



Renters Insurance: A Golden Opportunity for Agents

According to the U.S. Census Bureau, homeownership rates have declined significantly during the past decade—fueled by the recession in 2008—to just 65% of the population owning a home in 2013 (first and second quarter average).¹ With the erosion of the homeowners market, the renters market has expanded and renters insurance has gained transaction in many metropolitan markets. According to J.D. Power research, 25% of consumers rent their primary residence, and just half of these consumers have renters insurance, leaving 46% of the renter population uninsured. This represents a sizable market of new customers for insurers to target. Insurance agents who only focus on homeowners insurance customers are missing a golden opportunity to build a long-term relationship with renters insurance customers as their insurance needs grow due to life or circumstance changes, such as having a family, purchasing a home, or adding a car. Growth opportunities for insurers in the renters market will be driven by understanding the expectations and motivations of current customers and identifying critical-to-quality metrics that are essential to providing a satisfying experience. After an auto insurance policy, the renters policy may be the first in a series of products that customers are likely to have during their lifetime. Insurers that deliver a highly satisfying experience to renters customers will be well-positioned to establish loyalty early in their life, increasing the likelihood that renters customers will mature into more valuable, bundled customers in the future.

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Understanding Renters’ Purchase Motivations and Demographics

The age of consumers is a key differentiator in the uninsured renters market. An uninsured renter is more likely to be in the Generation Y² age group—a group that typically has fewer high-value possessions and that is less knowledgeable about insurance, which presumably influences their perceptions regarding the necessity of insurance. Even among those who do have renters insurance, the leading purchase motivation is not that they identified the need for coverage, but rather that it was required by their landlord or property manager. Not unexpectedly, monoline renters customers are much more likely to indicate purchasing insurance because it was required than are bundled customers. Only one in 10 customers purchase a renters policy because an agent or company representative recommended coverage, and this increases only by a slight 14% among renters who are bundled with another policy. This highlights the importance of engaging customers who have an existing relationship with an insurer and communicating other policies and services that are offered. Life events are more pronounced purchase drivers among bundled customers, which may indicate that these customers matured into other product lines, such as life and umbrella, as their needs evolved.

¹ U.S. Department of Commerce Census Bureau <http://www.census.gov/housing/hvs/files/qtr213/q213press.pdf>

² Pre-Boomers (born before 1946); Boomers (1946-1964); Generation X (1965-1976); Generation Y (1977-1994)

Renters customers are different than their homeowners counterparts on several key dimensions, including age, geographic location, and income. Renters customers are significantly more likely to be in Gen Y, reside in an urban area, and have income less than

DEMOGRAPHIC PROFILE—HOMEOWNERS VS. RENTERS

Demographics	Homeowners	Renters
% of Personal Property Insurance PIF	84%	16%
% Bundle^	79%	74%
% Gen Y	12%	39%
% Boomer	50%	32%
% Urban Area	14%	33%
% Income Under 50K	27%	45%
% Agent-Serviced	73%	55%

Note: ^Excludes "other insurer"; includes auto, recreational vehicles (marine, motorcycle, RV, collector car), personal liability umbrella, secondary residence, and individual life insurance. Also, % Income Less Than \$50,000
Source: J.D. Power 2013 U.S. Household Insurance and Bundling StudySM

\$50,000 and lower credit scores, compared with homeowners customers. The sales channel preferences among renters customers also vary considerably, with only 50% of renters customers purchasing through an agency channel, compared with 73% of homeowners customers purchasing from an agency. Understanding the demographic profile of renters customers is key to developing a targeted approach for capturing this market segment. Communicating affordable, straightforward policies may help position insurers for gaining prospective renters customers. Equally important, however, is understanding how to deliver an exceptional customer experience to retain renters customers.



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805-418-8000
Information@jdpa.com

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