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Higher premiums send more US drivers out shopping for usage-based coverage

Article

The news: Stung by higher auto insurance premiums, US drivers are increasingly shopping for usage-based coverage and consenting to having their driving monitored, per the J.D. Power

Quarterly Loyalty Indicators and Shopping Trends Report for Q4 2021 on US auto insurance.

Key findings:

- More US consumers are switching insurers because their premiums increased despite driving less.
- They want to lower their rates through personalized auto risk programs.
- In 2021, higher-risk consumers were more likely to actively shop around for auto insurance than their lower-risk counterparts—that wasn't the case during 2020.

What's the context? Traditional, time-based insurance contracts often price quotes based on non-driving factors like your credit score and where you live.

- Lockdown measures during the pandemic led consumers to drive less, laying bare the inflexibility of traditional coverage that doesn't typically adapt its premiums to changing habits.
- This pushed more policyholders to demand behavior-based pricing. It can offer lower premiums by analyzing auto usage and behavioral data to personalize mileage-based policies.
- The data comes from mileage reporting and telematic driver scoring from real-time tracking through mobile apps, diagnostic port plug-in devices, Bluetooth beacons, or built-in options like OnStar.
- Large US insurers like Allstate use telematics data to introduce mechanisms for structured behavioral change—such as earning cash back on each trip—to reward and promote less risky behavior.

Behind the numbers:

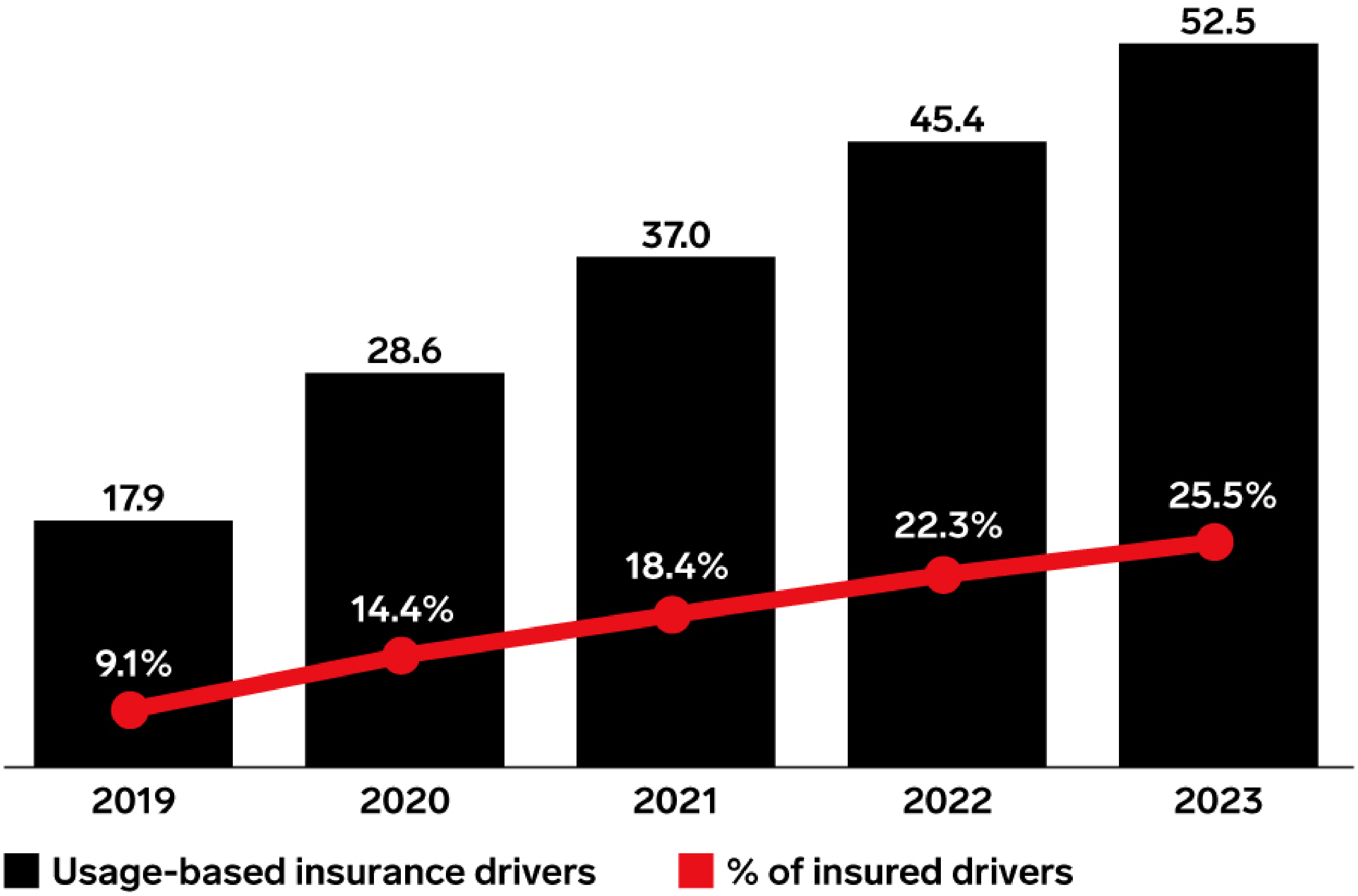
- Telematics adoption grew in 2021: **49% of consumers opted into a telematics program** when it was offered, according to a survey from TransUnion, which partnered with J.D. Power on the report.
- **Sixty-nine percent of insurance customers** in select global markets are now willing to share driving data with insurers if it means lower prices, compared with 50% in 2019.
- We forecast that **52.5 million US drivers will buy UBI coverage** by 2023, up from 37 million this year.

What this means: J.D. Power found that both price-conscious and quality-conscious customers are aware of and switching to personalized value programs. Telematics is well on its way to becoming a norm in US auto insurance.

- That will likely increase the competitive pressure on midsize insurers—which have engaged with telematics at roughly one-third the rate of their larger counterparts, per Digital Insurance.
- Insurers may see premium revenues decrease due to policyholders' telematics and IoT usage. Those whose tech stacks are still works in progress may have a harder time compensating with the value-added telematics features that McKinsey recommends exploring, such as anti-fraud initiatives, assistance and service add-ons, and selling data to third parties.

US Usage-Based Insurance Drivers, 2019-2023

millions and % of insured drivers



Note: ages 18+; licensed drivers enrolled in an auto insurance policy in which their telematics data is transmitted from a mobile app and/or telematics device and ultimately monitored by an insurer; UBI policies include both pay-as-you-drive programs, i.e., actual miles a customer drives (Allstate Milewise, MetroMile); and pay-how-you-drive programs, i.e., location, speed, driving behavior (Allstate Drivewise, Progressive Snapshot, USAA SafePilot); excludes commercial auto insurance programs
Source: Insider Intelligence, Sep 2021

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