



LexisNexis® Insurance Demand Meter

A quick look at
auto insurance
shopping trends

ISSUE #11

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

Overview

Inflation has been the dominant economic story in recent months, and the U.S. auto insurance industry is not immune from inflationary pressures. Rising claim costs and expenses continue to drive profitability concerns, prompting carriers to implement rate increases in many U.S. states. Traditionally this would drive an increase in shopping trends; however, consumer shopping rates continue to be constrained by the continued reduction in overall advertising and decline in car sales.

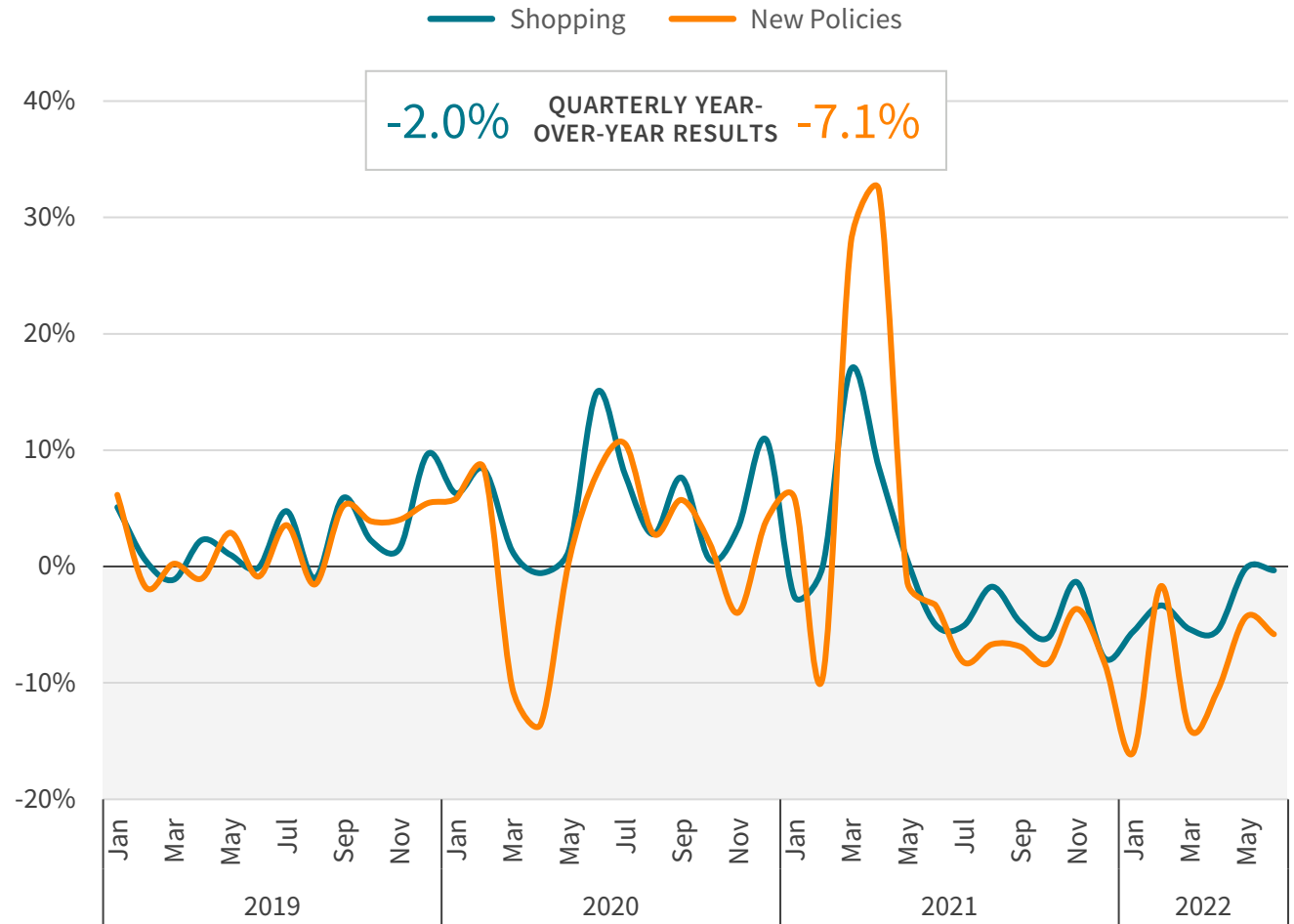
To compound the lack of new vehicle production, inflation is eroding consumer buying power, and financing conditions are tighter after the Federal Reserve has increased interest rates to counteract inflationary impacts on the economy. Despite the fact that shopping growth was -2.0% for the quarter, activity was relatively flat compared to 2021 in May and June (Chart B).

KEY TAKEAWAY

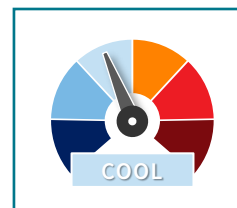
Many of the factors impacting shopping and new business patterns from earlier this year continued into the second quarter of 2022:

- ▼ Insurance carrier advertising spend down in Q2 2022¹
- ▼ Q2 new vehicle sales were off by 20% in Q2²
- ▲ Significant carrier rate increases continue from Q1 2022 into Q2 2022

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

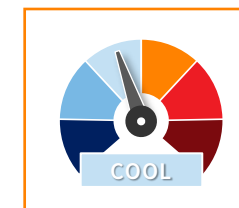


SHOPPING CHANGE — Q2 2022



The quarterly year-over-year shopping growth rate was -2.0% for Q2 2022 (up from -4.8% last quarter).

NEW POLICY CHANGE — Q2 2022



The quarterly year-over-year growth for new policies was -7.1% for Q2 2022 (up from -11.0% last quarter).

New trend: growth in middle-aged shoppers

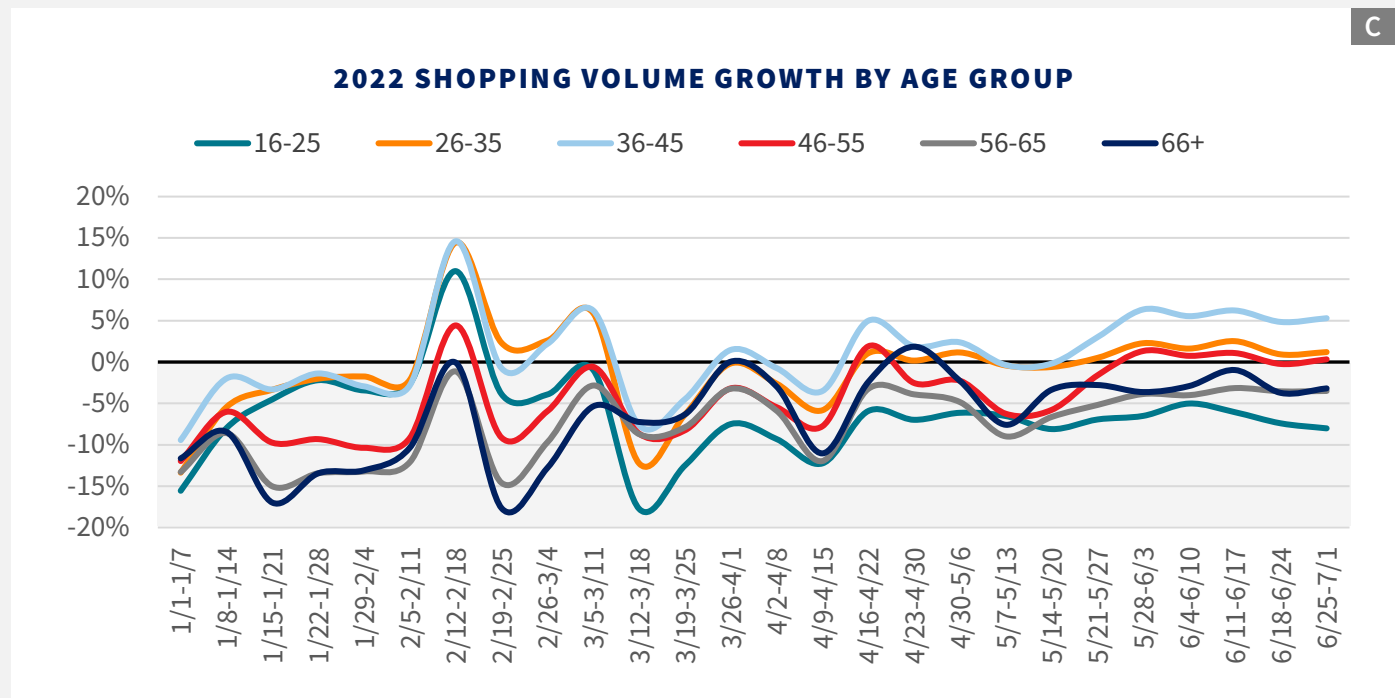
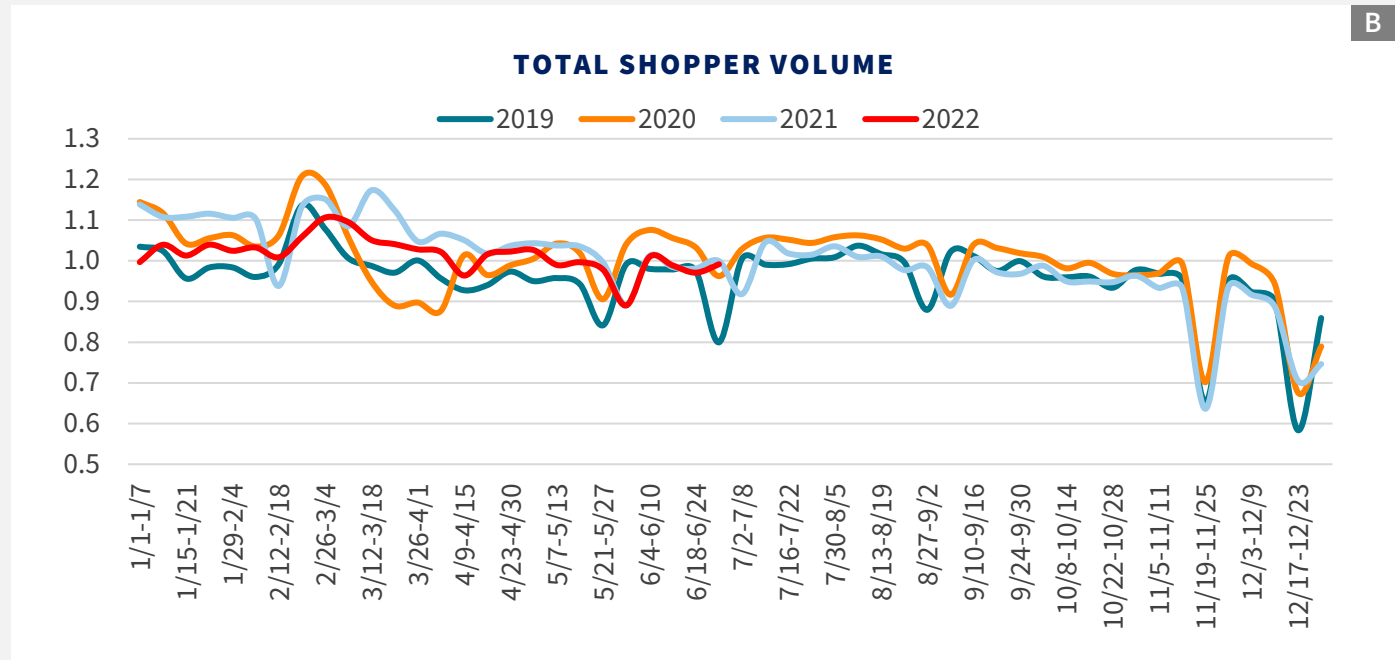
Since the beginning of the pandemic, we have examined the shift from traditional age-related shopping patterns. In early 2020, shopping by older consumers (66+ years old) outpaced other age groups, followed by a few quarters where younger shoppers (ages 16-35) led the pack, likely incentivized by stimulus checks and tax filing deadlines that were prominent in the early quarters of 2021.

In Q2 2022, for the first time, we saw the most growth from 36–45-year-old shoppers (Chart C). This may be due to the fact that these consumers are feeling the squeeze of inflation and rate increases at renewal. Additionally, the older and younger shoppers are now hurdling the high bar they set for themselves last year, so their year-over-year numbers are down.

Regardless of the reasons, this segment — which is largely comprised of older Millennials and younger Gen Xers — tends to be a desirable segment to target for insurers that are in profitability mode.



36-45-YEAR-OLD SHOPPERS outpaced other demographic groups



Impact of increasing auto premiums

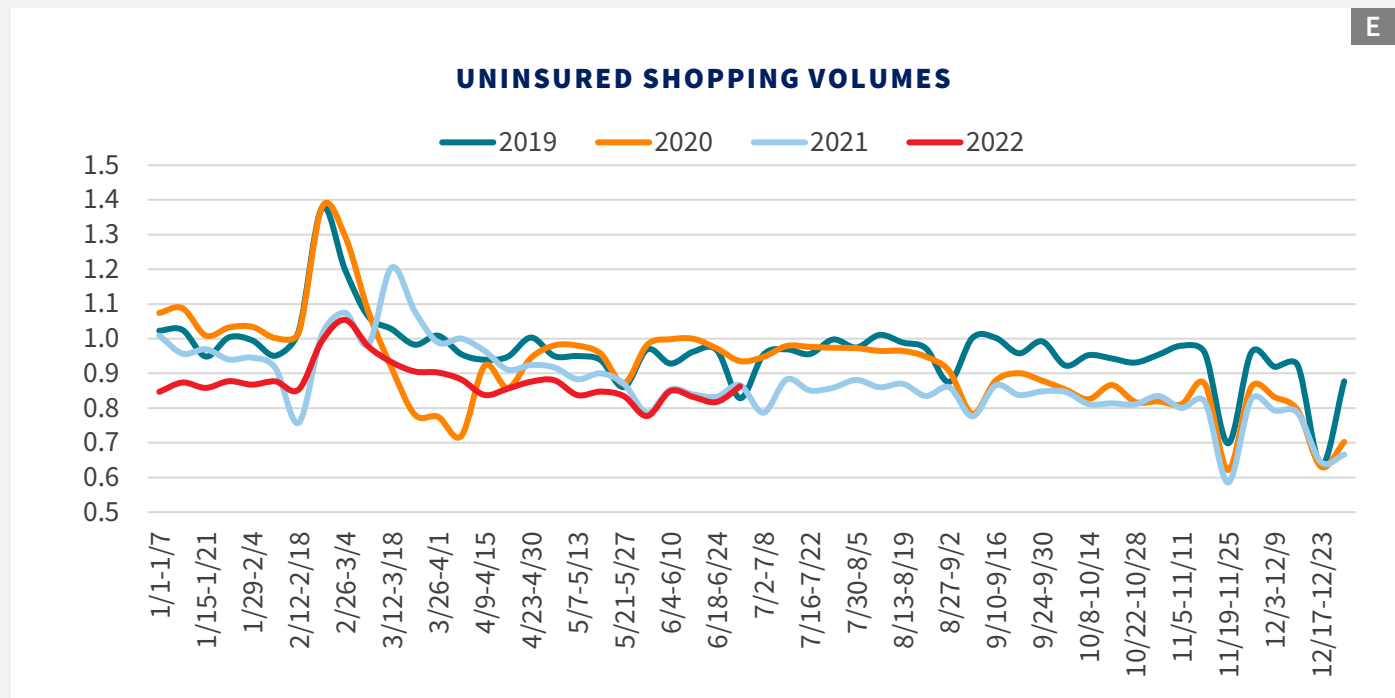
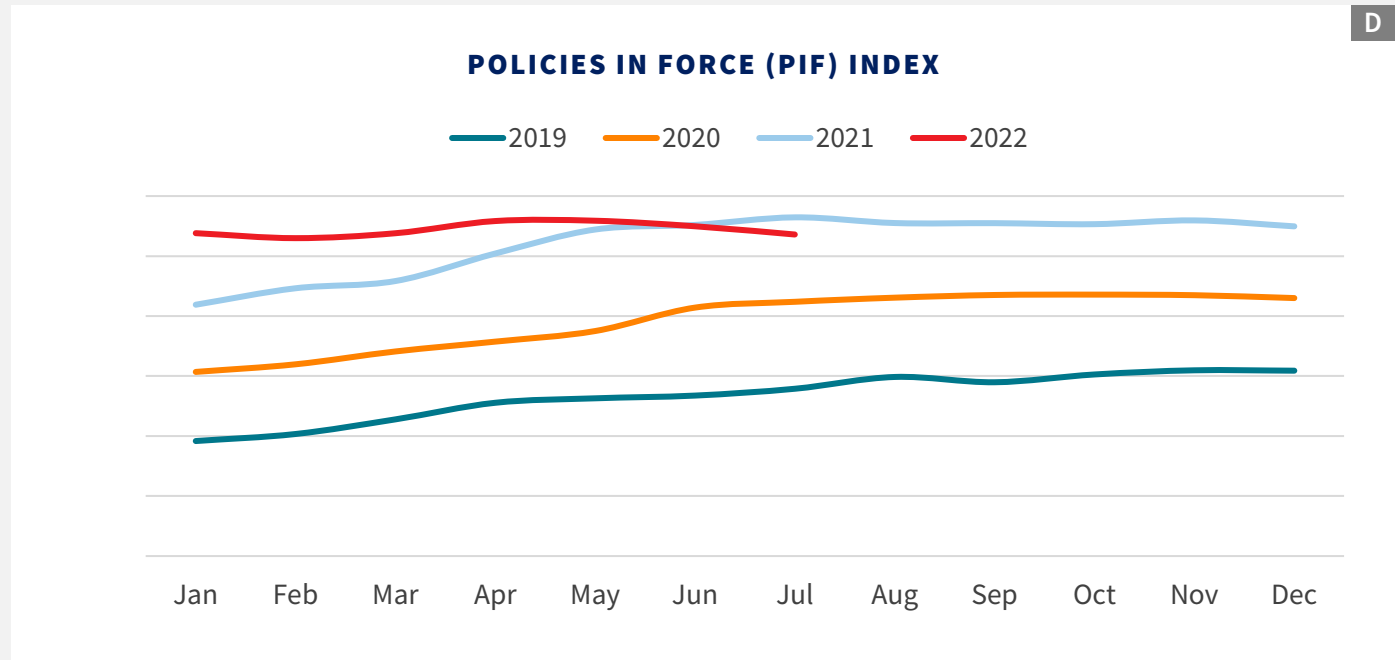
As discussed in issue #8 of the Demand Meter, a combination of voluntary and state-issued moratoria on policy cancellations during the COVID-related shutdowns caused above-average numbers of consumers to keep their policies.

Even as carriers began requiring payments, volumes of consumers were leaving the market — meaning they had dropped their policies between the first of one month to the next. Our data shows that this metric returned to the levels we have seen in previous years.. In Q3 2021, the consumer market exodus reached all-time highs, yet we still saw consistent year-over-year growth in overall policies in force (PIF), albeit at a slower pace (Chart D). When considering the second half of 2021, shopping was flat, and the first half of 2022 did not exhibit the usual seasonal PIF increases. The total policies in force for July 1, 2022, came in slightly negative compared to July 1 of 2021.

While overall written premium numbers are still growing given the rate increases being implemented, the higher premiums in combination with the other inflationary pressures facing consumers are likely making affordability a concern. This is part of the reason that uninsured shopping volumes are behind compared to previous years (Chart E).



UNINSURED SHOPPING VOLUMES were low in the first half of 2022





Adam Pichon

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

“As we transition to the third quarter, we will be starting to hurdle downward trends that were tied to reduced car sales in the latter part of 2021. This should be a significant factor that will shape near-term shopping volumes.”

Looking ahead

The consumers leaving the market as a result of affordability concerns are now uninsured drivers, but we have yet to see them re-enter the market as shoppers (Chart E on page 4). While this is causing downward pressure on shopping volumes now, many of these consumers will likely turn into uninsured shoppers in the future. The question is whether they will do so before 2023. Other factors to watch include the effect of new rate increases and an anticipated uptick in car sales in comparison to prior quarters.

1. <https://www.spglobal.com/marketintelligence/en/news-insights/latest-news-headlines/geico-progressive-break-trend-slash-advertising-expenditures-in-2021-69764365> and Q1 2022 Personal Lines Overview, Competiscan, ©2022.
2. <https://www.coxautoinc.com/market-insights/10-takeaways-from-u-s-auto-sales-q2-2022/>

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.



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