LexisNexis® Insurance Demand Meter

A quick look at auto insurance shopping trends

Q3 2020 | ISSUE #3

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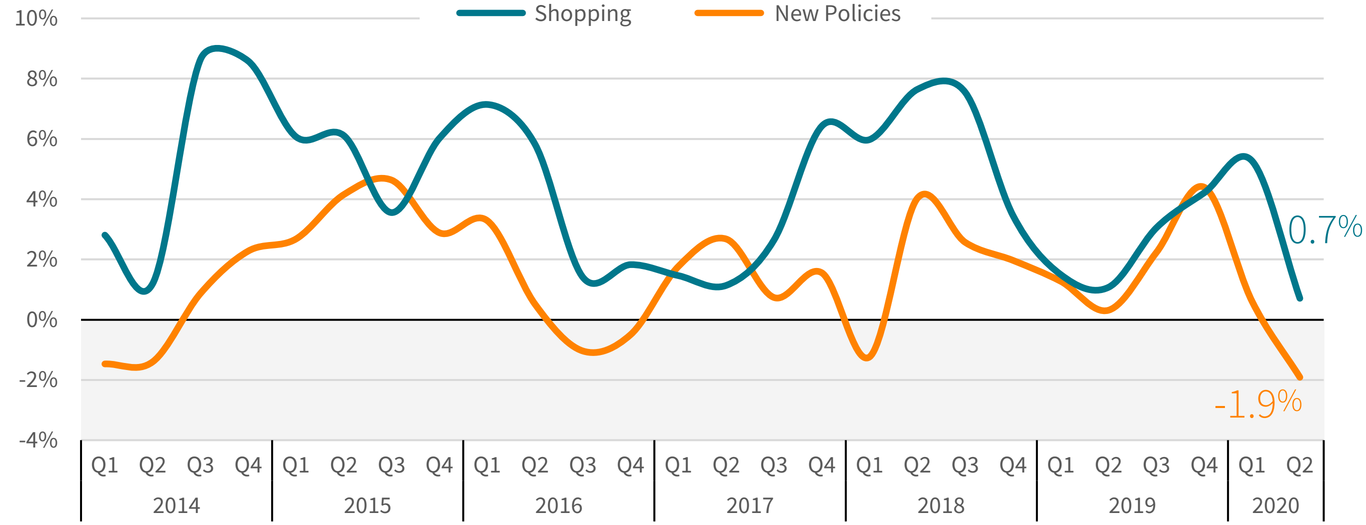
Overview

This edition of the Insurance Demand Meter continues our look at the impact of COVID-19 on U.S. auto insurance shopping in the second quarter of 2020. Overall, we saw shopping and new business growth rebound in May and June after an unprecedented drop in late March and early April. Consumer behavior was likely influenced by the ongoing uncertainty from coronavirus developments, civil unrest in many large metropolitan areas and other widespread national events. Additionally, due to the closure of state Departments of Motor Vehicles, fewer new driver's licenses were issued in the second quarter. This significantly impacted the volume of new drivers that were added to policies, a life event that commonly drives shopping activity.

Despite these challenges, the second quarter still saw a **+0.7% INCREASE IN SHOPPERS** versus the same quarter last year.

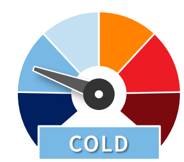
QUARTERLY YEAR-OVER-YEAR (YoY) CHANGE IN SHOPPING AND NEW POLICIES



SHOPPING CHANGE — Q2 2020

The year-over-year shopping growth rate for Q2 was 0.7%, slightly down from Q4 2019, but nearly 80% below the 5-year average.

NEW POLICY CHANGE — Q2 2020



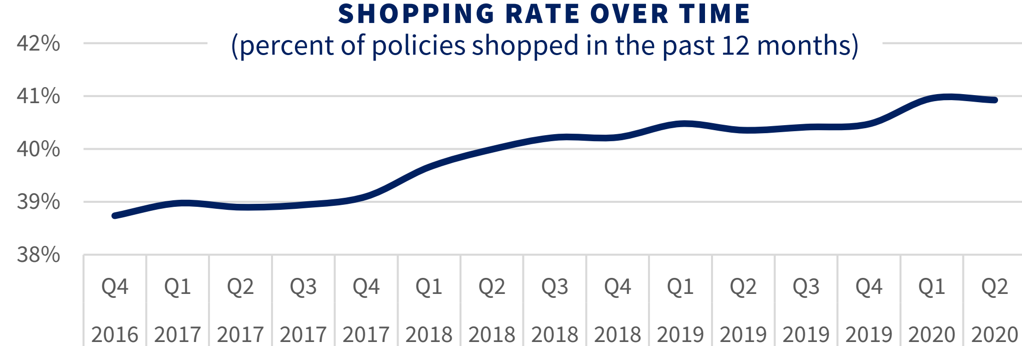
The annual new policy change for Q2 was -1.9%, 7x lower than the prior year and nearly 3x below the 5-year quarterly average.

Shopper Rates

Additionally, the consumers who shopped their insurance in Q2 were likely those who hadn't shopped in some time, helping to buoy the annual shop rate, which remained flat overall to Q1 as shown in the dark blue line to the right.

SHOPPING RATE OVER TIME

(percent of policies shopped in the past 12 months)



Shopping rate is calculated by the percent of policies in force on Jan. 1st that had at least one driver shop in previous year.

The U.S. auto insurance shopping rate was flat in Q2 2020 despite COVID-19 -related impacts that slowed shopping volume growth in April and May.

Q2 Shopping Volume: A Series of Hills and Valleys

As the coronavirus crisis unfolded, April shopping growth rates exhibited volatility, reaching a low the first week in April (-11%), but then bouncing quickly back the following week with the delivery of federal stimulus checks from the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

The market returned to consistent growth in May, which continued through June despite the challenges brought on by political protests in large urban areas through mid-June as well as the expansion of Juneteenth as a more widely recognized holiday. While shopping growth returned to levels at or even above pre-COVID-19 rates (Chart A), there were some notable variations seen within specific demographic groups (Chart B) and distribution channels (Chart C).

A

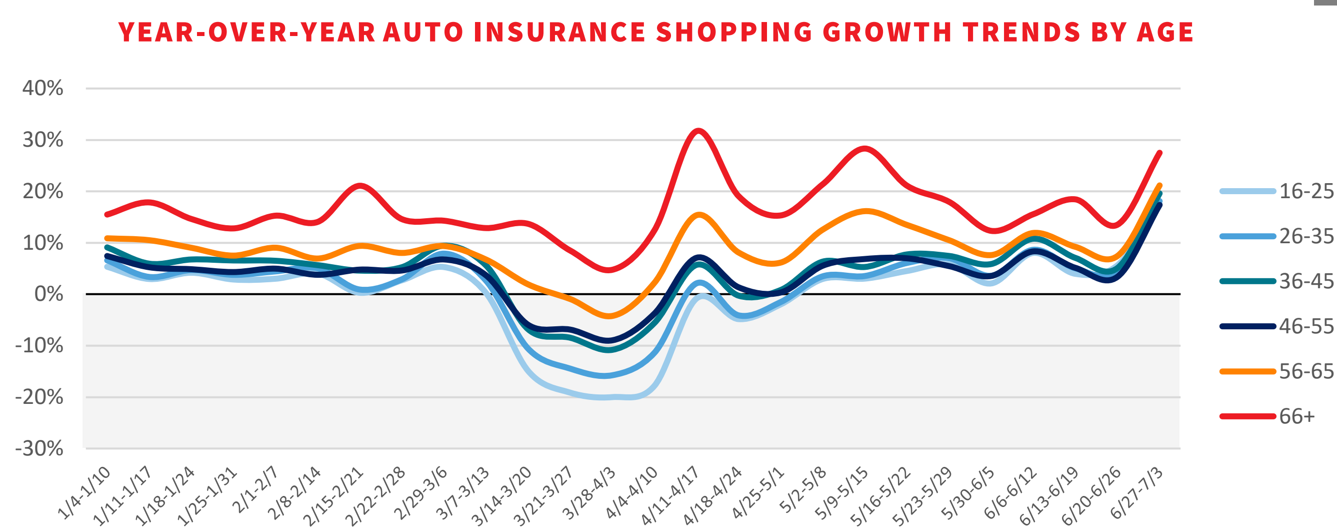
Despite early quarter volatility, the market returned to consistent growth in May that continued through June.

Impact by Age

In Q2, the 66+ age group (in red) shopped at a higher than average volume, while younger demographic groups returned to their pre-COVID-19 growth rates. In particular, shoppers' ages 16–25 and 26-35 showed the greatest upward trend throughout May and June after the steepest declines in March.

66+ age group shopped at a **HIGHER THAN AVERAGE VOLUME**

B



Impact by Channel

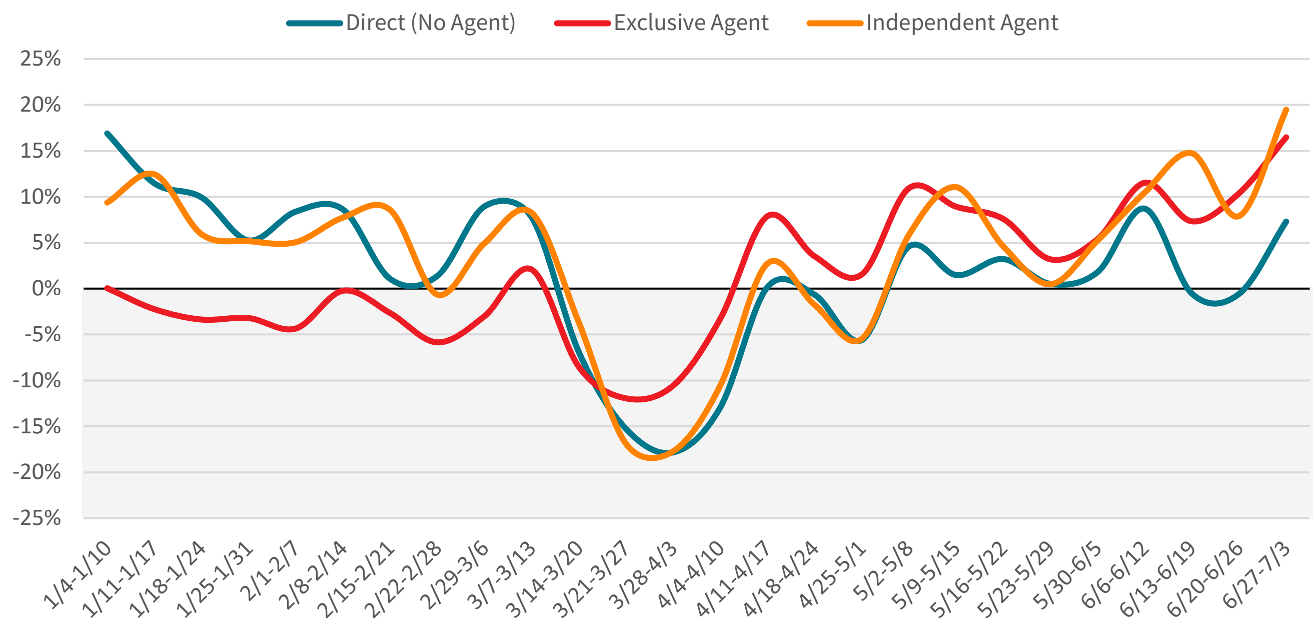
Carriers with exclusive agents fared well during the COVID-19 shutdown and have seen higher growth rates subsequently.

Independent agent and direct carriers had similar drops in shopping during the same time period, but direct carriers are yet to see a consistent return to pre-COVID-19 growth rates.

Direct carriers are yet to see **CONSISTENT PRE-COVID GROWTH RATES**

C

YEAR-OVER-YEAR GROWTH IN SHOPPING VOLUME BY DISTRIBUTION CHANNEL



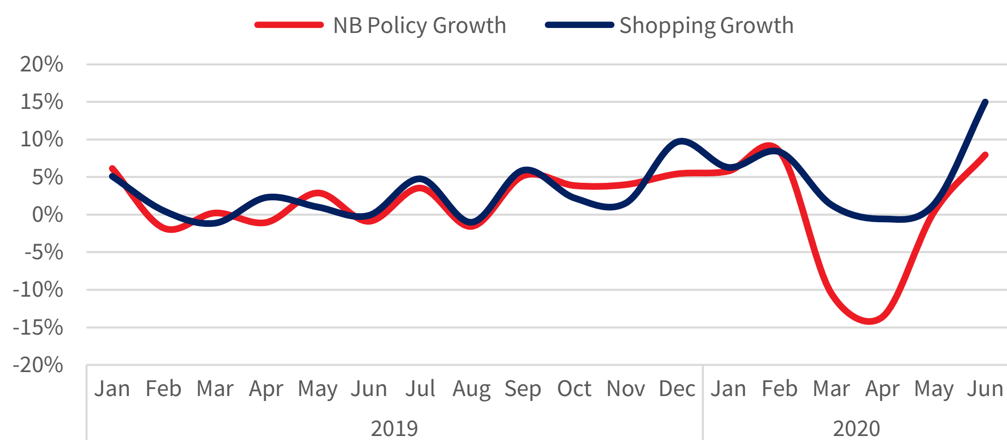
Q2 New Business Volatility

The COVID crisis had a much bigger impact on new business volatility than on shopping, falling to 14% in April, and ultimately weighing down the overall growth rate of -2% for the quarter.

Similar to shopping, new business volumes rebounded to just above 2019 levels in May and grew to +8% growth in June.

D

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



This monthly view shows the link between shopping and new business policy growth, and the magnitude of the impact from external factors like COVID-19.

Tanner Sheehan

Associate Vice President
Auto Insurance

"New vehicle sales, unemployment numbers, health concerns, the upcoming election and a whole host of current and emerging events have certainly influenced the shopping picture.

Yet as we have seen in the past, the auto insurance industry is resilient during periods of change and economic volatility. Heading into a soft market, we often have seen carriers competing for market share."

What's on the Horizon?

As we begin the third quarter, shopping volumes have mostly returned to pre-COVID-19 levels with key variations from the beginning of the year based on who is shopping, how they are shopping, and their likelihood to purchase when they shop. Historically, we have seen downward pressure on shopping volumes in presidential election years — and we expect national advertising and campaign activity to pick up significantly as we get closer to November.

Despite this potential, many factors support the prospect of increased shopping events:

- Past economic downturns have resulted in increased shopping volumes
- States are beginning to issue new driver's licenses
- Cancellation moratoria have mostly expired
- Carriers have started filing for overall rate decreases in recognition of the post-COVID-19 market conditions

For these reasons, we expect both shopping and new business growth rates to remain positive through the third quarter as carriers vie for market share.