



Google: Insurance Industry Catalyst For Change?

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Essence

Google launched its Google Compare aggregator service in the US on March 5, 2015. The service enables automobile insurance customers to compare rates from a small (but growing?) number of insurance companies to purchase automobile insurance in a small (but growing?) number of states. Since the launch, several related insurance events have occurred. Naturally, there were the predictable doomsday predictions that the insurance industry will shortly end as we know it. (No, it won't.) There was also the predictable gnashing of teeth and loud wailing by insurers and insurance agents. Even though we don't believe Doomsday is approaching (at all), the insurance industry must factor in the implications of Google Compare's emergence in the insurance value chain as a collector of vast amounts of insurance business acquisition and declination data.

Catalyst defined

The dictionary defines a catalyst as “a substance that initiates or accelerates a chemical reaction without itself being affected.”

By entering the US insurance market (the largest insurance market on the planet), Google has initiated, and possibly accelerated, the number of companies with insurance rating products or an insurance sales platform being pulled into Google's orbit or being acquired by existing P&C agency management system players or by technology vendors such as CGI to strengthen its own insurance rating solution Ratabase.

Google, itself, is minimally affected. The company's core strategy (as Market Insight Group sees it) of collecting and monetizing vast amounts of data remains. No-one could

argue that whatever insurance commission revenue Google generates from its Google Compare service in the UK or the US pales in comparison to Google's total advertising revenue.

Why, then, has Google entered the US insurance industry?

Data. Google is continuing its core strategy of collecting huge amounts of data.

Market Insight Group doesn't believe Google brought its aggregator service from the UK to the US simply to collect insurance commissions. Or because the US is the largest insurance market on the planet although we're sure that fact does matter to Google's core data acquisition and monetization strategy.

We believe that Google Compare, along with its UK counterpart, is the service that Google is using to continue to collect vast amounts of insurance underwriting acceptance and declination data. Insurers must keep in mind that Google operates on a huge scale and wants, in our opinion, to collect as much insurance business acquisition and rejection data as it can from as many insurance markets around the world as it can.

Playing the Long Game

Market Insight Group believes that Google is "playing the long game." Google will continue to use its Google Compare solution or a variant in increasingly more insurance geographic markets and lines of business without regard for the type of intermediation channels.

We believe Google's objective is to create a vast global insurance data hub representing most (if not all) of the global insurance market. We would assume that Google will create the analytic capabilities to slice the data on a very granular, and probably, individual customer basis where the laws allow.

For some reason, the old Science Fiction movie "To Serve Man" continues to reverberate in my head.

Selected insurance events related to Google Compare

Once Google Compare launched March 5, 2015 there have been several events that are obviously related. The related events involve existing insurance rating solutions and in one case, an insurance sales platform joining forces with Google Compare. There are other events that Market Insight Group believes that if not related are certainly logical

defensive moves by the technology firms. The possible defensive moves are shown with a (D) in the list.

- March 5, 2015: BOLT Solutions, a provider of an insurance distribution platform to the P&C insurance industry joined the launch of Google Compare Auto Insurance. BOLT proposes to bring a set of their insurance customers to the Google Compare service.
- March 9, 2015: CoverHound announced the company raised \$14 million in Series B financing. The new funding will support CoverHound's carrier growth and integration with large marketing partnerships like Google Compare. Public domain sources indicate that Google Compare is using CoverHound to provide insurance rating information. Perhaps joining Google Compare triggered CoverHound to believe that insurance aggregators would become an important part of insurance sales?
- March 10, 2015: Compare.com announces it is working with Google Compare by providing Google Compare customers access to some of Compare.com's 41 carrier partnerships.
- May 27, 2015: Google Compare announces it is using a rating system by Insurance Technologies Corporation (ITC). Market Insight Group believes this move by Google Compare is simultaneously strategic and tactical. It is tactical because it provides Google Compare with ITC's TurboRater solution that provides customers with auto insurance quotes from 50-75 carriers (per the Insurance Journal article). It is strategic because through TurboRater, Google Compare is enabling its customers to access independent insurance agents.
- June 3, 2015: ITC acquires Multico-Online, an insurance rating solution, to expand its TurboRater insurance rating solution. (CoverHound raises more money; ITC acquires additional insurance rating capabilities.)
- June 16, 2015 (D): Vertafore announces that it has acquired QQ Solutions, a provider of agency management systems and a comparative rating solution. Vertafore's press release stated, in part "More than 500,000 insurance professionals trust Vertafore technology every day." Could Vertafore be striving to keep those 500,000 agents and, as importantly, their customers away from Google Compare?

- June 16, 2015 (D): Applied Systems announces it has acquired SEMCAT, a provider of comparative rating technology in the US. SEMCAT provides rates to more than 2,400 agency customers across 44 states. Applied provides insurance lifecycle technology (as stated in the press release) to more than 12,000 agencies and brokerages and 450 insurers worldwide. Perhaps another keep-away defensive strategy to keep their agents and their customers away from Google Compare?
- June 18, 2015: USAA announces it is piloting auto insurance quotes and coverage information through Google Compare. USAA is doing this, per the press release, as a means of exploring new ways to reach more of the estimated 60 million Americans who may be eligible for USAA insurance products.

Google as an insurance industry catalyst

The essence of Google is collecting vast amounts of data and creating monetization strategies to drive profit. Market Insight Group isn't sure that insurers or insurance agents comprehend that reality: data drives Google. No data, no advertisers, no advertising revenue, no profit. Google's strategy rests on a foundation of collecting increasingly large amounts of data associated with all manner of how society lives, conducts business, works, and plays. Google thinks and acts on a galactic scale.

However, as the digital, mobile, data vacuuming colossus plows through the insurance industry, we think it is an imperative that insurers and agents consider this an opportunity. Specifically, the insurance industry must become truly customer centric and continually strengthen the customer experience they offer clients at every part of the insurance value chain.

Google may be creating revenue opportunities from data but insurers should be creating lifetime business relationships with their retail and corporate clients. If insurers and agents can accomplish this, then Google would have truly acted as a catalyst for the industry.

Final Remarks

The insurance industry can't afford to ignore Google Compare but neither should insurance executives or agents go running into the hills looking for other careers.

Aggregators play an important role in the insurance industry in other parts of the world and may gather steam in the US as technology-accepting customers, whether of the Millennial generation or other cohorts, increasingly decide to purchase automobile insurance (and eventually other lines of business) in that manner.

Obviously insurance agents will still be involved in every sale. State laws require agents to be certified and licensed for every line of business for each jurisdiction. The question is whether the agents are sitting behind a telephone or on the other side of a web site.

The more important issues for insurers are to think through how they want to play, if at all, with Google Compare and what Google's core strategy (i.e. collecting and monetizing extremely large amounts of data – and insurance data in this case) mean to their own enterprise and go-to-market strategies.

Methodology

Information for this QuickNote report came from:

- Public domain sources
- Applied Systems web site
- Vertafore web site

Let's Talk

Want to discuss the issues in this QuickNote? Please contact Barry Rabkin of Market Insight Group, Ltd. at 508 435-3136 (in the Boston, Massachusetts area) or e-mail barry.rabkin@marketinsightgroup.com. Click over to www.marketinsightgroup.com to learn more about our company, our research, and how to subscribe to our research agenda, purchase single copy reports, or engage us in custom work.



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