

Press Release

J.D. Power Reports:

Canadian Home Insurance Customer Satisfaction Declines Substantially, with Increasing Premiums and Deteriorating Claims Services

TORONTO: 1 August 2013 —Overall customer satisfaction with Canadian home insurance companies declines substantially as premiums increase and claims service levels deteriorate across all regions, according to the J.D. Power 2013 Canadian Home Insurance StudySM released today.

The annual study examines customer satisfaction with their home insurer by examining five factors: interaction; billing and payment; claims; policy offerings; and price.

Overall customer satisfaction declines nationally to 761 (on a 1,000-point scale) from 769 in 2012. Notably, in the Western Region satisfaction declines by 13 points to 741, compared with a slight decline in both the Atlantic/Ontario (754) and Quebec (807) regions year-over-year.

The decrease in customer satisfaction in the Western Region is primarily driven by year-over-year declines in price, down 32 points to 669, and claims, down 30 points to 738. In the wake of recent severe weather events, insurers have been raising rates to adequately cover anticipated claims, which has negatively impacted satisfaction.

The study finds that when home insurance companies do not notify customers of a premium change through their preferred communication method, satisfaction declines by 74 points.

However, when insurers proactively provide a policy review with customers and discuss coverage options, overall satisfaction may improve. For example, when customers in the Western Region were contacted by their insurer to discuss a premium increase, including any policy options they may have to mitigate costs, satisfaction improved by more than 50 points. Even when customers did not choose to make any changes to their policy, the conversation provided an opportunity for insurers to further educate customers on the value of their current coverage. In general, the larger the premium increase amount, the larger the decline in customer satisfaction. Any premium increase of more than \$40 is perceived as significant by customers.

“Home insurance companies need to do a better job keeping their customers informed about price increases,” said Jeremy Bowler, senior director of the insurance practice at J.D. Power. “No homeowner wants a price increase initiated by their insurance company; however, they may be more tolerant of a rate adjustment when their insurer explains the reason for the increase. Once a homeowner understands the value of the policy coverage and price change, the more likely they are to be satisfied. Furthermore, informing customers of ways they might mitigate the added expense through adjustments to their coverage and deductibles improves satisfaction. Managing customer expectations plays a key role in customer satisfaction with price.”

KEY FINDINGS

- Overall customer satisfaction with home insurers in Canada declines to 761 from 769 in 2012.
- Customer satisfaction declines substantially in the Western Region by 13 points to 741.
- Price increases and poor claims service account for year-over-year declines of 32 points in the price factor and 30 points in the claims factor in the Western Region.

According to the study, satisfaction with the claims experience has declined dramatically in the Western and Atlantic/Ontario regions from 2012—by 30 and 31 points, respectively—falling below the industry average of 757. When customers file their first home insurance claim, it is often the first time they fully understand what their policy covers. Therefore, claims service is a vital part of customer satisfaction. Many steps in the claims service process affect customer satisfaction. The initial call to report the claim sets the tone for the entire experience. Satisfaction among customers who receive an explanation of what to expect throughout the entire claims process is higher than among those who do not receive an explanation—a difference of 179 points. In the Western and the Atlantic/Ontario regions, the proportion of customers indicating they received an explanation of the claims process declines by 5 percentage points and 6 percentage points, respectively.

An agent or broker's involvement in the claims process may substantially improve customer satisfaction. Agent/broker interaction typically may include such activities as taking customers' claim reports, providing guidance on the claims process or filling the role of the adjuster. Additionally, only 68% of customers are contacted post-claim by their insurer or agent. Following up with customers once the claims process is complete may be extremely beneficial in addressing any potential service issues, as well as building long-term loyalty.

"An insurance policy is unique in that customers purchase it hoping they never need to use it. For those unfortunate enough to need to file a claim, this is often the first time that customers truly get to judge whether their trust in the insurer was well placed," according to Lubo Li, senior director of financial services and insurance at J.D. Power, Toronto. "This is where insurers can make or break their customer relationships. Insurance companies that provide a satisfying claims experience are more likely to have loyal customers who will be far more likely to renew their policies each year and more often recommend their insurer or agent to others."

Overall, loyalty has declined year over year, with 39 percent of customers indicating they are likely to renew their policy with their current insurer, compared with 41 percent in 2012. The likelihood that customers will recommend their current insurer drops to 33 percent in 2013 from 36 percent in 2012.

Western Region:

BCAA ranks highest in the Western Region with a score of 782. Following BCAA in the rankings are Alberta Motor Association (767) and Johnson Insurance (765).

Atlantic/Ontario Region:

Grey Power (791) ranks highest in the Atlantic/Ontario Region. Belairdirect and The Co-operators follow in the rankings with scores of 789 and 780, respectively.

Quebec Region:

Industrial Alliance (827) ranks highest in the Quebec Region, closely followed by L'Union Canadienne (822) and Intact Insurance (820).

The 2013 Canadian Home Insurance Study is based on responses from 7,808 home insurance customers. The survey data was collected from April 2013 through May 2013.

About J.D. Power

J.D. Power is a global marketing information services company providing performance improvement, social media and customer satisfaction insights and solutions. The company's quality and satisfaction measurements are based on responses from millions of consumers annually. Headquartered in Westlake

Village, Calif., J.D. Power has offices in North/South America, Europe and Asia Pacific. For more information on [car reviews and ratings](#), [car insurance](#), [health insurance](#), [cell phone ratings](#), and more, please visit [JDPower.com](#). J.D. Power is a business unit of McGraw Hill Financial.

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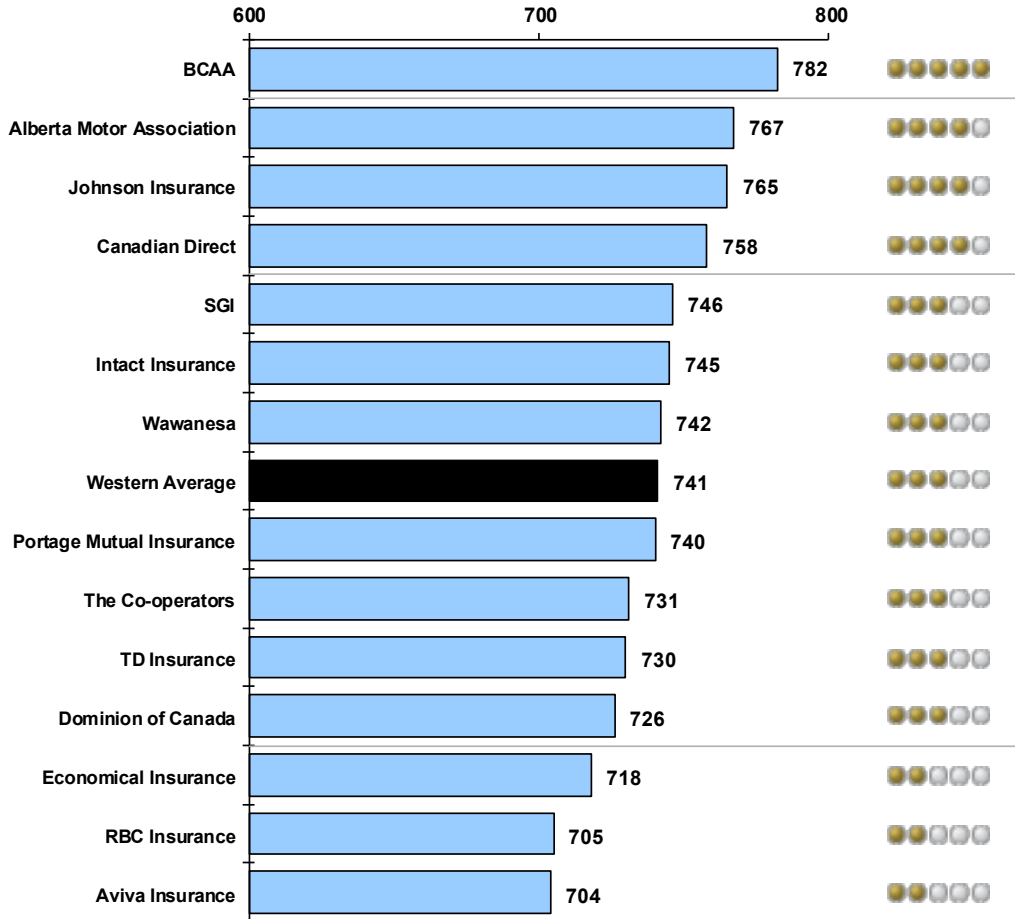
NOTE: Three charts follow.

J.D. Power 2013 Canadian Home Insurance StudySM

Customer Satisfaction Index Ranking Western Region

(Based on a 1,000-point scale)

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Note: Included in this study, but not ranked due to low sample size, are State Farm, The Personal and Allstate.

Source: J.D. Power 2013 Canadian Home Insurance StudySM



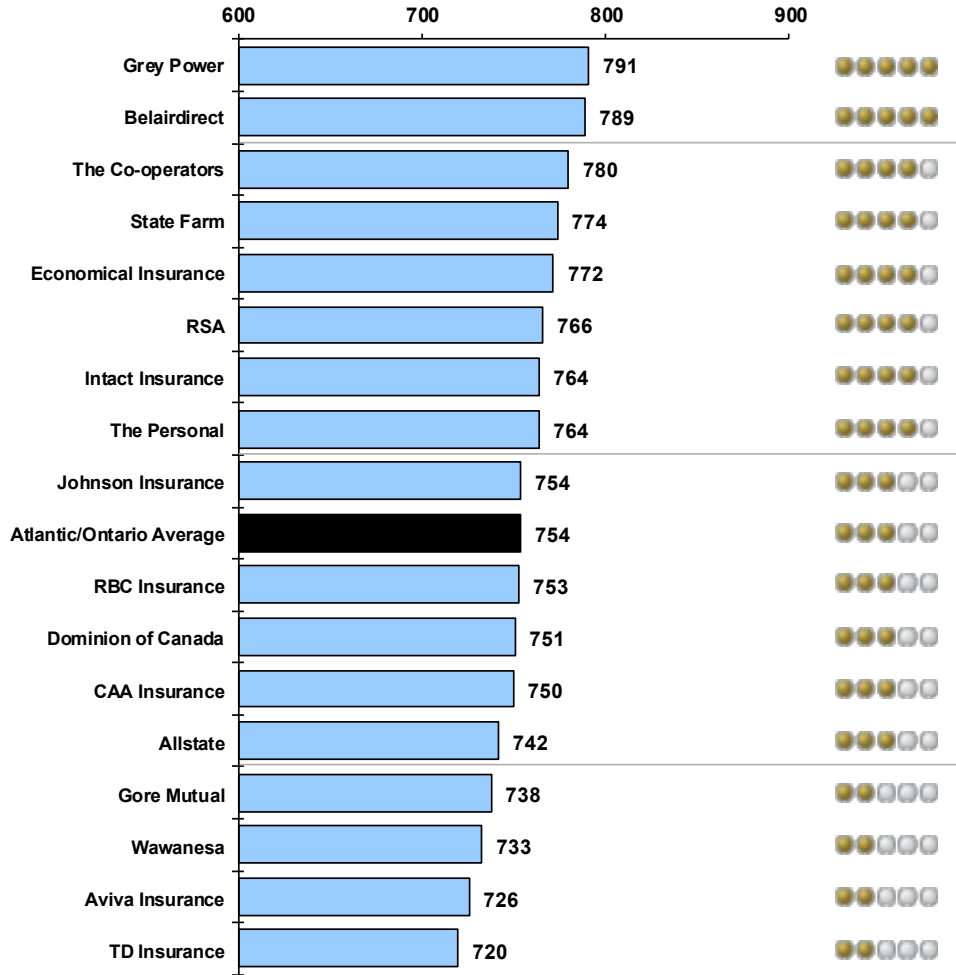
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J.D. Power 2013 Canadian Home Insurance StudySM

Customer Satisfaction Index Ranking Atlantic/Ontario Region

(Based on a 1,000-point scale)

**JDPower.com
Power Circle RatingsTM**
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Note: Included in this study, but not ranked due to low sample size, is Desjardins General Insurance.

Source: J.D. Power 2013 Canadian Home Insurance StudySM



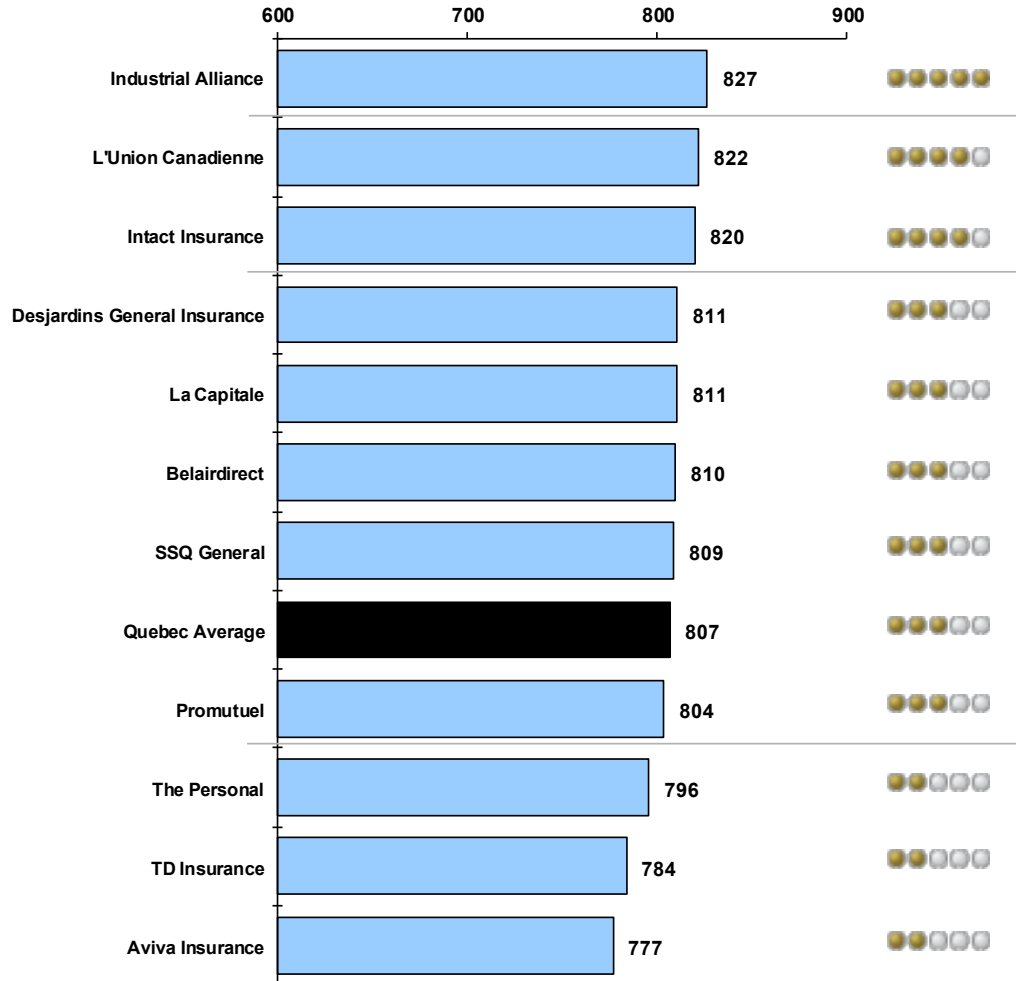
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J.D. Power 2013 Canadian Home Insurance StudySM

Customer Satisfaction Index Ranking Quebec Region

(Based on a 1,000-point scale)

JDPower.com
Power Circle RatingsTM
for consumers:



Note: Included in this study, but not ranked due to low sample size, is National Bank Insurance.

Source: J.D. Power 2013 Canadian Home Insurance StudySM



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