





A growing trend in European countries: Online Insurance

Online Insurance Trends: Europe & Country Reports, which was prepared by MOUNT ONYX Study and the UNIVERSITY of Vienna in 2017, presents significant findings regarding the future of insurance business. Offering the trend analysis of the entire online insurance business in all of Europe, the study is based on quantitative researches on more than 30 countries including the major 700 insurer's online channels, aggregators and top insurtechs in Europe.

Dr. Johannes Ospald, Chairman of MOUNT ONYX, a leading expert for online insurances with clients in more than 25 countries, shared significant details about the report which analyses the online trends of insurance market in his article titled "Online insurance in Europe reached more than 100 billion EUR."

According to the article published by Dr. Johannes Ospald, online and direct channels are the fastest growing business model in the non-life and life insurance business in Europe. In 2015 the market share of the online/ direct channel business was 8.2 percent of total business. The total gross written premiums of the direct channel business in all of Europe reached 99.3 billion EUR, and for the first time in 2016 more than 100 billion EUR.

Underlining that the definition of "online insurance" includes terms also in use such as "distance selling", "direct sales", "remote distribution", "internet/ online or tele sales", "internet or telemarketing channel", "online channel", "e-commerce", "digital business", etc.; Ospald states that the contracting of online and direct channel insurances is mostly finalized online or via telephone, but also via postal mailings or SMS. The transaction is carried out either by the insurer itself or by direct sales partners of the insurer, such as online brokers, aggregators or insurtechs. Direct sales models are defined as a substitute for personal face-to-face sales and tend to offer products with low prices relative to the prices of products offered via other sales models. New online insurances supplement traditional channels, but do not automatically replace them.

Many number of lines and products can be offered online

According to the article, more or less all product lines can be and are offered online. Nevertheless, there are substantial differences in the way this is done across Europe. The main direct focus is still on the non-life business around Europe. However, some countries, such as Germany, are comparatively stronger in the life business. The Netherlands, on the other hand, is stronger in the health business.

Future trends of insurance market and an overview of new success rules

The one and only trend analysis of the entire online insurance business in all of Europe entitled "Online Insurance Trends: Europe & Country Reports" survey more than 30 countries including Germany, Austria, Switzerland, Netherlands, France, Belgium, and Luxembourg from Western Europe; UK, Ireland, and Scandinavia (Sweden, Denmark, Norway, Finland) from Northern Europe; Poland, Czech Republic, Slovakia, Hungary, Russia, Ukraine, and Baltics (Estonia, Latvia, Lithuania) from Eastern Europe; Italy, Spain, Portugal, and South Eastern countries (Slovenia, Croatia, Romania, Bulgaria, Greece and Turkey) from Southern Europe.

Stating that the results are relevant for the online strategies of all companies in the financial services sector, Dr. Johannes Ospald says that the report provides a complete and fast overview about the future trends of the insurance industry and new important success guidelines across all business functions.

Online insurance demonstrates large differences between countries in Europe

The level of maturity and market shares of the online insurance business in relation to the total business differ substantially across Europe: "Mature countries" with a market share of more than 12 percent, such as the UK, "developing countries" with a market share between 2.0 and 11.9 percent, such as Spain, and "emerging countries" with a market share of 1.9 percent and below, such as Russia.

According to the report, between 2000 and 2015 online channels in Europe have shown significantly higher annual growth rates than the total insurance market. In 13 major European insurance markets, direct channels grew with an average annual growth rate (CAGR) of 22 percent per country versus the total market rate of 5 percent. The total insurance market in Western Europe showed an average annual growth rate of 3 percent per country, and in Eastern Europe 8 percent. At the same time, the



direct channel business in Western Europe grew by 14 percent, and in Eastern Europe by 35 percent per year and per country. The arrows are showing the growth focus of the insurance sector for the last 15 years.

In Europe there were 439 insurers with online channels, 214 major aggregators and 47 top insurtechs that covered the direct channel market in 2016. Out of all insurers' online channels in Europe, 34.4 percent are active in Western Europe, 16.9 percent in Northern Europe, 26.7 percent in the Eastern part, and 22.1 percent in the Southern part of Europe. In comparison, the regional mix of the major 214 aggregators (price comparison platforms and online brokers) show similar results. The South of Europe (including Spain and Italy) has slightly more players than the East.

Online channels of insurers can be implemented as hybrid, passive or active business models

Dr. Johannes Ospald states that insurer's online channels are either international online channel players with a presence in more than one European country or pure national players, just active in their home market. In 2016, out of 14.2 players per country in Europe, on average 9.5 online channels of insurers are international online channel players, 4.6 players per country are purely national players. In Western Europe on average 10.3 national online channel players of insurers are present per country, in Northern Europe 5.0, in Eastern Europe only 1.4 and in Southern Europe 3.1 per country.

Online channels of insurers 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, and existing products are offered without active promotions through the traditional brand as well.

Passive online channels are 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 or pure direct insurers are mainly focused on actively winning new customers through the own brand and website and with active and relevant promotion, such as TV advertisement

Passive and active channels could also be organized as an aggregator or online broker with more insurers behind, mainly focused on winning new customers. In 2016 out of all insurer's online channels in Europe, 58.5 percent are hybrid solutions, 25.1 percent are passive models and 16.4 percent are organized as active channels.

Number of online insurance channels in a country depends on different factors such as the level of maturity or total size of the market

According to Dr. Johannes Ospald, the countries in Europe show large differences in their realized market shares, their player portfolio, used business models, and most importantly, in their performance levels. Looking at the number of online channels of insurers in 2016, on we see that average 14.2 players per country are active in the 31 major European countries. The absolute number of online channels of a country depends not only on the level of maturity but also on many other factors, such as the total size of the market.

According to the report, Germany and the Netherlands have the highest number in Europe, with 43 and 37 players, followed by



the UK, Poland, France, Spain, Italy, the Czech Republic, Austria, Switzerland, Hungary and Slovakia with 14 to 30 players per country (above or on average). 9 to 13 online channels per country are doing business in Ireland, Belgium, Russia, Turkey, Croatia, Portugal, Greece and Scandinavia (Sweden, Denmark, Finland, Norway). Up to 8 players per country are currently present in the Baltics (Latvia, Lithuania, Estonia), the Ukraine, Romania, Slovenia, Luxembourg and Bulgaria.

Germany and the UK have the highest number of aggregators in Europe, followed by Spain, Italy, Russia and France.

Number of online channels is significantly increasing in every country

The report indicates that the number of online channels in all countries is significantly increasing. However, not all of these online channels are successful. The online business cannot be limited to one sales topic only. There are 30 evaluated cost and growth relevant KPIs responsible for long-term success. That means that all relevant strategy dimensions need to be considered in terms of products, pricing, promotion, sales, servicing, operations, human resources as well as financial success.

The way of reaching successful online strategies

In today's world, no business can ignore online shopping any longer. Customers ask for more online and direct supply and they get it. Financial services companies 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. To achieve above-average growth and profit, executives need to look into the future and to think incrementally.

Considered as a whole, all online channels in Europe make the current industry standard for online insurance. The currently offered solutions were preceded by hundreds of analyses of customer expectations and technical implementation options, in order to meet as many needs of Internet-savvy customers as possible. Europe's industry standards and best practices provide optimal benchmarks for country analysis and comparisons as well as for individual online strategies.

For a successful online strategy, the report suggests, the following questions need to be answered primarily: What are Europe's trends, industry standards and best practices? What is the current position of my country and my company compared to Europe? How can I achieve additional growth and avoid competitive disadvantages?