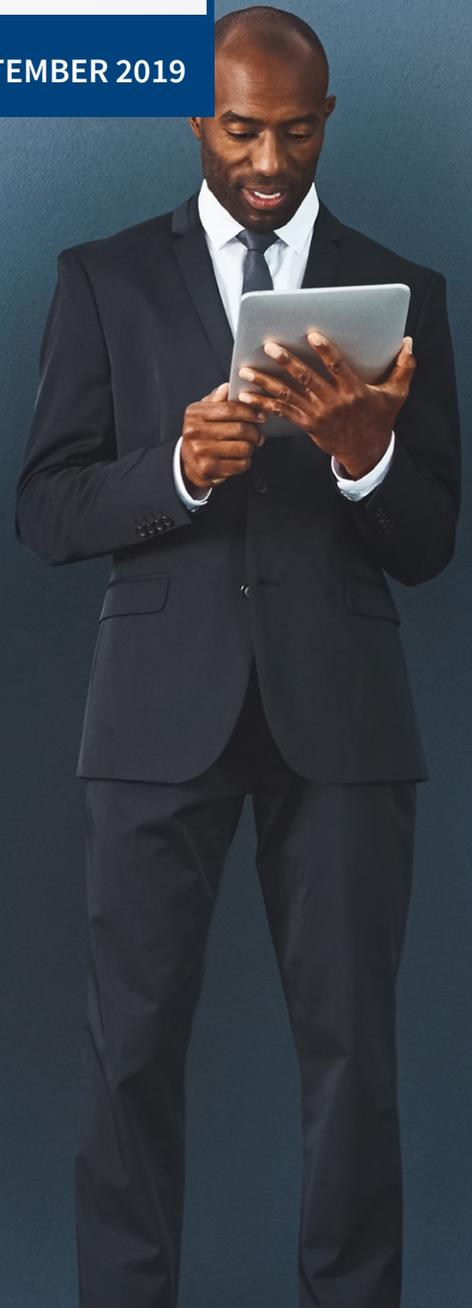


WHITE PAPER

Insurance Shopology

The what and why behind consumer insurance shopping behavior.

SEPTEMBER 2019



Executive summary

It's a challenging time in insurance. The U.S. auto insurance marketplace has become highly competitive, with steady annual revenue growth each year from new consumers entering the market. At the same time, consumers are shopping for auto insurance more than ever before, in large part because carriers have made it easy for them to do so. The end result? In an insurance marketplace plagued with retention woes, it is tough for carriers to attract and retain the best customers. The leading question is: how can you step ahead of the competition in this tight and challenging market?

To help answer this question, LexisNexis® Risk Solutions commissioned a study of more than 2,000 current U.S. auto insurance policyholders. Our research yielded some key actionable insights, including:

- Shopping habits among auto insurance consumers are driven by both demographics and behavior.
- Consumers consider themselves to be loyal, but that doesn't necessarily translate to their choice of insurance carrier.
- Not surprisingly, price is the number one reason that consumers shop, but we found that life events drive shopping behavior, too.

- Addressing incremental consumer touchpoints can result in satisfied customers, improved retention rates and up-sell/cross-sell opportunities.

By taking a proactive, data-driven approach to monitoring and anticipating key events in insureds' lives, carriers can get a leg up on the competition and create new opportunities for revenue growth.

The accelerating auto insurance shopping landscape

Shopping for insurance is very convenient and compelling. Industry-wide advertising encourages consumers to shop around for a better rate. Cleverly designed websites, mobile apps and price comparison sites powered by prefilled data are empowering consumers to shop for insurance more easily than ever, right from their mobile device.

While all of this shopping activity is a good thing in terms of creating new competitive opportunities, the downside is that it contributes to declining retention rates, as consumers switch from carrier to carrier. While retention rates do vary by distribution channel, at a macro level, retention continues to challenge all carriers. As you can see in Figure 1, overall industry retention has hovered around the low 80% mark for the last several years.

Industry Retention Rates 2013-2017

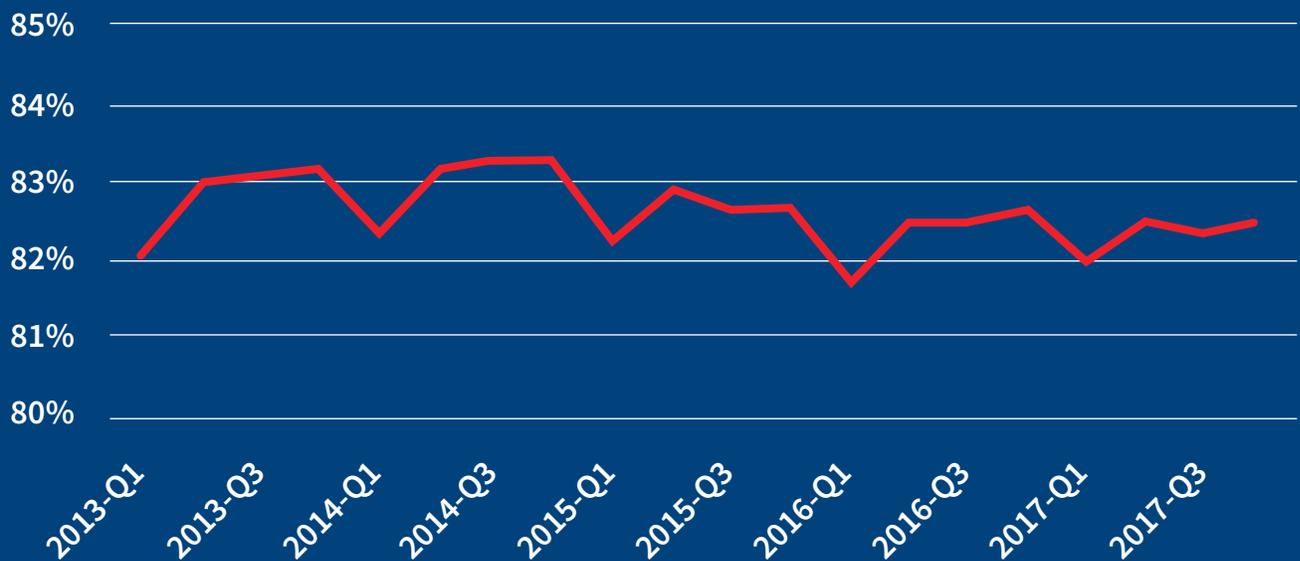


Figure 1. Industry retention rates have remained relatively unchanged for the past five years.

Source: LexisNexis Auto Insurance Market Analysis 2019

Because attracting and retaining good customers is such an important element in driving consistent, ongoing growth and profitability, LexisNexis Risk Solutions wanted to understand the “why” behind the shopping frenzy. While our position in the market already offers unparalleled insight into the quantitative analysis, or the “what” behind shopping behavior of U.S. auto insurance consumers, we sought to complement this insight with a comprehensive consumer shopping study of more than 2,000 current auto insurance policyholders.

Our consumer study revealed several interesting attitudinal and actionable insights regarding insurance shopping behavior. Our hope is that these insights can help carriers create a path forward for profitable growth in a market that has become significantly commoditized by price.

Revelations about auto insurance shopping rates

Insurance shopping volumes have consistently grown every single quarter, year-over-year since LexisNexis Risk Solutions started tracking data in 2009. In fact, our internal quantitative analyses shows that:



A staggering
62%
of auto policies are
shopped off cycle or
not within the traditional
renewal window

Source: LexisNexis Auto Insurance
Market Analysis 2019

40%
of U.S. auto policies were shopped in the
past year

Almost
78%
of policyholders have shopped their
insurance in the past five years

16%
of auto policies are shopped in the 30 days
immediately *after* renewal



About the study

In February 2019, LexisNexis Risk Solutions commissioned a consumer study of more than 2,000 auto insurance consumers, aged between 25-70 years, who were the primary decision makers and purchasers for auto insurance. Every respondent had owned an auto insurance policy for at least the past year. Respondents were classified into three groups:

- Recent Non-shoppers*: had not shopped for auto insurance in the past year
- Shoppers: had shopped for auto insurance in the past year
- Switchers: had shopped and switched auto insurance in the past year

* We were careful to label this group ‘Recent Non-Shoppers’ as LexisNexis market analyses has shown that the number of policies not shopped in the past year has continued to decline; at present 40% of U.S. auto policies were shopped in the past year as noted above.

Who's shopping and how

Auto insurance shopping is common and occurs equally in both groups: Shoppers and Recent Non-shoppers. Half of those consumers surveyed have shopped their insurance in the past year, and one in five has ended up switching carriers. There were no significant demographic differences between Shoppers, Recent Non-shoppers and Switchers among our survey sample.

However, there are differences between groups in terms of how they research and purchase insurance. Shoppers are more comfortable online and are more likely to go directly to a carrier's website and use an online rating tool (42% versus 26% of Recent Non-shoppers).

All respondents rely on the personal touch when it comes to purchase, either via phone directly to the carrier or via an agent, but Non-shoppers are more reliant than their counterparts. While Recent Non-shoppers require a human touch 83% of the time, only 68% of Shoppers need hand-holding.



Figure 2. Recent Non-shoppers and Shoppers demonstrate very different shopping behaviors.

What all of this tells us is that shopping is not just about demographics; behavior is important (Figure 2). Behavior is fluid, can be influenced and changes over time. This is a key insight that can help you turn behavioral factors into a competitive advantage. For example, the more you know the greater likelihood you'll have of influencing your customers' insurance purchase decisions.

Consumers are well-informed about their policies

72%
are aware they can switch their insurance at any time

Consumers tend to have a high degree of awareness and engagement about the terms of their insurance policies as they relate to shopping. Many are aware of the duration of their policy and an overwhelming majority of survey respondents (72%) are aware they can switch their insurance at any time.

When consumers shop, price outperforms loyalty

Price most certainly matters to consumers. Those who've switched carriers cite finding a better price as the top reason for their decision to switch. Price is also the number one reason consumers don't switch insurance carriers. They simply haven't found a better price or value elsewhere.

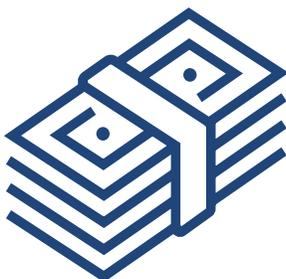
Even when Recent Non-shoppers research their insurance options, they typically do so because of price. However, for this group, other shopping drivers include:

- The desire to stay informed about different prices and offerings
- Their policy is up for renewal
- Their premium is increasing

While there are various other reasons consumers might shop around, clearly the decision to switch comes down to one thing—price. And savings don't just appeal to lower income earners—even respondents earning between \$100,000 and \$150,000 indicated their willingness to switch for \$100 or less.

Half of the Shoppers surveyed shop at every renewal or if they think their premium is too high. Recent Non-shoppers are more likely to renew than Shoppers, 38% of Recent Non-shoppers renew immediately with their existing carrier as soon as they get their renewal notice and 27% of them renew with little or no policy review.

Shoppers, on the other hand, are more likely to renew sometime within 30 days of receiving their renewal notice and the vast majority (70%) review both the price and coverage offered under the policy before they renew. This makes Shoppers a highly engaged segment, an insight carriers should consider carefully when developing their customer outreach strategy.

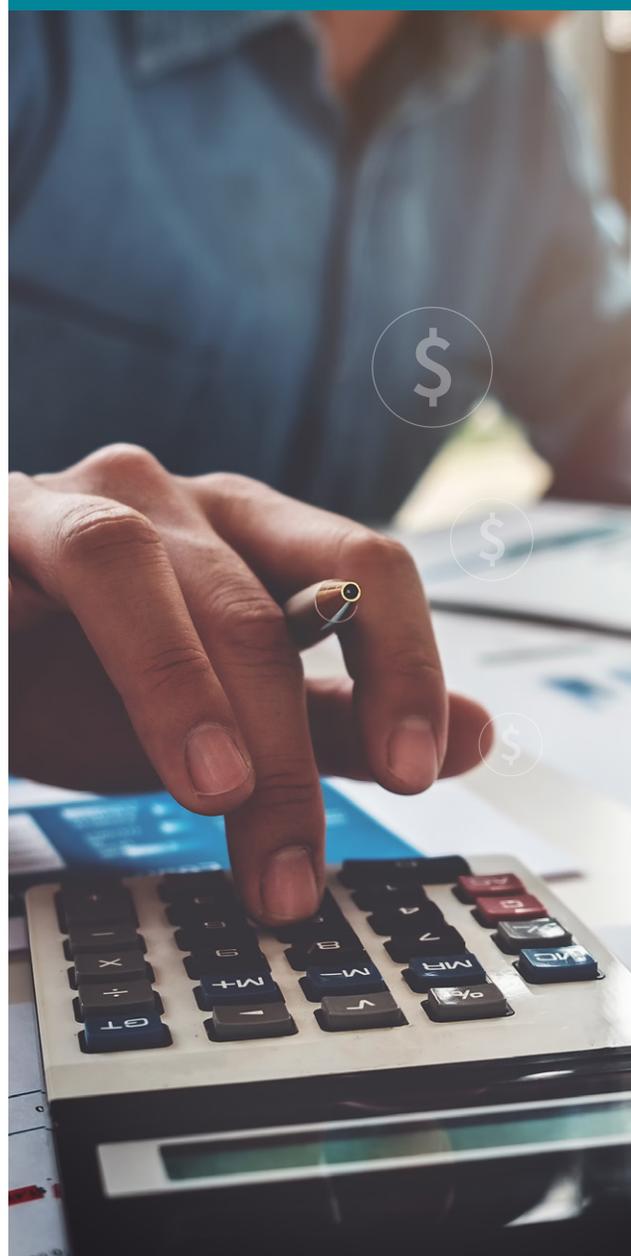


It's all about the price

A savings of \$100 or less prompted a switch in carrier:

 **45%** of all switchers

 **28%** of all switchers earning between \$100,000-\$150,000



Is consumer loyalty still something to chase?

Given all of the shopping activity in the marketplace, it's not unreasonable to question consumer loyalty. Do consumers view themselves as loyal and if so, how does this translate to shopping behavior? Survey respondents overwhelmingly agree that they are loyal people. This is a consistent finding regardless of group.

However, this affirmation of loyalty doesn't translate to insurance shopping behavior. Despite their assertions of loyalty, **50% of Shoppers expect to shop again in the next year. One in five expect to switch carriers when they do shop.** Even Recent Non-shoppers expect to experience an event in the future that may cause them to shop, which means their loyalty could be tested, too. Though Recent Non-shoppers are much less likely to shop around or switch than Shoppers, there is a portion of Recent Non-shoppers who will become Shoppers in the near future, and nearly 10% of them could decide to switch carriers.

Even satisfied customers are unpredictable

While satisfied customers are likely to recommend their auto insurance carrier (each of the three groups scored above 60% in the "likely to recommend" category), customer satisfaction doesn't prevent shopping or switching.

Though overall satisfaction is highest for the Recent Non-shopper group (80%), a majority of Shoppers are also very satisfied with their current carrier (72%).

Where satisfaction is lower for a specific carrier attribute, that attribute tends to be premium or price. This is true for both Shoppers and Recent Non-shoppers. Switchers have much higher satisfaction levels with regard to price than those who stay with their carrier presumably because they were able to find a better price elsewhere.

Your awareness of consumer life stage events and shopping behavior empowers you to have greater insight into your book of business.

While on the surface this is troubling feedback in terms of tying customer satisfaction to customer loyalty, it points to the importance of looking at the customer relationship from a different perspective. While price is undoubtedly a leading competitive differentiator, there are other avenues for attracting and retaining customers.

Making sure that you're communicating with your customers at the right time with the right information is one such avenue. Your awareness of consumer life stage events and shopping behavior empowers you to have greater insight into your book of business. That insight can help you stem attrition by proactively taking steps to retain the policyholders you wish to keep.

Life events matter

Life events, such as an auto or home purchase or adding a new family member, are meaningful to consumers and can inspire them to reevaluate their insurance needs—which impacts their shopping behavior. Generally, the events that have the most influence on auto insurance shopping are:

-  Adding or removing a driver
-  Buying or leasing a new vehicle
-  Decreasing household income
-  Buying a new house
-  Getting married/divorced
-  Moving or relocating

Shoppers and Recent Non-shoppers alike are affected by life events, which widens your pool of potential customers. Even Recent Non-shoppers can become Shoppers in the future, when impacted by a life event.

While it's true that price is a primary motivation for consumers to shop and switch their insurance, carriers have an opportunity to use what they know about life events to proactively attract and retain valuable customers before they shop. Consider this finding: more than 60% of survey respondents

experienced a life event within the past year, and of that group, half claimed that the event affected their decision to shop their auto insurance.



Further, **65%** of respondents expect a life event will occur within the next one to two years.



Within this group, **60%** of Shoppers believe the event will influence their decision to shop again.



40% of Recent Non-shoppers believe an expected life event will inspire them to shop.

It is important to note that some life events are more influential than others in prompting a shop. The best example of this is a move or relocation. Buying a new home is highly influential in terms of prompting a consumer to shop, but it could be considered an infrequent event in the lives of many consumers.

All of this is a clear indication of how fluid and adaptive consumers are when it comes to their insurance shopping behavior. An event in the future can cause a Recent Non-shopper to become a Shopper. And while not all events are of equal importance or influence, nor occur as frequently as others, events such as purchasing or leasing a new vehicle can happen more frequently—creating more opportunities for carrier outreach. If you can time your outreach and target your messaging to life events, you'll have a greater chance of retaining your best customers and attracting some new ones as well.

More than 60% of survey respondents experienced a life event within the past year and, of that group, half claimed that the event affected their decision to shop their auto insurance.

Knowledge is power

The U.S. auto insurance marketplace is highly competitive, with steady annual revenue growth each year from new consumers entering the market. It can be very challenging for carriers to stay abreast of consumer shopping behavior and retain their best policyholders. With price serving as a primary insurance purchasing factor, life events presenting a potential shopping trigger and loyalty being a nebulous attribute, what is the competitive opportunity for carriers?

The answer is—offering personal and perfectly timed outreach that meets your insureds' needs. Those carriers that have insights into changes within their policyholders' lives or who know when consumers are shopping their insurance will have a leg up on the competition.

How to get the knowledge you need

Carriers that implement data-driven solutions that monitor and anticipate key events can proactively engage customers at the right time and in the appropriate context to better accommodate their new or changing coverage needs. Without a robust, active risk management process, you will only know that a customer is shopping when it's too late.

A proactive insights-based approach helps create opportunities to deepen loyalty and retention, even in a price-based, commoditized market. Customer insights can put you in the driver's seat with both prioritizing your most valuable policyholders for retention outreach and creating new revenue opportunities with existing and potential customers.

This knowledge is at your fingertips.

Surviving and thriving in the current auto insurance marketplace

Customer expectation has evolved, so much so that customers expect an omni-channel experience and personalization as the norm. Incremental touchpoints that provide value to both the customer and the carrier can boost satisfaction scores and improve loyalty, even in a commoditized market. Offering customers a policy review, timed when they are considering their policy options, may not only represent an opportunity for you to retain those policies, it may also help your customers feel valued and well represented. These touchpoints can uncover additional insurance needs that represent up-sell or cross-sell opportunities.



About LexisNexis® Active Insights

LexisNexis Active Insights not only provides intelligence about important events that may trigger the need for policy changes, it also allows carriers to prioritize and select appropriate outreach channels, messaging and resource allocation. Active risk management with LexisNexis Active Insights means insurers gain a comprehensive understanding of their book of business so they can focus their strategies on their most valuable customers and engage in relevant, perfectly timed communications.



Ian Griffin Director Acquisition & Retention Solutions

Ian Griffin is Director, Product Management Insurance, for LexisNexis Risk Solutions. He joined the organization in 2014 and is responsible for the management of existing products and for developing new data solutions for the insurance industry. His area of expertise is centered around active risk management and acquisition and retention solutions. These solutions help carriers identify and attract business as well as retain, cross-sell and improve the loss ratios of their current policyholders. Prior to joining LexisNexis, Ian spent 10 years within the insurance industry holding positions in sales, analytics, strategy and management. Ian earned a bachelor of business administration in finance degree from Georgia State University and a master's degree in business administration from the University of Georgia.



Adam Pichon Vice President & General Manager US Auto Vertical

Adam Pichon serves as Vice President & GM of the US Auto Vertical for Insurance. He is responsible for leading the US Auto Vertical, including developing strategic alliances, and driving the creation of new products, from concept generation to introduction to the market. Pichon has been with LexisNexis Risk Solutions since 2014, and previously he led the credit and analytics product teams, which manages a variety of analytic products for multiple US vertical markets, such as National Credit File, Attract, the InsurQuote solutions, and Life Risk Classifier. His insurance industry experience includes product management and predictive modeling roles at auto insurance carriers, as well as work on the vendor side developing and managing new solutions for the property and casualty insurance market. Pichon has a master's degree in Economics, with an Econometrics focus, and a bachelor's degree in Commodities Marketing from the University of Illinois.

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About LexisNexis Risk Solutions

LexisNexis® Risk Solutions harnesses the power of data and advanced analytics to provide insights that help businesses and governmental entities reduce risk and improve decisions to benefit people around the globe. We provide data and technology solutions for a wide range of industries including insurance, financial services, healthcare and government. Headquartered in metro Atlanta, Georgia, we have offices throughout the world and are part of RELX (LSE: REL/NYSE: RELX), a global provider of information-based analytics and decision tools for professional and business customers. For more information, please visit www.risk.lexisnexis.com and www.relx.com.

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