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Crossing the Chasm: Reigniting Growth in the US Life Insurance Sector

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Agile response to COVID-19 bodes well for returning the life insurance sector to long-term growth and wider financial protection in society.

Catastrophes can often be catalysts for how society manages risk. For instance, World War II transformed the U.S. into a highly industrialized economy and put us in a position of global economic leadership. As a result of the COVID-19 pandemic, the U.S. life & annuity insurance industry is at such an inflection point.

Life insurance has endured flat to declining sales for over a decade. Put simply, sales have by and large not kept up with the growth of the population, and younger generations are not seeing insurance as a product that belongs in their financial portfolio.

But as the world shut down seemingly overnight, interest in life insurance has come roaring back, and COVID-19 is now accelerating sector adaptation. Electronic application (eApp) submissions are up by 20% year over year, and e-policy deliveries by 52% YOY, according to recent insight from iPipeline.

At Ensight, we have seen a dramatic shift toward the virtual sales experience, with growth of 155% in just the last three months. This agile sector response to COVID-19 bodes well for returning the sector to long-term growth and wider financial protection in society.

However, this resurgence will be short-lived if the life insurance industry doesn't use this moment of opportunity. Younger generations will not tolerate antiquated illustrations or the absolute need for an in-person sale. When we take a step back, COVID-19 is very likely to drive the following three transformations within the life insurance sector:

- Greater focus on the transformation of the sales experience
- A broader, accelerated shift to more holistic financial planning by advisers
- Increased consumer understanding of the importance of life insurance

These are potentially simultaneous tectonic shifts. And the potential long-term positive implications for life insurance sales are significant. 2020 may therefore represent the long-awaited inflection point for the U.S. life insurance industry. So, what are insurance carriers doing well today? More importantly, what additional gaps must be closed to ensure long-term growth?

The Current Frontier Tackling the Application Pain Point

Over the past decade, the principal transformation agenda has been on addressing the pain point and cost inefficiency of the life insurance application process. Insurance carriers have largely focused on shifting to electronic applications (eApps), as well as implementing new accelerated/simplified underwriting programs.



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This shift is critical. However, insurance carriers need to remember that eApps and accelerated underwriting programs will drive little long-term competitive advantage, because everyone will have them.

The next chasm to cross for the sector is product accessibility. Without it, we will not return to a vibrant life sector in the next decade.

Crossing the Chasm Addressing Product Accessibility

To truly cross the chasm and reignite significant sector growth through broader understanding and belief in the value and application of insurance products, life and annuity carriers should prepare to address digitalization of sales and distribution.

In 1991, Geoffrey Moore wrote “Crossing the Chasm,” which quickly became the bible for entrepreneurial technology marketing. “Crossing the Chasm” focused on how to drive the introduction of innovative products from early adoption, to finding product market fit and ultimately to wider adoption.

To truly cross the chasm and reignite significant sector growth through broader understanding and belief in the value and application of insurance products, life and annuity carriers should prepare to address digitalization of sales and distribution.

Complete Digitalization of the Point of Sale

Even with eApp growth, the permanent life insurance point of sale experience continues to be rooted in paper. Whether it is PDF brochures heavy on the compliance language or the 40-page illustration, the point of sale has simply not adapted to the 2020 expectation threshold.

Consumers today – with the fintech movement transforming everything from banking and investing to mortgages – expect a digital, intuitively visual and easy-to-understand experience. These are the prerequisites for selling your products successfully – especially in the world of Amazon.

Life and annuity carriers need to transform the entire sales lifecycle – not just the application pain point. This means addressing everything from digital presentation of the product by financial professionals, to interactive training and to a consumer-oriented in-force web experience. Policy statements sent via snail mail are out of date.

And financial professionals, for whom 50% of client engagements are now virtual, should be enabled with an interactive, digital experience to explain products to clients. Clients should be able to interactively play with products online to better understand how they might perform, for instance under different market scenarios. This is now par for the course.

Change Distribution Mindset | Prioritize Technology “Platform Plays”

Silicon Valley venture capitalist Marc Andreessen said, “Software is eating the world.” A corollary in financial product distribution could certainly be: “Technology platforms are eating distribution.”

Life and annuity distribution has traditionally been focused on relationships and traditional distribution partner platforms (i.e. people plus services). There is an unprecedented shift happening today – the introduction of distribution technology platforms and the elevated importance of the platform experience.

Insurance carriers will need to open their distribution mindset and strategy to prioritize “platform plays.” This means not only reevaluating whether they are delivering a modern, Intuit-like illustration experience for different types of personas, but also consider how they are enabling new technology platforms to drive premium growth.

Increasingly it will be the “platform plays” that will drive premium growth. And without addressing the challenge of “product accessibility,” the life and annuities market will never truly “cross the chasm” and return to long-term, sustainable growth.

Fintech is evolving our world and creating experiences that a growing portion of our potential client base have come to expect. While insurance has gained some renewed interest during the pandemic, we are now at the inflection point that will determine how well we can adapt and grow over the next decade.

About Ensign:

Ensign is the market-leading sales acceleration platform for the L&A industry. Through its advanced, digital quoting, benchmarking, and illustration system and interactive, real-time presentations, Ensign is rapidly transforming the rate by which way carriers, advisors and producers drive sales in today's virtual environment.



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