

The Direct to Consumer Model is Disrupting the Traditional Life Insurance Business Model

Moderator: Bruce Edward Fuller, FSA, MAAA

Presenters: Manisha Dias, Christopher Hassenius, Jason M. Krasula



SOCIETY OF ACTUARIES

Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants.

The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

While participating in all SOA in person meetings, webinars, teleconferences or side discussions, you should avoid discussing competitively sensitive information with competitors and follow these guidelines:

- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

Presentation Disclaimer

Presentations are intended for educational purposes only and do not replace independent professional judgment. Statements of fact and opinions expressed are those of the participants individually and, unless expressly stated to the contrary, are not the opinion or position of the Society of Actuaries, its cosponsors or its committees. The Society of Actuaries does not endorse or approve, and assumes no responsibility for, the content, accuracy or completeness of the information presented. Attendees should note that the sessions are audio-recorded and may be published in various media, including print, audio and video formats without further notice.

Panelists



M Financial
bruce.fuller@mfin.com

Bruce Fuller (Moderator), FSA, MAAA, CFA – Vice President *M Financial*

Bruce has spent his entire career within the life insurance field, focusing primarily on finance and risk management. In his current role, he is a Vice President for a distribution owned financial services organization and is primarily responsible for overseeing the daily operations of the M Financial Group's agent-owned reinsurance company, providing support for product development efforts, and managing aspects of the distribution owner relationship within M.



SCOR
mdias@scor.com

Manisha Dias, FSA, FCIA, CERA – AVP Business Development, Strategic Partnerships *SCOR*

Manisha Dias leads the end-to-end development of new protection offerings for the US Market – bringing together carriers, distributors and other ecosystem partners through the stages of ideation, strategy, distribution, pricing, underwriting design, tech and execution. Focused primarily on creating direct-to-consumer and digitally-enabled solutions for underserved markets. Manisha holds a Bachelor's degree in Actuarial Science w/ Finance from the University of Waterloo and is a Fellow of the Society of Actuaries (SOA) and the Canadian Institute of Actuaries (CIA).



Partner Re
christopher.hessenius@partnerre.com

Christopher Hessenius, FSA, MAAA, CERA – Snr. Pricing Actuary *PartnerRe*

Christopher Hessenius has extensive experience in life insurance product development and pricing. He is currently a Senior Pricing Actuary at PartnerRe where he is responsible for a broad range of tasks including business development, pricing, and research. Christopher specializes in the development and pricing of new products and his interests bringing innovative solutions to market that will enable more individuals to purchase life insurance and reduce the protection gap in America.



Haven Life
jasonkrasula@havenlife.com

Jason M. Krasula, CLU – Head of Distribution & Strategy *Haven Life*

Jason Krasula has extensive experience in life insurance distribution, business development and strategy. He is currently Head of Distribution and Strategy at Haven Life where he is responsible for expanding their consumer offering through strategic partnerships. A combination of market evolution, consumer demand and a lack of life insurance coverage throughout the United States paired with an all digital experience that Haven Life has created has made for an exciting time in Life Insurance. Jason holds his Bachelor's degree from Miami University, his MBA from University of Connecticut, CLU and is currently working on his Innovation and Strategy certificate from MIT.

Agenda

- 1 Marketing
- 2 Distribution
- 3 Sales
- 4 Underwriting
- 5 Risk Assessment
- 6 Post-Issue
- 7 Closing



Marketing



**TERM LIFE
INSURANCE NEEDS
CALCULATOR**

**AFFORDABLE
INSURANCE
ONLINE**

**SIMPLICITY IN
PROCESS**

**QUOTES ARE
GOOD, REAL
RATES ARE
BETTER**

Can Life Insurance be relatable?



Digital Marketing Example

HavenLife | 2018 ANNUAL REPORT

We don't think we have the best policyholders anymore. Now, we know it for a fact.

Every year Haven Life connects with policyholders to do an annual report. What we intended to be a fun little celebration of your collective accomplishments, turned into something far more remarkable.

It's an honor to have you in the Haven Life family. We hope we can make you as proud in 2019 as you made us in 2018. Please enjoy this look back.

"We adopted a dog named Toodles"

"We took a cross country road trip"

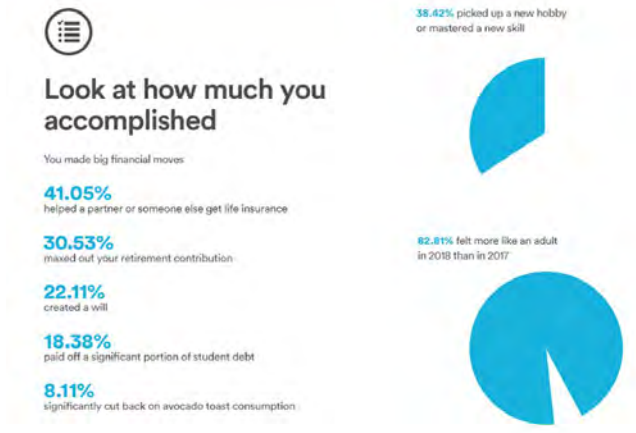
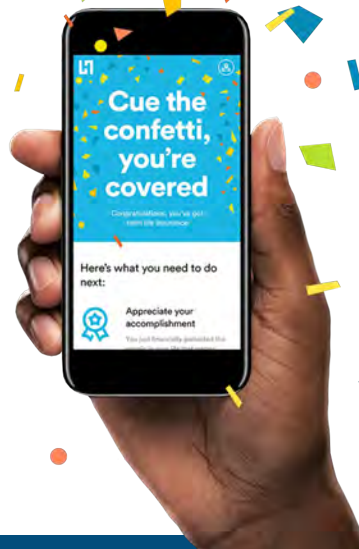
i u

Dear _____,

I wish they offered life insurance policies in the amount of "priceless."

But they don't, so I got you this \$_____ Haven Term policy instead.

Happy Valentine's Day.



Introduction to Haven Life Plus

- Create your digital will with Trust & Will**
Normally \$129
- Store and share all your family's important documents with a digital vault from LifeSite**
Normally \$80/year
- Get discounted health services from MinuteClinic inside CVS and Target**
- NEW: Improve your body and mind with Aaptiv's world class fitness app**
Normally \$99/year
- NEW: Prevent jet lag with personal travel plans from Timeshifter**
Normally \$24.99/year

Think your brand would be a great fit for Plus? Interested in learning more?
[Contact Haven Life here.](#)

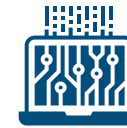
Defining *Direct-to-Consumer* (D2C)



**Substitution of Middleman – Direct
Producer-to-Consumer Connection**



Definition: The entity/carrier solicits and fulfills life insurance policy without the customer using an intermediary such as an agent/ broker or independent call center



Some new start-ups/InsurTechs appear to be DTC, but they are not truly DTC:

- Leverage Digital Solutions, but they represent many carriers
- Act more like digital insurance broker
- There are also hybrid models with agent-assisted instant issue

Overview of DTC Marketplace

Fintech/New Entrants

- Innovative approaches using new digital, state of the art platforms
- Focus on Term Life Insurance, Face Amounts \$100k to ~\$5.0M
- Enabled by new underwriting approaches and sources of evidence
- Leveraging Digital Marketing Channels



Established DTC Players

- Some carriers have been established in the space
- Other carriers are starting to gain momentum
- Focus on Term Life Insurance, both Simplified Issue and FUW
- Previously leveraged call centers, but moving towards digital apps



DTC Life Insurance



Strategic Partnerships/Affinity Markets

- Targeted marketing life to specific groups of customers
- E.G. P&C companies selling to auto/home policyholders
- Term is primary product, but some WL sales do occur
- Face Amounts targeted \$100k to \$1.0M, but can go higher

Final Expense / DI Market

- Established market with mix of new players and established carriers
- Targets issue age 60+ and Face amounts \$2k to \$25k
- Whole Life, both level pay and single pay
- Mix of digital, direct mail, and direct response TV

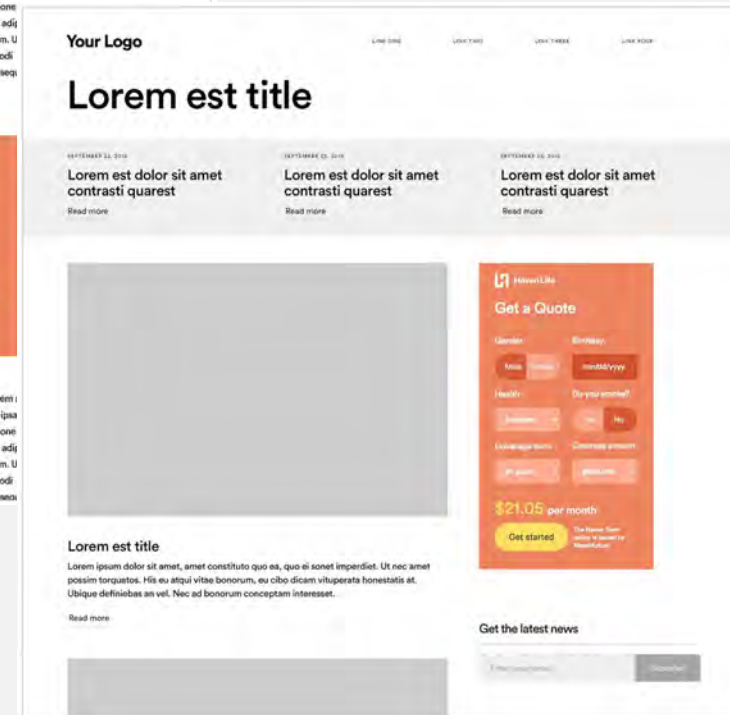
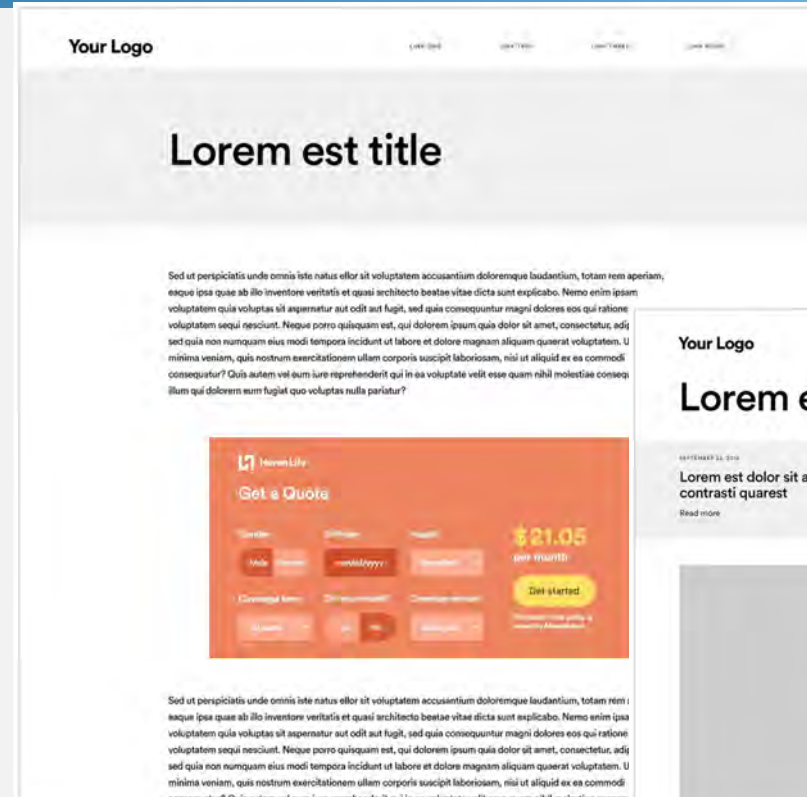
Power of Integration Simplicity

“Life is complicated, but your API doesn’t have to be...”

APIs are necessary to be able to quickly connect products to other digital channels and platforms.



APIs can range from quoting widgets all the way to full transactable capabilities within a partnering platform.



DTC Sales Funnel Overview

Marketing –

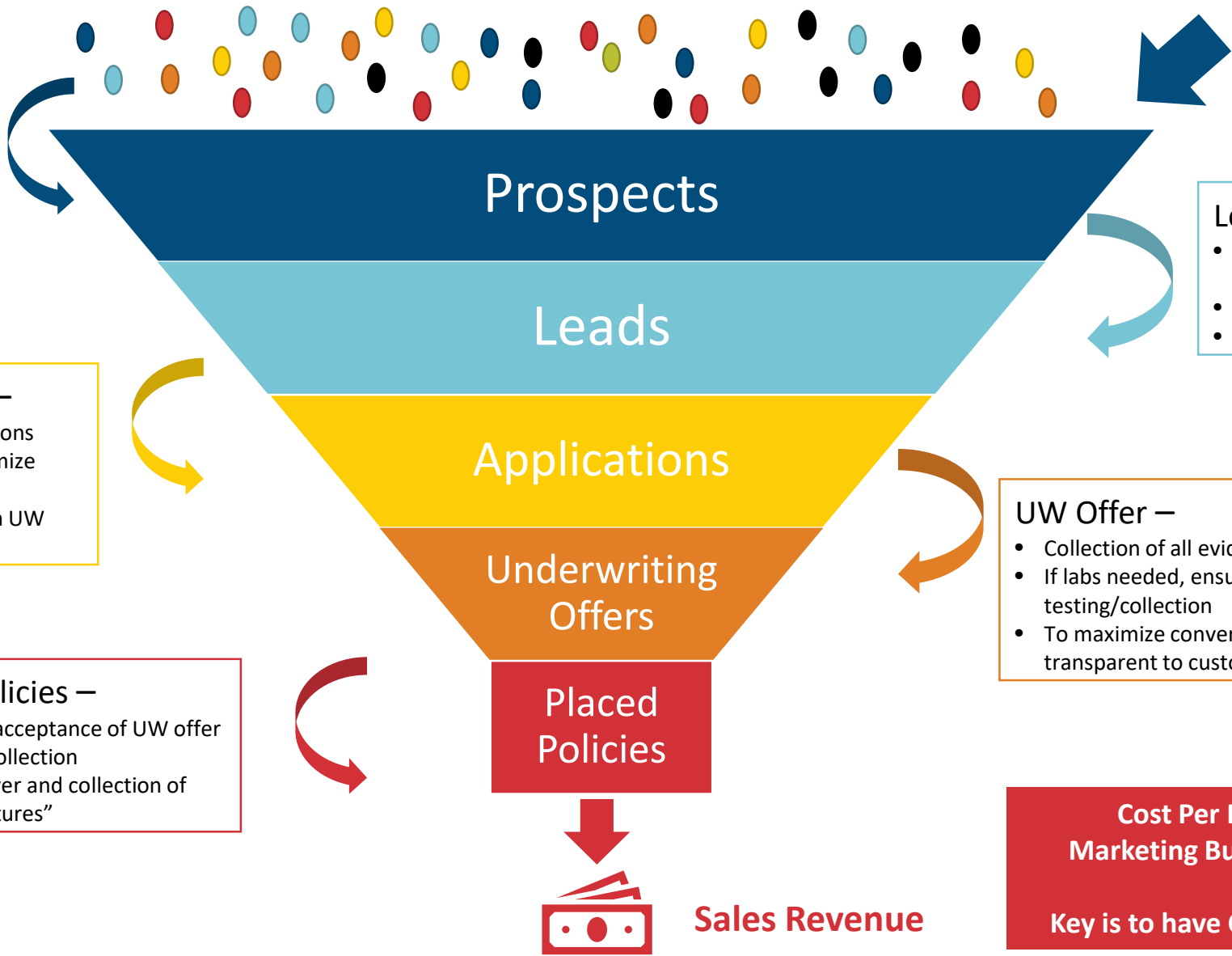
- Attracting customers and creating interest
- Channels include direct mail, search engines (Google, Bing, etc.), Paid social (FB, Insta), and other digital sources (digital video)

Application Completion –

- Transforming leads into applications
- Smooth process needed to minimize “bounce”
- Balancing application length with UW needs

Placed Policies –

- Customer acceptance of UW offer
- Payment collection
- Policy deliver and collection of any “signatures”



Marketing Budget

Lead Generation –

- Filtering out prospects into qualified candidates (age, amount, product fit)
- Presenting all product/policy information
- Quotes provided quickly and efficiently

UW Offer –

- Collection of all evidence needs to done easily
- If labs needed, ensuring customers complete required testing/collection
- To maximize conversion, UW process needs to be transparent to customer and expectations must be set

Cost Per Premium (CPP) = Marketing Budget/Sales Revenue

Key is to have CPP within allowables

Underwriting



**Typical DTC
Process**



**Leverage data
and tools that
are commonly
used**



**Time-effective
underwriting due
to deeper data
insights and
process
automation**



**New
Technology in
Insurance &
Accelerated
Underwriting**



Risk Assessment

Mortality

- Target Market/Demographics
 - Who are you selling to? What marketing channel are you using (Web, tele sales, direct mail, etc.)?
- Underwriting Considerations in Pricing
 - What evidence is being collected? What is the protective value? How does placement vary by risk class/product?

Policyholder Behavior

- Premium Persistency
 - What is the impact of new payment platforms (credit cards, Apple Pay, etc.)?
- Ongoing Engagement
 - Does the presence of tools and platforms to connect with the company encourage better persistency?

Expenses

- Acquisition Expenses
 - How do amortize marketing and IT build expenses over the course of the policy and business span?
- Maintenance Expenses
 - Does DTC have lower ongoing expenses due to new tools/technology?

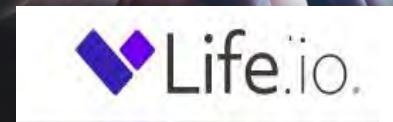
Post-Issue

Monitoring

POST ISSUE includes many different buckets such as Inforce Monitoring/ Evaluation, Customer Self Service Portal, Health & Wellness Engagement Platforms & Scores, Medical 2nd Opinion, Claims Platforms, etc.



Engagement



Closing

Key Considerations for DTC Programs



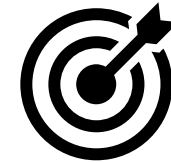
Increasing Scale to Cover Initial Investment

- Building a DTC program requires significant investment in infrastructure
- To recover investment, scale must be reached in a reasonable time



Significant Collaboration Required Across All Departments

- Building a DTC platform brings together many functions of the company: UW, IT, Marketing, Actuarial, Compliance
- All areas need to be on the same page to bring solutions to market



Active Monitoring of Risks to Ensure Business Remains on Target

- Monitoring must include all aspects of the business from lead generation to placement rates to post-issue UW checks
- There will be bumps along the way requiring new actions/enhancements



2020 **LIFE &
ANNUITY**
VIRTUAL SYMPOSIUM