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# Car insurance trends: Experts explain what consumers need to know

November 1, 2019 By Mark Vallet

CarInsurance.com has been trusted by readers and respected by industry insiders for 24 years, and today builds upon its mission to educate consumers by sharing insights directly from leaders in the car insurance industry.

We talked to some of the country's leading experts about car insurance trends and asked what we can expect going forward as they unfold.

It turns out that millennials and younger generations are changing the way drivers shop for car insurance. Other significant changes include big data establishing a foothold in the insurance industry which has led to many non-driving factors being considered when setting car insurance premiums. Finally, state insurance commissioners urge consumers to use their offices as a resource on how to get the best coverage at the most affordable price, and not just as a clearinghouse for complaints.

## Meet the experts

We rounded up four insurance industry experts to share their perspectives on trends in car insurance. Below is a brief background on our advisors:



**Robert Hunter**  
**Director of Insurance for the Consumer Federation of America (CFA)**

The CFA is an association of non-profit consumer organizations, established in 1968, to advance the consumer interest through research, advocacy, and education.

Hunter's experience includes serving as the Commissioner of Insurance for the State of Texas and working as president and founder of the National Insurance Consumer Organization, among other senior roles.



**James Lynch**  
**Chief Actuary at the Insurance Information Institute, III.**

The III is an insurance industry-supported organization but does not lobby for insurance businesses, according to their website. The III's central function is to provide accurate and timely information on insurance subjects and to represent the insurance industry's views.



**Andrew Mais**  
**Insurance Commissioner for Connecticut**

Mais runs the Insurance Department for the state of Connecticut and is an insurance industry regulatory specialist. He worked at Deloitte Consulting before being appointed Commissioner in February of 2019, by Governor Ned Lamont.



**Anita G. Fox**  
**Insurance Commissioner for Michigan**

Fox has more than three decades of legal experience, including managing complex litigation in federal and state courts in Michigan and nationwide. She is a recognized authority in insurance coverage and has lectured for Mealy's Insurance in the U.S. and abroad, in addition to teaching Insurance Law at Michigan State University College of Law.

Michigan has a unique car insurance landscape that has led to some of the highest auto insurance rates in the country, but changes are afoot to bring some relief to Michigan drivers.

## **Car insurance trends: Ask the experts**

CarInsurance.com asked these industry experts to share their insights on seven questions about underwriting trends, big data and privacy issues and how to best interact with your insurance company in the age of digital shopping.

### **1. What car insurance industry changes have most impacted consumers?**

Technology has made both positive and negative consumer impacts, according to experts. "Today's insurance companies provide numerous options for consumers. Whether purchasing a policy through an agent, or online, there are many resources and tools to help navigate the process," notes James Lynch. "The industry is stronger and more resilient than ever. It has become more innovative through technology -- and is capably responding to disruptors such as the sharing economy and driverless vehicles."

But technological changes have been problematic at times. "The advent of AI and big data has been misused by insurers to make things worse for auto insurance customers," argues Robert Hunter. "Besides trying to charge more to non-shoppers via price optimizations (which we have successfully gotten banned in 20 states), insurers are using tools to inappropriately slice and dice Americans into socio-economic categories, instead of risk categories which drives up the cost of insurance for the poor."

Andrew Mais observes that technology has changed how consumers interact with insurance companies and contributed to advanced safety features becoming much more common in vehicles.

“Insurance consumers often make their first contact with an insurance agent digitally these days and younger consumers tend to be not as worried about privacy,” says Mais. “They prefer discounts and ease of use over privacy.”

“When it comes to advanced safety features, one thing that consumers need to understand is that the new safety features that come standard on many vehicles are usually more expensive to repair which can mitigate the insurance premium savings you may expect,” cautions Mais. “Back up cameras, lane departure, autonomous braking and other next level safety systems can be expensive to repair due to cameras, sensors and other high-tech components.”

Mais points out that while these systems certainly lower the risk factors that insurance companies consider when setting a premium, they are also more expensive to repair; in many cases they don't result in major savings on an insurance premium. But the good news for consumers is that they are less likely to die in an accident.

Legislation can and has significantly changed auto insurance protections and costs, according to Anita G. Fox. She points to a recent, “historic bipartisan no-fault auto insurance reform bill to provide lower rates for Michigan drivers, protect insurance coverage options, and strengthen consumer protections.”

## **2. What information do consumers need in order to make the best decisions about buying insurance?**

Experts agree that good data and comparison shopping go a long way when deciding on an auto insurance policy. Beyond that, an understanding of state requirements and resources can be extremely valuable.

Lynch recommends that “consumers first understand what they need from an insurance product, then shop around to find the company and product that best matches their expectations.” An annual check-up of insurance coverage can help make sure any changes that have been made are addressed by the policy. “Comparison shopping is a great way for consumers to find the most competitive rates. The Triple-I has these [tips for lowering cost of auto insurance](#).”

Hunter stresses the importance of unbiased data when shopping for insurance. “Commissions can lead to biased information from an agent or even from an internet source of auto insurance price information,” he cautions.

Fox illustrates how new laws in Michigan can make a difference in how much coverage is required and the cost for insurance. She contrasts existing state requirements to carry unlimited medical coverage "Their local insurance department office is not just for... a problem with an insurance company; it is there to help you shop for coverage as well," explains Mais. "Consumers can (and should) check company complaint records and, in our Connecticut office, we have people that can help you determine what type of insurance you need and what to look for in an insurance company."

### **3. How should consumers navigate today's insurance environment?**

These experts encourage consumers to be informed and take charge. "It is important for consumers to educate themselves about their policies and understand if those coverages are enough for themselves and their families," advises Fox.

Hunter agrees, "The consumer must take charge of their own search, you can do it." He adds, "When I was Texas Commissioner of Insurance, I brought in 25 consumers with their current auto insurance policies. I gave them our price information and a phone. They had one hour to read the information and get quotes. The average savings for the group was \$125 per car!"

While price is important, it is only one factor to consider. "Don't make a decision based on price alone," cautions Mais. "Cheap policies are great until you actually need them. Look carefully at what you are buying and make sure it doesn't include low coverage levels or numerous exclusions."

Lynch observes, "Consumers have many choices, but there's still much confusion about insurance. Don't be afraid to ask questions -- and take time to examine your driving habits and needs. For example, how much do you drive? Is driving part of your job? Do you own or lease your vehicle? Answers to these questions will help determine your coverage needs. Other important factors include where you live, park and whether other people will be driving your car."

Lynch suggests getting at least three quotes. "Prices vary from company to company, so it can pay to shop around. Ask friends and relatives for recommendations based on their experiences." He also recommends checking your state insurance department or online consumer information sites for consumer complaint data that can be helpful for selecting the right company for your needs.

#### **4. How has new technology enhanced the insurance application/shopping experience?**

While Hunter believes technology has worsened the consumer experience, others view it more positively. Convenience is enhanced through technology, according to Mais. “Technology allows insurers to access your information almost immediately, instead of filling out a bunch of forms, explains Mais. “This can make the whole process quick and more efficient, but consumers also need to take the time to read through the policy and fully understand the coverage they are buying.”

“Never rush into coverage,” Mais adds.

Practically speaking, “Many consumers, especially younger shoppers, conduct business via mobile phone or computer, which gives them quick access to an insurance company's product options, notes Lynch. “Consumers can more easily compare coverage costs and purchase policies online. In addition, they can also file claims or make necessary updates more easily.”

Fox observes that changing social and technological trends have created an opportunity to improve the customer experience. “In Michigan, insurers understand this trend and are making significant investments in big data and modeling techniques to improve business models that allow for new insurance products to be sold.”

While there are some downsides related to technological changes, most experts seem to feel that advantages outweigh them.

#### **5. How does the next generation of consumers differ from previous ones?**

Lynch notes that tech-savvy shoppers are looking for new ways to manage their financial responsibilities. As a result, most insurance companies now offer a variety of services online and via mobile apps. The Insurtech industry is booming, resulting in rapidly-changing consumer habits and trends.

Mais agrees, “We are all changing as consumers. As shopping has moved online, we have all made changes to how we shop but when it comes to insurance, younger consumers are fully embracing technology.”

“Younger drivers are less averse to sharing their information and are do not seem as worried about privacy as older generations,” says Mais. “They prefer discounts and ease of use over privacy. They completely embrace the technology and don't immediately want the interaction with an agent.

Their first contact with insurers is usually digital and insurers must embrace these changes.”

Fox cites studies showing millennials are looking to take a more hands-on approach when it comes to managing their finances and purchasing insurance products. They also expect instant answers to their questions and concerns and see the rapid delivery of goods and services as standard practice.

Only Hunter felt the next generation of consumers doesn't differ much from previous ones, but acknowledged that tech savvy people may find better insurance options if they do careful research.

## **6. What do consumers not know that you wish they did?**

Hunter wishes consumers knew that auto insurance rates vary widely and often the best service insurers also have the lowest prices.

Lynch believes people should take the time to check that the company or agent they are doing business with is licensed to operate in their state. “The state insurance department can verify this information and can also assist if consumers have a problem which remains unresolved, says Lynch.

Mais and Fox stress that insurance departments are here to help when you are shopping for coverage, not just when you need help dealing with an insurance company after a bad experience. Mais adds, “Consumers need to be aware of all of the data insurance companies are using to set a premium. Insurers rely on a huge amount of data to make premium decisions and you need to make sure that all of that information is correct. Your credit report now impacts your insurance premium, so review it on a regular basis and get any inaccurate information corrected.”

## **7. Should credit, age and gender be used for setting auto insurance rates?**

This is a complex issue, according to our experts. Hunter does not believe that information should be used. “The proper pricing variables when setting a premium are driving record, miles driving and years of experience behind the wheel,” Hunter asserts. “All social economic variables should be banned. Pricing should be determined by those three factors as well as the year and make of the car.”

He feels strongly that “rate factors should signal that safe driving lowers your premium. It should not signal things such as:

- Get more education

- Get a higher paying job
- Buy a house instead of rent
- Make better banking and credit card decisions”

Mais acknowledges that “big data has become a major factor in insurance, and I understand the concern. There is no doubt that data can be used to discriminate against certain drivers and I feel some of the assumptions that insurers make based on certain data points need to be questioned. Insurance regulators need to make sure when they allow specific data points to be factored in that there is indeed causation between the data and the risk the driver actually presents.”

But, Mais continues, “On the flip side of that coin, insurance should reflect your risk and numerous data points that insurers currently use have been proven to predict risk. The use of this type of personal data has both its good and bad points but in general, if the data is accurate it can certainly be helpful in determining the risk a driver presents.

Lynch confirms that, “Actuaries rigorously study rating variables for their effectiveness and for making sure they keep insurance affordable. They are also closely regulated. Insurance is regulated at the state level and laws vary by jurisdiction. In some cases, restricting rating variables could lead to unintended consequences, like higher costs.”

Fox notes that starting in 2020 non-driving factors will be not permissible in the State of Michigan, but rules vary across the nation.

Throughout these interviews, experts stress the importance of being knowledgeable about insurance requirements, doing careful research into products and pricing, and taking advantage of the benefits that technology brings. Consumers who follow this guidance may be able to obtain the coverage best-suited to them at the lowest possible cost.

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