Carrier Management

Savvy Insurers Can Make Homeowners More Profitable

January 13, 2014 by Jon McNeill (/author/jon-mcneill/)

The lion's share of profitability for carriers has traditionally come from the auto business, but this segment is slowing for a number of reasons—and speed bumps may soon give way to roadblocks.

New technology and safer cars are good for society but point to the need for greater visibility into the creation of new products. In the face of declining revenue from auto policies, it's time to reassess property and homeowners, where real opportunities exist to refine internal claims processes, deliver customized packages and expedite settlement.

Savvy insurers can take advantage of these opportunities to run the homeowners segment of their business more efficiently while optimizing loss control.

Executive Summary

In the face of declining revenue from auto policies, it's time to reassess property and homeowners, where real opportunities exist to refine internal claims processes, deliver customized packages and expedite settlement, says Enservio CEO Jon McNeill.

Auto Is Running Out of Gas

Accident frequency has declined by a third over the last decade as road safety has improved. Between 2005 and 2009, traffic fatalities dropped from 43,510 to 33,808, according to U.S. Census data (http://www.census.gov/compendia/statab/2012/tables/12s1103.pdf). New technology on the horizon will improve road safety further, with the Insurance Institute for Highway Safety predicting accidents will fall by another third over the next 10 years.

As many carriers are aware, Google has been trialing driverless cars since 2009. Nevada, Florida and California have all passed legislation to pave the way for autonomous vehicles.

Car manufacturers are already taking steps to introduce crash avoidance features to prevent collisions, such as autonomous braking systems that detect an oncoming hazard. Autos equipped with onboard computers now offer more diagnostic data than ever before.

As the fourth-largest auto insurer in the country, Progressive's "Snapshot" program leverages a telematics device to track driver habits such as constant braking and mileage driven, which enables the insurer to offer reduced auto quotes for safe drivers.

The risk of driver error promises to be greatly reduced with all these new capabilities. With fewer accidents, there's less risk to an insurer. And less risk means a corresponding drop in revenue, since revenue is so closely wedded to insuring risk.

Since auto appears to be on a steady decline from a revenue standpoint, homeowners becomes increasingly important to the health of the industry.

Tailoring the Product

Some of the more innovative carriers are drilling into the demographics of their customer base to create packages tailored around individuals or types of families. Modernizing product offerings to cater to different family segments with varying priorities presents a real opportunity.

Where previously homeowners took a one-size-fits-all approach, policies are now being broken down à la carte. Customers can order precisely what they want from the menu in terms of coverage for liability, coverage for specific types of risk, and coverage for individual assets and belongings.

For example, you can segment active families with high-value sporting goods in their homes; musical families with $30,000 worth of musical instruments; and tech-savvy families with smartphones, tablets, HDTVs and electronics in every room. Recognizing these differences, insurers can create more specialized offerings where they can command a premium for coverage.

To create these customized packages you need to understand what's inside people's homes first to right-size the risk and make more informed decisions in initially writing the policy. With increased visibility—knowing what's inside—comes increased contents valuation accuracy. Customers pay fair market value for the coverage they need based on what they actually own.

This can avoid a policyholder being overinsured or too underinsured. Moreover, it properly sets expectations so that the policy purchased up front is consistent with what the insured is expecting as part of a claim settlement.

Innovative Claims Handling Speeds Settlement

Another area in which leading carriers are investing is claims approaches that reduce costs. Given how insurers spend a disproportionate amount of their assets on claims payments and expenses, there's an opportunity to reduce overhead.

One way is through the use of sophisticated techniques, such as scoring claims when they come in to calculate how trustworthy a customer is. You can identify your most loyal customers up front, fast-tracking them through a self-service system that puts them in the driver's seat. This delivers a faster and more satisfying customer experience while simultaneously allowing the carrier to more efficiently use existing resources.

Another major trend gaining popularity among insurers is on the claims payout side. Just as the Treasury has adopted preloaded debit cards for Social Security payouts, insurers too are seeing the benefits of making the switch from paper to plastic. Preloaded debit cards optimized for the insurance industry offer a number of benefits to carriers, including a 3-times faster delivery of funds to insureds and up to a 60 percent reduction in processing costs over paper checks.

Rapid Deployment

The faster you can deploy new technology, the sooner you'll reap the rewards. By deploying technology quickly, progressive carriers are differentiating their businesses today.

The top-performing carriers are finding ways to cut through the red tape and get solutions in place rapidly—within weeks rather than months. They are offering customers appropriate coverage that's tailored for them. They are dealing with claims using modern techniques that increase accuracy on contents valuation while saving resources and giving policyholders good reasons to stay with their selected insurer. Their customer relationships are strong, making it easier to upsell customers on additional products.

The ultimate benefit is the ability to preserve the financial resources you require to make good on your customer commitments, delivering enhanced customer satisfaction.

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