



Products to Watch in 2019

The holidays are over. New Year's resolutions have been made (and maybe already broken). It's time to look forward to 2019. Here are some insurance product issues we will be watching this year.

Individual Life Insurance

Once the books are closed for 2018, individual life insurance is expected to end with modest growth, with a projected increase of about 2 percent in annualized premium. LIMRA's forecast suggests 2019 will be a little better, with projected annualized premium growth of 4 percent. What issues will impact individual life insurance in 2019?

Regulation

Products sold one year from now will need to be based on the 2017 CSO table. Will companies be able to get all the products they intend to file through the process by that deadline? Anecdotal evidence suggests most companies are on track to file most products they intend to file. Whether regulators are able to process all the filings remains to be seen.

New York has proposed Regulation 187, which is designed to ensure annuity and life insurance sales are in the best interest of the consumer. The annuity regulation is set to be implemented in August 2019, while life insurance will follow in February 2020. Assuming the regulation moves forward as planned, there will be significant costs and training for producers and sales support functions. It is important to note that the regulation covers not only new sales, but also transactions on in-force policies that lead to new sales compensation.

Innovation and Sales

Will activity trackers make more inroads into life insurance products and underwriting? Most people are familiar with John Hancock's partnership with Vitality, where they offer rewards, including potentially reduced premiums, for achieving certain activity levels.



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In May of 2018, Principal Financial Group introduced "My Principal Lifestyle," an app that tracks activity using any of a number of activity trackers (Apple Watch, Fitbit, Garmin, and others). Anyone can download and use the app, but only eligible Principal policy owners can earn gift card rewards.

Beyond rewards, activity trackers may begin playing a role in underwriting. Munich Re published a series of articles in 2018 on using wearable activity trackers in insurance risk assessment.¹

Indexed universal life and whole life have been the primary drivers of growth over the past several years. We expect that to continue into 2019, with some help from slightly stronger term insurance sales. Unless the recent volatility in the stock market turns into a bear market, which could dampen IUL sales. A zero floor is better than negative, but doesn't look so good compared to the low but guaranteed rates in fixed products.

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Long-Term Care Insurance

Anyone following the long-term care insurance (LTCI) market knows that stand-alone products have been struggling, with several years of declining sales and numerous carrier exits. In the stand-alone space, New York Life recently introduced NYL My Care, a simpler, more affordable product design with now familiar “metal level” terminology — bronze, silver, gold, and platinum. While policy maximums may not allow as comprehensive a benefit as other stand-alone products, the lower costs may allow more consumers to have at least some long-term care insurance coverage.

While stand-alone LTCI products have been struggling, life/long-term-care combination products continue to do well, with the number of policies sold up 11 percent through midyear 2018. LIMRA estimates that there are now close to 40 companies in this market. The majority of new entrants offer chronic illness acceleration riders that don’t charge an additional premium at issue. Sales of these products are likely to continue to increase.

The Affordable Care Act

The midterm elections are behind us and Democrats have the majority in the House of Representatives. That suggests there will be no near-term attempts to repeal the Affordable Care Act (ACA). However, there is more on the horizon for the ACA. The election also brought Medicaid expansion in three states and the election of expansion-friendly governors in three more, resulting in half a million more potential participants in Medicaid. On the other hand, in December, in a case brought by Republican state attorneys general, a federal judge in Texas ruled the ACA unconstitutional. The decision is being appealed, and most legal scholars believe the judge’s ruling is significantly flawed and will likely be reversed. In the meantime, that leaves insurers and consumers operating under a cloud of uncertainty as the ACA’s legal journey continues. 🌐

¹ <https://www.munichre.com/us/life/publications/wearables/index.html>

