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**SOCIETY OF
ACTUARIES®**

Session 31 OF, Actuaries & Distribution: Product Views from the Other Side

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Insurance: A Distributor Perspective



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MAKING SENSE OF INVESTING

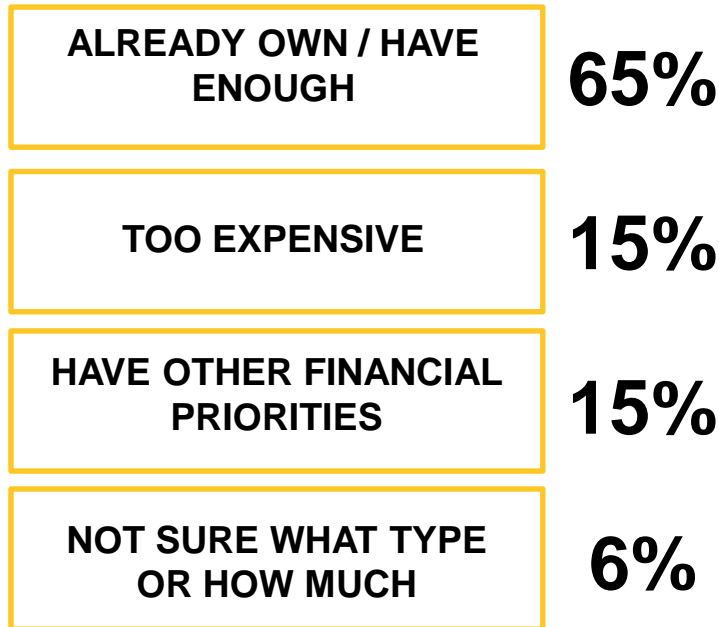
Client and Branch Insights

- Putting clients first
- Client loyalty and satisfaction
- Client trust and share of assets

Client Insights – Dichotomy of Perception

REASONS HAVEN'T PURCHASED (%)

(Base: Haven't Purchased Life Insurance, n=986)



Most consumers grossly underestimate what would be needed to cover loss

Most consumers grossly overestimate cost of life insurance

Source: Edward Jones Client Insights, 2014

Client Insights – Insurance Reputation

Negativity driven by category perceptions

Smoke and mirrors perception

Feeling like there is some **trickery**

Will the money be available/accessible?

Driven by **poor reputation** or experiences with insurance salespeople

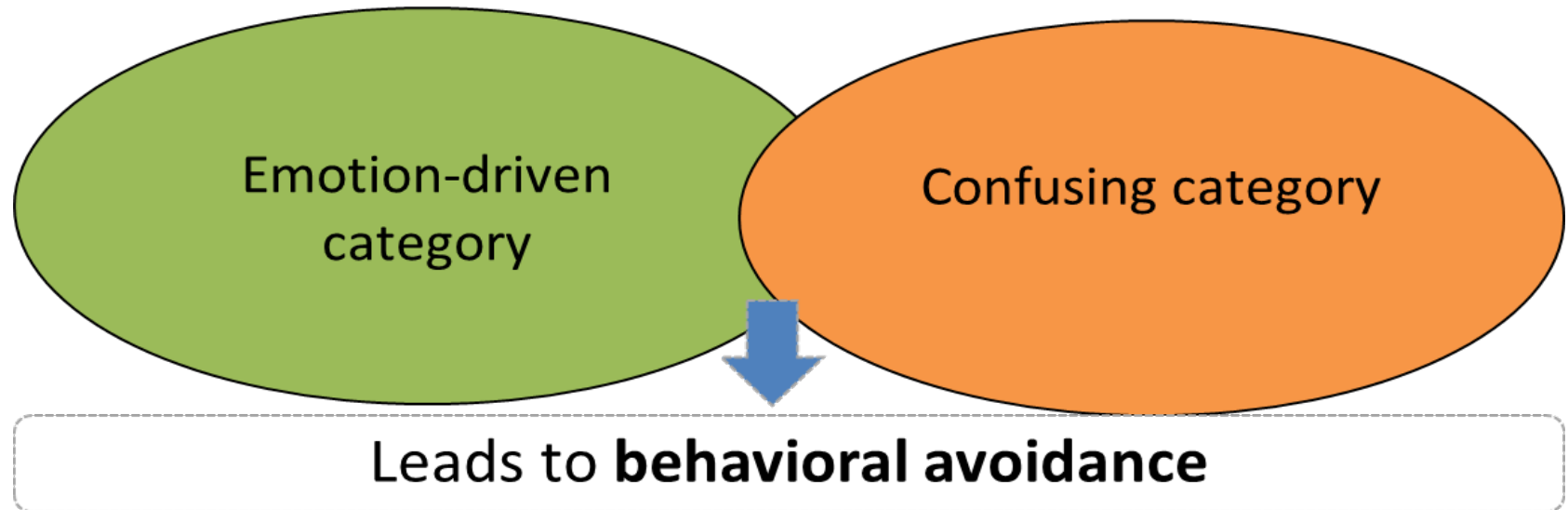
Is extremely confusing

Plans and options are **complex** - even for savvy clients with policies in place

Will this be a wasted investment?

Source: Edward Jones Client Insights, 2016

Client Insights – Inertia: Our Biggest Threat



Source: Edward Jones Client Insights, 2016

Client Insights – The Future?

- Term with level payments
- No medical questions or exam
- Policy issued in 5 days
- Cost 5-10% higher

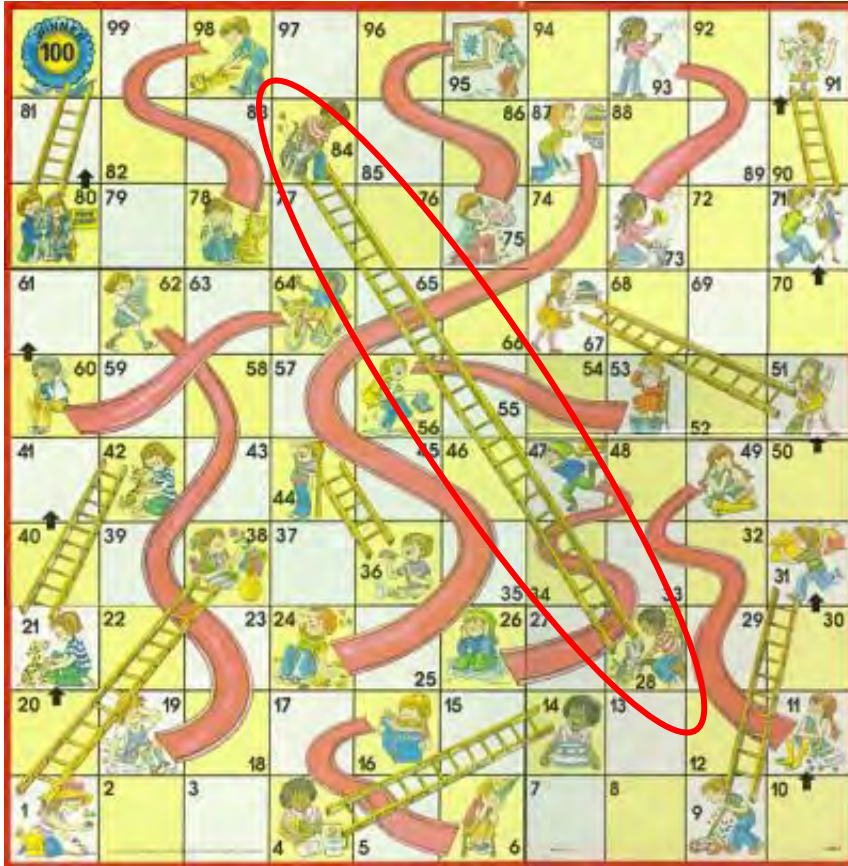
Purchase likelihood

3x

**More than current
product and process**

Source: Edward Jones Client Insights, 2014

The Insurance Process



- Standardization and simplification
- Data driven underwriting
- EHR not APS
- Clear and simple status and instruction

The Insurance Process



Inforce Management

- Focus has been on acquisition, not ownership
- Product designs are not "set it and forget it", but
- Technology has not caught up
- Risks policyholders face



Sustainability – A Spooky Story



In Conclusion

- Clients and branches expect simplicity and convenience
- Product feature race must become client experience race
- Sustainability is good for everyone



M Financial Group

Product Actuary and Distribution

Devin LaPlant, FSA, MAAA

Introduction

- Role of actuaries collaborating with distribution
 - Opportunities and challenges
 - What problem are we solving?
- Product Actuary vs. Distribution
 - Compare and contrast perspectives on life insurance topics
 - Product features
 - Product design
 - Policy management and servicing

Surrender Charges

Product Actuary

- Recovery period for new business costs

Distribution

- My clients prefer flexibility

Considerations

- “Psychological benefit”
- Incentives to persist rather than penalties on surrender
- Purpose of sale

Persistence Bonuses/Credits

Product Actuary

- Reward for persistency, decrements support pricing

Distribution

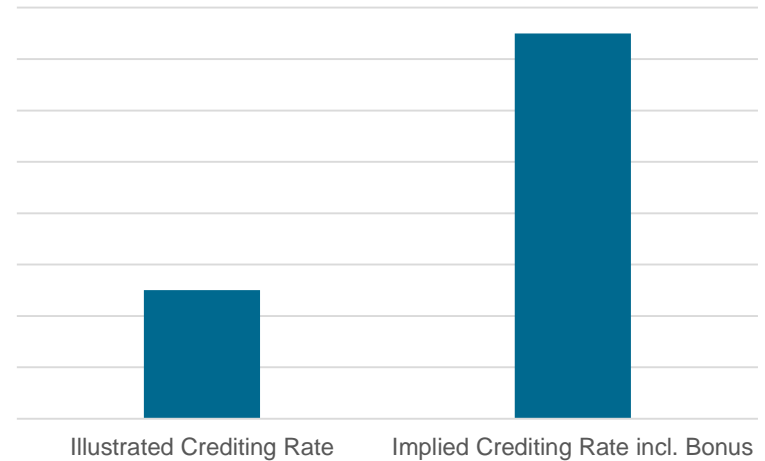
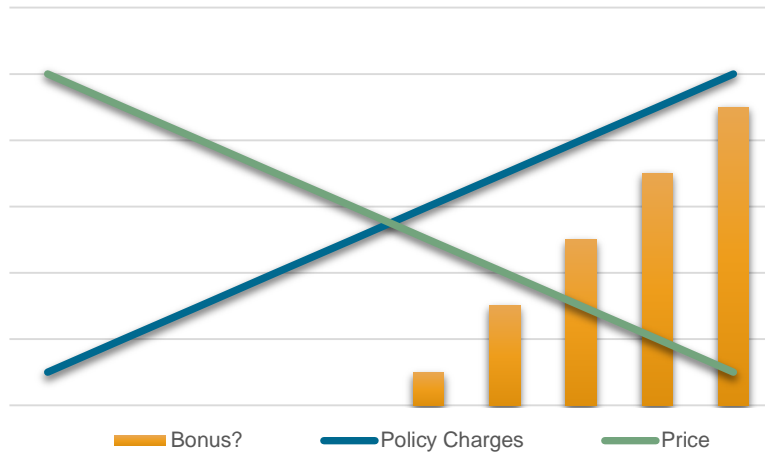
- Complicated, often not transparent

Considerations

- Are bonuses transparent and easy to explain to client?
- Are there additional requirements to qualify?
- Are bonuses guaranteed?

Persistence Bonuses/Credits

- Considerations: are bonuses transparent and easy to explain to client?



Product Design

Product Actuary

- Targeting the product to a specific need or niche allows more efficient pricing

Distribution

- Prefers a reliable, flexible product
 - Allow the producer to design a solution with features and riders
 - Why wouldn't an insurer want to sell everywhere?

Considerations

- Transparency important
- “Sweet spots” and sales expectations
- Sustainable pricing
- Can the product evolve as the client ages?

In-Force Policy Management

Product Actuary

- Manage interest spreads and experience

Distribution

- Client policies are not performing as expected
 - Difficult to ask my clients to pay more premium as they get older

Considerations

- Focus on the ownership experience, in addition to sales process
- Power of client policy reviews

Closing Thoughts...

- Transparency matters
- Optics of charges
- Understand the producers: are they finding solutions for clients, or finding clients for the solution?
- “Product” is more than just price – it is a package: process, underwriting, investment options, marketing and promotion materials, in-force service
- **And finally...don't be afraid to partner with distribution!**



Questions?

The Power of M



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Excellence



Collaboration



Leadership



Client Advocacy

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