From Crisis to Opportunity:
Charting Auto Insurance Innovation in 2021

EPISODE I
How new driving habits have impacted pricing models demand

Based on two surveys taken in January 2020 and 2021.
COVID-19 brought about many changes to business, society, and mobility. Some of these were unprecedented, like the precipitous drop in miles traveled in March and April of 2020 and the billions of dollars of corresponding refunds to consumers. The pandemic brought about economic challenges as well, spurring a greater need for insurers to respond to a rapidly changing market. These shifts occurred at a time where insurance telematics was already gaining traction in the United States, with the majority of the top 25 carriers offering connected insurance to their consumers. This change started as insurers began to shift away from prior generations of technology, enabling them to introduce new business models with higher levels of adoption.

The ground was laid in the years leading up to the pandemic, with insurers investing more in expanded uses of their telematics programs, providing greater value to consumers and strengthening communication to agents and consumers alike. When COVID-19 hit, insurers prioritized these initial investments and began to shift further into new business models that would meet the changing needs of their customer base. The results have been an accelerated adoption rate on top of an already strengthening base yielding significant growth for all telematics enabled business models.
Key Findings

While 66% of the U.S. sample said they drove less overall, 19% of the young urban drivers are now driving more.

One year after the onset of the pandemic, surveyed drivers were 95% more likely to switch to connected insurance compared to pre-COVID – even if a monthly fee was associated with the switch.

Only 3% of drivers indicated they switched to connected insurance in 2020, representing a major gap between interest and market penetration.

Readiness to switch to connected insurance was most significant in the 25-39 year-old segment: 73% of respondents in that group were ready to switch, with 5% indicating they had already made the switch.

Auto premiums have not been heavily affected by the pandemic, however young drivers are now paying 6% more on average and drivers in rural areas now pay 5% less.
Analyzing the Impact of the Pandemic on Driving Behavior

Unsurprisingly, the 2020 lockdowns have forced people to drive less. This survey measures that in greater detail: overall, suburban drivers were the most affected as 70% of them drove less during that period. This compares to 62% of rural drivers and 58% of urban drivers.

<table>
<thead>
<tr>
<th>Urban Drivers</th>
<th>Suburban Drivers</th>
<th>Rural Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age Group</td>
<td>% Married</td>
<td>% Married</td>
</tr>
<tr>
<td>18-29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>32%</td>
<td>64%</td>
<td>64%</td>
</tr>
<tr>
<td>11%</td>
<td>55%</td>
<td>55%</td>
</tr>
<tr>
<td>22%</td>
<td>59%</td>
<td>59%</td>
</tr>
<tr>
<td>13%</td>
<td>61%</td>
<td>61%</td>
</tr>
<tr>
<td>&gt; 60</td>
<td>84%</td>
<td>84%</td>
</tr>
<tr>
<td>% No – the pandemic has not affected how much I drive</td>
<td>% Yes – I drive less now</td>
<td>% Yes – I drive more now</td>
</tr>
<tr>
<td>18-29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>28%</td>
<td>13%</td>
<td>13%</td>
</tr>
<tr>
<td>30%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>24%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>&gt; 60</td>
<td>83%</td>
<td>83%</td>
</tr>
<tr>
<td>18-29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>2%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>&gt; 60</td>
<td>1%</td>
<td>1%</td>
</tr>
</tbody>
</table>

Looking more closely at the results, CMT found 73% of females are driving less since the onset of the pandemic compared to 60% of males.

In terms of age, 82% of older drivers are driving less compared to 57% of 18-29 year olds.

However, 15% of the drivers aged 18 to 44 are now driving more and 20% of them have not changed how much they drive.

The least affected drivers are male, aged 45 to 60 who are driving in rural areas. 39% of them drive as much now or admit the pandemic did not affect how much they drove.

The most affected drivers were females over 60 in dense urban areas; 81% of the respondents in that segment drove less. On the other end, 22% males aged 30 to 44 in rural areas drove more.
Younger, Urban Drivers Most Likely to Drive More During Pandemic

Source: “Future of Insurance Survey,” CMT 2021

61% of all Americans have changed how and why they drive today but males have been more affected than females. Over 47% of male drivers aged 30-44 are now driving for other reasons since the pandemic started and 32% are driving on different days of the week.

In terms of driving destination, urban drivers have been disproportionately affected: 81% of them have changed driving patterns and 39% of them are now driving for other reasons, in comparison to 27% of the rural population.

Male and Female Drivers Have Been Affected by the Pandemic in Different Ways

Source: “Future of Insurance Survey,” CMT 2021

In terms of age, segments of the populations have been resisting change. Only 3% of the over 60 are now driving on different days in urban areas. This compares to 37% of the 30-44 in the same geographies and 11% with the drivers of the same age in rural areas and 13% for the over 60 suburban drivers.
The changes COVID forced onto American society in 2020 have led to a surge in interest for telematics-based insurance programs. Awareness of these programs was comparatively low in the 2021 survey. With the size of the sample twice as big as in 2020, 48% responded yes to the question: “Have you ever heard of Usage Based Insurance or Pay per Mile insurance?” However, 72% responded yes to “In General, would you be interested in participating in a Usage Based Insurance or Pay per Mile insurance program?” This suggests a great potential for take up if the proposition is made at point of quote.

CMT plotted the results of the following questions in the chart below:

- **Awareness** – Have you ever heard of UBI?
- **Appetite** – Would you be interested in UBI?
- **Readiness** – Are you likely or very likely to switch to UBI even if you have to pay extra?
- **Usage** – Are you using UBI today?

Positive responses on appetite, readiness, and use of UBI have all increased since pre-pandemic. **Appetite to switch to connected insurance in the U.S. has grown by 75%**.

The survey also highlighted strong differences in awareness and interest between male and female respondents. Females are less likely to have heard of UBI and slightly less interested in the idea. The majority of male respondents had heard of UBI and 76% of them declared general interest.

### Males are More Aware and Interested in Usage-Based Insurance

*Source: “Future of Insurance Survey,” CMT 2021*

### UBI Awareness, Appetite, Readiness, and Usage

*Source: “Future of Insurance Survey,” CMT 2021*
However, while in January 2020 32.5% of respondents were likely or very likely to switch, one year later 63% are saying they are likely or very likely. 3% among them said they already made the switch.

The most responsive segment in the 2021 survey is the 25-39 year old, 73% of them were ready to switch. In that age category, 79% of males answered that they were likely or very likely to switch.

Out of the people ready to convert to connected insurance, the majority were found in suburbs and small cities (56%). In urban settings, the segment most interested in usage-based insurance was the 30-44 drivers, with 45% of them ready to switch.

Finally, 3% of the respondents suggested they already made the switch and did so during the pandemic’s worst times.

Readiness for telematics-based insurance in the U.S. has jumped 95% over the course of the pandemic. This is despite awareness of UBI being far from ubiquitous.
Premiums Evolution

U.S. drivers on the whole are paying the same in auto insurance with the average going up from $1,160 in 2020 to $1,190 in 2021. However per segment, some differences are appearing: young drivers are now paying 6% more than last year and twice as many of them are now paying between $1500 and $2000 in premium. Older drivers are paying 1% less, and twice as many of them are now paying between $700 and $1000.

Young US Drivers are Now Paying 6% More in Premium

Source: “Future of Insurance Survey,” CMT 2021

When segmenting by types of road, we found that drivers in rural areas now pay 5% less than they paid pre-pandemic. This is in line with the fact that they were some of the most affected by lockdowns in terms of how much they drove in 2020, especially young drivers.
METHODOLOGY

This report is based on two surveys commissioned by CMT to a neutral market survey agency in January 2020 and January 2021.

The surveys focused on U.S. drivers’ appetite for different pricing, services, and rewards models. A total of 3,000 insured drivers were interviewed twice about their perspective on issues such as the impact of the pandemic on their driving, choosing and buying insurance, or purchasing additional services.

A sample of drivers with age ranges proportional to the driving population was used. Equal distribution was also given across genders, income, and geographical regions.

The age groups used in the report follow the generational cohorts and are sometimes referred to as such:

18 - 29: Generation Z (Gen Z)
30 - 44: Millennials
45 - 60: Generation X (Gen X)
Over 60: Baby Boomers (Boomers)

This report was compiled by:
Ryan McMahon
VP of Insurance & Government Affairs
Thomas Hallauer
Director of Research & Marketing
CMT’s mission is to make the world’s roads & drivers safer.

Since its first product launch in 2012 that pioneered mobile usage-based insurance, CMT has become the world’s leading telematics and analytics provider for insurers, rideshares, and fleets. CMT’s DriveWell platform uses mobile sensing and behavioral science to measure driving risk and incentivize safer driving, while its Claims Studio reduces the claims cycle time with real-time crash detection, crash reconstruction, and damage assessment using telematics and artificial intelligence.

CMT has more than 50 active programs with insurers and other partners, improving safety for millions of drivers every day around the world. Started based on research at MIT and backed by the SoftBank Vision Fund to fuel its rapid growth, CMT is headquartered in Cambridge, MA.