

## The Average Auto Insurance Company Fails to Capture 98 out of Every 100 Shoppers

by NAMIC

On average, auto insurance companies quote and successfully sign only 2 percent of all auto insurance shoppers, according to the J.D. Power and Associates 2008 "Insurance Escaped Shopper Study" released Sept. 16.

The inaugural study examines the behaviors of auto insurance customers who recently shopped for a new insurance company. The study, which aims to better understand why shoppers either avoided, ignored, or considered but did not purchase from insurance companies also profiles 26 of the largest personal auto insurers in the United States.

"While it is surprising to learn that most auto insurance companies only capture 2 percent of shoppers, the reality is that the majority of shoppers in the market are either unaware of a particular insurance company or choose to ignore them for one reason or another," said Jeremy Bowler, senior director of the insurance practice at J.D. Power and Associates. "Unwillingness to consider a brand is generally caused by a previous experience with a company, a lack of bundled or desired options, or feedback from friends and family. In particular, the impact of recommendations and referrals is critical to whether or not a prospective customer will even consider an insurance company."

The study finds that 36 percent of auto insurance customers have actively shopped for a new insurer in the past year. On average, 38 percent of shoppers do not recognize various insurance companies examined in the study while an additional 39 percent of shoppers ignore certain companies during their shopping process, completely excluding them from their consideration set. Additionally, 6 percent of shoppers avoid the average insurance company and indicate that they would never consider them for their insurance needs. Overall, only 18 percent of prospective customers consider any given insurance company when they shop.

"What's most significant is that less than one half of all shoppers who investigate or research an insurance company never ask for a quote," said Bowler. "Since most insurance companies only gather personal information as part of the quote process, they have a very narrow view of the marketplace. Insurers have no way to measure how many more prospects escaped earlier in the shopping process " whether they were driven away by a cumbersome quote process, a non-responsive agent, or misconceptions about price or service quality."

The study also finds that most prospective customers who consider an insurance company but do not request a quote gather information via the Internet, with more than 60 percent visiting the insurance company's website or responding to an Internet advertisement or blog posting. Insurance companies lose more prospective customers, on average, through the Web channel compared with telephone and in-person sales channels. In fact, traditional phone and in-person sales channels achieve a 52 percent close rate, on average, while online channels successfully close sales less than 20 percent of the time.

"One interesting competitive tactic being implemented in the industry is for one insurer to offer quotes for multiple competitors," said Bowler. "One in three shoppers who receive a competitor quote from the company they are currently investigating don't bother to call or visit that competing company directly to obtain a real quote from them. This suggests that those insurance companies who implement this strategy are successfully directing shoppers away from their competition before these competitors even know they were being considered by a consumer."

The 2008 "Insurance Escaped Shopper Study" is based on responses from more than 8,400 auto insurance shoppers. The study was fielded in April 2008.

Source: J.D. Power and Associates

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