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Insurance Companies and the Internet

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Recorder: SCOTT T. PARKINSON

Summary: Surf the Internet with our panelist. Hear and see how insurers and other financial institutions are using the Net. In addition to viewing some sites on the World Wide Web, future possibilities will be explored. Topics include:
- *how are companies using online services?*
- *how have other industries used online services?*
- *sale approaches*
- *information providers*
- *policyholder service*

Mr. Scott T. Parkinson: I am very pleased to have as guest speaker Greg Potter from ITT Hartford. Greg is the manager of executive and financial communications of ITT Hartford Life Insurance Company. His duties include managing corporate communications for the company, including the Internet, executive speeches, and corporate marketing communications. He is also involved in projecting strategy for ITT into the future.

We will be discussing how insurance companies and other financial-based compa-nies are using the Web. As part of our discussion, we will be visiting the Web sites of several organizations.

For our session, we will be using an NEC pentium laptop, with Netscape, so it should give each of you a feel for what individuals would see when they're visiting these sites. We haven't souped anything up: we have a very basic 14.4 connection.

Mr. Gregory P. Potter: Welcome to life in the electronic fast lane. I'm from the Marketing Communications division of ITT Hartford. We're the folks who helped put ITT Hartford on the Internet.

I was part of a team which helped ITT Hartford develop its first Web site. That's why I've been invited to present a little bit about what the insurance industry is doing on the Internet.

Before I get into that, I want to stress that we're going to take a quick, and I mean quick, tour of what the insurance companies are doing on the Internet, because if I gave you a comprehensive tour, we'd be here forever. What I'm going to do is hit some of the highlights of what the insurance industry is doing.

Before we start surfing, we're going to play Internet Jeopardy. Jeopardy is one of my favorite games. Just like in Jeopardy, your responses must be in the form of a question.

According to Nielsen, Americans today spend as much time using this as they do watching rented videotapes.

From the Floor: What is surf the Net?

Mr. Potter: What is the Internet? That's right. I think this is a fantastic statistic. In fact, in the U.S. and Canada, this statement is true. In a March 1996 survey, Nielsen found that 24% of adult Canadians and Americans today have access to the Internet. That's a 50% increase over a survey that was done in August 1995, so usage is growing quite rapidly. Usage is also getting out of the early adaptor stage. In that same survey, among older users of the Internet, about 23% of those users said that they were computer professionals. But among newer users, 11% said they were computer professionals. Most of the new users are folks like you and me, consumers, not computer professionals. Usage is growing rapidly.

Let's go to Internet Jeopardy answer number two. Today's electronic frontier has the same initials as the Wild, Wild West, and is at the center of the cyberspace gold rush.

From the Floor: What is the World Wide Web?

Mr. Potter: What a group, all right. When we talk about the Internet, I want you to remember that I'm going to be really talking about the World Wide Web. There are many parts of the Internet—there's Gopher, WAIS, Usenet, FTP, all those fancy terms—but we're going to be talking about the World Wide Web. Why? Because the World Wide Web is what you usually hear about when the media talks about the Internet.

Unlike the other parts of the Internet, which basically deliver text on a screen, the World Wide Web delivers not only text, but graphics, sound, and to some extent, video and multimedia. It's the most dynamic part of the Internet. It's also the easiest part to use. It's much like an Apple Macintosh or Windows 95. It's a point-and-click environment, so it's user-friendly. It's also where commerce is setting up shop. This is where insurance companies, insurance agents, and insurance brokers are trying to do commerce over the Internet. That's what we're going to focus on. Let's continue with Jeopardy. Just 23 months ago, it was the only insurance company we know of with its own World Wide Web site.

From the Floor: What is ITT Hartford?

Mr. Potter: All right. My commercial plug got in there, thank you. Yes, ITT Hartford, according to the media, in November 1994, when it went online with its own World Wide Web site, was the only insurance company out there. There were other insurance companies using the Web. Prudential, in fact, was using the Web to recruit computer professionals, but as far as we know, we were the first with our own World Wide Web site. The point is not that ITT Hartford is great. The point is that it hasn't been that long since the Web has been commercialized, especially for the insurance industry.

Another Jeopardy answer: More than 80 in the U.S. alone.

From the Floor: How many Web sites for insurance companies?

Mr. Potter: You're close. How many life insurance companies have set up World Wide Web sites since ITT Hartford got on board 23 months ago? The number does not include property and casualty companies, does not include insurance organizations, agents, or brokers. A lot of companies have set up sites on the World Wide Web in a short period of time. Imagine, if you will, that you run the advertising component of an insurance company. An advertising salesperson comes through the door, says to you, "Hey, I've got something great you should buy. I want you to buy a billboard." You say, "A billboard? Why should I do that?" The salesperson says, "Well, the billboard puts your message up 24 hours a day, seven days a week. Isn't that great?" You say, "Yes, but who drives by this billboard?" Well, the

salesperson says, "Imagine a billboard where the world drives by. This billboard can be updated on the fly. You've got a new product introduction, got a new announcement? It can be up there immediately. Customers can talk to it. Not only that, it can talk back. It's an interactive billboard. Best of all, it can take your customer's order, 24 hours a day, seven days a week, all around the world." That's the promise of the Internet. No wonder so many companies have jumped on board.

Ladies and gentlemen, we're in Final Jeopardy. The answer is $102,025.

From the Floor: What it costs to set up a site.

Mr. Potter: Very good. The median cost is $102,025, according to *Advertising Age*, for setting up a site on the World Wide Web. That's the cost of setting up the site; it's not the cost of maintaining it. It's not the cost of staffing it. It's not the cost of changing it. Costs have gone half a million dollars or more. This is giving some insurance executives a little bit of pause. After all, just 23 months ago, this was the question that most insurance executives were asking—why aren't we on the Net?

When ITT Hartford got on the Net 23 months ago, we got on the Net to be on the Net. That's why most companies were there. At that time, if you were on the Net, you were considered technologically advanced, forward thinking, reaching out to customers in new ways. But the ball game has changed. You've all seen the TV ads where a logo comes up at the end of the ad, and under the logo of the company is that little line: http://www.aetna.com, www.nike.com, www.mcdonalds.com. Everybody is on the Net today.

So the question is a little bit different. This is the question executives are asking today. This is the question I am asked every day by the president of Hartford Life Insurance Company, "Why aren't we making money on the Net, Greg? You put this thing up." "Yes, sir, I did it as you directed." But, why aren't we making money on the Net? The message that's coming through now if it costs that much to put a Web site up, and costs much more to maintain it, it had better affect my bottom line.

As we're going to see, some insurance companies are taking that literally and they're trying to sell on the Net. Other insurance companies don't believe they can do that, but they believe that they can save money. Other insurance companies simply see the Net as part of a broader marketing mix, much like corporate advertising. We're going to quickly visit a few of those sites and we're going to see what different entities are doing on the Net. We're going to start out with a couple of insurance agencies and brokers, see what they're up to. We're going to move to a

couple of malls, not unlike the malls you might visit if you got in your car and drove down the street. Then we're going to go to a couple of insurance companies.

I'm just going to quickly show you a couple of insurance agencies out there. This happens to be an agency known as Key partners, they're out of Chicago (http://www.underwriter.com). I think they do the Internet well.

The first thing about the Internet is keep it simple. Key Partners does that very nicely. First of all, they're picking a simple product here. What they're selling on this site, and their goal is to sell, is term life insurance. Notice the title of their site, The Life Insurance Analysis Center. It's a nice, touchy-feel title. They're not going to sell you insurance: they're going to analyze your needs. Their graphics are quite simple, quite friendly, and they have very few pages to their site. They have an introduction to life insurance, and this is a very basic introduction. It tells the differences among universal life, variable life, and term life, etc.

Then they have an analysis of your insurance needs, so you can click on that page, and get an interactive calculator that describes how to analyze your life insurance needs. They have quotes for specific insurance policies, and a way to contact them for more information. This, by the way, is typical of the Internet. There are very few places where you can actually buy insurance directly online. What you do is you get to a request for an application. But this is very simple and quick to go through. They're keeping their introduction simple. Term life, whole life, what's the difference? They describe level premium policies, limited pay whole life, and then they give you a banner, where you can click to go to the next page, or skip right to quotes if you want to.

The next page is a simple-needs analysis. They start off with an analysis of your needs using an income-replacement method and needs fulfillment method. You click on one of those, and you get an interactive screen where you can fill in information about who you are, what your financial situation is, and immediately get some feedback on how much insurance you need. Then, beyond that, they have an application for insurance, and also online quotes on insurance policies. It's very simple to go through. What is your annual after-tax income? How many years of salary do you wish to replace—you fill that in, and you continue. That is one approach. I think that when you surf the Internet, you will find that the more simple, the better. There are a lot of people trying to inundate viewers with information, and it's not working very well. These guys are having some success selling insurance online.

Let's go to the next site, Quotesmith Corporation (http://www.quotesmith.com). Quotesmith is a place which spreadsheets insurance companies. Again, it's quite

simple to use. You fill in your birth date, and you can view a number of quotes. This site is used quite a lot by Internet viewers. It scares the heck out of insurance companies like ITT Hartford, because we're seldom the lowest quote on the block. But I think this is a lesson to you that there are a lot of price shoppers on the Internet. That's what it's being used for, largely. If you want to sell on the Internet, you've got to decide what kind of company you are.

There was a lot of talk a couple of years ago about reinventing yourself for the Internet. I think companies like us and companies who have been on the Web for awhile are realizing that this is just another medium, and it's not the only medium people are going to use in the future. You know, you hear some futurists say, "Hey, in the future, we'll never get out of our hotel rooms. We'll all be ordering every-thing online." They were saying similar things when television came out—it was going to kill the movie industry. I don't think that's happened yet. I don't think Disney agrees with that. There are certain people who are going to buy online, and there are certain people who are not. Right now, the people who are buying online are price shopping, largely. OK, that's a quick overview of what some agencies and brokers are doing.

Let's discuss InsWeb (http://www.insweb.com). InsWeb is an insurance mall on the Internet. There are two kinds of malls on the Internet. There are general-purpose malls that sell all kinds of products, and there are specialty malls. One of the general-purpose malls I was going to show you has American International Group (AIG) on it. There are all sorts of products—it's called Spectranet—on this mall, and AIG is selling AD&D policies.

I don't know what their success rate has been, but they picked a fairly simple product, again, simple, and they are offering $2,000 worth of free AD&D coverage if you access their site and e-mail them. They'll give it to you for free. What they're hoping you'll do is sign up for more than $2,000 worth of coverage. I would like to see their results sheets that show how many people have signed up for free cover-age versus signing up for the additional coverage. But they've been on that site for quite a long time, so they must be having some degree of success.

InsWeb is an insurance mall; it sells nothing but insurance. The Consumer Informa-tion and Purchasing Center there shows some of the types of insurance that they sell. ITT Hartford is experimenting on InsWeb. We are selling a fairly simple product called Temp Health. It is temporary health insurance for people who are unemployed or between jobs. You can get an instant quote online, and you can request an application online. We've been having some good success with this product. But, again, we see this as just another medium. This product is also sold through direct mail. It is sold via the telephone. This is another avenue for it, so

we're not betting the bank on the Internet yet. Who's on InsWeb? Zurich Kemper, all kinds of insurance, Blue Cross and Blue Shield of New Jersey, agency quotes, even wedding insurance.

This is where you can get your short-term medical quotes from ITT Hartford and you can get a quick quote. Also, the line where it says, "Or take an adventure to learn about short-term Temp Health," there is a little bit of entertainment on here about the history of temporary health insurance, going back to the pharaohs. If you're on the Internet, I encourage you check that out. InsWeb will create these little mini-sites for you. We did not create the site, we just told them what we wanted, and they created it for us. They do a good job. I think some of their graphics could improve because these things download slowly. But again, they're quite responsive, and I'm sure more of these kinds of malls will open in the future.

Let's go to Quicken, your online insurance provider (http://www.intuit.com). Another kind of insurance mall which has opened up is the Quicken Financial Market, and, particularly, QuickenInsuremarket.

I think this is a fascinating site. I wish ITT Hartford was on it. We're not yet. You probably all know Quicken. They do financial software that everybody's using to help manage their own financial situations. So, the very name "Quicken" is going to attract some viewers, I'm certain. On their financial network, they sell all sorts of financial products. This is the Insuremarket part of their site. There are a lot of different insurance companies selling insurance. The best part, I think, about this site is that, like the other sites, they, too, give you online quotes on simple products like term. Soon, they're going to give you quotes on auto insurance. They're keeping it simple. You can click on a link and get an application, or a request an application, actually e-mail it to them, and they'll e-mail you back the actual application and the policy. But the best part about it is the little icon in the upper-right-hand corner, the Personal Insurance Portfolio. They're not only offering the product online, they're offering a little place to keep your financial picture organized. It's called your own personal insurance portfolio. If you set this up, it will track all the products that you buy through this site, and it will spreadsheet them. It will track all the quotes that you get, so you can come back at any time and review your quotes and figure out that you could save money on a particular policy by changing it.

I'm going to show you a couple of sites. There are very few companies selling direct on the Internet. There is a product called the Web Saver Annuity that was developed just for the Web. It's a simple term annuity. It's an interesting product to sell over the Web.

They give you a choice of three different interest rates. The only thing I do not like about it is when you finally decide that you want a particular annuity and you ask them to send the information package and an application. I did that to find out what their package looked like, because I'm a corporate spy. I got the package, and I looked at it and I studied it, and I basically filed it. About six weeks later, I received a message in the mail saying, "Dear Mr. Potter, You have not paid your premium. We are about to cancel your annuity." I said, "Oh. I'm about to cancel my interest in your company." I don't think you should get pushy on the Net. People don't like it.

I think MetLife (http://www.metlife.com) among the commercial sites, is one of the best, if not the best, insurance company site on the Internet. I wish I could say that about my company's site, but I'm going to be honest. I love this site. It is simple and engaging. Once you're in the site, you will come back to it again and again and again.

One of the things that's engaging about it is this Life Advice home page, for example. Here's how you get into MetLife's site: not through a kind of me-oriented, how-do-you-like-to-find-out-about-my-products approach, but a you-oriented, how-do-you-like-to-find-out-about-your-life approach. You can click on any of the little dots to get into things about getting married, becoming a parent, etc.

One of my favorite dots is Buying a Castle in Spain. OK, get real. Maybe the chief executive officer of MetLife could buy it. But this is a wonderful way to do it. They can add things. The white dots represent things to come. I'm going to come back here and find out about this stuff later on.

I'm a parent, I want to go back up to Becoming a Parent. MetLife is trying to position itself as your guide through life, because of selling life insurance. They've got all these events, and they've got this advice. It is very simple, quick advice about becoming a parent. They've got a video that you can send for, Little Miracles. They've got helpful links. They have lines looking at the world. If you clicked on that, there are links to other sites about being a parent. If you click on the MetLife Baby Gallery, they put baby photos there. Who could resist? There's information about how to include your baby in the Baby Gallery. You can actually send in your photo and get your baby on the Internet. Under Redecorating Your Home, they've got a wallpaper calculator and a paint calculator. If you tell them the dimensions of a room, they'll tell you how much wallpaper and paint you need. I've used that quite a few times. This site is very engaging. The deeper you get into it, the more you love it.

I'm going to go to one more site, and that's a company called ITT Hartford (http://www.thehartford.com). ITT Hartford is struggling with exactly what to do with parts of its site, just like most of the insurance industry. I think one of the best things we're doing is something called the Retirement Time Machine.

I just want to show you our home page, because this site was recently reviewed, and one reviewer said we had the best antlers on the Internet. We do not sell direct to the public, so we're not trying to sell on this site. We sell through agents and brokers, and we're not going to jeopardize our relationships with them. We're trying to service customers on the Net. For example, ITT Hartford's Retirement Time Machine is for 401(k) and 403(b) clients. We're just starting to build this site. During the first two weeks when it went online, we got over 250 e-mails from customers thanking us. The hits to our entire corporate site doubled in a month, just because of this part of the site. That's how much people accessed it.

It's a great service and value added. Under Today's Market, we have the history of ITT Hartford. Preparing for Tomorrow is an interactive game about financial planning. We've got two games up right now. The last part of this site is eventually going to be general retirement information, best places in the U.S. to retire, etc. Participant Services offers the meat of the site. This is where you can get online monthly performance information for your retirement funds and mutual funds. Two months from now people will be able to access to their account balances. About three months from that, we're going to allow people to transfer funds online from one mutual fund to another. We're starting to build the kind of services that people want. Aetna has that online right now for their retiree population, and a lot of other companies are doing that as well.

That gives you an overview of what some of the insurance entities are doing on the Net.

Mr. Parkinson: I am also an FSA, so I'm here to talk to you as one actuary to another. I will be showing you some of the more leading-edge development that is going into the Web.

At Hutchison, our corporate clients have been asking us what the impact of the Web is on their business and how they can take advantage of the Net. As a result, we have been working closely with our clients to develop and implement Internet strategies, including Web site development and software development, using the Web as an interface to core products or services. I am going to try and give you a flavor of the types of things that are winning on the Web, and a flavor for the types of things that are losing on the Web.

One of our larger clients is Dow Jones/Telerate. Dow Jones sells news and information. To subscribe to Telerate's services you pay them a substantial amount of money, and they bring in dedicated hardware and leased lines to provide the information. The information is in the form of databases and news feeds containing data of value to investors.

Currently, Dow Jones is trying to come to terms with what the Web means for their current architecture for disseminating data. They have a mandate now as a company to reinvent themselves to be Web-centric over the next three or four years. We helped them develop key portions of their site that we're going to look at now in a partnership-style arrangement. They already had graphics people, and had a very good understanding of what they wanted. They needed some programming done as part of the site, and that is where we got involved.

Telerate's site (http://www.djmarkets.com) is a model that will allow the Web to be an interface for their core information. This is a model that is becoming very popular. The Web is now at a point, especially with the advent of Java and the fact that the browsers are up to speed, that you can actually program things that are fully functional software applications. You're developing not just content, not just a layout of the site, but interactive tools and the various aspects that all wrap together to form a real solution for the client.

We have a scrolling stock-market ticker done in Java. This applet is reaching into Dow Jones' database, pulling out 15-minute delay quotes and popping them here. What you see is actually real-time information.

Next, I'm going to look at the Global Markets Update. Dow Jones is breaking up their services. When you buy their services, you have a whole menu and host of information that you pay tiered access to. They're exploring the Web in itself, trying to break their information up, more or less, along product lines.

The image that you see for those of you who have never seen a Telerate display system or a quote system, is what their current system offers. It is a very archaic interface with straight ASCII, standard-size, and small display. What we've done for them is simply re-create this interface for the Web. What you see are all the news stories that are distributed. The stories come up on the terminals and individuals scroll through them. If you want to drill down into any of those events, you can click on them.

This is a free site at the moment, so we can't really drill down too far. The process which is actually happening here is we are going into the database and extracting the information that's going to make up this image, and then we're giving the

information back to the user. As Greg mentioned before, we don't have a huge database with all the preconceived options that somebody's going to choose. You cannot do that. As a result there's a level of programming that sits between the databases and the interface to create this image dynamically and send it back to the user.

What Telerate will be doing in the future is actually rewriting this interface and replacing it for the Web. This is just a temporary solution. I'm going to look for some stock charting. Again, with Java, you can program things that have a rich interface under a graphic user interface (GUI) environment. This is an intra-day trading chart, which is updated in real time when the markets are open. Again, this is just an applet that was written that extracts the data and puts it in the chart. Telerate is using this as a prototype to move into the future to sell their products and services.

Another site that I'd like to show is actually a project that I initiated as more or less a research project to understand what's involved with developing a Web site. My first question was what's the content going to be? I used to do pension consulting, so I decided to do a retirement planning site. The site is called RetireWeb (http://www.retireweb.com), and it has been getting very good reviews.

The idea behind the site was to develop calculators, and the content that wraps around the calculators. So when somebody comes in, the site is like a storybook, and they can customize it to their unique situation. They're not just reading through very dry material. For example, we have a map that gives a very broad overview of the site. An example of a calculator is one performing annuity calculations. On the site we have two calculators using two types of technology: one of them is called a server-side calculation, and the other is client-side Java applet. In the server-side calculation, you actually submit your information back to the web server to do the calculation. On the client side, it's actually done inside the browser.

This annuity calculator does what we call in Canada minimum transfer valuation calculations. It is also a general annuity calculator. It is based on the 1983 Group Annuity Mortality Table and again, I provide the methodology and assumptions that go behind this, so if somebody's interested, they can actually figure it out. When we do calculate, it's going to go back to the server and give us our answer. Then it gives a little example of how to interpret it. That's the client side.

The server-side version of the calculator is Java-based. Now, Java, for those who aren't familiar, is the new language that is Sun Microsystems. Java was actually developed for small appliances like toasters and kitchen appliances. But Java has become a very Internet-aware language, and it's being used by many developers.

The same calculator produces the same answers but with a different interface. This is a much nicer interface, and the calculation is done on the client side.

I've been exploring how to develop real software solutions. The languages and the technology are developed enough to start developing powerful software. Just like any Windows-based application, it has a user-friendly GUI.

Also on the site, there's an example of a gross replacement ratio calculator, which asks you various input questions and assumptions, and it essentially does an individual actuarial evaluation for you. The calculator will make a projection, make sure you have enough money, and tell you how much you should be saving for retirement.

What's interesting about this site is that it's free, but it's geared towards Canadian legislation. What does that mean? It means there's already a minimum benchmark. If you are a company and you want to develop a retirement planning site, as an example, you have to do better than this free site. There is a strange competitive situation happening. So when you're thinking, as a company, what you are going to do, it becomes very difficult because someone can create something that's as good, if not better than yours.

This is a very important aspect of the Web, as Greg was mentioning. What you want to do is provide tools to educate people and to help them understand your service and your product so they will come back.

The next site is MarketPlayer (http://www.marketplayer.com) This is a product that we've been developing for a client who used to work on Wall Street. It's currently in Beta. MarketPlayer provides a set of stock analysis tools and information which provides the foundation for a stock picking/trading game. The point of the site is not the game, though; it is actually the tools and research available. It is a fee-based site, and it is gaining good acceptance.

Among other things, MarketPlayer allows registered users to log in and track their portfolios, chart stocks, set screens on the market, and see what other competitors are thinking.

I think the sites we have just seen stress the main points of what I wanted to bring out: the Web is ready for business, and the software development tools are sophisticated enough to build robust applications. But you must choose what you are going to do carefully.

From the Floor: My question is, what's in it for a vendor? What does someone like MarketPlayer get? How does MarketPlayer get paid for developing this?

Mr. Parkinson: The owner of MarketPlayer is an entrepreneur. As an individual, he has seen that he can develop and deploy a set of services that can compete with other huge organizations head on. With a relatively modest investment, he has developed a revenue-generating service. The entrepreneurial spirit is driving this initiative.

Mr. Stephen L. Kossman: You both mentioned the frustration of the slow speeds. The immediate response for a user, I think, typically, would be to turn off autoload images. When I've tried that, I've seen two types of Web pages. The first were those that, without the images, are clear about where you have to go, what you have to do. The hot spots are in a different color. When the cursor is over a link, a hand will appear. The second type are those that, if you don't load the image, you have no idea where to go to. The image itself tells what you have to do. I don't understand why the creators of the Web pages are going to that format. It's almost requiring you to be frustrated.

Mr. Potter: I think that's a good point. A lot of people who design Web pages, and I'm sometimes guilty of this, have T-1 lines and wonderful Mackintosh computers, and we don't realize that somebody out there has a 14.4 modem. Smart Web developers are developing the kinds of sites that you mentioned which work either way. I think that people should heed that warning. Frankly, however, when you get together with a bunch of Web designers, there's inevitably the conversation of determining for whom are we developing this site. Site development costs a lot of money. Are we designing for the present, or are we designing for the future when download times will be faster? At ITT Hartford, for example, we try to design for, say, a year down the road, because there are certain people who have slow computers who could never download some of the graphics we put up. But the majority of our client base—and we're after the upscale client base—we feel they'll have the better-end, higher-end computers. As Scott mentioned, the market penetration on home computers isn't that great, so the computer you buy is 100% better than the computer you could buy a year ago. We're going after the larger share of the market, I guess. It's all in how you're developing pages.

From the Floor: I'd like to ask Greg if you have any idea on the sales statistics from these Quotesmith-type sites? In other words, what kind of hits—what level of hits have they had—in the thousands, tens of thousands, hundreds of thousands? Also, what type of response rates have they had in terms of interest—2%, 5%. What type of closing ratios have they had? These are fascinating kinds of statistics that can measure the economic viability.

Mr. Potter: Let me first say, I don't have all the statistics from all these sites. A lot of them won't give them out. Neither will ITT Hartford. But I'll tell you this: as Scott mentioned, the consumer isn't online en masse yet. In my experience, if your only objective on a Web site is to sell a product, you may be disappointed. If you do what one of the marketing VPs did at ITT Hartford when we were new, you may have problems. This is a true story. I sat down with this lady and I said, "Yes, your site's going to be seen by the world." She got out her calculator, and said that in direct marketing 2% is a good response. She calculated the world's population by 2%. We don't get anywhere near that response. I think sales results, on the whole, have been disappointing, unless you view this as a technology in its infancy and you are out there experimenting. This is part of your distribution network, not your whole distribution network. You're going to be sorely disappointed, otherwise.

The only statistics that I have, Quicken Insuremarket, which I showed, claims that in the first four weeks of operation, they had about 60,000 requests for quotes. I think they only closed about 600–1,000 policies, and the average face amount, I know this, was $600,000 in term insurance. Some of the other sites, I don't know.

Your question about hits—hits are meaningless, as far as I'm concerned, except as a kind of long-term indicator of how much activity you have on a site. Remember what a hit is. It's not a person visiting your site, so don't be fooled by people who say they have 50,000 hits a month. That's what ITT Hartford has: 50,000 hits a month. It doesn't mean 50,000 people are visiting our site. It means that 50,000 files a month are being pulled down from our site. A file is one graphic and one text page. So, for example, if I have a page that has four graphics on it and one text file, I'm getting five hits just by pulling down that page. It's impossible for us to tell how many people are visiting our site. The only way we can approximate that is by taking the text portion of our home page and charting that, to say, OK, usually people get in through the home page, so they hit the home page once, and how many text files are we pulling down. So you see, hits are meaningless.

Mr. David J. Christianson: You've talked a lot about marketing on the Internet. What about your current customers, servicing—how do you know that the person you're talking to is the person you should be talking to? How do you know you have security? What types of things are suitable for the Internet? Are there things that aren't?

Mr. Potter: Those are good questions. How do we know that the person we're talking to is the person we want? Before you get into your account balances, you have to give an ID and a password. That's really the only way that we know. Hopefully, that's all confidential.

Mr. Christianson: So do you do that by mail or some other medium?

Mr. Potter: These are pension clients. So what we do is, through the employer, we deliver the password and the ID. They have to do that offline. We also use secure socket layer, when the transactions are going on. Is it absolutely secure? Nothing in life is absolutely secure. Can a hacker get in there? Yes, a hacker can get in there. When ITT Hartford started this, everybody was petrified. "We can't do this, we can't keep account balances online." Well, people are starting to do it all over the place. Here's an analogy that probably some of you have heard before. You've probably all gone to dinner, and you've probably all given your credit card to a waiter, and the waiter has gone away with it into the kitchen. How secure is that? OK. The Internet is much more secure than that. I think if a hacker is going to take the time to try to break into some sort of financial resource, it's not going to be our pension plans, it's going to be something bigger.

Mr. Christianson: Do you think it'll concentrate more on information or transactions?

Mr. Potter: I think ITT Hartford will concentrate more on transactions. I agree with Scott. The future of the Internet is as an interface for back-end computer systems. That's where the real value lies. Do we want to deliver information over there? Yes. Do we want to market as much as we can? Yes, people are going to get bored if all we're delivering is static information.

Mr. Garry M. Eckard: Early on, you mentioned $102,000 as the setup price. Is that, essentially, all labor, or are there other aspects of the investment?

Mr. Potter: That includes basic hardware. But, that's a very basic site, too. That's according to *Advertising Age* magazine, and I don't know what the specifics of the sites were that they were canvassing. But, they also said that prices are all over the board, and have gone over $1 million in some cases. So, it depends on what kind of site you set up, what kind of hardware you want. It's really all over the board.

Mr. Eckard: Are there concerns about copyright infringement? I mean, if one site copies another site, or likes what another did, how is that handled?

Mr. Potter: Copyright infringement is a big issue on the Internet. As you well know, to copy a graphic off of the Internet, all you have to do is point and click to it, drag it off the screen, and you've copied it. To get the coding for what Scott's got, all I have to do is access the View Source command, and then copy that off the Internet. So, copyright infringement is a big issue. But I think it's an issue that

you've got to be brave about, or you'll never get into the Internet. We've just decided that it's more important to be a player than to let that hold us back.

Mr. George L. DeGraaf: How long do you expect access to the Web to be free, and do you know of any companies, or do you have any plans to start charging for any of your information on the pages or services?

Mr. Potter: You mean access free to the user? Because it's really not—they're paying something to get online.

Mr. DeGraaf: To a site.

Mr. Potter: More and more sites are charging for their services. I honestly don't see us charging for our services, because our attitude with the Web is we're going to service current clients. They shouldn't have to pay more to have us service them through the Internet, any more than they pay us to service them through the phone lines or the mail. We don't plan to do that.

Ms. Kim W. Ledbetter: What's been the reaction of state insurance departments to any of this? If this is advertising, you have to file advertising in some states. Do you have to do that with any of this material?

Mr. Potter: Absolutely. The rules are no different on the Internet than they are anywhere else. It's just another medium. We file everything we do before we go on the Net, which slows us down, unfortunately, but it's very necessary.

Ms. Ledbetter: A lot of companies, I've heard, are starting to develop Intranets, where they use this same technology within a company. Do you have that at ITT, and could you tell us what that consists of?

Mr. Potter: Yes, we do have an Intranet, and we're thinking more and more about it. It's in the infancy stages right now. There are a lot of ideas about what we should do on that, and there are two stages of Intranet. There's the Intranet that goes out to our field sales force, and our pension division gives all sorts of competitive information about who else is out there, what the products are, what their prices are. The field sales force can pull that up on any given day, and be ready to face the competition. There's also the company Intranet. We're doing things like employee announcements and health benefit information, everything from maps of where people sit, telephone directories, things like that. There's also, not true Intranets, but private networks we're thinking about for brokers and agents, to give them information that the public can't access. We're in the stages of developing that as well.

Mr. Gary A. S. Ahwah: Do you feel that there's a future for companies like America Online (AOL), or will everybody just want to go directly to the Internet?

Mr. Parkinson: No. I don't know what else to say. The evolution of AOL and other proprietary networks has been clear: they're nothing more than backbones to the Net now. They're turning into providers. They're opening up their doors; the proprietary information and locations that they're using are starting to fall by the wayside. There's a lot more information available on the Web. It's starting to be more organized and if you're paying, probably even less money, I think you would rather have that access. When you see the momentum behind the Web, it's just staggering compared with any type of market share that AOL or any of the proprietary online services are receiving.

Mr. Douglas S. Van Dam: Both of you mentioned reviews of Web sites. Who does these reviews?

Mr. Parkinson: Of the reviews that I've seen, speaking personally of the RetireWeb site that I developed, it was just picked up in the popular press. There were people that were writing articles about personal finance, and the Web is a very big thing now. There's a lot of media attention given to it, and so they're writing articles reviewing various sites and discussing the technology behind them. In my situation, it was just picked up, other people saw it, Benefits Canada, and there were some books about finance on the Web that got it. There is actually awareness now in the media. If you contact them and recommend a site, or if you contact, say, advertising companies, they're willing to get involved in terms of getting your site out there so that people become aware of it. It's evolving.

Mr. Potter: There's also a company called PointCast which reviews sites. They're on the Web, I believe; they have online reviews of sites. One of the funniest things about PointCast is they give out an award, and a blurb you can put on your site. (ITT Hartford got one of these, so I shouldn't be too critical of them, but I'm going to be.) I think the blurb says, that you're among the top 1,000 sites on the Web. I looked at that and I thought you looked at every site on the Web and determined that I'm among the 1,000 top sites. I can't believe this. These things are all over the Web. But the reason they give you that blurb is, they say, "By the way, could you please make this blurb a link to our site?" So, I would be wary of some of those things.

Ms. Ledbetter: I've heard people speculate that all this is going to collapse, that as you get more and more people on the Web, that it's just not built to support that many people. Could you comment on that? Is that really a possibility?

Mr. Parkinson: That's a very dangerous scenario that could happen in the future. In terms of the way my company operates, we do almost everything through the Web, and we've noticed that the larger backbones that are going across the states, both MCI and, I guess, Sprint, have had a lot of problems lately.

The strains on the current network are starting to show. For those of us who have been on the Web for several years now, or involved with the Internet, we're seeing the slow downs, we're seeing the bottlenecks. However, the hardware companies and the communication companies are pumping a ton of money into trying to solve these issues, because it's very critical for their futures. You have things like the cable modems that are in test markets right now. Actually, in the province of Quebec, Videotron, the provider, has a cable service. As the infrastructure keeps going there's always going to be this tension. What happens is, as soon as there's a little bit more speed or a little bit more bandwidth available, developers add bigger images, audio, and video online. These are immense data files, and they take up the bandwidth. It's a pushing and pulling approach. I don't think the whole thing is going to collapse one day. I think there's always going to be this tension. It's going to grow, and it will survive.