



What's on the Minds of Life Insurance Executives

2023

Six Big Opportunities in an
Evolving Market

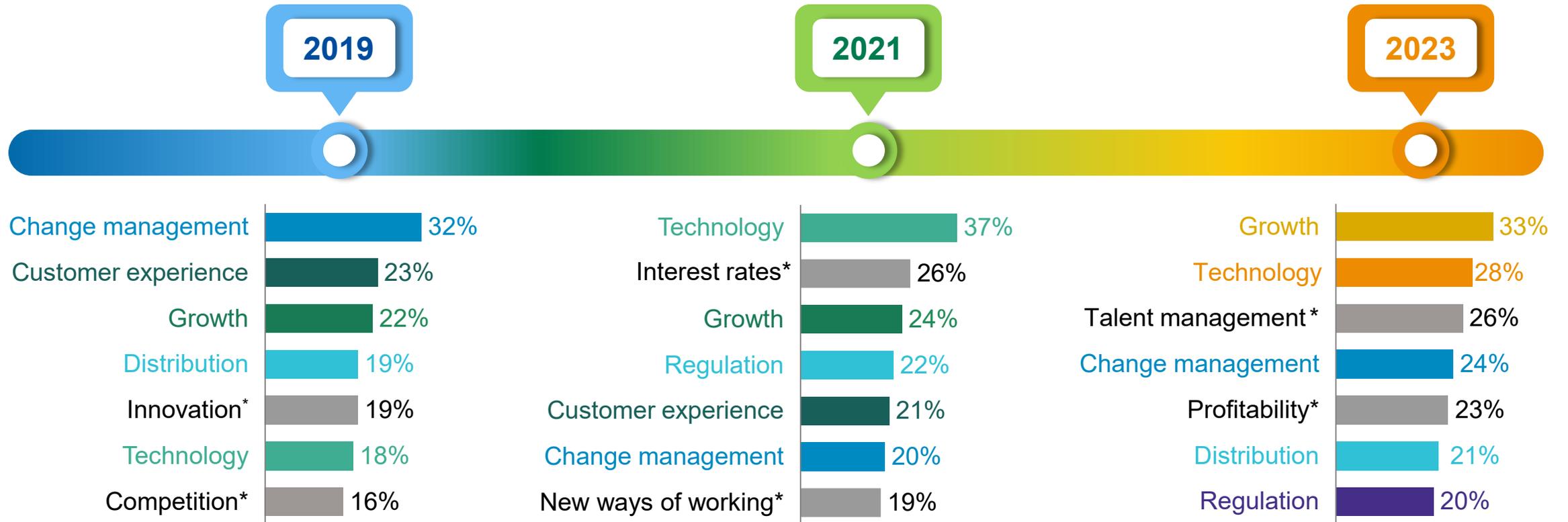
October 2023

LIMRA
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Growth Is the Top Challenge for Life Insurance Companies

Top challenges by year



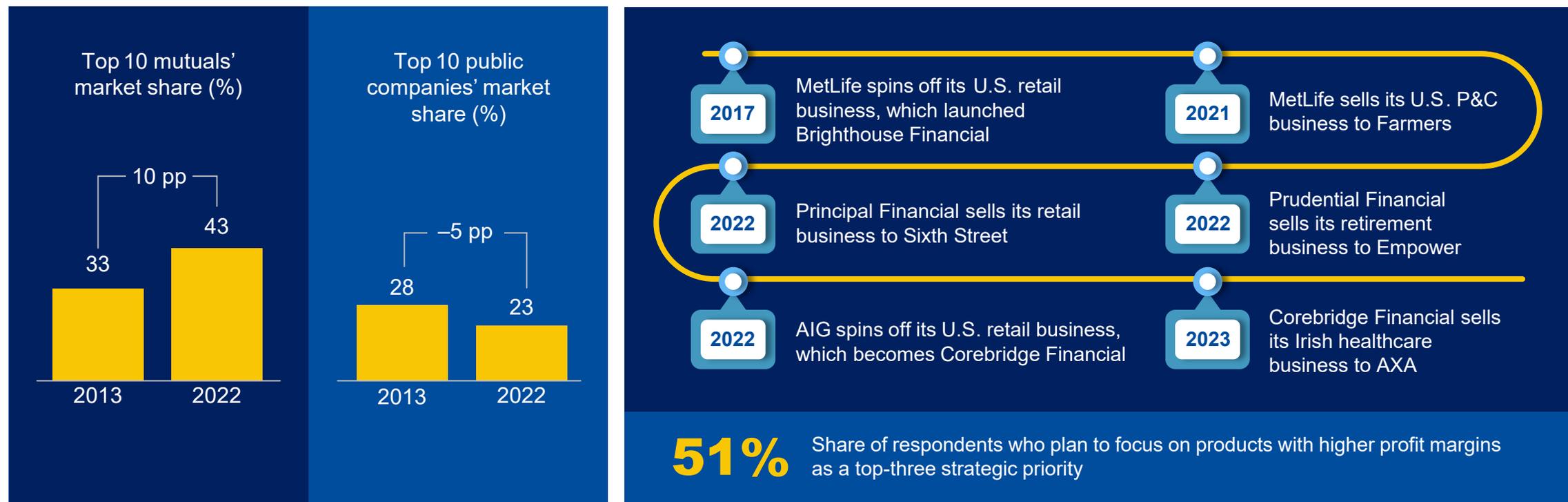
Sources: BCG and LIMRA's 2023 global survey of life insurance executives; BCG analysis.
 Note: New ways of working was added as a category in 2021.
 *The challenge appears only once among the top challenges since 2019.

Insurers should take advantage of six opportunities to address growth and other key challenges

- 1 Focusing the portfolio
- 2 Personalizing the journey
- 3 Helping advisors to help clients
- 4 Modernizing technology front-to-back
- 5 Partnering to accelerate innovation
- 6 Attracting and retaining talent

Mutual Insurance Companies Have Grown Their Market Share While Public Companies Have Focused Their Product Portfolio

Individual life insurance by premiums written.¹ Public companies continue to narrow their product offering.



Sources: BCG and LIMRA's 2023 global survey of life insurance executives; executive interviews; BCG analysis.

Note: pp = percentage point. P&C = property and casualty.

¹LIMRA's US Retail Individual Life Insurance Sales Survey, 2013–2023, and LIMRA's estimates.

Leading Carriers Are Enabling Data-Driven Personalization

The customer experience—and the critical capabilities that enable it—will drive growth.

 Simplifying the customer journey will enhance the customer experience and improve the conversion rate.

 **74%**

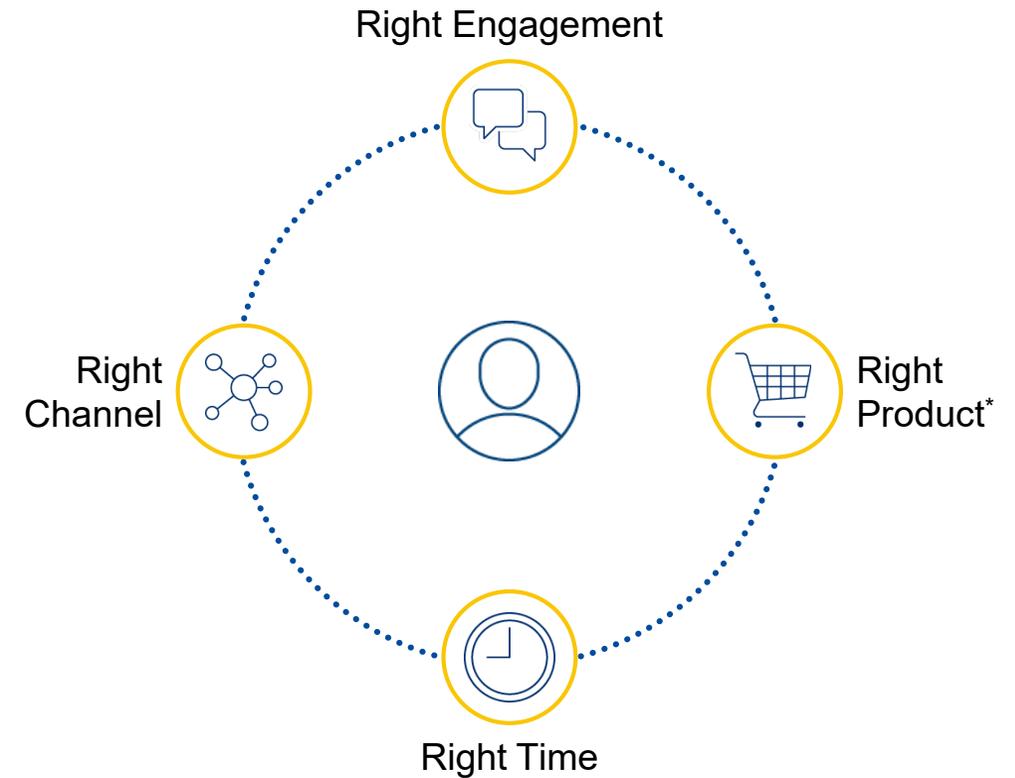
About 74% of respondents view **data science and data analytics** as crucial to success

 **66%**

About 66% of respondents view **customer service technologies** as crucial to success

 The ability to engage customers in meaningful ways will be critical to persistency over time.
— An in-force management executive

Successful one-to-one personalization meets four customer needs.



Sources: BCG and LIMRA's 2023 global survey of life insurance executives; executive interviews; BCG analysis.
Note: The conversion rate is the percentage of qualified customers who buy an insurance product.

Many Insurers Are Focused on Improving Tools and Offering Insights to Help Advisors Build and Maintain Customer Relationships

Assisting advisors requires investment.

New capabilities are being deployed to meet advisors' needs.

60%
of respondents

Identified **helping advisors** as a top distribution challenge.

69% of advisors

Chose **service & relationship** as the top reasons for using an independent marketing organization.



Lead generation & analytics

- Ecosystem-based leads (e.g., social media and partners, etc.)
- Propensity models
- Outbound engagement & marketing tools
- Personalization solutions



Holistic advice

- Interactive outreach (e.g., data intake apps)
- Co-browsing & co-pitching assistance
- Customer calls that include an insurance expert
- Financial planning tools



Automation

- Straight-through processing
- Self-serve account updates
- Chatbots
- Automated reminders

The Consolidation of IMOs and BGAs Is an Expanding Threat to Carriers

Consolidation trend in distribution is top of mind.

As distribution consolidation threatens margins, carriers are making several strategic moves.



Investing in affiliated agencies

Acquiring distribution

Partnering with IMOs and BGAs for product development

Executing hybrid distribution strategies

Sources: BCG and LIMRA's 2023 global survey of life insurance executives; executive interviews; S&P Capital IQ; BCG analysis.
 Note: IMO = independent marketing organization; BGA = brokerage general agency.
²The big three distributors of life and annuity are AmeriLife, Integrity Insurance, and Simplicity Group.

Technology Modernization Is Table Stakes for Long-Term Success, and Leaders Do Not Believe Their Companies Are Prepared

Technology is a top challenge that insurers are not prepared to address.



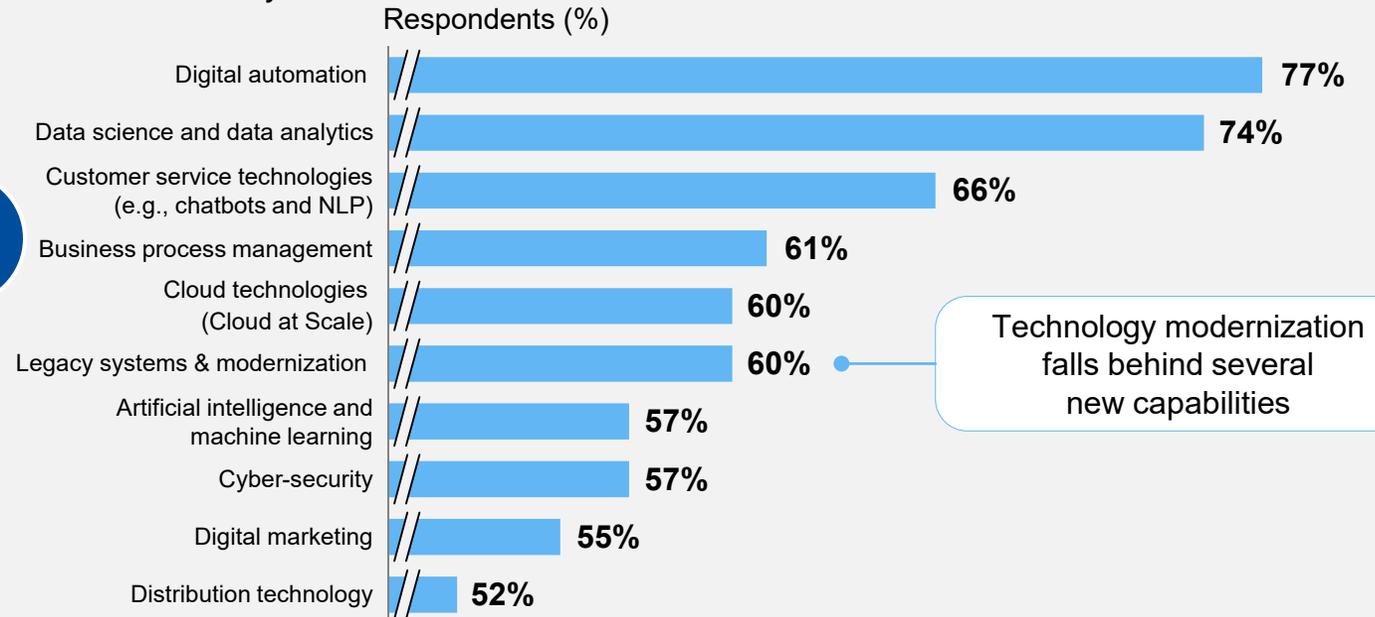
Respondents ranked technology among the **top 3 challenges**



Only 27% of respondents consider their companies prepared for the challenge

Insurers are investing in technology across the value chain, with automation, data science, and analytics as the most crucial.

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



Technology modernization falls behind several new capabilities

Sources: BCG and LIMRA's 2023 global survey of life insurance executives; executive interviews; BCG analysis.
 Note: NLP = natural language processing.

Insurers Are Actively Partnering to Achieve Key Strategic Goals

<p>Improve customer longevity</p>	<p>Embed insurance at convenient purchase points</p>	<p>Enable simplified digital product sales</p>
<p>Offering rewards for healthy choices and tools that customers can use to improve their overall well-being</p> <p>John Hancock  Vitality</p>	<p>Promoting policies outside of the traditional life insurance purchase journey</p> <p>Haven Life  Kinly</p>	<p>Offering consumers simplified and less expensive life insurance products digitally</p> <p>Ameritas  Ethos</p>
<p>Enhance agent efficiency</p>	<p>Underwrite policies profitably and quickly with expansive datasets</p>	<p>Streamline backend functions and manage expenses</p>
<p>Working with digital-native underwriter to issue coverage in less than 10 minutes</p> <p>Equitable  Bestow</p>	<p>Accelerating the underwriting process by providing access to hospitals' EHR³ systems</p> <p>New York Life Insurance  Cerner</p>	<p>Intelligently sourcing data to resolve claims quickly and minimize cost</p> <p>Pacific Life Insurance  Appian</p>

Source: BCG analysis.
³Electronic Health Records.

Companies Are Also Partnering to Reduce Risk, Although Investments From Private Equity Firms Are Beginning to Attract Regulatory Attention



New partners are strategically sharing risk via coinsurance and reinsurance



~\$350B

Modified coinsurance reserves for U.S. life insurers (the 20-year average is less than \$200 billion)⁴

Numerous reinsurance deals were ceded from the originating insurer, sometimes to a carrier with an inferior credit rating.



PE-backed competitors have advantaged financial approaches



Revenue growth from 2018 to 2022

Athene

+78%

Global Atlantic Financial Group

+122%

PE-backed carriers significantly outgrew the industry average of 15% over the same time period.



Regulators are increasingly attentive to offshored risk



~\$800B

Offshored life insurance reserves by end of 2022 (~20% CAGR)

Regulators are initiating discussions on solvency and policyholder protection.

Sources: S&P Capital IQ; SNL Insurance data set; Dow Jones Factiva; Life and Annuity Specialist; BCG analysis.

⁴Modified coinsurance is a type of reinsurance where the ceding company retains the assets with respect to all policies reinsured and also retains the total reserves on the policies, while transferring the investment risk.

Talent Management Is a Leading Challenge, and Rapid Industry Changes Require Insurers to Plan and Act Now to Build the Workforce of the Future

1

The ranking that respondents gave to promoting employee engagement when companies are focused on retaining talent

~25%

The share of the insurance workforce that is age 55 or older

9th

Ranking of insurance industry desirability among entry-level employees (the scale was 1 to 10, where 1 was most desirable and 10 was the least)

New roles & skills needed

Digital roles



- Data scientists
- Product managers
- UX and UI talent
- Digital marketers

21st century skills⁵



- Creativity & agility
- Critical thinking
- Collaboration
- Design thinking

Key actions

Reassess the hiring process & job requirements

Develop programs to reskill and upskill talent

Build ecosystems of shared, temporary talent

Build a strategy and infrastructure for remote work

Sources: BCG and LIMRA's 2023 global survey of life insurance executives; LIMRA's survey of chief human resource officers; BCG analysis.

Note: UX = user experience; UI = user interface.

⁵These are non-exhaustive examples of roles and skills.



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