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Incumbent auto insurers are growing US market share despite insurtech disruption

Article

The pandemic caused a 55% decrease in miles driven, encouraging auto insurance customers to shop around for more personalized and cheaper policies, per the J.D. Power 2021 U.S.

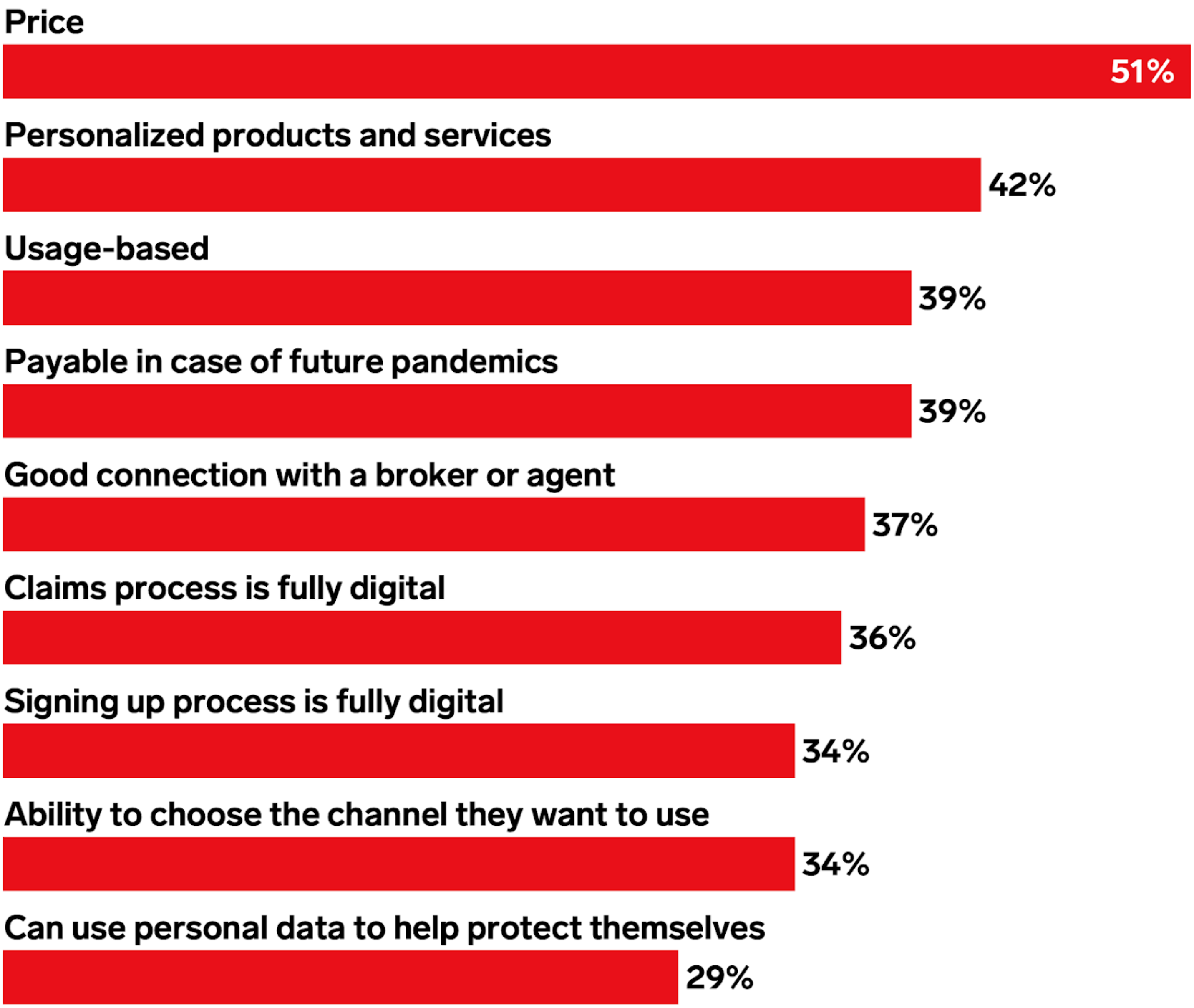
Insurance Shopping Study. The 15th annual iteration of the study surveyed 12,971 US insurance customers who requested an auto insurance price quote from at least one competitive insurer in the previous nine months. The study was fielded from March 2020 through January 2021.

Auto insurance customers shopped around more than ever before, but incumbents got the biggest tailwind. There has been a 6-percentage-point increase in shopping activity among those customers who were affected by the pandemic financially. Although insurtechs have grown quickly thanks to their data-driven policy prices, such as Metromile, Root, and Clearcover, incumbents succeeded in taking an even bigger share of the market. In the past year alone, there was a 3% year-over-year increase in auto insurance customer migration to the five biggest insurers, likely because incumbents met customers' pandemic woes on a similar footing as insurtechs. For example, Liberty Mutual offered blanket premium refunds and reductions to customers who drove less due to the pandemic, just as insurtechs like Metromile advertised their pay-per-mile offerings for users to pay less. Meanwhile, State Farm's usage-based insurance offering, Drive Safe & Save, lets them earn discounts up to 50%. For context, Metromile customers save 47%, on average, using its telematics capabilities.

The findings underline that insurtechs need to do more to offer customers services that truly stand out from incumbents'. Here are two ways insurtechs can better differentiate from incumbents and attract more customers.

- **Embedded insurance.** Car manufacturers are increasingly looking to launch their own insurance products, as seen with electric car makers Tesla and Rivian. Offering coverage at the point-of-sale allows them to create a more frictionless purchasing experience since customers don't have to seek out a third party to get coverage. This will push more of Tesla's and Rivian's peers to seek ways to add insurance and remain competitive, presenting partnership opportunities for insurtechs. If they're integrated into the car purchase, insurtechs would be better placed to poach customers away from the dominating incumbent brands.
- **Product diversification.** Twenty-five percent of auto insurance customers are projected to have higher customer lifetime value because they're likely to purchase additional insurance products, per the study. For the past year, insurtech Lemonade has highlighted the benefits of adding more lines of insurance, including auto, to let customers bundle policies together and increase their premium. Auto insurtechs should similarly broaden their coverage to other types of insurance to enhance their value proposition and drive revenues.

Key Purchase Drivers for Insurance Policies According to Adults Worldwide



Source: KPMG, "Consumers and the new reality: Preparing for changing customer needs, behaviors and expectations," July 27, 2020
Methodology: The data comes from KPMG's "Consumers and the new reality: Preparing for changing customer needs, behaviors and expectations" report. It surveyed 12,334 consumers online across the US, Canada, Brazil, Western Europe, China, Japan, and Australia, between May 29 and June 8, 2020.

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