

Is AARP Looking Out for You? Auto and Homeowners Insurance

CBS News

The way insurance companies barrage you with television ads promising to save you money, you might think they were paying you instead of the other way around. In the case of the GEICO googly eyes or actor Dennis Haysbert hawking Allstate policies, at least it's private companies pitching their wares. But then there are the auto insurance ads touting the \$388 saved, on average, by people who switched to plans offered through AARP by The Hartford Financial Services Group. The ads also say that AARP members who own homes might save an additional \$148 by switching their homeowners coverage. In this case, the trusted nonprofit is lending its name to a commercial venture. Pay less, get the AARP imprimatur ... What's not to like? Read on to find out.

As part of our continuing analysis of AARP's financial services products (earlier stories covered AARP mutual funds and AARP life insurance and annuities), we wondered how well the huge organization was treating its 40 million members with the homeowners and auto policies it sells. So we examined the coverage and compared AARP/The Hartford prices with those of Allstate, State Farm, GEICO, and Progressive in three zip codes to answer the question, Should you put AARP on your policy shopping list? Our answer: If you are shopping on price alone, no. You can save money — in some cases a lot of money — by taking your business elsewhere. But the policies do offer a few appealing features that you might find are more than worth the extra cost. And The Hartford has an impressive customer service record.

AARP has marketed The Hartford's homeowners and auto policies for 25

years and deserves credit for choosing a quality partner. The Hartford was among the top five insurers in J.D. Power and Associates' 2008 homeowners and auto insurance customer service surveys. "They have a reputation for working with their customers and trying to solve problems without litigating claims, compared to some of their competitors," says Amy Bach, executive director of United Policyholders, a San Francisco-based organization that advocates for consumers on home and auto insurance. The number of complaints filed against The Hartford, as tracked by the National Association of Insurance Commissioners, is below the industry average and has been declining for the past several years.

Middling Marks for Prices

AARP's homeowners and auto policies are often not the least expensive, however, which echoes what we found with its life insurance offerings. "There is a cost to having some of the features in the program," acknowledges Richard Hisey, president of AARP Financial, the for-profit arm of AARP. "We believe that if you're comparing apples-to-apples features, we will be cost-competitive."

For our price-shopping survey, we asked AARP/The Hartford, Allstate, State Farm, GEICO, and Progressive for quotes for a 53-year-old AARP member driving a 2008 Nissan Rogue and living in a \$250,000 wood-frame house. And since the cost of the same insurance can vary by zip code, we requested quotes in Charlotte, N.C.; Scottsdale, Ariz.; and Schaumburg, Ill. We told the insurers to apply any standard auto discounts available based on his driving record and profile. Since AARP's auto rates were for 12 months and the others were for six months, we divided AARP's figures in half.

For auto insurance, AARP/The Hartford was the priciest insurer in Scottsdale and Schaumburg and in the middle of the pack in Charlotte. Progressive was the least expensive in Scottsdale, costing a whopping 42 percent less than AARP/The Hartford. GEICO was the cheapest in both Charlotte and Schaumburg, charging 28 percent less and 15 percent less, respectively, than AARP/The Hartford.

Auto Insurance Six-Month Premium

AARP/

The Hartford Progressive GEICO State Farm Allstate Scottsdale, AZ \$486 \$284 \$328 \$352 \$445
Schaumburg, IL \$325 \$311 \$276 \$314 \$306 Charlotte, NC \$445 \$480 \$319 \$458 \$331

For 12-month homeowners policies, AARP/The Hartford was in the middle in Charlotte (\$686), but again the most expensive in Scottsdale (\$1,467) and Schaumburg (\$1,075), charging more than double Progressive's \$706 and \$504.

Homeowners Insurance 12-Month Premium

AARP/

The Hartford Progressive GEICO State Farm Allstate Scottsdale, AZ \$1,467 \$706 \$861 \$963 \$1,123
Schaumburg, IL \$1,075 \$504 \$513 \$831 \$587 Charlotte, NC \$686 \$674 \$902 \$729 \$655

When it came to bundling homeowners and auto insurance, AARP/The Hartford was the second least expensive in Charlotte (\$1,452 a year), but was once more the highest in Schaumburg (\$1,675) and Scottsdale (\$2,386).

Auto/Homeowners Insurance Bundle 12-Month Premium

AARP/

The Hartford Progressive GEICO State Farm Allstate Scottsdale, AZ \$2,386 \$1,159 \$1,517 \$1,365 \$2,013
Schaumburg, IL \$1,675 \$1,083 \$1,066 \$1,219 \$1,199 Charlotte, NC \$1,452 \$1,635 \$1,538 \$1,462 \$1,318

So what about AARP's claims about saving customers hundreds of dollars? Insurance advisers, who say other insurers make similar boasts, recommend you ignore them. While the comparisons typically represent the average savings of all customers who switched insurers over a given period of time, people often reduce their coverage when they swap companies. So the savings figures are somewhat specious.

This survey makes a strong case for the need to shop around for auto and homeowners insurance, since none of the five insurers was the cheapest in all three locations. And the savings could be substantial: In our Scottsdale example, a homeowner who bundles his auto insurance would save more than \$1,200 a year by choosing Progressive over The Hartford.

Keep in mind that even if you live in one of the survey's three cities, your rates could be vastly different from what we found. Since auto and homeowners policies are underwritten individually, your rate quote could be much higher than your neighbor's, even if you drive identical cars and live in similar houses.

AARP Auto Insurance

AARP/The Hartford's auto insurance policies have many of the same provisions as their competitors but also offer three unique features tailored to older drivers.

* 12-month rate guarantee: Most auto insurers can raise rates after six months, but AARP/The Hartford locks in prices for 12 months. This may be useful to older drivers with fixed incomes who want to keep their expenses predictable.

* RecoverCare: Since an older driver in an accident may need a hand getting back on his feet, AARP/The Hartford policies include a \$2,500 RecoverCare benefit to pay for necessary help up to six months after an accident. You shell out the cost of things like a cab to the doctor's office or hiring the neighbor's kid to mow your lawn. Then you submit the charges to a customer service rep from The Hartford for reimbursement.

* Lifetime renewability: Once you're an AARP/The Hartford policyholder for 60 days, you generally needn't worry about losing your coverage just because of a fender bender or two. But although AARP's TV ads say its auto insurance will never be canceled, the fine print has exceptions: You can be canceled for not paying premiums on time, for losing your license, for getting convicted of driving under the influence, or if a doctor says you're not capable of driving. What's more, this provision is not offered in the five states that require elderly drivers to take tests to renew their licenses. And there's no guarantee that rates won't increase, of course.)
Bach thinks these features are "nice to have," especially RecoverCare. "Out-of-pocket expenses after an accident are always higher than anyone anticipates, so I like that feature," she says. But she wouldn't pay

extra for these extras. “The auto insurance market is so competitive, I would shop around to see if I could get good service and a better rate before I paid more for those features,” she says.

AARP Homeowners Insurance

Homeowners insurance is a fairly generic product. And there’s very little someone in AARP’s age group (over 50) would want from a policy that someone younger wouldn’t. The only unique feature is AARP/The Hartford’s Lifetime Continuation Agreement (not available everywhere, however). It guarantees that the insurer won’t drop you if you’ve had the coverage for at least 60 days and paid premiums on time, as long as your home is insured for at least 80 percent of the cost to rebuild. Bach says this provision could be worth a higher premium, because a policyholder wouldn’t need to fear that filing a claim could lead to cancellation. Guaranteed renewability can provide peace of mind to retirees in hurricane-prone places, where many insurers have stopped renewing policies. Caveat: This feature isn’t available in Florida, where AARP/The Hartford has stopped writing new policies.

How to Buy It

AARP members

can buy AARP/The Hartford homeowners and auto insurance online, over the phone (888-808-5254), or through the mail. Residents of Arizona, Illinois, Tennessee, and Minnesota can also buy policies through authorized Hartford insurance agents. By the end of 2009, agents will also sell the policies in 16 other states.