

Insurance comparison sites



Our review of comparison websites like iSelect, Compare the Market and Choosi, reveals some hidden catches.

Need to know

- "Free" comparison sites can earn substantial fees per sale from the insurers
- Some sites compare only a fraction of the market
- Some sites are actually owned by the insurance companies they're supposedly comparing

It's a good idea to do some homework before renewing your health, life, home, car or travel insurance policies. Many people get a quote from one of the free online insurance comparison websites. But what does "free" really mean, and are their recommendations unbiased?

We take a close look at six of Australia's largest online insurance comparison sites to see how they work, and just how much of the market they actually help you compare. Most offer health, life, home, car and travel insurance comparisons.

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How insurance comparison sites make money

When you buy insurance through websites such as iSelect and Compare the Market, online or over the phone, the insurance company pays an upfront commission to the site – usually a percentage of the premium. The comparison site may also receive trailing commissions from the insurer – an additional kickback for anything from 12 months to the whole time you maintain that policy with the provider.

Other sites such as Canstar and Finder work on a "cost per click" model. When you click through to the product website, the provider pays the comparison site a referral fee, or an acquisition fee if they subsequently sign you up.

All the sites we look at divulge how they're paid and, in a positive development for the industry, two reveal how much (roughly).

Health fund Bupa told CHOICE they support more transparency in the fees earned by insurance comparison websites.

"We strongly support full transparency and disclosure because of issues of conflict of interest by comparators being paid by the organisations they are selling on behalf of.

"There could be as much as \$200 million spent every year across the industry and paid to comparators for acquisition arrangements. Bupa is a relatively small part of this total because we only have a relationship with one comparator."

That comparator is Compare the Market, which lays valid claims to an 'industry-first standard pricing model' whereby all health funds pay the same fee for service. They disclose a standard fee of 25% of the first year premium and 6% of the second year premium of health insurance products sold on their site. They also claim up to 20% of the product premium for travel and home insurance, up to \$250 per sale from car insurance providers and up to 60% of the premium for life insurance products.

iSelect advised CHOICE they're unable to disclose specific commission details "as these arrangements are subject to confidentiality with each of our individual health insurance partners". Most comparators will cite "commercial in confidence" as the reason for not disclosing commission or fee structures.

Can commissions influence results?

If you're tossing up between a \$500 policy and a \$700 policy, bear in mind the phone consultant gets a higher bonus if you go with the \$700 policy.

Telephone consultants play an increasingly important role in commission-driven sites such as Compare the Market and iSelect, with the online comparisons essentially forming a lead generation for a phone call.

Despite this, the comparison sites deny commissions are linked with their product recommendations. Compare the Market reasons their standard pricing model will ensure customers understand that recommendations are "based solely on individual requirements and needs". iSelect tells CHOICE "our health insurance consultants are not aware of the commission levels iSelect receives from individual insurers and are not incentivised in any way to recommend one provider over another."

Phone consultants are, however, incentivised by performance – the higher the total premiums sold, the more they get paid. So if you're on the phone to a call centre, and you're tossing up between a \$500 policy and a \$700 policy, bear in mind the phone consultant gets a higher bonus if you go with the \$700 policy.

iSelect increased average revenue from the sale of health insurance premiums in 2016 to \$894 per sale. It's 2016 annual report notes a move in health insurance policy sales "away from low-value cover towards mid- and top-level products, which

was driven by market a shift towards older customers in addition to a stronger focus on customer needs".

Making sure that call centres have no knowledge of commission arrangements with insurers should prevent call operators recommending funds based on which one pays the comparison site the most money. But with no evidence to show otherwise, the possibility remains that online results could be biased to the policy provider that pays the comparison site the most money, instead of the policy that's best for the user.

How comparison site commissions might affect your premium

Comparators claim as much as 40% of the first year's premium as their commission.

Comparison sites insist their business model has no impact on the insurance premium that you pay. A recent Compare the Market advertising campaign assured people "The insurer pays commission, you pay nothing" and "We don't mark up the price of the policies we compare. Ever." iSelect tells CHOICE that "customers will pay no more for the same policy no matter whether they purchase it through iSelect or direct from the product provider."

However, Bupa says, "Comparators claim as much as 40% of the first year's premium as their commission for informing people of their choice. This fee doesn't go to buying health services for anyone; it is taken off the table, must be absorbed somewhere and leads to higher premiums for everyone in the long run."

Commissions paid to comparators are funded from the insurers' advertising budgets, so some insurers argue that to afford these commissions or compete with the marketing budgets of the comparison sites, they need to increase their own marketing budgets and hence the premium you pay.

This scenario is repeated across other personal lines of insurance products. In its submission to a Senate inquiry into [Australia's general insurance industry](#), Allianz also noted the comparison sites have an effect on premiums: "They charge a fee for their service and therefore impose an unnecessary additional distribution cost that would need to be passed on to our customers in the form of higher premiums."

Comparison sites may benefit the smaller players

Health fund giants Bupa and Medibank hold a combined market share of over 50%.

According to market researcher IBISWorld, health fund giants Bupa and Medibank hold a combined market share of over 50%. It's a similar scenario in general insurance with Insurance Australia Group (IAG) and Suncorp holding combined shares of over 50% in car and home insurance, and the top four companies in travel insurance dominating with 85% market share. Almost half of that is one insurer, Great Lakes, best known for their Cover-more travel insurance brand.

With the large insurers reluctant to participate in online comparisons, the sites can give smaller competitors a foot in the door with their market clout and potentially open up competition and transparency in markets dominated by a few players.

But as we noted in our submission to the Senate Standing Committee on Economics inquiry into Australia's general insurance industry, this potential is yet to be realised due to a lack of transparency and independence among some comparison site operators.

Customers don't know how many insurers they're comparing

One of the core problems CHOICE pointed to in our submission is that some sites only compare a small proportion of the market. Compare the Market is advertised as a market comparison service but it doesn't compare major players GIO, AAMI, NRMA, RACV, SGIC, SGIO, Allianz or QBE.

iSelect doesn't compare any of these insurers either, while in home insurance it lists one insurer, and in health insurance both iSelect and Compare the Market compare less than a third of the market.

Bupa tells CHOICE that "customers using comparator sites should know that they don't cover all the options and often don't know the products in as much detail as the end insurer."

Insurance comparison sites affiliated with insurers

It's also not unusual for the comparison sites to be owned or affiliated with the insurance companies listed on the site, which creates an obvious conflict of interest. In ASIC's focus on insurance-specific comparison websites, they found on some websites there was insufficient disclosure of the relationships between website operators and the issuer of the brands being compared.

Compare the Market

is owned by Budget Holdings Limited (BHL). BHL, in turn, owns insurance giant Auto and General, the parent company of brand names like car insurer Budget Direct. Seven out of the 10 car insurers listed on the site are owned by Auto and General so it's no surprise that in a mystery shop of car insurance quotes, five out of the seven brands were Auto and General Insurance brands.

Choosi.com.au

is associated with Hollard Financial Services. It's a major provider of life insurance and issues 11 of the insurance brands available on the site while parent company Greenstone distributes four of the life insurance products.

Compareinsurance

has directors and shareholders in common with six of the travel insurance brands it compares on site, the best known of these brands being 1Cover.

What does CHOICE do?

We're a non-profit organisation predominantly funded by our members and CHOICE Recommended licensing – we don't accept advertising or give you results based on commissions. We publish independent, expert reports on:

- [Home and contents insurance](#)
- [Car insurance](#)
- [Travel insurance](#)
- [Health insurance](#)
- [Pet insurance](#)
- [Life insurance](#)

When we compare insurance, we look at the broadest possible range of products available, and assess them based on what delivers best value for money. Our health insurance comparison tailors results specifically to your needs.

Comparison sites compared

We assessed the top six players using [ASIC's guidelines](#) for financial comparison sites. We also used principles developed by consumer groups (including our own) for electricity comparison websites.

We looked at:

- **Accuracy:** Do they clearly disclose the basis of awards or ratings? Do they include all providers or a warning if not all providers are compared?
- **Impartiality:** What kind of relationship do they have to the product providers on their site?
- **Transparency:** Do they disclose links to providers including commissions, referral fees, payments for inclusion in comparisons, and payments for featured products?

iSelect

iSelect claims the mantle of Australia's most visited private health insurance comparison site. It also sells general insurance and its subsidiary site InfoChoice is used for comparing credit cards and savings accounts.

Accuracy

- Eleven out of 37 health funds, six life insurers, one home insurance, eight car insurance and three travel insurance products compared.
- There's a link to participating health funds at the bottom of the comparison page and users are required to tick a disclaimer saying you understand iSelect recommends 'policies to suit my stated needs' from participating insurers.

- The 'How iSelect works' link discloses that it doesn't have every brand or product available for purchase, and products are selected by matching individual needs and website algorithms that it insists you really don't want to know about.

Impartiality

- iSelect is listed on the stock exchange and doesn't own any of the insurance brands it compares.

Transparency

- 'How iSelect works' discloses that iSelect is paid a commission by the company that owns the product you choose to purchase.

iSelect says:

- "The website and call centre operators are detached from fee arrangements so commissions do not influence recommendations."
- "Upfront commissions never exceed half of the first year's premium for health, and trailing commissions don't exceed 10% of the premium collected over the life of the product."

Compare the Market

Best known for its "Compare the meerkat" television campaign which catapulted it to the number one site for car insurance in the UK. It compares health, car, home, life, and travel insurance.

Accuracy

- Thirteen out of 37 health funds, eight life insurers, seven home insurers, 11 car insurers and 29 travel insurance brands compared.
- Insurance providers are listed on relevant comparison pages with a fine print disclosure that they don't compare all brands in the market.
- We're unable to find any disclosure for the basis for recommendations online, but Compare the Market advises they're based on customers answering a series of questions related to personal circumstances.

Impartiality

- Compare the Market is owned by Budget Holdings Limited which also owns insurance underwriting giant Auto and General encompassing brand names such as Budget Direct.
- Seven of the 11 car insurers listed on site are affiliated with the parent company as are three of the five home insurance products, three travel insurers and one life insurer.

Transparency

- Once you manage to track down its financial services guide, Compare the Market has the most transparent disclosure of commission rates of the sites we assessed.
- It reveals the fees earned by the sister organisation if you buy an insurance product that falls under the banner of the holding company.

Compare the Market says:

- "Once we understand why they would like health insurance and which specific features they would like included within their policy, our comparison algorithm then recommends the 12 cheapest policies that include all of the features deemed important by the consumer."
- "All health funds pay the same fee for the service they receive, thereby removing any perceived risk of us favouring one insurer over another based on hidden fees."

Choosi

Choosi offers comparisons for health, life, funeral and pet insurance.

Accuracy

- Three out of 37 health funds, 13 life insurers, four home and seven car insurance products compared.
- A list of providers for each product is accessible from the home page.
- The fine print on the bottom of the home page states that Choosi doesn't provide information or offer cover for all products available on the market.
- We're unable to locate any disclosure for the basis for recommendations. Choosi says that "rather than making recommendations it's a service whereby consumers can access information and quotes across a range of products enabling them to choose a product that best suits their needs".

Impartiality

- Choosi is associated with Hollard Financial Services which is the issuer of eleven of the compared products, and part of Greenstone Financial Services, distributor of four of the life insurance products Choosi compares.

Transparency

- The fine print on the bottom of the home page declares Choosi's links to Hollard Financial Services.
- The financial services guide declares if you buy a product available through Choosi, it receives up to 52% of the premiums over the expected life of the policy.
- The site also notes that "Choosi isn't an insurer" (it's just owned by an insurer).

Choosi says:

- "Choosi's goal is to provide the largest range of insurance offerings in the market. We constantly strive to add suppliers to our panels and broaden this reach."

Canstar

Provides a comparison of most personal insurance products using its star ratings system for recommendations. You'll generally be referred to the provider site for live quotes.

Accuracy

- 22 out of 37 health funds, 28 life insurance, 49 home insurance, 51 car insurance and 75 travel insurance brands.
- To get access to the broadest range of comparisons, disable the 'Only show results that link to an insurer's website' checkbox on the comparison page.
- The methodology for its star-weightings system is clearly disclosed on the site.

Impartiality

- Canstar is privately owned by shareholders with no links to insurers.

Transparency

- Insurers that have received a five-star rating from Canstar can pay to use the Canstar name and award in their marketing.
- Canstar also receives fees for advertising on its site and may also receive payment for referrals to provider sites.

Canstar says:

- "Canstar list for comparison as much of the market as it is practically possible to do irrespective of whether we receive fees for that product or not."

Finder

Compares health, life, travel, car, home and pet insurance, as well as money, energy and telco products.

Accuracy

- Over 30 health funds can* be compared, as well as over 15 life insurers, seven home insurance, nine car insurance and over 25 travel insurance brands.
- *Similar to Canstar, you'll need to disable the 'Show participating health funds' checkbox to get access to all of the health funds.
- Unlike Canstar, the checkbox is difficult to track down, so unless you find it, you'll likely get a comparison of the eight 'participating' health funds.

- The fine print at the bottom of the home page notes that not every product in the market is covered.
- It also notes that the site doesn't recommend specific products or providers.

Impartiality

- Finder is privately owned by two shareholders and doesn't have any equity links to the providers on its site.

Transparency

- Finder discloses in its FAQs: "When you click through to or apply with a financial institution, broker or retailer from our website, that provider will pay us a small referral fee for sending you to there."

Finder says:

- "Finder don't operate a call centre and don't force the user to hand over contact details before showing pricing."

Compare Insurance

Provides a comparison of most personal insurance products and user reviews of health insurance.

Accuracy

- 10 life insurance, five car insurance and 26 travel insurance products compared.
- Product features (but not quotes) for 29 home insurance products compared.
- The 'Insurers we compare' page notes that not all insurers are compared.
- It also notes for car insurance that since all products aren't compared, the quotes provided may not be the best deal or policy for a user's circumstances.
- There are user reviews available for products and the default listing of car insurance we compared was by price.

Impartiality

- Compare Insurance has directors and shareholders in common with several insurance products listed, including six travel insurance products, the best known being 1Cover.

Transparency

- Compare Insurance discloses a fee for referring you to the provider's website of up to 15% for travel insurance and a commission of up to 25% of the premium for other products.

Compare Insurance says:

- "Within the customer rate and review section of our site, we list most providers in the market, however when it comes to quoting insurers we list only those insurers that have agreed to partner with us. We are willing to partner with any reputable brand that is happy to be openly compared."
- "Our fees are far from exorbitant, we'd go as far as to suggest that they are nominal. Particularly when you consider the service and convenience that we provide to both our customers and partners. We are in fact, one of the most cost effective channels in the market."