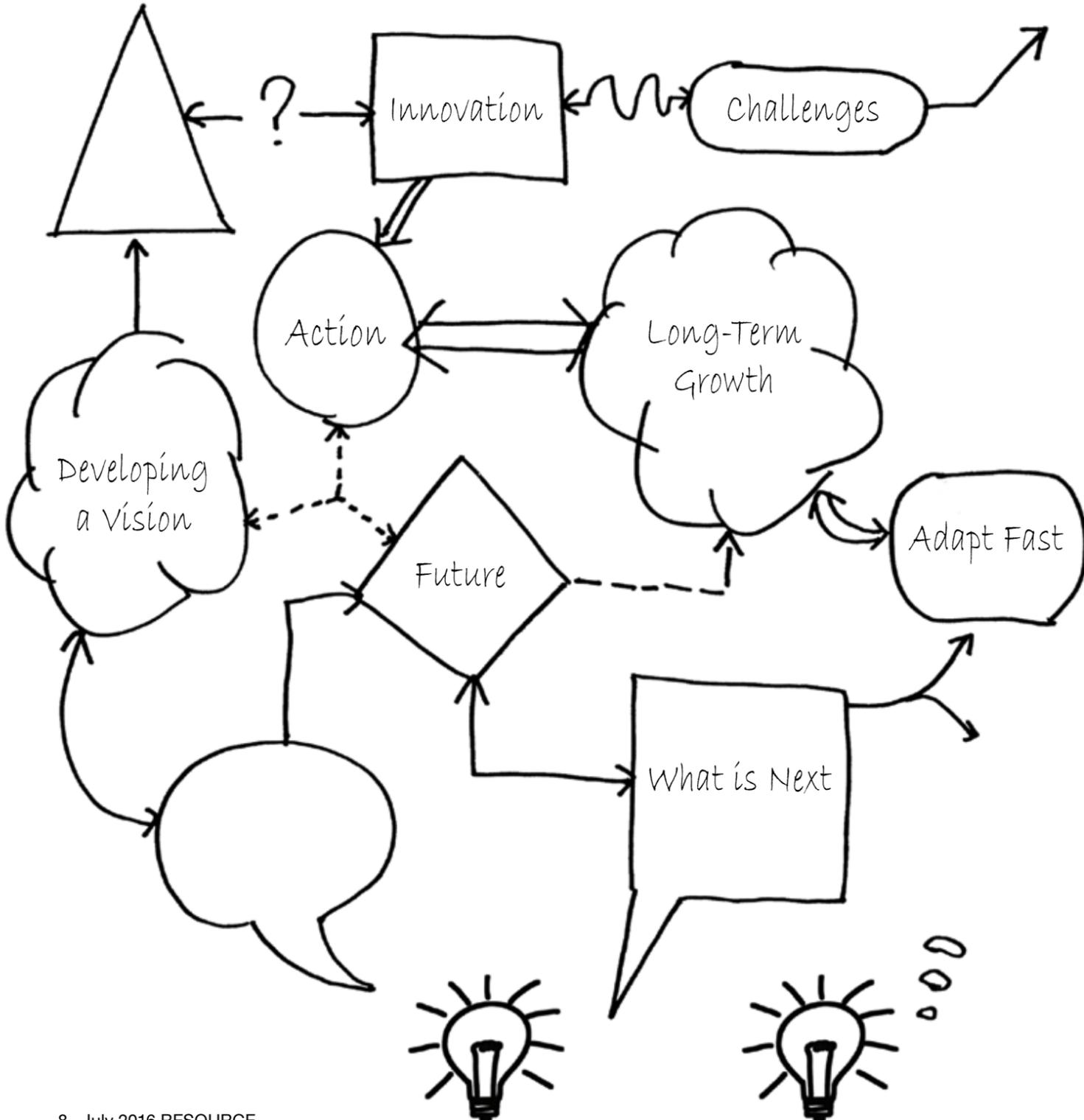


# THE CHANGING INDUSTRY

## Life Insurance Conference Report

By Tammy McInturff Appel



At the 2016 Life Insurance Conference, industry leaders discussed important issues and strategies that will shape the future of the industry.

The insurance industry is facing a lot of challenges, but those challenges can also bring opportunities. The 2016 Life Insurance Conference provided a unique opportunity for different disciplines to come together and discuss important issues and strategies that will shape the industry’s future. During the conference, industry leaders shared forward-thinking ideas and strategies for long-term customer engagement and discussed product innovation, distribution, markets, technology, administration and regulation.

The industry is continuing to undergo drastic changes driven by demographics, technology, economic conditions and changing customer expectations. Insurance companies have to remain agile to keep themselves viable. At this year’s Life Insurance Conference, speakers offered fresh new ideas and advice, leaving attendees with a wealth of information that could help change how they do business. Here are some of the highlights from this year’s conference.

### Harnessing Innovation

Today, innovation is an absolute necessity to survive. Entrepreneur, keynote speaker and bestselling author, Josh Linkner discussed innovation and how to turn raw ideas into powerful results. Linkner has founded several companies including ePrize, an interactive promotion agency, where he served as CEO and Executive Chairman.

Disrupt or be disrupted, that was the message Linkner delivered to attendees at this year’s Life Insurance Conference. He discussed how innovation is really everyone’s job. “We often think about innovation as giant product breakthroughs and that may not be what your role is in your company today,” he said. “You don’t have to be wearing a lab coat to be innovative. Innovation transcends writing code and coming up with cool products or marketing slogans. Innovation is something that we can use on a daily basis even tackling the most mundane business challenges.”

According to Linkner, Beagle Street, a company in London, England, found an innovative way to help its customers. The company discovered that many times when a person passed away that was a client of Beagle Street the family had trouble locating all the documents and processing the claims on time. “Beagle Street commissioned artists and made some

really cool posters that on the front said “Enjoy Life” and on the back of the poster was all the appropriate documentation for their life insurance policy,” Linkner said. “The idea was the client could give the art work to a loved one which could be displayed in their house and then when the time comes that they need the documentation they know where to find it. This is very innovative.”

“The insurance industry is facing a whole new segment of challenges in fact we may argue that our industry is in midst of a massive upheaval,” Linkner said. “Today, we live in the world of dizzying speed, exponential complexity, and ruthless competition. There are so many factors between regulatory burdens, shifting demographics, new product types, and it all just makes your head spin.”

Life insurers are still working on how to best serve Millennials. “Millennials are more than twice as likely than other generations to buy insurance online, however most who do are not satisfied with the buying experience,” he said. Linkner believes the answer to selling to Millennials lies in technology and innovation. “Currently, there is a real disconnect between the experience that Millennials expect and what the industry is currently providing. It isn’t about lack of understanding or lack of desire to purchase life insurance,” he said. “The issue isn’t will there be customers; the issue is will we be the ones to serve their needs.”

Linkner reminded attendees of several large companies like Blockbuster, Pan Am, and Circuit City that were once dominant players in their market but are now a dead brand because they failed to innovate and adapt. “Blockbuster had the chance to buy NetFlix on three separate occasions,” he said. “At one point the price tag was only \$50 million and Blockbuster invested the same amount in more retail stores. I could probably give you 100 examples like this one. Unfortunately, that pattern is so common that we can’t become intoxicated by our own success. It is incumbent to us as leaders in the industry to be that source of disruption rather than have it thrust upon us.”



No matter how big our balance sheet, none of us are immune to the disruption in the world. Linkner gave an example of how Dollar Shave Club is disrupting the shaving market that has long been dominated by Gillette. “Gillette has 70 percent of the market share and billions of dollars in capital behind its brand but two entrepreneurs have taken them head-on, not by having more money, but by being more creative,” he said. “Dollar Shave Club made a very creative video, posted it on YouTube, the video went viral and by the end of its first week had been seen by over three million people around the world. Also by the end of the week, Dollar Shave Club had 17,000 paid customers, the company had just launched a 60-million-dollar business in a mature industry, with a dominate market leader, in a commodity field, at a tiny price point, with no product innovation. Think about that type of disruption being thrust on Gillette. This presents the biggest threat and the biggest opportunity for all of us. Today we all have to be thinking as entrepreneurs or innovators no matter what our role or title is at our company. These are the skills that we need to compete in this fist biting industry today. They are no longer nice to haves they are mission critical.”

### Innovation in Action

Linkner has written several books and interviewed people from over 200 companies, including CEOs, billionaires, artists, musicians, and military leaders. From his research, he shared the five obsessions of innovators. “The first obsession of the most innovative people and companies is curiosity,” Linkner said. “Curiosity is very much the building block of creativity. So the more curious you are, the more creative you become. From a practical standpoint, what I would encourage you to do when you are facing a problem or a challenge is pause for a moment before making the most obvious choice. See if you can take a step back and ask questions like: why, what if, and why not, because when you ask these questions it forces you to challenge your intellectualism. It forces you to imagine what can be instead of just what already is.”

### What is Next

The second obsession of the most innovative people and companies is a real craving for what is next. Linkner said this can be a hard concept for a mature industry like insurance to really grasp. “If we want to truly seize our full potential, there is a need to let go of what was in favor of what can be,” he said. “We are living in a rate of change like none other in history. The patterns of the past may or may not be the best route forward. It is incumbent on us to let go of the past so that we can examine what is the right solution in the context of today’s challenges, today’s threats and today’s opportunities.”



The shelf life of your best practices may be shorter than you think. It is our job to come up with next practices. How can you evolve your everyday best practices and improve them?”

Linkner gave an example of how a hospital in Detroit, Michigan, took an innovative approach. He showed the audience a picture of the inside of the hospital which looked much more like a nice hotel or an upscale shopping mall. The hospital was designed with hospitality and wellness in mind and includes a lot of greenery and trees. Inside the hospital there is a gym, yoga studio, and spa. There is also a demonstration kitchen. “The food is so good at the hospital cafeteria that people come by from the nearby community to eat there even if they don’t have a patient at the facility,” Linkner said. “This gorgeous new hospital is one of the highest grossing hospitals per square foot of any medical facility in North America.”

### Moving Beyond Tradition

The third obsession of innovative people and companies is around defiance. “When you see a traditional approach ask yourself is there a way instead to defy it,” Linkner said. “To illustrate this, think about a good old-fashioned glazed doughnut. It is the symbol of the commodity, same ingredients, same flavor, there is an unlimited supply and no matter where you go and they are usually less than a dollar each. Dominique, a French trained pastry chef thought about how there has been no innovation in this boring world of doughnuts. It is a huge 12 billion-dollar-a-year industry in North America. Dominique decided to layer a little innovation on top of a commodity to see if he could come up with a better outcome. He invented something called the cronut, which is basically like a croissant and a doughnut combined. They come in fun flavors like strawberry marzipan and lemon maple but instead of being about 50 cents each they are five dollars each. Think about that for a minute, his marketing costs aren’t higher, nor are his distribution costs but he is enjoying a tenfold improvement in revenue.”

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— Josh Linkner

### Do More with Less

His New York City store has a line around the block seven days a week. People routinely wait in line for an hour or more, often to be turned down because he is sold out. This is a playful example, but I think it is an important one. We can all layer a little extra innovation on top of what we already have today. It won’t take ten times the effort but it certainly could have ten times the result.”

Amazon Dash is another example of great innovation. “Amazon came up with a pretty simple technology that allows customers to place a button in their kitchen or laundry room so that once they run out of paper towels or laundry detergent, they can press the button and it automatically connects to your Wi-Fi and your Amazon account and orders your favorite detergent and it ships to your door overnight,” Linkner said.

Linkner gave several other examples of companies being innovative by defying traditions. One example was of a children’s hospital at the University of Pittsburg. According to Linkner, the leaders of the hospital wanted to create a better experience for their patients. They came up with the idea of having the window washers dress up as superheroes. The cost to the hospital was zero. “The cleaning company was more than happy to pay for the superhero costumes,” he said. “Now the kids at the hospital look forward to this for days and it is also given new meaning to the work that the window washers are doing. It took a fairly mundane task and made it more meaningful. These types of innovations are around us all the time, if we are willing to innovate and defy tradition.”

The fourth obsession of the most innovative people and companies is they get scrappy; in other words, they are able to do more with less. “Getting scrappy is solving a complex problem in an unorthodox way with limited resources,” Linkner said. “That is the type of mentality that is needed to stand out in these highly competitive times.”

Linkner shared a personal example of getting scrappy. When he was building one of his businesses they had the opportunity to do business with United Airlines. Linkner’s company was responsible for doing online promotions, sweepstakes and instant win games but in addition to being responsible for the technology for the contests they also had to know the rules and regulations involved with running a sweepstakes. United Airlines hired Linkner’s company to build a sweepstakes where the grand prize was one million dollars and their customers had to be able to enter from a number of different countries around the world. “When we got into the research we realized that in Brazil, which had to be an eligible country, a drawing of this type by law had to come on Brazilian soil,” Linkner said. “We also found out that by law in Australia this type of drawing has to be done within the physical boundaries of Australia. This was a massive problem. We were a little tech company, we didn’t have two, one million dollar prizes to give away. The answer to the problem came from an individual team contributor in our legal department. Her idea was to do the drawing at the Brazilian embassy in Australia; technically it is Brazilian soil and technically within the boundaries of Australia. It saved my company and the only thing I did was create an environment where team members felt safe to share their ideas.”

The biggest blocker to creative thinking has nothing to do with actual talent, according to Linkner. “If you as a leader create an environment where people feel safe sharing their ideas you will be blown away with what comes to the surface,” he said. “Too often companies put platitudes in their motto like ‘we celebrate innovation,’ but when someone shows up with an idea they harshly punish them. The more you create a safe environment, the more you allow people to get scrappy, the more chances you will have to win. When you find yourself in a resource strained situation let your own creativity make up for the difference.”



Josh Linkner

# “We need to throw out the old assumptions in favor of thinking differently.”

— James T. Morris, FSA, Chairman, President and CEO, Pacific Life Insurance Company

## Adapt Fast

The final obsession of creative people and companies is that they adapt fast. “Now is the time to seize the enormous opportunities that are waiting for all of us here in the insurance business,” said Linkner. He gave a final example that embodied all the philosophies that he discussed, an entrepreneur named Tom Lix who started a whiskey company after failing at a previous venture. “Tom quickly ran into a massive problem, in order to make whiskey you have to age it in charred oak wood barrels for a decade or more,” Linkner said. “Tom didn’t have a decade, his previous venture had failed and he was close to losing his house. He had to embrace these five obsessions of innovators. First he got curious. Why does whiskey need to behave this way? What if we tried something totally different? He decided to defy tradition and get scrappy. He didn’t have massive resources. He had to adapt fast because time was not on his side. So instead of putting whiskey into barrels Tom decided to put the barrels into the whiskey. He takes big stainless steel tanks and puts raw whiskey in and chops up pieces of the barrel and tosses it in with the whiskey.

Next he applies pressure, since the wood is very porous when you apply pressure it soaks up the liquid; when you release the pressure the liquid comes back out and picks up the flavor of the wood. So instead of making great whiskey in a decade or more, Tom is now making it in a week. He doesn’t hide that fact either, instead he makes it part of his brand and instead of being the cheapest brand out there he is one of the most expensive charging a 30 percent premium. His whiskey, called Cleveland Whiskey named after his hometown, is the hottest whiskey brand out there. It is flying off the shelves.”

## Innovating for Long-Term Growth

James T. Morris, FSA, Chairman, President and CEO, Pacific Life Insurance Company, discussed innovation and how Pacific Life is focusing on innovation for long-term growth.

“Our industry today is facing some pretty challenging times,” he said. “We have tremendous shifts, economic change, demographic change and there is the highest level of unmet financial security needs. This environment is invigorating and challenging. There is a narrative playing out that we are not only going to get to see we are going to get to participate in and I find this very motivating. There are lots of catalysts for change, motivations to think opportunistically and very differently and the results of this kind of thinking and environment are going to be exciting not just for Pacific Life and not just for the industry, but for everyone.”

“Today there is a great need to think differently,” Morris said. “We use a lot of the great LIMRA research to try to define the current challenges and opportunities. We have an ongoing narrative amongst ourselves and with our board focusing on it from both the consumer side as well as from the producer or advisor side. We all know that life insurance in the U.S. has been on the steady decline since the 1960s and it is at a low point. There are many reasons for that including affordability, decreasing concern for coverage, cultural shifts, product complexity and process complexity.”

“As a result of all these trends the total gap across all consumer groups including the affluent and mass affluent is estimated to be about 15 trillion dollars which is almost the same amount of total coverage that exists today and even if this estimate is high, even if it is half of that, it still presents an enormous opportunity,” Morris said. “How do we think differently and innovate in order to capitalize on the opportunity? Experts differentiate types of innovation between sustained innovation and disruptive innovation.

Sustained innovation makes good products better in the eye of consumers with new features, new sales concepts or new service capabilities. Disruptive innovation is often talked about as a new entry that redefines the way things are done in some small part of the market.”

“At Pacific Life, we have many debates about how likely and how fast the insurance industry might be Uberized by some new entry be it a new distributor or manufacturer,” he added. “Are we ripe for an innovator to invade or should we carry on with business as usual? The reality is probably somewhere in between.”

Morris said he has been in the business for 34 years and remembers the strong changes that the industry faced in the 1980s in some of the same categories like economics and demographics. “Just like in the ‘80s, all the catalysts to change are strong today. We need to throw out the old assumptions in favor of thinking differently. We also need to get back to our roots and remember that our customers come to us for protection, life insurance protection.”

“There are many ways that we can innovate and use technology,” Morris said. “To attack the key reasons for coverage gaps our energies are centered on cultural shifts, marketing approaches and process and product complexity. And through a lot of research that we have done we have honed in on several consumer themes that our strategies must address. First, speed and focus, consumers may not have the attention span that they once did but they certainly need attention and it has to be delivered more efficiently than ever before. I’m consistently amazed by how knowledgeable and how worldly today’s successful young consumers are. We may have less time to make our case today with them because in today’s web based, sound bite world, they expect every issue to be delivered quickly but they do love quality information, well delivered.”

“When you think about today’s culture of social media it is all about expanding one’s network or relationships and taking advice from people you know and trust,” he added. “Relationships are more important today, not less important.”

Morris said that Pacific Life understands that today’s families need flexibility and solutions need to be adaptable to families’ changes. He said that Pacific Life also understands that alignment is the key to creating new strategies. “Keeping all of those themes in mind, we have embarked on a number of new approaches,” he said. “From a marketing perspective we are going to keep our focus on the highly affluent and we have embarked on an Omni channel experience. It is a work in progress but our strategy is to create insurance awareness through targeted lifestyle websites and leveraging online visual learning tools that have received great feedback. We are also developing a robust Pacific Life sales and marketing desk to provide leads where appropriate to producers. We have also embarked on product simplification, and then probably the most challenging and still a work in progress,



is process simplification. And then lastly distribution—there might be portion of direct to consumer opportunities in some of these uncertain markets but primarily producers will benefit from our efforts to identify new customers for them, and in that regard we are already having successful arrangements with some adjacent sales groups adjacent to our core groups like broker dealers, banks and property and casualty firms.”

Morris said to help meet its goals Pacific Life has brought in some new talent and is also trying to leverage and energize existing talent. “We are trying to get our employees working together in ways that they maybe haven’t been working together previously,” he said. “We’ve done a lot to leverage that with innovation spaces.”

## Developing a Vision

Popular motivational keynote speaker and author, Marilyn Sherman discussed how to develop a vision, achieve your goals and employ a no more excuses mindset. “I believe that life is one big venue and we have choices as to where we sit in this venue of life—the balcony, general admission or the front row,” Sherman said. “Balcony seats are not good seats. People are in balcony relationships, balcony jobs, balcony attitudes. These are people who are not engaged. Then there is the general admission seat which is where most people sit. General admission people are living life in their comfort zone. Everything is sort of going fine, things are not bad but they aren’t great either. If you live and work in a place of general admission, then you will find yourself in a rut and you don’t even know it. None of us can afford to live anywhere near mediocrity because our competition will pass us right by.”

“Living life in the front row also means that you have to invest in yourself,” said Sherman. “Everyone has many different areas in their life or as I like to call them chairs, you have your work chair, your health chair, your relationship chair, friendship chair, faith chair, attitude chair, etc. Take a look at each of these chairs that you sit in every day and ask yourself, am I living to the fullest? Am I living in a way that I would describe as the front row? Only you can determine that and it is all about the choices that you and I make every day.”



Marilyn Sherman

Sherman discussed some of the traits that all successful leaders have, one is to have a vision. “Where do you see yourself next week, next month or next year? Create a vision and then act on it. There are four musts in doing this, first is be outrageous. Write down 101 goals, think of what you would do if you had no obstacles,” she said. “Be specific when you are setting your goals and your vision. Make sure that when you make goals and visions that they are believable to you because there are some negative people in the world that when you open your heart to what your intentions are these people will do everything to bring you down.”

Sherman gave a personal example of a rough travel day that she had where she was wearing uncomfortable shoes while flying, during a layover she had to walk an incredible amount because she left her book at one gate and her purse at another gate. With throbbing feet, she sat at her final gate admittedly wallowing in self-pity when she noticed a crowd gathered silently looking at a window. They were all watching a flag draped casket being pulled out from an aircraft while the airport grounds crew stood saluting it. Sherman said at that moment she felt an enormous amount of gratitude for the fallen soldier that she had never met. She also realized how small her problems were that day and in that moment her feet no longer hurt. “When you shift your perspective it shifts everything,” she said. “You can’t walk in gratitude and sit in self-pity at the same time. If there is anything that you are experiencing that does not serve you—anger, frustration, jealousy, resentment, all of those things that do not serve you or your customers find a way to get gratitude.”

“Take your job seriously but take yourself lightly.” Sherman gave the example of a nine-year-old boy, Lin Hao who saved two of his classmates by going back in the school and carrying them out after an earthquake damaged their school. Then he led his classmates in songs to keep them calm until the adults arrived. “It was unbelievable leadership from a nine-year-old boy. When he was later interviewed by reporters they asked why he went back into the school to save his classmates and he said, ‘I was the hall monitor, it was my job to look after my classmates...’ He took his job seriously. He didn’t wait for a committee or for someone to tell him what to do he just did his job. Today we need to nurture and cultivate relationships; make phone calls and follow up with people.”

Echoing Linkner, Sherman said that successful front row people are curious. “Front row people are constantly learning because they are curious,” Sherman said. “Be sincere about your curiosity about other people, who they are and what their



needs are. Also having an optimistic attitude is important. People do business with people that they like and people like people who have an optimistic attitude.”

Sherman gave an example of how the Ritz Carlton hotel chain has the philosophy that they are ladies and gentleman serving ladies and gentleman. One particular family was wowed by their service at the Ritz Carlton after their child forgot his favorite stuffed toy. The dad called the hotel to try and locate the toy. Not only did the hotel locate the toy before shipping it home, an employee took pictures of it getting a massage and lounging by the pool and sent them to the dad. He was then able to show the pictures to his son and tell him that the toy before shipping it home, was just extending his vacation. It didn’t cost a lot of money for the Ritz Carlton to do this but it wowed the customer. “The Ritz Carlton has created a culture where its employees feel empowered to do whatever they can to make their guests feel welcomed,” Sherman said.

Another trait of successful leaders is having a servant’s heart. “My parents taught me how important it is to have a servant’s heart,” she said. “She added, ‘Every Saturday that we are in town we go down to Catholic Charities and volunteer and our theme is to serve with joy and dignity, and when you come from a place of service, you don’t have any judgment of how they receive it,’ Sherman said.

“Start every day with a dose of inspiration. What signs are on your wall; what messages are you looking at? Dr. Wayne Dyer used to say, ‘we lean toward and become what is ever most in our minds.’ What kind of positive messages are you seeing consciously and subconsciously about how you can be more positive and live your life in the front row,” she said. “Make some positive choices and realize that nothing good happens from the balcony. It is all about living in the front row.”

**“Today, we live in the world of dizzying speed, exponential complexity, and ruthless competition.”** — Josh Linkner

**“We cannot push the lifespan much forward from where we are today without focusing on slowing the aging process.”**

— S. Jay Olshansky, Professor, School of Public Health, University of Illinois at Chicago

### Lifespan and Longevity

S. Jay Olshansky, Ph.D., a Professor in the School of Public Health at the University of Illinois at Chicago, discussed the challenges of predicting lifespan, healthspan and the future of aging and longevity. Olshansky is also a Research Associate at both the Center on Aging at the University of Chicago and the London School of Hygiene and Tropical Medicine. The focus of his research has been on estimating the upper limits of human longevity and the health and public policy implications associated with individual and population aging; as well as the pursuit of the scientific means to slow down the aging process in humans.

Olshansky explained that while science and medicine has made great strides in tackling diseases like cancer and heart disease in the past 100 years, we will be hard pressed to increase lifespan, or more importantly healthspan, simply by tackling diseases.

He further explained that even if we are able to virtually eliminate cancer, heart disease, and stroke, aging will kill us anyway. “The basic biological process of aging that progresses irrespective of what happens we still grow old and we still die,” he said. “I’m sorry to say that it won’t be

at ages of much higher than where we are now. We have to be aware of this; these projections of life expectancy of 100 and 150 are complete nonsense. It is not going to happen.”

He compared the human body to a race car that was designed to make it to the end of the race. “The human body was not built to last,” he said. “We were built to make it to reproduction, after which point the risk of death increases.”

Olshansky argued that research to delay aging is a better investment if we want to increase longevity and healthspan rather than simply focusing on disease research like heart disease and cancer. If we continue to only focus on reducing the risk of heart attacks, strokes and cancer, something else will come along to take its place. “We cannot push the lifespan much forward from where we are today without focusing on slowing the aging process. Today my colleagues and I are doing research not on how we can live longer but on how we can live healthier lives not by going after diseases but by going after the biological process of aging itself,” he said.

“There are lots of exciting things that are happening in the world of biology and medical science today like germ line modification, therapeutic cloning and genetic engineering to treat or eliminate diseases,” Olshansky said. “It sounds great except none of these interventions influences the biological process of aging. These are bandages that we are putting on our bodies. The biological process of aging is at the center of almost everything that goes wrong with us as we grow old so this is the reason why we go after aging itself.”

Olshansky is also the co-founder and chief scientist for Lapetus Solutions, a science and technology growth company that is dedicated to creating products and services that will revolutionize the prediction of life events. He demonstrated how it is possible to underwrite a person in a matter of a minute using facial analytics technology. He argued that the blood chemistry that is used in the underwriting processes today is not nearly as reliable as we think it is, adding that this type of technology eliminates the need for invasive medical exams while saving time, money and complicated paperwork. ❖



S. Jay Olshansky