COMMENTARY FOCUS

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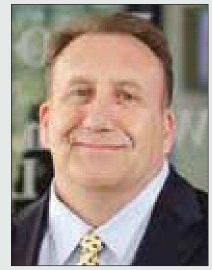

A Farewell to Handshakes
Life Markets in a Post-COVID World

The COVID-19 pandemic is a generation-defining event. A rare experience that characterizes the global zeitgeist, and permanently imprints itself on the developing psyches of young adults. This pandemic will shape the thoughts and behaviors of Gen Z (Zoomers) for the remainder of their lives, just as the 9/11 terrorist attacks did for Millennials and Gen X, and the assassination of President Kennedy did for Baby Boomers.

FOCUS ON COVID-19

To help the industry anticipate the impact of COVID-19, consider this: person-to-person sales no longer include handshakes. This is not a trivial change in custom. Evidence suggests we have been shaking hands to confirm agreements for *thousands of years*. A stone relief from the ninth century B.C. depicts Assyrian and Babylonian kings shaking hands to signify an alliance.[1] Yet, in a few months, COVID-19 has redefined the handshake from a gesture of good will and trust to an unwelcome invasion of personal space and a health risk.

From a regulatory perspective, the current "no-touch" environment is unlikely to last beyond 2020, due to the development of vaccines. However, the industry should anticipate lingering effects from this pandemic, especially among younger consumers. These impacts will include a long-term shift in distribution preference.

Over the past 10 years, purchase preferences for life insurance have moved away from in-person sales. From 2011 to 2020, the proportion of consumers who say they prefer in-person sales declined from 64 percent to 41 percent. More than half of all consumers now prefer alternatives to in-person sales.[2]

The shift to alternative distribution methods (i.e., online, phone, mail) that accelerated during the pandemic, in many cases will change consumer purchase behavior permanently. Age will also influence this behavior. Younger generations (i.e., Zoomers) are more likely to eschew in-person sales for the long-term, while older generations (i.e., Baby Boomers) are more likely to retain their preference for in-person sales. Life companies and financial professionals need to prepare for this new set of distribution dynamics.

The proportion of consumers who prefer internet/online sales grew from 17 percent to 29 percent in the past 10 years. The dynamics introduced by COVID-19 will accelerate this trend. The industry will see a significant rise in online sales and an uptick in mail and phone sales. The challenge for alternative distribution systems will shift from trying to increase business flow, to managing larger business flows properly. This may be a significant challenge, as consumers new to these processes will want to see responsiveness and personalization before they are willing to trust new distribution methods.

Financial professionals face a different set of challenges, in addition to a dwindling number of people willing to meet in-person. One of the best ways financial professionals can react in this new environment is to establish a visible presence on social media platforms. Data from the 2020 Insurance Barometer suggest 64 million consumers are looking for a financial advisor and half (49 percent) would research prospective advisors on social platforms.[3] Interactive tools, such as Zoom, will act as a substitute for in-person meetings, but this may increase the time and effort required to build trust with new prospects and clients.

Most of those seeking financial advice are members of Gen X or Millennials. This demographic indicates that social media has become an important marketing and communication tool for financial professionals. The advent of the COVID-19 pandemic has increased use of social media,

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making it even more important to the industry. The ability to maintain an active social media presence, and obtain favorable ratings from end users, has become an important element in establishing connections with younger generations. While not a substitute for a firm handshake, a reliable and relevant social media presence builds trust in this age of social distancing.

The no-touch design of simplified underwriting is another area the industry can capitalize on in the wake of COVID-19. The 2020 Insurance Barometer indicates that awareness of simplified underwriting increases purchase intent among 50 percent of consumers. This reflects attitudes before the pandemic reached North America. With the arrival of the pandemic, the appeal of simplified underwriting will increase, due to the need to obtain life insurance, while avoiding steps that involve human contact (e.g., having fluids drawn, medical exams).

Where appropriate, life insurance companies and professionals should leverage the capabilities of social media and simplified underwriting systems. Remember to emphasize options such as combination products, which can cover critical illness and death, both fears spurred by COVID-19. The industry already has the capability to respond to these new market dynamics. Those who adapt quickly and expand those capabilities will earn the opportunity to thrive in the post-COVID insurance market.

[1] *The History of the Handshake*, www.history.com/news/what-is-the-origin-of-the-handshake, [accessed May 1, 2020].

[2] *2020 Insurance Barometer Study*, LIMRA and Life Happens, May 2020.

[3] *Ibid.*