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Closing the Protection Gap in the Middle Market and Beyond



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After focusing almost exclusively on upper income markets, many life insurers are looking to the middle market for growth. With an estimated \$10 trillion protection gap, this market offers potential for carriers who can adjust to new distribution paradigms and use data and technology to make the buying process simple and fast.

SCOR works with several carriers now, helping them reinvent underwriting with minimal or no mortality slipage. Velogica, our automated underwriting platform, has processed more than 2 million life insurance applications in the simplified issue space. We are confident that these processes can extend to more affluent buyers. This is important because a protection gap exists in both middle and upper income markets. These markets are different but not mutually exclusive. Both need a buying process that is faster and easier than it is today. We need to combine the learnings from automating underwriting in the simplified issue arena with new data sources and technology to radically improve the buying experience in more affluent markets. As this occurs, the distinction between simplified issue and traditional issue will fade.

Closing the Protection Gap with Data and Technology

A big reason for missed sales in both the middle and upper income markets is that the existing process is so cumbersome for potential sellers of life insurance that they choose not to participate. We need a distribution paradigm enabled

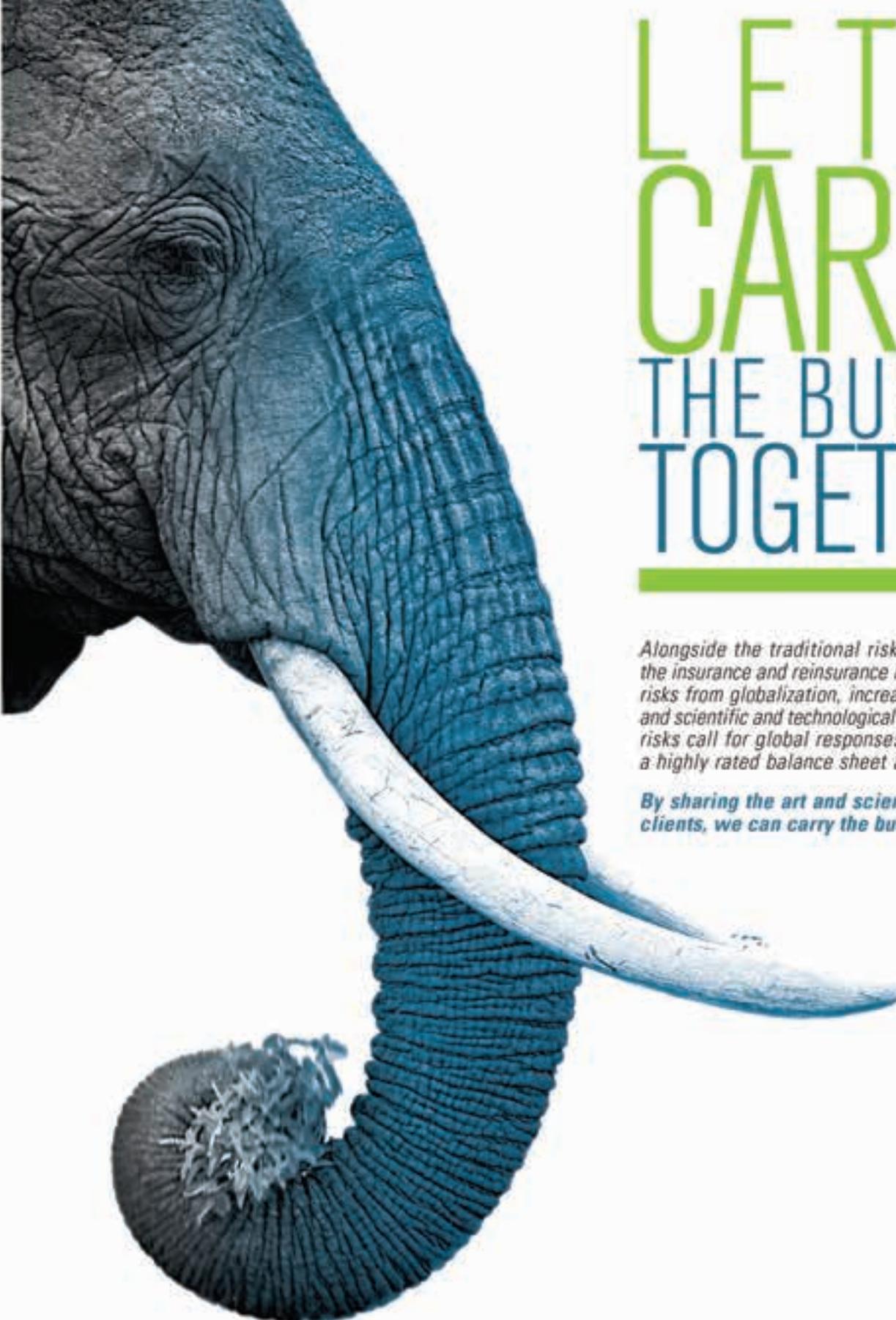
by a product and process that is quick and easy while still providing a competitive value proposition to the consumer. By quick I mean a large majority of cases should be completed at the point of sale with the entire process taking less than 15 minutes. Products and applications can be developed that are easier to understand and contain less industry jargon.

While we currently have good data available instantly, new sources that can provide more information are coming online or in the final stages of development. To be successful, we need to build processes to capture these data sources electronically and have an algorithm sophisticated enough to process multiple sources of information, correlate all of it and make the proper, nuanced risk decision in real time.

Plotting the Transitions

It's easy to image a future end-state—instant information on all applicants enabling decisions that are as good if not better than ones made using existing processes. A more complicated and interesting exercise is plotting the transitions we have to make over the next few years to get there. The path forward is likely to vary for each company as they consider their distribution, current product needs and the state of existing systems and processes. While some may want to develop and own all aspect of these new processes, the size and complexity of the endeavor will lead many carriers to look for one or even multiple partners to facilitate the effort. Having an alignment of parties will be key—distribution, insurer and (perhaps) a reinsurer with experience and know-how so the new underwriting paradigm can be successfully deployed.





LET'S CARRY THE BURDEN TOGETHER

Alongside the traditional risks of Mother Nature, the insurance and reinsurance industry is facing new risks from globalization, increased interconnections and scientific and technological developments. Global risks call for global responses. At SCOR, we offer a highly rated balance sheet and global franchise.

By sharing the art and science of risk with our clients, we can carry the burden.

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