

A DIGITAL BIT

FROM DIAMOND'S
INSURANCE, ASSET MANAGEMENT
AND HEALTH CARE PRACTICE

Searching for Life on the Net

Nearly every kind of business we can think of nowadays has a Web site. And a growing number of them let their customers buy products and get service on the spot and around the clock – from anywhere in the world. So when on-line shoppers run across a retailer, for instance, that merely lets them order a catalog by mail or perhaps just offers a list of store locations, it's easy to see how they might take their money and spend it elsewhere. We know we do.

Customers want to transact not just browse.

As more and more people get a taste for doing business on the Internet – whether they're buying gifts, managing their investment portfolios, or tracking a Fedex package delivery – many companies will quickly discover they need to do a lot more than offer a smattering of information about what they sell. That spells trouble for much of the insurance industry because few carriers are coming close to offering the sort of instant gratification that people have come to expect from the Internet. Offering assistance on how to find an agent won't cut it for very much longer.

The expectations of customers are now set by companies outside of the insurance industry, rather than

by direct competitors. Once a customer has used the on-line package tracking service of Fedex or UPS, the inability to track an insurance claim on-line becomes unacceptable. When customers have already opened accounts to purchase a variety of personal and business goods on-line, they are sure to

the Internet to create more value for their customers. We've also taken a look at the sites of mutual fund firms and have found that – like other segments of the financial services industry – they are doing a lot better when it comes to giving customers the option of shopping via the Internet,

Are insurers and fund managers achieving the cost savings and revenue growth opportunities made possible by digital technology?

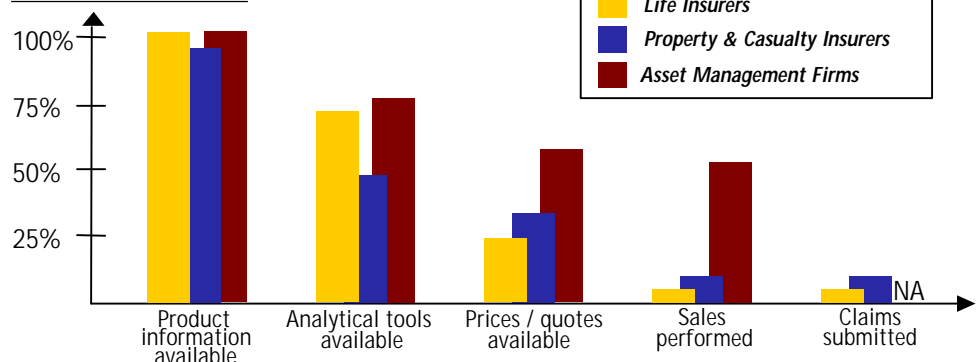
become frustrated when they discover they are unable to establish new mutual fund accounts on-line. The digital marketplace has vastly expanded the competitive landscape.

We've been tracking the Web sites of life insurance companies, as well as property & casualty insurers, to get an update on how far behind they really are. What we've found is that they do no better than health insurers (see *A Digital Bit*, Sept 1998) when it comes to using

although they are far from setting the standard for the digital economy.

Of the 16 life insurance company sites we surveyed, we discovered that only a few were offering customers much extra value. And only in one case did we find a site that allows customers to buy insurance. Just four of the life sites allow customers to check prices or get quotes on insurance rates.

HOW THEY STACK UP



Note: Review consisted of 16 Life Insurers, 19 P&C Insurers, & 24 Asset Management Firms

Mutual fund firms are embracing electronic commerce to a much greater extent than insurance companies, but they still have a long way to go.

Property and casualty insurers haven't done all that much better than life companies. We looked at 19 of the big P&C sites and found only seven that were offering prices or quotes. Only two of the sites were offering on-line sales.

Of course, some insurance companies are moving faster than others to take advantage of the Internet. That's the case with Progressive Corp., which allows prospective customers to check rates and buy insurance from its Web site. It doesn't stop there. It also provides would-be buyers with price quotes from rival companies so that they can compare rates and see whether they're getting a good deal. While such innovations are the exception in the insurance industry, many asset management firms have already jumped onto the Internet in a big way.

We checked in on two dozen mutual fund sites and found that half of them are already selling on-line. Nearly 60% of the sites we looked at can quote prices and the majority of sites also let customers make inquiries about account balances or recent transactions, for example. Some things are slow to change, however. None of the asset

management sites allow for any transaction until an account is established via U.S. mail or in person.

This much is clear: a new generation of customers is already comfortable going on-line to make purchases and to tend to personal finances. So when they're in need of a new insurance policy they may well start out with a company that's offering them on-line and never find any reason to switch to one of the

We found only one life insurance site that allows customers to buy insurance on-line.

bigger, more established insurance carriers – even when those carriers get around to beefing up their on-line capabilities. It's not just the young that are going on-line. Senior citizens are one of the fastest growing segments getting onto the Internet. By failing to make a bigger push into the on-line world now, insurance companies may soon find it difficult to expand, let alone maintain, their pool of customers.

Of course, electronic commerce is not only about generating revenues. Insurers and asset management companies can save big dollars by moving even a portion of their service and support costs to the Internet.

Fedex estimates that an on-line inquiry costs it only 5¢, far less than the \$2 it costs to handle a question through its call center. The cost of an on-line banking transaction is one to two orders of magnitude less than what it costs when a customer walks into a branch for service. At the same time, customers feel empowered when they do business on-line. Insurers and fund managers who do not offer customers this capability will find themselves at a significant cost and value disadvantage. While it's not too late to act today, tomorrow may prove to be a very different story.

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The "Digital Bit" series is designed to offer our clients a monthly snapshot of what the insurance, health care and asset management industries are doing to take advantage of digital technology. To request additional copies or to add the name of a colleague to the mailing list, you can reach us at digitalbit@diamtech.com or call Lisa Castro at 312.255.5041.

COMING NEXT MONTH: What, if anything, are companies doing to create communities of value on-line?



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