

Insurance





Note from Author

We are excited to introduce the first annual Auto Trends Report from LexisNexis Risk Solutions.

The Auto Trends Report examines ongoing trends across the typical lifecycle of U.S. auto insurance, from shopping to claims. This edition aggregates results from many existing studies we have conducted throughout 2019 or earlier and highlights key areas that carriers should keep on their radar as they develop their operating plan. Going forward, the report will include data for the prior year only to allow year-over-year comparison of the data wherever applicable.

As we reviewed the results from all the studies we generated, we realized that technology is a key driver of the trends we're featuring in this report, and presents carriers with opportunities to improve business performance and increase customer satisfaction like never before.

Technology will continue to play a major role in our industry, especially with the tremendous increase in virtual interactions we've had in 2020. As we release this report, we cannot help but wonder how different the data will look by the end of 2020, given the drastic behavioral and operational changes imposed by the global COVID-19 pandemic.

One obvious area where we can already see the impact of COVID-19 is with shopping data. We consistently saw shopping growth throughout 2019 and into Q1 2020 until the onset of the pandemic, which had a marked impact on both shopping volume and new policy growth. We are also noting drastic changes for mileage driven as well as claims reported. Feel free to explore the latter further in this report to learn about how the pandemic catalyzed data sophistication for claims professionals, accelerating touchless claims for more carriers than initially projected.

Worth mentioning: While each of the sections in this report has its own parameters and specific insights related to the use cases for that section, the correlation could be easily made between data insights from one area of the insurance lifecycle to another. For example, the shopping data we share with you in this report could be valuable at both the point of quote and underwriting, and in some cases, even the point of claim.

Whether you read every word of this 30-page report or focus on your areas of responsibility only, we're confident you will find useful insights for your organization. Our company is in a unique position to leverage unparalleled data assets in providing such insights to the industry so you can manage disruption, improve your customers' satisfaction and successfully achieve your business objectives. Many thanks to the entire U.S. auto insurance team at LexisNexis® Risk Solutions for making this report possible. I know that we all look forward to bringing you continued value with industry insights that help you make better decisions with confidence.

Adam Pichon

Vice President & GM of US Auto Insurance

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Technology drives new trends in auto insurance

Understanding market trends over time has always been an important asset for auto insurance carriers. Insights gleaned from changes taking place across various industry factors and segments can help carriers adequately evolve offerings, improve outreach to consumers and manage their business for lower risk, greater profitability and increased customer satisfaction.

With access to the vast majority of shoppers in the market, LexisNexis® Risk Solutions is in a unique position to analyze trends by drawing from various databases— including some of the industry's largest repositories of public and proprietary data—and then applying advanced data analytics and machine learning to derive insights. In this study, our experts explore trends in shopping, driving violations, driving technology and industry best practices, and how those factors are impacting many aspects of the auto insurance lifecycle such as quoting, underwriting and claims.

While each of these areas has its own parameters and sphere of influence over the industry, a common thread we've noticed is the dual impact of technology. The auto insurance industry is increasingly becoming a technology-driven industry. Technology plays a role in both driving the trends and in presenting opportunities to respond with new solutions that can improve a carrier's business performance.

The information in this report should inspire carriers to think about how they can leverage technology-based solutions to improve customer relationships and lead to better outcomes. It all starts with shopping.

Shopping Trends

Timely access to shopping trends allows auto insurance carriers to identify opportunities to strengthen their strategies across the auto insurance continuum to gain a competitive advantage.

LexisNexis Risk Solutions has been tracking consumer shopping trends since 2009. Based on data from billions of consumer shopping transactions (representing approximately 90% of the shopping activity in the U.S.), consumers are shopping auto insurance with greater frequency than ever before. Even traditionally stable, high-value customers are exhibiting this behavior.

2019 saw the highest level of auto insurance shopping activity to-date.



SHOPPING RATE OVER TIME

Figure 1. Consumer auto shopping rates hit an all-time high in 2019.



Viewed on a quarterly basis, the number of shoppers grew 2.4% from 2018 levels, with a significant spike in the second half of the year. The year-over-year growth rate increased in both Q3 and Q4, almost reaching the five-year historical average. The Q4 growth rate was attributable to a monthly year-over-year spike of 9.7% in December. This marks the largest year-over-year monthly surge since December of 2018. We believe this was inspired by targeted rate increases.

New policy sales reached new heights as well. 2019 volumes were 2% higher than in 2018. The Q4 2019 year-over-year growth rate of 4.4% dramatically exceeded the 0.3% trough in Q2 and doubled Q3's 2.2% growth rate. Growth in both new policies and shopping were in lock step throughout 2019.



QUARTERLY YEAR-OVER-YEAR (YoY) CHANGE IN SHOPPING AND NEW POLICIES

Figure 2. The number of shoppers grew 2.4% in 2019, with a 2% increase in new business volume.

The year-over-year shopping growth rate for Q4 2019 was 4.2%, a threefold increase from the final quarter of 2018. Even more impressive was the Q4 2019 4.4% increase in annual new policy change, doubling growth year over year. However, stepping back for a five-year view, the Q4 2019 shopping growth rate was down 20% compared to the historical Q4 average. The exciting news is that the new policy change rate for Q4 2019 substantially exceeded the five-year Q4 average.

SHOPPING CHANGE – Q4 2019



The year-over-year shopping growth rate for Q4 2109 was **4.21%**, a 22% increase from Q4 2019, but down 20% compared to the 5-year Q4 historical average.

NEW POLICY CHANGE – Q4 2019



The annual new policy change for Q4 2019 was **4.40%** a sizzling 123% increase from Q4 2018. Looking at the 5-year historical average for Q4, 2019 is up an incredible 168%.

Figure 3. Shopping behavior and new policy change rates showed solid increases in 2019, with a red-hot market in new policies.

In 2019, LexisNexis Risk Solutions also commissioned a study of more than 2,000 primary decision makers and purchasers of U.S. auto insurance, aged between 25-70 years. The research yielded some key actionable insights, including:

- Both demographics and behavior drive shopping habits among auto insurance consumers.
- Consumers consider themselves loyal, but that does not necessarily translate to their choice of insurance carrier.
- Not surprisingly, price is the number one reason that consumers shop, but we found that life events drive shopping behavior, too.
- Addressing incremental consumer touchpoints can result in satisfied customers, improved retention rates and up-sell/cross-sell opportunities.
- By taking a proactive, data-driven approach to monitoring and anticipating key events in insureds' lives, carriers can get a leg up on the competition and create new opportunities for revenue growth.



What this means to you

The auto insurance market continues to be very active and robust, creating opportunities for carriers to develop new offerings that target segments within a larger, more diverse customer base. There are several direct contributors to increased shopping activity, including the easy availability of online quotes and a hyper-competitive market environment. However, shopping behavior doesn't take place in a vacuum that's defined solely by industry factors. The economy, macro trends and current events impact consumer insurance shopping habits, as well.

At a macro level, <u>LexisNexis® Insurance Demand Meter</u> offers a quarterly analysis of shopping volume and frequency, new business volume, and related data points. The meter enables auto carriers to benchmark their customers' auto insurance shopping volumes and patterns to those of the industry. At a micro level, carriers must be aware of what is happening within their book of business so they can stay close to those policyholders they wish to keep, know when they shop and actively engage with them. To stay competitive, carriers can leverage solutions such as <u>LexisNexis® Active Insights</u>, which provides timely, actionable information about insureds and prospects, to properly time outreach and align with when consumers are most likely to purchase a policy or consider switching to a new carrier. All of this has value, because shopping behavior is connected to each of the other trends we've identified.

Underwriting trends

The more you know about consumers and their vehicles, the better equipped you are to make the right underwriting decisions across the customer lifecycle.

When consumers shop for insurance, the onus is on insurers to make that experience pleasant and efficient, all while gathering as much accurate data on the shopper and their vehicles to price premiums accordingly. Successful insurers achieve this by getting the most complete picture possible of the risk and incorporating comprehensive data about the driver, their vehicle(s) and the interactions of the two on the roads.

Driving violation trends

Violation trends can help carriers better anticipate future risks and proactively adjust rating plans to factor those projections into underwriting decisions.

Auto insurance carriers rely heavily on the predictive nature of driving violations to acquire and retain profitable customers while better managing risk and improving financial performance.

Examining motor vehicle records from 2015 to 2019 reveals some interesting trends across both violation types and driver types (particularly from a generational standpoint).

The overall volume of violations has remained very consistent in this time period, with a very slight downward trend across the last two years. Having this data is critical to understanding how the risks change over time. There is, however, a much more complex story when looking into the underlying data by state, violation type and even generation.



VIOLATION TRENDS

MAJOR AND MINOR VIOLATION TRENDS

Figure 4. In general, motor vehicle records indicate violations are trending slightly downward across the board, with non-moving violations as the one exception.

Speeding

While speeding violations in aggregate (major and minor) have seen some decline on a national basis as of 2017, this reduction is influenced most heavily by fewer minor speeding infractions appearing on the driver report. Are drivers really speeding less, or could there be other factors influencing critical risk and rating data for insurers?

For example, state budget short falls can lead to fewer law enforcement personnel out writing tickets. There could be other mitigating factors related to changes in court practices and the fact that speeding and other tickets are being pleaded down. This speaks to the importance of having good access to public records. Also, most states have raised their highway speed limits, which may reduce instances of major speeding citations.

Drivers have increased their usage of technology such as contributory apps, which rely on millions of users to indicate the location of traffic cops, flag hazards on the roads and make real-time updates to their routes. This can lead to behavior changes that might not reflect what's happening the rest of the time, but helps drivers avoid tickets. It may be that people are still speeding, but are ticketed less as a result of these types of tools; this may make the value of a known ticketed violation higher than it was historically.

While minor speeding violations appear to have declined somewhat, major speeding violations have been much more erratic. The volume of major speeding violations has grown more than 20% since 2015, climbing to a peak increase of 25% nationally. These high speed events are very concerning, as speed is a factor in approximately <u>one-third</u> of all motor vehicle fatalities. In fact, our research has identified 16 states that have seen more than a 30% increase in major speeding violations across this five-year time period.

NATIONAL SPEEDING VIOLATION TRENDS







Figure 5. While overall speeding violations have trended downward after a slight rise in 2016, the downward trend appears to be attributable to a steady decline in minor speeding violations. Increases in major speeding violations have tempered the combined violations downward trend.

One of the most interesting data points to emerge is the relationship between speeding violations and driver age. Our study delineates drivers into five generational groupings.

When looking at speeding violations in general, we see most generations have the downward trajectory noted for all speeding countrywide, except Traditionalists—who have experienced two years of growth, now above pre-2015 levels. However, when isolating only major speeding by generation, every age group displays increases over 2015. Most of these generational groups have seen greater than 30% growth over 2015.

While Millennials and Baby Boomers have seen a flatter trend for 2019, the fact remains that Millennials represent 55% of the cohort with speeding violations. The <u>AAA Foundation</u> for Traffic Safety has identified this generation as the worst-behaved drivers in the U.S. In fact, 88% of the "young" millennials (ages 19-24) have engaged in at least one risky behavior behind the wheel. Still, with three segments displaying one-year improvements in major speeding violations, we'll hope for the safety of our roads that this is a continuing trend.

GENERATION AGE RANGES

Generation Z: <17 to 20 Millennials: 21 to 39 Generation X: 40 to 51 Baby Boomers: 52 to 70 Traditionalist: 71+



SPEEDING – GENERATIONAL VIEW

MAJOR SPEEDING – GENERATIONAL VIEW



Figure 6. Traditionalists are "bucking the trend" by representing the only group whose instances of speeding violations have generally steadily increased over time, reaching the highest level among all generational groups in 2019.

Driving under the influence of alcohol

National alcohol-related violations have been declining steadily since 2015, which is very good news. However, despite the progress in reducing drunk driving it appears this decline may have begun to level off.

Similar to our generational views into speeding, we can also identify differences in alcohol-related driving by generation. While each generation shows a decline in violations since 2015, violations among Traditionalists have remained relatively steady while other generations have experienced more significant declines. Generation Z shows the steepest decline, with an abrupt drop in 2018. Baby Boomers, Generation X and Millennials have very aligned trajectories, all of which have almost flattened in the past three years.







1.25



Figure 7. Overall, alcohol-related violations have declined steadily since 2015. Trajectories have remained relatively steady across the generations since 2017. The exception is Generation Z, which experienced a significant drop in 2018.

There are several explanations for these generational trends. Culturally, Millennials and Generation Z may be our first full generations to approach drinking and driving differently. Drinking may have lost its "coolness" for these generations, who also have easy access to ride sharing services (which does enjoy a strong coolness factor) if they do happen to go out to drink. Perhaps the overall declines in frequent binge drinking indicate that national and state-level policies and programs targeted at underage drinking have been effective. However, the older generations are getting caught more often, as they don't necessarily engage with ride share when out drinking and old habits are hard to break.

— Adam Pichon

Distracted driving

As alcohol-related violations become less of a concern, distracted driving has stepped in as the new challenge. While the number of violations remained generally level in the early years, more noticeable increases were seen in 2018 and there has been a significant spike in these violations during 2019. All five generations have followed nearly identical trajectories between 2015 and 2019. However, Generation Z's number of violations has consistently been at a higher level than the other four generations.

Distracted driving (mainly texting) has joined in with the more traditional speeding and red light running to put young lives even more at risk. While texting and driving remains a significant issue, cell phones present even more driving distractions with an ever-changing landscape and increasing adoption of social media apps for mobile devices. This is a major concern and may portend a rise in frequency given the ongoing proliferation of connected devices and opportunities for distraction.

"If the trends we observed continue, carriers should pay closer attention to how they are rating distracted driving, as it could very well become a bigger risk factor than DUIs." — Adam Pichon



DISTRACTED DRIVING - GENERATIONAL VIEW

Figure 8. Distracted driving has displaced alcohol-related driving as the new challenge, with the youngest generation causing the most concern.

DISTRACTED DRIVING TRENDS

What this means to you

Some of these violation trends might seem obvious and predictable, such as distracted driving among young people, while others could be a surprise, such as speeding "oldsters."

In aggregate, our research certainly indicates Generation Z and Traditionalists could be the generations to pay particular attention to, given their deviations from the other groups. However, it has become even more important to obtain comprehensive and accurate data on each individual policyholder in order to make the best decisions on an ongoing basis regarding coverage and pricing.

These trends warrant a deeper look to understand why they're changing. For example, the downward trend in speeding violations could be attributable to interventions from advanced driver assistance systems (ADAS). If that's the case, being able to easily identify insureds whose vehicles are equipped with ADAS would be a valuable rating capability. However, as mentioned previously, there could be numerous reasons for fewer speeding violations, including changes in law enforcement resources and in a driver's ability to anticipate a potential speeding ticket and avoid it in real time.

While DUIs have declined year over year, they've also leveled out. Driving under the influence may be less of an issue, but it still remains an issue.

When it comes to distracted driving, consumers' relationships to smartphones and connectivity are affecting risk profiles while at the same time enabling carriers to more quickly and effectively implement usage-based insurance (UBI) programs. Telematics and UBI programs are tools that can help reduce incidents of distracted driving. With the growing number of connected vehicles, the importance of developing and promoting these types of programs with insureds is only going to keep growing.

Ultimately, your goal is to understand as much about your drivers as possible. Access to robust public records sources is a key element in developing that understanding. LexisNexis Risk Solutions produces valuable underwriting tools that provide the insights you need to make the best underwriting decisions. For example, LexisNexis® Driving Behavior 360 uncovers more violations than a traditional motor vehicle records search. LexisNexis® Drive Optics is a comprehensive, scalable and flexible suite of solutions that leverages data from multiple sources, including courts and public records, to offer the most complete picture of a driver's risk potential.

LexID®

<u>Correct data attribution</u> to the right consumer is more important than ever. Thanks to our proprietary linking technology and our unique identifier, LexID[®], we can resolve, match and manage information for more than 276 million U.S. consumer identities.

Telematics and UBI trends

Telematics data can provide driving behavior insights that help support personalized risk assessment and meet customer demands at the point of quote, not just at renewal.

Connected vehicles and telematics data

A 2019 LexisNexis Consumer Research reoprt indicates connected vehicles are rapidly on the rise. In 2018, there were approximately 22 million connected vehicles generating telematics data, representing 9% of all vehicles on the road. In 2019, we estimate this number increased to approximately 12%. By the year 2023, a mere three years from now, we project this will increase to approximately 30% connected vehicles on the road—representing nearly one in three vehicles with drivers ready for UBI. With more connected vehicles rolling off the lots, more telematics data is being generated for integration across the insurance workflow.

NEARLY ONE IN THREE VEHICLES ON THE ROAD WILL BE TELEMATICS-READY BY 2023



That's over 75 million vehicles with drivers ready for UBI

Figure 9. The rapid expansion of telematics-ready vehicles greatly increases the potential for UBI adoption.

Consumer sentiment

With the increasing number of connected vehicles, we're also seeing a growing number of consumers who are comfortable with sharing their driving data in return for better pricing. According to LexisNexis 2018 Consumer Research, 88% of consumers believe being priced on personal driving habits is a "good," "very good" or "excellent" idea. And, perceptions are high compared to other pricing practices. Seventy- one percent of consumers believe using actual driving behavior is a fairer way of pricing than other current methods.

THE CURRENT LANDSCAPE

88% of consumers like the idea of being priced on driving habits

71% of consumers believe being priced on driving behavior is fair

 \checkmark

Consumers see the value of telematics data



Data from app-based UBI programs used predominantly for retention only

Figure 10. A 2018 LexisNexis Risk Solutions study showed that consumers consider driving behavior to be the fairest way to price premiums.

While consumers see the value of telematics data being used in auto insurance, they don't want to be enrolled in a two to six-month monitoring period that makes them wait to receive the benefits they've already earned. In this era of instant gratification, consumers likely won't stand for it much longer. Thus, the way many auto carriers leverage "traditional" UBI today may fall short of consumer expectations. As consumers have grown more accustomed to personalized services and learned more about the difference telematics can make, their interest has also increased. This increased interest represents a significant market opportunity.

What this means to you

Telematics is a game-changer in terms of understanding how a driver truly behaves on the roads and leveraging that insight to rate policies more accurately and improve the customer experience. Telematics data is highly predictive of driving risk. For example, when we combined mileage data with basic behavioral attributes, such as hard braking and nighttime driving, we observed seven times lift to predictability of driving risk. For each additional behavioral attribute included in the predictive model, the lift further increases. Using telematics-based driving behavior and vehicle data presents an opportunity for carriers to provide personalized services to their customers, positioning themselves as a trusted partner that is looking out for their policyholders.



Combining mileage data with basic driving behavior attributes adds

7 times lift to predictability of driving risk

Figure 11. Driving behavior offers a solid basis for predicting risk.

As the market evolves, the opportunity to apply telematics data extends well beyond traditional UBI programs. Previously, auto carriers could only use driving behavior data from a retention perspective through their own telematics data. By accessing telematics data directly from our <u>proprietary exchange</u>, this paradigm shifts completely. The carrier can now sidestep the typical monitoring period and evaluate driving behavior both at the point of quote and renewal.

Our ability to deliver this data through <u>LexisNexis® Telematics OnDemand</u> is what makes it possible and easy for carriers to ingest data into their workflow at point of quote. Telematics OnDemand provides auto carriers with seamless, near real-time delivery of actionable driving behavior attributes. This quick delivery of robust telematics data can power better-informed, more efficient quoting, underwriting and claims processes.

UNDERSTANDING DRIVING BEHAVIOR



Figure 12. Telematics data can provide an extremely robust view of driving behavior.

Carriers now have more information at their fingertips than ever before. Technology is playing a pivotal role in bringing timely, novel and accurate information to underwriters that helps them create informative rating models, protect the business from unnecessary risk and price with precision.



Vehicle Insights Trends

With the advent of Advanced Driver-Assistance Systems (ADAS) and the connected car, the underwriting focus is shifting to include a more robust incorporation of vehicle features into the decision-making process.

Advanced safety features

The next frontier in auto insurance underwriting could very well be vehicle build data. We examined our internal databases and noticed that since 2014, the inclusion of at least one ADAS feature per vehicle has increased approximately 300%. In the 2019 model year, 76% of the vehicles produced were equipped with at least one ADAS feature.





Figure 13. ADAS features are becoming the norm in vehicles built since 2014.

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Increasingly, the road is being populated by cars with ADAS features, and that trend is expected to rapidly grow over the next few years. Blind spot, forward collision and rear collision are among the most popular features.

Auto insurance underwriting has long been based on a combination of information about the driver and the vehicle, with the emphasis on the driver—even more so as telematics adoption increases. Carriers have traditionally relied on data inherent within the 10-digit Vehicle Identification Numbers (VIN) to glean the vehicle-related characteristics and information they need for fully informed underwriting.



1+ CORE ADAS TRENDING

Figure 13. ADAS features are becoming the norm in vehicles built since 2014.



Figure 14. ADAS features are rapidly becoming more prominent in the car park, making then an actionable data point for carriers.

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VEHICLE-CENTRIC ATTRIBUTES WILL CONTINUE TO GROW CONNECTED CAR DATA



Figure 15. Over time, ADAS and connected car data will bring vehicle-centric attributes to greater prominence as an underwriting factor.

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However, ADAS information is not inherent within the VIN. ADAS features can have a significant influence over both driver behavior and vehicle capabilities. Further complicating the issue is the disparity in how car manufacturers name and describe these features.

<u>LexisNexis® Vehicle Build provides ADAS feature information at a VIN level. Vehicle Build leverages a standard</u> taxonomy across all car makes and models and can be used with real-world performance and claims data to relatively rank ADAS feature performance. The <u>proprietary classification</u> adds more granularity to the normalized ADAS features, enabling better rating and more seamless integration in carriers' workflows.

VEHICLE BUILD NORMALIZATION AND CLASSIFICATION

FROM VIN UNCERTAINTY...

"Smart Brake Support"

"Intelligent Brake Assist"

"City Collision Mitigation"

"Collision Avoidance Assist"

"Front Automatic Braking"



TO NORMALIZED BUILD DATA

Normalization by Feature

- Group
- Subgroup
- Feature

Build Data Fitment

- Equipped
- Available

Feature Aggregation

- Behavior
- Purpose





Current ADPF VIN D-Code

- Year, Make, Model, Trim
- Body Type
- Engine Specs
- Wheel Drive (FWD, AWD)
- Grow Vehicle Weight
- Base MSRP
- And More...

- Pedestrian Detection
- Adaptive Cruise Control
- Cross Traffic Alerts
- Blind Spot Monitoring
- Parking Assist
- Lane Keep Assist
- Driver Monitoring
- Traffic Sign Recognition
- And More...

Figure 16. By normalizing and standardizing disparate ADAS feature classifications and nomenclature, Vehicle Build provides actionable vehicle data for better underwriting decision-making.

The addition of advanced driving safety features to vehicles is a trend mainly driven by auto original equipment manufacturers (OEMs). However, auto carriers should be looking more closely at incorporating vehicle data into their workflows as vehicles continue to become "smarter" and play a more active role in the way they operate. In fact, carriers who have taken steps to better understand the vehicle's advanced safety features may have an edge over their competitors, as that data has been readily available to the industry for years, yet untapped.

Vehicle history

Just like credit from a consumer, a vehicle's history can also be predictive of future loss.



Figure 17. There's a lot to be learned from a vehicle's history when it comes to predicting risk.

To round out a complete view of the vehicle, it's important to consider the events that have happened in a vehicle's lifetime.

<u>LexisNexis® Vehicle History</u> provides a chronological accounting of what's happened to the vehicle since it came off the line. This includes insights on the number of owners a vehicle had, accidents it's been in, whether it was part of a rental fleet and whether it was ever salvaged due to accidents, flooding or fire. These insights from Vehicle History, when combined with <u>LexisNexis C.L.U.E. Auto Report</u>, can give carriers a clearer picture of the Risk associated with the policy.

Many of the events in the Vehicle History report are predictive in nature. We found that vehicles that had been in an accident are approximately 10% more likely to be involved in another and claim frequency for vehicles that had been in four or more accidents was 23% higher than for vehicles that hadn't experienced an accident.



Figure 18. Prior crashes are predictive of future crash risk.

NUMBER OF CRASH EVENTS

As damage accumulates claims frequency significantly increases. Claim frequency is likely to be 23% higher for vehicles with 4+ physical damage events.



Mileage is another revealing attribute and an important part of creating a complete view of a vehicle's history. The problem, up until this point, has been that the best mileage data available to the market has been an odometer reading from an oil change from seven months ago and another reading collected from an emissions test six months before that. But, it's exciting to move to a world where readings are more frequent and are verified because they're coming directly from the connected vehicles themselves.

LexisNexis currently has mileage information on a little over 6 million connected vehicles from some of the auto industry's top automakers and OEMs, representing about 27% of all connected vehicles on the road.

The number of connected vehicles on the road will continue to rise, and thus the availability of more automated, accurate and robust mileage information for underwriting and pricing segmentation.

What this means to you

Technology has made it easier to learn as much as possible about inquiry subjects so you can underwrite appropriately. Through more convenient and robust access to information regarding motor vehicle records, consumer shopping behavior, prior claims activity and telematics-based driving behavior, carriers are enjoying the benefits of a more automated, technology-enhanced underwriting function. But perhaps the biggest opportunity comes from where the data between vehicle, driver and telematics/ connected car intersect.



As consumers become more comfortable sharing data, carriers that can offer seamless user experiences by quickly integrating insights throughout the insurance continuum will gain a clear competitive edge.

Claims trends

Timely, accurate and robust claims-related information is crucial to benchmarking performance as insurance carriers prepare for the future of claims management.

We know from talking to leading insurance claims executives that understanding claims trends helps them benchmark their company's performance to local and state markets, as well as the industry as a whole. Looking at 2019, collision severity saw a 6.8% year-over-year increase, with a 4.5% increase in the number of collision claims paid and closed.



COLLISION SEVERITY IN THE U.S.

Year-over-year, auto insurance carriers saw a 6.8% increase in collision severity in 2019

Figure 19. Year-over-year collision severity increased by 6.8% in 2019.

Across the industry, carriers saw an increase of 6.5% in property damage severity while the number of paid and closed claims decreased slightly by 0.4%. In terms of bodily injury severity, insurance carriers saw a 7.0% increase as of October 2019. The number of claims paid and closed also increased by 6.8% from October 2018 to October 2019.



PROPERTY DAMAGE SEVERITY IN THE U.S.

Across the industry, carriers saw an increase of **6.5% in property damage severity** in 2019



Figure 20. Year-over-year property damage severity increased by 6.5% in 2019. As of October 2019, year-over-year bodily injury severity increased 7.0%, up from the 3.5% change in October 2018.

Based on our access to millions of transactions through our powerful and robust loss history contributory database solutions, we're able to provide carriers with industry-wide claims trend data on a regular basis so you have access to the information you need to benchmark your business and make timely forward-looking decisions.

However, there are other trends taking place in the claims arena that have to do with expanding claims automation. Our <u>2019 Future of Claims Study</u> points to a notable increase in carriers adopting more automated and virtual claims processes and a greater willingness to consider touchless capabilities in the near future. This evolution is yielding benefits for carriers and their customers.

HOW AUTOMATION IS BENEFITING CARRIERS AND ULTIMATELY CONSUMERS

Manual Touches	1-4 manual touches removed from claims process
Cycle Time	1-15 day reduction in processing time per claim
Cost/LAE	Up to 50% reduction in processing cost per claim
Staff Efficiency	3-10x more cases processed per adjuster
Customer Experience	Higher satisfaction, loyalty, net promoter scores

Figure 21. More automated claims processes deliver business benefits across the board.

Our More Data, Earlier <u>study across A.M. Best's top 20 carriers</u> reveals that routinely having more data as early as first notice of loss (FNOL) drives significant improvements in the claims function, including lower expenses, less attorney involvement and shorter cycle times.



Figure 22. Bodily injury claims that included at least three data elements at FNOL were resolved with significantly better results.

What this means to you

As you look at trends by claim type relative to your own claim activity, your next step is to understand what's driving those trends. For example, is property damage severity increasing due to the added expense of repairing cars equipped with ADAS? How many of those vehicles are in your book of business?

Claims data must be used to its fullest capabilities to unlock its transformational potential. The first step is for insurance carriers to identify where they are regarding data sophistication. This self-evaluation enables a carrier to outline how the right data at the right time can influence their immediate and future needs. The chart below outlines the progression from manual activities to automation.



Figure 23. As consumers and carriers embrace more claims automation, increasing data sophistication becomes a key step to ensuring optimal customer service and operational efficiency.

Automated solutions that draw from robust data sources are crucial to getting accurate data quickly so you can authenticate claims and expedite processing.

<u>LexisNexis® Claims Datafill</u> is an automated data gathering and delivery solution that provides you with party, vehicle and insurance information in near real time, as early as FNOL. It also populates that information directly into your claim management system, resulting in greater convenience for your customers and a more efficient workflow for you.

Automation also frees valuable resources to focus more attention on higher level investigative tasks that are typical of complex claims. Carriers that incorporate third-party data and analytics into the claim lifecycle can gain a competitive advantage through greater efficiency, reduced costs and increased customer satisfaction.

Look to the future to make the right decisions now

The auto insurance industry is rapidly evolving in response to both internal and external factors. Keeping up with trends and taking a proactive approach to using them to your best advantage will allow you to make the best decisions for your business and set you apart from the competition, now and into the future. LexisNexis[®] Risk Solutions has a robust and continually evolving suite of technology-driven solutions that can help you in this effort.



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Adam Pichon serves as Vice President & GM of the U.S. Auto Vertical for Insurance. He is responsible for leading the U.S. auto vertical, including developing strategic alliances, and driving the creation of new products, from concept generation to introduction to the market. Pichon has been with LexisNexis Risk Solutions since 2014, and previously he led the credit and analytics product teams, which manages a variety of analytic products for multiple U.S. vertical markets, such as National Credit File, Attract, the InsurQuote solutions and Life Risk Classifier. His insurance industry experience includes product management and predictive modeling roles at auto insurance carriers, as well as work on the vendor side developing and managing new solutions for the property and casualty insurance market. Pichon has a masters degree in Economics, with an Econometrics focus, and a bachelors degree in Commodities Marketing from the University of Illinois.

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About LexisNexis Risk Solutions

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