Extending the Life Insurance Value Proposition

Introduction

Life insurers have an opportunity to expand their value proposition beyond protection to helping customers live longer, healthier lives.

After the world-changing events of early 2020, many consumers are taking a fresh look at life insurance. The COVID-19 pandemic has created a heightened awareness of the value of protecting loved ones.

There is also increased interest in the steps we all can take to safeguard our physical health. That interest was already evident before the crisis, demonstrated through consumers' adoption of wellness tools and technologies. Post-crisis, protecting our physical health is likely to become even more of a focus in America.

Recognizing that physical wellness — at least to some extent — is within our control presents an opportunity for the life insurance industry. What if life insurers — typically focused on risk and mortality — could "flip the frame" to disease prevention and longevity? What if they could become partners that help people achieve their goal of living their longest, healthiest lives?

Tools that would allow life insurers to play this role have become increasingly available. They include the exercise and fitness trackers you see on people's arms at the gym and on their wrists in the office. They also include electronic health records, which have made individual health data more accessible. Some people with chronic diseases are using monitoring devices to help them adhere to their prescription drug plans. Even genomics may soon come into the picture, contributing to longevity in a variety of ways — from predicting individuals' specific disease vulnerabilities to enabling more successful medical regimens.

The question is whether life insurers can tap into these tools and extend their value propositions into the space of physical wellness. It is clear that interests align, since both a life insurer and its customers would benefit from policyholder longevity and the prevention of disease. The challenge for life insurers is determining how to reposition themselves as resources that Americans associate with the proactive pursuit of these goals.

The insurers that succeed in expanding their profiles this way can expect much higher levels of customer engagement. In turn, higher engagement will allow insurers to nudge their customers toward healthier behaviors — with a potentially positive effect on insurers' policy obligations. Higher engagement also will boost customer retention and efforts to encourage customers to expand their existing coverage or consider new products.

In this paper, LIMRA and BCG explore:

- The opportunity for life insurers to extend their value proposition into wellness
- Americans' growing interest in wellness data
- How life insurers can begin to bring a physical wellness component to their offerings — including the roles played by distribution (advisors and agents) and partnerships

Extending the Value Proposition Into Wellness

Historically, life insurers' value proposition has revolved around financial planning and protection. More specifically, it addressed a family's concerns about what would happen in the event of a breadwinner's death.

Today this value proposition does not resonate the way it once did. Approximately 54 percent of American adults currently own a life insurance policy, whether group or individual — down 9 percentage points from 2011. Just 34 percent of Millennials own individual life insurance policies. That statistic is of particular concern in the industry.

One reason for Millennials' low interest in life insurance is the complexity of the purchase process. A product that may require physical paperwork, an in-person review by a nurse, a physician statement, and bloodwork — as well as a several-week-long wait for approval — is not going to generate a lot of enthusiasm. This is especially the case in the context of today's marketplace, where you can purchase or sign up for most products and services with just a few taps on your smartphone.

Life insurers will be more successful if they can provide easily accessible, high-value solutions that engage customers and go beyond traditional products. This explains why some insurers are expanding beyond pure protection, into other aspects of wellness. The biggest expansion to date has been in financial wellness — an emerging area of insurance that includes financial counseling, financial literacy tools, and retirement planning.

For life insurers, there is also an undeniable logic in broadening their ambition to provide what might be called "holistic wellness." Obviously, both end-customers and life insurers want people to achieve a long, physically healthy, and financially successful life. If life insurers can successfully extend their products and services to include both physical and financial wellness, they would improve their ability to engage with their customers.

A Clarification on the Use of Wellness Data

This paper is not about using genetic data for underwriting purposes. We refer to the use of freely shared data for the benefit of customers only.

The window into physical wellness is opening for U.S. life insurers partly because personal health-related data has become more available. Examples of these new data sources include:

- **Health activity data,** which is captured daily through things like fitness and diet-tracking apps and wearables. This data provides continuous, real-time insights into people's wellness — insights that reinforce healthy habits.
- **Medical records,** which include data collected by doctors, labs, and hospitals. The U.S. Congress, some major consumer technology companies, and the American public have been pushing to simplify access to this data, which is vital to managing medical conditions.
- **Genetic tests,** which cover everything from popular companies' partial snapshots to whole genome mapping. Genome data can provide a variety of insights, from the diet people should follow and the medicines they should take to their risk profiles for certain kinds of disease.

There are multiple ways that newly emerging data sources can help life insurers enter the wellness space — and increase their value to customers in the process. The opportunity is there, for those willing to experiment and able to innovate.

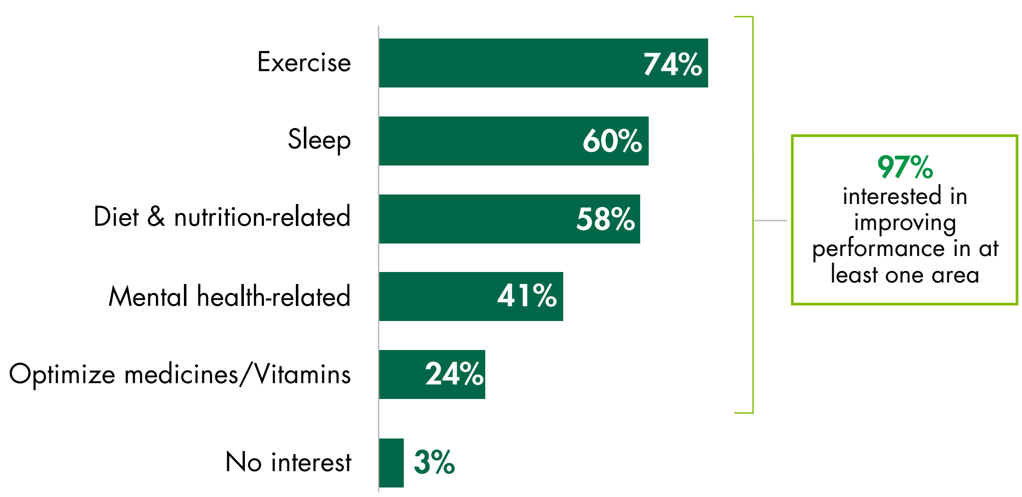
Americans' Eagerness for Wellness Data

Any attempt by life insurers to add a wellness component to their engagement strategies will depend on American consumers being receptive to it. To gauge that, we directly asked consumers for their thoughts about the role of wellness in their lives, their data-sharing habits, and the extent to which they would trust life insurers with their health data.

Our recent survey of more than 2,000 Americans reveals a strong interest in practicing better health habits — and in data that would increase longevity. Among the activities and behaviors respondents would like to do more of or improve, exercise ranks first (74 percent). It is followed by sleep (60 percent), diet and nutrition changes (58 percent), and mental-health practices such as meditation and journaling (41 percent) (Figure 1).

Figure 1

Wellness Areas, Ranked by Consumers' Interest in Them

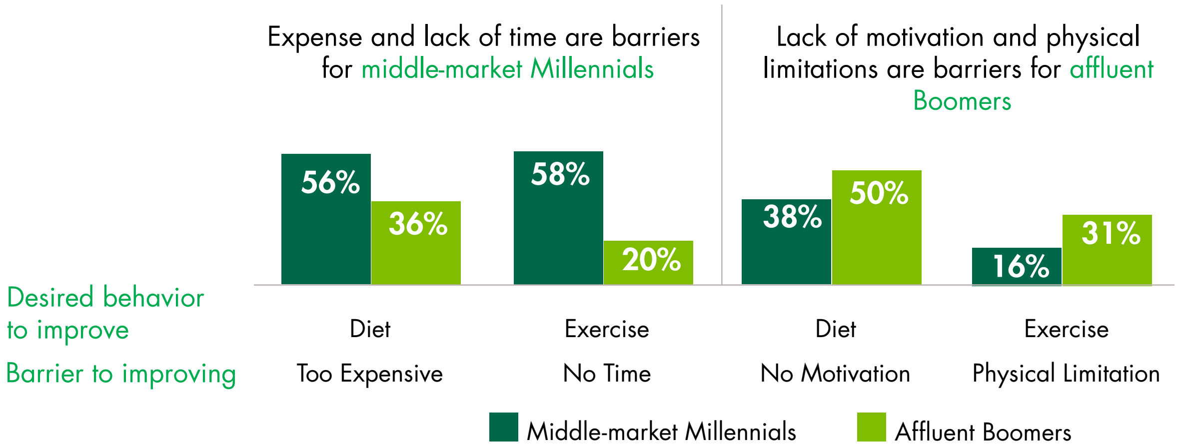


Source: *LIMRA Consumer Life Insurance Trends Survey*, 2020; BCG analysis.
Survey Question: What healthy activities/behaviors would you like to do more of or better than today?

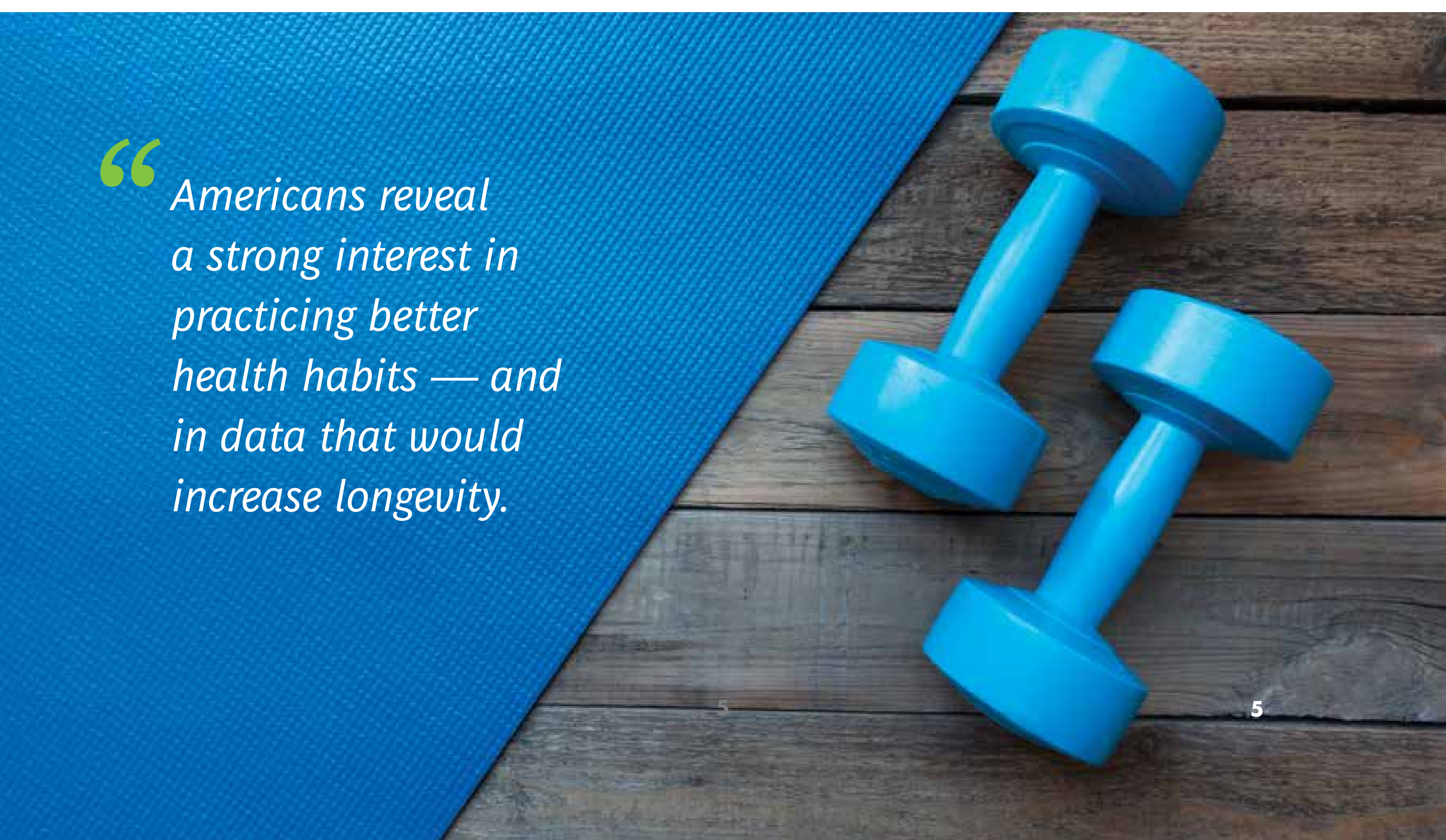
The large proportion of Americans who wish to improve their health habits suggests that a solution to address these interests would be popular. However, one-size-fits-all solutions are unrealistic, given the differences in demographic groups (Figure 2). For example, Millennials are much more likely than Baby Boomers (by a factor of almost three to one) to say a lack of time keeps them from exercising. They are also more likely than Boomers to cite cost as an impediment to improving their diets. For Boomers, the primary barrier is a lack of motivation.

Figure 2

Better Diets, More Exercise: Why Different Cohorts Fall Short



Source: *LIMRA Consumer Life Insurance Trends Survey*, 2020; BCG analysis.
Note: Middle-market Millennials' household incomes and investible assets are both below $100,000.
Affluent Baby Boomers have household incomes above $250,000 and investible assets above $500,000.
Survey Question: What barriers prevent you from doing this activity/behavior?



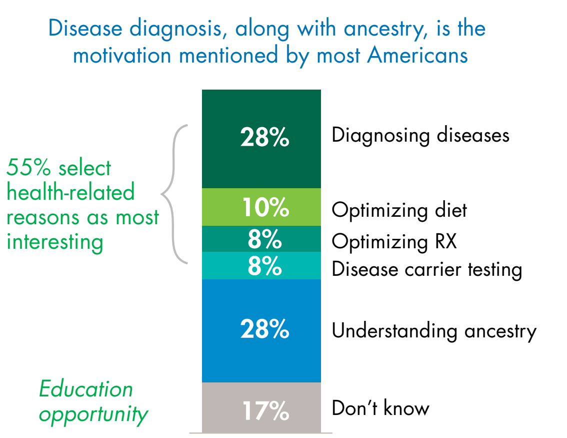
"Americans reveal a strong interest in practicing better health habits — and in data that would increase longevity.

A detailed understanding of different customer segments can help insurers identify the wellness interventions that would resonate with their target customers — and that might increase those customers' longevity. For instance, subsidizing the cost of an exercise subscription service (such as Peloton®) would be a smart strategy for a life insurer targeting time-strapped Millennials. This would eliminate their need to get to and from a gym. Similarly, an app for how to eat healthy while spending less would also resonate with Millennials. For a life insurer with an older customer base, the most appealing offer might be an app that focuses on overcoming physical limitations, perhaps through personalized classes.

Some people may wonder if the whole digital-health explosion is just a fad. From our perspective, it appears it is here to stay. The wellness industry has seen over $10 billion in investment over the last 10 years. It has expanded to include a highly diversified market with approximately 1,700 U.S. companies.[1]

Figure 3

Health Is Driving the Use of Genetic Tests



Source: *LIMRA Consumer Life Insurance Trends Survey*, 2020; BCG analysis.

Genetic testing is another interesting area for life insurers. A decade or two ago, a single genetic test cost about $10 million — as it was the province of bio-tech labs. Now, a form of genetic test can be performed for under $100. This is due to the dramatically lower cost of genome sequencing and the popularity of retail products offered by companies such as Ancestry® and 23andMe®.

These new consumer products have drawn attention to the potential health benefits of genetic testing. More than half of survey respondents say the primary benefit of a genetic test is not to learn something about their ancestries. Rather, it is to gain access to information that could help them make better decisions about their health (Figure 3).

"The wellness industry has seen over $10 billion in investment over the last 10 years. It has expanded to include a highly diversified market with approximately 1,700 U.S. companies.

[1] BCG analysis using Crunchbase data, https://www.crunchbase.com/, (accessed June 2020).

To be sure, the economics of offering wellness solutions (in all possible forms, not just genetics) must still be addressed. So must the content of the offers themselves. The services, solutions, and products discussed thus far are just a few possible examples of wellness-led innovation. Any life insurer stepping into the wellness space will have to do the research to know what might work best for its own customer base.

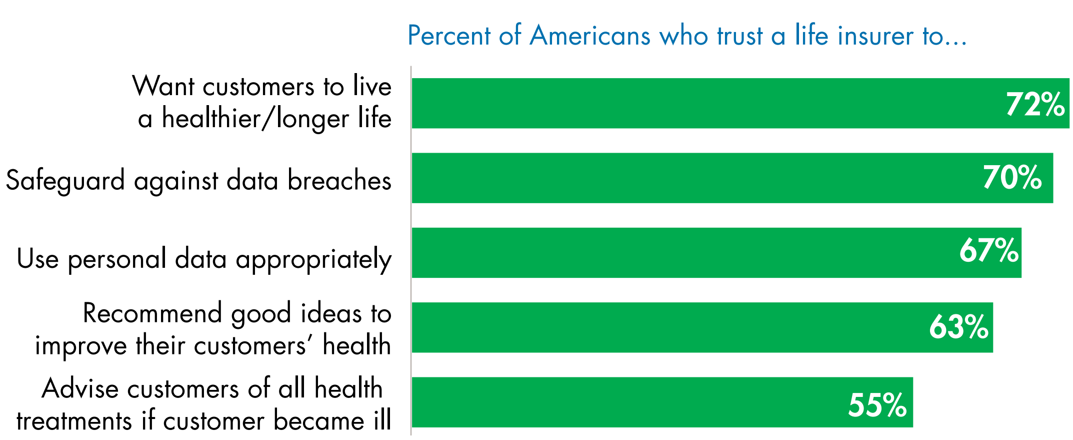
In their bid to encourage their customers to share data with them, life insurers can benefit from the extent to which their interests and their customers' interests are aligned. A long life is the optimal result for both parties.

Most respondents say they would trust the health and wellness suggestions made by life insurance carriers (Figure 4). This may be transactional — a function of life insurers' economic self-interest — but that does not make it any less of a shared goal. In fact, the recognition that insurers and their customers share this motivation creates a clear opening for a higher level of engagement through wellness. That, in turn, could allow insurers to form stronger relationships with their end-customers.

> *"Most respondents say they would trust the health and wellness suggestions made by life insurance carriers.*

Figure 4

Areas of Alignment Between Customers and Life Insurers



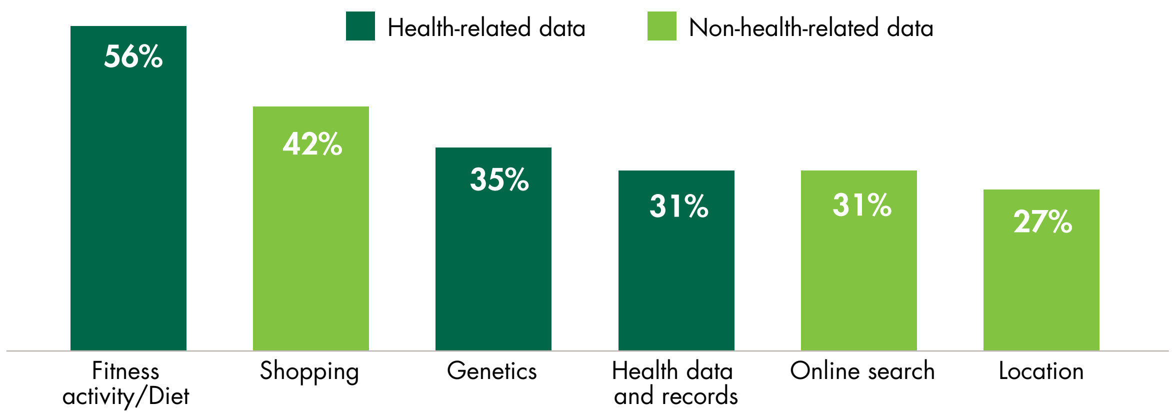
Source: *LIMRA Consumer Life Insurance Trends Survey*, 2020; BCG analysis.

As for privacy concerns, our findings suggest they are still a hurdle to overcome. Genetics and health data and records are two data types that Americans feel most protective of, on par with their concerns about their online search activities (Figure 5).

Figure 5

Willingness to Share Personal Data

Percent of respondents who are only "slightly"—or not at all—concerned about sharing different types of data



Source: *LIMRA Consumer Life Insurance Trends Survey*, 2020; BCG analysis.
Note: Shopping data refers to purchasing history. Health data and records refers to a person's vital signs and medical history.

However, with most forms of data, respondents are at least somewhat willing to consider sharing. For instance, Americans will share location data — the most "sensitive" category in our survey — if the provider requesting the information is helping them get to a destination. Sharing health information, when they do share it, is likewise contingent on receiving some benefit in return. Life insurers may find another opportunity in this type of quid pro quo arrangement. Most respondents (87 percent) say there is some sort of incentive — usually a lower premium — that would make them more likely to share health-related data with a life insurer.

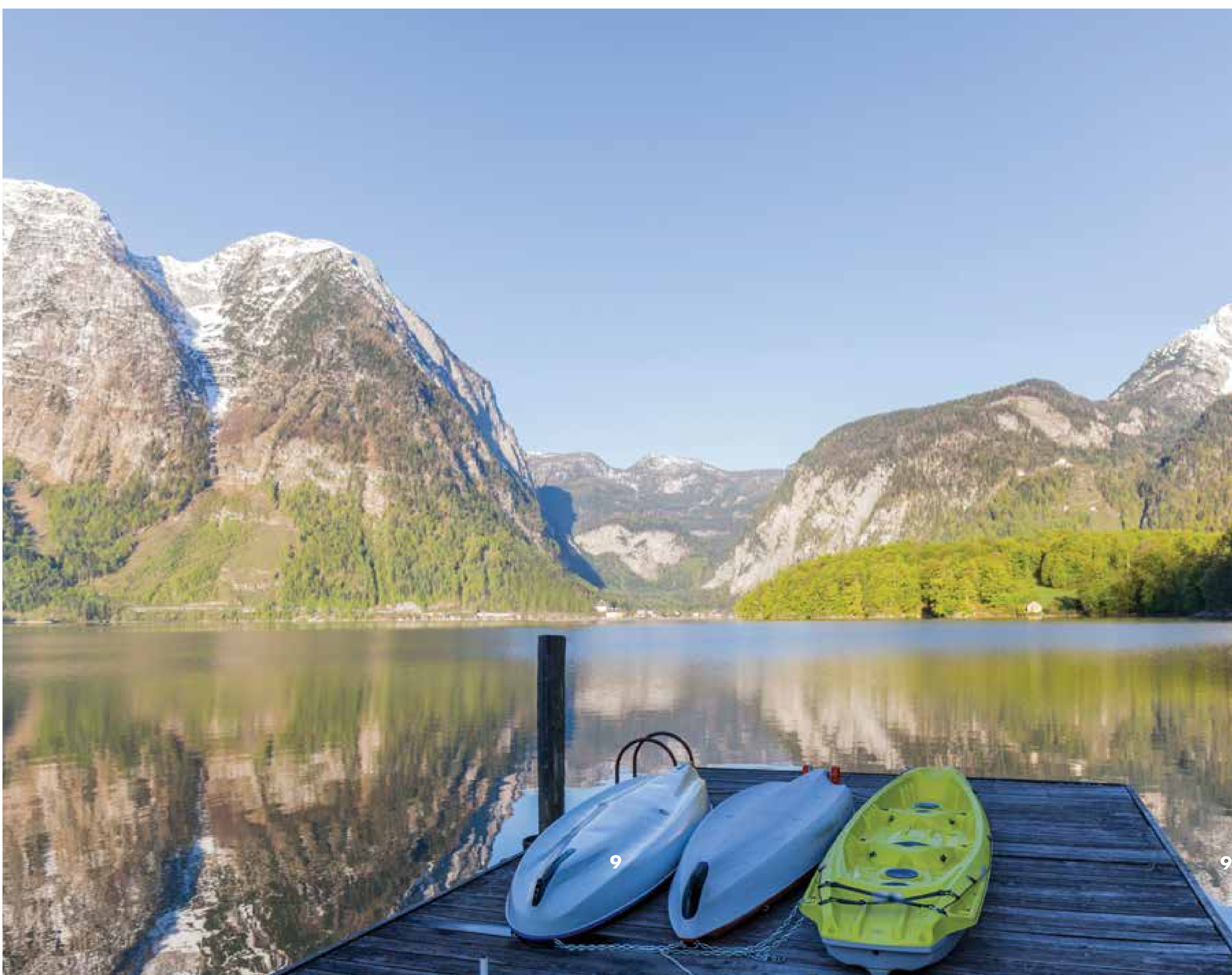
Of course, if people are going to turn over health data, they will need reassurance that the insurer will not treat that data (in particular, any changes to it) as a reason to ***raise*** their premiums. It needs to be clear, in other words, that health data will only be used to the customers' benefit.

An important question is whether life insurers have earned the kind of trust that is needed to participate in the health and wellness space. The good news is life insurers tend to be perceived as much more trustworthy than most of the major consumer technology companies when it comes to health-related data. Also, life insurers score only a little lower on trustworthiness than health insurers.

The bad news is that the majority of respondents feel at least some trepidation about turning over important health data to companies in ***any*** of these industries. This means there are consumer protections and safeguards that life insurers must put in place if they are to succeed with a life physical wellness offering.

Annuities' Place in the Longevity Equation

A potential puzzle for life insurers that sell annuities is where these business lines would fit with a wellness emphasis. The problem is not on the end-customers' side: for customers, an emphasis on longevity actually might help drive demand for annuity products. After all, a longer life represents a higher risk of outliving one's savings; annuities are a good way to mitigate that risk. This could help create a compelling value proposition, especially in a low-interest-rate environment.



How Life Insurers Can Bring Wellness Into Their Offerings

While it still may seem early for wellness-led innovation among life insurers, some examples hint at the potential. Consider Swiss Re's partnership with the independent app developer Sharecare. Sharecare's most popular product, RealAge©, gives people a fitness and wellness age to go along with the chronological age they already know. Forty-three million people globally have completed RealAge assessments, finding out (for example) that their fitness age is actually 45, versus their chronological age of 55 (or vice versa). RealAge then provides tools and advice to help them improve their fitness.

This is exactly the kind of content that could help a life insurer engage with customers and nudge them toward better health and wellness behaviors. Indeed, any integration of a popular wellness app — one that a life insurer's customers turned to often, maybe even a few times a week — would increase engagement. It also could lead to incremental revenue or increased customer retention.

The value of applying data to wellness is also evident in John Hancock Aspire®, the company's life insurance product serving Americans with Type 1 and Type 2 diabetes. Many people with diabetes historically either have not qualified for life insurance or have been priced out in the underwriting process. John Hancock created Aspire in partnership with two data companies, Onduo and Verily (the latter is a research company owned by Alphabet). This program provides life insurance to diabetic customers and helps them lead healthier lives and avoid diabetic complications. Aspire uses personalized tools and services to encourage responsible and healthy behavior. Diabetic customers who adhere to their health regimens earn an adjustment to their premiums.

If Aspire succeeds, John Hancock will have opened up a customer segment that was previously seen as out of reach because of its risk level. There are 15 million Americans whose diabetes has left them with insufficient life insurance or none at all, according to John Hancock estimates.

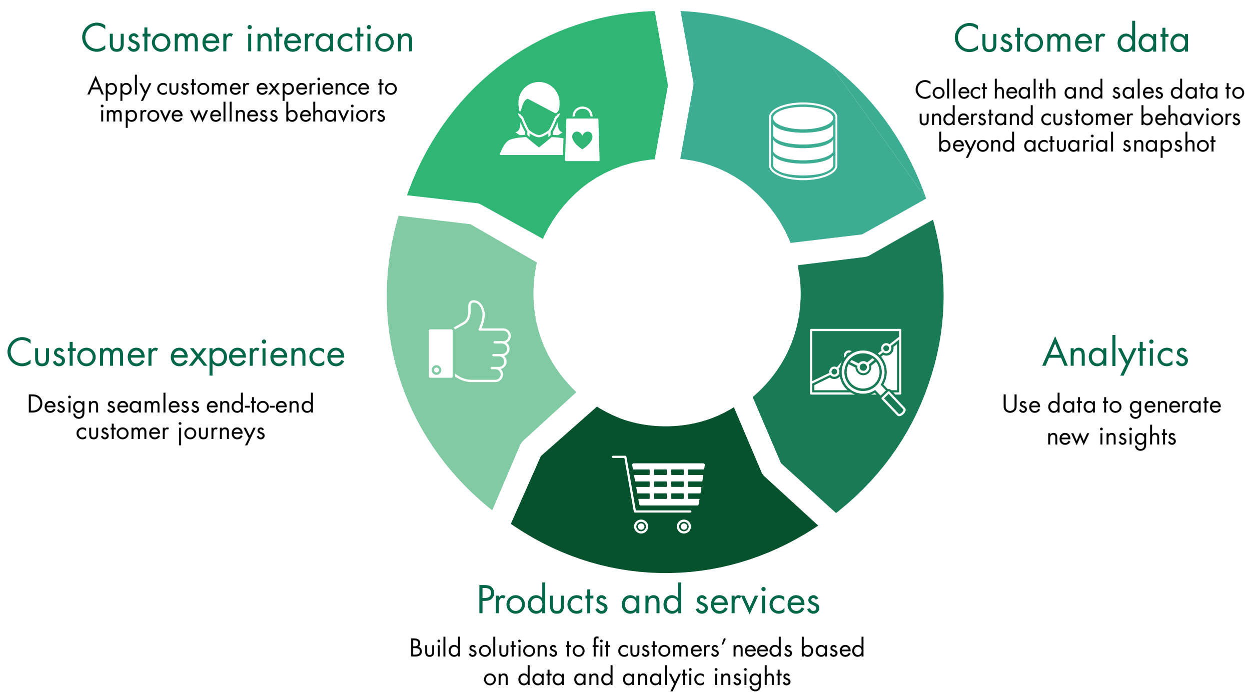
In addition to increased engagement, the other necessary conditions for life insurers to unlock value through wellness data are a mobilization of their distribution networks and the development of wellness capabilities:

Customer engagement. To create a product or service that their end-customers will value, life insurers will need to understand those customers more deeply than they do today. This will put more focus on end-customer priorities, which have typically taken a backseat to the priorities of advisors and other distributors.

The circle of activities in Figure 6 outlines the elements of customer engagement. Insurers may start with any of the activities in the circle, depending on their approaches to wellness. For life insurers that are serious about the effort, there will eventually come a time when they are undertaking all of these activities concurrently, with the activities reinforcing each other.

Figure 6

Essentials for Improving Customer Engagement



Source: BCG analysis.

Improving customer engagement will not be easy. Traditionally, many life insurers focused on supporting the advisors who distribute their products — and on optimizing those relationships. To this priority, life insurers have to add a new one focusing on the end-customer experience. To succeed in achieving this through a wellness offering, insurers must do so in a way that adds value. To quote one insurance executive, it should be "seamless, so that it feels like no work at all" for the person on the receiving end.

Mobilizing the distribution network. Life insurers that choose to pursue wellness should leverage their existing distribution networks. Their advisors and agents could use this product-line extension to both secure new business and increase retention of existing customers.

Insurers should take two core actions to make advisors feel comfortable with a wellness offering:

- **Keep the products simple.** Advisors would receive the calls (and the complaints) in the event that end-customers were confused by a wellness offering. In interviews, advisors made it clear they would want to avoid the extra work that such calls would create. They also said an offering that is simple — simple to buy, and with a benefit that is self-evident — will have a better chance of adoption. Customers are also more likely to view it as adding value to a policy.

- **Communicate and train.** Advisors need to know what type of benefits are being marketed to their clients. Nothing would be worse for the advisor-insurer relationship than for the advisor to feel sidelined. As one independent agent said, "I wouldn't want to be left in the dark. The more I'm aware, the better I'll be able to use the solution as a tool."

Not every life insurance advisor is going to feel comfortable about a wellness extension. Much depends on the business model being used. Advisors who have relatively few touchpoints with their clients, perhaps only once per year during an annual policy review, may not be the ideal representative for these new options. This may be the case with advisors focused exclusively on term insurance or reliant on "heaped commissions," where the majority of a commission is paid in the first year.

By contrast, advisors who are more focused on retention and long-term client relationships are better fits. They may be the ones to mobilize in a wellness initiative.

Wellness capabilities. As a brand-new area for life insurers, wellness will require some completely different capabilities — new processes, new tools, new skills, and new talent. Conceivably, insurers could build some of these capabilities internally, though probably not all. In the area of talent, for example, it seems likely that they would have to tap some outside resources for the expertise they need in health, wellness, and digital engagement.

Also, the insurers we have interviewed are all keenly aware of the economic risks of a wellness play. These include the up-front investment required, the uncertainty about end-customer acceptance, and the as-yet-unproven business benefits.

Taking all of this into account, life insurers may benefit from partnering with companies that already have a wellness offering or the strong prospect of one.

Here are some potential partners to consider:

- **Healthcare companies.** Many Americans are, in effect, already getting wellness advice from their health insurers or hospitals. Health insurers already work with their members to encourage prevention and wellness, and — like life insurers — clearly have a shared interest in customers maintaining good health. These companies have the further advantage of knowing their customers' medical histories and having an existing footprint in care management.

  Life insurers would bring their own assets to these partnerships, starting with access (for referral purposes) to their own large customer bases. This would be especially useful for health insurers seeking to add non-employer policyholders (including independent contractors and end-customers who want to supplement Medicare).

- **Wellness companies.** These companies offer a wide variety of innovative health and wellness solutions that could be a great fit for life insurers. For their part, life insurers can provide expertise in insurance and offer these companies access to substantial customer bases — potentially lowering their customer acquisition costs. Some wellness companies have already approached life insurers about possible partnerships.

- **Digital giants.** No life insurer can match these companies' expertise in customer experience. Moreover, companies like Alphabet (which now owns Fitbit) and Apple (with the ecosystem surrounding its Apple Watch and newer investments) are already investing heavily in the health and wellness space. Life insurers could help promote these wellness services to their existing or new end-customers.

It is likely that offerings targeting prevention and longevity will continue to emerge. The European health insurer Allianz is testing an artificial intelligence (AI)-based "symptom checker" that it developed. Its members can use this tool to decide if they should seek medical care. Another AI-centered service is from Sproutt, a startup life insurance broker that uses a lifestyle questionnaire to generate longevity recommendations for users. (Healthier users also receive offers for discounted life insurance.)

Wamberg Genomic Advisors offers a product that can improve patients' chances of survival after a cancer diagnosis. (The product, Cancer Guardian™, is already sold by some life insurance agents.) There are also new delivery technologies that can tackle the frustrating problem of prescription-drug adherence, including ingestible sensors that can be combined with a pill to track when and if it is taken.

Not every one of the wellness solutions that is emerging would be an appropriate complement to what life insurers do. However, some would be. Each life insurer should track the new developments and think about which to pursue, given its business strategy.

13

Conclusion

There is no question that the life insurance industry must evolve to meet changing customer needs. Purchases of core life insurance products have stagnated, and life insurers have struggled to find new customers. Life insurers still have large customer bases and growth potential — if they can only find the right next move and the way to make it. The aligned interest that insurers and customers have with respect to wellness and longevity creates an intriguing opportunity.

To get started, here are some key questions to consider:

- How can insurers integrate holistic wellness into their long-term strategies?
- How can insurers identify the most valuable offerings?
- What is the nature of the economic opportunity, and how can it be captured?
- What capabilities must insurers add to develop the most promising extensions?

The journey will be different for every company — which is why it is impossible to provide a single map and milestones. We do believe that customer engagement, the mobilization of distribution networks, and the development of new capabilities will be crucial for any life insurer that wants to consider this extension to its value proposition.

Staying healthy — physically, mentally, and financially — was a priority in America, even before the country was hit by the worst health and economic crisis in generations. Americans' interest in taking care of themselves is not going to fade anytime soon. For life insurers seeking to extend their value propositions to customers, blending protection with health maximization and prevention may well be the right move at the right time.

Appendix-Methodology

The genesis of this report was a set of in-person conversations LIMRA and Boston Consulting Group held with life insurance executives at the start of 2020. In February, that was followed by a consumer survey conducted in the United States. The survey had 2,038 respondents. LIMRA and BCG also conducted in-person interviews with 32 consumers.

In speaking directly with consumers, we sought to understand their attitudes toward wellness, their concerns about data-sharing, and their perceptions of life insurers (including the level of trust they have in them).

LIMRA and BCG also interviewed 10 advisors to gain a fuller sense of the wellness opportunity and the impediments to pursuing it. Portions of our advisor and insurer conversations are included as direct quotes in this paper.

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