

# Game Changers

By Russ Bostick



## Insurance your way

### Behavioral buying drives focus on distribution



Buying only what is required, a preference for self-service models, and convenience are hallmark behaviors of today's consumer. Accordingly, insurance distribution models continue to evolve so that insurers can connect with the behavioral patterns of customers and prospects to sell them what they want, when they want it, and through whatever device they choose.

Not surprisingly, in recent years the industry has seen robust growth in direct channels. In McKinsey's 2019 *Global Insurance Pools: Trends and Forecasts*, McKinsey reports that it sees a preference for brokers and independent financial advisers in the Americas; however, the direct channel in the U.S. life insurance market has steadily gained share over the past eight years. As insurance becomes more digital, all customer segments are expected to increasingly use a direct channel for sales and post-issue service.

#### P&C buyer preferences

P&C buyers in the U.S. now lean toward an increased use of brokers and direct channels. The traditional agency's share of consumer wallets continues to decline as prospective policyholders can get their questions answered readily on the web and on their mobile devices.

With direct channel distribution increasingly a primary game changer for the industry, insurers offering digital technologies to meet the needs of today's consumer are better positioned to sustain and grow, while those not offering these channels and the tailored products that buyers demand will fall behind.

Numerous digital insurers have emerged over the past five years. Several have been successful in providing the means, tools and access to information needed to connect with today's

buyers. Each has its own value proposition. This is key because it demonstrates that there is room for competitive differentiation, something that is much harder to accomplish with the traditional distribution model. Examples of disrupters who have established a solid ground in insurance include (see Figure 1).

These companies' *digital points of presence* combine a CRM system with a method for soliciting and recording a prospect's interactions with the sales website, mobile applications, chat, and other omnichannel technologies that are backed by AI.

#### Innovation: not just about UX

Innovation for these digital points of presence isn't just about the user experience. It is also about the insurance product and how it entices a prospect to make an easy buying decision. Advanced technologies can easily offer new types of coverage or new variations on old products that are backed by advanced analytics. In the end, these capabilities provide insurers the ability to offer consumers coverage "by the slice" (e.g., Slice Labs) and by the exact coverage needed (e.g., life policies backed by accelerated underwriting).

How do traditional insurers and agencies jump on the bandwagon? First, the carrier, agency or reinsurer must recognize it will need to address the data side of its business by building and integrating the insurance supply chain and all its technology underpinnings. Secondly, the analytics necessary for managing accelerated underwriting or providing coverage by the slice requires that the insurer can secure access to a statistically significant scale of transactions for analytics. Several large-scale information providers and reinsurers have embedded a large pool of claims

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transactions and medical data so that they can sell decisions, take on part of the risk and inform product design.

Customers haven't generally clamored for the opportunity to buy insurance. It's often a requirement for a fundamental activity (driving) or purchased by people who are prudent and want to meet obligations (life insurance). As Frank Sinatra crooned, I want to have "My Way" — with a direct distribution mindset and advanced technology in place, we are finally letting insurance customers join in the chorus. **ITA**

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**FIGURE 1.**

Insurer/ Insurtech	Founded	Market/Products	Innovation
Lemonade	2015	<ul style="list-style-type: none"> <li>Home &amp; Renters in 19 states</li> </ul>	<ul style="list-style-type: none"> <li>Uses chatbots to handle claims and issue policies</li> <li>"AI Jim" handles claims, verifies coverage, and approves/declines claim within minutes</li> <li>Policies can be purchased and claims can be reported and paid within minutes</li> </ul>
Haven Life	2014	<ul style="list-style-type: none"> <li>In-house startup for Mass Mutual</li> </ul>	<ul style="list-style-type: none"> <li>Uses advanced non-medical underwriting to issue guaranteed level premium term life policies up to \$1,000,000 in coverage</li> </ul>
Insurify	2016	<ul style="list-style-type: none"> <li>Auto Insurance Quoting</li> <li>Partners with 80+ auto insurance providers, including Nationwide, Farmers, Liberty Mutual, and Progressive</li> <li>Evia (virtual agent) available in 30 states</li> </ul>	<ul style="list-style-type: none"> <li>Uses AI for quoting</li> <li>Applicant texts copy of car's license plate and a virtual agent gathers data from evidence providers to approve/issue or decline to issue the policy</li> </ul>
Ladder Insurance	2015	<ul style="list-style-type: none"> <li>Life insurance</li> <li>Partners with Fidelity to offer insurance directly to consumers</li> </ul>	<ul style="list-style-type: none"> <li>Online purchasing a policy can be done in as little as five minutes and you can sign any documents necessary for coverage with an e-signature</li> <li>Offers unique ability to ladder up (increase coverage) or ladder down (decrease coverage) based on certain life events (marriages, births, purchase of a new home, etc.) or other changes in circumstances</li> <li>Premiums decrease by the same percentage as coverage (e.g., a 10% decrease in coverage means a 10% decrease in policy premium).</li> </ul>