

Online insurances in Europe are the “Winner” of the Economic Crisis

Many insurance customers have become more demanding: they ask for more information and have become used to a greater variety of products and channels. The insurance market is characterized by two main approaches:

- The traditional (full-service) personal and individual model and its premium brand is basically focused on “quality” leadership at fair prices and on the demanding, service intensive customer. More value is added through full financial services and individual solutions, personalized full services are offered through personal sales at a marketable price.
- The direct and low-cost model and its low-cost value brand are basically focused on “price” leadership at fair value and on the price-sensitive customer. A smart offer of standardized products and easy, fast and convenient (partially self-) services are offered mainly through internet and telephone at low-cost conditions.

Both business models enjoy potential. The direct and low-cost concepts are actually showing high growth rates across all sectors and markets in Europe:

- 175 million Europeans are already shopping online, vs. 80 million 6 years ago.
- Across all industries discount and low-cost market shares grew significantly, from airlines and car industry to banking sector and fast moving consumer goods. The current economic crisis additionally accelerates price sensitivity.

Currently 80 billion EUR revenues through online and direct insurance channels

25 years ago few direct and low-cost models in the insurance sector existed in Europe. Main pioneers and first mover advantages are well documented, such as Cosmos Direkt a subsidiary of Generali Group in Germany, since 1982, or Direct Line a subsidiary of Royal Bank of Scotland in UK, since 1985.

In contrast other approaches carry the day: the fastest growing business model are online and direct channels of insurers, responsible for some 80 billion EUR gross written premiums in non-life and life business in Europe. In this volume, the growing alternative distribution channels (retailers, affinity groups) are not even included.

The contracting of online and direct insurances is mostly finalized online or via telephone, but also via postal mailings, SMS or fax. The transaction is carried out either by the insurer itself or by direct sales partners of the insurer, such as online brokers or aggregators, which are usually generating their commission by offering direct channels of insurers. Direct sales models tend to offer products with low prices relative to the prices of products offered via other sales models.

Basically, all product lines can be and are offered online, but there are substantial differences in the way this is done across Europe. The main direct focus is still on non-life business. Some countries, such as Germany, are still comparatively stronger in life business. The Netherlands, for example, is comparatively stronger in health business.

For the first time all online insurance channels analyzed across Europe

A study of MOUNT ONYX, in cooperation with the UNIVERSITY of Vienna, provides the first comprehensive analysis about online insurance in Europe entitled “Online Insurance Trend Report”.

The report surveys more than 30 countries in the European context and comparison, with unique insights about the latest online insurance trends and potentials. The results are

relevant to all companies in the financial services sector. Whatever their current strategies and projects, financial services companies will obtain a first complete and fast overview about the future of the insurance industry in Europe:

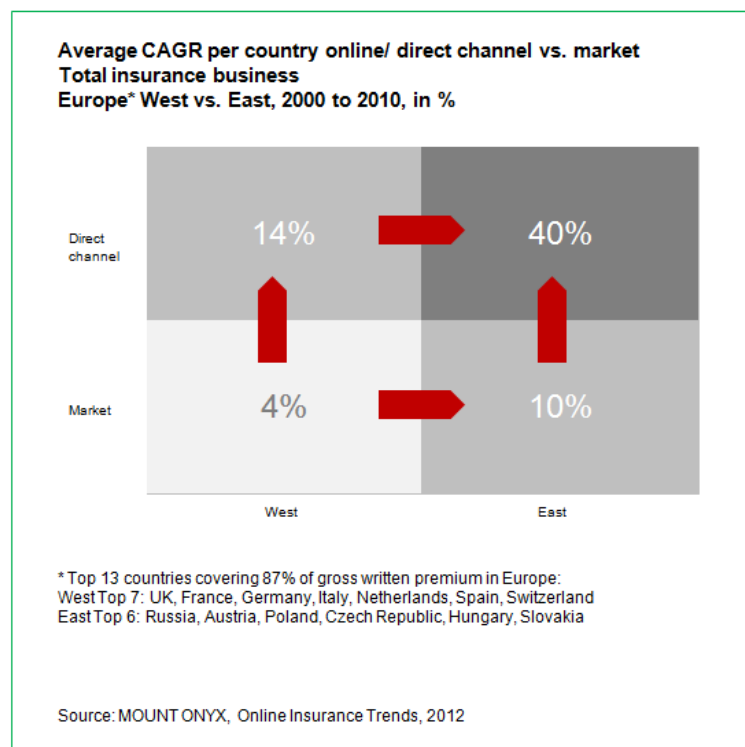
- Megatrends
- Online markets and trends
- Online customers and trends
- Online business models and trends
- Online players and trends (all 230 online channels of insurers and major online brokers and aggregators)
- Growth and cost driven key success factors

Some important results are summarized hereinafter.

Still wide variation and huge potential in Europe

The development of direct channel business shows a marked variation across the countries in Europe. Market shares of online and direct insurances of the total business differ substantially across Europe: “Mature countries” with a market share of more than 10%, such as UK, “developing countries” with a market share of between 1.1% and 10%, such as Spain, and “emerging countries” with a market share of 1.0% and below, such as Russia.

Between 2000 and 2010 direct channels in Europe have shown significantly higher annual growth rates than the total insurance market. In the biggest 13 European insurance markets direct channels grew with an average annual growth rate (CAGR) per country of 26% versus the total market rate of 7%. The total insurance market in Western Europe showed an average annual growth rate per country of 4%, in Eastern Europe of 10%. At the same time, direct channel business in Western Europe grew with 14%, in Eastern Europe with 40%. Especially in bigger Western European countries the market pressure by online insurance business is constantly increasing. Direct insurances are now starting their successful business also in the rest of Europe.



Online and direct insurance business is additionally fueled by the current economic crisis: Also between 2007 and 2010 direct channels have shown significantly higher annual growth rates than the total market.

In the “developing countries” in the non-life sector the direct market leaders grew on average 2 to 4 times stronger per year (8.1%) in comparison to the relevant total markets (1.8%). In the life sector, for example in Germany, the direct market leader grew on average 7 to 10 times stronger per year (18.1%) in comparison to the relevant total market (4.6%).

In the “mature countries”, such as in UK, currently more than 25% of the total population are already direct motor MTPL customers. Taking all product lines into consideration, the share of online and direct channel customers in the population is above 30%. Main target segments are private customers but also small businesses (entrepreneurs, free-lancers, etc.).

For the next 10 years the core minimum market potential is estimated to represent an incremental premium volume of 44 BLN EUR in whole Europe.

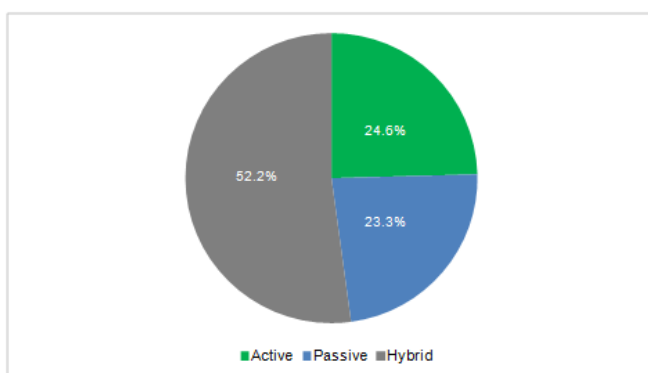
Different business models and strategies

Online and direct sales channels are implemented as hybrid, passive or active business models. Hybrid online channels are mainly focused on customer retention of the migration potential with a high affinity for online shopping, existing products are offered without active promotions through the traditional brand as well. Passive online channels are basically focused on customer retention but also on winning new customers through the own brand and website and with maximum small investments in promotions. In contrast active online channels are mainly focused on actively winning new customers through the own brand and website and with active and relevant promotion, such as TV advertisement.

In comparison to direct sales channels, classic direct marketing or direct selling within the framework of the traditional (full service) quality model should finally support the sales force or other traditional distribution partners. A contract results into commission payment to sales force or partners.

Insurers in Europe are following different online strategies in 2012: Out of all players 24.6% are organized as active online channels, 23.3% are passive models and 52.2% are hybrid solutions. The model also significantly differs between countries and within international groups. Most of the international groups are active in 2 online models.

Share of online channel business models
Total insurance business
Europe*, 2012, in %



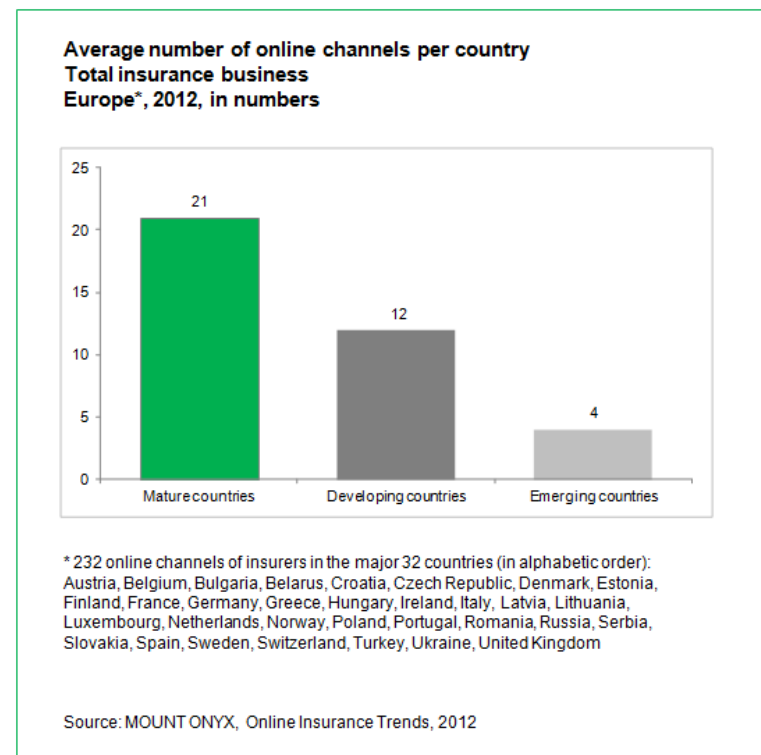
* 232 online channels of insurers in the major 32 countries (in alphabetic order): Austria, Belgium, Bulgaria, Belarus, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Netherlands, Norway, Poland, Portugal, Romania, Russia, Serbia, Slovakia, Spain, Sweden, Switzerland, Turkey, Ukraine, United Kingdom

Source: MOUNT ONYX, Online Insurance Trends, 2012

Currently more than 250 online channels of insurers in Europe

In the major 32 European countries 232 insurers with online channels have been doing business in 2012, excluding local “copies” of online channels of pure travel insurers as well as online brokers or aggregators, which are usually generating their commission by offering direct channels of insurers.

In the “mature countries” on average 21 online channel players are actually present per country, in the “developing countries” 12 players, in the “emerging countries” 4 players per country. In Germany, for example, the market is extremely competitive and the discount culture in general is well developed. Nevertheless the number of small direct operators is still higher than in other big European markets, in total 27 online channels are active in 2012.



In 2012 out of all major players in Europe, 58% are international online channel players (with a presence in more than one European country). 42% are pure national players, just active in their home market. For example, in UK mainly international groups, in the Netherlands mainly national groups are dominating the direct insurance business.

In total, more than 20 international insurance groups are acting as international online channels players as well. According to the number of countries with online channels the leading international insurance groups in Europe are Allianz, Generali, AXA and RSA.

Today online channel and multi-channel approaches are must-haves

No business can ignore online shopping any longer. In comparison to other industries this trend has been spreading to the insurance business relatively late, partly because of perceived conflicts of interest within the sales organization. The traditional insurance business is still dominated by own or third party tied agents, agencies, brokers and banking staff, who still see the new model as competition and a threat to their existence and therefore reject it.

But customers ask for more online and direct supply and they get it. Insurers all over the world are currently planning or considering investments in developing a new distribution channel, leveraging aggregators as a channel or expanding services and experiences provided on the internet or over the phone.

New online insurances supplement traditional channels, but do not replace them. To achieve above-average growth and profit, executives need to look into the future and to think incrementally.

More information downloads and orders of the "Online Insurance Trend Report" at www.mountonyx.com.

In addition, the "Best Practice Report/ Direct and Low-cost Insurance in Europe" provides more details about key success factors and innovative and profitable best practices of the insurance industry, what is state-of-the-art.

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