

LexisNexis® Risk Solutions

Innovations Transforming the Home
Insurance Buying Process



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Executive Summary

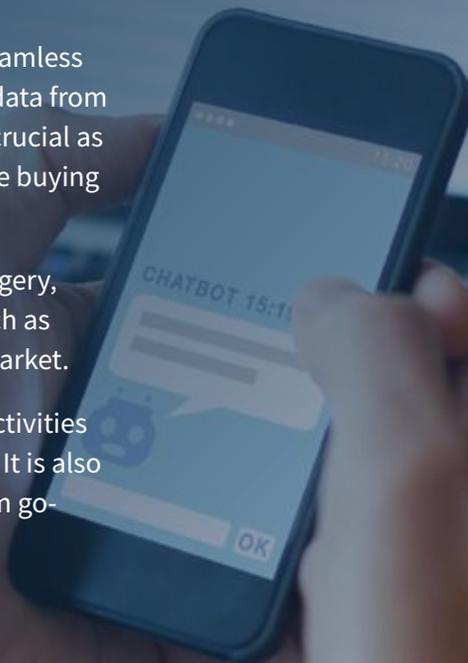
The way consumers buy home insurance is changing. They're increasingly purchasing goods and services online, and they expect companies to provide them with seamless experiences—a trend that's been accelerated by the COVID-19 pandemic. For home insurance carriers, that means digital engagement is no longer just a communication channel. It's now a way of doing business.

To better understand how home insurance carriers are modernizing the customer experience and underwriting process to meet these customer expectations, LexisNexis® Risk Solutions commissioned a third-party survey of the top 50 property insurance carriers. Conducted in May and June 2020, the survey took place just as homes became the center of our world.

Even in the early days of the pandemic, most carriers expected this unforeseen disruption and other market trends to result in a dramatic impact on their short-term business as well as their long-term strategy. These expectations appear to have been right on target.

Highlights

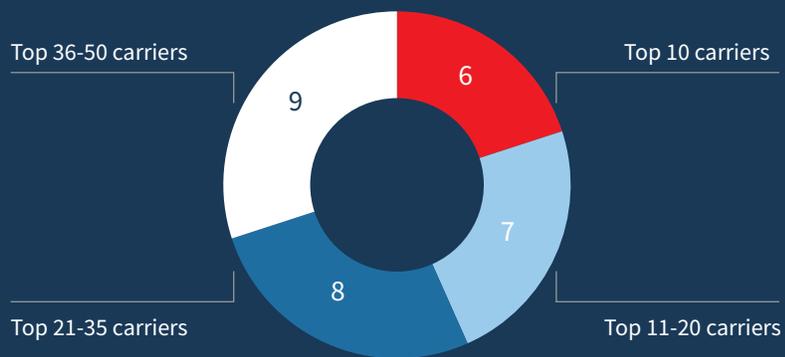
- The adoption of digital buying experiences and quote automation is growing.
- Home insurance customers expect a seamless and fast experience. Access to current data from a variety of sources is becoming more crucial as carriers strive to minimize friction in the buying process.
- Self-service apps, aerial and drone imagery, the gig economy and new entrants, such as insurtech carriers, are disrupting the market.
- COVID-19 has impacted home claims activities and severity, as well as shopping rates. It is also expected to significantly alter long-term go-to-market strategies.



About the study

In 2020, LexisNexis® Risk Solutions commissioned a third-party survey of the top 50 property/casualty insurance carriers listed in the 2017 NAIC market share report. Thirty respondents representing 30 different carriers participated. Phone interviews were conducted from May 11 to June 13, 2020 with representatives at the director level or above in functions such as Actuarial, Analytics, Product Management and Underwriting. Respondents were grouped into four tiers.

Number of total respondents, broken out across the following tiers:



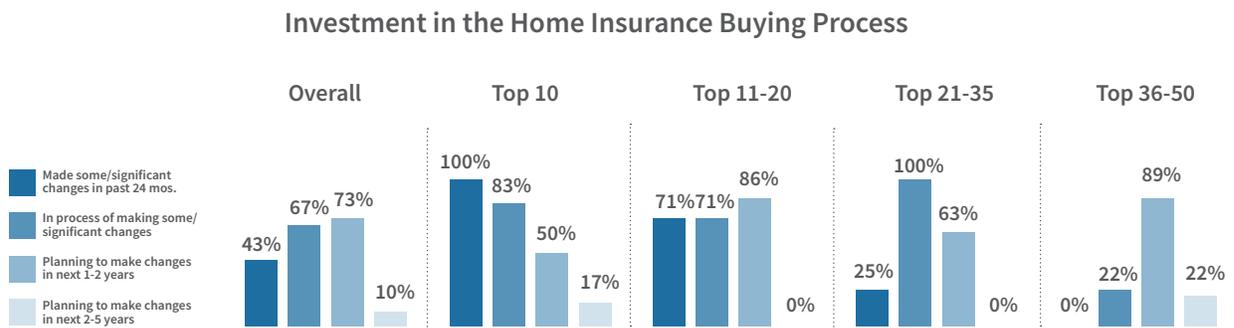
Key findings

Innovations in the home insurance buying process

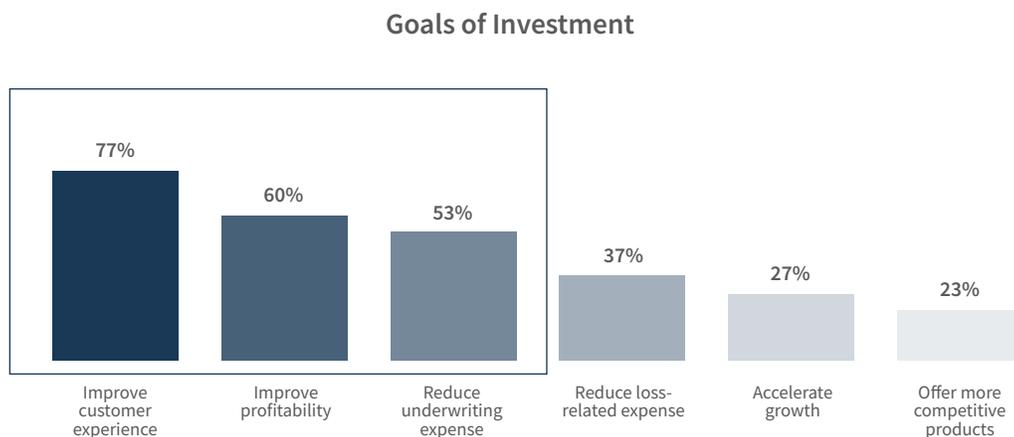
Carriers are refocusing their investments

Most carriers have already made significant changes in their investments in the home insurance buying process. Or, they are in the process of making changes.

- 73% of respondents plan to invest in the home insurance buying process by 2022.



Key goals of carriers' home insurance investments include improving the customer experience, improving profitability and reducing underwriting expenses.

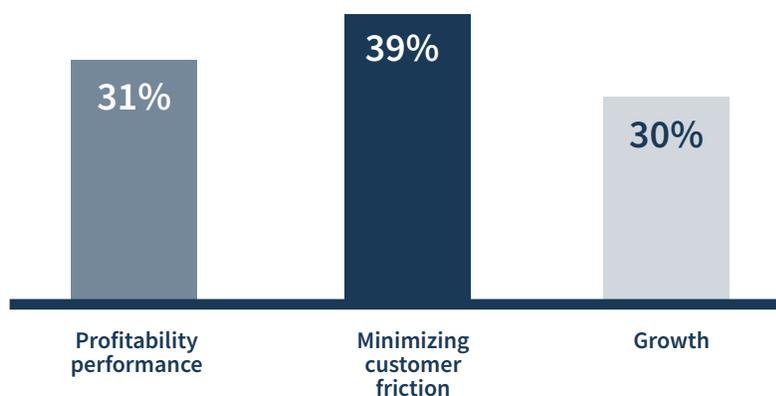


TAKE ACTION: Carriers that have not yet made long-term investments in digital and automation technologies risk being left behind. To remain competitive, minimize the potential for adverse selection and reduce the loss of representing agents, carriers should focus their investments on improving the customer experience.

Carriers recognize that consumers purchasing new policies expect a fast and seamless experience. That's likely why they see minimizing customer friction during the home insurance quoting process as a leading indicator, with profitability performance and growth to follow.

- All carriers in the Top 50 placed the most importance on minimizing customer friction.

Importance of Minimizing Customer Friction, Profitability Performance and Growth During the Quotation Process*



*Based on an allocation of 100 points

“Profitability becomes the main focus of overall growth, which can only be done by retaining customers.”

Survey respondent

Carriers are reconsidering how many questions and the types of questions they ask during the quoting process. Instead of asking lots of questions, they're working toward asking as few questions as possible. To do this, they'll need to rely more heavily on other sources of data.

- By 2022, 67% of Top 10 carriers expect to ask as few questions as possible, compared to just 23% of carriers overall.
- Among Top 11-20 carriers, 86% have already moved away from asking questions to obtain all the information they need.



Carriers are asking fewer questions and relying more heavily on other sources of data.



TAKE ACTION: During the quoting process, if carriers don't have access to current data—such as property characteristics and prior coverage details—they risk frustrating customers and losing sales. Relying on consumers to supply information slows down the process and increases the opportunity for mistakes. For carriers, that means gaining access to other sources of data they can trust to be more accurate and up to date.

Leading carriers expect to conduct fewer inspections

Although carriers were likely to conduct on-site inspections for most new policies two years ago, that's already changing. Instead, carriers expect to conduct on-site inspections for only some new policies or in certain instances by 2022.

- Two years ago, 93% of carriers conducted on-site inspections for most new policies, while only 10% of carriers expect to do the same by 2022.
- Some carriers expect to continue conducting on-site inspections for most new policies (13% of Top 21-35 and 22% of Top 36-50). But no Top 20 carriers expect to do so by next year.



Carriers expect to conduct on-site inspections for only some new policies or in certain instances moving forward.

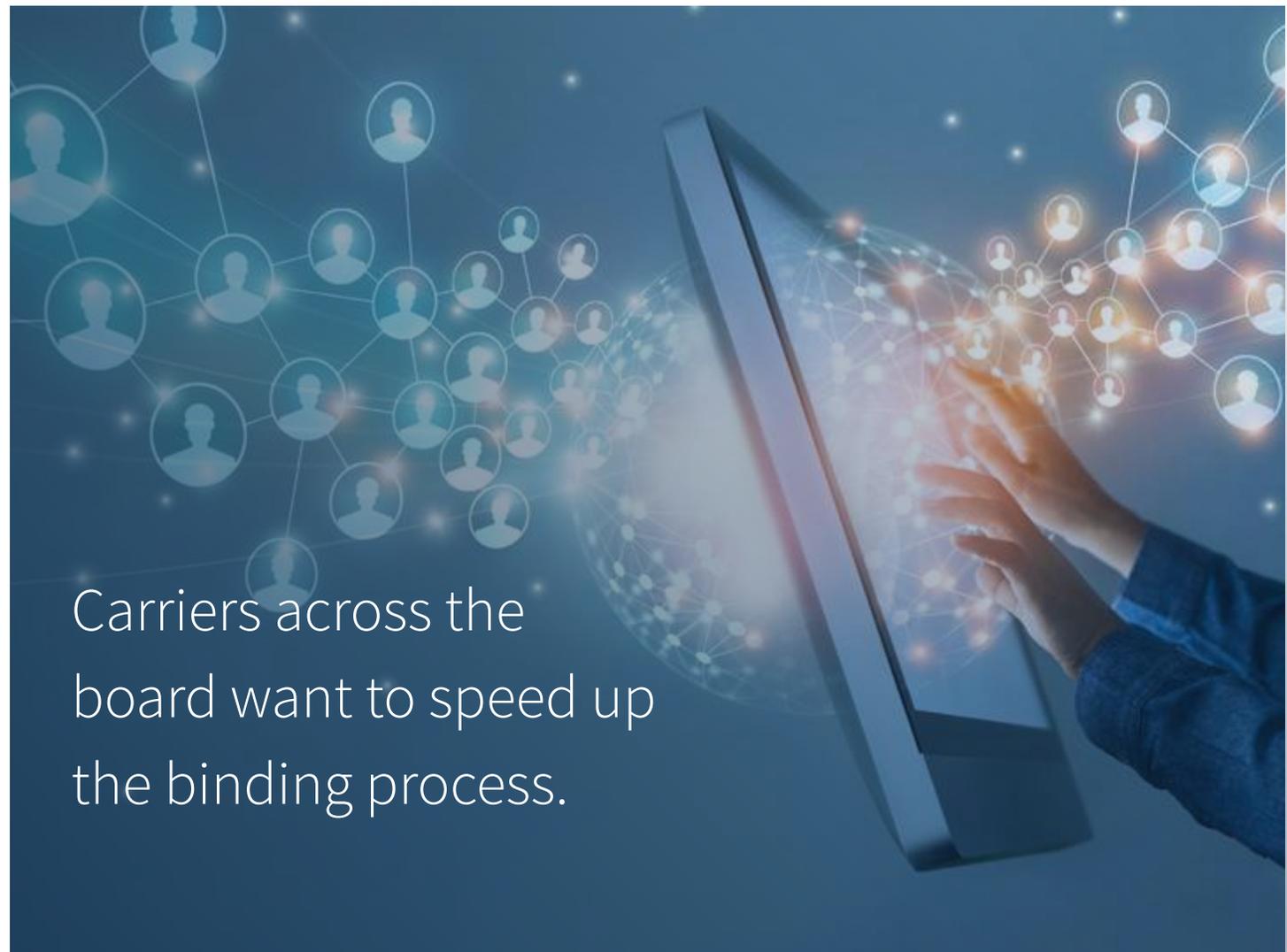


TAKE ACTION: Considering the trend toward fewer on-site inspections, carriers that plan to continue conducting these inspections for most new policies might need to re-evaluate their strategy. The benefits could include faster processing, lower costs, more accurate risk mitigation and a better experience for customers.

All carriers want to make the binding process faster

Carriers across the board want to speed up the binding process—take less time or as little time as possible to confirm with customers that their home insurance coverage is in place. As customer expectations of better and faster service continue to grow rapidly, this will be welcome news for homeowners.

- By 2022, 53% of carriers plan to take as little time as possible in the binding process and the others (47%) plan to take less time than they do currently.



Carriers across the board want to speed up the binding process.

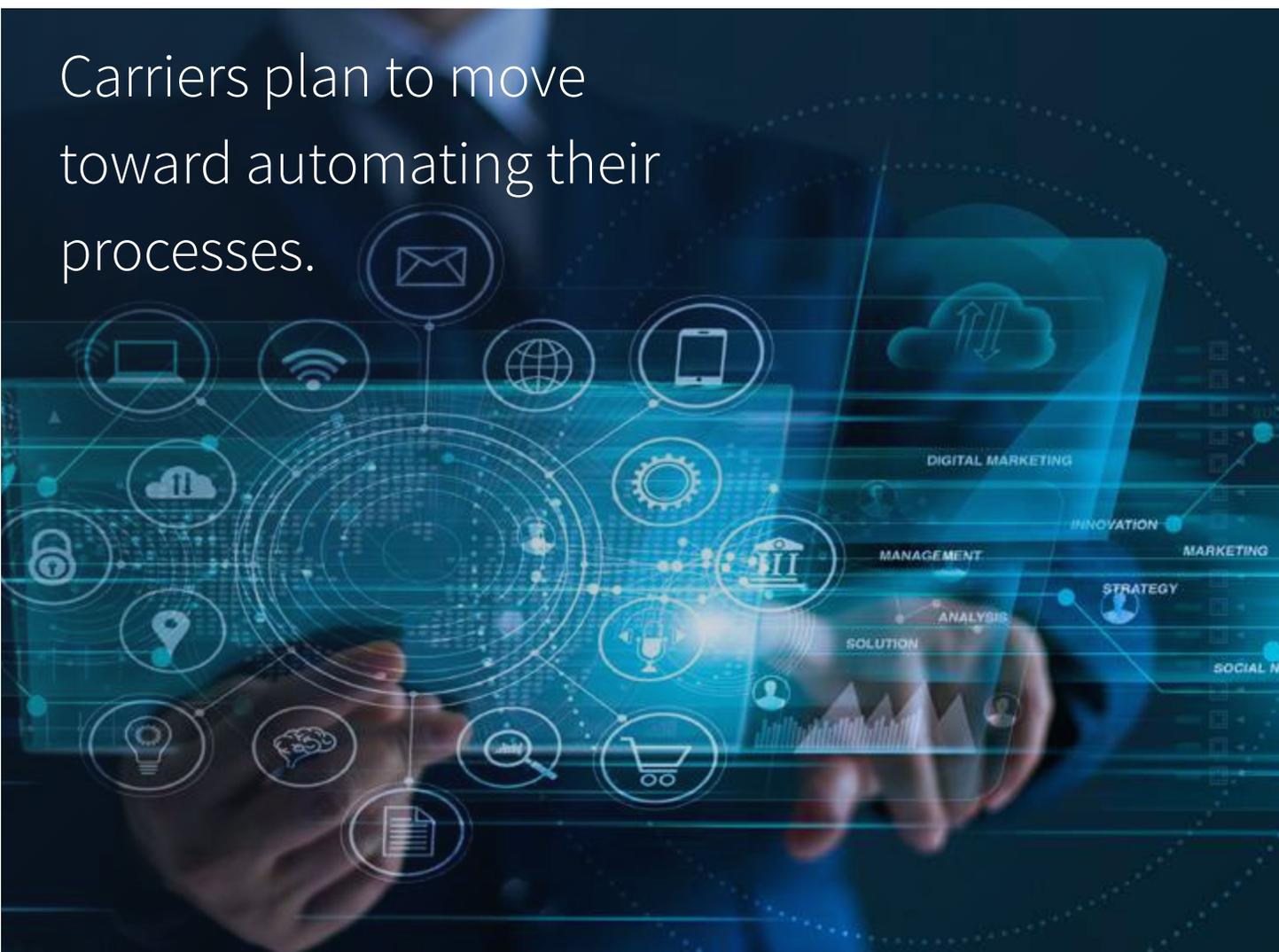


TAKE ACTION: The binding process is a key area where automation could help carriers increase speed and reduce frustration for customers. Carriers still using manual processes should follow the example of leading insurers and embrace automated processes.

Leading carriers expect to rely more on automated processes, spend less time collecting data

When it comes to playing an advisory role, carriers expect to spend less time doing so in the future. Instead, they plan to move toward automating their processes.

- More than two-thirds (67%) of Top 10 carriers expect to guide their customers on the best policy options using a mostly automated approach by 2022.
- Other carriers are also moving more toward automation but at a slower rate. Most (86%) Top 11-20 carriers expect to continue manually collecting some data and using some automation, while Top 21+ carriers are just beginning to implement automated processes.



Carriers plan to move toward automating their processes.



TAKE ACTION: To support automated processes, carriers will need access to optimal quality data, whether their own or from third-party sources.

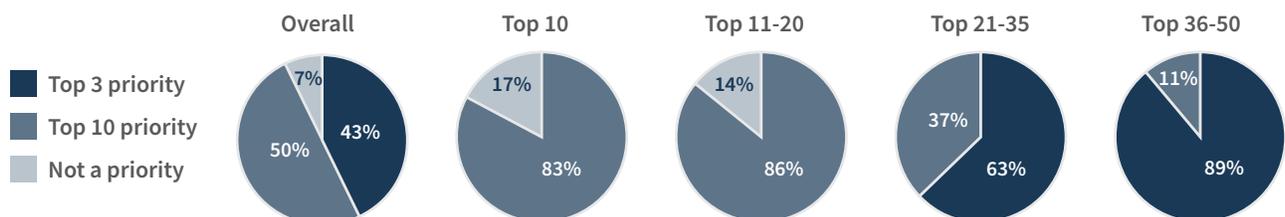
Common carrier pain points

Improving the buying process is a high priority for Top 36-50 carriers

- Most (89%) Top 36-50 carriers revealed that improving the home insurance buying process is one of their Top 3 priorities.
- A majority (83-86%) of the Top 20 agreed that improving the process is important, but of lower priority—rating it as one of their Top 10 priorities.



Priority of Improving Home Insurance Buying Process



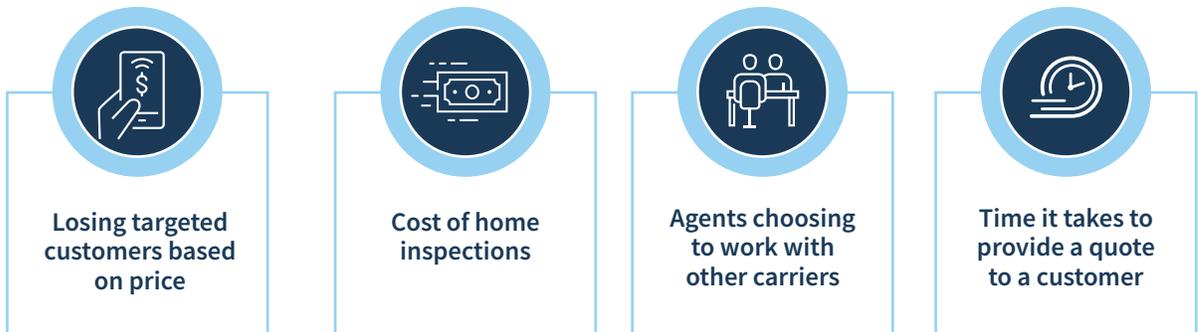
Current challenges and future concerns vary by carrier tier

Top 20 carriers are currently concerned about the cost of home inspections, which could explain why they expect to conduct fewer on-site inspections in the future. Most carriers, apart from those in the Top 10, reported other more pressing current concerns, including:

- Losing targeted customers based on price.
- Agents choosing to work with other carriers.
- The time it takes to provide a quote to the customer.



Current Challenges Facing Carriers



Looking ahead to 2023-2025, the majority of carriers in every tier were concerned about:

- Increasing customer expectations.
- The growing use of websites and comparative raters.



Carrier Concerns Over the Next 3-5 Years



TAKE ACTION: Carriers say that increasing customer expectations are having an impact on the way they do business. A solid mitigation strategy starts with understanding what customers want (data plus analysis to determine trends), meeting those expectations now (perhaps with new digital solutions) and building agility into businesses to address evolving and future market conditions.

Other carrier concerns

Carriers are concerned that shopping and switching rates are having a negative effect on customer retention. They're also concerned about having to compete more on price. Top 10 carriers, however, worry less about these concerns than their peers.

- Top 21-50 carriers were also concerned that it's becoming harder to avoid adverse selection and win business.
- Despite their concerns about competing on price, all carriers were less concerned about it being more difficult to get adequate premiums when using a comparative rater.



TAKE ACTION: To succeed in today's competitive market, carriers need to augment their data with an industry-wide dataset. This will help them benchmark their performance against the performance of the market, identify underserved market segments and support more sophisticated pricing at the point of quote and renewal.

Digital and market disruptors

Digital technologies are having a large effect on the business

The types and applications of new technology disrupting the home insurance industry include:



Self-service apps for consumer led inspections, photos, etc.



Third-party aerial imagery and drone imagery analytics



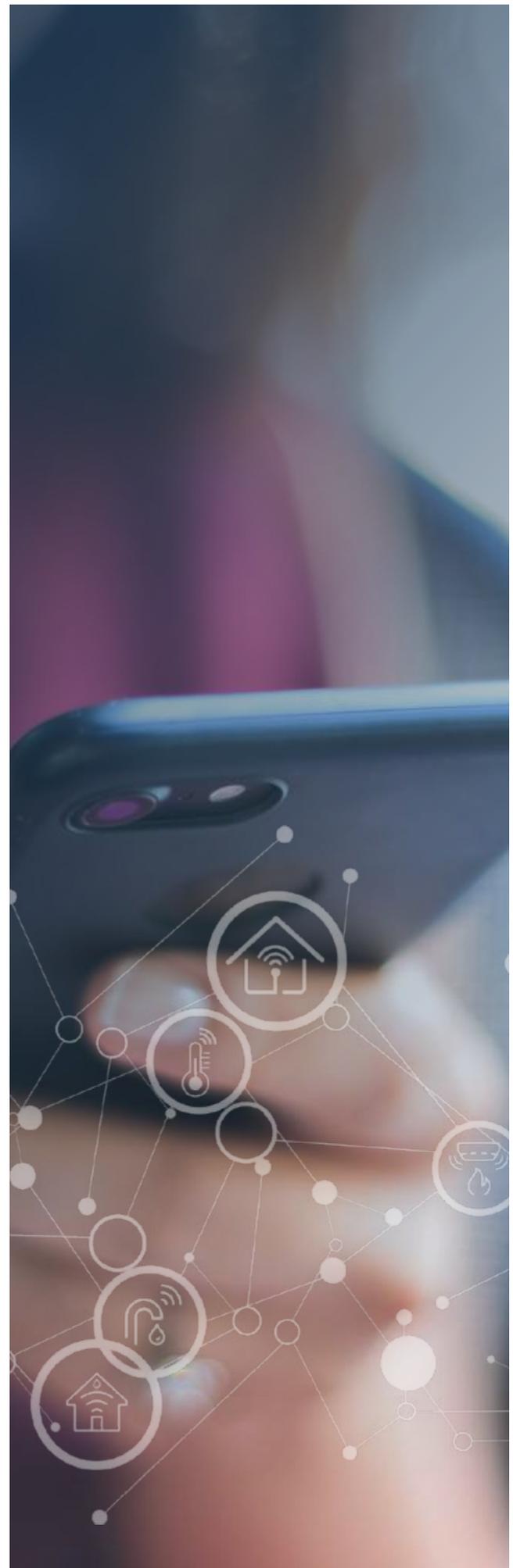
New digital-only carriers/market entrants, such as insurtechs



Internet of Things smart home appliances and devices



Gig economy and how people are using their homes





Self-service apps are a big disruptor

Almost all (93%) of carriers reported that self-service apps for consumer-led inspections and photos are already impacting how business is done.



Ways Self-Service Apps Are Used



93%

Claims, damage assessment



89%

New business, virtual inspection



79%

New business, home measurements



79%

Claims, home measurements



TAKE ACTION: Carriers say that a self-service app does not eliminate manual claims processes completely, but it does help to reduce costs. That makes it a valuable tool in every home insurance carrier's toolbox.



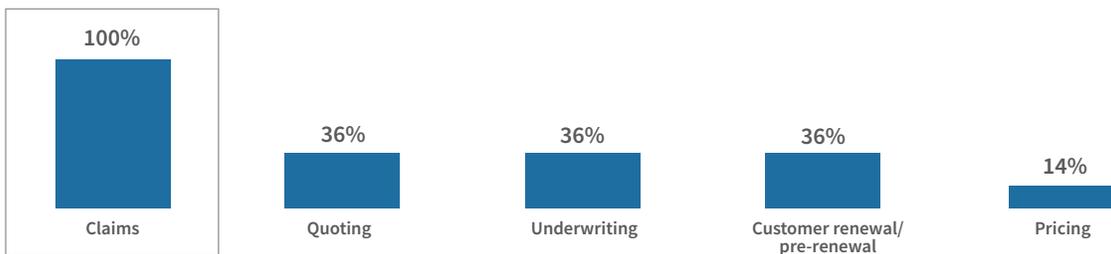
Aerial imagery and the use of drones are also impacting the market

Carriers generally agree that third-party aerial or drone imagery already impacts their business or will do so by 2022. Top 20 carriers are the most likely to already be taking advantage of the technology, while other carriers are still evaluating the need.

- While 100% of carriers surveyed use aerial or drone technology during the claims process, only 36% use the technology in the quoting, underwriting and renewal/pre-renewal process.



Areas Where Aerial or Drone Imagery is Being Used



TAKE ACTION: Aerial and drone imagery offer untapped opportunities for many carriers during quoting, underwriting, renewal/pre-renewal and pricing. Imagine, for instance, how comprehensive roof condition insights based on aerial photos, imagery analytics and property data could help carriers mitigate risk and improve profitability.



Insurtech new entrants are changing customer expectations

Many carriers agree that new market entrants already pose a competitive threat. Why? Because they are changing customer expectations about both the buying experience and the claims process, and they are filling competitive gaps in the home insurance product set.



Changes Made or to be Made as a Result of New Market Entrants





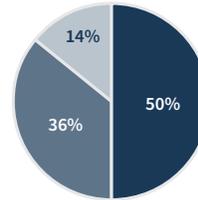
Smart home device data appears to be underutilized by carriers

Top 10 carriers are aware that Internet of Things (IoT) smart home devices already impact their business or are likely to have an effect by 2022. Notably, by comparison, Top 36-50 carriers do not expect smart home devices to impact their business.

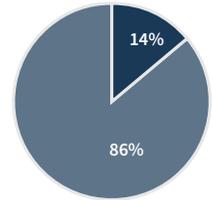
- While 50% of carriers agreed that knowing which consumers use smart home devices is critical to helping them manage loss costs, only 14% agreed that using the data from those devices is critical.
- Furthermore, only 7% of carriers reported that they know which consumers are using the devices and only 7% are using data from these devices.

Extent to Which Smart Home Device Data is Needed to Be Competitive

Knowing which consumers are using IoT appliances/devices



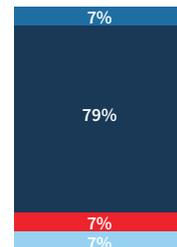
Usage data from IoT appliances/devices



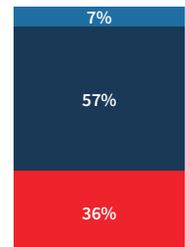
- This data is critical to help manage loss costs
- This data is nice-to-have
- This data is not needed

Extent to Which Smart Home Device Data is Already Being Used

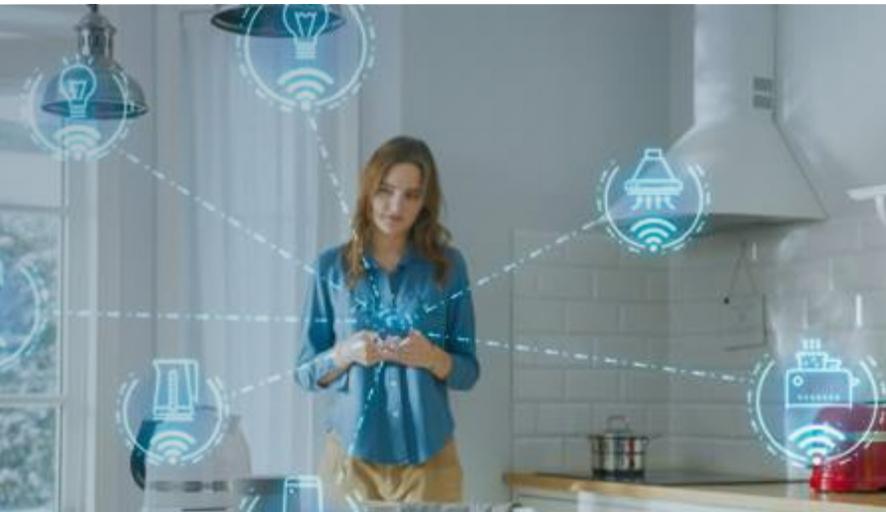
Knowing which consumers are using IoT appliances/devices



Usage data from IoT appliances/devices



- Carriers have already begun using
- Carriers are planning to begin using
- Carriers are evaluating whether or not to begin using
- Carriers are not actively considering/evaluating using



TAKE ACTION: Despite increasing consumer adoption of smart home devices, many carriers have yet to take advantage of the benefits they have to offer. Certain devices can provide carriers with insights that lead to opportunities to reduce risk, better manage expenses and identify new areas for business growth.

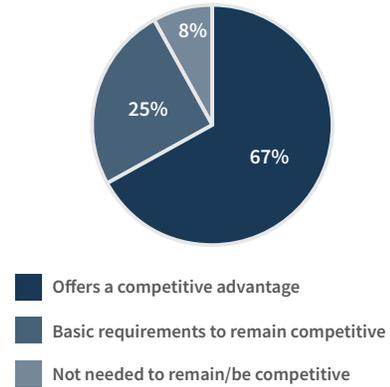


The gig economy offers carriers new opportunities

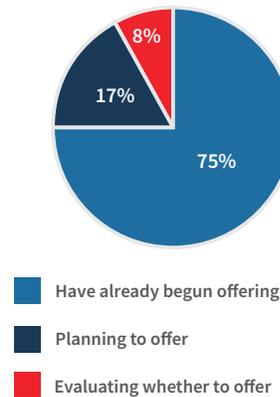
Carriers already offering home-based business insurance products, or products for home rental and home-sharing, have reported success. But they say that identifying which customers could use the products or trying to engage agents to sell them can be challenging.

- More than two-thirds (67%) of carriers agreed that covering home-based business or home-sharing services offers a competitive advantage.
- Three-quarters (75%) of carriers have already begun offering specialized coverage, and a further 17% plan to do so.

Percentage of Carriers That Agree Offering Specialized Coverage is Necessary to be Competitive



Percentage of Carriers Offering Specialized Coverage Products



TAKE ACTION: Data is a key enabler for carriers wanting to keep up with changes throughout the customer lifecycle. It can also help agents identify and recommend the best products and services to customers. That's one way to improve the customer experience and potentially boost carrier profitability.

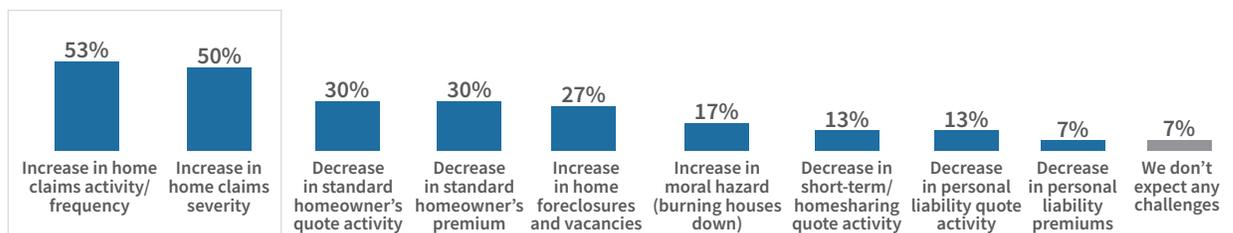
The impact of COVID-19

Claims activities and frequency appear to be increasing

Even in the early days of the COVID-19 pandemic, Top 20 carriers were seeing an increase in home insurance claims activity. And they expect this trend, along with an increase in the severity of claims, to continue in the aftermath of the pandemic.

- Overall, 53% of carriers expect to see an increase in home claims frequency, and 50% expect to see an increase in severity.
- Half of Top 10 carriers expect to see an increase in home foreclosures and vacancies because of COVID-19, compared to 27% of carriers overall.

Anticipated Challenges in the Aftermath of COVID-19



Premiums are expected to remain the same or decrease

While direct written premiums (DWP) increased for most carriers in 2019, Top 20 carriers largely expect them to remain the same in 2021. On the other hand, Top 21-50 carriers expect them to decline.

- Most Top 10 carriers (83%) and Top 11-20 carriers (71%) expect DWP to increase or remain the same because of COVID-19.
- A third (33%) of Top 36-50 carriers responded that they're not sure what to expect.



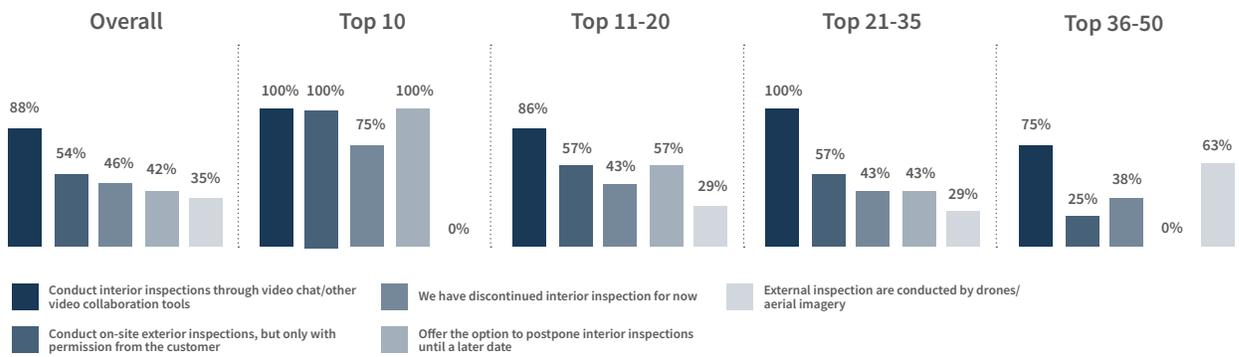
Inspection processes are moving from in-person to remote

As mentioned previously in this report, carriers are changing the way they handle home inspections. To meet COVID-19 social distancing requirements, instead of in-person inspections, they're using video tools or aerial and drone imagery to perform inspections remotely. Top 10 carriers, particularly, have adopted this new technology to conduct interior and exterior inspections.

- Overall, 88% of carriers reported that they're conducting interior inspections through video chat or using other video collaboration tools.



Percentage of Carriers That Have Changed How They Handle Home Inspections



Strategy changes are expected due to COVID-19

Most carriers expect to make some or even moderate changes to their long-term home insurance strategy due to COVID-19. They plan to go digital, and use automation and other technologies, to attract new customers, enhance the customer experience and improve internal processes and efficiencies.

- Almost half (48%) of carriers expect to move more toward digitization, automation and technology adoption because of the pandemic.



Expected Changes to Home Insurance Strategy



Conclusion

Over the last twelve months, the home insurance industry has gone through a period of massive disruption. From self-service apps to the use of aerial imagery and drones for inspections, digital technology has helped carriers meet increasing expectations for faster service and enhanced customer experiences.

This disruption was already on the horizon, but it's been escalated by the COVID-19 pandemic, which has affected every aspect of our lives—especially our home lives. Many of us now work from home, school from home, exercise at home and socialize at home.

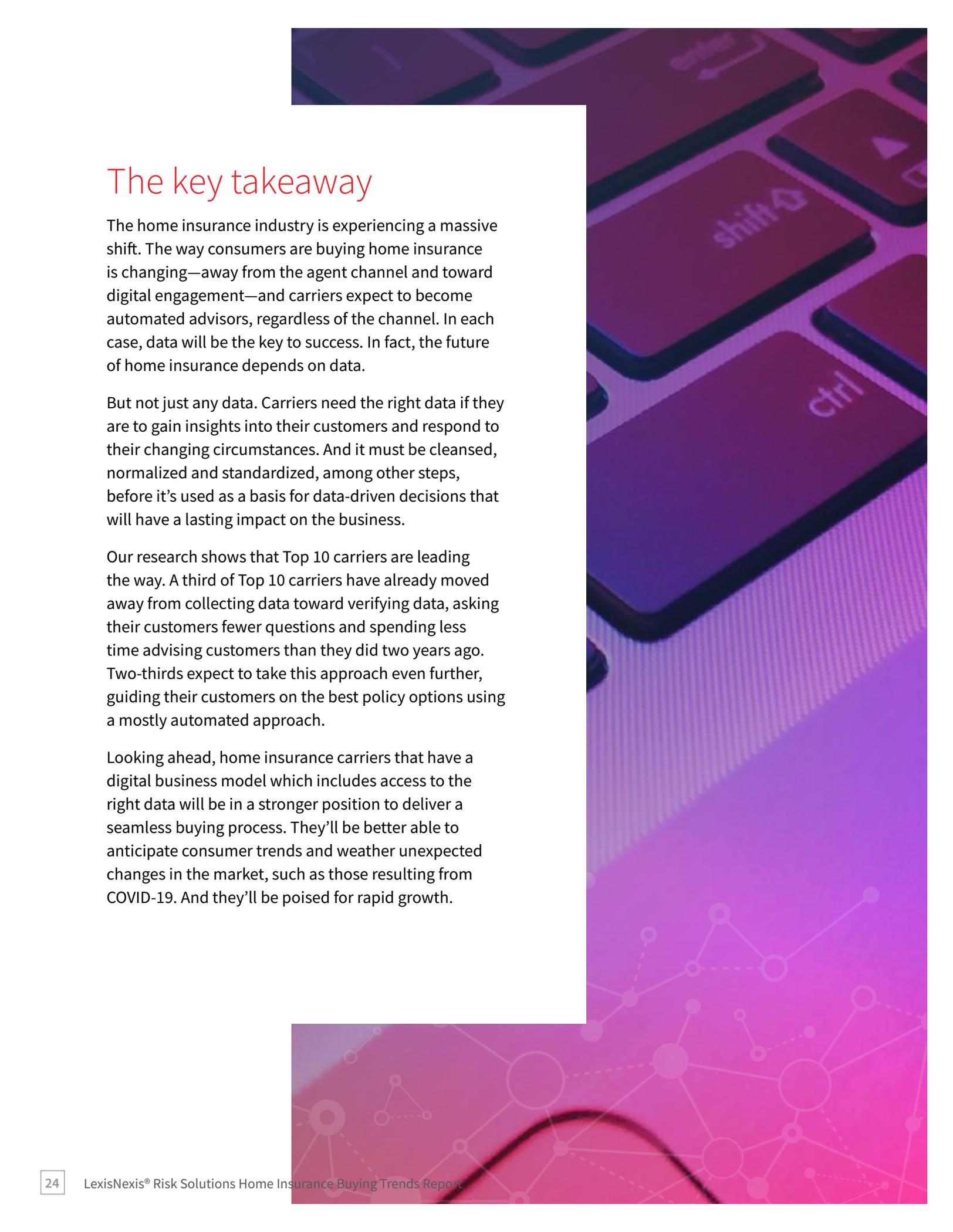
For carriers, the extra time spent at home by so many customers has led to increases in claims activity, changes in inspection activities and a slowing in premium growth. Carriers have had to re-evaluate their in-person interactions and invest in digital automation technologies, and they expect to make changes to their long-term home insurance strategy.

But that's not all. Carriers continue to face challenges around competitive and accurate pricing, and the cost and timing of underwriting processes. These challenges are compounded by new market entrants raising the bar. Also, new technologies, like smart home devices, are offering the potential for insights that carriers wouldn't have dreamed of even 10 years ago.

Top 20 carriers, already investing in automation and technology and the home insurance buying process, were better positioned to manage the disruption. They were able to:

- Improve the customer experience.
- Reduce manual time and costs associated with various aspects of underwriting.
- More accurately and competitively price offerings.
- Innovate on product development.

For other Top 50 carriers, it's time to take stock. How are you faring compared to industry leaders? What lessons can you learn from them? How can you adjust your strategy so you can remain competitive?



The key takeaway

The home insurance industry is experiencing a massive shift. The way consumers are buying home insurance is changing—away from the agent channel and toward digital engagement—and carriers expect to become automated advisors, regardless of the channel. In each case, data will be the key to success. In fact, the future of home insurance depends on data.

But not just any data. Carriers need the right data if they are to gain insights into their customers and respond to their changing circumstances. And it must be cleansed, normalized and standardized, among other steps, before it's used as a basis for data-driven decisions that will have a lasting impact on the business.

Our research shows that Top 10 carriers are leading the way. A third of Top 10 carriers have already moved away from collecting data toward verifying data, asking their customers fewer questions and spending less time advising customers than they did two years ago. Two-thirds expect to take this approach even further, guiding their customers on the best policy options using a mostly automated approach.

Looking ahead, home insurance carriers that have a digital business model which includes access to the right data will be in a stronger position to deliver a seamless buying process. They'll be better able to anticipate consumer trends and weather unexpected changes in the market, such as those resulting from COVID-19. And they'll be poised for rapid growth.

How LexisNexis® Risk Solutions can help home insurance carriers

Our Home Optics suite of solutions provides the data you need to improve the customer experience and make better decisions. The suite includes:

- **Property Data Prefill.** Automate your application process with an interactive, single-inquiry solution that helps elevate customer experience, improve retention efforts and increase home insurance profitability with the right data at point of quote.
- **Current Carrier® Property.** Use this single-point-of-entry to many existing LexisNexis products to access prefilled information on coverages, deductibles, lienholder information and more. Policy data contribution enables enhanced pricing and underwriting, and with the purchase of additional products, proactive monitoring of policyholder life events and the automation of certain lienholder compliance responsibilities.
- **Rooftop.** Make the best decisions regarding risk exposure based on roof condition data that uses machine learning and artificial intelligence to combine multiple sources, auto and property claims, weather data and imagery.
- **National Credit File.** Access consumer credit reports from all three major credit bureaus through a single point of entry.
- **C.L.U.E.® Property.** Discover property losses by matching search criteria against personal property claims, including date of loss, cause of loss, amounts paid and much more.
- **Residential Risk.** Identify potential home usage exposure and coverage gaps created by home rentals, home-based businesses or vacancies at point of quote, underwriting or renewal.
- **Household Members.** Identify potential household occupants, who may not have been disclosed by the applicant, and certain identity information about them.
- **Foreclosure/Vacancy.** Review public record information to discover whether a property may be in any stage of foreclosure or may be vacant or vacated for 90 days or longer.

We also have a team of data science professionals with expertise in the areas of data acquisition, data engineering, linking, regulatory review, analytics product management, analytical attribute development—to help you optimize data quality and consistency, and access quality data sources.

Our business is bringing the highest quality, most robust data products and analytics to the insurance industry and helping carriers integrate them into their workflow. By leveraging our capabilities and tools, you can focus on the core business of insuring risks.



Sources

¹ “Digital Innovation in Insurance,” BCG, <https://www.bcg.com/industries/insurance/digital/digital-innovation-in-insurance>

² Optimal Data Quality Report, LexisNexis, 2021

³ Home Trends Report, LexisNexis, 2020

⁴ Smart Home and Internet of Things Consumer Research Report, LexisNexis, 2020



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George Hosfield is Senior Director, Home Insurance, at LexisNexis Risk Solutions. In this role, George manages all aspects of the Personal Lines Property Vertical, including overall strategy, profitable growth, new product development and partnerships. He is responsible for a number of industry-leading data solutions, including LexisNexis® Property Data Prefill and LexisNexis® Fire and Disaster Response Score.

George has been with LexisNexis for more than 15 years, working in a variety of operational and strategic roles in both the Legal & Professional and Risk Solutions divisions. He holds a B.A. in English from the University of Virginia and an MBA from the University of Richmond, Robins School of Business.

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About LexisNexis Risk Solutions

LexisNexis® Risk Solutions harnesses the power of data and advanced analytics to provide insights that help businesses and governmental entities reduce risk and improve decisions to benefit people around the globe. We provide data and technology solutions for a wide range of industries including insurance, financial services, healthcare and government. Headquartered in metro Atlanta, Georgia, we have offices throughout the world and are part of RELX (LSE: REL/NYSE: RELX), a global provider of information-based analytics and decision tools for professional and business customers. For more information, please visit www.risk.lexisnexis.com and www.relx.com.