

**WEALTH MATTERS**

## *Life Insurance Offering More Incentive to Live Longer*

By Paul Sullivan

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Brian and Carla Restid, a couple in their mid-60s, bought life insurance four years ago to protect their lifestyle in retirement. A year later, they upgraded to a pilot program offered by the insurer to get fitter, healthier and more energized.

In exchange for working to improve their well-being and providing details about the process, they have saved \$700 so far in premiums.

“It provided a way for me to be accountable to myself,” said Mrs. Restid, 67, who has an autoimmune disease that has slowed her down. “It provided me a way to get going and keep going. I was exercising before, but it wasn’t at the forefront of my mind. This set me on a life-changing program.”

Starting on Wednesday, the program they joined, known as Vitality, will be included in all new life insurance policies underwritten by John Hancock, the financial services company. The program was developed in conjunction with Vitality, a South African company that works with insurers around the world on similar programs.

“Vitality has been an optional benefit,” said Brooks Tingle, president and chief executive of John Hancock Insurance. “Now, we’re saying we won’t issue life insurance policies without these Vitality benefits on them.”

If they participate, customers will be able to reduce annual premiums by as much as 15 percent, but they will also be asked to report their habits on eating, drinking and exercise — or lack thereof — to their insurance company.

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“For an insurer, you’re going to get healthier people — that’s why they’re going to give you all their data,” said Katherine L. Milkman, professor of operations, information and decisions at the Wharton School at the University of Pennsylvania, who has no affiliation with the program. “The

unhealthy ones are going to go to other insurers. The question is, how effective will it be once they've selected all the healthy people?"

For life insurance sales agents, this is a new pitch. No longer will they have to dance around the issue of death. Instead, they can put the buyer in charge, offering lower premiums and a range of financial inducements for the policyholder to try to live longer.

After every 10 workouts, the Restids get to spin a wheel of fortune on a mobile app and accrue points for gift cards at various retailers. Mr. Restid said that when he and his wife traveled to New York for a wedding this summer, they stayed at a hotel that was part of the program and their \$2,100 bill was cut to \$900. Mrs. Restid said she used the gift cards to shop on Amazon.com.

This may sound trivial, but behavioral economists say short-term rewards drive long-term results.

"The main thing we've seen in a variety of studies looking at health incentives is that healthy people are very interested in being in these types of programs," said Justin Sydnor, associate professor of risk and insurance at the University of Wisconsin at Madison. "One, it's about money, but two, healthy people don't like to fail at getting the incentives. People who know they're going to struggle aren't as interested in programs like this."

For John Hancock, a division of the Canadian insurer Manulife Financial, the program is good for business. "The longer people live, the more money we make," Mr. Tingle said. "If we can collectively help our customers live just a bit longer, it's quite advantageous for us as a company."

The market for life insurance is vast. About half of Americans own some form, but only a third own individual policies, which are more profitable than group policies they could get through work. The most common reason people list for not buying life insurance is cost, according to Limra, an insurance industry research group.

What John Hancock is trying to do is not easy. The pilot program, started in 2015, has not been a roaring success: Only about 20 percent of customers signed up that year. Three years later, the company said it had doubled that figure, which experts said was below expectations.

"It's a great idea to extend it to their full line of products, but they have not had spectacular success with the product so far," said Steven N. Weisbart, chief economist at Insurance Information Institute, a trade group.

"People do respond to incentives," Mr. Weisbart added. "But the question is, do people respond to these incentives? The answer seems to be, not really."

Mr. Tingle said that what drove the decision to make Vitality mandatory on all new policies was not the adoption rates but how customers used the offering. Over the past three years, use of the software has increased 706 percent.

Beyond lower premiums, the company has tried different strategies to get customers involved. One shows just how motivated people are by incentives. For instance, customers can sign up to receive an Apple Watch. If they meet a set of monthly health and wellness goals over 24 months, the watch is free; if they fall behind, the watch is billed in installments of \$15 a month.

In behavioral economics, this is an example of how the fear of losing something works. For the promise of saving a mere \$15 a month, John Hancock can nudge people into compliance.

“People like free things in general,” Mr. Tingle said. “But I get letters from very wealthy individuals who are obsessed with getting that bill to zero.”

Twenty-nine percent of participants in the trial said getting the free watch was “one of the main factors” in their decision to buy this kind of life insurance, according to a poll the company conducted.

The Restids said that after they get dressed in the morning, they put on their activity trackers to count their steps. Before they signed up for the Vitality program, Mrs. Restid said, she logged about 3,500 steps, maybe 5,000 on a good day. Now, she almost always gets over 10,000 steps and feels more energized after years of being on disability.

The new life insurance requirement will have two options. The first comes with every new policy and includes an app that connects policyholders to nutrition resources and helps them set health goals. They also get to spin the Vitality wheel to win free stuff.

The second version, which costs an additional \$2 a month, adds the ability to reduce annual premiums by as much as 15 percent.

Still, coaxing people to better their health habits is challenging. Dr. Dariush Mozaffarian, dean of the Friedman School of Nutrition Science and Policy at Tufts University, said there were three broad categories that public health officials tried to manage in individuals: smoking, exercise and diet.

The first two are straightforward: Don’t smoke, exercise more. The third, Dr. Mozaffarian said, is more complicated because a healthy diet does not mean all kale all the time or most people would opt out of it.

Dr. Mozaffarian, who has reviewed the John Hancock program, said the Vitality app used a scoring system to persuade people to buy more nutritious food. Customers are rewarded with more points for purchases of produce and other foods with high nutritional value.

Fear of revealing even more information to an insurance company may dissuade some people, but the insurer said it was confident it could keep the data secure. “We get medical records on people every day,” said Marianne Harrison, chief executive of John Hancock, the parent company of John Hancock Insurance. “That’s more confidential than physical fitness data.”

To attract less-healthy people, who will pay higher premiums but are still likely to have decent life spans, John Hancock emphasizes that the amount of savings is greater for them: \$300 off a \$2,000 premium vs. \$120 off an \$800 premium for someone who is healthier.

But the people who would benefit the most may not sign up for the program, Mr. Weisbart of the Insurance Information Institute said.

“It’s a little like the devices people attach to their cars to tell auto insurers that they’re better drivers than they seem,” he said. “That, too, has not been a smashing success, and it’s been around 20 years.”

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