



EXECUTIVE PERSPECTIVES

INSIGHTS ON A CHANGING INDUSTRY

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Technology – its costs can be daunting, but not investing in it enough can be catastrophic.

It's always changing, yet companies are often reluctant to take advantage of the new opportunities it presents. Even if you do invest in new technologies, can you be sure you're applying them most advantageously? Those aren't hypothetical considerations for our industry, which may not be doing enough fast enough in adapting new technology to serve our customers better.

In December, MIB passed a milestone. More than 50 percent of our customer requests for the first time arrived via our WEB-DIRECT, Internet-based interface. An even bigger milestone was passed in February, when more than 90 percent of inquiries came via WEB-DIRECT. A major project that involves our member companies, software vendors and consultants has met important, albeit interim, goals. Customers now have a standard method of integrating their underwriting systems with our services and a faster response time as well.

I'm proud of this achievement and of all the people who made it happen but one aspect of the process causes me concern. I think it should be a cause of concern to the industry in general.

From the time we first initiated this project, it has taken years to reach this point. I understand the reasons – the inter-company cooperation required, the necessity of ensuring the confidentiality of information as we tested and retested, budget considerations that set the limits of how much we could accomplish in a given time frame, and, perhaps most telling, the lack of industry standards for capturing and sharing information electronically.

With such constraints, the timeframe for this work in progress is understandable. But at a time when new media and technologies

gain popularity seemingly overnight, making progress "at all deliberate speed" won't be enough. As an industry, we have to ratchet up our commitment to using technologies, including the Internet to provide information and to conduct business.

Being present doesn't mean being effective

Aren't we doing that already? Type "insurance" into the Microsoft Explorer search engine and you get more than 97 million responses. Type the same information into Google and you get more than 331 million. Since, as of last year, there were only 92 million websites online, it would seem that our industry already saturates the Internet.

But being present is not the same as being effective. Is the information we provide useful to the people we're trying to reach? Is it timely? Are we using the Internet in the most efficient way to introduce new services and maximize profitability? Do we take into account that the expectations of Internet users – especially younger ones – can be very different from their parents' and that their tolerance for ambiguity can be much lower?

And can we ignore the fact that more and more information people receive comes, not through personal interaction, but through person-to-computer interaction?

Insurance, as an industry, has always had a highly personal component. Customers talked of "my insurance agent" as the "go to" guy for any and all information about coverage. Policies could be complex documents with sometimes incomprehensible terminology, but a good agent could explain, clarify and reassure. And a good agent would give a customer all the time that he or she needed. Insurance has always been a people industry.

The insurance industry must do more to harness the potential of the Internet to reach its customers.



by Jay Cook
CEO, MIB Group

Model changing; audience harder to reach

Yet like it or not, regret it or not, that model is rapidly changing. We attract fewer young people as agents. Those people in that increasingly challenging job have to serve more customers in a shorter amount of time.

And the people they serve are a harder audience to reach.

Many young people don't see the necessity of life insurance and often decide they'll risk not having health insurance if the costs seem too high. They have other financial instruments competing for their investment dollars – and banks and mutual fund companies have, arguably, done a better job marketing to them than we have. Just because we see life and health and disability insurance as a prudent investment in the future doesn't mean that potential customers in our target markets see things in the same way.

Grasping new options is a must

So what are our options?

First, we have to really embrace new technologies and invest in them more than we currently do.

It's not enough to take current information and put it online. We've all been to sites where the information provided is as dull as dirt. Internet users have different expectations of the information they access – they want it to be clear, concise and understandable on their own terms. That's a challenge for any industry that has its own terminology. Insurance doesn't yet have the reputation of being user friendly. That's one of the biggest challenges with which we have to grapple.

Second, we should work to standardize as much information as we can. When people go to companies for competing quotes, as many already do, they want to know that they are comparing apples to apples. I think that will be a bigger challenge for us than for many other industries. There is a simple set of parameters consumers set when they go online to purchase an airplane ticket: time of departure and return, destination, non-stop or multi-city. Fill in your preferences and you have your options.

When considering life or health insurance, the parameters are more various and complicated. Yet the answer can no longer be "your insurance agent will explain it all for you." We have to develop simple ways of presenting complex information online. I don't underestimate the difficulty of the challenge, but it's not one that can be ignored.

Third, we, as an industry, have to spend more money and less time in taking advantage of our Internet opportunities. Other providers of financial products spend a greater percentage on such initiatives than we do. We have to reject the assumption that people see insurance as a necessity. Today more people, for a variety of reasons, see it as just one of several competitive alternatives for investing their disposable income. We can't be complacent.

If you want to take a quick, unscientific read of how well your own company does with technology, do what tens of thousands of your customers do every day. Google "buy insurance" and see how long it takes to get to your company's link. See for yourself how easy, or difficult, it is for potential customers to get to a point where they can buy coverage. Is it a simple, on-line process, or does it involve multiple steps and perhaps a phone call? See what a current policy holder has to do to get pertinent information on a policy – if that information is available at all. It can be an enlightening, if sometimes chastening, exercise.

There are many companies in our industry already doing an enviable job of harnessing the potentials of the Internet to reach its customers. But, as an industry, we're not doing enough. We're not spending enough money and we're taking too much time to implement critical changes. We can't measure our progress by what we see as reasonable but by what our customers expect. That's not a comfortable position to be in – but it is the reality that we've been given. The challenge is to move quickly and confidently to make that reality work for us.

Editor's Note: To comment on this issue, please email Mr. Cook at JCook@mib.com,



The MIB Group is the leading provider of fraud detection data, risk management tools and actuarial analytics for the North American insurance industry.