# LexisNexis® Insurance Demand Meter

A quick look at auto insurance shopping trends

ISSUE #8

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## Overview

Despite the shopping uptick and unprecedented new policy growth highlighted in Q2 2021, the negative growth trends that we observed in May and June returned in the third quarter. While negative shopper growth has been a rare occurrence over the past decade, the industry continues to face unprecedented conditions.

In this edition of the Demand Meter, we examine how shopping is being challenged by current economic factors and other trends, including supply chain issues and a renewed wave of consumers leaving the market.

### KEY TAKEAWAY

The slowdown in new business growth that began at the end of Q2 2021 accelerated into the third quarter, with a slight leveling in August and September. Auto insurance shopping growth was also down, reaching a two-year low.

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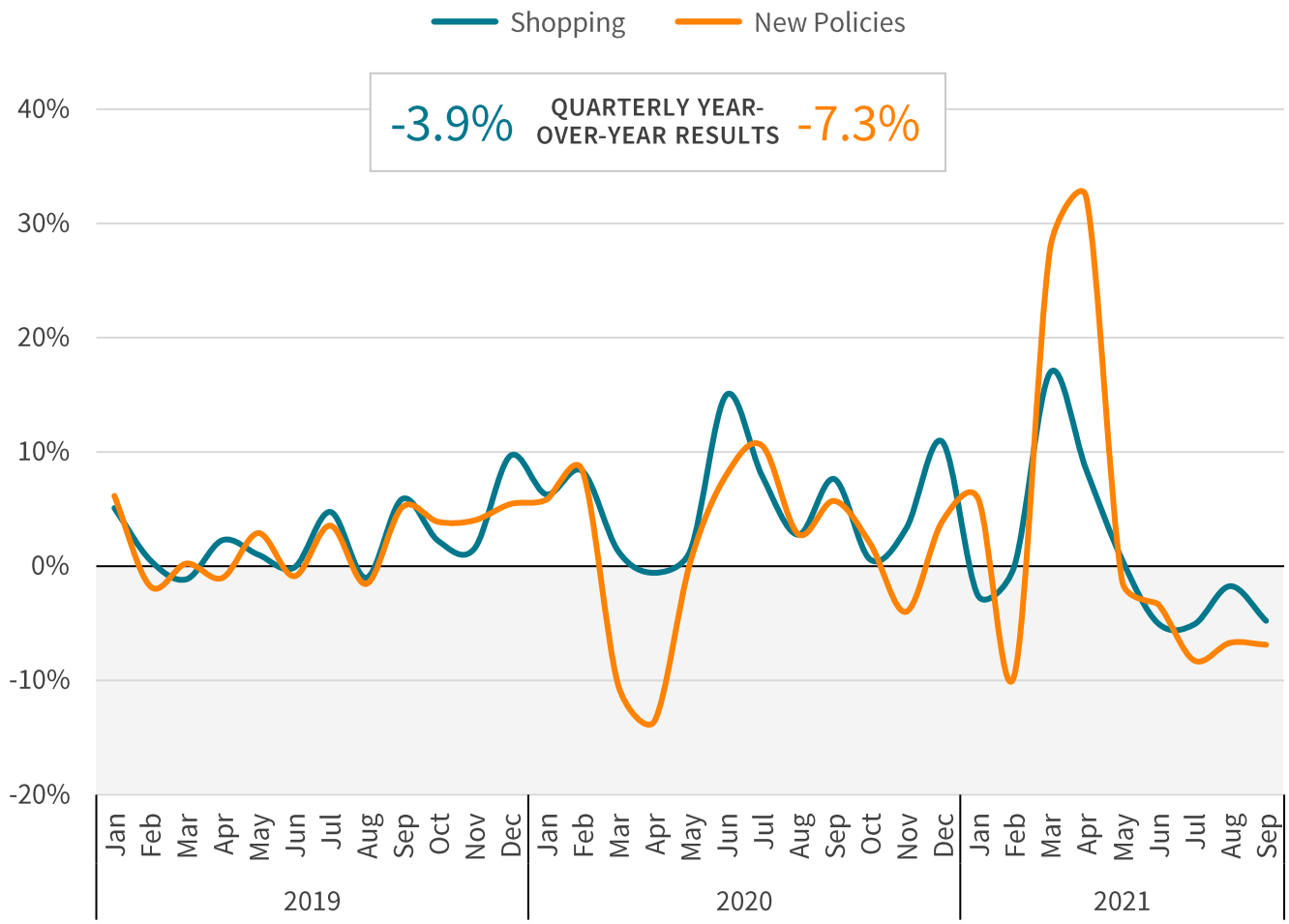
### MONTHLY YEAR-OVER-YEAR CHANGE IN SHOPPING AND NEW POLICIES




**SHOPPING CHANGE** — Q3 2021


The quarterly year-over-year shopping growth rate was -3.9% for Q3 2021 (down from 1.1% last quarter).

**NEW POLICY CHANGE** — Q3 2021


The quarterly year-over-year growth for new policies was -7.3% for Q3 2021 (down from 8.0% last quarter).

## Multiple Market Forces Impacted Q3 Shopping

Shopping volumes in the third quarter were more in line with 2019 volumes than 2020 volumes, a result of both macro and microeconomic forces[1].

From a macroeconomic perspective, the global microchip shortage has meant fewer new cars on the lots and sales down 14% year over year[2] – the slowest third quarter for auto sales in 10 years.[3] What's more, the new car inventory shortage is helping to increase the cost of used cars. With vehicle purchases accounting for as many as one in three insurance shopping events, the downturn in vehicle sales may be the biggest driver of the negative shopper growth.

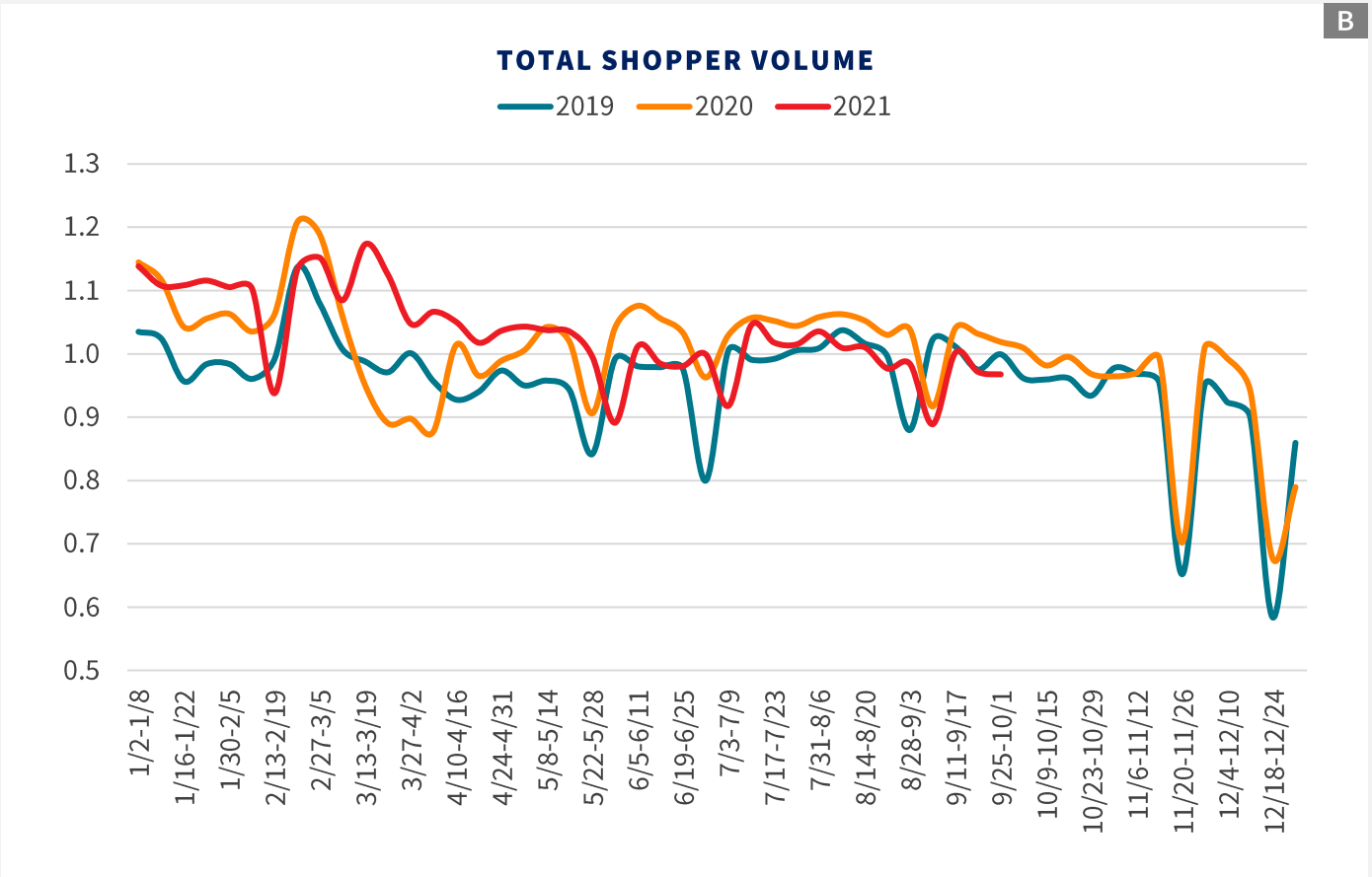
Within the industry, claims frequencies have returned to pre-pandemic levels for most coverages. That, combined with increases in claims severity levels that are related to parts and labor shortages as well as the increased used car prices have made profitability a renewed focus for carriers. To counteract these pressures, many carriers have begun filing for rate increases and have reduced their marketing spend while waiting for approvals. The most notable decreases in marketing spend appear to be in states where regulators have not approved the increased rates.

Finally, we began to see the end in Q3 to the remaining CARES Act benefits, which had propped up shopping events throughout the second half of 2020 and into 2021.

1 LexisNexis Insurance Market Insights report, 2021.

2 Cox Automotive Forecast, Sept. 27, 2021. https://www.coxautoinc.com/news/cox-automotive-u-s-auto-sales-forecast-september-2021/

3 Cox Automotive Data Point newsletter, Oct. 15, 2021. https://www.coxautoinc.com/market-insights/10-takeaways-from-u-s-auto-sales-q3-2021/




In July, insured shoppers represented 72% of total shoppers compared to 67% in 2019.

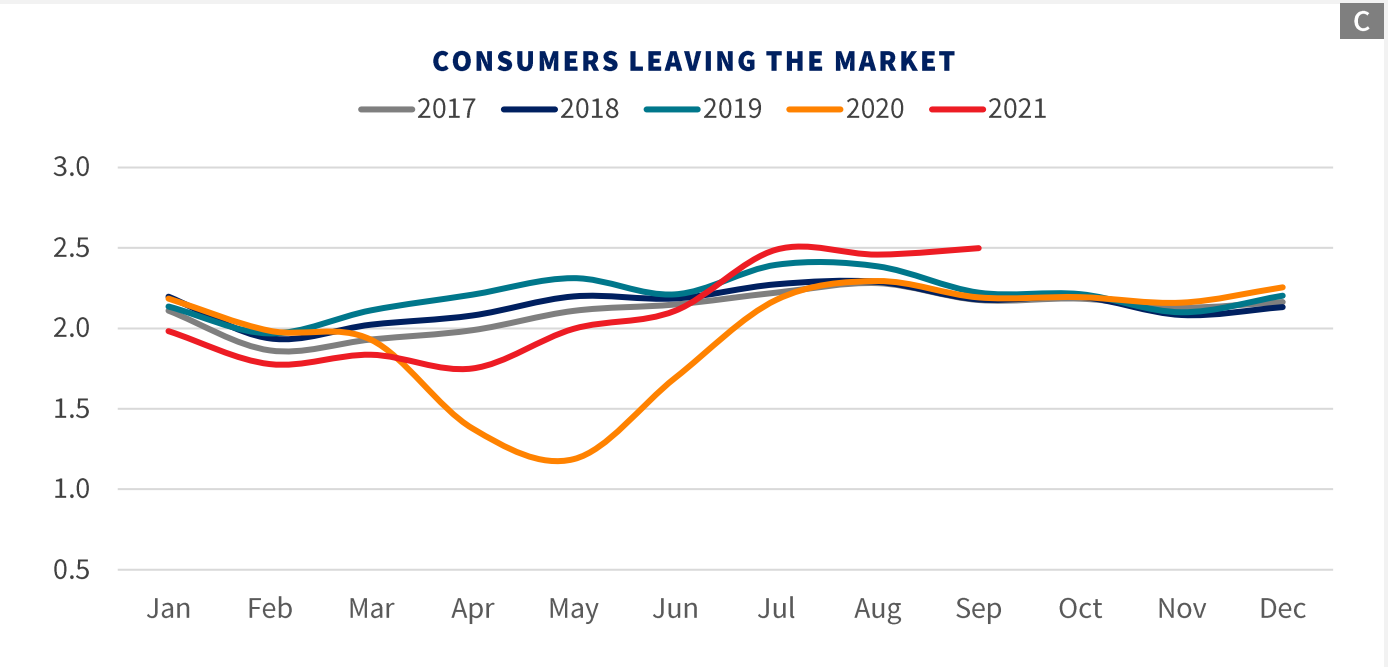
## Consumers Leave the U.S. Auto Insurance Market

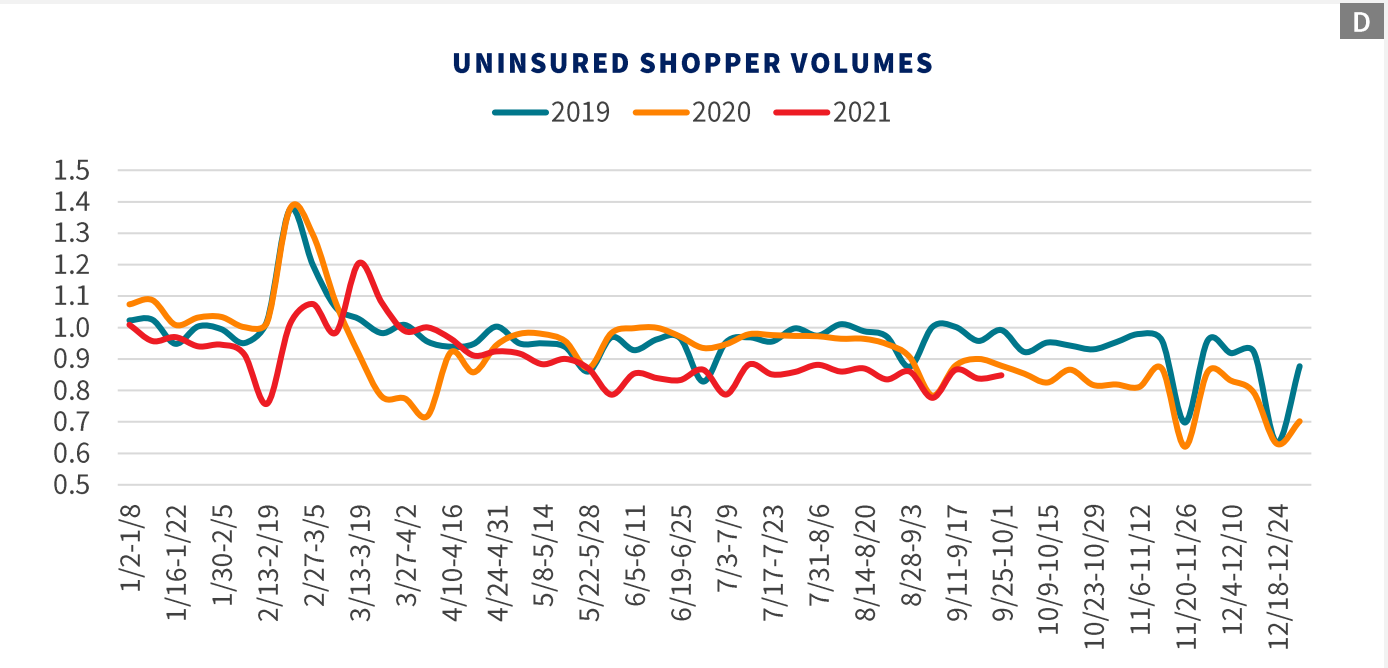
After more than a year of reduced volumes of consumers leaving the insurance market, volumes surpassed 2019 levels beginning in July.

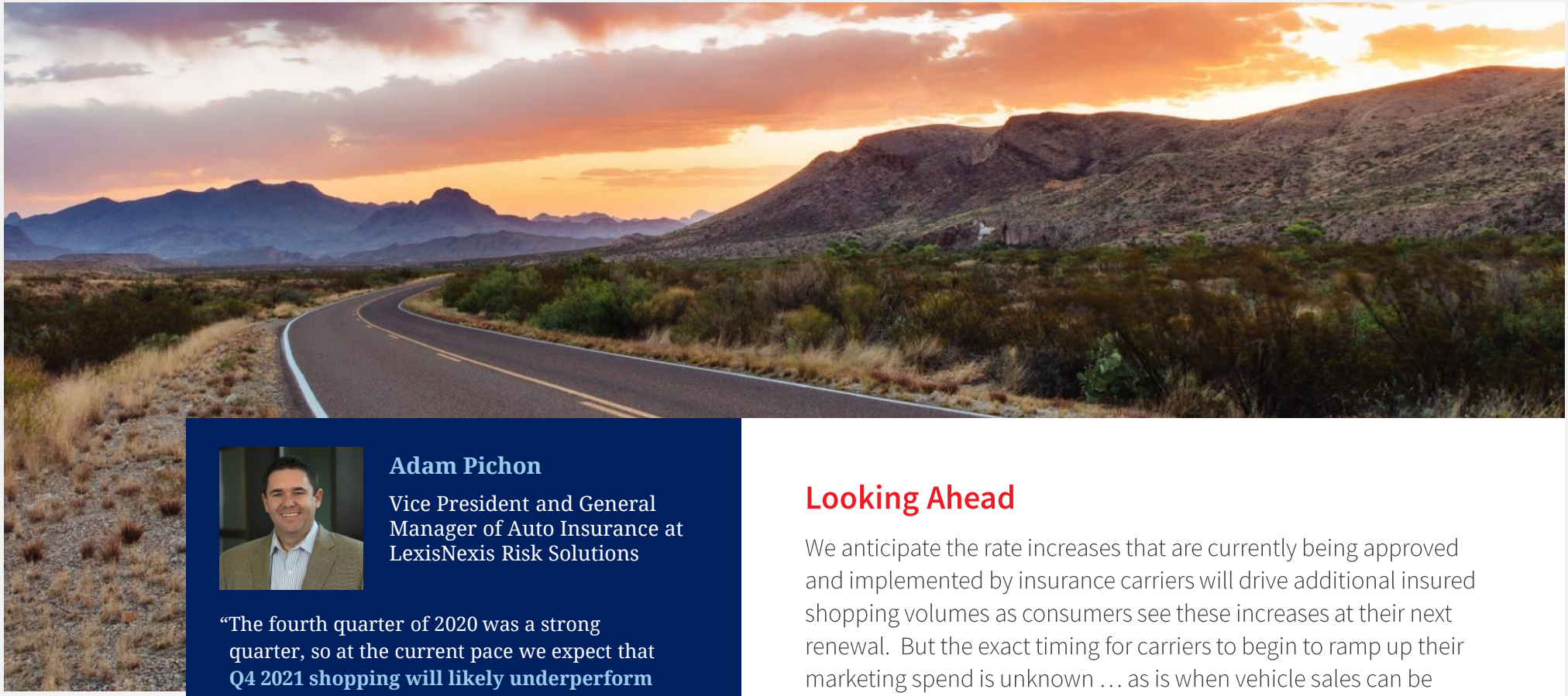
In 2020, a combination of voluntary and state-issued moratoria on policy cancellations during the COVID-related shutdowns caused consumers to keep their policies at above average levels. Even as carriers began requiring payments, volumes merely returned to the levels we have seen in previous years. This trend helps explain why 72% of shoppers in July 2021 were insured, up from 67% in 2019.

During Q3 2021, the market began to correct. The volume of consumers leaving the market reached all-time highs (Chart C). One explanation may be the lack of vehicle supply discussed in the previous section, where consumers not carrying collision coverage may not have replaced their vehicles right away. We have also observed in the past that higher volumes of consumers leaving the market tend to be correlated with rate increases, as evidenced by the 2019 volumes.

The consumers leaving the market that are now uninsured drivers have not yet begun to replace their policies, which is contributing to the negative shopping volumes. Based on prior years' data, many of these consumers will likely turn into uninsured shoppers in the future.







**Adam Pichon**

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

"The fourth quarter of 2020 was a strong quarter, so at the current pace we expect that **Q4 2021 shopping will likely underperform and potentially new business, too, unless the pace of new rate changes picks up soon.** We will be watching the next quarter closely to see if the uninsured shoppers come back by then, as the first quarter is typically the strongest quarter for uninsured shoppers."

## Looking Ahead

We anticipate the rate increases that are currently being approved and implemented by insurance carriers will drive additional insured shopping volumes as consumers see these increases at their next renewal. But the exact timing for carriers to begin to ramp up their marketing spend is unknown … as is when vehicle sales can be expected to return to more normal levels. The early, gradual release of tax credits does not seem to be keeping consumers in the market, so we don't expect strength in the overall shopper growth until those uninsured shoppers re-enter the market.

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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