



## The Implications of Obamacare

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Without a doubt, the launch of the federal health care exchange was a disaster. Whether the Obama Administration can turn this around and what the long-term impact will be on the Patient Protection and Affordable Care Act (otherwise known as Obamacare) remain to be seen, but I think Obamacare has presented two unintended consequences for our industry that we should be thinking about:

1. Will online exchanges alter the distribution landscape for financial products, offering an alternative way to reach consumers?
2. If Obamacare ultimately is successful, will more employers drop their existing employee health insurance plans in lieu of private exchanges, materially altering the group business?

While I believe traditional face-to-face distribution always will play a role in our business, we have to acknowledge that consumers' shopping habits have evolved, and their expectations and preferences are changing. Did you know that for the first time ever, in 2013 retail sales on Cyber Monday exceeded Black Friday, with nearly one third of online sales placed through mobile devices?<sup>1</sup>

People can shop online for almost everything. Do we think that expectation of easy access won't be transferred to our products? We have to learn to

better leverage technology and the Internet to connect with consumers directly. Can we learn from P&C and health insurers — who already have robust online and exchange programs — to develop a more *effective* online presence? As more Americans purchase their medical insurance online, will they be more interested in purchasing financial products there as well?

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In 2012 — even before the exchanges were up and running — LIMRA asked consumers whether they would consider purchasing other financial products through an online exchange. Surprisingly, almost half said they would be interested in buying disability insurance, 4 in 10 said they would buy life insurance, and nearly one third would purchase an annuity or IRA via an exchange. These numbers could rise as consumers' comfort levels increase. On the other hand, will there be a longer-term stigma attached to exchanges because of the problems so many Americans had at the outset?

In addition, we have been challenged to find effective ways to reach the middle market. Could exchanges provide a new way to reach this important group of consumers?

Thirty years ago companies like Aetna, CIGNA, and others offered health products *and* life and annuities, as well as even P&C products. Health insurers have knowledge about how to go direct to consumers. Will some expand their product offerings again and cross sell other risk and investment products to their millions of consumers?


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Private exchanges are likely to profoundly change the group business as well. Our research shows that nearly 30 percent of employers would consider moving their benefits — not just their health care plan — to an exchange within the next two to three years. This could increase competition (since most private exchanges offer products from multiple companies) among the firms represented on the exchanges, but also might crowd out health care carriers or plans that are not selected by the broker. For those companies in the exchanges, their direct customer has changed from the employer to the employee. Understanding what — other than price — motivates consumers to select specific products, and developing the appropriate messages, will be key.

There has been a lot of talk about younger people not signing up for Obamacare and the impact it will have on insurers, as these are people who haven't had insurance. A LIMRA survey of employees found younger employees value their benefits as much as their older counterparts do. In addition, exchanges offer the experience that Gen X and Y consumers tell us is ideal — the ability to review multiple companies online to help them make their choice.

Is it possible that private exchanges will become the favored channel for the younger generations for all of their financial product needs?

If you thought Obamacare only would affect those in the health insurance business, think again. The game is afoot, and the unintended consequences of the new health care system may have wide-reaching implications for our business. 



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<sup>1</sup> IBM 2013 Holiday Benchmark Report

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