McKinsey & Company

2025 McKinsey LIMRA Insurance 360 Benchmark – Industry productivity trends: Workforce Benefits

LIMRA Webinar

October 12, 2025

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

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 L&A Survey

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

New York Life, MassMutual, Ameriprise Financial, Athene, CNO Financial Group, Corebridge Financial, Northwestern Mutual, Thrivent, Pacific Life, Equitable, Allianz, Penn Mutual, Nationwide, Brighthouse Financial, USAA, Securian Financial, Western & Southern Life, Symetra (Retirement | Benefits | Life), NGL, Protective, Global Atlantic Financial Group, 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

Workforce Benefits Survey:

22 Carriers $80B+ (~45%) GPW

MetLife, Guardian, Lincoln Financial Group, Transamerica, Ameritas, Principal, Securian Financial, Trustmark (Banking · Investments · Insurance), OneAmerica, United Healthcare, Voya Financial, Prudential, CNO Financial Group, Chubb, MassMutual, Boston Mutual Life Insurance Company (1891), reliancematrix (A member of the Tokio Marine Group), Texas Life Insurance Company, Aflac, Symetra (Retirement | Benefits | Life), 5Star Life Insurance, Delta Dental

Today's agenda

Individual Life & Annuities and Workforce Benefits/Group Productivity trends

Unlocking the productivity potential of the industry

Insurance AI maturity survey results and opportunities

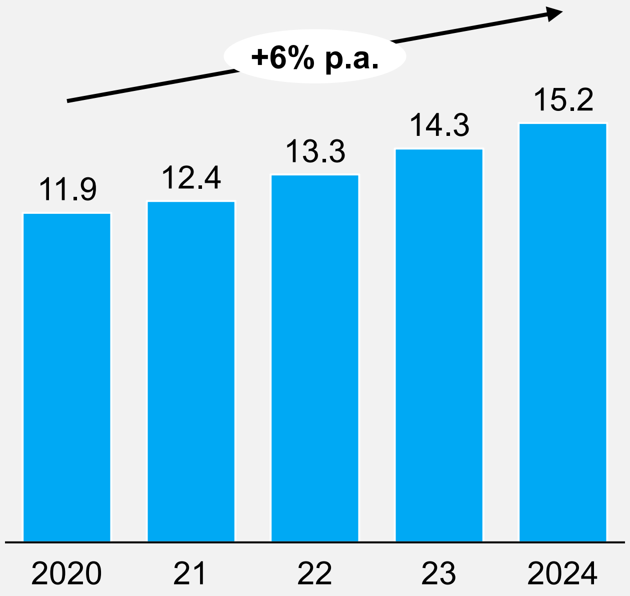
Cross-cutting industry productivity trends – Group/ Workforce Benefits

1. **Tale of two cities** – Group/WFB has grown at a healthy pace over the last 5 years while growth in Individual Life and Annuities has diverged
2. **Lack of leverage** – Operating costs have increased over the last two decades by 24% for Group/WFB
3. **Persistent performance edge** – Top-performing Group/WFB carriers reduced expense ratios through growth and expenses control... and carriers with the highest productivity maintain an edge across the value chain (~50%+ in *each* function)
4. **Diverging performance across carriers** – A widening gap between top and bottom performers reflects differences in scale, segment focus and product mix. Down market segments have the highest expense ratios overall and across functions and product – especially Supplemental Health, but Down-market (i.e., U100) is the most profitable segment and Supp Health the fastest growing
5. **To realize productivity improvement,** carriers are focusing on efficiency, effectiveness and growth levers across all business functions

1. Group/WFB has grown at a healthy pace since 2020, while sales for Individual life were flat and Annuities doubled driven largely by FA

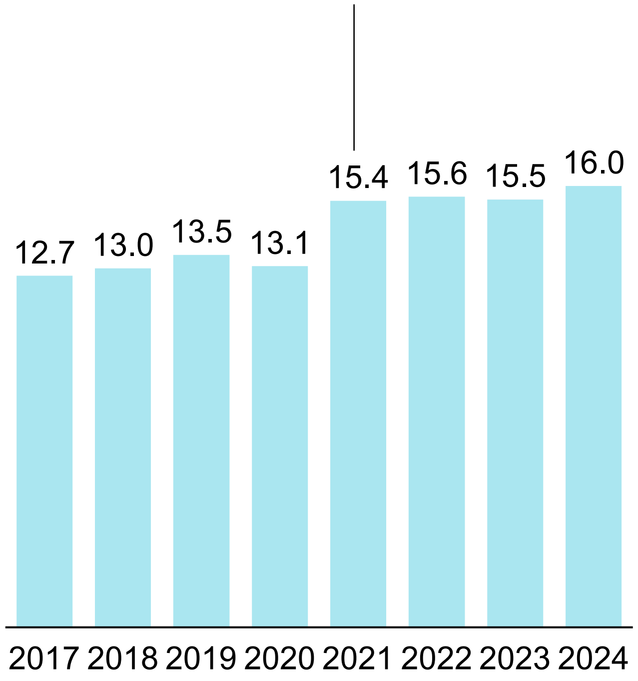
Sales, $B

Employee Benefits (Group Life and A/H)[1]



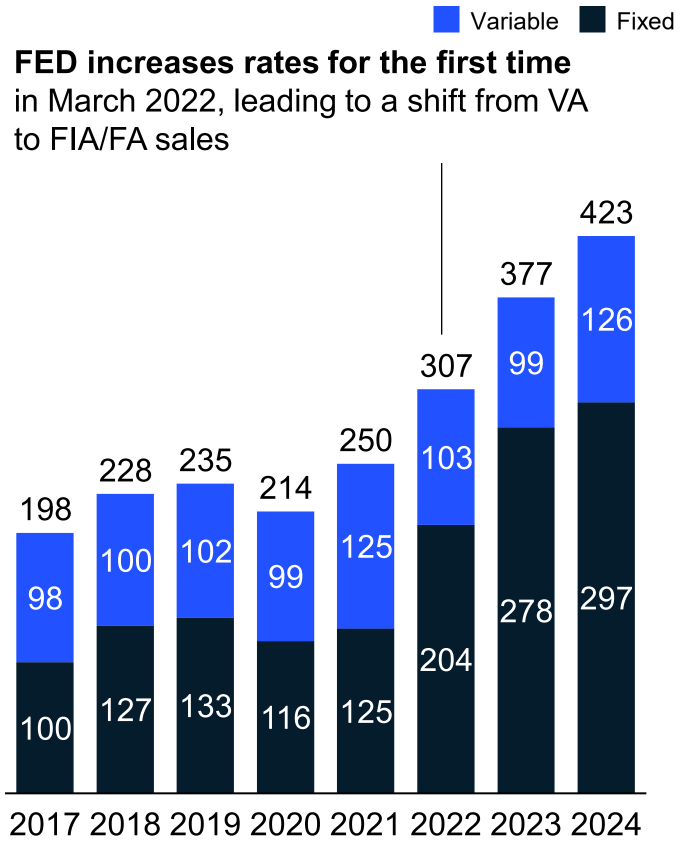
Individual Life

Strong uplift in Whole Life, IUL, and VUL sales, which have reverted slightly but remained elevated



Individual Annuities[2]

FED increases rates for the first time in March 2022, leading to a shift from VA to FIA/FA sales



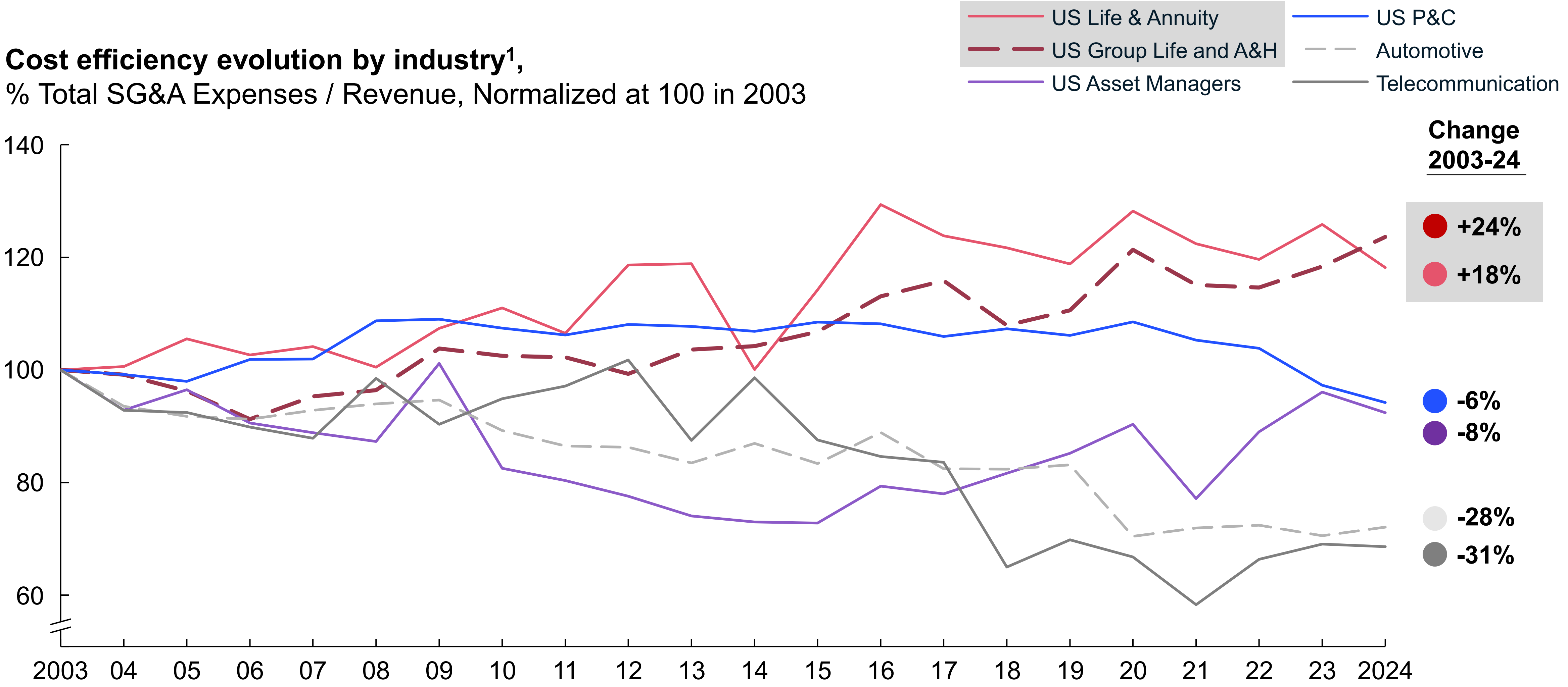
1. Includes Workplace Life, Workplace Disability, Workplace Dental, Workplace Accident, Workplace Critical Illness, Workplace Cancer, Workplace Hospital Indemnity; company participants might vary slightly by quarter
2. LIMRA individual annuity sales include certain group annuity contracts that meet certain conditions. Numbers excludes structured settlements

Source: LIMRA

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

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" (SG&A expenses include net commissions, total revenues incl. net investment revenue)

Source: S&P Capital IQ, Team analysis; McKinsey NA Life & Annuities 360 Performance Benchmarking Survey

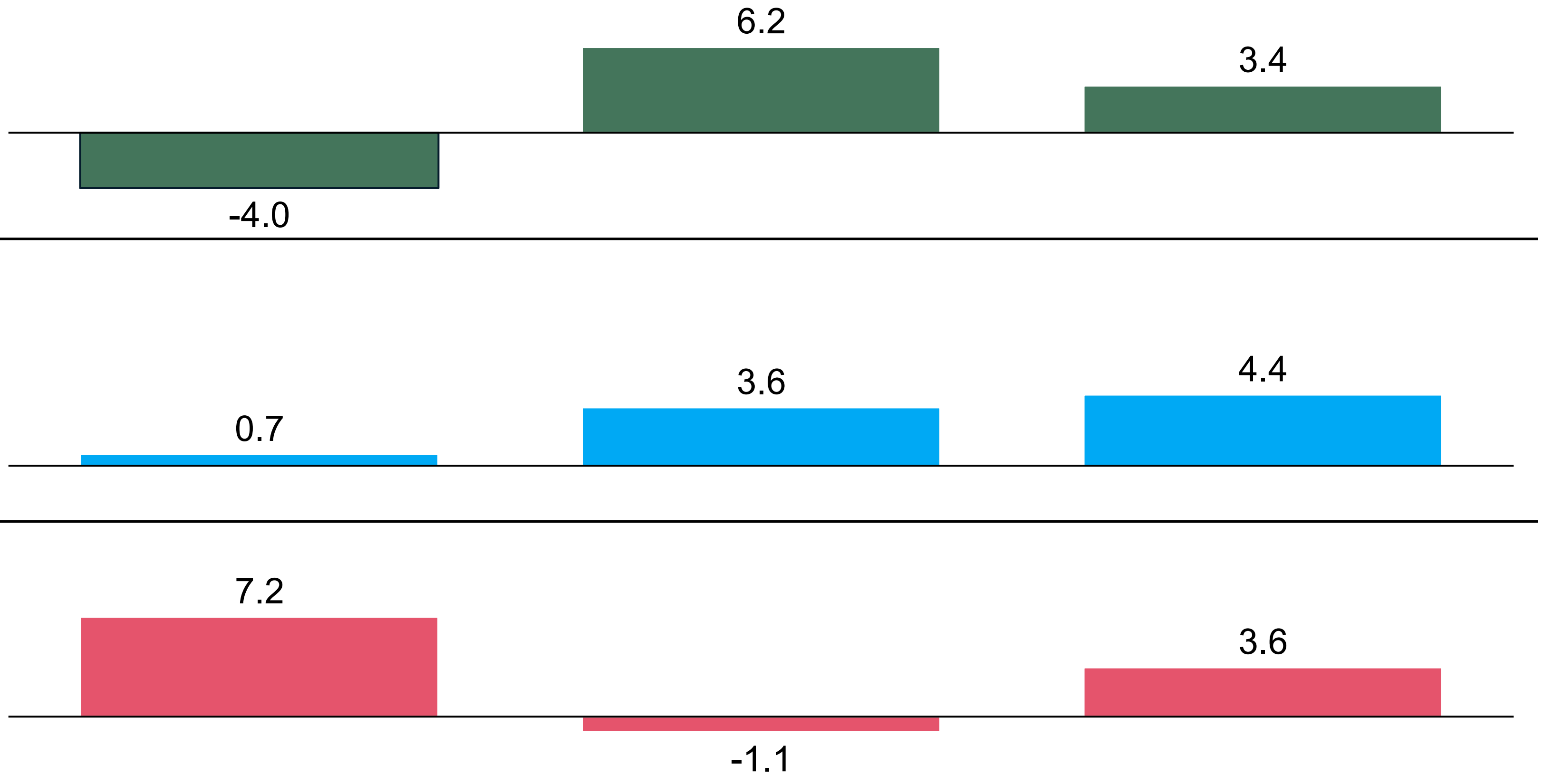
3. Top-performing Group/WFB carriers reduced expense ratios through a combination of growth and expense control

2020-2024, Statutory reporting

US Group (Life + A&H) carriers by category, %[1]

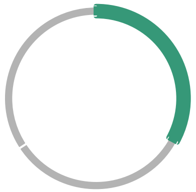
Change in ER[2], Revenues, and Expenses, 2019-2024, %, n=50[3]

Change in ER[4] | **Revenue[2] CAGR** | **Expense[2] CAGR**



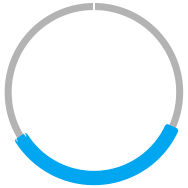
Outperformers

ER changed by <-1.6% p.p.



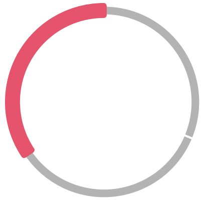
Flat

ER change -1.6% to +3.2% p.p.



Underperformers

ER increased by >3.2% p.p.

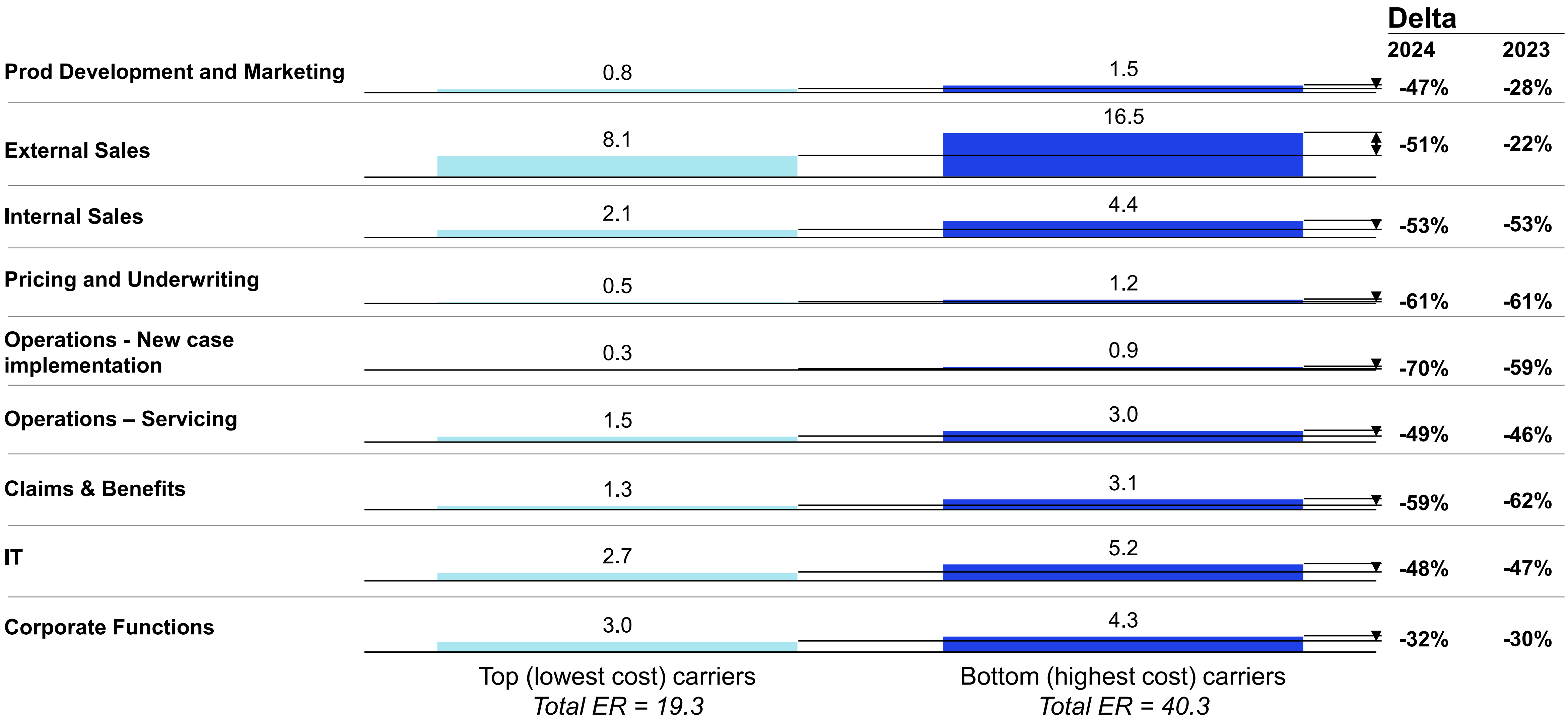


1. Numbers may not add to 100%, due to rounding; 2. ER = Total SG&A expenses including net commissions/total revenues (incl. net investment revenue); 3. Sample includes carriers with >$200M in 2024 revenues, Excludes outliers; 4. Total change in ER in p.p.

Source: Insurance Regulatory data from S&P Capital IQ Pro; Excludes outlier data

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

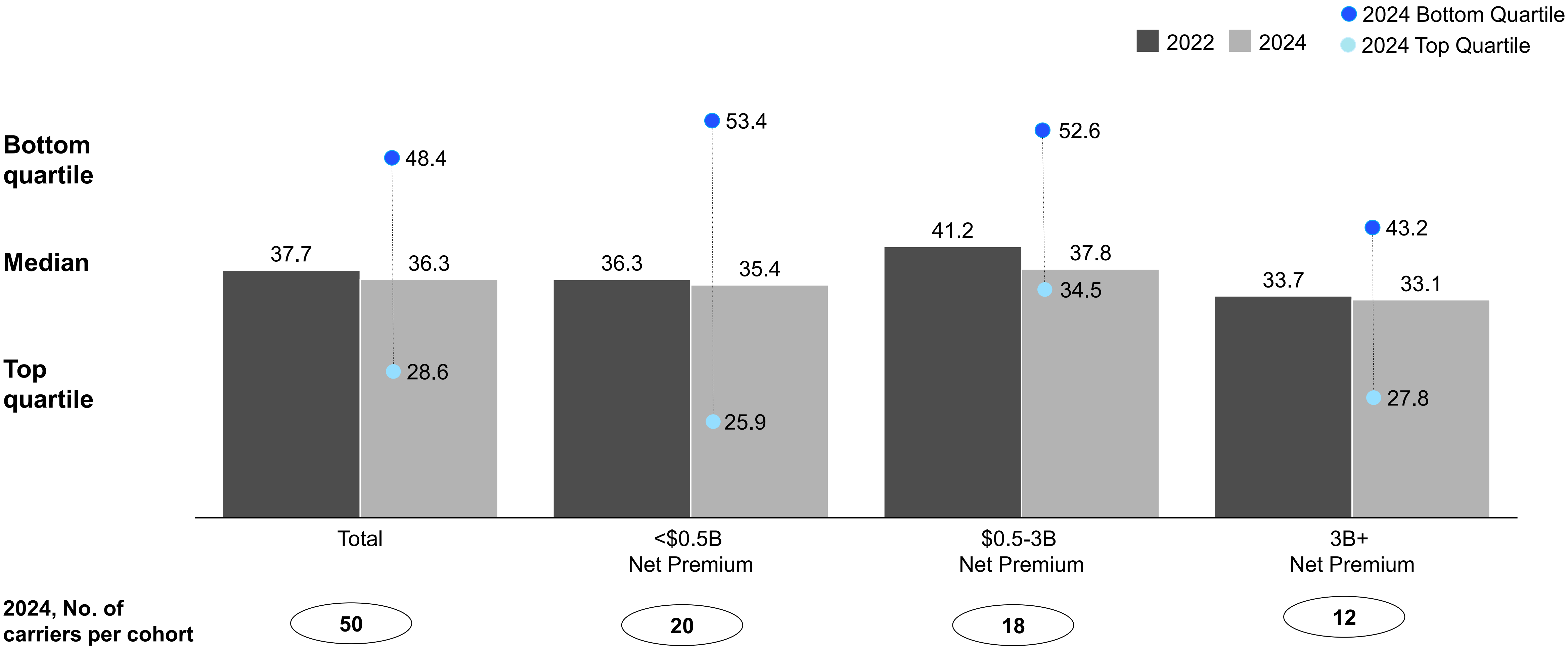
2024, Group/WFB, Expenses as a % of Gross Written Premiums & Fees



Source: McKinsey LIMRA 2024 Workforce Benefits Benchmark Survey

4. Larger Group Life and A&H carriers achieve lower expense ratios, but top-performing small carriers outperform for larger peers

2022-24, Group Life and A&H – General insurance expenses (excl. sales commissions)[1] as a % of Net Premium[2] (STAT reporting)



1. General expense include sales commissions.
2. Ner premium excludes Net investment income

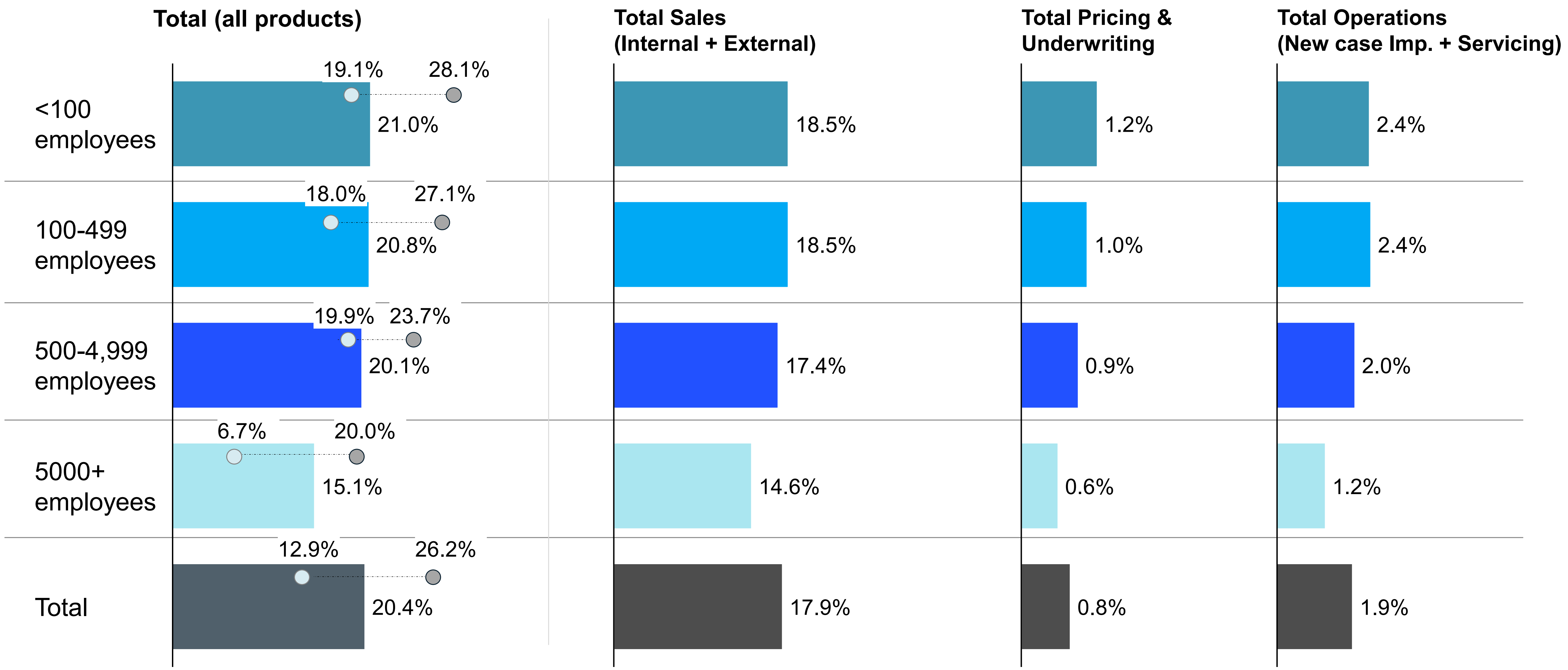
Note: Excludes companies with large major medical focus, Reinsurers, Funeral insurance focused, and LTC focused companies

Source: Stat results, S&P Capital IQ

4. Down market segments have the highest expense ratios overall and across functions in Group…

2024, Includes functions where expenses tracked by employer segment size

Median expenses as a % of Gross Written Premiums & fees (includes all products)

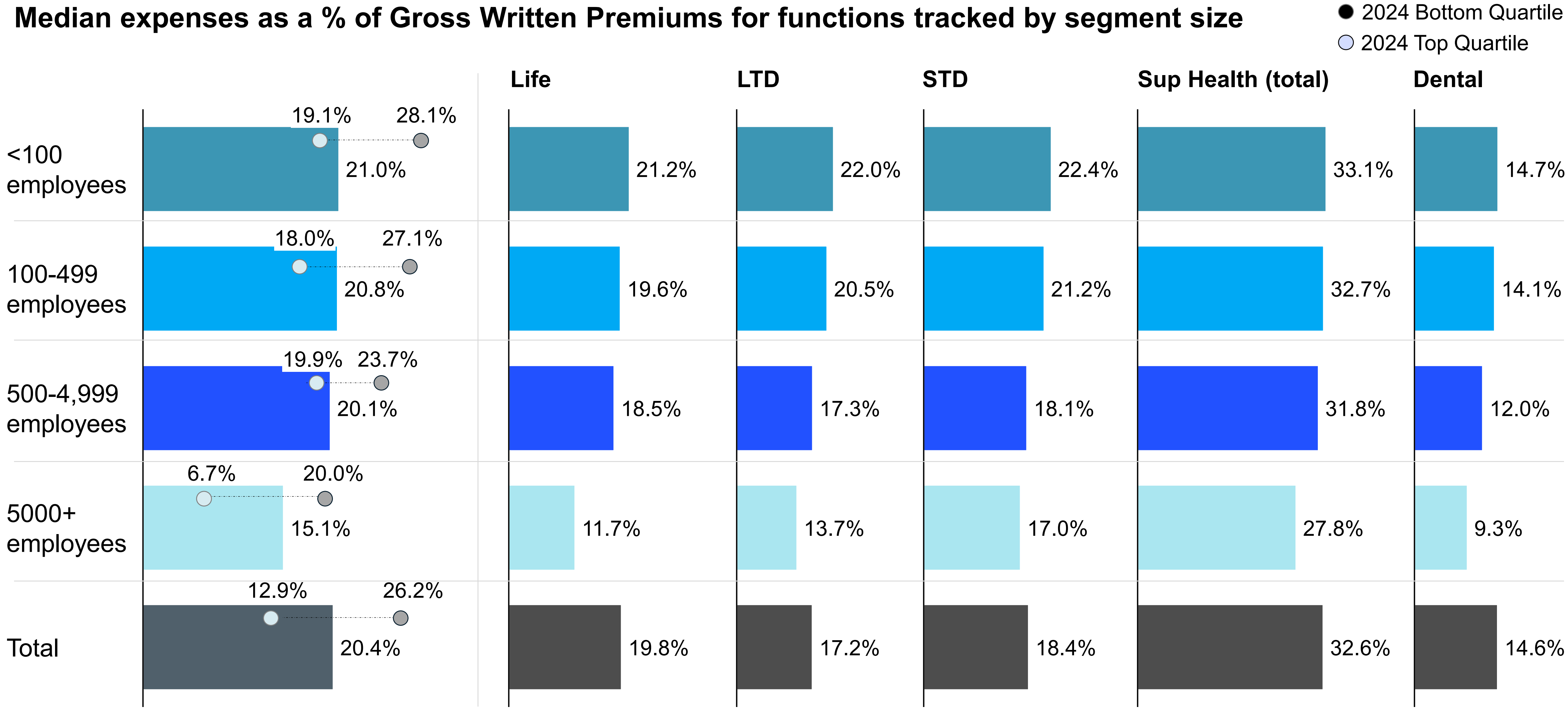


Source: McKinsey LIMRA 2024 Workforce Benefits Benchmark Survey

4. …as well as across all products; with Supplemental Health the highest cost product overall

2024, Total includes External/Internal Sales, Pricing & UW, and Operations (New Case Impl. & Servicing) only

Median expenses as a % of Gross Written Premiums for functions tracked by segment size

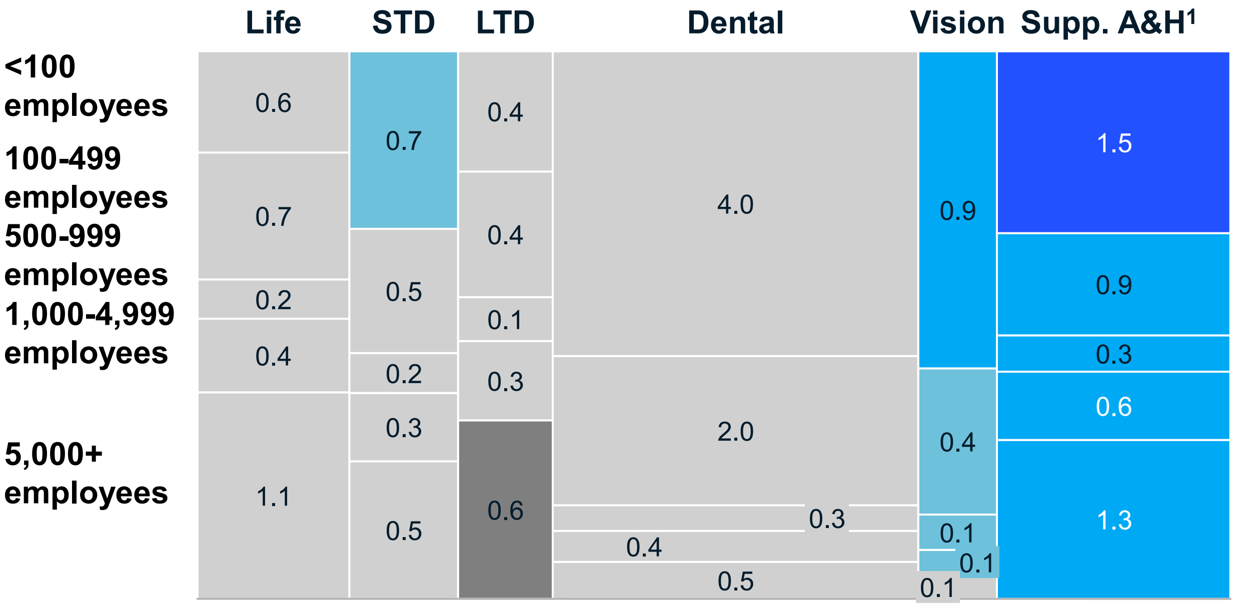


Source: McKinsey LIMRA 2024 Workforce Benefits Benchmark Survey

4. However, Down-market (i.e., U100) is the most profitable segment and Supp Health fastest growing

Estimated growth of profit pools, CAGR, 2023-2030, %: 0-1% 1-2.5% 2.5-5% 5-10% >10%

2030 estimated profit pool by product line and group size, *$B*



	Total, *$B*	Total, *%*	2023-2030 CAGR, *%*
<100 employees	8.1	40%	4.1%
100-499 employees	4.8	24%	3.1%
500-999 employees	1.3	6%	3.4%
1,000-4,999 employees	2.0	10%	2.8%
5,000+ employees	4.2	20%	2.7%
Total, *$B*	**20.4**	**100%**	**3.4%**

	Life	STD	LTD	Dental	Vision	Supp. A&H[1]
Total, *$B*	**3.0**	**2.1**	**1.9**	**7.2**	**1.6**	**4.6**
Total, *%*	15%	11%	9%	35%	8%	23%
2023-2030 CAGR, *%*	2.0%	2.3%	1.3%	2.1%	5.7%	7.9%

1. Supplemental A&H includes Accident, Critical Illness, Cancer, AD&D, Hospital Indemnity

Note: Adjacent products have been excluded from total. Adjacent products include Auto, Home and Pet insurance

Source: Industry reports, U.S. Census, U.S. Bureau of Labor Statistics; LIMRA reports; McKinsey GRIP, Expert interviews; McKinsey Estimates, Expert interviews

Key takeaways

Employee Benefits profit pool is forecasted to **grow ~3.5% to $20.4B** in 2030, primarily driven by **Supplemental A&H and Dental**

Dental and Supplemental A&H are the largest products (with ~$7B and ~$4.5B in profit pools, respectively), while **Supplemental A&H** has the highest growth (i.e., ~8% CAGR)

Down-market (i.e., U100) is the most profitable, accounting for ~40% of the profit pool; it is also forecasted to outgrow the other segments (~4% CAGR vs average CAGR of ~3.5%)

How carriers are rewiring for efficiency, effectiveness, and growth

Non-exhaustive

Improving efficiency & effectiveness

- **Rewiring operations through AI and automation**
  AI/agentic AI across claims, servicing, and UW to reduce manual intervention. In the quoting process, AI copilots guide quoting and sales reps, reducing UW involvement
- **Embedding data intelligence in claims & pricing**
  Advanced analytics to improve technical pricing and claim accuracy – identifying claim severity early, and detecting waste, fraud, and abuse. Continuous model feedback loops are improving rate adequacy and reserving discipline
- **Digitizing and streamlining onboarding**
  Reduction of onboarding TAT from weeks for SMB to days by automating census and eligibility data intake, connecting directly with HRIS and ben-admin systems, and using rule-based workflows for setup
- **Streamlining experience through integrated platforms**
  Connected, end-to-end digital experience that links quotes, onboarding, servicing, and claims. The goal is a "single pane of glass" for brokers, employers, and internal teams

+

Driving growth

- **Enhancing pricing flexibility and sales discretion**
  Dynamic pricing and clear guardrails for faster quoting and sales discretion within risk limits, improving competitiveness and conversion, especially in small and mid-sized segments
- **Expanding voluntary and supplemental offerings**
  Growth from voluntary products driven by richer product design, better enrollment tools, and personalized decision support and ongoing engagement to lift participation and persistency
- **Deepening ecosystem and distribution partnerships**
  Integration with brokers, GAs, ben-admin and quoting platforms to embed products and create always-on distribution channels
- **Targeting growth through channel micro-segmentation**
  Sharper segmentation of brokers, employers, and regions to focus sales resources and incentives on the most profitable opportunities

Today's agenda

Individual Life & Annuities and Workforce Benefits/Group 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 (*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

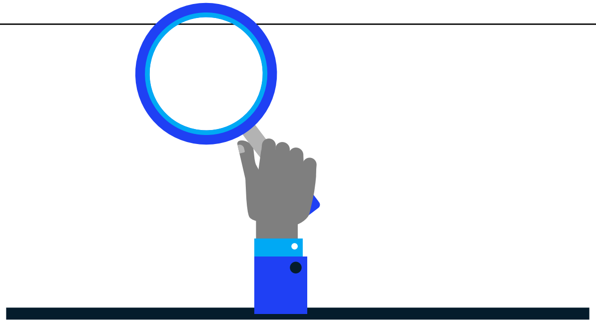
Not inclusive of all levers

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 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

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

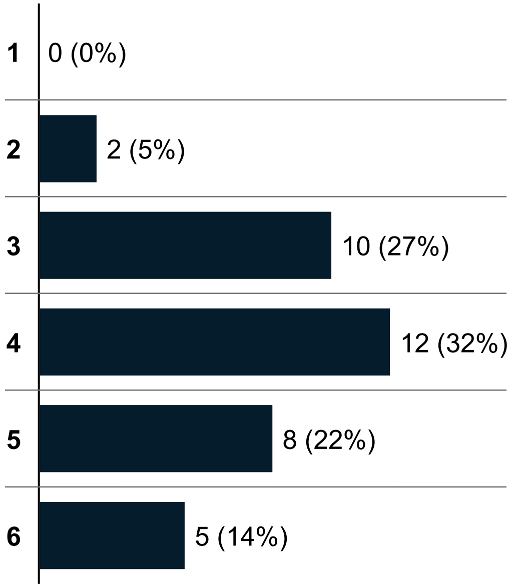
There is a **wider spread of AI capabilities** in Life Insurance compared to other industries

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

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

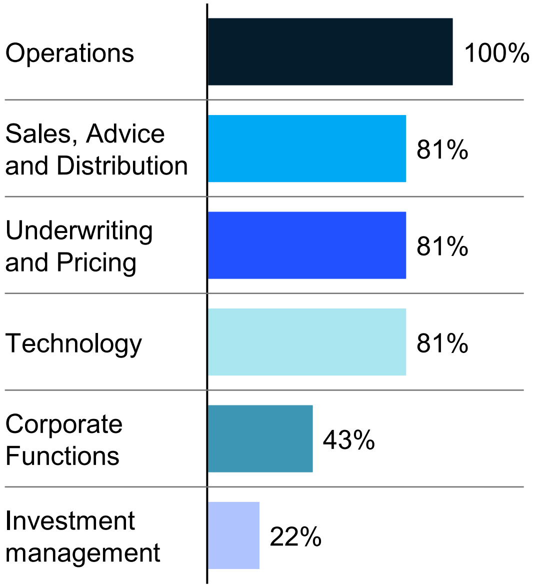
Carriers are experimenting with AI across multiple domains, with most investing in Ops, Distribution, UW and Tech

Number of prioritized domains



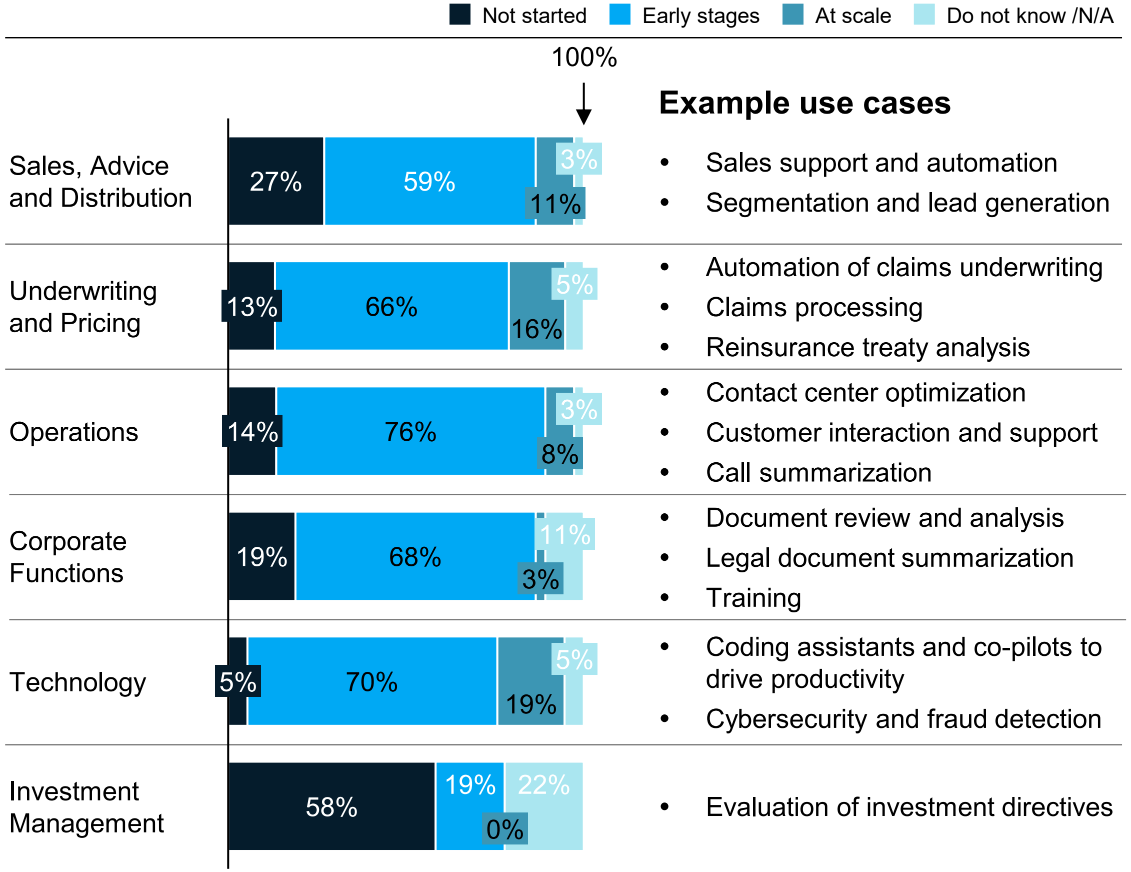
Companies are hedging bets with limited focus of investment. ~70% of companies spreading across 4 or more domains to drive AI advancements, and only ~30% focused in 2 to 3 prioritized domains

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



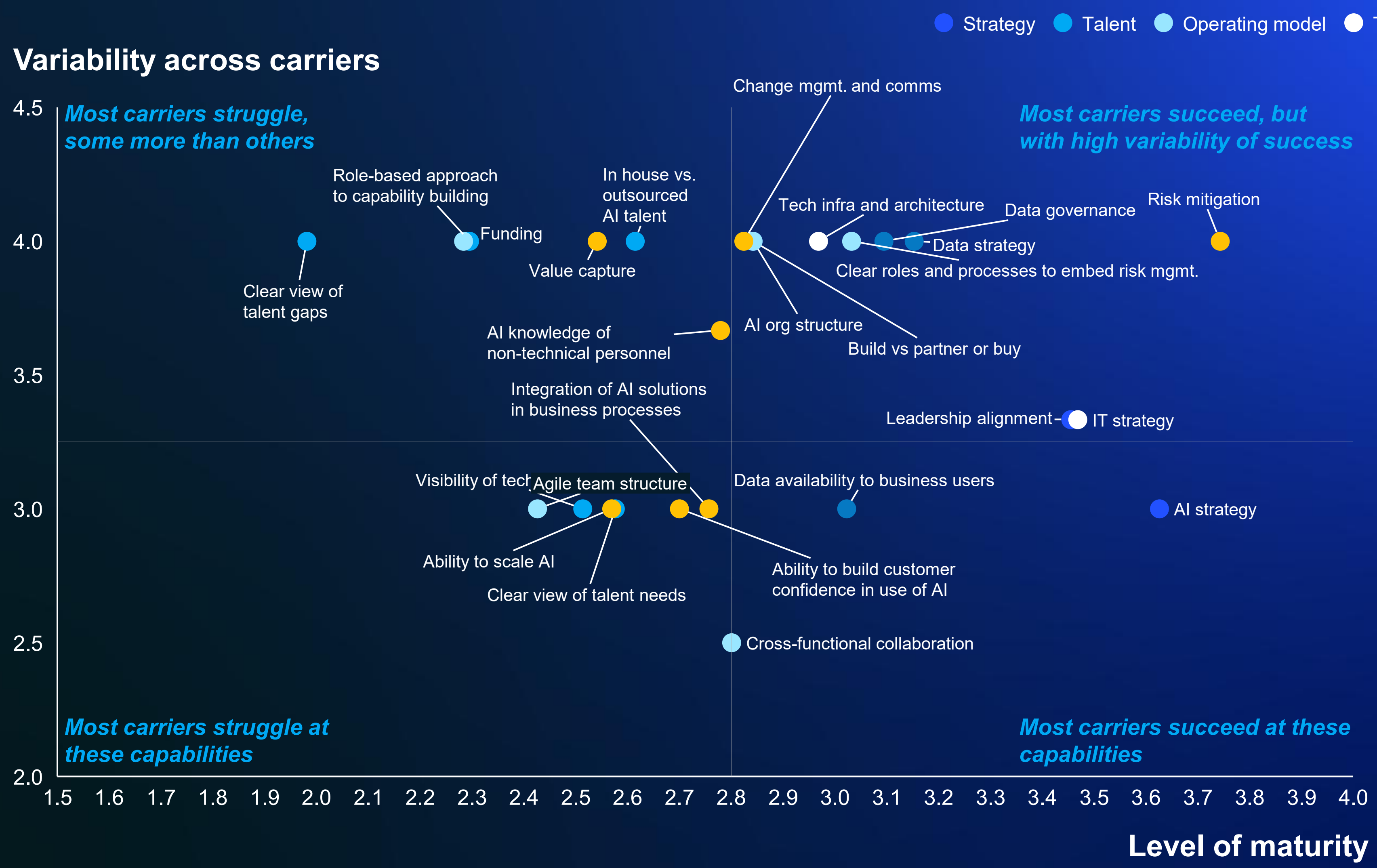
Example use cases

- 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

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

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)