

Satisfaction with Home Insurance Faces Critical Test as Hurricane Losses Mount, J.D. Power Finds

Historical Decline of Catastrophic Losses, Stable Rates Now Threatened by Hurricanes Harvey and Irma

COSTA MESA, Calif.: 18 Sept. 2017 — U.S. homeowners and renters insurance customer satisfaction has reached an all-time high following a multi-year run of declining catastrophic losses and relatively stable pricing, according to the J.D. Power 2017 U.S. Home Insurance Study,SM released today. The ability of insurers to maintain these high levels of customer satisfaction will be tested in the coming months amid the historic property losses and profit strains created by Hurricanes Harvey and Irma.

“Although property insurers have made great strides in overall customer satisfaction over the past several years, the areas where they consistently see the lowest satisfaction scores are price and direct customer service,” said **Greg Hoeg, Vice President of U.S. Insurance Operations at J.D. Power**. “Those two areas in particular will be under enormous stress as insurers address losses from the recent hurricanes.”

These challenges are amplified by the threat of disruption from a new crop of emerging “insurtech” innovators coming to market with lower premiums and state-of-the-art self-service web and mobile customer service technologies. However, traditional service providers are fighting back by partnering with smart home assistants like Amazon Echo and Google Home. When used, these products increase customer engagement and lead to higher satisfaction by increasing awareness of best practices insurers execute but have low awareness due to limited interactions throughout the year.

“The risk to customer satisfaction in the wake of catastrophic events transcends those directly affected and expands to other insureds whose satisfaction with service is also affected by the image of their carrier,” said **Robert Lajdziak, Business Consultant for the North American Insurance Practice at J.D. Power**. “Further, if carriers need to raise rates they need to execute on several best practices that mitigate the potential negative effect associated with premium increases. Examples include ensuring customers understand their policy, explaining what the policy covers and discussing premium change options.”

Following are some key findings of the study:

- **Record-high customer satisfaction among homeowners and renters:** Overall customer satisfaction scores have reached an all-time high of 808 (on a 1,000-point scale) among homeowners and 834 among renters, driven by improvements in policy offerings.
- **Price and direct customer service interactions remain problem spots:** Despite overall rising customer satisfaction scores, the two lowest-performing factors in the customer experience are price and direct interactions with insurance companies via call center, website or assisted online channels. However, multichannel interactions that include direct and live channels throughout the year produce the highest levels of customer satisfaction.
- **Many don’t completely understand policies and coverage:** Overall satisfaction among home insurance customers who understand their policy and the details of what it covers is 92 points

higher than among those who say they do not fully understand their coverage. Despite this huge effect on satisfaction, just 48% of customers say they completely understand their policy.

- **Insurtech innovators pose growing threat:** Start-up insurance industry innovators have raised more than \$7.1 billion globally since 2012 in an attempt to carve out a slice of the home insurance marketplace by offering lower premiums and technologically advanced self-service interactions. While overall awareness of these innovators is still low at just 5% of all property customers, awareness among Millennial¹ customers is more than double that rate (11%). Among Millennials who are aware of these start-up businesses, 29% say they “definitely will” or “probably will” purchase from one in the future.

Study Rankings

Amica Mutual ranks highest in the homeowners insurance segment for a 16th consecutive year, with a score of 866. **Shelter** and **COUNTRY Financial** rank second and third with scores of 850 and 839, respectively.

Erie Insurance ranks highest in the renters insurance segment with a score of 862. **American Family** ranks second with a score of 844. **State Farm** ranks third with a score of 833.

The U.S. Home Insurance Study examines overall customer satisfaction with two distinct personal insurance product lines: homeowners and renters. Satisfaction in the homeowners and renters insurance segments is measured by examining five factors: interaction; policy offerings; price; billing process and policy information; and claims. Satisfaction is calculated on a 1,000-point scale.

The study is based on responses from 15,909 online interviews conducted in June-July 2017.

For more information about the 2017 U.S. Home Insurance Study, visit <http://www.jdpower.com/resource/jd-power-us-household-insurance-study>.

See the online press release at <http://www.jdpower.com/pr-id/2017157>.

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NOTE: Three charts follow.

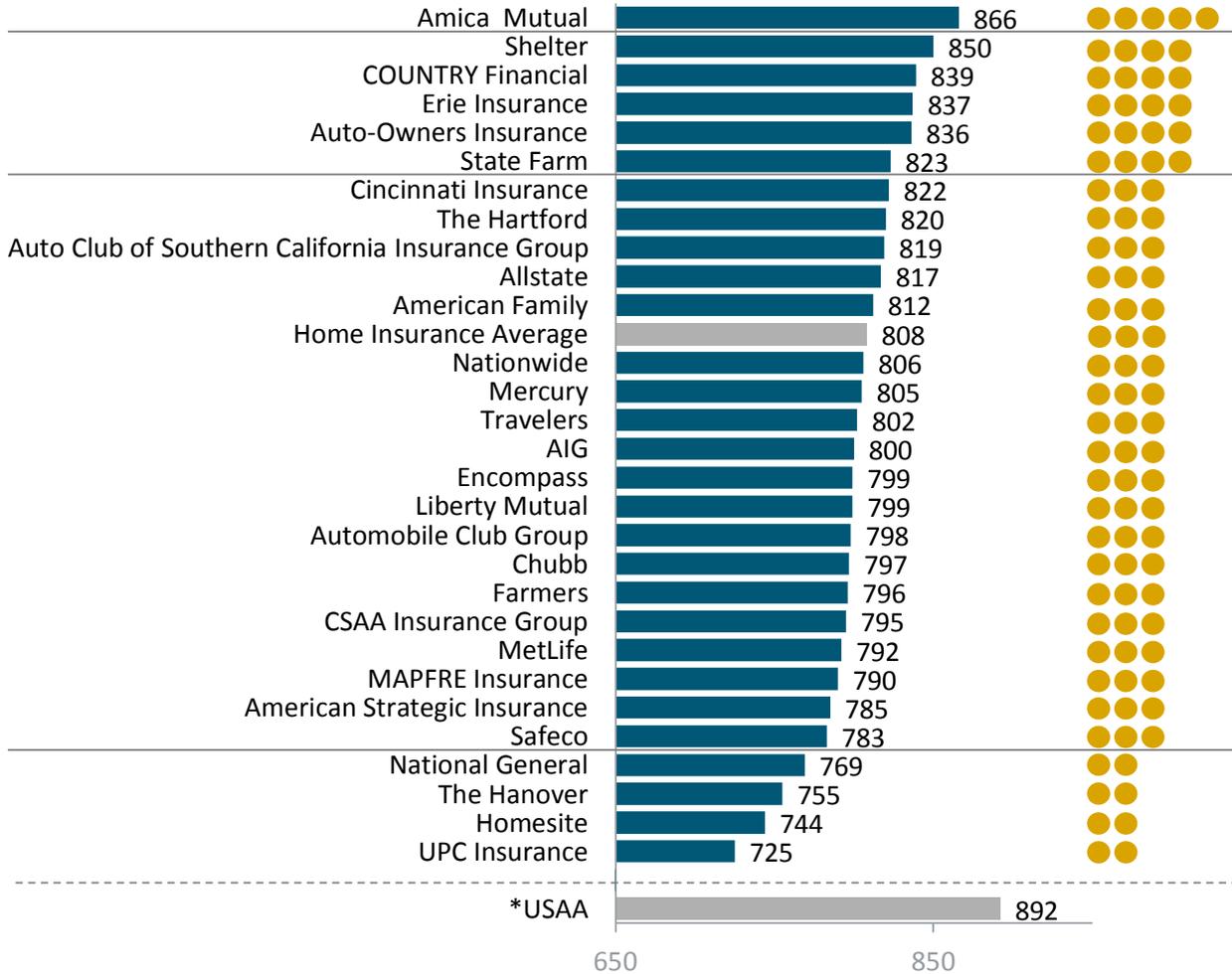
¹ J.D. Power defines Millennials as those born between 1982 and 1994.

J.D. Power 2017 U.S. Home Insurance StudySM

Overall Customer Satisfaction Index Ranking Homeowners Insurance

(Based on a 1,000-point scale)

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Power Circle RatingsTM
for consumers:



Note: *USAA is an insurance provider open only to U.S. military personnel and their families, and therefore is not included in the rankings.

Source: J.D. Power 2017 U.S. Home Insurance StudySM

Power Circle Ratings Legend

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

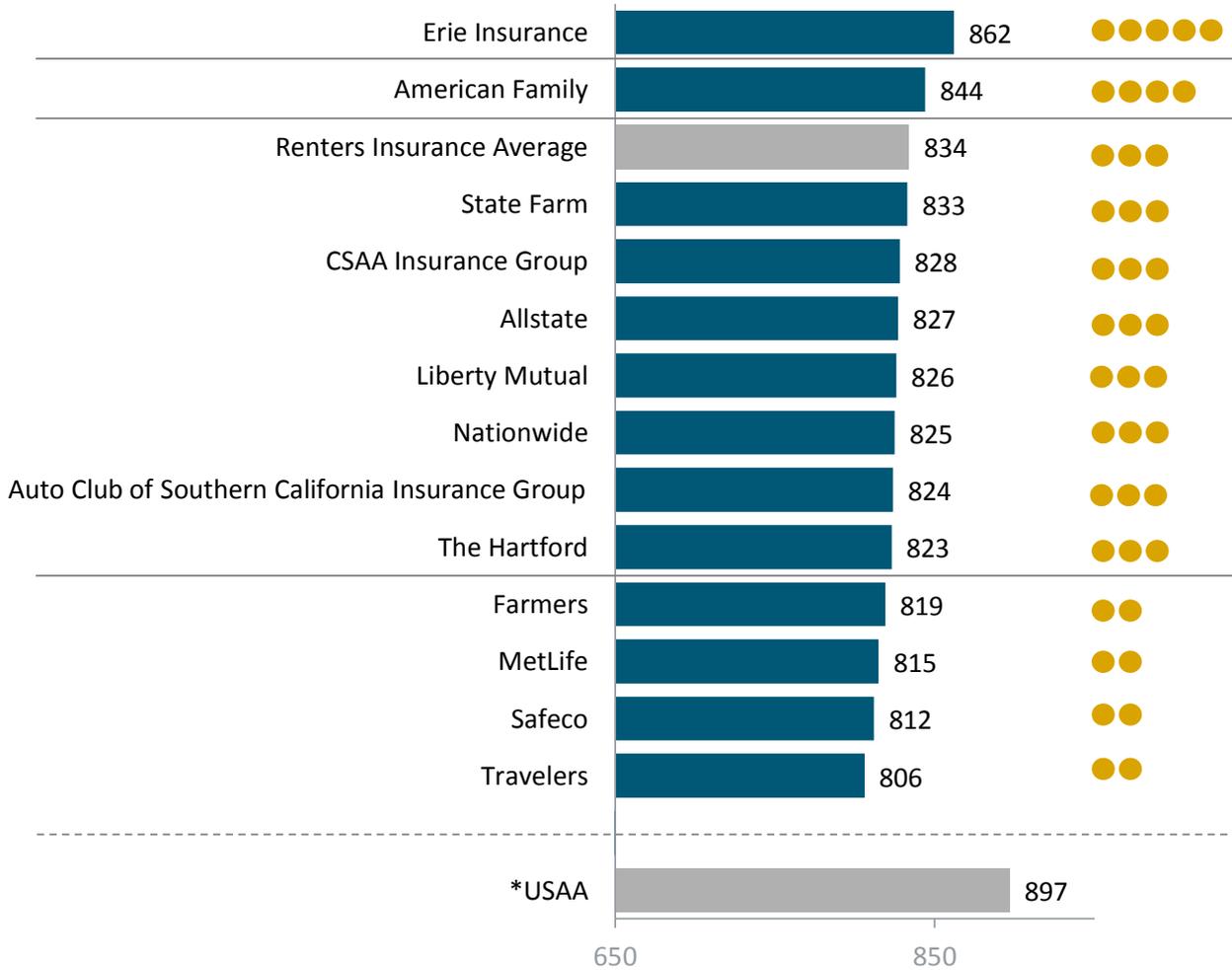
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J.D. Power 2017 U.S. Home Insurance StudySM

Overall Customer Satisfaction Index Ranking Renters Insurance

(Based on a 1,000-point scale)

JDPower.com
Power Circle RatingsTM
for consumers:



Notes: *USAA is an insurance provider open only to U.S. military personnel and their families, and therefore is not included in the rankings. Included in the study but not award-eligible due to not meeting minimum sample requirements is Amica Mutual.

Source: J.D. Power 2017 U.S. Home Insurance StudySM

Power Circle Ratings Legend

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2017 U.S. Home Insurance StudySM

Award-Eligible Home Insurance Companies Included in the Study

<u>Insurer</u>	<u>Key Executive</u>	<u>Company Location</u>
Auto Club Group	Joseph Richardson Jr.	Dearborn, Mich.
Auto Club of Southern California Insurance Group	John Boyle	Los Angeles, Calif.
AIG	Brian Duperreault	New York, N.Y.
Allstate	Tom Wilson	Northbrook, Ill.
American Family	Jack Salzwedel	Madison, Wis.
American Strategic Insurance	John Auer	St. Petersburg Fla.
Amica Mutual	Jeffrey Harrold	Lincoln, R.I.
Auto-Owners Insurance	Jeffrey Harrold	Lansing, Mich.
Chubb	Evan Greenberg	Warren, N.J.
Cincinnati Insurance	Steven J. Johnston	Fairfield, Ohio
COUNTRY Financial	Kurt Bock	Bloomington, Ill.
CSAA Insurance Group	Paula Downey	Walnut Creek, Calif.
Encompass	Pat Macellaro	Northbrook, Ill.
Erie Insurance	Timothy NeCastro	Erie, Pa.
Farmers	Jeffrey Dailey	Woodland Hills, Calif.
Homesite	Fabian Fondriest	Boston, Mass.
Liberty Mutual	David Long	Boston, Mass.
MAPFRE Insurance	Alfredo Castelo	Webster, Mass.
Mercury	Gabriel Tirador	Los Angeles, Calif.
MetLife	Steven Kandarian	New York, N.Y.
National General	Barry Karfunkel	Winston-Salem, N.C.
Nationwide	Stephen Rasmussen	Columbus, Ohio
Safeco	Matthew Nickerson	Boston, Mass.
Shelter Insurance	Rick Means	Columbia, Mo.
State Farm	Michael Tipsord	Bloomington, Ill.
The Hanover	Joseph M. Zubretsky	Worcester, Mass.
The Hartford	Christopher Swift	Hartford, Conn.
Travelers	Allan Schnitzer	New York, N.Y.
UPC Insurance	John Forney	St. Petersburg, Fla.
USAA	Stuart Parker	San Antonio, Texas

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