AUTO INSURANCE and COVID-19

Consumer outlook and trends
Consumer behavior stable, but risks present

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June 25, 2020
Consumer outlook is growing amidst re-opening, but risks remain in August and September

June 25, 2020

Our key themes from May remain, but continue to evolve as economic conditions appear poised to dominate the next 12 – 18 months:

- **Did premium relief create loyalty or prevent disloyalty? Overall satisfaction remains almost 20% below pre-COVID levels**
  - Consumer satisfaction is a key retention indicator—consumers are about 20% less satisfied on average today than before COVID
  - Consumers AWARE of premium relief (56%) remain **12% below pre-COVID satisfaction** indicating that loyalty was preserved more than created
  - Consumers UNAWARE of premium relief (44%) are **25% below pre-COVID satisfaction** indicating they may be less loyal today
  - The auto insurance industry has a satisfaction deficit vs. pre-COVID; additional shocks could see rapid behavioral change

- **Three behavioral groups remain, but the future retention outlook may come back into question during Q3 and into Q4**
  - Employment NOT impacted: largely exhibit pre-COVID satisfaction, rate sensitivity and service expectations today
  - Employment impacted: lower satisfaction, high rate sensitivity, elevated propensity to shop / switch and likely to act swiftly if financial situation changes
  - Forward-looking drivers: less tied to employment, but clear outlook for reduced mobility—looking for their carrier to anticipate their ‘new’ situation

- **As consumers settle into a reduced mobility outlook, telematics interest remains high**
  - Consumers outlook for reduced miles driven continues (59%), and they remain highly interested in telematics solutions (46%)
  - BUT, they appear to be on the move again at close to pre-COVID levels… will perceived needs catch up to actual behaviors?

- **Incomes will likely be going DOWN in Q3 and into Q4, perhaps rapidly—how well do you know your customers?**
  - When CARES Act stimulus enhanced benefits (07/31), federal eviction freezes (07/25), Fannie / Freddie foreclosure moratoriums (08/31) and federal student loan forbearance (09/30) expire, individual impacts may materialize quickly and result in surges of shopping / switching / cancelling activity
MARKET CONTEXT

COVID-19
Consumer economic sentiment rising from lows

Consumers exhibit a cautious near-term outlook, but there are signs that optimism is growing as more believe the worst is now or behind us. In general, consumers see a c. 18 month horizon for macro conditions to look like a recovery.

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Individual consumer economic sentiment shows signs of caution, but with growing optimism emerging

51% of consumers feel that it will take 1 year or more to recover jobs lost due to COVID-19

Less than 1 month
- April 3-5: 3%
- May 15-17: 2%
- May 29-31: 2%

1 to 2 months
- April 3-5: 2%
- May 15-17: 5%
- May 29-31: 8%

3 to 5 months
- April 3-5: 7%
- May 15-17: 14%
- May 29-31: 26%

6 to 12 months
- April 3-5: 20%
- May 15-17: 20%
- May 29-31: 23%

1 to 2 years
- April 3-5: 26%
- May 15-17: 30%

3 to 5 years
- April 3-5: 16%
- May 15-17: 16%

6 or more years
- April 3-5: 6%
- May 15-17: 11%

I don’t know
- April 3-5: 11%
- May 15-17: 9%
- May 29-31: 8%

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Economic activity is beginning to increase
As states re-open and many businesses return, economic activity is showing signs of return—while the rebound has not been immediate, consumers have money due to CARES Act and other programs enabling them to spend

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States are re-opening at varying speeds, but consumer mobility and economic activity continue to increase

Weekly Economic Index (WEI)
The WEI is an index of ten daily and weekly indicators of real economic activity, scaled to align with the four-quarter GDP growth rate

Increase in the WEI for the week of June 20 was driven by increases in fuel sales, tax withholdings, and railroad traffic, and a small decrease in initial unemployment insurance (UI) claims, which more than offset a decline in electricity output

Source: Federal Reserve Bank of New York as of June 25, 2020

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Consumers back on the move, but in a new way

Consumer mobility is back to near pre-COVID levels. Given few office openings, this movement is clearly different as contact with others remain significantly reduced.

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Mobility is returning, but contact with fellow consumers remains down significantly YoY

Consumers staying at home continues to decrease, but appears to be stabilizing at slightly elevated levels

Source: Cubeiq
Household fiscal cliff risks in Q3 / 4 should be monitored

The CARES Act provided substantial economic benefits to help families and individuals cope with widespread, sudden job loss. Those additional funds have kept the consumer afloat, however, a reversal in August could rapidly change behaviors.

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Unemployment remains at elevated levels

Incomes have risen since April due to stimulus

Stimulus has been significant for lower income bands

Source: Dept. of Labor, St. Louis Federal Reserve


Notes: 1) This figure shows the fraction of earnings that are replaced by unemployment benefits for workers at deciles of the weekly earnings distribution. The horizontal line shows a replacement rate of 100%, which is where benefits are equal to earnings.
Miles driven returning, but seasonally down

Consumers are back on the move as miles driven returns to pre-COVID levels, however, as we move into the heavier summer driving season miles driven remains down 4 – 9%

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US miles driven per day is basically back to pre-COVID levels as mobility returns during re-opening

June / July driving levels tend to be 4 – 9% higher than march indicating that ‘typical’ driving has not yet returned

Source: Cambridge Mobile Telematics, U.S. Federal Highway Administration
Watching for potentially sudden risk shifts
Speeding remains up as miles driven increases, but hard braking is down indicating congestion remains light compared to pre-COVID; however, impact severity is increasing potentially putting pressure on profitability.

June 25, 2020

Source: Cambridge Mobile Telematics

- Speeding continues to be c. 20% higher than pre-COVID driving and continues to remain elevated despite mobility increases.

- Hard braking continues a downward trend indicating that roads are less congested than is typical.
AUTO INSURANCE

Impact of COVID-19 on the auto insurance consumer
Consumer satisfaction deficit remains
Carriers still have an almost 20% consumer satisfaction deficit compared to March. Satisfaction is a key driver of retention with very satisfied customers also acting as brand advocates.

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Shopping behaviors remain stable since late April

As the extraordinary changes being experienced during late March and April have subsided, consumers intent does not seem to indicate broader behavior changes at the moment—shopping remains slightly elevated, but no current shocks

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

- Shop for another carrier
- Switch to a new carrier
- Increase my deductible
- Reduce my coverage (e.g., collision, comprehensive)
- Cancel my policy

Source: Bureau of Economic Analysis (BEA), May 29, 2020
Consumer sentiment and behaviors closely aligned

When comparing consumer sentiment to actual behavior, we see similar trends—YoY shopping remains elevated, especially compared to March levels. TransUnion has indicated that these May trends remain relatively stable through June.

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Actual consumer shopping behavior closely followed sentiment by just a few days / weeks…

2019-2020 YoY shopping change (overall)

Higher credit tiers shopped at elevated levels since premium relief announcements and stimulus

2019-2020 YoY shopping change by TrueRisk Auto Score (1)

Source: TransUnion
Notes: 1) Percentage of total shopping population: TrueRisk Auto Score 300 – 400 (15%) and 801+ (10%)

CLICK HERE for access to TransUnion June Snapshot Report
Consumer finances dominate premium confidence

While premium relief was generally well received and the timing was right, employment status is driving confidence indicators in continuing ability make premium payments.

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Are premium actions enough to help ease financial pressure (of those AWARE)?

Of those AWARE, employment status is a key indicator of whether premium relief eased financial pressure enough.

Confidence in making payments largely driven by employment and compensation status.
Getting out the message is critical to retention

Contact from carrier continues to lag awareness indicating that many consumers are being communicated with via mass market channels despite active and personal communications driving better results

June 25, 2020

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Yes</th>
<th>No</th>
<th>Don’t know</th>
</tr>
</thead>
<tbody>
<tr>
<td>7-Apr</td>
<td>23%</td>
<td>70%</td>
<td>7%</td>
</tr>
<tr>
<td>14-Apr</td>
<td>36%</td>
<td>56%</td>
<td>9%</td>
</tr>
<tr>
<td>28-Apr</td>
<td>35%</td>
<td>53%</td>
<td>12%</td>
</tr>
<tr>
<td>12-May</td>
<td>39%</td>
<td>51%</td>
<td>11%</td>
</tr>
<tr>
<td>23-Jun</td>
<td>45%</td>
<td>42%</td>
<td>13%</td>
</tr>
</tbody>
</table>

Shopping / switching propensity by communication

- Still more than 50% of consumers have not heard, or noticed attempted communication, from their carrier since the onset of COVID-19
- Consumers that have received contact are almost 2x less likely to shop and switch compared to those who have not received communication
- While a difficult task, personal outreach to understand individual situations and to help find personal solutions is a highly effective method of driving retention

Shopping / switching reduces with contact from carrier

- Shopping / switching increases without contact from carrier

Contacted by carrier

- 14-Apr: 23%
- 28-Apr: 16%
- 12-May: 13%
- 23-Jun: 13%

Not contacted by carrier

- 14-Apr: 22%
- 28-Apr: 24%
- 12-May: 24%
- 23-Jun: 22%
Has your insurance company announced they will reduce premiums or provide refunds during COVID-19?

- Exclusive Agents
- Independent Agents
- Directs

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

- Exclusive Agents
- Independent Agents
- Directs

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Employment status continues to drive rate sensitivity

Consumer rate sensitivity has returned to pre–COVID levels on average. Given close ties to employment status and financial anxiety, fiscal and economic developments moving into Q3 and Q4 could drive a greater bifurcation.

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

Note: 1) Price v. Quality prior to COVID-19 no longer asked.
Employment status impacts delayed payments

Employment status for 25% of auto insurance consumers has been impacted in some way since the onset of COVID. For those most impacted, awareness remains low and most have not explored options.

June 25, 2020

Does your insurance company allow you to delay payments due to COVID-19?

<table>
<thead>
<tr>
<th></th>
<th>12-May</th>
<th>23-Jun</th>
<th>12-May</th>
<th>23-Jun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes, and I have delayed payment(s)</td>
<td>9%</td>
<td>9%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Yes, but I have not delayed a payment</td>
<td>9%</td>
<td>20%</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>No, not available</td>
<td></td>
<td></td>
<td>63%</td>
<td>52%</td>
</tr>
<tr>
<td>Don't know</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Consumers exploring delayed payment by employment status

<table>
<thead>
<tr>
<th>Employment Status</th>
<th>12-May</th>
<th>23-Jun</th>
<th>12-May</th>
<th>23-Jun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Laid-off / Furloughed</td>
<td>9%</td>
<td>9%</td>
<td>19%</td>
<td>19%</td>
</tr>
<tr>
<td>Hours/salary reduced</td>
<td>2%</td>
<td>20%</td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td>No change in employment</td>
<td>2%</td>
<td>14%</td>
<td>23%</td>
<td>23%</td>
</tr>
</tbody>
</table>

Premium relief awareness by credit tier

<table>
<thead>
<tr>
<th>Credit Tier</th>
<th>14-Apr</th>
<th>28-Apr</th>
<th>12-May</th>
<th>23-Jun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excellent</td>
<td>45%</td>
<td>35%</td>
<td>36%</td>
<td>29%</td>
</tr>
<tr>
<td>Good</td>
<td>44%</td>
<td>37%</td>
<td>39%</td>
<td>36%</td>
</tr>
<tr>
<td>Fair/Poor</td>
<td>40%</td>
<td>48%</td>
<td>48%</td>
<td>52%</td>
</tr>
</tbody>
</table>
Telematics interest remains high, but could collide with reality

Almost 60% continue to see fewer miles driven in the future despite increased in miles driven. Perceptions may have permanently changed, but driving the personal risk mitigation value proposition will be key to sustaining interest.

June 25, 2020

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

<table>
<thead>
<tr>
<th>Option</th>
<th>14-Apr</th>
<th>12-May</th>
<th>23-Jun</th>
</tr>
</thead>
<tbody>
<tr>
<td>No, it will likely go back to normal</td>
<td>38%</td>
<td>39%</td>
<td>38%</td>
</tr>
<tr>
<td>Yes, likely to reduce time in public</td>
<td>34%</td>
<td>36%</td>
<td>35%</td>
</tr>
<tr>
<td>Yes, likely to continue working from home for some time</td>
<td>21%</td>
<td>23%</td>
<td>24%</td>
</tr>
<tr>
<td>No, it will likely increase before public transport becomes safe</td>
<td>8%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Don't know</td>
<td>7%</td>
<td>8%</td>
<td>10%</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Expectation for Future Miles Driven</th>
<th>7-Apr</th>
<th>12-May</th>
<th>23-Jun</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expect miles driven to return to normal</td>
<td>56%</td>
<td>68%</td>
<td>66%</td>
</tr>
<tr>
<td>Expect to remain working from home / spend less time in public</td>
<td>42%</td>
<td>50%</td>
<td>49%</td>
</tr>
</tbody>
</table>

59%
Rate / service expectations elevated due to satisfaction?

While service expectations appear to have settled around pre-COVID levels, it is likely that the actual level of service expected is heightened due to broader reduced satisfaction—the bar is higher on a relative basis.

June 25, 2020

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

<table>
<thead>
<tr>
<th>Less important</th>
<th>The same</th>
<th>More important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competitive price</td>
<td></td>
<td></td>
</tr>
<tr>
<td>W1</td>
<td>5%</td>
<td>73%</td>
</tr>
<tr>
<td>W4</td>
<td>11%</td>
<td>60%</td>
</tr>
<tr>
<td>W7</td>
<td>3%</td>
<td>59%</td>
</tr>
<tr>
<td>Access to a call center 24/7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>W1</td>
<td>6%</td>
<td>78%</td>
</tr>
<tr>
<td>W4</td>
<td>10%</td>
<td>56%</td>
</tr>
<tr>
<td>W7</td>
<td>7%</td>
<td>71%</td>
</tr>
<tr>
<td>Online access/Self-service 24/7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>W1</td>
<td>9%</td>
<td>76%</td>
</tr>
<tr>
<td>W4</td>
<td>10%</td>
<td>58%</td>
</tr>
<tr>
<td>W7</td>
<td>8%</td>
<td>70%</td>
</tr>
<tr>
<td>Excellent customer service</td>
<td></td>
<td></td>
</tr>
<tr>
<td>W1</td>
<td>5%</td>
<td>74%</td>
</tr>
<tr>
<td>W4</td>
<td>9%</td>
<td>58%</td>
</tr>
<tr>
<td>W7</td>
<td>8%</td>
<td>71%</td>
</tr>
<tr>
<td>Good coverage options</td>
<td></td>
<td></td>
</tr>
<tr>
<td>W1</td>
<td>12%</td>
<td>78%</td>
</tr>
<tr>
<td>W4</td>
<td>10%</td>
<td>66%</td>
</tr>
<tr>
<td>W7</td>
<td>3%</td>
<td>76%</td>
</tr>
</tbody>
</table>

With lower overall industry satisfaction, service excellence will be heightened in relative terms.