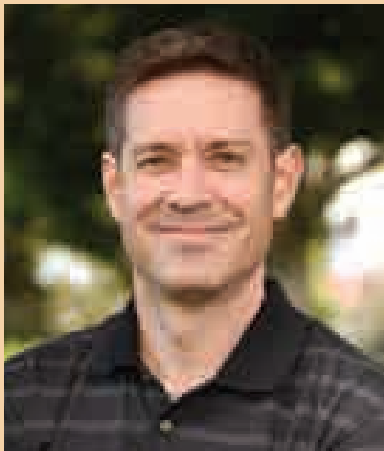


The Hybrid BGA

Profound changes to the back-office BGA model

Best Interest regulation is not a question of if, but when.



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The US economy is rapidly shifting to a “platform economy”. An economy where the business model of today’s Fortune 500 leaders is based on a technology platform. Think Amazon, Tesla, Apple — the list goes on. This has been underway for several decades, picking up momentum for the foreseeable future.

Yet, another trend is also increasingly on the rise: the growth of “hybrid” business models.

What is a “hybrid” business? Simple definition — a fusion of people and technology-based servicing, where technology is streamlining the “80%” of low-value interactions, while unleashing people to focus on the “20%” of high-value activities, which require a human touch, whether due to customer demand, the complexity of the interactions, or the strategy behind the service model.

Future of the market

This is the future of financial services, including Life and Annuity distribution. Just look at the growth of Vanguard™, which focused its business model on an intuitive digital user experience; making it easy for clients to take action; and integrating the online experience with other channels. Vanguard re-envisioned what types of transactions are more appropriately ‘self-serviced’, relative to those which require a financial professional’s touch.

In the next 3-5 years, the BGA model needs to move away from a back-office focused, people-centric model in order to survive today’s market dynamics. Let’s quickly look at the present trends:

The coming dominance of the Millennial financial professional class: We have known for years now that demographic change is here. A large percentage of today’s current financial professionals are now on the verge of retirement. On the other hand, Millennials now age up to 40 years old, and have become the largest generation in the US labor force.

This group is setting new expectations, emphasizing digital services and self-service options. Given Millennials’ smartphone-centric lives, expect more demand for servicing their own life and annuity illustration and submission transactions, online.

The shift towards Best Interest (BI) and auditability: The Best Interest (BI) regulatory environment continues to expand at pace. The age of transparency — extending across suitability, pricing, cost and recommendations — is here. More broadly, think about the expectations set every second by a truly transparent Amazon shopping experience.

Best Interest regulation is not a question of if, but when. BGAs should now expect key channel relationships, whether it is institutions, wirehouses, RIAs or other financial advice providers, to move ahead of the regulatory dynamic. You will need to demonstrate a client-centric approach to illustrating products across the market, while capturing an audit trail for every transaction, from initial case design to final revisions and submission.

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The rise of financial planning & insurance platforms: The financial advisor space has already moved to the financial planning FinTech platform. Whether it is InvestNet's MoneyGuidePro™, eMoney™, RightCapital™, Orion™ or any of the other digital planning platforms, the shift is complete. The life and annuity insurance advisor is next.

Expect your producers (especially the growing ranks of Millennials) to demand access to products through a platform experience — provided by the BGA. Whether for illustrating common designs, transacting an instant issue Term policy or learning more about the living benefits of a carrier's policy. Moreover, expect that producers will require service in their platform of choice. Email is on the retreat. New life and annuity sales and servicing platforms will be the medium of transaction.

The shift to remote working & client engagement: The work-life balance trend has been underway for a decade now. COVID-19 permanently altered the model of the “corporate office” being virtual; and the financial advisor and life / annuity agent being “Zoom-empowered”.

Producers today are already engaging with their clients in an omni-channel manner (face to face, phone, Zoom, email). Your wholesaling and back-office service operations will need to meet this new service expectation and fast.

Transformation of the traditional Life & Annuity “illustration experience”: For decades, the complexity of the illustration workflow for permanent life and annuity products has ensured the value of a BGA's back-office case design operation. Certainly, the role of “case design” and servicing producer illustration requests has been core to the very architecture of the BGA. Yet, the emergence of an advisor-centric digital illustration experience will be a positive catalyst for the BGA in a number of ways:

- Enhanced service focus on expertise — eliminating time spent on basic case designs
- Unleashing a “front-office focus” — refocusing on sales generating efforts (vs service)
- Greater scalability & revenue growth — driven by the extension of advisor-centric quoting
- Increased producer “stickiness” and retention — as advisors digitally self-service
- Enhanced auditability — to support the growing Best-Interest (BI) environment

Term life insurance will shift direct, online & self-service: The future of term life insurance in many ways is quite similar to the evolution of direct-to-consumer (D2C) car insurance distribution. Today we are bombarded by TV and online advertisements by carriers and new digital “aggregators” to purchase car insurance. The experience is quick, simple, and an instant issue (bind). Term life insurance is rapidly heading in the same direction.

Every BGA should be thinking about where they need to be in the next 3-5 years. Permanent life insurance, annuities and LTC products will remain advised sales well into the future. The future of term life insurance, however, will most likely be a consumer-generated digital sale, online or via an “app”, sold direct, via your bank or even retail chains.

What does the new “Hybrid BGA” look like then? Tomorrow's winners will straddle several hybrid dimensions:

- Digitally teaching “how to sell”, while focusing the back-office on complex cases
- Servicing producers via people (relationship) & in their FinTech platform of choice
- Providing both a B2B model experience & “D2C” sales enablement for producers
- Ramping up self-service education resources online, while offering “virtual live” training
- Supporting traditional policy analytics, while shifting to more “visual” and intuitive storytelling sales approach

No doubt this is a limited list. But today's pace of change is only quickening. And every BGA should be preparing for tomorrow's reality.