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AND ASSOCIATES®

# THE IMPACT OF “CUSTOMER CHOICE” ON INSURANCE CLAIMS EXPERIENCE

*A Management Discussion based  
on the 2007 Insurance Claims Study<sup>SM</sup>*

*Finance and Insurance Research Group, December 2007*

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## Introduction

For every dollar collected in premiums for personal auto insurance, approximately 60 cents is paid out to cover customers’ claims.<sup>1</sup> With collision damage claims accounting for 70% of all auto claims filed in the United States,<sup>2</sup> repairing damaged vehicles is one of the largest claims expenses for insurers today. Traditionally, insurers have left the process of vehicle repair to their customers. Insurers typically will offer recommendations if customers don’t know where to take their vehicle, but still oblige customers to navigate the often uncharted waters of the automotive body shop process to complete the repairs.

Recently, a number of insurance companies have begun piloting alternative approaches to this process that share one basic characteristic: at the start of the claims process, the insurer offers to take the keys from the customer and act as intermediary with the repair provider on the customer’s behalf. The most notable example of this is Progressive, which now has 54 “concierge” claims facilities around the country.

This paper will examine the opinions of Progressive customers who have recently experienced a vehicle claim, and compare the Progressive concierge experience to the more traditional service experience of Progressive customers who did not use the concierge service. As a number of companies begin to offer “customer choice” claims servicing options of their own, this paper will assess the impact of this no-hassle service model on customer attitude by comparing the experiences of these two customer groups, based on data collected for the *J.D. Power and Associates 2007 Insurance Claims (ICS) Study*<sup>SM</sup>.

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<sup>1</sup> Source: S&P based on Statutory Filings

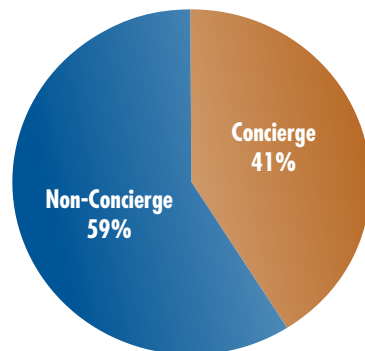
<sup>2</sup> Source: J.D. Power and Associates 2007 Insurance Claims Study<sup>SM</sup>

## The Concierge—At Your Service

First introduced in Bedford, Ohio, in 2000, Progressive promises customers one-stop convenience through its concierge claims centers. Customers who report a material damages claim are offered the choice of going to a body shop of their choosing, or in markets where available, scheduling an appointment at a nearby Progressive Service Center. The claims representative who greets the customer at the Progressive Service Center examines the vehicle damage with them, explains the claims process, obtains an approval signature to arrange for a body shop in its network to proceed with any necessary repairs and, if the customer has rental coverage, provides them with a rental vehicle. From that point on, Progressive takes control of the claim, performing an appraisal of the damage on the premises, assigning the work order to a partner body shop, and keeping the customer apprised of the repair progress until the vehicle has passed a final quality inspection and is ready for delivery.

Similar claims estimation facilities are being piloted by Travelers on the East Coast, and at least three other major insurers are offering a virtual service intended to provide the same benefits to customers without the necessity of a brick-and-mortar presence. One thing they all share in common is the stated objective of alleviating customers from having to deal directly with the body shop that performs the repairs. The analysis presented in this paper will focus on Progressive customer responses to the 2007 ICS. The ICS Study included responses from 568 recent Progressive collision customers. Of these, 41% reported visiting a concierge facility (Figure 1).

**Figure 1: Utilization of Concierge Centers Among Progressive Vehicle Damage Claimants**



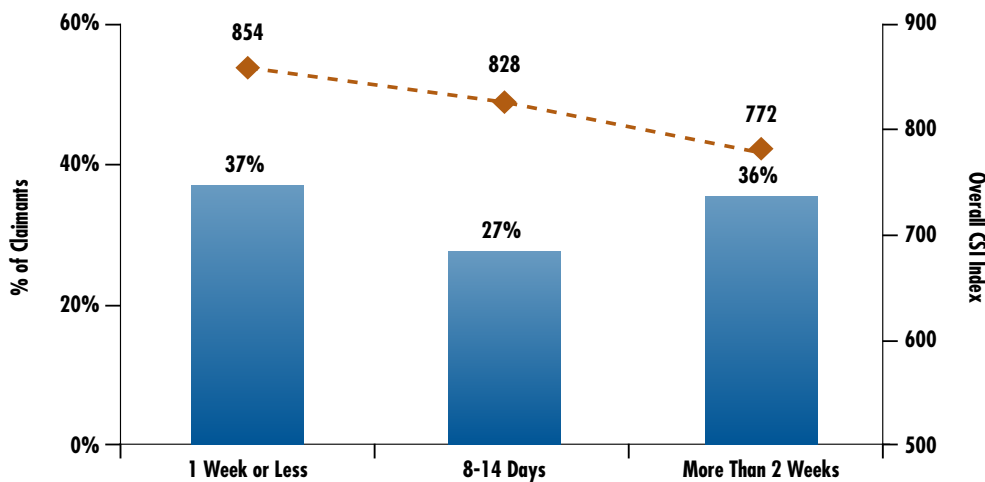
Auto Physical Damage (APD) Repaired and APD Totalled  
 Note: Excludes “Don’t know” and denied claims  
 Total N = 514

## We Can Rebuild It Faster and Cheaper

Repair cycle time is one of the key drivers of overall customer satisfaction with the repair experience. For the industry as a whole, it takes an average of 16.2 days to repair and return a customer's vehicle from the day they first reported their claim. Across the 22 insurers profiled in the ICS, performance for individual insurers varies from an industry-leading average of only 12.7 days to the lowest average of 19.2 days (Figure 3). This has a profound impact on customers' overall satisfaction with their insurers (Figure 2). Among the two-thirds of customers whose vehicles are fixed and returned within 14 days, satisfaction averages 843 (on a 1,000-point scale), but declines by 71 points among the 36% who must wait longer than 2 weeks for their vehicles to be repaired (average score of only 772 index points).

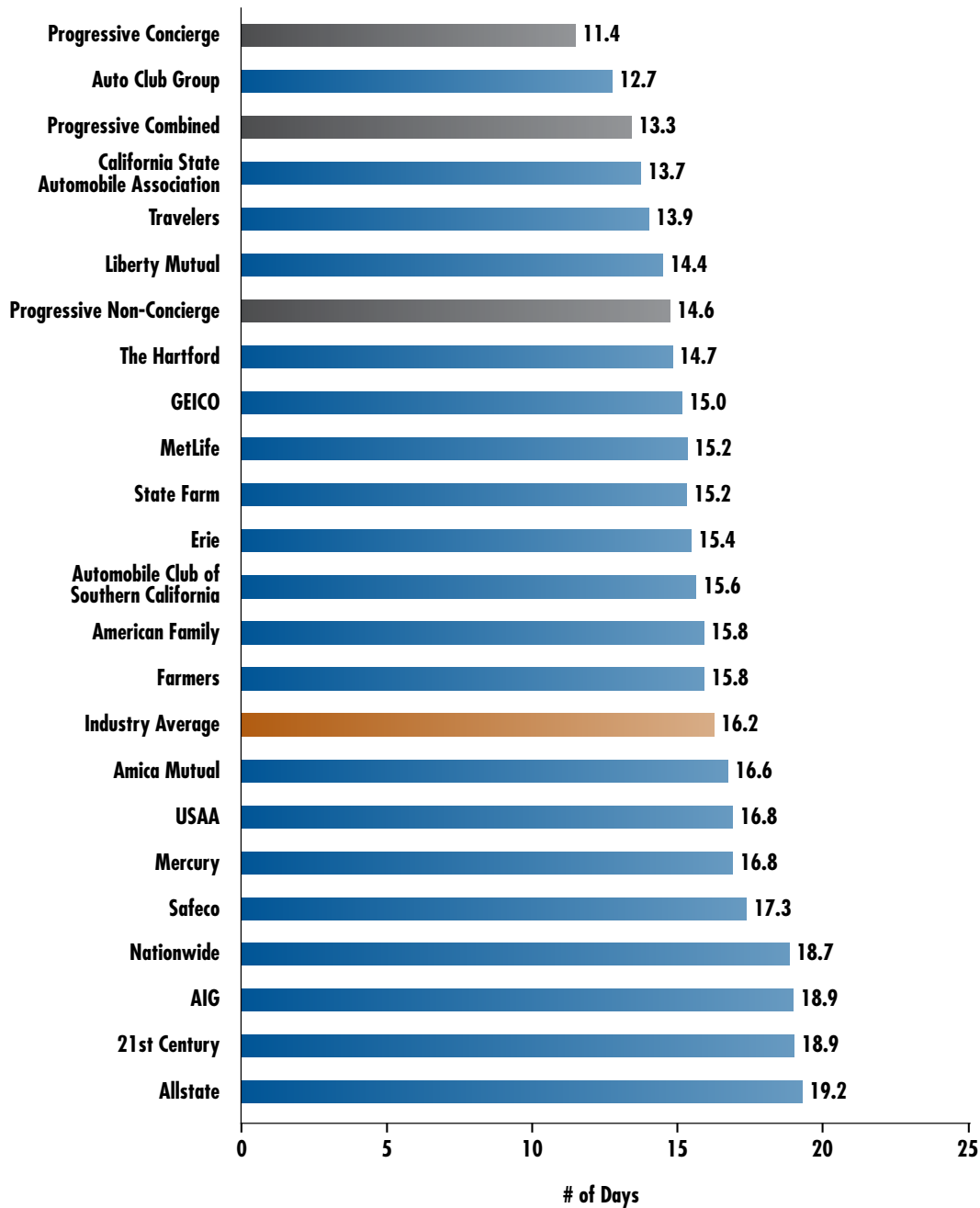
While less than half of all Progressive vehicle damage claims are processed through a concierge facility, those repairs are completed in an average of only 11.4 days, outperforming all other insurers profiled in the study, and besting Progressive's non-concierge cycle time by more than 3 days (11.4 vs. 14.6 days). Shorter cycle times not only lead to higher customer satisfaction, but for Progressive, they can also mean significant savings on rental car costs and reduced labor costs, as claims adjusters will be able to close claims more quickly and therefore process more claims each year.

**Figure 2: Repair Cycle-Time and Customer Satisfaction**



Total N = 4,543

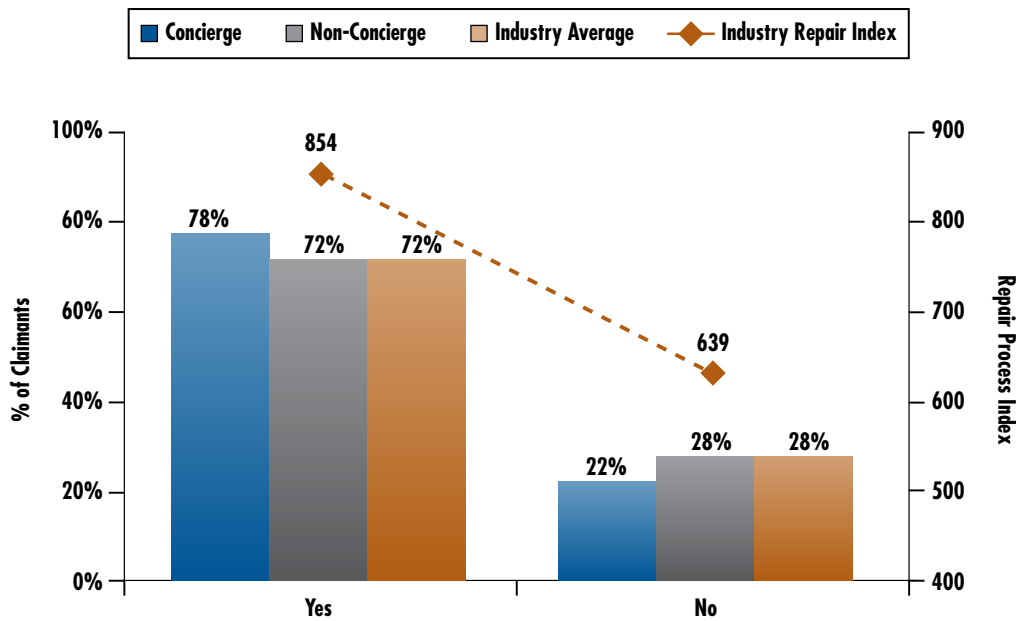
**Figure 3: Average Time from First Notice to Completion of Vehicle Repairs**



Total N = 5,659

The body shops that partner with Progressive concierge are managed through a number of performance metrics that are tracked monthly. Principal among these are the repair quality and agreed upon repair completion date. Among customers who took their vehicles to a concierge facility, 78% report that their vehicle was repaired on schedule, which is noticeably better than the rate of 72% experienced by Progressive customers who elected to work directly with a repair shop themselves (Figure 4).

**Figure 4: Vehicle Repairs Completed When Promised**



Note: Excludes "Not given a timeframe"

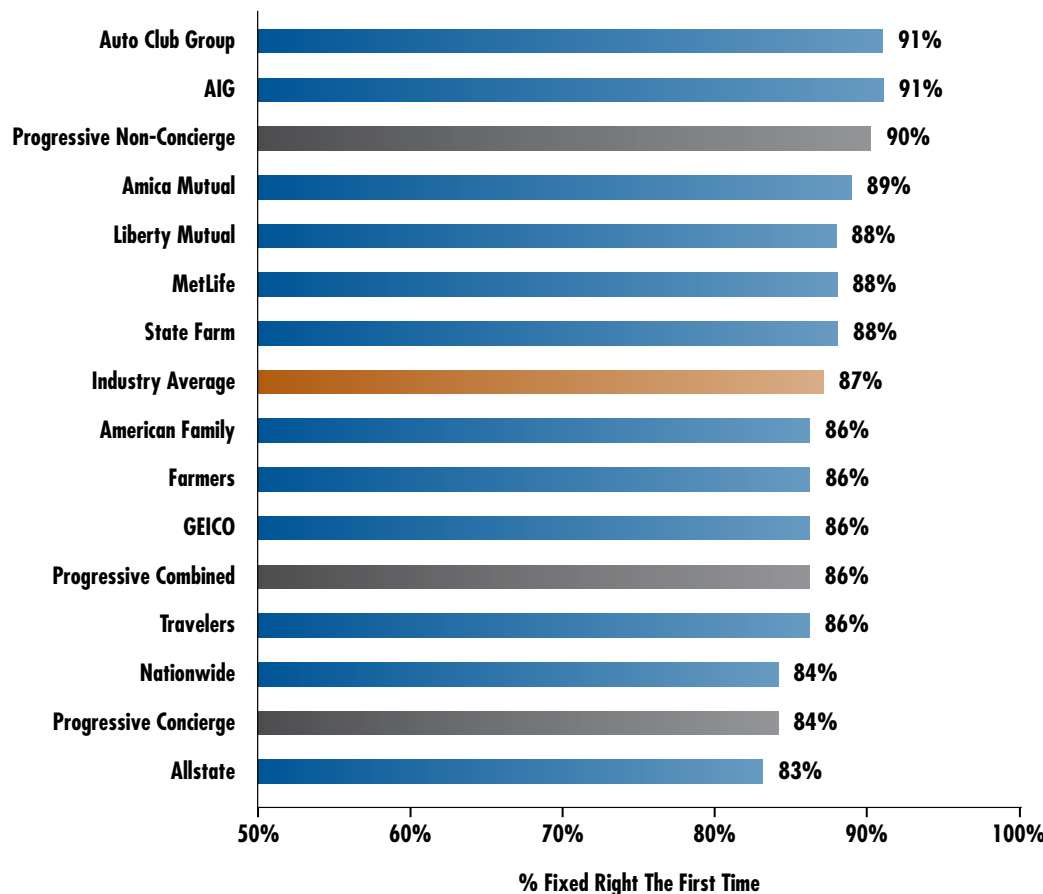
Total N = 5,246

### Cheaper and Faster is Not Necessarily Better

Repair quality has a major impact on how customers view the quality of the claims service they receive. Most claimants (87%) report that their vehicle was fixed correctly without the need to return to the body shop for additional repairs. Progressive customers who use the traditional claims model receive their vehicles correctly repaired 90% of the time, which is 3% better than the industry average. In contrast, only 84% of Progressive concierge customers indicate their vehicle was repaired correctly the first time—significantly lower than non-concierge and the second-highest failure rate in the industry. This may be because prior to customer delivery Progressive’s professionally trained adjusters inspect every repaired vehicle, returning it to the body shop if they find any problems with the repairs. (Figure 5).

Furthermore, concierge customers rate the quality of their vehicle repair an average of only 7.9 on a 10-point scale, significantly lower than the industry average of 8.3. This score also compares unfavorably to an average 8.1 rating among Progressive customers who elected not to go through a concierge facility but rather manage the repair process themselves.

**Figure 5: Vehicle Fixed Right the First Time**

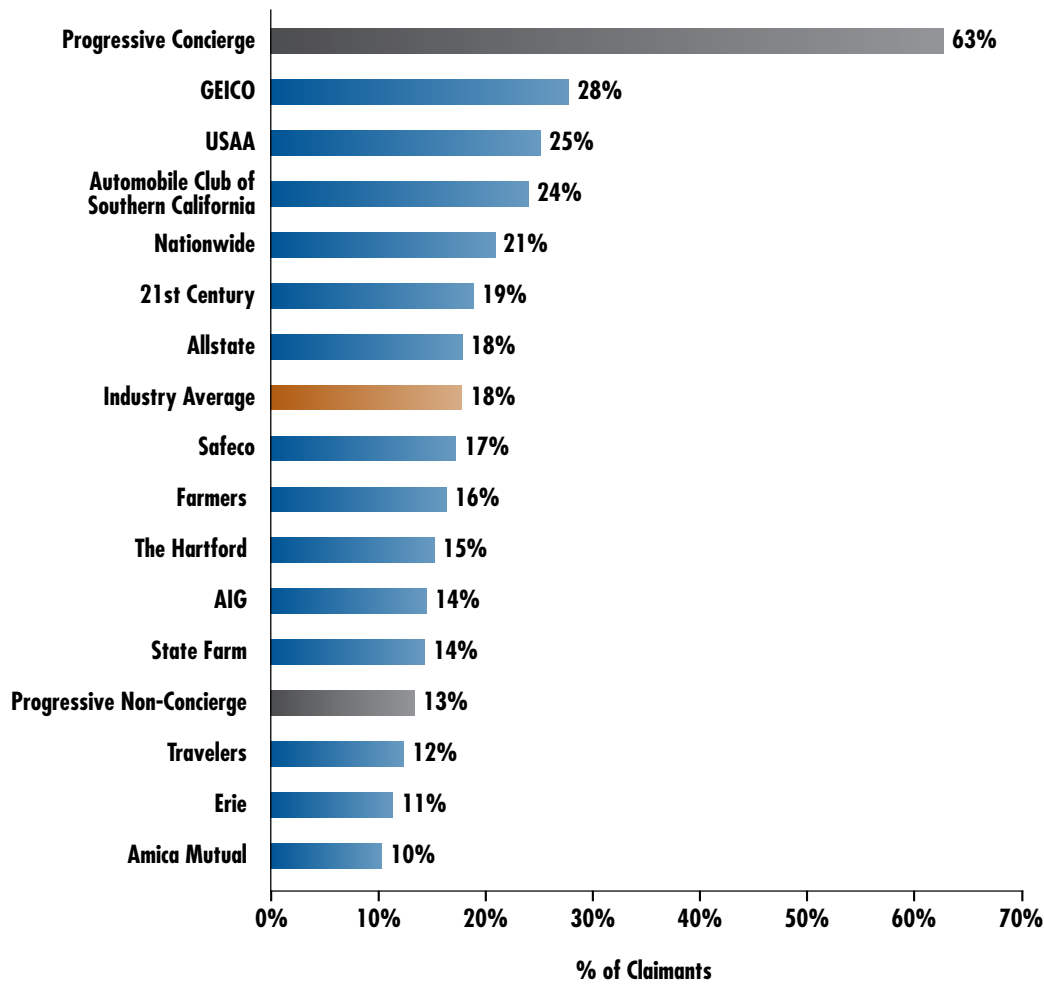


Total N = 5,537

### Net Impact on Progressive

In general, customers tend to hold the repair shop accountable for the quality of the work performed on their vehicle. Some insurers encourage the use of shops that are a part of their Direct Repair Provider (DRP) network, yet only 18% of all customers feel the insurer is primarily responsible for the quality of the repairs. However, by taking control of the body shop relationship, the concierge business model persuades 63% of customers to think of Progressive as being primarily responsible for the work performed. This radical departure from the industry average is displayed in Figure 6, a change in attitude that presents some cause for concern, given the inferior impression among Progressive concierge customers for repair quality as noted previously (Figure 5).

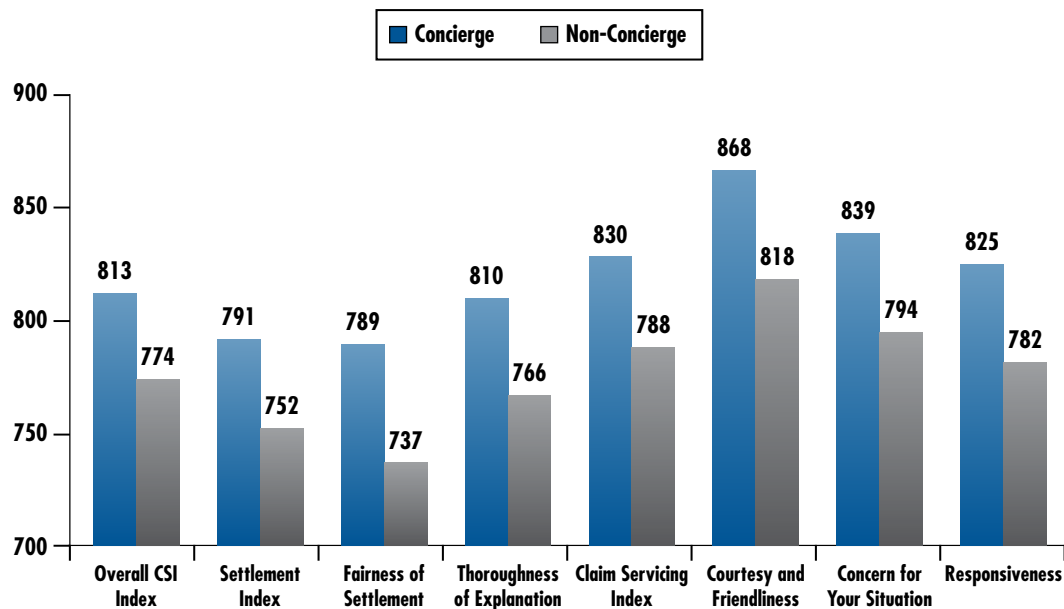
**Figure 6: Share of Customers Who Hold Insurer Responsible for Repairs**



Total N = 5,537

For the typical claims customer, receiving a clear and thorough explanation of the process, regular updates on repair progress, and a thorough explanation of the settlement terms are all key drivers of customer satisfaction with the overall claims experience. By staffing claims personnel in each local market who meet face to face with customers, the Progressive business model successfully delivers against the expectations of its customers when compared to its traditional phone-service approach to claims handling. Most notably, concierge customers are significantly more satisfied with the *Courtesy and friendliness* and *Concern for your situation* exhibited by the concierge claim representatives compared with those of representatives contacted through the insurer’s call center. Concierge customers also rate the *Thoroughness of their settlement explanation* and the *Settlement* overall almost 50 index points higher (Figure 7).

**Figure 7: Concierge vs. Non-Concierge Satisfaction**



Total N = 428

## Summary

For the past 7 years, Progressive has been steadily introducing its concierge claim facilities around the country and now has a presence in 39 major metropolitan markets. As other insurers consider alternative “customer choice” business models to facilitate the repair experience of their customers, the experience of Progressive’s concierge customers can provide some insight as to how the business model is working.

The benefits of the concierge business model are that it shortens the repair cycle time by more than 3 business days, significantly reducing certain expenses for the insurer, including for rental car fees and labor spent by adjusters to settle claims. The on-location claims representatives receive significantly higher satisfaction ratings by customers for both soft skills and empathy, as well as for clear, thorough, and timely communications at every stage of the claims process. All of this significantly impacts customers’ overall impression of their claim experience, and is apparent in the satisfaction scores they provide.

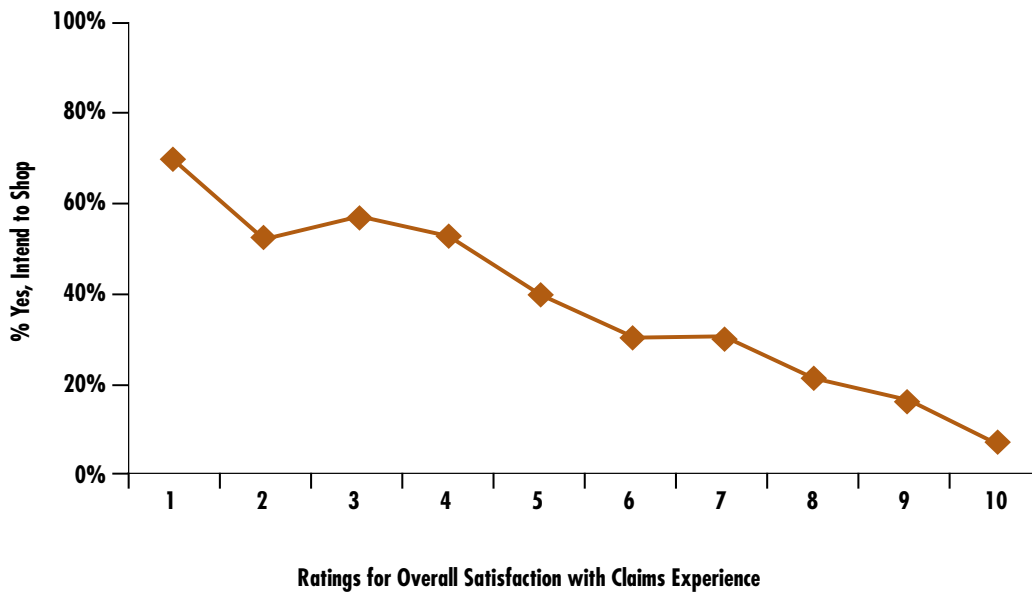
If there is a chink in the armor for Progressive, it is that the end product, the vehicle repair, lags the industry both in terms of customer perception of quality as well as necessity for repeat visits to the body shop, which work to drive back up the claims costs saved due to the concierge business model.

Concierge customers rate their overall claims experience significantly higher than Progressive’s non-concierge customers. However, despite best-in-class cycle times and high-touch local claim representatives, concierge customers provide satisfaction scores that are merely comparable to the industry average (813 vs. 815 for the industry). While there may be many financial benefits to insurers deploying or considering a “customer choice” service model, the repair quality drawbacks hamper Progressive’s claims performance from becoming a satisfaction leader. This is critical for Progressive, because the claims experience drives 48% of a customer’s overall impression of their insurer,<sup>3</sup> and less satisfied customers are far more likely to shop for insurance when their policy expires and are less likely to renew their policies with the same insurer (Figure 8).

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<sup>3</sup> Source: J.D. Power and Associates 2007 National Auto Insurance Study<sup>SM</sup>

**Figure 8: Intent to Shop by Overall Satisfaction with Claims Experience**



Note: All Auto claim types included  
 Total N = 8,154  
 Question: L1a / M8

Additional information on the customer perceptions of recent auto and property claimants is available in the *J.D. Power and Associates 2007 Insurance Claims Study*.<sup>SM</sup> Please visit the J.D. Power and Associates customer Web site ([www.jdpower.com/insurance](http://www.jdpower.com/insurance)).

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