SOCIETY OF INSURANCE RESEARCH

ONLINE ADVERTISING

WHY AND HOW THE INSURANCE INDUSTRY IS OUTSPENDING OTHER INDUSTRIES

November 16, 2010

Canal Partner LLC

About the Speakers

- **Jaimie Pickles** is President of Canal Partner LLC, a venture that operates and invests in online insurance marketing companies
- Prior to forming Canal Partner, Jaimie Pickles was President and COO of InsWeb Corporation, an online insurance marketplace for individual consumers
- Before joining InsWeb, Jaimie was Managing Consultant at Tillinghast-Towers Perrin
- Jaimie holds the CPCU and ARM designations
- He has an MBA from the University of Chicago and a B.S. from the University of Tennessee
- Jaimie's direct dial is (302) 766-1125; email is jpickles@canalpartner.com
- More information on Canal Partner is available at www.canalpartner.com

About the Speakers

- **Candace Thornton** helps insurers become noticed by prospects both offline and on, tap cross-sell potential, and utilize consumer centric competitive intelligence.
- Candace is the 2011 incoming president for SIR's Board of Directors and is most recently published in April's Best's Review.
- She is SVP, Individual Protection and Property & Casualty for IXI, an Equifax company. IXI is the nation's only provider of solutions based on the interdependencies between spending and credit relative to household demographics, lifestage, and urbanicity. Prior experiences include VP Segmentation at Nielsen Claritas, and marketing coordinator for Aetna.
- Ms. Thornton holds her BSBA, in marketing and anthropology, from the University of Florida, and holds her MBA in Strategic Marketing.
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Discussion Points

Online Advertising	Trends
Offline vs. Online	Mix Ratio?
Audience	Who's Out There?
Benchmarks	What's Happening?
Predictions	Expectations for 2011 & Beyond

Online Advertising Opportunities

1. Display Ads
   - Banner ads that drape the tops, sides, bottoms of web pages.
2. Paid Search
   - Consumer types in a search word. Companies bid to show up on top or side of search results page. Companies pay on the click through, if it occurs.
3. Online Leads
   - Consumers apply at an aggregator's site, expecting several quotes. Companies buy the leads they want.
4. Online Video
   - A video clip advertorial. No rules. No standards.

The Awakening

▶ **The News:** The insurance industry experienced a first in 2009: Insurer spending exceeded other industries in terms of the percent of total ad dollars allocated to online display advertising.

▶ **What It Means:** Online display ads not only reinforce branding efforts, but also direct consumers to a specific insurer's Web site for a quote and to buy a policy.

▶ **Watch For:** Insurers to continue to connect with customers via blogs, online communities and streaming video.

Source: Pickles, Thornton, April 2010, Digital Dash, Best's Review.

Display	All	P&C*
2007	6%	4%
2008	6%	4%
2009	7%	8%

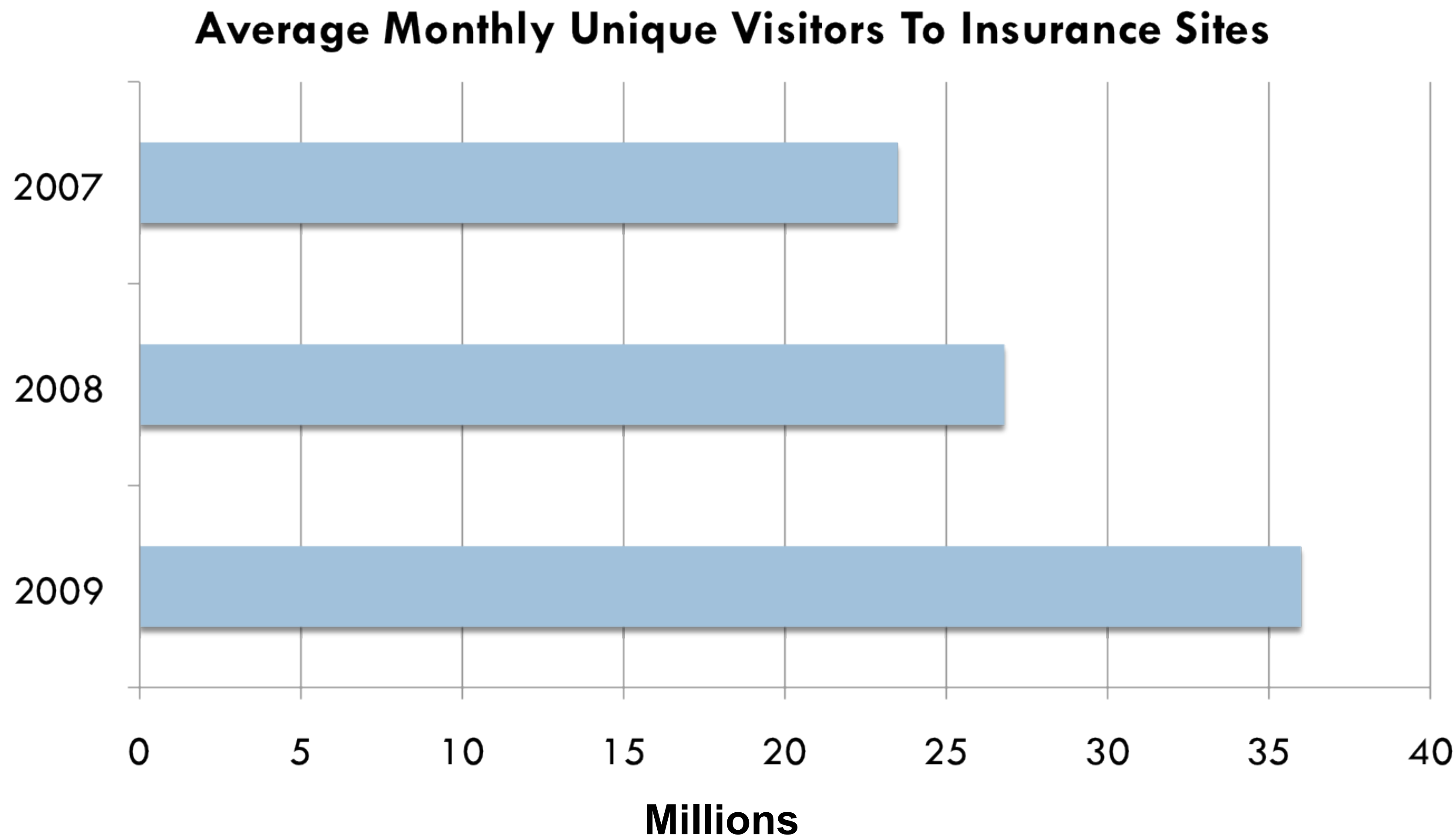
Insurers Cross the Digital Divide

- In 2009, across the 4 main categories, P&C insurers increased spend by 47% YOY
  - Online Display
  - Paid Search
  - Online Leads
  - Online Video

$591 Million

Sources: Closed Loop Marketing, comScore, Efficient Frontier, eMarketer, Google, InsureMe, InsWeb, NetQuote, Nielsen, Novarica, PermissionTV, Potrero Media, Starcom MediaWest, StreamingMedia.com

Consumers Driving Growth



Source: Pickles, Thornton, April 2010, Digital Dash, Best's Review.

Audience: Who's Out There?

- 78% of HHs have access to the Internet
- 75% of HHs access the internet for at least one hour from home per week
- 67% of HHs use the internet to shop

Source: Pickles, Thornton, April 2010, Digital Dash, Best's Review.

Online Display Advertising

Online Display Advertisers All and Personal Lines

Estimated Spending	All	Personal Lines P/C*
Y2007	$9,147,219,500	$89,746,600
Y2008	$8,555,697,600	$108,186,300
Y2009	$8,568,984,300	$212,909,700
Y08-Y09: % Change in $ Spent	0%	97%

Display only!

Source: Pickles, Thornton, April 2010, Digital Dash, Best's Review.

Online Display Advertising

Online Display Advertisers All and Personal Lines

Impressions	All	Personal Lines P/C*
Y2007	2,893,885,130,000	23,222,735,000
Y2008	2,324,317,725,000	27,650,176,000
Y2009	2,034,765,907,000	58,427,210,000
Y08-Y09: % Change in $ Spent	-12%	111%

Source: Pickles, Thornton, April 2010, Digital Dash, Best's Review.

Trend: Cost Per Thousand

Online Display Advertisers Personal Lines, Mix, Direct and Agent

Online Display Advertisers		Personal Lines P/C*	Mix	Direct	Agent
Y2007	Estimated Spending	$89,746,600	$28,477,900	$28,219,600	$33,049,100
	Impressions	23,222,735,000	6,077,975,000	11,498,396,000	5,646,364,000
	Cost Per Thousand	$3.86	$4.69	$2.45	$5.85
Y2008	Estimated Spending	$108,186,300	$53,793,100	$18,383,800	$36,009,400
	Impressions	27,650,176,000	14,111,896,000	6,752,542,000	6,785,738,000
	Cost Per Thousand	$3.91	$3.81	$2.72	$5.31
Y2009	Estimated Spending	$212,909,700	$129,618,600	$17,208,200	$66,082,900
	Impressions	58,427,210,000	35,888,386,000	5,677,974,000	16,860,850,000
	Cost Per Thousand	$3.64	$3.61	$3.03	$3.92

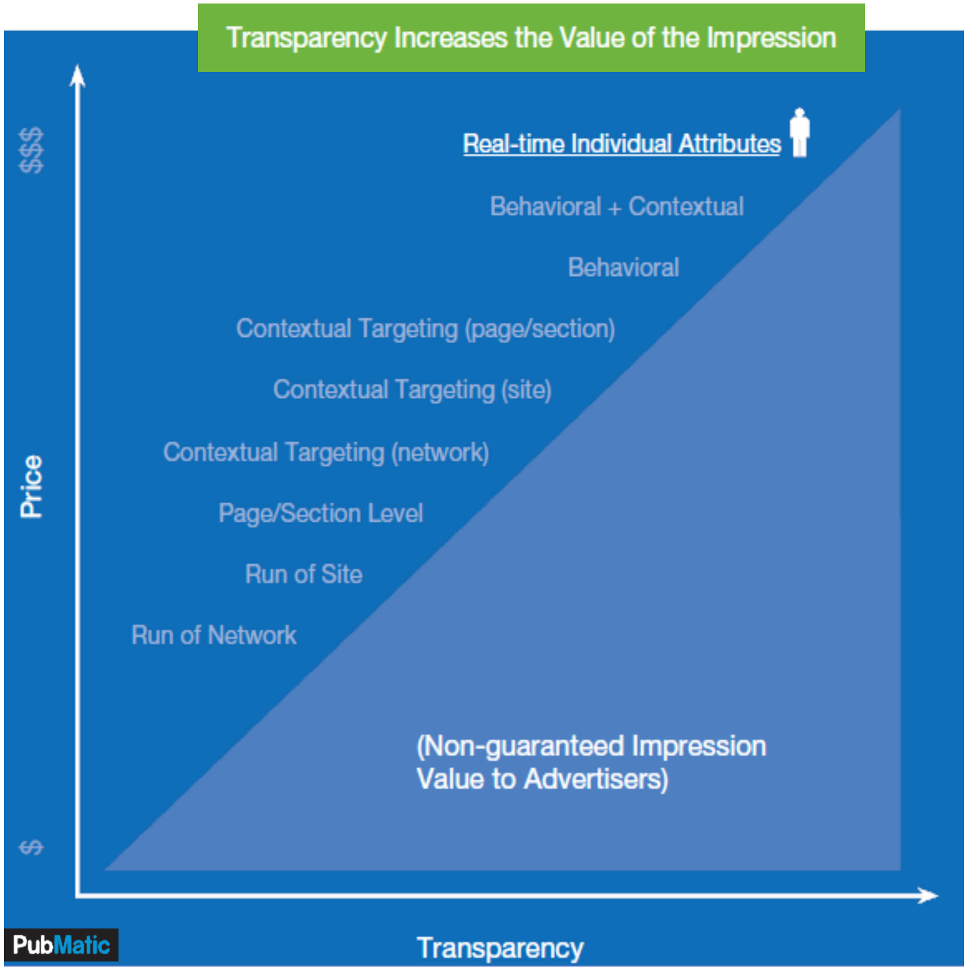
61% 10% 29%

Source: Pickles, Thornton, April 2010, Digital Dash, Best's Review.

Better Targeting is Driving Growth, Value

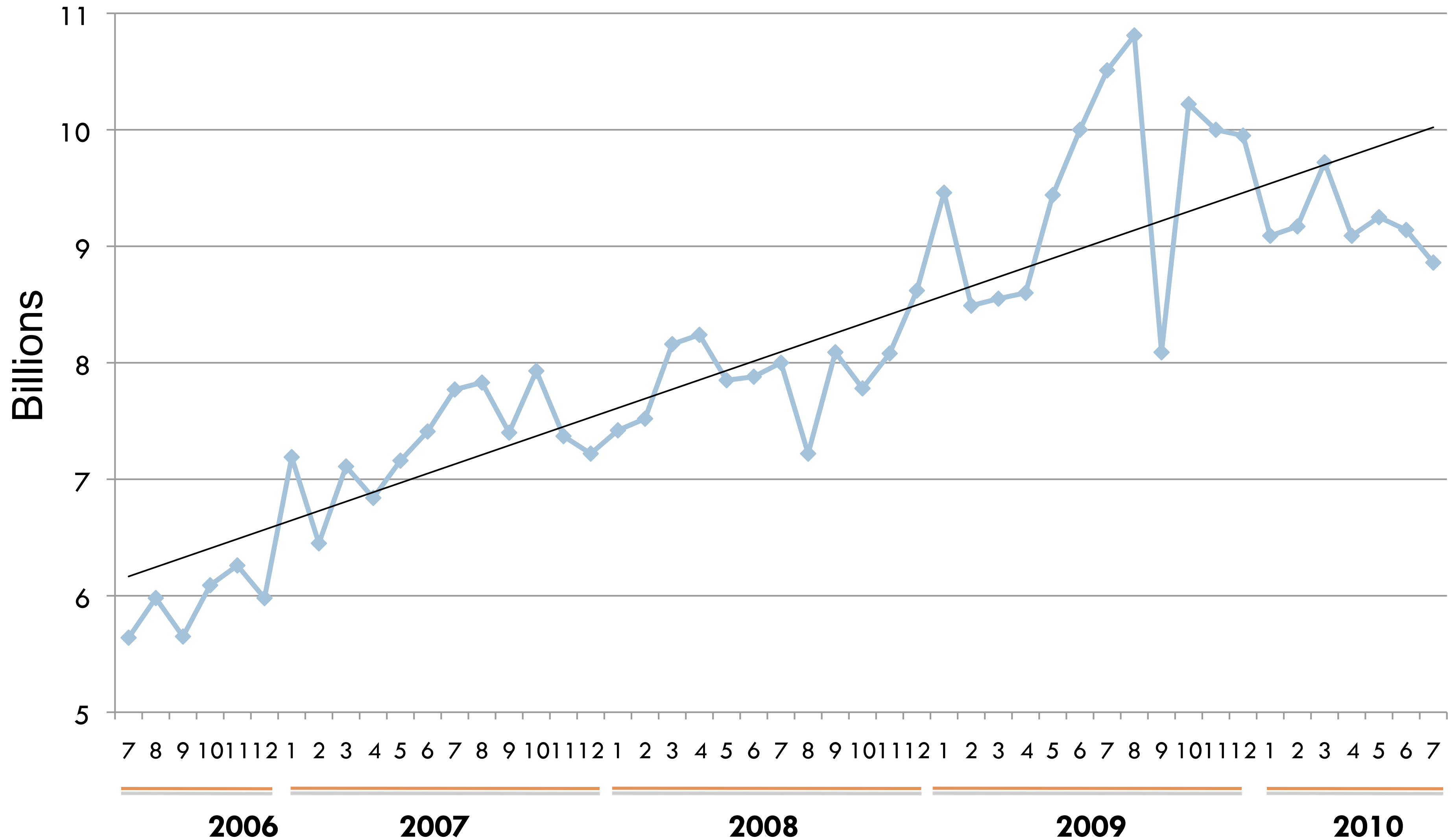
Display Advertising Newest Game Changer

- Eco-system is taking the next leap.
  - Began 12-18 months ago
  - 1% 2009, 3-5% in 2010.
- DSP: demand side platform
- RTB: real time bidding
- Buyers are ready; sellers need to ramp up.

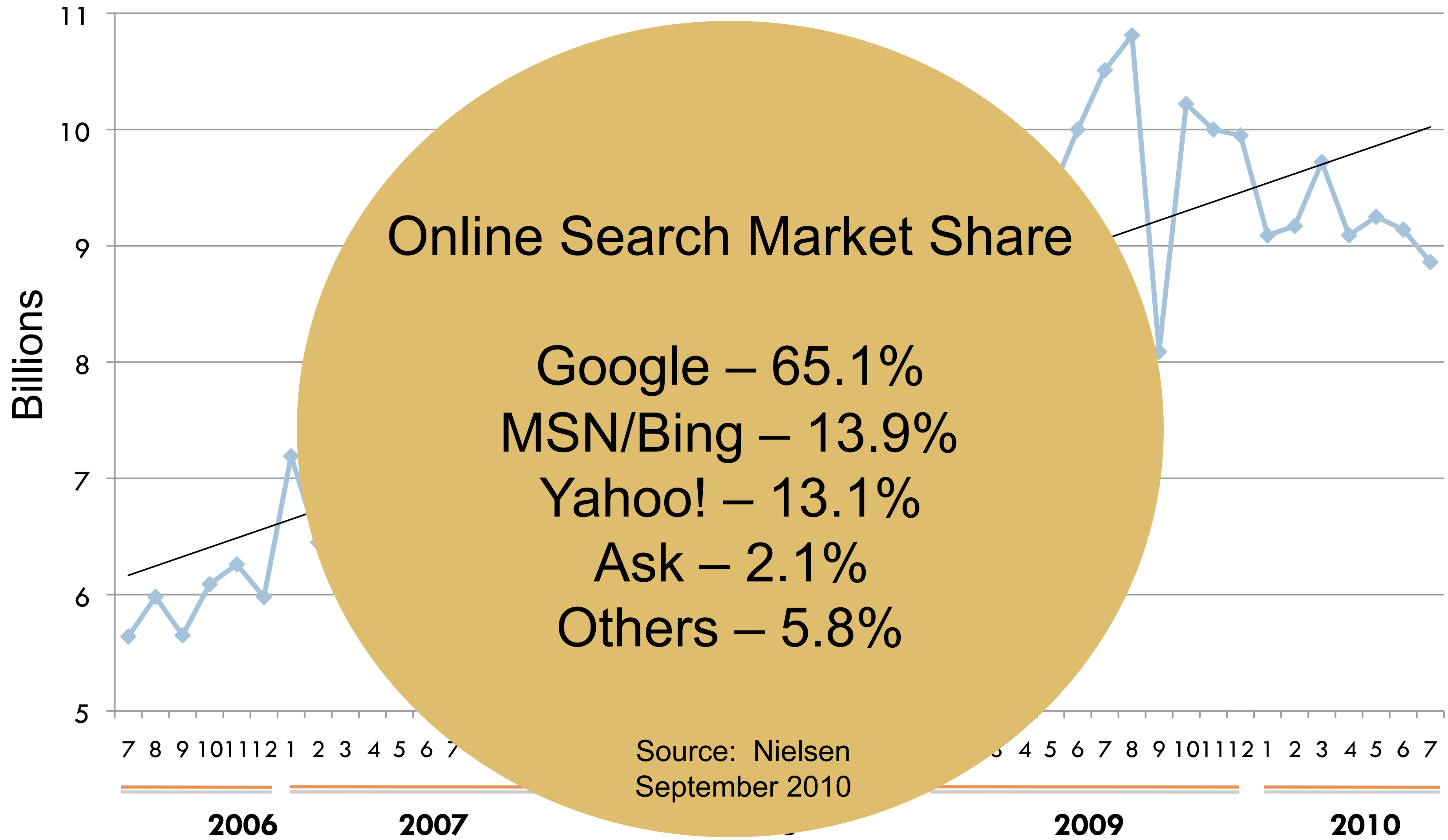


Source: Pubmatic 2010

Overall Search Volume Growth



Overall Search Volume Growth



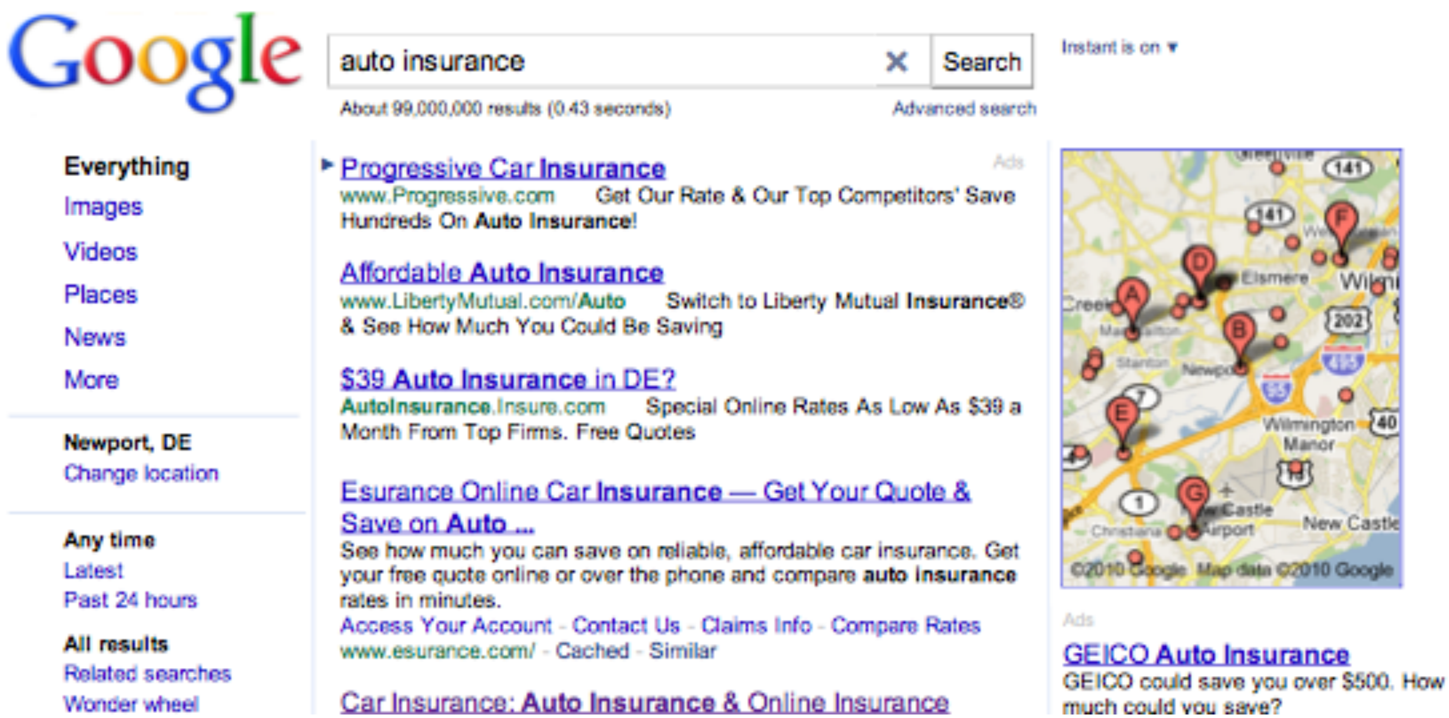
Online Search Market Share

Google – 65.1%
MSN/Bing – 13.9%
Yahoo! – 13.1%
Ask – 2.1%
Others – 5.8%

Source: Nielsen
September 2010

Strong Growth in Insurance Paid Search

- Personal Lines P/C insurers spent roughly $303 million on paid search in 2009
  - Spending increased 29% from 2008
  - Following a 25% increase from 2007 to 2008



Source: Canal Partner analysis of comScore, Nielsen and Google data

Online Leads

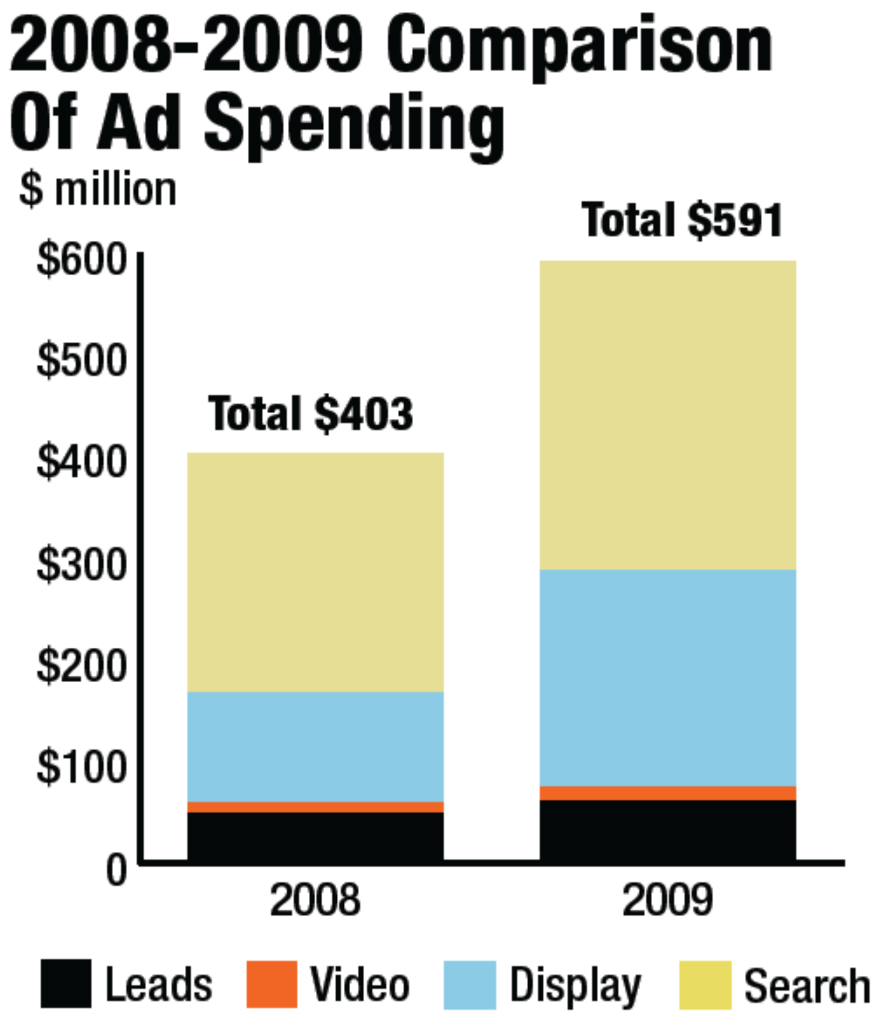
- Online lead marketing took off in 2009 for Personal Lines P/C insurers and their agents
- In 2009, carrier spending increased by 23% YOY to approximately $62 million in online lead marketing
  - Following a 15% increase from 2007 to 2008

Source: Canal Partner research

Online Video

- comScore recently reported 178 million unique U.S. users watched online video content in July 2010
- The insurance industry's Online Video ad spending remained low in 2009
  - Increased 40% to $14 million
  - Remained relatively small due to poor ad quality, limited targeting and no ad standards

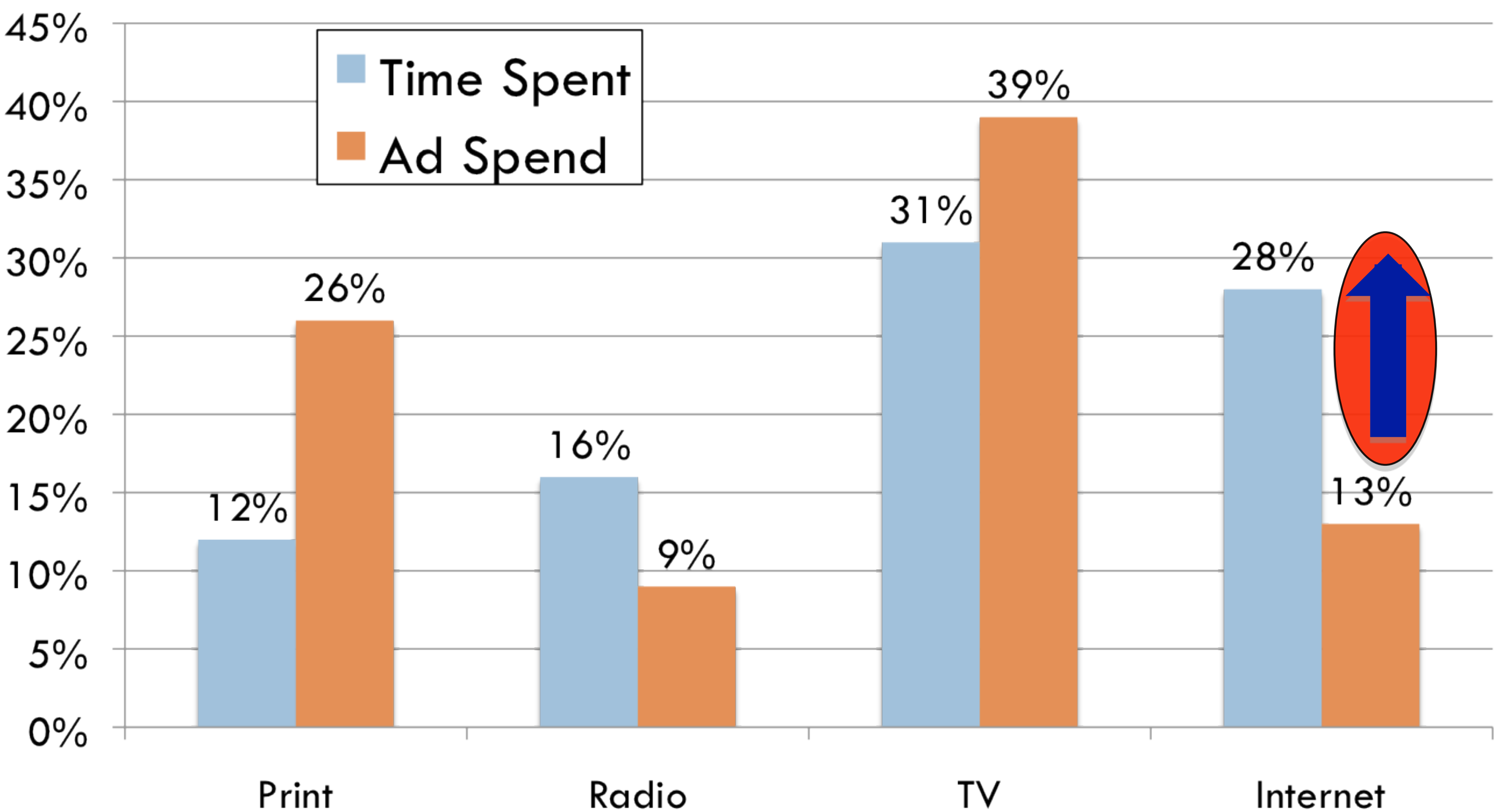
Recap



Source: Pickles, Thornton, April 2010, Digital Dash, Best's Review.

Global Spending Imbalance

% of Time Spent in Media vs % of Ad Spending (U.S. 2009)



Source: Yahoo! Investor Day – May 2010

Predictions - Consumers and Carrier Demand Drive Continued Growth

- Personal Lines P/C insurers spent over $600 million in online and mobile advertising in 2009
  - Expect this number to double by 2012 to over $1.2 billion

Display	• Continued strong growth • Increased sophistication in segmentation and pricing
Search	• Remains king of quality • Slower but steady growth
Online Leads	• Growth slows in 2010 during "Year of Consolidation" • Spending pace surging in 2011 and 2012 with new players
Online Video	• Remaining small with high growth rates
Mobile	• The new frontier…where the Internet was 10 years ago

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THANK YOU!!

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