

How life insurance sales on the Web are faring

InsuranceTimes, April 1, 2003, Vol. XXIII, No. 7 ©Copyright M&S Communciations, Inc., publisher of *InsuranceTimes*

by Kevin McKenna
The Credo Group

The pendulum has certainly swung back hard from the early predictions that the Web would make the agent channel obsolete and that billions of dollars in life insurance premiums would be written via the Web by 2002. Today, insurance industry pundits insist that insurance sales cannot be made profitably online and argue that the revenue potential associated with the online channel does not justify the investment in technology or the management attention necessary to begin delivering sales via the Web.

What they don't understand is that the Web is a medium – no more, no less! When applied properly, it can work.

Insurance direct marketers have proven that a substantial percentage of insurance purchasers prefer to buy their insurance direct. Over the years the channel has grown from print and direct mail to include direct response television and telemarketing. Now the direct channel includes the Internet.

The question has become not "how is the Web faring versus other direct marketing sectors?" but "can the Web deliver sales within your marketing allowable?" Our experience tells us that it can.

The Internet enables direct marketers to reach consumers with their message at a fixed media cost and with limited production costs. It also allows them to provide quotes, gather policy data, and deliver customer information in an extraordinarily efficient manner. A combination of these factors clearly makes the Internet a testable media proposition as part of an overall direct marketing program.

While some believe the initial cost of site development is a barrier to entry, the trick is to keep the initial site solution technically simple and the cost of site development correspondingly low. This conservative approach to technology utilization gives a direct marketer the best chance to create a positive return on Web investment.

Web Site Traffic Vs. Converted Sales

Success has been found with Web sites that promote insurance buying rather than insurance shopping. Insurance buying sites typically feature one product from one carrier and that product typically uses a bonus offer to drive the initial trial. In cases where there is no bonus offer, sites are typically niche oriented or feature a "unique" product, such as insurance for smokers.

With insurance-selling sites, conversion rates – the conversion of visitors into applications – falls between 5 percent and 10 percent, depending on product type, product price, and billing method. Of those customers who "purchase" a bonus policy online, between 35 percent and 40 percent of those policies are issued with payment made.

For comparison's sake, the conversion from "applied for" to a "paid-issued policy" online is a bit lower than what is expected from direct mail and a bit higher than expected from outbound telemarketing.

Product Considerations

The approach of those who have had some success with online insurance sales is this: to keep the process simple. That means limiting the complexity of the product and reducing the number of customer options. If a product is complex by its nature, or the consumer insists upon choices and options, then the product is best sold by driving quoted leads to a licensed call center. There, licensed agents can walk the consumer through the various product options, finding the right fit, and helping to close the sale. Other cross-selling options include presenting the prospect with a more suitable product configuration via direct mail or other channel.

By keeping both product and process simple, it is possible to sell life insurance products with average premiums as high as \$400, completely online – from rate quote to policy issue.

Experience suggests that online consumers of simplified-issue products behave much like consumers who have purchased same products through other direct marketing channels. These consumers don't possess "perfect information" like some Web pundits have suggested, and they are not "overly demanding."

What all consumers do demand, however, is a good product supported by a strong offer and effective creative execution. When consumers go online, it must be easy for them to buy the product that was advertised. They do not necessarily require or demand such innovations as live chat, needs calculators, or online policy fulfillment in order to make a purchase decision. Often these innovations actually depress response and drive up the technology bill.

Just like in the old days, the consumer also requires that promises be kept. If you say that they'll have their policy within seven to 10 days, they had better have it.

The Outlook

Making insurance sales online is not only achievable, it's already happening, albeit on a relatively small scale right now. Insurance leaders such as Globe Life and Accident Insurance Co. and RBC Liberty Life Insurance Co. are living examples that selling insurance online at a profit can be, and is being, done.

The bottom line: those companies that are able to offer the right product at the right price – or that create a niche product for an underserved market – and that follow the rules of direct marketing, will be the ones to succeed. □

McKenna is chief executive officer of The Credo Group. Based in Princeton, N.J., The Credo Group is a digital insurance agency specializing in creating alternative distribution channels for insurance carriers. McKenna can be reached at 609-750-2640 or via e-mail at kmckenna@thecredogroup.com.