

Insurance and the Internet

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The number of Danish households with Internet access now exceeds the number of households subscribing to a newspaper. It would seem that insurers now have a new channel for communicating their insurance products to the private market. With the Internet, potential buyers can access more detailed information, and customers can apply for insurance via the Internet, too.

Today, the biggest advantage offered by the Internet probably lies within the on-going provision of services to customers. However, it is important not to take success on the Internet for granted. To be successful, you must be able to offer customers reliable and safe direct access to production data, top-quality data, high speed and user-friendliness.

With the right solution, customers will be satisfied – young and old alike.

And now we are all waiting for the electronic signature to be used as frequently as the Internet!

A new opportunity

Over the past years, the Internet has become an important part of the information society. More than half of the Danish population has access to the Internet, and the number is growing.

As a result of this development, insurers and other industries catering to private individuals can now reach their customers by means of interactive computer-based solutions. It is a new opportunity, but it is up to the individual company to decide how to make optimum use of it.

Two functions are immediately available to

insurers in relation to use of the Internet: insurance policy sales and insurance policy management.

Insurance policy sales

Insurance does not sell automatically – not on the Internet nor anywhere else. Whereas banners advertising a movie or a restaurant are likely to trigger some impulse buying, banners are generally not suited for insurance sales. Very few people develop ‘a sudden urge’ to buy insurance, and this limits the value of banners.

Major commercial insurance and pension

schemes still require a dialogue between customer and insurer, and here a good consultant is a far better solution than some detached webpages. On the other hand, many insurance products for the private market already exist in the form of standard solutions which involve no comprehensive assessment of values and risks, such assessments being too cost-intensive and complicated to maintain. Instead, insurers offer package solutions which, in addition to facilitating the customer's choice, reduces the administrative workload for the insurer.

As these solutions are actually nothing more than off-the-shelf products requiring little consultancy, they are well-suited for sales to customers via the Internet. However, as stated above, insurance does not sell automatically, and so it is not enough to allow customers to choose an insurance product via the Internet. First you have to persuade customers that they need insurance.

Thus, insurers still have to 'sell the message' to private individuals, explaining to them that there are many aspects of their everyday lives – moving house, buying a new home, childbirth, getting a new car, change of job, etc. – in which it would be relevant to consider insurance cover.

So banners may be a good idea, provided that they are targeted towards the right segments. For example, banners advertising motor insurance should appear on websites typically visited by buyers of cars. However, 'danmark' has used banners in Denmark, and our experience shows that despite a careful selection of the relevant websites banners do not generate much business.

You get far better results by advertising in the traditional manner, remembering to indicate your Internet address in the ad. Quite a number of people prefer visiting a website which gives them immediate access to additional information and allows them to decide on and apply for insurance straightaway. This

solution is superior to filling in a coupon and sending it by mail and then having to wait for a couple of days for the information material to arrive in the post.

It appears that once the customer's interest in obtaining insurance cover has been aroused, the website is a good and efficient solution.

Insurance policy management

Customers wanting to know details about their insurance cover, or how far advanced the processing of an insurance claim is, will obtain faster and more plentiful information on the Internet than from an ordinary phone call.

Telephone services will still be needed in future to give customers the help and advice they want. However, customers wishing to get answers to specific questions, such as who is insured under a policy, do not need an employee to read a name from a screen and repeat it to them over the phone. In the majority of cases, customers prefer to read the answer themselves on the Internet and, insofar as any changes are required, have them registered straightaway.

Major commercial customers, too, will find it attractive to be able to contact insurers via the Internet, for instance whenever they want to access information already registered, maintain data, file claims, and the like.

It sounds awfully simple, doesn't it? Unfortunately, it is not always as simple as it sounds. At least most insurers believe it to be more complicated, and they may be right. Last year I went to the USA to see how they use the Internet in connection with health insurance. The opportunities were obvious to everyone, but very few had actually established an Internet-based solution. What would it take to make a solution operational? This would of course have to be explored, assessed, designed, and so on and so forth, but every time someone tried, they found that the biggest

problem of all was the quality of the data stored in the existing systems. It just was not good enough to allow immediate customer access.

This shows that if you want to provide service to your customers via the Internet, you first have to make sure that the quality of the data is fairly high. With an Internet-based solution, there is no 'buffer' between customer and data in the form of an employee capable of translating the peculiar things entered in the system. If the customer has direct access to the data, it must be immediately intelligible. Thus, insurers with a high data quality will have a significant advantage over other insurers.

Is this only a question of data quality?

Although data quality is the most important prerequisite in relation to Internet-based solutions, a number of other factors have to be considered as well.

Safety

It is impossible to discuss Internet-based solutions without addressing the issue of safety. There are three requirements to the safety measures:

- only authorised persons must be allowed access
- it must be impossible to 'bug' data exchanges
- changes to data must be performed only by authorised persons and only upon fulfilment of the right conditions.

Access to authorised persons only is often ensured by means of a code. Private individuals are most likely to wish to access information about their insurance policies only once or twice a year at most. Using their code so rarely, they may easily forget it and have to go through the difficult process of obtaining a

new code or, alternatively, they should choose a word which is easy to remember, e.g. INSURANCE (as one insurer suggested to its customers ...!). However, the safety provided by so obvious a choice is hardly adequate. Consequently, insurers need to find other ways of preventing unauthorised access to their insurance data.

Data 'bugging' can be prevented by means of different types of encryption. Today, an SSL connection must be considered as safe as sending an ordinary letter by mail. There are solutions available in the market, and they are improved on an ongoing basis, so it is primarily a question of being aware of them and using them.

Changes to data which are already registered in the insurer's production system is one of the horror scenarios that any insurer considering to open its files to customers must necessarily deal with on beforehand. There are plenty of examples of hackers obtaining unauthorised access to systems and modifying data, e.g. by deleting major chunks of it. There are ways of preventing this, for instance by limiting the access to be obtained via the Internet. In the system applied by 'danmark', all changes of member data must be made through a controlled 'request procedure', thereby ensuring that changes are not effected directly in the member data bases, and that only identified and known requests for changes are complied with.

Short response time

Life is too short to sit and wait for an answer, and any customer having to do so will quickly leave the website for that of a competitor. Thus, an 'acceptable' response time is of major importance. However, people have different ideas of what an 'acceptable response time' is – depending on what they are used to. People with a slow modem connection are likely to accept a longer response time than those who have an ADSL connection.

In any case, I am convinced that very few customers prefer a website with fancy graphics to a short response time. But of course the ideal solution is the one that satisfies both requirements!

User-friendly design

When visiting a website, users must be able to find their way around easily and get the information they want by only few clicks. Also, they should not be required to absorb too much information at a time, and the information they get must be easy to understand even for people who are not very well acquainted with insurance.

This suggests that resources invested in conveying your message in brief and plain terms are well spent.

Is it possible to do that – being direct and brief – and, at the same time, to cover the subject sufficiently? In this respect the Internet has a major advantage over brochures and other printed matter. Whereas subjects should generally be described in brief and plain terms, it is possible to supply further details for instance by the use of links which permit customers to choose the level of detail they want.

Relevant data straight from the production system

The very important issue of utility value was introduced into the discussion on how to be successful on the Internet at a relatively late stage.

In my opinion, the biggest incentive to visit a website undoubtedly lies in knowing that it will get you the information you require here and now.

In relation to existing customers, the determining factor will be the possibility of obtaining direct access to relevant data in the production system, whereas data from the last back-up version are less interesting. This requires round-the-clock access to the produc-

tion system and, at the same time, a system capable of protecting against unauthorised access.

An authentic example

‘danmark’ launched its first website in the summer of 1998, and today about 10% of insurance applications are filed electronically. This number is growing.

Last autumn we ran an advertising campaign and included the Internet address in the text. This immediately resulted in a surge of traffic on the website, and many people seized the occasion to become members. We have also tried using banners on different relevant websites, but without generating much traffic. Our conclusion is that at the present stage you get more value from showing your Internet address in the traditional media, while banners are mostly a waste of money. However, there is no doubt that in the long term banners used in the right contexts will build more traffic on the Internet.

In the autumn of 2000 we opened up for member access to certain types of personal data. This was a great success, and every day a large number of members visit our homepage looking for information about coverage and reimbursement, activating the payment of reimbursement, signing their children on as members, or arranging for supplementary cover.

We had expected our Internet application to be used by young members in particular, but this prejudice on our part was soon undermined. The members using our Internet services are drawn from all age groups.

We believe that this is the result of our conscious efforts to make relevant information available in an easily accessible and structured manner, thereby meeting a need shared by all our members – irrespective of age.

Any other opportunities?

In its current version, 'danmark's website is designed to meet the needs of existing and potential members. However, our plans are at some point to be able to meet other communication needs by means of the Internet. Examples are contacts to providers of treatment and other partners, which can be made more individual, flexible and informative.

In my opinion the use of such opportunities is likely to grow in the years to come – also within the insurance industry.

What are we waiting for?

More than half of Danish households has access to the Internet, and the number is growing steadily. The safety problem has

been solved, and it is now possible to communicate in 'sealed envelopes'. Companies needing to sort out their data should start working on it now to obtain optimum quality in the data they provide. Focus is on simple and user-friendly design, short response times, and relevant information.

However, there is one respect in which paper is still superior to the electronic solution: paper can be signed, and the signature will remain on it. Recent cases in the Danish insurance industry have shown that people still have great confidence in signatures. Signatures are still missing in cyberspace. Or, to put it differently, the solution is there, but it is only rarely used in Denmark. Not until everyone has electronic signatures will we get real signatures in the relevant places, e.g. in connection with health data.