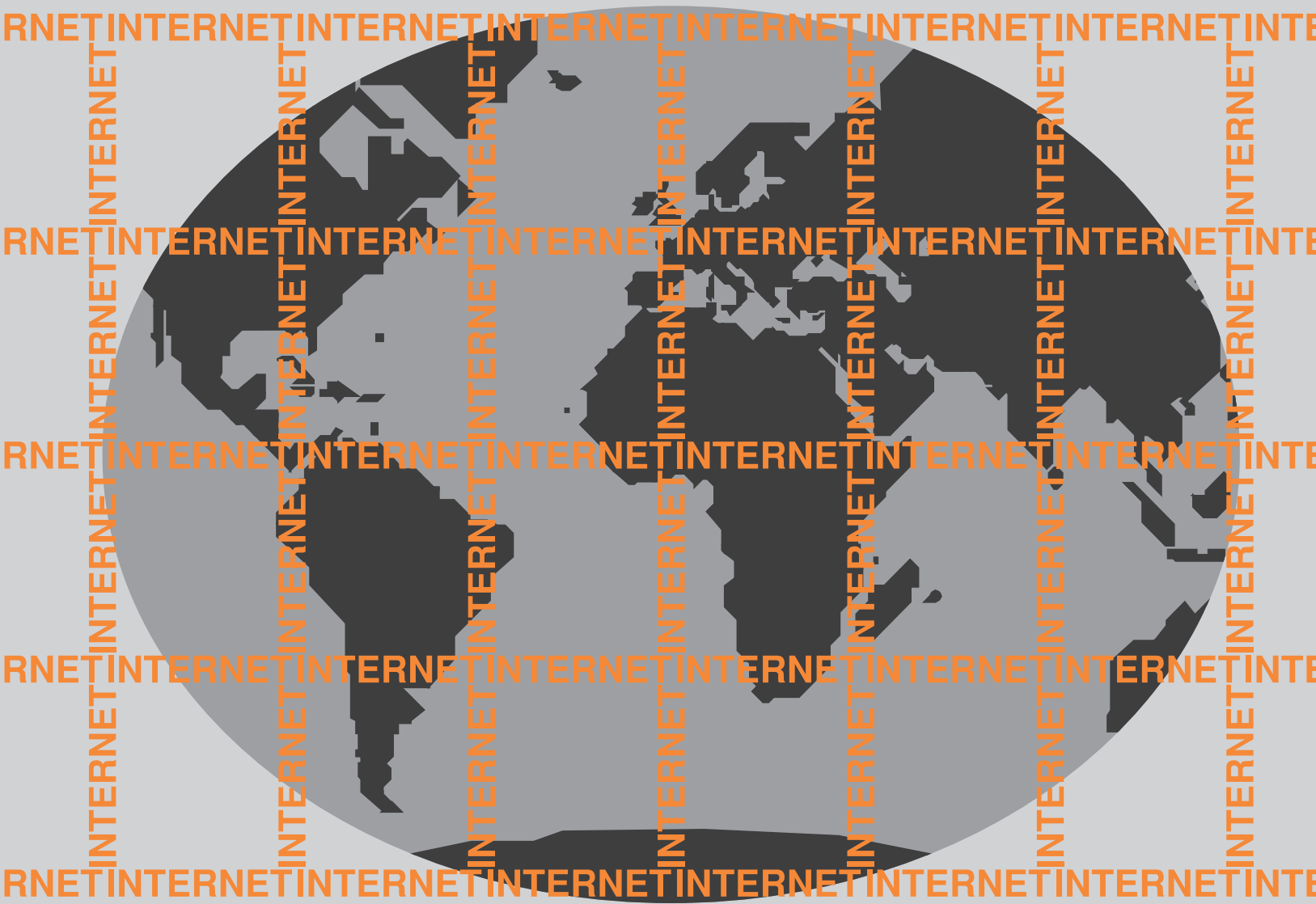


Life Insurance
and the Internet:
A Glimpse
Across the Borders –
An Update



Münchener Rück
Munich Re

**Life Insurance and the Internet:
A Glimpse Across the Borders –
An Update**

This publication was conceived,
written and realized in terms of both graphic
design and typography exclusively by Munich Re staff.

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Münchener Rückversicherungs-Gesellschaft

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Order number 2807-E-e

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Executive summary

Developments in the Internet are so fast that it is said that an Internet year only lasts three months. Munich Re published a report in 1997 about how life insurers in different parts of the world are using the Internet to communicate with existing and potential customers. This update explores whether after four Internet years there have been any significant developments or trends.

The key findings of this update, based on detailed analysis of 167 life insurance company websites (120 in 1997), are that:

- For active life companies, an Internet presence is rapidly becoming a standard feature.
- The standard package in all four countries is: (1) corporate information, (2) information on products and services, (3) job opportunities and (4) links to related Internet sites.
- Companies have recognized that the need for life insurance must be both explained and quantified. This is reflected in the significant increase in sites offering financial needs analysis tools, and generally increased user-friendliness of sites.
- There has not been a rush to transfer the sales process to the Internet. Most sites continue to function as advertising or lead generation vehicles. This reflects both the nature of life insurance and the distribution dominance of life agency networks. Practically the only product which is sold directly over the Internet in any form is term insurance.
- Insurers' response times to requests via the Internet remain extremely variable. There continues to be considerable scope for differentiation through service standards.

In addition to this report, you may wish to read the Munich Re report 'Insurance Organizations and the Internet', which discusses the ways in which the Internet can be of interest to insurance companies. The author is Guy Thomas, a lecturer in actuarial science at the University of Kent in the UK and a leading commentator on the usage of the Internet in the insurance industry. Please contact your Munich Re representative to obtain a copy.

1 Purpose of this update

The purpose of this update is to identify whether there have been any significant developments or trends in the usage of the Internet by life insurance companies since the original Munich Re Internet usage report, 'Life Insurance and the Internet: A Glimpse Across the Borders', in 1997.

Munich Re hopes that you will find this update in connection with the original report to be

- a useful benchmark against which to track your company's usage of the Internet;
- an insight into the usage of the Internet worldwide by life insurers.

As in 1997, this update looks at the activities of insurance companies in the UK, in Germany, in the USA and in Canada. Approximately 167 companies (in 1997, 120) were reviewed in detail in July 1998. Due to the explosion in the number of company websites this update focuses on life companies, although many offer other lines within their group as well.

2 UK life insurance companies' usage of the Internet

In April 1997 Munich Re surveyed the Internet sites and follow-up methods of 36 UK life insurers. In July 1998 this survey was carried out on 50 companies, including 29 from the 1997 survey. The remaining 7 are missing mainly as a result of merger activity or because they only sell non-life business.

2.1 How many UK life insurers are on the Internet?

The increase on 1997 is 18 companies or 45% over 15 months.

	July 1998	April 1997
Total number of UK life insurers	130	130
Number of life insurers with Internet site	58	40
Percentage of life insurers with Internet site	45%	31%

2.2 Languages offered on the Internet outside English

None. The only non-English language pages are those of partner companies in other markets.

2.3 Types of target groups

No change on 1997.

2.4 Kinds of information displayed on the Internet sites

Previously marginal applications, such as human resources, fun & games and needs analysis, are gaining in significance.

Kinds of information	July 1998	April 1997
Company	96%	92%
Products and services	94%	94%
Links to other websites	58%	64%
Human resources (e.g. job advertisements)	36%	22%
Quizzes and competitions	30%	17%
Financial needs analysis	22%	6%

2.4.1 Information about the company's products

(a) How much of the available product range is described on the Internet?

Most sites describe the products and services offered, but compared with last year, a lower proportion describe them in detail. This indicates that some companies in last year's survey and some of the companies new to the Internet have moved away from using websites as online brochures. Increasingly companies are trying to encourage contact in some form in order to provide information in a more targeted manner, often with the assistance of an adviser. Information provided is therefore more general and designed to generate a lead.

Products described	July 1998	April 1997
Life & pensions	69%	82%
Motor	63%	82%
Health	55%	71%
Household	67%	82%

(b) In what detail are products described on the Internet?

Level of detail	July 1998
Introduction only	54%
Detailed information	40%
None	6%

2.4.2 Information about the company

UK companies remain shy about releasing financial information.

Type of company information	July 1998	April 1997
Areas of activity	90%	94%
Company news	48%	36%
Co-operation partners	28%	19%
Financial information	14%	19%
None	4%	8%

2.4.3 Company human resources management

The Internet is an increasingly attractive means of recruitment.

Human resources	July 1998	April 1997
How to apply	34%	22%
Current vacancies	30%	14%
Online application	18%	14%
Request application	10%	3%
None	64%	78%

2.5 Kinds of communication via the Internet

90% of companies offer some form of e-mail facility.

Types of interactivity	July 1998	April 1997
General e-mail	86%	89%
On specific products	68%	50%
E-mail form	56%	81%
Request advice from agent	20%	22%
Request personal quotation	18%	42%
Private area for clients	4%	n/a
None	10%	11%

Of the 5 life companies which do not offer any e-mail facility

- 2 only accept telephone calls or post;
- 1 only communicates via its sales force;
- 2 sites are under construction.

2.6 Insurance companies' usage of the Internet to support their sales channels

17 companies were selected to assess their response techniques. It should be noted that of the 50 companies, 16 offer no response mechanism. The main point here is that there continues to be a large number of companies that fail to make any response to online requests.

Response times (days)	July 1998 (17)	April 1997 (15)
Average	5.6	3.9
Maximum	14	7
Minimum	0 ¹	3
No response received (no. of companies)	7	7

2.7 Insurance companies' usage of the Internet in their sales process

Although many companies are experimenting with using their website for lead generation, the Internet remains of minor significance for subsequent completion of sales.

Sales process	July 1998	April 1997
E-mail quotation	10%	22%
Submit online application	8%	14%
Submit payment information	4%	3%
E-mail confirmation of risk	2%	3%
Submit medical information	0%	0%
Online underwriting	0%	0%

Where a response method was indicated, it was seen that companies continue to respond to Internet enquiries via traditional media.

Response method	July 1998 (22)	April 1997 (27)
Post	68%	48%
E-mail	18%	19%
Phone	18%	15%

Note: Some companies used more than one method, hence column totals exceed 100%.

¹ Same day e-mail response.

2.8 Qualitative changes in company websites

- There is evidence of greater use of 'plain', jargon-free English. However, little attention is given to fulfilment packages sent out by companies in response to Internet requests. They are often brochures designed for a 'face to face' advisory sale and therefore unsuited. This indicates that companies have yet to come to terms with the implications of the medium and direct contact with clients.
- Sites have increased noticeably in size. Effort is usually made to keep them user-friendly, although signposting can be variable.
- Needs analysis is carried out in general rather than comprehensive terms. UK marketing regulations would necessitate a lengthy dialogue which may be off-putting to clients and provide unreliable information for companies. It may also reflect the desire to avoid advice being given, in which case there are significant liability issues. Some sites explicitly state that they are not intended to provide advice.
- Rules and guidance for marketing over the Internet were issued in August 1997 by the regulatory body, the Personal Investment Authority (PIA), because the posting of promotional material on the Internet is seen as the issue of an advertisement. Main points are:
 - Compliance with PIA disclosure requirements, e.g. regulation by PIA, advice (either explicitly none or factfind procedure with 'know your customer' and suitability);
 - Approval of advertising by authorized persons;
 - Care must be taken that no risk warnings and important information are overlooked;
 - Application forms cannot be accessed before so-called 'Key Features' documents have been presented to the consumer;
 - The use of e-mail must comply with advertising rules if sent to more than one person;
 - Maintenance of records for audit trails.

3 German life insurance companies' usage of the Internet

In January 1997 Munich Re carried out a detailed analysis of 30 German insurance companies, including purely non-life companies. In July 1998 this analysis was carried out on 40 companies, all of which offer at least life and/or health. Where the sample number differs, this is highlighted in the individual table.

3.1 How many German life insurers are on the Internet?

The increase on 1997 is 37 companies or 82% over 18 months.

	July 1998	Jan. 1997
Total number of German life insurers	125 ¹	125 ²
Number of life insurers with Internet site	82	45
Percentage of life insurers with Internet site	66%	39%

3.2 Languages offered on the Internet outside German

German insurance companies continue to market their products exclusively in German. One company offered company information, but no product information, in English and French. One company offered an English option, but when selected this stated that no information in English is available. Rather than a choice of language, two companies offer surfers a choice of design, for example between "classic", "modern" and "trendy".

Language options	July 1998	Jan. 1997
English	2	3
French	1	0

3.3 Types of target groups

Whilst the majority of German insurers continue to offer general information to a mass, undifferentiated market, some companies have begun to target market segments. In particular, a significant number of companies (7) now offer products to business and industrial clients.

3.4 Kinds of information displayed on the Internet

German life companies continue to use this medium mainly to make potential customers aware of the company and its products and services. Business-related elements of websites are becoming increasingly standard, such as human resources, links to other websites and financial needs analysis. Non-business related attempts, such as competitions, appear not to be so popular.

¹ Source: BAV (German Insurance Supervisory Authority) 1996.

² BAV 1997.

Kinds of information	July 1998	Jan. 1997
Products and services	100%	100%
Company	100%	97%
Human resources (e.g. job advertisements)	55%	33%
Links to other websites	33%	10%
Quizzes and competitions	30%	37%
Financial needs analysis	23%	7%

3.4.1 Information about the company's products

(a) How much of the available product range is described on the Internet?

Although some still limit the products they promote on the Internet, the trend is for companies to offer their full product range.

Products described	July 1998	Jan. 1997
Life & pensions	92%	91%
Motor	89%	84%
Health	72%	79%
Household	89%	47%
Liability	89%	47%

(b) In what detail are products and services described on the Internet?

The Internet continues to be a means of introducing rather than describing products and services, even for direct marketing companies, where only 2 out of 8 offer detailed information.

Level of detail	July 1998	Jan. 1997
Introduction only	70%	63%
Detailed information	30%	37%

3.4.2 Information about the company

There is increased willingness to offer regular company news and information about partners, but companies remain reluctant to provide detailed financial information.

Type of company information	July 1998	Jan. 1997
Areas of activity	100%	100%
Financial information	40%	45%
Co-operation partners	50%	24%
Company news	43%	31%

3.4.3 Company human resources management

The Internet remains an attractive means for companies to advertise current vacancies.

Human resources	July 1998	Jan. 1997
Current vacancies	45%	27%
How to apply	23%	20%
Online application	8%	7%
Request application	2%	10%
None	45%	67%

3.5 Kinds of communication via the Internet

More companies are beginning to pay greater attention to individual rather than general needs by offering online claims and policy changes notification.

Communication by e-mail	July 1998	Jan. 1997
General	100%	100%
Form	80%	73%
On specific products	75%	50%
Personal quotations	48%	50%
Claims	20%	3%
Request advice from agent	8%	7%

3.6 Insurance companies' usage of the Internet to support their sales channels

Companies are becoming less reliant on agents in responding to customer requests for information about products and services via the Internet. They are also increasingly confident about surfers' willingness to take the initiative.

Response source of intermediary-only companies	July 1998 (27)	Jan. 1997 (20)
From head office	93%	60%
Surfer given address to contact	48%	35%
From local agent	30%	40%

Note: Some companies responded from more than one source, hence column totals exceed 100%.

There is a general improvement in the speed at which companies process enquiries received over the Internet, although the extremes remain remarkably high.

Average response times (days)	July 1998 (40)	Jan. 1997 (25)
All companies	5.2	5.7
From head office	5.1	5.4
From local agent	5.8	6.6
No response (no. of companies)	2	4

Maximum response times	July 1998	Jan. 1997
From head office	17	22
From local agent	13	13

In general, companies continue to provide a standard package of information, although many combine this with the facility to receive a personal quotation.

3.7 Insurance companies' usage of the Internet in their sales process

Use of the Internet to carry out steps in the sales process via the Internet remains the exception.

Sales process	July 1998	Jan. 1997
E-mail quotation	25%	20%
Submit online application	10%	13%
E-mail product information	8%	17%
Submit medical information	5%	0%
Submit payment information	3%	3%
E-mail confirmation of cover	0%	3%
Online underwriting	0%	0%

Companies continue to respond to Internet enquiries via traditional media.

Response method	July 1998 (38)	Jan. 1997 (25)
Post	90%	80%
E-mail	10%	20%
Phone	0%	28%

Note: In 1997 some companies used more than one method, hence column totals exceed 100%.

3.8 Qualitative changes in company websites

- Increased usage of graphics.
- Increased sophistication in comparison with 1997, when many companies were content simply to have an "advertising board" website.
- Increased attempts to add value, such as financial or medical advice, used car prices and weather reports.

4 US life insurance companies' usage of the Internet

In April 1997 Munich Re surveyed the Internet sites and follow-up methods of 32 US-licensed life and health insurers. In July 1998 this survey was carried out on 43 companies.

4.1 How many US life and health insurers are on the Internet?

The increase on 1997 is 139 companies or 87% over 15 months.

	July 1998	April 1997
Total number of US life & health insurers	1,695 ¹	1,745 ³
Number of life & health insurers with Internet site	299 ²	160 ⁴
Percentage of life & health insurers with Internet site	18%	9%

4.2 Languages offered on the Internet outside English

The range of language options is greater.

Language options	July 1998	April 1997
Spanish	2	2
Chinese	1	0
French	1	0
German	1	0
Japanese	1	0

4.3 Types of target groups

The major change on April 1997 is the introduction of areas dedicated to group insurance.

4.4 Kinds of information displayed on the Internet sites

Companies are increasing the range of information they offer.

Kinds of information	July 1998	April 1997
Company	95%	91%
Products and services	82%	78%
Human resources (e.g. job advertisements)	67%	53%
Links to other websites	56%	41%
Financial needs analysis	40%	25%
Quizzes and competitions	19%	6%

¹ 1996 (source: American Council of Life Insurance, Yearbook 1997).

² Source: AM Best Online.

³ 1994 (source: American Council of Life Insurance, Yearbook 1996).

⁴ First quarter of 1997 (source: Insurance Industry Internet Network).

4.4.1 Information about the company's products

(a) How much of the available product range is described on the Internet?

No significant change regarding life & health. The reduction in non-life products is due to the 1998 sample concentration on life & health companies.

Products described	July 1998	April 1997
Life & pensions	65%	62%
Health	57%	52%
Household	46%	64%
Motor	43%	70%
Liability	46%	58%

(b) In what detail are products described on the Internet?

The proportion of companies that do no marketing of products at all remains significant.

Level of detail	July 1998	April 1997
Introduction only	60%	47%
Detailed information	23%	31%
None	18%	22%

4.4.2 Information about the company

Links to partners has significantly increased. Factors behind this are the desirability of promoting easy access to partners, the increasing number of sites to link to and the ease with which the link can be made.

Type of company information	July 1998	April 1997
Areas of activity	86%	88%
Company news	67%	56%
Co-operation partners	67%	22%
Financial information	58%	53%
None	5%	9%

4.4.3 Company human resources management

The Internet is proving an attractive medium for companies to advertise job vacancies. The switch to new media for applications is particularly stark, with the number of companies using paper remaining small.

Human resources	July 1998	April 1997
How to apply	67%	53%
Current vacancies	49%	16%
Online application	42%	13%
Request application	16%	9%
None	33%	47%

4.5 Kinds of communication via the Internet

Greater emphasis is being laid on products, both in the form of general information and personalized quotations.

Types of interactivity	July 1998	April 1997
General e-mail	100%	100%
On specific products	75%	16%
Request personal quotation	48%	16%
Private area for clients	19%	6%
Request advice from agent	8%	0%

4.6 Insurance companies' usage of the Internet to support their sales channels

Internet sites continue to be used as a source of warm leads for agents and as a means of providing services to the agents. 11 of the 43 companies surveyed provided a private area for intermediaries. These so-called 'extranets' are usually password-protected with encrypted data transfer.

4.7 Insurance companies' usage of the Internet in their sales process

The vast majority of US insurers continue to carry out the sales process through their agency forces. A notable development is that, of the rare exceptions which offer online quotations and applications, there were two companies which allow users to submit medical details online with the application form.

4.8 Regulatory approach to insurance websites

In December 1997 the National Association of Insurance Commissioners (NAIC) produced a white paper on the sale, marketing and regulation of insurance through the Internet. It recognized that the Internet could lead to substantive operational changes for the industry and regulators alike. It recommended measures in several areas, including

- Consumer education about, and access to, regulatory information, including agent and insurer licensing information
- Consumer education about rights and responsibilities regarding online transactions
- Monitoring of possible fraudulent activities
- Incorporation of Internet addresses in applications of licensure or certificates of authority
- Examination of state legislation regarding electronic and digital signatures
- Electronic licensing of non-resident agents
- Amendments to agent licensing laws and regulations
- Electronic appointment and termination of producers
- Electronic filing of advertising
- Review electronic payment methods to enable electronic commerce
- Examine security standards to protect electronic transactions
- Permit forms and policies to be published and transmitted electronically
- Develop Internet insurance transaction standards
- Insurers and producers to disclose licensing status in each state

This process is continuing with a current NAIC evaluation of methods by which the Internet and other means of electronic commerce can be used to increase efficiencies in the regulation of insurance. This will develop specific recommendations to update and, where appropriate, harmonize state laws, regulations and procedural requirements governing the insurance industry; to facilitate the use of beneficial electronic commerce by insurers; to allow continuous improvement in cost/quality of access, delivery and administration of insurance products and services; and to maintain or improve appropriate consumer protections.

5 Canadian life insurance companies' usage of the Internet

During March 1997, Munich Re carried out a detailed survey of 20 Canadian-licensed life and health insurers who offer Internet sites. In July 1998 this analysis was carried out on 34 insurers.

5.1 How many Canadian life insurers are on the Internet?

The increase on 1997 is 10 companies or 9% over 16 months.

	July 1998	March 1997
Total number of Canadian life insurers	120	125
Number of life insurers with Internet site	34	24
Percentage of life insurers with Internet site	28%	19%

These figures only cover companies with a separate Canadian site. An estimated percentage of active life companies on the Internet is 57%, since there are roughly 60 active Canadian life companies.

5.2 Languages offered on the Internet outside English

French is no surprise. The Chinese versions indicate an interesting multicultural presence.

Language options	July 1998	March 1997
French	17 (50%)	10 (50%)
Chinese	3 (9%)	1 (5%)

5.3 Types of target groups

Information continues to be general in nature and primarily indirect (e.g. warm lead generation for agents) rather than direct business or e-commerce.

5.4 Kinds of information displayed on the Internet sites

The Internet is an increasingly attractive medium for staff recruitment. There is also a recognition that clients need to be assisted in the calculation of their financial coverage needs.

Kinds of information	July 1998	March 1997
Company	94%	85%
Products and services	91%	90%
Human resources (e.g. job advertisements)	74%	35%
Links to other websites	38%	55%
Financial needs analysis	41%	5%
Quizzes and competitions	3%	20%

5.4.1 Information about the company's products

(a) How much of the available product range is described on the Internet?

Products described	July 1998	March 1997
Home	100%	100%
Auto	100%	80%
Health	88%	67%
Life & pensions	85%	90%

(b) In what detail are products described on the Internet?

Level of detail	July 1998	March 1997
Introduction only	62%	55%
Detailed information	29%	35%
None	9%	10%

5.4.2 Information about the company

The Internet is an increasingly important means of communicating with the outside world. Most information is of a general nature, presenting an overall profile of the company.

Type of company information	July 1998	March 1997
Areas of activity	79%	70%
Financial information	62%	65%
Company news	56%	30%
Co-operation partners	0%	25%
None	6%	15%

5.4.3 Company human resources management

Employment opportunities are increasingly prevalent on the Internet, but traditional recruiting methods are still the primary source for new employees.

Human resources	July 1998	March 1997
How to apply	65%	53%
Current vacancies	68%	25%
Online application	47%	5%
Request application form	0%	15%
None	26%	65%

5.5 Kinds of communication via the Internet

Communication continues to be primarily for information purposes.

Types of interactivity	July 1998	March 1997
General e-mail	100%	100%
E-mail form	76%	100%
On specific products	32%	45%
Request personal quotation	9%	10%
Request advice from agent	3%	0%

5.6 Insurance companies' usage of the Internet to support their sales channels

A minority of companies have set up private areas for intermediaries. These provide tools and support for the sales effort.

5.7 Insurance companies' usage of the Internet in their sales process

None of the companies surveyed in either year operates direct response marketing. This probably explains why almost all sites operate as lead generation vehicles for intermediaries and why almost none of the sales processes is concluded over the Internet.

5.8 Qualitative changes in company websites

Some sites now include password-protected areas for intermediaries and clients. These offer personal data such as current production levels or policy values.

6 A comparison of Internet trends in the countries surveyed

6.1 Penetration of the Internet among life insurers

An Internet presence is fast becoming a standard feature of life insurance companies. This becomes particularly clear with the assumption that the percentage of active insurers would be significantly higher than the approximate percentage given in this table, since these figures are based on the number of licensed insurers.

Internet penetration	UK	Germany	USA	Canada
Approximate (Q3/98)	45%	66%	18%	28%
Recent change	+45%	+82%	+87%	+9%
Previous change	+25%	+53%	n/c	+50%

6.2 Usage of the Internet among life insurers

Kinds of information	UK	Germany	USA	Canada
Corporate	→ Dominant	→ Dominant	→ Dominant	→ Dominant
Products & services	→ Dominant	→ Dominant	↗ Dominant	→ Dominant
Human resources	↗ Common	→ Common	→ Common	↑ Dominant
Links	→ Dominant	↗ Few	→ Common	→ Common

Trend indicators

- No change
- ↗ Increase
- ↑ Strong increase

6.3 Target groups

- The languages offered on websites accurately reflect the target groups within the individual countries. In the only non-English speaking country, Germany, there was no evidence to suggest that English, as the dominant Internet language, is required.
- Canada is beginning to catch up with the UK and US in terms of targeted marketing through websites. The primary target groups for password-protected areas are intermediaries, clients and group business partners.

6.4 Techniques for promoting visits to the insurer's website

- Hyperlinks to and from other sites have generally taken on greater significance, especially in those countries with high Internet penetration where a number of interesting sites exist to be linked to.
- The Internet is gaining acceptance as a contact medium alongside post and telephone and an increasing number of companies are encouraging people to visit or contact them via the Internet. It is now standard and expected procedure to advertise the company website on all forms of correspondence, such as advertisements, business cards and company-headed paper.
- There are some pioneers in establishing a new "virtual" market, but it is still too early to say how this will develop. In general, other financial institutions, such as banks and stockbrokers, remain more aggressive and innovative than life offices.

6.5 Promotion of products and services

- The necessity to help surfers to identify their financial needs has clearly been recognized by companies:

	UK	Germany	USA	Canada
Needs analysis	22%	23%	40%	41%
Change on 1997	+266%	+229%	+60%	+720%

- Judging by the level of detail they provide, companies appear to be in no hurry to promote their products:

	UK	Germany	USA	Canada
Detailed product info.	40%	30%	21%	29%
Change on 1997	n/a	-19%	-32%	-17%

6.6 Sales process – interaction with other distribution channels

No major change on 1997. There are still very few insurers who treat the Internet as an alternative sales channel. The vast majority continue to regard the Internet as a sales support vehicle.

6.7 Sales process – extent of usage of the Internet

- In Canada and the USA usage of the Internet in the sales process remains negligible. The figures for the UK and Germany are not much higher:

	UK	Germany
Use in sales process	10%	25%
Change on 1997	-55%	+25%

- Last year only US companies addressed consumer concerns about security. This year UK companies have overtaken their American counterparts:

	UK	Germany	USA	Canada
Secure transmission	22%	3%	11%	n/a

6.8 Interactivity

- Almost all sites now offer some form of interactivity. There are hardly any sites now which act only as 'advertising billboards', with no attempt made to interact with surfers.
- A major trend is increased use of the Internet for some form of human resources-related activities:

	UK	Germany	USA	Canada
Human resources	36%	55%	67%	74%
Change on 1997	+64%	+67%	+26%	+111%

6.9 Sales process – insurers' responses to requests via the Internet

- We note that a few companies attempt to find out more detailed information about clients, such as birthday and marital status, prior to referral to an agent. These attempts at "profiling" can be construed as intrusive.
- In general, insurers continue to provide a standard package as fulfilment of Internet information requests.
- Average response times to requests still appear long:

	UK	Germany
Average response times (days)	5.6	5.2
Change on 1997	+1.7	-0.5

- Only two companies from a total sample of 57 in Germany and the UK managed a same-day response by e-mail.
- Maximum response times are also long:

	UK	Germany
Maximum response times (days)	14	17
Change on 1997	+7	-5

- A significant amount of companies make no response to Internet requests at all:

	UK	Germany
No response	41%	5%
Change on 1997	-6%	-11%

