



PRESIDENT'S PAGE

What TSA Pre-Check and Life Insurance Have in Common

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Airport security screening is designed to identify the very small percentage of travelers who might represent a threat. While 99 percent of the travelers don't represent such a threat, we all are subjected to the same screening process to ensure safety for everyone.

Underwriting is about screening too. Based on our research, 9 out of 10 people who apply for life insurance are approved with no stipulations, but there are some individuals — for reasons related to their health or lifestyle — who are assessed an extra premium or declined coverage. In both instances, the processes exist to identify the outliers.

Recently, the Transportation Security Administration (TSA) launched its pre-check program. This program allows low-risk, frequent flyers to apply for expedited security screening at certain U.S. airports. The program looks at applicants' past behaviors and factors like credit history, criminal background, and flying history. This data — along with a lot of other information — allows the government to make a judgment on who presents a low risk. Those who qualify can pay a fee to get advance pre-check clearance on most domestic flights. In essence, they are screened once for future flights over the next five years. For those of us who fly often, this option makes it much easier and faster to get through airports.

We are beginning to see this kind of thinking in life insurance underwriting as well. The amount of data available, combined with algorithms, has given some companies the confidence to announce new simplified underwriting programs. As a result, more companies are issuing life insurance on a simplified basis (or even

guaranteed basis) than ever before. I predict we will see lots of announcements about these programs over the next year.

Can making a life insurance sale more transactional and instantaneous add new distribution and grow sales? I believe it will.

Simplified issue products could lead to more people buying life insurance online. While I think this may well be part of the answer, it will be a very small per-

centage of new sales in the next five years. Why? Because our research still says 6 in 10 consumers want to purchase life insurance through meeting with an advisor. Even among Gen X and Gen Y consumers, 54 percent say they want to buy face to face. But this kind of shift could help change the face of distribution and increase the ways consumers can purchase life insurance.

I also hope the increased availability of simplified issue life insurance will prompt more fee-based planners, RIAs, stockbrokers, registered reps, bank reps, and other financial advisors to talk to their clients about the product's value.

Today many of them don't talk with clients enough about the critical role life insurance plays in planning. Do they really say to their clients, "I will handle all of your financial planning except for addressing the potential financial impact of your death"? Perhaps offering a more transactional product will encourage more of them to integrate life insurance into their planning discussions.

Will simplified issue help crack the code to banks writing more life insurance? Will more of them consider making life insurance part of their retail platform strategies?

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Will new forms of voluntary coverage emerge, especially for retirees?

Another possible outcome — one that LIMRA research says many consumers would prefer — is insurers' adoption of 24/7 contact centers where they can seek assistance whenever they choose. We already are seeing companies improving how they guide shoppers to their sites for information. Companies also are exploring how they can drive potential buyers to a sales center that can complete the transaction in real time. Others are using more sophisticated algorithms and direct sales methods to cross sell or up sell additional coverage to their current customers.

With TSA pre-check, I don't have to take my shoes and belt off or wait in long lines at airport security. Simplified issue life insurance could create a similar experience by streamlining the process so people could apply for and buy life insurance immediately.

It's a new frontier that holds many possibilities, and I am excited to see how our industry responds.



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