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FRAUD ALERT!

Dishonesty Exclusion Might Cushion Subprime Losses For D&O Insurers

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Top Stories of The Week

Calif. Wildfire Losses Could Reach $500 Million

Insured losses from three California wildfires, already above $100 million, could run as high as $500 million for property carriers, as policyholders and adjusters gain access to the still smoldering region. ▶ Page 6

Hartford Faces Trial Over Kickback Allegations

A federal appeals court reinstated a 2004 securities class-action against The Hartford, alleging stockholders were misled because the company did not disclose it had paid insurance brokers kickbacks to win business. ▶ Page 7

AIG To Pay $500 Million In Deferred Compensation

AIG is terminating voluntary deferred compensation programs and paying out $500 million to eliminate an incentive for employees to leave the company in order to obtain deferred pay. ▶ Page 8

Brokers Say Insurance Can Ease Credit Crunch

A top broker urged the Treasury Department to put the insurance component of the Troubled Asset Relief Program to good use as a means of opening up tight U.S. credit markets. ▶ Page 10

BUYER BEWARE!

Consumers shopping for auto insurance online should proceed with caution.

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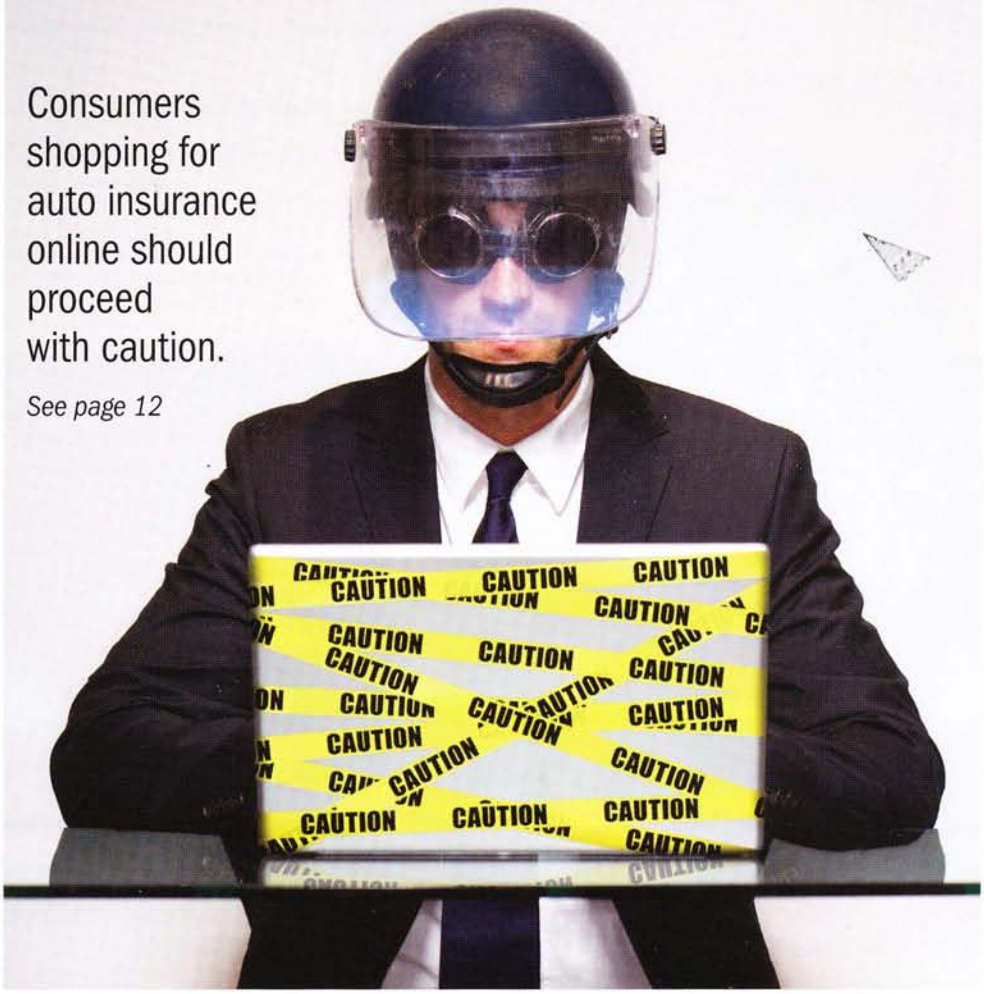

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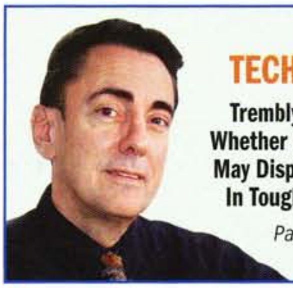

TECH GURU

Trembly Wonders Whether Online Sales May Display Agents In Tough Economy

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2009 National Underwriter AGENCY TECHNOLOGY ACHIEVEMENT AWARD

In Partnership With The ACORD LOMA Insurance Systems Forum

TECH CHAMPS SOUGHT

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A Summit PUBLICATION

INSURANCE ON THE WEB

Online Aggregators Can Help Open Doors, But Agents Must Still Close Prospect Sales

BY ADAM CHERUBINI

THE POPULARITY OF online comparison shopping has given rise to a preponderance of insurance aggregator sites. Many of these Web sites bill themselves as easy, one-stop shopping resources for consumers, while promising agents a simple way to grow their book of business.

But there is more to aggregator sites than meets the eye. As with other types of technology, it is important to learn exactly how the technology works and what the potential benefits and challenges are in determining whether working with an aggregator is the right marketing tool for an agency.

Insurance aggregators are companies that work with a large number of direct insurers, agents and intermediaries to deliver to consumers a streamlined, user-friendly experience.

Since many resources are "aggregated" into one place, the customer need only complete one set of questions, rather than multiple sets, to receive price results or agent referrals for a number of different insurance providers. Typically, aggregator sites provide a cost-per-lead pricing structure to agents who utilize the service.

Given the ubiquitous nature of Internet networking and e-commerce, agents must find a way to use technology to their advantage. Aggregator sites are one way to accomplish that goal.

Today more and more consumers start their search for the right insurance policy online, whether to request a quote and compare prices, or to find an agent to work with face-to-face or over the phone. It is vital that agents have a presence on the Internet, making it easier for customers to find them.

TIP SHEET

How Should Agents Work With Aggregators?

If you choose to work with an aggregator site, keep in mind a few important points to make sure you get the most out of the service:

- **Go with a service known for its integrity and strong track record.** A common complaint among agents is that aggregator sites promise more than they can deliver or make pledges to consumers they don't keep.
- **Expect the service to provide leads**, but be prepared to follow through to complete the sale.
- **Make the most of leads** by attempting to cross-sell different types of policies. Many agents are successful in closing a sale, but forget the potential for bringing in other types of business from the same customer, who often has other insurance needs as well, and who might not be aware of multi-line discounts.
- **Keep close tabs on all activity and end results.** If you track leads and all activity related to them, including whether or not a sale was made, it is easy to get a truly accurate cost/benefit analysis of whether the technology is working for you.

There are several advantages to working with an aggregator site. Smaller agents in particular can benefit from the aggregator's ability to rank high on searches conducted in major search engines.

The massive volume of insurance-related Web sites makes it highly unlikely smaller agents will be easily found in consumer searches, but a well-known aggregator will rank high every time a consumer searches for a quote or an agent. If an agent is connected to an aggregator, they receive the benefits of the aggregator's size.

"The aggregator site will only get agents into the path of online consumers who are looking for information about insurance. **It will not close the business.** That must be done by the agents themselves."

Adam Cherubini

Another benefit to working with aggregators is that agents have a large degree of control over how much it will cost. Many of the well-known aggregator sites operate on a pay-as-you-go basis, meaning that agents only pay for the Internet leads that they choose to purchase.

The agents control the level of exposure and cost they are willing to take on, and can usually make adjustments easily using their online accounts. The average pricing for Internet lead services—a main offering of aggregator sites—ranges from \$8-to-\$12 per lead.

Finally, agents can geo-target their lead purchases down to the five-digit ZIP code to ensure that they are writing polices only from their designated marketing territories.

CHALLENGES CITED

There are challenges to working with aggregator Web sites as well.

▶ First, agents must be comfortable and familiar with Internet media. The entire process of working with the aggregator site will be Web-based, meaning that agents must be comfortable checking in with a Web site for all their account information, as well as to access the services and leads for which they are paying.

▶ Second, it is important to remember that while partnering with an aggregator is a powerful alliance, the connection in and of itself is not a panacea.

Agents who are paying for online leads, for example, must continue to work the leads to bring in the sale just as they would with any other technology or marketing tool.

The aggregator site will only get agents into the path of online consumers who are looking for information about insurance. It will not close the business. That must be done by the agents themselves.

▶ Finally, working with an aggregator site is another marketing tool that must be mastered.

Different types of technology have strengths and weaknesses, depending on the task at hand, and it will take time to experiment with different fulfillment approaches to understand which applications

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ONLINE PRICE GAP WIDENS

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to Liberty Mutual via their own Web site in order to get a quote. Their figure, not including my alma mater discount, was about \$71 per month, or \$428 over six months.

Next on the list was Allstate, which was unique in that it allowed me to get a quote without providing my name or other personal information. It simply asks for data on gender, age, accidents in the last five years, vehicle details and "billing history"—their code for credit history.

(A word about the credit issue: Virtually every site either asks about your credit, or makes it clear that they will check your credit as part of their evaluation process.)

The six-month quote I received from Allstate was \$550—or \$47 less than quoted me by the Allstate agent via InsWeb. In fairness, however, the agent had more details to work with, thus his quote was probably more accurate.

I then proceeded to State Farm, which had the distinction of being the only site to insist that I provide my drivers license number. The quote here was \$472, as mentioned, or \$78.65 per month.

WHAT I LEARNED

After so many years of selling auto insurance online, you would think that insurers would make the process less time-consuming and more user-friendly, while refining their evaluation tools to the point where the differences in rates would be relatively small. Unfortunately, our latest foray into Web-based buying found just the opposite in some cases.

One must appreciate that insurers walk a delicate line between providing a fast quote and providing an accurate quote. More information will, in most cases, allow carriers to give you a quote that is closer to what you will actually pay.

On the other hand, it takes more time to provide more information, and that could cause some prospective buyers to give up and go elsewhere.

So where does the consumer draw the line?

For me, it becomes a nuisance to stay on a Web site that forces me to answer the same questions more than once. It is equally annoying to input information via an aggregator, only to have to input the same information again for carriers that are providing quotes through the aggregator.

If an aggregator can't offer freedom from that aggravation, they aren't offering much value.

It also remains obvious that a slew of other factors besides customer data must be involved in the final quote. As with most insurance coverages, the true extent and weight of these factors remains a mystery to the consumer. This is demonstrated by the last two years' increased gap between lowest and highest quotes for the same coverage.

We have seen that the online auto insurance buying experience remains fractious in some cases and annoying in others. Customers are likely to be frustrated and confused by the experience—and who can blame them?

Overall, we must conclude, as we have in past years, that consumers can get some interesting ideas on auto quotes from online outlets, but in the end, it may be to their advantage to consult a human being who happens to be an agent. NU

HARTFORD CASE REINSTATED

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tion rates directly as a result of its involvement with the brokers in the commission kickback and bid-rigging schemes.

The appeals court disagreed with Judge Droney's conclusion that the total mix of information before him was sufficient to rule, as a matter of law, that an investor of ordinary intelligence was on inquiry notice of The Hartford's allegedly fraudulent conduct by July 2001.

Among its evidence, the insurer submitted four articles from general news outlets and 13 from trade publications such as *National Underwriter*, which dealt with controversy over contingent commissions.

Among all the publications, only one article from *National Underwriter* actually mentioned The Hartford, and it was not specific enough to alert investors, the appeals court found.

Nearly all of the stories in the record "are devoid of company-specific information," thus "the argument that they constitute 'storm warnings' is far from compelling," the appeals court found.

In addition, the appeals court said a 2001 lawsuit filed in San Francisco, which made many of the same allegations later raised by the stockholders, was not "reasonably accessible to an ordinary investor." NU

ONLINE AGGREGATORS

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work best under what circumstances.

While working with insurance aggregators can be highly profitable, it presents unique challenges that agents should understand to get the most out of investing in an aggregator site.

Every site is different. Internet technology can take some getting used to for those unaccustomed to it, and partnering with an aggregator site involves focused attention and diligence to reap the benefits of the service.

As consumers increasingly look to Internet technology for insurance information and products, working with aggregator sites can mean the difference for agents between stagnation and growth.

Regardless of method, agents must find a way to get a piece of the action that Internet technology provides—or risk being left behind. NU

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