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Middle-Market Internet Use for Insurance and Financial Services

by Maria V. Dynia, Pete Jacques and Lynn M. Ferris



LIMRA's latest research on middle-market consumers is based on data from the 2002 Middle-Market Consumer Omnibus Study. The report will be of interest not only to marketers focusing on middle-market consumers but also to Internet researchers and channel developers. NewsDirect is pleased to provide the executive summary of this recent LIMRA research. The full report is available to LIMRA members through the LIMRA Web site.

users prefer to buy insurance and middle-market consumers' knowledge of insurance and investments.

Executive Summary

The substantial and diverse middle-income market comprises more than half of the U.S. population. The challenge for the insurance industry has been to find ways to profitably sell to and service this portion of the marketplace. The middle market has often been characterized as an expensive market to serve with traditional personal distribution methods. The products middle-market consumers purchase often have profit margins that are thinner than those purchased by more affluent customers. But the insurance industry does recognize that this market is too large to ignore. LIMRA research shows that currently, the middle market is the most commonly targeted market, with 57 percent of companies saying they target it.¹

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Will the Internet become a viable method of insurance sales and service for the middle market? This consumer-based study suggests that the middle market is using the Internet as a research tool and as a way to access their insurance and financial accounts. To some degree, those with the lowest income among the middle market are using the Internet the most for insurance purposes. This report examines the demographic profile of Internet users and nonusers in the middle market. It examines the use of the Internet for financial and insurance activity, how middle-market Internet

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However, according to this study, almost half of the households in this market either do not have individual life insurance or feel that their coverage is inadequate.

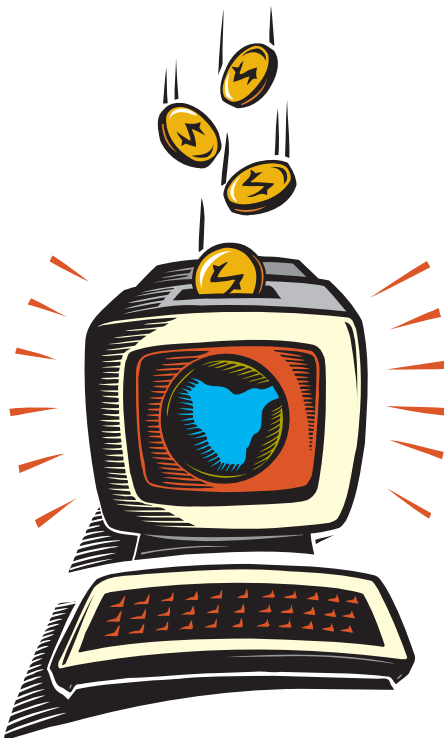
Though the role the Internet will play in cost-effectively reaching this market is still being determined, this report will show that the Internet holds great potential for assisting in the process of insuring this segment of the population. At one time, the Internet was thought to be the next major insurance distribution channel. However, so far, this has not come to pass. Instead, the Internet has become a way to support, rather than supplant, the sale and service of insurance. This report shows that the middle market may not be likely to buy insurance online, but that it makes substantial use of the Internet as a way to obtain information about insurance and financial services.

This consumer-based report is one in a series LIMRA is publishing on a variety of insurance and financial issues affecting the middle market. This study profiles middle-market Internet users and examines their use of the Internet for financial matters. It also looks at how these Internet users prefer

to buy insurance, their overall knowledge of insurance and their approach to investing and buying financial products. For purposes of this report, the middle market is defined as households with an annual income between \$25,000 and \$85,000. This study will further look at the upper, middle and lower segments of the middle market. The report's findings include:

- Seventy-six percent of the middle market use the Internet for personal reasons.
- Overall, Internet users are younger, wealthier and more highly educated than nonusers. One quarter of those not online are over age 55.
- Almost half of these middle-market Internet users say they either do not have any or do not have enough life insurance.
- Almost 80 percent of these Internet users either never had, or do not currently have, someone they consider to be their personal life insurance agent. Only a little over half prefer to buy insurance from someone in person; the others prefer some other means or have no preference.
- Twenty-nine percent of middle-market Internet users have gone online to find information on auto or homeowner's insurance. Eleven percent have looked online for life insurance information.
- Almost 60 percent of all Internet users have accessed their company's auto insurance Web site. Over one quarter have accessed their auto policy information online.
- Sixty percent of Internet users have at least once used a financial calculator, accessed or updated account information, checked stocks or viewed statements online.

While all three levels of the middle market are using the Internet to find infor-



mation about finances and insurance, those in the lowest segment of the middle market are using the Internet for this purpose more than those in the upper income segments. The data also show that it is this lower segment of the middle market that needs the most assistance in buying insurance. The lower segment of the middle market is the most likely to have difficulty determining how much insurance they can afford; to go online to obtain information about life insurance; and to access their auto, homeowner's, group life and individual life insurance policies online.

Recommendations

The following are recommendations that financial services companies may consider as they look to define strategies to reach the middle market online.

- **Create an easy-to-use Web site.** Data from this study show that consumers are going online to look for insurance information and to access policy information. LIMRA research continually shows that consumers want to go online to find objective educational information on insurance and to access their policies. And since close to 80 percent of these middle-market users do not currently have a personal agent, ensure that your site has an agent locator.
- **Monitor your Web site carefully.** Through the use of Web analytic software, companies can obtain an understanding of who visits their Web site and which pages they visit. Carriers can segment those customers who register with the site by various demographic characteristics. Companies can then determine whether the middle market has needs that differ from other markets and whether their Web site is successfully meeting those needs.
- **Be aware of the needs of the lowest segment of the middle market.** This study shows that the lowest segment of the middle market is using the Internet the most for insurance and financial services. This lower middle segment also needs the most assistance in buying insurance. A well-designed Web site may help this portion of the population, who are eagerly using the Internet for insurance purposes, and may help the industry serve this underserved segment of the population in a cost-effective manner.
- **Adopt straight-through processing.** It may be appropriate for some companies to adopt straight-through processing (STP) of back-office transactions to reduce the time and cost of processing applications, paying claims and providing service. STP will allow online interactions between the producer and the underwriter, use of electronic signatures and electronic scheduling of paramedics. The ability to process policies in this streamlined way will be essential for processing smaller, less profitable policies.
- **Design part of the Web site to appeal to Generations X and Y.** While members of these generations may currently be in the middle market, they may well be tomorrow's emerging affluent. They are almost entirely online and will likely search the Internet first for information. Consider featuring links to your site on other Web sites this group visits frequently.
- **Provide exemplary customer service on multiple-line products.** Multiple-line carriers may have an advantage in cross selling to their customers if they provide a highly functional and efficient Web experience.

Footnote

1) Target Market Study, LIMRA International, 2002.



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