirkpatrick, VP of Innovation at State Farm**  
at the Future of Insurance USA 2023 Conference

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Nationwide has observed that customers are increasingly willing to share their data through telematics, with a substantial 70-80 percent of direct customers choosing telematics at the point of sale. Nationwide is firmly convinced that telematics is a permanent fixture in the insurance landscape and will persist in its evolution.

Telematics data provides valuable insight into acquisition and sales management and opportunities for up and cross selling. As programs become more innovative, marketing the value proposition to customers becomes a more compelling advantage with a focus on customer engagement through improved communication and transparency.

Telematics data is changing the entire customer journey from issuing a quote to the policy contract, how the policy is serviced, including billing, and finally, the impact on renewals.

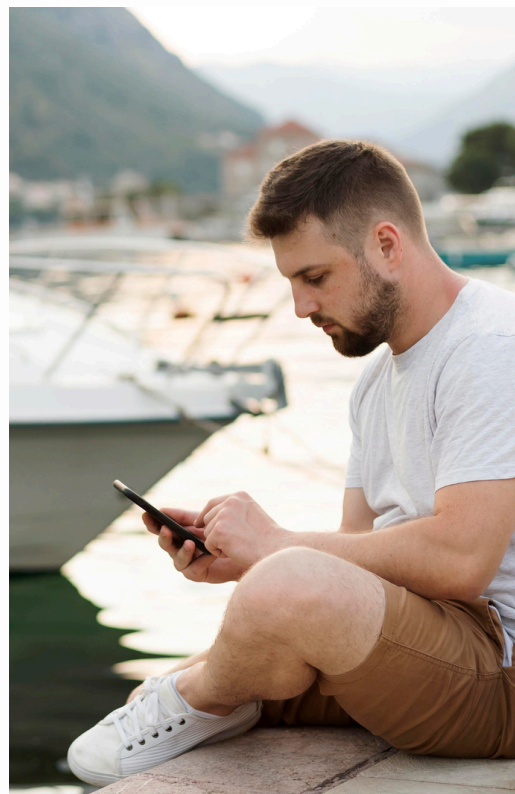


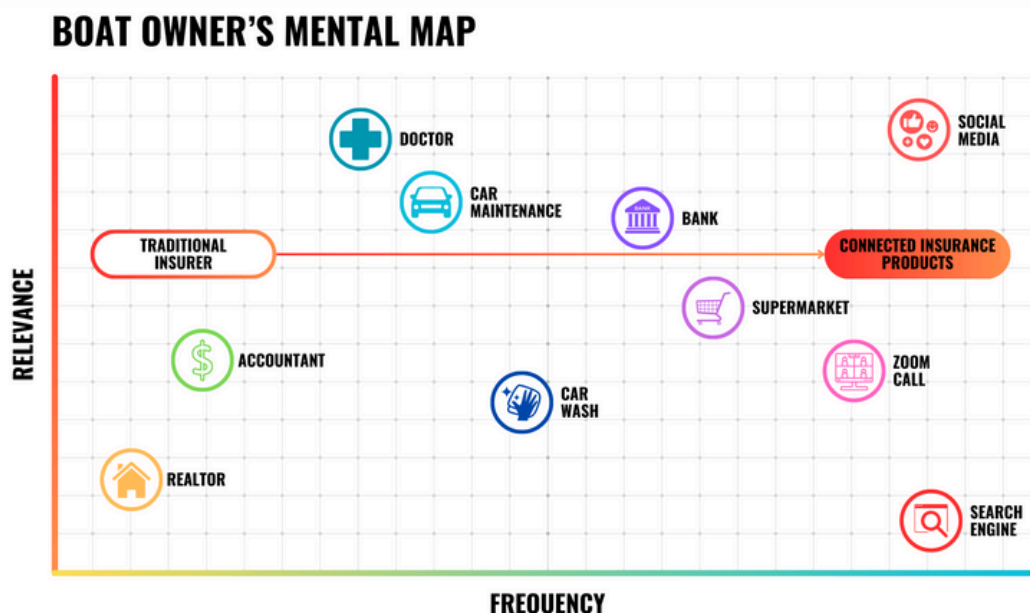
Image by freepik

# CUSTOMER EXPERIENCE

Much has been published on the telematics advantages to the insurer, most particularly risk management and claims management. However, the sleeper in telematics may well be the increased rate of conversion and retention through a much-improved customer experience—and here recreational marine is set up with a number of advantages over auto, health and home insurance.

In addition to providing data to assist the insurer, telematics can provide “non insurance” data to the customer that is equally beneficial. Take for example State Farm home insurance. They provided home security systems from ADT and leveraged the telematics data. A win-win for the customer and the insurer alike. So much so that in September 2022, State Farm unveiled a \$1.2 billion equity investment in ADT Inc., along with the creation of a \$300 million opportunity fund. Their strategic collaboration provides a glimpse of what the future of the smart boating ecosystem may look like for recreational marine insurers.

Telematics has the potential to forge significantly improved boat ownership experiences and strengthen customer relations. All too often, communication between the boat owner and the insurer is limited to times of renewal, claims and cross selling. By demonstrating effective customer support and providing practical “non insurance” services are more likely to convert and retain the policy holder—and certainly will be an effective differentiator to the traditional insurance product.



McKinsey launched a survey of more than 8,500 insurance customers of the 40 largest North American insurance carriers across the life and property and casualty (P&C) segments. The results were clear: customer experience is a strong predictor and driver of financial and organizational outcomes. Customer Experience leaders, defined as those with above-median customer experience scores, outperform their peers across the board.



# THE FUTURE OF RECREATIONAL MARINE INSURANCE

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The insurer of the future will manage risk prevention, creating new revenue streams while improving the profile of risks written and the boating experience of the insureds. This risk avoidance effort represents a societal benefit, as well.

To benefit from this potential, carriers must have the vision to embrace new (and often changing) technology and develop peoples' skills and operative processes to create and manage at-scale prevention services. Further, carriers must govern and integrate this additional telematics data into their data architecture.

Carriers must also work to both understand and overcome some longstanding barriers to adoption among boat owners. These barriers—namely concerns over data privacy and use—as well as difficulty in setup and installation, cost, and false alerts, remain challenges for adoption.

Data privacy and use are best addressed with clear, plain-language explanations as to what is collected, how it will be used and by whom. Setup and installation is naturally becoming easier and simpler as tech and devices improve. Similarly, as tech improves, costs come down, making the business case more sustainable for all stakeholders.

Time will soon tell whether it is the boat owner or the insurer who drives the inevitable future of telematics in recreational marine insurance. Insurtech deservedly receives a mixed press. Like the internet era, there were always spectacular winners and losers in the field of start-ups. Given the proven performance of telematics in auto, health and home in the last decade, telematics in recreational marine insurance is more akin to an early-stage company with growth potential.

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**May 2024**

**BOATFIX**  
**[www.boatfix.com](http://www.boatfix.com)**



# ABOUT BOAT FIX



Based in Southport, CT, Boat Fix was established in 2015 and provides B2B telematics solutions across the boating industry in a number of channels, including: boat manufacturers, boat club and boat rental operations, service centers, dealerships and insurance.

Boat Fix employs a low-cost to no-cost telematics device that is highly reliable and comes with a lifetime warranty. The device operates on 4G from any cell phone tower worldwide.

Industry leading software for remote monitoring, tracking, geo fencing and alarms provide comprehensive data in real time that proactively prevents loss, improves claims handling efficiency and builds customer loyalty through its popular app and 24/7 customer service.

Boat Fix provides 24/7/365 support worldwide to its B2B customers—as well as to the boat owner, including a 24/7 mechanical helpline.



**CLICK TO VIEW THE BOAT FIX EXPERIENCE VIDEO**



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