



10 Insurance Questions for 2017



Summary:

Will this be the year that the U.S. insurance industry moves toward level commissions or fee-based products across all product lines?

By: Tony Steuer

Love it or hate it, 2016 was a year that brought many surprises. And 2017 is looking like another year of unexpected outcomes. The saying goes, "May you live in interesting times." And we are definitely living in interesting times, including in the insurance industry. Here are 10 insurance questions for 2017: **1. Will this be the year that the U.S. insurance industry makes a definitive move toward level commissions or fee-based products across all product lines?** [The Fiduciary Rule: A Call To Arms for the Insurance Bill of Rights: Aligning the Insurance Industry With Consumers](#). The U.K. already has a commission ban, yet life insurance sales are now trending up. While, there are differences in the U.S. and U.K. markets, the core principles are the same. [To learn more, visit the Nerd's Eye View Blog for Bob Veres' in-depth look](#). Commissions are not necessarily the bottom-line issue; it's the premiums that really make the difference. **2. Will the Affordable Care Act stay in effect?** While no one knows for sure, it is unlikely that the ACA will be completely repealed any time soon. President-elect Trump, along with leaders in Congress, have vowed to repeal and replace, but doing so will be challenging given the lack of votes in the Senate. And while there are significant issues with the ACA, consumers do benefit. Also, healthcare organizations and insurance companies having spent millions of dollars to adjust to it. What is likely is that changes will occur on a gradual basis. The bottom line is that one of the most important benefits to U.S. citizens is the ability to purchase health insurance if you have any existing (or past) health issues. Prior to the ACA, it was challenging to get an individual health insurance policy, which created a bigger issue for individuals and for our overall society. Yes, premiums are increasing, and there are fewer insurers participating. At the same time, it is estimated that there are more than 20 million people with insurance under the ACA. Change will happen, just gradually. If the ACA is replaced, there remains the questions of how to fund it, if the current mandates (taxes and penalties) are stripped out. The funding is one of the core issues and does need to be revised. Insurance companies have also left the federal and state exchanges in a number of states, and they will need to be given incentives to return to the marketplaces. **See also:** [Top 10 Insurtech Trends for 2017](#) **3. What will happen with long-term care insurance (LTCI)?** The need for long-term care insurance is not going away; people are living



longer, and healthcare costs are rising. Medicaid coverage is minimal and does not apply to most long-term-care expenses. Older LTCL policies have experienced significant premium increases for many reasons, but since the passage of the National Association of Insurance Commissioners' Rate Stabilization Model Act, there have been fewer increases on newer policies (Read more: "[What's ahead for long term care insurance](#)"). Currently, hybrid long-term-care/life insurance policies are experiencing growth, but these complex policies are not a solution, as they are a step away from providing a direct protection against the specific risk being insured, which means they are more expensive than a stand-alone LTC policy. A new issue coming up is that some states have "filial responsibility" laws that obligate adult children to financially support their parents and are starting to be used by some nursing homes. [Read about it here.](#)

4. Will insurance agents go extinct? No, insurance agents will not be going away. However, the way that insurance agents currently do business and have historically done business will be going away. With greater access to information and technology, insurance agents will become true advisers to their clients rather than simply transacting product sales. Professional insurance agents provide value to consumers when they help them understand how insurance policies work and when they assist consumers in making wise choices. The insurance agents who survive will be the ones who recognize that they need to align their interests with those of consumers and work in their best interests by recommending insurance coverage that consistently meets the needs of their clients. Insurance agents will need to follow the concepts outlined in [The Insurance Bill of Rights](#). Mark Twain said, "The reports of my death have been greatly exaggerated," and this certainly applies to insurance agents.

5. Will consumers finally discover the value of disability insurance? Disability insurance is the most overlooked financial tool. Disability insurance is a necessity for anyone who depends on their income. If we are discussing a mandatory insurance coverage, disability insurance should be at the top of the list. Three in 10 workers entering the workforce today will become disabled for some period before they retire (Social Security Administration, Fact Sheet, January 31, 2017). This point was brought home by the fact that Colin Kaepernick did not play this year for the San Francisco 49ers until they purchased a disability insurance policy for him. [Read more here.](#)

6. Has the annuity marketplace hit its turning point? The current annuity marketplace is filled with complex annuity options that are increasingly challenging for an insurance agent to understand, let alone being understandable for consumers, especially seniors, who are heavily marketed to. The annuity industry continues to face significant market conduct issues in terms of suitability and disclosures ([Read about the investigation by the New York Department of Financial Services](#)). Annuity companies that think outside the box and provide low-cost, easy-to-understand solutions will gain popularity. A number of leaders in the financial planning area are already discussing the value of single-premium immediate annuities in investment portfolios to help offset longevity risk (living too long). This will only happen with low-cost annuities and where agents can really provide value by recognizing and solving challenges that can only be addressed with annuities that serve the consumer by getting back to the core function of annuities.

7. Have we reached the tipping point for when the impact of the prolonged low-interest-rate environment will fully emerge on interest-sensitive life insurance policies? The majority of universal life policies issued are facing the hidden danger of terminating long before they are expected to. This is due to lower-than-projected credited interest rates, which has led to reduced cash values. If a life insurance policy reaches a cash value of zero, it will terminate unless it has a no-lapse guarantee. The only way to keep



the policies in force is to increase the premium, however, life insurance companies, for the most part, are not advising policy owners that they need to increase the premium and specifying the amount by which the premium needs to be increased. This situation has been exacerbated by the fact that a number of life insurance companies have had to increase their mortality costs (cost of insurance charges) to maintain profitability. Continuing to ignore this issue is going to have significant long-term ramifications for the stability and trust in life insurance companies and life insurance agents. This is affecting all types of life insurance that are not guaranteed products, just not as directly. Read more: [Will Your Life Insurance Terminate Before You Do?](#) See also: [10 Predictions for Insurtech in 2017](#)

8. Is there truly an insurtech company that can add core value to the insurance process? The insurance industry needs evolution, and not revolution. The majority of insurtech companies are really bringing us more of the same; they are really just "dressed up" insurance brokerages and insurance insurance companies. And while some do make use of technological breakthroughs, they are not making insurance breakthroughs, which is an important distinction. The real breakthroughs will come from when consumers can more easily understand insurance products and pricing and companies can use data to provide truly customized insurance product pricing, streamline underwriting, simplify products and riders and provide insurance products that people need, thereby eliminating those that don't have a useful purpose.

9. Is it time for insurance policies to finally be used primarily for insurance purposes? The insurance industry will recognize that it must get back to its core function, which is protecting against potential risks. When this happens, it will lead to better-optimized insurance products for consumers and longer-term business for insurance companies. This will especially be true in the areas of life insurance and annuities when the trend becomes using insurance to address non-insurance issues. Insurance is just insurance.

10. Will the insurance industry discover excellent customer service? Quality policy owner service is not something that the insurance industry as a whole is known for. Companies that provide top-notch customer experiences thrive, are well-known for doing so and can be easily named (think: Nordstrom, Disney and Apple). Other companies are known for poor customer service, while most remain in the middle. FedEx, which used to be known for top service, now delivers packages at any time and leaves them all over the place. The point is that a quality policy owner experience will revolutionize the insurance process. If the insurance industry can learn to "delight" consumers at every step along the way from the policy selection process, policy application and underwriting process, policy monitoring and claims service, then the insurance industry will really move forward.

The Bottom Line Greater insurance literacy will benefit consumers and members of the insurance industry. Following the guidelines of [The Insurance Bill of Rights](#) is what will move the insurance industry forward. Ask your agent and insurance company if they've taken [The Insurance Bill of Rights Pledge](#) and look for the Insurance Bill of Rights Seal on their website. If they haven't taken it, ask them why not or what they have to hide about fairness and disclosure -- and join The Insurance Bill of Rights Movement by signing [the petition to support The Insurance Bill of Rights \(click here\)](#). If you have any feedback or your own questions for 2017, please let me know. Thanks for reading.



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Tony Steuer connects consumers and insurance agents by providing "Insurance Literacy Answers You Can Trust." Steuer is a recognized authority on life, disability and long-term care insurance literacy and is the founder of the Insurance Literacy Institute and the Insurance Quality Mark and has recently created a best practices standard for insurance agents: the Insurance Consumer Bill of Rights.