Appian

Digital Transformation of Life Insurance Sales and Distribution Processes

Modernized Processes Attract the Best Agents and Drive Premium Growth

An efficient and effective sales and distribution program is the cornerstone of a life insurer. Yet most insurers focus their transformation efforts around operational efficiency and customer-centric service models. The blind spot of most is the window of opportunity for others.

Appian enables life insurers to take advantage of this window of opportunity by modernizing the many processes and activities within a sales and distribution program. Leveraging existing investments and modernizing processes one component at a time provides for a consistently self-funded transformation program. The transformative state is one in which an organization can command top talent to sell the right products to the right people at the right times because the organization is, quite simply, easy by design.

This document provides insight into why life insurers need to focus on sales and distribution and how Appian can be used to attract the best agents, drive new premium growth, and retain and renew existing portfolios.

INTRODUCTION

An insurance agent or broker can choose which insurer to represent. Assuming two life insurers have the same product at the same price paying roughly the same commission, which insurer would the agent or broker want to work with? The insurer with whom it is easier to do business.

The situation of an agent or broker choosing between two companies, multiplied by thousands of agents and brokers doing the same thing, is what can make or break an insurer since sales and distribution is the cornerstone of an insurance company. Without sales, there are no customers that need service or operational support. The steady stream of new business and retention of existing business flattens or even falls.

The stakes here are high yet the traditional work processes for managing the agent lifecycle, matching leads and customer needs to products as well as retaining, converting and right-selling customers, remain inefficient and ineffective. Islands of inflexible software systems that do not communicate with each other have caused us to create layers of manual work-arounds. In order to connect the dots needed to get work done, sales and sales support resources leverage tools like e-mail, spreadsheets, sticky notes and paper. This manual layer adds another level of complexity to our relationships with our agents, brokers, policyholders and colleagues. Complexity generally translates into administrative overhead that deters the best agents and brokers.

This document presents the business value of modernizing sales and distribution processes and explains how it can be done with Appian. Appian is a software solution that automates work, enabling life insurers to get the right people to sell the right products to the right person at the right time. By leveraging existing investments to deliver the needed lift, Appian is a high-speed, high-return approach to modernizing the business of insurance sales and distribution.

WHY PROCESSES ARE SUCH A CHALLENGE

An insurance sales and distribution program includes a broad number of processes and activities being executed by different teams working in different systems, in different locations and, perhaps, for different companies all together. The graphic below provides a high-level overview of the major processes that fall within the four main components of a sales and distribution program.

Lifecycle Management
Recruitment
Skills assessment
Compliance
Licensing
Training
Contracting
Commission Administration
Annual Review
Target Setting & Performance

Marketing, Leads & Needs
Proactive Marketing Ideas for Customers within Portfolio
Leads management
Prospect registration
Meeting management
Needs Assessment

Retention, Renewal, Right Sell
Retain
Renew
Event Based Sales
Portfolio Overview / Account Management

E-Application, New Business Process
Product Identification
Complete Application Forms
Submit for Pricing
Preliminary UW
Accept, Reject or Negotiate Pricing
Collect Additional UW Information

4 Main Components of Sales and Distribution Programs

The teams of resources required to support these processes and activities are both internal and external to the insurer. Internal resources might come from marketing, compliance, finance, licensing, regional sales management, IT, underwriting and claims. External resources include the obvious managing agent, producers and their administrative staff – whether exclusive or otherwise.

Separate work teams in separate locations use different IT and manual systems to execute their portion of the process. For example, finance might use the commission system, agent compliance might use e-mail, spreadsheets, and the systems of third party data providers, licensing might use spreadsheets, Microsoft Access, or another database. Managing agents, agents and brokers might use agent portals, agency management systems, quoting consolidators, salesforce.com, e-mails and spreadsheets.

It is time consuming for an insurance agent or broker to reach in through all these processes, people, and systems to get a piece of information as simple as commission owed. Multiply this one time consuming experience by the many times an agent needs to interact with the insurer for things like form changes, rate modifications, license expiry, hiring status, agent's portfolio, status of a quote or a claim, billing history for a client, etc., and it becomes obvious why the best agents and brokers gravitate towards the insurers with the best processes and systems.

THE INSURER EVERY AGENT WANTS TO REPRESENT

For the sales agent or broker working with a highly efficient insurer, reaching in for information is an option not a necessity. The insurer who modernizes with Appian bridges communication and work execution gaps between headquarters and the field. On their mobile via portal or desktop, an agent or broker can get a license renewal task automatically pushed out as expiry nears; can review commission transactions and then initiate and track an inquiry; can review their customer portfolio and drill into customer processes like a claim. The agent or broker can communicate in real time with people involved in the process via a user friendly social feature – eliminating delays and re-work associated with e-mail.

With the administrative component of the agent's or broker's day executed more efficiently, the agent or broker can further leverage Appian to help with revenue generating, sales activities. For example, Appian can alert an agent or broker to a pending renewal so they can reach out to the customer and talk through changes in life circumstances that would warrant a change in coverage or the addition of new products. Similarly, an agent or broker can be automatically alerted to a retention risk so that they can use the available data to make a determination on how to proceed and invest their time appropriately.

The value proposition of using Appian to securely bridge communication and work execution gaps in these various sales and distribution processes extends beyond premium growth. Modernizing sales and distribution processes does more than reduce cost. It directly affects the ease with which a company does business, and the attractiveness of the company as an employer or partner. A seemingly peripheral benefit is the real time visibility into performance of both field and home office staff.

Whether using Appian for one or many sales and distribution processes, the benefits will always be multi-dimensional. Below are examples of the value proposition at work.

PROCESS ENHANCEMENTS ACROSS THE SALES AND DISTRIBUTION PROGRAM

So how do you get from the current state to the insurer that all the best agents want to work for? Break down the overall program into components, identify the processes within those components, prioritize, build and operate. The examples below step through a sample process within each of the four program components to provide some visual guidance.

Lifecycle Management

Within the component of lifecycle management is the process or activity of recruiting and onboarding agents, agencies, brokers, etc. Recruiting and onboarding an agent or brokerage can take 3-6 months and can cost $300 - $1,000. If 50% of recruits drop out of the process mid-way through due to duration or inefficiency, expenses are lost as is the revenue associated with that prospect (especially if they are bringing over a portfolio). If the new hire turn-over within Year 1 is 20%, expense and cost increases along with lost sales opportunities, commission claw backs, etc. If the company is interested in attracting new talent or distribution partners, a paper-based, foggy, and long-running onboarding process works against that goal.

This cost model is somewhat driven by the way the recruiting and onboarding processes work today. Today, managing agents or partners in field sales offices go on the hunt for talent and partners. Once they find a prospect, the prospect goes through a round of interviews, a background check, license validation, etc. If the prospect's results come back short of perfect, the managing agent might need to get the home office involved. E-mails and documentation are exchanged, weeks tick by and the prospect gets lost in the process.

Adding to the consumption of time is the burden of report preparation. Recruiting systems used by agencies generally do not produce reports in the form required by headquarters and headquarters generally cannot see into field office or third party recruiting systems. To bridge the gap, agencies manually create reports in the form of spreadsheets. These spreadsheets are then exchanged with home office through email at a voluminous rate.

Appian enables a more cost effective and efficient approach to recruiting and on-boarding. Appian can easily enable an e-application that is exposed via the company website for direct entry by job seekers or via the managing agent's mobile device. A digital approach can help avoid applications not in good order (NIGO) by requiring critical pieces of information. Elimination questions can be placed up front in order to avoid cost of due diligence on a non-qualified applicant.

Publicly-available data or data from third-party sources can be automatically obtained by Appian in order to speed up the evaluation process and keep costs down. Use the data collected to assess the predictive value during the agent's annual assessment. Continue to apply elimination questions, data procured and compliance rules as the process moves forward in order to keep investment costs aligned.

E-Applications collected this way automatically become the "front door" to the longer running on-boarding process which is also enabled by Appian, coordinating activities across responsible resources throughout the on-boarding process. If a personality test or state licensing test is required and administered through a third party, results can be electronically harvested in order to keep the process automatically moving forward. Again, use this electronic data to continuously evaluate the predictive value of test scores.

Home Office or Sales Management can be automatically alerted to an activity that requires their participation. They can seamlessly access the same case and review data collected, documents collected, etc. Home Office or Sales Management can collaborate with the field office or others involved directly within the work stream to get any additional information required much faster than before.

Leverage real time reporting on the status of the application or on-boarding process – within and across offices. Eliminate the need for administrative work associated with report creation and provide the different

stakeholder groups report views relevant to their role and decision-making requirements. Re-using the electronic data entered or collected over the course of time for reporting, analysis and automatic processing will free up the time of managing agents and field agents as well as Home Office Compliance and Sales Management.

Using Appian to digitally transform agent or broker recruitment and on-boarding should deliver a large enough return on investment to fund improvement of another sales and distribution program component or process.

Leads and Needs

Within the realm of new business, leads and needs is the process or activity of helping the agent or broker sell the right product to the right person. Across most lines of business and products, customer acquisition costs eat up gains for the first three years. If the wrong product is sold to the right person and they attrite in Year 4 through lapse or replacement, we have minimal if any topline growth and we lose the opportunity for future lower cost sales. In addition to financial viability, we could have a compliance challenge around product suitability.

A compromised revenue and compliance model is driven in part by the sales model and tools. An agent may know a particular product very well and may focus on the sale of that product exclusively. In order for the agent to keep pace with product changes, they need to pro-actively pursue education or access some knowledge database where product descriptions are stored (often in a stagnant state).

This single product sale and selection bias is endorsed by the use of paper applications. These paper applications are generally structured around the selection and sale of a particular product, making the sale of a portfolio of products administratively burdensome. Commission is generally tied to the perceived value of a particular product rather than the value of the customer over the customer's life.

Appian enables a more efficient, effective and compliant sales interaction by allowing the agent or broker to start with the person in mind – not the product. Appian can enable a mobile electronic survey for the sales agent (captive or independent) that captures new information about the customer such as their financial health and goals, as well as their exposure to financial products and risk appetite. Appian can combine this information with information already in other systems to create a full customer "record" and apply mapping rules to identify high-level categories of products that could meet the needs and investment profile of the customer. Embed some suitability rules into the mapping.

Allow the customer to review the survey results, showing their needs mapped to product categories through a mobile device or an on-line link. Then the agent or broker can have a discussion about the pros and cons of product categories and specific products. When presented with their own data in the context of products that can offer financial protection, the customer may be inclined to buy more than one product.

This thinking is not necessarily new. It simply takes the on-line calculators that life insurers expose to consumers to the next logical level. The difference between what the customer needs now and what they can afford now is the basis for future sales or conversions. The data captured during the survey provides the basis for event-based sales in the future as well. Since the Appian platform enables that magical two-way communication between the field and home office, retention activities or alerts can be sent to the sales agent automatically.

Filling Out Applications
Within the component of new business is the process of having a prospective insured fill out the application for insurance. Current turnaround time for many life insurance products is 60-90 days. Much of this time delay is due to internal resources having to chase down data that was not recorded, improperly recorded or not asked

for on the paper application because the application form is old and does not include questions to meet a policy or regulatory change. In addition to the cost associated with data logistics, some prospective insureds get frustrated at the delay and take their business to another organization that invested in an e-application process.

Depending on the country and the product, compliance evaluations are conducted long after the paper application is received. Paper applications are not updated as frequently as rules and regulations change. Paper applications are not dynamic, so including all the different compliance questions on an application would make it far too voluminous. The exercise around enforcement of suitability rules and FACTA tests remains after-the-fact, rather than pro-active.

Appian enables a more efficient and effective sales process geared towards quick turn-around and well-rounded sales. An e-application can piggy-back off of the e-survey to replace the paper application. The e-application can be auto-populated and data required can be associated to the situation of the prospective customer. Content collected can be changed as the suitability rules, compliance and rating requirements change. Updates to match new policies or regulatory changes are simple.

Providing an easy way for customers to select and apply for insurance products is a win-win for the company and the prospect. Reduced turn-around time, increased likelihood of multi-product sales, and operationalized compliance rules alone can cost-justify the Appian approach. In addition, e-applications collected this way automatically become the "front door" to the longer running underwriting processes, providing visibility across the entire client life cycle.

Retain, Renew, & Convert

The component of retain, renew, and convert is the process or activity of ensuring a healthy and profitable portfolio. Retention rates in some product lines can be as low as 82%. Renewal rates can be lower. If a company can better these results by even 5%, what would it mean to growth? Yet, sales agents or brokers have no visibility into the propensity of its customer base to attrite or acquire, nor the customer's interaction with the insuring company that would otherwise alert the agent to an opportunity to save or sell. Further, the sales agent or broker generally does not have a true "CRM" system in which to store those unique characteristics of a customer that provide insight into important "life events" making it rather challenging to sell the right product at the right time.

Consider the number of customers who are canceled for non-payment of premium for reasons as simple as a change of address. Consider the lost sales opportunities when a customer calls to change their last name or beneficiary. Consider the lost revenue when a customer surrenders their entire policy when they only needed 25% of the cash surrender value to pay for university.

To improve persistency or retention and ultimately add-on revenue, consider a different approach to portfolio management. Leverage Appian to bridge the information gap caused by siloed systems for agents and brokers. Push out alerts to agents or brokers when their customer calls headquarters to find out the cash surrender value of a life product. Or, push out an alert to an agent when their customer misses a premium payment.

Provide your agents a view into their portfolio as it is represented by the policy administration, commission and claims systems. Send out "renewal" activities to an agent far enough forward of the event that the agent can

schedule time with the customer to learn about life changes that could trigger a need in their product portfolio. Consider pushing out marketing activity suggestions on a per-customer basis.

Appian can help you help your agents write more business for you whether at their desk or their mobile device by bridging the information gap. Agents (whether exclusive, independent or third-party) who are making money with a company that provides for an easy way of doing business are likely to continue working for that company.

CONCLUSION

Insurers who invest in modernizing their sales and distribution processes become easier to work with and attract the most productive agents. This is what fuels an insurance company's success.

Leveraging Appian to digitally transform the approach to sales and sales tools will deliver measureable returns. Start by implementing Appian to modernize a core process within one of the four components of the sales and distribution program. Take the cost and revenue lift and use them to fund modernization into other areas. You can start with something as simple as the development of an e-application for new agents that can be immediately deployed on your website and works natively on any mobile device. If the organization has already transformed the sales model and tools, a better place to start may be the addition of a compliance module. Start with the sanction list look up. Expand across the OFAC requirements from there.

Appian can help with the execution of any of the four key sales and distribution components enabling life insurers to get the right resource, selling the right product to the right individual at the right time.