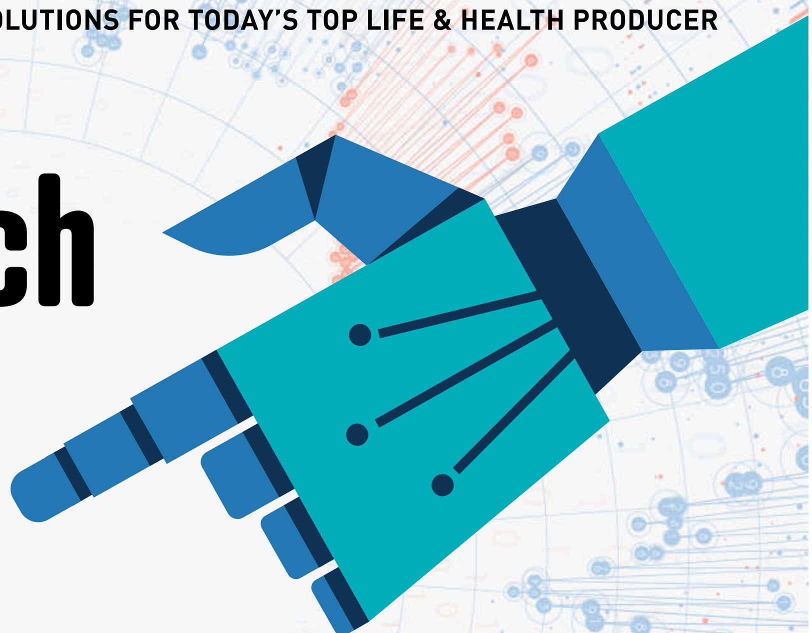
INSURANCE
SELLING

April 2018 | www.insurancesellingmag.com

SOLUTIONS FOR TODAY'S TOP LIFE & HEALTH PRODUCER

The InsurTech Revolution



How life insurance's digital transformation is a game-changer for independent agents

+

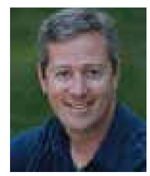
- What's behind IUL's mass appeal
- Top estate planners analyze new tax law
- 49 reasons to sell Final Expense

The InsurTech Revolution

How the life insurance industry's digital transformation – led by dramatic changes in the speed and methods of underwriting – is impacting independent agents.

By Brian Anderson

David Kinder, ChFC, is not afraid of a little competition. Or even a lot of competition – in the form of a big wave of tech startups and incumbent carriers looking to cut independent agents out of the picture by going direct to consumers.



"We will see more innovation in the next two years than we have seen in the last twenty."

– Jamie Hale

"No, I'm not nervous about it at all," says Riverside, Calif.-based Kinder, who specializes in advanced uses of life insurance and annuities for personal planning. "Why not? Because life insurance ownership is still at an all-time low, and it requires skilled and knowledgeable agents to tell the correct story about how life insurance really works – particularly permanent policies. Technology cannot replace that aspect of human interaction."

True enough. People still like dealing with people when it comes to making complex and emotional decisions about important, expensive purchases like whole life insurance. They seek guidance and reassurance, and the advice of a licensed professional no doubt holds real value. It stands to reason that affluent families with complex estate, business succession and/or retirement planning needs will continue to consult with experienced life insurance professionals to provide appropriate solutions for their unique situations.

But what about everybody else? The old way with its clunky underwriting clearly isn't working for today's life insurance prospect. To wit: In 1965, Americans purchased 27 million policies, individually or through employers. By 2016, a population more than 50% larger still bought only 27 million policies, and the share of Americans with at least some life insurance has fallen to less than 60%, from 77% in 1989. Sales of individual life policies have plunged more than 40% since the 1980s, according to LIMRA.

How can the tide be turned on what has been a long-growing coverage gap?

Perhaps by the InsurTech Revolution.

While a somewhat robust Final Expense market sees plenty of agents hitting up the lower income market for burial policies, the massive middle-income market is somewhat ignored by a shrinking agent workforce. What about those Millennials who may well reach affluent status but aren't there yet? These traditionally uninsured or underinsured segments of the population are directly in the crosshairs of a new breed of insurance provider looking to disrupt a stodgy industry with buying processes much more similar to what consumers experience in practically every other transaction today.

The biggest impact is coming from an insurgence of online term life companies. They have unconventional names like Ladder, Quilt, Fabric, Bestow and SoFi. These startups are online insurance agencies that are selling (typically) a term life policy underwritten by an insurer – but they are not the issuer of the policy. The term policies from slightly more traditionally named Haven Life, for example, are issued by MassMutual. SoFi has partnered with Protective Life; Fabric with Vantis Life, and so on. And they get coverage issued very quickly thanks to streamlined automated underwriting.

"Technology is driving a fundamental shift in the life insurance market. We will see more innovation in the next two years than we have seen in the last twenty," says Jamie Hale, CEO of Menlo Park, Calif.-based Ladder. "The user experience that enables consumers to apply and receive an instant decision on term life insurance means people can get coverage any time they choose. The impact on conversion rates is tremendous and will help us turn the tide on the growing coverage gap."

Founded in 2015, Ladder sells its term life policies in 45 states, written by Fidelity Security Life, with 10- to 30-year coverage limits ranging from $100,000 to $8 million. Additionally, the product is flexible and can change with policyholders as they achieve different life milestones.

Hale says friction in the traditional system is one of the biggest hurdles in the life insurance process. "Agent meetings, paperwork, and comparing options all take time, and the traditional process can take 6-8 weeks. Add 'analysis paralysis' and you have a multitude of opportunities to stop and come back later," Hale says. "Life gets busy ... many consumers don't come back to complete the process and don't get insurance. We are here to change that, because people deserve better and life insurance changes lives."

The upstarts have an opportunity to capture a new generation of consumers and form potentially lucrative, lifelong financial relationships – and do it on the consumer's terms. Hale says Ladder's own data indicates more than 60% of its transactions occurred outside of normal business hours and more than 66% of its policies were being purchased on mobile devices.

Over at Haven Life, they have also noticed a dramatic increase in the number of customers purchasing from their smartphones. The new buying experience is optimized to be convenient and easy across all the latest devices. Haven Life's underwriting platform uses artificial intelligence (AI) to analyze applicant information and compare it with historical outcomes, with the ability to provide real policy rates in a matter of minutes, an immediate decision on eligibility, and, in some cases, coverage without a medical exam.

"Tech innovation is changing consumer expectation for what the life insurance buying experience should be."

– Laura Boylan

"Tech innovation is changing consumer expectation for what the life insurance buying experience should be, and this evolution paves the way for us to innovate further," says Laura Boylan, Product Owner, Algorithmic Underwriting at Haven Life. "As an industry, we must ensure that we are continuing to prioritize consumer education and that we're creating products and buying experiences that suit the needs of the next generation of customers."

Many Haven Term applicants will only answer around 30 questions instead of 60 to 100 to apply for the same medically underwritten policy.

"By using traditional underwriting data sets paired with an agile technology stack, we've created technology that enables MassMutual, the policy issuer in our case, to effectively analyze applications and third-party data sources, such as motor vehicle records and prescription history, in real-time without resulting in us taking on significant underwriting risks," Boylan says.

She adds that innovation has changed the consumer expectation of the buying process, with LIMRA reporting that 37% of life insurance policy owners went online for service in 2017, a 23% increase from 2014. "Tech innovation is here to stay and is imperative for remaining relevant to today's life insurance buyers," Boyland says.

Indy agents' place in the new world

Plenty of insurtech startups out there – particularly in the term life space – seem hell bent on trying to eliminate what they see as the middleman – the independent agent – by focusing on a digital experience business model. Will this wave of online insurance agencies wash away the independent agent?

As David Kinder said previously, there should always be room for a knowledgeable agent to provide personalized, expert advice. Just maybe not as much room for mass-market term life sales.

In 2016 independent agents held 49% of the new individual life insurance sales market, followed by captive agents with 39% and direct marketers with 7%, according to LIMRA. But no doubt the topic has caught the attention of agents.

"Every conference I attend has a major focus on insurtech startups or existing companies promoting the 'go direct' channel to cut the agent out," says Tucson, Ariz.-based independent agent Erin Nutting, who adds that she doesn't think enough agents are serious about competing for online business. "I feel there is a serious void in our industry of agents who aren't afraid to write the content necessary to rank online to compete with the 'click to purchase' sites/products."

As an agency owner, Nutting says she thinks it is essential to stay on top of an evolving industry. "If you are evolving with the industry then most likely you are doing new things that will keep the consumer interested."

"If you are evolving with the industry then most likely you are doing new things that will keep the consumer interested."

– Erin Nutting

From paperless to wireless

Insurtech really started making an impact in the life insurance market around 2009 when electronic applications starting gaining traction and were (very) gradually adopted over the next several years, followed by e-signatures and e-policy delivery.

These technologies were able to minimize errors – dramatically reducing not-in-good-order (NIGO) applications – and speeding up policy delivery.

California-based independent life insurance agent Lee Martinez says he is an "old guy" who "fought the changes," but has come into the light. He shared the following example of how e-apps improve the process:

"Late yesterday evening I sent an e-app to my 70-year-old client. I will have it back and submitted before a snail mail app would have even gotten to her. It should be issued before I would have gotten it back in the mail," Martinez says. "If electronic delivery was available with this company, I would have the new policy, be paid, before the company would have even gotten the snail mail app."

Everett Thomas, LUTCF, an independent agent in McKinney, Texas, says he gravitates toward carriers that have a paperless application system.

"The majority of my applications are paperless, either through online e-apps, 3-way phone calls, or simple iPad apps," Thomas says. "The company I use for simplified issue term policies uses an online app. Once the client does the e-sig, the company's computer runs a quick online med check, then if approved, immediately issues and gives a policy number on the spot."

New York City-based agency owner Susan Combs, ChFC, says the biggest things that have changed how agents work are becoming paperless and having remote access to everything. "I firmly believe if you are not mobile, you are missing the boat. We have clients all over the world and we are able to conduct meetings via Skype to continue the personal touch," Combs says.

Erin Nutting is also a big fan of the power of video conferencing to extend her reach. "Video quoting has become a staple in my agency," Nutting says. Ultimately, she wants her agency to be virtually available to clients at all times with the help of chatbots or even "agent on demand."

How tech is changing underwriting

Let's forget about the collection of big data and new algorithms for a minute and pivot to biology. Perhaps a surprise hit Christmas gift last year were genetic testing kits – like those from AncestryDNA and 23andMe.

Obviously they provide insight into a person's ethnicity, but can also reveal markers for potentially serious illnesses or disease. And that test could be made available to life insurance companies, who could use the information in the test to bump ratings or deny coverage altogether.

"I firmly believe if you are not mobile, you are missing the boat. We have clients all over the world and we are able to conduct meetings via Skype to continue the personal touch." *– Susan Combs*

Under the Genetic Information Nondiscrimination Act (GINA) of 2008, health insurers (and employers) are banned from using genetic test results, but after strong opposition from the industry, that protection was not extended to other types of insurance like LTCI, life and disability.

"Most people don't think that if they get a genetic test, it could ever come back to bite them, but it can," says Jamie Court of consumer advocate group Consumer Watchdog. "If you apply for life insurance, they do have a right to get all your medical records. And if you've had a genetic test taken, they do have the right to request it," Court says.

But consumers are not necessarily opposed to sharing genetic test results – particularly if they think it can help them secure *better* rates for coverage.

Consumers are ready to submit a saliva sample if it means they can obtain a better price for their life insurance or even just streamline the process of applying, according to a recent study of agents and advisors by insurtech firm Life Epigenetics.

The study found 97% of respondents thought it was "likely" or "very likely" that their clients would submit saliva to get a better price for their life insurance. And 82% percent said clients would submit saliva to automate and streamline the underwriting process.

"We believe there is an enormous opportunity for applying cutting-edge science into financial planning tools such as life insurance," says Jon Sabes, CEO of Life Epigenetics, a Minneapolis-based wholly owned subsidiary of GWG Holdings, Inc.

"We expect to announce shortly two new epigenetic tests that dramatically improve on traditional underwriting tests most commonly measured in traditional life insurance underwriting," Sabes says. "The technology could significantly improve the life insurance underwriting process in terms of its accuracy, speed and cost. I can clearly envision the day when life insurance purchasers will no longer be subjected to traditional invasive underwriting practices."

The selfie quote

Even less invasive? Take a selfie, have it analyzed get approved for a life insurance policy online in as little as 10 minutes.

That's what Lapetus Solutions Inc., in Wilmington, N.C., is doing with its Chronos product, currently being used to help generate "selfie quotes" by companies including Legal & General America and insurtech startup Quilt.

Here's how it works: You upload a selfie to the insurer website and answer some questions. The facial analytics technology scans hundreds of points on your face and extracts info including body mass index, physiological age and more. The insurer combines the selfie analysis with application responses and any other info they typically pull for an applicant. A quote is generated and the policy can be in place in a matter of minutes.

Legal & General America says it is the first

"I can clearly envision the day when life insurance purchasers will no longer be subjected to traditional invasive underwriting practices." *– Jon Sabes*

in the life insurance industry to roll out the selfie-quoting technology, now in beta phase, through a partnership with Lapetus Solutions.

"This could revolutionize the life insurance application process for millions of consumers, as it allows for a much more engaging user experience while also showing in a matter of seconds how affordable a life insurance policy can be," said Jim Galli, Executive Vice President, Business Strategy and Innovation for Legal & General America.

Quilt, which got its start selling renter's insurance to Millennials, has embraced the selfie quote as a way to engage younger people about the need for life insurance and dispel myths about affordability. The facial recognition tech from Lapetus Solutions analyzes the pic, and results are plugged in to Quilt's model to generate a quote instantly.

"Many of our Millennial customers will get approved instantly, which means they can actually buy up to $1 million in coverage right from their phone in minutes, and that's the truly revolutionary part. In the past, that amount of insurance would require hours at a minimum to apply for, and could take months to approve," Quilt CEO Blair Baldwin told *HuffPost* in a fall 2017 interview.

Affinity-based life insurance

New technology is also creating new opportunities for affinity relationships through online platforms. At the LIMRA Annual Conference last October, Robert A. Kerzner, CLU, ChFC, president and CEO of LIMRA, LOMA and LL Global, cited several examples of insurers working with tech startups to target specific markets, like those interested in running, cycling or adhering to a vegetarian or vegan diet.

"Digital affinity marketing will become more important," Kerzner noted. "Companies need to find partners that will open the door to market segments our industry has not yet successfully reached."

Enter HealthIQ, a life insurance startup that rewards people committed to being healthy. They created a non-traditional health quiz in 2013 called Health IQ, which assesses how health-conscious a person *really* is rather than how healthy they claim to be. The test went viral and ended up doing a good job of identifying those committed to good health.

Their data bares out that the "health conscious elite" (yoga enthusiasts, vegans, triathletes, etc.) are far less likely to die young – particularly from cancer. By being able to reliably identify these people, they can sell them life insurance at cheaper rates than the general population at large.

HealthIQ was formed as an MGA and has contracts with SBLI, Ameritas and Assurity that allows Health IQ to offer special rates to health-conscious people that can pass the test. People who pass can get a 4% discount, and those who meet a performance threshold (like running an 8-minute mile) can get another 4% off. A Nov. 2017 article on CNBC said the company has enforced $5.3 billion in coverage in 22 months.

Will Amazon enter the fray?

No tech article is complete without mention of the 800-pound gorilla known as Amazon. The Seattle-based behemoth already accounts for about 4% of all retail and about 44% of all e-commerce spending in the U.S., according to CB Insights.

Could the life insurance market soon be on the menu?

"I can definitely see something like that happening," says Susan Combs. "With companies like Amazon, you can see them building an algorithm to do the underwriting very easily."

When life insurance is seen as a product, Combs said this would be easily done. But when life insurance is seen as a tool – part of a bigger-picture strategy in financial planning – she thinks people will still need an advocate and planner to be part of the process.

Kinder agrees, saying Amazon could hurt an agent if you're only selling product and not diving deeper into needs or wants. "If you're helping people to solve their problems, and providing a consultation, providing advice and guidance, and do it with a unique experience, Amazon cannot compete with that, nor can any other digital platform," Kinder says.

Everett Thomas says he expects Amazon will at some point enter the life insurance business. "I'm not sure it would be a disruptor for the business in general. However, they will most certainly be a disruptor for other online insurance marketers," Thomas says. "I hope that they, along with the other online marketers, will be reaching and providing coverage for consumers that I'm not likely to reach. In the meantime, I'll keep trying to reach everybody else!" ◆

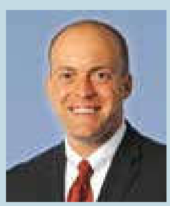
Brian Anderson is the Editor of Insurance Selling.

CASE STUDY

How a carrier is making all-digital, submission-to-commission a reality

By Steve Sanders

Research shows that clients still prefer in-person meetings when it comes to talking about life insurance, but what about the process itself?



Steve Sanders

If you've ever struggled with the time it takes to get a paper application back from a client, go through a manual underwriting process, call a carrier's home office about the status of a policy, or receive a client's final policy documents in the mail, you're not alone. Both you and your clients can be frustrated with the time, energy and resources it can take to get a policy completed.

Now technology is finally beginning to overhaul the life insurance industry, including the time it takes for clients to get a final policy in their hands. But is it really possible to have a 100%, all-digital process from beginning to end?

At Columbus Life, we have a bold vision: to reduce the time it takes from submission to commission by more than 50%. This means taking a fresh look at our processes to see how we can evaluate policies more efficiently. It also means embracing new technology that helps our agents get information to us quickly and accurately, and that helps us render decisions back to them even faster.

Thanks to internal collaboration and key technology partnerships, Columbus Life now has a completely electronic platform for producers — from quoting and illustrations, to application submission, to accelerated underwriting, to pending business status and offer acceptance, to final policy delivery.

When used together, all of these technologies have the potential to shrink the life insurance policy purchase time by half. That means policies go in force sooner, commissions are paid faster, and both the client's and agent's experience is better.

Agents can use as many or as few of our digital tools as they like. They can still submit an application electronically (saving time), but still decide to hand-deliver the policy. The agent decides, on a case-by-case basis, how they want to use our technology to make their business easier. So while we have created an all-digital process that expedites a life insurance sale, it will never entirely replace that valuable, one-on-one interaction that clients so richly deserve. ◆

Steve Sanders joined Columbus Life Insurance Company in 2008, and now leads the company's recruiting, wholesaling, sales and advanced markets efforts as its senior vice president and chief marketing officer.