

FINANCIAL SERVICES ADVISOR™

Monthly insights from Compete for financial services executives

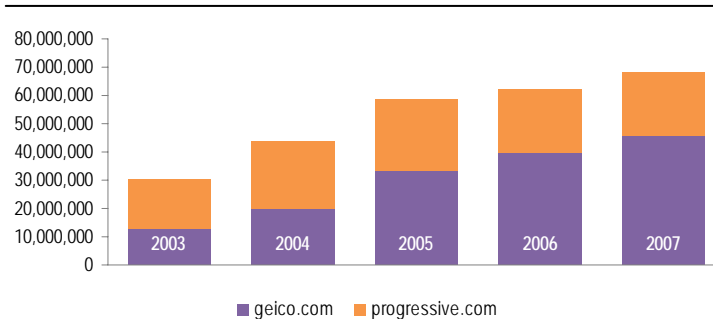
\$460M AUTO INSURANCE OPPORTUNITY: MASSACHUSETTS OPENS UP ITS DOORS

Massachusetts is one of the last states to loosen its control of auto insurance rates and potentially the criteria insurers may use to set those rates. Until now, those two factors have deterred several of the nation's major carriers like GEICO and Progressive, from insuring in Massachusetts. But with a new "managed competition" system set to begin April 1st (i.e., competitors set their own rates, subject to state approval), consumers and insurers alike are trying to figure out how this will reshape the competitive landscape.

Auto insurance online is a big business

Even though GEICO and Progressive are giants in the auto insurance world, neither currently offers private passenger coverage in Massachusetts, and neither has officially filed to enter the Bay State. But that may only be a matter of time. Above, check out the overall growth in online visitors to these top two online sellers from the past few years, which rank 3rd and 4th nationally in term of share of total auto insurance premiums written...[Read more about Compete's take on the online auto insurance opportunity in Massachusetts.](#)

Growth of Visitors to Auto Insurance Sites Nationally (2003 – 2007)



Monthly Metrics

October – November 2007

Change in Number of Search Queries

Top non-branded insurance terms

auto insurance	▼	-19%
car insurance	▲	0.2%
insurance	▼	-23%

Top non-branded brokerage terms

stock(s)	▼	-5%
mutual fund(s)	▼	-9%
cd rates	▲	23%

Top non-branded home loan terms

home equity loan	▲	3%
mortgage calculator	▼	-6%
mortgage rates	▲	0.2%

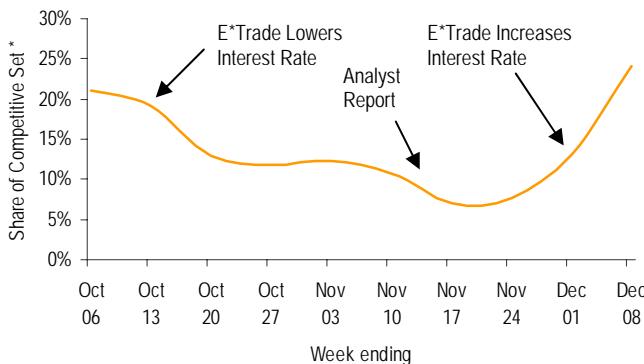
Change in Prospect and Applicant Volume

Product category	Prospects	Applicants
auto insurance	▼ -7%	▼ -13%
brokerage	▲ 10%	▼ -10%
home loans	▼ -27%	▼ -33%

HIGH RATES STILL DRAW CONSUMER DEPOSITS INTO E*TRADE DESPITE BANKRUPTCY RUMORS

In November 2007, Prashant Bhatia, a Citi Investment Research Analyst, wrote that E*Trade had a 15% chance of [bankruptcy](#) due to the effects of the decline of the subprime market. E*Trade shareholders clearly took this statement to heart as the company's share price [declined 59%](#) in one day. Just as interesting, however, is the question of whether E*Trade's online depositors shared those fears?

E*Trade's weekly application share of competitive set (October 1 – December 8, 2007)



*Competitive set includes high yield savings products of E*Trade, HSBC Direct, ING Direct, Emigrant Direct, CapitalOne, & Countrywide

While not as well known as its brokerage business, E*Trade also has a significant deposits business with nearly \$30 billion in consumer deposits. At Compete, we utilized our panel of two million users to investigate what impact, if any, this analyst report had on the behavior of E*Trade's online high yield savings (HYSA) shoppers. If E*Trade's online consumers

reacted similar to its shareholders, we would expect to see a comparable drop in new submitted online account applications after the report was released.

Approximately one month before the Citi analyst report was released, E*Trade reduced its rate on high yield savings from [5.05% to 4.70% APY](#)... [Read more about whether E*Trade's strategy was successful](#)

For more information about Compete's Financial Services practice please contact Karen Marchione at kmarchione@compete.com

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In non-branded insurance terms searches for "insurance" and "auto insurance" dropped sharply, while "car insurance" stayed flat. Meanwhile non-branded brokerage terms reversed their directions, along with "home equity loan" and "mortgage rates." A continuing downward trend in home loan prospect and applicant numbers was joined by the same trend in auto insurance.

