

J.D. Power Reports:

Auto Insurance Customer Satisfaction Declines Compared with 2012 Primarily Due to Higher Rates

Insurers Achieve Higher Satisfaction Scores When They Discuss Rate Increases with Customers Prior to Renewal Notification

WESTLAKE VILLAGE, Calif.: 24 June 2013 — Driven by lower satisfaction with price and policy offerings, overall customer satisfaction with auto insurance companies declines in 2013 from an all-time high in 2012, but remains comparatively high relative to the previous decade, according to the J.D. Power 2013 U.S. Auto Insurance StudySM released today.

The study measures customer satisfaction across five factors: interaction, price, policy offerings, billing and payment and claims. Overall satisfaction with auto insurance companies is 794 (on a 1,000-point scale), down 10 points from 2012. Despite this drop, satisfaction in 2013 is the second-highest level since the study launched in 2000.

Scores across all five factors have decreased year over year, with price and policy offerings both declining by 13 points. These two factors are the primary forces contributing to lower overall satisfaction.

“In 2013, there is a sharp rise in the number of customers who have experienced premium increases,” said Jeremy Bowler, senior director of the global insurance practice at J.D. Power. “The dollar amount of those increases is also larger, averaging \$153 in 2013, compared with an average rate increase of \$113 reported in the 2012 study.”

There is a direct relationship between the size of the premium increase and the proportion of affected customers who switch insurers. While only 9 percent of customers who experienced an annual rate increase of \$50 or less switched insurers, the switching rate nearly doubles to 18 percent when the increase is between \$51 and \$100, and to 32 percent when the increase is more than \$200.

Customers are More Tolerant of Rate Increases When Their Insurer Communicates Reasons

Rather than making changes to their existing policy, many customers are opting to shop and switch to a new insurer when their rates go up. This is because many companies are not adequately notifying customers prior to sending a renewal letter or making efforts to review possible options customers may take to mitigate the impact of a rate change. When customers receive pre-notification, and discuss their options prior to renewal, satisfaction averages 698, 67 points higher than among customers whose did not get to discuss a rate increase prior to renewal.

“In today’s low-interest market, many insurers are filing for new rate structures in order to rectify underwriting losses,” said Bowler. “To prepare for the likely downturn in customer sentiment and risk of increased attrition following a premium increase, insurers need to do a better job of proactively reaching out to their customers and explaining the reasons behind the rate increases.”

The study finds that only 16 percent of customers with a rate increase indicate that they had a discussion with their insurer regarding potentially changing their coverage.

Among the five factors, price satisfaction is lowest at 716—more than 100 points lower than the average scores for interaction and claims.

“Generally, customers typically have little understanding of how their rates are set by their insurer, or why prices may vary by sometimes hundreds of dollars between companies when they shop for multiple quotes,” said Bowler. “We’ve seen many companies focus on communicating discounts to strengthen customer perception of value. But the introduction of personal driving data characteristics in establishing discounts, and hence rates, represents another significant step forward for the industry in terms of better communicating price to customers.”

Regional Overview

The study has expanded its regional methodology in 2013 to include 11 regions, including four state-specific regions. Similar to the overall industry, satisfaction has declined in each of the regions, compared with 2012, although the magnitude of the change varies by region.

California: Wawanesa (820) ranks highest among award-eligible insurers in the California region, followed by State Farm (812) and The Hartford (811).

Central: State Farm (833) ranks highest among award-eligible insurers in the Central region, followed by Auto-Owners Insurance (821) and Shelter (817).

Florida: MetLife (808) ranks highest among award-eligible insurers in the Florida region, followed by The Hartford (802) and State Farm (800).

Mid-Atlantic: State Farm (836) ranks highest among award-eligible insurers in the Mid-Atlantic region, followed by Erie Insurance (826) and GEICO and The Hartford in a tie (811 each).

New England: Amica Mutual (850) ranks highest among award-eligible insurers in the New England region, followed by GEICO and State Farm in a tie (794 each) and The Hartford (793).

New York: New York Central Mutual (814) ranks highest among award-eligible insurers in the New York region, followed by State Farm (807) and Travelers (783).

North Central: Auto-Owners Insurance (833) ranks highest among award-eligible insurers in the North Central region, followed by State Farm (824) and Erie Insurance (823).

Northwest: PEMCO Insurance (834) ranks highest among award-eligible insurers in the Northwest region, followed by The Hartford (820) and Mutual of Enumclaw (813).

Southeast: Tennessee Farm Bureau (850) ranks highest among award-eligible insurers in the Southeast region, followed by State Farm (822) and North Carolina Farm Bureau (821).

Southwest: State Farm (824) ranks highest among award-eligible insurers in the Southwest region, followed by The Hartford (821) and GEICO (809).

Texas: Texas Farm Bureau (862) ranks highest among award-eligible insurers in the Texas region, followed by GEICO (815) and State Farm (810).

Compared with 2012, the Central region declines the least in overall satisfaction (four points), while the Texas region declines the most (23 points).

New Jersey Manufacturers Insurance Company (NJM) and USAA also achieve high levels of customer satisfaction in the study, although they are not included in the rankings due to the closed natures of their respective memberships.¹

About J.D. Power

Headquartered in Westlake Village, Calif., 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. 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.

About McGraw Hill Financial

McGraw Hill Financial, a financial intelligence company, is a leader in credit ratings, benchmarks and analytics for the global capital and commodity markets. Iconic brands include: Standard & Poor's Ratings Services, S&P Capital IQ, S&P Dow Jones Indices, Platts, CRISIL, J.D. Power, McGraw-Hill Construction and Aviation Week. The Company has approximately 17,000 employees in 27 countries. Additional information is available at <http://www.mhfi.com>.

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NOTE: Eleven charts follow.

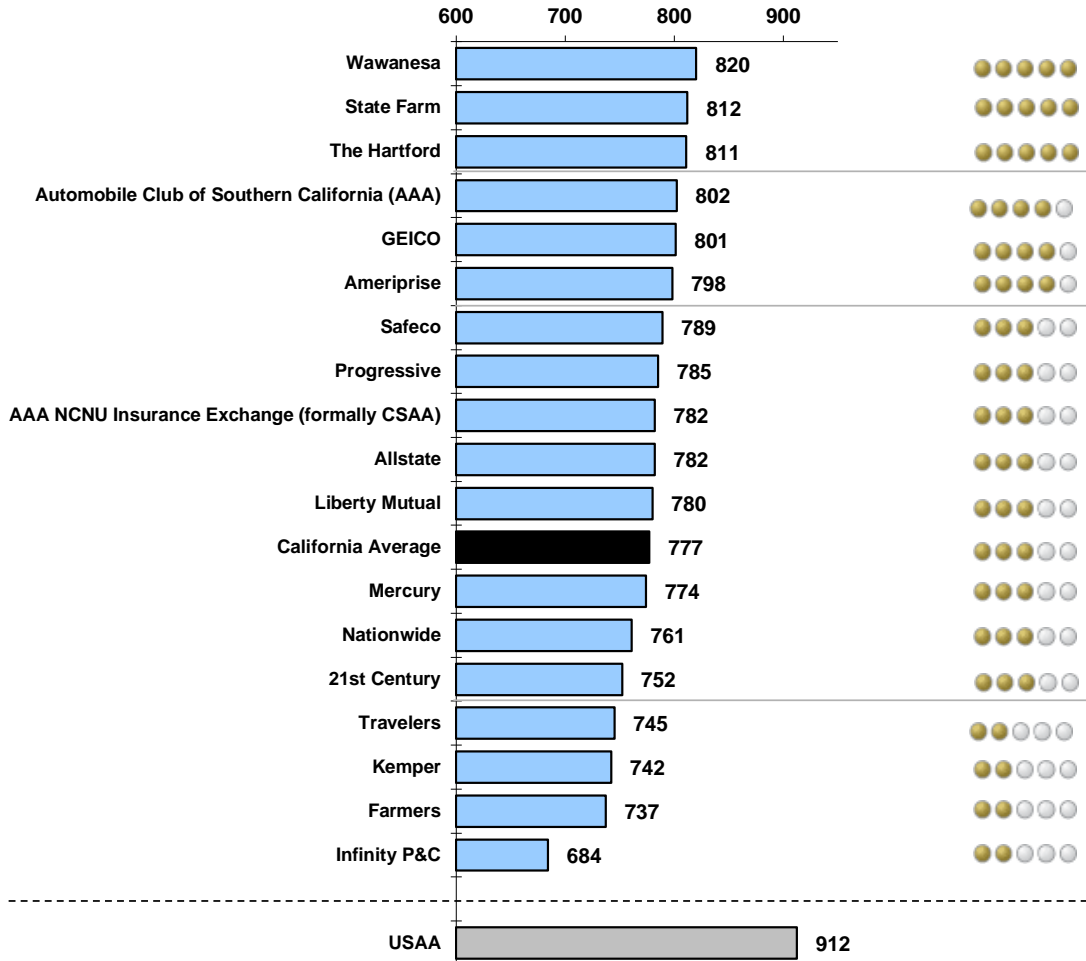
¹ USAA is an insurance provider open only to U.S. military personnel and their families. New Jersey Manufacturers Insurance Company is open only to New Jersey Business & Industry Association members, State of New Jersey employees, NJM's previously insured drivers and/or previous/current auto/homeowner policyholders.

J.D. Power 2013 U.S. Auto Insurance StudySM

Customer Satisfaction Index Ranking California Region

(Based on a 1,000-point scale)

JDPower.com
Power Circle RatingsTM
for consumers:



*USAA is an insurance provider open only to U.S. military personnel and their families and therefore is not included in the rankings.

Source: J.D. Power 2013 U.S. Auto Insurance StudySM

Power Circle Ratings Legend

- Among the best
- Better than most
- About average
- The rest

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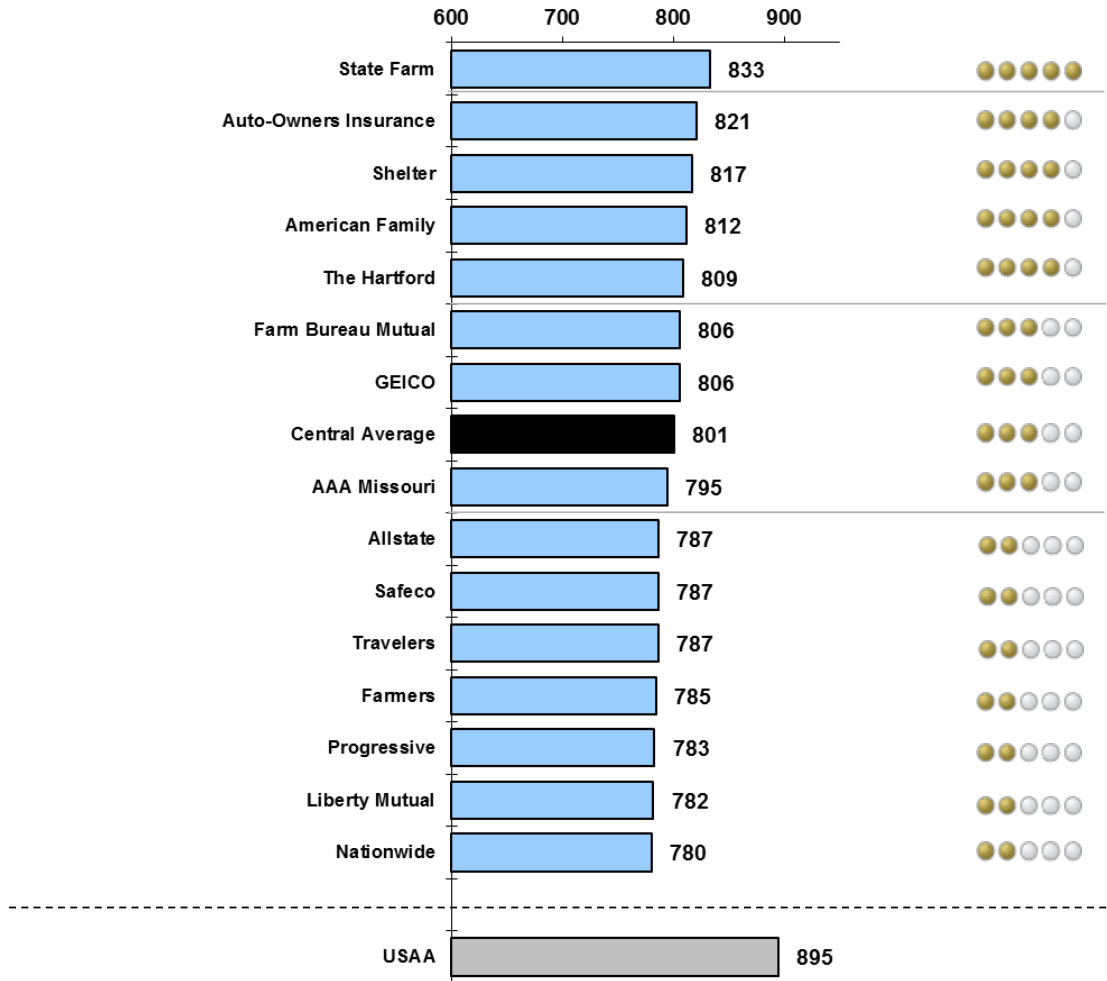
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Customer Satisfaction Index Ranking

Central Region

(Based on a 1,000-point scale)

JDPower.com
Power Circle RatingsTM
for consumers:



*USAA is an insurance provider open only to U.S. military personnel and their families and therefore is not included in the rankings.

Included in the Central region are: North Dakota, South Dakota, Minnesota, Nebraska, Iowa, Kansas, Missouri, Oklahoma and Arkansas.

Source: J.D. Power 2013 U.S. Auto Insurance StudySM

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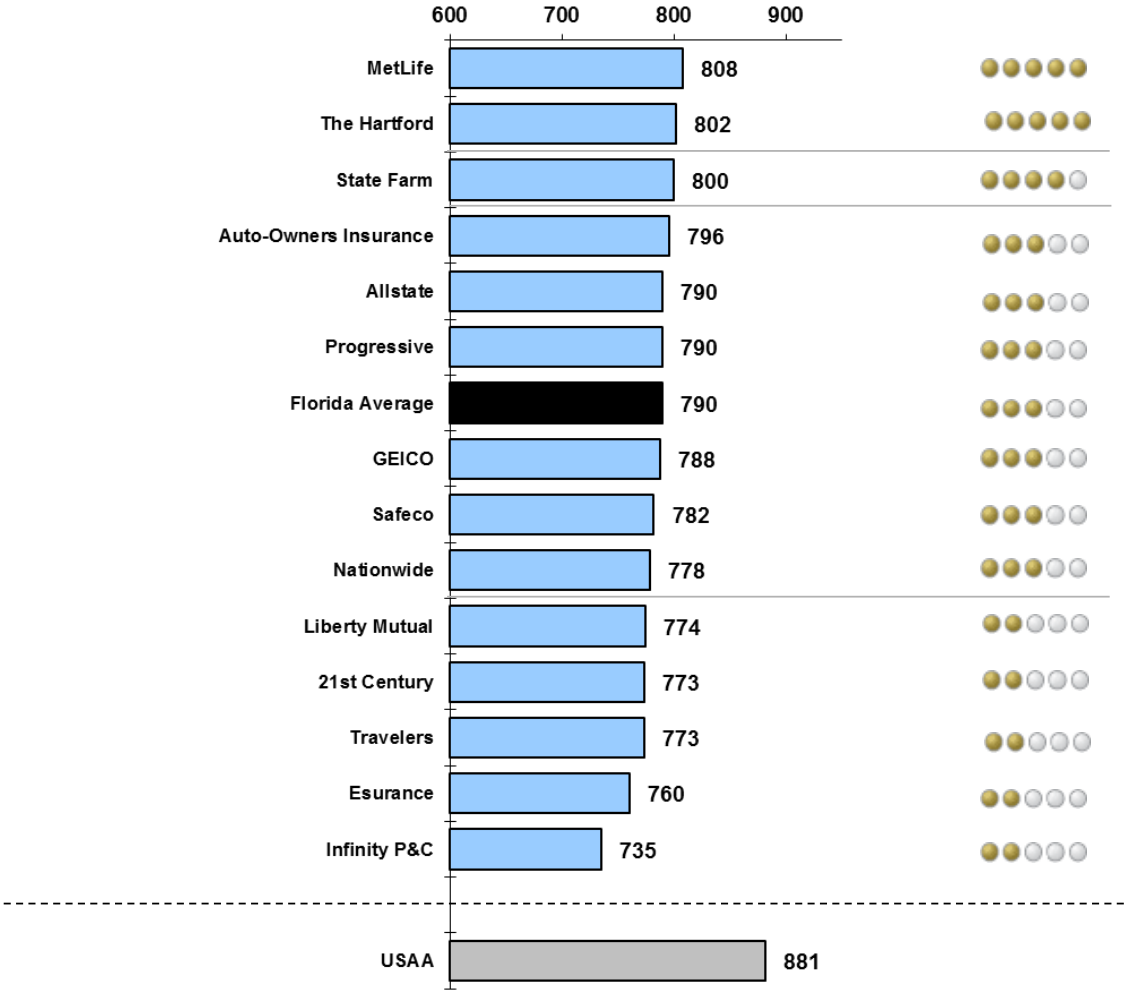
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Customer Satisfaction Index Ranking

Florida Region

(Based on a 1,000-point scale)

JDPower.com
Power Circle RatingsTM
for consumers:



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Source: J.D. Power 2013 U.S. Auto Insurance StudySM

Power Circle Ratings Legend

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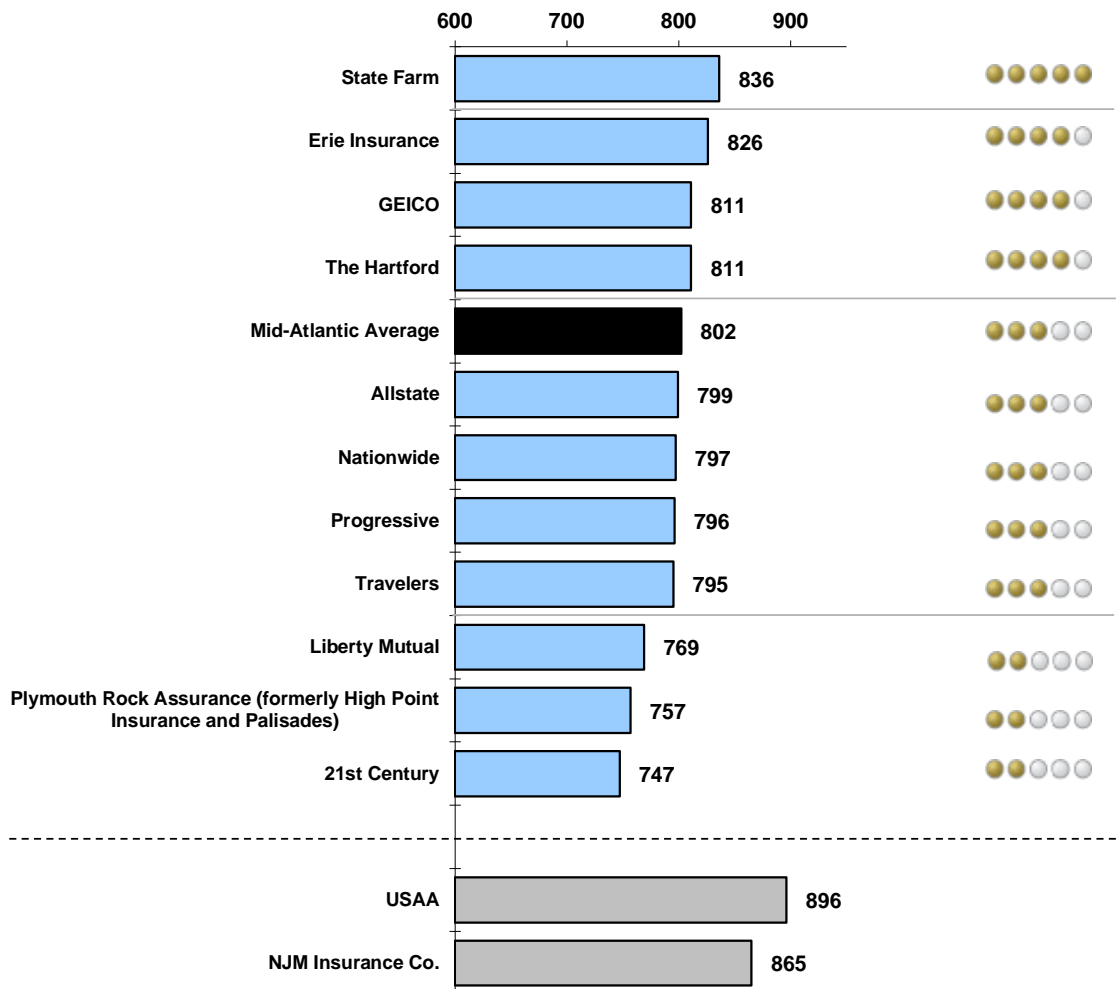
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Customer Satisfaction Index Ranking

Mid-Atlantic Region

(Based on a 1,000-point scale)

JDPower.com
Power Circle RatingsTM
for consumers:



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* NJM Insurance Co. is an insurance provider open only to New Jersey Business & Industry Association members, State of New Jersey employees, NJM's previously insured drivers, and/or previous/current auto/homeowner policyholders, and therefore is not included in the rankings.

Included in the Mid-Atlantic region are: Pennsylvania, New Jersey, Delaware, Maryland, Washington, D.C., West Virginia and Virginia.

Source: J.D. Power 2013 U.S. Auto Insurance StudySM



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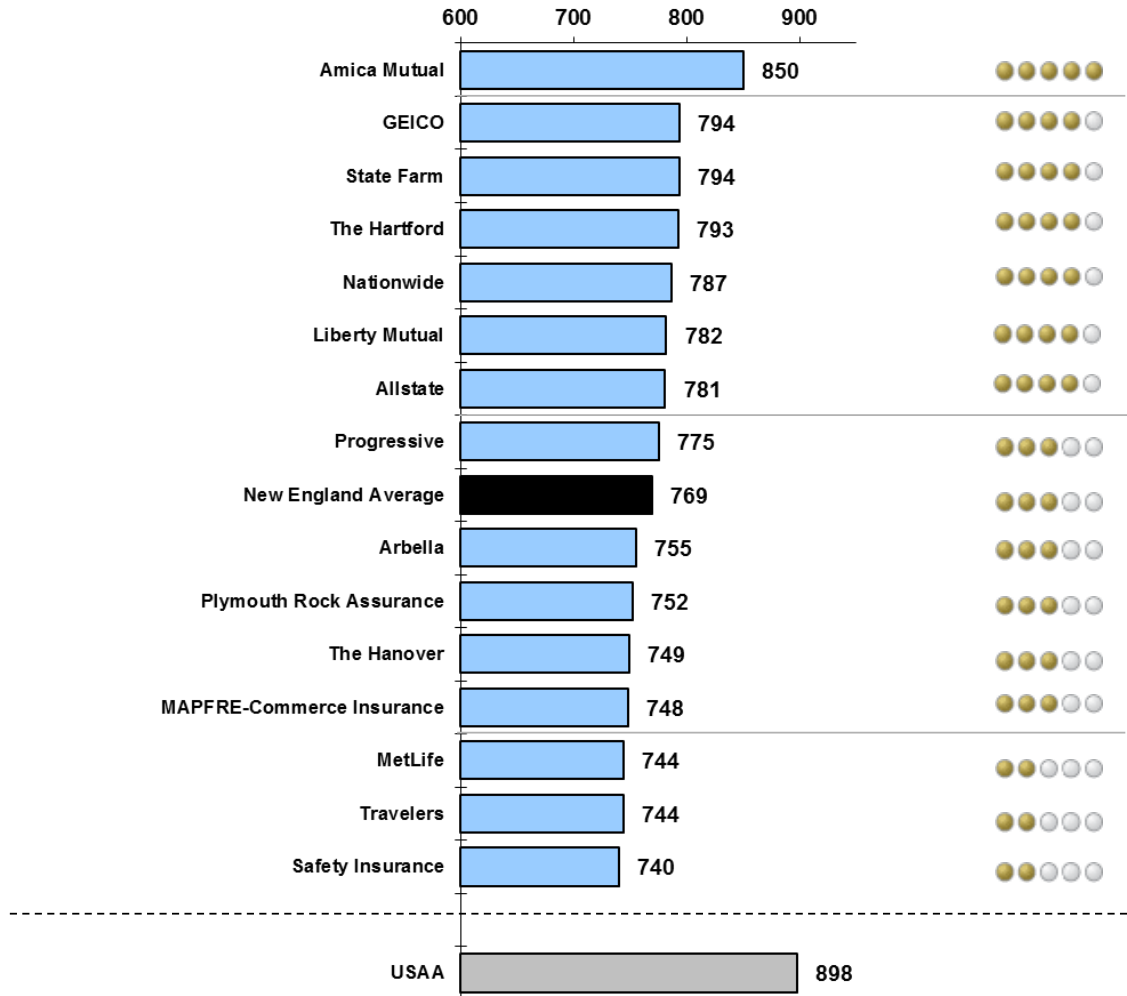
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Customer Satisfaction Index Ranking

New England Region

(Based on a 1,000-point scale)

JDPower.com
Power Circle RatingsTM
for consumers:



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Included in the New England region are: Connecticut, Rhode Island, Massachusetts, New Hampshire, Vermont and Maine.

Source: J.D. Power 2013 U.S. Auto Insurance StudySM

Power Circle Ratings Legend

- 5 Gold Circles: Among the best
- 4 Gold Circles: Better than most
- 3 Gold Circles: About average
- 2 Gold Circles: The rest

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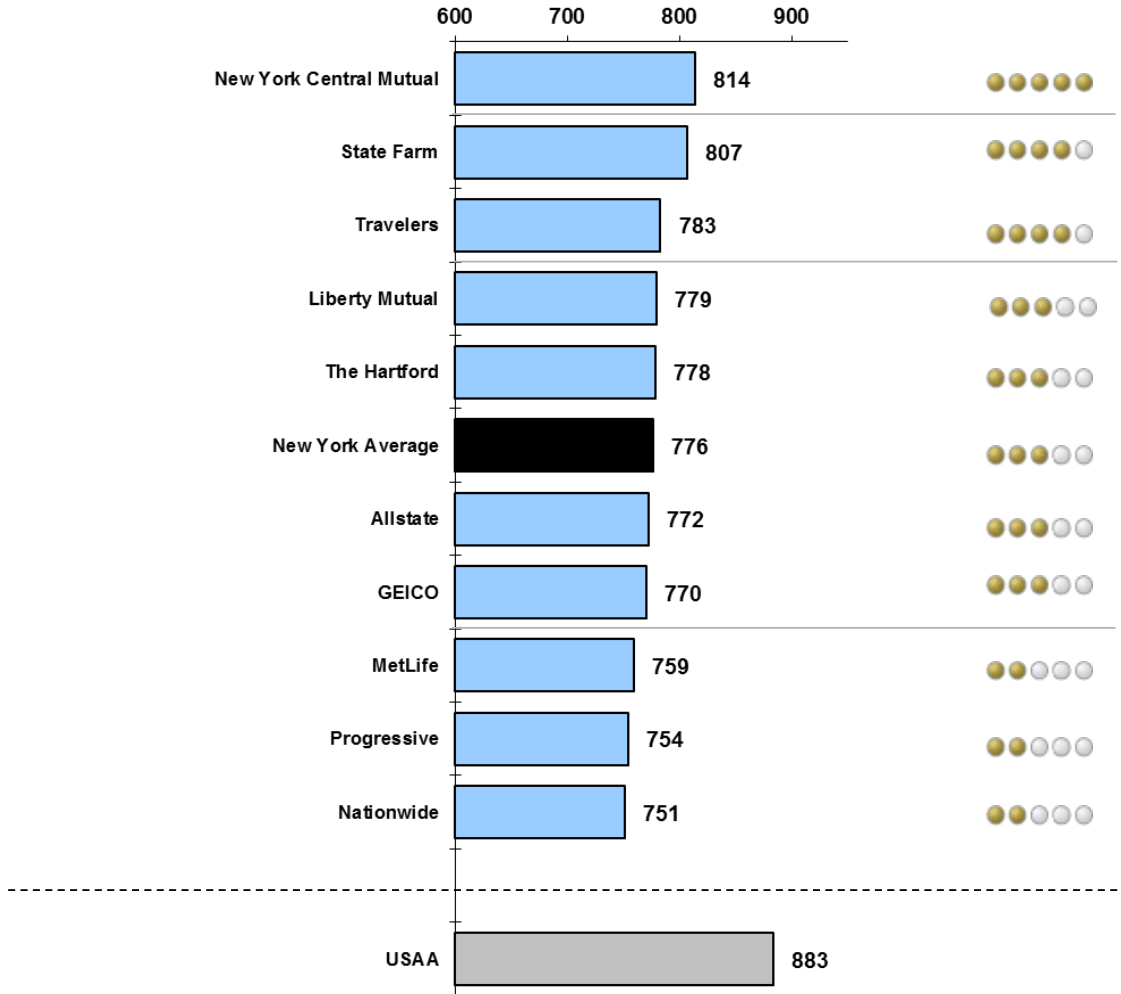
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Customer Satisfaction Index Ranking

New York Region

(Based on a 1,000-point scale)

JDPower.com
Power Circle RatingsTM
for consumers:



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Source: J.D. Power 2013 U.S. Auto Insurance StudySM

Power Circle Ratings Legend

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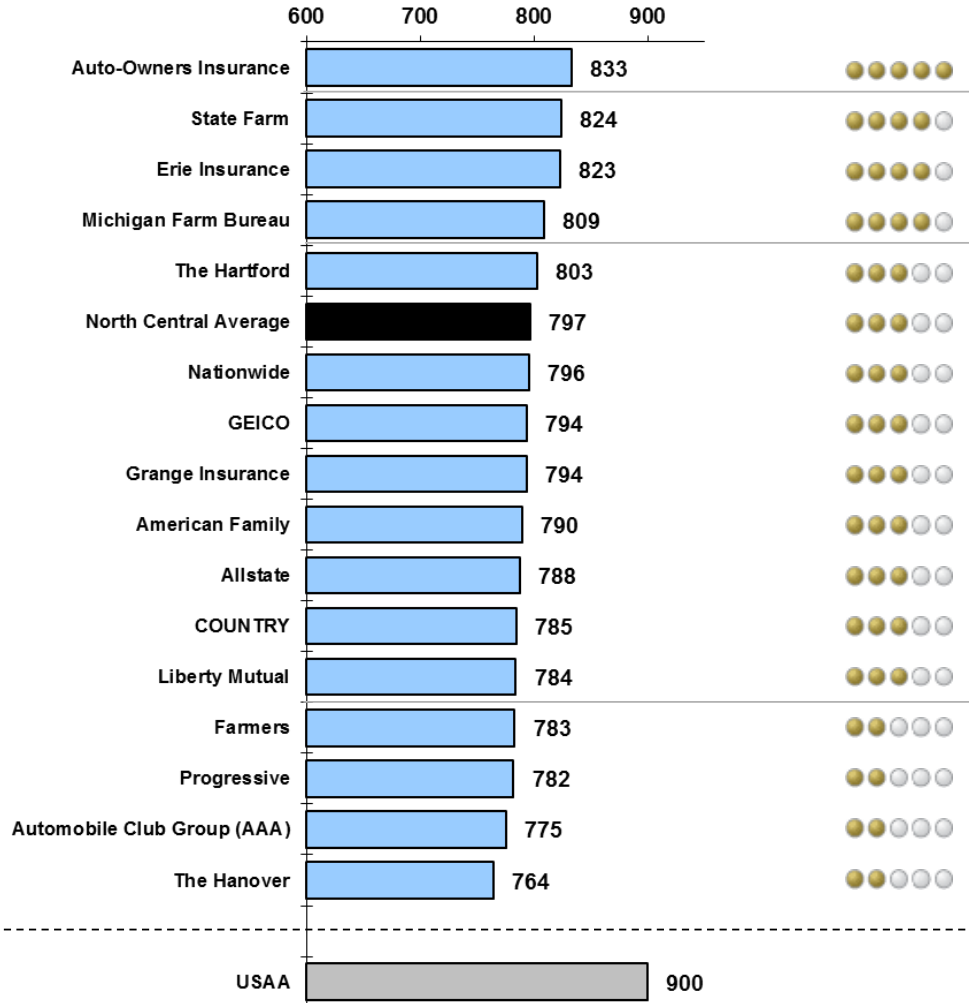
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Customer Satisfaction Index Ranking

North Central Region

(Based on a 1,000-point scale)

JDPower.com
Power Circle RatingsTM
for consumers:



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Included in the North Central region are: Wisconsin, Illinois, Indiana, Ohio and Michigan

Source: J.D. Power 2013 U.S. Auto Insurance StudySM

Power Circle Ratings Legend

- Among the best
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- About average
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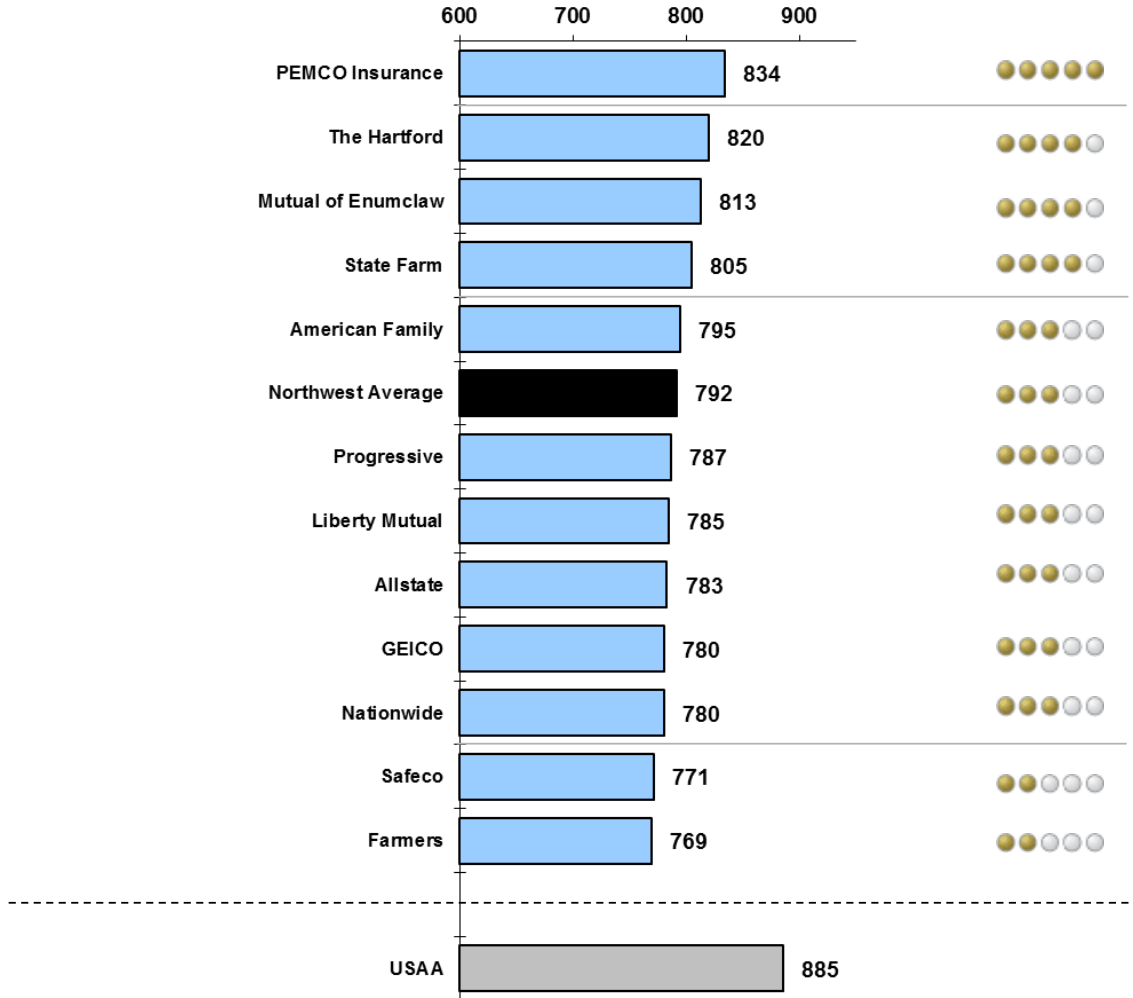
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Customer Satisfaction Index Ranking

Northwest Region

(Based on a 1,000-point scale)

JDPower.com
Power Circle RatingsTM
for consumers:



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Included in the Northwest region are: Washington, Oregon, Idaho, Montana and Wyoming.

Source: J.D. Power 2013 U.S. Auto Insurance StudySM

Power Circle Ratings Legend

- Among the best
- Better than most
- About average
- The rest

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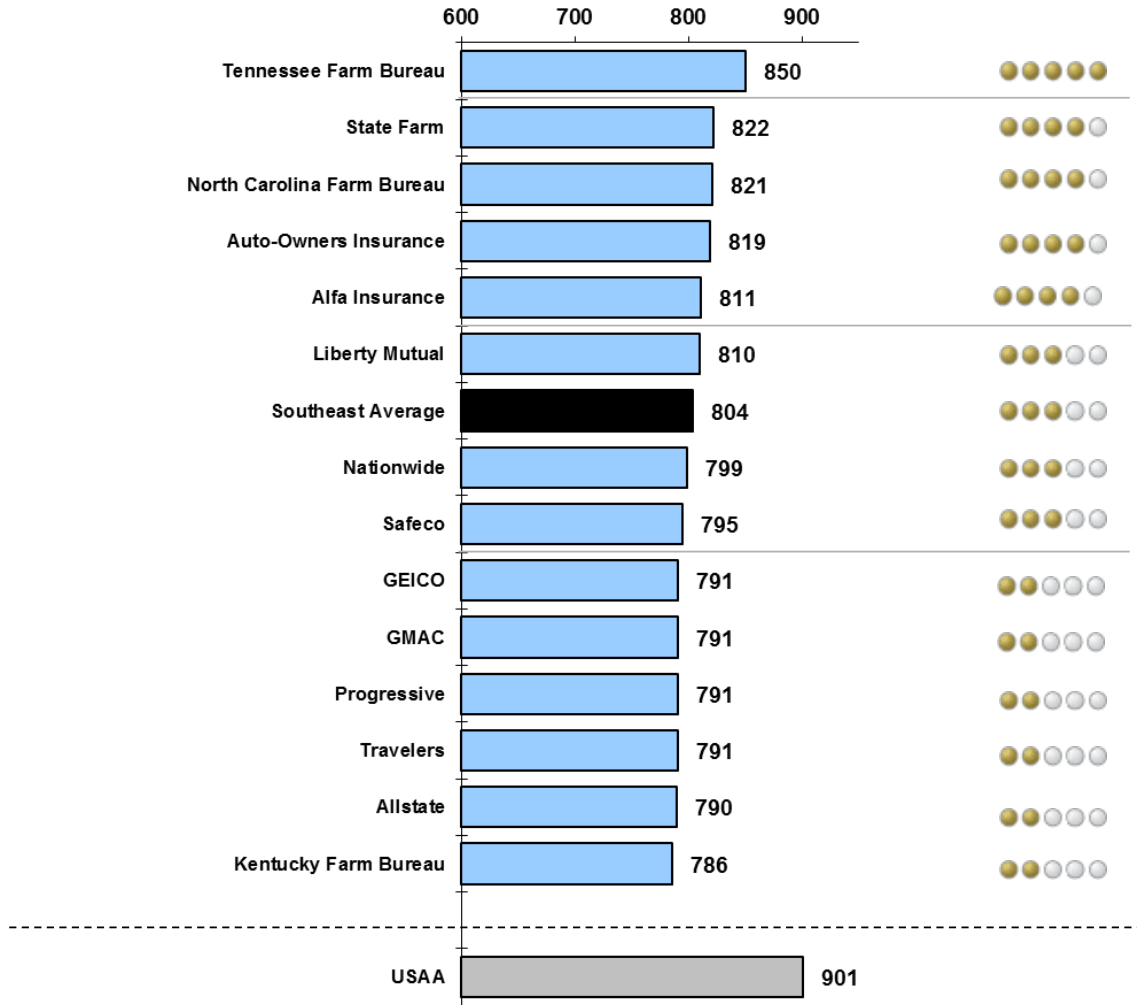
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Customer Satisfaction Index Ranking

Southeast Region

(Based on a 1,000-point scale)

JDPower.com
Power Circle RatingsTM
for consumers:



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Included in the Southeast region are: Kentucky, Tennessee, North Carolina, South Carolina, Louisiana, Mississippi, Alabama and Georgia.

Source: J.D. Power 2013 U.S. Auto Insurance StudySM

Power Circle Ratings Legend

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- Better than most
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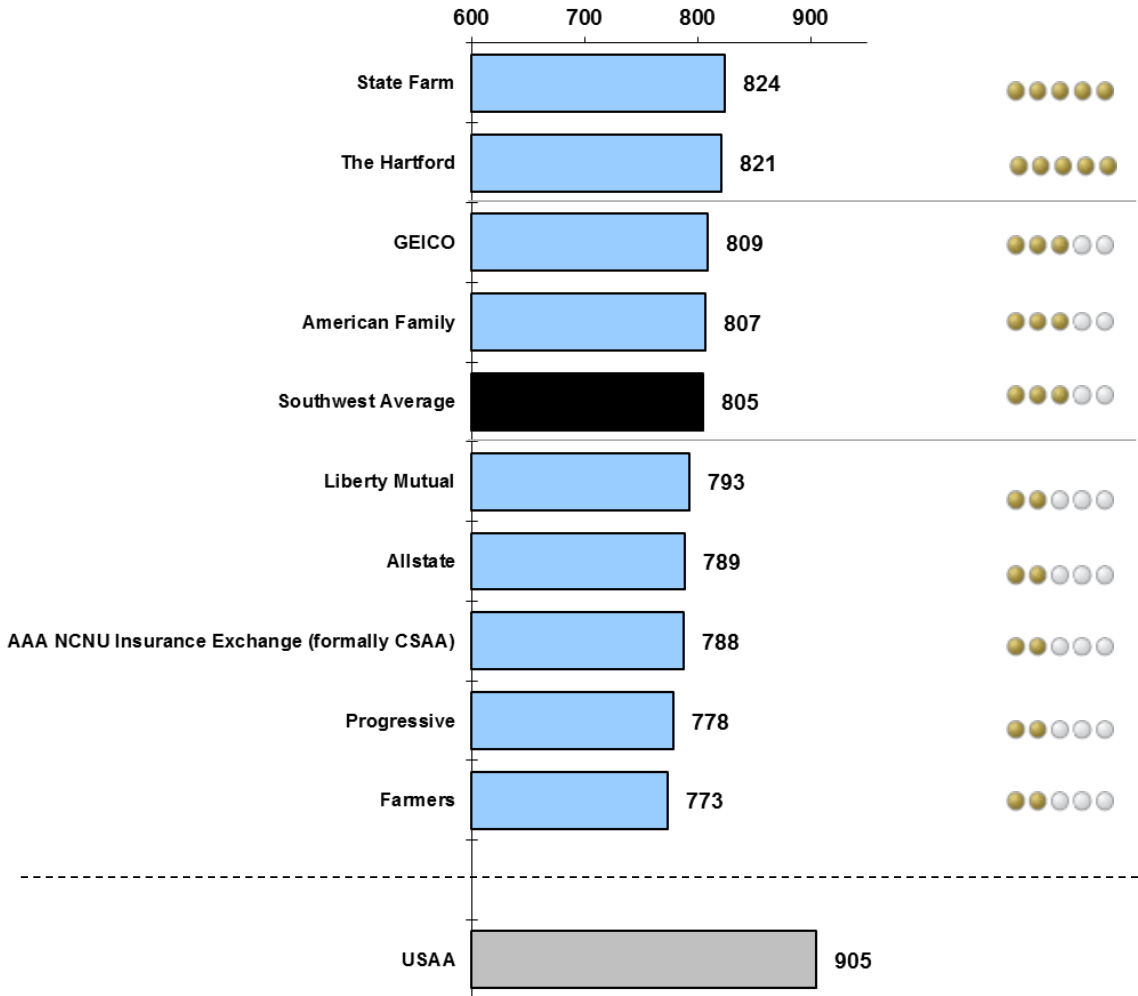
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Customer Satisfaction Index Ranking

Southwest Region

(Based on a 1,000-point scale)

JDPower.com
Power Circle RatingsTM
for consumers:



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Included in the Southwest region are: Nevada, Utah, Colorado, Arizona and New Mexico.

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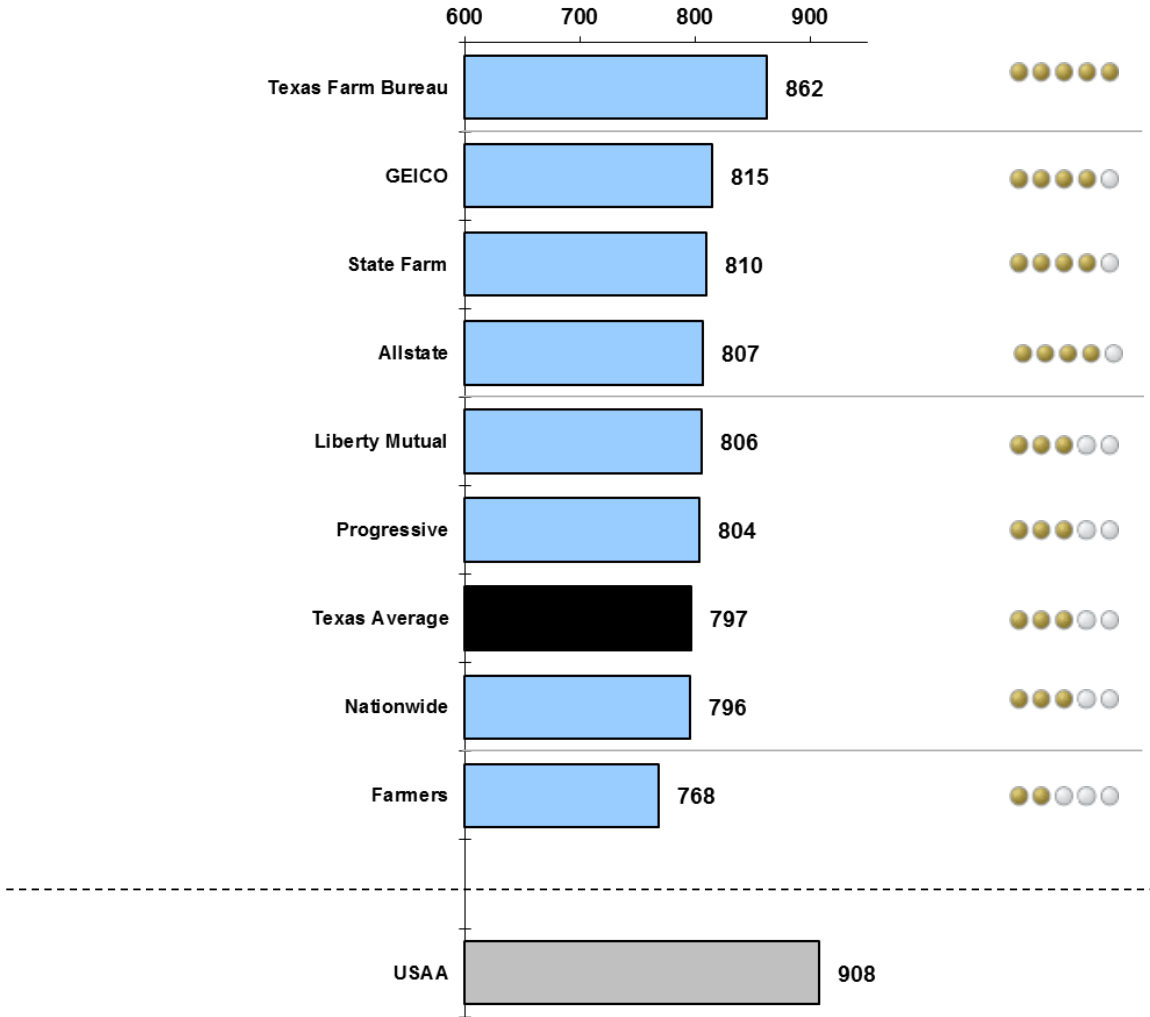
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Customer Satisfaction Index Ranking

Texas Region

(Based on a 1,000-point scale)

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