

<https://www.theglobeandmail.com/investing/globe-advisor/advisor-news/article-how-life-insurers-are-simplifying-the-application-process-to-increase/>

## How life insurers are simplifying the application process to increase uptake

Per Homer doesn't miss the bulky life insurance contracts he used to drive over to clients' homes for signing. There would be multiple home visits, a lengthy medical questionnaire to fill out, a nurse's visit to do bloodwork, and a requirement for the applicant's physician to prepare a report.

Then, the pandemic hit and the changes that life insurers had been toying with became the new way of doing business, says Mr. Homer, senior financial planning advisor with WWH Financial Group at Assante Financial Management Ltd. in Mississauga.

"During the pandemic, they had to roll with the punches," he says.

Virtually overnight, insurers simplified the application process, allowing clients to apply by phone; they also began allowing electronic rather than hard-copy signatures. Sales surged with many Canadians opting for life insurance in the face of a global health threat.

In turn, consumers' expectations around fast, easy-to-access life insurance products became a driving force for changes to underwriting. The result is a new, faster application process.

"It's a lot less painful to get insurance," Mr. Homer says. "All of the insurers have some form of electronic application."

Many have artificial intelligence embedded in their underwriting programs to help process straightforward applications, he adds.

Some have shortened their medical questionnaires dramatically, allowing applicants to apply over the phone and accept electronic payments instead of cheques.

The changes have meant life insurance can now be purchased in one-third of the time, incentivizing the purchase of a product that doesn't always sell briskly when interest rates rise.

### Fewer sales post-pandemic

While life insurance was a big seller during the pandemic, insurers have seen sales decrease dramatically more recently. Total new annualized premiums rose by only 1 per cent in 2022, down from the 25 per cent growth seen in 2021, according to LIMRA's retail Canadian life insurance sales [survey](#).

The slowdown has led to changes in the industry. Insurers now understand that asking several key questions is as beneficial as asking a series of questions that don't apply to the candidate.

"They used to ask men if they were pregnant," Mr. Homer says.

Furthermore, "people who are generally healthy will answer questions in a certain way," he notes.

Based on the analysis of their claims data, insurers have realized they can now take on that risk.

"Some of the information we no longer needed," confirms Karen Cutler, head of underwriting and claims at Manulife Financial Corp. in Waterloo, Ont. "What we want to do is change the experience. It's a more personalized approach."

Insurers also want to ensure that clients don't wait weeks or months for their applications to be approved, which was common five years ago, says Lorne Marr, director of business development at Hub Financial Inc. in Woodbridge, Ont.

He notes that part of the process used to involve obtaining hard-copy attending physician statements from clients' doctors, something that could delay the process.

"A lot of doctors take a lot of time to complete those attending physician's statements," Mr. Marr says.

As a result, those documents are now requested only in more complex cases in which applicants have a condition, such as heart disease or diabetes, and its severity as well as its management needs to be assessed.

### How clients can benefit

With life insurance simplified, it's also easier to integrate it into a larger financial plan at a time when interest rates are high and people are less willing to purchase it, says Mr. Marr.

"They need insurance more but can pay for it less," he says, adding many are carrying very large mortgages, eroding their savings.

Rather than buying a life insurance product such as universal life insurance, which has a higher premium, advisors now often work out a plan to integrate term life insurance, for example, to cover a specific debt. "We think of the whole financial plan," says Mr. Homer.

As for the premiums clients pay, insurers rely less on nurses and attending physicians' statements during the application process.

"This can bring costs down," says Mr. Marr. And keep premiums lower for customers.

The speed of the entire process has also decreased dramatically as clients can work with an advisor to call the insurer directly, says Ms. Cutler, adding that Manulife recently reduced the number of medical questions from 31 to 13.

She says that as a result, the average interview has decreased to 15-16 minutes from 25-30 minutes.

Cutler says this appeals to younger clients unused to lengthy interviews. "Time is everything and customers will be more inclined to buy insurance," she says.

Despite the overall benefits, older, fitter clients may be disadvantaged when it comes to policy premiums.

If a client flags a health issue, the interview can lengthen, she says – and older clients may have more questions than younger ones. "At age 65 you've got more risk-based questions," says Ms. Cutler.

As for healthy, very fit applicants, such as marathon runners, who formerly would have been guaranteed a preferred rate, the shortened and more standardized nature of the application process means many will not receive deep discounts, says Mr. Homer. He says that in these cases applicants can opt to undergo the medical exam to highlight their lowered health risks. "If you do the medical and the 'fluids', you can get the preferred rating," he says.

Regardless, he says the new approach to selling life insurance is a win for clients.

"As a whole, I think it's better for the consumer to be able to do things electronically and to reduce the number of questions," says Mr. Homer. "It's made [life insurance] more accessible and more affordable."