LexisNexis® Insurance Demand Meter

A quick look at auto insurance shopping trends

Q2 2020 | ISSUE #2

THIS ISSUE INCLUDES EXTENDED COVERAGE TO CONSIDER THE IMPACT OF COVID-19

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

LexisNexis® RISK SOLUTIONS

LexisNexis Insurance Demand Meter – Trends from Q1 2020

Q2 2020 | Issue #2

LexisNexis® RISK SOLUTIONS

Overview

While events are still unfolding, it is clear that the coronavirus pandemic is influencing U.S. auto insurance shopping patterns in a profound way. This issue summarizes Q1 2020 shopping activity as well as additional weekly views of the data including an initial glimpse into Q2 results to show the impact of the COVID-19 pandemic through April 2020.

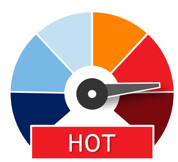
"We look at insurance shopping as a barometer, and when fluctuations occur, it provides an early glimpse into what's happening in the industry as a whole. The response in the insurance market to the COVID-19 outbreak has given us that glimpse."

– Tanner Sheehan, Associate VP, Auto Insurance

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

Most of first quarter's YoY shopping growth rate occurred in the FIRST TWO MONTHS of the quarter

SHOPPING CHANGE – Q1 2020



The YoY shopping growth rate for Q1 2020 was 5.3%, a 2.5x increase over Q1 2019, and 25% higher than the 5-year quarterly average.

NEW POLICY CHANGE – Q1 2020

The annual new policy change for Q1 2020 was 0.6%, on track with the historical 5-year average.

SPECIAL SECTION: The COVID-19 Impact

The following pages analyze COVID-19's impact on our industry by looking at ...

- Auto insurance shopping volumes
- Data by age, channel and state
- New business and policy growth
- What's on the horizon?

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 annual shop rate continues to be the highest we've seen – in Q1 2020 it hit 41.0%, up from 2019 (40.4%).

SPECIAL SECTION:
The COVID-19 Impact on Our Industry

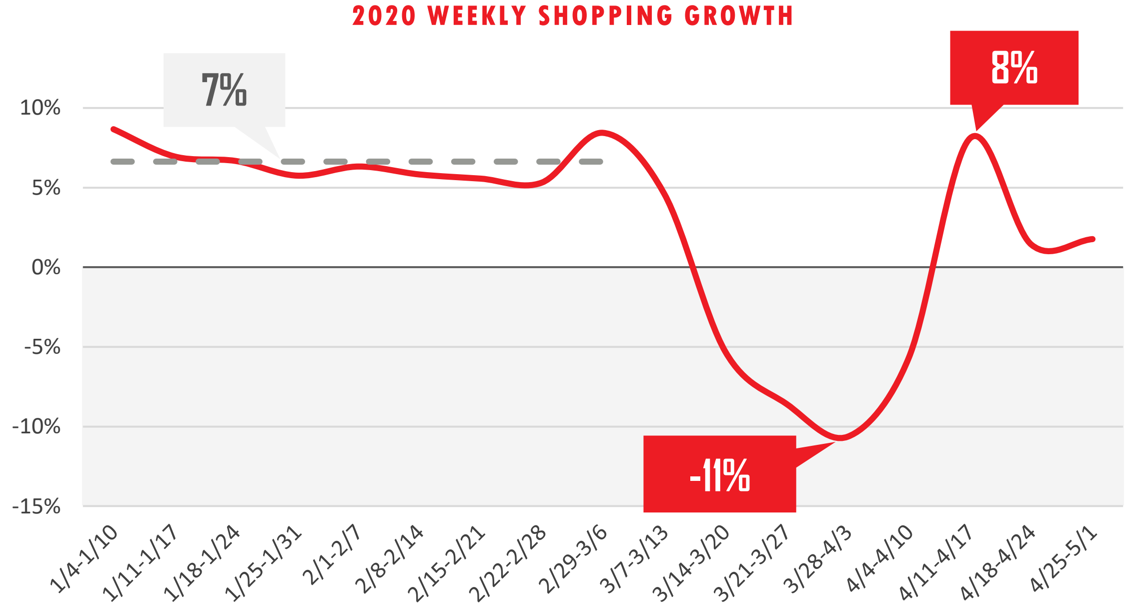
Shopping plummeted in mid-March, coinciding with the implementation of stay-at-home orders in many U.S. states

Impact on Auto Insurance Shopping Volumes

U.S. consumer auto shopping started the year off strong, with an average growth rate of 7% through the first week in March, but began to slow on Thursday, March 12th and then plummeted on March 16th (see chart A), coinciding with the implementation of coronavirus stay-at-home orders in many U.S. states. That trend continued through the remainder of the month and bottomed at -11% year-over-year for the seven days beginning March 28th, as many carriers announced moratoria on policy cancellations for lack of payment during the crisis.

Shopping began to turn around the week of April 11th, presumably driven by the receipt of federal stimulus payments under the Coronavirus Aid, Relief, and Economic Security (CARES) Act. There was a spike on April 15th, but things have moderated since that time, potentially influenced by strong advertising and premium rebates.

A



Impact by Age

Heading into March, shopping among older consumers (56-65+-years old) kept on pace with a multi-year trend of significant growth for those age groups (see chart B). While the coronavirus pandemic has impacted shopping volumes for all consumers, shoppers ages 35 and younger realized the biggest impact, with growth rates down by more than 20% among this demographic group. The impact on shoppers ages 56 and older was much flatter, with growth remaining positive throughout the crisis.

Interestingly, shopping growth among this demographic surged to +32% when the stimulus checks were received and has leveled off to the pre-COVID growth rate.

B

U.S. AUTO INSURANCE SHOPPING GROWTH TRENDS BY AGE, YEAR-OVER-YEAR

Age	Jan 4 - Mar 6	Mar 7 - Mar 13	Mar 14 - Mar 27	Mar 28 - Apr 3	Apr 4 - Apr 10	Apr 11 - Apr 17	Apr 18 - Apr 25	Apr 25 - May 1
16-25	+3%	+0%	-17%	-20%	-18%	-1%	-5%	-2%
26-35	+4%	+3%	-13%	-16%	-11%	+2%	-4%	-2%
36-45	+7%	+6%	-8%	-11%	-6%	+6%	-0%	+1%
46-55	+5%	+4%	-6%	-9%	-4%	+7%	+1%	+0%
56-65	+9%	+7%	+1%	-4%	+2%	+15%	+8%	+6%
65+	+16%	+13%	+11%	+5%	+12%	+32%	+19%	+15%

SPECIAL SECTION:
The COVID-19 Impact on Our Industry

The growth in the exclusive agent channel may additionally be fueled by the recent burst of shopping activity among the 55+ age demographic, who have shown a historical preference for agent relationships.

Impact by Channel

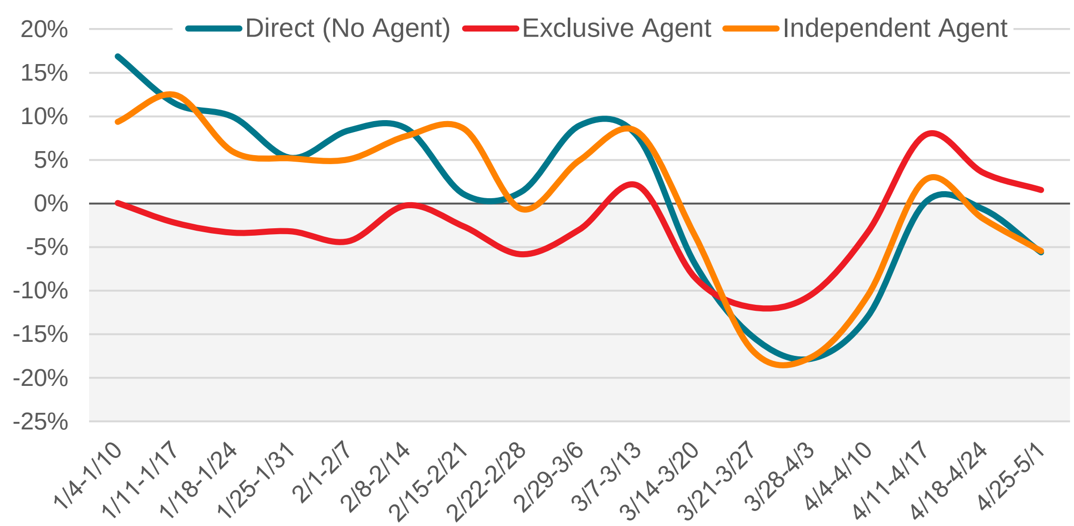
While pre-COVID shopping volume growth was negative for carriers with exclusive agent relationships — meaning their agents only sell that carrier's policies — there has been comparatively less of a decrease for the exclusive distribution segment since the COVID crisis. Carriers that use an exclusive agent distribution channel have even seen positive growth throughout April (see chart C), compared to other distribution channels. This may be attributed to strong advertising and premium rebates by these carriers, and additionally fueled by the recent burst of shopping activity among the 55+ age demographic, who have shown a historical preference for agent relationships.

By contrast, the direct and independent agent channels have taken a bigger hit. Consumers who prefer these distribution channels are more likely to be classified as non-standard, a segment which traditionally sees more turnover and is considered higher risk. The non-standard market saw shopping growth drop more than 30 points during the peak of the crisis and then surge temporarily with the stimulus checks.

.

C

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



Impact by State

Somewhat surprisingly, we observed that the timing of the decrease in auto insurance shopping volume growth was consistent in nearly every state. That said, there were variances in how quickly volumes dropped and how far they dropped. For instance, New York and New Jersey's YoY growth rates dropped very quickly (see chart D), but Massachusetts' and Illinois' were slower to drop. Louisiana (not shown), the state with the largest insurance shopping decrease, dropped moderately at first before realizing a more dramatic impact as it became a geographic hot spot.

The outlier was Utah (also not shown), which actually saw a decrease in shopping volume growth beginning in late-February, and never experienced more than a -7% point drop throughout the crisis.

D

SHOPPING VOLUME YEAR-OVER-YEAR GROWTH TRENDS IN STATES WITH HIGHEST NUMBER OF COVID-19 CASES

State Rank*	Jan 4 - Mar 6	Mar 7 - Mar 13	Mar 14 - Mar 27	Mar 28 - Apr 3	Apr 4 - Apr 10	Apr 11 - Apr 17	Apr 18 - Apr 25	Apr 25 - May 1
1. New York	+7%	+6%	-14%	-18%	-15%	+3%	+4%	+3%
2. New Jersey	+5%	-1%	-14%	-12%	-10%	+8%	+8%	+6%
3. Massachusetts	+16%	+9%	-1%	-2%	+4%	+12%	+9%	+7%
4. Illinois	+21%	+12%	+3%	-0%	+5%	+23%	+12%	+10%
5. California	+6%	+4%	-10%	-16%	-9%	-0%	-3%	-4%

Source: Center for Systems Science and Engineering at Johns Hopkins University

SPECIAL SECTION:
The COVID-19 Impact on Our Industry

Impact on New Business and Policy Growth

The overall direct written premium for the auto insurance market has certainly shrunk as carriers are giving back billions of dollars to consumers in response to the unprecedented drop in driving and, subsequently, claims. Despite these realities, the number of auto insurance policies actually grew, albeit only slightly, in both March and April. The pause in cancelling policies for non-payment has likely helped stabilize the policy count; as have the rebates, helping consumers that have lost their jobs stay in the market.

On the other hand, the new business volume growth has decreased at unprecedented rates, shrinking -10% in March and -14% in April. These decreases are far bigger than the decrease in shopping growth, meaning that in addition to fewer consumers shopping, the likelihood of a shopper to purchase new coverage has decreased as well. The biggest likely driver of this is the rebates that carriers are offering, with most carriers only offering them to current customers, making it harder for consumers to find lower premiums at a new carrier while those rebates are in place.

What's on the Horizon?

While shopping growth slowed after the stimulus check boost, we are seeing positive trends in the most recent data. The hardest hit states are trending positively and many states are beginning to relax their restrictions, which should begin bringing the unemployed back to work. Consumers returning to work should have a positive impact on shopping volumes, particularly in the under-45 age segments. Additionally, as carriers end their pause on cancellations we expect many consumers to be driven to shop in search of lower premiums.

Both of these factors will likely result in increased new business volumes, although it will be interesting to see if a number of consumers fall out of the market in response to continued financial pressures.

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.

risk.lexisnexis.com/demandmeter