



# Consumer Federation of America

## TERM LIFE INSURANCE ON THE INTERNET: AN EVALUATION OF ON-LINE QUOTES

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### INTRODUCTION

On-line insurance quote services have been touted by many – reporters, consumer educators, and even the Consumer Federation of America (CFA) – as a way to dramatically improve the efficiency of insurance markets and lower the price and increase the convenience of consumer purchase of insurance products.

Analysis of on-line marketing/information for term life insurance offers a good test of the current value to consumers of using the Internet to search for coverage since life insurance is a national market and term life insurance is a straightforward product (unlike the complex and difficult to understand cash value life insurance products).

This study contains results of an analysis of web-based sites that offer consumers information about term life insurance policies offered by insurance companies.

### METHODOLOGY

CFA went on line to all sites we had heard about in news stories and the trade press as well as sites produced through inquiry of several search engines on the Internet. The 25 sites we visited are identified in the attached spreadsheet.

Sites are of several varieties. Those which:

Sell the insurance directly to you and receive a commission. These sites won't show you no-load companies like Ameritas and USAA.

Are designed to generate leads for agents. Purchasers at these sites can expect e-mails and other attempts to sell insurance. Again, no no-load companies will be included in information you ultimately receive.

Include all insurers, including no-load insurers.

We ran our test case by entering the data as requested by the site for the hypothetical male applicant described as "EXAMPLE" at the bottom of the spreadsheet. This hypothetical man is 40 years old and in excellent health. We sought quotes on a \$500,000 policy for a ten-year term.

If the site was too difficult to use, if it required too much personal information, or if it was clear that it was a site designed to send an agent to your virtual (or actual) door, we terminated the research at that site at that point. Some of the small differences in price reflect the way the price is quoted: for example, InsWeb only quotes monthly

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with a small service charge so it shows a CNA Life quote of \$235 that really is equal to the \$225 quotes of other services.

The attached spreadsheet documents the results of our research. The first column shows the name of the quote service we visited. The next column shows the service's "URL" or web address. The third column shows the name of the insurance company that the quote service identified as lowest priced for the hypothetical applicant we entered into the system, and the fourth column shows the price for that low-priced company. The next three columns show if the site included the real low-priced life insurance company, if the quote included the no-load companies, and if the site did not offer on-line quotes.

## RESEARCH FINDINGS

Not All Sites Are Useful for Getting Quotes. The CFA analyzed 25 web sites offering term life insurance information. Of the 25, 10 (40%) were either so difficult to use (Insure Rate, Intelli-quote), did not service the test state (Insure One), were not up yet (Compusurance), did not use English (Speed Insure) or did not offer quotes online (4freequotes, accuquote\*, answerfinancial, ebix, Select Quote) that they are not sites CFA recommends to consumers. Some sites are little more than referral services where you are put in touch with an agent, something you do not need the Internet to achieve.

Not All Sites Produce the Same "Lowest" Quotes. The 15 sites where quotes were available produced different results for the sample case CFA used to compare quotes. Only six of the 15 sites delivered a result which displayed the actual low cost insurer (CNA Life) for the test. Five of the sites had a different "low" cost insurer, which was \$10 higher. The rest, four of the 15 sites, had even higher "lowest" quotes. The sites properly identifying the lowest prices for our sample client were Insweb, NetQuote, Quicken, Quotesmith, Youdecide.com and term4sale.

Not All Sites Include No-Load Insurers. Several of the quote services do not include no-load (no commission) insurance companies such as USAA Life, Massachusetts Savings Bank Life and Ameritas. This is because many of the sites make money through commissions on sales and don't show no-load companies in their service because it would reduce their incomes. Make sure you get quotes from these usually low-cost providers. Term4Sale.com does cover these insurers; you can go directly to their web sites (usaa.org; ameritasdirect.com; sbli.com) to purchase insurance.

Several Sites are More Useful than Others. Our preferred site is Term4sale since it has all of the no-load companies and seems to have the most complete list of insurers covered. Compulife, a seller of term life information to agents and others who subscribe, operate this web site. CFA's life actuary is a subscriber. Its advantage over all other sites is that it includes virtually all life insurers operating in the U.S.; in particular, it quotes premiums for low-load insurers the web sites don't do business with. The site itself does not sell term insurance; instead it provides the names of up to three local agents who may be called. Term4sale.com is especially good for getting a quick estimate of what term insurance might cost, as well as how much extra, if any, the low-load insurers would charge.

We also favor InsWeb and Quotesmith as others consumers might try. These are easy to use, give results that show the least expensive insurer and are excellent sites, we think. Since Quicken uses InsWeb, we don't put Quicken down as a best site since you don't need to go to both Quicken and InsWeb.

## IMPORTANT CONSIDERATIONS FOR PURCHASERS

Term of Coverage. Keep in mind that all the on-line services make money by selling term life policies that pay commissions, and the higher the premium the higher the dollars of commissions. Thus, one may expect to be urged to buy the longest term of coverage and the highest guarantees.

\* Please see addendum at end of report for new information on accuquote.com services.

We are leery about guaranteed coverage terms beyond 20 years because one is locked into a high premium and may find that, after a few years, lower priced coverage may be available. A counter strategy we suggest is to buy 10-year term in one of the "low-load" insurers mentioned in (3) below. This minimizes premiums, and a very high percentage of buyers, particularly young non-smokers, will be able to qualify in 10 years for another 10 years at the lowest rates then prevailing. In the unlikely event the odds turn against one, conversion to a low-load cash value policy is an excellent fallback position.

Renewability. What one doesn't see on line are premiums payable after the term of original coverage, such as 10 or 20 years, ends. Generally, the level premium policies shown are in fact guaranteed renewable without evidence of insurability to a high age such as 85 or even higher. The policies are structured with level premiums (guaranteed or not) for the original term, after which premiums skyrocket to a very high level and increase annually. It is perhaps best that this feature is not dwelt on; buyers may be better off not knowing the policies may be continued because one would have to be in very poor health to justify the premium levels after the original term.

Convertibility. All policies we reviewed may be exchanged for much higher premium, cash value policies (usually flexible premium whole life, which is called "universal life"). But the period within which this can be done varies from, say, 5 years to the full period of level premium coverage. The conversion feature could be valuable for someone whose health deteriorates significantly before the conversion period ends, but not so much that the renewal premiums beyond the level premium period of coverage would be attractive. Accordingly, the longer the conversion period, the higher the premium will be. CNA, for example, whose premium is the lowest on several web sites, offers conversion for 10 years on its 10-year term but limits conversion on its 20-year term to 10 years.

We judge most conversion policies to be of low value; that is, we would recommend universal life policies in most of the low cost term insurers on the web only to those forced by medical circumstances to convert. For this reason, we would not pay up a lot for a longer conversion period. We would, however, pay somewhat more for level premium policies in USAA (800-531-8000), Ameritas (800-552-3553) or Massachusetts SBLI (800-GET-SBLI, available in New England, New Jersey and Pennsylvania only) because the conversion policies these insurers offer provide good to excellent value.

Guarantees. Regulatory changes in recent years have required life insurers to back up their policies with higher reserves when guarantees are extended beyond 5 years. The rules have little effect on 10-year guarantees, but for terms longer than 10 years most insurers ask significantly higher premiums. Someone who wants 20 years of coverage, a popular choice, can save by choosing a 20-year policy with rates scheduled to remain level 20 years, but with a guarantee of this for 10 years. Thus, for the 40-year old male preferred nonsmoker in perfect health, \$500,000 guaranteed 20 years costs \$435 from CNA and \$450 from Banner Life. Meanwhile, Ohio National Life charges \$375 guaranteed 3 years and Mass SBLI charges \$380 guaranteed 10 years, thus offering significant savings. To put this another way, Banner Life charges \$50 less when the 10-year guarantee is chosen. Consider this: 50\$ saved each year when invested at 5% after taxes will come to \$660 after ten years, enough to pay nearly two more years of premiums. We believe that the insurers with partial guarantees will be highly reluctant to raise rates during the term because to do so is to invite all those in good to excellent health to look around for a new insurer.

Monthly Premiums. Most web sites show annual premiums but a few show monthly premiums. (In the chart, we have converted the monthly premium web site quotes to annual equivalents.) In general, the charge to pay monthly is modest; for the buyer who may not have invested lots of time in shopping for coverage, the monthly mode allows one to quit without penalty if a better deal is located. Also, one gets to keep his money invested when paying monthly, so the cost is less than the premium difference found by multiplying the monthly premium by 12 and subtracting the annual premium.

A very large seller of term life insurance, Primerica Life, charges an extremely high fee to pay monthly, so we would not wish to give an impression that the monthly mode is always reasonable. Anyone holding a Primerica policy, whose rates tend to be high anyway, should carefully consider the next paragraph.

If you already have a policy. For those whose health is good, it is always wise to check one's current policy against what's available. In the last two years, rapidly falling rates during the 1990's have bottomed out, so recent purchases may still be competitive. But most who were urged to "lock in" rates for longer terms in previous years are probably paying too much and, in some cases, far too much.

Cash Value Policies. We recommend against buying anything but term life on-line or by 800# because of the incredible complexity of life insurance products with a savings component. Instead, call one of the low-load insurers noted above and carefully review written explanations they send to you. You might also want to hire a fee-only (non-commissioned) financial planner to assist you in buying cash value products or, for a less expensive option, call CFA for information on our low cost service that provides evaluations by CFA's life actuary of any cash value policy you are considering buying or already own. You can read about the service at [www.consumerfed.org/rorflyer.pdf](http://www.consumerfed.org/rorflyer.pdf)

Addendum:

CFA has undertaken additional research on [accuquote.com](http://accuquote.com) at the request of [accuquote](http://accuquote.com). We had found that the company was "not recommended" because we could not get a quote on-line. It turned out that they do offer quotes on line but that the browser we were using, AOL 5.0 for Macintosh, did not work to show the quote button. When we tried the same computer but different browsers, we were able to obtain quotes.

We therefore retested [accuquote](http://accuquote.com) and found that it did have good coverage and did produce the lowest quote. We have thus determined that [accuquote](http://accuquote.com) should be included as one of CFA's "best sites." [Term4Sale.com](http://Term4Sale.com) remains our highest recommended site.

[Accuquote.com](http://Accuquote.com) is in the process of making the site functional for those people who might encounter the AOL 5.0/Mac browser problem.

## Consumer Federation of America

### Life Insurance On-Line Quote Services Study

#### Consumer Federation of America - Term Life Insurance Quote Service Review

TOP RATED	SERVICE	URL	LOW PRICED COMPANY	ANNUAL PREMIUM	SITE HAD LOW COST COMPANY	ON-LINE QUOTES?	COMMENTS
	1st Quote	www.1stquote.com	Banner Life	\$245	NO	YES	
	4freequotes.com	www.4freequotes.com	No Quote	NA	NO	NO	Not useful. This is lead generator for agents
	Accuquote*	www.accuquote.com	No Quote	NA	NO	NO	Not useful. No on-line quotes. You must call or fill out form.
	America Quote	www.americaquote.com	Banner Life	\$245	NO	YES	Focus is on 8 price leaders
	Answer Financial	www.answerfinancial.com	No Quote	NA	NO	NO	Not useful. Only for members of some groups.
	Compusurance	www.compusurance.com	No Quote	NA	NO	NO	Not up yet. 37,000 agents will run site.
	Countrywide Ins. Services	www.cwinsurance.com	Old Line Life	\$278	NO	YES	Slow loading site.
	ebix	www.ebix.com	No Quote	NA	NO	NO	You have to give info then companies bid. Not an on-line ap
	Fidelity Investments	www.fidelity.com	Not Stated (but it is Fidelity's life co)	\$300	NO	YES	5-year term quoted
	Insurance .com	www.insurance.com	Banner Life	\$245	NO	YES	
	Insure One	www.insureone.com	No Quote	NA	NO	YES	Not authorized to do business in NH
	Insure Rate	www.insurerate.com	No Quote	NA	NO	YES	Slow; gave up after many tries
CFA Pick	InsWeb	www.insweb.com	CNA Life	\$225	YES	YES	Good site; fast; lots of info.
	Intelliquote	www.intelliquote.com	No Quote	NA	NO	YES	Slow; gave up after many tries. Says call for faster service.
	Insurance Quote Services	www.iquote.com	Banner Life	\$245	NO	YES	
	Net Quote	www.netquote.com	CNA Life	\$225	YES	YES	Makes you give lots of info to agents before online quote
	Quick Quote	www.quickquote.com	North American Co.	\$275	NO	YES	
	Quicken	www.quicken.com	CNA Life	\$225	YES	YES	Quicken uses InsWeb for its quotes so use insweb direct.
CFA Pick	Quotesmith	www.quotesmith.com	CNA Life	\$225	YES	YES	
	Quote Term Life	www.quotetermlife.com	Zurich	\$260	NO	YES	Slow, with audio sales pitch.
	Reliaquote	www.reliaquote.com	Banner Life	\$245	NO	YES	
	Select Quote	www.selectquote.com	No Quote	NA	NO	NO	Not useful. Agent lead generator. No on-line quotes
	Speedinsure	www.speedinsure.com	No Quote	NA	NO	YES	Site is not in English.
CFA Pick	Term4Sale	www.term4sale.com	CNA Life	\$225	YES	YES	Our favorite site.
CFA Pick	You Decide	www.youdecide.com	CNA Life	\$255	YES	YES	

Example: Male Date of Birth 11/20/1960 Super Preferred  
 No Smoke height 6 ft 0 in weight 170  
 HDL 4.9 Lipid 200 Zip code 03301\  
 Amt of Insurance \$500,000 10yr term

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