

PRESIDENT'S PAGE



Disruption Doesn't Mean Disintermediation

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We live in a time of disruption. Changing demographics, evolving technology, and expanding regulation are creating challenges but also opportunities.

Many are concerned that our industry will be “Uberized.” (This is my term for someone new coming in and materially altering the business model — causing companies to become irrelevant and obsolete.)

Some would cite Google's® entry into the insurance business as an example of disruption. But Google Compare isn't writing the business — it is just offering a new way to distribute it. This offers companies a way to expand their reach and organically grow their sales. And we know that Google is helping traditional insurers connect with younger consumers — using tools that resonate with them. Who will be the winners and losers in this scenario? Time will tell. But all insurance companies will not disappear.

We should be concerned about the commoditization of our industry. Technology and the Internet can level the playing field — making price the most important factor. We have all seen the impact commoditization has had on other industries. Travel agencies, for example, were disrupted by Travelocity®, Hotels.com®, and Trivago®. People started booking reservations online based on price and were not relying on travel agents. This could happen to us unless we respond.

Companies can avoid being disintermediated by being innovative, providing distinctive services, or targeting specific segments of the market. Financial services companies are developing unique value propositions to differentiate themselves: John Hancock's partnership with Vitality™, MassMutual's Society of Grownups®, and Protective's relationship with Costco® are examples of how companies are creatively building long-term, ongoing relationships with consumers in a different way.

Today's consumers have changed — not only demographically, but also because their expectations have changed. This is an issue every industry faces, but I

believe it is having a greater impact on us. Companies cannot rely on traditional strategies to meet the growing expectations of today's diverse population. Today's consumers have more choices and more power to determine how and when they access information. They can buy virtually anything online and have become accustomed to having answers immediately. We need to find ways to be where they are in their day-to-day lives.

Without a doubt, the most imminent disruptor of the financial services industry is the Department of Labor's proposed fiduciary rule. In my career, there has never been anything that could have a greater, more chilling impact on our business. I believe it will make it harder for Americans to get the help and advice they need.

All this change will not necessarily disintermediate producers and advisors. But they will have to embrace technology to ensure they are more relevant to their clients and more efficient in their business. This includes partnering with companies to get more quality leads, leveraging technology (like Skype™) to talk with and provide advice to more clients, and using robo-advice platforms to be able to provide more service to those who want it. In other words, use technology to connect with the next generations.

In the next 10 to 20 years, there will be an unprecedented shift of assets as the majority of Boomers enter retirement. It is likely their financial goals also will shift from accumulation to principal protection and income generation. They will need help to achieve those goals; they will need advice.

Despite all of the challenges our industry faces, I have confidence you will find creative solutions to address them. We are seeing innovation throughout our industry, and it will continue as we evolve to reach the new consumer.

In the end, people need what your companies provide. They need life insurance and disability insurance to protect their families. They need good long-term savings vehicles; they need monthly income. Change doesn't mean disintermediation for everyone, but it may mean there are winners and losers. 🌐