

# Usage-Based Insurance Market to Hit \$267.4 Billion by 2032 | Allianz SE, Allstate Corporation, Aviva

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*Usage-Based Insurance Market Expected to Reach \$267.4 Billion by 2032*

NEW CASTLE, DE, UNITED STATES, December 4, 2025 /EINPresswire.com/ -- According to a new report published by Allied Market Research, titled, "[Usage-Based Insurance Market](#), By Policy Type (Pay-As-You-Drive (PAYD), Pay-How-You-Drive (PHYD), and Manage-How-You-Drive (MHYD)), Technology (OBD (On-Board Diagnostics)-II, Smartphone, Hybrid, and Black Box), Vehicle Age (New Vehicles, and Used vehicles) and Vehicle Type (Light-duty Vehicle (LDV), and Heavy-duty Vehicle (HDV)): Global Opportunity Analysis and Industry Forecast, 2023-2032." The usage-based insurance market was valued at \$26.8 billion in 2022, and is estimated to reach \$267.4 billion by 2032, growing at a CAGR of 26.2% from 2023 to 2032.

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Usage-based insurance (UBI) is a telematics-based, usage-based insurance service that monitors cars, trucks, and other commercial or private vehicles, by keeping track of distance covered. The first successfully used telematics was initiated by long-distance truck fleet operators to track and coordinate vehicle movements for operational, maintenance, and other purposes. The premiums are calculated according to the data assessed by the telematics device, which includes miles driven, time of day, where the vehicle is driven, rapid acceleration, and hard braking.

Moreover, growing adoption of usage-based insurance among the end user owing to its various features such as providing accurate and timely data collection methods and flexible insurance premiums, boosts the growth of the global usage-based insurance market. In addition, factors such as higher possibility of the vehicle being recovered, in case of stolen, and lower fuel consumption positively impacts the growth of the market.

However, high installation cost of telematics and various data security issues are expected to hamper the usage-based insurance market growth. On the contrary, adoption of advance technology such as smartphone-based UBI & hybrid-based UBI and increase in concerns regarding driver's safety across the globe is expected to offer remunerative opportunities for the expansion of the market during the forecast period. Each of these factors is projected to have a

definite impact on the growth of the usage-based insurance market.

The black-box based UBI segment is expected to garner a significant usage-based insurance market size during the forecast period. This is attributed to penetration of black box-based insurance is increasing among higher risk policy holders, such as a young or new driver, in Europe, which is anticipated to increase the demand for such programs in the region. However, the hybrid-based UBI segment is expected to grow at the highest rate during the forecast period, owing to the convenience provided for data collection through app drives the global smartphone-based UBI services.

Region wise, the usage-based insurance market was dominated by North America in 2019, and is expected to retain its position during the forecast period. The major factors that drive the growth of the market in this region include the presence of key players and rise in purchase of used cars. However, Asia-Pacific is expected to witness significant growth rate during the forecast period, owing to surge in adoption of mobile telematics technology by insurance companies among the developing nations such as China and India.

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The usage-based insurance industry has been negatively impacted by the outbreak of the COVID-19 pandemic, which has further led to economic instability. For instance, according to a research report, there has been a decrease in the use of public transport and almost 40% of trips have decreased across the globe. All these factors decrease the need for car insurance, dropping many claims to around 50%, which is profitable for car insurance companies only for the short term. However, in the long term, usage-based insurance is anticipated to be severely hit by the pandemic, owing to the implementation of travel restrictions and less usage of cars, which forces consumers not to take the extra burden of premiums.

Furthermore, usage-based insurance is one of the largest revenue Sources for the general insurance industry and accounted for more than 35% of overall insurance premium collection in 2019. In addition, most states require drivers to have usage-based insurance, which implies that the purchase of a new automobile constitutes a major proportion of premiums.

According to several research studies, the automobile sector faced a slowdown in 2019–2020, owing to the outbreak of the pandemic. Moreover, due to a reduction in income and enforcement of travel restrictions, customers are seeking bailouts or refunds on premiums. Hence, to increase sales during this period, many major usage-based insurance companies in the U.S. and the UK have refunded 10–15% of annual premiums to customers. In India, the Finance Ministry extended the validity of third-party insurance policies, which were up for renewal during the lockdown.

With the alarming increase in COVID-19 patients, various governments have implemented

lockdown, which significantly reduced the number of vehicles on roads, which, in turn, increased the number of digital banking and access of premiums. Furthermore, with rise in digitization among both the financial institutes and end users, the demand for advanced machine learning technology increased to reduce the load on the banking servers and reduce transaction delay with rising digital transaction during the pandemic. For instance, according to the survey of Prudential Regulation Authority (PRA) by Bank of England in August 2020, around 40% of respondents reported an increase in the importance of machine learning and data science for critical financial operation.

Furthermore, around 35% of banks reported that machine learning and data science had a positive impact on technologies that support remote working among employees and on their overall security provided for ML projects. In addition, the pandemic has accelerated the use of ML-powered tools to manage a sudden increase in customer enquiries. Thus, a number of such development across the globe are anticipated to provide lucrative opportunities for the expansion of the usage-based insurance market.

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#### Key Findings of The Study

By policy type, the pay-as-you-drive (PAYD) segment accounted for the largest usage-based insurance market share in 2022.

Region wise, North America generated highest revenue in 2022.

Depending on technology, the black box segment generated the highest revenue in 2022.

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