

# What's on the Minds of Global Life Insurance Executives:

Responding to the Moment,  
Looking to the Future



**LIMRA**<sup>®</sup>

**BCG**

As COVID-19 spread around the globe, life insurers quickly adapted. Client interactions became virtual, sales processes became more digital, and operations leaned on automated workflow and collaboration tools to respond to the needs of customers and their advisors. But the pandemic also exposed the existing weaknesses and inflexibility of many processes and systems, while persistent low interest rates continued to squeeze spread-based businesses. Life insurance leaders are rising to the challenge. Many are taking bold actions to improve customer and advisor journeys, simplify and automate operations, and accelerate the pace of innovation to meet the demands of a fast-changing market.

The 2021 edition of the biennial global executive study by LIMRA and Boston Consulting Group (BCG) provides insights into the highest priorities of life insurance leaders as they tackle today's challenges and embrace emerging opportunities. Technology emerged as the top challenge, giving it notably higher priority than in our 2019 survey (Figure 1). Other top challenges, like low interest rates and regulation, reflect the

significant headwinds facing the industry and amplify the need to manage risks in the current environment (see Sidebar 1). Additional priorities, such as growth and new ways of working, demonstrate how insurers are preparing for a future in which they move faster and are more responsive to customer, advisor, and employee needs.

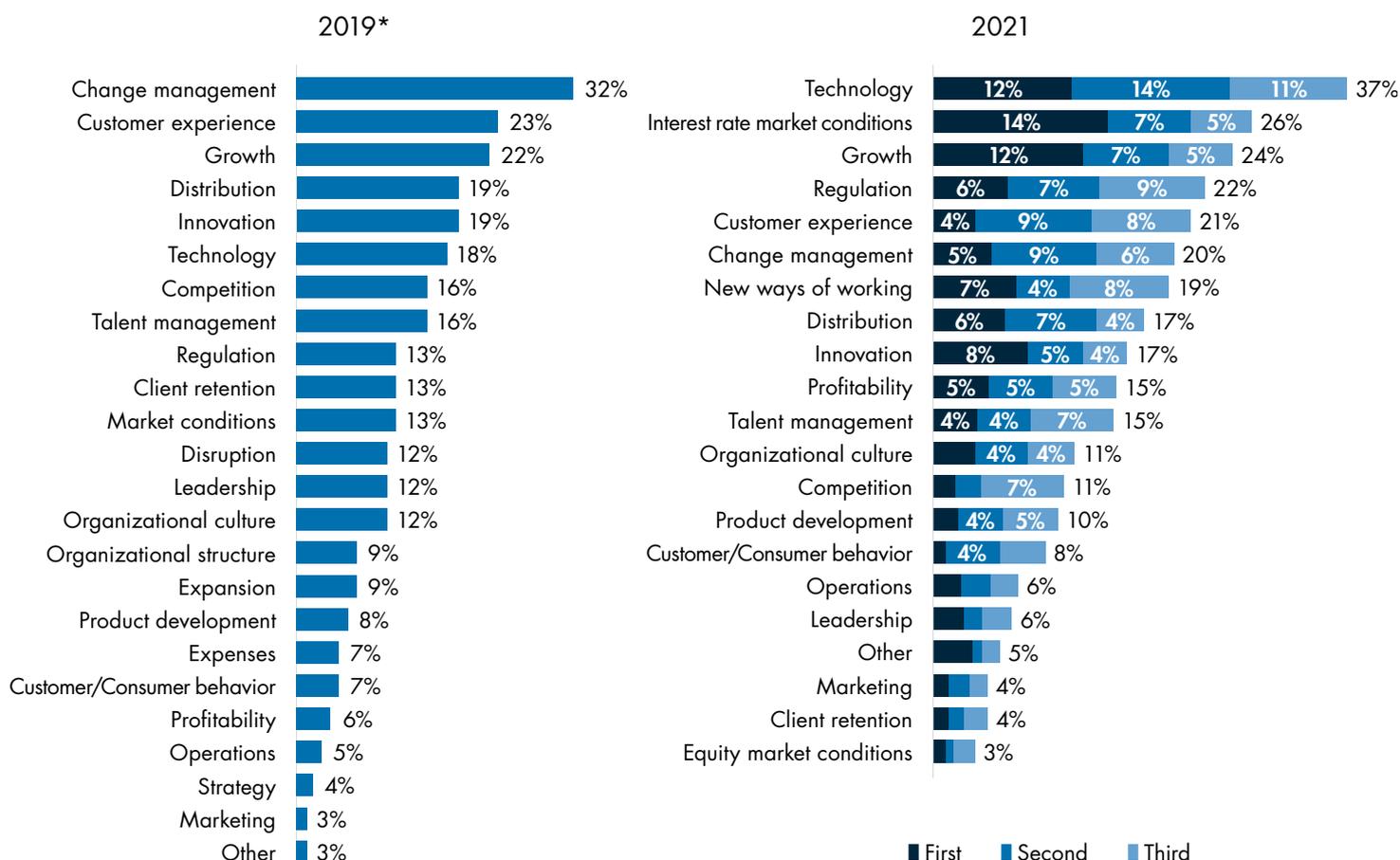
Our survey and supporting interviews with global executives reveal the industry's pace of change, not only to meet current demands, but also to ensure competitiveness in the decades to come. Three overarching themes for life insurers stood out in our findings:

- **Modernize technology**
- **Embrace the future of work**
- **Pursue new areas of growth**

Applying the insights from our study, we offer a perspective on the management and board agendas in each of these three areas.

Figure 1

What are the top challenges facing your company today?



\*A top-three challenge

# Modernize Technology

Even before the pandemic, insurers had been building their technology and digital capabilities to better serve advisors and customers and streamline their operations. The pandemic accelerated these moves, with large players making significant investments to modernize technology. For example, India-based Bajaja Allianz Life recorded the highest growth rate in its market as of December 2020, fueled by technology tools that allow its advisors to operate digitally — including meeting customers virtually, sharing quotes online, providing real-time digital illustrations, and tracking progress live. The company has rolled out these tools across its entire agency force.

In addition to ranking technology as a top challenge, survey respondents cited technology as the external force having the greatest impact on their organization. Moreover, several executives we spoke with expressed concern about falling into

a trap of working within the constraints of legacy technology to achieve only incremental improvements, rather than reimagining the future.

Survey respondents globally selected digital automation and data science and analytics as their top two technology priorities (Figure 2). One North American executive summed up their view by saying, “We have to be easy to do business with. Automating the process and using data to guide the manual activity reduces errors and churn, freeing up everyone involved to spend more time on more valuable work.”

In our survey and executive interviews, three areas stood out as the most consistent priorities for applying automation and data science techniques and modernizing technology: marketing, distribution, and customer experience.

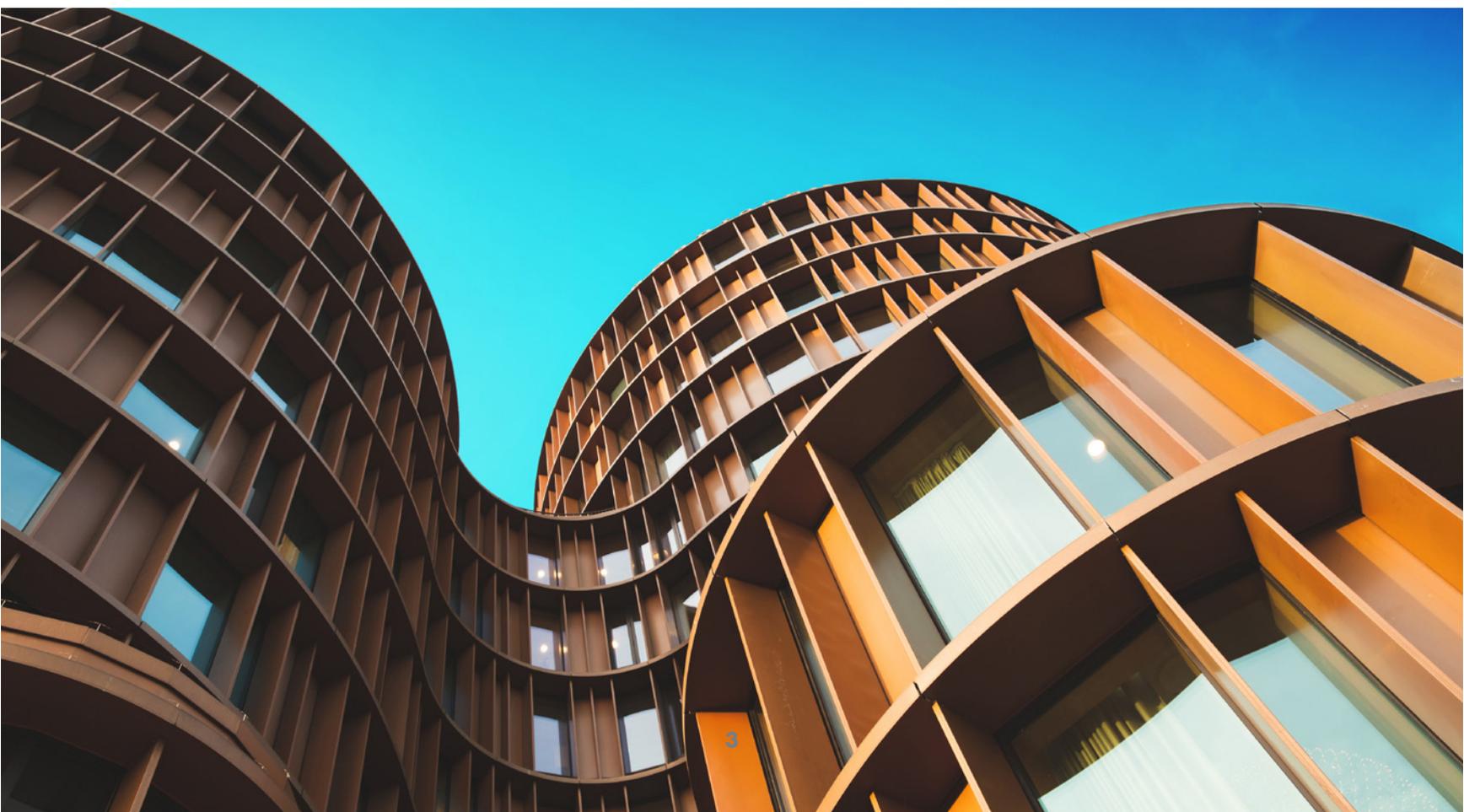
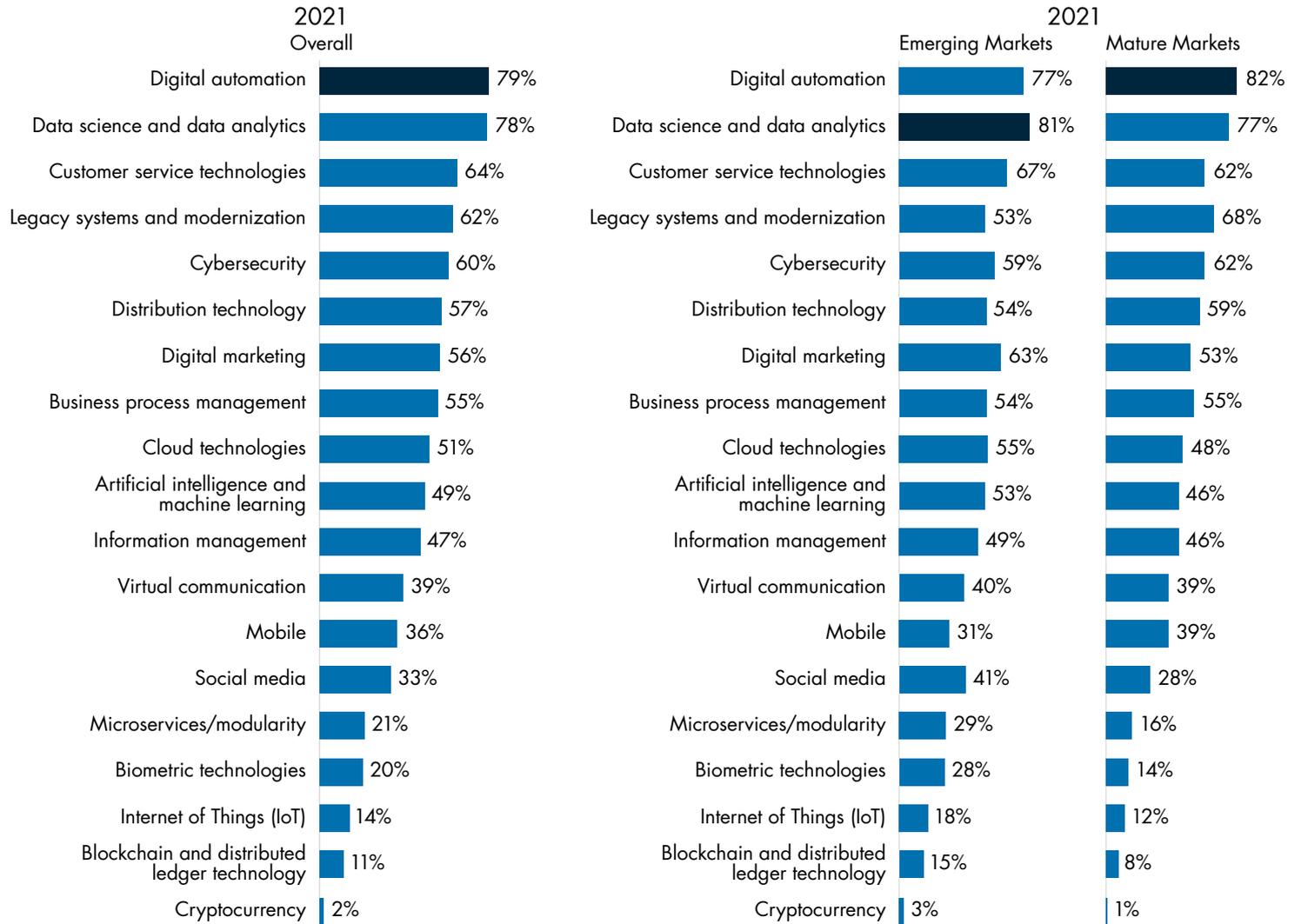


Figure 2

What data/tools/technological advances are most crucial to your company's success in the next five years? Select all that apply.



# Sidebar 1: Managing Risks in Today's Environment

**Low Interest Rates.** Survey respondents ranked interest rate market conditions as their second most important challenge, an assessment supported by our executive interviews. Since the 2008–2009 financial crisis, low interest rates have challenged the economics of the insurance business by depressing investment returns and making it harder to profitably offer spread-based products.

Although low rates are undeniably a headwind for the industry, most companies now have a well-tested playbook to address the challenges. The question is largely what set of known actions to take, and how aggressively to pursue each one. When asked which actions they have taken or plan to take in response of the low-rate environment, survey respondents said that the most common moves include adjusting their strategy for managing investments and matching assets and liabilities, as well as reducing expenses. Many insurers also report assessing and reducing product guarantees, or focusing their growth strategies on protection products that are inherently less interest-rate sensitive (see figure directly below).

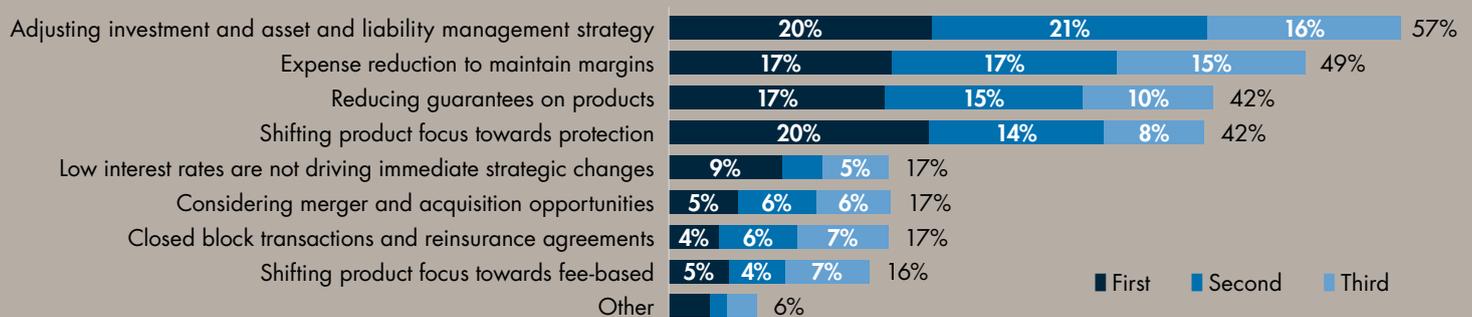
**Excess Mortality.** Early data indicates that COVID-19 has resulted in excess mortality. Life expectancy in the U.S., for example, fell by 1.5 years in 2020 to its lowest level in 20 years. Excess mortality in the U.S. increased by 14 percent in the second quarter of 2020 and 7 percent in the third quarter, according to the latest LIMRA research.<sup>4</sup> Several executives expressed concern that until vaccines are distributed globally to manage the virus, new variants will likely continue to emerge, as we have seen with the Delta variant. Declines in doctor visits for preventative care and screening have also raised concerns about secondary impacts on mortality and morbidity.

In addition, climate change is driving excess mortality globally. In recent months, extreme weather events — including heat, wildfires, and flooding — have claimed lives around the world. Executives told us that these developments warrant closer attention and monitoring going forward.

**Regulatory Challenges.** Changing regulatory requirements create uncertainty and could alter the competitive environment. Insurers we spoke with highlighted the need to be agile to adjust to the shifting regulatory conditions. Moreover, the additional costs imposed by regulations reinforce the imperative for companies to reduce operating costs, manage their portfolio, and identify advantaged paths to growth. Several types of regulatory changes stood out:

- Changes to tax and savings regulations could affect the value proposition and fit of current and legacy solutions.
- Distribution and suitability regulations are becoming more common globally and can increase the costs of serving, such as by creating more friction to serve less-affluent segments.
- Compliance with cybersecurity and privacy regulations add new costs and risks without any associated revenue increases.
- Changing capital standards will result in increased balance sheet volatility — many markets are implementing IFRS 17, which will result in balance sheets fluctuating more with the market value of the underlying assets and liabilities, and greater costs of compliance, among other impacts.

What actions has your company taken, or will be taking, in response to current low interest rates and the risk of a long-term low-rate environment? Identify up to three of the following and rank, with “1” getting the most leadership attention.



<sup>4</sup> U.S. Individual Life COVID-19 Mortality Experience Study, LIMRA, 2021.

“*Focus on outcomes and take tests and learn the approach as they go...connectivity is likely to be one of the biggest challenges, and we are taking steps to support our employees with this.*”

**Marketing.** Executives told us about the imperative of generating and qualifying high-quality leads and identifying cross- and up-selling opportunities. This imperative is gaining prominence not only for captive advisors, but also for life insurers that offer leads to independent advisors (who sell products from multiple carriers). Many insurers are transforming their marketing function to be more data driven and boost productivity (that is, reduce cost per lead and overall cost of acquisition). Marketing capabilities are gaining sophistication and importance as a source of competitive advantage to fuel growth.

Survey respondents in emerging markets gave higher priority to digital marketing, customer service technologies, and use of social media than their counterparts in mature markets. This reflects their greater emphasis on helping new advisors market to their personal networks using their own social media, rather than focusing solely on centrally generated leads.

As marketing capabilities expand in line with data science practices, insurers can better understand customers' needs over the course of their lives, leading to a higher degree of personalization in engaging them with relevant advice. The resulting segmentation informs not only the products and services offered but also the customer-outreach timing, format, and channel approach.

As an executive in Asia commented, “Every touchpoint is an opportunity to learn more about how customers engage and how advisors can help to best meet their needs.”

**Distribution.** The pandemic-induced shift to remote connectivity forced insurers and advisors to think differently about how technology can provide new channels to prospect, engage with customers, enable sales, and service customers. Digital collaboration tools such as Zoom and Webex became ubiquitous overnight. Adoption of sales tools soared, including eApps, digital illustrations, quote tools, and digital policy

delivery, among others. Insurers that did not already have these tools in their arsenal scrambled to put them in place. In our interviews, executives indicated that adoption continues to grow — a sign that these technologies are here to stay.

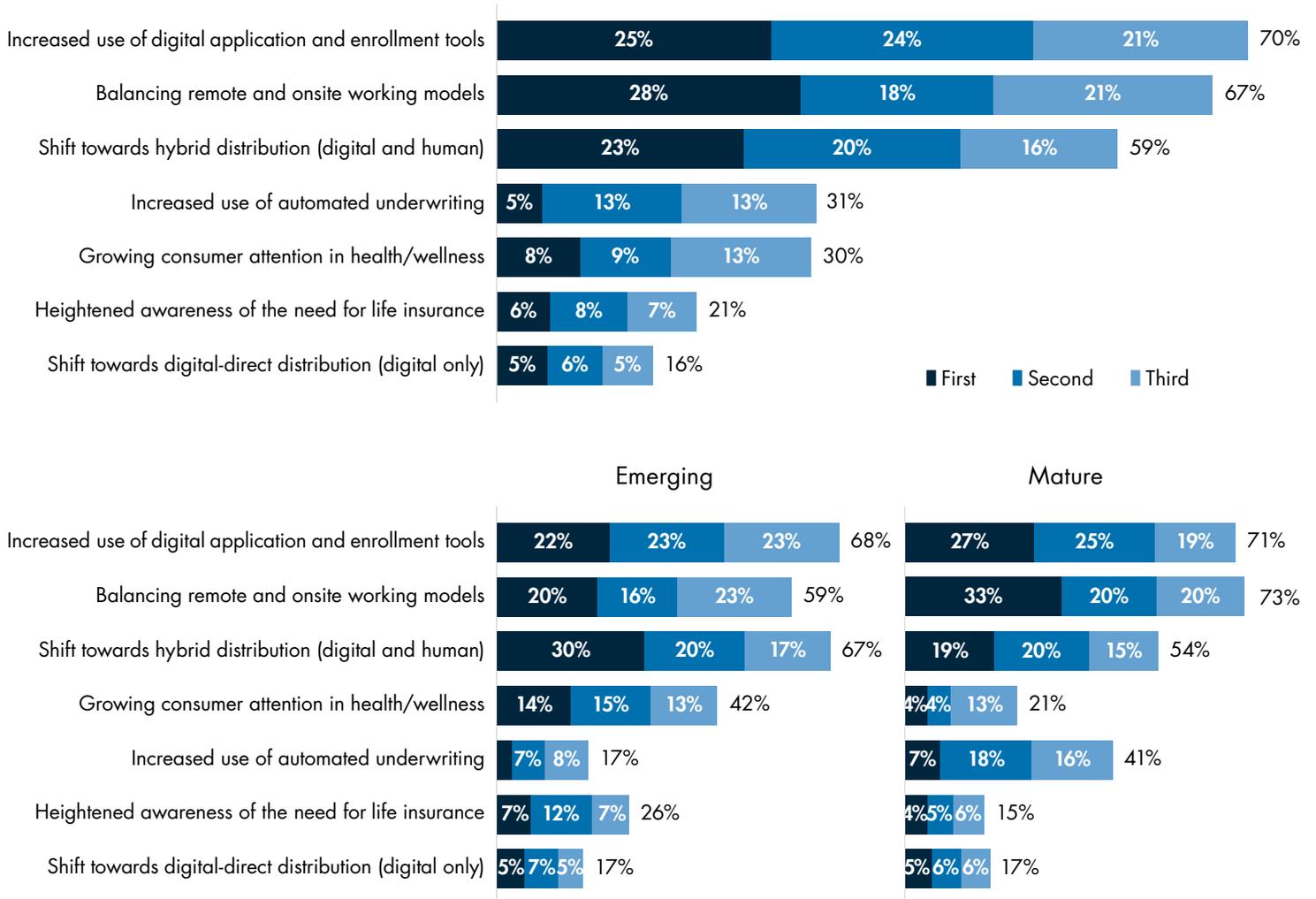
Many consumers who purchased life insurance during the pandemic turned to direct models. However, consumers most often used channels incorporating an advisor, though with digital support. Indeed, consistent with previous findings,<sup>1</sup> the current study reinforced the importance of advisors and of promoting their capabilities with technology-enabled tools and processes. When we asked executives which pandemic-induced changes to the insurance industry they expect to persist long-term, digital-direct distribution received the lowest number of responses, while hybrid distribution ranked third and was selected by nearly 60 percent of executives (Figure 3). The advisor led or supported model is expected to remain the dominant distribution channel, but many executives shared the perspective that digital direct sales will continue to take a greater share of the total market.

Insurers are also applying data science in recruiting to identify high-potential advisors. Leading firms in Asia focus increasingly on specific ethnographic profiles of prospective advisors and utilize automated résumé screening and selection and artificial-intelligence-based interviews that incorporate facial recognition and natural language processing. They are also using artificial intelligence throughout the onboarding process and early tenure to help train advisors. The technology identifies the skills required to be more productive and prompts digital training — informed by the products advisors sell, the conversations they have, and their customers' profile. One Asian executive we spoke with commented, “Agents are our lifeblood. We have to prioritize recruiting, training, and building career pathways to help our agents become successful and reduce attrition. Our digital tools are enabling that at scale.”

<sup>1</sup> *The COVID-19 Effect: High Tech With Human Touch to Optimize Life Insurance Customer Experience*, LIMRA-BCG, November 2020.

Figure 3

Which changes to the insurance industry, caused by COVID-19, do you expect to be around long-term? Identify up to three of the following and rank, with "1" being the most likely.



**Customer Experience.** Across the customer experience journey, insurers are adapting to customers' new engagement expectations. Many executives told us that they needed to adopt additional customer service technologies (ranking it third, as shown in Figure 2) and provide more options for digital engagement during the pandemic.

Executives expect that technology improvements will simplify the customer journey and lead to an experience with far fewer pain points. Examples include smart applications that guide

the customer through only the questions relevant to them, digital customer portals that provide a window into the status and progress of the application without needing to call an agent (a significant advance compared with the customary month-long process filled with uncertainty), and the adoption of automated underwriting with increased limits. Although these technologies are not new, many executives commented on the challenges of accelerating the adoption of all of them at once.

# Embrace the Future of Work

Amid the changes prompted by COVID-19 — including hybrid work, new delivery models, and evolving expectations of customers, advisors, and employees — the workplace and operating models of the future are still taking shape. At the same time, we see an increasingly competitive war for talent, especially in the digital domain. Executives at leading insurers shared numerous examples of new work and leadership models intended to attract and retain top talent.

In considering new ways of working, insurers recognize remote work's importance during the pandemic and are assessing the use of fully remote and hybrid setups going forward. But we also heard from executives that such a perspective is too narrow. Companies need to adapt to the ever-growing digitally based customer engagement.

Survey respondents pointed to embracing digital innovation and new ways to serve customers as the biggest opportunities related to the future of work (Figure 4). Although both require technology investments, engaging employees and advisors to adopt changes and modify the way they work are equally essential. Significant re-skilling may also be necessary to enable employees to capitalize on the capacity made available by the automation or elimination of manual processes. As an example, one North American insurer recently launched an Engineering Academy to up-skill legacy technology staff so that they can work more effectively with modern technology.

Tied to the adaptations needed to alter their processes and operations, survey respondents cited cultural and behavioral change as the most significant challenge associated with their change management efforts (Figure 5). Although many companies made rapid decisions and changes in reaction to the pandemic, some executives shared worries that their organizations will fall back into their traditional, slower-paced habits. As one executive put it, "We have to keep up the pace of change and do it in a sustainable way."

Executives also emphasized the importance of using the right approaches to lead and organize their staff. As one North American executive explained, "Leaders will need to adapt and learn new skills to manage this new workflow." This includes embracing agile ways of working and adopting flexible work models, as well as using technology to facilitate work.

Retaining top talent and hiring talent that is more diverse also emerged as important priorities. Insurers are placing greater emphasis on quality over quantity of advisors; with digital skills among the leading attributes they seek (Figure 6). Indeed, we are seeing a similar emphasis on digital skills across all roles. Reflecting this, a common theme in our discussions with executives was the need to consider people as well as technology when reinventing the distribution model. "Success requires thinking holistically about technology, processes, people, and culture," emphasized one executive.

Figure 4

What do you see as the biggest opportunities in the future of work at your company? Identify up to three of the following and rank, with "1" being the biggest opportunity.

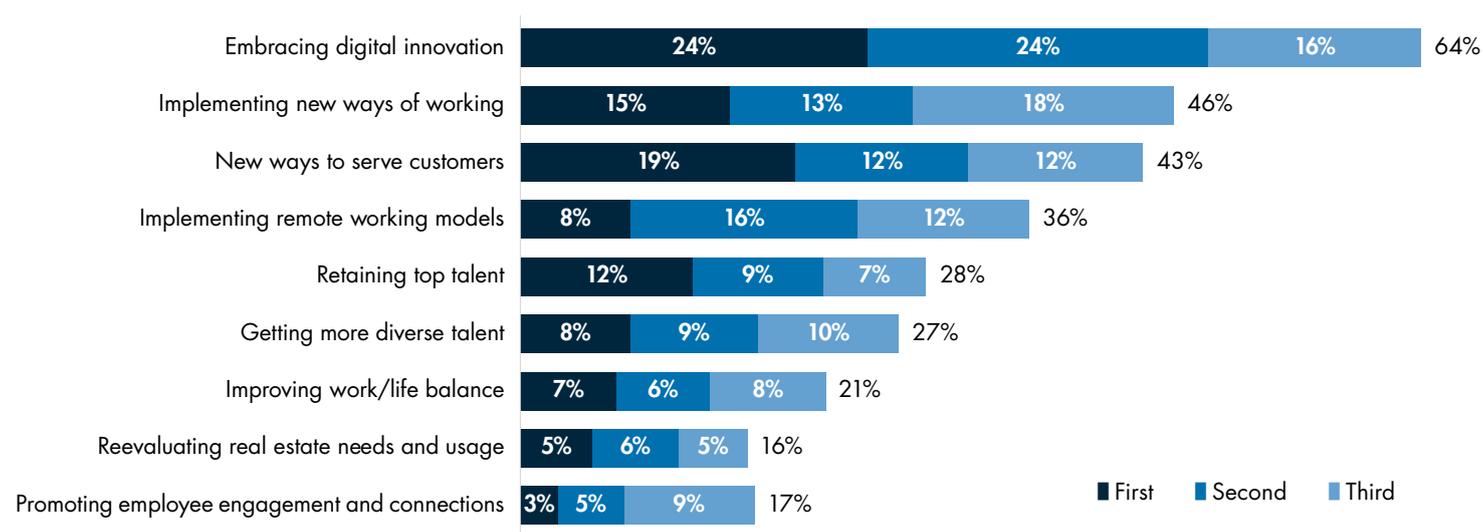


Figure 5

What are the biggest challenges associated with change management for your company? Identify up to three of the following and rank, with "1" being the greatest challenge.

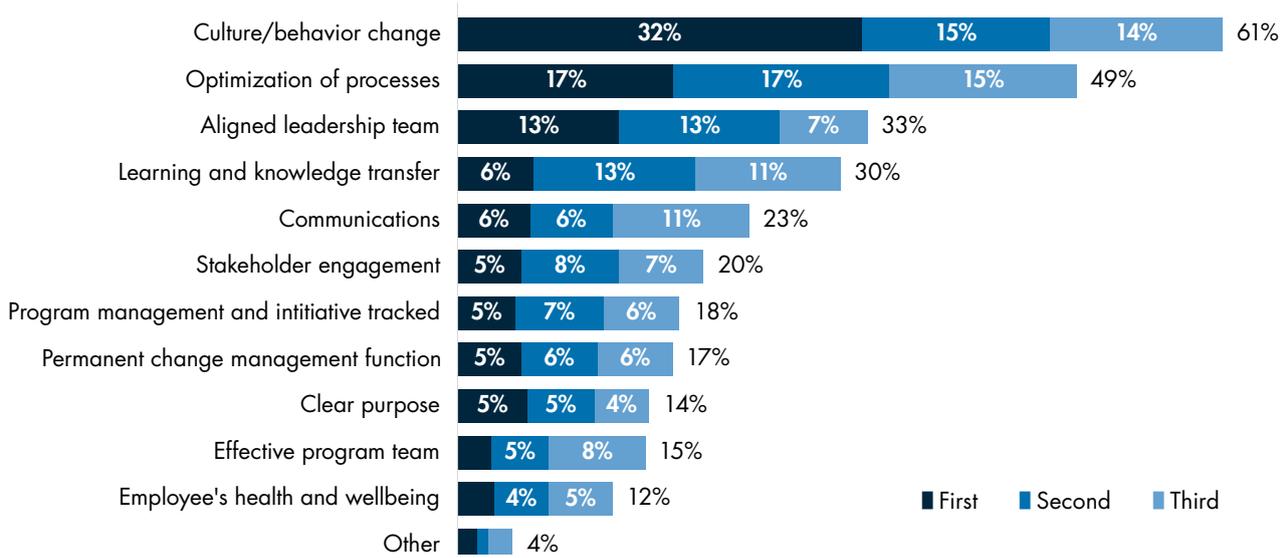
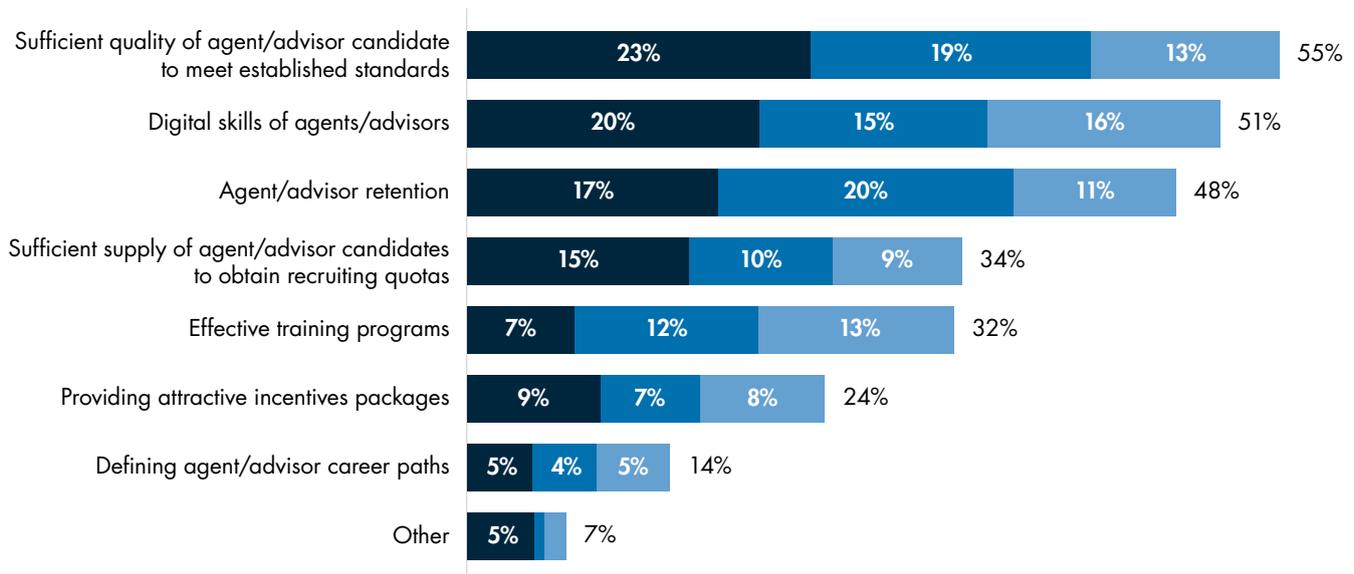


Figure 6

What elements of agent/advisor recruiting are proving most challenging for your company? Identify up to three of the following and rank, with "1" being the most challenging



# Pursue New Growth Opportunities

The life insurance market's rapid expansion has created abundant opportunities to pursue new growth pools. The COVID-19 pandemic has made life insurance a higher priority for numerous consumers. With many ostensibly recognizing a personal life insurance coverage gap, the first quarter of 2021 saw policy growth in the U.S. of 11 percent, the highest rate since 1983, while premiums grew by 15 percent.<sup>2</sup> Furthermore, a global survey by Geneva Associates found that 43 percent of consumers consider life insurance more important and 21 percent plan to buy additional coverage.<sup>3</sup> For both topics, life insurance ranked a close second to health insurance. Consumers' greater recognition of the need for life coverage appears to make this an opportune moment for life insurers to address protection gaps around the globe.

Coinciding with this uptick in demand, respondents in our survey ranked "growth" as their third highest priority, as shown in Figure 1 above. Insurers we spoke with are positioning themselves to capitalize on the opportunities. Beyond the benefits technology brings to targeting and serving different customer segments, innovative insurers are thinking about their overall value propositions — adding holistic wealth planning, protection products, and wellness solutions, and looking to engage in a more digital way.

To capture the growth opportunities, insurers cited several potential actions, including:

**Expanding distribution models.** Our study found that insurers are looking to expand into new models that bring life insurance to customers where they bank, shop, work, or travel (to name a few). In implementing these models, many insurers are reimagining how advisors interact with customers (for example, virtual advice models) rather than simply adapting the current agent model.

In addition, leading insurers (often working with third parties) are creating a variety of more holistic offerings that combine investment and wealth solutions. Depending on the customer segment's wealth and attributes, these can be digital-led and advisor-supported or advisor-led and digital-supported. They are often anchored in longer-term financial planning processes designed to uncover client needs and then match solutions to those needs.

**Evolving value propositions and products.** Executives we spoke with stressed the importance of pursuing growth outside of their current markets and product sets. With the prospect of lower interest rates for the foreseeable future, insurers are thinking about shifting portfolios to products that require less capital and are less sensitive to interest rates. Across the world, respondents

<sup>2</sup> *First Quarter U.S. Individual Life Insurance Sales Survey*, LIMRA, 2021.

<sup>3</sup> *The global risk landscape after COVID-19: What's the role for insurance?*, Geneva Associates, 2021. Countries included are Brazil, China, France, Germany, Italy, Japan, UK and U.S.

“*Leaders need to be intentional about forging connections and fostering culture.*”

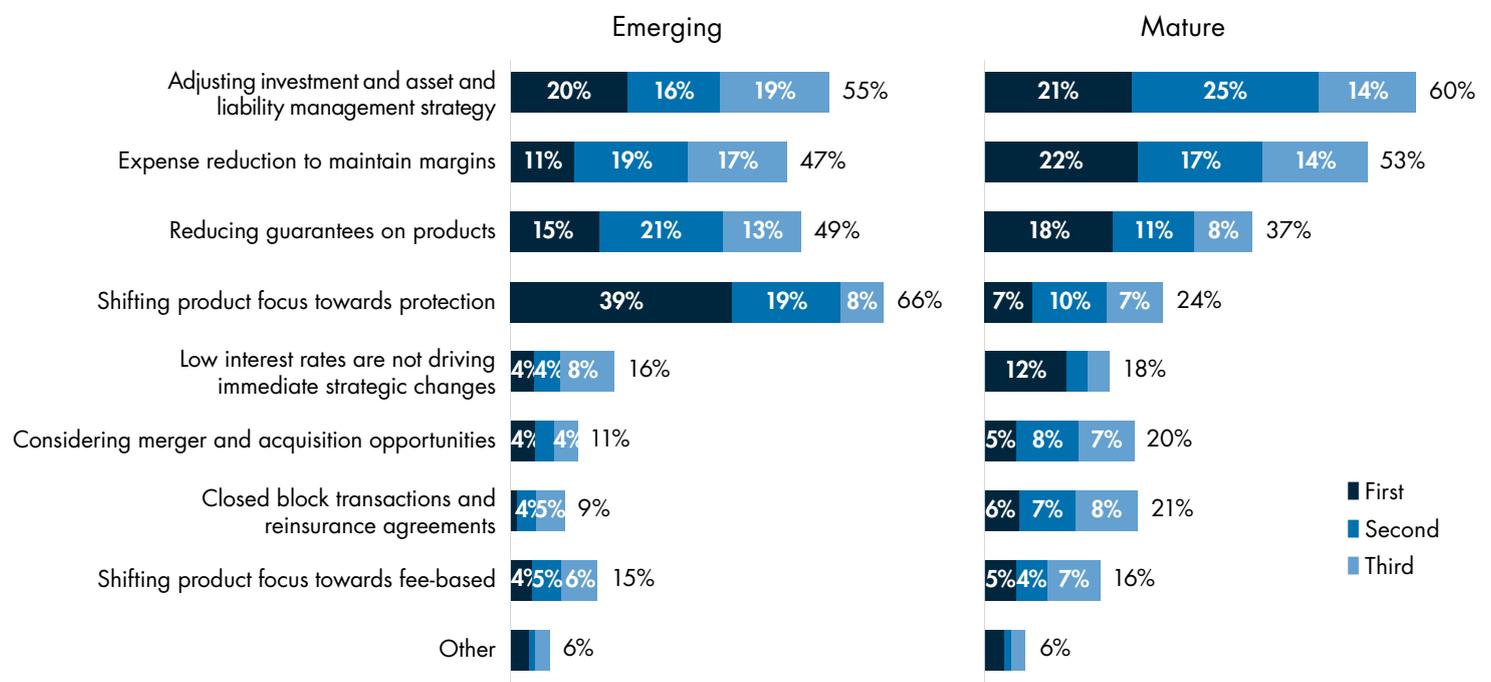
ranked reducing guarantees on products in fourth place when asked which actions they have taken in response to low rates. Insurers in emerging markets, in particular, mentioned seeing some success by shifting to protection products as a key strategy to cope with today's low interest rates and the risk of a long-term low-rate environment (Figure 7).

Many companies are expanding their wellness offerings, either as standalone products or as extensions of existing products. Several have even included wellness as a core element of their corporate purpose and sustainability strategy (Sidebar 2). "We are starting to create personalized solutions that add value in a customer's daily life, not just benefitting their next of kin," said one executive in describing the transition at his company.

**Taking new approaches to engagement.** Insurers told us that they are exploring new customer engagement approaches to tap into growth opportunities. For example, as demand for health and well-being products is rising in Asia, several players such as Ping-An and AIA have created health ecosystems that connect customers to a curated set of partners in order to facilitate access to health information and services. Additional engagement opportunities include rewards programs (such as Vitality or Dacadoo), worksite well-being programs, voluntary benefits, and use of social media. These offerings encourage customers to interact with the insurance company and allow the company to capture data and learn about customer preferences. In a feedback loop, the company can then use this information to help customers live healthier lives and help the insurer to be more relevant as they engage customers on their insurance needs. "Knowledge is power," observed one executive.

Figure 7

What actions has your company taken, or will you be taking, in response to current low interest rates and the risk of a long-term low-rate environment? Identify up to three of the following and rank, with "1"



# Sidebar 2: Sustainability Creates Opportunities for Competitive Advantage

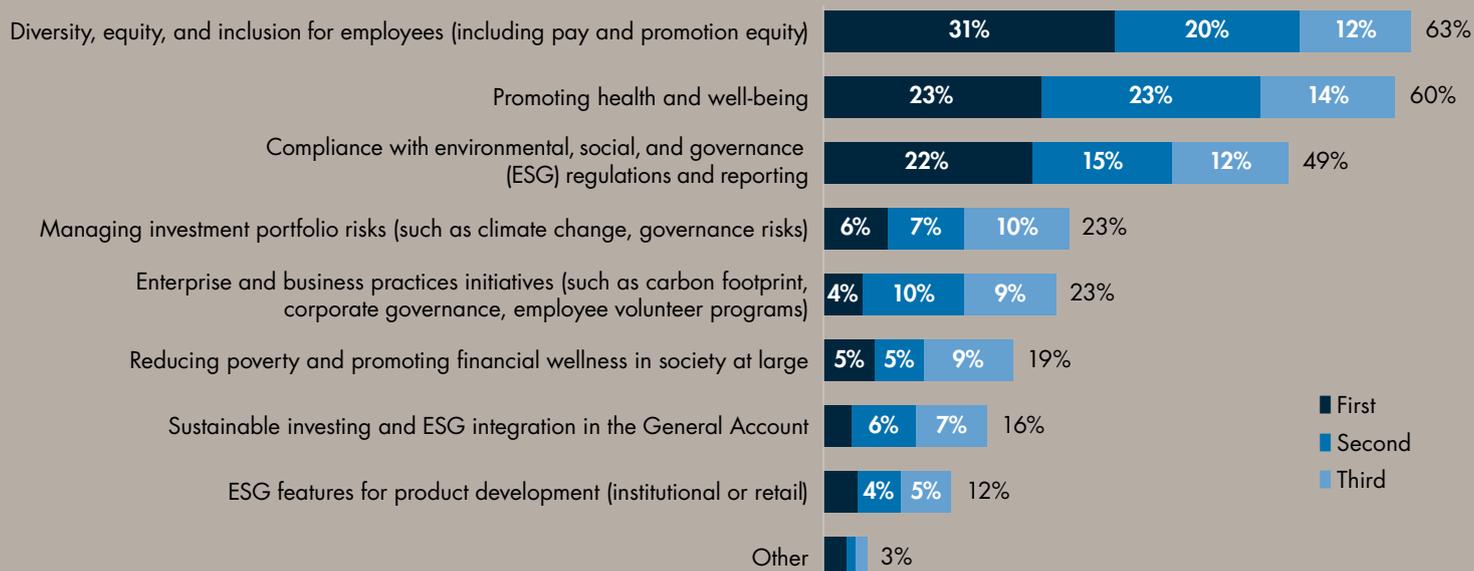
Sustainability topics are garnering greater attention among all stakeholders, including executives, investors, employees, and customers. In nearly every executive interview, we heard that the topic of sustainability was gaining importance on the executive agenda. Several executives we spoke with highlighted the shift in mindset to sustainability as a source of differentiation and competitive advantage, not just a matter of compliance and reporting.

As their highest priority among societal impact and sustainability objectives, survey respondents selected diversity, equity, and inclusion (DE&I) (see figure below). For many companies, DE&I has been a long-term priority and an important aspect of the talent strategy. It is also a key element of the customer strategy, as many insurers are trying to serve the mass market effectively and profitably. One mutual insurance executive commented, “We cannot fulfill our purpose by selling tax avoidance strategies to high-net-worth individuals.”

Most insurers are considering sustainability initiatives across investments, underwriting (products and customers), and their internal day-to-day operations. Regulation and disclosure are important elements cutting across all three. Many companies are setting their long-term ambitions and laying the groundwork for a more sustainable investing strategy. We also see insurers aligning their corporate purpose with sustainability goals to a greater extent. Some are building in revenue targets for sustainability-driven products and services. Many are placing greater emphasis on products and solutions that help them fulfill their corporate purpose of promoting financial security or health and wellness. These moves create opportunities for new conversations with customers that have a compelling upside. “New offerings — especially with a sustainability focus — give agents license to reconnect with customers, potentially leading to switching and upselling,” said one executive echoing a perspective shared by others.

Reflecting this, the second highest sustainability-related priority is promoting health and well-being, an issue that is becoming a core part of many companies’ corporate purpose and customer engagement strategies. Insurers are adding more health and well-being solutions and earning the right to win in these domains as consumers become more open to receiving these solutions from them.

Which societal impact and sustainability objectives are the highest priority for your company? Identify up to three of the following and rank, with “1” getting the most leadership attention.



# Setting the Agenda

In our survey and discussions, life insurance executives around the world emphasized that their companies need to adapt to high expectations of customers, advisors, and employees in the post-pandemic world. Each carrier that we spoke with described opportunities to build on successes, or in many cases, expand efforts to transform.

Rather than waiting for the volatility to subside, these findings reinforce the imperative that life insurers should proactively and deliberately position themselves to capture long-term competitive advantage. This requires defining a strategy to seize profitable growth opportunities, maximize resiliency in a low-rate environment, and mitigate risks most effectively.

To set their agendas, global executives should consider three overarching questions:

- Where will technology materially improve our ability to meet customer needs?
- How can we adapt processes, people, and culture to improve productivity and talent management in the “future of work?”
- What are the three highest-potential opportunities for profitable growth and how can we pursue them successfully?

The answers to these questions will guide life insurance executives in reshaping the future of their industry as the necessity and openness to change has never been greater. As one executive summed it up, “Our time is now!”



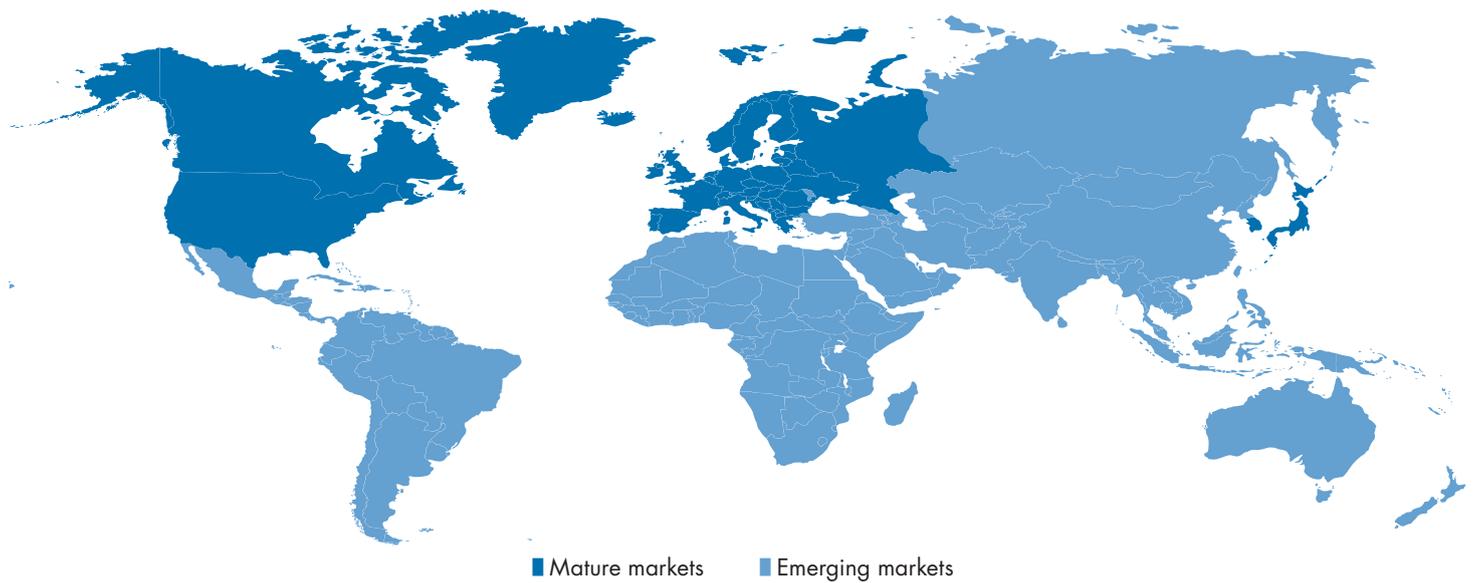
“ Utilize more data and analytics to drive decisions and make fewer assumptions about preferences and ways of work.

# Appendix

## About the Study

The Executive Study is a biennial global study that identifies what is foremost on the minds of C-suite executives at life insurance companies. The study aims to drive, strengthen, and enlighten strategy for those in the life insurance industry.

In Spring 2021, we gathered 444 responses from 50 global markets via an online survey, making it one of the largest research efforts of its kind to date. Of these responses, 93 were from industry CEOs/Presidents. Additionally, we interviewed 22 respondents across all regions and job titles to enrich the quantitative analysis with qualitative guidance, providing a truly robust perspective.



In this study, we defined “mature markets” as North America, Europe, Japan, and South Korea, and “emerging markets” as the rest of the world.

Explore our data further within our online dashboard, which includes a list of participating markets.

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Serving the industry since 1916, LIMRA helps to advance the financial services industry by empowering nearly 700 financial services companies in 53 countries with knowledge, insights, connections, and solutions.

## About BCG

Boston Consulting Group (BCG) partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we help clients with total transformation — inspiring complex change, enabling organizations to grow, building competitive advantage, and driving bottom-line impact. To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change. BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures — and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.



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