How has the car insurance industry changed to meet the needs of customers today?

History of car insurance:

Car insurance first became compulsory in the UK with the Road Traffic Act 1930. It had been in existence for 30 years by this point. To determine the cost to the customer, insurers would pool together driver statistics to create a market minimum premium. The list of traditional driver variables included:

- Age
- Driving experience
- Previous claim history
- Vehicle driven
- Location
- Miles driven annually
- Marital status
- Other drivers

Not only would insurers assess the risk using driver statistics, but also, they would use car type statistics. Car insurance groups were first introduced in the 1970s, to help simplify the process of getting quotes, and to help the industry judge the risk involved when setting premiums. It grouped every car from 1 to 9 and in 1992, this was increased to 20; then the current 50-group system was introduced in 2006.

How technology has influenced car insurance:

The early 21st century saw a huge upturn in the potential of technology in the industry. In 2002, insurance aggregator websites were created for motorists to compare insurance valuations between companies, allowing them to find the best deal to suit them. Comparison websites countered the slow rising average premium price, due to consumers being able to 'shop around' for the lowest price.

Before cameras on phones became widespread, claimants would often need to draw a picture of the incident that led to the claim. Now, some drivers choose to use dashboard cameras to video record their journeys; this can help resolve disputes quickly and speed up insurance claims if there has been a collision.

Certain technological advances, like collision avoidance systems, rear-view cameras, blind-spot monitoring, and airbags, have helped reduce car-related fatalities by more than 30% over the last 20 years. However, this hasn't reduced insurance rates as technology-loaded parts of cars are more expensive to repair when damaged.

The change to personalised policies:

Improving insurance customer experience through technology largely depends on having accurate data (in as close to real-time as possible) to properly address needs and challenges. 2006 was a very significant year for the car insurance industry. Technological advancements meant the development of basic telematics (black box) could be implemented. This was the first step in the transition from a Pay-As-You-Drive (PAYD) system to a Pay-How-You-Drive (PHYD). For consumers, installing a telematics device can result in flexible premium prices, lower on average than a consumer with the same characteristics but without a telematics device. Using traditional rating variables, the only way to see your premiums reduced are to build up a no claims bonus, as you cannot change certain characteristics like gender.

The innovation of telematics means that now insurers can now use the following data to adjust insurance premiums:

- Max/Average Speed Travelled
- Acceleration
- Braking
- Handling/Cornering
- Location (Latitude/Longitude)
- Distance Travelled (in Miles)
- Number of Journeys
- Journey Time/Time of Day
- Road Type
- G-Force (Impact Detection)