

## New House & Home Product Launched in Oklahoma

February 7, 2012, NAPAA Headquarters

Speaking to analysts last Thursday morning, CEO Tom Wilson announced that Allstate is introducing a new product that it hopes will also improve returns.

"The next inning for us, which will be an important one, is launching a new product called House & Home, which will deal with roof losses," Wilson said. "That's really the next game and we'll need to successfully accomplish that to get to our 13% return on equity by 2014."

Further investigation has uncovered that the House & Home product is already on the market in Oklahoma. Launched last October, agents in the state have been told there are patents pending on the algorithms that are used to determine the price.

Since the product was introduced as a cost-saving initiative when it comes to paying for roof damage, it is no surprise that the age and type of roofing material will now be used to determine what coverage is available (replacement cost versus actual cash value), and what the cost of the policy will be. The premium will also vary based on "roof geometry." Roof geometry has been segmented to four types, Hip, Gable, Flat or Other.

Another rating factor that changed from previous policies is the additional levels for Insurance Financial Scores (IFS), which now stands at 50. The minimum deductibles are a mandatory 1% for wind and hail and \$1,000 for all other perils. The policy also offers a variety of substantially higher deductibles than previously available.

In addition, there are some differences in policy coverages. Building Structure Reimbursement Extended Limits (BSREL) is optional at 20%. Contents coverage can be lowered to 30% or increased to 75% from the standard policy amount of 60%. Additional Living Expenses can also be increased or decreased, as can coverage on detached structures.

Sounds like a reasonable product so far, but this is where things get interesting. Before agents can complete an accurate quote for prospective customers, they will need to know how many mortgages there are, which determines the "Responsible Payment discount". They will also need to know how many cars the prospect owns, what the bodily injury liability limits are on their current auto policy, how long they have been insured with their current auto insurance carrier, and their five-year driving/claim record – all of which affect the price of the policy. Without this information, it is impossible to quote the home.

The Talk Path provided to agents suggests the following answer to the inevitable customer questions: "Allstate protects millions of households and years of customer data shows that there is a strong relationship between auto and homeowners insurance losses." If the prospect is still on the other end of the line, the agent should continue with: "Our research indicates that customers with better driving records are less likely to experience homeowners losses than those with poor driving records."

The Talk Path has no suggested answer for the need for prior auto insurance tenure or bodily injury liability limits information.

When questioned about the difficulty in obtaining the information from the customer to prepare a quote, one agent told NAPAA that it was a delicate conversation, but stated that the policy cannot be written without auto support, which adds a whole new dimension to the quoting experience. At least in Oklahoma, all of the information listed above must be gathered to quote the auto anyway, so customer pushback may be minimal. The auto support requirement in Oklahoma leads us to wonder if it will be mandatory in other states as well.

In Oklahoma, the discount on the House & Home policy for having the auto policy with Allstate is 35%.

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