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Meeting Notes from San Francisco

The 21st Century Insurance Market Panel at 50th SOA Meeting

by Jay M. Jaffe

The Nontraditional Marketing Section sponsored a session at SOA 50th Anniversary Meeting featuring a look into the marketing of insurance for the next 50 years. Realistically, the panelist's perspective is probably no more than the first 10 to 20 years of the 21st century because of the rapidity of change which is occurring in the financial services industry. Trying to predict just a few years into the future is difficult.

The three panelists each have extensive insurance background:

- John Andiletti is the chief marketing officer for Civil Service Employees Insurance Company which direct-markets personal lines P&C products.
- Walt Roder is a consultant who is developing insurance and noninsurance programs for financial institutions.
- Dan Snyder is a former insurance company executive, who is now president of Abacus, which is an organization providing marketing information to catalog marketers.

Being an informal session with active audience participation, the panel almost immediately was asked to discuss matters relating to the Internet and the distribution of insurance. Here are a few of the interesting topics covered in the discussion:

- Differentiation will be required to separate both products and companies on the Internet.
- Immediate interaction with Internet customers will be necessary to complete sales.
- Insurance auctions might even become possible on the Internet.
- Applicants who want to read detailed contract language will find the Internet an ideal distribution system.

Privacy will become a more important consideration as a factor pertaining to the sale of insurance and other financial services products. Privacy and data sharing will also be topics raised by individuals, consumer advocates, and legislators. The ability to know about customers and how to properly use this information will be an increasingly important skill in the next few years.

The increasing possibility of the delivery of insurance as an integral part of other transactions was raised. Just consider buying an automobile or a home and receiving several months of insurance automatically included in the purchase price. This insurance distribution method could easily become a reality in the next several years.

The probability of greater presence of manufacturers marketing insurance can be seen by the recent announcement by Ford Motor and Hartford of a joint agreement to market automobile insurance and General Motors ownership of a personal lines P&C company. If manufacturers were to become primary insurance marketers, it is likely that many consumers would opt for the convenience of continuing insurance once the initial coverage period has expired.

More banks are adopting "insurance" programs without the participation of insurance companies. Several banks have recently initiated debt deferment programs rather than use formal credit insurance programs. Debt deferment is a program that can be written by a bank as part of a customer loan transaction and provides essentially the same benefits as credit insurance. If banks become comfortable without insurance companies and there are no future regulatory barriers, it is possible that the insurance companies will no longer be considered as needed to provide insurance products for bank customers. In other words, bancassurance would be a reality but without the participation of traditional insurance companies.

With all the changes likely to occur in the distribution and marketing of insurance in the next several years, the role of the actuary will change. Our employers might change with more of us working for nontraditional employers such as banks, mutual funds, home builders, automobile manufacturers, and other employers yet to be named.

The role of actuaries might also change. We would need to interact with nontraditional users of our services. Are we prepared to address even the need to actively work with individuals who have immediate access to a company's actuary through the Internet?

Many thanks to all those who attended the session and the panelists. Your active participation in the program was appreciated.

Jay M. Jaffe, FSA, MAAA, is president of Actuarial Enterprises, Ltd. in Highland Park, IL and a former chairperson of the Nontraditional Marketing Section. He can be reached at **jayjaffe@compuserve.com.**

Give Me Some Credit!

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debtors when questioned would buy credit life insurance again.

The third issue is privacy. There is no problem when you use the loan information to extend credit insurance but when you try to cross-sell term life insurance, for example, you have a problem with privacy. To survive, however, Bruce noted you must cross-sell to your clients' customer base. The Assurant Group is looking into this privacy issue very carefully. Two future growth areas he identified are margin accounts and loans on 401(k) pension accounts.

Robert J. Butler, ASA, is chief actuary & appointed actuary of the Assurant Group in Miami, FL and a former member of the Nontraditional Marketing Section Council. He can be reached at **Bob_Butler@assurant.com.**