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# Advisor Evolution in a Changing Marketplace

## Understanding the New Distribution Landscape



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***No one cares how much you know –  
Until they know how much you care!  
Theodore Roosevelt***

A close-up photograph of a baby with light brown hair and blue eyes, looking directly at the camera with a serious, almost grumpy expression. The baby is holding a small clump of sand in their right hand. They are wearing a white long-sleeved shirt with a green collar and green sleeves. The background is a blurred beach scene with sand and a hint of the ocean under a bright sky.

# On Solid Ground

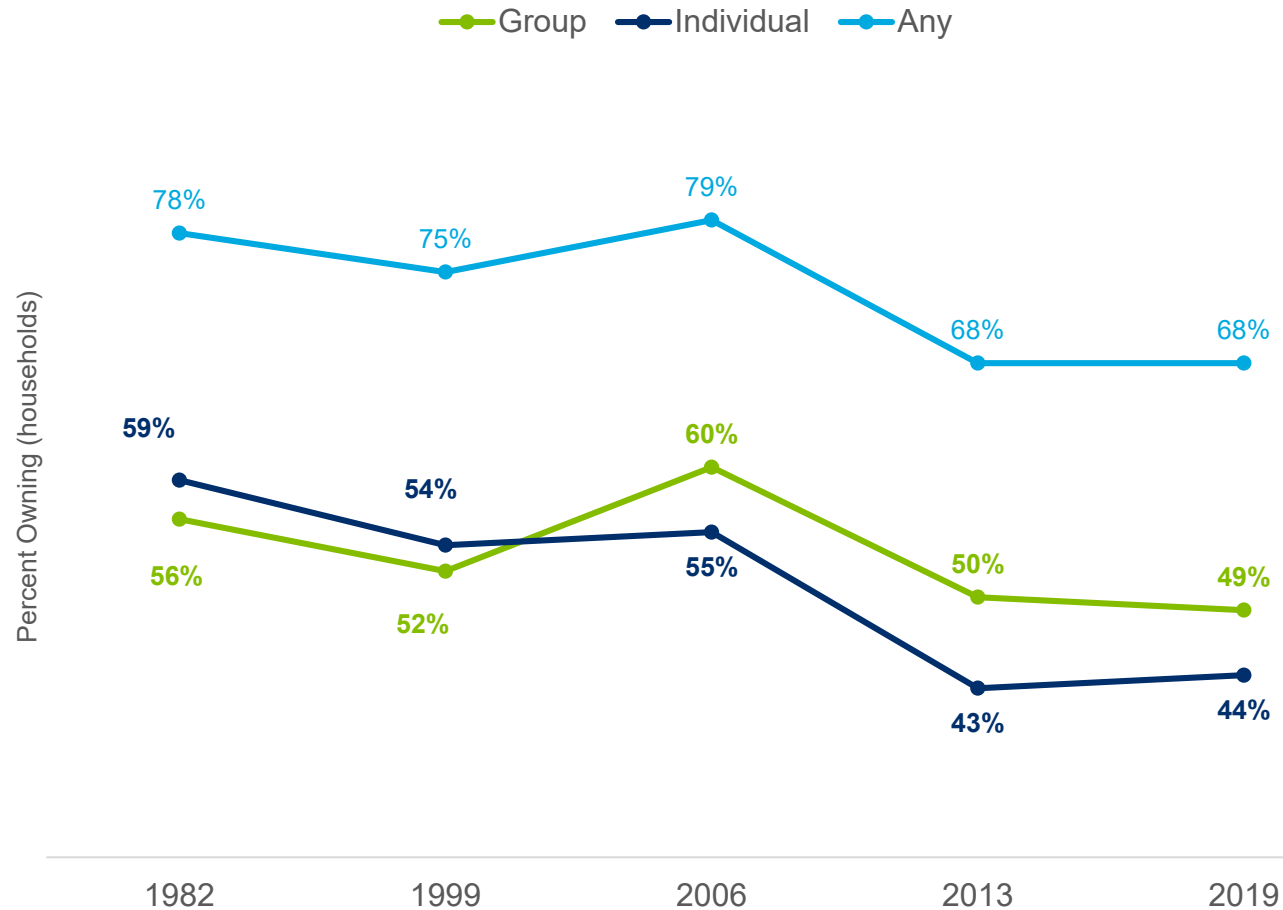
- What is your target market?
- What is the most effective way to connect with it?
- How will you distinguish yourself in a blurring world?
- Is your value-proposition sustainable?
- Are you embracing customer centricity?
- *Are you client obsessed?*

# Life Insurance Trends – Ownership Rate

*Market penetration peaked at 79% in 2006, then fell to 68% in 2013 and remains there*

*The increase in ownership volume and the decline in market penetration indicate the industry is not growing as quickly as the population*

*This suggests further opportunities for growth*

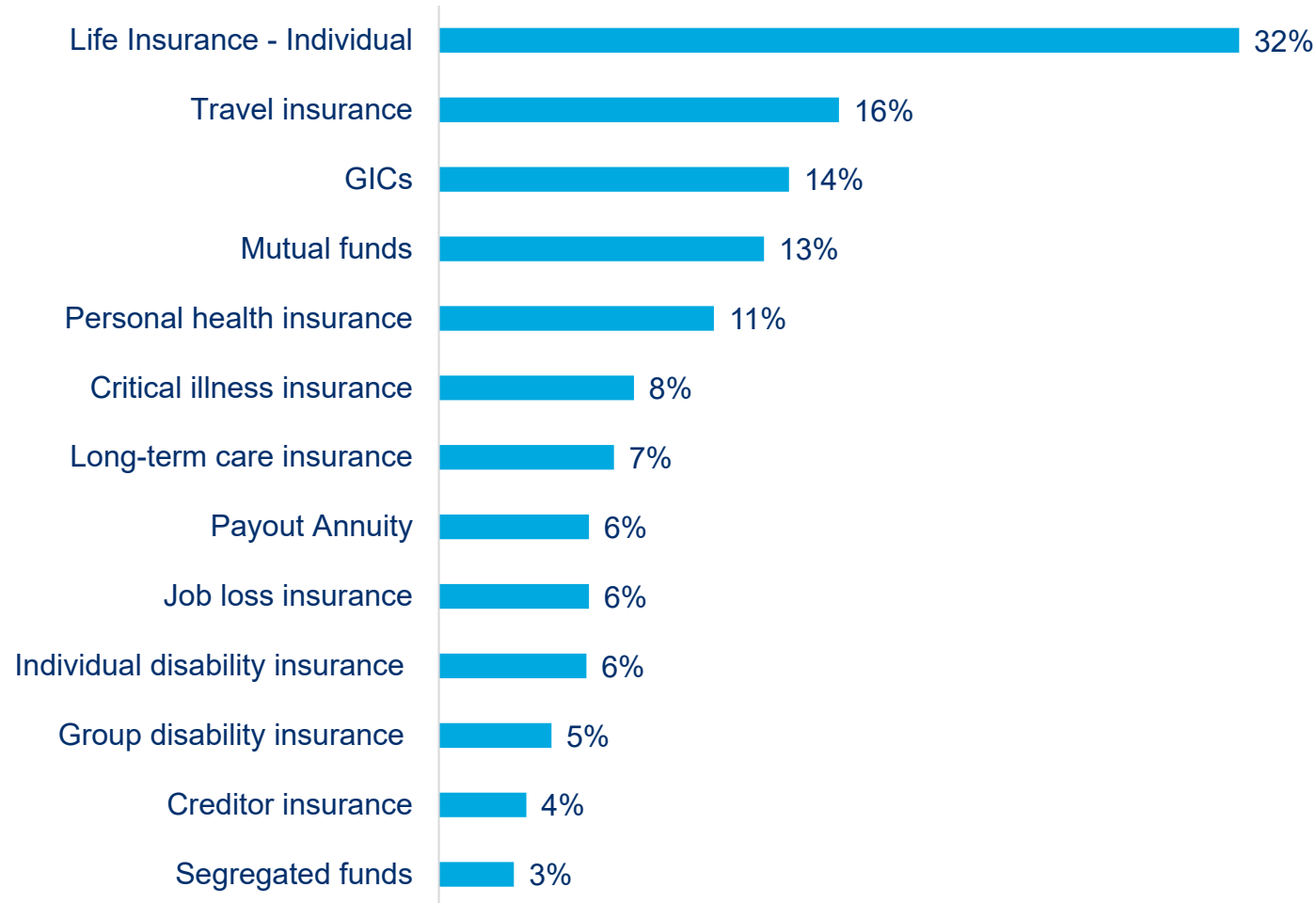


# Average Coverage by Household Income

Household Income	Individual		Group		Any		Income Replacement Ratio (IRR)	
	2013*	2019	2013*	2019	2013*	2019	2013	2019
Under \$35,000	\$ 44,000	\$ 50,000	\$ 27,500	\$ 30,000	\$ 55,000	\$ 50,000	1.7	2.3
\$35,000 – \$49,999	\$110,000	\$ 62,000	\$ 55,000	\$ 50,000	\$110,000	\$ 80,000	2.4	1.9
\$50,000 – \$74,999	\$137,500	\$100,000	\$ 88,000	\$ 75,000	\$139,700	\$100,000	2.0	1.6
\$75,000 – \$99,999	\$220,000	\$180,000	\$110,000	\$100,000	\$220,000	\$180,000	2.3	2.1
\$100,000 and over	\$330,000	\$300,000	\$220,000	\$200,000	\$396,000	\$325,000	2.7	2.2

Insureds only. \*2019 dollars.

# Financial Product Purchase Intent



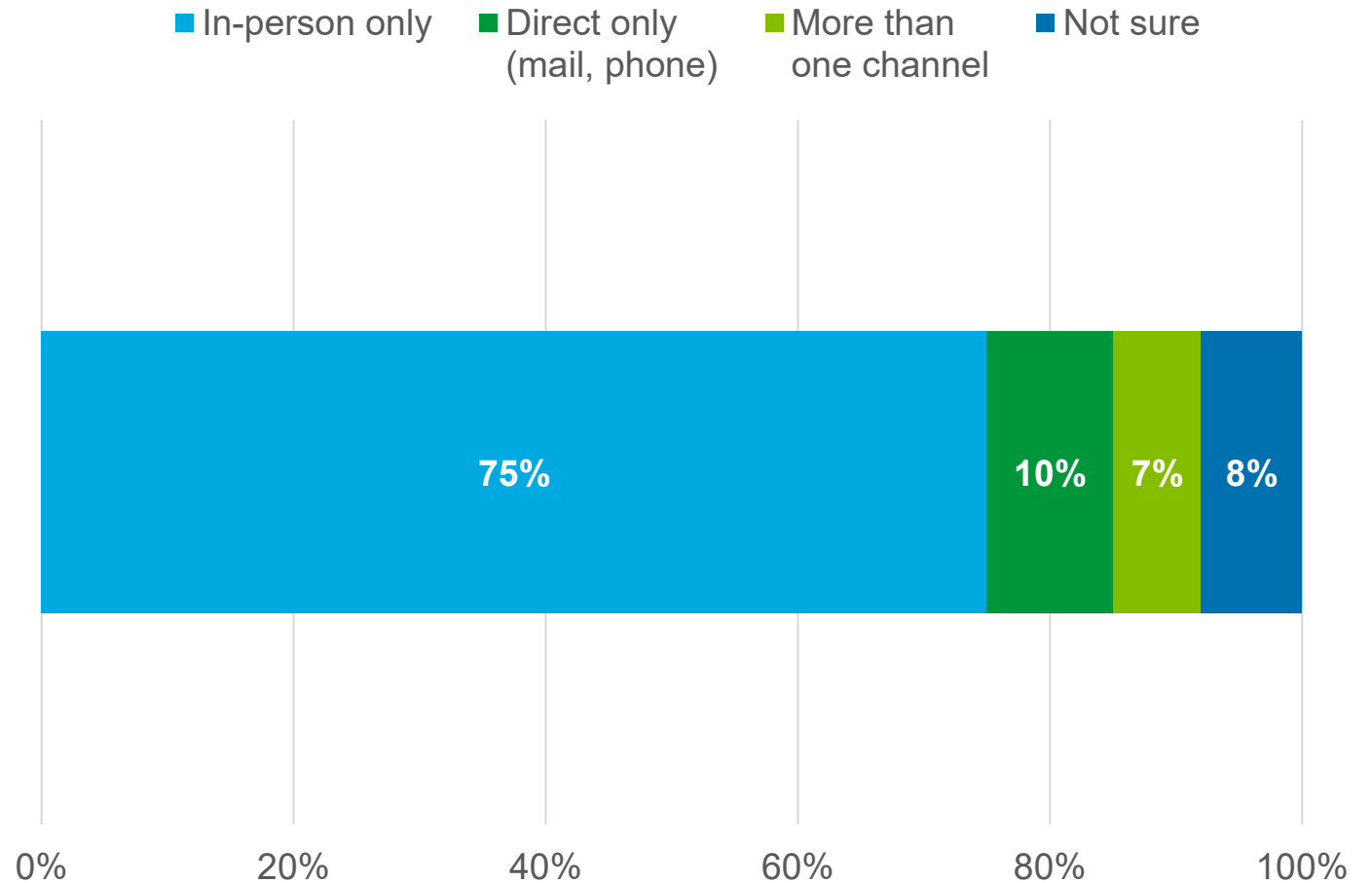
*Individual life insurance has the highest purchase intent; 1-in-3 are likely to buy it in the next 12 months. This represents purchase intent from 6 million households.*

*Life insurance has much higher purchase intent than for any other financial product.*

# Distribution Preferences

***3-in-4 purchase coverage in-person from an insurance advisor, agent, broker or other financial professional.***

***A small proportion of owners purchased through other methods; thus, the industry must continue to invest in the field force.***



# The Affluent – Pre-Retirees and Retirees

Age 55 to 75



**Mega-millionaires**

- \$3.50 million or more
- 1,100,000 households



**High-net-worth (HNW)**

- \$1.0 million to \$3.49 million
- 2,600,000 households

**All affluent**

- \$1.0 million or more
- 3,700,000 households



# The engagement gap

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20<sup>th</sup> Century      Today

How the  
industry is  
prepared to  
engage  
consumers

How  
consumers  
want to  
engage

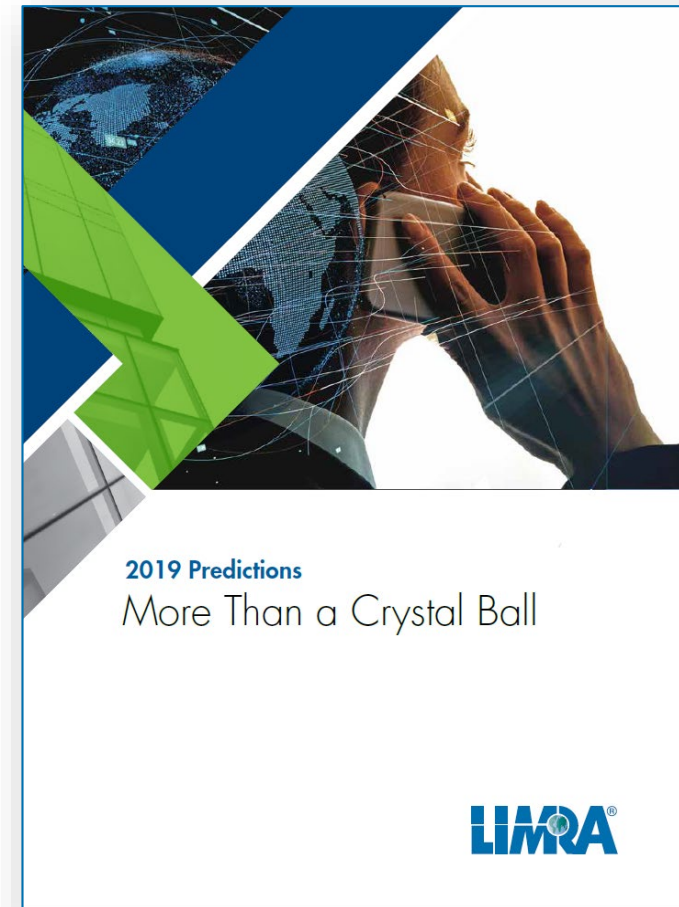
# Creating Competitive Advantage

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Forward thinking organizations that embrace the global shift towards customer-centric models that align product, service, and support will have the edge.

2019 Predictions: More than a Crystal Ball

LIMRA, 2019



# Follow that Puck...

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*A good hockey player plays where the puck is. A great hockey player plays where the puck is going to be.*

*-Wayne Gretzky*

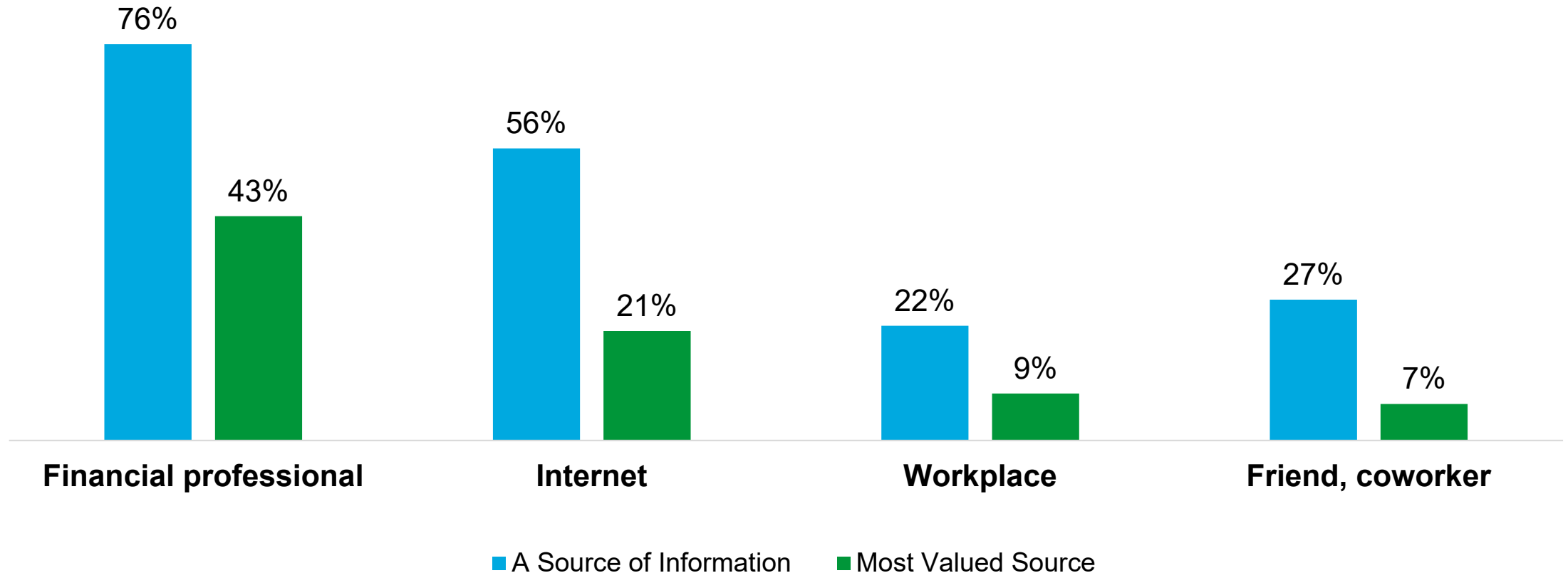


# Disclaimer

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It's my opinion and  
you're entitled to it

# Connecting With Our Industry





# U.S. vs. Canada

		
Top Financial Concerns	Retirement, Healthcare	Healthcare, Retirement
Life Insurance Ownership	<u>2016</u>	<u>2019</u>
Individual	44%	44%
Group	46	49
Any	70	68
Need More Life Insurance	41%	45%
Likely to Buy	48%	33%
Immediate trouble meeting everyday expenses if death	34%	33%
Future channel preference		
Face-to-Face	57%	76%
Worksite	18	7
Internet	16	11
Direct (phone/mail)	9	6

# Most Valued Sources

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Financial  
Professionals



Internet





## Financial Professionals

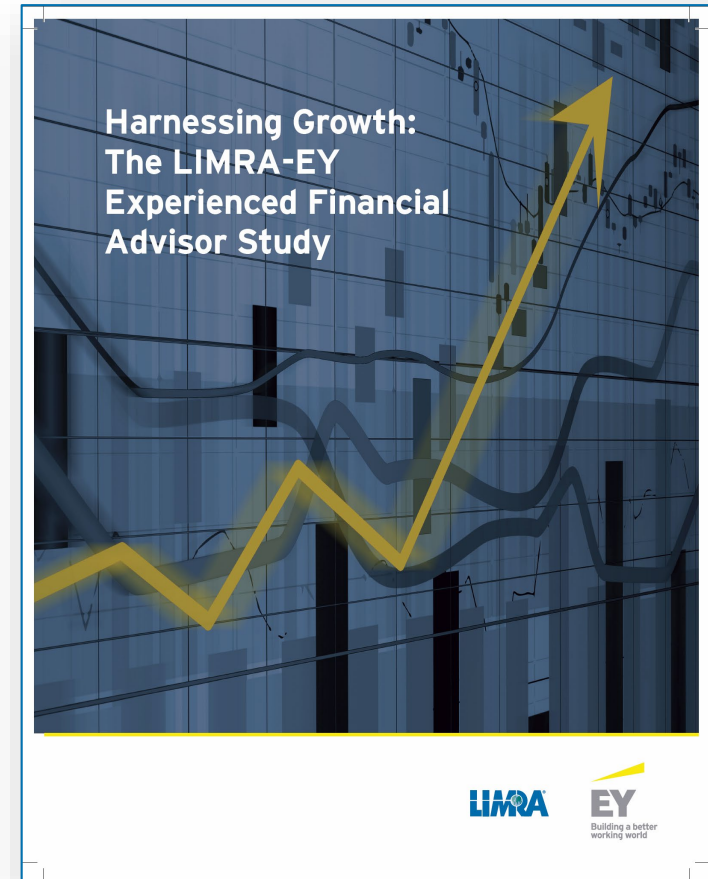
- Changing expectations

# At an Inflection Point

The changing nature of how advisors interact with clients may dramatically shift expectations regarding capabilities and in turn, offer new opportunities to carriers and distributors alike.

Harnessing Growth  
The LIMRA-EY Experienced Financial Advisor Study

LIMRA and EY 2018



# Consumers Look for a Streamlined Approach....

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A single financial professional



A single financial professional who can refer



Multiple financial professionals

# ...and a Digital Relationship



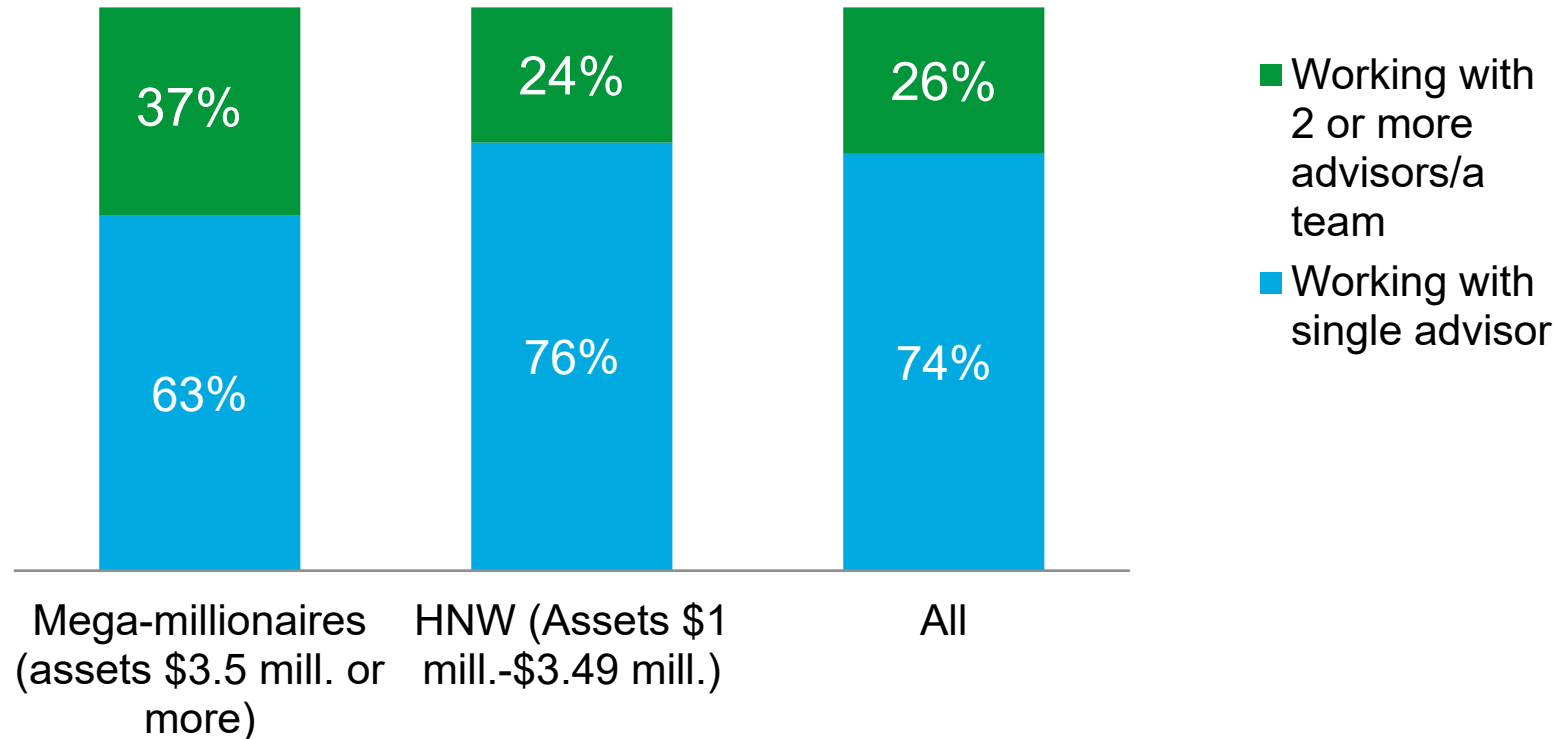
I would like to educate myself  
about insurance on an  
**agent/advisor's** website

**73%**

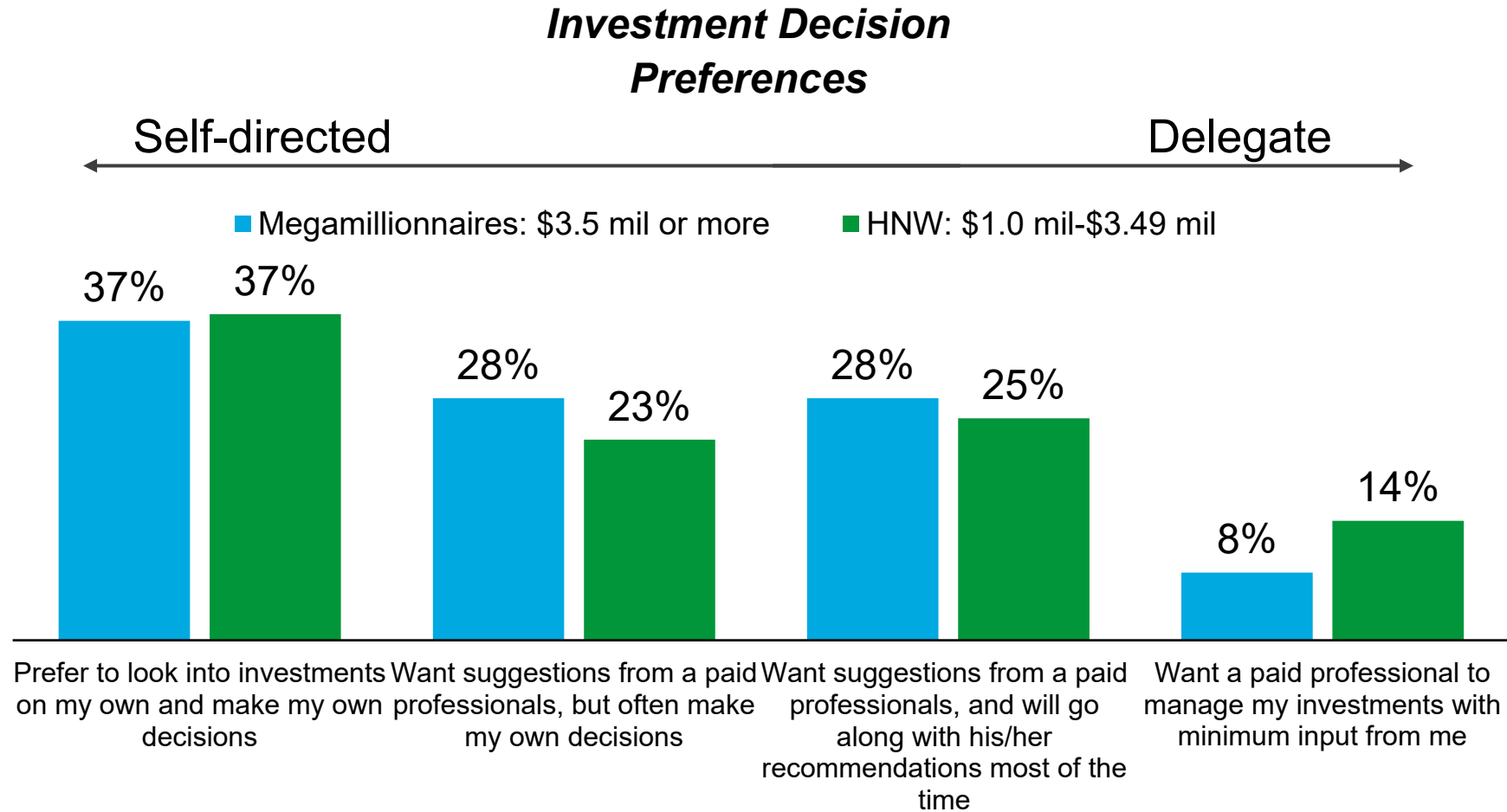
I would not do business with an  
insurance agent/advisor that has  
an out-of-date website

**67%**

# HNW Investors Working with Advisor(s)



# Many affluent are self-directed investors



# Advisors Respond

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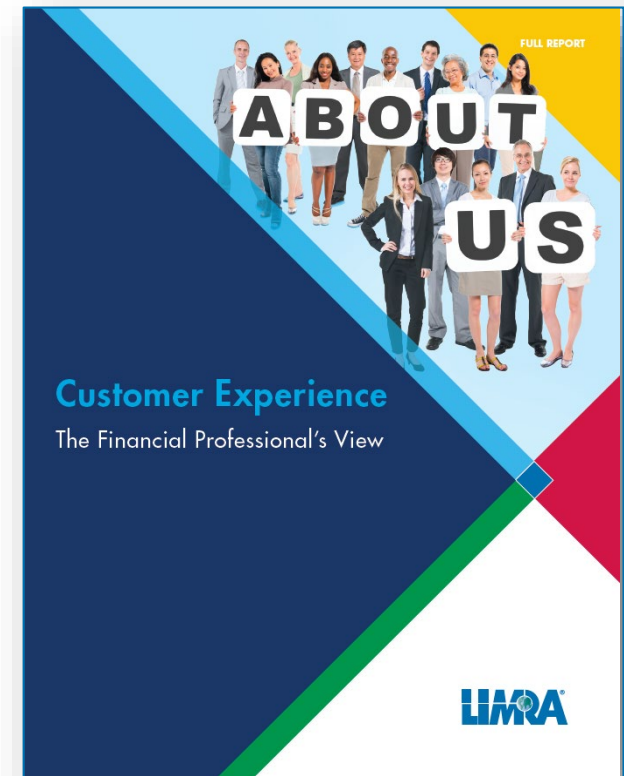


- Teaming and practice support is critical
- Advisors offer a wider array of products and services
- The digital advisor has arrived
- A majority (63%) have a personal website

# Relevancy

In an industry with generally homogenous products, elements of Cx can help companies and advisors differentiate themselves.

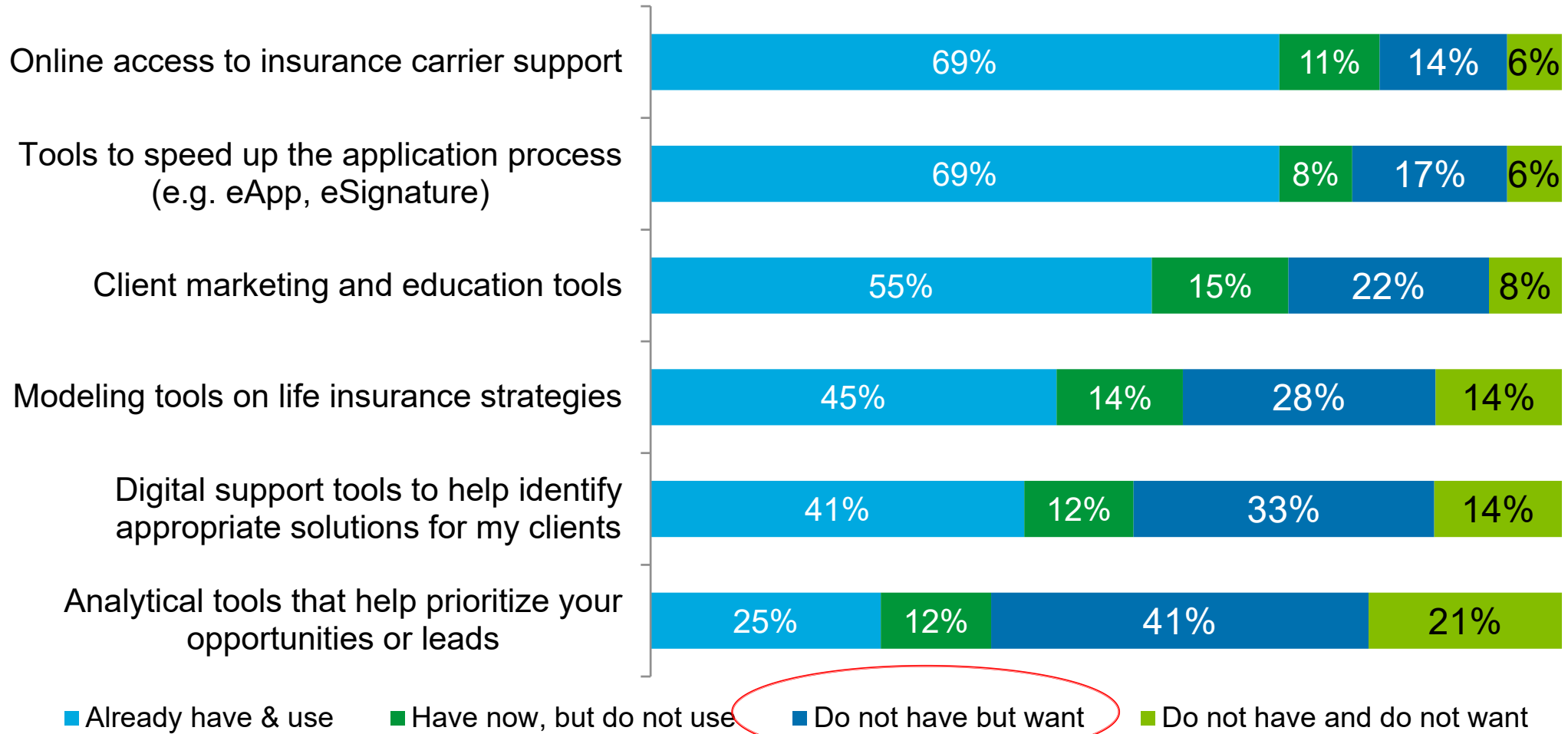
Customer Experience  
The Financial Professional's View





# Use and Desire for Life Insurance Sales Tools

## Independent Advisors



Source: LIMRA-EY Experienced Advisor Study, 2018



Internet

- The online opportunity
- Robo-advisors

# Online Options

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# E-Brokerage Models

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## Lead Gen

Consumer gets quote online and is contacted by or contacts chosen company.

e.g., Insurance.com



## Call Center Agency

May have an online presence, but sales take place through call centers.

e.g., Select Quote



## Digital Agency

A fully digital online agency. From quote to sale takes place online.

e.g., PolicyGenius

# Online Options



LIFE  
INSURANCE  
MADE EASY.



Covered in about 2 minutes, plans start at \$6/mo.  
meetfabric.com



HAVEN<sup>life</sup> SM

besure

TeachersLife

policygenius

SoFi

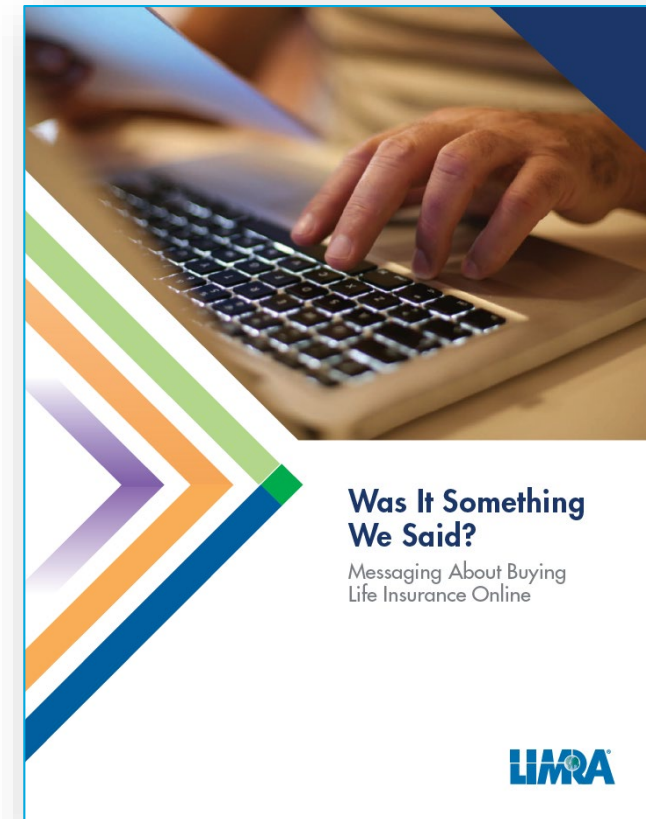


# The Online Opportunity

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When it comes to buying online, who the consumers are and how they feel about life insurance and the Internet are much more important than what we say to them.

Was It Something We Said?  
Messaging About Buying Life Insurance Online  
LIMRA 2017



# Profile of the Online Enthusiast

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- Age 34
- Married
- Has children
- Upper class
- Financially literate
- Works with financial professionals
- Already owns life insurance



# Robo-Advisors

The evolution of robo-advisor firms is happening quickly. Firms are providing more sophisticated investment strategies and expanding their offerings.

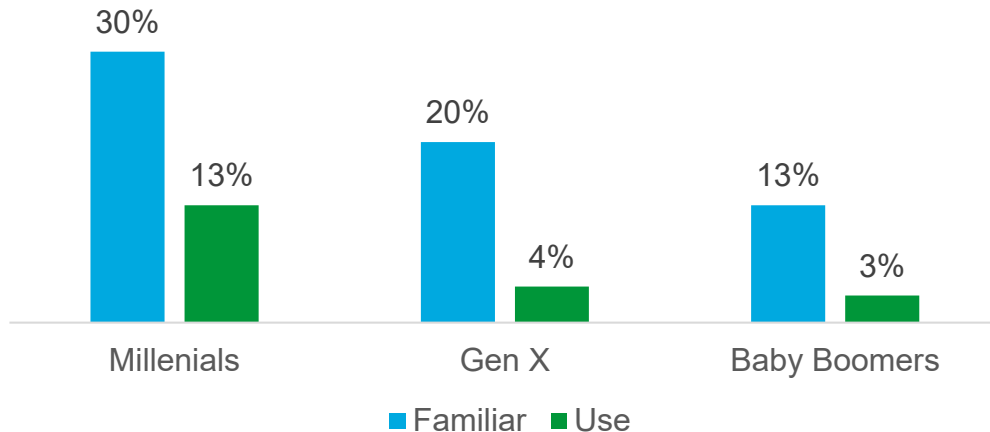
Rise of the Machines  
LIMRA 2016





# Robo-Advisors

## Familiarity<sup>1</sup> and Usage



<sup>1</sup>Familiarity=those extremely, moderately, or somewhat familiar

## Why Not Robo?

- **Lack of familiarity\***
- **Prefer working with a human\***
- Not enough money to invest
- Concerns about data security
- Happy with what I have
- Skeptical of new technologies

\*Single greatest reasons



HNW Investors

- What's unique

# The Affluent – Not like you and me (?)

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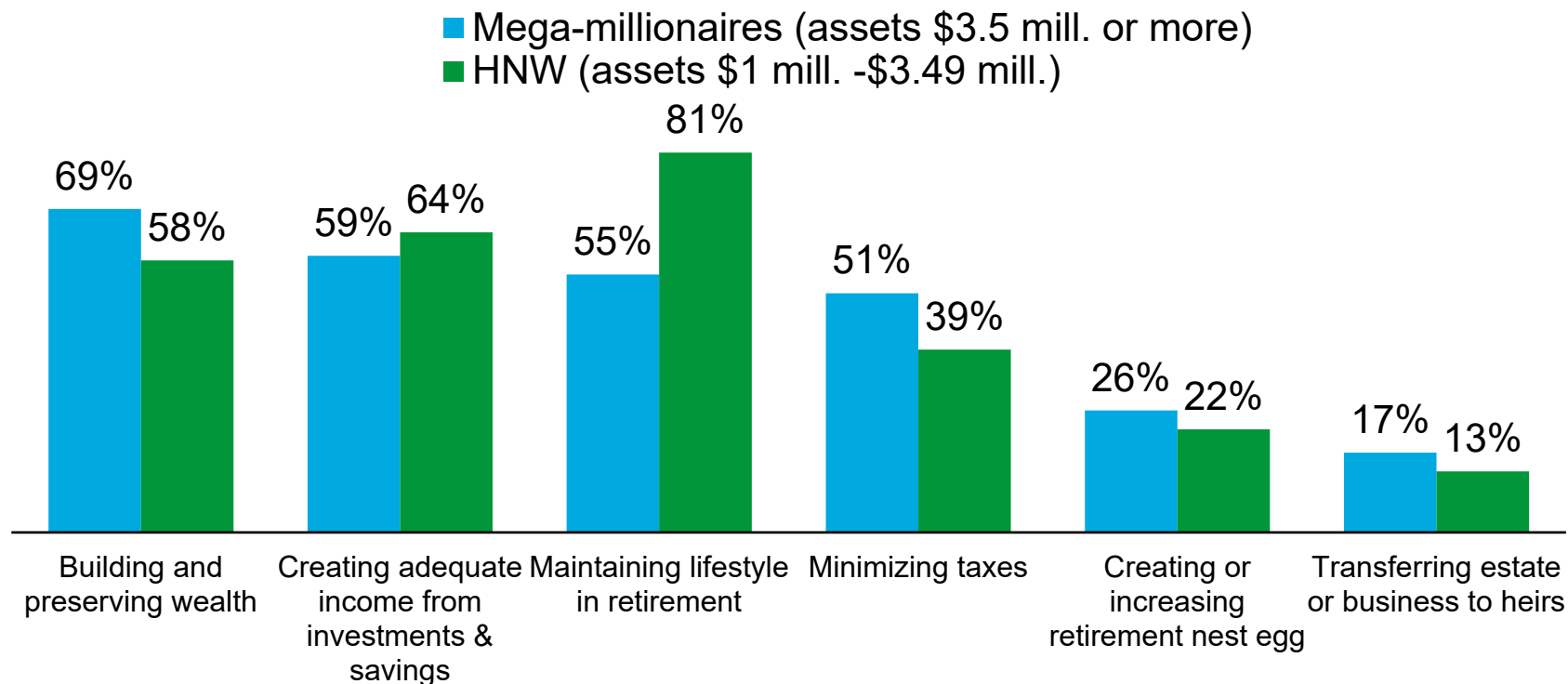
*“Let me tell you  
about the very rich.  
They are different  
from you and me.”*

- F. Scott Fitzgerald, “Rich Boy”  
1925



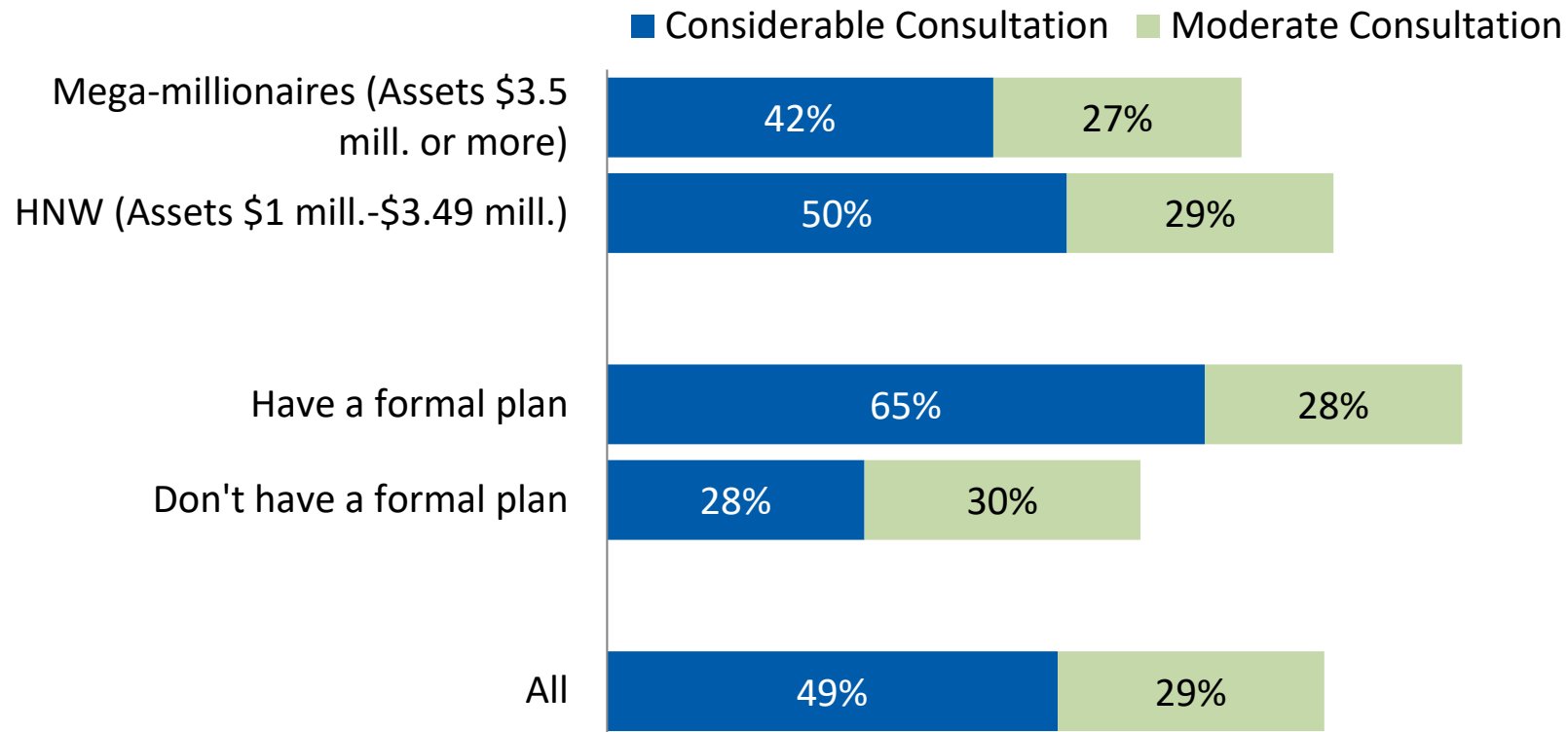
# HNW Top goals

## *Top Financial Goals*



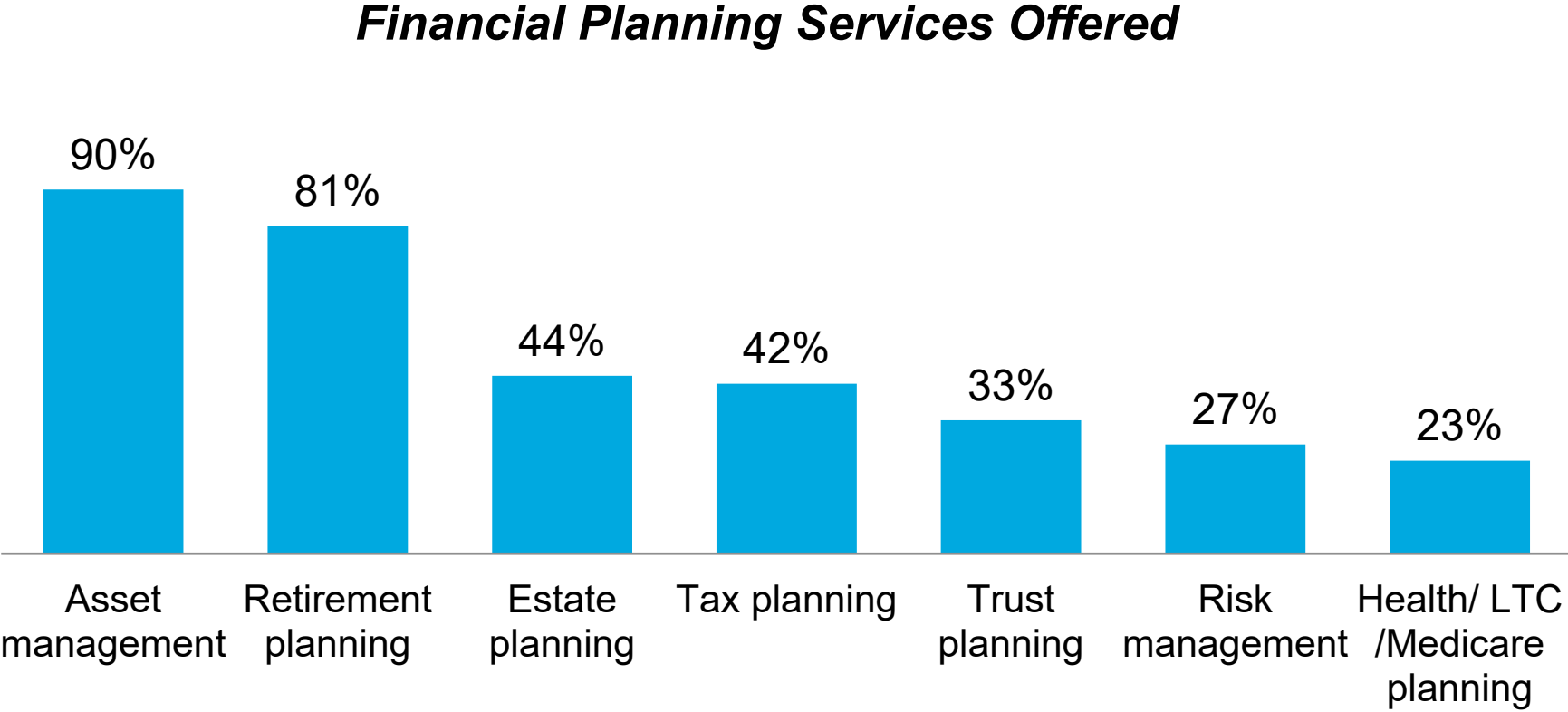
# 8 in 10 receive moderate to considerable retirement planning help from their advisors

## *Extent of Help from Advisors in Retirement Planning*



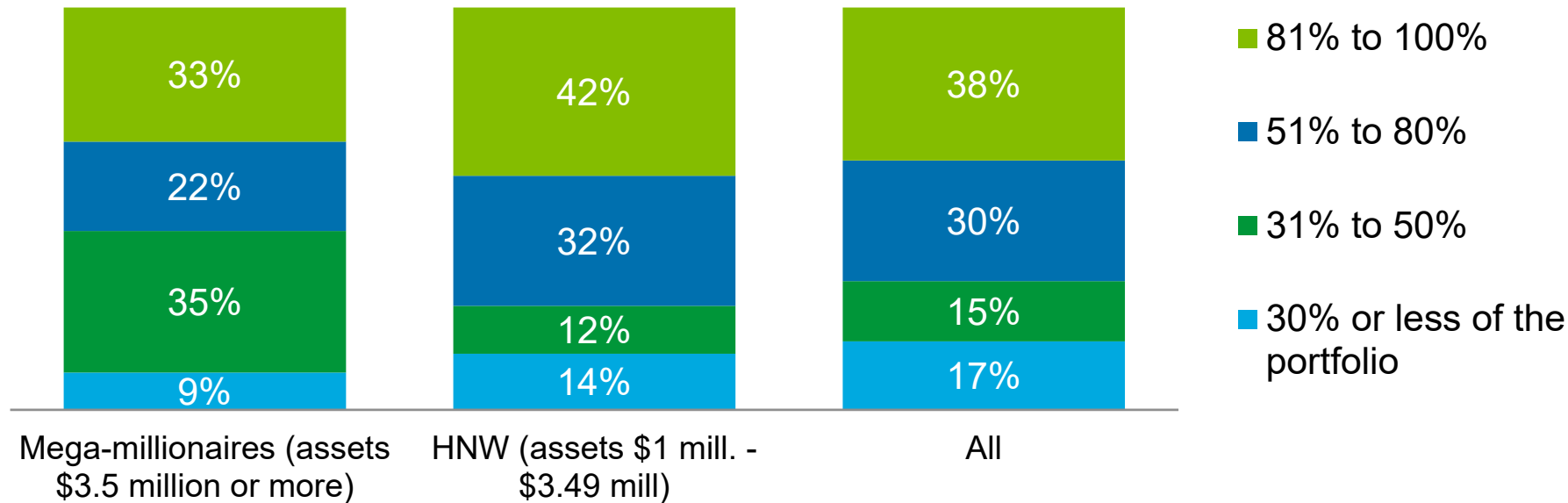
Base: Affluent consumers age 55 to 75 with \$1 million or more in household financial assets and who typically work with a paid professional to make at least some household investment decisions.

# Some clients not aware of full suite of advisor services offered

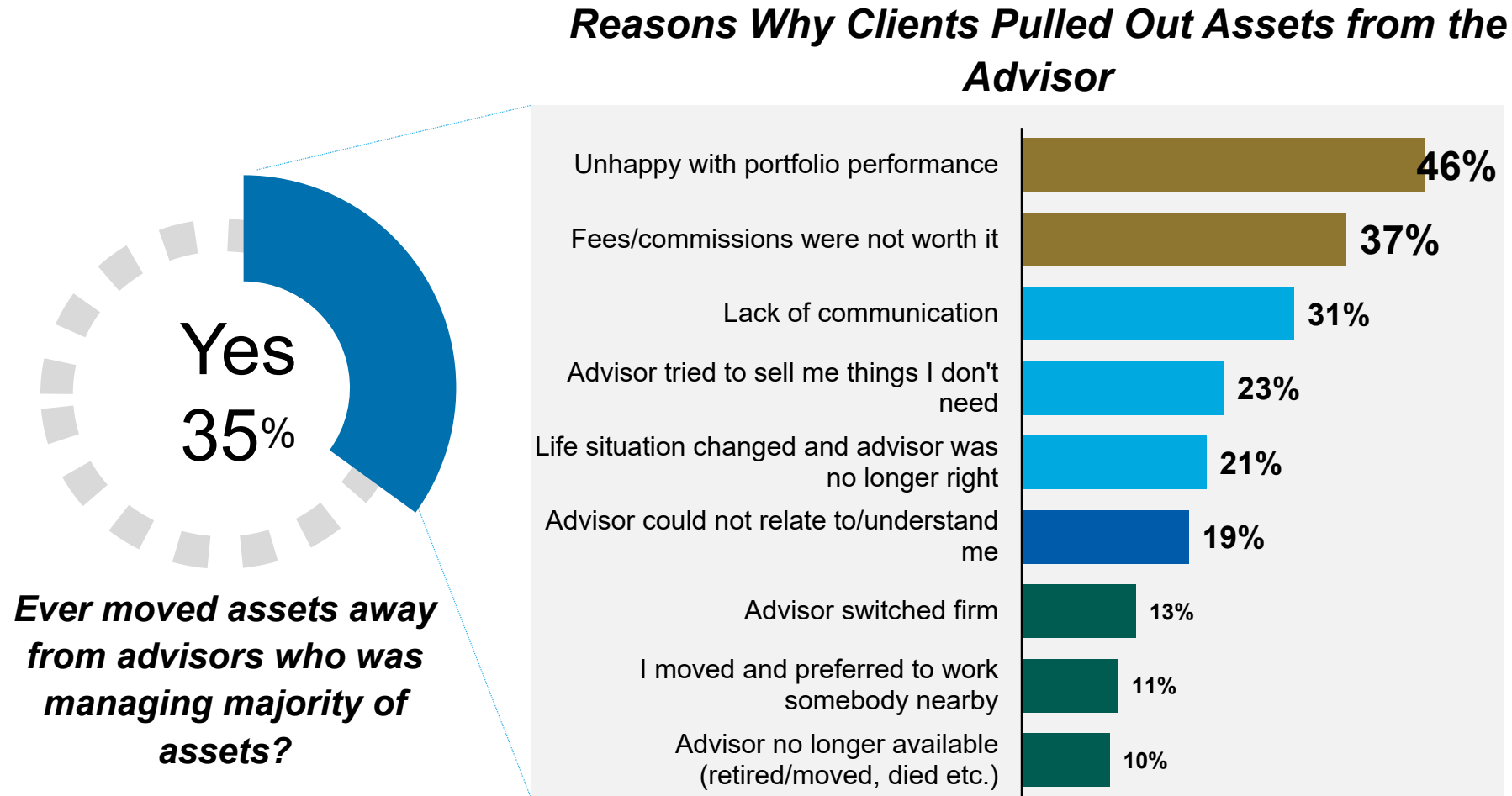


# One third let their primary advisors manage the bulk of their portfolio assets

*Percentage of Portfolio with the Primary Advisor*



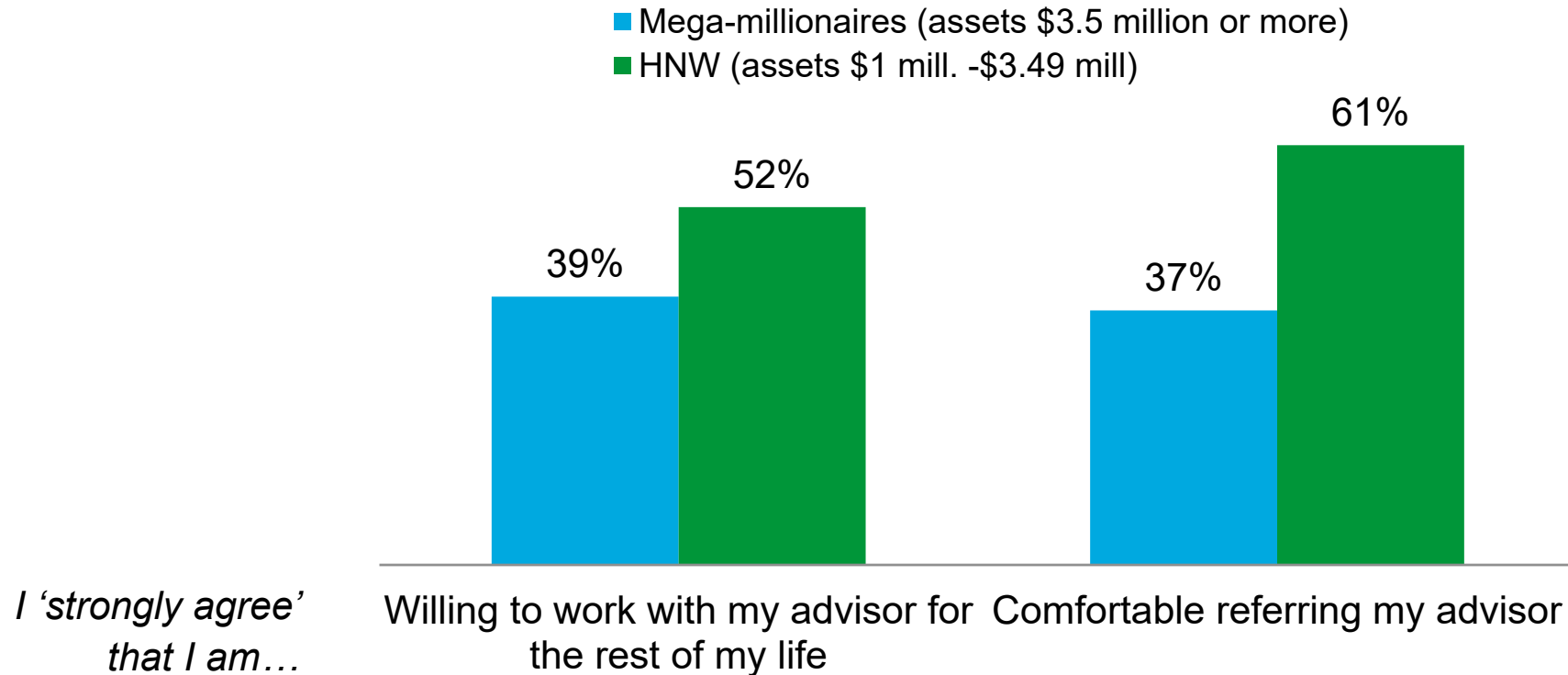
# Dissatisfaction with fees and portfolio performance are top reasons why they leave advisors





# Confirming their loyalty, half are committed to working with advisors for the rest of their lives

## *Attitudes Toward Advisors*

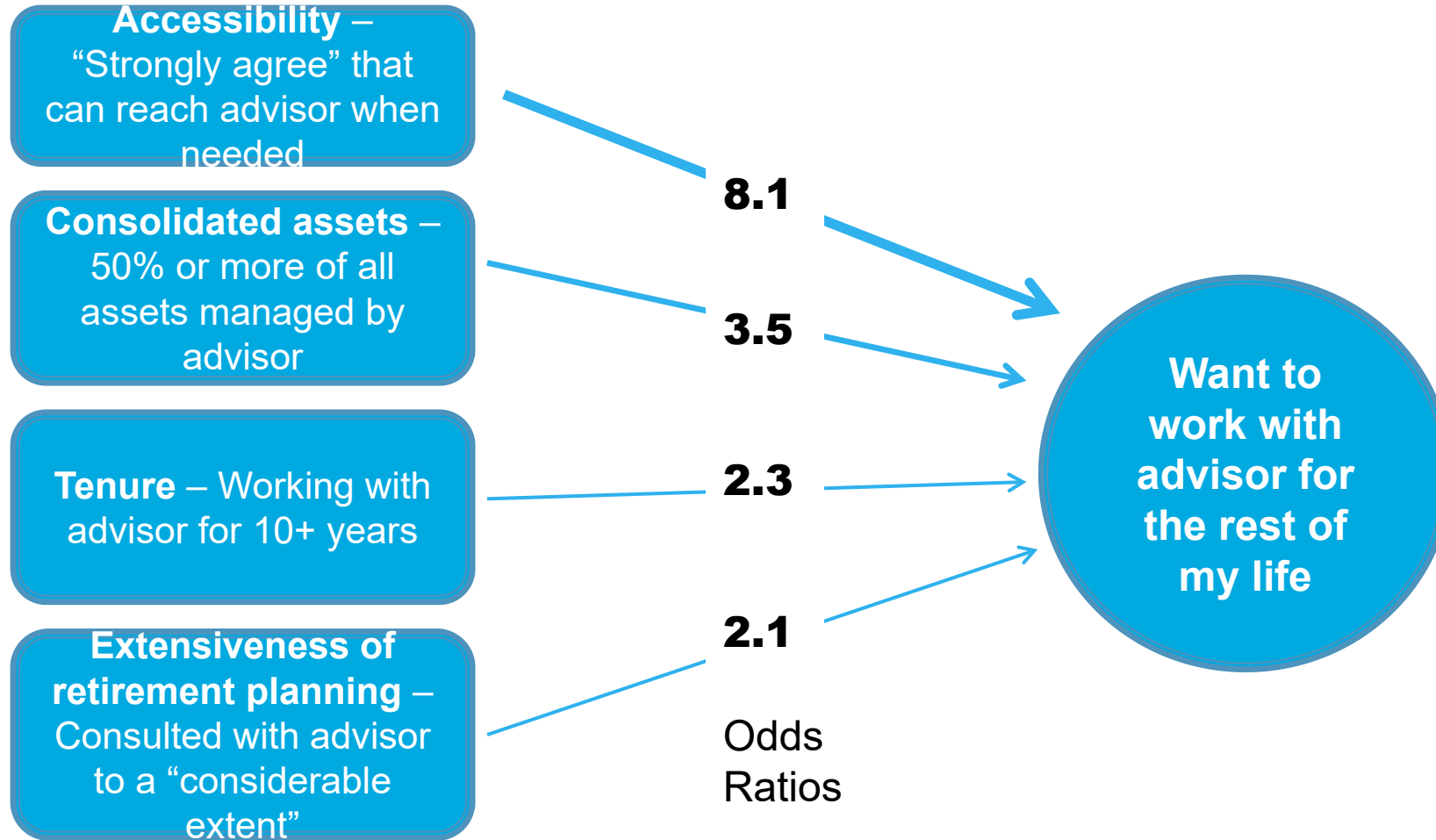


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# Looking Forward



# What predicts lifetime loyalty?



Note: Results based on logistic regression analysis. Positive odds ratios indicate that the driver is associated the intention to work with the advisor for the rest of the respondent's life, controlling for other factors. All factors displayed in the table were significant ( $p < .001$ ) predictors, based on Wald chi-squares, which denote the statistical significance of each logistic regression coefficient used to compute each odds ratio. The c statistic, which measures the discriminatory power of logistic models and ranges from 0.5 (no discriminatory power) to 1.0 (perfect discrimination), was .80.

# Life Opportunity in Canada

25% of uninsured households say they might purchase life insurance in the next year.



About 1 in 4 middle & high-income households say they might buy life insurance in the next 12 months.



Lowest life insurance ownership levels in Canada in 30 years.

The sales potential is estimated to be **\$1.6 trillion** for the underinsured Canadian life insurance market.



35% of households that admitted they need more life insurance plan to buy some soon.



Almost 3/10 households have no insurance protection at all.



Millennials are the generation most likely to consider buying life insurance soon, followed by Gen Xers.

More middle-market households (**2.2 million**) plan to buy life insurance than any other group.

1/2 of those likely to buy in the next year are stalling because they don't know...

- *how much to buy,*
- *what type to buy,*
- *don't know enough about life insurance, or*
- *worry about making the wrong decision.*



45% feel they do not have enough life insurance.

## The top 2 reasons Canadian consumers delay buying life insurance?

They say they can't afford it.

They have other financial priorities.



# Retirement Opportunity in Canada

more than **1/4** pre-retirees are not saving for retirement on a regular basis

nearly **70%** Pre-retirees expect to work once retired.

**But** only less than half of the retirees surveyed in 2015 had ever worked in retirement.



Nearly **1/2** of pre-retirees expect to live less than **20** years as a retiree.

only **2/3** of retirees had someone they considered to be their primary financial advisor during the 5 years prior to retiring

Among pre-retirees who *do* have a financial advisor, 6 in 10 consider the advice they receive to be very valuable.

only **13%** of pre-retirees have a financial goal that is part of a written, formal plan to ensure a comfortable retirement



nearly **1/4** pre-retirees are not confident they will have financially comfortable retirements.

close to **1/2** pre-retirees expect a lower standard of living in retirement than they are currently used to



## Nearly half

Realize that they lack the knowledge needed to create income in retirement.

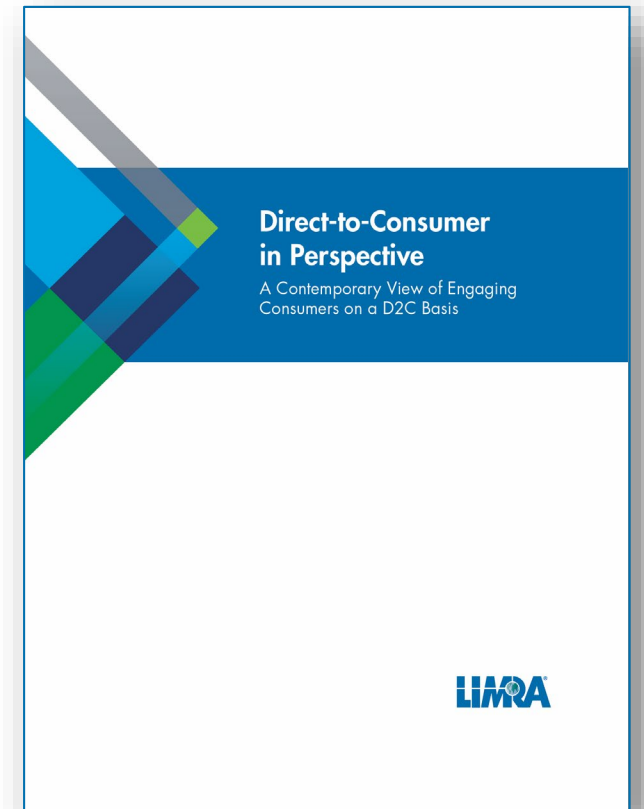


# A New View of Distribution

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As financial services organizations take a more consumer-centric view of marketing and distribution, the industry must view distribution models as other industries do.

Direct-to-Consumer in Perspective  
LIMRA

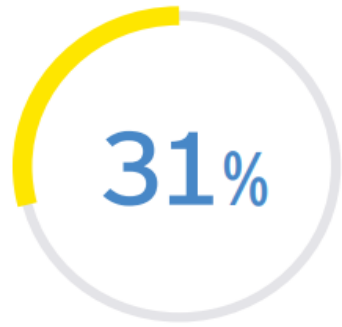


# Nearly 8 in 10 advisors see digital solutions most impacting marketing, client acquisition and ongoing client engagement

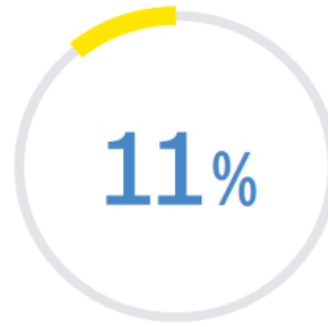
## Practice Areas Where Digital Tools Would Be Most Valuable



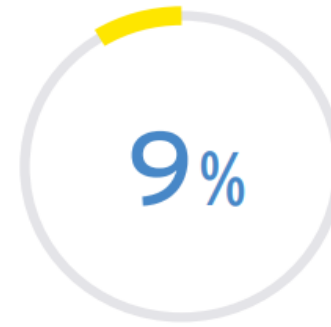
Marketing and  
client acquisition



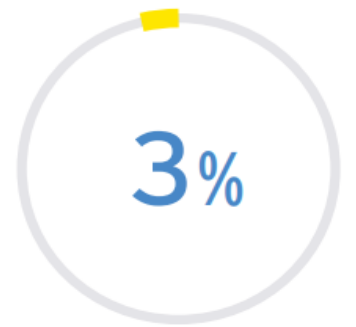
Ongoing client  
engagement



Financial  
planning

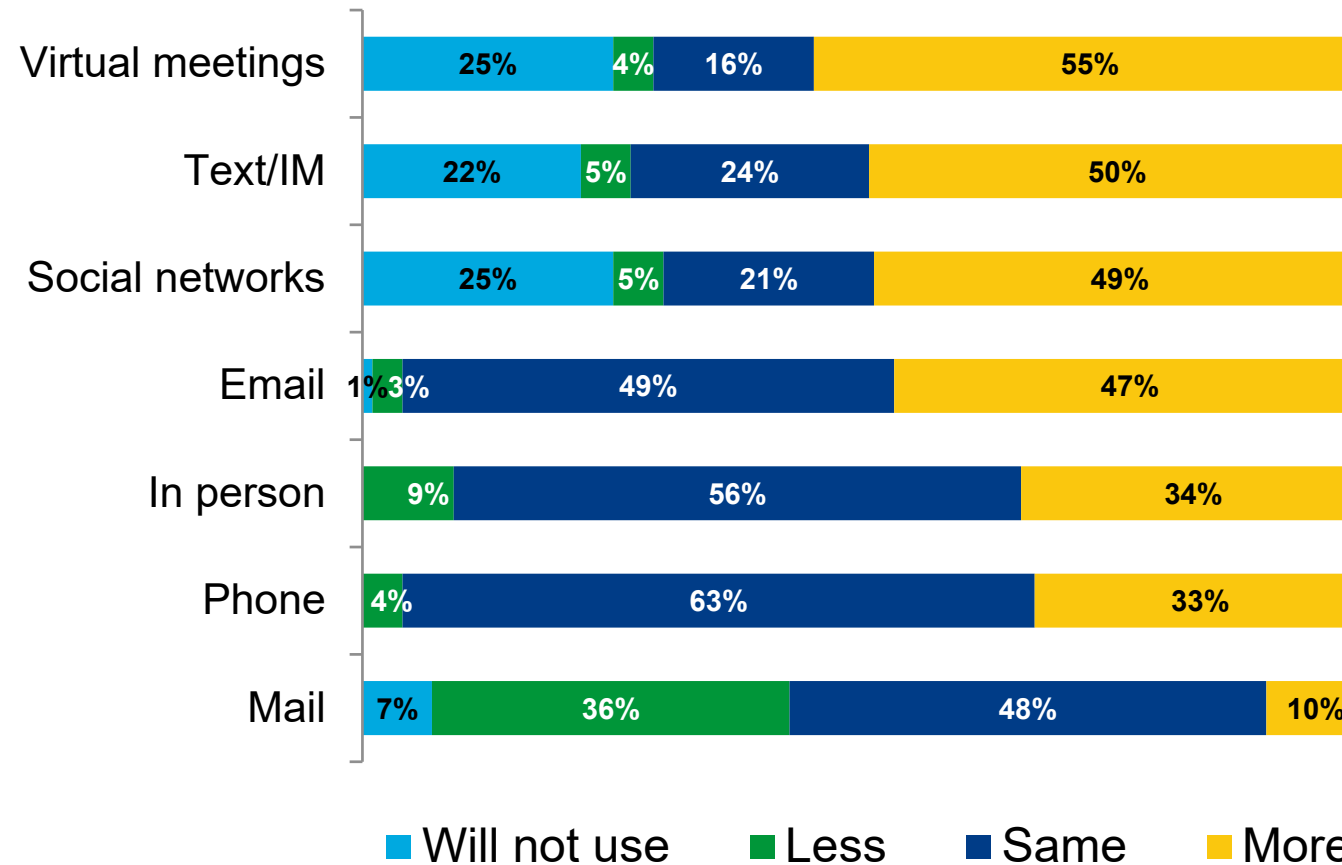


Practice  
management



Insurance  
planning

# Plans for Future Client Engagement Strategies





# Structured approach to positioning your value proposition



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# On Solid Ground

- What is your target market?
- What is the most effective way to connect with it?
- How will you distinguish yourself in a blurring world?
- Is your value-proposition sustainable?
- Are you embracing customer centricity?
- *Are you client obsessed?*

**If you don't like change . . .**

**You're really not going to like irrelevance.**



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