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### **Actuarial Consulting: Proven Product Innovation**

A start-up life company was primarily selling competitive middle-market term insurance thru direct sale call centers. We were providing all of the initial product development and design for the company. One of the major roadblocks to profitable sales in the call center environment is the cost of lost sales resulting from poor placement rates and an inefficient sales process. A competitive term rate requires strict preferred medical underwriting resulting in long delays (weeks and sometimes months) in getting policies underwritten and issued. This strict underwriting often leads to unexpected higher premiums. This results in lost sales, unhappy customers and unhappy sales people. The alternative was to sell simplified issue non-medical policies. However, these policies cannot be profitably priced with competitive rates, leading to replacements and poor persistency.

To successfully target the middle market, we needed a simple product and a process that could be quickly sold over the phone or the internet, with a competitive rate. Obviously, it also had to make money. So working with the company, we developed an innovative term plan that could initially be sold with a competitive premium rate on a simplified non-medical basis. Premiums were kept low by embedding accidental death benefits as an integral part of the initial face amount. Medical underwriting could conveniently occur after the policy was in force and premium paying, replacing all or part of the accidental death coverage. Using the latest advances in non-medical underwriting tools, most customers had full competitive coverage with no increase in premium. The company developed new software and technology to streamline the whole process. Now applicants could receive coverage almost immediately at a competitive guaranteed rate and coverage could not be canceled.

The company has successfully patented this plan and the supporting processes. This has fueled their growth to over \$50 million in annual new business premiums over a period of 8 years and has revolutionized the traditional sales and underwriting process. We are now working with the company to allow the licensing of this patent to select groups of other carriers.