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## Insurance Online – One year on ..

Jules Gribble PhD FCIA FSA FIAA

Sean McGing FIA FIAA

### *Abstract*

In June 2000 we presented a paper "Insurance: Online or On the line?" to the Institute of Actuaries of Australia's Sessional Meetings. The main purpose of that paper was to identify and raise awareness of the business issues facing general and life risk insurance providers in the online environment. Now almost one year on, we return with the specific aim of identifying and reviewing the changes over that period.

We discuss the forces of change and maturing of the Internet and e-business in the last year. We then identify and analyse the changes in the last year using our examples from the June 2000 paper of Online Retailing and Online Banking and progress to analyzing the changes in Online Insurance.

We have updated the Appendices relating to the assessment and comparison of these three areas including our Online Insurance Rating/Assessment of major traditional and non-traditional US and Australian web sites. We have also updated Appendices for indicative Internet and e-business statistics. This provides a basis from which we compare the current position with that of a year ago.

Finally we evaluate our conclusions and recommendations made last June and consider updating them.

**Key words** - insurance, risk, financial services, e-business, e-commerce, online, Web, Internet, strategy, operations

*Contact:* AskIT! Consulting, 5 Wattle Court, Lower Templestowe VIC 3107, Australia.

*E-mail:* Sean McGing at [sean@askit.com.au](mailto:sean@askit.com.au) Jules Gribble at [jgribble@bigpond.net.au](mailto:jgribble@bigpond.net.au)

## TABLE OF CONTENTS

1.	INTRODUCTION	4
1.1	Aim of this paper.....	4
1.2	Structure and content of this paper.....	4
1.3	Insurance categories assessed.....	4
1.4	Insurance providers.....	5
1.5	Online version of this paper and hyperlinks.....	5
1.6	Assessment framework.....	5
1.6.1	Principles for assessment.....	5
1.6.2	Business Issues -- Internet- Paradigm Shifts.....	5
1.6.3	Business issues - Insurance.....	5
2	ANALYSIS, ASSESSMENT AND FINDINGS	7
2.1	Key Internet and e-business developments in last 12 months.....	7
2.1.1	“Tech Wreck”.....	7
2.1.2	Technology.....	7
2.1.3	Internet Demographics.....	8
2.1.4	E-commerce.....	8
2.1.5	Profitability.....	10
2.1.6	Other Internet developments in last 12 months.....	10
2.2	Technical Tools, Paradigm Shifts and Business Models.....	11
2.3	Non Insurance Businesses Online.....	13
2.3.1	Online Retailing (“e-tailing”).....	13
2.3.2	Financial Services – Online Banking.....	15
2.4	Insurance Online – U.S.....	16
2.5	Insurance Online - Australia.....	18
2.6	Insurance Online Comparison – U.S. v Australia.....	19
2.7	Insurance Online – Further Comments.....	19
3	CONCLUSIONS AND RECOMMENDATIONS	21
3.1	Summary.....	21
3.2	Conclusions.....	22
3.3	Future Scenarios.....	23
3.4	Recommendations.....	25
3.5	Insurance: Online or “On the line”?.....	25
3.6	Acknowledgements.....	26
4	REFERENCES & BIBLIOGRAPHY	27



APPENDICES	Page
Appendix A Online Retailing - Assessment & Comparison - U.S. ....	31
Appendix B Online Retailing - Assessment & Comparison - Australia .....	32
Appendix C Online Banking - Assessment & Comparison - U.S. ....	33
Appendix D Online Banking - Assessment & Comparison - Australia .....	34
Appendix E Online Insurance Rating / Assessment – U.S. ....	35
Appendix F Online Insurance Rating / Assessment – Australia.....	36
Appendix G Online Insurance - Assessment & Comparison - U.S. ....	37
Appendix H Online Insurance - Assessment & Comparison - Australia .....	38
Appendix I Indicative Internet Statistics.....	39
Appendix J Indicative E-business Statistics.....	40

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## 1. INTRODUCTION

*If you do not to develop a strategy of your own, you become a part of someone else's strategy.*

- Alvin Toffler [[Ref 10](#)]

### 1.1 Aim of this paper

In June 2000 we presented a paper "Insurance: Online or On the Line?" ([Ref 31](#)) to the Institute of Actuaries of Australia's June 2000 Sessional Meetings. The main purpose of that paper was to identify and raise awareness of the business issues facing general and life risk insurance providers in the online environment. Behind this, is our desire to continue to familiarise and assist actuaries with understanding e-business and in so doing strengthen the profession's capabilities in this critical area of business.

Now almost one year on, we return with the objective of identifying and reviewing the changes over that period in the state of use of the Internet for insurance and the related business issues facing insurance providers. We discuss the forces of change and maturing of the Internet and e-business in the last 12 months. We then identify and analyse the changes in the last year using the examples in [Ref 31](#) of Online Retailing and Online Banking and reviewing the changes in Online Insurance.

### 1.2 Structure and content of this paper

Because this paper is an update on our June 2000 "Insurance: Online or On the line?" paper, we have not repeated the detailed material therein. However, that paper is the foundation on which this work is based. For example, the assessment framework set out in Section 2 of our June paper is again used here. A review of [Ref 31](#) will assist in putting this update into a better context.

The rest of Section 1 identifies insurance categories and products and insurance providers. It also defines some key terms.

Section 2 analyses the last year's major changes in the Internet and e-business, for business in general and then specifically for insurance for the U.S. and for Australia.

Section 3 revisits the conclusions and recommendations made in [Ref 31](#) on Internet strategies and actions for insurance providers and comments on how they have stood the test of time over the last 12 months. The section opens with a summary of our conclusions and their consequences for insurance.

Section 4 is the bibliography and lists all the references both online and offline.

We have made extensive use of Appendices to note key comparison points and comments thereon.

### 1.3 Insurance categories assessed

The "Insurance" considered in this paper is the risk side. Within the risk insurance field we have limited the scope of our assessment to:

- General Insurance
- Life Insurance - risk elements only



## 1.4 Insurance providers

We define an Insurance Provider as an entity or website offering or facilitating the purchase of insurance products. Such a provider is not necessarily a manufacturer (of insurance product) and is not necessarily a traditionally regulated life insurance or general insurance company. It can include any insurance distribution outlet.

## 1.5 Online version of this paper and hyperlinks

Readers can access and download this paper (and Refs [30](#), [31](#), [36](#)) at the authors' Website [www.askit.com.au](http://www.askit.com.au). Downloading the original paper, has the added benefit of allowing the reader to click directly on the hyperlink references throughout the paper and Appendices.

## 1.6 Assessment framework

### 1.6.1 Principles for assessment

The assessment framework established in Section 2 of [Ref 31](#) is unchanged and is being applied here as it remains fully relevant. Those principles for assessment are summarised as:

- 1 Take nothing for granted
- 2 Adopt a “multiple and parallel” approach
- 3 First principles approach
- 4 Current market e-business activities
- 5 Build a robust “model” for analysing the market
- 6 Assess similarities and differences to your business
- 7 Recognise evolution

### 1.6.2 Business Issues – Internet - Paradigm Shifts

The paradigm shifts noted in [Ref 31](#) are still very much applicable. These are the key to understanding recent developments and any assessment of likely future industry and market developments in insurance and elsewhere. They are summarised as:

- 1 New distribution channel
- 2 Inexpensive marginal transactions
- 3 Enabling the Consumer
- 4 Intense Competition
- 5 Vertical Integration
- 6 Enabling new technology
- 7 One-on-one marketing and relationship building.
- 8 Development time frames reduced substantially
- 9 Commoditisation of products

These fundamental changes lead to

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

### 1.6.3 Business issues - Insurance

The fundamental business issues, both in their full and on-line contexts, for insurance providers, have not changed much over the last 12 months, tumultuous as it has been with one of the largest general insurers in the country HIH going out of business and huge reinsurance losses for New Cap Re, ReAC and GIO.

## **Insurance Online - One year on ..**

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There are no fundamental differences between traditional and online core business issues. It is just the implementation and the impact of the paradigm shifts which give rise to opportunities, which change. There are minimal changes to underlying business objectives for insurance providers - they remain the creation of profits for shareholders and the provision of service to policyholders.



## 2 ANALYSIS, ASSESSMENT AND FINDINGS

*Speed of data flow through communication systems without interference is tripling every 12 months.*  
- George Gilder "Gilder's Law"

### 2.1 Key Internet and e-business developments in last 12 months

#### 2.1.1 "Tech Wreck"

##### *Statements*

The year has seen the high-profile "tech wreck" of April 2000 - the plummet of share values on the NASDAQ (at end of March 2001 down almost 65% from its peak) and technology stock values worldwide including Australia - spread further and deeper creating a deep and widespread maturing of attitudes to technology companies and the use and benefits of e-business.

A more realistic and traditional attitude to business fundamentals has emerged with focus moved from revenue streams to profitability.

##### *Comments*

A year is a long time in the Internet world and Internet based business models continue to be tried and tested with many failing and/or burning a lot of cash. A lot of money was wasted chasing member numbers. Loss rates for most Australian technology related companies floated in the last two years, many of which are involved in financial services, are still very high including several at a multiple of revenues! ([Ref 7](#))

#### 2.1.2 Technology

##### *Statements*

The Technology Essentials described in [Ref 31](#) remain fully applicable.

The technology itself is still developing strongly at the detailed level e.g. applications – MP3, Digitisation of Video. The basic Internet structure is however now quite stable.

The main development has been the continued refinement of the essential tools and most noteworthy business actively using the technology, including the developers themselves. This is a move from the development of the tools to implementation using these tools.

##### *Examples*

E.g. Oracle now uses it's own products – an integrated e-business suite of tools – saving \$0.4 - \$1bn in running costs ([Ref 27](#)).

A major technology development has been the much vaunted wireless application protocol (WAP). This has yet to make an impact in Australia. The so-called 3G (third generation) mobile technology is a stronger base for wireless access to the Internet – ('Mobile Internet' and 'm-commerce') but recent relatively low auction prices for the 3G spectrum suggest this may also disappoint.

##### *Comments*



There is an increased focus on expense control, which is a change from a previous emphasis on distribution. The underlying capability of the Internet to provide efficiency is the paradigm shift that enables the technology to support the business application is increasingly emerging as the business focus.

While a significant maturing development overseas, in user terms broadband access – e.g. cable, ADSL etc - has been slow to develop in Australia. There has been more take-up development along these lines in the U.S., due to greater competition, larger population and more developed “Internet” economy. This is restricting the Australian capability of the Internet from both the developer and user angles.

### **2.1.3 Internet Demographics**

#### *Statements*

Internet use continues to expand worldwide, with the most digitally developed economies showing the first signs of maturity with take up rates starting to flatten. See *Appendix I - Indicative Internet Statistics* (Source statistics - [Ref 41](#)).

Changes in Australian use of the Internet in the last 12 months reflect more access now from home and male / female access rates similar in aggregate. 50% of all adults in Australia accessed the Internet ([Ref 6](#)).

Demographics can vary significantly by use / application.

#### *Examples*

The Internet demographics within these countries, including Australia, are showing greater female proportions than previously and this is being reflected particularly in online shopping where females predominate in the offline equivalent.

As Forrester recently reported, young consumers will quickly shift the focus from entertainment to finance and grow into prime financial customers. Young consumers have internalised technology - they have grown up with the next, they use it instinctively. Wired young shoppers also engage in more sophisticated online activities, such as demand driven pricing and file sharing. ([Ref 24](#))

The amount of television advertising which encourage viewers to visit a website now compared to virtually none 12 months ago.

#### *Comments*

Worldwide, we are increasingly accepting the Internet. It is becoming ingrained in our lives.

### **2.1.4 E-commerce**

#### *Statements*

The level of e-business and e-commerce activity continues to increase strongly. See *Appendix J - Indicative E-commerce Statistics* for a range of actual and projected statistics on e-commerce volumes including B2B and B2C from Australia, the U.S., and worldwide.

This section concentrates on B2B activities with B2C covered later in #2.3.1 Online Retailing.

There has been an enormous amount of energy going into B2B projects such e-procurement, online market places etc. This activity level now is now translating into “live” activity another example of the maturing of the Internet for business - the move from development to implementation.

Most companies have decided their strategies now and are now pursuing them rather than just exploring strategies as most were doing 12 months ago.

Governments are still preaching the benefits of and encouraging on line activity. However as the recent controversy over Australian government IT outsourcing shows, poor implementation of any major IT driven project, seriously changes the outcome envisaged from the initial concepts.

### *Examples*

Most of the value created by B2B e-commerce will be captured by the buyers and sellers that participate in the e-marketplaces. The marketplaces will need to bridge the gap between falling transaction fees and rising demand for investment in collaborative services. ([Ref 16](#))

The number of online marketplaces has exploded – from 1999 to 2000 the US went from 100 to 700. These give an opportunity to reduce costs of direct goods by 10 percent and indirect goods by 18 percent. ([Ref 15](#))

### *Comments*

E-commerce levels were expected to grow strongly. Irrespective of the sets of figures used, the evidence points to actual e-commerce volumes overall being broadly in line with or exceeding what was expected. Examining the figures in *Appendix J* and recognising the wide disparity of definitions, collection and projection mechanisms, we draw the following indicative conclusions:

- Australian actual B2C in 2000 was *greater* than predicted a year earlier.
- Australian actual B2B in 2000 was *greater* than predicted a year earlier.
- U.S. actual B2C in 2000 was a *little less* than predicted a year earlier.
- U.S. actual B2B in 2000 was *greater* than predicted a year earlier.

Growth is still very strong and current predictions for the next few years continue that theme.

Increased collaborative approach has emerged as a common theme in the last year and signifies a major shift in itself from a business model perspective. (E.g. [Ref 14](#), [Ref 39](#)).

The real value of e-commerce will derive from restructuring distribution and supply chains and embracing deep collaboration with trading partners. Businesses need to influence standards, use market power shrewdly and lock-up critical alliances. ([Ref 14](#))

B2B has easily becoming the more dominant in \$ terms as expected. Internal efficiencies is the major focus. Volume is important. However the potential long term margins on B2B are much lower than on B2C so the relative importance of B2B v B2C in profitability terms is a lot closer.

Of note to Insurance providers is a comment that financial institutions have more of the skills and assets required to providing successful online services than others. To date advantage has not been taken of this. One conclusion is that those who turn their backs on online B2B may eventually find its sweeping away much of their market. ([Ref 15](#))

E-procurement including e-marketplaces are abounding. With so many companies now on the web, transparency across suppliers and retailers is increasing and is putting more pressure on prices.

B2B is creating a force for “co-petition” in many industries – i.e. collaboration and co-operation between competitors to ensure compatibility through common IT&T standards, for maximum efficiency and cost savings.

An economic slowdown is likely to encourage e-commerce for cost saving. ([Ref 35](#))



### 2.1.5 Profitability

#### *Statements*

The most fundamental change of emphasis over the last 12 months has been the measure of success for an Internet based business. The previously mooted ([Ref 31](#)) “long term” measure of success for an Internet business - profitability - has arrived early - within the first 12 months rather than the 2 or more year timeframe expected a year ago! The high cash burn rates, rationalisation of Internet businesses, radically diminished values and change in investor sentiment have led to most focus now being on profitability or rather the lack of it to date.

The Internet marketplace is very crowded across most categories. It is impossible for everyone to make a living.

#### *Analogy #1*

An excellent way to consider current and likely future profitability impact of the Internet revolution on businesses is to draw comparisons with the original “e”: electricity. A pair of Goldman Sachs economists has done this – reported by Fortune ([Ref 25](#)). The conclusion is “Electricity created dramatic productivity gains and shrank margins. The Net is doing the same.” “There is no doubt that e-business transformation will yield unprecedented efficiency gains. However, the bonanza will end up into pockets of customers and in the market value of companies providing the Internet materials – not the business users like our insurance providers. The Internet zaps profits by reducing the ‘economic friction’ that arose from product complexity and consumer lack of knowledge and understanding, which has existed in many financial services including insurance. From a strategic perspective, to be profitable, the insurer needs to create a competitive differentiation, not just the efficiency that the paradigms shifts of the Internet make easier for all players.

#### *Analogy #2*

The analogy to the large number of car manufacturers early in the 20<sup>th</sup> century is often cited. Lots of busts. But easy to see in hindsight!

#### *Example*

Recent profitability statistics also indicate there is some hope! According to ActivMedia Research, 50% of B2C companies, 33% of B2B sites, 25% of content sites, ISPs and ASPs, are now profitable ([Ref 42](#)).

#### *Comments*

So are there any E-business models that are or could be profitable? A clear trend picked up elsewhere in this paper is the integration of online and offline channels. However there is some more hope for Internet based business – there is some small shift to payment by the user on the Internet – it is not free everywhere anymore. This signifies a fundamental changing of attitude and a change in business model.

The more “pure” the Internet play, the more difficult it is to make a profit.

### 2.1.6 Other Internet developments in last 12 months

#### *Statements*

In addition or in parallel to the above key developments, we have observed the following changes for online business generally in the last 12 months.

- The last 12 months has seen the completion of the first business application Cycle of the Internet. Now we are venturing onto Cycle 2.

- Big established business who have generally made haste slowly have been the big winners over time. They were getting left behind in the technology but have been getting an opportunity to catch up.
- There is no novel new IT technology that is being adopted widely.
- Public key infrastructure (PKI) is currently being debated and established to facilitate secure, direct and confidential communication and authorisation through the use of digital certificates, signatures, authorities etc. Drafting and implementation of new laws is happening in many countries.
- The Privacy debate continues to rage but at a more mature level. In Australia, a privacy Act has been passed and compliance is required by the end of 2001.
- The Internet is now generally looked on by most people as just another minor distribution channel as opposed to the future dominant channel for direct sales.
- Online advertising is generally now regarded as not having delivered promised gains. A lot was done by the dot coms themselves, particularly in the U.S..
- A lot of people still find the Internet can be difficult and frustrating - lacking in full convenience. Often it can still be easier to talk to someone – if you can find them!
- Competitive advantage through being an early adapter is less marked now as everyone has had some experience.
- For B2C direct sales forces only, there has been no huge exits/moves from traditional to specialist online providers in any category. The latter would appear to have niches only.
- The revolution is continuing beneath the surface at the B2B level including efficiency using Web enabled applications.
- Aggregation of financial services providers' offerings has been happening slowly – much of it on share trading and wealth management, with banking increasingly becoming an anchor driven by need for repeat access on an ongoing basis.
- Online customer service still has a long way to go.

### *Example*

A survey of 700 U.S. financial services websites surveyed ([Ref 18](#)) showed only seven offered customer service capabilities beyond simple e-mail, phone numbers and self-service – all figures were disappointing for an industry where the primary focus allegedly revolves around servicing the customer.

### *Comments*

The above observations show strongly that the Internet is evolving rapidly globally and maturing in areas of infrastructure, distribution, business practice and regulation.

Opportunity awaits those who can successfully implement web based integrated service improvements. There is increasing recognition that the full service chain needs to be realised – from the consumer viewpoint the weakest link in the chain is the “measure” – witness delivery difficulties.

## **2.2 Technical Tools, Paradigm Shifts and Business Models**

From a ‘macro’ perspective, the interaction between business and the Internet can be thought of as having a number of dimensions. On one hand there are a host of new and continually developing *Technical Tools*. In terms of how these tools are potentially used, there are a number of *Paradigm Shifts* and consequent opportunities, many of which we have already identified (#1.6.2 and [Ref 31](#)). Alongside the tools and the use of the tools there are also a broad variety of *Business Models* which have been tried with many found wanting over the last year.

We suggest it is useful to consider these three 'legs' as the basis for some comparative analysis and to consider how the progress and rate of progress in the evolution of each of these legs has interacted with the others.

- In the last 12 months the Business Model developments which have arisen as a result of the Paradigm Shifts have, to a fair extent, caught up with the Technical Tool developments. While the technological revolution has continued at the detailed level, the technical infrastructure is largely unchanged. There are many innovations, but they are becoming less revolutionary and more evolutionary – at least from the user perspective. Some of the new technologies have failed to meet user (and the IT&T industry) expectations – e.g. for example the lack of success of WAP (Wireless Application Protocol) in Australia.
- In a sense the dot com crash can be considered a reflection of this, in that the hype in the marketplace has been replaced by a much more realistic attitude. We note that this sort of transitory 'feeding frenzy' by the markets on new ideas is not a new phenomenon though history Dutch tulips, South Sea bubbles, and Poseidon to mention a few!
- A significant amount of serious business reengineering has taken place in the last 12 months amongst the 'clicks and mortar' community, with many established 'traditional' companies cheaply buying up 'wrecks' from the dot com crash and then integrating them into their overall businesses. This can be seen as the Businesses refining their Business Models picking up on the Paradigm Shifts enabled by the new technical tools, but utilising some of the more established business management capabilities. The delay in this activity may have been intentional in some cases but in many others it was merely a fortuitous consequence of the 'mortar' business being slow to recognise the potential of the Internet, and its potential to exploit the paradigm shifts.

### *Examples & Comments*

Some consequences of such exploitation of the technical tools and the paradigm shifts into business models in the last 12 months are:

#### *Example #1*

The Australian banks' strong move toward Internet banking (#2.3.2 and [Ref 1](#), [Ref 9](#)) and the growing success of this, is not least due to the adoption of the Internet as a strategic tool at the highest levels of management.

#### *Comment #1*

The paradigm shift in the empowerment of the customer to do their own banking is quite striking in the context of addressing the typical information and control asymmetry inherent in many of the financial services industries.

#### *Example #2*

The initial success, in transaction volume and revenue terms at least, is the e-stockbroking initiatives by companies such as Comsec, E\*Trade etc.

#### *Comment #2*

Profitability is another matter! - See #2.1.5.

#### *Example #3*

In contrast the lack of transactions in life risk insurance means that there is no clear reason for the consumer to come back to life insurance web site.

#### *Comment #3*

One could argue that life risk insurance is always 'doomed' to be an ancillary player to other web financial services at the B2C level.



*Example #4*

The move by many insurers to use the Internet to increase efficiency of claims processing e.g. Victoria's TAC.

*Comment #4*

This illustrates a very different business model being applied on line from that in pre-Internet days.

*Example #5*

Online underwriting ([Ref 13](#)) is facilitated by the technical tools but requires a full understanding of the different environment that this presents to the insurer from a demographic and a risk assessment perspective.

*Comment#5*

This illustrates the need to be fully aware of the changes in the business environment which arise from the Internet paradigms shifts - new business models from all large variations from existing models are required to be a successful insurance provider online.

## 2.3 Non Insurance Businesses Online

Due to the relatively slow take-up of insurance on the Internet, in [Ref 31](#) and again in this paper we have used Online Retailing and Online Banking as a comparison basis.

### 2.3.1 Online Retailing (“e-tailing”)

In addition to our high level observations set out in this section, we have in *Appendices A and B* considered the key customer, operational and business issues for U.S. and Australian Online Retailing in a format that draws out direct comparisons.

#### *April 2000 observations summary*

- The most “successful” e-tailing companies exceed their customers’ expectation in the areas of
  - Convenience
  - Value
  - Enriching the shopping experience
  - Creating a sense of community / belonging.

#### *April 2001 observations*

- The April 2000 observations above still hold true strongly

For *Australia* in particular additional observations are:

- The **traditional retailers** have indeed gained substantial online market share over the last year. The “bricks and clicks” / “clicks and mortar” combined and ultimately integrated businesses are winning.
- **Purchase Patterns** - The Internet continues to thrive as a consumer shopping channel. Shoppers won't abandon online retail because e-commerce gives consumers power via convenience, confidence and control. ([Ref 22](#))
- Acceptance of online shopping grew strongly amongst Australian consumers with a 66% increase in the number of people buying online in the year to November 2000. (1.3m Aust adults or 10% of the adult population) ([Ref 6](#)).



- There is growing consumer interest in buying and not just browsing online. The ease of Internet purchasing turns users and shoppers into buyers and regular buyers. ([Ref 49](#))
- Acceptance of online shopping by consumers is growing. People are shopping online more frequently and spending more money across more retail categories. ([Ref 20](#))
- 50% of online retailers are e-tailing arms of traditional retailing companies. The number of pure play e-tailers is declining; there is a resurgence of activity from traditional players. ([Ref 20](#))
- Multichannel strategies that integrate online and offline including fulfilment and delivery service levels are likely to win. ([Ref 20](#))
- Analysis of rankings of consumer on-line retail sites shows an increasing degree of specialisation. ([Ref 23](#))
  
- **Fulfilment** – The stress period of Christmas 2000 left less people disappointed than Christmas 1999, but there were still inadequacies.
- Delivery failure is the major failing point for many online customers. Control of this process by the retailer is important for ensuring reliability. E.g. BP Wishlist collection points.
- Delivery not economical in Australia due to geography and the limited local market. Average might be \$8 at present. This may cripple online sales in Australia. ([Ref 40](#)). (See also [Ref 20](#), [Ref 49](#))
- Australia Post carving out a niche in the fulfilment area is an example of how the paradigm shifts of the Internet translates to business changes on the ground
  
- **Third party payments** on the Internet - a new development. The technology and payment companies are emerging to enable very small amounts of money to be collected from surfers e.g. a few cents per view. This could start to bridge the gap between free information and information that is relatively expensive.
- Bpay™ has become much bigger in last 12 months for Internet & Phone banking (payments system) for payment of existing bills and has increased to the ability of Internet banking to the a one-stop shopping for payment transactions. If the RBA opens up the payments system following the ACCC passing on the credit card interchange fees issue, more payments mechanisms and less costly ones may eventuate on the Internet.
- The e-wallet is a new generation of server based payment systems that can be used to hold stored value and pay for small value goods online. By this time next year, over one million of us would probably have an e-wallet. ([Ref 19](#)) May help address security, trust, privacy concerns (one payment provider) as well as the small change problem.
  
- **Security** remains a big issue a concern of 45 percent of users in respect of online retail – source Red Sheriff 5th March survey in Australia.
  
- **Price** is the most powerful motivator for unplanned purchases online. ([Ref 20](#))
- With increasing numbers on the web and the ever increasing numbers of sites, along with the “selection” applied by portals, the theoretical transparency of **pricing** does not apply to those consumers who do not have the time or patience to search and check out all the possible opportunities.
  
- **B2C profitability** - All but eBay’s auction based e-marketplace have struggled with profitability. It has huge scale - at Sep 2000 13% of its market. Others like lastminute.com illustrate the unique market opportunities and consumer fulfilment that only the Internet can provide. ([Ref 21](#)). In the variety and scale we can see again the flow of the paradigm shifts through to business models using the technical tools at hand.

### 2.3.2 Financial Services – Online Banking

In addition to our high level observations set out in this section, we have in *Appendices C and D* considered the key customer, operational and business issues for U.S. and Australian Online Banking in a format that draws out direct comparisons.

#### *April 2000 observations summary*

- Trust – security, privacy and confidence is paramount
- Providing comprehensive real time transaction capability is key to attracting customers
- The early mover advantage has not made a medium term difference
- Making it easy for the customer
- The earlier embracement of phone banking has been a stepping stone to Internet banking
- Specialist niche providers of banking products are reaching a wide audience and are expecting to benefit from lower ongoing transaction costs
- Single product specialists can attract substantial volumes in their specialty
- Pure Internet banks exist, particularly in the U.S., but are relatively rare in Australia.
- Much lower transaction costs is why banks are trying to shift transactions to the Internet.
- Australian banking sites - yet to provide much creativity or user experience enrichment

#### *April 2001 observations*

- **Profitability** –Some specialist online banks have recently raised their fees in an attempt to cut losses. There is a trend to removing introductory offers and this may lead to loss of business volumes.
- **Mobile banking** - Despite the failure of the mobile Internet to capture much business in Australia, at December 2000 mobile banking accounted for 14 percent of all online accounts in Europe. The number of mobile banking accounts is expected to skyrocket from 1.8m at Dec 2000 to 31.8m in 2004 ([Ref 33](#)). This example also illustrates how important is it is to look at the worldwide market and not necessarily just the US and Australia for glimpses of possible future e-business developments.
- **Security** remains an issue
- **U.S. and Australian market comparison** - The last 12 months has seen the difference in the banking markets in the US compared to Australia, come through very strongly in market activity. The US market is fragmented compared to a concentrated Australian market with the big four banks dominating. These differences have led to a different evolution of e-banking, and reinforce the message about e-business in Australia in other industries of the market not just tracking the US. The early risk of this dominance being broken by Internet banks in Australia has now well and truly passed.
- The number of stand-alone online players is a major difference between the Australian and US markets. ([Ref 8](#))

The **Australian experience** is worth examining closely:

- Australia's banking market has matured enormously in the last 12 months. The big 4 banks have built up huge volumes of Internet banking customers. They now dominate that market more than ever with 85% of the on-line market, which is greater than their off line market share ([Ref 1](#), [Ref 8](#)):
  - Internet banking use as % of Internet population: Australia 27%, US: 14%,
  - Registered Internet banking users: +64% to 2.25m in 6 months to Dec 2000.



- Active Internet banking customers: +62% in 3 months.
- Peak day transactions - +233% to 200,000 in 9 months
- These large volumes are a major contributor to ensuring profitability across the major banks as costs per transaction are driven down from use of Internet technology.
- In contrast to many other industries, corporate business strategy for the Internet has been set at a high level and this has contributed greatly to its success to date.
- More services are offered now – e.g. payment to 3<sup>rd</sup> parties. \$ transaction limits have also increased.
- BPay is the predominant 3<sup>rd</sup> party pay system for online (and phone) banking retail customers, as more non banks participate in the electronic payments net.
- Internet only banks still appear to be losing money both in Australia and overseas. However there are some examples of success in business volume terms. E.g. ING Direct with its highly focussed and keenly priced online cash management product. The latter is also a good example of a successful e-business model being re-applied in another country after initial success elsewhere, in this instance Canada.
- Differentiation by fees with lower charges for Internet transactions is a feature of the Australian market and is being used by the banks to drive clients to use the Internet.
- All this despite very poor public sentiment towards the big banks.
- **Transaction basis** - At the core of Internet banking success is the nature of banking - multiple transactions - so there is a reason to come back to the site.

### 2.4 Insurance Online – U.S.

In addition to our high level observations set out in this section, we have in *Appendix G* considered the key customer, operational and business issues for U.S. Online Insurance in a format that draws out direct comparisons.

*April 2000 observations* summary:

- Insurance regulation is state rather than federally based
- Online insurance (B2C) very slow to get off the ground in the U.S.
- Large body of non company consumer insurance information online
- Traditional insurance company players with relatively low site visit statistics.
- Most visited sites are those comparing quotes from a large number of different companies.
- Operational efficiencies aimed at reducing cost and price to the consumer is the driving force.
- U.S. insurers facing channel conflict if they use the Internet as a new distribution channel. In general, they are remaining loyal to their agents and reluctant to be seen in competition. This may lead to the demise of significant players who fail to adapt to the new environment.
- Service enhancement, not transaction capability, is main web activity of traditional insurers.

*April 2001 observations*

Many of the observations including statistics below have been derived or extracted from articles in Best's Review ([Ref 10](#), [Ref 11](#), [Ref 12](#), [Ref 13](#)), other misc articles as referenced directly, and direct examination of the traditional and non traditional sites shown in *Appendix E - Online Insurance Rating / Assessment – U.S.*

- **Internet Sales & Use** - While the Internet is changing the industry only slowly to date, there are now a growing number of insurers turning to the Internet and selling directly on it including the number



one auto and homeowners insurer State Farm. Sales are expected to grow strongly albeit from a low base.

- The insurance sector has lagged all other areas financial services in terms of Internet usage - fewer customers visiting insurance websites and those visiting spending little time there. ([Ref 38](#))
- Most consumers are still sceptical about buying insurance online.
- Consumers buying insurance on the Internet don't want to spend very long doing it; they are younger, more educated and are more critical of the buying experience, the product features and the pricing. Simplicity would encourage the user to drive the transaction. The Internet can reverse the control of the information flow, which historically has been from the insurance salesperson to the customer, if companies design the interactive platform in an open and transparent way.
- **Competition** is fierce both from traditional players and new players.
- **Business models** - Throughout 2000 online insurance aggregators have continued to open for business – e.g. lowestpremium.com, insurance.com and insurezone.com. The market continues to experiment with new business models.
- Internet capabilities and call centres for online sales are increasingly viewed as an integrated approach.
- Distribution – As with offline business, insurance manufacturers want to retain direct contact with the customer and not hand it over to a referral.
- **B2B** - Supply chain - Agents and brokers are pushing for a single entry multiple company interface to allow them take input information and obtain several policy quotes.
- Intermediary support is the reason for many B2B projects for Insurers.
- There is a major challenge in allowing web sites to communicate with company's legacy systems. This sharing of information on policies, claims, payments made and accounts lags Insurance for compared to the financial markets.
- Internet collaboration offers convenience for the customer and hence is important for large scale uptake.
- **Online underwriting** is emerging for personal lines, term life and some small commercial policies. This offers speed, better levels of underwriting diligence, and with the effective use of internal and external databases with risk information enables better research of behaviour patterns and associated risks. This illustrates the paradigm shifts leading to an improved business model.
- **Profitability** - the current sharemarket climate does not believe the online brokerage as a stand-alone business is viable. InsWeb (started in 1995) and Quotesmith trading prices are down to 5 to 6 % of their year highs (at early April 2001)
- Policy administration costs for a basic transaction: \$0.45 - Internet, \$19 - call centre, \$8 – agency.
- **Legislation** for digital signatures is gaining ground in every major insurance market. In the US the new law was due to take effect in the first half of 2001. ([Ref 10](#))
- **Statistics** - At February 2001, 1% of all U.S. policies are purchased on the Internet and fewer than 20 percent of auto insurers had the ability to sell policies online. Allstate the U.S.'s second-largest auto and homeowners insurer anticipates that 15% to 20% of its property/casualty business could come from direct channels - the Internet and call centres - within five years.
- By 2004, the Internet initiated insurance *sales* are projected to be about \$12 billion. ([Ref 12](#))
- In one U.S. investigation it was found that 5% of consumers bought insurance online compared to 3% taking out an online loan or mortgage ([Ref 38](#))



## 2.5 Insurance Online - Australia

In addition to our high level observations set out in this section, we have in *Appendix H* considered the key customer, operational and business issues for Australian Online Insurance in a format that draws out direct comparisons.

*April 2000 observations summary:*

- Insurance regulation is federally based.
- Online insurance (B2C) very slow to get off the ground in Australia too.
- Very limited non company sponsored insurance information
- The comparator insurance sites generally have limited numbers of companies represented
- Channel conflict issue is alive and well in Australia too
- Most Australian insurance companies currently working through the detail of their e-business strategies. The next 12 months will see a big increase in the quality and quantity of the Web experience.

*April 2001 observations*

- **Internet Sales & Use** – at the retail level (B2C) there has been no huge rush into insurance. Very slow penetration rate. Low volumes are a drain on profitability.
- For direct retail sales, the Internet is just another distribution channel, not a separate business - integration of traditional and online businesses is the key to success.
- The business reality is that there is limited consumer interest to date in using the Internet for buying insurance in Australia.
- More concentration on insurance for a specialist area from that specialist area's primary site e.g. car sites, mortgage sites, travel agents sites i.e. a specific need – insurance as ancillary.
- Web enabling projects for risk insurance have started and/or progressed at most insurance companies in the last 12 months.
- Australian non-traditional insurance providers are giving more choice - a wider range of competitors' rates e.g. InsuranceMyWay.
- On the **B2B** side – much more has been happening. An example is claims processing by TAC. Health insurers have also been very active in this area as part of the wider Health Care industry with its strong government presence and higher levels of collaboration. ([Ref 39](#)). It is expected the B2B impacts will be greater in total value and earlier.
- Financial planning has been an expanding market within wealth management including insurance – there are more choices, more tools, more media and more complications leading to a demand for more advice and/or assistance. Internet based real time support for advisors / financial planners for companies has been a major development in the last 12 months. This represents a paradigm shift - enabling a real time interactive support business model. (See [Ref 30](#))
- Internet providing more real-time and backup resources support to intermediaries
- The recent NOIE report strongly urges the insurance industry to collaborate to ensure both B2B and B2C efficiencies emerge ([Ref 39](#)).
- **Regulatory environment** - Regulatory authorities around the world continued to address the issues brought to the fore by the use of the Internet for financial services and insurance. In Australia, APRA has recently discussed prudential issues ([Ref 2](#)) and ASIC is progressing the availability of electronic distribution of life insurance and superannuation products ([Ref 4](#)). At the 'pinnacle' level, the

International Association of Insurance Supervisors (IAIS) has issued principles to supervise insurance activities on the Internet ([Ref 32](#)), and emphasises that ultimately the protection of the policyholder remains one of the most important tasks of the regulator, regardless of the medium through which the product is sold.

- More insurance *explanatory information* is now available on line – e.g. the ASIC site on Insurance ([Ref 3](#)) as well as from the insurance providers themselves.

## 2.6 Insurance Online Comparison – U.S. v Australia

### *Online Rating Assessment*

We have applied our methodology for a specific *Online Rating* of Insurance providers as developed in last year's paper to 15 U.S. and 15 Australian Insurance Websites covering traditional Life and General insurance companies as well as non-traditional providers. We have repeated our use of this website assessment model to make ratings / assessments now. The results are shown in *Appendix E - Online Insurance Rating / Assessment – U.S.* and *Appendix F - Online Insurance - Rating / Assessment–Australia.*

### *April 2000 observations*

- U.S. online insurance providers rate significantly ahead of their Australian counterparts
- Non-traditional online insurance providers rate significantly ahead of traditional ones.
- General Insurance companies rate significantly ahead of Life Insurance companies in risk benefits
- A wide spread of online capability among market players.
- Australian online insurance is lagging the U.S to a greater extent than banking.
- Some of the observed evolution of the U.S. market is likely to be repeated in Australia, although not always to the same extent.
- A danger for traditional insurers that Australian banks or international insurance providers especially the online specialists will encroach the Australian insurers' territory.

### *April 2001 observations*

- U.S. online insurance providers continue to rate ahead of their Australian counterparts, but not as significantly.
- Non-traditional online insurance providers rate ahead of traditional ones, but to a lesser extent than previously and there are exceptions.
- General Insurance companies continue to rate significantly ahead of Life Insurance companies in the risk benefits area
- Still a wide spread of online capability among market players.
- Many changes of faces in the non-traditional area, particularly in the U.S. - some the results of mergers and acquisitions arising from low revenue and profitability pressures.
- Web sites - Many screens for traditional providers appear “busier” than previously and in some cases this makes them less easy to use.
- There is some more functionality, but still many basic functions not online for several companies e.g. claims.
- The pace of change in functionality is still relatively slow.

## 2.7 Insurance Online – Further Comments



One of the major changes in Australia is a reduction in the perceived and real competitive threat from specialist online providers. This is due to a combination of difficulty in building volumes due mostly to lack of consumer interest, establishment and ongoing costs, and possibly some element of a failure to build and maintain trust in a negative dot com environment, while their share prices languish.

As a result of our assessment of both the U.S. and Australian situations, we can make some *further observations as at April 2001* on online insurance:

- The key reason for slow pace of development of insurers online is that **insurance transactions** are relatively few and far between compared to the more successful, in terms of use, industries such as banking and share trading. ([Ref 30](#), [Ref 31](#) – Aust. Actuarial Journal 2000 Vol 6 Issue 3- discussion)
- The Australian online insurance market continues to severely lag the U.S. market in development terms and **depth** of competition.
- Much of the observed evolution of the U.S. market prior to last year has *not* been repeated in Australia, particularly in the **intermediary** area. The Australian market appears too small to economically support the intermediary depth of market in the U.S. including items such as comprehensive claims handling.
- Despite the inexorable **global convergence** of financial services providers and products, the danger for traditional insurers that Australian banks or international insurance providers (especially the online specialists) will encroach the Australian insurers' territory has not shown signs of materialising yet. On line specialists have their hands full surviving in the US - reducing costs including laying off staff, and searching for that elusive profitable business model.
- Australian banks are getting into insurance by buying insurance assets e.g. the National's purchase of

### 3 CONCLUSIONS AND RECOMMENDATIONS

*Plus ca change, plus c'est la memsahib* – Ogden Nash  
(The more things change, the more they stay the same)

In this section we summarise the major changes of the last 12 months. We then revisit the conclusions, future scenarios and recommendations made in [Ref 31](#) and make further comments.

#### 3.1 Summary

**Evolution** The enabling technical tools - the information technology and telecommunications hardware, software, protocols, materials etc - are still evolving strongly in their own particular areas, as opposed to revolutionising as was the case three to four years ago.

**Implementation** Likewise the focus has moved from concept to implementation. There has been a profound maturing of attitudes. Use of the Internet for financial services including insurance, albeit at a less level of intensity, has come of age. Vision has progressed through naivety and hard experience to more practical business implementation. We have experienced the first major full business control cycle examples. But this final step is still young...

**Paradigm Shifts ingrained** The paradigm shifts that the Internet has brought to our personal and business lives have become ingrained-- they are leading to fundamental business model and execution changes within traditional and non-traditional entities including insurance.

**Internet penetration** The integration of the Internet with people's lives and financial transactions including insurance continues to grow strongly and has reached critical mass in many financial services areas, but not for insurance.

**Profitability** Profitability is and will remain elusive due to increased competition and transparency of operations.

**Efficiency** Large productivity and efficiency gains at most levels in the supply and delivery chain are being planned and delivered. But as the electricity analogy in #2.1.5 illustrates, there is an offsetting decrease in profit margins due to the reduction in economic "friction"

The **Consequences for Insurance** from these and related changes include:

**B2C Risk Insurance** Business to consumer (retail) risk insurance business models will always require support/integration with other services to ensure transaction volumes are sufficient to ensure contribution to profit.

**B2B** Business to business (supply, internal) enablement is critical to ensure efficiency and competitiveness of the Insurance provider's business. The growth in B2B will be greater in scope and value than B2C.

**Policyholder retention** Retention of companies' insurance consumers via the online channel is critical to the long-term viability of the existing block of business. There will be a gradual increase over time in the importance of the online channel as one of a number of supporting business capabilities.

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**Links to other products** There is a need to ensure the Internet channel for insurance has easy links to the provider's other financial services and vice versa. For online consumers, convenience will increasingly drive the choice of many financial services products so it is critical for consumers to have the opportunity to choose those in the provider's repertoire easily.

**Service** It is vital for the insurance provider to maintain and enhance service using the unique characteristics, including interactivity and relatively low cost of the Internet channel, as service is the ultimate distinguishing feature when other aspects can be readily compared.

### 3.2 Conclusions

1. *Risk Insurance – U.S. v Australia:*

- Apr 2000 U.S. Insurers online capability >> Australian counterparts;  
Specialist online insurance providers' online capability >> traditional insurers  
General insurers online capability > life insurers for risk benefits
- Apr 2001 The gap in online capability between Australia and the U.S. has narrowed for both traditional and non traditional providers.  
The 2<sup>nd</sup> and 3<sup>rd</sup> conclusions for 2000 still hold.

2. *The Door is Open:*

- Apr 2000 Not too late for new or existing traditional players to join the e-business juggernaut
- Apr 2001 Still holds. Development has been slower than expected, not least due to the tech wreck and its aftermath.

3. *Paradigm Shifts:*

- Apr 2000 New approaches to business will continue to emerge at a rapid rate.
- Apr 2001 The paradigm shifts are still real and widespread within sections of businesses but the effect on established players has been less than expected as profitability has been lacking in full new business models. The new approaches to business are slowing, not least because venture capital has substantially dried up.

4. *Consumers:*

- Apr 2000 Greatly increases consumer empowerment e.g. compare information in their own time at their own convenience. Importance of service.
- Apr 2001 Still holds. Consumers expectations of what the Internet can deliver are growing strongly with increased use in non-insurance areas – the bar is continuously lifting.

5. *Intermediaries:*

- Apr 2000 The role of the intermediary will change significantly. Information available will alter the consumer / intermediary relationship.
- Apr 2001 Progressing as expected in the U.S. but more slowly in Australia. Intermediaries' capabilities are increasing with real-time Internet support from insurance companies.

6. *Changing Role of Technology:*

- Apr 2000 Future development of e-business for insurance will focus not on the technology but on the empowerment that technology provides.
- Apr 2001 Now holds even more strongly than ever as core technological developments are bedded down.

7. *Process Management:*



- Apr 2000 E-business management and implementation must be a dynamic process.  
Apr 2001 Still holds. Pace of change slower than expected takes some pressure off traditional companies.

8. *Tyranny of Specialist Knowledge:*

- Apr 2000 Operational risks exacerbated due to skilled resources shortages and need for insurers to develop and maintain own e-knowledge base.  
Apr 2001 E-business resources becoming less rare as market matures, capital not readily available for new e-business ventures and economic global and Australian economic growth rates reduce.

9. *Actuarial Impact:*

- Apr 2000 Technical perspective - “pure” insurance issues unaffected, but the e-business environments where applied will be very different from traditional.  
Apr 2001 Still holds. Evolving e-business environments correctly place most emphasis on underlying business aspects.

*New additional conclusion for 2001*

10. *Collaboration*

- Apr 2001 The last 12 months has seen a move from outright competition to a sense of need for collaboration across the insurance industry to provide a common base for provision of services to the insurance consumer, intermediaries and the other members of the supply chain from initial advice and sale through to claims processing and settlement. Supply of service to the standard Internet users expect, requires the building of e-business infrastructure to support the full range of Internet connected business partners and customers.

### 3.3 Future Scenarios

1. *Will Australia Follow the U.S.?*

- Apr 2000 We expect Australian experience will follow the same general trends with important differences in different areas, emphasis and balance. The smaller size of the Australian marketplace will result in a lower profile for comparison sites and other third parties for insurance.  
Apr 2001 While Australia still is experiencing the same general trends in demographics and to a lesser extent on-line retail, there are strong degrees of difference evolving in e-business within banking and insurance, due to the different nature of the base markets and their size. The maturing of the technology and their application to business models lead us to expect less “following” than initially expected.

2. *Insurance Internet Volumes Will Grow Substantially:*

- Apr 2000 Insurance provision will not be an exception to this general rule  
Apr 2001 Development has been slower than generally expected on the retail side. B2B volumes have grown impressively – e.g. intermediaries and claims - especially in U.S. Business efficiency competitiveness will drive B2B volumes strongly. (e.g. see [Ref 30](#), [Ref 36](#), [Ref 39](#)). In due course, insurance provision will not be an exception.

3. *Current Big Australian Insurers:*

- Apr 2000 These are most likely to win the online insurance war - provided they adopt the



Internet way.

Apr 2001 They are now even more likely to win the war. With online insurance development still slow and the cash burn and profitability difficulties of non-traditional providers, the position of the traditional incumbents has been strengthened.

4. *Integrated Financial Services:*

Apr 2000 E-business capability will accelerate and be central to the development of integrated financial services.

Apr 2001 Basic premise still holds. There has been stronger financial services portal development. However, in relative terms the last 12 months has seen greater specialisation by single product within financial services. E.g. car insurance from car sites, travel insurance from travel sites.

A particular possible future scenario is that the major banks, being now entrenched in e-business and with ability to compete on marginal costs, could pose a serious threat to non-bank aligned Australian insurance providers.

5. *Insurance Operations & Management:*

Apr 2000 The IT&T aspects will become less of an issue; Companies to make increasingly sophisticated and targeted use of their data;

Insurance back offices will be in the hands of a few major players extracting the economies of scale.

Traditional insurers will have serious problems on channel management and conflict resolution.

Apr 2001 This long term consolidation scenario still holds.

6. *Utilisation of the Consumer as Administrator:*

Apr 2000 The ability of consumers to directly access their products and associated details permits them to maintain information. Interactivity could be utilised to provide personalised options.

Apr 2001 Still holds. Portal development over the last 12 months has seen strong evidence of this.

7. *Access to Existing Databases:*

Apr 2000 The value of insurers' consumer databases is potentially very large. The cost and effort to develop large consumer databases from scratch in an e-business environment may now be prohibitive.

Apr 2001 The fundamentals still hold. Market value of non-traditional sourced databases is substantially less than a year ago! You can lead a horse to water but .. Simply having names of subscribers is of limited value. Anticipate a 'next round' with more sophisticated tools, subject to privacy implications and limitations.

8. *Regulatory Issues will need to be Addressed:*

Apr 2000 National regulatory systems will require adjustment. This will be most obvious in terms of consumer protection and sales practice issues.

Apr 2001 These issues have been actively addressed in the last year eg [Ref 2](#), [Ref 30](#). Progress has made on issues such as electronic insurance applications with an ASIC draft paper ([Ref 2](#)). A Privacy Act has been passed in Australia. Further development on these and other issues such as Public Key Infrastructure (PKI) e.g. digital signatures, is continuing here and worldwide.

9. *Export Expertise:*



- Apr 2000 Australia should be able to export its e-business insurance expertise to Asia.
- Apr 2001 Because development of online insurance has been slower than expected, this export market will remain small in the medium term and may not eventuate to any great extent as Asian Internet demographics catch up to Australia and the market differences become relatively more important e.g. mobile Internet / “m-commerce” strength in Asia.

### 3.4 Recommendations

Our *April 2000* recommendations were on management approach:

- The need for management of insurance providers to consider the issues and interactions examined in June 2000 and then to incorporate appropriate actions into e-business and general business strategic plans.
- Adopt a management approach along the lines of:
  1. Understand Your Objective
  2. Entice Customers and Stakeholders
  3. Evaluate Fully. Act Decisively
  4. Measure Success
  5. Manage Risks

*April 2001*

- Even with the benefit of hindsight of the tumultuous year on the Internet, we repeat those recommendations, recognising as before that new economy business and old economy business challenges are best tackled by getting back to first principles to identify actions. The key is to seek to understand and take advantage of the opportunities inherent in the paradigm shifts.
- Traditional companies should take this opportunity to re-visit their e-business strategy, analyse carefully the experience to date and amend or fine tune their strategy and its implementation.
- Without the previous strong urgency to develop and implement Internet strategies on the retail side, greater concentration can be paid to those areas where cost savings can be delivered – i.e. the business to business aspects both internally within the company and with its suppliers and distribution forces.

### 3.5 Insurance: Online or “On the line”?

In *April 2000* we were convinced that:

- Insurance has a strong future online, and
- ... the future of the traditional insurance companies is not “on the line”.. opportunities to grow the business and make it more competitive.

*April 2001* Returning after an eventful year we are no less convinced. We can start to see:

- In which areas, and how, those traditional insurance companies can grow their businesses and make their traditional businesses more competitive:
  - enhancement of service and customer relationship,
  - provision of in depth useful support information,



- more efficient processing using business to business e-commerce links especially with claims
- As time passes the threat in Australia of specialist online providers for insurance becomes less.
- A profitable business model for the sector is yet to emerge given the relatively small size of Australia's economy.
- As globalisation continues and natural boundaries are reduced it is important to remember the facilitation role the Internet will play particularly for large multinationals. Direct competition on sales across boundaries will not happen in the near future but in the longer term the infrastructure is there to support it and it could become a threat.
- The strong future will belong only to those who embrace Internet efficiency and the new – a sentiment echoed not least by other actuaries in other countries (eg see [Ref 45](#))

Equally valid today, our April 2000 recommendations highlight the importance of getting back to first principles, taking a holistic view of the business and being lateral in approaching process review in order to be able to meet the challenges and maximise the opportunities which the Internet environment provides.

### 3.6 Acknowledgements

We thank Son Vu for assisting us with our research.

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The references below include where possible an embedded hyperlink to the reference's location on the Internet. References are shown in *alphabetical order* by: the *author's name* where known; in all other cases by the name of the *entity* responsible for its publication.

We have included a letter [n] at the end of each reference to indicate its main subject material:

- [I] Online Insurance
- [R] Online Retailing
- [B] Online Banking
- [E] Other e-business or online material

Readers should be aware that with the passage of time the Internet references shown below may no longer be valid because the material has been moved from or within the website, or the website itself may no longer be available.

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<b>Appendix A Online Retailing - Assessment &amp; Comparison - US</b>		
	<b>March 2000</b>	<b>March 2001</b>
<b>Customer Issues</b>		
<i>Trust</i>	Consumers getting more trustworthy with use. Volumes suggest people are voting with their \$.	Trust building with repeated use and use by new customers.
<i>Convenience</i>	Varies. Has improved greatly. Give the user what they want & like - key to Amazon's success. Builds loyalty.	Has becoming the major factor for online purchase. A distinguishing feature versus conventional retail.
<i>Service</i>	Varies. E-mail a key tool - confirmation of order and/or payment, and shipment. Automated tracking.	Innovation period largely over. Less online differentiation by service now.
<i>Price</i>	Price is critical - nature of goods is that exact comparison is possible.	Price becoming less critical. Now enormous numbers of online retailers.
<b>Operational Issues</b>		
<i>Product Nature</i>	A physical good which needs to be delivered. Small and (relatively) robust is easiest and least costly.	Physical - unchanged but now wider range of products. Travel now the leading "product" - electronic delivery.
<i>Purchase type</i>	More need / desire than impulse. Res - earch large, specialised purchases.	Desire/need basis stronger. Move towards goods where online service beats offline e.g. travel.
<i>Payment</i>	75% credit card; rest COD or bank cheque.	Electronic wallets with capability for small payments per click emerging.
<i>Supply / delivery</i>	Big e-tailers building delivery infrastructure. Main problem is consumer fulfilment at delivery-can be unreliable.	Delivery still the major issue. Has improved but still has a way to go. A key discriminant.
<b>Business Issues</b>		
<i>Customer accretion</i>	Initially word of mouth. Now - facilitating re-purchase and directing from portals and other sites. Ads expensive. "Stickiness"/loyalty fickle.	Many customers now have favourite sites. Some loyalty on convenience and lack of desire to surf for new options. Specialisation can attract.
<i>Competition</i>	Gettting more intense! Traditional retailers starting to flex their muscle eg Walmart. Online Auctions very popular. "Bots" & comparison sites.	Intense. Some companies disappearing. Price becoming a little less critical. More competition from traditional retailers.
<i>Revenues</i>	Still growing very rapidly. 1999 - 1.2% of total retail sales was online.	Growing close to expectations. Channel established.
<i>Profitability</i>	Rare yet for specialist online players. M&A to give economies of scale.	Varies by product, business model. Losses >= profits, but improving.
<i>Brand management</i>	More valuable to manufacturer. Valuable to retailer as quasi security.	Many online brands are household names. Value has declined greatly.
<i>Regulation</i>	No differences to normal retail other than tax position. Data privacy.	Privacy legislation being enacted. Subject to greater scrutiny now.
<i>Organisational Structure</i>	"Dot coms" have been the leaders. Used new technology to build infrastructure. Trad. Cos have to integrate existing systems.	Dot coms having great difficulty with profitability. Traditional companies are catching up. Online specialists in retail areas increasing presence.

<b>Appendix B Online Retailing - Assessment &amp; Comparison - Australia</b>		
	<b>March 2000</b>	<b>March 2001</b>
<b>Customer Issues</b>		
<i>Trust</i>	Familiarity and spending generally less than US so security or perceived security risk is more of an issue in Australia.	Still lagging U.S. mostly due to less developed state of the market. Is increasing with experience but dented by specialist online stores woes.
<i>Convenience</i>	As for U.S. in principle. Australian opportunities much more limited eg slow grocery shopping roll-out.	The main driver now as for U.S. Range of choice and purchase opportunities has increased in year.
<i>Service</i>	Less mature market so varies a lot. Best service has been from online specialists - trad. retailers struggling.	Improving. Traditional retailers have substantial presence. Struggling to meet diff. needs of online purchasers.
<i>Price</i>	Smaller economy, less developed online market so less critical.	Decline in A\$ v US\$ has made US online shopping expensive. High cost of delivery in Aus keeps prices high.
<b>Operational Issues</b>		
<i>Product Nature</i>	Nature as for U.S. Longer delivery times from overseas.	Physical - unchanged but now wider range of products. Travel now the leading "product" - electronic delivery.
<i>Purchase type</i>	More need / desire than impulse. Research large, specialised purchases.	Desire/need basis stronger. Move towards goods where online service beats offline e.g. travel.
<i>Payment</i>	Initial reluctance to use credit cards now diminishing	Increasing use of 3rd party payment mechanisms to order, thus avoiding giving credit card details to retailer.
<i>Supply / delivery</i>	As for U.S. Longer delivery times from overseas (USA) if used.	Our low population density means delivery cost is high. New models -e.g. pickup at service stations.
<b>Business Issues</b>		
<i>Customer accretion</i>	U.S. word of mouth and Internet based reputation was a strong factor in overseas providers (eg Amazon, CDNow) getting strong footholds here.	Local specialist online retailers have insufficient customer levels for economies of scale and profitability.
<i>Competition</i>	Traditional retailers very slow to embrace, but limbering up. International dimension.	Mixed. Online competition increasing between traditional retailers in many areas. Travel - bringing big revenues for airlines and savings to customer!
<i>Revenues</i>	Growing rapidly from a low base and later start. 1999 - 0.4% of total retail sales online	Growing strongly beyond expectations. Channel established.
<i>Profitability</i>	No reason to expect any difference in Australia.	Limited. Harder in Aust. due to less economies of scale, high delivery costs
<i>Brand management</i>	More valuable to manufacturer. Valuable to retailer as quasi security.	Traditional retail brands have become more important. E.g. Coles Myer.
<i>Regulation</i>	New privacy legis'n. Small purchases from o/seas not taxed in practice.	Specifics unchanged generally. Privacy Act passed.
<i>Organisational Structure</i>	"Dot coms" have been the leaders. Used new technology to build infrastructure. Trad. Cos have to integrate existing systems.	Move over year to integration of online and offline capabilities. Proving difficult. Online specialists being taken over by traditional retailers.

<b>Appendix C Online Banking - Assessment &amp; Comparison - US</b>		
	<b>March 2000</b>	<b>March 2001</b>
<b>Customer Issues</b>		
<i>Trust</i>	Consumers still have concerns with the security of the Internet and privacy of their personal data. Slow to dissipate.	Still critical. Trust in the Internet as secure medium increasing.
<i>Convenience</i>	<i>THE</i> reason for use. 24 hours, 7 days. See and explore balances, a/c history and pay bills are greatest conveniences.	Still <i>THE</i> reason for use.
<i>Service</i>	Trad. banks - limited. Specialist online banks starting to enrich the experience.	Greater transaction capabilities means greater self-service. Specialists online
<i>Price</i>	A lot of net banking is free; Needs this differentiation to attract the security doubters in the mass market.	Price differentiation of pure Internet banks is lessening.
<b>Operational Issues</b>		
<i>Product Nature</i>	Electronic in nature so ideal for web - transaction processing and commun'n. Regulation, myriad of forms are hurdles.	Basics still hold. Extra flexibility to enhance or add new products and services
<i>Purchase type</i>	Need rather than impulse.	Need. Transaction based as opposed to sale. Regular.
<i>Payment</i>	Payment integration across banks not widely available yet.	Wider range of payment capability now present.
<i>Supply / delivery</i>	In theory online supply & delivery so ideal for Internet; in practice regulatory reqmts slow new sales process.	As for March 2000.
<b>Business Issues</b>		
<i>Customer accretion</i>	The driving force for the bank is to try and become the primary financial service provider.	Market less concerned with getting customers at any price. Customer preference is online for convenience but some like face to face option.
<i>Competition</i>	Lots - specialist online banks, other providers and now users of aggregation software ("wrap" type facilities for multiple co. account access)	Competition now is mostly among and against established traditional banks.
<i>Revenues</i>	At April 2000 < 5% of customers bank on the Internet. Volume is drawn from existing channels at the bank.	Percentage of US customers banking on the Internet is growing relatively slowly.
<i>Profitability</i>	Great scope for lower transaction costs, especially when directly consumer initiated and controlled. Competition on fees and service may offset profitability.	Online specialists banks need volume to meet overheads of set-up. Trad. banks - low Internet trans'n costs but also big integration costs.
<i>Brand management</i>	Brand is less dominant in the U.S. but is still critical for trust and reputation of capability and service.	Dot.com difficulties undermining trust and security and likely to be lessening value of specialist online bank brands.
<i>Regulation</i>	Most legislation is state based => indiv. bank market shares lower than Australia Easier for bank specialists to succeed.	As for March 2000.
<i>Organisational Structure</i>	Online specialist banks are the major players at present.	Online specialists struggling profitability wise. Traditional banks increasing Internet presence.

<b>Appendix D Online Banking - Assessment &amp; Comparison - Australia</b>		
	<b>March 2000</b>	<b>March 2001</b>
<b>Customer Issues</b>		
<i>Trust</i>	No major breaches to date. Slow, careful approach paying off. Strong encryption. Trust from offline banking	Excellent year for the banks. Maintained secure security and privacy. Level of trust with Internet as medium has grown substantially.
<i>Convenience</i>	Focus is on functionality rather than "form". Big banks now provide most desired transaction capability.	Convenience increased with more transaction capabilities e.g. payments to third party bank acc'ts.
<i>Service</i>	Limited facilities so far - does not embrace or enthuse customer.	Extension of transaction capabilities increases self-service.
<i>Price</i>	User pays lower per transaction for electronic and in some cases Internet transactions (cf ATM's)	Increases in fees for non electronic transactions have encouraged Internet use. No fees for some Internet accounts
<b>Operational Issues</b>		
<i>Product Nature</i>	As for U.S. 100 point ID rule requires face to face for opening a new account at a new bank.	Possible to open some accounts online as interim measure. Signed documents must follow.
<i>Purchase type</i>	Need rather than impulse.	Need. Transaction based as opposed to sale. Regular.
<i>Payment</i>	Internet expands strong use of ATMs, EFTPOS and phone banking.	Expanded. 3rd party account transfer - any bank. Greater BPay facilities.
<i>Supply / delivery</i>	In theory online supply & delivery so ideal for Internet; in practice regulatory reqmts slow new sales process.	As for March 2000
<b>Business Issues</b>		
<i>Customer accretion</i>	Have mostly satisfied demand for basic functionality. Now to cross-selling other products & retention.	Big 4 trad banks focus still on moving own customers to Internet. Extremely successful.
<i>Competition</i>	Need to "enrich" the customer's experience to maintain market share. Competition from specialist online banking providers to continue.	Specialist online banking providers only success is in specialist products- e.g. ING Direct online savings a/c.
<i>Revenues</i>	Since major banks revamped their web sites in 1999 internet related volumes have built substantially.	Internet banking penetration now 27% of online population.
<i>Profitability</i>	Lessening dependence on much more expensive bank branch structure. Big banks able to absorb the large development costs.	Profitability overall being maintained by move from branch to Internet. Specialist online providers volume too limited to be profitable?
<i>Brand management</i>	Critical and dominant in Australia due to market penetration of the major banks. Extremely valuable.	Value of brands showing strongly for big 4 banks. Provides basis for financial services expansion inc. insurance.
<i>Regulation</i>	Privacy Act/Bill just published. Banks maintaining offline stance.	Lots of debate about privacy and security. Privacy Act bites at year end.
<i>Organisational Structure</i>	Internet banking is sitting on top & integrating with existing structures.	Internet specialist divisions generally now fully integrated back into the traditional bank.

Appendix E		Online Insurance Rating / Assessment - U.S.					Compare			
INSURANCE PROVIDER TYPE & Company Name	Web site	Use-ability	Function-ality	Other Content	Communi-cation & Security	All / Totals - March 2001	All / Totals - March 2000	Ranking within U.S. March 2001	Ranking Overall March 2001	
<i>Sample Co - MAX scores</i>		20.0	50.0	10.0	20.0	100.0				
<b>TRADITIONAL LIFE</b>	Average by provider type -->	15.0	11.4	7.5	16.5	50.5	46.9			
TIAA-CREF	<a href="http://www.tiaa-cref.org/">http://www.tiaa-cref.org/</a>	14.2	25.6	3.9	15.0	58.7	49.7	8	14	
Prudential of America	<a href="http://www.prudential.com/">http://www.prudential.com/</a>	14.2	8.6	10.0	17.5	50.4	47.4	11	19	
Metropolitan Life	<a href="http://www.metlife.com/">http://www.metlife.com/</a>	14.2	2.9	8.3	17.5	42.9	40.4	13	22	
New York Life	<a href="http://www.newyorklife.com/">http://www.newyorklife.com/</a>	14.2	11.5	8.7	15.0	49.4	48.2	12	20	
Northwestern Mutual Life	<a href="http://www.northwesternmutual.com/">http://www.northwesternmutual.com/</a>	18.1	8.6	6.7	17.5	50.9	49.0	10	17	
<b>TRADITIONAL GENERAL</b>	Average by provider type -->	16.3	25.1	5.6	14.5	61.5	50.4			
State Farm Insurance	<a href="http://www.statefarm.com/">http://www.statefarm.com/</a>	20.0	23.6	6.1	17.5	67.2	59.0	4	6	
American Int'l Group	<a href="http://www.aig.com/">http://www.aig.com/</a>	11.2	35.9	3.9	15.0	66.0	37.1	5	7	
Allstate	<a href="http://www.allstate.com/">http://www.allstate.com/</a>	16.2	29.3	8.3	15.0	68.7	57.9	2	3	
Berkshire Hathaway (Geico)	<a href="http://www.geico.com/">http://www.geico.com/</a>	16.2	33.6	3.3	15.0	68.0	63.9	3	5	
Loews	<a href="http://www.loews.com/">http://www.loews.com/</a>	18.1	2.9	6.5	10.0	37.5	34.0	14	25	
<b>NON TRADITIONAL</b>	Average by provider type -->	18.1	22.8	3.6	16.3	62.5	54.5			
Insweb	<a href="http://www.insweb.com/">http://www.insweb.com/</a>	18.1	20.7	5.0	17.5	61.3	52.0	6	12	
QuotesSmith.com	<a href="http://www.quotesmith.com/">http://www.quotesmith.com/</a>	18.1	17.2	3.3	15.0	53.6	52.5	9	16	
QuickQuote	<a href="http://www.QuickQuote.com">www.QuickQuote.com</a>	18.1	25.0	2.2	15.0	60.3	48.6	7	13	
Esurance	<a href="http://www.esurance.com/">http://www.esurance.com/</a>	20.0	35.1	5.0	15.0	75.1	65.0	1	1	
<i>Notes:</i>										
1 U.S. Traditional Life & General Insurers were selected and are listed broadly in order of size (premium income). Source: Fortune - May 1999, May 2000										
2 U.S. Non traditional insurers were identified from a wide range of media reports and web site searches including web rankings (e.g. Ref 29).										
3 <b>Ratings are indicative only.</b> Also, websites are updated regularly so this rating is applicable only at mid March 2001.										
4 Since last year Quicken.com has merged with Insweb and eCoverage is no longer open to new business.										



Insurance Online - One year on ..

Appendix F		Online Insurance Rating / Assessment - Australia						Compare					
INSURANCE PROVIDER TYPE & Company Name	Web site	Use-ability	Function-ality	Other Content	Communi-cation & Security	All / Totals March 2001	All / Totals March 2000	Ranking within Australia March 2001	Ranking Overall March 2001				
<i>Sample Co - MAX scores</i>		20.0	50.0	10.0	20.0	100.0	100.0						
<b>TRADITIONAL LIFE</b>		Average by provider type -->				13.8	3.2	5.9	12.5	35.3	28.2		
AMP	<a href="http://www.amp.com.au/">http://www.amp.com.au/</a>	11.2	4.3	5.0	15.0	35.5	19.6	12	26				
Mercantile Mutual Life	<a href="http://www.ing.com.au/">http://www.ing.com.au/</a>	11.2	2.9	6.1	10.0	30.1	n/a	15	29				
AXA	<a href="http://www.axa.com.au/">http://www.axa.com.au/</a>	14.2	2.9	7.2	15.0	39.3	37.4	10	23				
MLC	<a href="http://www.mlc.com.au/">http://www.mlc.com.au/</a>	14.2	2.9	6.1	15.0	38.2	35.2	11	24				
Commonwealth Life	<a href="http://www.commbank.com.au/">http://www.commbank.com.au/</a>	18.1	2.9	5.0	7.5	33.5	20.5	13	27				
<b>TRADITIONAL GENERAL</b>		Average by provider type -->				16.8	17.6	4.3	16.5	55.3	47.5		
NRMA Insurance	<a href="http://www.nrma.com.au/insurance/index.html">http://www.nrma.com.au/insurance/index.html</a>	20.0	17.8	6.7	17.5	62.1	45.7	4	9				
QBE Insurance	<a href="http://www.qbemm.com.au/">http://www.qbemm.com.au/</a>	18.1	2.9	4.6	17.5	43.0	n/a	9	21				
Zurich Financial Services	<a href="http://www.zurich.com.au">http://www.zurich.com.au</a>	11.2	2.9	5.0	12.5	31.5	21.8	14	28				
GIO Australia	<a href="http://www.gio.com.au/">http://www.gio.com.au/</a>	18.1	36.5	2.2	17.5	74.2	62.1	1	2				
FAI	<a href="http://www.fai.com.au">http://www.fai.com.au</a>	16.9	27.9	3.3	17.5	65.6	60.2	3	8				
<b>NON TRADITIONAL</b>		Average by provider type -->				15.2	25.1	3.2	15.0	58.4	46.8		
Insurance My Way	<a href="http://www.insurancemyway.com.au/">http://www.insurancemyway.com.au/</a>	20.0	27.9	3.3	17.5	68.6	48.7	2	4				
Insurance Watch	<a href="http://www.insurancewatch.com.au/">http://www.insurancewatch.com.au/</a>	18.1	25.0	2.8	12.5	58.4	32.4	7	15				
Futuresafe	<a href="http://www.futuresafe.com.au/">http://www.futuresafe.com.au/</a>	12.3	25.6	3.3	17.5	58.6	50.1	5	13				
Quicken	<a href="http://quicken.com.au/insurance/insurance.html">http://quicken.com.au/insurance/insurance.html</a>	11.2	22.1	2.2	12.5	48.0	48.4	8	20				
eChoice	<a href="https://www.echoice.com.au/servlet/CISecondPage">https://www.echoice.com.au/servlet/CISecondPage</a>	14.2	25.0	4.3	15.0	58.6	54.2	6	14				
<i>Notes</i>													
1 Australian Trad'l Life & General Insurers were selected and are listed broadly in order of size (premium income)-Source: BRW Nov 1999 & Nov 2000 Top 1000													
2 Australian non traditional insurers were identified from a wide range of media reports and searches. No particular order was adopted for listing.													
3 Our analysis was based on risk insurance. Ratings would be different if we had assessed online funds management capabilities of life insurers.													
4 <b>Ratings are indicative only.</b> Also, websites are updated regularly so this rating is applicable only at mid March 2001.													



<b>Appendix G Online Insurance - Assessment &amp; Comparison - U.S.</b>		
	<b>March 2000</b>	<b>March 2001</b>
<b>Customer Issues</b>		
<i>Trust</i>	Traditional Companies leverage existing brand name. Using "Trust / Security" Rating companies approvals.	Continuing trend from March 2000. More traditional entrants emphasises this.
<i>Convenience</i>	Widely used for researching insurance decision. Online general agents / brokers / comparators sites get most use. This reflects their focussed design and ease of	Greater range of comparisons than ever. More educational material too. Convenience in actual use of sites has not improved greatly.
<i>Service</i>	As yet relatively sparse, compared to retail. Little imagination in enriching the process.	Focus is still on functional aspects. Claims service increasing. Broker service levels a major focus.
<i>Price</i>	Market appears price sensitive.	Market still very price sensitive on commodity risks. Large no. of comparator sites encourages this.
<b>Operational Issues</b>		
<i>Product Nature</i>	Virtual' in nature so ideal for web re: transaction processing and commun'n.	As before but infrequency of insurance transactions reduces further sales opps.
<i>Purchase type</i>	Need rather than impulse. Some covers "bought" eg auto/motor, other "sold" e.g. life risk.	Largely unchanged.
<i>Payment</i>	Should be able to accept online payments but not universal.	More generally available but still not universal.
<i>Supply / delivery</i>	In theory online supply & delivery so ideal Internet business; in practice regulatory requirements can make supply process time consuming.	Considerable action in last year in the B2B area particularly. Support mechanisms for brokers and claims processing.
<b>Business Issues</b>		
<i>Customer accretion</i>	Most valuable asset is existing customer base. Need to use the Internet to retain and as an additional channel for new business.	Same sentiments still apply. Improvements in the last 12 months have been limited.
<i>Competition</i>	Products such as auto/motor or term life can be easily compared across companies.	Competition has increased as more vendors, intermediaries and potential purchasers have come online.
<i>Revenues</i>	Early days yet.	B2C increasing slowly. B2B increasing.
<i>Profitability</i>	Price sensitivity reduces profitability. Need to make the support processes more efficient to compensate.	Specialist online providers struggling with gaining volumes and income. Rationalisation in progress.
<i>Brand management</i>	Brand reputation = security of claim payment and service quality. Critical to craft digital brand to mean this online.	Most digital brands are intermediaries. No standout digital brand in insurance. Strong brands are the traditional companies.
<i>Regulation</i>	Mostly state based. Gives rise to different prices by state for GI -can be handled easily online (use Zip code). Privacy legislation being debated	Lots of debate about privacy, security, Public Key Infrastructre - digital signatutres etc. Legistlation in train.
<i>Organisational Structure</i>	Traditional companies have structure to support all business functions. Internet disaggregates this.	Given low volumes of B2C insurance online and profitability difficulties of all online providers, the integrated on and off line approach is more popular.



**Insurance Online - One year on ..**

<b>Appendix H Online Insurance - Assessment &amp; Comparison - Australia</b>		
	<b>March 2000</b>	<b>March 2001</b>
<b>Customer Issues</b>		
<i>Trust</i>	For U.S. and Australia privacy becomes relatively more important than security. Info. is personal.	Slightly improved.
<i>Convenience</i>	Not as many comparison sites, but they are easiest to use, and enable much more of the insurance transaction to take place.	Not much increase in convenience in the year. More access to insurance purchase from related sites e.g. drive.com.au
<i>Service</i>	As yet sparse, compared to retail. Little imagination in enriching process.	Focus is still on functional aspects. Claims service increasing.
<i>Price</i>	Most comparison sites do not have wide range of insurers.	Cash flow and profitability difficulties have restricted competition from the online specialist providers.
<b>Operational Issues</b>		
<i>Product Nature</i>	As for U.S. Regulation is less intrusive than for banking.	Unchanged
<i>Purchase type</i>	As for U.S. Some monopoly covers in some states eg motor 3rd party, employers liability / WorkCover	Infrequent <i>transaction</i> nature and many questions make insurance least suitable financial service for the Internet as a point of sale.
<i>Payment</i>	As US. Australia lags in consumer confidence with online payment.	Consumer confidence building.
<i>Supply / delivery</i>	In theory online supply & delivery so ideal Internet business; in practice regulatory requirements can make supply process time consuming.	As for U.S. B2B of much greater importance here with considerable activity in last year.
<b>Business Issues</b>		
<i>Customer accretion</i>	As for U.S. Australia has more scope for leveraging banking, funds mang't & insnce to provide integrated financial services facilities	Life risk insurance is largely being left aside while major insurers' focus on more profitable wealth management.
<i>Competition</i>	Less competition to date on comparators. Traditional competition online has not really started yet.	Cash flow and profitability difficulties have restricted competition from online specialist providers. Traditional companies strengthening.
<i>Revenues</i>	Even earlier days than the U.S.	As for U.S. B2C increasing but slowly. B2B increasing.
<i>Profitability</i>	Given smaller market size, greatest profitability to come from cross selling and maintaining loyalty.	As for U.S. - specialist online providers struggling with gaining volumes and keeping the businesses above water.
<i>Brand management</i>	As for U.S. Insurers have more popular profile with consumers than the banks. Need to carry this online.	Brand power is in the traditional insurance companies. No value in online insurance brands - don't exist.
<i>Regulation</i>	Signatures reqd for applications and payments. Some day will be digital. Phone techniques can be used. Needs analysis and advice issues.	APRA has discussed prudential issues (Ref 2); ASIC progressing electronic distribution of life insurance and super (Ref 4). Public Key Infrastructure debate and enablement progressing.
<i>Organisational Structure</i>	Traditional companies busy working out their strategies. Structure changes will lag.	The urgency for online strategies has faded alongside the threat from specialist providers due partly to slow usage growth



Appendix I		Indicative Internet Statistics						
Number of People Online - March 1999 to March 2001								
	Mar 1999	Mar 2000	Mar 2001	Mar 1999	Mar 2000	Mar 2001	One Year Growth	One Year Growth
Country/Region	Number (Million)	Number (Million)	Number (Million)	% of Population	% of Population	% of Population	1999-2000	2000-2001
Australia	4.4	6.8	8.7	24%	36%	<b>46%</b>	55%	<b>28%</b>
US	80.0	123.6	164.1	30%	45%	<b>60%</b>	55%	<b>33%</b>
UK	10.6	15.7	21.2	18%	27%	<b>36%</b>	48%	<b>35%</b>
Rest of Europe	26.6	67.7	93.1				155%	<b>38%</b>
Rest of World	37.4	90.6	145.1				142%	<b>60%</b>
<i>Total - World</i>	<i>159.0</i>	<i>304.4</i>	<i>418.9</i>				91%	<b>38%</b>
<i>Sources:</i>	Nua (Ref 41)							
	Nielsen Netratings							
<i>Notes:</i>								
1	The numbers shown are indicative only. Survey methodologies, online definitions and date anchors can vary within and across countries and across time.							
2	The %s of populations and the one year growth rates are most useful							



Appendix J		Indicative E-Commerce Statistics					
<b>Important Notes</b>							
1 Actual and projected statistics on e-commerce volumes - B2B, B2C - Australia, U.S and worldwide.							
2 The sources, definitions and measurement techniques range greatly so no single statistic should be attached authority in isolation. Draw conclusions only from assessing TRENDS in the figures.							
3 -see below	IAAust Paper:	<b>IOL</b>	Insurance: Online or on the line? - June 2000 (Ref 31)				
4 -see below	IAAust Paper:	<b>IOL1YO</b>	Insurance Online - One year on .. - May 2001				
	<b>Year</b>	<b>Year</b>	<b>Year</b>	<b>Annualised Growth</b>	<b>Source</b>	<b>IAAust Paper</b>	
<b>E-commerce Business to Business volumes</b>							
	<b>1997 (actual)</b>	<b>2001 (proj)</b>	<b>2004 (proj)</b>				
<b>Australia</b>	A\$60m	A\$1,300m	n/a	<b>115%</b>	NOIE	<b>IOL</b>	
<b>U.S.</b>	US\$25,000m	n/a	US\$2,700,000m	<b>95%</b>	Forrester	<b>IOL</b>	
	<b>2000 (proj)</b>	<b>2003 (proj)</b>	<b>2004 (proj)</b>				
<b>Australia</b>	A\$3,600m	n/a	A\$51,000m	<b>94%</b>	Ref 20	<b>IOL1YO</b>	
<b>Australia</b>	A\$17,000m	n/a	A\$235,000m	<b>69%</b>	Ref 14	<b>IOL1YO</b>	
<b>Australia</b>	US\$2,900m	n/a	US\$37,000m	<b>89%</b>	Ref 34	<b>IOL1YO</b>	
	<b>2000 (proj)</b>	<b>2003 (proj)</b>	<b>2004 (proj)</b>				
<b>U.S.</b>	US\$1,300,000m	US\$3,100,000m	n/a	<b>34%</b>	Ref 15	<b>IOL1YO</b>	
	<b>1999 (actual)</b>	<b>2000 (actual)</b>	<b>2005 (proj)</b>	<i>00 to 05</i>			
<b>Worldwide</b>	US\$150,000m	US\$433,000m	US\$8,500,000m	<b>81%</b>	Ref 35	<b>IOL1YO</b>	
<b>E-commerce Business to Consumer volumes</b>							
	<b>1999 (actual) % of market</b>	<b>1999 (actual)</b>	<b>2000 (proj)</b>				
<b>Australia</b>	0.4%	A\$580m	c.A\$1,160m	<b>100%</b>	BRW	<b>IOL</b>	
<b>U.S.</b>	1.2%	US\$33,100m	US\$61,000m	<b>85%</b>	BCG	<b>IOL</b>	
		<b>2000 (proj)</b>	<b>2004 (proj)</b>				
<b>Australia</b>		A\$2,000m	A\$19,500m	<b>77%</b>	Ref 20	<b>IOL1YO</b>	
<b>Australia</b>			A\$18,000m		Ref 40	<b>IOL1YO</b>	
	<b>1999 (actual)</b>	<b>2000 (est)</b>	<b>2003 (proj)</b>	<i>00 to 03</i>			
<b>U.S.</b>	US\$19,400m	US\$37,000m	US\$100,000m	<b>39%</b>	Ref 49	<b>IOL1YO</b>	
	<b>1998 (actual)</b>	<b>1999 (actual)</b>	<b>2000 (actual)</b>	<i>99 to 00</i>			
<b>U.S.</b>	US\$7,700m	US\$17,300m	US\$28,000m	<b>62%</b>	Ref 44	<b>IOL1YO</b>	
	<b>Feb 2000 (actual)</b>	<b>Feb 2001 (actual)</b>		<i>00 to 01</i>			
<b>U.S.</b>	US\$2,400m	US\$3,400m		<b>42%</b>	Ref 22	<b>IOL1YO</b>	
<b>E-Commerce Insurance Sales (US)</b>							
		<b>1999 (actual)</b>	<b>2003 (proj)</b>	<i>99 to 03</i>			
<b>U.S.</b>	Actual Sales	US\$250m	US\$4,100m	<b>101%</b>	Forrester	<b>IOL</b>	
<b>U.S.</b>	Influenced Sales		US\$11,000m		Forrester	<b>IOL</b>	
		<b>2003 (proj)</b>	<b>2004 (proj)</b>				
<b>U.S.</b>		US\$35,000m			Ref 12 #A	<b>IOL1YO</b>	
<b>U.S.</b>			US\$12,000m		Ref 12 #B	<b>IOL1YO</b>	
Comment:	Take up speed and volume potential on all statistics continues broadly in line or exceeds historical exponentially high expectations!						

