

by NAMIC

The gap in customer satisfaction between homeowners and auto insurance providers has steadily widened since 2004, with homeowners insurance customer satisfaction remaining essentially flat during the past five years, according to the J.D. Power and Associates 2008 "Homeowners Insurance Study" released Oct. 6. Now in its eighth year, the study measures customer satisfaction with homeowners insurance policies by examining five key factors: policy offerings, price, billing and payment, interaction, and claims.

The study finds that customer satisfaction with homeowners insurance during the past five years shifted only one index point from an average score of 753 on a 1,000-point scale in 2004 to 752 in 2008. Although some improvements have been noted in the policy offering factor, the lack of improvement in customer satisfaction with homeowners insurance providers is primarily driven by declines in scores in the claims and pricing factors.

In contrast, satisfaction with auto insurers has steadily increased during the same time period " it is up 25 points from 2004 to a score of 787 in 2008, according to the J.D. Power and Associates 2008 "National Auto Insurance Study." In particular, satisfaction with pricing has driven steady improvement in satisfaction with auto insurance providers.

"Catastrophic storms that have occurred during the past five years have motivated many homeowners insurance providers to limit their exposure in the geographic areas that are most at risk," said Jeff Leiman, senior director of the insurance practice at J.D. Power and Associates. "As a result of heavy losses, coverage in the affected areas is more difficult to obtain and policies are more expensive nationwide."

The study finds that satisfaction levels are particularly high among policyholders who bundle multiple policies with their homeowners insurance provider. Satisfaction averages 782 when policyholders bundle home and auto insurance policies, compared with an average of 689 among policyholders who do not.

"Bundling multiple policies delivers benefits to both policyholders and providers," said Leiman. "The practice allows providers to capture additional business and policyholders to qualify for additional discounts. More than 90 percent of those who bundle policies renew those policies with their provider while only 82 percent of non-bundlers do the same."

Amica Mutual ranks highest for a seventh consecutive year among homeowners insurance providers, performing particularly well in all five factors that contribute to overall customer satisfaction. Following Amica in the rankings are Auto Club of Southern California, Cincinnati Insurance, Erie Insurance, and Shelter, 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 the following homeowners insurance trends:

* Nearly 50 percent of homeowners insurance policyholders report being offered an annual policy review. Satisfaction levels are considerably higher among policyholders who receive this offer than those who do not. * In 2008, 42 percent of homeowners report experiencing an increase in premiums. While a premium increase can have a negative impact on customer satisfaction, the adverse effects can be dramatically minimized through effective notification to policyholders followed by a discussion of policy alternatives.

The 2008 "Homeowners Insurance Study" is based on responses from more than 12,900 homeowners insurance policyholders. The study was fielded in May and June 2008.

Source: J.D. Power and Associates

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