

Customer Satisfaction with Homeowners Insurance Companies Declines to a Five-Year Low

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WESTLAKE VILLAGE, Calif — Overall customer satisfaction with homeowners insurance companies has declined to the lowest level in five years, primarily due to considerable decreases in satisfaction with policy offerings and service interactions, according to the J.D. Power and Associates 2010 U.S. National Homeowners Insurance StudySM released today.

Now in its 10th year, the study measures customer satisfaction with homeowners insurance companies by examining five key factors: policy offerings; price; billing and payment; interaction; and claims.

Overall satisfaction with homeowners insurance companies averages 750 on a 1,000-point scale in 2010—decreasing by 23 points from 2009. While satisfaction has declined in four of the five factors from 2009 (all except claims), the greatest declines are in the policy offerings and interaction factors.

Negative perceptions of homeowners insurance policy offerings may stem from two issues in particular: an abundance of advertising from insurers promoting discounts on auto insurance and policyholders' general lack of understanding of their homeowners insurance policies and how home premiums are determined.

“Homeowners insurance policyholders are already price sensitive due to the economy,” said Jeremy Bowler, senior director of the insurance practice at J.D. Power and Associates. “Approximately 50 percent of customers don’t have a clear understanding of how much coverage or what type of coverage they have on their home, and may have erroneously expected their premiums to decrease just as home values have declined since 2008. As a result, many customers believe their policies are not aligned with their property values and express dissatisfaction.”

Nearly one-third of policyholders indicate they recently contacted their homeowners insurer regarding their policy coverage or renewals during the past 12 months. However, satisfaction with these interactions has declined from 2009, due to deteriorating perceptions of the insurer’s timeliness in resolving customer issues.

The study finds that, across all generational age groups, customers who bundle auto and homeowners insurance policies are notably more satisfied and likely to renew with their insurer, compared with customers who do not bundle their policies. However, bundling has the most notable positive effect on retention among customers in the Gen Y demographic group (those born between 1977 and 1994), compared with other generational groups. Retention rates among Gen Y auto insurance customers who do not bundle average 72 percent, while retention among Gen Y customers who bundle their auto and homeowners policies averages 92 percent—a 20-percentage-point gain. For customers in the Gen X (those born between 1965 and 1976) and Baby Boomer (those born between 1946 and 1964) generational groups, the gains average 11 percentage points and nine percentage points, respectively.

“Currently, nearly 40 percent of Gen Y consumers own a home,” said Bowler. “Insurers that can successfully convince Gen Y home insurance policyholders to bundle their home and auto policies may be positioning themselves for the financial benefits of retaining this growing generation.”

The 2010 U.S. National Homeowners Insurance Study is based on responses from more than 12,900 homeowners insurance customers. The study was fielded between April and June 2010.

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