

AUTO INSURANCE DURING COVID-19

Premium relief: consumer impact and outlook

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As unprecedented economic pressure builds on consumers, auto insurance will need to adapt

April 16, 2020

We see four key themes crystalizing as premium anxiety metastasizes across the industry:

- **Premium relief actions probably weren't big enough to make a difference. Most are still looking for further premium relief**
 - Only 37% of consumers are currently aware of premium relief announcements (pg. 15)
 - Aware consumers are significantly more likely to shop (c. 1.5x), switch (1.5x) and cancel (c. 1.8x) their policies (pg. 16)
 - Lower credit tiers are largely unaware of premium relief announcements, but are already shopping at high levels (pg. 17)
- **A surge in shopping / switching is likely to happen in the near-term; carriers will need to redefine relationships**
 - Perceptions / satisfaction continue to fall, a traditional sign of shopping (pg. 14 and 18) and only 34% very confident of making next payment (pg. 18)
 - More than 2x increase in propensity to shop / switch in the past three weeks (pg. 20)
 - 40% that lose their job will shop in a matter of weeks (pg. 23)
- **Telematics likely to become more important as consumers see new benefits**
 - Traditional barriers to telematics adoption have been privacy / security and discounts not significant enough to bother
 - Consumers suddenly see a wider range of potential value within telematics and appear to be adopting already (pg. 24)
 - Value likely to become increasingly evident as consumers continues to reduce miles driven (pg. 25)
- **Non-standard markets likely to be impacted**
 - Non-standard consumers a largely unaware of recent premium relief efforts (pg. 17)
 - Already shopping at elevated levels prior to learning of premium relief programs (pg. 17)
 - More than 50% of consumers seeking payment relief / extension have lower credit quality (pg. 21)

KEY PREMIUM RELIEF STATISTICS

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CONSUMER REACTION TO PREMIUM RELIEF ANNOUNCEMENTS

37%

Are **aware** that their carrier has announced a premium **relief** program of some kind

+1.3x

Increase in **shopping rate** even if premium relief is enough to ease financial pressure

57%

Think that recently announced **premium relief** will be **enough** to ease financial pressure

+1.7x

More likely to cancel even if premium relief is enough to ease financial pressure

29%

Amount of **lower credit-tier** consumers that are aware of premium relief announcements

+1.8– 2.0x

Likely to **shop, switch or cancel** if premium relief is not enough to ease financial pressure

Thinking longer-term...

55%

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

50%

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?

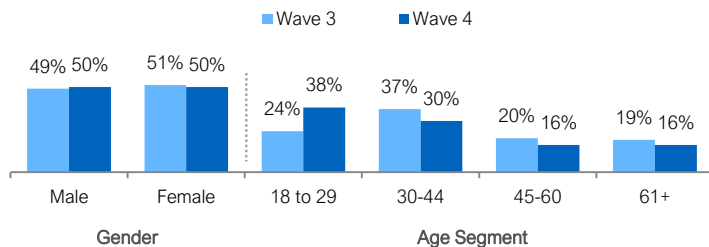
Insurance during COVID-19

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

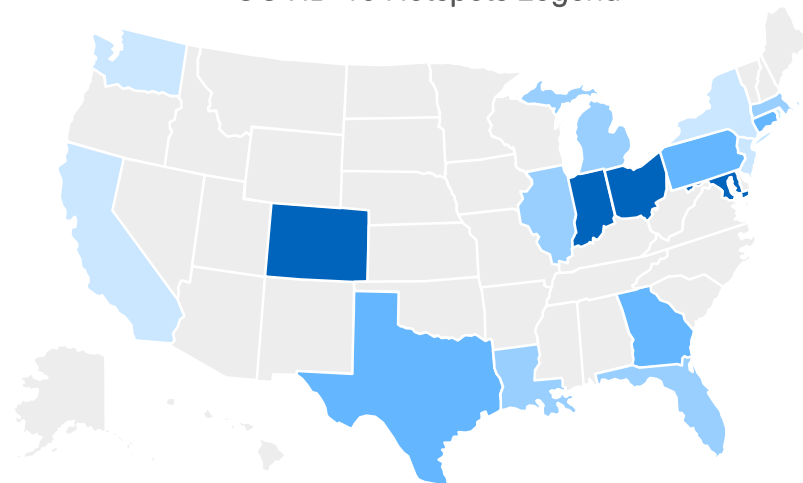
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- Fielding dates:
 - W1 03/24 | W2 03/31 | W3 04/07 | W4 04/14
- Total respondents:
 - W1 1,021 | W2 1,006 | W3 1,035 | W4 1,002
- Respondent demographics:
 - General population
 - All data gender balanced

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



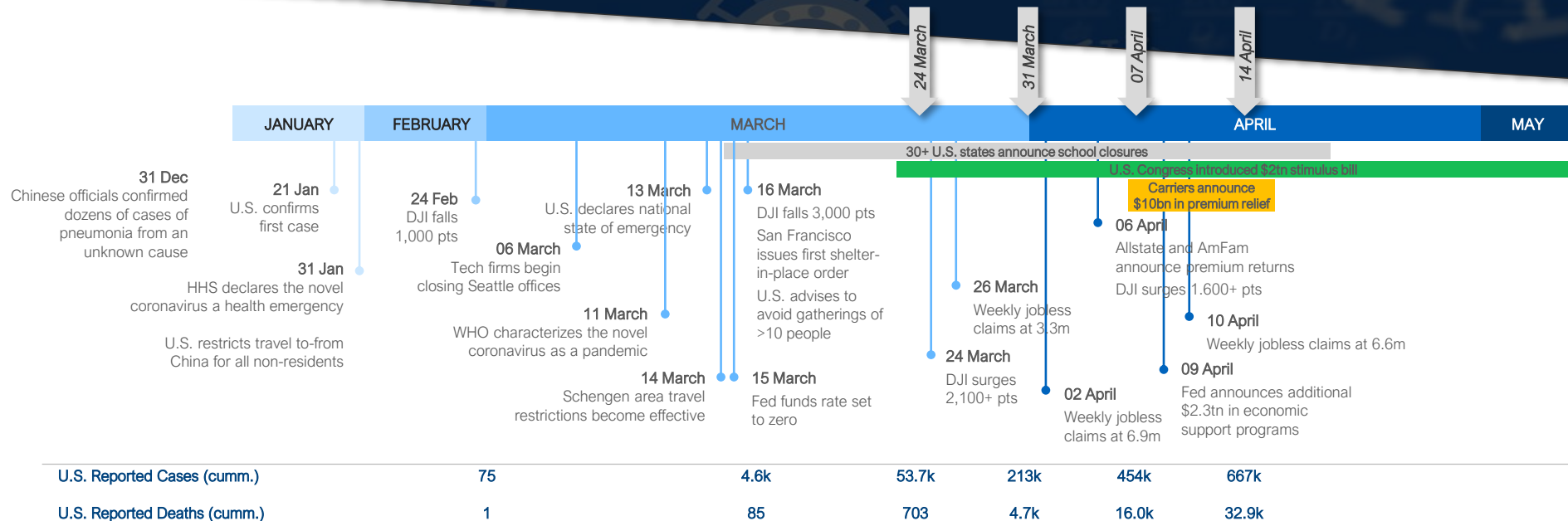
MARKET CONTEXT

COVID-19

Insurance during COVID-19

As COVID-19 pandemic is altering consumer attitudes and perceptions of their auto insurance relationships rapidly with clear economic anxiety materializing across a wide range of consumer groups

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

Speed of economic deterioration is unprecedented

The economic situation is deteriorating more rapidly than at any other time in history. Consumer reactions are beginning to materialize as they digest their own personal financial situation

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It is the SPEED with which this is unfolding that is so unprecedented...

...as the 22m+ initial jobless claims continue to grow

This recession is moving at hyperspeed

For U.S. recessions since 1967, number of weeks before reaching each benchmark for total initial unemployment insurance claims

RECESSION OF ...	WEEKS BEFORE NO. OF TOTAL INITIAL CLAIMS		
	3,000,000	9,000,000	16,000,000
1969-70	13	33	Never
1973-75	11	31	51
1980	8	19	Never
1981-82	7	20	33
1990-91	8	22	Never
2001	8	23	Never
2007-09	9	26	42
2020*	1	2	3

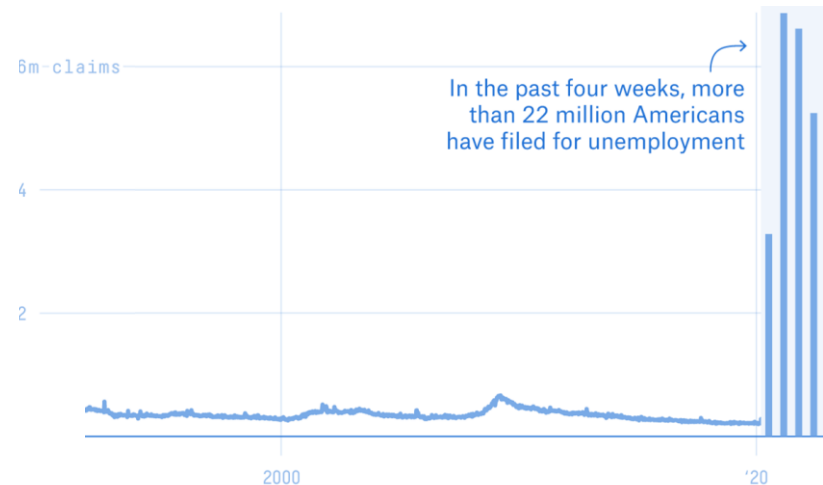
*The current economic downturn hasn't yet met the traditional definition of a recession.

Previous recessions were considered to have started midway through the month they officially began and ended midway through the month they finished.

Source: Dept. of Labor, St. Louis Fed, fivethirtyeight.com

Coronavirus has led to historic unemployment numbers

Weekly seasonally adjusted initial unemployment insurance claims, 1967-2020



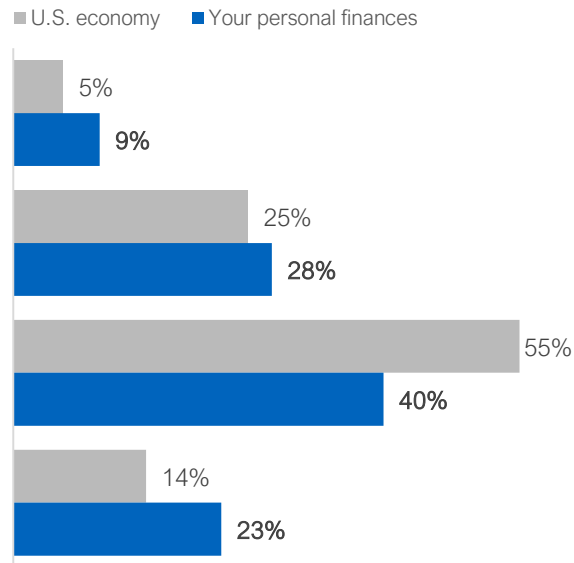
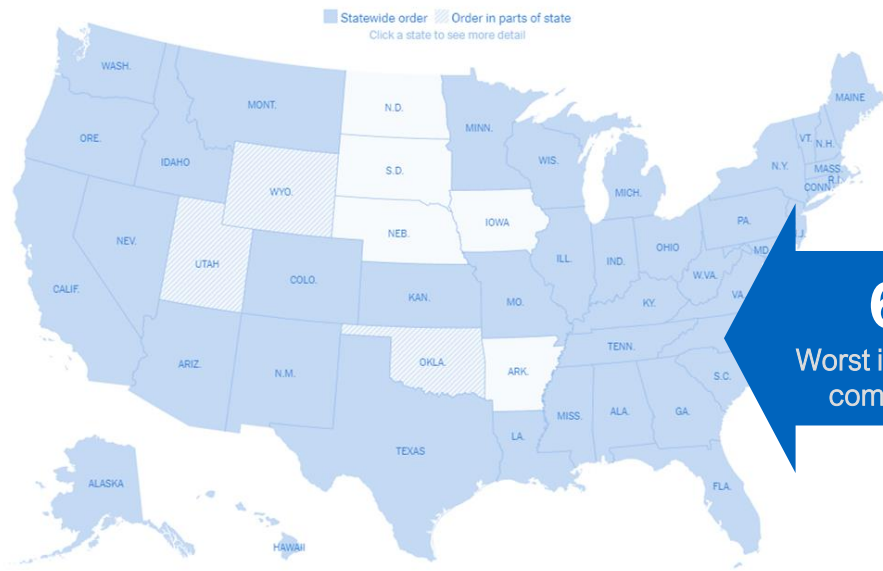
Consumers think it will impact someone else...

As most of the country continues under some form of a 'remain at home' directive, economic anxiety grows—many consumers think that the U.S. economy will suffer more than they personally will

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As of April 14, almost 316m American's continue to be urged to stay at home in some fashion...

Their economic sentiment indicates anxiety, but also thinking that it will impact someone beside themselves more



Source: New York Times (April 02, 2020), J.D. Power Financial Services

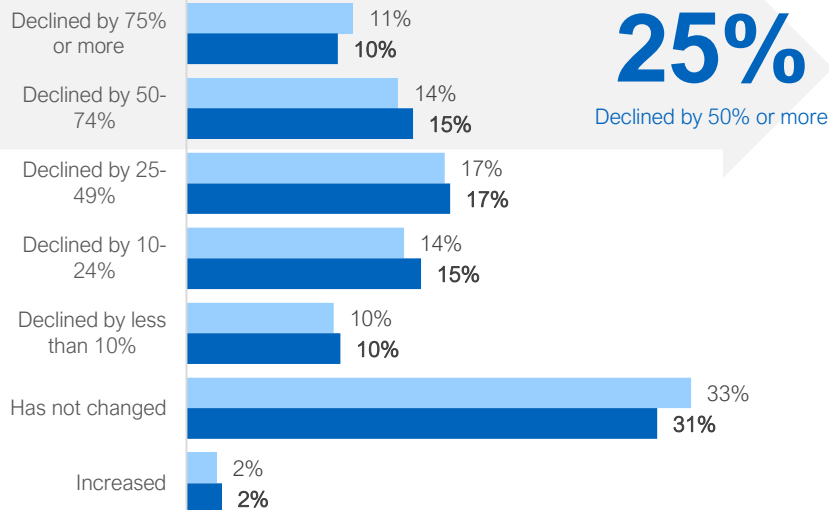
Economic impacts falling on the most vulnerable first

Higher risk consumers will face, at minimum, a short to medium-term financial challenge as they bear the brunt of the initial economic impacts

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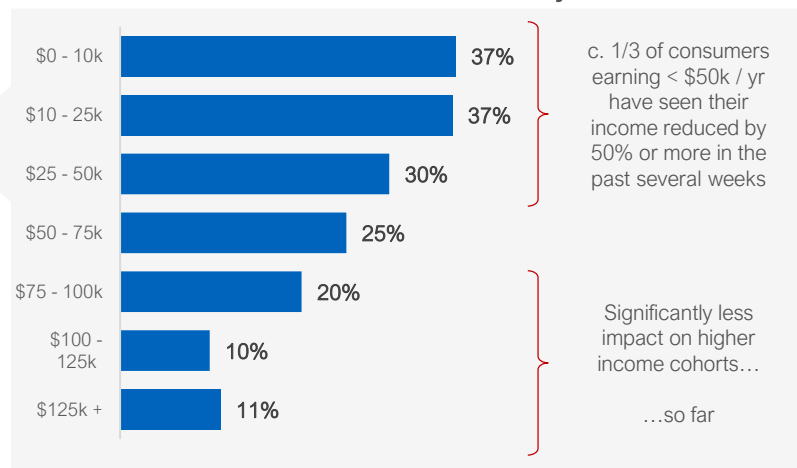
How has your family's income changed since the coronavirus crisis began?

■ Apr 3-5 ■ Apr 10-12



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



These values are mostly evenly distributed across all 18 0 69 age cohorts with a slight skew towards the young

For those over 60, only 15% have seen a 50%+ decline

Miles driven still down, but not universally

A slight uptick in miles driven nationally over the past week with some real upticks in Washington state, an early impacted population

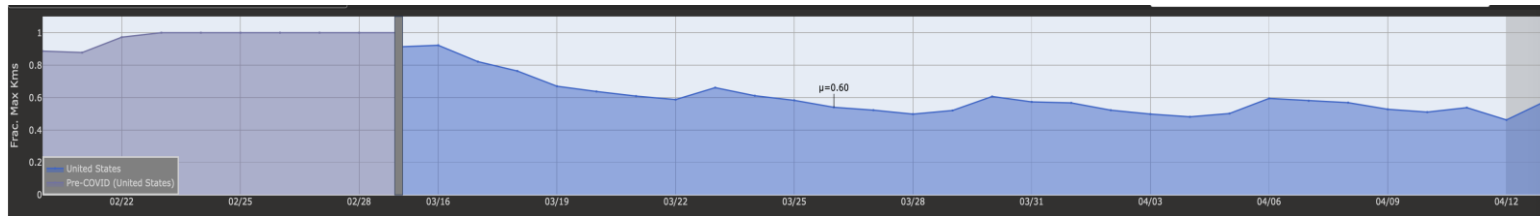
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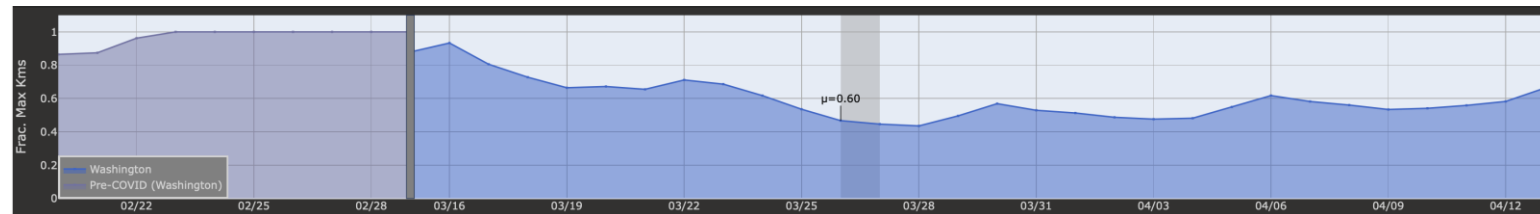


CAMBRIDGE
MOBILE TELEMATICS

US miles driven per day are seeing a slight uptick, down c. 52% from 55% last week, from the early March peak averages



These results aren't universal and in fact we are starting to see change in WA. Two weeks ago Washington State was at 42% of peak (8-10% below National Average), today it's above 60%, a few points above national average.



Source: Cambridge Mobile Telematics

Risky driving continues to grow

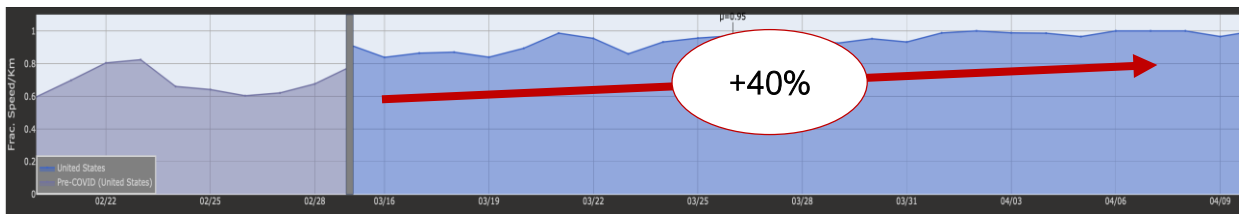
While American's continue to drive significantly reduced mileage, their risk behaviors are trending upwards, likely impacting severity during a reduced frequency period

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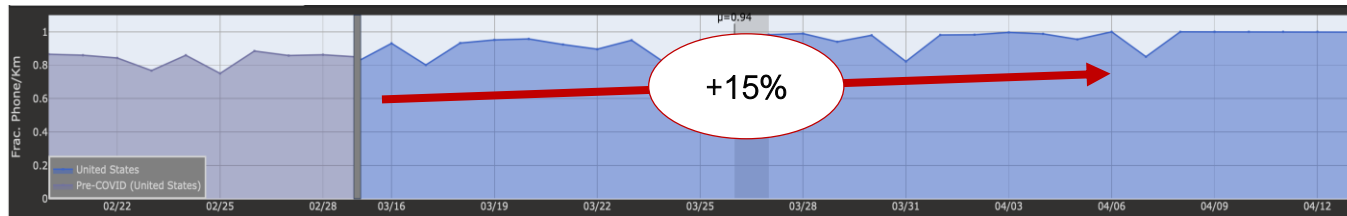
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Speeding remains high - up by as much as 40% on a per mile basis...



Distraction is up 15% v. the Pre-COVID era...



April 15
"50-vehicle pile-up on slippery
Kennedy Expressway sends
over a dozen to hospitals"

- FOX32 Chicago News

Source: Cambridge Mobile Telematics, FOX32 Chicago

AUTO INSURANCE

Impact of COVID-19 on the auto insurance consumer

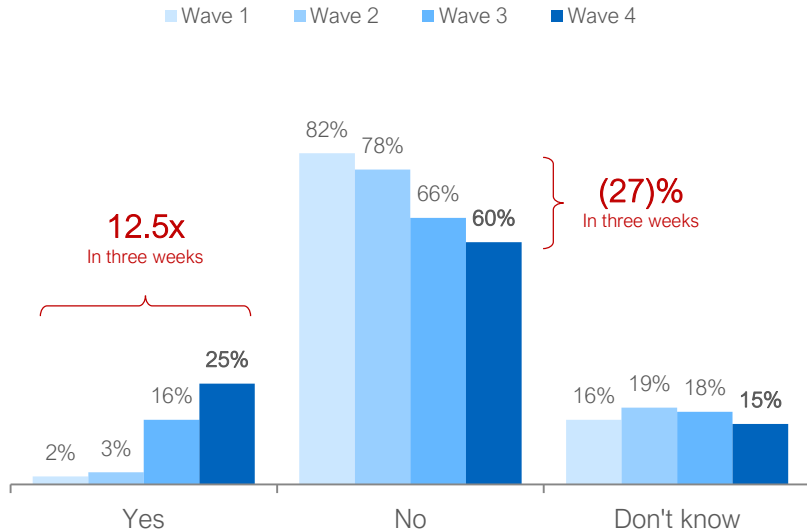
COVID-19

Auto insurance perceptions are changing rapidly

Consumer attitudes and perceptions with their auto insurance have changed rapidly in the past three weeks—premium angst is morphing into anxiety as many consumers continue to pay premiums while vehicles sit idle

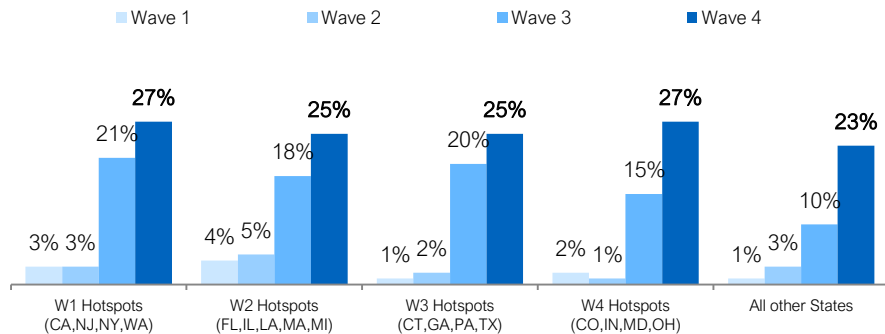
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Do you think that COVID-19 will change your opinion on auto insurance?



- Auto insurance is rapidly taking mindshare of 'things that may be changed' by COVID-19 as consumers feel more tangible impacts
- Opinions change more rapidly as an area becomes more impacted, likely driven by direct impact of economic stress
- Based upon these trends, it may be reasonable to expect increased consumer anxiety across the U.S. in the coming weeks

Hotspot States COVID-19 will change my opinion of auto insurance (%Yes)

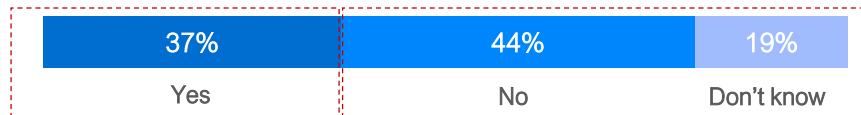


Consumers are just becoming aware of premium relief efforts

Only 37% of consumers are aware of their carrier's premium relief announcements as of April 14. While more than half indicate that these announcements will provide much needed relief, it probably wasn't enough to make an impact

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



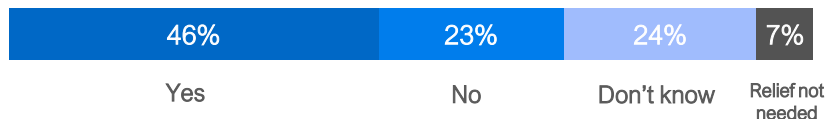
AWARE population

UNAWARE population

Are premium actions enough to help ease financial pressure?



Will benefits be received in time to make a difference?



- Only 37% (c. 55m PIFs) of consumers are AWARE of their carrier's announced premium relief as of April 14
- Focus on the AWARE population:
 - 57% believe that action taken is enough to relieve financial pressure, about 20% of total consumers
 - 46% believe that action taken will arrive in time to make a difference, about 16% of total consumers
 - This population is heavily skewed towards higher credit tier consumers
- Among consumers UNAWARE of their carrier's announcement (c. 95m PIFs) a majority indicate that any relief is not likely to arrive in time to make a difference
- Despite awareness or agreement with carrier actions, consumers still seek greater premium relief
- Growing awareness of under / variable utilization of the vehicle asset continues to put downward pressure on consumer sentiment towards a 'static' auto insurance product

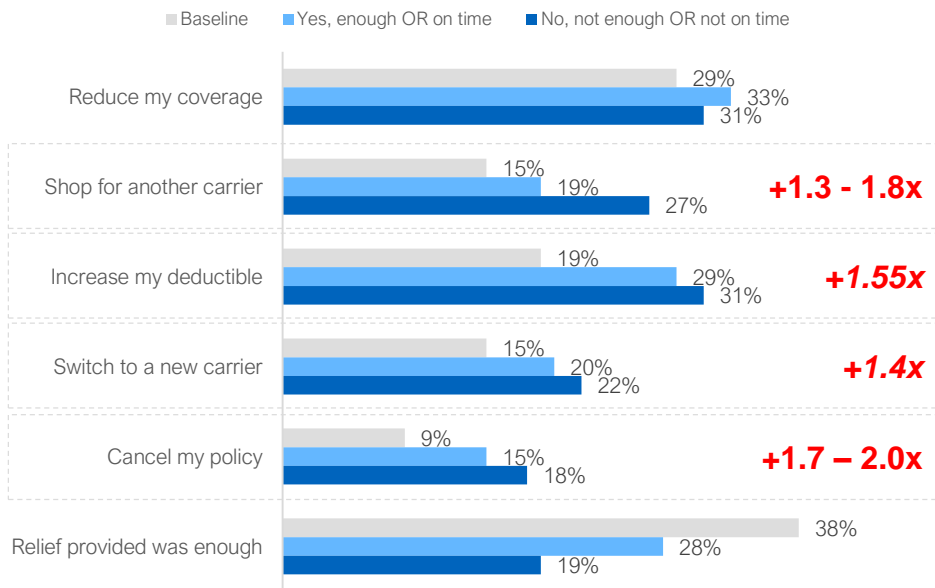
Note: 1) As of survey date, all carriers captured had announced premium relief programs except for some of the AAA affiliated clubs

AWARE consumers still seeking further remedies

Premium relief efforts appear to have fallen short of consumer expectations—once they become AWARE of the announcement they still seek further premium reduction even when they agree that it eased financial pressure

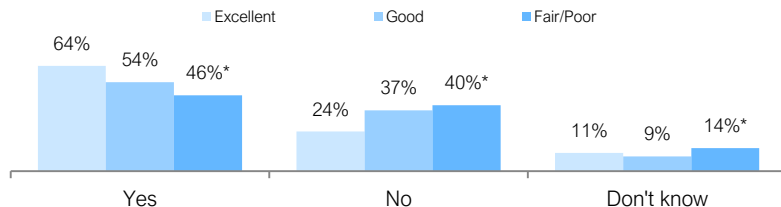
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Of those AWARE, are you likely to take additional premium relief actions? ⁽¹⁾



- Consumers who are AWARE still seek further premium relief, even if they believe recent actions would ease financial pressure
- We see some data skew across credit tiers:
 - Higher tiers more likely to be AWARE and believe actions are enough
 - Lower tiers more likely to be UNAWARE, but already shopping
- A trend to watch—It is reasonable to believe that, as lower credit tiers they become AWARE, their actions may be more severe than those currently observed within higher credit tiers
- The UNAWARE population metrics are similar to the AWARE baseline, EXCEPT for shopping which is already at c. 23%

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



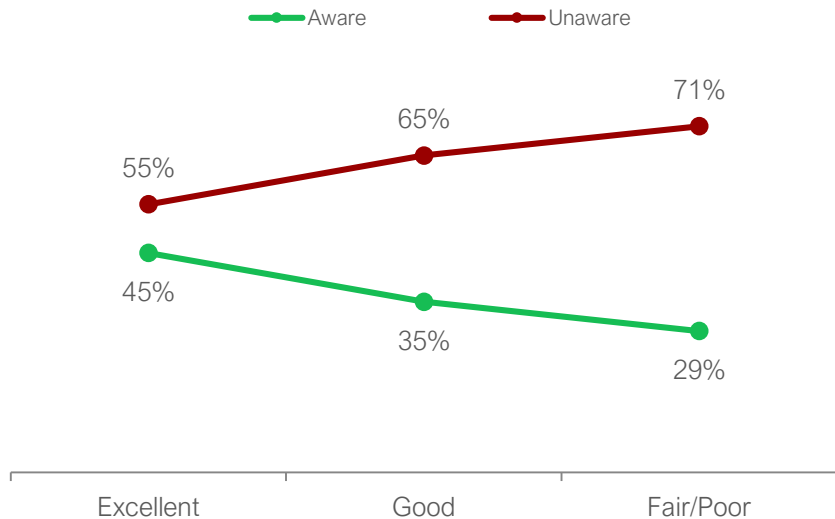
Note: 1) Baseline for the Aware populations based upon A | B methods (premium reduction actions consumers indicated they would take prior to asking about perceptions of the premium relief actions carriers have taken)

Based upon current awareness, expect shopping to grow...

As awareness grows, it is likely that lower credit tier customers don't find premium relief efforts to be enough and shift towards increased shopping, switching and cancelling behaviors

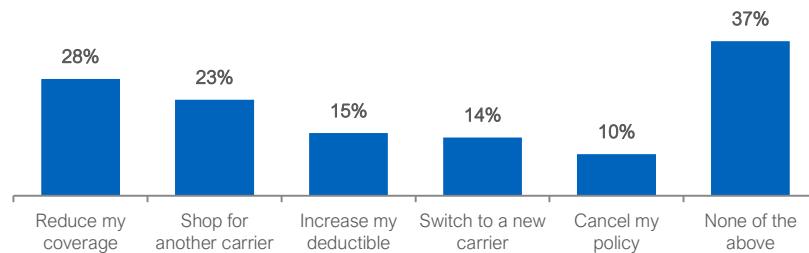
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Who is aware of premium relief announcements? (by credit tier)



- Based upon credit tier characteristics, it is reasonable to assume that as more customers become aware, they will be less likely to agree that premiums actions provided required level of financial relief
- Non-standard markets could be especially impacted over the course of the next several weeks as their customers become aware
 - Shopping behaviors already elevated among unaware
 - Additional premium relief actions likely to be more severe than those currently being taken by aware population

Of those UNAWARE, premium actions currently taking to ease financial pressure?

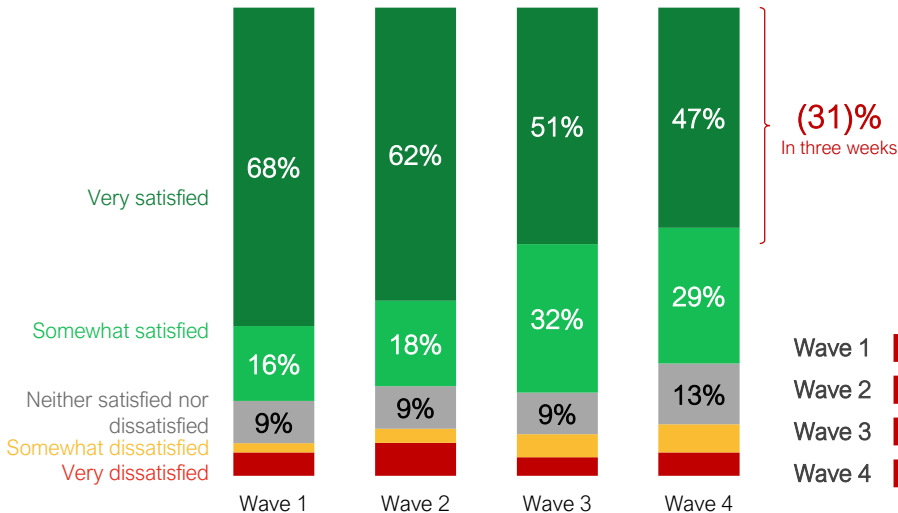


Auto insurance satisfaction levels continue to decline

Customers initial satisfaction levels are fading towards uncertainty—based upon our historical consumer sentiment database, this almost always results in increased shopping activity

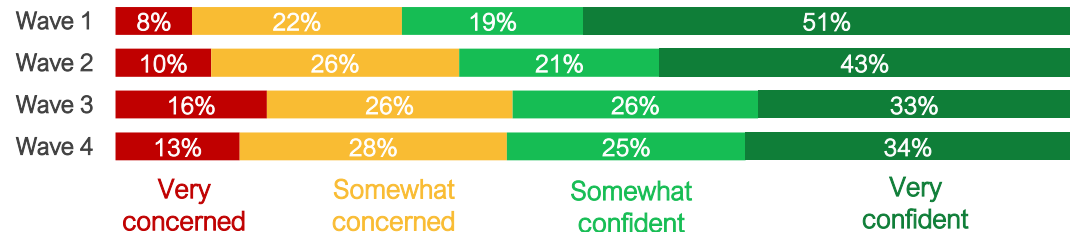
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How satisfied are you with how your auto insurance carrier is living up to their reputation during COVID-19?



- Rapidly falling 'Very Satisfied' rates indicate growing uncertainty among consumers with their auto insurance carrier relationships
 - This is particularly interesting in light of premium relief announcements
 - As we've seen, further premium relief is still being sought even when customers feel announced relief initiatives are enough
- Confidence making the next auto insurance payment stabilized this week
- Consumers with fair to poor credit are more than 2X as likely to feel premium payment anxieties

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

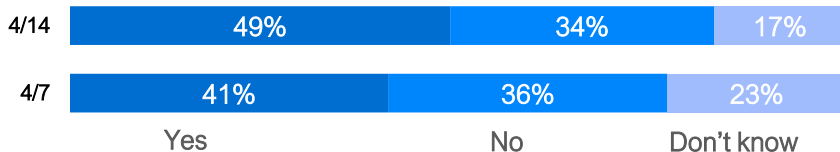


Customers still want to hear from their carrier

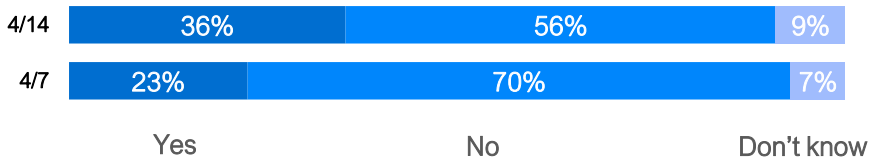
Given consumer's increasing premium anxiety, it is imperative carriers ensure they contact their customers—the potential for switching increases rapidly when communication expectations are missed

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



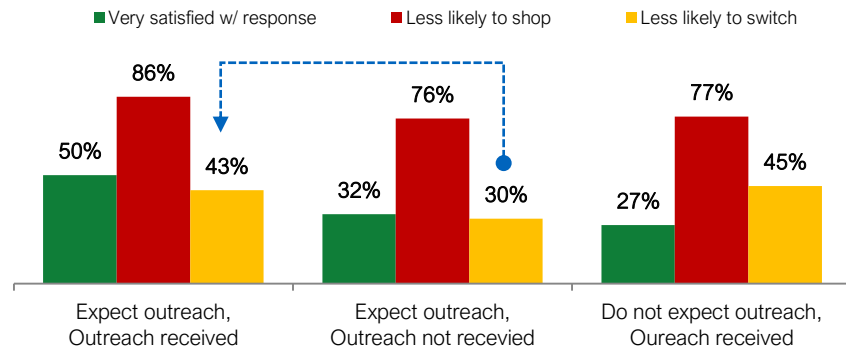
Have you been contacted by your insurer about actions they are taking to help customers manage costs as a result of COVID-19?



Note: 1) W3 + W4 combined, no significant movement between W3 and W4

Shopping / switching propensity by communication ⁽¹⁾

- The vast majority of auto insurance consumers still have not been contacted by their carrier as of April 14
- As noted last week, and given this week's premium relief announcements by many carriers, it is imperative to contact customers to minimize shopping activity in the coming weeks
- Customers that expect to be contacted, but aren't, are almost twice as likely to switch carriers



Note: W2+W3 Combined

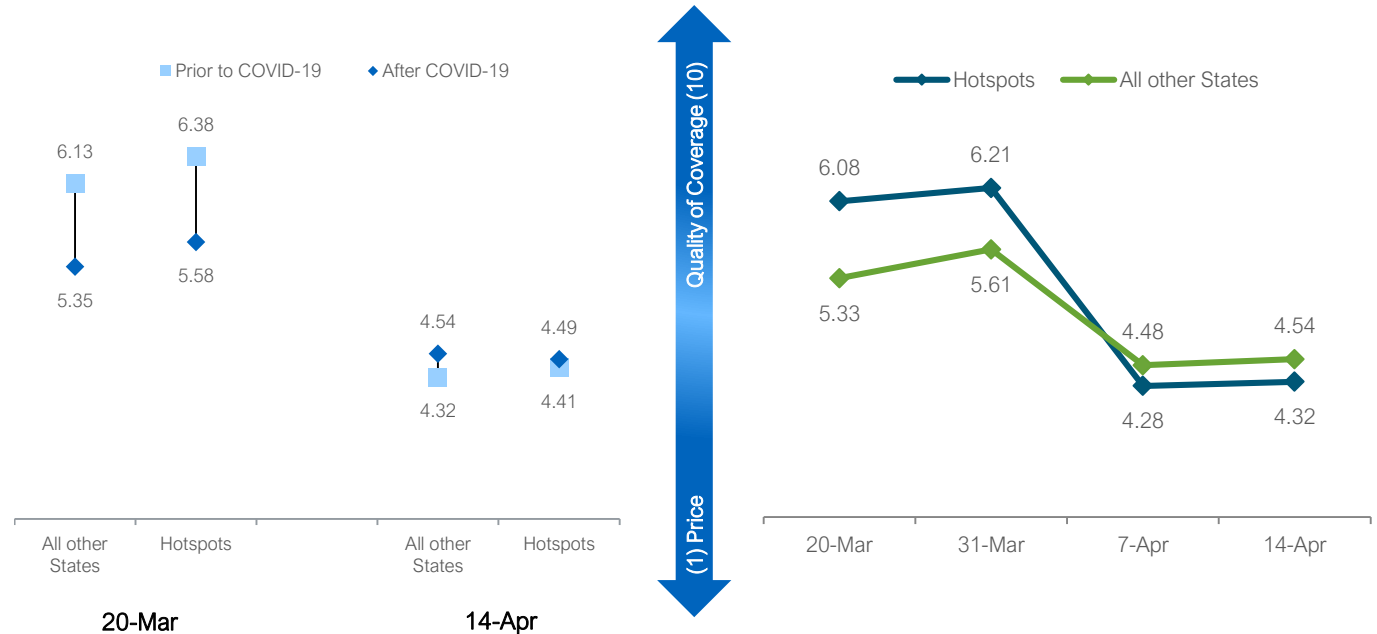
Pre-COVID memories have faded. Rate sensitivity is crystalizing

Consumer memory is fleeting as we progress further into the COVID-19 era. They increasingly don't recall a difference in rate sensitivity to a prior time—they are just becoming significantly more rate sensitive

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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 are showing a growing preference towards PRICE in their auto insurance
- That shift has leapt forward over the past three weeks with a c. 20% increase in PRICE sensitivity when considering carriers
- Communications and messaging will likely require a PRICE-based message and management options to continue to resonate with consumers as their rate sensitivity grows

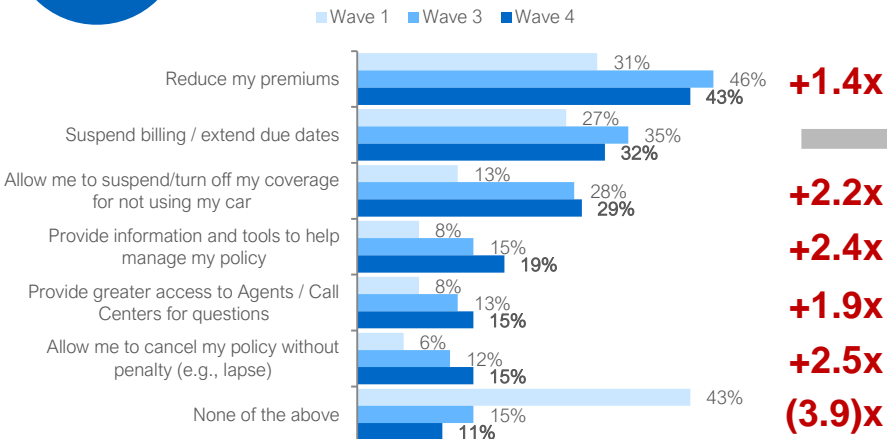
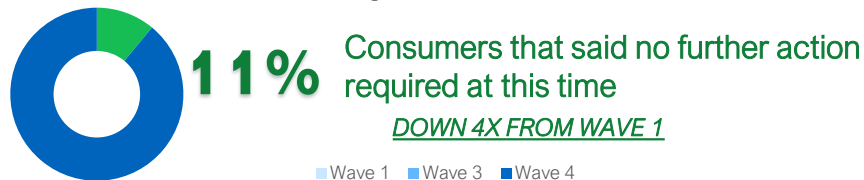


Consumers still want rate management options

Consumers are expecting their carrier to be taking actions that ease economic anxiety. The most vulnerable consumers are seeking rapid premium relief / suspension

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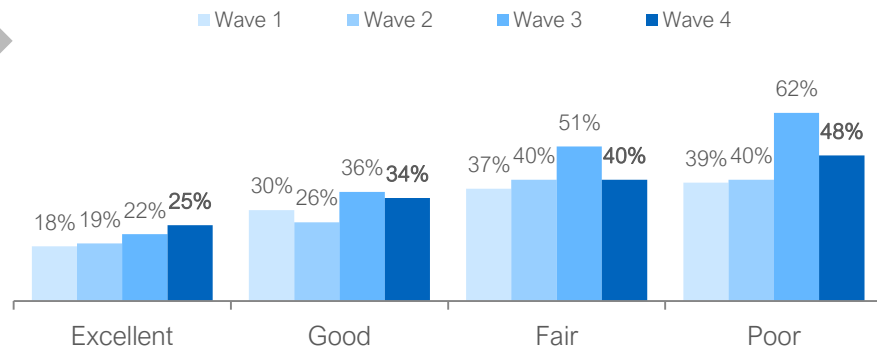
What action(s) would you like to see from your insurer during COVID-19? ⁽¹⁾



Note: 1) Wave 2 data removed to simplify visual as it is similar to Wave 1

- Wave 4 data shows some stabilization of premium reduction / payment suspension needs as carriers have responded widely
- Increases in desire to manage their policy with more personalized options continues to grow despite broad relief announcements
- Ways to suspend or mitigate low vehicle utilization or job loss is likely to remain a problem, especially for the most economically vulnerable consumers

Suspend billing / extend due data by credit profile

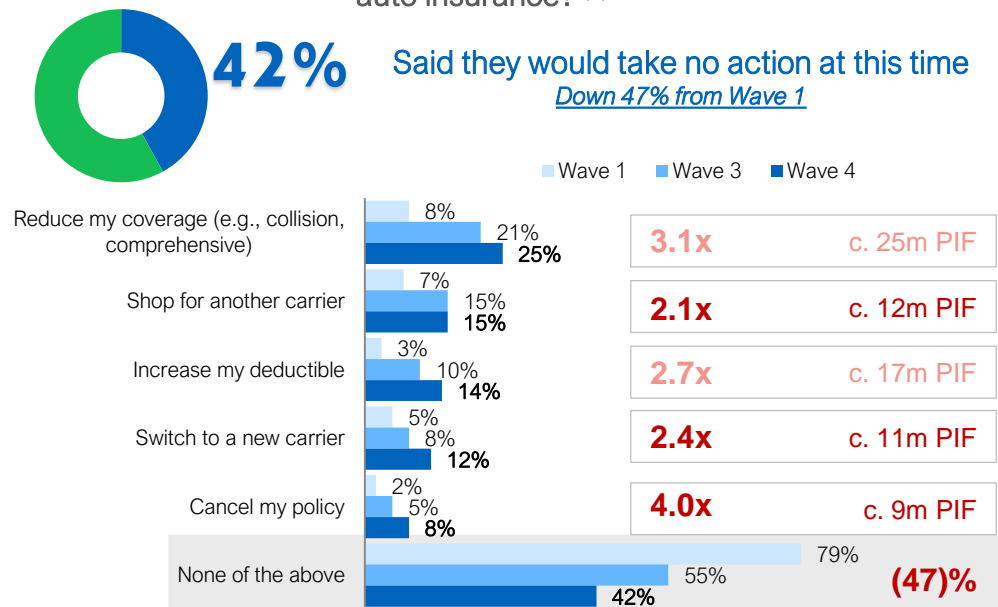


Shop, switch and cancel propensities continue to grow

Consumers will look to their carriers for guidance and support for ALL premium relief options, but will move on quickly if they don't get the results they need

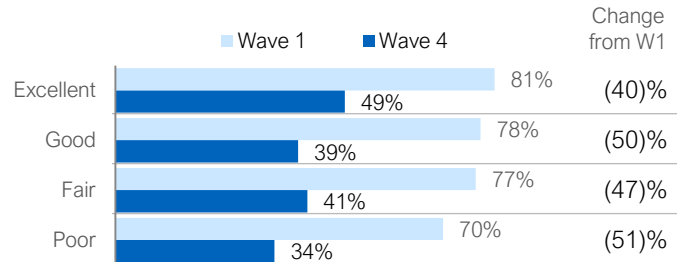
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What, if any, methods do you plan to use to manage the cost of your auto insurance? ⁽¹⁾



- In the absence of carrier-provided options, consumers appear increasingly likely to resort to shopping, switching or cancellation
- Given the ease of online shopping, those carriers that are less able to help their customers find solutions may encounter retention challenges on certain customer profiles
- For most credit tiers, very few consumers are NOT looking to manage their auto insurance costs further

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

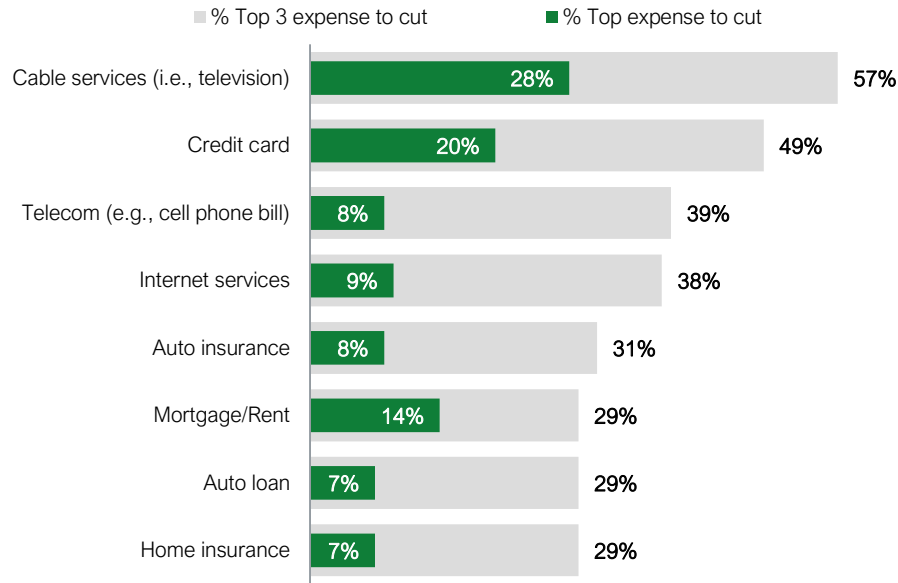
As job losses grow, expect rapid consumer response

Job losses stand at more than 22m and growing. Given the ease of shopping / switching, consumers intend to action quickly—this is especially important given the growing number that is considering cancellation as a real option

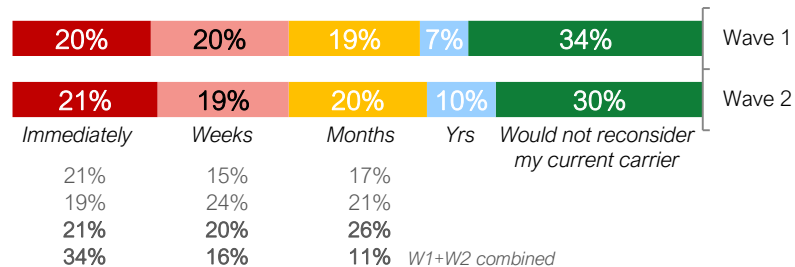
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Which of the following household expenses would you make changes to first to reduce your expenses?

Rank each option with 1 being the first to make changes



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



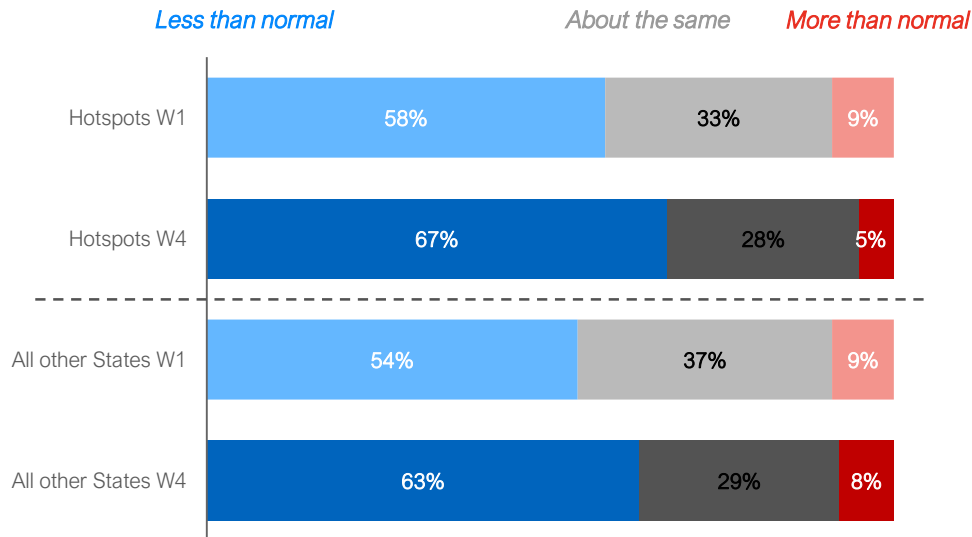
- 2008 / 09 shopping behaviors may not paint a full picture—in 2020 those actions are likely to materialize much more quickly
 - Consumers in financial challenging situations will shop / switch quickly
 - Digital shopping is nearly ubiquitous in 2020
- Given the continuing increase in job losses, it is increasingly likely that major shopping events are imminent or within weeks away
 - Non-standard markets may have to deal with switchers that see cancellation as an alternative to not finding an acceptable rate

Real-time risk / utilization measurement is suddenly popular

Consumers and carriers have been seeking a catalyzing event to prove telematics value—COVID-19 may be crystalizing real-time vehicle use monitoring as it appears they are already adopting these programs

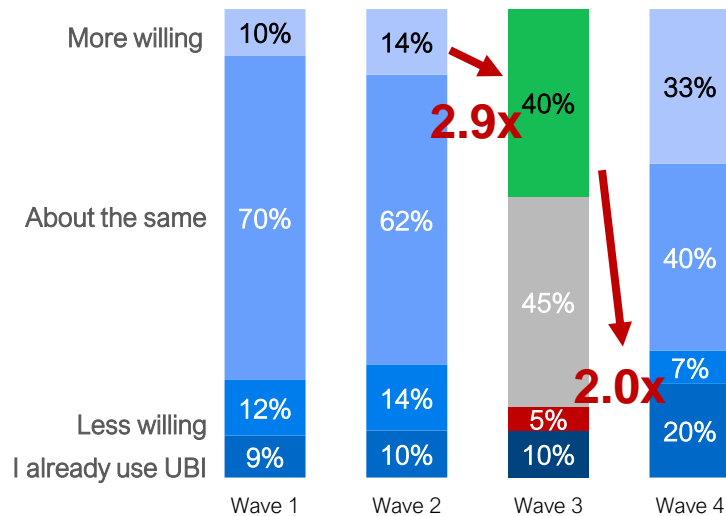
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How has COVID-19 impacted the average number of miles driven within your household?



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

Premiums more impacted by your driving behavior and miles driven

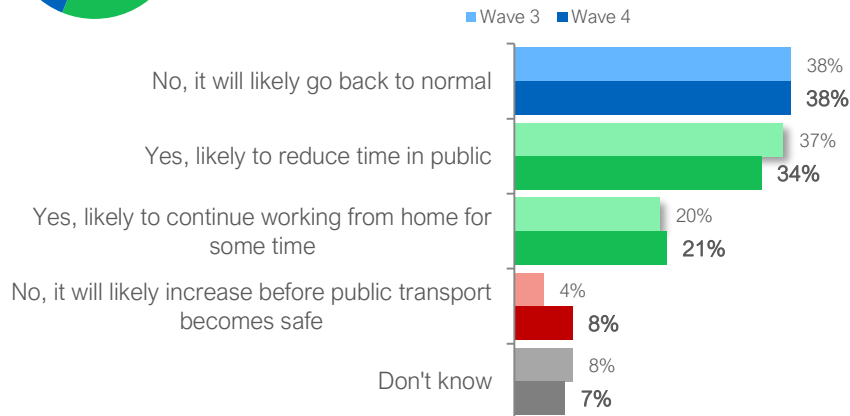


If miles driven remains down, will premiums follow?

As consumers become acutely aware of the impact of utilization and risk on auto insurance rates, any ongoing reduction in miles driven will likely increase rate sensitivity that drives shopping / switching

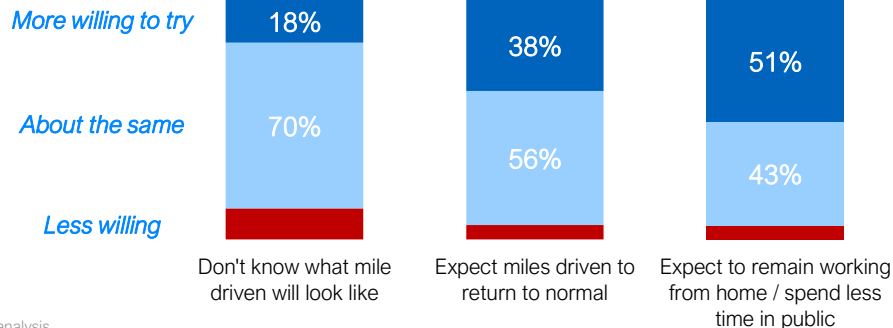
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Do you anticipate any changes to the average number of miles you drive will remain after COVID-19?



- The majority of consumers expect their average number of miles driven to remain lower post COVID-19
 - Only 38% expecting driving behaviors to return to normal
- Those consumers that see reduced vehicle utilization to continue into the medium-term are especially interested in UBI programs
- Consumers with lower credit quality are more likely to anticipate fewer changes in miles driven post COVID-19

Willingness to use Usage Based Insurance (UBI) by Expectation for Future Miles Driven ⁽¹⁾



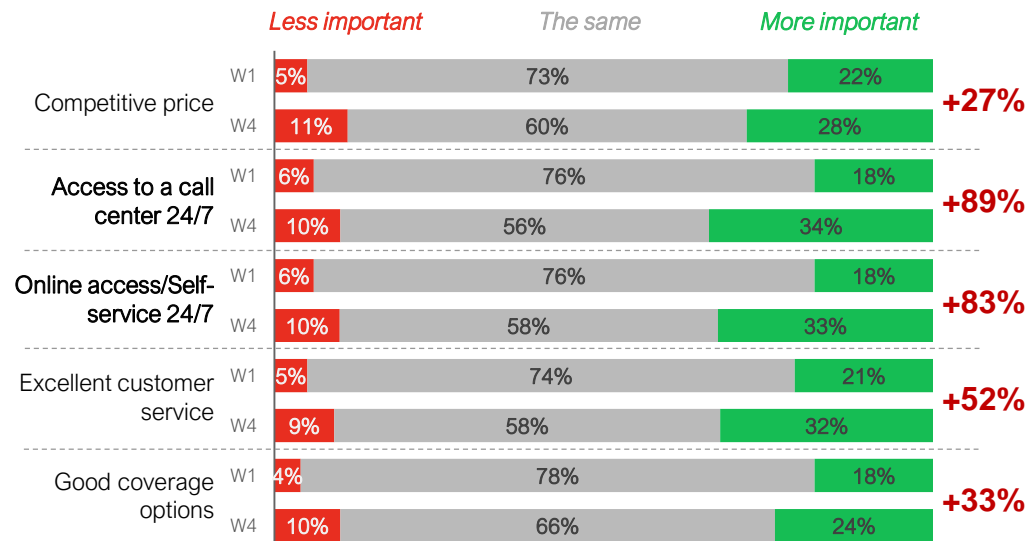
Note: 1) Wave 3 and Wave 4 combined as data remained similar across waves; Customers already using UBI excluded from analysis

Consumer service expectations continue to expand

Consumers are demanding access on their terms and timing during their personally difficult times—maintaining access and service levels during high call volumes will be key to reducing shopping / switching

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



Solving consumer problems, at least somewhat on their terms, will likely to be key to mitigating shopping events...

- This data was initially not remarkable to us, but increasingly is becoming more clear—in high anxiety times, consumers want service on their terms—they are increasingly expecting availability when they need access
- Rolling all of these expectations together, we believe that consumers will expect their carrier to solve their problems as they arise, potentially with a unique rolling set of solutions each time
- It is becoming increasingly important, and based upon the trend, imperative, to make all information easily available to carriers
 - Customers need to know how to get in contact with their carrier / agent easily—prominent webpage displays and direct communications will make this easier
 - Long wait times, missed call-back options and unclear / unhelpful responses are not likely to play well

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