

The Finance of Longevity ▼

Redefining Life Insurance Development, Underwriting and Distribution

Innovative carrier initiatives meet client and advisor needs



by Rod Rishel

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As technology advances, big data generates new insights, and consumer needs and buying preferences evolve, so too do the ways in which major carriers respond to meet them. Innovation increasingly is reflected in life insurance product development, underwriting and distribution.

Furthermore, this innovation has the potential not only to solve key problems for consumers, but also to help financial professionals do their jobs more easily and efficiently. That's vital, as carriers and advisors alike share the opportunity and the responsibility to empower clients with flexible, easy-to-access, customizable solutions that can respond to current realities and help resolve future challenges. And, there's no doubt about it: Consumer needs for protection and planning solutions remain colossal.

Acknowledging the Needs

Many Americans are still "living long" – a quarter of 65-year-olds will survive into their 90s¹ – but they're not necessarily living healthy. According to the National Council on Aging, 80 percent of adults ages 65 or older have at least one chronic condition and 68 percent have two or more.²

Also, fewer Americans now than in years past have private health insurance to cover preventive care that might minimize their chances of suffering a costly chronic illness. Even fewer people have a pension plan from which they can draw to help pay for health care and other expenses in retirement.

That's extremely troubling, as health care costs in retirement continue to burden legions of Americans. The Motley Fool shared recently that according to the latest projections, "the typical 65-year-old man today will spend \$189,687 on healthcare expenses in retirement, while the typical 65-year-old woman will spend \$214,565. And these figures don't even include long-term care, like nursing home expenses,"³ which may approach \$100,000 per year.

Many consumers simply don't have sufficient financial resources to weather retirement and the medical and other costs it may have in store for them. According to LIMRA, more than half of Americans want to save more money and nearly 6-in-10 cite retirement as the reason.⁴

LIMRA also found that although 60 percent of employees say life insurance is an important or very important benefit, only 48 percent of employers offered life insurance to their workers in 2017, a 23 percent decline from 2006.⁵ Needs for life insurance protection, help with health care expenses, additional savings, and supplemental income in retirement go on and on.

Answering the Needs

While the challenges to consumers are formidable, innovation in product development has led to flexible life insurance solutions designed to serve multiple needs. Consider hybrid products and the innovation in the way that payout options for living benefit riders on some of them are structured.

For example, the terms of one type of chronic illness rider allow the policy holder to select a payout level (such as 2 percent or 4 percent of the monthly benefit amount) or the full IRS allowable per diem at the time the benefit is exercised. Some chronic illness riders for life insurance also permit a waiver of premiums on the entire policy if the client qualifies for benefits, even if he or she chooses not to receive the benefits. And, with some riders, the chronic illness doesn't have to be permanent in order for benefits to be paid, although if distributions for a chronic illness are taken, the benefit payable at death may decrease.

In the indexed universal life (IUL) insurance market, innovation in product structuring has led to policy holders potentially having multiple unique ways to access cash value in certain insurance policies. Product development innovation also has spawned multiple types of IUL insurance solutions – from value-priced policies that are focused primarily on death benefit protection to more sophisticated contracts designed for accumulation.

In some cases, the latter type of product, accumulation-focused IUL insurance, is available for non-medical underwriting for qualifying clients ages 0-50 in up to Preferred Plus underwriting class for policies with face amounts of \$50,000-\$499,999.99. “Non-medical underwriting” as described in this article means that no in-person paramedical examination will be required of an applicant for life insurance.

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Non-medical underwriting of selected IUL products is designed to facilitate a substantially shorter underwriting cycle time (from application receipt to the underwriting decision) and an application process that's less intrusive. In addition to no in-person paramedical examination, the process features:

- no physical exam,
- no lab tests, and
- no attending physician statement (APS).

For financial professionals, non-medical underwriting of selected IUL solutions means:

- easy processing, with fewer requirements to gather,
- the same competitive products with no changes to state availability, and
- faster turnaround times.

When it comes to term life insurance, innovation can be found in market-leading product pricing and underwriting approaches, along with streamlined distribution methods. Consumers may have difficulty discerning the variety of term life products available in a market that seems largely commoditized, but all term solutions are not the same.

Continuing to Innovate

From the distribution standpoint, part of continued carrier innovation means equipping more financial professionals with the tools and training to leverage a broad, diverse product portfolio to address changing consumer needs. New technology gives consumers new choices and channels, but advisors remain invaluable in helping clients understand the most appropriate solution for each individual set of circumstances.

That's why it's so crucial for advisors to stay current on innovative life insurance products, how they're designed to work, and how to engage with consumers about them. It's also why carrier initiatives include resources such as online education centers created to help financial professionals understand and inform clients about IUL insurance solutions.

Another innovative resource for distribution professionals is an online tool designed to help them determine, in a matter of seconds, the types of products that may be best for a given client based on his or her generation with just a few demographic and needs-based questions. The tool is part of an online hub dedicated to fostering new and improved connections with clients of any generation, because when the goal is to fill gaps in protection and retirement planning, generation matters.

Ongoing innovation in life insurance product distribution, as well as product development and underwriting, is vital in the mission to keep fulfilling the critical and ever-morphing needs of consumers. And truly, transformation should be driven by a steadfast commitment to continue meeting those needs.

In his recent article “The Cash Register: In Memoriam,” Jeffrey A. Tucker, editorial director for the American Institute for Economic Research, wrote, “There is real inspiration to be had by looking at the iterative process of innovation, how that funny little machine from 1883 gradually evolved into the tiny payment processing units we use routinely today, an epic story of improvement in machinery in which the current stage is knitted to all previous stages through an invisible thread of passion for solving problems and serving others.”⁶

When one considers the ongoing transformation in the life insurance realm, those words really resonate. And while the days of the cash register may be numbered, that's not the case when it comes to opportunities for carriers to continue delivering exactly what clients – as well as financial professionals – need. ❖

An Accelerated Death Benefit Rider (ABR) is not a replacement for Long Term Care Insurance (LTCI). It is a life insurance benefit that gives you the option to accelerate some of the death benefit in the event the insured meets the criteria for a qualifying event described in the policy. The rider does not provide long-term care insurance subject to California insurance law, is not a California Partnership for Long-Term Care program policy. The policy is not a Medicare supplement.

Endnotes

1. “Benefits Planner: Retirement,” Social Security Administration; accessed April 5, 2018; <https://www.ssa.gov/planners/retire/otherthings.html>
2. “10 Common Chronic Conditions for Adults Ages 65+,” National Council on Aging; 2017; <https://www.ncoa.org/wp-content/uploads/10-Common-Chronic-Conditions-Older-Adults-ncoa.png>
3. Maurie Backman; “How to Save Money on Healthcare in Retirement,” The Motley Fool; March 24, 2018; <https://www.fool.com/retirement/2018/03/24/how-to-save-money-on-healthcare-in-retirement.aspx>
4. Money – Almost 6 in 10 Say Retirement is the Reason; LIMRA; Feb. 27, 2018; http://www.limra.com/Posts/PR/Industry_Trends_Blog/More_Than_Half_of_Americans_Want_to_Save_More_Money_-_Almost_6_in_10_Say_Retirement_is_the_Reason.aspx
5. “New LIMRA Research Finds 23 Percent Fewer Employers Are Offering Life Insurance to Their Workers;” LIMRA; March 27, 2018; http://www.limra.com/Posts/PR/Industry_Trends_Blog/New_LIMRA_Research_Finds_23_Percent_Fewer_Employers_Are_Offering_Life_Insurance_to_Their_Workers.aspx
6. Jeffrey A. Tucker; “The Cash Register: In Memoriam;” American Institute for Economic Research; April 5, 2018; <https://www.aier.org/pertinent-tags/free-enterprise>



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