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Consumer Tips for Purchasing Insurance Online

The Internet can be an excellent research tool for consumers, allowing easy and inexpensive research on insurance opportunities. But the Internet is also an excellent tool for fraudsters. Take precautions to be sure you end up with the insurance coverage you want and can afford.

As more insurance options are available on the Internet, consumers need to be sure they are using web resources carefully to protect their interests.

The growing use of the Internet in the insurance industry is a factor in the changing relationship between agent and client. Agents formerly used to devote much of their time to marketing and selling products to new clients. Now, consumers can get insurance quotes from a web site and then contact the company directly to purchase policies. This interaction gives the client a more active role in selecting the policy, while reducing the amount of time agents spend actively seeking new clients.

Using the web to purchase insurance products has both advantages and disadvantages. One advantage is that consumers can spend as much time as they wish, researching various options and making a decision without any sales pressure. Consumers can compare companies, rates, and products.

A disadvantage of using the Internet is that it doesn't afford one-on-one contact between the consumer and an experienced agent. An informed salesperson can help advise about the type of coverage best for the consumer's situation, point out changes in insurance law, as well as the benefits and drawbacks of various products and options offered. Another disadvantage is that consumers need to take steps to be sure they are dealing with a legitimate company that is truly selling insurance, and not simply collecting personal information in order to commit identity theft or fraud.

When a consumer reviews insurance information on the Internet, there are at least four distinct types of "insurance" websites that might be visited. Determine which type of site you are visiting to find out if the information is likely to be accurate and if your personal information is safe.

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"The Mission of the Division of Insurance is Consumer Protection."

General Number: (303) 894-7499 / Consumer Complaints: (303) 894-7490 / Toll Free 1-800-930-3745 / FAX: (303) 894-7455
Producer Licensing/Pearson VUE: 1-800-275-8247 / TTY Relay for the Deaf or Hearing Impaired: 711
<http://www.dora.state.co.us/insurance>

Lead generators: In some cases the web sites “selling” health insurance are not actually insurance agents or insurance companies. There are “insurance” sites that just sell your contact information to an insurance agent as a sales lead. Some sites may allow you to enter your personal profile and get rates and coverage comparisons from several insurance companies. Whether the rates are the “best deals” out there, or whether the site is only offering quotes from a few companies with whom they have a business arrangement, is something consumers need to know.

Independent agents: An independent agent represents various insurance companies; they may compare and quote several different policies and options. Keep in mind that independent agents typically work on commission. Some agents may direct consumers towards certain products that will give them the highest commission, so ask questions to be sure you are being offered the coverage you want at a price you can afford.

Captive agents or brokers. Insurance sales agents working exclusively for one insurance company are referred to as captive agents. Independent insurance agents, or brokers, represent several companies and match insurance policies for their clients with the company that offers the best rate and coverage. A consumer who contacts a captive agent will get information about one company’s products and rates.

If a consumer goes to a company’s own website, generally only the company’s own products are quoted. A few sites will quote other companies’ rates as a marketing tool; these rates may or may not match precisely what the other company might have quoted. Be sure to check with both companies before you make a purchase, to be sure you are comparing apples to apples. Many legitimate and well-known companies give the option of reviewing their insurance products on line. Some may provide a preliminary online quote, but may require that a consumer work with an agent before the policy becomes effective.

Fraudulent Sites: A big concern for most consumers should be websites that pretend to quote rates or sell insurance, but are actually only a front designed to gather personal information from unsuspecting web users. In general, if you have no way of telling if you are dealing with a legitimate company or agent, do not be pressured into providing your personal details. Your drivers license number, your social security number and other information that can be used to compromise your identity or steal your money should never be given to a stranger, especially one on the Internet.

In order to provide a quote, a company may request basic information such as the number of people in the household being insured, their ages, the home zip code, and other details, but they do not always need other personal identifying information. A licensed insurance company should give you general information about the plan and options up front without requiring personal information like credit card numbers or social security numbers. Before you give your social security number (which may be used for a credit score check, for example), be sure the website is not run by a scam artist. If you have any doubts, don’t hand over information that can be used in identity theft or fraud.

To be sure you are dealing with a legitimate company, find the name of the insurance company or companies involved in the policy being quoted. Be cautious if there is no name, or if you don't recognize the name as a legitimate insurance company or agency. If a company claims to be part of a larger company or financial group, look for information on the parent company’s website that confirms this, or call the company and ask.

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All insurance companies licensed to sell insurance in the state are listed on the Colorado Division of Insurance website. Insurance sales agents must obtain a license in the states where they plan to sell insurance. Separate licenses are required for agents to sell life and health insurance or property and casualty insurance, such as automobile and homeowners coverage.

Check the Division of Insurance (DOI) website for the company's name and its history in Colorado. Review the DOI's website to see if the company is licensed in Colorado.

Since cost is not the only factor, also check online complaint ratios (also at the DOI website) to see how many complaints the company has received and resolved, compared to the amount of business they have in Colorado.

When you do find a quote you like and can afford, be sure to determine whether the product is really insurance. Misrepresentation is becoming more common, particularly in the health area, where consumers need to carefully evaluate offers that appear to be insurance, but may actually be "discount plans." A discount medical plan is not insurance, but is a plan where you pay a membership fee for a list of healthcare providers who have agreed to offer discounts for services to plan members. Discount plans are not regulated by the Division of Insurance, because they are NOT insurance.

Be suspicious of plans that seem very inexpensive and too good to be true; they usually are.

The website may be vague or fail to mention what is NOT covered. If the site doesn't provide specific information about the coverage and coverage limitations, call or send an email. If a company doesn't respond to requests for information when someone is shopping for insurance, it's unlikely their customer service will improve once they have received a consumer's money. Find out if there will be "live" customer service when there is a question or problem after the plan has been purchased.

Before buying, make sure that you look carefully at what coverage levels are included in the quote, and that they are at the same amount or limit expected. Also, check carefully for differences in deductible amounts. Be certain the final policy doesn't differ from the information you reviewed during the quote process: review the policy carefully when you receive it.

Even though entering your information and getting a quote online may be a fast way to compare options, it does not always mean you will get your policy activated sooner. If you are replacing an existing policy, don't wait until the bill the insurance company sent last month is overdue. Plan ahead -- as much as 30 days before the current policy expires -- to shop, compare and secure new insurance coverage.

As a reminder, the Federal "Cooling-Off" rule doesn't apply to insurance purchases. The Federal Trade Commission's (FTC's) "Cooling-Off" rule gives consumers three days to cancel purchases of \$25 or more, in some circumstances. But this rule doesn't apply to real estate, insurance, or securities, so be certain you have made an informed decision before you buy.

For more information,
call the Colorado Division of Insurance at 303.894.7499 or toll free at 800.930.3745 (outside Denver).

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