



That Are Revolutionizing the Insurance Industry

By DOUG BAKER

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Talk about an unlikely market disruptor. At Teachers Life, we are a small Canadian fraternal insurance company (serving a 30,000-plus member community) — but we had a big vision. We took a bold, risk-fraught gamble to secure our long-term future and better serve our members.

Our 77-year-old company had primarily focused on selling group whole life, long-term disability, and AD&D insurance within our home province. As times changed, we knew we had to diversify our business model and innovate to retain a competitive edge.

Today we are reaping the benefits of that decision. In seeking out and partnering with world-class technology vendors — a departure from the industry norm of keeping development in-house — we have succeeded in leading our model into the digital age. In the North American industry, Teachers Life became the first insurer to fully underwrite a life insurance product entirely online.

How It Works

Clients with healthy lifestyles and basic financial needs can now shop for a life insurance product online. They can customize their coverage and policy terms according to their individual means and requirements, and their selections will be underwritten and issued electronically in less than 15 minutes.

Yes, you read that right: The product is fully customized to meet their individual needs and issued in under 15 minutes. There is seamless, end-to-end, straight-through automated transaction processing, payment, and delivery. That's about 5,000 times faster than the 41-day industry average.

All our clients need to do is land on the site's "Your Quote" page. Then they plug in the desired policy term (which they can change at any time during the application process) and the amount they can afford to pay monthly. The system's algorithm does the rest, eliminating the human judgment factor. Applicants receive a "yes" or "no" answer instantly. No manual underwriting or advisor intervention is required.

The Vision

The driver that underpins this digital transformation stems, in large part, from the belief that insurance is to be bought, not sold. In our case, as a not-for-profit, we don't offer our products and services to make money. We make money to build better insurance services for our clients.

Leveraging our technology investment has allowed us to open up new revenue streams through B2B and B2C product development and white-labelling partnerships — while at the same time lowering processing and acquisition costs.

More important still, the dynamic technology simplifies and demystifies the purchasing process — from start to finish. By creating a friendly, easy-to-use self-service platform, we feel well equipped to engage policyholders via a preferred transaction medium. We need to meet clients where they want to be met. This speaks for everyone from Millennials to digitally savvy Baby Boomers.

In fact, LIMRA research finds that even though the majority of Millennials know they'll need life insurance eventually, only 11 percent of 18- to 34-year-olds say they are likely to buy it. Why? Most consider the process too grueling.¹

Behind the Scenes

Granted, a platform change of this magnitude — aimed at attracting and retaining this new generation of policyholders, offering near-instant gratification relative to the conventional purchasing model — doesn't just happen overnight. For us, this was and is a story of continuous improvement.

A transaction that today promises to take as little as 15 minutes required a multiphase, multiyear investment to become fully realized. Our electronic underwriting platforms (TCP and simplified issue), digital payment, white-label product packaging, and analytics-driven marketing capabilities were developed in six phases. Each new capability built on the last, using XML-based API systems as the connective interface or common language.

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During each successive phase of this end-to-end business transformation, beginning with upgrades to the back office and followed by the middle and front offices, our staff and IT project, product, and infrastructure specialists overcame a host of daunting challenges. This increased confidence in their ability to weigh and manage project risks and tackle each new phase.

Of course, the team's top challenge was sourcing, coordinating, integrating, and occasionally customizing the work in-house of multiple best-in-class technology partners located across continent divides.² Also instrumental was RGA Canada, our underwriting and reinsurance partner. They were charged with "North-Americanizing" the underwriting algorithm, along with developing a French language version.

Now to the actual mechanics, which started in 2007 with changes to our back-office functions. This entailed introducing a policy administration system and document imaging software. The goal: to give policyholders the ability to view their applications online and download, retrieve, and update beneficiary and other details in real time via the members' self-service portal.

The front-end phase marked the launch of the first fully underwritten and flexible 10-year to 30-year (now available up to 40 years) term policy — a \$500,000 product targeted expressly at Millennials. It also marked the creation of a simplified-issue platform for two additional new products featuring straight-through processing and seamless online policy issue.

We contracted an online payment service provider³ to enable seamless payment collection. Payment Card Industry Data Security Standard (PCI DSS) compliance was achieved by moving credit card data out of our company's possession to a PCI Level 1 Service Provider.

Upgrades to our internal IT infrastructure followed, enabling the transfer of data management to an external data center — a redundant operating environment essential in ensuring disaster recovery safeguards were in place for business continuity. In addition, a state-of-the-art phone system was deployed to handle B2B white-labelling client communications.

Comprising the final phase, rolled out in 2015, were increased policy term duration; enriched analytics-driven, test-and-learn digital marketing tools; and the development of a mobile-optimized website.

The Payoff

Equipped with these dynamic new digital tools, we have not only greatly expanded our product offerings and capabilities, but also our geographic reach — a key component of our growth strategy. Federally regulated, in early 2016 we became licensed to cross-sell products from coast to coast.

It has also expanded our circle of influence among industry peers. To date, we have supplied the Waterloo-based Ontario Teachers Insurance Plan (OTIP) with an online white-label term product. We also recently built a simplified-issue product and online policy portal for the Alberta Retired Teachers' Association, while also agreeing to act as its underwriter.

We are also responding to expressions of interest from some U.S. insurers and fellow fraternal. We are pleased to be in a position to share our front-end marketing capabilities with our own community of fraternal issuers, the majority of whom are niche companies.

I hope our story serves as inspiration to all traditional companies in the insurance space. You can never be too small or too big to change. The clock is ticking, and it's time to go digital or go home. 🌐



Doug Baker has been President and Chief Executive Officer of Teachers Life since 2006. He served on the Board of Teachers Life for 17 years prior to his appointment. Baker has spent most of his career in education. He currently serves on the Board of the American Fraternal Alliance, and he is a member of the Government

Relations Committee of the Canadian Life and Health Insurance Association (CLHIA) and former Board member. Baker is also the Immediate Past Chair of LOMA's Life Insurers Council (LIC). Founded in 1939 by educators, Teachers Life offers a full suite of personal insurance products to address the unique needs of over 30,000 members of the education community.

¹ *Seeking the Ideal Experience: How Generations X and Y Want to Buy Life Insurance*, LIMRA, 2013.

² Our technology partners were Acceptiv and VersaPay Corporation, both of Canada; U.S.-based MDI Inc. and Vertafore, Inc.; and the UK's TCP LifeSystems.

³ VersaPay