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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 Sugent 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 ∎

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