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Internet Benefits Extend Far Beyond Distribution

by Bill Winterman

Twelve months ago, Transamerica Reinsurance completed development of a web-enabled term life insurance program for a leading mutual fund company. Our private label term life solution incorporates product development plus wide-ranging back-office support including policy administration services, underwriting and claims handling. By integrating reinsurance into the development process, we are able to provide highly competitive term rates. Transamerica Reinsurance has been providing this type of comprehensive solution to life insurance companies since the mid-1990s. Our informal motto has been, "You provide the distribution channel and we'll put you in the term life market."

However, our mutual fund client made our motto obsolete because they required a term life program that could be marketed to the consumer directly—without an agent. To meet their needs, we incorporated a direct distribution component into our solution using today's Internet technology. The technology was also used to automate the application process, streamline fulfillment procedures and significantly improve communication among the various groups involved in the entire process.

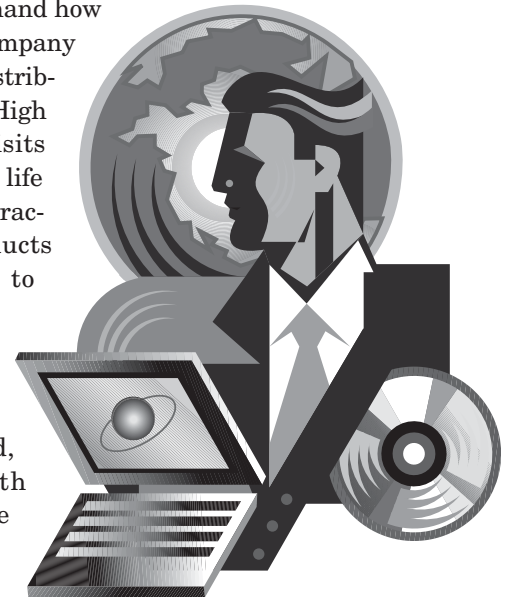
The solution hinges on a term life Web site we developed and branded in the mutual fund company's name. Consumers access the site from the fund company's main site—a well-branded, frequently visited site for conducting online financial transactions. High traffic and, more importantly, frequent repeat visits by internet-savvy consumers, make our client's site an excellent portal for term life sales. The program became available in the Fall of 2001 and has exceeded early expectations in terms of applications submitted and policies issued.

MUTUAL FUND VS. LIFE INSURANCE COMPANIES

This project provided useful insight into the comparative value of the Internet for mutual fund versus insurance companies. For

example, we experienced first-hand how a well-branded mutual fund company can leverage the Internet to distribute term life insurance. Why? High traffic and frequent repeat visits are a prerequisite for Internet life insurance sales. Given the characteristics of mutual fund products and services, it's reasonable to expect a well-designed, well-branded site to deliver a solid base of potential customers. Life insurance companies, on the other hand, have been disappointed with initial efforts to use the Internet as an alternative distribution channel. One obvious reason is that it's very difficult for insurance companies to drive a critical mass of potential buyers to a site. Given the sporadic nature of life insurance transactions, high repeat traffic is difficult to develop, even when functional capabilities are available. Certain developments—increased consumer interest in life insurance and a growing consumer comfort with purchasing financial services online—point to the long-term potential of Internet marketing. However, many life insurance companies are wisely looking for other ways to maximize Internet technology in the near-term.

Our work on this project demonstrates that the Internet offers significant value beyond its use as a new marketing channel. Insurance companies can integrate Internet tools and technologies into life insurance processes to improve communications among multiple functional areas, achieve greater operational efficiencies, simplify application and underwriting, reduce time to issue policies and improve customer service. While these initiatives may not get companies to online sales, they can go a long way to help an existing sales force sell more life insurance.



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HOW WE INTEGRATE INTERNET TECHNOLOGY INTO A TERM LIFE PROGRAM

With support from Computer Sciences Corporation (CSC), our business process outsourcing partner, we created a term life program for our mutual fund company client involving fully underwritten term life insurance. Briefly, the program works as follows:

- Potential buyers can readily access the term life insurance site from the mutual fund company's primary site. Visitors looking for information on life insurance can peruse consumer-friendly educational material, including frequently asked questions.
- Visitors can calculate their needs, get a premium quote and apply online using a brief, easy-to-complete application form.
- At any time during the process, the visitor can call an '800 number' and complete the process with the help of a customer service representative.
- Within one business day of submitting the online application, an enrollment specialist contacts the applicant by phone to complete a medical history.
- A routine para-medical exam follows.
- Once all test results are received, an underwriter issues a decision regarding insurance qualification.
- Policies can be issued within 30 days.
- Producers, customer service and insured individuals can go to the site's *Policy Status* feature to check the status of a policy. They can also use this feature to check the status of an application or the enforce policy.
- Policy owners can download forms to initiate customer service transactions. Some of the simpler transactions, like address, billing and beneficiary changes, could be completed online as self-service transactions.

From the perspective of the applicant, it all happens transparently. The site looks and feels like the Web site of the mutual fund company—so no one realizes that it's being hosted by Transamerica Reinsurance.

TYING IT ALL TOGETHER

One of the most important benefits of a well-designed Internet program is the systematic interface of all related term life insurance activities: pre-enrollment marketing, policy application, evidence gathering, underwriting, policy issue and ongoing customer service. When these activities are electronically tied together, the result is better communication and faster handoffs among the different groups involved in the process.

Behind the scenes are the people and technology of CSC and Transamerica Reinsurance. CSC, working with third-party vendor EMSI, manages the application enrollment process including tele-app and para-medical procedures, as well as policy administration and policy service. Applications are uploaded from the Web site directly into CSC's CyberLife administration system, using CSC's ViLink software for processing new business transactions over the Web. In addition to creating and hosting the Web site, Transamerica Reinsurance provides product development and case underwriting services. One of our affiliated life insurance companies underwrites the policies.

SALES SUPPORT VEHICLE

To date, few insurance companies have found the Internet, by itself, to be an effective source of new business. But the Internet does offer effective tools to help drive your business. These tools can be especially useful in automating the application process, improving communication between producers and customer service employees and connecting the various 'back room' activities so that fulfillment procedures occur faster and with fewer errors.

Making Internet tools available to producers lets them focus time and effort where they add the most value, and that's prospecting and facilitating sales—not performing paper-intensive application and fulfillment procedures. For insurance companies, the Internet is proving to be far more effective today as a sales-support vehicle than as a sales vehicle. ☐



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