

The Transition to Digital Insurance Distribution

February 2020



Introduction: The Digital Transformation of Insurance

Over the past decade, technology has transformed the way we shop, bank, consume information and access a multitude of services. We are experiencing a transition into a digital service-based economy, and through advanced connectivity, technology will be further integrated into our daily lives.

It's no longer a secret that the insurance industry is at the peak of a digital transformation. Research and advisory firm, Novarica, suggests in its [recent report](#)¹ that

“two-thirds of all insurers have deployed APIs and distribution pressure is making them increasingly critical for insurers”.

It's apparent that the old ways of approaching clients and issuing policies using pen and paper are quickly dwindling. In the early 2020s, we will experience a mass industry transition from legacy systems to seamless digital distribution, which has resulted in a need for insurers and distributors -- broker general agencies (BGAs) and international marketing organizations (IMOs) -- to build effective digitization strategies.

In this white paper, we will outline the main drivers of digital distribution, and what BGAs and IMOs can do to transition into the new digital era.

¹ Novarica - Emerging Technology in Insurance: AI, Big Data, Chatbots, IoT, RPA, and More - <https://www.insurance-canada.ca/2020/01/16/novarica-insurers-actively-adopting-emerging-technology/>

The push for digitization among distributors is driven by three key factors:

- Changing consumer demands
- Increased efficiency and revenue potential
- Recruiting the next generation of advisors



Changing Consumer Demands:

Consumer expectations are constantly evolving and becoming more reliant on mobile technology. As we approach the adoption of the 5G network and advanced technologies like artificial intelligence and machine learning, mobile data traffic is expected to [increase by 10x between now and 2022](#)².

Reviewing these expected changes in consumer behaviour, distributors and their downline advisors (producers) need to come up with innovative ways to engage with clients.

Recent studies in insurance statistics reveal that [47% of clients](#) searching for life insurance policies value speed, convenience and simplicity in underwriting above all other factors³.

Today, the policy fulfillment process is fragmented and predominantly paper-based. Without effective tools or technology in place, it takes an advisor roughly six-to-eight weeks to complete the fulfillment process. This approach adds unnecessary complexity and creates significant bottlenecks for both advisors and clients, which will not last in the long-term.

² Ericsson - Future Mobile Data Usage and Traffic Growth - <https://www.ericsson.com/en/mobility-report/future-mobile-data-usage-and-traffic-growth>

³ Best Life Rates - Life Insurance Statistics - <https://www.bestliferates.org/life-insurance-statistics/>

Using Technology to Enhance the Client Experience:

One way to improve the experience for clients is to ensure their policy information and personal account details are available on-demand. Clients should not have to sift through piles of paperwork to access their coverage details. Similar to online banking, the expectation of clients is to be able to have their insurance information and payment history digitally accessible at any time.

Furthermore, we're approaching a future of aggregated client portals across all financial business lines. For example, single sign-on platforms that integrate a client's wealth management, investment and insurance profiles will provide a more holistic view of that client's finances. This, in turn, will enable advisors to provide 360-degree financial advice and close a sale in any line of business, all on one platform. Soon, advisors will no longer have to use multiple tools and platforms to manage their clients, which will result in significant time and cost savings. Essentially, holistic financial advice can be unlocked by fully-integrated platforms.

By leveraging technology, distributors can enable advisors to build a better experience for their clients, which translates into higher volumes of policies sold.

Another area of distribution that's heavily influenced by consumer expectations is the application workflow. Application forms and financial needs analyses are being digitized to make the customer screening and onboarding process more efficient and user-friendly.

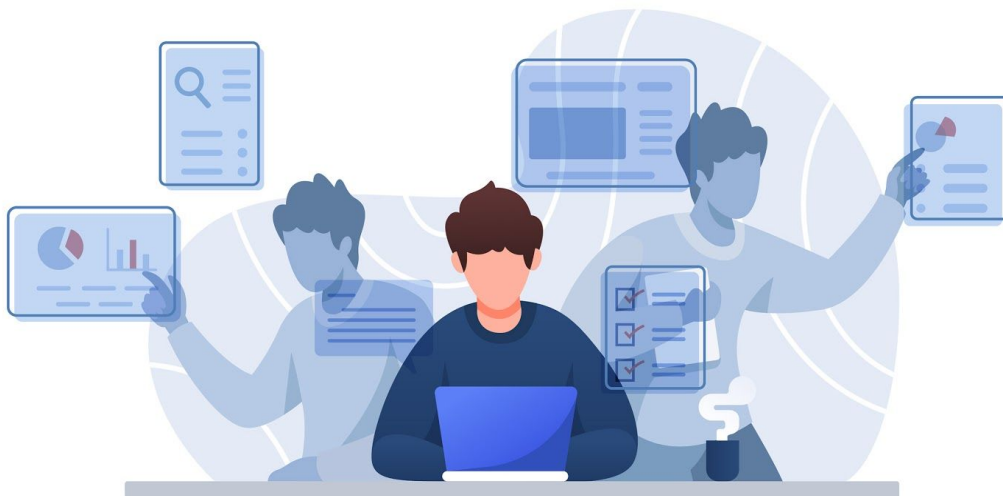
Ultimately, clients shouldn't bear the burden of trying to understand complex insurance products or filling out tedious application forms. Conversely, they should be given peace of mind while making financial decisions. This is achieved by building a seamless purchase experience and ensuring advisors are better equipped to support their clients through the process.



Enhanced Efficiency for Advisors Will Increase Revenue for Distributors:

One of the main benefits of BGAs and IMO's adopting technology is the ability to reduce the policy fulfillment cycle. By automating back-office paperwork, compliance management and providing advisors with faster access to carrier products, sales cycles can be condensed significantly. This allows advisors to increase sales capacity which ultimately helps distributors achieve more premium revenue.

A digital approach to client management also enables advisors to maintain active communications with clients, which will continue to build trust. The ability to digitally store important files and documents will help advisors stay organized and reduce the need for paper-based processes (the less printing, scanning and mailing required the better!).



Centralized systems for managing electronic applications (e-apps) will also help advisors streamline their workflow. E-apps in and of themselves have already helped digitize a large portion of policy fulfillment, however, the e-app experience varies from carrier to carrier. This results in advisors over-indexing their time navigating various carrier applications, and distributors attempting to train their advisors on multiple systems. In fact, a [recent study](#) by the Life Brokerage Technology Committee (LBTC) suggests that distributors are desperate for multi-carrier application platforms to address this issue⁴.

As a solution, distributors will begin to centralize the various steps of the sales cycle on fully-integrated platforms. These third-party systems provide additional tools to help advisors digitize client onboarding and leverage data to compare carrier products in a way that can be easily communicated to their clients.

These [connected insurance ecosystems](#) will consolidate e-apps and other areas of policy fulfillment such as quotes, illustrations and payments, which will further centralize the application process⁵.

⁴ Insurtech Express - Five Reason Why Distributors Hate Your eDelivery System - <https://www.insurtechexpress.com/blog/5-reasons-distributors-hate-your-edelivery-system.html>

⁵ Finaeo - Marketplaces: The Evolution of Regulated Services - <https://medium.com/finaeo/part-two-marketplaces-the-evolution-of-regulated-services-9735cb9c4e25>

Recruiting the Next Generation of Advisors:

BGAs and IMOs can attract and retain new advisors by helping them become more self-efficient and reducing any red tape involved in the sales process. One way to do that is to revamp the purchasing process to optimize efficiency.

Distributors that are dedicated to simplifying the advisor's workflow will have a stronger competitive advantage to offer the next generation of insurance producers.

For many people, insurance is often considered an “added expense” or investment they weren't necessarily budgeting for - which can leave a negative impression on the client. Advisors attempt to navigate around this by simplifying the purchasing process as much as possible, and ensuring they have access to products that fit their clients' budget and profile. Being able to easily tailor the experience to a specific client not only builds trust, but also frees up more time for advisors to provide the necessary coaching required for their clients to feel comfortable.

Advisors want to be plugged into a network that will help them access and impress new clients, quickly identify the best insurance products and make the application process as efficient as possible. These goals can be achieved through the right technology and digital tools. To stay competitive, distributors must ensure they are investing in innovation to not only enhance their own internal operations but continuously enhancing their advisors' revenue potential and improving the advisor-client experience.



What does the future of insurance look like?

Ultimately, the next generation of insurance will reflect a frictionless process. End-to-end policy fulfillment platforms, like [Finaeo](#), will be used to increase advisory efficiency and sales capacity by automating many of the tasks advisors are completing manually today.

For example, distributors can partner with Finaeo to help their advisors digitize client intake forms to easily collect important data. Our machine learning algorithm uses that data to analyze client profiles and help advisors recommend the best insurance products available in a fraction of the time. Distributors also use Finaeo's quoting engine and underwriting technology to customize each quote to reflect the unique risk profiles of every client. Best of all, carrier e-apps are centralized through the Finaeo platform to create a seamless, fully-digital policy application process.

Ultimately, technology is already being used to make policy fulfillment more efficient for distributors, their advisors and the end-client. The insurance industry is evolving rapidly, and distributors who get ahead of the changing landscape and address the current inefficiencies will have the most to gain in the era of digitization.

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