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Auto Physical Damage

The Shift in Mobility Patterns

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Just two years ago, some experts predicted the end of private vehicle ownership and the growth of shared mobility or Mobility as a Service (MaaS). Then came COVID-19. The pandemic and its effect on mobility patterns has disrupted original forecasts and shifted expectations. Today, the future of transportation looks dramatically different than it did 12 months ago—and it continues to evolve. Three trends have emerged, however, that are shaping mobility's "next normal" and promising to have a long-lasting impact on the collision repair and auto insurance industries.

1. Reduced Reliance on Shared Transportation

It wasn't long ago that the ridesharing sector was booming. Between 2013 and 2016, Uber and Lyft went from 30 million vehicle miles traveled per month in the US to 500 million, a compound annual growth rate of more than 150%. In addition, public transit projects were increasing rapidly, including the Seattle region's $53.8 billion Sound Transit 3 plan that will expand the existing light rail network to include an extra 62 miles and 37 stations. What no one saw coming, though, was the massive shift to virtual work due to the pandemic. The reduction—and in some cases elimination—of daily commutes combined with an overwhelming desire to minimize individual risk of infection has led to significant declines in public transit ridership. In the fourth quarter of 2020, the US experienced a 62.16% ridership reduction, according to the American Public Transportation Association. Canada saw numbers that were even higher at 65.83%.

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Similarly, Uber reported a drop in ridership of 50% in Q4 2020 compared with the same period in 2019. Startups also began shying away from shared mobility business models. Not even well-established, multinational corporations like GM were immune. After four years of operation, the OEM shuttered its Maven car-sharing platform in the wake of the COVID-19 outbreak. With the summer travel season now upon us and many international destinations still closed to North Americans, consumers are again opting for road trips over flying. More vehicles on the highways equal more miles traveled and a likely increase in claims volumes as a result.

2. Growth in Personal Vehicle Ownership

A September 2020 study conducted by McKinsey & Company's Center for Future Mobility found that reducing the risk of infection was the key consideration used by consumers when selecting their mode of transportation (Figure 1). What better way to prevent exposure to a pathogen than owning a vehicle? According to Jonathan Smoke, Chief Economist at Cox Automotive, "The vehicle, in many ways, has become our own personal bubble".

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New work-from-home policies and a stall in urban population growth may also contribute to the increase in personal vehicle ownership. Prior to 2020, experts predicted that two thirds of the world's population would live in dense urban areas by 2050. However, recent U.S. census estimates now reveal that many states with large urban areas—including California, New York and Illinois—actually experienced the greatest population declines in 2020 when compared with 2019. Conversely, states with more rural and suburban communities—such as Idaho, Texas and South Carolina—saw the most significant increase in population. The move from urban to suburban and rural areas elevates the need for personal vehicles as shared mobility alternatives are harder to find, especially public transit. While rush hour traffic may never return to pre-pandemic levels in some areas, we could see an increase in gridlock at off-peak hours as many employees have greater flexibility in their schedules. This makes traffic patterns harder to predict. Although the industry experienced a significant reduction in claims volume in 2020, it's very likely that volume will begin to go up again—with the possibility of surpassing pre-COVID levels thanks to more cars on the road and more miles driven.

risk of infection transportationFigure 1: Source: McKinsey & Company, "Five COVID-19 Aftershocks Reshaping Mobility's Future".

3. Increased Interest in Hybrid and Electric Vehicles

Another recent McKinsey & Company study found that 56% of North American respondents are more interested in the purchase of a hybrid or electric vehicle (EV) because of the pandemic, with half of those individuals indicating that they were "significantly more" interested (Figure 2). At first glance, those results may seem odd since there is not an obvious relationship between electrified powertrains and global pandemics. Further analysis, however, found that an increased environmental focus was the reason behind a large number of the responses. Twenty percent of those surveyed stated that sustainability concerns were one of the top three reasons for their interest in hybrids and EVs and 19% cited recent air quality improvements (as a result of fewer vehicles on the road). This data—coupled with available government stimulus funds and incentive programs—suggests we may experience a more rapid uptake of alternative energy automobiles than previously anticipated.

consumer interest electric vehicles

Figure 2: Source: McKinsey & Company, “Mobility Investments in the Next Normal”.

State and provincial governments are also enacting policies to increase the rate of EV adoption. Washington and California imposed mandates designed to phase out sales of gas- and diesel-powered light-duty vehicles in favor of zero-emission passenger cars by 2030 and 2035 respectively. And earlier this year, Nova Scotia introduced the "Electrify Nova Scotia Rebate Program", which offers consumers an instant rebate at the time of purchase for new and used EVs and plug-in vehicles. Further highlighting the growing importance of EVs in the car parc, the International Energy Agency’s January 2021 report showed that U.S. light passenger vehicle sales volume fell 15% in 2020 while EV sales volume actually grew by 4%.

There is no doubt that COVID-19 has permanently altered the way we work and move about our world. Those who eulogized the personal automobile are now reimagining its role in society. More than any time in the last decade, vehicle ownership—especially EV ownership—is primed to take center stage when it comes to mobility. For insurance carriers, this likely means that loss costs—while drastically reduced in 2020—could begin a steady climb in 2021 with more cars on the road and miles driven. And while collision repairers have been especially hard hit economically throughout the pandemic, the expected increase in claims volume will provide welcome relief.

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