

# Internet could be magic bullet for life insurance

 By [Jan Kotze](#)

16 Sep 2011

It is indisputably the era of the consumer. Yet in two centuries there have only been two major innovations in the way life insurance products are sold to consumers. The first was when brokers were introduced some 160 years ago and the second when call centres came along in the 1970s.

The crux of the matter lies in the word 'sold'. The biggest game-changer would surely be the one that can remove the cross the life industry has born for so long: the assumption that its products are sold and not bought.

The magic bullet is proving to be the Internet. Internet-savvy and -empowered consumers have overcome the 'grudge' in this traditionally grudge purchase in two ways. First, with the incentive of a price that is up to 50% cheaper and, secondly, by doing it themselves on the internet.

## **Fully automated online model**

I am referring to a fully automated online life insurance model, not insurers who rely on an Internet presence and/or call centres. It is the fully online selling, underwriting and administrative model that has the potential to change the life industry as drastically as ATMs changed banks.

The major advantage fully online life insurers have is the massive cost-saving of doing away with intermediaries, top heavy head-offices, customer-facing staff, call centres and inefficient administration.

To understand how this is possible, take a look at the online life insurer's target market. These customers have already purchased numerous products on the Internet, some of which demand fairly complex interaction, such as travel and online auctions. Buying life products is the next notch in the e-commerce growth curve.

Surprisingly, it not only attracts a young, elite market. Many of these empowered consumers are so-called 'grey surfers' over the age of 55 and even a sprinkling of users over 70.

## **Biggest potential**

But the biggest potential for online life insurance lies with new entrants into the economy. They have grown up with online banking and will go to the Internet first for all their needs: a job, a place to stay, a partner, a car and yes, life products. Which explains why 50% of the total marketing spend in the UK has gone online, with half of that spent on Google ads.

The number of Internet users in South Africa is boosted by the rapid increase in people accessing the Internet from their cellphones across a large spread of income brackets. Internet World Stats estimates the number of Internet users in SA at a conservative total of at least 6.8 million.

A fast growing number of SA users access the Internet mainly from a cellphone, boosting the online life market to a potential six million people across a larger spread of income brackets. Online players will soon be ready to launch mobile applications designed to simplify the underwriting process on a mobile screen.

In the online business model, the service provider and the consumer become partners, a relationship that demands a level of trust. The insurer even entrusts the client to self-underwrite, something that was inconceivable until very recently, and is still frowned upon from the heights of some ivory towers. But why not? Empowered consumers understand that non-disclosure will jeopardise their cover.

### **Self-administration**

Self-administration is another feature of this partnership, another significant cost-saving. Need to change contact details, changes in cover, beneficiaries or banking details? Thanks, I'll do it myself. In this world, the new intermediary's name is 'word of mouth' and clients are rewarded in the form of credited premiums for signing on new clients.

"Oh, but wait until the time comes to claim," cry the sceptics. However, leading international reinsurers have needed no encouragement to throw their weight behind the online players. Neither have leading underwriters such as Guardrisk, which is part of Alexander Forbes, one of SA's leading financial services groups [DISCLAIMER: Guardrisk underwrites Instantlife, the company of this contributor]. They are clearly satisfied by the level of underwriting which is done upfront, as with traditional insurers.

Consumers now have the power of choice as never before and increasingly that choice will be to put their money where they perceive real value. And if that means a new generation of customers who will go online and *buy* life insurance instead of it being *sold* to them, it will be good for the entire industry. There's no going back.

## **ABOUT JAN KOTZE**

Jan is the CEO of Instantlife.co.za (Facebook), which he started in 2009. He is an ex-partner of Deloitte Consulting, where he focused on new business development locally and globally between 1998 and 2008. His involvement in the business, and his attention to detail, means that products are always evolving and the team is working hard to bring the most cost-effective, simple, innovative insurance to market.

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