

# Here Today, Gone Tomorrow: The Fleeting Nature of Opportunity in Your Inforce Book



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As an experienced life insurance or financial services professional, you know it doesn't take much for a policy to fall off track. It is wise – arguably even necessary – to stay on top of policy performance for your entire inforce book, but if you have a large book of business, that can be an unwieldy task. A better strategy is to manage your inforce book by exception.

What does “managing by exception” mean? And how would one adopt a manage by exception strategy to monitor ongoing inforce policy performance?

Read on to see compelling data that supports the argument that ongoing inforce management is both challenging and necessary and learn more about making post-sale policy servicing more efficient and scalable.

## Data Doesn't Lie

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While simple logic alone can tell us that, chances are, not every single one of your inforce policies for every single one of your policyowners is performing the way it was intended to, it's good to validate that assumption with real data. The following facts and figures help to tell a more holistic story about policy success rates and why life insurance and financial services professionals need to pay attention to ongoing policy performance.

A 2016 study by Daniel Gottlieb and Kent Smetters of Olin Business School, Washington University in St. Louis and Wharton School, University of Pennsylvania offers a comprehensive view of lapse rate across the industry. Consider the following facts highlighted in the 83-page article:

*“About 4.2% of all life insurance policies lapse each year, representing about 5.2% of the face value actually insured (“in force”). For term policies, which contractually expire after a fixed number of years if death does not occur, about 6.4% lapse each year. For permanent policies, the lapse rate varies from 3.0% per year (3.7% on a face amount-weighted basis) for traditional whole life policies to 4.6% for universal life policies. So-called variable life and variable universal life types of permanent policies lapse at an even higher rate, equal to around 5.0% per year (LIMRA 2011A). While the majority of policies issued are permanent, the majority of face value now takes the term form (LIMRA 2011A, P. 10; ACLI 2011, P. 64).”*

That's a lot to digest, so let's break it down and apply it in more general terms. If we take the 4.2% lapse rate and apply it to an inforce book of say, 10,000 policies, that means 420 policies are at risk of lapsing this year. To take it a step further, that means an average of 40 policies are at risk of lapsing each month. Do you know where these risks lie within your book? How long would it take you to figure out which of your policies are in this critical status? For many distributors and advisors, the answer often is that it would take too long to identify these policies and do anything to correct them before it's too late.

Beyond lapses, policies can also suffer performance failures in other ways that can be nearly as catastrophic and difficult to recover from as a lapse. Premiums can unexpectedly soar. Interest rates can fluctuate. Or, a policyowner's life circumstances can change and the coverage they originally purchased may no longer meet their unique needs and financial objectives.

Regardless of which variable factor has an impact on any given policy, it's clear that *timeliness is key*.

But inforce management is a game of both risk AND reward. Besides managing for risks like policy lapses, what opportunities are hastily passing you by if you're not actively monitoring policy performance?

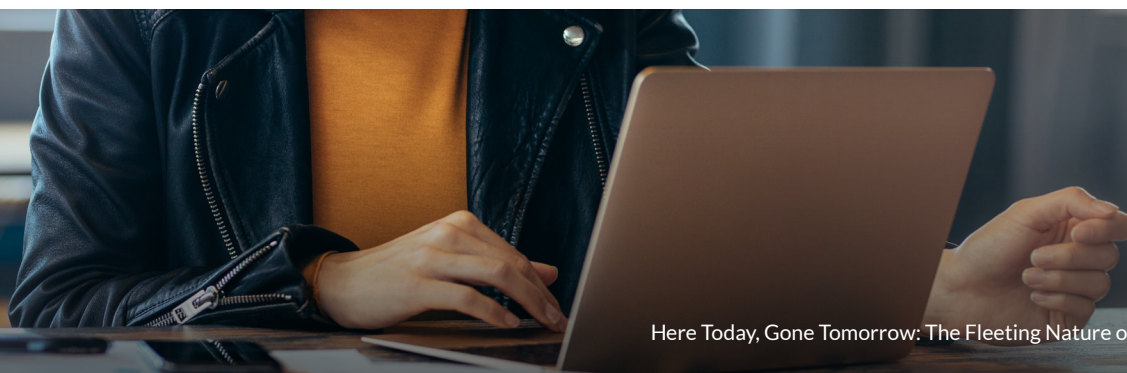
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#### Take term policies as another example.

Proformex conducted an analysis of all its users' term policies to understand just how much opportunity for revenue growth is on the line. In the past year, Proformex has seen \$35M in annualized premiums up for conversion. To break that staggering figure down a bit, that's an average of 240 policies per month that have a term conversion date within the next 30 days across all Proformex users. If a life insurance or financial services professional is still working out of a long list of policies in an Excel spreadsheet, finding those term conversion dates can be like trying to find a needle in a haystack.

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Clearly, the stakes are high. Too high to risk missing even just one conversion date. Or one lapse pending policy. Because ultimately, it's not just a case of numbers.





## Statistics Matter, but So Do People

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Each of the policies referenced in the analyses above – and really any widescale industry analysis – represents a *person*. Someone who purchased their life insurance policy to secure their family's financial future. So while it's easy to get caught up in the dollars and cents, it's essential to remember who this is really all about – the policyowners and their beneficiaries.

Most life insurance and financial services professionals got into the business with the purpose of helping people achieve financial security for themselves and their loved

ones. In addition to the impact a policy failure has on the industry's success, it's even more important to consider the impact it has on that particular policyowner and their family. It is this industry's duty to help clients avoid such catastrophic consequences and humanizing the data can help to drive even more of a sense of purpose.

So what can be done to make it easier for the life insurance community to live up to its promise of protecting policyowners?

## The Best Strategy is Managing by Exception

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For individuals who have or aspire to have large blocks of inforce business, it is clear that manual efforts will be neither sufficient nor scalable long term when it comes to ongoing performance monitoring. The best way to ensure success for policyowners is to manage by exception, and to do it both proactively and quickly.

Being proactive and managing by exception first requires that your inforce data is consolidated into a secure, centralized location. Establishing that comprehensive visibility of your book is the foundation upon which the rest of your inforce management strategy is built.

From there, you need an easy way to quickly identify which policies in your book need your attention most. So even aggregating your data alone isn't really the answer.

You need a solution that uses powerful data and advanced analytics to surface those policies to you, because again, these opportunities are passing by each month, and you have to act quickly to take advantage of them so that your policyowners don't suffer the potentially debilitating consequences of your inaction.

Proformex is one example of a platform that helps its users achieve a proactive, manage by exception strategy for ongoing post-sale policy servicing. Don't wait another 30 days to find the solution that works for you. Start now by visiting [www.Proformex.com](http://www.Proformex.com) website to learn more about how we are reimagining inforce management with the ultimate goal of protecting policyowners and how you can achieve that same goal more efficiently and more sustainably with our technology.

## *About Proformex*

Proformex is the leading inforce management platform offering data aggregation, analytics, and portfolio monitoring for life insurance and annuities. The platform is purpose-built to help independent life insurance and advisory firms protect their clients' best interest and ensure regulatory compliance by monitoring individual policy performance, identifying at-risk policies, and uncovering new sales opportunities. Our automated solutions make inforce management more efficient, more profitable, and results in better experiences for policy owners.



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