

# Auto Insurance Choices During Challenging Times

## What auto insurance companies can learn from an innovative approach

In this economic environment, the rules of the game are changing. Consumers are shifting their values and priorities. How has the economy affected consumers' opinions about and shopping for auto insurance providers? What role does auto insurance play in their lives? These issues are of utmost importance to companies trying to adapt to the times.

### Insurance Should be Hassle-Free

Participants don't want to have to think about insurance more than necessary. An Erie Insurance customer summed it up: *"It makes me feel safe that my insurance needs are taken care of and I can focus on other things in life."* Advertisements and spam are viewed as annoying. Insurance should not require much work or attention. It should just be in the background and shouldn't cost too much.

Participants also don't think it is important to have an insurance office near their homes (6 respondents said it was "somewhat," "not too," or "not at all important"). They view

### Methodological Overview

(IQ)<sup>2</sup>, or Interactive Insights from Qualitative and Quantitative, is Blackstone's proprietary platform where participants:

- Meet online to discuss and interact using webcams and a phone bridge
- Engage in activities and view stimuli
- Complete quantitative surveys to bolster the discussion and provide numeric results

This carefully designed yet flexible hybrid method provides maximum unbiased insights in minimal time. A total of eleven customers who recently shopped for insurance participated in one of two sessions.

having to go to an office for any reason as too much legwork. They pay good money and want their companies to do the work in return.

### Price is Important but so is Service

While participants addressed price, they emphasized service. When asked to rank what qualities are most important when choosing an insurance provider, participants ranked the following first (in a list of 19 attributes):

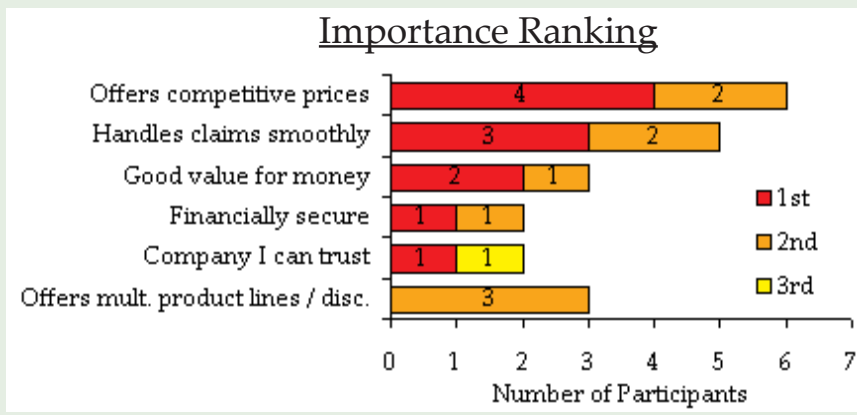
- Offer "competitive rates" (4 ranked 1<sup>st</sup>)
- Ability to "handle claims smoothly" (3)
- Provide "good value for money" (2)

*"It makes me feel safe that my insurance needs are taken care of and I can focus on other things in life".*

### -Erie Insurance Customer

Participants seemed satisfied with their current providers. Almost all (10) said that their company's ability to offer competitive rates is "very good" or "excellent," that their company offers good value (10), and that their company's ability to handle claims smoothly is "very good" or "excellent" (9).

Customer satisfaction was apparent in letters to their providers. Participants wrote: *"I appreciate all of your [USAA's] excellent service especially during these tough economic times,"* and *"I have been pleased with my rates and hope to continue receiving the excellent service you [Nationwide] have provided thus far."* One GEICO customer said that when he had a car accident he *"did not have to do a lot of leg work"* or *"get stuck in a lot of red tape,"* and he *"truly appreciate(s) that."* He also liked that his *"agent with the 'green*



tionwide would be one of several companies considered, and seven said the same for Progressive.

Participants mentioned Allstate’s “You’re in Good Hands” and State Farm’s “Like a Good Neighbor” taglines but advertising was not the primary focus as it was with GEICO.

guy’ was friendly, knowledgeable, and helpful.” Several participants mentioned “accident forgiveness” and rewards or discounts for a “good driving record” as appealing programs.

### Bundling Insurance is Enticing

Three participants ranked offering multiple product lines and multi-discounts as the second most important quality or feature of an insurance company. “It’s better to have everything in one place.” Keeping all types of insurance with one company is simpler and saves money. As one respondent said, “In the end, I went with Travelers...because I received a discount for also having my homeowners policy with them.” Similarly, “I switched to Allstate because I have home insurance with them.” However, not all companies offer a multiple policy discount. “Ideally, it means you pay less if you bundle everything, but with GEICO that isn’t true... at least not yet.”

*“My agent with the ‘green guy’ was friendly, knowledgeable, and helpful.”*

-GEICO Customer

### Large, Established Providers are Considered When Shopping

When asked whether they would consider particular brands next time they shop, participants (10) were most likely to include Allstate and State Farm as one of several companies they would consider. Eight said GEICO and Na-

### Participants Shop for a Better Deal or When Policy is Up for Renewal

All participants recently shopped for insurance (per screening criterion), typically because they were looking for a better deal (9) or their policy was up for renewal (5). They said things like “I just wanted to make sure I was getting the best rate for the coverage I had.” However, only four switched providers. Those who switched did so primarily for cheaper rates. All but one participant cited cheaper rates as a reason they have switched or would switch providers.

Less than half (5) of the participants are “very” or “extremely likely” to shop when their policy comes up for renewal, and most (7) said they are “not at all likely” to switch companies at that time. This may be because they are satisfied with their current providers.



For a few participants, excellent service is not enough to stay with a provider. *“They were great,”* raved one participant about his former auto insurance provider, *“[but] their rates went up.”* For others, lower rates are not worth the risk of going with another provider. One participant noted he would switch for lower rates, but only to another *“top three”* company. Another said his State Farm agent lowered his rate when he approached his agent about competitors’ rates. While *“it wasn’t as low as some of the other companies’ [rates],”* intangibles such as *“family recommendation,” “reputation”* and *“my past experience”* outweighed the cost difference. Loyalty also plays a role: *“I’ll ride mine [rate increase] out, since I’ve been with them a long time.”*

### Participants Get Insurance Information from Friends, Internet, TV

Many participants used friends, family, and coworkers for company recommendations and reviews. One participant mentioned, *“I checked around with coworkers before switching to GEICO.”* Another stayed with State Farm *“due to family recommendation.”*

Participants also seek auto insurance information online. *“Online shopping was my best experience.”* Many use sites that allow comparison of multiple carriers as *“it’s easier to compare [multiple] costs at once. You only have to fill out one form.”*

Some participants reported feeling confused or frustrated after visiting these sites: *“It was all so confusing... so I gave up and stuck with State Farm.”* Similarly, *“I was overwhelmed with the amount of information that I had to provide. Sometimes the page would time out and I had to start all over again.”* However, some found the experience very positive. *“It tells you a lot about the company.”*

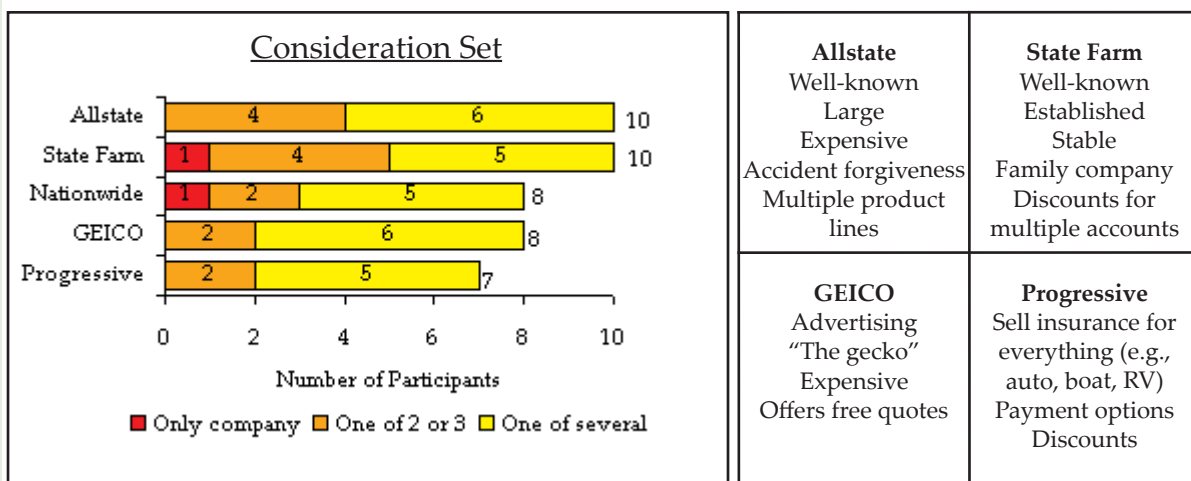
*“It would be nice to find something cheaper, but I trust them.”*

-State Farm Customer

Participants sometimes go directly to companies’ websites. *“I went online to several major companies and requested a quote from each one.”* While it is important that an insurance company has an easy to use website (9 gave it a rating of “extremely” or “very important”), it is not one of the most important things for a company to offer. No participant ranked it as the first, second or third most important attribute of an auto insurance company.

Participants specifically mentioned their providers’ websites as something they either liked — *“One of my favorite features on the [USAA] website is being able to add or adjust features of my auto insurance and getting the exact quote of what my rate would be with the changes”*

### Opinions of Companies Considered



— or disliked — *“Travelers...can you please make your website a little more user friendly?”*

Participants also tend to rely on Consumer Reports to tell them which companies are the most reliable. As one participant said, *“Stability is better than risk.”* They want to *“feel safe”* with their provider. It is important to feel their company will take care of their needs.

*“I buy auto insurance like I buy macaroni and cheese: I shop around for the best price.”*  
**-Travelers Customer**

### Participants Distrust Ads

Though they report getting information from commercials, participants are skeptical about them. In particular, the older participant group discussed the concern that GEICO is too aggressive with their advertising, which makes them wonder whether the company will actually come through in an emergency. There are *“too many commercials,”* and *“it costs a lot of money to advertise.”* One participant questioned how GEICO can afford so many commercials and was concerned that he may not be getting the best rate because money is going to advertising. Another was concerned about Safe Auto because they advertise *“state minimum policies and that worries me...they will give you the minimum required by law...so I think they are cheap or unreliable or incapable of handling large claims.”*

In the younger group, some participants were annoyed by the direct mail and spam that they got from various companies after requesting a quote or signing up for a plan. They were *“bombardeed”* by emails, telephone calls and direct mailings from different providers.

### Banks, Credit Unions Trusted

Banks and credit unions are considered the most trustworthy financial institutions (ranked by 8 as most trustworthy). Trustworthiness of auto insurance companies is average. One participant said she knows State Farm will be

there: *“It would be nice to find something cheaper, but I trust them.”* Another said that he *“feels safe when push comes to shove”* (State Farm). Similarly, *“Travelers has been around forever. It’s stable and strong..it’s boring but reliable.”*

Trustworthiness was also brought up in relation to policy shopping. Participants are hesitant to provide information such as their social security number, phone number or date of birth online especially when using third party sites as they don’t know who will be receiving the information.

Institution	Mean Rank*
Bank or credit union	1.9
Life insurance company	3.4
Co. that provides retirement plan	3.7
Auto insurance company	3.9
Mortgage company	4.2
Financial planning or invest co.	4.7
Stock brokerage / mutual fund co.	6.2

\*More trusted institutions have lower mean ranks.

### Economy is Bad but Looking Up

Most (9) participants think the economy, in general, has gotten worse in the past year. Younger participants have mixed views of their own condition in the past year, but older participants tend to say their condition has gotten worse.

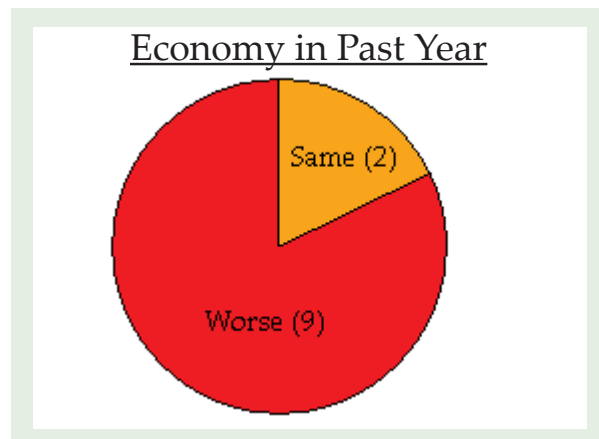
Participants are more optimistic about their household’s financial condition in the next year; nine participants think their condition will improve. Even with optimistic views of their own financial conditions, ten participants are still at least somewhat worried about the economy.

Five participants reported shopping for auto insurance more than usual due to the economic condition. The process isn’t much different than shopping at the grocery store: *“I buy auto insurance like I buy macaroni and cheese: I shop*

*around for the best price.” Four say the economy has had no effect on their insurance decisions.*

### Participants Doubt Their Insurers Will Go Out of Business

Most participants are not worried about their insurance company going out of business (10 are “not too” or “not at all” worried). For example, a participant with Travelers said, “*Am I concerned about this situation becoming a reality? Not really.*” Participants think their insurance companies are still stable, and a few mentioned that if their company goes out of business they will consider it a bad sign for the economy as a whole. “*It would be very unlikely that USAA would go out of business...that means we’re in a deep depression.*”



In particular, older respondents expressed concern that if their company went out of business other major companies might follow. Therefore, they would want to wait to see who was left standing before choosing a new carrier. In the perceived unlikely event that their insurance provider went out of business, participants said they would be more worried about the gap time between policies than about finding another insurer. Concern was also expressed about what would happen if the insurance company could not afford to pay for a claim: “*I want to be sure GEICO is able to pay my claims, in the unlikely event that I have any.*”

### Methodological Notes

The biggest limitation to generalizing these study findings is the number of participants. For this pilot study, Blackstone conducted two groups with a total of eleven participants, only four of whom were women. A full study would consist of six to eight groups with six to eight participants per group. If conducting more groups was not an option, Blackstone could conduct supplementary quantitative interviews.

Participants were recruited and screened from an online panel and quotas were set to ensure:

- Comfort with and home access to high-speed Internet, computers, & webcams
- No prior participation in a study on insurance in past month or a market research study in past week
- Auto insurance decision maker
- Shopped for insurance and got one or more quotes in last six months, either through an agent or directly from an insurance company
- Mix of auto insurance providers
- Mix of geographies
- Equal numbers of males and females

Participants were divided into two groups based on age: 25-34 and 35-44.

Two days before attending the (IQ)<sup>2</sup> sessions, participants were asked to set up their webcams and test the platform to make sure there were no technical problems. Once in the actual session, participants took part in several activities, group discussions and individually completed quantitative questionnaires. Activities included:

- Collaborative mind maps
- Image association exercises
- Writing hypothetical letters to providers

Data from the questionnaires and insights from the group recordings were integrated and analyzed.