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INSTITUTE

**Presentation to the Cincinnati CPCU – I Day  
Jack Casino, Cincinnati, Ohio  
Thursday, October 26, 2017**

## **Consumer Understanding and Perceptions About Insurance**

Jeanne M. Salvatore, Senior Vice President, Chief Engagement Officer and Sr. Spokesperson  
Insurance Information Institute ♦ 110 William Street ♦ New York, NY 10038  
Tel: 212.346.5555 ♦ Cell: 917.612.4088 ♦ [Jeannes@iii.org](mailto:Jeannes@iii.org) ♦ [www.iii.org](http://www.iii.org)

# Presentation Overview

- ▲ What is the Insurance Information Institute?
- ▲ Public Attitude Toward the Insurance Industry.
- ▲ What do Consumers Know About Insurance?
- ▲ What Should We Be Communicating?
- ▲ How Should We Communicate?
- ▲ Resources: I.I.I. and Other Industry Sponsored Organizations!
- ▲ Questions



# I.I.I. Mission Statement

Simple and succinct; and should stay that way...

Improving public understanding  
of insurance...

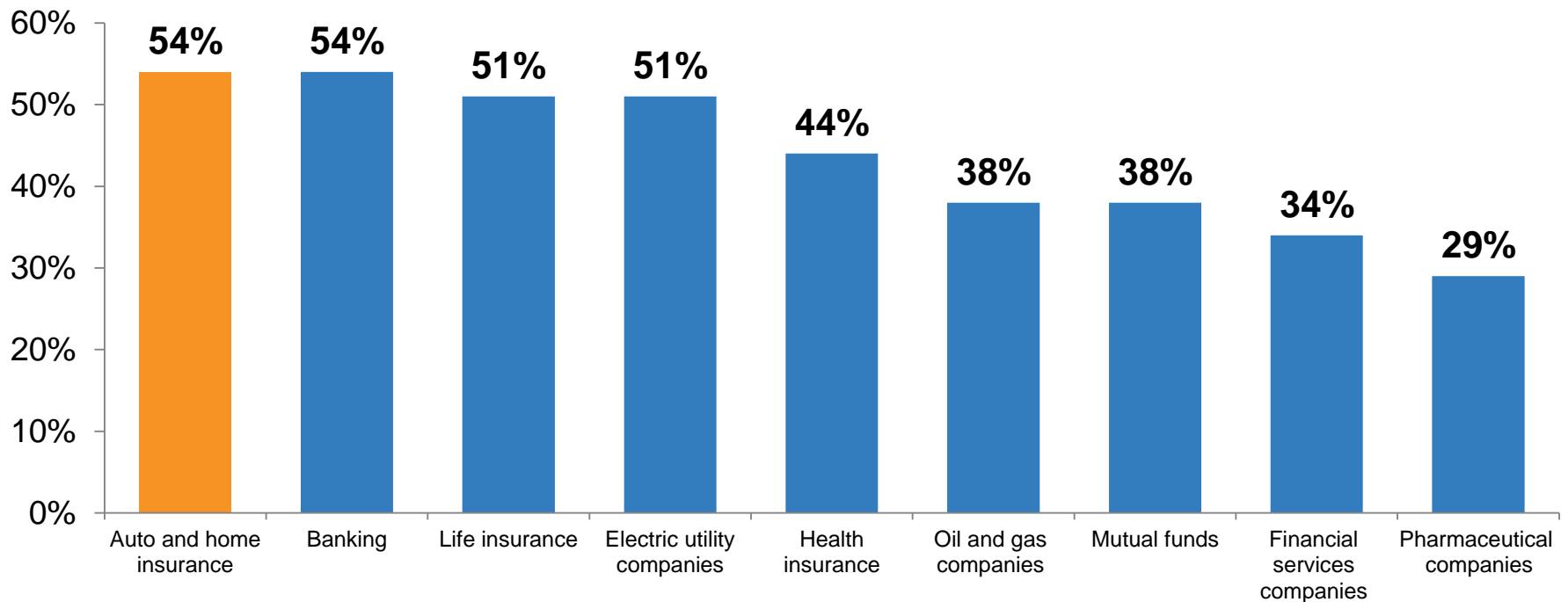
...what it does and how it works

# Public Attitudes Toward Insurance

2016 I.I.I. Insurance Pulse

# I.I.I. Poll: Favorability

Percent of Public Rating Industry as Very or Mostly Favorable, 2016



**Auto/Home Insurers Tie with Banks as Highest Rated of Industries Surveyed**



Source: Insurance Information Institute *Pulse* survey, November 2016.



# Perception of the Insurance Industry

## *Related to Interest in Working in the Industry!*

- ▲ Almost half of Americans (48 percent) would not like to see someone close to them choose the insurance field for their career.
- ▲ Less than half of Americans (44 percent) would like to see someone close to them choose the insurance field for their career.
- ▲ Of the 44 percent of Americans who said they would like to see someone close to them choose insurance for their career, about three-quarters (74 percent) said it was because they had a good opinion of the insurance professionals with whom they are familiar
- ▲ About three out of five of favorable respondents think that insurance is a field where there are jobs available or employees are well paid.



*.Source: 2016 I.I.I. Insurance Pulse*

# Growing Interest in Viewing Policies Online

## Majority Would like Option to Read Policy Before Purchase!

- ▲ Almost eight out of 10 respondents would now like to be able to view all the policies available to them on a single website.
- ▲ In November 2015, 79 percent of policyholders said they wanted to see their policies on one website, up from about seven out of 10 in May 2013 and May 2014.
- ▲ Younger policyholders were most likely to say they would like to see policies on a single site. Nine out of 10 policyholders between the ages of 35 and 44 wanted to view policies online, followed by 89 percent of policyholders age 18 to 34 and 85 percent of those between the ages of 45 and 54.
- ▲ Significantly fewer older policyholders wanted to see policies online, only 56 percent of those age 65 and over, and 72 percent of those between the ages of 55 and 64.

# What do Consumers Know About Insurance?

And what don't they understand about:

- Homeowners Insurance
- Natural Disasters
- Liability Coverage
- Cost of Auto Insurance
- Telematics
- Commercial Insurance



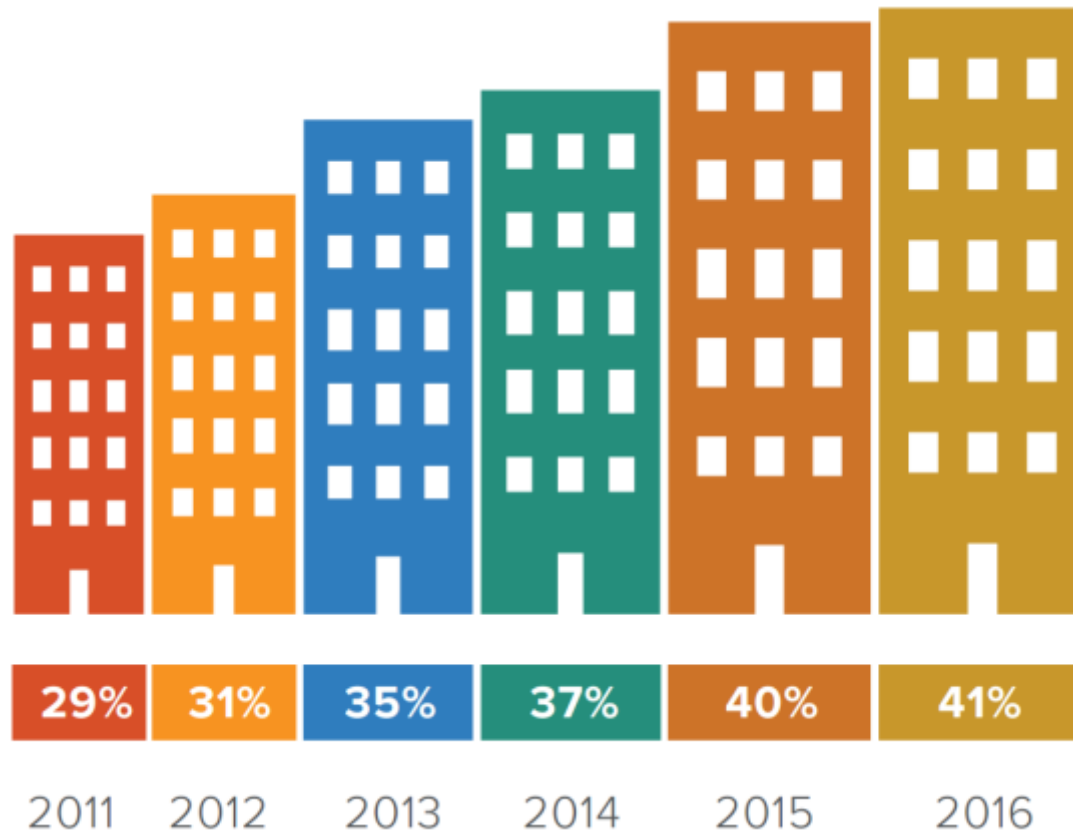
# Homeowners and Renters Insurance

## Most Homeowners Purchase Coverage and Growing Number of Renters do too!

- ▲ A 2016 Insurance Information Institute poll conducted by ORC International found that **93 percent of homeowners had homeowners insurance.**
- ▲ And **41 percent of renters had renters insurance.** This number has been growing over the last decade.
- ▲ But only **12 percent had a flood insurance policy**, despite the fact that flooding is the most common natural disaster in the U.S.
- ▲ And, although earthquakes have caused damage in all 50 states, **only 8 percent of American homeowners purchase separate earthquake insurance** or add an earthquake endorsement to their homeowners policy.



# Growing Number of Renters Insure Their Home



# Renters Insurance - Age Matters

- ▲ In one surprising twist, the I.I.I. found that younger generations are more likely to purchase renters insurance than older Americans.
- ▲ A greater percentage of both Millennials and Generation Xers purchase renters insurance than Baby Boomers.

41%  
Millennials  
(ages 18-35)



48%  
Generation X  
(ages 36-51)



24%  
Baby Boomers  
(ages 52-70)

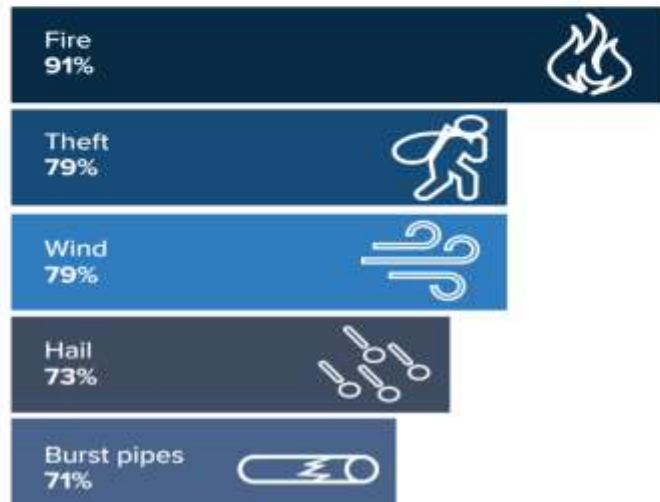


# Homeowners Understand the Key Provisions in A Policy

Most homeowners understand the key provisions of a standard homeowners insurance policy. A majority of homeowners recognize that their policy will provide coverage for damage caused by fire, wind and hail. Most also know that items stolen from their house are covered (Fig. 7).

Fig. 7

## Recognizing Covered Perils



## Most consumers understand that

- Fire
- Theft
- Wind
- Hail
- Burst Pipes

**ARE covered by standard home policies**

# Confusion about water damage

## Key Findings

Two broad conclusions can be drawn from the I.I.I.'s survey. First, **the majority of homeowners *do* understand the basics of their homeowners policy.** They recognize that they will be covered if their house is damaged by a fire, if property is stolen

from their home or if someone is injured on their property (Fig. 1).

But second, **homeowners have gaps in their knowledge of their coverage.** For example, many policyholders do not recognize that most flood damage is not covered by their basic homeowners insurance.

Fig. 1

### Homeowners Understand the Basics

Percentage of homeowners who knew key perils are covered



### Misunderstanding of Flood Damage Coverage



**Most homeowners understand the basics in a home insurance policy but don't understand water damage and flooding**



# Consumers are Fuzzy on the Details

- While homeowners understand the basics, the I.I.I. found that many were not aware of some additional coverages included in their policy.
- For example, 79 percent recognize that homeowners insurance provides coverage for stolen possessions in their home, but don't always know that they are covered away from home too.

Fig. 8

## Off-Premises Theft Coverage



57%  
Theft of  
possessions  
from your car



46%  
Theft of  
camera while  
vacationing



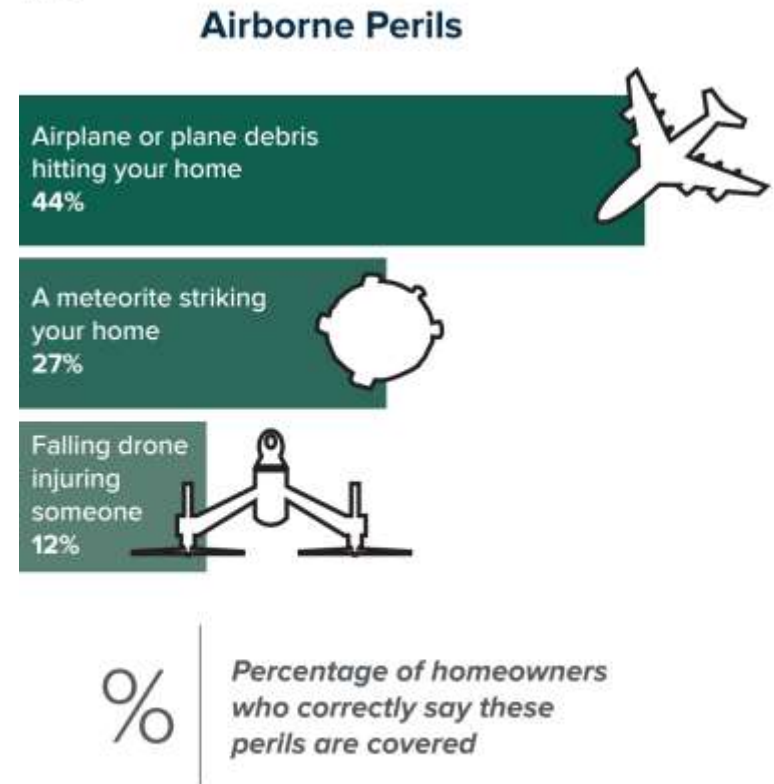
30%  
Theft of child's  
laptop while  
at school

*Homeowners who know that  
off-premises theft is covered*

# Consumers are Unaware that Fallen Objects are Covered!

- Only 27 percent of homeowners said their policy covered a meteorite striking their home.
- They also don't know they are covered against falling airplane debris or if their drone falls and injures someone.

Fig. 9





# Lack of Knowledge about Earthquake Coverage

## Misperceptions About Earthquake Coverage

29%

Homeowners who incorrectly think that standard homeowners insurance covers earthquake damage



*Standard homeowners insurance does NOT cover earthquake damage.*

- ▲ Property damage caused by earthquakes is also not covered by a standard homeowners policy, though fire damage following an earthquake will usually be covered.

# Consumer Understanding of Liability Coverage

- ▲ *Most policyholders recognize that standard homeowners insurance provides liability coverage.*

## Understanding Liability Coverage

Medical payments for visitor injured on your property

69%



Defense costs if sued by someone injured on your property

61%



Medical payments for a visitor bitten by your dog

54%

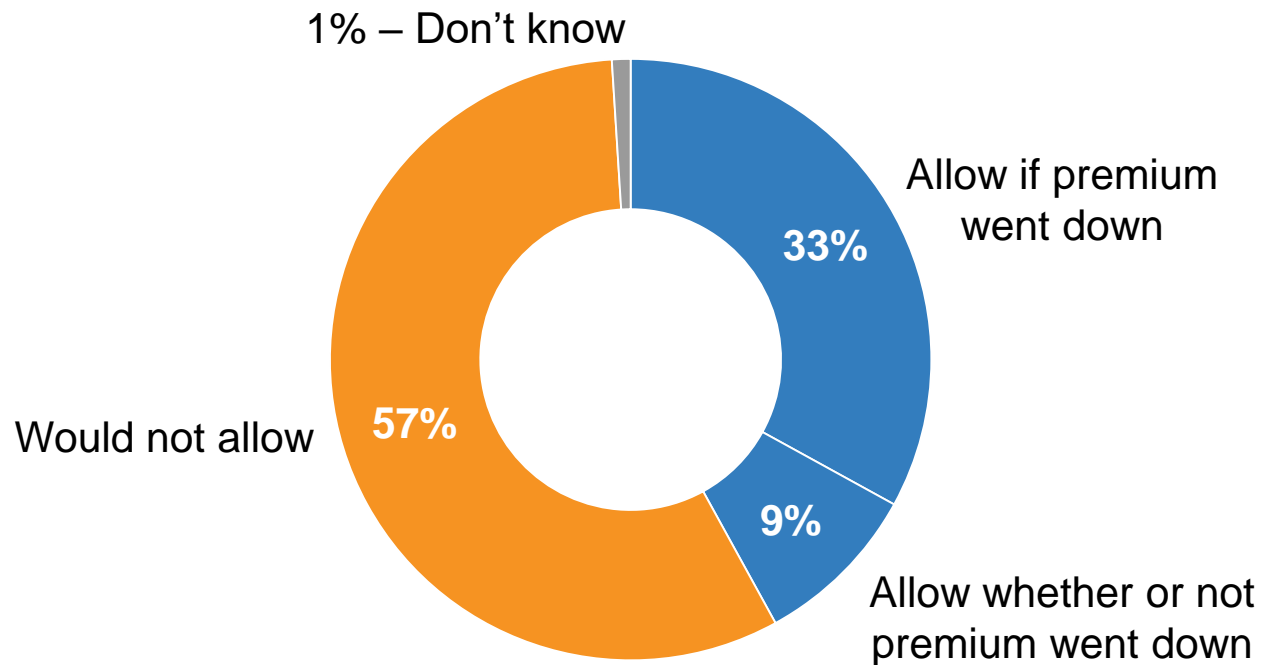


%

Percentage of homeowners who recognize that their standard homeowners policy provides certain liability coverage

## I.I.I. Poll: Telematics

**Q. Would You Allow Your Auto Insurer to Collect Information About How and When You Drive?<sup>1</sup>**



**More Than Half of Americans Would Not Allow Their Auto Insurer to Collect Information About How They Drive**

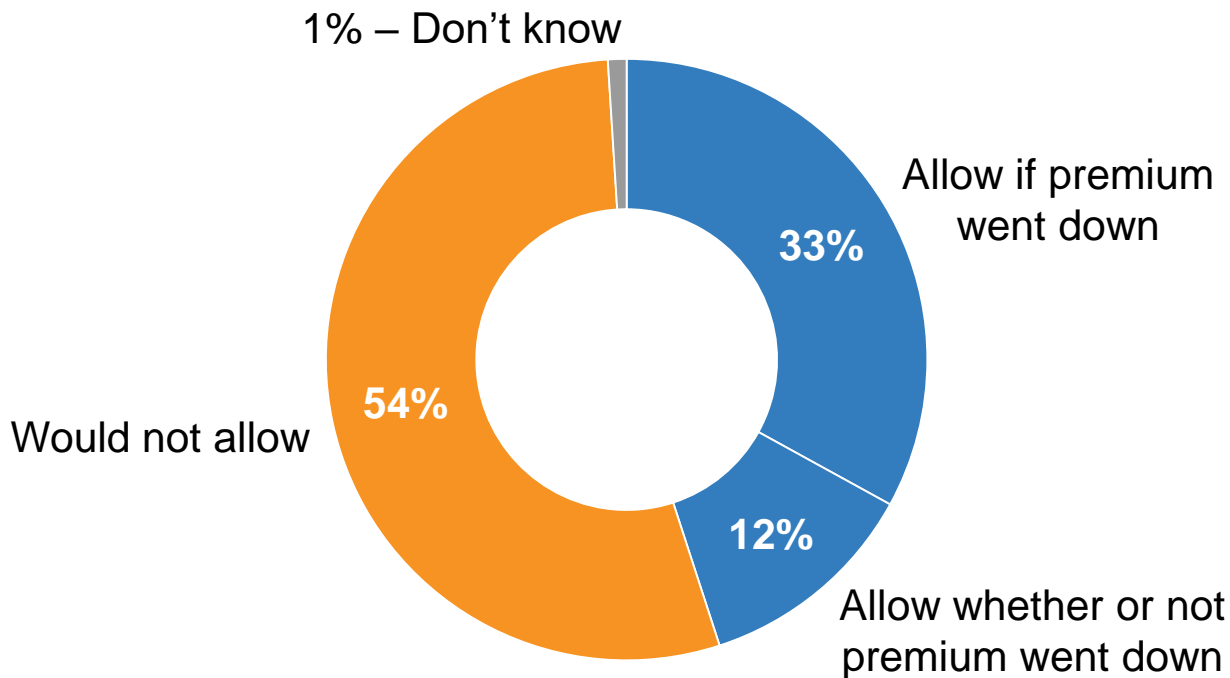


1. Asked of those who own or lease a car.

Source: Insurance Information Institute *Pulse* survey, November 2016.

## I.I.I. Poll: Telematics

**Q. Would You Agree to Share Information from a Home Monitor Like Nest with Your Insurer...**



**Half of Americans Would Not Share Information from a Home Monitor with Their Insurer**



# What has the Industry Learned from the Hurricanes and Wildfires in 2017


## Every Disaster is a Teacher


- ▲ Flood insurance is available to those who do not live in a flood zone
- ▲ There is still a lot of confusion about the very basics of insurance
- ▲ Continued Widespread Confusion About Hurricane/Wind Deductibles
- ▲ Evacuation planning is important no matter where you live... but even more important if you live in a wildfire area.




# Critical Need for Small Business Owners to Understand their Options

Too Often, they ask about coverage....after a disaster!

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- Combining three insurance policies into one package
- You can tailor a BOP to meet your needs
- Increasing your coverage with excess and umbrella insurance

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# Business are Not Prepared for a Disaster



- ▲ Nationwide has seen a 26 percent increase in the average severity of commercial catastrophe claims
- ▲ The company has also seen a 14 percent increase in unique commercial catastrophe events that impact a business when comparing those same time periods.
- ▲ Most small-business owners (68 percent) still don't have a written disaster recovery plan — even though about half (49 percent) said it would take their business at least three months to recover from a natural disaster.



These findings stem from Nationwide's second annual Small Business Indicator, which was conducted online by Harris Poll on behalf of Nationwide from June 10-23 among 502 U.S. small-business owners with fewer than 300 employees.



# Home Based Business Do Not Have Proper Coverage, According to the IIABA Survey

Most of the 11 Million Home-based Business are at Risk!

- ▲ The survey, conducted by International Communications Research, reveals that one in 10 U.S. households operates some type of full or part-time home-based business. However, nearly 60 percent of these businesses do not have insurance coverage.
- ▲ Nearly 40 percent of home-based business owners say they thought they were protected by some other type of coverage, while almost 30 percent say their businesses are too small to insure.
- ▲ Additionally, home-based businesses that do not have insurance are slightly more likely (11 percent) to have experienced a financial loss than are those that do have insurance (9 percent).



# Millennials and Business Insurance Coverage

Good News for the Future....a Nationwide Insurance Poll Reveals

- ▲ Millennial small-business owners are seemingly the most concerned generation in recent history. They are more likely than Gen X or Baby Boomers to have plans for natural disasters, retirement benefits, cyberattacks and even business succession.
- ▲ **Disaster recovery**: Millennials are most likely to have a disaster recovery plan in place (51 percent), versus Gen X (30 percent) or Baby Boomers (29 percent)
- ▲ **Cyber security**: More Millennials have a written cyberattack response plan in place (42 percent), versus Gen X (17 percent) or Baby Boomers (12 percent)
- ▲ **Business succession**: Millennials are most likely to currently have a business succession plan in place (61 percent), versus Gen X (32 percent) or Baby Boomers (32 percent)



# Millennial Business Owners and Employee Benefits

## More Generous Than Other Generations

- ▲ **Retirement planning**: Millennials are most likely to offer retirement benefits (59 percent)
  - ◆ They are also most likely to offer their employees the following benefits (84 percent), versus Gen X (60 percent) or Baby Boomers (46 percent):
    - medical insurance,
    - paid time off, retirement benefits (e.g., 401(k)),
    - workers' compensation,
    - dental insurance,
    - vision insurance,
    - life insurance, short-term disability,
    - long-term disability and domestic partner benefits



What Should We Be Communicating?

# Need to Educate Business Owners

About all their options...so they can make sound financial decisions!

## 40 Percent Don't Open After a Disaster



## Another 25% Fail Within a Year!

- ▲ **Property insurance**
- ▲ **Liability insurance**
- ▲ **Business interruption insurance**
- ▲ **And, Coverages such as Professional liability, Employee practices liability, Workers compensation, Health and disability, Flood and sewer back-up, Cyber risk insurance, Terrorism insurance and others...**

# Need to Communicate the Basics As Often as Possible

## Key Messages Include:

- ▲ Standard home, renters and business insurance policies clearly list the disasters that are covered and the disasters that are not.
- ▲ Everyone needs to get enough insurance to rebuild their home, replace their possession and protect their assets.
- ▲ The two biggest disasters that are not covered are floods and earthquakes.
- ▲ Flood coverage is available from the National Flood Insurance Program (NFIP) and a few private insurance companies. Excess flood insurance is available from private insurers.
- ▲ Flood damage to an auto is covered under the optional comprehensive portion of an auto insurance policy.
- ▲ Earthquake insurance is available from private insurance companies and through the CEA in California.



## Encourage to get both a Renters Insurance Policy and a Flood Insurance Policy

### **We are increasingly becoming a Nation that Eschews Home Ownership at Every Demographic!**

- ▲ The U.S. homeownership rate was 63 percent in second-quarter 2016, the lowest rate since the third quarter of 1965, according to data from the U.S. Census Bureau.
- ▲ Renters account for a majority of households in NYC (69 percent), LA (62 percent), Chicago and Houston (55 percent).



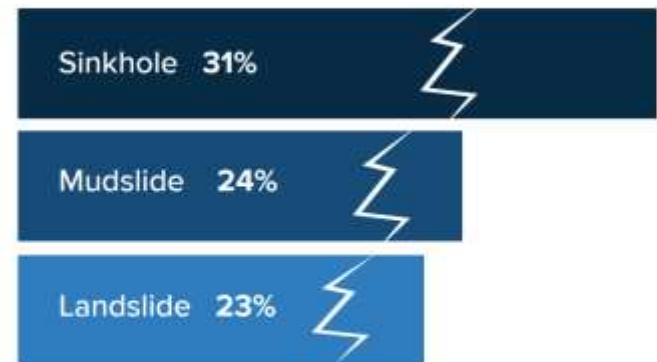


# Need to Clear Up Confusion About Coverage

- ▲ For example, the industry needs to do a better job of explaining water damage coverage.
- ▲ Need to communicate that homeowners insurance includes coverage for damage caused by wind-driven rain, burst pipes and water leaking into a house because of an ice dam.
- ▲ Also need to clearly explain coverage for mudslides, landslides and back-up of sewers and drains, as well as “law and ordinance” coverage.

Fig. 11

## Misunderstanding of “Earth Movement” Coverage



%

*Percentage of homeowners who incorrectly believe these perils are covered under their standard policy*

# Need to Point out Limitations of the Flood Insurance Policy

## Important to Not Sugar Coat it!

Stress the following:

- ▲ There is no ALE coverage.
- ▲ Coverage for Basements is limited.
- ▲ There are limits on the amount and type of coverage under an NFIP flood insurance policy. Homes are covered for up to \$250,000 on a replacement cost basis and the contents for up to \$100,000 on an actual cash value basis.
- ▲ Coverage limits for commercial property are \$500,000 for the structure and another \$500,000 for its contents.



How Should We Communicate?

# “Surround Sound” Approach to Consumer Communications



# Approaches as Different As Individuals


- ▲ Apps
- ▲ Blogs
- ▲ Checklists
- ▲ Consumer Articles
- ▲ Infographics
- ▲ Media Interviews
- ▲ Social Engagement
- ▲ Videos




# I.I.I. and Industry Resources

# I.I.I. Website

The I.I.I. homepage is updated regularly with content relevant to consumers.


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### I.I.I. SPOTLIGHT

#### Springtime Motorcycle Safety and Insurance Tips

MARCH 08, 2016 - This week (March 4 - 11) is Daytona Bike Week, one of the biggest red-letter dates on all motorcycle enthusiasts' calendars. With warmer weather and months of riding just ahead, now's an excellent time to review your motorcycle insurance to see if it can keep up with your two-wheeled needs and passions.

[Full Story](#)

#### PRESENTATIONS

**Overview and Outlook for the Global Commercial P/C Insurance Industry: Trends, Challenges, Disruptors and Opportunities**

FEBRUARY 24, 2016


#### TRENDING

- 12 Easy Steps to Locating Lost Life Insurance Policy Documents
- How Can I Save Money On Auto Insurance?

#### UNINSURED/UNDERINSURED MOTORISTS

- Protecting Yourself Against Uninsured Motorists
- Facts and Stats: Uninsured Motorists

#### FACTS+STATISTICS




##### Women in Insurance

March 8 marks International Women's Day, and an excellent opportunity to highlight and celebrate women in insurance—who in 2015 comprised 59.4 percent of all industry employees.


[All Facts & Statistics](#)

#### I.I.I. WIRE




##### What Do Women Business Owners Want?

FEBRUARY 26, 2016 - Six business insurance strategies for Women's History Month.



##### First Step to Recovery After the Blizzard Is Filing a Claim


JANUARY 28, 2016 - The I.I.I. answers questions about the claims filing process; keeping good records is key.




##### For Businesses Digging Out From the First Blizzard of 2016, a Guide to the Insurance Claims Filing Process

JANUARY 26, 2016 - What is covered by a business owners policy?

#### I.I.I. VIDEO




The It's on Insurance: Life Insurance



The It's on Insurance: The Claim Game: Homeowners


#### I.I.I. UPDATES



INSURING FLORIDA

Latest blog: Hit-and-run crashes: The problem and the BIGGER problem...

#### EN ESPAÑOL



¿Cómo funciona el deducible de su seguro? El deducible es la parte que...





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Many businesses are not prepared to respond to a man-made or natural disaster. Small businesses are particularly at risk because they may have all of their operations concentrated in one location that is damaged or destroyed.

Business continuity planning is vital to survival and should not be put off indefinitely as you focus on today's challenges. It's important to devote enough time and attention to planning for the future, even when that future may involve events that are unpleasant to think about and, hopefully, not likely to happen. IBHS offers a variety of resources to assist with this important planning process.

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### Risks



# NAIC Resources for the Industry and Consumers



## NEWSROOM



### NAIC Updates Congress on Federal Government Role in Insurance

Connecticut Insurance Commissioner Katharine L. Wade testified before Congress today representing the NAIC. Wade responded to questions from the Committee on Financial Services Subcommittee on Housing and Insurance about the appropriate role for the federal government in insurance issues. The hearing focused on the federal government's international and domestic engagement.

- [Read Full Release](#)
- [Testimony \(PDF\)](#)

#### TESTIMONY

NAIC Updates Congress on Federal Government Role in Insurance

#### NEWS RELEASE

NAIC Articulates Support for Bipartisan Health Bill

#### RECENT ACTIVITY

NAIC Holds 8th Regulatory Dialogue with Japan's FSA

#### STATEMENT

CSR Funding Ceased, NAIC Response

#### STATEMENT

NAIC Reacts to Health Executive Order

#### SPECIAL EVENT

NAIC, Stanford Host Cyber Forum

#### DISASTER RECOVERY

NAIC Assists Puerto Rico & US Virgin Islands

## MEETINGS & CONFERENCE CALLS

### Upcoming

### Recent

### Calendar



Fall National Meeting  
Dec. 2-4, 2017

*Tentative Agenda Available*



National Meetings 2018

## ANALYSIS, ISSUES & POLICY



### CAPITAL MARKETS & INVESTMENT ANALYSIS

- Securities Valuation Office (SVO)
- Structured Securities Group (SSG)
- Capital Markets Bureau



### GOVERNMENT RELATIONS & INTERNATIONAL POLICY

- Financial
- Health
- International



### CENTER FOR INSURANCE POLICY & RESEARCH (CIPR)

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I passed CPCU 520 on Friday. I now have 4 exams (and the Ethics requirement) down, and 4 exams to...

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39

Questions?  
And, Thank You!

@JeanneSalvatore

212-346-5555

917-612-4088

[Jeannes@iii.org](mailto:Jeannes@iii.org)