

RECREATIONAL MARINE INSURANCE TELEMATICS WHITE PAPER



IS THE RECREATIONAL MARINE INSURANCE INDUSTRY MISSING THE BOAT ON TELEMATICS?

THE STATE OF TELEMATICS

Recreational marine insurance is one of the last few sectors of the insurance industry not to adopt telematics. Rather like the internet, it is a matter of ‘when’ and not ‘if’ it wholly disrupts the industry. Late adopters will pay a penalty as competitors leverage telematics to boost operational efficiency and build customer loyalty.

Reluctance to embrace telematics is blamed on concerns over data privacy and security issues, but it is more of a Catch 22 scenario. Underwriters need the data to prove the telematics ROI, but you don’t get the data until you adopt a telematics program. And then there is little experience or knowledge of how to run that telematics program.



And just like any company that blissfully ignored the Internet at the turn of the century, the ones that dismiss Telematics risk getting left behind.

– Jared Newman, *Forbes Magazine*



THE FUTURE OF TELEMATICS

The case for telematics insurance today in the boating industry is now more compelling than ever, with decreased capacity in the US, greater demand from an increasing amount of policy holders, many of whom are inexperienced and new to boating – and a potential increase in fraudulent claims as the economy experiences a downturn.

The auto industry has proven the telematics ROI over the last decade through monitoring driver behavior. Rec marine telematics is no different, but it has an advantage over auto in that – in addition to monitoring operator behavior – it can also reduce loss ratios.

Telematics is all about leveraging data to generate a significant commercial advantage. This report outlines three key focus areas where telematics delivers ROI in the rec marine insurance space, together with a shortlist of tips on how to succeed.

CONTENTS

- 01 Protect Underwriting Capital ... p.4
- 02 Validate Claims ... p.6
- 03 Build Customer Retention ... p.7
- 04 Tips for Success ... p.8
- 05 About Boat Fix ... p.9



PROTECT UNDERWRITING CAPITAL

PRICING

Pricing underwriting risk has traditionally been based on largely irrelevant data such as zip codes and credit rating. Telematics insurance is very different. It understands the policy holder behavior. In terms of a boat owner, telematics data will tell the Underwriter everything about how that boat is operated. How far, how fast, how often, where, when and what problems occurred.

Progressive, the leader in telematics insurance through its Snapshot program, coined the phrase “the statistics of one”. This is fairer to both the Underwriter and the Policy Holder. Good risk is no longer subsidizing bad risk – and there is real data to more accurately price that risk.

At renewal, good risk can be rewarded, and bad risk can be penalized or cancelled.

NON-STANDARD RISK

With the shortage of capacity in the current market, it is often not a question of pricing higher risk, but more of accepting or declining non standard risk. For example, multiple outboards, high risk theft geographical areas – or those policy holders with a poor claims history.

Rather than decline potentially profitable business, a telematics program can offer a “ticket to play” to non-standard risk, where the Underwriter can protect and assess that risk through a combination of real time monitoring and tracking and proactive avoidance of loss.



99%
**of the time –
the boat is left
unattended**



69%
**of sinkings are
boats that are
left unattended**

LOSS PREVENTION

Given the average annual boating hours of a typical policy holder, the vessel is unattended most of the time. And that is where the problems start.

For example, most sinkings occur when the boat is unattended. A reasonable statistic, given that if you are on your boat and it is leaking water you will do everything possible to prevent sinking. Quite another matter if your boat is taking on water at 3 am and you are asleep, safely ashore miles away in blissful ignorance. A standard telematics system will monitor bilge pump run times and send an alert over certain parameters. It will even tell you if your battery is being drained and the bilge pump about to cease operating. This is a clear example of avoidable loss.

Similarly, a telematics program will reduce theft claims through remote GPS tracking, sophisticated geo fencing and stolen vessel recovery software.

Telematics can provide security systems as advanced as any home intruder alarms. It can even separately monitor theft from outboard engine removal.



73%

**of boat theft is
from boats on
trailers**

TELEMATICS WILL MOVE THE INDUSTRY FROM REACTIVE TO PROACTIVE LOSS PREVENTION.



In one season alone, we had multiple damaged lower units and replaced many boat props from boats grounding in places the member was advised to avoid because of underwater hazards.

Boat Fix would have saved me thousands of dollars in claims and protected my insurance premium.

For me, having Boat Fix on every boat now is a no-brainer — especially with the geofence strobe alarm that averts the problem automatically in real time.

– Jared Irwin, Owner, Freedom Boat Club, Lake St. Clair



VALIDATE CLAIMS

Claims management is usually a delayed, third party, hearsay report – open to a lack of veracity and potential fraud. The traditional claims process can be a painful, time-consuming experience for both the policyholder and the Underwriter.

Telematics is a gamechanger for claims management with remote monitoring and GPS tracking play back providing digital truth in real time. Telematics will continually settle claims, from minor accidents to loss of life incidents with undeniable clarity and fairness.

What is interesting in the telematics claims space is the data. It offers real time insight into how and why claims are occurring. The aggregation of this data will lead to better predictive models and more accurate pricing of risk.

**DATA DOESN'T LIE.
TELEMATICS IS AN OBJECTIVE ASSESSMENT OF THE ACTUAL
TURN OF EVENTS.**



Incident Review

In real-time

Save money on damage claims. GPS playback gives you real-time, digital truth vs. delayed third-party hearsay.

Damage report verified after rental boat collided with bridge.



Insurers using telematics see

45%

reduction in fraud



Insurers using telematics see

10%

reduction in claim frequency

BUILD CUSTOMER RETENTION

All too often, the inception or renewal of a policy is a grudge purchase for the customer and the only interaction between the insurer and the policyholder during the 12-month period.

Similarly, customer loyalty is largely based on competitive pricing, with little else to differentiate the competition.

Telematics insurance can change both the grudge purchase and the lack of customer loyalty, thereby sustaining a competitive advantage beyond price alone.

Insurers need to build stronger relationships with their customers to increase loyalty and reduce churn. Telematics provides the opportunity for insurers to initiate repeated, positive interactions such as 24/7 customer service, an app for remote monitoring and tracking, security systems for their boat and monthly reports on how they use it.

TELEMATICS IS A SUBSTANTIAL DIFFERENTIATOR IN RECREATIONAL MARINE INSURANCE AMONGST A HIGHLY COMPETITIVE FIELD BASED ALMOST SOLELY ON PRICING .



Comparing telematics policyholders against other customers, insurers see a

45%

reduction in customer churn

SOURCE: VODAFONE BUSINESS

TELEMATICS INSURANCE POLICY HOLDERS

81%

say it is a positive experience

63%

say it is a fairer way to calculate premiums

93%

enjoy receiving additional benefits through telematics

75%

use their insurance app at least once a week

40%

already partnered with non-insurance companies or regard telematics as a high priority

TIPS FOR SUCCESS

The top 10 tips for an underwriter when adopting a telematics program are:

- 01 Work with an experienced telematics partner.**
Not even Progressive provides telematics in-house.
- 02 Make it affordable and keep it simple.**
Otherwise, mission creep sets in and the ROI goes out the window.
- 03 Telematics generates massive amounts of data.**
Filter to what is essential, before you drown in a sea of statistics that is impossible to use effectively.
- 04 The telematics program must work reliably.**
Whether in terms of hardware or software, you don't want to spend time, money, and effort fixing problems.
- 05 Easy installation is essential.**
Installation of the telematics hardware must be simple and DIY if you are to avoid customers getting upset over expensive professional installs.
- 06 Data privacy matters.**
Understand and conform to the data privacy laws. They are not that complex, but ignorance is never a defense.
- 07 Consider setup and administration.**
The set up and administration of the telematics program has to be plug and play simple otherwise everyone involved loses interest.
- 08 Stick to marine specialists.**
You wouldn't buy a boat from a car dealer. Don't be tempted to use telematics used in auto applications to save money.
- 09 You deserve support.**
Things will go wrong. Make sure your telematics provider is there for you 24/7 and providing the support you will require.
- 10 Put that data to work!**
Analyze it. Use it. Leverage it.



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.

Alastair Crawford
Founder, Boat Fix, Inc.
September 2022



www.boatfix.com



844-340-3500



info@boatfix.com