

What can breathe new life into the waning life insurance industry?

The industry is not thriving as it used to be - the number of US households with life insurance has plunged

by [Gerv Tacadena](#) | 19 Apr 2019



It seems like the failure to keep up ever-changing innovation has sucked the life out of the life insurance industry. Figures from Hannover Re show that the number of US households holding life insurance has plunged to a 50-year low.

The portion of potential clients for traditional life insurance products is not what it used to be as it continues to shrink every year. In fact, a study by LIMRA found that less than 20% of millennials are interested in purchasing life insurance at any point in their lives.

For Hannover Re vice president Tony Laudato (pictured), the problem lies with the disinterest of the value proposition of life insurance in comparison to other financial priorities.

“Whereas in the mid-20th century, it was something that most households purchased as a matter of course, younger generations tend to view it as optional at best, if they even consider it at all,” he said.

Challenge for providers

In these challenging times, life insurance providers need to step up their game and change the way they engage with potential clients through the use of digital and online technologies.

Laudato argued that, at the moment, there seems to be an over-reliance on brokers and agents who are incentivized to target wealthier households. Such models discourage brokers and agents to look beyond and consider bringing life insurance into other market segments. He believes newer forms of media and social networks could enable providers to reach not just those in the higher-wealth bracket but also the middle market and younger households.

“Research suggests that these potential customers commonly perceive life insurance to be far more expensive than it is in reality – what better way to disabuse this myth?” he said.

With regards to policy design, Laudato said younger clients want everything at the speed of a mouse click and providers need to adopt modern and automated underwriting capabilities that can enable the creation of a broader range of niche offerings instead of one-size-fits-all blanket coverage.

“For example, an individual who engages in extreme sports on the weekend may not currently be interested in buying a whole life insurance policy – but may well see the value in taking out time-limited policies for the periods when they know they will be engaging in these riskier activities,” he said.

By introducing new clients in increments, he believes the task of getting them to add on more coverage or switch to better policies would be more comfortable.

Engagement tools

Data and automation are two of the essential tools that can play a vital role in making sure newly-designed policies are delivered to potential clients. Data-driven marketing on

social networks, for instance, has a greater chance of catering to the specific needs of clients.

“To take the example of short-duration policies, a Facebook group for extreme sports enthusiasts, or a professional association for scuba divers could be appropriate channels. Or it could be taken further still, down to an individual level – part of the problem the industry currently has with engagement is that it still relies heavily on the old-fashioned approach of an annual sit-down with a financial agent or some other intermediary or even less – such as a mere letter in the mail,” Laudato said.

He added that the ability to identify clients in specific situations and engage with them quickly is a huge advantage - something that the available tools today can already help providers with.

Another point is the sale process itself, taking inspiration from how netizens are buying most things in just a click.

“Rather than reams of paper forms filled with incomprehensible and irrelevant information, the process should be simple, user-friendly, and quick. Advanced, automated, real-time underwriting technology and access to new datasets will again have a key role to play here,” he explained.

The possibilities are endless when it comes to data. Laudato said retention and upselling are just two areas which can benefit.

“There is much excitement about the potential of apps and wearables,” he said. “A regular stream of real-time data from an individual, relating to, for instance, heart rate or exercise levels, could be very useful for designing tailored, niche policies, as well as for the purpose of targeted marketing.”

Reciprocal intelligence

With the amount of potential data that can be utilized, Laudato noted that insurers could provide regular updates to customers regarding their own information. For example, clients would be able to receive a message whenever their average heart rate reduces or when their exercise levels drop to a certain point.

“This could be tied to incentives, function as a health warning, or could even connect to policy design through, for example, targets to reduce premiums,” he said. “It would allow insurers to engage with their customers on a regular and meaningful basis, in a non-sales-oriented fashion, as opposed to the far more remote, irregular and formal traditional relationship.

“This, in turn, would create far more opportunities for firms to educate and inform customers of the benefits of more comprehensive policies, as well as for more targeted upselling.”

Challenges ahead

While opportunities are endless, challenges remain for insurance firms - particularly in terms of structure and culture. Laudato said one challenge lies in the process of accumulating large amounts of data and determining how to use it effectively.

“It means that life insurance companies will need to become tech-savvy to the core, on an institutional basis,” he said.

On a structural level, firms need to consider getting people with the right skills on board.

“This will require a top-down element – firms wishing to lead the way will need to consider creating new digital departments, including new board-level positions encompassing responsibility for delivering digital strategies,” he said.

Finally, it is crucial for insurance players to pave the way for their businesses to integrate the right technology solutions.

“There are already numerous insurtechs that address some of the most pressing problems along the insurance value chain, so firms need to uncover them and collaborate,” he said.