



Online Health Insurance Shoppers

Identifying The Consumers Going Online
To Purchase Individual Health Insurance



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Executive Summary

As with the travel and real estate industry before it, the health insurance market is being transformed by technology and the Internet. But it's not just convenience that has driven more consumers to go online for their individual health insurance coverage. For more and more Americans, it's becoming a matter of necessity.

The 2006 U.S. Census Bureau study on "Income, Poverty and Health Insurance Coverage in the United States" estimated that more than 9% of all Americans (approximately 27 million) already purchase their own health insurance, and this number is growing. In addition, at least another 15% of the population is uninsured.

As health costs continue to rise, employers are forced to cut back or often not even offer health insurance coverage to their employees. The consequence is that they put the burden of obtaining adequate health insurance on the individual employee.

These uninsured and underinsured consumers are increasingly going online to find the coverage they need. The Pew Center's Internet and American Life Project reports that 28% of American Internet users searched for "health insurance" on the Internet in 2006.

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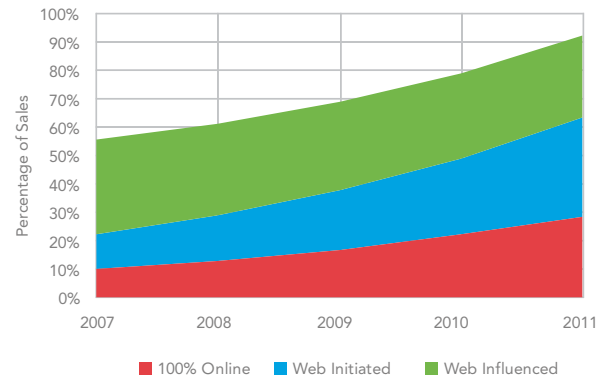
Their findings are supported by a Celent Research study estimating that more than half of all individual health insurance purchases today are influenced by the Internet. By 2011, more than 9 out of every 10 health insurance policies will be purchased either partly or entirely through the web.

The Internet is not only changing how consumers are shopping for health insurance. It has also changed how consumers are making their buying decisions.

This Norvax report examined Internet-generated health insurance leads during a three-month span in the summer of 2008. The analysis reveals several issues that successful producers and carriers must take into account as they market to the changing \$115 billion health insurance industry.

By examining almost half a million online health insurance shoppers who voluntarily requested a quote or contact from insurance agents, this study revealed surprising trends about the growing online health insurance marketplace. Understanding these trends and online insurance-buying behavior is crucial for any producer or carrier looking to serve this market.

US Individual Health Insurance Sales 2007-2011



Source: Celent

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Methodology

This analysis reviews individual health insurance leads collected and distributed by ProspectZone, the leading nationwide provider of Internet-generated health insurance leads and sister company of Norvax Inc. To provide an in-depth snapshot, the sample consists of health leads collected during the months of June, July and August in 2008.

Each health lead used in the data pool consists of a unique, individual consumer who requested a quote or contact from an insurance agent through one of ProspectZone's network of websites.

Third-party leads were eliminated from consideration. The database was also scrubbed of duplicates and incomplete records to arrive at a final sample of 446,597 online health insurance shoppers from every state in the nation, as well as the District of Columbia and Puerto Rico.

To comply with HIPAA requirements, the study also removed all personal identification data such as names, street addresses, zip codes, emails or phone numbers.

The data analysis reviews collected 446,597 online health insurance shoppers between June - August 2008.

Who's Shopping For Insurance Online

The data was analyzed for trends in five different categories:

1. Geography
2. Currently insurance status
3. Insurability
4. Gender
5. Age

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1 - Geography

Just as with the general U.S. population, the top 10 states account for at least half of the entire study sample:

1. Florida	9.90%
2. Texas	8.86%
3. California	5.80%
4. Pennsylvania	4.70%
5. New York	4.35%
6. Georgia	4.19%
7. North Carolina	3.57%
8. Washington	3.43%
9. Ohio	2.95%
10. Massachusetts	2.90%

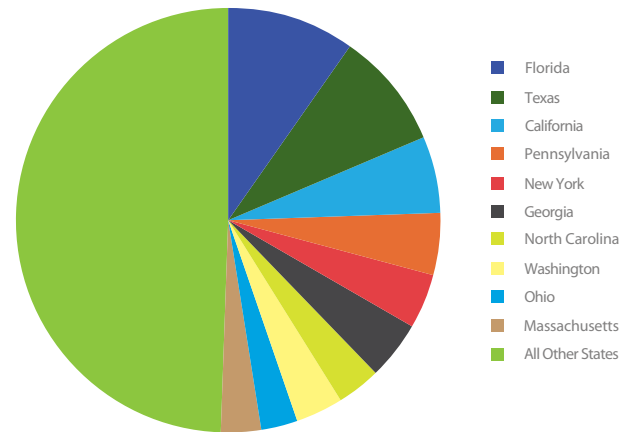
At the other end of the spectrum, the states with the lowest populations generated the lowest leads. Not including Puerto Rico and the District of Columbia, the states with the lowest lead counts were Alaska and North Dakota. They were followed by Wyoming, South Dakota, Hawaii, Vermont, Montana, Delaware, New Hampshire and Maine.

How does this compare with the U.S. Census?

The 2006 census update ranks California #1 in terms of population, followed by Texas at #2, New York at #3, Florida at #4 and Illinois at #5.

A significant difference in the sample data is that Florida has jumped to #1 and both Illinois and Michigan have dropped out of

Source of Data Sample Consumers



Ten states accounted for over half of all shoppers in this analysis.

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the top 10. Replacing Illinois and Michigan in the higher rankings are Washington and Massachusetts.

Upon review of the wider regional trends, rather than individual states, additional patterns become clear.

Using the 4-region classification of the U.S. Census Bureau, the study sample shows that southern states account for more than 2 out of every 5 health insurance lead generated.

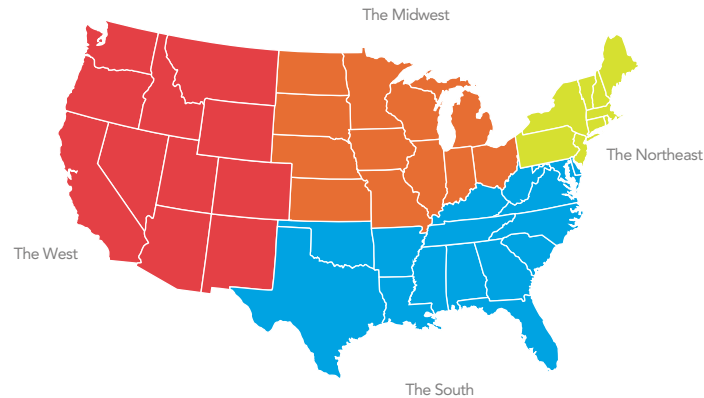
West	18.35%
East	16.93%
Midwest	19.38%
South	45.34%

In contrast, the U.S. Census estimates that the South accounts for about one-third (1/3) of the U.S. population, as of 2006.

This misalignment may be a precursor of coming trends, as the population continues to shift toward the southern, warmer regions of the country.

However, this discrepancy is probably more indicative of insurance coverage differences between the states. According the U.S. Census, the states of the Midwest had the lowest rate of uninsured. On the opposite end of the spectrum, **the southern states lead the nation with the most uninsured adults.**

United States Map Divided By Region



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The data sample roughly correlates with that trend, with more than 45.34% of the data sample leads collected consisting of online insurance shoppers from the South. The Midwest came in a distant 2nd with 19.38% of the total sample, followed closely by the East at 16.93% and the West at 18.35% of the total.

The relatively high number of people with no insurance coverage in southern states may explain why individual health insurance is in higher demand in this region. The net effect for producers is that a more steady supply of online health insurance shoppers will be coming from these southern and southwestern states.

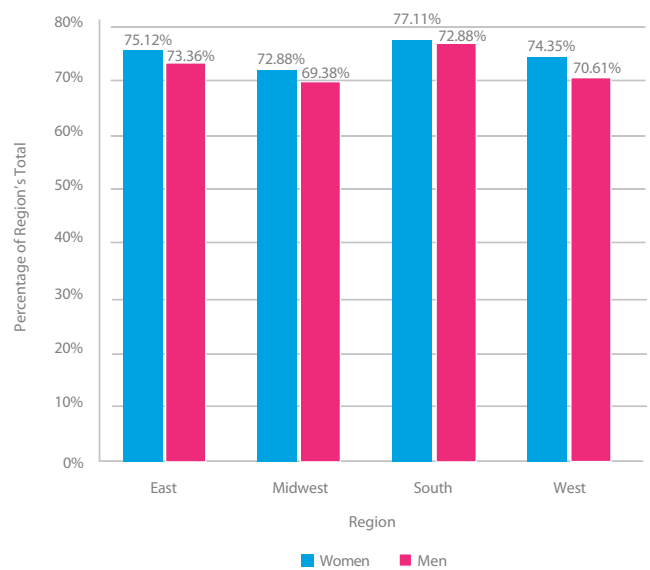
2 - Current Insurance Status

It may come as a surprise to some that not everyone shopping for individual health insurance is uninsured. More than 1 out of every 4 of the shoppers in the study sample reported themselves as currently insured.

Why are they shopping for health insurance if they already have coverage? There are three common reasons:

1. Their current policy is inadequate and they need to obtain supplemental coverage; or
2. They anticipate a reduction, elimination or loss of their current coverage; or
3. They anticipate another premium increase and are shopping for competitive rates.

Lack of Insurance Coverage



In every region, more women than men were uninsured.

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Looking closer at this currently insured segment, four significant trends become apparent:

1. Women are less likely to be insured.

Whereas 71.84% of the male primary applicants reported themselves as currently uninsured, about 75.49% of female primary applicants have no current coverage.

One conclusion from this disparity is that in addition to having more women online health insurance shoppers, the data sample shows that women may be more ready to buy health insurance than their male counterparts — because more of them lack insurance.

2. Low levels of insured among 20-somethings.

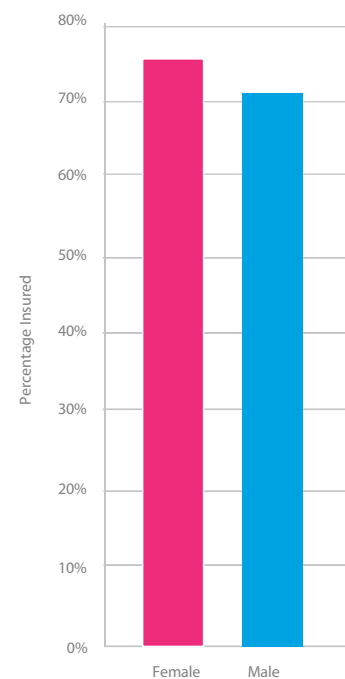
Men and women in their 20s had the lowest level of insurance coverage. Four out of every five online health insurance shoppers in their 20s lacked insurance.

This doesn't come as a big surprise for most agents and brokers. However, even in this sub-segment, women in their 20s still had lower instances of insurance coverage than men in their 20s.

3. Regional disparity.

The largest concentration of uninsured was located in the South. Uninsured consumers in the southern states made up almost a quarter of the total data sample. But that may have

Currently Uninsured By Gender



Women have a slightly higher uninsured percentage at 75.49% to men's 71.84%.

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a lot to do with the fact that 45.34% of the data sample consisted of Southerners.

When examining just uninsured women nationwide, the study found that 46.89% of these uninsured women are concentrated in the South.

4. Regional uniformity.

The insurance coverage imbalance between men and women repeats itself in every region. In each area, the percentage of women without insurance was higher than the percentage of men who were uninsured.

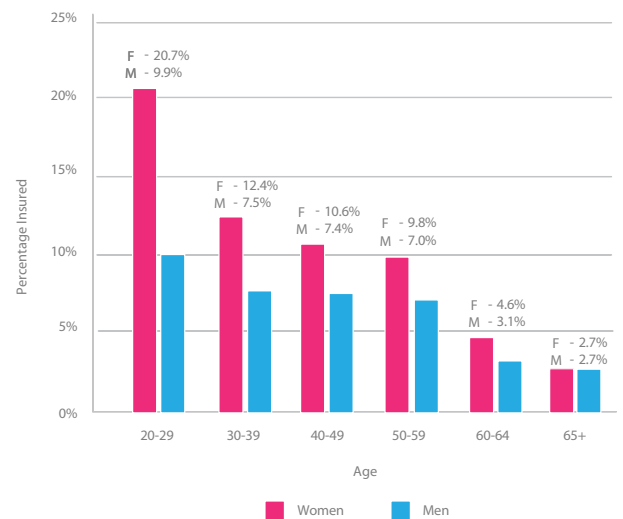
For example, southern males made up 35.98% of all uninsured Southerners shopping online for insurance, while southern women comprised a whopping 64.02% of all uninsured Southerners. In the East, women made up 58.77% and men made up 41.23% of all uninsured Easterners shopping online for health insurance.

The Midwest similarly saw women making up 60.17% and men making up 39.83% of all uninsured Midwesterners in the database. Finally, women made up 61.37% and uninsured men made up 38.63% of uninsured online health insurance shoppers from the West.

3 - Insurability

The 74.10% of the database who identify themselves as currently uninsured is a huge market, but they contain a large portion of the

% Distribution of Insured Male and Female Shoppers By Age



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"uninsurables": an industry term covering individuals (below 65 years of age) with pre-existing conditions that make it difficult for them to obtain standard coverage.

Of the total study group, 15.31% were immediately identified as uninsurable by the screening program employed by the online questionnaire. A health insurance shopper is labeled uninsurable for the purpose of lead generation when the applicant has a medical condition so extreme that no insurance carrier in that state would be capable of issuing a standard policy for that person.

This label doesn't mean that the person will never get health insurance. In fact, many people with high BMIs or pre-existing conditions do have insurance — through employer-provided insurance, Medicare or Medicaid.

But for consumers under 65 who are shopping for individual health insurance, these pre-existing conditions will make obtaining standard health insurance more difficult and more expensive.

Again, only 15.31% of the sample data was deemed uninsurable. Analyzing the full data sample reveals the following trends about insurability:

- **Women have higher uninsurability rates.**

Two-thirds (2/3) of all uninsurable leads were female. This trend cut across all regions. But the disparity is widest in the

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South, where nearly 3 out of 4 uninsurable prospects were female.

- **Currently insured and uninsurability rates.**

One out of every 10 currently insured consumer in the database will face trouble getting new coverage, as they have pre-existing conditions.

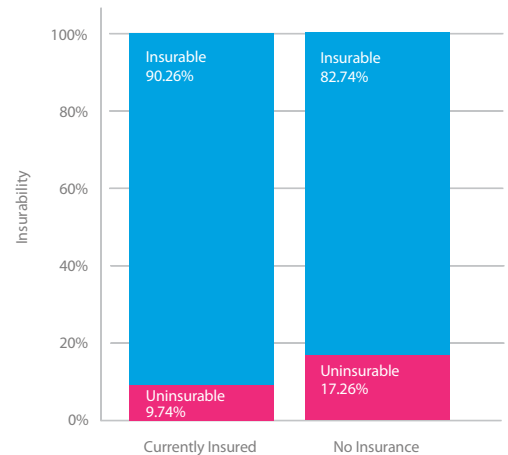
But it may be worse for currently uninsured online shoppers. The study showed that 17.26% of uninsured shoppers have pre-existing conditions that will make it difficult, if not impossible, for them to obtain standard health coverage.

- **Age and insurability.**

As can be expected, the rate of uninsurability increases with age. Health insurance shoppers in their 20s had an uninsurability rate of 12.06%. This goes up to 15.50% for people in their 30s, 17.10% for people in their 40s and 18.66% for people in their 50s.

The important lesson for producers is that overall, only 15.31% of online health insurance shoppers have pre-existing conditions that would label them as uninsurable for the purpose of standard plans. However, not all such "uninsurable" consumers are truly uninsurable, as discussed in the "What Are Their Insurance Qualifications?" section. (See page 14)

Insurance Coverage & Insurability



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There is no industry standard for insurable or uninsurable. Some health insurance carriers may disqualify applicants rated on the BMI scale as slightly obese, but many other carriers will accept even applicants who are classified as very obese.

Twenty-nine states have also created high-risk pools to provide health insurance for consumers who can't qualify for standard coverage. The premiums are higher for these state-supported programs, but they are usually capped at 125% to 150% of current market rates.

4 - Gender

The gender gap is at the heart of the clearest trends found by this report. For starters, women far outnumber men in the three months of 2008 studied. More than 61.90% of the study's recorded online shoppers were women.

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This statistic becomes more impressive when contrasted with studies like the 2008 eMarketer (www.emarketer.com) survey of online users and the 2008 Pew Center (www.pewinternet.org) report on online shopping that women make up just slightly more than half of all Internet users and are equal to men in using the Internet to shop.

The study also revealed the following:

- **More single women.**

Only 13.10% of female primary applicants in the study identified themselves as married. That's less than half of the

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male percentage, where 28.40% of male primary applicants identified themselves as married.

- **Fewer smokers**

Although 14.61% of males identified themselves as smokers, only 11.86% of females are self-identified smokers. These numbers are much lower than the national average.

However, the gap between men and women in smoking rates is consistent with a 2005 National Center for Health Statistics survey that reported 23.9% of males and 18.1% of females in the United States are smokers (www.cdc.gov/nchs/nhis.htm).

5 - Age

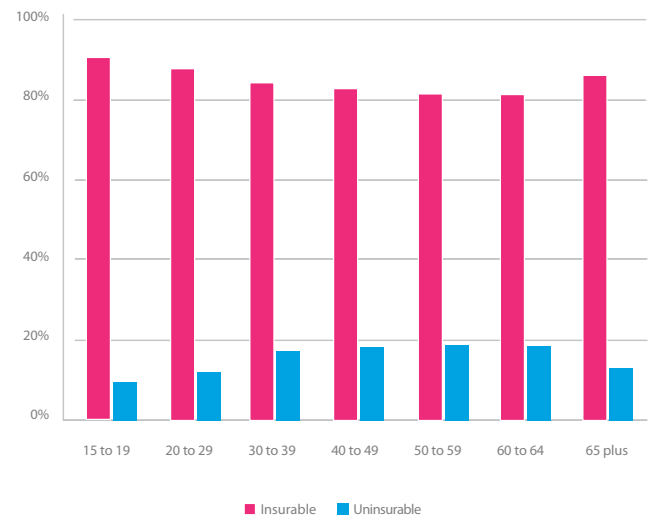
It's not surprising that more than 2/3 of the study group reported their ages as between 20-49. However, there is a telling difference in the median ages of the women and men shopping for health insurance online.

- **Younger women shopping.**

Women insurance shoppers skewed much younger. The 20-39 range accounted for more than half of ALL women shoppers; and women in their 20s accounted for 33.41% of all women shoppers in the study.

Another telling data point is that women in their 20s and 30s comprised 33.06% of the entire data sample. In other

Insurability By Age



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words, health insurance agents and brokers have a 1 in 3 chance of dealing with a woman in the 20-to-39 range when they market online.

- **More women across all ranges.**

Women outnumber men across all of the age ranges reviewed in the study. They do come to a virtual tie only in the Medicare-eligible 65 and over segment.

- **Pre-65 adults gearing up.**

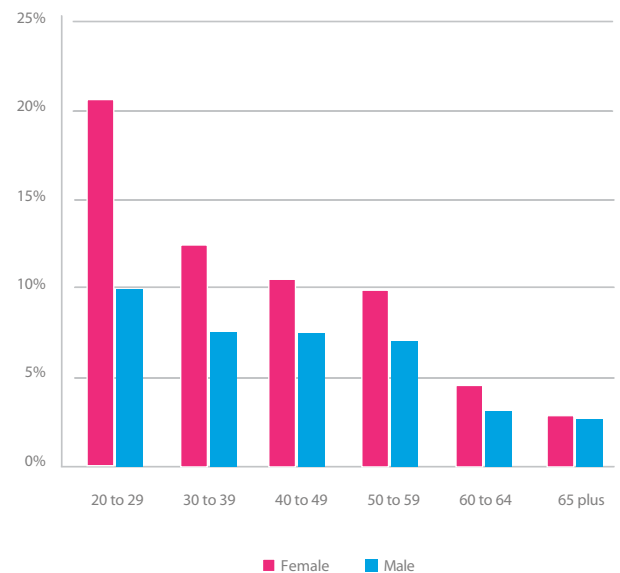
Youth is only one side of the coin. The percentage of Baby Boomer online health insurance shoppers is steadily growing. One out of every 4 consumers in the study is in the 50-to-64 age range. These are Boomers entering retirement and heading toward Medicare.

Insurance providers and carriers are already beginning to see the importance of this senior segment, especially with the advent of the federally funded Medicare Advantage (Part C) program, by which seniors can obtain private coverage with their Medicare subsidy.

What Are Their Insurance Qualifications?

As mentioned earlier, the basic qualification screening used for this study is the presence of pre-existing conditions that may make obtaining individual health insurance difficult or more expensive. The most common pre-existing condition leading to an "uninsurable" designation is typically the BMI — the person's body mass index.

% Distribution Insurance Shoppers By Age



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A person's BMI number is their weight (in kilograms) divided by their height (in meters squared).

For example, a 5'0" person weighing 102 pounds would have a BMI of 20; at 204 pounds, that same person would have a BMI of 40. Similarly, a 6'0" person weighing 206 pounds would have a BMI of 28; increasing that person's weight to 294 would increase that person's BMI to 40.

Most health experts use the following matrix to assess obesity levels:

BMI	Status
18.5 or less	Underweight
18.5 - 24.9	Normal
25.0 - 29.9	Overweight
30.0 - 34.9	Obese
35.0 - 39.9	Very Obese
40 or greater	Extremely Obese

Mirroring national trends, a sizable portion of the study group (34.45%) are calculated to be obese — with 15.26% showing as very or extremely obese. This is in line with recent national estimates that 1 out of every 3 Americans is obese. Another 33.27% of the study sample is calculated as having a BMI of 25 to 29, which puts them in the overweight category.

A person's BMI number is their weight (in kilograms) divided by their height (in meters squared).

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Although this BMI table is helpful in measuring obesity levels, it does not set the dividing line between insurability and uninsurability. That's up to individual health insurance carriers — and they all vary on which level they set their BMI definition of uninsurability.

One popular BMI definition of uninsurability sets the level at 39 and above. With that approach, nearly 93.39% of online health insurance buyers are considered insurable.

Regardless of a carrier's definition of uninsurability, however, keep in mind that Medicare covers all Americans over 65. Medicare doesn't consider BMI or any other pre-existing condition when providing coverage. Additionally, **BMI is not a permanent pre-existing condition**. With exercise and a healthy diet, individuals can lose weight and reduce their BMI enough to qualify for standard health insurance.

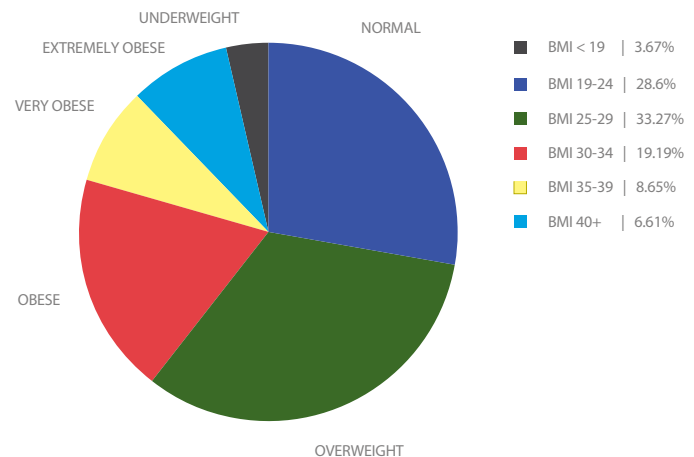
Implications for the Health Insurance Marketplace

The clear message from this analysis is that consumers are increasingly going online for their individual health insurance coverage — and certain segments dominate this movement:

1. Women.

Women make up a larger share of online health insurance shoppers. Within this female segment, young women are the driving force. As noted earlier, women in their 20s accounted for a third of all female online health insurance

BMI Breakdown



A sizable portion of the study group (27%) are categorized as obese to extremely obese

The number of consumers going online for individual health insurance coverage is increasing and will continue to grow.

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shoppers. But women are still trailing men in coverage across all regions.

2. Seniors.

Baby Boomers are entering their senior years with more wealth, higher levels of education and greater computer literacy than their parents' generation.

According to International Demographics Inc. (www.the-mediaaudit.com), the percentage of seniors actively using the Internet is rising quickly. In 2000, approximately 9.5% of all Internet users were at least 55 years old. That figure had risen to 11.3% of Internet users by 2003. During that same period the percentage of people over 55 who used the Internet rose from 45.8% to more than 56.7%.

The greater choice that Medicare Advantage offers seniors over 65 today means that more seniors will be going online to gather more information about the Medicare providers — and to buy their coverage.

3. Uninsurability.

About 1 out of every 6 of the online health insurance shoppers in the sample are identified as uninsurable for standard coverage.

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But not all programs have the same definition of uninsurability. Many of these "uninsurable" consumers will probably qualify for standard coverage, although it often requires higher premiums. In addition, discount medical plans are available regardless of insurability. For consumers unable to find or afford standard coverage, this is sometimes a worthwhile fallback.

Finally, uninsurability due to BMI or smoking may be a temporary condition. Losing weight and eliminating their nicotine habit can make that person insurable.

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About Norvax

Norvax, Inc., is the leading developer of Web-based sales and customer communication tools that connect and help consumers, insurance agents, agents and carriers transact health insurance business more efficiently.

From tools for building Web sites to health insurance quote engines and email autoresponders that can automatically include updated health insurance quotes, Norvax's health insurance technology lets agents increase sales, cut administrative time and reduce expenses by initiating customer contact faster and automatically maintaining around-the-clock communications with prospects.

In 2007 Norvax launched www.gohealthinsurance.com, an online consumer health insurance shopping web site built around their industry-leading technology designed to empower consumers with educational tools and a nationwide network of trusted advisors and carriers to assist in selecting the right health insurance plan. Founded in 2001, Norvax was named among the top 20 fastest-growing software companies in the U.S. in 2007 and 2008 by Inc Magazine.

Norvax is privately held and headquartered in Chicago.

www.norvax.com



Top 20 Fastest Growing Technology Companies In America

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