How D2C Features Will Reshape the Life Insurance Business

Jeff Hasty, FLMI
Vice President, Ebix

The COVID-19 pandemic accelerated change for life insurance and annuities providers. Consumers are demanding better digital experiences in every part of the buying process. There's no going back to how life insurance and annuities were sold before. "COVID-19 has driven our society to become more virtual," says Mark Krantz, a senior director and product owner at Ebix. As a result, organizations will need to adopt direct-to-consumer (D2C) features or lose customers and market share. This means:

- D2C channels will continue to be the fastest growing segment of life insurance and annuity product sales.

- Insurers will have to devote more resources to the user experience and overall customer journey.

- Product education will be critical to maintaining and increasing customer engagement and satisfaction.

Life insurance and annuities sales are expected to rebound in 2021 as the economy improves post-vaccination and returns to pre-pandemic levels by 2022, according to LIMRA estimates. Automated underwriting and D2C distribution will be crucial drivers of that growth. Companies can either embrace D2C features throughout their organization or ignore the trends at their peril.

Here are five ways life insurance and annuity companies can future-proof their businesses with D2C features.

Simplify the User Experience

D2C features are about adapting to how customers want to communicate with insurers. Millennials and others do not necessarily want to talk to an agent at the beginning of the buying process or at all.

That means insurers must focus on simplifying the user experience. With more than a decade of studying the problem of poor customer experiences, KPMG Nunwood developed six pillars of customer experience that can be helpful to companies as they rethink their digital footprints:

1. **Use personalized attention to create an emotional connection:** This attention means understanding the customer's needs and adapting the experience to their individualized circumstances. Technology that can track preferences and uses past interactions can give companies personalization that sets them apart and eventually creates an emotional response.

2. **Be trustworthy by demonstrating core values:** Insurers must show that they will act in customers' best interest and keep them informed if difficult situations arise. Trust building must be an organizational-wide effort and baked into every digital interaction. In the age of data breaches, stronger security and transparent disclosures about how customer data is used can be a differentiator.

3. **Meet and exceed customer expectations:** People have higher expectations of service now that their smartphones can handle many financial transactions. Insurers have to operate in this environment and provide more digital experiences that surprise and delight. That means offering understandable price quotes in plain English and using the digital channels customers are most comfortable with.

> **" D2C channels will continue to be the fastest growing segment of life insurance and annuity product sales. "**

EBIX

4. **Focus on recovery when mistakes happen:** Customer service isn't a cost center in a D2C environment; it's a vital part of the business. Acknowledging mistakes and fixing problems with a sense of urgency can help insurers bounce back from missteps. Having the right processes and scaling excellent customer service is a core competency for the D2C channel.

5. **Continuously minimize the friction in customer experiences:** People are busy and want services that respect their time. Digitizing systems to reduce wait times and issue new business more quickly can help insurers attract and retain more customers. Time is money.

6. **Cultivate empathy to understand what customers want:** Insurers need analytics to uncover insights for data and surface feedback for the customer service teams to determine the pain points and fix them. Better technology can help organizations build customer-centric systems.

Using these pillars will help insurers build simplified digital experiences that matter to customers and keep them engaged. This framework's sixth pillar is the most important because insurers need to reorient their digital operations to relentlessly put the customer first.

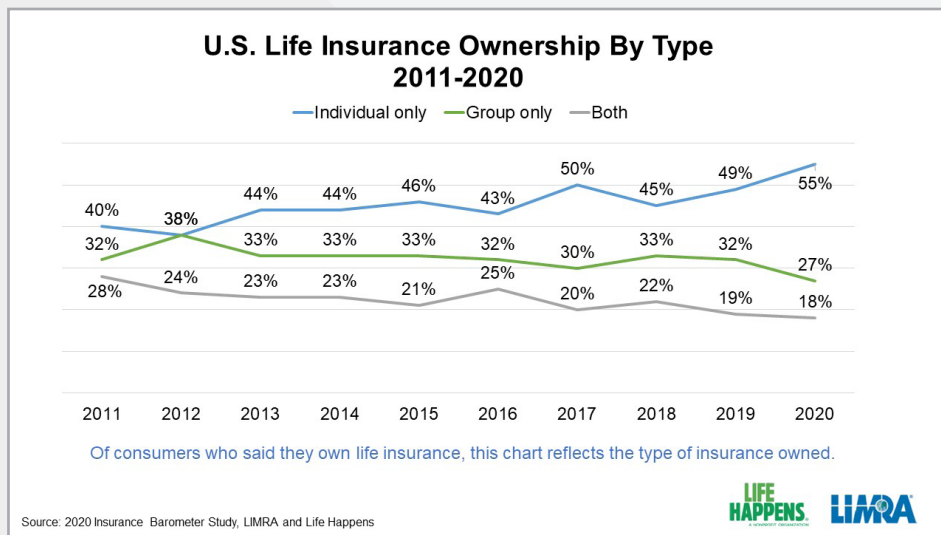## Focus on What Matters to Customers

Customer behavior is changing. Younger customers and savvy older ones tend to prefer to transact and communicate online and through digital platforms.

Insurers that underinvest in digital platforms will lose customers, especially in times of crisis. During the early stages of the pandemic, among customers who had trouble with carriers, 41% said they would be likely to switch providers due to a lack of digital capabilities, according to a 2020 PwC survey.

Striking the right balance between technology and people is key to customer satisfaction and engagement. Platforms can answer most common customer questions through chatbots and online content. More complex issues will require a human touch and a technology platform that can deliver that hybrid experience. Insurers can alleviate some of the pressure on customer service teams by creating robust educational resources.

Enhance Product Education Efforts

The life insurance industry has an education problem, as evidenced by the decline in ownership. Over the past decade, U.S. life insurance ownership has fallen 9 percentage points to 54%, according to LIMRA's 2020 Insurance Barometer Study. It's not that families need less protection; it's that there's too much friction between them and the right amount of coverage.

U.S. Life Insurance Ownership By Type 2011-2020

Year	Individual only	Group only	Both
2011	40%	32%	28%
2012	38%	38%	24%
2013	44%	33%	23%
2014	44%	33%	23%
2015	46%	33%	21%
2016	43%	32%	25%
2017	50%	30%	20%
2018	45%	33%	22%
2019	49%	32%	19%
2020	55%	27%	18%

Of consumers who said they own life insurance, this chart reflects the type of insurance owned.

Source: 2020 Insurance Barometer Study, LIMRA and Life Happens

Pricing appears to be the main educational gap. A LIMRA study finds that more than half of Americans estimate the cost of a term life insurance policy at more than three times the actual cost and millennials tend to estimate the cost to be as much as five times the actual cost.

The intent is there, but the knowledge isn't. Despite a drop in ownership, 36% of Americans told LIMRA they planned to buy life insurance coverage in the next 12 months, an all-time high for its survey. Having tools and content that

EBIX

educate customers is a long-term play that pays off over the customer's lifetime. Insurers who can communicate successfully with their customer base about the need for life insurance and the types of life insurance will not only attract sales today, but in the future as those customers seek financial guidance on related topics, such as investing, retirement and estate planning. Ebix provides a comprehensive portfolio of content assets related to personal finance and wellness that insurance carriers and brokers can deploy to enhance customer education.

Sharpening technology-enabled educational outreach is a critical D2C feature, but it is not enough in and of itself. Education needs to be coupled with a digitally streamlined application process to reduce friction for customers.

Digitize the Application Process

So many insurers have taken the analog experience of filling out forms merely put those forms online. This shows no

> **Insurers will have to devote more resources to the user experience and overall customer journey.**

empathy for customers. The future for customers looking to buy life insurance will be less typing. This is particularly true as people demand a mobile-friendly experience to shop for everything from clothes to homes online.

"If we want to reach the millennials and other people who are gonna be on their devices, we need to eliminate as much typing as possible," Krantz says. "That makes for a more engaging experience and a more interactive experience where you know they don't have to worry about typing."

Creating mobile-friendly tools that anticipate customer needs, help them discover their preferences, and provide guidance without typing in forms will differentiate insurers from their rivals. To do this well, insurers will need vendors to build tools that seamlessly integrate into their core businesses. It requires a vendor with depth and one with experience at automating underwriting processes.

Automate Underwriting as Much as Possible

In an age where you can order almost anything on your smartphone, customers expect faster turnaround times. To meet these demands, insurers will have to automate more processes and accelerate underwriting.

Insurers understand the need for automation. The challenging part is knowing when to automate and when to escalate to customer support staff. From a cost perspective, automation is the most powerful D2C feature. McKinsey & Company estimates that insurers will eventually be automated up to 60% of their back-office operations. These technology upgrades have a significant impact on costs. McKinsey finds that technology has helped digital-first insurers shrink their expense ratios to almost 40% lower than traditional counterparts.

Since the pandemic, insurers are doing a greater share of their business with less in-person interaction. This trend is likely to continue in the future, so automating processes will be table stakes for most companies. However, insurers that strike the right mix of D2C features and personal service can enhance engagement and create a lasting competitive advantage in the marketplace.

EBIX

Bringing It All Together

Each D2C feature works best when it works in conjunction with others. Insurers have significant opportunities to simplify the user experience by focusing on what matters most to customers while enhancing education efforts, digitizing their applications and automating their processes. Having a technology partner that understands the nuances and the experience to deliver on the potential of D2C business models is critical for success.

With Ebix, carriers have a one-stop shop for D2C features. Whether your company needs an engagement portal or a pricing engine or an underwriting platform, Ebix can provide the right solution that fits your business goals. If insurers want a single standard interface that agents can use to compare multiple products, there's WinFlex. For comprehensive underwriting services, Ebix provides The Policy Processor. It's not about the individual products as much as it is about how Ebix can help your company enhance its customer engagement through D2C features.

Request a demo today to learn more.

About Jeff Hasty

As the Vice President of Strategic Business Development for Ebix, Jeff brings over 35 years of industry experience in operations, marketing, research and education working for a leading industry carrier and as an executive with LIMRA LOMA before joining Ebix. At Ebix, Jeff has helped Fortune 500 insurance and financial services companies gain a competitive advantage with superior performance through integrated technology solutions. He is a recognized leader in the industry and at formalizing e-business services to drive growth and digital transformation for enterprises of all sizes.

CONTACT INFORMATION - E: jeff.hasty@ebix.com | D: 770-656-2173

1 Ebix Way, Johns Creek, GA 30097
W: **www.ebix.com**

Ebix