

# PERSONAL INSURANCE

## INSIGHTS

LloydSadd



## Can Usage-Based Auto Insurance Save You Money?

As auto insurance hits record highs, drivers are scrutinizing their coverage options. One option gaining popularity is usage-based auto insurance (UBI). UBI is sometimes called telematics, smart car, pay-as-you-go, pay-by-the-mile or pay-how-you-drive insurance.

### WHY THE RISE IN AUTO RATES?

Increasing auto rates don't necessarily relate to your driving or claims record. Inflation, supply chains, manufacturing and repair costs, labour, disasters and extreme weather also affect insurance rates. Currently, these factors are contributing to a "hard market." A hard market is when insurance costs increase because of rising risks. Insurance companies get more selective about who they accept as customers and how much they charge for coverage.

When costs increase, drivers look for ways to save. UBI advertises savings as high as 40%, but the highest discounts are reserved for a few types of drivers.

Before switching your auto insurance, consider the pros and cons of UBI versus standard auto insurance.

### SAVINGS POTENTIAL

There is potential for savings based on your driving habits. If you're a safe driver, you could see discounts. But if you're an unsafe driver, your rates could increase once the data is collected. Telematics tracks a combination of things like:

- Mileage
- Time of day
- Cornering
- Braking
- Speed
- Phone use
- Acceleration

For example, if you do a lot of driving during rush hour, your telematics data may show frequent or sudden braking. This could make you lose out on discounts. And if you like to speed or regularly drive at night, a telematics discount probably isn't in your future. You might even get dinged just for how much you drive, no matter how safe you are. If you're traveling more than 50 kilometres daily, you might be better off with a standard auto policy.

If you're considering UBI insurance, review the telematics data collection policy with your broker. Be clear on when the data collection starts and stops. Some companies insist on monitoring you every time you drive. Other companies expect a one-year driving data sample and rate your premiums based on that.

### DATA PRIVACY

You're giving up data privacy when you use telematics. You'll give up personal information like where you go, the road conditions, your mileage, your speed, your braking habits and your phone usage. Some insurance companies record more information than others. Some provinces have regulations on data privacy, limiting what telematics can track. Review the terms before you sign.

Standard auto insurance is your best bet if you dislike sharing details with your insurance company.

## SAFE DRIVING REWARDS

Opting for telematics can encourage safer driving behaviors. And some people like telematics for the monitoring they can do on other drivers, like teen drivers. Some telematics devices have built-in crash assistance, driving tips and reminder notifications.

Remember that some vehicles come with driver monitoring systems built in. You can use these without connecting them to your insurance. If you're interested in telematics for safety but don't want to use UBI, you have options outside of insurance.

## BUNDLING AND DISCOUNT OPTIONS

Some insurance companies offer discounts for bundling home and auto insurance policies. You might have to unbundle your policies to get a UBI auto policy.

Make sure you understand what you're giving up with your standard auto policy. Ask your broker to check for discounts on your standard auto policy, like:

- New car
- Multicar
- Good student
- Safety features

You might qualify for more savings if you bundle your auto with your home insurance policy on top of the above discounts.

## CALL YOUR BROKER FOR A COVERAGE REVIEW

Not every insurance policy is the same, including your auto policy. That's why we recommend a comprehensive coverage review with us. We'll discuss your overall insurance needs and determine if Usage-Based Insurance (UBI) aligns with your requirements. Additionally, ask us about the cancellation policy in case you decide that the telematics program isn't suitable for you after a few months.

We are here to inform you about the various telematics programs offered by insurance companies. Our goal is to provide you with expert advice and options so that you can make a well-informed decision about your insurance coverage.



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**If you have questions specific to your business, or would like additional information, please reach out to your Lloyd Sadd Advisor.**

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**LET US HELP YOU  
MANAGE YOUR RISK**

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