

The COVID-19 Effect:

High Tech With Human Touch to Optimize
Life Insurance Customer Experience



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Introduction

For years, the US life insurance industry has been looking for ways to improve the customer experience and remove friction from its sales and service processes. Despite the availability of digital tools, life insurance remained a business conducted primarily face-to-face and with an abundance of manual processes ... or at least it did until COVID-19 arrived and forced the industry to go virtual overnight. The industry has responded, accelerating the adoption of existing tools that have suddenly become essential, including video conferencing, e-signatures, and accelerated underwriting.

COVID-19 has also underscored the importance of financial professionals in the sale of life insurance products. Some people probably wondered whether

life insurance sales, at a time of emptied-out downtowns and main streets, would pivot toward direct online channels. That has certainly happened in other industries and may yet happen in life insurance, especially with simpler products. However, our research is showing that, for most Americans, a conversation with a financial professional is still central to the life insurance purchase process.

Indeed, since the pandemic began, a big part of the value that insurers are gaining from technology has come from the “assist” it’s giving to financial professionals. If technology can help make life insurance easier to understand, less trouble to apply for, and quicker to get, it will be a dramatically better experience for customers.

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How COVID-19 Has Affected Life Insurance Demand And Activities

It was predictable that the pandemic, and the accompanying limits on in-person interactions, would disrupt insurance carriers' efforts to develop new business. And that has happened. As of second quarter 2020, two thirds of financial professionals still weren't meeting in person with customers, according to a survey by Credit Suisse.¹ This has had a particularly big impact at the top of the sales funnel — where financial professionals create awareness and identify new prospects. Financial professionals whose prospecting relies heavily on networking and social gatherings have been at a disadvantage for much of the year.

However, if the pandemic has cut off an avenue of engagement for some financial professionals, it has nevertheless drawn attention, in a larger way, to the reasons that people think about life insurance in the first place. Between March, when lockdown orders began, and July when 1 in 4 counties in the U.S. were considered COVID-19 hotspots for at least one day,² the number of Americans who said they feel a heightened need for life insurance increased from 49 percent to 58 percent, according to a survey conducted by LIMRA.³ Moreover, in the customer experience survey on which this report is based, LIMRA and Boston Consulting Group found that COVID-19 was a motivator for 1 in 3 Americans who started shopping for life insurance after the onset of the pandemic. (See Figure 1.) (See sidebar, "Our Customer Experience Survey.")

OUR CUSTOMER EXPERIENCE SURVEY

The BCG/LIMRA survey — which focused on the experience of buying individual life insurance in the U.S. — was conducted online in July and August. Of the almost 4,000 respondents, 26 percent were owners of existing life insurance policies who had not shopped for new policies in the past 12 months. Another 16 percent had purchased individual life insurance policies in the prior 2 months, some before the onset of the pandemic and some after. Ten percent had been shopping for life insurance but still didn't own any at the time of the survey.

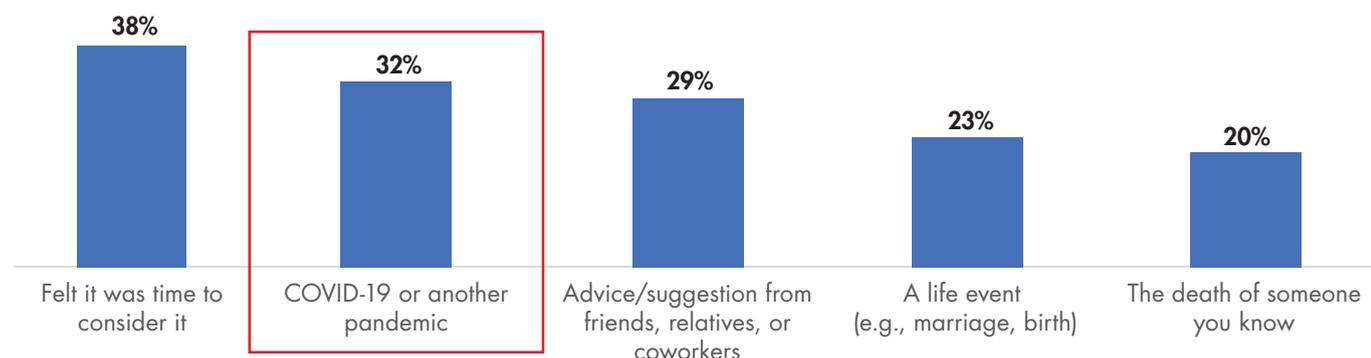
Most of the rest of the survey-takers didn't own individual life insurance policies and hadn't seriously shopped for one in the preceding 12 months.

The survey respondents were between the ages of 18 and 85, weighted to reflect the U.S. general population.

The timeframe which participants were asked to focus on allowed BCG and LIMRA to examine patterns in how COVID-19 has affected attitudes toward life insurance in the U.S.

Figure 1

COVID-19 is a big reason why consumers are shopping for life insurance



Note: Consumers who started shopping for life insurance since the pandemic was declared were asked why. Multiple answers were allowed. Top 5 responses included. N=559

Source: BCG/LIMRA Life Insurance Customer Experience Survey, July/August 2020.

¹ Credit Suisse, U.S. Life Insurance Q2 2020 Insurance Producer Survey — Positive Outlook Amidst COVID-19 Disruption.

² Centers for Disease Control and Prevention, Trends in Number and Distribution of COVID-19 Hotspot Counties — United States, March 8–July 15, 2020, <https://www.cdc.gov/mmwr/volumes/69/wr/mm6933e2.htm>, accessed October 6, 2020.

³ Consumer Sentiment in the Time of COVID-19 (July 2020), LIMRA 2020.

Adoption of Digital Technologies. The pandemic has also prompted carriers to accelerate the adoption of digital technologies. Among these are online scheduling and video conferencing for customer meetings, accelerated underwriting, and the acceptance of e-signatures in place of wet signatures on applications. These are not necessarily new technologies, but in our opinion, they are enabling a better, more convenient customer experience at a time when few things in life feel convenient. We expect the carriers using the technologies to see improvements in both their customer conversion rates and their customer satisfaction ratings. (See sidebar, “Accelerating the Digital Roadmap in Response to COVID-19.”)

One of the more significant adaptations has been a wider use of accelerated underwriting, which allows policies to be finalized in an average of nine days⁴ — versus the usual 27 days — and usually with no need for needle sticks or fluid drawing. Some carriers have increased the proportion of applications earmarked for this “fast lane” to more than 90 percent during the pandemic from less than 70 percent previously, while raising the face amount of the policies that qualify for accelerated underwriting. These measures simplify a process that many customers have considered long and cumbersome, and that some carriers say contributes to lost sales. It stands to reason that an accelerated process could change some of these negatives and boost carriers’ conversion rates. (There are other ways to speed up the application and underwriting processes. See sidebar, “Digital in Heavy Demand Among Advisors.”)

Accelerated underwriting isn’t a technical innovation in its own right — the practice has been around for years. Carriers already make extensive use of applicants’ prescription drug data and motor vehicle records. However, electronic medical records and other types of unstructured data are still not used in most cases. As accelerated underwriting taps into more data sources, carriers will get the benefit of more accurate pricing and customers will get the benefit of a less intrusive application process.

Hybrid sales. With face-to-face customer meetings down sharply, the mechanism for life insurance purchases has also shifted. Less than a third of those buying life insurance policies since the pandemic have done so solely in person, according to our survey; that compares with 44 percent who were buying life insurance policies in person before the pandemic. Most of the sales that were previously made in person are now made

ACCELERATING THE DIGITAL ROADMAP IN RESPONSE TO COVID-19

The insurance unit of Royal Bank of Canada was already developing an e-delivery system for customers before the pandemic hit North America. The company knew that its customers would appreciate receiving contracts and other essential paperwork through a secure online portal, rather than through a manual process. Those plans have accelerated dramatically since the spring.

E-delivery of contracts is “something we’ve had to pivot quickly on,” says Rino D’Onofrio, President and CEO, RBC Life. The version of the system that’s now in use “does not have full functionality but sometimes that’s the way it is when you implement a new service on an emergent basis.” Additional functionality is being added to enhance the overall experience.

E-delivery wasn’t the only digital program that RBC Insurance had in the works prior to COVID-19. Another program that the company elevated was enabling its face-to-face sales teams to use video conferencing tools, instead of meeting prospects in person at one of the company’s insurance stores or another physical location.

“Our advisors no longer have to make an appointment to go to a client’s home and sit at your kitchen table,” D’Onofrio says. “The client can meet wherever they like, and whenever it’s easier for them.”

The changes made by RBC Insurance — which also include increased use of accelerated underwriting — haven’t removed the need for advisors. On the contrary, says Andrea Lewis, Director of Client Experience Design and Research, the changes “have reinforced the need for human touch” in life insurance. The positive results of its adaptations are evident in RBC Insurance’s Net Promoter Scores having improved significantly since the pandemic began, Lewis says.

as part of a hybrid purchase process, usually partly online and partly with a financial professional. These hybrid experiences are especially popular among insurance buyers in the Gen X and Millennial cohorts; they are less popular with baby boomers, who prefer to buy in person, over the phone, and through the mail. (See Figure 2.)

⁴ *Automated and Accelerated Underwriting: Company Practices for Life Insurance in 2019*, LIMRA, 2020.

DIGITAL IN HEAVY DEMAND AMONG ADVISORS

At the beginning of this year, Penn Mutual already knew it had something special in ACE, the end-to-end processing system it makes available to financial professionals who sell its products. ACE (which stands for Accelerated Client Experience) was already being used by two thirds of Penn Mutual’s active financial professionals — far above the company’s expectations when it deployed the software a few years ago.

But it took a pandemic to show how much appeal ACE really had.

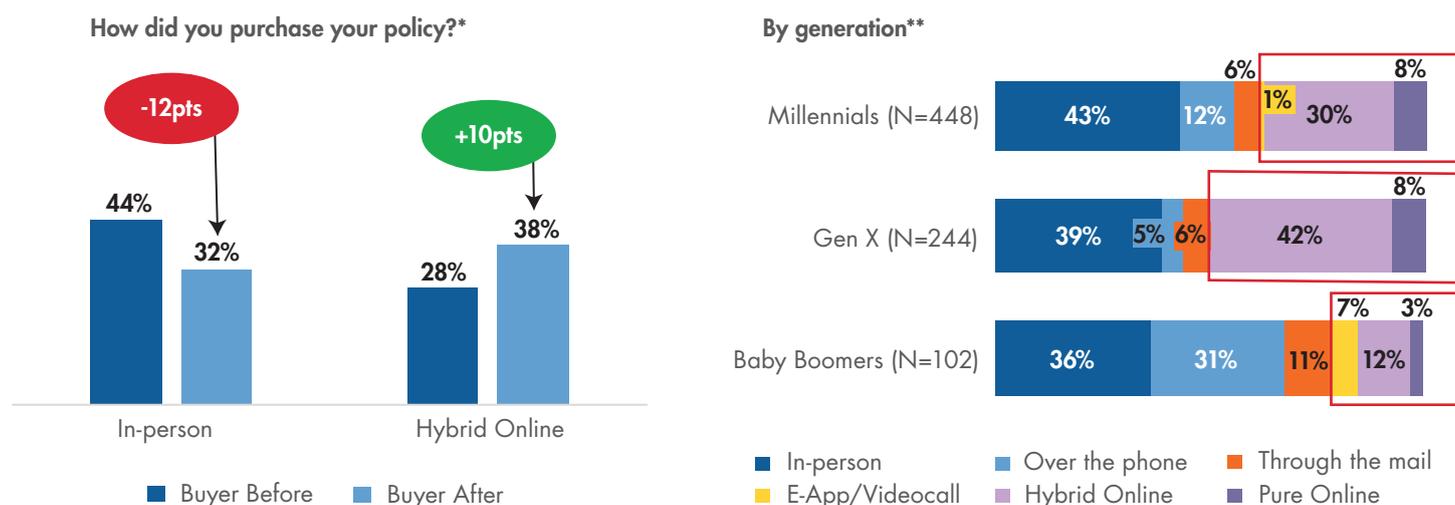
Within a few months of COVID-19’s arrival in the US, when in-person client meetings were no longer possible due to lockdown restrictions, financial professionals requesting appointments with Penn Mutual increased by 30 percent in large part because of the company’s innovative ACE platform. “Advisors who knew we had this tool were looking to join us, especially if they were finding it challenging to work with other strictly paper-based processes,” says Eileen McDonnell, Penn Mutual’s Chief Executive Officer. “That was a telling moment, when all of a sudden we had a lot more people interested in the company because of this tool.”

McDonnell sees a few reasons for the success of ACE. Initially, Penn Mutual was focused on data-driven underwriting and then extended the vision by creating a friendly and unique digital application experience for financial professionals. Penn Mutual delivered ACE as an all-in-one tool, capable of handling policy applications, digital illustrations, billing and collection, and the electronic delivery of policies. ACE also gives financial professionals a considerable amount of flexibility — the professionals themselves control it. That’s a differentiator in part because it was built by advisors for advisors, McDonnell says, in an industry where most financial professionals have their own well-established methods.

Penn Mutual is also experiencing growth in its Vantis Life direct-to-consumer subsidiary that sells life insurance and annuities online. Vantis Life experienced a 138 percent jump in policy applications between March and August, says Scott Smith, Vantis Life’s Chief Operating Officer. That’s an indication of how powerful a life event COVID-19 has been. “We’re seeing a lot of leads come in — a lot of sales opportunities,” says Smith.

Figure 2

Hybrid purchases have overtaken in-person purchases during the pandemic



*Selected responses only, excludes phone, pure online, mail, and video conference (Total N = 215 before and 588 after).

**Millennial (1981–1999), Gen X (1965–1980), Baby Boomer (1946–1964).

Source: BCG/LIMRA Life Insurance Customer Experience Survey, July/August 2020.

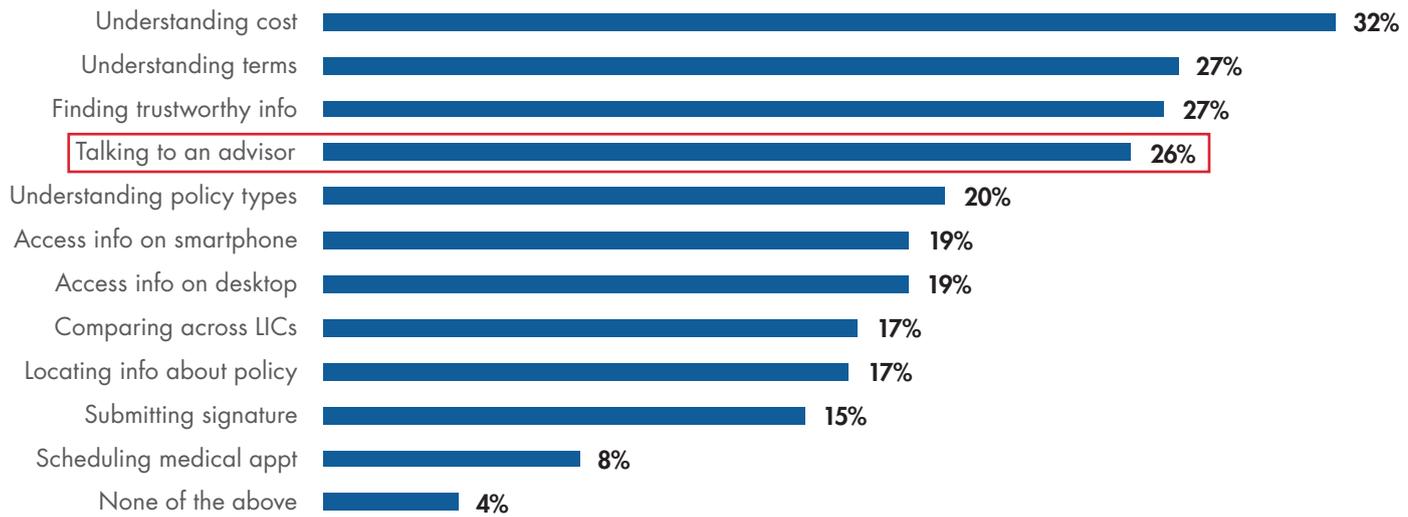
A Clear Role for Digital in the Insurance Sale

It's no surprise when someone's first step shopping for life insurance products is to look for information online. This is what most of us do nowadays for any kind of product or service that is outside of our regular purchasing experience. Confusing information and cumbersome processes cause customers to drop out of the sales funnel (a fact that drove Amazon to pioneer "one-click" ordering some 20 years ago). That's undoubtedly true of life insurance, especially at a time when there are all sorts of other concerns competing for Americans' attention — including working remotely and the associated challenges of family care amid office and school closings. It wouldn't take much these days for a life insurance prospect to abandon the process entirely.

But if good online information is necessary for a life insurance sale, it isn't sufficient. Consumers usually also need a back-and-forth exchange with a person to get comfortable with what they're buying. Our survey makes this clear: in addition to being an often used source of information when shopping for life insurance, a discussion with a financial professional is still one of the top facilitators for a person acquiring a life insurance policy. And the factors that rank higher than such discussions (understanding cost, understanding policy terms, and finding trustworthy information) in many cases are probably addressed during a human interaction. (See Figure 3.)

Figure 3

Talking to an advisor eased the purchase process for many buyers



Note: All buyers of life insurance, up to three responses allowed. N=810

Source: BCG/LIMRA Life Insurance Customer Experience Survey, July/August 2020.

So instead of thinking of technology as a replacement for financial professionals (or for human interactions more broadly), we think it makes much more sense to think of technology as an enabler to enhance, and potentially transform, the pre-pandemic sales model. If technology can help a financial professional provide service to applicants and customers more quickly,

if it can provide the financial professional with tools to explain products more clearly, and if it can eliminate lower-value work for financial professionals, significant productivity gains are possible. (See sidebar, “Life Insurance With a Short and Improved Approval Cycle.”)

LIFE INSURANCE WITH A SHORT AND IMPROVED APPROVAL CYCLE

The life insurance application process can be off-putting, with applications that run to 40-plus pages, and intrusive medical examinations.

Brighthouse Financial wanted to offer a different kind of experience. And when it rolled out its first new product after its spinoff from MetLife — an indexed universal life offering that included a long-term care benefit — a different experience was what customers got.

SmartCare (as the product is called) benefited from Brighthouse’s deep dive into data-driven underwriting. The almost three years that Brighthouse spent developing this capability meant Brighthouse was able to use available data (including people’s prescription histories, medical claims, and laboratory data) to replace more traditional underwriting. People shopping for life insurance didn’t need to have nurses or paramedics visit them in their homes or offices. (Although this change was timely in the era of COVID-19, Brighthouse’s product and application process were already well underway when the pandemic began.)

The company also vastly streamlined the questionnaire that applicants are required to go through. A reflexive methodology means those applying for SmartCare don’t have to contend with the typical 40 pages of questions. Instead, the application experience is tailored to the applicant with questions automatically included or omitted as the program gets to know the applicant. In many cases, an applicant can get through the

digital application in as little as 30 minutes, and even faster for simpler products.

Besides the technical and digital innovations, Brighthouse Chief Operating Officer Conor Murphy says SmartCare also breaks new ground in the simplicity and uniqueness of its value proposition. For a policyholder who never gets sick, SmartCare functions as a straightforward universal life policy with a benefit that can grow based on the performance of underlying indexes. For those who do get sick, up to 95 percent of the face value of the policy is paid out to the policy owner in a straight line over the course of 24 months. There are also riders that continue the monthly benefit for an additional two or four years — doubling or tripling the value of the LTC benefit.

“We developed this product after listening to the needs and concerns expressed by consumers,” Murphy says. “We set out to provide a uniquely simple purchasing process and valuable protection of retirement savings from the rising costs of long term care.” And there are experiential improvements too, Murphy says, with a simpler claims process for clients, and no requirement to repeatedly submit receipts to access the long-term care benefits.

Brighthouse’s technology is also being used for SimplySelect, a term life product that Brighthouse is selling in partnership with the insurtech PolicyGenius.

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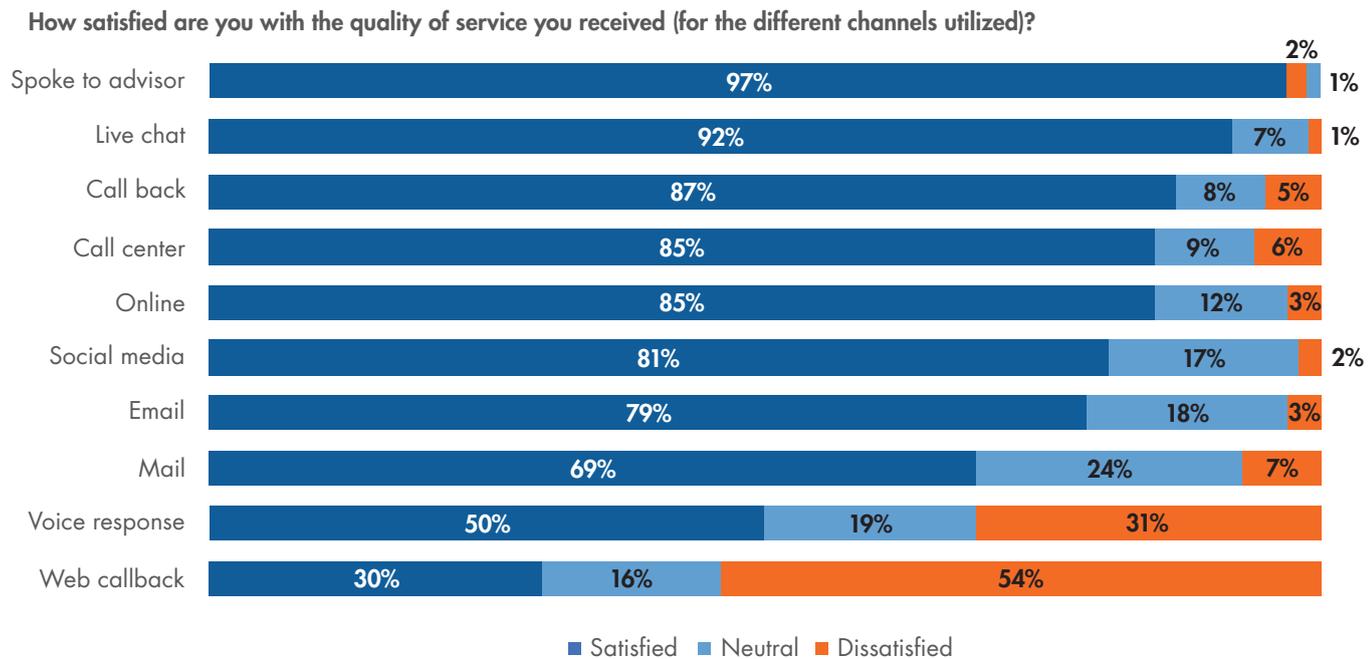
Think of technology as an enabler to enhance, and potentially transform, the pre-pandemic sales model.

The Continued Importance of Advisors

Almost every survey respondent who currently owns life insurance said they were satisfied with the experience of talking to a financial professional when seeking service with their policies. The service options that came the closest also had some element of real-time human support (like live chat, call backs, and call centers). Non-interactive digital channels

were a bit further down the list in terms of satisfaction levels. Eighty-five percent of owners said they were “very satisfied” or “satisfied” with the online experience provided by life insurers, and 81 percent said the same about insurers’ social media offerings. (See Figure 4.)

Figure 4
Financial professionals can also improve the servicing experience



Note: Includes only owners of insurance; respondents can select multiple channel options. N=37 – 234
Source: BCG/LIMRA Life Insurance Customer Experience Survey, July/August 2020.



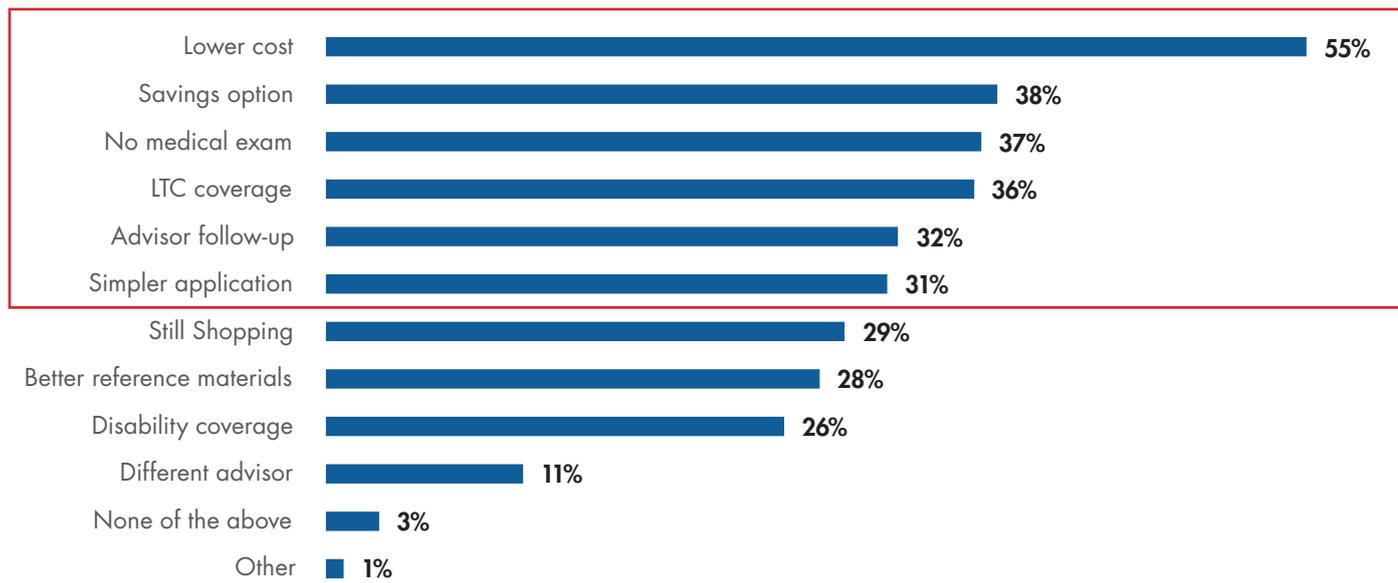
The explanations insurance shoppers give about why they decide not to buy contain a hint of why financial professionals remain so important in the sales process. A significant proportion of uncompleted sales involve applicants who are not completely satisfied with the product's value proposition. For instance, they don't find features that are important to them — a savings option, or a long-term care rider. Many of those who end up

not buying also dislike the complex application process or the need for a medical exam. The most frequently stated reason for not buying is price; more than half of the non-purchasers in our survey decided the insurance they were considering was too costly. (See Figure 5.) (This may reflect a misunderstanding on the part of applicants, who, as we know from prior studies, systematically overestimate life insurance's costs.⁵)

Figure 5

Price, process, and value proposition keep some shoppers from committing

What would have made you more likely to buy life insurance?



Note: Shoppers of life insurance, N=450

Source: BCG/LIMRA Life Insurance Customer Experience Survey, July/August 2020.

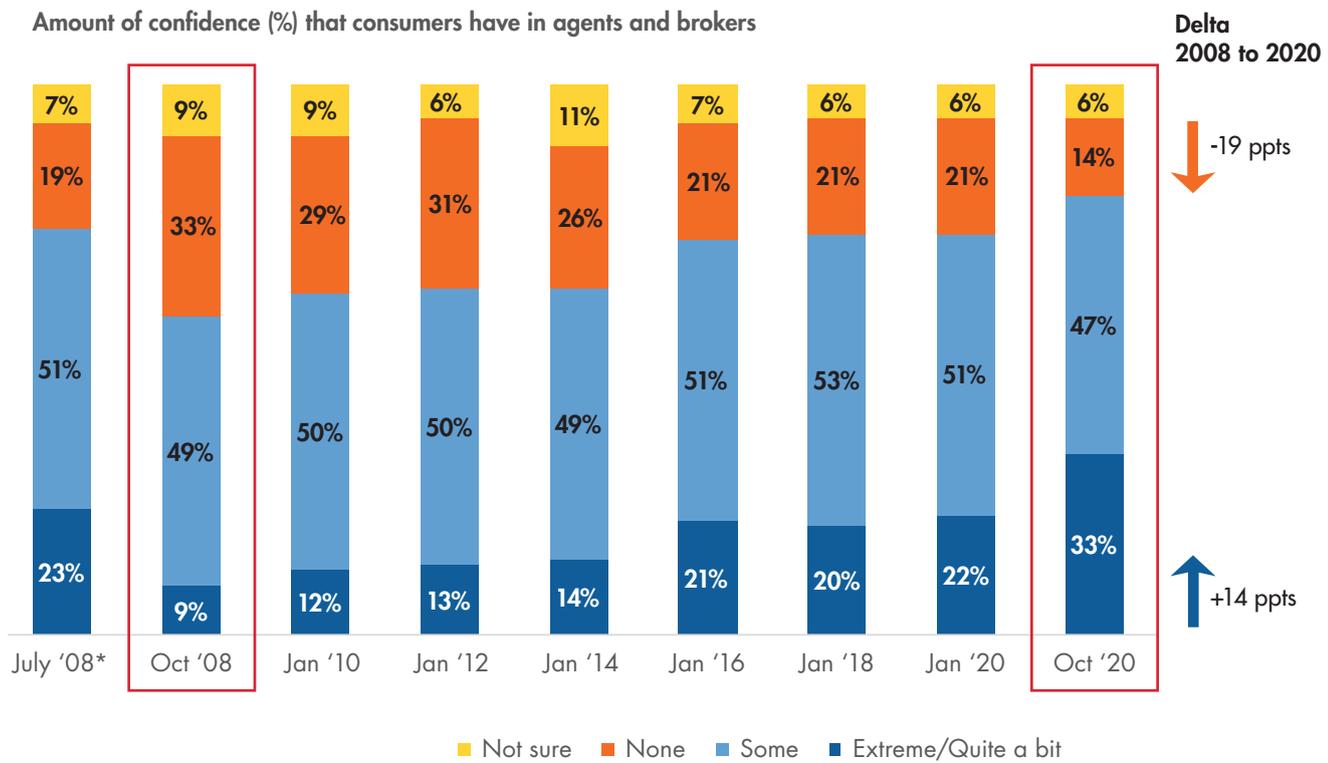
⁵ 2020 Insurance Barometer, LIMRA and Life Happens.

Good financial professionals can counter many of these obstacles. They know how to identify an applicant’s needs, describe the different options available, and, therefore, reinforce the applicant’s confidence that they are making a good decision. In our opinion, this is what makes a skilled financial professional so valuable.

Consumer confidence in insurance agents and brokers — like the confidence in other types of financial advisors — has been on the rise since the 2008 financial crisis. After a dip that year, both types of financial professionals are again being seen as trusted guides in the sale of products that are essential to Americans’ financial security. (See Figure 6.)

Figure 6

Perception of insurance agents and brokers has strengthened since 2008



*July '08 represents October-surveyed consumer responses regarding "3 months ago."
 Source: *Consumer Sentiment in the Time of COVID-19 (October 2020)*, LIMRA 2020.

Digital Investments That Enable the Best Possible Customer Experience

So what sort of digital investments should carriers be making? Our argument is for carriers to deepen the investments they have been making in digital — including doubling down on technologies that improve the human delivery of advice. We know, from the survey, and also from experience, that many consumers still need human advice in order to feel comfortable buying life insurance. However, there are a lot of areas in which interactions with financial professionals — and other aspects of the life insurance experience — can be improved through technology. Here are some of the most important ones:

- **Value proposition.** The old way of explaining the life insurance value proposition was mostly in person with the help of sales brochures and static printouts. COVID-19 has lowered the instances of these meetings — a disadvantage we've already noted. But the decline of in-person meetings has led many carriers to increase their use of digital illustrations — which can be a great sales aid. Similar tools, such as interactive financial calculators, are already common in the wealth management industry. These can help life insurance customers better understand the differences between products and make more informed financial decisions.

There has also been some movement toward wellness offerings. For the carriers experimenting with this (mainly through applications and services that help people eat better, exercise better, and improve their health), the hope is that these offerings will lead to higher engagement with consumers (whether they are existing customers or not) and a possible expansion of the life insurance value proposition.

Sureify and Life.io are among the companies offering wellness platforms to US life insurers. Their software tools give insurers ways to educate, engage, and track the health of their customers, including through wearables that the customers use.

- **Prospecting.** Much of the most effective consumer marketing nowadays is happening online, on popular digital platforms, and social media sites. Insurance carriers should continue to use these outlets for awareness and brand-building purposes.

Most carriers could improve their prospecting through advanced digital marketing techniques. Not many financial professionals start their days looking at automatically generated messages about whom they should be contacting, with what offerings, and through what channel. But the groundwork for such tools is being laid. Analytics and machine learning can also be used to match prospects with financial professionals (based on demographic, personal background similarities, or product expertise). For example, better matching of financial professionals and prospects is one of the benefits that Prudential Financial is hoping will come from its acquisition of Assurance IQ last year.

- **Applications and underwriting.** We have already talked about the expanded use of accelerated underwriting — enabled by new data sources — and the trend of accepting e-signatures. These changes have been possible because of relaxed regulatory restrictions amid the health crisis.

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Our argument is for carriers to deepen the investments they have been making in digital — including doubling down on technologies that improve the human delivery of advice.

But carriers' changes should go beyond converting analog processes to digital ones. In our opinion, there is an opportunity for carriers to completely reimagine how these processes should work and what the customer experience should be. Dynamic, responsive questionnaires that adjust automatically as information is entered are such an example.

- **Pricing.** People applying for life insurance provide a great deal of information about themselves (some of which the carriers, by now, may be collecting on their own). Carriers end up knowing about applicants' medical conditions, prescription regimens, and health habits. This one-way flow of information doesn't provide any value to the prospective customer, and the process can be especially frustrating if the insurance price quote that comes back seems unreasonable to the applicant.

However, carriers could provide something of value in return. For instance, many prospects would be interested to know how they stand on health markers such as blood pressure, cholesterol level, fasting blood sugar levels, and body mass index. They might also be interested in ideas to help them improve in these areas. The health analyses and comparisons could also be used by financial professionals to explain the price quote that the prospect is seeing.

Another possibility is to use health analyses as the basis of a mobile app focused on physical wellness — which could also have implications for pricing. The insurtech company Dacadoo is doing something like this, using data from wearable devices to assign a "health score" to participating policyholders and to encourage them to adopt healthier

habits. Insurers partnering with Dacadoo can use the health scores to offer discounts to conscientious customers.

- **Servicing.** Customer service is an area where the concept of bionic (a human enabled by technology) is especially relevant. While human interactions are critical for many things (such as empathy, establishing connections, and detailed explanations and advice), technology can make individuals a lot more effective and provide customers with more control. Requests to change an address, update a beneficiary, or get clarification on a payment should only end up in the lap of an advisor if that is the customer preference, despite the availability of an intuitive self-service option. And, if customers would indeed rather speak to a person, technology should remove a lot of the administrative burden and ensure that the individual has a simple and convenient experience.
- **Ease of doing business.** Life insurance isn't like banking, where a customer might interact with a provider a few times a month — or even a few times a week. The touch points in life insurance are fewer and farther between.

All the more reason why the experience should be frictionless. Despite the strides made in recent years, the bias in the life insurance industry (excepting the in-person interactions with financial professionals) is still toward manual, asynchronous transactions. That includes paper-based communications with policyholders about payment and other matters. Carriers should not merely digitize existing processes, but redesign them to offer a new and superior customer experience.



Conclusion

COVID-19 brought sudden and, in some cases, dramatic changes to the US life insurance industry. It remains to be seen if the attitudinal changes will prove durable — namely, consumers' increased sense that life insurance is important, and if the rise in intent to buy it will actually translate into sales. However, there are three areas where we are confident COVID-19 will have a lasting impact.

1) The acceleration of insurers' digital agendas will continue.

Technology will be deployed across the value chain and in distribution especially. In the future, financial professionals will use more screens and less paper. Their productivity will increase as they devote more time to customers and less to going through long forms and other administrative tasks.

2) The "human touch" in life insurance will remain critical, but take a different form.

In life insurance as in a lot of fields, there has been a realization that business meetings need not take place in person. Hybrid sales and customer engagement models that involve a mix of digital and human interactions (often together) are here to stay. Financial professionals will remain central to the sales process even as these incidentals change.

3) The use of accelerated underwriting will expand further.

In our view, carriers are unlikely to re-tighten standards that have shortened the time (and cost) of policy delivery. Better access to and use of data should also enable better risk selection over time. The long-form paper insurance application will become a relic, and the industry will be better for it.

In this moment of sweeping change and operational upheaval, the life insurance industry finds itself with a surprising opportunity. It is an opportunity rooted in changes that were already underway but have now picked up speed, enabling the delivery of a better customer experience. We expect these changes to be a win for carriers, for financial professionals, and most importantly, for the customers on whom everything else depends.

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