

Multiple Policies Lead to Greater Satisfaction and Loyalty among Homeowners Insurance Customers

by NAMIC

Homeowners insurance policyholders who subscribe to at least one additional policy with their insurer tend to be more satisfied than those who only have a homeowners insurance policy, according to the J.D. Power and Associates 2007 Homeowners Insurance Study(SM) released Oct. 18.

The study finds that a large majority of homeowners insurance policyholders -- 70 percent -- obtain additional products from their insurer, and that customer satisfaction increases as the number of bundled products rises. Customers with only one policy provide an average satisfaction score of 640 points on a 1,000-point scale, which is 175 points lower than customers who hold five or more insurance products with the same insurer.

Customers who bundle multiple policies also tend to renew them at a considerably higher rate compared with customers who have only one policy. In addition, premiums generated by customers who bundle auto and homeowners policies can average \$2,000 or more annually. Insurers that promote bundling multiple policies may benefit from higher premiums, higher retention rates, and higher customer satisfaction.

"Policyholders can enjoy many benefits through bundling multiple insurance products under a single provider, such as convenience in billing processes and multiple-policy discounts," said Jeremy Bowler, senior director of the insurance practice at J.D. Power and Associates. "In addition to higher satisfaction levels, customers who bundle products with their homeowners insurance carrier also tend to be more loyal and renew each policy at a higher rate than customers who purchase each policy from a separate provider. Offering bundled packages and effectively communicating their availability to policyholders can greatly impact the financial bottom line for providers."

For a sixth consecutive year, Amica Mutual ranks highest among homeowners insurance providers, performing particularly well in all five factors contributing to overall customer satisfaction: policy offerings, price, billing and payment, interaction, and claims.

Following Amica in the rankings are Erie, Cincinnati, State Farm, COUNTRY, Auto Club of Southern California, and American Family, respectively. USAA, an insurance provider open only to the U.S. military community and their families and therefore not included in the rankings, also achieves a high level of customer satisfaction.

The study also finds that 29 percent of homeowners insurance policyholders report they don't know the type of replacement cost coverage they have, and these customers tend to be considerably less satisfied with their insurer. Additionally, only 59 percent of customers say they have informed their homeowners insurance provider about major home improvements that would affect coverage amounts.

"In the face of increasing home-building costs, it is particularly important for customers to be knowledgeable about the type of coverage they have, and to make sure it is sufficient to repair or replace their home in case weather-related disaster strikes," said Bowler. "Customers may think they are saving money by not informing their insurer about home improvements, but in the event that something happens to their home, a customer may be disappointed with the harsh reality of their policy not covering needed repairs."

The study results also include the following key patterns:

The most popular bundling option among multiple-policy holders is the combination of homeowners insurance with auto insurance.

While one in five policyholders indicate they have shopped for a new homeowners insurer within the past 12 months, only 12 percent say they switched carriers between 2006 and 2007.

Customers who report that their insurance company has re-evaluated the replacement cost of their home within the past 12 months are considerably more satisfied than customers whose home replacement cost has not been examined since they initially purchased their homeowners insurance policy.

Nearly one-fourth of all homeowners insurance policyholders indicate they have contacted their insurer regarding a billing statement issue. Of these policyholders, the majority report they were dissatisfied with the experience. In addition, more than one-fourth of policyholders indicate they have never received an adequate explanation of their bill, despite needing one.

The 2007 Homeowners Insurance Study is based on responses from 10,903 homeowners insurance policy

holders across the country. To view ratings on homeowners insurance providers, visit JDPower.com.

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