



SOCIETY OF ACTUARIES

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Price, Ease of Use Are Keys to Online Selling

by Kevin Keegan

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The possibility of getting a lower price for insurance is the most frequent reason online consumers comparison shop for insurance—more so than poor service, disenchantment with a claim, or anything else.

Online consumers also say the Internet has become a more valuable information tool for making an insurance-related decision compared to television, radio, newspapers and magazines—a finding likely to have a far-reaching impact on the industry in the next century and beyond.

These intriguing insights are part of the emerging profile of the online insurance consumer based on two years of extensive market research and analysis of consumer behavior by InsWeb. With almost 400 million online users expected by 2003, a keen understanding of the online consumer is critical to carriers' success as they rethink their distribution strategies in the Internet age.

In the process of helping consumers obtain quotes and select property-casualty and life-health products from 35 leading carriers, we have identified a number of consumer trends.

First, price remains the top reason consumers shop for insurance. When asked what will prompt them to comparison shop, rather than simply renew a policy, 51% of consumers said a better price was the primary motivator. Quality of customer service ranked a distant second at 23%.

We also found that online consumers are discriminating about their online experience. When getting quotes over the

Internet, for example, an overwhelming 82% prefer a handful of accurate quotes produced by a single, easy-to-use form, rather than dozens of quote estimates, which are likely to change later if they qualify for that price and policy.

Online insurance shoppers are an increasingly appealing demographic. Sixty-two percent are college educated, and more than four in ten have annual household incomes of \$60,000 or greater. Moreover, the age profile of the online consumer falls squarely in the sweet spot of the personal lines market: 57% are ages 25 to 45. And, interestingly, the number of women shopping for insurance online is now the same as men—a remarkable

shift from two years ago, when online insurance shoppers were predominantly men.

It is also worth noting that a significant opportunity exists to offer other services online. Consumers, for example, are predisposed to doing simple claims online

because they believe they will be able to state their case more accurately if it is written in their own words.

The consumer's willingness to conduct online transactions follows a predictable pattern of behavior.

The typical online consumer first approaches the Internet to collect information or do research. Once he or she feels comfortable doing that, they venture on to small purchases, such as books or CDs. Overtime, these individuals proceed to more sophisticated transactions, such as online banking, online trading and insurance.

That dynamic was clearly evident in the first half of 1999, when online Christmas shoppers and first-time computer owners accounted for a substantial increase in InsWeb's traffic. Many of these consumers had a positive shopping experience over the Internet, as gifts arrived safely and on time, and there were no problems with credit card security or fraud. The ease and convenience of these purchases inspired these customers to try a more complex financial transaction. It's likely that the brief migration from Web novice to sophisticated Web user will repeat itself over and over again, as the Internet becomes a more mainstream tool.

As consumer behavior evolves, it's clear that the Internet's interactivity will likely be its enduring strength. Unlike traditional media such as newspapers or televisions, the Internet empowers online users to drill down to their own level of knowledge and educate themselves at their own pace. Equally important is the Internet's ability to provide personalized and accurate quotes and information that simply can't be recreated in a one-dimensional media. Those carriers who understand the game is to empower consumers are likely to craft the most effective Internet strategies.

The expectations of the online consumer will continue to evolve quickly, challenging carriers to execute effective distribution and sales strategies. The good news is that the Internet enables carriers and agents to analyze consumer behavior more closely than ever before—and create the initiatives to rapidly capitalize on the opportunity.

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