LexisNexis® Insurance Demand Meter

A quick look at auto insurance shopping trends

ISSUE #16

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LexisNexis Insurance Demand Meter – Trends from Q3 2023

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Overview

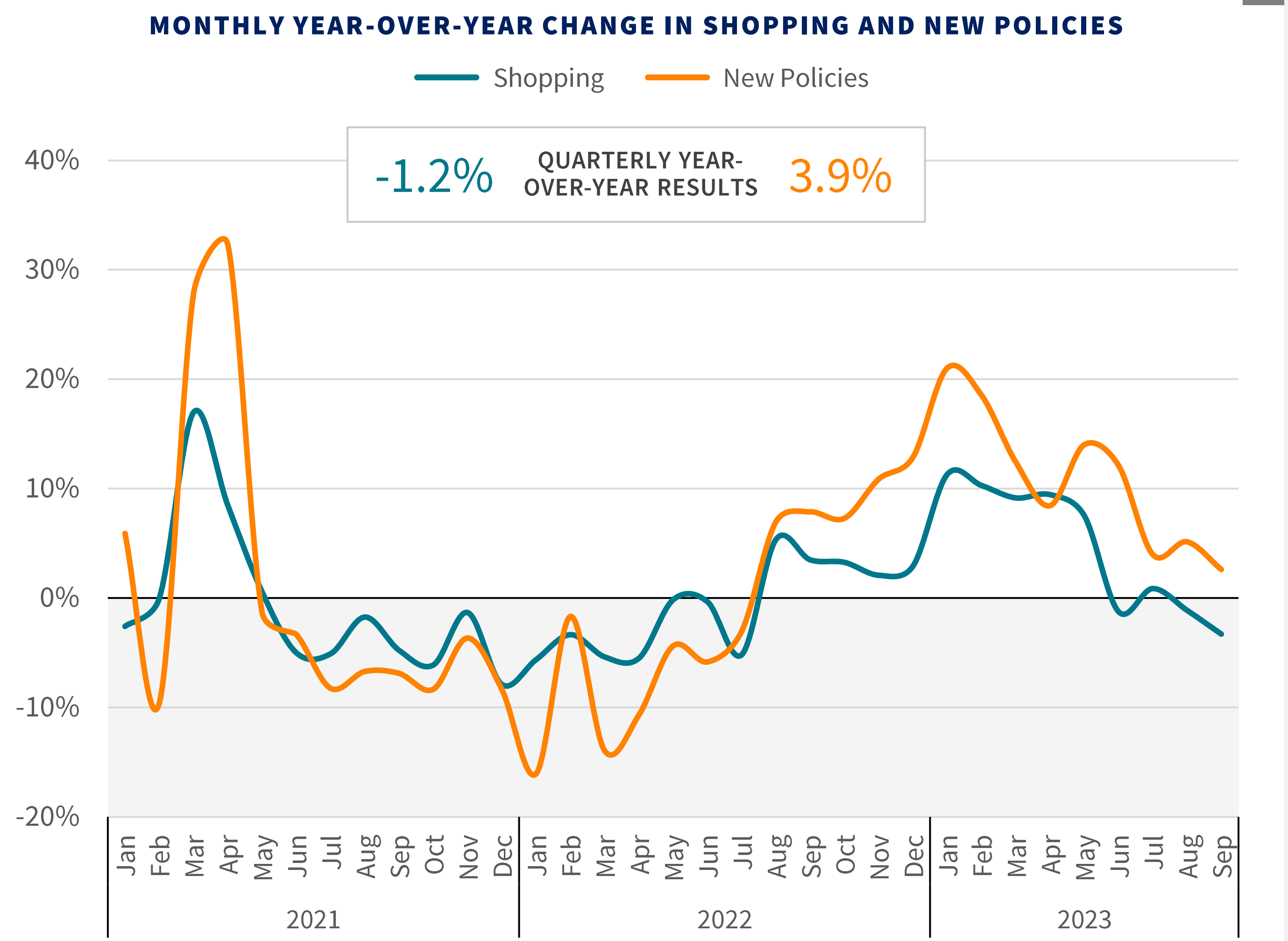
Shopping growth in the third quarter of 2023 registered as 'Cool' on the Demand Meter for the first time since Q2 of last year, continuing the downshift we began seeing in June. The overall cooling trend is not unexpected. The market is beginning to "hurdle" the high market activity that began in August of 2022.

Profitability continues to be challenging, with carriers turning their acquisition efforts on and off as state-level underwriting results shift in response to the latest claims data and implemented rate changes. Further, the household consolidation we discussed in last quarter's Demand Meter is also suppressing shopping. Despite the slowdown, consumers are still shopping at near-record volumes as they continue to respond to ongoing rate increases likely to top 14% on average for the 2023 calendar year.

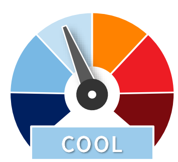
New policy growth, on the other hand, still came in 'Hot', although that growth is down from the 10.2% spike from last quarter. In fact, even with the lower growth numbers, we saw record volumes of new policies for the months of August and September (Chart C).

Despite insurers implementing restrictions on new business, consumers continue to purchase new coverage at **record levels.**

A

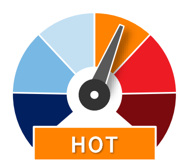


SHOPPING CHANGE — Q3 2023



The quarterly year-over-year shopping growth rate was -1.2% for Q3 2023 (down from +5.2% last quarter).

NEW POLICY CHANGE — Q3 2023



The quarterly year-over-year growth for new policies was +3.9% for Q3 2023 (down from +10.2% last quarter).

Inflation-driven shopping is shifting the market dynamic

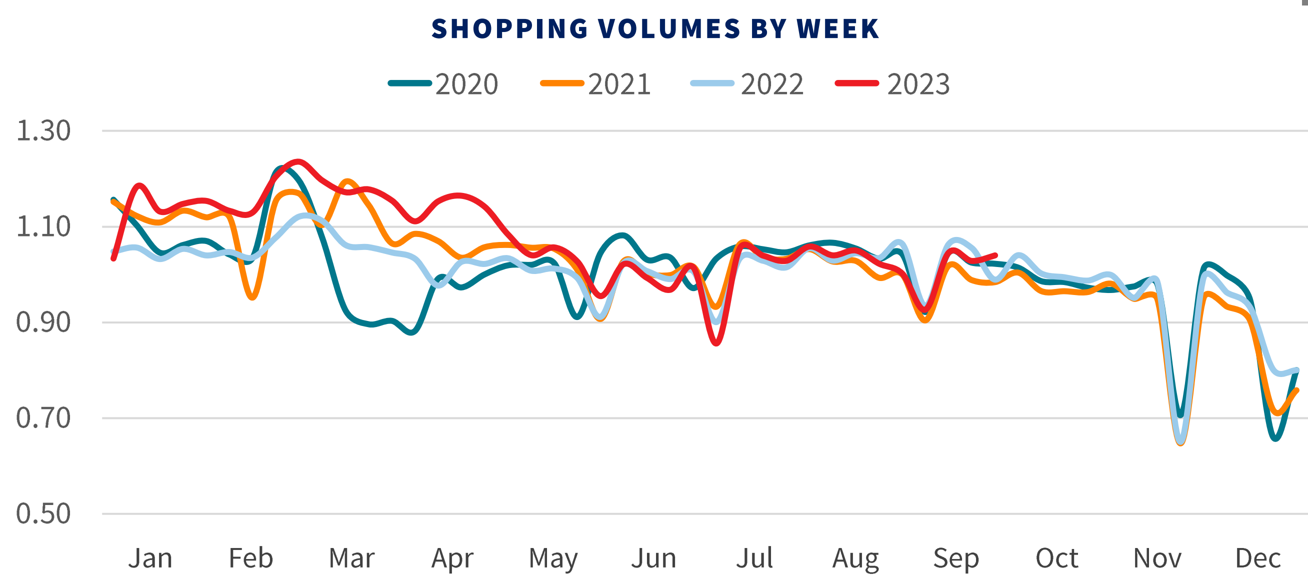
Over the past few quarters, we have seen some minor shifts in key auto insurance consumer shopping demographics, like growth in the 65+ age group and changes in the distribution channel volumes, influenced by marketing spend and ongoing underwriting restrictions. What's more, we are observing far greater variances in how often shoppers are purchasing new coverage and the demographics associated with those new policies.

For instance, the 65+ age group now makes up 14% of those who purchased new policies, up from 10% in early 2022. During the same time frame, purchasers in the under-35 age group dropped from 40% to 35%. This trend is consistent with the household consolidation we discussed last quarter.

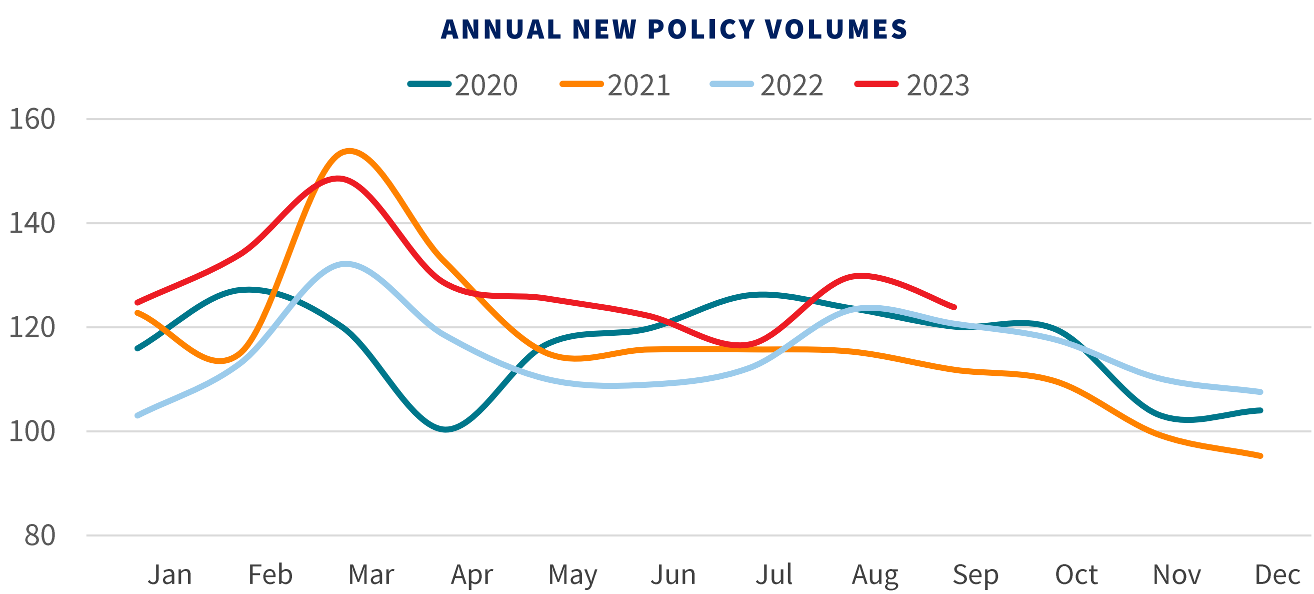
We highlighted the fact that the average number of drivers per policy is growing, likely in response to parents adding adult children to their policies (or adult children adding their retired parents).

While the purchase rate for uninsured shoppers is increasing, meaning there is a higher volume of people entering the market, the volume of currently insured purchasers is growing even faster, now making up 63% of overall new policies, which is up from 60% last quarter. Within this group, the highest growth is with consumers that carry 'high' Bodily Injury (BI) limits.

B



C



The percentages of shopping and new policy volumes linked to the purchase of a new or used vehicle are at **four-year lows.**

D

ACTIVITY ASSOCIATED WITH A VEHICLE PURCHASE

	2019	2020	2021	2022	YTD 2Q23
SHOPPING	17.2%	16.6%	17.0%	15.4%	15.2%
NEW POLICIES	33.7%	34.4%	34.1%	29.3%	27.4%

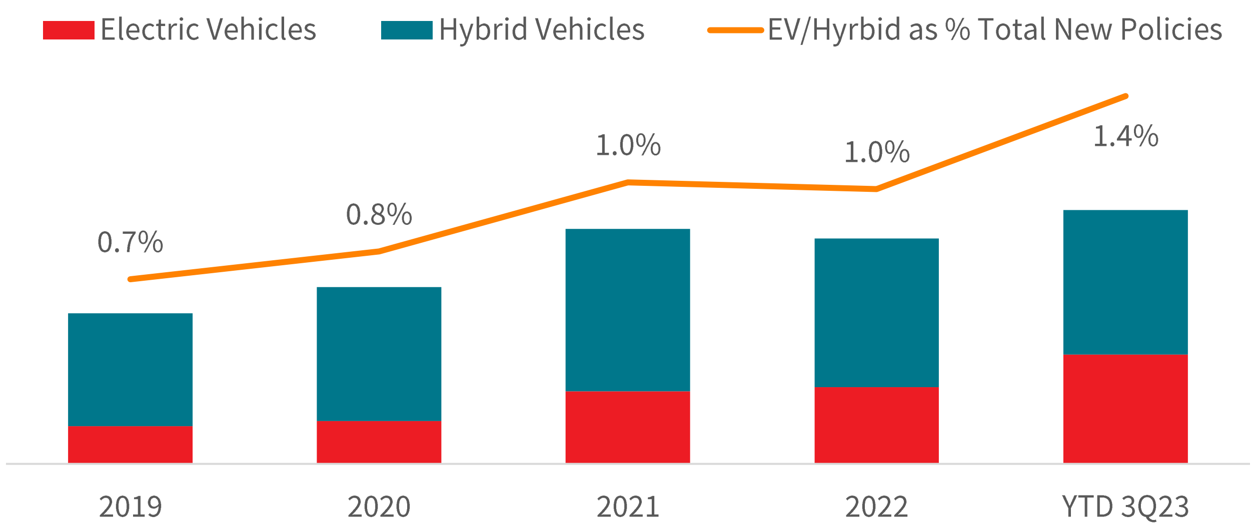
Electric Vehicles (EVs) comprise a growing share of new policies

As consumers shop in response to increasing insurance rates, our data shows that the percentages of shopping and new policy volumes linked to the purchase of a new or used vehicle are at four-year lows (Chart D). This is occurring even though total vehicle sales are finally starting to rebound from the levels following the 2022 microchip shortages.

Interestingly, we are seeing the share of newly purchased Electric (battery/plug-in hybrid/fuel cell electric vehicles) and Hybrid vehicles rise to 1.4% of total new business. Purchase volumes of Electric/Hybrid vehicles through Q3 of 2023 have already outpaced the volumes for all of 2022, with Electric volumes far outpacing previous years (Chart E).

E

ELECTRIC & HYBRID VEHICLES ON NEW POLICIES



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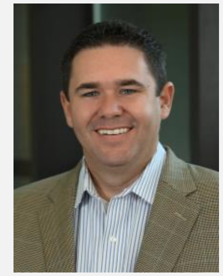
Looking Ahead

This quarter's claims severities for most carriers are showing no abatement, and this continues to put profitability pressures on insurers who have not been able to grow premiums fast enough to keep up. Consequently, we have seen drops in financial ratings, with more severe underwriting restrictions implemented in response. Even with underwriting restraints in place, consumers continue to shop – including long-term customers that may not have shopped in 10 or more years. As we enter the holiday season, insurance shopping activity traditionally tends to slow, but ever-increasing premiums combined with tightening consumer budgets could lead to a change in traditional shopping behaviors.



Adam Pichon

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

"Record-setting rate increases have framed the auto insurance shopping and new policy growth narrative for the past several quarters. *As we close out the year, claims frequencies remain flat and severity levels are still well above historical averages, fueled by high vehicle repair costs. As these trends prevail, we anticipate continued rate increases and strategic pullbacks into the new year for some carriers, while those that are already moving toward profitability will likely gain market share."*

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. Except where specifically cited, all data contained herein is LexisNexis Risk Solutions proprietary data.

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