

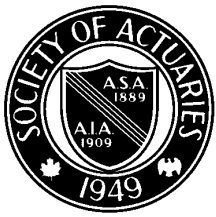


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New Technology Helps Insurers Simplify Sales and Speed Issue: Mid-Market Sales Now Feasible

by Maria N. Thomson

The survival of the vast majority of life insurers — more than 1,000 companies — will depend on their ability to sell protection products to the vast middle market that the giant companies have abandoned. There's a huge opportunity here, but only the companies that adopt new technology and processes will be able to thrive in this market.

Today just 20 conglomerates dominate the life insurance industry, writing more than 80% of new premium, according to LIMRA. These insurers sell investment products (annuities, mutual funds and single-premium life) to everybody and protection products (primarily life insurance) to the affluent.

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Chairperson's Corner Displacing a Host of Hoary Apocrypha

by James B. Smith, Jr.

During the past year I changed jobs — more specifically, I changed industries! After thirty years of wearing suits and starched shirts while engaged in the life insurance profession, I found myself in a fortunate position that allowed me to purchase a significant interest in a commercial construction company. I was attracted to owning my own business, rather than any repulsion from my prior work or company.

You are likely asking yourself the question "why the change?" — given the apparent contrast between the actuarial skills as an employee of an insurance company and the non-actuarial skills as an owner of a construction company.

When I examined my skill set before changing industries, I felt that I possessed 25% of the knowledge necessary for running a successful construction company. The remaining 75% represented

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New Technology Helps Insurers Simplify Sales and Speed Issue Mid-Market Sales Now Feasible

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The percentage of households covered by life insurance has slowly declined since 1960, when it was 83%. Since 1984 this decline has been entirely attributable to dropping levels of individual life coverage. Furthermore, LIMRA surveys show a big drop in sales to people making less than \$30,000 and significant increases to those making over \$40,000.

European bancassurers are successfully selling insurance to the masses. Why have U.S. insurers failed to penetrate the mid-market — whether through banks, the Internet or direct mail?

Much of the problem results from the difficulty in getting underwritten products issued. In the mid-market, policies with simplified underwriting garner too much anti-selection to be cheap or profitable in most situations. Fully underwritten policies take up to two months to get issued, and the salesperson often must help the underwriters secure required information. After all this, many policies are not issued at the rate quoted. No wonder both salespeople and customers lose interest.

Fortunately, point-of-sale (POS) software promises to cut the red tape and make it profitable to sell underwritten policies to the mid-market. Here are the key features.

Needs Analysis

POS software can help mid-market salespeople without extensive financial-planning or product training sell a wide range of products. The program produces a fairly simple

needs-analysis questionnaire for the customer and, based on the answers, recommends the types of products and amounts of coverage that the customer should have. This effectively sets the table for the sale. The software can be programmed to cover the entire range of insurance products, including life, health, disability and long-term care.

Electronic Application

The program asks the questions required for filling out the application, and once the salesperson

History Interview (PHI) that has drill-down questions about the applicant's health. This information is used both as input for the underwriting feature and to fill out the "Part 2" section of the application. The software usually specifies which lab tests are needed and even dials up the lab to make an appointment. And it usually includes a link that automatically retrieves MIB information.

By speeding the underwriting decision in many straightforward cases and eliminating human intervention, expert underwriting can

"By speeding the underwriting decision in many straightforward cases and eliminating human intervention, expert underwriting can dramatically cut costs."

enters the answers, fills out the carrier's application form. The software helps ensure complete applications because it prompts for missing data and provides "help" information.

The software then electronically transmits the completed forms and the data to the carrier — a huge savings in time and efficiency over mailing or faxing manual forms. This also saves time with paper-passing in headquarters if the carrier has an automated issue processing system in place — as it should.

Expert Underwriting

Expert underwriting software is always coupled with a Personal

dramatically cut costs. If there are no fluid or APS (Attending Physician's Statement) requirements, potentially a policy could be issued at time of sale. I don't know of any carriers currently using POS software to achieve field issue — but it's probably coming soon.

A Sampling of Software and Web Offerings

All the software now on the market uses the ASP (Application Service Provider) model — in other words, it is hosted on the web. Thus, copies of the software don't have to be disseminated among multiple offices and machines. Furthermore, since everyone is always working with

the most recent version of the software, clients don't have to deal with conversions. However, if the software provider bites the dust, clients lose use of the software and may also lose their own client data as well. Because of this, many insurers are insisting on having the software hosted on their own machines.

In my view, the ideal software would provide all of the features described above and integrate illustrations as well. Thus, the salesperson wouldn't have to bounce among three or four programs to complete the sale. The ideal software would guide the mid-market salesperson through the entire sale, gather underwriting information and possibly even handle issue processing. Even if the policy isn't field-issued, the underwriting and issue processes would be sped up greatly.

Today, the product that comes closest to this ideal seems to be Worldinsure's software — which has everything except the illustration capacity. Worldinsure is only about a year old, and its product is just now in early trials with a few carriers.

With the exception of Worldinsure, all of the needs analysis software that I found were stand-alone. The needs analysis products on the market are generally geared for advanced financial planning. At least one vendor, Financial Profiles, is developing a mid-market product that does simple needs analysis for education funding, death, disability, long-term care and retirement. This product will be on the market shortly.

Several products take online applications: agentLIFE, Allfinanz and various quote services.

- agentLIFE provides a full-featured web site that provides various technology tools to connect the sales front-end with the back-end application and underwriting tools. Their core product supports the sale of permanent life insurance products by delivering an online sales process for illustrations, case analysis and marketing reports. This site is working with e-Nable to connect their sales platform with back-end underwriting tools.
- Allfinanz includes an expert underwriting feature and through e-Nable provides access to MIB and other databases of customer information.



- e-Nable, a subsidiary of MIB, does not provide point-of-sale software, but does provide underwriting support. It offers real-time access to MIB, motor-vehicle driving records and credit data. The company also will provide access to prescription medical history data soon. Additionally, it intends to offer expert underwriting software to clients. Its services are available to insurers' underwriting

departments as well as point-of-sale software vendors. The hope is that the package of ready data that e-Nable provides will often let insurers dispense with other types of underwriting requirements.

Vendors of web-based technology for the insurance industry are proliferating. This is just a sampling of what is available.

The technology and services that let insurers radically speed new-business underwriting and processing are coming on-stream now. Companies that want to compete in the mid-market need to start moving forward today.

Maria N. Thomson, FSA, MAAA is Managing Principal of Thomson Management Solutions, Inc. She can be reached at mthomson@tmsolutionsinc.com.

The Web sites for the vendors mentioned in this article are:

www.worldinsure.com

www.allfinanz.com

www.agentlife.com

www.e-Nable.com

www.profiles.com