

The Exploding Consumer Market for Insurance Online

Quarterly Online Insurance Index | Summer 2009



ALLWEB LEADS

Executive Summary

All Web Leads helps agents, brokers, and carriers to expand their sales pipeline by providing access to new sources for leads. We connect agents with the rapidly growing number of customers looking for insurance over the Web. In this, our second Quarterly Online Insurance Index, we identify a series of dramatic changes about the growth of insurance search behavior.

- ➡ First is simply the dramatic growth in number of searches. Comparing the same quarters across two fiscal years, we find a 71% growth in online customers between Q4-07 and Q4-08, and a 63% growth between Q1-08 and Q1-09. Of course same quarter growth trends vary by time and insurance line – it ranges from 53% for health insurance in Q1 to 103% for life insurance in Q4. Same quarter growth is robust across all age groups, strongest among middle aged prospects – reinforcing the fact that digital immigrants, those who came of age before the advent of the Internet and the Web, are doing business online in ever-increasing numbers.
- ➡ Second is the quality of consumer requests. When focusing on the property/casualty market and comparing auto and homeowners insurance leads, we find that sizable numbers of requests are from among the groups most needing specific types of coverage. Younger people are particularly likely to be online and looking for auto insurance – 55% of customers looking for auto insurance are age 18 – 34. Middle aged prospects are in the market for homeowners -- 47% of those looking for homeowners are age 35 – 54. Agents will find lead demographics complement traditional insurance targets.
- ➡ Third is the impact of place. Large states produce the largest number of leads as well as the greatest opportunities for future growth. Taking population into account, the largest number of leads for homeowners insurance come from the Gulf states, where hurricanes are a particular threat, and where many carriers are reassessing their exposure to these markets.

In sum, the consumer shift to online insurance search opens many promising opportunities. It also raises new challenges. Top insurance producers both capture the opportunities and develop the sales operations that best exploit them. To remain competitive, agents who expect to profit from the shift to the Web should follow suit.

Developing New Sources for Insurance Leads

All Web Leads collects and sells the highest quality sales leads to top insurance producers across the United States. For insurance agents, brokers, and carriers, we eliminate much of the pain and expense of hunting for new customers. We accelerate business opportunities by helping agents, brokers, and carriers to expand their sales pipeline. We help to develop new sources for leads by connecting them with the rapidly growing number of customers looking for insurance over the Web.

Sales Leads and Market Intelligence

Through our search marketing techniques, our consumer marketing savvy, and our Web-wide reach, we locate the consumers who are searching for insurance coverage online and connect them to agents who can meet their needs. We match consumers with the agents, carriers, and brokers who are looking to build an ever more profitable business by leveraging the Web as a powerful channel for finding prospects. Good leads together with competitive products produce valuable customers.

Beyond the prospecting, we deliver timely intelligence for the insurance marketplace. We capture a high volume of consumer traffic. We track current trends and forecast future developments, often before they are widely apparent to insurance producers in the field. As we help consumers get multiple insurance quotes, we gain unique insights into underlying market dynamics and conditions. We thus help savvy agents grow their business by providing advice on competitive factors and how to make the most out of the Web channel in the Internet age.

Second Quarterly Online Insurance Index

This is the second report in our series, "Quarterly Online Insurance Index from All Web Leads." In our first report, we identified the significant consumer shopping trends for auto, health, and life insurance in the United States. We documented how customers are becoming increasingly comfortable shopping for these three types of insurance online. Not surprisingly, some groups are more comfortable than others. We identified important differences due to age, gender, marital status, and location.

In this report we expand upon these findings in two significant respects.

- Quantifying the many more consumers that are shopping for all types of insurance over the Web.
- How shoppers for homeowners and auto insurance differ from one another.

There is an underlying theme to the online insurance marketplace. Customers are turning to the Web in ever-increasing numbers for information about auto, home, health, and life insurance. Certainly different factors affect different types of insurance. Yet when all is said and done, the growth of the Web as a channel is often more important than differences due to age, gender, background, or location.

And what does this mean for the consumer insurance industry? Simply put, like earlier eras of electronic connections, such as the telephone and the call center, the Internet and the Web is rapidly coming of age. In short order over the next year or two, agents and agencies must learn how to reap the business benefits of these new technologies, and to profit from the rapid migration of customers to the Web. With the digitization of sales and marketing, agents and agencies without an effective Internet strategy are likely to become road-kill on the digital superhighway. From our perspective, the coming transition is just that stark.

Now, let's dig into the numbers and what they mean.

Accounting for Growth in the Online Insurance Market

Customers Streaming to the Web

For the past seven fiscal quarters, from September, 2007 to March, 2009, we have received requests from over 4 million consumers. These people are age 18 and above, located in all fifty states and the District of Columbia, who were looking for health, life, home or auto insurance online, and who requested contact by an insurance agent in order to receive a quote for a policy. This insurance-seeking group represents roughly 1.8% of the total US population, age 18 and above.

As a channel, the Web is attracting increasingly larger numbers of customers. Comparing the same quarters across two fiscal years, we find a 71% growth in online customers between Q4-07 and Q4-08, and a 63% growth between Q1-08 and Q1-09. Same quarter growth rates are a useful measure of real market growth that takes the seasonality of the insurance marketplace into account.

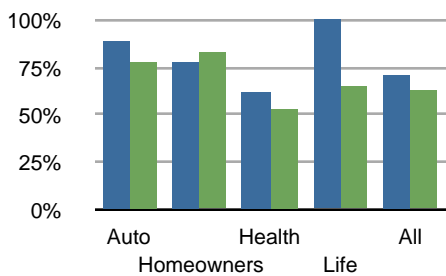


Figure 1
Same quarter
growth rates.

■ Q4 2007/08
■ Q1 2008/09

Thus we find that same quarter growth rates differ by insurance types. As shown in Figure 1:

- In the main and with one small exception, there was a larger jump from Q4 2007 to 2008 than there was from Q1 2008 to 2009.
- Within the property/casualty market, auto and homeowners insurance had same quarter growth rates ranging between 78% and 89%.
- Health insurance had a slightly lower same quarter growth rate, ranging from 62% in Q4 to 53% in Q1.
- Life insurance had a 103% same quarter growth rate in Q4 and a 65% in Q1.

Growth Rates and Life Stages

What factors help to drive this growth? How should agents and agencies respond to these new opportunities and improve their ability to profit from the online channel?

We find that substantial growth occurs when we consider the impact of age – and hence life stage. While the percentages differ, the pattern remains consistent across all insurance types. On a same quarter basis, the fastest growing groups are those middle aged and above.

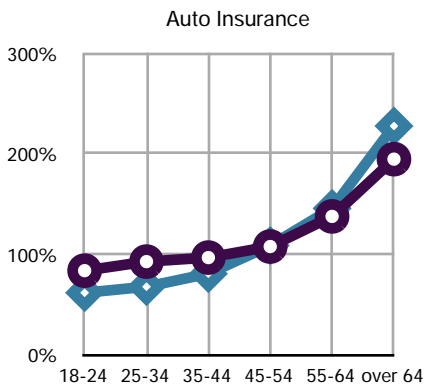


Figure 2 Same quarter auto insurance growth rates by age.

Auto Insurance

First let's examine auto insurance, which is mandatory for anybody owning a motor vehicle. The same quarter growth rates for customers between 18 and 44 vary between 61% and 96%. For customers age 45 and above, the same quarter growth rates increase, and range between 108% and 227%. (See Figure 2).

Customers are going to need this type of insurance, regardless of age. The larger same quarter growth rates for older customers reflect the fact that they are increasingly comfortable with shopping for insurance online.

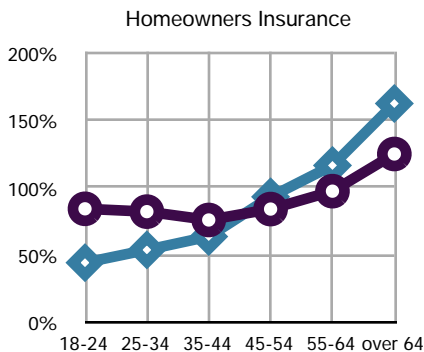


Figure 3 Same quarter homeowners insurance growth rates by age.

Homeowners Insurance

Next let's consider trends for homeowners insurance, which mortgage holders make mandatory for people financing their dwellings. Younger people are less likely to be homeowners. Thus the same quarter growth rate for Q1 rises from 44% for the 18 – 24 age group to the 163% for the over 64 age group (see Figure 3). The same quarter growth rate for Q4 rises from 84% for the 18 – 24 age group to 125% for the over 64 age group.

These trends reflect the pattern of home ownership – once people settle down and have the means to purchase a house, they will be in the market for home owners insurance. Again there is a substantial growth rate among middle aged people and above. Older homeowners are becoming more accustomed to using the Web to shop for insurance.

Health Insurance

Health insurance is a more complicated insurance product – frequently an employment fringe benefit, mandated only in Massachusetts, and now the focus of a Federal policy initiative. While growth rates are lower, there remains the familiar variation among age groups.

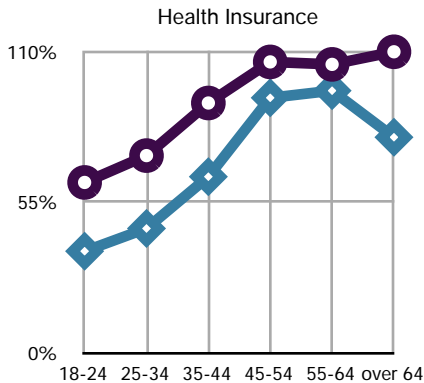


Figure 4 Same quarter health insurance growth rates by age. Q4 2007-08 Q1 2008-09

Specifically, Q1 growth in the number of leads ranges from 37% for the 18 – 24 group to 96% in the 55- 64 age group, and then declines slightly to 78% for the over 65 age group. The Q4 growth has a similar pattern, 62% for the 18 – 24 group, rising to 110% for the over 64 age group in Q4 (see Figure 4). Moreover, the same quarter growth for each age group is larger in Q4 than in Q1, perhaps reflecting the impact of open enrollment policies where employees in many companies have the option of switching coverages and carriers at the end of the calendar year.

Life Insurance

Although rarely a required purchase, life insurance is linked to financial security. Like health insurance, there is an annual factor – a shopping season when customers are more likely to be considering their options. Regardless of age group, the same quarter growth for life insurance is larger in Q4 than Q1 (see Figure 5).

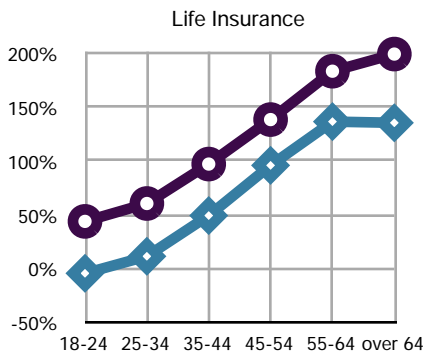


Figure 5 Same quarter life insurance growth rates by age. Q4 2007-08 Q1 2008-09

- In Q4, the same quarter growth rate ranges from 44% for the 18 – 24 age group to 199% for the over 64 age group.
- In Q1, the same quarter growth rate range from a decline of 5% for the 18 – 24 age group to an increase of 135% for the over 64 age group.
- Significantly, the same quarter growth rate for customers age 35 through 54 –the period when many people are raising families and hence are most concerned about the financial security that life insurance provides – varies between 49% and 138%.

Thus the same quarter growth rate for life insurance is substantial, particularly among the customers who rely on this coverage to protect their family’s financial security.

Advice for Agents

Customers are streaming to the Web in increasingly large numbers. Whether you as an agent focus on just one type of insurance or customer segment or several, it's essential to have a Web strategy in place.

Depending on the type of insurance you're selling, you also have to consider your customers' life stages. Digital immigrants, those 35 and above who came of age before the widespread adoption of the Web, are coming online in increasing numbers. These groups represent a lucrative market that deserves special attention. It's important to market your offerings, and consider your cross-sell/upsell opportunities.

Shopping for Auto and Homeowners Insurance

A Large Opt-In Population

Let's now examine the property/casualty insurance market – how prospects for homeowner's insurance compare to people looking for auto insurance.

From July 2007 through March, 2009, All Web Leads received inquiries from more than 1.5 million consumers searching online for auto and homeowners insurance. The breadth of this opt-in population allows us to identify critical factors that influence online shopping for property/casualty insurance.

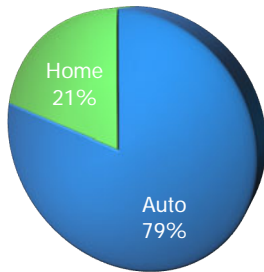


Figure 6
Comparison of auto and homeowners insurance as components of online property/casualty market.

Overall Size and Growth

To begin with, the number of people searching online for auto insurance appears to be almost four times the number searching for homeowner's insurance. As shown in Figure 6, 79% of the customers online (roughly 1.2 million people) are looking for auto insurance, compared to only 21% for homeowners insurance (approximately 328 thousand people). The difference in the numbers is not surprising. After all, auto insurance is mandatory when you own a car, and there are many more auto owners than homeowners. But there are also important trends between the two groups.

Age and the Life Cycle

When it comes to age and life stage, customers looking for auto and homeowners insurance are different; customers looking for auto insurance are younger whereas those shopping for homeowners insurance are older. Thus, as shown in Figure 7:

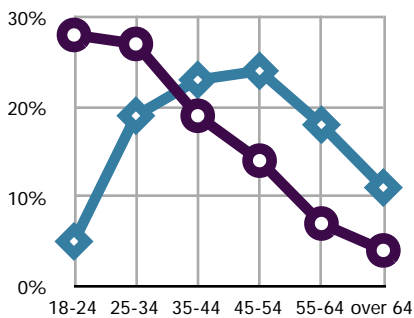


Figure 7
Property/casualty insurance by age.

- Customers age 18 – 34 are the largest proportion looking for auto insurance. These people represent 55% of all the online shoppers who are looking for auto insurance. By comparison, customers in this age group are only 24% of all prospects looking for homeowners insurance.

- People 35 and older are the largest proportion of those consumers looking for homeowners insurance. Depending on their age, there are anywhere from 4% to 11% more customers looking online for homeowners insurance than auto insurance.
- There is dominant age range for each insurance type. 55% of customers looking for auto are age 18 - 34. By comparison, 47% of those looking for homeowners are age 35 - 54.

Shopping for property/casualty insurance is linked to life stage. Younger customers are particularly likely to be looking for auto insurance, perhaps reflecting the fact that many American adults, regardless of age, own their own cars. By comparison, middle aged shoppers are more likely to be homeowners, and thus in the market for homeowners insurance quotes.

Advice for agents: Identifying Upsell/Cross-sell Opportunities

- ➔ The Web is a growing channel for both auto and homeowners leads. Agents are increasingly likely to find prospects online.
- ➔ Not only is the Web a large and growing channel, but customers are associated with life stages. Prospects for auto insurance are more likely to be younger and under 35. Prospects for homeowners insurance are more likely to be middle aged, between 35 and 54.
- ➔ There are many upsell opportunities in the property/casualty market. Agents should focus on the shoppers lifecycle and the quality of their customer experience. If agents successfully engage younger customers online with auto insurance, they will have the opportunity to upsell a homeowners policy at a later life stage. A good experience with an auto agent is likely to translate into repeat business with a homeowners insurance purchase.

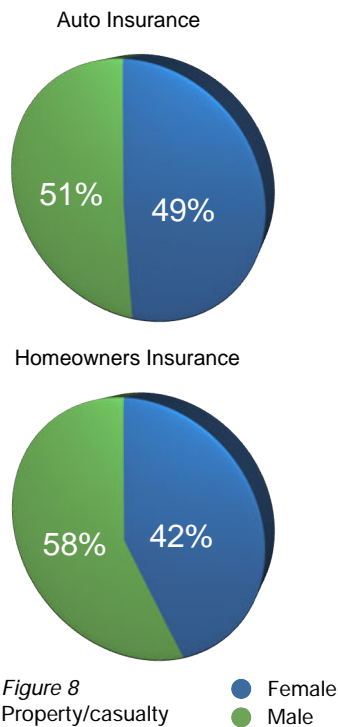


Figure 8
Property/casualty
insurance by
gender.

Beyond Age and Life Stage

Differences between Men and Women

When it comes to gender and life stage, there are notable similarities and differences between men and women. Comparing who is looking for different types of property/casualty insurance in Figure 8:

- Men are 16% more likely to be looking for homeowners insurance than women (58% vs. 42%)
- Men are only 2% more likely to be looking for auto insurance than women (51% vs. 49%)

These trends are not unexpected. If they view their roles as heads of households, men are slightly more likely to take the responsibility for shopping for homeowners insurance. Shopping for auto insurance is a different matter – men and women are comparably engaged.

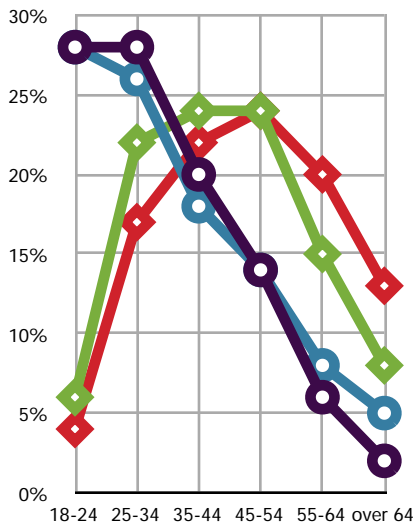


Figure 9
Property/casualty insurance by gender and age.

- Auto - Female
- Auto - Male
- ◆ Home - Female
- ◆ Home - Male

Moreover, there is also the age factor, particularly for homeowners insurance as shown in Figure 9.

- For auto insurance, there is at most a slight difference between the age groups of men and women. Women aged 25 – 34 are 2% more likely to be shopping for auto insurance online. Men aged 65 are 3% more likely to be interested in an auto insurance quote.
- For homeowners insurance, there is a bigger gap and at a different age. Women aged 25 – 34 are 5% more likely than men to be online and shopping. Men aged 55 and above are 5% more likely to be in the market for homeowners insurance.

Advice for agents

- ➔ Be aware of the effects of gender and plan your sales strategies accordingly.
- ➔ Specifically, there are going to be different proportions of men and women in the market for various lines of property/casualty insurance. When it comes to auto insurance, there is only a slight difference between men and women, regardless of their age. But younger women and older men are more likely to be in the market for homeowners insurance.
- ➔ Agents need to understand their customers concerns as they chart their up sell opportunities. The younger women who are homeowners and want to be contacted about a quote are at a different life stage than late middle-aged men. Possibly these women are in a different financial bracket or have different kinds of responsibilities than men. Successful agents will leverage the importance of a relationship that begins with auto insurance to capture the homeowners insurance opportunity that comes with age and life stage.

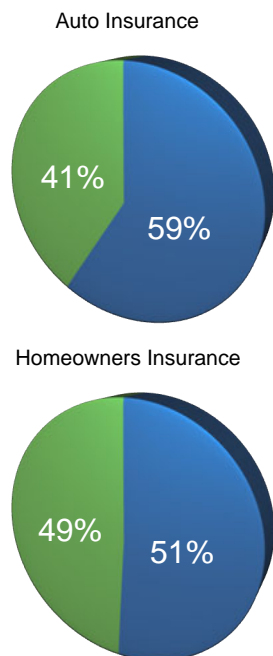


Figure 10
Need vs. Switch by insurance type.

- Insured
- Uninsured

When Customers Shop

The Uninsured and the Already Insured

Another way to look at the market for quotes is to consider who is not currently insured (and thus needs insurance) compared to who is already insured and is thus looking to switch – people in need compared to those seeking to switch carriers.

Over half the customers are looking for a better deal and are considering switching from their current carriers. There is volatility in the property/casualty market. But, as shown in Figure 10, there also is a difference between the two insurance types.

- Auto insurance is more changeable. 18% more people who request quotes are looking to switch (59% vs. 41%).

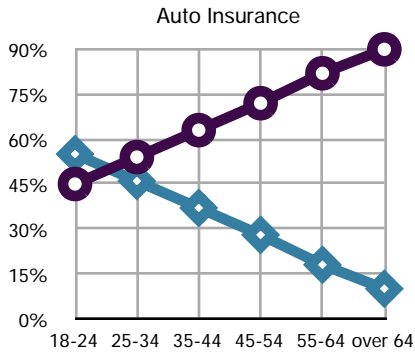


Figure 11
Need vs. Switch for auto insurance by age.

- Homeowners insurance is more stable. There is only a 2% difference between the shoppers and those who are not currently insured (51% vs. 49%).

Moreover, there is a striking difference in age-related trends when it comes to insurance type as shown in Figure 11.

- For the youngest age group, 18 – 24 year olds, there’s a 10% difference between the insured and the not insured looking for auto insurance. 55% of customers in this market are not insured, compared to 45% who are already insured and looking to switch.
- The relative proportion of customers looking to switch grows steadily. There is a 44% difference between the insured and the not insured for people age 45 – 54 (72% vs. 28%) and an 80% difference for people age 65 and above (90% vs. 10%).

It is not surprising that a majority of the youngest age group are online, shopping for auto insurance and are not insured. This is an age group where many have just enough money to purchase their own car. Once people have a car, they need auto insurance on an ongoing basis. Hence, older people who already have a policy are more likely to be in the market to consider their options, and to switch.

There is a similar pattern with homeowners insurance when it comes to age-related trends – only with different thresholds, as shown in Figure 12.

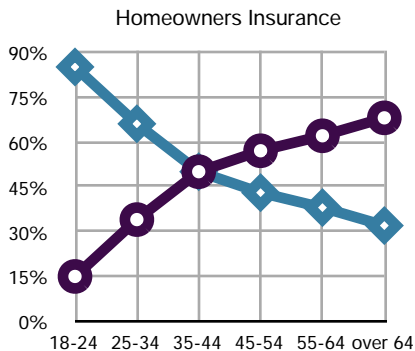


Figure 12
Need vs. Switch for homeowners insurance by age.

- The majority of younger shoppers for homeowners insurance are not currently insured. There’s a 60% difference between the insured and the not-insured for customers aged 18-24 (15% vs. 85%). This gap narrows somewhat to 32% for customers aged 25-34 (34% vs. 66%).
- Customers aged 35 – 44 are equally likely to be insured or not insured.
- Customers in older age groups who are shopping for homeowners insurance are more likely to be insured than not insured. For people aged 45 – 54 there’s a 14% gap (57% vs. 43%) which grows to 36% for customers 65 and over.

Again, this trend points to the market dynamics for homeowners insurance. Those who have it are going to be online and willing to consider their options. Customer satisfaction and value is increasingly important with older age groups.

When it comes to gender, there are important trends between men and women who are insured or not insured, as shown in Figure 13.

- For auto insurance, men and women are equally likely to be insured or not insured. This suggests that men and women are comparably likely to own a car and need insurance; they are thus online considering their options and looking for a better deal.
- For homeowners insurance, there are notable differences between men and women. Women requesting a homeowners quote are 6% more likely to be not insured (53% vs. 47%). Men are 8% more likely to be insured (46% vs. 54%).

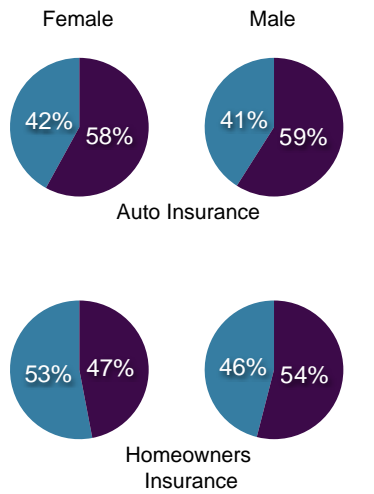


Figure 13
Need vs. Switch by insurance type and gender.

Women seeking homeowners insurance are perhaps first time home buyers or are establishing new households due to life changes, such as divorce or other factors.

Advice for Agents

- ➔ Customer relationships are important. There is an opportunity to create brand loyalty with the first-time insured. Profiting later from these relationships requires high levels of service now.
- ➔ In the property/casualty market, there is going to be some volatility between the uninsured and the already insured. Many customers who already have an auto or homeowners insurance policy are going to be online and looking to switch.
- ➔ There are many opportunities to use the Web as a profitable channel and acquire new customers. Up-selling from auto to homeowners is one approach to the market. There are age-related factors to consider: younger customers are more likely to be first-time home buyers, and hence are shopping for their first homeowner's policy.
- ➔ It's also important to treat your customers well. Be aware that older customers and men are more likely to consider switching. Then there's the matter of market volatility. Address it directly, and be prepared with competitive and affordable policies that deliver the value that customers expect.

Location and the Property/Casualty Market

Geographic Trends

Where are customers located? There are important geographic trends to who is online and looking for auto and homeowners insurance.

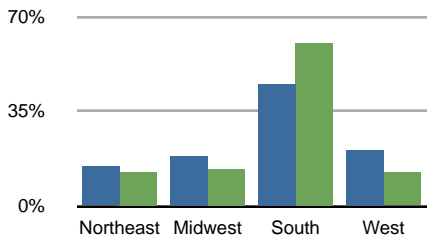


Figure 14
Property/casualty insurance by region.

As shown in Figure 14, the south has the largest number of customers – 45% for auto and 61% for homeowners. The west is second in the number of customers for auto (21%). There is no difference among the number of customers for homeowners -- 13% – 14% of customers are from the Northeast, Midwest, and West.

Focusing on insurance leads by state, there are other important trends. Not surprising, the largest number of leads are from states with large populations. As shown in Table 1, the largest percentage of auto leads are coming from Florida, California, Texas, Georgia, and New York; the top five states for homeowners insurance are from Florida, Texas, California, Louisiana, and New

Top Ten States

Percentage of Insurance Searches

Auto		Homeowner	
FL	10.33%	FL	27.43%
CA	9.28%	TX	8.09%
TX	8.40%	CA	5.71%
GA	4.33%	LA	4.14%
NY	3.87%	NY	3.81%
PA	3.64%	GA	3.11%
IL	3.02%	MI	2.79%
TN	3.00%	NJ	2.76%
MI	3.00%	NC	2.60%
OH	2.97%	SC	2.52%

Table 1

Top Ten States

Percentage of Insurance Searches Normalized by State Population

Auto		Homeowner	
LA	0.737%	FL	0.492%
FL	0.699%	LA	0.316%
DE	0.644%	MS	0.206%
KY	0.610%	SC	0.187%
TN	0.603%	DE	0.136%
AR	0.571%	AL	0.134%
AK	0.569%	WY	0.112%
GA	0.560%	VT	0.112%
WY	0.550%	WV	0.111%
HI	0.546%	TX	0.111%

Table 2

York. Large states are big markets, with many customers shopping for insurance online.

When we normalize the number of online customers to take the overall population of the state into account, we find several important trends:

- The top two states for auto insurance are Louisiana and Florida
- The top two states for homeowners insurance are Florida and Louisiana
- Five of the top ten states for homeowners insurance are along the Gulf of Mexico -- Florida, Alabama, Mississippi, Louisiana, and Texas.
- Relative to the overall state population, the largest state, California, has the fifth smallest number of online customers for auto insurance, and the smallest number of prospective customers for homeowners insurance.
- Other states with large populations, including Ohio, Illinois, and New York, are among the bottom ten for auto insurance leads. Pennsylvania and Illinois are in the bottom group for homeowners insurance leads.

Advice for Agents

- ➔ Different factors affect the market for auto and homeowners coverage in different state insurance markets.
- ➔ For instance, consider the fallout from the 2004 – 2008 hurricane seasons on property/casualty insurance in the five states along the Gulf of Mexico. Carriers have been changing their rates and coverage. Some have even been trying to withdraw from writing policies within specific states. Thus it is not surprising to find that many customers from Florida to Texas are online and shopping for alternatives, and trying to weigh their options and choices.
- ➔ California highlights the issues and opportunities for large states – where there are large pools of prospects. Within these states, many customers are online and shopping for property/casualty insurance. But the overall size of the insurance market is huge, and customers have many different options. It is important to consider all the different channels for connecting with customers, and include the Web as one of the viable venues for finding leads.
- ➔ Agents can best compete for business, identify prospects, and make sales by knowing their markets. Certainly, there are regional and state-specific factors to consider. Yet, within the context of these local and regional differences, the Web is a growing source for high quality leads and must be part of an agent's marketing plan.

Bottom Ten States

Percentage of Insurance Searches
Normalized by State Population

Auto		Homeowner	
RI	0.341%	MN	0.060%
MD	0.337%	PA	0.060%
OH	0.321%	ID	0.060%
NC	0.320%	WA	0.059%
CT	0.316%	NE	0.059%
CA	0.314%	DC	0.058%
IL	0.290%	OR	0.057%
WI	0.286%	UT	0.056%
MN	0.284%	CA	0.051%
NY	0.247%	IL	0.051%

Table 3

Capturing the Lead Flow through the Prospecting Pipeline

Top producers in the insurance industry are those who best know how to build, expand, and exploit their sales pipelines. First, they cultivate a range of sources and are skilled at prospecting for leads. Then, they contact prospects when they are ready to buy, and deliver the offers that trump their competitors.

Winning entails not only finding the right people and making the best offers, but also being able to exploit the tools of the trade for competitive advantage. Top producers are particularly adept at understanding and making the most of their sales opportunities.

As this our Second Quarterly Online Insurance Index describes, the Web is a promising and growing channel for insurance leads. On a same quarter basis, our Web leads are growing dramatically across insurance lines and age groups. Within the market for auto and homeowners insurance, there are large numbers of leads among groups with growing needs for these different lines of property/casualty insurance. Agents should not only take note of these trends but also factor them into their sales operations.

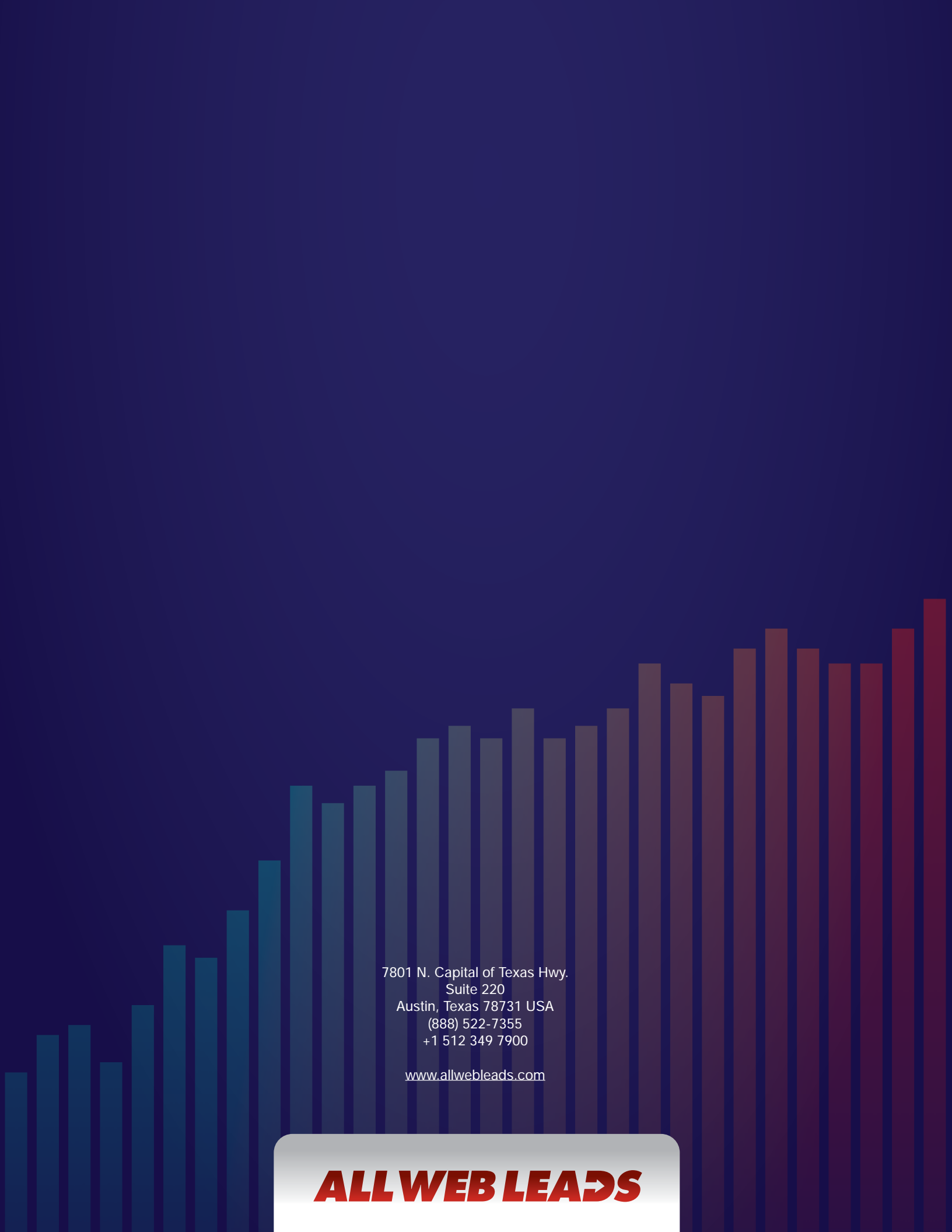
In practical terms, we believe this means three things for agents.

- **First, be sure to include the Internet and the Web as a source for leads.** More and more consumers turn to the Web when they are shopping for all kinds of goods and services. Agents will increasingly find promising leads over the Web.
- **Second, realize that Web leads are going to have their own ways for doing business.** While some customers may value the personal connections of online sales calls, many will also prefer to use email, Web sites, and other social media tools when doing business online. Most will value the seamless experience that comes from building ongoing relationships with vendors over the Web.
- **Third, plan to manage the growth in prospects.** Web leads are an easy way to expand a sales pipeline. There are many more prospects coming online and requesting information about different types of insurance. Yet agents still face the challenge about how to allocate their time and resources, how best to identify high value customers, and how to convert prospects into buyers. As agents rely on the Web for an increasing source of leads, they also need to update other aspects of their sales and marketing operations to create seamless (and ever more profitable) business processes.

Doing business online opens many promising opportunities and raises new challenges. Top producers both capture the opportunities and develop the sales and marketing operations that best exploit them. Agents who expect to profit from the shift to the Web should follow suit.

About All Web Leads

All Web Leads is a leading online sales lead provider for the US insurance industry. We deliver real-time, targeted, high quality sales leads to top insurance producers. Our advanced technologies are able to bring agents together with qualified customers that are actively searching for insurance products. Based in Austin, Texas since 2005, we are dedicated to delivering the highest levels of service and satisfaction to insurance consumers and salespeople.



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