Drivers Of Technology In Selling Insurance

By Steven Johnson

I recently took a trip with my family and went about with the usual preparations. We packed our clothes, some snacks, the kids' bikes, and when we were ready to leave I punched our destination into my GPS. It was then that my son asked me why I wasn't using an app on my smartphone.

My response to him was, "This will get us where we need to go and we have used it for all of our other trips." He replied, "Yeah, but Dad, this GPS app uses social networking and reports live traffic, potholes, and police!"

At that moment I realized how I could benefit from this new evolving technology that was constantly being refined and I reflected on how to avoid becoming like my parents—who used hard copies of maps—and stay up to date with modern advances.

Now, I'm not so old that I don't remember following printed-out, online directions, but my father would go to the local AAA office and get a map. Not just the little fold up kind, but one of those large books full of maps. It was bad enough that it couldn't tell you where you wanted to go, but you also needed to know which direction was North!

So at a quick glance, whether it is my father with his road atlas, me with my GPS, or my son with his smartphone app, it is quite apparent that there is a fundamental difference in the level of technology that each of our generations have become comfortable using.

I am not suggesting that I am breaking new ground with these observations, but understanding why certain groups choose different levels of technology, and what their preferred method of communication is, can give us an insight on how we can best tap into each market, target what kind of consumer they are, and help sell them insurance.

Understanding what the market wants is what will ultimately drive the technology that helps us reach those markets, especially in life insurance.

GENERATIONAL CONSUMERS

Let's take a look at the different types and ages of the generational consumers in the U.S. (see Figure 1 below)

The Boomers and the Matures have a very small adoption rate of the current technology.

Generation X has transitioned from the past technologies to the latest ones, and they are fairly comfortable in both mediums.

The Millennials were adults around the Millennium and are heavily immersed in modern technology.

The iGen's have always had the Internet and the latest technology such as smart phones. To them, they cannot imagine a world that existed without these devices.

A basic principle of marketing suggests that using the preferred medium a consumer knows and trusts will have a direct impact on the way they make purchases and how one could—and should—sell to and interact with them.

When it comes to life insurance, there are three groups that are of particular interest when it comes to the actual purchase: Boomers (my father), Gen Xers (me) and Millennials (my son).

THE SALES MODELS

Boomers gravitate towards brand recognition, tenure in the market, and historical or perceived quality. They want an expert with years of experience to tell them what is best for them, spend time with them and get to know them. These are the deals that get done over a few drinks, out on the golf course, or whatever it takes to get them alone so they can sell, sell, sell!

This is the exact reason why my father would go to AAA for a map. He could have gone to the local store and bought the same map, but he wanted an expert.

With the Gen Xers and Millennials, however, it is the complete opposite: they avoid salespeople and prefer options. They are a generation of informed consumers and are willing to do a massive amount of online research prior to most purchases. This generation,

Figure 1

Different Generational Consumers

THE IGEN'S	THE MILLENNIALS (AKA GEN Y)	GENERATION X	THE BOOMERS	THE MATURES
< 14	15 – 35	36 – 50	51 – 69	> 70

however, is not necessarily concerned about the length a company has been in business or their historical reputation. This is a generation that cares about the star rating and browses the customer reviews.

A member from this generation will commonly do their research across multiple sites and make it a point to check out the most negative reviews. They want to be informed, educated, and choose what they have determined is best for them. No expert required or desired.

Although the Millennials and the Gen Xers engage in similar research habits, there is an interesting distinction between the two: once the decision for a purchase has been made, the Gen Xer is more likely to go out to a local store to complete the purchase, rather than completing the transaction online, even if the price is better online.

They prefer bricks to clicks. Perhaps this is a result of being raised by the Boomers.

Millennials, on the other hand, prefer completing transactions online and want their items delivered, never having spoken to an actual person. In a worst case scenario they will engage in an online support chat, but only out of extreme necessity.

There is also the subject of online privacy. The younger the consumer, the less concerned they are with privacy. Even when it comes to monitoring their online transactions, the younger consumers are willing to accept this level of intrusion if it means that the algorithm making suggestions is more accurate to their buying habits.

PRODUCTS

So what products are these three groups purchasing?

The Boomers are most likely to purchase annuities (perhaps with the cash value from their permanent products), long-term care, and/or various estate-planning products.

The Gen Xers are getting their first mortgage—also known as the gateway purchase into life insurance—and typically look to buy term products. Their next logical advancement into the purchase of life insurance comes when they have children. Now there is a need to save for college and other unforeseen expenses, which drives the need for additional insurance like Whole Life, Universal Life, and other permanent products.

Lastly, we have the Millennials. They are not thinking about life insurance.

Up to this point in their lives they have only thought about Auto, Health, and maybe Renters Insurance. This group, however, are going to be the next big wave of clients.

SALES CYCLE

The average amount of time that elapses between a consumer picking up the phone and saying, "I would like to purchase some insurance" and the policy actually being issued is well more than a month. During that time, there could be countless events that could go wrong for this potential policyholder, all of which could lead to the sale falling through.

For example, someone is purchasing life insurance and their refrigerator decides to stop working. Are they more likely to lock-in their premium because they are the youngest and healthiest they will ever be, or defer the insurance purchase because they have an immediate need?

Ask any insurance company or experienced life insurance salesperson and they will tell you that reducing the sales cycle has always been of interest. At the same time, with the Millennials, a shorter and unassisted sales cycle is going to be required in order to gain their business.

This can already be seen in similar industries like auto insurance, where the Millennials are already making their presence felt. Advertisements promising applications in 15 minutes or less are inescapable and competitors promising the same process in half the time are becoming just as prevalent.

This is an industry trying to capture the Millennial market and doing so where the window of opportunity is in minutes. Not weeks. Not months. This is being accomplished through a streamlined process over the phone, completely online, or done through a smart phone app.

This is where the life insurance industry needs to be.

OPPORTUNITIES

In order for the life insurance industry to catch up, it will have to consider streamlined and consumer-focused practices like automated underwriting and mobile quoting.

The traditional method of underwriting remains as one of the most dreaded aspects of the entire process of obtaining life insurance: scheduling a medical exam, drawing blood, being asked a multitude of embarrassing questions about your medical history, and finally having someone scrutinize your medical past.

One possible alternative consists of providing underwriters with access to online databases, credit reports, driving histories, and medical records in order to ascertain the risk and make a decision in seconds.

Mobile quoting, online applications, online education for research, and comparison tools are all areas of opportunity. Simplifying permanent products, and creating the basic building blocks to help consumers choose their own complex life insurance products with just enough assistance as they request is the future.

There is no silver bullet when it comes to selling insurance, but there is a multi-faceted, multi-generational approach that can redefine an industry. ■

Steven Johnson is the associate vice president of Illustrations at iPipeline, a strategic partner and technology provider of SaaS solutions that drive straight-through processing for the insurance and financial services industry. He can be reached at sjohnson@ipipeline.com.