

*PULSE survey conducted on April 07, 2020
(Distributed April 10, 2020)*

INSURANCE DURING COVID-19

Consumer attitudes and perceptions

Kyle Schmitt

*Vice President and Global Managing Director
Insurance Intelligence and Solutions*

A message from J.D. Power

April 10, 2020

Dear J.D. Power partners:

I hope that this message continues to find you, your families and colleagues healthy and safe.

This week we see the beginnings of a significant shift in how consumers view their auto insurance. The ‘premium angst’ that we observed in our two previous notes is turning into ‘premium anxiety’. As the economic impacts of COVID-19 intensify, consumers are significantly less complacent. They want to hear from their carriers. They want to know their options. And they are suddenly very interested in telematics.

While we’ve seen a tsunami of premium relief actions taken across the industry, the economic anxiety has just begun. It will take time to understand if these initial actions are enough to satisfy anxious consumers (which we will attempt to measure next week). As of April 07, 23% indicate that shopping and switching is already on the table. Fallback positions and alternatives will still be required—carriers need to be prepared to continue offering options to manage policies and coverages. Openness to adopting telematics programs may never be higher, but those programs will need to demonstrate their value quickly. The most vulnerable consumers will need support. The likely impacts to the non-standard markets may be sweeping as those with the highest economic anxieties face tough choices on where to spend their limited resources. And in a shift from 2008 / 09, 60% of all consumers say they will shop in a matter of months; 40% of them in just a few weeks.

The key to managing these challenging times will rest in a carrier’s ability to help solve consumers’ problems as they emerge—a fundamental tenet of any business model. Retaining loyal consumers in an age of economic anxiety and easy shopping will surely require it.

Kind regards,



Kyle Schmitt

Vice President and Global Managing Director, Insurance Intelligence and Solutions

EXECUTIVE SUMMARY

Auto insurance 14-day change in key statistics

April 10, 2020

CHANGE IN CONSUMER SENTIMENTS IN THE PAST 14 DAYS...

42%	Concerned about making their next premium payment, up 53% in two weeks	+2.8x	Increase in desire to make policy changes to manage costs (+30m PIFs) ⁽¹⁾
54%	Think their carrier should have already reached out —only 23% have been contacted	+2.1x	Increase in propensity to shop to manage premiums (+10m PIFs) ⁽¹⁾
40%	Would shop in a matter of weeks if they were to lose their primary source of employment	+2.2x	Increase in desire to suspend coverage while car not being used (+23.5m PIFs) ⁽¹⁾
		+2.5x	Likely to cancel policy to manage costs (+5m PIFs) ⁽¹⁾

Thinking longer-term...

57%	Think their miles drive will remain lower for a significant period of time after COVID-19	+2.9x	Increase in willingness to use telematics / UBI programs (+37m PIFs) ⁽¹⁾ <i>...how do consumers view rates if miles driven remain lower?</i>
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NOTES:

1) We estimate somewhere around 150m auto insurance policies in the United States. Most of the results in this note are based upon % respondents, therefore 10% = 15m policies

EXECUTIVE SUMMARY

Emerging COVID-19 auto insurance themes

April 10, 2020

We see four key themes emerging as premium angst turns to premium anxiety:

- **Premium Relief**

- Consumers are now actively seeking ways to manage their premiums; we assume that this pressure will grow in the coming weeks
- If customers haven't already been contacted, the time is swiftly passing. Any conversation must consider recent headlines and offer options
- Agents and call centers need clear guidance on flexibility to offer policy management options and to expand discounts to avoid shopping / switching
- Consumer service expectations are heightened—they want it on their terms and are not likely to be forgiving during times of high anxiety

- **Telematics adoption catalyst**

- Traditional barriers to telematics adoption have been privacy / security and discounts not significant enough to bother
- As insured assets sit idle, consumers have suddenly seen a wider range of potential value within telematics—if it can be realized *today*
- Given low confidence that driving will return to pre COVID-19 levels soon, the value is becoming more evident by the day

- **Shopping / switching: speed and propensity likely to be different than 2008 / 09**

- Job loss is a key indicator of shopping / switching propensity—40% that lose their job will shop in a matter of weeks
- Carriers that can't help to solve their customers problems will likely find shopping / switching an almost immediate outcome, especially among their most vulnerable customers

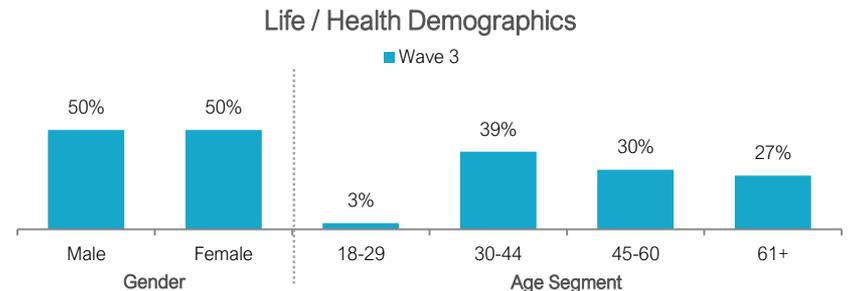
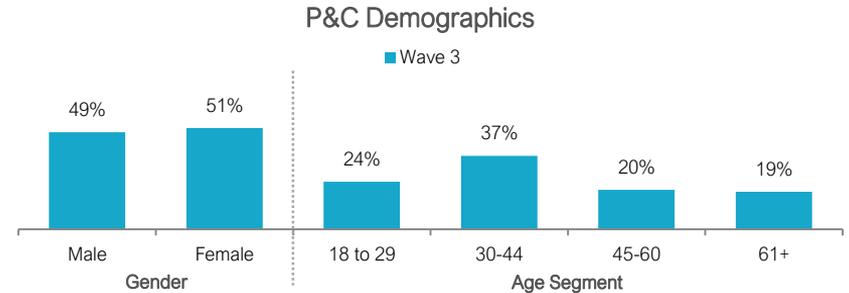
- **Non-standard markets likely to be impacted**

- We see a clear behavioral difference among consumers with lower self-reported credit quality—they need viable solutions now
- More than 50% of consumers seeking payment relief / extension have lower credit quality
- For many, the most viable solution is likely to be non-payment of premiums or policy cancellation

J.D. Power PULSE Survey details

April 10, 2020

- Wave 1 surveys were fielded on March 24, 2020
- Wave 2 surveys were fielded on March 31, 2020
- Wave 3 surveys were fielded on April 7, 2020
- Total respondents:
 - P&C W1 1,021 | W2 1,006 | W3 1,035
 - Life & Health W1 1,006 | W2 1,011 | W3 1,002
- Respondent demographics:
 - P&C regional spread reflects genpop in W3
 - All data were Gender balanced in Wave 2
- Surveys will be fielded on a weekly basis for trending and longitudinal analysis
 - P&C W1-W2: Survata platform
 - Life & Health W1-W2: SurveyMonkey platform
 - P&C, Life & Health W3: SurveyMonkey platform



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.

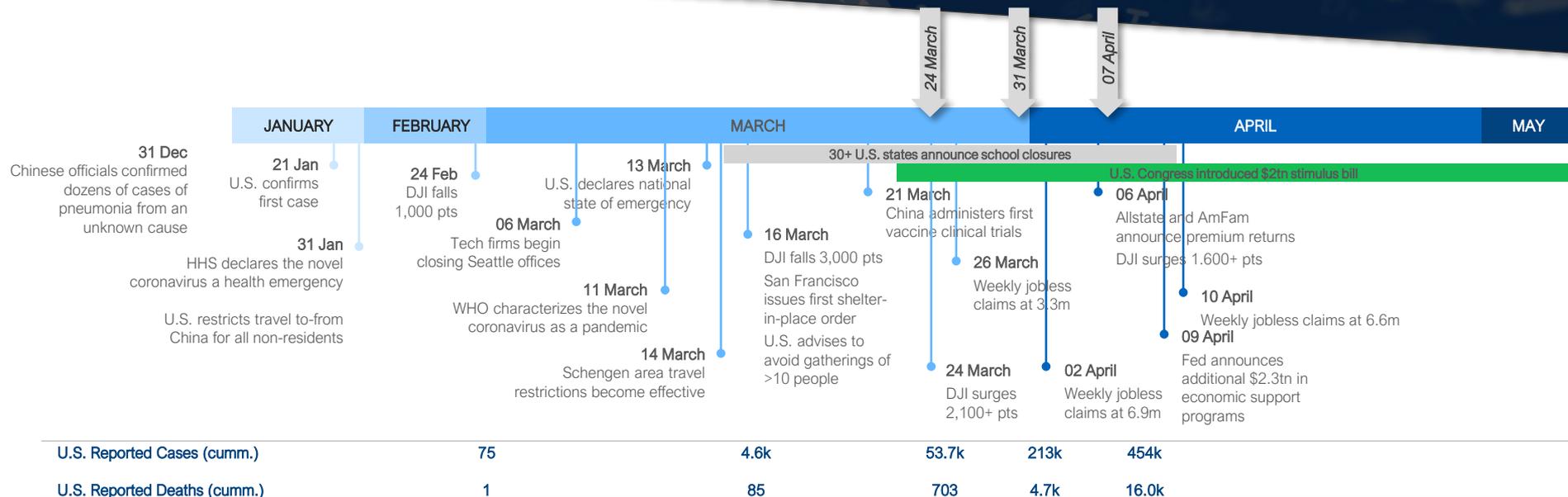
MARKET CONTEXT

COVID-19

Insurance during COVID-19

Consumer attitudes and perceptions with their insurances are now changing rapidly with clear economic anxiety materializing. We will continue to track current events and consumer perceptions to assess the rapidly evolving situation

April 10, 2020



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

Insurance during COVID-19

Major market indices are trying to fight through economic uncertainty. Weekly unemployment claims continue to show a weakening labor market that will increasingly impact personal finances

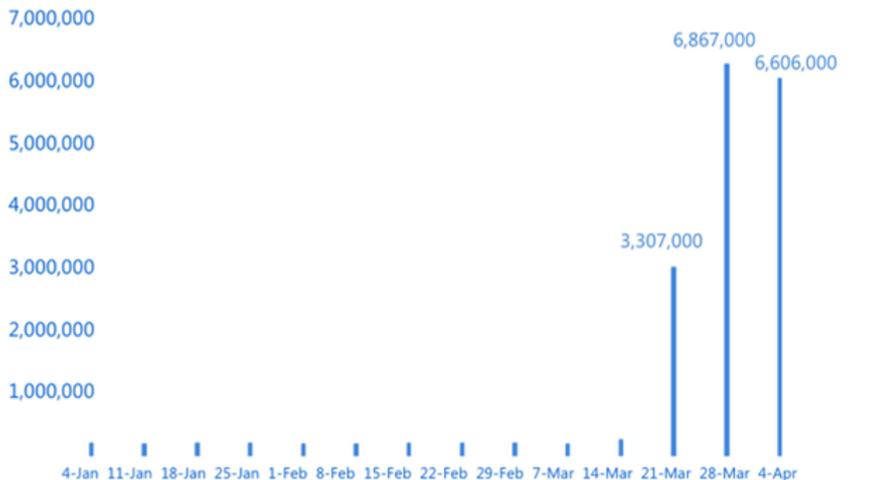
April 10, 2020

Major stock market indices continue to battle back...



amidst more than 16m initial jobless claims filed in the past 3 weeks

Unemployment insurance weekly claims



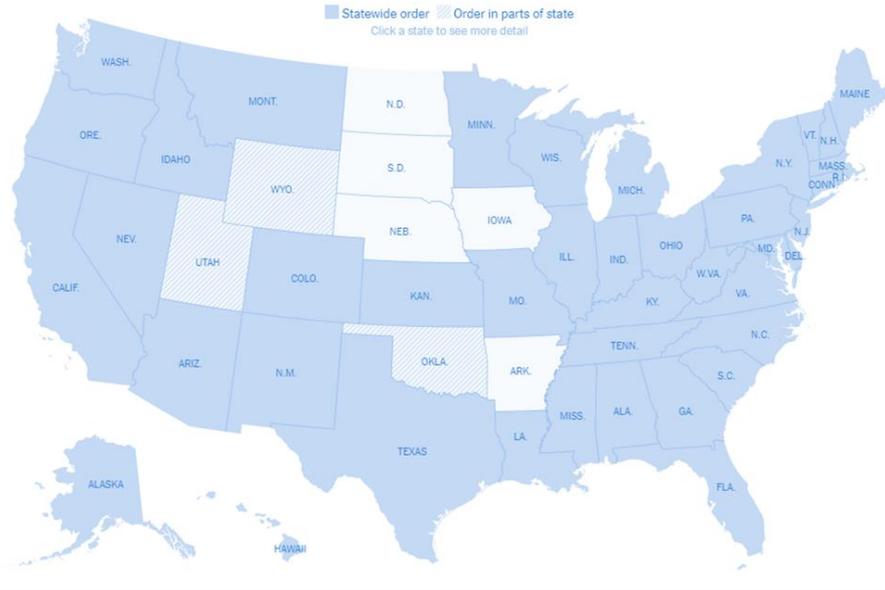
Source: CNBC.com, Bureau Labor Statistics, U.S. Employment and Training Administration

Insurance during COVID-19

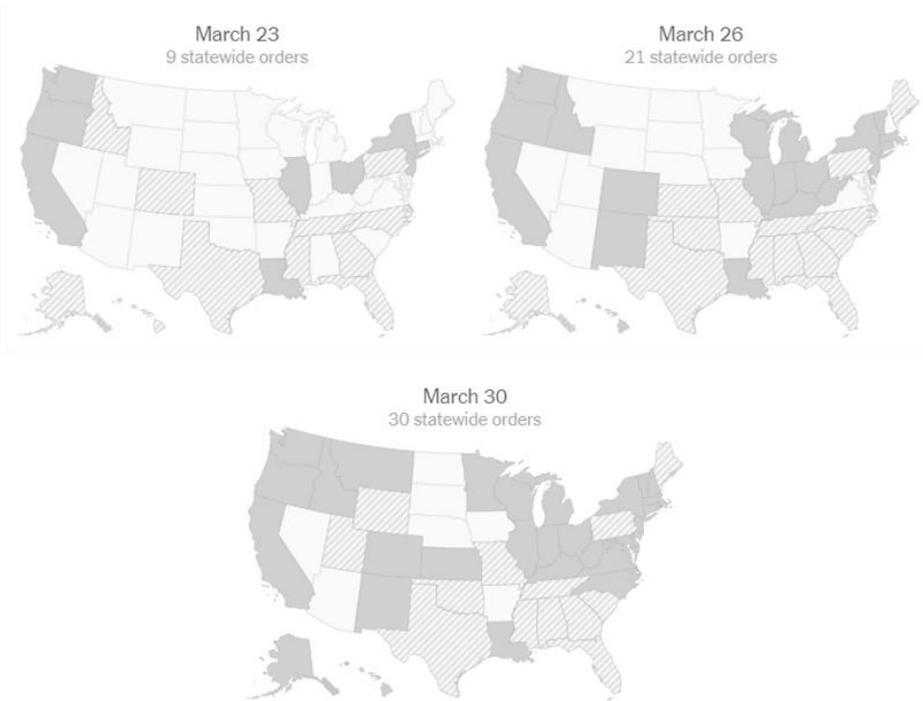
As the spread of coronavirus has continued across the country, more and more states are issuing some form of social distancing mandates / guidelines

April 10, 2020

As of April 07, almost 316m American's are being urged to stay at home in some fashion



Source: New York Times (April 02, 2020)



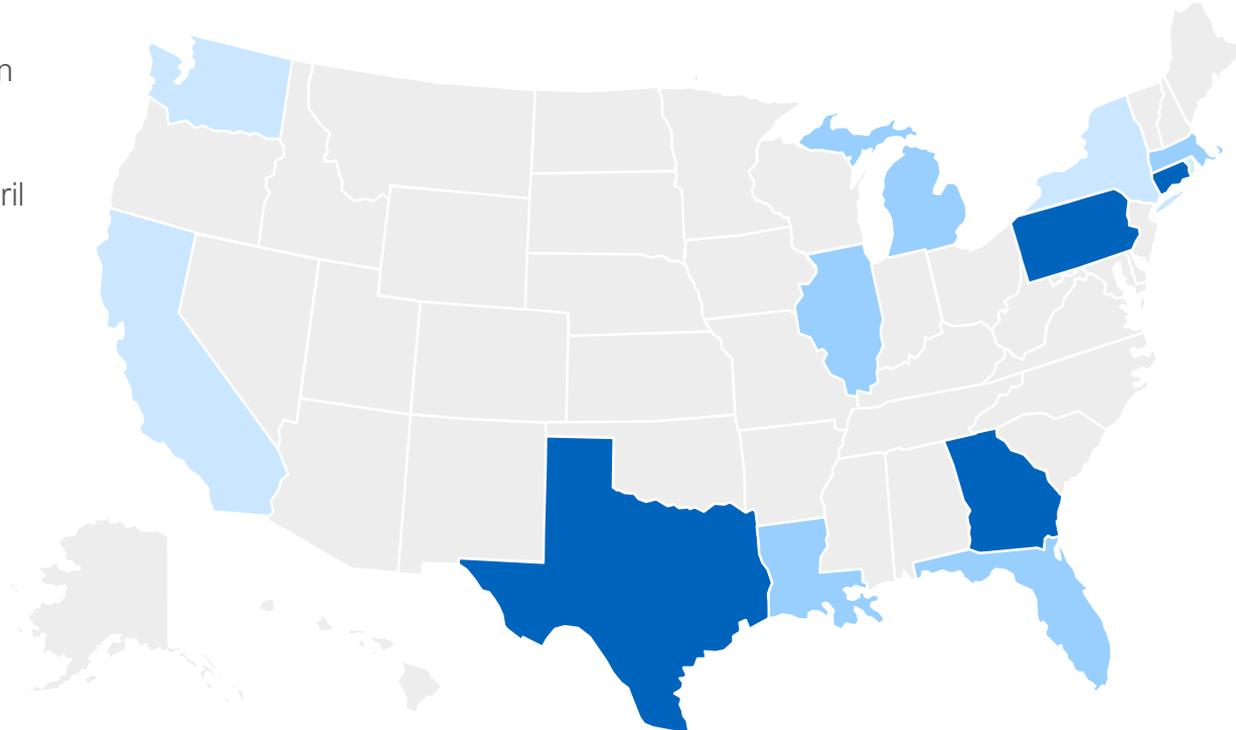
Insurance during COVID-19

Certain areas have seen infections and hospitalizations rise rapidly over several weeks. Throughout our analysis we refer to these areas as 'hotspots' and monitor them for changes in consumer sentiment

April 10, 2020

- Since Wave 2, 4 additional states have been added as "Hotspot States" for analysis purposes
- States with greater than 7,000 cases on April 8 were designated as Hotspots

Hotspots by Wave	States
Wave 1	CA, NJ, NY, WA
Wave 2	MI, FL, IL, MA, LA
Wave 3	CT, GA, PA, TX



Source: <https://www.worldometers.info/coronavirus/country/us/> (March 31, 2020)

Insurance during COVID-19

Driving behaviors have changed dramatically in a matter of weeks—US total miles driven continues to be down by c. 55%

April 10, 2020

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CAMBRIDGE
MOBILE TELEMATICS

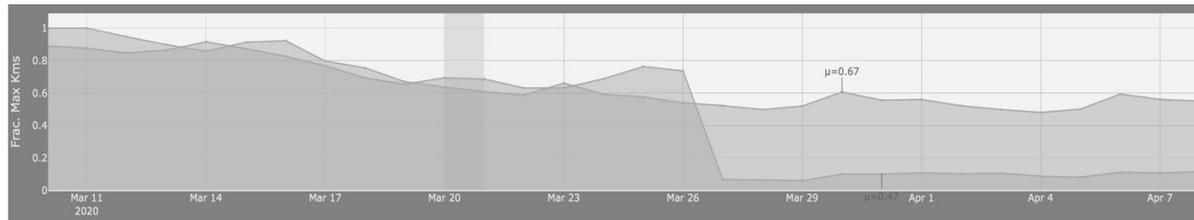
US miles driven per day remains stable, down c. 55% since early March peak averages



CA began 'stay-at-home' social distancing policies on March 19; all but a handful of states now have some similar policy in effect today

- The plot left shows how U.S. driving has dropped since early March
- The plot shows fraction of daily driving relative to the maximum number of miles driven on the same day (avg.) during the pre-COVID period
- As of April 09, driving in the US remains at about 55% of its peak kilometers / day, with a precipitous drop starting around Mar 11

South Africa miles driven fell more than 80% in a single day and remains near those levels



- South Africa enacted a total countrywide lockdown beginning March 26, resulting in driving dropping from about 80% of peak to just 5% of peak in one day—and remained near those levels since

Source: Cambridge Mobile Telematics

Insurance during COVID-19

While driving miles are down, less congested roads have increased some risky driving behaviors

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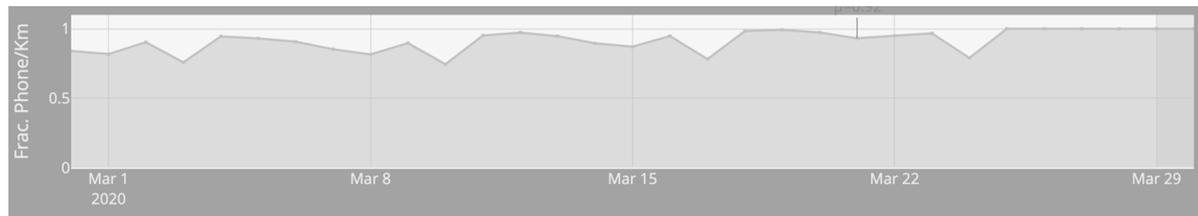
Speeding risks have increased while miles driven are down



CA began 'stay-at-home' social distancing policies on March 19; all but a handful of states now have some similar policy in effect today

- The plot left shows how U.S. speeding compared to its maximum levels on a per km/h basis over the last several weeks
- Empty roads / street have likely kept the average maximum speed at elevated levels
- Overall speeding is as much as 45% more prevalent per km/h v. the first part of the month

Distracted remains stable over the period (this chart has not been updated)



- The plot left shows the effect on distracted phone use as of March 29
- Distracted phone use rose by about 15% v. the first part of the month
- There was little change in the rate of harsh braking

Source: Cambridge Mobile Telematics

AUTO INSURANCE

Impact of COVID-19 on the auto insurance consumer

COVID-19

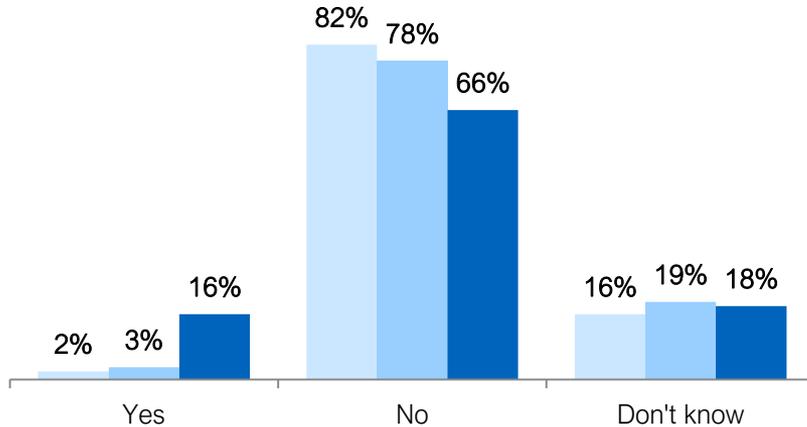
Auto insurance during COVID-19

Consumer attitudes and perceptions with their auto insurance have changed dramatically in the past 7 days—premium angst is morphing into economic anxiety as many consumers continue to pay premiums while their vehicles sit idle

April 10, 2020

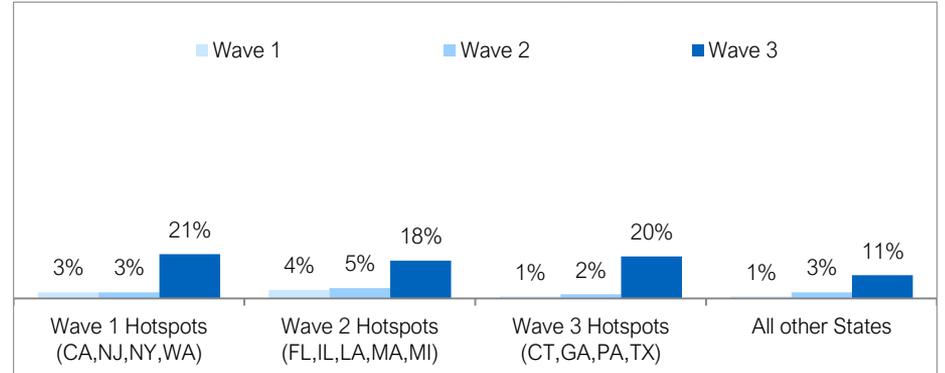
Do you think that COVID-19 will change your opinion on auto insurance?

Wave 1 Wave 2 Wave 3



- Auto insurance is rapidly taking mindshare of 'things that may be changed' by COVID-19 as consumers feel more tangible impacts
- Opinions change more rapidly as an area becomes more impacted, likely driven by growing economic anxieties
- Based upon these trends, it may be reasonable to expect increased consumer anxiety across the mid-Atlantic, Midwest and South in the coming week(s)

Hotspot States: %Yes, COVID-19 will change my opinion of auto insurance

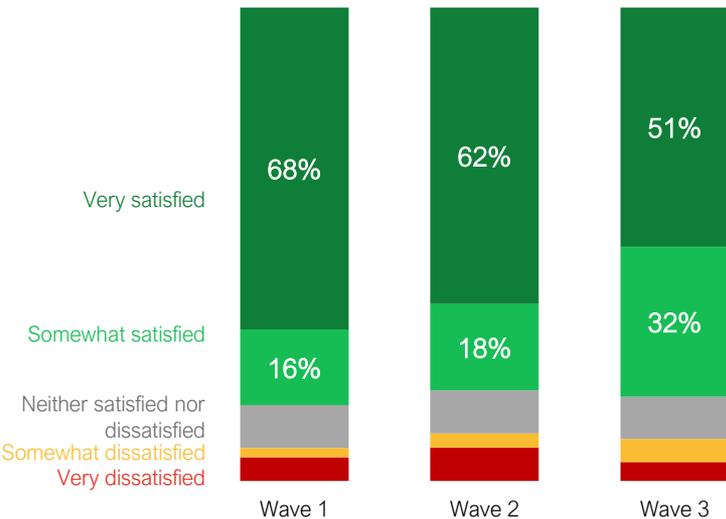


Auto insurance during COVID-19

Customers initial high satisfaction levels are fading rapidly towards uncertainty. One thing for certain is that confidence in their ability to continue to pay premiums is falling quickly

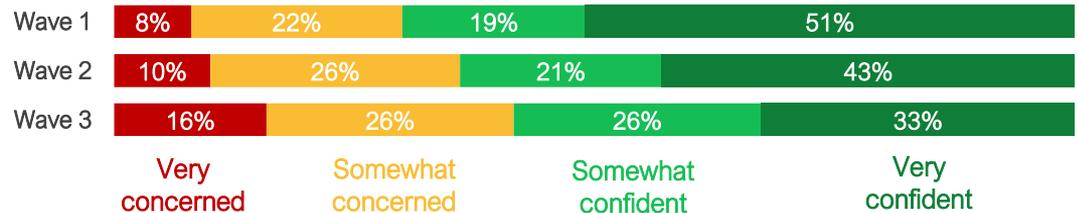
April 10, 2020

How satisfied are you with how your auto insurance carrier is living up to their reputation during COVID-19?



- Rapidly falling 'Very Satisfied' rates indicate growing uncertainty among consumers with their auto insurance carrier relationships
- Economic anxiety is likely driving the rapid drop in confidence that the next auto insurance payment can be made
 - Given the spread of COVID-19 and growing uncertainty, it is reasonable to expect consumer confidence may continue to deteriorate
- Consumers with fair to poor credit are more than 2X as likely to feel premium payment anxieties

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

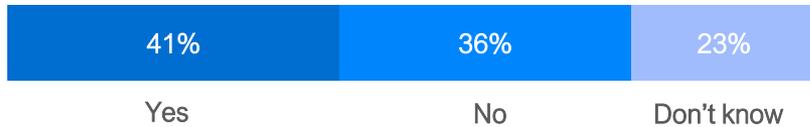


Auto insurance during COVID-19

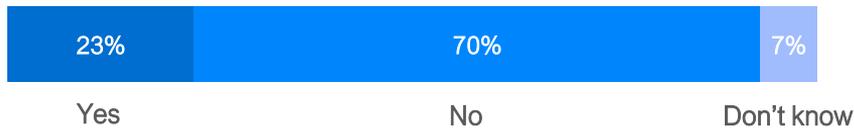
Proactive communication is critical to ease customers' concerns—errring on the side of overcommunication is prudent as those who don't need contact, but receive it, don't penalize their carrier and may even welcome the outreach

April 10, 2020

Do you expect your carrier to contact you with options/updates on how to manage costs and coverage?

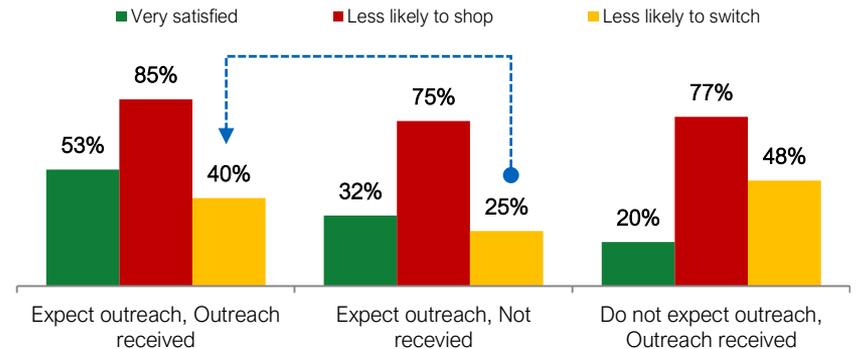


Have you been contacted by your insurer about actions they are taking to help customers manage costs as a result of COVID-19?



Shopping / switching propensity by communication

- The vast majority of auto insurance consumers have not been contacted by their carrier as of April 07
- As noted last week, and given this week's premium relief announcements by many carriers, it is imperative to contact customers to minimize shopping activity in the coming weeks
- Customers that expect to be contacted, but aren't, are almost twice as likely to switch carriers



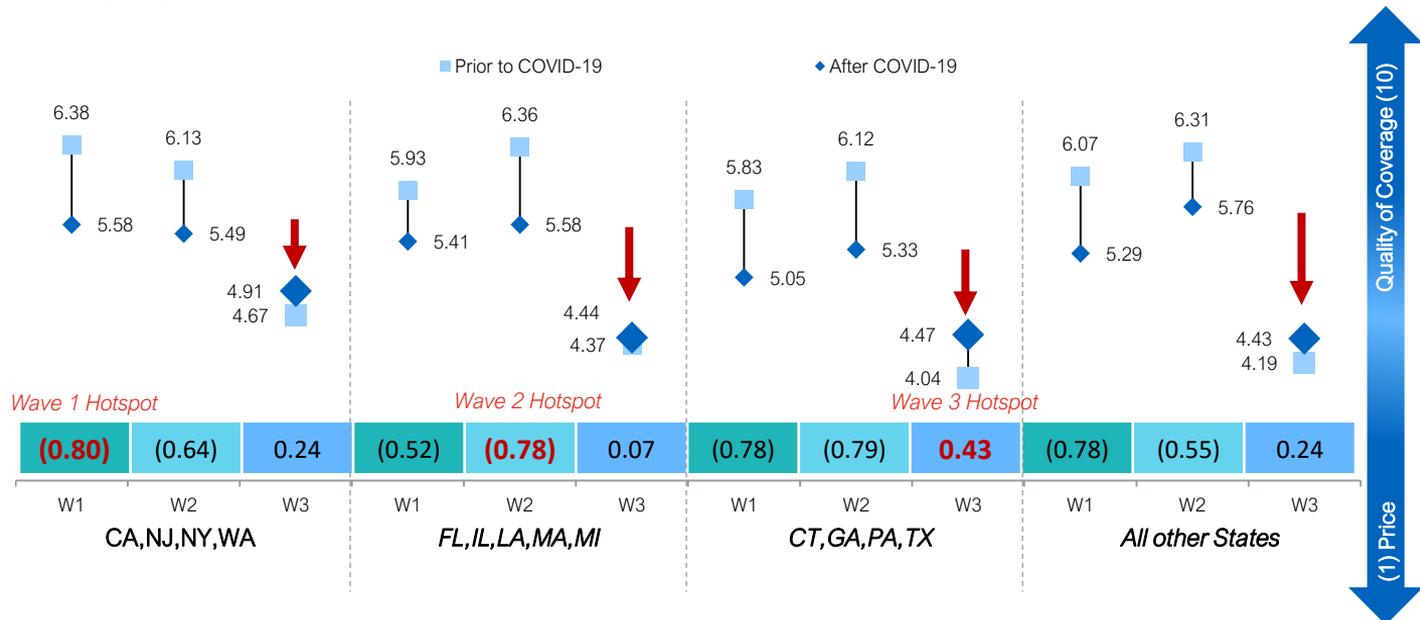
Auto insurance during COVID-19

Consumers tend to balance both price and quality of coverage when making auto insurance decisions—the rapid shift towards favoring PRICE reinforces the growing level of economic anxiety

April 10, 2020

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

- Since the onset of COVID-19 consumers are showing a growing preference towards PRICE in their auto insurance
- That shift has leapt forward over the past three weeks with a c. 20% increase in PRICE sensitivity when considering carriers
- Communications and messaging will likely require a PRICE-based message and management options to continue to resonate with consumers as their rate sensitivity grows

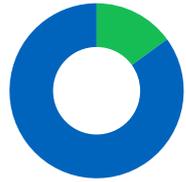


Auto insurance during COVID-19

Consumers are expecting their carrier to be taking actions that ease economic anxiety. The most vulnerable consumers are seeking rapid premium relief / suspension

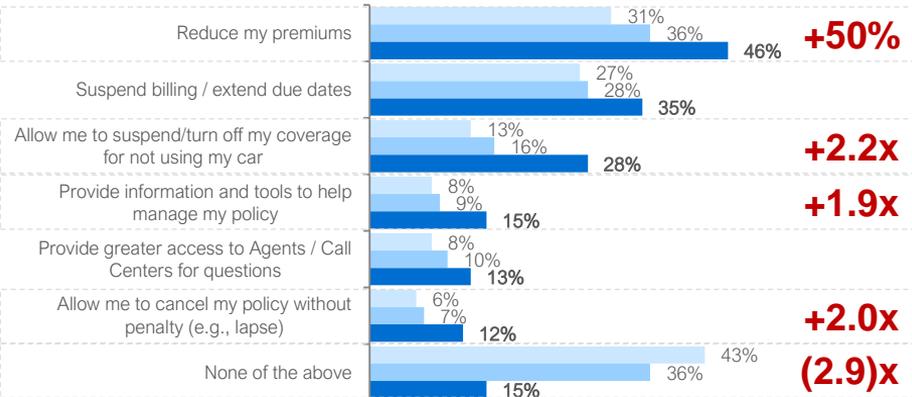
April 10, 2020

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



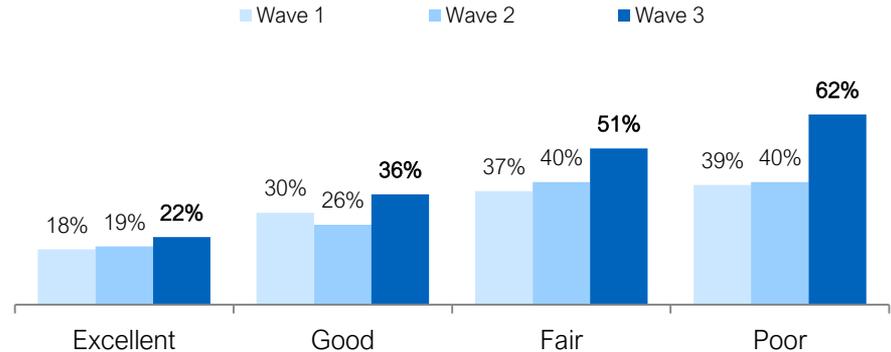
15% Consumer that said no further action required at this time
DOWN 3X FROM WAVE 1

Wave 1 Wave 2 Wave 3



- Wave 3 data shows a dramatic increase in consumers indicating action needs to be taken to provide premium relief
- Consumers are growing clearer on what next steps they feel that their carriers should take to help resolve their problems
- Ways to suspend or mitigate non-use cases is likely to be a problem that carriers will need to solve, especially for the most economically vulnerable consumers

Suspend billing / extend due data by credit profile

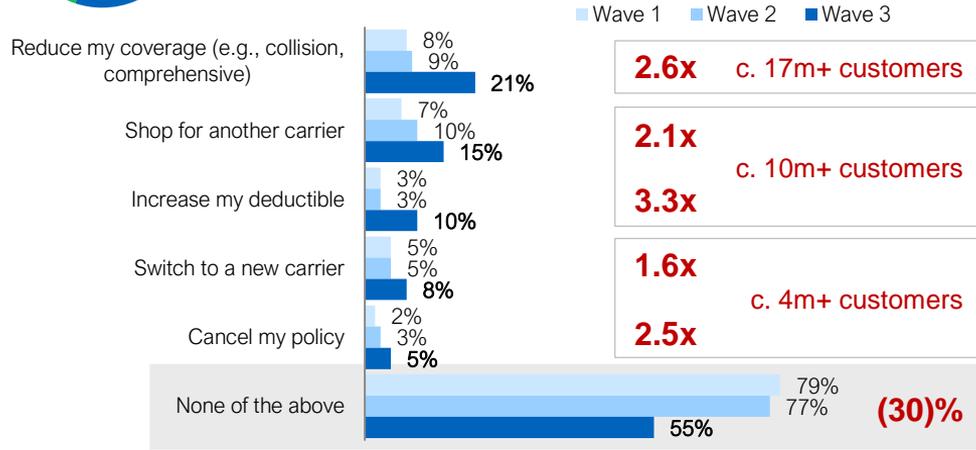
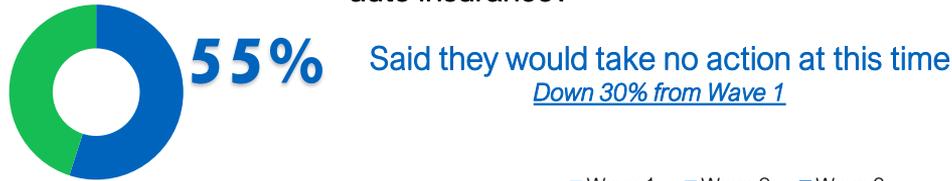


Auto insurance during COVID-19

Consumers are actively considering their need for premium relief options. They aren't always aware of the best methods and will look to their carriers for guidance and support

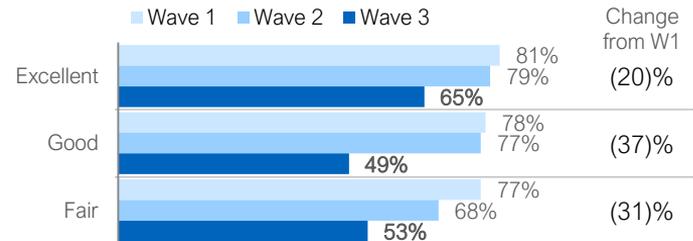
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What, if any, methods do you plan to use to manage the cost of your auto insurance?



- In the absence of carrier-provided options, consumers appear increasingly likely to resort to shopping
- Given the ease of online shopping, those carriers that are less able to help their customers find solutions may encounter retention challenges on certain customer profiles
- Given the large amount of 'none of the above' responses, it appears that consumers are not fully aware of their options to manage premiums

Percent NOT taking action to manage auto insurance costs at this time by Credit History



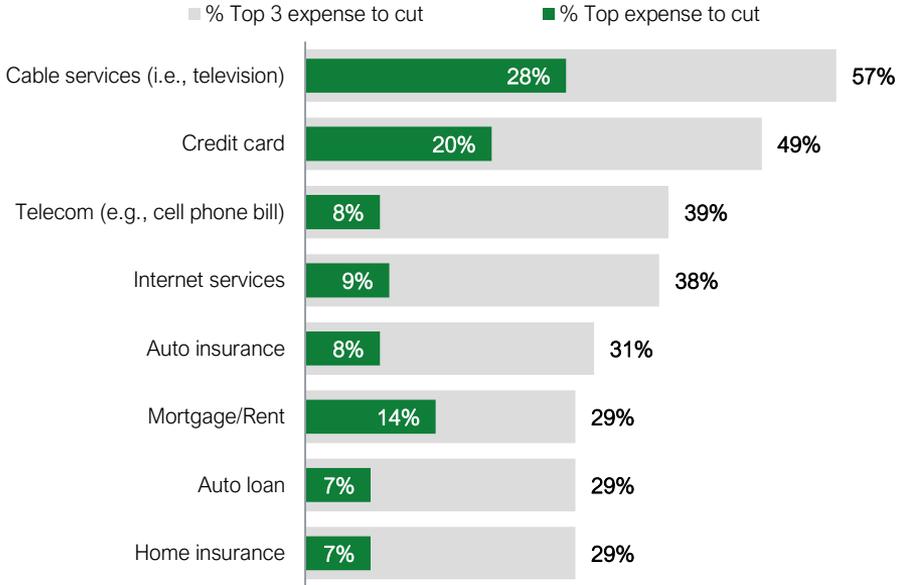
Auto insurance during COVID-19

Among major household expenses, auto insurance isn't the first to be cut, but in the event of job loss it becomes a shopped product quickly by all but the very highest credit tier

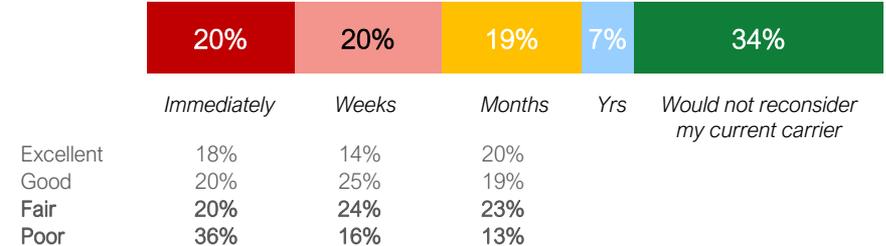
April 10, 2020

Which of the following household expenses would you make changes to first to reduce your expenses?

Rank each option with 1 being the first to make changes



How quickly would the loss of your job cause you to reconsider your current auto insurance?



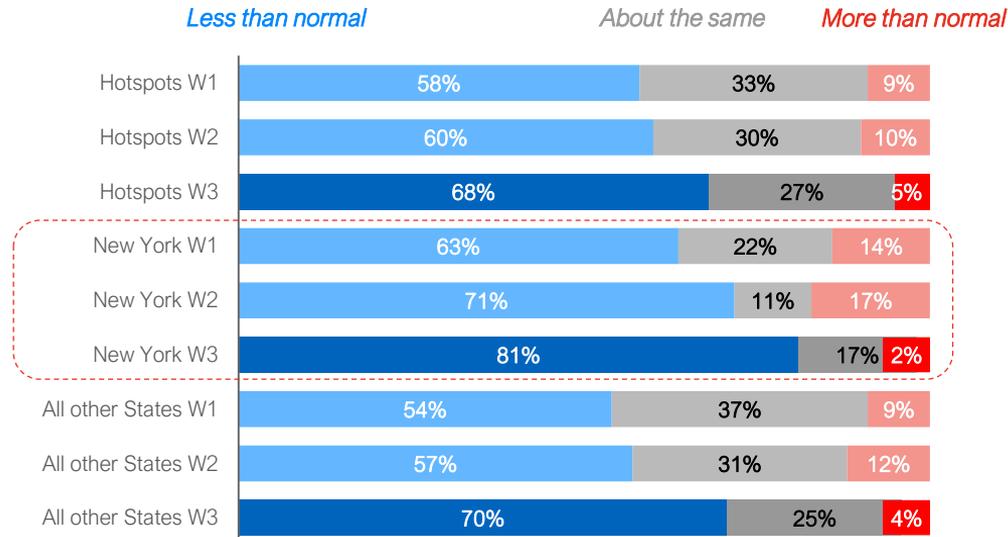
- As we mentioned in our last note, 2008 / 09 shopping behaviors may not paint a full picture—in 2020 those actions are likely to materialize quickly
 - Consumers in financial challenging situations will shop / switch quickly
 - Digital shopping is nearly ubiquitous in 2020
- Given the rapid increase in job losses, it is reasonable that major shopping events are imminent or within weeks away
 - Non-standard markets may have to deal with switchers that see cancellation as an alternative to not finding an acceptable rate

Auto insurance during COVID-19

Consumers and carriers have been seeking a catalyzing event to prove the value of telematics—COVID-19 may be driving home the point that real-time monitoring of vehicle use makes sense

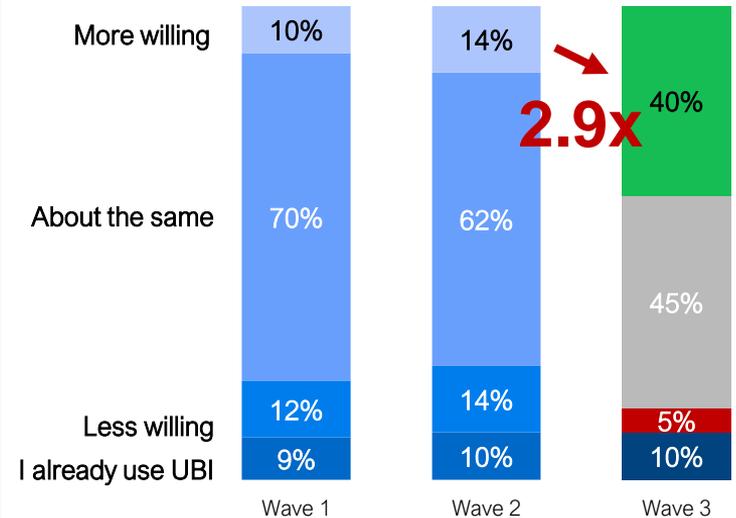
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How has COVID-19 impacted the average number of miles driven within your household?



How has COVID-19 impacted your willingness to use Usage Based Insurance (UBI)?

Premiums more impacted by your driving behavior and miles driven

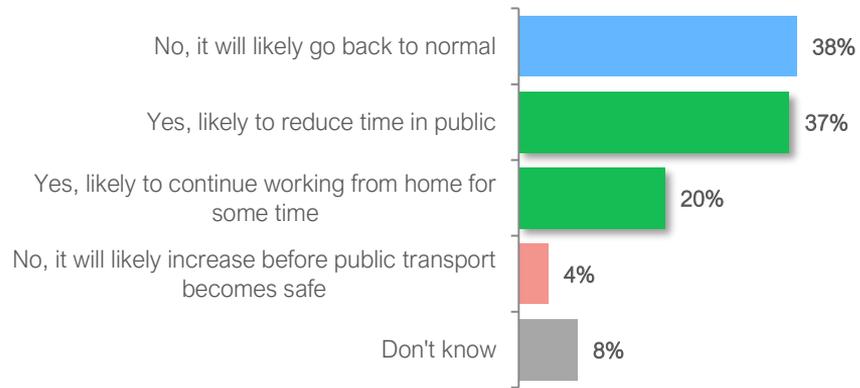


Auto insurance during COVID-19

It is reasonable to assume that premium pressure and interest in telematics may be top of consumers' minds for the foreseeable future—they don't expect their miles driven to return to 'normal' for a while...

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



- The majority of consumers expect their average number of miles driven to remain lower post COVID-19
 - Only 38% expecting driving behaviors to return to normal
- There are noticeable regional differences among consumers who experienced varying miles driven impacts through the crisis
- Consumers with lower credit quality are more likely to anticipate fewer changes in miles driven post COVID-19

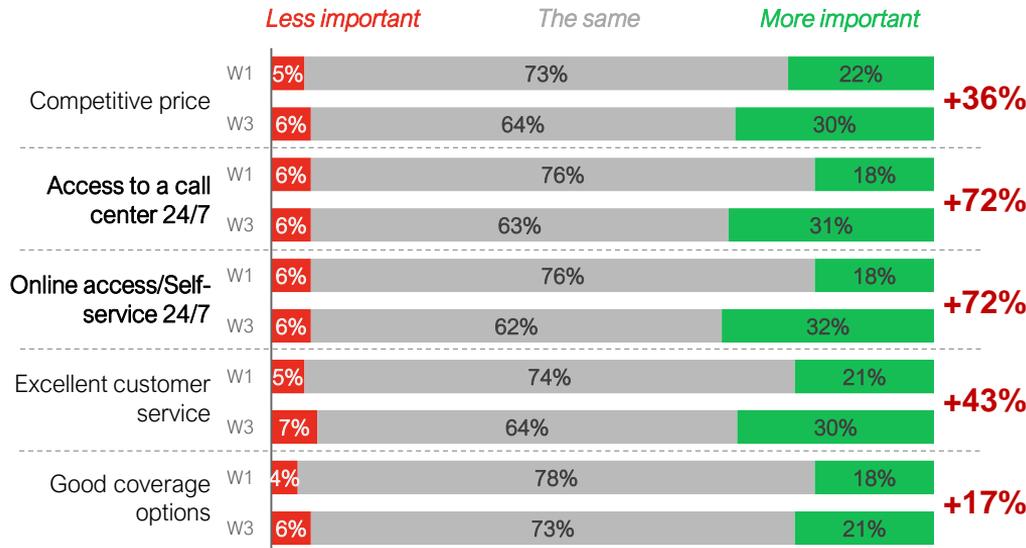
Auto insurance during COVID-19

Consumers are rapidly demanding access on their terms and timing during their personally difficult times—maintaining access and service levels during high call volumes will be key across these variations

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

Solving consumer problems, at least somewhat on their terms, will likely to be key to mitigating shopping events...



- This data was initially not remarkable to us, but increasingly is becoming more clear—in **high anxiety times, consumers want service on their terms**—they are increasingly expecting availability when they need access
- Rolling all of these expectations together, we believe that **consumers will expect their carrier to solve their problems as they arise**, potentially with a unique rolling set of solutions each time
- It is becoming increasingly important, and based upon the trend, imperative, to make all information easily available to carriers
 - Customers need to know how to get in contact with their carrier / agent easily—prominent webpage displays and direct communications will make this easier
 - Long wait times, missed call-back options and unclear / unhelpful responses are not likely to play well

LIFE INSURANCE

Impact of COVID-19 on the life insurance consumer

COVID-19

Life insurance during COVID-19

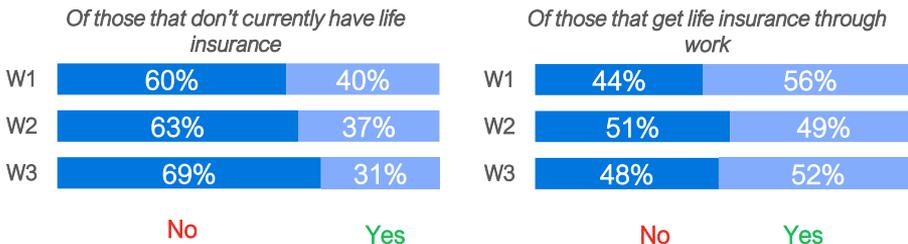
Current events still have not had a significant impact on the consumer's overall perceptions of life insurance—it remains a lower priority product for many that is viewed as expensive

April 10, 2020

Do you have Life Insurance?



Have you ever considered purchasing Life Insurance beyond what may be available through work?



Customer Satisfaction Importance Weights

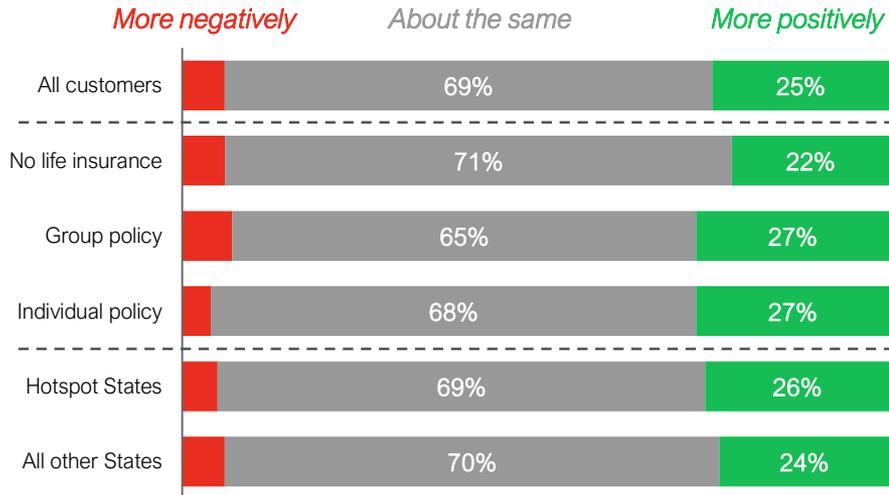


Life insurance during COVID-19

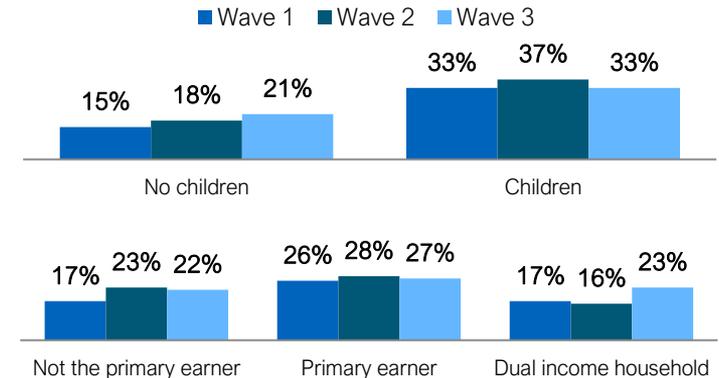
There is some growing positive perception of life insurance among those that are already insured and who have dependents. Little has changed for other groups as of this week

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How has the COVID-19 pandemic changed your perception of Life Insurance?



Percent had a more positive perception of Life Insurance



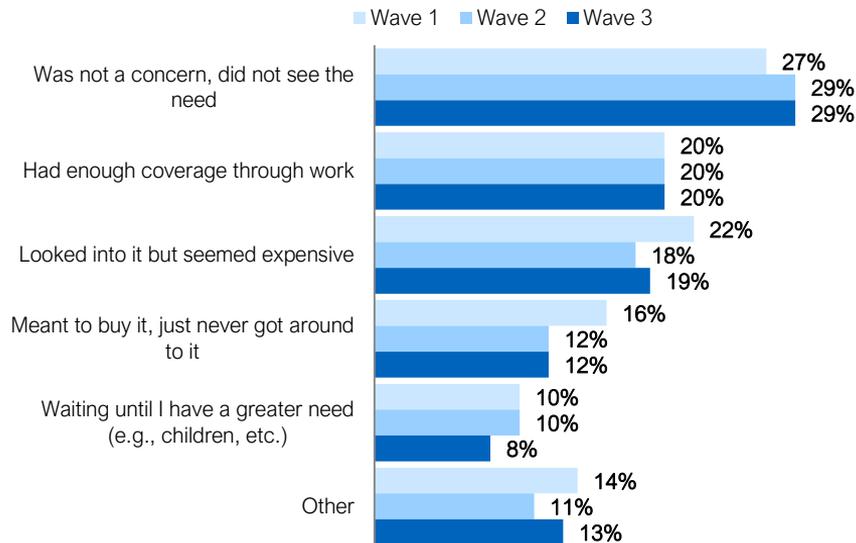
46% of customers who are *Married*, with *Children*, and are the *Primary Earner* in the household had a more positive perception of Life Insurance post the COVID-19 pandemic—**up from 41% in Wave 1 and 44% in Wave 2**

Life insurance during COVID-19

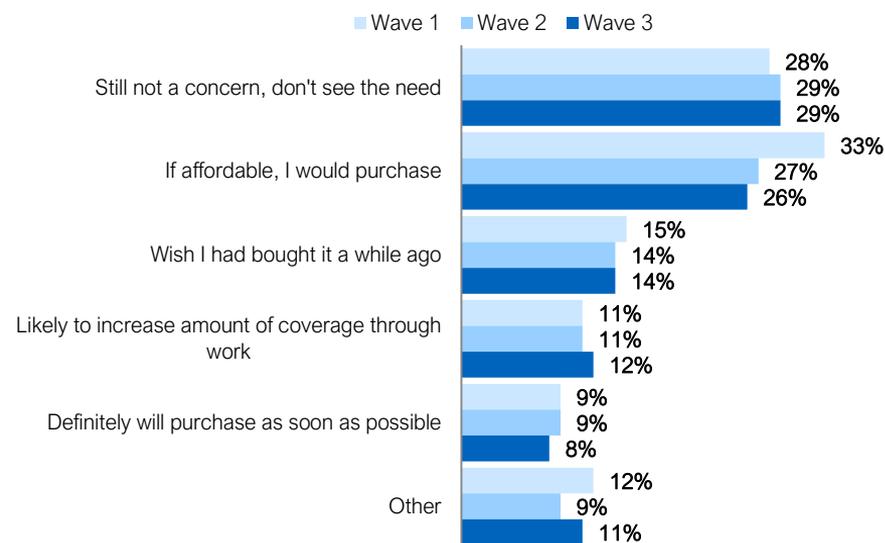
Overall, there could be a shift in consideration if customers perceived the product to be more affordable; however, current perceptions leave few customers indicating they definitely intend to purchase as a result of COVID-19

April 10, 2020

What was your perception of Life Insurance prior to the COVID-19 pandemic?



How has your perception of Life Insurance changed since the COVID-19 pandemic?

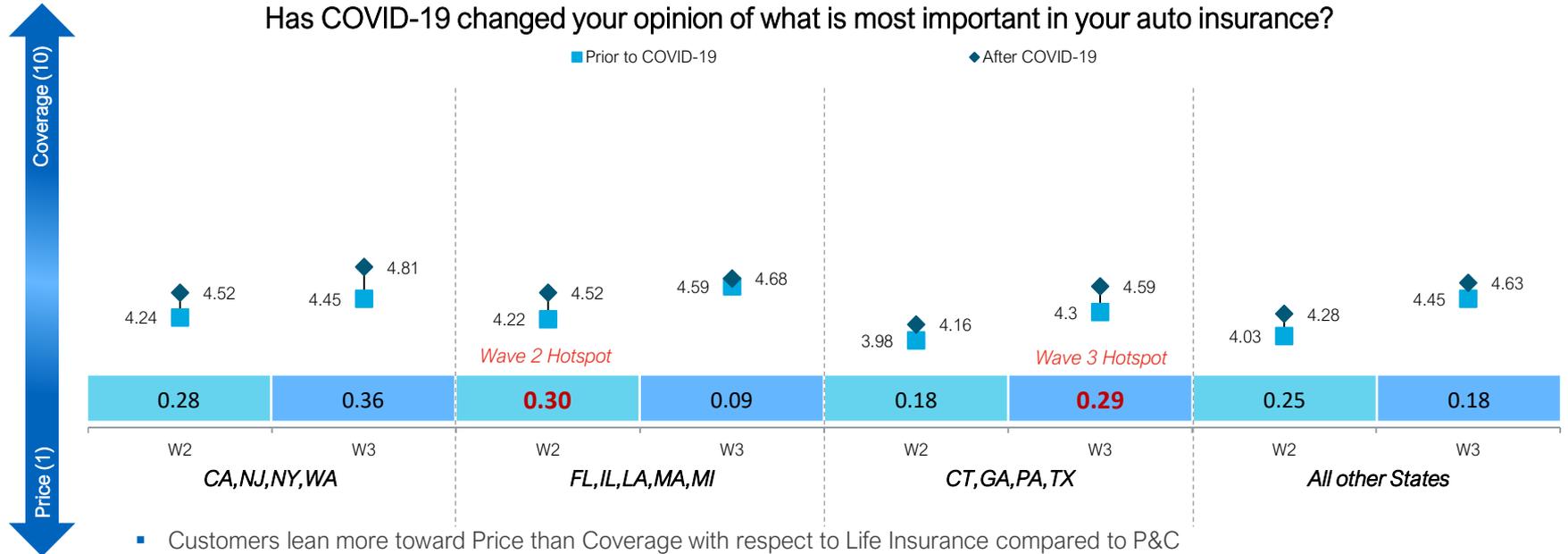


Life insurance during COVID-19

Customers seek to balance both an affordable price and quality of coverage when making life insurance decisions with price being slightly more important v. P&C insurance. COVID-19 has not significantly altered this balance; however it had led consumers to think more about coverage levels in a post-COVID-19 environment

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



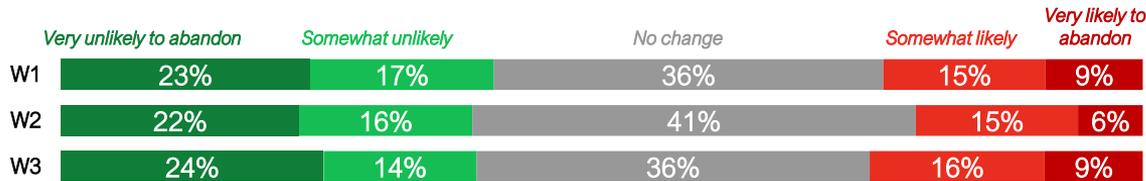
- Customers lean more toward Price than Coverage with respect to Life Insurance compared to P&C
- Priorities between Price/Coverage have the largest variation in areas when cases first hit a critical mass to be designated a Hotspot
- Despite consumers reconsidering the importance of coverage levels, the perception remains that Life Insurance is too expensive

Life insurance during COVID-19

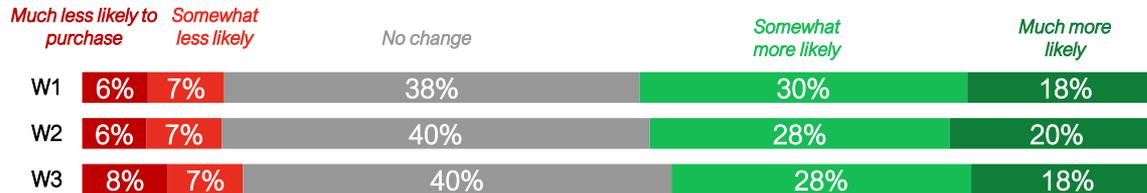
Common barriers to purchasing a life policy remain unchanged—a simple, online acquisition process with reasonable prices would almost certainly increase demand

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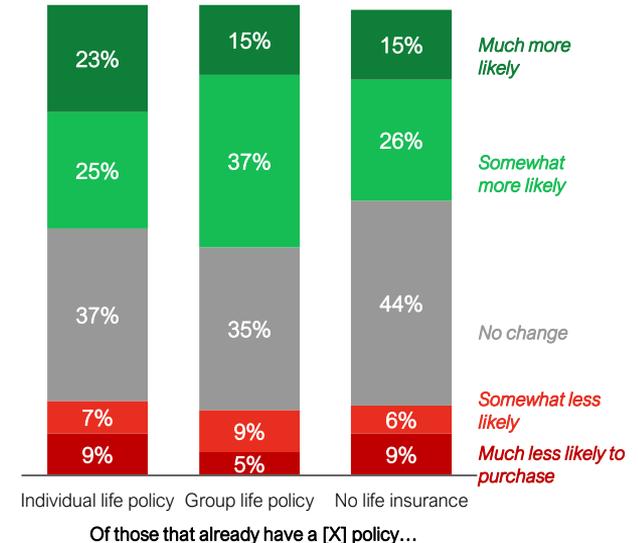
How likely would a requirement of having a physical exam (e.g., blood, fluids, etc.) cause you to abandon purchasing Life Insurance?



How much more likely would a simple online process, without the need for a physical exam, influence your purchase of Life Insurance?



How much more likely would a simple online process, without the need for a physical exam, influence your purchase of Life Insurance?

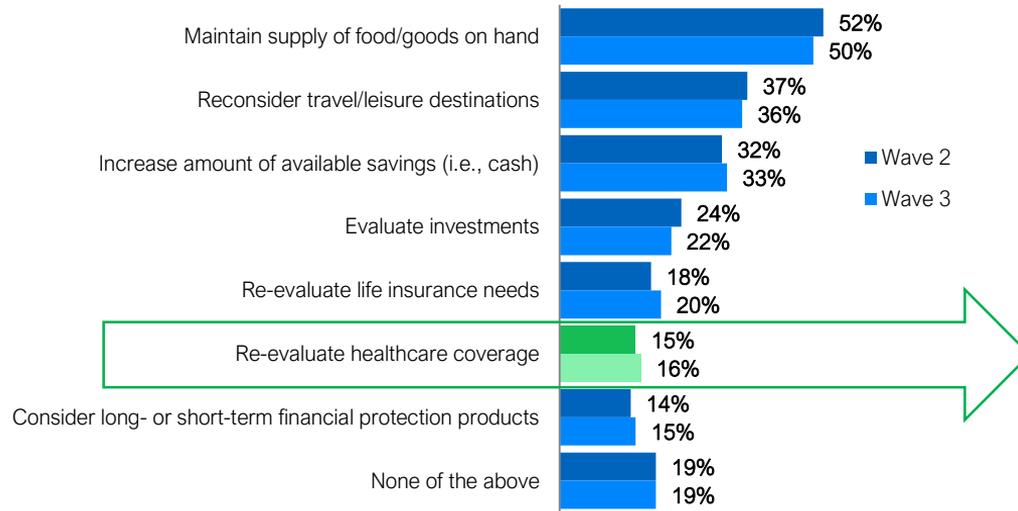


Life insurance during COVID-19

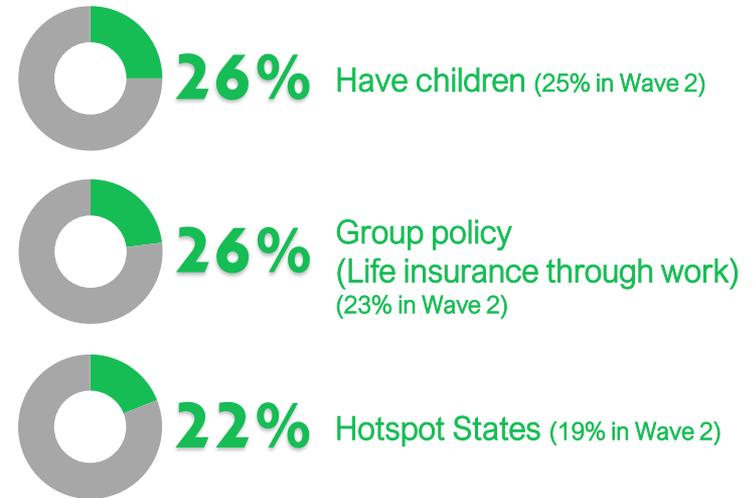
While there are select group that are more likely to re-consider their Life insurance needs in the next 12 months it is largely based on their current needs / gaps in coverage rather than a result of COVID-19 or living in a Hotspot State

April 10, 2020

How, if at all, do you anticipate your household priorities will change over the next 12 months?



Individuals most likely to re-evaluate their Life Insurance needs in the next 12 months



HEALTH INSURANCE

Impact of COVID-19 on the health insurance consumer

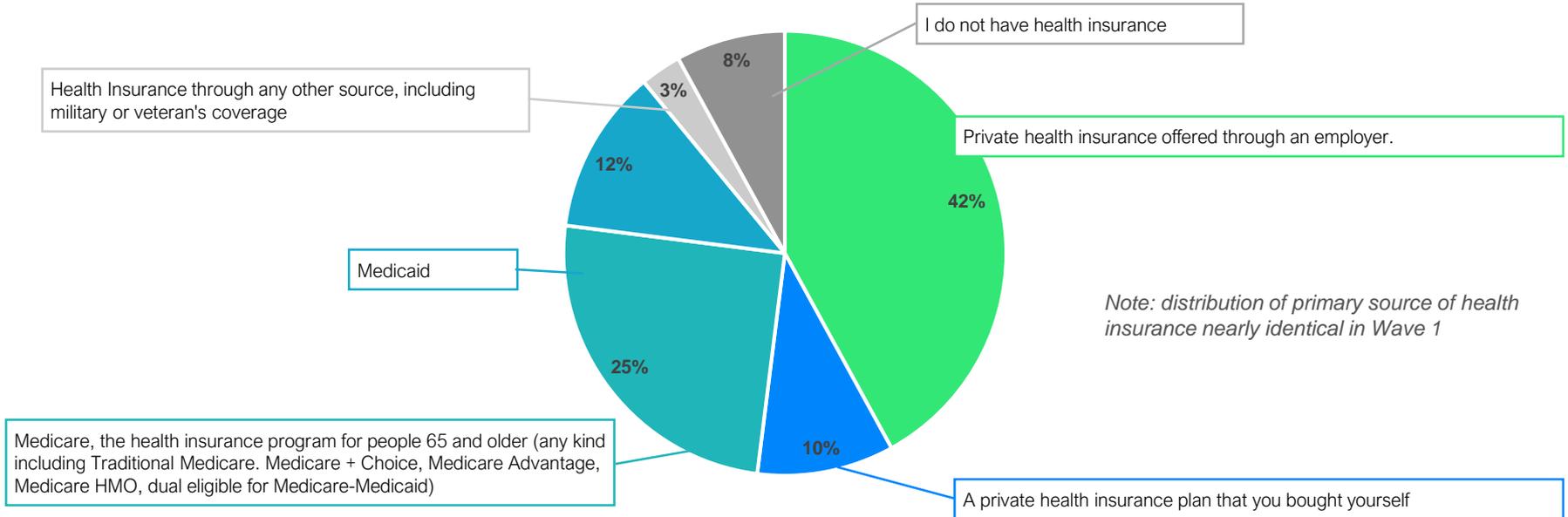
COVID-19

Health insurance during COVID-19

Americans largely depend upon their employers for access to health insurance--Medicare and Medicaid cover the majority of the remaining. High unemployment will likely alter these proportions going forward; however, W1 -W3 remain consistent in their distribution

April 10, 2020

What is your primary source of health insurance?



Health insurance during COVID-19

Health insurance has among the lowest consumer satisfaction of all industries evaluated by J.D. Power. Poor communication is a large reason for this—health insurers still are not communicating with their customers

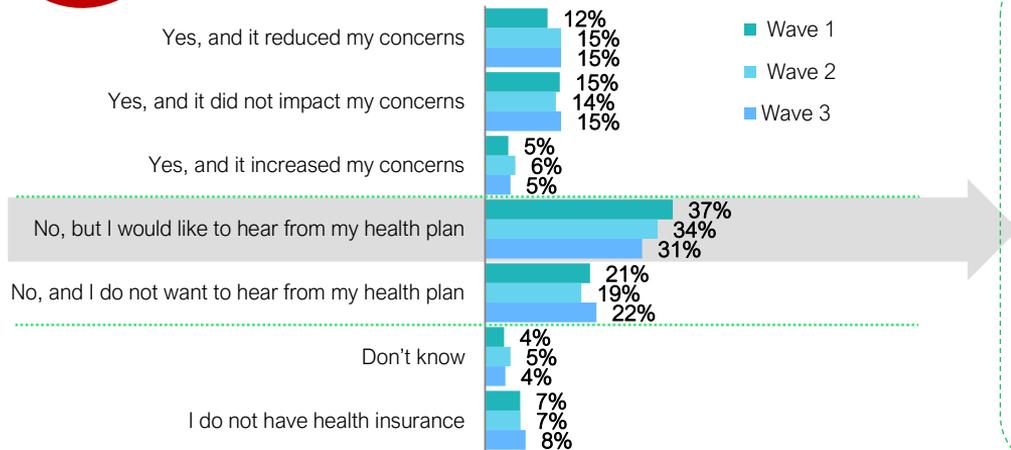
April 10, 2020

Have you been contacted by your health insurance plan about direction related to the coronavirus (COVID-19)?

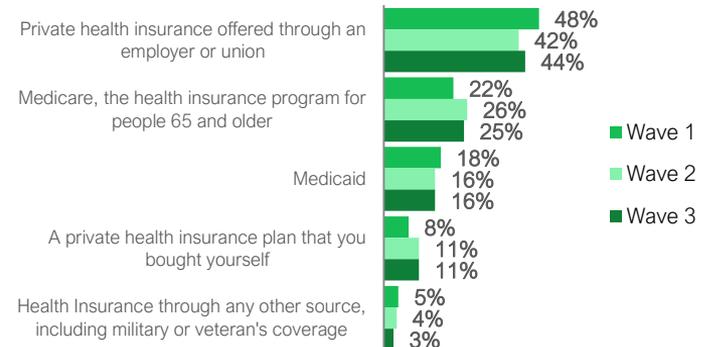


35%

Of customers said they had been contacted by their health plan about COVID-19—No movement from Wave 2



Primary Source of Health Insurance

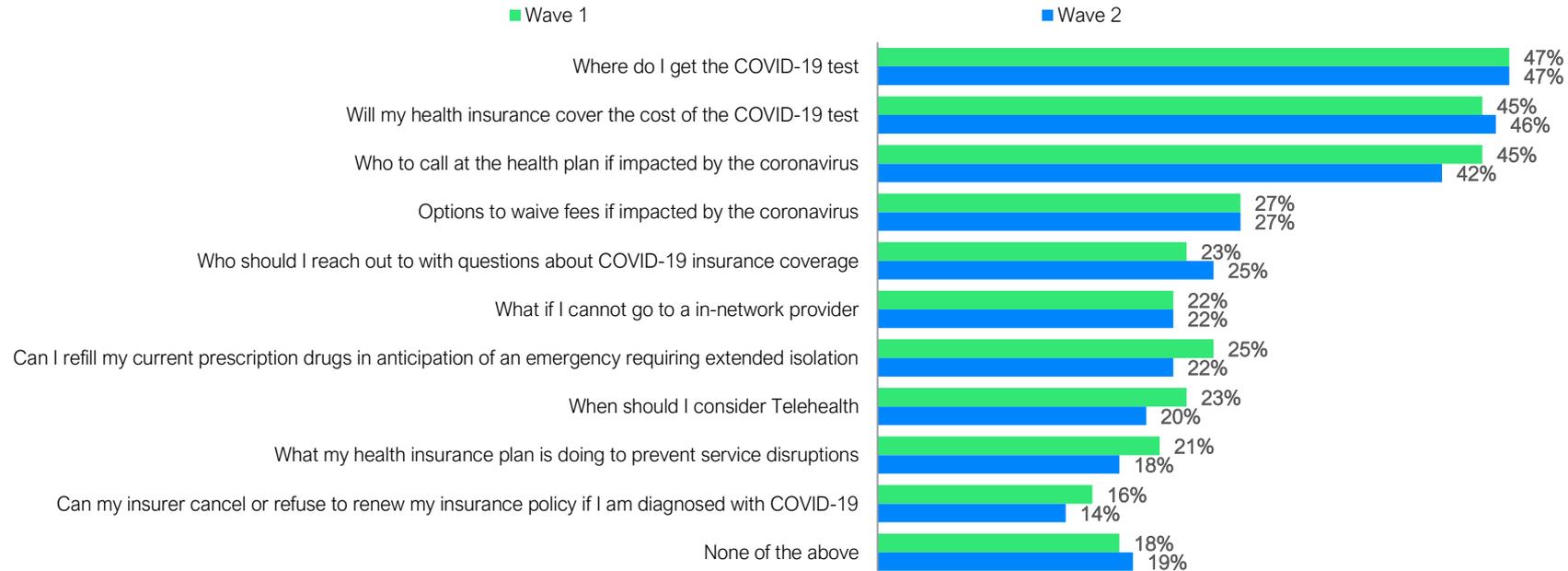


Health insurance during COVID-19

Consumers are not receiving the type of information from their health insurance providers that they would like to have. There appears to be a dearth of information related to COVID-19 being passed along to customers

April 10, 2020

What information about the coronavirus pandemic would you like to receive from your health insurance plan?



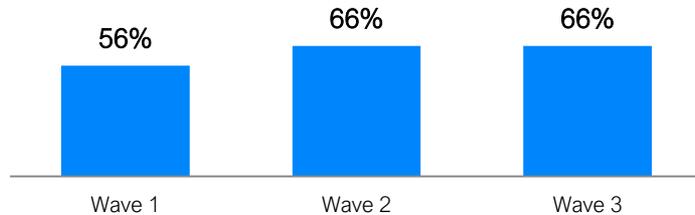
Health insurance during COVID-19

While American's are rapidly growing aware of Telehealth options, they remain woefully unaware of their availability through their own insurance plan. Wave 3 suggests some customers are investigating if Telehealth options are available as evidence by the shift from "don't know" to "yes" it's available. Again, poor communication drives low industry satisfaction.

April 10, 2020

Are you familiar with Telehealth?

■ Percent familiar with Telehealth



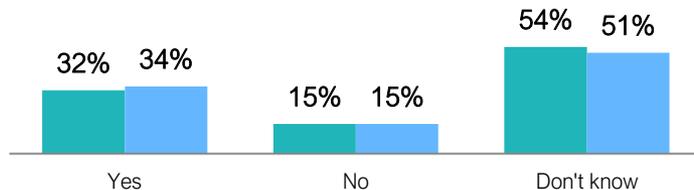
66% Of customers said they are familiar with Telehealth—Up from 56% in Wave 1

However,

69% Said Telehealth is either not available or they do not know if it is available through their health plan

Does your health plan offer Telehealth?

■ Wave 1 ■ Wave 2



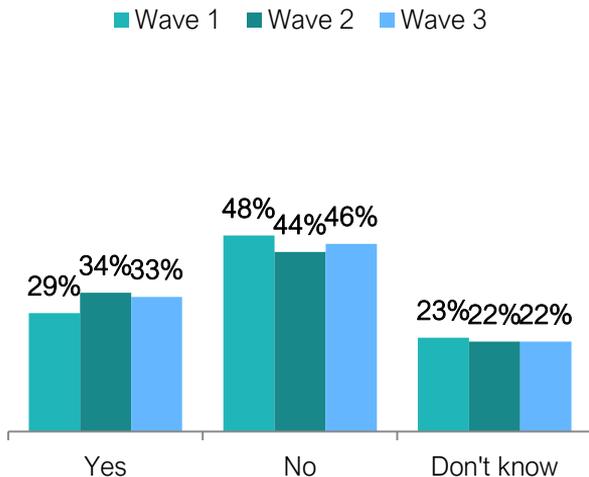
- During COVID-19, many health insurance companies are waiving the co-pay to see your doctor if you use telehealth.
- However, public awareness on engaging with a telehealth provider is mixed.

Health insurance during COVID-19

Health plans are not highly perceived as showing concern or having their customers best interest in mind. Given the gravity of COVID-19 and the potential impact on public health, payors should address this critical issue

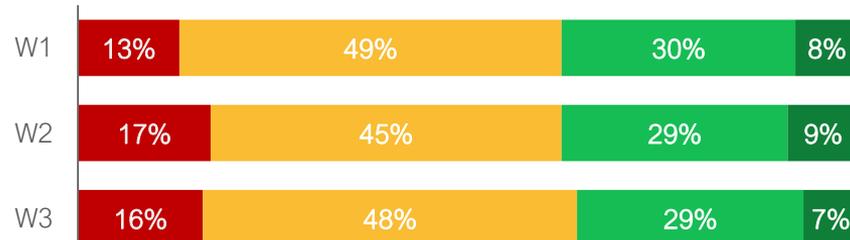
April 10, 2020

Has your health insurance plan shown concern for your personal health during the coronavirus pandemic?

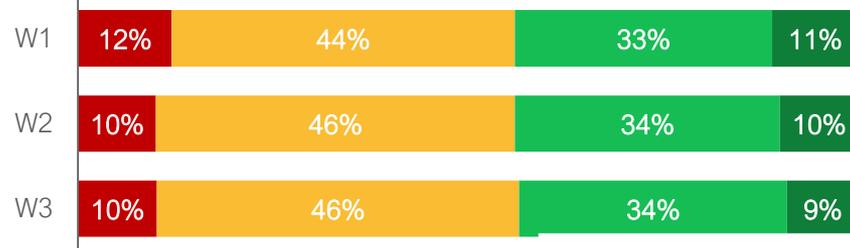


■ Hardly ever ■ Some of the time ■ Most of the time ■ Just about always

How often do health insurance plans do what is in the best interest of their customers?



How often do health insurance employees do what is in the best interest of their customers?

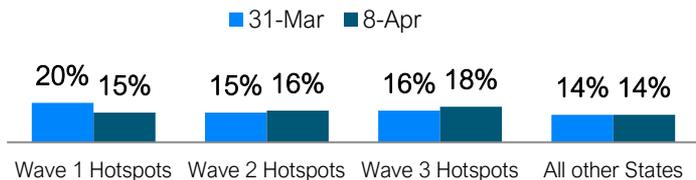


Health insurance during COVID-19

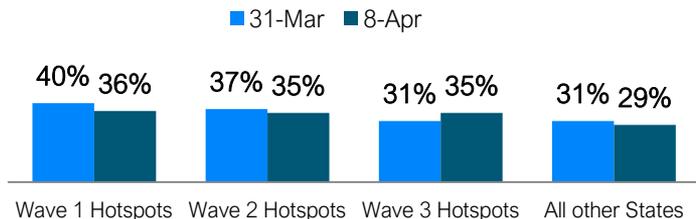
Consumers appear to learn on the fly when their local situation becomes challenging, however, overall communication and plan offering awareness rates remain low given the public health challenges of COVID-19

April 10, 2020

Health insurance plan contacted me and it reduced my concerns

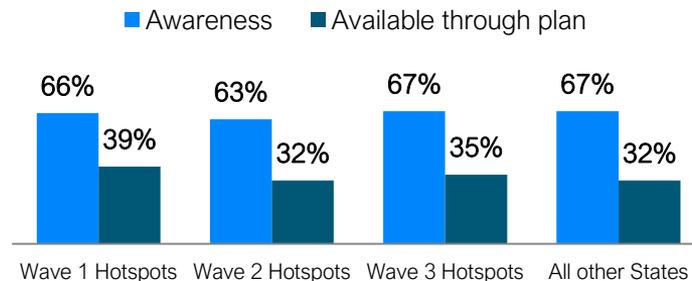


Health insurance plan has shown concern for your personal health during the coronavirus pandemic

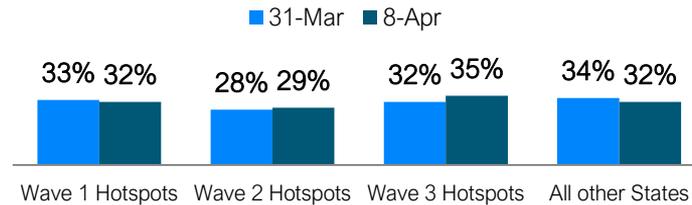


Note: Wave 1 Hotspots include CA, NJ, NY, WA; Wave 2 Hotspots include MI, FL, IL, MA, LA; Wave 3 Hotspots include CT, GA, PA, TX

Awareness of Telehealth



High sentiment score: Health plans/employees do what is in the best interest of their customers



Note: High sentiment score is derived from the sum of "How often do health insurance [plans] and [employees] do what is in the best interest of their customers?"

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COVID-19

J.D. POWER