LexisNexis® Insurance Demand Meter

A quick look at auto insurance shopping trends

ISSUE #20

LexisNexis® RISK SOLUTIONS

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Overview

In Q3, quarterly year-over-year growth for U.S. auto insurance policy shopping and new policy volumes was full steam ahead. For the second consecutive quarter, both categories landed in "Nuclear" territory on the Demand Meter; however, Q3 market activity pushed the upper limits of this designation.

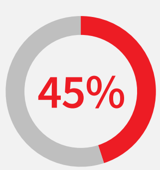
The quarterly year-over-year growth rate for auto policy shopping clocked in at 31.2%, up from the previous quarter's 16.1% reading, and quarterly year-over-year new policy growth rose to 25.9%, up from Q2's 19.5% number.

Shopping and new policy volumes became even more explosive in Q3 as some insurers continued to implement rate increases to attain profitability while others reignited marketing programs to attract consumers looking to mitigate the rate increases in their auto and home policies. This created a perfect storm of elevated activity.

Who's Shopping?

In the third quarter, shopping rates in the Direct distribution channel jumped a whopping 67%. Rate increases continued to force the 66+ age demographic into the market, and shopping among preferred and long-tenured customers also continued their upward trajectories; preferred shopping increased 35%, and high survivability customers topped out at 40%.

KEY TAKEAWAY



of the policies-in-force were **shopped at least once** in the previous 12 months by the end of Q3.

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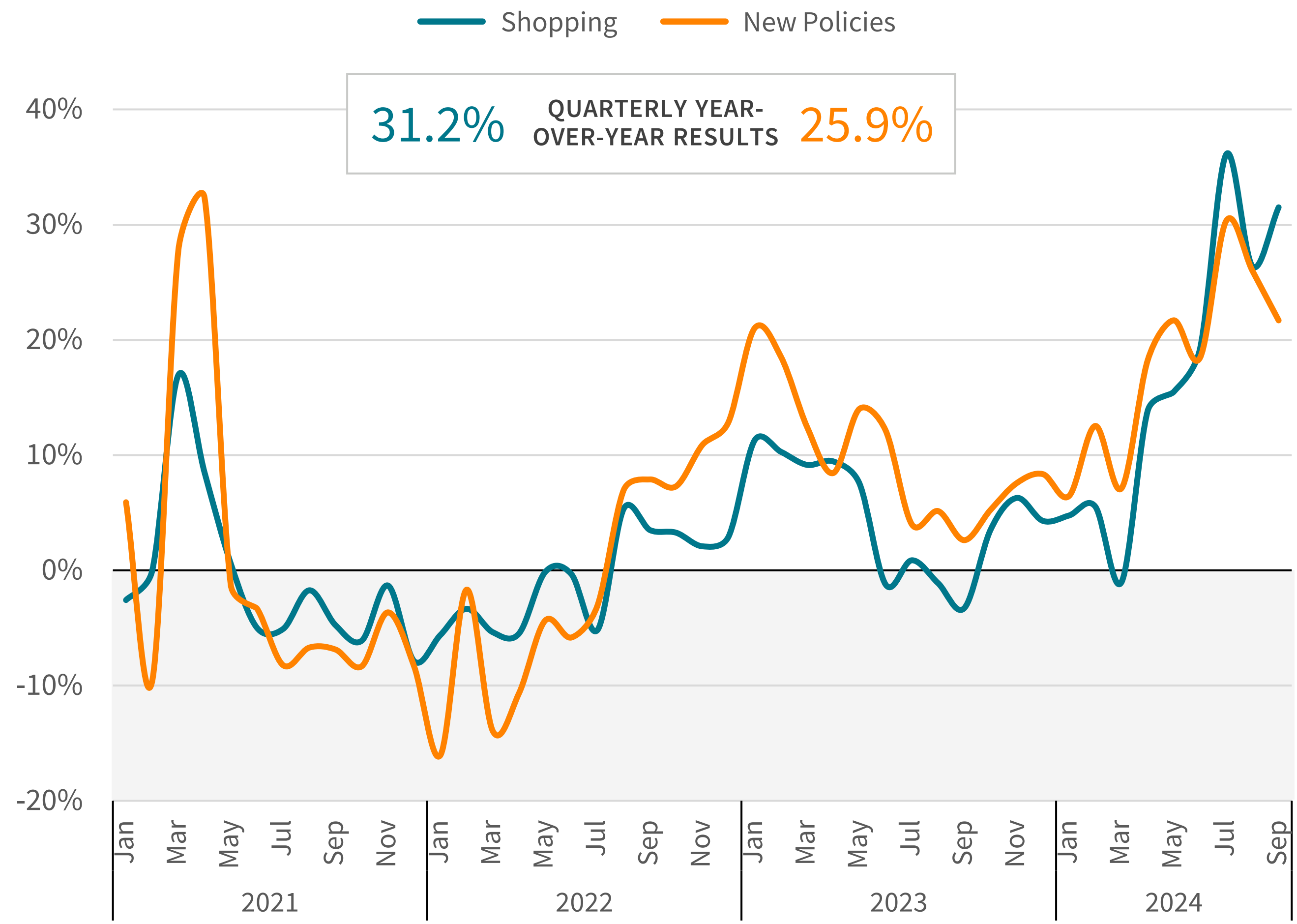
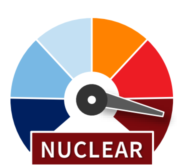
MONTHLY YEAR-OVER-YEAR CHANGE IN SHOPPING AND NEW POLICIES

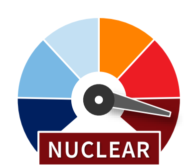


SHOPPING CHANGE — Q3 2024



The quarterly year-over-year shopping growth rate was 31.2% for Q3 2024 (up from 16.1% last quarter).

NEW POLICY CHANGE — Q3 2024



The quarterly year-over-year growth for new policies was 25.9% for Q3 2024 (up from 19.5% last quarter).

A Weekly Glance at Shopping and the Impact from Hurricane Helene

Even with policy shopping rampant throughout July, August and September, insurers saw the usual seasonal dip in activity starting on Labor Day. This year it extended through the last week of the quarter for a few Southern states when Hurricane Helene made landfall in Florida at the end of September.

Hurricane Helene slowed shopping in Florida, Georgia, North Carolina and South Carolina. Florida and Georgia initially experienced the biggest declines in shopping percentages, with rates dropping off -17% and -16% respectively. Florida residents resumed shopping activity the week after Helene made landfall, but Georgia only recouped half of its prior activity.

While Florida and Georgia felt the initial brunt of shopping decreases, a slowdown in shopping activity persisted in the Carolinas. Although the shopping rate impacts were initially smaller, the storm's lingering effects continued to impact North Carolina, where shopping rates fell between -7 and -8%, and South Carolina, which saw declines range between -13 and -20% through the end of the quarter.

Hot Streaks in a Hot Month

August achieved the highest volume of new policies in a single month. Direct-to-consumer carriers led the way, growing 54%, followed by Independent Agent carriers with 26% growth. Similar to previous quarters, traditionally high survivability consumers continued to shop and switch at higher rates, with new policy volumes for that segment growing 34%.

Multiple states also experienced elevated shopping growth by percentage. States leading the charge in year-over-year growth included Wyoming (80%), California (67%), New York (58%), Louisiana (54%) and Montana (47%). While states like Texas (33%), Florida (38%) and Michigan (19%) were among the top five states experiencing the highest growth by volume, states with higher populations like New York and California ranked in both volume and percentage categories.

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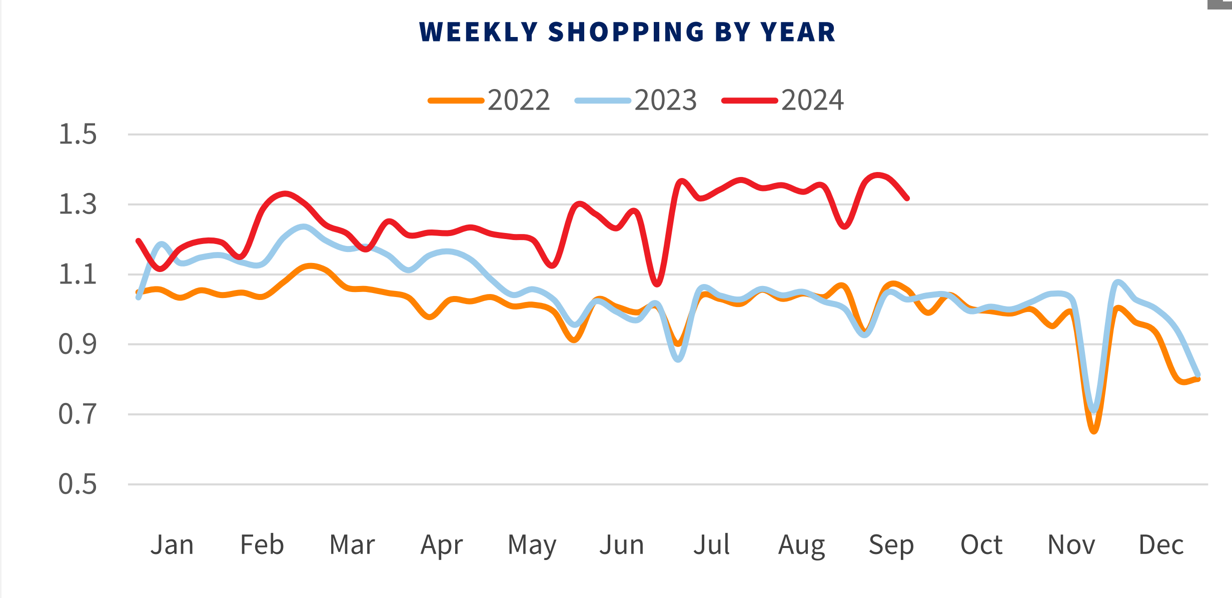

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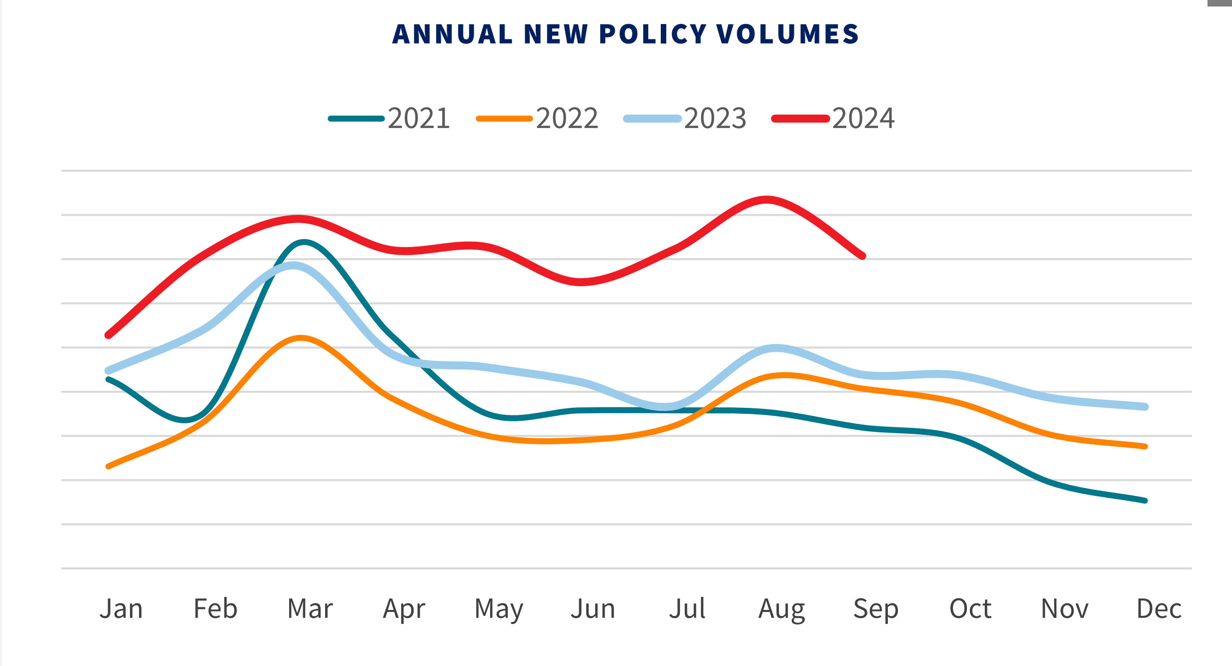

Overall Claim Severities Stabilize while CO and PD Frequencies Decline

Many of the shopping and new business trends have been driven by the sudden and unprecedented spike in vehicle repair costs that began in Q2 2021. Initially, the impact on profitability that ensued caused insurers to turn off marketing, implement underwriting restrictions, and in some cases, pull out of states. A flurry of rate increases followed, with both immediate and ongoing increases for consumers thanks to rate capping in many of these filings. This drove consumers into the market looking for lower rates on their auto and home policies. Over the last two quarters, carriers have jump-started their marketing and loosened restrictions as they returned to profitability.

Severity trends have returned to historical norms and remained steady over the past four quarters, and most insurers are reporting profitability in most states. At the same time, collision and property damage frequencies have continued their declines from the 2021 post-COVID highs, dropping more than five percent and two percent respectively in the first two quarters of 2024. This is likely why, in September, carriers increasingly filed for rate decreases in certain states. However, the industry continued to add rate to the market overall.

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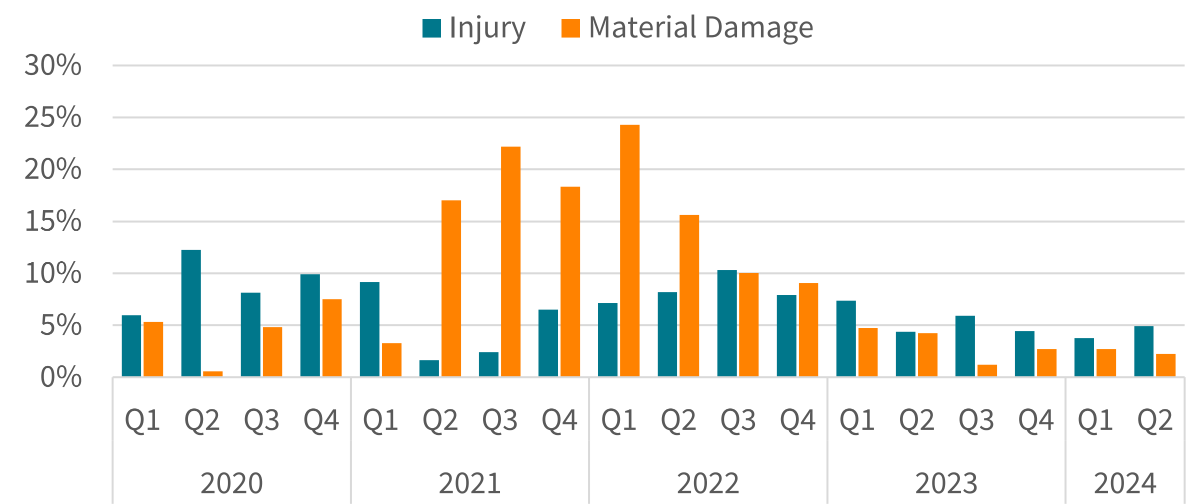

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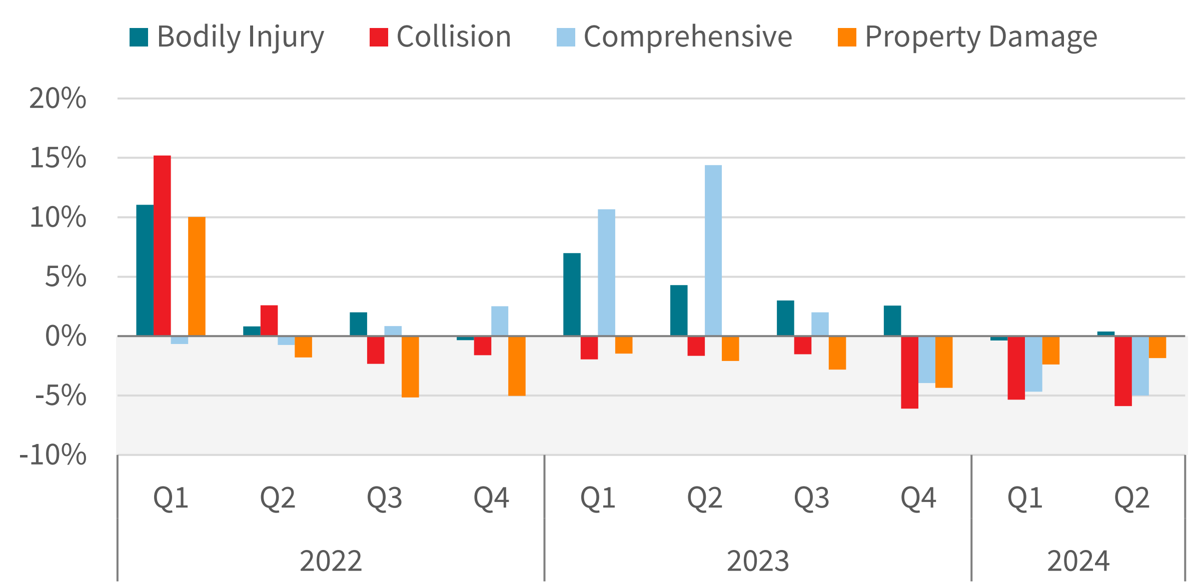

Jeff Batiste

Senior Vice President
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U.S. Auto Insurance

*"With most of the industry returning to profitability and claims trends returning to historical norms, the rate of premium increases taken by carriers is slowing. **In the past, this has led to a highly competitive market with carriers investing more in marketing spend with a focus on growth and profitability.** There is no doubt that they will do so with a close eye on the latest industry trends so they can respond quickly should conditions change."*

Looking Ahead

What will define that next chapter is yet to be determined, but soft markets are typically associated with aggressive marketing efforts and carriers taking targeted rate adjustments to increase segmentation.

Coming off a historically tumultuous four years, we expect that the most successful insurers will need to keep a keen eye on industry trends that include driving behavior, claim frequencies, the increased frequency of weather-related claims and whether recent shopping by traditionally longer-tenured customers will occur more frequently.

In early October, Hurricane Milton made landfall and impacted a large portion of Florida. For some, it was the second hurricane hitting within a two-week period. The impact of Hurricane Milton on shopping and new policies is expected to be much larger than the impact of Hurricane Helene and will be reflected in Q4 market activity. While the countrywide shopping and new policy volumes are expected to maintain current trends in Q4 despite weather events, we should anticipate the percentage growth to slow as we begin to hurdle the growth in shopping that began in November of 2023.

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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