

# J.D. POWER

P&C Insurance Industry Insight

April 2019

## **Progressive & GEICO Capture 54% of Auto Premium Growth in 2018 as Direct-to-Consumer Model Gains Traction**

Auto insurance revenues grew 6.2% industry-wide last year, topping off at a healthy \$245 billion thanks to a combination of strong premium growth and increased auto sales volume. Even more impressive, 54% of those gains – \$7.8 billion in direct written premiums – were captured by just two carriers: Progressive and GEICO. More broadly, the total share of premium among the top 10 largest insurance companies was 72.5%, signaling the growing dominance of a small number of large insurers in the auto market.

What's driving this trend? In a word: consumerism. The shift in consumer behavior in the auto insurance industry is quickly moving from face-to-face to digital as large, well-capitalized insurers give consumers the tools to shop as they would for any other consumer product. Increasingly, those insurers who get that consumer model right are the ones who will dominate the market.

### **Direct-to-Consumer Model Wins on Customer Satisfaction**

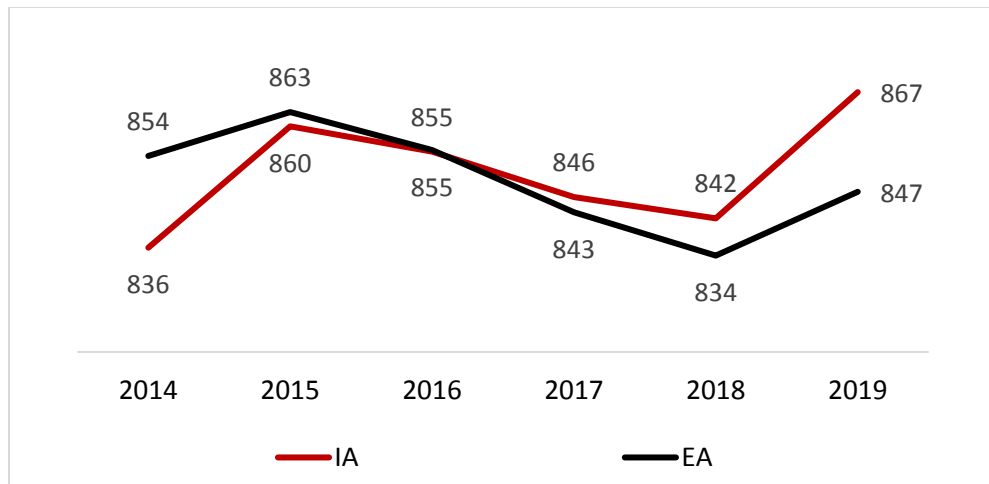
The J.D. Power 2019 Insurance Shopping Satisfaction Study<sup>SM</sup> shines some light on this trend by finding that the direct and independent agent channel continue to show increasingly higher levels of satisfaction, while the exclusive agent channel continues to fall further behind. In fact, the direct and independent agent channel first surpassed the exclusive agent for satisfaction in 2016 and have not looked back.

Today, the online and independent agent experience empowers consumers to quickly and easily collect and compare multiple coverages and prices. Just like any other consumer good, auto insurance is now on the shelf for the consumer to shop and compare. As a result, insurance companies are no longer just risk pricers and relationship developers—they are rapidly becoming major consumer brands. Awareness and consideration are increasingly among the most important factors in deciding with whom the customer quotes. This is probably why brand reputation has emerged as the most important factor, cited by 23% of insurance shoppers as a key decision metric.

### **Independent Agent Model Continues to Show Strength**

Consumer participation has fundamentally altered the consumer-agent relationship as well. Over the last five years, independent agents continue to show strong gains when compared with their exclusive agent channel counterparts. As the chart below indicates, customer satisfaction with independent agents is 20 points higher (on a 1,000-point scale) than with exclusive agents.

## J.D. Power 2019 Insurance Shopping Satisfaction Study Purchase Experience Trend – Independent vs Exclusive Agent



Insurers' financial results in 2018 bear this out, with the top 10 carriers that are most focused on the exclusive agent channel taking a -1.2% hit to market share. This shift really began to take root in 2015/2016—a time when large rate increases were being taken by almost all major carriers. It appears consumers took to those channels where price comparisons can be made most easily, and they haven't looked back.

In fact, in our insurance shopper customer satisfaction study, the largest performance gap among the different channels is with "flexible product offers." This is an area where independent agents thrive based on their ability to place clients among several different brands compared to a tied-agent that lacks that flexibility.

### Putting Progressive and GEICO in Context

Bringing this all back to the performance of the industry's volume leaders, Progressive and GEICO, we see two different approaches that are resonating with consumers. In the case of GEICO, which has aggressively pursued a direct-to-consumer model, full-court-press advertising and a steady roll-out of digital shopping solutions has been the key to volume growth.

Progressive has taken a different approach. The company's 2018 financial performance was as much about independent agents as it was about direct-to-consumer business. Progressive's direct business reported growth of 17%, supported by an equally impressive showing within the independent agent channel at 15% growth year-over-year.

In a crowded marketplace, driven by increased competition for business, carriers must be able to demonstrate the value they bring that sets them apart from other carriers. Increasingly, factors such as having a strong brand are influencing consumer traffic and helping to separate the winners from the losers.

### **About this J.D. Power Industry Insight**

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### **Upcoming 2019 J.D. Power Insurance Industry Syndicated Studies**

Across its utilities practice, J.D. Power has a wealth of data and perspective on the trends impacting the industry and consumers. Upcoming syndicated studies for 2019 include:

- U.S. Insurance Shopping Study, April 25, 2019
- U.S. Insurance Digital Experience Study, May 23, 2019
- U.S. Auto Insurance Study, June 13, 2019
- U.S. Home Insurance Study, September 12, 2019
- U.S. Life Insurance Study, October 10, 2019

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