



## Five Life Insurance Game-Changers for 2015

Life insurance industry innovations, trends and pitfalls that advisors should heed in the New Year

Jan 14, 2015 [Brian Greenberg](#)

As the New Year begins, you should be aware of several significant changes in store for the life insurance industry. Many of the changes are great for both agents and their customers, though there are some pitfalls to avoid.

Technology has played a big part in many of the new trends, and the industry has been adapting and moving quicker to meet the needs of consumers as new technologies become mainstays.

If you have clients who've been putting off meeting with you or have been reluctant to explore life insurance because of the perceived drawn-out process, below are some great opportunities for you to offer your clients along with easier, less expensive and quicker life insurance options.

### 1. No Medical Exam Necessary

As advisors, we are well aware of clients' reluctance to take medical exams. Some have difficulty working it into their schedules, some have a fear of needles and others simply don't want to go through the hassle. The great news is that no medical exam policies have proven to be an extremely successful product for insurance companies. Consumers have overwhelmingly opted for no medical exam options when given the choice, even when the policies are more expensive than traditional medical exam options. Five years ago, we had one or two options to offer clients in the no medical exam product category. In 2015, we have 10+ companies offering these simplified issue policies.

One of the downfalls of these simplified issue policies is the maximum benefit amounts are often under \$400,000. An option for some clients is to get multiple no exam policies from different carriers. The great news is that we have seen the first company offering up to \$1 million in coverage for a no medical exam policy this year.

Another new and growing trend to offer clients is the quick and instant issue no exam life insurance options. This past year, we have seen several new companies enter this market. The applications are completely digital and underwriting decisions are offered within 24 hours. However, make sure your clients are aware that for these products, the insurance company will pull their Motor Vehicle Report, Medical Insurance Bureau and Pharmacy Report. The Pharmacy Report will show all medications prescribed over the past five years. For clients who are looking for the ultimate convenience, instant issue policies are a great option.

**Cautionary note:** While no medical exam policies can offer your clients quick approvals, they can also offer quick declines. Make sure you know the underwriting guidelines for each carrier before applying, as declines are stored in the Medical Information Bureau (MIB) database, which is a service that gives all of the major insurance companies access to shared data. The MIB services alert underwriters to errors, omissions or misrepresentations made on insurance applications in an effort to mitigate their risk exposure and, in doing so, allow them to pass cost-savings to consumers. This “declined” status will tarnish the applicant’s record and can make it difficult to secure insurance from another company.

## **2. Technology-Driven Price Drops**

Competition among insurance companies has been increasing every year. According to a 2013 study performed by LIMRA and The Life Foundation, 80 percent of consumers will research online before purchasing a life insurance policy. With so many websites offering price comparison engines listing all the available life insurance companies in order by premium cost, companies are now competing head to head on cost. This is especially true in the term life insurance market where there are fewer moving parts to the policies.

For your clients who have older policies, let them know that since the mid 1990s, policy rates are lower by up to 70 percent.

Direct competition is only one factor in this trend. Other elements are lower administrative costs due to new technology that are being passed on to consumers, and the fact that people are simply living longer. In the term life insurance market, people living longer means profits for the insurance companies. Life insurance claims rates are decreasing for insurance carriers, which means lower rates to consumers.

For clients who have older policies, 2015 is a great year to re-examine whether there are significant cost savings on the table, especially if the client is in good health.

**Cautionary note:** It’s important to note that when consumers search online for life insurance rates, most often the Preferred Plus health-class is displayed. It is important to let your clients know that not everybody gets these low rates, and depending on the client’s unique health situation and history, the company with the lowest displayed rate may not be the best option.

## **3. New Living Benefits**

New hybrid life insurance policies offering living benefits riders have seen double digit growth over the past few years. These new policies offer unique riders that allow the insured to use the death benefit while they are still living. We've already seen the accelerated death benefit rider that offers access to a policy's death benefit when the insured is terminally ill. Now, we have options to add Chronic Care and Critical Illness riders to policies that aim to aid in long term care and medical expenses from sudden illnesses.

The Chronic Illness rider allows you to use the policy's death benefit if you are unable to perform two of the six daily living requirements of bathing, continence, dressing, eating, toileting, and transferring. This is very similar to a Long Term Care Policy. The Critical Illness rider also allows the insured to use the death benefit of their policy in the case of critical health conditions such as cancer, heart attack, stroke, a major organ transplant, end-stage renal failure, ALS, blindness or paralysis of two or more limbs.

These are just two examples of the types of riders life insurance companies are adding to these new hybrid policies. With the growing popularity of these policies, we can sure expect to see more. From an agent's perspective, this is a great way to provide long term care benefits to clients without having to sell a separate policy. Additionally, clients like the options to take advantage of their life policies themselves while they are still living.

**Cautionary note:** Living benefit/hybrid life policies are still new. Make sure to note the differences between carriers. States regulators are still examining the fine print of these policies so expect these products to continue to evolve.

#### **4. Painless Policy Procurement**

2015 aims to be a great year for lessening the piles of paperwork required for policies. Traditional paper applications are still available, though insurance carriers are finally moving towards more digital options. Many of the top carriers are offering drop-ticket type applications, where the application is primarily entered online and then completed by a paramedical examiner.

No medical exam policies are even easier with complete online application options, which is huge news for the once-antiquated insurance industry. Agents can now provide clients policies and almost completely avoid traditional snail-mail. All this convenience means faster policy procurement to your customers. 2015 will see huge decreases in total underwriting times for those who take advantage of these new technologies. Get yourself a nice scanner and a fast Internet connection to enjoy all the new time-saving tools now available.

**Cautionary note:** With the use of technology come more security issues. Make sure your computer is properly protected with anti-virus software, and that you are connecting to the Internet on secure networks.

#### **5. No Need to Meet Face-to-Face**

In the past, we were required to witness client signatures and meet the insured in person. While some companies still require this protocol, the majority of insurance companies are now allowing for applications to be taken over the phone and signed for with digital and voice signatures. This concession is a huge time saver for agents. It also avoids commuting and putting miles on our automobiles. It's now easier than ever to schedule the time to take an application. In 2015, we will see more agents moving to taking applications over the phone. This is especially true for simple products like term life insurance.

According to a recent LIMRA report, 50 percent of consumers preferred buying life insurance without a face-to-face meeting. This new trend is a win-win for agents and consumers, especially for the technology-savvy younger generations. If you have tech savvy clients, be sure to offer this new option as it can mean a whole new sales channel for your practice.

**Cautionary note:** Just because a policy is taken over the phone without a face-to-face meeting doesn't make the application less official. Make sure to fully qualify clients before submitting business to avoid clients getting declined or rated. Also be sure to note that the application was taken without meeting the client on the agent report. It's always best to be transparent when dealing with insurance companies.

To take advantage of all these new changes, it's a great idea to brush up on your computer and technical skills. Most of the changes are aimed at making the purchase of life insurance a less cumbersome process. Life insurance is just one part of financial planning and the most valuable assets an agent can have are knowledge, experience and strong ethics. Best of luck in the New Year.

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