

# Europe: How to spot online insurance opportunities



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- Number of mobile-ready websites has increased massively in the last two years
- The trend in Europe is for hybrid channels, which focus on customer retention and existing products
- Over 20 different risk categories are completed to calculate an insurance tariff - in Europe this rises to 99

**More than 400 online channels of insurers in Europe are currently doing business and this number is increasing. However, not all of these online channels are successful.**

There are 30 relevant success factors - including products, pricing, promotion, distribution, processes, employees and partners - to implement a successful online strategy, and insurers must equally bear in mind the current trends in Europe.

For example, the number of mobile-ready websites has massively increased, especially in the last two years. Comparing the performance level of the best online channels in Europe with the current industry standard, the trend is towards better and faster processes and online services for the customer.

### **Varying models**

There are different business models for online and direct sales channels: passive, active and hybrid. Passive online channels basically focus on customer retention while active online channels focus more on winning new customers with active and relevant promotion, such as TV advertisement. Meanwhile, hybrid online channels concentrate on customer retention of the migration potential of people with a high affinity for online shopping; existing products are offered without active promotions through the traditional brand as well.

The trend in Europe is clearly towards more hybrid channels, as these have the least potential for conflicts of interest. In 2016 the share of hybrid models among all online channels in Europe grew to 58.4% and the number of active models also increased. This trend is set to continue.

In contrast, passive models have become increasingly difficult to maintain in a more intensive competitive environment. These models are in a "sandwich position" between actively promoted low-cost models or purely direct insurers and the more broadly based hybrid suppliers.

For hybrid models the price difference of the online offer, compared to buying through traditional distribution channels, is the smallest: up to a 10% online discount.

### **Pricing and choice**

With regard to pricing, the trend in Europe is clearly towards more personalised tariffs and risk selection: for car insurance, on average, 20.1 different risk categories are completed to calculate a tariff. And usually several items per risk category have to be entered, in addition to further information being requested to finalise the application or contract. Though this number may seem high, in Europe a total of 99 different risk categories are currently used, with most parameters based around age, region and the customer's credit rating.

There are large discrepancies between different European countries: for example, nearly half of the countries in Europe have not yet launched an active model.

Customer appeal - and thus the success potential of all online channels in Europe - has recently been measured against 300 criteria that were subsequently grouped into **key performance indicators**.

Looking at the sales competence of online channels, "access quality to quotation" is currently the highest of all KPIs at 77.5%, while "up and cross-selling" is the least developed at just 36.3%.

Throughout Europe, seven "up-selling tools" are used, including claims assistance, additional risk cover expansion, quantity discount and premium protection. Europe's industry standard is currently at a level of offering just over two tools and Europe's best practice is five. In total, the UK is in the leading group. In some countries, however, "up selling" is not an issue so far.

There are large differences between the highest and the lowest sales expertise. The UK, the Netherlands and Ireland have the highest total sales expertise across all KPIs.

### **Measuring competence**

There are also variations in terms of service competence of online channels in **Europe**. The performance level of "access quality to claims settlement" is currently the highest with 82.3%, while the "claims contact channel quality" is the lowest with only 49.6%.

With regard to "online (self) service", nine "online service tools" are used throughout Europe, such as an online claims announcement, the access to a client area, a mobile claims assistance app, and direct online access to complaints or to data changes. Europe's industry standard is to offer five such tools, Europe's best practice is 7.4. In terms of service expertise, countries such as Denmark, Italy, the Czech Republic or Hungary are on all KPIs in the leading group.

Opportunities in a country mainly arise when the providers as a whole and the best ranked online channel of the country still clearly have room for improvement compared to European levels. So this is where you need to look first.