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# Rise Of The Machines

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## The internet has had an enormous impact on the insurance industry, *Post* hosted a roundtable to find out its influence on product delivery. Stephanie Denton reports.

THE RISE OF THE internet has undoubtedly had a significant impact on the insurance market with the emergence of price comparison sites and web-only players. So, is the market now specifically tailoring products for aggregators and online distribution, and what impact has this had on the traditional call centre route to market? *Post*, in association with WNS, recently gathered industry professionals together to find out.

Discussions started with a debate around the level of success insurers have had putting traditional insurance products online. Derek Plummer, commercial director at MMA Insurance, explained this has not been without its pitfalls: "A number of insurers fell into the same trap. They allowed offline products to go online without understanding the latter. All of these providers suffered and received a real wake-up call. We now know that it is different putting a product online — there are different rules."

**Properly structured**

Tim Grant, head of distribution at Brit UK, echoed this by saying that online products have to be properly structured: "The mistakes some organisations made were to take an offline process and just pop it online — but, actually, that doesn't really turn the customer on. You have to try and streamline it and, if you do this the right way, you generate benefits in terms of underwriting results — and sales as well.

"On the commercial side we have built products that are suited to more of an online environment. And that is both in terms of the products themselves — which are more commoditised across the professional indemnity package, liability and directors' and officers' — and the question set, the way we rate those products. From an underwriting perspective, it is the right thing to do. In terms of the customer looking to buy, it has also got to be a simple and a straightforward process."

According to Paul Wishman, group e-commerce director at LV, the rapid growth of the internet has meant online cover has developed differently to traditional products. He explained: "With regards to product development, certainly general insurance, what's good is that the internet has now come to the front of the insurance mind. It has almost been forced to. And because there is so much business flowing through, providers are almost reverse engineering the products — saying we have to accommodate this and think about the rating structures again."

He added that LV has recently launched a life term product online with the "raison d'etre" being the online channel. "What we are actually seeing with life is, if you go back to the late 1990s — when we saw the direct writers enter general insurance — quite a bit was learnt from that. The technology is there and it all lends itself very well to the life models. So, it is a lot easier for teams to construct the products and distribute them online. And they are going to — the trajectory of growth in life online will be a lot quicker than general insurance."

> Insurers have allowed offline products to go online without understanding it. All of these providers received a real wake-up call. Plummer

Jeremy Owenson, senior vice president of insurance sales at WNS, supported this: "The life term model is a good example because, on the term insurance side, it is non-standard. So if we can start putting life products on the internet on a self-serve basis, you can use those models to also get more complicated GI products on too."

This mention of self-service moved the discussion onto the topic of communicating with the customers if they buy or look to buy products online. David Grant, deputy underwriter and head of distribution and operations at Equity Red Star, said: "In this market there can be less contact but people do still want a mix of communication options. Once people have bought a product there will still be an element of contact as it won't just be click through."

Brit's Mr Grant agreed, adding that customers often use the internet purely for research: "They may conduct that initial research and get a quote. But, quite often, they will either want or need some interaction with a contact centre, to push it over the line."

While Mr Plummer added: "The customer experience is immature. Customers like to buy online because of price but, as they move through the process and, for example, make a claim, they prefer to pick up the telephone. On any one day, customers might want to go online, want to pick up the telephone, or want face-to-face."

And for this reason he believed that all channels must be integrated with each other: "If your customer comes to obtain a quote online, as a lot do, and then phone up your call centres where the agent has no idea who they are and they have to re-key everything — that is not right. Channel integration is becoming increasingly important. We have looked at it from an internet browser point of view, live chat perspective, phone and obviously now the mobile as well. You have got to make sure all those channels are seamless."

According to Mr Wishman: "In personal lines, 80% or 90% of business will be sourced via the internet. But there is always going to be a need — be it during a claim, an adjustment or a renewal — to speak to someone and that won't go away." And those around the table agreed there will always be the need for a conversation for more complex insurance, be that on the telephone or face-to-face.

While it is all very well to say that insurers should have all channels available for customers to research and buy insurance, the debate turned to the cost of doing so. Brit's Mr Grant illustrated this point: "The challenge is how you deliver that multi-faceted distribution contact strategy. Because every piece you do, you are adding cost to your business. And if you are an

**Jeremy Owenson**, senior vice president of insurance sales, *WNS*

**Derek Plummer**, commercial director, *MMA Insurance*

Chair: **Jonathan Swift**, editor, *Post*

**Paul Wishman**, group e-commerce director, *LV*

All pictures: Fiona Compton

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organisation that has been around for a long time, doing things in a traditional way, you are probably adding it to a business and a model that you wouldn't have chosen if you were starting with a blank piece of paper."

"It is a bit of a double whammy, isn't it?" agreed Mr Wishman. "You have got your legacy, monolithic, archaic system sitting there that you have to pay people to run, but equally you are trying to move forward. So, you are looking for a different type of person to develop different types of systems. If you are an insurer that has been around for some time, you are fighting on two fronts. If you are a new entrant, you have the luxury of being nimble and able to experiment. Swiftcover Insurance is probably a good example of that."

Equity's Mr Grant supported this, adding that online acquisition costs in some cases are actually higher than a traditional channel: "There are costs incurred by the broker for acquisitions from an aggregator. The high volume means that insurance products can become a loss leader. Some of them are facing negative commissions. This means they may need to fund the acquisition costs and their profits by trying to sell other things to their clients. Again, that is changing the market dynamic."

**Changing channels**

This cost dynamic has wider implications for the market according to Brit's Mr Grant: "Retention is absolutely key and cross-sell as well. But I still think we are, as an industry, very much in the infancy of cross-selling. How we take that forward is a big challenge for us, collectively. Some of the online retention rates, through the aggregators, are frighteningly low."

But Alasdair Lenman, direct and partnerships director at Lloyds Banking Group, believed it is still too early to tell how well the market is doing: "You don't really know how profitable a product is until you are quite clear what third-year renewals are and how the loss ratio on the book is maturing. Channels are changing, sometimes faster than your understanding of profitability and maturity and it is an interesting dynamic for us to try and grapple with in terms of our risk attitude, innovating faster than the market moves."

It was, therefore, highlighted that a strong relationship with the customer is vital and the internet can undermine this. David Neave, director of general insurance at Co-operative Insurance, claimed: "The earlier you make contact, the easier it is to build a relationship."

While Mr Lenman believed this is an ongoing issue anyway: "It is a long-term challenge for the insurance industry isn't it?

> Social networking is how our industry will change. People will source us via one means and validate us via another. Grant

The question about building relationships with our customers. Limited frequency of contact has been a feature of this industry for a long time, and what the technology gives us is just additional opportunities to improve the way we communicate with our customers. If we exploit this better than we did the previous opportunities, then there is the potential for both our customers and ourselves to benefit from it."

Mr Wishman supported this and added that marketing is changing to respond to the online customer: "With the arrival of social media, the ability and opportunity to engage with your customer is certainly there. We are changing from a push to a more implicit pull. So just let customers know what you are doing and what the brand represents; raise general awareness. And say: if you want to contact us, you can do it in many ways. For example, if you want to download a mobile app, here is one that's available. We just need to give them the choice, give them a greater awareness of what we are about."

The internet's growing prominence obviously means insurers are looking to exploit the market but, as Mr Neave explained, there is also a push back from customers which can work against insurers. For example, if there is a flaw in their product or underwriting, customers can now post negative comments or bad reviews online as well as comment on where they got good prices via comparison sites or direct.

He added: "It is frightening how controlled and organic those conversations are and if you [go and] observe any of them, they are tremendously ill-informed at times."

Mr Wishman agreed: "We have seen claimants, certainly online, saying how terrible insurance was and that it didn't pay out for this or that. And you look at the files and think: there is a good reason. But you can't intervene, you can't go in and say 'hang on a minute' and qualify it. So, you look at this and feel really hard done by but what can you do?"

Yet Brit's Mr Grant believed this is exactly the way the market will go: "That is how the travel industry works now. Social networking is how our industry will change. People will source us via one means and validate us via another."

"You can do as much brand advertising as you like but basically it is the consumer that has absolute control as to whether you are good or bad — and whether your product is actually as good as you report it to be," added Mr Wishman.

One thing was certain from the comments made during the debate: the market has no choice but to continue to evolve. Mr Neave explained: "The shape of our industry over the next few years won't be determined by technology — it will be driven by these issues, social networking and validation trends."

And some around the table saw this as being only a good thing. Brit's Mr Grant concluded: "As an industry we have been very internally focused, in terms of our product development. If that product development is more externally focused, genuinely based on what customers want, it has got to be the right thing — however that manifests itself. But it will be a challenge." POST

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