



Six Big Opportunities in an Evolving Market

What's on the Minds of Life
Insurance Executives 2023

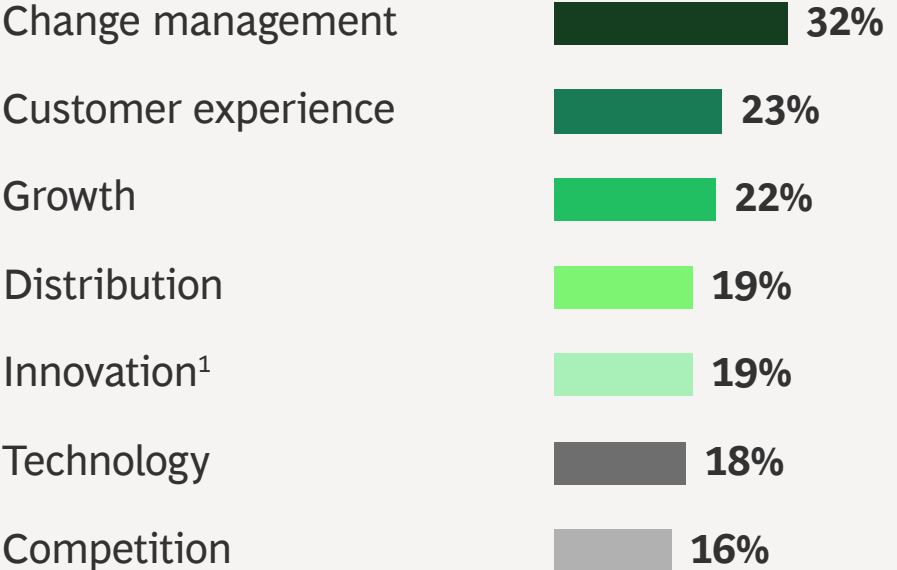
OCTOBER 2023



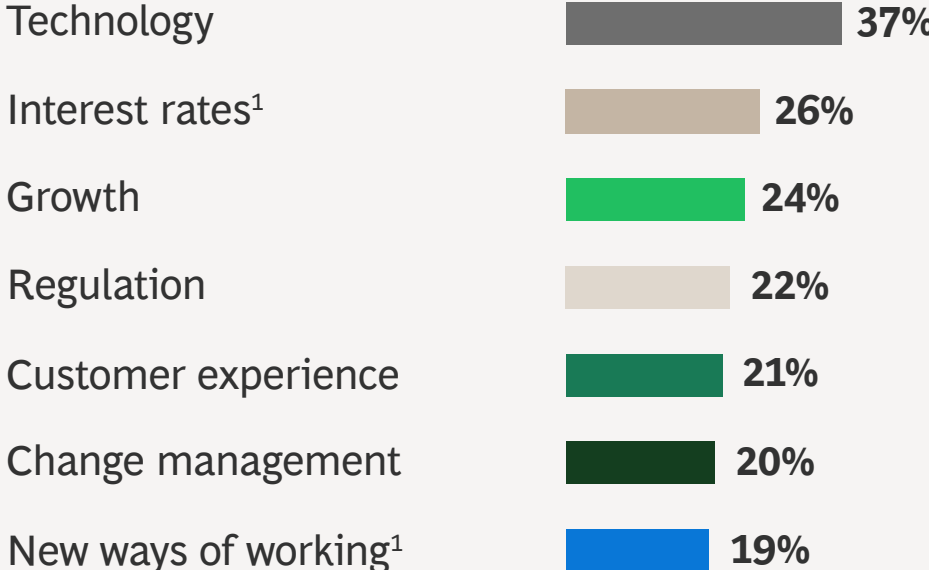
Growth is the top challenge for life insurance companies

Top challenges by year

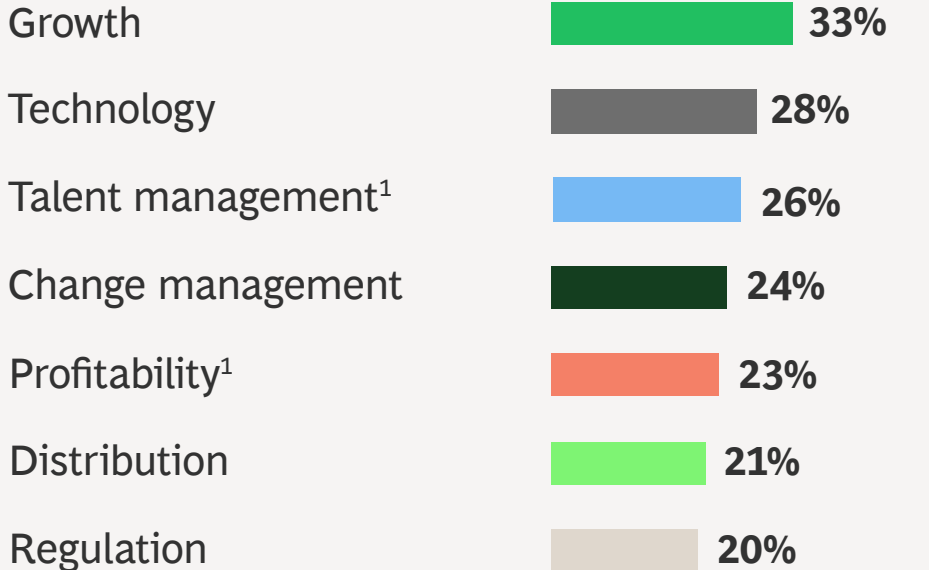
2019



2021



2023

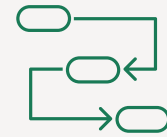


Sources: BCG and LIMRA’s 2023 global survey of life insurance executives; BCG analysis.
Note: New ways of working was added as a category in 2021.
¹The challenge appears only once among the top challenges since 2019.

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



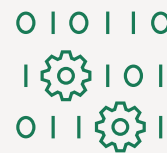
1 Focusing the portfolio



2 Personalizing the journey



3 Helping advisors to help clients



4 Modernizing technology from front to back



5 Partnering to accelerate innovation



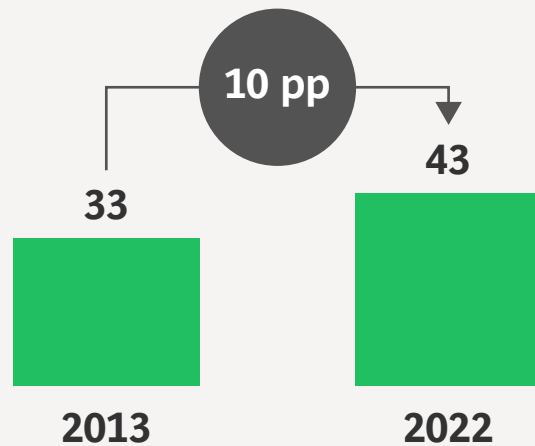
6 Attracting and retaining talent

FOCUSING THE PORTFOLIO

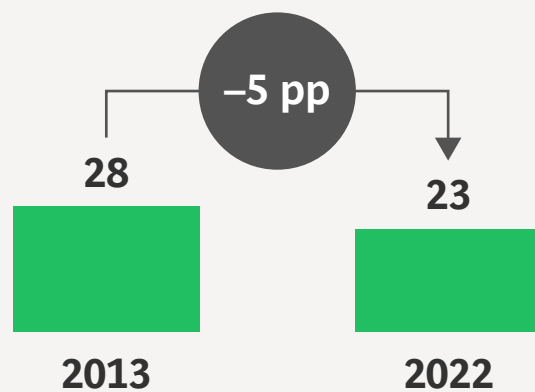
Mutual insurance companies have grown their market share, while public companies have focused their product portfolio

Individual life insurance by premiums written¹

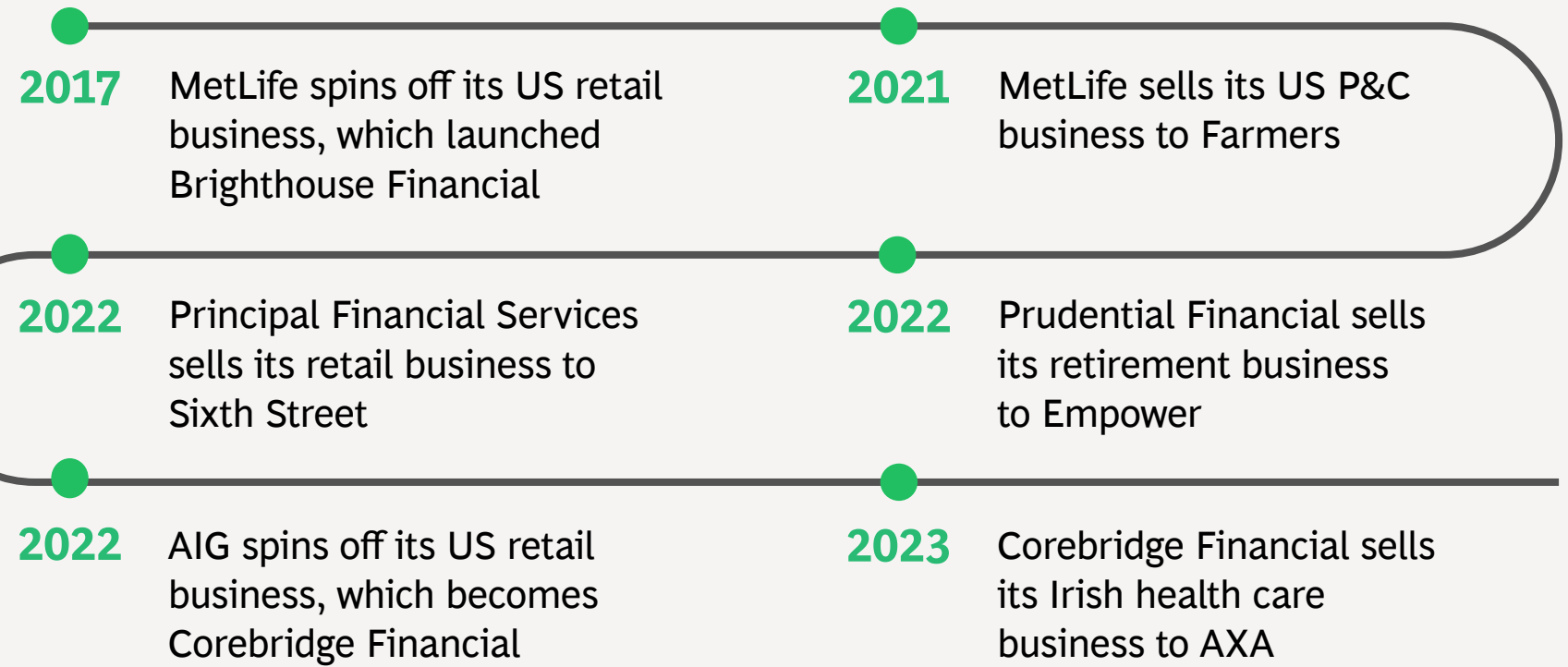
TOP TEN MUTUALS' MARKET SHARE (%)



TOP TEN PUBLIC COMPANIES' MARKET SHARE (%)



Public companies continue to narrow their product offering



51% Share of respondents who plan to focus on products with higher profit margins as a top-three strategic priority

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.

PERSONALIZING THE JOURNEY

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%

Share of respondents who view data science and data analytics as crucial to success

66%

Share of respondents who 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.

HELPING ADVISORS TO HELP CLIENTS

Many insurers are focused on improving tools and offering insights to help advisors build and maintain customer relationships

Assisting advisors requires investment

60%

Share of respondents who identified helping advisors as a top distribution challenge

69%

Share of advisors who chose service and relationships as the top reasons for using an independent marketing organization

New capabilities are being deployed to meet advisors' needs

Lead generation and analytics

- Ecosystem-based leads (from social media and partners, for example)
 - Propensity models
 - Outbound engagement and marketing tools
 - Personalization solutions
-

Holistic advice

- Interactive outreach solutions (for example, data intake apps)
 - Co-browsing and co-pitching assistance
 - Customer calls that include an insurance expert
 - Financial planning tools
-

Automation

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

The consolidation of IMO and BGAs is an expanding threat to carriers

Consolidation trend in distribution is top of mind

~50%

Share of respondents who ranked consolidation as a top distribution challenge

>50

Number of M&A deals made by the big three aggregators of life annuities, 2022¹

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



Sources: BCG and LIMRA's 2023 global survey of life insurance executives; executive interviews; S&P Capital IQ; BCG analysis.

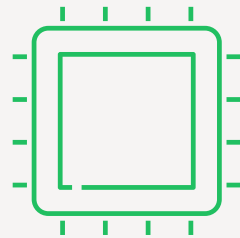
Note: IMO = independent marketing organization; BGA = brokerage general agency.

¹The big three life and annuity distributors are AmeriLife, Integrity Insurance, and Simplicity Group.

MODERNIZING TECHNOLOGY FROM FRONT TO BACK

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



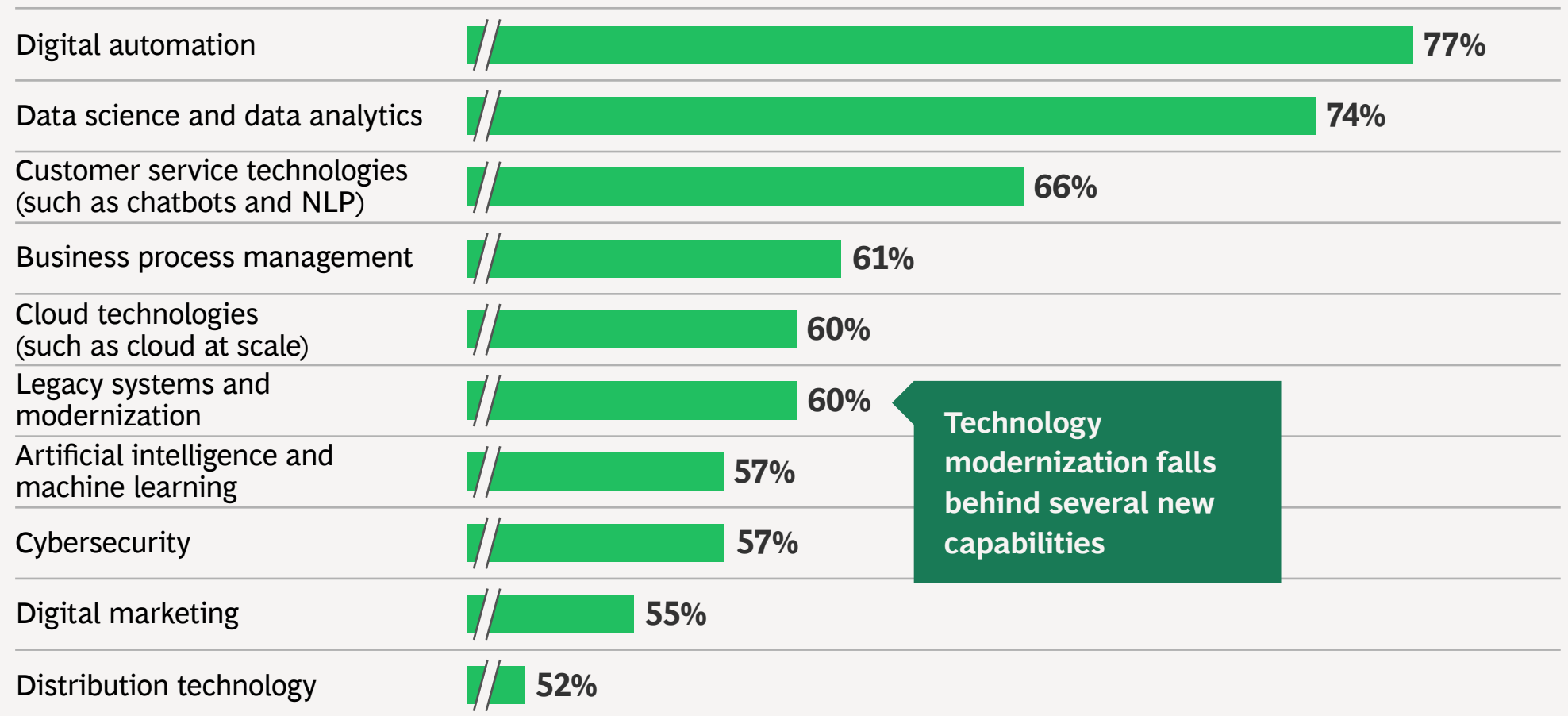
Respondents ranked technology among the top three challenges



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

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

RESPONDENTS (%)



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

Improve customers' longevity

Offering rewards for healthy choices and tools that customers can use to improve their overall well-being

John Hancock  Vitality

Embed insurance at convenient purchase points

Promoting policies outside of the traditional life insurance purchase journey

Haven Life  Kinly

Enable simplified digital product sales

Offering consumers simplified and less expensive life insurance products digitally

Ameritas  Ethos

Enhance agent efficiency

Working with a digital native underwriter to issue coverage in less than ten minutes

Equitable  Bestow

Underwrite policies profitably and quickly with expansive data sets

Accelerating the underwriting process by providing access to hospitals' EHR systems

New York Life Insurance  Cerner

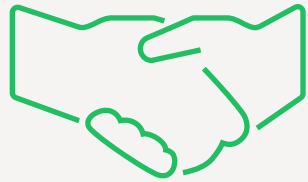
Streamline back-end functions and manage expenses

Intelligently sourcing data to resolve claims quickly and minimize costs

Pacific Life Insurance  Appian

PARTNERING TO ACCELERATE INNOVATION

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

~\$350 billion

Modified coinsurance reserves for US life insurers (the 20-year average is less than \$200 billion)¹

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, 2018–2022

+78%
Athene

+122%
**Global Atlantic
Financial Group**

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



Regulators are increasingly attentive to offshored risk

~\$800 billion

Offshored life insurance reserves by year-end 2022 (about 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.

¹Modified 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.

ATTRACTING AND RETAINING TALENT

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

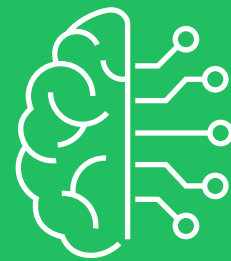
The ranking of the insurance industry's desirability among entry-level employees (the scale was 1 to 10, where 1 was the most desirable and 10 was the least)

New roles and skills needed



Digital roles¹

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



Twenty-first-century skills¹

- Creativity and agility
- Critical thinking
- Collaboration
- Design thinking

Key actions

Reassess the hiring process and 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.

¹These are only a few examples of roles and skills.