
Successful Mid-Market Growth Strategies

Presented by Maria Thomson
September 16, 2010
for
Actuaries Club of Boston

Life insurance ownership down

LIMRA: Individual Life Ownership at 50-Year Low; Term Life Affordable Amid Price Increases

Only 44% of U.S. households own an individual life insurance policy -- a figure that represents a 50-year low, a new study by LIMRA shows.

Source: Recent press release

New business model needed

It's not about price. Our industry is operating from a model that only works well in the affluent market.

Base your new model on the 3 Ps

- Production
- Process
- Product

The most fundamental problem

- ❑ Costs much more to put a policy on the books than you get in 1st year premium
- ❑ Usually takes at least 5 years to recover this investment
- ❑ So, challenging to grow without reducing capital to unacceptable levels



Result

Have to sell high premium policies to cover the acquisition costs



Related Big Problem

- ❑ Prospecting, complicated products & difficult issue process make the sales job tough on agents
- ❑ Leads to lots of effort for very few sales

Result

Agents only want to make big ticket sales



Production keys for the mid-market

- ❑ Cost-efficient
- ❑ High volume sales potential
- ❑ Minimal prospecting

Wide range of distribution costs

Life Insurance Distribution Cost per \$100 of New Premium, by Channel	
Home Service	\$269
Career Management	161
Independent Agent	142
Career Agent	139
Broker (and banks, according to LIMRA)	107
Direct Mail	97
Internet	15

From the book "Insurance Coverage for All!" by Maria Thomson, with added data

Leverage relationships to minimize prospecting



- ❑ Cross-sell to existing customers
- ❑ Worksite, association group, sponsored marketing

In leverage situations, agent productivity can be much higher, allowing lower first year comp.

Simplified sales process

- ❑ Simpler, speedier sales process allows agent to get more done and reduces training and agent errors
- ❑ Rapid issue reduces agent need for follow-ups

Reducing issue costs

Efficient app transmittal:

e-app

fax

tele-app

Efficient underwriting

Simplified issue

Tele-underwriting (inbound – with tele-app is best)

Automated underwriting using e-data instead of fluids and APSs

Straight-through processing (RAD) is most efficient

Automated app and underwriting, which auto feeds the administration system to set up a new customer record

Results of Auto Underwriting Research

- ❑ Those most satisfied with e-underwriting are employing it for SI or non-med
- ❑ "multiline insurers found the advantages ... particularly compelling for their small to medium sized policies and agents not specializing in selling life insurance"

Product Strategy

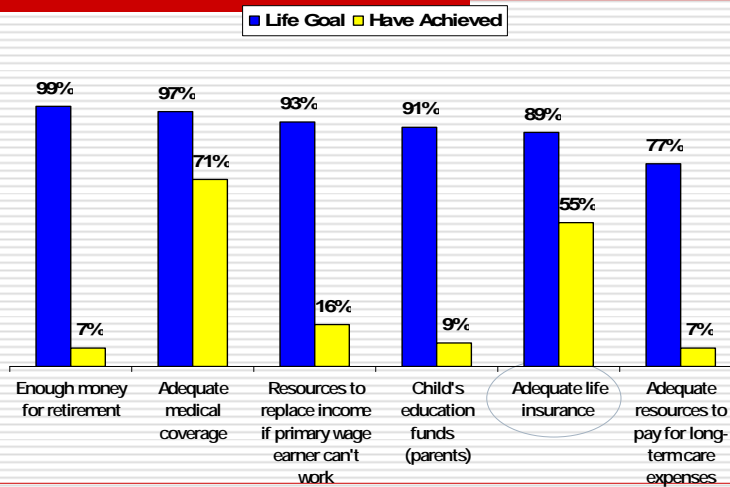
- ❑ What is your market niche?
- ❑ What makes you distinctive in the market?
- ❑ What are the special characteristics of your distribution?

Overall good game What is your market niche?

- ❑ Skillfully interweaving good market selection, underwriting approach, field management and product design.
- ❑ Getting this right requires some trial-and-error and careful monitoring.

Example: Graded benefit life sold on direct response GI basis for senior market is example of the interweaving of market, underwriting and product design

Opportunity: strong desire, low accomplishment



Source: LIMRA 2008 Middle Market Study

19

Opportunity: underinsured and not accomplishing goals

- ❑ 80% believe should be saving more
- ❑ 52% believe not saving enough for retirement
- ❑ 41% believe they need more life insurance
- ❑ 39% worry about affording long term nursing care
- ❑ 26% immediate financial trouble if earner disabled
- ❑ 24% not satisfied with health coverage

Source: LIMRA 2008 Middle Market Study

20

Basic Products Needed

- Return to basic protection/savings
- Minimize illustrations
- Guarantees

Reduced underwriting classes

- Reduces need for extensive underwriting
- Lose a lot of sales due to policy being issued at higher rate than quoted
- Mid-market not highly competitive at this time – sales being lost primarily due to process, not due to high rates