

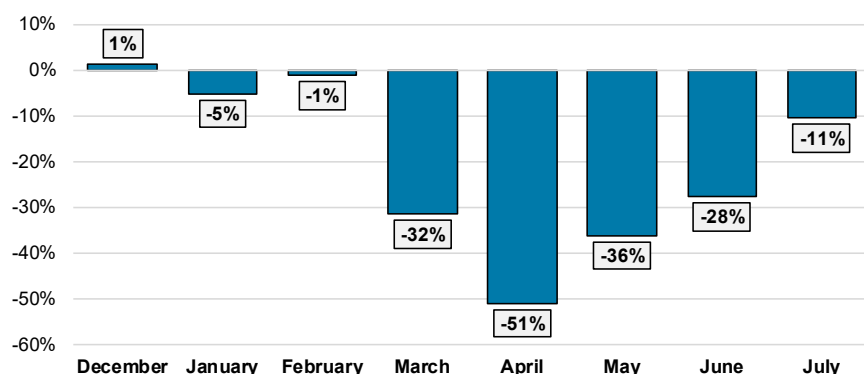
Auto frequency trends continue to decouple

Every month we measure observable changes in auto accidents by compiling data from real-time state traffic accident databases. All states are required to compile various crash statistics for mandatory federal reporting, but the quality of the data, structure of the data and timeliness vary significantly.

Observable real-time data for July shows a decline in auto accidents of around 36%. Assuming this ages at a comparable rate to previous months' data (due to a reporting lag), this implies frequency is down around 11% in July versus 32% in March, 51% in April, 36% in May and 28% in June.

Average state auto accident frequency

Source: State level DOT, Inside P&C



Our assumptions are based on calculating the average historic lag to get to a sub-1% change in MoM figures (roughly). The results have been directionally consistent with our prior biases based on run-rating the effect of shelter-in-place orders and an assumption that the impact would lessen over time as people chafed against restrictions and states ultimately opened up. Whether this trend continues in August remains an open question as some "real time" economic indicators point to a slowing or reversal of activity in recent weeks in areas recording a spike in virus cases.

Local policies on the reopening of schools is likely to be a key determinant of miles driven in the coming months.

June auto accident frequency broken down by state

Source: State level DOT, Inside P&C

Inside P&C Research

Gavin Davis

Director of Research

E: gavin.davis@insidepandc.com

T: (212) 224 3328

Dan Lukpanov, CFA

Research Analyst

E: dan.lukpanov@insidepandc.com

T: (212) 224 3326

Gianluca Casapietra

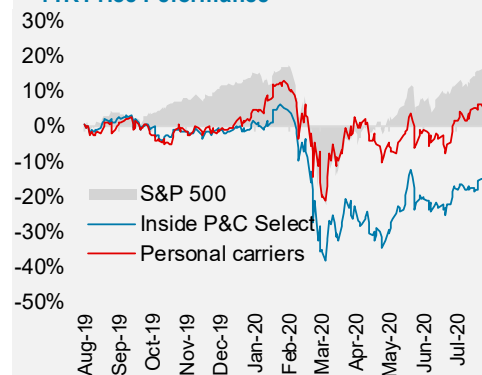
Research Analyst

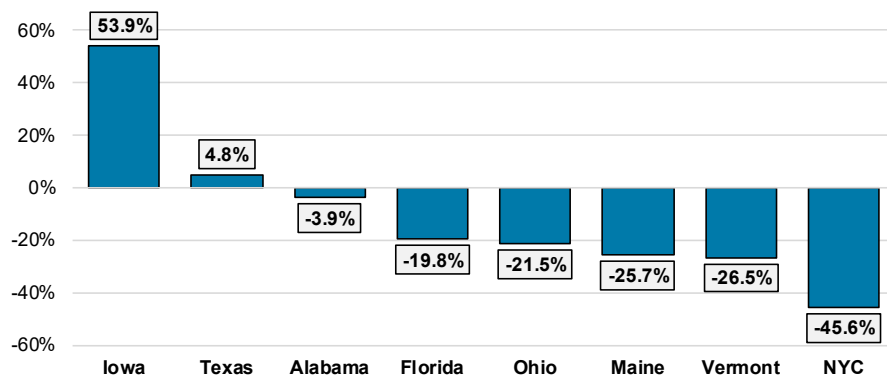
E: gianluca.casapietra@insidepandc.com

T: (212) 224 3495

| Composite | YTD px chg. | P/B |
|--------------|-------------|------|
| Large comm. | (25.8)% | 0.8x |
| Regional | (24.9)% | 1.3x |
| Specialty | (15.1)% | 1.5x |
| Personal | 4.5% | 1.9x |
| Bermuda | (20.5)% | 1.1x |
| Florida | (20.3)% | 1.0x |
| Brokers | 2.4% | - |
| IPC Select | (17.1)% | 1.1x |
| S&P 500 Fin. | (19.6)% | - |
| S&P 500 | 4.7% | - |

1YR Price Performance





Beyond the average figures for the month, July continued to feature meaningful variation in state-level estimated accident frequency. Initial Covid-19-exposed months closely aligned state results and generally moved in the same direction. Similar to June, July continued to have a mix of both positive and negative results. For example, in Texas there was a 5% YoY increase in auto accident frequency. Excluding Iowa's 54% rise (measured with fatality figures), other areas stayed down, especially NYC with its dense population characteristics and heavy usage of public transportation, which has led to a slower/phased reopening.

| | | | | | | | | | Est* |
|---------|---------|------|------|------|-------|-------|------|------|------|
| Flag | State | %DWP | Jan | Feb | March | April | May | June | July |
| | Texas | 9.2% | 7% | 7% | -21% | -49% | -33% | -16% | 5% |
| | Alabama | 1.5% | -4% | 1% | -22% | -52% | -28% | -12% | -4% |
| | Ohio | 2.8% | -13% | 7% | -30% | -50% | -33% | -19% | -21% |
| | Florida | 8.2% | -1% | -1% | -25% | -51% | -32% | -17% | -20% |
| | Iowa | 0.7% | 14% | -15% | -41% | -23% | -30% | -40% | 54% |
| | NYC | N/A | -16% | -15% | -38% | -76% | -69% | -61% | -46% |
| | Vermont | 0.2% | -21% | 7% | -45% | -61% | -42% | -33% | -26% |
| | Maine | 0.3% | -8% | 1% | -30% | -46% | -24% | -22% | -26% |
| Average | | - | -5% | -1% | -32% | -51% | -36% | -28% | -11% |

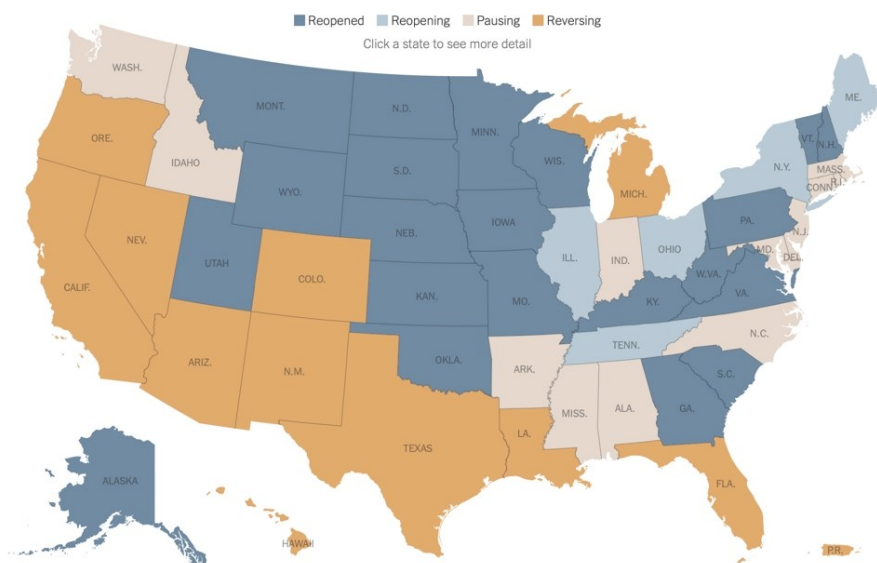
*Figures adjusted for lagged data (adjustment factor based on average monthly lag)

On a headline basis, the overall decline in average accident frequency when compared to May and April does not come as a surprise as US citizens generally continue to trend back to "normal" activities, with many comparably less impacted by social distancing policies, and [many states easing restrictions in comparison to those which are now tightening.](#)

State reopening plans ([Taken from the New York Times](#))

Source: The New York Times

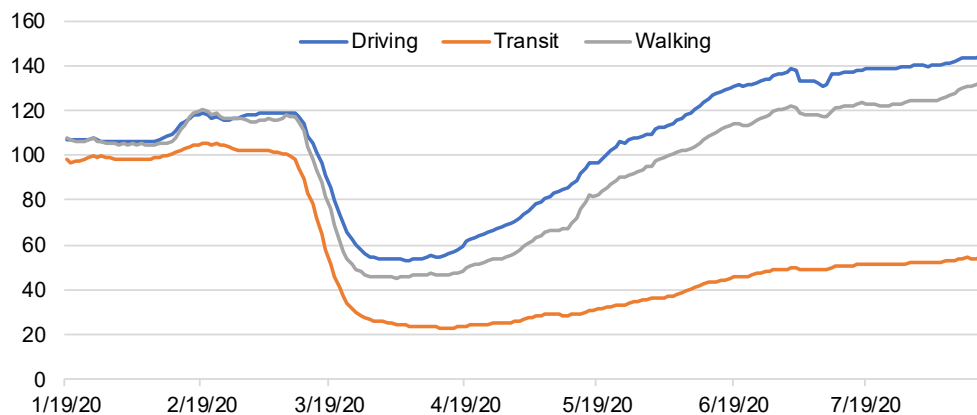
By Jasmine C. Lee, Sarah Mervosh, Yuriria Avila, Barbara Harvey and Alex Leeds Matthews
Updated Aug. 17, 2020



The state level accident data is also consistent with data provided by [Apple](#) and [Google](#) which show rebounds in travel queries related to driving and walking. Public transit on the other hand has remained depressed given the obvious safety concerns of entering confined areas with others during a pandemic.

Apple Maps directions requests by mode of transportation (USA) – 7D moving avg

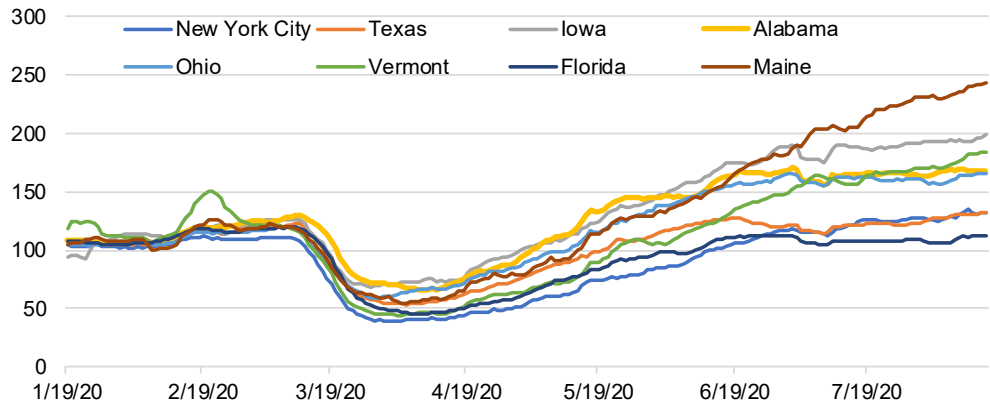
Source: Apple, Inside P&C (as of 8/15/2020)



The overall directional trend is consistent with the sample state DOT data as seen below, but as an index that started in mid-January (we're using a seven-day moving average) it's worth noting that Maine is now in the lead at 243, followed by Iowa at 199. On the lower end, Florida is at 112, followed by Texas and New York City, both at 132. It's important to note that seasonality factors influence the index with YoY measures being more indicative of Covid-19's impact on mobility.

Apple Maps driving directions requests by state – 7D moving avg

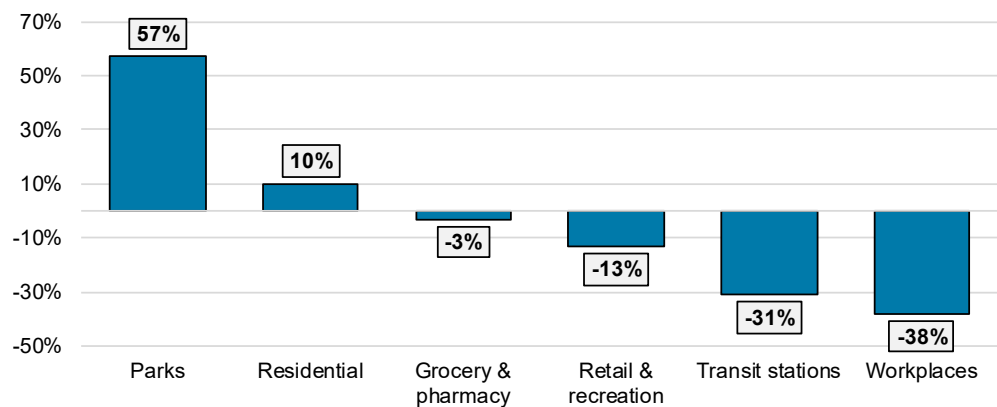
Source: Apple, Inside P&C (as of 6/29/2020)



[Google data](#) does not provide time series like Apple, but its service provides other interesting data points on user behavior. For example, compared to baselines set in January, workplace mobility is down 38%. Travel to groceries and pharmacies on the other hand is only down 3%. On the high end, parks are up 57%.

Google mobility statistics (USA)

Source: Google, Inside P&C (as of 8/14/2020)



All these statistics are consistent with company commentary during both Q1 and Q2 earnings, where executives from major carriers pointed to rebounds in miles driven from lows in March/April. Further takeaways from the quarter, which included declines in loss ratios across the universe, can be found in our [auto Q2 wrap](#).

Reported auto underwriting results

Source: Company reports, Inside P&C

| Firm: | | Auto loss ratios by firm | | | | |
|---------------------|--------------|--------------------------|--------------|--------------|--------------|------------------|
| Period: | Q2:19 | Q3:19 | Q4:19 | Q1:20 | Q2:20 | VAR |
| Progressive direct | 70.1% | 71.4% | 73.8% | 65.7% | 50.3% | (19.8)pts |
| Progressive agency | 68.8% | 71.0% | 71.4% | 64.6% | 53.2% | (15.7)pts |
| Geico | 82.0% | 81.6% | 85.4% | 74.3% | 62.1% | (19.9)pts |
| Allstate brand auto | 68.4% | 67.7% | 67.4% | 61.1% | 47.7% | (20.7)pts |
| Travelers auto | 70.1% | 70.1% | 76.1% | 65.9% | 57.5% | (12.6)pts |
| Hartford personal* | 71.0% | 66.6% | 69.0% | 59.9% | 8.9% | (62.1)pts |
| Kemper specialty | 75.1% | 73.8% | 75.0% | 76.0% | 69.8% | (5.3)pts |
| Mercury General* | 73.9% | 74.4% | 79.8% | 70.6% | 61.0% | (12.9)pts |
| Horace Mann auto | 73.8% | 65.8% | 72.0% | 65.8% | 53.2% | (20.6)pts |
| Average | 72.6% | 71.4% | 74.4% | 67.1% | 51.5% | (21.1)pts |

* Headline loss ratios, auto loss ratios not available

* Hartford auto combined declined 14.7pts YoY to 82.5%

With continued low accident frequency persisting beyond April/May, most carriers extended premium rebates to cover three to four months as we expected. Variation in rebates (%) exist with some firms providing 10% rebates in more recent months (as opposed to initial months recording 15%), and others like Geico and AmFam providing rebates for entire six-month policies. [More of our thoughts on rebates can be found here](#), particularly that rebates will continue to extend as long as low accident frequency remains. That said, accident frequency is now beginning to “normalize” with states reopening, so further extensions are not likely across the universe without a reversion to a period of lockdowns, should the pandemic worsen during fall/winter.

Auto carrier refund announcement to date

Source: SNL, Company Reports

| Firm | Refund/credit | 2019 Auto DWP |
|--------------------|--|---------------|
| State Farm | \$4.2bn in rate cuts (up from \$2bn or 25% credit on two months of auto premium) | \$40.9bn |
| Geico | 15% (for 6M or 12M policy) credit for new and existing policyholders, totals \$2.5bn | \$34.9bn |
| Progressive | 20% credit on two months of auto premium | \$31bn |
| Allstate | 15% refund credited to customer (April through June) | \$23.6bn |
| USAA | 10-20% credit on four months of premiums, totals \$1.1bn | \$15.2bn |
| Liberty | 15% refund on two months of auto premium | \$11.7bn |
| Farmers | 25% credit for April, 15% for May | \$10.5bn |
| Nationwide | One-time premium refund of \$50 per policy | \$6.2bn |
| AmFam | 10% rebate on new and existing auto policies between July and December | \$5.8bn |
| Travelers | 15% refund credited to customers (April/May/June) | \$4.9bn |

| | | |
|-------------------------|---|----------|
| Kemper | 15% credit on two months of auto premium | \$3.4bn |
| National General | 15% credit on April premiums for personal auto policyholders | \$3.2bn |
| Mercury | 10-15% credit on four months of premium | \$2.8bn |
| Hartford | 15% credit on three months of premium | \$2bn |
| Hanover | 15% refund on two months of premium | \$1.2bn |
| Chubb | 35% reduction for April/May, "with additional discounts for subsequent months, as the situation warrants" | \$0.8bn |
| Cincinnati | 15% credit on two months of premium | \$0.63bn |
| Horace Mann | 15% credit on two months of premium | \$0.45bn |

This research report was written by Insider Publishing's Research team which includes Gavin Davis, Gianluca Casapietra, and Dan Lukpanov.

The content of this report includes opinions based on publicly disclosed financials and management commentary.

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