



INDUSTRY RESET

ADDING A DIGITAL DISTRIBUTION CHAIN

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The Internet has changed how we buy everything, and the push for the insurance industry to join the digital age is stronger than ever. Change is inevitable as the insurance industry restructures its distribution chain from a business-to-business to a consumer-centric model.

In this new consumer-focused model, easily accessible vendor information and simple online purchases have altered the traditional face-to-face role of health insurance brokers and third-party financial service consultants. Consumers are more informed about products through extensive online product research, and consider brokers and third-party consultants as a valuable source of information – but they are no longer the single source of information as they once were under the more traditional model.ⁱ

Although industry roles and distribution channels are changing, insurance carriers and brokers should not resist the change. Instead, the industry should try to understand and take advantage of the opportunity that the technology revolution presents – new outlets and ways to expand our business. The quicker we join the revolution, the better. Insurance professionals who embrace the change sooner may enjoy a competitive advantage, but we all must welcome innovative ideas and creative partnerships to achieve and maintain continued success.ⁱⁱ

Today's typical consumer is accustomed to obtaining information through a variety of sources, almost instantaneously. According to a LIMRA study, 61% of consumers gather information online about insurance and other financial services before they purchase, and are likely to return to the Internet to document the experience, whether through social media or review websites.ⁱⁱⁱ This means, at the very

least, modern-day insurance businesses must have a strong online presence to stay relevant.

Other shopping preferences include the transparency of direct consumer outlets and the convenience of online shopping. Direct consumer outlets, such as Amazon.com and Overstock.com, have long since forced brick-and-mortar retailers to modify distribution with online stores and easy-to-navigate shopping experiences. Similarly, the insurance industry is adapting to market demands to effectively engage consumers with the right online tools.

Technology is at the forefront of this revolution. Software, apps, and devices are now a part of our daily lives, and working themselves into the health industry with promises of prevention, simplicity, and beneficial use of data analytics. Technology is now helping individuals track fitness to stay healthier, and helping benefit administrators enroll employees into group coverage with just a few clicks. Eight technology companies on the 2013 *Fortune* 500 list are now entering the healthcare industry,^{iv} illustrating both a great demand and opportunity for technology in the health and insurance industries.

Furthermore, healthcare reform has accelerated the new customer-centered model for health insurance professionals, and has increased the popularity of online health insurance marketplaces. Kaiser Family Foundation predicts a 13% increase in employers adopting a private exchange approach to employee benefits within the next two years.^v

Distribution expansion does not require an insurance company to abandon current business practices and platforms, nor will your business have to absorb a digital start-up company to meet the market

demands of the new digital storefront. Instead of a buyout, a marketing collaboration with a digital savvy partner or start-up company might be a better option.^{vi} Strategic partnerships for digital distribution should:

- ▶ Enhance the consumer's overall experience.
- ▶ Include easy-to-use and highly secure technology or software for a convenient and safe online purchase, distribution, or both.
- ▶ Provide clear and transparent product/plan information.
- ▶ Expand market opportunity or present a unique product offer.

At Starmount Life Insurance, we saw the need for a change in the distribution chain, and started exploring different opportunities with our in-house IT department. We developed three unique, insurance-selling websites with a single-product focus, available online to consumers and featuring instant-automated policy issuance. Customers can easily and securely buy an individual policy online, and immediately view and download their policies.

Starmount had products and the technology to distribute directly to consumers. However, we wanted to extend our reach and find more

ways to engage consumers. So we created the capability to customize links for business partners and health insurance brokers seeking to expand their online product portfolio and revenue stream by offering our individual products.

Through our ICMG membership, Starmount Life pursued strategic partnerships with other innovative-minded professionals, resulting in relationships that extended our reach and substantially increased sales with our individual dental and vision and accidental death and dismemberment insurance. We recently launched a third instant-issue website for our Youth Life PlanSM, modified whole life insurance, and have received the same positive results.

Our experience encourages us to continue our digital developments and search for mutually beneficial business partnerships to expand our distribution and maximize our reach. As long as our partnerships continue to use technology to deliver enhanced consumer-driven solutions, we expect the move to a digital distribution chain to be advantageous for our customers and partners alike. ■

ⁱLeary, Patrick T. "Distribution Expansion – Now Is The Time." LIMRA's MarketFacts Quarterly, Number 4, 2014.

ⁱⁱHersch, Warren S. "7 Trends that will change the way we sell life insurance in 2015." Life Health Pro. January 12, 2015.

ⁱⁱⁱStudy Consumer Internet Use for Insurance, LIMRA, October 2012

^{iv}Healthcare's new entrants: Who will be the industry's Amazon.com?" PwC Health Research Institute. April 2004.

^vFeyman, Yevgeniy. "Are Private Exchanges The Future Of Health Insurance?" Forbes. October 15, 2014.

^{vi}Dougherty, Conor. "Insurance via Internet Is Squeezing Agents." The New York Times. January 18, 2015.

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