

April 30, 2020

AUTO INSURANCE DURING COVID-19

Consumer panic subsides

Reverting to a 'new mean' or calm before the storm?

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COVID-19 panic may be fading, but shopping pressure still apparent

April 30, 2020

Our four key themes continue to take shape as a COVID-19 emotions continue to ebb and flow:

- **Premium relief actions made a difference with engaged (AWARE) consumers—it's just that few are engaged during COVID-19**
 - Of those consumers that are AWARE, satisfaction is similar to pre-COVID... for those UNAWARE it remains down 25% (pg. 13)
 - Only 41% of consumers are AWARE of premium relief actions announced after 2 – 3 weeks (pg. 14)
 - 30% of AWARE consumers that felt relief wasn't enough intend to shop, but significantly reduced switching / cancelling (pg. 15)
- **A potential 'shopping bubble' may be forming as panic subsides, but financial pressure remains**
 - 61% of overall consumers still want COVID-related premium reductions... (pg. 19)
 - Switching and cancelling behaviors have fallen sharply, but shopping remains at similar or elevated levels (pgs. 15,16, 20)
 - The impact of government stimulus over the past two weeks likely reduced the panic seen in mid-April, but will eventually go away
- **Telematics is still on consumers minds and may enable a higher engagement model in the future**
 - 40% of consumers show increased interest in telematics if they believe their miles driven will remain reduced (pg. 23)
 - Understanding those who intend to drive less, and why, will create a telematics opportunity—and more engaged customers
- **Figuring out how and when to engage a distracted consumer will be key to retaining policies as mobility returns**
 - Even in 'normal' times, less than 40% of auto insurance consumers are engaged with their carrier
 - Digital carriers tend to have more interactions and more opportunities to demonstrate value, key engagement requirements
 - Understanding the unengaged to ensure delivery of relevant message will be critical in the coming months

KEY PREMIUM RELIEF STATISTICS

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CONSUMER REACTION TO PREMIUM RELIEF AFTER 2 – 3 WEEKS

40%↑ Are aware that their carrier has announced a premium relief program of some kind

30% ↑ Likely to shop if premium relief was not enough to ease financial pressure

41%↓ Think that recently announced premium relief will be enough to ease financial pressure

>50% ↓ Reduction in likelihood to switch or cancel for those that are **AWARE** of premium relief

36%↑ Amount of lower credit-tier consumers that are aware of premium relief announcements

37% ↓ Likely to shop, switch or cancel for those that are **UNAWARE** of premium relief

Thinking longer-term...

55%— Think their miles driven will remain lower for a significant period of time after COVID-19, stable since last week

40% ↓ Of those that think their miles driven will remain lower are interested in telematics programs

...how do consumers view rates if miles driven remain lower?

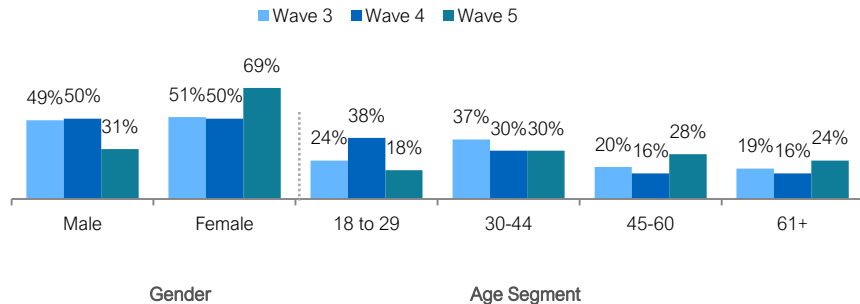
Insurance during COVID-19

Certain areas have seen infections and hospitalizations rise over several weeks. Throughout our analysis we refer to these areas as 'hotspots' and monitor them for changes in consumer sentiment

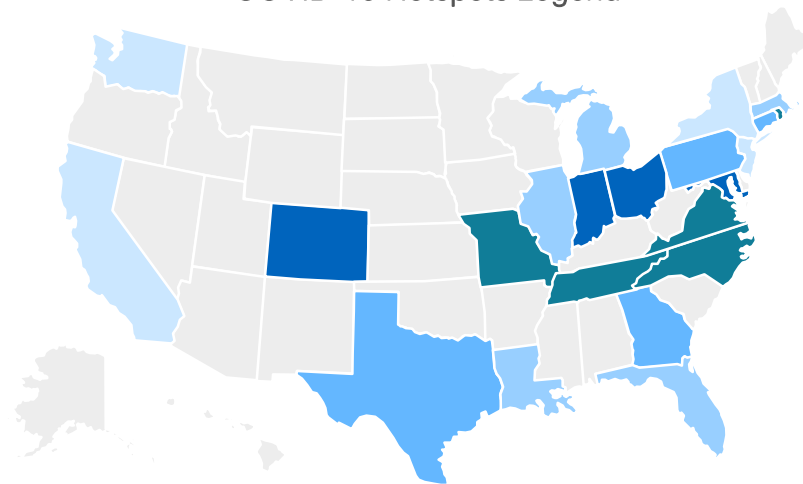
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- Fielding dates:
 - W1 03/24 | W2 03/31 | W3 04/07 | W4 04/14 | W5 04/28
- Total respondents:
 - W1 1,021 | W2 1,006 | W3 1,035 | W4 1,002 | W5 975
- Respondent demographics:
 - General population

P&C Demographics



COVID-19 Hotspots Legend



Hotspots by Wave	States
Wave 1	CA, NJ, NY, WA
Wave 2	MI, FL, IL, MA, LA
Wave 3	CT, GA, PA, TX
Wave 4	CO, IN, MD, OH
Wave 5	MO, NC, RI, TN, VA

The background is a dark blue gradient. In the center, there is a faint, dotted world map. The map is composed of small, light-colored dots that form the outlines of continents. The overall aesthetic is clean and professional, with a focus on global and scientific themes.

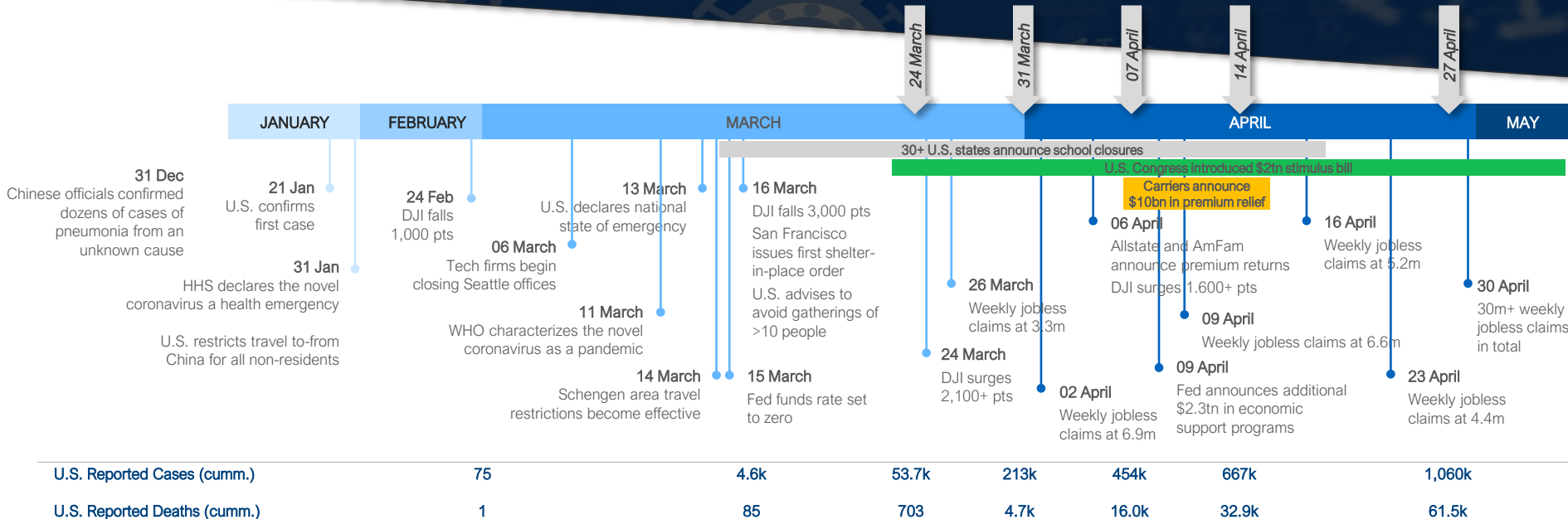
MARKET CONTEXT

COVID-19

Insurance during COVID-19

The COVID-19 pandemic continues to alter consumer attitudes and perceptions of their auto insurance relationships with clear economic anxiety seen across a wide range of consumer groups

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Source: Johns Hopkins CSSE, WHO, Kaiser Foundation, various news articles

Economic deterioration continues...

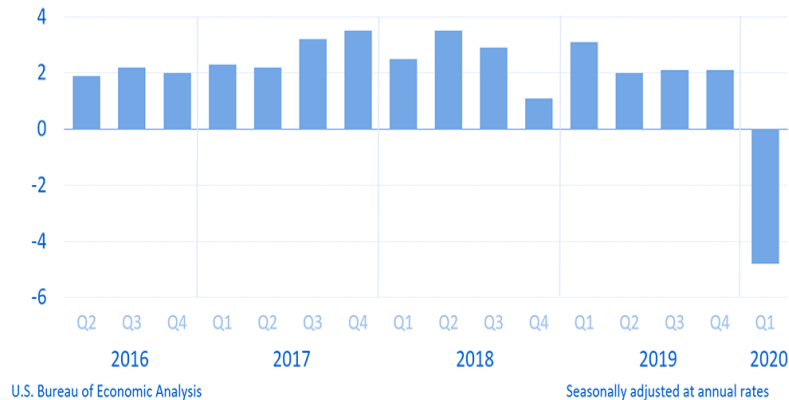
Q1 GDP estimates show large Q1 impacts as weekly jobless claims continue. Consumers may be better able to assess their personal financial situation as an *ex post* 'new mean' begins to materialize (at least for now)

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Gross Domestic Product, 1st Quarter 2020 (Advance Estimate)

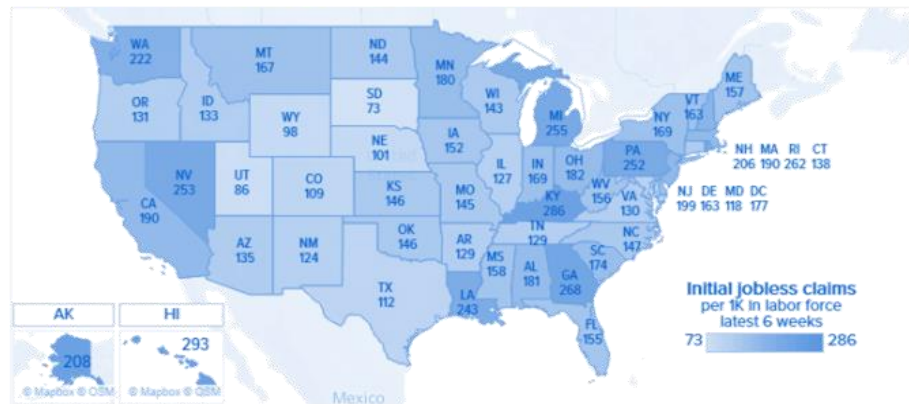
30m+ initial jobless claims since March

Real GDP: Percent change from preceding quarter



Coronavirus job losses

Here are the total initial jobless claims over the latest six weeks, adjusted for the size of each state's labor force. (As of Apr 30, 2020, per 1,000 in state labor force as of Feb. 2020, not seasonally adjusted.)



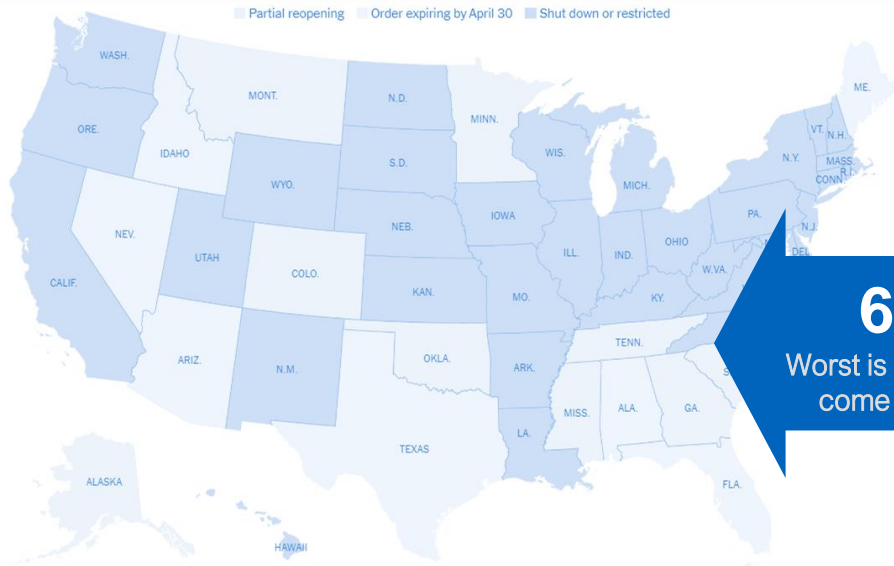
Source: Department of Labor, BEA (April 29, 2020), CNBC.com

Consumers showing early signs of reduced anxiety...

As the country begins to show some signs of re-emergence after weeks of stay-at-home orders, personal economic anxiety may be beginning to shift thinking the worst is behind us

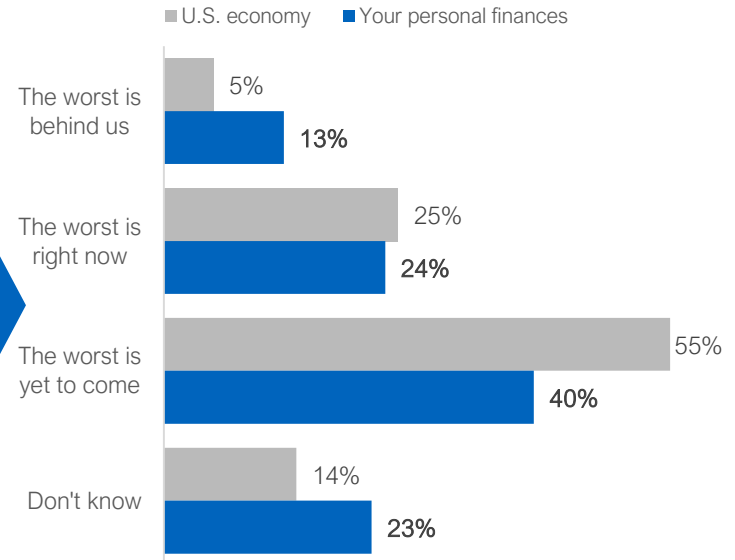
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After weeks of shutdown across the U.S., signs of cautious re-emergence are beginning to show



Source: New York Times (April 27, 2020), J.D. Power Financial Services

Economic sentiment indicates a passing anxiety, but still thinking that it may impact someone else more



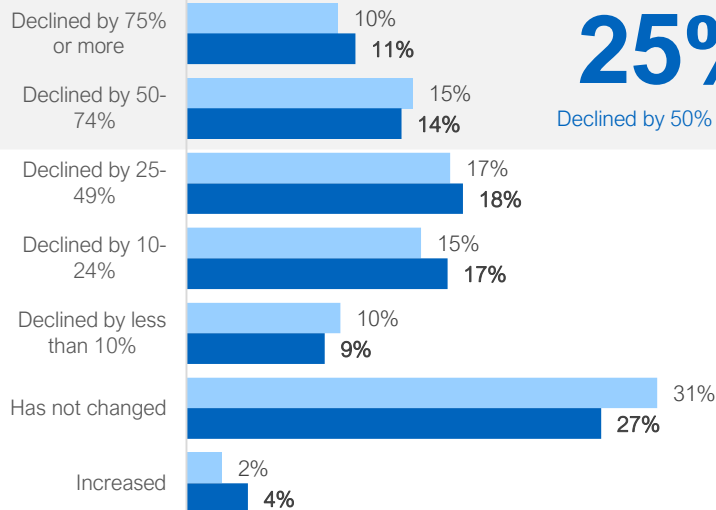
Economic impacts shifting towards higher incomes

While the immediate impact and ongoing stress falls most heavily on lower income groups, increasing impacts are being felt by higher income groups as the economy continues to slow

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How has your family's income changed since the coronavirus crisis began?

Apr 10-12 Apr 24-26



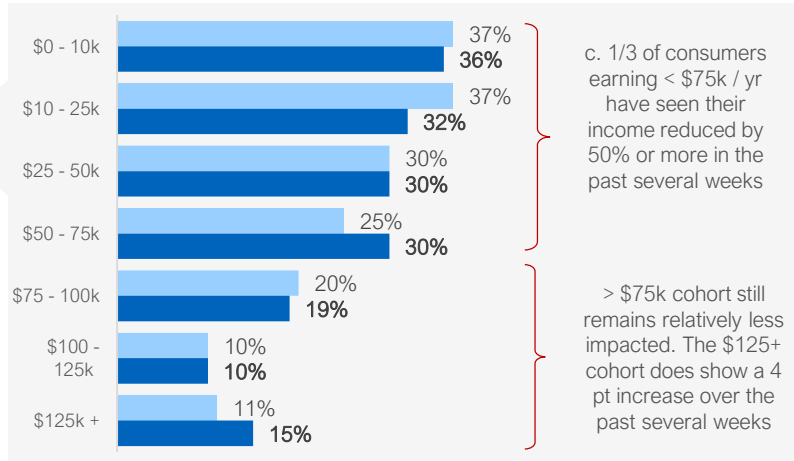
25%

Declined by 50% or more

Source: J.D. Power Financial Services

Of those with a pre-COVID-19 income range of [X], what [%] of that cohort's income declined by 50% or more

Apr 10-12 Apr 24-26



c. 1/3 of consumers earning < \$75k / yr have seen their income reduced by 50% or more in the past several weeks

> \$75k cohort still remains relatively less impacted. The \$125+ cohort does show a 4 pt increase over the past several weeks

These values are mostly evenly distributed across all 18 to 69 age cohorts with a slight skew towards the young

For those over 60, only 16% have seen a 50%+ decline

Miles driven still down, but beginning to tick up

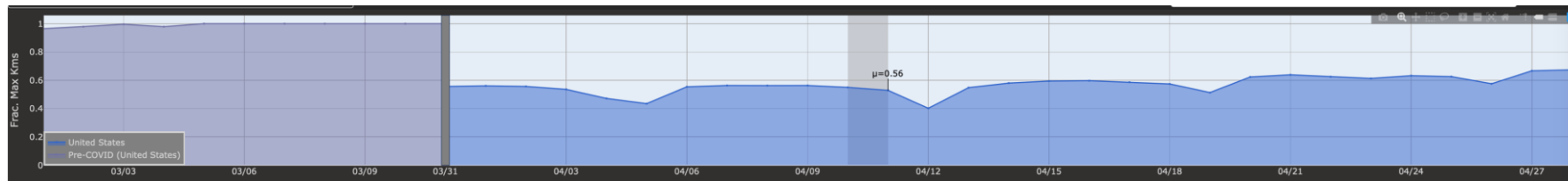
Continued growth in miles driven nationally as phased re-openings begin to materialize. Continued upticks in Washington state may show national potential as fears ease

In partnership with:

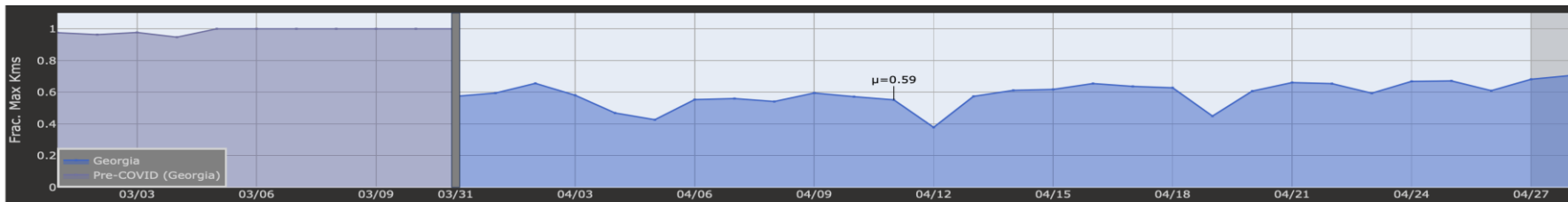


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US miles driven per day are beginning to see an uptick, up to 67% of early March peak averages



While Georgia begins to re-open, there hasn't been a big increase in driving—at national average a week ago and still there today



Source: Cambridge Mobile Telematics

Risky driving continues above pre-COVID era

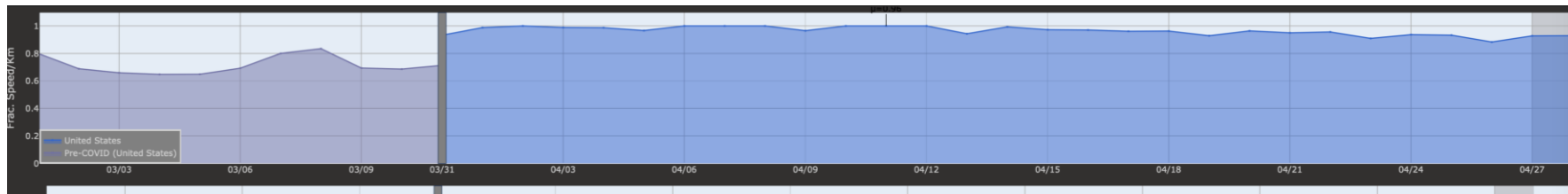
While American's continue to drive at reduced mileage, their risky driving behaviors remain at elevated levels, likely impacting severity during a reduced frequency period

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Speeding was at its peak in early April, and while falling recently still elevated compared to pre-COVID



Distracted driving remains elevated as seen last week. Some states are showing an increase in driving-related fatalities

The Roads Are Quieter Due to Coronavirus, but There Are More Fatal Car Crashes

Some states say auto fatality rates are rising despite a decrease in traffic volume

Source: Cambridge Mobile Telematics, New York Times (April 29, 2020)

AUTO INSURANCE

Impact of COVID-19 on the auto insurance consumer

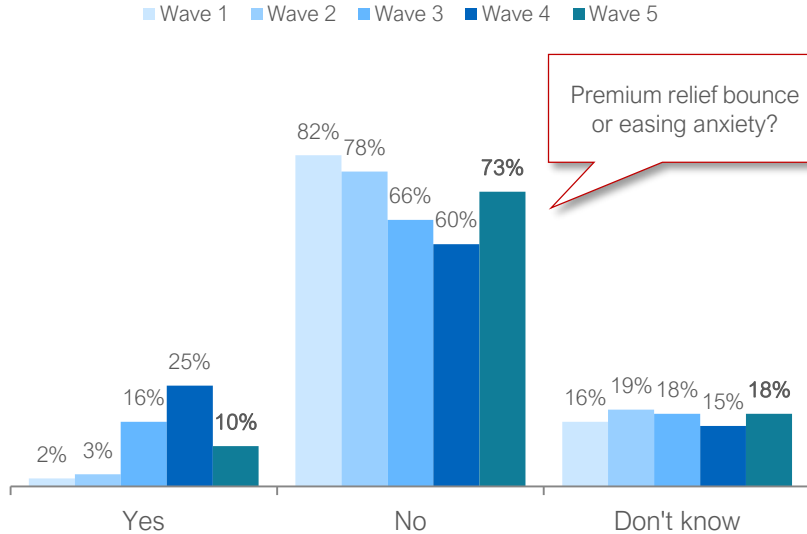
COVID-19

Auto insurance perceptions get a boost... sort of

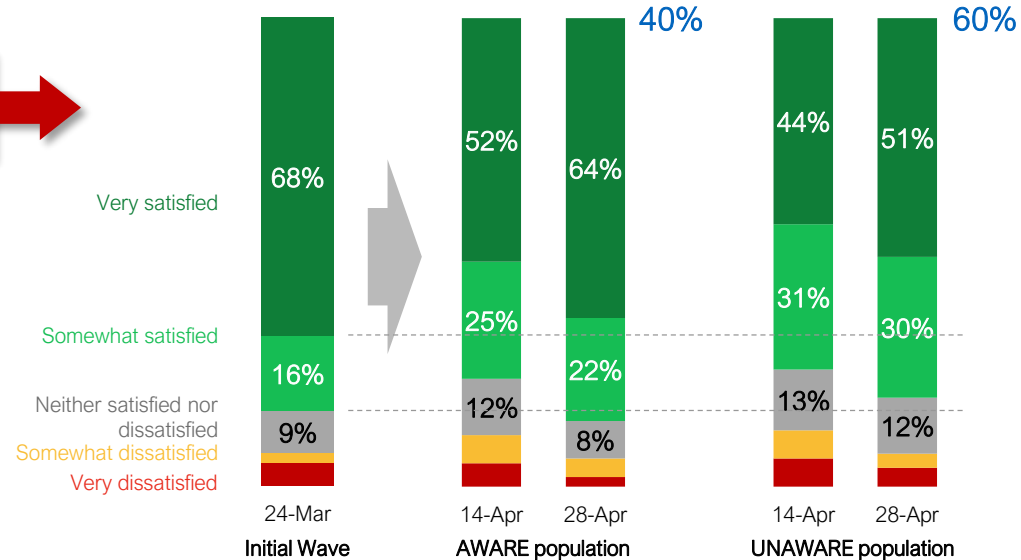
As more consumers become aware of their auto insurance carrier's actions, a boost in satisfaction has materialized. However, large differences based upon general awareness may indicate shopping potential remains under the surface

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Do you think that COVID-19 will change your opinion on auto insurance?



How satisfied are you with how your auto insurance carrier is living up to their reputation during COVID-19?



Consumers awareness low and still digesting impact

The premium relief message still has not been widely received. More consumers 'don't know' if value or timing of relief will make an impact likely resulting from uncertainty around how long financial stress due to COVID-19 will persist

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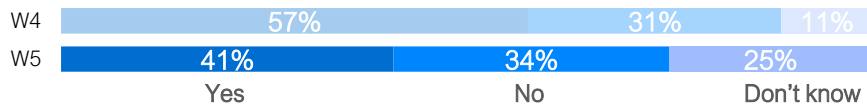
Has your insurance company announced they will reduce premiums or provide refunds during COVID-19?



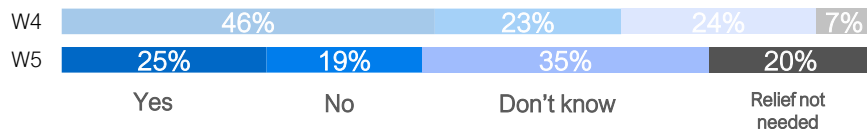
AWARE population

UNAWARE population

Are premium actions enough to help ease financial pressure?



Will benefits be received in time to make a difference?



Note: 1) As of survey date, all carriers captured had announced premium relief programs except for some of the AAA affiliated clubs

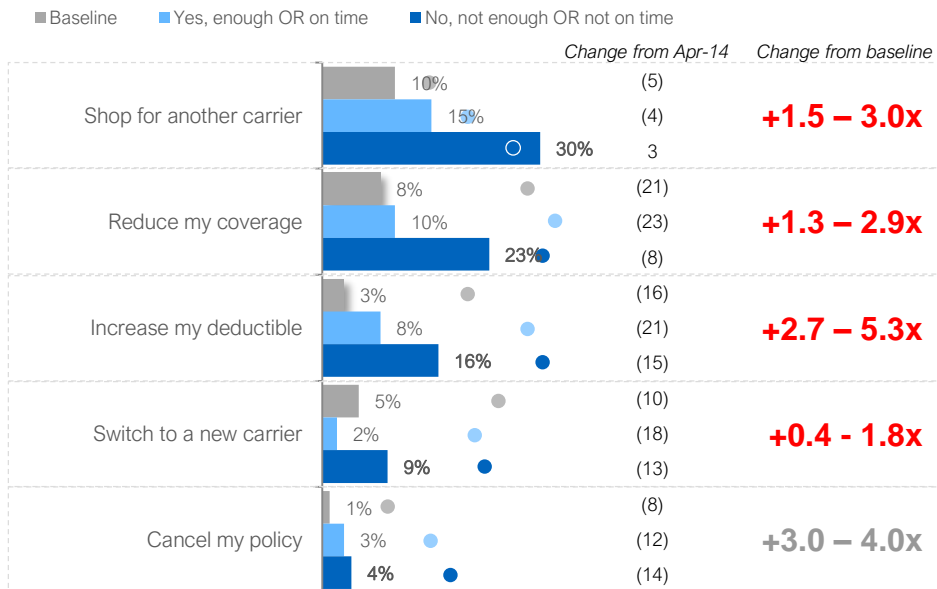
- Only 40% of consumers are AWARE of their carrier's announced premium relief as of April 28
- Those AWARE of premium relief have had time to digest the news:
 - Only 41% believe that action taken is enough to relieve financial pressure, steady at about 17% of total consumers
 - Only 25% believe that action taken will arrive in time to make a difference, about 10% of total consumers
 - Larger carriers tend to have higher awareness levels of premium relief announcements
- While consumers appear 'satisfied' with their carriers actions, it isn't clear if it will increase loyalty or prevent shopping in a meaningful way (see pg. 19)
 - 60% of total consumers still seek premium reductions
 - Uncertainty still remains: how long COVID-19 continues will likely drive impact on personal finances and ability to remain loyal

Consumer panic subsides, unless relief wasn't enough..

Premium relief appears to have satisfied some engaged (AWARE) consumers. But for those that clearly know it was insufficient, further relief actions continue to be pursued at elevated levels

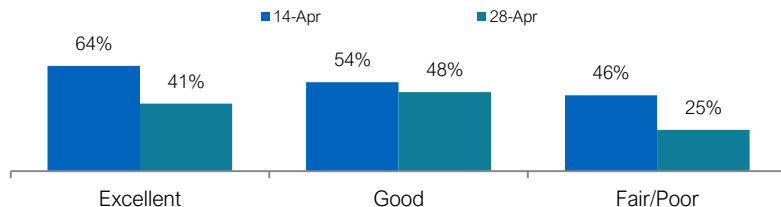
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Of those AWARE, are you likely to take additional premium relief actions? ⁽¹⁾



- A big shift in engaged (AWARE) consumer sentiment closer to baseline behaviors, but still elevated
- With only 41% of the engaged population clear that premium relief was sufficient, those without certainty lean towards shopping
 - Immediate actions towards switch and cancel have subsided significantly as consumers have had time to digest premium relief
 - Shopping behaviors remain elevated for both groups, but a marked increase to 30% of those that don't feel the relief was enough
- Interestingly, financial challenges are increasingly felt across all credit tiers with lower credit tiers clearly indicating that relief was insufficient

Of those AWARE, are the premium actions enough to help ease financial pressure?



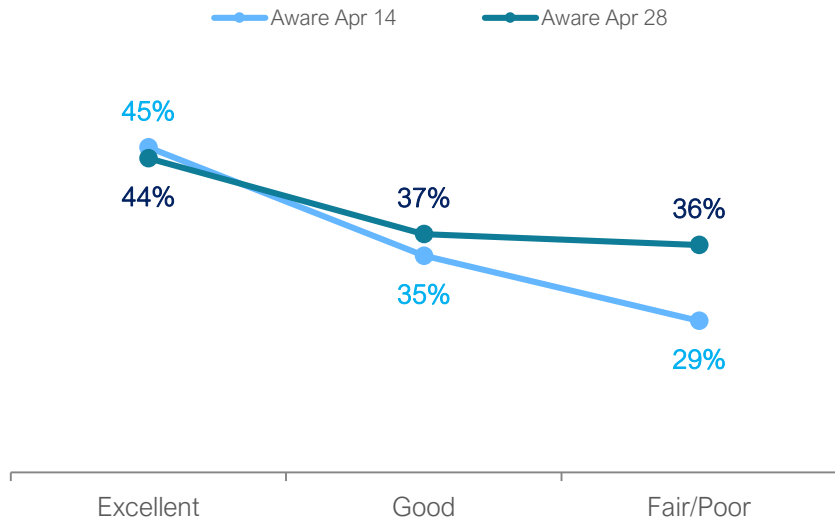
Note: 1) Baseline for the Aware populations based upon A | B methods (premium reduction actions consumers indicated they would take prior to asking about perceptions of the premium relief actions carriers have taken)

Reactive panic gives way to passive shopping

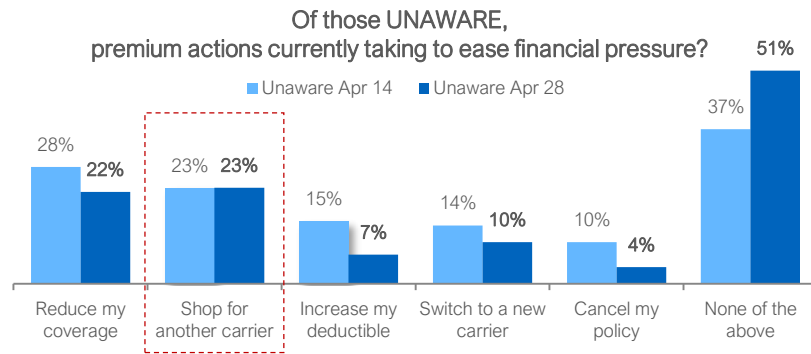
Engagement (AWARE) is evening out across credit tiers. For the unengaged (UNAWARE) propensity to switch and cancel, potential panic reactions, have given way to elevated levels of shopping or 'wait and see' behaviors

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Who is aware of premium relief announcements? (by credit tier)



- Engagement still favors higher tiers, somewhat expected, but shopping is more evenly distributed amongst tiers compared to pre-COVID
- The less engaged consumers (UNAWARE) have shifted away from more immediate drastic actions of switching and cancelling, but not shopping
 - While switching and cancelling behaviors have fallen, they remain significantly above non-COVID levels (2 – 5x)
- Initial panic of 'must switch or cancel' has given way to more passive rate checking—still to be watched as 60% want lower premiums (see pg. 19)

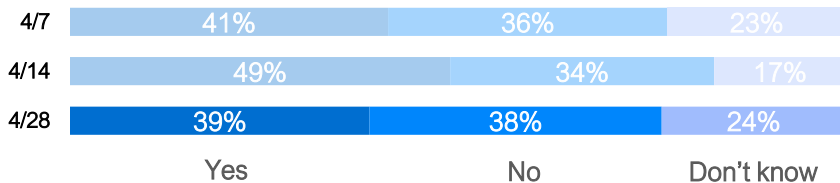


Not getting the message out could have consequences

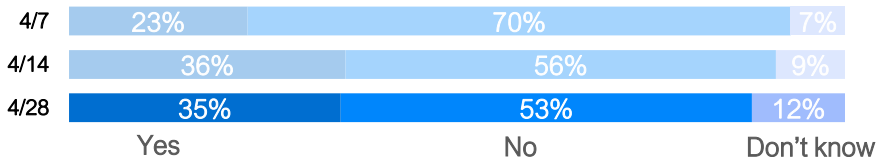
Many consumers are likely hearing from their carrier through mass market channels rather than through direct outreaches. While not necessarily bad, direct outreaches can better solidify loyalty behaviors

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Do you expect your carrier to contact you with options/updates on how to manage costs and coverage?

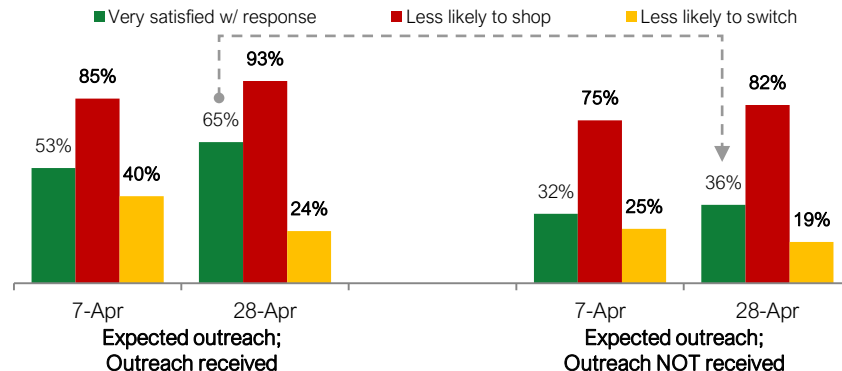


Have you been contacted by your insurer about actions they are taking to help customers manage costs as a result of COVID-19?



Shopping / switching propensity by communication

- Still more than 50% of consumers have not heard from their carrier since the onset of COVID-19
- Satisfaction rises and propensity to shop falls dramatically for those consumers that expect to hear from their carriers and do
- Customers that expect to be contacted, but aren't, continue to show higher propensity to shop or switch and are much less satisfied (a precursor to shopping)



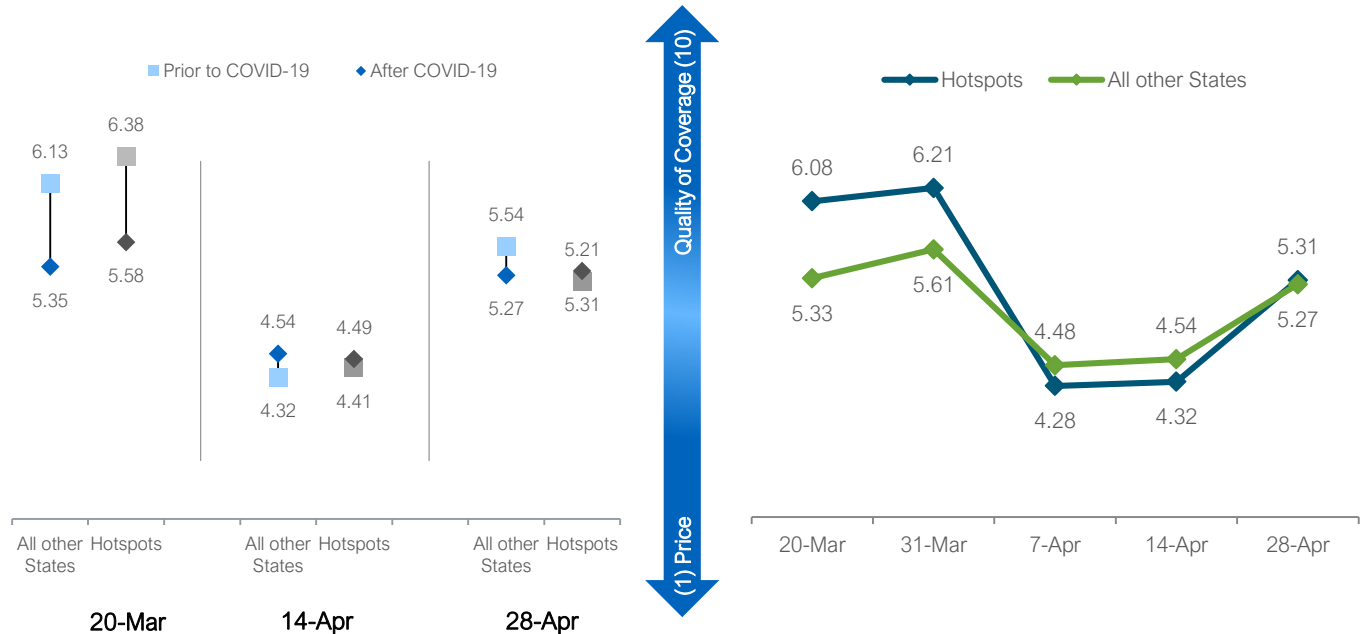
Reverting to a 'new mean'? Rate sensitivity remains elevated

Consumer memory is not only fleeting but may be reverting to 'a new mean'. Initial waves of anxiety that drove rate sensitivity are still there, but not as strongly as the mid-crisis panic reaction—finding the 'new mean' will be critical for future messaging

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Has COVID-19 changed your opinion of what is most important in your auto insurance?

- Since the onset of COVID-19 consumers continue to show a preference towards PRICE in their auto insurance
- An initial spike in rate sensitivity is giving way to a status quo of balanced offerings
- Consumers beginning to see some light at the end of the tunnel and potentially anticipating a return to some sense of 'normal'
- Is this COVID-19 weariness, reversion to a 'new mean' or cooler heads reverting to normal?

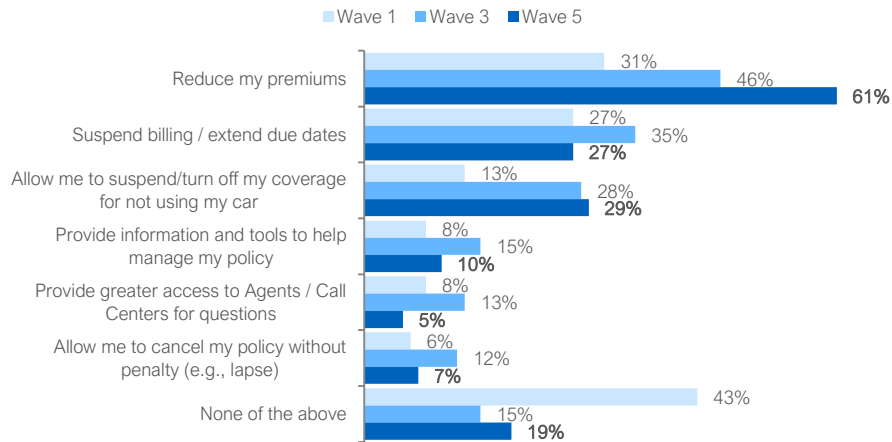


Rate pressure continues to grow—policy suspension preferred

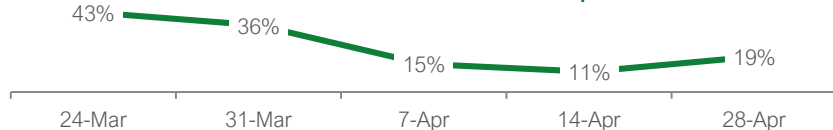
A clear majority of consumers want to see reduced premiums with preference towards suspending billing or coverage as their preferred methods of managing their auto insurance during COVID-19

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What action(s) would you like to see from your insurer during COVID-19? (1)

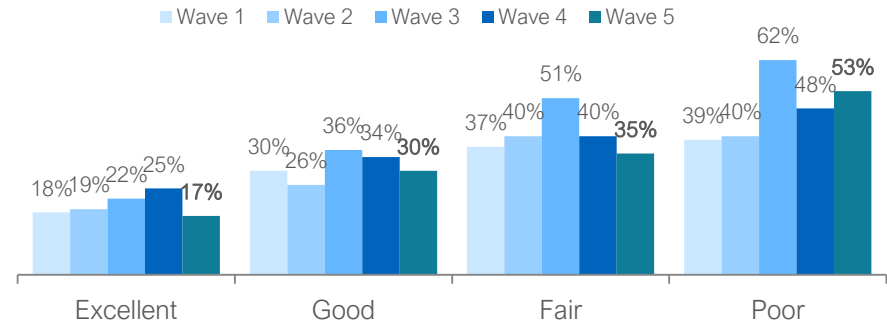


Consumers that said no further action required at this time



- Consumers continue to want their premiums reduced in large numbers
 - This may portend increased shopping activity, but with less immediacy in switching / cancelling activity seen previously
 - Given so few consumers indicate that no further action is required, only 19%, longevity of economic hardship will likely drive shopping activity as conditions materialize
- Ways to suspend or mitigate low vehicle utilization or job loss is likely to remain a challenge, especially for the most vulnerable consumers

Suspend billing / extend due data by credit profile

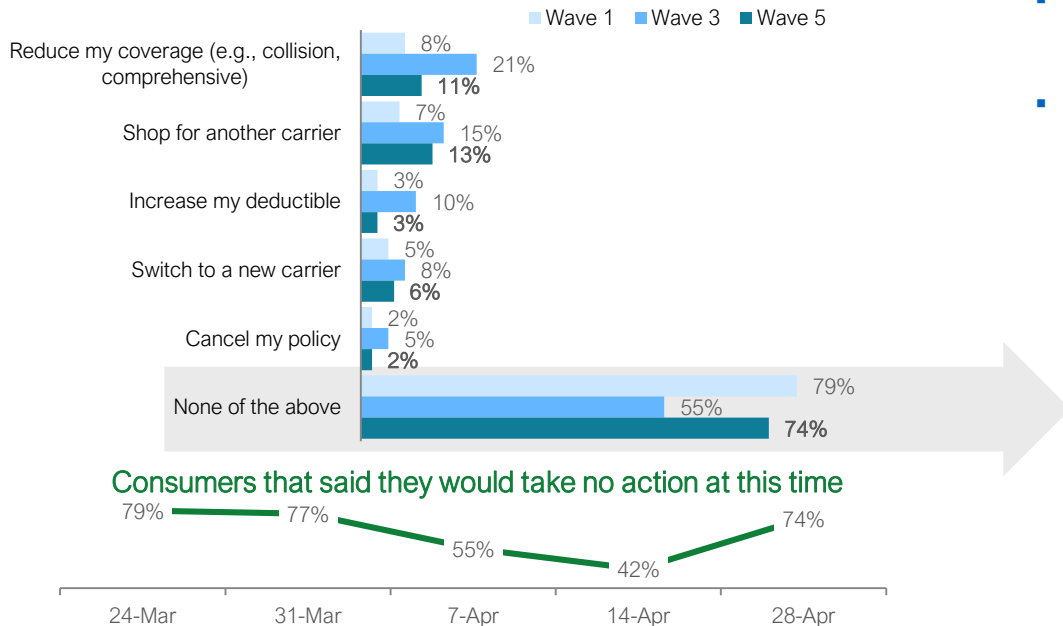


The calm before the storm or have cooler heads prevailed?

As the initial COVID-19 panic subsides, cooler heads may be prevailing—while 61% still want reduced premiums, they may have developed patience before switching as shopping (rate checking) is now the preferred option

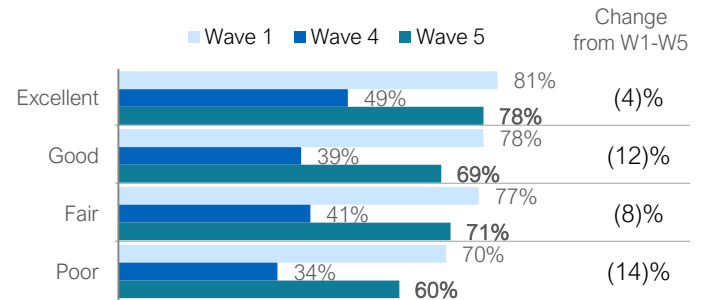
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What, if any, methods do you plan to use to manage the cost of your auto insurance? (1)



- Most consumers indicate that they will 'take no action' at this time, but given their desire for lower premiums, this may be the calm before the storm
- It will be imperative to ensure that best rates are put forward as consumers browse, especially for lower credit tiers
 - Identifying discounts, providing multiple coverage options and presenting telematics as an option will help to retain, or attract

Percent NOT taking action to manage auto insurance costs at this time by Credit History



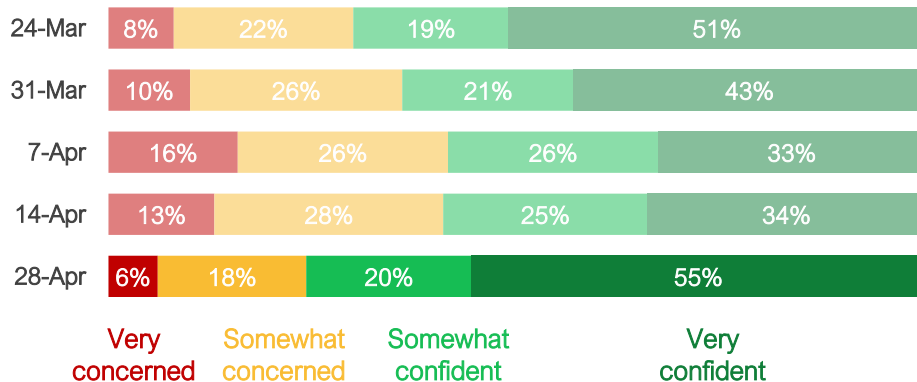
Notes: 1) We estimate somewhere around 150m auto insurance policies in the United States. Most of the results in this note are based upon % respondents, therefore 10% = 15m policies

We are only a little more than 45 days into COVID-19...

As consumers are better digesting their financial situation, confidence is returning in their ability to maintain auto insurance coverage—but with 30m+ jobless claims, crisis longevity will continue to cause volatility

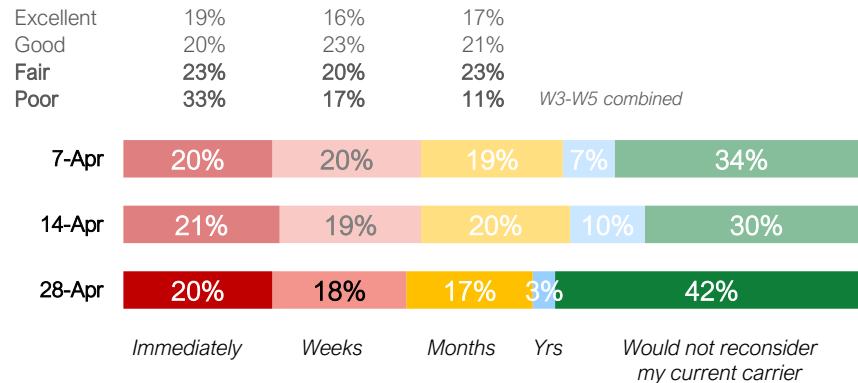
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Due to COVID-19, how concerned are you about making your next auto insurance payment?



- A combination of premium relief, policy adjustments, stimulus checks and better situational clarity are likely driving increased confidence for now
- Crisis longevity will likely cause volatility in confidence as financial situations ebb and flow

How quickly would the loss of your job cause you to reconsider your current auto insurance?



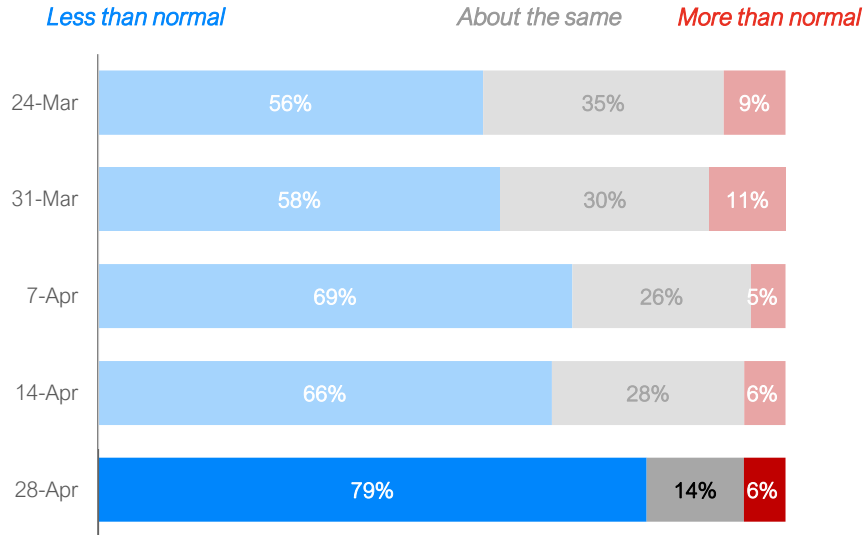
- It remains early days of COVID-19. Given high levels of 'normal' shopping, consumers may find that their current rate is 'as good as it gets'
 - Heavy immediacy skew towards lower credit tiers increases probability of continued churn in non-standard markets

Telematics interest remains above historical interest

Around a third of consumers continue to show a willingness to try telematics programs in the future likely driven by continued reduction in miles driven and idle vehicles

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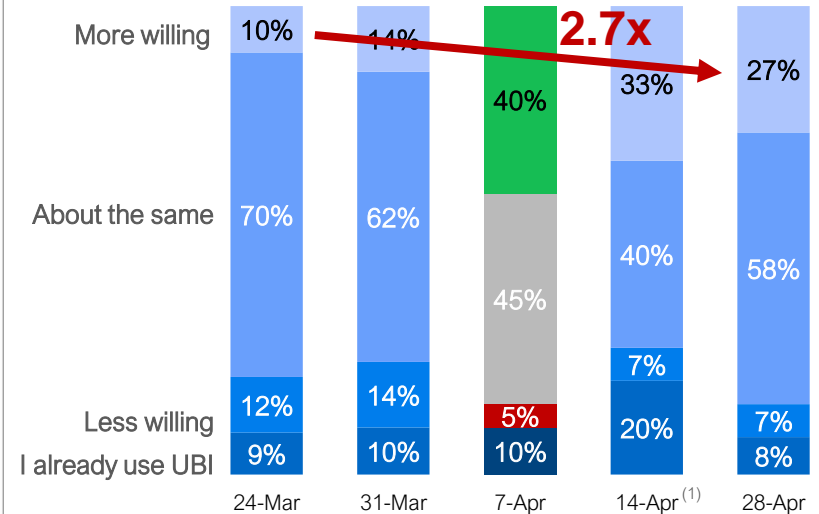
How has COVID-19 impacted the average number of miles driven within your household?



Notes: 1) A slightly higher percentage of younger respondents on April 14 showed increased current use.

How has COVID-19 impacted your willingness to use Usage Based Insurance (UBI)?

Premiums more impacted by your driving behavior and miles driven



Telematics interest linked to future expectations

As consumers digest see the first hopes of a reopening, their optimism begins to lean towards something resembling normal, potentially a 'new mean'—a majority see ongoing mileage reductions and an interest in telematics

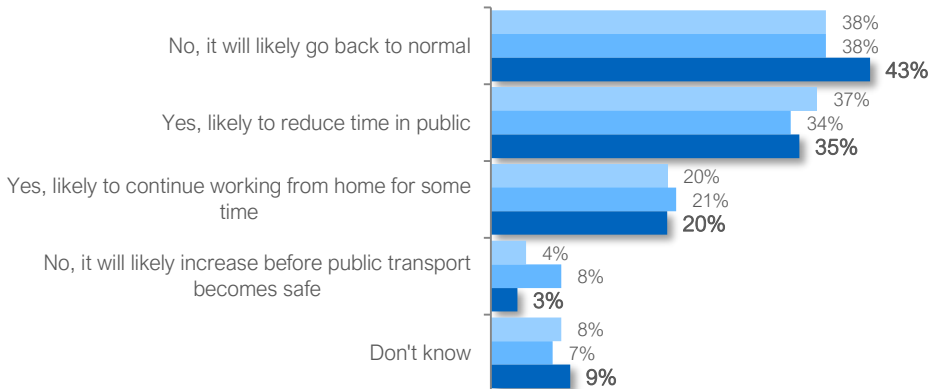
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Do you anticipate any changes to the average number of miles you drive will remain after COVID-19?



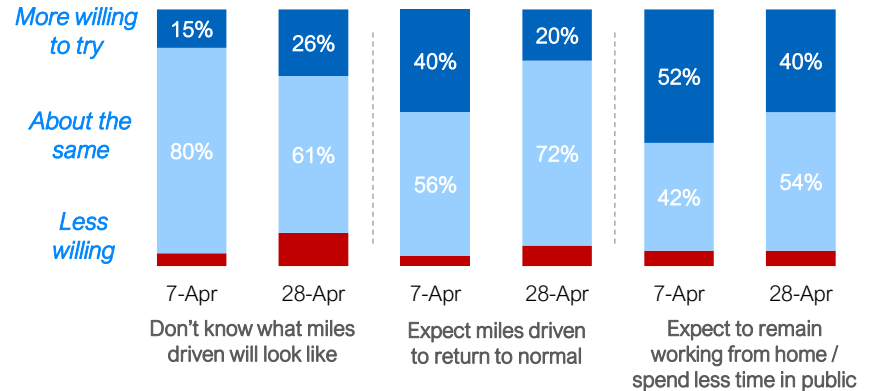
55% Believe their average miles driven *WILL REMAIN LOWER* post COVID-19

7-Apr 14-Apr 28-Apr



- The majority of consumers still expect their average number of miles driven to remain lower post COVID-19
 - Some clear optimism that a return to 'normal' may be emerging among certain consumers
- Those with less certainty around a return to normal driving show an increased propensity to try telematics programs

Willingness to use Usage Based Insurance (UBI) by Expectation for Future Miles Driven

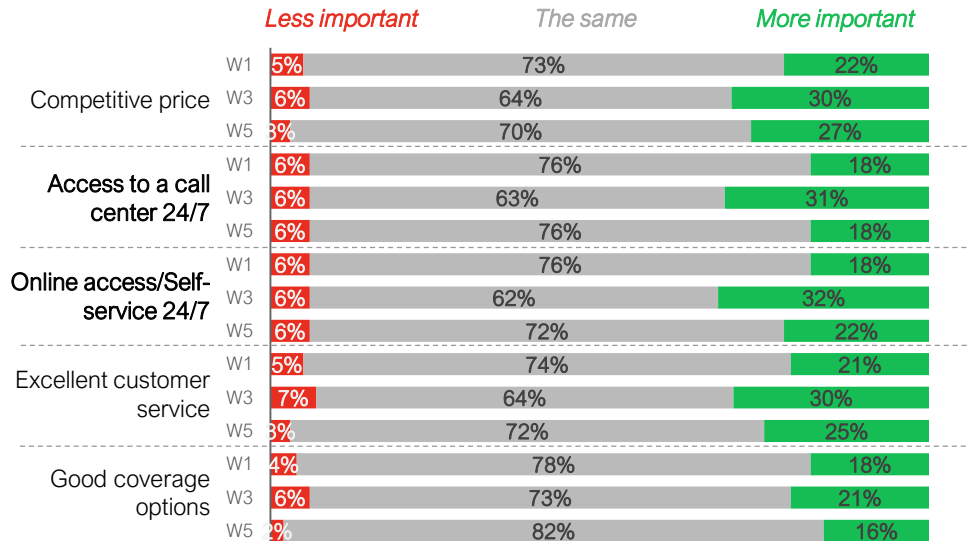


Consumer service expectations reverting as well

As COVID-19 made its initial impacts, consumer anxiety was at a high point. A 'new mean' of expectation is emerging with heightened rate pressure and high service expectations

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Due to COVID-19, has the importance of your insurance relationship changed due to any of the following...?



As initial anxiety fades, consumers continue to expect strong service from their carriers, but at a better rate

- As COVID-19 panic fades, consumers continue to want service on their terms, but they appear less anxious that they will be able to access their carrier in such a way
- Focus on competitive rates remains high as demonstrated throughout—an already demanding consumer has high expectations of their carrier today
- Underlying these reversions may be an indication that carriers have managed business continuity very well in these difficult times
 - Almost all carriers have these capabilities during 'normal' times and generally execute on them well

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