

RESEARCH & ANALYSIS

Survey finds customer inertia stymies private auto UBI adoption

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By Tim Zawacki
Market Intelligence

Major U.S. private-passenger auto insurers face several key impediments to broader policyholder adoption of usage-based insurance, or UBI, including customer satisfaction with their existing coverage.

Among respondents with a license to drive and who own a smartphone, nearly 11.1% said that they have installed their insurance company's UBI mobile application, according to 451 Research's Voice of the Connected User Landscape third-quarter 2021 survey. Of them, approximately 9% actively use it. Another 35% of respondents said that they would either be somewhat or very interested in doing so. Privacy concerns and potential misunderstandings regarding the availability and complexity of UBI mobile apps also play significant roles in customer resistance among respondents that have not downloaded their carrier's UBI mobile app.

The Voice of the Connected User Landscape surveys from 451 Research, a part of S&P Global Market Intelligence, provide regular observations of consumer sentiment, attitudes and behaviors regarding a broad range of connected experiences, including spending expectations, mobile payment usage, digital commerce desires, and new customer touchpoints and conversational interfaces. Assessment of sentiment towards UBI is a new addition to the survey.

Our take

The survey results show that auto insurers have the opportunity to win converts to UBI coverage, particularly among the many younger adults who have not become early adopters. But the process of convincing some customers to change the nature of their auto insurance coverage may be more akin to winning new business than cross-selling ancillary products.

Some of the headwinds to UBI expansion may be readily addressable by the industry, however. With significant numbers of respondents across age bands stating that they have not yet downloaded a UBI mobile app because they believe it to be unavailable or too complicated, there appear to be meaningful opportunities for direct customer outreach and education.

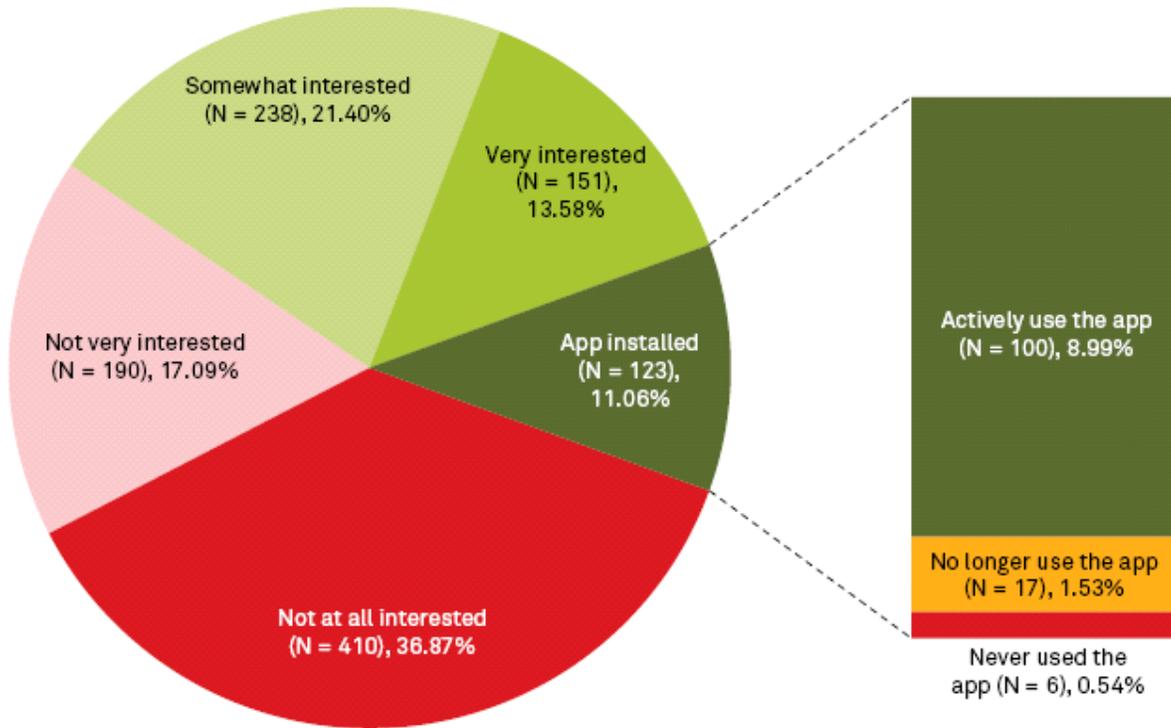
UBI mobile apps have also been recently introduced in many markets by some of the largest U.S. carriers, and they may wait for a full nationwide rollout before making significant investments in marketing.

Adoption varies by age, income levels

UBI mobile apps have been introduced in a growing number of states by most major private auto carriers to collect data about a wide range of actual driving behaviors and adjust policy pricing accordingly. The role of UBI has taken on increased importance during the last two years given dramatic changes in driving patterns since the declaration of a global pandemic and the increased scrutiny being applied by regulators and legislators in some states to more traditional rating factors employed by the industry such as consumer credit scores due to fairness concerns.

Nearly half of US consumers either have usage-based auto insurance app installed or have some interest in adoption

How interested are you in having a usage-based insurance (UBI) app on your smartphone if it were offered by your insurance company? (%)



Data compiled July 29, 2021.

N = number of respondents

Limited to respondents with a license to drive and who own a smartphone (N = 1,112).

Results reflect responses to the following question: Some auto insurance companies offer usage-based insurance (UBI) – which collects information about how you drive via a smartphone app and may lower or raise your insurance rate accordingly (e.g., State Farm’s Drive Safe & Save, Progressive’s Snapshot, Allstate’s Drivewise). How interested are you in having a usage-based insurance (UBI) app on your smartphone if it were offered by your insurance company?

Source: 451 Research, Voice of the Connected User Landscape: Endpoints & IoT, Consumer Representative Connected Car, 2H Services 2021. An online survey of U.S. consumers conducted July 1-July 20, 2021.

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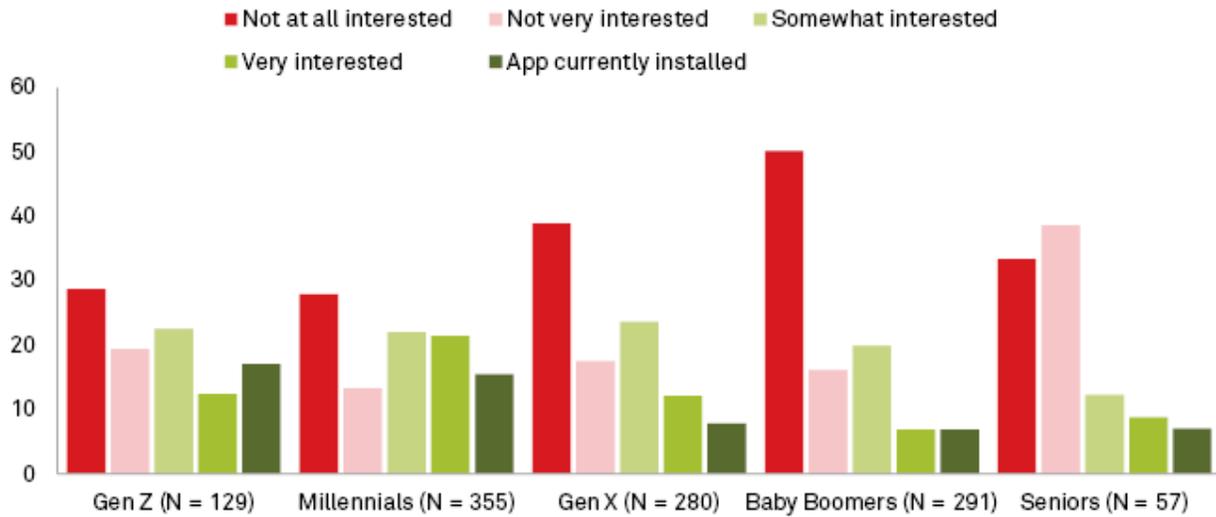
The survey found the youngest generations to rank as the most likely to have UBI mobile apps installed, with adoption rates of 17.1% and 15.5% among Generation Z and Millennials, respectively. Less than 8% of respondents among Generation X, Baby Boomers and Seniors had UBI mobile apps installed.

Respondents with annual household incomes in excess of \$100,000 were generally more likely to have the apps installed than those with lesser earnings. The results also showed far greater levels of interest in the concept among those with higher incomes. For those with annual household incomes of between \$125,000, and \$249,000, more than 21% of respondents said that they would be very interested in installing a UBI mobile app. That compares with rates of 11.2% and 9.1% for those with household incomes of between \$25,000 and \$49,999, and less than \$25,000, respectively.

Interest in usage-based insurance smartphone apps varies by a range of demographic factors

How interested are you in having a usage-based insurance (UBI) app on your smartphone if it were offered by your insurance company? (%)

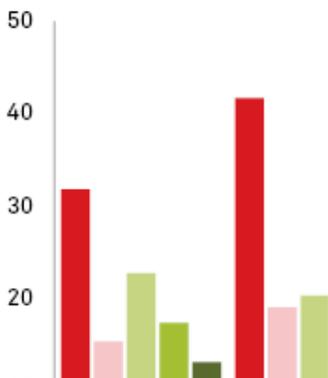
Generation*



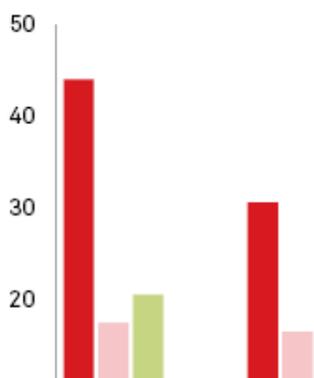
Annual household income**



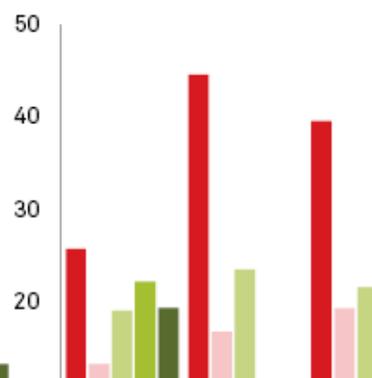
Gender

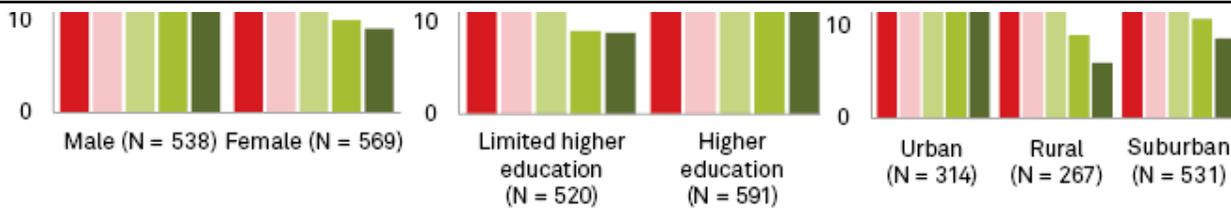


Education level



Place of residence





Data compiled July 29, 2021.

N = number of respondents

Limited to respondents with a license to drive and who own a smartphone (N = 1,112).

* Generation Z (born 1997 or after); Millennials (born between 1981 and 1996); Generation X (born between 1965 and 1980); Baby Boomers (born between 1946 and 1964); Seniors (born 1945 or before)

** Sample size for income levels of \$250,000 or more was not statistically significant.

Results reflect responses to the following question: Some auto insurance companies offer usage-based insurance (UBI) – which collects information about how you drive via a smartphone app and may lower or raise your insurance rate accordingly (e.g., State Farm’s Drive Safe & Save, Progressive’s Snapshot, Allstate’s Drivewise). How interested are you in having a usage-based insurance (UBI) app on your smartphone if it were offered by your insurance company?

Source: 451 Research, Voice of the Connected User Landscape: Endpoints & IoT, Consumer Representative Connected Car, 2H Services 2021. An online survey of 5,000 U.S. consumers conducted July 1-July 20, 2021.

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Those residing in urban areas were more than twice as likely as those living in rural areas to have installed the app or said that they were very interested in doing so.

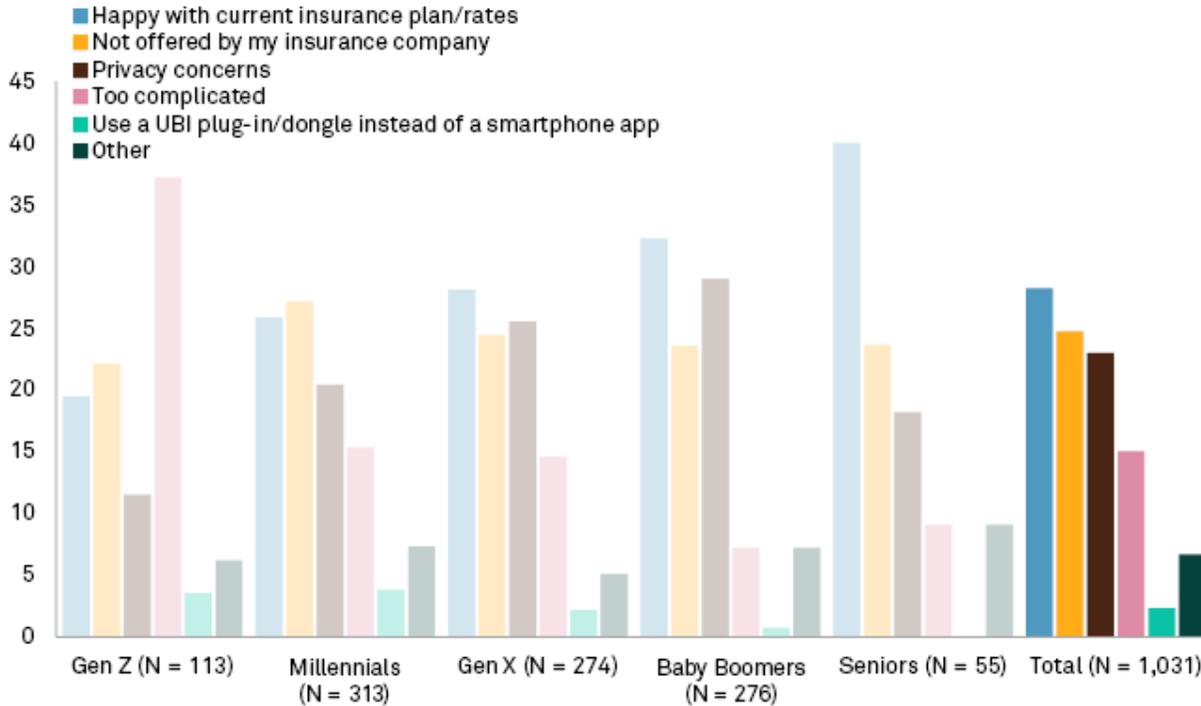
Customers may need a push

Consumer privacy concerns have long served as a headwind to UBI adoption but those ranked as only the third-most-common response to the survey question, "What is the most important reason why you don't currently have a UBI app installed on your smartphone?" Nearly 23% of respondents of all ages who do not have a UBI app installed listed privacy concerns as their most important reason for resisting, but there was significant variance in the importance placed on that issue across generations. The youngest and oldest respondents were less likely to choose privacy concerns as the most important reason for resistance than either Generation X or Baby Boomers, for example.

The most common reason provided by respondents, overall, was contentment with existing insurance coverage at 28.2% of the total. Here, too, responses varied widely by age, with 40% of Seniors but only 19.5% of Generation Z saying they were happy with their coverage.

Customers may need convincing to adopt usage-based insurance, though reasons for resistance vary by generation

What is the most important reason why you don't currently have a usage-based insurance (UBI) app installed on your smartphone? (%)



Data compiled July 29, 2021.

N = number of respondents

Limited to respondents with a license to drive and who own a smartphone, but have not installed a usage-based insurance app. Results reflect the response to the following question: What is the most important reason why you don't currently have a usage-based insurance (UBI) app installed on your smartphone?

Source: 451 Research, Voice of the Connected User Landscape: Endpoints & IoT, Consumer Representative Connected Car, 2H Services 2021. An online survey of 5,000 U.S. consumers conducted July 1-July 20, 2021.

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Two other commonly provided reasons would seem to be more easily overcome. About 24.7% of all respondents said they had not downloaded a mobile app because it is not currently offered by their existing carrier. This may reflect a lack of marketing investment in existing UBI programs or the ongoing nature of some leading carriers' filings for new UBI-driven programs in a number of states.

Just over 15% of respondents said they found UBI apps to be too complicated. Interestingly, this ranked as the top reason for not downloading a UBI app among Generation Z, despite the conventional wisdom that the youngest consumers would be the most technologically savvy. Only 7.2% of Baby Boomers, in contrast, cited complexity as the most important reason they have resisted. For the older generations, it may be that privacy concerns and contentment with the status quo resonated to a greater extent than the perceived complexity of the product.

UBI mobile apps may not be of value to at least some consumers even to the extent they have an interest in downloading them. Due to California's Proposition 103, for example, auto insurers in the state currently may only use telematics data collected through mobile apps and other devices regarding the number of miles driven in underwriting policies. California accounted for nearly 12.2% of U.S. private auto direct premiums written in 2020.

On the other hand, regulators could provide an impetus for a greater focus on UBI through efforts to restrict the use of credit-based insurance scores in underwriting. For instance, Washington Insurance Commissioner Mike Kreidler in March instituted an emergency three-year rule prohibiting auto, homeowners and renters insurers from using an applicant's credit history to determine rates or eligibility for coverage. Kreidler, in a statement the industry has vociferously disputed, argued that the use of insurance credit scores results in premiums that are excessive,

inadequate, or unfairly discriminatory as specified under Washington statute.

Insurtech Root Inc. has said that it hopes to replace all correlation-related inputs to its auto insurance pricing model, including credit scores, with a fully behavioral pricing model in the interests of consumer transparency and fairness.

Implications

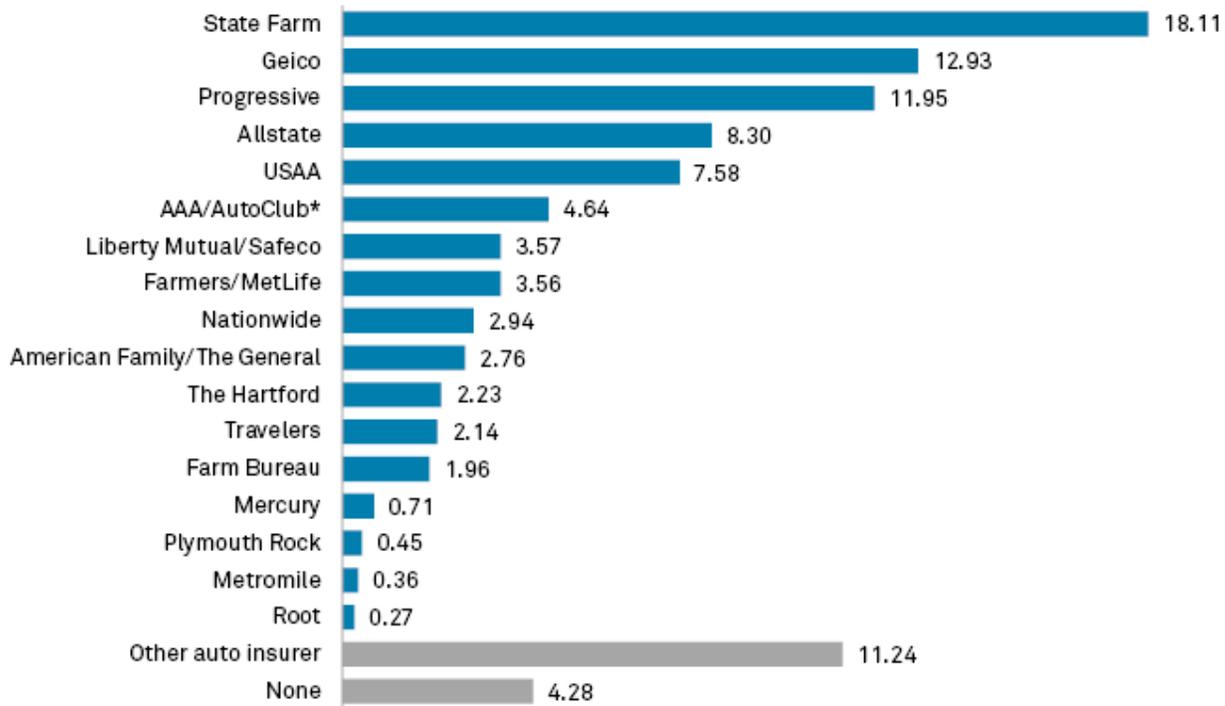
While Root has built its business on the promise of UBI, it may be more noteworthy that GEICO Corp., the No. 2 U.S. private auto insurer, has been rolling out a mobile app-based program on a nationwide basis.

Ajit Jain, vice chairman of insurance operations at GEICO parent Berkshire Hathaway Inc. conceded during the company's most recent annual shareholder's meeting that the insurer had "missed the bus" on telematics, and he expressed hope that it would be able to catch up to their peers in "matching rate to risk." Another top five private auto insurer, United Services Automobile Association, has said it intends to make its SafePilot app available to customers in most states in 2021.

Those more fledgling initiatives and a growing number of others like them will join the Snapshot program of The Progressive Corp., the DriveWise program of The Allstate Corp. and various additional established app-centric products.

The sheer breadth of offerings, at a minimum, will help boost customer awareness, which, in turn, should result in greater adoption, particularly to the extent they resonate among the carriers' existing customer base. That younger adults appear to be resisting adoption for reasons that insurers may most easily remedy also bodes well for future expansion.

Which company provides auto insurance for your primary vehicle? (%)



Data compiled July 29, 2021.

N = number of respondents

Limited to respondents with a license to drive (N = 1,121).

* Includes the various property and casualty groups that market insurance under the AAA and Auto Club names.

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