

Electronic Commerce

The Reality

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Electronic “E” Commerce

- 40% of Americans carry mobile phones
- 50% of Americans own a personal computer
- 37% are connected online daily
- This evolving technology is changing the way business and information is managed
- Creating new business opportunities and cost efficiencies

Electronic “E” Commerce

- “more than putting .com at the end of a company name, or putting existing databases on the web”
- “it is enhancing communications with agents by providing them with real-time access to quotes, rates, prices, and databases”
- It is giving consumers the opportunity to enter back-end processing systems and inquire on the status of a bill, or make a change to a policy directly on a system”

Source: 2000 IVANS Study

Electronic “E” Commerce

- Where customers would go if interested in buying insurance over the Internet...
- 37% would visit their carrier’s Website
- 20% would use an Internet search engine
- 8% would go to an “insurance mall”
- 5% would go to a brokerage site
- 4% would purchase insurance online from a bank

Source: 2000 IVANS Study

Electronic “E” Commerce

- “The Internet business is more suited to serving the insurance business than it is a conduit through which products are sold”
- The Internet serves insurance consumers best as a source of:
 - Information
 - Access to personal account information

Source: 2000 IVANS Study

Electronic “E” Commerce

- Consumers most likely to buy insurance online:
- 52% of the 18 - 25 year old group
- 42% of women (32% of men) more likely to go direct to carriers Website
- 23% of men (17% of women) more likely to go through a search engine
- 10% of men (5% of women) more likely to go through a mall

Source: 2000 IVANS Study

Electronic “E” Commerce

- 10% of customers surveyed said they would switch carriers if they did not offer services online (likely to increase)
- The number of sites allowing customers to locate or link to a preferred vendor doubled since February 1999 (8 to 16%)
- Consumer interest in online insurance continues to gain momentum

Source: 2000 IVANS Study

THE INTERNET AND INSURANCE

EXAMPLES OF INTERNET SALES STRATEGIES:

SELL AT WHOLESALE

- WWW.ONSALE.COM

NAME YOUR OWN PRICE

- WWW.PRICELINE.COM

AUCTIONS

- WWW.EBAY.COM

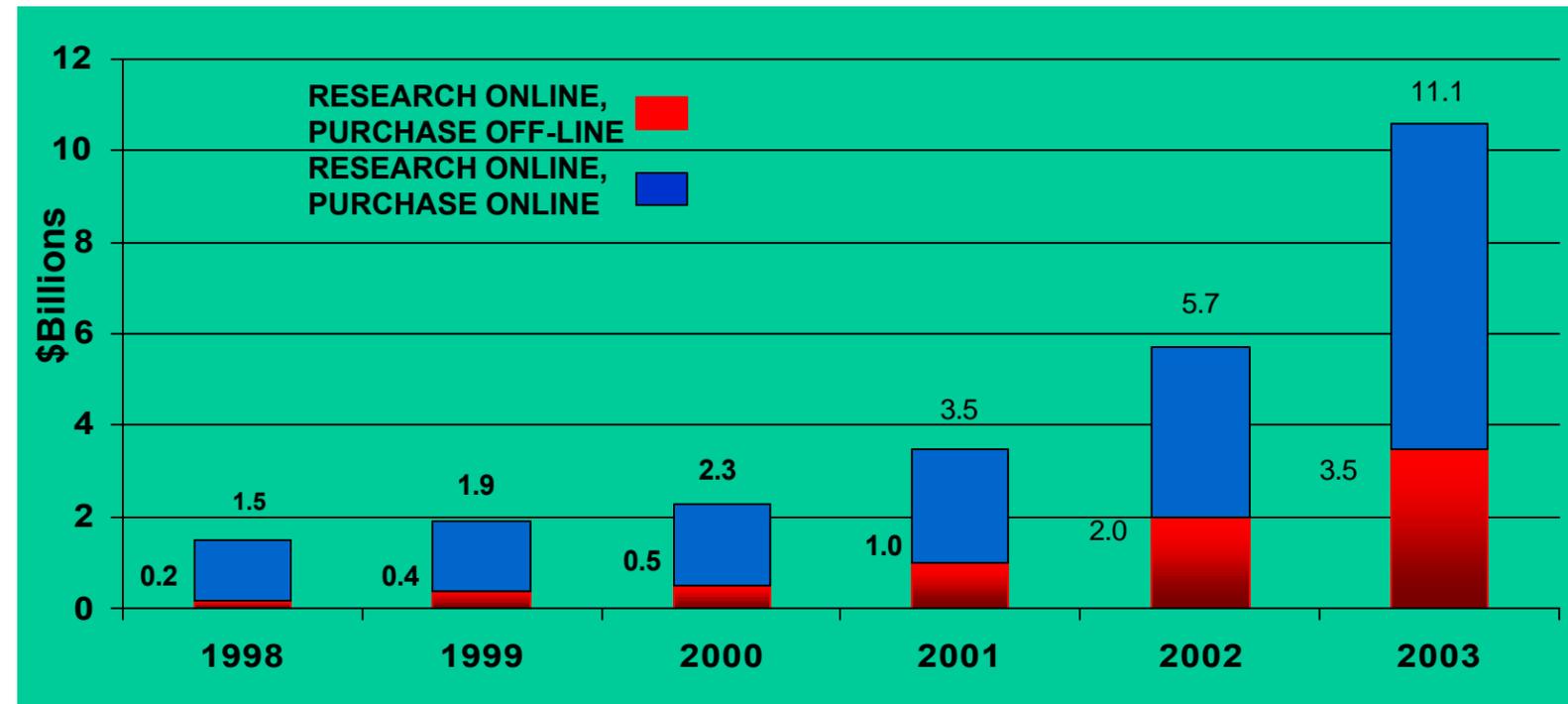
EVERYTHING AS A LOSS

LEADER - WWW.BUY.COM

AND IN INSURANCE:

- WWW.QUOTESMITH.COM
- WWW.INSWEB.COM
- WWW.INSURE.COM
- WWW.INSURANCE.COM

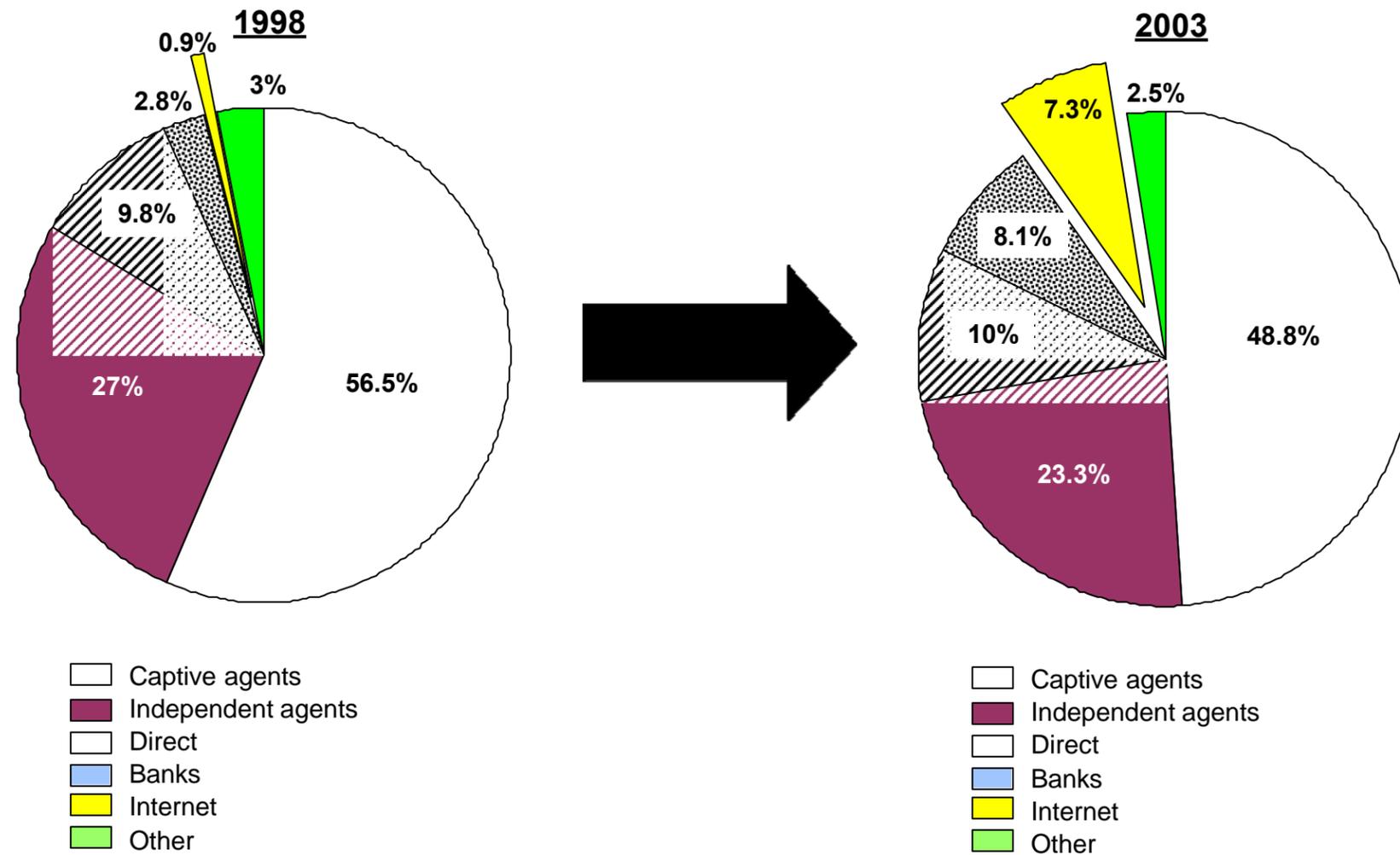
PROJECTIONS FOR THE ONLINE P&C INSURANCE MARKET ARE STRONG



Online property and casualty insurance is expected to grow at a compound annual rate of 86% over the next 5 years

Source: Forrester Research

INTERNET P&C SALES/REFERRALS WILL GROW TO 8% BY 2003



Source: Data Monitor

DELIVERY OPTIONS FOR INSURANCE

Traditional - Agent

- 20% of traditional insurance companies offer online sales capabilities. The number is expected to increase to 35% by the end of 2000
- Companies include State Farm, Allstate, Travelers and hundreds of other insurance carriers

Traditional - Direct

- Product is sold primarily over the telephone; although, Internet sales are starting to increase
- Companies primarily include Progressive, GEICO, and USAA. Only Progressive currently offers online sales capabilities

Online Intermediaries

- Separate segment of the market providing an online link between consumers and insurance companies
- Companies primarily include InsWeb, QuickenInsurance (a division of Intuit), and Quotesmith

Pure Play Internet Insurance Companies

- Offer unique products and services designed solely for Internet shoppers
- Only one company, eCoverage, is currently active in this segment
- eCoverage began selling insurance in September 1999

Online Companies



- Major players primarily use the Internet to offer information to consumers and to offer referrals to agents
- Partnerships with online intermediaries are becoming increasingly important
 - State Farm accounts for 40% of InsWeb's referrals
- Major players are making a significant shift in strategy to include the Internet as a distribution channel
 - Allstate recently announced it was cutting 10% of its workforce and was using the savings to establish online sales capabilities

Source: Forrester Research, InsWeb, Allstate

Online Companies

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INSURANCE ONLINE

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Direct

- Product is already sold direct via the telephone - Progressive also has an agent sales force.
- Progressive currently sells auto policies only, but is planning to offer homeowners by the end of 2000.
- All players beginning to move into the Internet as another method of direct selling
 - Progressive has the most advanced website in the insurance industry with both sales and service capabilities.
- Progressive has a strong relationship with InsWeb and other intermediaries.

Online Intermediaries

INSWEB
Where You And Your Insurance Really Click™

Welcome
December 1, 1999

Getting Started
Get Insurance
Insurance 101
Your Privacy
About InsWeb

Getting Started

Insurance Shopping Made Simple

Faster, Smarter, Easier
InsWeb is a free service that makes it easier than ever to shop for and compare quotes from the nation's leading insurance companies. With InsWeb, you have the tools you need to make intelligent insurance buying decisions...at your fingertips. It's easy:

- **Enter** your information one time
- **Compare** quotes specific to your profile
- **Choose** from the most [trusted companies](#) in insurance

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[Life](#) [Health](#) [Other](#)

Complete our [Auto Quote Form](#) and you could win this SUV!
Mercedes ML320

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Go!

Associates Program
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ONLINE INTERMEDIARIES

- **Key to success will be relationships with insurance companies. InsWeb represents over 40 of the top insurance companies.**
- **Use of intermediaries is increasing**
 - **InsWeb had over 2.4 million visitors in the third quarter of 1999, 682,000 of which were referred to insurance companies**
 - **Innovative technology plays a major role in developing customer relationships**
 - **InsWeb has integrated its IT system with its top insurance companies**

Source: InsWeb, Intuit releases

PURELY ONLINE INSURANCE

The screenshot shows the eCoverage website interface. At the top, the logo 'eCOVERAGE' is on the left, followed by the tagline 'The industry is history.' and the phone number '1-800-233-5000' with '24 HOURS • 7 DAYS' below it. A navigation bar contains links for 'HOME', 'GET QUOTE', 'MANAGE ACCOUNT', 'FILE CLAIM', and 'HELP'. Below this, there are two main content areas. The left area, titled 'GET STARTED', features a dropdown menu for 'Your State:' set to 'California' and a 'Go!' button. Below the dropdown, it says 'Get an auto insurance quote, then buy coverage. It's all online and it takes just minutes.' and provides a paragraph about eCoverage's focus on simplicity and speed. The right area, titled 'LEARN MORE', has a blue background with a clock face and text that reads 'ROUND THE CLOCK CUSTOMER SERVICE' and 'ONE OF THE MANY ADVANTAGES OF E COVERAGE. LEARN ABOUT THEM ALL.' At the bottom of the page, there are links for 'About the Company', 'Privacy & Security', and 'Legal Disclaimer', along with the company name 'eCoverage P&C Insurance Services, Inc. CA Lic. #0C64549' and 'Copyright © 1999, eCoverage Inc.'

Pure Play

- eCoverage is selling automotive insurance to California residents
 - Plans to sell all property and casualty products in all states by the end of 2000
- Experiment is being closely monitored by the industry and may lead to other market entrants
- eCoverage is backed by investors from Softbank (which also invested in InsWeb), eTrade, and former CEOs from American Express and Bank of America

IMPLICATIONS

- **MORE INSURANCE WILL BE SOLD OVER THE INTERNET.**
- **INTERNET SALES AND SEARCHES WILL HELP CUSTOMERS SAVE SHOPPING TIME AND COMPARE A GREATER NUMBER OF OPTIONS.**
- **THE DESIRE FOR INTERNET CROP INSURANCE SALES WILL INCREASE.**
- **IT S COMING, THE QUESTION IS WHEN? THE STATUTE PROVIDES THE ANSWER: 12/1/01.**

PIA Poll on E-Commerce

- 900 Agents at National Flood Insurance Conference
- Survey was part of a general session panel discussion
- Provides a snapshot of the perceptions of E-commerce by players in the insurance industry

What is the most important reason for an insurance firm to consider when creating an on-line business presence?

- A. It is an important tool to build consumer interest and advertise. [23%]
- B. Consumers expect an on-line presence. [15%]
- C. It is necessary to increase sales by selling direct to a new customer. [17%]
- D. It allows existing customers access to more information about a firm's products and services. [44%]

How frequently should a firm review and redo its on-line business plan?

- A. Twice a year [29%]
- B. Every six weeks [48%]
- C. Whenever it feels like it [9%]
- D. Weekly [17%]

How big a factor in E-Commerce success is a firm's business reputation?

- A. Critical - the consumer must trust the firm to do business with it [89%]
- B. It doesn't matter - E-Commerce is based on price only [5%]
- C. Name recognition is what is important - no one cares about reputation [2%]
- D. So-so. Not that many people will bother to check [4%]

What percentage of insurance companies today offers on-line policy issuance and maintenance?

- A. 50% [11%]
- B. Hardly any [40%]
- C. Nearly 75% [5%]
- D. 20% [43%]

Studies indicate 20% of insurance companies offer on-line policy issuance and maintenance.

How many consumers who visit the web will become customers?

- A. 25% [27%]
- B. Less than 2% [25%]
- C. More than 50% [9%]
- D. 5% [40%]

When someone is seeking a quote for flood insurance, would they most likely go to a..?

- A. Mall site [12%]
- B. Relationship site [35%]
- C. Company site [49%]
- D. Flood lead generation site [7%]

How many Websites are there currently on the Internet?

- A. 37 million [28%]
- B. 12 million [24%]
- C. 200,000 [9%]
- D. 3.8 million [37%]

Studies indicate there are 37 million Websites.

The most productive use of a firm's Website
would be...?

- A. To give information to the general public [22%]
- B. To sell more products to existing customers [19%]
- C. To sell products to new customers [12%]
- D. To interact with existing client base [46%]

What percentage of the total 1999 retail sales in the U.S. was done over the Internet?

- A. Less than 1% [56%]
- B. Nearly 10% [12%]
- C. Almost half [6%]
- D. About 5% [26%]

A recent survey estimates business-to-consumer revenues in 1999 at 1.4% of all retail sales.

What is the number one desire of agents with regard to the Internet relationship with their insurance carriers?

- A. Claim functions [10%]
- B. Policy issuance [19%]
- C. Quotations [29%]
- D. Electronic Interface [49%]

What is the most common barrier for small businesses in the adoption of E-Commerce?

- A. The equipment [0%]
- B. The cost [28%]
- C. Knowledge of staff [29%]
- D. Understanding the Internet [45%]

REQUIREMENTS FOR RMA

- **GENERAL: RMA MUST ENSURE THAT INSURANCE AND EDUCATION PRODUCTS ARE AVAILABLE OVER THE INTERNET.**
- **BY DECEMBER 1, 2000, RMA MUST SUBMIT A PLAN TO ACHIEVE THIS GOAL TO THE COMMITTEES ON AGRICULTURE.**
- **RMA MUST HAVE IMPLEMENTED THIS PLAN BY DECEMBER 1, 2001.**
- **THIS ACT ALSO APPLIES TO FSA AND OTHER USDA AGENCIES. RMA WAS GIVEN A PLANNING GRACE PERIOD, BUT DELAYS IN PASSAGE ELIMINATED MUCH OF THIS GRACE PERIOD.**
- **THE POTENTIAL IMPACTS ARE TREMENDOUS.**

RMA S IMPLEMENTATION CURRENT STATUS

INSURANCE SALES

- **RMA HAS ALREADY CONVENED A WORKING GROUP WITH INDUSTRY THAT HAS MET FOR 6 MONTHS.**
- **RMA HAS SENT SENIOR STAFF TO E-COMMERCE TRAINING.**
- **RMA HAS DRAMATICALLY IMPROVED ITS WEBSITE.**
- **RMA HAS RESEARCHED INTERNET INSURANCE.**

EDUCATION

- **RMA, VIA THE OFFICE OF COMMUNICATIONS, WILL HAVE THE CAPABILITY TO CONDUCT INTERNET TRAINING BY THE END OF SUMMER.**
- **RMA CAN REQUIRE CONTRACTORS DEVELOPING NEW PRODUCTS TO PROVIDE THE ASSOCIATED MATERIAL FOR ON-LINE TRAINING.**

RMA S IMPLEMENTATION CURRENT STATUS

INSURANCE SALES

- **RMA RELEASED A DRAFT IMPLEMENTATION PLAN TO INSURANCE PROVIDERS.**
- **RMA HAS CONVENED CONFERENCE CALL TO DISCUSS THE IMPLEMENTATION PLAN.**
- **RMA CONVENED A MEETING IN BALTIMORE TO PRESENT INFORMATION ABOUT E-BUSINESS.**

EDUCATION

- **DOPP TRAINING IS NOW ONLINE**
- **DAIRY PRODUCERS ARE TESTING USER FRIENDLINESS**
- **ONLINE TRAINING WILL BE USED TO CERTIFY DAIRY PRODUCERS TO PURCHASE PUT OPTIONS**
- **ONLINE TRAINING ALSO USED AS A REFRESHER COURSE**

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- **SHIFTING DISTRIBUTION CHANNELS: PROPERTY / CASUALTY
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Electronic “E” Commerce

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