Trends in the Marketing and Distribution of Life Insurance Products

By Jeff Root and Nic West

InsurTech has been around for a number of years with hundreds of millions of dollars being invested into these technology companies. The impact of these investments in the distribution of life insurance products has been underwhelming so far.

Life insurance incumbents have been focused on short-term sales targets to the detriment of making the investments necessary for longer-term and more game-changing innovation. There is an argument about whether incumbents have been adopting new technology as quickly as they have emerged. It is also debatable if incumbents have been as responsive as they could have been in developing products to meet the development of new and emerging markets.

As a brokerage general agent (BGA) on the front lines of the digital life insurance agent movement, we believe it is going to be a while before there are any major changes to life insurance distribution.

WHAT'S HAPPENING NOW?

One of the technology accelerators for the insurance industry is through the use of application programming interface (APIs). Put simply, APIs enables interconnectivity of systems, thereby making it easier to develop programs. Life insurance companies have been able to leverage APIs to more easily develop new ways for engaging with its target market. This is just one example of how incumbents are leveraging new technologies. There are many more, but it is safe to say that these are still early days, and it will take some time to see major wins in these efforts. All of this is to say that even with carriers adopting new technology—they are still learning how to use it.

On the distribution side of things, we are seeing a consolidation industry-wide. There has been a decline in the number of life insurance companies, a decline in the number of BGAs and a decline in number of agents. Life insurance distribution is not experiencing the level of disruption as what is suggested by some of the hype. Beyond more consumers researching online and buying over the phone, there really hasn't been any life insurance disruption when it comes to distribution. At least not the level of disruption that is commensurate with the hype and level of investment.

Despite the significant funding for direct to consumer life insurance startups that are going to "simplify the way life insurance is purchased," anecdotal evidence suggests that the impact to life insurance distribution has thus far been underwhelming. For the most part, these startups are collaborating with a life insurance company that allows them to make use of their system for making underwriting decisions through the use of APIs. Anecdotal evidence suggests that only a small percentage that start the process actually end up getting approved (low, single-digit percentage). A significant portion of actual sales takes place through those that abandon the process and get redirected to an agent for further deliberation. The need for further agent interaction is quite telling.

What all of these direct to consumer startups have are a beautiful user experience and application process. However, they are only able to effectively target a small segment of the market. At the same time, they are actually advertising in the same channels as the incumbents.

HOW CAN LIFE INSURANCE DISTRIBUTION BE IMPROVED?

The current process for life insurance is too long and cumbersome. Our data has shown that consumers want convenience and are willing to pay for it. One misconception is that price is the most significant factor for consumers who purchase life insurance. Price does not sell more life insurance. Convenience does. According to data collected from NinjaQuoter—a life insurance quoting software where consumers view instant life insurance quotes from multiple carriers with the first results being the least and gradually getting more expensive—consumers chose on average the carrier in the third to fifth position, not the cheapest. The results that consumers are choosing have product names that say, "no exam" or "express."

This suggests that developing the most low-cost product is not the most important factor—yet it seems to be a race to the bottom for life insurance companies trying to get more market share. ■

Jeff Root is the founder of selltermlife.com, host of the "Modern Life Insurance Podcast" (125,000+ downloads), and author of The Digital Life Insurance Agent (a best-selling book on Amazon). He can be reached at *jeff@digitalbga.com.*

Nic West is co-founder of DigitalBGA and co-founder of NinjaQuoter (life insurance rate comparison software). Nic can be reached at *nwest@digitalbga.com*