LIFE INSURANCE TRENDS

BGAs AND IMOs SHOULD KNOW ABOUT

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Introduction

The life insurance industry is in a season of change. Economic factors and advances in technology—not to mention disruptions from the COVID-19 pandemic—have ushered in a new era. Or at least the makings of one.

This change affects brokerage general agents (BGAs) and independent marketing organizations (IMOs). Distributors are taking stock of emerging trends that affect their businesses. We are living in in the midst of a significant plot point in the history of this industry. It is a time of challenges, risks and opportunities. The distribution firms who understand the lay of the land will find success in coming months and years.

Widespread Consolidation

The life insurance distribution landscape is in a season of rapid change. A wave of consolidation is already underway. Small BGAs across the industry are joining forces to increase in size and scope. What put us on this track?

The Need for Speed

Life insurance is a mature industry in many ways. But we were late to the party when it came to technology. As most other industries modernized around it, life insurance took its sweet time. When the insurtech revolution did hit, it was well overdue.

As some distribution firms began to modernize their processes with technology, pressure ramped up for others to follow suit. In an industry where customer acquisition costs are high, improving margins puts you ahead of your competitors. Firms who improved their efficiency revealed to others that they had work to do to remain competitive.

> **"As most other industries modernized around it, life insurance took its sweet time."**

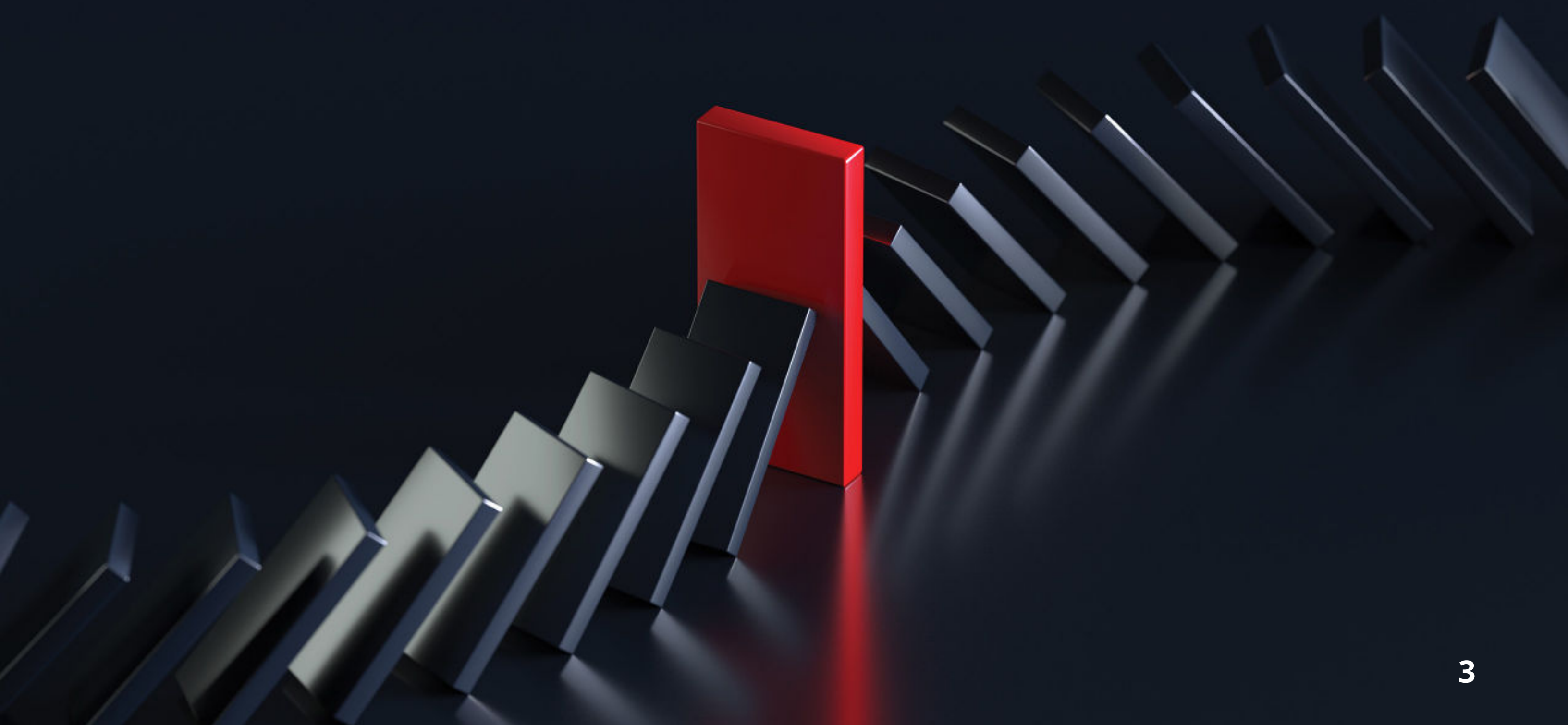
Weighing the Scales

There are two dependable ways to improve efficiency: technology and scale. As technology began to raise the stakes on efficiency in life distribution, scale was bound to be the next resort.

Small BGAs began to consolidate to remain competitive. With scale, distributors can gain more negotiating power for commissions with carriers. They also find economies of scale with processes like lead generation and agent recruitment. With more resources at their disposal, distributors improved their efficiency, processes and profits.

Though much consolidation has already happened, these are only the first few dominos to fall. There will be much more to come.

This consolidation will leave behind much talent. Some employees may choose not to stay during or after a merger or acquisition and will be looking for a new home. This includes experienced advisors, employees and leadership. BGAs and IMOs will have a window to bolster their companies.



The Effects of Interest Rates

The Fed hiked interest rates seven times in 2022 as it raced to keep up with rising inflation. Inflation reached a four-decade peak. Few working life insurance professionals had dealt with interest rates at these levels.

In many ways, rate hikes came as a relief for insurance carriers. Life and annuity products with a cash value component are a hard sell in times of low interest rates.

Products of Their Environment

Distribution will witness changes to carrier products in the shifting landscape. Interest rates impact traditional products like term life insurance least. They do not have an investment component. But products like whole life can be significantly affected.

Whole life will face tough competition. Insurers will begin to offer products with more attractive benefits and improved returns. Carriers will take action to maintain their most profitable product portfolios. This may include things like rolling out active retention programs. If high interest rates persist, carriers will continue to design new whole life products to be more competitive.

Carriers have a greater number of levers to pull for products like universal life (UL). Surrendered or lapsed policies are a challenge in a tumultuous economy. Though it increases their costs, carriers can raise credited interest rates on UL to help foster client retention.

Finding Safer Bets

Advisors can think about how to best meet client needs in coming months. In uncertain economic times, consumers tend to lose their appetite for risk. Advisors may find success emphasizing products not tied to equity performance. Products like indexed or variable life are not appealing if the market is in decline, or if clients fear it soon will be. Whole life and UL tend to fit the client looking for a safe bet on shaky economic ground.

"In uncertain economic times, consumers tend to lose their appetite for risk."

The Growing Role of Technology

The role of insurtech and wealthtech solutions continues to become more prominent in life insurance. The recent surge in digital adoption was due in no small part to the COVID-19 pandemic.

In the early months of 2020, the life insurance industry faced a perfect-storm scenario. Demand skyrocketed. Life insurance applications rose 4% overall in 2020, the highest year-over-year increase in history. In 2021, 31% of consumers said they were more likely to buy coverage due to the pandemic. But advisors were less equipped than ever to manage this demand. Circumstances diminished advisors' toolkits. Traditional face-to-face sales methods were, quite suddenly, no longer an option.

This led to rapid digital adoption. Life insurers reported increased digital application volumes as consumers avoided in-person meetings. Advisors turned to digital solutions for help. This included technologies like video calls, e-application platforms, e-signature and e-delivery.

Technology's Staying Power

Even as pandemic fears waned, many of these digital processes proved to have staying power. Advisors and consumers grew accustomed to them. They are always looking for ways to save time and money. Virtual meetings and digital application workflows fit the bill.

The convenience of e-applications and automated underwriting is attractive to today's consumers. They are used to digital interactions like online shopping and virtual doctor visits. Consumers were asked what appeals to them about a simplified underwriting process. Forty-seven percent said avoiding the need for face-to-face conversation.

The modern consumer's expectations would have led the life insurance industry to adopt modern digital solutions eventually—but the pandemic forced the issue. These more agile ways of working have shown their stickiness. Consumers embrace the types of conveniences they enjoy in other aspects of their lives.

"Even as pandemic fears waned, many of these digital processes proved to have staying power."

Connectivity

The growth in digital adoption in the industry is a good thing. Life insurance still lags behind most industries. Technology and automation need to play an even bigger role. But organizations must manage all this technology properly. If not, it will start tripping over its own feet.

The transformation of the life industry has had many chapters. Ending fragmentation will be the next one.

Powerful digital solutions support every aspect of the client, advisor and carrier experience. Data capture. Needs analysis. E-application. Post-sale solutions. Many carriers and distribution firms have tools for every stage in the lifecycle of a policy. But, their processes lack connectivity.

Disparate solutions are powerful on their own. They may, however, hold back productivity and growth due to fragmented processes.

Automated Underwriting

Automated and accelerated underwriting are prime examples. This trend will continue to become more prevalent.

According to LIMRA, most carriers today are already using some form of automated or accelerated underwriting. These processes use digital information in creative ways to power underwriting decisions. Modeling, algorithms and predictive analytics from the carrier's underwriting platform provide insight to speed up the underwriting process.

Distributors' eyes get wide when automated underwriting decisions move forward into the point of sale.

Available data, such as prescription profiles and MVR and EHR data, is enough to make a decision on 80% of cases. Carriers can connect their underwriting system with their e-application platform. This way, the advisor can remove steps in the application process. In many cases, the system can provide a decision in real time. Many carriers have automated underwriting projects planned for 2023.

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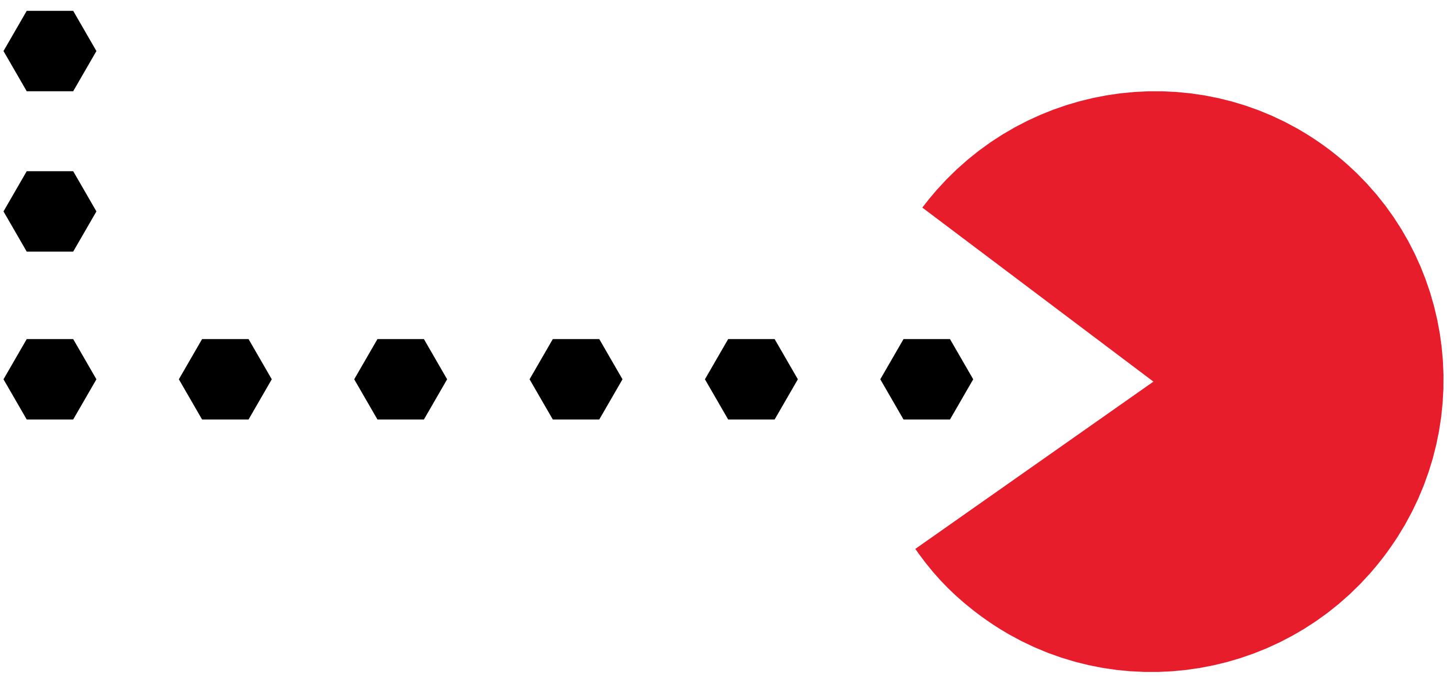


The Power of APIs

Embedded technology is another great example to consider. APIs change how carriers and distributors can wield modern insurance technology. Distribution firms can use this technology to get more flexibility and control.

One of the best use cases is with e-application platforms. APIs make it possible to embed the e-application experience into another portal or website. But, APIs can be used for a variety of insurance platform solutions. Everything from needs analysis to post-sale solutions.

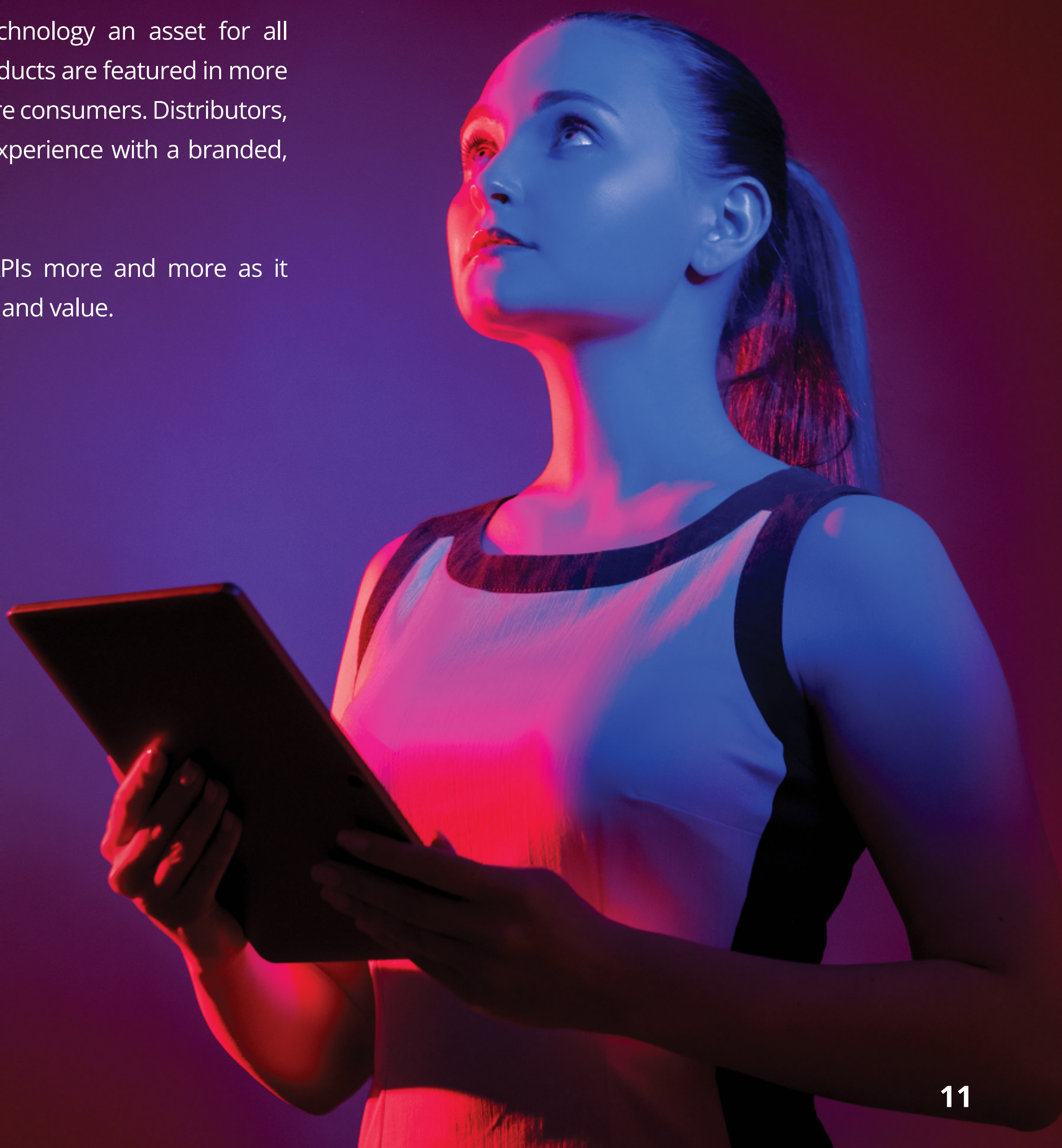
"Firms selling direct to consumers can control the experience with a custom user interface (UI)."

For example, firms selling direct to consumers can control the experience with a custom user interface (UI). The consumer interacts with the distributor's website, but it is the insurance sales platform that powers the experience. When carriers make changes to rules or products, the system updates inside the distributor's UI. Neither the carrier nor the distributor has to recreate the changes.

APIs can also prevent the need to jump between systems to sell different product lines. Consider an example. A client walks into a bank looking for a home loan. As they talk, the advisor realizes the customer is also interested in a life insurance policy. Using APIs, the bank can have a solution inside the very mortgage system the advisor works in every day.

This makes embedding API technology an asset for all sides of the industry. Carrier products are featured in more places and getting in front of more consumers. Distributors, meanwhile, get to control the experience with a branded, customized UI.

Look for the industry to use APIs more and more as it becomes aware of its availability and value.



Talent Challenges

LIMRA reports that 50% of the current insurance workforce will retire in the next 15 years. That translates to 400,000 open positions. As experienced workers retire, recruiting top talent becomes a priority.

On top of this, employee churn in the insurance industry is at an all-time high. Not only do firms need to focus on recruiting talent, they will need to fight to keep the talent they have.

Getting Creative with Recruitment

Distribution firms have work to do for advisor recruitment and retention. Many distribution firms have adopted new technologies to help. These solutions position their company as tech-forward and creates a competitive advantage. Giving advisors the tools to do their jobs as efficiently as possible sets an agency apart.

Some e-application platforms, for example, can reduce or eliminate NIGOs. This removes frustration and repetitive work from an advisor's day-to-day. It helps them be more effective and gives the client a streamlined experience. Providing platform solutions like these can be the difference in winning—or keeping—the best advisor talent.

"Distribution firms have work to do for advisor recruitment and retention."

Life Insurance Mobile Apps

There is another example of this concept in motion. Distributors are increasing their use of mobile apps for life insurance. Some of today's mobile apps are very powerful. They handle everything from needs analysis and quoting to e-ticket submission. Some offer real-time push notifications. These alert advisors of new products, case status updates and meetings.

Solutions like these literally put an advisor's business in their pocket. We live in a world where 85% of Americans own a smartphone. Nearly 73% of dollars spent online are via mobile purchases. A mobile-powered sales process better serves the modern consumer.

Some agencies have created mobile apps to empower their advisors. This assists recruitment efforts.

One brokerage credits its mobile app for the recruitment of more than 1,000 agents in the span of three years. Their app provides life insurance quoting. When a non-affiliated agent downloads it, a representative from the brokerage reaches out to start a conversation.

Strategies like these will become more common as mobile app adoption increases.

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Technology's Growing Role

Some trends in employee and advisor recruitment have yet to reveal themselves. Older generations of insurance professionals continue to retire. Organizations will need creativity to stand out.

One thing is certain: technology will continue to play a central role. The modern workforce is losing patience with disparate solutions and inefficient processes. Some firms will offer exceptional employee and agent experiences. These will be the companies who weather the looming talent shortages.

A Focus on Serving Younger Generations

Millennials currently hold less in investible assets than other generations. But they stand to receive the largest transfer of wealth in history—to the tune of $30 trillion.

More than half of Millennials expect to get $350,000 or more in inheritance. Life insurers and distributors will adapt their strategies. They must cater to Millennials' needs and expectations.

Many distributors have already begun laying the groundwork. Advisors often begin to build relationships with the children of current clients. Offering a financial plan that focuses on their age demographic's needs is a good start.

Products like term are great for younger individuals. Many have tighter budgets but still need protection. As these clients get older and wealthier, indexed universal life (IUL) may be a better fit. IUL has UL flexibility. But it also allows clients to take advantage of market trends with indexed strategies. Catered plans like these can make the difference.

Distributors will use these strategies to earn and keep clients from younger generations.

"Millennials stand to receive the largest transfer of wealth in history."

Into the Minds of Millennials

Millennials are a tough nut to crack. They often have values that seem to contradict each other. For example, most Millennials embrace technology and say they prefer to receive advice digitally. Yet 40% also say they do not trust algorithms and are looking to traditional financial professionals for guidance. In fact, Millennials are more likely than Gen X and Baby Boomers to have a financial advisor. As another example, Millennials tend to be risk averse yet open to a wide range of investment types.

This creates some difficulties for distribution firms and advisors. They will need to be sensitive to the variation in values each individual brings to the table. But it also creates opportunities for advisors to do what they do best: advise.

Distribution firms can be ready with solutions. They can support the varied needs Millennials have today and be ready to guide them for their very different needs
tomorrow.

"Millennials are more likely than Gen X and Baby Boomers to have a financial advisor."

Meeting Expectations

Offering what Millennials need is one thing. Meeting their expectations is quite another.

Millennials grew up with the internet. They cut their teeth on streamlined, customer-centric online shopping experiences. Millennials like interacting with sleek intuitive processes. The life insurance industry is lagging far behind.

Distribution firms will continue to put an emphasis on technology solutions. They need the digital tools to keep pace with the types of experiences Millennials expect.

Though many Millennials want advisor guidance, they still want a digital-first experience. Seventy-three percent of Millennials and Gen Z communicate digitally with others more than they do in person. What an unpleasant surprise when a distributor's process includes in-person meetings, wet signatures and snail mail.

"Offering what Millennials need is one thing. Meeting their expectations is quite another."

The Road Ahead

It is no question the life insurance industry is experiencing rapid change. BGAs and IMOs will continue to adapt to consumer expectations and a changing economy. It is a time filled equally with risks and opportunities. No one can predict exactly what the future holds for the life insurance industry. But distribution firms can remain prepared by keeping eyes fixed firmly on the road ahead. Knowing and watching industry trends can keep IMOs and BGAs a step ahead and help prepare them for long term success.

Summary

Disruptions are coming. Turn them into opportunities.

The life insurance industry has reinvented itself in the last few years. And more change is coming. Your distribution firm can be ready to be on the leading edge of the industry in the coming months and years. Here is a recap of trends we think you should consider to do just that.

01. Widespread Consolidation

Scale creates new efficiencies. To keep up, small firms can consider mergers or invest in technologies that level the playing field. Larger firms can scoop up talent left behind from mergers and acquisitions.

Hexure's **quoting solution** transforms your processes and allow you to run fewer—and faster—quotes. You can outpace your competitors in efficiency, even in today's competitive environment.

Plus, **our distribution** platform is carrier-sponsored, keeping your expenses down so you can focus on growing your business. A welcome change in the face of pressure from industry-wide consolidation.

02. The Effects of Interest Rates

Certain products fare better than others in a high and rising interest rate environment. Know which to emphasize, including less risky products not tied to equity performance.

It is a tricky time for navigating insurance. Your clients need help. Use a multi-carrier, **multi-product distribution platform** so you can access product quotes, rates, underwriting guidelines and more in a single holistic view. You can be sure your clients get the products that fit their goals.

03. The Growing Role of Technology

Rapid digital adoption during the pandemic has upped the ante for the entire industry. Consumers expect a digital-first experience—and your competitors will give it to them if you don't.

Paper processes are now the exception rather than the rule. You need to adopt a multi-carrier, multi-product distribution platform for better workflows and faster submissions. Digitize your processes, sell faster, reduce NIGOs and offer a truly **modern sales experience** for your clients.

04. Connectivity

The industry is drowning in a sea of disparate technology solutions. Streamline and reduce friction in the advisor and client experience to stand out. Automated underwriting and embedded APIs are a good place to start.

And, consider a **quote-to-submit solution** to ensure your process never reverts to paper. Ensure data flows seamlessly from one activity to the next. **Hexure's distribution platform** offers a single cohesive solution that eliminates the need to jump from system to system. Handle all lines of insurance for all your carrier partners inside the same platform.

05. Talent Challenges

Fifty percent of the current insurance workforce will retire in the next 15 years. Be sure you are providing a modern advisor experience to attract the best talent.

Start by automating your sales processes and positioning your firm as tech-forward. The industry's best advisor's want access to **multi-carrier, multi-product solutions**. Make sure your distribution platform can deliver.

Plus, you need to get creative with recruitment, such as implementing a mobile app strategy. **Hexure's mobile app** allows advisors to send quote information directly to e-ticket platforms for an intuitive and streamlined process. And, it can be white labeled and branded to match your business. Downloads of your app are leads for your recruiters.

06. A Focus on Serving Younger Generations

Millennials stand to receive the largest wealth transfer in history. Plan ahead. Know the minds of Millennials and Gen Z to meet their expectations.

Hexure's **quote-to-submit solution** lets advisors offer the digital-first experience younger generations want. Calculate needs, run real-time quotes, compare product quotes and submit applications. All in a streamlined digital workflow.

Slow, outdated sales experiences are a turnoff to younger clients. **Hexure's distribution platform** speeds up the process by pre-packaging required product forms into a standard bundle. Quickly select and download fillable PDFs for fast completion and submission.

Thank You

If you are looking for technology solutions to help you on the road ahead, get in touch.

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