IRON MOUNTAIN®

WHITE PAPER

BIGGER ISN'T ALWAYS BETTER: SURVEY REVEALS LARGE LIFE INSURERS ARE SLOWEST TO PROCESS APPLICATIONS

Life insurance has long been a mystery to most people. The topic of death is uncomfortable to discuss, and the common belief that life insurance is strictly about death benefits dissuades people from learning about the many other potential benefits to the policyholder.

Each life insurance company has its own way of computing premiums and terms, and the process can appear opaque. Processing times also vary; the lag between the receipt of a customer's application and the issuance of a policy can range from less than a day to several months.

Because cycle times can be so long, many customers apply to multiple insurers at once and choose the one that delivers the fastest. This makes speed one of the most competitive differentiators in the life insurance business, sometimes even more important than the terms of the policy coverage itself.

"Long cycle times may decrease the likelihood that the applicant will be converted to a paying policyholder," wrote business process improvement consultancy OpsDog, in a recent post on its website. Legacy workflows, often involving multiple handoffs and serial processing, are factors in extended cycle times.

Lengthy approvals are also at odds with customers' growing desire for self-service and instant gratification. This phenomenon is especially true among younger customers, who are comfortable with fully automated processes and who are the most reluctant to buy life insurance in the first place. The percentage of Americans covered by life insurance fell from 63 percent in 2011 to 52 percent in 2021, with the largest drop among people under 40. COVID-19 only heightened the need for speed as customers went online for nearly everything.

What's more, established insurers are feeling pressure from a large crop of financial technology (fintech) startups that are born in the cloud, highly automated, and don't have the burden of legacy processes. The business directory Crunchbase lists 290 fintech insurance companies that have been founded in just the past five years. The speed with which many of these companies operate is resetting customer expectations about convenience and processing times.

UNDERSTANDING APPLICATION-TO-ISSUANCE

In an effort to learn more about how the application-to-issuance process works at companies of different sizes, Iron Mountain commissioned a survey of US life insurance executives, managers, and professionals. The goal of the research was to answer several questions:

- How fast is the average application-to-issuance time frame?
- What percentage of the process is manual?
- How is information collected and exchanged among applicants, customers, and brokers?
- What are the most significant factors in delays?
- How many people and systems are involved?
- How could the process be improved?

The results indicate that manual steps are still embedded in the application-to-issuance process to a significant degree, particularly at large firms. They also show that large carriers generally process applications more slowly, with more people involved in the cycle and more steps required for completion. Amid record mergers and acquisitions activity in 2021, some firms also shelved digital transformation initiatives in order to integrate acquired firms. All this has resulted in delays that are increasingly unacceptable to many customers.

Furthermore, the results highlighted some disparities between executive-level respondents and managers and practitioners, who are closer to the front lines. On several questions, the answers given by these two groups differed significantly, indicating that senior executives who are more removed from day-to-day operations perceive their company's effectiveness differently than those below on the organization chart. The good news is that, in most cases, frontline workers showed a more positive view of their company's performance than the higher-ups.

HOW THE PROCESS WORKS

The company-size disparity is evident in turnaround times on applications. A plurality of 42% of respondents said their companies issue a policy in fewer than 10 days, while 32% quoted 11 to 15 days, and 26% said the cycle lasts 16 days or longer.

Of the companies with turnaround times of fewer than 10 days, it is notable that 57% have annual revenues of less than $5 billion. Conversely, a majority of those who quoted 21- to 25-day processing times were among the largest companies surveyed.

The opinions of senior executives and frontline workers also diverged on this question, with practitioners painting a more positive picture of turnaround times than their bosses. Most frontline employees said cycle times are fewer than 15 days, while most directors and executives answered 21 to 25 days. This contrast may indicate that the people who are farthest removed from the process are less aware of improvements that have been made in day-to-day operations.

THE PEOPLE FACTOR

The same company-size disparity showed up in answers to questions about process complexity. Overall, 71% of respondents said at least three people touch the application-to-issuance cycle, with 19% involving five or more people. The average was four people.

Of the respondents who said three to four people were involved, 27% were from some of the largest companies. In contrast, over half of respondents who said only one to two people touch the process came from companies with revenue of less than $5 billion in revenue. The explanation probably lies in the size of the company. Smaller firms are likely to have fewer employees than large ones and thus can move more quickly

The majority of respondents who reported that 75% or more of the application-to-issuance cycle is manual came from the larger companies. Clearly, the more established companies struggle with a legacy of manually intensive and time-consuming processes.

There are several possible reasons for this:

- Large companies are more likely to have entrenched legacy systems that are difficult and complex to replace.
- Older firms are more likely to have paper-based workstreams. This situation is a prime impediment to achieving the benefits of digital transformation.
- Records acquired during mergers and acquisitions may not have been fully integrated into digital workflows.
- Large organizations are more likely to have siloed departments with their own processes and systems that are difficult to integrate.
- Life insurance companies with large broker networks need to accommodate the manual processes of individual brokerages, which drags down efficiency across the board.

THE PROCESS FACTOR

More than half of all respondents reported that their processes are at least one-quarter manual, while 30% said they're between half and two-thirds manual. Altogether, nearly two-thirds of respondents said their processes are up to 50% manual.

The efficiency advantage of smaller firms was again evident in this question. Of the 23% of respondents who reported that their processes are less than 25% manual, all were from companies with fewer than 10,000 employees. Large insurers, in particular, clearly have room to improve in reducing handling steps and the associated penalties on turnaround times and accuracy.

Manual processes hold organizations back from the goal of digital transformation in several ways. If paper is involved, the risks are even greater. Printed documents are easily lost, misfiled, or destroyed. They aren't machine-readable and, more importantly, must be processed serially, thereby holding businesses back from the efficiencies of moving to parallel digital workflows.

THE SYSTEMS FACTOR

Similar disparities between large and small companies were evident in questions about the number of systems used in the process. The average small firm uses three to four systems during the issuance cycle. Of the 12% who said five or six systems were typically used, the majority were from companies with revenues of between $15 billion and $50 billion.

But while smaller companies may be more nimble, they also appear to face more challenges in improving their processes. Asked about roadblocks to improvement, nearly two-thirds of the respondents who identified three or more challenges fell into the sub-$5 billion revenue category. Conversely, of the respondents who cited just a single roadblock, 41% had over $10 billion in sales.

There was no clear reason why large and small companies differed on this question. It's possible that the relative lack of resources at smaller firms engenders more frustration while large companies believe that there is less room for improvement due to the entrenched nature of existing processes or even that a certain complacency has set in at established firms.

The top roadblock to improvement respondents cited was lack of automation, mentioned by 55%. That was followed by a perceived lack of integration with core systems and applications (cited by 45%) and excessive manual data entry (28%).

DATA HANDLING AND SECURITY

The survey also looked at how companies collect and exchange application information. The favored tactic is electronic applications, which 70% of all businesses use. That was followed by websites (employed by 56%), email, and digital portal/ interviews (tied at 46%).

The companies using the fewest methods of collecting and exchanging information were predominantly small and midsize firms. Here, again, small companies belied simpler processes. Of the respondents who said they use just a single collection method, 32% are in the $2 billion-to-$5 billion revenue range. Conversely, of those using four collection methods, 35% have revenues of between $25 billion and $50 billion. This is another indication that the issuance process tends to be more complex at larger firms.

Once they collect the data, they need a place to store it for shared access. For 70% of respondents, that is a document management system. Far less common techniques are shared drives (used by 26%), core applications, and Microsoft SharePoint (20% and 17%, respectively).

Overall, respondents expressed a high degree of confidence in their ability to securely manage customer data, with 87% saying they are very or extremely confident in their controls. Of those respondents expressing the greatest confidence, nearly half were from companies of less than $5 billion in revenue. It's possible that small companies see themselves as less of a target than their giant competitors and are more confident in the measures they have in place.

AREAS OF IMPROVEMENT

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CONCLUSIONS

Life insurance companies are clearly aware of the growing need for speed and are responding by investing in and partnering with insurtech companies and digitizing more of their processes.

Insurers are "automating the underwriting process to improve efficiency gains and reduce inconsistencies," wrote McKinsey in a recent report. "Some insurers have advanced to accelerated underwriting, for which applications are submitted digitally. [This] dramatically reduces the need for invasive fluid and paramedical exams and results in near auto-issuance for the majority of policies."

Life insurance firms undoubtedly feel some urgency, given the challenges of appealing to younger customers and consumers' overall declining interest in coverage. Making the application-to-issuance process fast, seamless, and self-serve could go a long way toward transforming the process of buying life insurance from a grind to an impulse purchase.

For more information on Iron Mountain Services and Solutions contact a specialist today.

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Iron Mountain Incorporated (NYSE: IRM), founded in 1951, is the global leader for storage and information management services. Trusted by more than 220,000 organizations around the world, and with a real estate network of more than 85 million square feet across more than 1,400 facilities in over 50 countries, Iron Mountain stores and protects billions of information assets, including critical business information, highly sensitive data, and cultural and historical artifacts. Providing solutions that include secure storage, information management, digital transformation, secure destruction, as well as data centers, art storage and logistics, and cloud services, Iron Mountain helps organizations to lower cost and risk, comply with regulations, recover from disaster, and enable a more digital way of working. Visit www.ironmountain.com for more information.

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