
**PROPERTY AND CASUALTY INDUSTRY
E-COMPETITIVE ANALYSIS**

***Abridged Version**

FEBRUARY 2000

BACKGROUND

The reality in today's online environment is that switching to a competitor is as fast, cheap, and easy as typing in a new URL.

"Consequently, the sites that generate the best customer experiences develop "sticky" traffic, higher revenues and a stronger brand. In contrast, the sites with bad customer experiences -- even with the best back-end technology or a great off-line brand -- lose customers and revenue at an astonishing rate. Despite all the improvements in technology over the past 5 years, web users have consistently demanded simplicity and efficiency over all else. More and more users with minimal technical expertise are getting online, and they're demanding simple, fast, easy-to-use e-commerce sites. The bottom line is that to succeed online and in e-commerce, companies must strive to create a positive customer experience." [Creative Good, 1999]

With this in mind, the Madison Consulting Group examined the web site venues and online offerings of some of the key players in the Property & Casualty industry. The study group was limited to the following 12 companies:

Insurance Sector:

- ✧ AIG
- ✧ Allstate
- ✧ Chubb
- ✧ C.N.A
- ✧ Kemper
- ✧ Progressive
- ✧ SAFECO
- ✧ St. Paul
- ✧ The Hartford
- ✧ Travelers

Banking Sector:

- ✧ Chase
- ✧ First Union

As very few of these competitors offer any measurable form of e-commerce or interactive solutions, the central focus of the analysis has been the overall **Customer Experience** offered by each corporate web site. In the simplest terms, a Customer Experience assessment examines a site's combined usability and effectiveness. An evaluation of the customer experience would begin by asking strategic questions like:

- ✧ What are the company's goals for the site?
- ✧ Who are the target customers, and what are their goals?
- ✧ Does the site help customers accomplish their goals *and* the company's goals?
- ✧ Is the customer experience quick and easy enough to bring them back, and keep them from going to competitors?

COMPETITIVE BACKDROP

Not unexpectedly, the Property & Casualty Insurance Industry still lags behind the rest of the financial services industry on the Internet. Similarly, e-commerce continues to be the exception rather than the rule for most companies.

An industry study published by Conning & Company [January 2000] includes the following revelations:

- Only 1% of insurance company web sites offer interactive customer service or online sales, and only 7% offer online quotes.
- The biggest uses of the Internet are in facilitating company marketing efforts (50%) and providing basic customer support and customer information (22%).
- To date, the Internet's potential for selling products that have differential pricing or features (e.g., which have online, and therefore, less costly marketing and customer service) has not been exploited by industry incumbents.
- A survey of insurance executives involved in distribution showed that only 34% of respondents have definite plans to create Internet specific products, and 23% say they are unlikely to develop these products.

Conning concludes that few insurance companies are currently pursuing this channel effectively; and that carriers continue to either fear the web as a potential source of channel conflict, or underutilize the it by employing the technology solely as a marketing tool.

However, another recent survey conducted by IVANS [February 2000] indicates that the e-savvy carriers still have a tremendous opportunity to succeed online. The survey findings include:

- Nontraditional players may be breaking into the online insurance market, but consumer loyalty remains with insurance carriers.
- Thirty-six percent of respondents said they would most likely purchase insurance over the Internet directly from an insurance carrier opposed to a search engine (20%), insurance mall (8%), or a brokerage (5%) or banking (4%) site. Nearly half of the consumers surveyed said they would be most likely to purchase automobile coverage electronically, followed by life (23%), homeowners (20%) and health (13%) coverage.
- Ten percent of survey respondents said they would switch insurance carriers if their insurance carrier did not offer the ability to purchase insurance and file claims online, if another carrier did. This number is likely to increase as more insurance companies add capabilities, striving to secure their niche on the Internet. Already, the electronic market is testing the survival of the industry's fittest.

The message, according to IVANS, is that **“Insurance carriers must develop a solid e-business strategy today if they want to respond to growing customer demands and retain customer loyalty tomorrow.”**

KEY STUDY FINDINGS

The study findings largely validate Connings contentions, as well as some of the meager industry statistics presented in the Conning study. P&C insurance firms are clearly making strides in Internet strategy and e-commerce, but few are fully capitalizing on their Internet presence.

Online Customer Experience

As a collective group, the Customer Experience being offered by the twelve sites is not overly positive – and in some cases the holistic online experience borders on dreadful. Companies, on average, score fairly well on site design, but obscure navigation interfaces cancel much of the design efforts. Overall, site usability was astonishingly poor. In our view, the twelve web sites - as a collective group – score no greater than “poor-average” in 5 of the 6 web site evaluation categories.

On a scale of 1-5 – with 5 being the best – the average study group scores in each category were:

Category	Average Score
Site Design	3.29
Navigation	2.63
Site Content	2.75
Customer Support/Resources	2.33
Agent Support/ Resources	1.78
e-Commerce/Interactivity	1.38

Of the 12 websites analyzed, Allstate, Chase, and Progressive offer the best Customer Experiences.

Category	1st	2nd	3rd
Site Design	chase	progressive	allstate
Site Navigation	progressive	chase	chubb
Site Content	aig	allstate	chase
Customer Support/Resources	allstate	chase	progressive
Agent Support/Resources	aig	chubb	c.n.a.
e-Commerce/Interactivity	progressive	allstate	travelers
Total Average Score	allstate	chase	progressive

Online Strategies

Most of the sites examined are still primarily “**first generation**” sites: Corporate Identity and Marketing sites aimed mainly at presenting the company in a favorable way to customers, or providing corporate information to constituents. Other than Progressive - and perhaps AIG and The Hartford - none of the companies examined is doing anything “cutting-edge” or novel online.

Online Customer Resources

Although insurance companies were among the first to go online – and offer innovative services like online actuarial calculators – they have been one of the slowest industries to develop real online customer services. Almost all of the sites do an excellent job of identifying their different audiences – consumer, commercial, agent – and designing their sites to address the unique needs of each distinct group. However, the majority of companies still utilize their corporate sites to simply showcase or push their product lines or marketing messages. Online support and resources – interactive tools, online processing, and online advisory capabilities -- are still very much in first generation form, if they exist at all.

Online Products

The insurers' current online offerings appear to be the same as their off-the-shelf products. None of the corporate sites studied suggest or mention anything about new products uniquely developed for the online marketplace and online buyer. There were no exceptions.

e-Commerce Capabilities

Among insurance carriers, there is Progressive ... and then there is everyone else. Progressive's ecommerce capabilities clearly outdistance the rest of the pack; with Allstate the only other site that appears to offer any true form of end-to-end e-commerce. Of the ten insurance companies reviewed, 7 still do not offer any type of online quoting capabilities on their corporate web sites. Most carriers tend to continue to direct prospective insurance buying customers to online agent locator search engines. And incredibly, the agent locators produce inaccurate or incomplete information more than half of the time. In terms of back-end policyholder services - like online claim processing, policy admin, payments and billing - only 5 companies presently offer such online support and features.

Unlike the majority of their insurance company counterparts, the two banks included in the study group, Chase and First Union, both offer at least a rudimentary form of online quoting and purchasing. First Union has outsourced their personal lines insurance business to Progressive – thus, effectively “buying/borrowing” an online quoting service. They have a similar strategic partnership with The Hartford for business insurance.

Company	Site Strengths	Site Weaknesses	Cool Site Features	Other e-Ventures
Aig.com	Site breadth; global reach; content	Site unwieldiness; navigation	Excellent links	Aigdirect.com, autobytel.com, IBM e-business partnerships
Allstate.com	Comprehensiveness; number of clicks to e-commerce	Occasional page download delays	Customer Care Center; password-protected policyholder area	
Chase.com	Smart site design and layout; Customer focus and online resources	Poor site help function	Interactive online worksheets	
Chubb.com	Product information; Agent resources	Lack of customer resources, site design	Agent Locator tie-in to Yahoo online maps	
CNA.com	Agent resources; news and information library	Lack of customer interactivity	Interactive investor relations services	
Firstunion.com	Breadth of offering	Cluttered pages and confusing navigation	CBS Marketwatch	Strategic partnerships with Progressive and The Hartford; investment in brightlane.com
Kemperinsurance.com	Customer friendliness	Site navigation/usability; complete lack of interactive tools		Nekema.com.
Progressive.com	e-Commerce; interactive tools; user interface	Content	Comparative quotes; online policyholder data safekeeping; auto recall announcements	
Safeco.com	Site balance; interactive investment tools	Buried product information	Online policyholder services – bill payment, policy changes	
Stpaul.com	Corporate branding	Site depth		
Thehartford.com	Product coverage	Page download delays; site layout		Strategic e-partnerships with Juno and First Union
Travelers.com	Functional/directory design	Site text/copy legibility; navigation	Slick online claim forms	

SCORING APPROACH

A simple numerical rating system, and benchmarking guide, was used for the Web Site/Customer Experience Analyses and Scoring:

Scoring Range	Explanation
0	Specific criteria, feature or functional element does not exist
0-1	Element exists but very poor offering, execution, experience or capability – relative to minimum online standards
1-2	Below average industry offering – relative to other study group competitor sites
2-3	Average industry offering
3-4	Above average industry offering
4-5	Exceptional offering, execution, experience or capability – relative to current state-of-the-art online standards

This benchmarking guide was used to uniformly evaluate, score and rank each company in the study group across the six core web site evaluation criteria: Design, Navigation, Content, Customer Resources/Services, Agent Resources/Services, and e-Commerce/Interactivity.

In conducting the design and usability analyses, Madison followed the commonly accepted rules of web design:

- **Clear, concise wording:** Customers don't want to read long paragraphs of text on e-commerce sites.
- **Quick page download:** Under 10 seconds on a 28.8 modem, as tested through a public ISP like AOL -- not an internal corporate network.
- **Appropriate page width:** Most customers view the Web at 800 x 600 resolution, and some still are at 640 x 480. Choose a resolution and fit pages inside that width.
- **Simple page design:** Where appropriate, use simple page design focused on moving customers toward completion of their goal. Don't clutter the page with dozens of features and links that most customers don't want.
- **Few, and small, supporting graphics:** Decorative graphics can help create an aesthetic "feel" to the site that supports the brand image – but only if used sparingly. If customers have to spend valuable time downloading unnecessary graphics, brand image suffers.
- **Large graphics only when good for the customer:** Large graphics should be provided only when relevant to the customer's goal. For example, if customers click to zoom in on a product picture, the large graphic is appropriate. But large graphics should never be used just to make a site look good.
- **Jargon-free language:** Use wording that customers understand. For example, on a travel site, don't refer to the "equipment" -- call it the "plane." On retail sites, give clear product names, not abbreviations.
- **Search function:** Include a prominent search function, but only if it gives accurate and concise results.
- **Easy navigation:** The site structure should be based on what the customer wants, not how the company is organized. For example, a site selling books and music should make it easy to buy both products in the same buying process.