

May 14, 2020

AUTO INSURANCE DURING COVID-19

Anticipating consumer needs

As consumers' individual situations evolve, they are looking for their auto insurers to understand and evolve with them

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Consumer trends focusing on employment / financial status and personal mobility outlook

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Our key themes evolve slightly as a post-COVID-19 world begins to take shape. Economic situation begins to drive behaviors and will likely persist:

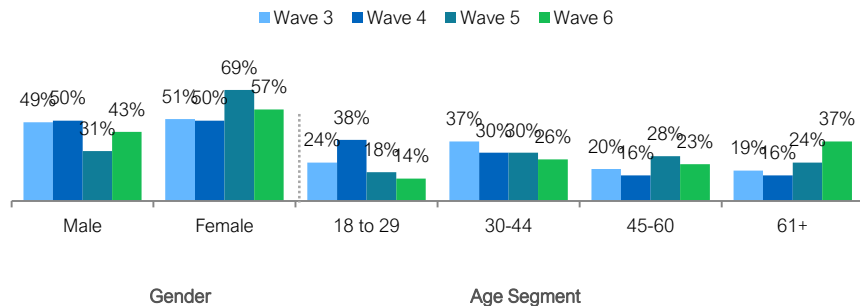
- **48% of consumers are AWARE of premium relief, but behaviors appear more tied to employment / financial status**
 - 48% consumers are AWARE. Shopping / switching triggers are down as many indicate relief was sufficient or alternative actions already taken
 - Of those unemployed or with reduced working hours, 47% and 58% respectively do not feel actions were enough to relieve financial pressure
 - Rate sensitivity closely tied to employment status: little pre / post-COVID change among employed and still at mid-COVID lows among the impacted
- **Three groups forming with distinct behaviors and future outlooks. Understanding their needs will be key going forward**
 - *Employment status not impacted*: largely exhibit pre-COVID satisfaction, rate sensitivity and service expectations today
 - *Employment / hours status impacted*: lower satisfaction, high rate sensitivity, elevated propensity to shop / switch and likely to act swiftly if situations change due to lower confidence in ability to make payments
 - *Forward-looking drivers*: less tied to employment, but clear outlook for reduced mobility—looking for their carrier to anticipate their ‘new’ situation
- **Telematics interest remains high especially among those with reduced mobility outlook**
 - Consumers outlook for reduced miles driven continues to grow (55 to 59%) with 40%+ more interested in a telematics solution
 - This forward looking group is most likely to seek lower premiums (72%), be marginally engaged and be rate sensitive (also tied to employment status)
- **‘Know your customer’, always required, will become increasingly important. Granular understanding will be key to reducing shopping**
 - Going forward, understanding specific consumer situations and being able to respond accordingly will be key to retention
 - Benefits and stimulus have likely reduced immediate shopping propensity, but the longer the crisis persists, the more likely it returns to elevated levels

Insurance during COVID-19

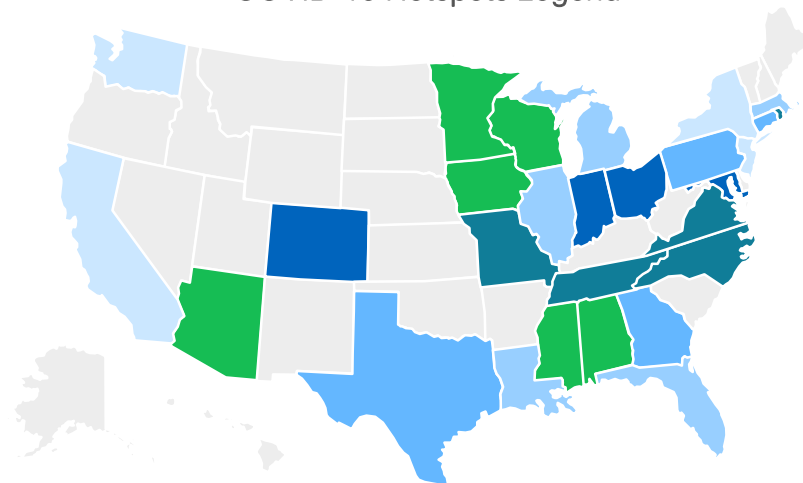
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- Fielding dates:
 - W1 03/24 | W2 03/31 | W3 04/07 | W4 04/14 | W5 04/28 | W6 05/12
- Total respondents:
 - W1 1,021 | W2 1,006 | W3 1,035 | W4 1,002 | W5 975 | W6 1,053
- Respondent demographics:
 - General population

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
Wave 6	AL, AZ, IA, MN, MS, WI

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.

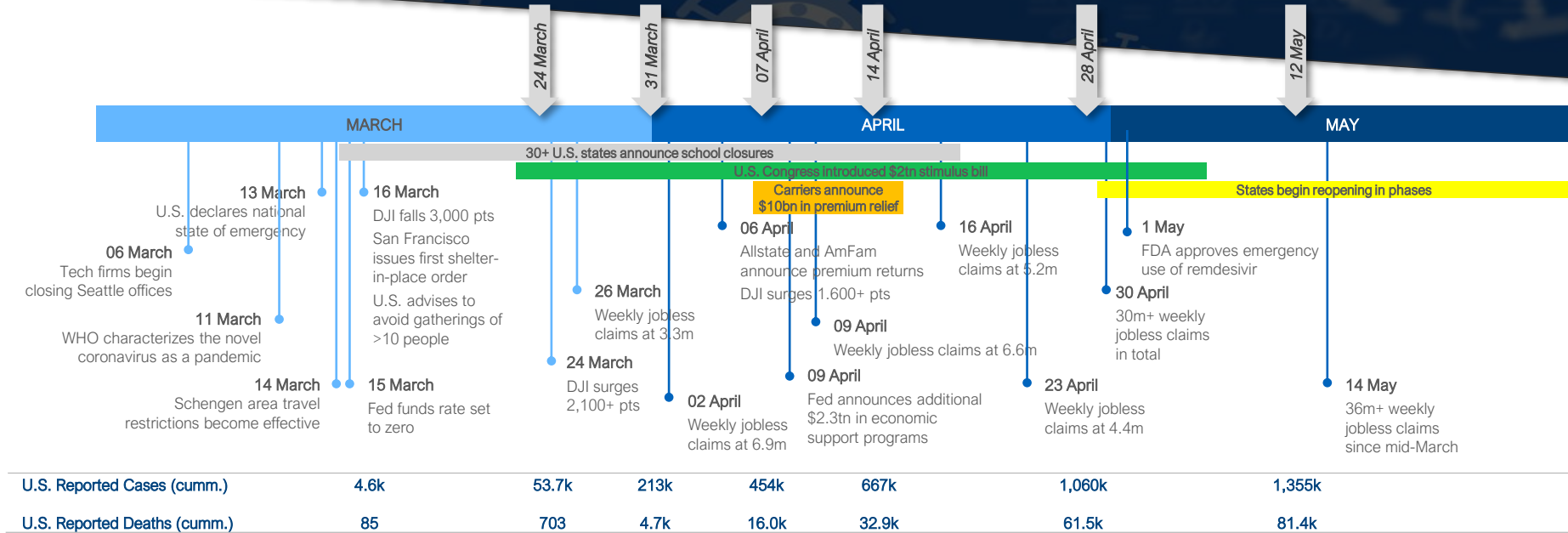
MARKET CONTEXT

COVID-19

Auto insurance: looking beyond COVID-19

The COVID-19 pandemic has driven consumer from shock to panic to the current settling in of future outlook towards a 'new normal'. As the panic has faded, most eyes are toward re-opening and managing economic impacts

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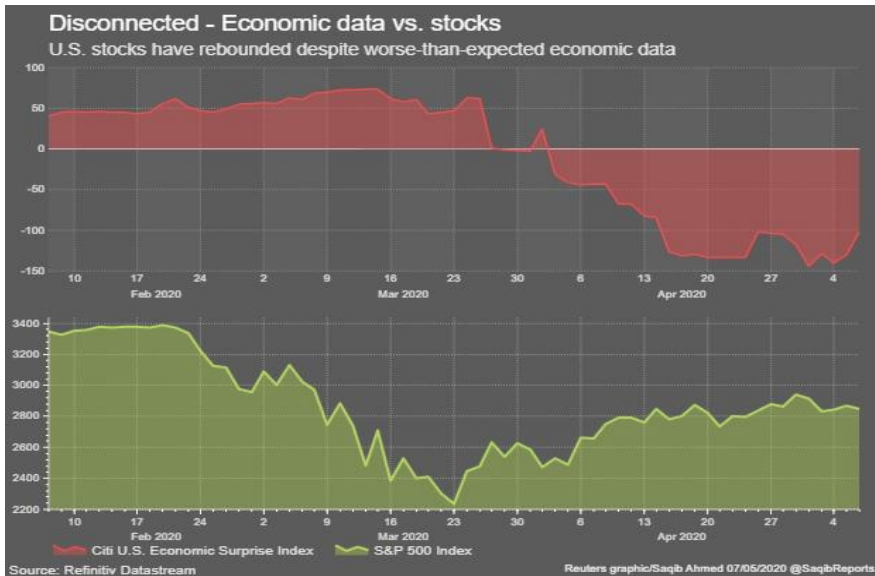
Source: Johns Hopkins CSSE, WHO, Kaiser Foundation, various news articles

Consumers believe it will take time to 'return to normal'

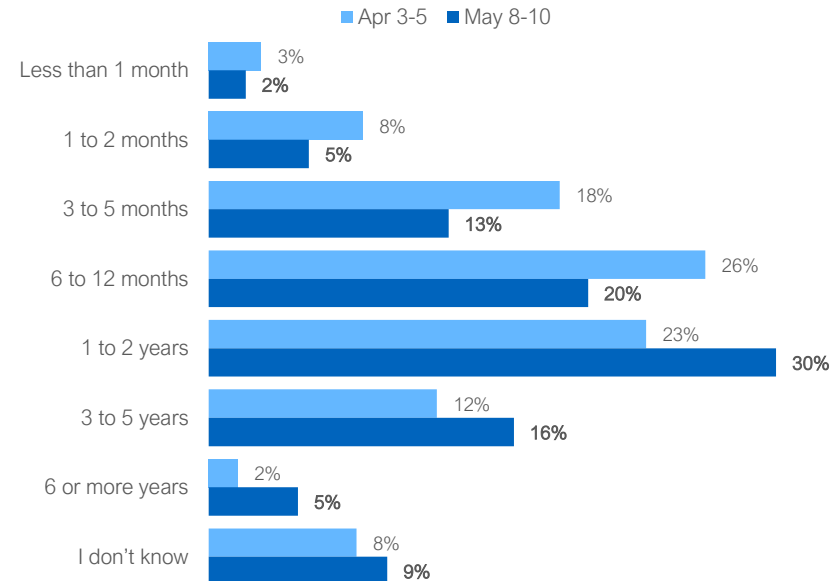
Equity markets show greater confidence than consumers in returning economic activity—with some sectors being more impacted, financial situations will vary widely depending upon which sector consumers were previously employed

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Equities continue to show signs of strength despite headline economic data reads...



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



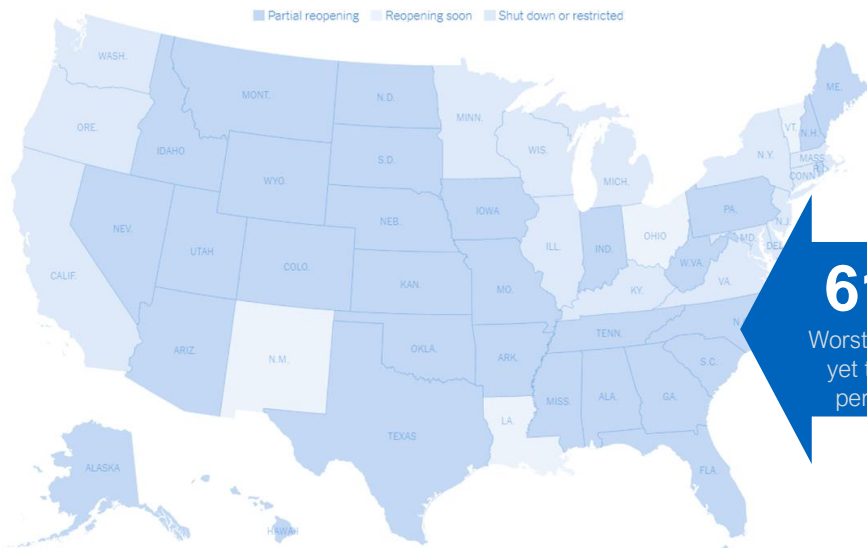
Source: Refinitiv datastream, Reuters (May 07, 2020), J.D. Power financial services

Personal financial outlook remains mixed

As more states 're-open' and resume business, potential for increased mobility and economic activity grows, but consumer still showing uncertainty with their personal financial situations

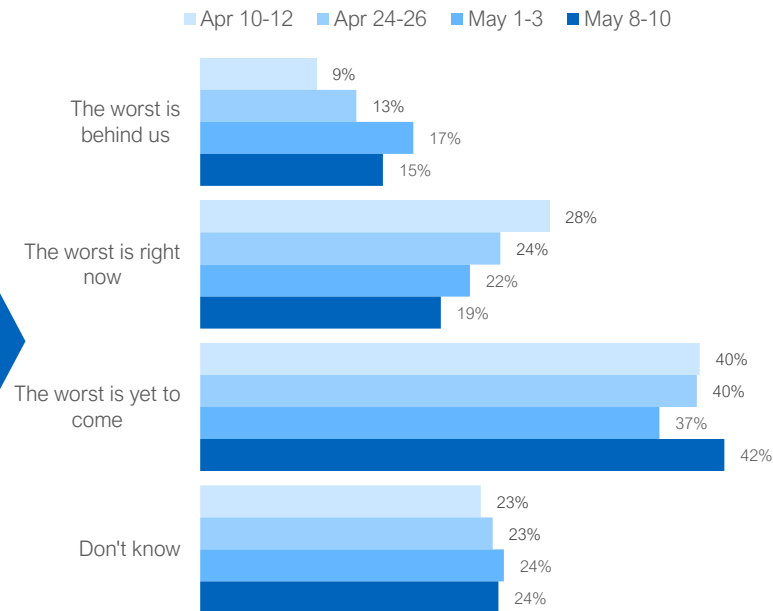
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State begin to re-open and pave the way for increased mobility and return to economic activity...



Source: New York Times (May 11, 2020), J.D. Power Financial Services

...but individual consumer economic sentiment still showing some signs of caution and uncertainty



61%

Worst is now or yet to come personally

Miles driven showing signs of recovery

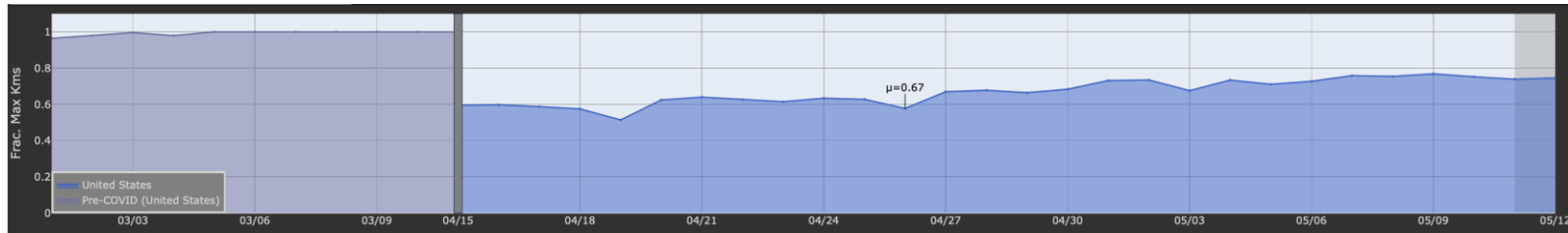
Continued growth in miles driven nationally as phased re-openings begin to materialize with increased mobility trending to 75% off-peak, up from 55%. Speeding continues even as roads become more crowded

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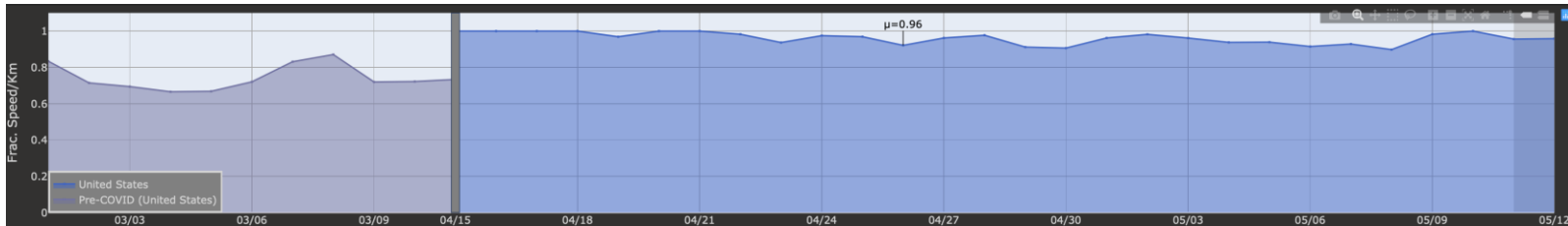


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US miles driven per day is at 75% of pre-COVID, up from c. 55% at the lowest point



Speeding continues to be c. 50% higher than pre-COVID driving, but is down around 5% from peak-COVID



Source: Cambridge Mobile Telematics

Early opening states show steady increases

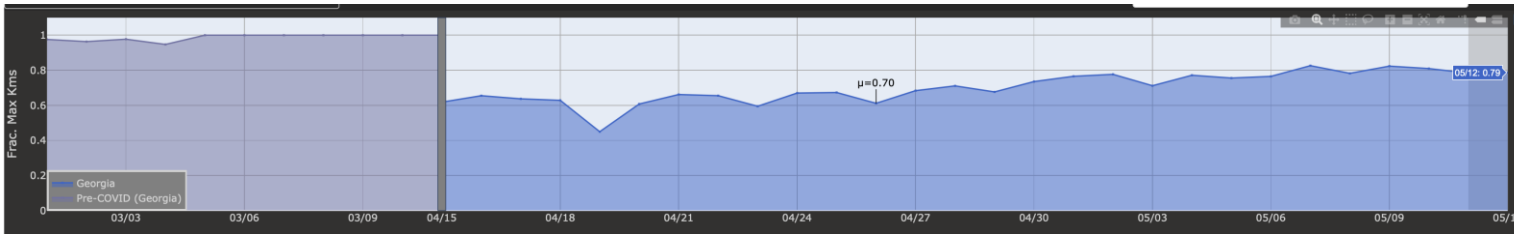
As states re-open, mobility has not increased dramatically, but rather slow and steady increases are clear trends. Local situations impact results, but reasons to believe that mobility will trend towards a new mean

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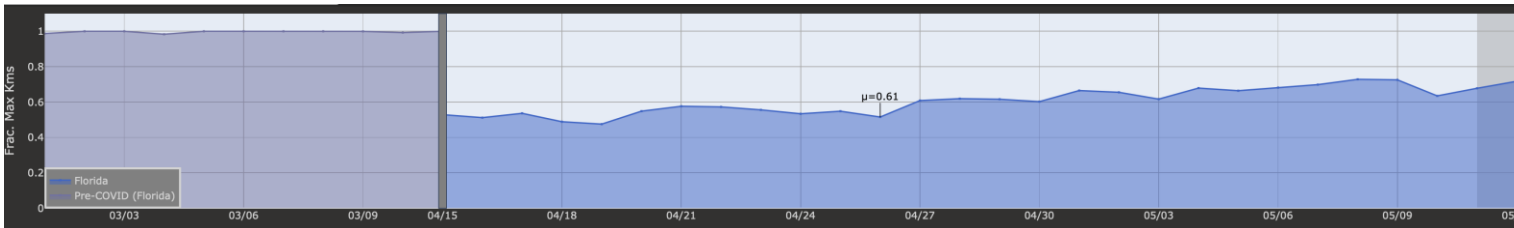


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Georgia is slightly above national average at 79% of pre-COVID miles driven—steady increases driving an upward trend



Florida remains below national averages at 72% of pre-COVID miles driven, likely driven by reduced tourism



Of note, Tennessee and Texas show similar trends of gradual increases off peak-COVID lows

Source: Cambridge Mobile Telematics

AUTO INSURANCE

Impact of COVID-19 on the auto insurance consumer

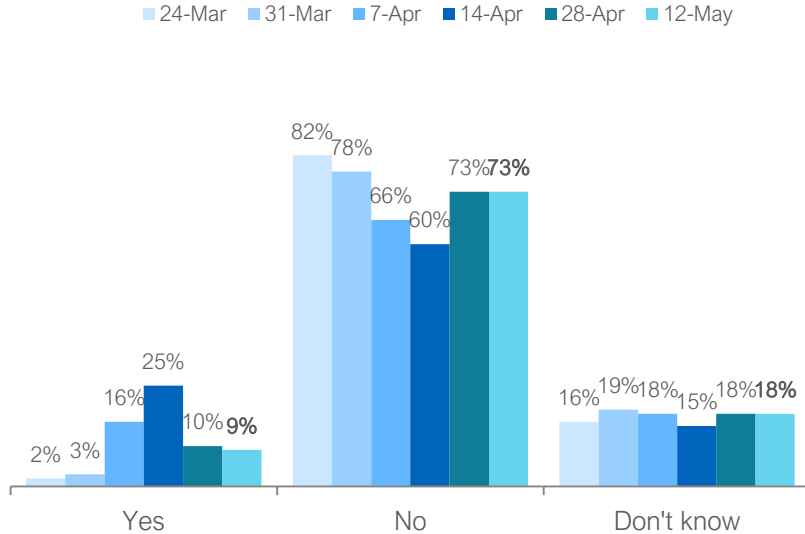
COVID-19

Auto insurance perceptions stabilize within cohorts

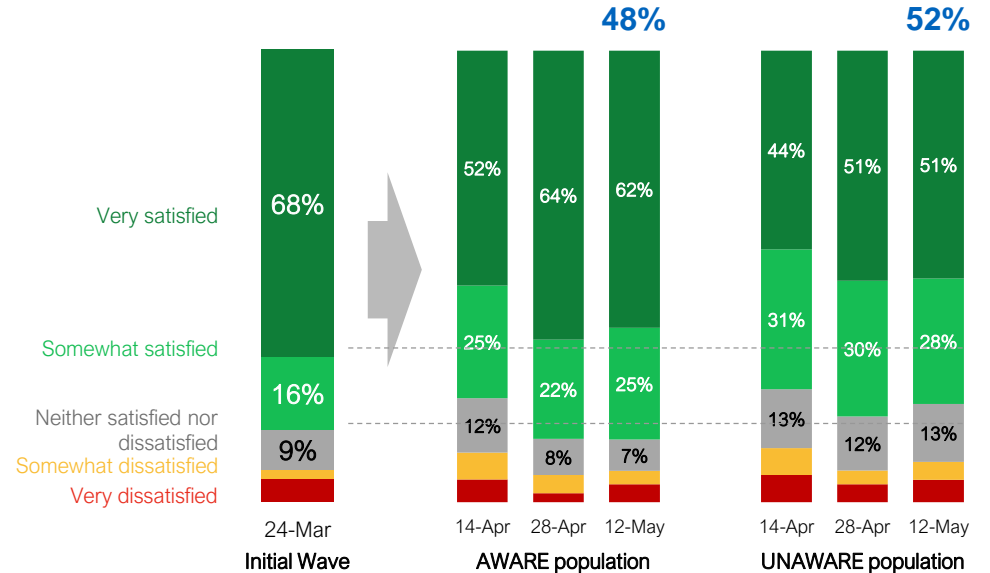
Consumer satisfaction with their auto carrier remains off mid-COVID lows, but awareness of premium relief actions continues to drive a disparity in overall views and satisfaction levels

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



How satisfied are you with how your current auto insurance company?

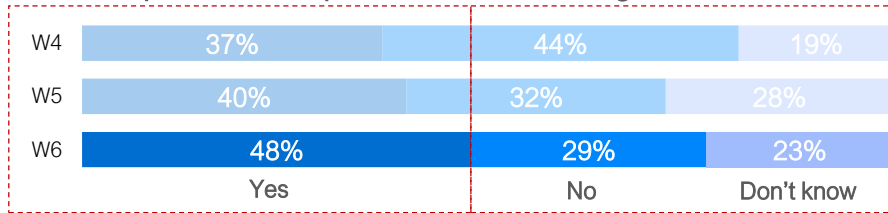


Consumer awareness growing, but impacts still uncertain

Consumer awareness of premium relief actions continues to grow and drive overall satisfaction among a subset, but as personal financial impacts materialize, a growing group doesn't believe it will ultimately help to ease financial pressure

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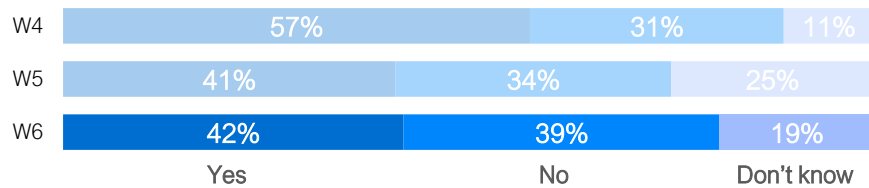
Has your insurance company announced they will reduce premiums or provide refunds during COVID-19?



AWARE population

UNAWARE population

Are premium actions enough to help ease financial pressure?



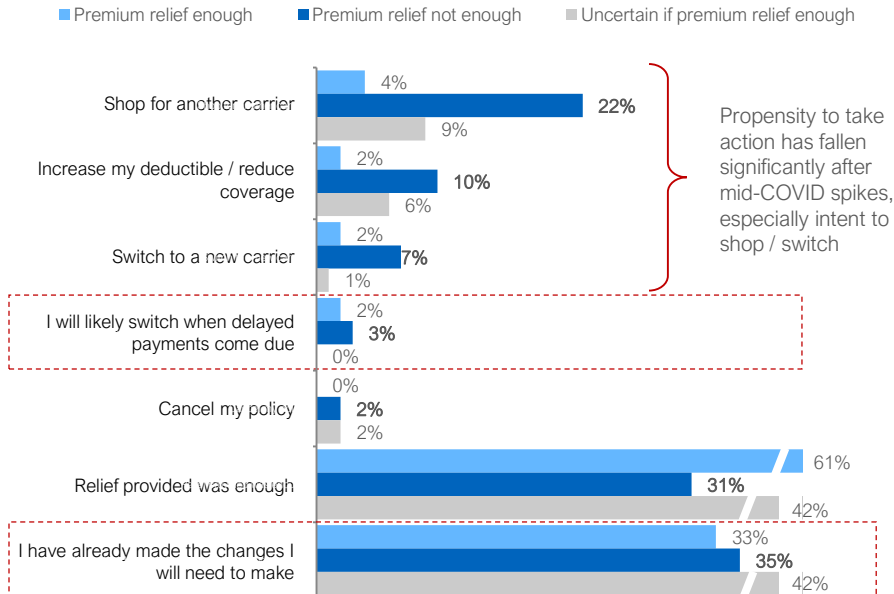
- 48% of consumers are now AWARE of their carrier's announced premium relief as of May 12
- Those AWARE have had more time to digest the news:
 - 42% feel that action taken is enough to relieve financial pressure, an increase to 20% of total consumers
 - 39% do not feel that action taken will relieve financial pressure, an increase to 19% of total consumers
 - Those that 'don't know' look more like those that don't feel premium relief will ease financial pressure
- While AWARE consumers appear 'satisfied' with their carriers actions, underlying drivers largely relate to employment status
 - 66% of total consumers still seek premium reductions, up from 43% just four weeks ago
 - Consumers have long been relatively satisfied with service, but significantly less so with rates
 - Consumer understanding of rate drivers, especially frequency and severity, is low. It is possible that they now view rate reductions as more 'possible' than history would suggest

Many actions already taken or relief sufficient

Premium relief appears to have satisfied a plurality of engaged (AWARE) consumers; however employment status is a key driver of premium relief adequacy—something that will need to be monitored closely going forward

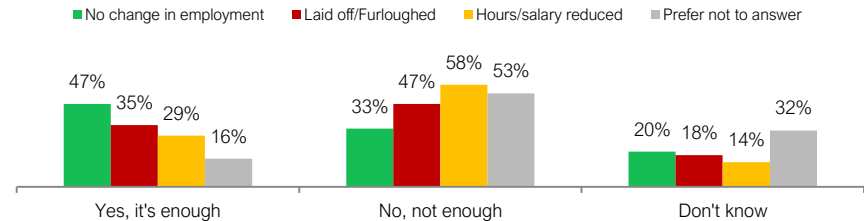
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Of those AWARE, are you likely to take additional premium relief actions?



- There has been a steady reduction in indicated shopping / switching behaviors for the past five weeks
- A few key indicators of customer behavior to watch:
 - Employment status / financial security is a clear indicator of premium relief efficacy—benefits programs will likely influence going forward
 - Many consumers are anticipating fewer miles driven in the future and appear to be wondering if their carrier will respond
- Very few consumers *today* appear poised to switch once premium payment deferral or grace periods come to an end

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

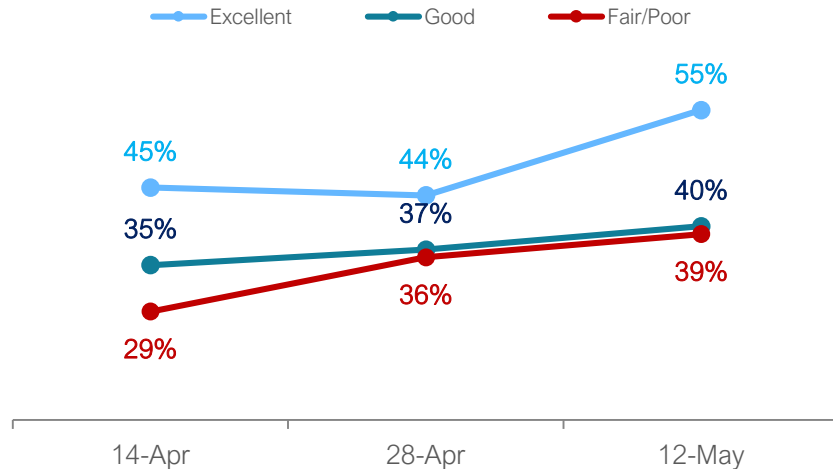


The wait and see period?

Many consumers indicate that they have already made changes that need to be made. Given close behavioral ties to employment status, these actions will likely evolve given timing of return to economic activity

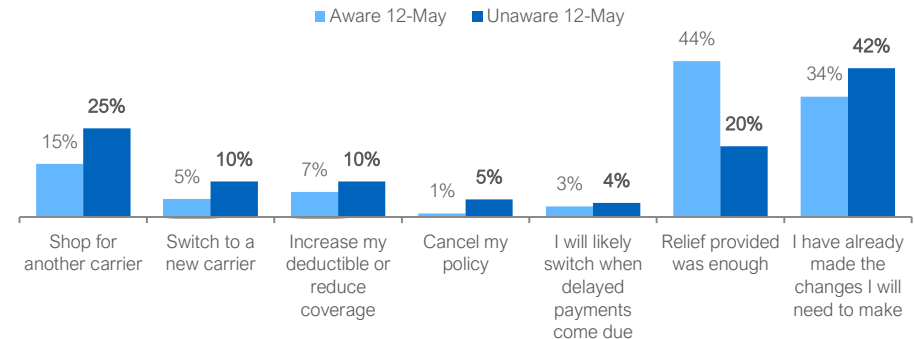
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Who is aware of premium relief announcements? (by credit tier)



- Almost 70% of consumers have either already taken action or premium relief was adequate to ease financial pressure at this time
- Of those that have already taken the required actions, many are UNAWARE of their carriers actions
- This is a positive for now, but continued economic pressure from un / underemployment may shift these situations rapidly as stimulus fades
- Shopping appears to be a first task for the less AWARE and most financially impacted

What premium actions are you currently taking to ease financial pressure?

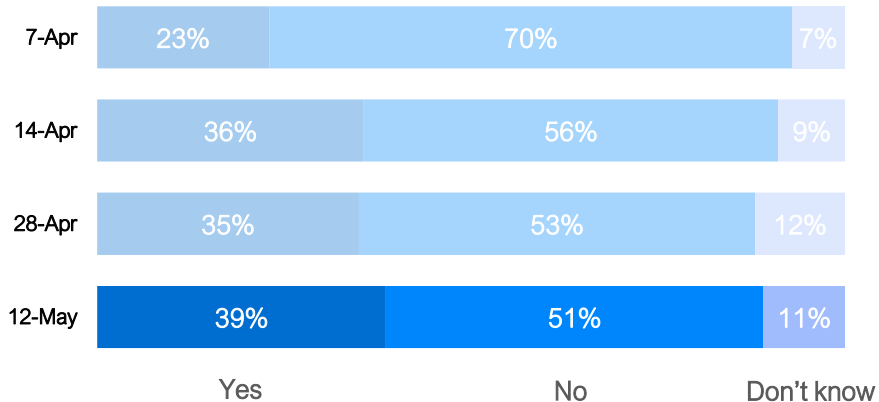


Active communication drives results

Contact from carrier lags awareness indicating that many consumers are being communicated with via mass market channels; however, active and personal communications can drive significantly better results

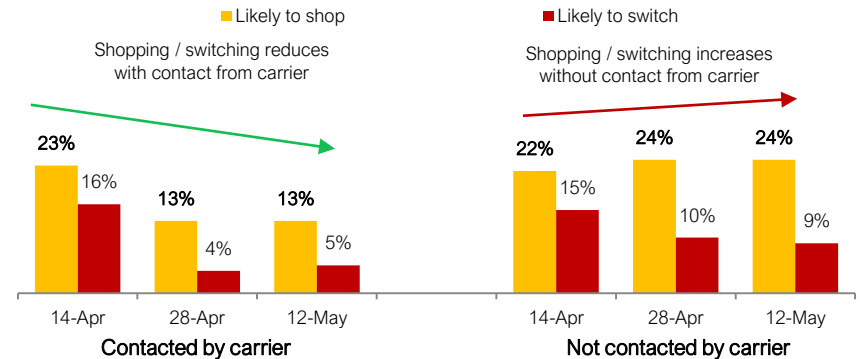
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Have you been contacted by your insurer about actions they are taking to help customers manage costs as a result of COVID-19?



Shopping / switching propensity by communication

- Still more than 50% of consumers have not heard, 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



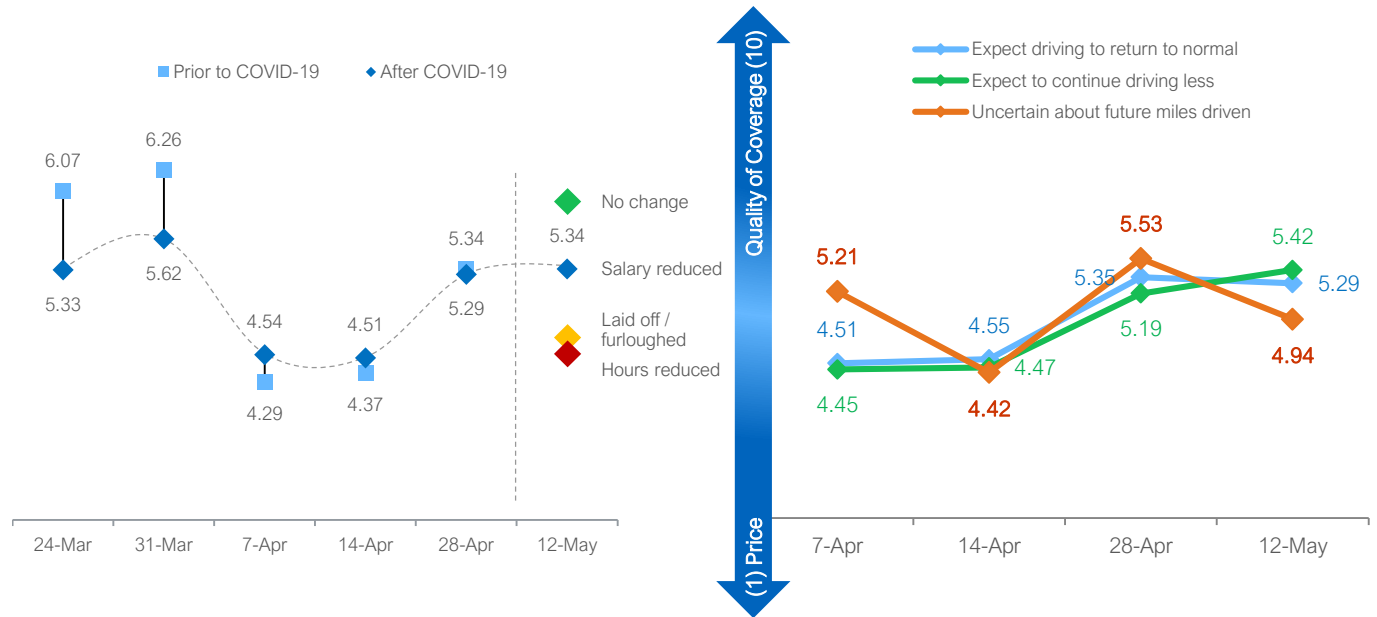
Heightened rate sensitivity driven by employment status

Consumer rate sensitivity continues above pre-COVID levels on average. Closely tied to employment status and financial anxiety, this is likely to impact shopping / switching and cancellation decisions as economic impacts persist

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

- Rate sensitivity is stabilizing, but remains heightened v. pre-COVID preferences
- Balanced offerings that address personal mobility and financial situations will be key to acquiring and retaining customers
- Rate sensitivity is significantly driven by employment status
 - Consumers with reduced employment status continue to show mid-COVID rate sensitivities
 - The longer the economic crisis persists, shopping / switching pressure will likely build



Note: 1) Price v. Quality prior to COVID-19 no longer asked.

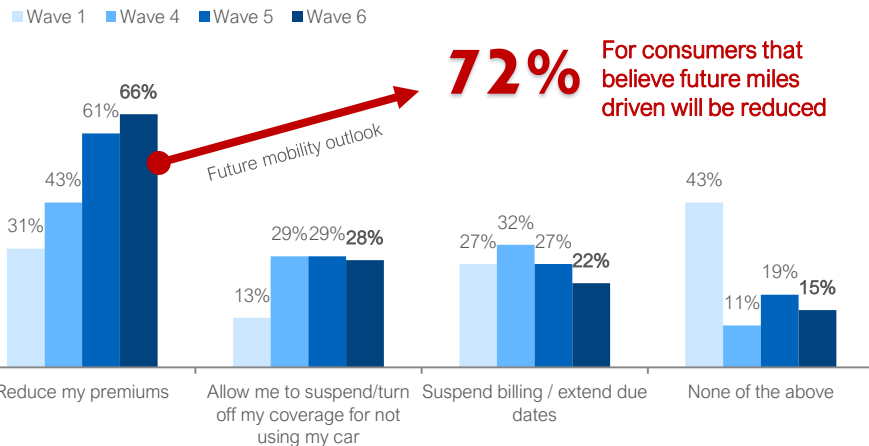
Did premium relief excite already existing rate tension?

Consumers continue to favor actions that deliver an immediate financial impact. As the economic fallout of COVID-19 materializes underlying, already low rate satisfaction is being exacerbated by multiple issues

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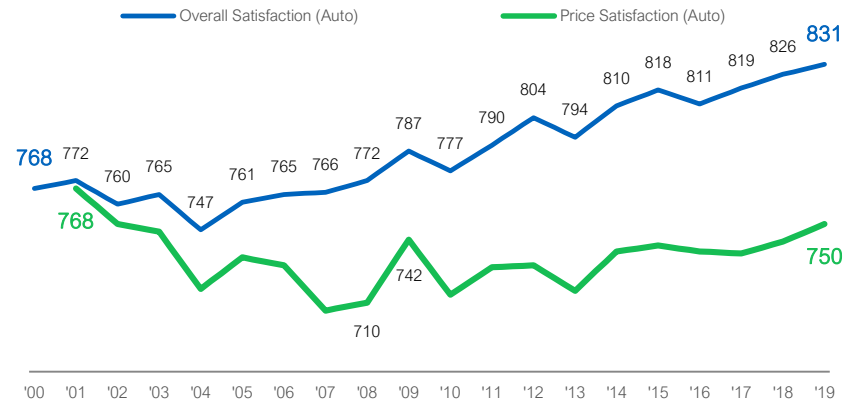
What action(s) would you like to see from your insurer during COVID-19? ⁽¹⁾

- Consumers expectations of reduced premiums is largely driven by rapid growth of those whose future mobility outlook is reduced (see pg. 22)
- There may be a disconnect forming between how consumers see their outlook developing and service providers that anticipate those changes



Consumer satisfaction with premium has lagged service satisfaction for more than 20 years

- Consumers have long been significantly less satisfied with rates compared to their overall auto insurance relationship
- Always predicated upon a 'normal' outlook for miles driven and rates— as consumer outlook for miles driven falls, they will likely look forward for rates to keep pace or even anticipate these changes

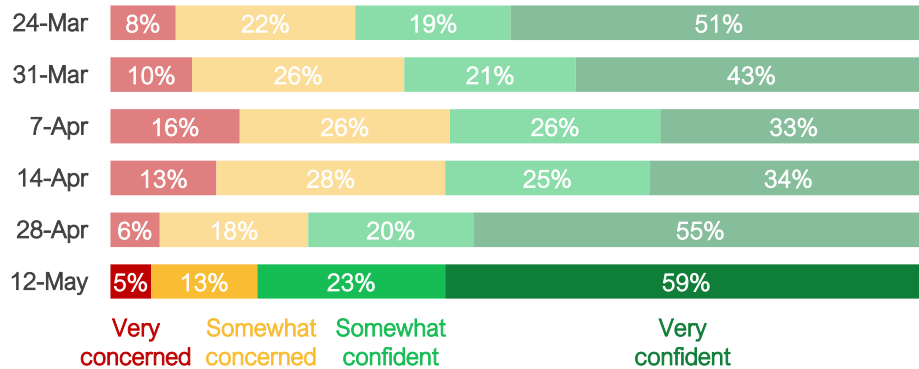


Knowing consumers' situations will be key going forward

Confidence in continuing to make premium payments has increased, but driven largely by those that continue to be employed—understanding specific situations will help to understand needs and required solutions as the situation develops

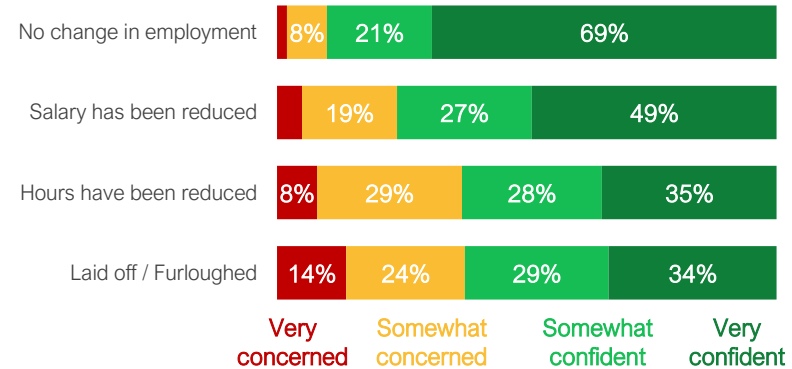
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Due to the economic impacts COVID-19, how concerned are you about making your next auto insurance payment?



- A combination of premium relief, policy adjustments, stimulus checks and better situational clarity are driving increased confidence for now
- While shopping / switching behaviors are currently muted, the longer the economic crisis persists, the more likely pressure will appear later

Confidence in making payments largely driven by employment and compensation status



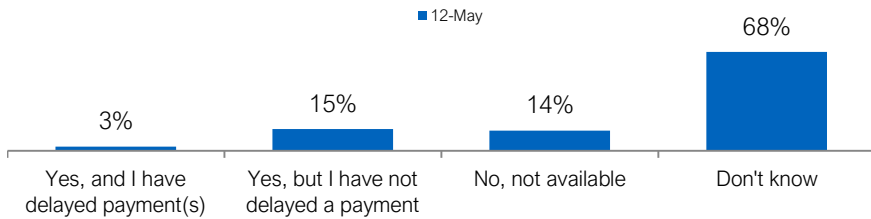
- Employment status clearly differentiates consumers confidence to make premium payments
 - Unemployment rate and longevity of benefit and stimulus programs will likely be a leading indicator of shopping / switching behaviors

Employment status driving premium decisions

Only a third (32%) of consumers have looked into delayed payments with just 3% having actually delayed a payment—the overwhelming majority have been recently laid off or furloughed

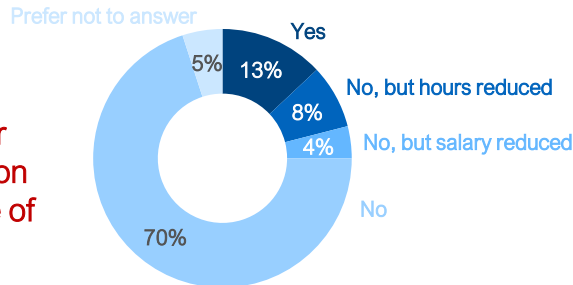
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Does your insurance company allow you to delay payments due to COVID-19?



Have you recently been laid off, furloughed or otherwise lost your primary form of employment / income?

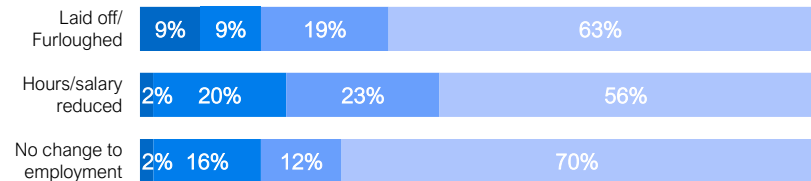
25%
Of auto insurance customers have lost or experienced a reduction in their primary source of employment/income



- In most major auto insurance decisions, employment status is a key indicator of premium actions / payment confidence
 - c. 25% of consumers have lost all or part of their primary income / employment
 - 32% of consumers have looked into delayed payment options
 - Only 3% of total have taken delayed payments, largely driven by those with impacted employment status
- As seen previously, there is not a high propensity to cancel after delayed payments at the current time

Customers exploring delayed payment by employment

- Yes, and I have delayed payment(s)
- Yes, but I have not delayed a payment
- No, not available
- Don't know

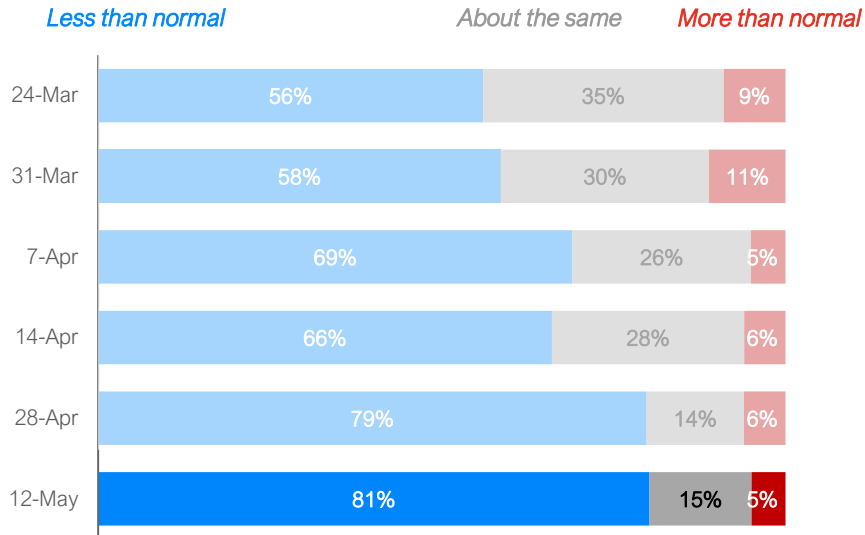


Telematics interest remains strong

Settling into around a third of consumers show a willingness to try telematics programs now or in the future. The longer miles driven remains reduced, we would expect to see this population increase

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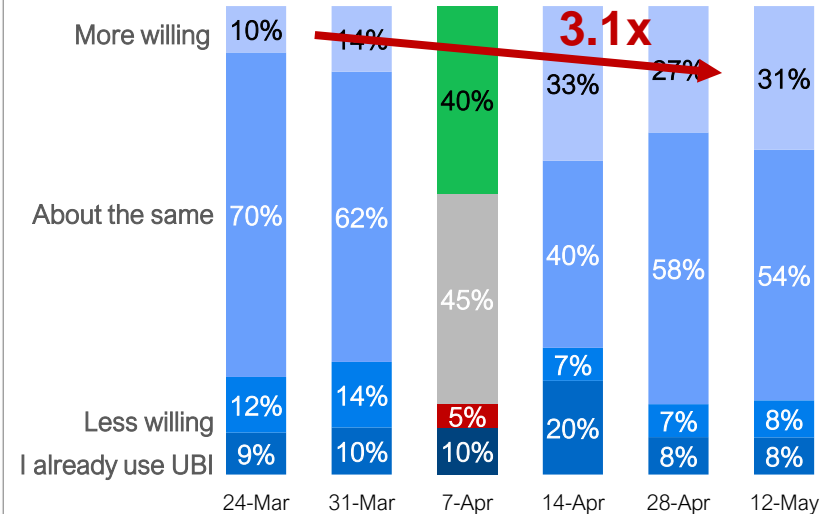
How has COVID-19 impacted the average number of miles driven within your household?



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 driven by expectations

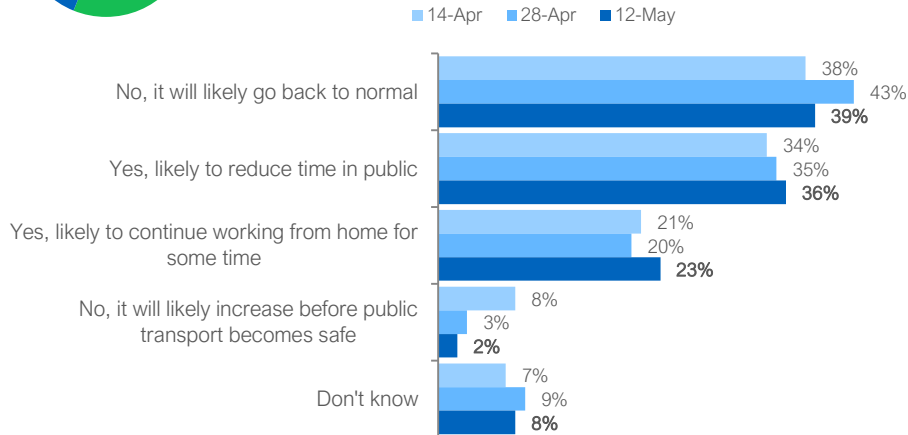
More consumers continue to see themselves driving less in the near / medium-term future. Telematics interest arising from that group (c. 25% in total) continues to remain strong

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

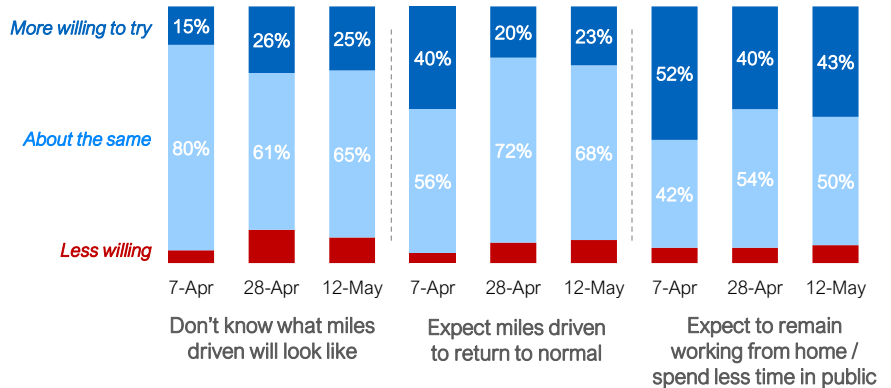


59% Believe their average miles driven *WILL REMAIN LOWER* post COVID-19



- The majority of consumers still expect their average number of miles driven to remain lower post COVID-19
 - Increased work from home is driving the increase as more employers gain clarity on 2020 policies
- Future miles driven expectations have been stable. Consumer mobility expectations are likely influencing their auto insurance mindset

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

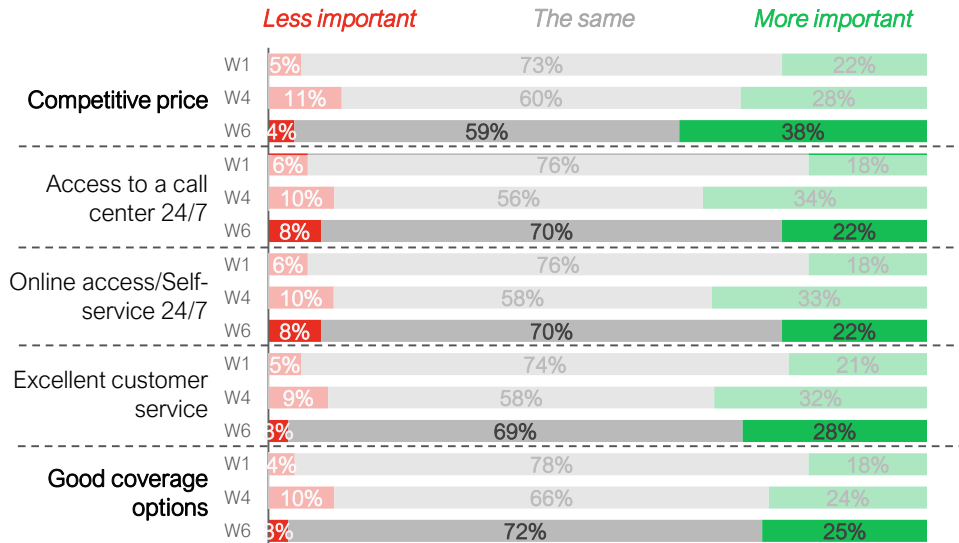


Service expectations remain, but for a lower rate

Perhaps unrelated to mindset shifts driven by COVID-19, consumers want excellent service for a lower rate, but COVID continues to drive rate sensitivity creating a 'more demanding' consumer—a new expectation is likely forming

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



An already demanding consumer is likely to become even more so over the coming months

- As seen in other metrics, consumers continue to seek a more competitive price
- Access and online / self service remain similar to pre-COVID levels indicating a similar expectation
- Demand for customer service excellence remain at elevated levels as consumers seek counsel guidance to achieve the most competitive rate in economically challenging times
- Good coverage options continues to increase in importance likely driven by consumers growing awareness of their 'new' auto insurance needs:
 - Recognition of reduced miles driven and commensurate reduced coverages / levels are likely to be well received
 - As seen previously, telematics programs are likely to become increasingly popular for customer acquisition

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