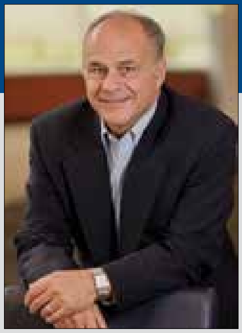

PRESIDENT'S PAGE

Technology — A Double-Edged Sword

By Robert A. Kerzner, CLU, ChFC
President and Chief Executive Officer, LIMRA, LOMA, and LL Global, Inc.

Technology has fueled an investment frenzy over the past several years. Amid fears of a current competitor gaining an advantage or an outsider creating a solution that will fundamentally alter the conventional business model, many companies are dedicating a great deal of resources to avoid being left behind.

Technology holds the promise of helping us reach and engage with more customers, while also allowing us to become more efficient in day-to-day operations. But will the ROI match the investment? Will technology deliver on its promise? Will many dollars be wasted on failed attempts?

InsurTech investments cooled a bit in 2016 — down nearly $1 billion from 2015.[1] I believe companies and their senior executives are being more judicious and demanding proof of concept before they invest, seeking greater value for their investment.

This reminds me a lot of what we saw with the internet bubble in the early 2000s. From 1995 to 2000, investment in internet start-ups grew, on average, 24 percent. By 2001, companies pulled back, and internet investment dropped 11 percent.[2] To be clear, investment in the internet obviously didn't dry up — but investors were more discriminating, and expectations were more realistic.

Today many insurers are very focused on finding ways to improve the simplified underwriting process. The goal is to keep premiums close to fully underwritten business, but get it done faster and without increasing risk and losses. This is a formidable challenge. There are many different approaches, often using electronic health records, prescription databases, big data, and credit scores. There is even one initiative to use people's selfies to determine their lifestyle behaviors. There are a few new platforms — Haven Life, Ladder Life, and Quilt — offering simplified-issue life insurance but trying to create a different look and feel to attract younger consumers.

Insurers are also taking new approaches to leverage technology to improve the customer experience. Artificial intelligence is used in chat bots, virtual agents, and decision support for customer-facing staff. One company announced it was implementing voice ID technology, allowing customers to use their voice as their passcode. Companies are also focused on using technology to reduce operating costs, improve back-office efficiencies, and enhance marketing efforts to identify new customers and retain current ones.

Many of the technological advances we are seeing rely on the personal data Americans supply to companies through web activity and social media, the smartphones they have and the apps they use, and the purchases they make. I would never have predicted people's (myself included) willingness to give up their privacy for convenience and efficiency. Today algorithms can take and use all of this data to identify when we have life events, where we travel, and any medical conditions we may have. They can even determine our net worth. Even for cynics like me who try to keep a low digital profile, it's nearly impossible to keep your information private.

Recently when I was traveling to China and South Africa, I was surprised to learn it's not the same in other countries. The ability to buy large quantities of personal data is not available. The EU actually passed laws to prevent companies from selling people's personal data to third parties. Will those restrictions come to North America? If so, what impact would they have on all of the investments companies have already made in technology?

I believe technology has the capacity to transform our industry — but there is a cost. To be effective, we open ourselves up to many outside disruptors and take on additional risks. The question is: If technology is a double-edged sword, which way will it cut?

[1] CB Insights.

[2] U.S. Bureau of Economic Analysis.