LIMRA's
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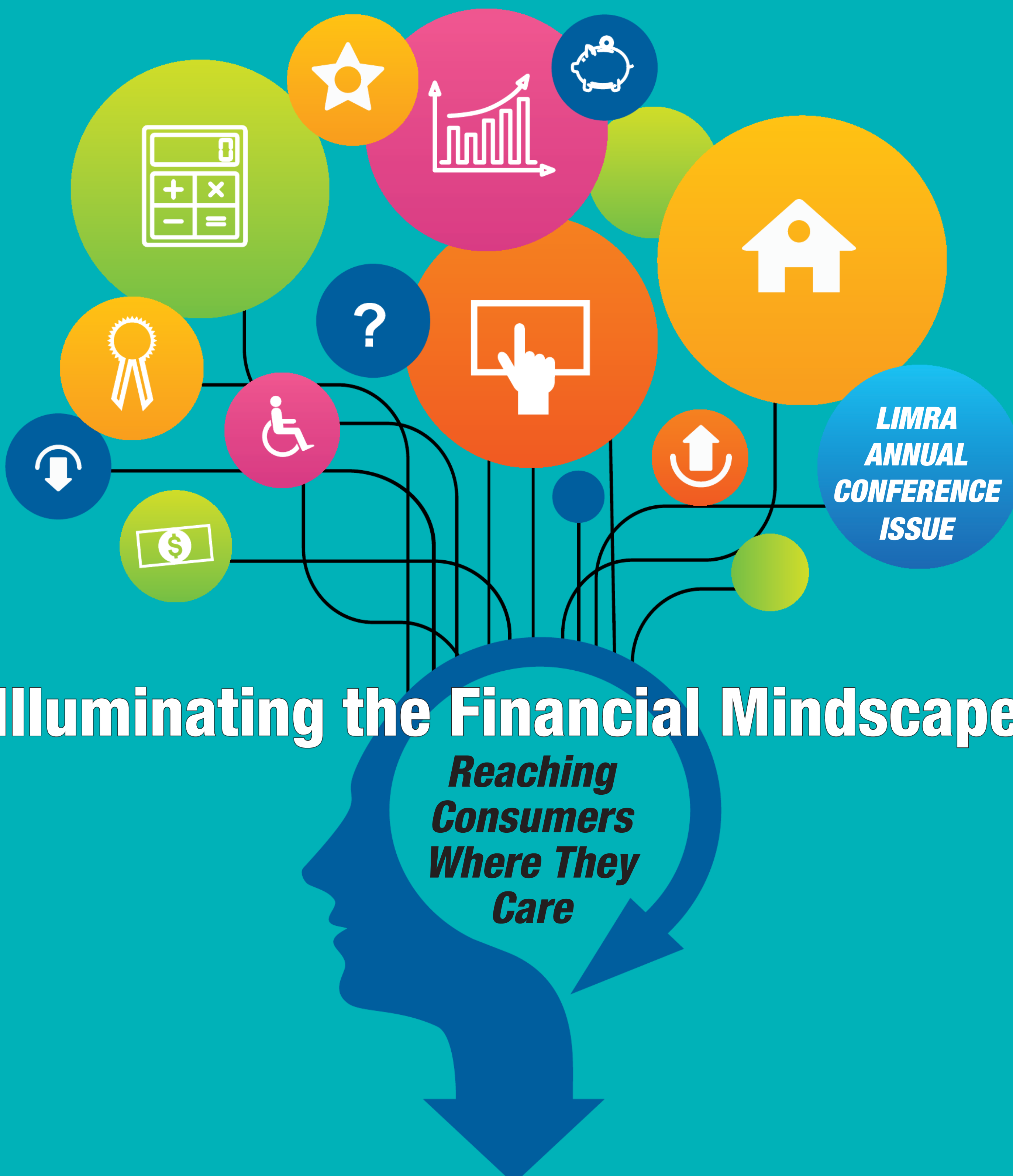
NUMBER 2, 2017



LIMRA ANNUAL CONFERENCE ISSUE

# Illuminating the Financial Mindscape

## Reaching Consumers Where They Care

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# PRESIDENT'S PAGE

## The Elusive Opportunity

*By* Robert A. Kerzner, CLU, ChFC
*President and Chief Executive Officer, LIMRA, LOMA, and LL Global, Inc.*

Forty-one percent of Americans, representing 50 million households, say they need more life insurance. Despite that — less than 10 percent will actually buy the coverage they say they need in the next 12 months.

How do we motivate more people to shop and, more importantly, how do we get more people to finish the process and buy the life insurance they know they need?

LIMRA research finds there are almost 19 million "stuck shoppers" — people who start to shop for life insurance but hit a roadblock and never finish. Many believe if the process was quicker, or online, more people would buy. In fact, our research shows that 24 percent of people say they would buy life insurance if it were easier. It's important to understand what people say and do are often very different.

Based on all of this research though, I am not surprised that senior executives tell me one of their top priorities is to improve the underwriting process. We see more innovation and investment around this issue than any other. In fact, a recent LIMRA survey of carriers finds that almost every company has some type of initiative underway to reduce underwriting times or enable them to issue larger face amounts on a simplified issue basis.

Whether it is carriers trying to improve their existing systems or disruptive forces looking to reinvent the space, everyone is trying to reach those elusive consumers. Some of these initiatives are focused on operations — creating efficiencies and lowering costs. Others are leveraging affinity groups, SEO, or social media to reach new markets and customers that they may not have been able to get to in the past.

No one should think, however, that simply expediting the process alone will create materially larger growth rates for the life business.

We just did a study that looked at online messaging to see what resonated best with consumers. Despite the fact that consumers say they would buy life insurance if the process was easier, we found messaging like "quick and easy" alone does not convince people they need life insurance. The study found that making it quick and easy will only engage those people already ready to buy life insurance.

At the same time, while more people are using the Internet to get information — there is a risk that they will get too much information, become overwhelmed, and disengage. This underscores the value of working with an agent. Consumers working with an agent can ask questions and get reassured on their decision. But the number of life insurance agents in the United States has declined 47 percent over the past 30 years. As a result, fewer Americans have access to an agent. In fact, half of Millennials say they don't buy life insurance because they have never been approached.

Companies are looking to artificial intelligence to solve this conundrum. Will chat-bots and personal assistants like Siri or Alexa provide the answers consumers need 24 hours a day? Possibly.

But again — it's not that simple.

Consumers' top financial priorities don't involve life insurance. They worry about paying for long-term care and medical expenses, paying their bills and existing debt, and saving for retirement and their children's education. Life insurance is number seven. We need to do a better job of explaining why consumers need life insurance. We need to leverage affinity groups — people and groups they trust — to help us get our message to them. Once people are convinced they need life insurance, the process, while important, becomes secondary.

I believe, to grow the market, we are going to have to focus on three groups:

- Stuck shoppers who have expressed an interest in buying,
- People who just haven't thought much about life insurance, and
- People who have medical or other issues that require special pricing or a special product.

In the end, making it easier or faster alone will not be the silver bullet. If we are going to increase life insurance sales, we must change the way we market and engage with consumers. I'm excited that so many are trying innovative approaches, but this may remain an elusive opportunity if we don't gain a variety of new skill sets.

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**Illuminating the Financial Mindscape**


***Reaching Consumers Where They Care***

# Leading Consumers to Action

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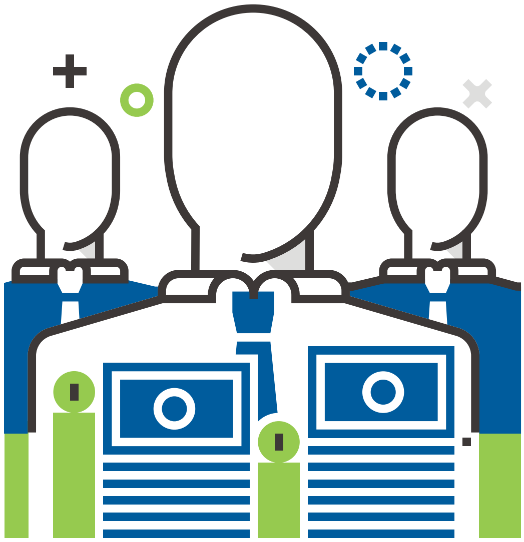


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# FROM THE EDITOR

## One Core Principle

Back in 1898, a woman named Mary Annis started a small business in a tiny office in the insurance capital of the world — Hartford, CT. My grandmother, Mary Brescia, bought that business in 1945. The company offered stenographic services to the legal community, and provided local business support like answering phones and bookkeeping.

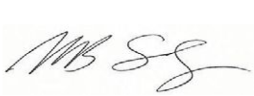
When my dad took over in the 1970s, he added offset printing to the mix, and the company evolved and grew. The years saw lots of technological changes — linotypes, mimeographs, the first Xerox copiers, and "state-of-the-art" typesetting machines. Now my brother runs the show — and the presses in the back room run eco-friendly ink, graphic designers work on the latest Apple™ computers, and digital printing means you can send a file one day and have a finished product in your hand the next.

So it's really not surprising that I ended up in publishing — albeit from the opposite end of the spectrum. One thing I learned from my years of working at the family printing business — the customer is king. All of the innovation and changes that occurred from 1898 to 2017 — were in response to or in anticipation of consumer needs.

For decades, the financial services industry also has served consumers with products that meet their needs — from soldiers' life insurance in WWI to today's combo life/LTCI products. Yet today's consumers pose their own difficulties. In "Leading Consumers to Action" Eric Henderson looks at the necessity of overcoming the popular (and he maintains, flawed) analysis of annuity guarantees to educate consumers about a product that could improve their retirement forecast. LIMRA's Jim Scanlon investigates the Financial Mindscape of the consumer in his cover story – and how that mindset translates into marketing and outreach. And, in "Lessons From the Past," Shannon Havener looks at how past trends can influence the future of D2C distribution.

The common thread? The consumer. As many of us come together for this year's LIMRA Annual Conference, I believe the best lessons we can learn from the past are the ones that remain the same today. New technology, distribution, and demographics aside, the core principle remains: Take care of the customer.

I look forward to working with you toward that end!



***Mary-Beth Selby, M.A.***
*Editor-in-Chief*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# RANDOM SAMPLE

## 83

The percentage of consumers who feel it is very/extremely important for companies to make life insurance "easy to understand."

*(Source: Insurance Barometer Study, LIMRA and Life Happens, 2017)*

## $304 billion

The minimum estimated life insurance market value in 2020 for married/partnered LGBTQ households.

*(Source: LGBT Households: U.S. Life Insurance, LIMRA, 2017)*

## 6 in 10

Workers who support state-mandated workplace retirement savings plans, but lack confidence in the government to administer those plans.

*(Source: Workplace Retirement Savings and State Plan Mandates: Employer and Employee Perspectives, LIMRA Secure Retirement Institute, 2017)*

## 1 in 2

Companies that already have automated underwriting in place.

*(Source: Transforming Underwriting, LIMRA, 2017)*

## 63

The percentage of consumers who are not familiar with the concept of a robo-advisor.

*(Source: Robo-Advice: Today and Into the Future, LIMRA, 2017)*

## 226,000…
## 26 million…
## $1.5+ trillion

The combined number of plans…participants…and assets of the companies represented in LIMRA's Annual 401(k) Scorecard.

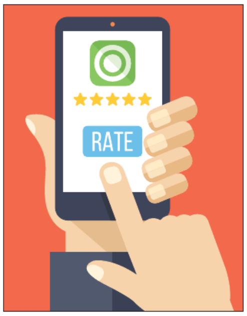
*(Source: The Annual 401(k) Scorecard, LIMRA Secure Retirement Institute, 2017)*

# EXCLUSIVELY ON LIMRA.COM


### LIMRA Unplugged
**www.limra.com/news_center**

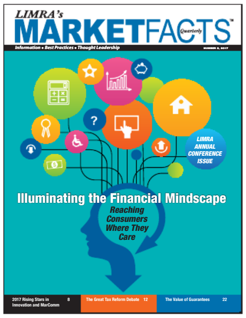
Watch this video podcast debunking the 5 Myths About U.S. Life Insurance Ownership. This quarterly series — with hosts Alison Salka, LIMRA Research Director, and Jim Kerley, LIMRA Chief Membership Officer — explores issues and trends within the financial services industry.

### Consumers Review LIMRA Fiduciary Education
**www.limra.com/fiduciaryed**




Looking for Amazon™-style 5-star reviews for LIMRA products? This comes close — a brief overview of a July 2017 survey shows how consumers are reacting to LIMRA's fiduciary education products and platform. Hear what others have to say before making LIMRA your go-to for compliance training needs.

### Bring This Issue to Life!
**www.limra.com/marketfacts**




LIMRA's flagship publication is available in an engaging digital format, which features live links, options to print or download pages, an interactive Table of Contents — allowing easy navigation throughout the magazine — and a variety of views. Explore this dynamic way to access our research excellence, valuable information, and thought leadership.

### The Facts of Life
**www.limra.com/news_center**

Learn the "why, who, and how much?" of life insurance. In conjunction with Life Insurance Awareness Month (LIAM) in September, LIMRA released our Facts About Life Insurance update for 2017 — a compilation of facts from our life insurance consumer studies.

### Reaching Key Market Segments
**www.limra.com/mrs**

Engage with a unique set of short, entertaining videos that demonstrate LIMRA's new *Market-Ready Selling™* tool. The learning and tools give financial reps fresh insight into the financial attitudes, purchase behaviors, and preferences of consumer market segments.

### Grow Social With LIMRA

Social media has changed the way people communicate with each other and interact with brands. Companies must identify how to leverage social to find new sources of distribution or facilitate conversations between advisors and prospects. LIMRA can connect you to best practices and successful adoption strategies through our research, conferences, study groups, training programs, and strategic partnerships with cutting-edge providers.

**Visit www.limra.com and click the "Grow Social With LIMRA" icon to learn more and connect with us on**


**Prudential is proud to salute**

## MONIQUE R. FREEMAN

**Manager, Communications Strategy**
**Global Marketing Retirement Practice**

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Bring Your Challenges®

Congratulations for being named one of LIMRA's 25 Rising Stars in Marketing and Communications, and for leadership that sets the highest standards of excellence in our industry.

# LIMRA Announces

## 2017 Rising Stars in Innovation

Changes in regulation, advances in technology, and shifts in demographics and consumer expectations are challenging the status quo of financial services business practices. In the face of these and other trends, companies are re-evaluating their approaches and incorporating new strategies and technologies. Innovation is driving their success. LIMRA is pleased to present the following list of some of our industry's most talented innovators. These individuals represent many areas, showcasing the best in data science and analytics, IT, digital, training, business development, marketing, and more. Winners are under age 40 and were selected from the nominations received from LIMRA member companies.

### *Congratulations to all of you!*

SANDEEP AJITH
*Director,*
*Advanced Analytics*
*Lincoln Financial Group*

JUSTIN BAKER
*Vice-President, Life-Health*
*Administration*
*COUNTRY Financial*

BERNARDO FERREIRA CASTELLO
*Superintendente Ejectutivo*
*Bradesco Vida e Previdência S.A*

DANIEL CLAUSON
*LTC Sales Desk Manager*
*Pacific Life Insurance Company*

GORDON COLLINS
*Director, Sales Development*
*and Productivity*
*Allianz Life Financial Services*

CHRISTINA ENG
*Senior Client Representative,*
*Employee Benefits*
*Voya Financial*

MARK HARDY
*Senior Manager,*
*Direct Life and Health*
*TD Insurance*

JA'NENE KANE
*Vice President,*
*Enrollment/Workplace Solutions*
*MassMutual Financial Group*

JEAN-MICHEL LAVOIE
*Assistant Vice President,*
*Product Development,*
*Group Benefits*
*Sun Life Financial*

NICHOLE LECHER
*Director,*
*New Business Transformation*
*Northwestern Mutual*

KEVIN MECHTLEY
*Corporate Attorney,*
*Conflicts Counsel*
*Sammons Financial Group*

EWELINA MROCZEK
*Senior Consultant,*
*Product Management,*
*Annuity Solutions*
*Lincoln Financial Group*

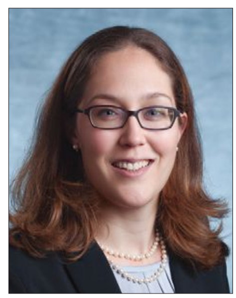
ALAN O'DONNELL
*Director,*
*Advice Experience*
*Thrivent Financial*

BEN OGOREK
*Director,*
*Predictive Modeling*
*CUNA Mutual Group*

SILVANA OREZZOLI
*Directora de Marketing y*
*Clientes*
*Mapfre Peru*

ERIC PAHL
*Associate Actuary,*
*Life and Annuities*
*Sentry Life*
*Insurance Company*

TIM POPPERT
*Director,*
*Digital Innovation and*
*Research*
*Northwestern Mutual*



JAIME PROMAN
*Director,*
*Digital Innovation*
*Securian Financial Group*

KRISTI RACKLIFF
*Manager,*
*The Competitive Services Group*
*Lincoln Financial*
*Distributors, Inc.*

JOHN C. ROBERTS
*Vice President,*
*Distribution Performance*
*Northwestern Mutual*

SHATRUNJAI SINGH
*Senior Data Scientist*
*John Hancock Insurance*

NICHOLLE TAYLOR
*Vice President,*
*Service and Operations,*
*Retirement Plans*
*Ameritas*

EDRICK TOUMA
TAVERAS
*Vice President, Operations*
*Trans-Oceanic Life Insurance*
*Company (TOLIC)*

TUNG HSIAO LEY
*Head of AIA Vitality*
*AIA Malaysia*

MACKENZIE WELCH
*Competitive Market*
*Research Analyst*
*Lincoln Financial Group*

# *LIMRA Announces*

## *2017 Rising Stars in Marketing & Communications*

Consumers experience thousands of ad messages per day, and getting through to them is a formidable task. Today's companies must be creative and innovative — engaging people in niche markets, and on multiple platforms. Who are the rising stars that help our members remain relevant to the next generation of consumers who need our products and services? LIMRA is pleased to present the following list of some of our industry's up-and-coming marketing and communications leaders. These individuals represent talent across many areas, showcasing the best in digital marketing, social media, strategy, advertising, public relations, and more. Winners are under age 40 and were selected from the nominations received from LIMRA member companies.

### *Congratulations to all of you!*

JACOB ARNOLD
*Digital Marketing Analyst*
*Western & Southern Life*

MELISSA BRANDT
*Senior Marketing Consultant*
*Lincoln Financial Distributors*

ERIC CHANG
*Chief Marketing Officer*
*AIA Malaysia*

ABBY CHRISTMAS
*Director, User Experience Design*
*Brighthouse Financial*

AMBER CISNEROS
*Director, Creative Services*
*Pacific Life Insurance Company*

LAURA EVERS
*Director, Customer Experience*
*Horace Mann*

KATHRYN FERRERO
*Chief Marketing Officer*
*AXA U.S.*

MONIQUE FREEMAN
*Manager, Communications Strategy, Global Marketing*
*Retirement Practice*
*Prudential Financial, Inc.*

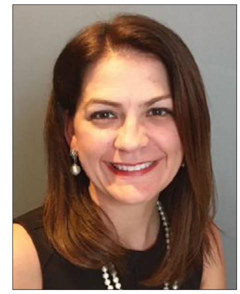
KAREN GOUSSE
*Marketing Communications Manager*
*John Hancock*

DANIEL GRIESEMER
*Second Vice President, Product Marketing*
*Communications and Training*
*Ohio National Financial Services*

MELISSA HERNANDEZ
*Director, Corporate Communications*
*Jackson National Life Insurance*

JENNIFER KELLY
*Data Scientist, Marketing Analytics*
*Ameritas*

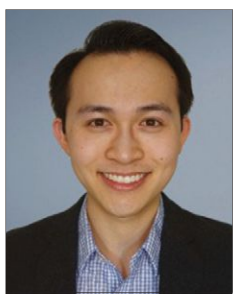
NATE KORHONEN
*Life Director, Sales and Service*
*American Family Insurance*



ERIN LONIELLO
*Director, Marketing Services*
*Bankers Life*

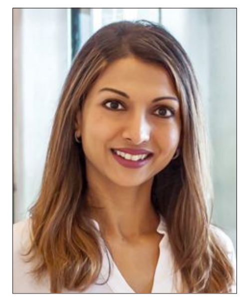
COREY LUKE
*Senior Product Line Director*
*Allianz Life*

CHRISINDA MOWRER
*Assistant Vice President, Consumer Engagement and Loyalty*
*Voya*



DENIS NGUYEN
*Data Scientist, Marketing Analytics*
*Ameritas*

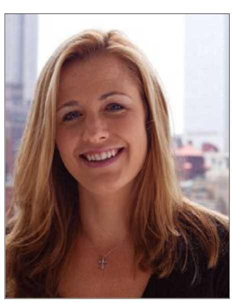
MELISSA OSHIN
*Marketing Specialist*
*Mutual of Omaha*



SHITAL PATEL
*Director, Customer Experience*
*AIG*

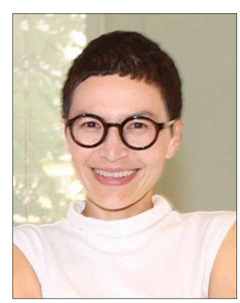
DAWN PEPIN
*Director, Life Insurance Marketing*
*Nationwide*

LINDSEY REALE
*Assistant Director, Marketing*
*The Hartford*



KERRY SETTE
*Vice President, Consumer Insights and Research*
*Voya*

ETHAN SLAVIN
*Communications Director, National Media Relations*
*Aetna*

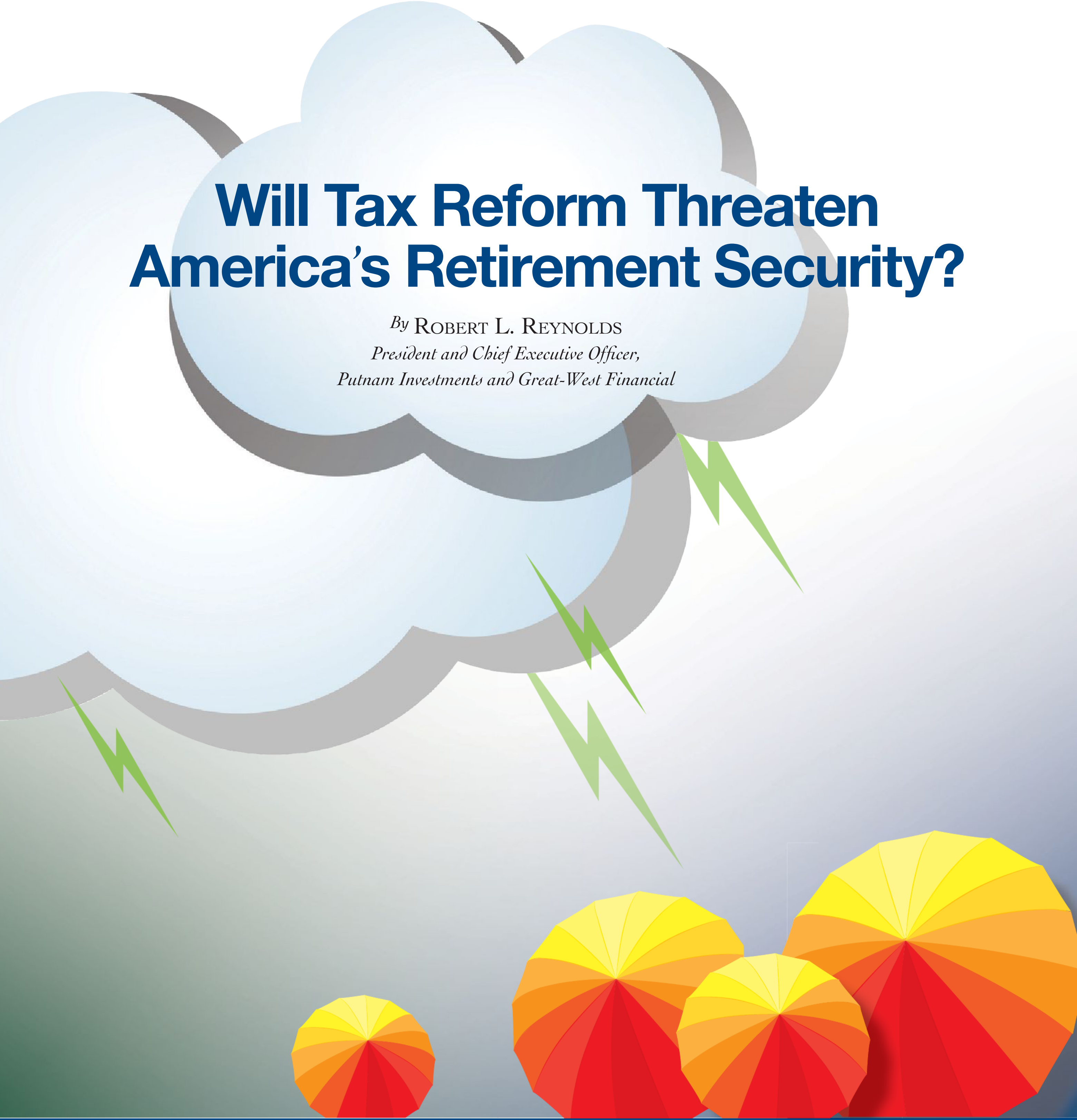


ANIMA TATSAJUN
*Senior Manager, Corporate Communications*
*AIA Thailand*

DAVID WILSON
*Social Media Director*
*Empower Retirement/ Great-West Financial*


# Will Tax Reform Threaten America's Retirement Security?

*By* ROBERT L. REYNOLDS
*President and Chief Executive Officer,*
*Putnam Investments and Great-West Financial*



This fall, as Congress begins debate on sweeping tax reform — a once in a generation event — everyone involved in retirement savings has reason to worry. The fact is that we've been too often burned. Time and again, major tax reforms have either seriously undercut incentives for retirement savings — as happened in 1986 — or threatened to do so, as with an abortive tax reform package floated in 2014.

This temptation to slash incentives for saving in 401(k) plans, IRAs and other tax-advantaged plans — in order to cut other taxes — is understandable, given the grossly misleading "scoring" rules that Congress uses to count the cost of tax deferrals. Looking out over the 10-year "window" mandated by the Budget Act, Congressional budgeteers estimate that tax deferrals on savings will "cost" Uncle Sam nearly $600 billion over the next decade.

But this cost estimate is wrong in three ways. First, it counts savings deferrals the same way it does true tax expenditures like the deductions for mortgage interest or charitable giving. Unlike those once-and-gone expenditures, though, the assets put into tax-deferred savings vehicles grow for decades — then get taxed upon withdrawal as ordinary income. Second, those assets also contribute to economic growth because they are invested in stocks and bonds. Third, every penny of savings reduces that saver's risk of needing means-tested federal aid, like Medicaid, in the future. None of these benefits are taken into account by current Congressional budgeting.

So the recurring temptation to trim retirement incentives could lead to gross policy errors in the late-night, all-in bargaining sessions that typically occur in any tax-reform end game. The risk is real that workers' incentives to save may be cut — even cut sharply — when push comes to shove and tax-cutters need "pay-fors" to reach other budget targets.

This reflects a near-complete misunderstanding in Washington of how crucial America's $27 trillion retirement savings pool has become, not just to retirees, but to our whole economy. All of us in financial services need to drive that reality home — through every contact we have with members of Congress and through our trade associations.

Before we adopt any major tax reform, we need policymakers to recognize that workplace savings are not just the source for future retirees' income. They have become a vital supplier of patient, long-term capital that fuels our stock and bond markets and drives our economy's growth. Economics 101 tells us that saving equals investment. And after enduring the weakest post-world-War-II recovery, this is surely no time to cut back on growth-enhancing savings incentives, especially since we also face a dead serious retirement finance challenge.

Retirement's financial bedrock, Social Security, needs to be put on sound fiscal footing — a huge political challenge in itself. And our private workplace savings system has to be significantly expanded and upgraded to realize its full potential.

Nearly 40 percent of all workers today lack any payroll savings option on the job. Roughly one third of American workers have no retirement savings at all. And among those who do have job-based savings plans, too many put too little aside to reliably replace their earnings once they leave work.

Yet the media's drumbeat of stories about shortfalls and a looming retirement "crisis" actually stirs up exaggerated fears and paralyzes needed reforms. It ignores the extraordinary strengths of our retirement finance structure. Worse, it diverts attention from

> **"The risk is real that workers' incentives to save may be cut when push comes to shove and tax-cutters need 'pay-fors' to reach other budget targets."**

proven solutions that are even now bringing millions of workers toward successful, secure lifetime incomes.

Instead of having to defend savings incentives from being used to pay for other tax cuts — Congress should be looking for creative ways to extend workplace savings to the 40 percent or so of workers who lack this benefit. We should also be looking closely at what's actually working well in retirement policy, then spreading well-proven best practices to all job-based savings plans.

For all the talk we hear of a retirement crisis, the fact is that America has evolved a very robust, two-stroke retirement finance engine that links public FICA taxes on wages (labor income) with dividends, interest, and capital gains (capital income) from workers' private investments in our capital markets. Together, Social Security and workplace savings reinforce each other. They offer a well-balanced diversification of income sources that we can build on and dramatically improve.

Social Security, of course, is the responsibility of our political leaders. They need to find the courage to compromise on a package of revenue increases and slower benefit growth to secure this irreplaceable foundation of retirement security. But even before they do that — and don't hold your breath — we could make enormous progress, on a bipartisan basis, simply by fleshing out today's job-based savings system and extending it to reach as many working Americans as possible.

Here, at least, we know what works. Workplace savings plans that automatically enroll workers, then automatically escalate their savings to bring them up to rates of 10 percent or more, are already enabling tens of millions of workers to replace 100 percent (or more) of their work-life incomes. That's success by any measure, and it depends, above all, on wise plan design. "Automaticity"— not income — is the key variable. In fact, millions of low and moderate income workers are on track for secure retirement, precisely because their savings plans' designs are fully "automatic" and these designs make success easy and failure hard. Let's spread that proven model system-wide.

If Congress would act to ensure savings coverage to all workers, not just some, and support the adoption of successful plan designs, we could solve most of this country's retirement challenge — just by building on and upgrading 401(k) plans and other payroll savings plans we already have. There is no need to reinvent the wheel.

The financial and fiscal payoffs of a fully fleshed-out retirement savings system would be enormous. *Another Penny Saved*, a 2014 study from Oxford Economics sponsored by a coalition ranging from the U.S. Chamber of Commerce to AARP and The Aspen Institute, found that by offering savings plan access to all American workers — and lifting their savings rates to 10+ percent — we could raise America's growth rate and add trillions of dollars to the GDP (and thousands of dollars per capita) by 2040. The study's bottom-line message is clear: Any policy that cuts savings also slows growth; any policy that raises savings also raises growth.

But in a real sense, the economic gains of actually solving our retirement challenge would be far outweighed by the psychological boost such a solution would deliver to national morale.

Americans would be amazed to see that government — and our two warring parties — came together to address a tough challenge and delivered progress we can all be proud of, just as we once did by going to the moon and curing polio.

After a generation of increasing polarization and distrust, America's can-do spirit would make a real comeback. Once we truly recognize the value of increased savings, and come together not as Democrats or Republicans, but as Americans, we have it in our power to turn a potential retirement crisis into an engine for growth, hope, and even cross-party trust.

This fall's debate on tax reform — so critical to all savings — offers us the time and place to reach for that American renewal. Let's get to work.

**Robert L. Reynolds** is President and CEO of Putnam Investments and Great-West Financial, which includes Empower Retirement, the nation's second largest retirement services provider. His new book, *From Here to Security*, is published by McGraw-Hill.

# COMMENTARY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## How the Explosion of Mobile Impacts Customer Experience

In a world of artificial intelligence, augmented and virtual reality, wearable technologies, smart homes, and the Internet of things, it is becoming increasingly difficult to manage the customer experience.

The explosion of connected devices — over 8 billion currently — has been accompanied by the arrival of the empowered customer. They now demand what they want, whenever they want it, and from whomever they want it. With these increasing expectations for personalized and seamless experiences, patience is becoming a rare commodity.


This year's LIMRA Annual Conference focuses on the necessity of meeting those consumer expectations, and addressing *The Consumer Imperative*. As co-chairs for this year's conference committee, we wanted to create an experience that would provide you with information and tools to meet consumers where they are, with what they need.

Customers are redefining business models and upending traditional sources of brand differentiation. Thus, the true source of competitive advantage lies in understanding the needs of individual customers and serving them in a fast, transparent, and credible way, i.e., being customer-centric. Customer data is what makes customer centricity possible.

Nowhere are the possibilities more apparent than in mobile. We can all recall the first time we realized that companies track our browsing history. After researching a new pair of shoes, for example, pictures of those same shoes appeared on subsequent browser sessions. Then came geo-tracking, where you were offered discounts on those shoes when you were physically close to a shoe store. Now companies offer mobile ads with steeper discounts when you are at a competing shoe store within the same mall. In addition, companies have begun experimenting with "trajectory" marketing. Using past travel patterns obtained from your smartphone, they present offers based on where you are *expected* to be.

Consumers continue to spend increasing amounts of time on mobile devices. It's now estimated that 25 percent of consumer media consumption takes place on mobile devices. Corporations have not kept up. Only 12 percent of corporate marketing budgets are allocated toward mobile. This is likely driven by the marketing attribution problem. Since only 4 to 5 percent of sales are directly attributed to mobile, the reluctance of management to spend heavily is understandable. However, research shows that viewing the entire sales process and simply asking if mobile was the first touchpoint increases mobile sales to 30 to 40 percent.

The amount of data consumers share through their mobile devices is extensive and also problematic. Anindya Ghose, in his book, *Tap: Unlocking the Mobile Economy*, suggests we need to be thoughtful in how we use this new ocean of data. The goal should be to act more like a concierge or butler for our customers, and less like a stalker. People are willing to exchange their personal information — but only for relevant ads and helpful services. An example of a value-added service is auto telematics tracked via your mobile device. Pricing car insurance policies based on actual driving behavior instead of risk profile segmentation allows the customer to receive more personalized rates.

Businesses increasingly see data as an asset, but it can become a liability if not protected. We need only look to the recent Equifax breach to appreciate the consequences of mismanaging this asset.

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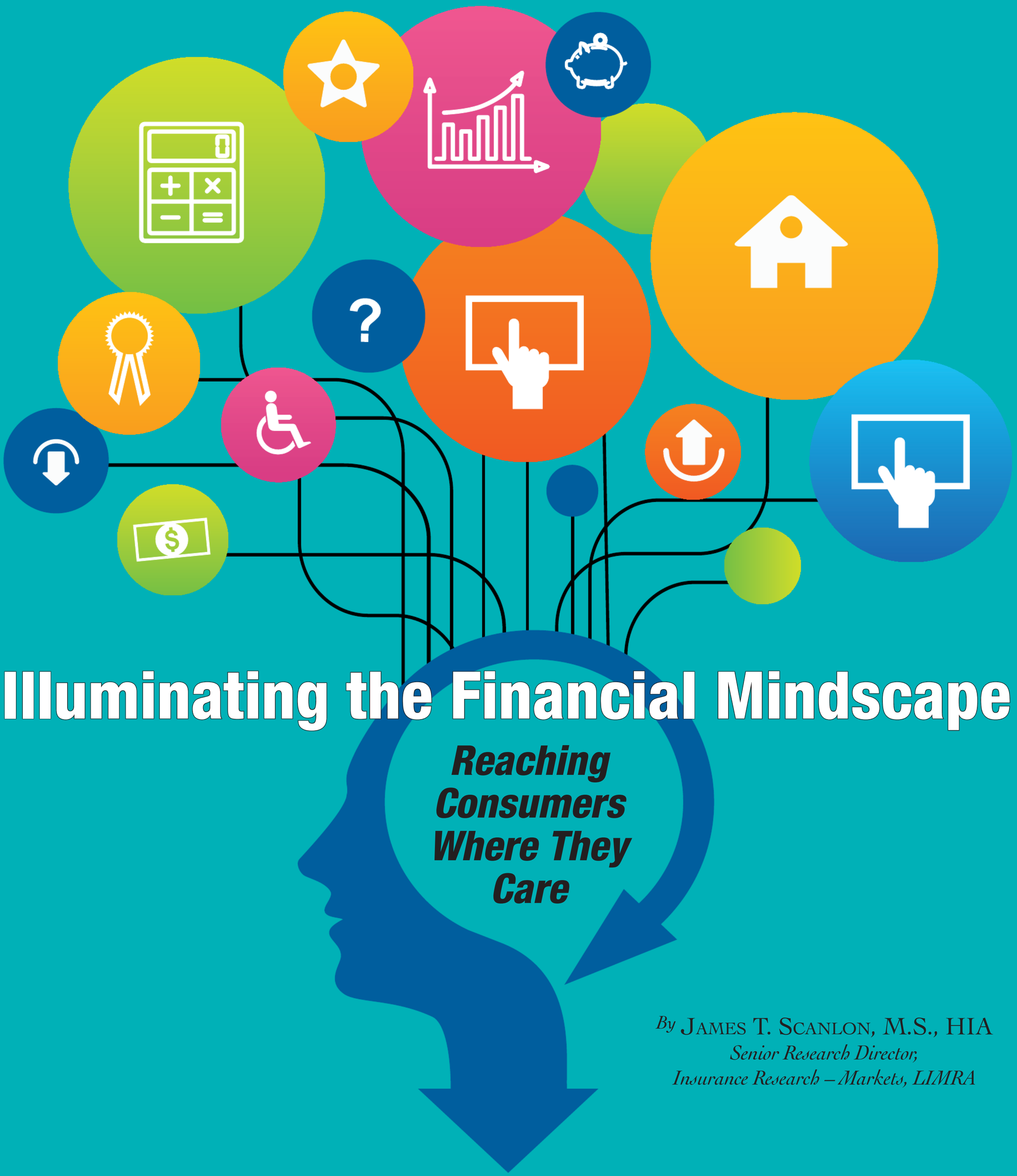


# Illuminating the Financial Mindscape

## *Reaching Consumers Where They Care*

*By* James T. Scanlon, M.S., HIA
*Senior Research Director,*
*Insurance Research – Markets, LIMRA*

Everyone wants to know what their customers are thinking. So, we search for a way inside their minds, and for ways to share what we find. This search led to a concept LIMRA calls the *Financial Mindscape*.

The financial mindscape is the intellectual space where we deliberate our financial concerns. A look inside reveals important information for marketers and distributors across the industry.

## The Insurance Barometer

Our ability to understand this space originates with the *Insurance Barometer* — an annual survey that examines financial behaviors and attitudes.[1] Data on 12 common financial concerns tracked over seven years allow us to illuminate the financial mindscape to see the way consumers think (Figure 1).

Three layers of examination reveal what goes on inside the financial mindscape.

## I — Measuring the Overall Pressure

The Financial Concern Index (FCI) is a summary metric of all 12 items. It allows us to measure the level of financial pressure consumers are feeling, and see if it is rising or falling (Figure 2).

The United States is entering its eighth consecutive year of economic growth and the financial media is full of positive indicators.[2] Yet, the FCI indicates consumers feel about the same level of financial pressure as in 2011, just two years removed from the Great Recession.

While this may seem counterintuitive, the FCI doesn't simply follow economic indicators. It measures concern related to specific goals, obligations, and risks. If we accept that these emotions are tied to decision-making, then this information has wide-ranging applications; from developing broad communication themes to directing in-person conversations.

Communication themes aligned with upbeat economic indicators may miss the mark with the average consumer. Themes aligned with a disciplined approach for reducing financial risks may be more consistent with the way consumers currently think.

## II — Mapping the Mindscape

When tracked across several years, concern levels on four financial risk categories show a distinct pattern (Figure 3). This pattern illustrates the topography of the financial mindscape, and reveals the existence of the Financial Concern Hierarchy (FCH).

### Figure 1

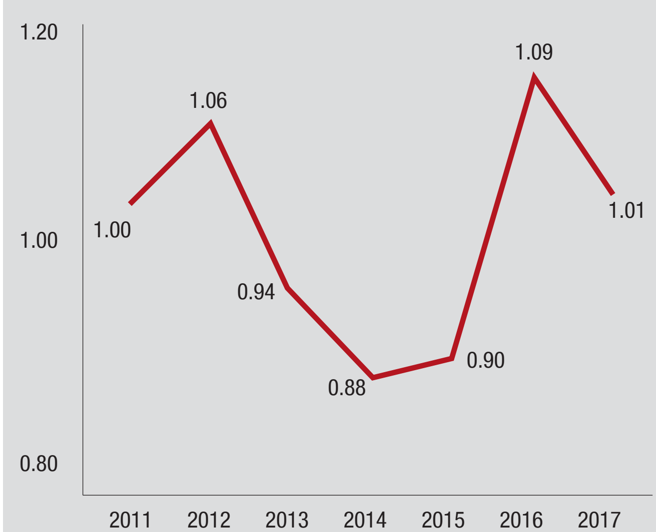
**Financial Concern Risk Categories**

| Savings Goals |
|---|
| Dependent's education |
| Investments |
| Retirement |
| **Life Coverage** |
| Dependent's financial security |
| Final expenses |
| Leaving an inheritance |
| **Living Expenses** |
| Credit card debt |
| Monthly expenses |
| Mortgage/rent |
| **Health Coverage** |
| Disability |
| Long-term care |
| Medical |

*Source: LIMRA, 2017*

### Figure 2

**Financial Concern Index, 2011 – 2017**




*Source: LIMRA, 2017*

### *Health Coverage*

Concern over health-related financial risks consistently occupies the top tier of this hierarchy (i.e., the green line is always on top). Consumers devote a great portion of their mind share to these concerns.

Concern over these items was high in 2011, but declined noticeably through 2014. This is likely related to the implementation of the Affordable Care Act (ACA) in 2013. The subsequent spike in 2016 may be related to political uncertainty on the ACA.

### *Savings Goals and Living Expenses*

Savings goals occupy the next tier of the hierarchy. Concern for these issues tracks closely with concern over living expenses; they are the only categories that overlap periodically.

In 2011 and 2012, concern over living expenses was higher than for savings goals. As the economic recovery entered its third year, concern over living expenses declined significantly. In 2017, concern in both categories declined.

Lower levels of financial concern is good news for the industry. The easing of concern in one area implies that consumers can devote greater mind share to other financial risks such as health and life coverages.

### *Life Coverage*

Concern over mortality-related financial risks consistently occupies the bottom of the Financial Concern Hierarchy (i.e., the dark blue line is always on bottom). Concern levels in the four categories have become closer over the past few years (Figure 3).

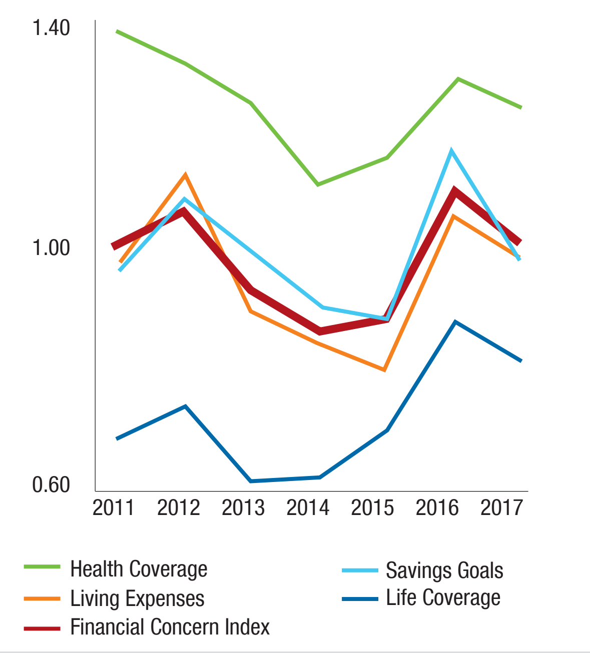
In 2013, concern over life coverage was far below the other three categories. In 2017, the difference in concern levels has contracted noticeably. Thus, it appears mortality-related financial risks occupy a larger mind share, which implies a larger wallet share will follow.

## III — Illuminating the Mindscape

With the information from the FCI and FCH in hand, we can illuminate the financial mindscape, and plainly see what consumers are thinking (Figure 4).

**Figure 3**

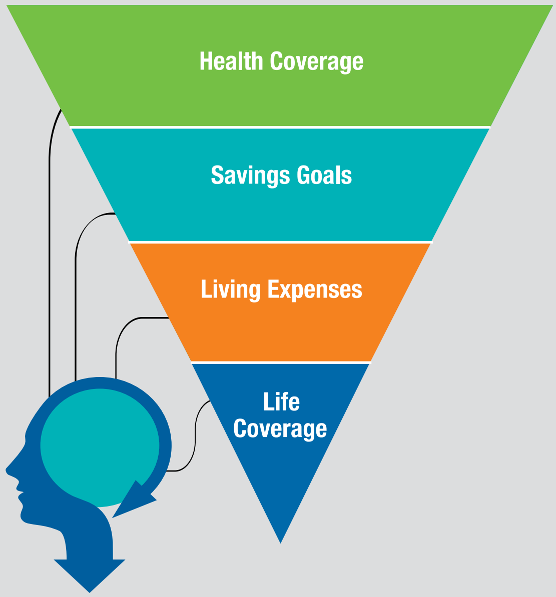
**The Financial Concern Hierarchy**




*Source: LIMRA, 2017*

**Figure 4**

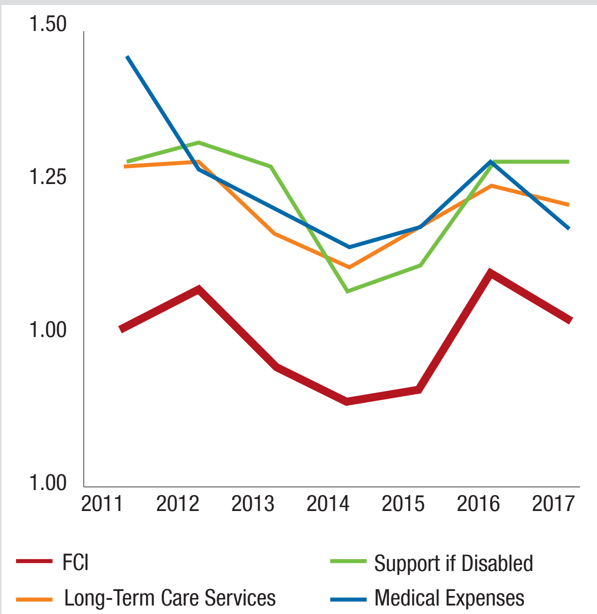
**The Financial Mindscape in 2017**




*Source: LIMRA, 2017*

**Figure 5**

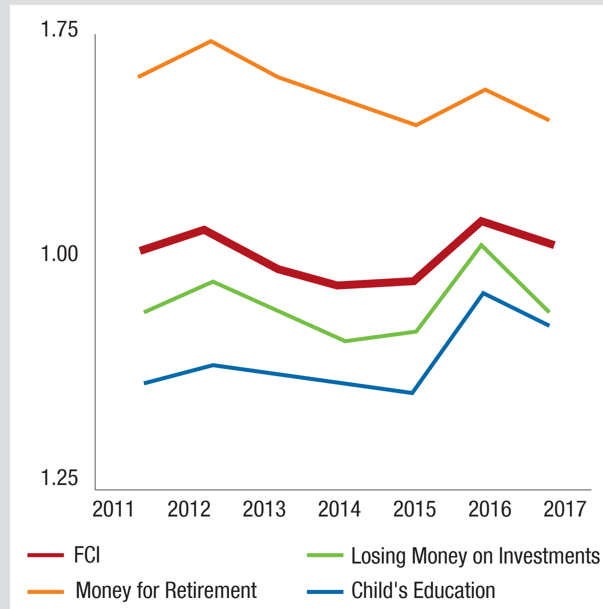
**Health Coverage Concerns**




*Source: LIMRA, 2017*

**Figure 6**

**Savings Goals Concerns**




*Source: LIMRA, 2017*

### *Health Coverage*

It's obvious from this illustration that health-related financial risks are top-of-mind for consumers.

Within this category, concern levels on all three items are about equal (Figure 5). Yet, ownership rates on related coverages are completely different. Almost 90 percent of Americans have medical coverage,[3] compared with 20 percent for DI and 14 percent for LTCI coverage.[4]

#### *Changes in 2017*

- Concern over disability coverage did not change in 2017. It's now the top-ranking health coverage concern — which suggests the environment for disability products has improved.
- Concern over long-term care dropped by 3 percent. This is one of the "stickiest" concerns; ratings do not change much year-to-year.
- Concern over medical expenses declined by 8 percent. Concern on this item is now the lowest in this category — a complete reversal from 2011.

With concern over medical expenses dropping, financial risks related to DI and LTCI coverages command greater mind share. This implies demand for these coverages will increase. Recent LIMRA sales data suggest this may already be happening.

Individual disability income premiums increased by 20 percent in the first quarter of this year; while policies increased by 14 percent.[5] The DI market did not grow overall in 2016, but there is reason to hope it will grow this year.

The same effect is not evident in the individual market for LTCI coverage, where sales declined 13 percent in 2016.[6]

***There is evidence of the financial mindscape effect in the market for individual life combination products.***

For the second year in a row, individual life combination product sales show positive growth for both premium and policies. Total sales in 2016 reached over $3.6 billion in premium and over 250,000 policies.

Combination products now represent 22 percent of total new individual life insurance premium, an increase of 69 percent since 2011.[7]

These results suggest the effects of the financial mindscape are real. Connecting a life product with health concerns — which are top-of-mind for consumers — resulted in increased sales. This means that the industry has a powerful new tool for seeing what their customers are thinking.

### *Savings Goals*

The category of savings goals includes the desire for a comfortable retirement, which is consistently the top financial concern for American consumers. Retirement ranks number one each year, and it maintains its ranking across demographic segments (Figure 6).

#### *Changes in 2017*

- Concern over retirement savings declined by 7 percent. It remains the top overall concern, but it now demands less mind share.
- Concern over losing money on investments dropped 23 percent, the largest change of any item. Equity markets have stabilized since the beginning of 2016, and it appears consumers are more comfortable with their portfolios.

***Lower concern for investment losses may indicate some investors are willing to accept more risk in their portfolios, which has positive implications for variable products in the life and annuity markets.***

- Savings related to a dependent's education dropped 12 percent. This drop in concern is consistent with the other items in this category, suggesting consumers are better able to save in the current environment.

### *Living Expenses*

Concern in this category is an indicator of consumers' disposable income. When concern is high, it can overshadow savings goals. Concern for these items declined noticeably after 2012, and then spiked back up last year (Figure 7).

#### *Changes in 2017*

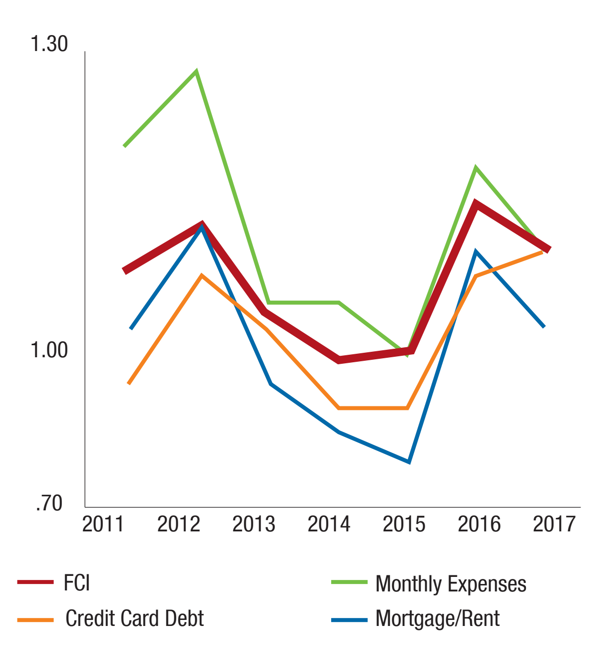
- Concern over two of these items — rent/mortgage and monthly expenses — declined sharply.

***Concern over credit card debt is the only item in the FCI to register an increase in 2017.***

- Concern over credit card debt increased by three points. While debt can make it more difficult to

**Figure 7**

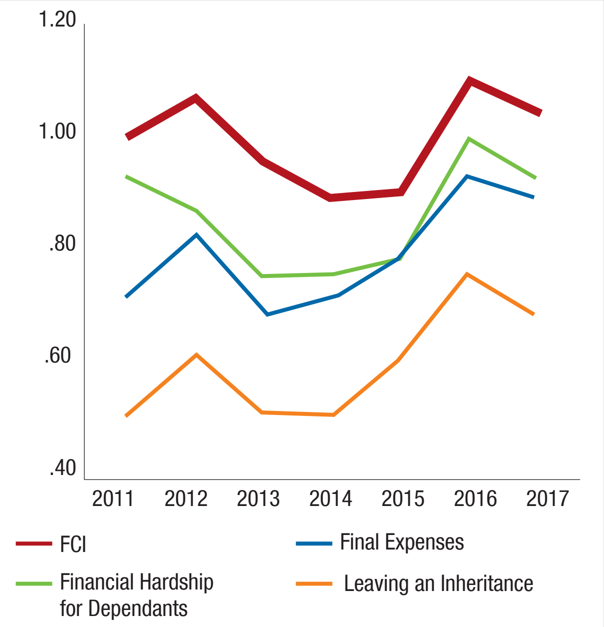
**Living Expenses Concerns**




Source: LIMRA, 2017

**Figure 8**

**Life Coverage Concerns**




Source: LIMRA, 2017

afford insurance and save, it can also be a reason to acquire appropriate levels of coverage and assure the household can repay what is owed.

### *Life Coverage*

Though life products occupy the lowest tier in the financial mindscape, concern about them is always present. In the current environment, consumers are better positioned to address these issues, because they are less distracted by competing financial risks (Figure 8).

*Changes in 2017*

- Concern over leaving an inheritance declined most in this category, suggesting the market for wealth transfer products and advice may cool slightly this year.
- The top-rated concerns in this area are: the thought of leaving dependents with financial hardship due to a premature death, and covering final expenses.

Concern for these items dropped slightly this year, but they remain important reasons for buying.

***The view inside the financial mindscape suggests several other reasons should be emphasized in life product marketing and sales.***

## Buying Reasons and Top-of-Mind Concerns

The more reasons a consumer has to buy, the more likely they are to purchase. Knowledge of the consumer's financial mindscape suggests that buying reasons should link to the issues at the top of financial concern hierarchy.

- Combination features such as LTCI and CI should link with the top financial risk category — health coverage.
- Permanent products that offer cash accumulation (e.g., universal life) should link with the top financial concern — retirement savings.
- Permanent products that offer tax-advantaged savings, such as whole life, should link with concern over losing money on investments.

The more connections that can be made with top-of-mind concerns, the easier it will be for consumers to make the buying decision. Illuminating the financial mindscape essentially gives us a map to reach consumers where they live, with the products they need.

## The Reality of the Financial Mindscape

**Is the financial mindscape a real place?**

The concept of the financial mindscape is based on the knowledge that reasoning and decision-making have physical locations in the brain.

**Where is it?**

The cerebrum is the largest part of the brain. It performs higher functions like reasoning and learning. Inside the cerebrum are the frontal lobes, with the pre-frontal cortex controlling emotion, judgment, problem solving, and planning.

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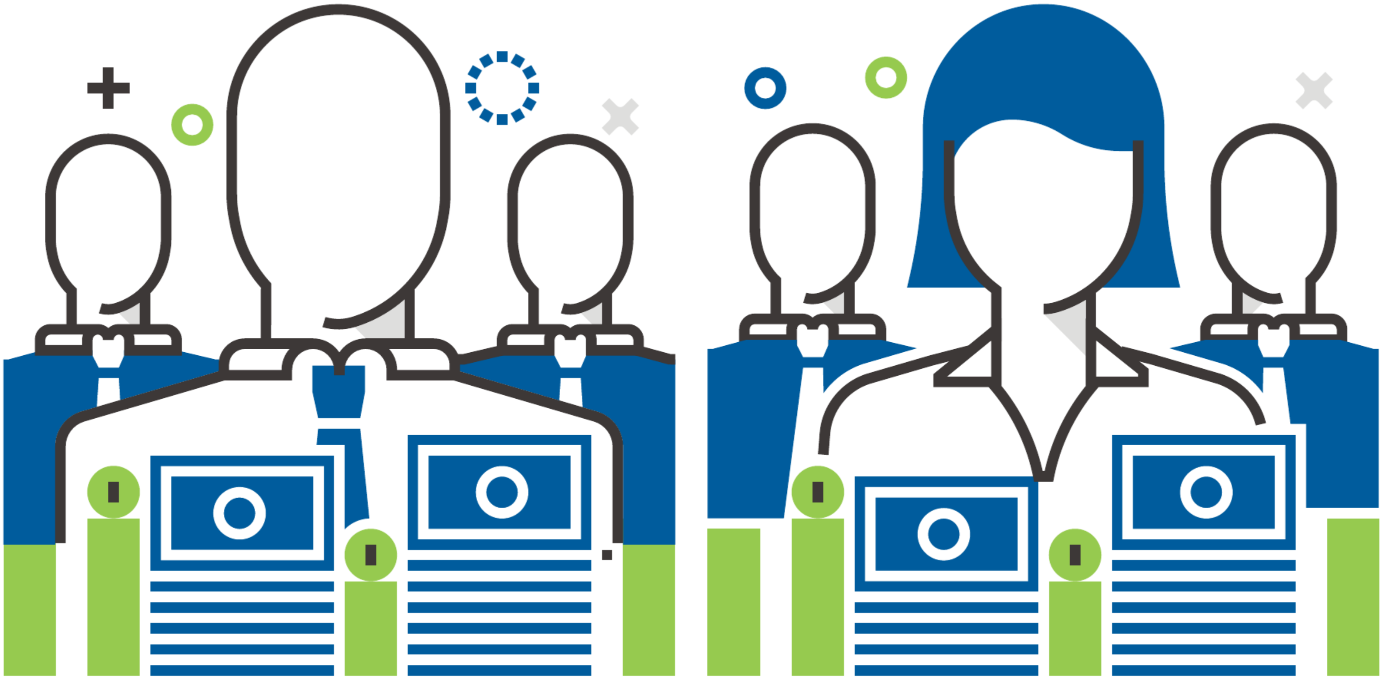


# Leading Consumers to Action

## *The Value of Guarantees for Retirement Planning*

By Eric Henderson, FSA, MAAA
*Senior Vice President of Individual Products and Solutions, Nationwide Financial*

Preparing for and living in retirement has become more complicated and riskier than ever for retirement-aged Americans. Baby Boomers have a longer life expectancy,[1] are retiring earlier than previous generations,[2] and need an effective retirement income strategy.

Challenges Boomers face include the shift from defined benefit plans toward defined contribution plans, and the rising environments of inflation, interest rates, and health care costs. Given these challenges, it's no wonder that LIMRA's *Dear Advisor* survey finds that "only 30 percent of pre-retirees think they are well prepared for their retirement."[3]

It is increasingly important for Americans to consider the value of income guarantees in retirement.

Numerous studies have explored the top concerns for retirement- and near-retirement-aged Americans with respect to financial products and planning. Overwhelmingly, this research suggests that the top concern for such consumers is mitigating longevity risk.

For instance, a recent LIMRA study finds that, "pre-retirees think that the most valuable service an advisor provides is helping clients minimize the risk of running out of money in retirement."[3] As an industry, we must help deliver the outcomes that our clients desire most.

Despite the obvious need for guarantees in light of these challenges and consumer concerns, fewer people are using annuities. This trend shows a disconnect between consumer concerns and goals and their behavior.

### Confidence in Annuities

As we think about consumer preferences and the end results they want to achieve in a market with rapidly changing dynamics, it is helpful to consider the concept of 'quantification of satisfaction'. Annuities provide one of the most reliable options for delivering guaranteed income. A recent LIMRA Secure Retirement Institute survey clearly demonstrates the impact annuities have on increased confidence for households of all wealth levels compared with similar households that don't utilize annuities as part of their retirement portfolio (Figure 1).[4] Our industry should focus on the planning activities and asset/product mix that have the best chance of delivering the outcomes that consumers desire most and that provide the highest degree of satisfaction.

## The Role of GLWB Annuities: A Total Portfolio Perspective

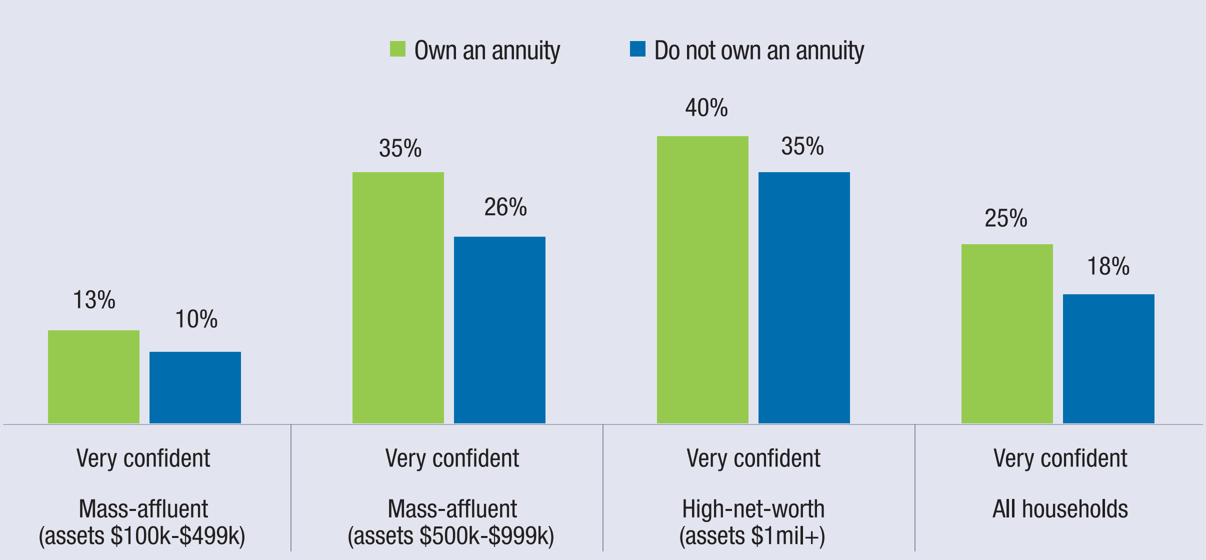
Historically, annuities have been viewed (and researched) through a lens of cost comparison to non-annuity portfolios with similar asset allocations. This conventional comparison looks only at account values over time — comparing a variable annuity with a guaranteed lifetime withdrawal benefit (GLWB VA) to a similar asset allocation in an outside, non-annuity portfolio. In this scenario, the VA will "lose" nearly every time due to the increased costs associated with the insurance. GLWB (also referred to as Guaranteed Minimum Withdrawal Benefit or GMWB) VAs, however, have a payout function similar to a put option in which the product transfers the downside risk of equity exposure to the insurance company; and, therefore, offers a risk contribution similar to high quality bonds and cash. This lower-risk contribution is critical to understanding the role that GLWB VAs can play in a retirement portfolio. Specifically, the effective risk of this structure allows consumers to increase their equity exposure — and, by extension, the upside potential of their portfolio — without increasing the downside risk associated with such an allocation.

Research on optimal allocations between pension assets (including Social Security income) and non-pension assets indicates that GLWB VAs certainly have a place in a utility-maximizing retirement portfolio. Work by Blanchett on the topic provides one such view. For context, his work capped the possible allocation to GLWB VAs at 50 percent and assumed a maximum allowable equity allocation within the annuity. Table 1 indicates the optimal GLWB VA allocations for different de-accumulation withdrawal rates (3 to 6 percent in 1 percent increments) and different levels of pension income as a percent of total retirement assets (0 to 100 percent in 10 percent increments). It is worth noting that, "if a GLWB annuity did not add value from a utility maximizing perspective, it would not be included in any of the optimal portfolio combinations."[5]

**Figure 1**

***Very Confident*** **in the Ability to Live the Retirement Lifestyle They Want**

*Percentage of Households*




*Source: Nationwide Financial, 2017.*

**Table 1**

**GMWB Annuity Allocation/40% Fixed Equity Allocation***

| Pension Income as a Percentage of Total Retirement Assets | Initial Withdrawal Rate: 3% | 4% | 5% | 6% | Average |
|---|---|---|---|---|---|
| 0% | 50% | 45% | 50% | 45% | 48% |
| 10% | 50% | 45% | 45% | 40% | 45% |
| 20% | 50% | 45% | 40% | 45% | 45% |
| 30% | 50% | 35% | 30% | 45% | 40% |
| 40% | 45% | 50% | 30% | 45% | 43% |
| 50% | 45% | 25% | 30% | 50% | 38% |
| 60% | 40% | 35% | 10% | 50% | 34% |
| 70% | 30% | 50% | 50% | 50% | 45% |
| 80% | 40% | 15% | 50% | 45% | 38% |
| 90% | 25% | 25% | 30% | 50% | 31% |
| 100% | n/a | n/a | n/a | n/a | n/a |
| Average | 43% | 37% | 37% | 46% | |

*Capped at 50%

*Source: Nationwide Financial, 2017.*

## Appropriate Annuity Utilization Is Context-Based

It seems clear that the optimal allocation to GLWB VAs is not "one-size-fits-all." In fact, there are instances where the allocation is quite low. What we can conclude, however, is that for clients with little or no access to pension income, a conservative to moderate risk appetite, and lower initial retirement asset withdrawal rates, the guarantees associated with GLWB VAs appear to be utility maximizing and merit strong consideration. This conclusion intuitively aligns to the notion that retirees should take as little risk as possible to reach their desired goal — because the risk contribution of a GLWB VA allows a retiree to achieve a higher equity exposure than they normally would be willing to accept.

Unfortunately, much analysis today thinks about annuities transactionally, and focuses on total cost without considering why the cost difference exists in the first place. The typical analysis tries to maximize return, which secondarily reduces the risk of running out of money. What most people want, in fact, is first to minimize the risk of running out of money, and then pursue the maximum return within this constraint. The solutions to these two seemingly similar desires can be very different and consumers need to contemplate this early in the planning process to maximize the impact that proper planning has on their retirement lifestyle.

The typical approach of thinking return first and longevity risk mitigation second reflects a potentially incomplete analysis in multiple ways. Such thinking ignores the financial value of the guarantee as well as the peace of mind income guarantees provide. In addition, strictly comparing the returns of similarly allocated portfolios in and outside of an annuity assumes that investor behavior is not impacted by the GLWB. Studies such as Milevsky (2007), show that annuitants 65 years old or older with income guarantees have equity allocations that are approximately 20 percent higher than similar investors without the guarantee.[6] Furthermore, many investors tend to flee the market after a large downturn, which is often the worst time to do so. History shows that investors with guarantees such as GLWB VAs are more likely to stay in the market.

As Baby Boomers continue to retire at a pace of 10,000 per day with vanishing access to pensions to fund increasingly longer retirement lifestyles, the importance of income guarantees is at an all-time high. Consumers realize this on some level, but aren't yet broadly acting on this realization. It's our responsibility to lead them into action, and we have the tools to help guide them. Research studies demonstrate the clear value of guarantees to retirees, but too often the analysis of annuity versus non-annuity portfolios stops at a mere cost comparison and goes no further. Not considering income guarantees when building a retirement portfolio ignores our clients' needs and desires, and does them a great disservice.

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[2] Benartzi,Shlomo, Alessandro Previtero and Richard H. Thaler, "Annuity Puzzles," *Journal of Economic Perspectives,* 2011.

[3] *Dear Advisor,* LIMRA Secure Retirement Institute, 2017.

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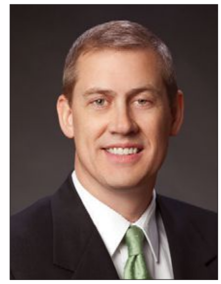
[6] Ibid.



**Eric S. Henderson, FSA, MAAA** is Senior Vice President of Nationwide Financial's Individual Products and Solutions business segment. He is accountable for the financial health of Nationwide's individual annuity and life segments representing more than $90 billion in assets and reserves, and $214 billion of insurance in-force. In this position, Henderson is responsible for all aspects of the life and annuity segments, including product innovation, executing strategic initiatives, driving strategic positioning and product development, managing profitability, and overseeing business operations. Henderson began his career at Nationwide as an Actuarial Assistant in 1985 and spent much of his career as an actuary in individual annuities. Since that time, he has held positions of increasing responsibility. Prior to his current role, he was Senior Vice President of the Individual Investments (annuity) Group. Henderson also serves as a member of the LL Global Board, and the BalletMet Board of Trustees.

## FOCUS COMMENTARY

CONTINUED FROM PAGE 15

Being customer-centric is imperative in a connected world. The opportunities are abundant if we can harness customer data to impact our customers' lives for the better. This requires commitment to understanding their ever-changing needs and adapting our company value propositions to deliver value-added products and services. Our connected and empowered customers have set a high standard and it's on the rise.

For those of you attending this year's LIMRA Annual Conference — we look forward to seeing you and furthering a discussion of these and other imperatives for maintaining our customer connections.

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4. Snow, R. and Howell, K., "For the New Customer Experience, Omnichannel is Imperative," *CRM Magazine*, August 2015.

# Lessons From the Past

## *A Look Back at D2C Trends*

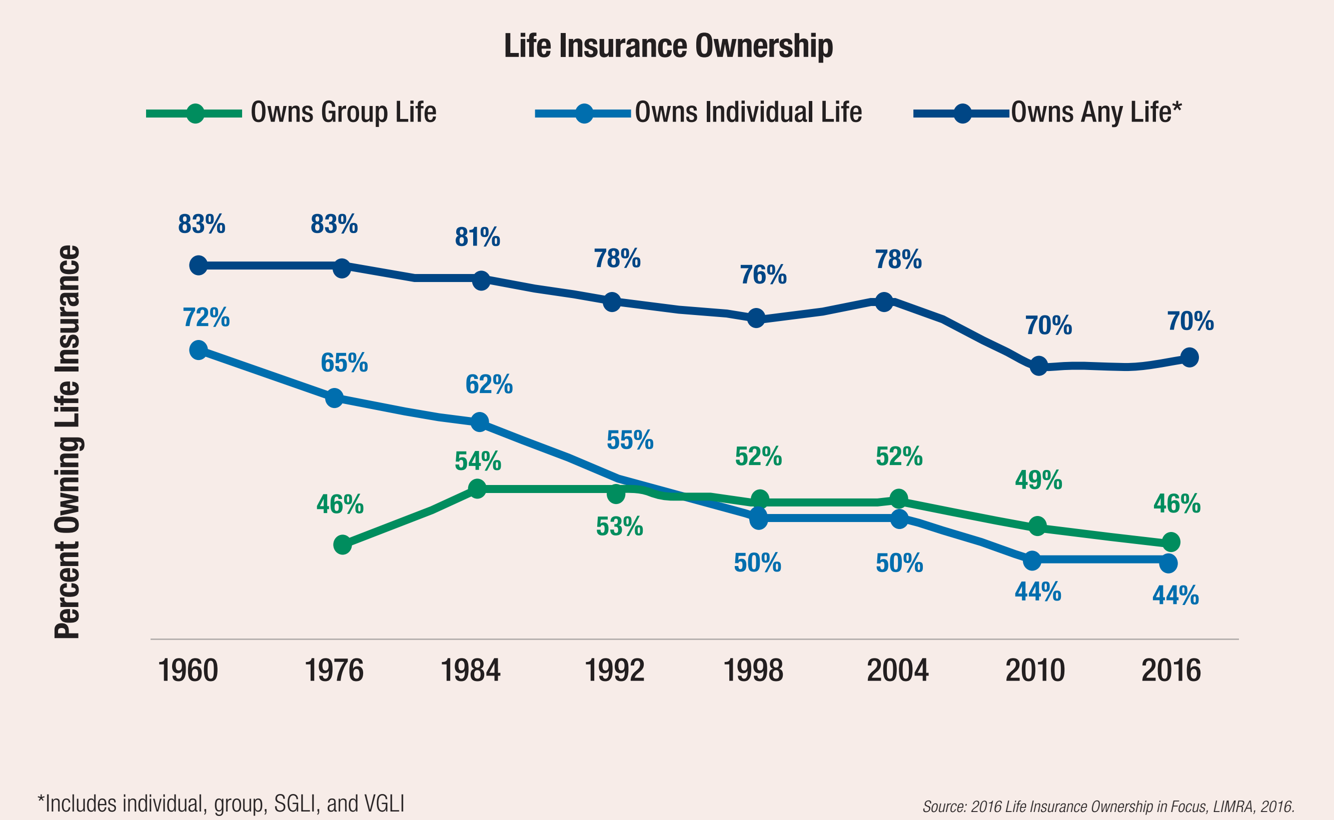
*By* Shannon Havener
*Research Analyst, Distribution Research, LIMRA*


We are all aware of the current environment of disruption facing multiple industries. From travel (Airbnb) to apparel (American Giant), new and unique business models are causing steadfast industries to rethink the business models that brought them success for sometimes over a century. Distribution in the digital age has undergone a shift in power from company to consumers who increasingly dictate the purchase process and are ever pushing their experience expectations. As we know, this phenomenon has reached the financial services industry. Usually a "sleepy giant," slow to move in response to change, the financial services industry is finding itself needing to respond quickly or risk losing out to potential new models. Customers are bringing their shopping experience expectations from the consumer discretionary product industries to financial services.

In response, some companies are exploring direct-to-consumer (D2C) platforms to supplement or complement their existing go-to-market strategies. Does the change in consumer expectations mean as much of a change to life insurance distribution as we think? We've seen that attempts to purchase life insurance online have tripled since 2011,[1] but will consumers want to make important life purchases as easily as they do a pair of shoes on Amazon? Or do the same principles from the past still hold value? As of 2016, 36 percent of non-owners cite "lack of contact" as a reason for not owning life insurance[2] compared to just 1 percent in 1960.[3]

LIMRA has tracked life insurance buying patterns for decades, and recent figures demonstrate a growing deficit in life insurance ownership of any type in the United States. As of 2016, those who own any life insurance, either group or individual, has decreased 13 percentage points since 1960 (Figure 1). The question facing the industry now is how can we address this downward slope and ensure that more consumers have the protection they need? Some companies are hoping that online D2C platforms will not only meet changing consumer expectations, but also help fill the ownership gap.

**Figure 1**




*Includes individual, group, SGLI, and VGLI

*Source: 2016 Life Insurance Ownership in Focus, LIMRA, 2016.*

Interest in an online shopping experience in financial services is growing, in part due to disruptors such as companies like Mint who have digitized personal budgeting. Robo-advising is becoming one of the industry's most-watched trends. Digital companies like Betterment and Wealthfront bring investing to the middle market with low-cost automation, replacing the in-person investment professional model or providing a useful tool for advisors to use with their middle-market clients, depending on who you ask. The insurance industry is also seeing new models infiltrate the landscape with companies like Lemonade — a peer-to-peer renter's insurance agency out of New York — and Fabric, Vantis Life's consumer-directed online platform. Although consumer awareness about peer-to-peer insurance remains low at 16 percent,[4] willingness to purchase using a peer-to-peer method is almost twice as high at 30 percent.[5] This willingness for consumers to try something they have never even heard of demonstrates the changing environment for financial services. Are there lessons we can learn from previous research insights? Is it the people that are changing or simply the technology? When we take a step back and look at D2C online sales as we do other D2C methods that have existed for decades, the research can give us some valuable insight.

First, let's clarify what we mean by D2C distribution. In this article, we are referring to a model wherein the manufacturer maintains control throughout the path to purchase.[6] From product design to a customer's hands, D2C distribution controls production, marketing, and distribution. No other distributor can stake a claim to profits, unlike indirect or retail models where the retailer sells a manufacturer's product at a marked-up price in order to make a profit themselves. D2C also excludes association/affinity models where the consumer engages with a company and is directed to the life insurance manufacturer through the association or affinity group. Although an increasingly popular means of online selling, this is not a true D2C distribution channel.

## The more things change — the more they stay the same.

We tend to think of D2C as a new phenomenon emerging from the digital era. While interest is certainly ramping up, D2C has been a mode of distribution in the life insurance industry for decades and LIMRA has provided insights into this distribution method for just as long. What we find when comparing historical research on non-digital D2C methods with the insights of today's digital world is that consumer sentiment toward D2C models is surprisingly similar then and now. Although the way they purchase may be changing, their sentiments about the process have not changed much. Consumers still see the same advantages and challenges in buying direct (Figure 2). Lack of advice from a financial professional, seen as a drawback to buying direct in the past, remains an issue today. Despite more time spent communicating through online devices in general, the ability to chat with a live person while buying life insurance remains very or extremely important to two thirds of consumers.[7] The Insurance Barometer Study also found "easy to understand" to be the most important factor when buying life insurance in general; this is echoed in LIMRA's earlier research into direct mail and call center sales. Companies can leverage what they know from other D2C methods when thinking about online.

Consumers' past views of the direct mail and call center purchase methods mirror today's views of buying direct online. The sentiment remains the same, while the technology continues to change. What we know from LIMRA's research into online direct sales is that preference for buying online has less to do with the perceived benefits and drawbacks and more to do with the person themselves. The most common messaging companies use in D2C marketing (quick and easy, no medical exam, etc.) is less motivating than other marketing messages.

> **"Despite more time spent communicating through online devices in general, the ability to chat with a live person while buying life insurance remains very or extremely important to two thirds of consumers."**

### Figure 2

**Consumer Perspectives on D2C**

| | Then (1985)* | Then (1998)** | Now (2016) *** |
|---|---|---|---|
| **Advantages** | Convenience<br>Cost<br>Less agent pressure<br>Less time | Convenience<br>Less agent pressure<br>Less time | Convenience<br>Less agent pressure<br>Less time<br>Control |
| **Disadvantages** | Lack of agent advice<br>Lack of access to claims service | Lack of agent advice/ product understanding<br>Lack of ability to compare policies | Lack of customer service<br>Lack of product understanding<br>Buying the wrong product |
| **Considerations** | Clarity<br>Look beyond middle market | Clarity<br>Offer methods to ask questions<br>Follow-up with previous direct buyers | Clarity<br>Look beyond middle market |

* *Buying Directly: The Consumer's Response*, LIMRA, 1985. Base sample includes: life insurance, health insurance, property/casualty, investment, and "other" insurance buyers.

** *Buying Life Insurance Without Meeting an Agent*, LIMRA, 1998. Base sample includes life insurance buyers.

*** *Prime for Life, The Search for the Online Enthusiast,* LIMRA, 2016. Base sample includes hypothetical buyers of life insurance (i.e., "If you were going to buy life insurance…").

What we find when we change that message to highlight various features and benefits, is that the number of people likely to buy online remains about the same. In other words, those who are ready to buy online already have their minds made up to buy, regardless of messaging.

The challenge will not be to inspire everyone to buy online, but to create the best customer experience compared to competitors for those who do want to purchase through this channel. For example, there are so many online retailers, yet consumers continue to choose Amazon for online purchases. In addition, having a great customer experience when buying online doesn't do a whole lot of good if the people who want to buy online don't know it's there. Companies still need to get the consumer to their website. This means driving traffic to the D2C platform. Companies still need to create motivated shoppers, which has always been a challenge in the life insurance industry.

Our historical research also tells us that, similar to today, companies target middle-income consumers for D2C methods. However, what LIMRA has found is that today's consumers who are more affluent and more financially literate are more likely to want to buy online than the middle market and less financially savvy.[8] This echoes past research, *Buying Directly: The Consumer's Response*, that found property and casualty direct buyers tend to be better educated and more affluent. This makes sense — the financially literate feel they have a good understanding of the products they are shopping for, and as such are more confident to buy without assistance.

## Where do we go from here?

We are just now at the forefront of the digital revolution in financial services. Companies do not yet have a proven model to follow in their own industry for best-in-class customer experience that has attracted a new segment of consumers and made a meaningful dent in the level of life ownership. It could potentially take multiple tries and some failures to get the right prescription for D2C sales in life insurance, if one exists at all. Possible challenges are likely to be:

- Cost of driving traffic to D2C platforms. Building a website is certainly the first step, but the consumer will still need to get to your website. With only about 11 percent of consumers identified as "Online Enthusiasts,"[9] is that enough to justify the increased cost in advertising and SEO spending to drive traffic to the website?
- Managing channel conflict between online D2C and existing channels.
- Identifying the right business model (D2C v. association/affinity, etc.) to connect with customers online in a profitable way.

With the Internet expected to surpass the financial professional as the most valuable source of information when shopping for life insurance by 2018,[10] perhaps the future of financial services is most suited to the omnichannel approach. A 2015 LIMRA study found 4 in 5 consumers are "Digital Demanders" or "Channel Switchers," expecting companies to be available both online and in-person.[11] A company that offers what consumers want, where and when they want it, might just hold the upper hand.

For the life insurance industry, online presents a tremendous opportunity to connect with consumers the way they connect to other industries. To succeed, however, companies need to recognize the uniqueness of the product we sell and understand that traditional challenges remain. We still have to motivate consumers to recognize the need for life insurance and to take action.

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1 *Insurance Barometer Study*, LIMRA/Life Happens, 2017.

2 *Insurance Barometer Study*, LIMRA/Life Happens, 2016.

3 *Life Insurance in Focus: 1960 Research Report*, LIMRA, 1961.

6 *D2C in Perspective*, LIMRA, 2014.

7 *Insurance Barometer Study*, LIMRA, 2017.

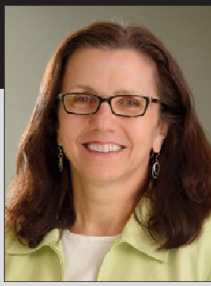
8 *Prime for Life: The Search for the Online Enthusiast*, LIMRA, 2016.

9 Ibid.

10 *Information Seeking in the U.S.*, LIMRA, 2015.

11 *Identifying Online Markets in the U.S.*, LIMRA, 2015.

**"With the Internet expected to surpass the financial professional as the most valuable source of information when shopping for life insurance by 2018, perhaps the future of financial services is most suited to the omnichannel approach."**



# PRODUCTS

*By* By Elaine F. Tumicki, CLU, ChFC, LLIF
*Corporate Vice President, Insurance Research — Product, LIMRA*

## The Outlook for Life Product Development Remains Cloudy

What do life insurance product developers have on their minds? A recent study group gave us some clues. Participants from 20 U.S. carriers listed their top issues. The word cloud below shows that three responses rise to the top: underwriting (especially accelerated underwriting), PBR (principles-based reserves), and CSO (the 2017 Commissioners Standard Ordinary Table). Customer experience and distribution are not too far behind.

Why these issues? The focus on CSO is a given. All companies must update their products to comply with the 2017 CSO by January 1, 2020. Many companies are taking a serious look at their product portfolios. Given the relatively short time frame, companies need to decide where to focus their product development resources and update only the products that fit with their strategic direction. Others are using the CSO update as an opportunity to innovate, adding or modifying features as they reprice their products. The focus on PBR is also a given, with mandatory implementation effective January 1, 2020.

Underwriting is one of the hottest issues in life insurance this year. LIMRA's research agenda includes multiple projects related to this topic. We released a series of reports on simplified issue products in the spring, and a report on automated underwriting in the summer. A project on straight-through processing is underway.

Underwriting has been ripe for improvement since traditional underwriting takes so much time. Traditional underwriting requires completed applications, paramedical exams (typically including blood and urine samples), and in some cases doctor statements. The time from application to policy issue can take weeks or months. That just doesn't fit with the expectations of today's consumers. The Amazons of the world have trained consumers to expect fast and easy. Two months — including long applications and invasive medical tests — is not fast or easy. The study group members' overwhelming interest in underwriting suggests that they 'get it'. And LIMRA's research confirms that. In a recently released report on automated underwriting, 9 out of 10 companies have implemented (50 percent) or are planning to implement (41 percent) automated underwriting for at least some of their life

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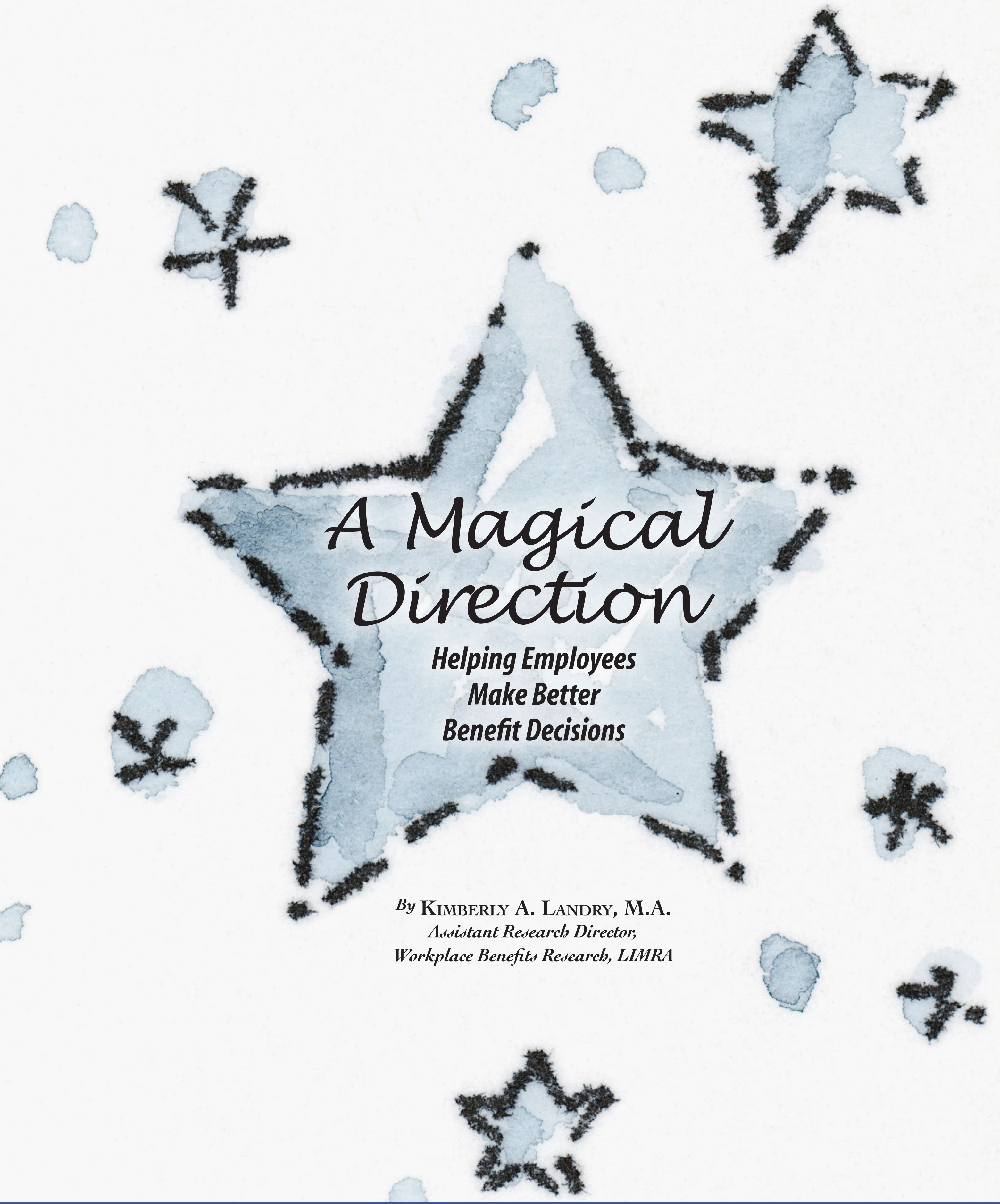


# A Magical Direction

## *Helping Employees Make Better Benefit Decisions*

By Kimberly A. Landry, M.A.
*Assistant Research Director, Workplace Benefits Research, LIMRA*

*I think if there was something… maybe leading in some kind of magical direction, if you type in — I don't know if this is even possible — but your age, your income, your marital status, your future plans… maybe they could lead you to an idea of a plan… because if you don't have any knowledge about it, you're kind of just making a lot of assumptions.*

— Female Millennial employee[1]

The choice of which workplace benefits to enroll in is arguably one of the most important decisions employees will make all year. With just a few selections, employees determine if and how they will protect themselves (and their families) from unforeseen medical expenses, loss of income, and even loss of life over the next 12 months.

## Confusion Reigns

Unfortunately, many employees are ill-prepared to make these decisions. Only about half of employees consider themselves knowledgeable about most types of insurance benefits (Figure 1). Knowledge is highest regarding medical, dental, and vision products, but considerably lower when it comes to nonmedical and voluntary products that provide important financial protection.

To make matters worse, employees may actually be *overestimating* their benefits expertise. Employers are even less likely to say their employees are knowledgeable, particularly about nonmedical products. In fact, the employer viewpoint may be closer to reality — research suggests that most consumers have a very limited understanding of products such as health and disability insurance.[2]

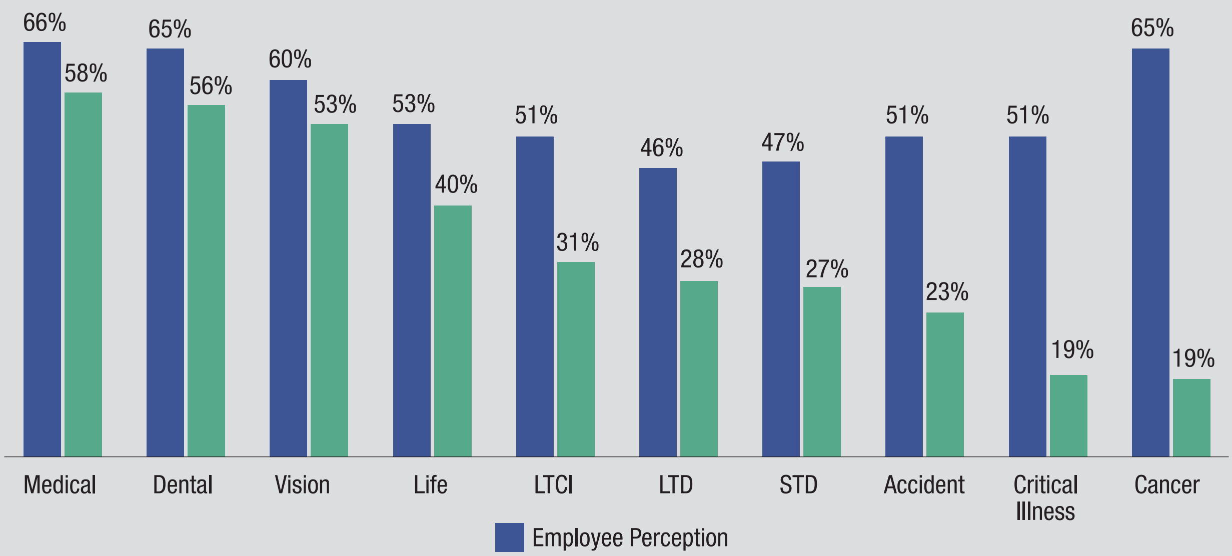
With such low benefits knowledge, it is no wonder that employees are looking for more guidance. Only 38 percent of employees agree that their companies do a good job of explaining benefits.[3] Employees also express considerable interest in receiving more personalized assistance, such as by phone or in person.[4]

*I [would want] more one-on-one. I don't think anyone really feels comfortable asking, 'What should I do?'… There are a lot of questions involved and there are lots of different options to have. One-on-one meetings would be nice.*

—Female Millennial employee

**Figure 1**

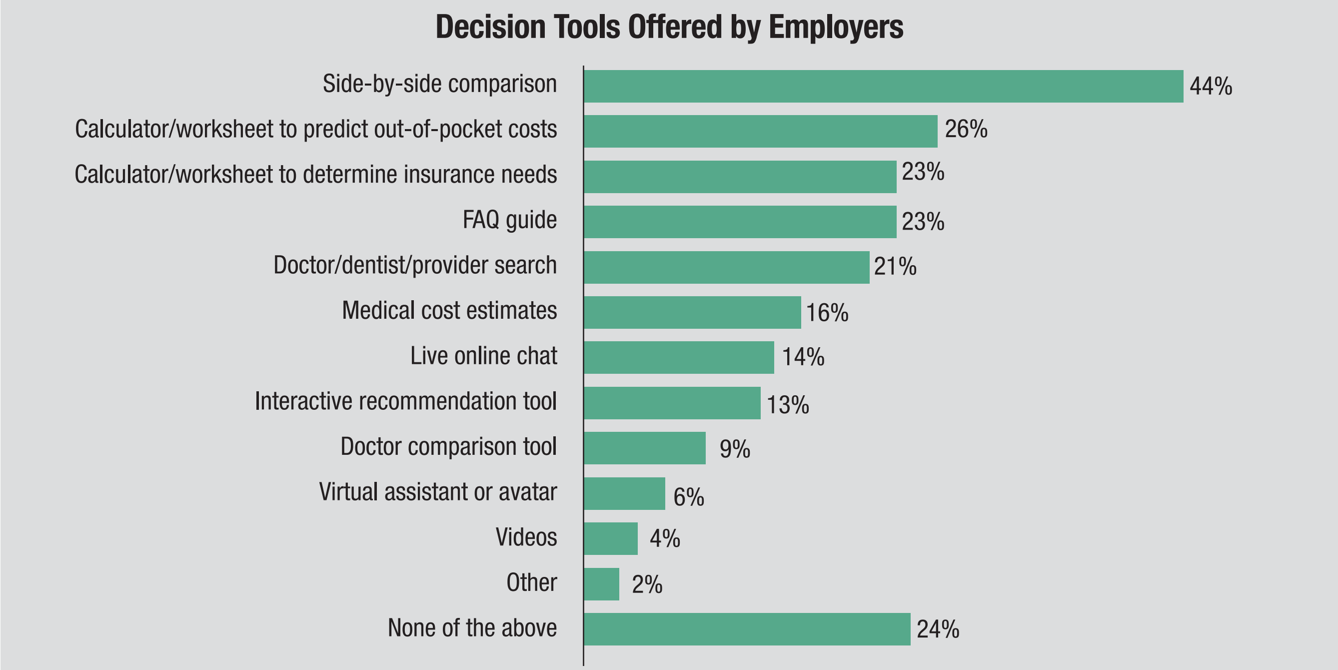
**Perceptions of Employees' Benefit Knowledge***




* 4 or 5 on a 5-point scale. Employers rated the knowledgeability of their company's employees and employees rated their own level of knowledge.

*Source: Crossed Signals: The Benefits Communication Disconnect, LIMRA, 2016.*

*Figure 2*




*Source: Convenient and Connected: Employers and Benefits Technology, Technical Report, LIMRA, 2017.*

In an ideal world, all employees would have the opportunity to meet with someone in person to get their questions answered and make sure they understood the benefits they were selecting. Unfortunately, for many companies it is not logistically feasible to offer this level of support.

## The Rise of Decision Support Tools

To fill this gap, the benefits industry has been incorporating more tools into the enrollment experience to help guide employees' decisions. These tools vary in complexity from simple side-by-side plan comparisons to interactive features that make recommendations. Overall, more than 90 percent of insurance carriers now offer some form of decision tools to their clients, with the most common being FAQ guides, videos, calculators, and worksheets.[5]

Many employers have embraced these decision tools, with more than three quarters currently offering some kind of decision support to employees (Figure 2). These resources are particularly prevalent at larger companies — only 4 percent of firms with more than 1,000 employees fail to offer any type of decision support. In addition, companies that are highly engaged with benefit communication are more likely to offer these tools, recognizing the value they add to the employee experience.

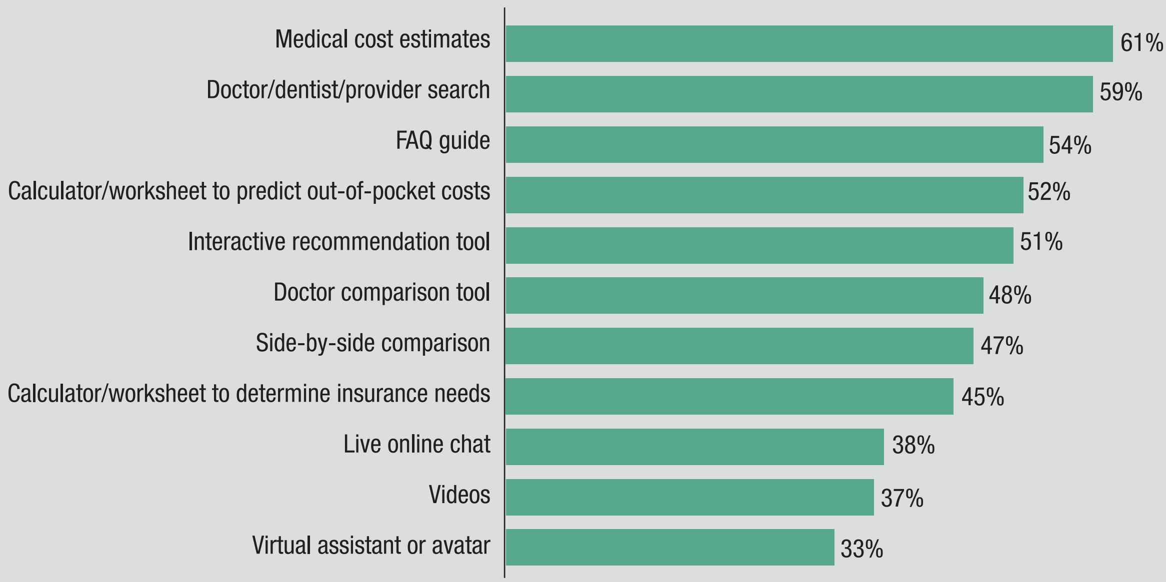
Fortunately, employers also show considerable interest in expanding their use of decision support tools in the future. More than one third of employers are interested in introducing each type of decision tool they don't currently offer, with the greatest focus on adding medical cost estimates or the ability to search for doctors, dentists, or other providers (Figure 3).

It is notable that employers show the most interest in adding decisions tools that support medical plans. Due to the cost and complexity of medical insurance, employers often devote most of their benefit communications efforts to discussing these products. In fact, group meetings where benefits are discussed often fail to mention non-health benefits.[6]

> *What I've noticed when you go to a health fair is they stick with the 'normal' stuff… Nobody ever talks about [long-term care] or cancer insurance or anything like that. So it's not a hot topic up in the forefront of the conversation… Sitting in an office talking, nobody knows what it is, it's never affected anybody so, 'Oh well, we'll just pass.'*
>
> — Male Gen X employee

**Figure 3**

**Employer Interest in Adding Decision Tools***




* 4 or 5 on a 5-point scale.

*Source: Convenient and Connected: Employers and Benefits Technology, Technical Report, LIMRA, 2017.*

Regrettably, this focus on medical overlooks the fact that employees actually have less knowledge about non-medical and voluntary benefits. In some cases, employees even have trouble understanding the purpose of these products.

> *I don't know what critical illness insurance means. That's why I didn't choose it honestly… My understanding in general is that it's for people who maybe have cancer or something, I don't know, or maybe have seizures. People who need it now.*
>
> — Female Millennial employee

To overcome this confusion, benefit carriers will need to encourage employers to offer decision tools that support *all* benefits rather than focusing only on core products.

## The Role of Recommendations

With employees looking for guidance, it is noteworthy that only 13 percent of employers offer an interactive recommendation tool that provides suggestions for which benefit plan to enroll in based on questions that employees answer. Many employers are hesitant to recommend specific benefit plans to employees due to liability concerns, so these objective, rule-based tools could potentially help them resolve this issue.

> *If there was somewhere to go where they could compare all their options and figure out what's best for them instead of coming to me to ask, because really you're not supposed to make a recommendation… So if there was an online database where they could compare, or even type in, 'I'm a 36-year-old male that has surgery once a year...'*
>
> — Employer with 24 employees[7]

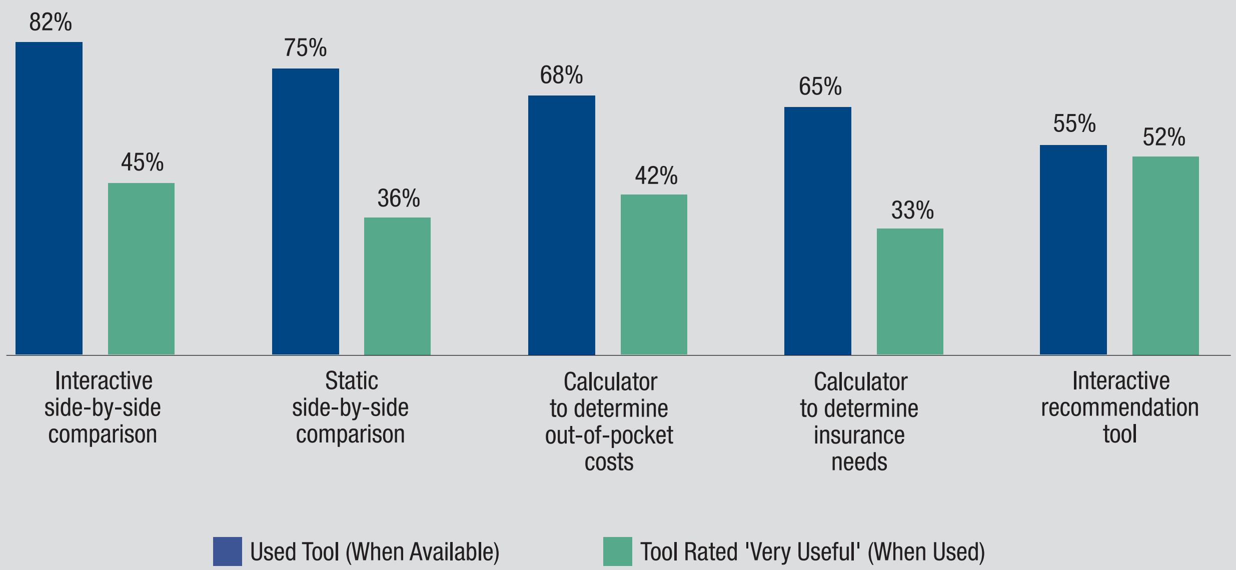
Employees, however, are actually less likely to use an interactive recommendation tool than other common decision support features (Figure 4). Those that choose not to use these tools generally claim that they had already decided which benefits to enroll in.

Among those that *do* use a recommendation tool, however, satisfaction is very high. More than half of employees that use these tools rate them 'very useful,' — exceeding the helpfulness ratings of other decision support features.

Given the effectiveness of these tools, carriers may want to take steps to encourage more utilization.

**Figure 4**

**Employee Use and Ratings of Decision Tools***




* Rated 5 on a 5-point scale

*Source: Can You Hear Me Now? Employee Views of Benefits Communication and Enrollment, LIMRA, 2015.*

By demonstrating these tools during benefit meetings or incorporating them more centrally within the enrollment experience, it may be possible to drive more employees to engage with these resources.

## Key Considerations

Decision support tools can play an important role in breaking through employees' confusion about benefits. To succeed, however, these tools need to meet employee expectations for usability. An effective decision support tool should be:

- **Easy.** Any calculator or interactive tool needs to be straightforward and intuitive. Tools that appear overly complicated will intimidate employees, resulting in lower utilization.

*I'm pretty sure it was someone from the benefits office that sent a whole Excel spreadsheet. I was like, 'Yeah, no.' Too many numbers… A statistician, yes, they can go in there, plug in numbers, know exactly what they're doing, but it was just a little too much.*

— Female Baby Boomer employee

- **Quick.** Most employees spend less than one hour reviewing all of their benefits information before enrolling, with much of that time focused on medical products.[8] Employees are unlikely to stay engaged with a tool that demands a greater time commitment. Moreover, employers are looking for ways to make the enrollment experience faster for employees.

*So we're trying to consolidate that to make it as quick as possible. I would like them to be able to go through it, click, next, click and so it's done in 10 minutes. People don't have time…*

— Employer with 400 employees

- **Concise.** Employees tend to make snap judgments about whether specific benefits are relevant to them, particularly when it comes to obscure products they may not have heard of previously. Any product-specific content should convey 'What is it for?' up front to capitalize on employees' limited attention.

*It just didn't even sound like something that I need… I don't know, but I just never looked at it, never glanced, never thought about it.*

— Male Gen X employee

- **Personal.** Employees that choose not to enroll in benefits often perceive that the products are not intended for people like them (perhaps geared to people in a different life stage or at higher risk for certain medical conditions). To combat this perception, benefit tools should provide scenarios for different demographic groups or otherwise help employees understand how the product applies to their own life. Research on behavioral economics also suggests that conveying that other "people like you" purchase a product can be a powerful motivating factor.[9]

By providing easy-to-use decision tools that follow these best practices, carriers can help transform employee confusion into confidence, resulting in a smoother enrollment experience and better benefit decisions.

[1] *Employees Open Up About Open Enrollment,* LIMRA, 2015.

[2] *The ABCs of Consumers' Knowledge of Health Insurance,* LIMRA, 2013; *Confused and Uninsured: Consumer Understanding of Disability Insurance,* LIMRA, 2013.

[3] *Voice of the Employee: The Importance of Communication,* LIMRA, 2014.

[4] *Can You Hear Me Now? Employee Views of Benefits Communication and Enrollment,* LIMRA, 2015.

[5] *Enrollment Communication and Decision Support Tools: Carrier Practices,* LIMRA, 2015.

[6] *Can You Hear Me Now? Employee Views of Benefits Communication and Enrollment,* LIMRA, 2015.

[7] *Voice of the Employer,* LIMRA, 2016.

[8] *Can You Hear Me Now? Employee Views of Benefits Communication and Enrollment,* LIMRA, 2015.

[9] "What the Benefits Industry Can Learn From Behavioral Economics," *LIMRA's MarketFacts Quarterly,* Number 4, 2015.

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# TECHNOLOGY

*By* Eric T. Sondergeld, ASA, CFA
*Corporate Vice President and Director, Strategic and Technology Research, LIMRA*

## The Blockchain and LIMRA

My guess is that you probably have heard of "the blockchain." You may have no idea what it is, have a general understanding of it, or know a lot about it. If the latter, you probably know more than I do. If you aren't very familiar with blockchain, I'll provide a basic overview of what it is and describe LIMRA's plans for supporting the industry's use of blockchain technology.

Blockchain technology is referred to as a "distributed ledger." I never really found that very helpful until I heard someone recently explain why. Blockchain is a "ledger" because it can be used to document financial transactions, which may have ledger-like entries such as debits and credits. It's "distributed" because there is no central ledger like an accountant might have. Rather, there are several parties that all have an identical record of each transaction or entry. One of my favorite explanations of blockchain is to imagine that you and I and several others each have a blank piece of paper. When one of us writes something on it, whatever is written simultaneously appears on each of our sheets of paper.

There are several advantages to using blockchain technology:

- *It can cut out the middleman.* I could transfer money to you and there would be an undisputed record of this funds transfer across all parties, or nodes, in the chain. In this case, there would theoretically be no need for a bank.
- *It is secure.* Each transaction is encrypted and, because it is stored on multiple computers, it would be virtually impossible to edit that record on each of them. This also means that it is important the information be correct when it is recorded as it becomes the undisputed version of the truth.
- *It keeps all parties aware of each transaction.*
- *It can save time and reduce costs.*

The most well-known use of blockchain is the cryptocurrency Bitcoin. However, the technology need not be limited to cryptocurrencies or even financial transactions; it can also be used to store information and files.

The potential uses of blockchain in financial services are many, including fraud detection, claims management, new distribution models, and payment processing.

At LIMRA, we've heard many of our members express interest in blockchain. To answer that call, we created the Blockchain Advisory Council, which held its first meeting on September 7. We believe it is in the best interest of the industry to control the strategy, planning, and data, rather than giving that control to a third party.

In addition to creating the advisory council, we recently formed a partnership with The Institutes. They are an association that provides research and education to the P&C industry, similar to the way LIMRA serves the life and retirement industries. The partnership will allow us to leverage The Institutes' RiskBlock™, a blockchain-specific technology platform. This will save us and our members considerable time and money in building out the technological infrastructure needed to support blockchain.

Through this partnership, we can help the industry explore and adopt blockchain initiatives by focusing on developing use cases. Although we are at the beginning of this journey, working with the Blockchain Advisory Council we have already generated a short list of potential use cases to pursue. Please contact me if you're interested in learning more about this initiative and how your company can get involved.

**"It is in the best interest of the industry to control blockchain strategy, planning, and data."**

# *Transforming Underwriting* to Meet Consumer Expectations

*By* Mary M. Art
*Senior Research Director, Technology Research, LIMRA*

*[I want] faster policy approval and lower rates.*
—Gen X policyowner,
*Pinpointing Preferences* 2017

A few years ago, I was moderating focus groups with consumers who had recently considered or purchased life insurance, to learn more about how they went about the process and how it could be improved. A young teacher still stands out in my mind. Sarah seemed like the perfect prospect — young, healthy, and active — but the tele-interview stood in the way of her completing the application process.

*We have been really close to getting it … We are in the process of doing the medical, and they call and they want 20 minutes on the phone and I have not had that in the past month. School started in September; I am training [for a triathlon]. My ideal experience would be to have a secure online server to answer questions. They call between 8 and 4:30, and I am at school and I cannot talk right then. It needs to be more convenient.*

—Gen Y, Hartford focus group[1]

Prospective buyers often find the life insurance purchase process long and confusing.[2] People often delay purchasing life insurance, even though they feel the need to own it or increase their current coverage.[3] Consumers often say they would like the life insurance purchase process to be "fast and easy," without the need to see a doctor, have a physical exam, or provide fluids.[4]

What can insurance companies do to help overcome these barriers? Investing in automated underwriting solutions can help companies transform the policy issue process to achieve multiple goals, including the ability to issue policies faster while using a less invasive underwriting process. Are companies investing in these solutions? To learn more about companies' automated underwriting initiatives, LIMRA surveyed 78 companies in the United States and Canada (see Methodology).

## Plans for Automated Underwriting

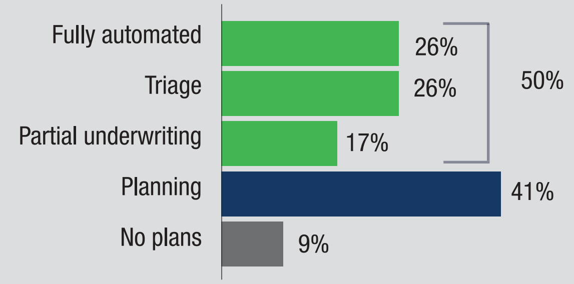
Half of these companies currently use some form of automated underwriting; more often fully automated underwriting (e.g., rules-based with no human underwriter involved) or a triage approach in which a program selects policies to fully automate or send to a human underwriter (Figure 1). Partially automated underwriting, which applies rules first and then sends all cases to an underwriter, is slightly less common.

Early adopters of automated underwriting are setting the stage for future growth and often plan to expand or upgrade their solutions, giving them a competitive advantage.

**Figure 1**

**Status of Automated Underwriting**

*Multiple responses allowed*




*Source: LIMRA, 2017.*

## Goals of Automation

Companies seek to achieve a number of goals with automated underwriting, with almost all looking to reduce the time it takes to issue a policy (Figure 2). Companies often see automated underwriting as a way to help meet consumer expectations (74 percent) and increase applicant satisfaction (72 percent).

*Make the focus the customer experience and process, and let that guide decisions.*

—Company survey respondent

Companies are meeting many of their goals, although they often feel it is too soon to tell. Nearly 3 in 4 companies have been successful reducing policy issue time and achieving consistent decisions with automated solutions. They are more tentative when reporting success meeting consumer expectations or increasing applicant satisfaction. While 2 in 5 companies feel that they have achieved success with these goals, many other companies still feel that it is too early to say.

Multiple factors combine to help companies meet their automated underwriting goals. Companies often credit careful design, collaboration with vendors, interdepartmental cooperation, and consistent monitoring and updating. Successful companies often start small, with pilot programs or limited face amounts and ages, and then expand and adjust as they learn.

> *We expect our products to be available 24/7/365 for our customers. All points of integration should be functioning such that immediate acceptance/declination of the customer can occur real time, in roughly 20 minutes from beginning of underwriting to final purchase.*
>
> — Company survey respondent

## Data Sources

Clearly, the company Sarah chose used a tele-interview, as do 68 percent of companies today (Figure 3). However, she was looking for a company that offered a web-based medical questionnaire, currently available from just over half the companies with automated solutions. For many of today's busy consumers, elimination of the medical exam is not enough. They want an option that makes it possible to complete their life insurance application from anywhere. For some prospects, only an online interview will suffice.

Companies continue to improve their automated solutions to make them more efficient, and to ensure a better experience for consumers and financial professionals. Some companies (41 percent) currently use predictive models, and a number of companies are building them.

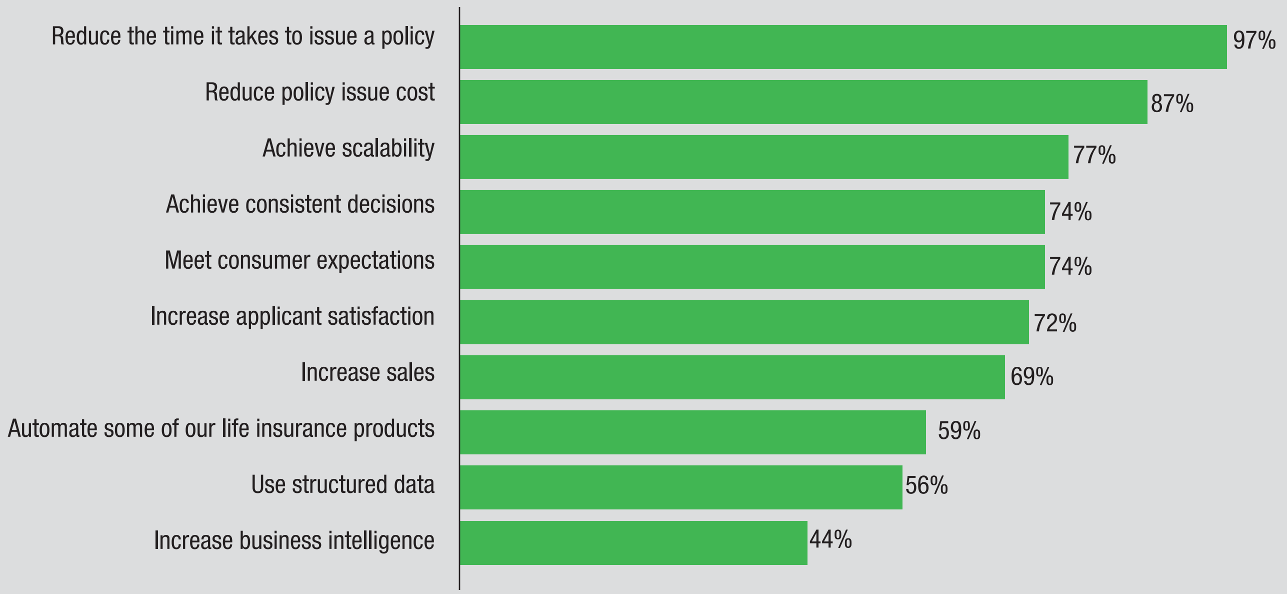
Increased use of a wide variety of information sources and databases can help companies offer a better, faster process, and very often eliminates the need for a medical exam. Almost all companies request an MIB and 2 in 3 use prescription drug databases and motor vehicle records (Figure 4). Prescription databases used include Milliman, ExamOne, ScriptCheck, and OptumInsight.

While companies currently use a relatively small number of data sources, usage will expand. The most substantial increases *planned* are in the use of electronic health records (EHRs), credit records, and InstantID. Only one company currently integrates EHRs with its automated underwriting solution, but 39 percent of companies with current solutions are exploring them.

**Figure 2**

**Top 10 Goals of Automated Underwriting**

*Multiple responses allowed — 10 most-mentioned goals*

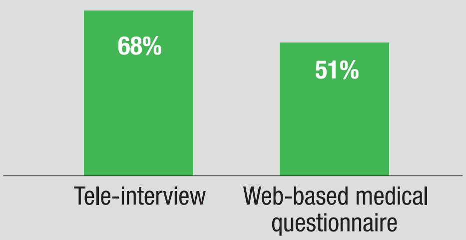



*Source: LIMRA, 2017.*

## Figure 3

### Use of Tele-Interviews and Web-Based Questionnaires With Automated Underwriting Solutions

*Multiple responses allowed*




Source: LIMRA, 2017.

Automated solutions will continue to evolve and expand as new data sources and tools become available, and as these solutions are used for a larger proportion of companies' policies.

*We plan to expand the program to be able to make more offers without labs. We also plan to expand our algorithmic program, which makes automated decisions with a medical exam. Finally, we plan to expand both of these programs to other channels.*

— Company survey respondent

*What if when buying a new life policy the insurance company could look up your medical records rather than require a new physical or blood draw or other inconvenient doctor stuff?*

—Gen X policyowner,
*Pinpointing Preferences 2017*

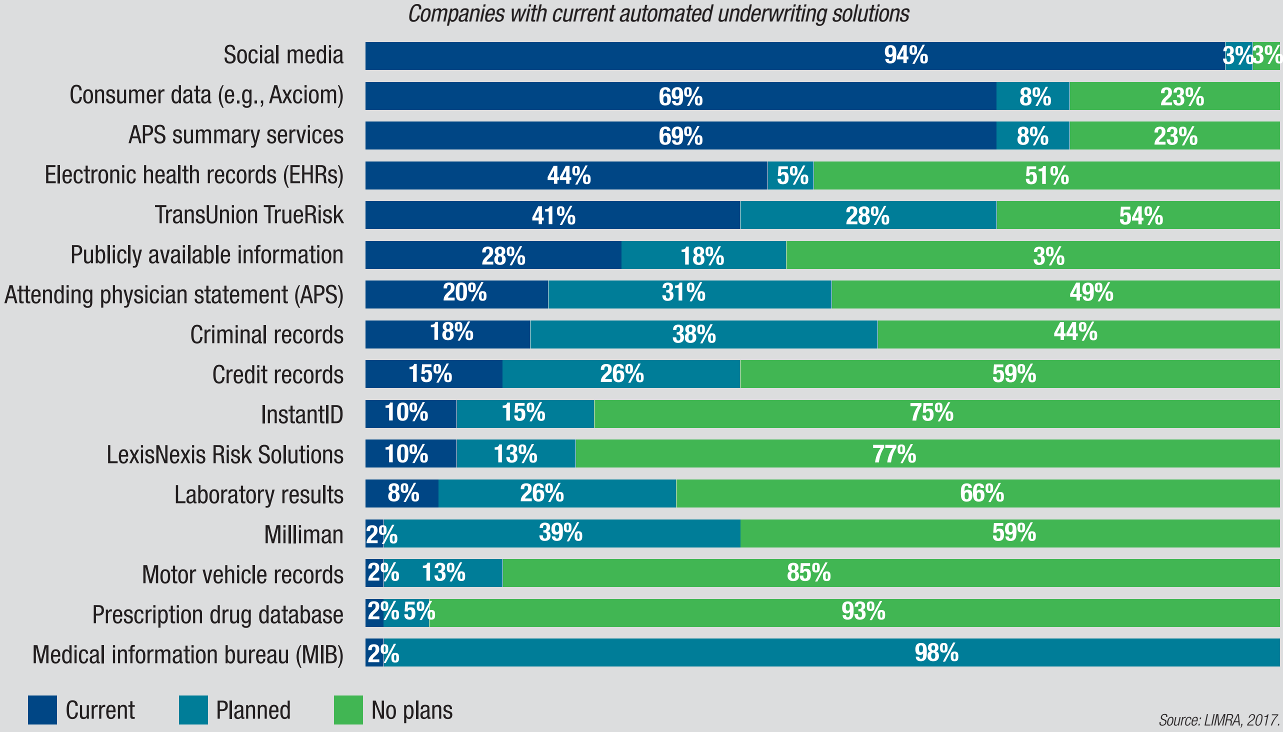
*InstantID is in place, as well as monitoring financial professional metrics to identify shifts in applicant distribution (smoker, BMI, etc.) before and after introduction of automated underwriting. [Our company is] also considering additional identity verification for non-face-to-face sales, predicting tobacco non-disclosure, using credit factors to assess mortality risk, and electronic health records.*

—Company survey respondent

## Figure 4

### Electronic Databases and Information Sources Used and Planned

*Companies with current automated underwriting solutions*




Source: LIMRA, 2017.

## Overcoming Challenges

As with any new endeavor, automated underwriting comes with a number of challenges. Companies often struggle to allocate sufficient human resources, work with legacy systems, and continually update their solutions (Figure 5).

Twenty-nine percent of companies say finding sufficient human resources is their top challenge. In order to overcome this challenge, some companies have built a dedicated team, hired the right talent, gotten interdepartmental buy-in, and established priorities.

## Conclusion

Building and maintaining automated underwriting solutions is time and resource intensive, but the majority of companies are making significant progress automating at least some of their underwriting processes.

Financial professionals and consumers often complain about the length of time it takes to issue a life insurance policy. After too long a delay, financial professionals sometimes find that they have to remind their new customers what they chose and why. Customers may also find the delay problematic, particularly when companies are interested in setting up payments before they have seen their policy.

> *I just obtained coverage within the last month. I have received communication from the company about automatic debits each month, but I have not been provided with information on when to expect my policy in the mail.*
>
> —Baby Boomer policyowner, *Pinpointing Preferences 2017*

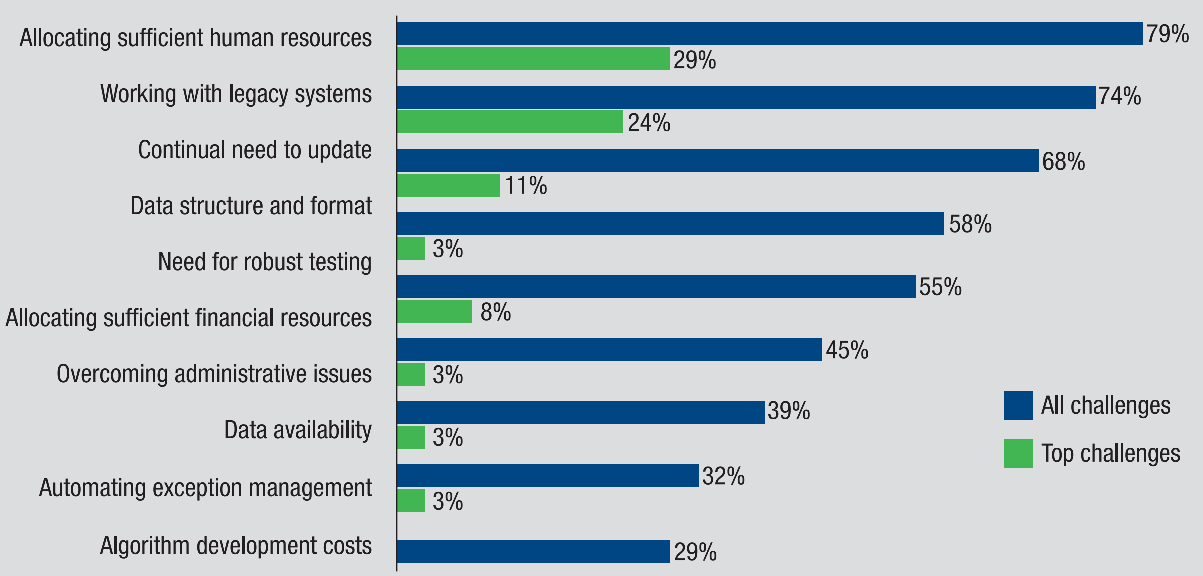
Consumers like Sarah will increasingly expect a more consumer-friendly process; and as consumer demand increases, so will the pressure from financial sales professionals for companies to speed up policy issue while reducing the demand for fluids and possibly even tele-interviews.

While most companies make automated underwriting available through financial professionals, more companies plan to use automated underwriting solutions to sell directly to consumers. A segment of self-directed consumers is interested in purchasing online. Well-designed automated solutions can make it easier for companies to

**Figure 5**

**Challenges With Automated Underwriting**

*Ten most-mentioned challenges*




*Source: LIMRA, 2017.*

give consumers the online purchasing experience they want at a competitive price point.

Companies with current automated solutions are achieving many of their goals for automating underwriting. They have seen the greatest success automating some of their life products: reducing issue time, achieving consistent decisions, and using structured data. They continue to update their automated underwriting solutions, often adding data sources as they build, test, and refine their solutions. Careful up-front design and consistent monitoring are often cited as important factors to help achieve their automated underwriting goals.

As automated underwriting solutions mature, companies plan to expand them to include more ages, larger face amounts, and more underwriting classes. For now, there is a substantial variation from one company to another in terms of face amount and issue ages incorporated into their models. In the future, better tools and data sources combined with companies' experiences with their automated underwriting solutions will make it possible for companies to achieve their goal to automate a larger share of their business.

As the pace of change continues to accelerate, companies that have started to automate will have a competitive edge.

**Mary M. Art** is a Senior Research Director, Technology Research, for LIMRA. In this capacity, Art is responsible for new research in the technology area. Recent studies explore corporate Internet marketing practices, financial professional use of technology, consumer Internet use, use of technology for policyowner service, and mobile technology tools. Art holds a degree in psychology and statistics from SUNY at Buffalo and has attended Central Connecticut State University. She can be reached at 860-285-7823 or mart@limra.com.

[1] *Seeking the Ideal Experience,* LIMRA, 2013.

[2] *Taking Out the Mystery: Providing Transparency for Life Buyers*, LIMRA. 2017.

[3] *Life Insurance Ownership and Focus: U.S. Household Trends*, LIMRA, 2016.

[4] 2017 Insurance Barometer Study, Life Happens and LIMRA, 2017.

[5] *Prime for Life: The Search for Online Enthusiasts*, LIMRA, 2016.

## METHODOLOGY

To learn more about retail/individual companies' current advancements in underwriting, LIMRA surveyed companies in the spring of 2017, with responses received through early June. Seventy-eight companies responded: 66 in the United States and 12 in Canada.

Definitions for automated underwriting used in this article:

- **Fully automated underwriting —** Underwriting that is completed by a program that uses an algorithmic risk assessment. Risks are accepted or declined based on specific rules. (Underwriters are not part of the process.)
- **Triage underwriting —** Underwriting in which a program uses a triage approach to select a group of policies that may be fully automated and a group of policies to be reviewed by an underwriter.
- **Partially automated underwriting —** Underwriting that applies an algorithm to make an underwriting decision prior to a review by an underwriter.

**For more information,** please see *Transforming Underwriting: Automated Underwriting Company Practices for Life Insurance in 2017* on LIMRA.com.

# DISTRIBUTION

*By* Patrick T. Leary, M.B.A., LLIF
*Corporate Vice President, Distribution Research, LIMRA*

## Checking in on Robo-Advisors

As the financial services industry embraces digital solutions, online portfolio management platforms (i.e., robo-advisors) have quickly become part of the investment advisory landscape.

Initially, many viewed robo-advisors as a threat to the industry's well-established and successful personal advice model. Early entrant robo-advisors considered themselves disruptors, with the goal of providing low-cost investment services to an underserved market and capturing significant wallet share of tech-savvy and emerging Millennial clients. Robo-advice was a natural extension of the digital ecosystem developing across all industries. Human advisors would be replaced by machines. But something happened on the way to *Judgement Day*.

**"Robo-advisors have yet to make a significant dent in the overall market."**

Robo-advisors found that they could be more effective by going with the tide and not against it. Similarly, defenders of current practice models saw opportunities in leveraging this technology to drive efficiency, expand capacity, and provide better client service. Discount brokerage and mutual fund firms such as Schwab and Vanguard began to introduce their own digital advice platforms.

So where are we today with robo-advice? Are consumers more receptive to digital solutions? Are they comfortable going it alone without a personal financial advisor? Or are robo-advisors lost in the myriad of advertising and promotion that consumers are bombarded with on a daily basis?

In 2015, online investment advice firms managed $218 billion in client assets. This is expected to reach $655 billion by 2019.[1] While robo-advisors are showing steady growth, consumers still rely on personal financial professionals to manage their wealth; assets managed by robo-advisors represent only a small percentage of overall U.S. assets under management.

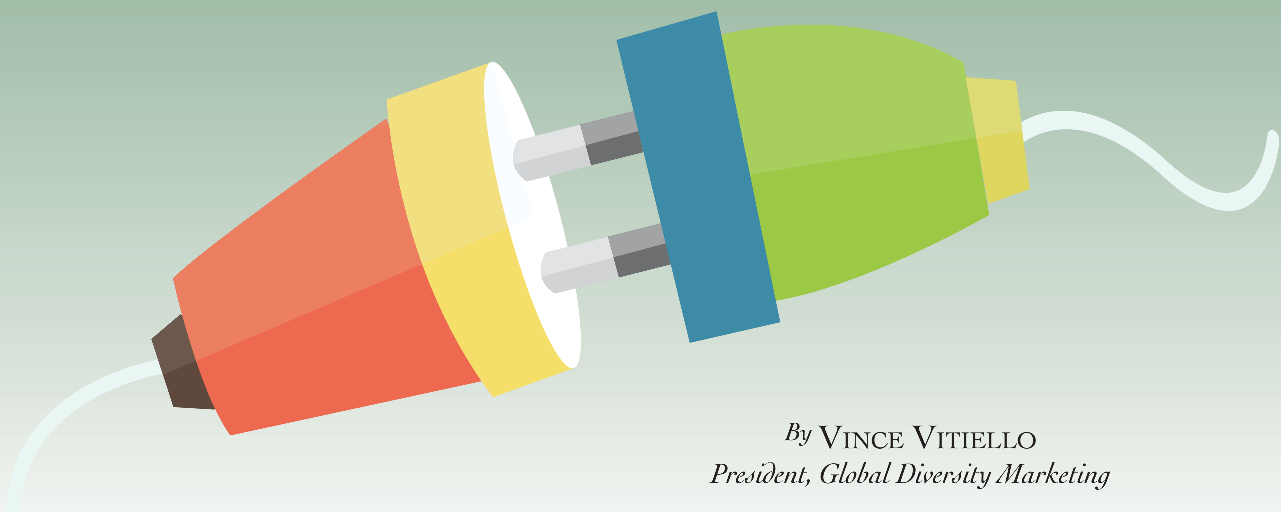
Yet several trends point to robo-advisors gaining further traction. The Department of Labor (DOL) Fiduciary Rule could provide them with a boost. Many predict that the rule could limit consumer access to advice, and others say that the increased cost of compliance may ultimately be passed on to the consumer. Betterment CEO Jon Stein stated in a recent interview that he was "… excited about this rule because one of the reasons we started Betterment, was to empower clients and give the mass-market good advice about their investments." He goes on to say that while he thinks robo-advice will succeed with or without the rule, the rule offers unique opportunities for robo-advisors to serve the market with high-quality fiduciary advice.[2]

Robo-advisors have yet to make a significant dent in the overall market, however. Awareness of (and receptivity to) robo-advisors is still low — but it is increasing. The percentage of consumers with at least some familiarity with robo-advisors has almost doubled since 2015. And while few consumers (9 percent) currently rely on robo-advisors, usage has likewise doubled over the past two years. Awareness and usage is highest among Millennials — consumers who are in the early years of building wealth and positioning themselves for the future. More than half are familiar with robo-advisors, and would consider using a robo-advisor in the future. This outdistances robo-receptivity by any other generation, and presents a tremendous opportunity for organizations to leverage these solutions with a generation that expects digital experiences across all products and services.

CONTINUES ON PAGE 56

# The Great Disconnect

## Reaching out to Today's Diverse Consumers



*By* Vince Vitiello
*President, Global Diversity Marketing*

Fifty years ago, my father was a "debit" agent for MetLife. For those unfamiliar with the debit distribution concept, it was the primary way insurance agents sold, serviced, and collected premiums from clients. Way before direct debit of premiums, agents would go door-to-door to spread the good word about the need for life insurance coverage.

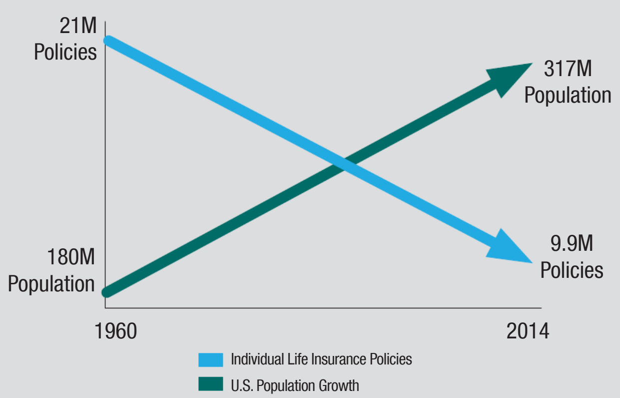
As the son of Italian immigrants, my father spoke both Italian and English and thus was given the Italian immigrant section of New York as his debit. My dad wasn't a financial planner nor was he college educated, but because he knew the market he had an instant cultural connection. He was able to give basic financial advice that resonated with his recent immigrant clients. Companies grew, agents were successful, and clients had the life insurance protection they desperately needed.

Times have changed dramatically since then, with most companies abandoning the debit system. However, connecting with the consumer, either among ethnic, gender, or lifestyle segments remains critical for our industry. While today's financial services consumer may purchase through various mediums, face-to-face advice continues to be an extremely effective way to connect and service clients in a complicated financial world.

Despite our industry's efforts, life insurance applications have dramatically declined since the demise of the "debit" system (Figure 1). In 1960, 21 million life applications were sold. During this time, the population of the United States was 180 million. Fast forward to 2014: the population has soared 70 percent to 317 million people, yet less than 10 million policies were sold. If the relationship between population and life policies sold remained consistent, we should have sold over 37 million policies.

**Figure 1**

**Rapid Decline of Life Sales**




*Source: Global Diversity Marketing, 2017*

## The Great Disconnect

So, why the precipitous decline of life sales? There are myriad reasons, but one that continues to surface is the concept of "The Great Disconnect" — how advisors today have difficulty connecting with today's diverse consumers.

The average MDRT producer is approaching 60 years old. That producer, typically male, perhaps began his career as a life agent selling whole and term life 30 years ago. He found relatively receptive prospects, about the same age as he and at similar life stages — young, just married, new homeowner, perhaps beginning a family. Perfect life insurance prospects.

As the 30-year-old advisor aged, so did his client base. His clients became more concerned about "living too long" than "dying too soon." The advisor's practice morphed, rightfully so, into an asset-management business to address the needs of an aging client base concerned about retirement.

## The Changing Face of America

In contrast, what does today's potential life insurance consumer look like? Consider these statistics:

- In 17 states, there were more white deaths than births.
- Every third person in the United States is multicultural.
- 40 percent of small businesses are owned by women and multiculturals.
- 50 million people in the United States speak a language other than English at home.
- The 10 largest cities in the United States are majority multicultural (Figure 2).

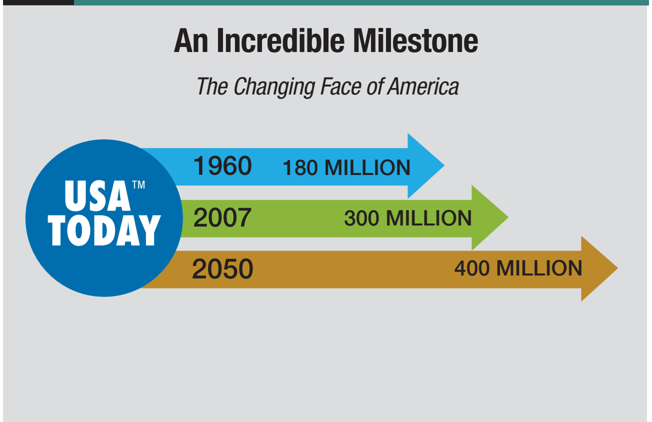
**Figure 2**

**10 Largest U.S. Cities: Majority Multicultural**

*The Changing Face of America*


*Source: Global Diversity Marketing, 2017*

**Figure 3**




In 2007, *USA Today* published an article that stated that the U.S. population was about to exceed 300 million people for the first time ever. Experts predict that by 2050, there will be 400 million citizens in the United States (Figure 3). Considering that most of Western Europe's population during the same time period has seen modest growth, this population explosion in the United States is truly remarkable.

There are three main reasons for this boom in population: the aging of America, the birth rate, and immigration.

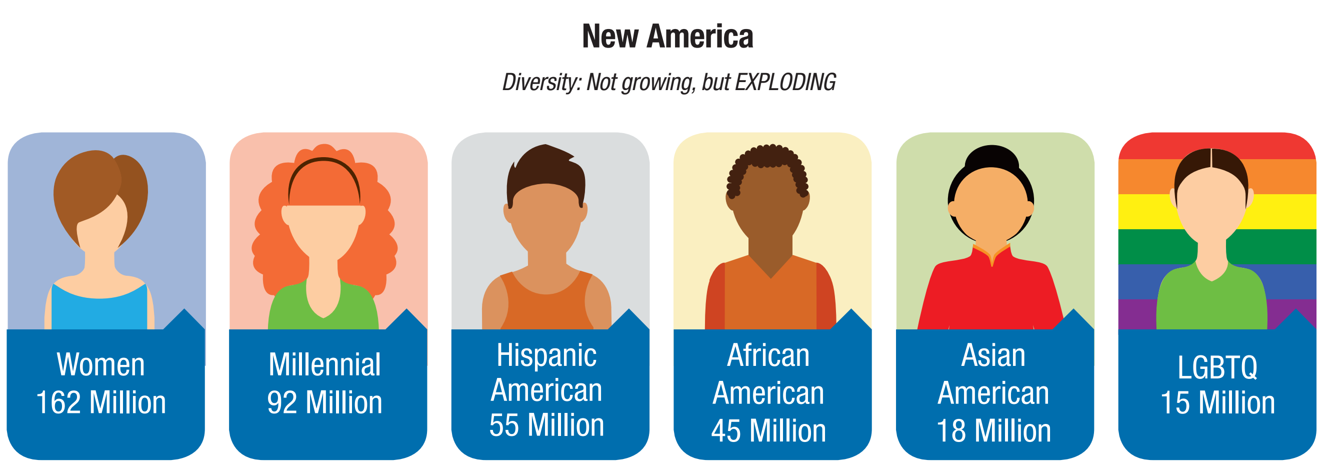
First, the aging American consumer has fueled the explosive growth of retirement planning and annuity sales, and the aging MDRT advisor has serviced this segment well.

Second, the birthrate in the last 10 years has exceeded the Baby Boomer birth rate. However today's babies are different from the Gerber babies of the past. For the first time ever in the United States, non-white births exceed white births.

The last, and most significant, driver of U.S. population growth is new immigrants, and subsequent births within that population (Figure 4). While the rate at which U.S.-born women reproduce has gone down dramatically since 1970, immigrants have made up for it and caused the overall birth rate in the United States to increase since 1970.

> **"Our industry's next growth engine will be the young, diverse U.S. segments."**

**Figure 4**




Source: Global Diversity Marketing, 2017

## Next Steps

If your firm's marketing plan only focuses on Caucasian markets, you probably are missing an additional 50 percent of your potential customer base. If you are in any of the country's 10 largest cities, the market potential is even greater.

We at Global Diversity Marketing are convinced our industry's next growth engine will be the young, diverse U.S. segments. So, if you agree, how do you go about starting your initiative?

There is no easy formula, but there are three steps that — if approached and implemented with passion — may allow your business to double in size in the near future.

1. ***Commit to a specific market.*** To choose *all* diverse markets would be too daunting. How to choose? Research demographic markets in your area. What segment is growing rapidly? Hispanic? Asian? LGBTQ?

   Once you choose your market, identify who in that marketplace can help you discover the nuances and inroads. Look at religious and community organizations, leaders in the community, and the best social media platforms to reach that market.

2. ***Create a business plan.*** This should be at least a two-year plan, including financial investment, a social media approach, and ways to engage both your leadership and distribution team.

3. ***Remember that a positive outcome requires time and strong leadership.*** As a leader, you must manage your expectations. You must be completely dedicated to the plan's success. That success will depend not only on a professional marketing plan but the emotional buy-in that will enable you and your team to embrace your chosen market segment.

Responding to The Great Disconnect, and reaching out to today's diverse consumers is an attainable goal. Companies that make the effort to close the gap will differentiate themselves and achieve success.

**Vince Vitiello** is a 30-year sales and marketing executive with expertise in the financial services industry, where he is a known thought leader in multicultural marketing.

Vitiello began his career in sales with MetLife. He has held both domestic and international senior sales and marketing positions. He served as President and CEO of Allianz of New York, in addition to his role as Chief Marketing Officer of Allianz of America. In this role he led the marketing efforts of Allianz's life insurance company as well as Fireman's Fund, their property and casualty company. At Allianz, Vitiello led an initiative to create marketing and diversity awareness for their organization in Italy, France, United Kingdom, Greece, Australia, and Germany. Later, he served as Chief Marketing and Distribution Executive Vice President for National Life. Most recently he developed a multicultural distribution sales team for the Producer's Group.

In his current role as President of Global Diversity Marketing, Vitiello provides consulting, business leadership, and speaking services. He illustrates how organizations and individuals tap into the potential marketing opportunities within the exploding multicultural markets as well as the benefits of creating a diverse workforce. He can be reached at vince@gdmus.com.

# Stop the Insanity!

## Training the Right People to Become Sales Leaders

By Richard T. "Dick" Cleary,
*Founder and President, FSEdNet*
*and*
Andy Martin, CLU, ChFC,
*Executive Vice President, FSEdNet*

It seems to be an industrywide problem: many front-line sales managers are not as productive as firms or carriers want them to be. Recruiting numbers are low, and retention is even lower. When you ask sales managers what the problem is, you often get an earful. What is the dilemma? Most sales managers have little if any formal training. Many of them started their career as sales associates and were successful. When the company needed a new sales manager, they were the logical choice because they had been successful in sales.

## The Cycle of Unsuccess

Most companies look at their recently hired star performers and think, "Wow, this person would be a dynamite sales manager." The top performer is excited because they have been "promoted," and they do not want to let their boss down. So, many top sales people end up taking a sales management role they never really wanted. And many are not prepared for the challenges and changes that lie ahead.

The financial services industry perpetuates a cycle of hiring the best sales people as managers, losing their sales production, and seeing them frustrated as they struggle to teach others to do what comes naturally to them.

Often we lose our former sales stars once they discover that a management role is not for them; and, to compound the problem, their new associates end up looking for someone to lead them, and often leave as well. The industry seems to repeat the cycle by hiring another rising sales star to share the secrets of their success. Albert Einstein said, "The definition of insanity is doing the same thing over and over again, and expecting different results." We need to stop the insanity of this promotion cycle — your star sales producer may not have the skill set to be your star sales manager.

> **"Your star sales producer may not have the skill set to be your star sales manager."**

## Train the Leaders

A study conducted by the American Society of Training and Development (ASTD), found that:

- Only 11 percent of companies have a formal plan to train their sales managers to a great extent,
- 22 percent of companies do not have a training program for their sales managers at all, and
- 66 percent of those same companies train their sales people on how to improve their selling skills a minimum of once a year.

It's basic cause and effect: How can a company expect to get great results from their field management teams when they are not training them how to do their job? DNA doesn't dictate great leadership skills. Very few people are natural-born leaders. Leaders are developed and trained.

The facts speak for themselves. If companies want to see sales build sustainable momentum, they must invest more in training and equipping the right people to become sales leaders. Many have had very little if any training in how to recruit. They may or may not know how to conduct coaching sessions or show a successful producer how to mentor a junior associate. In addition, great sales people are rarely good at holding others accountable. And a lack of accountability is an almost sure-fire way to have a recruit fail. If your company or firm suffers from low retention, chances are accountability is at the center of this issue. What's even worse is that many do not know what they don't know. So, it's hard for them to work their way out of a difficult situation. When sales managers are asked what they need, access to more and better training is near the top of their list.

Unfortunately, many companies believe it is the responsibility of the first-line manager to develop a curriculum on how to transition a sales associate to a leadership role. While some large firms succeed with this strategy, the vast majority do not. Managers often say they don't have the time or the expertise to build a training curriculum. Most of them are already overwhelmed with trying to hit their recruiting and production goals. They are quick to say there are not enough hours in the day to do what their home office requires, while also creating the training and development programs their associates and sales managers need. The best option is to train your sales managers – and make them sales leaders – rather than reinvesting and training just the sales force again. The logic is simple: If you train your sales people and do not invest equally in training their sales leader, that leader will be unable to reinforce the sales people's training. Therefore, the training is rarely implemented and retained.

While there are a few organizations that have created a management development program, unfortunately most do not have a formal plan on how to train and lead others. Sales managers have been neglected for decades as most companies invest in training their sales force. Very few have formal training and development programs to train their trainers. Some may hold a yearly management retreat, to listen to various speakers, but with little or no follow-up and reinforcement. That is why we created FSLEdNet — to help managers become true sales leaders.

## Enhanced Sales Training

According to the ASTD study, most companies train their associates primarily on products and some on how to sell. This training would be more effective if they also taught their sales leaders how to implement what they learn in their sales training. Successful sales trainers know that the skills people learn must be successfully integrated into how they conduct business within 72 hours, or the initial enthusiasm of a sales training event wears off quickly, and no real change occurs. If a sales leader could reinforce that training, build on it, and hold sales people accountable to implement the new skills immediately, this would greatly improve the potential success of attendees and give the company a good return on the money invested in training.

The way training is delivered can also improve the productivity of your sales leaders. Research shows that newer associates and leaders want to attend some classroom training. This provides them with an overview of the material, and shows them that the company cares enough to train them. By the end of the training event, however, most have been inundated with information. And, they usually do not retain the information presented later in the day because their minds are simply fried. It's like drinking from a fire hose. But the real problem with this style of training is the lack of follow-up. They attend the class, but there is little instruction on how to implement the training and little accountability to use it. So, what works better?

## Train the Trainers

Some firms understand the value in first training the management team on how to follow up and make sure the new material is implemented as soon as they return to their office. There is an old saying, "When you give someone a fish, you feed them for a day. When you teach them how to fish, you feed them for a lifetime." The best investment you can make in your training budget is in training the trainers. A commitment to training first- and second-line managers means they become part of the solution. A home office or agency trainer may train dozens or hundreds of people. Many smaller firms do not have a full-time trainer on staff. By investing in sales leaders, firms can improve their results, because the management team can do their job to make sure the information is utilized. Understanding how to implement effective classroom resources, whether local or virtual, plus joint sales calls, will ensure that new training is properly implemented while holding their team accountable.

In best case scenarios, the local management team is trained how to conduct weekly training. Some of this training is at the producer level, and some of it is for developing their team of leaders. In today's busy work life, with a demand for work/life balance, leaders also want their training to be available 24/7 so they can sharpen their skills on demand. They access their training and information on their smartphones and tablets when they have some spare time. Sometimes they get to an appointment 10 minutes early, to beat traffic, and they want to brush up on their skills rather than waste that time. In that 10 minutes, they could watch one of hundreds of training sessions that can help them keep their saw sharp as they prepare for a joint sales call, or recruit another top performer to the firm. The real beauty of programs like FSLEdNet is that participants get to learn at their own pace. They can customize their curriculum to what interests them the most, or the company or firm can dictate the order of their learning.

Not training your management team, and missing the opportunity to turn them into sales leaders, can be a costly mistake. Training the trainers means creating sales leaders who are invested in your company's future.

**"By investing in sales leaders, firms can improve their results."**

**Richard T. "Dick" Cleary** is the Founder and President of FSEdNet — Financial Services Educational Network, LLC, specializing in virtual video-based training platforms which help launch, retool, and re-energize financial professionals, managers, associates and staff in the financial services industry. This experience can be facilitator-led or completed via a self-study curriculum which compliments any company's or firm's training and/or sales system. Cleary retired as the Managing Partner and President of The Partners Network, which was comprised of seven offices covering Central and South Florida, along with detached affiliates located throughout the state. He can be reached at dick@fsednet.com.

**Andy Martin, CLU, ChFC** currently serves as Executive Vice President of FSEdNet. He is also the President and Owner of Providence Benefits, LLC, which is a boutique employee benefits firm specializing in health-care cost-containment strategies and employee wellness programs. Martin's career began at the First Protective Insurance Group, immediately upon graduating with honors from Birmingham-Southern College. He served First Protective as an internal sales assistant and area sales manager, and at age 35 was promoted to President. Under his leadership, the company's sales grew over 1,000 percent, and became the largest life insurance and investment-based marketing company in the south. In his final year, they paid out over $40,000,000 in commissions and fees to their independent producers. Martin took early retirement from First Protective in 2017. He was a regular qualifier for the MDRT, and has spoken nationally and internationally at some of the largest insurance meetings in the world including the MDRT, GAMA LAMP, the Grant Taggert Symposium, and the Asia Pacific Life Insurance Conference. He can be reached at andy@fsednet.com.

## PRODUCTS COMMENTARY

CONTINUED FROM PAGE 31

insurance policies.[1] The number one goal of automated underwriting programs is reducing the time it takes to issue a policy. Those with automated underwriting solutions in place often started small — with pilot programs for specific products, face amounts, and age ranges — and continue to expand programs as they gain experience.

There will likely continue to be a place for traditional underwriting for larger policies, older insureds, and unique cases. However, it is reasonable to expect that automated underwriting will become table stakes for the majority of life insurance policies issued. Those companies that resist implementing automated underwriting do so at their peril.

Distribution is also a top concern. Most life insurance purchases involve interactions with a financial professional — whether that FP is the manufacturer's direct (affiliated) sales force or an independent intermediary. Often those interactions are face to face. This model is changing, albeit slowly. Consumers can purchase almost anything online. Why not insurance? Many insurance companies — as well as a few start-ups — are experimenting with online sales models, whether via an intermediary or true direct to consumer (D2C).[2] One thing is certain: Any successful online sales model will require quick turnaround. Consumers purchasing online will not have the patience for traditional underwriting. So, some form of automated or simplified underwriting will also be necessary for success in the online sales environment.

The top issues for life insurance product developers are intertwined — improved underwriting processes are required for D2C/online distribution models and will generally result in a better customer experience. And that should be a focus of all companies. 🌐

[1] *Transforming Underwriting: Automated Underwriting Company Practices for Life Insurance in 2017*, LIMRA, 2017.

[2] For more information on D2C, see *Direct to Consumer in Perspective: A Contemporary View of Engaging Consumers on a D2C Basis*, LIMRA, 2016.

## DISTRIBUTION COMMENTARY

CONTINUED FROM PAGE 47

But consumers — even the Millennials — do have concerns. In LIMRA focus groups, consumers are hesitant to place all of their financial well-being in the virtual hands of an online solution, no matter how advanced. Their reluctance is based on security concerns, lack of personalization, and the inability of digital solutions to have a "gut instinct" or a personal touch. While consumers value the Internet for research, many are not ready to take the leap to a full digital advice experience. A pure robo-advice experience currently appeals only to the do-it-yourself (DIY) investor – financially literate, knowledgeable about the industry's products and services, and tech-savvy. But those who need the most help are middle-market consumers less knowledgeable about financial services. They need and value the trusted relationship that a human advisor provides. It is ironic that these are the consumers who could lose access to professional advice due to proposed regulations.

What does the future hold for robo-advisors? Most feel that they are now permanent players in the advisory landscape, and will continue to build upon their client bases and assets under management. They will exploit the opportunity presented by new fiduciary rules. But their role will evolve from disruptors to digital platforms that consumers and advisors can leverage based on their needs and comfort levels. Forces and trends are converging around a digitally enabled advisor model that combines robo-advisor technology with a trusted advisor relationship. Already we've seen firms like Betterment and Personal Capital offer personalized (i.e., human) advice under certain circumstances.

While certain segments will embrace a pure digital model, what remains to be seen is whether mass-market consumers — those who need the advice the most — will accept robo-advisors as a cost-effective alternative to traditional advisor models. 🌐

[1] *Online Advice: The Rapid Rise of Robo Advisors and Related Firms*, Tiburon Research, webinar delivered November 18, 2015.

[2] Hopkins, Jamie, *New Fiduciary Rule for Financial Advisors Moves the Needle – but in Which Direction?*, Forbes.com, 2017.

# RETIREMENT

By Judy Zaiken, CLU, ChFC
*Corporate Vice President and Director, LIMRA Secure Retirement Institute*

## So…Where Are We Now?

On June 9, 2017, the DOL fiduciary rule became law. Still, full implementation of the rule has been delayed yet again — this time to July 2019 — with everyone continuing to wonder: "Will it? Won't it? and What is it?" For more than two years now, the conversation has been front and center for the retirement industry.

Once again, the industry faces uncertainty. Several of our members have told us the uncertainty seems more daunting to manage than just moving forward with what most deem to be an imperfect rule. Industry fatigue has set in. Many have logged countless hours getting ready to comply and continually responding to what appears to be a continuously moving target.

So where are we now?

The primary distribution model for insurance-based retirement products has long been through manufacturer-paid commissions based on percentage of premium/investment deposit. This practice bundles the cost of insurance with the cost of advice. Everyone paid the same — even while the levels of advice received were likely very diverse. To some extent, for efficiency's sake, larger investors subsidized smaller ones.

In an edict to create more transparency and formalize an advisor's "duty-of-care" to the customer, the DOL rule imposes new legal liabilities and more formal seller declarations of unbiased advice. Unbundling product costs from advice costs is a natural outcome of the new rule. Many companies across the industry have built new fee-based products.

The idea is not new. Many have tried before, but sales traction has consistently been sparse. The reasons for this are many, not the least of which is the well-entrenched advisor practice model. For both the financial professional who has to earn a living, and the consumers who are unaccustomed to explicitly paying for advice, these are not easy changes.

When we asked industry executives if the movement to fee-based would persist given the most recent delay and uncertainty, we heard mixed opinions. Some think fee-based products will again prove dead-on-arrival. Others think the trend will continue and eventually constitute a meaningful share of the market. No one thinks anything will happen fast.

In response to the DOL Fiduciary Rule, FinTech applications have exploded onto the market. Spurred by the formalizing of the duty-of-care-to-customer, documenting objective criteria for any product recommendation has become critical. Unfortunately, the benefits of insurance-based guarantees are not easily quantifiable, and often not fully understood by software developers.

For this reason alone, the industry is at a pivotal moment. If we don't want success to mean building a product that wins the "most popular product selection algorithm" award, rather than innovating the best solution for our customers, then we had better intercede.

As our member companies have striven to deliver better retirement savings solutions, LIMRA has watched and participated in a lot of transformational work. It hasn't been easy or without casualties, but we have learned a lot.

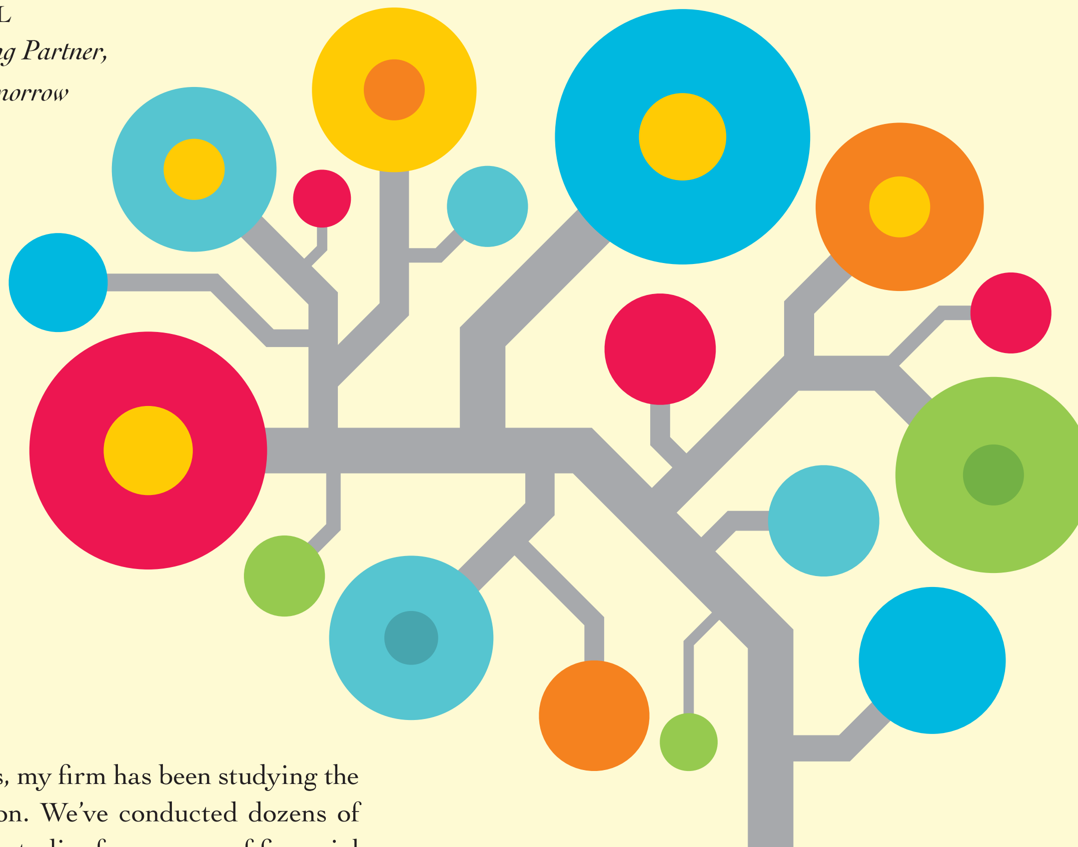
The fast pace of change over the last two years, unsustainable, may now be slowing down. It's time to again take stock of where we are and reaffirm the primary goal of advancing retirement security for working Americans.

I recall a lesson I learned years ago as a waiter while going to college. The busier the restaurant got, the slower I had to go. Because that's when I couldn't afford to make a mistake.

I think that is where the industry is now. Thoughtful, careful, perhaps bold — but not hurried — industry decisions will define the future industry leaders.

# Understanding the Boomer Mindset

*By* MATT THORNHILL
*Founder and Managing Partner,*
*SIR's Institute for Tomorrow*



For almost 15 years, my firm has been studying the Boomer generation. We've conducted dozens of national research studies for a range of financial services organizations, including both insurance giants and key industry trade associations. We've learned a few things that many advisors don't quite grasp, even today.

In this article, I share some insights that can help advisors better connect with clients in this important generation.

## Getting on the Same Page

First, the good news: Today, older consumers tell us that having a financial or retirement plan is a priority for them. In one of our recent studies, some 85 percent of Boomer consumers said having a plan was either a priority or a high priority (on a five-point scale). In fact, the older the respondents, the greater the percentage who indicate having a plan is a priority.

That's the good news.

Now, the bad news.

Advisors do not seem to be on the same page. In another study, we asked 600 of them to answer this question: How much of a priority do you think your clients would say it was to have a financial plan?

Our results show there is a gap here — in particular, a pretty significant one among Boomer clients currently aged 54 to 71. In this case, advisors estimated that about 62 percent of Boomer clients would say having a plan is a priority. But in fact, that is 23 points lower than what Boomers said.

The implications are clear. Advisors are underestimating Boomers' readiness to plan for their financial future — which represents a problem that firms can turn into an opportunity. Don't assume clients or prospects have a plan in place, or that they are not interested in one. It's a top priority these days. The advisors who inquire about it might be welcomed with open arms.

## Focus on Confidence

We also asked Boomers whether they think it is important to have a plan and, if so, whether they are confident in it right now. Once more, we found gaps.

Yes, more than 9 in 10 Boomers say it is important to have a financial or retirement plan. However, a far smaller proportion (62 percent) are confident in their plan. This translates into approximately 1 in 3 clients who have a plan in place — a plan in which they have little confidence.

That means, one out of three times, a polite inquiry about their current plan should open a door for advisors. Clients and prospects with plans in place are no longer "off limits."

## Relationships Are Not (Necessarily) Long-Term Anymore

For years, the experts in sales strategy have recommended, taught, and evaluated financial advisors on their ability to develop long-term relationships with clients. Course after course on relationship skills have been given and taken.

For many, building a long-term relationship is seen as the most important goal for an advisor to accomplish, with both current and new clients. In a study we conducted among advisors, 96 percent said "building a long-term relationship" was what they felt their clients wanted.

But that's not always what Boomers want.

In a different national study with financial services consumers, Boomers tell us that today they are less interested in a long-term relationship with an advisor than in simply getting straightforward advice. In fact, less than 2 in 3 Boomers say a "long-term relationship" is important to them. On the other hand, almost 90 percent say receiving "straightforward advice" would motivate them to take action on developing a financial or retirement plan.

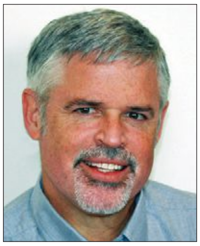
This is no surprise, given how most consumer trust in large institutions went out the door over the last decade or so. The sense that someone in the financial services sector really wants or needs a "long-term relationship" may no longer feel genuine to many Boomers.

Advisors will likely benefit from delivering honest, straightforward advice that focuses on the here and now. The need to perform now, with product recommendations and investing strategies that grow and protect a client's money, is much more important than forming a long-term relationship. Yet this doesn't mean advisors don't need to invest time and money into getting to know their clients. It just means that the goal of knowing clients isn't so they have them for the long term, but rather so they can help them *now*.

In addition, the advice and guidance offered should be specific. That means advisors should create sample plans based on the individual client, instead of simply sharing generic examples. Boomers tend to think about products from a "what's in this for me?" vantage point. They will respond to specific conversations about themselves and their situation, not general conversations about others. Advisors will enjoy stronger — and longer — relationships with Boomers if they treat them as if they are indeed unique and their situation is special.

In the end, clients want advisors to be trustworthy and to perform. If they do that every day, every quarter, and every year, before they know it, they will have had those clients for many, many years.

Long term, you might even say.

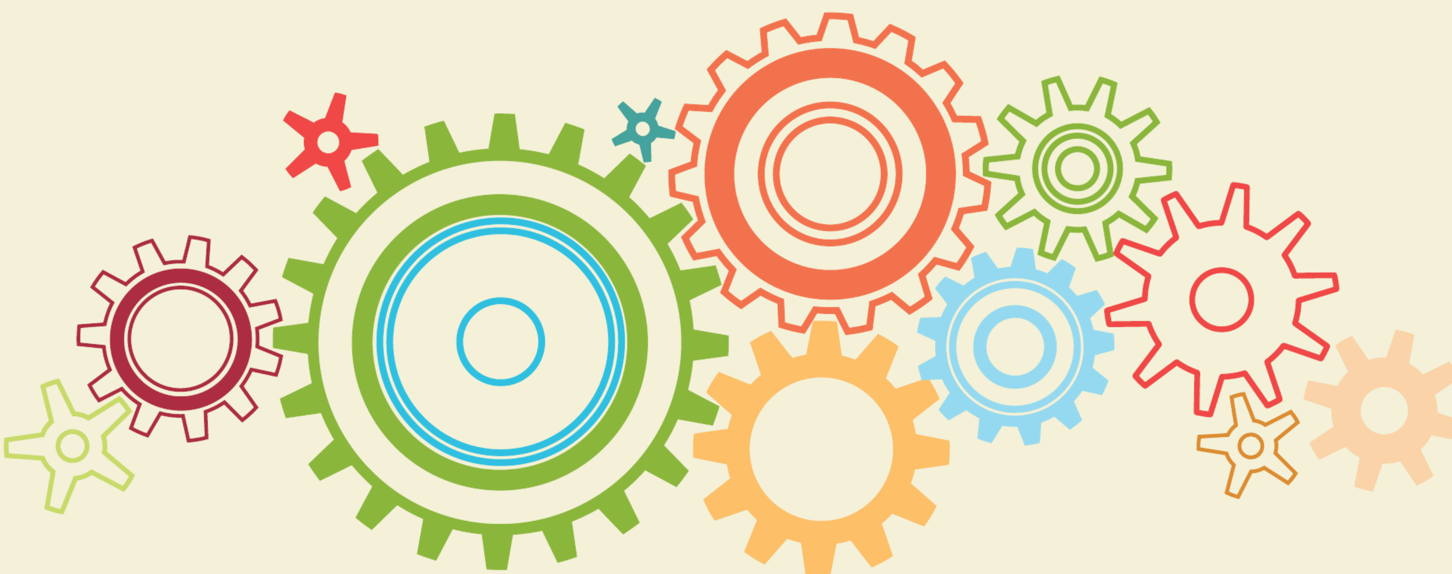


**Matt Thornhill** is Founder and Managing Partner at SIR's Institute for Tomorrow. He is considered to be a national authority on generational dynamics. Some 15 years ago, he partnered with SIR Research to launch the Boomer Project, now part of the Institute for Tomorrow think tank. His firm provides insights and consulting services to help organizations better understand generational dynamics in the workplace and marketplace. Thornhill has delivered generational insights to organizations like Walmart®, Google®, and the U.S. Social Security Administration. Media around the world — including NBC, CBS, CNBC, *Businessweek*, *The Washington Post*, and *The New York Times* — have sought his insights.

# What Workers Want

## *How Do They View Workplace Retirement Savings Plans?*

*By* DEB DUPONT
*Associate Managing Director, Institutional Retirement Research,*
*LIMRA Secure Retirement Institute*



America's "retirement crisis" is complex, multi-layered, and far-reaching. It can and will have an impact on individual, institutional, and social stakeholders. At its crux is the notion of retirement savings.

Within the retirement industry, much attention has been paid to "savings inadequacy." This is the concept that people simply do not save (or do not save enough) to meet the increasing need for personally funded retirement income.

The defined contribution (DC) industry faces the critical challenge of prompting workers to "save enough," as both employers and providers strive to innovate and offer robust savings programs to employees. Most employees (about 7 in 10) who have access to these programs do take advantage of them, according to the U.S. Bureau of Labor Statistics in 2016.

They also state that 46 percent of all employers offer DC plans — the majority of which are "savings and thrift" plans. These include 401(k) plans, the most prevalent plan design available in the private sector. Large employers (those with at least 100 workers) are twice as likely as smaller employers to offer these plans (87 percent versus 44 percent, respectively).

Smaller employers can't be ignored. In fact, 36 percent of the workforce are with employers that have fewer than 100 employees — and 28 percent work for firms with fewer than 50 employees, where DC coverage is lowest.

All in all, only 58 percent of civilian workers (and 62 percent of private-sector workers) even have the opportunity to save for retirement via a DC plan. Approximately 50 million workers have no access to workplace retirement savings plans.

This lack of coverage is the latest banner to be lifted in the retirement arena. More than half of U.S. states — which may well face the eventual challenge of impoverished retirees — have responded with a variety of measures to mandate coverage, create exchanges, and otherwise facilitate (or require) retirement savings (via payroll deduction) for these "uncovered" workers.

The federal government also has made an attempt, by introducing an optional myRA® program. Uptake has been lukewarm at best, though, with approximately 20,000 people (to date) opting to participate.

At the heart of retirement are workers themselves. After all, retirement is the act of a person ending employment or leaving the workforce.

## The Worker Perspective

So how do people feel about retirement savings, saving via the workplace, common features of retirement programs, and the qualifications of institutions jockeying to administer such programs?

Recent LIMRA Secure Retirement Institute research shows there is strong appeal among workers for the idea of saving though the workplace (Figure 1).

***Figure 1***

**Workplace Retirement Plans Are a Highly Valued Benefit**

75% of workers want to save for retirement through their employer.

77% of workers understand that *they* themselves need to save for retirement.

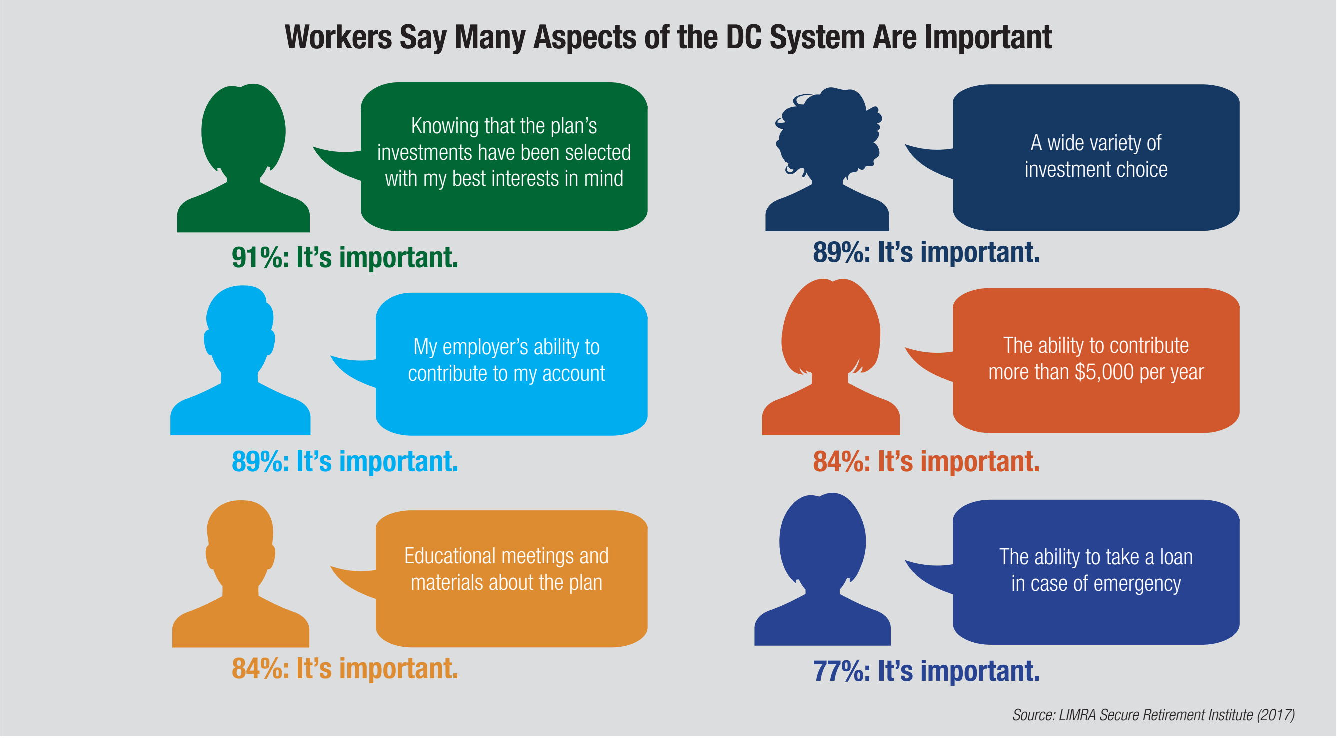
53% of workers feel that employers should be required to offer workplace retirement savings plans.

77% of workers think that employers should also contribute to their (employees') accounts.

77% of workers agree that government should require employers to offer retirement savings plans.

*Source: LIMRA Secure Retirement Institute (2017)*

Figure 2




There is also strong support for many features of the existing DC system (Figure 2). Our research points to opportunities for employers, advisors, and service providers to address the issue of workplace retirement plan access in ways that will resonate with workers themselves.

Findings underscore the following key themes:

- **Workers highly value employment-based retirement savings plans and opportunities.** Individuals understand they have a responsibility to save for their own retirement, and they want to do so through their employer.

  Two thirds of workers who do not currently have a plan at their place of employment still agree they would want to save via an employer plan. Further, most workers feel that employers *should be required* to offer a retirement savings plan and that employers also have a responsibility to contribute to their employees' accounts.

  Approximately 6 in 10 workers show support for government mandating that employers offer retirement plans. This support doesn't distinguish between state and federal mandates. Workers equally support mandates, regardless of which level of government issues the requirement.

- **They believe, to varying degrees, that certain features of the existing DC system are important.** For example, they strongly agree that it's important to know a plan's investments have been selected with their best interests in mind. Also, the majority feel it's important that their employers are able to contribute to their accounts.

  In terms of actually matching contributions, older workers place higher value on the possibility of an employer match than do younger workers. However, more than 80 percent of *all* ages feel a match is important. Workers without a plan place less emphasis on this aspect, perhaps because it's harder to value a benefit they don't currently have. (Still, 83 percent of these workers say it's at least somewhat important for employers to contribute, compared to 89 percent of workers overall.)

- **Workers would like to be able to contribute more than IRA limits.** IRAs and Roth IRAs (used for most state and federal mandated programs) have significantly lower annual contribution limits than do DC plans — at just $5,500 per year. The desire for an increased limit is more prevalent among older and wealthier workers.

- **Most (77 percent) feel that loans are an important feature.** Further, 36 percent feel that the option to take a loan is "very important." Loans — offering the ability to access funds in case of an emergency and repay the loan over time — are a feature of many DC plans, but not of IRAs, per state and federal proposals. Women, individuals with less than a college degree, and those with lower household assets are more likely to highly value loan provisions.
- **They feel that educational meetings and materials about the plan are important.** One way DC service providers can differentiate themselves is via educational meetings and materials; these do matter to workers.
- **While they are open to the idea of government-mandated retirement plans (at their employer), workers are significantly less open to government entities administering those programs.** From a list of seven possible administering entities, state and federal governments place lowest in terms of confidence (Figure 3). In fact, just over one third of workers say they have no confidence in them.

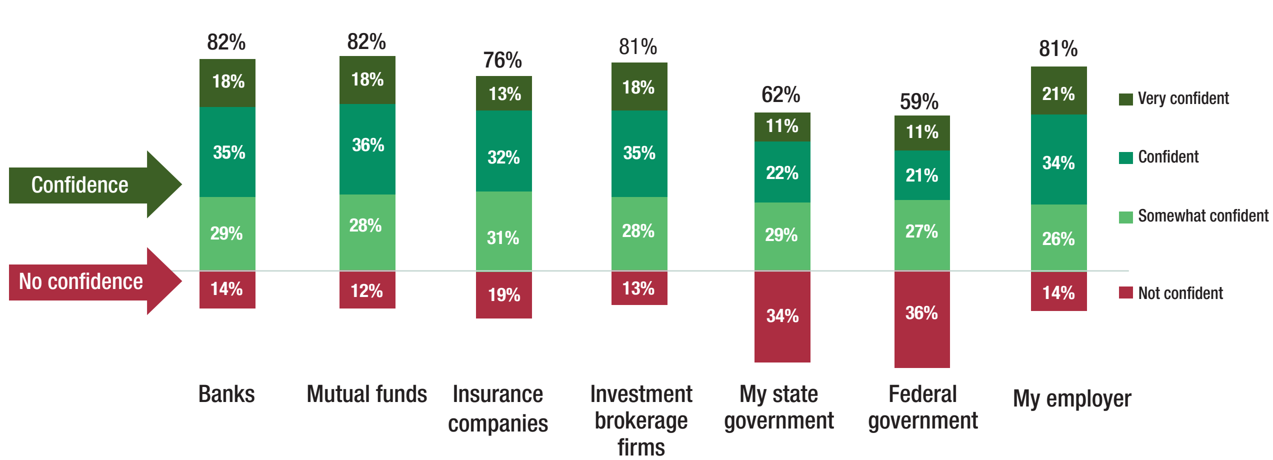
## The Industry's Role

The DC industry has a part to play in solving the issue of workplace retirement plan access. There is an opportunity to build upon an infrastructure that appeals to workers and to enable even small employers to easily and affordably (with some fiduciary protection) offer meaningful retirement savings solutions. Clearly, expanding access to workplace retirement savings is a critical first step to improving retirement security for all workers.

It makes sense. Retirement is, after all, the act of separating from the workplace. It's only logical for people to be able to save for retirement via the workplace and using the proven convenience of payroll deduction. Scores of research (from the LIMRA Secure Retirement Institute and other industry thought leaders) demonstrate that individuals are unlikely to take steps to save on their own. They need to be prodded into action, and it must be as easy as possible for them. Ideally, the process of saving must be made automatic.

**Figure 3**

**Confidence Levels Vary in Institutions' Ability to Administer Retirement Savings Programs***




*Does not include responses of "not sure."

Source: LIMRA Secure Retirement Institute (2017)

State and federal government entities are to be commended for addressing the problem. However, based on the reactions of workers themselves, proposals on the table may not be enough. What's more, they may raise new issues and problems. Simply introducing payroll deduction programs — most of them into IRAs or IRA-like products with limited options, features, and benefits — may not address considerations around worker mobility (especially between states), savings behavior and adequacy, and education.

These issues may be especially important for Millennials, for whom retirement is not top of mind. We know that younger workers, most of all, need to accept the challenge of preparing for a retirement in which Social Security may be questionable and defined benefit plans will have nearly disappeared. To do so, they may need additional support, messaging, and options.

In fact, the vast majority of *all workers* want additional assurances, choices, and education. The aspect "that investments are chosen with my best interests in mind" resonates more strongly with workers than any other feature our research presented. However, the U.S. Department of Labor has given government-mandated proposals, specifically, relief that absolves both states and employers from this basic fiduciary responsibility.

There is a role for the existing DC industry in solving the issue of workplace savings access. Despite some well-publicized questions about the DC system, it does still have the structure to meet worker needs and enable meaningful saving, investing, and income solutions.

DC program providers have an opportunity to step up — and step in — with solutions that enable even small employers to offer robust worksite savings programs. These should be easy, with fiduciary relief, and they should go beyond the bare-bones proposals most states (and the federal government) have shared.

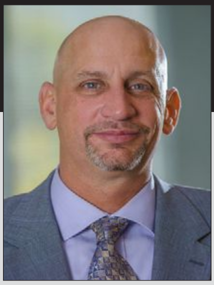
It's what workers are telling us, loud and clear, they want.

**Deb Dupont** is Associate Managing Director, Institutional Retirement Research, with the LIMRA Secure Retirement Institute. In this role, she manages the research team, agenda, projects, and programs focused on employer-sponsored retirement programs, retirement industry trends, and workplace retirement stakeholder (advisors, employers, and workers) behaviors and insights. Prior to joining LIMRA in 2014, Dupont was Director of ING's Retirement Research Institute. Her work has been recognized by prestigious industry awards from organizations including the Insurance and Financial Communicators' Association and the International Association of Business Communicators. Dupont can be reached at 860-285-7745 or ddupont@limra.com.

## ABOUT THE RESEARCH

The LIMRA Secure Retirement Institute surveyed 2,498 full- and part-time workers about issues related to workplace retirement savings. The online panel answered questions designed to uncover how workers feel about saving at the workplace, whether they think employers have an obligation to facilitate retirement savings, and whether such programs should be required or mandated. We also looked at key features of the current DC system and evaluated how important they were to workers. Finally, we asked about which entities workers trusted to administer retirement savings programs. To learn more, LIMRA members can access the full report *Workers and Retirement Programs: What Are They Thinking?* at www.limra.com/secureretirementinstitute.

**"DC program providers have an opportunity to step up — and step in — with solutions that enable even small employers to offer robust worksite savings programs."**



# AROUND THE GLOBE

*By* Larry H. Hartshorn
*Corporate Vice President and Director, International Research, LIMRA*

## AI vs. IA

The term artificial intelligence (AI) has existed for over 50 years. But it has finally become reality. The robots are not coming…they have arrived. We live in a world with self-driving cars and drones, where people talk to machines that "think" — and talk back. Siri, Google, Alexa, Cortana, your smartphone — AI has become part of the way we work, play, and learn. And it's only getting bigger.

What does AI look like in the world of financial services? Chat-bots, robo-advisors, cognitive computing — all a part of the new world of banking, insurance, and investment. But what does AI really mean? Is it Artificial Intelligence? Or is it, as some maintain, Intelligence Augmentation (IA), using smart technology to assist rather than replace humans?[1] Others say that AI means Intelligence Amplification — leveraging computing power to amplify our capabilities.[2]

The AI versus IA debate is real, relevant, and worldwide. But I maintain that these definitions do not focus on the fundamental purpose of AI — to assist. Perhaps the best explanation I have found calls it "Intelligence Assistance." While all of these descriptions are valid, and cater to different levels of interest and specialty, Intelligence Assistance seems to focus on the true simplicity of what AI was created to achieve.[3]

AI technology permeates our personal and professional lives — and as financial services providers it makes it easier for us to deliver our products and services, and makes it easier for our consumers to understand and purchase those products.

I lived in Dubai in early 2008, and I used a smartphone app to pay for parking. While that was innovative then, it is now considered standard operating procedure. But, the real result of my experience is that I now want that ease of transaction in other aspects of my life. I not only want it, I expect it. This is what Accenture calls "liquid expectation."[4] I want it at work and in my personal life — and I want it yesterday. This attitude can be daunting to even the most technologically advanced company. For financial services companies, it can be overwhelming. The questions become — who do I design the technology for, how will it work, what will it accomplish, and how much time and effort will it take?

Some financial institutions have been investing in AI for years. Others are only beginning to catch up. AI can be feared or embraced. AI and other technological advances have created interest and talk about the 4th Industrial Revolution (4IR). One of the larger recurring concerns is that AI will eliminate many jobs that humans currently do. Again, I contend that if we view AI as IA — Intelligence Assistance — much of that concern will be alleviated. That is, the technological advances will assist those same humans rather than replace them. As was the case in the first three Industrial Revolutions, jobs for humans will adjust and change rather than be eliminated.

There are no easy answers to the questions surrounding AI. But I will say that thinking of AI as Intelligence Assistance can guide us in both developing and using this technology. This will keep AI's true purpose at the heart of our business — to provide assistance — to companies and to consumers. From simple to advanced intelligence, from easy to complex processes, the underlying core remains the same — assistance.

1 "Forget AI, the Real Revolution Could Be IA," World Economic Forum, www.weforum.org, January 2017.

2 "Obsessing Over AI Is the Wrong Way to Think About the Future," wired.com, 2016.

3 "AI vs. IA: The Great Race Part I," http://synchronicity.org , 2017.

4 https://livingservices.fjordnet.com, 2017.

## Ocean Life and LIMRA Meet in Thailand

On June 21, 2017 Andy Khoo from LIMRA's Centre for International Development and Assessment spoke at Ocean Life's monthly business forum for agency distribution management. His topic was the "Gen Y 21st Century Salesforce."


*Ocean Life's president,* ***Nusara (Assakul) Banyatpiyaphod*** and ***Andy Khoo****, managing director, The Centre for International Assessment and Development, LIMRA (center) with Ocean Life senior management team members.*

COMMON GROUND

LIMRA'S MEETING AND NETWORKING EXCHANGE

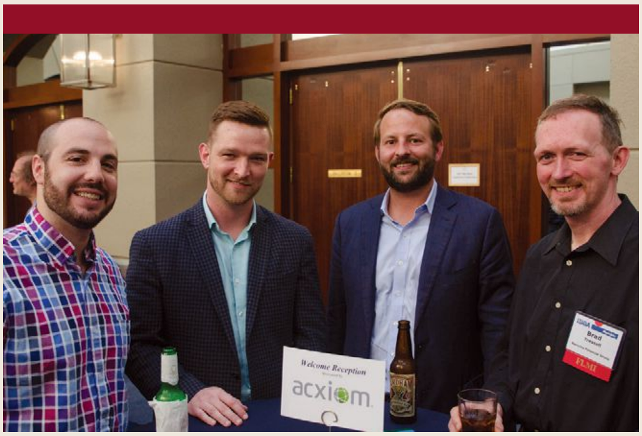
## Big Data Analytics Conference

***June 19–21, 2017 • Annapolis, MD, USA***

This popular event brought together those interested in better utilizing analytics in the insurance and financial services business, encouraging them to *Feel the Rush*. Keynote sessions and workshops explored critical topics of big data and predictive/advanced analytics.

***Shankar Vedantam,*** *Science Correspondent for National Public Radio, kicked off the general sessions with a look at the hidden brain and big data.*

***James Guszcza, Ph.D.****, U.S. Chief Data Scientist for Deloitte Consulting, explored the possibility that understanding human psychology enables AI design.*


*Attendees met with old friends and new at the Welcome Reception, which offered valuable networking time to close the first evening of the conference.*

## Advanced Sales Forum

***August 7–9, 2017 • Charleston, SC, USA***

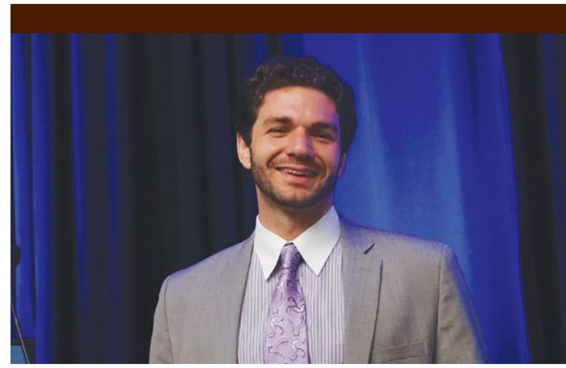
Created by advanced sales professionals, this forum provided advice to advanced sales and marketing executives, producers, CMOs, and more, from industry leaders with unique expertise in this segment of financial services. Focusing on *Changing the Conversation*, attendees benefited from peer insight and industry experts.


*The opening session set the tone for the conference with its focus on Changing the Conversation. From left to right,* ***Jeffrey Hollander, J.D****., MassMutual;* ***Stephen Parrish, J.D., CLU, ChFC, RHU,*** *Drake University and The American College; and* ***Andrew Rinn, J.D., CFP, CLU, ChFC,*** *Ameritas.*

*The people who made it all happen —* ***The Advanced Sales Committee*** *— come together for a photo op.*

***Dr. Quincy Krosby,*** *Chief Market Strategist for Prudential Annuities, shared her perspective on the latest world and economic events and how those events impact our industry.*

***Thomas Commito, J.D., LL.M., CLU, ChFC, AEP*** *of Lincoln Financial Distributors, gave the audience a unique perspective on recent estate, business, employee benefit, and charitable giving cases, rulings, and other current events.*



***Jamie Hopkins****, co-director of NY Life Center for Retirement Income and Associate Professor of Taxation at The American College of Financial Services; and* ***Stephan Leimberg****, Publisher of Leimberg Information Services and CEO of Leimberg and LeClair, Inc. — came together for a lively discussion on sales concepts in life insurance.*

## Latin American Conference

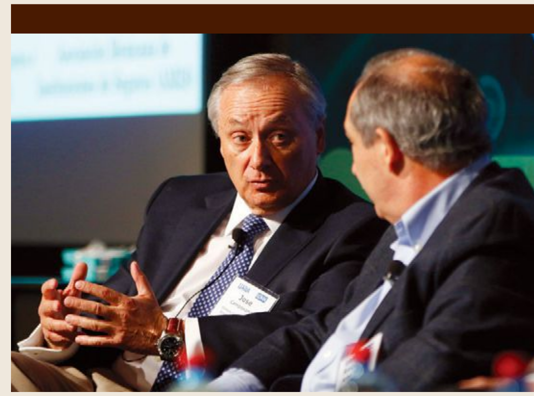
***September 10–12, 2017 • Santiago, Chile***

More than 220 executives with responsibilities throughout Latin America joined together in Santiago, Chile to discuss top issues affecting their region. The sessions focused on recognizing the opportunities in Latin America, and were presented in Portuguese, Spanish, and English.

*The Sunday evening Welcome Reception allowed attendees to gather together to renew old friendships and create new ones. From left to right:* ***Fernando Solis****, Director General Ahorro Y Previsión, Grupo Financiero Banorte (Mexico);* ***Andrea Keenan****, Senior Managing Director, A.M. Best; and* ***Cesar Rojas,*** *Director General, El Asegurador.*


*Opening Keynote Speaker* ***Rodrigo Vergara****, former President of the Central Bank of Chile, set the stage for the remainder of the event by providing an economic overview and outlook for the region.*


***Winfried Heinen,*** *Chairman of the Board of Executive Directors, General Reinsurance AG, provided insight on what the future of insurance holds — both in Latin America and around the world.*



*During a highly anticipated panel presentation,* ***Jose Manuel Camposano****, President, Chilena Consolidada/Grupo Zurich talks candidly with other panelists about why connecting with today's consumer is more important than ever.*

*Long-time friends of LIMRA and LOMA pose together during a networking break. From left to right:* ***Leonardo Jimenez****, Escuela De Seguros S.A.;* ***Ignacio Montes****, Ohio National Seguros de Vida S.A.;* ***Alejandro Massa****, AVIRA; and* ***Jorge Claude****, Asociación de Aseguradores de Chile.*

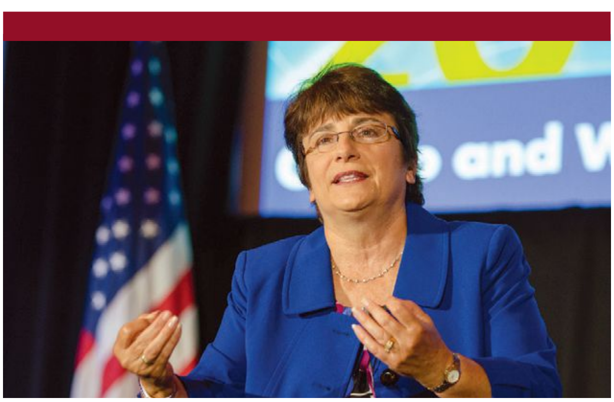
***Eduardo Mangarelli****, Senior Director of Innovation & Technology, Microsoft Latam, discussed digital transformation and the power of artificial intelligence.*

## *Group and Worksite Benefits Conference*

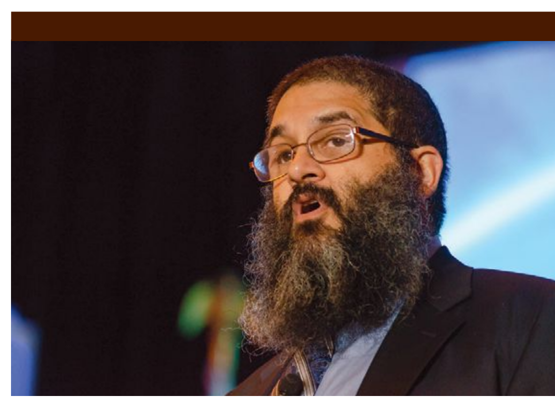
***September 12–14, 2017 • San Antonio, TX, USA***

Along with an impressive roster of speakers, attendees at this event focused on *Solving the Puzzle for Strategic Growth*. They left with fresh insight on the future of broker distribution, voluntary products, and technology trends — and responding to market disruption. Also featured was a networking event for the Childhood Cancer Awareness Month. Participants assembled activity packs for children undergoing treatment at St. Jude Children's Research Hospital.


*Thank you to all of our volunteers for supporting the St. Jude Research Hospital charity event.*



***Dr. Rosemarie Rossetti*** *shared her personal experiences and challenges as a person with a disability, the importance of having disability insurance for her and her family, and challenged attendees to be more creative with disability product development.*



***Yousef Hashimi*** *of IBM shared innovative ways to utilize augmented intelligence to make our business more efficient.*

***Sue Palladino*** *of The Hartford and* ***Jamie Ranicar*** *of Lincoln Financial take time to network with guest speaker* ***Jim Flynn****.*


## LIMRA-KIRI Insurance Conference

***November 7–8, 2017 ● Seoul, Korea***

Designed for international executives at financial services and life insurance companies doing business in the Asia-Pacific, this event will focus on *Inventing the Future of Insurance*. It offers attendees the inside track on success models in the technological revolution; knowledge from local, regional and global case studies and best practices; and the latest developments in health-care trends, retirement research, product innovation, and distribution advancements.

## Enrollment Technology Strategy Seminar

***February 6–7, 2018 ● Jacksonville, FL, USA***

Without question, technology continues to change the way employees enroll in benefits. What technology strategy are companies developing to manage the enrollment process? Is your organization using the right tools to reach your target markets? This seminar is a forum for insurance-company participants to connect with peers and technology service providers to learn, network, and share innovative ideas.

## Distribution Conference for Financial Services

***February 28–March 2, 2018 ● Ponte Vedra, FL, USA***

With its theme of *New Rules of Engagement — the Future of Buying and Selling*, this conference is dedicated to helping distribution executives and professionals achieve ever-greater success. The event will feature leading-edge strategies to enhance operations and increase sales. It is the premier event for anyone with a vested interest in channel growth, productivity, and reshaping distribution to succeed in the United States and Canada.

## Regulatory Compliance Exchange

***March 21–23, 2018 ● New Orleans, LA, USA***

This *Forward-Thinking Forum* is planned by compliance professionals for compliance professionals. Participants meet each year to discuss crucial regulatory issues and learn effective compliance practices from peers and topical experts. It will cover a broad range of topics — from strategic issues to effective practices — and include panel discussions by industry regulators.

## Life Insurance Conference

***April 9–11, 2018 ● Chicago, IL, USA***

***Hosted by LIMRA, LOMA, SOA, and ACLI***

This conference — focusing on *Innovation in Insurance* — offers numerous workshops on life insurance industry topics, including product innovation, distribution, markets, technology, administration, and regulation. The event is designed for professionals involved in life insurance product development, operations, marketing, distribution, technology, and administration.

## Retirement Industry Conference

***April 11–13, 2018 ● Chicago, IL, USA***

***Hosted by LIMRA LOMA Secure Retirement Institute and SOA***

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Interestingly, we found that the most common sources for job candidates do not generate the candidates most likely to succeed. For example, job boards and other Internet sources account for a little more than a quarter of all candidates. However, only 1 in 10 of those candidates are very qualified. Instead, social media — which provides only 2 percent of candidates— produces three times as many qualified candidates. Social media is an underutilized source of talent.

Millennials also expect technology and tech support after hire. Our survey of young advisors found that four of their top-five most requested sources of support are for technology tools and services.[4]

Succeeding in the competition for talent requires an understanding of the importance of technology. Technology can help identify good candidates, and move them more quickly through the hiring pipeline. Companies that have good technology tools should give candidates a taste of these tools as incentive. It shows the company's commitment to the future, competitiveness, and investment in employees. In addition, salespeople look for any tools and technology that will help them increase the speed to sale and provide a better customer experience.

While different companies have different levels of technology and investment in technology, at the end of the day career success depends on the ability to develop relationships. That will never change.

> *"Technology is nothing. What's important is that you have faith in people, that they're basically good and smart, and if you give them the tools, they'll do wonderful things with them."*
>
> — Steve Jobs

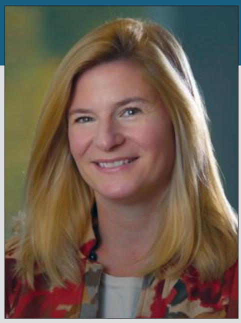
[1] Roberts, Jeff, "The Threat is Real," *Best's Review*, July 2017.

[2] *New CareerBuilder Study Unveils Surprising Must Knows for Job Seekers and Companies Looking to Hire*, http://www.careerbuilder.com [accessed September 2017].

[3] *Millennial Generation Attitudes about Work and the Insurance Industry*, The Griffith Insurance Education Foundation and The Institutes, 2017.

[4] *Young Advisor Series*, LIMRA, 2015.

# LOOK AGAIN



## Job Seekers Are Consumers Too

*By* Alison F. Salka, Ph.D.
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New, disruptive technology is fundamentally changing the financial services industry — affecting company systems, administration, customer service, and marketing. And things are changing quickly. That said, I'd like to focus on something that will likely never change: the need to find, train, and retain great talent.

It is already difficult to find qualified people for a number of highly skilled roles critical to future success: data scientists, actuaries, and business intelligence analysts, among others. But now many companies are outsourcing entry-level roles or employing technology to replace underwriters and customer service representatives. While this may improve efficiency and lower business costs, it may also mean taking talent away from the very place where future leaders start.

In addition, the industry is graying. An estimated 50 percent of the insurance workforce will be retired by 2030, and 20 percent of experienced underwriters will retire in the next few years.[1] The U.S. Bureau of Labor Statistics estimates that there could be up to 400,000 open positions due to retirement by 2020. Automation and algorithms can't — and shouldn't — replace them all. Where will tomorrow's talent come from? How can technology help you recruit, develop, and retain hard-to-find talent?

As you learned in this issue's Focus section, today's consumers are more educated and demanding than in the past. Their power has increased. Their expectations for customer experience have been set by service-oriented brands that offer responsive, personalized products and services. What may not be as obvious is that many of these consumers are also job seekers, and they bring those consumer-level expectations to their job search.

Like regular consumers, they do research — visiting up to 16 sources in their job search. (In comparison, consumers seeking information on life insurance usually visit about 8 sources.) They also increasingly expect an omnichannel experience. About 10 percent of Millennials say they won't consider a company that doesn't take online applications.[2] This number will likely grow in the future. They are also less likely to apply if applications are too time-consuming, and may move on to other opportunities if they don't hear back from a company quickly.

Because job seekers are becoming more like consumers, recruiters need to become more like marketers. All good marketers understand the value of brand and image. The industry needs to pay attention to its image. We face a tough audience, though. Consumers — and job seekers — can be skeptical. The old saying is that insurance is sold, not bought. This also applies to an insurance career. According to a survey from the Griffith Insurance Education Foundation and The Institutes, only 9 percent of Millennials are very interested in a career in the insurance industry.[3] The insurance brand is not coming across as particularly appealing, despite its many attractions.

The Insurance Careers movement, a group of more than 600 companies across the globe, has been working to change this image, and highlight the benefits of and opportunities in the insurance industry. The movement includes a multi-phased initiative to promote the industry via social media, webinars, and other platforms. It is designed to help recruit the next generation of leaders.

Technology can help improve the industry's brand and image, and can also help recruit. Artificial Intelligence is coming to recruiting. Some companies use recruiter chatbots to directly interact with candidates to answer questions about the job. They also do some interviewing, provide feedback, and give updates. And they do this 24/7. Others use gaming technology in an effort to recruit. Mercer Match is a game-based method of connecting candidates with opportunities. Users play a series of quick games that are designed to identify and measure cognitive and social skills that give information on job fit and potential success.

To understand the interaction between technology and career potential, LIMRA did an analysis of where candidates are recruited and how likely they are to succeed.

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All around the world, the protection gap still yawns. There are millions of potential customers out there. But how do you reach them on their terms? What insights do you have about how they behave? And what can you do to increase the chances they'll say yes to life or disability cover? At Swiss Re, we've developed tools that inform, streamline and customise the whole business of underwriting. We'll help you extract actionable insights from ever-growing pools of data, and connect with your customers better by understanding what makes them tick. So you can build confidence in your decisions, build the ideal customer experience and – ultimately – help build better lives. **We're smarter together.**
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