




# 2026 LIFE INSURANCE AND ANNUITY CONFERENCE

*The Power of Promise*

**Capital Technology  
Investments as a Catalyst  
for the Power of Promise**



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Actuaries

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Celent.  
a GlobalData company



**Tom Scales**

*Principal Analyst*

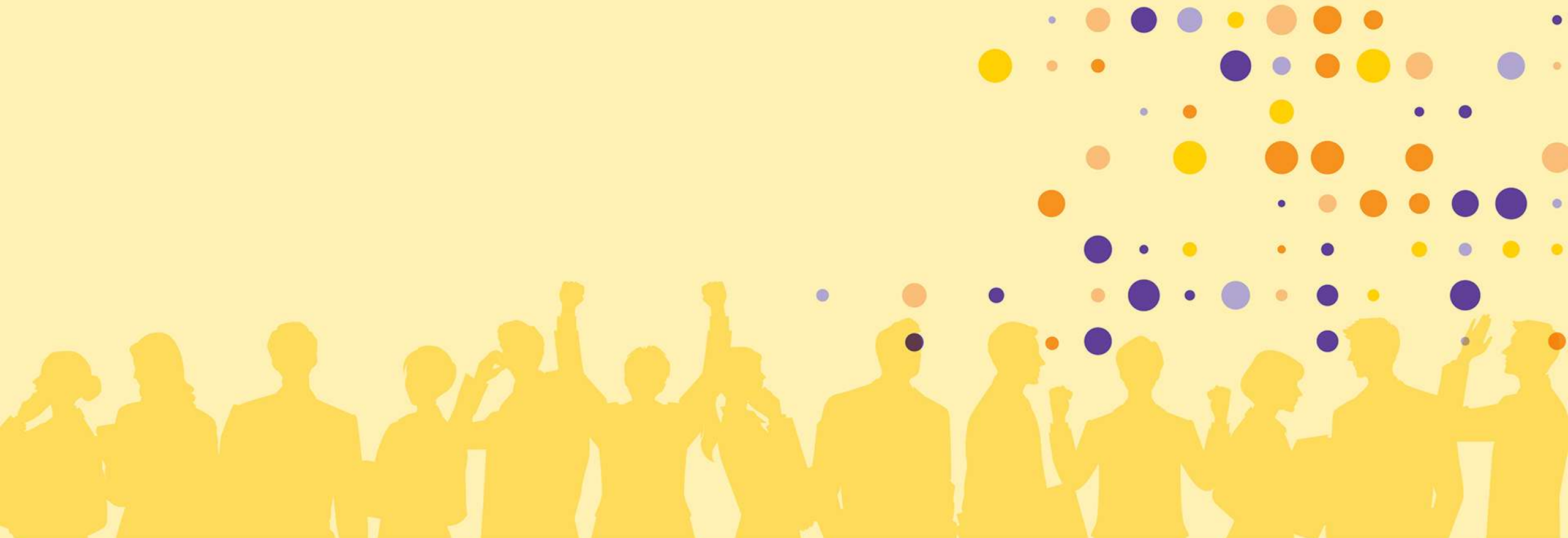
Celent



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# Introduction

# A Little About Me

- Over 40 years in the insurance industry, with an emphasis on Life and Annuity
- Former vendor executive with every role from architect up to company leader
- Former COO and CIO at Crump Life Insurance Services
- Former COO and CIO for Transamerica's Life division
- Former head of sales and operations for HealthIQ

Principal Analyst in Celent's Life and Annuity practice with a focus on operational efficiencies, supporting business and technology collaboration, and consulting, especially involving technology selection projects.

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# What's the story of life and annuity insurance entering next year?

## Conditions are dire with economic and political upheaval scrambling markets and strategies

- Underinsurance is still rampant, with no carrier able to find a resonant message with younger customers
- More of the Baby Boom generation worldwide are turning 65 every day, creating an imbalance on the books
- Economic uncertainty around leads to volatility in financial and currency markets
- Product Diversification and innovation is critical
- Partnership ecosystems enable bundled offerings
- Improving the customer experience is critical
- AI will be a differentiator in all aspects of insurers

VS

## An AI-driven tech revolution is coming to mitigate many issues

- Agentic AI has the potential to create efficiencies that the life and annuity insurance industry has never enjoyed
- While a lot of work needs to be done to fully prepare for the AI transition, life and annuity insurers are up to the task
- Quick wins have already been achieved at carriers across the sector

# 5 Key Technology Trends

## Winning New Policyholders with Savvy and Speed

Identifying new markets while focusing on customer service and straight-through processing

## Wringing Victories from Core Investments

Data hygiene and management will be even more crucial as even low- and no-code platforms give way to AI-supported development

## Achieving an Underwriting Lift from AI

Leveraging AI for decision and workflow support in a tumultuous market

## Meeting the Standard for Personalization and Relationships

Ensuring that the insurance product meets the very specific needs of the insurer while providing the best experience for consumers and agents

## Managing the AI Transition

The AI-enabled insurance enterprise is on its way, but everyone's journey will be different. Forge strategic paths as it arrives

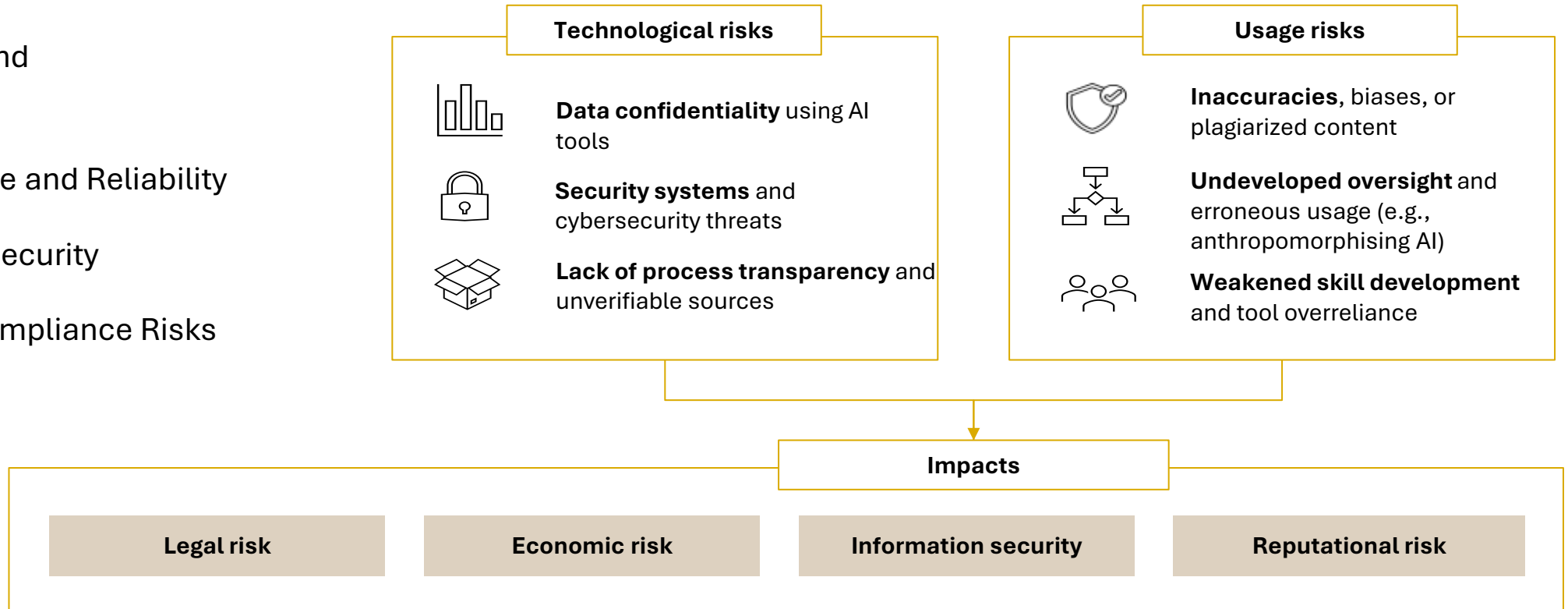
# AI Implementation in Insurance Introduces Risks

Algorithmic Bias and  
Discrimination

Model Performance and Reliability

Data Quality and Security

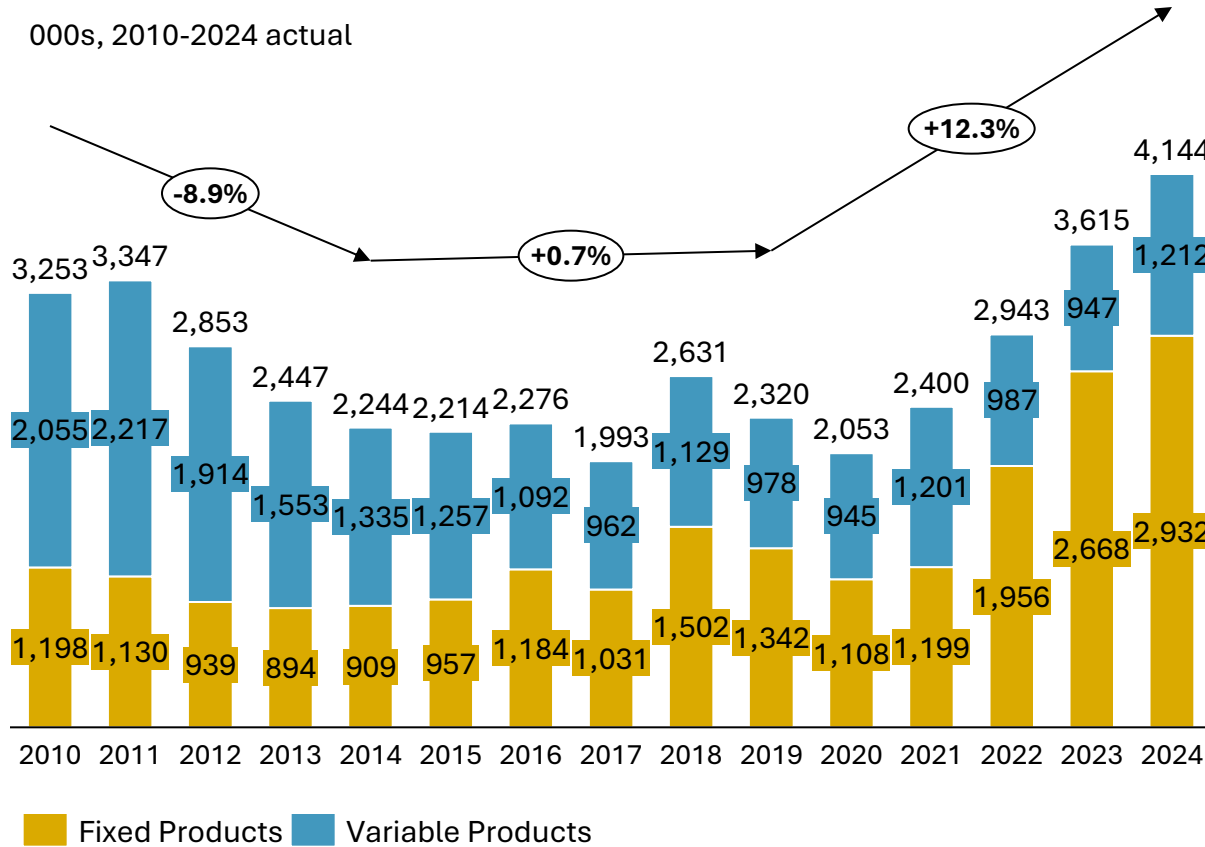
Regulatory and Compliance Risks



# Annuity Sales Trends

## Number of individual annuity policies sold – United States

000s, 2010-2024 actual



## Trends that have shaped the market

CAGR '10-14	CAGR '14-19	CAGR '19-24
-8.9%	+0.7%	+12.3%
-10.2%	-6.0%	+4.4%
-6.7%	+8.1%	+16.9%

### Macro economy influences demand

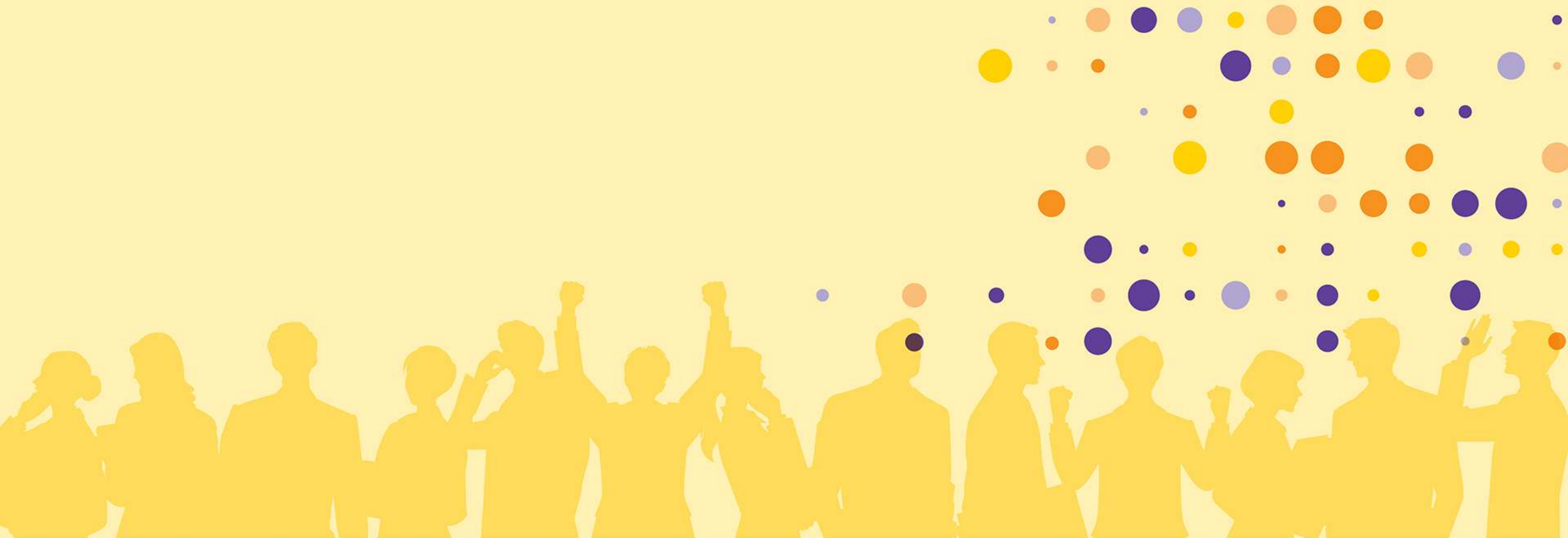
- Interest rate started to rise in 2022; began dropping in 2025. Now they may rise again
- Insurers and banks start to offer more appealing terms on fixed and fixed-indexed annuities; investors favor market-linked growth with downside protection

### Annuities take off

- Economic uncertainty tends to favor annuity markets:

### An increasingly aging population

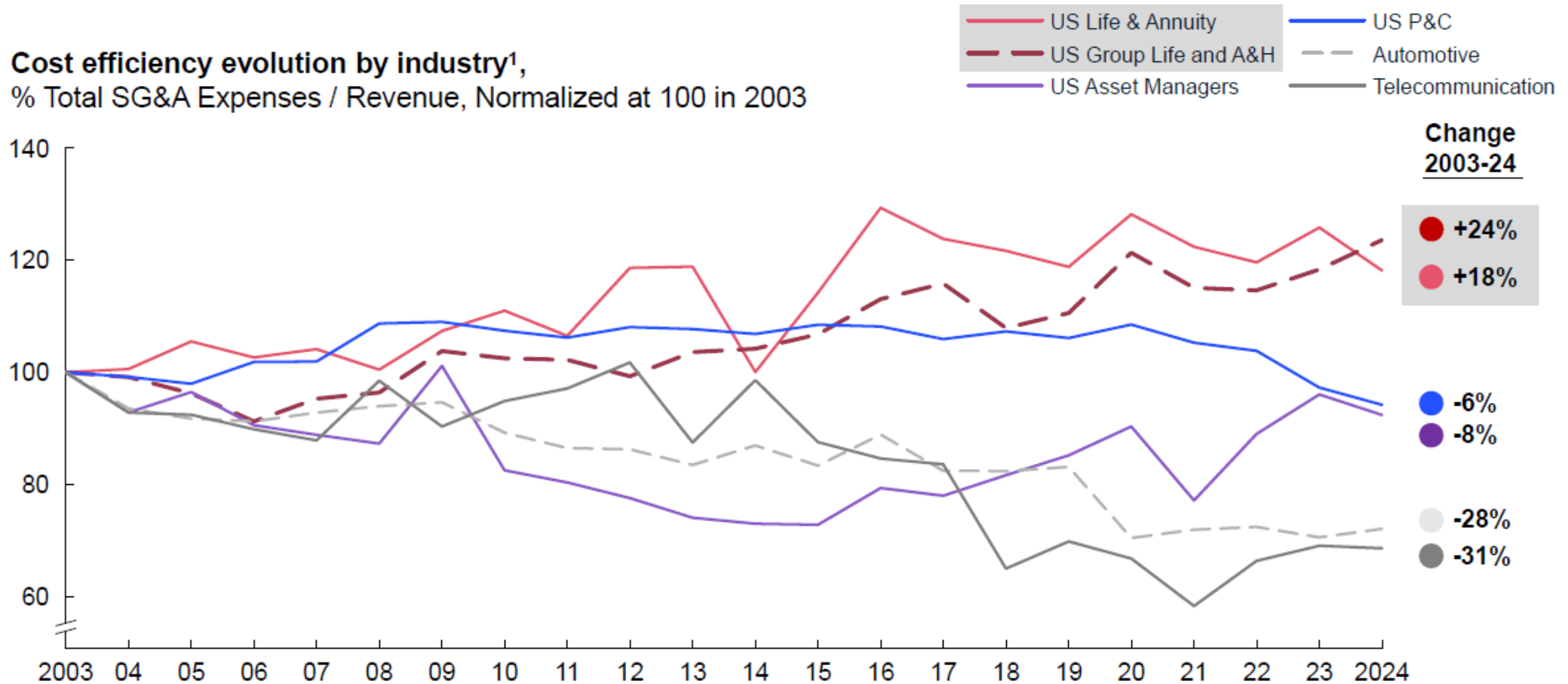
- General lack of retirement savings in the broader US population
- Aging of the baby boomer generation (Peak 65 in 2024) into retirement bracket
- Most annuity buyers tend to be at or near retirement



# What Are the Pressures on IT to Deliver?

# The Life and Annuity Industry Has a Cost Efficiency Problem

**Cost efficiency evolution by industry<sup>1</sup>,**  
 % Total SG&A Expenses / Revenue, Normalized at 100 in 2003



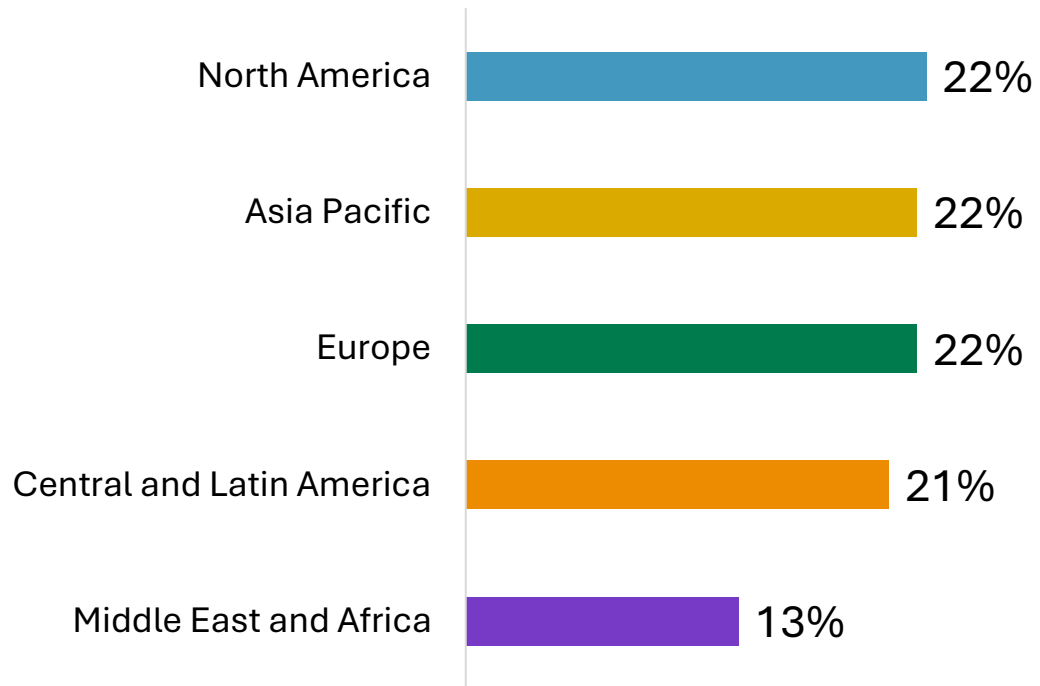
1. Indexed; Expressed as "SG&A expenses as % of Revenue" where SG&A expenses include net commissions, total revenues incl. net investment revenue (e.g., excludes Net investment Income)

Source: S&P Capital IQ, Team analysis

McKinsey & Company; LIMRA

# IT Dimensions Survey 2026

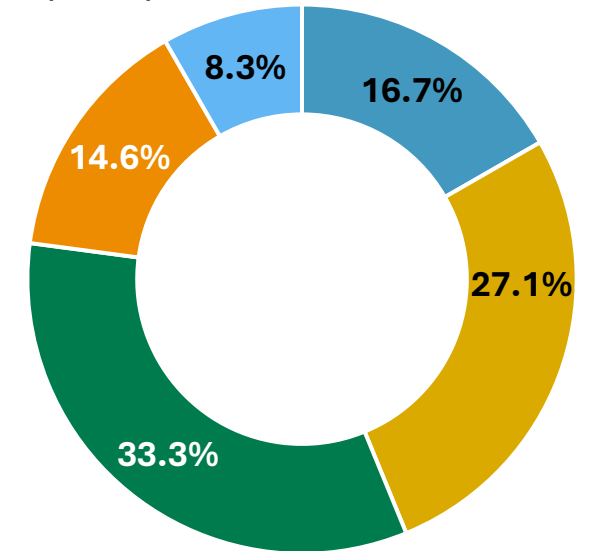
Respondents by region, size, and business line – survey demographics for retail banking



## By Size

Total Direct Written Premium (USD)

- Over \$5 billion
- \$1 billion to 5 billion
- \$500 million to \$999 million
- \$100 million to \$499 million
- Under \$100 million



219

Total Life Insurance participants

26

Countries Covered



# Four Key Takeaways From 2026 IT Dimensions Survey

## Life and annuity insurers are focused on growth and security, then AI

- Life and annuity insurers' 2026 looks to be more of a “keep the lights on” year, as growth is a major priority and technology investments focus on ongoing replacement activity across the enterprise, but especially in core systems.

## Insurers are investing to make these changes happen

- If anticipated funding increases materialize, insurers will see greater budget gains from 2025 to 2026 than was the case in 2024 to 2025. Many insurers say they're limited by their budgets in some way—whether it's direct spend or development resources—so this is a welcome windfall.

## The back office remains a key priority for IT investment

- North American life and annuity insurers continue to invest in PAS especially for those that expanded their product lines. Claims system investments are up as insurers prepare for demographic changes that will demand efficient claims processes.

## The transition to SaaS deployments is happening quickly

- Most life and annuity insurers are heavily invested in SaaS subscriptions plus cloud implementations.
- Due to the age of many systems, life and annuity insurers still have back-end policy administration systems on premises.



# How Does the Business Leverage IT? What is Holding IT Back?

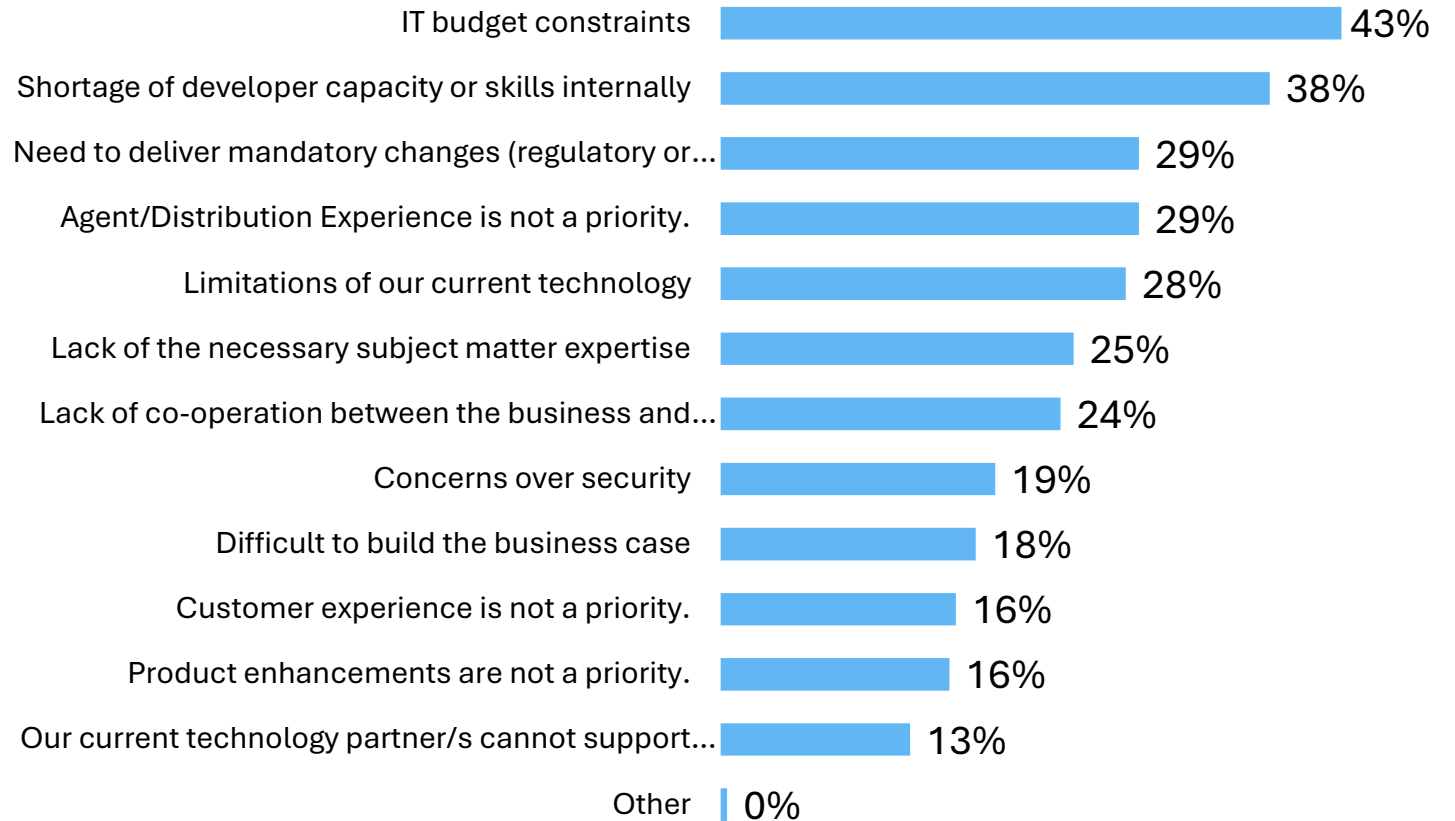
# What are the strategic business goals?

## And how is IT limited?

### Have “Significant” influence on IT plans for 2026 vs. 2025

- 1 Meeting regulatory requirements
- 2 Operating cost reduction/efficiency
- 3 Revenue/Book of Business growth
- 4 Innovation
- 5 Enhancing the customer experience
- 6 Cyber security
- 7 Strengthening data capabilities

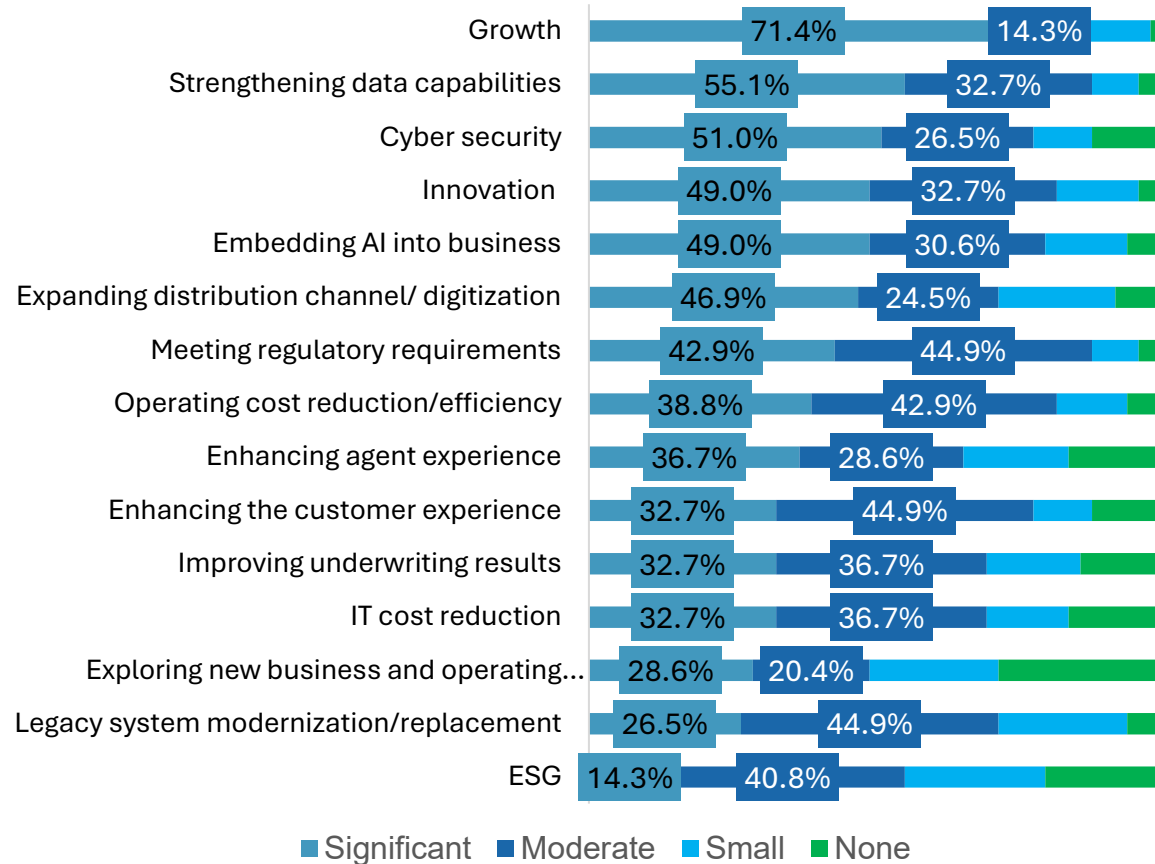
### Perceived part of the top 3 barriers preventing insurers to reach business goals in 2026



Question: Which of the following will be the biggest barriers to delivering your IT plans for 2026?

# Growth Leads the List

## Drivers of IT Strategy in 2026, % of All Life and Annuity Insurers



Base: All North America life and annuity insurance respondents (n=44)  
 Question: What level of influence do the following business goals have on your IT plans for 2026  
 Source: Celent Life Insurance Dimensions Survey 2026

## Top Significant Drivers

# 1

### Growth

Seventy-five percent of insurers state that growth will have a significant influence on their IT spending strategy. Growth has been a goal of life insurers for years before cybersecurity topped their list in 2024. Life insurers are fighting for market share by introducing new products, distribution channels, and not AI tools.

# 2

### Strengthening data capabilities and embedding AI into business

Data and AI are everywhere. Life insurers, like many industries, are heavily invested in SaaS subscriptions plus cloud implementations. Data and AI are everywhere. Life insurers, like many industries, are trying to put their data house in order so that they can effectively use AI to improve their business metrics, enhance customer experience, and improve speed to market with products and services.

- Most life and annuity insurers are heavily invested in SaaS subscriptions plus cloud implementations.
- Due to the age of many systems, life and annuity insurers still have back-end policy administration systems on premises.

# 3

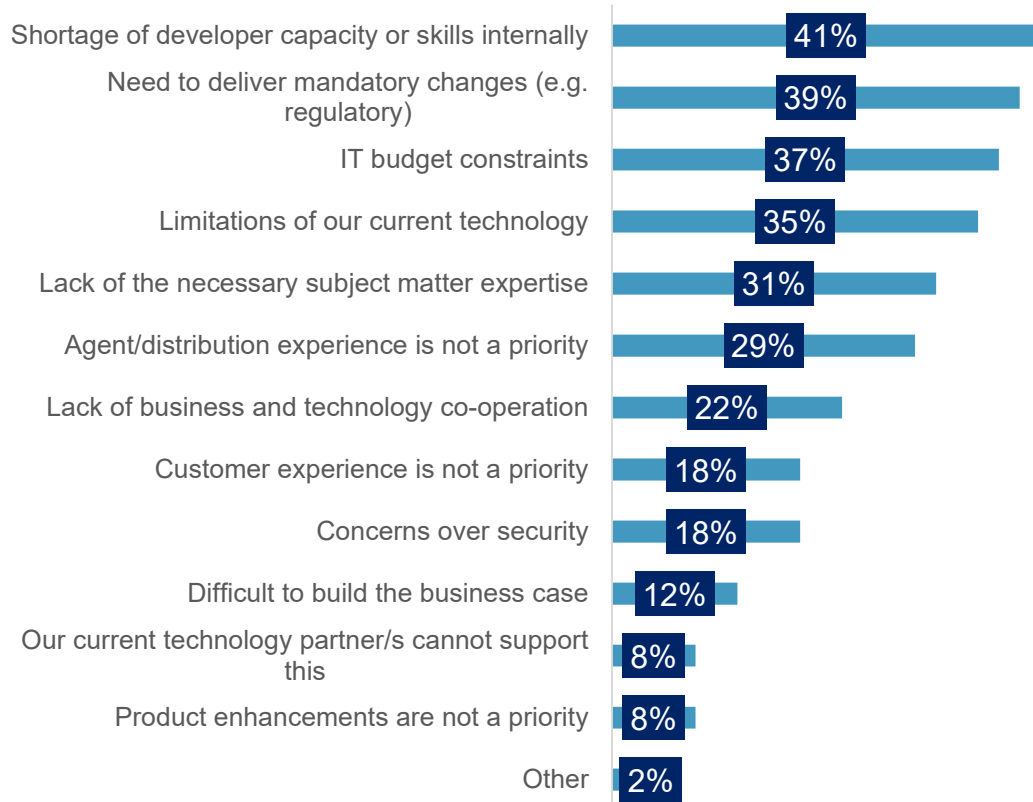
### Cybersecurity

Cybersecurity continues to have a significant influence on IT investments. Breaches and ransomware continue to threaten insurers' businesses. Insurers may look for the right tools to combat new threats, but more often they are improving what they already have with help from their partners and educating clients and staff on identifying and mitigating cyber risks to reduce human error-induced breaches.

# Staffing Constraints, Mandatory Changes, And Budget Constraints Are The Top Ranked Barriers To Achieving Business Goals

## Top Ranked Barriers to Achieving Business Goals, % of All Life Insurers

### Insurers



Overall, 41% of respondents report that they lack developer capacity or skills internally to attain their business goals. Developer capacity and skills are needed as insurers transition to new technologies, particularly AI. However, this is where low-code/no-code and GenAI tools can potentially address some of these issues

The next three challenges are need to deliver mandatory changes, IT budget constraints, and limitations of current technology. These are common common barriers among 39%, 37% and 35% of life insurers, respectively.

Many life insurers still have a long list of legacy systems that date back decades. These systems often impede efforts to fully digitize or use the data within them. Insurers often implement greenfield systems to administer new products while non-strategic or closed blocks of business remain on the legacy platforms or are outsourced. This forces the need for data translation layers or other applications to bridge the gaps. Costs increase until the legacy systems are migrated or sunset.

Interestingly, about thirty percent say that agent experience is not a priority while another 18% state customer experience is not. Digitization is key to agent and customer experience; if the insurer doesn't prioritize either, they will not succeed in goals like expanding distribution channels.

Base: All North America life and annuity insurance respondents (n=44)

Question: Which of the following will be the biggest barriers to delivering your IT plans for 2026? (Please choose top 3)

Source: Celent Life Insurance Dimensions Survey 2026

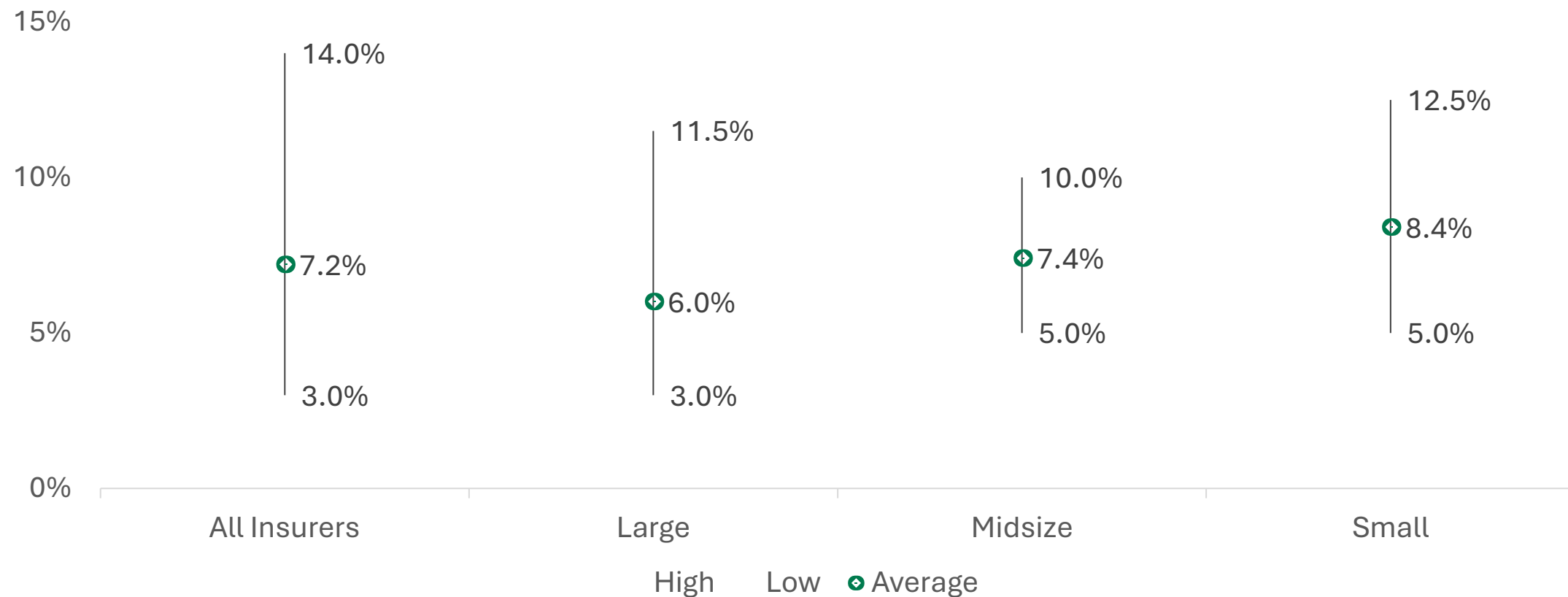


# Are Investments in Technology Increasing?



# Life Insurer IT Budgets For 2025 Were Consistent Across Tiers

## Insurer IT Budget as a Percentage of Annual Written Premium (2025 Actual)

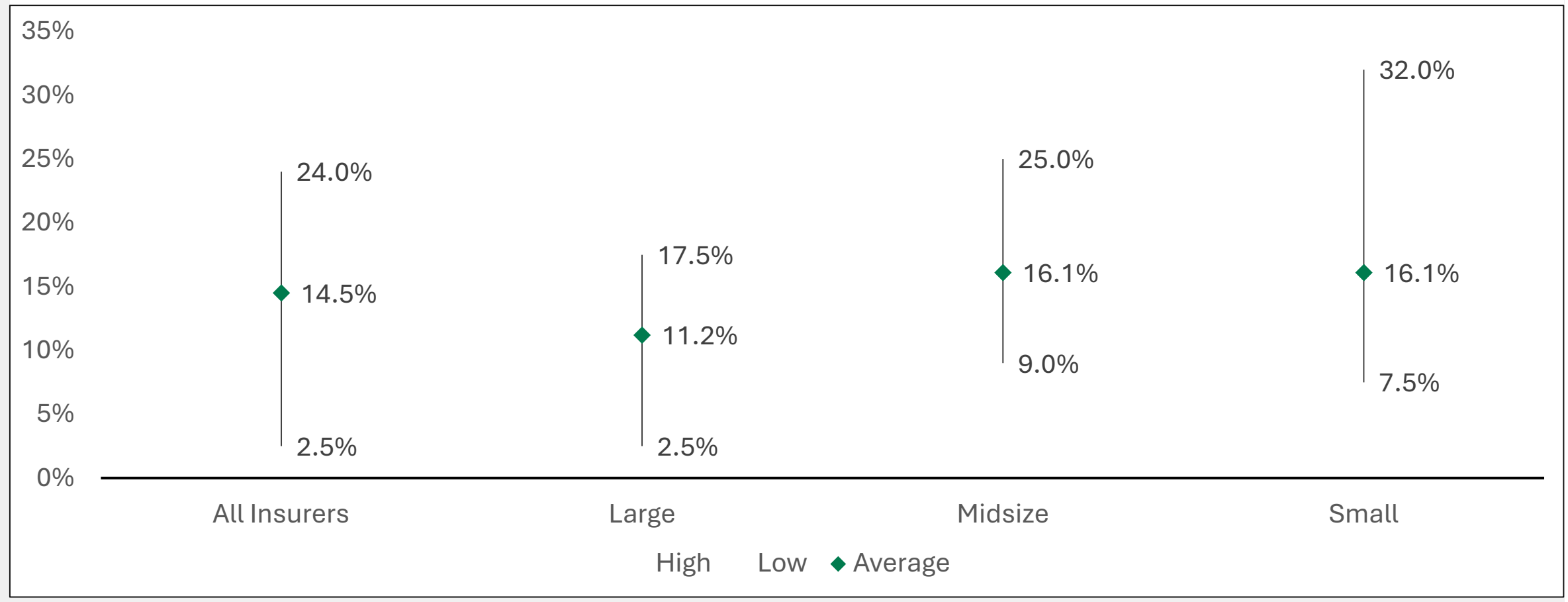


Base: All North America Life and Annuity insurance respondents (n=49)  
Source: Celent Life and Annuity Insurance Dimensions Survey 2026

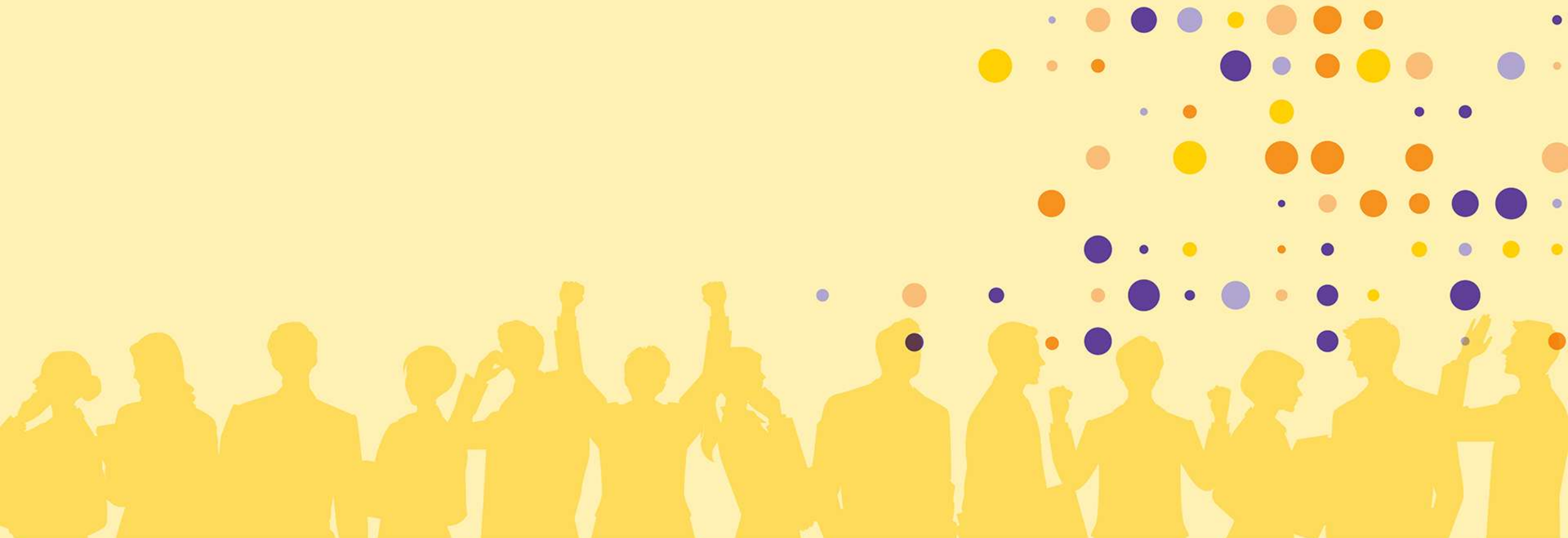


# Life And Annuity Insurers Are Making Major IT Investments In 2026

**Insurer IT Budget Changes for 2026** (% change against 2025 budget)



Base: North America life and annuity insurance respondents  
Question: *What is the projected percentage change of your IT budget from 2025 to 2026?*  
Source: Celent Life and Annuity Insurance Dimensions Survey 2026

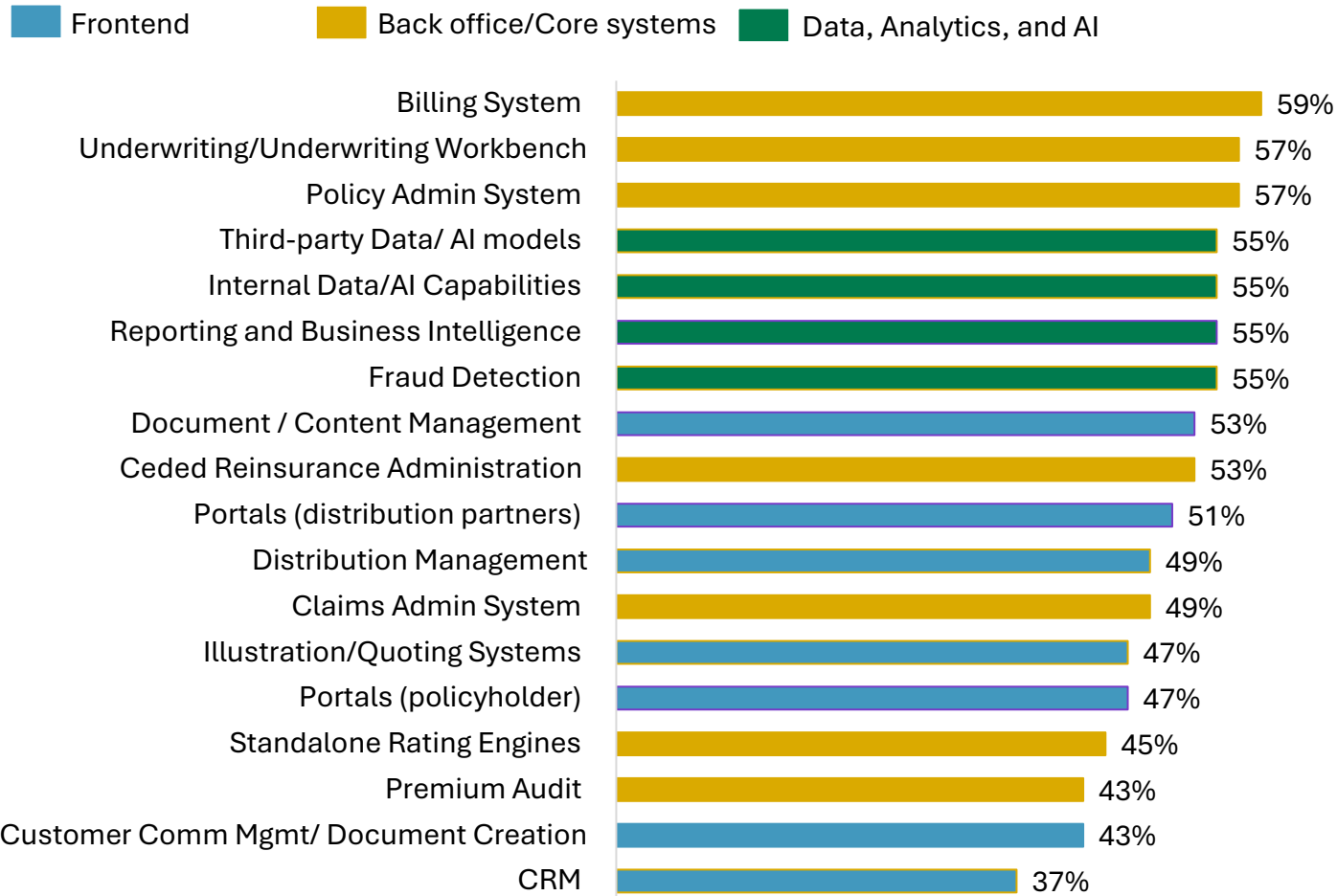


# What Are The Plans For Investment In 2026?



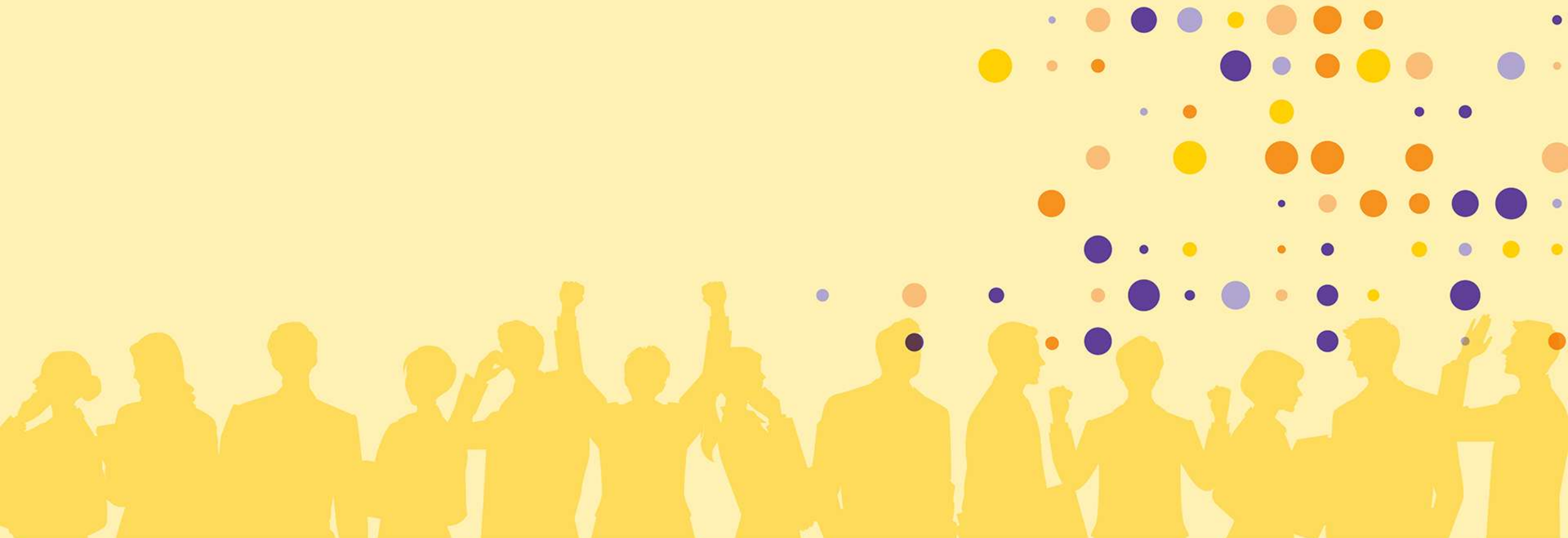
# Top Investment Projects

## Top Investment Projects for 2026, All Life Insurers (% of Insurers with Planned Investments\*)



- Life and annuity carriers have many applications on their agendas in 2026, though where they plan to invest differs significantly.
- Core systems including billing, underwriting systems, and PAS are at the top of life insurer's investment plans. Billing system investment (likely part of a PAS plan, upgrading to most recent vendor version, migration from on prem to cloud deployments, or adoption of new repetitive payment system) was the most cited backend investments.
- Data and analytics investments are heavily focused on fraud detection and AI. Insurers are evenly split between building their own AI tools and using third-party tools. In both instances, insurers have already made their decisions on what to buy and are in the process of implementing or enhancing what they have.

Base: All North America life and annuity insurance respondents (n=49)  
 Question: Application Portfolio Plans: What will you do in 2026 for each of the following?; \*represents the % of insurers who are beginning replacement, have replacement underway, or are significantly enhancing systems  
 Source: Celent Life Insurance Dimensions Survey 2026



# What Is Happening With Artificial Intelligence?

# AI Use Cases Are Broadening: Shifts In Celent Client Conversations

## 2023

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### What we heard from clients early on

- What is generative AI (and what is hype vs. reality)?
- Is it going to be like blockchain?
- What are my peers across the industry doing?
- What use cases should I experiment with?
- How should I think about value creation / ROI?

## 2026

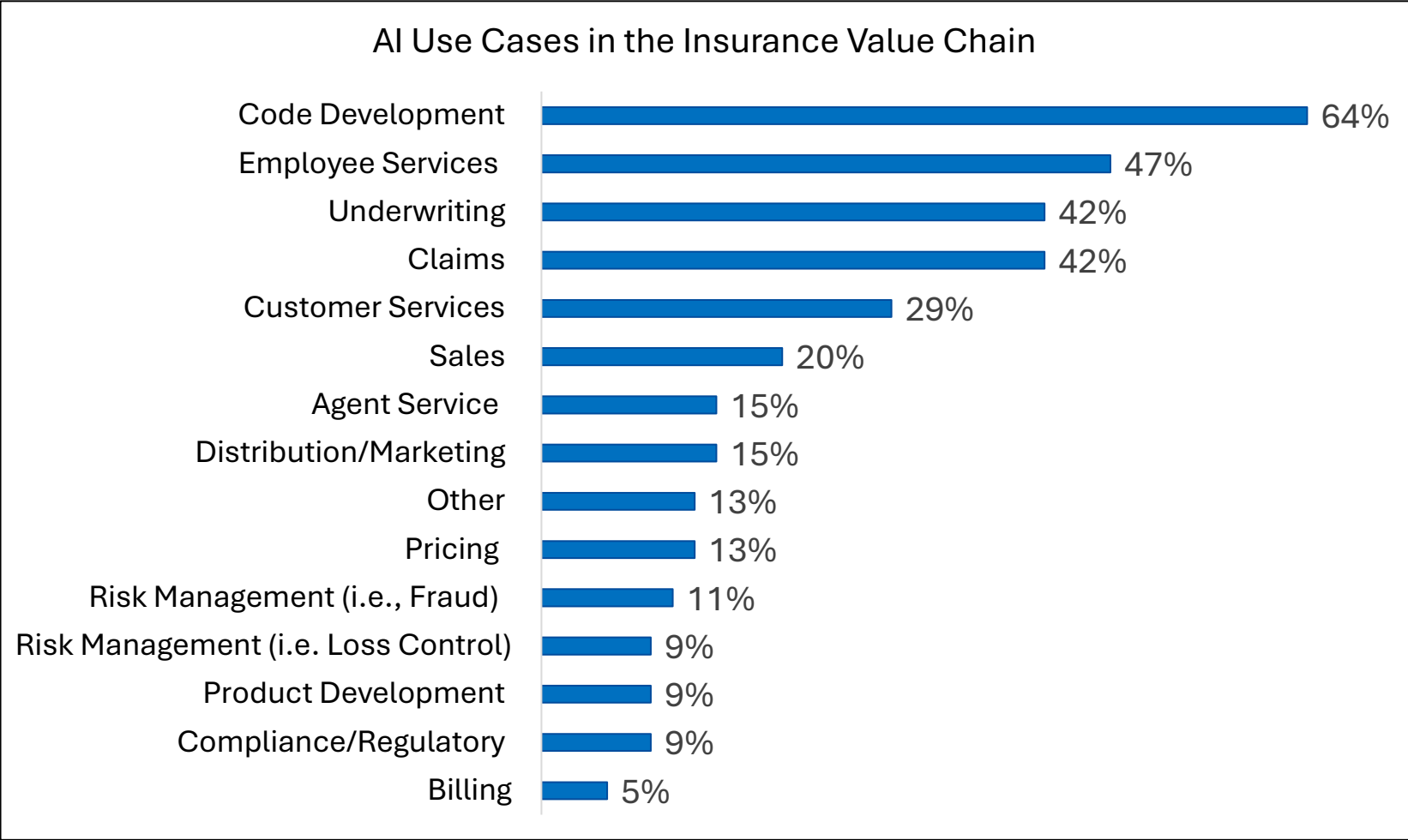
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### What we're hearing now

- How do I scale generative and agentic AI use cases?
- What tech/solution providers should I partner with?
- How do I integrate AI into existing systems, processes, and workflows?
- How do I rapidly get buy-in from internal stakeholders?
- How do I ensure responsible use of AI?
- **How do I translate value creation into value realization?**
- **Show me examples of real ROI.**



# Code, Underwriting And Service Lead The Way

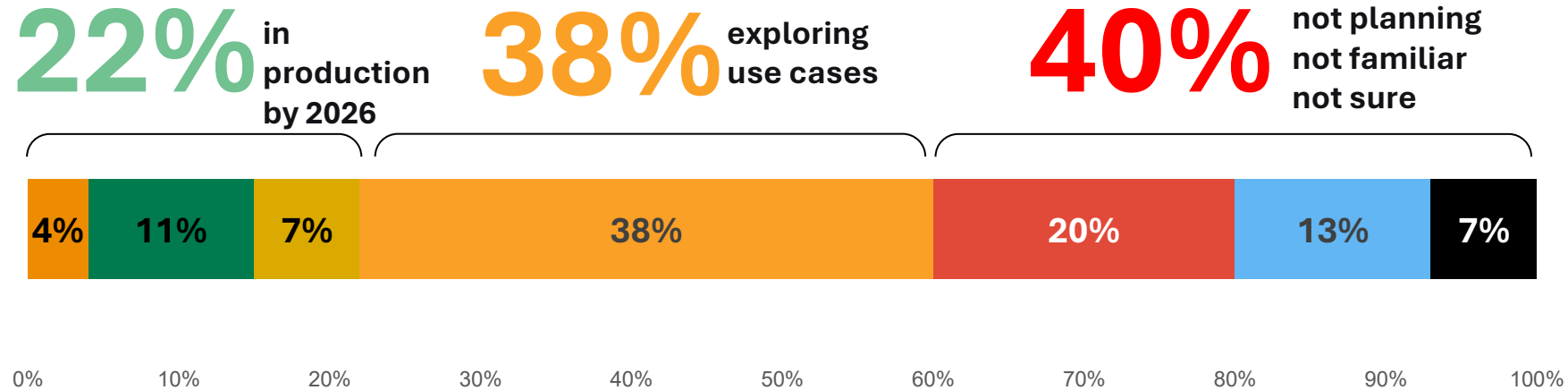


Source: Celent 3<sup>rd</sup> Annual GenAI-oneers survey May 2025



# Agentic AI Leaders Are Off To The Races

What is the current state of implementing agentic AI within your organization?



- In production
- Will go into production in 2025
- Will go into production in 2026
- No production plans; we are currently exploring use cases
- We are not planning on investing in agentic AI capabilities currently
- I am not familiar with agentic AI
- Not sure



# What Is Your Path Forward?



# Path Forward and Recommendations

1

Protecting the organization and supporting sound growth

For CIOs at North American life and annuity insurers, supporting the growth of the business continues to be a high priority.

However, the scale and timing of the investments needed to support these objectives are difficult to predict. Persistent economic uncertainty and potential financial market volatility may further affect how these priorities are sequenced over time.

2

Optimizing investments to support business goals

On the technology side, the rapid evolution of GenAI and agentic AI could create new opportunities and improve cost-benefit analysis.

We do not expect the mix of internal and external resources to change drastically. This allocation should be regularly reviewed to ensure the most value for their spend.

3

Prioritize projects that support business objectives

Focus funding on initiatives that directly improve core growth levers—new business acquisition and in-force retention (persistency), pricing and underwriting quality, claims outcomes and expense, and end-to-end cycle time—supported by clear KPIs.

Rank initiatives by expected value versus complexity and delivery risk, favoring scalable, reusable capabilities and incremental releases that deliver benefits early while meeting regulatory, growth, and operational constraints.

4

Be ambitious and be courageous

We think the pace of emerging technology evolution today presents a great opportunity to tackle projects that were recently considered too risky.

Technology and business decision makers must be ambitious and courageous, and start the major transformation projects that have the potential to positively change their business.

This requires best-in-class execution but is worth the risk.



# Who is Celent?

# Who is Celent?



## Your Independent Technology Strategy Team

### ● We are

- An independent global research and advisory firm offering unbiased information and advice on financial services technology
- A part of GlobalData, a gold standard intelligence provider to the world's largest industries

### ● Our clients

- The entire financial services ecosystem: financial institutions, their technology and service providers, consultants, investors
- Technology and strategy leaders, including CIOs, IT Architects, Heads of Lines of Business, Strategy, Innovation and more

### ● Their needs

- Make faster and more informed technology decisions and respond to emerging IT trends

### ● How we help

- Research and advisory: best practice case studies, technology primers, IT spending, trends analysis, vendor solution evaluation, analyst access
- Extensive databases of best practice technology initiatives and vendor solutions
- Consulting: bespoke advisory, speaking engagements



# Thank You





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## Tom Scales

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