

***Insurance Times***: Life insurers see future in increased use of Internet

October 29, 2002, Vol. XXI No. 22

SAN DIEGO — Life insurers believe the Internet has dramatically increased their ability to respond to the needs of agents and consumers and plan on incorporating e-commerce into their long-term business strategies, a new ACLI study has found.

The e-commerce survey, conducted in April 2002, focused on insurer-to- consumer Internet utilization and general e-business issues, such as online products and services, e-signature and privacy, and cyber security.

The study, unveiled at ACLI's annual conference, Business Solutions 2002, found that the Internet is used primarily as a communication tool in the life insurance industry. However, many insurers are finding ways to allow their customers to do more than just administrative tasks online. In fact, over 60 percent of the respondents indicated an interest in selling insurance products online. They determined that term life insurance and fixed annuities would be the most appropriate products for e-commerce.

"Currently, life insurers are using the Internet as a tool to educate consumers, rather than a channel of distribution," said ACLI Senior Counsel David Leifer. "Despite significant progress in harnessing the benefits of e-commerce, the life insurance industry has a long way to go before the Internet becomes a fully integrated communications, sales, and service medium."

While a large majority of companies credit the Internet with creating tremendous efficiencies in their everyday business activities, they believe that the life insurance industry lags behind other financial services sectors. The main challenges to the life insurance industry for e-commerce growth are the high financial costs, information security, and validation and fraud issues.

The survey also examined the impact of electronic signatures and privacy. An overwhelming majority of respondents said that the effects of the federal Electronic Signatures in Global and National Commerce Act and the state Uniform Electronic Transactions Act were largely ineffective. Furthermore, 57 percent of the companies found the lack of a centralized, independent source for e-signature validation to be very problematic.

Other concerns for the life insurers involve cyberterrorism and security. More than half the respondents have added new procedures and taken additional steps to protect computers systems. since the September 11 terrorist attacks last year.