Insuring the Way to a Financially Resilient America
Many CFSI staff members contributed to this work, including Dan Miller, John Thompson, and Eric Wilson. A special thanks to Andrew Dunn for his help with the data analysis.

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While homeowners insurance is required, consumers still see the value in having this coverage. Similarly, even as more landlords begin requiring renters insurance, consumers still see the value in the protection it provides.

Of the small percentage of policyholders who have filed a homeowners or renters insurance claim, most felt that filing was easy, had most of their claim covered, and received a fair settlement.

Low- to moderate-income (LMI) consumers without renters insurance cite price as the biggest barrier, despite the fact that average renters insurance premiums are quite affordable.
INTRODUCTION

Protecting one’s home is an important part of achieving an overall sense of security. Homeowners and renters insurance is intended to do just that, protecting consumers against the risk of theft or property damage. While homeowners insurance is typically required to close on a mortgage, renters insurance is usually not required, although that trend is beginning to change as more landlords require their tenants to purchase insurance.

Renters insurance, in particular, is an easy product for people to disregard as unnecessary. Yet with about a third of individuals indicating that they struggle to pay all of their bills on time, renters insurance can help protect consumers from difficult financial shocks by covering an unexpected expense, such as replacing a stolen or damaged item.

This brief takes a closer look at the homeowners and renters insurance coverage, acquisition channels, knowledge, and claims experience of American consumers, with a particular focus on low- to moderate-income (LMI) consumers.¹ The data in this brief comes from a larger CFSI report on LMI insurance consumers.²

¹ In this brief, LMI refers to household incomes under $60,000 annually.
² Insuring the Way to a Financially Resilient America: Developing Successful Products for LMI Consumers, CFSI, June 2018. See full report for details on the research methodology.
Homeowners insurance is required to close on a mortgage, so coverage data is less insightful than for other insurance products we studied. Yet despite the fact that it is required, the majority of consumers (66 percent) still see the importance of homeowners insurance as a way to protect assets.

Unlike homeowners insurance, renters insurance is typically not required, although this trend is shifting as more landlords require their tenants to purchase renters insurance. Our study found that 49 percent of people purchase renters insurance because it was required when they moved into their rental property. This figure was somewhat lower (44 percent) for LMI renters. Even if it is required in some instances, people still see the value of the protection. In fact, 61 percent of people said they purchased renters insurance for peace of mind in the face of potentially losing their possessions.

When it is not required, however, 48 percent of those who rent do not own renters insurance, and this percentage increases to 61 percent among LMI consumers. Regardless of their current coverage status, 79 percent of all individuals think it is important to have homeowners or renters insurance, with this percentage dropping to 69 percent among LMI individuals.

“It’s best to have renters insurance. My side of town is not the best side of town.”

— MALE, FRESNO

Why did you purchase homeowners insurance?

- To protect an asset I could not afford to lose (gave peace of mind) 66%
- Required when purchased home 62%
- Convinced by marketing efforts of the insurance company 1%
- Some other reason 1%

The insurance products in scope for the overall research were auto, homeowners, renters, life, and short- and long-term disability insurance.
People appear highly confident in the adequacy of their homeowners and renters coverage, with 87 percent saying they are definitely or probably well-covered by their homeowners policy and 81 percent saying the same for their renters policy. These percentages do not vary significantly by income. This indicates that current non-owners have the potential to increase their peace of mind and asset protection by purchasing these types of insurance.
Most consumers find their homeowners insurance through their own shopping or through recommendations from friends or family. Surprisingly, only 12 percent of consumers depend on the recommendation of their realtor or bank. Again, these figures do not vary significantly by income. This signals an opportunity for insurance carriers. Although shopping for homeowners insurance is part of the otherwise stressful and chaotic mortgage closing process, consumers still take the time to shop for the best policy at the best price. Insurers can capitalize on this attention from consumers by providing informative and targeted marketing.

For renters insurance, LMI consumers are much more likely to rely on family and friends for recommendations (33 percent) than consumers overall (25 percent). Higher-income individuals rely more on their own shopping (48 percent) to find a renters insurance policy than their LMI counterparts (35 percent).

For LMI consumers, good value for money (24 percent) is just as important in selecting a homeowners insurance company as a direct recommendation (23 percent). In comparison, those with incomes over $100,000 say good value for money is the main reason for purchasing a policy (36 percent), followed by a direct recommendation as a distant second (18 percent). This is an interesting reversal from what we typically see in other types of insurance, where LMI customers are the most price-sensitive.

For renters insurance, good value for money is the most important reason for selecting a company, at 27 percent. This increases slightly to 30 percent for LMI consumers. Nearly one in five respondents say they chose their carriers because they had car insurance or another insurance product with the same company. This highlights another opportunity for insurers to continue building on their existing momentum in the industry through product bundling.

“[X insurance company] was really good about fixing my mother’s house after it was flooded. So I used them for my home.”

— FEMALE, BALTIMORE

6 These percentages are relative to all the answer choices respondents could select. For example, in this case, “value for money” was the most selected answer choice at 24 percent.
Among insurance products, homeowners and renters insurance are in the middle of the pack in terms of consumer understanding. LMI consumers have a more difficult time understanding their homeowners or renters insurance policies. Just 34 percent say they understand their policy very well, compared with 40 percent of overall consumers.

At the time of purchase for these insurance policies, people seem more confident in their understanding. Among policyholders, 86 percent of those with homeowners insurance and 87 percent of those with renters insurance say they understood the coverage they were buying very or somewhat well. It makes sense that knowledge would be lower in general, but higher when people are at the purchasing decision point.

### How well do you understand each of the following types of insurance?

<table>
<thead>
<tr>
<th>Insurance Type</th>
<th>Annual Household Income</th>
<th>Very well</th>
<th>Somewhat well</th>
<th>Not too well</th>
<th>Not at all well</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Health</strong></td>
<td>All</td>
<td>43%</td>
<td>45%</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&lt;$60K</td>
<td>38%</td>
<td>45%</td>
<td>13%</td>
<td>3%</td>
</tr>
<tr>
<td><strong>Auto</strong></td>
<td>All</td>
<td>43%</td>
<td>45%</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>&lt;$60K</td>
<td>39%</td>
<td>45%</td>
<td>11%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Homeowners or Renters</strong></td>
<td>All</td>
<td>40%</td>
<td>46%</td>
<td>11%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>&lt;$60K</td>
<td>34%</td>
<td>46%</td>
<td>14%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Life</strong></td>
<td>All</td>
<td>37%</td>
<td>45%</td>
<td>14%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>&lt;$60K</td>
<td>34%</td>
<td>45%</td>
<td>16%</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Disability</strong></td>
<td>All</td>
<td>24%</td>
<td>38%</td>
<td>28%</td>
<td>9%</td>
</tr>
<tr>
<td></td>
<td>&lt;$60K</td>
<td>21%</td>
<td>34%</td>
<td>30%</td>
<td>13%</td>
</tr>
</tbody>
</table>

*Beyond basic liability required by law.*
CLAIMS EXPERIENCE

Fewer than one in five homeowner policyholders has had a claim in the past five years, and for 78 percent of them, the claim covered all or most of the expense. LMI consumers actually found the process of filing a claim to be easier than their higher-income counterparts. Among all policyholders, 70 percent said filing a claim was very easy, while this figure dropped to 51 percent for households with incomes between $60,000 and $100,000 and 60 percent for households with incomes over $100,000. More than three-quarters (77 percent) of policyholders felt they received fair value for their claim based on the price of their policy. This is even higher for LMI consumers, 84 percent of whom said they received fair value for their claim.

Just 5 percent of renters policyholders have had a claim in the past five years, and for 66 percent of them, the claim covered all or most of the expense. Most people (84 percent) found it very or fairly easy to file the claim. While 71 percent of people overall felt that they received a fair value for their claim based on the price of their policy, this dropped to 65 percent for LMI policyholders. In addition, 12 percent of LMI policyholders simply didn’t know if they received fair value based on the policy’s cost. There is an opportunity for insurers to articulate the value proposition of renters insurance better, prove that value when handling claims, and ensure they are handling the claims appropriately.

“The repairs have been shoddy. The insurance company finds the cheapest way to do it.” — MALE, FRESNO

THE UNINSURED

In this section, we focus just on renters insurance, since homeowners insurance is typically required coverage. For those without renters insurance, not seeing a need for it (38 percent) and the cost (37 percent) are the main reasons for not purchasing a policy. These two reasons vary by income, however, as LMI consumers are more likely to cite cost (40 percent), while higher-income consumers are more likely to cite no need (58 percent).

Yet renters insurance, in particular, is usually quite affordable. The national average cost of renters insurance premiums is only around $188 annually. There is an opportunity for insurers to help consumers understand its value and its low cost.

In the case of a theft or property damage, those without renters insurance would either use savings (27 percent) or would do nothing, hoping the landlord would take care of the problem (36 percent). But again, this varies by income. LMI consumers are much more likely to rely on their landlord or simply live with the shock (41 percent), while higher-income consumers would turn to savings (56 percent). With over 40 percent of LMI consumers saying that it is hard for them to pay all of their bills on time, a $500 expense without insurance coverage could have a significant impact on the family finances.

What is the biggest reason you decided against having renters insurance?

- **No need for it**
  - All: 34%
  - <$60K: 42%
  - $60K to <$100K: 37%
  - $100K+: 32%

- **Too expensive**
  - All: 40%
  - <$60K: 32%
  - $60K to <$100K: 20%
  - $100K+: 14%

- **Too difficult to understand what is covered and not covered**
  - All: 34%
  - <$60K: 13%
  - $60K to <$100K: 15%
  - $100K+: 14%

- **Some other reason**
  - All: 13%
  - <$60K: 10%
  - $60K to <$100K: 11%
  - $100K+: 11%

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If you were to have a theft or property damage of $500 or more where you currently rent, how would you most likely deal with the financial impact of that?

Among those who do not have renters insurance.

- **Would not try to replace or have repairs made at my expense, assuming the landlord would pay for it**
  - All: 36%
  - <$60K: 41%
  - $60K to <$100K: 21%
  - $100K+: 23%

- **Use my savings**
  - All: 27%
  - <$60K: 39%
  - $60K to <$100K: 27%
  - $100K+: 20%

- **Borrow money from family or friends**
  - All: 13%
  - <$60K: 16%
  - $60K to <$100K: 4%
  - $100K+: 3%

- **Put it on a credit card**
  - All: 12%
  - <$60K: 13%
  - $60K to <$100K: 11%
  - $100K+: 22%

- **Get a loan from a bank**
  - All: 2%
  - <$60K: 2%
  - $60K to <$100K: 1%
  - $100K+: 0%

- **Some other approach**
  - All: 8%
  - <$60K: 7%
  - $60K to <$100K: 11%
  - $100K+: 9%
## Percentage of Non-Owners of Renters Insurance by Income

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>&lt;$60k</th>
<th>$60K to &lt;$100K</th>
<th>$100K+</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>48%</td>
<td>61%</td>
<td>40%</td>
<td>23%</td>
</tr>
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</table>

## Percentage of Non-Owners of Renters Insurance by Age

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>18-29</th>
<th>30-44</th>
<th>45-59</th>
<th>60+</th>
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<tbody>
<tr>
<td></td>
<td>48%</td>
<td>46%</td>
<td>48%</td>
<td>50%</td>
<td>49%</td>
</tr>
</tbody>
</table>

## Percentage of Non-Owners of Renters Insurance by Gender

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>48%</td>
<td>47%</td>
<td>49%</td>
</tr>
</tbody>
</table>

## Percentage of Non-Owners of Renters Insurance by Race

<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>White</th>
<th>Black</th>
<th>Hispanic</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>48%</td>
<td>42%</td>
<td>52%</td>
<td>62%</td>
<td>44%</td>
</tr>
</tbody>
</table>

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6 Among those who rent.
OPPORTUNITIES FOR INSURERS

> Since consumers take the time to shop for the best policy at the best price, capitalize on this attention by providing informative and targeted marketing at the time of apartment hunting or home purchase.

> Since consumers often purchase these products from a carrier with whom they have another insurance policy, continue building on existing momentum in the industry through product bundling.

> Better articulate the low cost and value proposition of renters insurance and prove that value when handling claims.

Innovation Ideas

We asked focus group and survey respondents about several innovations that the insurance industry has implemented or tested recently.

People found the idea of “building your own homeowners policy” to be appealing. This tool would allow consumers to see how policy prices change by adjusting coverage factors such as deductible and coverage limits. Over 80 percent of focus group respondents found this very or somewhat appealing, and 74 percent were very or somewhat likely to use this online tool.

Another idea was to install a home video to track crime and other potential risks to the home, potentially leading to homeowner or renter policy discounts. While some people liked the idea of a discount, the overall reaction was negative.

“The ability to build your own policy] would be extremely helpful. The idea that they would have thresholds of legal requirements, and allow you to build on that.”

— Male, Baltimore

“There is nothing else [insurance companies] need to know than what they already have. There already is a list of things they have.”

— Female, Baltimore