

## Architecture Infrastructure

# Using Tech to Capture the Growing Renters' Insurance Market

By James Fini, Enservio [@insurancetech](#)

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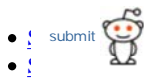
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The renters market is growing fast and it's ripe for an overhaul. As the economy struggles for a lasting recovery, the rate of home ownership in the U.S. has fallen. According to a [Home Affordability Study](#) by Interest.com, that trend will likely continue, as average home prices in the 25 largest metropolitan areas rose nearly 16% over the last year, while incomes rose by only three percent.

In the renters marketplace the largest type of claim is still theft, and typical losses have traditionally been covered comfortably by current reserves. However the shift in demographics is changing that assumption. Carriers may feel comfortable with a profitable product and assume that the incidence and severity of losses is not going to test coverage limits. Savvy carriers have recognized these market shifts as a great opportunity to transform the renters product to meet the needs of new market segments.

It's not just Millennials with student debt who are struggling to get credit: The market for single family rentals has exploded. Although the rate of foreclosures is abating, nearly half of foreclosed homes are being rented out rather than resold. The [State of the Nation's Housing 2013](#) report from Harvard University confirms that home ownership is in decline and reveals that "More members of groups with traditionally high homeownership rates are becoming renters, including married couples with children, high-income households, and white households."



James Fini,  
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## Renters are underinsured

That shifting demographic signals a real need to assess the existing insurance products being offered to renters. Insurers have historically designed renters for urbanites and young, single professionals; it has hardly been viewed as a major revenue driver. Today we are seeing private equity moving into the foreclosure market to buy up single-family properties in bundles from banks, cleaning these up, then placing these properties on the rental market. Now we see families with children and a lot of accumulated personal property moving into these homes.

## [Previously from Fini, How insurers can capture and retain millenials]

Clearly, the target market for renters has changed radically, begging the question, are renters' products truly serving the current market?

High demand for rental property has caused rents to skyrocket so that now the average monthly rent exceeds \$1000 for the first time. For many renters the cost to buy insurance is a determining factor given that half of them dole out more than 30% of their income to landlords, according to that same Harvard study. Most renters are unaware of how much coverage they need, or how inexpensive it can be to secure proper coverage. Enservio data suggests that 85% of renters are substantially underinsured.

According to the Insurance Information Institute, only 31% of renters currently have insurance, but that will soon change. The National Multi Housing Council reports that 84% of landlords required renters to have insurance in 2012, up from just 25% in 2009.

## Tailoring the product

Most insurers offer a set level of coverage for a fixed monthly fee, but they don't go into detail. The assumption is that renters, especially those forced to get insurance by their landlords, will just pick the cheapest option. There's also a presumption that renters know how much personal property coverage they need, but in most cases they do not.

The truth is that insureds simply need to see the value in a higher proposal, and with an increasing number of renters coming into the market with familiarity with homeowners insurance products, that may not be as tough a sell as insurers may think.

Instead of giving vague quotes based on basic information, and asking your potential

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customers to guess at the worth of their belongings, ask them for more precise detail. If you can collect their address, age, gender, marital status, occupation, income level, and child or dependent status, then you can leverage big data to produce a realistic assessment of the value of their personal property.

Why not break it down further and categorize their belongings into groups with values attached? Make them stop and think about how much their clothing, electronics, sports equipment, and other belongings would actually cost them to replace. If you offer a simple drop down menu with a dollar figure then it's easy for them to pick the lowest option, but if you show them exactly what is being covered then they can see the true value in picking the right product.

You can also target specific family types for specialized products. For example, a musical family may have thousands of dollars' worth of instruments, while a sporty family may own lots of expensive outdoor equipment. People want to feel as though you understand their unique needs.

### Greater engagement

Offering a deeper level of engagement is the secret to capturing more customers and keeping them for the long haul. It also pulls in data that can be used to cross-sell new products and builds loyalty that ensures customers will stick with you for their other insurance needs, instead of shopping around.

As the rental market continues to grow and diversify, carriers that seize the opportunity to segment the market will differentiate themselves from the competition, and they will likely be in a better position to sell those same customers auto and perhaps homeowners down the line.

Enabling customers to fine-tune their coverage gives them greater confidence in the product. It also engages them in a process, which can mirror existing social media interactions by asking them to upload photos of their belongings, and really think about the things that they value in their homes. Make it easy for insureds to give you data, give them more control, and everyone benefits because the level of coverage is right.

**About the Author:** James Fini is the founder of *Enservic*, a provider of software and services for P&C carriers to price policies correctly and settle contents claims with more accuracy. He may be reached at [jfini@enservio.com](mailto:jfini@enservio.com)

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