



One of These Things is Not Like the Other Finding Underinsured Properties

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The Result . . .



You

What are some examples of a product that consumers buy, but do not understand, and end up buying based on price?



Copilot

Great question! There are several products that consumers often buy without fully understanding them, leading them to make decisions primarily based on price. Here are a few examples:

1. Insurance Policies: Many people find insurance policies complex and difficult to understand. As a result, they might choose the cheapest option without fully grasping the coverage details, exclusions, or the financial stability of the insurer.

What can we do?

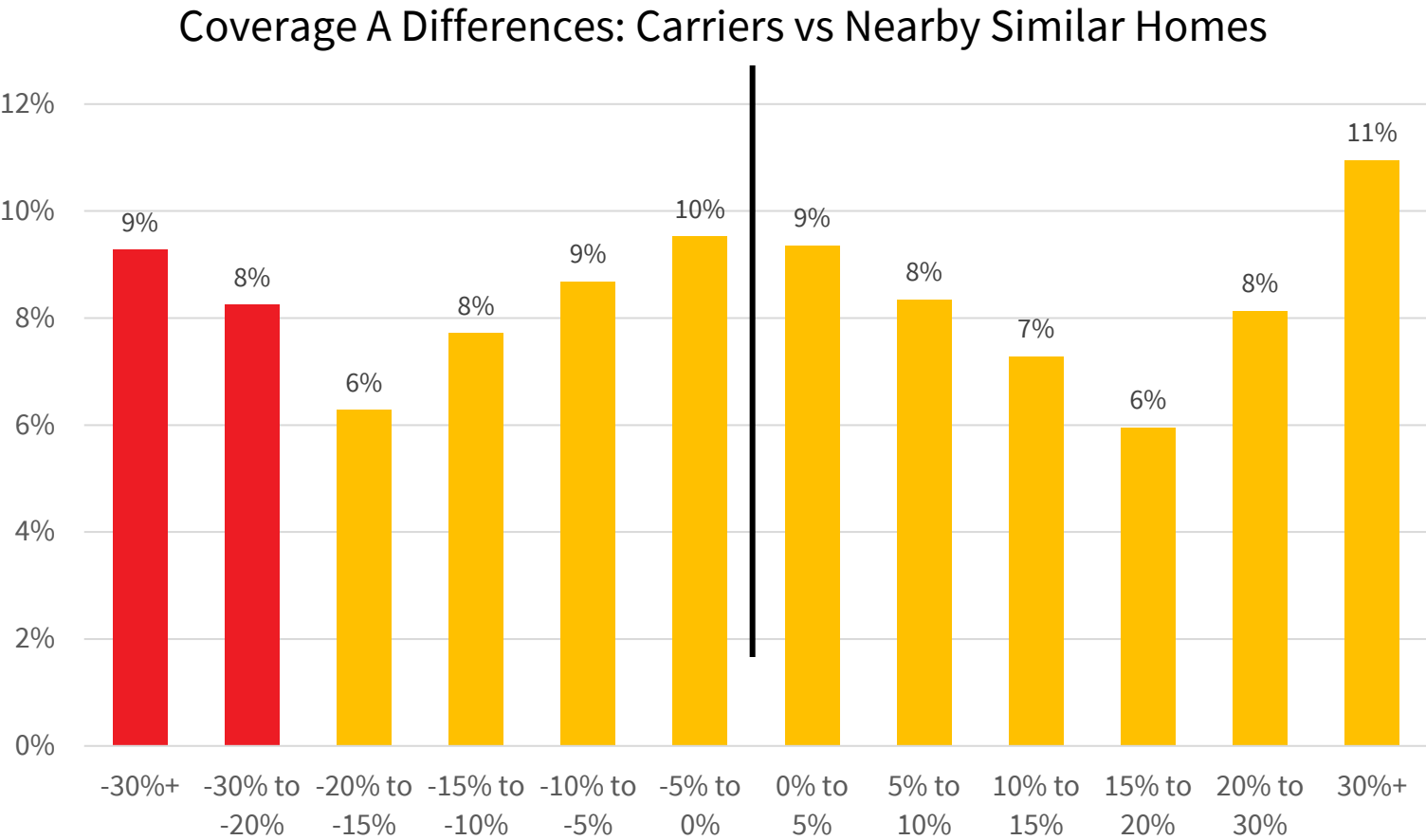
70%

of homeowners rely on their carrier or agent to make sure they have the right coverage

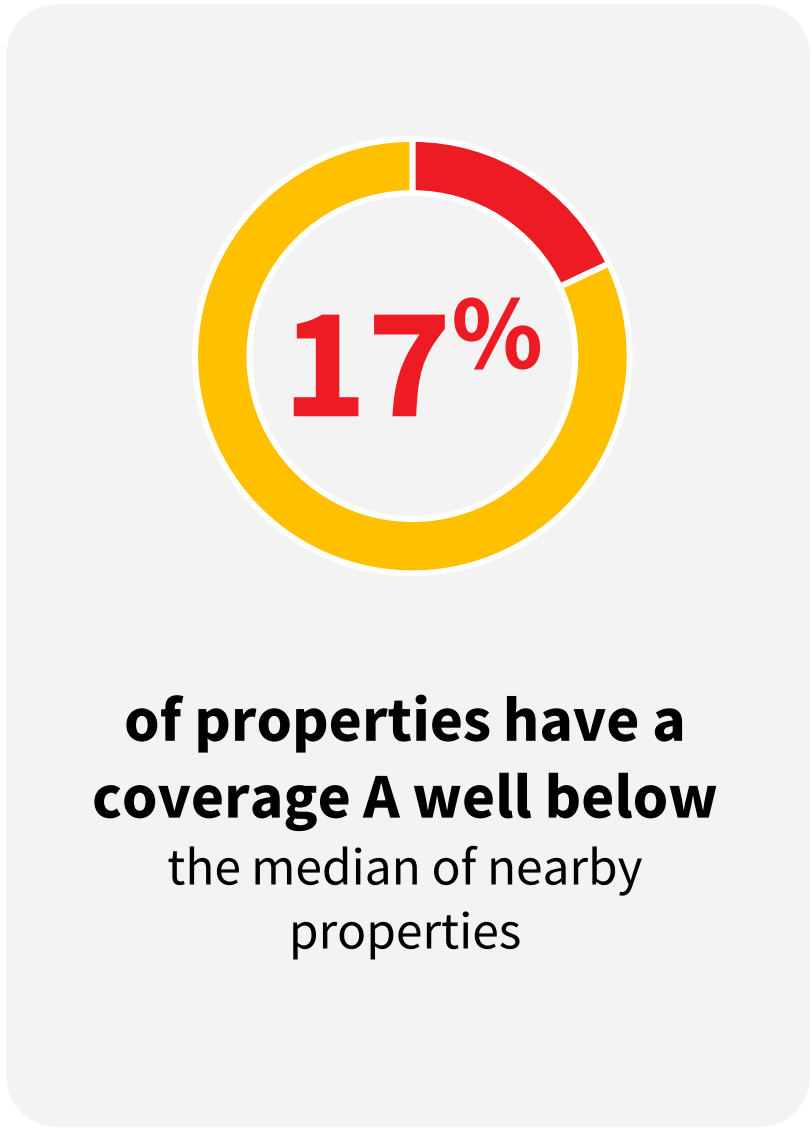
Source: LexisNexis® Risk Solutions, Internal Home Consumer Research, copyright © 2024

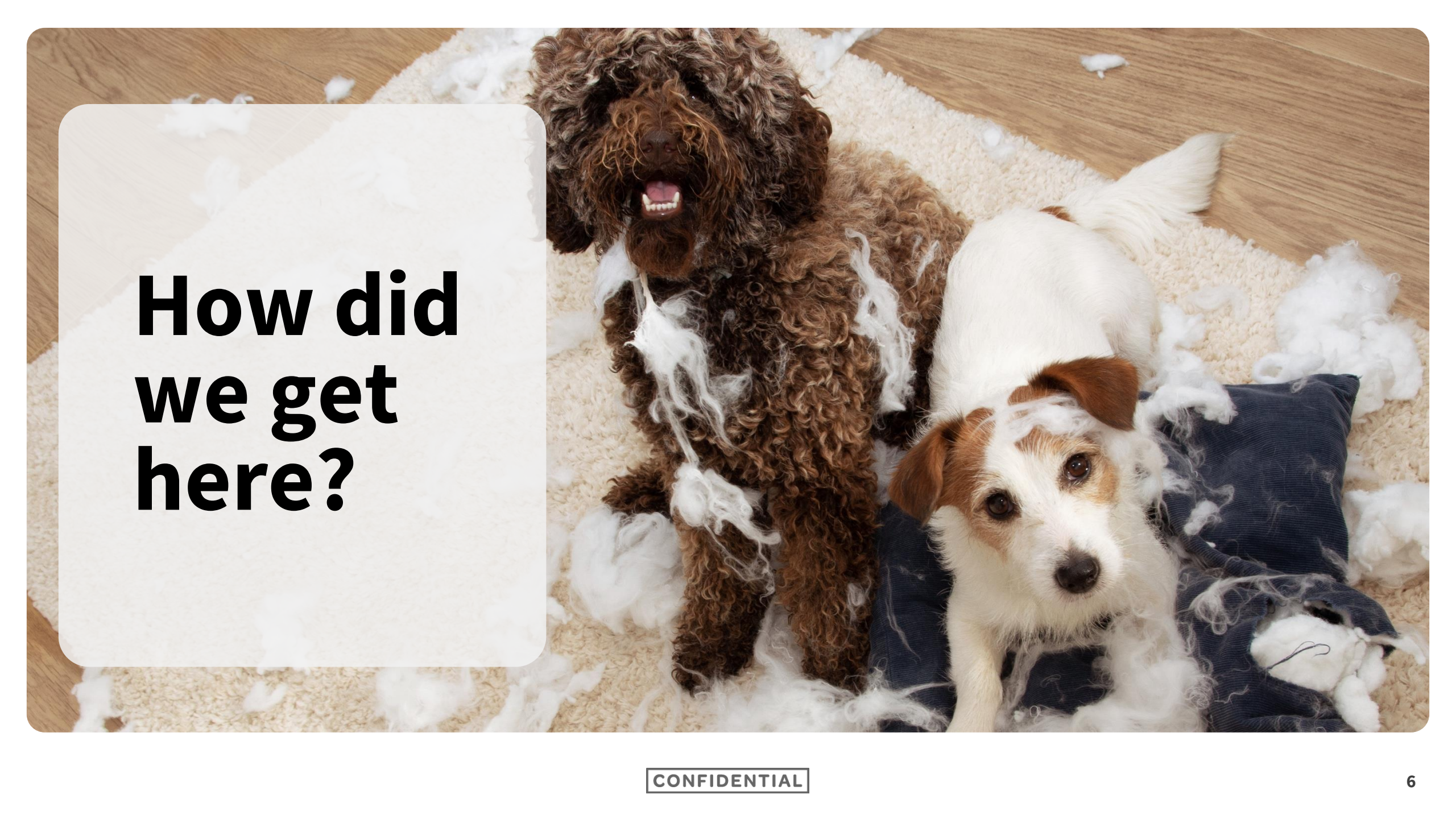
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And the results speak for themselves . . .



Source: LexisNexis® Risk Solutions, Internal Study, 2024

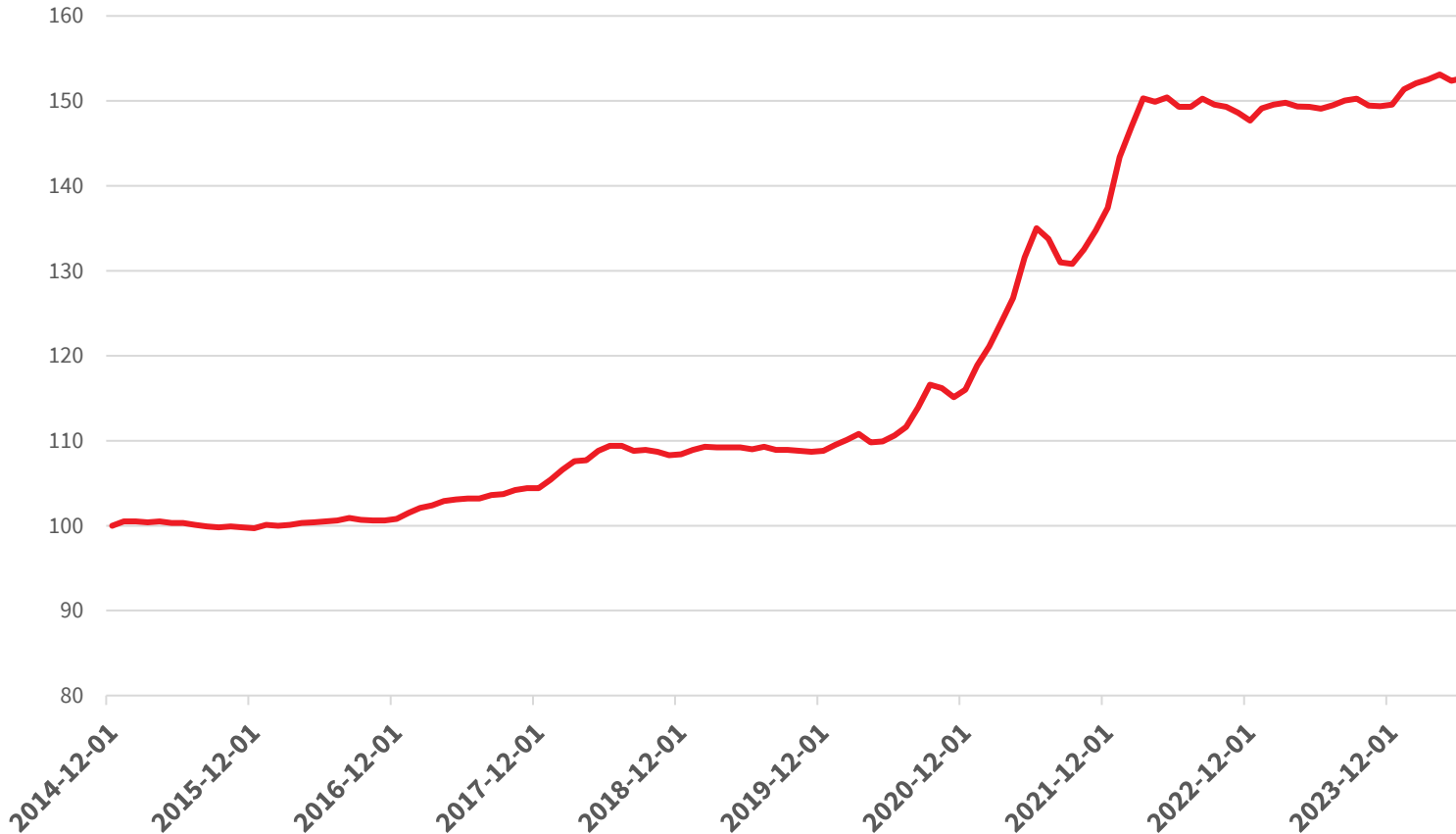


A photograph of two dogs on a light-colored, shaggy rug. On the left is a large, curly-haired brown dog, possibly a Cocker Spaniel, with its mouth open and showing its teeth. On the right is a smaller, white dog with brown patches, possibly a Jack Russell Terrier, looking directly at the camera. The rug is scattered with clumps of white, fluffy material, likely wool or cotton. A dark blue corduroy pillow is partially visible on the right. A large, semi-transparent white rounded rectangle is overlaid on the left side of the image, containing the text 'How did we get here?' in bold black font.

**How did
we get
here?**

Inflation

Producer Price Index Inputs to Single Family Residential Construction

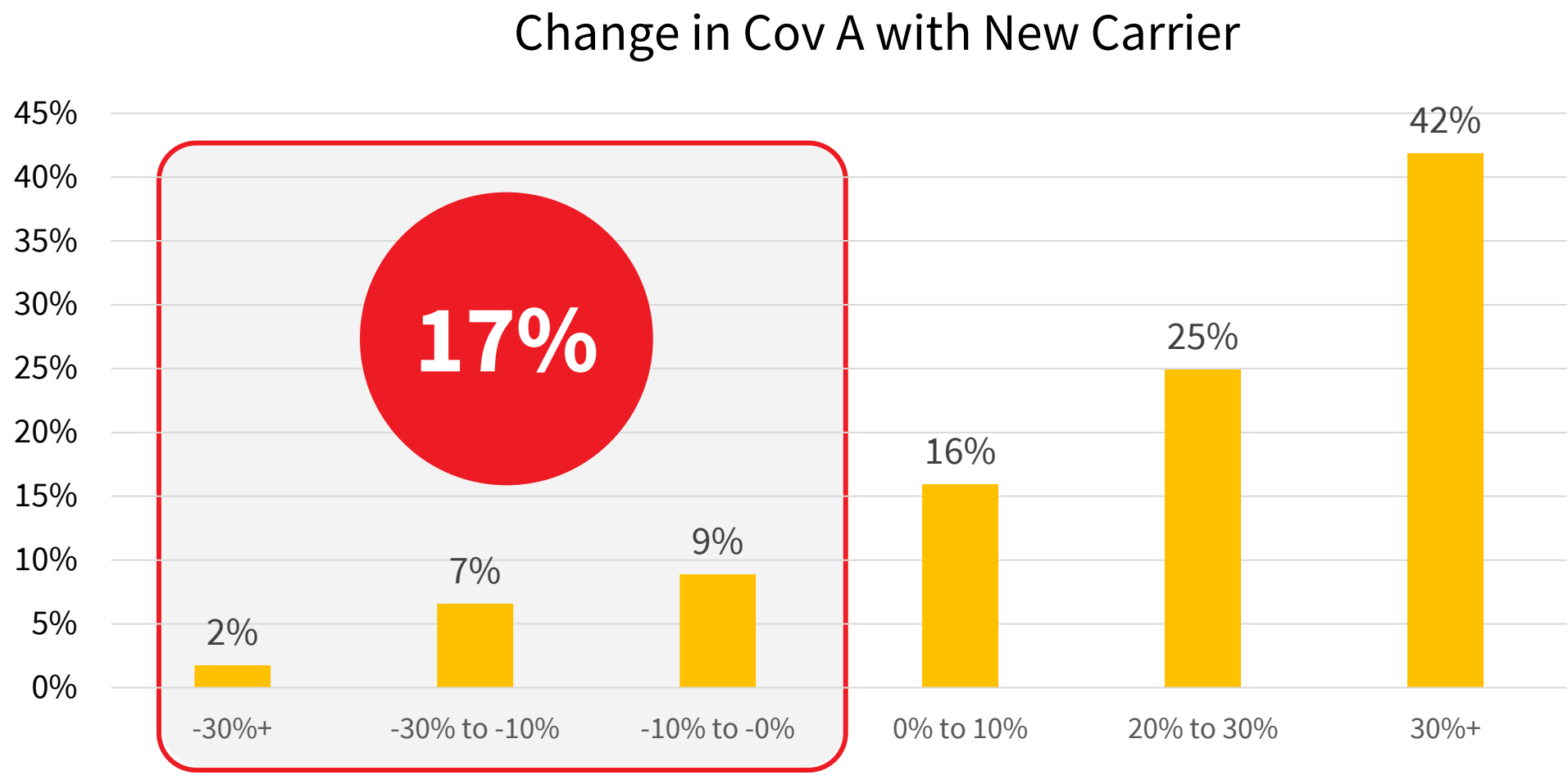


40%
increase in
building costs
since 2020

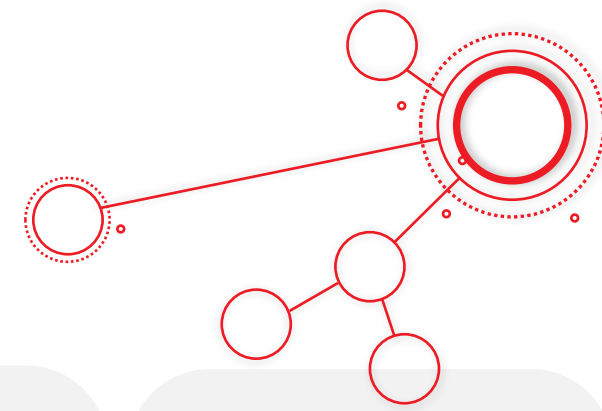
Source: U.S. Bureau of Labor Statistics, Producer Price Index by Commodity: Inputs to Industries: Net Inputs to Residential Construction, Goods [WPUIP2311001], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/WPUIP2311001>, August 1, 2024.

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Consumer and agent behavior



Lack of consumer education on coverages



72%

willing to pay
higher premiums
to be sure they are
fully covered

70%

interested in better
understanding
risks to their home

82%

feel responsible for
providing
information to
ensure proper
coverage

89%

feel they have
enough coverage
to repair or rebuild
their home

26%

very familiar with
their dwelling
coverage and
limits

**Looking
closer at
coverage
per square
foot**



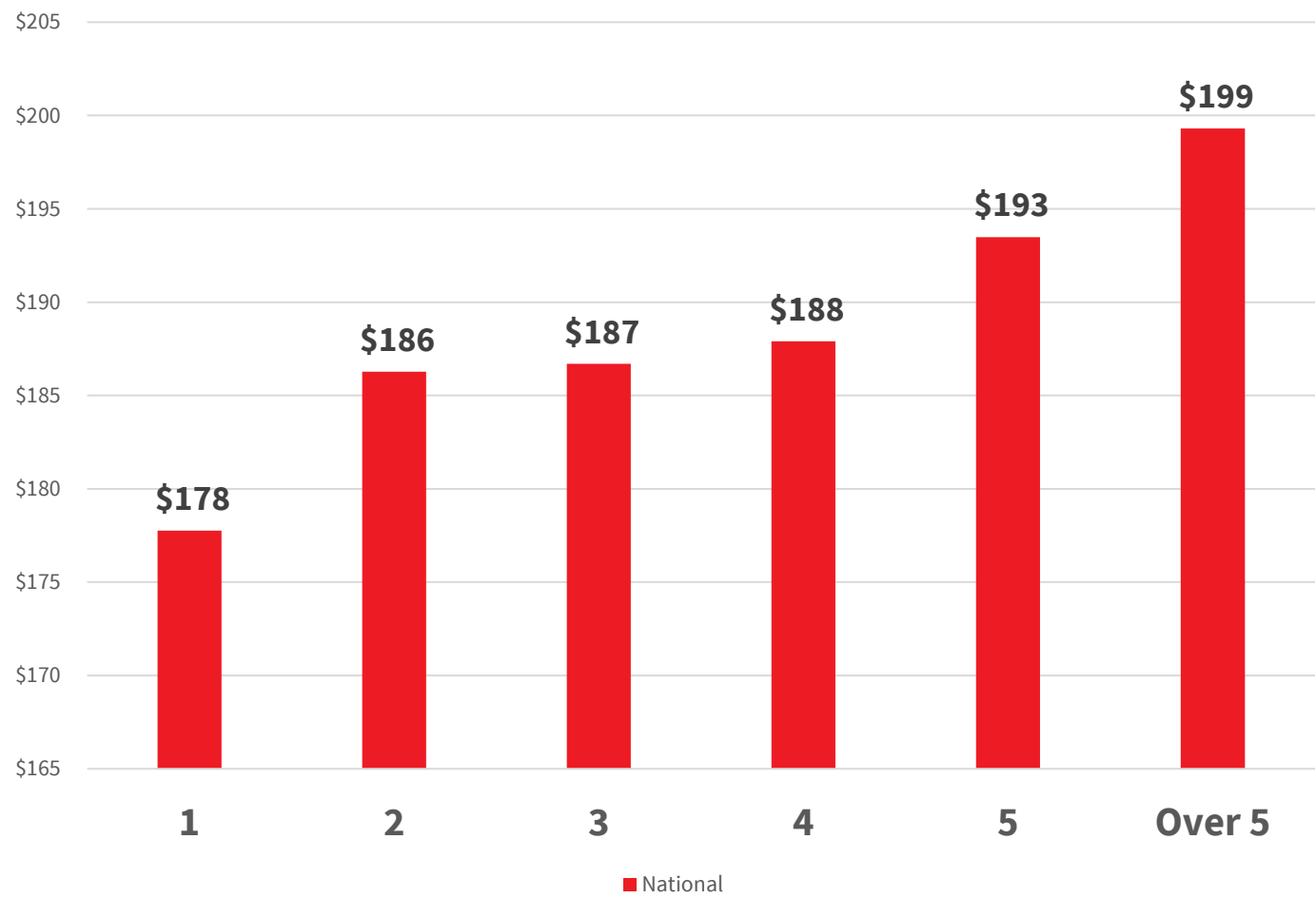
Coverage A per square foot by year built



19%

Higher coverage/ft² for older homes

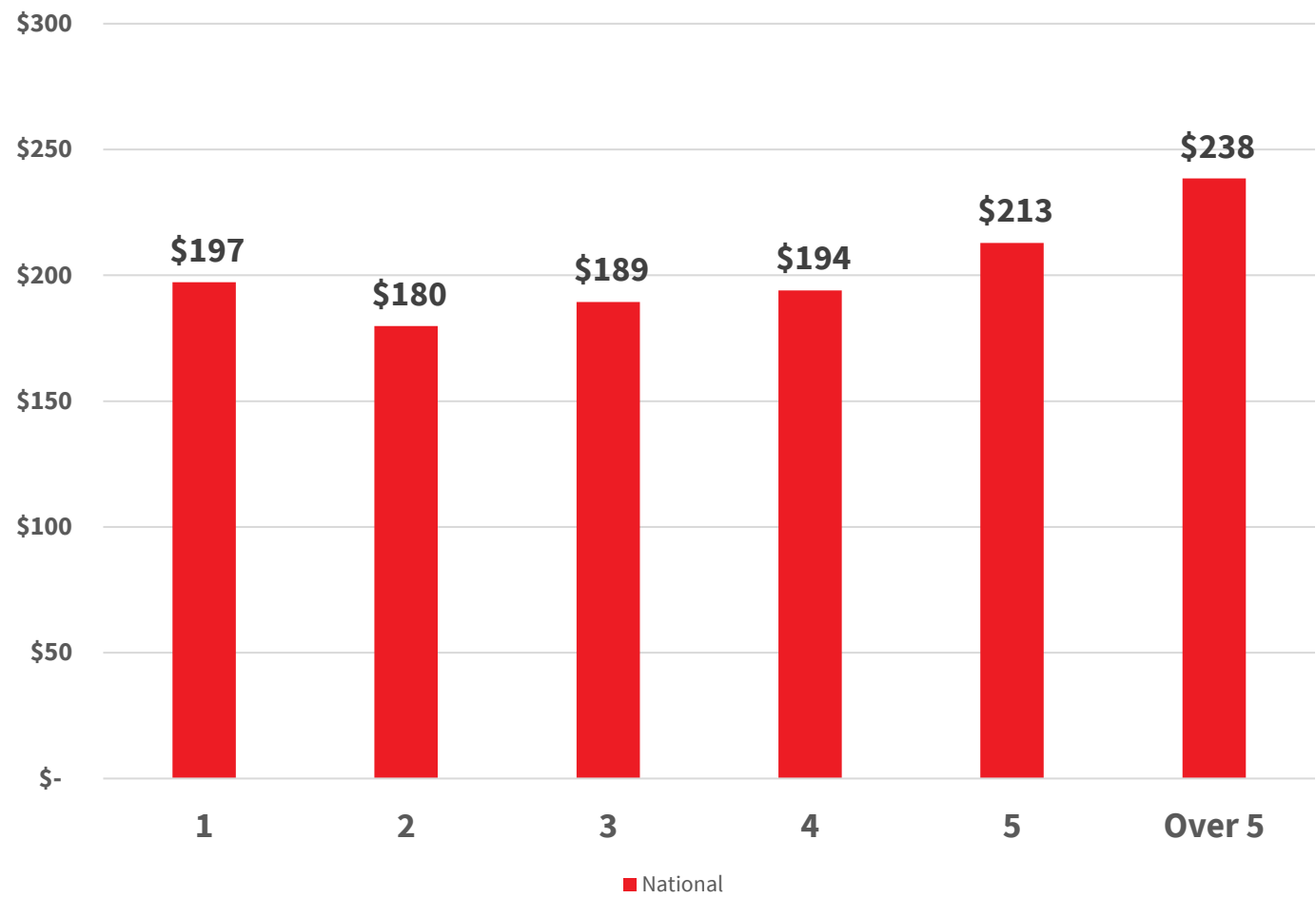
Coverage A per square foot by bedroom number



12%

Higher coverage/ft² for 5+ bedroom homes

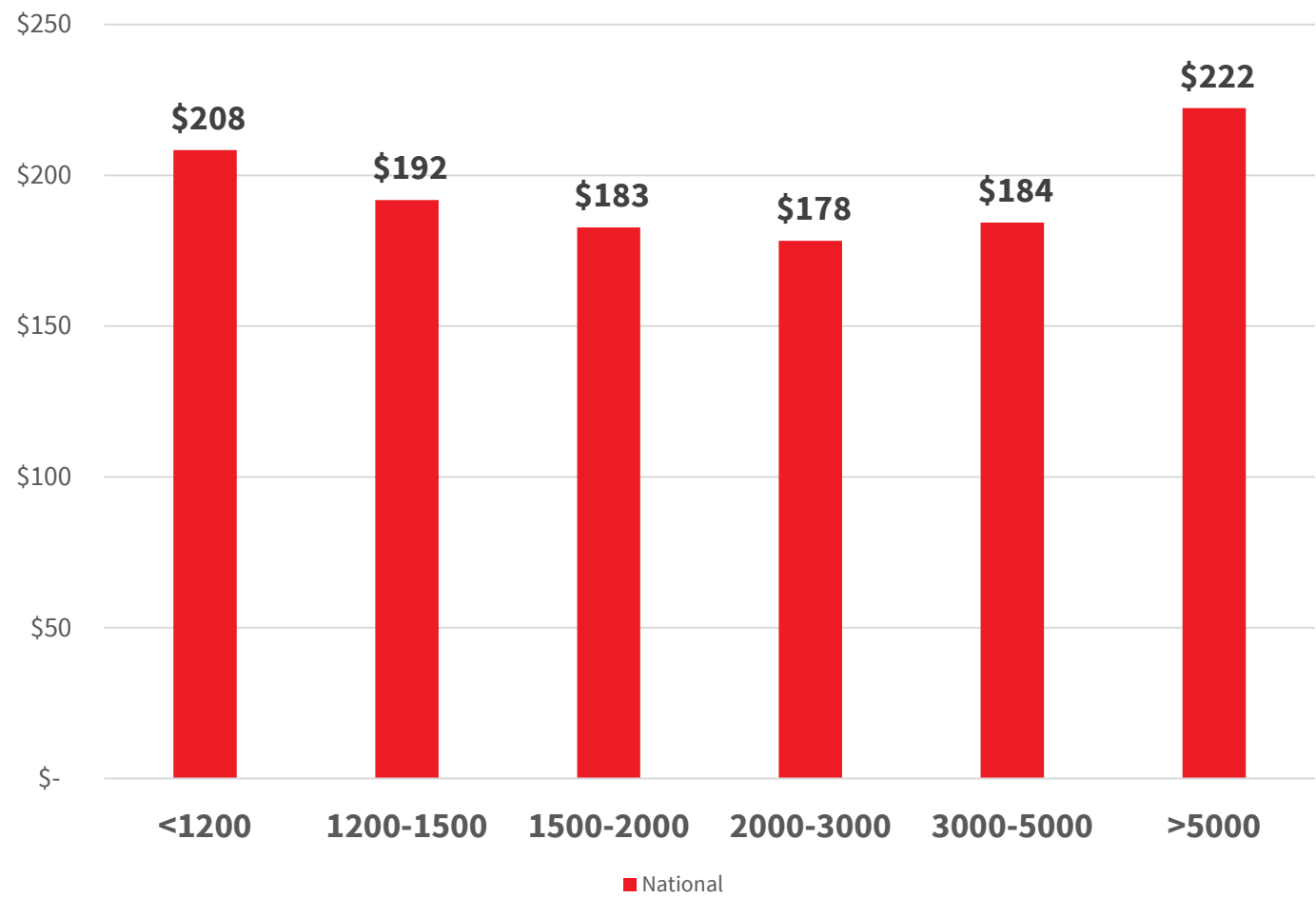
Coverage A per square foot by bathroom number



32%

Higher coverage/ft² for 5+ bathroom homes

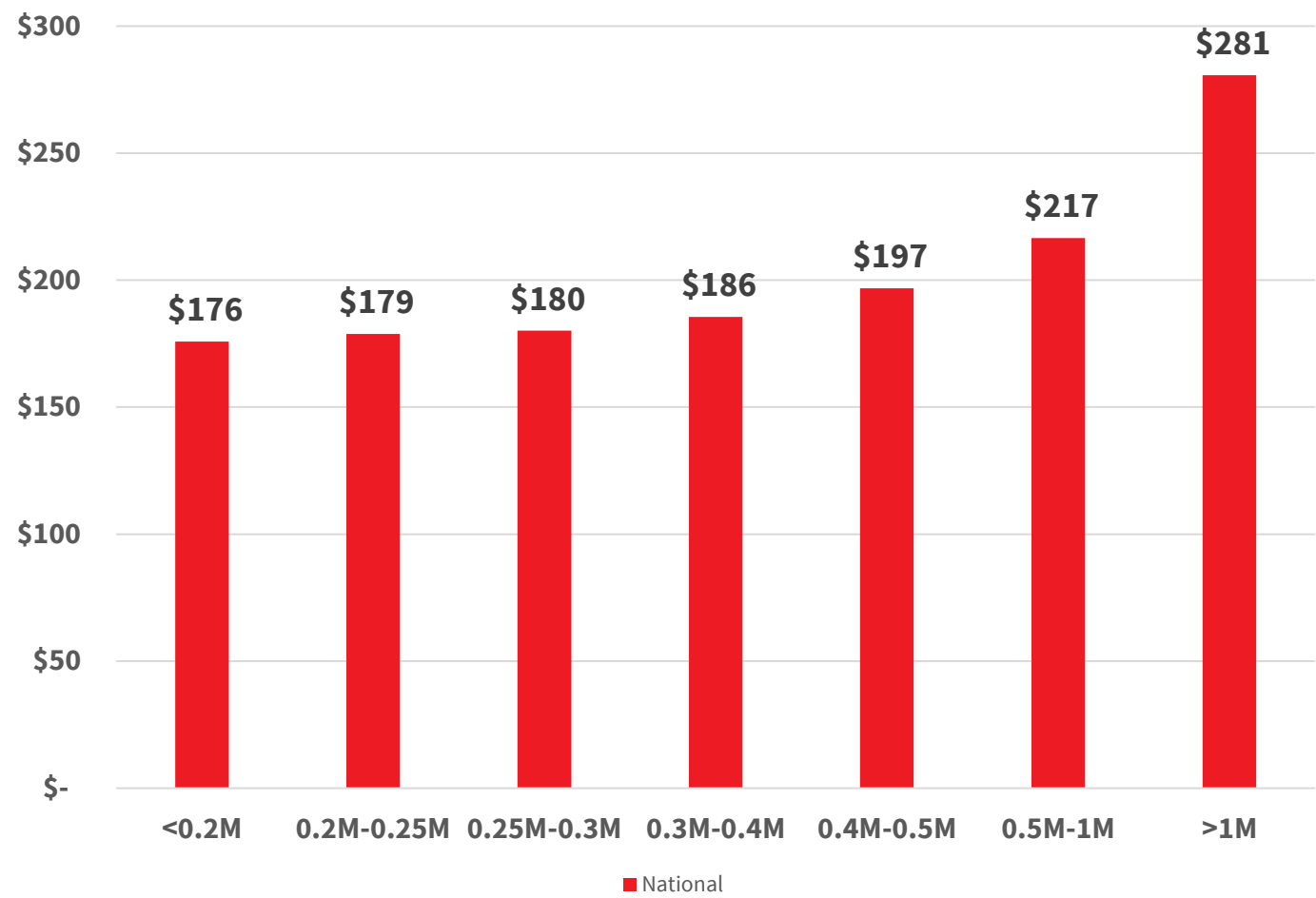
Coverage A per square foot by year built by living area



25%

Higher coverage/ft² for largest homes (but 17% higher for lowest)

Coverage A per square foot by market value

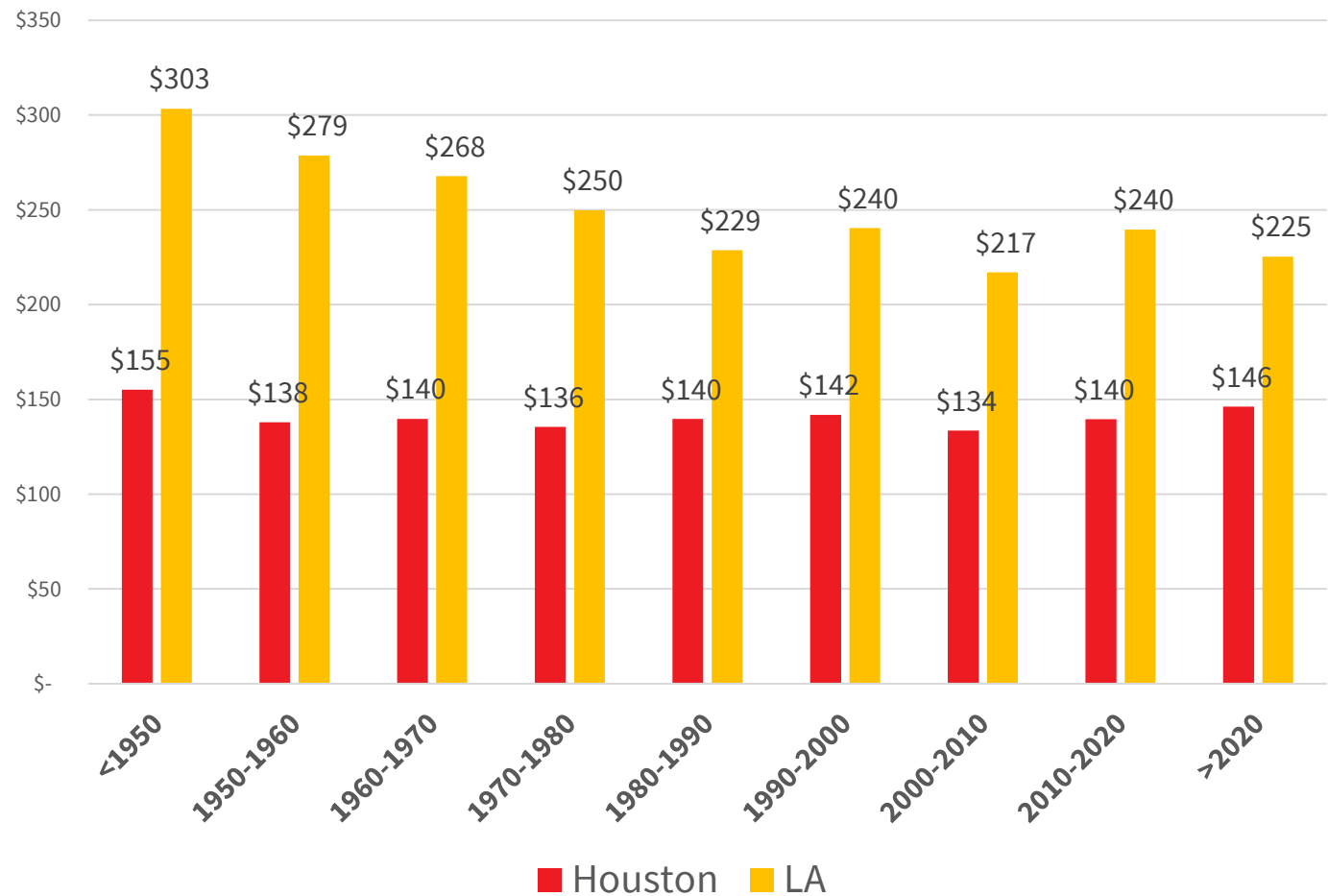


60%

Higher coverage/ft² for homes with highest assessed market value

Coverage A per square foot by geography

Houston vs. Los Angeles

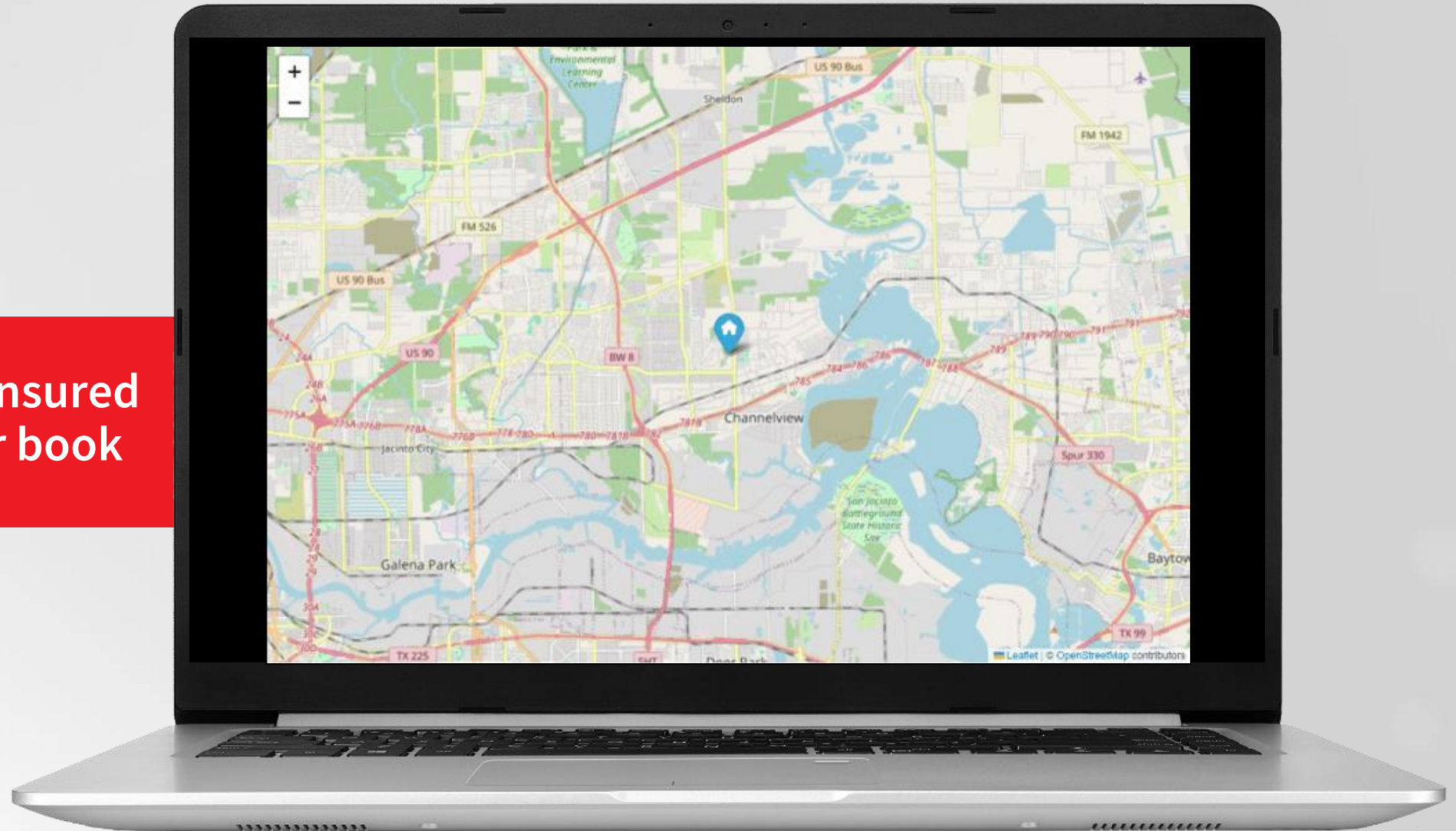


Both overall cost and distribution by variable can differ by geography

How do we identify potentially underinsured properties?



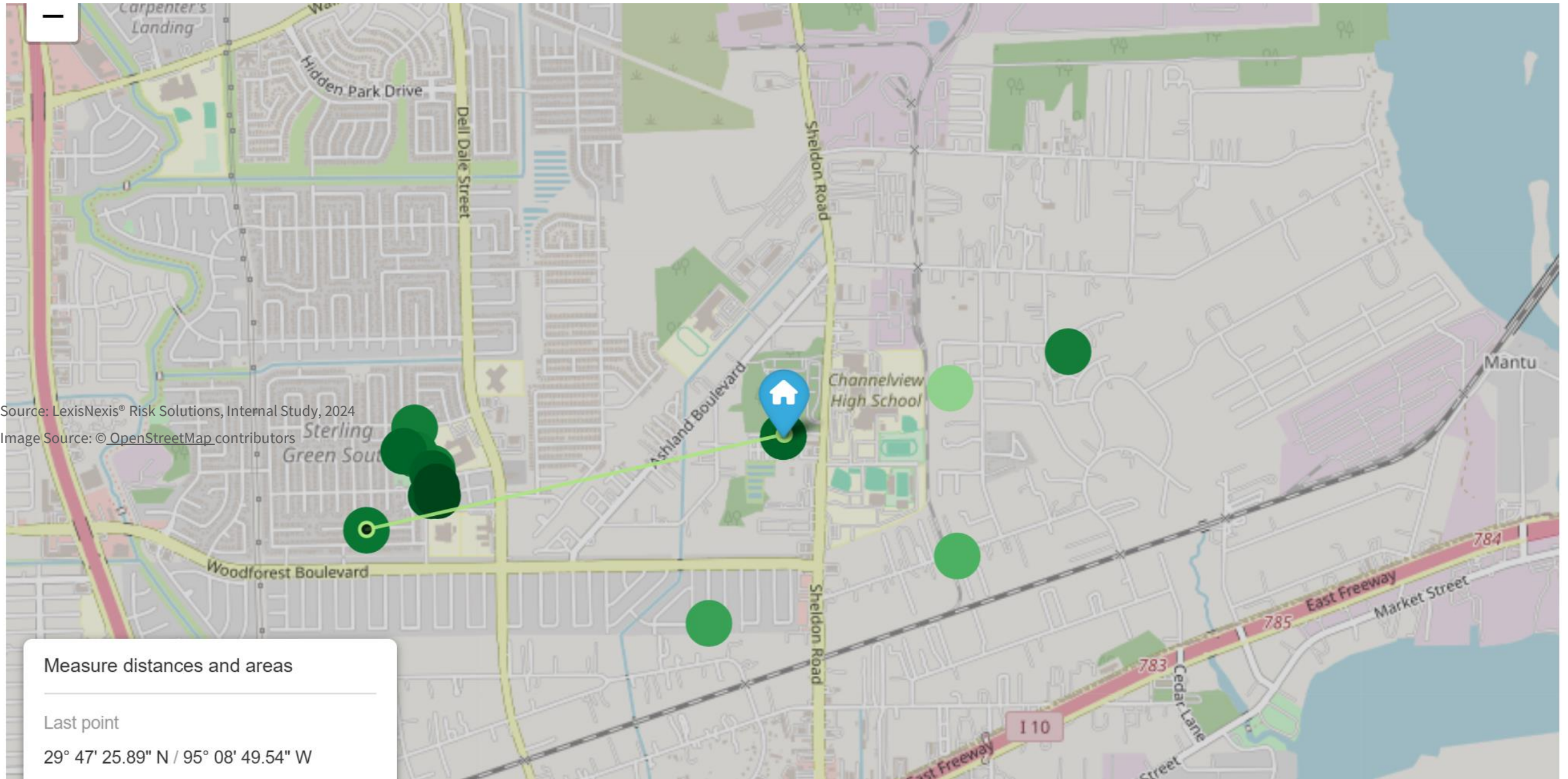
Identifying underinsured properties on your book



Source: LexisNexis® Risk Solutions, Internal Study, 2024

Image Source: © [OpenStreetMap](#) contributors

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Source: LexisNexis® Risk Solutions, Internal Study, 2024
Image Source: © OpenStreetMap contributors

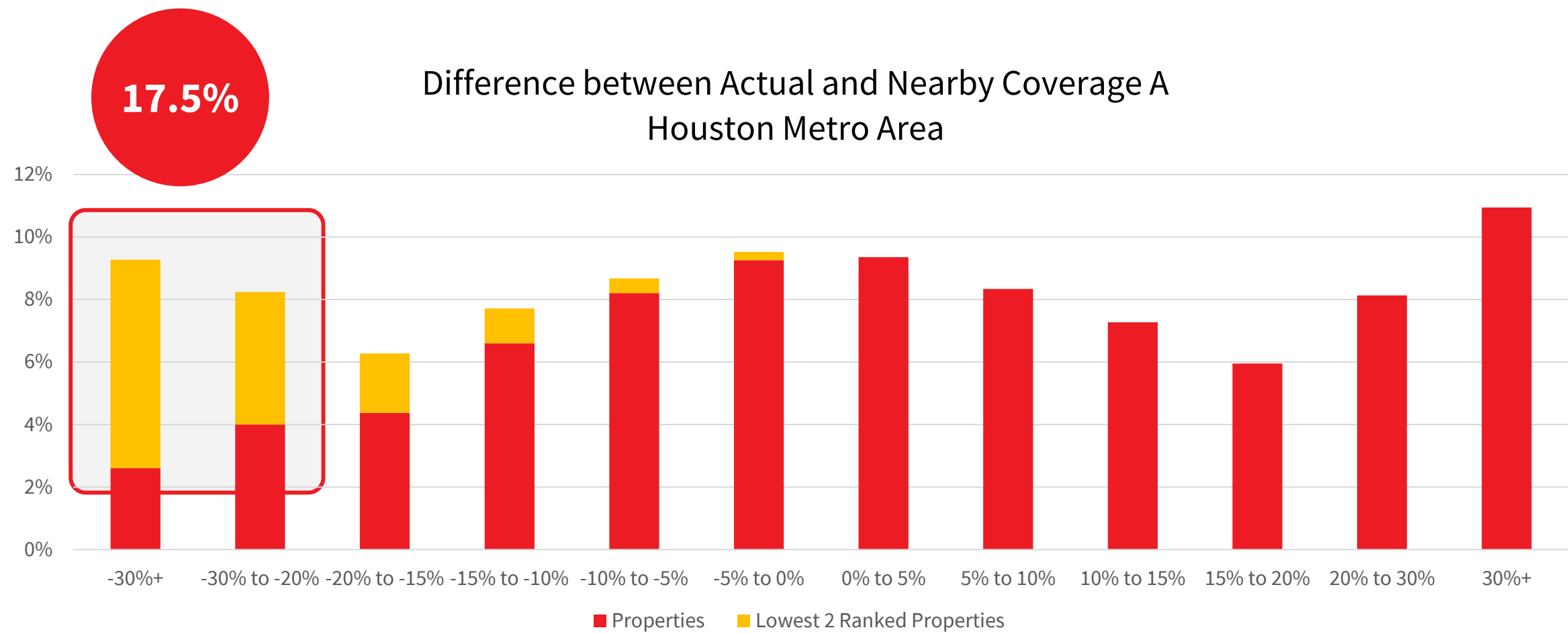
Measure distances and areas

Last point
29° 47' 25.89" N / 95° 08' 49.54" W

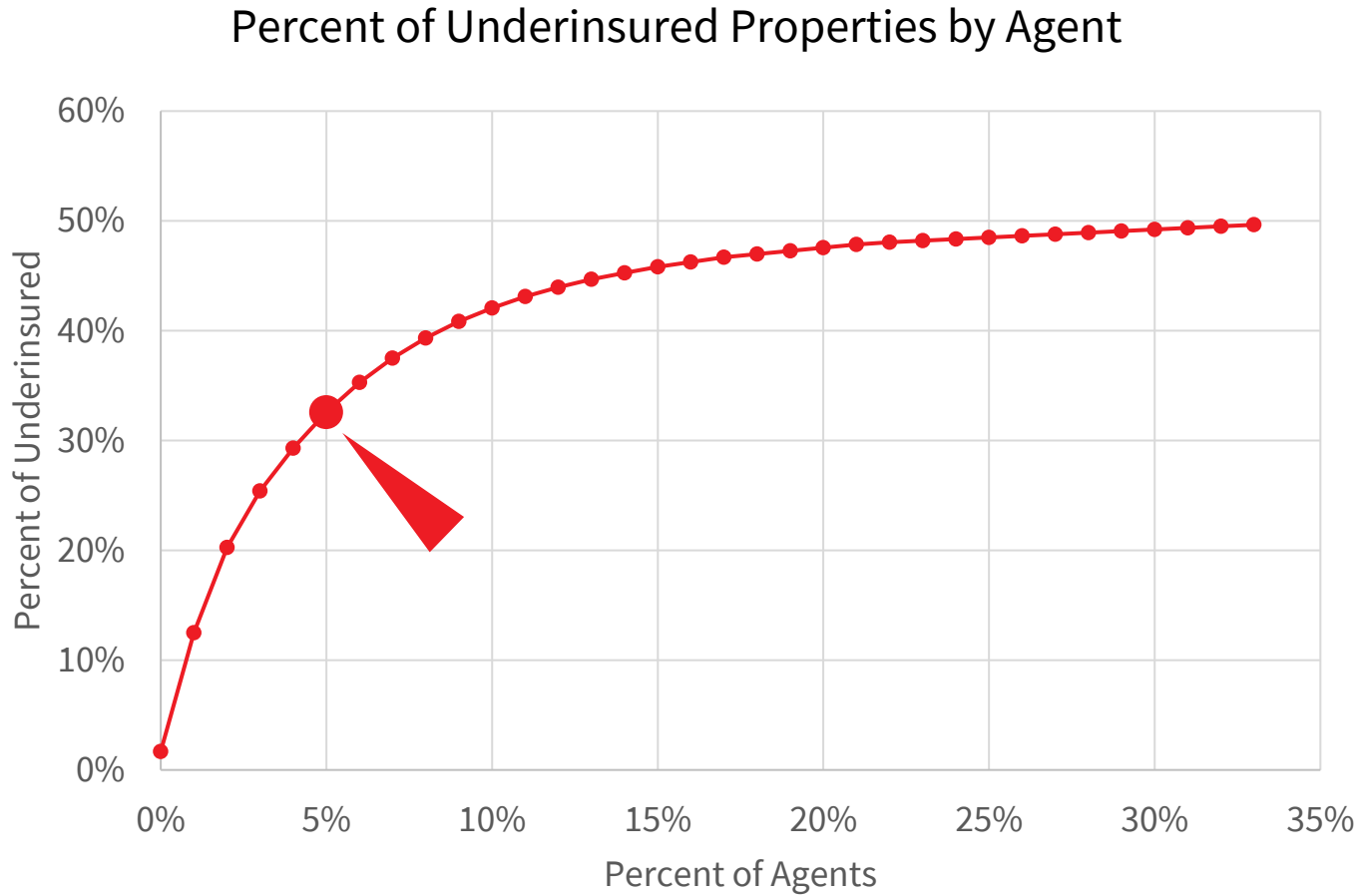
Source: LexisNexis® Risk Solutions, Internal Study, 2024
Image Source: © OpenStreetMap contributors

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Flagging those with the most negative variance



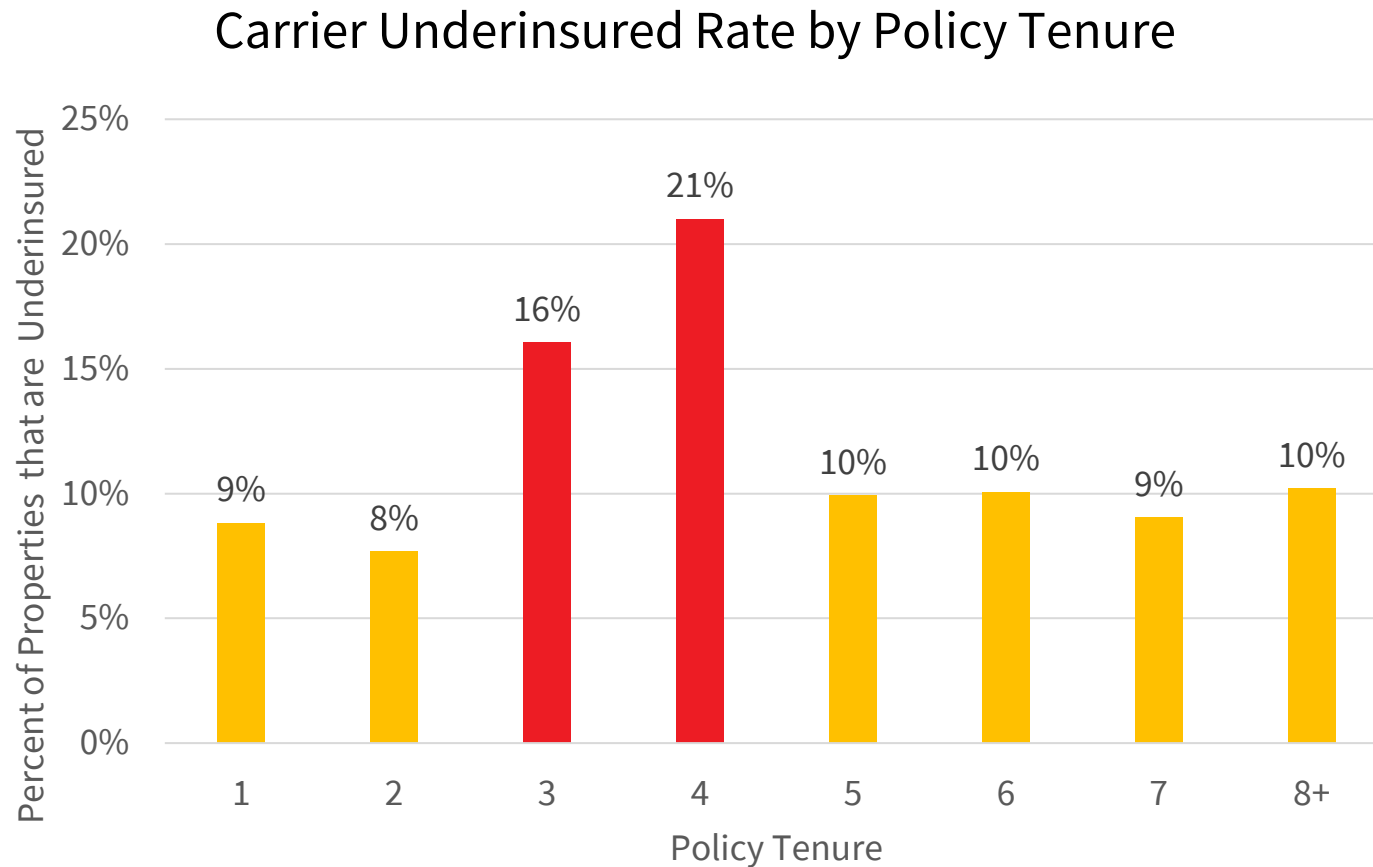
Agent responsibility for underinsurance



5%
of agents are
responsible for

33%
of potentially
underinsured
properties

Sample carrier results: Policy Age and Underinsurance



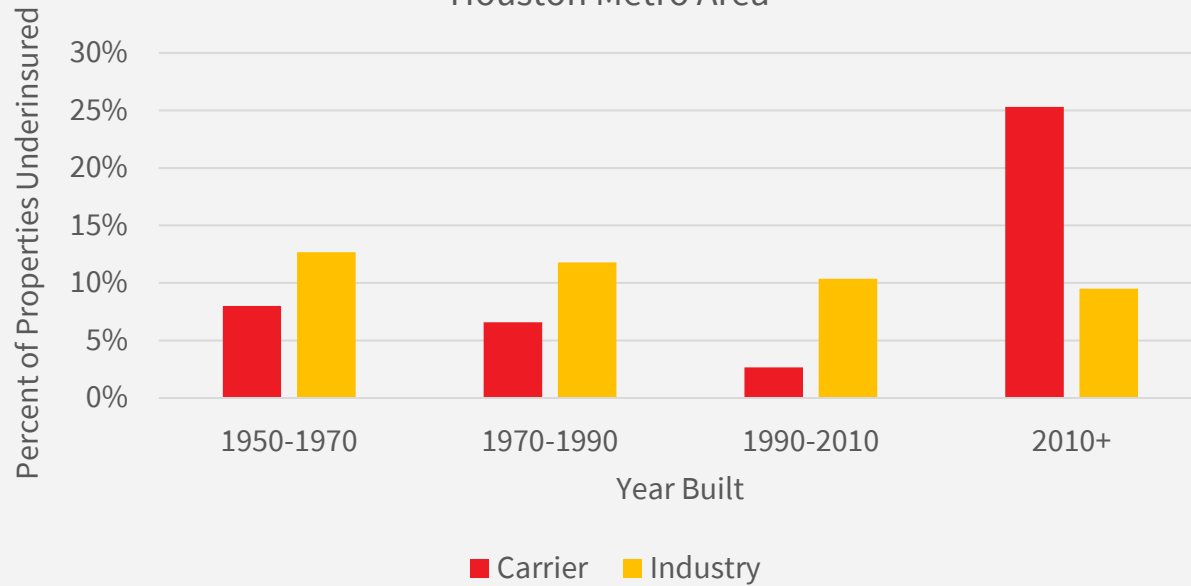
Policies in the
3rd and 4th year
are nearly

2x

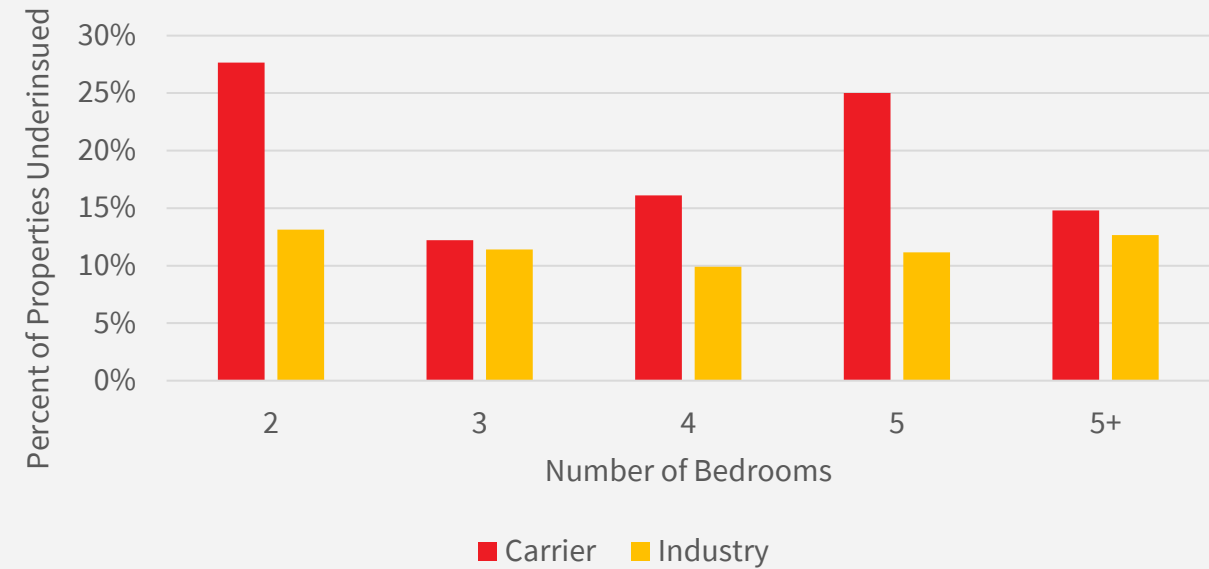
more likely to be
underinsured

Sample carrier results: Underinsurance by data attribute

Percent of Homes Underinsured
Houston Metro Area



Percent of Homes Underinsured
Houston Metro Area



**Look
what we
found.**



Examples



1267 square feet
3 bed, 2 bath
Built 1981
Dwelling coverage: \$84 / square foot



1790 square feet
3 bed, 2 bath
Built 1981
Dwelling coverage: \$161 / square foot

Examples

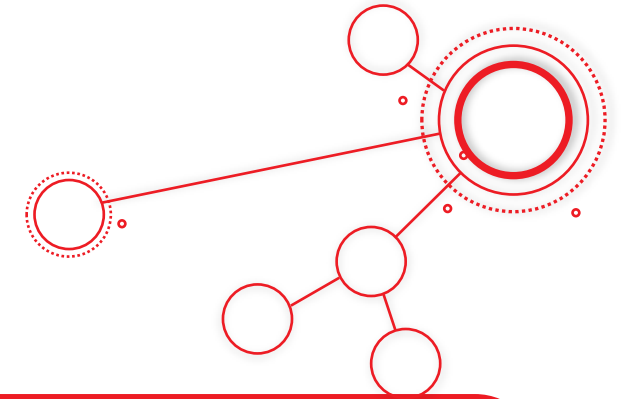


1338 square feet
3 bed, 2 bath
Year built: 1980
Dwelling coverage: \$106 / square foot



1491 square feet
3 bed, 2 bath
Year built: 1982
Dwelling coverage \$209 / square foot

Getting Started



**Start simple . . .
add complexity
over time**



Start with existing book of business



Validate with mobile inspection



Leverage touchpoint to educate

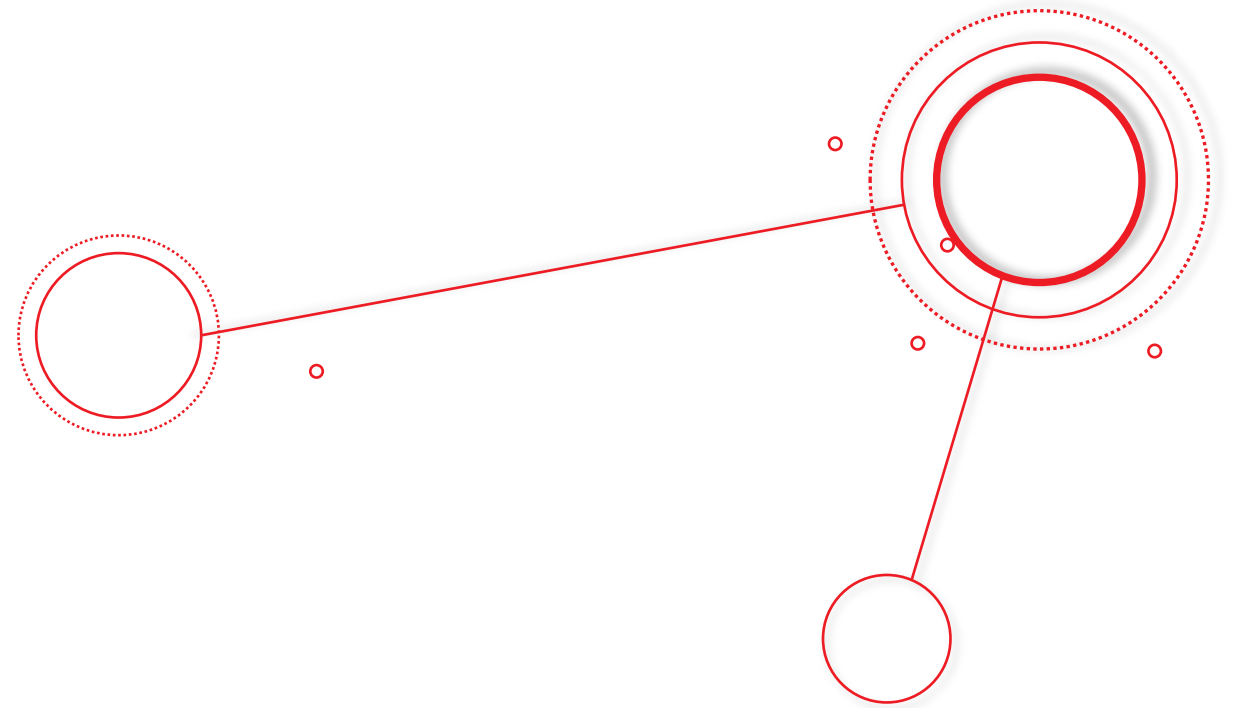


Install “guardrails” for new business

Thank you!

George Hosfield

AVP, Home Insurance,
LexisNexis® Risk Solutions





The underinsurance challenge

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