LexisNexis® Insurance Demand Meter

A quick look at auto insurance shopping trends

ISSUE #14

For more information about this report, visit risk.lexisnexis.com/demandmeter or call 1-800-869-0751.

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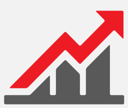
Overview

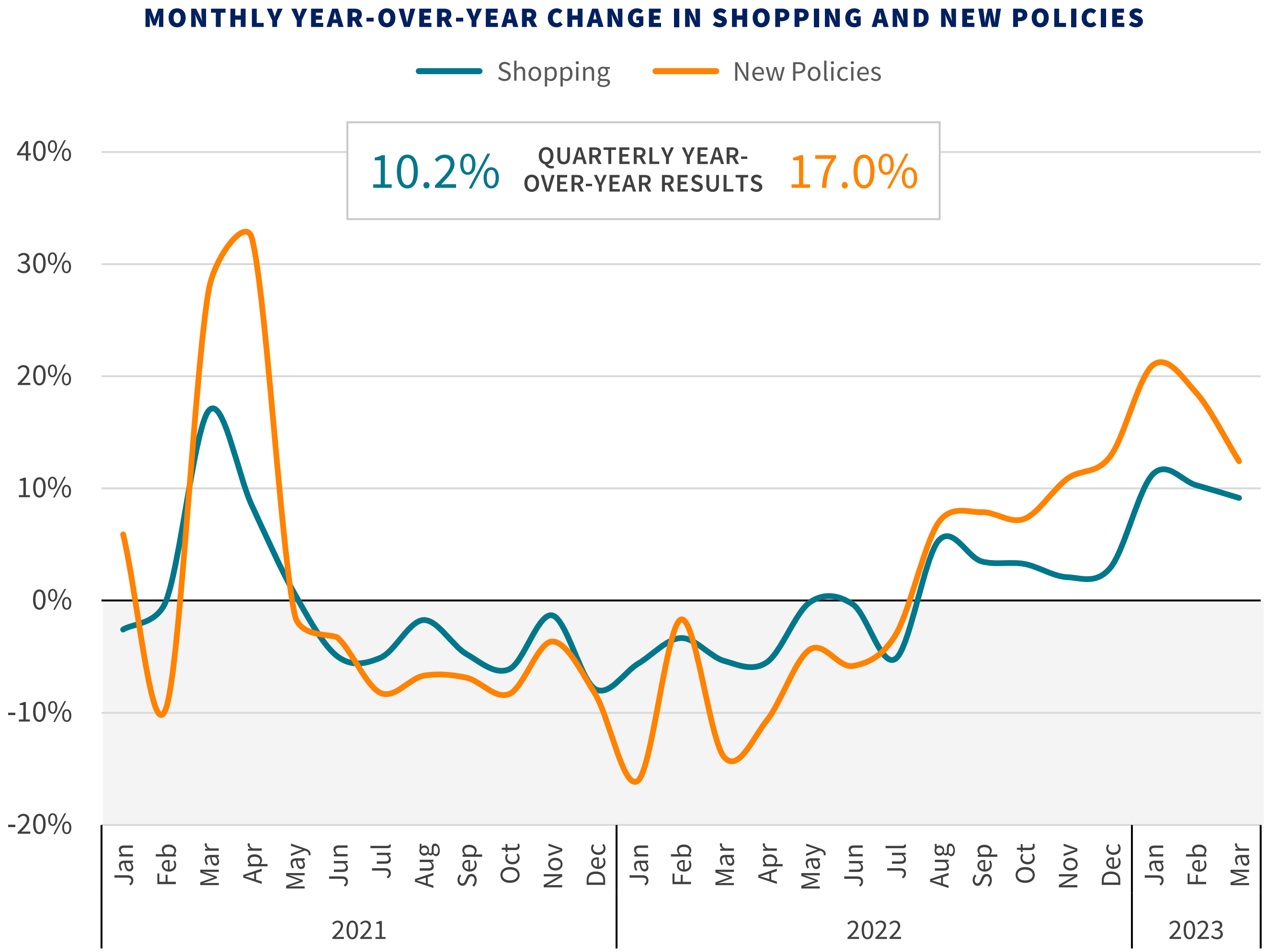
The industry ended 2022 with strengthening U.S. auto insurance shopping volumes and double-digit growth in new policies, driven by the highest premium rate increases in years. These trends not only continued into the first quarter of 2023 but intensified, with shopping coming in at a "Sizzling" 10.2% on the Demand Meter gauge, and new policies hitting "Nuclear" again with a whopping 17.0% increase. The first quarter is when we typically see the annual shopping boost related to the Earned Income Tax Credit. After two years of somewhat muted tax season shopping, volumes in Q1 returned to pre-pandemic levels for this profile of shoppers.



KEY TAKEAWAY

The annual shopping boost related to the Earned Income Tax Credit has **returned to pre-pandemic levels.**

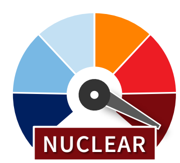
A



SHOPPING CHANGE — Q1 2023

The quarterly year-over-year shopping growth rate was +10.2% for Q1 2023 (up from +2.8% last quarter).

NEW POLICY CHANGE — Q1 2023



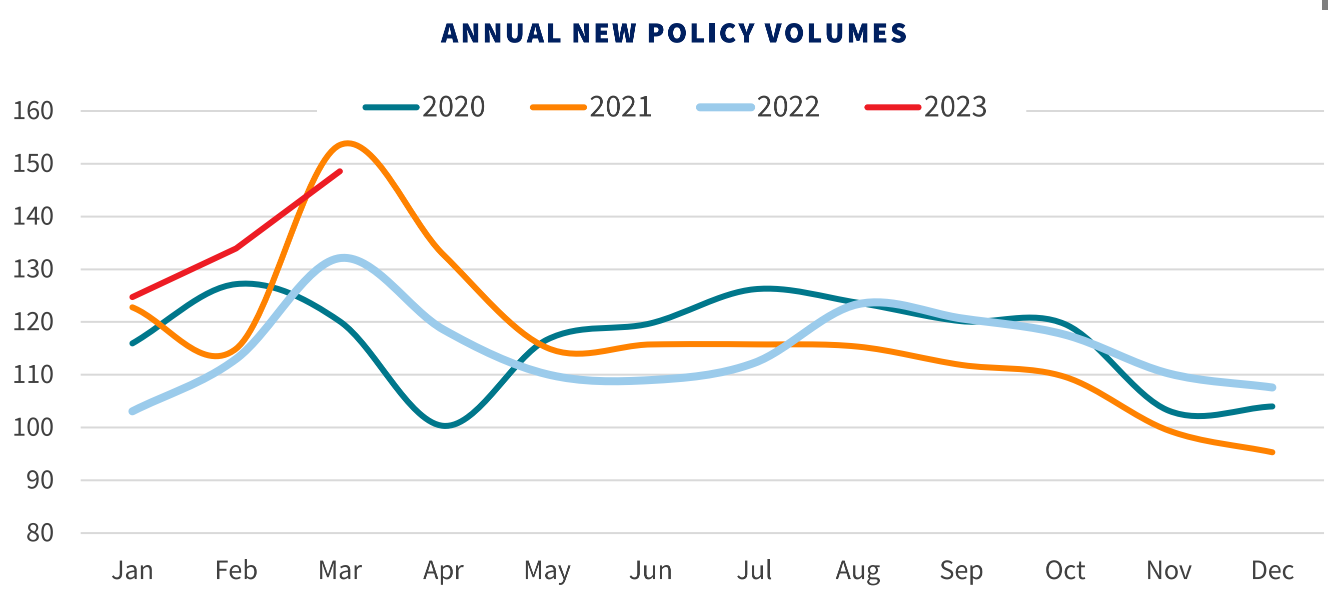
The quarterly year-over-year growth for new policies was +17.0% for Q1 2023 (up from +10.2% last quarter).

New policy growth rate continues to soar

With the impact of rate revisions in full effect, overall new policy volumes continued their record streak from November through February (Chart B). March volumes were still elevated but fell just short of the year-over-year growth seen in March 2021 (Chart A) when vehicle purchases were peaking and the government issued its final round of stimulus checks from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Although U.S. auto insurance new policy growth is up overall, there is notable variation across the states. For instance, volumes were up 25% or more in eight states led by Texas (See Chart C), while four states showed flat or negative growth, with New York coming in at a surprising -8%.

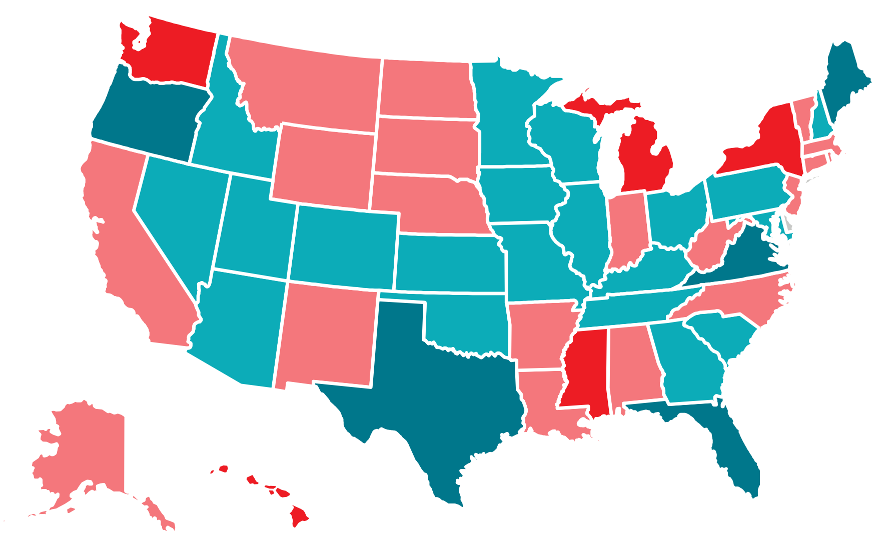
When considering new policy growth by age demographics, the 66+ age category led all age groups in Q1 with 27% growth, with 36–45-year-olds, 46–55-year-olds and 56–65-year-olds all tied at 21%. This reinforces our finding last quarter that the age demographics that have not historically shopped at a high rate and were not likely to switch when they did shop are now shopping and switching at an accelerated pace — suggesting that opportunities exist for those carriers able to reach these age demographics in their marketing campaigns.

B



C

Q1 2023 YEAR-OVER-YEAR NEW POLICY GROWTH BY STATE*



TOP STATES	
Texas	71%
Virginia	29%
Maine	29%
Oregon	27%
Florida	27%

BOTTOM STATES	
New York	-8%
Mississippi	-2%
Washington	0%
Hawaii	0%
Michigan	2%

*For complete data, contact us.

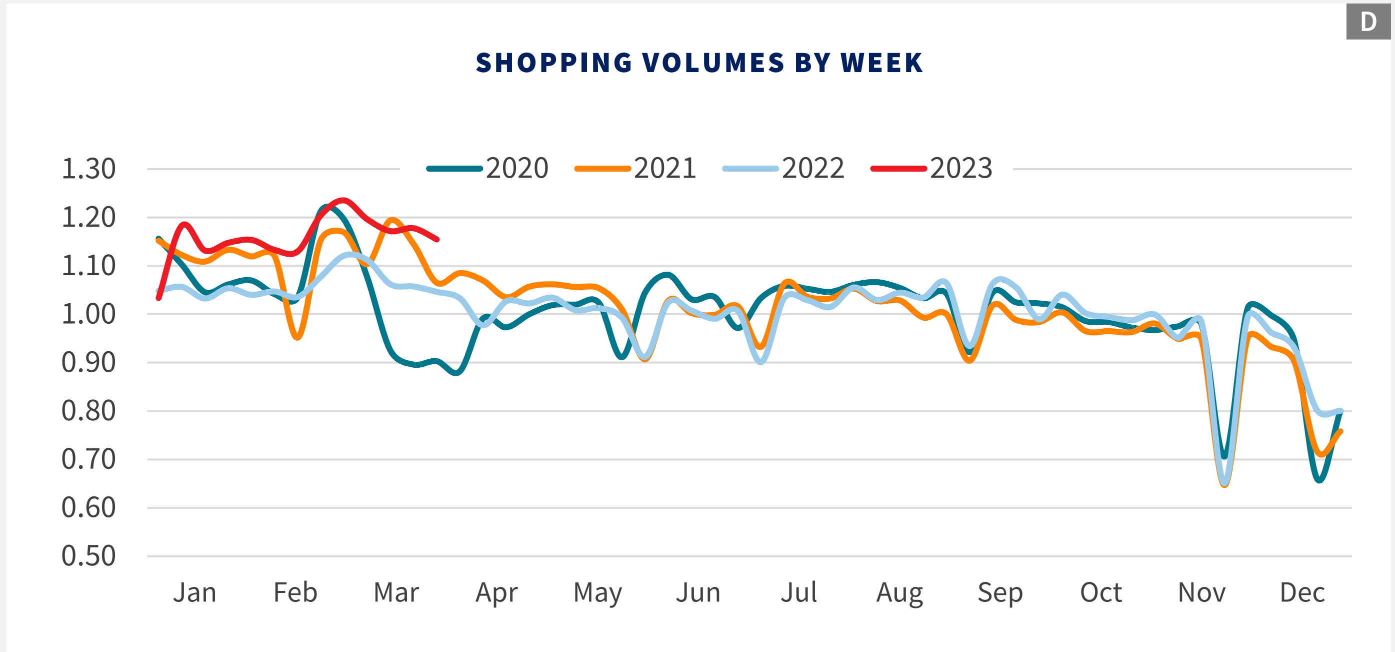
Shopping activity breaks records

Shopping volumes in the first quarter of 2023 were the highest that we have ever seen (Chart D). Growth was consistent for the insured and uninsured, as well as standard and non-standard market segments. In January, exclusive and independent agent (IA) distribution channels realized 12% growth, but the IA channel gained the edge in February (11%) and March (9%) while the exclusive channel tailed off to 5% growth by the end of the quarter. Comparatively, growth in the direct channel started modestly, only growing 4% in January, but ending at 17% in March.

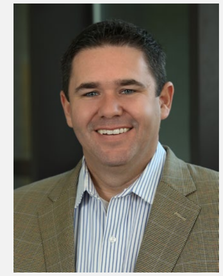
For the first half of the quarter, shopping patterns for the various age demographics were similar to those in the fourth quarter of 2022: there was strong growth in the 36–45-year-old age group, but that reversed to more traditional patterns in mid-February as older shoppers began to outpace younger shoppers. Regardless of the demographic group, shopping grew for all ages.

Vehicle sales continue to help fuel new policy growth

In the first quarter of 2023, overall vehicle sales were down -0.2%, according to LexisNexis Risk Solutions internal data. That was primarily driven by a drop in used vehicle purchases, down -0.4% compared to 2022. By contrast, new vehicle purchases were up slightly (0.4%) for the same timeframe. As we have discussed in previous editions of the Demand Meter, vehicle purchases are closely aligned to shopping and switching events. Shopping that pertains to a vehicle sale has held steady at around 27% for new vehicles and 36% for used, but the downtick in overall vehicle sales has caused a drop in all shopping attributed to vehicle purchases.



Despite the drop in shopping attributed to vehicle purchases, the percent of new policies written that include a recently purchased vehicle remains at 30% (down from 33%), with **one in four new policies being associated with a used vehicle purchase.**



Adam Pichon

Senior Vice President and General Manager of Auto Insurance and Claims at LexisNexis Risk Solutions

"Record-high rate increases are translating to record-high shopping volumes, with more of those shoppers purchasing so far in 2023. ***This trend seems likely to continue in the near-term. Claim severity trends and the pace of state-level rate filings over the next quarter will be key factors as to how the rest of 2023 shapes up."***

Looking Ahead

Total vehicle miles traveled has stabilized over the past several quarters and claim frequencies have consequently remained flat. Claim severities continue to rise, albeit more slowly. Until they level off, it is likely that carriers will continue to take rate, although at a reduced velocity. As the market anticipates changing economic conditions, the question remains as to how this will impact vehicle sales and ultimately shopping volumes. Regardless, growth rates should slow in the second half of the year as we begin to hurdle 2022's stronger volumes.