

## The Future of Group Insurance: A Conversation with Lincoln Financial Group's Dick Mucci and Jay D'Aprile, Slayton Search Partners



We've all heard that the insurance industry is changing, but not every part of the insurance sector is changing in the same way or at the same rate. Group insurance is unique. In order to break down group insurance trends and what they mean for carriers, I spoke with Dick Mucci, President of the group insurance business at Lincoln Financial Group.

**Jay D'Aprile:** After 45 years in insurance, your name is known by everyone in the industry and your stellar reputation precedes you. What kept you pushing your career to greater heights all those years?

**Dick Mucci:** I thrive on taking on new challenges and problem-solving. Nothing compares to the satisfaction of taking

control of a challenging or complex business scenario and finding the right solution. Five years into my career, I took on a role running a small, struggling insurance line of business. When I turned that around, I caught the bug and I've been chasing that feeling ever since. While the playing field has gotten bigger and the challenges have evolved, that desire to problem-solve and uncover opportunity has continued to keep me pushing harder – whether that has meant going international, digging into specific lines like disability, or driving major acquisitions. I also believe that the insurance business is so critically important to people because we provide valuable benefits that help people when they need it the most. I continue to push myself and I want us to continue to push ourselves as an industry to best serve our customers.

**Jay:** Group insurance has changed over the years. Where has the industry been and where is it going?

**Dick:** To understand today's group insurance market, we must go back to an earlier time – right after World War II. Employers needed ways to attract and keep good employees in the post-war rapid growth period, so they enriched their benefit offerings across the full gamut of medical, dental, life, and disability. Much of this employer benefit culture is unique to America and created the foundation of the group insurance sector we see today.

**Jay:** How has the group insurance industry grown since then?

**Dick:** In the 1980s, the investment orientation of life insurance products started to gain prominence. Into the 90s and even 2000s, products with investment features like universal life and variable annuities experienced a lot of growth. Since these products typically had capital markets risk exposure, they were adversely affected during the "Great Recession." The group insurance industry presented carriers an alternative avenue for further growth while avoiding exposure to capital market volatility. Looking to the future, to capitalize on growth opportunities, the group insurance industry must provide customer-centric service and capabilities along with great products. So, the real sea change in our industry is the shift in focus to creating modern technology platforms that drive a superior customer experience.

**Jay:** What have been other drivers of change and transformation?

**Dick:** There's also been a shift in who is paying the bill, and in the amount of benefits offered. Forty years ago, employers paid for everything. Today, an increasing portion of benefit costs are being supported by employee contributions. Additionally, there is an expanding variety of "voluntary" benefits – where an employee can choose coverages to meet their financial needs. A very small percentage of working Americans have financial advisers or insurance agents, and as a result, they are underinsured and looking for help. Insurance is being sold at the workplace more and more, so these individuals are relying on their employers for advice. Employees also like the convenience of

purchasing insurance where they work, and employers like sponsoring these programs as a valuable part of their benefit offerings.

**Jay:** And technology is the answer?

**Dick:** It's a big piece of it. Employees want to use their mobile devices to obtain information and make transactions. But, they also want to be able to speak to someone when making those important insurance purchasing decisions. Technology is making that easier. Direct-to-consumer marketing and communication hasn't typically been a strength of the group insurance industry because companies have traditionally distributed through intermediaries. However, it's becoming more and more important that companies develop these direct marketing and servicing capabilities. I often use the analogy that insurance companies need to replicate the same value that insurance agents deliver, but just do it virtually. This is where new technology becomes so critical.

**Jay:** Lincoln Financial Group continues to be a major name in insurance. How has your company adapted to changes in order to stay successful?

**Dick:** In 2018, we acquired Liberty Mutual's group benefits business, doubling the size of Lincoln's group benefits premium to more than \$4 billion. This acquisition has provided tremendous strategic value in three key ways. First, we greatly enhanced our disability and leave management scale, products, services, and capabilities. These disability and leave offerings are a differentiator for us and represent our "fastball" as we compete in the marketplace. Second, it has expanded our reach across the employer market. Liberty's business specialized in large employer clients, and Lincoln primarily competed in the small- and mid-employer size markets. Now combined, we cover the entire employer-size landscape from the smallest to the largest companies in America. The merger also more than doubled the number of employees we cover to nearly 11 million. This expanded employee base has created a tremendous opportunity for us to cross sell benefits and grow employee-funded benefits like optional life and other voluntary products. Third, this acquisition has enhanced our overall business scale to create more expense economies and enable increased investments in technology to enhance the customer experience and improve our operational efficiency.

**Jay:** From my vantage point, insurance carriers are going beyond traditional offerings by putting out new and unique products related to pets, student debt, and financial wellness. What's your take on this trend?

**Dick:** Supplemental offerings like those are excellent opportunities to address insurance needs more completely. Lincoln is exploring those ideas with employers to deliver what the market desires. Employers can serve as an important conduit to help us reach the consumer – and our products can help those employers engage and retain their

employees. The key is to customize approaches so that we're delivering what employees need while making the buying process as easy as possible.

**Jay:** Where is the biggest growth opportunity in group insurance?

**Dick:** Voluntary benefits are a huge opportunity for growth. Products like accident, critical illness, and hospital indemnity insurance can help fill key gaps that medical insurance doesn't cover. And many times, growth today isn't just about a consumer buying a product; it's that they don't purchase enough. This is often the case with products like disability and life insurance. Many employers will provide base coverages and offer a "buy up" where an employee can purchase more to meet their needs. Buying insurance isn't always "exciting," and most consumers don't realize the risks they are taking when uninsured or underinsured. But the good news is employees know their benefits are important. They just need education on how to leverage them. And employers are taking action to help. They recognize the importance of helping their employees with financial wellness – it helps with employee engagement and it's directly linked to productivity.

**Jay:** Are you seeing that in a specific demographic or generation?

**Dick:** That's the exciting part – benefits are important to employees across ALL generations. We just conducted fresh research that showed this. Even members of Generation Z who are entering the workforce right now are thinking about what insurance benefits they want out of their first big job.

**Jay:** Consumerism is changing every industry - what new talent is required for success in today's group insurance sector?

**Dick:** Experts in consumer marketing are needed more than ever. Understanding what motivates buying behaviors and how to tap into the trends consumers care about is crucial for today's carriers. Additionally, insurance must attract those who are familiar with new, customer-facing technology. These individuals must be able to speak the language of startups and form deep relationships with tech partners. Data can be game changing, and we're working on voice and keyword recognition technology that can determine how a call is going and provide instant analytics. The more we know about a customer, the better we can understand their needs and market relevant products to them. While tech talent is needed to implement those initiatives, strong customer service talent on the front lines is still extremely important – they are the face of our business to our customers.

**Jay:** That increased focus on data is something I've noticed with more Chief Data Officers being recruited into insurance. It seems like there's a challenge in enticing this type of talent. How does Lincoln attract this new wave of technical talent?

**Dick:** Throughout my 45 years in insurance, I've found one reason for working in this industry that rises above all others: we make a real difference in people's lives. While there are also exciting intellectual challenges and opportunities for personal growth, at the end of the day what we do matters. We're helping customers plan for retirement, deal with a premature death in their family, or manage a sudden personal disability. This industry's best kept secret is that it's a vastly rewarding field, especially for younger generations who want to make a positive impact on society. In fact, it's too good a secret, and that means better education is necessary. Lincoln has a strong university recruiting program that explains the benefits of working in our industry. As long as we can get in front of people for a few minutes, we're able to capture their interest.

**Jay:** Thank you for sharing your experiences today. Do you have any final thoughts?

**Dick:** Group insurance is changing, and a lot of our conversation has been about industry disruption. While things are different now than they were when I began my career, consumers are always king. The more competition there is for their attention, the more carriers raise their game and innovate. That makes the industry fun, and I'm excited to see where it goes from here.

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