



## LIVE A LITTLE

An informed and imaginative look at how auto insurance may work in the not-too-distant future.

**BAIN & COMPANY** 



# EVERYONE KNOWS INSURANCE IS CHANGING.

But one of the hardest acts in business is figuring out how to respond today to a future you can only partially imagine. At Bain, we believe a first step in planning for the future is to imagine it—to think “future back” about what the world might someday be like and what that means for how to move “today forward.” So we asked our insurance experts to have some fun imagining a scenario that illustrates how insurance might someday work. We hope you find the result as enjoyable—and thought-provoking—as they did.

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William diFeo was an expert at risk. Unlike most people, he wasn't afraid of sharks, lightning strikes or any of the other vivid but statistically improbable ways to die. He didn't sweat terrorist attacks. He chuckled, when he went running, at the thought of mountain lions. Of course, he also understood full well that driving was riskier than flying, but until sitting in the passenger seat of Athena Jones's car, he had never imagined just *how much* riskier it could be.

“Are you familiar,” he asked between clenched teeth, “with the expression ‘haste makes waste?’”

When Athena didn't respond, William risked a glance over at the driver's seat, discovering, to his limitless horror, that she was looking at him and not the road.

“Never mind!” he choked, stabbing a finger at the highway ahead. “Just drive! Just drive!”

Athena shook her head. “Haste is why I have a job. When someone wants a thing, I get it there. Fast.” As if to illustrate the point, she mashed on the accelerator. William's stomach lurched as the speedometer slid up past 160. “I'm getting paid to get the painting in the back of this car to LA by tomorrow. In order to do that, we need, y'know, *haste*.”

“Someone else would have put the painting on a plane,” William objected.

“No way. My employer thinks planes are dangerous.”

For a moment, words failed him. He stared at her, glanced out at the road screaming past, thought better of it. “What we are doing *right now* is orders of magnitude more dangerous than flying.”

She laughed. “You're just saying that because you're not used to it.”

“No,” he protested. “No. That is most certainly *not* why I’m saying it. Check your insurance screen.”

“Oh, Bill, don’t sweat the insurance. My employer picks it up. All part of the deal.”

“I don’t *care* who picks it up. The cost per mile is a measure of your recklessness, which is to say, a measure of how likely we are to have an accident, which is to say, at these speeds, a measure of how likely we are to die.”

“No kidding?”

“No,” he replied grimly. “No kidding.”

“Betsy,” Athena said—Betsy was her ridiculous name for the car—“show me the insurance stuff.”

The graphic that flashed up on the center screen was almost preposterously simple: a single figure in a bold, cheerful font—28 cents per mile—and just below it, a line graph showing the fluctuation of that figure over time.

William didn’t often encounter something in the world of insurance that he hadn’t seen before. For the past 20 years, he’d made an enviable living helping his own employer break down the risks and rewards of various ventures. After all, his expertise in this area is what landed him in the passenger seat of Athena’s hell-bound vehicle.

“I want you to go with the painting,” his employer had told him. “I don’t trust this driver. She seems reckless. I want *you* in the car to make sure it gets there.”

At 28 cents a mile—a rate William had never imagined possible, let alone personally witnessed—they seemed very unlikely to get there. Not that he was worried about the painting. The painting was in an almost indestructible case. William himself, on the other hand, had only a well-tailored suit for protection.

“Twenty-eight cents!” Athena said, waving at the screen. “Is that good? Or is it *excellent*?”

William stared at the shifting line graph. There were a few peaks and troughs, but the entire line, representing the 20 minutes or so that they’d been in the car, was bloodred.

“Most drivers,” he tried to explain, “*normal* drivers, average a fraction of that.”

“Who wants to be normal, eh?” She flashed him a grin. “Let’s see if we can get it up over 30 cents.”

Before he could object, the car surged forward. On the dash, the speedometer ticked past 180. On the central screen, the insurance cost spiked to 31 cents per mile.

William struggled for a moment against the nausea rising inside him and slipped his phone from his pocket.

“What are you doing?” Athena asked.

“I am buying insurance,” he said, trying to keep his fingers from shaking as he tapped at the phone.

“What about all this?” she asked, gesturing toward the screen. “What are we paying 31 cents every mile for?”

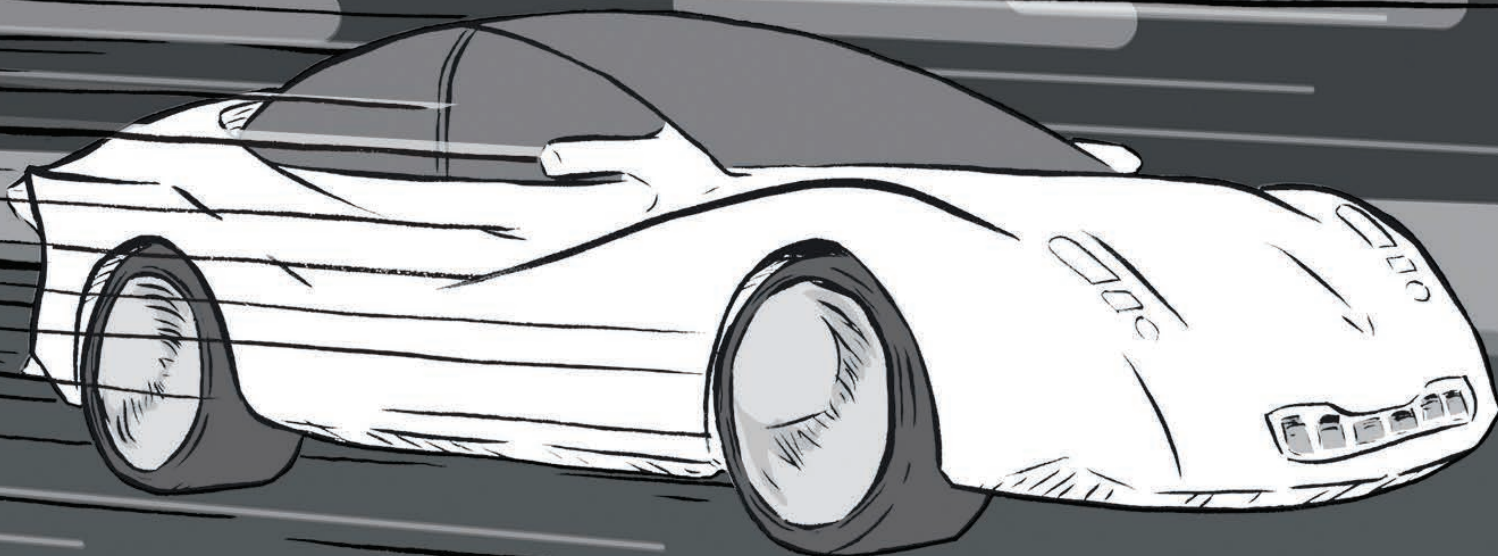
“That is *automotive* insurance. Collision. Comprehensive. Liability. I am purchasing *life* insurance.”

“Come on, man. Live a little!”

“It’s not living a little that has me concerned so much as dying a lot.”

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Having discovered the insurance information, Athena seemed to take it as a kind of challenge. Occasionally, Betsy would suggest different routes, statistically *safer* routes, highlighting the possible savings involved. These suggestions were either mocked or ignored.





“You know,” William said. “The car is trying to *help* you. Keep you away from traffic, away from the trouble spots.”

“The trouble spots are the *fun* spots,” she replied impishly.

Finally, after many hours and to William’s inestimable relief, she pulled the car off the freeway.

“Time to charge?” he asked.

She shook her head. “Charging is for suckers. I hot swap the battery.”

“How long does that take?”

“Long enough to order up a bucket of wings and have a cold beer.”

The swap shop, as it turned out, was one door down from Big Joe’s Pool and Pints.

Athena nodded approvingly. “Normally, they put these things in more boring neighborhoods: next to a Better Breads or a Vegan Delight. I hate those places.”

“The thing about those places,” William pointed out quietly as she shoved open the door to Big Joe’s, “is that you’re unlikely to get drunk or beaten up at them.”

Big Joe’s looked like a place where it would be easy to accomplish either. Half a dozen men seated around the pool table glanced up when they walked in.

Athena offered them a casual wave, crossed to the bar, tossed her leather coat over the seat of one of the stools and signaled the bartender.



“Thirty-piece wings. Fire sauce.”

“Spicy food ...” William began.

“... is good for the soul,” she finished happily.

By the time they were done, she’d knocked back three beers and cajoled William into drinking as many. He wasn’t looking to get drunk, but the beer did cut the outrageous heat of the wings, not to mention soothe his frayed nerves.

By the time the bucket was finished, he realized that he was almost enjoying himself. After weeks of sitting in the same room, crunching numbers and calculating risk, it almost felt good to be out in the world, feeling terrified, feeling alive. Athena grinned at him as they walked out of the bar and casually punched his shoulder.

“Tell me you’re not having fun,” she said. “Racing the clock is fun. Beer is fun.”

“Betsy won’t let you drive,” he said. “Not after three drinks.”

She shrugged as she swung open the car door. “Even I have to sleep sometime. We’ll put her on auto, catch a few winks while she cruises through the dull bits, then hammer out the rest of the trip.”

A wave of relief washed over William. *Auto*. He’d distrusted the technology when it first emerged. He *still* distrusted it, in fact, but compared with Athena’s driving, the car’s autopilot sounded like a ministering angel.

“Betsy,” Athena said, reclining her seat as she spoke. “Onward to LA.”

“At what speed, Athena?” the car asked.

“One fifty.”

“Eighty-five is the fastest I’m allowed to go.”

Athena made a face. “She always says that.”

“Eighty-five,” William said, “is a very sane speed.” He gestured toward the insurance screen. “Plus, letting Betsy drive brings your price per mile back down to a reasonable amount.”

“I cannot believe they trust this bucket of rust more than they trust me.”

“Truly unbelievable,” he replied, deadpan.

Athena rolled her head toward him and cracked open one eye. “William, I think you’re making fun of me.”

“I would never.”

“I knew you were having a good time.”

The good time lasted as long as Athena remained asleep. After 90 minutes, however, she woke up swearing a blue streak, dragging William from his own drowse. He jerked upright in his seat and stared blearily at the road, adrenaline burning in his veins, expecting to find the car heading off a cliff or an embankment. Betsy, however, was just cruising along in the fast lane, staying between the lines, proceeding in an utterly pleasant manner.

“What’s wrong?” William asked warily.

“My leather jacket,” Athena replied. “Someone at Big Joe’s must have stolen it when I left my seat.”

“Maybe you just left it there.”

“Not a chance. I would have noticed it on the stool when we left.” She cursed again. “I just bought it two weeks ago.”

“Maybe *now*,” William said, “you’ll appreciate the value of insurance.”

Athena shot him a glance. “Stuff like that’s covered?”

“I’d imagine, given what you’ve told me about your employer, that *everything* is covered.” It was his turn to shrug. “One way to find out. Give me your phone.”

It took only a minute to download the right app and then he handed the phone back to Athena. A smiling cartoon avatar waved from the screen.

“Tell them what happened,” William said.

She shot him a suspicious glance. “Tell who?”

He gestured toward the phone.

With Betsy in charge of the driving, she pressed the button to record. “Someone stole my damn leather jacket.”

The animated face looked regretful. “I’m sorry to hear that. Was this the jacket you purchased two weeks ago in Boston?”

Athena’s eyes grew wide. “How does she know that?” she hissed at William.

He shrugged. “At some point, you agreed to link your insurance account to your bank account. Simple



cross reference.”

“I would *never* agree to that.”

He raised an eyebrow. “Whenever you have to check ‘agree’ on something, do you read the fine print?”

She grimaced, turned back to the phone. “Yeah, that’s the jacket.”

“Where was it stolen and when?”

“Tonight. At Big Joe’s, outside Columbus.”

“I’m sorry to hear that, Athena. I think I can help.” There was a brief pause, then the avatar smiled. “Your claim is approved. Would you like the money deposited into your account, or would you prefer that I order you another jacket from the same store?”

“I *need* to have that jacket.”

“Great. I’ll have another sent to your home address. Was anything else stolen?”

She hesitated and then glanced over at William, a grin starting at the corner of her mouth.

“Don’t ...” he began.



“Yes!” she announced happily. “A brick of solid gold.”

The avatar frowned. “I’m sorry, Athena, but we’ll need to do a little work on our end before we can pay this claim.”

“Seriously! Big Joe took it!”

“I should warn you, fraudulent claims are punishable by fines or even jail time. Are you certain you want to pursue this claim?”

Before she could reply, William snatched the phone and closed the app.

“How did she know?” Athena demanded.

“First, they look at your bank records and spending habits. Check those against tables—they have *lots* of tables—then run the whole thing through dozens of algorithms. They knew you purchased that leather coat. The cameras inside Betsy confirmed you were wearing it when we went into Big Joe’s and that you don’t have it now. They probably have stats on the bar itself—how many thefts happen there per year, what kind of stuff is stolen, all of that. They have stats on leather coats—maybe even that *particular kind* of leather coat—how often they’re stolen, all of that. Put it all together, and they have a mathematical likelihood that your claim is legitimate. And then there’s your phone, which is measuring pupil dilation, eye movement, skin conductivity, all of that.”

Athena shook her head. “Polygraphs don’t work. Everyone knows that.”

“Airplanes,” William replied mildly, “didn’t use to work either.”

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Improbably, Athena wasn’t at fault for the only accident of the whole trip. Not entirely, at least. She’d exited the freeway just outside of Grand Junction for another battery swap, tried to make a light, saw she wasn’t going to make it, jammed on the brakes and *wham*. It was over before William could shout, although Athena got in a good round of cursing in the moments that followed.

“Some people,” she growled, glancing in the rearview mirror, “need to learn how to drive!”

“We’ve experienced an accident,” Betsy said mildly.

Athena rolled her eyes. “No kidding.”

“Please stay inside the vehicle,” the car continued.

She glanced over at William. “I liked it better in the old days, when you used to get out and yell at each other.”

“People getting out of cars at the accident site used to cause more accidents,” William pointed out.

“Is anyone in the car injured?” Betsy asked.

“Nope,” Athena said.

William tested his neck. It seemed to work just fine. “No.”

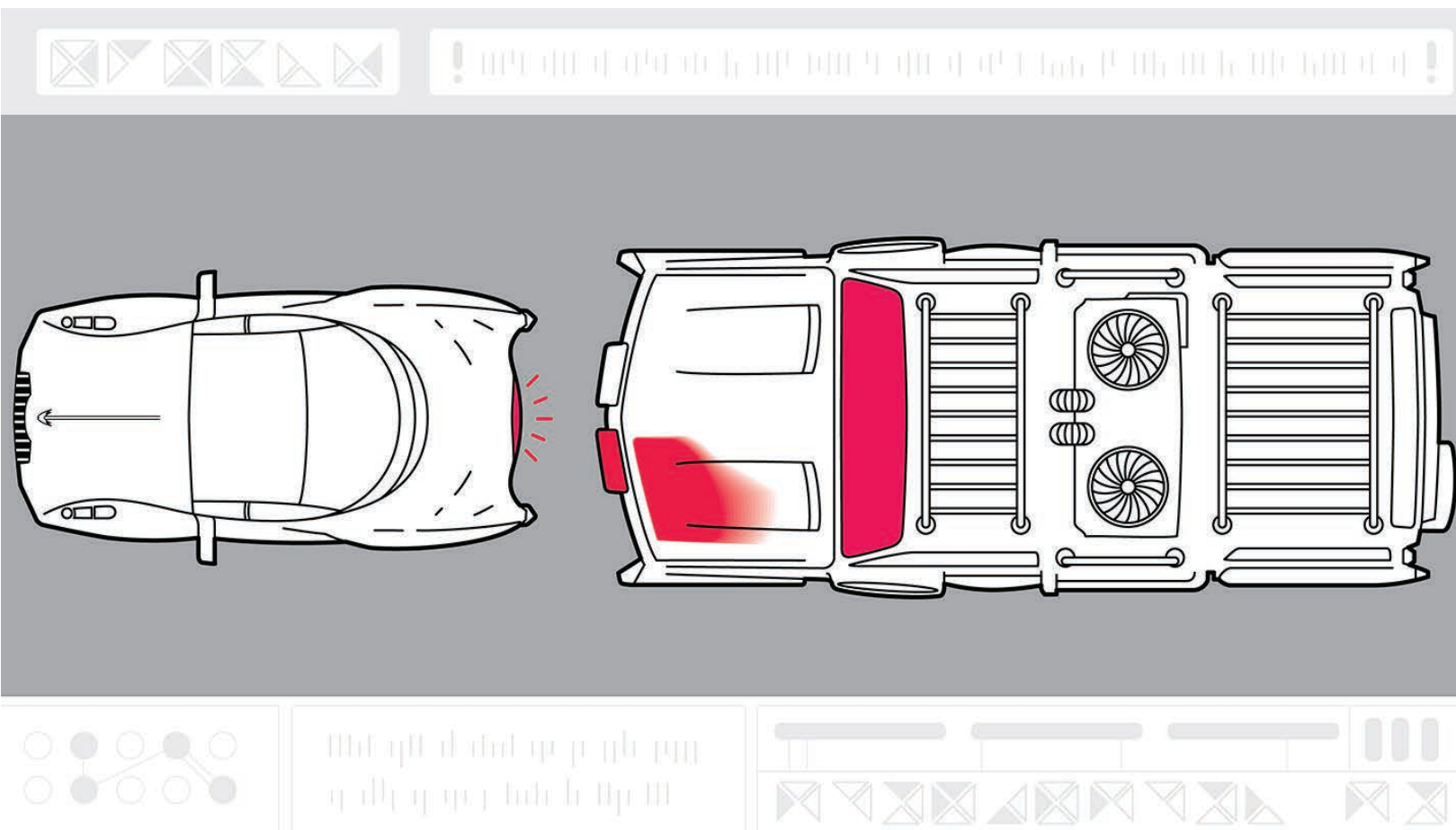
The car paused a moment. “The driver and passengers of the other vehicle are also unharmed.”

“There is an insurance claim,” announced Betsy. She sounded almost regretful. “A first look suggests that your braking contributed partially to the accident. If you don’t file an objection, your base rate will increase by 1 cent per mile.”

Athena made a rude gesture at the screen. “Of course, I object!” She shook her head. “Insurance companies.” She made the phrase sound like a curse. “Always trying to squeeze out another penny. How do they have any idea what just happened?”

William stared at her and then addressed the car. “Betsy, would you please show us the footage, split screen—one from our car, then from theirs.”

The video began to play.



“They have cameras in their car. You have cameras in this car. There’s probably also a camera at the intersection. When there’s an accident, all that footage goes directly, instantly to the insurers. Betsy,” he said, “can you show us the damage?”

“For me?” the car asked. “Or for the other vehicle?”

“Both. Split screen.”

A schematic appeared showing both cars. Betsy was drawn in crisp blue lines, save for a flashing red panel at the rear bumper. The other car—an SUV—seemed to have suffered more damage. Its front bumper blinked an angry red, as did the side panel and the windshield.

“I can recommend a body shop just 3 miles from here,” the car suggested.

Athena shook her head. “We can’t stop until LA.”

“In that case,” Betsy replied, “should I make an appointment for you at a reputable place in LA?”

“Sure.”

“These cars aren’t dumb hunks of metal,” William went on. “There are sensors throughout the body, throughout the frame. They know when they’re broken, and they can tell people. They can *tell* the insurance company.”

Athena’s eyes narrowed. “I knew there was a good reason I never looked at these screens. How do I disable the cameras in Betsy?”

“The cameras,” William protested, “are there for your *protection*.”

“Seems like they’re just spying on me.”

“You could, of course, decouple them from your insurance account. There’s always a way to opt out.”

“What would happen if I did that?”

“Your insurance rate would increase.” He glanced at the dash. “Although, at this point, the importance of such an increase feels purely theoretical.”

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In the end, they reached LA with 45 minutes to spare. Athena announced them at the gate to her employer’s home, gunned the car through the gap while it was still opening, and skidded to an ostentatious halt in the fine white gravel in front of the double doors.

“I did not expect to survive that trip,” William said, stepping gingerly out of the car, stretching, testing his body as though surprised to find it all in one piece and working.

Athena grinned at him and slapped him on the shoulder. “You know,” she said, “we could do this more.”

He stared at her. “Why would I possibly want to do this more?”

“Go into business together. For ourselves. You’d talk to the clients, tally up all the risky stuff, do all the math, put their minds at ease.”

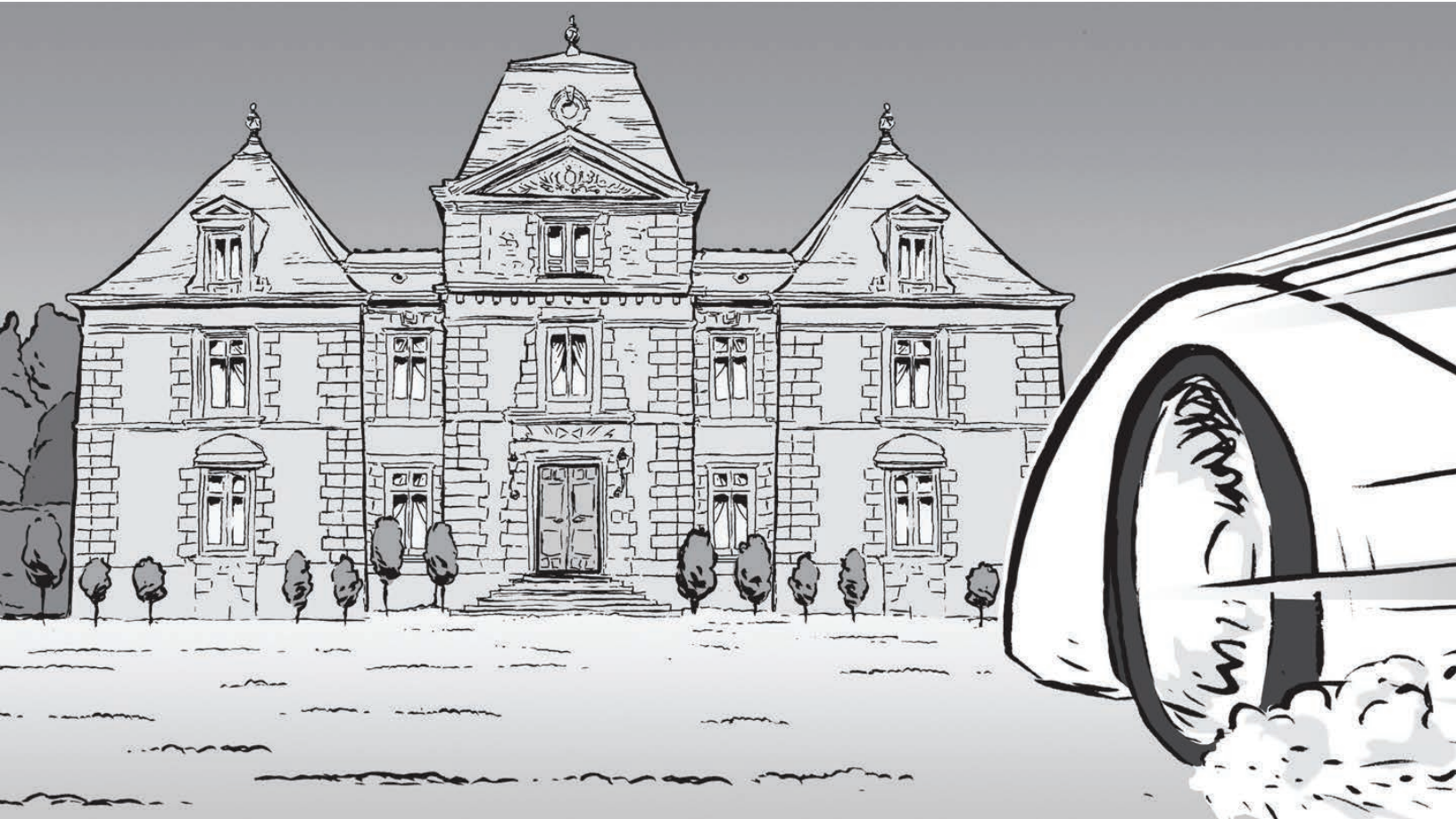
“And you?”

“I’d drive like hell.” She grinned. “What do you think?”

“I think it sounds insane.”

She frowned. “Good insane? Or bad insane?”

He was about to respond, then hesitated. For the first half of the trip, he’d felt like vomiting, but something had happened in the broad plains out past the Mississippi. He’d begun to relax, and not





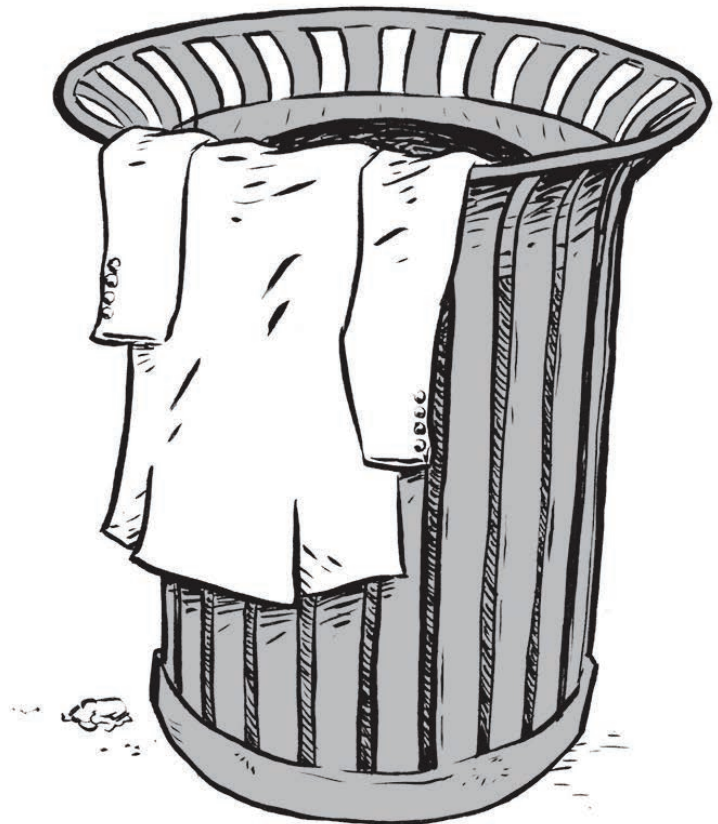
just to relax, but to enjoy the breakneck hurtling through the night, the race to beat the clock, the defiance of the odds.

Athena was a menace, of course, a disaster waiting to happen, but he could take steps to mitigate the dangers. He tried to imagine what it might be like to spend his life eating buckets of wings in bars by the side of the highway, the beer cold in the back of his throat.

Athena raised her brow. “So?”

He couldn’t quite believe the words as they were leaving his mouth, but there they were, hanging in the air all the same: “I would consider it.”

She tossed an arm around his shoulders. “The first thing we do—we get you out of this suit and into a leather jacket.”





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