

CHAPTER 33

Vehicle Insurance

An Insurance Hunter's System of Choice: The Web

The do's and don'ts of finding an affordable policy online

by Anne Tergesen

Buying insurance has never been a very consumer-friendly experience. Until recently, scouting out the best deal meant spending hours on the phone with various salespeople to compare policies. Even then, you could never hope to sample more than a fraction of the insurers licensed by your state.

Now, thanks to Web sites that gather quotes from a number of insurers, there's a better way. "In pre-Internet days, if you wanted to compare a couple hundred policies, you had to call a couple hundred agents and brokers, whereas now, you can do it in a couple minutes," says Austan Goolsbee, an associate professor of economics at the University of Chicago Graduate School of Business.

To be sure, even the most comprehensive Web sites won't come close to giving you quotes from all the companies out there. And some types of insurance, such as whole life, are so complicated that getting an accurate quote almost always requires a conversation, if not a medical exam. Moreover, since most sites still seal deals with phone calls instead of mouse clicks, only about 1% of policies underwritten in the U.S. are sold online. But if you surf sites that do a good job with auto, homeowners', term life, and other forms of insurance that translate well onto the Web, you'll get a sense for what is and isn't a good deal.

The Web has already had a powerful impact on prices. Between 1995 and 1997, term life rates fell by as much as 15% as the availability of online comparisons forced insurers to get more competitive, according to a study by professors Jeffrey Brown of Harvard University and Goolsbee.

Some carriers are cutting rates even deeper by designing policies just for the Web. Take John Hancock's MarketPlace, which like other term life products provides coverage for a fixed number of years. Although your exact savings depend on variables including your risk profile, MarketPlace is generally

10% to 20% cheaper than similar policies sold through Hancock agents, says Diana Scott, vice-president of e-business for John Hancock Financial Services. Still, before you opt for an online policy's savings, make sure you can live with its features, which tend to be more basic than their offline counterparts'. MarketPlace, for example, offers fewer options for converting to other types of life insurance.

To start a search, go to a site with access to quotes from more than one company. Be prepared to spend up to 15 minutes answering questions about your driving record, medical history, or other topics related to the coverage you seek. Then, wait a few minutes for quotes for comparable policies.

Which specific site makes the most sense depends on the type of insurance you are buying. If you are in the market for auto insurance, InsWeb wins the highest marks from Gomez, a Waltham (Mass.)-based consultancy which rates online financial services. For life policies, Fidelity Investments' Insurance.com tops the Gomez scorecard, which weighs factors including ease of use and comprehensiveness of products and services.

Each site partners with different companies. So don't assume that any one site is giving you a full view of the market. For this reason, even if you think you've uncovered the best deal, check other highly rated sites before buying (table).

Sites that ask more questions—such as InsWeb—deliver quotes that most closely resemble the premiums you will pay, says Todd Eyler, senior analyst at Forrester Research in Cambridge, Mass. It's not always easy to answer questions such as how much bodily injury liability coverage or inflation protection you need. Most sites provide definitions—and a phone number to call for help. Several sites, including Quicken.com and Insurance.com, have calculators to help you compute appropriate levels of coverage.

While most sites deliver quotes right away, don't be surprised if you encounter delays. A recent trip to InsWeb, for example, yielded five instant quotes on a policy for my Ford Escort. But had I purchased right away, I would have missed out on a lower quote, which arrived via e-mail a day later.

The site for your state insurance department should be your next stop for a list of carriers licensed to sell the product you are buying. (You can find a link at www.naic.org.) If you spot carriers your Web search overlooked, you can follow up online or by phone.

STATE RANKINGS. Many state insurance sites also publish price comparison tables. They can give you an idea of who offers the highest and lowest quotes to hypothetical customers with certain characteristics. While these tables won't tell you what you can expect to pay for your policy, they might help you find companies with low prices, says Amy Danise, editor of Insure.com, a site that publishes insurance-related news.

Finally, many state sites provide complaint records on insurers. Don't skip this step; a rock-bottom quote can mean rock-bottom service. Insure.com and most multiquote sites also publish financial ratings from services such as A.M. Best. Look for carriers rated A or better.

You generally can't purchase a policy at a multiquote site. At Quotesmith.com, for instance, you can buy directly from only 5 of the 375 companies that supply quotes, says Chairman and CEO Robert Bland. Instead, many sites allow you to fill out an application and e-mail it to the carrier. Then an agent calls with a final quote and a policy can be

issued anywhere from minutes to days later, says Forrester's Eyer.

A growing number of insurers, such as John Hancock, are letting consumers buy from their Web sites as well as get quotes. So far, most online purchases have been auto-related. Perhaps as a result, 9 of the 20 largest auto carriers—including Progressive and Allstate—sell policies online in at least one state, according to Gomez.

Say you log on and find an attractive rate for your new car. You can download and read the policy, fill out an application, punch in your credit-card number, print out a temporary insurance card, and drive away. The carrier will approve permanent coverage once it has verified the information you submitted. (If it uncovers problems you have not disclosed, your rate may rise or—in extreme cases—coverage may be revoked.)

Using the Web to shop for insurance still has limitations. But by making it much easier to compare prices, it should help you save money.

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