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Remote Advice in Life Insurance: A New Route to the Customer

Financial Services Practice

Introduction

Faced with slow growth, an aging agent force and diminishing returns in the agent channel, U.S. life insurers are searching for new avenues to connect with customers and deliver their products. At the same time, consumer expectations are changing rapidly, with a preference for a personalized, streamlined, engaging and digital experience. One emerging model that addresses these twin pressures is remote advice.[1]

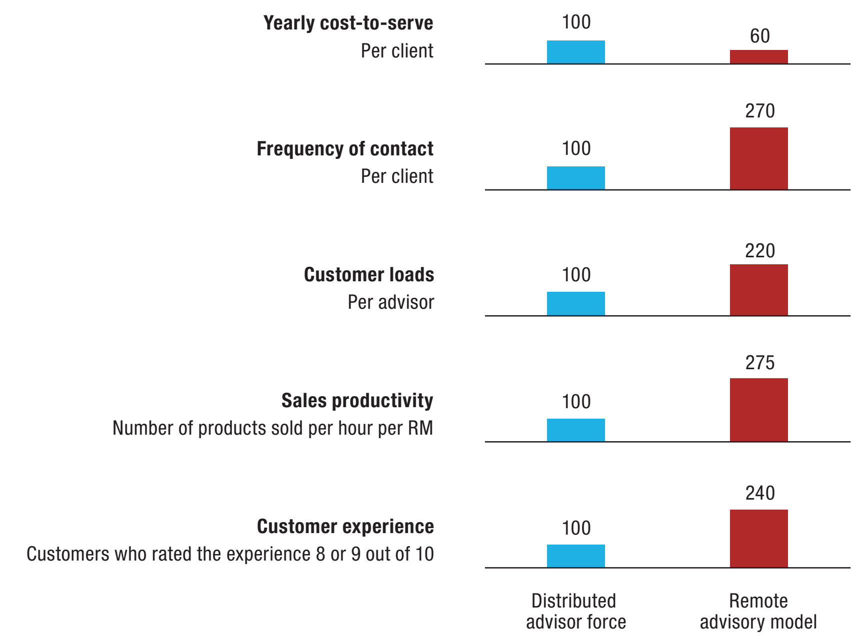
Remote advice first appeared during the 2008 economic downturn, with banks and wealth managers using the model primarily to reduce the expenses of a distributed work force. Increasingly, however, the remote model is dovetailing with client preferences. In the last couple of years, financial institutions that have launched remote advice have been able to reduce their cost to serve by 40 percent, increase the frequency of client contact by 150 percent, double customer loading, nearly triple sales productivity, and more than double the number of clients rating their experience as very positive (Exhibit 1, page 2).

[1] In an earlier paper, "Rethinking U.S. Life Insurance Distribution," May 2016, McKinsey described three new life insurance distribution models: tech-enabled face-to-face holistic planning; remote advisory; and direct management and sales.

Exhibit 1

Remote advice models have improved advisor productivity and client experience

Remote advice model impact[1]
Indexed to 100



1 Based on examples
Source: McKinsey & Company

Exhibit 2

Remote advisory models share five characteristics

1 **Quality advice at a distance**
Advisors and specialists provide high-caliber advice and information.

2 **Enhanced digital experience and seamless digital fulfillment**
Nearly all transactions are completed digitally. The hub must fully execute on recommendations advisors deliver to clients through co-browsing, online education.

3 **Central locations**
Advisors operate from one or more “main branch” locations that support interaction by phone, video chat and e-mail. Centralizing operations removes the constraints of geographically dispersed networks.

4 **Team-based support**
Clients can access a range of specialized services (e.g., protection and annuity) and receive after-hours support from team members who have full access to their accounts.

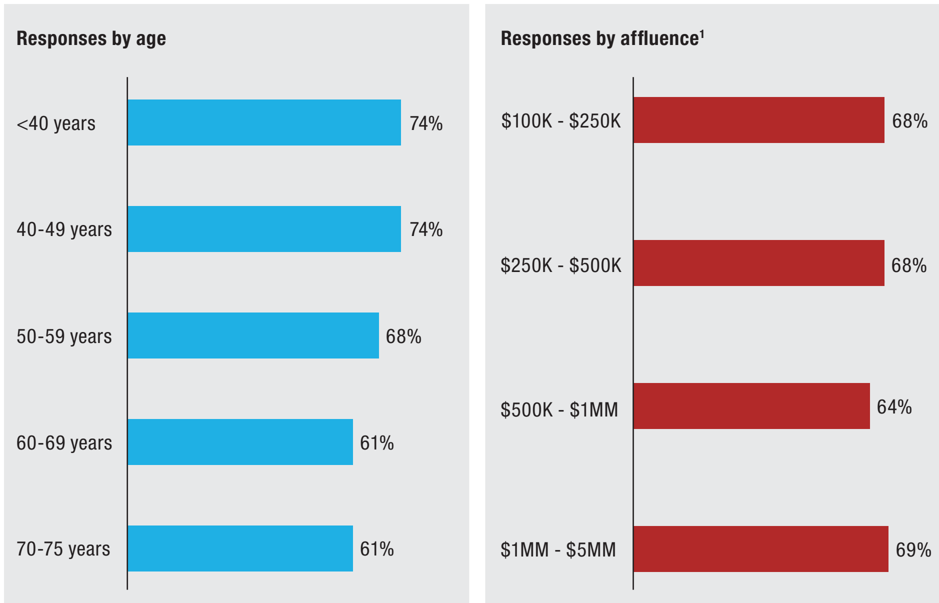
5 **Lower cost to clients**
Compared to the traditional local-agent model.

Source: McKinsey & Company

Exhibit 3

The majority of consumers, regardless of affluence or age, are comfortable with remote advice

Respondents that are somewhat through extremely comfortable
Percent



[1] Investable assets, including retirement accounts

Source: 2016 McKinsey Affluent Money in Motion Survey, n=10,023, 2014 McKinsey Affluent Consumer Insights Survey

Remote advice, in simple terms, is the provision of financial or insurance advice through all non face-to-face channels. Five characteristics set the model apart (Exhibit 2): human-based advice, an enhanced digital experience and seamless digital fulfillment, centralized locations, team-based support models and lower cost.

When well designed, remote advice also serves as a springboard for the use of advanced analytics and sophisticated marketing techniques. In this model, carriers can build, leverage and get real-time feedback on analytically advanced predictive models on lead prioritization, best time to call, or next-best product to buy. Carriers can use these models and direct and digital marketing to engage customers in a holistic way and build relationships, improving the lifetime value of those customers. Agents can be far more targeted in their efforts to engage with customers, and the remote advice interface can use profile information to recommend products across a broad range of needs.

Consumers are ready for remote advice. In recent McKinsey consumer research of affluent individuals,[2] more than 65 percent of respondents said they were comfortable with the notion of remote, human-based advice. These numbers were consistent across age groups and wealth levels (Exhibit 3).

[2] Affluent Money in Motion Consumer Research. May 2016. *Affluent* defined as consumers with $100,000 to $5 million of investable assets.

Three Remote Advice Models

There are three primary pathways to a comprehensive remote advice solution: deepening customer engagement; empowering the existing sales force; and delivering direct-to-consumer advice. The best choice among these three will depend on an insurer's current business model, existing sales force and distribution channels, and appetite for disruption.

1. Deepen relationships with existing customers to improve retention and share of wallet. Life insurers can leverage outbound calling, email campaigns and other forms of online marketing (e.g., social media, push notifications) to engage with existing customers. Interactions can be used to educate customers and provide value-added services (e.g., recommended products, portfolio reallocations). Life insurers with a large percentage of "orphan" customers or a substantial customer base, but little contact with those customers (many of whom may not even be aware they are customers), can leverage this remote advice model to rekindle relationships in an efficient and cost-effective way. Insurers can start with simple steps, such as calling small blocks of orphan clients—which helps minimize channel conflict initially. This approach can be particularly powerful with middle-market or mass affluent customers, who historically have been more likely than affluent customers to be orphaned after their initial purchase. These customers are receptive to—and often in need of—financial advice, and the remote model can make relationships with these customers more efficient and profitable. Predictive modeling can further help prioritize orphan leads to call and maximize ROI, and advanced routing can help match customers to advisors based on attributes that will increase the likelihood of a successful sale. Insurers using this model should take a highly iterative, test-and-learn approach, trying a range of tactics (e.g., different types of leads, call times, talking points, sales messages) in order to fine tune and improve conversion rates over time.

2. Create a referral center to provide field advisors with expertise. In this second approach, product specialists based in a remote center support the field force. Advisors in the field focus on conversion—warming leads, providing advice and informing customers about more complex products—but now with the help of product specialists. This model lets the field force focus on client relationships, bringing in the right specialists at the right time to provide the deep expertise that can often help close the sale. A number of property-casualty carriers and wealth managers have used this approach to sell products that are too complex for field sales agents to explain effectively.

New technologies make it simpler than ever to build a successful remote referral center. Consumers today are comfortable with video conferencing tools such as FaceTime, and tools from firms such as Vizolution enable advisors to co-browse with customers—that is, share their screen across devices and platforms, replacing the traditional face-to-face meeting.

Remote advice centers allow the insurer to take control of each stage in the decision journey and craft a compelling end-to-end experience for the customer.

3. Deliver direct-to-consumer advice. With the third approach, insurers take remote advice a step further to engage new consumers without an intermediary. This can mean calling customers directly, answering inbound calls from customers, engaging with them through digital channels, or even giving the customer the means to initiate the inquiry themselves online. For this model to succeed, life insurers must be able to reach consumers at all stages of the decision journey—preliminary search and information gathering, advice, quote, contract and policy issuance. Remote advice centers allow the insurer to take control of each of these stages and craft a compelling end-to-end experience for the customer. Successful execution of a direct sales model requires strong omnichannel capabilities and a comprehensive digital marketing presence (e.g., paid media, affiliate) to help lower the cost of acquisition. Customers can be further engaged via virtual meetings or co-browsing sessions. Advisors can use these sessions to share financial planning modules that help customers understand their finances and plan for the future. Customers can receive ongoing financial advice materials and educational content via e-mail (and other digital means like an authenticated web portal) based on the personal information they provide, allowing for rich and personalized relationships.

Making Remote Advice Work

A fully scaled remote advice model is not an overnight project, but insurers can start by launching a small pilot, testing the model and learning from the results. This does not require a significant financial commitment, but does require a new, agile way of working. To begin, an insurer launches a minimum viable product or experience, devises a learning agenda, testing and learning from each iteration, constantly improving the outcomes, and using analytics throughout. There are a few critical capabilities required to succeed with this approach:

1. *An agile test-and-learn process that allows for fast iteration using the newest data.* Small teams, working in short "sprints," constantly update the product and experience to optimize results. This way of working is often a cultural change for those involved.
2. *A strong predictive analytics capability to support decision-making.* Building this capability depends on having talent that can deliver insights through analytics and on the ability to bring together data from across the organization, as well as from external sources.
3. *A willingness to engage the field.* It is important to ensure that advisors in the field understand how remote advice can help them and incorporate them into the initial pilots.
4. *A sophisticated training and capability-building program along with strong performance management.* The program should include daily huddles and one-on-one coaching to continuously improve the remote advice customer experience.

Day One

A few immediate, low-investment steps are required to kick off a remote advice model that delivers quick rewards. Starting with a small group of employees, insurers should take the following actions:

- Select a leader and put together a small, dedicated cross-functional project team
- Determine which of the three remote advice models is best suited to the organization
- Select a small number of advisors (in a specific region) or call center reps in a single location to be part of the pilot
- Determine a set of leads that advisors can use to test the model
- Design the initial experience including talking points and coverage model
- Create a tracking and measurement approach and set up analytics
- Create an initial learning agenda that will drive the test and learn approach
- Start calling leads, rapidly adapting the approach

Life insurers often express concern that field and centralized distribution might be at odds. Experience suggests, however, that for some consumers, remote advice is a better fit. A number of P&C insurers (e.g., GEICO, Progressive) have already been successful with a similar model. Given that a remote advice pilot can be initiated with just a small number of advisors, there is little reason for life insurers to delay taking this first step. Furthermore, the risk of inaction may high: insurers that are not already experimenting with remote advice may be falling behind in the race to engage new customers.

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