



# Insurance and reinsurance of the Internet. New Approaches

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**«It would seem clear that it is necessary to have a clearly defined strategy with respect to the Internet, to be sufficiently flexible and rapid in order to take advantage of the possibilities offered - which in some cases can only just be made out, whilst in others they are clearly evident.»**

In order to get an idea of the insurance sector's presence on the Internet, and vice versa, I would like to propose a test: search for the word "insurance" using the google.com search engine and you will get more than 14 million matches; search for

"insurance company" and you will get 763,000 matches; try with "reinsurance" and in this case it will return 229,000 matches.

Does this mean that all insurance and reinsurance companies and all the professionals involved in this business are fully aware of the importance of this medium? I sincerely believe the answer to this to be "no". And while on this matter, ask yourself how many of the companies that you know carry out insurance and reinsurance transactions on the Internet.

We must also ask ourselves if the market, all the players, and above all, our clients, are ready to take out and handle their policies over the Internet, and whether they wish to do so. In order for this to be so, in order for this need or desire to exist, the Internet must provide some added benefit, be this an improvement in the flow of information, the possibility of reaching more insurance service providers or, crucially, a decrease in costs.

Although practically all companies nowadays have an Internet presence, there are many different degrees of development, and the use being given to this instrument is in no way uniform. There are companies which exclusively distribute their products over the Internet, yet there are other companies which do not use this "network of networks" at all. It is at present very difficult to justify either of these two extreme op-

tions. It would seem very risky to trust an entire company's sales policy to one only distribution channel which is so new in many ways as is the Internet, but it is no less risky to underestimate the possibilities which are offered to us and not to use them.

It would seem clear that it is necessary to have a clearly defined strategy with respect to the Internet, to be sufficiently flexible and rapid in order to take advantage of the possibilities offered - which in some cases can only just be made out, whilst in others they are clearly evident. In order to give a very simple example, think of the savings which could be made by a company which has a presence on various continents, only in internal communications, how long these take, and the costs involved in sending faxes or mailings to a multinational network, and compare this to the economic and time costs of the same mailings carried out by e-mail.

Each week one comes across some new approach with respect to the handling of insurance or reinsurance on the Internet. It is difficult to ascertain whether this new information will be of benefit to our business, which approach adapts itself best to our particular market and the needs of our company and, even more importantly, to our clients' wishes and needs.

We have moved from web sites which were styled as infor-



mation leaflets to all types of initiatives aimed at obtaining and carrying out business directly online using B2B (business to business) structures and secure electronic communication environments.

The Internet offers us the possibility of connecting all the offices of our network in an efficient, rapid and relatively simple and economic manner. It is possible to share all of an organization's resources in an instant; we can share information, files, data, computer applications or whatever we want. Within this environment it is necessary to ensure that all those who we wish have access to our network and at the same time to ensure that only these people have access, avoiding the interference of elements outside the organization. We have all heard about the «exploits» of computer pirates. These can range from adolescents with a lot of free time and a desire to demonstrate their in-depth knowledge or to play a poor joke up to sophisticated cyber-criminals or unscrupulous competitors. Whatever the case may be, it is vital to guarantee the system's integrity.

But the Internet does not only offer us the possibility of streamlining and broadening the internal networks; it also offers us the possibility of contacting our clients and business or market sources, automatically and from anywhere in the world and at any time. It allows us to supply or demand services in a way which was unknown until now. New solutions are constantly appearing in the field of professional contacts such as B2B (business to business) B2C (business to customer).

In these environments we find platforms composed of well-known professional play-

ers, whether they be brokers or insurance or reinsurance companies and in contrast to these we also find those created by purely Internet-based companies.

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**«The “professional” options offer the initial guarantee of being names which are known and respected in the business, with a solid professional base and recognized solvency, both technical and financial. They also provide additional clear benefits provided by their knowledge of the market, capacity and handling speeds. As a negative point, mention may be made of possible platform bias - since they do not include all the market's operators. Neutrality and transparency must be demonstrated in practice.»**

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The purely Internet based platforms in theory are independent and neutral, although their shareholder base should be assessed, but the advantages are not so clear. They have to convince all types of operators to associate themselves and must demonstrate that they provide a streamlining in the placing and handling of risks and claims and, let us not forget, they must demonstrate that they do not suppose an additional cost without providing anything more than a restricted system of electronic mail.

The very nature and objectives of each platform will, to a good extent, determine its structure. If it is a platform aimed at offering simple insurance prod-

ucts to private individuals, whether this be a multi-brand or exclusive platform, it should have a visible structure which is simple and attractive. It must function using the Internet browsers which are commonly used by private individuals and should not require the use of proprietary software.

If, on the other hand, it is a platform which is exclusively aimed at professionals it may contain a more technical content and, if the efficiency of the platform is demonstrated, use may be made of proprietary software and a fee structure set up which would remunerate both the platform itself and all those taking part.

The matter of subscription fees is unthinkable in a mass distribution system, and difficult to justify in the first instance in a system of professional interchange. It is easy for a reinsurer or and insurer to be willing to accept or cede business on the network as one more alternative amongst its distribution channels, it is more difficult for the company to be willing to pay a substantial sum for software or merely to belong to this exchange system before transactions have taken place which demonstrate the efficiency and desirability of the system.

The generation of a critical mass in order to make these systems viable is one of their main problems, and in this respect it would seem that the platforms made up of recognized members of the insurance community again have an advantage.

As always it will be the market which in the end decides which options are successful, although it would seem that the options headed by professional operators have more possibilities and make better sense. ■