

2019 **LIFE &
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SYMPOSIUM

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Session 71: Final Expense Market Overview

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SOA Session 71: Final Expense Market Overview

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SOCIETY OF ACTUARIES

Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants.

The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

While participating in all SOA in person meetings, webinars, teleconferences or side discussions, you should avoid discussing competitively sensitive information with competitors and follow these guidelines:

- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

Presentation Disclaimer

Presentations are intended for educational purposes only and do not replace independent professional judgment. Statements of fact and opinions expressed are those of the participants individually and, unless expressly stated to the contrary, are not the opinion or position of the Society of Actuaries, its cosponsors or its committees. The Society of Actuaries does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented. Attendees should note that the sessions are audio-recorded and may be published in various media, including print, audio and video formats without further notice.

Direct to Consumer Market: Differences

Product Design

- GI products generally have graded/modified death benefit
- SI products may be level death benefit

Demographics/Reasons for Purchase

- No significant differences from agent-sold business

Marketing and Distribution

- Direct TV ads more popular than with other DTC products
 - Online/email marketing less successful given the age group/demographics
- eApplication with call center assistance
 - Some online purchase, though not favored in this age group

Customer Retention

- Retention
 - Profitability is partially driven by pricing appropriately for lapse behavior
 - Anti-selective lapse behavior may significantly affect mortality assumptions
- Customer Maintenance
 - Commission and chargeback schedules important in agent sold business
 - A retention/customer outreach program can remind customers of the need for coverage
 - Welcome calls
 - Payment reminders
 - Missed payment outreach
- Payment Optimization
 - Customers may have trouble paying for their coverage. Various tactics can increase the likelihood of payment.
 - Deferred billing – customers can pick a date they are likely to have funds
 - Easy payment updates
 - One time payments for missed payments
 - Ability to update credit card or checking account information

Final Expense Operations

Policy Issue

- Underwriting tools for Simplified Issue policies
- Identity Verification
- eSign or Voice Signature and recording
 - HIPAA Authorization
- Payment Methods
 - Credit Cards
 - Pre-Authorized Checking
 - Paper

Ongoing Operations

- Retention Limits – internal and external
- Contestable claims
- Results Monitoring