

Insurance Online – One year on ..

beyond uncertainty

MANAGING THE FUTURE BETTER

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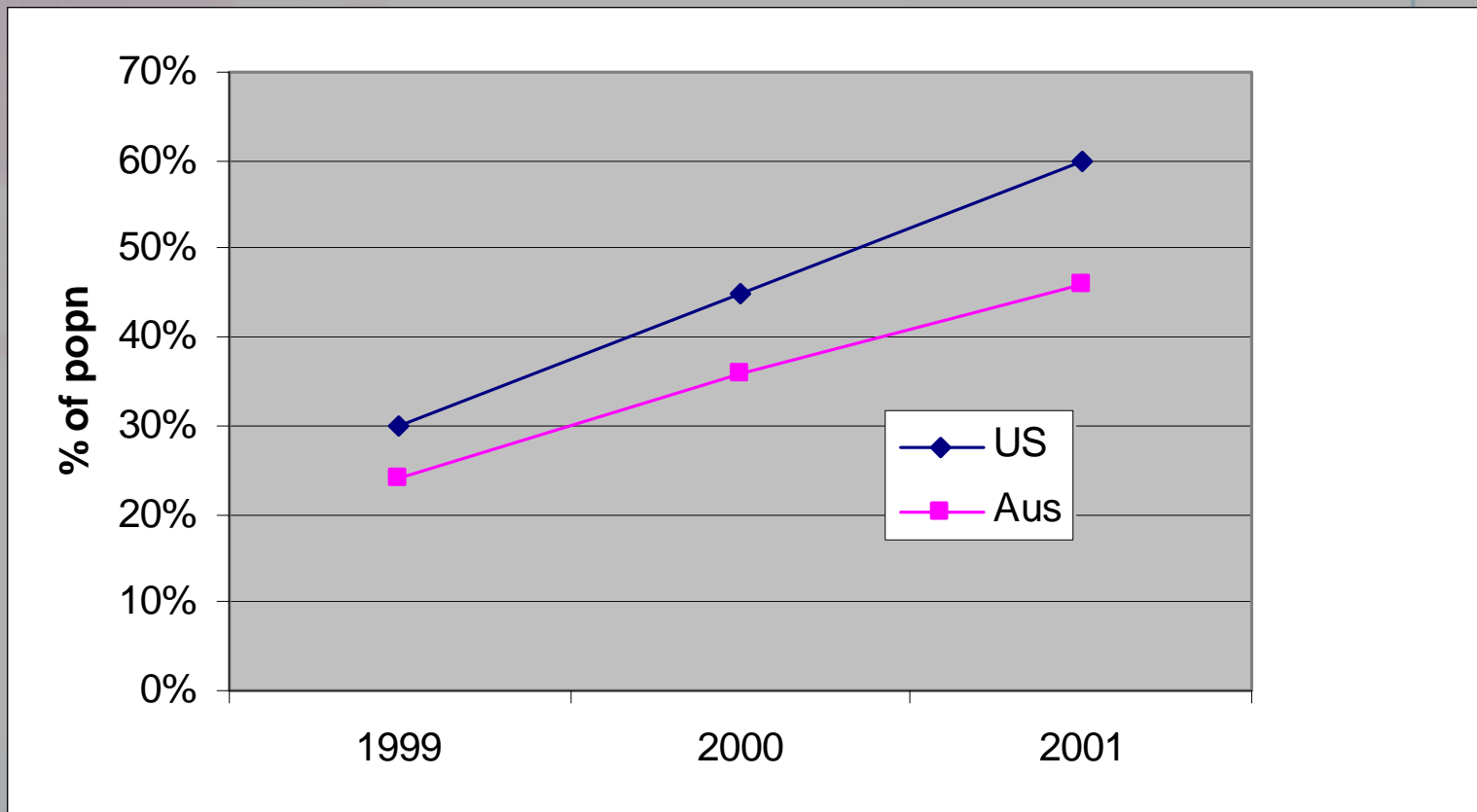


Aims

- **June 2000** **Insurance Online or On the Line?**
 &
- **May 2001** **Insurance Online – One year on ..**
 - Risk Insurance
 - Business issues in online environment
 - Strengthen actuaries' understanding
- **Review changes in last 12 months**



Internet Statistics



E-commerce Statistics

Annualised Growth expected

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- | | U.S. | | Australia | |
|-------|------|---------|-----------|---------|
| | IOL | IOL1YO | IOL | IOL1YO |
| • B2C | 85% | 40%-60% | 100% | 77% |
| • B2B | 95% | 34% | 115% | 70%-90% |
- % are generally from higher than expected bases now
 - Insurance U.S. IOL 101%; IOL1YO \$ = 3-10 times IOL



Paradigm Shifts

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1. New distribution channel
2. Inexpensive marginal transactions
3. Enabling the consumer
4. Intense competition
5. Vertical integration
6. Enabling new technology

cont...



Paradigm Shifts #2

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7. One-on-one marketing & relationships
8. Development time frames reduced substantially
9. Commoditisation

These fundamental changes lead to

10. Operational and management structures and processes are being turned on their head



Business ↔ Internet

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Technical Tools

→ → Paradigm Shifts

→ → Business Models



Online Profitability

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- **Lacking!**
 - B2C - 50%; B2B - 33%;
 - Content Sites, ISPs, ASPs – 25%.
- **“e”lectricity analogy**
 - Dramatic productivity gains
 - Profit margins shrank

(sources – Active Media Research, Fortune)



Online Insurance Rating

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- **U.S. & Australia – Trad Life, Trad GI, Non Trad**
- **Change in 12 months**
 - U.S. > Aus but by less now
 - Non Trad > Trad but by less now
 - GI > Life (risk)
 - Wide range of online capability
 - Pace of change in functionality slow
 - Threat from specialist providers in Aus reduced



Conclusions

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- **Evolution**
- **Implementation**
- **Paradigm Shifts ingrained**
- **Internet penetration**
- **Profitability**
- **Efficiency**



Consequences for Insurance

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- **B2C Risk Insurance**
- **B2B**
- **Policyholder retention**
- **Links to other products**
- **Service**

