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Will Insurers Ever Learn From Amazon?

by Brian Harrigan

Summary:

Every other industry seems to have learned Amazon's lessons on product selection and convenience -- but insurers still don't get it.

You may (or may not) remember that when Amazon.com began in the late 1990s, the single focus of the company was selling books online. One product category, one type of manufacturer, one market focus — people who buy books. At the time, virtually everyone in the publishing industry scoffed at the idea that anyone would want to buy a book they couldn't first touch. Today, Amazon.com sells all types of products from all types of manufacturers to all types of individuals and businesses every day of the year. No one is scoffing any more — except perhaps the insurance industry.

Just like the publishing industry two decades ago, the insurance industry is facing a once-in-a-generation digital disruption and transformation, and I'm not sure the industry knows it. Let's look at the distribution of insurance through the lens of an Amazon.com-like buying experience.

Most insurers and distributors automatically start with the typical objections: "Insurance is complex," they say; or, "What about the regulatory restrictions?"; or, "My agents have to explain the product benefits to the customer." The knee-jerk reactions make sense in an industry that is mostly agent-centric and that seemingly treats customers with at least some contempt.

We have, after all, built rules around every aspect of insurance: who can buy, what they can buy, when and how they can buy, who they are, where they are located, what they want to insure, how much insurance they need, how much it costs. There are licensing and appointment rules, compliance and regulatory issues, insurance company underwriting requirements, rating rules, policy issue guidelines, premium remittance standards and distributor channel conflict rules, and these may all be different depending on the kind of product — life, accident and health, property and casualty, individual, group, association, employer and so forth. While many of these rules make sense, many others are simply vestiges of "the way things have always been done." That is a problem for our industry.

The reality is that a consumer doesn't care about most of the nitty-gritty, inside baseball, that affects all of the above. The consumer cares about being in control of the insurance purchase experience like he is in control of every other shopping experience. That's not to say the consumer wants to go it alone without an agent necessarily. But it does mean the consumer wants to be able to make that choice —

and, today, she can't. Increasingly, consumers are being schooled on how to buy everything through the convenience of a digital market; why not all of their insurance?

It won't be long before insurance consumers will expect to access products from multiple carriers, shop, compare, buy their policy with the credit card they pull from their wallet and have their policies, ID cards, welcome letters, privacy notices, etc. instantly delivered to their own online account (not through a carrier). How about the convenience of going to a digital marketplace that remembers each consumer for subsequent transactions? Maybe like Amazon Prime?

I've always wondered what the executives at Barnes & Noble, Borders, Simon & Schuster, HarperCollins and Penguin (not to mention Circuit City and J.C. Penney and Sears) were thinking back in the 1990s as Amazon.com started to gain traction. I wonder the same thing now about some insurance executives.

Savvy insurers and distributors will meet consumers where they want to be met and transact business in the digital marketplace. Or they won't. But if the industry doesn't go there quickly, someone else will – of that, I'm sure.

<http://insurancethoughtleadership.com/will-insurers-ever-learn-from-amazon/>



About the Author

Brian Harrigan, a 39-year veteran of the insurance and employee benefits segment, is president and CEO of GBO/Insur IQ. GBO focuses on the digital distribution and automated, real-time underwriting and policy administration of insurance products across the life, A&H and P&C spectrum.