2025 McKinsey LIMRA Insurance 360 Benchmark – Industry productivity trends

Annuities Webinar

November 10, 2025

McKinsey LIMRA Insurance 360 is the industry-leading performance benchmark survey for Individual Life & Annuities

2025

- Industry-leading taxonomy and granular cost benchmarks and KPIs across the value chain by product & channel helps insurance carriers identify tangible actions to improve costs and productivity
- Tailored surveys for Individual Life & Annuities and for Group/Workforce Benefits
- Feedback meetings with McKinsey Partners and experts to review results and implications
- Dedicated McKinsey team with >30 years of benchmarking experience and customized peer groups to ensure benchmarks are "apples to apples"
- 8-year track record
- 5-year partnership with LIMRA

Individual Life & Annuities Survey

70 carriers by LOB, $350b (>75%) GPW

New York Life
MassMutual
Athene
CNO Financial Group
Ameriprise Financial
corebridge financial
Northwestern Mutual
thrivent
Pacific Life
Equitable
Allianz
Penn Mutual
Nationwide
Brighthouse Financial
USAA
securian Financial
Western & Southern Life
Symetra Retirement | Benefits | Life
Global Atlantic Financial Group
NGL
Protective
National Life Group
Ameritas
John Hancock
Guardian
Reliance Standard
Modern Woodmen Fraternal Financial
Prudential
Pan American Life Insurance Group
Fortitude Re
OneAmerica
Assurity
Sammons Financial
Venerable
Mutual of Omaha
F&G Annuities & Life Turning Aspirations into Reality
WoodmenLife
SBLI

Today's agenda

Individual Annuities Productivity trends

Unlocking the productivity potential of the industry

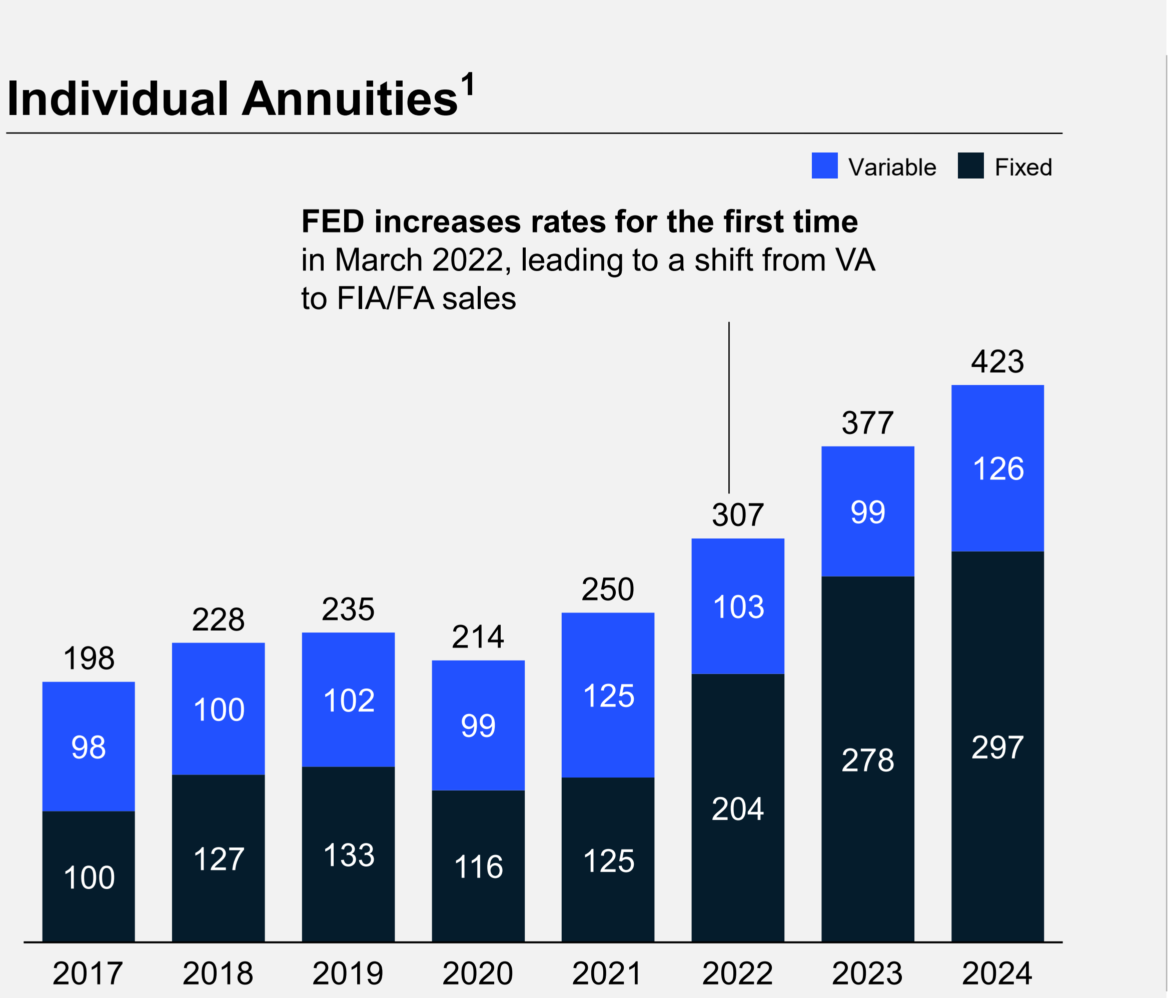
Insurance AI maturity survey results and opportunities

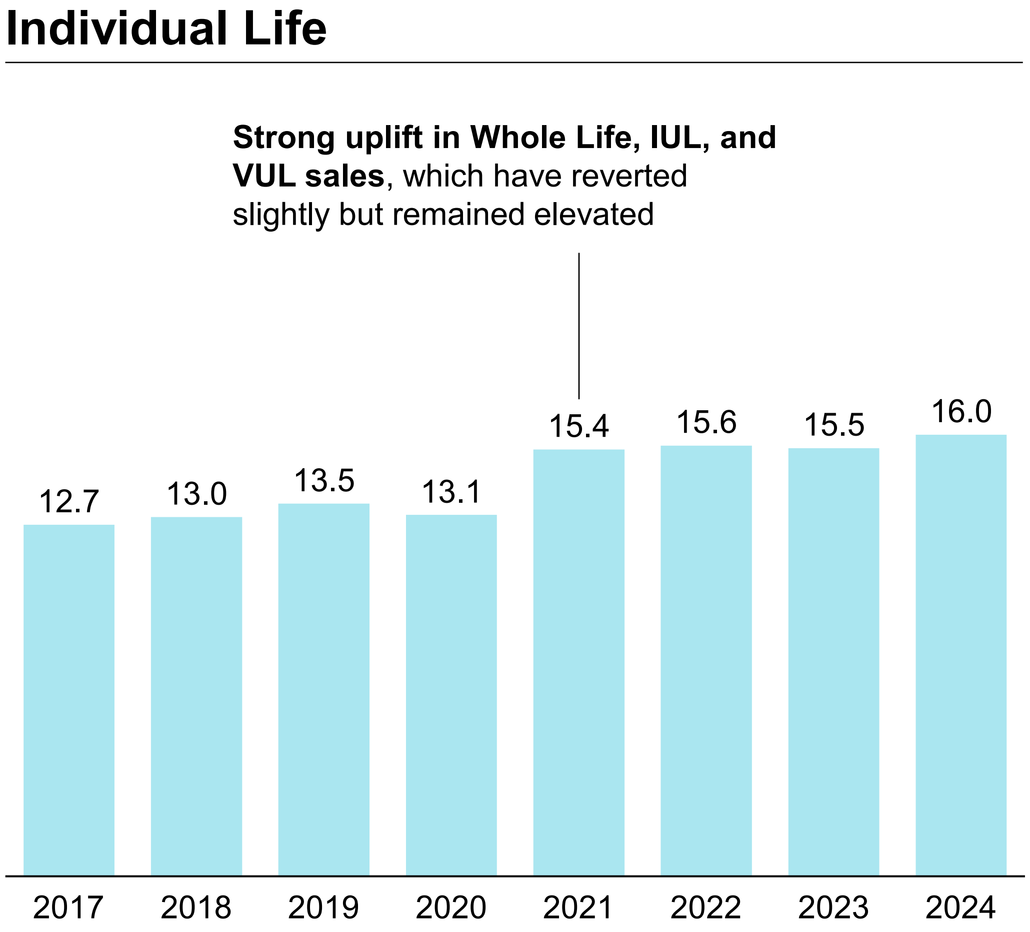
Cross-cutting industry productivity trends – Individual L&A and Group/WFB

1. **Tale of two cities** – While Life sales have remained flat, Annuities sales doubled in the last 4 years (driven largely by FA)
2. **Lack of leverage** – Operating costs have increased over the last two decades by 18% for individual L&A and 24% for Group/WFB
3. **Persistent performance edge** – Carriers with the highest productivity maintain an edge across the value chain (~50%+ in *each* function)
4. **Scale matters (but not as much as you might think)** – In Individual L&A, larger carriers achieve lower expense ratios, but top-performing small carriers have lower expense ratios than median large carriers
5. **Profitable growth** – Top-performing carriers reduced expense ratios through both growth and expenses control in Individual Annuities
6. **Structural shifts** – Total expenses ratios have increased, largely driven by Sales, but remain lower for Privates and Mutuals in Individual Annuities
7. **Technology spend and Automation** – Technology and modernization has led to a decline in Operations cost, coupled with improving process, digital and servicing KPIs

1. Individual life sales have remained flat, but Annuities sales doubled over the last 4 years (driven largely by FA)

Total new premiums, $B





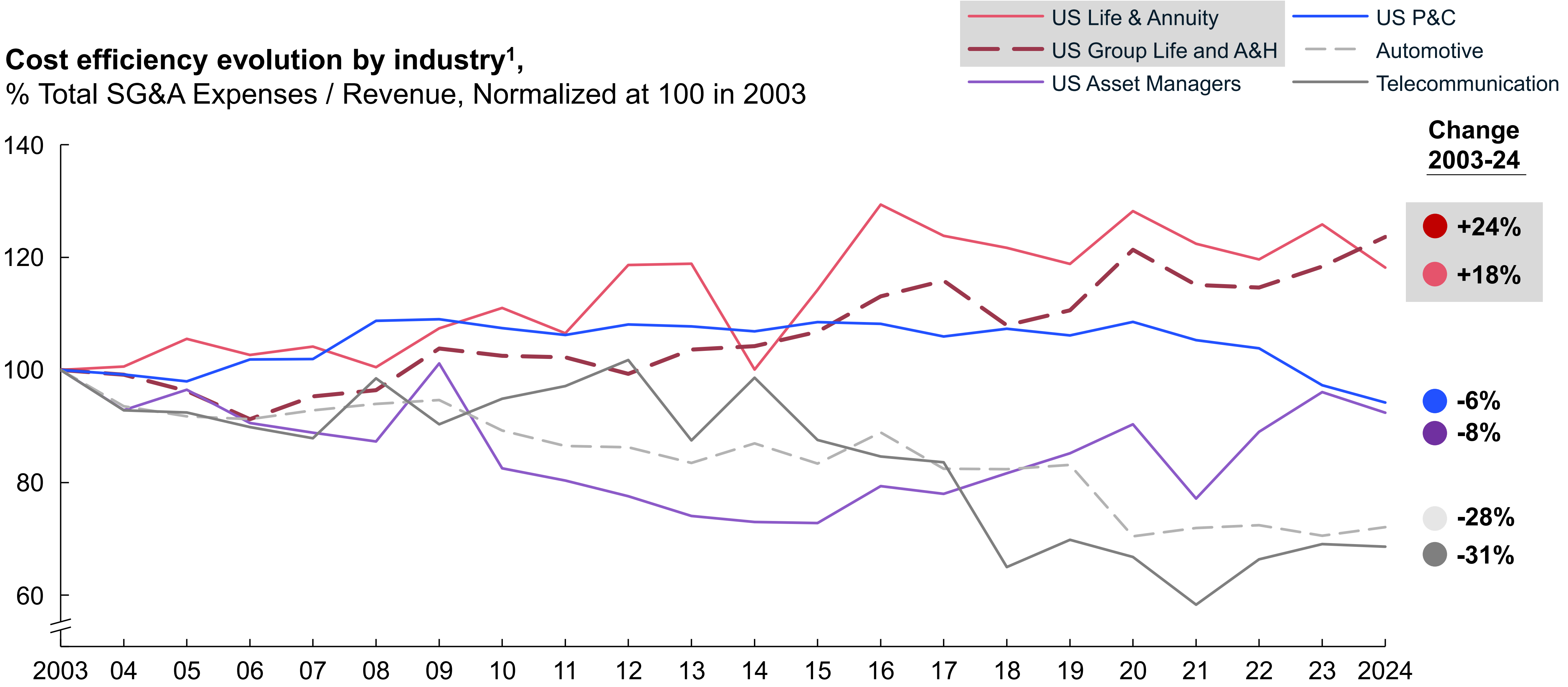
1. LIMRA individual annuity sales include certain group annuity contracts that meet certain conditions. Numbers excludes structured settlements

Source: LIMRA

2. Over the last two decades operating costs increased by 18% for Individual Life & Annuities and 24% for Group Life & A&H

2003-2024

Cost efficiency evolution by industry[1],
% Total SG&A Expenses / Revenue, Normalized at 100 in 2003

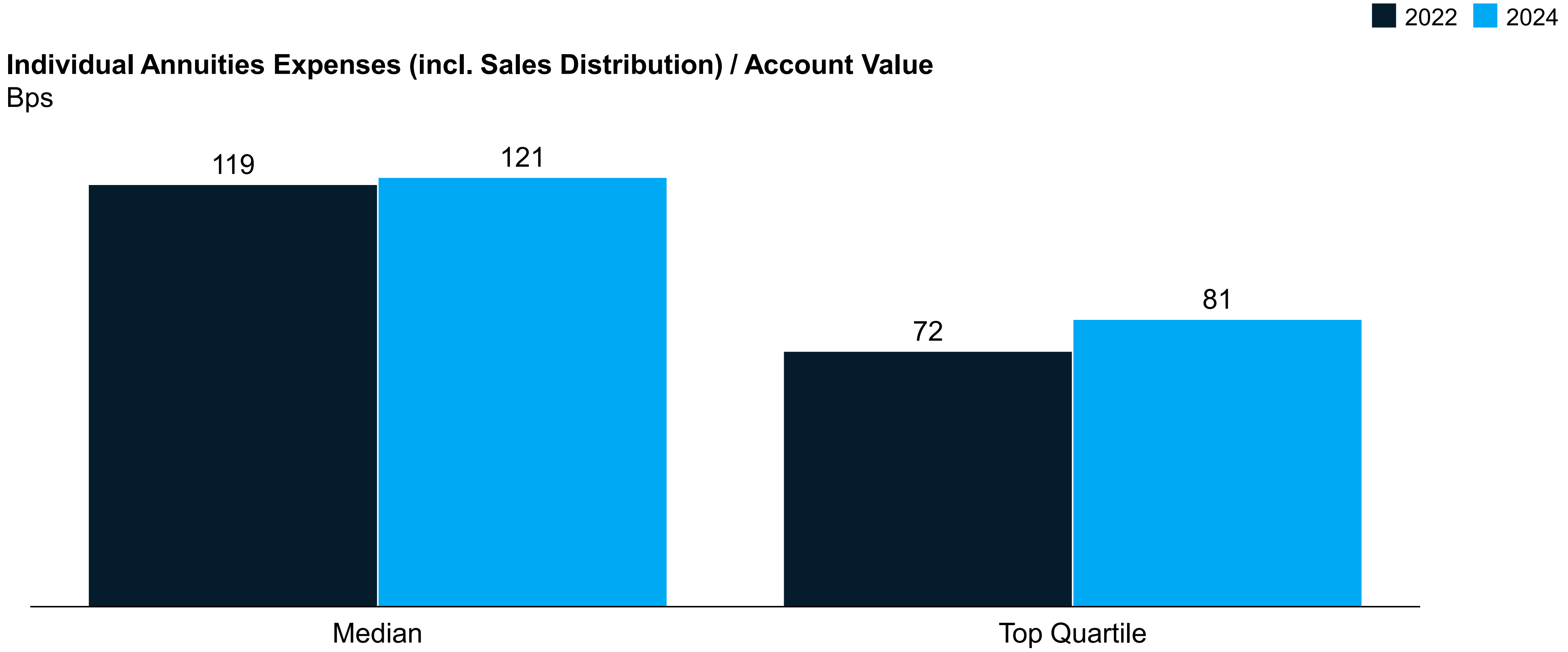


1. Indexed; Expressed as "SG&A expenses as % of Revenue" where SG&A expenses include net commissions, total revenues incl. net investment revenue (e.g., excludes Net investment Income)

Source: S&P Capital IQ, Team analysis

2. Total expense ratios increased from 2022-24 across Individual Annuities carriers

2022-2024, Individual Annuities



STAT Reporting: Total expense (incl. Sales Distribution) / Account Value, bps:

104	113	61	62

Source: McKinsey LIMRA Life & Annuities 360 Performance Benchmarking Survey, S&P Capital IQ for STAT reporting data

3. Individual Annuities carriers with the highest productivity have a performance edge across the value chain (~50%+ in each function)

2024, Individual Annuities Median Expenses

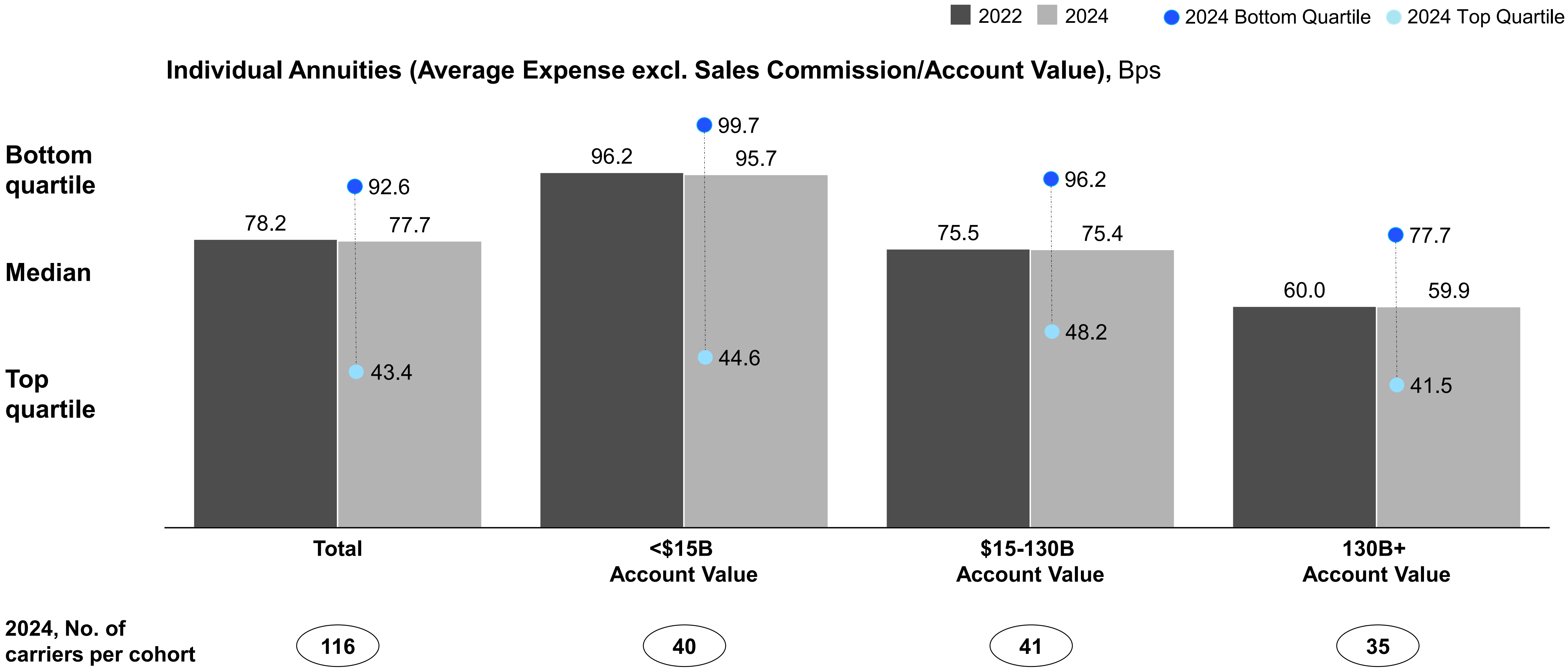
Annuities cost per account value, bps

	Top (lowest cost) quartile Carriers	Bottom (highest cost) quartile Carriers	Delta 2024	Delta 2022
Product Development & Marketing	2.6	3.0	-15%	-19%
Sales Distribution	47.9	138.1	-65%	-77%
Sales Support	7.9	10.7	-27%	-12%
Operations New Business	0.6	1.1	-48%	-49%
Operations In-force	3.3	3.8	-12%	-19%
IT	12.5	14.1	-11%	-47%
Corporate Functions	6.4	13.9	-54%	-49%
Total (excl. Investment office)	81.3	184.7	-56%	-65%

Source: McKinsey LIMRA Life & Annuities 360 Performance Benchmarking Survey

4. Larger Individual Annuities carriers achieve lower expense ratios, but top-performing small carriers outperform larger peers

2022-24, 2024, Individual Annuities Statutory reporting



Note: Analysis did not include Annuities carriers with < $2 B in Account Value

Source: S&P Capital IQ, Team analysis

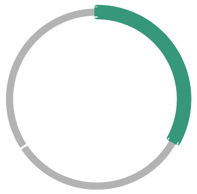
5. Top-performing Individual Annuities carriers reduced expense ratios through a combination of growth and expense control

2020-2024, 2024, Individual Annuities Statutory reporting – Revenues excludes Net Investment Income

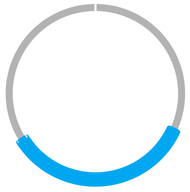
US Annuities carriers by category, %[1]

Average change in ER[2], Revenue (ex NII), and Expenses, 2019-2024, %, n=61[3]

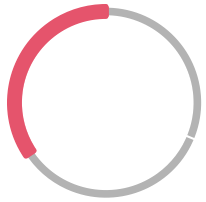
Outperformers
ER changed by <-0.6% p.p.

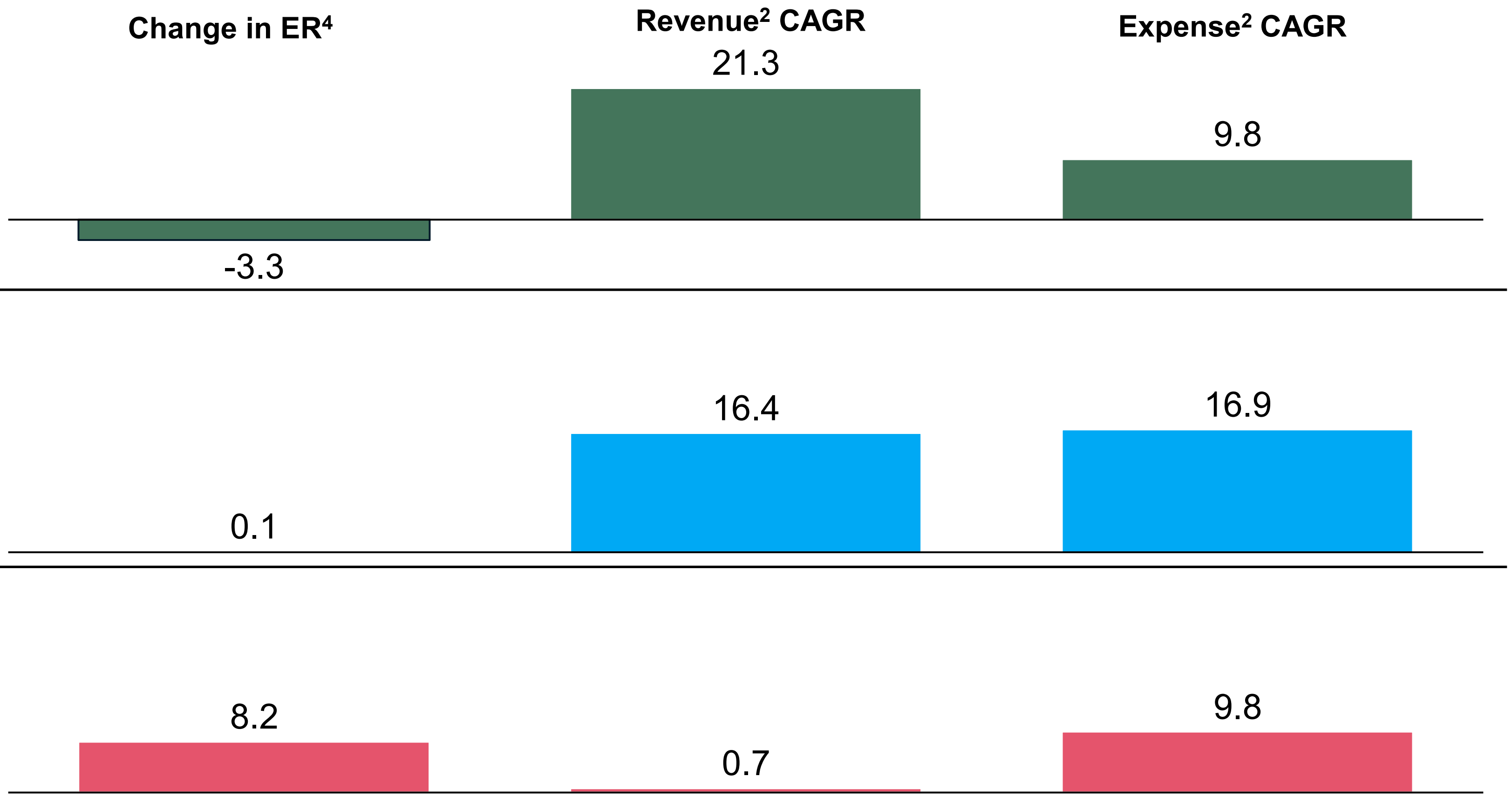


Flat
ER change -0.6% to +0.9% p.p.



Underperformers
ER increased by >0.9% p.p.





1. Numbers may not add to 100%, due to rounding; 2. ER = Total SG&A expenses including net commissions/total revenues (e.g., excludes Net investment Income); 3.Sample includes carriers with >$200M in 2024 revenues, excludes outliers; 4 Total change in ER in p.p.

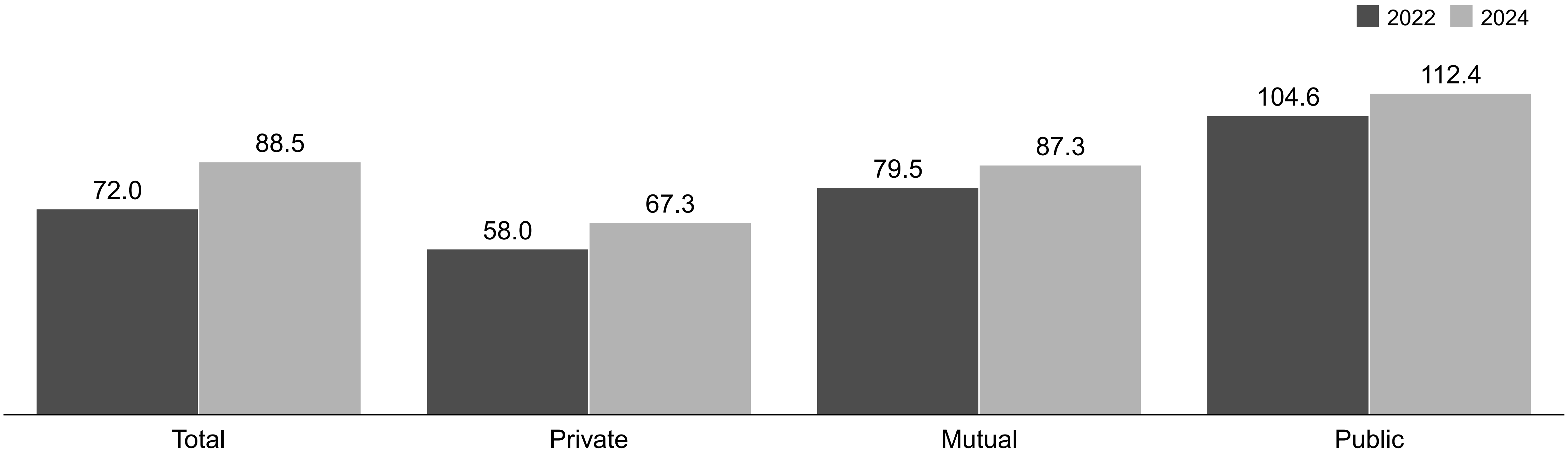
Source: S&P Capital IQ, Team analysis

6. Expense ratios increased in Annuities across all carriers largely driven by Sales, but remain lower for Privates and Mutuals

2024, 2024, Individual Annuities Median Expenses – Excludes Investment Office

Analysis based on same firms in the 22 and 24 McKinesy LIMRA Insurance 360 Surveys

Individual Annuities Median Sales Expense[2] / Account Value, bps



Total median expense[2] / Account Value, Bps:

118.4	135.0	101.4	105.1	120.1	123.9	139.3	144.9

1. Includes Sales Distribution (Agent commissions, salaries & Benefits, other agent costs) + Sales support (Field Rewards, Regional Field/RM, Wholesalers, Case Illustrations, Home Office BD, Sales Ops & Mgmt and Other Field Support); Excludes Investment Office

Source: McKinsey LIMRA Life & Annuities 360 Performance Benchmarking Survey

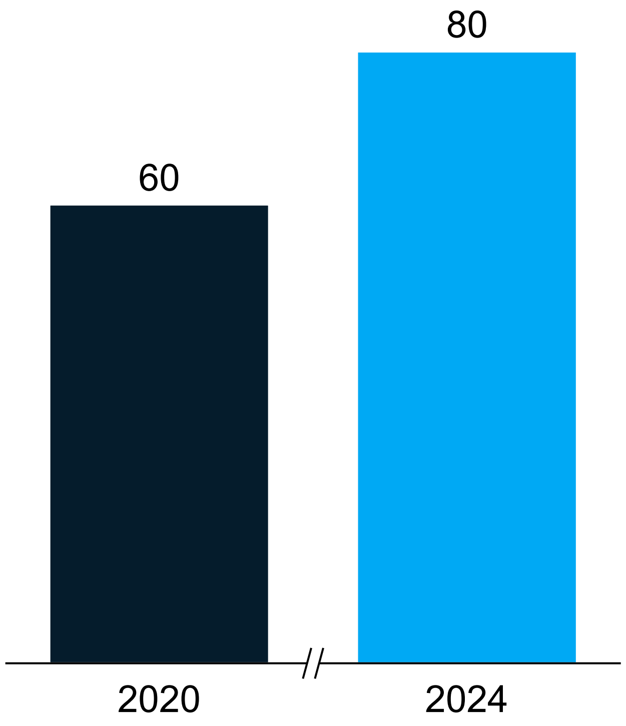
7. Modernization efforts have largely digitized analog processes and not fundamentally transformed customer experience or expenses

2020-2024, Individual Annuities

Analysis based on same firms in the 2022 and 2024 Surveys

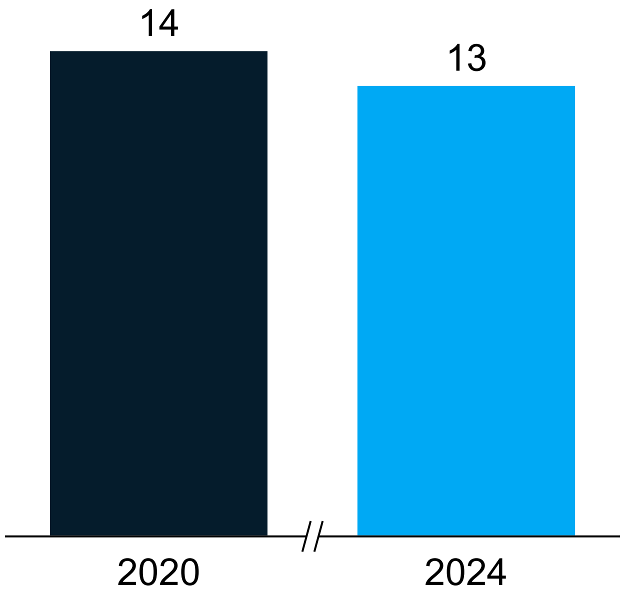
Carriers improved Digital applications…

% Digital Applications (average)



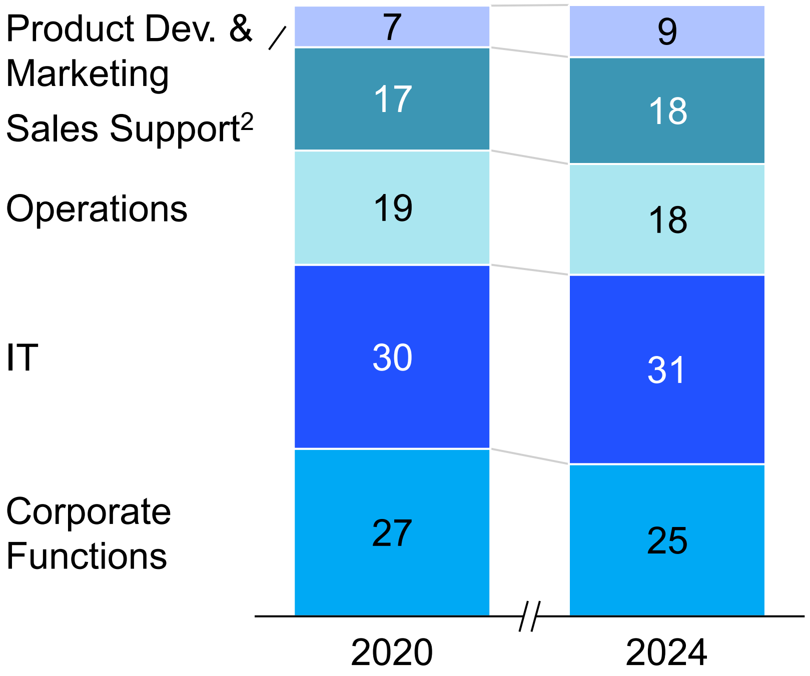
… however, turnaround times have remained flat for Annuities…

Turnaround time (average total days[1])



… and Ops expenses have begun to slightly decrease with IT investments

Ind. Life & Annuities – average % of total costs, (excl. Sales agent distribution costs)



1. Total cycle time (number of days from application to issuance)
2. Includes Field Rewards & Recognition, Field Support, Call Center/ Concierge Support and Sales operations & Management

Source: McKinsey LIMRA Life & Annuities Performance Benchmark Survey (US)

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Unlocking the productivity potential of the industry

Insurance AI maturity survey results and opportunities

Given rising costs for insurers, transformation of the core is the ‘unlock’ to address productivity

Costs are on the rise

Unlike other industries, over the past two decades insurance has been unable to lower costs as a % of revenues, despite significant investments in technology and automation.

Traditional productivity plays are not enough

Core business processes (underwriting, claims and servicing) account for ~35-40% of addressable costs and show the largest gap between top and bottom quartile performers (differences of up to 60%), indicating large opportunities. To address complexity in these processes, insurers will need to take an ‘unconstraint view’ to redefine the art of possible

Technology offers new opportunities to bend the cost curve

AI capabilities are advancing from generative assistants to agentic capabilities – capable enough to automate complex flows. That said, deploying such agents on subpar processes often increases complexity and does not achieve the desired results in terms of efficiency and accuracy

Winners are combining old and new levers to drive full potential

There is a proven approach to structurally addressing costs of core processes that includes journey redesign, lean 2.0 and global operating model design.

Leveraging all levers effectively can unlock drastic improvements and generate meaningful impact (5-10pts of Expense Ratio)

Productivity transformations come in different flavors depending on starting point of the organization (1/2)

Focus on targeted cost take out (quick wins)

Includes traditional cost reduction levers such as, for example, procurement, vendor management, demand reduction

Focus on workforce efficiency : performance mgmt., standard practices

Focuses on continuous improvement practices to streamline operations and better support employees to improve productivity

Focus on E2E process efficiency: data, tech, GenAI, Agents

Enables E2E journey redesign leaning heavily on data ontology and technology (including GenAI)

Focus on org efficiency : Org design and global op model

Focuses on efficient design and location to enable better cooperation and decision making, cross-functional collaboration and best talent

- While not fully mutually exclusive, these archetypes represent the main “types” of transformations that companies undertake
- Companies may focus on only one archetype or multiple, and a truly holistic transformation will include all of them, instilling both a new way of operating and a rigorous execution muscle
- The output of these transformations is broad: from financial performance and efficiency, to customer and employee experience

Productivity transformations come in different flavors depending on starting point of the client (2/2)

	Targeted quick wins	**Workforce efficiency and productivity (*How we work)***	**Global operating model shifts w GOMx (*Where we work)***	**E2E rewiring of processes with AI (*What we work on)***
When most applicable	Need for immediate capital to make pathway for a greater transformation	Large gap between top and bottom quartile with significant operational backlog impacting productivity	Need to transform processes at fraction of the cost with better access to capable talent	Subpar processes that requires redesign to deploy AI for full automation
Critical levers	Procurement 2.0 Engineering Excellence	Lean, Performance mgmt, Management systems	Outsourcing via Captives or 3P	Process simplification, automation with AI and Agents
Aggregate impact	**15-20% impact across target spend categories**	**10-25% impact across all front-line and service ops**	**20-35% impact across all front-line and service ops**	**30-50% impact across all middle and back office**
Degree of Disruption				

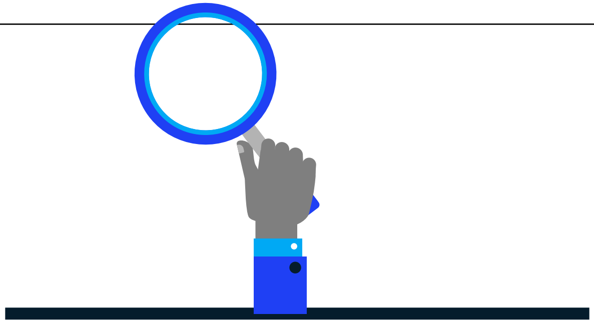
Perspectives on next gen productivity levers by archetype

Not inclusive of all levers

Degree of impact

	Targeted quick wins	Workforce efficiency and productivity (*How we work)*	Global operating model shifts w GOMx (*Where we work)*	E2E rewiring of processes with AI (*What we work on)*
Levers	Demand management Elimination of engineering waste Rightsizing engineering teams Vendor consolidation Standard rate cards Vendor talent & footprint optimization	Integrated planning and scheduling Visual Management Systems w/ daily management practices Standard work and best practice sharing Simple process redesign and simplification Root cause resolution	Outsourcing (GCC) for redesign of critical processes Outsourcing (GCC) for centralization of services Outsourcing (3P) of select pools for cost arbitrage	Process elimination and streamlining Adaptive segmentation Agentic onboarding, underwriting and claims validation w/ reflexive intake AI Concierge for servicing AI Coach for performance management / next best act Guided workflows
Aggregate impact	**15-20% impact across target external spend**	**10-25% impact across all front-line and service ops**	**20-35% impact across all front-line and service ops**	**30-50% impact across all middle and back office**
Degree of Disruption				

Three common pitfalls to end-to-end transformations

			
Common pitfall	Incremental improvements to existing processes, instead of taking a step back to rethink the e2e approach	Inconsistent adoption of new processes, or new operating procedures set in stone and becoming stale over time	Minimum investment to acquire the right talent to transform and manage journeys
Call for change	Improving profitability by re-defining journeys from the ground up, unconstrained, and leveraging new technologies (defining the art of the possible)	Deployment of management systems to leverage new routines to learn, adopt and continuously improve new processes	Harvesting talent across borders to build innovation, automation, and operational excellence capabilities

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Insurance AI maturity survey results and opportunities

~40 Life insurance carriers across sizes participated, representing 1/3 of the North American market

# of carriers by company size, 2024 direct premiums[1]

>$25B	3	8%
$10-25B	10	27%
$5-10B	7	19%
$1-5B	7	19%
<$1B	10	27%

# of respondents by role

Senior management (C-level)	12	22%
Management (C level-1, C level-2, C level-3)	37	67%
Other management	4	7%
Non-managerial	1	2%
Other (please specify)	1	2%

# of respondents by function

Technology	24	44%
Analytics / Data science	11	20%
Finance / Audit / Treasury / Risk	6	11%
Strategy / Business development	3	5%
Sales / Distribution	2	4%
Operations / Support	2	4%
General management / Corporate	2	4%
Other	5	9%

Example carriers in the LIMRA AI Industry Group

Allianz, Ameritas, Amica, The Baltimore Life Companies, BMO Insurance, Brighthouse Financial, canada life, Country Financial, Dearborn Group, Desjardins Insurance, Guardian, F&G, Foresters Financial, Gerber Life Insurance, ivari, Lincoln Financial, MetLife, Modern Woodmen Fraternal Financial, National Life Group, New York Life, OneAmerica, Pacific Life, Primerica, Principal, RBC Insurance, Homesteaders Life Company, RiverSource Insurance, Royal Neighbors of America, Sammons Financial, Securian Financial, Southern Farm Bureau Life Insurance Company, State Farm, Symetra, Transamerica, Trustmark, USAble Life, WoodmenLife

1. Insurance Regulatory data sourced from A.M. Best

2024 AI maturity survey:

Life Insurers are early in their AI journeys, with fragmented resourcing but Sales, Underwriting & Pricing, and Technology & Ops leading on AI use case development

1. **Significant opportunity exists for the Life Insurance industry on AI.** Life carriers lag other industries such as P&C and Banking on AI maturity, with wider spread between leaders and laggards

2. **Carriers are fragmenting their resources across several domains vs. focusing on a limited set**, leading to inability to scale
   - **<20% of carriers are at scale in any business domain**
   - **70% of carriers are spreading their investments across 4+ business domains**

3. **Carriers are making AI a priority….**
   - **Ops and Tech, Underwriting & Pricing, and Sales, Advice and Distribution** leading on AI use case development
   - **90% of carriers** expect to meaningfully increase their AI investment in the next 2 years

4. **Companies get to MVP quickly, but need to scale AI use cases**
   - **~50% of carriers** move from concept to MVP within 6 months
   - **~50%** take more than 1 year to scale MVP

5. **Across carriers, we are seeing common strengths** (e.g., AI strategy) **and challenges** (e.g., agile delivery approach, clear view of AI talent needs), **and a clear separation of winners and losers**

Source: McKinsey-LIMRA AI maturity survey, 2025 (n=37 carriers)

Significant opportunity exists for the Life insurance industry on AI

AI maturity assessment on a Scale of 1-5 (low to high)

Key insights

L&A, represented by AI Industry Group, **lags most other industries** including P&C and Banking on AI maturity

High Tech, Retail and Telecom are top 3 industries leading on AI

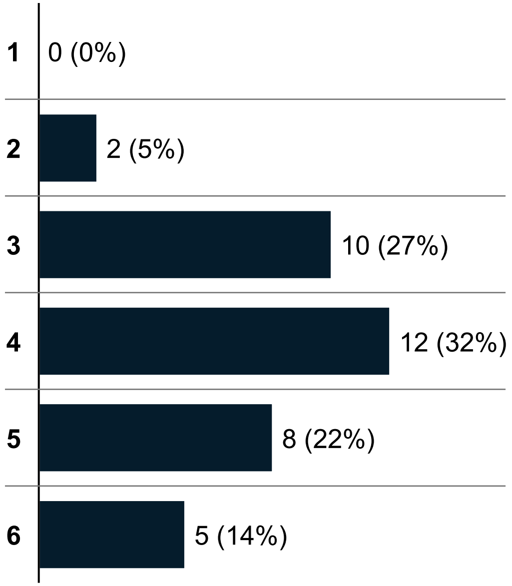
There is a **wider spread of AI capabilities** in Life Insurance compared to other industries

Source: McKinsey-LIMRA AI maturity survey, 2025 (n=37 carriers)

From fragmentation to focus – Life Carriers are fragmenting AI-experimentation, with pressure to demonstrate impact-at-scale rising

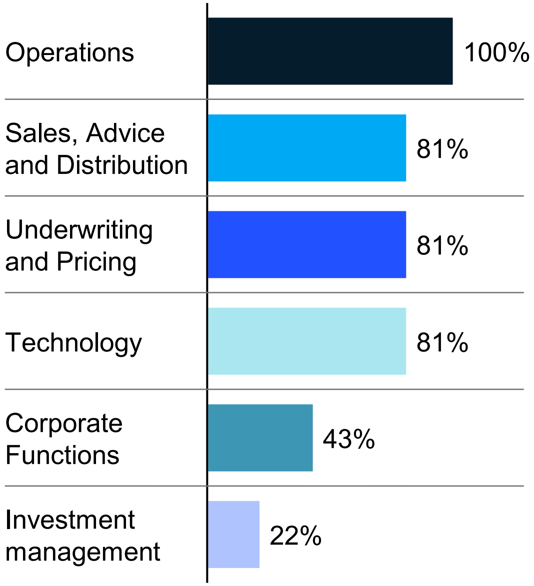
Carriers are experimenting with AI across multiple domains, with most investing in Ops, Distribution, UW and Tech

Number of prioritized domains



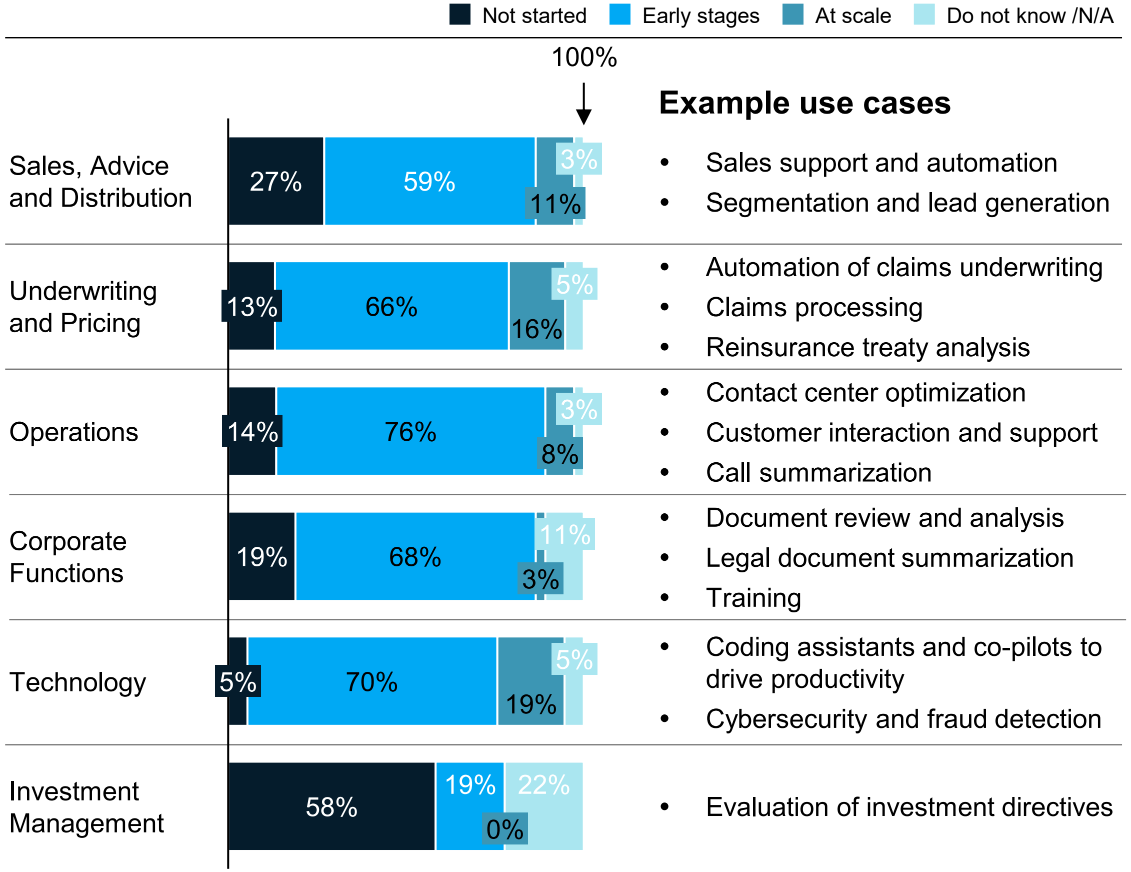
Companies are hedging bets with limited focus of investment. ~70% of companies spreading across 4 or more domains to drive AI advancements, and only ~30% focused in 2 to 3 prioritized domains

Domains



100% of companies have prioritized developing AI use cases for Operations, with another 80%+ focusing on Sales, Advice and Distribution, Underwriting and Pricing, and Technology

Companies are in early stages of their AI journey, with very few able to scale use cases in any domain



Example use cases

- Sales support and automation
- Segmentation and lead generation

- Automation of claims underwriting
- Claims processing
- Reinsurance treaty analysis

- Contact center optimization
- Customer interaction and support
- Call summarization

- Document review and analysis
- Legal document summarization
- Training

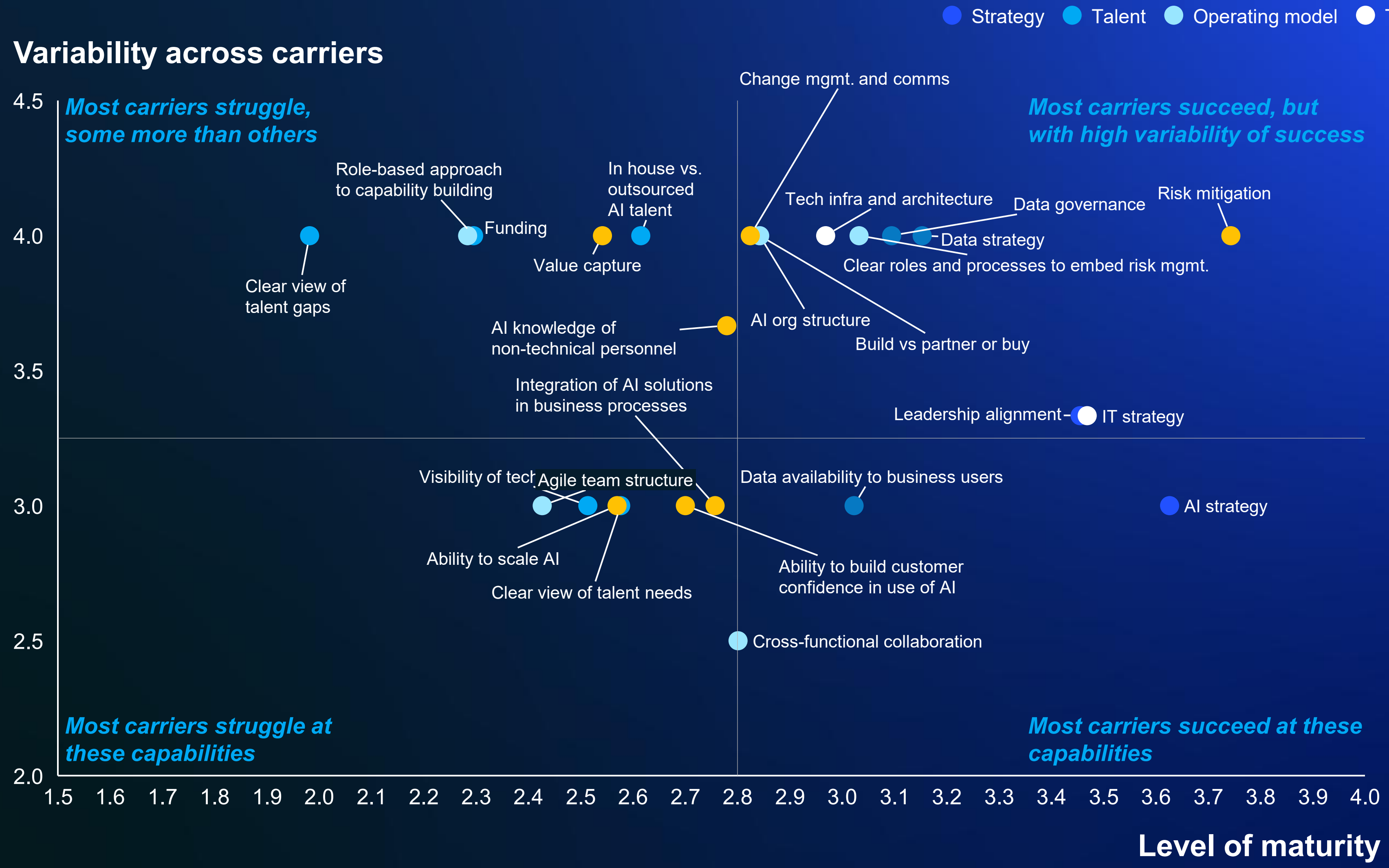
- Coding assistants and co-pilots to drive productivity
- Cybersecurity and fraud detection

- Evaluation of investment directives

~20% of carriers have reported AI capabilities at scale in 2+ domains

Source: McKinsey-LIMRA AI maturity survey, 2025 (n=37 carriers)

5. Across carriers, we are seeing common strengths and challenges, and clear separation of winners and losers in specific areas



Observations

As an industry, carriers generally have higher maturity in AI strategy including leadership alignment on AI vision and aligning IT strategy to support AI agenda

Carriers universally struggle with the following, with all size segments showing low maturity:

- Agile team structure and methodologies to deliver AI initiatives
- Ability to scale AI
- Clear view of AI and tech talent needs

There is a clear separation between winners and losers where there is high maturity, and yet a wide range between carriers (e.g., risk mitigation, data strategy & data governance)

Source: McKinsey-LIMRA AI maturity survey, 2025 (n=37 carriers)