LexisNexis® Insurance Demand Meter

A quick look at auto insurance shopping trends

ISSUE #4

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LexisNexis Insurance Demand Meter – Trends from Q3 2020

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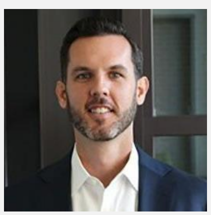
Overview

Shopping and new policy volumes both saw strong growth in July, continuing the positive trajectory that began at the end of Q2. That growth tapered in August, likely due to the significant weather events in several U.S. regions. It was also influenced by the end of unemployment benefit payments on July 25th from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, and from lingering impacts from Q2 cancellation moratoria – both of which contributed to lower uninsured shopper volumes during the quarter.

The end of the CARES Act **SUBSTANTIALLY IMPACTED THE UNINSURED MARKET** — **decreasing shopper volumes during the quarter.**



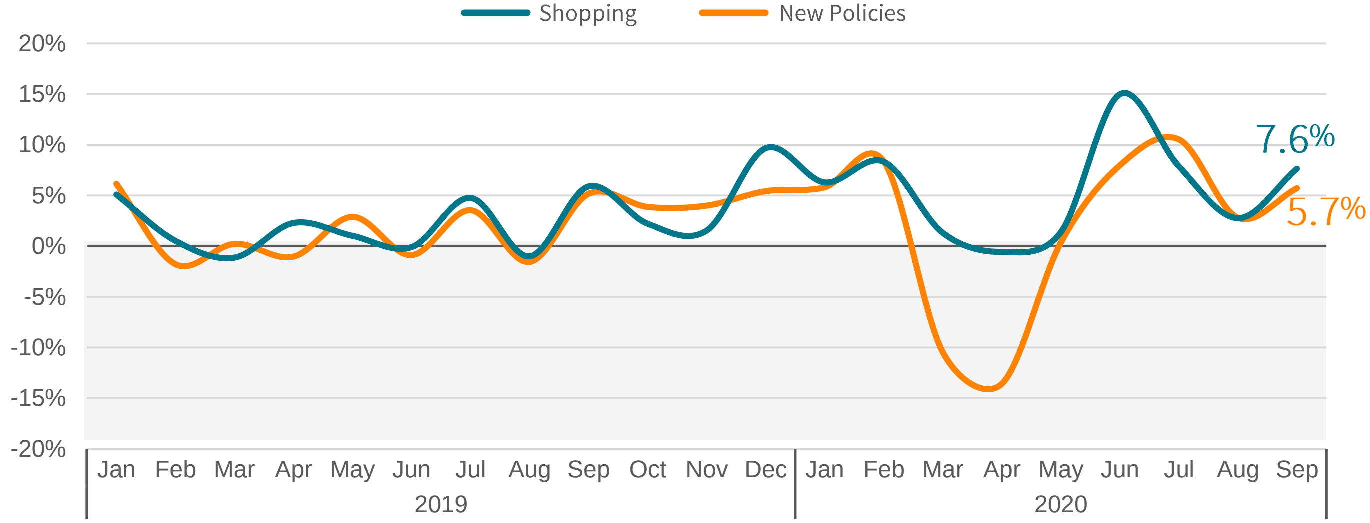
Tanner Sheehan

Associate Vice President
Auto Insurance

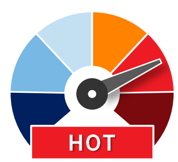
*"When we introduced the Insurance Demand Meter to the market earlier this year, **none of us could have anticipated the far-reaching impact of unexpected external events on auto insurance shopping behavior.** Although these events have certainly disproportionately impacted certain pockets, shopping and switching as a whole have really continued the upward trajectory that began in Q4 of 2019."*

A

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



SHOPPING CHANGE — Q3 2020



The year-over-year shopping growth rate for Q3 2020 was nearly 2x that of Q3 2019, up to 6.1% from 3.1%.

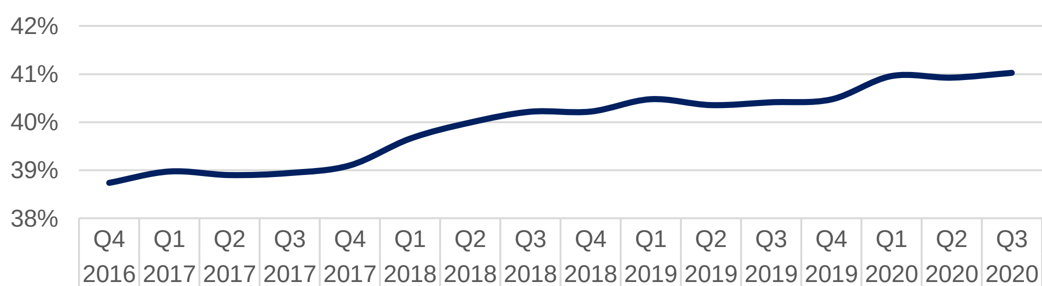
NEW POLICY CHANGE — Q3 2020

The annual new policy change for Q3 was nearly twice the rate of both the previous year and the 5-year quarterly average.

B

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 up slightly to 41% in Q3, remaining the highest we have ever seen.

Q3 weather: regional shopping impacts

Extreme weather events made their mark on shopping volumes across multiple regions in the third quarter. Costly and destructive hurricanes largely impacted the Gulf states and Eastern Seaboard (Chart C), and an unusually large number of wildfires likely contributed to a shopping slowdown in the West in the latter part of August (Chart D). Although regional, these impacts were notable.

There have been 27 storms in the 2020 Atlantic hurricane season thus far, a tie for ONE OF THE TWO BUSIEST YEARS ON RECORD.

There have been 27 storms in the 2020 Atlantic hurricane season thus far, a tie for one of the two busiest years on record. Seven of those storms made landfall within the contiguous United States during Q3 (July-September). Hurricane Laura, which came ashore in Louisiana as a category 4 hurricane, had by far the biggest impact on auto insurance shopping, just days after Tropical Storm Marco impacted the same area.

Daily shopping volumes were slightly positive year-over-year in the days leading up to Marco, but were down -18% when the storm made landfall on August 24th. Volumes recovered only slightly to -14% on August 25th, only to drop even more as Hurricane Laura approached. Shopping growth bottomed out on the 27th when Laura made landfall, at -36% below the same day in August 2019. Shopping started to recover the next day and by August 30th resumed its pre-storm levels.

C

STORM	DATE	IMPACT	STATE LANDFALLS IMPACT TO WEEKLY SHOPPING GROWTH RELATIVE TO PREVIOUS 4 WEEKS
Fay (Tropical Storm)	July 10	Moderate	**New Jersey (-2.5%),** Delaware (-2%), New York (-8.7%)
Hanna (Category 1)	July 25	Low	**Texas (-2.4%)**
Isaias (Category 1)	Aug. 4	None	**North Carolina (-0.8%)**
Marco (Tropical Storm)	Aug. 24	Large	**Mississippi (-3.8%),** Louisiana (-22.1%)
Mississippi and Louisiana had two large storms within a one-week period			
Laura (Category 4)	Aug. 27	Large	**Louisiana (-22.1%),** Mississippi (-3.8%), Texas (-5.6%)
Sally (Category 2)	Sept. 16	Large	**Alabama (-8.8%), Florida (-9.9%),** Mississippi (-1.1%)
Beta (Tropical Storm)	Sept. 21	None	**Texas (-0.1%)**

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Daily shopping volumes were slightly positive year-over-year in the days leading up to Marco and Laura **BUT DROPPED WHEN THE STORMS MADE LANDFALL.**

Marco dropped -18% and Laura dropped -36% compared to the same days in 2019.

Wildfires in the western states were the other weather factor in Q3 with implications for shopping.

This year has been one of the biggest wildfire seasons on record, **WITH THOUSANDS OF FIRES,** burning mostly during summer months.

Although several states were impacted, California, Washington and Oregon lost millions of acres during Q3.

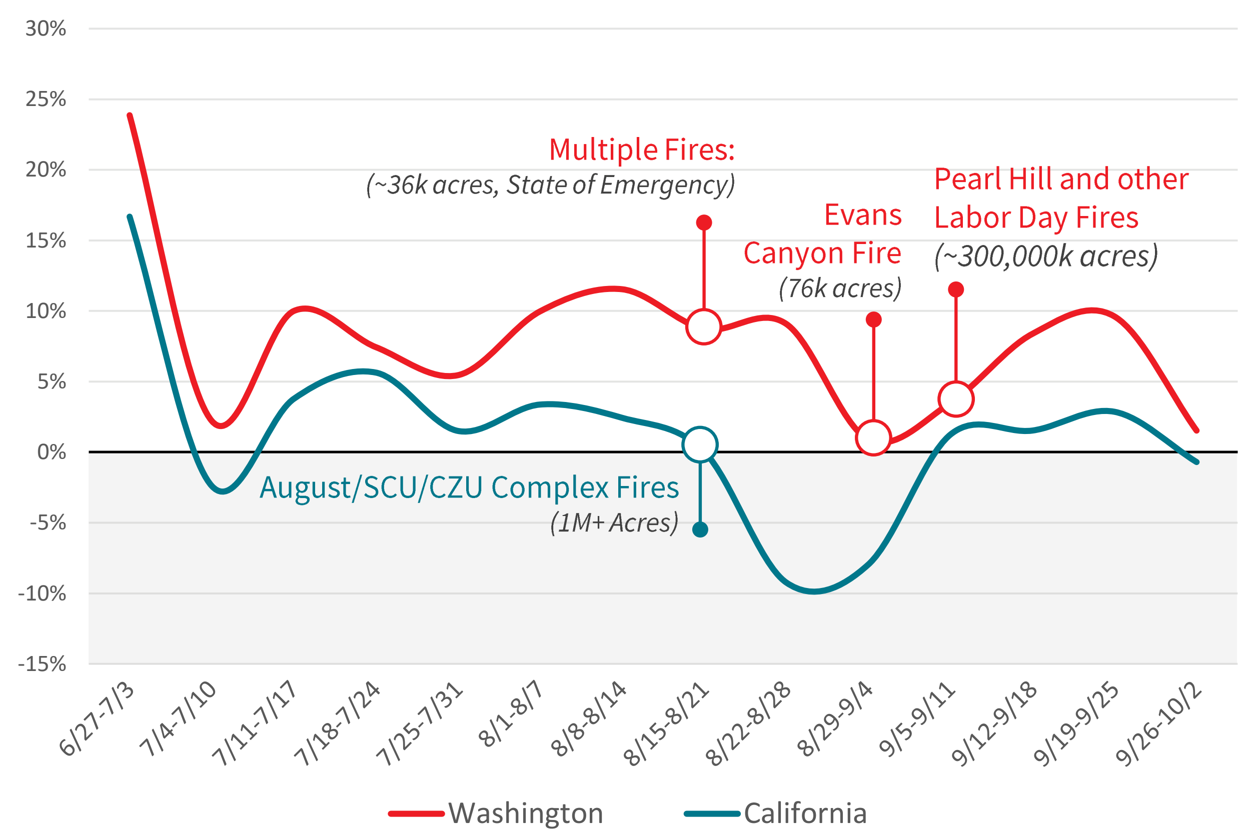
Measuring the impact of the wildfires is not precise, as the duration of fires is often lengthy and varies in intensity, and their locations shift over time. However, we did see a few micro trends in our data that are likely linked to specific blazes. For example, some of the most prominent California fires, including the August Complex fire in Mendocino National Forrest, the Santa Clara Unit (SCU) fire in the Diablo foothills and the San Mateo and Santa Cruz Unit (SZU) Lightning Complex fire in the Santa Cruz mountains (and numerous other unassociated fires) correlate to a reduction in shopping for two consecutive weeks in mid-August (-9.2%, -8.0%, respectively). Around Labor Day, when more than two dozen fires were burning in various locations in the state, we saw a two-day statewide dip of 0.9%. This timeframe also coincides with power outages and voluntary reductions in power usage in California tied to a prolonged and intense heat wave.

Fires that began in Washington in mid-August had a similar impact on shopping growth. These were followed by the Evans Canyon fire, which began in late August and dropped growth by 8.2% (from 9.1% to 0.9% year-over-year). Fires over Labor Day, which burned nearly 300,000 acres also contributed to the dip in shopping.

The exact measure of the impact of the fires is not clear, as other external factors were likely at play and the states look to have been on a downward shopping trend prior to the fires.

D

Q3 WILDFIRE IMPACT WEEKLY YEAR-OVER-YEAR GROWTH RELATIVE TO LIKE-WEEK



While measuring the impact of the wildfires is not precise, **WE DID SEE A FEW MICRO TRENDS IN OUR DATA THAT ARE LIKELY LINKED TO SPECIFIC BLAZES**

California saw a shopping reduction two consecutive weeks in mid-August (-9.2%, -8.0%, respectively) and Washington saw a drop in growth by 8.2% in late August.

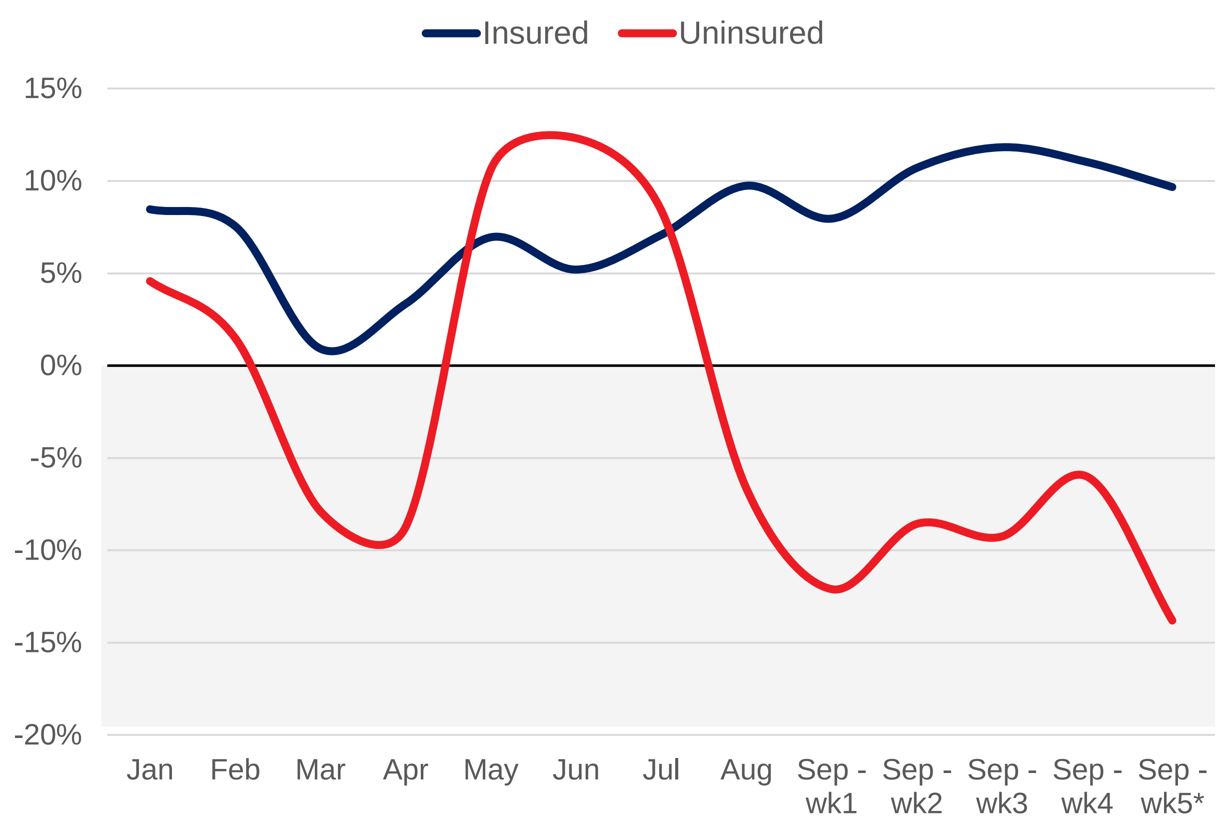
The economy and uninsured shoppers

Despite the regional weather-related impacts, shopping and new policy growth generally trended up in Q3, with shopping increasing to 6.1% year-over-year, and new business volume coming in at a slightly higher 6.3%. This uptick was not consistent between segments, however. The volumes for insured shoppers were up nearly 10% throughout the quarter (see Chart E). This growth rate is higher than we saw in January and February. It is also somewhat surprising, given increased advertising costs this quarter resulting from the presidential election cycle.

Meanwhile, the year-over-year volume growth for uninsured shoppers started to significantly decrease starting in early August and held steady at around -10% from mid-August through September. This decrease is likely a combination of the residual impact of the policy cancellation moratoria from Q2, which resulted in a population of insured shoppers who would otherwise be classified as uninsured, and the expiration at the end of July of the additional unemployment benefits from the federal government. The absence of the unemployment benefits and the continued high unemployment in certain sectors of the economy are likely impacting consumers' ability to stay in the market, as evidenced by a relative uptick in uninsured/underinsured claim volumes.

E

INSURED SHOPPING VOLUMES SAW POSITIVE GROWTH IN Q3



Interestingly, despite the evidence of a larger volume of uninsured drivers in the market
WE ARE STILL SEEING GROWTH
in the overall number of policies, though at a slower pace

The volumes for insured shoppers were up
NEARLY 10% THROUGHOUT THE QUARTER.

Uninsured shoppers decreased and held steady at -10% from mid-August through September.

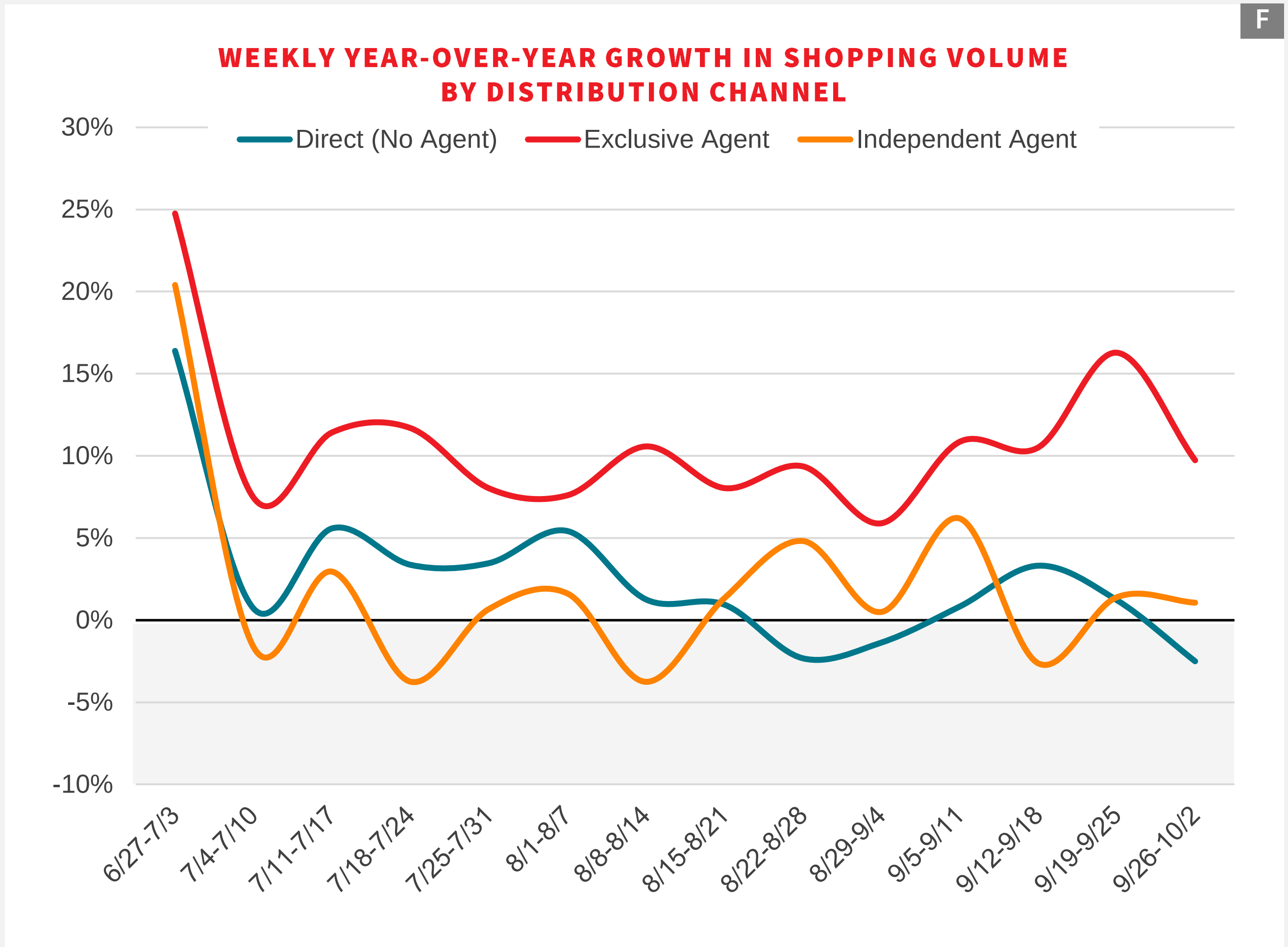
As the economy continues to improve and unemployment levels normalize, we expect these drivers to return to the market as uninsured shoppers, accelerating policy growth and decreasing the uninsured motorist claim frequency.

*Denotes partial week, Sept. 29-30

Impact by channel

The reduction in shopping among the uninsured similarly came to light via the different distribution channels, with volumes remaining flat to negative in the direct channel, which tends to be most preferred by shoppers without insurance.

Auto insurance shopping in the Direct channel was flat to negative in Q3, **LIKELY INFLUENCED BY UNINSURED SHOPPERS.**



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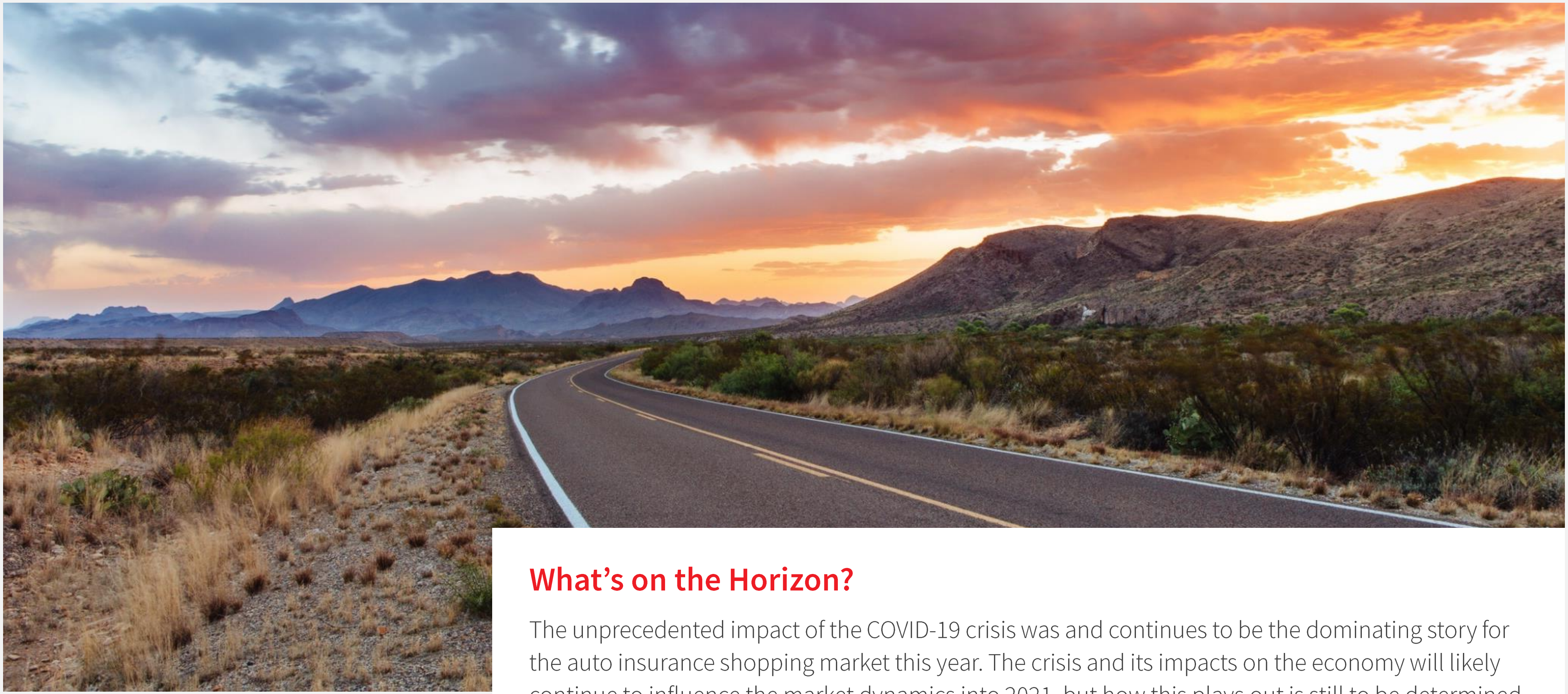

What's on the Horizon?

The unprecedented impact of the COVID-19 crisis was and continues to be the dominating story for the auto insurance shopping market this year. The crisis and its impacts on the economy will likely continue to influence the market dynamics into 2021, but how this plays out is still to be determined.

The presidential election, a potential second COVID-related stimulus package, and carrier responses to changes in consumer behaviors like working from home will all play a part in determining how the market proceeds in the near term. Trends in uninsured shopper volumes may prove interesting, as this speaks to consumers re-entering the market, indicating a fuller economic recovery.