



When buying auto insurance online, do your homework ... or pay the price!

Resource kit 90536

By Ara C. Trembly

Defenders of online commerce will often point to the improved speed and ease of doing business on the Web, in comparison with more traditional distribution systems. But in the insurance space, that may only mean that carriers can more quickly and easily remove cash from customers' wallets.

Certainly, buyers of insurance want their experience to be less time-consuming and simpler, but our recent survey of online auto rates reveals that unless consumers spend more time paying attention to details, they could very well end up paying more money for a product that doesn't suit their needs.

In *National Underwriter's* 2006 online auto insurance shopping excursion, a total of six quotes on the same vehicle varied by more than \$300 for a six-month payment. This year, the news was even worse, with nine total quotes spanning more than \$450.

Last year, the highest online auto insurance quote was 71 percent above the lowest figure. In 2007, the highest quote was 85 percent above the lowest, reflecting an even greater variance in possible prices this year.

The purpose of *National Underwriter's* annual online shopping exercise is to gain a consumer's perspective on the market for auto insurance, as well as to evaluate how well some Web sites do at providing reasonable quotes. No endorsement of any particular site or company is intended by the information presented here.

As in surveys past, I visited a number of auto insurance shopping sites (the same sites as last year) to get a quote on my 2004 Mitsubishi Eclipse GT. With the New Jersey auto market having improved, I was actually able to use my own address and information.

This year, I opted to go for what most of the sites considered "standard" coverage, meaning it was a step above what state laws require—but only one step.

Even with these parameters, however, I found that the sites vary widely in terms of how much they allow customers to specify coverage limits. Some provided almost no flexibility, while others allowed buyers to "customize" their policies to some extent.

As far as possible, I attempted to level the playing field at each site to match the same limits, but in some cases I could only approximate the coverages.

Web minefield

I began with InsWeb, one of the longest established aggregator sites, which in past years has very quickly delivered multiple quotes. The same was true this year, as the site provided six quotes within a few minutes.

How could they do this so quickly? One reason might be that they ask for much less information than other sites. For example, while they did ask about my credit history, they didn't bother to ask about my car's security features, brakes or airbags. The experience was definitely less time-consuming, but one has to wonder what happens when those questions are eventually asked at purchase time.

I received six-month quotes from Liberty Mutual (\$494), Amica (\$629), Allstate (\$641 from an agent), AIG (\$835—the highest quote I would receive anywhere) and IFA (\$730). The quotes either appeared on my screen or were provided almost immediately via e-mail.

This experience turned out to be a good microcosm of what I would find online as a whole, so I recommend that buyers begin here—but don't stop shopping afterward.

Next on my tour was Progressive Direct, which was a little slower than last year in delivering results—probably because it now asked more questions. What was most impressive here—if perhaps a bit frightening—was that they knew about every car I or my family members have or had in the past five years, without me having to input any information on the vehicles.

This site asked for my Social Security number (which I refused to give, and I recommend that readers do the same), and also asked about security devices. (Interestingly, "married/civil union" was one of the choices under "marital status," implying that same-sex couples would receive the same treatment as traditional married couples. I did not find this on any other site.)

Progressive offered me a choice of four "plans"—Minimum, Economy, Recommended and Plus. The Economy Plan (\$589, if paid in full) was closest to my parameters, once I was able to customize it. The problem here is that many customers will not be able to fork over \$589 at a moment's notice, so will opt to pay monthly. In that case, the six-month premium rose to \$652, which I counted as the official rate.

A visit to the GEICO gecko produced a quote of \$435 if paid in full, or slightly more at \$454 if paid monthly. Even at the monthly rate, however, this was the lowest quote I received anywhere. One thing that bothered me about this site, however, is that they insisted I include my wife on the policy in order for me to get a quote. One wonders what would happen in a household that had been hit by divorce or even the death of a spouse. One also wonders what the rate would have been for me alone.

I next visited NetQuote, which also offered four coverage types—Superior, Standard, Basic and State Minimum. In this case, the "Basic" option was closest to my parameters.

When I was done inputting my information, the site told me that I had been "matched" with some agents and that I should check my e-mail. Twenty-four hours later, however, I had received no quotes.

Allstate was next on my cyber-tour, and the site offered me two options: a ballpark tour that didn't require me giving a name, and a "personal quote from an agent." Since I had already gotten the latter via InsWeb, I went for the ballpark figure.

Here again, I got four levels of coverage—Platinum, Gold, Standard and Allstate Value Plan. "Standard" got closest to my parameters on this site, while it wasn't my choice with NetQuote, which should be a hint to consumers that these terms are loose descriptions at best.

In any case, the figure was \$700, not so very far from the \$641 quoted by the Allstate agent via InsWeb, but still a savings of \$118 a year if I used the agent.

Finally, I visited State Farm, which was the only site to require that I input my driver's license number, along with my odometer reading and the date I purchased my vehicle.

The process here was more lengthy than at the other sites, and I needed to customize the quote at the end of the process to get close to my chosen parameters. The six-month figure was \$499.85 if paid in full.

I could, however, opt to have a monthly payment plan (\$83.30) that was "available only through a State Farm agent."

The grand total savings I could achieve over six months by choosing that route was five cents. Once again, consumers should do the math before believing that they are getting a better deal.

Debriefing

The lesson from this trip through the online auto insurance minefield is that consumers must pay more attention to details and worry less about how fast results are produced.

It seems that this year, online insurance purveyors are interested in providing various payment options. That's fine, but consumers need to do the math before deciding whether or not such an option benefits them, as well as how much more (or less) an option will actually cost.

Marketing ploys like naming various plan categories should be ignored, since, as we have seen, the "names" don't always mean the same thing from site to site.

And marketing efforts from online insurers in general should be discounted. For example, AIG has sent me marketing materials implying that I will save money by insuring my car with them. As seen by our tour, however, they were actually the most expensive option.

It also is worth noting that the quote a consumer gets online may vary significantly from what an insurer will offer when the consumer is ready to buy. This is where those questions that weren't asked on the Web site become vitally important.

Once again, our strong recommendation is that once they have gotten their online quotes, consumers should consult an independent agent. This way someone will ask those questions this site left out.

In addition, a good agent will find additional ways to save consumers money, and may even be able to suggest another insurer who can offer a lower rate or better benefits.

What should online buyers do?

Each year, *National Underwriter's* tech guru, Senior Editor Ara C. Trembly, shops for auto insurance online and comes away less than satisfied. Following are some of his tips for Web buyers—which agents also can keep in mind when convincing their clients and prospects that it's best to work with a live person who knows what they are doing.

- 1 **Shop around.** Visit at least 10 Web sites. The more quotes you get, the better your chance of getting a good deal.
- 1 **Do the math.** Take out your calculator and figure out just what those "special" payment plans might cost you.
- 1 **Beware of impossibly low numbers.** If a rate seems too good to be true, it probably is. Dig down and find out what isn't included in that quote.
- 1 **Don't be fooled by plan names.** These names are no more than marketing gimmicks. Look at the actual coverages being offered.
- 1 **Ignore carrier marketing ploys.** Virtually every one of these sites claims they can save you money. Somebody must be wrong.
- 1 **Stick with an agent.** Take your online figures and show them to a professional who can make sense of them. You may be surprised at how much better you can do.

This resource kit was reprinted with permission from the August 20/27, 2007 issue of the National Underwriter Property & Casualty. You can contact National Underwriter Property & Casualty at P.O. Box 770, Hoboken, N.J. 07030, by phone at (800) 543-0874 or visit their Web site at www.propertyandcasualtyinsurancenews.com. 9/07

Document Information:

Title: When buying auto insurance online, do your homework ... or pay the price!

Url: <http://www.piaonline.org/IRC/qs/show?q=90536&s=ny>

QuickSource# QS90536

Last Updated: 0000-00-00