



# Growth in the New Norm

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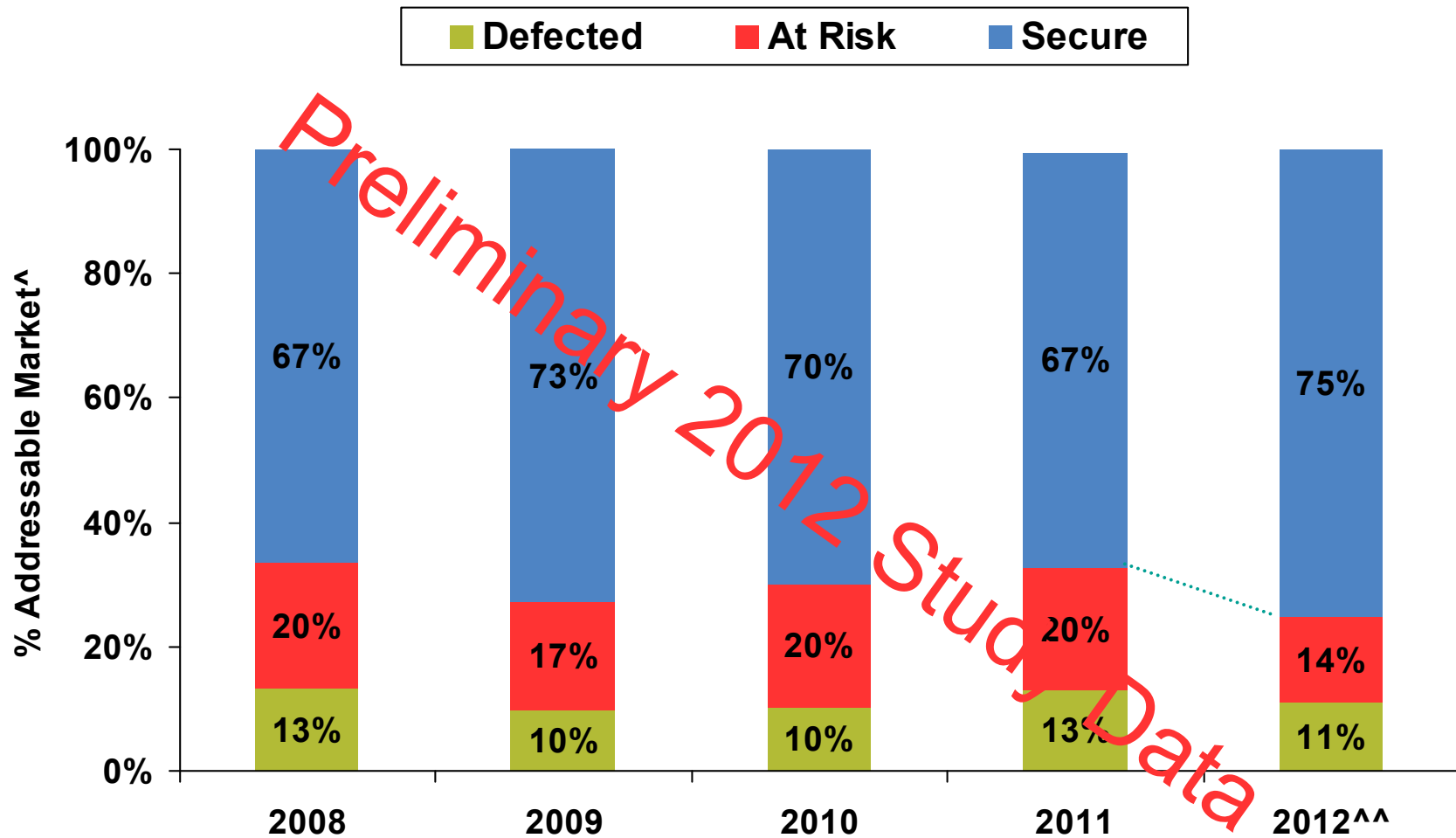
March 14, 2012  
Steve Crewdson  
Director  
Global Insurance Practice

# The New Norm

- Volatility in the P/C Insurance Market
  - CSAT/Price is Volatile—Four-year fluctuation in customer satisfaction from our relationship Auto Insurance Study (NAIS).
  - Shopping is Volatile—Early bird data suggest shopping is down 8 percentage points from the 2011 study, to just 25% of auto insurance customers indicating they requested a competitive auto policy quote in the past 12 months.
    - With a volatile shopping rate, retention rates have changed significantly from one year to the next.
  - Growth is Volatile—Early bird data based on NAIC filings suggest steady growth for State Farm and Progressive; GEICO outpaces growth from prior years—growing more than 8% since 2010.
- How can you optimize sales channels and better understand customer behaviors to weather the new norm?



# Addressable Market Trend



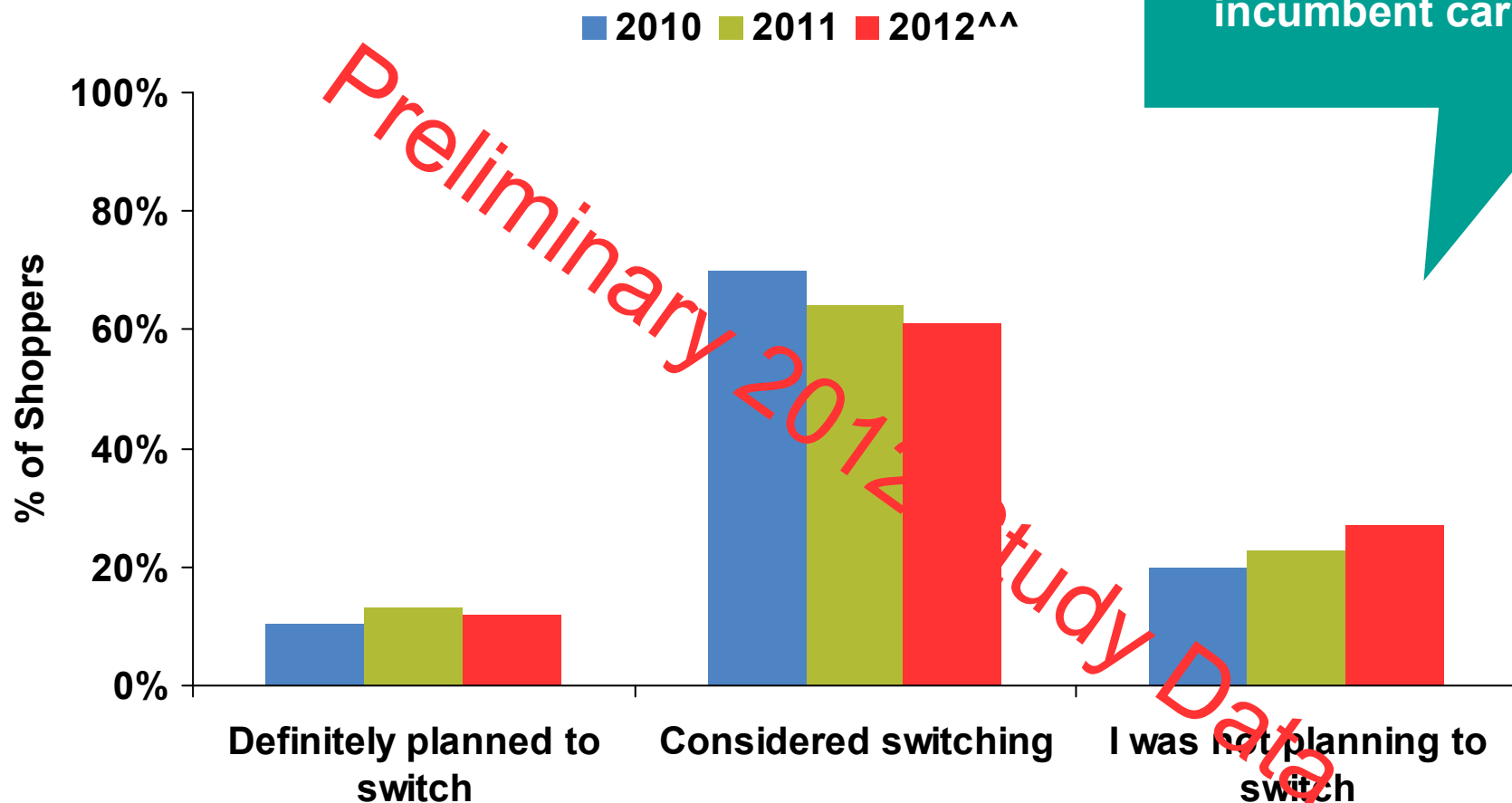
^Note: For trending purposes, retention segments are based to common profiled brands over the past 5 years.

^^Early release data from the 2012 JDPA Insurance Screener.



# Shopper Intent Trend

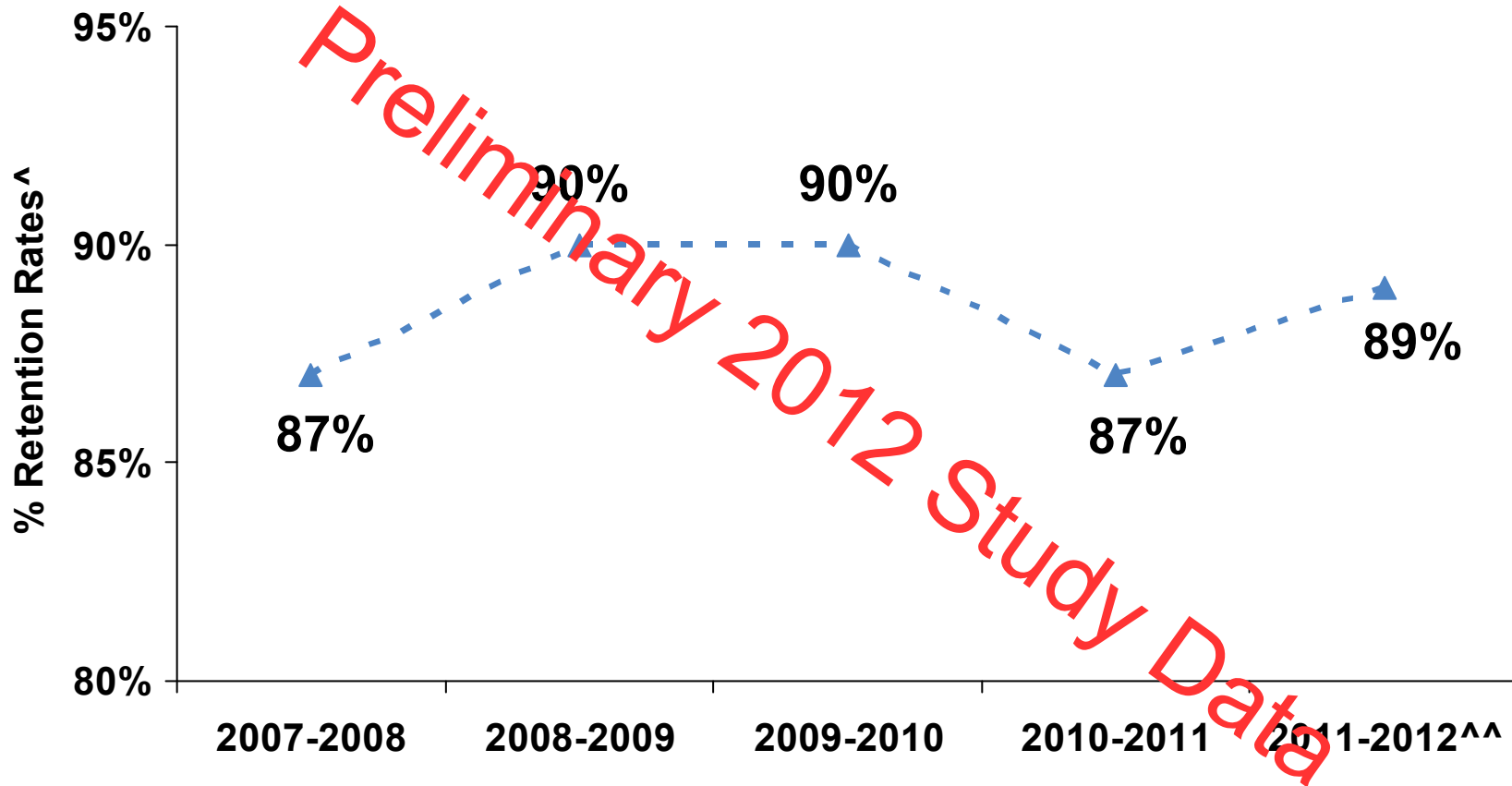
Shopper intent is increasingly polarized to staying with the incumbent carrier



^^Early release data from J.D. Power and Associates 2012 Insurance Shopping Study<sup>SM</sup> and is subject to change.



# Retention Rate Trends



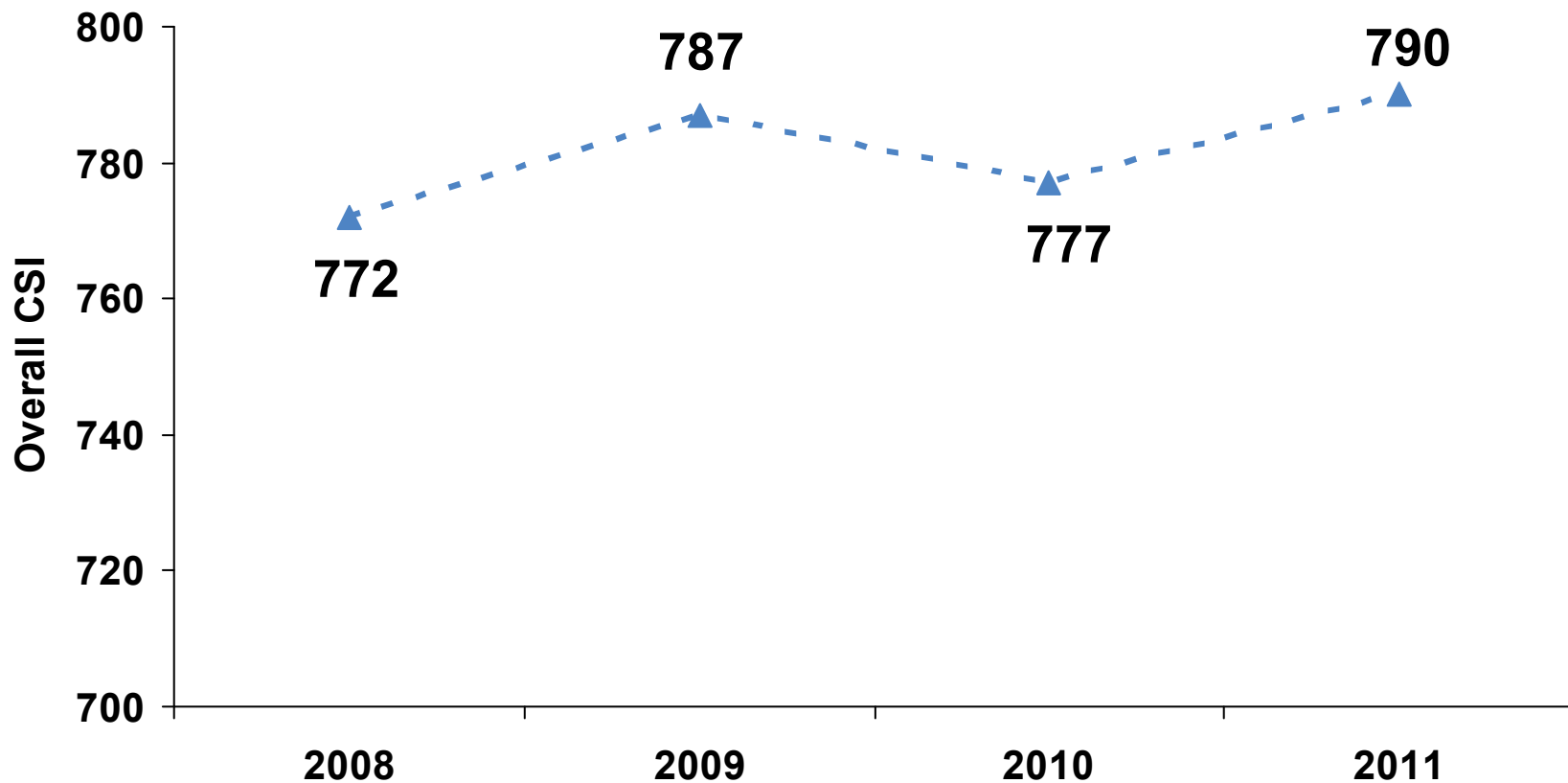
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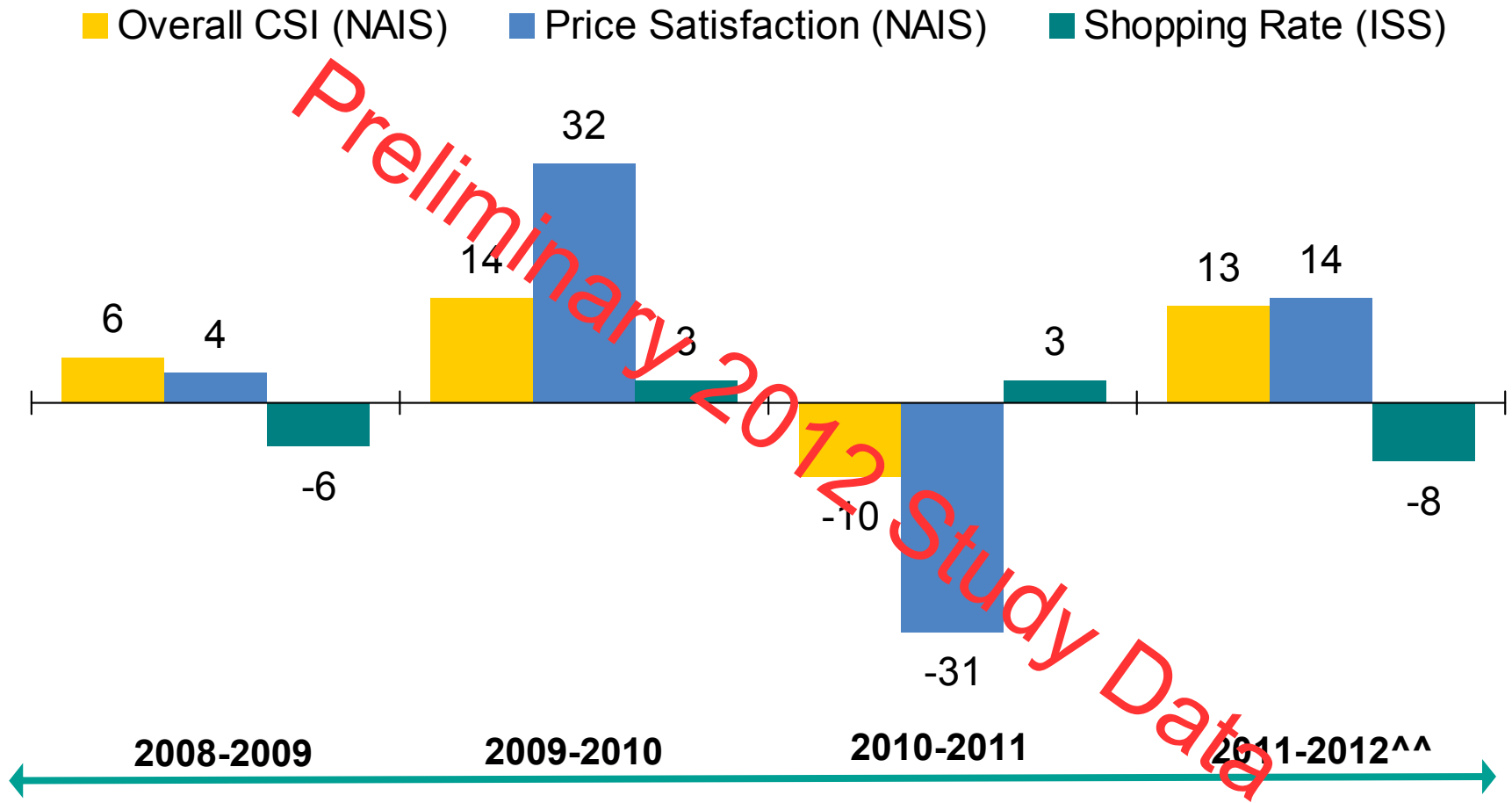


# Overall Relationship Trends

## *National Auto Insurance Study (NAIS)*

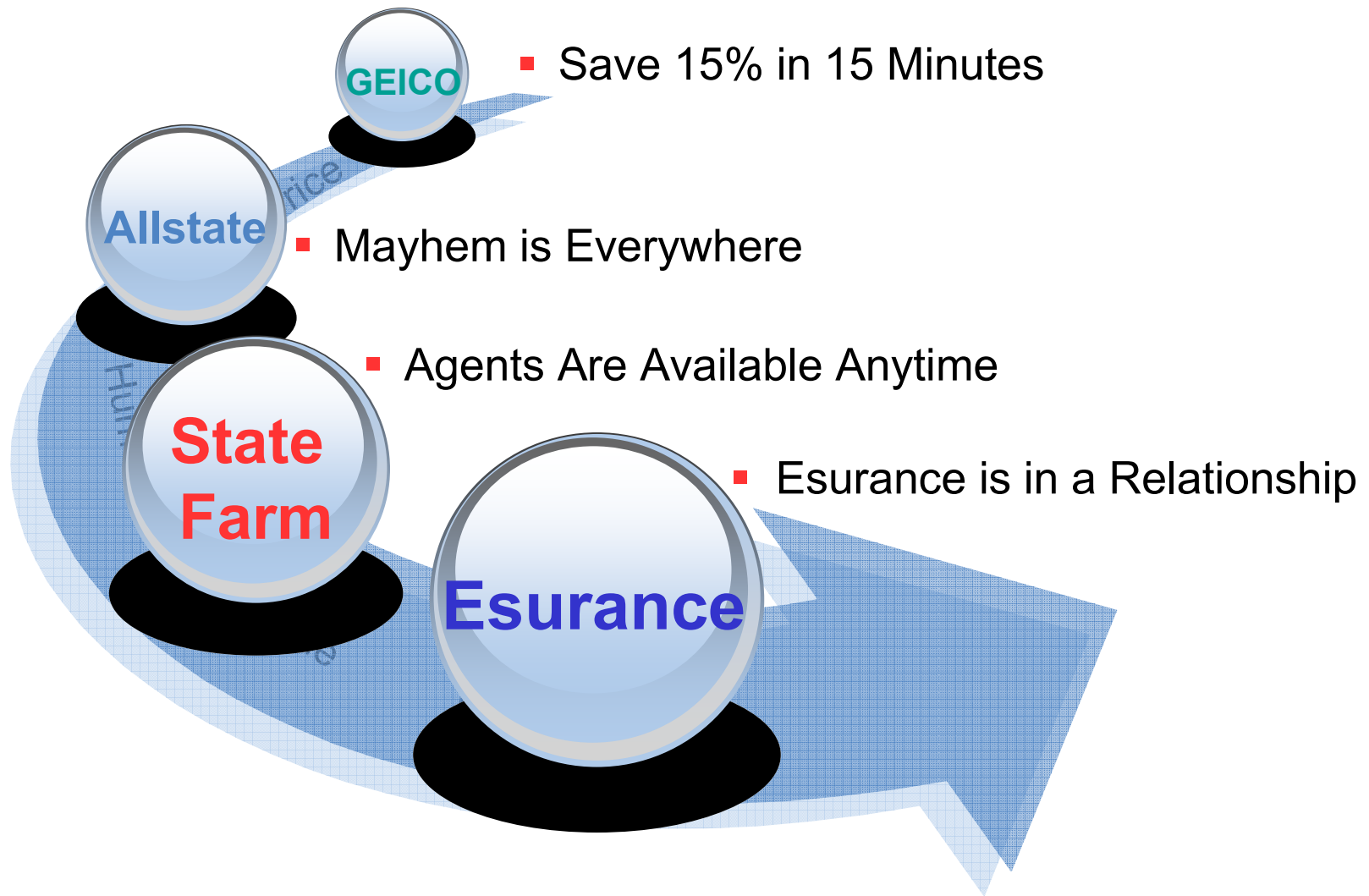


# Overall Relationship and Shopping Rate Trends



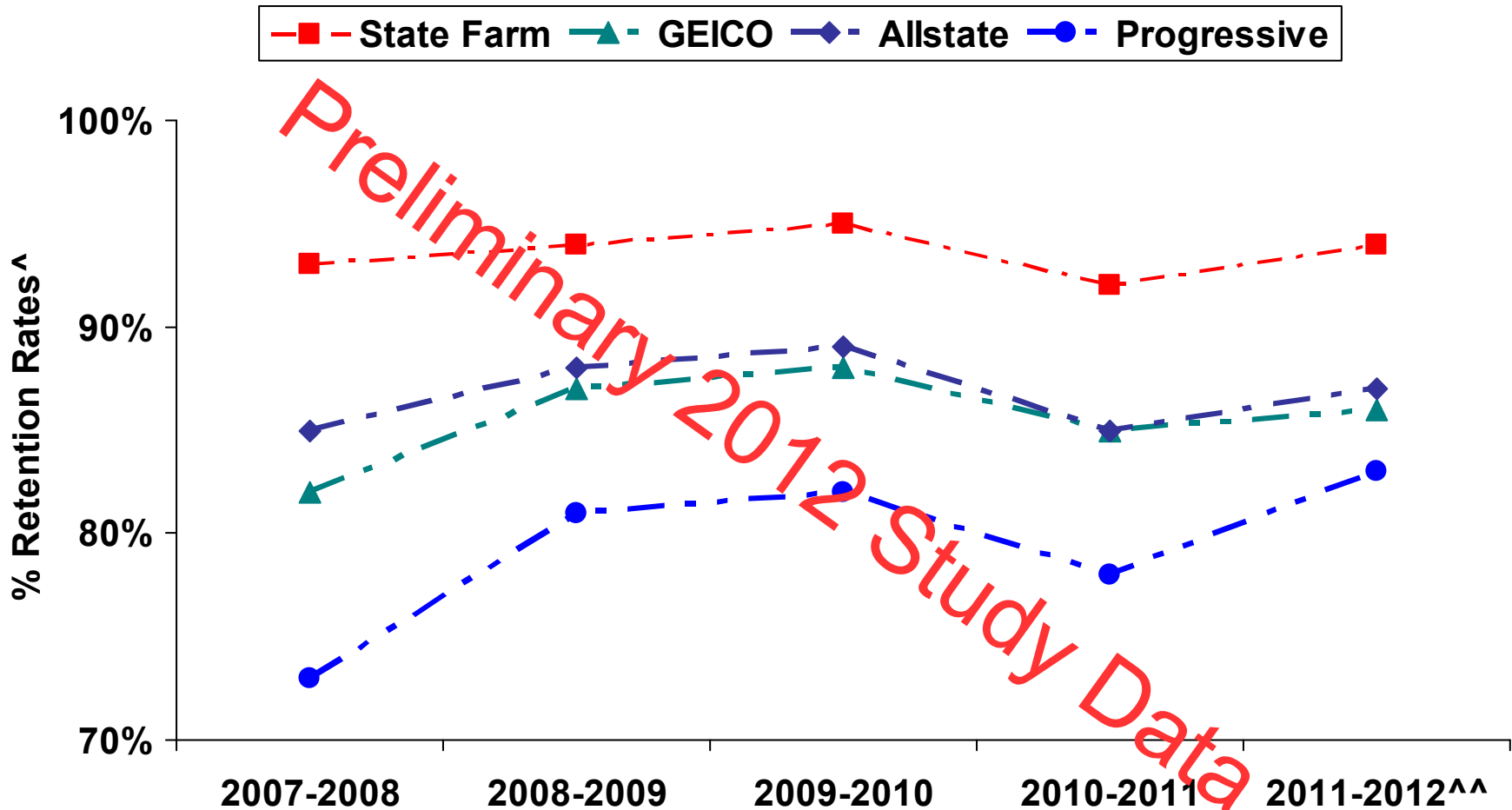
<sup>^^</sup>Early release data from the 2012 JDPA Insurance Screener.

# Advertising Shifts



# Retention Rate Trends

## State Farm, GEICO, Allstate, and Progressive

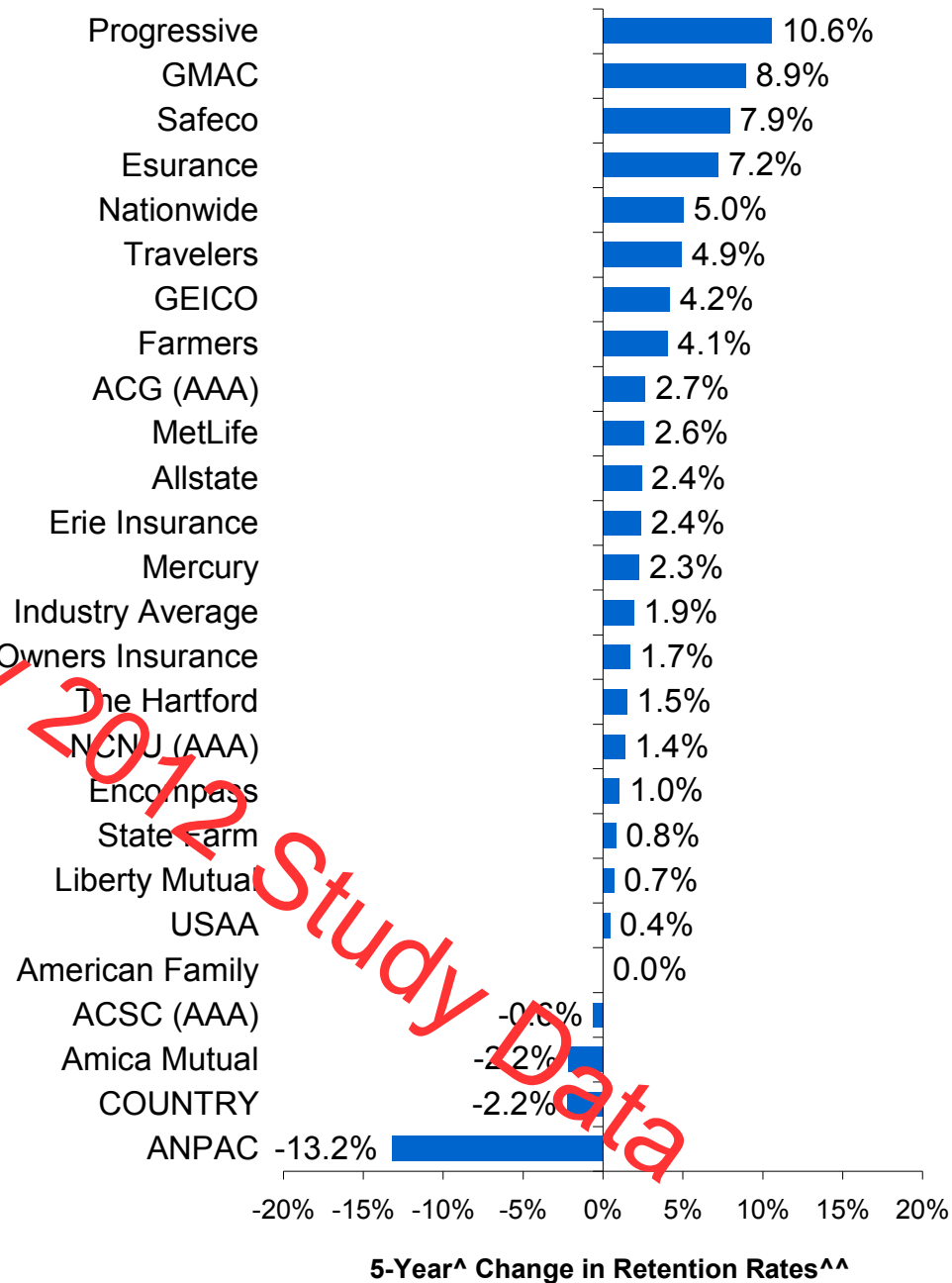


<sup>^</sup>Note: For trending purposes, retention segments are based to common profiled brands over the past 5 years.

<sup>^^</sup>Early release data from the 2012 JDPA Insurance Screener.



# Retention Rate Trends by Insurer



Preliminary 2012 Study Data

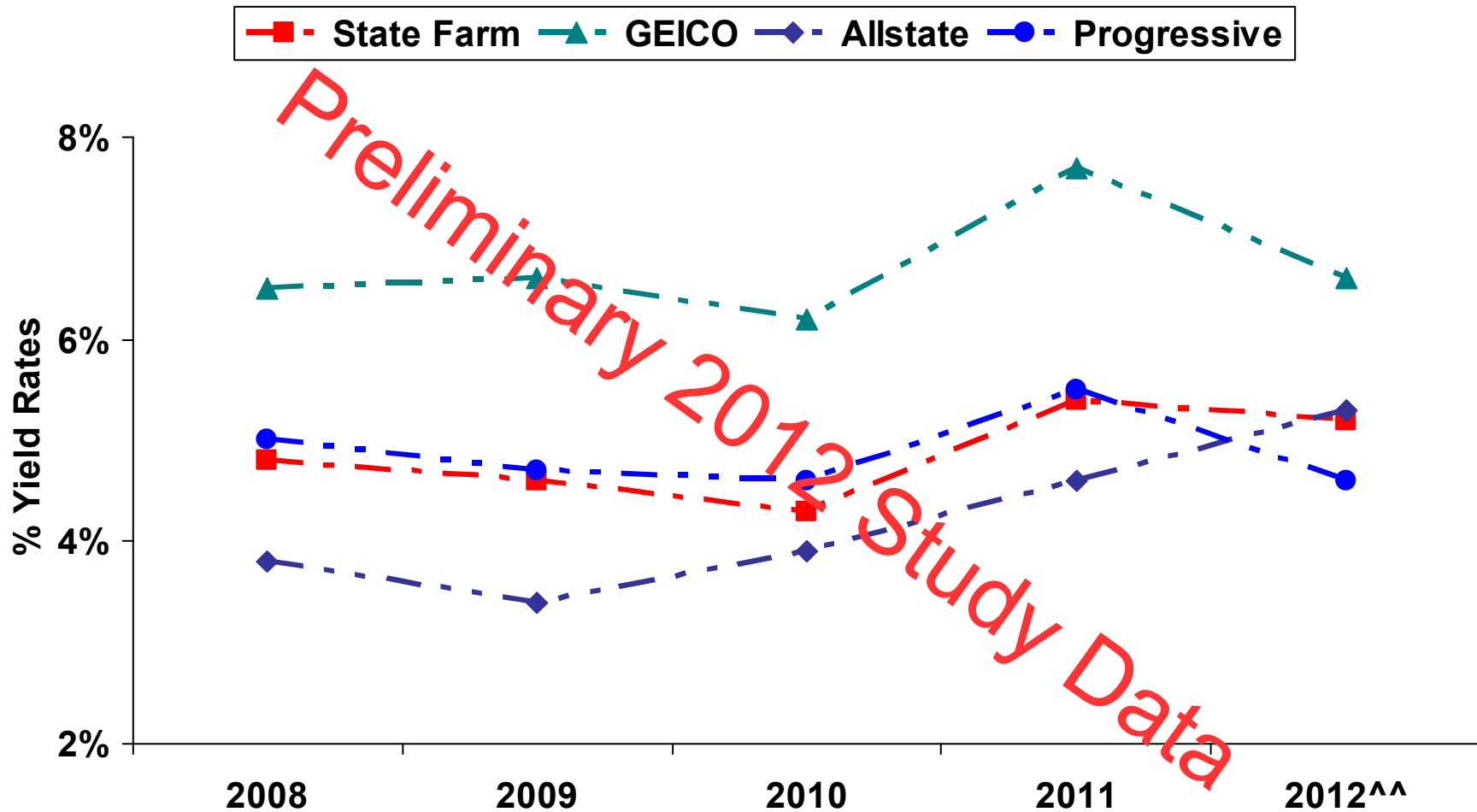
^Note: For trending purposes, retention segments are based to common profiled brands over the past 5 years.

^^Early release data from the 2012 JDPA Insurance Screener.



# Ultimate Yield Rate Trends

## State Farm, GEICO, Allstate, and Progressive

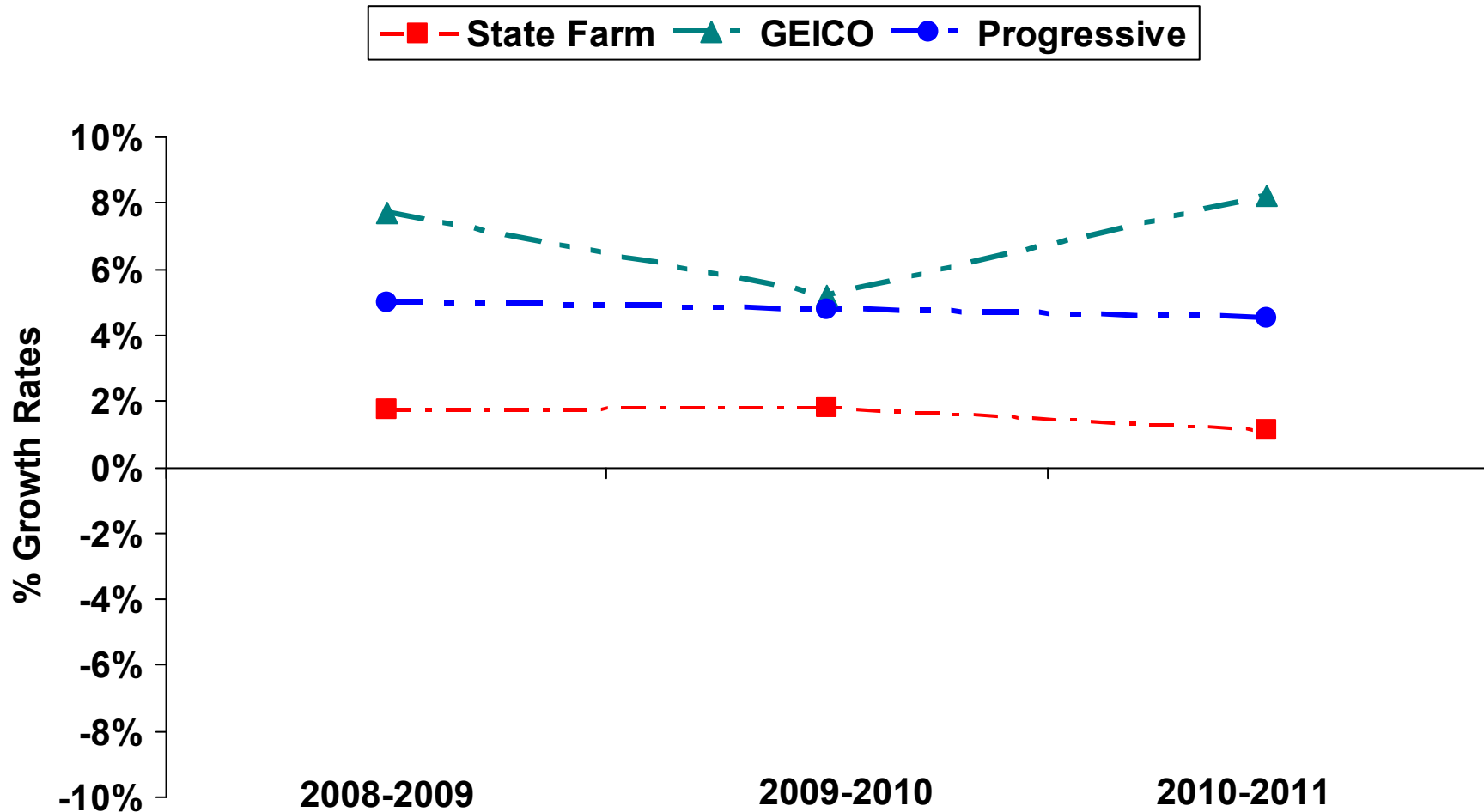


<sup>^^</sup>Early release data from J.D. Power and Associates 2012 Insurance Shopping Study<sup>SM</sup> and is subject to change.



# Growth Rate Trends by Insurer

## *State Farm, GEICO, and Progressive*



Source: NAIC statutory filings based on DPW; 2011 totals based on filing received by March 7, 2012. Data reported by *Auto Insurance Report*.



# What Can Insurers Do in the New Norm?

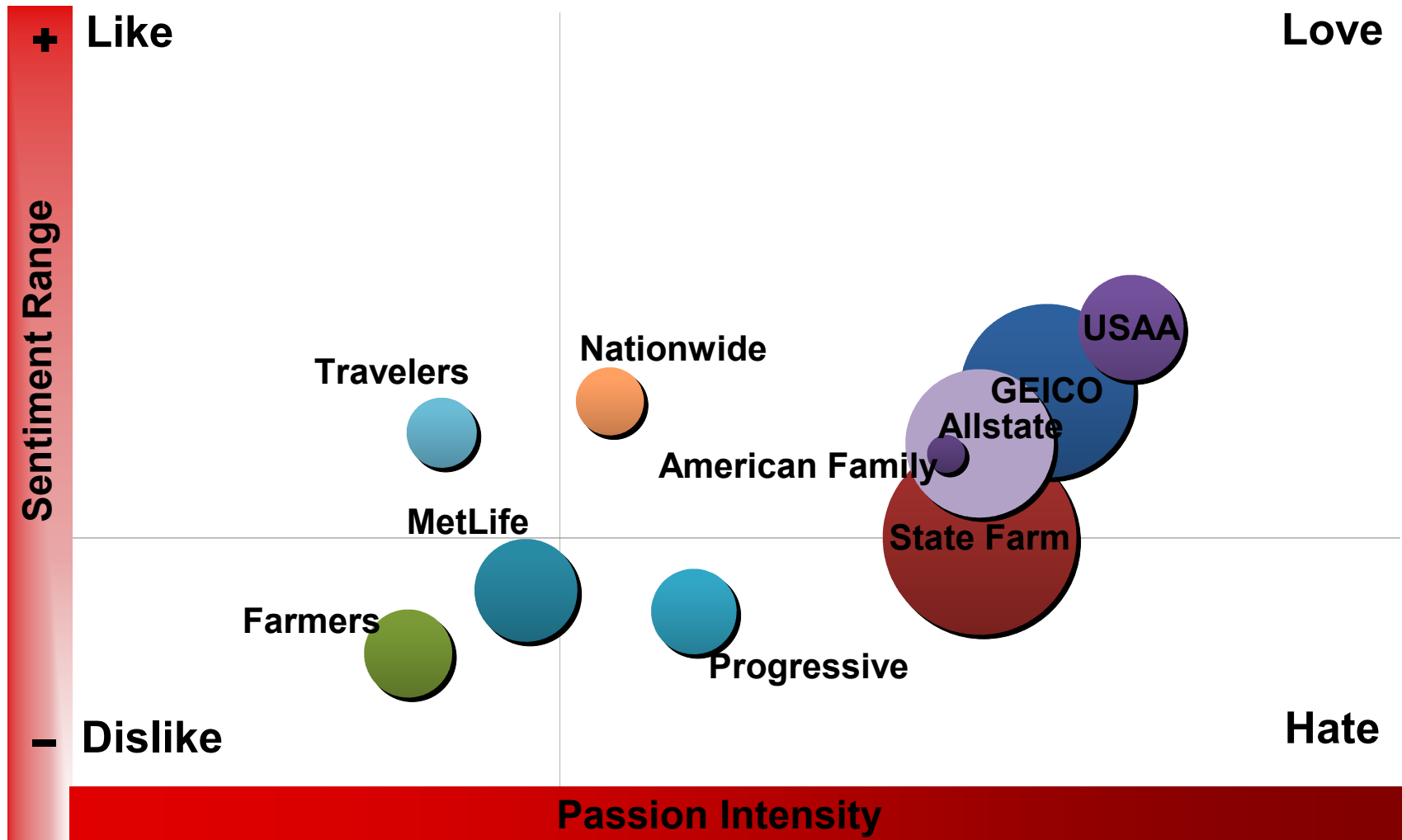
- How are you trying to maximize retention and acquisition within a year of volatility; changing strategies—what worked the prior year may not work this year.
- Fewer customers shopping, higher retention; however, once customers do shop, they are more likely to take action and switch.
- What is within your control in this type of market:
  - Brand Affinity / Brand Image
  - Price
  - Offerings
  - Advertising
- Case Study—Mayhem Campaign



# Recent Advertising Conversations



# Brand Passion Index



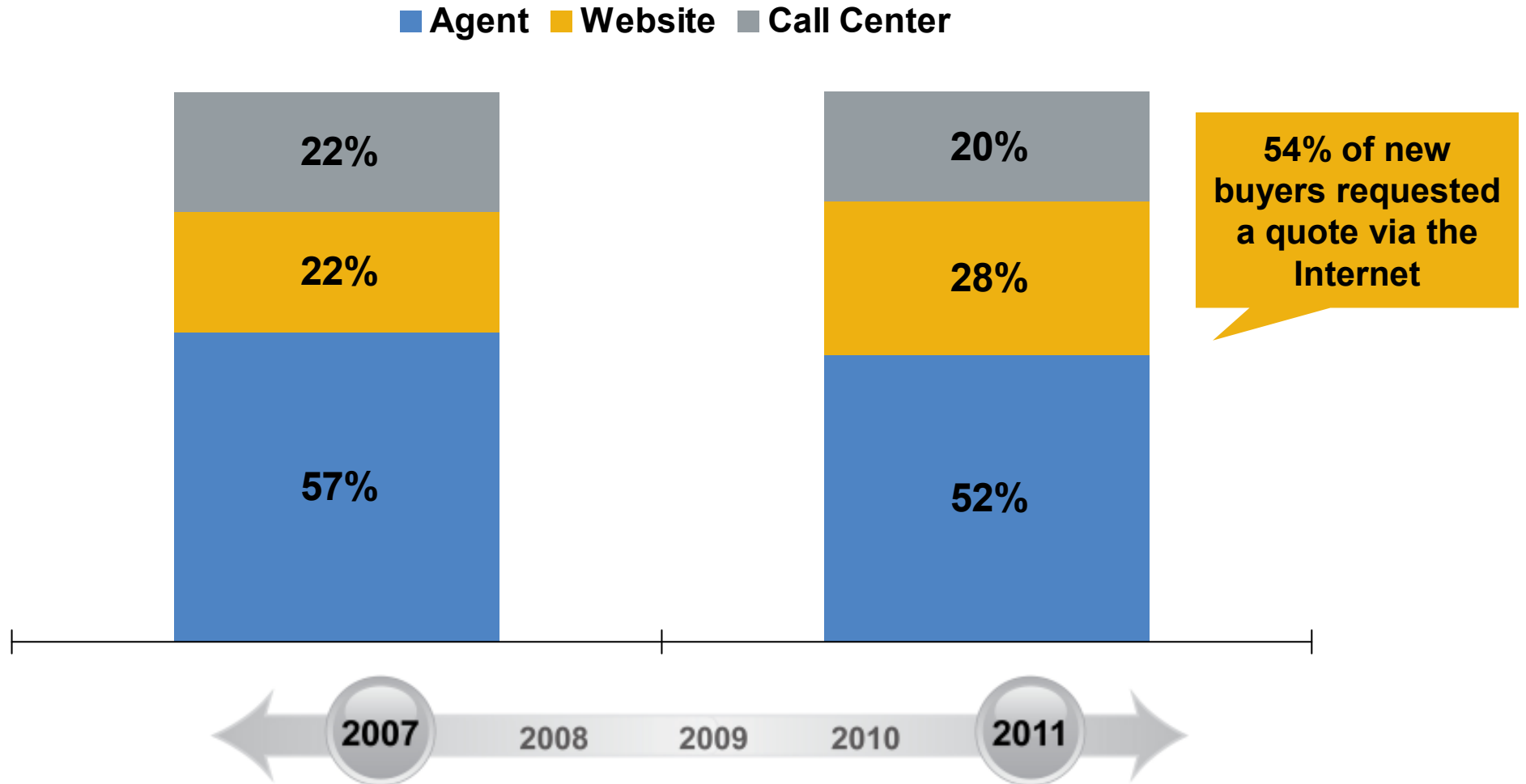


# The Role of the Web in Customer Acquisition



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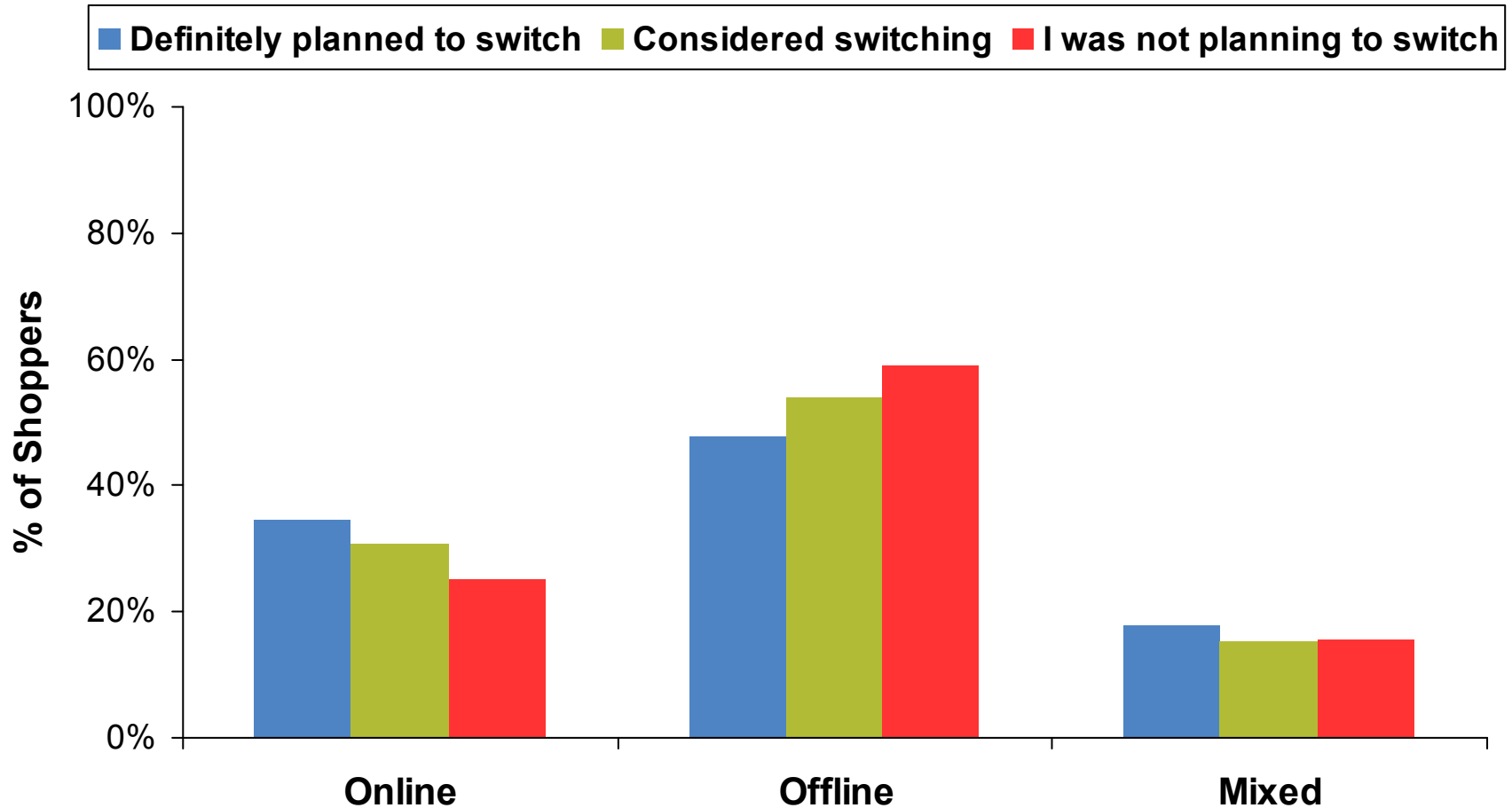
# New Customer Acquisition— Role of the Internet in New Buyer Sales



Source: J.D. Power and Associates 2011 Insurance Shopping Study<sup>SM</sup>.



# Method of Quoting Current Insurer—Shopper Intent

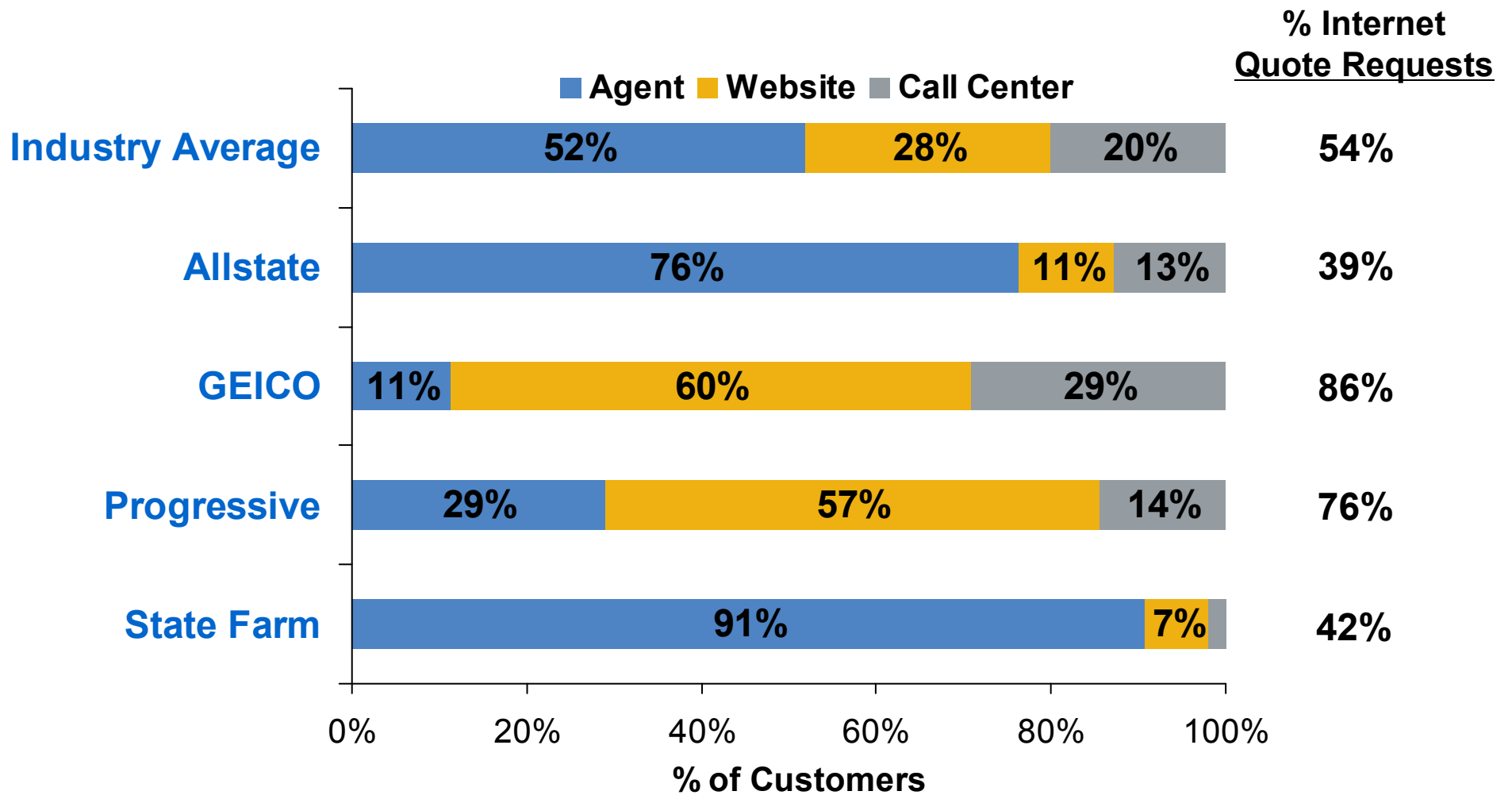


Source: J.D. Power and Associates 2011 Insurance Shopping Study<sup>SM</sup>.



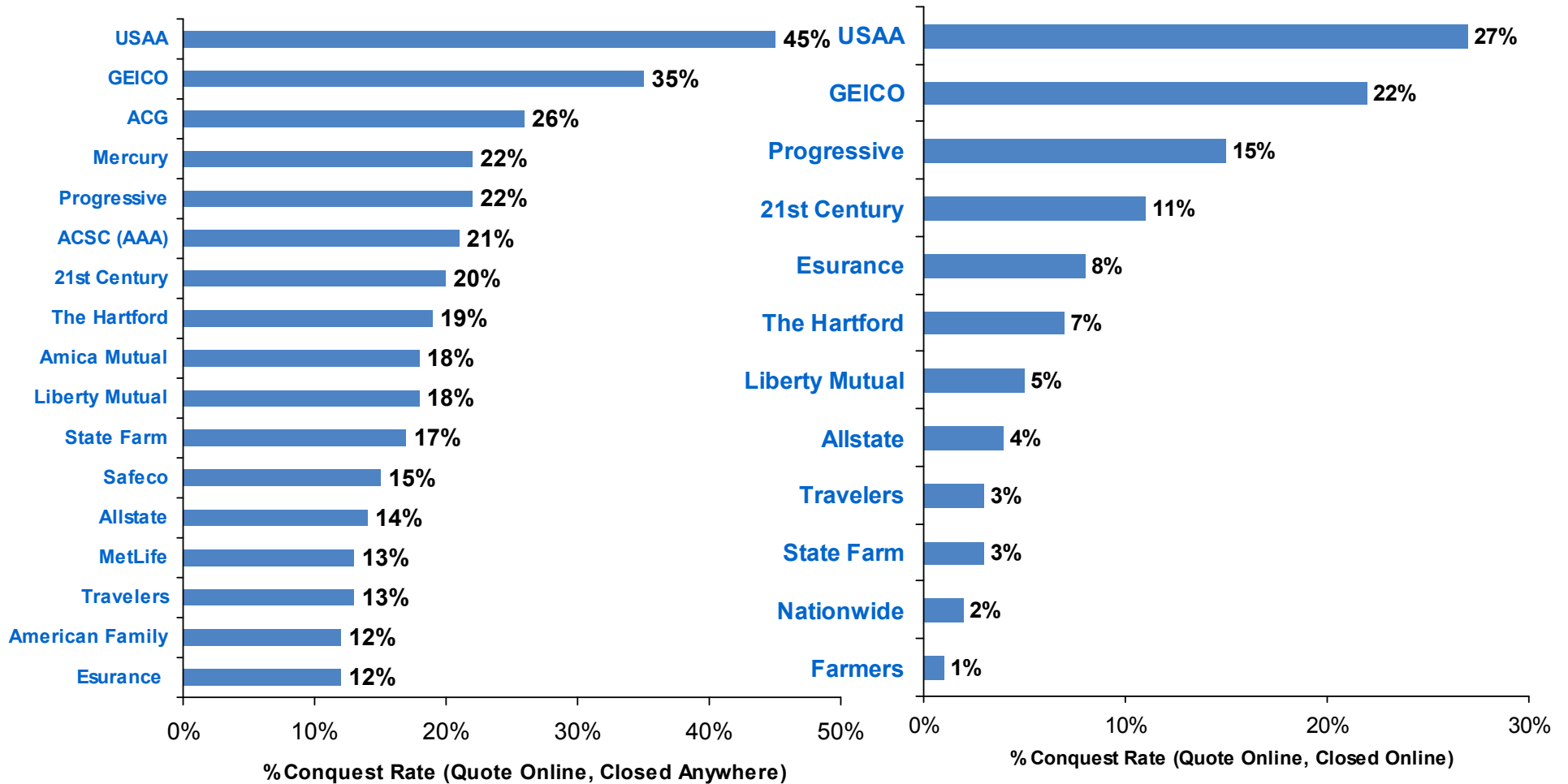
# New Customer Acquisition by Sales Channel

## Insurer



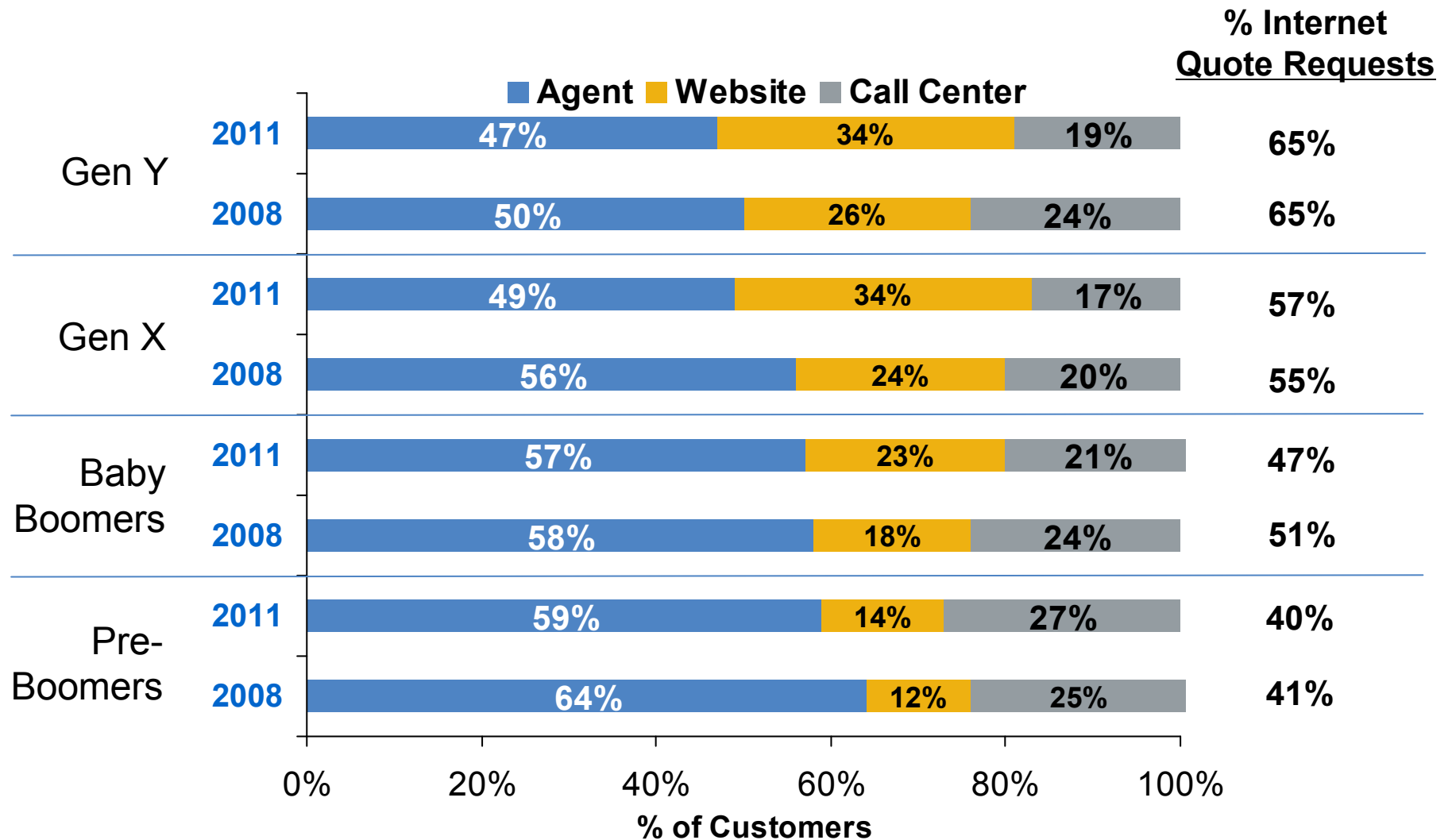
Source: J.D. Power and Associates 2011 Insurance Shopping Study<sup>SM</sup>.

# New Customer Acquisition—Top Conquest Rates Among Online Quoters







Source: J.D. Power and Associates 2011 Insurance Shopping Study<sup>SM</sup>.

# New Customer Acquisition by Sales Channel Generation



Source: J.D. Power and Associates 2011 Insurance Shopping Study<sup>SM</sup>.

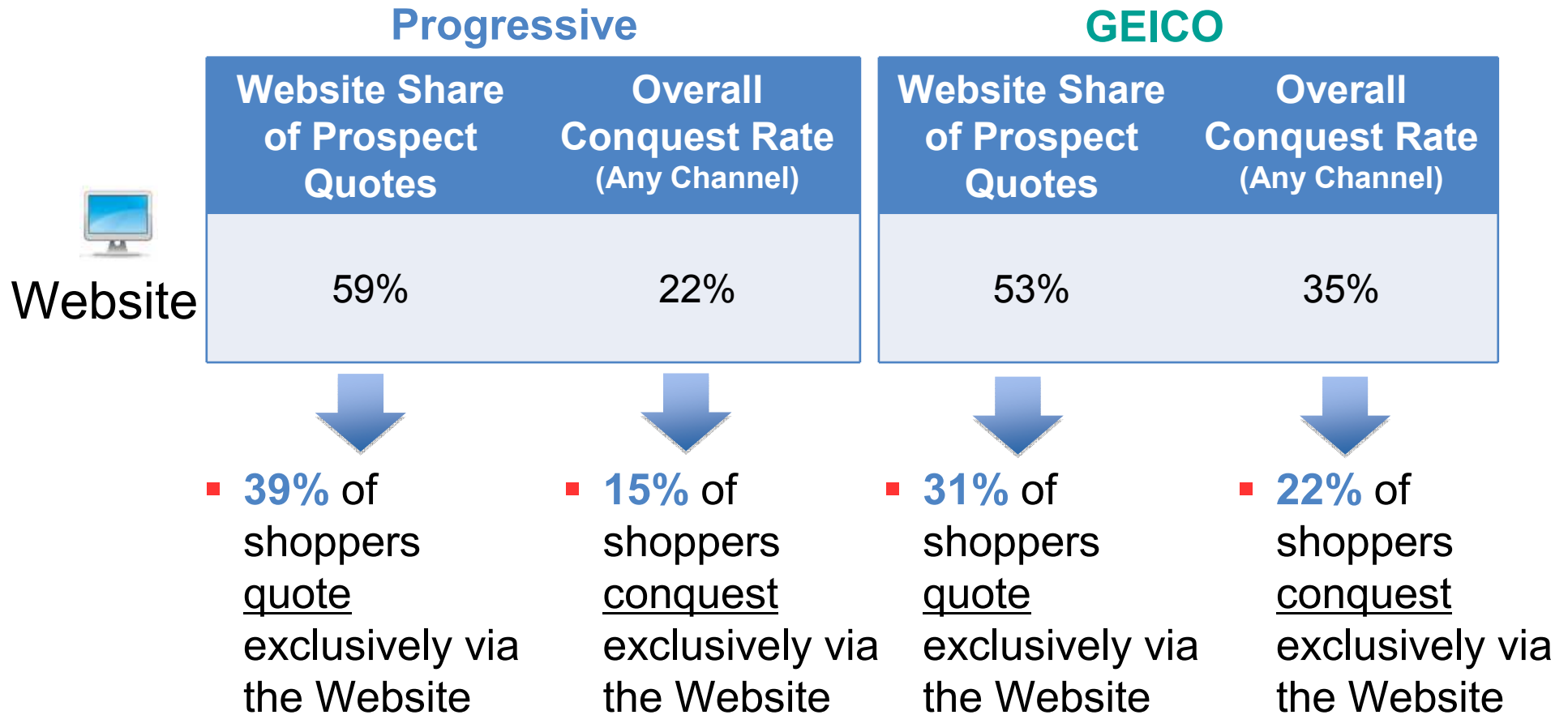
# Sales Channel Optimization—Progressive

	Share of Prospect Quotes	Overall Conquest Rate (Any Purchase Channel)
 <b>Agent</b>	13%	43%
 <b>Call Center</b>	14%	29%
 <b>Website</b>	59%	22%
 <b>Aggregator</b>	35%	14%

Source: J.D. Power and Associates 2011 Insurance Shopping Study<sup>SM</sup>.



# Sales Channel Optimization—Progressive vs. GEICO



Source: J.D. Power and Associates 2011 Insurance Shopping Study<sup>SM</sup>.



# Enhancements to JDPA Shopping Insights

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# Shopping Study Enhancements

## Quarterly Shopping Rates

- Measure shopping on a quarterly basis to gauge near-term changes to shopping rates
- First pulse in 2012 scheduled for April
- Based on 5,000 completes per quarter

## Shopping Pathways

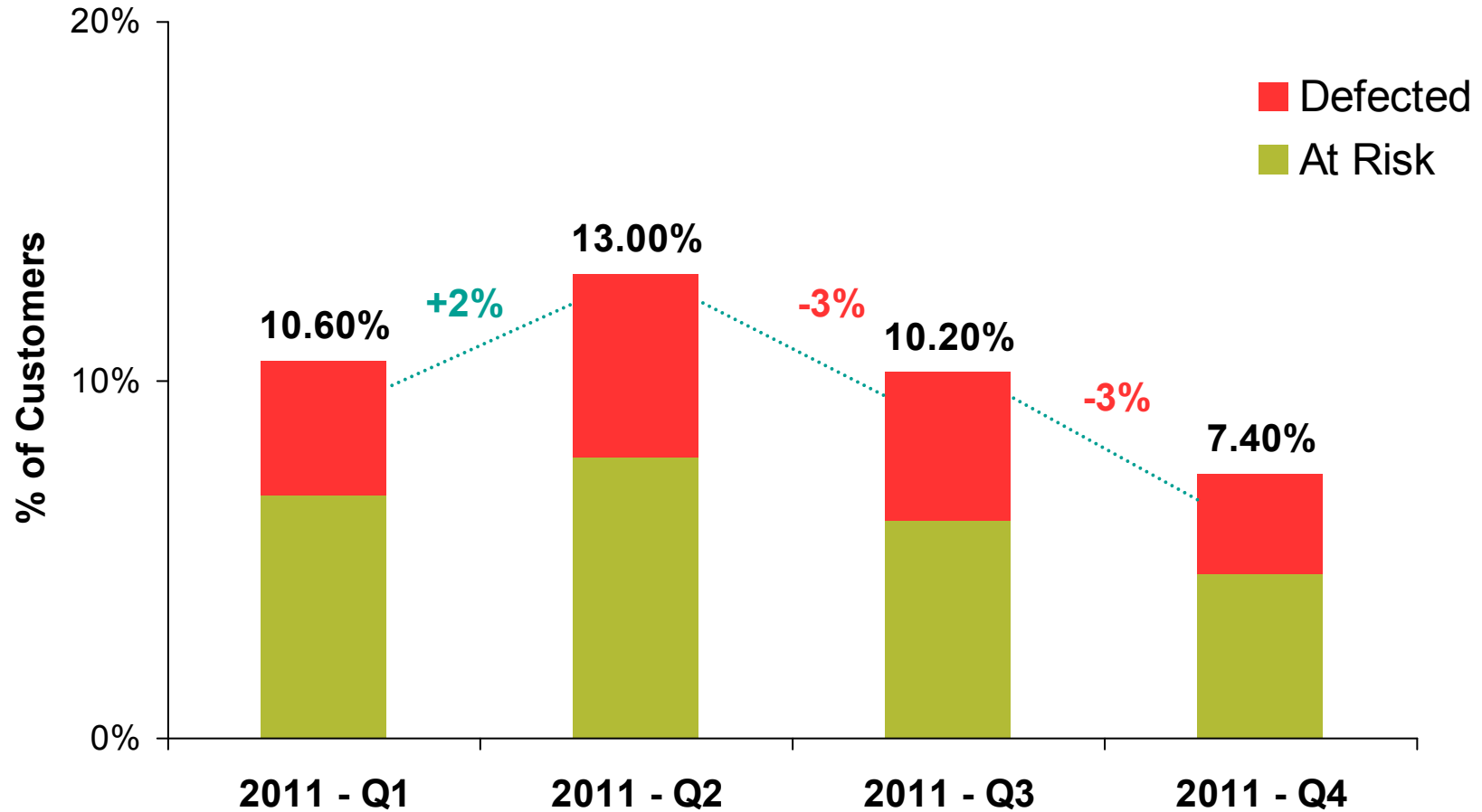
- Enhanced funnel metrics within sales channels to measure serial order and derive the most common shopping pathways and success rates through each channel

## Role of the Web in Shopping

- Added diagnostics to the survey to better understand the role of the web:
  - How are shoppers using the web during the shopping process? For those who start on the web, is it their preference and how do they approach it?



# Quarterly Shopping Rates

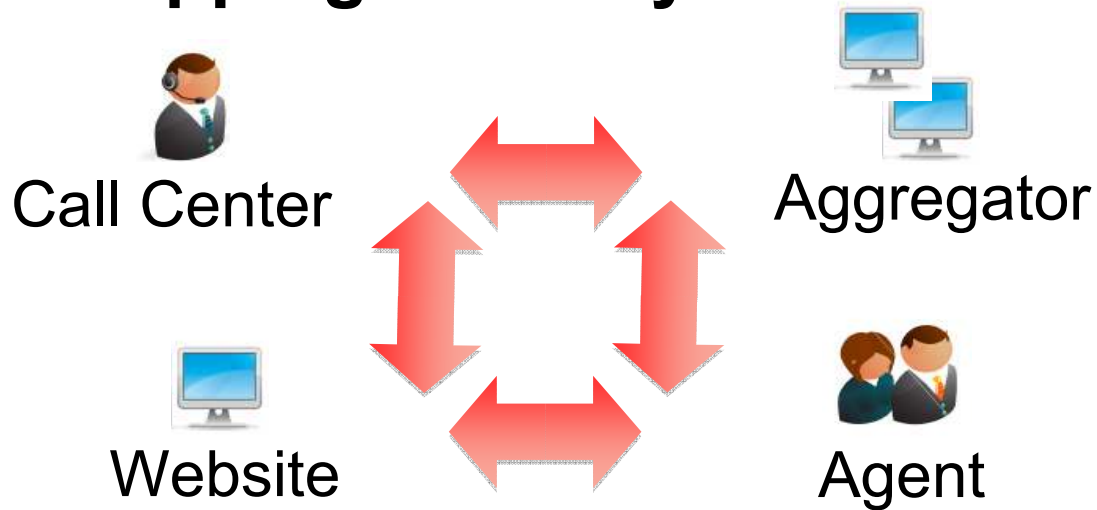


Source: J.D. Power and Associates Quarterly Insurance Screener data.

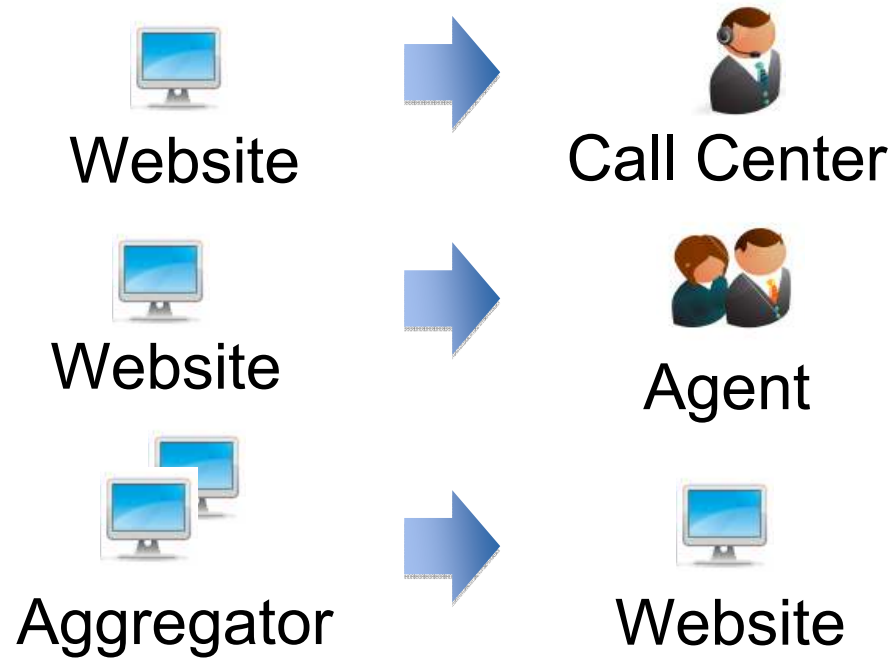


# Common Shopping Pathways

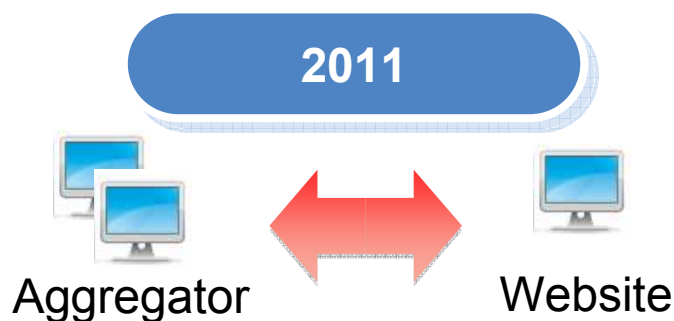
Old Approach



New Approach



# Shopping Pathways



Top Quoted Brands	
Esurance	13%
Progressive	12%
GEICO	10%
21 <sup>st</sup> Century	9%
USAA	6%*
Liberty Mutual	6%*
The Hartford	5%*

- USAA has the highest conquest rate
  - Aggregator + Web Conquest Rate: 49%



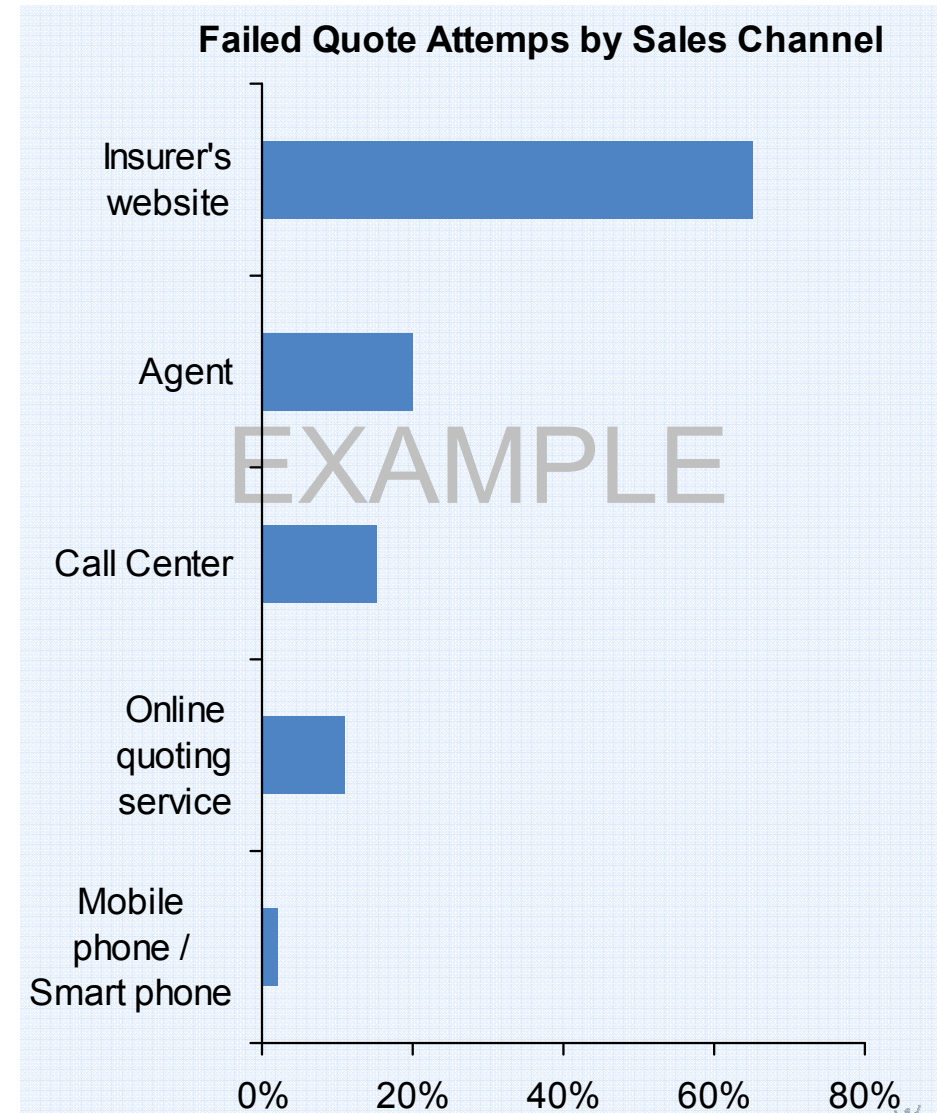
- Top Quoted Brands
- Conquest Rates
- **Serial Order of Quotes**
- **Better Quantify Lost Business**
  - Example: USAA has the highest conquest rate
    - Aggregator to Web Conquest Rate: 42%
    - Only loses 2% of prospects who quote via an Aggregator

Source: J.D. Power and Associates 2011 Insurance Shopping Study<sup>SM</sup>.



# Role of the Web—Enhancements

- **Question:**
  - How are shoppers using the web during the shopping process? For those who start on the web, is it their preference and how do they approach it?
- **Analysis Enhancements:**
  - Serial order of quote
    - Conquest rates
  - Quote satisfaction
  - Incidence of website visits but do not quote
  - Failed quote attempts, and via which channel
  - Gathering multiple quotes, and reason—insurer or customer-initiated



# Questions/ Comments?

