



# Insurance Company Product Innovation – Compliance Issues

**Laurie D. Lewis**

Chief Life Compliance Officer

Amica Life Insurance Company

October 24, 2019



## Basics

- There are compliance rules that impact every step in the life insurance and annuity process.
  - Rules that impact what we sell
  - Rules that impact how we sell and administer




## Regulations are slow to change

- While we may think that everything we do is “new”, in many instances, we are applying “old” rules to new activities.
- In reality, much of what we think of as new has its genesis in something preexisting.



## Example – Term Products

- The “new” thing is a life insurance policy issued for one weekend – while someone is on an adventure, such as white water rafting.
  - These adventure policies may be issued on a GI basis – are intended to be relatively cheap and only cover a death occurred while that ‘dangerous’ activity is occurring.
  - But, are these really new? In the 1950s and 1960s, when commercial flying was new, Mutual of Omaha sold life insurance at airports – coverage of \$100,000 for a quarter through a vending machine. Only covered if death due to an airline accident.



## Example – Riders

- Traditional
  - Family/spouse/child
  - Term – as an addition to Whole Life
  - Guaranteed Insurability – to add more coverage
  - Accidental Death – increase payout in certain situations
  - Disability Waiver



## Example – “new” Riders

- Traditional
  - Family/spouse/child – can this be expanded to include extended family?
  - Term – as an addition to Whole Life – Can this be expanded to include Riders that come on and off the policy at different times?
  - Disability Waiver – has been expanded to cover Unemployment – could it also cover unexpected reduction in income?
  - Accidental Death – could this cover more than just an “accident”?



## Rider or rebate?

- Moving target since regulators are currently looking at Rebate rules.
  - Rebate = Generally can't give improper inducement to buy life insurance.
  - Traditional rule – can give a customer something of nominal advertising value - Pens, coffee cups
- Is something a rebate if provided by a rider? What if the cost of the “thing” is build into the product? What if there is a separate charge?
  - What about a “free” Fitbit or Apple Watch? Not actually “free”
  - How close does the benefit need to be to not be a rebate?



## New Riders – are these Rebates?

- Benefit not impacting life insurance but benefiting insured or owner - free will or financial advice?
- Vault - Cloud storage capacity to allow owners hold estate documentation
- Discount at Whole Foods or health club; free year of Amazon prime
- Funeral planning assistance





# Technology Changes

- Aside from changes in product features, everything else about the customer experience is also undergoing potential changes – primarily driven by technology
  - Electronic applications – electronic signatures
  - Customer Communication
    - Policy information access
    - On-line tools
  - Advertising
  - Underwriting



# Customer Interaction and Communication

Traditional to new – same compliance challenges:

1. Face to face
2. Telephone
3. On-line
4. Mobile
5. Text/FB messenger

Regardless of the method of communication, same suitability/best interests/honest dealings rules apply.



# Advertisements

## Traditional to New

1. Billboard
2. Agent Handouts
3. Mail
4. Telephone calls
5. Seminars
6. Webpage
7. Social Media
8. Text





## State and NAIC Activity

- NAIC has an Innovation and Technology Task Force –
  - Mission is to provide a forum for regulatory education and discussion of innovation and technology in the insurance industry.
  - Discussions on cybersecurity, artificial intelligence, Blockchain Technology, InsureTech.
  - Looks at how these new technologies will impact regulation of the industry – company as well as products.



## State and NAIC Activity – Issue focus

- Some of the issues are practical from a compliance standpoint – such as e-signatures, e-delivery and modified underwriting. However, right now, the focus of the NAIC is on the more systematic changes that could impact the entire industry.
- State “Regulatory Sandboxes”
  - Temporary Waivers of existing Rules



# Innovation and Compliance “checklist”

What does the compliance department do with a “Great New Idea”?

1. Determine if the idea fits within current regulations
  - Involves interaction with Legal
2. Product and application filing
  - Check for IIPRC – is there a standard?
3. How will it be distributed?
  - What does the state need to see?
4. Electronic consents for modified/accelerated underwriting?



# Innovation and Compliance “checklist”

What does the compliance department do with a “Great New Idea”?

5. Advertising new idea
6. Licensing
  - Are your existing agents properly licensed ?
7. Consumer communications
  - New Disclosures; market conduct preparation
8. Complaint handling?
9. Claims Payment – change in timing?



## Framework for Compliance

- When faced with a new “thing”, either product or way of selling, administering, advertising and the rest, look first to existing compliance rules and see how they will ‘fit’.
- Regulations do change – but often after the industry is looking at changes in the products or procedures.