Distracted Driving:
State of the Risk

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As drivers returned to the roads following the coronavirus pandemic shutdowns, distracted driving surged, causing higher rates of accidents, injuries, and deaths. Telematics, which can help insurers understand drivers' risk profile and tailor auto insurance rates based on driving habits, has demonstrated high levels of efficacy in deterring unsafe driving habits—including distracted driving. However, the root of the problem is complex, with cell phone use as one of the primary culprits in distracted driving.

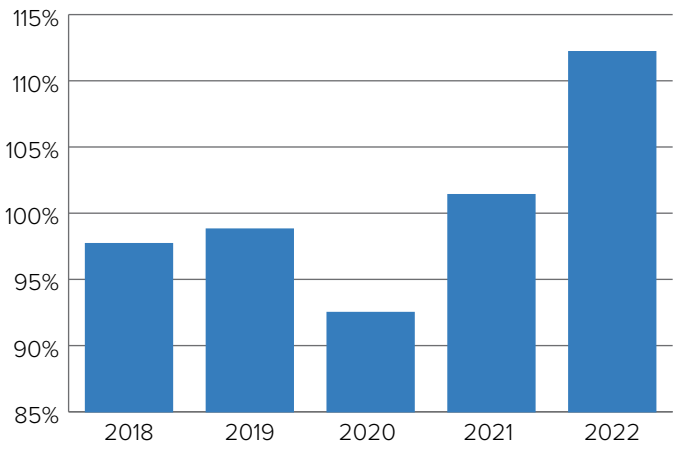
Distracted driving is considered to be any activity that influences a driver's focus away from operating the vehicle, and can include:

- Visual distractions – those which divert your eyes away from the road.
- Manual distractions – those which involve taking your hands off the steering wheel.
- Cognitive distractions – those that require you to take your mind off driving.

The effects of distracted driving are contributing to the net combined ratio for personal auto – a measure that demonstrates profitability in a particular line of insurance. The industry's personal auto combined ratio soared past 100 in 2022, primarily due to inflationary loss pressures and the increase in accidents caused by distracted driving.

Indeed, these developments have only worsened in the past few years. Telematics service provider Cambridge Mobile Telematics (CMT) collected data indicating distracted driving in the United States increased more than 20 percent from February 2020 to February 2022, as traffic levels returned following the early months of the pandemic. Still, the level of distraction in crashes is widely believed to be underreported, according to CMT.

Personal Auto - Net Combined Ratio



Source: NAIC Statutory Financial Data through S&P Global Market Intelligence. Analysis (as of 12/21/2023): Insurance Information Institute, Milliman.

CMT estimates that "every 10 percent increase in distracted driving kills over 420 people and costs the American economy $4 billion every year." In 2020 alone, the Governors Highway Safety Association (GHSA) reported that more than 3,100 people died in distraction-related accidents.

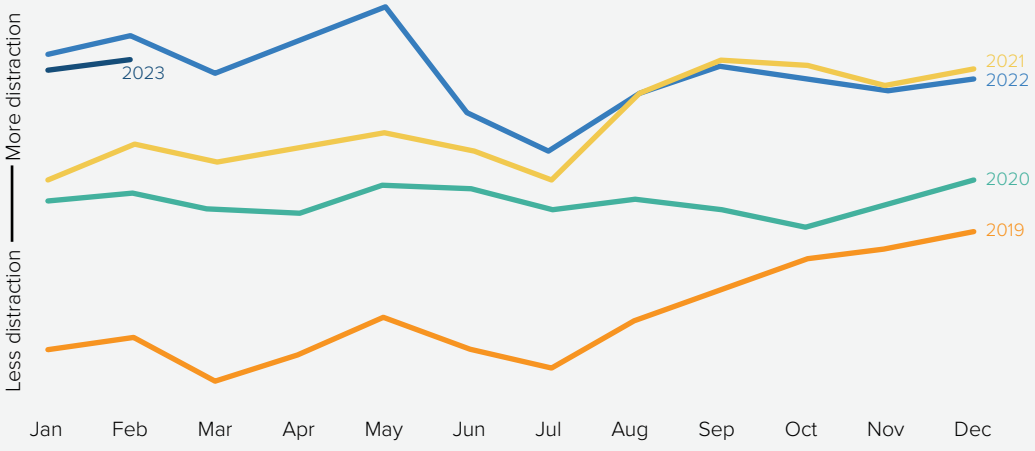
As more time passes since the pandemic, dangerous driving trends have continued. According to Arity, a mobility data and analytics firm, the issue of distracted driving continues to linger into 2023.

Distracted driving is increasing year over year

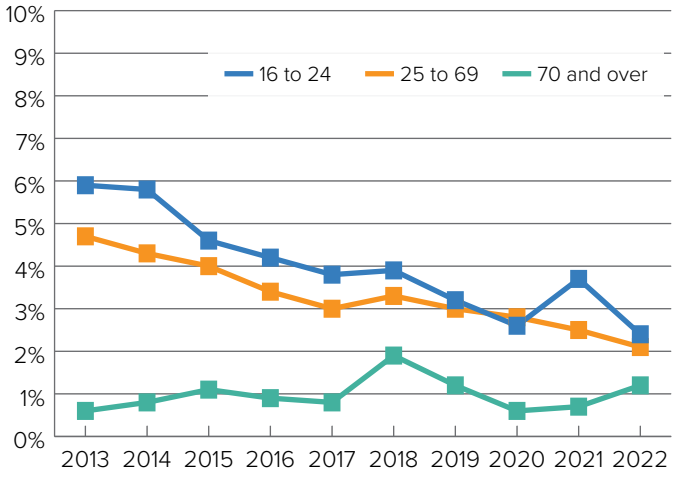
From 2019 to 2023, Arity observed a 30% increase in the average amount of distracted driving per mile. There are significantly more distracted driving occurrences per mile than pre-pandemic levels.

Source: Arity

Trend Data
Seasonality and annual trends: Monthly



Driver Hand-held Cellphone Use by Age, 2013-2022



Source: U.S. Department of Transportation, National Highway Traffic Safety Administration.

Cell phone use creates distractions

A total of 2.5 percent of drivers stopped at intersections were talking on hand-held phones at any moment during the day, according to 2021 national observational survey from the U.S. Department of Transportation. This, in addition to self-reported data on hand-held and hands-free phone use has prompted the U.S. federal government to approximate that 7.6 percent of drivers were using a hand-held or hands-free cellphone during any moment of the day.

The same survey found that 3.4 percent of drivers were observed manipulating hand-held devices or infotainment systems, with the highest rate among the 16-24 years old demographic, at 4.5 percent. According to GHSA data, drivers aged 15 to 20 years ranked as the highest risk for distraction at the time of a fatal crash.

According to CMT, the amount of time spent on screens while in motion driving has also increased since the pandemic – a particularly worrying trend.

A GHSA study also found that cell phone use – dialing, texting, and browsing – were among the most prevalent and highest-risk behaviors. Even before and during the pandemic, these behaviors were increasing, leading the National Highway Safety Transportation Administration (NHTSA) to find that cell phone use caused 11 percent of fatal crashes in 2020, resulting in 354 deaths.

Telematics can prevent accidents if drivers change their behavior

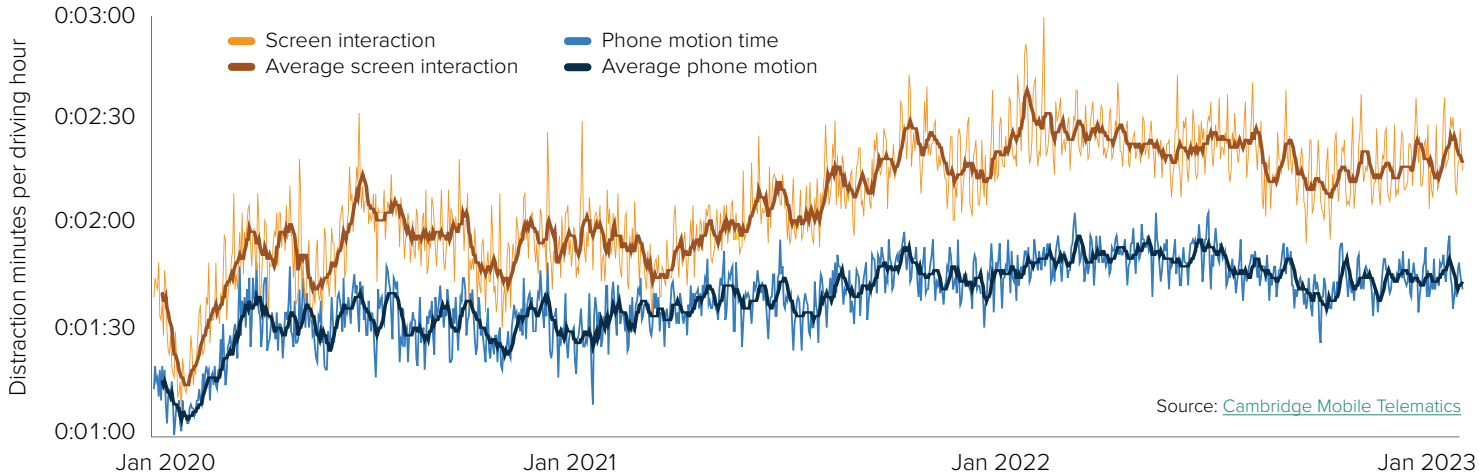
An Insurance Research Council survey found that 45 percent of drivers said they made significant safety-related changes in how they drove after participating in a telematics program. Another 35 percent said they made small changes in their driving behavior.

Additionally, policyholders' became more comfortable allowing their driving behavior to be monitored in exchange for potentially lower insurance costs during the onset of the pandemic.

Arity surveyed 875 licensed drivers over the age of 18 in May 2019 to find out how comfortable they would be in having their insurance costs adjusted based on telematics variables. Between 30 and 40 percent said they would be either "very" or "extremely comfortable" sharing this data. In May 2020, Arity reran the survey with over 1,000 licensed drivers, with the study revealing a year-over-year increase of over 12 percent.

If telematics can influence drivers to change behaviors and reduce the number of accidents, the industry's loss results will improve, and premiums will not be as high. This leads to more affordable insurance for car owners and safer roadways.

Phone Motion and Screen Interaction Time, 2020 - 2022



Source: Cambridge Mobile Telematics