

The Number of Customers Shopping for New Insurance Providers Declines

by NAMIC

Erie Insurance ranks highest among auto insurance companies in satisfying new buyers with the purchase experience for a second consecutive year, according to the J.D. Power and Associates 2009 Insurance Shopping Study released June 23.

With a score of 893 on a 1,000-point scale, Erie Insurance ranks highest and performs well across all three factors driving satisfaction—distribution channel, price, and policy offerings. American Family ranks second overall with a score of 891, followed by The Hartford (889) and GEICO (886).

“For customers to be especially satisfied with their insurer during the shopping experience, it’s important for them to think about how they prefer to be served—by a local agent, a centralized call center, a website or some combination of these three channels,” said Jeremy Bowler, senior director of the insurance practice at J.D. Power and Associates. “Depending on the channel favored by the customer, one insurer may be a better choice than others based on their strength in that particular channel.”

For example, among the four highest-ranked insurance companies in the study, Erie Insurance and American Family sell primarily through local-market insurance agents. The Hartford has particular strength in its call center while GEICO customers indicate they are particularly pleased with the GEICO website.

The study finds that fewer insurance customers are shopping for another provider—28 percent, compared with 36 percent in 2008. Across the industry, 90 percent of auto insurance customers are retained by their current provider.

“The decline in the number of customers shopping and switching insurance providers may in part be due to the current economic situation, as many customers are employing a hunker-down mentality,” said Bowler. “Most customers would prefer to hold tight to their current provider, which they already know, rather than risk trying a new provider, particularly amid negative coverage surrounding a number of insurance providers recently.”

However, the study also finds that price is the most often cited reason for shopping for a new auto insurance provider. Among those customers who mention price as a shopping trigger, 66 percent say they just wanted to see if they were getting the best price while 25 percent cite an actual price increase, and 5 percent say they shopped because they received an unsolicited offer from another insurer. More than one-third of customers who shop because of price ultimately switch insurers.

“Shoppers don’t always go with the insurer providing the lowest quote—10 percent of shoppers say they did not purchase from the brand that offered the lowest price among the quotes they received,” said Bowler. “While price may catch the attention of potential insurance customers, low prices alone won’t retain customers in the long run without a high level of service.”

The 2009 Insurance Shopping Study examines the purchase behaviors and overall satisfaction of buyers who shop for a new auto insurance company. The study is based on responses from more than 13,500 consumers who requested an auto insurance price quote from at least one competitive insurer in the past 12 months and includes 63,517 unique carrier evaluations. The study was fielded from February 2009 to March 2009.

Source: J.D. Power and Associates

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