

# Pandemics & Predictions: Transformation in the Life Insurance Industry

*You can't change the  
wind, but you can adjust  
your sails.*





# Winds of change

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“The stiff headwinds key business lines in the U.S. life and annuity industry faced early this year turned into a gale with the onset of COVID-19.”

S&P Global Market Intelligence, 29 July 2020



# The Evolution of Life Insurance

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- Life Insurance Gap and Opportunity
- COVID: Impact on Consumers
- COVID: Impact on Advisors
- COVID: Impact on Products
- COVID: Sales Trends
- Looking Ahead: Evolution and Transformation



# Life Before: Life Insurance Gap and Opportunity



**44%**

**Would face  
financial hardship  
within six months**

**28%**

**...within one month**

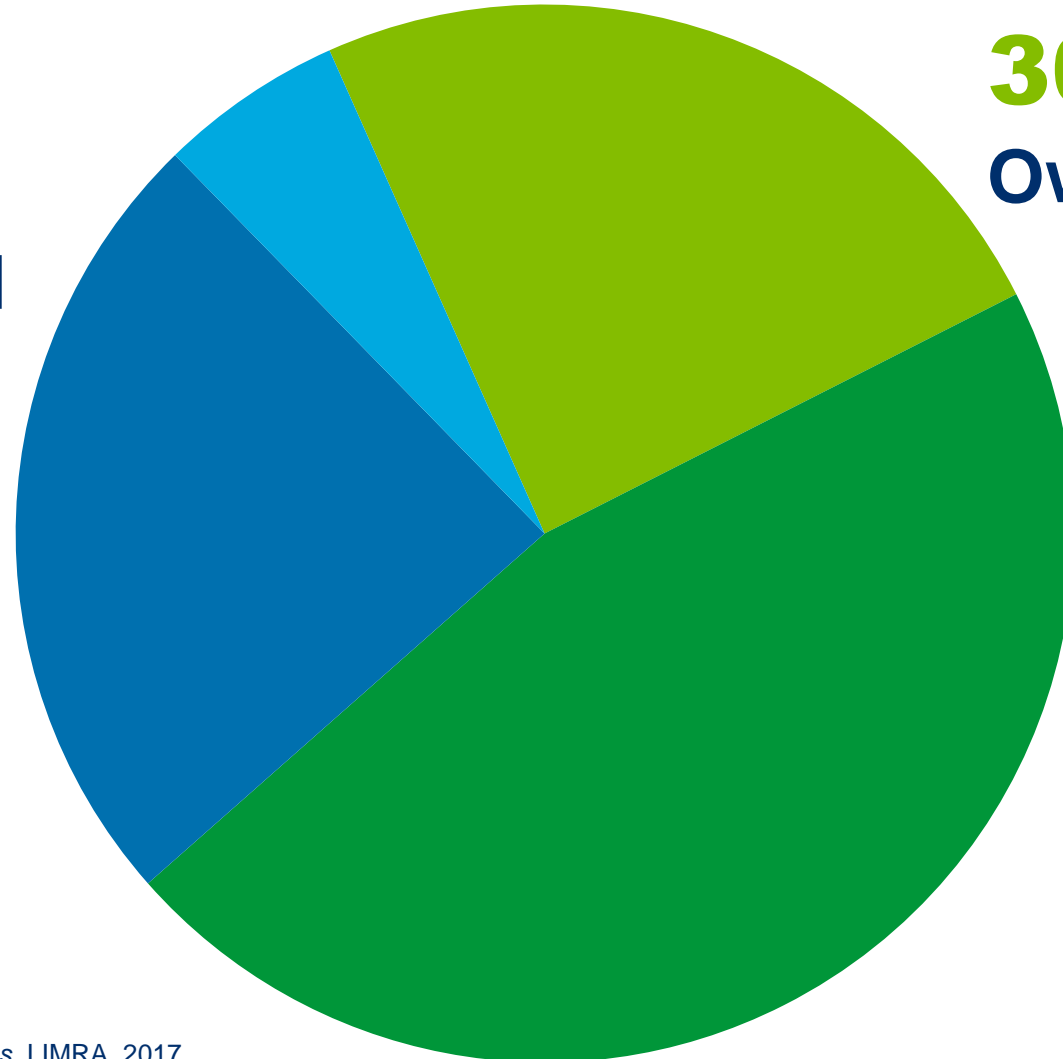
# U.S. Households

**7 Million**

**Do Not Own &  
Not Underinsured**

**30 Million**

**Not Own  
& Underinsured**



**30 Million**

**Own & Underinsured**

**57 Million**

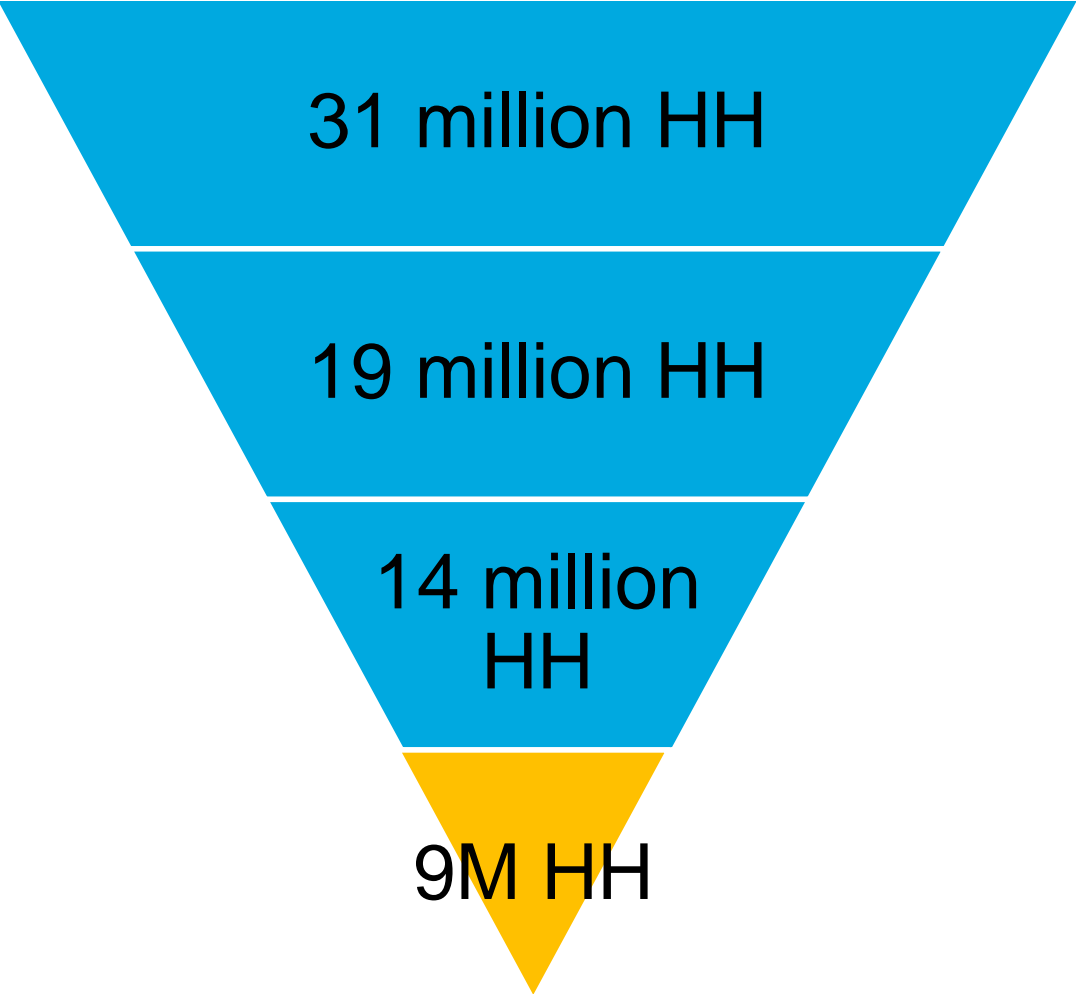
**Own & Not  
Underinsured**



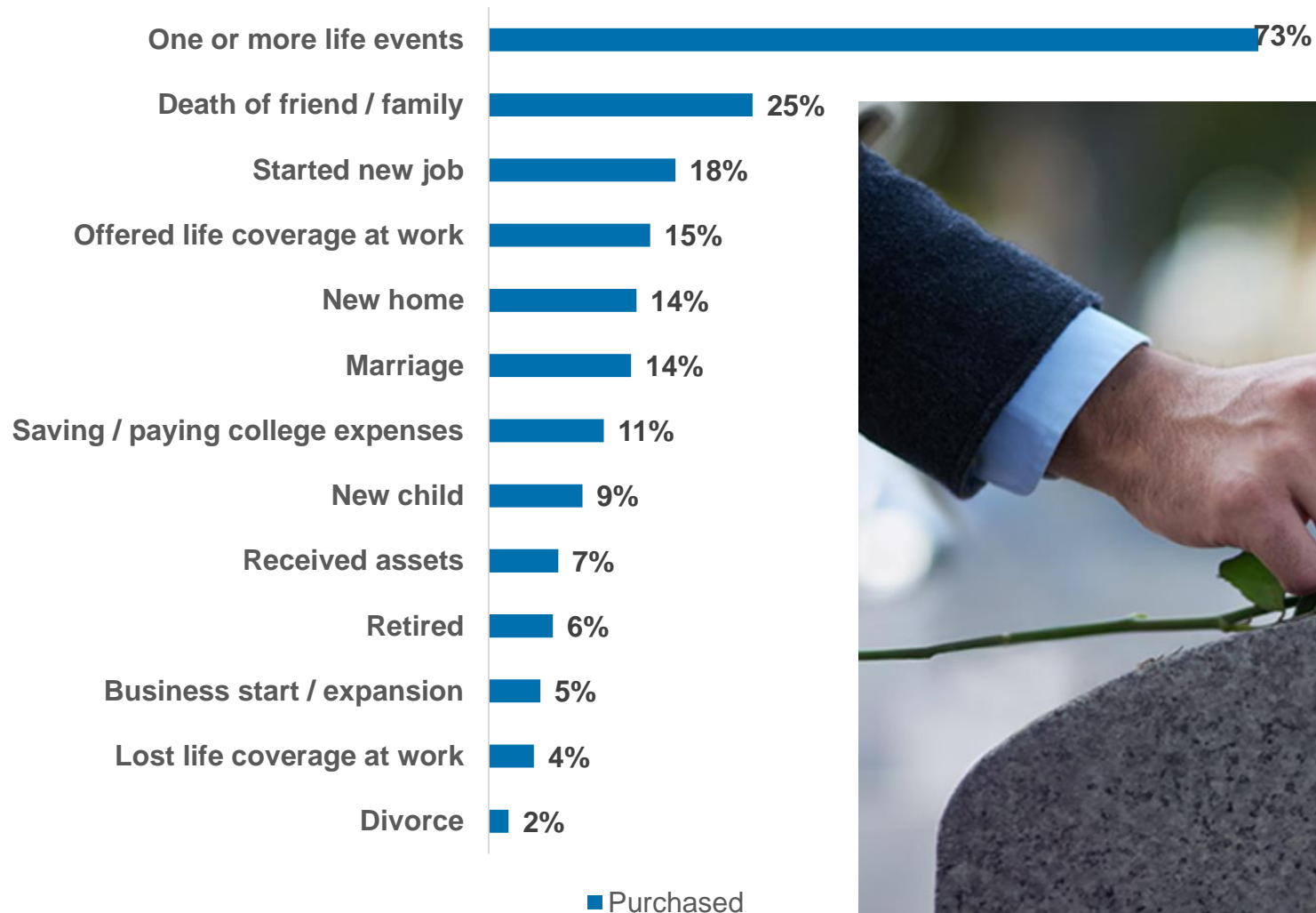
**\$200,000**

**Average Coverage Gap  
per Household**

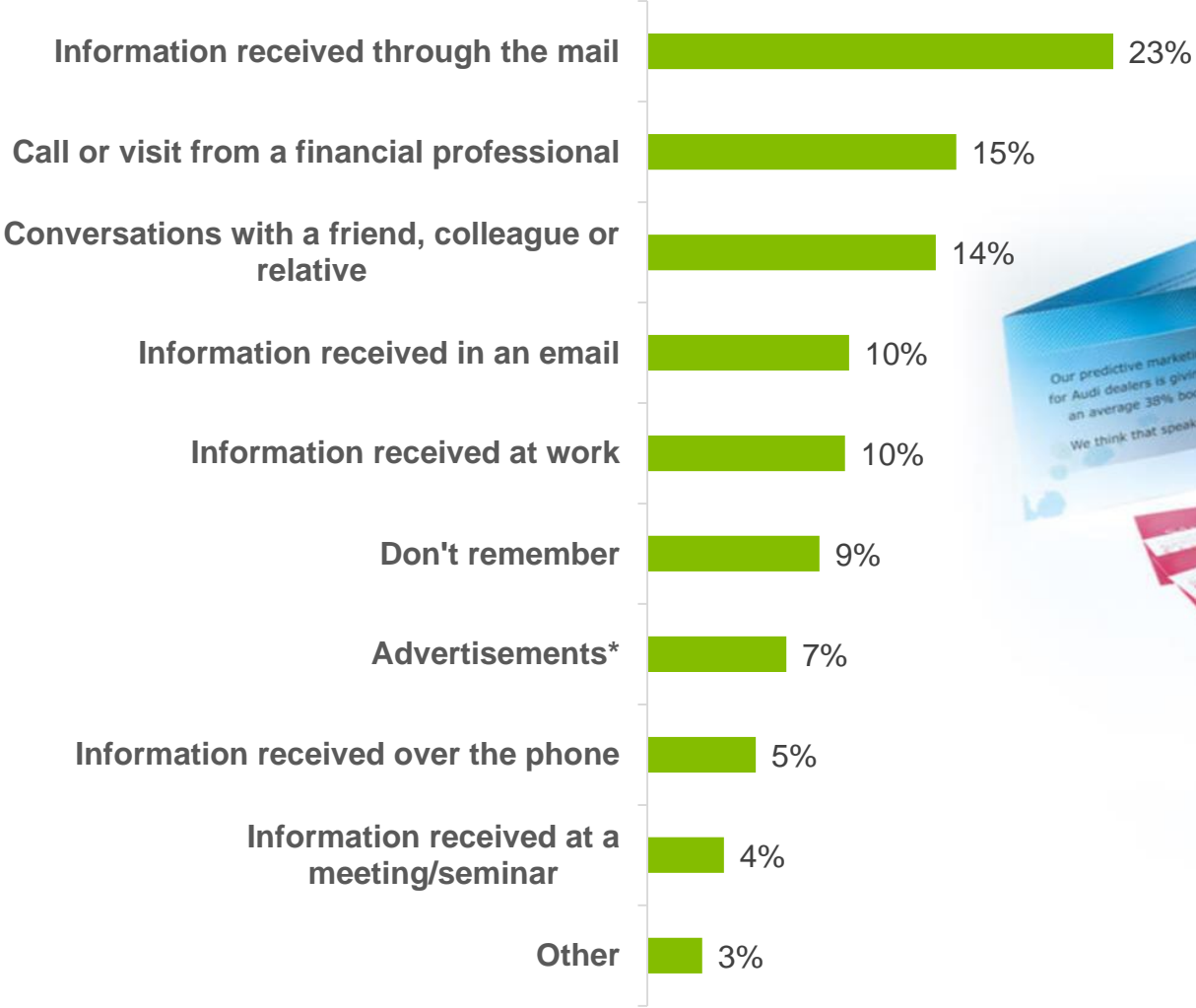
# Life Insurance Shoppers & Buyers



# What triggers awareness?

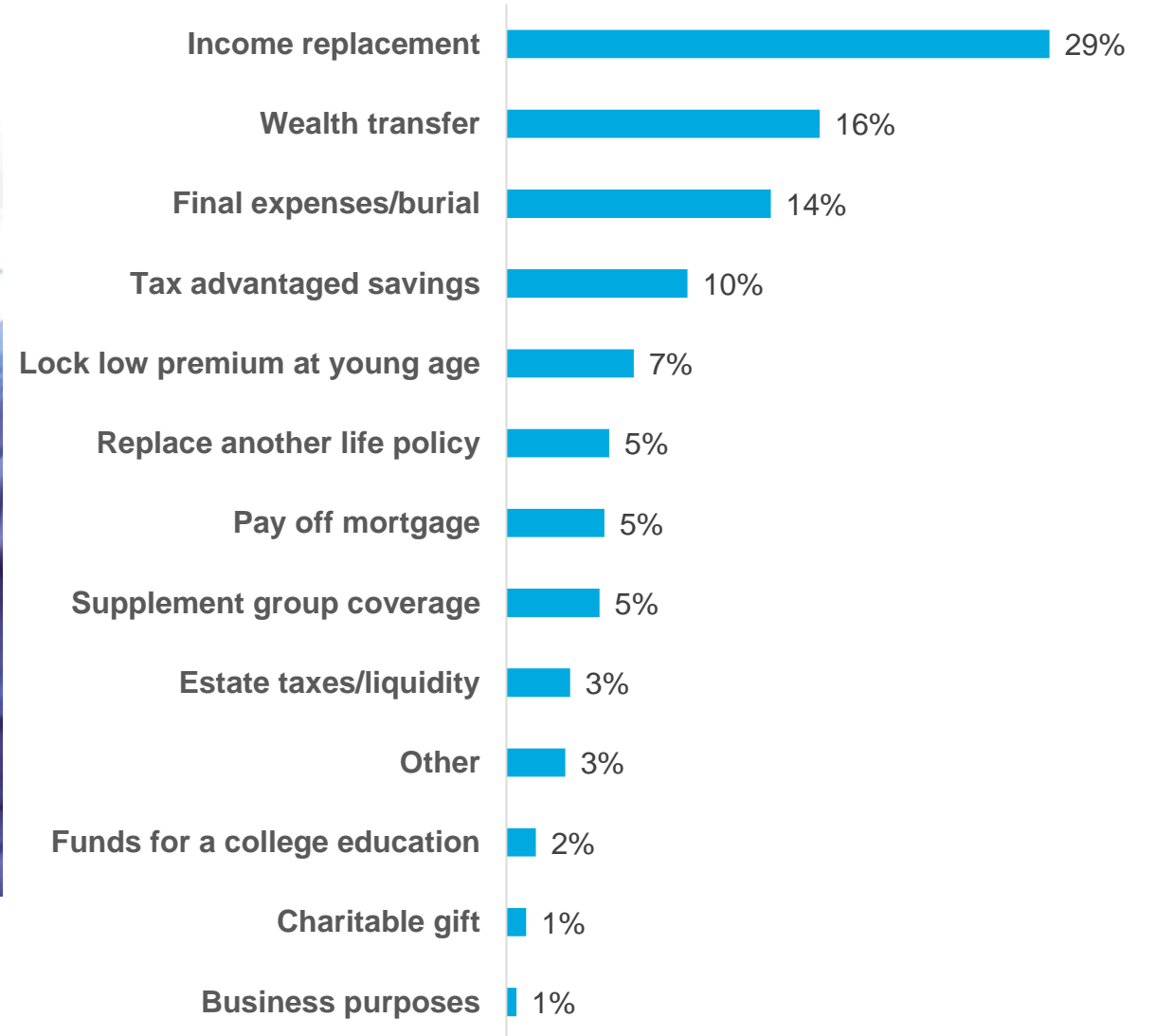


# What moves awareness to action?





# Why do they purchase?



# What characteristics matters most?

- Total Assets
- Total Debts
- Household Income
- Age
- Financial Advisor
- Children
- Employment
- Marital Status
- Recent Life Events
- Education Level
- Decision Making Power



# Most Likely Buyers

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- Young to Middle Aged
- Upper Middle Class
- High Income/Assets but also High Debt
- Employed Full Time
- Have a Financial Advisor
- Own their Home
- Married with Children
- College Degree+
- Had Significant Life Event(s) in the Last Two Years

53%



7%





**COVID: Impact on Consumers**





**BREAKING NEWS**

**CORONAVIRUS**

**UPDATE**

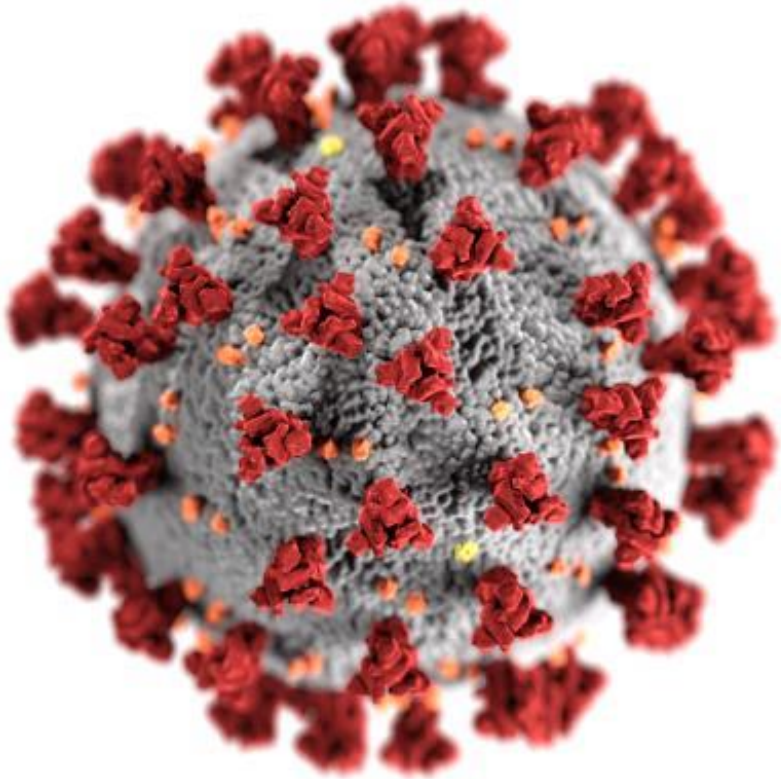
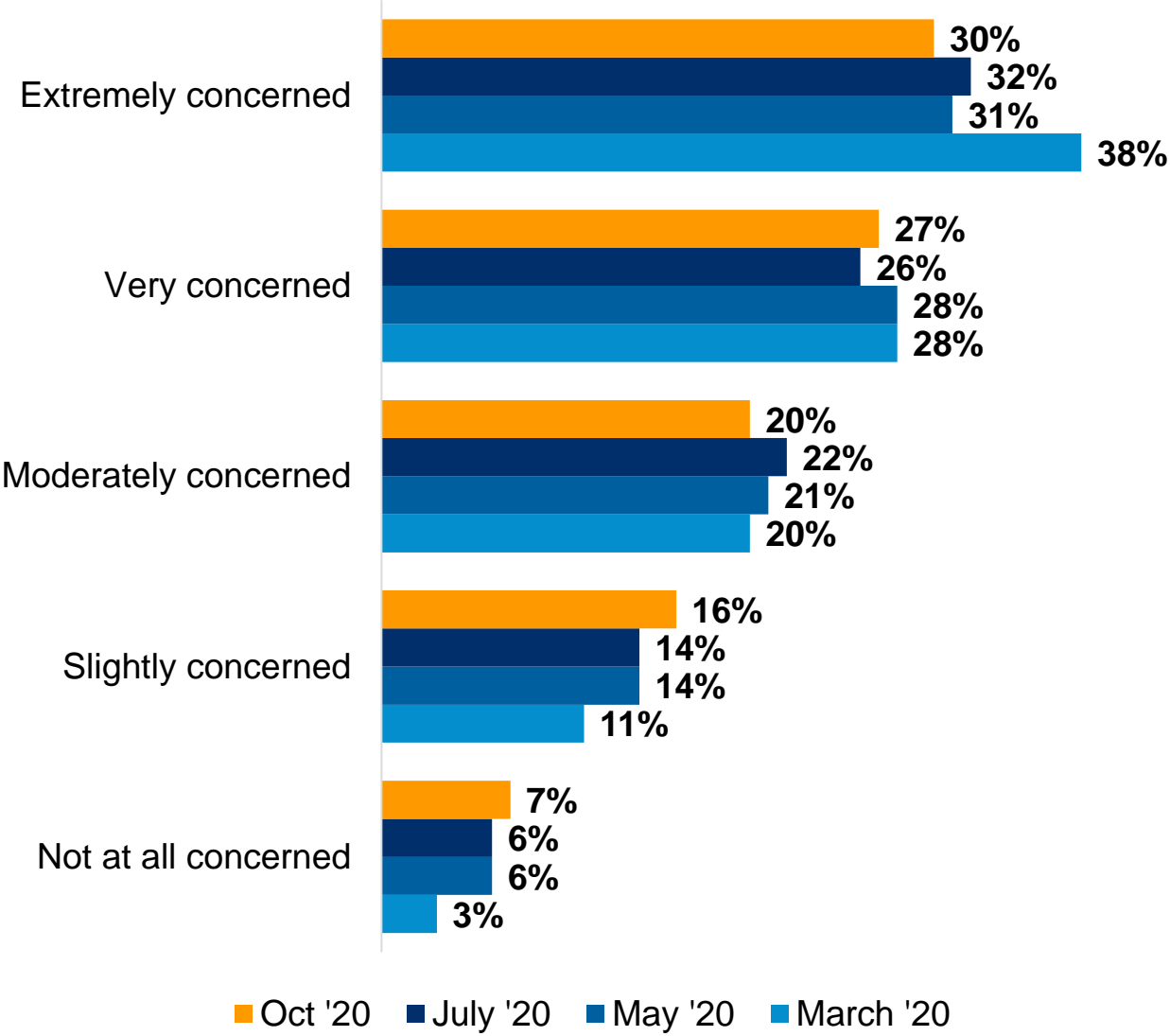
238,000

# Those Dying From Covid-19 Are Less Likely to Own Life Insurance



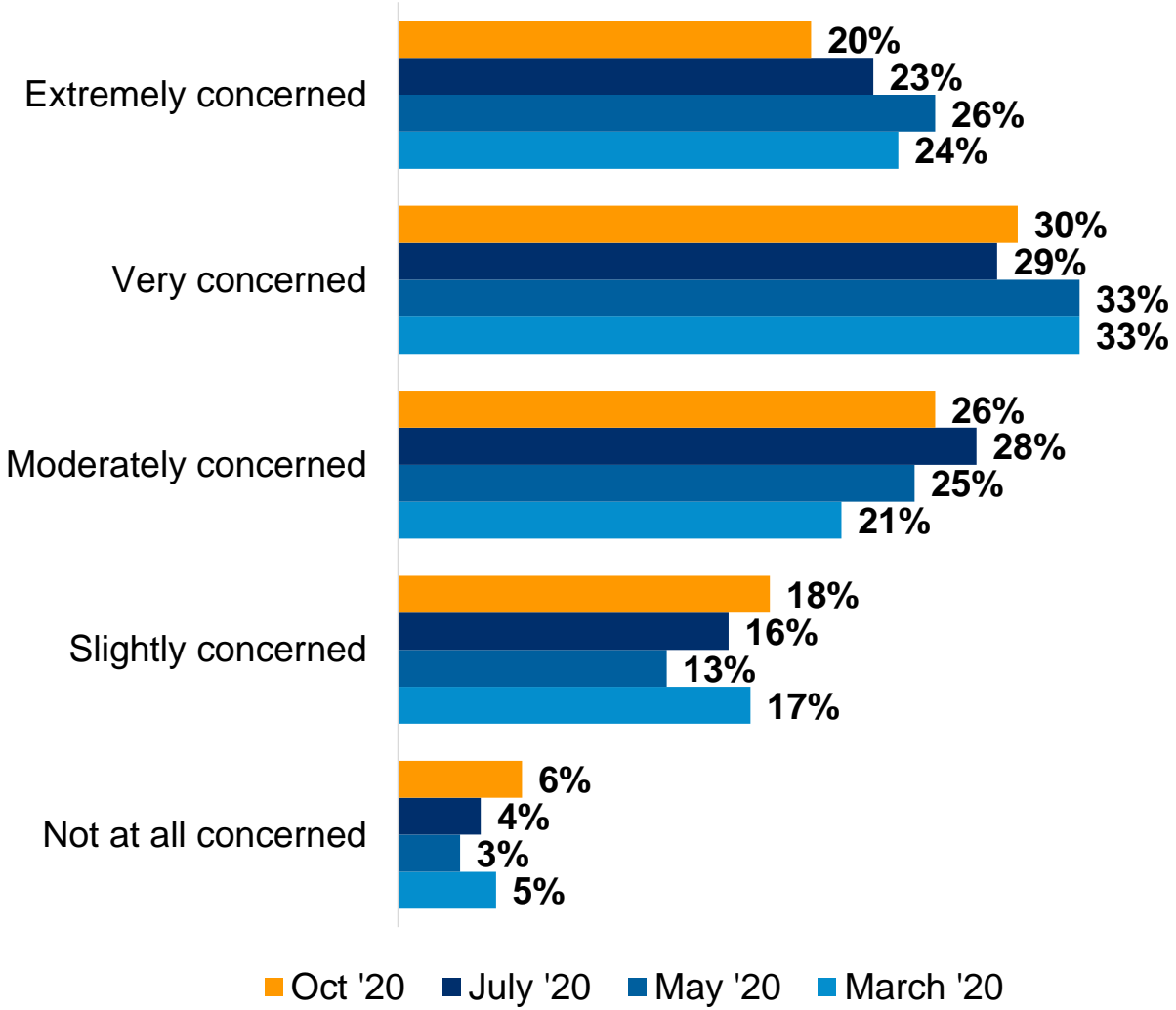
**THE WALL STREET  
JOURNAL.**

# Concern about COVID 19





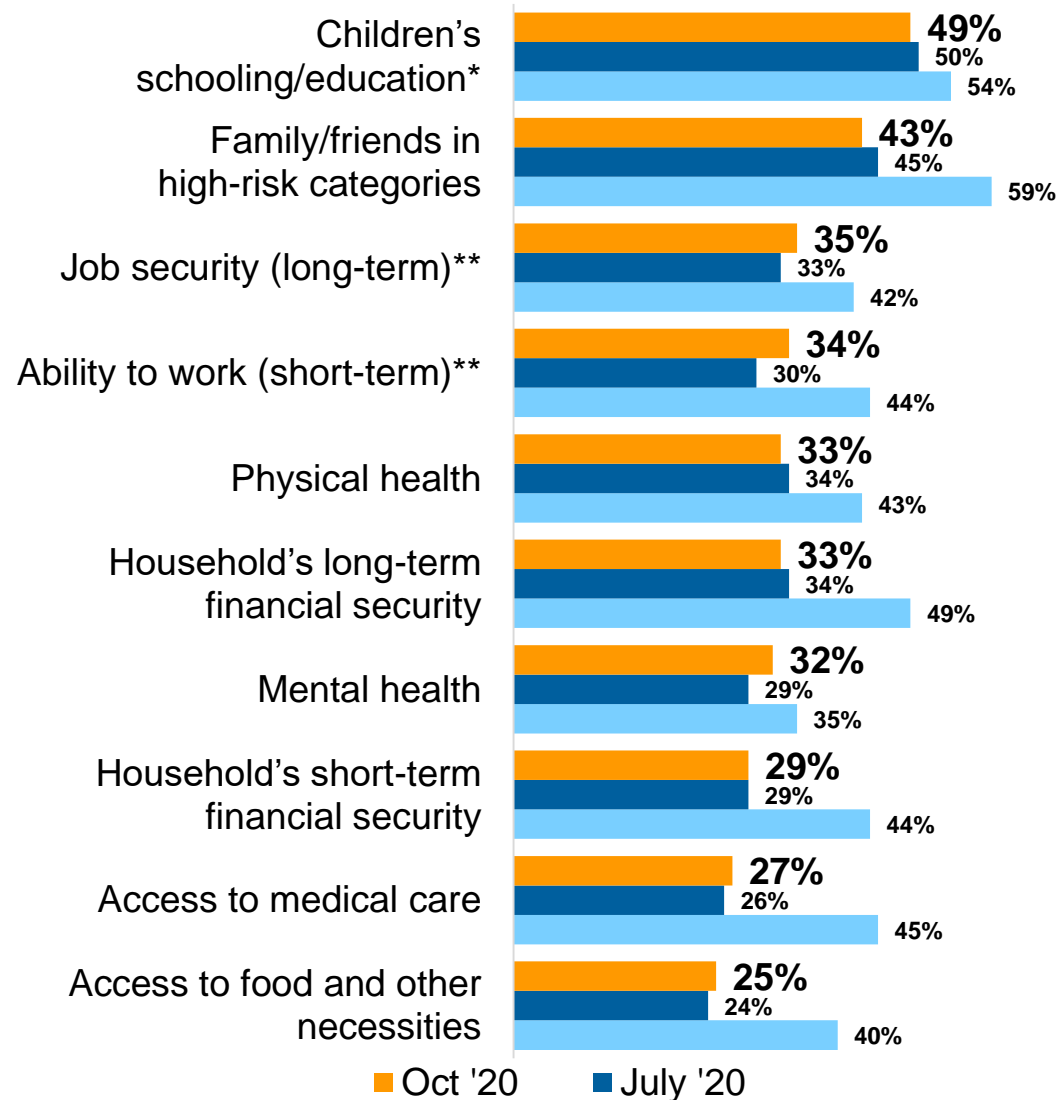
# Concern about the economy





# Concerns about personal impact

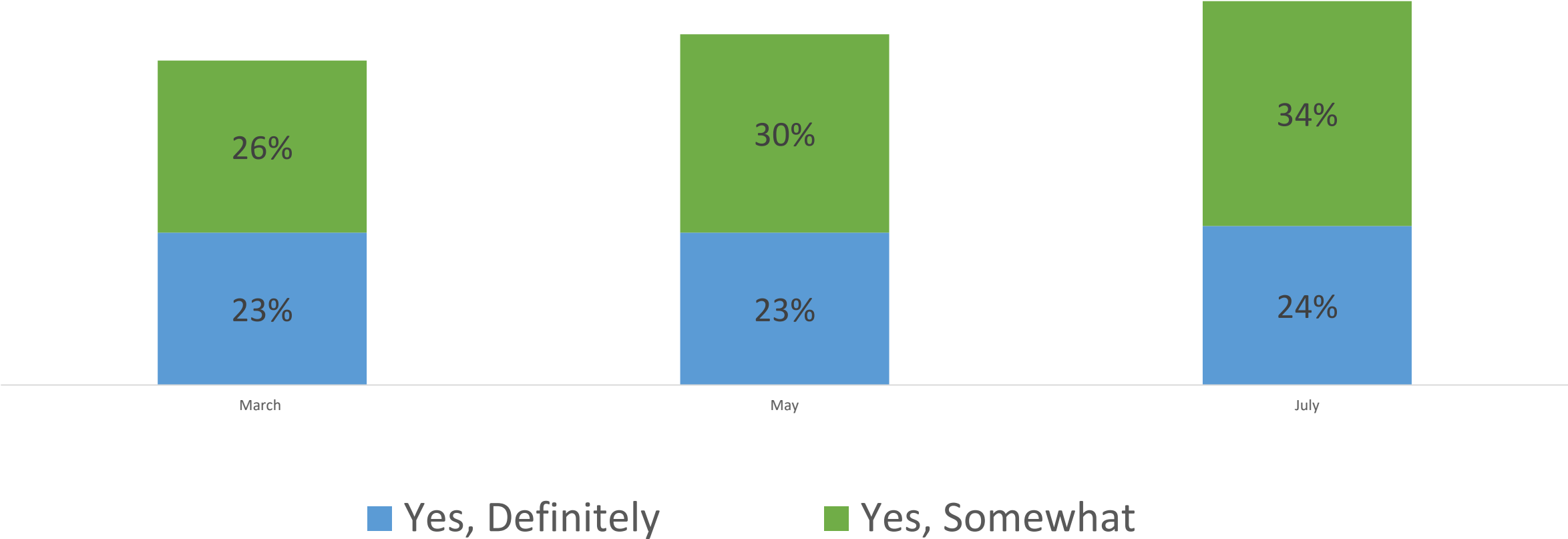
“Extremely Concerned” or “Very Concerned”



\*Consumers with children <age 23.  
 \*\*Employed consumers.

# Concerned about adequate life coverage

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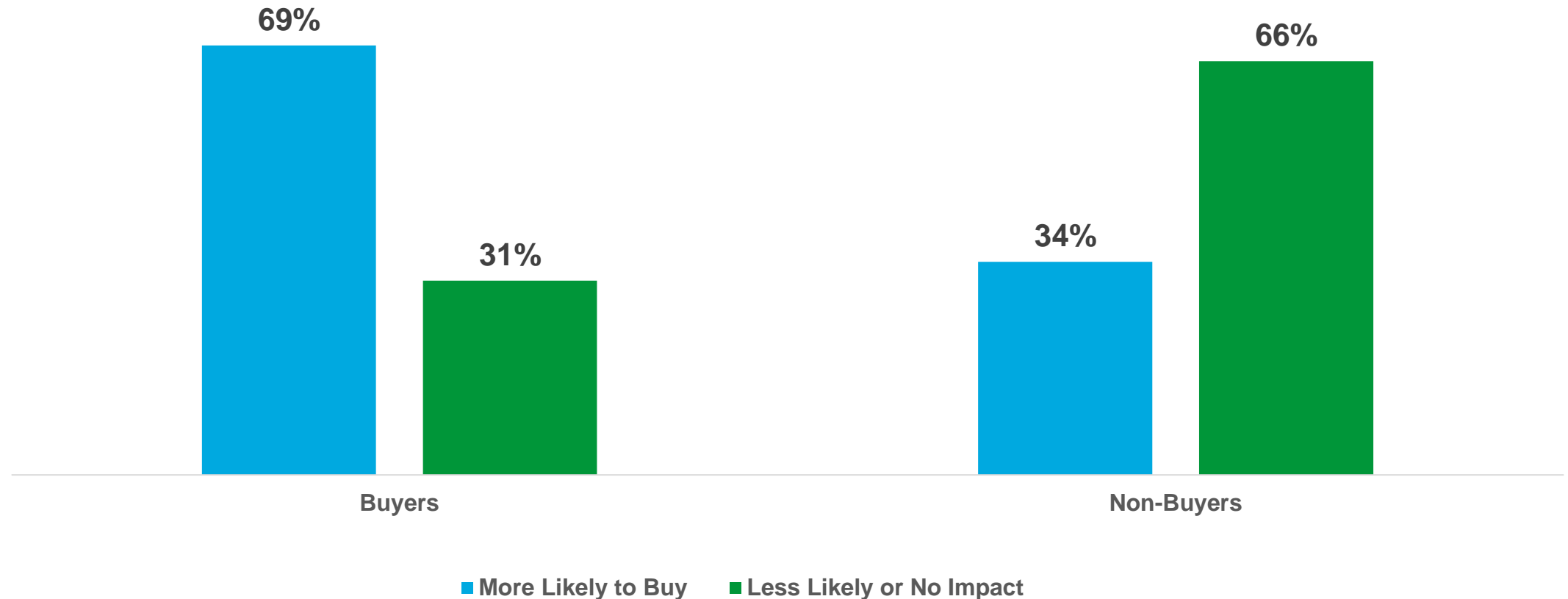
# 29%

of consumers overall report that they are more likely to buy life insurance in the next 12 months

# Many “more likely to buy”

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## COVID Impact on Likelihood to Buy Life Insurance in Next 12 Months

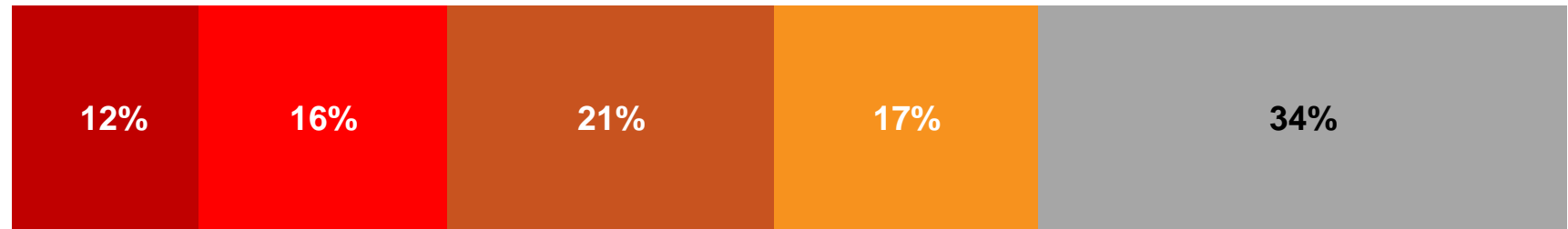




# But concerned about ability to pay

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To what degree is the economic downturn negatively impacting your ability to meet your insurance needs (purchase new and/or keep existing coverages)?



■ Very strong impact ■ Strong impact ■ Moderate impact ■ Small impact ■ No impact

Source: *Consumer Sentiment in the Time of COVID-19*, LIMRA, July 2020.

# Insights & Predictions:

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- Consumer interest is up – make it easy
- Reach out to existing owners
- D2C is an opportunity (and not just for term)

## Predictions

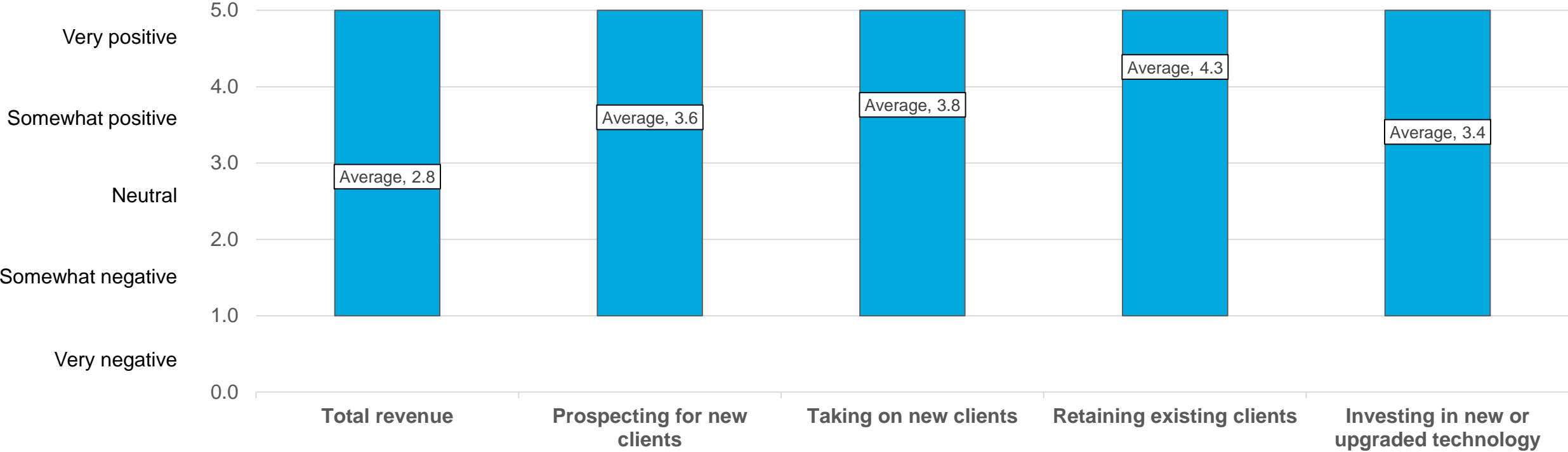
- Growing debt and insecurity will drive product innovation
- Shift to health management



# COVID: Impact on Advisors

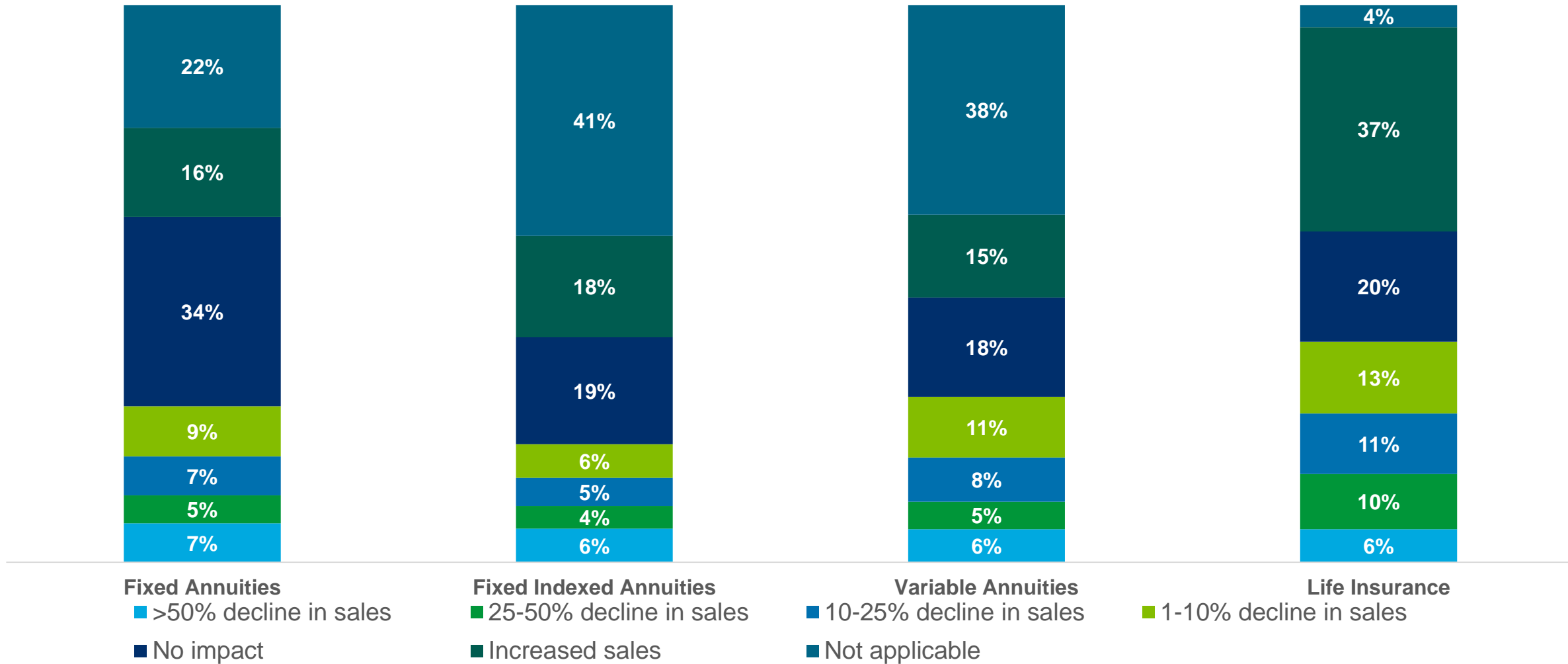
# Advisors somewhat optimistic

What is your short term (next 3-6 months) outlook for the impact of COVID-19 on the following aspects of your business?



# Many thought life sales would go up; many thought sales would go down

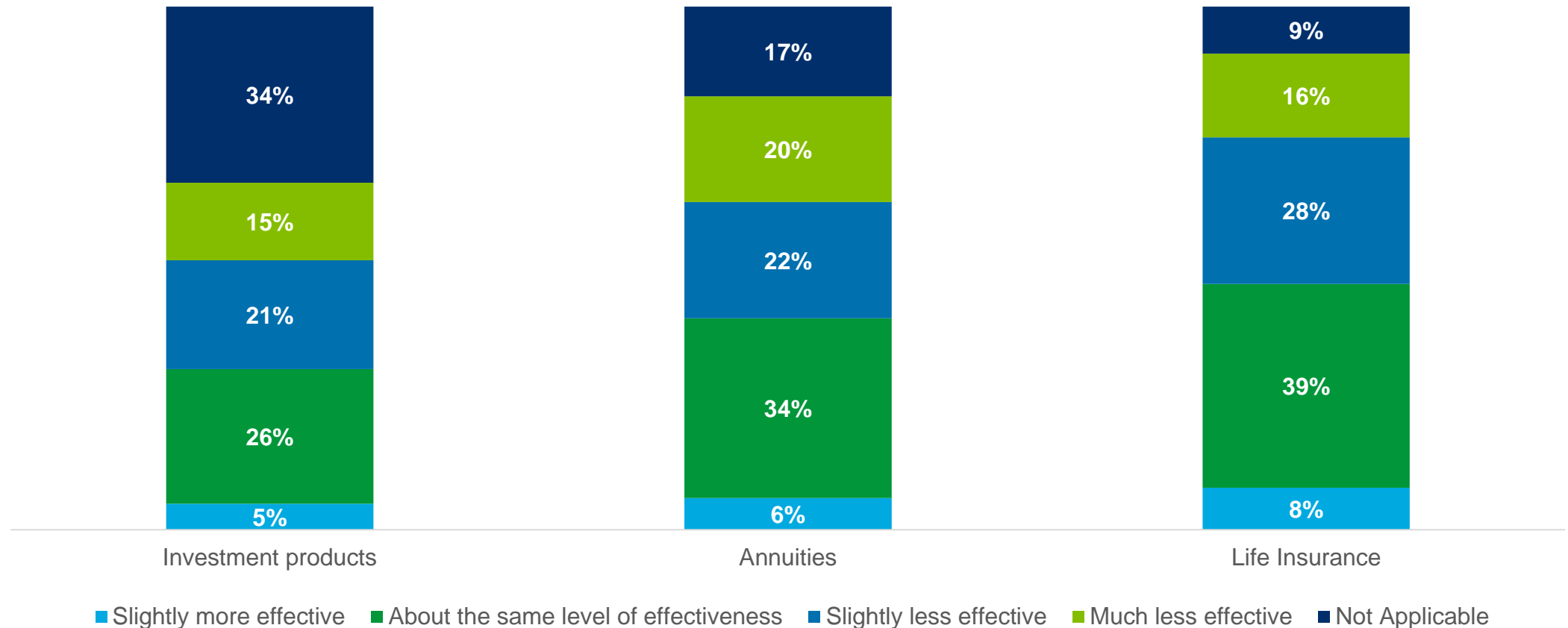
Expected Sales volume Q2 compared to pre-crisis expectations





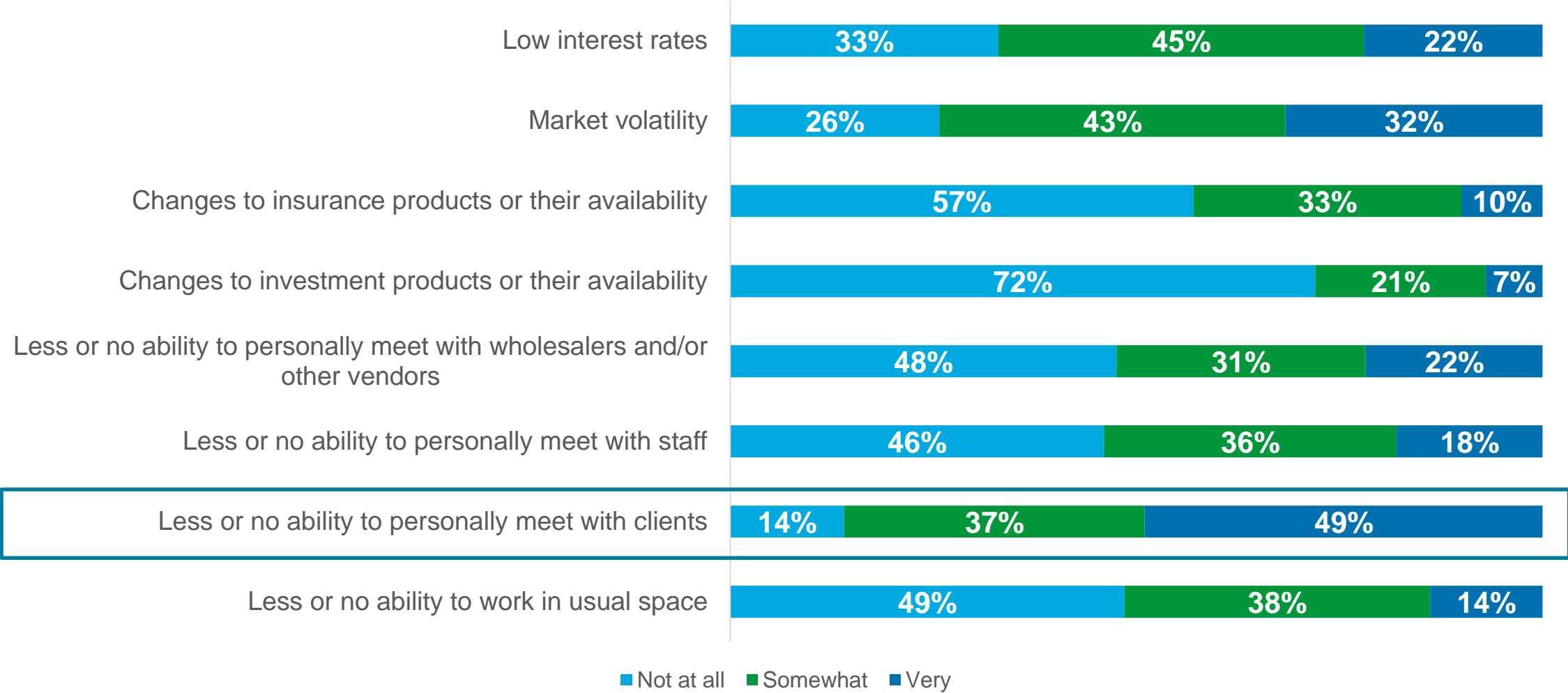
# Many think they will be less effective; many think they will be more

If working from home becomes the new normal, how would this effect your ability to sell the following products?



# Loss of face to face contact has been most disruptive to advisors, followed by market volatility

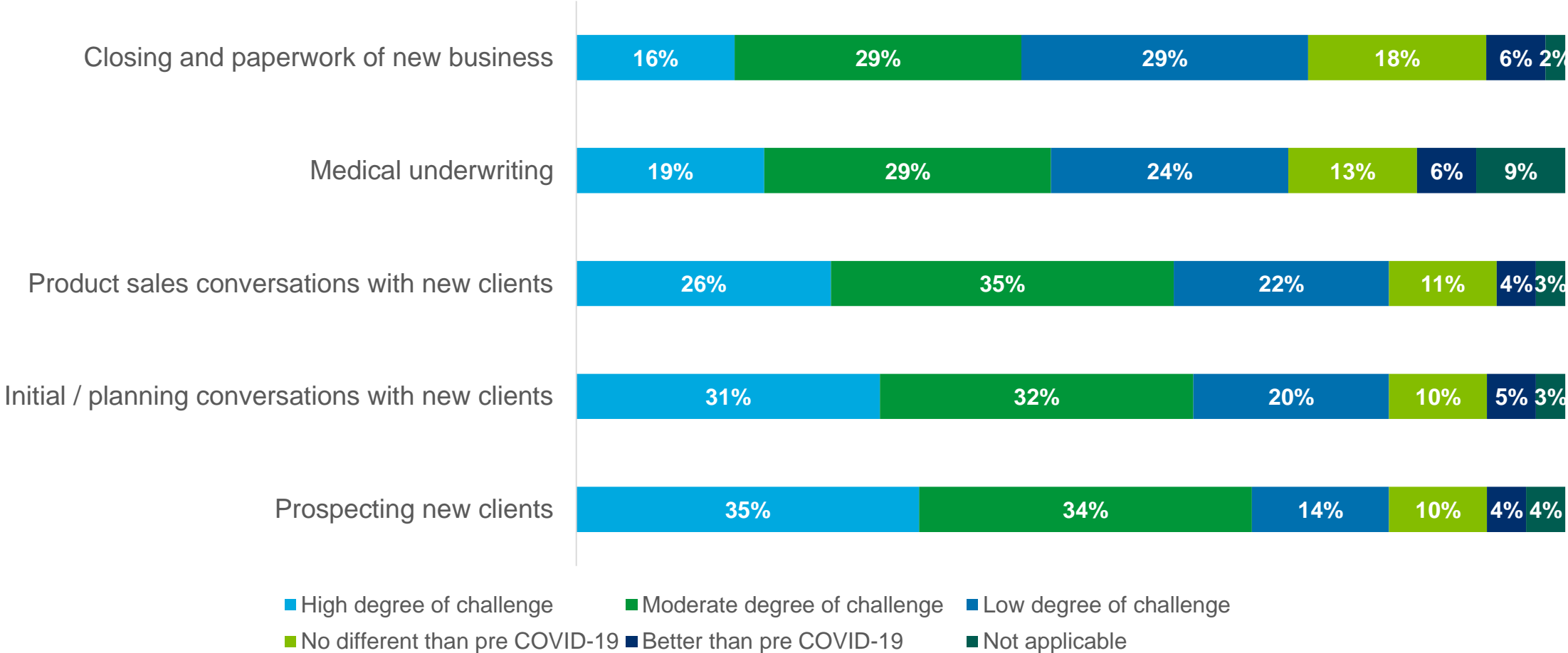
How disruptive has each of the following been to your practice?



Channel: All Advisors

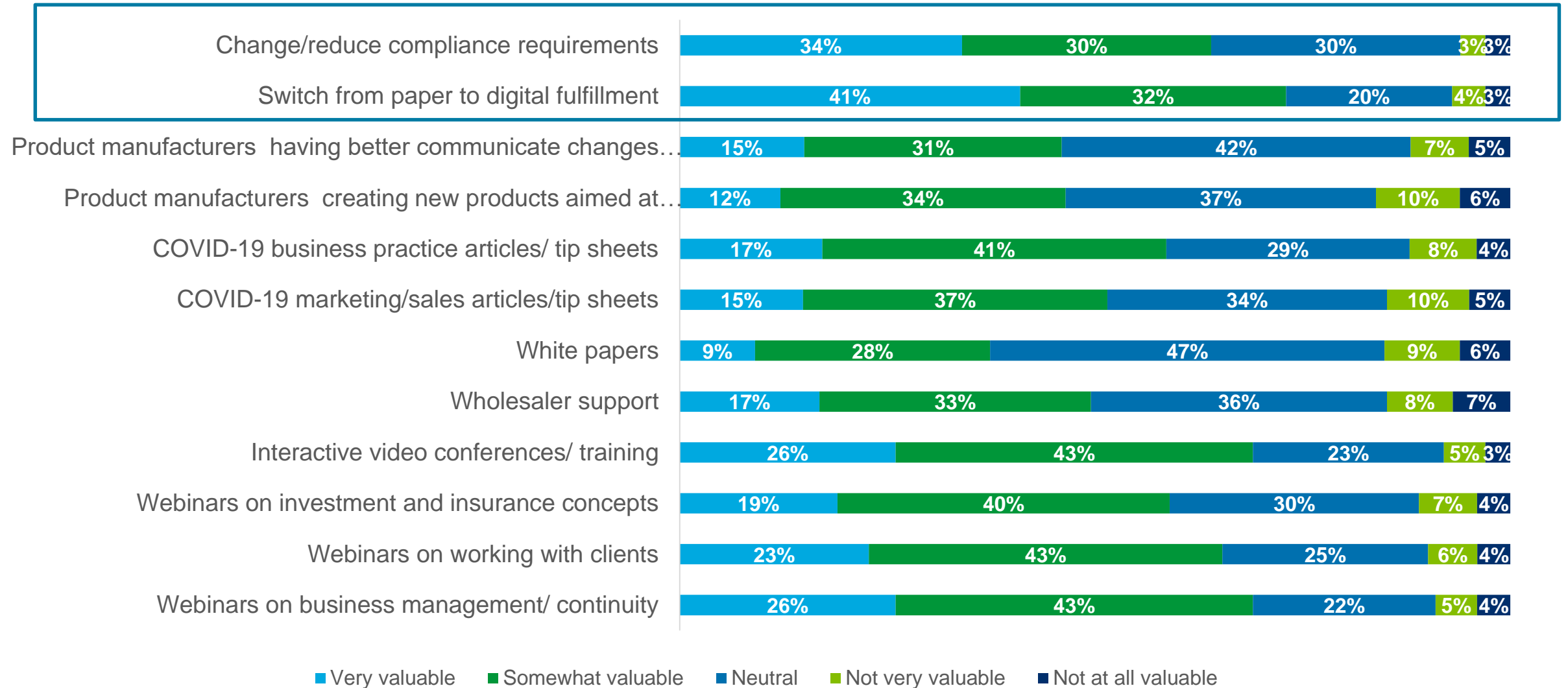
# Prospecting and initial conversations are the biggest challenges

What degree of challenge has social distancing caused in the new business sales process?



Channel: All Advisors

# Valued support from partners



# Insights & Predictions

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- Advisors are not homogenous, but value digital fulfillment and less onerous requirements
- Value of interactions has changed

## Prediction

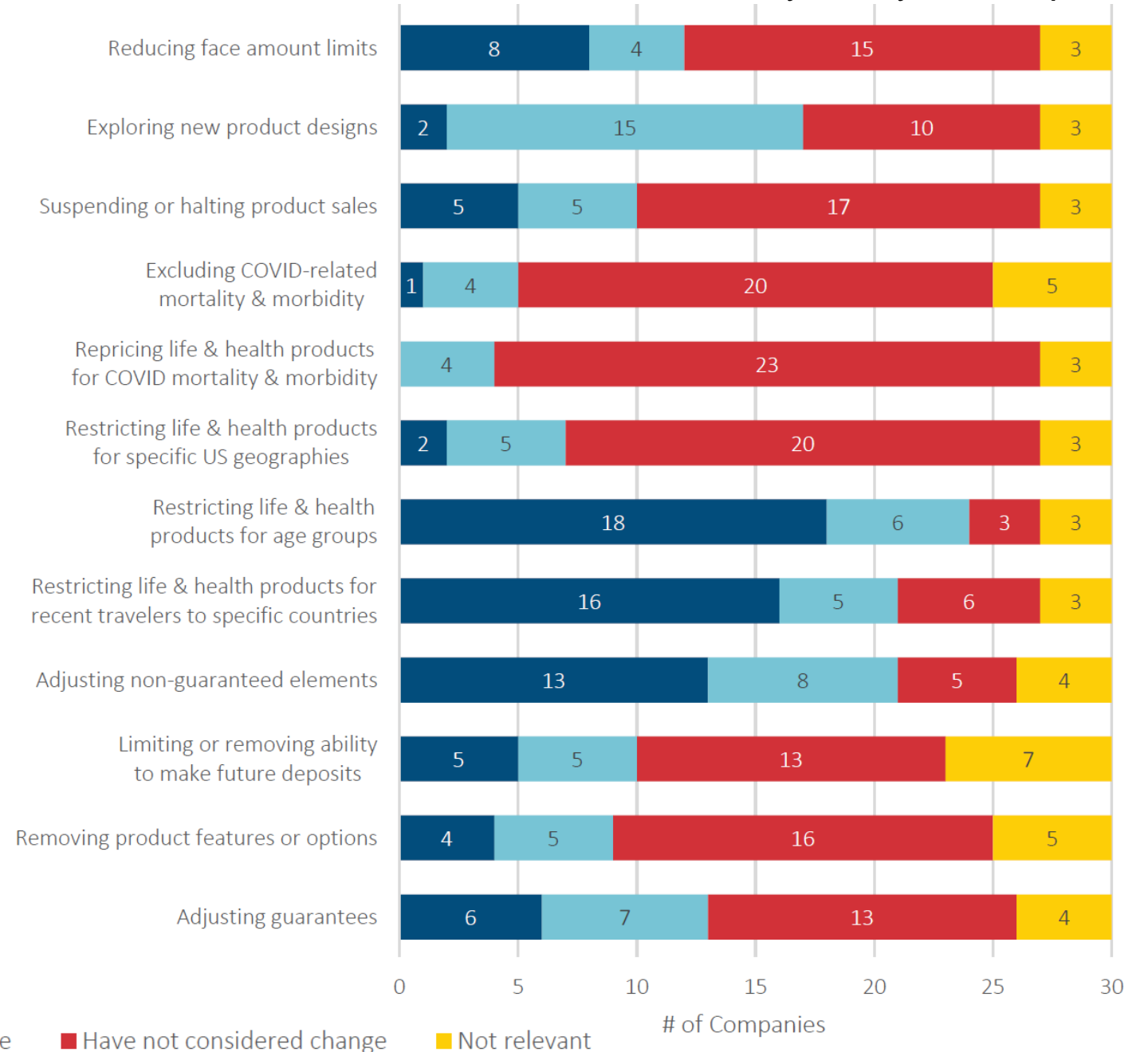
- Direct engagement and sales will grow
- Technology-enabled relationship
- Holistic advice will become table stakes



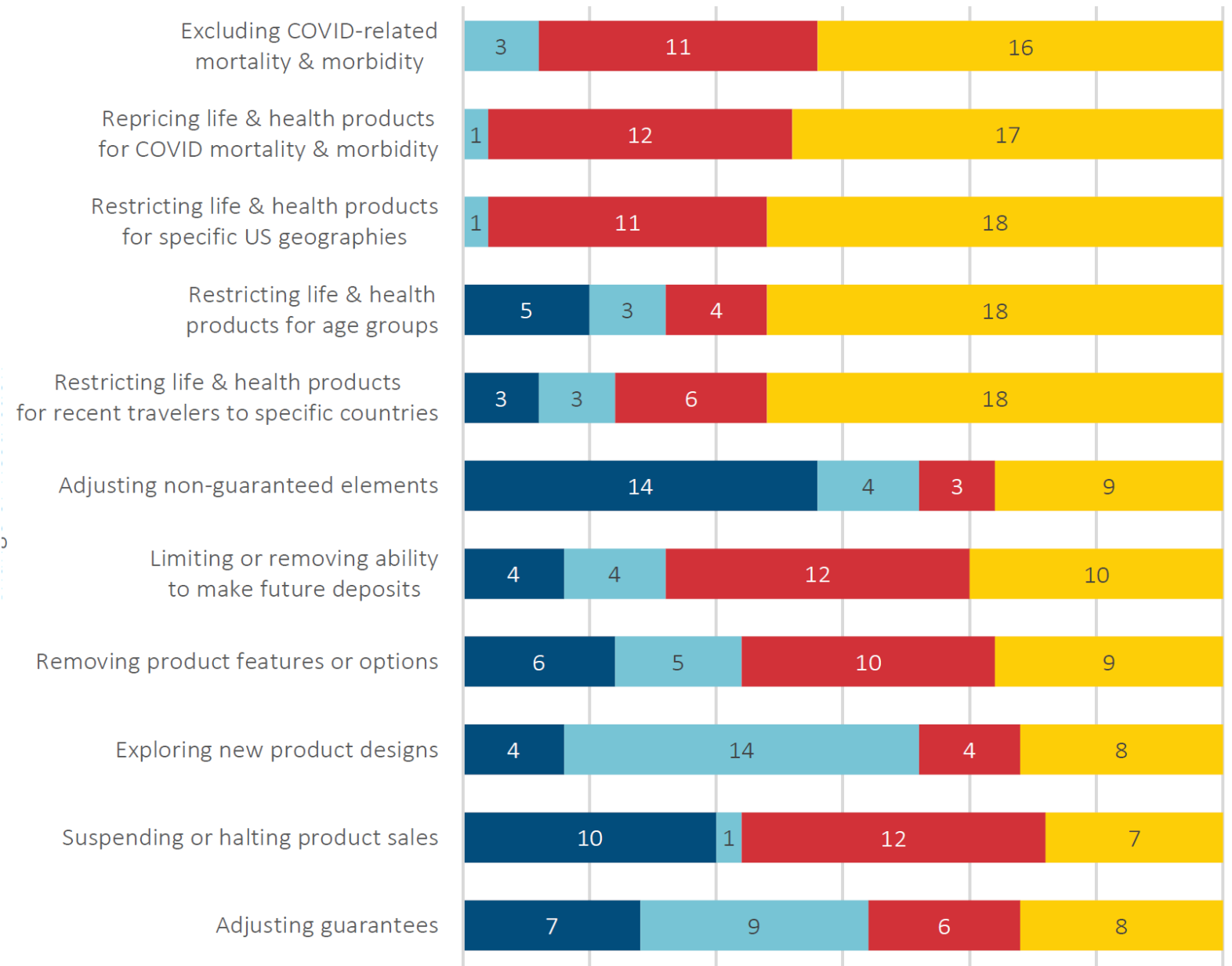


# COVID: Impact on Product

# For individual life insurance, what product changes or restrictions have you made or are you considering?



**For annuities,  
what product  
changes or  
restrictions  
have you  
made or are  
you  
considering?**



# Insights & Predictions

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- Automated underwriting will continue to expand
- Technology and digital investments are paying off

## Predictions

- Adjustment to market conditions
- Growth of value-added, non-financial services



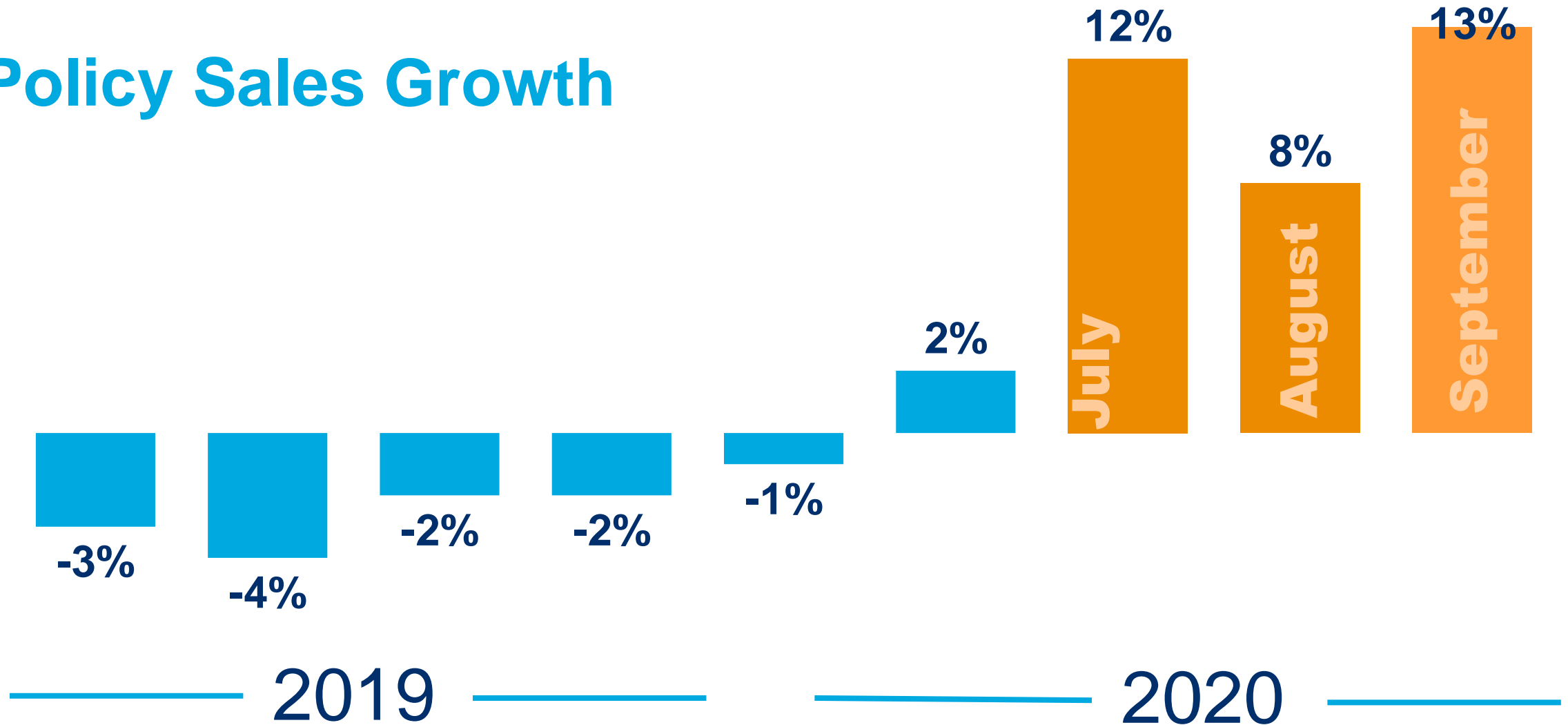


# Sales Trends



# U.S. Retail Individual Life Insurance

## Policy Sales Growth





# Looking Ahead



# Looking ahead: LIMRA Forecast

## U.S. Individual Life Insurance Annualized Premium Growth Forecast

2019 – 2022

	Total	Whole Life	Term	Fixed UL	VUL	IUL
2019	+5%	0	+1%	+3%	+33%	+9%
2020 (Forecast)	-7% to -3%	-3% to +1%	+3% to +7%	-25% to -21%	-12% to -8%	-7% to -3%
2021 (Forecast)	-3% to +1%	-4% to 0	0 to +4%	-12% to -8%	-5% to -1%	0 to +4%
2022 (Forecast)	0 to +4%	+1% to +5%	-2% to +2%	-5% to -1%	0 to +4%	+3% to +7%

*Premium includes retail plus small-case (200 lives or fewer) COLI/BOLI*



# Transformation

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