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Future Distribution of Life Insurance

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ABSTRACT

Digital disruption came with major changes and transitions, especially in service industry. Online purchases and transactions, customer service through digital platforms and new models like sharing economy are but some of the major changes in the market. Specifically, more focus is on the insurance sector, especially life and non-life insurance. The pandemic has seen the need for increased focus on insurance cover while also brought the challenge of online insurance service distribution. The aim of this article is to explore the changing insurance distribution model, outlining those who are in control, whether agents or brokers, firms or intermediaries. Implications for such change in ownership are also addressed and specific country scenario of Belgium is extensively evaluated to affirm the industry changes regarding the distribution of insurance. The main finding is that the contemporary distribution model is shifting towards digital platforms. The changing society, especially increased life expectancy, technology prospects like artificial intelligence, changes in connectivity and consumer taste and preferences have driven the insurance distribution towards the online platform. This calls for insurers to focus on building partnerships within their different ecosystems, encouraging agents to work as teams and ensure that they have incorporated a hybrid or multi-channel distribution model. This is because the traditional face-to-face meeting still find relevance despite the changing consumer preferences towards the online or digital platform.

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1.0 Introduction

The insurance industry is undergoing unprecedented changes; both traditional and new insurers are considering how they can respond to the future of insurance as well as the changing distribution model (Albrecher et al., 2019). The pandemic has come with different changes with a new era of insurance slowly creeping in, a period of frictionless insurance process, including buying policies (Varshney & Socher, 2020; Bourassa et al., 2020). The major point of consideration is that as channels become easier to use with products that are easily understood, there is the opportunity of insurance to grow through this friction-free experience opportunity (Gatzert & Osterrieder, 2020). The benefit or changes that come with this transition is the world moving away from the constant need of going out and selling people insurance to the introduction of 'ready-to-be bought' insurance seamlessly at the point of need (Eling & Lehmann, 2018).

Insurance distribution by definition implies selling, proposing to sell, advising on, or preparing in any other means insurance contracts conclusion (Braun & Schreiber, 2017). This aspect of insurance operations equally covers insurance product sales through websites, including websites comparison if they permit the conclusion of a target insurance contract (Singh, 2015).

1.1 Aims/Purpose

The main finding is that the contemporary distribution model is transitioning or changing towards digital platforms. The changing society, especially increased life expectancy, technology prospects like artificial intelligence, changes in connectivity and consumer taste and preferences have driven insurance distribution towards the online platform.

2.0 Methods and Materials

The study is a content analysis on secondary data from industry reports and country-specific analysis reports on insurance distribution and how the model has changed over the years. The data used in this case is from general industry outlook and also qualitative assessment or evaluation that makes sense of the identified patterns and future trends. A ten-year frame was deemed necessary to understand the industry changes. The data is analysed from reports and documents between 2010 and 2021, a period when digital transformation took shape in the insurance industry and changed most of the operations, including the shift towards digital distribution.

3.0 Findings and Discussions

3.1 Pandemic Driven Changes towards Digital Distribution

The COVID-19 pandemic has transformed how people are now engaging across different geographies and industries. Physical distancing and other containment measures have transformed the activities for remote and in-person engagement or interactions (Banthin et al., 2020; Brem, Viardot, & Nylund, 2021). This is anticipated to bring about changes in insurance distribution, both near term specifically due to physical separation procedures and the long-term due to overall industry changes. This is driven by how society's connection with technology and interactions at remote levels is undergoing continuous evolution and acceleration (Choi et al., Barrow, 2021). One of the market insights or findings is that people are moving or transitioning into 'the next normal' (Kaesler et al., 2020; Alsan et al., 2020). Therefore, the current market trend and model of insurance distribution is digitalization; the distribution of insurance products through digital platforms. Market players have considered this digital transition or revolution as the 'next normal'.

There is already the evidence of many companies taking steps towards addressing the immediate impacts or short-term implications of COVID-19. This is particularly evident by efforts by insurance companies to relocate workers to isolated setups and escalate digital consumer service networks (Ogden, 2020). The evident trend is how insurers have been focusing on the next or coming challenges, including the manner by which they will be reimagining insurance distribution in this rapidly evolving and remote dynamic world. For instance, Kaesler et al. (2020) referred to the April 2020 survey of German insurance agents which came out 4 weeks into the current lock-down, reporting that around half of the agents have confirmed 40 per cent reduction in new businesses. This was equally supported by the same survey in May 2020 from the US market. The survey highlighted the concern that the present challenge is how insurance businesses or companies can remotely build the characteristically necessary new customer relationship. The same is being reported by online insurance aggregators and other direct channels (Tonna et al., 2020). These observations highlight or show the need for building remotely new customer relationships as one of the new challenges with insurance distribution in the current pandemic-dominated digital world.

Addressing these challenges, as currently reported, requires insurers to reconsider their dissemination archetypal across three scopes of sales force (team), customers and enablers like investing in digital tools and data (Milne, 2020). It is recommended that doing so is set to empower insurers to respond to the present exclusively unpredictable market.

3.2 The Changing Insurance Distribution Model

The physical sales forces and intermediaries hold a key responsibility in distributing insurance across different geographies and business lines (Tonna et al., 2020). Although business shares conducted through these traditional channels have been witnessing a shift in the past decade owing to customer migration to online platforms, they still remain vital channels through commercial, life and private assets lines (Kaesler et al., 2020). Yet, with the changing life due to the current COVID-19 pandemic and physical distancing, histrionic and instantaneous effects have occurred on insurance dispersal.

3.2.1 Shifting towards digital tools

One of the notable changes in the insurance sector is the transition to digital tools. Particularly, insurance agents who have been conventionally providing in-person interactions are rapidly shifting their focus to providing uninterrupted services to their clients who continue facing severe economic or health challenges (Singh, Singh & Chavan, 2020; Audigier, 2021). Furthermore, the agents have been reconsidering the way relationships can be built with prospective clients since most have traditionally relied on in-person meetings. This concern has been particularly highlighted by a January-2020-US agent investigation whose report confirmed that around 90 per cent of life assurance sales exchanges by agents and another 70 per cent of the on-going client conservations are presently conducted in person (Kaesler et al., 2020). However, a follow-up survey in May the same year specified that less than 5 per cent of the agents engaged in-person conservations. The same was reported by a late-April-2020 investigation from European insurance administrators, finding that 89 per cent respondents expected a greater than before speeding up in digitization and most similarly anticipating more changes or shifts in the distribution network assortment (Kaesler et al., 2020). This is brought about the COVID-19 pandemic, to which agents, customers and insurer's desire for having comfort around remote and digital-interaction tools and models has increased.

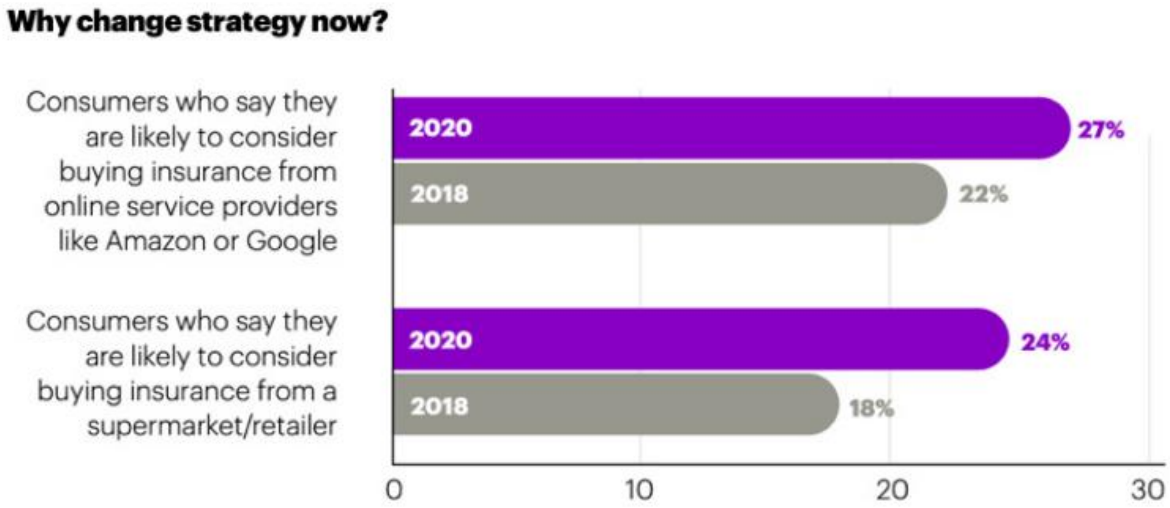

Figure 1: Changing Insurance Consumer Preferences (Kaesler et al., 2020).

Figure 1 shows the changing trends toward digital insurance coverage. For instance, it recommends the need for strategic change because 27% of consumers preferred buying insurance from online service providers like Google and Amazon as of 2020, compared to 22% in 2018. In comparison, consumers willing to buy from retailer or supermarket were 24% in 2020 and 18% in 2018. This shows the need for a hybrid distribution channel that combines both online and conventional retail distribution.

3.2.3 Shifting towards Self-service

Notably, clients are increasingly demanding for self-service under the existing insurance service conditions, an environment whereby the importance of digitalisation has been accelerated in every service industry. A recent Spain survey noted an increase in digital access in insurance to around 30 per cent since the beginning of the COVID-19 pandemic (Kaesler et al., 2020). From the same survey, customer's satisfaction level with the digital insurance delivery was at all-time low in comparison to other sectors. The concern was the complex and hard-to-use tools. This calls for insurers to capitalise on escalating as well as refining self-service apparatuses for providing improved backing for both agents and customers to guarantee satisfaction.

3.2.4 Offline Process Transition Online

Most mediators are reportedly traversing heritage products at times calling for offline implementation including medical underwriting and physical signatures. From the January 2020 US survey on agents, the results indicated that around 50 per cent of the agents are not satisfied with the function and levels of signature aptitudes at their respective principal carriers (Kaesler et al., 2020). Accordingly, many customers abhor engaging in physical medical-underwriting procedures as they fear infection. This equally implies a change in insurance distribution; hence, the need for identifying ways for digital underwriting of businesses (Nicoletti, 2021). Some of recommended solutions include leveraging the use of external data, relying on good health statements as well as adjusting the fluidness thresholds all with the intention of expanding the overall number of customers at the position of forgoing physical medical examinations (Catlin et al., 2018). Failure to do so is a risk for losing investment opportunities.

3.3.0 Insurance IT investment

One of the reported evident with the new distribution or insurance wealth investment is insurance IT. For instance, Lansing and Vogelgesang (2021) identified new data from the Western European region that established that insurers making larger, targeted IT investments are poised to realise further progress and performance, superior than opponents that are making lesser investments in these areas. Insurance customers are now expecting automated claims process, mobile bill payment, and price comparison platforms. These investment areas of consideration are also part of the focus for insurers. However, the increasing demand for digital service provision or distribution implies the integral need for insurers to focus their investments on information technology (IT). The trend is further confirmed by research survey that noted that the previous seven years witnessed an increase in IT aggregate operational expenditures from property-and-casualty (P&C) insurers improving by 22% (Lansing & Vogelgesang, 2021). However, the emergence of digital as an insurance option implies that technology is not a cost centre. Instead, technology is being considered as an asset, and when properly managed, can guarantee growth and profitability. Yet, the raging question is whether IT investments present greater return on investment. This is because with the COVID-19 pandemic exacerbating the traditional or prevailing cost pressures, the budget of insurers has been on strict scrutiny and consideration (Lansing & Vogelgesang, 2021). This is because most insurers are worried about the business implications that come with investing in IT.

One of the notable insights is how insurers having targeted IT investments realise greater and superior growth and eventually perform better. For instance, McKinsey’s Insurance

360^0 benchmarking survey data shows strong evidence and insight on targeted IT investments (Lansing & Vogelgesang, 2021). A major insight from their analysis is that insurers who are investing extensively on technology are better positioned to outpace their competitors with less pursuance of targeted investment in their business strategies including gross written premium (GWP) growth, expense and loss ratio and return to shareholders.

A particular insight and example is provided of life insurance (see figure 2) whereby companies with more IT investment recorded greater expense ratio reduction by 2.0 percentage points along with greater return on technical reserves, at 1.7 percentage point than insurers with lower investment in IT (Lansing & Vogelgesang, 2021). Particularly, it is reported that insurers stand to realise greater growth or outcome within 3 to 5 years upon making the specific investments.

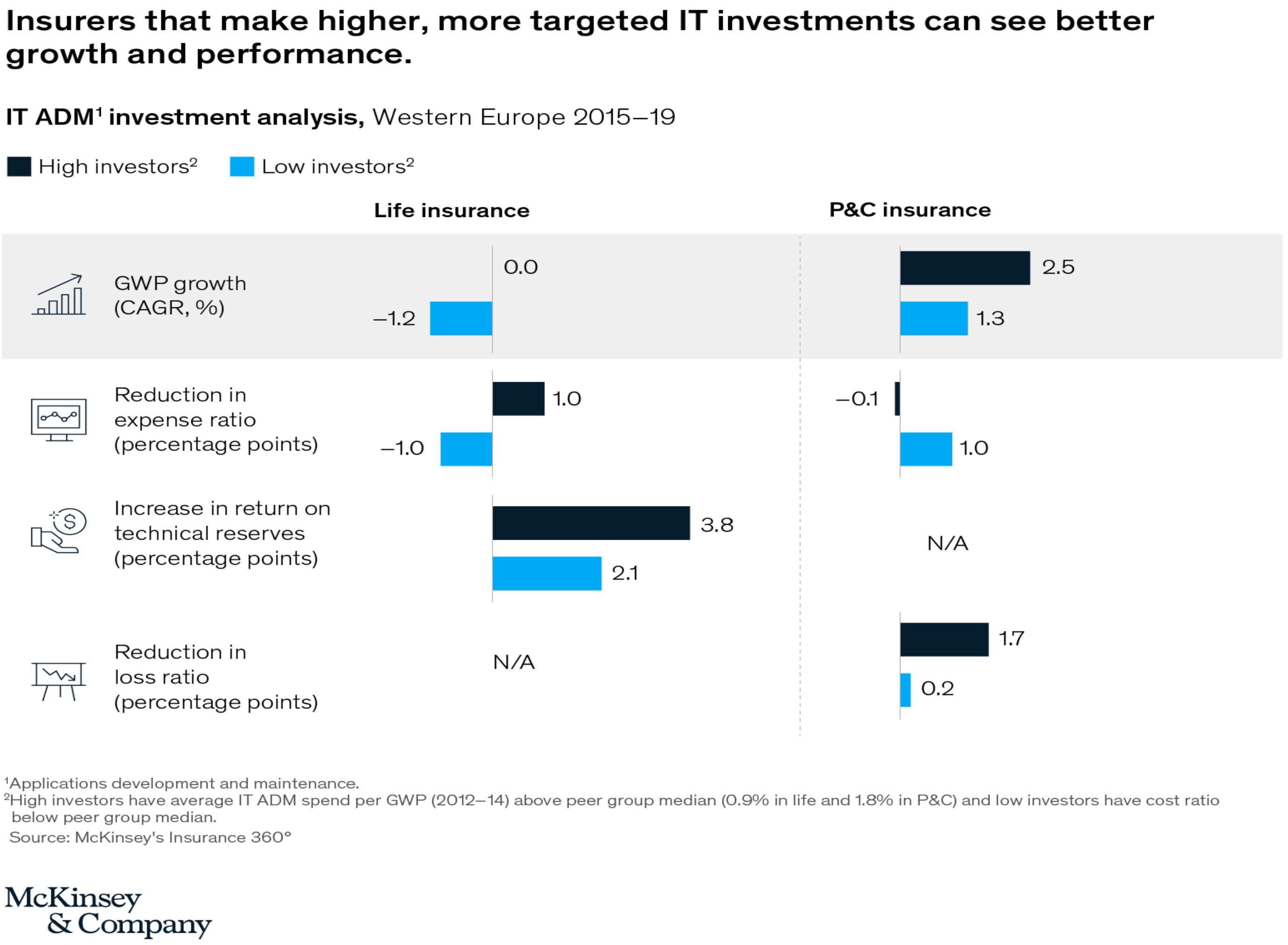

Figure 2: Insurer IT investment and Growth (Lansing & Vogelgesang, 2021)

As IT continues to define the future of insurance distribution, there are major areas of investment that have been identified. Particularly, this revolves around the type of technology investments crucial for insurers to realise growth prospects along with improving performance and productivity.

3.3.1 Market and Sales

It is considered that marketing technology solutions will provide benefits by increasing sales and efficiency in claims processing (Bohnert, Fritzsche & Gregor, 2019). These solutions are equally crucial for improving the core process quality including policy applications and inquiries (Franke, 2017). Furthermore, the solutions are necessary for improving the overall experiences of the customers. The same insight is reported by Insurance 360^0 benchmarking data by McKinsey highlighting how technology investments within the market and sales category is inescapably fundamental for facilitating top-notch progression for P&C underwriters with between 20 and 40 per cent (Lansing & Vogelgesang, 2021). The growth could be bigger for life insurers, and can reach between 10 and 25 per cent in the next three to five years.

Also of profound consideration or necessity is the focus on automated underwriting for detecting fraud, a strategy for improving the likelihood of correctly identifying fraud and setting correct prices (Zheng & Guo, 2020). Some of these solutions include a pricing tool kit for analysing the overall pricing across different competitors thereby permitting flexible and more segmented market against technical pricing for profit margin improvement (Lansing & Vogelgesang, 2021). It is reported and confirmed that any insurers deploying such a solution along with other pricing, product and underwriting technologies have enjoyed major enhancements in the overall proceeds, reportedly between 10 per cent and 15 per cent in the P&C insurance along with between 3 percent and 5 per cent life insurance improvement.

3.3.2 Policy Servicing Technology

Some of the possible technology solutions have emerged out of the need to automate policy service. Some include artificial intelligence-based resolution backing, automation of workflow and user-experience advancements or technologies within policy servicing (Mustafina et al., 2020). All these options and opportunities highlight how IT can be useful in improving the overall self-service experience for the customers (Lansing & Vogelgesang, 2021). Furthermore, these opportunities are effective for automating back-office processes. Therefore, operations and IT expenses have been reduced. Furthermore, state-of-art self-servicing technologies have been identified as the best options for reducing processing time and improving the overall customer experiences (Nayak, Bhattacharyya & Krishnamoorthy, 2019). These benefits have been backed by surveys analysing the necessary programs for large-scale insurance digitalisation or IT modernisation. The survey findings indicate that insurers deploying IT servicing solutions, especially in underwriting, pricing, and other product technologies have recorded major improvements in their overall profit margins. The improvements included 5 and 10 per cent margins for P&C insurance along with 10 and 15 per cent improvement or profit increment in life insurance.

3.3.3 Claims Technologies

Another digital advancement of profound consideration is claims technology, especially the recommended need for P&C underwriters to use or apply computerised case handling, a solution involving machine-learning expertise programmed on basic rights process (Lansing & Vogelgesang, 2021). This technological solution can be useful in segmenting the more complex cases and ensuring overall improvement of claims accuracy (Moodley, 2020). Furthermore, when combined with suitable partner assimilation in addition to steering technologies ingrained in the entitlements operational archetypal transformation, the technologies are reportedly useful for P&C insurers in improving their overall profit margins by between 25 and 40 per cent. This insight is provided by the McKinsey from analysing the large-scale IT modernisation solutions or programs.

In summary, the benefits of IT in insurance distribution are best realised or achieved when the respective insurers will consider or evaluate these technologies as assets and not necessarily tools.

3.4 The Changing Distribution Model in the Short-Term

At the moment, insurance companies have been dealing with the challenge of how they should respond to the changes for the ‘next normal’. This is entails taking the necessary steps towards digital distribution. The focus of most providers or insurers is on online-enabled transactions forces and enhancement in using data and analytics, more so lead-generation for supporting their clienteles. Differentiation, however, is sought by quickly moving to pilot, test, as well as learning but not focusing on multi-month strategy efforts. Insurance, therefore, now lies on the hands of customers, sales force, and enablers.

3.4.1 Taking care of customers

Customer tastes and preferences have similarly changed and transitioned with the shifts in the insurance distribution channels (Cebulsky et al., 2018). One of the recommended ways on how such changing preferences can be understood is through the use of zero-based design for rethinking the existing experiences, processes, and products to align with the next normal (Pousttchi & Gleiss, 2019). For instance, most insurers are currently facing the challenge of how their offered products or services can be simplified for remote sales (Grundstrom et al., 2020). This is reflected in the research report that found out that countless old-fashioned assurance products are considerably multifaceted for digital transactions, even when provided with the necessary directions. This largely implies that considering the best approach for re-creating efficacy of an in-person, advice-based association between prosperous representatives and their clienteles within the cybernetic setting will be crucial (Gavin et al., 2020). Some of the possible solutions for insurers include focusing on incentives and solutions like telemedicine. This sector has been recording intense growth and growth during the present COVID-19 pandemic. Furthermore, around half of the clients have pledged to continue using the services beyond the crisis period.

3.4.2 Taking care of the sales force

Also emerging as one of the changes and transitions in the insurance market is the need for caring for the sales force. Therefore, with the new distribution model, there is the inherent necessity for preparing the sales force for the coming next phase. It is the time for insurers to focus on major three imperatives including launching remote-only sales force, emphasising joining teams, expanding distribution partnerships as discussed below:

3.4.2.1 Launching remote-only sales Force

One of the imperatives is for insurers and associated companies to launch remote-only distributing force. This is a sure way of responding to the interests in remote distribution sales force which has specifically increased in the recent years (Kanyangale & Lukhele, 2018). Particularly, there are myriad advantages that come with remote sales forces, especially economic advantage of allowing agents to serve more customers in comparison to their traditional counterparts. The results have been lower costs per sale. Besides, remote forces provide the greater affordances for insurance companies to have a more direct control of their sales message (Fisher et al., 2019). This enhances the ability of cohesive response during crisis situations.

Particularly, there is the opportunity and prospects for insurance companies to rapidly keep posted any pertinent writings and conversation topics as well as more meticulously handling performance to guarantee amenableness (Circo, Deaky & Lupulescu, 2012). These changes suggest the need for hybrid destitution forces. Therefore, any provider with hybrid distribution forces to which the firm will not be worrying about making investments in individual secluded sales forces in the long-run (Wu & Fang, 2018). Besides using interior transactions desks as well as amalgam of representatives (both digital and in-person channels) or wholesale, those that have not considered the hybrid or remote sales force now have the opportunity of shifting towards proficiencies to their expert ground sales team most probable skilled in building relationships and final transactions.

3.4.2.2 Emphasizing Joining a Team

The changing distribution model has defined the need for teamwork and collaboration. This follows a recent US Survey, January survey to which 20% of the life agents had not previously worked with teams (Kaesler et al., 2020). Yet, agents working in groups are extra prolific. Particularly, the current COVID-19 pandemic has delineated the worth associated with system idleness, especially when numerous representatives are accessing information on a single client for ensuring continued operations in the event some agents become sick (Kai et al., 2020). Another considerable and observable trend is that teams draw together agents with different product expertise (Wang, 2019). This is crucial for facilitating the sales forces to provide better service to diverse customers who equally have different needs.

These changes call for insurance companies to ensure that their commission systems effectively support collaboration and teaming. This can be done by permitting split-commission imbursement or any further motivations for encouraging co-operative working (Jiantreerangkool, Boonsathorn & McLean, 2019). Furthermore, it is upon insurers to ensure that different agents are retrieving matching client information and guarantee collaboration through customer-information-sharing apparatuses (Kai et al., 2020). The situation equally calls for cybernetic training investment on teaming or cooperation best-practices (Wang, 2019). Particularly, it is recommended that findings of such training should equally be shared with agents.

3.4.2.3 Expanding Distribution Partnerships

The changing environment has even exerted more pressure on the need for making sales partnerships. Therefore, with the changes, insurers should consider the need for thinking about marketing organisations (coming up with insurance organisations or affinity relationships) (Crick, Jenkins & Surminski, 2018). The need and associated benefits of expanding distribution partnerships is necessary for enabling sales team or representatives to offer products to different consumers in need while correspondingly preserving the predicted sales force during disaster situations (Clipici & Bolovan, 2012). The virtual-agent model has exerted more pressure on agents on the need for adding value (Dominique-Ferreira, 2018). Therefore, expanding distribution partnerships would be the best measures or incentive for improving the same.

3.4.3 Investing in Enablers

Digital distribution investment comes with different benefits to insurers. The benefits include improved resilience through multi-ware or prolonged crisis periods, quick response to the current and future agent and customer demands along with increasing the overall productivity of the agents (Clipici & Bolovan, 2012). The need for digital tools has become more important than ever before. For instance, Kaesler et al. (2020) referred to the May US survey on agents whose responses indicated that 44% of these individuals rated their customer or agent digital tools as the priority capability. However, investing in digital tools calls for insures to consider assessment and identification of openings in the perfect representative and client expedition for specific businesses. Such an assessment provides an insight into developing an agile and useful road map aligned with their specific strengths as well as vulnerabilities so that the gaps can be closed.

Data is another enabler in dissemination because assurance corporations have immense data sums stored in paper file cabinets or legacy systems (Crick et al., 2018). Insurers need a faster response to building capabilities to mining data so that they can have the capability of identifying and responding to the emerging different customer trends to make their distribution mechanism more resilient. There has been a rise in the data-driven generation, with in-person lead generation strategies, (especially community events and in-person events networking) of which several representatives are not considered a choice any more (Clipici & Bolovan, 2012). This value of data can be captured by building forward-thinking analytics simulations for identifying life value-based client sections within the present data assortment. It is also possible to build additional models for every segment all with the aim of identifying customers who are at risk of lapsing or churning along with clienteles who may be contenders for upselling or cross-selling prospects (Crick et al., 2018). Furthermore, it is possible for integrating data into call lists for helping agents (remote or local) to concentrate their thoughtfulness on the leads with the uppermost worth. There is also the intrinsic inevitability for insurers to build or establish comprehensive feedback mechanism for further refining their model building through qualitative input from their respective agents and conversion data (Clipici & Bolovan, 2012). Agents are faced with the challenge on how they can generate leads to insurer's digital platforms.

3.5 The Changes and Implications on Consumer Protection/Security

The changing insurance landscape implies major advancements and transitions in consumer protection (Clipici & Bolovan, 2012). As brokers and intermediaries take charge of insurance distribution through different platforms, the concern and focus has been on trust and the necessary engagement in the human and machine-mediated or enabled world (Crick et al., 2018). Particularly, there has been an increased need for realising a balance between human and digital interaction. For instance, with reduced the human interaction because of the current COVID-19 pandemic, they are still considering human touch-points as crucial and trustworthy in comparison to the existing digital touch-points (Saldanha & Staehle, 2021). Saldanha and Staehle (2021) referred to a research report documenting that around 49% of the respondents contended their trust in human advisor in the office to guide them through insurance claim, with only 12% showing their trust in automated services including email, web, or phone and only 7% preferring chatbots (Saldanha & Staehle, 2021), as presented in Figure 3.

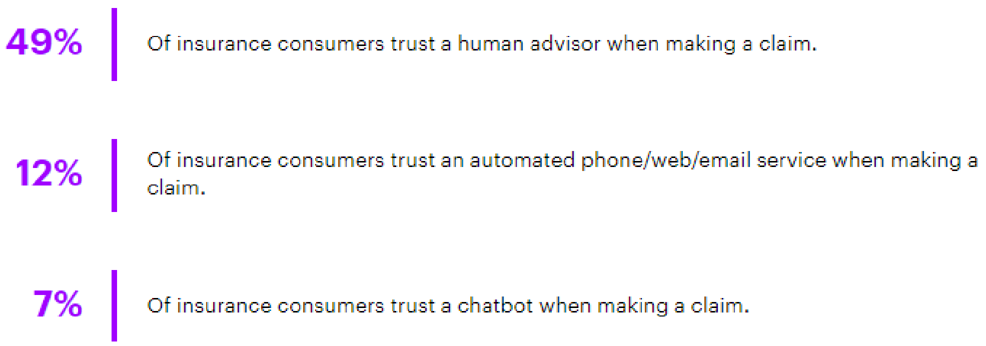

Figure 3: Insurance Consumer Perception of Technology and Human Help (Saldanha & Staehle, 2021)

3.6 Multi-Channel Is the Mantra for the Future of Distribution

The future distribution of insurance is defined the by the use of multi-channels. This concerns rethinking strategies as well as considering the best ways of forming partnerships to reach out to diverse customers through different ways (Saldanha & Staehle, 2021). The change has led to the creation of a porous market defined by engagement and relationship among insurers, partners, and customers' channels has become crucial. The agent and broker channel has become top of choice for the current Gen Z and millennial generation as well as the older generation of Boomers and Gen X. particularly, 74% of these individuals have indicated that they can still use the traditional channels (Garth, 2020). Yet, the younger generation is different as they are open to contemplating buying insurance from a wide variety of options. For instance, Garth (2020) noted that 66% of the younger generation is interested in purchasing auto insurance for vehicle coverage in comparison to the 52% of the older generation. Compared to the older generation, 64% of the younger generation reported that they could buy from auto insurance from manufacturer's website or app in comparison to 52% of the older generation (Garth, 2020). Furthermore, for life insurance, 54% of the younger generation confirmed that they would buy insurance from a fitness app compared to 38% older generation.

Particularly, the interest as well as acceptance of a broader range of purchase alternatives underlines why insurers have the obligation of considering how and where they interact with the younger generation and provide them with timely purchase prompts. This is where having an ecosystem and partnerships become strategic consideration in aiding insurers to expand their reach as well as presence to the customer's locations.

3.6.1 Case Examples: Moves by Insurance Industry Leaders

Leading insurers have made various announcements concerning new partnerships all for augmenting the overall improvements in customer experience, expanding the reach of their distribution and seamless buying ability within customer's point of need. One of such example is the announcement by John Hancock about integrating its Vitality Program with Amazon Halo. This investment consideration has allowed customers of the Hancock Vitality to exploit the Amazon Halo Ban for earning vitality points from their daily efforts to enjoy a healthier lifestyle; hence longer life (Garth, 2020). For instance, the Amazon Halo Band is designed such that as a wearable wellness and health device, it has the capability of measuring and analysing the activity of the users, sleep, heart rate, and tone of voice thereby providing the individuals with health insights along with encouraging healthy habits. These benefits or points of consideration are the basis for earning Vitality points by users.

The second example is the State Farm announcement of the corporation's partnership with Ford to provide or offer usage-based insurance (UBI) through auto telematics and the data integrated or connected from linked eligible vehicles from Ford. Under this system, Ford vehicle owners have an option of using Drive Safe & Save program from State Farm (Garth, 2020). This program equally aligns with the driven premiums and similarly rewards for good and safe driving behaviours with special discounts.

The third example investment of such kind was Tesla's announcement of the plans for harnessing data from drivers and cars in building 'revolutionary' insurers focused at providing better insurance value while similarly helping with the adjustment of car designs all for making them safer and incurring less repair costs (Garth, 2020). The central observation by Tesla is that the accuracy of the data collected from driver behaviour and car is the basis of ensuring competitive advantage; hence providing forward looking insurance. The unique aspect of Tesla's provision is the focus on assessing the data on vehicle damage and harnessing or leveraging the same in creating a continuous adjustment of the design loop and ensuring that they have been designed or been made safer with less costs spent on repairs. All these considerations are highlighted or defined as necessary for driving the insurance costs down.

The fourth example includes the interesting moves by Amazon. For instance, there is the Indian business segment apparently providing auto insurance by entering a partnership or deal with Acko general Insurance, to which Amazon is one of the Acko's investors, for covering motor-bike and care insurance in India (Garth, 2020). This move has been a major milestone for Amazon to enter into the auto insurance sector. The second investment consideration is Amazon Web Services (AWS) and Mobility Service Platform (MSPF) by Toyota announcing a new product, collaborative mobility insurance program. The AWS offers the advantages with its cloud platform which is being leveraged as a source of consulting and platform for accessing and analysing Lexus and Toyota vehicle data as well as the behaviour of the driver. This has emerged as one of the major forward steps in creating or developing a program for offering insurance to Amazon's esteemed customers.

3.6.2 The Need for Expanding Partner Ecosystems

The new changes that are being reported in insurance distribution means that the competitive advantage and industry sustenance will only be realised through expanded partnerships. The examples of Amazon and Tesla highlight the blurred nature of market boundaries (Garth, 2020). The boundaries have been shifting and in given cases, some are evaporating. This is because the combined customer and technological expectations have directly influenced or affected insurance by extensively disturbing the traditional ecosystem of brokers and agents. Although these traditional players still hold relevance in the insurance sector and distribution, the changes imply the prerequisite for embedding insurance or selling them differently across diverse ecosystems, including transportation businesses, automotive and big tech companies among others (Kane, Palmer & Phillips, 2019). The partnerships, therefore, have broken down the market and business boundaries to ensure fluidly operating ecosystems tailored to the needs of the customers along with the demand for value-added and risk products. The outcome or implication of this provision is that there has been greater value created for insurers since they now have new revenue streams while correspondingly accessing broader markets due to the multiplier effect of partnership.

Overall, the future of distribution channels, as shown from the examples, is multi-channel oriented or model. For many years, brokers and agents have been the major choice for Life & Annuity (L&A) and P&C insurers (Garth, 2020). However, the changing landscape for insurance distribution, especially partner and customer ecosystems, imply that the dominance and role of traditional channels have changed. For instance, customers have shifted their expectations towards multi-channel world, to which insurers have been challenged to provide channel choice and options, whether through customers or directly (Tardieu et al., 2020). The need for multi-channel distribution is a response to the changing customer expectations, especially enhancing their experience. Hence, the enhancement of the interaction is through the terms of the customers and not insurer's.

Despite the need for establishing multi-channel distribution channels, insurers must also confront the associated challenges or barriers to making such possible. One of the major concerns is that existing business models are still aligned with older generation of buyers, and as such, not line up with the needs of the younger generation (Garth, 2020). Secondly, most insurers are still focused on broker or agent channel and do not have the necessary plans for multi-channel world in terms of technology, strategy, and partnerships. The third barrier is that most insurers do not have management capabilities for next-generation distribution. This is because they are still operating using the home-grown solutions or spread sheets. This is also a concern because the current insurers do not have the depth of core distribution capacities from licensing, on-boarding and appointments, incentive and compensation schemes, data insights and automation for effectively optimising the multi-channel distribution approach or model (Garth, 2020). Particularly, it comes with the challenge of competitiveness in attracting new partners. Finally, the lack of next-generation and digital technologies has been hindering the ability to easily build partner ecosystem as well as embed insurance provisions or offerings.

Overall, these new shifts and changes imply that the ability of insurers to expand and effectively support existing new channels has begun redefining new industry leaders. For instance, Garth (2020) referred to their strategic priorities research that pointed out that leaders focused on partner ecosystems, new channels and technology, are ahead of slackers and followers. Particularly, these leaders have been expanding their channels at a 20% rate, more that their existing followers and 60% more than the slackers. Such investments are considered on the basis of expanding their overall market reach and ability to acquire and retain customers along with broadening their revenue margin.

Accordingly, the success in the market has changed and transitioned into multi-channel incentives or strategies, including the necessary support to the broker or traditional agent channel (Molloy & Ronnie, 2020). Besides, new strategic partnerships have become necessary for the ability of the insurer to maximise their overall growth capabilities or strategies in the current market and also in the long-run (Molloy & Ronnie, 2020). This as well calls for insurers to understand and master the art and science of making timely and relevant digital connections with their respective customers, particularly those motivated by life events and equally making easier, including satisfying customers to encourage the purchase of insurance policies or products (Pütz et al., 2019).

Consequently, ecosystem and distribution strategy are the foundation for converging distribution and digital channel capabilities, partners, and channels that will be exponentially expanding the brand, reach and engagement with the customers while concurrently meeting the expectations of the multi-channel and a digital world (Boehm et al., 2019; Stickle, Dermal & Uebernickel, 2018). Some of the examples include the use of 3D strategy by P&C and L&A,

encompassing digital, data, and distribution in managing the currently fast-changing distribution landscape or environment (Garth, 2020).

The new insurance era is equally defined by market leaders experimenting with new insights and opportunities. The emphasis and focus has been on the establishment of new opportunities for strategic partnerships (Greineder et al., 2020). Besides, the insurers have been providing innovative products. Much emphasis has been on testing with offering insurance services irrespective of where and when customers expect or want (Riasanow et al., 2021). Some of the considerations for market expansion include the experimentation with opportunities for direct distribution to the customers (Chester et al., 2018). Furthermore, insurers are still committed to brokers and agents, although the aim and focus has been to evolve into the multi-channel world.

In summary, the multi-channel distribution implies the major emphasis and focus on redefining the market boundaries. This is because the combined effect of customer expectations and technology has altered the traditional ecosystem of brokers and agents. Insurance must be sold differently or embedded across different or broader ecosystem, including health, wellness, and financial entities along with other entities.

3.7 Current Legislative Measures

In the European region, the Insurance Distribution Directive (IDD) regulates the sale of insurance products, a framework adopted in 2016 (Velliscig, 2018). As a regulatory framework, this provision applies to all insurance product sellers including insurance intermediaries like brokers and agents that must be registered within their respective home countries. They also have to meet the specifically set minimum requirements (Tereszkiewicz & Południak-Gierz, 2021). The framework likewise covers insurance companies selling directly to consumers and finally, ‘supplementary coverage agents’ as businesses focused at insurance offerings as add-ons to their products and services (Velliscig, 2018). Some of such examples include airlines and travel agencies providing travel insurance, or some may include electrical appliance sellers proposing or recommending insurance against damage or theft.

The IDD provides some major benefits to retail investors and consumers buying insurance products (Porrini, 2017). One of such benefits is the superior clearness in the costs and price of their respective coverage products. Furthermore, standardised and simple insurance product information document (IPID) ensures flawless info about non-life assurance products (Rokas & Siafarika, 2019). This creates greater affordances for consumers to arrive at informed decisions. The third associated benefit is that where insurance products are being packaged with another service or product (Lannoo, 2017). Finally, guidelines on business conduct and transparency help consumers to avoid buying products that are not designed or offered to their preferred standards.

4.0 Case Scenario: Belgium

A report on Belgium outlines the exact situation with the changing distribution model for insurance. For instance, Belgian insurers have contended that digital is poised to have a major impact on the insurance sector (Deloitte Consulting & Advisory, 2019). Despite the considerate traditional strategic imperatives including risk appetite, customer segments, products and services remaining valid, two main new strategic dimensions have been identified to shape the future of insurance. One of such is the capacity to offer end-to-end frictionless experience to customers and secondly, value chain positioning and levels of connectivity and openness to every sector or player. Yet, it is anticipated that around 2025, the majorly observed or identified business models dominating or leading the market will be the:

The core insurer: these are companies who have focused on core insurance products and skills while equally guaranteeing perfect or excellent customer experience (Deloitte Consulting & Advisory, 2019).

Beyond insurer: as a model, these are companies whose business focus is on providing core insurance products alongside additional services for delivering or offering added-value for the different customers across or within the insurance value chain (Deloitte Consulting & Advisory, (2019).

Exponential insurer: finally, there is the segment or line of exponential insurer, particularly operating in the market as companies who move above the insurance value chain and focusing on conquering new markets through leveraging efficient external partnerships alongside being part of the winning ecosystems (Deloitte Consulting & Advisory, 2019). Despite the different positioning pursued by various insurance companies, major capabilities to be further developed include:

- Technology and open architecture
- Innovation
- Customer centricity
- Talent
- Partnership and ecosystems

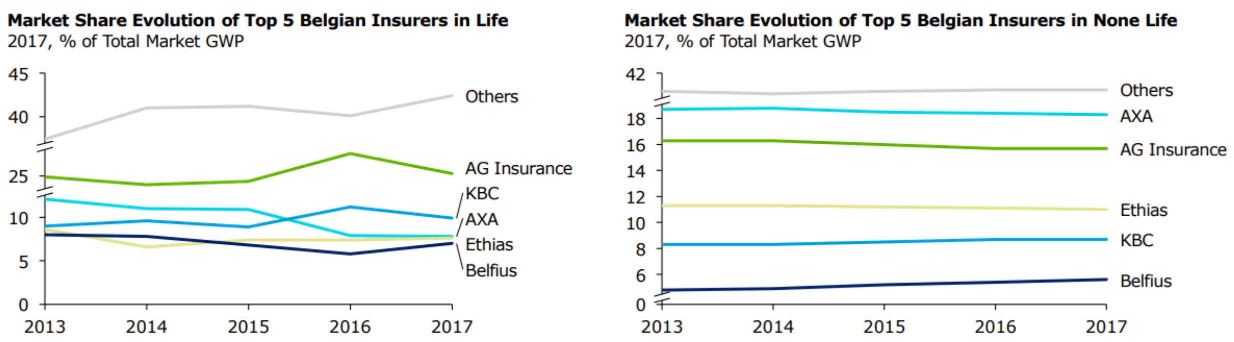

Figure 4: Insurance evolution (Deloitte Consulting & Advisory, (2019).

The two graphs in *figure 4* compare life and non-life insurance providers. For the past 8 years, the life insurance options have been recording a relative decline in market share, a pattern, or trend attributed to the current digital disruption. In comparison, the non-life insurance providers have maintained stable market dominance, with slight movement above their market in the same period. Still, these trends do not identify the industry segment that will dominate the market in the near future.

The Belgian market also offers an insight into the existing distribution channels and how they have been fairing in the digitalized sector.

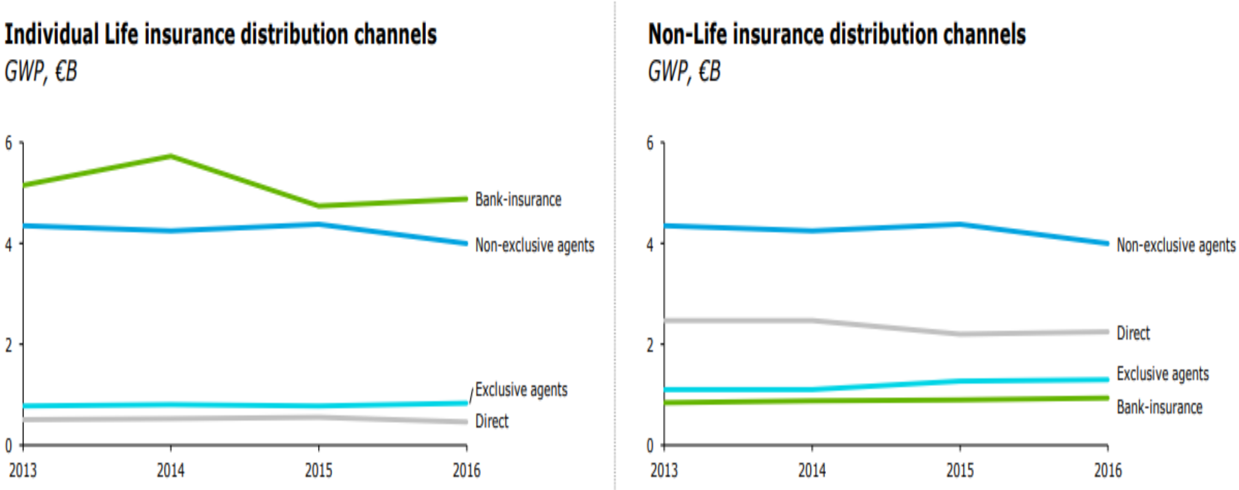

Figure 5: Individual life insurance vs. non-life insurance distribution channels (Deloitte Consulting & Advisory, 2019).

As shown in *Figure 5*, the banking sector continues to be the biggest insurance distributor or channel for distributing life insurance. However, this has reduced between 2013 and 2016, an indication that there are other rising distribution channels that are emerging or dominating the market. Life insurance does not compare with the non-life insurance which is mainly distributed by non-exclusive agents, followed by direct and exclusive agents. Bank insurance channels are the least used distribution channels for the non-life insurance policy covers.

As shown in *Figure 5*, bank-insurance has been posting a considerate market share owing to the overall evolution in the market. However, the banking sector performs better that the non-exclusive agent, as it declined by -1.8% compared to -2.7%. For the non-exclusive agents, their falling market share could be attributed to the overall increase in professionalism;

hence, fewer but larger brokers. From the Belgian case, the market trends show how banks had been traditionally linked or associated with the life insurance distribution.

The data also offers insightful trends on non-exclusive agents. For instance, non-life insurance products are specifically and solely distributed by non-exclusive agents. The trend is a confirmation that customers are now willing and focused on comparing the different offers coming from different players so that they can identify the best offers in the market. Furthermore, for professional sectors, independent intermediaries have been stronger in comparison to retail customers, 72% against 54% market share.

Belgium's insurance sector has been experiencing or undergoing major transitions and change for insurers including: the new customer expectations of information or price transparency, digital and mobile adoption as well as changing expectations. Secondly, society has changed through shared economy, mobility, ageing society and climate change. The third trend is technology including IoT, Automation, block chain, Analytics and Artificial Intelligence.

4.1.0 Factors Defining/ Shaping the Market Dynamics

4.1.1 Customer-Related Factors

Digital and mobile adoption is the first factor because individual customers are apparently feeling the inherent need for constant connectivity. The result is the disintegrated difference between physical and digital channels. Secondly, there is the need for price or information transparency. This follows the concerns over specific data leaks and the associated regulations like GDPR, customers have changed to become exceedingly aware of the vitality of owning their data and that the need to focus on sharing with reliable sources solely (Deloitte Consulting & Advisory, 2019). There are also concerns over changing expectations. For instance, the overall customer expectations have been shifting. Therefore, the future customer now ants complete freedom, uninterrupted flow, as well as transparency along with greater respect for time as the highest commodity.

4.1.2 Society

One of the societal factors that have driven and inspired changes in the insurance sector is mobility. Particularly, traffic congestion, technology evolution, and sharing economy are some of the game changers. This has seen most Belgians switching over to the multi-modal mobility alternatives or solutions (Deloitte Consulting & Advisory, 2019). However, the central challenge is that there are very few multi-modal insurance solutions at their disposal. Secondly, shared economy is driving changes in the country's insurance market, especially AirBnB and car sharing. Therefore, insurance products must focus on covering new types of risks and new situations, providing newer revenue sources. Accordingly, climate change has a central implication for the insurance sector, more so the concerns over global warming that have triggered natural and environmental-related calamity-related claims. In so doing, the present situation has augmented or triggered the need for enough or sufficient capital reserves. Finally, Belgium also grapples with the challenge of an ageing society (Deloitte Consulting & Advisory, 2019). This is because technology-enabled healthcare solutions have led to increased life expectancy. It equally means that there is a larger population share in the retirement age. As such, this situation has increased the pressure for covering pension liabilities, yet equally means more opportunities for new product solutions for the senior population.

4.1.3 Technology

Belgium's insurance sector is equally experiencing developments and changes because of technology. For instance, there is the emergence of block-chain technology as reliable, secure, and fast enabler for process automation including smart contracts, with decentralised organisations offering micro-insurance products (Deloitte Consulting & Advisory, 2019). Secondly, there is the emergence of automation, especially different technologies applied in automating complex processes like standard communication, simple decision-making, and data analytics all for cutting costs through increased efficiency. Internet of Things (IoT) is another technological solution or disruptions to the insurance market. This includes the ecosystem of devices connected to the internet and enabling remote accessibility including wearable and sensors permitting the collection of real-life data. Finally, AI and Analytics has equally changed the insurance distribution in Belgium. These developments have presented opportunities for leveraging advanced data analytics for utilizing data amounts of data for human-like intelligence for enhancing customer experience, mitigation of risks and detection of fraud.

4.1.4 Competition

Belgian also offers a major case scenario on how the distribution landscape has been transformed or changed by competition. For instance, there is an imminent competition in platforms as technology has made it easier or possible for insures to join or build platforms that allow customers to easily access their services and products beyond the conventional panel model (Deloitte Consulting & Advisory, 2019). Secondly, in Belgium, competition is currently driven by embedded insurance, especially how it permits the combined sale of products the consumers are looking for and their respective or corresponding insurance solutions. There are now opportunities for integrating the overall consumer journey when purchasing insurance on websites that have not been connected with insurance like Immoweb. Finally, comparators exist, especially P&C insurance products commoditising and price becoming a major criteria for clients (Deloitte Consulting & Advisory, 2019). These are comparison websites providing customers with the opportunities for comparing their necessary products, including associated prices, terms and conditions and various options.

4.2 The specifically Emerging Ecosystem in Belgium

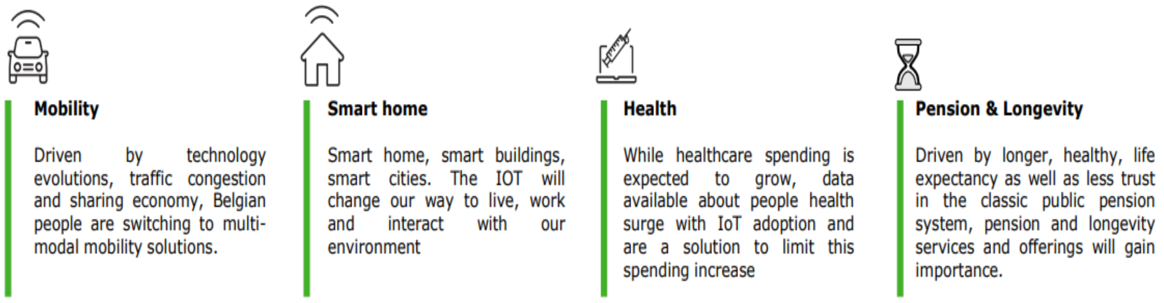

Figure 6: The Changing Insurance Ecosystem in Belgium (Deloitte Consulting & Advisory, (2019)

Belgium as a case scenario (*Figure 6*) confirms the changing insurance ecosystem landscape. For one, there is mobility as defined by traffic congestion, evolutions in technology and sharing economy (Deloitte Consulting & Advisory, 2019). Hence, the trend is a major switch towards multi-modal insurance options. Secondly, there is the emerging trend of smart buildings and smart homes, as well as smart cities. Special attention is on how IoT is changing the mode of working and interaction with the environment. For healthcare, despite the growing expenditure, there is a need to identify the number of individuals using IoT as a way of reducing the ever-increasing expenditure. A major concern is also on pension as well as longevity. This is attributed to the growing demand for pension covers to cater for the longer retirement age.

5.0 Regulatory Response to the Emerging Challenges

The IDD is currently being applied and used as a directive for regulating the sale and distribution of insurance products. Furthermore, under this direction, there are laid down insights and information that insurers are obligated to provide or deliver to the customers before any insurance contract is signed (Langenbucher, 2020). Accordingly, the provision under this regulatory directive is on the imposition of certain business conduct requirements and transparency rules that distributors must follow or respect (Ostrowska & Balcerowski, 2020). Also part of this regulatory directive are the clarified rules and procedures for cross-border business, including supervisory rules and sanctions on insurance distributors in the even a breach on the directive provisions has occurred.

There are many reasons put forth as regards the introduction and enactment of the new directive. For instance, this is being introduced and recommended as the region's first legislation for regulating the sale of insurance products. This is the Insurance Mediation Direction of 2002, updated to cover any business and insurance companies selling insurance policy covers, in comparison to solely insurance agents and brokers (Ostrowska & Balcerowski, 2020). Besides, with the recent improved consumer protection rules which have been in use in other financial segments, this new regulation has introduced better and new enhanced rules for protecting consumers.

All businesses must comply with the directive. For instance, SMEs including opticians and travel agents must respect the directive. Yet, the requirements outlined in this directive only apply to SMEs operating as insurance professionals (Meerten & Hooghiemstra, 2017). Therefore, those SMEs not insurance professionals must ensure that all their actions and operations are for the benefit of their customers before the customers have bought the insurance product (Colaert, 2020). They also have to ensure that insurance products have met the needs and demands of the customers. It implies that each SME must supply a specifically standardised Insurance Product Information Document, especially when a non-life insurance product sales contract has been signed (Pikus, Prykaziuk & Kudryavska, 2018). Accordingly, SMEs operating not as insurance professionals will equally be forced or obligated to provide insurance services separately from the main product they are selling.

There is also the Insurance Product Information Document (IPID), a requirement or consideration meant for helping customers. For instance, the document provides a summary of the principal non-life insurance contract features, not required for insurance contracts (Ostrowska, 2021). Rather, it is a contract arrangement intended for providing customers with the fundamentally necessary information about the specific non-life insurance typology, the obligations that the parties must respect, how claims are handled and the overall non-life insurance cover summary. This is implemented under the European Insurance Occupational Pensions Authority (EIOPA), helping with the development of standardized document format (Noussia, 2021). Therefore, this provides protection for customers because before they can embark on buying any type of insurance product, they have to familiarize with insurance product being deliberated or bought and equally compare the services or products with others. This is also a protection to the customers because the EIOPA will deliver a draft to the European Commission.

There are specific points of coverage that are meant to protect the customers. For instance, there are specific requirements targeted at insurance distributors.

Most important is the effect of the Directive on insurance distributors. For instance, intermediaries including agents and brokers must have relevant qualifications and be registered (de Jong, 2017). The minimum requirement under this category or arrangement is for the insurance intermediaries to showcase knowledge of the necessary terms and conditions as specified under the insurance policy being sold (Duyên, 2020). This equally calls for knowledge and understanding of the entire insurance market, applicable law, claims and complaints handling as well as the minimum financial knowledge. Besides, this directive or regulation requires that before the insurance contract is concluded, insurance distributors whether operating as intermediaries or not, must disclose their identity, whether providing counsel and evidence on latent conflicts of interests must equally be highlighted or outlined.

Furthermore, the directive obligates insurers to inform customers about the nature and source of their remuneration. Besides, when fees are asked, the amounts must be disclosed.

Also prescribed or identified within the Directive are the ways in which disclosures made (Köhne & Brömmelmeyer, 2018). Particularly, there are requirements aligned to the insurance undertakings. For instance, insurance product manufacturers must ensure necessary product approval processes established before a product is placed on the market (Śliwiński & Marano, 2020). This also involves assessing or evaluating whether the product is explicitly intended for a specific market. Also included under this directive is the universal requirement for insurance distributors to check and affirm whether the offered products are aligned with the needs and demands of their customers.

Because of the increased insurance-based investment risks, any specific product directed at and focused at customers are protected by the Directive. Hence, additional requirements have been placed and recommended for distributors (Kolding-Krøger, Hansen & Brofeldt, 2021). One of the major considerations is that insurance policyholder's protection has to be within the same level as that of the investment products of the clients (Mrozowska-Bartkiewicz, 2017). Besides the above stated obligations, insurance distributors have to follow specific rules and requirements necessary for preventing and managing conflicts.

The changing distribution landscape or model equally comes with a concern over the mode of remuneration or payment for insurance distributors. This is a question of whether the distributors will receive payments based on commissions or customers are expected to pay service fees or remuneration (Köhne & Brömmelmeyer, 2018). However, this existing directive has given the permission for member states to keep their existing remuneration systems. Therefore, in the event there is a requirement for the customers to pay fees for the service insurance or intermediaries services within a specific state, they have to continue to do so. Particularly, this directive does not have a particular prescription on a specific or particular remuneration method to be used by insurance distributors (Mrozowska-Bartkiewicz, 2017). However, it has equally laid down some specific rules for guaranteeing that the payment or remuneration is transparent. The third party payments for selling insurance-based investment products are only allowed when they have no detrimental effect on the service quality to their respective customers (Marano & Noussia, 2021). Hence, third party payments are still possible. Yet, the Directive obligates that such products should be free from any conflict of interests and they have striven to serve the best customer’s interest.

The decree will benefit different players and stakeholders in the insurance field. For one, it sets or stands to benefit customers, especially how it focuses on improving the overall sales standards and equally extending the standards to novel protection areas like insurance-based investment products (Hofmann, Neumann & Pooser, 2018). Furthermore, it sets to benefit consumers by receiving standardized basic information on insurance policy as outlined under the Insurance Product Information Document (Köhne & Brömmelmeyer, 2018). This document invites customers to make comparison on the offers and shops around for the products befitting their inherent needs. The directive equally serves to benefit national supervisors, especially form the increased certainty in the applicable rules for insurance businesses, more so on sanctions, cross-border sales, and consumer protection.

The directive is likewise intended to provide much benefit to insurance distributors who stand benefitting from fair competition as the playing field becomes levelled. This is a directive meant to restore the confidence of customers and lead to business opportunity expansion, including better opportunities for insurance cross-border sales (De Maesschalck, 2017). Furthermore, lower cross-border operating costs and higher demand from the consumers is anticipated to have an incremental effect on the sales as well as spur overall innovation within the insurance industry (Śliwiński & Marano, 2020).

5.1 The Next Steps

The Directive came into force in February 2016. Since its implementation and adoption by 2018, every insurance distributor must comply with the newly set rules or requirements.

Furthermore, under the Directive, the European Commission has been directed or forced to incorporate technical rules covering areas of product governance and the necessary oversight, including other areas like inducements, conflicts of interests, suitability and appropriateness assessment and generally reporting to the customers. Furthermore, EIOPA is set to provide the necessary technical advice to the Commission on the pressing issues along with developing the technical standards on different issues.

6. Conclusion

In summary, this article identifies the changing insurance distribution model for life insurance, specifically the pandemic and technology driven changes. Even before the COVID-19 pandemic, there had been shifts towards digital insurance distribution. The traditional agents who meet customers face-to-face are being outdone by technology. However, the new technological opportunities for insurance distribution also means that brokers and agents are less regulated in the online environment. This has exposed consumers to risk of exploitation. It explains why IDD was introduced to curtail the powers of distributors, especially agents.

The main finding is that the contemporary distribution model is transitioning or changing towards digital platforms. The changing society, especially increased life expectancy, technology prospects like artificial intelligence, changes in connectivity and consumer taste and preferences have driven the insurance distribution towards the online platform. This calls for insurers to focus on building partnerships within the ecosystems, encouraging agents to work as teams and ensure that they have incorporated a hybrid or multi-channel distribution model. This is because the traditional face-to-face meeting still find relevance despite the changing consumer preferences towards the online or digital platform.

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