



Mobility trends

In the early days of lockdowns in late March and early April, we saw mobility levels change drastically. Using the Google COVID-19 Community Mobility reports we estimate around a 50% drop in mobility connected with work nationally and similar levels of decline in mobility connected with retail and recreational activities.

As restrictions lifted we observed increased levels of mobility and by June we estimate around a 25% drop in workplace related mobility nationally, but with a smaller drop for retail and recreational activities. With the significant second wave in Victoria which gathered momentum through July and the increase in community transmission in NSW, we are now seeing some strong divergence by State. In July and early August, Queensland, WA and SA were recording workplace mobility levels around 15% down from normal. NSW workplace mobility was still over 20% down while Victoria was 35% down.

Over the same period we observe mobility associated with retail and recreational activities to be almost normal for Queensland, WA and SA, around 10% down in NSW and 35% down in Victoria.

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In the week following the Victorian Stage 4 lockdown, we expect that Victorian mobility levels have dropped to well below the April level.

For insurers, lower levels of mobility and fewer vehicles on the road have led to lower claim frequency for Motor and CTP lines of business in the latter part of the last financial year. IAG disclosed in its 7 August results package that the significant motor frequency benefit during April and May had contributed over \$150 million to profit (although this had been partially offset by other COVID-19 related losses).

Insurers responded to COVID-19 for personal lines customers through a combination of premium freezes, refunds, hardship packages and the introduction of new products designed to target customers' changing needs. New business price changes have been mixed across insurers over the last 2 quarters but relatively flat at an overall market level, and not dissimilar to the equivalent period last year. COVID-19 specific price changes may still be to come.

Before the second wave in Victoria had gathered momentum we had been expecting a return to more normal levels of traffic and Motor claims in the first half of 2020/21. There was the potential for heavier private vehicle usage than normal with public transport mobility still an estimated 20% to 30% down even in States where other work and retail related mobility is back to more normal levels.

Now we are expecting Victorian portfolios to show further large reductions in frequency and in NSW a halt to increasing mobility (and therefore increased Motor claim frequency) as the Government and public attempt to keep a lid on community transmission. Depending on the success of the current strategies we may see a large reduction in mobility in NSW if increased restrictions are implemented in response to a growth in case volumes.

The overall impact on insurer profitability in 2020/21 will depend on the extent and duration of continued lockdowns, the confidence of businesses and workers to return to the workplace, the use of public transport options and the knock on impact to Motor claim frequency. Offsetting this will be any drag on premiums through ongoing freezes, refunds and hardship packages. ■