



# Federal Advisory Committee on Insurance

Robert A. Kerzner  
President & CEO  
LIMRA, LOMA & LL Global  
August 17, 2017

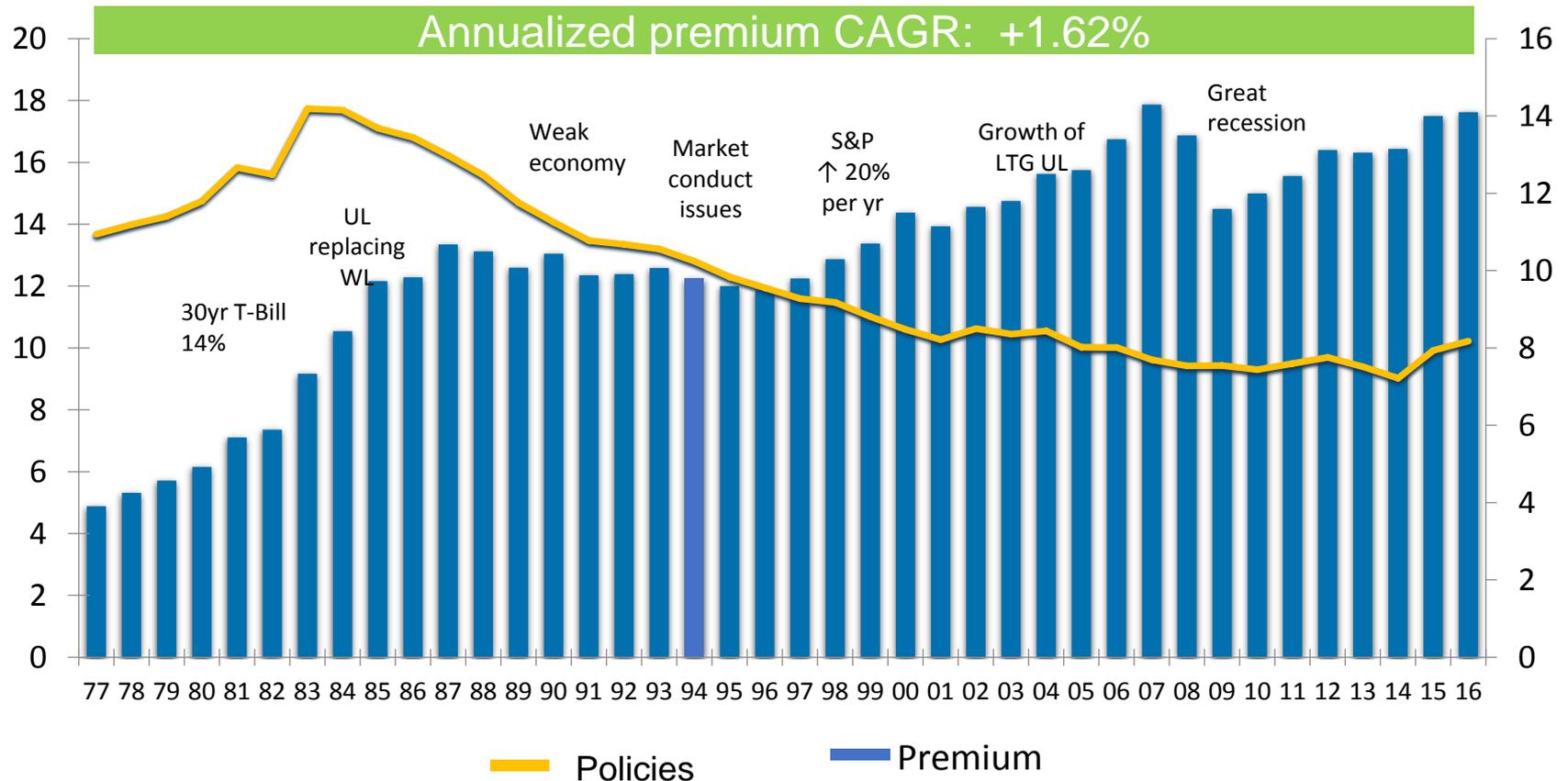


The Trusted Source of Industry Knowledge.

# Total U.S. Individual Life Sales

Policies (millions)

Premium (\$billions)



1<sup>st</sup> Quarter 2017: **-2%**

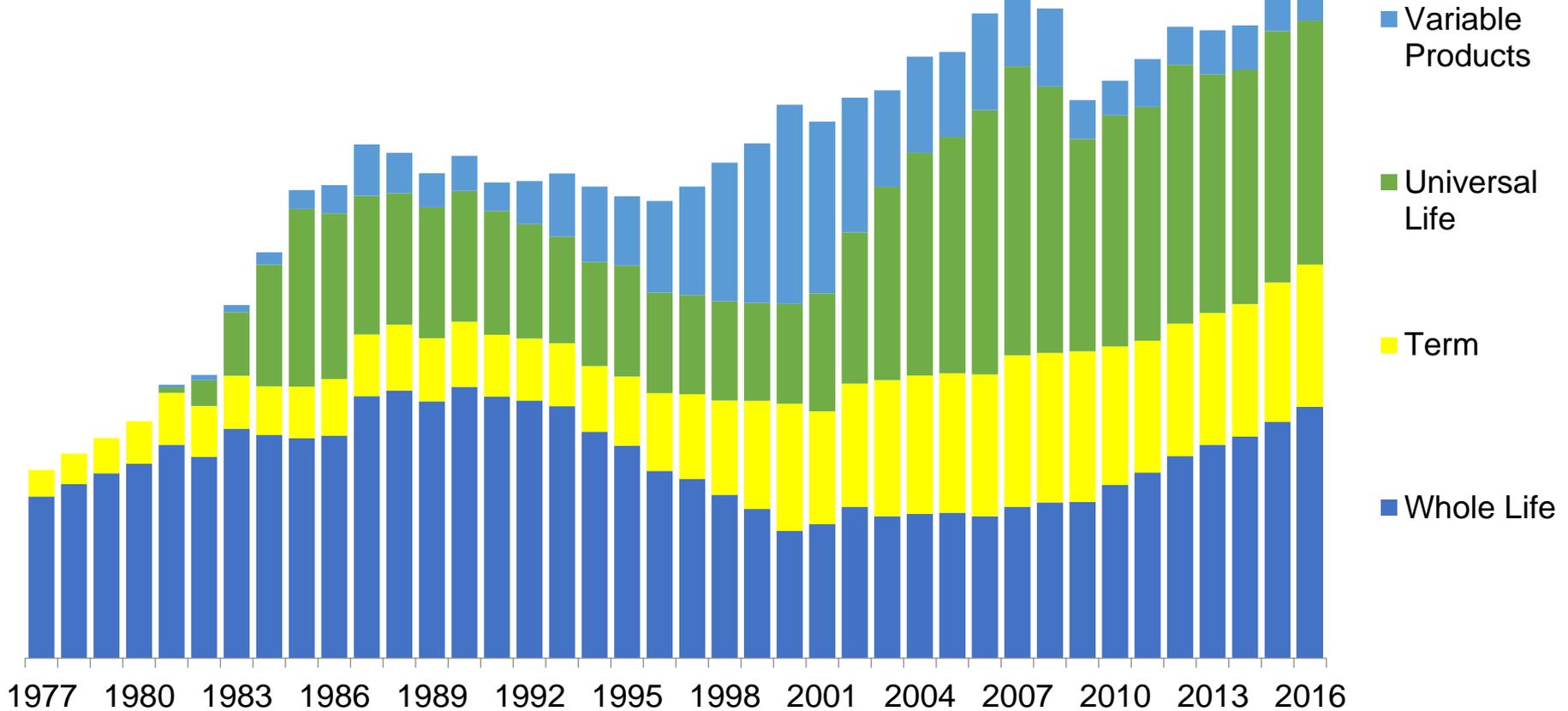
1<sup>st</sup> quarter 2017: **+5%**



Source: LIMRA's Individual Life Sales Survey and LIMRA estimates

# U.S. Individual Life Product Market Share

Annualized New Premium (\$Billions)

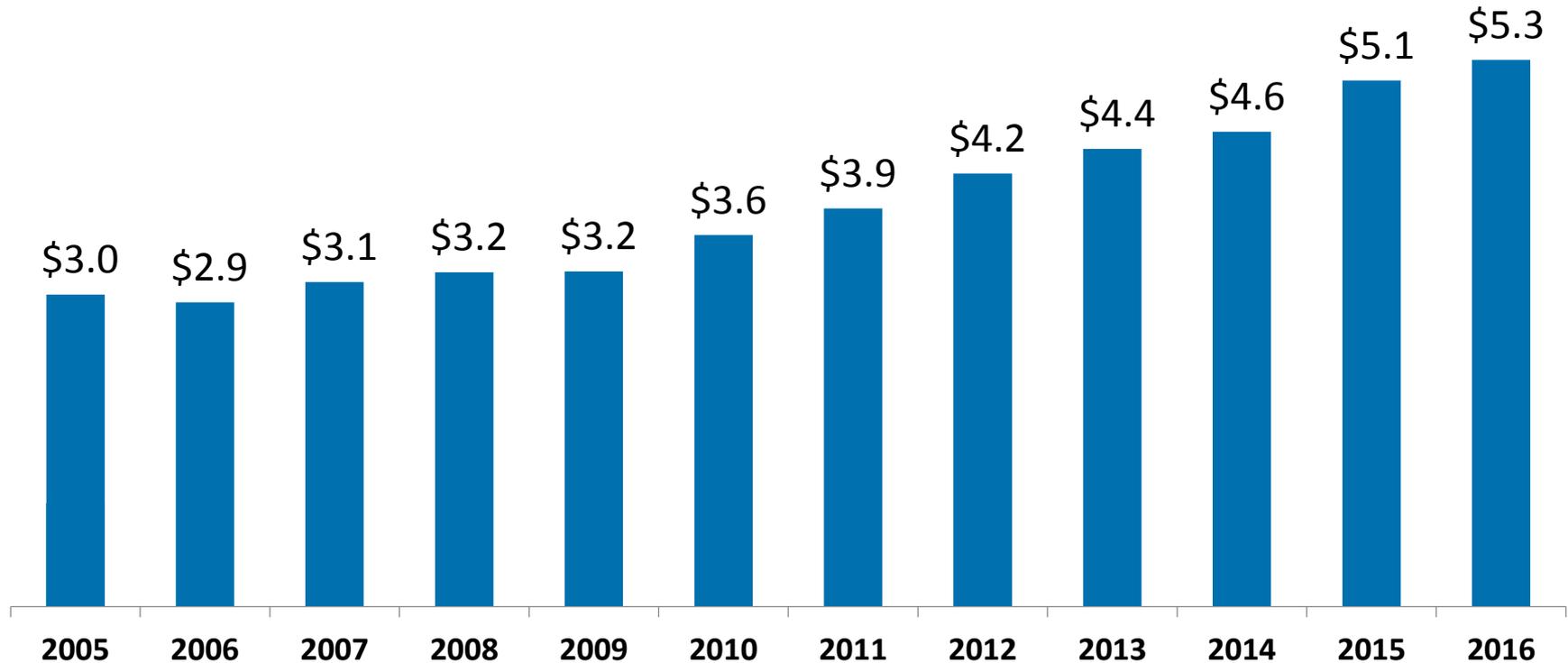


Source: LIMRA's Individual Life Sales Survey and LIMRA estimates



# U.S. Whole Life sales have increased more than 80 percent since 2006

Whole life sales  
(Annualized Premium)



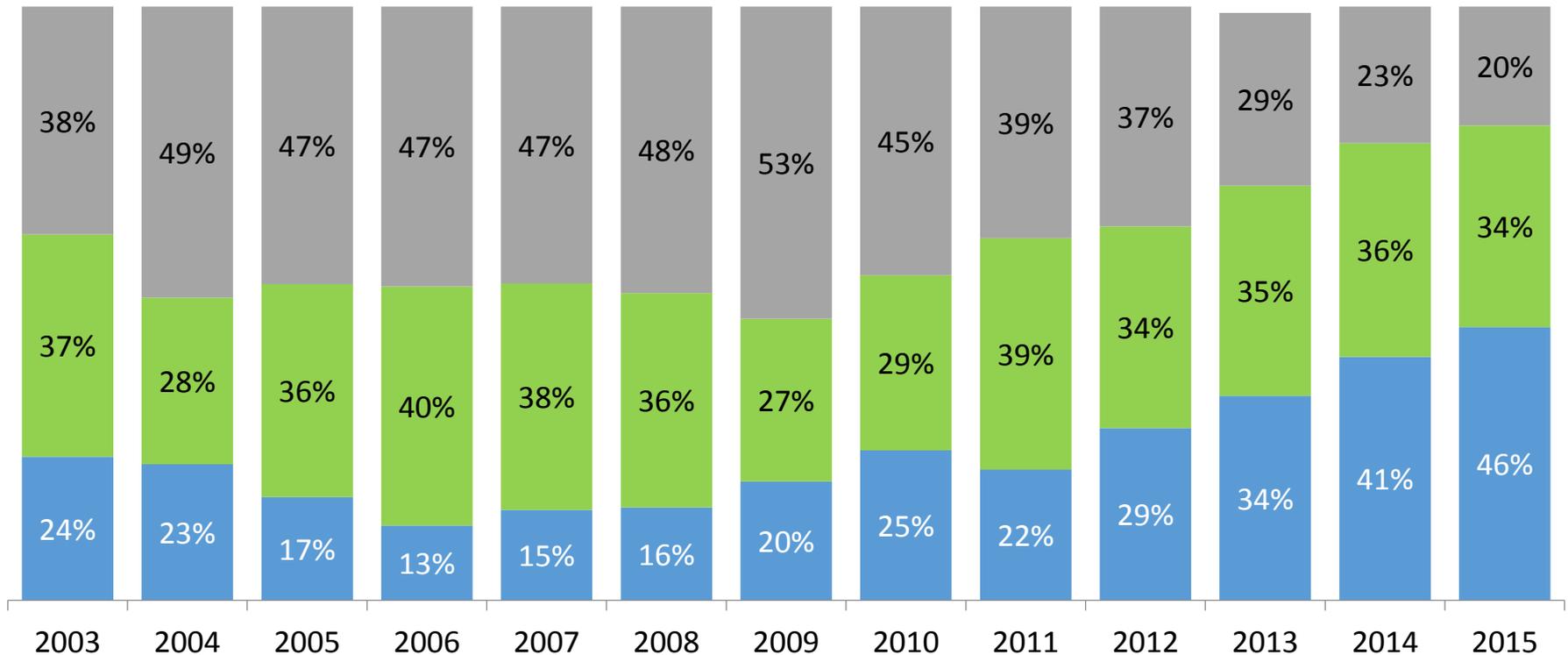
Source: LIMRA's Individual Life Sales Survey and LIMRA estimates



# Cash Accumulation Products Increasing Market Share

## UL Sales by Product Type

■ Cash Accumulation    ■ Current Assumption/Other    ■ Lifetime Guarantee

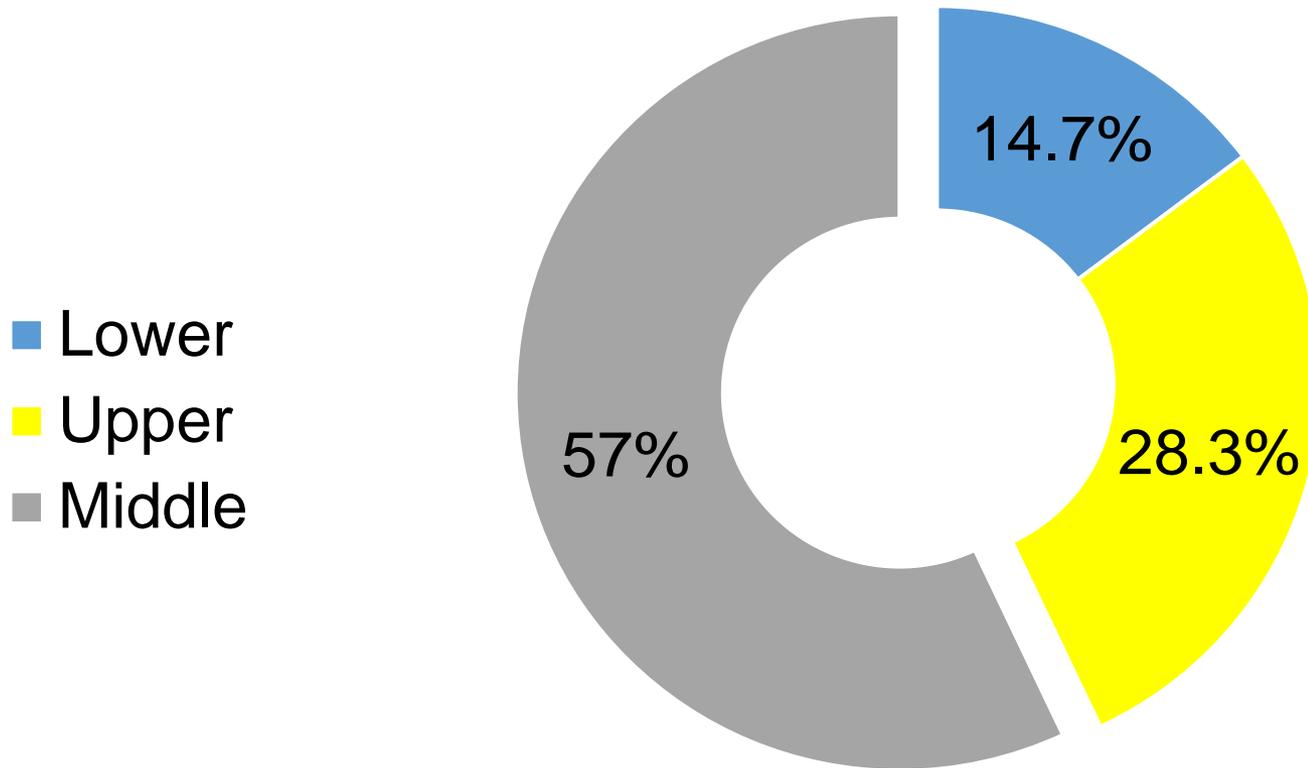


Source: LIMRA's Individual Life Sales Survey and LIMRA estimates



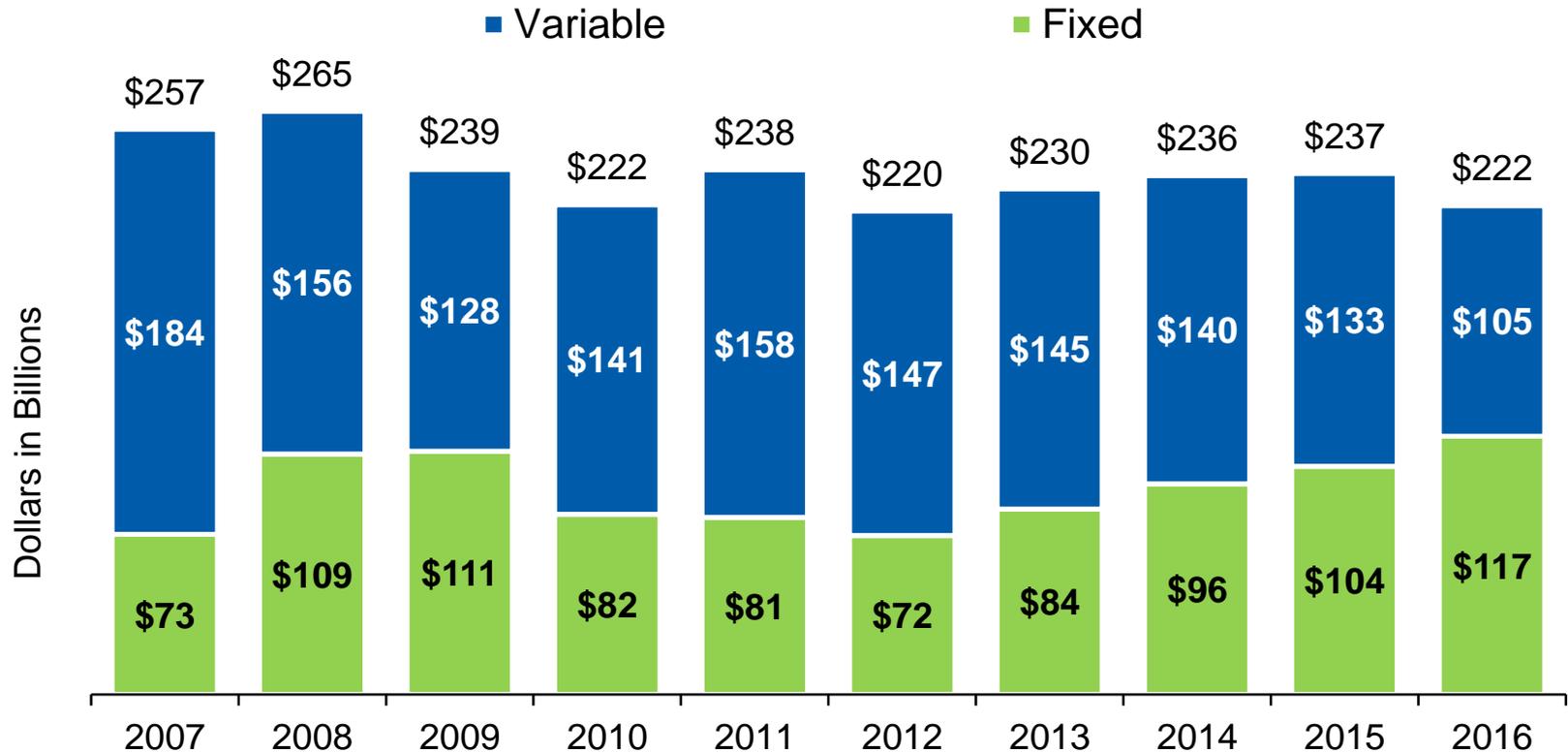
# Middle market owns the majority of permanent life insurance policies

Market share permanent life insurance policies by household income



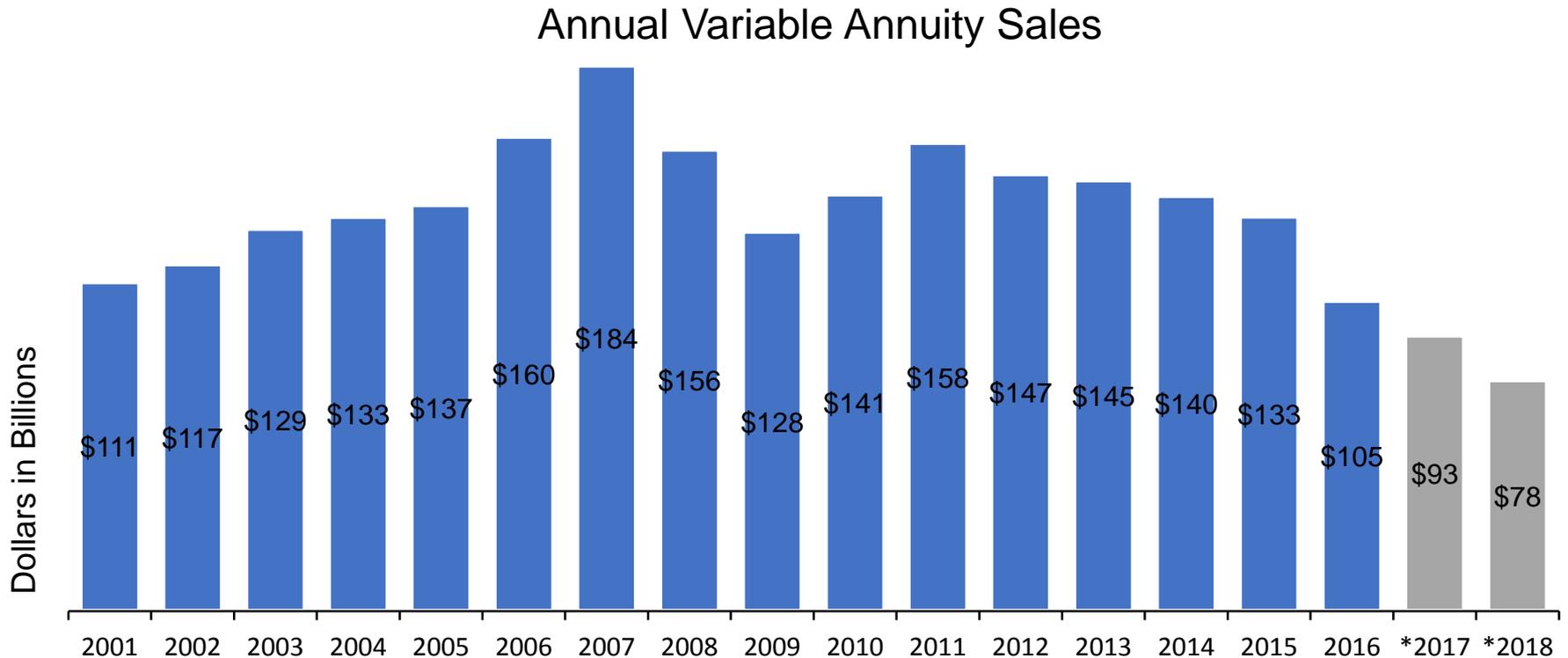
# Total U.S. Annuity Sales

*Fixed annuity sales surpass variable annuity sales in 2016*



The last time fixed annuity sales surpassed VA sales was in 1992

# Variable annuity sales have declined 42 percent since 2006



Variable annuity sales decline to lowest levels since 1998

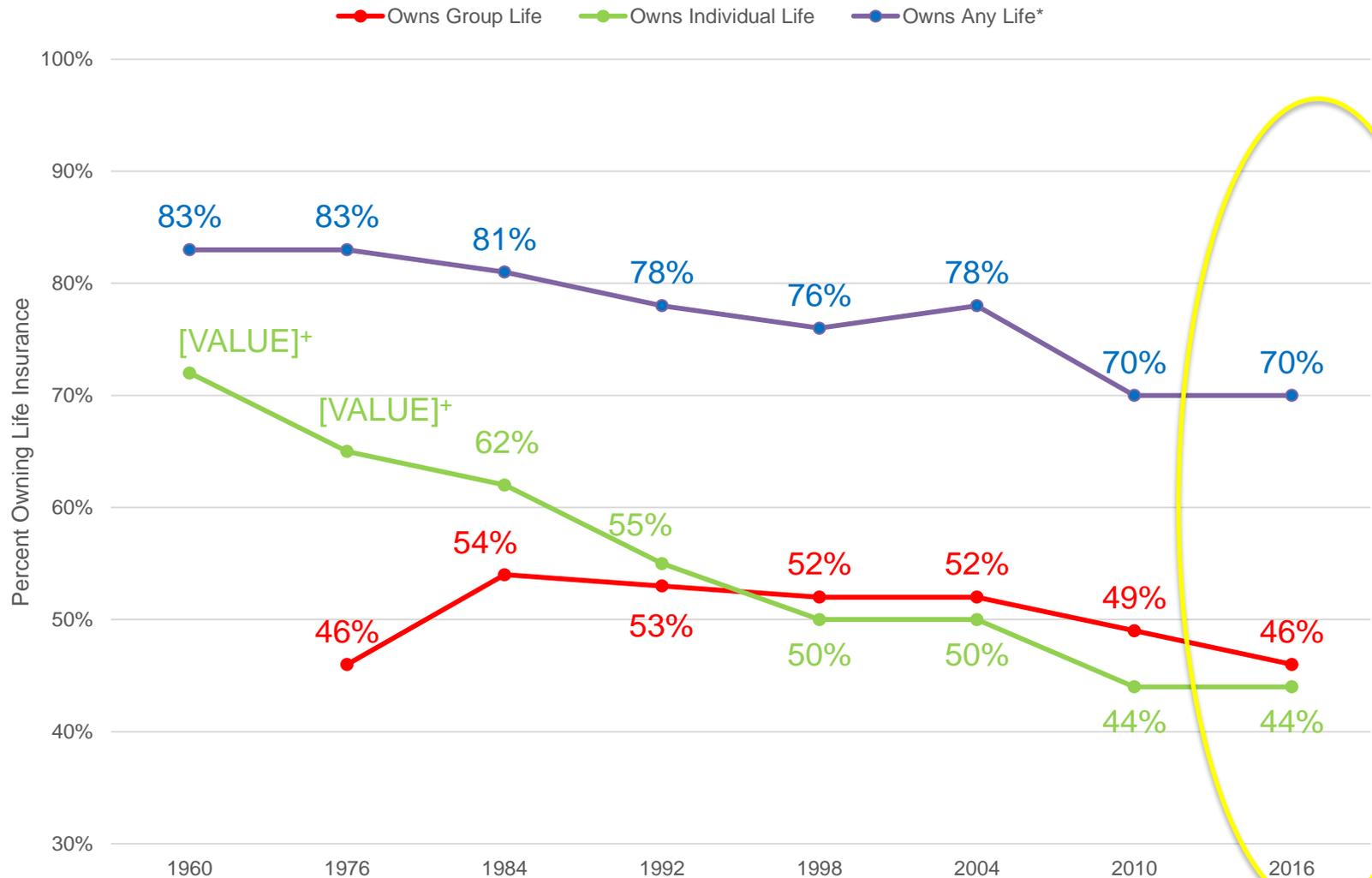


# Sales Projections for 2017 and 2018



Overall annuity sales will drop 10-15%  
in 2017 and 2018

# The US life insurance ownership remains at its lowest level



\*Includes Individual, Group, SGLI & VGLI  
+ Individual Life Sold Face-to-Face through an Agent



# 60 million U.S. households need more life insurance...

48%

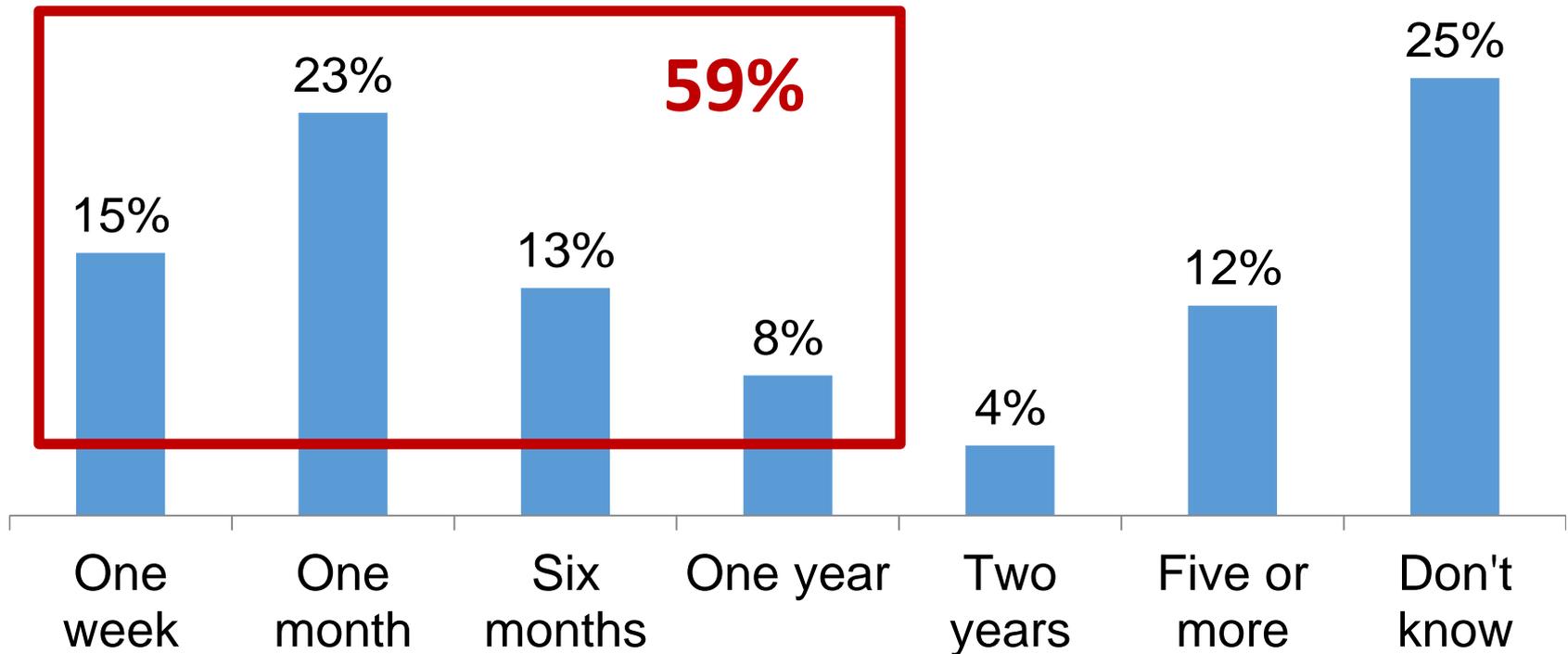
- Almost ½ of all households have a life insurance need gap\*. Over 60 million.

\$200,000

- Average life insurance need per household.

*If it was easier – would they buy?*

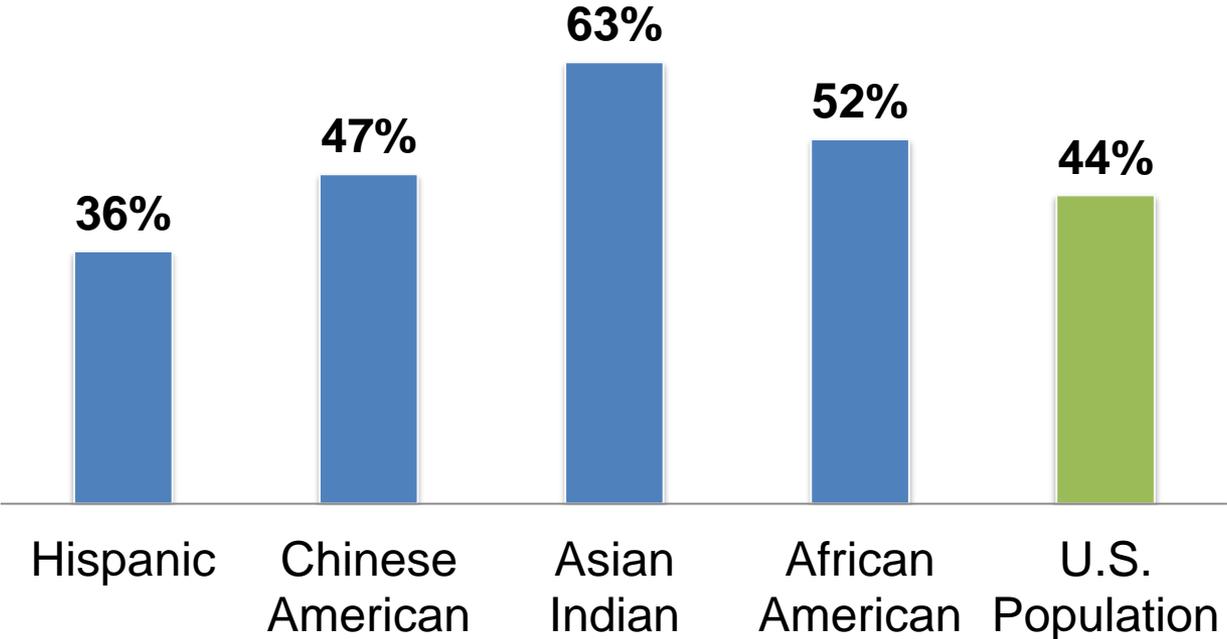
# 6 in 10 US households would experience a negative financial impact quickly if the primary-wager-earner died



*How quickly consumers would feel the financial impact from the loss of the primary wage earner.*

# Individual life insurance ownership by ethnicity

(Percent of households)



Household income of \$25,000 or greater



# Consumers understand the value of life insurance

	Millennials (18-35)	Gen X (36-51)	Boomer (52-64)	Senior (65+)
Most people need life insurance	88%	88%	83%	82%
I personally need life insurance	78%	77%	63%	50%
I own life insurance	51%	62%	67%	65%
I own group life insurance obtained through an employer or labor union.	68%	64%	53%	31%
I own individual life insurance that was individually purchased, and was not received as a benefit of employment.	55%	65%	76%	84%



Source: 2016 U.S. Life Insurance Ownership Study, LIMRA

# What people say and do are entirely different things...

**2010**

**50%**

**U.S. households that say they need more life insurance**

**25%**

**U.S. households that say they will purchase life insurance with the next 12 months**

**10%**

**U.S. households that actually buy life insurance**

**2016**

**41%**

**U.S. households that say they need more life insurance**

**45%**

**U.S. households that say they will purchase life insurance with the next 12 months**

**10%**

**U.S. households that actually buy life insurance**

New LIMRA/Maddock Douglas study finds

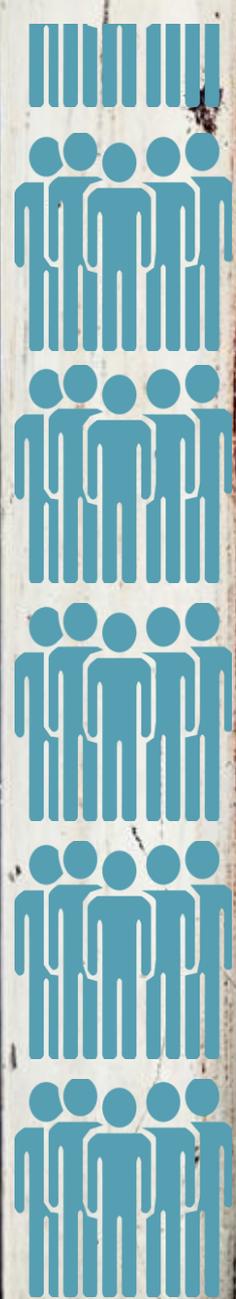
# 18,700,000

PEOPLE ARE “STUCK SHOPPERS”

**56%** Millennials

**49%** Married

**42%** With Kids



# 4 in 10 Millennials still want to buy face-to-face

## Most Preferred Way to Purchase Life Insurance by Age

	Age Group				
	Total	Millennials	Gen X	Boomers	Seniors
In person (outside of the workplace) through a financial advisor or agent	<b>51%</b>	<b>42%</b>	<b>47%</b>	<b>55%</b>	<b>73%</b>
Complete an online form	21	22	24	22	11
Through my workplace	11	15	14	7	3
Complete application (offline) and email it to an insurance company/professional	6	10	6	5	3
Complete an application and mail it to an insurance company/professional	6	4	5	8	8
Over the phone	5	7	4	3	2



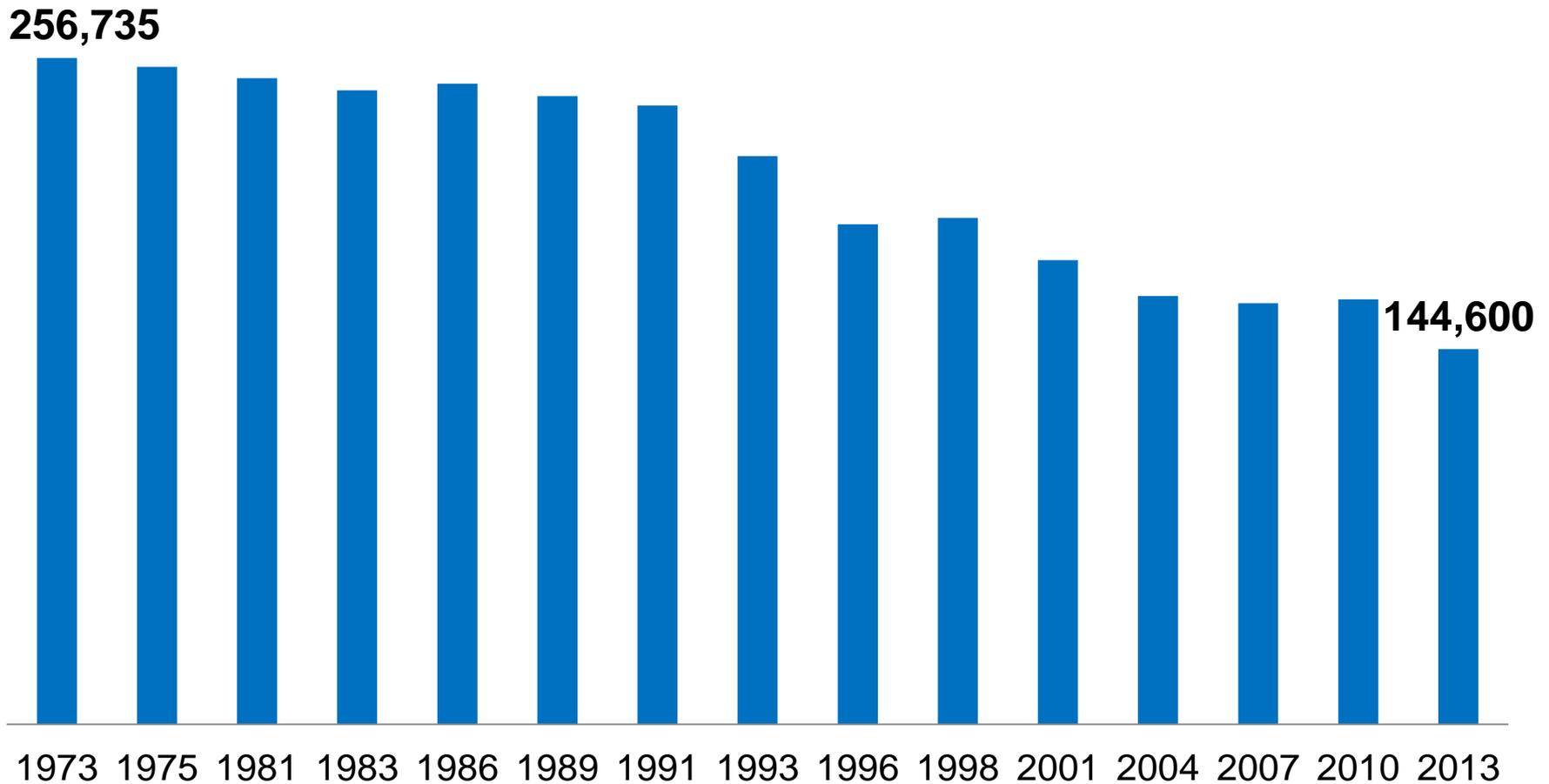
Almost half of millennials say that they don't buy life insurance because they haven't been approached by a life insurance agent.



Source: U.S. Life Insurance Ownership Study (2016), LIMRA



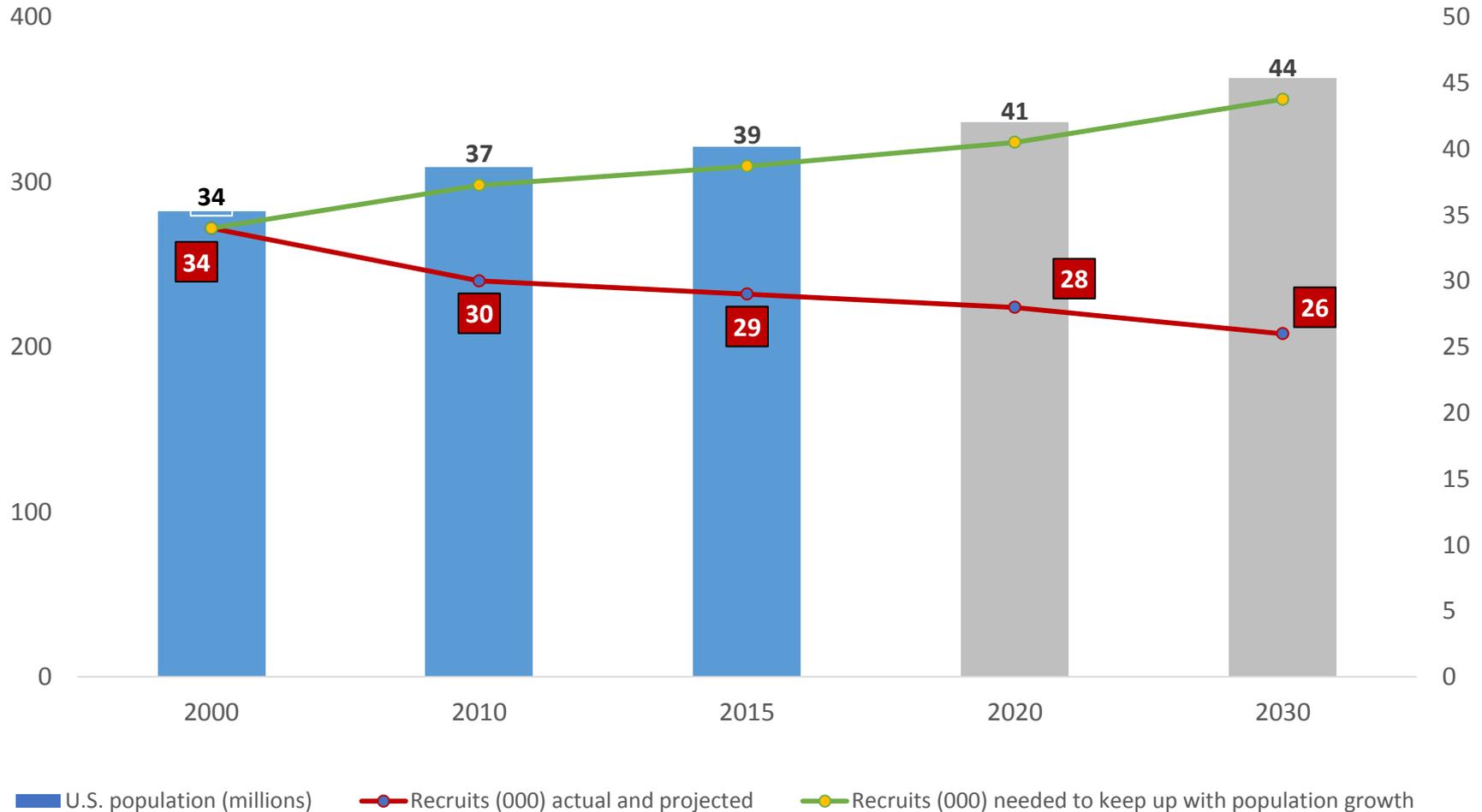
# The number of affiliated agents has declined more than **40 percent**



Sources: NOT constant groups of companies, Census of U.S. Sales Personnel, LIMRA [1973-2010]

U.S. Insurance Sales Professions, LIMRA [2013 Agency-building and home service combined]

# The Recruiting Gap



- U.S. Census Bureau and LIMRA's U.S Recruiting Trends





Speak with a Live Agent Now  
**1-800-670-3213**



Jay, 40, \$500,000, 10-year term life policy  
 for less than \$25 a month\*

# Be there. Even if you're not.

In 10 minutes our advisors could save you  
 hundreds on term life insurance.

[Start Your Free Quote](#) →

> [How SelectQuote Helps You Save Time and Money](#)

This is simply a smarter way to invest your money.

We manage your financial life so you can live better.



Increase after-tax returns.  
Lower taxes, lower fees.



No hidden fees.  
Full transparency, no surprises.



Easy to use.  
An interface that just works.



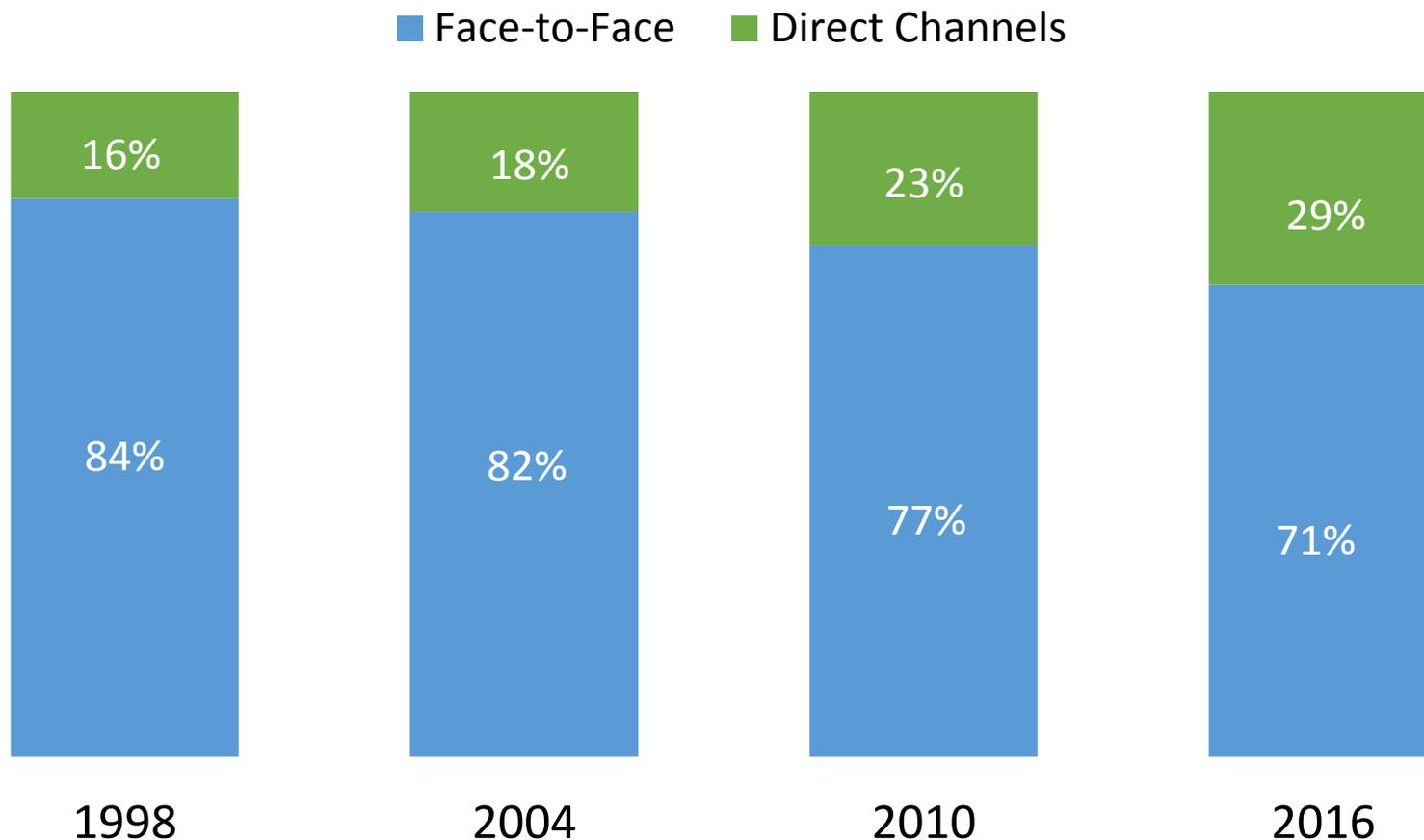
Access to licensed experts.  
Financial advice over the phone.

**Betterment now offering human advice with its robo**

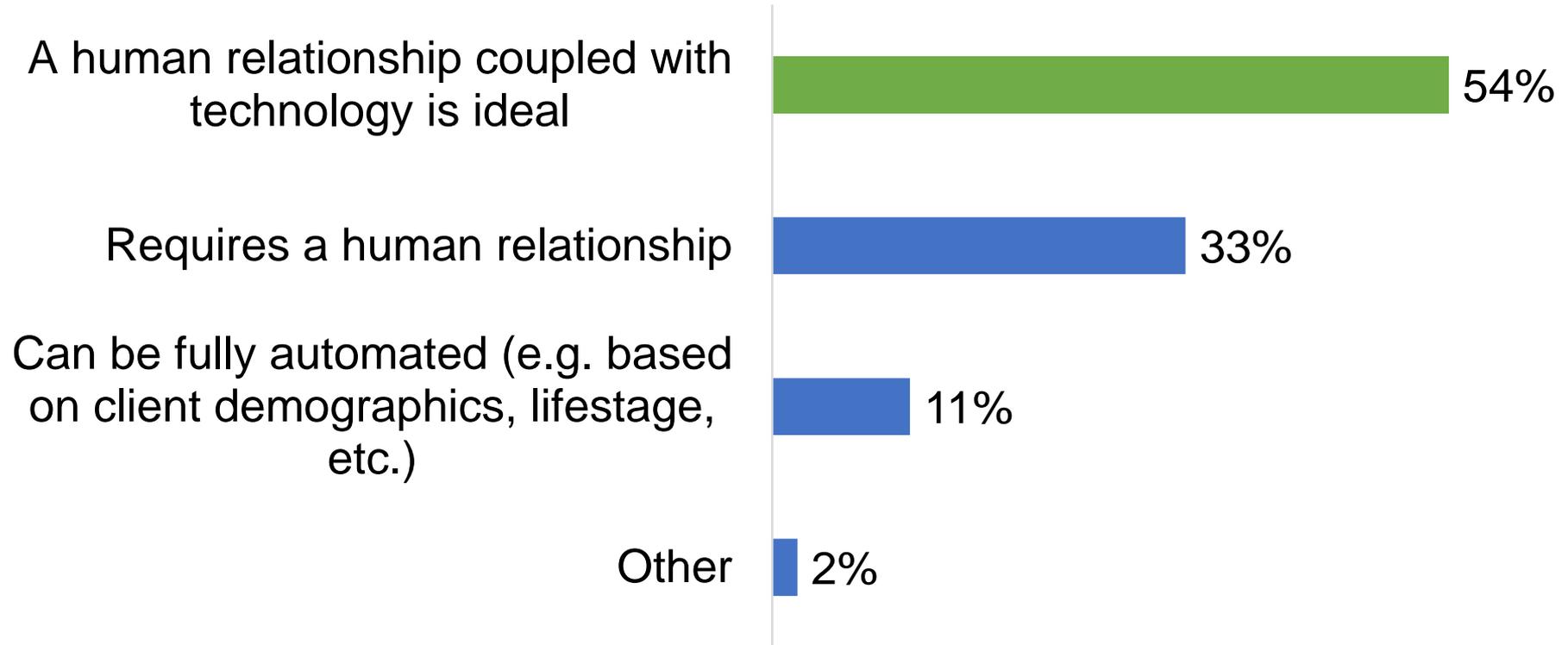
Access to licensed experts.  
Financial advice over the phone.

# More consumers buying directly from insurers

Buyers are adapting to direct-to-consumer life insurance initiatives



# Majority of Americans want to use technology in addition to a human advisor for financial guidance

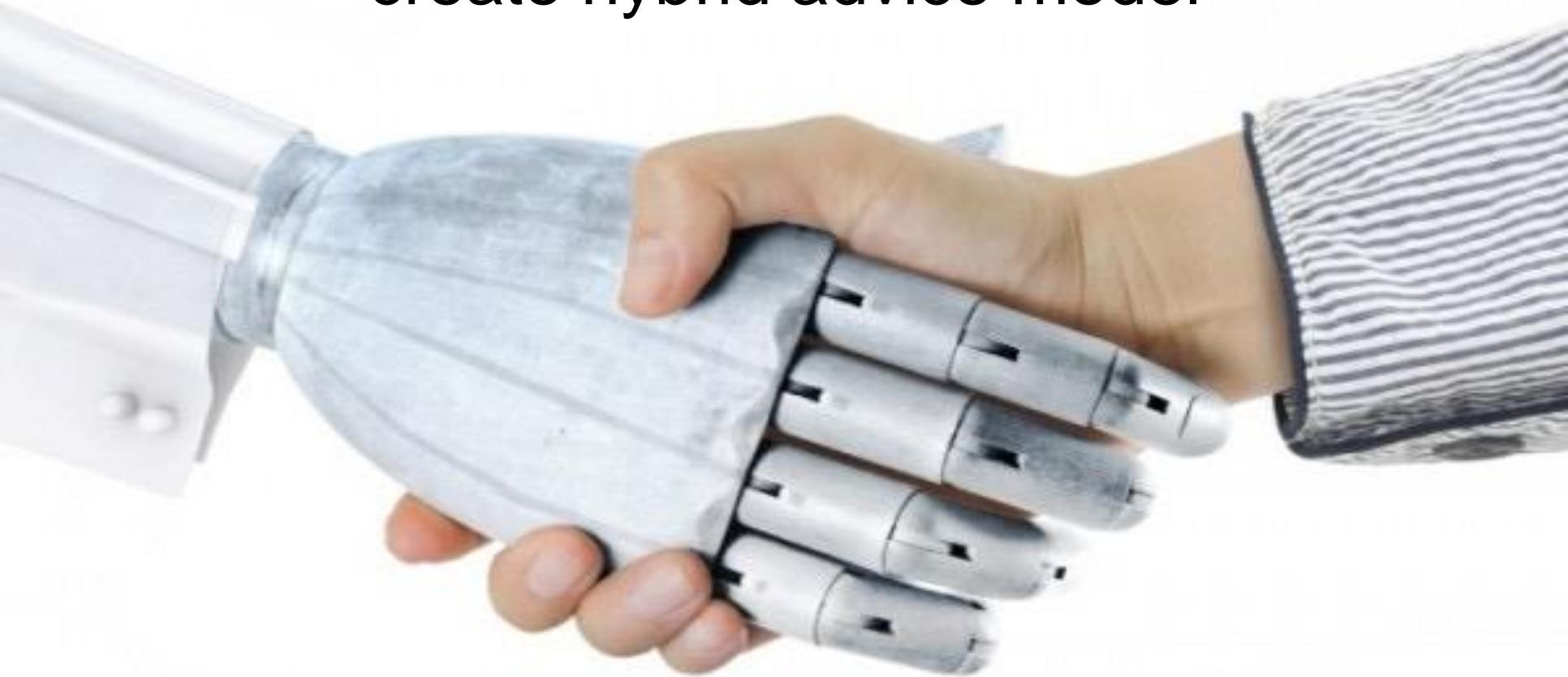




# Emerging wealthy and high-net-worth investors prefer “hybrid” investment advice (a combination of traditional advisory services and low-cost digital tools)

- ✓ More satisfied
- ✓ More likely to seek help

# Schwab combines robo with humans to create hybrid advice model



With a \$25,000 minimum, *Schwab Intelligent Advisory* will provide clients a customized financial plan and ongoing live advice from certified financial planners.



# Raymond James to put “Connected Advisor” robo in advisers' hands

Connected Advisor is focused on three key areas:

- Greater **automation** to help advisors more efficiently manage their businesses and their clients' basic investment management requirements *so they can spend more time on building relationships and more fully understanding client needs.*
- Increased **collaboration** through tools that *support online communication and information sharing between advisors and their clients.*
- Enhanced **sophistication** of proactive financial solutions through the use of big data *to provide advisors with insights into their practices and their clients' needs.*



# The middle market was left behind



HM Treasury



## Financial Advice Market Review

Final report

March 2016

*“Consumers without significant wealth currently find it more difficult to access advice or support to meet their needs.”*

- excerpt from final report

# Regrets?

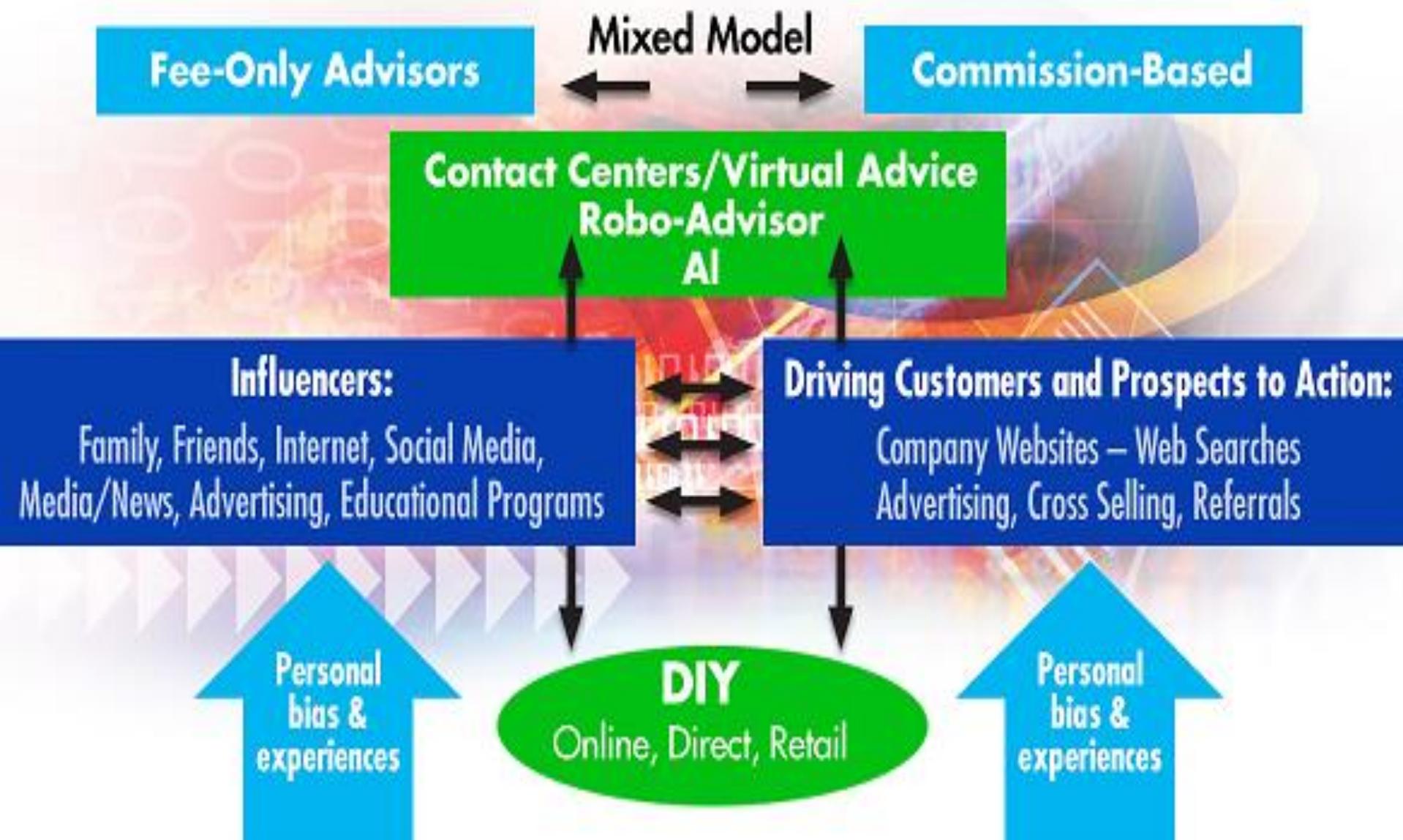
*“The Financial Conduct Authority is examining the possibility that commission payments be allowed once again for certain investment or pension products.”*



Tracey McDermott  
Acting Chief Executive  
Financial Conduct Authority

# NEW ADVICE MODEL

## FORCES & INFLUENCES ON CHOICE



# ***Disruption***

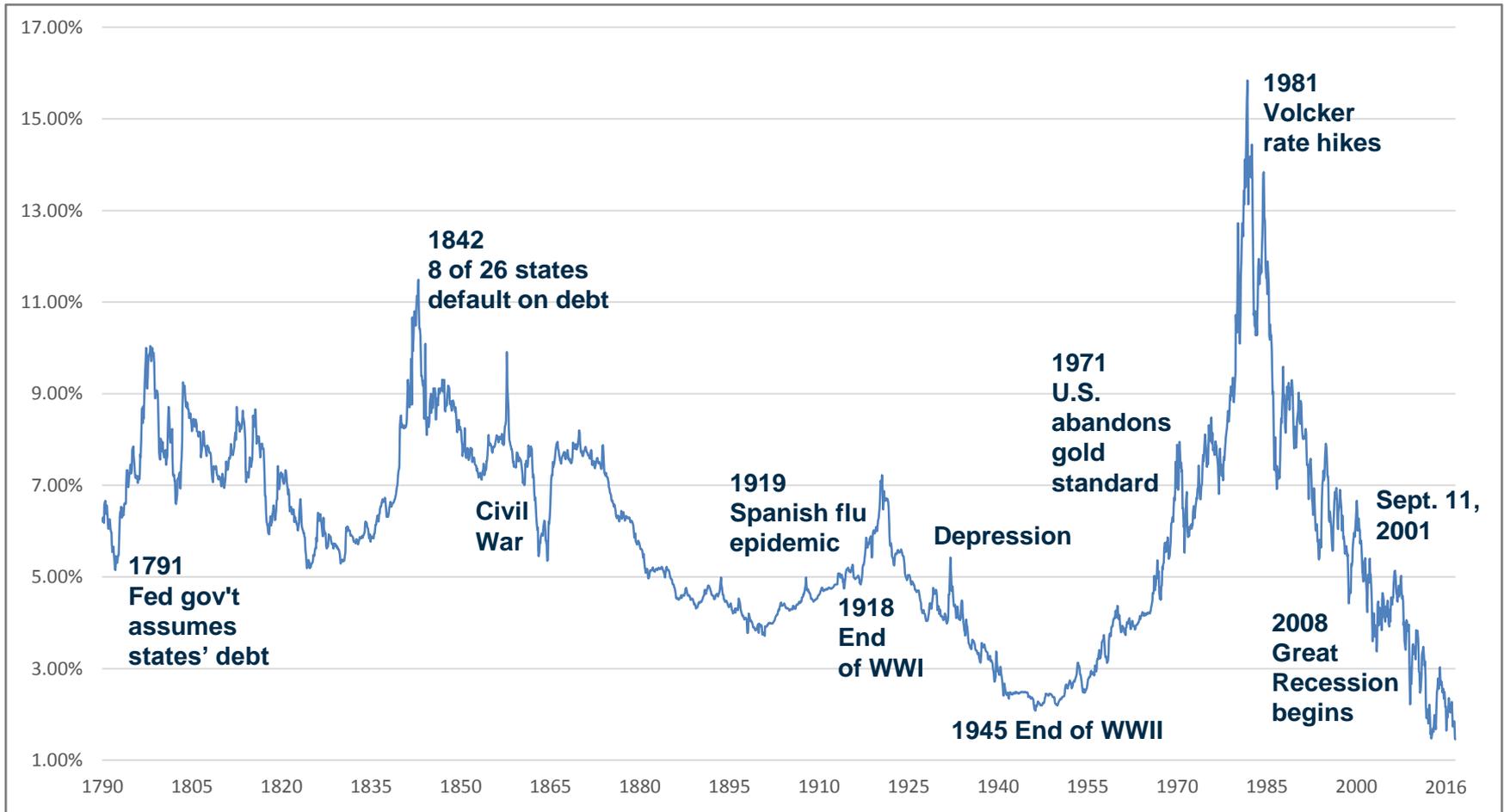
**Demographics**

**Regulation**

**Technology**

**Rise of Consumer**

# Historical Interest Rate Trend



Interest rates represent 10-year Treasury rates beginning in 1962 and a proxy for prior years.  
Sources: Federal Reserve Bank of St. Louis, Bloomberg and Arbor Research

A woman with long dark hair, wearing a red top, is smiling and looking towards the camera. She is standing in a cityscape with several tall skyscrapers reaching up to a blue sky with some white clouds. The perspective is looking up at the buildings.

# Rise of the Consumer

**Improving customer experience  
across the enterprise**

# THE AGE DICHOTOMY

## Competing for Market Attention

Millennials



Baby Boomers



Gen X

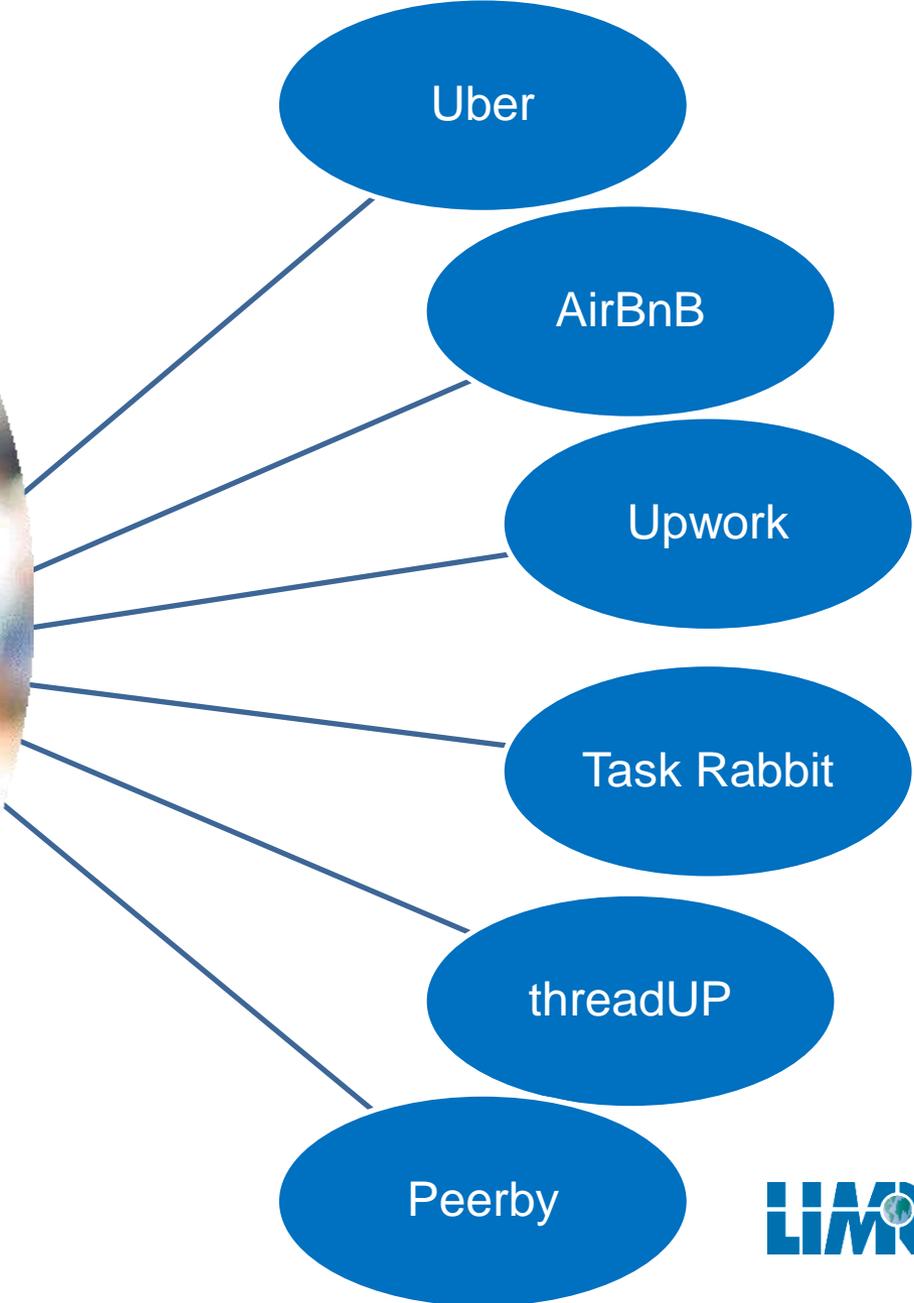


LIMRA

# Millennials Drive the Sharing Economy



Rather than buy,  
Millennials share



Carpooling?

Need a designated driver?

Borrowing a friend's car?

**Get insurance  
only for the time  
you need it!**

The screenshot shows the Cuvva mobile app interface. At the top left is the Cuvva logo, and at the top right are links for 'ANDROID BETA', 'BLOG', and 'SUPPORT'. The main heading is 'GOING SOMEWHERE?' followed by the sub-heading 'GET INSURED FOR AN HOUR (OR MORE) ON A FRIEND'S CAR'. Below this is a 'Download on the App Store' button. On the right, a smartphone mockup displays a quote for a car with registration 'LB07 SEO' and an estimated value of £10,000. The quote is for 'COMPREHENSIVE COVER' and offers three options: 2 hours for £10.10, 3 hours for £14.25 (marked as 'RECOMMENDED'), and 4 hours for £17.50. At the bottom of the app screen, it states 'Cuvva is authorised and regulated by the UK Financial Conduct Authority number 690273'.

# ON-DEMAND INSURANCE FOR THE THINGS YOU LOVE

Protect just the things you want – exactly when you want – entirely from your phone. Coming soon!

EASILY COLLECT DETAILS ABOUT YOUR THINGS  
& PROTECT JUST WHAT'S IMPORTANT TO YOU



# 86%

CEOs who believe technology will completely reshape competition in the industry or have a significant impact over the next five years.



# Insurance companies using Amazon's Echo to connect consumers with agents

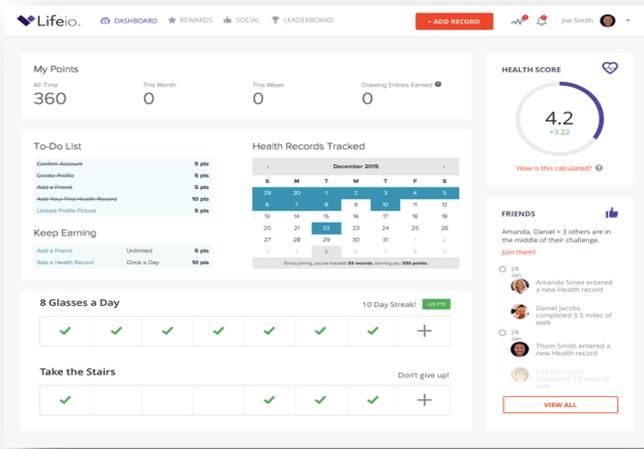
**“Alexa...**

**...tell Insurance Advisor I'd like to find an agent in my area.”**

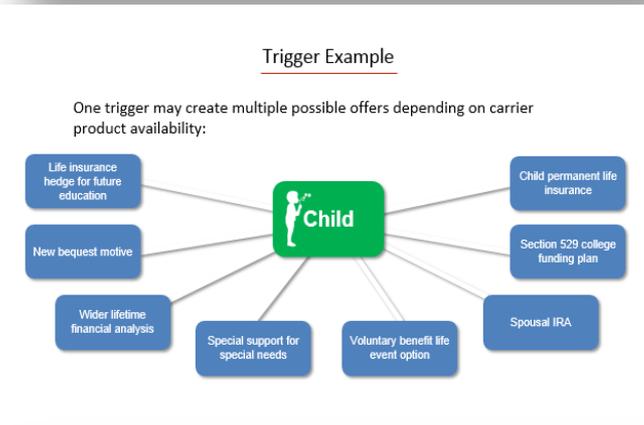
**...ask Insurance Advisor what total vehicle loss is.”**

**...ask Insurance Advisor what types of insurance Safeco offers.”**





**Builds engagement**



**Identifies cross-selling opportunities**



**Generates referrals from friends and family**





**How to earn more points**

Increasing your Vitality status is easy with different ways of earning points! We are with you every step of the way...

**Vitality Check**

BMI Measure	125 points
Blood Pressure Measure	125 points
Cholesterol Measure	125 points
Glucose Measure	125 points

**Healthy Measures**

BMI	1000 points
Blood Pressure	1000 points
Cholesterol	1000 points
Fasting Glucose	1000 points
Non-smoker	1000 points

**Vitality Health Review**

First Time VHR	1000 points
VHR in First 90 days	250 points

**Physical Activity**

Light workouts	10 points/workout
Standard workouts	20 points/workout
Advanced workouts	30 points/workout
Athletic Events	Up to 500 points/event

**Online Activity**

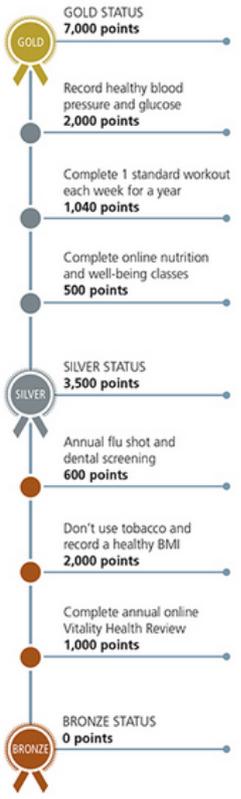
Nutrition Courses	450 points
Mental Well-Being Assessments	200 points
Physical Activity Review	250 points
Calculators	100 points
Update email address	50 points

**Prevention**

Flu Shots	400 points
Dental Screening	200 points
Mammogram, Pap Smear, Colorectal Screening	200 points

**GETTING TO GOLD**

Here are some of the simple things you can do to achieve a Gold Vitality Status.





# Transamerica launches voice ID for their help lines

*“Implementing Voice Pass allows our customers to communicate with us more easily, and with added security...to enrich the overall customer experience.”*

# Agents engaging with their clients via social media

The image shows a Facebook profile for Jennifer Ward, an Allstate Insurance Agent. The profile includes a profile picture of Jennifer, her name, title, and navigation tabs for Timeline, About, Friends, and Photos. Below the profile is a section for 'DO YOU KNOW JENNIFER?' with a prompt to send a friend request. The 'Intro' section lists her as an agent at Allstate and a graduate of Albright College, with an 'Add Details' button. The 'Photos' section shows a grid of images, including Jennifer and an Allstate office. A post from Jennifer, dated June 30, 2016, is highlighted with a blue border. The post text reads: '4th Of July- Jersey shore weekend weather forecast! Please remember for roadside assistance call 1800-ALLSTATE for our 24 hour service! Have a safe and happy 4th from the Jen Ward agency!!' followed by a link to a weather forecast. The post features a photo of a dog wearing sunglasses and holding a small American flag in its mouth, with a larger American flag in the background.

**Jennifer Ward**  
(Allstate Insurance Agent)

Timeline About Friends Photos

DO YOU KNOW JENNIFER?

To see what she shares with friends, send her a friend request.

**Intro**

- Agent at Allstate
- Studied at Albright College

Add details about you to your profile. [Add Details](#)

**Photos**

**Jennifer Ward**  
June 30, 2016 · 🌐

4th Of July- Jersey shore weekend weather forecast! Please remember for roadside assistance call 1800-ALLSTATE for our 24 hour service! Have a safe and happy 4th from the Jen Ward agency!!

<https://weather.com/weather/weekend/MUSNJ0374:1:US>

# Top reason consumers shop for life insurance



**41%**  
cite life event

*“\$1 million in coverage approved within 15 minutes...”*

Quilt

Life insurance

Renters insurance

Resources

About us

Sign in

**Simple. Honest. Human.**

Look out for the people you love, even after you're gone.

"Quilt is fresh and user-friendly, but more importantly their service is extremely customer-focused." - Lisa from West Palm Beach

In partnership with Generation Life (a 50-year-old insurance company that was recently acquired by Swiss Re), Quilt is targeting under-insured population of millennials can have the coverage they need.

**LIMRA**

Ladder sold \$100 million in coverage in first 100 days\*.

*“We’ve found that the faster we get a quote in front of someone, the more likely they are to buy.”*

- Jamie Hale, Ladder CEO



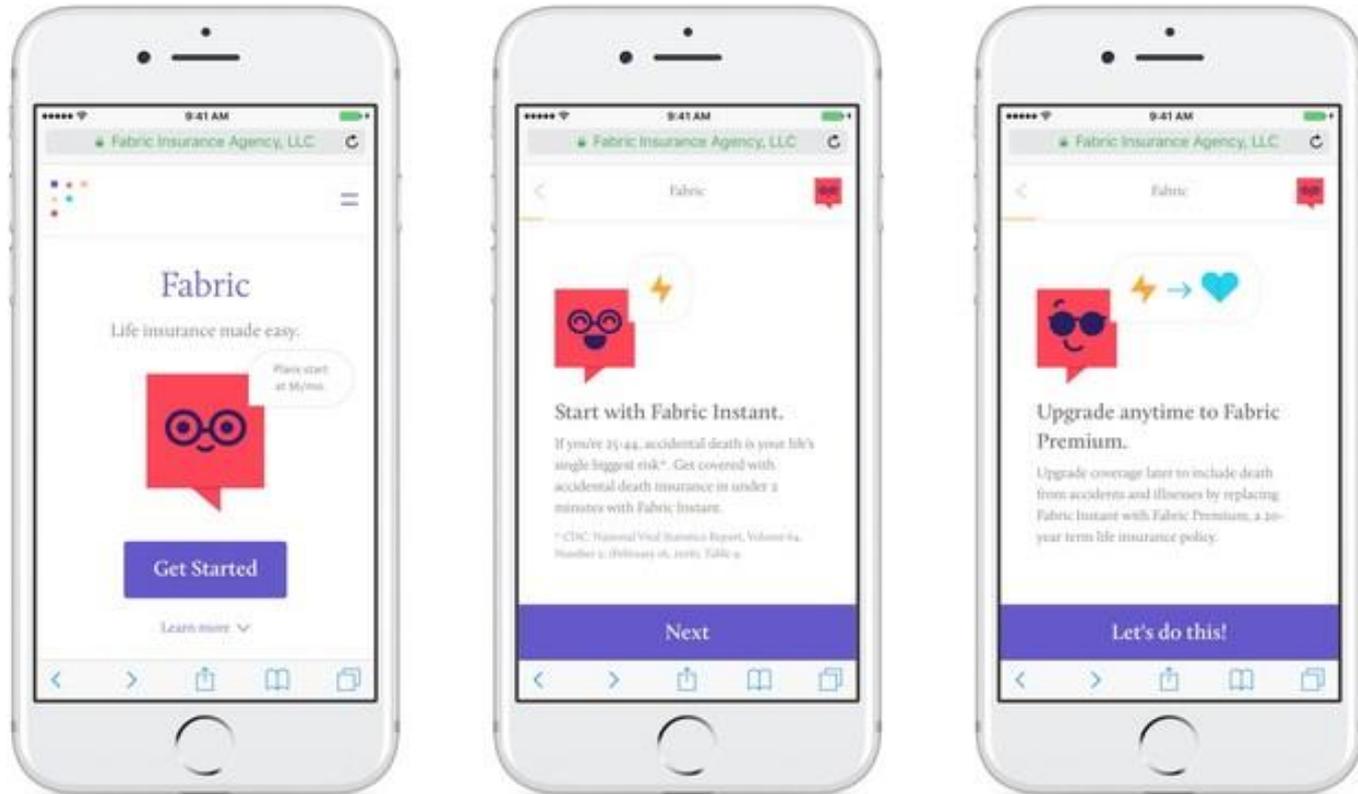
60% of its applications occur outside normal business hours

\*only available in California

Source: Nearly 40% of adults don't have life insurance — these startups are trying to change that, MarketWatch, July 3, 2017



# Fabric – a new online platform offering accidental life insurance



Policyholders can 'upgrade' to a 20-year Term Life policy, issued by Vantis Life

Get Life Insurance Payable to  
Your Trust Fund, If You Need It



**Tomorrow Ideas App** offers  
wills, trusts, and life  
insurance in all 50 states.

*“We've created an easy-to-use  
phone app that lets people do  
[insurance and estate planning]  
together.”*

- **Dave Hanley**, Tomorrow Ideas president/co-founder

Companies selling on the app include: American General, Assurity Life, Banner Life, Mutual of Omaha, Principal Financial, Prudential Financial, Protective Life, Sagicor Financial and SBLI



# Lapetus introduces facial recognition into underwriting



**CHRONOS** COMBINES FACIAL ANALYTICS WITH CONSTANTLY EVOLVING BIODEMOGRAPHIC DATA TO PROVIDE INSURERS WITH MORE INSIGHT, SPEED AND ACCURACY THAN EVER BEFORE.



While insurance companies have traditionally used chronological age for estimating lifespan, **CHRONOS** provides a new, scientifically proven method of forecasting mortality based on estimates of the rate at which someone is aging.

As no two people age at the same rate, by taking each user's individual traits into account, **CHRONOS** provides more realistic and reliable results.

**While traditional underwriting can take up to a month, CHRONOS delivers more accurate results in seconds.**

Combining facial analytics, biodemographic information and constantly evolving life event data, **CHRONOS** returns the most precise and reliable scores available.

# 7 in 10 consumers say they would buy a simplified life insurance product

Likely to buy life insurance priced without a physical exam

Very likely 21%

Somewhat likely 51%

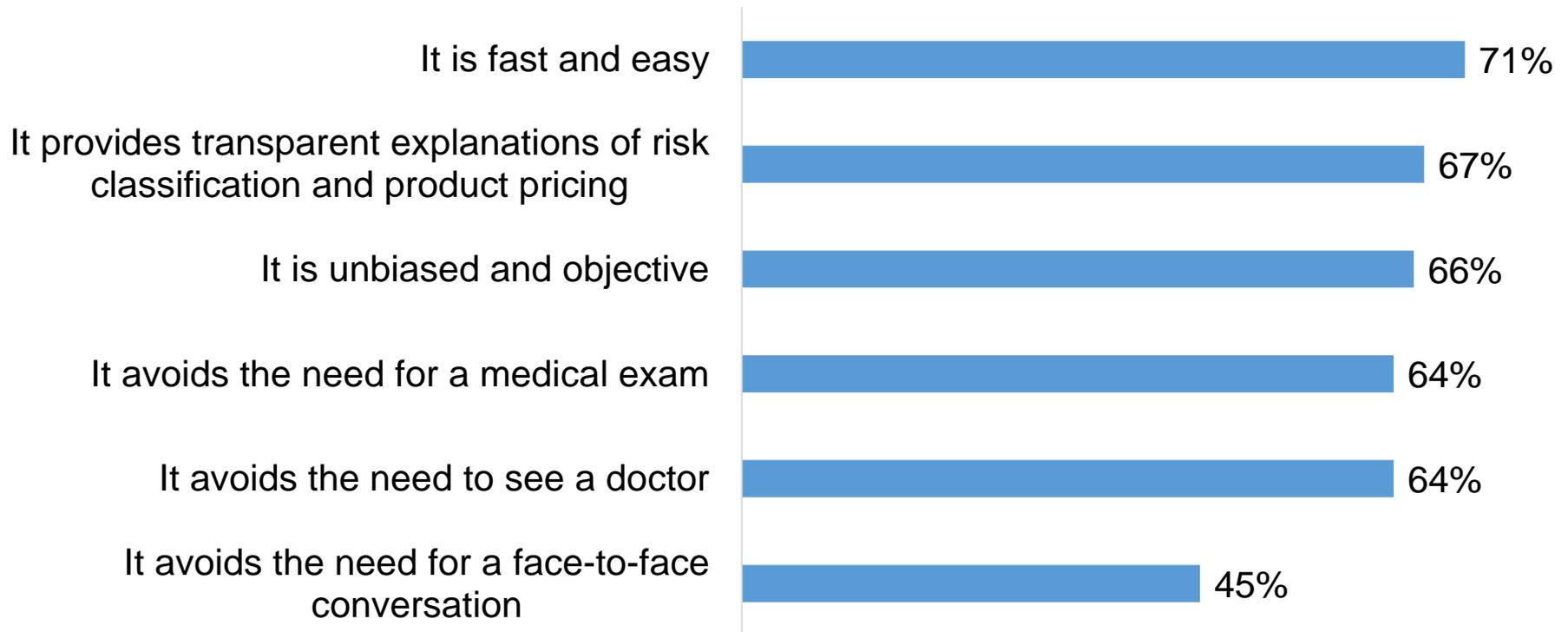
**72%**

Somewhat unlikely 18%

Very unlikely 10%

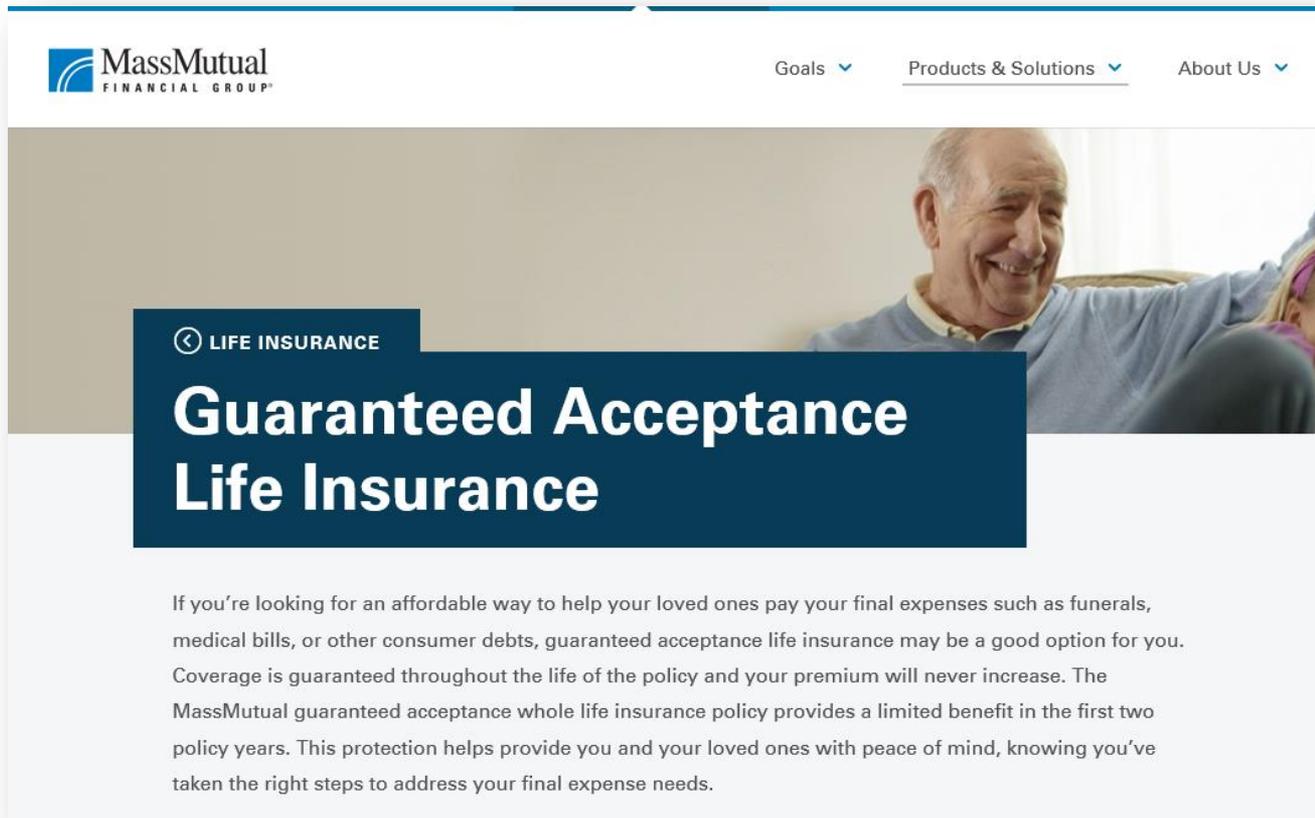
# Why consumers are interested in buying a product with simplified underwriting

## Benefits of simplified underwriting: Appeal to consumers



■ Consumers who felt the benefit was extremely or very appealing

# Launched in 2015 – \$5 million in sales



The screenshot shows the MassMutual Financial Group website. The top navigation bar includes the MassMutual logo on the left and three menu items: 'Goals', 'Products & Solutions', and 'About Us'. The main content area features a photograph of an elderly man smiling. Overlaid on the image is a dark blue box containing the text 'LIFE INSURANCE' with a left-pointing arrow icon, and a larger white box with the title 'Guaranteed Acceptance Life Insurance'. Below the title, a paragraph of text describes the insurance product.

MassMutual  
FINANCIAL GROUP

Goals ▾ Products & Solutions ▾ About Us ▾

← LIFE INSURANCE

## Guaranteed Acceptance Life Insurance

If you're looking for an affordable way to help your loved ones pay your final expenses such as funerals, medical bills, or other consumer debts, guaranteed acceptance life insurance may be a good option for you. Coverage is guaranteed throughout the life of the policy and your premium will never increase. The MassMutual guaranteed acceptance whole life insurance policy provides a limited benefit in the first two policy years. This protection helps provide you and your loved ones with peace of mind, knowing you've taken the right steps to address your final expense needs.

**Projected \$30 million in 2016**

If life insurance could start over,  
this is what it would be.

[GET YOUR FREE QUOTE](#)



## Buying life insurance shouldn't be a hassle

We buy our music and our health insurance online, why not our life insurance?

At Haven Life, we believe that technology offers an improved solution to the typically time-consuming and confusing process of buying life insurance.

Our goal is to pioneer an entirely new way that is easier, faster and just plain better.

Simple online process. Immediate decision. Great insurance.

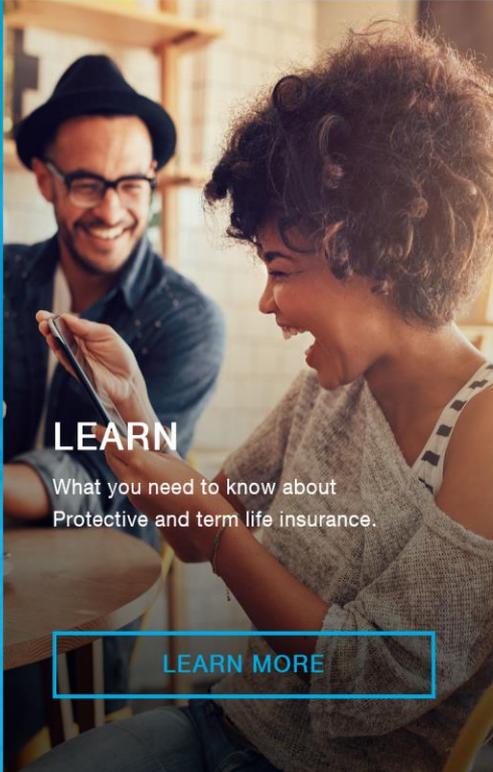
[WATCH VIDEO](#)

***Expanded to 33 states in 2016***

**Life insurance made easy.**

Qualified applicants may be able to apply online in about 20 minutes.

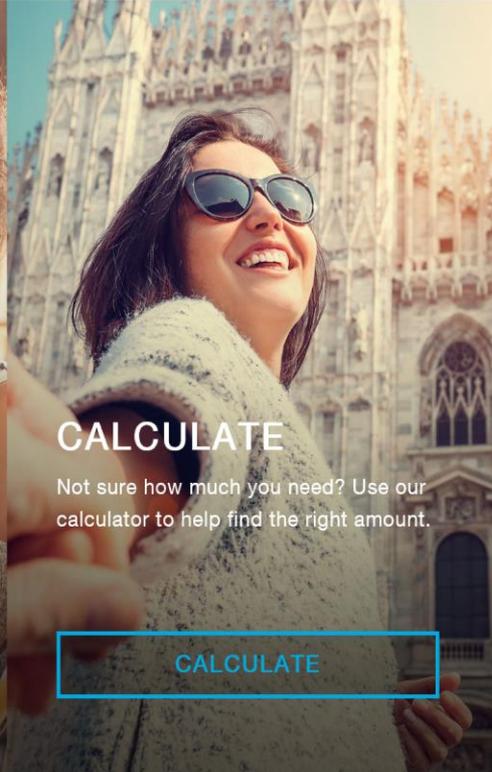
Up to \$1 million in coverage without a medical exam.\*



**LEARN**

What you need to know about Protective and term life insurance.

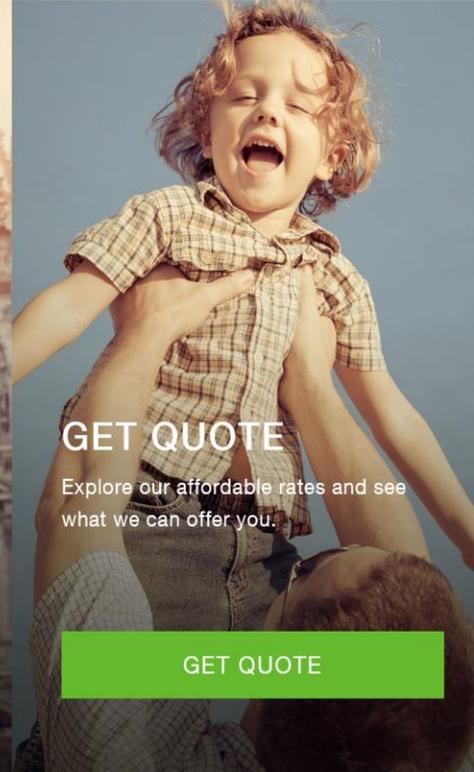
LEARN MORE



**CALCULATE**

Not sure how much you need? Use our calculator to help find the right amount.

CALCULATE



**GET QUOTE**

Explore our affordable rates and see what we can offer you.

GET QUOTE

**Up to \$1 million term life insurance coverage through online application with competitive pricing and no medical exam for a majority of people under 40.**

*“Most people overestimate the change that will occur in two years and underestimate the change that will occur in 10 years.”*

- Bill Gates, 1996



Source: The Road Ahead, 1996





Your Trusted Source  
for Industry Knowledge