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Global Usage-Based Insurance (UBI) Market Assessment, By Type [Pay-As-You-Drive, Pay-How-You-Drive, Manage-How-You-Drive], By Technology [OBD-II Based, Smartphone-Based, Embedded Telematics, Black Box], By Vehicle Type [Passenger Vehicles, Commercial Vehicles], By End-user [Individual, Fleet Owner], By Region, Opportunities and Forecast, 2018-2032F

Market Report | 2025-06-16 | 215 pages | Market Xcel - Markets and Data

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Report description:

Global usage-based insurance (UBI) market is projected to witness a CAGR of 10.12% during the forecast period 2025-2032, growing from USD 44.87 billion in 2024 to USD 97.03 billion in 2032F, owing to the intersection of digital technologies, connected mobility, and changing consumer expectations. UBI propositions such as pay-as-you-drive (PAYD), pay-how-you-drive (PHYD), and manage-how-you-drive (MHYD) are transforming the legacy insurance business by providing behavior-based premium rates. This change has been facilitated by high telematics penetration, rising vehicle connectivity, and the desire for differentiated insurance products that are tailored to unique driving profiles instead of standardized demographic traits. One of the major drivers of the market is the global penetration of smartphones and connected cars, which allow for real-time tracking of the behavior of drivers and the use of vehicles. Further, increasing demand for inexpensive and transparent insurance products among younger drivers, gig economy professionals, and low-mileage motorists is driving the uptake of UBI. Regulatory incentives for safer driving habits and sharing data, as well as sustainability targets tied to lower usage of automobiles, also drive the market's growth.
Nonetheless, the market is subject to various restraints. Data privacy concerns, cybersecurity threats, and consumer hesitance to remain under constant surveillance are still major issues to expand adoption. The expense of telematics infrastructure, particularly in price-sensitive markets, and the absence of standardization at regional levels can hamper scalability. Additionally, consumer confidence in how insurers gather, store, and use data is still a big challenge.
Other drivers are the accelerated digitization of insurance distribution channels, collaborations between auto manufacturers and insurers for embedded telematics, and the appearance of insurance-tech companies providing nimble, app-based UBI products.

Market maturity also differs widely by geography, where North America and Western Europe are at the forefront of adoption, geographies such as Asia-Pacific and Latin America are likely to see accelerated growth in the forecast period on account of growing digital infrastructure and improvement in insurance penetration. In sum, the UBI market is set for long-term growth with support coming from technological innovation, evolving mobility behaviors, and shifting global paradigms toward customer-centric insurance approaches. Long-term growth will, however, be contingent upon managing data governance issues and building customer trust through transparency and value-based engagement.

For example, in India, the Automotive Industry Standard-140 mandates that all public transport vehicles be equipped with Vehicle Location Tracking Devices (VLTD) and emergency request buttons to improve road safety and fleet management. This initiative promotes the adoption of telematics solutions, enhancing the overall safety and efficiency of transportation in India.

Technological Advancements in Telematics and Data Analytics Drive the Global Market Demand

The foundation of the UBI market lies in the ability to track and analyze driver behavior in real-time. Telematics systems, which use GPS and onboard diagnostics, allow insurers to monitor how, when, and where a vehicle is driven. Combined with AI and machine learning algorithms, this data enables insurers to customize premiums based on driving style, road conditions, and distance traveled. These insights not only lead to more accurate risk assessment but also empower policyholders with data-driven feedback to improve driving behavior. Insurers can now detect distracted driving, frequent lane changes, and even patterns that correlate with future accident likelihood.

For Instance, in November 2024, Progressive Corporation, one of the largest auto insurers in the U.S., announced the rollout of its latest safety innovation, "Accident Response," designed to give customers greater peace of mind on the road. The new feature, available within the Progressive app, connects drivers to emergency or tow services in the event of a serious accident. Accident Response leverages phone sensors to detect when a significant collision may have occurred. If an accident is detected, Progressive immediately contacts the driver to determine if assistance is needed. Customers can then request emergency help or a tow truck directly through the app or by speaking with a live agent. In cases where the driver does not respond and the crash appears severe, Progressive app proactively dispatches emergency services to the scene.

Increasing Consumer Demand for Personalized and Cost-Effective Insurance Solutions

In today's era of hyper-personalization, consumers expect financial services, including insurance, to reflect their behaviors, lifestyles, and preferences. Traditional flat-rate premiums are being replaced by tailored policies that reward good driving behavior with lower costs. UBI products such as pay-as-you-drive (PAYD) and pay-how-you-drive (PHYD) appeal to consumers by promising fairness and control over premium payments. The appeal is particularly strong among younger drivers, urban users with shorter commutes, and tech-savvy consumers comfortable sharing data for potential savings. These models also incentivize safer driving habits, leading to fewer claims for insurers and more sustainable long-term customer relationships.

For instance, in 2024, Allstate reported a comprehensive review of its Drivewise telematics program. The insurer shared that users of Drivewise had a 25% lower chance of getting into a serious accident. Moreover, these users displayed 44% less phone usage while driving, 23% less speeding, and 11% fewer instances of hard braking. Allstate attributes this improvement in road safety and customer retention to personalized feedback and reward programs integrated into their UBI app.

With rising vehicle and fuel costs, coupled with inflationary pressures globally, cost-saving incentives in UBI are increasingly attractive. Furthermore, consumers are willing to trade privacy for financial incentives, creating a growing addressable market for insurers adopting these models.

Segment-Specific Growth in Pay-As-You-Drive (PAYD) Insurance

Among various UBI models, pay-as-you-drive (PAYD) insurance has seen the fastest growth, particularly among low-mileage drivers, gig economy workers, and urban commuters. PAYD calculates premiums based on miles driven, allowing drivers to pay only for what they use. This model is particularly appealing in a post-pandemic world where hybrid work has become the norm and vehicle usage has declined. PAYD not only enables transparent and fair pricing but also aligns with environmental goals by encouraging reduced vehicle use, which supports sustainability mandates.

For instance, in 2023, Octo Telematics launched Digital Driver - Try Before You Buy, a new smartphone-based PAYD solution for insurers. This offer allows prospective policyholders to demonstrate their driving style over a short trial period before receiving a tailored insurance quote. Octo partners with leading insurers such as UnipolSai and Generali to integrate this technology into their customer acquisition pipelines. The initiative allows insurance companies to shift from demographic-based underwriting to

behavior-based models, improving accuracy and profitability.
This behavioral pricing model appeals to digitally native consumers and helps insurers lower loss ratios by onboarding only low-risk drivers. As more OEMs and insurers adopt embedded PAYD features in smart vehicles, this segment is expected to dominate the UBI landscape.
Regional Leadership of North America in UBI Adoption
North America, particularly the United States, holds the largest share of the global UBI market. This dominance is attributed to several factors such as high vehicle density, widespread use of telematics, strong consumer awareness, and favorable regulatory frameworks. The U.S. insurers have aggressively invested in digital transformation, leading to broader adoption of usage-based models.
The availability of connected vehicles and partnerships between insurers and automakers also contribute to seamless data sharing, accelerating UBI uptake.
For instance, in 2023, Liberty Mutual Insurance and Jaguar Land Rover North America, LLC (JLR) launched an exclusive partnership aimed at enhancing the car-buying and ownership experience for JLR vehicle owners in the United States. The collaboration enables customers to access auto insurance seamlessly during the vehicle purchase process. Leveraging Liberty Mutual's advanced digital capabilities and extensive experience with automotive partners, JLR drivers can now obtain online insurance quotes or consult with an insurance advisor. The partnership offers exclusive benefits, including the use of genuine original equipment manufacturer (OEM) replacement parts and direct referrals to JLR retailers for vehicle repairs. Additionally, customers have the option to have their vehicles towed to the nearest JLR retailer if necessary.
Key Players Landscape and Outlook
The international usage-based insurance (UBI) market is characterized by a strongly competitive landscape with the presence of well-established insurance titans as well as telematics solution specialists. Players compete on various key fronts such as technological R&D, accuracy in data analysis, customer outreach strategies, and scalability of their telematics solutions. The ability to provide dynamic and customized pricing models as per real-time driving behavior has emerged as a principal differentiator. In addition, easy-to-use mobile apps, frictionless onboarding, and integration with connected car platforms are critical to boost customer experience and loyalty. Market forces are influenced by growing consumer demand for affordable and equitable insurance, the convergence of connected vehicle technologies, and enabling regulatory environments favoring data-oriented models. Competitive rivalry is also intensified by collaborative relationships among insurers and automakers, as well as the advent of technology-based insurance startups. The move away from conventional underwriting towards behavior-based models, combined with increasing vehicle connectivity and telematics take-up, will reshape how insurers price risk and package policies in the years ahead.
For instance, in June 2024, AXA Group announced the signing of a Share Purchase Agreement to sell its asset management arm, AXA Investment Managers (AXA IM), to BNP Paribas Cardif. This agreement follows the completion of required consultations with employee representatives from both organizations. The transaction represents a key milestone in strengthening the long-term partnership between AXA and BNP Paribas, ensuring customers' continued access to a wide range of leading investment solutions. The sale remains subject to standard closing conditions, including regulatory approvals, and is expected to be finalized in 2025.

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