

Advertising Helps, But Small Business Owners Still Have Low Awareness of Commercial Insurers

Erie Insurance Ranks Highest in Small Business Commercial Insurance Customer Satisfaction for a Third Consecutive Year

WESTLAKE VILLAGE, Calif.: 31 August 2015 — Insurers trying to attract new small-business customers face one major hurdle: many small business owners are not aware many providers even provide commercial insurance, according to the J.D. Power 2015 U.S. Small Business Commercial Insurance StudySM released today.

The study, now in its third year, examines overall customer satisfaction and insurance shopping and purchasing behavior among small-business commercial insurance customers with 50 or fewer employees. Overall satisfaction is comprised of five factors (in order of importance): interaction; policy offerings; price; billing and payment; and claims.

For more information on the study, visit <http://www.jdpower.com/resource/jd-power-2013-us-small-business-commercial-insurance-satisfaction-study>.

Less than one-fourth of small-business owners are even aware that nine of the 17 insurance providers included in the study provide insurance for business customers, and no provider has an awareness rate above 46 percent.¹ Providers that primarily focus on personal lines of insurance have much higher awareness rates than commercially focused providers. Five of the six providers with awareness rates above 40 percent for their commercial offerings are among the largest personal line providers, each spending more than \$300 million annually on advertising for their personal line products².

“Advertising clearly is important for providers to build awareness for their business line products,” said **Mark Garrett, director of insurance industry analytics at J.D. Power**. “But advertising alone does not increase your portfolio, as small business owners need to have confidence that a personal line insurance provider can do a good job handling commercial insurance.”

That’s where commercially focused providers differ from personal line insurance providers. The study finds that commercially focused insurers have much lower rates of awareness through advertising, suggesting they develop awareness through their agents/brokers, trade groups and word of mouth from other businesses. The study finds that when awareness comes from an agent/broker or trade group, the consideration rate—the proportion of customers who considered/shopped an insurer among all of the other potential prospects—is 61 percent, compared with only 38 percent when awareness is attributed solely to advertising.

¹ Awareness analysis is based on customer responses from states in which the individual insurance providers write business.

² Source: Dowling & Partners, LLC.

Overall Satisfaction

Overall satisfaction among small business customers is 793 on a 1,000-point scale in 2015, up 10 points from 2014. Improvements in price and policy offerings are primary drivers of the increase in overall satisfaction.

While fewer customers indicate their insurer raised their premiums in 2015 (19% vs. 25% in 2014), their overall satisfaction is higher, compared with those who had an insurer-initiated rate hike in 2014 (646 vs. 624, respectively). The increase in satisfaction is attributed in part to insurers doing a better job communicating the premium hike, as more customers indicate receiving notifications and having discussions with their insurer about available options to reduce the increase.

“Satisfaction is also aided by a ‘halo effect,’ as customers are feeling more positive about the overall outlook for their business,” said Garrett. “We see a 4-percentage point increase in customers feeling ‘better off’ financially and those customers have higher satisfaction—74 points higher than owners who feel their business is ‘worse off’. Furthermore, among customers who had a premium increase due to a change they made to their policy, 57 percent say their business is ‘better off’ than it was last year, suggesting owners are making policy changes to account for their business expanding.”

Garrett noted that the increase in satisfaction with policy offerings is attributed to a significant increase in the variety of coverage options and the variety of contact options available.

KEY FINDINGS

- Communication from a provider when there is a premium change is critical to customer satisfaction. When providers fail to notify customers of a premium change, discuss options, and ensure they completely understand the reason for the increase, satisfaction drops by a notable 170 points.
- Satisfaction with insurance providers among small business commercial customers affects loyalty and advocacy. Among “delighted” customers (overall satisfaction of 900 or greater), 73 percent say they “definitely will” renew with their current provider and 79 percent say they “definitely will” recommend their provider to others. Loyalty drops to 36 percent and advocacy to 45 percent among “pleased” customers (scores of 750 to 899).
- The agent/broker is the most frequently used interaction channel among small business commercial insurance customers (53%). Satisfaction with the agent drops 162 points when the customer believes their agent doesn’t completely understand their business needs.

Small Business Commercial Insurance Customer Satisfaction Rankings

Erie Insurance ranks highest among small business commercial insurers for a third consecutive year, with a score of 827. Erie Insurance performs particularly well in the interaction, policy offerings and billing and payment factors. **State Farm** ranks second with a score of 822, followed by **Farmers** with 818.

The 2015 U.S. Small Business Commercial Insurance Study is based on 3,292 responses from insurance decision-makers in businesses with 50 or fewer employees that purchase general liability and/or property insurance. The study was fielded from April through June 2015.

Media Relations Contacts

Jeff Perlman; Brandware Public Relations; Woodland Hills, Calif.; 818-598-1115;

jperlman@brandwarepr.com

John Tews; Troy, Mich.; 248-680-6218; media.relations@jdpa.com

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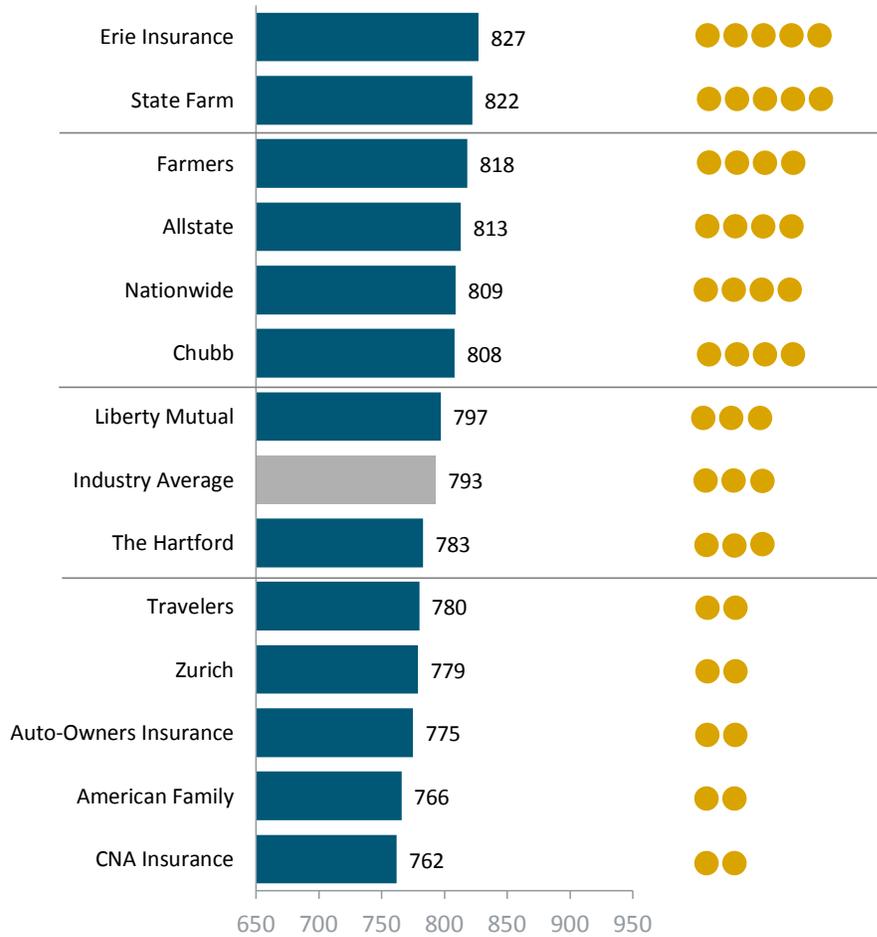
Note: One chart follows.

J.D. Power 2015 Small Business Commercial Insurance StudySM

Customer Satisfaction Index Ranking

(Based on a 1,000-point scale)

**JDPower.com
Power Circle Ratings™
for consumers:**



Included in the study but not ranked due to small sample sizes are AIG, Allied, Cincinnati Insurance and Philadelphia Insurance.

Source: J.D. Power 2015 Small Business Commercial Insurance StudySM

Power Circle Ratings Legend

- Among the best
- Better than most
- About average
- The rest

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