

2025 McKinsey LIMRA Insurance 360 Benchmark – Industry productivity trends

Individual Life Webinar

November 12, 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





Today's agenda

Individual Life Productivity trends

Unlocking the productivity potential of the industry

Insurance AI maturity survey results and opportunities

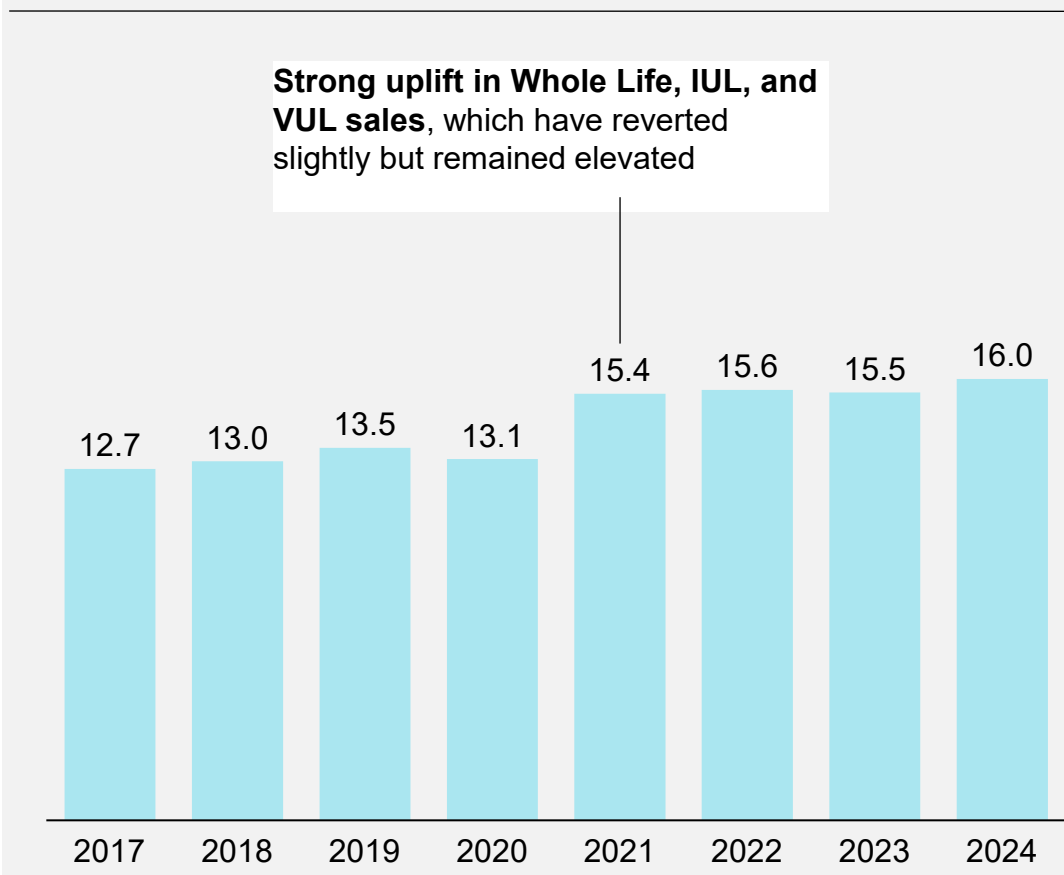
Cross-cutting industry productivity trends – Individual Life

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 Life
6. **Structural shifts** – Total expenses ratios have increased, largely driven by Sales, but decline for Captives in Individual Life
7. **Technology spend and Automation** – Technology and modernization has led to a decline in Operations cost, coupled with improving process, digital and servicing KPIs

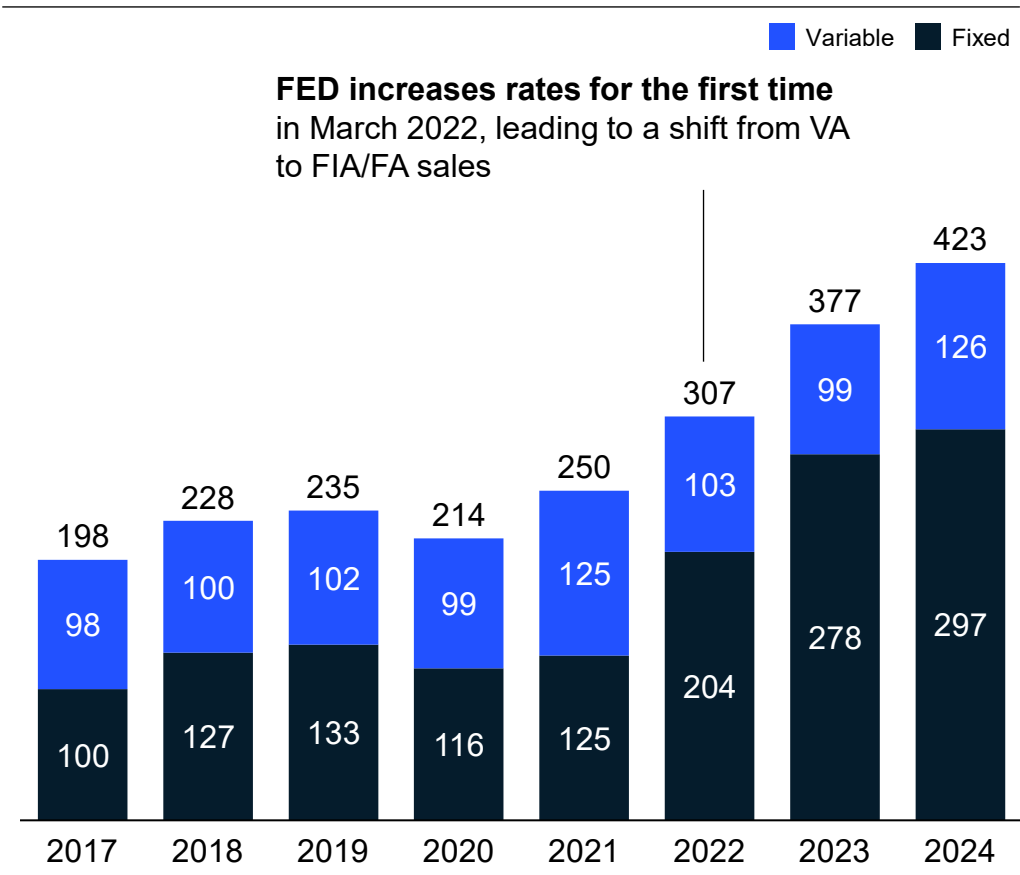
1. Individual life sales have remained flat, but Annuities sales doubled over the last 4 years (driven largely by FA)

Total new premiums, \$B

Individual Life



Individual Annuities¹

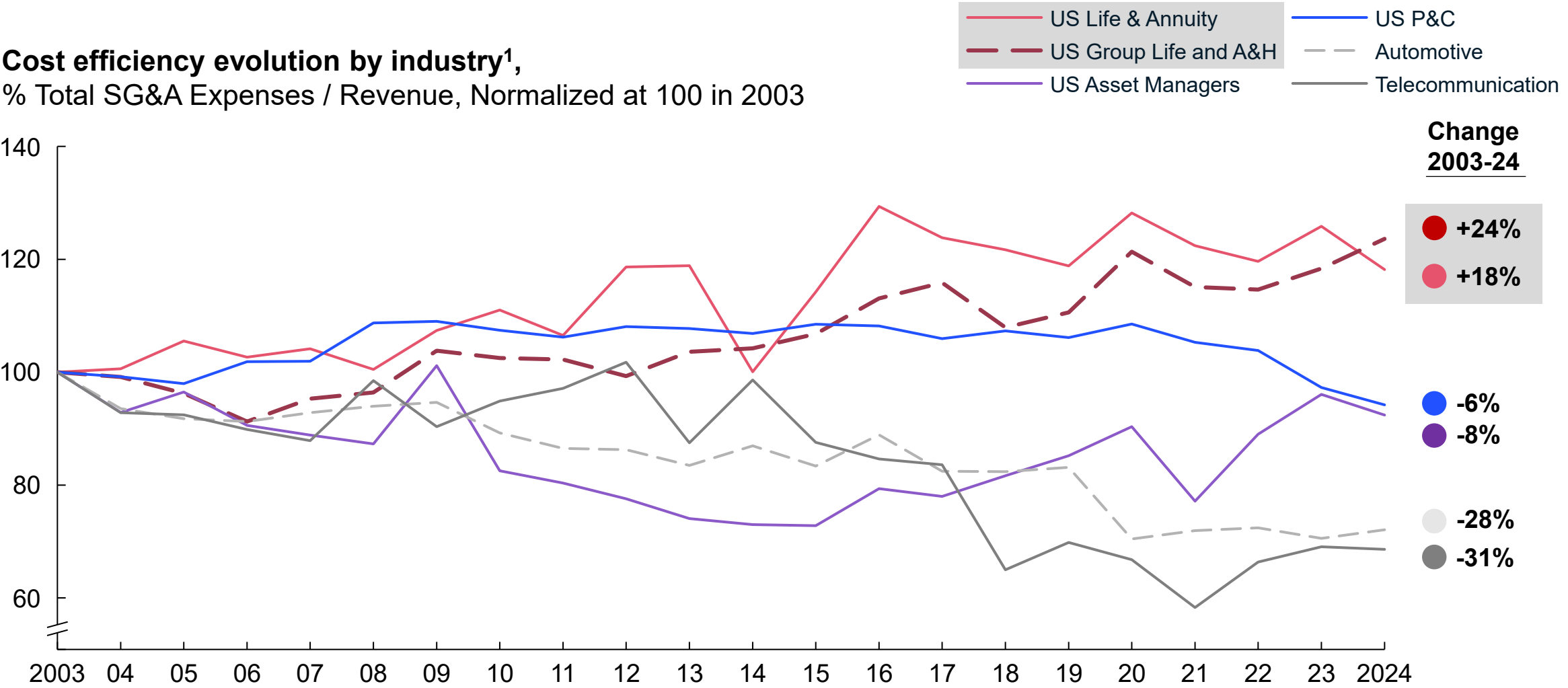


1. LIMRA individual annuity sales include certain group annuity contracts that meet certain conditions. Numbers excludes structured settlements

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

2003-2024

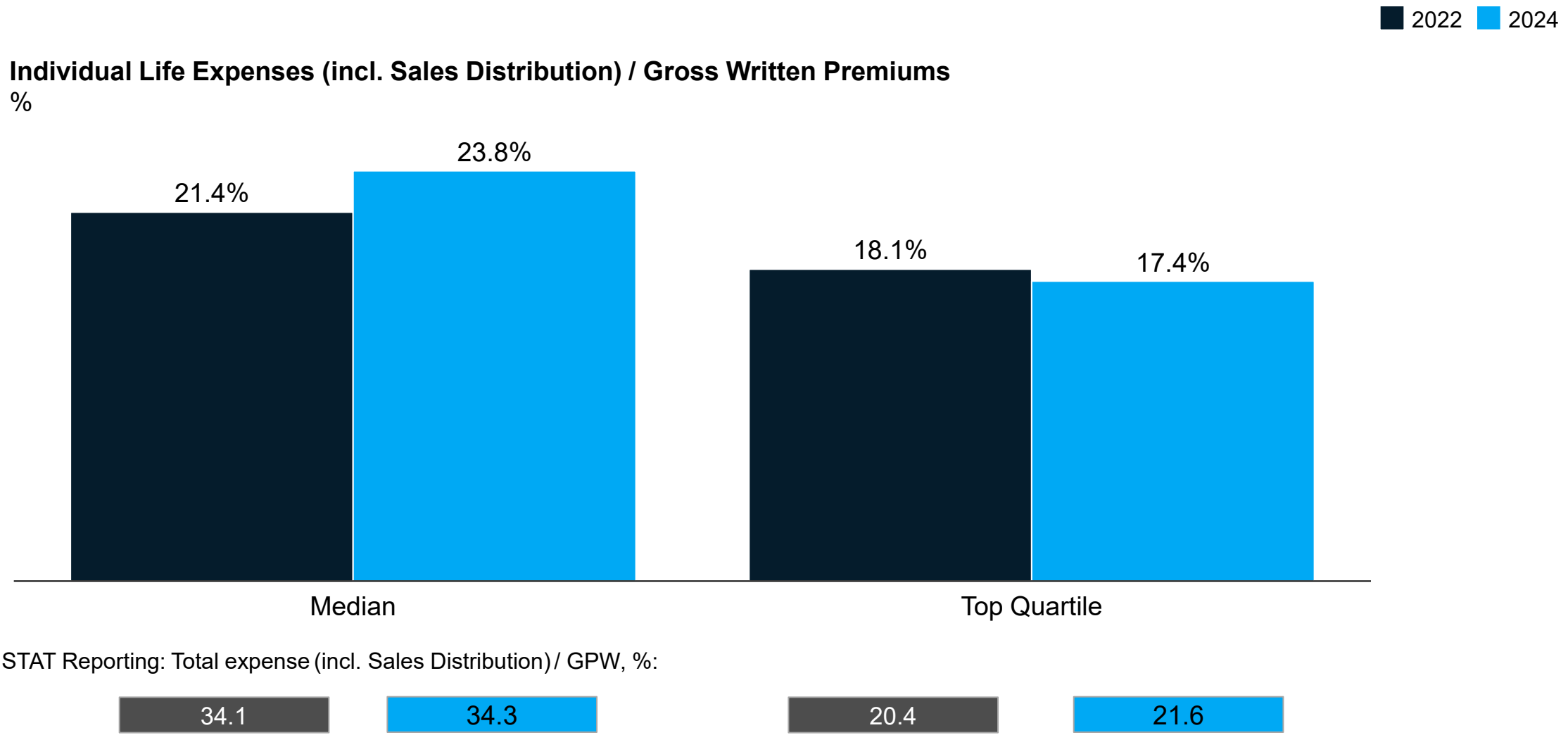
Cost efficiency evolution by industry¹,
% Total SG&A Expenses / Revenue, Normalized at 100 in 2003



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)

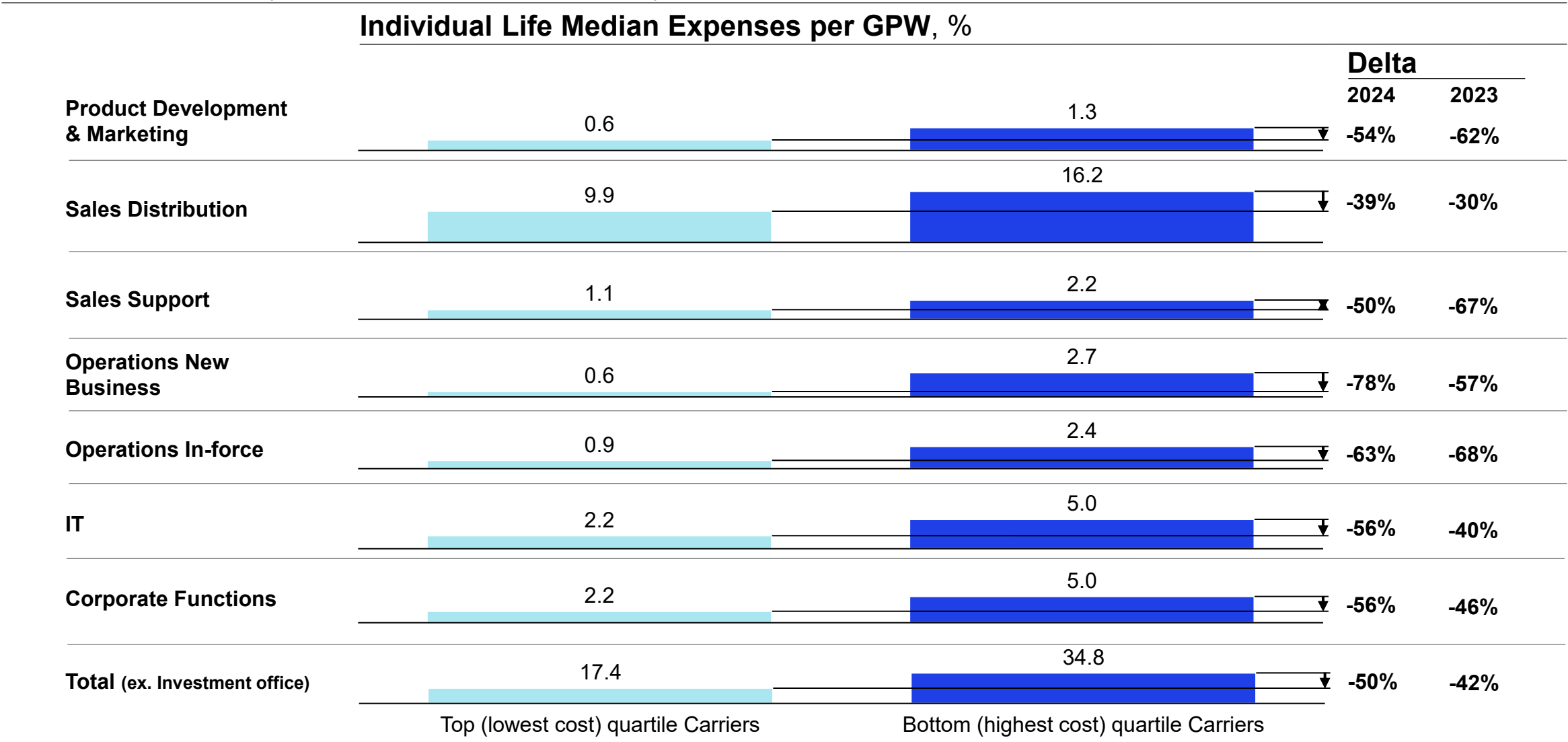
2. Total median expense ratios increased from 2022-24 for Individual Life carriers, but decreased for Top quartile carriers

2022-2024, Individual Life (excludes Inv. Office expenses)



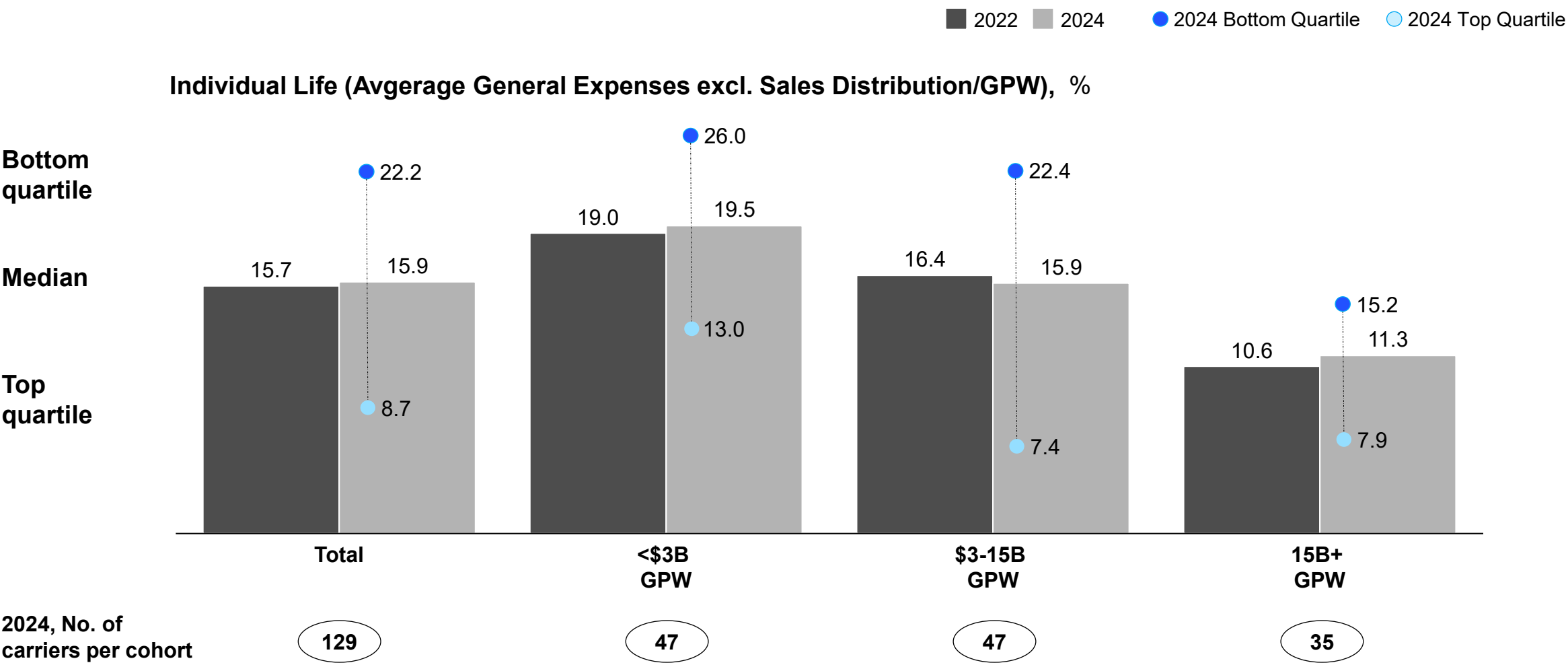
3. Individual Life carriers with the highest productivity have largely increased their performance edge across the value chain (~50%+ in each function)

2024, Individual Life (excludes Inv. Office expenses)



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

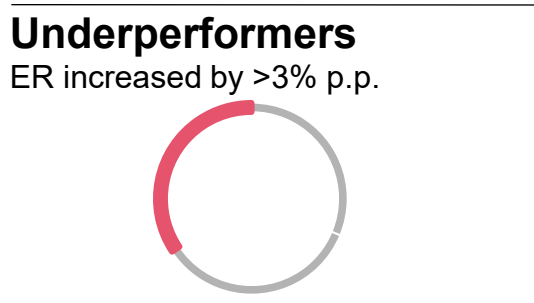
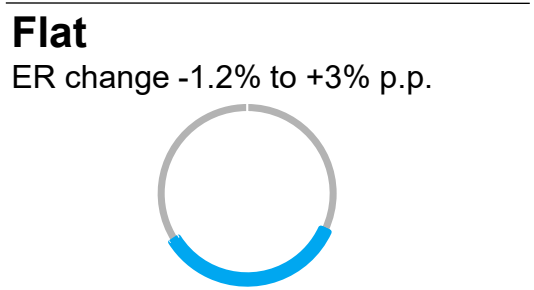
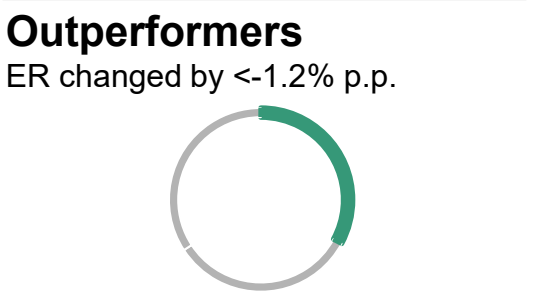
2022-24, Statutory reporting



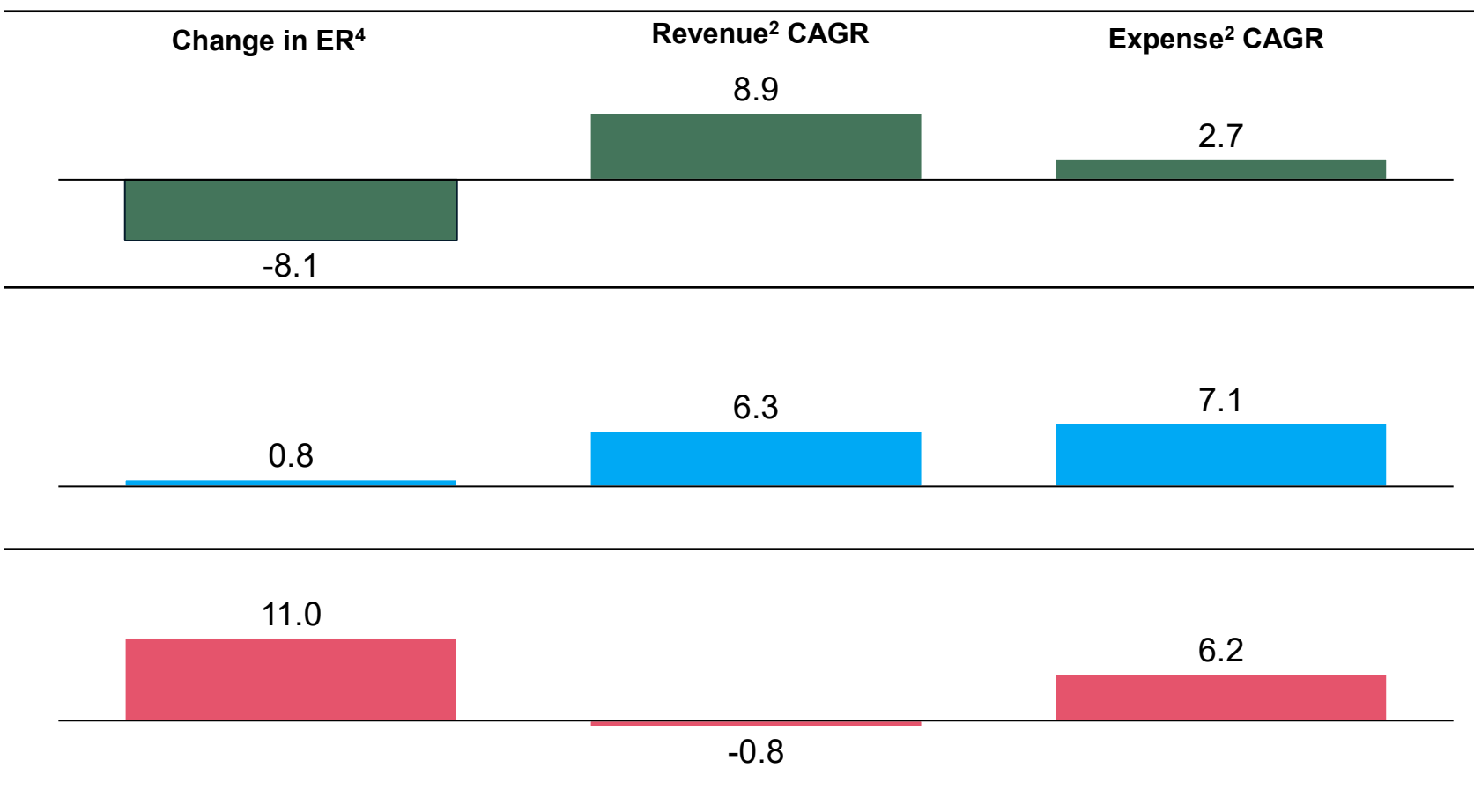
5. Top-performing Individual Life carriers reduced expense ratios through a combination of growth and expense control

2020-2024, Statutory reporting – Revenues exclude Net Investment Income

US Life carriers by category, %¹



Average change in ER², Revenue (ex NII), and Expenses, 2019-2024, %, n=67³



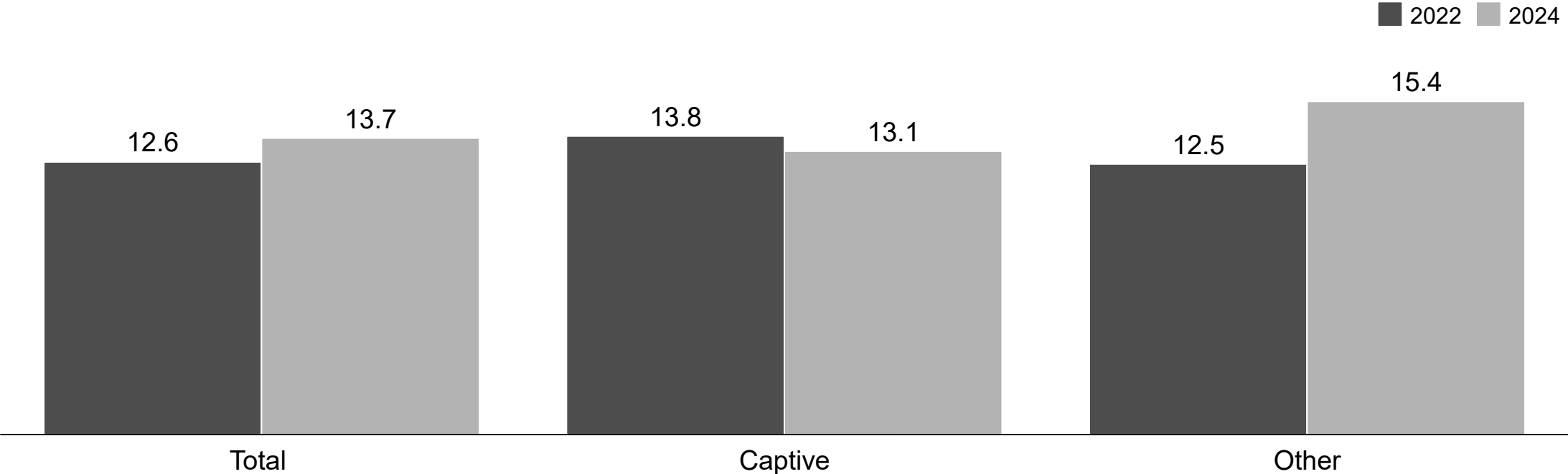
1. Numbers may not add to 100%, due to rounding; 2. ER = Total SG&A expenses including net commissions/total revenues (e.g., excludes Net investment Income); 3. Sample includes carriers with >\$200M in 2024 revenues, excludes outliers; 4. Total change in ER in p.p.

6. Expenses ratios increased in Individual Life driven by Sales, but sales expense ratios declined for Captives

2024, Individual Life, Total expenses exclude Investment Office

Analysis based on same firms in the 2022 and 2024 Surveys

Individual Life Sales Median Expenses (excl. Sales Distribution¹) / Gross Written Premiums, %



Total expense (incl. Sales Distribution¹) / GPW, %:



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

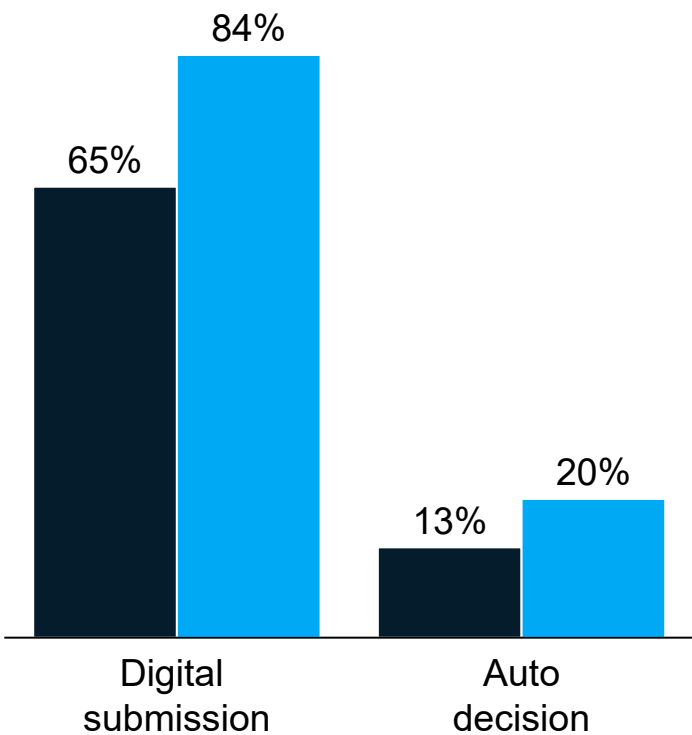
7. Modernization efforts have largely digitized analog processes and not fundamentally transformed customer experience or expenses

2020-2024, Individual Life

Analysis based on same firms in the 22 and 24 Surveys

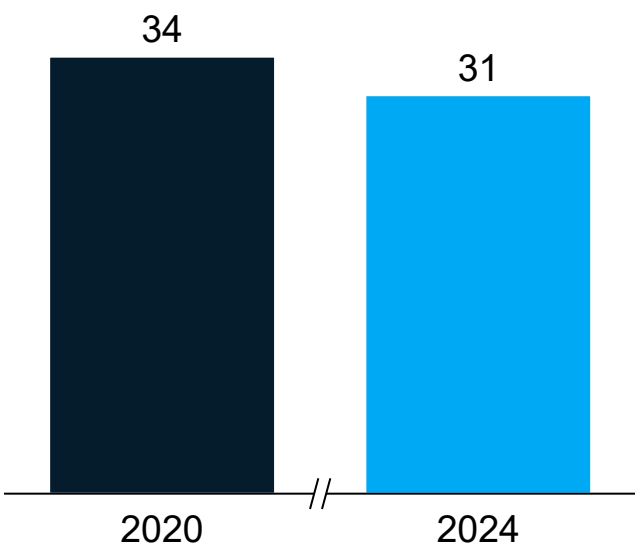
Carriers increased Digital applications and Auto decision...

% of Individual life applications (average)



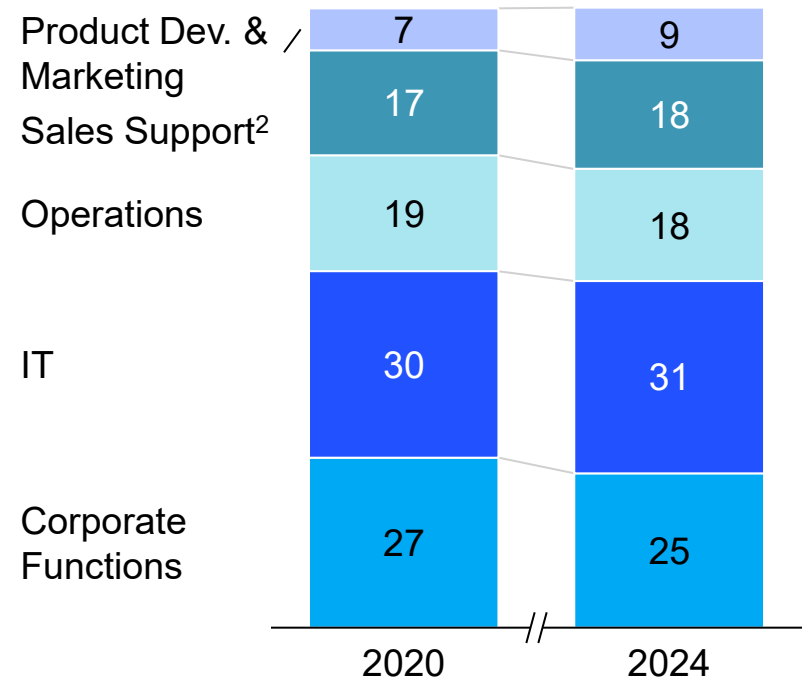
...however, Turnaround times have not improved much for Life...

Turnaround time (average total days¹)



...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



Today's agenda

Individual Life Productivity trends

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 <i>(How we work)</i>	Global operating model shifts w GOMx <i>(Where we work)</i>	E2E rewiring of processes with AI <i>(What we work on)</i>
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

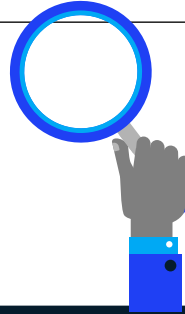
	Targeted quick wins	Workforce efficiency and productivity (How we work)	Global operating model shifts w GOMx (Where we work)	E2E rewiring of processes with AI (What we work on)
Levers	● Demand management ● Elimination of engineering waste ● Rightsizing engineering teams ● Vendor consolidation ● Standard 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 premiums¹



of respondents by role



of respondents by function



Example carriers in the LIMRA AI Industry Group



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

Significant opportunity exists for the Life Insurance industry on AI

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



Key insights

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

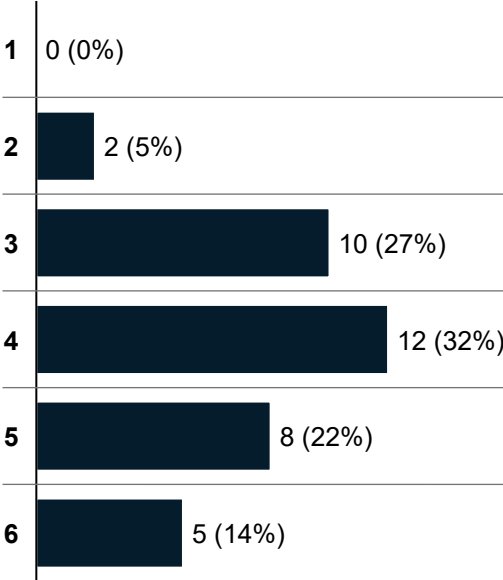
High Tech, Retail and Telecom are top 3 industries leading on AI

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

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

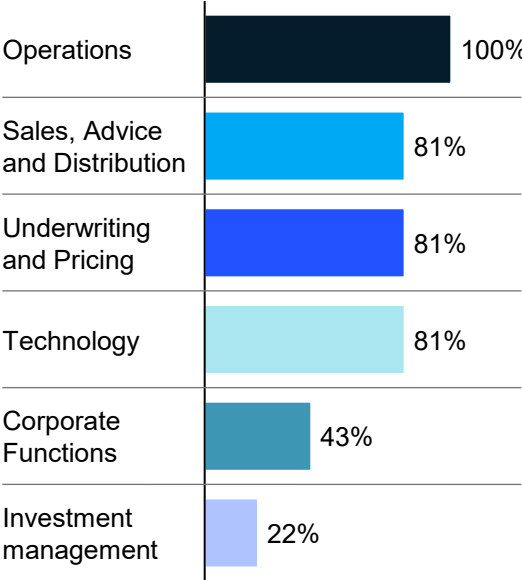
Carriers are experimenting with AI across multiple domains, with most investing in Ops, Distribution, UW and Tech

Number of prioritized domains



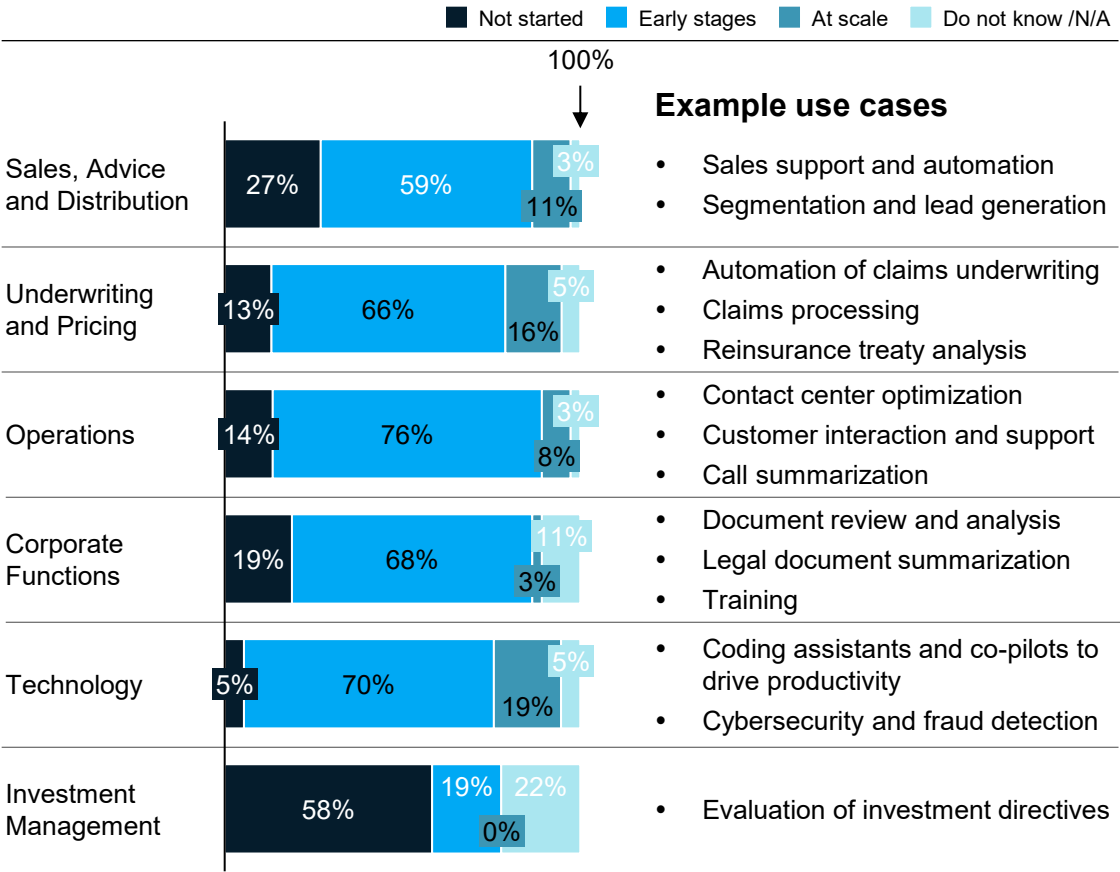
Companies are hedging bets with limited focus of investment. ~70% of companies spreading across 4 or more domains to drive AI advancements, and only ~30% focused in 2 to 3 prioritized domains

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

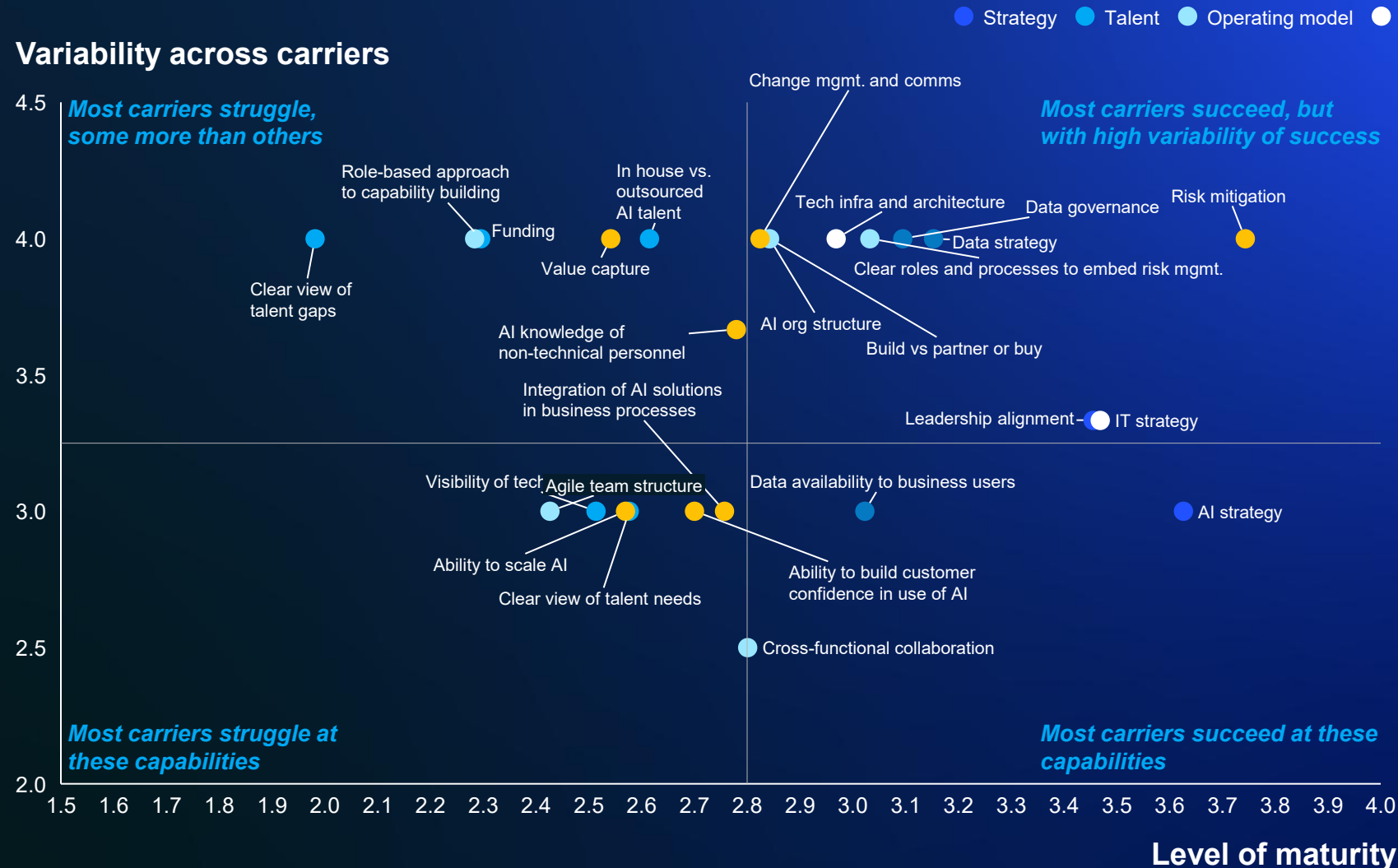
Companies are in early stages of their AI journey, with very few able to scale use cases in any domain



- ### 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

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)