

# PEOPLE'S TRUST INSURANCE COMPANY

## MEMO

**To:** All Florida Agents

**From:** The Florida Association of Insurance Agents

**Subject:** The Truth about People's Trust

Several months ago, FAIA began receiving complaints that an insurance company, whose advertising was critical of agents, may also be misrepresenting its price, or the reasons for that price, in potential violation of §626.9541, *F.S.—Unfair methods of competition and unfair or deceptive acts or practices defined*. And, we were told that its website quotation system was misleading consumers into thinking they could save money, without giving up important coverages.

The company's name is People's Trust (PT); the carrier is advertising that it has a lower price, in part because it has eliminated "high commission" independent agents from its acquisition expenses. Our investigation revealed the complaints we received had merit, particularly with respect to its website. Looking even closer, pulling the carrier's rate filing, we've discovered other issues we'll share with the Office of Insurance Regulation (OIR).

First of all, even though PT doesn't use agents, it rarely results in the lowest price. As we explain below, when comparing apples-to-apples, its price can often be higher. Which means...when it's lower, it's usually because consumers lost important coverage, not because they lost the service of their hometown agent. Besides, according to OIR records, the company's "filed" acquisition cost (where you find any agent and brokerage fees) is 30 percent, or roughly a third of the premium. While MGAs may sometimes receive that much, a portion is usually passed on to agents. If PT's price isn't lower, and in many apples-to-apples quotes it's not, where is it sending what would otherwise be paid to an agent? Who owns the MGA and who gets a share of that percentage? And...who gets the \$25 per policy MGA fee if there is one? Isn't it true that, in situations like this, it always boils down to the same thing? ***What a company saves by not paying agents is more than offset paying someone else to underwrite, rate, advertise (I.E. full page ads), service, and sell.***

Even a cursory examination of PT's website quotation system makes it clear to an insurance professional why some consumers *think* they are paying less. First of all, they are paying less! Unfortunately, many don't realize the same coverages quoted with PT often cost less somewhere else. Here's how PT's website confuses some consumers.

First, with no help for those who don't know what it is or how to calculate it, PT's website asks for (among other things) dwelling replacement value without even attempting to explain any penalty for carrying too little. Then, it cleverly highlights extremely low coverage options without any analysis of need via a system of lowball defaults, as follows:

- Other Structures (Coverage B) defaults to two percent (2%).
- Personal Property (Coverage C) defaults to zero.
- Liability and med-pay default to \$100,000 and \$2,000, respectively.
- Hurricane deductible defaults to 10 percent.
- AOP deductible defaults to \$2,500.
- Sinkhole defaults to "no."
- Replacement cost on contents (assuming you have any Coverage C at all) defaults to "no."

Of course, we have numerous quote comparisons from the field and have PT's rate filing under scrutiny, but...when an FAIA staff member accepted all the defaults, his premium was \$428.00 vs. \$850 from a standard carrier—again, looking at the coverage he had to give up, it was like sleeping in the park to save on rent. Besides, "IF" a consumer wants lower coverage, there are many agents/companies who'll accommodate. Unfortunately, nowhere (that we could find) did PT's website explain that a consumer could get both—a lower price and personal service—with an apples-to-apples quote from an independent agent.

We urge anyone—company, agent, regulator, lawmaker, or industry associate—to check out PT's claims by going to [www.peoplestrustinsurance.com](http://www.peoplestrustinsurance.com) and getting a quote. Do it with and without

the defaults. Compare apples to apples with quotes from other sources. Fax (850-668-2852) or email ([dnewell@faia.com](mailto:dnewell@faia.com)) the results to us. If you know of a consumer who feels deceived by PT's approach, please let us know who they are and how to contact them. And, of course, send us examples; include dec pages and rate sheets showing prices for comparable coverage. We'll report the whole truth, good or bad, for you and your clients to "independently" use and decipher as you see fit.

Finally, it's important to mention that PT is new to Florida's scene and, like most (but, not all) domestic property carriers, it only has an A rating from Demotech; it is unrated by A.M. Best. And...PT has no claims handling record to speak of. In fact, it received a Certificate of Authority in March of this year, so its only brush with disaster is Tropical Storm Fay. How it would respond to eight hurricanes in sixteen months, as we had during the 2004/2005 storm seasons, should be a key concern for most consumers.

This document has been formatted in Word so that those who choose to may, independent of others, cut, paste, and adapt any portions onto their own letterhead for distribution to clients and interested parties.

**THE FLORIDA ASSOCIATION OF INSURANCE AGENTS**

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