



SOCIETY OF ACTUARIES

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## There's More Than One Way to Sell on the Internet

by Howell Pugh

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**M**ost insurance companies want a product presence on the Internet, but many are uncertain as to the best way to go about developing one. The medium is still so new, even companies you'd think would know how to make the most of it are feeling their way around like a near-sighted person who just dropped a contact lens. The going can be slow and uncertain, but persistence and patience are sure to pay off.

It simply isn't easy for many companies to balance the needs of their existing distribution methods with the demands of this new, very different one. Should the new replace the old, or supplement it? If it's to supplement it, how? And what does that mean in terms of product development and pricing?

Insurers aren't the only ones making it up as they go. One day last November I noticed side-by-side articles in *The Wall Street Journal* about two giant organizations taking virtually opposite approaches. One announced that Toyota Motor Corp.'s U.S. unit was testing an online car-selling system in cooperation with its dealers. It had designed an Internet site to piggyback on its regional-dealer marketing associations by letting consumers browse dealers' inventory on the Web as well as buy and finance there.<sup>1</sup> Opposite that article was one about Microsoft Corp.'s newly formed partnership with Tandy Corp. to sell its online products and services inside 1,000 Radio Shack stores.<sup>2</sup>

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## Chairperson's Corner A Funny Thing Happened...

by Carl E. Meier

**I**n July, I will be starting my 36<sup>th</sup> year as a practicing actuary. Not long enough to threaten any records, to be sure, but a significant portion of my life so far.

I started my career as an actuarial student with one of the largest debit insurers in the business and, although it goes by a different name today, that company is still very much alive as well. What's more, for all of the changes that have occurred in its operations, it's still concentrating on that very traditional method of distributing life and health insurance to consumers of modest means.

I, however, left all of that behind about 15 years ago and went off to see what was happening in the rest of the world. I learned about new and different

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products (and helped to design a few along the way), new and different distribution systems (and tried to cope with some of the "channel conflict" that resulted), new and different accounting methods (without which, I am convinced, some of those product and distribution ideas would never have seen daylight).

Today, non-traditional products and distribution seem to be both the present and the future of our industry. Few, if any, people seriously believe that innovations in insurance products and distribution systems are going to stop anytime soon.

And yet, a funny thing happened along the way...actually several.

In those long-ago mid '60s, we were interested in products that offered benefits the client needed and wanted, that were simple to understand, that were

affordable, and that involved a minimum of underwriting red tape.

What has changed today? Very little. A product that it seems everyone is talking about these days illustrates this very well: Critical Illness coverage is hot precisely because it meets all of these criteria; and yet, although the amounts available today are a lot higher, it's really just a variation on the Dread Disease coverage many debit companies were selling 35 years ago.

As far as distribution is concerned, the debit concept, under which an agent was responsible for insurance sales to everyone living in a defined geographic area such as a few city blocks, was considered back then to be one of the most cost-effective ways to provide insurance coverage to the average man or woman of modest means.

What has changed today? Again,

very little. The concept of worksite marketing, where an agent is responsible for insurance sales to everyone working for a particular employer, is heralded as one of the most cost effective ways to provide insurance coverage to the average man or woman of modest means.

Ah, yes. Everything old is new once more. And being "nontraditional" is really just part of being alive.

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