



## The Evolution of Auto & Home Insurance in 2018

From Amazon and Alexa to Uber and Zillow, we don't need to look far to see the many and compelling ways technology and connectivity have changed our way of life, how we communicate, and how we do business. The auto and home (A&H) insurance industry is no exception. As we continually evaluate and analyze the marketplace, our target customers, and our offerings, we see major shifts over the course of time in how, when, and where consumers shop for insurance.

For credit union members, A&H insurance is a significant ongoing investment in protecting what matters most in their lives. And, offering these products is another way credit unions deliver value as they work to serve and retain members. Whether or not your credit union currently offers A&H insurance, trends in the marketplace can help you evaluate, update or implement offerings.

To help guide your efforts, we've identified six major trends that demand attention in 2018. Several of them stem from our ever-increasing reliance on all things web and mobile, and all of them are factors in charting the course of A&H insurance's ongoing growth and evolution.



TREND #1

## DIRECT CHANNEL GROWTH

The biggest trend to watch in 2018 will be *continued direct channel growth*. Whether a consumer is going to a website or dialing into a call center, the rapid and continued rise of direct channels is being driven by one factor: the desire for instant gratification. Access to smartphones is one major factor influencing this desire. In the United States, 77 percent of adults now use a smartphone, a significant increase from just 35 percent in 2011.<sup>1</sup> It's important to note that while email and direct mail still fall into the direct channel category, there is no question about web and mobile as the driver of growth in this area.

Certainly no one is surprised by direct channels, but it's important to look at results rather than making assumptions based on generalized tactics. Industry leaders such as Geico and Progressive—who only sell in direct channels—are leading the way in results and profitability, as well. So while credit unions can't compete with those big players in volume, they should consider the growth statistics as proof of return on investment in these strategies.

### What channels do your members prefer? Are you providing them?

- 77 percent of adults in the U.S. now use a smartphone
- Direct carriers have seen the most consistent growth over the past 5 years: 9 percent growth in premiums year over year since 2013, and a market share increase of 2.4 percent in that same time period<sup>2</sup>
- A&H insurance market share is flat or declining for all channels *except direct*

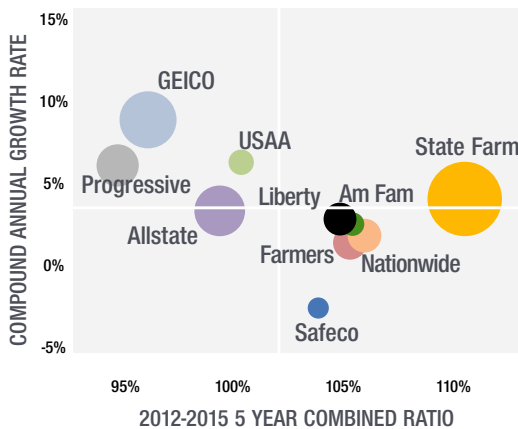
TREND #2

## THE WEB AS A CRITICAL RESEARCH TOOL

Studies show that 74 percent of insurance shoppers research online before they buy.<sup>3</sup> While we have already addressed direct channel growth, it's important to note the distinction between online research and online purchase. Those 7 in 10 shoppers who spend a significant amount of time researching might be looking primarily at premiums and coverage levels, but through the research process they are also learning about everything from how your navigation works to the availability of customer service and support. Consciously or not, all of these factors eventually inform their purchase decisions.

The prevalence of web and mobile research also underscores big discrepancy in those seeking information and those closing the deal: typically only about 25 percent of shoppers actually follow through the online process all the way through purchase.<sup>3</sup> This gap signifies room for improvement in closing the online sale. Demographics play a key role, too. Not surprisingly, younger customers are more likely to complete a purchase online.

INDUSTRY AUTO BUBBLE CHART<sup>13</sup>



**ONLY 25%**  
**OF ONLINE**  
**RESEARCH**  
CLOSES A SALE.<sup>3</sup>

## Does your insurance provider offer an optimized online research and purchasing experience?

- 29 percent of consumers born between 1965 and 1994 are getting their price quotes exclusively online<sup>3</sup>
- 74 percent of A&H insurance shoppers did preliminary research online (notably, only an average of 25 percent convert)<sup>3</sup>
- 18- to 24-year-olds are most likely to convert, even though most site visits come from 55- to 64-year-olds<sup>4</sup>

### TREND #3

## CONSUMER DESIRE TO COMPARISON SHOP

Auto insurance prices are going up, driven by safety sensors typically installed in bumpers and windshields. These dramatically increase the overall cost to fix vehicles. A recent review of the same make and model found the cost to fix a fender bender almost doubled over just two years due to these additional sensors.<sup>5</sup> And when premiums get higher, the shopping starts.

It pays for consumers to shop around because the factors that help determine premiums are constantly changing. At-fault accidents and credit scores are just two examples that can cause premiums to increase or decrease.<sup>6</sup>

For 66 percent of shoppers, the decision to shop around is based on price,<sup>4</sup> and 57 percent cite price as the biggest factor in their final purchase decision. Considering most consumers saw a cost increase of about 8 percent in 2017, the year ahead promises to be a busy one for comparison shopping.<sup>6</sup>

## Can your members get multiple quotes in a single experience?

- 66 percent of people looking to change insurance cited price as the primary reason they are shopping for insurance (by a landslide; just 19 percent cited having just purchased a new car)<sup>4</sup>
- Most consumers saw a cost increase of about 8 percent on insurance premiums in 2017, which is about the same as expected for 2018<sup>6</sup>
- Auto profitability and the continued rise of per accident costs will continue to drive insurance cost increases, which will in turn continue to drive the desire of consumers to comparison shop

**66%**  
**OF INSURANCE  
SHOPPERS**  
ARE MOTIVATED BY PRICE.<sup>4</sup>



THE NUMBER OF IOT DEVICES  
IS EXPECTED TO REACH  
**50 BILLION**  
**BY 2025.<sup>7</sup>**

TREND #4

## CONSUMERS CRAVE A STREAMLINED SHOPPING EXPERIENCE

It's generally recommended that drivers review their car insurance policy whenever it's up for renewal (typically every six months to one year) and consumers are typically comparing quotes from at least three companies. While some consumers might do this as a matter of course, many others will be driven by price increases or other life changes and circumstances as we addressed in trend #3.

In our connected and rapid response marketplace, consumers have come to expect and demand streamlined service. In order to compete with comparison sites such as Policy Genius or Compare Now, credit unions must have the capability to provide competitive quotes to members within a single experience. If you can offer to do the comparison shopping they want, you have the advantage of delivering increased value to members and helping them find the best product to meet their needs.

### Have you evaluated your members' current research and buying experience?

- Aggregators and comparison sites can provide as many as 10 to 15 competitive quotes based on a consumer inputting their information into one system
- One-click shopping and ever-decreasing attention spans demand a more streamlined, singular customer service experience

TREND #5

## THE INTERNET OF THINGS MEANS MORE PERSONALIZED PRICING

Another way in which technology is rapidly and massively shifting the A&H insurance marketplace is through the Internet of Things (IoT). Countless new devices hit the market every day that measure and monitor our daily lives and behaviors—creating an official, digital record of them, in many cases.

In our data-driven world, anything and everything that tracks personal data could affect the insurance industry. Smart devices have the potential to record data about everything from miles driven to acceleration and braking rates, and these technologies are gaining traction as tools to predict safe versus risky driving behaviors—and thus setting the stage for more personalized, data-driven pricing.

New devices for home monitoring also have the potential to further personalize premiums. Smart thermostats, as well as fire protection and water detection devices, can alert homeowners quickly to the types of problems that most often lead to catastrophic damage and loss. This data will help insurers better match the price of insurance to that individual consumer, personalizing their price.

## Does your provider leverage data to provide better pricing?

- In 2008, we hit the tipping point of IoT devices outnumbering people; in 2010 the number of IoT devices jumped to 12.4 billion and it is expected to reach 50 billion by 2025<sup>7</sup>
- Although privacy is always a concern, 80 percent of respondents in a recent survey indicated they would be happy to share driving/auto data if it plays a role in reducing accidents<sup>8</sup>
- In-vehicle safety features play a role, too: For example, lane departure warning systems designed to warn the driver when the vehicle begins to move out of its lane have been shown to reduce accidents by 11 percent<sup>9</sup>

### TREND #6

## MOMENTUM FOR RIDE SHARING AND AUTONOMOUS CARS ISN'T SLOWING DOWN

Major shifts in how we approach transportation are already creating a demand for insurance products to meet these changes. Services such as Uber and ZipCar have become a realistic option for the 77 percent of Americans who use a smartphone (see trend #1). Ordering a ride or a car can be done with a few taps or clicks, and often when doing a cost/benefit analysis the cost of using these services can be less than paying for a car with the associated costs of repairs, insurance and gasoline. Long term, we expect that developments in ride sharing and autonomous cars will lead to fewer cars on the road and more cars having commercial coverage, reducing the size of the personal lines auto insurance market.

Some of the sensors and monitoring features we discussed in trend #5 play into this area as well, in terms of technological advances that enhance safety and help decrease accidents. These features are obviously key in the development of autonomous cars, which have been a hot topic of public speculation and discussion for several years and continue to become more of a reality every day. Although we currently lack the data to prove the role autonomous cars will play in improving safety and decreasing accidents, most estimates predict there will be 10 million autonomous cars on the road by 2020.<sup>10</sup>

While there is much left to speculate about and predict, one thing we do know is insurance companies are innovating their products as a result. One example is insurance that covers only the number of miles you drive or ride. You can expect continued innovation in auto insurance as this trend progresses.





## Is your insurance partner innovating their products to keep pace with changing consumer preference?

- Deloitte projects up to a 30 percent decline in personal lines auto insurance premiums due to factors such as ride sharing and autonomous cars<sup>11</sup>
- An estimated 10 million autonomous cars are projected to be on the road by 2020<sup>10</sup>
- 15 percent of people in the U.S. use ride sharing services such as Uber and Lyft (companies that were only founded in 2009 and 2012, respectively)<sup>12</sup>

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Consumers have a choice about how, when, where and why they shop for insurance. Are they buying a home for the first time? Are they looking to decrease monthly premiums, escape a high deductible or increase coverage levels? Whatever the circumstances, one thing is certain: they will continue to surf for information and shop around; price will be a primary factor in decision-making; and trends in transportation and home technology will continue to shape the marketplace. There are new opportunities for credit unions to strengthen their relationships with members through auto and home insurance. From increasing your insurance marketing efforts to align with high comparison shopping rates, to improving your online content to ensure it's easy to use on any device, to creating stronger sales propositions and multiple channel choices for your members to engage with, the time to take another look at your A&H insurance offering and how it can help you capitalize on these trends is now.

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