PRODUCTS

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What Will It Take to Move the Life Insurance Needle?

In a previous issue, I reviewed the forces that affected individual life insurance during LIMRA's first 100 years.[1] The Great Depression, the war years, and the baby boom all affected life insurance sales in the first 50 of those years. In the second 50 years, interest rates, the stock market, regulations, and changing demographics prompted major changes in life insurance product offerings and the methods used to sell them.

As this year begins to come to a close, it's an appropriate time to look at what's next. What will life insurance look like as LIMRA enters its next 100 years?

The Current Situation

As I was writing this in September, Life Insurance Awareness Month (LIAM) was underway. This annual campaign, started a dozen years ago by the nonprofit organization Life Happens, is a reminder of the importance of life insurance. It's designed to encourage those without adequate life insurance protection to get the coverage they need. There is still a tremendous need for this type of education and awareness.

LIMRA has been tracking life insurance ownership for nearly 60 years, and the most recent results show that ownership remains low.[2] And yet research by LIMRA and Life Happens shows that consumers recognize the importance of life insurance.[3] What will it take to move the needle in a positive direction?

LIMRA's forecast of individual life insurance sales predicts modest growth in the next few years — not enough to make much of a dent in the uninsured and underinsured population (Table 1). There is no silver bullet, no single solution that will fill the coverage gap. Instead, it will likely take a combination of new product ideas, new market approaches, and new distribution methods.

Table 1

U.S. Individual Life Insurance Forecasted Growth Rates

	Total	UL	WL	Term	VUL
2016	0	0	2%	-2%	-11%
2017	2%	4%	2%	2%	0
2018	2%	2%	4%	0	4%
2019	2%	4%	2%	-1%	0

Source: U.S. Individual Life Sales Forecast: 4th Quarter 2015, LIMRA (2016)

Products

What products — in the market now or still on the drawing board — will be compelling enough to convince reluctant consumers to chip away at the coverage gap? Maybe products like the series introduced last year by John Hancock and Vitality, which reward policyowners for healthy living and give them activity trackers to record their efforts. And/or perhaps products that cover multiple needs (think of them as combo products on steroids).

I suggested a concept like this in a commentary a few years ago — a flexible product that meets multiple needs with one premium, all in an easy-to-understand package.[4] The "easy-to-understand package" is the most challenging part of this concept. Insurance companies historically have not been known for making products with simple explanations.

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Markets

Almost three quarters of new life insurance buyers are under age 55. For the broad life insurance protection-focused market (other than small final expense policies), the Baby Boomer ship has sailed. (Though Boomers are also a target for higher-face-amount financial planning, estate planning, and retirement income types of sales. They represent the potential for fewer policies, but much larger premiums.)

Today 4 in 10 life insurance policies are purchased by consumers aged 25 to 45. They are often considered the prime life insurance market because this has historically been when people got married, bought houses, and had children.

This age group is now half Generation X and half Generation Y (Millennials). That's right. In 2016, Millennials represent *half* of the prime life insurance protection market. So, what life insurance products do Millennials want to buy?

Given the amount of student loan debt the typical Millennial has, low cost would probably be a key feature — even though we know Millennials already grossly overestimate the cost of life insurance, more than any other age group.[5] Further, Millennials are more likely than other generations to both wear an activity tracker and be willing to share the results with an insurance company to get a discount or other financial benefits.

Millennials also don't remember a time when the only options to buy consumer products were to buy them in a store or call to order them from a catalog (which came in the mail) — and then wait a few weeks for a package to arrive. Life insurance products that take weeks or months to issue are not likely to resonate with this market segment. Instant or quick-issue products that use big data and predictive analytics to evaluate risk may become table stakes for this generation.

Distribution

The distribution piece can be a challenge. On one hand, our research still shows that a majority of people prefer to purchase life insurance in person, typically so they can ask questions and get immediate answers.[6] But on the other hand, our industry must keep pace and provide the type of customer experience people expect, based on the ways they purchase retail products today.

While recognizing that our products are more complicated than tangible consumer goods, it is still critical that we also offer contemporary touchpoints for those who do want a more immediate experience. True internet-based distribution seems to be a must for the near future. And it will be exciting to see how companies continue to push the innovation envelope even more — perhaps with app-based distribution or partnerships with online marketplaces like Groupon? (Incidentally, Groupon's website lists their first corporate value as "Start with the customer." [7])

In closing, I'm confident that the creative minds in the life insurance industry will meet these challenges, just as they have over the last 100 years. I hope that a future LIMRA researcher can look back at this on LIMRA's 125th or 150th anniversary and report on what they created.

1 "In the Beginning, There Was Ordinary Life," *LIMRA's MarketFacts Quarterly*, Number 1, 2016.

2 LIMRA 2016 Life Insurance Ownership study.

3 *2016 Insurance Barometer* study, LIMRA and Life Happens.

4 "Lifetime Financial Protection?," *LIMRA's MarketFacts Quarterly*, Number 3, 2013.

5 *2016 Insurance Barometer* study, LIMRA and Life Happens.

6 Ibid.

7 www.groupon.com.

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