



Millennials Propel Consumer Momentum for Usage-Based Auto Insurance

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Towers Watson survey finds that Millennials are redefining auto insurance product needs

ARLINGTON, Va.--(BUSINESS WIRE)--Sep. 2, 2015-- While interest in usage-based auto insurance (UBI) remains relatively high among consumers in general, Millennials are clearly leading the charge forward and will continue to drive the evolving market, according to global professional services company Towers Watson's (NASDAQ: TW) annual [UBI \(Telematics\) Consumer Survey](#).

"Millennials soundly displayed their acceptance of new business approaches and familiarity with technology," said Robin Harbage, global lead for Towers Watson's UBI practice and DriveAbility[®] service offering. "In fact, the survey revealed 92% of Millennials own smartphones, compared to just 58% of all other age cohorts surveyed. Insurers that are not already embracing new technology will need to adjust their business models for younger drivers, who rely heavily on their smartphones and the Internet."

According to the findings, more Millennials (88%) expressed interest in taking out a UBI policy than all other age groups (74%). Consumer interest in UBI rises for both groups if it's agreed upon that premiums would not increase due to poor driving behavior (93% of Millennials versus 85% of all others). However, nearly half of all respondents (46%) said they would not buy a UBI policy if it potentially caused their premiums to increase.

Nearly three-quarters (72%) of Millennials believe auto insurance policies linking their driving behavior with premium paid is a better way to calculate costs than traditional factors such as age, gender and credit score. Only half (51%) of all other age groups feel the same. "I think it's fair to say Millennials are not only amenable to UBI but actually prefer it to conventional ways of calculating their auto insurance premium," said Len Llaguno, senior consultant, Towers Watson.

Millennials' interest in UBI goes well beyond new technology and calculating premiums. Younger drivers are much more willing than other age cohorts to let UBI shape their driving behavior. For those respondents willing to take out a UBI policy, eighty-four percent of Millennials said they would change their driving behavior if it correlated to a lower premium, versus slightly more than half (53%) of other age groups. Drivers named sticking to the speed limit and keeping a safe following distance as behaviors they would most likely change. More generally, an overwhelming 84% think careful driving constitutes a fair measure for a premium discount.

Respondents, especially Millennials, exhibited a propensity for value-added services enabled by UBI technology and indicated a willingness to pay more for them. Ninety percent of Millennials willing to buy a UBI policy said they would pay at least an extra \$45 per year for these benefits, compared to 65% of all others surveyed. "Millennials' buying behaviors and expectations will require a complete rethink by auto insurers to attract and retain this growing demographic," said Harbage.

Participants willing to buy or consider a UBI policy ranked their three most preferred value-added services bundled with UBI: theft tracking (87%), automated emergency call (86%) and breakdown notification service (83%). "Parents see a real appeal in UBI, citing the ability to be informed about a child's accident, automatic emergency services dispatch and text prevention as the most beneficial features," said Llaguno.

Almost two-thirds of participants (62%) who have a UBI policy reported a positive experience with it, while only a handful (9%) mentioned a negative one. Of drivers with a favorable UBI experience, 70% said it led to both lower insurance premiums and additional benefits, and information about their driving. Perhaps surprisingly, over one-quarter of respondents (26%) said they are not familiar with UBI policies.

"Auto insurers have an enormous business opportunity with UBI," said Harbage. "However, further education is needed to bridge the gap between awareness and action. Indeed, Millennials are farther along in this understanding and their openness to UBI adoption. But with the right incentives and encouragement, other age groups can become more receptive to change and the benefits UBI offers."

About Towers Watson

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