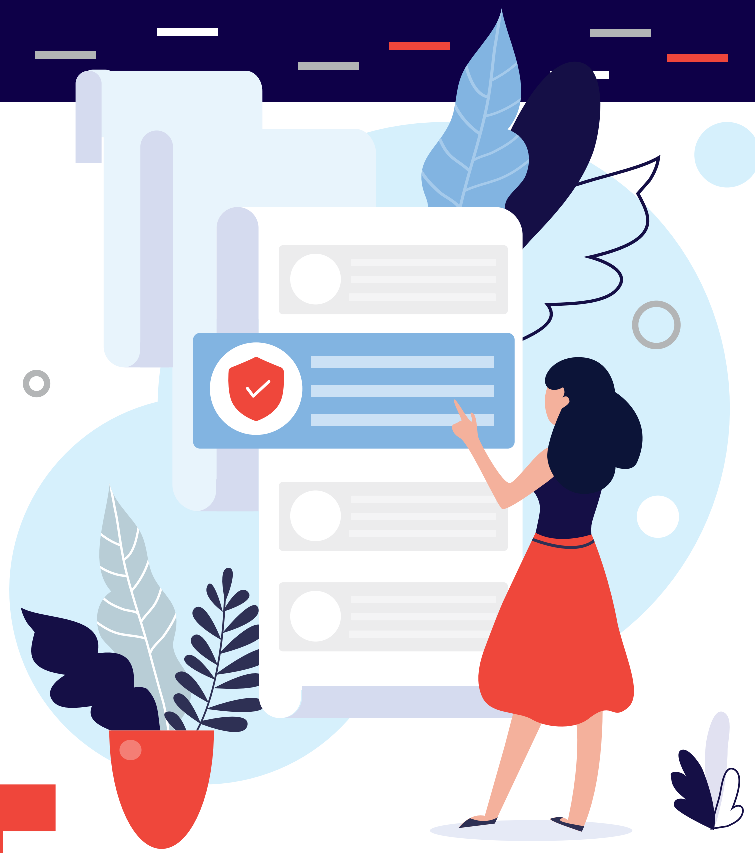
FRANKLIN MADISON

Transformation Next—Digital Life Insurance

Exploring the Next Insurtech Disruptor



T

The financial world might be bringing up the rear in the digital revolution, but it's bringing billions in revenue with it. And from mobile payments to blockchain and digital currencies, the industry is clearly showing signs of increased disruption.

As the transformation continues, digital life insurance isn't just what's next. It's what's now. Here are three reasons why:

1. It's built on emerging technology that has been proven in other industries.
2. It saves buyers time and hassle, dramatically reducing their barriers to purchase.
3. It connects with consumers who otherwise may not purchase life insurance.

Bringing Insurance to Life Online

As today's consumer grows more accustomed than ever to buying online, even the old bastions of offline purchasing are going digital. And while securing life insurance online would have been impossible just a few years ago, a combination of technological advancements and consumer demand has created a path. But the power of digital insurance isn't just that it makes it digital. It's also that it makes it accessible.

"It's something special when we find products that aren't just great for our partners, but also great for the consumers who use them," says Franklin Madison president and CEO, Robert Dudacek. "With digital insurance, we are making life insurance more accessible for millions of American families. We're making them safer and more financially prepared, so they can live without financial fear."

Digital insurance is also building an information superhighway that connects a steadily aging industry with new buyers. While the exact secret sauce is proprietary, what's known widely is that providers have developed a way to sell term life insurance in much the same way as other online vendors sell car insurance.

HERE'S HOW IT WORKS

1. You visit the digital insurance website and enter some general information about yourself.
2. The provider processes that information through their own proprietary algorithms to determine an overall risk level based on information you provide.
3. You (almost always) receive a final quote, which you can purchase and turn into a binding policy.

For most people, the whole process is accomplished entirely online and results in a price that's at least comparative, and often cheaper, than traditional competitors. But those traditional life insurance providers often take 5 or more weeks and usually require doctor visits, blood tests, and more. The Franklin Madison solution takes around 10 minutes. That's disruption-worthy.

What Financial Institutions Need to Know

Insurtech brings new challenges, and there's a good reason why the financial services industry is often slow to adopt leading edge products. When it's the consumer's money on the table, bets have to be more than careful, they have to be correct every time.

So why should institutions with a mandate for perfection feel comfortable about this new technology? We think there are four important reasons:

1. **The technology is proven, just in a different industry.** The concept of discerning risk level based on combing an array of data has been used for years in auto insurance. And it's been successful, making consumers happy and making companies money.
2. **Health information technology (HIT) is finally ready for this.** For years, HIT has been building piles of data, but only in the last few years has technology allowed insurance carriers to access it. It's this move of data into the real world, a fairly recent development, that enables use cases like this.
3. **Shortening the distance between interest and purchase is ancient marketing wisdom.** And it's never been truer. The faster you can get a consumer to a purchase, the higher your conversion rate will be. Digital insurance basically takes the freshest cookies to the hungriest buyers.
4. **Risk has always been a numbers game.** This new method is like doing the math with a calculator instead of slide rule. The old way took longer to process information and relied heavily on human interpretation. The Franklin Madison solution speeds up the process and much of the risk of human error.

These are just the big reasons to feel comfortable with digital life insurance. The full list would include things like the rise of artificial intelligence and machine learning as business multipliers—and as the data that drives our lives becomes increasingly both quantifiable and accessible, these methods for calculating risk are only getting more viable.

Still, there's only one really compelling reason to adopt new technology, even if it's proven—if it's good for both your financial institution and your customers. **In the case of digital insurance,**

“

The faster you can get a consumer to a purchase, the higher your conversion rate will be. Digital insurance basically takes the freshest cookies to the hungriest buyers.

all signs point to the product being a win for both. Consumers are getting the same quality insurance with great rates in a fraction of the time.

Designing a More Digital Mousetrap

The extraordinary rate that commerce is moving online isn't slowing. According to a 2018 study from e-commerce expert BigCommerce, 83% of all US consumers reported making a purchase on Amazon in the last six months. For digital natives, that number jumps to 90%. In fact, only 9.6% of Gen Z reported buying items in a physical store.

An analysis from the 2018 Insurance Barometer Study conducted by industry non-profits Life Happens and LIMRA found that about half of adult consumers visited a life insurance company website and/or sought insurance information online. And almost a one-third either purchased or attempted a purchase online.

All of this data points to consumers moving online, which means that companies that embrace e-commerce are positioned for growth.

But it's not just the digital nature of the product that is causing its quick adoption. The process of getting medically poked and prodded isn't comfortable, either. "People could be uncomfortable sharing their health history with a person," says Lynch Bennett, Franklin Madison digital life insurance product manager. "The digital process doesn't just let them pack a 30 minute interview into 10 minutes, it also lets them avoid potentially awkward conversations about intimate health details."

For the insurance company taking on the risk, there's another likely benefit: better data. While some percentage of consumers might give false responses, both intentionally and otherwise, databases will never return a false response to try to get a better rate.

Avoiding Potential Pitfalls

Those embracing digital insurance would be wise to recognize the inherent uncertainty in any product shift like this. Face time with consumers is invaluable, for example. Great, in-person

3 Reasons Financial Institutions Should Embrace Digital Insurance

1

It reaches customers who might not ever enter your brick and mortar location.

In 2018, 50% of adults said that they've searched for life insurance in the past year with one-third attempting to make purchases online.

2

It helps you meet your customers' expectations for digital interactions.

Consumers expect to be able to interact with brands online in order to make purchases on a channel of their choosing. For example, 79% of Millennials are more willing to buy from brands that have a mobile customer service portal.

3

It delivers a quick and easy path to high conversion rates.

Interacting with consumers where they are most comfortable equals higher conversion rates for potential buyers, especially with a lower barrier to entry than more traditional insurance models.

SOURCES 1 2 3

experiences build value in lots of consequential but often-overlooked ways, like the personification of a brand (putting faces to a corporate name) and building consumer trust by aligning with the power of physical-vs-digital. Some of that may go away.

But smart adoption can also temper some of those risks. Here are four ways to do that:

1. **Stay diversified with your product offerings.** This should never be an all-eggs-in-one-basket scenario. Instead, like any well-constructed portfolio, your product offerings portfolio should have some range to it. Digital insurance has a huge upside, including:

    - Providing an extremely easy conversion path to a product that will greatly increase consumer loyalty to your brand—life insurance tends to be a long-term purchase, and we expect buyers to associate long-term loyalty with their purchase partners
    - Potential to reach a younger client base in a method reflecting their engagement preferences
    - Converting consumers that might never buy traditional life insurance
    - Aligning your brand with forward-thinking technology
    - Consumer benefits, like increased financial wellness, comfort, and satisfaction

2. **Balance out the personal touch.** One of the clear differentiators between traditional insurance sales and digital insurance is the removal of much of the personal touch. But you can mitigate that. Personalizing your marketing efforts is step one, which Franklin Madison does by using data-driven, targeted interactions. Using consumer's names in direct mail, for example, can drastically increase open rates through personalization. Prioritizing investment in customer service can also help engender customer loyalty by providing positive, successful interactions.

3. **Always embrace the omni.** There's a reason you probably hear us talk a lot about omni-channel marketing. That's because it works. Like any product, old and new, digital or analog, digital insurance will realize its biggest potential when paired with traditional, offline marketing. And because life insurance is such a high-concern item, the emotional

"

Like any well-constructed portfolio, your product offerings portfolio should have some range to it. Digital insurance has a huge upside.

connection that consumers feel towards physical marketing will likely be a great counterpoint to the digital nature of the product.

4. **Pick the perfect partner.** Whenever you're entering new waters, the right coach can mean the difference between sink or swim. Embracing new technology with the wrong partner is a direct route to disaster, and the more transformative the technology, the more critical it is to choose the right teammate to help you paddle.

3 Steps to Picking the Right Insurtech Partner

Selling digital life insurance comes with a few potential complications that you need to take into account. But here's how to find the pefect partner capable of helping you navigate the transformation:

1

Pick a partner with digital experience.

Digital insurance might be cutting edge. But digital transformation isn't, and companies with extensive experience navigating the waters of digital marketing can help identify potential pitfalls. And because those pitfalls can be extremely expensive, it's critical to find the right captain for your digital life insurance ship.

SOURCE

2

Avoid the allure of unproven technology.

It's often tempting to jump on board with the newest tech fad. But there's extra risk involved in the unproven, and as financial institutions, consumer trust is paramount to success. That means embracing a technology that might not be around in a few years probably isn't a risk worth taking.

3

Have a backup plan.

Digital transformation initiatives are complex, and insurers need to be experts at onboarding disruptive technology to survive. A McKinsey study found that 70% of digital transformation initiatives fail. If you're implementing a digital strategy make sure that you have a clear transformation plan to fall back on.

Make the Most of the Power of Digital Insurance

If digital insurance is in your company's future, we can help. We have the industry experience and the proven technology that will help your offering be successful. And, as always, you'll also get marketing support from the proven leader in building customer security through insurance products.

If you're ready to add one of the industry's most exciting emerging products to your own financial institution's product portfolio, contact Andrea Heger at aheger@franklin-madison.com or (615) 764-2082. Or visit www.franklin-madison.com for more info.

AN INSURTECH TIMELINE

In a short time period, Insurtech has evolved at a staggering rate:

SOURCES 1 2 3 4 5 6

2010
The term insuretech gains attention as a fintech alternative

2014
AXA is one of the first to offer digital insurance

2015
Summer: #InsurTech hashtag grows via Minh Tan & AXA Strategic Ventures

2015
March: InsTech London brings insurtech pros & investors together

2016
177 insurtech startups are founded

2018
UK Insurtech hits $1.7 billion in investment

2018
Global InsureTech Connect (ITC) conference attracts 6,000 attendees (up from 1,500 in just three years!)