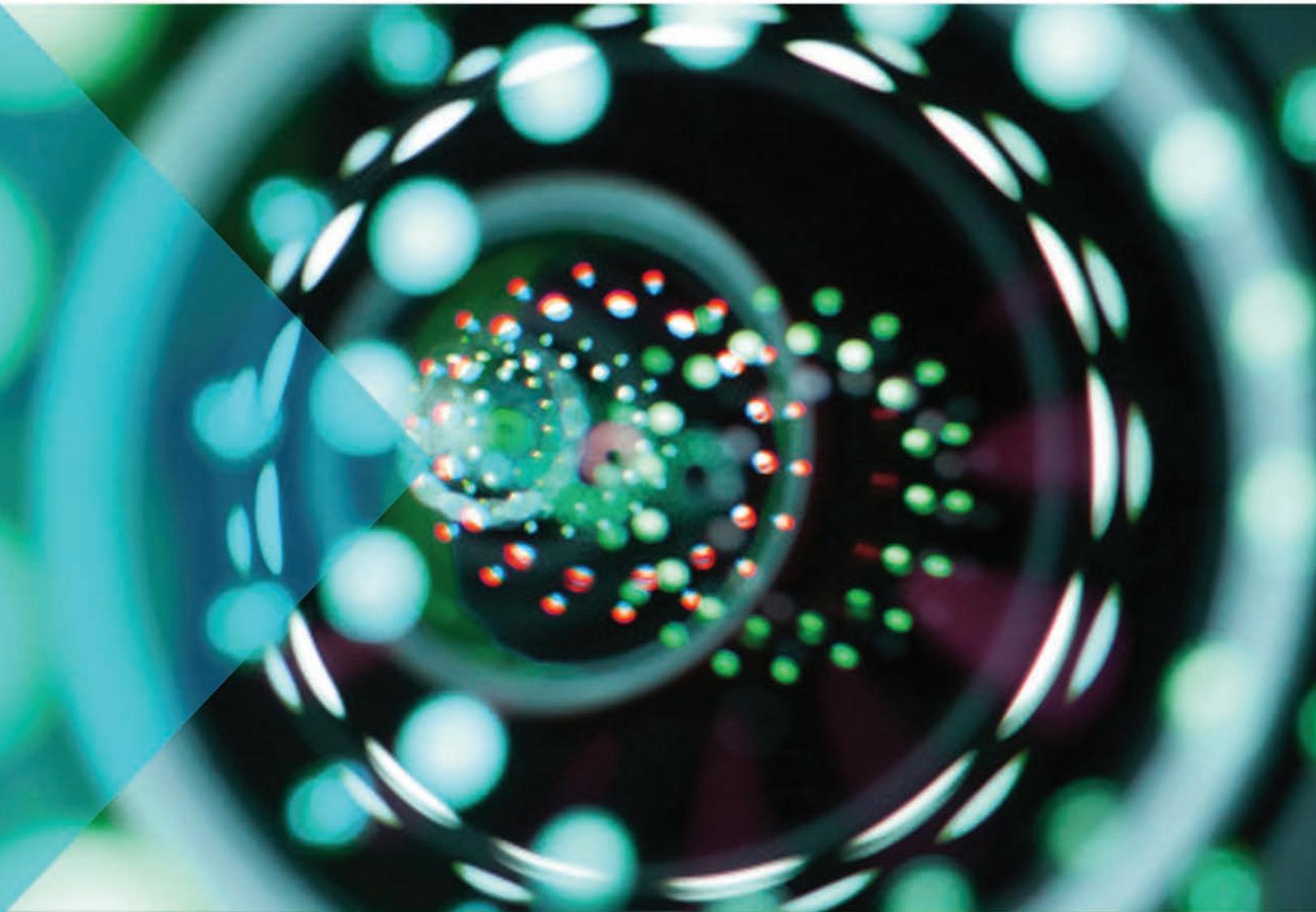


2019

# What's on the Minds of Life Insurance Executives Globally

MANAGING CHANGE IN A  
CUSTOMER-FOCUSED WORLD



LIMRA<sup>®</sup>

BCG

# What's on the Minds of Life Insurance Executives Globally

## MANAGING CHANGE IN A CUSTOMER-FOCUSED WORLD

**The dash into the digital age is well under way. For many life insurers, their momentum toward transformation so far has been slower than companies in other industries, hampered in part by traditional processes and practices driven by the “old ways of doing things.” However, much of that is about to change. While life insurance executives long have been aware of the shifting landscape and the potential of digital tools, our latest research finds they are now determined to do something about it.**

“Change management” emerges as the greatest internal challenge facing C-suite life insurance executives in the most recent biennial global survey by LIMRA and Boston Consulting Group (BCG). They cite “customer experience” as the second greatest challenge, followed by “growth.”

These responses represent a sharp departure from past surveys in 2015 and 2017, when executives listed issues such as talent management, technology, and distribution as their greatest challenges. Since then, the headwinds facing the life insurance industry (such as low interest rates, declining consumer interest in life insurance, looming competition from disruptive new entrants, and an aging workforce) are growing fiercer. Life insurance leaders also are finding that change — real change — proves vexingly difficult to achieve.

To continue to succeed and profitably grow in the face of these challenges, life insurers need more than new tactics and capabilities. Companies must transform their entire organization and significantly improve their customer experience.

Life insurance executives recognize they need organizations agile enough to keep pace with and adapt to rapidly evolving consumer expectations, technology, and economic conditions. They need corporate cultures that not only fully embrace change, but also can sustain it over the long term. They need people who can deploy new technologies, such as artificial intelligence (AI) and automation, to better engage customers and make distribution networks work more efficiently. Such a transformation will allow them to bring products to market in new ways, connect with underserved customer segments, and translate their new strategic vision into reality.

# Navigating a World of Challenges

A combination of daunting challenges in the life insurance industry help explain the sense of urgency regarding change management. At a macroeconomic level, life insurers must cope with an ongoing global environment of “lower for longer” interest rates, which have depressed investment returns and made it more difficult to deliver on guaranteed-return products. Tighter capital requirements in Europe, China, and other markets — which are designed to further strengthen economic solvency — place additional pressure on the bottom line. They also affect the competitiveness of insurance relative to other financial products.

The market for life insurance is also growing more complex. Ownership of conventional life insurance policies is at a historic low in many countries, in part because (as studies have shown) the value proposition no longer resonates with as many consumers. Advisors typically encourage people to purchase insurance during a life event that introduces risks, such as when they get married, have a child, buy a home, or start a business. In today’s reality, such “trigger points” occur later or less often than they used to, reflecting changing demographics. People are getting married less often, having small families, and postponing major purchases; with growing talk of an economic downturn, these trends are likely to continue. Increasingly, when planning for their long-term financial security, people tend to consider mutual funds, defined contribution plans (such as 401(k)s), and IRAs — and enjoy the simple product design and availability of low-cost market index funds. Despite this, a majority of insurers still focus on manufacturing traditional life products, instead of using this opportunity to create holistic solutions that fit customers’ evolving needs.



*“ True leaders must spearhead efforts to develop other leaders for a world where change is constant.*

*– Life Insurance Executive, Asia*

Meanwhile, the ways in which life insurers engage with consumers are poised for change. Digitally advanced companies are making a concerted effort to shake up the industry and do things differently. For example, through a one-stop digital platform, China’s Ping An Insurance offers a full suite of financial products, including banking services, home loans, securities, health insurance, and life insurance. A number of key factors are expected to become increasingly important, including advanced IT and data capabilities: to analyze customer behavior, cross-sell and customize products, and process pricing and underwriting. A few insurers have taken breakthrough actions that significantly raise their level of engagement with customers. Now, others are racing to catch up with those that acted early.

Other life insurers around the world are investing in technology, in fields such as AI, automation, and data analytics, but less so than other financial services sectors are. On average, insurers globally spend around 3 percent of their annual revenue on technology, according to the market research firm Gartner. In comparison, companies such as JP Morgan Chase spend approximately 10 percent annually.<sup>1</sup> Discretionary IT budgets are stretched thin, and companies struggle to identify priorities. What's more, leaders realize their technology challenges, in part, stem from the personnel involved. Many of these employees have been in their role for more than a decade and have little experience with new ways of working, such as using agile practices. Recruiting such talent from both within and outside the insurance industry is difficult because competition for these skills is intense.

The distribution side of the business also faces an urgent talent issue. A recent LIMRA study found that the average age of life and health insurance agents has risen from 37 in 1983 to around 56 today.<sup>2</sup> Nearly 400,000 employees are expected to retire from the insurance industry workforce in the next few years.<sup>3</sup> Many of these positions could remain vacant as the industry struggles to attract younger talent. What's more, financial advisors with long tenure, and who plan to retire soon, often do not use the latest technologies and are reluctant to change the way they work. This can exacerbate the technology gap.

An increasingly strict regulatory environment around the world adds further complexity. A stronger focus on conduct regulation and greater price transparency puts increased pressure on commissions. The difficulty of navigating regulations, such as sustainability standards, also contributes to financial advisors' reluctance to offer insurance products.

Given these many headwinds, a key challenge for industry leaders is determining how to implement the changes they seek into their business.

To understand the global life insurance industry's top priorities and inform companies' strategic planning, LIMRA and BCG asked more than 500 C-suite executives around the world about their greatest challenges and the biggest external forces affecting their business.

*“That is our way of thinking here. Change management is not a negative. It is the spirit of a company keeping abreast of life.”*

*– Life Insurance Executive, Latin America*

<sup>1</sup> “This \$11 Billion Tech Investment Could Disrupt Banking,” JP Morgan Chase & Co., accessed September 13, 2019.

<sup>2</sup> Source: LIMRA 2014 data.

<sup>3</sup> “Insurance Industry Talent Crisis: The Impact of the Aging Insurance Workforce,” AmTrust Financial, <https://amtrustfinancial.com/blog/agents/the-aging-insurance-workforce>, accessed September 13, 2019.

## Greatest Challenges

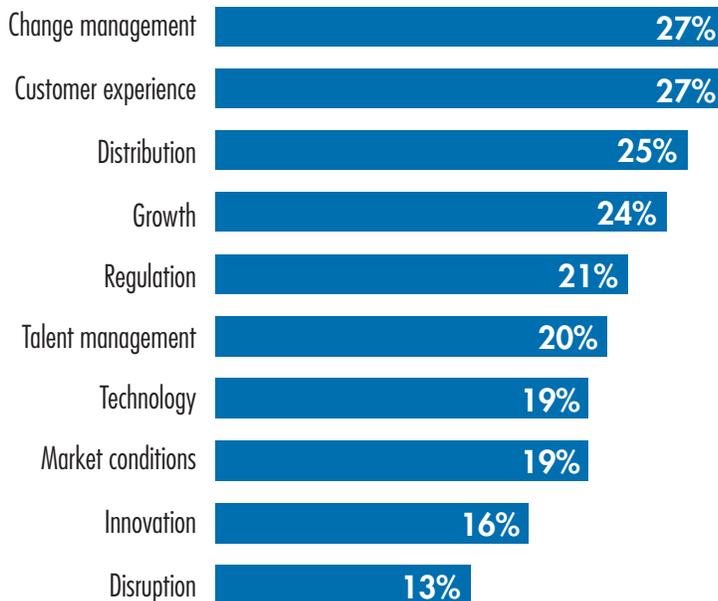
**“Change management”** — defined as actions that equip companies to successfully manage any kind of transformation, with a focus on people, processes, and technology — was the leading internal challenge. Thirty-two percent of executives worldwide listed change management among their top three challenges (Figure 1). Sorting the survey results by job function reveals that this issue is on the minds of everyone at all executive levels, regardless of business area.

**“Customer experience”** came in a strong second, with 23 percent of global executives citing it in their top three challenges. For 27 percent of CEOs/Presidents, it was tied as a number-one challenge (Figure 2). The final top-three challenge for global executives overall was **“growth.”** Specific to CEOs/Presidents, they indicated “distribution” and “growth,” respectively, were the third and fourth greatest challenges they faced.

FIGURE 1  
Three Greatest Global Challenges



FIGURE 2  
Greatest Global Challenges: CEOs/Presidents



These results differ dramatically from previous surveys. In both 2015 and 2017 respondents said “talent management” was their greatest challenge — followed by “growth” and “regulation” in 2015 and “technology” and “distribution” in 2017 (Figure 3).

Without question, talent remains a top-of-mind issue, and it still was listed within the top 10 challenges for 2019. Having the right people in the right roles is essential to driving change in an organization.



“Companies are missing the crucial link between the business and data scientists. They lack people who can turn new technical capabilities into tangible and valuable capabilities to be leveraged by the business.

– Life Insurance Executive, EMEA

## External Forces

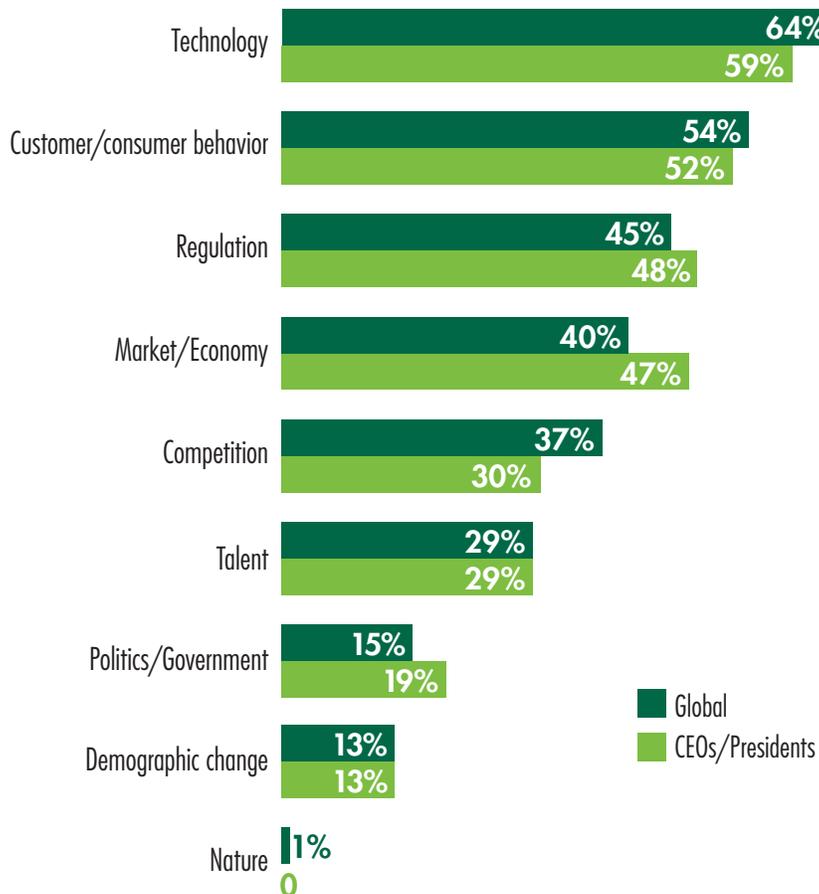
Many of the most difficult challenges life insurers face are caused by factors beyond their control. Still, managing them successfully is imperative to remain relevant and prosper in today's world.

Although "technology" has become a less urgent *internal* concern since 2017, executives indicated it is the most urgent *external* challenge affecting their business (Figure 4). Sixty-four percent of all executives worldwide and 59 percent of CEOs/Presidents cited this issue. It should not be surprising, as consumer expectations continue to evolve, integrating with digital solutions and tools can effectively improve client engagement.

This point is reinforced by the fact that "customer/consumer behavior" was listed second as an external force affecting the life insurance business — cited by 54 percent of all respondents and 52 percent of CEOs/Presidents. "Regulation" came in third. Upon closer analysis, it is clear that the strong focus on technology, customer/consumer behavior, and regulation is widely shared among life insurance executives across levels, functions, and business units.

FIGURE 4

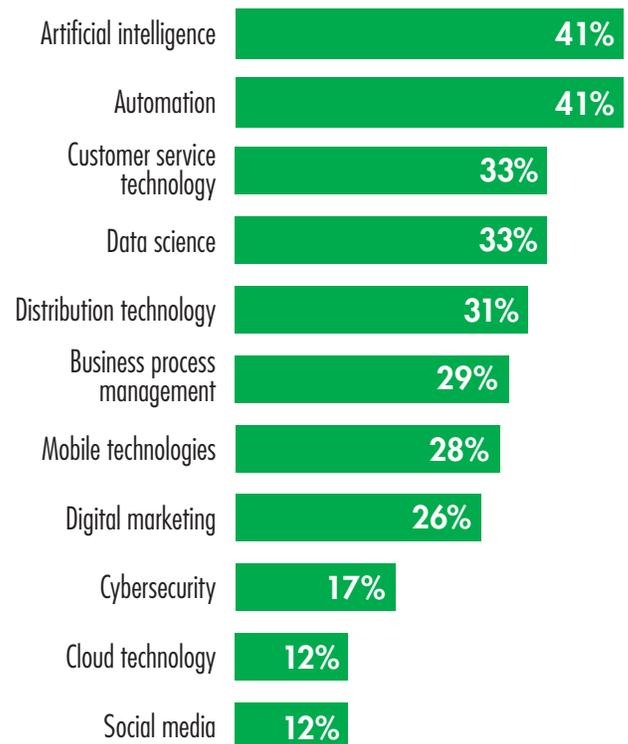
### External Forces With the Most Impact



These findings also represent a shift from 2017, when technology ranked as the third most important external force — cited by 45 percent of respondents. In 2017, executives viewed “regulation” as having the greatest impact over the near term, followed by “market/economy.”

To better understand the industry’s technology priorities, we asked life insurance executives which technologies, tools, and data they regard as most critical to their success. AI and automation topped their list, both cited by 41 percent of respondents globally (Figure 5). Customer service technology and data science were next, at 33 percent each, followed by distribution technology and business process management.

**FIGURE 5**  
**Data, Tools, and Technology Most Crucial to Success**

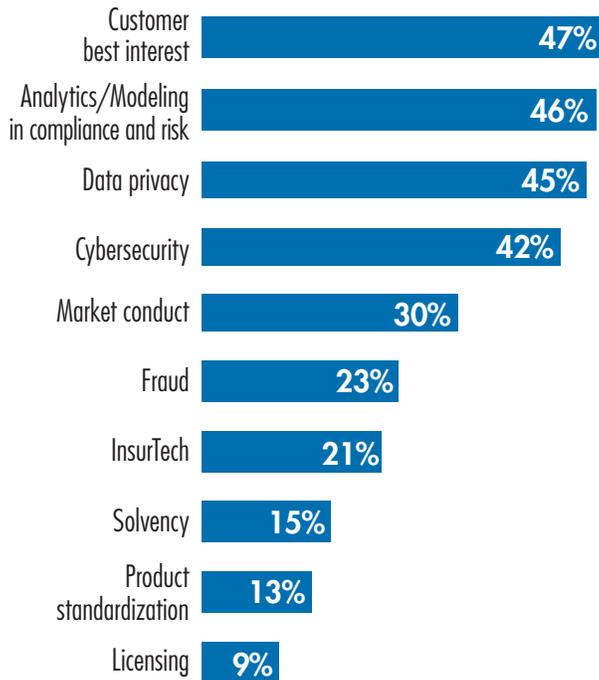


## Regulatory Challenges

The strong push in many countries for greater fiduciary and suitability standards; transparency regarding pricing, commissions, and incentives; and consumer privacy protection means that the regulatory environment will continue to have important implications for life insurers. Reflecting this, 47 percent of executives named “customer best interest” as their greatest challenge in regulation and compliance (Figure 6). This was closely followed by “analytics/modeling in compliance and risk,” “data privacy,” and “cybersecurity.”

FIGURE 6

### Greatest Regulatory Challenges



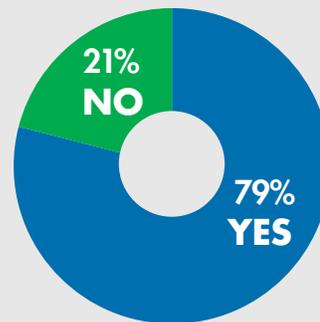
## Fraud

Our research also found that fraud has become a growing topic of interest among life insurance executives. More than three-quarters of CEOs/ Presidents and executives overall said they consider fraud to be a concern for themselves and their company. Fraudulent claims and disbursements, cited by 69 percent of respondents, cause the most anxiety (Figure 7). Executives in every region of the world, ranging from 57 percent to 80 percent of respondents, cited this type of fraud as most worrisome. This is to be expected, considering that 80 percent of life insurers experienced claims fraud in 2017, and 83 percent said fraud has increased over the past 24 months, according to one recent study.<sup>4</sup>

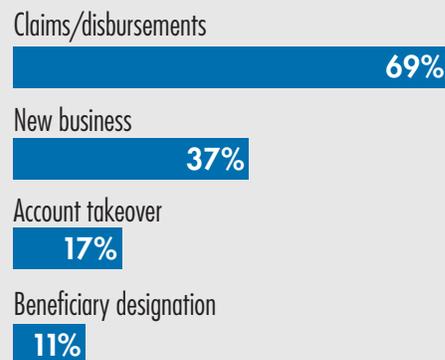
FIGURE 7

### Fraud Concerns

Is fraud a concern?



### Most concerning types of fraud



<sup>4</sup> “Life Insurance Fraud: A Holistic Claims View Key to Detection,” Verisk, [www.verisk.com/insurance/visualize/life-insurance-fraud-a-holistic-claims-view-key-to-detection/](http://www.verisk.com/insurance/visualize/life-insurance-fraud-a-holistic-claims-view-key-to-detection/), July 18, 2019.

# What the Findings Tell Us About Insurers' Business Plans

This year's Executive Study findings help reveal areas that life insurance leaders are likely to focus on during the year ahead. Here, we explore three of these topics — change management, customer experience, and technology — in more detail.

**Change Management:** The fact that change management has risen to the top of executives' minds reflects widespread recognition that strategic transformation has become imperative. It is critical to help their companies continue to succeed and grow in the face of mounting external uncertainties. Change management is also essential if insurers are to achieve their strategic aims, such as improving the experiences of customers and advisors, while maintaining their long-term promise to be there when their customers need the true benefit of their products.

The increased urgency expressed in this year's survey, however, also suggests that efforts to instill and implement change management initiatives have been challenging thus far. Simply adding new capabilities and tools to the organization will not be sufficient to keep pace with changes in technology, consumer needs and behavior, the regulatory environment, and the global economy. Most executives believe they must create an organization-wide culture that supports change

management and sustains it. One life insurance executive in Latin America recalled former General Electric CEO Jack Welch's advice "Change before you have to." This executive commented, "That is our way of thinking here. Change management is not a negative. It is the spirit of a company keeping abreast of life."

As companies enable change, they must ensure that people are at the core of each decision. Employees further down in the organization may be motivated by different things than leaders are, and they can have very different priorities and pain points. For change management to be successful, these factors must be taken into account.

It is vital that insurers have the right people in place to translate new capabilities into tangible business benefits. Nurturing strong leadership is key. According to a top executive at an Asian life insurer, "True leaders must spearhead efforts to develop other leaders for a world where change is constant." Companies must also find the right people — those who believe in change across all organizational needs, including data science and digital technology — to allow them to build a culture of agility and flexibility. In many cases, experienced talent must be recruited externally for agile practices to take root.



**Customer Experience:** As the second greatest internal challenge reported globally, customer experience has clearly drawn stronger, renewed focus from life insurance executives. While hardly new to the industry, customer experience programs and the concept of customer centricity clearly continue to present a conundrum. Life insurers have long lived in a world where distribution and advisors were the primary customer; typically there is little “customer DNA” in the organization.

The greater attention to customers can be attributed to a confluence of factors, including emerging digital players, changing consumer behavior, the need for competitive differentiation, and technological change. Indeed, a number of specific challenges cited by executives, such as growth across new customer segments and the need to master new digital technologies, relate to the perceived need for more customer centric organizations.

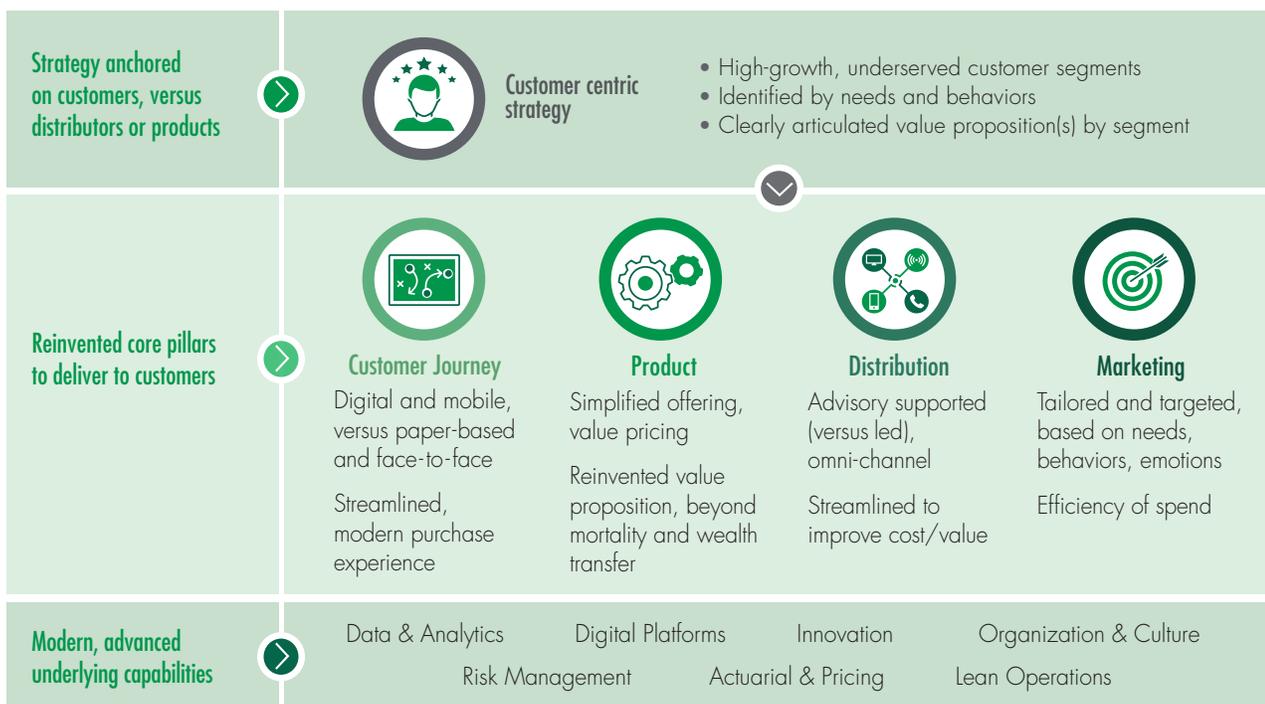
Many life insurers have been slower to create an excellent customer experience than many other consumer industries. One contributing factor is that life insurance is a product generally less understood by the general public than other consumer services. Most policies are purchased through intermediaries, and once the policy is sold, there is often little interaction between

insurers and customers beyond payment of periodic premiums.

Understanding the needs and experiences of all customers is important for life insurers to remain relevant and valuable over the long term. Such understanding provides much needed detail about what drives the customer experience, such as the ease of doing business or product offerings that provide peace of mind. Consumers have become accustomed to streamlined, digital experiences. Life insurers could improve the experience by collecting and analyzing existing customer data to expedite the application and approval process and eliminate pain points, for example. Companies also can focus more on customer needs, which should be a key aspect of any growth strategy. For example, they could develop robust technological tools to enable digital engagement from the beginning to end of the purchase process.

Customer centricity will require end-to-end organizational transformation in most life insurance companies. It should encompass the customer journey, products, distribution, and marketing (Figure 8). Change management will be required to instill a customer-focused mindset across all functions of the business.

**FIGURE 8**  
**Transformation Drives Growth**  
 Transform industry tenets, focus on end clients, and drive step-change growth



Source: BCG



“*Data science is the new way to make improvements and serve customers better.*”

– *Life Insurance Executive, Latin America*

**Technology:** The life insurance industry has been behind the curve when it comes to technology. While companies in other industries embark on sweeping digital transformations, life insurers have long struggled to manage and consolidate their core legacy systems. This limits their ability to focus on the latest innovations in digitization, data, and AI. Migrating from legacy systems is also costly and fraught with risk, which is why many companies have not modernized their core systems environment.

However, the industry now may have reached an inflection point. In this year’s survey, managing legacy systems does not rank among executives’ top 10 technology priorities. This suggests that the industry is focusing more on technologies that can improve the overall distributor and customer experience.

Insurers can better understand and engage with consumers by leveraging AI, automated underwriting, robust predictive analytics, and real-time digital guidance. In turn, this allows insurers to offer them more personalized products. As one life insurance executive in Latin America noted, “Data science is the new way to make improvements and serve customers better. But there is so much still to be learned. It is hectic and a game changer at the same time.”

New digital tools also could greatly streamline internal processes for life insurance, such as simplifying and accelerating the process of acquiring and onboarding customers, while greatly enhancing cross-selling and up-selling capabilities. Insurance leaders say incorporating technology-based tools, such as those that digitize applications and help advisors develop leads and better explain product options, can help the life industry meet or exceed the technology standards set by other industries.

Implementing new technologies remains a daunting challenge for many in the life insurance industry, however, partly because many companies still lack the right talent. In particular, insurers need teams with the skills to process and analyze the wealth of client data that they generate (as well as obtain from external sources), which can be used to gain valuable insights. “Companies are missing the crucial link between the business and data scientists,” said an executive in Europe. “They lack people who can turn new technical capabilities into tangible and valuable capabilities to be leveraged by the business.”

An additional challenge is that executives often do not know the right questions to ask of data scientists, nor do they know the most effective ways to work with them. This will be a learning process for both sides.

# Imperatives for Enabling Change

Our research suggests that many executives have identified a clear set of trends likely to define the life insurance company of the future. It will place customers closer to the center of the business. It will deploy advanced technologies and leverage data science to enhance the customer experience, improve efficiency, and develop new, more personalized products. Winning organizations will be more agile.

We offer the following thoughts for life insurance industry leaders to consider as they realign, reimagine, and transform their companies for tomorrow:

**Instill a pro-change culture.** A corporate culture that embraces change is a pre-requisite if life insurers are to make their businesses meaningfully more customer centric. That begins with having the right people across the organization, be they specialists in data, analytics, or digital technologies, who believe in change. Introducing new technology can help, but that is peripheral compared with having people who can work in an organization built around responsiveness and flexibility.

**Focus on the customer.** The first thing to remember about improving the customer experience is instilling a “customer first” culture and defining who the customer is for each organization. Authenticity and agility are key. Insurers need to better understand the needs of

their customers by closely and regularly monitoring customer journeys to determine what is going well and what needs to improve. It also creates the opportunity to expand the solutions they can offer and develop a competitive advantage.

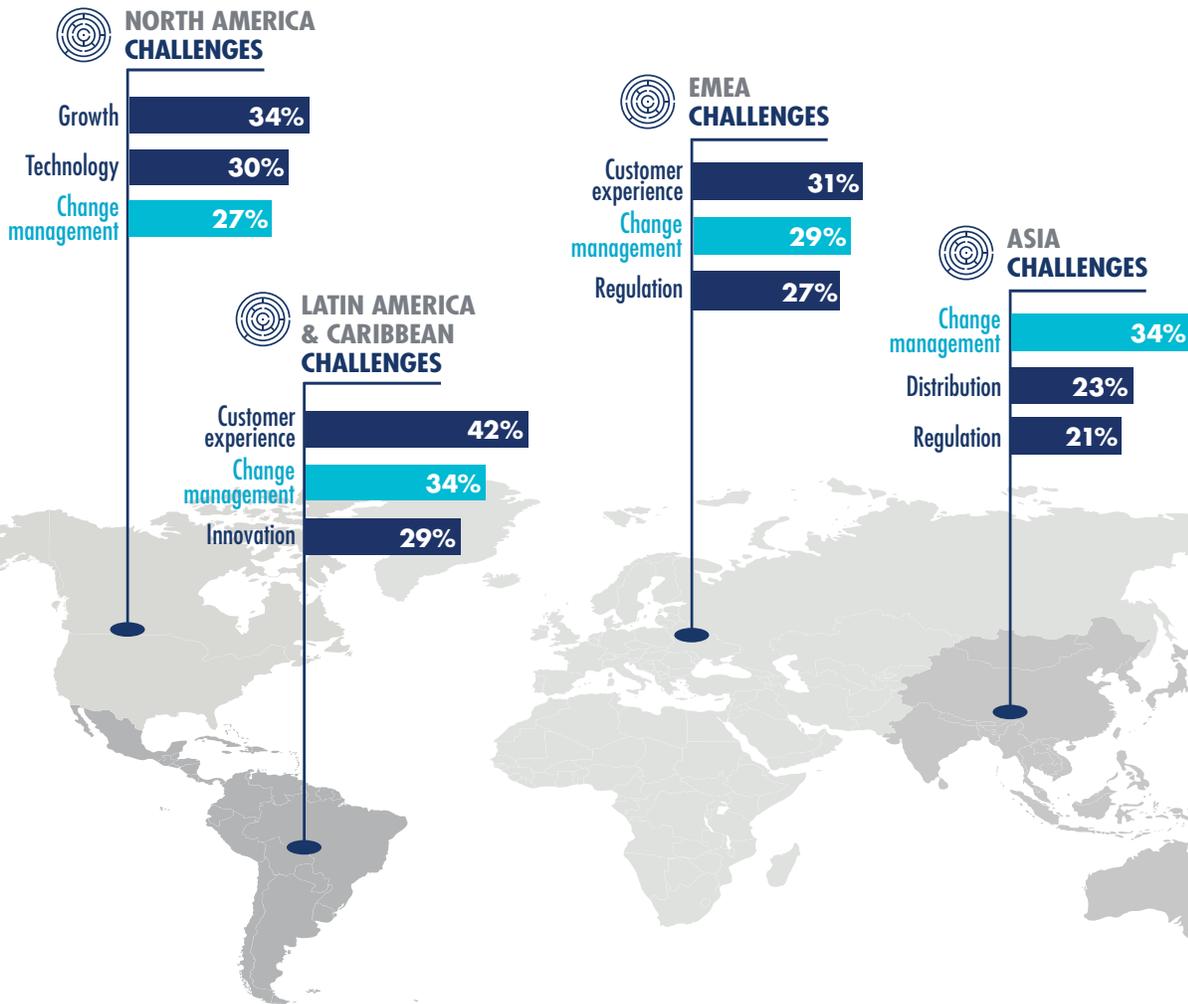
**Think strategically about technology.** Many life insurance companies still struggle to identify priorities when allocating their discretionary IT budgets. While life insurance companies are considering opportunities to digitize the customer experience, automate back-end processes, and better use AI and automation to generate leads and better price risk, the implementation often does not meet expectations. Insurers need to assess if they have large enough discretionary budgets, or if they need to invest more to achieve their ambition. For companies to truly achieve the quality of digital experience and operational efficiency they desire, technology must become more central to the overall business strategy, viewed as a source of competitive advantage — rather than merely a cost. Insurers must hire individuals capable not only of building and maintaining modern AI and automation technologies, but also who can use new analytical capabilities to achieve real business impact. This may require changing their recruiting techniques and increasing focus on developing existing employees.

Life insurance companies must navigate a daunting array of economic, demographic, technological, and regulatory challenges — and address them in an environment of constant, rapid change. By building organizations that not only adapt to change but also thrive on it, they can offer a superior customer experience, harness the full power of advanced technologies, and still manage regulatory requirements. As our research finds, insurers are ready to implement change in their culture, processes, and entire organizations. This will provide them the agility and customer engagement needed to drive growth for years to come.

# APPENDIX A

## Top Challenges for Executives

Out of the top 10 challenges for executives, change management is in the top three for all surveyed regions, with both growth and customer experience a priority in half of the regions.



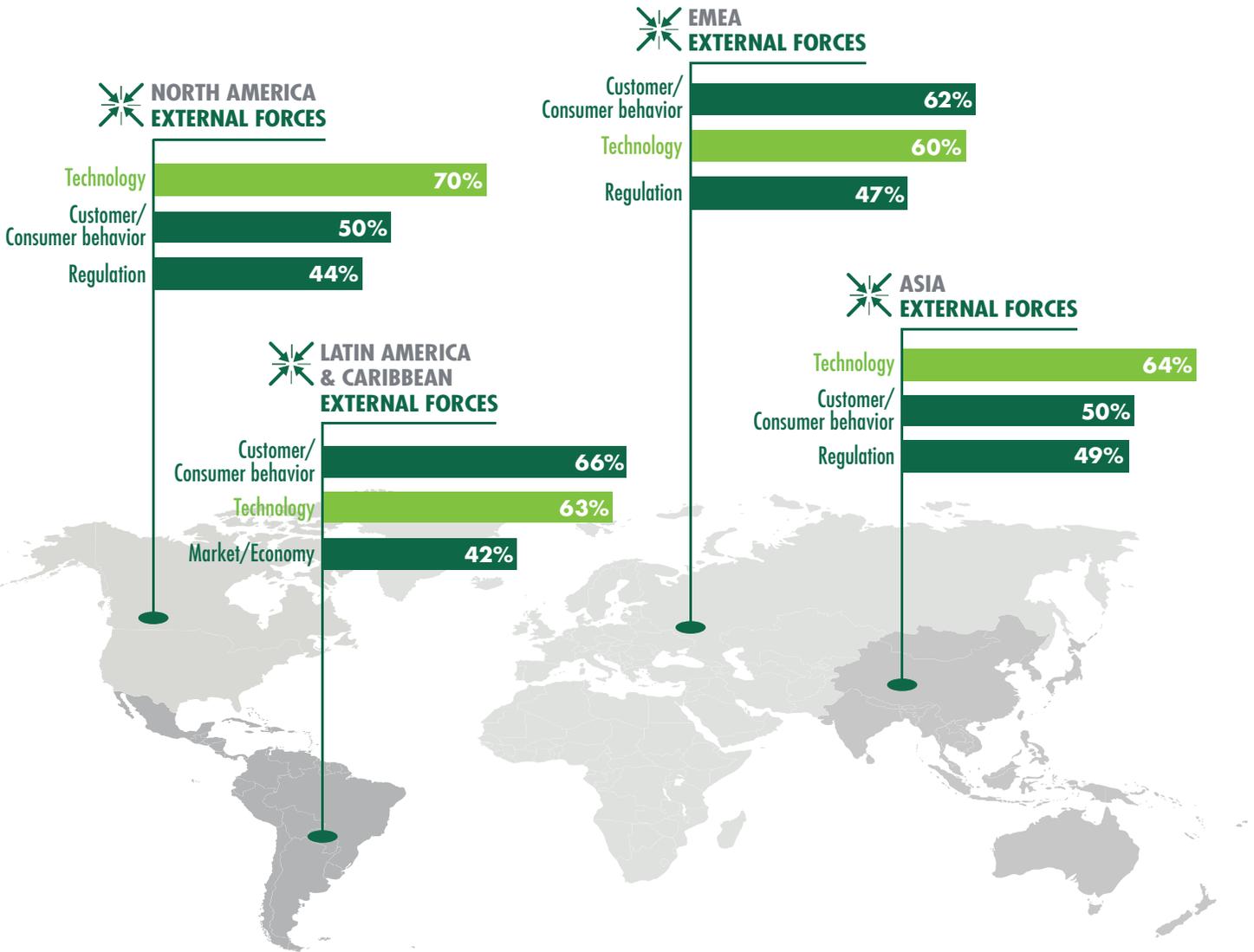
### Three Greatest Global Challenges



# APPENDIX B

## External Forces With the Most Impact According to Life Insurers

Executives from all regions cite technology and customer/consumer behavior in the top three external forces they expect to have an impact on their business.



## METHODOLOGY

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 aim of this study is to drive, strengthen, and enlighten strategy for those in the life insurance industry.

As one of the largest research efforts to date of its kind, in spring 2019 we gathered 508 responses from 62 global markets via an online survey. Of these responses, 98 were from industry CEOs/Presidents. Additionally, we interviewed two dozen respondents across all regions and job titles to enrich the quantitative analysis with qualitative guidance, providing a truly robust perspective.

This publication is the result of a collaboration between LIMRA and BCG.

**LIMRA** is a worldwide research, consulting, and professional development organization that has served the insurance and financial services industry since 1916. As the trusted source for industry knowledge, LIMRA helps nearly 600 insurance and financial services companies in 64 countries.

**LL Global, Inc.** is the parent company for LIMRA and LOMA. Under the LL Global umbrella, LIMRA and LOMA represent more than 1,300 members, including most of the world's largest life insurance companies, in 64 countries worldwide. Together, they provide members with substantive, timely, and relevant research and education.

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