

Insurance aggregators

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INSURANCE FORUM

AN insurance aggregator is another channel through which a customer can acquire insurance. It is among the non-traditional distribution channels of insurance. It has been defined as “a web-site portal or search utility to enable a client to gain several quotes via an electronic e-quote form.

“The insurance aggregator concludes agreements with a number of insurers to provide a comparative quote based on predetermined list of specified needs, as disclosed by potential clients. The insurance aggregator provides the potential client with comparative insurance quotes and the opportunity to discuss a specific quote. The insurance aggregator will transmit the details of the potential client to the insurer, and the insurer will contact the potential client to conclude the policy of insurance.” It is also called a “price comparison web site.” The aggregator is paid a referral fee by the participating insurers. Among the popular Web aggregators are compare.com, confused.com, check24.de (German), comparethemarket.com (UK), moneysupermarket.com (UK), bizcover.com.au (Australia), iselect.com.au, which is exclusively for health insurance in Australia, and comparenow.com, which is exclusively for automobile insurance. In Southeast Asia compareXpress.com was launched in Singapore in 2010. In the Philippines there are ecomparemo.com and ichoose.ph. An aggregator, however, should not be confused with online agencies.

Over the years, we have seen the growth of insurance sales via the Internet. It has been observed, though, that with the need to go after volume sales, insurers offer only “basic policies,” thus, making aggregators inappropriate medium for complex insurance portfolio. Thus, in a 2013 Aggregator Survey conducted by Solutions Provider Singapore, car insurance and travel insurance were found to be most suitable in an aggregator platform with the investment-linked policy and whole life participating policies the least suitable.

The first insurance aggregator in the world, Confused.com, was launched in 2002 in the United Kingdom. It is part of the Admiral Group based in Wales, UK. Its advertising slogan states that it is “the first and longest-running UK insurance comparison site.” It started with car insurance in 2002, followed by home insurance in 2005. Today it offers life insurance, travel, as well as pet insurance.

It guarantees that the quote it displays on the screen is the price that the client will pay.

Initially, worldwide, only about 1 percent of motor insurance sales were procured online. This subsequently increased to 10 percent. Today 40 percent of motor insurance sales are placed online. It is projected that this will increase to 75 percent in the coming years.

In a study made by PricewaterhouseCoopers on the German motor-insurance market, it was found that in 2010, 600,000 contracts were concluded through comparison web sites. This increased to 1.5 million contracts in 2013. Aggregators have revolutionized the distribution of insurance worldwide. This trend has followed the migration of commercial transactions to the Internet just as Expedia and Priceline have transferred the bulk of airline-ticket sales from travel agencies.

It has been observed that with the rise of the aggregators, price competition has become stiffer, leading to decreased profitability. Thus, in the UK, the most advanced aggregator market, it was observed that aggregators have caused the motor-insurance market to become “commoditized.” It was stated that “insurers are no longer competing on brand, marketing, service or other intangibles to the same extent; rather, they are competing almost solely on price and their position on the aggregators’ screens.” Indeed, Web aggregators are seen as a tool to decrease distribution costs. With the aggregators, there is no need for the traditional insurance agent. Price becomes the primordial criterion. And the time spent by the consumer searching for the appropriate insurer is reduced.

Already, aggregators are predicted to be supplanted by other technologies that will make aggregators redundant. According to Allianz, “Google is effectively an aggregator for most goods or services. If you type “car insurance” into Google, the brands for 13 car-insurance underwriters or distributors will appear on the first page. Many of these insurers provide and/or advertise the ability to get a “quote in just two minutes” or something similar and/or discounts for purchasing online of up to 20 percent. Thus, in around 10 minutes, a consumer could obtain quotes from up to five motor insurers.”

In Asia online aggregators have established their presence in Hong Kong, Singapore and India. Nowcompare.com was launched in Hong Kong in 2011. It is the world’s first international health-insurance aggregator web site. MyMoney.com.hk was launched in Hong Kong also in 2011 to market life insurance. Embracing the concept, it was announced that the Monetary Authority of Singapore and Banka Negara Malaysia will launch a Web aggregator for life products.

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