AN INDUSTRY REPORT

UNINSURED DRIVERS

THE IMPACT ON BUSINESSES IN THE U.S.

UNINSURED DRIVERS IN THE UNITED STATES AND THE IMPACT ON BUSINESSES

Within the complex framework of the United States' auto insurance sector, the frequency of uninsured drivers presents a significant challenge with comprehensive consequences. This industry report dives into the nuances of this pressing issue, emphasizing the importance of designing and embracing effective solutions.

By highlighting the significance of addressing uninsured drivers, particularly within the context of the burgeoning gig economy, and introducing automated auto insurance verification as a meaningful solution. This report hopes to provide stakeholders, particularly businesses that need to verify auto insurance on a regular basis, with actionable insights to navigate and mitigate the complexities of the effects of uninsured drivers.
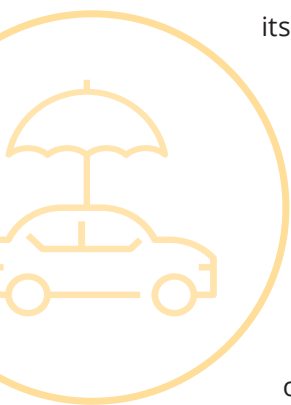
EXAMINING THE LANDSCAPE OF UNINSURED DRIVERS

In the United States, the issue of uninsured drivers remains a persistent challenge within the auto insurance realm. Despite legal requirements mandating auto insurance coverage in most states, a significant portion of drivers continue to operate their vehicles without proper insurance. According to recent estimates by the Insurance Research Council, approximately 13% of motorists nationwide are uninsured, representing a substantial segment of the driving population. This prevalence of uninsured drivers not only poses financial risks to themselves but also imposes substantial costs on insured drivers, insurers, and society at large. From property damage and medical expenses to legal fees and administrative burdens, the consequences of uninsured driving reverberate throughout the insurance ecosystem, exacerbating existing challenges and complicating efforts to promote safety and compliance on the roads.

Scope and objectives of this industry report

This industry report seeks to provide a comprehensive analysis of the uninsured driver phenomenon in the United States, with a focus on understanding its landscape, examining its impact on various stakeholders, and identifying potential solutions. By delving into the underlying factors contributing to the prevalence of uninsured drivers and elucidating the implications of their actions, this report aims to equip industry professionals, policymakers, and other stakeholders with the knowledge and insights necessary to address this pressing issue effectively.

Understanding the landscape of uninsured drivers

Central to our analysis is a thorough examination of the landscape of uninsured drivers, encompassing factors such as demographic trends, economic considerations, regulatory frameworks, and cultural attitudes toward insurance. By unpacking the complexity of these variables, we aim to gain a deeper understanding of the root causes of uninsured driving and identify opportunities for intervention and mitigation.

Rationale for examining the impact of uninsured gig drivers

The cost of auto insurance has surged dramatically, witnessing a staggering 7.9% spike in 2022, followed by another substantial increase of 5.9% in the first half of 2023 alone according to JD Power's Insurance Intelligence Report. This increase has resulted in a growing segment of insurance customers in the U.S. realizing they can no longer manage their insurance costs or are unwilling to pay for their auto insurance premiums.

Of other particular relevance is the burgeoning gig economy, which has reshaped the traditional employment landscape and introduced new challenges in the realm of auto insurance. With an increasing number of individuals participating in gig work as independent contractors or freelancers,

the lines between personal and commercial vehicle use have become blurred, complicating insurance coverage and verification processes. Moreover, the flexible nature of gig work may incentivize some individuals to forgo traditional insurance coverage, further exacerbating the problem of uninsured driving. By examining the specific impact of uninsured gig drivers, we aim to shed light on this emerging facet of the uninsured driver issue and explore potential strategies for addressing it effectively.
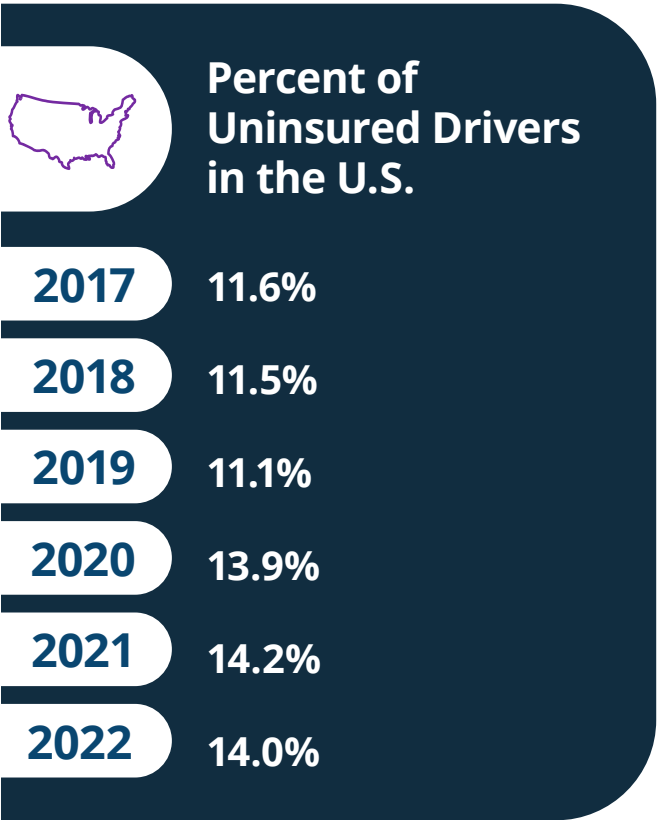
Uninsured drivers in the United States by numbers

The prevalence of uninsured drivers in the United States continues to be a significant concern, with recent statistics shedding light on the scope of the problem. According to the Insurance Research Council (ICR)'s 2023 report, approximately 11.1% of drivers in the United States were uninsured in 2019 and, while experiencing a minor drop in 2021, has increased to 14% as of 2022.

Digging deeper into these numbers reveals notable disparities across different states. For instance,

according to the report, the District of Columbia had the highest percentage of uninsured motorists at 25.2 percent, followed by New Mexico at 24.9 percent, and Mississippi at 22.2 percent. On the other hand, the state with the lowest percentage of uninsured drivers is Wyoming at , boasting a significantly lower rate of just 4.5%.

What contributes to the high number of uninsured drivers?

Several factors contribute to the persistently high number of uninsured drivers in the United States, spanning economic, regulatory, and cultural dimensions. Economic considerations play a significant role, with many individuals citing the high cost of insurance premiums as a barrier to obtaining coverage. In fact, 82% of uninsured drivers cite affordability as the primary reason for not carrying insurance.

Regulatory factors can also come into play, as varying state laws and enforcement mechanisms shape the landscape of insurance compliance. States with less stringent enforcement of insurance requirements or lax penalties for non-compliance may experience higher rates of uninsured drivers. Additionally, some states may have loopholes or exemptions that allow certain individuals to forego insurance coverage legally, further exacerbating the problem.

Percent of Uninsured Drivers in the U.S.

Year	Percent
2017	11.6%
2018	11.5%
2019	11.1%
2020	13.9%
2021	14.2%
2022	14.0%

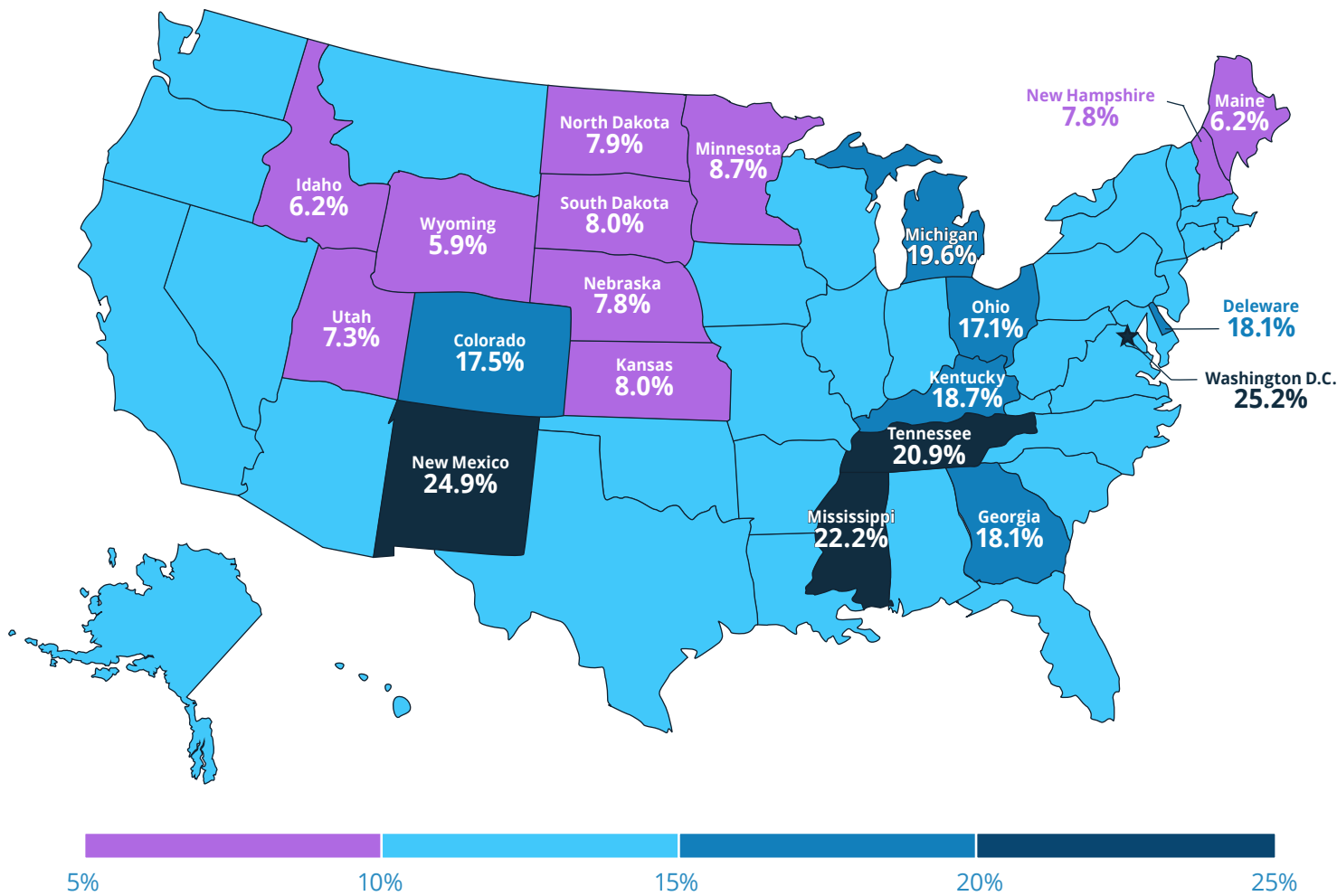Source: Insurance Research Council, 2023

Cultural attitudes toward insurance and risk may also influence the decision-making process of drivers. In some communities, there may be a perception that insurance is unnecessary or unimportant, leading individuals to prioritize other expenses over insurance premiums. Furthermore, misinformation or lack of awareness about the importance of insurance coverage and its potential consequences in the event of an accident can contribute to a higher incidence of uninsured driving.

Regional disparities and trends

Regional disparities in uninsured driver rates highlight the complex interplay of socio-economic, demographic, and regulatory factors shaping insurance compliance across different parts of the country. States with higher rates of poverty or unemployment may experience elevated levels of uninsured driving, as individuals struggle to afford insurance premiums amidst economic hardship. Additionally, states with larger urban centers or higher population densities may face greater challenges in enforcing insurance requirements due to logistical constraints and resource limitations.

Trends in uninsured driver rates also reflect broader socio-economic shifts and policy dynamics within regions. For example, fluctuations in the job market, changes in insurance regulations, and shifts in demographic patterns can all influence the prevalence of uninsured drivers over time. Monitoring these trends and understanding their underlying drivers is crucial for policymakers, insurers, and other stakeholders seeking to develop targeted interventions and strategies to mitigate the problem of uninsured driving in the United States.

New Hampshire 7.8%
Maine 6.2%
North Dakota 7.9%
Minnesota 8.7%
Idaho 6.2%
Wyoming 5.9%
South Dakota 8.0%
Michigan 19.6%
Utah 7.3%
Nebraska 7.8%
Colorado 17.5%
Ohio 17.1%
Deleware 18.1%
Kansas 8.0%
Kentucky 18.7%
Washington D.C. 25.2%
New Mexico 24.9%
Tennessee 20.9%
Mississippi 22.2%
Georgia 18.1%

5%   10%   15%   20%   25%

Source: Insurance Research Council, 2023

THE RELATIONSHIP BETWEEN THE GIG ECONOMY AND AUTO INSURANCE

The gig economy has reshaped the traditional landscape of employment across various sectors, including transportation, and more specifically last-mile delivery, rideshare, and the like. Platforms such as Uber, Lyft, and DoorDash have facilitated the rise of gig work in the driving sector, offering individuals flexible opportunities to earn income by providing transportation services. This expansion has led to a proliferation of gig drivers on the roads, contributing to the overall complexity of the uninsured driver issue.

Characteristics of gig drivers

Gig drivers exhibit distinct characteristics compared to traditional full-time employees in the transportation industry. They typically work as independent contractors, setting their own schedules and operating under the auspices of gig economy platforms. This autonomy appeals to individuals seeking flexibility and supplemental income, attracting a diverse pool of gig workers from various backgrounds and demographics.

Gig workers and uninsured driving incidents

While gig work offers flexibility and autonomy, it also introduces unique challenges related to insurance coverage and compliance. Gig drivers may face uncertainties regarding their insurance status, particularly when transitioning between personal and commercial activities. The fluid nature of gig work blurs the lines between personal and professional use of vehicles, creating ambiguity regarding insurance coverage and complicating efforts to verify drivers' insurance status.

Uninsured drivers and their impact on businesses

- **Liabilities faced by businesses that employ uninsured gig drivers:** Businesses that engage gig workers to provide transportation services face inherent liabilities associated with uninsured driving incidents. In the event of an accident involving an uninsured gig driver, the business may be held liable for damages, including property damage, medical expenses, and legal fees. This exposure to liability underscores the importance of ensuring that all gig drivers maintain adequate insurance coverage to mitigate financial risks and protect the interests of the business.

- **Challenges in hiring and managing insured gig workers:** Ensuring that gig workers possess sufficient insurance coverage presents challenges for businesses in the hiring and management process. While gig economy platforms may require drivers to maintain personal auto insurance coverage, verifying the adequacy and validity of insurance policies can be a complex and time-consuming task. Businesses must navigate a maze of insurance documentation and compliance requirements to ensure that their gig drivers are adequately insured, adding an additional layer of complexity to the hiring and onboarding process.

- **Financial and reputational risks for companies:** The financial and reputational risks associated with uninsured gig drivers extend beyond immediate liabilities to encompass broader implications for companies' bottom line and brand reputation. In addition to facing potential legal consequences and financial penalties, businesses risk damage to their reputation and loss of customer trust in the event of uninsured driving incidents. Negative publicity surrounding accidents involving uninsured gig drivers can tarnish the company's image and erode consumer confidence, leading to long-term repercussions for business viability and competitiveness in the marketplace.

In light of these challenges, businesses must implement risk management strategies and due diligence protocols to mitigate the risks associated with employing gig workers in the transportation industry. By prioritizing insurance compliance and implementing safeguards to protect against uninsured driving incidents, companies can safeguard their financial interests and uphold their commitment to safety and accountability in the gig economy.

Why gig companies need to verify auto insurance

Auto insurance data serves as a critical component in various industries, and, for major players, access to this data (or inaccessibility) plays a pivotal role in the success of their businesses and their consumers.

For individuals who do gig-work for companies using their personal vehicles, including food-delivery, ride-share, and last-mile delivery, proof of insurance is a non-negotiable requirement during the employee onboarding process. Employers rely on verifying their gig-workers' auto insurance data to ensure the compliance and safety of their workforce and customer base.

Regulatory compliance & risk mitigation

Gig workers often operate under various regulations, which include insurance requirements. Verifying insurance coverage is not just a matter of good practice; it's a legal obligation for both workers and the companies that hire them. Failure to comply with these regulations can result in hefty fines and legal troubles. Insurance verification also allows companies to assess the risk associated with gig workers. This information is crucial in setting appr opriate insurance policies and coverage limits. It helps mitigate potential financial risks and legal liabilities in case of accidents.

To address this risk, gig companies typically require their drivers to have specialized commercial auto insurance or additional coverage options tailored to their specific work activities. Commercial auto insurance provides coverage for vehicles used for business purposes, ensuring protection against liabilities arising from accidents while on the job. For example:

Rideshare endorsements
Gig companies may mandate that drivers obtain rideshare insurance, a specialized type of coverage designed to bridge the gap between personal and commercial insurance for rideshare drivers. This type of insurance typically extends coverage to periods when the driver is logged into the app but has not yet accepted a ride request, ensuring continuous protection throughout their working hours.

Cargo insurance
Delivery drivers working for gig companies may need to secure cargo insurance to protect against damages or losses to the goods they are transporting. Cargo insurance provides coverage for the value of the goods being delivered, shielding both the driver and the company from financial losses in the event of theft, damage, or accidents during transit.

Safety first & customer trust

The gig economy relies heavily on gig workers who provide services that require them to drive their personal vehicles, such as delivery drivers and ride-share drivers. Ensuring that these workers have valid auto insurance is crucial to safeguarding their safety and that of their passengers.

Valid auto insurance is not only a safety net for gig workers and their passengers but also for pedestrians and other drivers who share the road with them. In the event of an accident, insurance coverage ensures that all parties involved have access to the necessary financial resources to cover medical expenses, vehicle repairs, and other damages. This not only safeguards the well-being of individuals directly involved but also helps maintain the overall stability and trust within the community.

Plus, verifying auto insurance for gig workers fosters a sense of accountability and professionalism within the industry. By ensuring that all drivers have the required insurance coverage, businesses can demonstrate their commitment to safety and responsibility, thereby enhancing their reputation and credibility. Customers are more likely to trust and continue using services provided by companies that prioritize safety measures and adhere to regulatory standards. Therefore, integrating insurance verification processes into the gig economy framework is not only a matter of legal compliance but also a strategic decision to uphold the integrity of businesses and protect the interests of all stakeholders involved.

AUTOMATED AUTO INSURANCE VERIFICATION FOR MITIGATING UNINSURED DRIVER RISK

Verifying auto insurance is crucial, but accessing auto insurance data poses a significant challenge for gig companies, primarily due to the outdated and manual methods involved in collecting, storing, and sharing this information. Traditionally, auto insurance data has been managed through labor-intensive processes, back-and-forth emails and phone calls, and updating outdated information. That has led to delays and inaccuracies. The dynamic nature of auto insurance, with drivers frequently updating their coverage for various reasons such as rate adjustments or policy enhancements, adds another layer of complexity to the process.

For gig companies, the need to verify auto insurance for new driver onboarding is crucial. However, the manual nature of this task makes the process time-consuming and prone to errors. This inefficiency not only hampers operational workflows but also leads to poor customer experiences. Additionally, for auto lenders and dealers seeking to facilitate loan approvals or drive sales, the inability to access up-to-date insurance data can result in missed opportunities and increased risks. Furthermore, for insurance underwriters processing claims or establishing underwriting policies, the lack of readily available data can lead to compliance issues and heightened vulnerability to fraudulent activities.

In essence, the reliance on outdated manual processes for accessing auto insurance data presents a significant obstacle for gig companies and other stakeholders in the automotive ecosystem. Streamlining this process through technological solutions could not only improve operational efficiency but also enhance customer satisfaction and mitigate risks associated with compliance and fraud.

Luckily, technology is transforming the industry and making this data instantly accessible.

Automation is the key to verifying drivers have the right insurance

Automation simply refers to the use of technology and software to perform tasks or processes without direct human intervention. It involves the creation of systems and workflows that can execute predefined actions, follow established rules, or adapt based on patterns and data, all with minimal to no human input. The goal of automation is to increase efficiency, reduce errors, save time, and enhance productivity in various domains. APIs (Application Programming Interfaces), automated scripting, robotic process automation (RPA), machine learning, and AI (artificial intelligence) are all examples of automation that can be directly applied to automatic access to insurance data.
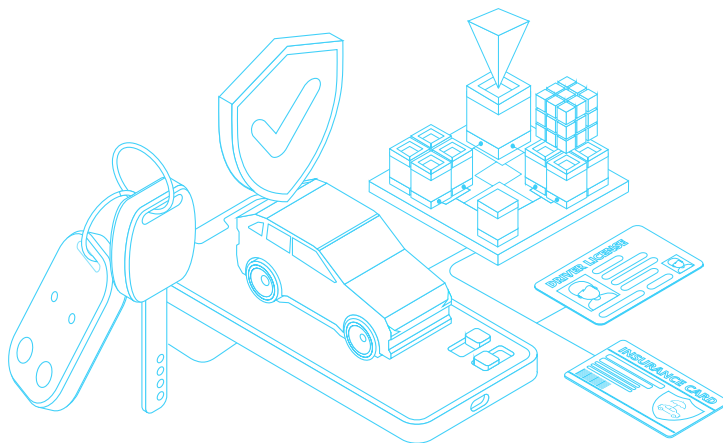
How does automation work for auto insurance access?

Automated data collection enables companies to gather real-time data on policyholders' driving habits, policy information and security, and other relevant factors. This wealth of data empowers businesses who need consumer or employee insurance data to make more accurate risk assessments for gig driver employment.

Car insurance data is typically stored in structured databases or systems that can be accessed and managed by the insurance company's personnel. These systems store a wide range of information related to policies, customers, claims, and other aspects of a policyholder's insurance. More specifically, this insurance data can include:

- **Policy information:** Details about individual policies, including policyholder information, coverage types, coverage limits, deductibles, premium amounts, and policy effective dates.

- **Customer information:** Personal and contact information of policyholders and insured individuals.

- **Vehicle information:** Data related to insured vehicles, such as make, model, year, Vehicle Identification Number (VIN), and ownership details.

- **Claims data:** Information on past and current claims, including incident details, claim amounts, and status.

- **Billing and payment records:** Information on payments, billing history, and account balances.

Insurance carriers typically use relational database management systems (RDBMS) or other structured data storage solutions to store this information securely. These databases are hosted on servers within the insurance company's IT infrastructure. To get access to this data, carriers can provide APIs to authorized third-party organizations, such as data platforms like MeasureOne, auto dealerships, or other insurance companies, to access certain types of insurance data. These APIs are designed to facilitate data exchange and verification processes securely.
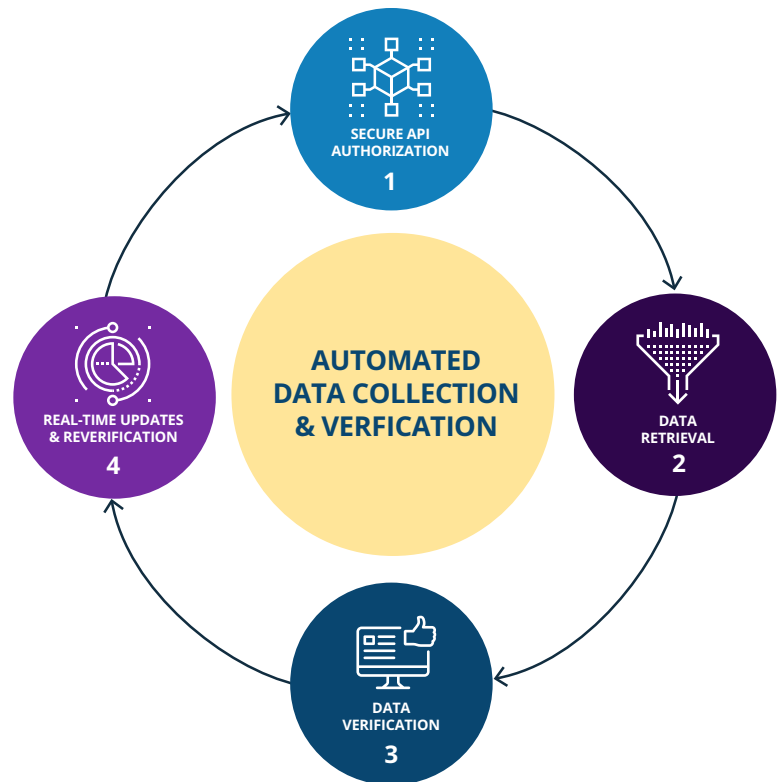
1 Authorization
To access the insurance carrier's API, third-party entities need to be authorized and authenticated. This typically involves obtaining API keys or access tokens and adhering to the carrier's security protocols.

2 Data retrieval
Once authorized, third parties can use the API to query and retrieve specific insurance information. For example, they can search for policy details based on a policy number, VIN, or customer name.

3 Data verification
APIs can be used to verify the authenticity and current status of insurance policies. This is crucial for situations such as verifying insurance coverage during a traffic stop or confirming coverage during a vehicle purchase.

4 Real-time updates and reverification
Some APIs provide real-time or near-real-time access to insurance data, ensuring that the information is up to date and accurate. This is particularly important in scenarios where timely verification is critical.

The benefits of automated auto Insurance verification

Automation via primary source data collection allows businesses to gather proof of auto insurance for their prospective or current gig employees. On top of eliminating manual processes, the benefits include:

Enhanced onboarding for gig employees
Employers can now automatically integrate automated processes within their onboarding flow to instantly gather and verify the auto insurance for prospective gig employees. Streamlining this process gets gig worker through the onboarding process faster and ready to work sooner.

Instant re-verification of auto insurance
Using scheduled, automated API queries and notifications, employers can periodically and regularly check the status of their gig workers' insurance coverage. If coverage lapses or changes, employers can easily be updated and take action immediately to ensure their gig worker has sufficient coverage.

More accurate coverage and risk management
Instant and accurate insurance verification ensures that driver's vehicles are always driven with the necessary coverage. By automating the verification process using real-time data, gig employers can be confident that every vehicle on the road is adequately insured, reducing the potential financial and legal risks associated with uninsured or underinsured drivers.

Cost savings
Automation allows companies to streamline their operations by simplifying and expediting the insurance verification process. This efficiency results in a more seamless and quicker onboarding process, reducing the time employers spend at onboarding. This operational efficiency can lead to cost savings by reducing labor requirements and administrative overhead, ultimately improving the company's bottom line.

RECOMMENDATIONS AND CONCLUSIONS

Using automation to verify driver insurance is a strategic necessity. It empowers organizations to adapt, respond swiftly, manage risk effectively, and eliminate costly errors.

MeasureOne's universal and scalable platform is a game-changing tool for automating the collection and verification of auto insurance data. The platform is designed to empower the automotive industry, and anyone who needs to collect and verify auto insurance data, with cutting-edge technology and a user-friendly interface. Here's what sets it apart:

Use MeasureOne's industry-leading coverage and automated data access and verification via API

MeasureOne offers a seamless and infinitely scalable API with 95% coverage of all auto insurance carriers. This integration allows the customer to connect directly with primary source (a user's online insurance portal) account data, eliminating the need for manual data entry and reducing the risk of errors.

The API is not only powerful but also highly customizable to cater to the unique needs and preferences of different business requirements:

1. A direct integration for seamless user experiences,

2. Dashboard for no-code-needed platform with the data you need all in one place.

3. Connectability with the third-party platforms and integrations.

Whether you're a small agency or a large corporation, MeasureOne's platform scales to meet your requirements, ensuring a tailored experience.

The extra solution: deterministic document processing

In addition to API data collection, MeasureOne's platform employs deterministic document processing.

With a strong commitment to accuracy, MeasureOne's document processing ensures an impeccable 100% precision rate for structured documents, including PDFs, HTML, JSON, XML, and more. It is equipped to handle unstructured documents and images through OCR technology, providing confidence metrics at the attribute level to assist in the review process.

Because it is seamlessly integrated with the MeasureOne platform, the document processing solution guarantees higher conversions, optimizing the user experience.

Get automated auto insurance verification today

MeasureOne is leading the charge for automated auto insurance verification. This visionary company exemplifies the potential of real-time data platforms to reshape the insurance landscape. By harnessing the power of smarter data access with consumer-permission, MeasureOne is bridging the gap between insurers and customers, ushering in a new era of collaboration, transparency, and innovation.

GET AUTOMATED