

Digital Are the Channels of Choice for Today's Auto Insurance Shopper; Digital Leaders Setting the Pace for Premium Growth, Says J.D. Power Study

Erie Insurance and Liberty Mutual Rank Highest in Purchase Experience Customer Satisfaction in a Tie

DETROIT: 29 April 2016 — Insurers that lead in digital shopping channels also lead in premium growth, according to the J.D. Power 2016 U.S. Insurance Shopping Study,SM released today.

Now in its 10th year, the study measures auto insurance shopping, purchase behavior and purchase experience satisfaction among customers who recently purchased insurance. Satisfaction is measured in three factors (in order of importance): price, distribution channel and policy offerings.

Direct premiums written (DPW) in the personal lines auto insurance market in the United States increase by approximately 4.7% to \$199 billion in 2015,¹ with much of that growth coming from new business generated by direct writers.

“Direct writers have invested heavily in digital channels to increase the functionality and ease of using their websites, which has clearly created an advantage for direct distribution relative to traditional agency distribution in some respects and has supported agency distribution in others,” said **Greg Hoeg, vice president of U.S. insurance operations at J.D. Power.**

Customers shopping for an insurance provider often go online to do so, as 74% of shoppers use insurer websites or aggregators for obtaining quotes and researching information. While nearly half of customers obtain a quote via insurer websites, only 25% actually purchase their policy online; 50% close through an agent and 22% phone a call center. This is due in part to the underperformance of agency writer websites—agency writers quote nearly as many shoppers on their website as they do through their agency channel (38% vs. 40%, respectively), yet just 10% of agency writers' new business is closed on the website. To make it easier for customers and improve close rates, a few insurance companies are offering online shoppers assisted chat “virtually” with a representative or agent.

“While many customers want to shop online, they often still want to talk to someone when they buy their insurance to make sure they are getting the right coverage or have questions about their policy answered,” said Hoeg. “Maintaining a competitive advantage in digital capabilities through websites and mobile applications is critical. Insurers need to focus on the delicate balance of providing an easy shopping experience while providing product differentiation and professional service.”

Differentiation Is Imperative as Fewer Customers Are Shopping

Hoeg noted that fewer auto insurance customers are in the market shopping for a new insurer in 2016, compared with 2015, believing the potential savings aren't worth the effort. With many insurance providers keeping their rates flat—some even lowering them—many customers simply are not compelled to shop around. The study finds that fewer auto insurance customers are shopping for a new insurer, down to 33 shops per 100 policies in 2016 from 39 in 2015, and among those who are shopping, only 30%

¹ Source: SNL Financial, based on preliminary estimates for the full year of 2015.

actually switch, the same pace as a year ago. In addition, customers who do switch are saving an average of \$356 on their annual premiums, less than the \$388 savings for those who switched in 2015.

“With more price competition and smaller savings, there simply is not as much motivation for most customers to switch,” said Hoeg. “Many policyholders see insurance as a price-differentiated commodity, and shoppers are opting to remain with their incumbent insurer as they find the savings offered by competitors is not as great as they had expected, or as much as they saved the last time they switched.”

KEY FINDINGS

- Satisfaction with the purchase experience among customers who recently bought a new policy drops to 826 (on a 1,000-point scale) in 2016 from 833 in 2015. The 7-point decline moves satisfaction back to near the level of 828 found in 2012 and 2013.
- Young shoppers have the highest adoption rate of online-only quoting. Gen X² and Gen Y are most likely to get price quotes exclusively online at 29% each, while 17% of Pre-Boomers are getting their quotes only through online channels.
- Assisted online has a significant impact on insurers’ ability to convert shoppers from quote to close—close rates are more than 1.5 times higher when shoppers get quotes on insurer websites and use the assisted online options vs. overall close rates through the website.

Study Rankings

Erie Insurance and **Liberty Mutual** rank highest in a tie among auto insurers in providing a satisfying purchase experience, each with a score of 853. This marks the fourth consecutive year Erie Insurance has ranked highest in the study.

The Hartford ranks third (850); **American Family** fourth (845); and **Automobile Club Group** fifth (840).

The 2016 U.S. Insurance Shopping Study is based on responses from more than 17,000 shoppers who requested an auto insurance price quote from at least one competitive insurer in the past 9 months and includes more than 50,000 unique customer evaluations of insurers. The study was fielded in April, July and October 2015, and January 2016.

For more information about the J.D. Power U.S. Insurance Shopping Study,SM visit <http://www.jdpower.com/resource/jd-power-us-insurance-shopping-study>

See the online press release at <http://www.jdpower.com/press-releases/2016-us-insurance-shopping-study>

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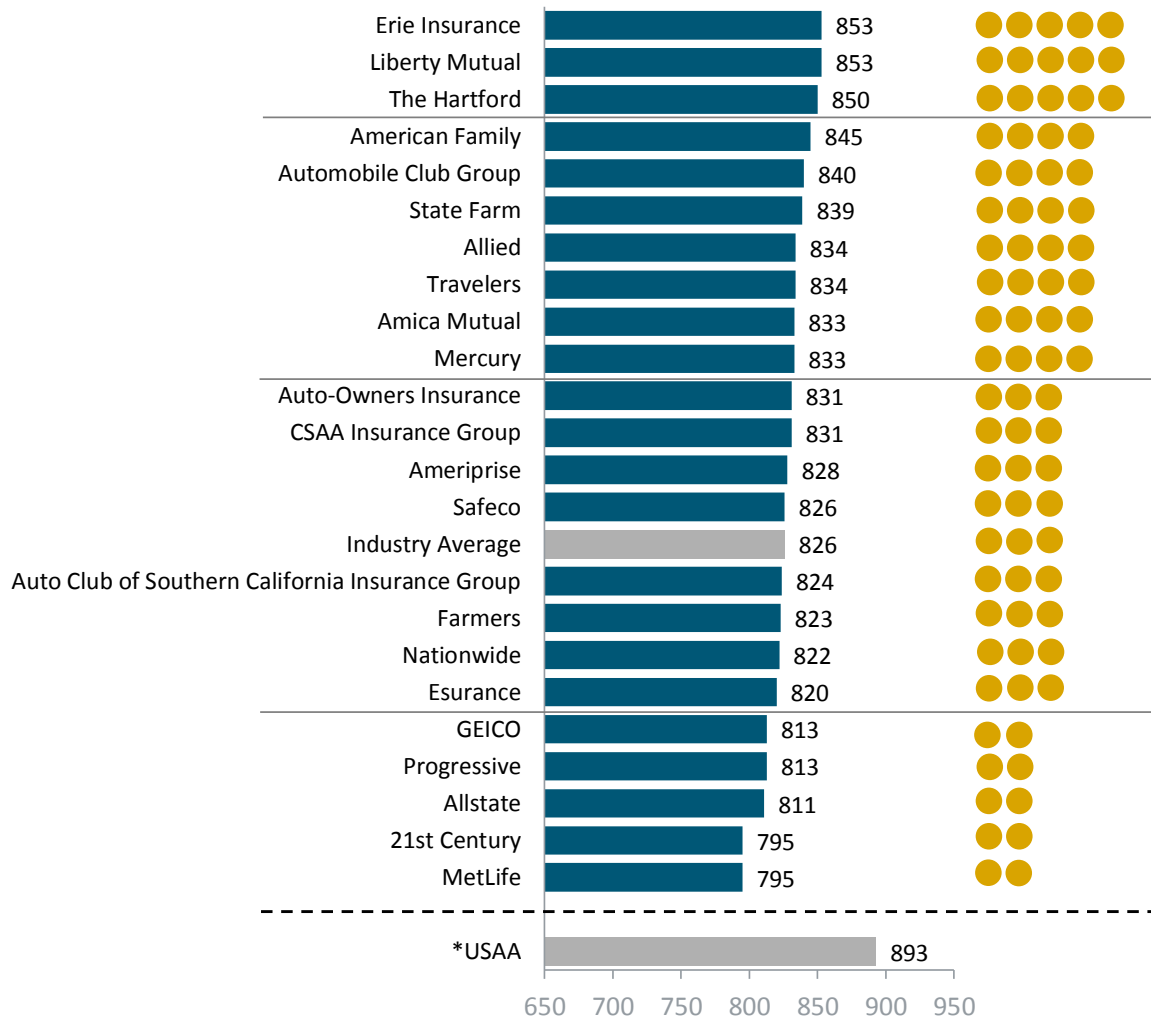
² J.D. Power defines the generations as Pre-Boomers (born before 1946); Boomers (1946-1964); Gen X (1965-1976); Gen Y (1977-1994); and Gen Z (1995-2004). Millennials (1982-1994) are a subset of Gen Y.

J.D. Power 2016 U.S. Insurance Shopping StudySM

Customer Satisfaction Index Ranking

(Based on a 1,000-point scale)

JDPower.com
Power Circle RatingsTM
for consumers:



*USAA is an insurance provider open only to U.S. military personnel and their families, and therefore is not included in the rankings. Included in the study but not award-eligible due to not meeting minimum sample requirements is National General.

Source: J.D. Power 2016 U.S. Insurance Shopping StudySM

Power Circle Ratings Legend

- Among the best
- Better than most
- About average
- The rest

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2016 U.S. Insurance Shopping StudySM

Award-Eligible Insurance Companies Included in the Study

<u>Company Name</u>	<u>CEO Name</u>	<u>Company Address</u>
21 st Century	Jeffrey Dailey	Woodland Hills, Calif.
Automobile Club Group	Joseph Richardson, Jr.	Dearborn, Mich.
Auto Club of Southern California Insurance Group	Robert Bouttier	Los Angeles, Calif.
Allstate	Thomas Wilson	Northbrook, Ill.
American Family	Jack Salzwedel	Madison, Wis.
Ameriprise	James Cracchiolo	Minneapolis, Minn.
Amica Mutual	Robert DiMuccio	Lincoln, R.I.
Auto-Owners Insurance	Jeffrey Harrold	Lansing, Mich.
CSAA IG (AAA)	Paula Downey	Walnut Creek, Calif.
Erie Insurance	Terrence Cavanaugh	Erie, Pa.
Esurance	Jonathan Adkisson	San Francisco, Calif.
Farmers	Jeffrey Dailey	Woodland Hills, Calif.
GEICO	Tony Nicely	Washington, D.C.
The Hartford	Christopher Swift	Hartford, Conn.
Liberty Mutual	David Long	Boston, Mass.
Mercury	Gabriel Tirador	Los Angeles, Calif.
MetLife	Steven Kandarian	New York, N.Y.
Nationwide	Stephen Rasmussen	Columbus, Ohio
Progressive	Glenn Renwick	Mayfield Village, Ohio
Safeco	Matthew Nickerson	Seattle, Wash.
State Farm	Michael Tipsord	Bloomington, Ill.
Travelers	Alan Schnitzer	New York, N.Y.

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