LexisNexis® Insurance Demand Meter

A quick look at auto insurance shopping trends

ISSUE #18

LexisNexis® RISK SOLUTIONS

Working Together *for a* Safer, Smarter Tomorrow™

LexisNexis Insurance Demand Meter – Trends from Q1 2024

Overview

On the LexisNexis® Insurance Demand Meter, quarterly year-over-year U.S. auto insurance consumer shopping activity clocked in at +2.9% even though volumes hurdled 2023's strong first quarter. While shopping growth was down slightly from last quarter's +4.7%, the first quarter of the year still came in 'Hot'.

Quarterly year-over-year new policy growth was +8.7%, up from +7.0% last quarter. The increase pushed new policy demand into 'Sizzling' territory and solidified the 20th straight month — and seventh consecutive quarter — of positive new business growth.

In Q1, consumers 66+ led other cohorts in shopping growth, with higher premiums encouraging those on fixed incomes to shop.

Both shopping and new business activity were largely shaped by the ongoing premium increases being implemented by carriers juxtaposed with insurers' efforts to control new business in unprofitable states and segments.

In the first quarter, older shoppers (66+) led all other cohorts in shopping growth, with higher premiums incentivizing those on fixed incomes to shop until they found a lower rate.

This year's tax season also delivered a boost, particularly on the shopping side. Despite purchase rates for this segment being slightly lower than in years past, we saw a record number of consumers enter the market.

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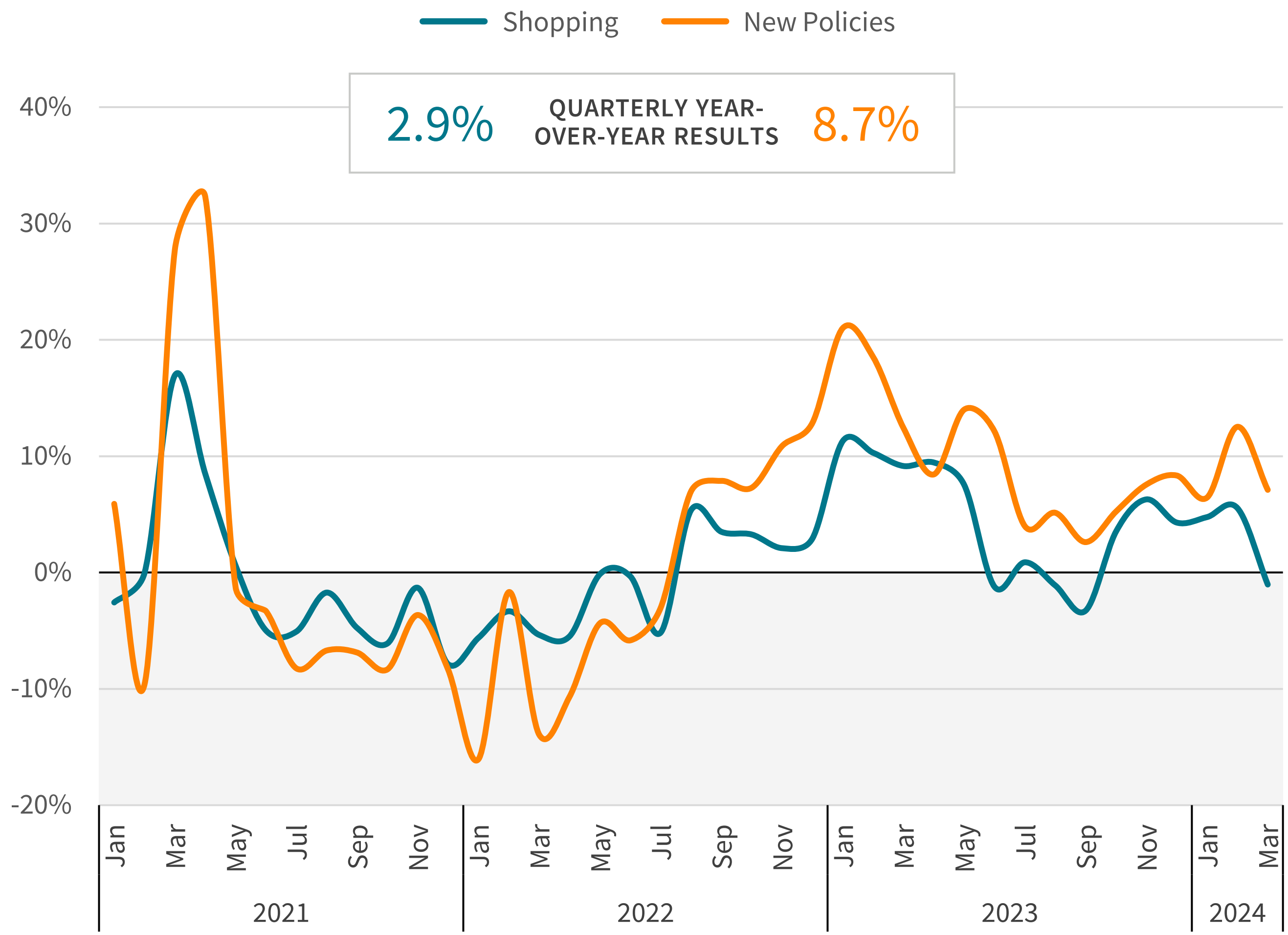
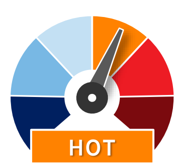
MONTHLY YEAR-OVER-YEAR CHANGE IN SHOPPING AND NEW POLICIES



SHOPPING CHANGE — Q1 2024



The quarterly year-over-year shopping growth rate was +2.9% for Q1 2024 (down from +4.7% last quarter)

NEW POLICY CHANGE — Q1 2024

The quarterly year-over-year growth for new policies was +8.7% for Q1 2024 (up from +7.0% last quarter)

Leap Day helps increase shopping, fewer weekdays in March balance activity

February included an extra day this year, providing consumers with more time to shop and serving as another factor keeping activity volumes high (Chart B).

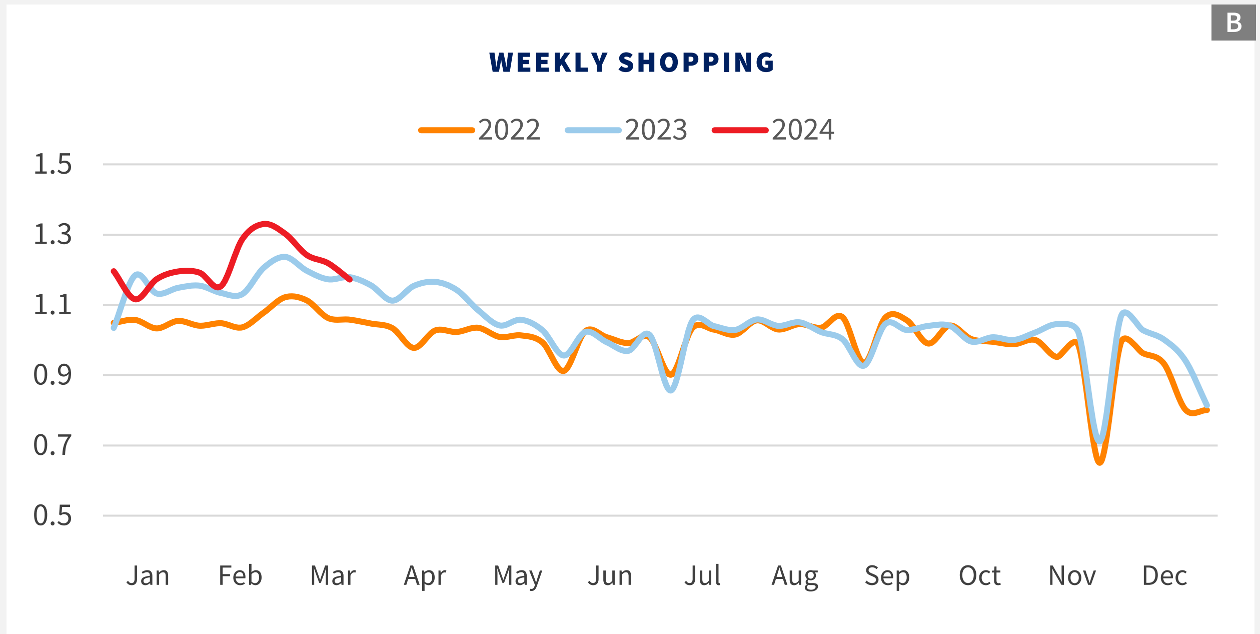
Despite healthy shopping patterns for Q1 overall, March was the outlier with shopping growth falling slightly negative. This was primarily due to the month having fewer workdays and more weekends than in the previous year.

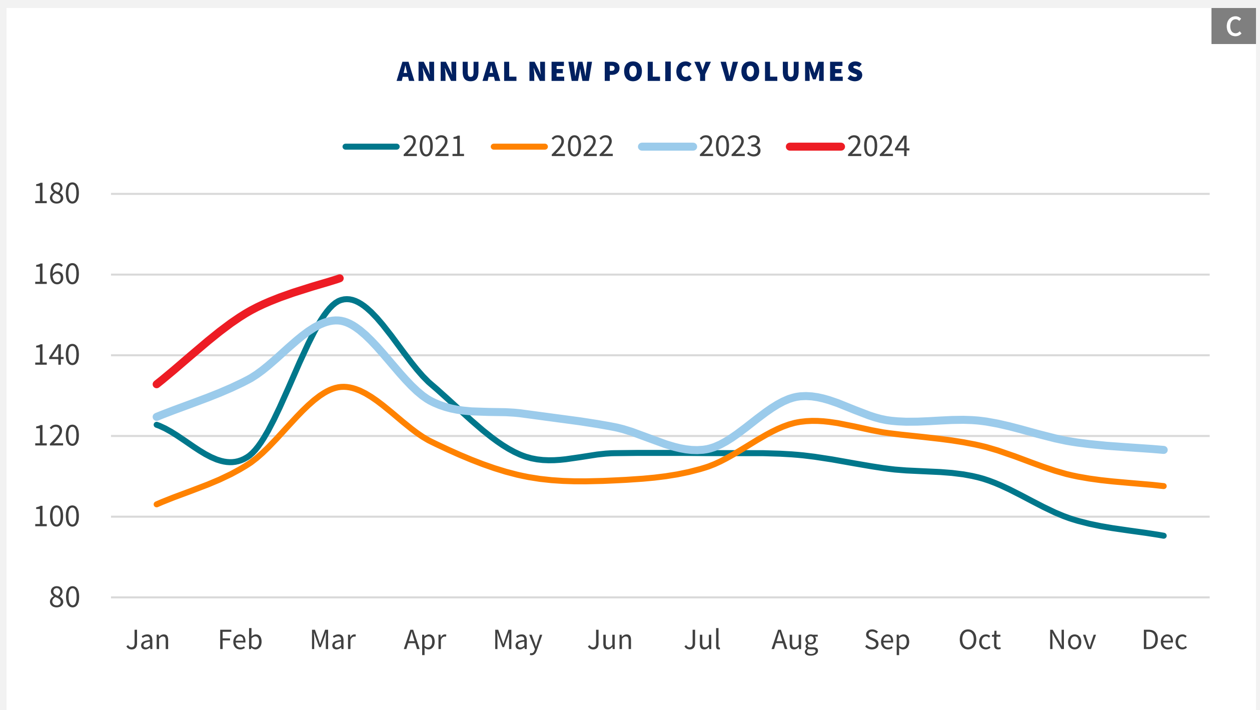
Adjusting for this difference, March would have seen positive gains of 6%. Even without the adjustment, the annual shop rate (the percent of insured households that shopped in the last 12 months) at the end of the quarter came in at 42%, up from 2023's overall annual shopping rate of 41%.

42% of insured households have shopped at least once within the past 12 months.

In Q1, new policy volumes not only topped year-over-year activity in 2022 and 2023, but they also posted notable gains over 2021 numbers that were fueled by the final Coronavirus Aid, Relief and Economic Security Act (CARES) Act stimulus checks and record vehicle sales.

The uptick in this year's new policy growth occurred as insurers removed underwriting restrictions in states where they achieved sufficient rate levels. Additionally, some insurers re-ignited marketing engines in these states to take advantage of the consumers enticed to shop their policies by the premium increases they received when they came up for renewal.





Long-tenured customers hit the market in record numbers

Although the shopping growth patterns are slightly down from last quarter, one group that isn't decreasing its shopping activity is loyal, long-tenured consumers. Typically, insurers have a difficult time convincing these customers to shop, but starting in mid-2022, traditionally loyal customers began hitting the market in notable numbers.

To date, they've shown no signs of slowing down. In 2021, the consumers most likely to be retained comprised less than 20% of the shopper pool. In Q1 2024, this cohort has grown to 24% of total shoppers, well outpacing the shopping growth of their moderate and low survivability counterparts (see Chart D).

The traditionally loyal customer segment is switching insurers at a far more rapid pace. New business from this cohort grew 16% in Q1 2024 compared to Q1 2023 and increased a whopping 52% when compared to Q1 2021.

More drivers entering the market, offsetting those leaving

The role that tax refunds play at the beginning of each year can be seen in the number of new drivers entering the market. In Q1 2024, the growth in new drivers largely offset the number of leavers in the same quarter (Chart E). This bucks the trend we saw in 2022 and 2023 where a record number of consumers left the market in response to higher premiums.

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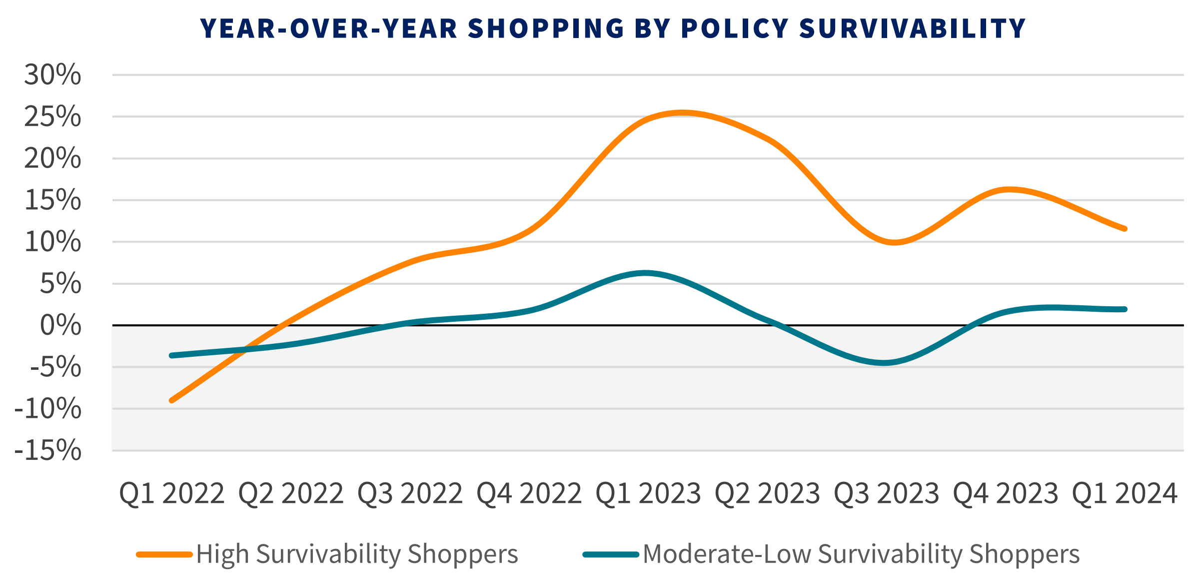

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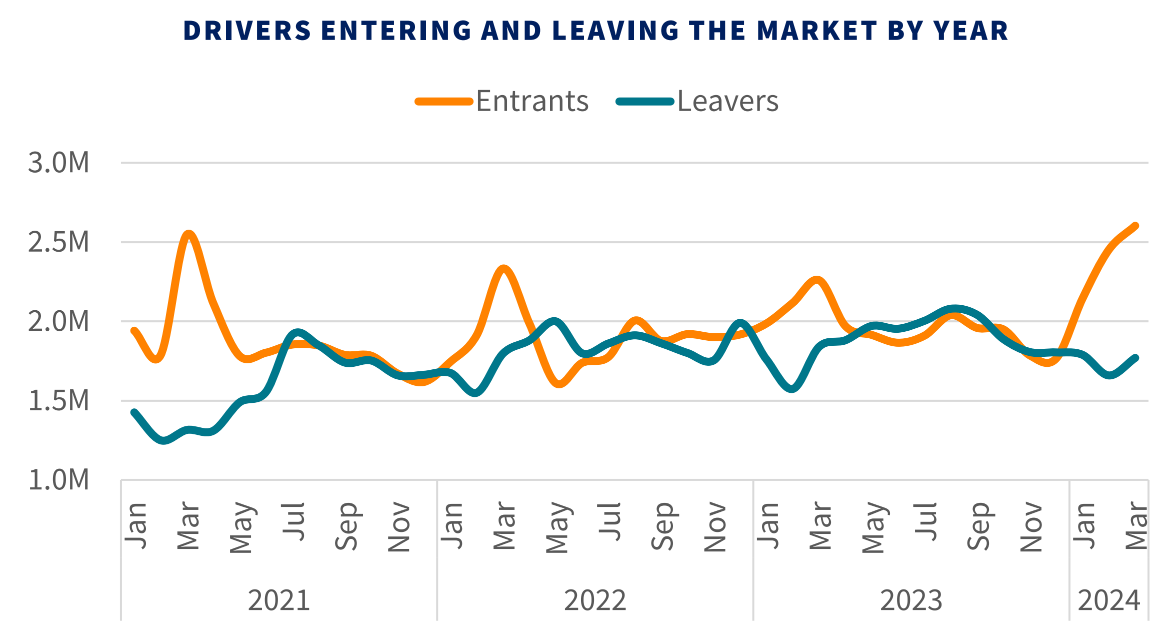

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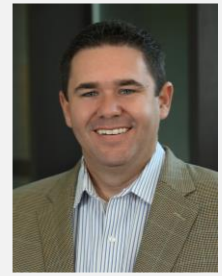

Adam Pichon

Senior Vice President Global Insurance Analytics at LexisNexis Risk Solutions

"With the industry potentially approaching rate adequacy, insurers with an appetite for growth may want to identify ways to capitalize on the opportunity. ***Insurers may also need to consider implementing stronger retention strategies, in addition to turning on their acquisition engines."***

Looking Ahead

Quarterly shopping was high in the first three months of 2024 but didn't outpace the shopping growth from Q4 2023. Shopping and new policy growth both cooled in Q2 2023, so if the Q1 2024 volumes persist into Q2 we could see the growth rates for both measures increase. Fewer large rate increases are being implemented, which could cool shopping, but marketing spend and underwriting appetites are increasing. This means we could be transitioning into a new era of consumer behavior. Will consumers that were traditionally stable but learned that there may be opportunities to save continue to shop in the future? Only time will tell.

The LexisNexis Insurance Demand Meter is a quarterly analysis of shopping volume and frequency, new business volume and related data points. LexisNexis Risk Solutions offers this unique market-wide perspective of consumer shopping and switching behavior based on its analysis of billions of consumer shopping transactions since 2009, representing ~90% of the universe of shopping activity.

risk.lexisnexis.com/demandmeter