LexisNexis® Insurance Demand Meter

A quick look at auto insurance shopping trends

ISSUE #12

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

LexisNexis® RISK SOLUTIONS

Overview

Despite the fact that new vehicle purchases are still depressed relative to historical highs, U.S. auto insurance shopping and new business volumes came roaring back in the middle of Q3 2022, with shopping growth jumping from -5.2% in July to +5.3% and +3.5% in August and September. September's 3.5% increase occurred despite significant decreases in shopping activity late in the month due to Hurricane Ian.

We observed much of the Q3 shopping activity in states where rate increases have been implemented in response to the surge in claims costs that began in the second half of last year. The rate increases are prompting a different profile of consumers to shop, and when they do, they are purchasing policies at higher rates than we've recently observed. For example, new business volumes significantly increased from July (-3.0%) to +7.0% and +7.9% in August and September. In this edition of the Demand Meter, we explore these changes in more depth.

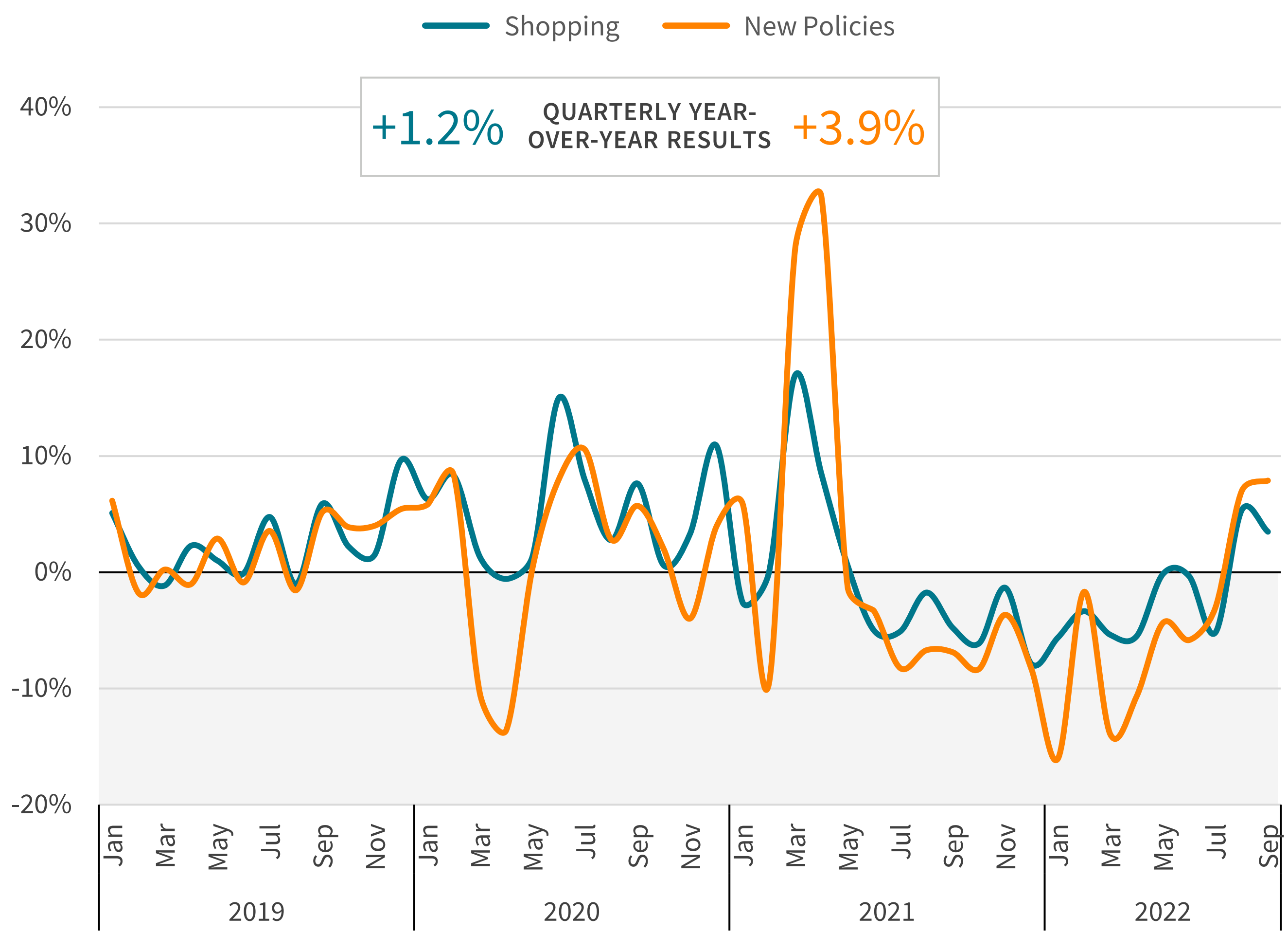
KEY TAKEAWAY

Many of the factors impacting shopping and new business patterns from earlier this year continued into the third quarter of 2022:

- Shopping is up in states where rate increases have been implemented
- Consumers are shopping more carriers when they shop and are more likely to switch
- More carrier rate increases are being implemented/applied

A

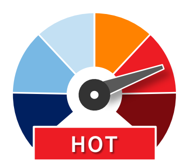
MONTHLY YEAR-OVER-YEAR CHANGE IN SHOPPING AND NEW POLICIES



SHOPPING CHANGE — Q3 2022

The quarterly year-over-year shopping growth rate was +1.2% for Q3 2022 (up from -2.0% last quarter).

NEW POLICY CHANGE — Q3 2022



The quarterly year-over-year growth for new policies was +3.9% for Q3 2022 (up from -7.1% last quarter).

LexisNexis Insurance Demand Meter – Trends from Q3 2022

Issue #12 SUBSCRIBE

Hurricane Ian Impact

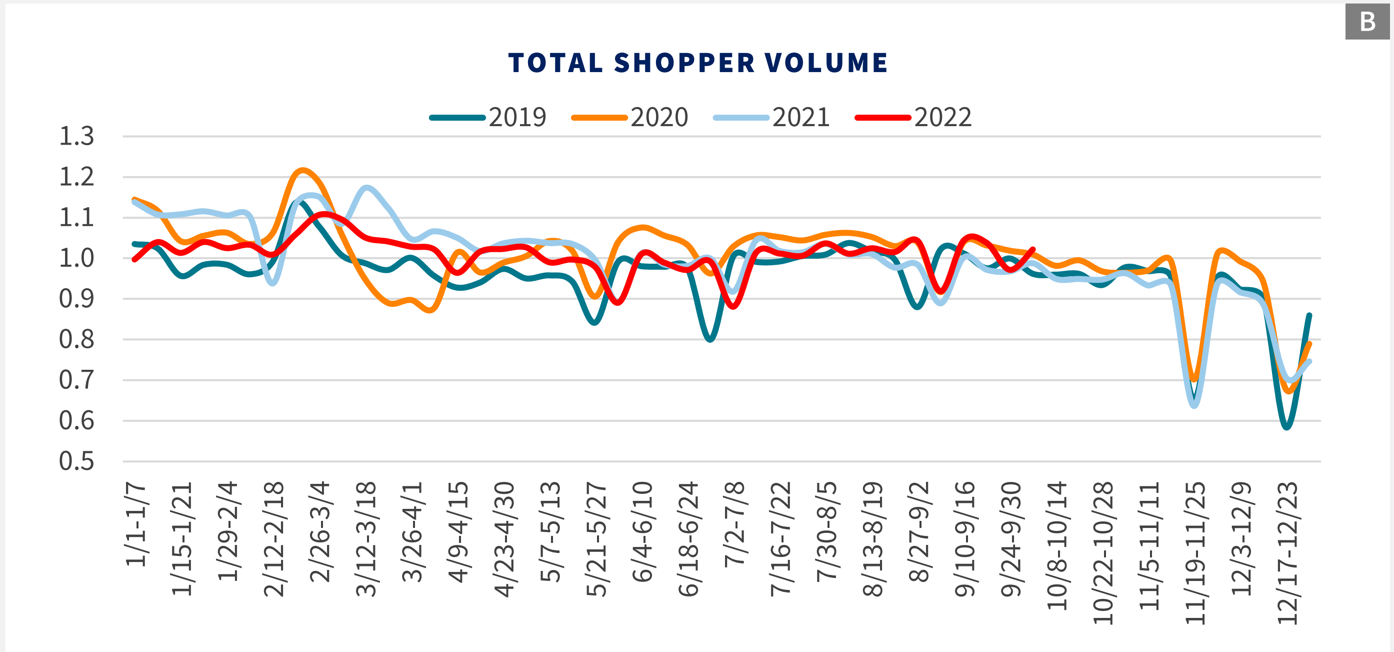
July shopping volumes continued the pattern we saw in June and were also very similar to 2021 volumes (Chart B). Back in August of 2021, shopping slowed as carriers reacted to the rapid surge in vehicle repair costs by reducing marketing spend and tightening their underwriting appetites. This year we not only saw shopping volumes hold steady in August, but then increase to match the record volumes we saw in 2020, and then ultimately surpass them in September.

Hurricane Ian, one of the largest and most costly storms to ever impact the state of Florida, had a significant impact on shopping, as well. Big enough, in fact, to drop country-wide shopping volumes by 6% in the week following Ian's landfall in Florida.

As of this publication, insured losses from Ian are estimated AT MORE THAN $60 BILLION[1].

In five of the six weeks leading up to the storm, Florida saw shopping volumes that were up 10% or higher compared to 2021, including 13% higher the week before the storm. The week Ian hit shopping volumes dropped 40% from the prior week (Chart C). This is not surprising given the population density of the impacted areas and the catastrophic destruction that Ian left in its wake. By the first week in October, volumes rebounded by 46%, and then resumed pre-storm patterns, which has been the case with previous large storms. We'll provide further details about the October shopping activity in next quarter's Demand Meter.

B



C

HURRICANE	DATE	IMPACT	STATE LANDFALLS AND IMPACT TO WEEKLY SHOPPING GROWTH
Ian	9/28/22	Cat 4	**Florida (-40%), South Carolina (-12%)**
Ida	8/29/21	Cat 3	Louisiana (-39%), Mississippi (-9%)
Sally	9/16/20	Cat 2	Alabama (-8.8%), Florida (-9.9%), Mississippi (-1.1%)
Laura	8/7/20	Cat 4	Louisiana (-22.1%), Mississippi (-3.8%), Texas (-5.6%)

1. https://www.reuters.com/business/insurers-stare-up-60-bln-hit-hurricane-ian-aig-chief-zaffino-says-2022-11-02/#:~:text=Nov%202%20(Reuters)%20%2D%20Insurers,catastrophe%20loss%20in%20U.S.%20history.

Market Conditions Drive Consumer Behavior Changes

In Q2, we highlighted shopping growth among 26-55 year-olds. While shopping volumes for all age groups increased in the third quarter, the middle-aged demographic continues to outpace both younger and older age groups. Moreover, when all age groups shop, they are turning primarily to independent agents (Chart D), as this distribution channel has shown the largest growth in volumes for the past few quarters. This trend likely aligns to agents shopping for customers that received rate increases at their renewals.

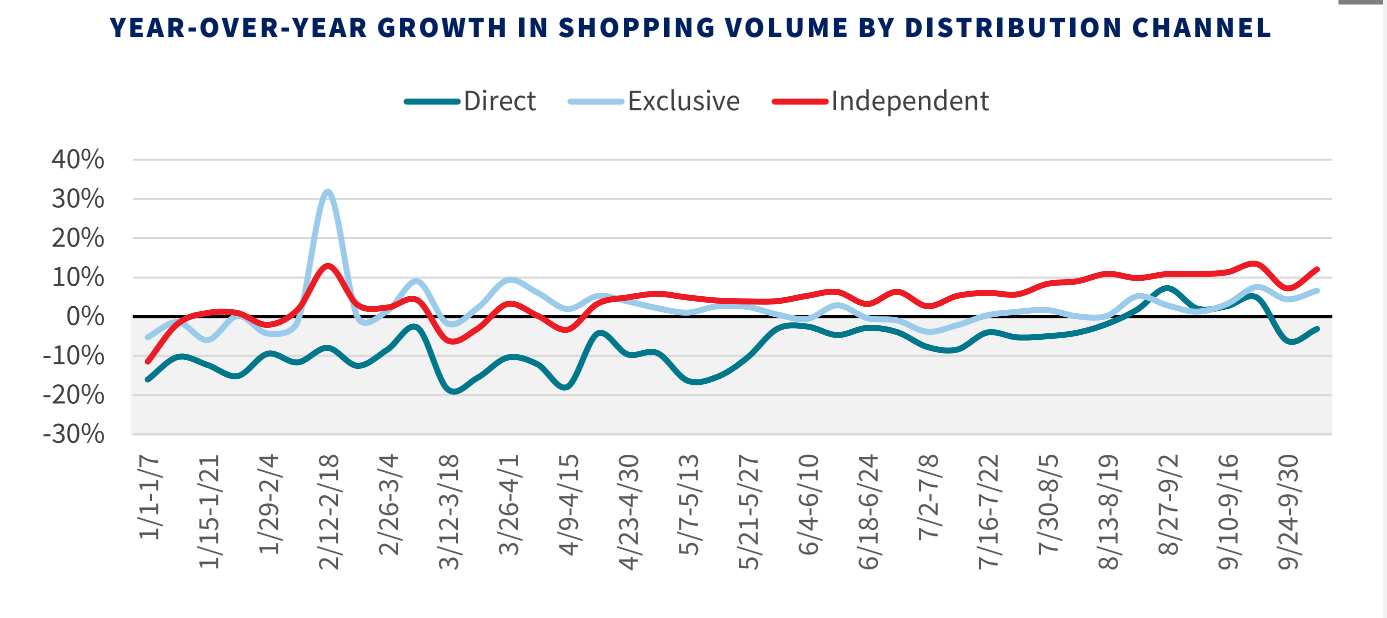
The rate increases are not only a catalyst for shopping growth, but they are also impacting the way that consumers are shopping.

Two key changes in consumer behavior emerge this quarter:

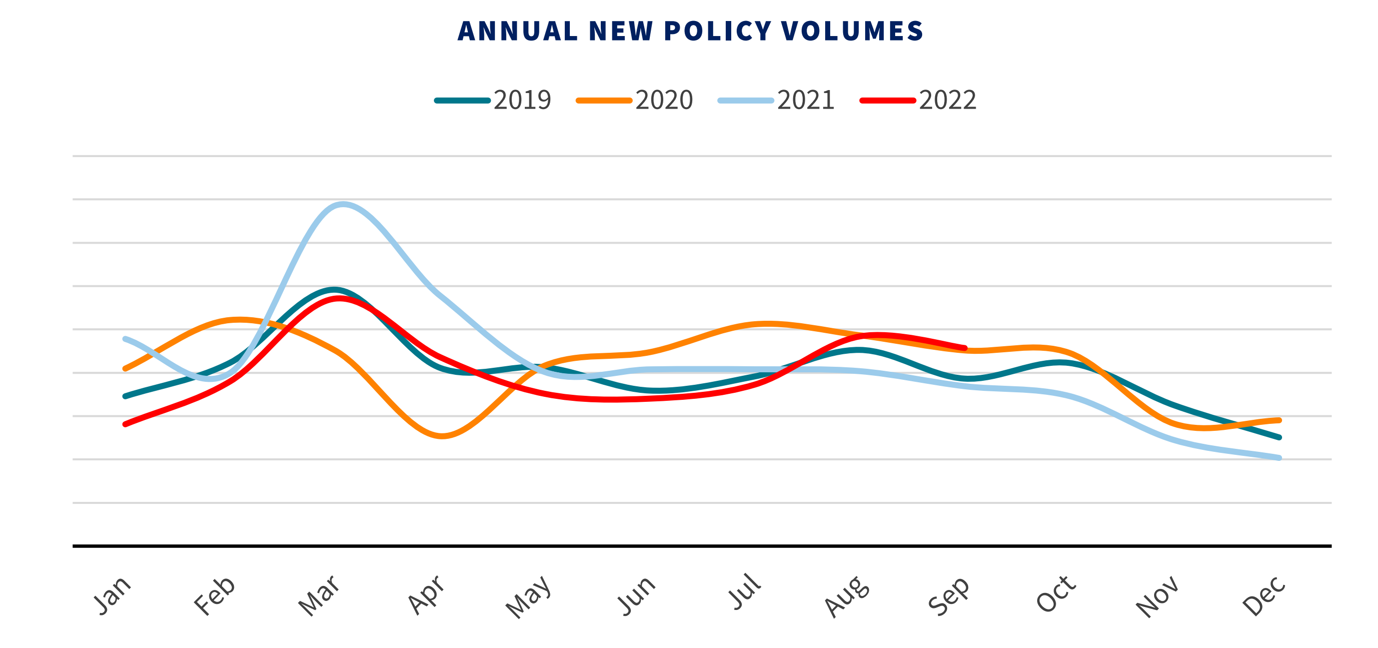
1) **Consumers are shopping more carriers**
2) **Those shopping are more likely to purchase a new policy (Chart E)**

Some of these shifts can be attributed to the growth of shopping in the independent channel, where agents can help their customers compare multiple carriers simultaneously. Interestingly, we are also observing increases in carriers shopped across the other (non-independent agent) channels. We believe that there is more rate disparity in the market due to timing of rate increases, which leads to the likelihood of consumers finding lower rates with carriers that have been slow to react to the changes in loss costs.

D



E



Adam Pichon

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

"We've recently seen two consecutive months with shopping trending up. ***Continued recovery from Hurricane Ian, sustained carrier rate activity and an apparent pending revival of auto sales*** *will undoubtedly factor into the shopping picture as we close out the year."*

Looking Ahead

Much of the shopping growth we are observing is attributable to states such as Texas, Florida, Georgia and Illinois, where carriers have quickly implemented significant rate increases. We believe that the shopping volumes in these states will persist over the next several months as consumers continue to experience increases when their policies renew. We also believe that other states will follow a similar pattern where shopping volumes increase as higher rate filings are applied to counteract carrier profitability challenges.

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