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e: sphillips@soa.org

Erin Pierce, Senior Graphic Designer
e: epierce@soa.org

Letter from the Editor

By Jill Klibanov

Welcome to the September 2016 edition of *NewsDirect*. My name is Jill Klibanov and I have had the honor of serving as the editor of *NewsDirect* this year. It's been wonderful being able to work with different authors in the field and reading the amazing articles that people are able to create from their own expertise and unique insights.

This edition, we have articles that cover a wide range of topics, including:

- Results from a recent LIMRA and Maddock Douglas study exploring what retirement means to consumers, and how to best reach this market,
- The Department of Labor's new fiduciary rule,
- A preview of results from MaD's middle market research project, and

- A summary of MaD sponsored meeting sessions from the recent Life and Annuity Symposium.

The articles in *NewsDirect* come from volunteers, and very often from members of our own Marketing and Distribution (MaD) Section. Have you ever wanted to become a published author? We are always looking for people to contribute articles to *NewsDirect* with fresh ideas and new perspectives on topics that are relevant to our MaD mission. If you have an idea for an article that you'd like to write, please contact me or any MaD council member.

Also, I would love to get feedback on this edition from anyone who took the time to read any or all of the articles. What did you like? What would you like to see in the next edition? Do you have suggestions for particular authors or subjects? What changes could we make so that you receive the most possible value from reading *NewsDirect*? Please drop me a note to let me know what you think—I would love to hear from you.

I hope you enjoy this edition of *NewsDirect*! ■

Jill Klibanov is a product actuary at CNO Financial Group. She can be contacted at j.klibanov@banklife.com.



Knowledge On-the-Go

SOA Podcasts

The SOA releases free podcasts each month, designed to help busy professionals find the time to gain insight and hear different perspectives. Recent podcasts explored topics ranging from how nonqualified annuities are taxed to how to be an ethical leader.

SOA.org/Podcast

Middle-Income Market— What the Experts Have to Say

By Doug Bennett

The Marketing and Distribution Section (MaD) has embarked on a project to gather insights from “experts” or “knowledgeable” people in the marketing of life insurance or similar products to the middle-income market. Over the last 10 years or so there have been a number of studies and ideas presented as potentially viable strategies for serving the middle-income market, yet successes have been limited. The goal for this project is to help explain the apparent lack of success and what the experts think companies need to do differently.

This project is a continuation of MaD’s multi-year effort to provide its members a better understanding of the middle-income market and its demand or lack of demand for life insurance. This effort started with an extensive buyers’ attitude study that demonstrated that middle-income life insurance buyers could be segmented based on their attitude towards life insurance. That

MaD has embarked on a project to gather insights from “experts” or “knowledgeable” people in the marketing of life insurance or similar products to the middle-income market.

research showed that it was possible to predict a potential buyers segment based on their answers to as few as nine questions. But that research did not help to answer the question why the life insurance industry has not been able to widely penetrate the middle-income market. While this project will not provide a definitive answer to the question, it is intended to be a catalyst to a conversation on this topic and document the range of opinions and experiences in this market.

MaD expects to present a comprehensive report detailing the findings of this project in the second half of 2016. In the meantime, this article will describe the methodology used to gather the insights and a high-level review of those insights.

EXPERTS AND DATA COLLECTION METHODOLOGY

A Program Oversight Group (POG) was organized by MaD to

define the scope of the project and identify experts. The experts were not necessarily people who had implemented successful middle-income strategies—as previously mentioned, not many companies have reported outstanding success in this market. The experts chosen were known to have knowledge of the market, prior strategic initiatives or were actively involved in their own organization’s efforts to penetrate this market.

Sixteen experts agreed to participate in the project. The experts had varied work experiences including:

- Distribution managers,
- Chief marketing officers,
- Agent/brokers/agency managers,
- Insurance sales consultants,
- Corporate/Product actuaries, and
- Reinsurance actuaries.

They worked for insurance companies (where life insurance was either a primary or secondary line of business), distribution consultants or as insurance sales reps.

The experts’ observations, insights and opinions were collected using one-on-one telephone interviews. Initially it was expected that consistency across interviews could be maintained by using an interview guide. In practice, much of the guide went unused because the experts’ field of knowledge varied so widely the guide could not possibly cover all the topics the experts were qualified to talk about. Ultimately the interviews were structured in a way that focused on the experts’ specific understandings of the industry’s middle-income market short comings and potential opportunities. A single researcher conducted the interviews as a way to maintain consistency across the interviews. By participating in all the interviews the researcher could identify common concepts being articulated from experts’ differing points of view.

Lists of observations, insights and opinions were compiled from each interview. These lists were further compiled into common themes. Themes were considered to be important if they were found in more than one interview even if the experts expressed conflicting views. For example, the lack of economic recovery for the middle-income market was offered by some as an ongoing impediment to successfully marketing to middle-income customers, but was discounted by others. These inconsistencies were noted in the results, but no attempt was made to resolve them. This is left as part of the ensuing discussion that MaD hopes comes about because of this project.

MIDDLE-INCOME DEFINITION

During the project planning process the POG struggled with the definition of the middle-income market. A specific income range was discussed and whether this range should vary by geographical region. If the definition were made too specific there

was a concern that it would limit potential observations. It was decided that experts would be recruited on a broad definition of middle-income. In the end, the market was described as ranging from those individuals or families with enough disposable income that they might consider buying life insurance to those with not so much income that the purchase of life insurance could be considered part of a financial or estate plan. The interviewees were not troubled by the lack of specificity and their observations were generally consistent with this definition.

Not all experts defined middle-income market based on customers' income. In some cases they equated the market of a specific product to the middle-income market. Final expense insurance was often thought of as strictly a middle-income product. Alternatively some experts defined middle-income based on the use of a particular distribution channel. The primary example of this was companies using worksite marketing. These experts tended to be from niche market companies. Their observations were still relevant to the broadly defined middle-income market but in compiling the results, if their observations differed widely from other's observations, the differences were noted. Similarly, when discussing the middle-income market, the same experts focused their comments almost exclusively on Millennials. It was not clear if this was because the millennial market is the focus of much of the current consumer research or that these companies no longer consider the older middle-income consumer as a viable market.

PRELIMINARY RESULTS

Once all the observations were compiled and adjusted for the varying points of view, a set of eight specific themes emerged from the interviews. These themes are not necessarily strategic in nature, but should be important considerations for anyone building a middle-income strategy.

IMPORTANT THEMES

- All experts agreed that when using traditional methods of measuring need (multiple of income, FNA, etc.) there is a gap in coverage for the middle-income market and the industry does not seem to be closing it, though some questioned if the gap was real.
- The experts were unanimous in the belief that middle-income consumers do not understand insurance, especially life insurance, the difference in product types or even how to figure out how much insurance they need to buy.
- While not a unanimous position many of the experts opined that in one form or another, insurance companies needed to own distribution.
- At the same time, those companies that talked about their experience deploying alternative distribution systems re-

ported significant investment (tens of millions of dollars) and/or time and effort.

- Similar to owning distribution, experts talked about the need to brand their company, especially when no agent is involved.
- Other than income replacement (which is not new), no expert suggested the need for a new or better product.
- Much of the prior research on the middle-income market pushed the need to streamline the new business process, reduce the intrusiveness of underwriting and strive for instant issue. While some agreed, there was fairly broad disagreement with this position.
- Success is going to require a “sea change”—both at company and industry level.

HIGH LEVEL MIDDLE INCOME STRATEGY

The experts were not specifically asked to describe their organization's actual middle-income strategy. That was not the point of the research. But from the discussion, two very different high-level strategies could be inferred.

The first can best be described as “more of the same.” These were primarily niche companies that were building their strategy on identifying distribution outlets already successful in the middle-income market. The company would build products with features, compensation and ancillary support services those outlets would find attractive. The final expense and worksite markets were two such examples.

The second high-level strategy was revolutionary in nature. These experts talked about the need to recognize that in the middle-income market, the product had become a commodity and high sales volume was most important. They felt their companies were never going to attain the required volumes doing business as usual. Expensive changes were going to be needed in distribution, marketing and back office administration.

CONCLUSION

As mentioned above, the final report will be available sometime in the second half of 2016. Based on the results so far, MaD is confident that the results will significantly add to the discussion on how companies can best serve the middle-income market. ■

Doug Bennett, FSA, is a consultant. He can be contacted at dbennett25@gmail.com.

DOL's Fiduciary Regulation: A Catalyst for Annuity Product Innovation?

By Thomas Roberts

Annuity industry professionals are all too familiar with the most frequently levelled criticism of the individual annuity product: “It’s just too expensive!” Though many would take issue with that refrain, the expense structures associated with individual annuity contracts have provided fodder over the years for a number of consumer financial publications, radio and television pundits and others to question whether the costs with annuities might sometimes outweigh their value.

A key driver of annuity expense structures today is, of course, the cost associated with product distribution. But these costs of distribution may be on the verge of changing—and potentially in a major way. The Department of Labor’s final regulation defining the term “fiduciary” for purposes of the ERISA and the Code is aimed squarely at the sales conduct of financial advisors (advisors) to small 401(k) and other employer sponsored plans, participants and IRA holders. The department’s regulation and related prohibited transaction exemptions are likely to require changes to advisor compensation structures. And in many cases those changes are likely to reduce the level of compensation payable to advisors for the successful recommendation of annuity products.

Below, we examine these regulatory-driven changes to advisor compensation and offer some thoughts about how those changes might impact annuity product design down the road.

THE FINAL REGULATION

The new rules defining the term “fiduciary,” which become applicable on April 10, 2017, will largely re-characterize persons who today are non-fiduciary sellers of financial products to ERISA plans, participants and IRA holders, into fiduciaries. The prohibited transaction rules under ERISA and the parallel provisions applicable to IRAs under Internal Revenue Code section 4975 prohibit fiduciaries from exercising their authority in their own financial interest (prohibited self-dealing) and from receiving payments from third parties in connection with a recommended transaction (prohibited kickbacks) **unless** an exemption is available and the fiduciary has complied with its conditions.



THE BEST INTEREST CONTRACT EXEMPTION

Realizing that advisors engaged in the distribution of annuities and other financial products are typically compensated on a transaction basis, the Department has published a new prohibited transaction exemption—the Best Interest Contract or BIC exemption—for purposes of allowing distribution firms and advisors to continue to receive transaction-based compensation, subject to various conditions. The most significant of these conditions requires the distributing financial institution (typically a broker-dealer) to enter into a written contract or similar writing with retail clients of its advisors. The BIC contract is required to include the following statements (among others):

- a promise that the firm and its advisors will provide recommendations that, at the time they are made, are in the client’s best interest by reflecting the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims, based on the investment objectives, risk tolerance, financial circumstances and needs of the client **without regard to the financial or other interests of the advisor**, the financial institution the advisor represents, or any other party;

- a statement that the recommended transaction will not cause the advisor, the financial institution he represents or other related parties to receive compensation for their services that exceeds what is reasonable compensation; and
- a warranty by the financial institution represented by the advisor that the financial institution has adopted policies and procedure reasonably and prudently designed to ensure that its advisors adhere to the best interest standard of conduct described above.

The Preamble language accompanying the BIC exemption makes clear that advisor compensation lies at the heart of matter. The department expresses the view that financial institutions seeking exemptive relief under BIC have an obligation to examine whether the ways in which its advisors are compensated may give rise to conflicts with the interests of the advisors' clients. In particular, where a firm's advisors may be financially incented to recommend the sale of investment products, including annuities that may not be in the customer's best interest, the financial institution is obligated to revise its advisor compensation structure.

Where a financial institution compensates its advisors on a transaction-based basis, the department expresses the view that advisors should not receive differential compensation **within** product categories. As to the payment of differential compensation **between** product categories, the is permissible only to the extent attributable to "**neutral factors**" such as the time and effort involved in explaining a more complex product (e.g., an annuity vs. a mutual fund) to a retirement investor client. Differences in the compensation paid between product categories that might be based on non-neutral factors would, in the department's view, be likely to encourage advice other than in the best interest of an advisor's retirement investor clients.

A RE-ASSESSMENT OF ANNUITY COMPENSATION

Today, the financial compensation available to advisors who successfully recommend the purchase of an annuity product is often well in excess of the compensation available for the recommendation of a non-annuity product, such as a mutual fund. For the reasons described above, the degree of that compensation differential is likely to be significantly reduced for annuity sales to ERISA plan participants or IRA holders taking place on or after April 10, 2017. By that date, selling firms will have needed to examine and re-formulate their advisor compensation structures so as to remove incentives that might cause an advisor to recommend one product, such as an annuity, over another, such as a mutual fund, for reasons related to the advisor's own financial interests.

Few would argue that in the present marketplace, the expense structure of individual annuities reflects the financial incentives offered to distributors, and ultimately, to advisors who market and

sell the product. But what will those expense structures look like in the post-April 10, 2017 marketplace envisioned by the department, where differences in the compensation paid to advisors between products are likely to be limited to neutral factors that do not provide the advisor with a financial incentive to recommend one product over another? While it is too soon to be able to answer that question with certainty, here are a few predictions:

1. The compensation payable to advisors who recommend annuity products is headed sharply downward. The compensation payable by annuity manufacturers to selling firms is likely to reflect this change.
2. Payments made by annuity manufacturers to selling firms for "shelf space," "preferred partner" arrangements and the like are also headed downward. While the BIC exemption does not prohibit these practices, it does require the selling firms who engage in them to adopt policies and procedures to assure that any financial conflicts attributable to such payments at the firm level do not influence advisor recommendations to clients. In light of that, selling firms are likely to re-structure such payments as a uniform access fee paid by all product manufacturers distributing through the firm. The uniform nature of the fee (the same fee will be paid by all manufacturers) means that it will no longer be reflective of actual sales volumes.
3. These reductions in distribution costs, which will likely be significant, will afford product manufacturers an opportunity to either re-price existing products with existing guarantees, or perhaps to re-design those products to deliver additional value—in the form of enhanced guarantees.

For the actuarial profession, this latter possibility is perhaps the most intriguing. In a future-state environment where distribution costs may be sharply reduced and where advisors are no longer financially incented to recommend an annuity over a competing non-annuity product, what new forms of guarantees might product manufacturers develop to remain competitive? Moreover, might the anticipated reduction in product distribution costs clear the way for changes to annuity cost structures, including the amounts and length of deferred sales charges?

In these respects, the Department of Labor's new fiduciary rule could prove to be a catalyst for product innovations and re-designs that will position the annuity industry to respond to some of it harshest critics. ■



Thomas Roberts is a principal with the Groom Law Group, a Washington, D.C., law firm that concentrates its practice on ERISA and other benefits matters. He can be contacted at TRoberts@groom.com.

Innovation Insights — Jubilecence Trumps Retirement For The Middle Class

By Maria Ferrante-Schepis

Oh boy, using the word “trumps” these days has a whole new meaning. Anyhow, the point is that retirement has been replaced by a new and very exciting construct.

LIMRA and Maddock Douglas have embarked on a study that unveils significant findings among mass-market consumers and their attitudes about retirement, which is fundamentally being reinvented by today’s middle class.

WHY THE MASS MARKET?

There is significant opportunity for providers who can crack the code in the mass market, also known as the “middle class.” This study aims to learn about the middle class, not from a demographic point of view but from an attitudinal one. Some significant findings include: Middle class is a state of mind, not an asset or income level.

There is significant opportunity for providers who can crack the code in the mass market, also known as the “middle class.”

Interestingly, 36 percent of people in lower income ranges and 81 percent of people in upper income ranges consider themselves middle class. So that state of mind is quite widespread, and 74 percent agree that middle class values are worth protecting.

WHY IS TRADITIONAL RETIREMENT PASSÉ?

We found out that only 25 percent of people who define themselves as middle class are thinking of retirement in the traditional sense (stopping their current work at age 65). Another 22 percent are thinking retirement will be after age 70, and 39 percent think it will be by age 64 or earlier. A full one-third say they very well may not retire at all.

In addition, the notion of retreating on beaches and sailboats is also passé, as many report they aspire to a lifestyle that is more down to earth, makes more time for family, or for pursuing modest hobbies, health and faith. In fact, in the 2014 study on authentic communication done by LIMRA and Maddock Douglas, consumers gave the industry low grades for being down to earth relative to how retirement products are marketed. The imagery suggested that everyone needed to aspire to an upper-class lifestyle.

The notion of retirement in general is being replaced by the notion of a lifestyle change, but one that is firmly rooted within a middle-class mindset. It’s not about a life of leisure; it’s about being active with a different purpose. This can happen in any timeframe and with many different catalysts.

REPLACING RETIREMENT WITH “JUBILESCENCE”

We should stop thinking about retirement as a bright line goal and be more fluid in our ways of helping people navigate their path to “jubilecence”—a new word coined by combining the Spanish translation of retirement (jubilación) and the idea of adolescence, a transition to a future self. Some people may have several jubilecence phases in their lives; some may have one. Some may be brought on in a positive and proactive way; some may be thrust upon people unexpectedly. Either way, the opportunity for professional advice is abundant. Perhaps the planning time horizon should be shorter and make room for more than one transition.

In addition, jubilecence is highly individual. We cannot use demographics as an indicator of what people need or want. In an analysis of individuals in the same demographic class and circumstance, we found high degrees of individuality, even uniqueness, in terms of priorities and needs. One size does not fit all.

THE “ISH”

Considering that time horizons are no longer fixed and so long term and people are defining their futures in a very fluid way, everything is “ish-y”—65-ish, work-ish, vacation-ish, still taking care of kids-ish, small-ish homes or large-ish homes, etc.

That being the case, what does the advice model look like? Some would say it is hard to have a face-to-face model and be profitable. Others would say robots can’t possibly create custom solutions.

WHAT ABOUT THE HUMAN ROBO COMBO SANDWICH?

As we examined the different needs of middle-class consumers, many of their financial concerns and aspirations are driven by both common needs among all consumers (like budgeting, saving and insurance) and also individual needs (like career situations, living scenarios, relationships and even crises). That said,

there are some things that can and perhaps should be automated and other things that artificial intelligence is just not ready for.

So this opens up the discussion about getting the combination of the two “just right.” There are many ways to do that when you consider all the different doors consumers might come to us through. Some might come looking for financial advice from an advisor. Some might come looking to the web for guidance. Some might come across a financial tool that leads to the need for additional, personalized guidance. Others might have a specialized need, such as real estate, that could lead to the need for more financial advice or budgeting help. Regardless, there are many ways to build the combinations. The key is to leverage technology not to rid the experience of the human touch but to make it more accessible and more cost effective.

THE TIMING IS GOOD

About one-third admit they don't have an advisor AND believe that's appropriate. Yikes. This suggests that we have a lot of work ahead of us to change the model, change the perception, and change the outcomes for consumers and ultimately the industry. If the current incumbents of the industry don't, then disruptors

will because the new Department of Labor rule will force some players out of the game, making opportunity for others.

Finally, this study opens up spaces for new kinds of expertise beyond current products. We should be thinking about developing and delivering expertise that addresses needs that go beyond saving, investing and insurance and assist in skilling up for new work opportunities, maximizing the value of living spaces and managing crises. This could be a transition opportunity for the advisors of today or a recruiting opportunity for the advisors of tomorrow.

SO THE QUESTION IS...

Can this industry commit to serving the middle class in a way that is attractive, unbiased and also profitable? With the right work, analysis and innovation, the answer is yes. ■



Maria Ferrante-Schepis is executive vice president and managing principal of Insurance and Financial Services Innovation at Maddock Douglas. She is co-author of “Flirting With the Uninterested: Innovating in a ‘Sold, Not Bought’ Category.” She can be reached at maria.fs@maddockdouglas.com

MAD Happenings: Update on the 2016 Life and Annuity Symposium

By Andrew Steenman

At the recent Life & Annuity Symposium in Nashville, MaD sponsored three excellent sessions. What follows is a recap of the meeting and the MaD sessions for those who could not join us in Nashville, missed one of the sessions, or would just like a refresher before adding the time to their continuing education tracker. First, I'd like to extend thanks to all these volunteer presenters for their important contributions to the meeting.

SESSION 32: REACHING THE MIDDLE MARKET AND ADDRESSING THE FINANCIAL SECURITY GAP

Slides available at <https://www.soa.org/Files/Pd/2016/las/pd-2016-05-las-session-32.pdf>

Mary Pat Campbell of Conning shared insights from her work studying U.S. consumer markets. The growth of in force life insurance and premiums has been relatively slow or even flat for a number of years. The increasing penetration of technology could be an avenue to reaching more consumers, but companies need to figure out how to use it to convert. Mary Pat offered some statistics on the life insurance protection gap in the middle market (typically the third and fourth income quintiles). She reported that in the third income quintile, 12 percent of income and debt needs remain uncovered, and this grows to 19 percent in the fourth quintile. One of the most significant takeaways from her talk was that in the fourth income quintile the average consumer spends less than \$500 annually on life insurance compared to more than \$3,000 on health insurance premiums and \$6,000 on retirement. There are significant opportunities to tap into the resources of these consumers to help cover the protection gap.

Farron Blanc of RGAX shared market research looking at end consumers, for example at the needs of Hispanic and millennials, and why insurance is a difficult sell. In a study from his company, they found that many consumers over-estimate the cost of insurance. Farron and his team conducted a series of video interviews with middle-market consumers in major U.S. cities. In videos cut from those interviews, insurance was called things like “a necessary evil,” “confusing,” and a “turnoff” because of hard sales approaches that seemed too focused on agents’ own interests. In

the videos, consumers expressed a desire for someone to act as a trusted advisor and really help them understand how insurance could meet their needs. Finally, Farron pointed us to some examples (e.g., Lemonade and Cover in the P&C space and PolicyGenius on the life side) of how technology is being used in certain insurance markets to change the way insurance is bought and sold. He suggested following these examples to see how the life industry could be disrupted.

Steven Rueschhoff of Edward Jones spoke about how his company is working to meet their client needs. In measuring their client base, Edward Jones considers about two-thirds of clients as middle market. They found that clients who are “deeply served” through financial advisors drive great value for the company and are also the most satisfied. The biggest barrier to expansion in the middle market is client inertia. Client’s prefer inaction because of factors such as the emotion of the purchase decision and products that are confusing. To overcome this inertia, Edward Jones has worked to prepare financial advisors and give them more confidence. This includes looking at how to turn emotional elements into a positive force, developing strategies that pair advice and product guidance, and looking at how to speed up the sales process through harnessing technology.

SESSION 66: TRENDS AND NEW TOOLS IN INSURANCE MARKETING AND DISTRIBUTION

Slides available at <https://www.soa.org/Files/Pd/2016/las/pd-2016-05-las-session-66.pdf>

Jay Jaffe of Actuarial Enterprises, Ltd., spoke about trends that have been commonly discussed in the industry, but also those that may be less familiar to actuaries. In the past there has been a lot of focus on a short-term view from the sales side—looking at annual goals to keep the boss and shareholders happy each year. Jay took the position that we need to be more focused on the long-term view. This would include efforts like expanding the diversity of producers in recognition of the more diverse customer base, as well as harnessing technology both for product innovation and in reaching consumers. He predicts that if life insurance carriers cannot lead a revolution in innovation it could come from outside the industry: think of tech companies and health care giants. Finally, Jay challenged us to hone our predictive skills by being an observer of the industry and of the world and to use those observations to infer how we need to develop and adapt.

Steve Leigh of NEOS shared ideas on how technology can be deployed in insurance distribution systems to improve productivity. He described the use of gamification, or the use of game-like competitions, to encourage the use of technology platforms. The use of rewards or point systems could spur agents, producers, other employees, or possibly even consum-

ers to complete a process. These games and processes should be interesting, creative, and fun in order to be successful while also not losing focus on the goals of the program. Steve went on to discuss the use of technology in the direct to consumer space. Keys there include aligning the brand with the process or technology. For example, if the message is that the insurance processing time will be fast, then a web platform should be fast and responsive in order to convey the same feeling of the overall process.

Ben Filip of MECLABS presented on the topic of messaging and how the arrangement of information, graphics, forms, and videos in addition to the text itself will impact the likelihood of conversion (receiving a response) and also the likelihood of reaching a “yes” or “buy” outcome. He shared several samples of control tests to illustrate this concept and the results were not always what you might have expected. Ben’s focus was on the concept of a probability of conversion using a copyrighted heuristic $[C = 4m + 3v + 2(i - f) - 2a]$ where the elements represent factors in the probability of obtaining an outcome—the motivation, value proposition, and incentive as positive elements and friction and anxiety as negative elements. I highly recommend you check out the posted slides to understand how these factors come together.

SESSION 73: PREDICTIVE MODELING FOR THE MARKETING ACTUARY

Slides available at <https://www.soa.org/Files/Pd/2016/las/pd-2016-05-las-session-73.pdf>

Sarah Hinchey of Milliman presented a case study on the implementation of an analytics program at the fictional Wombat Life Insurance Company. The case study walked through the process of turning the scattered data and insights into actionable information. Data was gathered from internal systems and data sources as well as externally to develop a model that predicts consumers with the highest propensity to buy. The outcome of the model was that through scoring leads to narrow the pool of targets, a similar volume of sales could be achieved with only 25 percent of the sales effort. Though a fictionalized example, the concept and model of an analytics program could provide a foundation for how to approach a real life implementation. Sarah’s takeaways were to start small, involve key stakeholders early, and stay focused on the impact.

Patrick Sagent of LexisNexis shared his insights into how predictive models can harness the power of data that companies may already have. His examples included using models to screen out riskier leads who might not fit the company’s appetite or who may be quoted a high price and be less likely to buy. He suggested that messaging could be tailored based on the model scoring. When looking at data sources, it’s important to keep in mind that some data can’t be used for all purposes—primari-

ly because of compliance with FCRA requirements. Mortality models can be used to select consumers for accelerated or less invasive underwriting. Looking beyond underwriting, these models may have other uses such as cross-selling or conversion sales for term business.

Andy Ferris of Deloitte spoke about the wide range of ways that data models can be applied at a life insurer. These range from the recruitment of producers that might be most successful for a given product, to estimating persistency, to fraud detection programs, to programs that estimate the lifetime value of a given customer. Andy suggested the idea of a wide assessment of where and how predictive analytics could be deployed in different functional areas across a company. Once areas are identified, the value and effort of each would be used to prioritize the options and develop business cases and project plans first for those with the greatest potential.

PODCASTS

You can download MaD podcasts from the iTunes store or just click on the link below:

<https://www.soa.org/Professional-Development/Event-Calendar/Podcasts/Marketing-and-Distribution-Section.aspx>

Recent podcasts include “Numbers and Narratives,” which explores the idea of using a story to frame insurance concepts, and “Moving to Predictive Modeling,” a discussion on how you and your company can be successful in the predictive analytics space.

LINKEDIN

Are you LinkedIn? Join the Marketing and Distribution Section’s LinkedIn group to hear the latest news on our continuing middle-market research, sessions at SOA meetings, upcoming webinars and articles of interest. [Click here](#) to join.

You do need to have a LinkedIn account to join the MaD LinkedIn group, but creating an account is free and easy. LinkedIn is a great way to stay connected with other actuaries and professionals.

MEMBER INVOLVEMENT

For anyone interested in getting involved with MaD, a great way to get started is by becoming a friend of the council. By doing so, you can join in on monthly conference calls with the council and find additional opportunities to participate in section activities. To become a friend, simply contact any member of the council ■

Andrew Steenman, FSA, MAAA, is an actuary for Milliman, Inc., and a member of the MAD Section Council. He can be contacted at Andrew.Steenman@milliman.com.

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