



## Usage-Based Auto Insurance Might Provide Savings

Like everything else, the pandemic greatly impacted driving habits. Workers who once had long commutes and drove to work every day suddenly found themselves working remotely. Others were spending more time at home as the result of a job loss or reduction in hours. In fact, there was a 55% decrease in the average number of miles driven in 2020. That, coupled with a record unemployment rate, resulted in a surge in auto insurance shopping, driven by consumers looking to change their coverage or find better rates.<sup>1</sup>

If you are driving less than you used to, you might consider switching to a usage-based auto insurance policy that could save you money on your premiums. Usage-based policies use apps or tracking devices (telematics) to collect and monitor mileage and driving habits (e.g., speeding, acceleration, hard braking, cell phone use) to help determine rates. Usage-based policies typically provide a discount for signing up or upon policy renewal, and additional discounts are given based on safe driving performance.

If you have privacy concerns and find this type of monitoring too invasive, another option is a pay-per-mile policy, which only monitors your mileage. Pay-per-mile policies usually have a base rate and then charge an additional amount for each mile driven. In addition, you can also check with your current insurer to see if it offers a low-mileage discount, which typically only requires you to provide your car's odometer readings or maintenance records to obtain a discount.

If you are looking for other ways to save money on your insurance, consider the following additional cost-saving options.

**Raise your deductible.** Generally, the higher your deductible, the lower your premiums. Before you raise your deductible, though, be sure you can cover the out-of-pocket expense should an accident occur.

**Take advantage of discounts.** You may be eligible for one or more auto insurance discounts. For example, your insurer might provide discounts to individuals with a safe driving record, teens with good grades, or when bundling your auto policy with your homeowners insurance.

**Drop unnecessary coverage.** If you have an older car with limited value, it might make sense to drop your collision and comprehensive coverage, since a claim paid by your insurance company may be minimal and might not exceed what you would pay in premiums and deductibles.

**Shop around.** Auto insurance rates vary from company to company — sometimes significantly. Compare the various rates offered by different insurers.

1) J.D. Power, 2021

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